

Weekly Market Summary



Highlights

- Nigeria Opens Subscription for Domestic Dollar Bond***
- Market Dips as Industrial Goods Drag, while Oil and Gas Shines***
- Liquidity Boost Led to Dip in Overnight Rates***
- China Retains Key Lending Rates***

Economic Data	23-08-24	16-08-24	WoW	YTD
NGXASI	95,973.45	97,100.31	-1.16%	28.35%
NGXLII	6,129.08	6,234.78	-1.70%	32.67%
Market Cap (₦'tn)	55.129	55.132	0.00%	34.74%
Official Exchange Rate (₦/\$)	1,570.14	1,579.89	0.62%	-33.57%
Oil Prices (\$'pb)	79.02	79.68	-0.83%	2.57%
External Reserves (\$'bn)	36.44	36.52	-0.20%	10.73%
LC Managed Funds				
Halal Investment Fund (₦)	2.06	2.05	0.52%	13.10%
Halal Fixed Income Fund (₦)	1,228.96	1,224.83	0.34%	9.39%
Lotus Halal Equity ETF (₦)	29.73	30.29	-1.88%	31.75%

NIGERIAN MARKET UPDATE

Nigeria Opens Subscription for Domestic Dollar Bond

On Monday, August 19th, 2024, the Federal Government of Nigeria opened the first tranche of its \$2 billion domestic dollar bond for subscription, with an initial target of raising \$500 million. This strategic initiative is designed to attract both local investors and Nigerians in the diaspora, aiming to increase dollar supply to the Central Bank of Nigeria (CBN). By offering a secure and potentially lucrative investment option, the government hopes to encourage Nigerians abroad to remit their dollar savings into the country. Additionally, the domestic dollar bond is targeted at mobilizing idle funds held in domiciliary accounts by local investors, providing them with an opportunity to earn returns on their dollar holdings. This dual-target approach is expected to bolster Nigeria's foreign exchange reserves, thereby helping to stabilize the Naira.

While the domestic dollar bond is poised to play a crucial role in increasing dollar liquidity and supporting the naira, it also highlights concerns regarding Nigeria's rising debt profile. The government has already issued bonds amounting to ₦4.73 trillion in the first eight months of 2024 to fund a budget deficit projected at ₦9.18 trillion for the year. As the government seeks to address this deficit through extensive borrowing, the rising debt burden could have long-term implications for the country's financial stability. Nevertheless, targeting both local and diaspora investors is a strategic move to harness available resources.

Notably, this domestic dollar bond issuance does not include a sukuk alternative for non-interest investors, which limits the options for those who prefer Sharia-compliant financial products. The absence of a domestic dollar sukuk excludes a significant portion of potential investors inclined towards non-interest-bearing investments. To improve economic inclusion and diversify the investment landscape, it would be wise for the government to consider issuing a domestic dollar sukuk in the future. Such an initiative would not only cater to the needs of non-interest investors but also expand the pool of capital available to the government, thereby enhancing financial inclusion and supporting broader economic development goals.

Bearish Trend Persists on Nigerian Equities Market

The Nigerian equities market extended its bearish trend, with the NGX All Share Index declining by -1.16% this week. This downturn further moderated the NGX All Share Index's year-to-date return to 28.35%. This outing pegged the market capitalization of the NGX at ₦55.13 trillion at the end of the week.

The NGX Lotus Islamic (NGXLII) also followed suit to shed -1.70%, moderating the year-to-date return of the ethical index to 32.67%

Liquidity Boost Led to Dip in Overnight Rates

Although the CBN issued ₦291.03 billion in Treasury Bills, which was followed by an FGN bond auction of ₦374.75 billion, liquidity persisted in the system, pushing both the Overnight Rate (ON) and the Overnight Policy Rate (OPR) lower at the end of the week. The ON rate decreased to 26.17% by the end of the week, down from 32.98% in the previous week. Similarly, the OPR also experienced a decline, closing the week at 25.78%, compared to 32.30% in the prior week.

In the week, the Naira strengthened by 0.62% at the official window to trade at ₦1,570.14/\$, up from the ₦1,579.89/\$ it traded at the end of the prior week. However, at the parallel market, the Naira remained downbeat, closing the week at ₦1,605.00/\$ (previous week: ₦1,590.00/\$).

GLOBAL MARKETS

China Retains Key Lending Rates

The People's Bank of China has maintained key lending rates at their August meeting. The one-year Loan Prime Rate (LPR), which serves as the benchmark for most corporate and household loans, remains steady at 3.45%. Similarly, the five-year rate, used as a reference for property mortgages, has been held at 3.85%. Both rates continue to reflect historic lows following the unexpected rate cuts in July. These sustained low rates are poised to stimulate economic growth in China which has been experiencing sluggish growth since reopening from Covid-related trade restrictions.

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For enquiries, please contact us at:

Lotus Capital Ltd
182, Awolowo Road
Ikoyi, Lagos
Nigeria
T1: +234-1-291 4626
T2: +234 -1-291 4624

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