FDC FINANCIAL DERIVATIVES COMPANY

WHISPERS

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WHEN WE SPEAK, THE WORLD UNDERSTANDS

FDC LIMITED

CONTENTS

The Whispers Overview

A major revelation in October was the announcement of two budgets. The first being the controversial N2.17 trillion 2023 supplementary budget and the 2024 budget of N26.01 trillion (trn). Specifically focusing on the 2024 fiscal year, the budget is 19% higher than the N21.83 trillion budget approved for 2023, making it the highest in Nigeria's history. The implications of a budget this large and its allocation raise concerns about economic development.

A burning issue is that capital expenditure takes a back seat, accounting for a mere 29% (N7.5 trillion) of the total budget. Meanwhile Non-Debt Recurrent Expenditure (NDRE) increased by 23% compared to the previous year (N10.26 trillion), gulping 40% of the budget. Within this category, personnel costs alone amount to N7.78 trillion, constituting a staggering 75.83% of the NDRE.

Given Nigeria's sluggish pace of economic development, these budget allocations mean the status quo remains, with the bloated cost of governance taking precedence over infrastructure development. The concept of a lean government, as highlighted in the first article of this FDC Whispers issue, becomes increasingly relevant, drawing insights from experiences in Greece and Rwanda.

While the government grapples with mounting governance expenses, the issue of cybercrimes in Nigeria is expanding, impacting not only the government but also banks, businesses, and individuals. These entities have suffered substantial financial losses due to cybercrime-related activities, and the problem is anticipated to escalate globally. The surge in cybercrimes is closely tied to the exponential increase in internet penetration by 78% in the past five years. The second article in this report explores the correlation between internet penetration and cybercrimes, along with the economic ramifications of this menace.

The subsequent section of the report delves into a comprehensive analysis of macroeconomic indicators, especially the pressing issue of exchange rate depreciation. The past month witnessed the naira hitting an all-time low of N1,300/$ in the parallel market, although it has shown a modest recovery to the current rate at N1,030/$, following the announcement of a $10 billion forex inflow and the move by the CBN to clear the FX backlogs. This report examines the outlook and the impact of these exchange rate fluctuations on imported commodities.

Cost of Governance: Embracing a Lean Government For Prosperity in Nigeria

The cost of governance has been a decades-long standing concern in Nigeria, as the country faces significant challenges related to the efficiency and effectiveness of government structures and the allocation of resources.

Given the sluggish pace of economic development, attention remains focused on the oversized bureaucracies, composed of large ministries, agencies, and parastatals, which have acted as a hindrance to Nigeria's progress. The bloated government results in a high cost of public sector spending and hurts the development process in a country. This is evident as recurrent expenditure, which covers administrative and personnel expenses, continues to surpass capital expenditure, leading to negative effects on infrastructure, investments, employment, and economic growth.

In the proposed 2024 budget, a mere 29% (N7.5trn) of the total expenditure was earmarked for essential capital projects. The non-debt recurrent expenditure (NDRE) stands at an alarming N10.26 trillion, constituting approximately 40% of the budget and representing a 23% increase from the approved 2023 budget of N8.33 trillion. Within this category, personnel costs alone amount to N7.78 trillion, constituting 75.83% of NDRE.

Worse, the country grapples with substantial fiscal deficits, estimated at 4% of its GDP, above the 3% threshold established by the Fiscal Responsibility Act of 2007. This deficit has arisen due to exorbitant federal and state government expenditures, compounded by declining revenues from crude oil exports due to pipeline vandalism and theft.

Moreover, Nigeria's bureaucratic structure is vast and often characterized by inefficiency and duplication of functions. The extensive network of government agencies, ministries, and parastatals places a considerable strain on public finances, limiting the country's capacity to invest in economic diversification and job creation. In short, resources are diverted away from critical sectors such as healthcare, education, and infrastructure development.

On April 16, 2012, the “Oronsaye Report” highlighted intense competition among overlapping government agencies, causing friction and wasteful spending.[1] The report suggested abolishing and merging 102 agencies, while some were to be self-sustaining. Unfortunately, these recommendations were largely ignored, and new agencies have since been introduced.

The Impacts of High Governance Costs: The Greece Experience

The consequences of Nigeria's high cost of governance mirror the experiences of the Greek debt crisis, which was partly precipitated by its own cost of governance issues. In a scenario where an escalating proportion of government resources sustains the administrative structure, poverty becomes pervasive, and economic growth decelerates or stagnates.

Greece's debt crisis, which unfolded in 2009 and reverberated through the global economy, serves as a cautionary tale. While multifaceted, Greece's debt crisis was escalated by the high cost of governance. Excessive government spending, including generous public salaries, pensions, and social welfare programs, consistently outpaced government revenues, leading to persistent budget deficits and a growing national debt. In 2009, Greece’s budget deficit exceeded 15% of its gross domestic product and the debt-GDP ratio stood at 100%.

The Greek pension system, renowned for its generosity, allowed for early retirements and substantial pension benefits, straining public finances further. Bureaucratic inefficiency, marked by corruption and a lack of accountability within the public sector, also contributed to fiscal mismanagement.

