



Monday June 12, 2023

Nigeria's Fiscal Deficit

The fiscal operations of the Federal Government led to a significant 22.8% increase in deficit spending in February, according to data from the Central Bank of Nigeria (CBN). The rise in the deficit was primarily driven by a sharp drop in oil revenue during the period. The CBN reported a FGN deficit of N513.05bn in February, resulting in a total deficit of N931 bn for the first two months of the year. This represents a 16.2% decrease compared to the N613bn budget benchmark.

According to the CBN data, the decline in revenue played a crucial role in the growing fiscal deficit. Federation receipts in February were 32.3% lower than in January, with oil revenue experiencing a staggering 60% plunge. Non-oil revenue also declined by 3.7%. On the expenditure side, provisional aggregate expenditure rose by 5.9% to N991.6 bn during the period. Recurrent spending accounted for a significant portion of the total expenditure, followed by capital expenditure and transfers.

Experts have underscored the importance of the new administration adhering to the provisions of the Fiscal Responsibility Act, which sets a limit of 3% of GDP for the Fiscal Deficit. Despite subsidy payments not being directly funded by the government, the subsidy system has placed a significant burden on the government, resulting in substantial borrowing by the previous administration.

Also, Nigeria's foreign trade in Q1 2023 was N12.05trn corresponding to a 17.5% decline compared to N14.6trn recorded in 2022. However, compared to Q4 2022, there was a slight increase of 2.8% to N11.72trn. we attributed the decline to the impact of the cash crunch occasioned by the CBN's cash withdrawal policy which was in place in Q1 2023. In Q1 2023, Nigeria's petroleum exports reached N5.15trn, accounting for 79.4% of total exports. The dominance of the country's export profile by petroleum products continues to underscore the country's heavy reliance on oil and gas, constituting 90% of the total exports during the same period. This over-dependence on a single sector emphasizes the urgent need for diversification and the expansion of exports to reduce vulnerability to fluctuations in oil prices and enhance the resilience of Nigeria's economy.

Capital Market Summary .

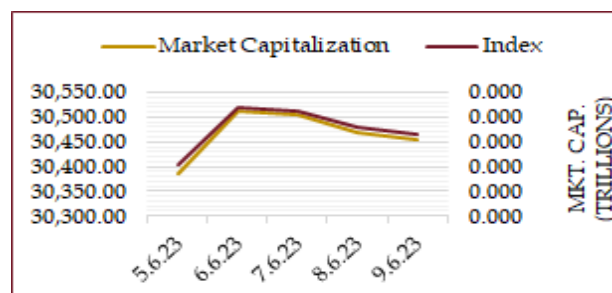
Analysis of the market activity in the week ended June 09, 2023 shows that the Nigerian equity market closed on a bullish note. The NGX All Share Index and market capitalization of listed equities appreciated by 0.20% each from the opening figures of 55,820.50 and N30,395 trillion to close at 55,930.97 and N30,455 trillion respectively. Its year to date (YTD) return stands at +9.13%.

MACROECONOMIC INDICATORS

GDP Growth Rate	+2.31%	March 31, 2023
Un-employment Rate	33.30%	March 31, 2023
Broad Money Supply (M2)	N54,191,661.32	March , 2023
Money Supply (M1)	N21,352,527.87	March , 2023
Consumer Price Index (YOY)	22.22%	April , 2023
Monetary Policy Rate (MPR)	18.50%	May 24, 2023
Cash Reserve Ratio (CRR)	32.50%	May 24, 2023
Nigeria's Bonny Light Crude Oil	US\$77.26/Bar	June 08 2023
Nigeria's Gross External Reserves	US\$34.88bn	June 08, 2023

