



Monday February 06, 2023

**2022 Budget Performance: Revenue Shortfalls Remain a Concern**

According to the Budget Office of the Federation, revenue generation remains the major fiscal constraint of the Federal Government. Notably, revenue performance printed at 77.6% of the budgeted revenue, as total revenue between Jan – Nov 2022 stood at N5.9tn. Non-oil revenue performance stood at 100.9%, driven by the strong performance in the collection of Company Income Tax (CIT) (129.8% of its target) and Value Added Tax (VAT) (101.7% of its target). On the other hand, oil revenue underperformed by 70.8% to print at N586.7bn vs projected N2.0tn in the period under review. The underperformance is mainly due to PMS subsidy payment and weaker than projected oil production, with crude oil production averaging 1.38mbpd as of Nov-2022 (compared to the budget benchmark of 1.60mbpd). The NNPC and FGN blamed the reduced output on theft and production downtime. Notably, the oil revenue segment continues to disappoint despite crude prices being above the benchmark of \$70.0 (Brent crude averaged \$99.0 in 2022). As a result of the weaker-than-expected revenue, the Federal Government has consistently relied on a mix of domestic debt and CBN overdrafts to fund the shortfalls. Notably, domestic debt stock rose by 18.2% y/y to N21.5tn in 9M-2022 compared to its print of N18.2tn in 9M-2021, while debt to CBN rose N6.3tn in 2022. The rising debt profile remains a worry for the country as the FG spent N5.2tn on debt servicing payments between Jan-Nov 2022. This represents 43.7% more than the projected sum and 89.5% of the total revenue generated during the period. That said, the Federal Government’s fiscal position remains weak and would require significant improvements to achieve its ambitious targets. Notably, the 2023 budget deficit is estimated at N11.3tn, while projected revenue prints at N11.1tn. We expect strong non-oil revenue performance supported by the higher VAT rate and tax collections. Also, we see possibilities of improvement in oil revenue as oil price remain above budget benchmark while output has shown signs of improving in recent months. In addition, how the government handles fuel subsidy will play a major role. That said, we remain cautious on the government’s ability to achieve its revenue targets which will consequently raise the country’s budget deficit as ambitious spending persists.

**Capital Market Summary .**

Analysis of the market activity in the week ended February 03, 2023 shows that the Nigerian equity market closed the week on a positive note as market sentiment remained positive. The NGX All Share Index and market capitalization of listed equities thereby appreciated by 2.95% each from the opening figures of 52,657.88 and N28,681 trillion to close at 54,213.09 and N29,528 trillion respectively. Its year to date (YTD) return stands at +5.78%.

**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)	21.34%	January 18, 2023
Monetary Policy Rate (MPR)	17.50%	January 24, 2023
Cash Reserve Ratio (CRR)	32.50%	November 22, 2022
Nigeria’s Bonny Light Crude Oil	US\$82.68/Bar	January 13, 2023
Nigeria’s Gross External Reserves	US\$37.70bn	January 26, 2023

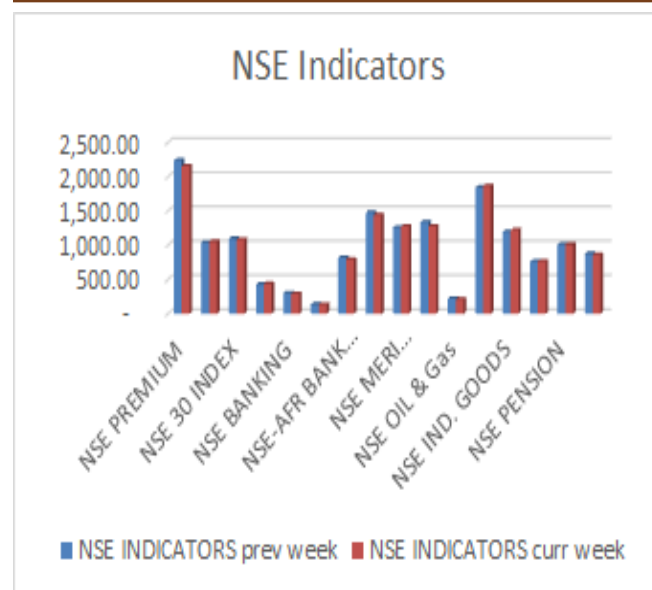
Source: Central Bank of Nigeria (CBN)

