

Weekly Market Summary



September 25, 2020

Highlights

- Nigeria Monetary Policy Committee cuts benchmark interest rate by 100bps
- Nigerian equities climb by 2.92% w-o-w
- Overnight rate accelerates to 11.5%
- US Manufacturing PMI prints at 53.5pts in September

Economic Data	25-09-20	18-09-20	Change	YTD
NSEASI	26,319.34	25,572.57	2.92%	-1.95%
NSELII	1,888.10	1,852.54	1.92%	2.91%
Market Cap (₦'bn)	13,754.88	13,364.56	2.92%	6.15%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	41.92	43.15	-2.85%	-36.48%
External Reserves (\$'bn)	35.77	35.81	-0.11%	-7.31%
LC Managed Funds				
Halal Investment Fund (₦)	1.24	1.27	-2.36%	8.78%
Halal Fixed Income Fund (₦)	1,141.63	1139.79	0.16%	7.78%
Lotus Halal Equity ETF (₦)	8.98	9.23	-2.64%	7.15%

NIGERIAN MARKET UPDATE

Monetary Policy Committee cuts benchmark interest rate by 100bps

At the end of its two-day meeting this week, the Monetary Policy Committee of the Central Bank of Nigeria (CBN) lowered the benchmark interest rate for the second time this year from 12.5% to 11.5%. It also adjusted the asymmetric corridor around the Monetary Policy Rate (MPR) from +200/-500bps to +100/-700 bps. The MPC maintained both the Cash Reserve Ratio (CRR) and Liquidity Ratio (LR) at 27.5% and 30.0% respectively.

Despite the rise in inflation, the MPC stated that it chose to lower interest rates to support economic recovery following the GDP contraction in Q2'2020. The committee further hinged its decision on the need to reduce the cost of borrowing and it believes this move will complement its various intervention programmes in agriculture, manufacturing and other sectors.

The adjustment in the asymmetric corridor will reduce banks' deposit rate with the CBN from 7.5% to 4.5% and their lending rate from 14.5% to 12.5%. This should spur banks to further increase lending to the private sector which has already grown by 24% from N15.6trn to N19.3trn over the past 15 months.

Equities climb by 2.92% w-o-w

In the week under review, investors reacted positively to the interest rate cut and the NSE All-Share Index posted its highest gain in 19 weeks. Notably, the NSE ASI rose by 2.92%, moderating its year to date performance to -1.95%

The positive sentiment reflected in all sectors and the NSE Consumer Goods Index led the gainers with 5.99%. It was trailed by the NSE Banking index (3.59%), NSE Industrial goods index (2.44%), NSE Oil and Gas index (1.16%) and NSE Insurance index (1.08%).

The NSE Lotus Islamic Index gained by 1.92% this week, with its year to date return rising to 2.91%.

Overnight rate accelerates to 11.5%

At the money market this week, the overnight rate climbed to 11.5% (vs 3.0% last week) as CRR debits by the CBN and funding for FX auction outweighed the N300bn in OMO maturities.

At the currency market, the CBN's official exchange and the I&E window rates of N381/\$ and N386/\$ were unchanged. On the other hand, the naira weakened at the parallel market to N467/\$ (last week: N465/\$).

GLOBAL MARKETS

US Manufacturing PMI prints at 53.5pts in September

The world's largest economy appears to be in full steam according to data from IHS Markit which showed that US Manufacturing Purchasing Manager Index (PMI) increased to 53.5pts in September (August: 53.1pts) - indicating further expansion in manufacturing output.

The data showed a significant increase in new manufacturing orders which is a sign of strong demand and business optimism. In addition, higher production levels were recorded across all manufacturing subsectors.

Despite the positive close to the third quarter, US' economic performance in the fourth quarter may be subdued by political uncertainty around the upcoming presidential elections and a possible second wave of the coronavirus outbreak.

OUTLOOK

In the coming week we expect the MPCs decision to cause lower yields in the fixed income market and increased participation in the equities market. At the money market, we expect the overnight rate to fall as inflows from OMO maturities and FGN bond coupon payments boost system liquidity.

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Definitions:

Bpd:	Barrels per day
Bps:	Basis points
CPI:	Consumer Price Index
CBN:	Central Bank of Nigeria
CAPEX:	Capital Expenditure
DMO	Debt Management Office
DJIA	Dow Jones Industrial Average (US Equity Market)
FAAC:	Federation Account Allocation Committee
FGN:	Federal Government of Nigeria
FMDQ	Financial Markets Derivatives Quotation
I&E:	Investors & Exporters Window
MoM:	Month on Month
MPC	Monetary Policy Committee
MPR:	Monetary Policy Rate
NSEASI:	Nigerian Stock Exchange All-Share Index
NSEBNK	Nigerian Stock Exchange Banking Index
NSECNSMRGDS:	Nigerian Stock Exchange Consumer Goods Index
NSELII:	Nigeria Stock Exchange Lotus Islamic Index
NSEIND:	Nigerian Stock Exchange Industrial Goods Index
NSEINS:	Nigerian Stock Exchange Insurance Index`
NSEOILGAS:	Nigerian Stock Exchange Oil and Gas Index
OMO:	Open Market Operations
OPEC:	Organization of Petroleum Exporting Countries
PMI:	Purchasing Managers Index
QoQ:	Quarter on Quarter
Sukuk:	Non-interest Bonds
WoW:	Week on Week
YoY:	Year on Year