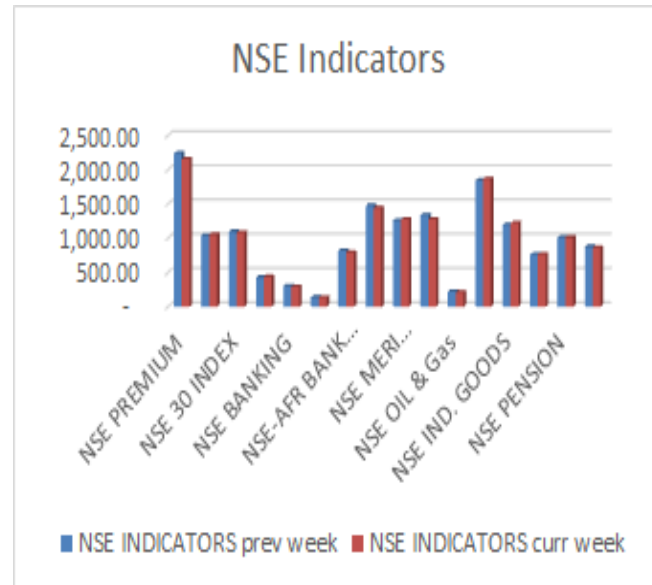
Source: Central Bank of Nigeria (CBN)

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

OUTLOOK AND STOCK RECOMMENDATION FOR THE WEEK 12/06/23-16/06/2023)

The equities market remained bullish during the week – The listed equities market, NGXASI, recorded a gain of 0.20% W-o-W and the NASD OTC closed negative with a 0.82% loss W-o-W. The NGXASI, recorded a gain of 0.20% W-o-W as compared to a gain of 5.37% recorded last week. The Nigerian Exchange recorded N67.62billion gain in naira terms. In Year-to-date, the NGXASI closed positive at close of the week with a gain of 9.13% as market capitalization settled at N30.46trillion. The market may likely remain bullish during the week as investors take position on stocks that have declared impressive first quarter results and pay good dividend to investors. In the coming week, we expect the market to continue to move upward and close on positive note. We will continue to advise investors to trade only on fundamentally justified stocks as the weak macro economic environment remains a significant challenge for listed companies. In the light of the above we recommend the underlisted stocks for purchase during the week. **UCAP PLC, UBA PLC, MTNN PLC., ACCESS PLC, DAN-GOTE CEMENT PLC,, WAPCO PLC , FIDELITY, NAHCO . FCMB, AFRIPRUD, NEM, FLOUR MILL, See the table below.**

