



Monday June 19, 2023

Inflation Hits 22.41% in May, 2023

Nigerian headline inflation for the month of May rose by 0.19% to 22.41% from 22.22% in April. This was primarily due to the surge in the price of major staples, evidenced by the 0.21% increase in food inflation to 24.82%. The commodities that recorded the highest price increases were oil and fat, yam and other tubers, bread, cereals, fish, potatoes, fruits, meat and vegetables. The data showed that core inflation, which is inflation less seasonalities, moderated by 0.08% to 20.06%, the first decline since February. The decline in core inflation is cheery news but it is also important to note that the inflation data for May is not reflective of the impact of petrol subsidy removal and exchange rate unification. Month-on-month inflation inched up by 0.03% to 1.94% (25.93% annualized) from 1.91% (25.5% annualized) in April. The annual food sub-index rose by 0.21% to 24.82% in the month of May from 24.61% in April, while the monthly food index was up 0.06% to 2.19%. This largely reflects the impact of the planting season, characterized by food shortages and higher food prices. Contrary to expectations, year-on-year core inflation (inflation less seasonalities) declined in May. The index fell by 0.08% to 20.06% from 20.14% in April. This could be attributed to base effects. However, Month-on-month core inflation surged to 1.8% from 1.46% in the prior month, partly reflecting the increase in the price of diesel towards the end of the month.

How has inflation impacted Nigerians?

As a cankerworm and an unauthorized catchpole, inflation imposes inestimable costs and losses on consumers, savers, fixed-income earners, and businesses. **Consumers:** Consumers are worse off when prices rise faster than their nominal income, especially in countries where wages or salaries are not indexed to inflation. Inflation erodes purchasing power, and to the extent that consumption is a function of income, it affects the poor disproportionately. Given that low-income households spend a greater proportion of their income on essentials, inflation is indeed hitting the poorest households twice as hard as the rich. With stagnant wages and rising costs of living, deprivation and desperation are currently high. **Savers:** When inflation rises quickly, money loses its value. This is because interest rates rarely keep up with increases in the general price level. With a saving rate of 5.55% (30% of MPR) and inflation at 22.41%, savers lose 16.86% p.a. on their savings. In other words, ₦100,000 kept in a savings account will only buy goods worth ₦83,140 after one year, losing ₦16,860! In other words, inflation discourages savings in the domestic currency and could force savers to fly to safety in dollars, a recipe for dollarization. **Fixed income investment:** Inflation shrinks real returns, with double-digit inflation most likely to yield negative real returns. Since the return on fixed-income investments is static, every unit increase in inflation constitutes a unit decrease in real returns. **Businesses:** With high inflation, the prices of production inputs (such as raw materials) and capital goods (like machines) also rise. This increases operating expenses and shrinks the bottom line. Also, rising prices of goods and services could result in a decline in turnover, which further weighs on profitability. **Outlook** Nigeria is currently embarking on structural reforms, including a fundamental change in an expensive petrol subsidy regime. It is also attempting to dismantle a cumbersome forex system which in theory is a floating rate but in practice is as rigid as it comes. While the removal of petrol subsidy is likely to push up inflation by about 3% to 25.4% in the short-term, fears that exchange rate unification will also stoke inflation are misplaced. This is because imported commodities in Nigeria are currently priced using the parallel market rate. Therefore, a floating of the Naira is unlikely to have a major impact on the price level.

Capital Market Summary .

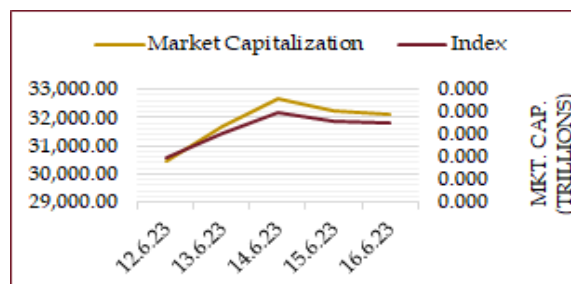
Analysis of the market activity in the week ended June 16, 2023 shows that the Nigerian equity market closed on a bullish note. The NGX All Share Index and market capitalization of listed equities appreciated by 5.49% each from the opening figures of 55,930.97 and N30,455 trillion to close at 59,000.96 and N32,126 trillion respectively. Its year to date (YTD) return stands at +15.12%.

