

Global Economy & Market Update

Global Economy

The week brought several additional signals that the economy was slowing significantly following the Federal Reserve's aggressive rate hikes in 2022. Most notable may have been Wednesday's report of a 1.1% drop in US's retail sales in December, which was roughly triple consensus estimates. The Labor Department reported that producer prices fell 0.5% in December, the biggest drop since early in the pandemic, as prices companies paid for goods, food, and especially energy all recorded declines.

ECB President Christine Lagarde dismissed market speculation that a fall in energy prices would allow policymakers to slow the pace of monetary policy tightening. Speaking at the World Economic Forum in Davos, Switzerland, she said: "I would invite [financial markets] to revise their position; they would be well advised to do so." She explained: "Inflation, by all accounts, however you look at it, is way too high. Our determination at the ECB is to bring it back to 2% in a timely manner, and we are taking all the measures that we have to take in order to do that."

On a year-over-year basis, UK inflation slowed for a second consecutive month in December 2022. Lower gasoline prices were a key driver. The consumer price index (CPI) slipped to 10.5% from November's 10.7% reading, according to the Office for National Statistics.

There was no change in the BoJ's monetary policy at its January meeting—it maintained its ultralow rates and left its YCC framework unchanged—as had been widely expected. This was despite growing speculation about further policy change following December's surprise YCC tweak, whereby the cap on the 10-year JGB yield was raised to 0.50%, from 0.25%. Japan's core CPI rose 4% year on year in December, a 41-year high, as companies passed rising costs onto consumers. Producer prices also surged over the same period.

China's gross domestic product rose 2.9% in the fourth quarter of 2022 and expanded 3.0% for the full year. The annual growth pace missed the official target of around 5.5% set last March and marked the second-worst year for economic growth after a pandemic-hit 2020 since 1976, the end of China's decade-long Cultural Revolution. Still, both readings surpassed economists' forecasts after Beijing abandoned its stringent pandemic restrictions and rolled out a slew of pro-growth policies toward the end of 2022. In monetary policy news, the People's Bank of China (PBOC) left its benchmark one-year and five-year loan prime rates unchanged for a fifth consecutive month. However, many analysts predict that the PBOC will resume easing measures in the near term after the central bank pledged in December to support a recovery in consumption.

Global Market

The major indexes ended mixed for the week as recession fears appeared to weigh on sentiment. The narrowly focused Dow Jones Industrial Average performed worst and gave back a portion of its strong rally in the first two weeks of the year, while the technology-heavy Nasdaq Composite recorded a modest gain. Relatedly, dampening inflation fears helped growth stocks outperform, as the prospect of lower interest rates increased the implicit value of future earnings. The Dow Jones Industrial Average & the

S&P 500 Index closed lower by 2.70% & 0.66%, respectively while the Nasdaq Composite all closed higher by 0.55%.

Shares in Europe weakened after European Central Bank (ECB) policymakers signaled that they would still hike interest rates aggressively, reigniting fears of a prolonged economic slowdown. In local currency terms, the pan-European STOXX Europe 600 Index ended the week modestly lower. Major stock indexes were generally softer. Germany's DAX Index fell 0.35%, France's CAC 40 Index eased 0.39%, and Italy's FTSE MIB Index was almost flat. The UK's FTSE 100 Index declined 0.94%.

In Asia, stock markets in Japan rose over the week, with the Nikkei Index gaining 1.66% and the broader TOPIX Index up 1.25%. Sentiment was supported by the prospect of China's reopening boosting the global economy and hopes that the major central banks would slow the pace of their rate hikes amid some signs of waning inflationary pressures. Investors' focus was on the Bank of Japan (BoJ), which left its monetary policy unchanged at its January meeting, having surprised markets in December by tweaking its yield curve control (YCC) framework. Chinese equities rallied for a fourth consecutive week ahead of a weeklong holiday following reports indicating better-than-expected economic growth. The Shanghai Composite Index rose 2.18%, and the blue-chip CSI 300 gained 2.63%. In Hong Kong, the benchmark Hang Seng Index added 1.41%, according to Reuters. China's financial markets will be closed for the Lunar New Year break, which starts on January 21, and will reopen on Monday, January 30.

Domestic Economy & Market Update

Domestic Economy

For the first time in more than a year, inflation decreased in December, softening to 21.3% from November's 21.5%. The reading nevertheless represented an over 17-year high despite the decline. When examining the release's specifics, it becomes clear that the slight moderation was mostly caused by more gradual price rises for apparel, footwear, food, and non-alcoholic drinks. These outweigh the faster-rising costs of housing and utilities by a significant margin. The carefully studied index of food inflation dropped from 24.13% in November 2022 to 23.75% in December 2022. The rate rose from 17.37% to 18.38% when compared to the same time in 2021, an increase of 6.38% points. In contrast, the "All items less farm produce" index, which removes the costs of erratic agricultural products, was 18.49% in December 2022. The difference between this and the 18.24% observed in November 2022 is 24.8 basis points.

