



Monday August 21, 2023

**Nigeria Foreign Reserve**

According to CBN data, Nigeria's gross official reserves fell more slowly by -USD167m m/m to around USD34.0bn at the end of July 2023, compared to a fall of -USD975m in June 2023. The drop in the official reserves in July is consistent with the steady attrition observed since August 2022. Year-to-date, the reserves have fallen by roughly -USD447m each month on average, and by nearly -USD440m since August 2022. The decreasing official reserves have placed limitations on the Central Bank's capacity to engage in foreign exchange market interventions. The total reserves as at end-Jul '23 covered 7.0 months of merchandise imports on the basis of the balance of payments for the 12 months to Dec '22 and 5.3 months when we add service.

However, for a more accurate picture, we must adjust the gross reserve figure (and the import cover) for the pipeline of delayed external payments which has been roughly estimated at around USD3.0bn by various sources. With respect to the other two markets that we track, our chart shows that Egypt's official reserves have grown steadily since Sept '22, rising by USD90m to USD34.9bn as at Jul '23. It is worth noting that Egypt's reserves surpassed those of Nigeria in June '23, marking the first time that this has occurred since Feb '22. South Africa's international liquidity position, which is broadly comparable with Nigeria's gross official reserves, also increased by around USD690m to USD55.6bn in Jul '23. Similar to Egypt, Nigeria has initiated significant fx reforms, in order to enhance investor confidence, attract foreign investment, and stabilize the economy. However, a major distinguishing factor is Egypt's diverse export trade, with mineral and petroleum products accounting for around 35% of total export trade value. This compares with roughly 80% to 90% for Nigeria. Despite the concentration of Nigeria's export trade, it is anticipated that the fx reforms, as well as the elimination of fuel subsidies, will yield some positive results in the medium term.

**Capital Market Summary .**

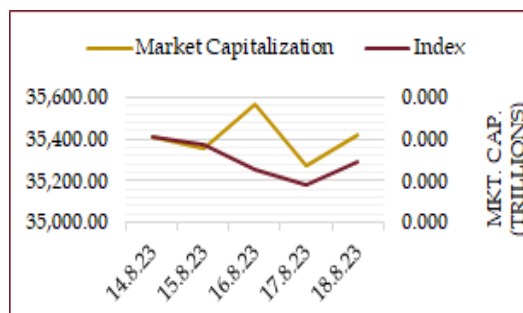
Analysis of the market activity in the week ended August 18, 2023 shows that the Nigerian equity market end the week on a bearish note. The NGX All Share Index and market capitalization of listed equities depreciated by 0.93% and 0.42% from the opening figures of 65,325.37 and N35,572 trillion to close at 64,721.09 and N35,422 trillion respectively. Its year to date (YTD) return stands at +26.28%.

**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)	24.08%	July, 2023
Monetary Policy Rate (MPR)	18.75%	July, 2023
Cash Reserve Ratio (CRR)	32.50%	July , 2023
Nigeria's Bonny Light Crude Oil	US\$87.44/Bar	August 18 2023
Nigeria's Gross External Reserves	US\$33.821bn	August 17, 2023

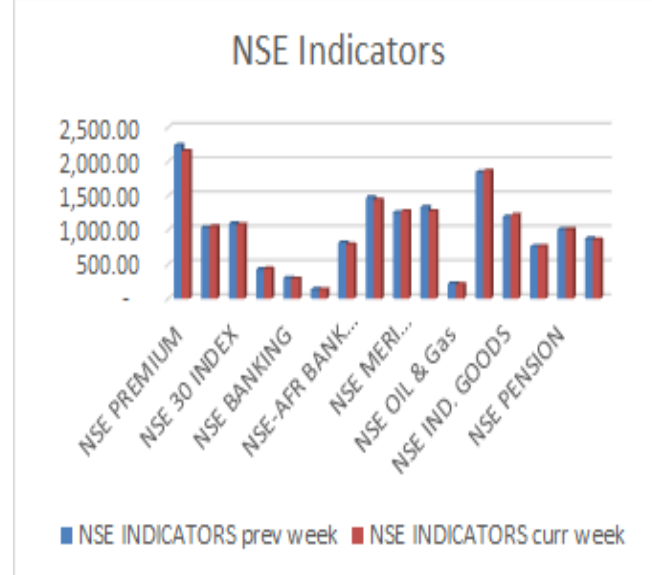
Source: Central Bank of Nigeria (CBN)

