



Foreign Investments

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Foreign Portfolio Investments in equities remained low in December

Based on data from the Nigerian Exchange, Foreign Portfolio Inflows into the Nigerian equities market declined 3.03% m/m to N8.64bn in December 2022 from N8.91bn recorded in November 2022. On the other hand, Foreign Portfolio Outflows increased by 19.02% m/m to N6.57bn from N5.52bn recorded in November 2022. Hence, there was a net inflow of N2.07bn in the month of December. January to December, total inflows came to N195.76bn while outflows amounted to N183.47bn, implying a net inflow of N2.07bn. However, inflows have declined steadily to N195.76bn in 2022 from N204.88bn in 2021, N247.27bn in 2020, N419.13bn in 2019, N576.45bn in 2018 and N772.25bn in 2017. In terms of market share, total foreign portfolio transactions constituted 10.81% (N15.21bn) while total domestic transactions made up 89.19% (N125.49bn) in the month of December 2022. January to December, Foreign Portfolio transactions constituted 16.32% (N379.23bn) while total domestic transactions constituted 83.68% (N1,945.04bn).

We continue to link the low foreign portfolio inflows to the heightened global investment risks – worse in emerging markets and developing economies, the hawkish monetary stance of the advanced economies and the Naira exchange rate volatility/scarcity. Not only has the exchange rate been volatile, the Central Bank has also not been liquid enough to timely meet foreign currency demands by foreign investors who need to repatriate their investment proceeds. We had earlier noted that an overhaul of the country's FX policies will be required, however, in the immediate, we believe it is critical to close the existing premium between the various official foreign exchange windows and the parallel market which is about 62.69%. Beyond the CBN's monetary policies and interventions, fiscal policies and interventions aimed at boosting crude oil & gas earnings is a critical factor in ensuring exchange rate stability in the near term.

In terms of the hawkish monetary stance of the advanced economies, the US Fed in February 2023, retained its hawkish stance with a 25bps increase to 4.75% despite a steady decline in inflation from 9.1% in June to 6.4% in January 2023. Likewise, the Bank of England raised its monetary rate by 50bps to 4.0% in February 2023 despite a steady decline in inflation from 11.1% in October 2022 to 10.1% in January 2023. Hence, we expect Foreign Portfolio Inflows to remain low in H1 2023.

MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	47,140.48	51,251.06	53,804.46
Naira/ US\$	416.75	461.50	461.25
Brent, US\$/bbl	93.54	85.91	83.15
MPR %	11.50	16.50	17.50

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

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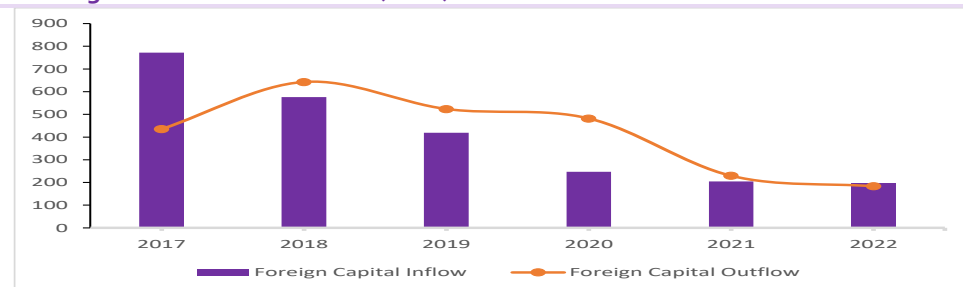
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Foreign Portfolio Investments (N'Bn)



Source: CSL Research, NGX Exchange



News headlines:

Naira crisis worsens as currency-in-circulation tumbles to N1.54tn: Amid the worsening naira crisis, the total amount of currency-in-circulation in the Nigerian economy has tumbled from N3.3tn to N1.54tn, a Central Bank of Nigeria document obtained by The PUNCH has revealed. This came as a biting shortage of new naira notes amid an acute scarcity of old currency has inflicted untold hardship and pain on millions of Nigerians, leaving several people stranded. The latest central bank document, obtained by one of our correspondents, showed that the total amount of currency-in-circulation fell by 53.33 per cent within three months. Specifically, the currency-in-circulation fell from N3.3tn recorded on October 31, 2022 (a few weeks before the CBN began the implementation of the naira redesign policy) to N1.54tn on January 31, 2023.”Source: Punchng.com

<https://punchng.com/naira-crisis-worsens-as-currency-in-circulation-tumbles-to-n1-54tn/>

Six days to elections: APC govts, bank CEOs in last-minute rush to clear naira mess: In a last-ditch effort to resolve the lingering cash crisis that has thrown the entire country into turmoil, governors elected on the platform of the All Progressives Congress on Sunday met with the party leadership at the APC National Secretariat in Abuja. This was as the chief executive officers of banks also met to proffer solutions to the situation which had led to attacks on banks and the death of no fewer than 13 persons across the country. The development is coming barely six days before the presidential and National Assembly polls slated for Saturday, February 25, 2023. No fewer than 12 governors turned up for the crucial meeting with the APC National Chairman, Senator Abdullahi Adamu, and other National Working Committee members, which started at 2.37pm.” Source: : punchng.com

<https://punchng.com/six-days-to-elections-apc-govts-bank-ceos-in-last-minute-rush-to-clear-naira-mess/>

POLAF polls 3m, tips Atiku to win in close race: Atiku Abubakar, the presidential candidate of the Peoples Democratic Party (PDP), is likely to emerge the winner of the closely contested election scheduled to hold on February 25, according to a new poll conducted by POLAF, a not-for-profit organisation. The results of the poll, which was conducted between July 2022 and February 2023, rule out the possibility of a run-off. On the methodology used for the poll, the organisation said three states were selected in each geopolitical zone, with an extra state selected from the South-South and South-West to make the number of states from which samples were drawn 20 out of 36 plus the Federal Capital Territory...Source: Businessday.ng

<https://businessday.ng/politics/article/polaf-polls-3m-tips-atiku-to-win-in-close/>

APC Govts, NWC Take Battle to President, Insist Naira Redesign Policy Hurting People, Economy: National Working Committee (NWC) of All Progressives Congress (APC) and governors elected on the party's platform called on President Muhammadu Buhari to obey the Supreme Court's interim injunction on the naira redesign project, saying the policy and its implementation are causing tremendous difficulties to citizens and the national economy. National Chairman of APC, Senator Abdulahi Adamu, in a resolution read yesterday at the end of an emergency meeting of the party, urged the president to intervene in resolving the issues, which he said were causing great problems for the economy. Adamu had called the meeting to intervene in the current face-off between governors elected on the platform of the party and the president.,..... Source: Thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/02/20/apc-govts-nwc-take-battle-to-president-insist-naira-redesign-policy-hurting-people-economy/>

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% distribution	0%	50%	50%	0%	

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