**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

**RECOMMENDED STOCKS FOR THE WEEK**

OUTLOOK AND STOCK RECOMMENDATION FOR THE WEEK

06/02/23-10/02/2023)

The Nigerian capital market ended the week on a positive note as market sentiment stayed positive. The NGXASI closed the week with a gain of N847.08b, representing a **2.95%** gain as against a **0.12%** recorded in the previous week. In Year-to-date, the NGXASI closed positive with a gain of **5.78%** as market capitalization settled at N29.528trn. The impressive end of year results released so far by some companies have started impacting positively on the market. This coupled with the current low and attractive prices have moved the market significantly during the week. In the coming week, we expect the market to continue with the positive note as we expect impressive end of year returns to continue. We will continue to advise investors to trade only on fundamentally justified stocks as the weak macro economic environment remains a significant headwind for listed companies. In the light of the above we recommend the under-listed stocks for purchase during the week. **NB PLC, UBA PLC, ACCESS BANK PLC. CADBURY, DANSUGAR plc, NESTLE PLC, and MTNN.**

Stocks	Current Price	Max. entry Price N=	Target price	% Change
ACCESS	9.20	10.00	12.00	30.43
UBA	8.45	9.00	10.00	18.34
CADBURY	12.30	12.00	17.00	38.21
NB PLC	41.80	50.00	60.00	43.54
DANSUGAR	17.00	17.00	20.00	17.65
MTN PLC	237.90	235.00	270.00	213.49
NESTLE PLC	1,080	1,100	1,500	38.89

**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
MTNN PLC	Audited 31/12/2022	2,021	1,654	361.53	298.65	N17.79	N15.60 total div. declared in 2022 FY.
NB PLC	3RD QTER 30/09/2022	393.45	304.28	14.76	8.69	N1.82	N1.60 paid as dividend in 2021 FY
NESTLE PLC	3RD qter 30/09/2022	333.40	261.49	40.15	33.58	N15.00	N25.00 DIV PD AS INTERIM IN 2022 FY
ACCESS BANK PLC	3RDt Qter 31/09/2022	906.93	606.57	137.01	121.89	N3.85	N1.00 pd as both interim and final dividend
DANSUGAR PLC	3rd qter 30/9/2022	288.21	195.50	24.83	15.510	N2.04	N1.00 PD IN YEAR 2021
UBA PLC	3RD QTER 30/9/2022	607.98	461.86	116.04	104.60	N3.27	N1.00 PD AS both INTERIM and final DIV.

Source: Nigerian Stock Exchange (NSE) & Regency Research



**STOCK MARKET REPORT**

Domestic Market Review

**GAINERS FOR THE WEEK**

Fifty five stocks appreciated in price during the week, as against Forty four stocks in preceding week. The top ten price gainers during the week were:

**LOSERS FOR THE WEEK**

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

**EXCHANGE TRADED PRODUCTS (ETP)**

A total of 1,081,742 units of Exchange Traded Products valued at N11,737,528.16 in 62 deals were traded during the week compared with 3,892 units of Exchange Traded Products valued at N785,073.87 traded last week in 38 deals.

**BOND MARKET**

A total of 31,683 units of FGN Bond valued at N32,251,263.02 in 35 deals were traded during the week compared with 29,711 units of FGN Bond valued at N29,901,068.53 traded last week in 27 deals

**MARKET SUMMARY**

	Curr. Week	Previous week	% Change
Volume	3,789 M	756.769 M	400.68
Value N=	N27,520 B	N13,653 B	101.57
Total Gain	55	44	25.00
Total Loss	27	29	6.90
Deals	20.333	18.248	11.43
All Share Index	54,213.09	52,657.88	2.95
Market Cap.	N=29,528 Trillion	N=28,68 Trillion	2.95

**TOP TEN GAINERS**

Company	Op.Price	cl. Price	Gain	Gain in %
IEI	0.63	0.99	0.36	57.14
NNFLOUR MI	6.75	9.75	3.00	44.44
GEREGU	160.00	219.00	59.00	36.88
MRS	16.00	19.35	3.35	20.94
JOHN HOLT	1.10	1.33	0.23	20.91
SEPLAT	1,100.00	1,325.00	225.00	20.45
FCMB	4.15	4.90	0.75	18.07
SOV TRUST	0.26	0.30	0.04	15.38
NAHCO	7.80	8.90	1.10	14.10
FIDELITY	5.40	6.00	0.60	11.11

