WHISPERS

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WHEN WE SPEAK, THE WORLD UNDERSTANDS

FDC LIMITED

CONTENTS

The Whispers Overview

In this latest edition of Whispers, the FDC Think Tank takes a deep dive into recent economic developments and their impact on your business and corporate strategy.

Beauty is in the eye of the beholder - The Franchise Business Model

In June 2024, the parent company of Guinness Nigeria, Diageo, sold its total interests to Tolaram Group, thereby transitioning from being a manufacturer in Nigeria to being a franchisor. Guinness Nigeria would now be a franchise run by Tolaram Group, like the relationship between Coca-Cola (Franchisor), and Nigeria Bottling Company (Franchisee). Some might view Diageo's transition from manufacturer to franchisor as a divestment, but it isn't. Diageo continues its presence in Nigeria as a spirits provider, leveraging its status as one of the world's largest spirits producers.

In that same lens, the franchise business model allows SMEs and entrepreneurs in Nigeria to leverage the brand name and expertise of successful firms, fostering mutual growth for both franchisors and franchisees. This model can be a catalyst for economic empowerment, enhancing the country's productivity.

Nigeria's inflation could be at an inflection point

Headline inflation in Nigeria rose for the 17th consecutive month in May to 33.95%, marking the longest run of increases in the country's inflation rate. Higher food prices, which make up 50.7% of the consumer price index, continued to drive inflation. However, recent government reforms, including lifting import bans on various food items and suspending import duties on staple foods, could help moderate price increases. These measures, combined with base effects, are expected to ease inflationary pressures in the second half of the year.

Franchise business model: A golden sunrise of new business horizons in Nigeria

In June 2024, Diageo, the parent company of Guinness Nigeria, sold its entire stake to Tolaram Group in a franchise-like arrangement. This follows a significant financial downturn, with Guinness Nigeria reporting a loss after tax of N61.7 billion for the nine months ending March 31, 2024, compared to a profit of N5.9 billion in the same period the previous year. The firm incurred significant foreign exchange losses, totaling N83 billion.[1] The financial losses were bookended by the massive exchange rate devaluation following the FX reforms that started in June 2023. The harsh economic realities also prompted at least 10 multinationals, including GlaxoSmithKline (GSK) and Procter & Gamble (P&G), to exit the Nigerian market.

Diageo-Tolaram arrangement, a franchise not an exit.

While some view Diageo's move as a divestment, specific details suggest otherwise. Diageo's 58.02% shareholding in Guinness Nigeria was acquired by Tolaram under a new long-term license and royalty agreement,[2] similar to a franchise model where Tolaram pays royalties for using Diageo's brand names, recipes, and production methods. Additionally, Diageo will continue operating in Nigeria through its international premium spirits business, focusing on brands like Johnnie Walker, Singleton, and Baileys. This approach, labeled "Franchising," represents Diageo's strategy to navigate Nigeria's challenging macroeconomic environment. If well developed, franchising can significantly contribute to Nigeria's economic growth by promoting business expansions, SME growth, and increased employment opportunities.

Leveraging Franchising for business expansion in Nigeria

A franchise is a type of licensing deal where a franchisee obtains the rights to use a franchisor's specialized business knowledge, methods, and trademarks. In return, the franchisee must follow the franchisor's set guidelines and provide financial compensation, typically through fees and royalties.[3] This arrangement allows the franchisee to promote and sell products or services under the

1. Aghogho Udi, 2024. "Tolaram to acquire majority shares in Guinness Nigeria as Diageo exits". Nairametrics.https://nairametrics.com/2024/06/11/tolaram-to-acquire-majority-shares-in-guinness-nigeria-as-diageo-exits/
2. Diageo, 2024. "Diageo transforms business model in Nigeria". Diageo. https://www.diageo.com/en/news-and-media/press-releases/2024/diageo-transforms-business-model-in-nigeria
3. Stren & Blan Partners, 2024. Understanding Franchising: A Model For Business Growth. Mondaq. https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth

franchisor's well-known brand name. Franchising is not a new concept in Nigeria and it cuts across many sectors in the economy. Franchising became mainstream in Nigeria in 1951 when the Nigerian Bottling Company obtained the rights to sell Coca-Cola products and leverage the brand to dominate the beverage market.[4] However, over the years, there have been several more franchises including Dominos, KFC, SPAR, Shoprite, Pizza Hut, Chicken Republic, Exxon Mobil, Nairabet, etc.

The franchise business model provides a win-win opportunity for both franchisors and franchisees, fostering mutual growth and success. Some of the opportunities include:

Entrepreneurial opportunities and Job creation: Aspiring entrepreneurs as franchisees can start a business with a proven model, reducing the risk of failure. Franchisees receive training, ongoing support, access to centralized resources like advertising, research and can leverage the franchisor's established brand, which helps attract customers more easily. This in turn creates numerous jobs as entrepreneurs are empowered to succeed and grow.

Market Development and Expansion: Franchisors can expand their brand quickly without the need to invest heavily in new locations. The franchisee also provides the capital for the new outlet, and manages the day-to-day operations, reducing the financial burden on the franchisor and allowing the franchisor to focus on broader strategic goals. Franchising also helps in penetrating new markets and increasing brand recognition while well-known international brands entering the Nigerian market through franchising increase consumer confidence and spending.

Risk Minimization: The franchise business model could provide a sense of security and lower risk compared to starting a business from scratch. Franchisees operate under a proven business model with established processes, reducing the likelihood of failure. This can be particularly attractive to individuals who are risk-averse or looking for a more secure investment opportunity.

The rocky road of franchising in Nigeria - challenges

Franchising in Nigeria faces many challenges. One of the main challenges is the initial investment required to buy into a franchise. Franchise fees, royalties, and other costs can be substantial, making it difficult for some entrepreneurs to afford.

Another challenge is the lack of regulatory framework and enforcement in the franchising ecosystem in Nigeria. This can lead to potential issues related to intellectual property rights, territory rights, and other contractual matters. To tackle this issues, lessons can be learnt from Malaysia where the number of registered franchise brands increased by 261% to 1,149 in 2022 from 318 in 2008.[5,6]

4. Olawunmi Ojo. FRANCHISING IN NIGERIA: MODELS AND LEGAL CONSIDERATION. https://ssrn.com/abstract=4176277
5. IBID
6. Khairol Anuar bin Ishak. 2010. FRANCHISING IN MALAYSIA: ISSUES AND RESEARCH AGENDA. College of Business, Universiti Utara Malaysia, Sintok, Kedah.