These high governance costs had severe consequences for Greece. The nation consistently faced budget deficits, resulting in its reliance on international loans from institutions like the EU and the IMF. The loans came with stringent austerity measures, leading to economic contraction, high unemployment, and social unrest. Greece's economy shrank significantly (25%) in 2009 from the previous year.[2]

Although Greece has made progress in addressing some of these issues, the legacy of the crisis continues to shape the nation's economic and political landscape, serving as a stark reminder of the importance of responsible governance and fiscal prudence.

Case Studies of Lean Governance: Lessons for Nigeria

Rwanda serves a worthy example for its efforts in achieving good and lean governance costs

[1] Mike Umogun. July 10, 2023. “The Resurrection of the Oronsaye Report.” Business Day, https://businessday.ng/opinion/article/the-resurrection-of-the-oronsaye-report/
[2] Elvis Picardo. 2022. “The Origins of Greece's Debt Crisis.”The Origins of Greece's Debt Crisis (investopedia.com)

while maintaining effective administration. The government of Rwanda streamlined public administration, focused on reducing bureaucracy and improved efficiency. Also, public officials' salaries and allowances are kept at reasonable levels. For instance, in 2018, under President Paul Kagame, the number of cabinet members was reduced to 26 from 31, to simplify the administrative structure and reduce the associated costs.

Costs of governance indicators

Countries	Corruption Ranking (/180)	Ease of Doing Business (/190)
Rwanda	54	38
Nigeria	150	131

Source: FDC Think Tank

In 2014, the country embarked on a "one-stop" e-government scheme designed to allow various departments to provide public services and information via a single point of access, i.e., a government portal. The project was established under the brand name “Irembo” (meaning “main entrance”). This helped to streamline government services and make them more accessible to citizens and businesses while also reducing bureaucracy and the time it takes to access government services. The Rwandan government has further increased its efforts by launching an expanded “One Stop Center” in March 2023 to improve service delivery for investors seeking to do business in the country. The goal is to improve the ease of doing business in the country, while also improving transparency in the system.

More so, Rwanda's embrace of digital governance through the Electronic Content Management (ECM) initiative has increased efficiency and reduced service delivery costs. The initiative involves digitizing and centralizing government documents and records, making them easily accessible to authorized personnel while ensuring data security and integrity. The implementation of ECM systems improved the management of government documents, ensuring data security, ease of retrieval, and efficient sharing among relevant government agencies.

Rwanda's commitment to combating corruption and promoting transparency is a key factor in its efficient governance, a lesson Nigeria can implement through strengthening anti-corruption institutions and enforcement mechanisms.

Cross-country analysis of costs of governance indicators

Comparing the corruption rankings and ease of doing business between Rwanda and Nigeria underscores the importance of efficient governance. Nigeria could invest in digital infrastructure and e-governance to achieve simila benefits. Efficient governance will enhance the ease of doing business by simplifying administrative processes, creating clear regulations, and improving public services, ultimately reducing bureaucratic hurdles for businesses. Moreover, a low cost of governance can attract more domestic and foreign investment, as it frees up resources for critical infrastructure and public services that benefit businesses and investors.

Conclusion

Embracing a lean government in Nigeria presents challenges, including resistance to change and political hurdles. Nevertheless, there are steps that can be taken to address the issue of high governance expenses in the country. These include merging similar government agencies, making political positions less alluring, and conducting thorough personnel audits, which would eliminate ghost workers and reduce redundant staff across all levels of government. It is imperative for the branches of government to actively commit to and put into action policies aimed at reducing costs and boosting economic growth. If these actions are undertaken, Nigeria has the potential to achieve efficiency similar to that seen in Rwanda. Otherwise, there is a risk of facing financial challenges akin to those experienced by Greece.

The Impact of High Internet Penetration and Cyber Crime On the Nigerian Economy

In the past two decades, the internet has gained wider popularity across the globe, especially in developing countries. One advantage of this growth is that it made the global village.

With the internet, people can easily interact and make transactions. But the internet, like other things in life, is a double-edged sword providing opportunities for business expansion and becoming a tool exploited for cybercrimes and other malicious activities.

Today, different types of cybercrimes, like phishing, piracy, hacking, identity theft, automated teller machine fraud, email spoofing, cyber stalking, and malware, are all enabled by the internet.[3] Globally, 5.5 million malware attacks happen in 2022 and Nigeria is excluded. In fact, Nigeria is the 16th country in the world most affected by internet crime according to the US Federal Bureau of Investigation (FBI) . What drives cybercrimes in Nigeria? Is the rising rate of cybercrimes directly related to the exponential increase of internet penetration in Nigeria? What steps can the Nigerian government take to reduce the prevalence of cybercrimes in Nigeria and their impact on the economy?

The State Of Internet Penetration And Cyber Crimes In Nigeria

Between 2018 and 2022, internet user penetration slightly increased in Nigeria over 38% from 26%. The 2022 estimates peg Nigerian internet users between 56 million to 81 million. Fast forward to January 2023, internet users in Nigeria rose by 51% to122.5 million with internet penetration at 57%. Recently, data released from the Nigeria Communication Commissions (NCC) show that Nigeria is ranked 11 in internet penetration and seventh in mobile phone usage globally.4 This is huge compared to what it was in 2022.

