

Crude Oil

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

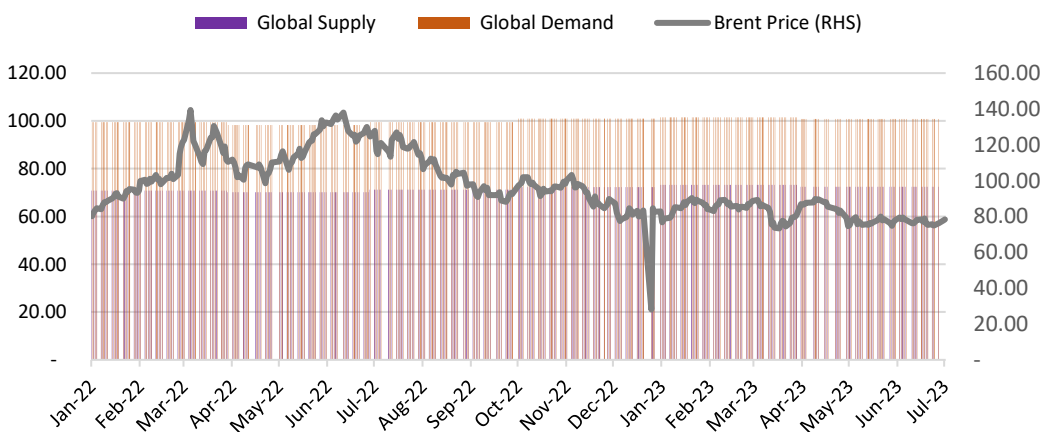
Sub-par performance in the global oil market

In its monthly oil market report for June 2023, the Organisation of Petroleum Export Countries (OPEC) estimates that global oil demand will settle at 101.91 million barrels per day (mbpd) at the end of 2023 implying a 2.3% y/y growth in demand from 99.6mbpd in FY2022, with most of the demand expected to come from China (15.70mbpd), Other Asia (9.35mbpd) and Middle East (8.67mbpd) respectively. On the flip side, world oil supply is expected to grow to 72.6mbpd (+2.11%/y/y) from 71.10mbpd in FY 2022.

On the domestic front, Nigeria's oil rig count rose to 13 (as of May 2023) compared with 11 rigs in Q1 2023 and 10 performing oil rigs for FY 2022. This was largely driven by efforts by the Federal Government to clamp down on oil bunkering and theft in the Niger-Delta Basin. With the implementation of anti-theft measures on crude oil products from oil producing areas of the country, Nigeria may gradually raise its levels of oil production amid the expected production cuts as agreed with the international oil cartel, OPEC and its allies.

As a way to elevate global prices, Saudi Arabia extended its 1 mbpd production cut to August 2023, while Russia agreed to reduce its crude oil exports by 500,000bpd. However, this will likely be insufficient to push global prices from current levels of \$78.33 to the levels seen last year (crude oil prices rose to as high as US\$119.0/bbl as at 06 Jun 2022) as extraneous factors such as the Russia/Ukraine war, economic sanctions on Russia and its retaliations amongst others reduced global oil supply and pushed prices up at that time. Also, the alternative clean energy agenda has been negating a swift bullish run-in global oil prices as countries in Europe adopt more low emission policies. However, the reduction of COVID restrictions and the recovery of economic activities in China (second highest consumer of crude oil products) may support the Brent crude oil price in the second half of the year.

Global Oil Demand and Supply and Brent Crude (LHS)



Source: OPEC, CBN, CSL Research

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NGX-Index*	53,086.86	51,251.06	61,523.57
Naira/US\$	415.63	461.5	758.63
Brent, U.S \$/bbl	119.51	85.91	78.33
MPR	13	16.5	18.5

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

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmf.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmf.com

FMCGs: Sunmisola Ikoli-Oluwo

+234 (1) 448 5436 ext.4457

sunmisola.ikoli@fcmf.com

Industrials: Mustapha Umaru

+234 (1) 448 5436 ext.4512

mustaphamaru@fcmf.com

Breweries: Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

adegoke.adetoyinbo@fcmf.com

Research Team: csresearch@fcmf.com

Retail Team: cslsru@fcmf.com

Sales Team: cslrmt@fcmf.com



News headlines:

Insurers transfer over 70% of oil & gas business abroad in Q1'23:

Nigerian insurers transferred 74.8 per cent of income generated from oil and gas businesses to their foreign counterparts in the first quarter of 2023, Q1'23, in breach of the regulatory maximum of 30 per cent. National Insurance Commission, NAICOM, disclosed in its first quarter report that local insurers generated N65.4 billion premium income from oil and gas business in Q1'23, but transferred N48.9 billion or 74.8 per cent to foreign insurers. (Source: Vanguard)

<https://www.vanguardngr.com/2023/07/insurers-transfer-over-70-of-oil-gas-business-abroad-in-q123/>

Forex scarcity stalls fresh petrol importation:

The hope of fresh petrol importation into the country may have been dashed, as findings revealed that oil marketers, who have been licensed to import fuel, are currently having difficulties accessing forex. Sources close to the matter told The PUNCH that three of the licensed downstream firms had yet to source foreign exchange to purchase products. The Nigerian Midstream and Downstream Petroleum Regulatory Authority recently issued importation licences to six downstream companies. (Source: Punch)

<https://punchng.com/forex-scarcity-stalls-fresh-petrol-importation/>

Trouble in health sector as drugs, cost of care spike by 150%:

Nigerians may have begun to feel the inflationary impact of floating of the Naira as well as subsidy removal as prices of essential drugs and cost of care in the health sector have spiked lately, much to the discomfort of care seekers and practitioners. Findings, yesterday, showed that some of the drugs are fast getting out of stock or unaffordable. Though the Federal Government plans to reduce the importation of drugs in the country from 60 per cent to 40 per cent to promote the local manufacturing of drugs, at least 70 per cent of medicines consumed in the country are imported. (Source: Guardian)

<https://guardian.ng/features/trouble-in-health-sector-as-drugs-cost-of-care-spike-by-150/>

AfDB, ASEA Sign Agreement for \$600,000 Grant to Expand Network of Linked African Exchanges:

The African Securities Exchanges Association (ASEA) and the African Development Bank (AfDB) Group have signed an agreement for a \$600,000 grant to expand the number of linked African exchanges from 7 to 15 under the second phase of the African Exchanges Linkage Project or AELP. The funds will come from the Korea African Economic Cooperation Fund (KOAFEC) Trust Fund, managed by the AfDB. (Source: ThisDay)

<https://www.thisdaylive.com/index.php/2023/07/06/afdb-asea-sign-agreement-for-600000-grant-to-expand-network-of-linked-african-exchanges>

Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

CSL Research Ratings Distribution

	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%	

Explanation of CSL Research's equity research rating system

Buy:	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
Hold:	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
Sell:	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
Not Rated:	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
Benchmark:	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest %.
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.
Asset allocation:	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.

Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom