Weekly Market Summary

LOTUS CAPITAL
HALAL INVESTMENTS

December 1st, 2023

Highlights

- ***President Tinubu Presents First Budget.***
- ***NGX All Share Index up by 0.27% W/W.***
- ***Money market rates Contracts.***
- ***US GDP revised up to 5.20% YoY.***

Economic Data	01-12-23	24-11-23	WoW	YTD
NGXASI	71,419.87	71,230.49	0.27%	39.35%
NGXLII	4,512.71	4,497.62	0.34%	39.25%
Market Cap (₦'bn)	39,082.15	39,172.52	-0.23%	40.00%
Official Exchange Rate (₦/$)	953.14	806.11	18.24%	112.26%
Oil Prices ($'pb)	78.88	80.48	-1.99%	-8.48%
External Reserves ($'bn)	33.00	33.17	-0.51%	-10.99%
LC Managed Funds				
Halal Investment Fund (₦)	1.79	1.79	0.10%	15.59%
Halal Fixed Income Fund (₦)	1203.88	1203.53	0.03%	10.00%
Lotus Halal Equity ETF (₦)	22.00	24.70	-10.93%	50.17%

NIGERIAN MARKET UPDATE

Nigeria: President Bola Ahmed Tinubu Presents First Administration Budget.

President Bola Ahmed Tinubu presented the 2024 budget on Wednesday, November 29, 2023, during a joint session of the National Assembly. Themed "Renewed Hope," the budget aims to attain job-rich economic growth, ensure macroeconomic stability, create a more favourable investment environment, foster enhanced human capital development, and address poverty reduction while increasing access to social security. The anticipated realization of the previously mentioned hopes and aspirations lies in the ₦27.5tn aggregate expenditure outlined in the 2024 budget. This represents an increase from the ₦20.51tn aggregate expenditure proposed in the 2023 budget. A detailed analysis of the 2024 budget shows that the Federal Government (FG) plans to allocate 36.07% of the budgeted expenditure towards non-debt recurrent items. In terms of absolute value projected for non-debt recurrent expenditure, the FG plans to increase it by 19.95%, moving from ₦8.27tn in the 2023 budget to ₦9.92tn in the 2024 budget.

Furthermore, the 2024 budget allocated 30.00% of its total expenditure to debt servicing indicating a -0.77% decrease from the 30.77% allocated for debt servicing in 2023. However, the total sum budgeted towards debt servicing in the 2024 budget is ₦8.25tn, which is still 30.74% higher than the ₦6.31tn budgetary allocation in 2023.

Additionally, 31.64% of the total budgeted expenditure in 2024 is allocated for capital expenditure, a notable increase from the 26.08% allocated in 2023. This represents a 5.55% rise in the overall budgetary allocation for capital expenditure. Simultaneously, the total amount of ₦8.7tn expected to be expensed on capital expenditure in 2024 reflects a substantial 62.62% increase compared to the ₦5.35tn budgeted expenditure of 2023.

However, the Federal Government anticipates a total revenue of ₦18.32tn marking a substantial 66.00% increase from the projected ₦11.04tn in the 2023 budget. Within this total aggregate revenue of ₦18.32tn, 43.39% is anticipated to be derived from oil related sources, amounting to ₦7.94tn while the balance of ₦10.39tn representing 56.78% is expected to be derived from non-oil sources. Even though the 2024 budget appeared to be a deficit budget, as total budgeted expenditure surpasses the expected revenue by was ₦9.18tn. The Federal Government has planned to bridge the 33.38% deficit gap as follows; 85.29% of the budget deficit will be financed by new borrowings totaling ₦7.83tn,3.25% will be financed through privatization proceeds amounting to ₦298.49bn, and 11.44% will be financed by drawdown on multilateral and bilateral loans secured for specific development projects, totaling ₦1.05tn.

According to the President, the 2024 outlook for macroeconomic variables under his administration is as follows:

- GDP is expected to grow by 3.76%.
- Conservative oil price of $77.96/bbl.
- Daily oil production estimate of 1.78 million barrel per day.
- Exchange rate of ₦750.00 per USD
- Inflation rate of 21.4%.

Based on our perspective, we consider the budget assumptions to be conservative, however, we have identified potential risks that could pose significant threats to these expectations. These risks stem from both external factors, such as the susceptibility of crude oil prices to global shocks, and internal factors such as oil theft and pipeline vandalism, insecurity, and policy mismatches. It is crucial to highlight that the targeted revenue of ₦18.3tn appears overly ambitious, especially considering that Nigeria has historically not achieved a 90.0% revenue target, a substantial reliance on oil & gas inflows (43.39% share), and the lingering impact of weak macroeconomic fundamentals on businesses. Consequently, we anticipate that the implementation of capital expenditure is likely to bear the brunt in the event of significant underperformance in revenue.

Nigerian Stock Market Closed on A Positive Note as ASI Gains by 0.27% W/W.

The local equities market closed the week on a positive note to push the NGX-ASI up by 0.27% w/w. The positive weekly performance resulted in a year-to-date return of 39.35% for the NGX-ASI. Although, market capitalization of the local equities market decreased by -₦90.37bn to ₦39.082tn at the end of the week.

In addition, two (2) out of the five (5) sectors under our coverage closed positive for the week. Among the positive performers, the NGX oil and gas index recorded the highest gain of 4.07% to become the best performing sector for the week. The positive performance recorded in the NGX oil and gas sector was likely to be driven by activities around Seplat stock, as foreign portfolio investors likely paid a premium to facilitate funds repatriation on the back of the names dual listing. On the other hand, the NGX Insurance index closed negative with -2.03% to become the least performing sector during the week.

Also, the Lotus Islamic Index performed positively during the week as the index recorded 0.34% price appreciation which resulted in a year-to-date return of 39.25%.

Money Market and Bond Market: Downtick in Rate.

The Overnight Purchase Rate (OPR) and Overnight Rate weakened, by -37.52% and -36.78% respectively for the week to settle at 15.54% and 14.84% respectively. Additionally, the average FGN T-bill rate declined by -2.76% to close at 10.21% for the week. Furthermore, the average FGN bond rate also decreased by 1.19% to settle at 15.72% for the week. The decline in rates during the week is likely as a result of improved system liquidity occasioned by Inflow from Federal Account Allocation Committee (FAAC) during the week.

In the upcoming week, we anticipate liquidity to remain unchanged following our expectation of low activity in the fixed income space. However, we anticipate rates to experience uptick on the back of current hawkish monetary policy and FG's plan to source majority of its budget deficit through borrowing.

In the currency market, the Naira weakened by -18.24% against the US dollar to trade at ₦953.14/1$ at the official window. Conversely, at the parallel market, the Naira strengthened by 0.43% to trade at ₦1,150.00/1$ at the close of the week.

On the FMDQ (NAFEM) window the Naira traded lower by -4.71% for the week to close at ₦832.32/1$.

GLOBAL MARKETS

US GDP revised up to 5.20% YoY.

During the week, the Bureau of Economic Analysis revised the actual US GDP growth rate for Q3'2023 upward to 5.20% YoY, marking its fastest expansion since Q4'2021, as opposed to the initially reported growth rate of 4.80% for Q3'2023. This adjustment in the GDP figures is attributed to increased investment in structures, specifically in warehouses and healthcare facilities. The revision also takes into account elevated spending by state and local governments. However, there is a slight downward revision in consumer spending, which constitutes more than two-thirds of U.S. economic activity, to 3.60% (down from the previously reported 4.00%). This adjustment is mainly influenced by reduced spending on financial services and insurance during the specified period.

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