# REGENCY RESEARCH

WEEKLY MARKET REPORT

Monday August 08, 2022\_

# <u>Ailing Revenue and Incessant Recurrent Expenditure Have Fueled Debt Service Concerns</u>

The recently released Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF and FSP) revealed that Nigeria's debt stock rose by N2.1tn to N41.6tn (excluding the FGN's Ways and Means outstanding, currently estimated at N20.0tn) in the Q1-2022, with 60.0% emanating from domestic debt stock. The report also revealed Debt servicing amounted to N1.9tn, exceeding the budget by 47.0% between January and April. In the same period, Federal Government revenues amounted to 1.6tn, underperforming against the budget by 50.9% in Q1-2022. The nation's already fragile debt profile has been continually threatened by ailing Oil Revenue, which has been dragged by the high importation costs of PMS and Oil production shortfalls resulting from reduced production, theft, and vandalism. As a result, Oil Revenue declined and stood at N1.2tn against a projected N3.1tn in Q1-2022. This was despite prices exceeding the benchmark of \$70 (Brent crude averaged \$104.5 in 2022). The underperformance is mainly due to weaker than projected oil production, with crude oil production averaging 1.32mbpd as of Apr-2022 (compared to the budget benchmark of 1.60mbpd). On the other hand, Non-Oil revenue performance stood at 84.0%, driven by the strong performance in the collection of a Company Income Tax (CIT) (99% of its target) and Value Added Tax (VAT) (98% of its target). Ailing revenue and incessant spending on recurrent expenditure have (grown 152.8% from N3.6tn to N9.1tn in the last five (5) years) increasingly led the FGN to seek debt financing. Subsequently, Debt servicing to revenues stood at 88.1% in 2021, increasing from 84% in 2020. In conclusion, overall economic performance has averagely returned N4.3tn achieving 70.0% of the budget in the past five (5) years, and the Oil revenue achieved 68.0% of the target averaging N2.0tn in the same period. The FGN efforts to grow its Non-Oil revenue has been amicable, with Non-Oil revenue performance returning 1.9tn averagely in the same period and achieving 94.0% of the budget. Despite the nation's 22.3% debt to GDP ratio (still below the fixed ceiling of 40.0%), the debt servicing to capital expenditure has risen significantly to 250.0% as of Q1-2022, against 140.0% for FY-2021 Indicating despite rising debt stock the nation's investment in CAPEX has reduced relatively over time further reducing the nation's ability debt sustainability.

#### **Capital Market Summary.**

Analysis of the market activity in the week ended August 12, 2022 shows that the market lost strength as investors sold valued stocks during the week. The NGX All Share Index and market capitalization of listed equities thereby depreciated by 2.09% each from the opening figures of 50,722.33 and N27,358 trillion to close at 49,664.07 and N26,787 trillion respectively. Its year to date (YTD) return stands at +16.26%.

#### MACROECONOMIC INDICATORS

GDP Growth Rate	+3.11%	May 24. , 2022
Un-employment Rate	33.30%	May 24, 2022
Broad Money Supply (M2)	N38,026,970.00 rn	May 24, 2022
Money Supply (M1)	N16,186,615.62rn	May 24, 2022
Consumer Price Index (YOY)	18.60%	July 15, 2022
Monetary Policy Rate (MPR)	14.00%	July 19, 2022
Cash Reserve Ratio (CRR)	27.50%	May 24, 2022
Nigeria's Bonny Light Crude Oil	US\$112.25/Bar	August 12, 2022
Nigeria's Gross External Re- serves	US\$38.68bn	August 12, 2022

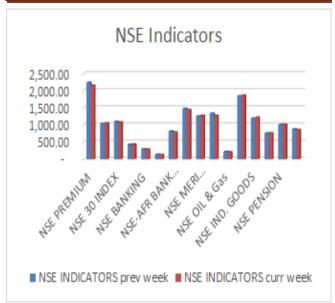
Source: Central Bank of Nigeria (CBN)