Lessons from Malaysia

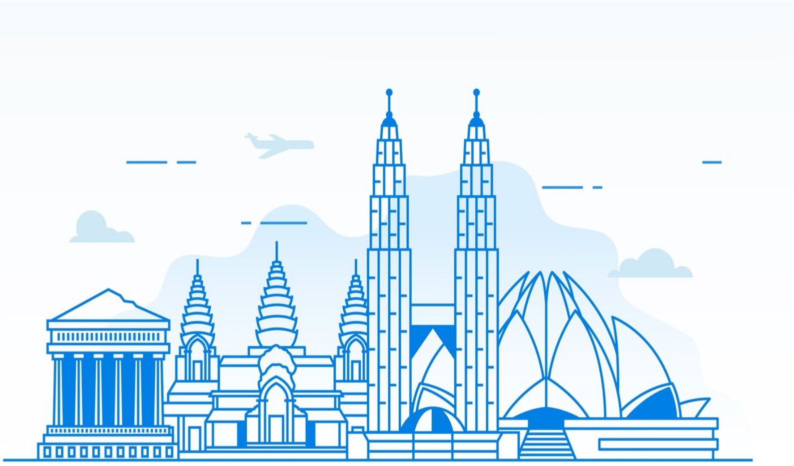
Full Government Commitment

The Malaysian government has actively promoted franchising since 1992, starting with the Franchise Development Program (FDP) to boost entrepreneurial activity and develop local franchises. Subsequently, over the years several associations and Acts were introduced to foster franchising in the country. Under the 8th Malaysia Plan (2001-2005), the government aimed to establish 1,000 franchisees and 50 new franchisors and in 2009, the slogan “Malaysia, The Franchise-Friendly Country” was launched to stimulate growth and improve communication and public awareness about franchising.[7]

Micro franchise Programme

Franchising traditionally requires substantial capital, excluding low-income individuals. To address this, Malaysia introduced micro-franchising in 2012, enabling low-income groups to own and operate businesses with minimal initial investment. Micro-franchising is a phenomenon that inspires the entrepreneurs at the bottom of the pyramid to have a greater opportunity in the business sector. The Malaysian government has supported the micro-franchise program since its inception, allocating RM5 billion ($1bn) in the 2021 budget for implementation. The program promotes micro and affordable franchises, targeting those who wish to become franchisees. The micro-franchise businesses, mostly from home-grown brands, offer low-cost entry points for entrepreneurship.[8]

Diageo's franchising strategy in Nigeria exemplifies an innovative approach to navigating the country's economic challenges. Franchising, if well-cultivated, can drive economic development by expanding businesses, growing SMEs, and creating jobs. Learning from Malaysia's experience, Nigeria can harness franchising to mitigate economic woes and stimulate growth.



7. Khairol Anuar bin Ishak. 2010. FRANCHISING IN MALAYSIA: ISSUES AND RESEARCH AGENDA. College of Business, Universiti Utara Malaysia, Sintok, Kedah.

8. Nurbani Md.Hassan, Ummu Fatimah Al-Zaarah Zulkifli, Noor Ashikin Mohd Rom, Mohamad Shaharudin Samsurijan, 2022. SUCCESS FACTORS OF MICRO-FRANCHISE BUSINESSES IN MALAYSIA. The Malaysian Journal of Social Administration.

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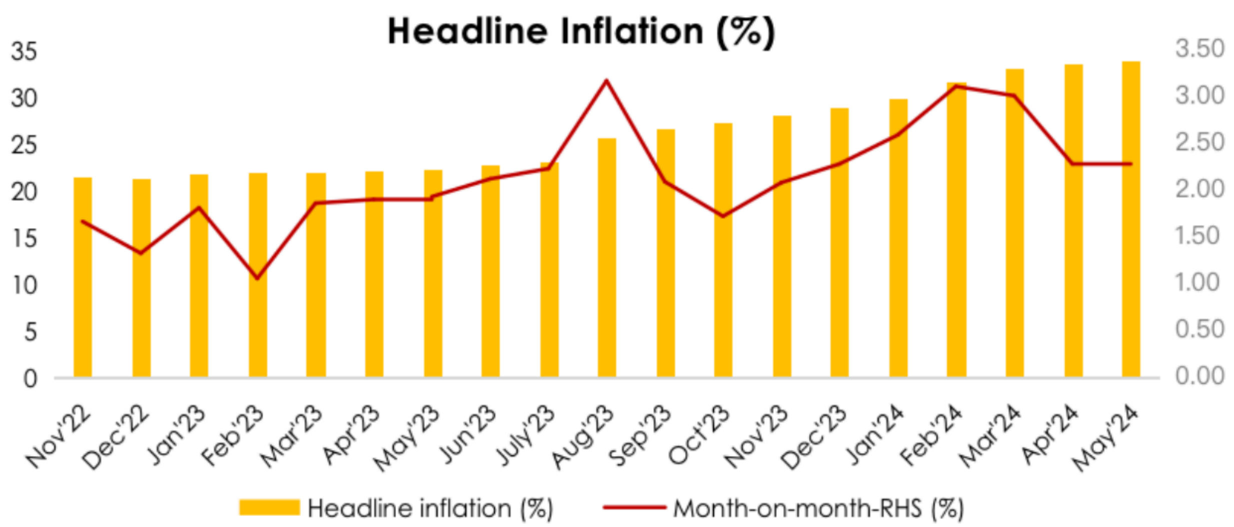
Headline inflation rises marginally by 0.26% to 33.95% in May

33.95%

Headline inflation rate for Nigeria

On Saturday, the National Bureau of Statistics released the CPI inflation report for May. Headline inflation, which analyst's expected would rise, indeed increased for the fifth consecutive month in 2024. However, the uptick was modest, edging up by 0.26% to 33.95% from 33.69% in April, although this was lower than anticipated. The rate of increase moderated from 0.49% in April to 0.26% in May, suggesting a potential stabilization in inflationary pressures. Is this indicative of inflation approaching a point of inflection? While the moderation is a positive signal, caution is advised. Impact of planting season will be more potent in the month of June, alongside speculative effects stemming from minimum wage reviews and increased monetary saturation. These factors could influence the inflation trajectory significantly.