**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 14/08/23-18/08/2023)**

The listed equities market, NGXASI, recorded a loss of **0.93%** W-o-W, and the NASD OTC recorded a loss of **0.12%**. Thus, the NGX ASI dropped by **-0.93%** to close at 64,721 index points for the week, returning a lower year-to-date gain of **+26.28%**, down from **+27.46%** last week, while investors lost N150.12bn as market capitalisation closed at N35.42trn. The market may likely reverse to bullish note during the week. The upgrade of the nation’s rating from negative to stable, good economic policies, low & attractive prices of some blue chip stocks, and release of impressive half year results may continue to impact positively on the market. In the coming week, we expect the market to return to bullish trend and close positive because investors may continue to take position for 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. **DAN-GOTE CEMENT, UCAP PLC, UBA PLC, MTNN PLC., AFRIPRUD, FBNH, ACCESS PLC, WAPCO PLC , FCMB, AND TRANSCORP PLC, 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. Yield	ROCE	Remark
	31/12/22	18/8/2023	%	N=	N=	Return %	N=M current	Last YR		N=	High	Low		Target price	N=M	mill	N=m	%	per Qter	Decision
ZENITH	24.00	34.00	41.67	2.10	3.20	55.00	62,617	58,198	1st Qter	48.98	36.40	18.90	16.19	44.20	1,441,557	29,431	13,359,216	9.41	4.34	HOLD
GTCO	23.00	36.45	58.48	2.04	3.10	71.96	58,167	43,208	1st Qter	28.53	38.50	16.80	17.87	47.39	975,624	34,199	6,740,338	8.50	5.96	HOLD
ACCESS	8.50	17.00	100.00	2.06	1.50	117.65	71,656	57,825	1st Qter	39.28	19.80	7.50	8.25	22.10	1,396,236	35,545	15,742,015	8.82	5.13	BUY
UBA	7.60	13.90	82.89	1.49	1.10	97.37	53,589	41,496	1st Qter	28.46	15.60	6.55	9.33	18.07	973,136	34,199	11,360,779	7.91	5.51	BUY
FIDELITY	4.35	7.40	70.11	1.84	0.50	81.61	68,968	23,219	2nd Qter	13.27	9.82	2.87	4.02	9.62	384,446	28,975	5,052,206	6.76	17.94	BUY
WAPCO	24.00	27.30	13.75	2.20	2.00	22.08	35,479	37,410	2nd Qter	26.03	31.50	20.10	12.41	35.49	419,365	16,108	654,695	7.33	8.46	BUY
NAHCO	6.40	18.20	184.38	1.19	1.20	203.13	2,340	0.968	2nd Qter	4.66	20.00	5.12	15.29	23.66	9,082	1,949	18,218	6.59	25.77	HOLD
NASCON	11.10	35.00	215.32	4.39	1.00	224.32	5,822	1,535	2nd Qter	8.39	28.20	9.50	7.97	45.50	22,215	2,649	68,482	2.86	26.21	HOLD
FLOUR MILLS	28.40	29.50	3.87	2.87	2.15	11.44	10,018	17,040	3rd Qter	48.40	36.20	27.00	10.28	38.35	198,427	4,100	971,745	7.29	5.05	BUY
MTNN	215.00	275.00	27.91	6.33	15.64	35.18	128,688	181,629	2nd Qter	12.76	288.00	185.00	43.44	357.50	259,817	20,354	3,137,844	5.69	49.53	BUY
DANSUGAR	16.05	35.00	118.07	(2.30)	1.50	127.41	(27,987)	20,242	2nd Qter	10.29	32.80	15.00	(15.22)	45.50	125,035	12,146	565,999	4.29	(22.38)	HOLD