#### ALL SHARE INDEX & MKT. CAP



Source: Nigerian Stock Exchange (NSE) & Regency Research

#### PERFORMANCE OF THE NSE INDICES





					STOCK	RECOMM	ENDE	D FO	R TRA	DING										
STOCKS	Mkt price	curr price	Cap. App	Bk Value	6 mths	No of Shares in	52wks	52 wks	PAT N'b	PAT N'b	EPS N=	EPS N=	Period	Div. pd	Div. Yield	NET ASSETS	Exp. Retu	Exp return	Total	Total
	31/12/21	30/6/2022	%	N=	Exp Price	Issue	high	low	Current	Last year	Current	Last year		N=	%	N=bill.	cap. Appr	Div. N=	Ret. N=	Ret. %
UBA	8.05	7.45	(7.45)	24.15	9.66	34,199,421,368	8.05	7.00	41,496	38,155	1.14	1.04	gter 1	1.00	12.42	825,753,000,000	1.61	1.00	2.61	32.42
ZENITH	23.95	21.70	(9.39)	42.37	28.74	31,396,493,786	27.50	22.00	58,198	53,080	1.85	1.69	gter 1	3.10	12.94	1.330.397.000.000	4.79	3.10	7.89	32.94
GTCO	26.00	20.50	(21.15)	30.88	31.20	29,431,179,224	30.25	21.45	43,208	45,546	1.51	1.60	ater 1	3.00	11.54	908,758,731,000	5.20	3.00	8.20	31.54
ACCESS	9.30	9.25	(0.54)	30.84	11.16	35,545,225,622	10.00	8.00	57,399	52,549	1.63	1.49	gter 1	1.00	10.75	1,096,318,000,000	1.86	0.60	2.46	26.45
FBNH	11.40	11.60	1.75	21.51	13.14	35,895,292,792	12.90	7.05	32,401	15,599	0.89	0.43	gter 1	0.35	3.07	907,678,000,000	2.19	0.35	2.54	22.28
FIDELITY	2.55	3,42	34.12	10.65	3.06	28,974,797,023	4.05	2.19	9,515	9,590	0.33	0.33	gter 1	0.35	13.73	308,486,000,000	0.51	0.22	0.73	28.63
DANSUGAR	17.40	16.30	(6.32)	11.32	20.88	12,146,878,241	18.75	15.00	8,870	8,302	0.73	0.68	gter 1	1.00	5.75	137,500,909,000	3,48	1.00	4.48	25.75
NASCON	13.20	11.75	(10.98)	6.08	15.84	2,469,438,378	16.00	11.70	0.38637	0.72320	0.58	1.09	ater 1	0.40	3.03	15,017,053,000	2.64	0.40	3.04	23.03
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UCAP	9.90	12.75 5.65	28.79	3.97	11.88	6,000,000,000	14.15	5.85	-	1,659	1.54 0.20	1.11	qter 1	1.50	15.15	23,849,201,000	1.98	1.50	3.48	35.15
AFRIPRUD	6.35		(11.02)	4.08	7.62	2,000,000,000	8.15	5.75	0.43147	0.38135		0.19	qter 1	0.50	7.87	8,164,549,000	1.27	0.50	1.77	27.87
CADBURY	8.80	17.25	96.02	8.08	10.56	1,878,202,000	17.85	7.65	1,542	0.24158	0.82	0.13	qter 1	0.50	5.68	15,177,904,000	1.76	0.50	2.26	25.68
UNILEVER	14.50	14.80	2.07	11.76	17.40	5,745,006,000	17.00	11.00	1,796	(0.49196)	0.31	(0.09)	qter 1	0.50	3.45	67,557,964,000	2.90	0.50	3.40	23.45
PZ	6.10	9.60	57.38	9.87	7.32	3,970,476,000	13.70	5.25	5,641	1,017	1.42	0.26	qter 3	0.25	4.10	39,204,100,000	1.22	0.50	1.72	28.20
NAHCO	3.74	8.50	127.27	4.52	4.49	1,624,218,750	7.25	2.15	0.324	0.170	0.20	0.10	Qter 1	0.41	10.96	7,342,538,000	0.75	0.41	1.16	30.96
FLOUR MILL	28.35	32.50	14.64	40.40	34.02	4,100,379,605	41.45	27.50	15,592	8,161	3.85	1.84	qter 3	2.15	7.58	165,658,000,000	5.67	1.65	7.32	25.82
DANCEM	257.00	275.00	7.00	60.76	269.85	17,040,507,405	300	204	105,851	89,710	6.18	5.29	qter 1	20.00	7.78	1,035,308,000,000	12.85	20.00	32.85	12.78
LARFAGE	23.95	26.40	10.23	24.59	28.74	16,107,795,496	33.20	20.05	17,558	9,136	1.09	0.57	qter 1	2.00	8.35	396,118,753,000	4.79	2.00	6.79	28.35
GSK	5.95	6.50	9.24	7.94	7.14	1,195,878,488	8.50	5.35	0.19437	0.65881	0.16	0.55	qter 1	0.45	7.56	9,493,815,000	1.19	0.40	1.59	26.72
