

Weekly Market Summary



Highlights

- **Nigeria Inflation Slows for the First Time in 19 Months**
- **Market Dips as Industrial Goods Drag, while Oil and Gas Shines**
- **Liquidity Boosts Lead to Slight Dips in Overnight Rates**
- **US Inflation Hits 3-Year Low, Boosting Odds of Fed Rate Cut**

Economic Data	16-08-24	09-08-24	WoW	YTD
NGXASI	97,100.31	98,592.12	-1.51%	29.86%
NGXLII	6,234.78	6,208.90	0.42%	34.96%
Market Cap (₦'tn)	55.132	55.978	-1.51%	34.74%
Official Exchange Rate (₦/\$)	1,579.89	1,574.20	-0.36%	-33.98%
Oil Prices (\$'pb)	79.68	79.66	0.03%	3.43%
External Reserves (\$'bn)	36.52	36.83	-0.85%	10.95%
LC Managed Funds				
Halal Investment Fund (₦)	2.05	2.05	0.35%	12.52%
Halal Fixed Income Fund (₦)	1,224.83	1,221.60	0.26%	9.05%
Lotus Halal Equity ETF (₦)	30.29	30.14	0.52%	34.26%

NIGERIAN MARKET UPDATE

Nigeria Inflation Slows for the First Time in 19 Months

The National Bureau of Statistics has released Nigeria's inflation data for June 2024, indicating a shift in the country's economic trajectory. For the first time in nearly two years, headline inflation in Nigeria has slowed, easing to 33.4% in July 2024. This marks a decline from the 28-year high of 34.19% recorded in the previous month. The deceleration in inflation is a positive sign, suggesting that the economy is beginning to respond to policy measures aimed at stabilizing prices. Although the inflation rate remains high, this downward trend is an encouraging development that points to the possibility of further improvements in the near future.

Examining the components of inflation, food inflation, which constitutes the largest portion of Nigeria's inflation basket, also showed signs of easing. The food inflation rate slowed to 39.5% in July, down from 40.8% in June 2024. This reduction, though modest, is a welcome change, as food prices have been a major driver of inflation in recent months. Additionally, other key sectors such as housing and utilities, transportation, and education experienced a decline in inflation rates. Housing and utilities saw inflation decrease to 29.4% from 30.3%, transportation eased to 25.2% from 25.6%, and education-related inflation fell to 16.9% from 17.2%. These declines contribute to a broader picture of easing price pressures across multiple sectors of the economy.

In a particularly encouraging sign, the monthly inflation figure also showed a positive trend, with consumer prices rising by 2.28% in July, slightly down from the 2.31% increase observed in June. This slight reduction, although it does not signal a decline in price levels, is a step in the right direction, indicating that inflationary pressures may be beginning to moderate and prices rise at a slower pace. The ability to maintain this downward momentum in the coming months will be crucial for sustaining economic stability. Overall, while challenges remain, particularly with the core inflation rate which tracks the change in the cost of goods and services outside food and energy sectors reaching a new high of 27.47%, the recent data offers a cautiously optimistic outlook for Nigeria's inflation trajectory.

Market Dips as Industrial Goods Drag, while Oil and Gas Shines

The Nigerian equities market exhibited a bearish trend this week, with the local bourse declining by -1.51%. This downturn moderated the NGX All Share Index's year-to-date return to 29.86%. Consequently, the market capitalization of the NGX decreased to ₦55.13 trillion, down from ₦55.98 trillion at the close of the previous week.

The Industrial Goods sector index was the primary driver of this decline, falling by -5.16% as investors engaged in profit-taking in BUACEMENT, which dropped -14.82% following a ₦2.00 dividend markdown. In contrast, the Oil and Gas sector emerged as the best-performing sector, with the sector index gaining 5.25% in the week. This performance was driven by bargain hunting, which pushed the prices of TOTALENERGIES (+19.69%) and ETERNA (+11.11%) up.

Conversely, the NGX Lotus Islamic (NGXLII) closed the week on a positive note, gaining 0.42% to bring its year-to-date return to 34.96%.

Liquidity Boosts Lead to Slight Dips in Overnight Rates

Liquidity saw a slight improvement over the week, resulting in marginal declines in both the Overnight Rate (ON) and the Overnight Policy Rate (OPR). The ON rate decreased to 32.98% by the end of the week, down from 33.97% in the previous week. Similarly, the OPR also experienced a decline, closing the week at 32.30%, compared to 33.39% in the prior week.

Following the Central Bank of Nigeria's (CBN) retail Dutch auction of the US Dollar in the previous week, which had initially bolstered the Naira, the currency reversed its earlier gains, weakening by -0.36% at the official window during the current week. By the end of the week, the Naira traded at ₦1,579.89/\$, down from ₦1,574.20/\$ in the prior week. However, in the parallel market, the Naira remained relatively stable, closing the week at ₦1,590.00/\$, unchanged from the previous week's rate.

GLOBAL MARKETS

US Inflation Hits 3-Year Low, Boosting Odds of Fed Rate Cut

The annual inflation rate in the United States slowed for the fourth consecutive month in July 2024, reaching 2.90%, the lowest level since March 2021. This marks a slight decline from June's 3.00% reading, signaling continued progress in managing price pressures. Notably, inflation eased in key sectors, with shelter costs moderating to 5.10% from 5.20%, transportation inflation decreasing to 8.80% from 9.40%, and apparel inflation softening to 0.20% from 0.80%.

This steady deceleration in inflation strengthens the case for the Federal Reserve to consider cutting interest rates at its next meeting in September. With inflation now well within the Fed's target range, the likelihood of a rate cut increases as policymakers aim to support economic growth while ensuring price stability.

Lotus Capital, Creating Wealth the Halal Way

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