RECOMMENDED STOCKS

STOCK ANALYSIS FOR INVESTMENT																					
COMPANY	Price N=	price N=	Cap. App	EPS	DPS	Total	PAT N=M	PAT N=m	Period	BK Value	52 wks	52 weeks	PER	6 Months	Net Assets N=M	No of shares	Total Assets N=M	Div. Yield	ROCE	Remark	
	31/12/22	9/6/2023	%	N=	N=	Return %	N=M current	Last YR		N=	High	Low		Target price	N=M	mill	N=m	%	per Qter	Decision	
ZENITH	24.00	28.00	16.67	2.10	3.20	30.00	62,617	58,198	1st Qter	48.98	29.70	18.90	13.33	36.40	1,441,557	29,431	13,359,216	11.43	4.34	HOLD	
GTCO	23.00	28.00	21.74	2.04	3.10	35.22	58,167	43,208	1st Qter	28.53	29.40	16.80	13.73	36.40	975,624	34,199	6,740,338	11.07	5.96	HOLD	
ACCESS	8.50	13.00	52.94	2.06	1.50	70.59	71,656	57,825	1st Qter	39.28	12.50	7.50	6.31	16.90	1,396,236	35,545	15,742,015	11.54	5.13	BUY	
UBA	7.60	9.95	30.92	1.49	1.10	45.39	53,589	41,496	1st Qter	28.46	10.20	6.55	6.68	12.94	973,136	34,199	11,360,779	11.06	5.51	BUY	
FIDELITY	4.35	5.77	32.64	0.54	0.50	44.14	15,609	9,516	1st Qter	11.33	6.36	2.87	10.69	7.50	328,225	28,975	4,143,428	8.67	4.76	BUY	
WAPCO	24.00	25.80	7.50	0.93	2.00	15.83	14,935	17,558	1st Qter	26.76	28.10	20.10	27.74	33.54	431,037	16,108	583,393	7.75	3.46	BUY	
NAHCO	6.40	13.55	111.72	0.32	1.20	130.47	0.637	0.324	1st Qter	4.85	14.10	5.12	42.34	17.62	9,448	1,949	18,833	8.86	0.01	BUY	
NASCON	11.10	15.50	39.64	0.62	1.00	48.65	1,643	0.388	1st Qter	7.81	16.90	9.50	25.00	20.15	20,686	2,649	59,177	6.45	7.94	BUY	
FLOUR MILLS	28.40	33.10	16.55	2.87	2.15	24.12	10,018	17,040	3rd Qter	48.40	35.40	27.00	11.53	43.03	198,427	4,100	971,745	6.50	5.05	BUY	
MTNN	215.00	250.00	16.28	4.94	15.64	23.55	101,303	96,819	1st Qter	21.30	253.00	185.00	50.61	325.00	433,533	20,354	3,017,616	6.26	23.37	BUY	
DANSUGAR	16.05	21.00	30.84	1.05	1.50	40.19	12,803	8,870	1st Qter	15.15	22.00	15.00	20.00	27.30	184,044	12,146	558,913	7.14	6.96	HOLD	
DANCEM	261.00	283.00	8.43	6.44	20.00	16.09	109,501	105,851	1st Qter	69.18	290.00	220.00	43.94	367.90	1,178,919	17,041	2,698,870	7.07	9.29	BUY	
NB	41.00	41.00	-	(128)	1.43	3.49	(10,581)	13,614	1st Qter	16.49	50.90	28.80	(0.32)	53.30	169,416	10,276	652,944	3.49	(6.25)	BUY	
UCAP	11.60	13.85	19.40	1.63	1.50	32.33	2,441	2,309	1st Qter	4.45	15.60	9.00	8.50	18.01	26,707	6,000	727,504	10.83	9.14	BUY	
AFRIPRUD	6.00	5.80	(3.33)	0.09	0.50	5.00	0.178	0.403	1st Qter	4.79	6.45	5.00	64.44	7.54	9,584	2,000	20,685	8.62	0.00	BUY	
NEM INS.	4.50	6.05	34.44	0.28	0.30	41.11	2,853	1,545	1st Qter	2.99	5.65	3.13	21.61	7.87	29,980	10,032	54,604	4.96	9.52	BUY	
CADBURY	11.90	17.30	45.38	1.84	0.40	48.74	3,454	1,542	1st Qter	8.39	17.8	10.2	9.40	22.49	15,755	1878	69,181	2.31	21.92	SELL	
FBNH	11.25	14.10	25.33	1.38	0.50	29.78	50,086	32,442	1st Qter	27.88	15.2	8.2	10.22	18.33	1,000,582	35,895	11,093,926	3.55	5.01	SELL	
FCMB	3.51	4.59	30.77	1.88	0.25	37.89	9,292	5,166	1st Qter	15.32	5.00	2.92	2.44	5.97	303,390	19,803	3,102,178	5.45	3.06	BUY	
GLAXO	6.15	7.15	16.26	0.13	0.55	25.20	0.155	0.194	1st Qter	8.10	8.35	5.4	55.00	9.30	9,688	1,196	30,750	7.69	0.00	SELL	
OKOMU	165.00	199.00	20.61	10.67	12.00	27.88	10,177	9,498	1st Qter	46.34	216	157	18.65	258.70	44,211	954	89,516	6.03	23.02	SELL	
PRESCO	137.50	166.50	21.09	21.47	2.50	22.91	21,466	19,320	4th Qter	42.65	183	110	7.76	216.45	42,647	1,000	145,087	1.50	50.33	SELL	
PZ	12.10	18.80	55.37	2.82	1.01	63.72	11,214	5,641	3rd Qter	11.32	18.5	8.05	6.67	24.44	44,944	3,971	152,112	5.37	24.95	SELL	
VITAFOAM	20.45	20.90	2.20	2.32	1.52	9.63	3,084	3,613	2nd Qter	13.29	23.6	16.8	9.01	27.17	16,629	1,251	38,587	7.27	18.55	SELL	