However, as internet penetration in Nigeria increases, the rate of cybercrimes in Nigeria is also surging with commercial banks the worst hit. According to the Nigeria Inter-Bank Settlement System Plc (NIBSS), Nigerian banks

[3] Bolaji A. Omodunbi et al. 2016. Cybercrimes in Nigeria: Analysis, Detection and Prevention. FUOYE Journal of Engineering and Technology vol. 1(issue 1). https://www.researchgate.net/publication/320411102_Cyber crimes_in_Nigeria_Analysis_Detection_and_Prevention

4 Doris Dokua Sasu. 2022. Internet user penetration in Nigeria from 2018 to 2027. Statista. https://www.statista.com/statistics/484918/internet-user-reach-nigeria/

lost a total of N3.5 billion (bn) to fraud-related activities between July and September 2020. This represents a 534% increase from the same period the previous year (2019) when it was N522 million (mn).[5] The report from Financial Institutions Training Center (FITC) states that in Q1 and Q2 of 2022, Nigerian banks lost a total of N2.72bn to cybercrime-related activities. The figure rose to N12.33bn in Q1 and Q2 of 2023. It has been projected by the Nigeria's Consumer Awareness and Financial Enlightenment Initiative that there will be a $6 trillion (tn) loss by 2030 to cybercrime globally.[6]

What Can Nigeria Do Differently To Curtail The Menace Of Cyber Crime And Its Impacts On The Economy?

IIn 2023, Denmark reached 98.1% internet penetration yet, in the same year, it was ranked as the most cyber-secure country in the world.[7] As such, the question is, what are countries like Denmark doing differently from Nigeria to reduce the rate of cybercrimes and other fraudulent practices in their country?

First, Nigeria needs to focus on two major areas to secure its cyber landscape. These include legislation related to cybersecurity and digital infrastructure. With regard to legislation, in 2015, the Nigerian government enacted the Cybercrime Prohibition and Prevention Act in order to protect Nigeria's cyber space from cybercrimes. However, this has not helped to stem the tide of cyber-attacks as the rate of cybercrimes in Nigeria has been increasing exponentially since 2015. One of the reasons why the rate of cybercrimes continues to rise despite legislation is because the cyber offenders know that they can always get away with their crimes. Nigeria needs to be more transparent and proactive with regard to enforcing cybercrime laws.

Compared to other cyber-secured countries, Nigeria's digital infrastructure is less developed. Unlike in Denmark where cyber offenders can easily be fished out, in Nigeria, most cyber activities go unnoticed because the country does not have the modern tools and necessary intelligence to detect such criminal activities. Therefore, to curb the growing web of cybercrimes in Nigeria, the government needs to invest in strengthening its cyber infrastructure. Related to cyber infrastructure is the issue of cyber security literacy. In Nigeria, cyber security literacy is not as strong as it is in most cyber-secure countries. Most organizations and individuals in Nigeria do not have robust and reliable cyber security policies and procedures thereby making their systems and data vulnerable to cyber-attacks.

Conclusion

As businesses become increasingly digitized, the investors are highly focused on the digital security of the business environment. If the Nigerian government does not take proactive measures to address the rising rate of cybercrime in the country, the economic growth of Nigeria remains threatened.

5 NIBBS Report. 2022. NIBSS Insight: Fraud in the Nigeria Financial Services. https://nibss-plc.com.ng/nibss-insight-fraud-in-the-nigeria-financial-services/page/10/

6 Godfrey George. 2023. Bank customers, companies lose billions to Nigeria's weak cybersecurity. Punch. https://punchng.com/bank-customers-companies-lose-billions-to-nigerias-weak-cybersecurity/

7 Ani Petrosyan. 2023. Countries with the highest internet penetration rate as of July 2023. Statista. https://www.statista.com/statistics/227082/countries-with-the-highest-internet-penetration-rate/


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MACRO ECONOMIC INDICATORS

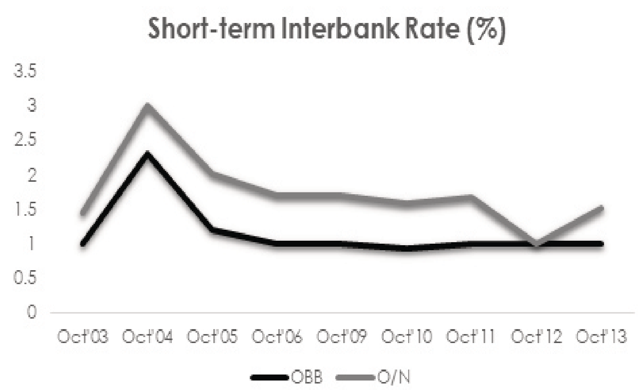
OCTOBER 3RD TO 13TH

MONEY MARKET

Banks' opening position in the first half of October averaged N622.71bn, which is 11,944% higher than the N5.17bn in the first half of September. There were more days in September (six days) with a negative opening balance than in the first half of October. Meanwhile, there was an OMO repayment of N10bn with no OMO sales during the review period. The spike in liquidity led to a sharp decline in average short-term interbank rates (NIBOR) by 1069bps to 1.45%p.a. in the first half of October, compared to 12.14%p.a. in the corresponding period in September.

