



Monday December 19, 2022

Nigeria and its Economic Challenges

Nigeria’s economic output growth has slowed and the World Bank is lowering its growth projections. Real gross domestic product at market prices (GDP) growth in the third quarter (Q3) of 2022 was 2.4 percent year on-year (y-o-y), on the back of a continued contraction in oil output (-22.7 percent y-o-y) and slowing non-oil growth (4.3 percent y-o-y, down from 4.8 percent y-o-y in Q2 2022). The rate of consumer price inflation has surged and is currently one of the highest globally. The consumer price index, already increasing at a high rate, accelerated in 2022 through October, to be up 21.1 percent y-o-y, a 17-year high. High inflation has been persistent in Nigeria for the past two decades, but since 2019 inflation has increased substantially, driven by the multiple exchange rates and exchange rate depreciation in the parallel market, intensified trade restrictions, and the monetization of the public deficit by the Central Bank of Nigeria (CBN)..

Currency market distortions have increased. The CBN has allowed a slow depreciation of the official exchange rate but this has not been sufficient to bring the supply and demand of foreign currency into balance, placing increasing pressure on the exchange rate in the parallel market. The official rate depreciated by 5.2 percent in 2022 through November while the parallel market rate depreciated by 40 percent.

External and fiscal pressures have continued to grow, despite elevated global oil prices. Oil price booms have historically supported the Nigerian economy but this has not been the case in 2021–22. The average price of crude oil increased by over 150 percent from 2020 to 2022, yet Nigeria’s macroeconomic performance has weakened over this time, and its fiscal space has shrunk. Foreign reserves fell from their recent high of US\$41.8 billion in October 2021 to US\$37.1 billion in November 2022. There are two reasons why Nigeria is not benefiting from high global oil prices: First, lower oil production as a result of high production costs, theft and insecurity, joint-venture cash-call arrears, and inadequate investment, Secondly, the ballooning cost of the petrol subsidy deducted directly from oil revenues implies foregone fiscal revenues of 2.5–2.7 percent of GDP in 2022. This, combined with the protracted decline in oil production, has resulted in the lowest levels of net oil revenues being transferred to the government in over a decade.

As a result of the tight fiscal situation, debt-servicing costs are increasing rapidly. Large primary deficits, rising global and domestic interest rates, and the continuous reliance on expensive, inflationary financing from the CBN to meet in-year cash shortfalls, are increasing debt-servicing costs. Interest payments on the public debt are projected to increase from 2.4 percent of GDP in 2021 to about 3.1 percent of GDP in 2022 (or over one-quarter of the total general government expenditure).

Capital Market Summary .

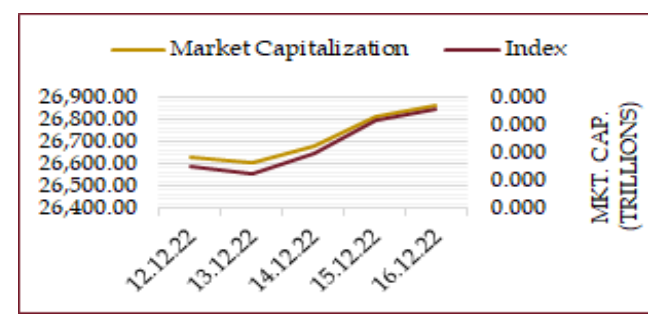
Analysis of the market activity in the week ended December 16, 2022 shows that the Nigerian bourse ended the week on another positive note as market sentiment remained positive. The NGX All Share Index and market capitalization of listed equities thereby appreciated by 0.89% each from the opening figures of 48,881.93 and N26,625 trillion to close at 49,316.20 and N26,861 trillion respectively. Its year to date (YTD) return stands at +15.45%.

