



Monday June 26, 2023

Implications of Nigeria's Subsidy Removal

In response to President Bola Tinubu's pronouncement on ending the subsidy on Monday May 29, 2023, the petrol pump price in Nigeria has jumped to a rough average of N600 per litre (US\$1.3 per litre) from the N195 per litre before the inauguration speech, a development that has caused a double fold increase in transport fares accompanied by long filling station queues. Different regulatory agencies and marketers' associations have also responded to these developments. The CEO of the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), Farouk Ahmed, has said the move to remove subsidy was in line with the PIA and the authority would not place any price cap on the sale of the products. The GCEO of the NNPC, Mele Kyari, has also backed the removal, saying it would free up funds for the company's optimal operations. This suggests that the existing under-recovery model has continued under the new NNPC. Meanwhile, while the Major Oil Marketers Association of Nigeria (MOMAN) and the Depot and Petroleum Marketers Association of Nigeria (DAPPMAN), who own tank farms, supported the removal, the Independent Petroleum Marketers Association of Nigeria (IPMAN) has a contrary option, arguing for wider consultation and the operations of the refineries before the removal.

The positive response to the inauguration speech of new President Bola Tinubu at the Nigerian stock market spread to the fixed-income market as investors rally both at the domestic and Eurobond market. The Eurobond market had demand across most tenors with the average benchmark yield reducing by 63bps to 11.33. We spotted mild buying interests at both the short and long-dated tenors in the domestic market, the treasury bill average yield dropped to 6.85% and the FGN bond average yield declined to 14.27%. The new administration's key focus of unifying the multiple exchange rates and subsidy removal suggests an effort toward a stable economy, triggering the recent positive sentiment in the market. Before the inauguration, the discussion surrounding the US debt ceiling has been weighing on Nigeria's Eurobond market. The near resolution of the debt ceiling deal also contributed to the buying interest in the market aside from the optimism about the new administration. We, however, believe the risk on sentiment would soon fade off as the inflationary impact of the subsidy removal hamper investors' real return. Unemployment is one of the many illnesses that plague the Nigerian market, as the Nigerian labour market is saturated with millions of job seekers but with few jobs. President Bola Tinubu outlined his vision to employ at least one million youth in the digital economy during his administration. To facilitate the realization of this plan, President Tinubu has expressed his administration's intention to collaborate with the National Assembly in developing legislation that empowers the government to create more jobs. The minister of Communications and Digital Economy, Professor Isa Pantami disclosed that the digital economy sector created 2.2 million jobs in Nigeria between Q1 2020 and Q3 2022. We view President Tinubu's job creation proposal as having the potential to stimulate the market, alleviate unemployment and enhance consumer confidence. However, its successful implementation hinges upon addressing specific challenges, including financial implications, skills mismatch, and sectoral concentration.

Capital Market Summary .

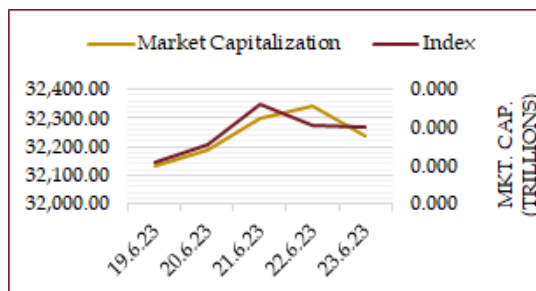
Analysis of the market activity in the week ended June 23, 2023 shows that the Nigerian equity market closed on a bullish note. The NGX All Share Index and market capitalization of listed equities appreciated by 0.34% each from the opening figures of 59,000.96 and N32,126 trillion to close at 59,206.63 and N32,237 trillion respectively. Its year to date (YTD) return stands at +15.52%.