DANCEN	261.00	360.00	37.93	10.39	20.00	45.59	178,603	105,851	2nd Qter	77.01	360.00	220.00	34.65	468.00	1,312,377	17,041	3,188,074	5.56	13.61	BUY
NB	41.00	42.50	3.66	(5.73)	1.43	7.15	(47,599)	18,743	2nd Qter	11.86	48.80	28.80	(7.42)	55.25	121,839	10,276	677,980	3.36	(39.07)	BUY
UCAP	11.60	14.30	23.28	1.63	1.50	36.21	2,441	2,309	1st Qter	4.45	17.10	9.00	8.77	18.59	26,707	6,000	727,504	10.49	9.14	BUY
AFRIPRUD	6.00	5.90	(1.67)	0.21	0.50	6.67	0.415	0.936	2nd Qter	4.46	7.70	5.00	28.10	7.67	8,926	2,000	20,477	8.47	0.00	BUY
NEM INS.	4.50	5.40	20.00	0.28	0.30	26.67	2,853	1,545	1st Qter	2.99	6.99	3.13	19.29	7.02	29,980	10,032	54,604	5.56	9.52	BUY
CADBURY	11.90	13.90	16.81	(7.74)	0.40	20.17	(14,539)	3,345	2nd Qter	0.76	18.8	10.2	(1.80)	18.07	1,425	1,878	74,765	2.88	(1,020.28)	SELL/HOLD
FBNH	11.25	18.80	67.11	5.19	0.50	71.56	187,176	56,536	2nd Qter	38.40	23.5	8.2	3.62	24.44	1,378,316	35,895	14,176,772	2.66	13.58	SELL/HOLD
FCMB	3.51	6.15	75.21	3.58	0.25	82.34	35,410	13,663	2nd Qter	17.40	7.70	2.92	1.72	8.00	344,557	19,803	3,720,980	4.07	10.28	BUY
GLAXO	6.15	9.70	57.72	0.13	0.55	66.67	0.155	0.194	1st Qter	8.10	8.9	5.4	74.62	12.61	9,688	1,196	30,750	5.67	0.00	BUY
OKOMU	165.00	250.00	51.52	16.98	12.00	58.79	22,905	23,431	2nd Qter	40.66	250	157	14.72	325.00	38,786	954	89,516	4.80	59.05	SELL/HOLD
PRESCO	137.50	220.00	60.00	21.47	2.50	61.82	21,466	19,320	4th Qter	42.65	220	110	10.25	286.00	42,647	1,000	145,087	1.14	50.33	SELL/HOLD
PZ	12.10	17.45	44.21	2.82	1.01	52.56	11,214	5,641	3rd Qter	11.32	24	8.05	6.19	22.69	44,944	3,971	152,112	5.79	24.95	SELL/HOLD
VITAFOAM	20.45	21.90	7.09	2.66	1.52	14.52	3,698	4,541	3rd Qter	12.80	23.6	16.8	8.23	28.47	16,007	1,251	44,716	6.94	23.10	SELL/HOLD
STANBIC IBTC	33.45	63.40	89.54	2.16	2.00	95.52	28,861	15,068	1st Qter	33.76	70	27.5	29.35	82.42	437,417	12,957	3,212,273	3.15	6.60	BUY
TRANSCORP	1.13	4.16	268.14	0.27	0.05	272.57	16,104	12,011	2nd Qter	4.34	4.95	0.98	15.41	5.41	176,350	40,648	495,336	1.20	9.13	BUY

**STOCK MARKET REPORT****Domestic Market Review****GAINERS FOR THE WEEK**

Twenty nine stocks appreciated in price during the week, as against Forty one stocks in preceding week. The top ten price gainers during the week were:

**LOSERS FOR THE WEEK**

Forty one stocks depreciated in price during the week as against Forty four stocks recorded in the preceding week. The top ten price losers during the week were:

**EXCHANGE TRADED PRODUCTS (ETP)**

A total of 30,336 units of Exchange Traded Products valued at N2,038,905.49 in 69 deals were traded during the week compared with 70,841 units of Exchange Traded Products valued at N2,863,129.51 traded last week in 85 deals.

