



Foreign Capital

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

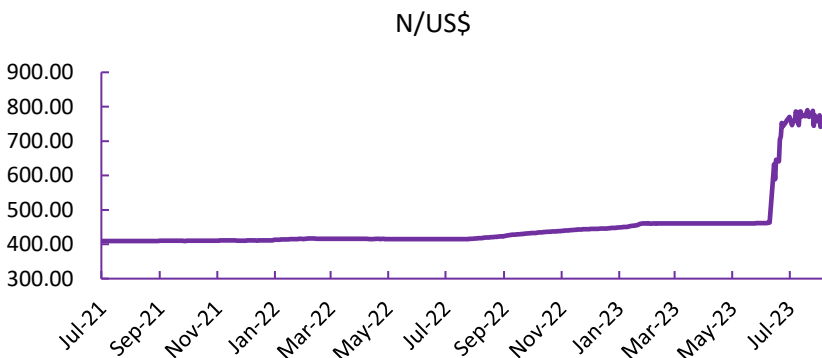
S&P revises Nigeria's rating

Following the removal of the long-standing fuel subsidy and the unification of the various official FX windows by the new administration, the global ratings company S&P Global Ratings revised the outlook on Nigeria from negative to stable. The ratings agency had in February maintained the country's credit rating at B-/B but changed its outlook to negative in May, predicated on the country's fiscal and debt position amidst the constrained revenue inflow and low FX supply.

Despite upward reviews of the nation's economic outlook, the country's fiscal deficit was N4.0tn in Q1 2023 as reported by the Central Bank of Nigeria (CBN) in its Quarterly statistical bulletin. If evenly distributed across the quarters, the deficit of N11.34tn as pegged in the 2023 budget should be N2.84tn in the period. However, the current deficit of N4.0tn is 100% higher than the fiscal deficit of N2.0tn in Q4 2022 and 81.82% higher than the 2.2tn reported in Q1 2022. That said, we may likely see an improvement in the country's fiscal position. The government expenditure for 2023 was estimated at an all-time high of N21.8 trillion. Given expected savings on subsidy, impact of the currency devaluation on FX revenue and expectations of growth in tax revenue from new taxes introduced in the new Finance Act, the target budget deficit of N11.34tn may as an exception to the recent pattern, not be exceeded.

Though the parallel market rate was the benchmark used when the FX unification of the various official windows was done, the fact that the demand for FX still significantly exceeds its supply has once again resulted in an increasing premium between the I&E window rate and the parallel market rate. The Naira closed at N757.51/\$ at the I&E window and N902.0/\$ at the parallel market as of 08-August-2023. Though we believe a lot of structural reforms must be done for these policy pronouncements to be sustainable, we believe we may begin to see foreign capital trickle in as more global rating companies revise the country's rating positively.

Performance of the Naira/U.S \$ at the I&E Window



Source: CSL Research, CBN

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	64,167.39
Naira/US \$	415.63	461.50	757.51
Brent US\$/bbl	119.51	85.91	87.55
MPR	13.00	16.50	18.75

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@fcbm.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcbm.com

FMCGs: Sunmisola Ikoli-Oluwo

+234 (1) 448 5436 ext.4457

sunmisola.ikoli@fcbm.com

Brewers: Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

adegoke.adetoyinbo@fcbm.com

Industrials: Mustapha Umaru

+234 (1) 448 5436 ext.4512

mustaphaumar@fcbm.com

Research Team: cslresearch@fcbm.com

Retail Team: cslcsu@fcbm.com

Sales Team: cslrmt@fcbm.com

<https://cslportal.fcbm.com>



News headlines:

US accuses China of influencing Nigeria with loans: The United States has said China has the potential to influence the Nigerian government through Chinese loans. This was stated in the Integrated Country Strategies document by the US Department of State, which was obtained by The PUNCH. The document was originally approved on April 6, 2022, but was reviewed and updated on June 23, 2023. According to the document, China offered sub-prime financing for various infrastructure projects in the country. Source: Punch.com

<https://punchng.com/us-accuses-china-of-influencing-nigeria-with-loans/>

SEC, PenCom, NGX commit to deepening securities lending facility: With the aim of enhancing investor participation and securities lending transactions in the Nigerian capital market, the Securities and Exchange Commission (SEC), National Pension Commission (PenCom) and Nigerian Exchange Limited (NGX) have affirmed their commitment to further developing the securities lending facility. This was stated during the NGX Securities Lending workshop held on Wednesday, in collaboration with Central Securities Clearing System Plc (CSCS), Cardinalstone Partners, Stanbic IBTC Nominees, and the Pension Fund Operators Association of Nigeria (PenOp). Source: Vanguard.com

<https://www.vanguardngr.com/2023/08/sec-pencom-ngx-commit-to-deepening-securities-lending-facility/>

OPS raises alarm over surge in capital flights, business closures: The organised private sector, OPS, in Nigeria have hinted of worsening operating environment which has forced increased exit of multinational corporations and capital flight from the economy. The OPS groups which included Nigerian Association of Chambers of Commerce Industry Mines and Agriculture (NACCIMA) and Lagos Chamber of Commerce and Industry (LCCI) and Nigeria Employers' Consultative Association, NECA, in separate communications with Vanguard yesterday, also said the situation has induced more business failures and closures across all sectors of the economy. The concerns were coming against the backdrop of the recent exit of GlaxoSmithKline Plc, a leading healthcare multinational, from the country. Source: Vanguard.com

<https://www.vanguardngr.com/2023/08/ops-raises-alarm-over-surge-in-capital-flights-business-closures/>

Dollar breaks N900/\$ ceiling, heads to N950/\$ at alternative markets: Naira crashed to as low as N910/\$, yesterday, at the parallel market as the market switched to a panic mood. With the local currency breaking the N900/\$ psychological ceilings, there are fresh concerns that the troubled currency is still far from bottoming out and that it could hit N1000/\$ mark in the coming weeks. Naira held tightly around N750/\$ three weeks into the market liberalisation at the unofficial market even as the worrisome wide market arbitrage cancelled out. But the market sentiment changed in the past three weeks as the currency began a free fall. First, it plunged to N800/\$ and started a gradual depreciation that took the value down to N880/\$ last week. Yesterday, the buying and selling offers ranged between N900/\$ and N915/\$ in Lagos. The Guardian was also informed that most black-market dwellers have run out of supply amidst extremely volatile trading conditions. Source: Guardian.ng

<https://guardian.ng/business-services/dollar-breaks-n900-ceiling-heads-to-n950-at-alternative-markets/>

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