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

GAINERS FOR THE WEEK

Fifty two stocks appreciated in price during the week, as against sixty six 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 three stocks recorded in the preceding week. The top ten price losers during the week were:

EXCHANGE TRADED PRODUCTS (ETP)

A total of 4,49,570 units of Exchange Traded Products valued at N57,651,444.74 in 116 units were traded during the week compared with 10,317 units of Exchange Traded Products valued at N4,214,061.91 traded last week in 62 deals.

BOND MARKET

A total units of 125,410 units of FGN Bond valued at N126,521,067.41 in 35 deals were traded during the week compared with 44,858 units of FGN Bond valued at N44,173,871.12 traded last week in 24 deals

MARKET SUMMARY

	Curr. Week	Previous week	% Change
Volume	2,196 M	2,586 M	-15.08
Value N=	N45,971 B	N46,643 B	-1.44
Total Gain	52	66	-21.21
Total Loss	27	23	-17.39
Deals	31,655	35,122	-9.87
All Share Index	55,930.97	55,820.50	0.20
Market Cap.	N=30,455 Trillion	N=30,395 Trillion	0.20

TOP TEN GAINERS

Company	Op.Price	cl. Price	Gain	Gain in %
ETERNA	9.75	13.45	3.70	37.95
UNITY BANK	0.50	0.72	0.22	44.00
FTN	0.66	0.95	0.29	43.94
SECURE ELEC	0.26	0.36	0.10	38.46
CORNERSTON	0.83	1.14	0.31	37.35
MANSARD	3.19	4.00	0.81	25.39
JAPPAUL	0.39	0.48	0.09	23.08
NEM	5.00	6.05	1.05	21.00
E-TRANSACT	4.00	4.84	0.84	21.00
MRS	49.30	59.60	10.30	20.89

TOP TEN LOSERS

Company	Op.Price	Cl. Price	Loss	Loss in %
JOHN HOLT	1.91	1.40	(0.51)	(26.70)
RT BRISCOE	0.38	0.34	(0.04)	(10.53)
SUNU ASS	0.48	0.43	(0.05)	(10.42)
COURTVILLE	0.51	0.46	(0.05)	(9.80)
MULTIVERSE	4.09	3.70	(0.39)	(9.54)
CHELLARAM	1.47	1.33	(0.14)	(9.52)
ABC	0.43	0.39	(0.04)	(9.30)
UPL	2.37	2.20	(0.17)	(7.17)
GLAXO	7.55	7.15	(0.40)	(5.30)
OANDO	5.90	5.62	(0.28)	(4.75)

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Closure of Register - Dividends and Bonuses

Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
PZ Cussons Nigeria Plc	N1.01	Nil	9th - 13th January 2023	25th January 2023	26th January 2023
Vitafoam Nigeria Plc	N1.52	Nil	13th -17th February 2023	2nd March 2023	2nd March 2022
Geregu Power Plc	N8.00	Nil	28th February 2023	28th March 2023	29th March 2023
MTN Nigeria Communications Plc	N10.00	Nil	28th March 2023	18th April 2023	20th April 2023
Nigerian Breweries Plc	N1.03	Nil	17th March 2023	26th April 2023	26th April 2023
BUA Cement Plc	N2.80	Nil	14th August 2023	24th August 2023	24th August 2023
Nigerian Enamelware Plc	Nil	3 for 2	14th March 2023	N/A	Company cancelled the bonus
United Ciptal Plc	N1.50	Nil	15th March 2023	27th March 2023	28th March 2023
Transcorp Hotels Plc	N0.13	Nil	20th March 2023	3rd April 2023	3rd April 2023
Dangote Sugar Refinery Plc	N1.50	Nil	27th March 2023	14th April 2023	15th April 2023
Lafarge Africa Plc	N2.00	Nil	11th April 2023	28th April 2023	28th April 2023
Seplat Energy Plc	Final - 2.5 cents Special - 5	Nil	19th April 2023	10th May 2023	16th May 2023
Nestle Nigeria Plc	N36.5	Nil	24th April 2023	17th May 2023	18th May 2023
NASCON Allied Industries Plc	N1.00	Nil	2nd May 2023	26th May 2023	26th May 2023
Africa Prudential Plc	N0.50	Nil	17th April 2023	2nd May 2023	2nd May 2023
Custodian Investment Plc	N0.55	Nil	3rd April 2023	13th April 2023	13th April 2023
Transnational Corporation Plc	N0.05	Nil	12th April 2023	26th April 2023	26th April 2023
Consolidated Hallmark Insurance Plc	N0.03	Nil	14th April 2023	24th May 2023	24th May 2023
Infinity Trust Mortgage Bank Plc	N0.06	Nil	17th April 2023	11th May 2023	15th May 2023
FCMB Group Plc	N0.25	Nil	14th April 2023	28th April 2023	28th April 2023
Zenith Bank Plc	N2.90	Nil	17th April 2023	2nd May 2023	2nd May 2023
United Bank for Africa Plc	N0.90	Nil	17th April 2023	27th April 2023	27th April 2023
Unilever Nigeria Plc	N0.25	Nil	18th April 2023	4th May 2023	5th May 2023
CWG Plc	N0.04	Nil	18th April 2023	28th April 2023	28th April 2023
SFS Real Estate Investment Trust	N8.45	Nil	20th April 2023	N/A	19th May 2023
Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
Eterna Plc	N0.15	Nil	24th April 2023	11th May 2023	12th May 2023
Okomu Oil Palm Company Plc	N12.00	Nil	25th April 2023	25th May 2023	25th May 2023
TotalEnergies Marketing Nigeria Plc	N21.00	Nil	26th April 2023	1st June 2023	2nd June 2023
NEM Insurance Plc	N0.30	Nil	1st May 2023	18th May 2023	18th May 2023
Nigerian Aviation Handling Company Plc	N1.20	Nil	15th My 2023	26th May 2023	26th May 2023
May & Baker Nigeria Plc	N0.30	Nil	17th May 2023	1st June 2023	2nd June 2023
Berger Paints Nigeria Plc	N0.70	Nil	27th April 2023	24th May 2023	24th May 2023
Ecobank Transnational Incorporated	0.11 cents	Nil	26th May 2023	17th May 2023	6th June 2023
ABC Transport Plc	N0.015	Nil	29th May 2023	TBA	TBA
Julius Berger Nigeria Plc	N2.50	Nil	29th May 2023	15th June 2023	16th June 2023