MACROECONOMIC INDICATORS

GDP Growth Rate	+2.25%	November 25. , 2022
Un-employment Rate	33.30%	November 25, 2022
Broad Money Supply (M2)	N38,026,970.00 rn	November 25, 2022
Money Supply (M1)	N16,186,615.62rn	November 25, 2022
Consumer Price Index (YOY)	21.47%	December 15, 2022
Monetary Policy Rate (MPR)	16.50%	November 22, 2022
Cash Reserve Ratio (CRR)	32.50%	November 22, 2022
Nigeria’s Bonny Light Crude Oil	US\$88.18/Bar	December 09, 2022
Nigeria’s Gross External Reserves	US\$36.90bn	December 09, 2022

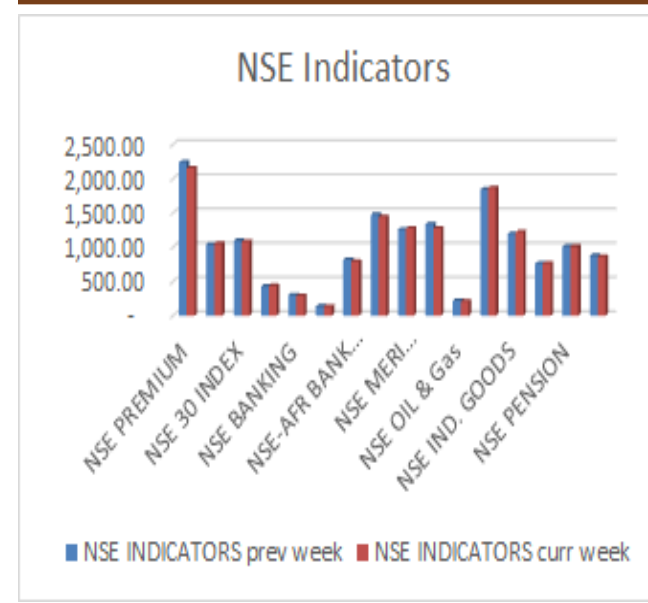
Source: Central Bank of Nigeria (CBN)

ALL SHARE INDEX & MKT. CAP



Source: Nigerian Stock Exchange (NSE) & Regency Research

PERFORMANCE OF THE NSE INDICES



Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

OUTLOOK AND STOCK RECOMMENDATION FOR THE WEEK

19/12/22-23/12/2022).

The Nigerian bourse ended the week on a positive note as market sentiment turned positive. The NGXASI closed the week with a gain of **0.89%** as against a **1.51%** gain recorded last week. The Nigerian Exchange recorded N236.58bn gain in naira terms. The Year-to-date NGXASI maintained its positive position to close the week with a gain of **+15.45%** as market capitalization settled at N26.861trn. **We expect the impressive 3rd quarter earnings, the low and attractive prices to be a significant factor for investors in deciding which stock to buy. In the coming week, we expect the market to continue with the positive note as we are getting closer to the end of the financial year. 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 our previous recommendation for purchase during the week.**

NB PLC, UBA PLC, ACCESS BANK PLC. FLOUR MILLS, CAD-BURY, NAHCO, and LARFAGE WAPCO PLC.

RECOMMENDED STOCKS FOR THE WEEK

Stocks	Current Price	Max. entry Price N=	Target price	% Change
ACCESS	8.45	9.00	12.00	42.01
UBA	7.30	7.50	10.00	36.99
FLOUR MILLS	27.60	28.00	35.00	26.81
CAD-BURY	11.20	12.00	17.00	51.79
NB PLC	38.00	50.00	60.00	57.89
WAPCO	22.45	23.00	30.00	33.63
NAHCO	5.90	6.00	8.00	35.59