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

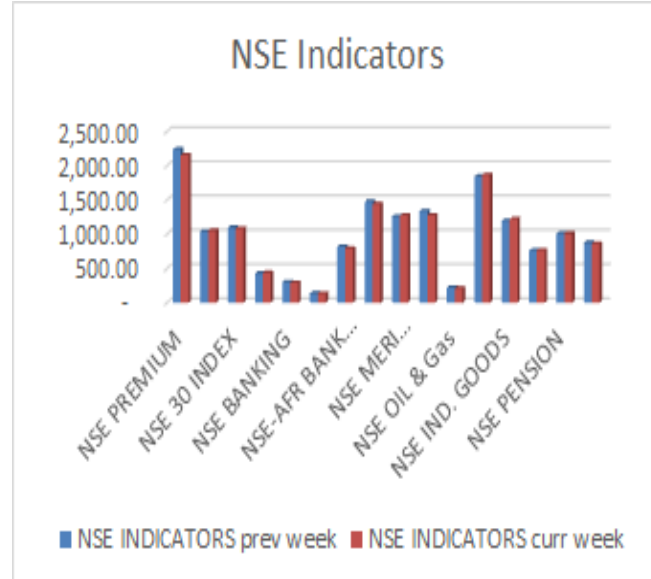
Source: Central Bank of Nigeria (CBN)

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 26/06/23-30/06/2023)

For the 3rd consecutive week, the NGXASI, recorded a gain of 0.34% W-o-W as compared to a gain of 5.49% recorded last week. The Nigerian Exchange recorded N108.85billion gain in naira terms. In Year-to-date, the NGXASI closed positive at close of the week with a gain of 15.52% as market capitalization settled at N32.237trillion. The market may likely remain bullish during the week as investors are expecting half year results. In the coming week, we expect the market to continue to move upward and close on positive note because investors may continue to take position for the half year returns. 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, WAPCO PLC , FIDELITY, NAHCO . FCMB, AFRIPRUD, 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	23/06/23	%	N=	N=	Return %	N=M current	Last YR		N=	High	Low		Target price	N=M	mill	N=m	%	per Qter	Decision
ZENITH	24.00	32.00	33.33	2.10	3.20	46.67	62,617	58,198	1st Qter	48.98	35.50	18.90	15.24	41.60	1,441,557	29,431	13,359,216	10.00	4.34	HOLD
GTCO	23.00	31.45	36.74	2.04	3.10	50.22	58,167	43,208	1st Qter	28.53	35.50	16.80	15.42	40.89	975,624	34,199	6,740,338	9.86	5.96	HOLD
ACCESS	8.50	14.95	75.88	2.06	1.50	93.53	71,656	57,825	1st Qter	39.28	17.20	7.50	7.26	19.44	1,396,236	35,545	15,742,015	10.03	5.13	BUY
UBA	7.60	11.45	50.66	1.49	1.10	65.13	53,589	41,496	1st Qter	28.46	13.10	6.55	7.68	14.89	973,136	34,199	11,360,779	9.61	5.51	BUY
FIDELITY	4.35	6.99	60.69	0.54	0.50	72.18	15,609	9,516	1st Qter	11.33	7.35	2.87	12.94	9.09	328,225	28,975	4,143,428	7.15	4.76	BUY
WAPCO	24.00	28.85	20.21	0.93	2.00	28.54	14,935	17,558	1st Qter	26.76	30.50	20.10	31.02	37.51	431,037	16,108	583,393	6.93	3.46	BUY
NAHCO	6.40	15.00	134.38	0.32	1.20	153.13	0.637	0.324	1st Qter	4.85	14.50	5.12	46.88	19.50	9,448	1,949	18,833	8.00	0.01	BUY
NASCON	11.10	18.70	68.47	0.62	1.00	77.48	1,643	0.388	1st Qter	7.81	18.80	9.50	30.16	24.31	20,686	2,649	59,177	5.35	7.94	BUY
FLOUR MILLS	28.40	34.50	21.48	2.87	2.15	29.05	10,018	17,040	3rd Qter	48.40	36.20	27.00	12.02	44.85	198,427	4,100	971,745	6.23	5.05	BUY
MTNN	215.00	265.50	23.49	4.94	15.64	30.76	101,303	96,819	1st Qter	21.30	284.00	185.00	53.74	345.15	433,533	20,354	3,017,616	5.89	23.37	BUY
DANSUGAR	16.05	23.60	47.04	1.05	1.50	56.39	12,803	8,870	1st Qter	15.15	25.30	15.00	22.48	30.68	184,044	12,146	558,913	6.36	6.96	HOLD
DANCEN	261.00	287.50	10.15	6.44	20.00	17.82	109,501	105,851	1st Qter	69.18	290.00	220.00	44.64	373.75	1,178,919	17,041	2,698,870	6.96	9.29	BUY
NB	41.00	43.70	6.59	(128)	1.43	10.07	(10,581)	13,614	1st Qter	16.49	50.00	28.80	(0.34)	56.81	169,416	10,276	652,944	3.27	(6.25)	BUY
UCAP	11.60	14.85	28.02	1.63	1.50	40.95	2,441	2,309	1st Qter	4.45	15.60	9.00	9.11	19.31	26,707	6,000	727,504	10.10	9.14	BUY
AFRIPRUD	6.00	6.60	10.00	0.09	0.50	18.33	0.178	0.403	1st Qter	4.79	6.99	5.00	73.33	8.58	9,584	2,000	20,685	7.58	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	17.10	43.70	1.84	0.40	47.06	3,454	1,542	1st Qter	8.39	18.8	10.2	9.29	22.23	15,755	1878	69,181	2.34	21.92	SELL/HOLD
FBNH	11.25	17.30	53.78	1.38	0.50	58.22	50,086	32,442	1st Qter	27.88	17.4	8.2	12.54	22.49	1,000,582	35,895	11,093,926	2.89	5.01	SELL/HOLD
FCMB	3.51	5.00	42.45	1.88	0.25	49.57	9,292	5,166	1st Qter	15.32	5.89	2.92	2.66	6.50	303,390	19,803	3,102,178	5.00	3.06	BUY
GLAXO	6.15	7.25	17.89	0.13	0.55	26.83	0.155	0.194	1st Qter	8.10	8.35	5.4	55.77	9.43	9,688	1,196	30,750	7.59	0.00	SELL/HOLD
OKOMU	165.00	225.00	36.36	10.67	12.00	43.64	10,177	9,498	1st Qter	46.34	236	157	21.09	292.50	44,211	954	89,516	5.33	23.02	SELL/HOLD
PRESCO	137.50	178.00	29.45	21.47	2.50	31.27	21,466	19,320	4th Qter	42.65	183	110	8.29	231.40	42,647	1,000	145,087	1.40	50.33	SELL/HOLD
PZ	12.10	18.90	56.20	2.82	1.01	64.55	11,214	5,641	3rd Qter	11.32	19.5	8.05	6.70	24.57	44,944	3,971	152,112	5.34	24.95	SELL/HOLD
VITAFOAM	20.45	21.10	3.18	2.32	1.52	10.61	3,084	3,613	2nd Qter	13.29	23.6	16.8	9.09	27.43	16,629	1,251	38,587	7.20	18.55	SELL/HOLD