During the review period (October 3rd -13th), one primary market auction was conducted as opposed to the two held in the first half of September. A total of N36.54bn was allotted, 98.05% lower than the sum of N366.91bn in the first half of September. At the primary market, yields fell by an average of 162bps across the 90 day, 182 day and 364 day tenors to 4.99% p.a., 6.55% p.a., and 11.37% p.a., respectively.

Meanwhile, secondary market yields remained unchanged at 3.92% p.a for the 91-day t/bill tenor but fell by 170 basis points and 223 basis points at the 182-day t/bill tenor and 364-day t/bill tenor respectively. The movements in yields indicate mixed market sentiments toward Nigerian government securities. Investors appear to hold a positive outlook for the near and medium term, while they are adopting a more cautious approach and demanding greater returns to offset perceived long-term risks.



Source: FDC Think Tank

Tenor	Primary market (Sep 28th 2023) (%)	Primary market (Oct 11th 2023) (%)	Secondary market (Oct 3rd 2023) (%)	Secondary market (Oct 13th 2023) (%)
91-day	4.99	3.67 ▼	3.92	3.92 ↔
182-day	6.56	5.11 ▼	6.65	4.95 ▼
364-day	11.37	9.25 ▼	11.11	8.88 ▼

Source: FMDQ, FDC Think Tank

Outlook and Implication

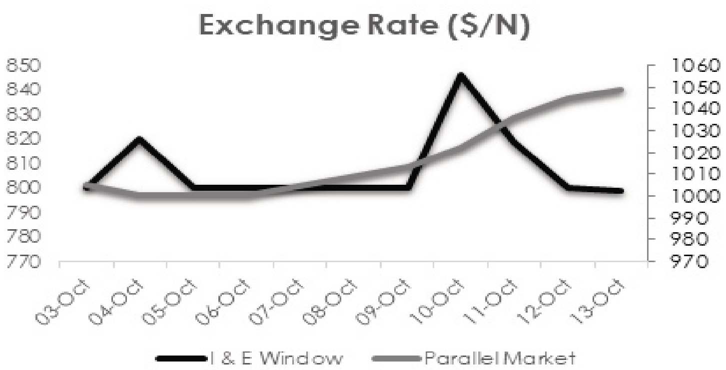
Money market liquidity is expected to remain constrained as the CBN intensifies its attempts to control inflation. Although the MPC is yet to determine the date of its next meeting, the persistently high inflation (now at 26.72%) and increased currency pressures raise the prospect of a tighter monetary policy stance. Meanwhile, as the cost of borrowing rises, money market activity is likely to slow in the near term. Furthermore, foreign investors may find countries like the United States, offering positive real returns and greater currency stability, increasingly appealing.

FOREX MARKET

The forex market is currently being reformed. On June 14, 2023, the CBN adopted a "willing-buyer-willing-seller" model thereby scrapping the multiple exchange rate system. Henceforth, the exchange rate will be determined by the forces of demand and supply. Some of the exchange rate determinants are balance of payments, capital inflows, and trade balance.

EXCHANGE RATE

In the first half of October, the naira traded within a band of N799/$–N846/$ at the I&E window. It appreciated marginally by 0.11% to N799/$ on October 13th from N799.9/$ on October 3rd as the average FX turnover increased by 39.81% to $108.12mn from $77.33mn in the first half of September. Meanwhile, it depreciated by 4.19% to N1,049/$ from N1,005/$ at the parallel market due to persistent currency pressures amid heightened demand. Today, the currency is down 25.63% YTD to trade at N1,030/$ at the parallel market.



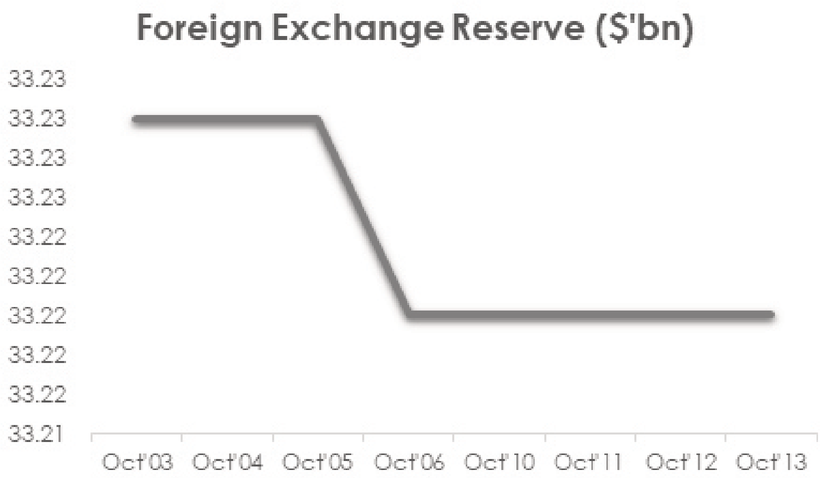
Source: FDC Think Tank

Outlook

The naira is expected to remain volatile on lingering forex supply concerns. The dollar dearth means speculative buying is likely to continue, with an increasing number of market participants taking long positions on the dollar while shorting the naira. However, the receipt of the expected $10 billion could provide some respite by year-end as the CBN and FG see the true value of the naira at N650-750/$. More so, JP Morgan estimates that the official rate will close the year at N850/$. Although the issue of inadequate FX supply continues to pose challenges, there is a possibility of improved market sentiment if sustained momentum in foreign exchange (FX) reforms is maintained.