MAY BAKER	4.02	3.97	(1.24)	4.33	4.82	1,725,234,000	5.45	3.91	0.19429	1,050	0.11	0.61	qter 1	0.30	7.46	7,466,409,000	0.80	0.30	1.10	27.46
FIDSON	6.22	11.20	80.06	7.14	7.46	2,086,260,000	12.05	4.60	1,150	0.57955	0.55	0.28	qter 1	0.50	8.04	14,901,503,000	1.24	0.25	1.49	24.02
NB	50.00	58.80	17.60	23.26	60.00	7,996,902,051	78.50	39.90	13,614	7,660	1.69	0.96	qter 1	1.60	3.20	185,976,547,000	10.00	1.60	11.60	23.20
GUINNESS	39.00	90.50	132.05	41.12	46.80	2,190,382,000	110	28.50	15,278	1,838	6.98	0.84	gter 3	0.46	1.18	90,065,026,000	7.80	0.46	8.26	21.18
JBERGER	22.35	26.50	18.57	34.28	26.82	1,600,000,000	30.50	18.91	1,734	2,364	1.08	1.52	gter 1	2.50	11.19	54,846,326,000	4.47	0.40	4.87	21.79
VITAFOAM	22.50	22.50		11.61	27.00	1,250,844,064	25.00	8.70	3,613	2,487	3.20		gter 2	1.50	6.67	14,518,926,000	4.50	1.50	6.00	26.67
UACN	9.50	11.10	16.84	17.87	11.40	2,881,296,580	15.00	8.90	0.6387	0.66815	0.18	0.12	gter 1	0.65	6.84	51,477,943,000	1.90	1.20	3.10	32.63
ARDOVA	13.00	13.05	0.38	12.30	15.60	1,310,628,000	18.00	11.55	(1,649)	1,858	(1.26)	1.44	gter 4	0.19	1.46	16,124,000,000	2.60	0.19	2.79	21.46
CONOIL	22.00	28.80	30,91	32.20	26.40	693,952,117	31.50	20.00	0.55722	0.42393	0.80	0.61	ater 1	2.50	11.36	22,346,589,000	4.40	1.50	5.90	26.82
TOTAL	221.90	234.50	5.68	135.71	266.28	339,521,837	265	145	4,366	2,970	12.86	8.75	ater 1	18.20	8.20	46,077,873,000	44.38	6.08	50.46	22.74
	5.05	7.10	40,59	9.97	6.06		8.80	4.86	0.87746	0.25445	0.67	0.20	gter 1	0.10	1.98	12,995,801,000	1.01	0.10	1.11	21.98
ETERNA						1,304,144,000	_						-	+			1			
OKOMU	142.00	215.00	51.41	45.65	149.10	953,910,000	215	104	9,498	5,271	9.96	5.53	qter 1	8.00	5.63	43,550,072,000	7.10	7.00	14.10	9.93
PRESCO	87.80	165.00	87.93	42.83	92.19	1,000,000,000	200	70.00	13,775	5,030	13.78	5.03	qter 3	6.60	7.52	42,826,810,000	4.39	2.00	6.39	7.28
CUSTODIAN	7.90	7.00	(11.39)	11.27	9.48	5,881,864,195	8.45	5.85	2,186	1,329	0.35	0.24	qter 1	0.40	5.06	66,310,651,000	1.58	0.45	2.03	25.70
NEM	4.50	3.80	(15.56)	2.40	5.40	10,032,955,535	5.00	1.86	1,545	1,092	0.15	0.11	qter 1	0.22	4.89	24,048,082,000	0.90	0.09	0.99	22.00
MTN	197.00	230	16.75	17.54	236.40	20,354,513,050	270	160	96,820	73,748	4.76	3.62	qter 1	8.57	4.35	356,984,000,000	39.40	8.57	47.97	24.35
TRANSCORP	0.96	1.23	28.13	3.72	1.152	40,647,990,293	1.52	0.84	5,035	2,041	0.05	0.0179	qter 1	0.02	2.08	151,040,841,000	0.19	0.01	0.20	21.04
NGX	19.9	23	15.58	17.44	23.88	1,964,115,918	27.9	15.3	0.1483	0.8032	0.07		qter 1			34,262,654,000	3.98		3.98	20.00
FCMB	2.99		15.72	12.57	3.588	19,802,710,754	3.88	2.71	5,168	3,572	0.28		gter 1	0.15	5.02	248,968,936,000	0.60	0.15	0.75	25.02
LIVESTOCK	2.15		(39.53)	0.84	2.58	2,999,999,418	2.5	1.42		0.176539	0.06		gter 1	-	-	2,520,597,000	0.43	-	0.43	20.00
HONYWELL	3.40	2.76	(18.82)	7.34	4.08	7,930,197,858	4.45	1.1	0.0209	0.323			qter 3	0.07	2.06	58,232,000,000	0.68	0.07	0.75	22.06
HONTWELL	3,40	2.70	(10.02)	7.54	4.00	1,330,131,030	4.40	1.1	0.0203	0.323	0.03	0.041	quero	0.07	2.00	30,232,000,000	0.00	0.07	0.73	22.00
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#### **Domestic Market Review**