FINANCIAL HIGHLIGHTS OF RECOMMENDED STOCKS

Company	Result	Turnover		PAT			
		Current N=bill	Last yr N=bil	Current N=bill	Last yr N=bil	Curr EPS	Last Div. Paid
CADBURY	3RD QTER 30/09/2022	42.54	30.05	2.82	1.51	N1.49	N0.50 div. paid in 2021 FY
NAHCO PLC	3RD QTER 30/09/2022	11.28	7.45	2.11	0.725	N1.29	N0.41div. was declared 2021 FY
GTCO MILLS	3RD QTER 30/09/2022	335.83	301.78	130.35	129.40	N4.55	N0.30 paid as interim dividend
UCAP PLC	3RD qter 30/09/2022	14.55	11.39	7.72	5.96	N1.71	N1.50 DIV PD IN YEAR 2021
ACCESS BANK PLC	3RDt Qter 31/09/2022	906.93	606.57	137.01	121.89	N3.85	N0.20 pd as interim dividend
WAPCO	3rd qter 30/9/2022	269.85	219.20	44.90	40.40	N2.79	N1.00 PD IN YEAR 2021
ZENITH PLC	3RD QTER 30/9/2022	620.57	518.67	174.33	160.59	N5.55	N0.30 PD AS INTERIM DIVIDEND

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

GAINERS FOR THE WEEK

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

LOSERS FOR THE WEEK

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

EXCHANGE TRADED PRODUCTS (ETP)

A total of 10,201 units of Exchange Traded Products valued at N2,827,096.16 in 25deals were traded during the week compared with 1,169 units of Exchange Traded Products valued at N500,331.26 traded last week in 26 deals.

BOND MARKET

A total of 10,398 units of FGN Bond valued at N11,495,972.87 in 14 deals were traded during the week compared with 20,863 units of FGN Bond valued at N22,123,683.56 traded last

MARKET SUMMARY

	Curr. Week	Previous week	% Change
Volume	814.089 M	1,225 M	-33.54
Value N=	N12,204 B	N15,243 B	-19.94
Total Gain	32	31	3.23
Total Loss	28	26	-7.69
Deals	15.488	15.317	-1.12
All Share Index	49,316.26	48,881.93	0.89
Market Cap.	N=26,861 Trillion	N=26,625 Trillion	0.89

TOP TEN GAINERS

Company	Op.Price	cl. Price	Gain	Gain in %
LEARNAFCA	1.65	2.12	0.47	28.48
THOM. WTAA	0.48	0.57	0.09	18.75
CORNERSTON	0.46	0.52	0.06	13.04
CORONATION	0.37	0.41	0.04	10.81
SMAR PROD	0.20	0.22	0.02	10.00
PZ	11.30	12.40	1.10	9.73
RED STAR	2.06	2.26	0.20	9.71
ARDOVA	15.25	16.70	1.45	9.51
CHAMPION	3.75	4.10	0.35	9.33
ZENITH	22.10	24.10	2.00	9.05

TOP TEN LOSERS

Company	Op.Price	Cl. Price	Loss	Loss in %
MCHNICLS	0.61	0.54	(0.07)	(11.48)
ACADEMY	1.34	1.21	(0.13)	(9.70)
PRESTIGE	0.46	0.42	(0.04)	(8.70)
MULTIVERSE	4.35	3.98	(0.37)	(8.51)
MASSARD	1.99	1.83	(0.16)	(8.04)
LINKAGE	0.43	0.40	(0.03)	(6.98)
ETERNA	6.44	6.07	(0.37)	(5.75)
UPL	1.83	1.73	(0.10)	(5.46)
GEREGU	111.00	106.00	(5.00)	(4.50)
DANSUGAR	16.20	15.50	(0.70)	(4.32)