EXTERNAL RESERVES

Nigeria's foreign exchange reserves maintained its downward trend to close at $33.22bn in the first half of October, down from $33.3bn on October 3rd. This decline in gross external reserves can be attributed to the CBN's efforts to support the naira. Reserves declined despite the 11.2% increase in oil production in September as oil price fell by 6.63% in the first half of October. The country's import and payment remained at 6.85 months during the review period. However, since the FG and CBN's announcement of the expected $10 billion inflow, reserves have bumped up by $7 million (as of October 31)



Source: CBN, FDC Think Tank

Implication

The naira's continued depreciation will intensify producer and consumer price pressures in the near term. As consumers' real income falls, many more Nigerians will slip below the poverty line. We are likely to see increased price resistance and weak demand (compared to pre-pandemic levels) ahead of the festive period.

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COMMODITY EXPORTS

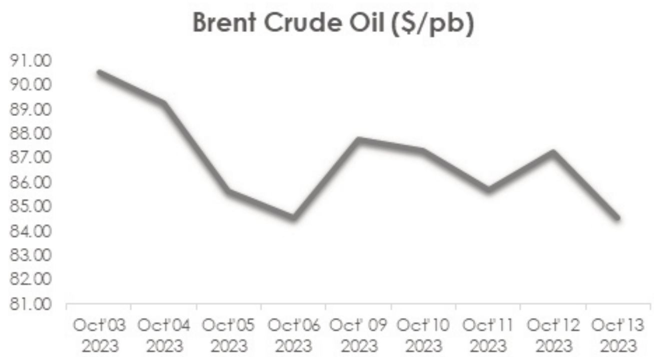
Nigeria's main export commodities are crude oil, LNG, accounting for about 79.63% and 9.11% respectively, while cocoa is its top non-oil export commodity.

OIL PRICES

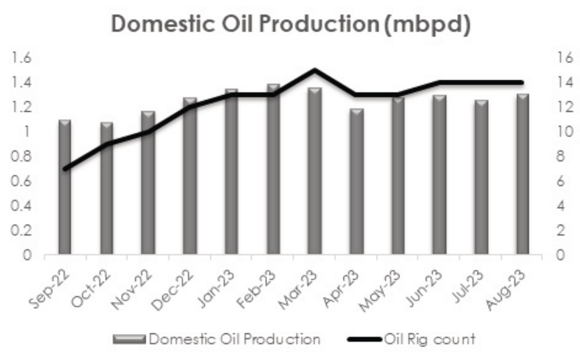
The price of Brent crude traded lower in the first half of October compared to the same period in September despite the effects of the Israel- Hamas war. Oil prices fell by 6.63% to $84.52pb on October 13th from $90.53pb on October 3rd. The decline was buoyed by increased OPEC+ output supply by 120,000 bpd in September, mainly from Nigeria and Iraq. On average, Brent crude decreased by 3.78% to $87.42pb in the first half of October from $90.86pb in the same period in September.

OIL PRODUCTION

According to secondary sources, domestic oil production increased by 11.2% to 1.39mbpd in September from 1.25mbpd in the preceding month while the oil rig count declined to 15 from 18 in August. The increase in oil production was supported by the sustained efforts by the FG to combat oil theft and pipeline vandalism. OPEC's average crude oil production increased by 0.98% in September to an average of 27.75 million barrels per day (mbpd) compared to 27.48 mbpd in August. Oil production increased mainly in Nigeria, Saudi Arabia, and Kuwait, while production declined in Venezuela and Equatorial Guinea.



Source: Bloomberg, FDC Think Tank



Source: OPEC, FDC Think Tank

Outlook

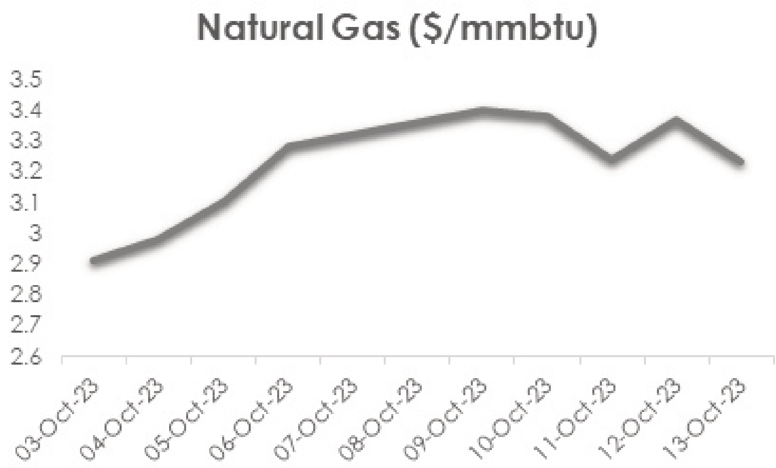
Brent prices are expected to rise on tighter global supply through the end of the year. The Isreal-Hamas war is ongoing and could disrupt exports from the Middle East. Meanwhile, the US has tightened its sanctions against Russian crude exports.