**BOND MARKET**

A total of 292,995 units of FGN Bond valued at N294,933,020.51 in 48 deals were traded during the week compared with 133,413 units of FGN Bond valued at N142,419,010.30 traded last week in 38 deals

**MARKET SUMMARY**

	Curr. Week	Previous week	% Change
Volume	1,689 M	1,741 M	-2.99
Value N=	N29,407 B	N25,087 B	17.22
Total Gain	29	41	-29.67
Total Loss	41	44	6.82
Deals	29,477	30,652	-3.83
All Share Index	64,721.09	65,325.37	0.93
Market Cap.	N=35,422 Trillion	N=35,572 Trillion	0.42

**TOP TEN GAINERS**

Company	Op.Price	cl. Price	Gain	Gain in %
CWG PLC	3.02	3.80	0.78	25.83
INITIATIVE	0.94	1.16	0.22	23.40
JOHN HOLT	1.20	1.45	0.25	20.83
LINKAGE ASS.	0.83	0.98	0.15	18.07
PRESTIGE	0.46	0.54	0.08	17.39
SECURE ELEC	0.29	0.33	0.04	13.79
CORNERSTON	1.18	1.30	0.12	10.17
IKEJA HOT	2.85	3.13	0.28	9.82
WEMA	4.64	5.00	0.36	7.76
TRANSCORP	3.89	4.16	0.27	6.94

**TOP TEN LOSERS**

Company	Op.Price	Cl. Price	Loss	Loss in %
SUNU	1.15	0.82	(0.33)	(28.70)
GUINEA	0.39	0.29	(0.10)	(25.64)
NEM	6.00	5.40	(0.60)	(10.00)
UNITY	1.43	1.29	(0.14)	(9.79)
ETERNA	19.70	17.85	(1.85)	(9.39)
CAVERTON	1.42	1.29	(0.13)	(9.15)
UPDC	1.12	1.02	(0.10)	(8.93)
UNIVERSAL	0.23	0.21	(0.02)	(8.70)
FTN COCOA	2.25	2.06	(0.19)	(8.44)
CHAMPION	3.40	3.12	(0.28)	(8.24)

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 Communcations 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	31st August 2023	31st August 2023
Nigerian Enamelware Plc	Nil	3 for 2	14th March 2023	N/A	Company cancelled the bonus
United Captial 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 cents	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	27th April 2023
Consolidated Hallmark Insurance Plc	N0.03	Nil	14th April 2023	14th April 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
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	28th July 2023	28th 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	4th July 2023	27th July 2023	31st July 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	27th July 2023	28th July 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	4th July 2023	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 Interim	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
Northern Nigeria Flour Mills Plc	N0.35	Nil	23rd August 2023	7th September 2023	8th September 2023
University Press Plc	N0.10	Nil	6th September 2023	21st September 2023	21st September 2023
Learn Africa Plc	N0.25	Nil	11th September 2023	26th September 2023	27th September 2023
Academy Press Plc	N0.10	Nil	12th September 2023	14th September 2023	21th September 2023
Smart Products Nigeria Plc	N0.10	Nil	17th July 2023	24th August 2023	4th September 2023
Red Star Express Plc	N0.20	Nil	21st August 2023	14th September 2023	15th September 2023
Tripple Gee and Company Plc	N0.10	Nil	7th August 2023	24th August 2023	25th August 2023
Nigerian Exchange Group Plc (Interim)	N0.25	Nil	10th August 2023	N/A	31st August 2023
MTN Nigeria Communcations Plc (Interim)	N5.60	Nil	17th August 2023	N/A	24th August 2023