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

GAINERS FOR THE WEEK

Sixty two stocks appreciated in price during the week, as against Seventy Seven stocks in preceding week. The top ten price gainers during the week were:

LOSERS FOR THE WEEK

Thirty five stocks depreciated in price during the week as against Twenty four stocks recorded in the preceding week. The top ten price losers during the week were:

EXCHANGE TRADED PRODUCTS (ETP)

A total of 10,318,118 units of Exchange Traded Products valued at N105,926,084.90 in 182 deals were traded during the week compared with 28,489,983 units of Exchange Traded Products valued at N254,156,264.78 traded last week in 94 deals.

BOND MARKET

A total units of 106,871 units of FGB Bond valued at N106,464,152.34 IN 26 deals were traded during the week compared with 46,043 units of FGN Bond valued at N50,724,162.47 traded last week in 25 deals

MARKET SUMMARY

	Curr. Week	Previous week	% Change
Volume	3,369 M	4,276 M	-21.21
Value N=	N41,986 B	N62,176 B	-32.47
Total Gain	62	77	-19.48
Total Loss	35	24	-45.83
Deals	39,764	44,344	-10.33
All Share Index	59,206.63	59,000.96	0.34
Market Cap.	N=32,237 Trillion	N=32,126 Trillion	0.34

TOP TEN GAINERS

Company	Op.Price	cl. Price	Gain	Gain in %
SKYWAY	6.40	9.25	2.85	44.53
FTN COCOA	1.35	1.90	0.55	40.74
CHAMS	0.42	0.57	0.15	35.71
JAPPAUL	0.49	0.65	0.16	32.65
GOLDEN GUIN	1.06	1.39	0.33	31.13
INITIATIVE	0.39	0.51	0.12	30.77
RT BRISCOE	0.34	0.44	0.10	29.41
CORONATION	0.66	0.85	0.19	28.79
CHIPLC	0.55	0.69	0.14	25.45
TRANS HOT	14.60	17.60	3.00	20.55