Implication

Higher oil prices will bolster the Federal Government's revenue from crude oil exports, as oil accounts for 79% of the total exports. The increase in revenue will lead to higher disbursements to the three tiers of government. Nonetheless, the surge in global oil prices may also result in higher expenses associated with the importation of refined petroleum products, potentially leading to an uptick in domestic energy prices

NATURAL GAS

During the review period (Oct 3rd–13th), the price of gas increased by 10.99% to close at $3.23/MMBtu on October 13th from $2.91/MMBtu at the start of the month. The increase was buoyed by improved demand caused by renewed global attention towards a net zero future. Likewise, average natural gas price during the review period increased by 20.67% to $3.21/MMBtu from $2.66/MMBtu in the first half of September due to the ongoing negotiations between the LNG worker facility union and Chevron in Australia.



Source: Bloomberg, FDC Think Tank

Outlook

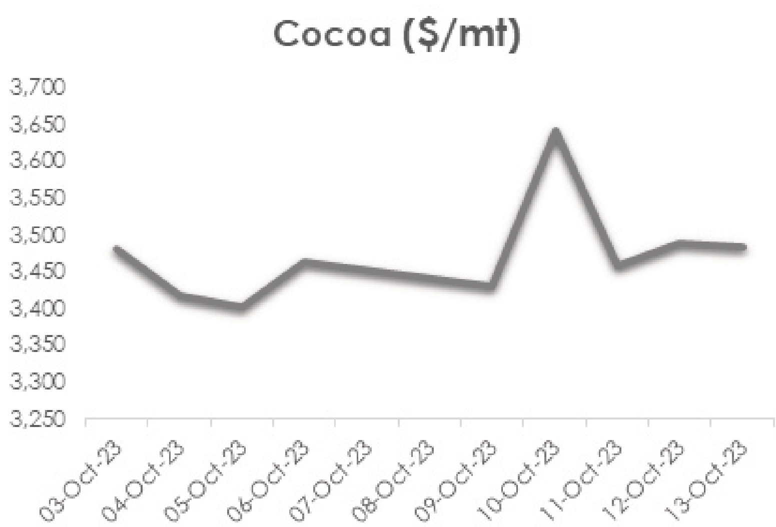
The price of gas is expected to remain elevated buoyed by increased demand from Europe and Northeast Asia.

Implication

Natural gas comprises 9.11% (Q2'23) of the total exports and ranks as the second most exported commodity in Nigeria. Consequently, elevated global natural gas prices bode well for the country's trade balance, foreign earnings, and fiscal revenues. However, this uptick in prices may exert domestic inflationary pressures as the cost of cooking gas follows suit.

COCOA

In the first half of October, Cocoa price touched a high of $3,640/mt on October 10th before easing to close at $3,482/mt on October 13th compared to $3,480/mt at the start of the month due to the El-Nino effect that exacerbated supply shortages. The price of cocoa averaged $3,473/mt in the first half of October, 5.13% lower than the average of $3,661/mt in the corresponding period in September.



Source: Bloomberg, FDC Think Tank

Outlook

The European Cocoa Association reported that cocoa processing fell -0.9% y/y to 366,298 MT in Q3. This alongside the tight supply outlook in West Africa due to the heavy rain could put upward pressure on cocoa prices.

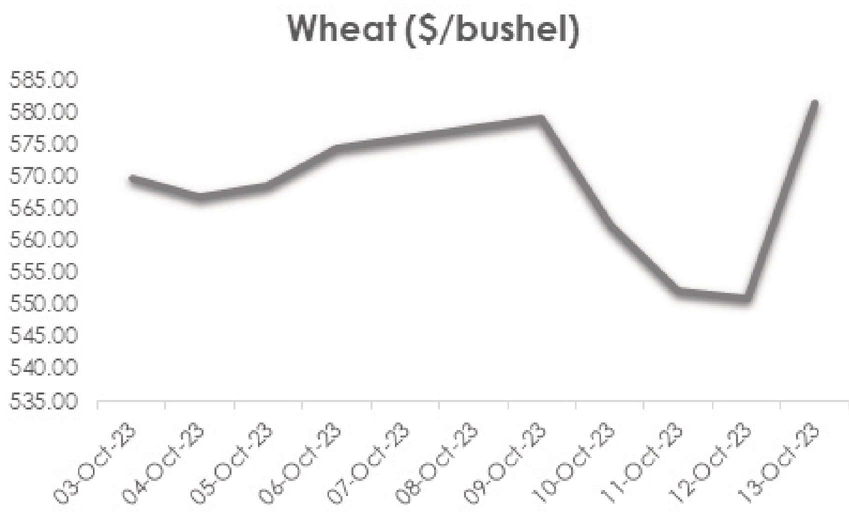
Implication

Cocoa is a major non-oil export commodity in Nigeria, accounting for 1.31% of total export earnings. As of August 2023, cocoa stood as the third most traded agricultural commodity. High cocoa prices will increase the country's foreign exchange earnings as well as the income of cocoa farmers in top producing states like Ondo and Ekiti.