Core sub-index (which is inflation-less seasonality) continued its upward trend to 27.04% from 26.84%. The food price indices increased as well by 0.13% to 40.66% from 40.53%. The planting season, coupled with insecurity threats resulted in supply chain disruption.



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[1]NBS, FDC Think Tank

Is another rate hike expected in July?

The CBN raised interest rates by 150 basis points to 26.25%p.a. at its meeting in May, marking the third consecutive hike totaling 750 basis points. But following the continuous decline in monthly inflation and slower increase in headline inflation, it appears that the CBN may maintain status quo at the upcoming MPC meeting in June. The decision to hold rates steady reflects a prudent approach aimed at observing whether this downward trend will persist in the coming months. This period of easing inflation could potentially signify that the economy is approaching a turning point, where inflation might stabilize or begin to decrease more consistently.

Monthly inflation

To: 2.14%

By: ▼15bps

From: 2.29%

Food inflation

To: 40.66%

By: ▲13bps

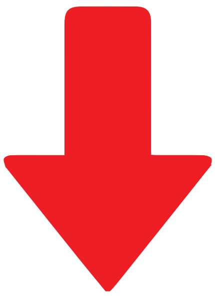
From: 40.53%

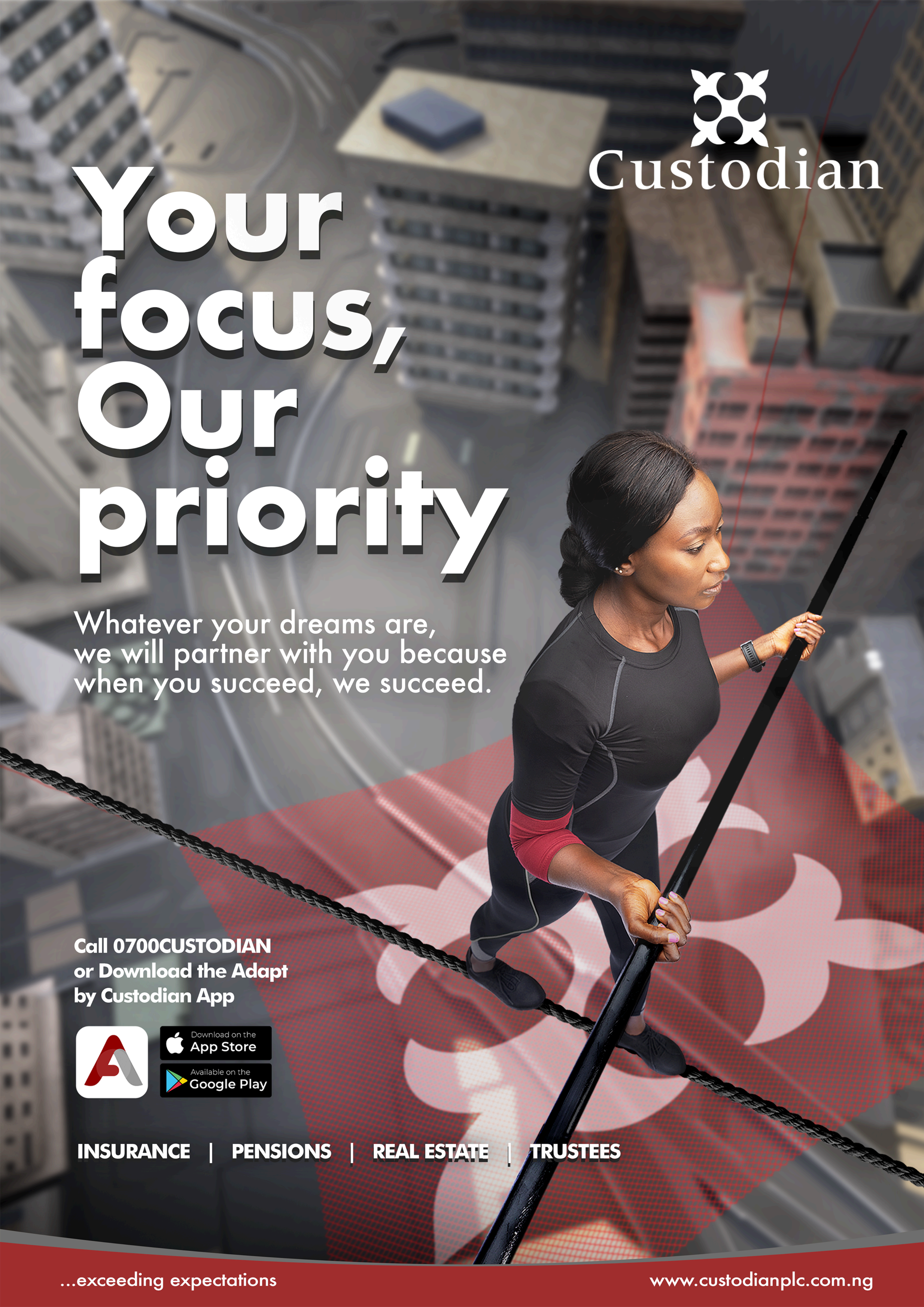
Producers adopt innovative coping mechanisms

In response to inflationary pressures and currency instability, producers are increasingly turning to domestic sourcing of raw materials to manage production costs effectively. This strategic shift aims to mitigate the impact of rising import costs and exchange rate fluctuations on their bottom line. By sourcing locally, businesses seek to achieve greater cost predictability and reduce exposure to external economic uncertainties. This proactive approach not only helps in stabilizing production costs but also supports local industries, fostering resilience in the face of economic volatility.

Month-on-month inflation – Decline marginally to 2.14%

The month-on-month inflation (a better reflection of current prices and inflation expectations) was down by 0.15% to 2.14% from 2.29% (25.97% annualized) in the month of May. This is the third consecutive monthly decrease in 2024. The declining monthly general price level suggests that inflationary pressures are likely to taper soon if not disrupted by other structural factors, especially with the minimum wage review.