Source: Nigerian Stock Exchange (NSE) & Regency Research



MODEL EQUITY PORTFOLIO

PORTFOLIO VALUATION AS AT 16/12/2022												
				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	22.45	31.63	1,102,121.01	45,000.00	1,147,121.01	- 69,228.99	- 5.69
1/1/2022	UBA	50,000	410,550.00	8.21	8.36	7.30	10.67	358,373.43	45,000.00	403,373.43	- 7,176.58	- 1.75
1/1/2022	FIDELITY	50,000	130,050.00	2.60	2.65	4.25	3.38	208,642.06	15,750.00	224,392.06	94,342.06	72.54
1/1/2022	DANGSUGAR	50,000	887,400.00	17.75	18.08	15.50	23.07	760,929.88	45,000.00	805,929.88	- 81,470.13	- 9.18
1/1/2022	ZENITH	50,000	1,282,650.00	25.65	26.13	24.10	33.35	1,183,123.23	139,500.00	1,322,623.23	39,973.22	3.12
1/1/2022	UCAP PLC	50,000	504,900.00	10.10	10.28	13.50	13.13	662,745.38	67,500.00	730,245.38	225,345.38	44.63
1/1/2022	GTCO PLC	50,000	1,326,000.00	26.52	27.01	20.90	34.48	1,026,028.03	135,000.00	1,161,028.03	- 164,971.98	- 12.44
1/1/2022	FLOUR MILLS	50,000	1,445,850.00	28.92	29.45	27.60	37.59	1,354,946.10	74,250.00	1,429,196.10	- 16,653.90	- 1.15
1/1/2022	DANCEM	50,000	13,107,000.00	262.14	266.99	262.30	340.78	12,876,897.18	990,000.00	13,866,897.18	759,897.17	5.80
1/1/2022	VITAFOAM	50,000	1,147,500.00	22.95	23.37	21.50	29.84	1,055,483.38	67,500.00	1,122,983.38	- 24,516.63	- 2.14
			21,458,250.00					20,589,289.65		22,213,789.65	755,539.65	3.52

The Equity Portfolio Model which closed the previous week at 3.04% appreciated during the week, and closed at 3.52% (YTD). This can be compared with NGX All Share Index which was 14.43% in the previous week appreciated and closed at 15.45% {YTD} during the week. The Equity Portfolio Model depreciated during the week and closed lower than the market. 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, VITAFOAM, DANCEM, UBA, and GTCO 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.

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

MARKET DEVELOPMENTS (LAST WEEK)

Nigeria Records a Seven-Month High in Crude Oil Production

In line with analysts' prognosis, the latest oil production data released by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) revealed that the country's crude oil production increased to a seven-month high on storming efforts to curb oil theft.. Crude oil output increased by **+16.87%** to 1.185mb/d in November from 1.014mb/d in October 2022, while total condensates increased by **+5.84%** to 228,000b/d in November. Total production, including blended and unblended condensates, increased by **+14.93%** to 1.414mb/d in November from 1.230mb/d in October 2022.

Nigeria has also regained its position as the largest crude oil producer in Africa, producing 1.186mb/d ahead of Algeria's 1.021mb/d and Angola's 1.088mb/d in November 2022. Using secondary sources data, the December 2022 Monthly Oil Market Report (MOMR) of the Organisation of Petroleum Exporting Countries (OPEC) shows Nigeria's oil output increased by 92,000 b/d from 1.066mb/d in Oct to 1.158mb/d in Nov 2022, surpassing production from all other African OPEC.

INVESTMENT BASICS

Mutual funds and ETFs share some common features, including:

SEC-registered investment companies. Offer investors a way to pool their money in a professionally-managed fund that invests in stocks, bonds, or other assets. Can help investors achieve diversification of their investments.

Mutual funds and ETFs also differ in some important ways, including:

How they are bought and sold, intermediary (like a broker). Shares are "redeemable", meaning that investors can sell shares back to the fund. ETFs - Retail investors can buy and sell ETF shares only in market transactions (i.e., on a national stock exchange). That is, unlike mutual funds, ETFs do not sell shares directly to, or redeem their shares directly from, retail investors.

What this means for you: The way you buy and sell shares will be different depending on whether you invest in a mutual fund or ETF. While it may be possible to hold mutual fund shares directly with the fund, you will need a brokerage account to buy, sell and hold ETF shares. A broker may be able to help you buy and sell both types of funds.