COMMODITY IMPORTS

WHEAT

During the review period (October 3 -13), average wheat prices fell to $567.14/bushel, 4.89% lower than the average of $596.36/bushel in the first half of September due to a flood of cheap exports from Russia. After touching a low of $550.75/bushel on October 12th, the price of wheat increased by 5.54% to close the period at $581.25/bushel. This was driven by supply concerns from the top producing countries, such as Ukraine and Argentina.



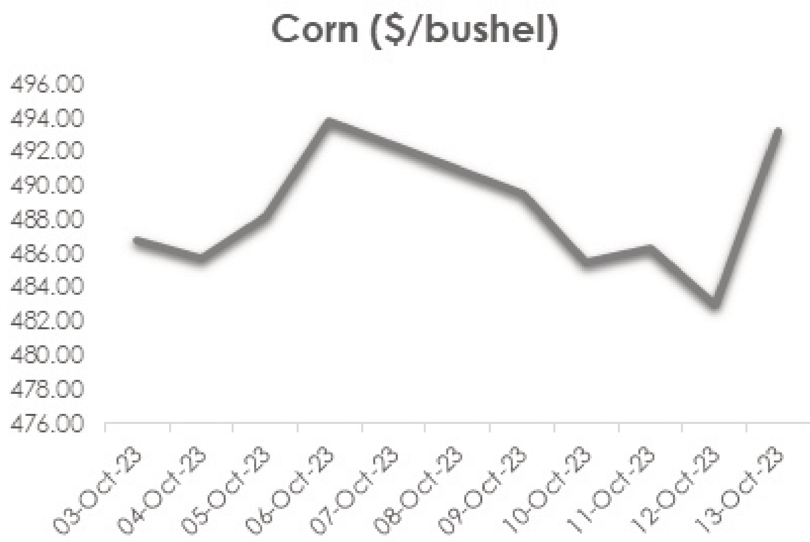
Source: Bloomberg, FDC Think Tank

Outlook-Grains

The price of wheat is expected to rise due to increasing demand from China. However, corn prices could fall marginally on expectations of increased supply, as the latest USDA crop production report shows that statewide corn production in the US is forecast to hit 822 million bushels, up 24% from last year.

CORN

Corn prices fluctuated in the first half of October. After touching a low of $483/bushel on October 12th, corn prices increased by 2.12% to close at $493.25/bushel on October 13th despite an improved supply outlook due to the ongoing harvest in the US. However, the average price of corn increased by 1.09% to $488/bushel in the first half of October from $482.74/bushel in the same period in September, supported by a slight decline in the US crop conditions rating.



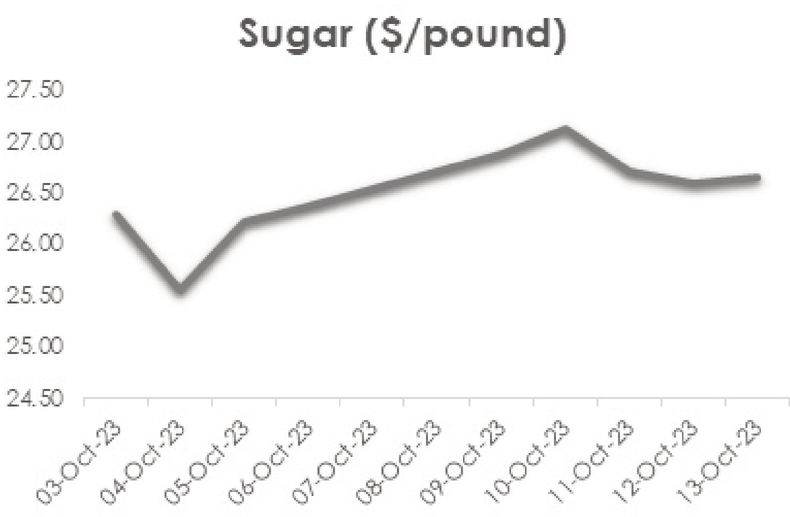
Source: Bloomberg, FDC Think Tank

Implication-Grains

Higher grain prices are likely to increase Nigeria's import bill. As of Q2'23, durum wheat stood as the fourth largest imported commodity. High grain prices could also increase manufacturing costs for food processing companies, possibly triggering inflationary pressures in the near term.

SUGAR

The global price of sugar was relatively bullish in the first half of October, buoyed by crop concerns in Asia and a surge in crude oil prices. The price of sugar increased by 1.37% to close the period at $26.65/pound from $26.29/pound on October 3rd. However, sugar prices averaged $26.48/pound in the first half of October, just 0.11% lower than the average of $26.51/pound in the same period in September, due to better-than-expected production outlook for the European Union.



Source: Bloomberg, FDC Think Tank

Outlook

Supply concerns in Asia due to unfavorable weather conditions and a surge in crude oil prices that could increase demand for ethanol from sugar could push sugar prices up.