## OUTLOOK AND STOCK RECOMMENDATION FOR THE WEEK

15/08/22-19/08/2022). The Nigerian bourse came down during the week. The market sentiment remained red. The NGXASI closed the week with -2.09% loss as against +0.70% gain recorded last week. The Nigerian Exchange lost N570.79bn in naira terms. Year-to-date, the NGSAXI remained positive to close the week with a +16.26% gain as the market capitalization settled at N26,787 trn at the end of the week. As companies continued to release their Q2 financial report, we expect positive earnings to be a significant factor for investors in deciding which stock to buy. In the coming week, we expect the market to return to positive as prices of some valued stocks are attractive due to profit taking. We will continue to advise investors to trade only in fundamentally justified stocks as the weak macro environment remains a significant headwind for listed companies. In the light of the above we uphold the the previous week recommendation for purchase during the week. The companies recommended are good dividend paying stocks with strong fundamentals. Their prices are very attractive due to profit taking in the last trading week. The stocks are: UCAP PLC, LARFAGE AFRICA

#### RECOMMENDED STOCKS FOR THE WEEK

Stocks	Current	Max. entry	Target	%
	Price	Price	price	Change
		N=		
NB	47.15	60.00	60.00	27.25
GTCO	20.40	21.00	30.00	47.06
UCAP PLC	12.40	12.00	15.00	20.97
LARFAGE	24.95	25.00	30.00	20.24
ACCESS	8.80	10.00	12.00	36.36
UBA	7.05	8.00	10.00	41.84
ZENITH	21.25	24.00	30.00	41.18
GUINNESS	82.00	90.00	120.00	46.34
NGX	20.15	21.00	25.00	24.07