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Data Breakdown

Food inflation maintained its upward trajectory

Annual food inflation indices increased marginally by 0.13% to 40.66% from 40.53%. Whereas on month-on-month basis, food inflation declined by 0.22% to 2.28% in May. This reflects decline in consumer demand which is triggered by increase in savings due to higher rates. The commodities that recorded fall in the rate of increase in the average prices include Palm Oil, Irish Potatoe, Cassava Tuber, Wine, Bournvita, Milo, and Nescafe.

Core inflation uptick by 0.2%

The annual and monthly core sub-indices (inflation less seasonalities) moved in different direction in the month of May. The annual core sub-index rose by 0.2% to 27.04%, the monthly core sub-index declined by 0.18% to 2.01%. Even though the decline in the monthly core inflation is marginal, it suggests that inflationary pressures in the near term would not only be driven by seasonal factors. Core inflation is 27.04% above the 364-day primary market T/bills rate of 20.67%. This is indicative of a negative rate of return of -6.37% on investment. Thus, Investors effectively lose purchasing power, which can deter investment in these instruments.

Rural & Urban Indices

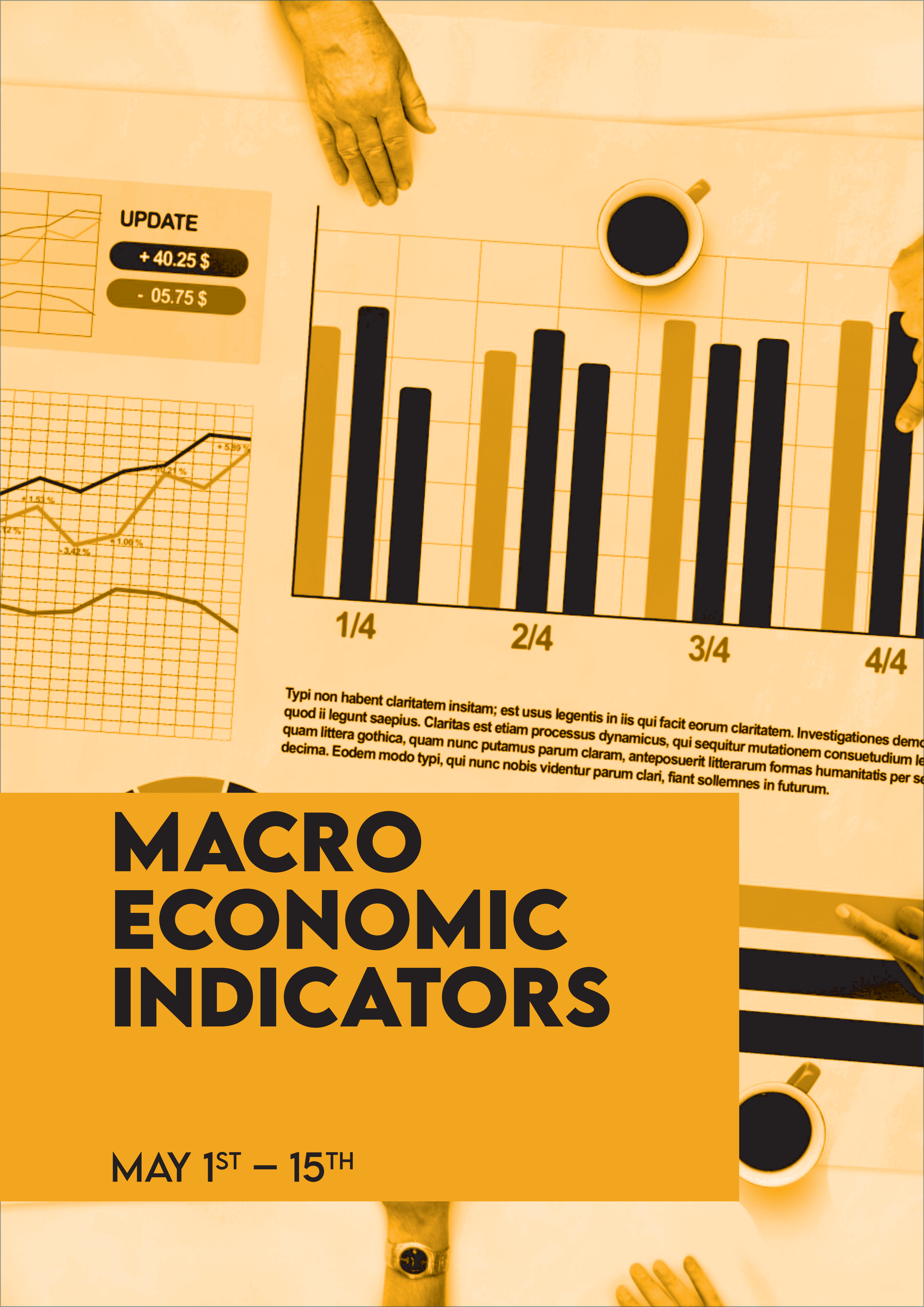
On an annual basis, both urban and rural inflation increased by 0.34% and 01.8% to 36.34% and 31.82% respectively in May. However, on a monthly basis, urban inflation decline by 0.32% to 2.35% while rural inflation was up marginally by 0.02% to 1.94%. This suggests that the harvest season is likely not to commence earlier in 2024 compared to the previous year.

State-by-State Analysis

Borno state recorded the lowest inflation rate (25.97%), followed by Benue (27.74%) and Delta (28.67%). The states with the highest inflation rates were Bauchi (42.30%), Kogi (39.8%), and Oyo (37.73%).

Outlook

We expect inflationary pressures to persist in June. This would be driven by the planting season and speculations of minimum wage review. Due to the continuous decline in monthly inflation and slower headline inflation growth, the CBN might keep rates unchanged at the June MPC meeting to observe if this trend will persist.



