

Weekly Market Summary



Highlights

- **CBN Tightens Hawkish Stance as MPR Hits 27.25%**
- **Nigerian Equities Market up by 0.21% to Extend Positive Run**
- **Naira Strengthens at Official Trade Window**
- **US Inflation Slows Further**

Economic Data	27-09-24	20-09-24	WoW	YTD
NGXASI	98,458.68	98,247.99	0.21%	31.68%
NGXLII	6,105.60	6,314.29	-3.31%	32.16%
Market Cap (₦'tn)	56.578	56.457	0.21%	38.27%
Official Exchange Rate (₦/\$)	1,540.78	1,541.52	0.05%	-41.13%
Oil Prices (\$'pb)	71.54	74.49	-3.96%	-3.31%
External Reserves (\$'bn)	38.06	37.47	1.57%	15.64%
LC Managed Funds				
Halal Investment Fund (₦)	2.09	2.11	-0.61%	20.17%
Halal Fixed Income Fund (₦)	1,242.42	1,239.29	0.25%	10.49%
Lotus Halal Equity ETF (₦)	29.86	30.87	-3.25%	32.35%

NIGERIAN MARKET UPDATE

CBN Tightens Hawkish Stance as MPR Hits 27.25%

The Central Bank of Nigeria's Monetary Policy Committee (MPC), held its fifth meeting for the year, where committee members voted to raise the Monetary Policy Rate (MPR) by 50 basis points, moving the MPR from 26.75% to 27.25%. This decision signals continued monetary tightening as the apex bank seeks to manage inflationary pressures and stabilize the economy. Additionally, the CBN increased the Cash Reserve Ratio (CRR) for commercial banks by 500 basis points, from 45.00% to 50.00%, and raised the CRR for merchant banks by 200 basis points to peg it at 16.00%. These measures, aimed at reducing liquidity in the banking system, reflect the CBN's determination to curb inflationary pressures. In another move, the asymmetric corridor around the MPR was adjusted to +500 and -100 basis points, further tightening control on interest rates, while the liquidity ratio was kept unchanged at 30.00%.

The CBN Governor emphasized that the decision to further tighten the monetary policy was unanimously supported by all members of the MPC. The central rationale for this adjustment was the recent inflationary trends and foreign exchange market instability, which have posed significant risks to the Nigerian economy. Key drivers cited by the Governor included food inflation, rising petrol and energy prices, and the impact of widespread flooding. These factors, alongside foreign exchange pressures, underscored the need for decisive action to prevent further economic deterioration. Under Governor Cardoso's leadership, the cumulative increase in the MPR now stands at 850 basis points, signalling a clear shift toward aggressive monetary tightening as the CBN grapples with persistent inflation.

The increase in the CRR, particularly for commercial banks, is expected to drain excess liquidity from the system, potentially reducing the amount of money available for lending and further controlling inflation. Meanwhile, the widening of the asymmetric corridor around the MPR allows for greater flexibility in the cost of borrowing for banks, helping the CBN manage liquidity more effectively. While these measures aim to attract foreign portfolio investments by enhancing returns in Nigeria, there are concerns about the impact of rising petrol prices and scarcity on inflation. Despite two consecutive months of slowing inflation, there are fears that inflation could surge again, particularly with the Nigerian National Petroleum Corporation Limited (NNPCL) announcing an increase in petrol prices. The CBN's tightening stance is, therefore, critical in mitigating these risks and maintaining macroeconomic stability amidst global and domestic economic challenges.

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Nigerian Equities Market up by 0.21% to Extend Positive Run

The Nigerian equities market extended its positive run in the week as the NGX All Share Index gains 0.21% to stand at 98,458.68 points. This outing pushed the market capitalization of the NGX higher to stand at ₦56.58 trillion at the end of the week.

Conversely, the NGX Lotus Islamic (NGXLII) closed the week on a negative note following profit-taking activities in some constituent stocks of the ethical index. This pushed the NGXLII lower in the week by -3.31%, as year-to-date return of the ethical index inches lower to 32.16%

Naira Strengthens at Official Trade Window

Following a ₦227.54 billion treasury bills issuance by the CBN, and a further ₦252.90 issuance of OMO Bills to mop up liquidity, system liquidity marginally contracted in the week. As a result, the ON rate increased to 30.02% by the end of the week, from 29.97% in the previous week. Conversely, even with the decrease in liquidity, the OPR decreased further to 29.43% at the end of the week, compared to 29.69% in the prior week.

In the week, the Naira strengthened by 0.05% at the official window to trade at ₦1,540.78/\$, up from the ₦1,541.52/\$ it traded at the end of the previous week. At the parallel market however, the Naira remained downbeat, closing the week at ₦1,680.00/\$ (previous week: ₦1,656.00/\$).

GLOBAL MARKETS

US Inflation Slows Further

The United States Personal Consumption Expenditures (PCE) price index, a key inflation measure monitored by the US Federal Reserve, rose by 0.10% in August. This brought the 12-month inflation rate to 2.20%, down from 2.50% in July, marking the PCE price index's lowest level since February 2021. This data, released by the U.S. Department of Commerce, indicates inflation is approaching the Federal Reserve's 2.00% target. As inflation continues to ease, it continues to pave way for more interest rate cuts in future policy decisions by the US Fed, aligning with its efforts to maintain price stability.

Lotus Capital, Creating Wealth the Halal Way

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