Weekly Market Summary

LOTUS CAPITAL
HALAL INVESTMENTS

October 11th, 2024.

Highlights

- ***Nigeria's Capital Importation Soars to $2.6bn in Q2 2024***
- ***Nigerian Equities Market Reverses Previous Loss to Close the Week on a Positive Note***
- ***Naira Weakens at Official Trade Window***
- ***US Fed Poised for More Rate Cuts as Inflation Cools to 2.40%***

Economic Data	11-10-24	04-10-24	WoW	YTD
NGXASI	97,606.63	97,520.54	0.09%	30.54%
NGXLII	5,924.60	5,933.80	-0.16%	28.25%
Market Cap (₦'tn)	56.088	56.039	0.09%	37.08%
Official Exchange Rate (₦/$)	1,641.27	1,631.21	-0.61%	-44.73%
Oil Prices ($'pb)	79.04	78.08	1.23%	2.60%
External Reserves ($'bn)	38.71	38.61	0.26%	17.61%
LC Managed Funds				
Halal Investment Fund (₦)	2.10	2.09	0.32%	20.68%
Halal Fixed Income Fund (₦)	1,216.87	1,213.53	0.28%	11.12%
Lotus Halal Equity ETF (₦)	28.95	28.96	-0.02%	28.33%

NIGERIAN MARKET UPDATE

Nigeria's Capital Importation Soars to $2.6bn in Q2 2024

Nigeria's capital importation reached $2.60 billion in Q2 2024, reflecting a year-on-year increase of 152.81% compared to the $1.03 billion recorded in Q2 2023. The latest data from the National Bureau of Statistics highlights this substantial annual growth, driven by heightened foreign interest in Nigeria's financial markets. However, compared to Q1 2024, which recorded inflows of $3.38 billion, the figure marked a -22.85% quarterly decline, signalling ongoing volatility influenced by global economic uncertainties and domestic challenges.

Portfolio investments remained the leading contributor to the capital inflows, accounting for $1.40 billion, or 53.93% of the total. These investments typically involve foreign investors seeking short-term gains through Nigeria's stocks, bonds, and other financial instruments. Despite the high participation of portfolio investors, the fluctuations in capital importation suggest that investor confidence remains sensitive to both global and local market dynamics. Meanwhile, other forms of capital importation, such as loans, trade credits, and other debt-related financing, contributed $1.17 billion, representing 44.92% of the total.

Foreign Direct Investment (FDI), which is more crucial for long-term economic growth and industrial development, remained subdued at just $29.83 million, making up a mere 1.15% of the total inflows. This highlights the continued difficulty in attracting FDI, often due to macroeconomic uncertainties. The banking sector, as the largest recipient of capital importation, attracted $1.12 billion or 43.15% of the total inflow, reflecting local banks' efforts to raise capital in response to the Central Bank of Nigeria's recent capital requirements. The capital inflows into the banking sector underscore the importance of financial markets in stabilizing the economy amidst broader reforms.

Nigerian Equities Market Reverses Previous Loss to Close the Week on a Positive Note

Positive sentiment resumes on the Nigerian equities market to push the NGX All Share Index higher as the local bourse close the week on a positive note. The NGX All Share Index gained 0.09% in the week making its year-to-date return inches higher to 30.54%. This outing pushed the market capitalization of the NGX higher to stand at ₦56.09 trillion at the end of the week.

Conversely, the NGX Lotus Islamic (NGXLII) maintained its bearish trend, closing the week lower by -0.16%, further moderating its year-to-date gain to 28.25%.

Naira Weakens at Official Trade Window

Liquidity marginally contracted in the week to push both the overnight (ON) rate and overnight repos (OPR) rate higher. The ON rate increased to 33.00% by the end of the week, from 32.77% in the previous week. The OPR also increased to 32.36% at the end of the week, compared to 32.23% in the prior week.

In the week, the Naira weakened by -0.61% at the official window to trade at ₦1,641.27/$, down from the ₦1,631.21/$ it traded at the end of the previous week. Similarly, at the parallel market, the Naira weakened, closing the week at ₦1,680.00/$ (previous week: ₦1,656.00/$).

GLOBAL MARKETS

US Fed Poised for More Rate Cuts as Inflation Cools to 2.40%

In September 2024, the annual inflation rate in the U.S. eased to 2.40%, marking its lowest level since February 2021 and the sixth consecutive month of decline. This decrease was driven by a sharp drop in energy costs, particularly gasoline (-15.30%) and fuel oil (-22.40%), while natural gas prices showed a modest recovery. The shelter category saw lower price increases (4.90% vs 5.20% in August), contributing to the broader inflationary slowdown. On the other hand, inflation rose slightly for food (2.30%) and transportation (8.50%).

The slowing inflation bolsters the Federal Reserve's confidence in pursuing further rate cuts, as it signals that previous monetary tightening is cooling price pressures without causing a sharp economic downturn. The continued moderation in inflation, particularly in key sector like energy, provides a favorable backdrop for the Fed to gradually lower interest rates to support growth, while maintaining its inflation targets.

Lotus Capital, Creating Wealth the Halal Way

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