





### A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p><b>CBN RETAINS BENCHMARK INTEREST RATES AT 12.5% AS FAAC DISBURSEMENT RISES</b></p> <p>The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) after its meeting on July 20<sup>th</sup>, 2020 resolved to; Retain the Monetary Policy Rate at 12.50%; Cash Reserve Ratio at 27.5%; Liquidity Ratio at 30%; and the Asymmetric window at +200 basis point and -500 basis points, around the MPR. In another development, the Federation Accounts Allocation Committee (FAAC) distributed N651.18bn to federal, states and local governments for the month of June 2020. This is about 19% higher than the N547.31bn shared in May 2020. Rise in oil and gas royalty, import and excise duty, VAT and companies' income tax accounted for the increase in the amount disbursed in June.</p>	<p>The current monetary policy stance does not come as a surprise to many given the need to address weak growth expectation, increased inflationary pressures as well as low capital inflows in this challenging period of Covid-19. However, as the economy improves and many of the government interventions yield positive results, one will expect that the supply constraints are reduced; leading to lower inflation pressure, thereby encouraging the monetary authority to consider lowering the benchmark rates. Low interest rate often provides a better investment climate, leading to improved real economic performance. On the other hand, increase in FAAC disbursement will enhance government expenditure, and ultimately raise aggregate demand. However, the FAAC distribution in some months to come may be challenged because of the low oil price and tax receipts of government.</p>
 <p><b>COMPANIES POST MIXED RESULTS AMIDST COVID EFFECTS</b></p> <p>The coronavirus pandemic and its attendant containment measures has had a mixed impact on companies' operations. This is evident in the recent financial statements released by companies, which have shown that some sectors are more resilient than others at withstanding shocks. Sectors that require personal contact have been the hardest hit while those that do not require such contacts have been able to take advantage of the unique situation to improve on their performance.</p>	<p>Studies have linked company performance to general economic performance of countries, both in terms of employment generation and growth in productivity. With the toll the pandemic has taken on companies' operations, massive job losses are to be expected as they struggle to stay afloat. This will lead to a spike in unemployment rate in the country. In the capital market, expanding business activity usually increases valuation and leads to share price gains. Reclining business activity on the other hand leads to reduced valuation and share price loss. The effect of recent companies' performance can be evidenced by the mostly declining market indices. However, the market is expected to pick up as a result of anticipated bargain hunting in the coming days, especially as investors observed that certain sectors are more resilient to the impact of the pandemic.</p>

#### Do you know?

The origin of the terms Bull and Bear market is unclear. However, one of the explanations given is from the way the animals attack their opponents with the bull thrusting its horns up and the bear swiping down its paws. The terms were metaphorically related to movements in the market, with bull market meaning upward movement in trends, and the reverse for the bear market.



## B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The NSE All-Share Index ended the week at 24,427.7 points; increasing on a week-to-date by 0.7%, but decreased by 0.7%, 9.0% and 13.0% on month-to-date, year-to-date basis, and year-on-year basis respectively. Similarly, the market capitalization closed at ₦12.7 trillion; increasing by 0.7% on a WTD basis, while decreasing by 0.7%, 1.7% and 6.9% on MTD, YTD and YOY basis respectively.

In the Unlisted Securities Market, the index finished the week lower at 0.02% decrease, concluding the week at 706.5 points. The market shrunk by 0.4% and 2.5% from the beginning of the month and from the previous year respectively, and grew by 1.3% from the beginning of the year. Accordingly, the USI Market Capitalization at the end of the trading week stood lower at 0.02% decline, concluding the week at ₦519.0billion, falling by 0.4% and 0.3% MTD and YOY respectively, while rising 3.6% YTD.

Available data showed that the net asset value of collective investment schemes stood at ₦1.31 trillion at the end of the period under review, it grew by 25.6% year-to-date and 66.7% year-on-year.

In the money market, Over Night (ON) rate completed the week at 2.2%, 0.6% points higher WTD whereas Open Buy Back (OBB) rate completed the week at 1.6%, 7.6% points lower WTD.

In the commodities market, Brent crude price rose by 0.1% to close at \$43.3/barrel at the end of the week. It declined by 34.3% from the start of the year and 22.4% in the last one year, but increased by 3.1% from the beginning of the month. In the last one year, gold and wheat grew by 34.0% and 8.4% respectively; while cocoa, corn and cotton fell by 9.7%, 22.2% and 6.6% respectively.

The interbank exchange rate ended the week at ₦361/US\$ appreciating remaining unchanged from the beginning of the week and the beginning of the month, but depreciated by 15.0% from the beginning of the year and in the last one year. While the parallel market concluded the week at ₦472/US\$ depreciating 2.1%, 23.3% and 23.7% MTD, YTD and YOY respectively. Available data also shows that the country's external reserves decreased by 0.2% finishing the week at \$36.0 billion, it also fell by 0.5% from the beginning of the month and by 20.1% in the last one year. The S & P 500 index finished the week at 3,215.6 points. The index decreased by 1.1% and 1.3% on a week-to-date and year-to-date basis and rose by 3.2% and 6.5% on a month-to-date and year-on-year basis.

