COMMODITIES UPDATE



August 1, 2023



Burning Economic Issues

- Niger political coup pushes up uranium price by 0.72% (\$56.15/lbs) as ECOWAS shuts its border
- 5 major companies recorded N365bn exchange rate losses
 - Stock market down 1.1% as companies report exchange rate losses
- Naira appreciated by 8.69% to trade at N799.50/\$ (I & E window) but depreciated by 0.34% to close at N870/\$ at the parallel
 - Brent up 0.71% (\$85.59pb) on expectations of an extension of Saudi Arabia's cut to September 2023- *Reuters*
 - ➢ Goldman Sachs revised its global oil demand upwards by 550,000bpd for the year, but maintained its Brent price forecast (\$86pb)
- Cocoa futures gained 0.79% (\$3,553.00/mt) as Nigeria's cocoa export dropped by 8.8% to 12,245 tons in June-*Reuters*
- Wheat plunged 3.23% (\$681.50/bushel) due to easing supply concerns as weather conditions in the US improve- *Reuters*
- Domestic price of rice climbed by 34.15% to its highest level this year (N55,000/50kg bag) owing to border closure &



exchange rate pass through effect

The Downers

Impact



The spike in the price of rice will stokeinflationary pressures and further squeezeconsumer disposable income

- The Goodies
- Higher oil prices will bolster Nigeria's oil export earnings (> than EIU's forecast - \$57.17bn) and improve the country's trade balance
 - Lower uranium supply to increase demand for alternative energy sources (cross elasticity of demand)
- Rising cocoa prices will boost the nation's cocoa export earnings and increase farmers' income
- The drop in wheat price will reduce Nigeria's import bill

and ease the cost of living crisis



Domestic Commodities Price Movement

| Commodities | Previous Month Prices | Current Prices | Directional Change | Year Low | Year High | |
|-------------------------|-----------------------------|-------------------|-------------------------|----------|-----------|--|
| Garri (50kg) Yellow | N26,500 | N19,000 | ➡ | N16,000 | N28,000 | |
| Rice (50kg) short grain | N41,000 | N55,000 | | N33,000 | N55,000 | |
| Flour (50kg) | N31,500 | N35,000 | | N28,500 | N31,500 | |
| Beans (Oloyin)(50kg) | N34,000 | N36,000 | | N30,000 | N56,000 | |
| Cement (50kg) | N4,700 | N4,700 | $ \Longleftrightarrow $ | N4,200 | N4,700 | |
| Tomatoes (50kg) | N90,000 | N65,000 | ↓ | N15,000 | N110,000 | |
| Pepper (bag) | N65,000 | N40,000 | | N15,000 | N65,000 | |
| Onions (bag) | N40,000 | N55,000 | | N25,000 | N55,000 | |

• Prices of commodities begin to taper as the harvest season begins



Domestic Commodities Price Movement

Relatively Elastic Products

| Commodities | | Previous Month Prices | Current Prices | Directional Change | Year Low | Year High |
|--------------------|----------------------|-----------------------------|-------------------|-----------------------|----------|-----------|
| Palm Oil (25l) | | N37,500 | N22,500 | Ļ | N22,000 | N37,500 |
| Semovita (10kg) | | N6,800 | N7,200 | | N6,700 | N7,200 |
| New Yam (3 tubers) | Protection (Marcola) | N6,000 | N10,500 | 1 | N3,000 | N10,500 |
| Sugar (50kg) | | N42,000 | N42,000 | | N31,000 | N42,000 |



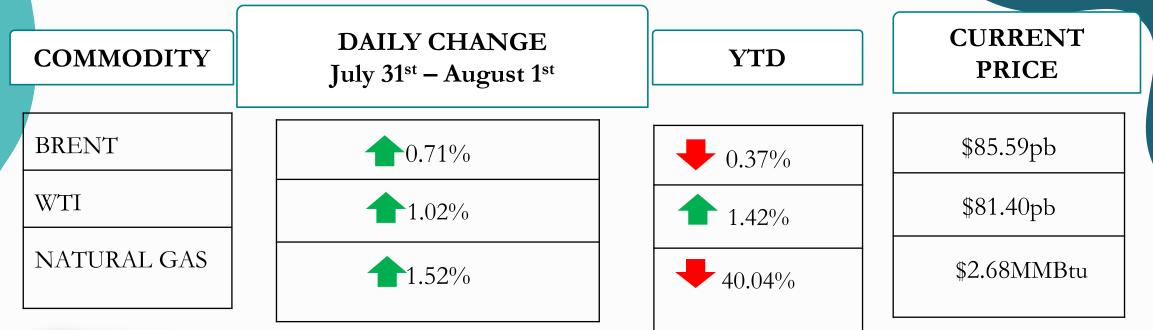
Consumer Goods – Current price

| Goods | Street price | Supermarket price | % difference |
|----------------------|--------------|----------------------|--------------|
| Pepsi (50cl) | N250 | N250 | 0% |
| Heineken beer (60cl) | N630 | N650 | -3.17% |
| Bread Loaf | N1000 | N1000 | 0% |
| Indomie (1 carton) | N4,300 | N4,300 | 0% |
| Gala (big size) | N150 | N150 | 0% |





Oil Markets Today









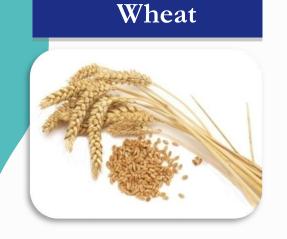
Oil Prices



- Brent up 0.71% to \$85.59pb
- WTI gained 1.02% to \$81.40pb
- •Oil prices rose as tight supply persists in the oil market