Sunu Assurances Nigeria Plc	N0.03	Nil	31st May 2023	14th June 2023	15th June 2023
AIICO Insurance Plc	N0.03	Nil	1st June 2023	8th June 2023	15th June 2023
McNichols Consolidated Plc	N0.01	Nil	1st June 2023	27th July 2023	3rd August 2023
Cadbury Nigeria Plc	N0.40	Nil	5th June 2023	26th June 2023	27th June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	30th June 2023	30th June 2023
Chemical and Allied Products Plc	N1.55	Nil	2nd June 2023	15th June 2023	16th June 2023
UAC of Nigeria Plc	N0.22	Nil	7th June 2023	21st June 2023	22nd June 2023
Trans-Nation Wide Express Plc	N0.02	Nil	12th June 2023	21st June 2023	26th June 2023
Beta Glass Plc	N1.17	Nil	19th June 2023	6th July 2023	7th July 2023
AXA Mansard Insurance Plc	N0.30	Nil	22nd June 2023	4th July 2023	4th July 2023
Ikeja Hotel Plc	N0.075	1 for 3	5th July 2023	26th July 2023	31st July 2023
LivingTrust Mortgage Bank Plc	N0.01	Nil	7th July 2023	25th July 2023	27th July 2023
LivingTrust Mortgage Bank Plc	N0.012	Nil	7th July 2023	25th July 2023	27th July 2023
LASACO Assurance Plc	N0.15	Nil	14th August 2023	24th August 2023	31st August 2023
BUA Foods Plc	N4.50	Nil	4th September 2023	21st September 2023	21st September 2023
Guaranty Trust Holding Company Plc	N2.80	Nil	2nd May 2023	11th May 2023	11th May 2023
Glaxo SmithKline Consumer Nigeria Plc	N0.55	Nil	5th May 2023	7th June 2023	8th June 2023
Access Holdings Plc	N1.30	Nil	10th May 2023	24th May 2023	24th May 2023
Wema Bank Plc	N0.30	Nil	10th May 2023	24th May 2023	24th May 2023
Jaiz Bank Plc	N0.05	Nil	2nd June 2023	14th June 2023	14th June 2023
NPF Microfinance Bank Plc	N0.10	Nil	9th May 2023	22nd June 2023	22nd June 2023
Industrial and Medical Gases Nigeria Plc	N0.40	Nil	7th July 2023	21st July 2023	25th July 2023
Fidelity Bank Plc	N0.40	Nil	15th May 2023	23rd May 2023	23rd May 2023
UH Real Estate Investment Trust	N2.10	Nil	16th May 2023	N/A	26th May 2023
Multiverse Mining and Exploration Plc	(Interim Q1) N0.05	Nil	25th May 2023	N/A	14th June 2023
Cornerstone Insurance Plc	(Interim Q1) N0.06	Nil	6th June 2023	N/A	21st June 2023
Airtel Africa Plc	3.27 cents	Nil	22nd June 2023	TBA	26th July 2023
Vetiva Griffin 30 Exchange Traded Fund	N0.28	Nil	11th May 2023	N/A	19th May 2023
Vetiva S&P Nigerian Sovereign Bond ETF	N7.60	Nil	11th May 2023	N/A	19th May 2023
Vetiva Banking ETF	N0.40	Nil	11th May 2023	N/A	19th May 2023
Seplat Energy Plc	US 3 cents (N13.95k) Q1 I	Nil	19th May 2023	N/A	16th June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	23rd June 2023	23rd June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	23rd June 2023	23rd June 2023
Conoil Plc	N2.50	Nil	30th June 2023	TBA	TBA
Meristem Growth ETF	N0.40	Nil	24th May 2023	N/A	30th May 2023
Meristem Value ETF	N0.79	Nil	24th May 2023	N/A	30th May 2023
FBN Holdings Plc	N0.50	Nil	9th August 2023	15th August 2023	16th August 2023