Inflation YoY (December 2022)	Latest (%)	Prior (%)	Change	2022 Average
Headline	21.34%	21.47%	-0.13%	18.79%
Core	18.49%	18.24%	0.25%	16.01%
Food	23.75%	24.14%	-0.39%	20.83%

GDP (%) - YoY	Q3 22	Q2 22	Q1 22	Q4 21
Real GDP	2.25%	3.54%	3.11%	3.98%
Oil	-22.67%	-11.77%	-26.04%	-8.06%
Agriculture	1.34%	1.20%	3.16%	3.58%
Manufacturing	1.91%	3.00%	3.35%	2.28%

Labour Data (%) Q4 20	Latest (%)	Prior (%)	Change (%)
Unemployment Rate	33.3	27.1	6.2
Underemployment	28.8	20.1	8.7

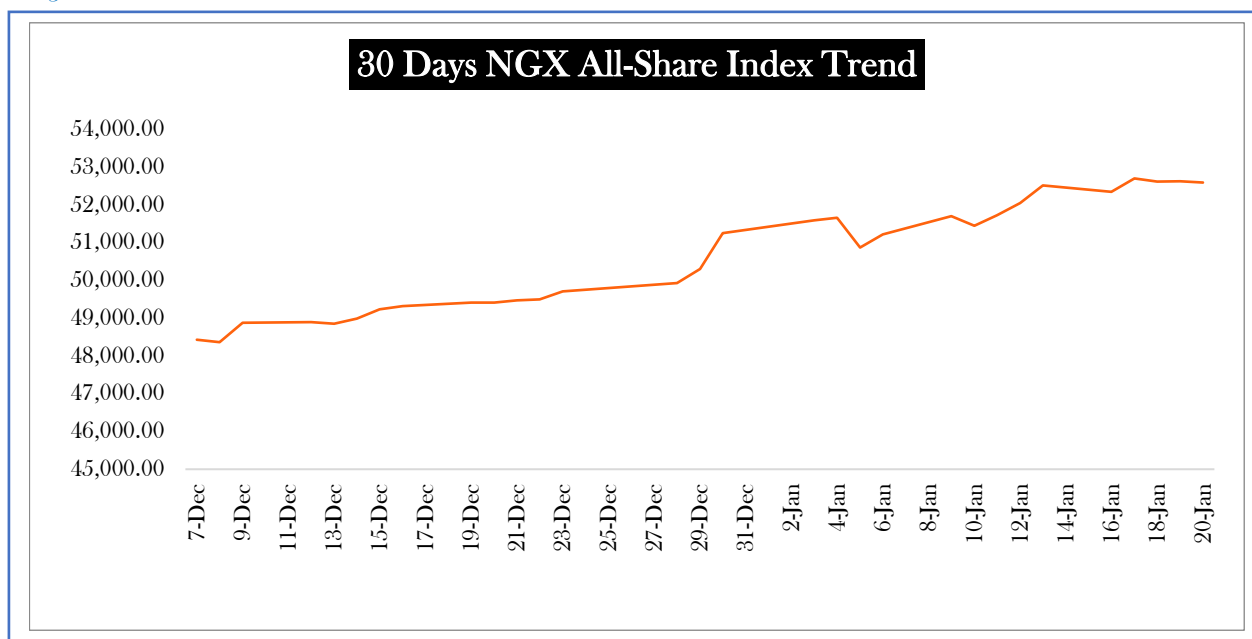
Source: NBS, Alpha Morgan Research

Equities Market

The domestic stock market witnessed somewhat bullish sentiments in this week's trading session as buying interests pushed the NGX All Share Index up by 0.16% to close at 52,594.68pts. The climb in the index was buoyed by price upticks in NESTLE (0.01%), ETI (0.11%), FBNH (0.86%), FLOURMILL (3.00%), AIRTELAFRI (3.87%), and PRESCO (9.67%). Overall, the Month-to-Date return and Year-to-Date return both printed +2.62%.

Investors traded a total of 1.241 billion shares worth N15.668 billion in 18,560 transactions this week, compared to 1.286 billion shares worth N29.634 billion that changed hands in 19,816 transactions previous week.

Figure 1: NGX ASI Trend



Investors traded 562.856 million shares worth N9.438 billion in a total of 16,013 deals this week, compared to 719.398 million shares worth N8.004 billion that were traded in a total of 17,444 deals the week before.