How they are priced

Mutual funds - Investors buy or sell mutual fund shares at the **net asset value (NAV)** per share, minus any applicable fees and charges. NAV is calculated at the end of each trading day. ETFs - Retail investors buy and sell ETF shares at market prices, minus any applicable fees and charges. An ETF's market price may be higher or lower than the ETF's NAV per share (known as buying or selling at a premium or a discount). An ETF's market price also fluctuates during the trading day. While an ETF's market price generally stays close to the ETF's end-of-day NAV, it may vary significantly.

What this means for you: While you can submit a purchase or sale order for mutual fund shares at any point during the trading day, you will not know the exact price per share that you will pay or receive until the end of the trading day. You can buy and sell ETF shares on a national stock exchange at the prevailing market price throughout the trading day.

Certain fees and expenses, for example: Mutual funds - Fees may be charged directly to mutual fund investors in connection with transactions such as buying, selling, or exchanging shares, or on a periodic basis with respect to account fees. ETFs - ETFs generally do not charge fees directly to investors in connection with purchase or sales of ETF shares, but there may be other types of transaction fees and costs, such as commissions paid to a broker in connection with each purchase or sale of ETF shares. *What this means for you:* Both mutual funds and ETFs charge management fees and bear other expenses associated with their operation. You pay these indirect fees and expenses that are deducted from fund assets, but you may also pay some direct fees and expenses in different ways depending on which fund type you choose. All fees and expenses reduce the return on your investment. It is always important to consider the total fees and expenses you will be charged in connection with any investment.

Source: Nigerian Stock Exchange (NSE) & Regency Research



FIXED INCOME MARKET REPORT

Money Market.

The NTB and Bond primary auction squeezed liquidity this week, making the interbank rate stay elevated. On Friday, the Open Repo Rate (OPR) rate and Overnight rate (O/N) dropped to 9.63% and 10.57% with support from the N85bn SLF inflow improving liquidity. The rate declined week-on-week by -29.35% and -25.19% respectively

Treasury Bills.

NTB Primary Auction saw the Debt Management Office (DMO) sell N13.58bn worth of bills which was the exact amount offered. High demand pulled down the stop rates across all bill market tenors, with the 91-day, 182-day, and 364-day declining by 99bps, 70bps, and 316bps to 5.5%, 7.3%, and 9.89%, respectively.

Foreign Currency (EXCHANGE RATE).

The Naira fell to its lowest this week at both windows. Naira dropped to N451.5/US\$1 at the Investor and Exporter FX fixing (I&E), a weekly depreciation of 1.12%. At the NAFEX fixing, naira settled at N449.40/US\$1, a weekly depreciation of 1.05%

OIL PRICE.

The Nigeria's oil price (WTI) depreciated during the week under review. According to the latest data, the oil price closed at \$72.02 per barrel during the week, compared with \$79.98 recorded in the previous week .

NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate			
	9-Dec-22	16-Dec-22	% Change
OPR (%)	13.63	9.63	-29.35%
O/N (%)	14.13	10.57	-25.19%

Source: Financial Markets Dealers Quotations (FMDQ)

TREASURY BILLS RATES

NTB AUCTION December 15, 2022

Nigerian Treasury Bills Auction					
Tenor	Amount offered (N'bn)	Total subscription (N'bn)	Amount sold (N'bn)	Stop Rate (%)	Previous rate (%)
91-days	8.50	26.6	1.1	5.5	6.49
182-days	1.28	20.31	1.28	7.3	8
364-days	3.80	399.15	11.19	9.89	13.5

Source: Central Bank of Nigeria (CBN)

MONEY MARKET RATES

Average Benchmark Yields			
	9-Dec-22	16-Dec-22	% Change
I&E FX	446.5	451.5	-1.12%
NAFEX (\$/N)	444.72	449.40	-1.05%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

Disclaimer

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