

Weekly Market Summary



Highlights

- **CBN Adopts Retail Dutch Auction System to Ease FX Strain**
- **Bargain-Hunting Pushes Nigerian Equities Market Higher**
- **Treasury Bills Auction Mops Up Liquidity**
- **Recessionary Fears Push US Markets Lower**

Economic Data	09-08-24	02-08-24	WoW	YTD
NGXASI	98,592.12	97,745.73	0.87%	31.85%
NGXLII	6,208.90	6,059.93	2.46%	34.40%
Market Cap (₦'tn)	55.978	55.497	0.87%	36.81%
Official Exchange Rate (₦/\$)	1,574.20	1,617.08	2.72%	-33.74%
Oil Prices (\$'pb)	79.66	76.81	3.71%	3.40%
External Reserves (\$'bn)	36.83	36.84	-0.02%	11.90%
LC Managed Funds				
Halal Investment Fund (₦)	2.05	2.03	0.67%	12.12%
Halal Fixed Income Fund (₦)	1,221.60	1,218.37	0.27%	8.78%
Lotus Halal Equity ETF (₦)	30.14	29.59	1.84%	33.56%

NIGERIAN MARKET UPDATE

CBN Adopts Retail Dutch Auction System to Ease FX Strain

In a strategic move aimed at alleviating pressure on Nigeria's foreign exchange market and enhancing the transparency of currency pricing, the Central Bank of Nigeria (CBN) recently executed a Retail Dutch Auction System (rDAS) sale. Held on August 6, 2024, this auction involved the sale of \$876.26 million at an exchange rate of ₦1,495/\$. This is a significant discount from the c.₦1,607.00/\$ that the dollar traded at the official window at the beginning of the week.

The CBN received bids from 32 Authorized Dealer Banks at this auction, with \$876.26 million worth of successful bids from 26 banks and \$313.69 million worth of bids from six banks disqualified. The disqualification of these bids was attributed to specific procedural issues: four bids were submitted after the stipulated cutoff time of 3:00 p.m., and two failed to adhere to the required submission format. This rigorous filtering process underscores the CBN's commitment to maintaining a structured and transparent auction system, which is essential for sustaining market integrity and operational efficiency.

Overall, this rDAS auction exemplifies the Central Bank of Nigeria's proactive measures to stabilize the foreign exchange market which has experienced some volatility in the last couple of months. The CBN also continues to maintain efforts in ensuring equitable access to foreign exchange in the country. By implementing such a well-regulated auction system, the CBN not only facilitates a fair allocation of foreign exchange but also reinforces market confidence and operational transparency. We expect this approach to be instrumental in addressing market imbalances and fostering a more stable and predictable foreign exchange environment, thereby supporting the broader economic stability of Nigeria.

Bargain-Hunting Pushes Nigerian Equities Market Higher

The Nigerian equities market reverses previous loss to close the week on a positive note as the local bourse inches higher to gain 0.87% in the week. This outing brought the NGX All Share Index's year-to-date return to 31.85%. Banking stocks were the key drivers of growth in the week, with the banking sector index gaining 5.14% to close the week as investors identify bargain-hunting opportunities in the sector. As a result of this outing, the market capitalization of the NGX was pegged at ₦55.98 trillion at the end of the week, up from ₦55.50 trillion at the end of the previous week.

The NGX Lotus Islamic (NGXLII) followed suit to gain 2.46% in the week. This pegged the NGXLII's year-to-date return at 34.40%.

Treasury Bills Auction Mops Up Liquidity

Following the CBN's issuance of treasury bills totaling ₦216.09 billion, system liquidity marginally narrowed. This led both the overnight rate (ON) and the overnight policy rate (OPR) to surge in the week. The ON rate inclined to 33.97% (previous week: 26.06%) at the end of the week. The OPR followed suit to also incline to 33.39% to close the week (previous week: 25.61%).

The Naira responded positively to the CBN's retail Dutch Auction earlier in the week to strengthen by 2.72% in the week at the official window. At the close of the week, the Naira traded at ₦1,574.20/\$ (previous week: ₦1,617.08/\$). Similarly, at the parallel market, the Naira marginally strengthened to trade at c.₦1,590.00/\$ at the end of the week (previous week: ₦1,598.00/\$).

GLOBAL MARKETS

Recessionary Fears Push US Markets Lower

An unexpectedly weak U.S. employment report has ignited concerns about a potential recession, particularly as the unemployment rate has surged to its highest level in nearly three years. This alarming rise in unemployment has significantly impacted market sentiment, leading to the most substantial decline in U.S. stock markets in nearly two years. On August 5th, the S&P 500 experienced a 3% drop, marking its worst daily decline since September 2022. The steep fall reflects investor anxiety that the Federal Reserve's prolonged high interest rates may have stifled economic growth, undermining its earlier hopes for a soft-landing for the economy.

Although a potential recession in the U.S. could have global repercussions, we anticipate that its impact on the Nigerian economy will be relatively constrained. Specifically, any effects on Nigeria's financial markets are likely to be limited, given the current absence of significant foreign portfolio investments in the country. However, the US slipping into recession could likely affect remittance into Nigeria, with foreign remittances forming an important part of foreign exchange earnings for Nigeria.

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