Market	Indicator	Value* @ 24 - July-20	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	24,427.7	0.7	-0.7	-9.0	-13.0
	Market Capitalisation (₦'tn)	12.7	0.7	-0.7	-1.7	-6.9
Unlisted (NASD)	Unlisted Securities Index (USI)	706.5	0.0	-0.4	1.3	-2.5
	Market Capitalisation (₦'bn)	519.0	0.0	-0.4	3.6	-0.3
Collective Investment (@17/07/20)	Net Asset Value (₦'bn)	1,310.2	-0.7	0.6	25.6	66.7
Money	O/N (%)	2.2	0.6	-10.7	-0.6	-14.2
	OBB (%)	1.6	-7.6	-10.2	-0.5	-14.3
Commodities	Brent Crude Oil (\$/b)	43.3	0.1	3.1	-34.3	-22.4
	Gold(\$/t oz)	1,925.2	5.9	8.2	26.0	34.0
	Cocoa(\$/mt)	2,224.0	0.2	2.5	-12.2	-9.7
	Wheat(\$/bu)	539.5	3.4	8.2	-3.7	8.4
	Corn(\$/bu)	335.0	-0.2	-4.4	-14.4	-22.2
	Cotton(\$/lb)	60.1	-4.4	-4.2	-13.2	-6.6
External	Interbank Ex-rt (₦/US\$)	361	0.0	0.0	-15.0	-15.0
	Parallel Ex-rt (₦/US\$)	472	0.0	-2.1	-23.3	-23.7
	External Reserves (\$'bn)	36.0	-0.2	-0.5		-20.1
	S&P 500	3,215.6	-1.1	3.2	-1.3	6.5

\* When value of the relevant day is not available, the price of the nearest day is taken.

WTD: week-to-date; MTD: month-to-date; YTD: year-to-date; YoY: year-on-year

Source: Computed by the SEC ERPM Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg, CBN and FRED



**C. NEWS**

**HIGHLIGHTS**

**FOR THE WEEK ENDED 24<sup>th</sup> July 2020**

CAPITAL MARKET	MACROECONOMY
<p>Seplat Petroleum Development Company, listed on the Nigerian Stock Exchange and the London Stock Exchange, has announced that it will issue its 2020 Financial Results at the end of July. The management of the company will present its results on Wednesday, July 29<sup>th</sup> through a conference call and webcast.</p>	<p>The Federal Government of Nigeria (FGN) has recorded N1.46trn revenue deficit in Q1. Gross federally-collected revenue fell by 36% or N1.46trn below the quarterly budget estimate of N3.5trn in the first quarter of 2020</p> <p>FGN plans to finance part of its deficit of N5.16trn for the 2021 fiscal year by a total loan package of N4.28trn while the rest would be from internally generated revenues.</p>
<p>Unilever Nigeria PLC has released its unaudited interim financial statements for the six months ended 30 June 2020. The company recorded a loss of N519.11mn for the period. This is against a positive profit after tax of N3.51bn that the company recorded in the corresponding period of 2019. No doubt, the pandemic</p>	<p>Total pension assets hit N10.79trn. Notwithstanding the challenges of COVID-19 on the economy, the total pension assets under the Contributory Pension Scheme rose by 5.68% (N577.77bn) from N10.21trn as of December 31, 2019 to N10.79trn as of the end of May 2020.</p> <p>According to the Debt Management Office, Federal Government Bonds for the month of July worth N130bn were oversubscribed by N340.13bn. The bonds were auctioned on Wednesday 22<sup>nd</sup> July, 2020.</p>
<p>The first two trading days of the week have recorded decline in market indices, mainly due to weak consumer sentiments and blue-chip companies' sustained price losses. However, the market is expected to pick up with the continued release of companies' half-year report thereby increasing bargain hunting.</p>	<p>The Federal Government on Thursday said it had identified oil and non-oil initiatives that could help the country generate between N13trn and N18trn to achieve its 15% revenue to Gross Domestic Product target. The Minister of Finance, Budget and National Planning, said the Strategic Revenue Growth Initiative of government inaugurated last year would help the government in achieving this revenue growth target.</p>
<p>Chemical and Allied Products PLC has released its unaudited financial statements for the period ended 30<sup>th</sup> June 2020. During the financial year, the company recorded a profit of 607.33mn which is 30% below the profit of N868.04 recorded in the period ended 30<sup>th</sup> June 2019.</p>	
<p>Airtel Africa PLC has released its financial statements for the quarter ended 30 June 2020. The company recorded an increase in revenue and operating profits by 6.9% and 12.9% respectively. However, profit after tax fell by 56.9% from \$132m in the previous quarter to \$57m in the current quarter. the fall is largely attributed to higher finance costs and tax.</p>	

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