Source: Nigerian Stock Exchange (NSE) & Regency Research



## MODEL EQUITY PORTFOLIO

PORTFOLIO VALUATION AS AT 18/08/2023												
				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	27.30	31.20	1,340,218.43	90,000.00	1,430,218.43	230,218.43	19.18
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	13.90	9.88	682,382.28	9,000.00	691,382.28	311,382.28	81.94
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	7.40	5.66	363,282.65	9,000.00	372,282.65	154,782.65	71.16
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	35.00	20.87	1,718,228.75	67,500.00	1,785,728.75	983,228.75	122.52
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	34.00	31.20	1,669,136.50	13,500.00	1,682,636.50	482,636.50	40.22
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	14.50	18.20	711,837.63	67,500.00	779,337.63	79,337.63	11.33
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	36.45	29.90	1,789,412.51	13,500.00	1,802,912.51	652,912.51	56.78
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	29.50	36.92	1,448,221.38	96,750.00	1,544,971.38	124,971.38	8.80
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	360.00	339.30	17,673,210.00	900,000.00	18,573,210.00	5,523,210.00	42.32
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	21.90	26.59	1,075,120.28	68,400.00	1,143,520.28	121,020.28	11.84
			21,142,500.00					28,471,050.39		29,806,200.39	8,663,700.39	40.98

The Equity Portfolio Model which closed the previous week at 38.95% appreciated during the week, and closed the week at 40.98% (YTD). This can be compared with NGX All Share Index which closed at 27.46% in the previous week, depreciated during the week and closed at +26.28% {YTD}. The EPM appreciated during the week under review and out-performed the All Share Index of the market. Some of the stocks that contributed positively are DANCEM, WAPCO, GTCO, VITAFOAM, ZENITH, and UCAP PLC, Investors are thereby advised to take into consideration selection of stocks in diversified sectors to minimize risk, good dividend paying stocks and strong fundamentals to enhance the value of the portfolio. Key. Tcost means total cost of the transactions including charges (market price\*units plus charges). Unit cost is total cost per unit of the stocks. B-E Price is break-even price i.e the price the portfolio will not record any gain or loss. Target price is the price we want to sell.

Source: Nigerian Stock Exchange (NSE) & Regency Research



## STOCK MARKET REPORT

### MARKET DEVELOPMENTS (LAST WEEK )

#### FG Gives States N180bn to Procure 100,000 Bags of Grains to Mitigate Rising Food Prices

As a component of the strategy aimed at addressing the elevated expenses of food commodities resulting from recent economic directives, the federal government has taken interim measures. The measure involves giving N5 billion each to the 36 states of the federation. The allocation would be used to buy essential food items and fertilizers, thereby helping to reduce the hardship caused by the recent fuel subsidy removal. The state governments have received the money to buy 100,000 bags of rice, 40,000 bags of maize, and fertilizers. Before the intervention, a few measures were implemented after the President declared a state of emergency on food security. The measures included immediately releasing and distributing 252,000 metric tonnes of grains and fertilizers to households and smallholder farmers. These measures aimed to mitigate the effects of fuel subsidy removal and foreign exchange market liberalization. Analysts recognize that the public intervention may be late but will ease some of the consumer burdens if implemented under proper institutional guidance and governance; however, there is a consensus that if properly managed, the initiative would have a favourable impact on households. Nevertheless, there remains apprehension around the approach to buying the commodities, namely rice and maize. The potential inflationary implications are a source of worry. A lot would depend on whether the commodities would be bought locally or imported.

## INVESTMENT BASICS

### Understanding Nigeria's Exchange Rate

#### What has led to the Depreciation in the Value of the Naira?

Mid-June, the CBN announced the abolishment of the other rates in the official window, unifying all the rates therein. The most important part of the policy announcement was the devaluation of the Naira by 57% from N477/US\$ to N750/US\$. As of Aug 15, the official rate had dropped to N774/US\$

We believed at N477/US\$ that the Naira was overvalued, accounting for large speculative demand for the dollar.