MODEL EQUITY PORTFOLIO

PORTFOLIO VALUATION AS AT 09/06/2023												
				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	25.80	31.20	1,266,580.05	90,000.00	1,356,580.05	156,580.05	13.05
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	9.95	9.88	488,467.89	9,000.00	497,467.89	117,467.89	30.91
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	5.77	5.66	283,262.28	9,000.00	292,262.28	74,762.28	34.37
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	21.00	20.87	1,030,937.25	67,500.00	1,098,437.25	295,937.25	36.88
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	28.00	31.20	1,374,583.00	13,500.00	1,388,083.00	188,083.00	15.67
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	13.80	18.20	677,473.05	67,500.00	744,973.05	44,973.05	6.42
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	28.35	29.90	1,391,765.29	13,500.00	1,405,265.29	255,265.29	22.20
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	33.10	36.92	1,624,953.48	96,750.00	1,721,703.48	301,703.48	21.25
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	283.00	339.30	13,893,106.75	900,000.00	14,793,106.75	1,743,106.75	13.36
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	20.90	26.59	1,026,028.03	68,400.00	1,094,428.03	71,928.02	7.03
			21,142,500.00					23,057,157.06		24,392,307.06	3,249,807.06	15.37

The Equity Portfolio Model which closed the previous week at 17.20% depreciated during the week, and closed the week at 15.37% (YTD). This can be compared with NGX All Share Index which closed at 8.92% in the previous week, also appreciated during the week and closed at +9.13% {YTD}. The EPM depreciated during the week under review and still over performed the All Share Index of the market. Some of the stocks that contributed positively are ZENITH, UBA, WAPCO, FLOUR MILLS, UCAP, and GTCO. 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)

VFD Group PLC Announces Intention to List on NGX

[VFD Group Plc](#) today announced that it intends to list on the Nigerian Exchange Group (NGX). According to its release, “this strategic move will allow the company to gain access to public equity markets, increase its visibility, and strengthen its financial position”. Previously, the VFD Group had been listed on the NASD OTC Securities Exchange since 2020. Now, with the declared intention of listing on the NGX, the company will delist from the NASD. Nonso Okpala, Group Managing Director of VFD Group, stated: "We are excited to take this next step in the evolution of our company, "Listing on a major stock exchange will give us access to a larger pool of investors, enhance our profile, and provide superior returns to our investors." The listing is subject to regulatory approvals and market conditions. VFD Group has represented that it will provide additional updates as the listing process progresses.

INVESTMENT BASICS

How to Manage Short-term Naira

The year 2023, has been an exceptionally volatile year for Naira-denominated savers, with 1-year T-bill rates oscillating between 3.78% and 13.05% while Federal Government of Nigeria (FGN) bond rates have been more stable. To make things more complicated, 90-day deposit rates available to financial institutions (rates which they can pass onto their customers) have varied between 4.00% and 19.00%. The question, this year, has been not how to position a Naira fixed-income portfolio, i.e. whether to take short-dated T-bills or long-dated bonds, but when to buy high-yielding T-bill and short-term deposits. Complacent fund managers, who were not aware of the dynamics of the market and who locked in money at low rates, had a rude awakening by the end of Q1 and appear to have been confused by event. How does a canny investor make the best returns in these conditions? Note that average FGN bond rates have, for the most part, been higher than 1-year T-bill rates and 90-day deposit rates, so certain kinds of investor would have been happy with FGN bonds, and could have accessed them by buying Fixed Income mutual funds. But many investors either have a short time horizon or like to see their cash redeemed on a regular basis, and the key for them has been how to maximize returns on short-term fixed-income investments.

As all investors know, conditions were far from normal at the beginning of 2023. The Central Bank of Nigeria (CBN) was in the process of withdrawing old banknotes from the system and replacing them with new ones. Such changeovers are very rare, and the prospect of millions of Nigerians depositing a trillion or more old Naira banknotes with their banks was going to create unusual conditions, in this case, a surfeit of bank liquidity. And, as anyone who studies short-term movements in short-term rates knows, a surfeit in liquidity usually results in a fall in T-bill rates. Banks, engorged with their clients' money in current accounts, were big bidders at the CBN's T-bill auctions and rates fell during January, sustaining low levels during February and the early weeks of March. These were bad times to lock in a short-term investment.

If it was not clear that conditions were abnormal, then one only had to look at what was happening on the street. First, there was a shortage of cash as people took their banknotes to deposit with banks. At one point many shops stopped taking cash, fearful they would not have time to deposit it. Then long queues formed at ATMs, as people relying on cash waited, often for hours and sometime overnight, to get hold of precious new-issue banknotes. As the interbank system processed a high number of electronic transactions it began to show the strain, with people reporting multiple problems with card payments and electronic transfers.