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)	22.41%	May , 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

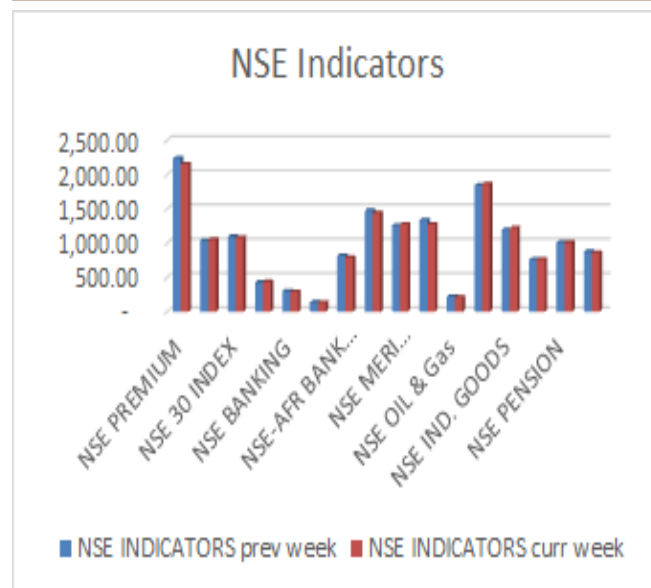
Source: Central Bank of Nigeria (CBN)

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 19/06/23-23/06/2023)

The NGXASI, recorded a gain of 5.49% W-o-W as compared to a gain of 0.20% recorded last week. The Nigerian Exchange recorded N1,672billion gain in naira terms. In Year-to-date, the NGXASI closed positive at close of the week with a gain of 15.12% as market capitalization settled at N32.136trillion. 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, DANGOTE 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=	No of shares	Total Assets N=	Div. Yieild	ROCE	Remark
	31/12/22	16/6/2023	%	N=	N=	Return %	N=M current	Last YR		N=	High	Low		Target price	N=M	mill	N=m	%	per Qter	Decision
ZENITH	24.00	31.00	29.17	2.10	3.20	42.50	62,617	58,198	1st Qter	48.98	29.70	18.90	14.76	40.30	1,441,557	29,431	13,359,216	10.32	4.34	HOLD
GTCCO	23.00	30.80	33.91	2.04	3.10	47.39	58,167	43,208	1st Qter	28.53	29.40	16.80	15.10	40.04	975,624	34,199	6,740,338	10.06	5.96	HOLD
ACCESS	8.50	14.25	67.65	2.06	1.50	85.29	71,656	57,825	1st Qter	39.28	12.50	7.50	6.92	18.53	1,396,236	35,545	15,742,015	10.53	5.13	BUY
UBA	7.60	11.10	46.05	1.49	1.10	60.53	53,589	41,496	1st Qter	28.46	10.20	6.55	7.45	14.43	973,136	34,199	11,360,779	9.91	5.51	BUY
FIDELITY	4.35	6.94	59.54	0.54	0.50	71.03	15,609	9,516	1st Qter	11.33	6.36	2.87	12.85	9.02	328,225	28,975	4,143,428	7.20	4.76	BUY
WAPCO	24.00	28.20	17.50	0.93	2.00	25.83	14,935	17,558	1st Qter	26.76	28.10	20.10	30.32	36.66	431,037	16,108	583,393	7.09	3.46	BUY
NAHCO	6.40	14.00	118.75	0.32	1.20	137.50	0.637	0.324	1st Qter	4.85	14.10	5.12	43.75	18.20	9,448	1,949	18,833	8.57	0.01	BUY
NASCON	11.10	18.00	62.16	0.62	1.00	71.17	1,643	0.388	1st Qter	7.81	16.90	9.50	29.03	23.40	20,686	2,649	59,177	5.56	7.94	BUY
FLOUR MILLS	28.40	35.00	23.24	2.87	2.15	30.81	10,018	17,040	3rd Qter	48.40	35.40	27.00	12.20	45.50	198,427	4,100	971,745	6.14	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	23.00	43.30	1.05	1.50	52.65	12,803	8,870	1st Qter	15.15	22.00	15.00	21.90	29.90	184,044	12,146	558,913	6.52	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	43.90	7.07	(128)	1.43	10.56	(10,581)	13,614	1st Qter	16.49	50.90	28.80	(0.34)	57.07	169,416	10,276	652,944	3.26	(6.25)	BUY
UCAP	11.60	13.95	20.26	1.63	1.50	33.19	2,441	2,309	1st Qter	4.45	15.60	9.00	8.56	18.14	26,707	6,000	727,504	10.75	9.14	BUY
AFRIPRUD	6.00	6.40	6.67	0.09	0.50	15.00	0.178	0.403	1st Qter	4.79	6.45	5.00	71.11	8.32	9,584	2,000	20,685	7.81	0.00	BUY
NEM INS.	4.50	6.30	40.00	0.28	0.30	46.67	2,853	1,545	1st Qter	2.99	5.65	3.13	22.50	8.19	29,980	10,032	54,604	4.76	9.52	BUY
CADBURY	11.90	18.80	57.98	1.84	0.40	61.34	3,454	1,542	1st Qter	8.39	17.8	10.2	10.22	24.44	15,755	1878	69,181	2.13	21.92	SELL
FBNH	11.25	15.80	40.44	1.38	0.50	44.89	50,086	32,442	1st Qter	27.88	15.2	8.2	11.45	20.54	1,000,582	35,895	11,093,926	3.16	5.01	SELL
FCMB	3.51	5.00	42.45	1.88	0.25	49.57	9,292	5,166	1st Qter	15.32	5.00	2.92	2.66	6.50	303,390	19,803	3,102,178	5.00	3.06	BUY
GLAXO	6.15	7.45	21.14	0.13	0.55	30.08	0.155	0.194	1st Qter	8.10	8.35	5.4	57.31	9.69	9,688	1,196	30,750	7.38	0.00	SELL
OKOMU	165.00	236.00	43.03	10.67	12.00	50.30	10,177	9,498	1st Qter	46.34	216	157	22.12	306.80	44,211	954	89,516	5.08	23.02	SELL
PRESCO	137.50	180.00	30.91	21.47	2.50	32.73	21,466	19,320	4th Qter	42.65	183	110	8.38	234.00	42,647	1,000	145,087	1.39	50.33	SELL
PZ	12.10	19.00	57.02	2.82	1.01	65.37	11,214	5,641	3rd Qter	11.32	18.5	8.05	6.74	24.70	44,944	3,971	152,112	5.32	24.95	SELL
VITAFOAM	20.45	20.95	2.44	2.32	1.52	9.88	3,084	3,613	2nd Qter	13.29	23.6	16.8	9.03	27.24	16,629	1,251	38,587	7.26	18.55	SELL