Agricultural Commodities









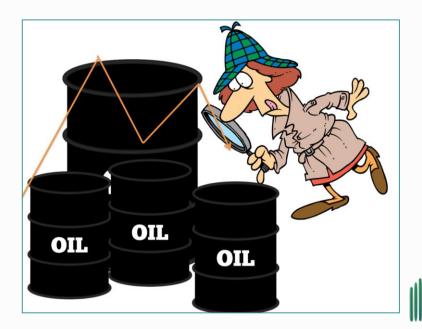
Plunged 3.23% to \$681.50/bushel, on prospects of higher crop yield in the US Dropped 2.78% to \$515.50/bushel, owing to easing supply concerns due to favorable weather conditions in the US Gained 0.79% to \$3,553.00/mt, as cocoa output from Nigeria drops Increased by 0.17% to \$23.96/pound, despite subdued cane demand



Outlook – Oil Prices

Expectation of additional output cuts by Saudi Arabia will keep oil prices elevated in

the coming weeks









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Outlook – Agricultural Prices

GRAINS

Grain prices are expected to taper in the near future as weather conditions in the US

improves

SOFTS

- Cocoa prices will soar higher in the near term owing to lower crop yield from the world's top producers.
- Sugar price will adopt a bearish trend in the short term, as global cane demand wanes





FX Unification Affects Corporate Earnings

- 55 Companies have reported H1'23 earnings
- 5 major companies recorded FX losses of N365 billion
- A drop in shareholders' value to N35 trillion

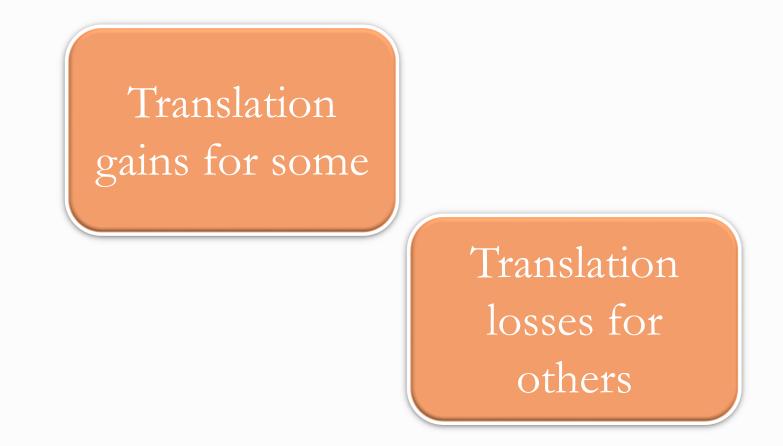
• For financial institutions, translation gains today may become transaction loss tomorrow

| Financial Institutions | | Manufacturing | | Conglomerates | Energy | Telecommunications |
|---------------------------|---|--------------------|---|-----------------|----------|--------------------|
| Fidelity bank | + | Nestle | | Chellerams — | Conoil 🔸 | MTN Nigeria |
| Sterling bank | + | Dangote Sugar | | Fidson 🔸 | Seplat 🔸 | |
| AIICO Insurance | + | Lafarge | | Neimeth | Total 🔶 | |
| Axa Mansard | ÷ | BUA Foods | + | UAC Nigeria 🛛 🛖 | MRS 🔶 | |
| FBN | + | Dangote Cement | + | Okomu Oil | | |
| Wema bank | ÷ | Cadbury | | | | |
| ETI | + | BUA Cement | + | | | |
| | | Nigerian breweries | | | | |



FX Unification Affects Corporate Earnings

Different strokes for different folks



• One man's meat is another man's poison



Nigeria's Oldest Bank Made Significant Gains

- Gross earnings surge 83% to N656.6bn in H1'23 (N359bn in H1'22)
- Net interest income up 55% to N237bn (N152.9bn in H1'22)
- Non-interest income soars 113.8% to N257.9bn (N120.6bn in H1'22)
- 33.19 % increase in electronic banking fees
- Net income surged by 231% to N187bn (N56.5bn in H1'22)
- Net gains from financial instruments of N231.7bn, Offsets fx loss of N98.4bn



Since 18

Nigeria's Oldest Bank Made Significant Gain

• Positive moderation in Prudential ratios – all within

regulatory limit

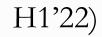
- Non performing loans decelerates to 4.3% from 5.4% in H1'22
- Capital adequacy ratio at 16.5%
- Cost to income ratio moderates to 46.8% (68% in H1'22)



Since 18

N21bn FX Loss Sweeps Cabury to a Loss of N14.5<mark>bn in *Cadbury* H1'23</mark>

- Revenue up 28% to N35.6bn (N27.8bn in H1'23)
- Driven by high domestic demand
- Domestic Revenue recorded a sum of N18.8bn in Q2'23 (N14.6bn in Q2'22)
- Operating activities soared 113% to N6bn
- Fx loss of N21bn sweeps Net income by 721% to a loss of N14.5bn (N2.3bn in







Stock Market

NSE ASI +1.10% to close at 64,337.52pts on July 31st 2023

| | Share Prices (№) | Daily % Change (July 31st) | YTD (% Change) |
|------------------|----------------------------------|-------------------------------|-------------------|
| Nestle | 1,175.00 | 0.00 | 6.82 |
| Honeywell | 3.39 | 0.00 | 44.87 |
| Flour Mills | 28.50 | 1.72 | 0.35 |
| Cadbury | 11.25 | 9.64 | 5.46 |
| Dangote Sugar | 27.00 | 10.00 | 68.22 |
| Unilever | 15.50 | 0.00 | 29.31 |
| Ikeja Hotels | 2.97 | 9.76 | 155.24 |