**TOP TEN LOSERS**

Company	Op.Price	Cl. Price	Loss	Loss in %
CHAMS	0.30	0.25	(0.05)	(16.67)
GUINNESS	70.00	63.00	(7.00)	(10.00)
IKEJA	1.10	0.99	(0.11)	(10.00)
NCR	3.60	3.24	(0.36)	(10.00)
ACADEMY	1.32	1.19	(0.13)	(9.85)
SUNU	0.37	0.34	(0.03)	(8.11)
ARDOVA	19.10	17.65	(1.45)	(7.59)
RT BRISCOE	0.30	0.28	(0.02)	(6.67)
ETERNA	7.50	7.00	(0.50)	(6.67)
LINKAGE	0.48	0.45	(0.03)	(6.25)

Source: Nigerian Stock Exchange (NSE) & Regency Research



## MODEL EQUITY PORTFOLIO

PORTFOLIO VALUATION AS AT 03/02/2023												
				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	1,200,000.00	24.00	24.44	25.15	31.20	1,234,670.09		1,234,670.09	34,670.09	2.89
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	8.45	9.88	414,829.51	9,000.00	423,829.51	43,829.51	11.53
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	6.00	5.66	294,553.50	9,000.00	303,553.50	86,053.50	39.56
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	17.10	20.87	839,477.48		839,477.48	36,977.48	4.61
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	25.20	31.20	1,237,124.70	13,500.00	1,250,624.70	50,624.70	4.22
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	14.80	18.20	726,565.30		726,565.30	26,565.30	3.80
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	25.20	29.90	1,237,124.70	13,500.00	1,250,624.70	100,624.70	8.75
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	29.95	36.92	1,470,312.89	96,750.00	1,567,062.89	147,062.89	10.36
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	266.90	339.30	13,102,721.53		13,102,721.53	52,721.52	0.40
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	21.20	26.59	1,040,755.70	68,400.00	1,109,155.70	86,655.70	8.47
			21,142,500.00					21,598,135.39		21,808,285.39	665,785.39	3.15

The Equity Portfolio Model which closed the previous week at 2.79% appreciated during the week, and closed the week at 3.15% (YTD). This can be compared with NGX All Share Index which closed at 2.74% in the previous week, also appreciated during the week and closed at +5.78% {YTD}. The EPM appreciated again during the week under review but unable to over perform the All Share Index of the market, This is because some high capitalized stocks in the market appreciated in value during the week. 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 )

#### MTN Nigeria Notifies of Upcoming Allotment of Incentive Shares to Qualified Shareholders

**MTN Nigeria** Communications Plc (MTN Nigeria) wishes to inform the market of the imminent execution of the allotment of Incentive Shares to qualified Shareholders. The Offer for sale of 575 million ordinary shares of MTN Nigeria held by MTN International (Mauritius) Limited (the Offer) was successfully completed on 31 January 2022, the date on which the Securities and Exchange Commission's (SEC's) clearance of the Offer allotment was obtained. The terms of the Offer included an incentive of one (1) ordinary Share for every twenty (20) ordinary shares purchased and allotted (the Incentive Shares) up to a maximum of two hundred and fifty (250) ordinary shares. The Incentive Shares will be allotted to qualified shareholders who participated in the Offer and held all or some of their Offer shares continually from 31 January 2022 to 31 January 2023 (the Qualification Date). To qualify, a shareholder must meet all 3 conditions below: **Purchased and was allotted at least 20 ordinary shares in the Offer; Holds some or all of the shares allotted at the Offer as at the Qualification Date, 31 January 2023 but subject to holding at least 20 ordinary shares; and Name must appear in the Register of Members at the Qualification Date.** Qualified shareholders will have their Incentive Shares credited to their CSCS accounts after the Qualification Date and obtaining the requisite regulatory approvals.