STOCK MARKET REPORT

Domestic Market Review

GAINERS FOR THE WEEK

Twenty seven stocks appreciated in price during the week, as against Fifty two stocks in preceding week. The top ten price gainers during the week were:

LOSERS FOR THE WEEK

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

EXCHANGE TRADED PRODUCTS (ETP)

A total of 28,489,983 units of Exchange Traded Products valued at N254,156,264.78 in 94 deals were traded during the week compared with 4,49,570 units of Exchange Traded Products valued at N57,651,444.74 traded last week in 116 deals.

BOND MARKET

A total units of 46,043 units of FGN Bond valued at N50,724,162.47 in 25 deals were traded during the week compared with 125,410 units of FGN Bond valued at N126,521,067.41 traded last week in 35 deals

MARKET SUMMARY

	Curr. Week	Previous week	% Change
Volume	4,276 M	2,196 M	94.72
Value N=	N62,176 B	N45,971 B	35.25
Total Gain	77	52	48.08
Total Loss	24	27	11.11
Deals	44,344	31,655	40.09
All Share Index	59,000.96	55,930.97	5.49
Market Cap.	N=32,126 Trillion	N=30,455 Trillion	5.49

TOP TEN GAINERS

Company	Op.Price	cl. Price	Gain	Gain in %
FTN COCOA	0.93	1.35	0.42	45.16
UNITY	0.72	1.02	0.30	41.67
CORONATION	0.47	0.66	0.19	40.43
TRASC HOT	10.63	14.60	3.97	37.35
JAIZ	1.33	1.74	0.41	30.83
STERLING	2.28	2.95	0.67	29.39
IKEJA	2.63	3.40	0.77	29.28
SECURE	0.36	0.46	0.10	27.78
LASACO	1.80	2.30	0.50	27.78
SOV. TRUST	0.40	0.51	0.11	27.50

TOP TEN LOSERS

Company	Op.Price	Cl. Price	Loss	Loss in %
INITIATIVE	0.52	0.39	(0.13)	(25.00)
JOHN HOLT	1.40	1.15	(0.25)	(17.86)
ABC	0.39	0.34	(0.05)	(12.82)
AELLAH LAKE	4.00	3.60	(0.40)	(10.00)
CWG	1.80	1.62	(0.18)	(10.00)
MCNICHOLS	0.72	0.65	(0.07)	(9.72)
ABBEY	1.68	1.52	(0.16)	(9.52)
TANTALIZER	0.22	0.20	(0.02)	(9.09)
CHAMS	0.46	0.42	(0.04)	(8.70)
HONYWELL	3.50	3.25	(0.25)	(7.14)