PLC. GTCO, NB PLC, UBA PLC, ACCESS PLC. ZENITH, GUINNESS PLC, AND NGX PLC

#### FINANCIAL HIGHLIGHTS OF RECOMMENDED STOCKS

Company	Result	Turi	nover	PAT				
		Current		Current				
		N=bill	Last yr N=bil	N=bill	Last yr N=bil	Curr EPS	Last Div. Paid	
NGX PLC	2nd QTER						NO div. paid in	
	30/06/2022	3.82	1.59	0.820	0.449	N0.44	2021 FY	
LARFAGE								
WAPCO	2nd QTER						N2 div. was de-	
	30/06/2022	186.59	145.02	37.41	28.32	N2.32	clared 2021 FY	
GTCO MILLS	1st QTER						N3.00 paid in year	
	31/03/2022	112.76	100.96	43.21	45.55	N1.51	2021 FY	
UCAP PLC	2nd gter	112.70	100.50	43.21	45.55	NI.JI	N1.50 DIV PD IN	
00/11 120	30/06/2022	9.110	6.85	4.44	3.14	N1.48	YEAR 2021	
UBA PLC	, ,	3.110	0.03		3.21	111.10	12/11/2021	
	1st Qter						N1.00 Paid in year	
	31/03/2022	184.12	155.55	41.50	38.16	N1.14	2021 Financial year	
ACCESS BANK	1st Qter						N1.00 pd as divi-	
PLC	31/03/2022	295.74	222.14	57.40	52.55	N1.64	dend in year 2021	
GUINNESS	, ,			2			•	
PLC	audited						N7.14 PD IN YEAR	
	30/6/2022	206.82	160.42	15.60	1.25	N7.15	2022	
ZENITH PLC	1STBQTER			Source	Nigerian Stock Ex	chanae (NSF)	&M3e10rPD HEXEAR	
	31/3/2022	191.52	157.31	58.20	53.06	N1.85	2021	



# **Domestic Market Review**

# **GAINERS FOR THE WEEK**

Thirty three stocks appreciated in price during the week, as against Forty one stocks in preceding week. The top ten price gainers during the week were:

# **LOSERS FOR THE WEEK**

Twenty six stocks depreciated in price during the week as against Twenty Two stocks recorded in the preceding week. The top ten price losers during the week were:

# EXCHANGE TRADED PRODUCTS (ETP)

A total of 3,091 units of Exchange Traded Product valued at N13,062,652.57 in 41 deals were traded during the week compared with 16,247 units of Exchange Traded Products valued at N400,448.65 traded last week in 24 deals.

# **BOND MARKET**

A total of 80,732 units of FGN Bond valued at N86,216,780.14 in 38 deals were traded during the week compared with 118,689 units of FGN Bond valued at N120,856,290.66 traded last week in 35 deals

#### **MARKET SUMMARY**

	Curr. Week	Previous	% Change
		week	
Volume	1,511 M	705.636M	-114.13
Value N=	N13,547 B	N12,850 B	5.42
Total Gain	33	41	-19.51
Total Loss	26	22	-18.18
Deals	20,074	23,124	-13.19
All Share Index	49,664.07	50,722.33	-2.09
Market Cap.	N=26,787	N=27,873	-2.09
	Trillion	Trillion	

# **TOP TEN GAINERS**

Company	Op.Price	d. Price	Gain	Gain in %
IKEJA HOTEL	0.97	1.27	0.30	30.93
MULTIVERSE	1.88	2.44	0.56	29.79
NEM	3.40	4.41	1.01	29.71
COURTVILLE	0.47	0.56	0.09	19.15
CHAM	0.25	0.28	0.03	12.00
JAPAUL	0.34	0.38	0.04	11.76
BUA FOOD	54.50	59.95	5.45	10.00
PRESTIGE	0.40	0.44	0.04	10.00
LASACO	0.93	1.02	0.09	9.68
MAY BAKER	3.61	3.90	0.29	8.03

#### TOP TEN LOSERS

Company	Op.Price	Op.Price Cl. Price L		Loss in %
CUTIX	2.40	2.05	(0.35)	(14.58)
CARVETON	1.17	1.05	(0.12)	(10.26)
BUA CEMENT	58.80	52.95	(5.85)	(9.95)
IND & MED GA	9.15	8.25	(0.90)	(9.84)
STANBIC	31.00	28.00	(3.00)	(9.68)
SKYWAY	6.25	5.65	(0.60)	(9.60)
SOVERIGN	0.27	0.25	(0.02)	(7.41)
UPDC	1.13	1.05	(0.08)	(7.08)
TRANSCORP	1.15	1.07	(0.08)	(6.96)
MTNN	214.90	200.00	(14.90)	(6.93)