Next, and following a judgment from the Supreme Court that ruled against the banknote replacement policy, the CBN instructed commercial banks to reissue the old banknotes. The queues at ATMs disappeared within a fortnight, and banks were faced with the task of emptying out customers' current accounts and issuing them with banknotes again. Banks became much less liquid than they had been a few weeks earlier. This, not surprisingly, made them weak bidders at the T-bill auctions, systemic liquidity was lower than before, and 1-year T-bill rates shot back up in March.

Conclusion . To manage short-term Naira liquidity going forward, the key point, is to target a rate that one deems to be acceptable and not to deviate from it on the downside. A double-digit interest rate, in either 1-year T-bills or short-term deposits, seems to be a reasonable target, given that period of high liquidity has (e.g. during February) driven returns to below 5.0% annualized. One could be a little more ambitious than this, perhaps, and target 12.0% annualized. This, of course, is neither a precise nor an ambitious target, but a rule-of-thumb that would have worked well during the first four months of the year. Unless there is an overall rise in Naira-denominated market interest rates from the beginning of May onwards, this rule of thumb may work well over the coming months. A few months is about as far as one can project forwards, given the changing nature of policy and the fact that ministerial appointments in the new government may signal a change in fiscal direction fairly soon.

Source: Nigerian Stock Exchange (NSE) & Regency Research



FIXED INCOME MARKET REPORT

Money Market.

The interbank rates remained low this week as liquidity stayed robust. The Open Repo Rate (OPR) stayed flat at 11.5bps while Overnight Rate (O/N) rose slightly by 0.17% week-on-week to 11.90bps

Treasury Bills.

Compared to the previous NTB Auction, stop rates adjusted upward across the three tenors as investors bided for higher yields to cushion subsidy-triggered inflation. Subscription remained strong at N830.19bn with high concentration at the 365-day at N815.61bn while 91-day and 182-day had N8.26bn, and N6.32bn, respectively, against N1.03bn, 1.94bn, and 179.89bn offered. The CBN sold only the initial offer of N182.86bn with stop rates settling at 4.48%, 6.00%, and 9.45% for the 91-day, 182-day, and 364-day, respectively.

Foreign Currency (EXCHANGE RATE).

At both windows this week, the naira depreciated to a record low of N472.50/US\$1 and N471.40/US\$1 at I&E FX and NAFEX fixings. A weekly drop of 169bps and 128bps respectively.

NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate			
	2-Jun-23	09-Jun-23	W-o-W % Change
OPR (%)	11.50	11.5	0.00%
O/N (%)	11.88	11.9	+0.17%

Source: Financial Markets Dealers Quotations (FMDQ)

TREASURY BILLS RATES

NTB AUCTION June 07, 2023

Nigerian Treasury Bills Auction Result June 07, 2023					
Tenor	Amount offered (N'bn)	Total Subscription (N'bn)	Amount Sold (N'bn)	Stop Rate (%)	Previous rate (%)
91-days	1.03	8.26	1.03	4.48	4.50
182-days	1.94	6.32	1.94	6.00	6.44
364-days	179.89	815.61	179.89	9.45	8.99

MONEY MARKET RATES

Average Benchmark Yields			
	2-Jun-23	9-Jun-23	W-o-W% Change
I&E FX	464.67	472.50	1.69%
NAFEX (\$/N)	465.44	471.40	1.28%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

Disclaimer

This report was prepared, issued and approved by Regency Assets Management Limited (RAML). The report is based on information from various sources that we believe are reliable. While due care has been taken in preparing it, investors are reminded that the stock prices fluctuate based on stock market forces.

This report is provided solely for the information of clients of RAML who are expected to make their own investment decisions. Regency Assets Management Limited accepts neither responsibility nor liability whatsoever for any loss arising from the use of this report. All opinions on this report constitute the authors best estimate judgment as of this date and are subject to change without notice. This report is for private circulation only. The report may not be reproduced distributed or published by any recipient for any