## INVESTMENT BASICS

### Causes of Inflation in Nigeria

An increase in the supply of money is the root cause of inflation. In Nigeria, however, a high degree of inflation has been created by a combination of both money-supply and other factors peculiar to the national economy. Printing (creating) money, increasing the money supply beyond real economic output (for example, deficit financing of the national budget through the N22.7 trillion Ways and Means Advances by the Central Bank of Nigeria (CBN) to the Federal Government of Nigeria);

Devaluation (reducing the value) of the legal tender currency, either in a formal manner or through "imported" inflation as a result of the foreign exchange crisis (forex scarcity and multiple exchange rates) , as it steadily takes more naira to pay for the same foreign-currency value of imports, and these increased prices are passed on to consumers; Disruptions in the supply chain of food products (which rank high in the Consumer Price Index), e.g., the impact of insecurity in the country's Northern regions which mainly make up the food basket, as most farmers are unable to produce and transport food products at previous levels. Inflation expectations – when the public believes prices will keep rising, or falling, and act accordingly (e.g., when they do not postpone purchases to beat rising prices, and this becomes a self-fulfilling prophecy). In each of these scenarios, the money ultimately loses its purchasing power. Three different causes of inflationary mechanisms can be identified as a result of this: demand-pull inflation, cost-push inflation, and built in inflation.

**Demand-Pull Inflation.** Demand-pull inflation occurs when an increase in the supply of money and credit stimulates the overall demand for goods and services to increase more rapidly than the economy's production capacity. This increases demand and leads to price rises. When people have more money, it leads to positive consumer sentiment. This, in turn, leads to higher spending, which pulls prices higher. It creates a demand-supply gap with higher demand and less flexible supply, which results in higher prices.

#### **Cost-Push Inflation**

Cost-push inflation happens when the cost of specific inputs in the products of businesses rise, leading to a general rise in the cost of these finished or end products or services. This is often the case when there is a negative economic shock to the supply of key commodities. These developments lead to higher costs for the finished product or service and work their way into rising consumer prices. An example is petrol scarcity, a frequent occurrence in Nigeria, which leads to a rise in transport prices – again, one of the major determinants of the Consumer Price Index.

#### **Built-in Inflation**

Built-in inflation is related to adaptive expectations or the idea that people expect current inflation rates to continue in the future. As the price of goods and services rises, people may expect a continuous rise in the future at a similar rate. As such, workers may demand more wages to maintain their standard of living. Their increased wages result in a higher cost of goods and services, and this wage-price spiral continues as one factor induces the other and vice-versa.

*Source: Nigerian Stock Exchange (NSE) & Regency Research*



**FIXED INCOME MARKET REPORT**

**Money Market.**

Interbank rates stayed unchanged for most trading sessions this week. The Open repo rate (OPR) stayed flat at 10.50% while Over- Night rate fell by 227bps to 10.75%

**Treasury Bills.**

In the face of rate hikes, higher inflation, and negative real return, investors' interests remained strong in the fixed-income market, particularly in the short-term end of the market. However, rates at the Nigerian treasury bill market have dropped to a record low compared to the previous year when they rose to double digits. At the treasury bill primary auction conducted during the week, the Debt Management Office (DMO) offered N220.53bn but had an oversubscription of N1044.22. The DMO sold exactly the amount offered with the stop rates of the 91-day, 182-day, and 364-day dropping to 0.29%, 1.80%, and 4.78% respectively.

**Foreign Currency (EXCHANGE RATE).**

Despite the scarcity of naira, the currency depreciated at the Investor and Exporter FX fixing (I&E) week-on-week, settling at N462/US\$. At the Nigerian Autonomous Foreign Exchange fixing (NAFEX) fixing, the naira remained unchanged at N461.42/US\$

**OIL PRICE.**

The Nigeria's oil price (WTI) depreciated slightly during the week under review. According to the latest data, the oil price closed at \$73.39 per barrel during the week, compared with \$81.12 recorded in the previous week .

**NIGERIAN INTER BANK OFFER RATE NIBOR**

Money Market Rate			
	27-Jan-23	3-Feb-23	W-o-W % Change
OPR (%)	10.50	10.50	0.00%
O/N (%)	11.00	10.75	-2.27%

Source: Financial Markets Dealers Quotations (FMDQ)

**TREASURY BILLS RATES**

**NTB AUCTION JANUARY 25, 2023**

Nigerian Treasury Bills Auction					
Tenor	Amount offered (N'bn)	Total subscription (N'bn)	Amount sold (N'bn)	Stop Rate (%)	Previous rate (%)
91-days	1.74	94.25	1.74	0.29	2
182-days	1.26	89.62	1.26	1.8	4.33
364-days	217.53	860.35	217.53	4.78	7.3

Source: Central Bank of Nigeria (CBN)

**MONEY MARKET RATES**

Average Benchmark Yields			
	27-Jan-23	3-Feb-23	W-o-W% Change
I&E FX	461.75	462	0.05%
NAFEX (\$/N)	461.42	461.42	0.00%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

**Disclaimer**

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