TOP TEN LOSERS

Company	Op.Price	Cl. Price	Loss	Loss in %
JAIZ	1.74	1.41	(0.33)	(18.97)
SECURE	0.46	0.38	(0.08)	(17.39)
CI LEASING	4.50	3.88	(0.62)	(13.78)
STERLING	2.95	2.57	(0.38)	(12.88)
IKEJA	2.95	2.57	(0.38)	(12.88)
PHARMAEKO	2.26	2.00	(0.26)	(11.50)
ELLAH LAKE	3.60	3.24	(0.36)	(10.00)
PRESTIGE	0.52	0.47	(0.05)	(9.62)
JOHN HOLT	1.15	1.04	(0.11)	(9.57)
ETI	15.40	14.00	(1.40)	(9.09)
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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 23/06/2023												
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	28.85	31.20	1,416,311.41	90,000.00	1,506,311.41	306,311.41	25.53
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	11.45	9.88	562,106.26	9,000.00	571,106.26	191,106.26	50.29
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	6.99	5.66	343,154.83	9,000.00	352,154.83	134,654.83	61.91
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	23.60	20.87	1,158,577.10	67,500.00	1,226,077.10	423,577.10	52.78
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	32.00	31.20	1,570,952.00	13,500.00	1,584,452.00	384,452.00	32.04
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	14.85	18.20	729,019.91	67,500.00	796,519.91	96,519.91	13.79
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	31.45	29.90	1,543,951.26	13,500.00	1,557,451.26	407,451.26	35.43
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	34.50	36.92	1,693,682.63	96,750.00	1,790,432.63	370,432.63	26.09
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	287.50	339.30	14,114,021.88	900,000.00	15,014,021.88	1,964,021.88	15.05
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	21.10	26.59	1,035,846.48	68,400.00	1,104,246.48	81,746.48	7.99
			21,142,500.00					24,167,623.75		25,502,773.75	4,360,273.75	20.62

The Equity Portfolio Model which closed the previous week at 19.28% appreciated during the week, and closed the week at 20.62% (YTD). This can be compared with NGX All Share Index which closed at 15.12% in the previous week, also appreciated during the week and closed at +15.52% {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)

Tinubu Govt Licenses Eterna, Emadep, Asharami To Import Petrol. The Bola Tinubu-led Federal Government has granted licenses to Eterna Plc, Emadep Energy Services Limited, and Asharami Energy to import petrol into the country from next month. The three oil companies were given permission to import petrol by the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). Sources told the news platform the three companies were the first among the six oil firms licensed to import petrol by July. A source said: “The licensed companies are Eterna Plc, Emadep Energy Services Limited, and Asharami Energy.” “Dangote refinery is surprisingly not among the first three companies, but there are strong indications that the company will be among the companies granted the importation permit in the near future,” another source said. Following the withdrawal of the petrol subsidy, the Nigerian National Petroleum Company (NNPC) Limited said it is no longer the sole supplier of petrol in the country. Prior to the subsidy removal, the company served as the country’s last-resort supplier, ensuring a steady distribution of petroleum products. On June 15, the Chief Executive Officer (CEO) of NMDPRA, Farouk Ahmed, announced that three oil marketers will start importing petroleum products from next month. He said the oil marketers reached an agreement to enhance cooperation with security agencies, with the aim of facilitating the seamless supply and distribution of petroleum products. He had said: “Already, three oil marketers will from July this year start importing petroleum products into the country.”

INVESTMENT BASICS

Capital Market Benefits to the Nigerian Government

Nigeria’s efforts to achieve significant economic progress have had varying levels of success. The country’s real GDP growth has averaged only 2.4% in the past decade, posing challenges to job creation, poverty reduction, and government revenue. Given the limited policy options available to address these critical economic issues, it is crucial to explore an often-underutilized mechanism that has proven successful in other nations facing similar challenges. By leveraging the potential of capital markets through intentional efforts and innovative approaches, Nigeria can unlock new avenues for economic growth and development. Capital markets are one of the most crucial drivers of development and economic growth in countries. They serve as a platform for businesses to access funds from a broad range of investors, enabling businesses to expand, innovate, and create new job opportunities. Just as importantly, a robust capital market can reduce the susceptibility of an economy to external shocks, by reducing currency and duration mismatches in raising funds.