#### What is the Structure of Nigeria's Foreign Exchange Market?

The FX Market comprises the official window (including the IEFX window and other rates) and the Parallel /BDC segment. The Official window consists of regulated rates, while the Parallel /BDC segment operates informally. IEFX window is a component of the official window, catering to foreign investors and portfolio flows. The rate at the official window is determined through a *Managed Floating Rate System*. This way, the CBN sets a range within which the dollar's value relative to the Naira is allowed to 'float' based on the demand and supply volume. However, when the value of the Dollar exceeds the upper threshold, the CBN 'releases' more Dollars than usual to the FX Market from the Foreign Reserves. This increases the supply of Dollars and makes the Naira appreciate against it, making it cheaper to import. Before July 2021, the CBN auctioned US\$10,000 twice per week at the rate of N393/US\$ to the BDCs on the condition that they sell at a margin of N2. A rule many BDCs violated by racketeering. BDCs have since had to rely on other sources besides the CBN. Before the devaluation, 'friends of the government' exploited segment discrepancies. They obtained FX at lower official rates in the official window and sold at higher BDC rates for substantial profits. The gap between the rates, although less, still incentivizes unscrupulous speculators to buy FX from the official window at a lower rate and resell at the parallel Market at a higher rate

#### Why is it Important to Achieve Relative Parity between the two segments?

Investors are wary of entering the economy at a lower official rate and exiting at a higher BDC rate.

Such discrepancy leads investors to lose capital and sometimes their gains. Investor confidence is thereby undermined

#### Does Illiquidity in the Official Window Sustain the Existence of the BDC?

The major reason buyers of FX patronize the informal market is the illiquidity in the official window.

Illiquidity in the official window creates a reliance on the BDC segment for liquidity needs. Example

Foreign Airlines cannot repatriate earnings (US\$812.2m) due to a lack of liquidity in the official window.

Oil Marketers resort to BDC for US\$25m - US\$35m to import petroleum products due to liquidity issues, which is why PMS pump price has increased. 70% of Manufacturers' FX demand is met in the parallel market. Illiquidity in the official window pushes various entities to use the BDC segment for forex transactions. BDCs capitalize on demand due to liquidity shortages, sustaining their relevance.



**FIXED INCOME MARKET REPORT**

**Money Market.**

The bond settlement mopped up liquidity this week, pushing interbank rates up. The Open Repo Rate (OPR) and Overnight Rate rose to 19.64bps and 19.79bps respectively.

**Treasury Bills.**

At the mid-week NTB auction, the DMO offered and allotted N153.98bn against a subscription of N836.30bn. The massive subscription knocked down stop rates to 5.00%, 5.90% and 9.80% for 91-day, 182-day and 364-day compared to 6%, 8% and 12.15% at the previous auction.

**Foreign Currency (EXCHANGE RATE).**

The naira appreciated against the US dollar this week by 48bps to close at N739.52 at the Investors and Exporters FX Windows.

**OIL PRICE.**

The Nigeria's oil price (WTI) depreciated during the week under review. According to the latest data, the oil price closed at \$81.25 per barrel during the week, compared with \$83.13 recorded in the previous week.

**NIGERIAN INTER BANK OFFER RATE NIBOR**

**Money Market Rate**

	11-Aug-23	18-Aug-23	W-o-W % Change
OPR (%)	2	19.64	+882.00%
O/N (%)	2.8	19.79	+606.79%

Source:

**TREASURY BILLS RATES**

**NTB AUCTION AUGUST 09, 2023**

Nigerian Treasury Bills Auction					
Tenor	Amount offered (N'bn)	Total Subscription (N'bn)	Amount Sold (N'bn)	Stop Rate (%)	Previous rate (%)
91-days	4.52	13.84	4.522	5.00	6.00
182-days	1.31	14.78	1.31	5.90	8.00
364-days	148.15	807.68	148.15	9.80	12.15

Source: Central Bank of Nigeria (CBN)

**MONEY MARKET RATES**

**Average Benchmark Yields**

	11-Aug-23	18-Aug-23	W-o-W% Change
I&E FX	740.6	739.52	0.15%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

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