



# Equities

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## An uptick in activity level in August

The bearish sentiments in the Nigerian equities market extended into August as the All-Share Index (ASI) lost 1.1%, the fourth monthly loss year to date. This moderated the YTD gain to 16.7% in August from 17.9% in July, 21.3% in June and 25.6% in May 2022. On the other hand, the total value traded on the local bourse increased by 22.5% m/m to N123.97bn (US\$289.0m) from N101.2bn (US\$236.9m) in July. Despite the increase in activity level, the continued uptick in Fixed Income yields has made the equities market less attractive, causing investors to flock to the Fixed Income market. Although there were favourable H1 2022 earnings results, it was insufficient to boost investors' sentiments.

Domestic investors' share of total transactions improved to 77.2% in August from 70.7% in July (YTD-84.0%), while foreign investors' share was down to 22.8% in August from 29.3% in July (YTD-15.97%). The increase in total transaction value was driven by domestic investors (+33.9% m/m) as foreign investors (-5.0% m/m) reduced participation level. On the domestic front, the increase in activity level to N95.8bn (US\$223.3m; +33.9% m/m) was broad-based on the back of increased transactions by both institutional investors (+37.0% m/m to N55.95bn; US\$130.4m) and retail investors (+29.9% m/m to N39.8bn; US\$92.8m). On the other hand, like in July, when foreign investors decreased their activity level (-29.7% m/m), the narrative was the same in August, as foreign participation level was down 5.0% m/m. However, unlike the net outflow position of N2.3bn (US\$5.4m) achieved in July, the reverse was the case as foreign investors retained a net inflow position of N3.4bn (US\$7.8m) in August. The increase in foreign inflows (+15.4% m/m) as outflows declined (-22.3% m/m), caused the net inflow position.

We expect the bearish sentiment in the domestic equities market to persist through Q3 2022 on the back of the CBN's hawkish monetary stance. The YTD gain is currently at 14.8%. The continued rise in yields will fuel more movement of funds into the Fixed Income market. We, however, note that the selloffs in the equities market continue to create attractive entry points into fundamentally sound names.

## MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,874.13	42,716.44	49,026.62
Naira / US\$	413.68	435.00	436.33
Brent, US\$/bbl	77.25	77.78	86.15
MPR %	11.50	11.50	14.00

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

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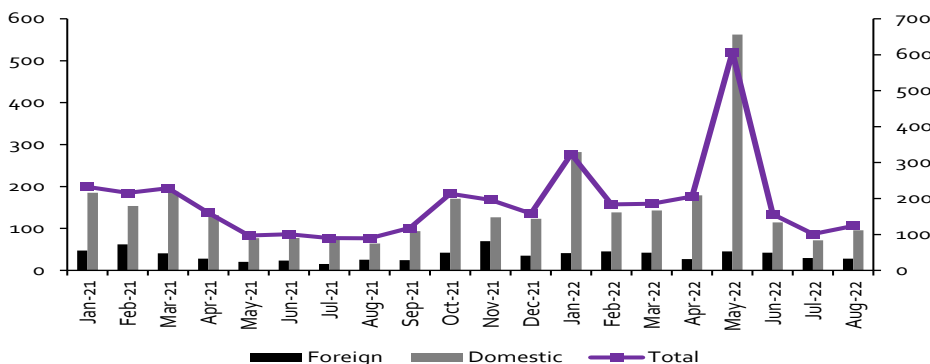
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## Foreign vs Domestic Investors Activity Level



Source: NGX, CSL Research



## Today's news headlines:

**Oil price falls to \$86/barrel:** Brent, the global benchmark for crude, dropped in price on Sunday as virtually all oil grades witnessed reduced prices on the first day of the week despite efforts by the Organisation of Petroleum Exporting Countries to stabilise the cost of the commodity. As oil prices plunged, data obtained from the September 2022 Oil Market Report of OPEC indicated that an oil rig in Nigeria was dormant in August 2022 when compared to the number of functional rigs in the preceding month. Industry figures seen in Abuja on Sunday showed that Brent dropped in price by \$4.31 or 4.76 per cent to \$86.15/barrel as at 4.18pm Nigerian time. WTI crude lost \$4.75 or 5.69 per cent to close at \$78.74/barrel, while the cost of oil grades in OPEC Basket dropped marginally by \$0.24 or 0.25 per cent to close at \$96.31/barrel. Source: punchng.com

<https://punchng.com/oil-price-falls-to-86-barrel/>

**Nigeria's economic outlook uncertain, welfare worsening – W'Bank:** The World Bank has said that Nigeria's economic outlook is uncertain and its ability to attract domestic and foreign investments is also crashing. It also noted that the condition of welfare in Nigeria was worsening despite the economic recovery from recession. The Washington-based bank said this in its draft report for State Action on Business Enabling Reforms, which is available on its website. The bank report read in part, "Although the Nigeria's economy in 2021-2022 recovered from recession induced by the COVID-19 pandemic and lower oil prices, growing by 3.6 per cent in 2021 with an expected growth of 3.2 per cent in 2022, welfare has continued to deteriorate. Source: punchng.com

<https://punchng.com/nigerias-economic-outlook-uncertain-welfare-worsening-wbank/>

**NNPCL Spent 94.7% of August Oil, Gas Revenue on Petrol Subsidy:** The Nigerian National Petroleum Company Limited (NNPCL) spent 94.77 per cent of its revenue on petrol subsidy payment in August, latest data from the national oil company has affirmed. The development, which clearly signposts grim outlook for the economy, came the same weekend the police high command disclosed that the Police Special Task Force on Petroleum and Illegal Bunkering (IGP-STFPIB) seized 123 oil tankers deployed for the purpose of crude oil theft. That was as Bayelsa State Governor, Senator Douye Diri, alongside some leaders of the Ijaw National Congress (INC) and other stakeholders announced they had succeeded in calming frayed nerves arising from the pipeline surveillance contract awarded by the federal government to Government Ekpemupolo a.k.a Tompolo. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/26/nnpcl-spends-94-7-of-total-august-oil-gas-revenue-on-petrol-subsidy/>

**In Quest for Increased FDI, FG Sets Up Oil, Gas Investment Promotion Centre:** As part of its drive for increased Foreign Direct Investments (FDI) into the Nigerian oil and gas industry, the federal government has finally set up the Oil and Gas Investment Promotion Centre at the Ministry of Petroleum Resources in Abuja. The investment promotion centre is to make it easy for prospective investors to make enquiry as well as to play in the sector. On the other hand, oil and gas exploration and production companies affiliated to the Oil Producers Trade Section (OPTS), a group under the Lagos Chamber of Commerce and Industry (LCCI) said they have paid tens of billions of dollars to Nigeria in the last 60 years of the group's existence in the country. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/26/in-quest-for-increased-fdi-fg-sets-up-oil-gas-investment-promotion-centre/>

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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>Price targets:</b>	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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