# **MODEL EQUITY PORTFOLIO**

		PORTFOLI	O VALUATION A	S AT 12/08	/2022							
				Unit	B-E	Current	Target price		Dividend	TOTAL	Gain/Loss	
P/Date	Stock	Units	Tcost	Cost	Price	Price	30% App	NET VALUE	Dividend	TOTAL VALUE		G/L%
1/1/2022	WAPCO	50,000	1,216,350.00	24.33	24.78	24.95	31.63	1,224,851.64	45,000.00	1,269,851.64	53,501.64	4.40
1/1/2022	UBA	50,000	410,550.00	8.21	8.36	7.05	10.67	346,100.36	45,000.00	391,100.36	- 19,449.64	- 4.74
1/1/2022	FIDELITY	50,000	130,050.00	2.60	2.65	3.05	3.38	149,731.36	15,750.00	165,481.36	35,431.36	27.24
1/1/2022	DANGSUGAR	50,000	887,400.00	17.75	18.08	16.70	23.07	819,840.58	45,000.00	864,840.58	- 22,559.43	- 2.54
1/1/2022	ZENITH	50,000	1,282,650.00	25.65	26.13	21.25	33.35	1,043,210.31	139,500.00	1,182,710.31	- 99,939.69	- 7.79
1/1/2022	UCAP PLC	50,000	504,900.00	10.10	10.28	12.40	13.13	608,743.90	67,500.00	676,243.90	171,343.90	33.94
1/1/2022	GTCO PLC	50,000	1,326,000.00	26.52	27.01	20.40	34.48	1,001,481.90	135,000.00	1,136,481.90	- 189,518.10	- <b>14.2</b> 9
1/1/2022	FLOUR MILLS	50,000	1,445,850.00	28.92	29.45	32.45	37.59	1,593,043.51	74,250.00	1,667,293.51	221,443.51	15.32
1/1/2022	DANCEM	50,000	13,107,000.00	262.14	266.99	258.80	340.78	12,705,074.30	990,000.00	13,695,074.30	588,074.30	4.49
1/1/2022	VITAFOAM	50,000	1,147,500.00	22.95	23.37	22.50	29.84	1,104,575.63	67,500.00	1,172,075.63	24,575.63	2.14
			21,458,250.00					20,596,653.49		22,221,153.49	762,903.49	3.56

The Equity Portfolio Model which closed the previous week at 5.18% depreciated during the week and closed at 3.56% (YTD). This can be compared with NGX All Share Index which was 18.74% in the previous week and closed at 16.26% {YTD} during the week. The Equity Portfolio Model depreciated during the week as investors sold some valued stocks. The EPM continued to perform lower compared with the All Share Index of the market. Some of the stocks responsible for the lower performance in EPM are: Zenith bank, DANCEM, WAPCO, UBA, and DANSUGAR Plc . Investors are thereby advised to take into consideration selection of stocks in diversified sectors to minimize risk, good dividend paying stocks and strong fundamentals to enhance the value of the portfolio. Key. Tcost means total cost of the transactions including charges (market price\*units plus charges). Unit cost is total cost per unit of the stocks. B-E Price is break-even price i.e the price the portfolio will not record any gain or loss. Target price is the price we want to sell.



#### MARKET DEVELOPMENTS (LAST WEEK)

The President, Major General Muhammadu Buhari (retd.), recently reversed his authorisation of the acquisition of the entire share capital of Mobil Producing Nigeria Unlimited by Seplat Energy Offshore Limited. The move puts the Presidency on the side of the Nigerian National Petroleum Company Limited which had earlier declined the \$1.3bn transaction. During the week, a statement by the Special Adviser to the President on Media and Publicity, Femi Adesina, revealed that President Buhari consented to acquisition of Exxon Mobil shares by Seplat Energy Offshore Ltd. According to the Presidency, Buhari authorised the move in his capacity as Minister of Petroleum as a way to attract Foreign Direct Investment to the country. But giving an update on the issue, the Senior Special Assistant to the President on Media and Publicity, Garba Shehu, told our correspondent that Buhari had reversed the decision and the previous misunderstanding was because the "agencies involved in (the) decision had not coordinated well among themselves." Earlier, Shehu, who spoke to an online publication, said the President's reversal of his earlier approval was in line with the position of the Nigerian Upstream Petroleum Regulatory Commission. According to him, the confusion over ExxonMobil shares was because "the various agencies involved in the decision had not coordinated well among themselves and having looked at all of the facts with all of the ramifications, the president decided the position of the regulator is to be supported.