In Nigeria, a recent example is the 2004 banking sector re-capitalization exercise where the markets were a useful mechanism for banks to meet increased capital requirements, which then helped finance growth, create wealth, and facilitate economic development. With more intentionality and deliberateness though, the markets can be an even more efficient, affordable, and sustainable way to address many of the teething challenges facing the nation today. It is time for a clearly articulated and well-thought-out strategy for utilizing the market as an instrument for addressing many of our most pressing economic challenges. One of the most significant benefits of capital markets is its potential to reduce unemployment. By providing businesses with the necessary capital to expand their operations, capital markets allow businesses to create new job opportunities for the workforce. When businesses expand through capital markets, they can invest in new technologies, develop new products, and expand their operations, leading to more jobs for the local workforce. Furthermore, the growth of businesses through capital markets drives innovation, increases productivity, and boosts consumer spending, all of which create more job opportunities for the workforce.

Capital markets can also increase tax revenues for the government. At 6% of tax receipts to GDP ratio, Nigeria’s tax receipts rank as one of the lowest in the world, and urgent efforts need to be taken to address this. As businesses access the markets for growth-related capital, economic growth is spurred as they invest and expand. This generates more revenues for the corporates, leading to higher tax revenues for the government. The increased tax revenues can be used to fund public services and infrastructure, such as healthcare, education, and transportation, which further contribute to economic growth. Research has also shown that capital markets lead to improved corporate tax compliance as listed companies are required to disclose financial information to investors. Listed corporates tend to be better governed, more transparent, and more adept at adhering to high levels of governance, leading to stronger compliance with tax provisions. A quick look at the listed corporates on the NGX reveals commendable levels of tax compliance.

Capital markets also play a vital role in boosting foreign exchange reserves. As businesses expand through capital markets, they tend to attract foreign investment, leading to an influx of foreign exchange into the economy. This increase in foreign exchange reserves can help in stabilizing the local currency, making it more attractive to foreign investors, which in turn, would improve foreign exchange reserves. Markets can also be used to aggregate and formalize existing “Over the Counter” foreign exchange transactions that are currently unreported, but if captured, can deepen FX flows. The increase in foreign exchange reserves can help the government finance international trade, pay off foreign debts, and stabilize the balance of payments.

Finally, capital markets can stimulate overall economic growth by promoting entrepreneurship and innovation. Access to capital markets enables entrepreneurs to raise funds and invest in new ideas, technologies, and businesses, creating a more dynamic and competitive business environment that fosters innovation. Innovation, in turn, drives economic growth by creating new industries, products, and services that meet the changing needs of consumers and businesses.

Over the past few years, the Nigerian capital market has witnessed significant innovation, improved regulatory controls, and a diversified investor base. These have ensured that transparency, efficiency, and accessibility in our markets have improved materially. The time is now for a well-crafted road map to harness the untapped potential in the Nigerian capital market to drive economic growth.

Source: Nigerian Stock Exchange (NSE) & Regency Research



FIXED INCOME MARKET REPORT

Money Market.

Interbank rates slumped to a single digit at the close of the week following the inflow of the large FAAC allocation of N786.16bn. The open repo rate (OPR) and Overnight rate (O/N) settled at 2.90bps and 3.40bps on Friday, a weekly drop of 75.00% and 71.90% 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).

As FX supply remains insufficient, the high demand continues to pull down the value of the Naira against the US dollar. This week, the Naira depreciated by 16.16\$ to N770.17/US\$ at the I & EFX window .

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 \$69.16 per barrel during the week, compared with \$70.56 recorded in the previous week .

NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate			
	16-Jun-23	23-Jun-23	W-o-W % Change
OPR (%)	11.6	2.9	75.00%
O/N (%)	12.1	3.4	71.90%

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			
	16-Jun-23	23-Jun-23	W-o-W% Change
I&E FX	663.04	770.17	16.16%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

Disclaimer

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