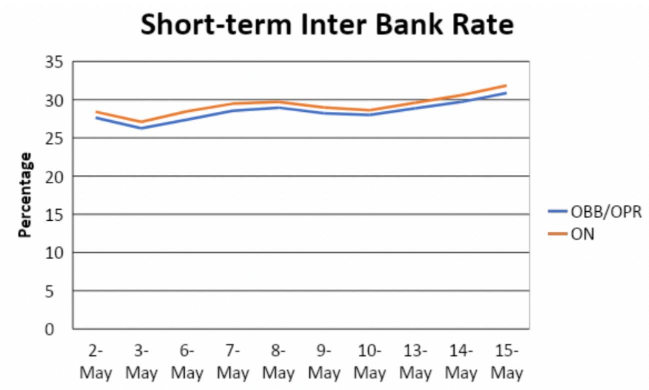
MACRO ECONOMIC INDICATORS

MAY 1ST – 15TH

MONEY MARKET

Banks' average position was N283.45bn in the first half of May, 9.27% lower than the average of N312.40bn in the first half of April. One OMO sale and two repayments were made during the period. Short-term interbank rates (OBB/OPR, ON) averaged 28.86% p.a., 264bps, up from the average of 26.22% p.a. in April.

Two primary market auctions, with a total allotment of N956.74bn, were conducted in the first half of May. This is 539.36% higher than the total sum of N149.64bn allotted in the same period in April. Meanwhile, primary market repayments amounted to N180.22bn compared to N28.53bn in April. Primary market rates remained flat across all tenors, whereas, at the secondary market, yields decreased at the 91-day, 182-day, and 364-day tenors in the first half of May.



Source: FDC Think Tank

Tenor	Primary market (April 24th, 2024) (%)	Primary market (May 8th, 2024) (%)	Secondary market (April 30th, 2024) (%)	Secondary market (May 14th, 2024) (%)
91-day	16.24	16.24 ⟷	23.06	16.35 ▼
182-day	17.00	17.00 ⟷	22.25	18.24 ▼
364-day	20.70	20.70 ⟷	21.35	20.03 ▼

Source: FMDQ, FDC Think Tank

Outlook and Implication

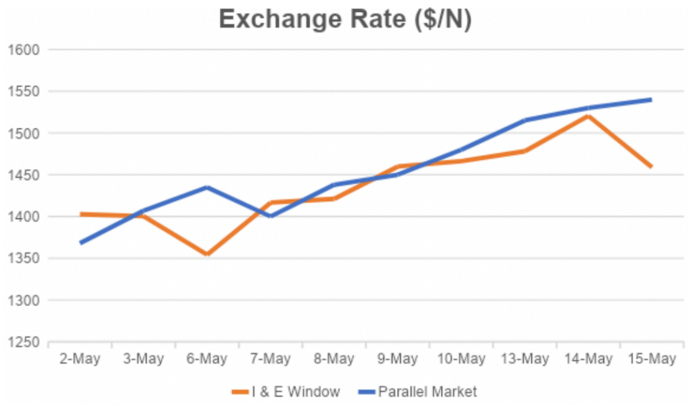
Short-term interbank rates are expected to remain elevated following the MPC's additional 150bps rate hike at its last meeting on May 21. This would continue to keep short-term interbank rates on their bullish trend, trading in double digits.

FOREX MARKET

The forex market is currently being reformed. Since the adoption of a "willing-buyer-willing-seller" model by the CBN, the exchange rate is allowed to 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

At the Investors' and Exporters' Foreign Exchange window, the naira weakened by 3.86% against the US dollar to close at N1,459.02/$ on May 15 from N1,402.67/$ on May 1, as market forces (willing buyer and seller) continued to determine the exchange rates. Similarly, at the parallel market, the currency depreciated by 11.17% to N1,540.00/$ on May 15 from N1,368.00/$ at the beginning of the review period due to increased demand amid forex supply shortages and the repatriation of funds by Foreign portfolio investors.



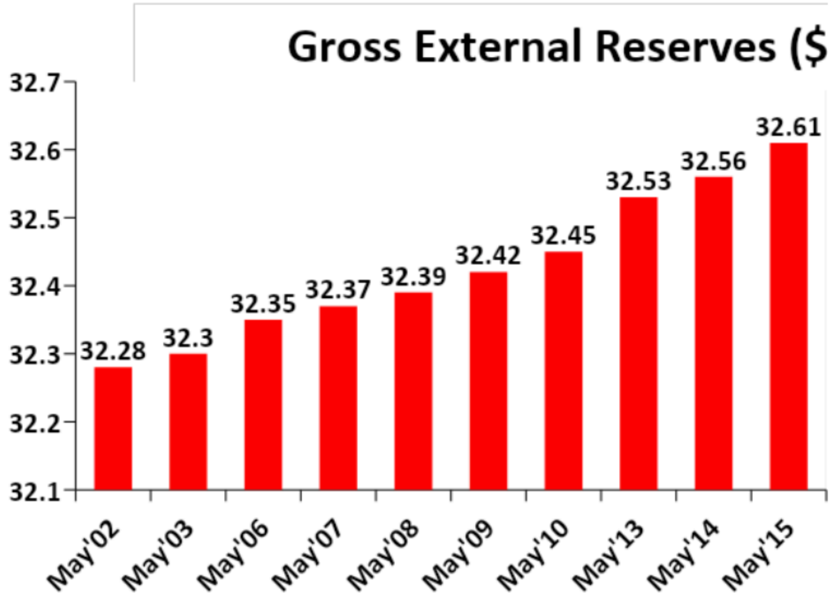
Source: FDC Think Tank

Outlook

Nigeria's persistently high interest rate environment is expected to attract foreign investors, boost capital inflows, and strengthen the naira in the near term.

EXTERNAL RESERVES

The country's external reserves rose by 1.02% to close at $32.61bn on May 15, up from $32.28bn at the beginning of the period (May 2). On average, gross external reserves declined by 2.05% ($2.1bn) from $34.21bn in the same period in April. This steady decrease in gross external reserves can be attributed to the repayment of debts owed to the creditors, supported by efforts to stabilize the naira.



Source: CBN, FDC Think Tank

Impact

An improvement in external reserves will likely strengthen the naira, as the CBN can intervene by increasing the dollar supply, thereby boosting investor confidence.

Outlook

Gross external reserves will likely improve in the near term due to improved foreign exchange earnings from remittances and the expected increase in foreign portfolio inflows due to a hike in the interest rate. However, the country's major source of external revenue, crude oil, must increase to sustain the growing trend of external reserves.