Key Market Metrics			Key Market Metrics		
All share index	52,594.68		Banking	-1.43%	↓
Friday's return	-0.06%	↓	Consumer Goods	1.51%	↑
WTD	0.16%	↑	I.T/Communications	3.71%	↑
MTD	2.62%	↑	Industrial	-0.50%	↓
YTD	2.62%	↑	Insurance	0.98%	↑
Market Cap (N'bn)	28,646.91		Oil & Gas	0.11%	↑

Top Gainers			Top Losers		
Stock	Price (N)	WoW Change	Stock	Price (N)	WoW Change
MRS	16.00	13.48%	LIVESTOCK	1.12	-13.85%
NAHCO	7.90	12.86%	CILEASING	3.15	-10.00%
SUNUASSUR	0.37	12.12%	UPDC	0.94	-9.62%
ABBEYBDS	1.68	9.80%	SOVRENINS	0.26	-7.14%
PRESCO	150.80	9.67%	INTBREW	4.65	-7.00%
CWG	1.04	9.47%	GEREGU	138.80	-6.85%
CAVERTON	1.05	9.38%	ROYALEX	0.85	-6.59%
CORNERST	0.60	9.09%	MBENEFIT	0.30	-6.25%
JOHNHOLT	0.96	9.09%	ZENITHBANK	24.45	-4.31%

WAPIC	0.45	7.14%	PZ	10.10	-4.27%
-------	------	-------	----	-------	--------

Source: NGX, Alpha Morgan Research

Treasury Bills Market

Over the course of the week, NTB secondary market activity was somewhat mixed. The average rate therefore decreased by 11bps to settle at 3.84%.

Benchmark T-Bills Discounted Rates				
	20-Jan-23	13-Jan-23	Change	
48 days	1.83%	1.83%	0.00%	↔
139 days	3.25%	3.28%	-0.03%	↓
293 days	5.75%	4.33%	1.42%	↑

Source: FMDQ, Alpha Morgan Research

FGN Bonds

The FGN secondary market's trading actions during the course of the week were negative due to sell-offs seen across the short, mid, and long ends of the curve. The average yield increased as a result, rising by 64bps to settle at 14.00%.

Benchmark FGN Bond Yields				
	20-Jan-23	13-Jan-23	Change	
5 years: 17-Mar-2027 (16.2884%)	13.90%	12.24%	1.66%	↑
10 years: 27-Apr-2032 (12.50%)	14.85%	14.40%	0.45%	↑
20 years: 21-Jan-2042 (13.00%)	15.15%	14.20%	0.95%	↑
30 years: 27-Mar-2050 (12.98%)	15.03%	14.55%	0.48%	↑

Source: FMDQ, Alpha Morgan Research

FG Eurobonds

In the Eurobond secondary market, activities were mostly bearish as sell-side pressures were mostly seen across the curve amidst the recovery in Asian equities and the hawkish stance taken by Fed chair Bullard. The overall average yield for the FGN sovereign curve climbed 15bps to settle 10.05%

Benchmark FGN Eurobond Yields				
	20-Jan-23	13-Jan-23	Change	
1 year: 12-Jul-2023 (8.375%)	6.36%	5.84%	0.52%	↑
5 years: 28-Nov-2027 (6.50%)	9.69%	10.11%	-0.42%	↓
10 years: 16-Feb-2032 (7.875%)	10.90%	10.89%	0.01%	↑
15 years: 23-Feb-2038 (7.696%)	11.09%	11.07%	0.02%	↑
30 years: 21-Jan-2049 (9.248%)	11.27%	11.18%	0.09%	↑

Source: FMDQ, Alpha Morgan Research

Nigeria FX

The Nigeria's FX reserves dropped by ca.USD3.80 million WoW to ca.USD37.20 billion, as the outflows for the CBN's interventions across the various FX windows outweighed dollar inflows.

However, the naira depreciated by 0.07% against the USD at the I&E Window to close at NGN461.50/USD.

Disclaimer: The information provided in this material is general in nature and does not constitute financial advice. Alpha Morgan Group does not assume any liability or responsibility in relation to the information provided in this material, including information provided by third parties. While every effort has been made to ensure the information provided is accurate, do not rely solely on this information to make a financial or investment decision. Before making any financial or investment decision, consult your financial adviser. The Alpha Morgan Group does not give any warranty as to the accuracy, reliability or completeness of the information contained in this material. The Alpha Morgan Group, its employees and affiliates do not accept any liability for any error or omission in this material or for any loss or damage suffered by a recipient or any other person.