#### **INVESTMENT BASICS**

#### **Diversification: A Business Growth Strategy**

Growth is crucial for any business to survive in the long term as it helps expand and increase revenue. A business grows when it expands its customer base, increases revenue, or produces more products. Diversification – is a business growth strategy which entails entering a new market with new products. Organisations frequently use diversification to reduce risk by moderating risk exposure to the company during economic downturns. The primary aim is to grow into a company that does not suffer a decline from the recurring economic downturns.

#### **Why Do Companies Diversify**

Diversification as a growth strategy may be considered for a variety of reasons. Diversification is primarily utilised to reduce risk in an industry slump. When a business or sector faces a recession, a conservative motive to diversify is to avoid substantial ramifications. Some single-business or single-product companies would not be able to sustain a prolonged downturn in their industry. Another reason to diversify is to gain a competitive advantage, especially with underserved locations and customers. If your company doesn't diversify and expand to fill the additional demand, competitors will likely do so. The likelihood of increasing your customer base or becoming the top provider can be on the high side if you get in first. Also, In the case of a cash cow in a slow-growing market, diversification allows the company to use surplus cash flows. Cash cows are business units with a high market share in a slow-growing industry, such as real estate development.

#### **Factors to consider before Diversiying**

Do You Have the Capacity to Diversify?. How Will Your Brand Perception be Helped or Harmed?. What Can You Do Better than Competitors in Your Current Market?, Identify methods to add value and set yourself apart from the competition and Market or Demand. Once you are confident in starting your business, your next step is researching the market or demand for your product or service. Start by answering the question of who your customer is. You may need to assess demand if you sell your products or services locally. To conduct business internationally, you may need to understand international trade rules and regulations. Market research should reveal all the details about a product or service market. Basically, what you are looking for: The current size of the market (the approximate number of potential buyers), Growth potential (whether the size or contract can grow), Expected market share, Target audience buying habits (and how to leverage them). Various market segments, Margins you should expect from the market. As important and valuable as diversification is, it comes with its own risks. As you grow, you may be unable to focus on the best products and products. It would help if you also diversified your business investment and costs. This may prevent you from investing enough money in the cash cow sector or products. To successfully diversify, you need experts to work or partner with you to successfulnewer, unproven agents research



#### FIXED INCOME MARKET REPORT

#### **Money Market**

The interbank rates stayed at double-digit levels all week, given the persistent tight liquidity As of Friday, the Open Repo rate (OPR) declined to 12.00 by -20.00% (W-o-W) and the overnight rate (0/N) also fell by -10.34%

#### **Treasury Bills.**

Nigerian Treasury Bill Auction. The DMO during the week sold a total of N264.28bn worth of notes, which was the exact amount offered. The rates on the 91-day and 182-day rose by 5bps and 10bps to settle at 2.80% and 4.10% respectively while the 364-day remained unchanged at 7.00% due to the high subscription level.

#### **Foreign Currency (EXCHANGE RATE).**

At the Investor and Exporter FX fixings on Friday, Naira depreciated by 0.35% (W-o-W) to settle at N429.62. For the Nigerian Autonomous Foreign Exchange Fixing (NAFEX), it appreciated by 31bps (W-o-W) to N424.83.

#### **OIL PRICE.**

The Nigeria's oil price (WTI) depreciated during the week under review. According to the latest data, the oil price closed at \$91.88 per barrel during the week, compared with \$96.42 recorded in the previous week.

#### NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate						
	5-Aug-22	12-Aug-22	% Change			
OPR (%)	15	12	- 20.00%			
O/N (%)	14.5	13	- 10.34%			

Source: Financial Markets Dealers Quotations (FMDQ)

#### TREASURY BILLS RATES

#### **NIGERIAN TREASURY BILL AUCTION JULY 29, 2022**

Nigerian Tr					
Tenor	Amount offered (N'bn)	Total subscription (N'bn)	Amount sold (N'bn)	Stop Rate (%)	Previous rate (%)
91-days	2.22	1.86	1.69	2.8	2.75
182-days	3.54	1.4	1.26	4.1	4
364-days	258.53	317.25	261.33	7	7

Source: Central Bank of Nigeria (CBN)

## **MONEY MARKET RATES**

Average Benchmark Yields						
	5-Aug-22	12-Aug-22	% Change			
I&E FX	428.12	429.62	0.35%			
NAFEX (\$/N)	426.15	424.83	-0.31%			

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

#### Disclaimer

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