Implication

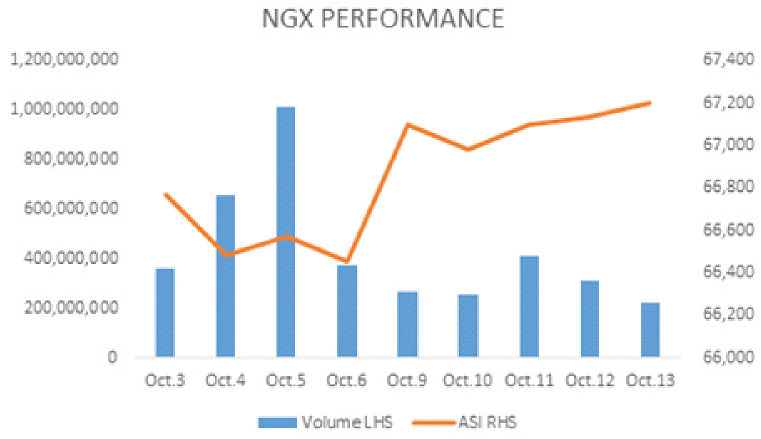
As global sugar prices increase, Nigeria is likely to experience an uptick in its sugar imports. This will limit dollar inflows and lead to more FX reserve drawdowns by the CBN. Additionally, it will impose elevated production costs on confectioners.

STOCK MARKET REVIEW

OCTOBER 3RD TO 13TH

The Nigerian Stock Exchange closed on a positive note from October 3rd - 13th. It gained 1.23% to close at 67,200.69 points on October 13th, up from 66,382.14 points on September 29th. Also, the market capitalization increased by 1.62% to N36.92 trillion (trn) relative to its close of N36.33 trillion (trn) on September 29th.

The YTD return rose to 31.12% from 29.52% in the preceding period. Meanwhile, the market breadth was positive at 1.29x as 53 stocks gained, 62 stocks remained unchanged, 41 lost, while one new stock (VFDGROUP) was added. The positive performance of the NGX could be attributed to bargain hunting activities as investors repositioned their portfolios ahead of Q3 '23 corporate earnings results.

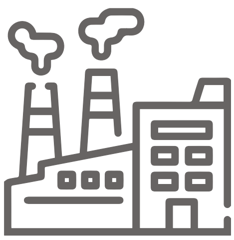


Source: NGX, FDC Think Tank

The market activity level was negative in the review period. The average volume traded decreased by 21.76% to 431.05mn units from 550.90mn units. Also, the average value of trades fell by 43% to N5.17bn from N9.07bn in the review period.

The performance of the sectors was positive in the review period, as four sectors gained while one lost. The Industrial sector gained 3.58% followed by the Consumer Goods sector (1.56%), Banking sector (0.64%) and the Oil & Gas sector (0.33%). Meanwhile the Insurance sector recorded a loss of 2.21%.

SECTOR PERFORMANCE



Industrial

3.58

FMCG

1.56

Banking

0.64

Oil &Gas

0.33

Insurance

-2.21

TOP 5 GAINERS

Thomas Wyatt Nigeria Plc topped the gainers' list with a 45.83% increase in its share price. This was followed by BUA Cement Plc (23.74%), Oando Plc (17.20%), RT Briscoe Nigeria Plc (16.33%) and Sunu Assurances Nigeria Plc (15.56%).

TOP 5 LOSERS

The laggards were led by Daar Communications Plc (-16.00%), Sterling Financial Holdings Company Plc (-10.27%), Prestige Assurance Company (-10.00%), Champion Breweries (-9.87%) and Chellarams Plc (-9.84%)

TOP 5 GAINERS				
Company	Sep-29 (N)	Oct-13(N)	Absolute Change	Change (%)
THOMASWY	1.92	2.80	0.88	45.83
BUACEMENT	85.50	105.80	20.30	23.74
OANDO	7.85	9.20	1.35	17.20
RTBRISCOE	0.49	0.57	0.08	16.33
SUNUASSUR	0.90	1.04	0.14	15.56

TOP 5 LOSERS				
Company	Sep-29(N)	Oct-13(N)	Absolute Change	Change (%)
DAARCOMM	0.25	0.21	-0.04	-16.00
STERLINGNG	3.70	3.32	-0.38	-10.27
PRESTIGE	0.50	0.45	-0.05	-10.00
CHAMPION	3.75	3.38	-0.37	-9.87

Outlook

We expect a negative market performance in the coming month as forex woes heighten ahead of the release of Q3'23 earnings reports. The naira continues to trade above N1,000/$ at the parallel market.

WHISPERS OUTLOOK

- The naira is expected to remain volatile on lingering forex supply concerns. The dollar dearth means speculative buying is likely to continue, with an increasing number of market participants taking long positions on the dollar while shorting the naira.

- However, the receipt of the expected $10 billion could provide some respite by year-end as the CBN and FG see the true value of the naira at N650-750/$. More so, JP Morgan estimates that the official rate will close the year at N850/$. Although the issue of inadequate FX supply continues to pose challenges, there is a possibility of improved market sentiment if sustained momentum in foreign exchange (FX) reforms is maintained.

- The sustained depreciation of the naira is expected to put additional pressure on the price of domestic commodities like sugar and wheat, which are imported. Imported food inflation is likely to cross the 30% benchmark in the coming months.

- The exchange rate passthrough effect on commodities prices will be more pronounced in the October's inflation numbers. FDC is projecting inflation rate to rise to 27.8% from 26.72% in the previous month, further supported by elevated energy prices and money supply growth.