

Equities

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Domestic investors sneeze, the local bourse catches cold

The strong enthusiasm with which the year began appears to have cooled off as the recently released NGX Domestic & Foreign Investment report for February 2022 revealed that the total value traded decreased by 43.2% m/m to N183.6bn (US\$441.6m) in February from N323.38bn (US\$777.3m) in January 2022. Nevertheless, the All Share Index (ASI) returned a YTD gain of 11.0% in February from a 9.1% gain in January and even outperformed the prior year's gain of 6.1%. The release of favourable results by sector bellwethers alongside dividend announcement helped renew buying activities on the local bourse.

While the foreign investors (+10.0% m/m) increased participation level on the local bourse, the impact was completely undone by a significant decrease in activity level by domestic investors (-51.0% m/m), leading to the decline in total transaction value. On the domestic front, the broad-based decline in activity level by both institutional (-58.9% m/m to N76.7bn; US\$184.6m) and retail investors (-35.8% m/m to N61.4bn; US\$147.7m) caused the fall in transaction value (-51.3% m/m to N138.1bn; US\$332.3m). On the other hand, foreign investors increased activity level and narrowed the net selling position on Nigerian equities in February, albeit still retaining apathy towards Nigeria's risky assets. The net outflow position narrowed to N3.7bn (US\$8.9m) in February from N5.1bn (US\$12.3m) in January. The stronger growth (+15.2% m/m) in foreign inflows compared to the growth (+5.9% m/m) in outflows, led to the contraction in the net outflow position.

Interestingly, the start of the Russia-Ukraine crisis, which created uncertainty, prompting a rush to safety by investors with its attendant impact on the global equities market, appeared not to have had any real impact on the domestic equities market. The local bourse recorded a 1.7% m/m gain in February, while the global equities closed lower in the same period: US S&P 500 (-3.1% m/m), NASDAQ (-3.4% m/m) & DJIA (-3.6% m/m); and Europe STOXX 600 (-3.4% m/m), FTSE 100 (-0.1% m/m), and CAC 40 (-4.9% m/m). However, as the earnings season gradually comes to an end, the market is likely to go quiet. Moreover, the fact that emerging markets such as Ghana, Egypt, and South Africa have begun to hike rates reducing the carry trade opportunities for Nigeria may further dampen investors' sentiments.

MARKET UPDATE

| | 1 year | 31-Dec-21 | 1 day |
|-----------------|-----------|-----------|-----------|
| NSE - Index* | 38,722.87 | 42,716.44 | 47,156.56 |
| Naira/ US\$ | 410.13 | 435.00 | 417.00 |
| Brent, US\$/bbl | 64.62 | 77.78 | 115.48 |
| MPR % | 11.50 | 11.50 | 11.50 |

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

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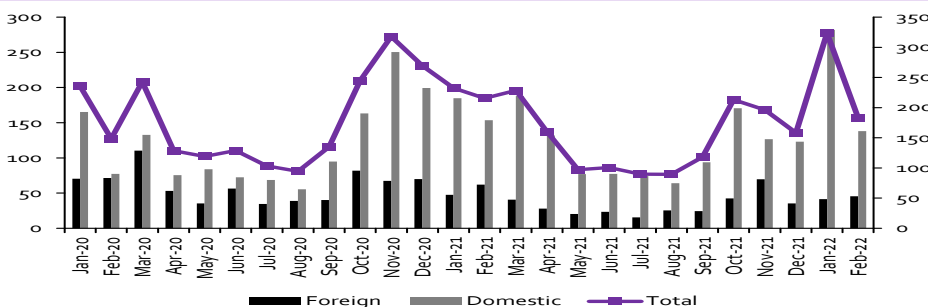
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Foreign vs Domestic Investors Activity Level



Source: NGX, CSL Research



Today's news headlines:

Massive job cut looms as dollar hits N590, forex scarcity bites harder: The lingering foreign exchange scarcity in the country has continued to worsen even as the exchange rate on the parallel market is inching towards N590/\$1, The PUNCH has learnt. The development may lead to massive job loss in the manufacturing industry, among other sectors, according to the Manufacturers Association of Nigeria. The development comes over eight months after the Central Bank of Nigeria stopped the sale of forex to Bureau de Change operators and promised to boost liquidity in commercial banks. Checks by The PUNCH on Tuesday showed that the exchange rate stood at N585/\$1 and N785/£1 on the black market as against the N582/\$1 last Friday. Source: punchng.com

<https://punchng.com/massive-job-cut-looms-as-dollar-hits-n590-forex-scarcity-bites-harder/>

Reps give NNPC two-week ultimatum to defend N3tn debt: The House of Representatives' Ad Hoc Committee on Recovery of Outstanding Debts Owed By Oil and Gas Companies has given the Nigerian National Petroleum Corporation, now Nigerian National Petroleum Company Limited, two weeks to defend its indebtedness to the Federal Government to the tune of N3tn. The committee, which approved the NNPC's request for an extension of time at its investigative hearing in Abuja on Tuesday, also invited the Central Bank of Nigeria and the Federal Ministry of Finance, Budget and National Planning over the debts. The committee had on March 15, 2022, begun the investigation based on the report of the Nigeria Extractive Industry Transparency Initiative. Source: punchng.com

<https://punchng.com/reps-give-nnpc-two-week-ultimatum-to-defend-n3tn-debt/>

NUPRC Sets Up Investigative Panel to Tackle Rising Oil Theft: As the economy continues to bleed from the negative impact of crude oil theft, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) yesterday disclosed that it had set up a team of experts to carry out a thorough audit of the activities of operators in the sector in the upstream petroleum industry in the last two years. The commission stated that the move was to ascertain the actual volume of crude oil stolen by vandals and saboteurs, against recent allegations by some industry operators regarding the volume of crude theft on a daily basis. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/03/23/nuprc-sets-up-investigative-panel-to-tackle-rising-oil-theft/>

Impact of Power Outage on Banks Operation Cost: With the nationwide deficiency in electricity supply, Nume Ekeghe writes on the impending rise in cost of operation across financial institutions nationwide, having to run their operations on diesel, which has witnessed spike in prices. Considering the epileptic power supply in the country, companies in Nigeria have been running their businesses with diesel-powered generators as a supplement to the unstable power supply. However the recent crisis driven by fuel scarcity has left many companies in a fix as they try to reduce cost of operation. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/03/23/impact-of-power-outage-on-banks-operation-cost/>

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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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- Price targets:** Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
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