

# Equities

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## Domestic institutional investors dampened activity levels in May

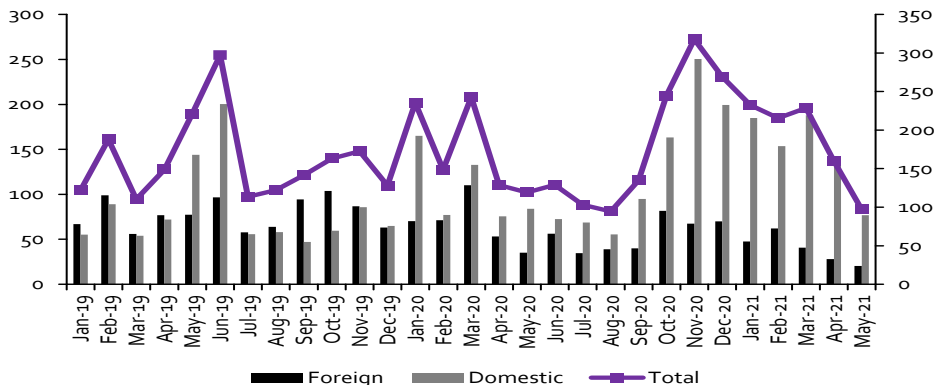
In the recently released NGX Domestic & Foreign Portfolio Investment Report for May 2021, total value traded declined for the second consecutive month as the activity level dipped by 39.2% m/m to N97.2bn (US\$236.3m) from N159.9bn (US\$389.8m) in April. The decline in value traded was driven by reduced activities among foreign and domestic investors, with the most significant hit from domestic institutional investors, down 53.9% m/m to N44.0bn (US\$106.9m) in May 2021. However, domestic investors retained dominance of trading activities on the local bourse as their share of total transactions in May stood at 79.1% (YTD; 78.7%) while foreign investors' share was 20.9% (YTD; 21.3%).

Domestic market activities were dominated by institutional investors, executing transactions worth N44.0bn (US\$106.9m) while retail investors traded N32.9bn (US\$80.1m). The decline in activity level among domestic investors (down 41.7% m/m to N76.9bn (US\$187.0m) was on the back of reduced participation by retail and institutional investors. In our view, the weak domestic sentiment can closely be linked to the dual impact of rising fixed income yield and strained system liquidity.

On the flip side, foreign participation remained low, as FX restrictions and measures on FX repatriation continued to undermine investor confidence and prevent the free flow of capital. As a result, foreign inflows decreased 28.5% m/m to N13.0bn (US\$31.6m) in May from N18.2bn (US\$44.4m) in April. In the same vein, foreign outflows declined 25.9% m/m to N7.3bn (US\$17.7m) in May from N9.8bn (US\$23.9m) in April. This led to a net inflow of N5.7bn (US\$13.9m) in May.

Looking ahead, we expect the release of favourable Q2 & H1 2021 results and interim dividends from fundamentally sound stocks to drive a marginal improvement in domestic activity levels. We expect foreign investors to remain apathetic and more selloffs as CBN gradually clears the backlog of unmet FX demands by FPIs.

## Foreign vs Domestic Investors Activity Level



Source: NGX, CSL Research

## MARKET UPDATE

	1 year	31-Dec-20	1 day
NSE - Index*	24,625.17	39,512.31	37,658.26
Naira/ US\$	387.27	394.00	411.67
Brent, US\$/bbl	41.05	51.09	76.18
MPR %	12.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index.

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## Today's news headlines:

**Petrol landing cost hits N232, subsidy rises to N5.58bn daily:** The landing cost of Premium Motor Spirit being imported into Nigeria surged by more than 60 per cent between December 2020 and mid-June this year, although the pump price of the product remained unchanged. From an average of N143.60 per litre in December, the landing cost of petrol rose to N231.98 per litre on June 16 this year on the back of the rally in global oil prices and the depreciation of the naira against the dollar. The Petroleum Products Pricing Regulatory Agency had in March this year released a pricing template that indicated the guiding prices for the month. The template, which showed that petrol pump price was expected to range from N209.61 to N212.61 per litre, was greeted with widespread public outcry and was later deleted by the agency from its website. Source: punchng.com

<https://punchng.com/petrol-landing-cost-hits-n232-subsidy-rises-to-n5-58bn-daily/>

**Manufacturing sector grew slightly in April – CBN report:** The manufacturing sector recorded marginal growth as the Purchasing Managers' Index rose to 49.0 index points in April from 48.8 index points in March. The Central Bank of Nigeria disclosed this in a report by the Monetary Policy Committee. It said, "The committee noted the marginal growth in the Manufacturing Purchasing Managers' Index to 49.0 index points in April 2021 from 48.8 index points in March 2021. "This increase is a lead indicator of recovery of output growth following the easing of restrictions to curtail the spread of the Pandemic." The non-manufacturing PMI declined marginally to 47.3 index points in April 2021 from 47.9 index points in March. Source: punchng.com

<https://punchng.com/manufacturing-sector-grew-slightly-in-april-cbn-report/>

**World Bank, CBN fully funding six million meters – FG:** The World Bank and the Central Bank of Nigeria are fully providing funds for the estimated six million electricity meters required to close the metering gap in the Nigerian power sector, the Federal Government has said. It was gathered in Abuja on Friday that both institutions were currently deploying funds to close the gap in order to stabilise the sector and address its liquidity concerns. Latest document on the overview and progress of Nigeria's power sector obtained from the Federal Ministry of Power showed that both partners were providing loans to operators in the sector for the procurement of the meters. Source: punchng.com

<https://punchng.com/world-bank-cbn-fully-funding-six-million-meters-fg/>

**Currency in circulation drops to N2.79tn, says CBN:** The currency in circulation dropped slightly from N2.79tn as of the end of April to N2.79tn in May, the latest figures from the Central Bank of Nigeria showed on Thursday. According to the CBN, the currency in circulation, which stood at N2.83tn as of January, fell to N2.807tn at the end of March. The CBN defined the currency in circulation as currency outside the vaults of the central bank, that is, all legal tender currency in the hands of the general public and in the vaults of the Deposit Money Banks. The CBN stated that it employed the 'accounting/statistical/withdrawals and deposits approach' to compute the currency in circulation in Nigeria. Source: punchng.com

<https://punchng.com/currency-in-circulation-drops-to-n2-79tn-says-cbn/>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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<b>Asset allocation:</b>	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

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