



## Equities

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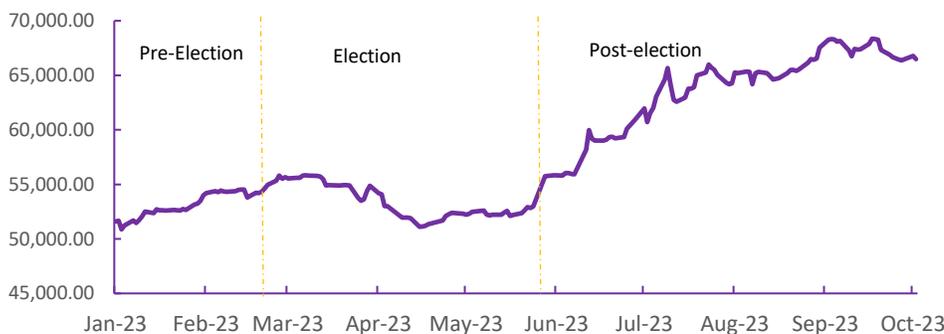
### Domestic equities market; Performance so far

The domestic equities market has witnessed multiple cycles in 2023. In Q1 2023, at the pre-election era, investors' sentiments were relatively weak as uncertainties around the success of the general elections caused low participation. However, the inauguration and the announcement of policy changes by the new administration in Q2 2023 sparked positive sentiments leading to a 5.23% surge at the next trading day. Moving past the election era and into the post-election period, the local bourse has reached new heights, closing at 66,482.28 yesterday (+29.72% ytd).

Though there has been profit taking intermittently such as towards the end of Q3 2023, the negative consequences of the new administration's policy changes have not deterred investors from taking positions in fundamentally strong stocks. As of yesterday, 04 October 2023, all sub-indices of the exchange have seen positive ytd growth except the telecommunications sub-index (-8.90% ytd) due to profit taking actions in AIRTELAFRI. Corporate actions from listed companies such as the scheme of merger between Dangote Sugar (DANGSUGAR), Nascon (NASCON) and Dangote Rice Limited (DRL), the share buyback by Dangote Cement (DANGCEM), and dividend payouts have also aided market growth. Huge FX revaluation gains made by the banks also spurred investors' interest in the banking sector.

Despite gains made in the market, foreign participation has remained low. Foreign participation was down to N222.78bn in August 2023 (-26.08% y/y) from N301.37bn in August 2022 as foreign exchange concerns continue to deter foreign investors participation despite the unification of the exchange rate which has led to a steep depreciation of the Naira against the US dollar. The Naira closed at N762.04/US\$ (c.-70% ytd) as at 04 October 2023 at the Importers & Exporters (I&E) Window while trading as high as N1,000/US\$ at the parallel market. Foreign outflow was N127.52bn while foreign inflow was Ng5.26bn in the period. We believe the valuations of many stocks remain attractive despite recent gains. Within our coverage universe, we maintain Buy ratings on UBA, Access, Zenith, Guaranty Trust Bank, Lafarge Africa, DangCem, and MTNN.

### NGX All Share Index (NGX-ASI)



Source: CSL Research, NGX

### MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	66,482.28
Naira/US \$	415.63	461.50	762.04
Brent US\$/bbl	119.51	85.91	97.42
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](mailto:gloria.fadipe@fcbm.com)

**Banks:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**FMCGs:** Sunmisola Ikoli-Oluwo

+234 (1) 448 5436 ext.4457

[sunmisola.ikoli@fcbm.com](mailto:sunmisola.ikoli@fcbm.com)

**Brewers:** Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

[adegoke.adetoyinbo@fcbm.com](mailto:adegoke.adetoyinbo@fcbm.com)

**Industrials:** Mustapha Umaru

+234 (1) 448 5436 ext.4512

[mustaphaumar@fcbm.com](mailto:mustaphaumar@fcbm.com)

**Research Team:** [cslresearch@fcbm.com](mailto:cslresearch@fcbm.com)

**Retail Team:** [cslcsu@fcbm.com](mailto:cslcsu@fcbm.com)

**Sales Team:** [cslrmt@fcbm.com](mailto:cslrmt@fcbm.com)

<https://cslportal.fcbm.com>



## News headlines:

**Subsidy removal: Coys' distribution cost jumps to N155bn in Q2'23:** The distribution cost for leading consumer goods companies quoted on the Nigerian Exchange Limited (NGX) rose to N166.43 billion in the second quarter ended June 30, 2023, on the back of fuel subsidy removal and rising energy cost. This represents a 13.32 percent increase compared to N137.17 billion recorded in the corresponding period in 2022. Mrs Toyin Sanni, Group CEO, Emerging Africa Capital Plc, had said that businesses that heavily rely on transportation and logistics would be directly impacted by the fuel subsidy removal. According to her, "industries such as manufacturing, agriculture and distribution will experience higher operating costs due to increased fuel expenses. This in turn may result in higher production costs and reduced profit margins for businesses." Source: Vanguard

<https://www.vanguardngr.com/2023/10/subsidy-removal-coys-distribution-cost-jumps-to-n155bn-in-q223/>

**World Bank warns CBN against direct lending intervention, FX control:** The World Bank on Wednesday advised the Central Banks of Nigeria, Ethiopia, and Uganda to avoid unorthodox interventions that might render their monetary policies ineffective. Such unorthodox interventions include monetising the fiscal deficit, direct lending interventions, untargeted subsidy programs, or foreign exchange controls. According to the World Bank, inflation remains a challenge for monetary authorities in the region, particularly for countries with underdeveloped financial systems, a large informal sector, and lack of monetary-fiscal policy coordination. Source: BusinessDay

<https://businessday.ng/news/article/world-bank-warns-cbn-against-direct-lending-intervention-fx-control/>

**BUA Cement retailers maintain old prices as dealers complain of scarcity:** Despite high expectations from consumers following the announcement of a price reduction in the unit price of BUA Cement, the price change is yet to reflect across major markets as the product is still being sold at the old price. It would be recalled that the management of BUA Cement had, on Sunday, announced a reduction in the ex-factory price to N3,500, effective October 2, 2023. This move followed the company's earlier promise to reduce cement prices by January 2024, upon the completion of its new lines at the end of this year. Source: Guardian

<https://guardian.ng/business-services/bua-cement-retailers-maintain-old-prices-as-dealers-complain-of-scarcity/>

**Uproar in oil sector after NNPC favours MRS, AA Rano again:** The Nigerian National Petroleum Company Limited (NNPC) has awarded new contracts to four companies, including two downstream firms, for the rehabilitation of the country's pipelines, sparking criticisms from industry operators. BusinessDay findings showed Oilserv Limited, A.A RANO Nigeria Limited, Macready Oil & Gas Service Company Limited, and MRS Oil Nigeria Plc emerged as preferred bidders for the maintenance of the pipelines, through the build, operate, and transfer financing model to facilitate crude supply to the refineries and products evacuation from them. Source: BusinessDay

<https://businessday.ng/energy/oilandgas/article/uproar-in-oil-sector-after-nnpc-favours-mrs-aa-rano-again-2/>



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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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Member of the Nigerian Stock Exchange	A trading name of CSL Capital (UK) Ltd
PO Box 9117	43-44 New Bond Street
Lagos State, NIGERIA	London
	W1s 2SA
	United Kingdom