COMMODITY EXPORTS

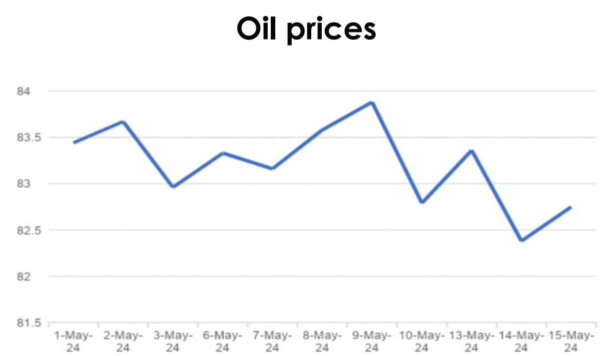
Nigeria is an export-dependent economy. It derives over 80%-90% of its export revenue from crude petroleum and LNG.

OIL PRICES

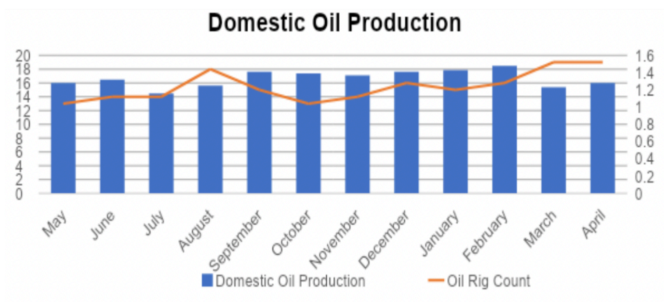
During the review period, Brent's price slipped 0.83% to close the period at $82.75 per barrel on May 15, down from $83.44 per barrel on May 1. The fall in price was driven mainly by an increase in U.S. crude inventories, as reported by the American Petroleum Institute (API). It was further supported by the prospects of higher-for-longer U.S. rates, which could hinder demand. On average, Brent fell marginally by 0.08%, reaching $83.21 per barrel in the first half of May compared to $90.05 per barrel in the corresponding period of April.

OIL PRICES

In April, domestic oil production rose by 4.07% to 1.28 million barrels per day from 1.23 million barrels per day in March. Similarly, the country's oil rigs remain unchanged at 19 units in April. OPEC (secondary source) produced an average of 26.58 million barrels per day in April, marking a modest decrease of about 48,000 barrels per day compared to March 2024. Specifically, Saudi Arabia and Nigeria had the highest oil production, while production in the UAE and Iraq decreased.



Source: Bloomberg, FDC Think Tank



Source: OPEC, FDC Think Tank

Outlook

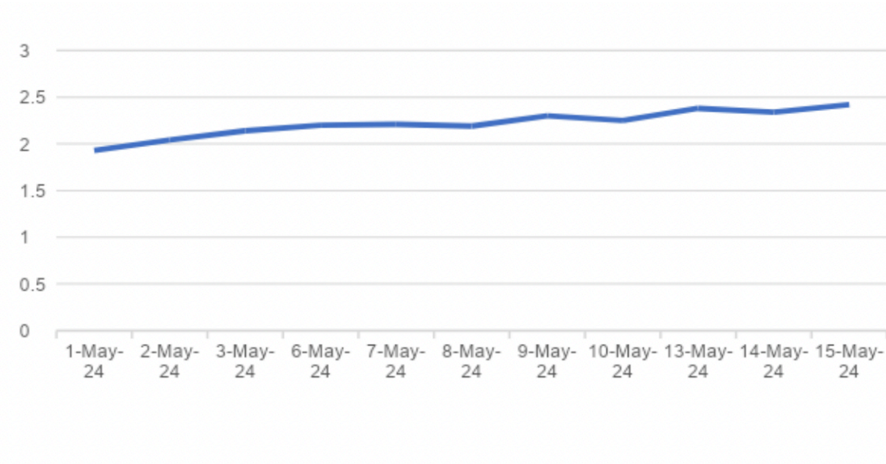
Oil prices are expected to be bearish in the near term as OPEC plans to return barrels to the market earlier than expected, raising concerns about oversupply. This will further be supported by concerns around the demand outlook and robust supply outside the cartel. However, we expect oil production to remain low in Nigeria due to critical major infrastructure deficiencies and persistent oil theft and vandalism, which have hampered oil production.

Implication

The decrease in oil prices is expected to reduce Nigeria's oil revenue and deplete external reserves, impacting the exchange rate. This will be further supported by Nigeria's low oil production, which is yet to meet the OPEC quota and was below 1.5 million barrels per day in April. This emphasizes the need for Nigeria to ensure illegal refineries and oil thefts are curtailed to the barest minimum to ramp up oil production.

NATURAL GAS

In the review period, the price of natural gas surged by 25.38% to $2.42/MMBtu on May 15 from $1.93/MMBtu on May 1. The increase in the price of natural gas can be attributed to lower U.S. gas production due to the persistent shutdown of Freeport and other U.S. LNG export plants. The rise in price is also supported by strong demand in the U.S., Asia, and China. On average, natural gas gained 0.50% in the review period to $2.22/MMBtu, compared to the average of $1.81/MMBtu in the corresponding period in April.



Source: Bloomberg, FDC Think Tank

Outlook

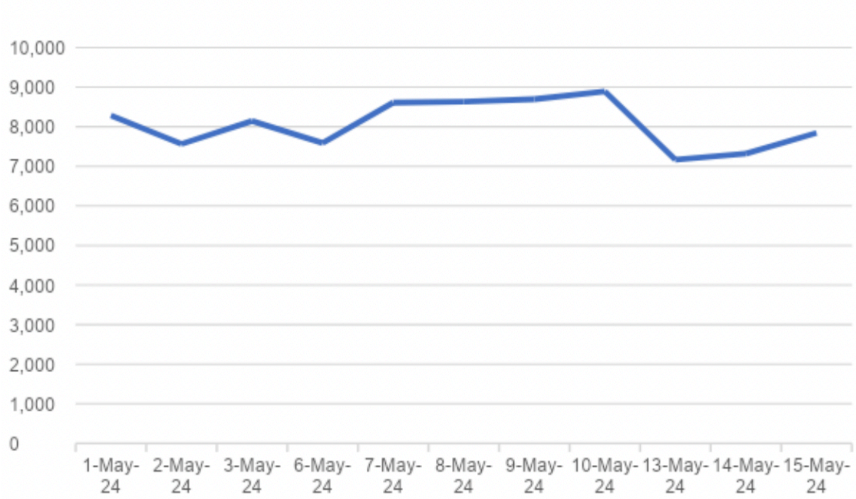
Gas prices are expected to remain bullish in the near term, driven by the forecast for warmer weather in summer. The storage surplus will likely continue declining slowly as summer heat boosts demand.