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 16/06/2023													
P/Date	Stock	Units	Tcost	Unit Cost	B-E Price	Current Price	Target price	30% App	NET VALUE	Dividend	TOTAL VALUE	Gain/Loss	G/L%
1/1/2022	WAPCO	50,000	1,200,000.00	24.00	24.44	28.20	31.20		1,384,401.45	90,000.00	1,474,401.45	274,401.45	22.87
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	11.10	9.88		544,923.98	9,000.00	553,923.98	173,923.98	45.77
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	6.94	5.66		340,700.22	9,000.00	349,700.22	132,200.22	60.78
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	23.00	20.87		1,129,121.75	67,500.00	1,196,621.75	394,121.75	49.11
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	31.00	31.20		1,521,859.75	13,500.00	1,535,359.75	335,359.75	27.95
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	15.70	18.20		770,748.33	67,500.00	838,248.33	138,248.33	19.75
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	30.60	29.90		1,502,222.85	13,500.00	1,515,722.85	365,722.85	31.80
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	35.00	36.92		1,718,228.75	96,750.00	1,814,978.75	394,978.75	27.82
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	284.00	339.30		13,942,199.00	900,000.00	14,842,199.00	1,792,199.00	13.73
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	20.95	26.59		1,028,482.64	68,400.00	1,096,882.64	74,382.64	7.27
			21,142,500.00						23,882,888.70		25,218,038.70	4,075,538.70	19.28

The Equity Portfolio Model which closed the previous week at 15.37% appreciated during the week, and closed the week at 19.28% (YTD). This can be compared with NGX All Share Index which closed at 9.13% in the previous week, also appreciated during the week and closed at +15.12% {YTD}. The EPM regained strength and appreciated during the week under review and out 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)

The Central Bank of Nigeria (CBN) has officially unified the country's foreign exchange rate, confirming speculations that this was going to be the direction of the monetary policy under the new administration. The country's exchange rate regime will now be market determined and no longer driven by administrative management by the CBN. Previously, FX sold at different rates in two significant markets: the official Investors' and Exporters' window of the foreign exchange market and the parallel market. The new President, Bola Ahmed Tinubu, during his inaugural speech, had said that there would be some house cleaning in the monetary policy regime and a move towards the Unification of the FX market. According to a circular released by the CBN, all operators in the foreign exchange market are to take note of the following: Abolishing of Segmentation: All segments are now collapsed into the Investors and Exporters window. Applications for medicals, school fees, BRA/PTA, and SMEs would continue to be processed through deposit money banks. Re-introduction of the "Willing Buyer, Willing Seller" model of the I&E window. Operations in the window shall be guided by the extant circular on the establishment of the window, dated 21 April 2017 and referenced FMD/DIR/CIR/GEN/08/007. All eligible transactions are permitted to access foreign exchange at the window. The operational rate for all government-related transactions shall be the weighted average of the preceding day's executed transactions at the I&E window, calculated to two(2) decimal places. Prescription of trading limits on oversold FX positions with permission to hedge short positions with OTC futures. Limits on overbought positions shall be zero. Re-introduction of Order Book to ensure transparency of orders and seamless execution of trades. The operational hours of trades shall be from 9am to 4pm, Nigerian time. Cessation of RT200 Rebate Scheme and the Naira4Dollar Remittance Scheme, with effect from 30 June 2023.

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.

Funding rates were relatively stable this week, hovering around double-digit levels. The NTB settlement on Thursday nudged the open repo rate (OPR) and Overnight rate (O/N) to 11.60bps and 12.10bps on Friday, a weekly rise of 0.87% and 1.68% respectively.

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).

Following the liberation of the exchange rate on June 14, 2023, the naira at the official market depreciated to 751/US\$ during the intra-day trading and closed at N664.04/US\$1 on Wednesday at the I & EFX window. On Friday, the naira settled at N663.04/US\$, a weekly appreciation of 40.33%. The NAFEX window settled at N686.96/US\$ on Friday, a weekly appreciation of 45.75%

OIL PRICE.

The Nigeria's oil price (WTI) appreciated slightly during the week under review. According to the latest data, the oil price closed at \$70.56 per barrel during the week, compared with \$70.17 recorded in the previous week .

NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate			
	09-Jun-23	16-Jun-23	W-o-W % Change
OPR (%)	11.5	11.6	0.87%
O/N (%)	11.9	12.1	+1.68%

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			
	9-Jun-23	16-Jun-23	W-o-W% Change
I&E FX	472.50	663.04	40.33%
NAFEX (\$/N)	471.40	686.96	45.73%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

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