Implication

Increasing LNG prices will improve Nigeria's foreign reserves and export earnings. However, low LNG production in Nigeria will likely offset the expected gains from higher global prices, negatively impacting foreign exchange earnings.

COCOA

The price of cocoa fell in the first half of May to $7,843/mt, down 5.32% from $8,284/mt on May 1, despite the liquidity crunch from key West African producers. Cocoa prices have been bullish since the review period on lingering supply shortages. On average, the price of cocoa plunged by 16.92% to $8,067/mt in the first half of May from $9,710/mt in the same period in April.



Source: Bloomberg, FDC Think Tank

Outlook

According to Maxar Technologies, rains are expected to begin in Nigeria, Ivory Coast and Ghana. This points to favourable weather conditions that could support cocoa supply, softening prices in the coming months. However, prices will take some time to cool towards last year's levels. This is because of the lag in substantially plugging the widening supply gap in the market. Essentially, cocoa prices will maintain the bullish trend in the coming weeks but are expected to start declining from Q3 2024.

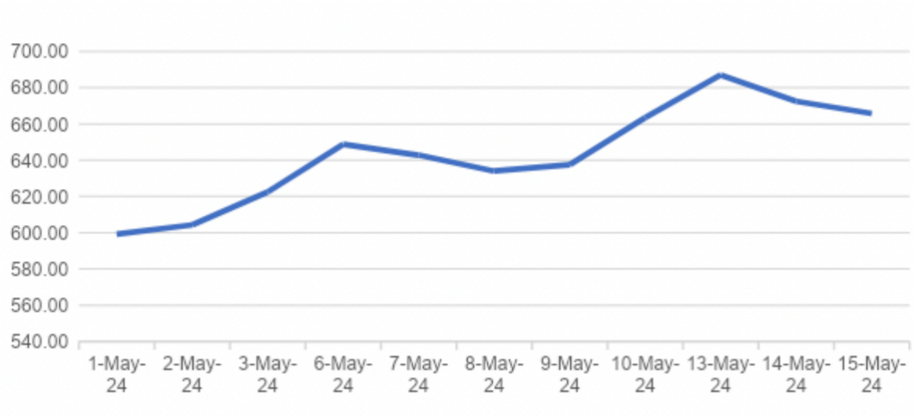
Implication

Increasing cocoa prices will boost foreign exchange earnings from non-oil exports and improve external reserves. Due to the larger profits, cocoa farmers' living standards will improve.

COMMODITY IMPORTS

WHEAT

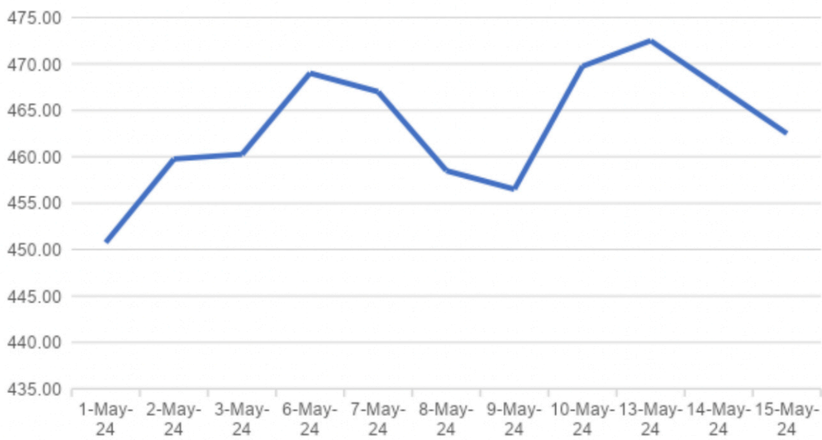
In the review period, the price of wheat surged by 11.10% to $665.75/bushel on May 15 from $599.25 on May 1. The increase was triggered by poor weather conditions in Russia and low wheat stock in India, which contracted supply. On average, wheat prices soared by 14.19% to $643.43/bushel within the review period, up from the average of $563.58/bushel in the first half of April.



Source: Bloomberg, FDC Think Tank

CORN

The price of corn rose by 2.61% in the review period, from $599.25/bushel to $665.75/bushel on May 15, driven by concerns about a tight supply outlook as pests and diseases affect crops in Argentina and adverse weather conditions in Brazil and the U.S. Corn price averaged $463.09/bushel in the first half of May, up by14.19% from the average of $437.75/bushel in the first half of April.



Source: Bloomberg, FDC Think Tank

Outlook-grain

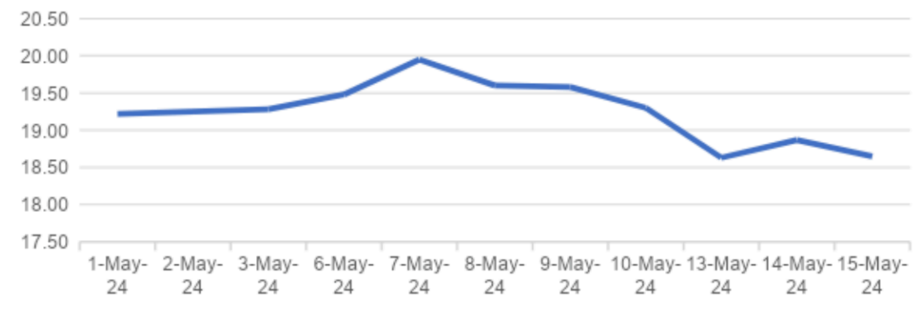
The price of grain is expected to remain elevated due to unfavorable weather conditions in Russia, where frost damage to grains is likely to reduce harvests and contract supply. Additionally, parts of the U.S., such as Kansas City, will likely experience crop deterioration due to flooding, further exacerbating the supply shortage and driving up prices.

Impact-grain

Higher grain prices will increase Nigeria's import bill and result in trade deficits. This will heighten the production cost of grain derivatives, leading to higher prices and exacerbating inflationary pressures.

SUGAR

In the review period, the price of sugar dropped by 2.97% to $18.65/pound on May 15 from $19.22/pound on May 1, driven by strong production in Brazil On average, the price of sugar stood at $19.26/pound in the review period, indicating a 9.70% decrease compared to the average of $21.33/pound in the first half of May.



Source: Bloomberg, FDC Think Tank

Outlook

The price of sugar is expected to remain bearish in the near term, supported by an outlook for ample supply from Brazil, India, Thailand, and Australia, which account for 89% of the total global sugar exports.

Implication

The low price of sugar will decrease Nigeria's import bill and improve its trade balance. It would also reduce inflationary pressures as sugar derivatives become less expensive.

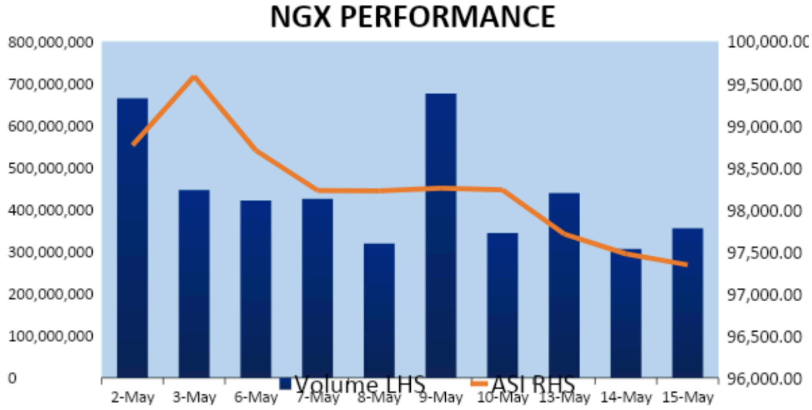
Terms of trade

The country's terms of trade in Q4'23 decreased by 0.22%. However, it is expected to be negative in the near term due to a decrease in Nigeria's oil production, dropping 6.88% to 1.23 million barrels per day in March from 1.32 million barrels per day in February. Similarly, cocoa prices falling below $8,000/mt and low output will further worsen the trade balance.

STOCK MARKET REVIEW

MAY 1ST – 15TH

The Nigerian Stock Exchange closed negative from May 1st–15th, 2024. It lost 1.44% to close at 97,343.42 points on May 15th, down from 98,762.78 points on May 2nd. Also, the market capitalization decreased by 1.43% to N55.06 trillion relative to its close of N55.86 trillion on May 2nd. In the review period, AVA Infrastructure Fund (AVAIF) was listed on the Nigeria Stock Exchange on May 10 with a market capitalization of N4.08bn.



Source: NGX, FDC Think Tank

The market's YTD return was 30.18% in the preceding period. The market breadth was positive at 0.88x, as 43 stocks gained, 61 remained unchanged, and 49 lost. The NGX's negative performance could be attributed to investors' shift to the fixed-income market due to high yields.

The market activity level was negative. The average volume traded decreased by 8.94% to 358.07mn units from 394.24mn units. Similarly, the average value of trades fell by 42.41% to N6.45bn from N11.20bn in the review period.

Two sectors gained during the period, while three lost. The Banking sector recorded a gain of 1.05%, followed by the industrial sector (0.10%). However, the oil and gas sector lost 7.39%, followed by the insurance sector at 2.29% and the consumer goods sector at 1.75%.

SECTOR PERFORMANCE

Industrial	Oil &Gas	FMCG	Insurance	Banking
0.10	-7.39	-1.75	-2.29	1.05

TOP 5 GAINERS

Tantalizers Plc, a company that provides quick-service restaurant and outdoor catering services, topped the gainers' list with a 37.50% increase in its share price, driven by strong buying interest in the company's stocks. This was followed by Guaranty Trust Holding Company Plc (20.71%), Custodian Investment Plc (19.19%), Curtix Plc (17.48%), and May & Baker Nigeria Plc (16.67%).

TOP 5 LOSERS

The laggards were led by PZ Cussons Plc, a manufacturing firm with personal healthcare products and consumer goods (-46.71%), Nascon Allied Industries Plc (-23.89%), McNichols Plc (-20.63%), Royal Exchange Plc (-19.35%), and Transnational Corporation of Nigeria Plc (-18.15%).

TOP 5 GAINERS

Company	May-02 (N)	May-15 (N)	Absolute Change	Change (%)
TANTALIZER	0.40	0.55	0.15	37.50%
GTCO	35.00	42.25	7.25	20.71%
CUSTODIAN [MRF]	8.60	10.25	1.65	19.19%
CUTIX	2.86	3.36	0.50	17.48%
MAYBAKER	6.00	7.00	1.00	16.67%

TOP 5 LOSERS

Company	May-02 (N)	May-15 (N)	Absolute Change	Change (%)
PZ	38.00	20.25	-17.75	-46.71%
NASCON	47.30	36.00	-11.30	-23.89%
MCNICHOLS	1.26	1.00	-0.26	-20.63%
ROYALEX [MRF]	0.62	0.50	-0.12	-19.35%
TRANSCORP	14.60	11.95	-2.65	-18.15%

Outlook

The stock market was volatile in the first half of May, with the All-share index decreasing to 97,343.42 points. We, however, expect market performance to be bullish in the near term as investors begin to take positions for the Q2'24 earnings season.

WHISPERS OUTLOOK

- Headline inflation in May increased marginally by 0.26% to 33.95%. However, we expect price pressures to remain potent in June, largely supported by the seasonality effect on commodities and money supply growth.

- In Q3'24, this trend could reverse slightly due to the expectation of the naira appreciation. This is premised on the increased effort by the CBN to stabilize the currency by boosting the forex supply. The CBN has authorized IOCs to sell 50% of their repatriated export proceeds to authorized dealers or eligible foreign exchange users for approved transactions. Consequently, the naira is likely to trade between N1,450-N1,500/$ through June.

- Oil prices are projected to sustain trade above $80pb in the coming weeks on supply concerns. OPEC+, during its last meeting to extend oil production cuts (3.6mbpd in production) through the end of 2025. Other oil-producing countries, including Saudi Arabia and Russia, plan to gradually phase out a separate round of 2.2 mbpd till September 2025, starting October 2024. The expected increase in oil prices will be supported by higher demand from the US as the summer driving season commences.