

### Q2 2020 Nigerian Market Wrap

The NSE ASI gained 14.92% in Q2 2020 with a corresponding value on the index of 24,479.22 as at 30 June, 2020. For Q2 2020, the Banking index was up +19.55%, the Consumer Index was up +35.70%, the Industrial Index was up +6.11% and the Oil and Gas index was down -8.72%. NEIMETH, NESTLE, CHIPLC, ABCTRANS and CONOIL were among the best performers and GUINNESS, AFROMEDIA, ARBICO, SEPLAT and CILEASING were among the worst performers. We summarise the performance of the market for Q2 2020 below and present some of the major highlights in the quarter.

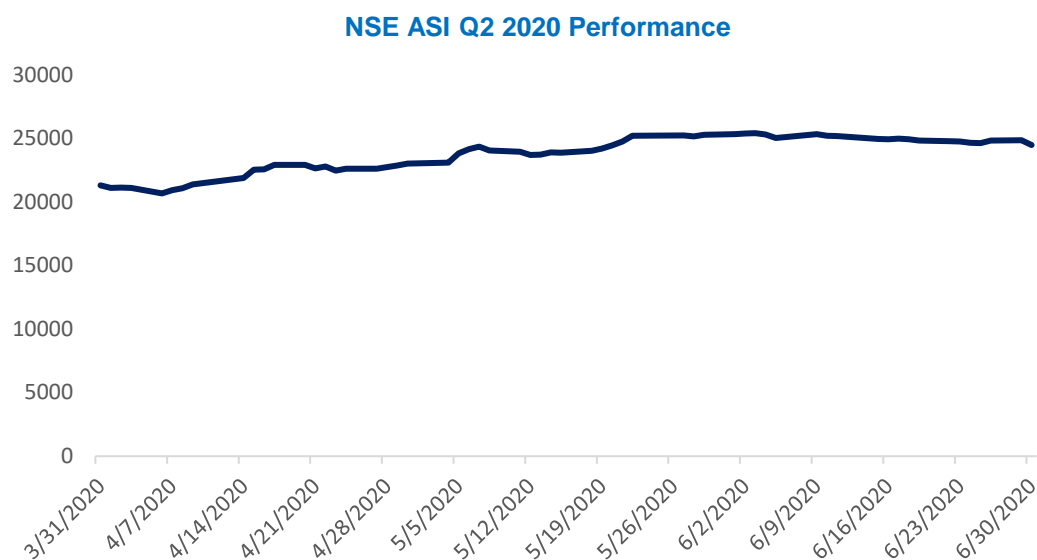


Fig 1: Q2 2020 NSE ASI Performance

PERFORMANCE INDICATORS					
INDICATOR	2020: OPEN	30-Jun-20	31-Mar-20	Q-o-Q change (%)	YTD Change (%)
NSE All-Share Index	26,842.07	24,479.22	21,300.47	14.92%	-8.80%
Market Capitalisation (N'bn)	12,958.38	12,769.81	11,100.80	15.04%	-1.46%
NSE BANKING	356.84	281.96	235.86	19.55%	-20.98%
NSE PENSION	1,054.06	953.14	826.75	15.29%	-9.57%
NSE CONSUMER GOODS	592.85	441.71	325.50	35.70%	-25.49%
NSE OIL AND GAS	262.54	196.47	215.25	-8.72%	-25.17%
NSE 50	1,346.70	1,123.15	923.06	21.68%	-16.60%
NSE INDUSTRIAL	1,075.60	1,103.86	1,040.29	6.11%	2.63%
NSE PREMIUM	2,116.22	2,125.17	1,761.23	20.66%	0.42%
NSE 30	1,177.83	1,052.09	902.37	16.59%	-10.68%
Volume Traded (N'mn)	1,053.57	280.67	422.00	-33.49%	-73.36%
Value (N'mn)	5,496.21	3,138.51	1,724.05	82.04%	-42.90%

Table 1: Performance Indicators for Q2 2020

### What Happened in Q2 2020?

The month of April saw a significant drop in the oil price which introduced negative sentiments into the global equity market and Nigeria was not spared. The incremental spread of the Covid 19 virus led to the complete lockdown of 3 states in Nigeria namely Lagos, Abuja and Ogun States. The absence of CBN dollar flows in the IEFX window (this has been the case since March 20) caused some foreign investors to put a hold on their sell mandates. This in turn affected

liquidity in the market. The market remained relatively quiet and moved up on very thin volumes. The banking index gained 15.14%, the consumer index gained 14.02%, the Oil and gas lost -2.84% and the industrial index lost -2.66%.

We closed May with some upward movement on the ASI with a gain of +9.76% in May 2020. Several factors were touted as drivers for this gain, - activities of local brokers taking positions on their books, reinvestment of dividends, speculative activities, increased interest from local retail investors, some of whom had not been in the market for a long while and were taking advantage of the market due to the low interest rate environment. We saw the supply of shares dry out as there were limited offers from international clients who are naturally large holders of the blue-chip names. As the frustration increased around getting FX, International investors who could not get FX out of Nigeria put a hold on their sale mandates. The house view was that the real driver of the market remained largely speculative as we had not seen any significant changes to the macroeconomic backdrop of the country, neither had the market seen significant capital injection like what we had seen in other climes to justify the rally. We however note that some trapped dividend found its way back into the market.

We saw gains reversal in the month of June as the market dynamic became bearish. Foreign investors continued to stay out of the market on the back of the FX illiquidity in the IEFX window. We note that there is no visible catalyst or trigger to support a continued market rally. We believe as we go into the 2H, Investors will be looking forward to seeing 1H results which are typical released from mid-month in July. We expect some banks to get audited especially if they are looking to pay interim dividend. The negative impact of the covid 19 pandemic was still being felt across various sectors of the economy and the market was no exception. Most sessions were characterized by block transactions and outside of these the market was very slow again in June.

#### Best Performers

S/N	SYMBOL	30-Jun-20	31-Mar-20	% CHANGE
1	NEIMETH	1.65	0.48	243.75%
2	NESTLE	1,256.80	765.00	64.29%
3	CHIPLC	0.49	0.30	63.33%
4	ABCTrans	0.56	0.35	60.00%
5	CONOIL	21.00	13.15	59.70%
6	NB	36.10	25.65	40.74%
7	OKOMUOIL	77.40	55.05	40.60%
8	WAPIC	0.35	0.25	40.00%
9	UNILEVER	15.30	11.00	39.09%
10	ZENITHBANK	16.10	11.70	37.61%
11	MAYBAKER	2.87	2.14	34.11%
12	DANGSUGAR	12.00	9.00	33.33%
13	FBNH	5.25	3.95	32.91%
14	VITAFOAM	5.59	4.25	31.53%
15	MTNN	117.50	90.00	30.56%
16	FCMB	1.93	1.50	28.67%
17	UBA	6.25	5.00	25.00%
18	GLAXOSMITH	5.50	4.40	25.00%
19	GUARANTY	22.05	17.70	24.58%
20	STANBIC	30.25	24.30	24.49%

#### Worst Performers

S/N	SYMBOL	30-Jun-20	31-Mar-20	% CHANGE
1	GUINNESS	14.50	25.20	-42.46%
2	AFROMEDIA	0.20	0.34	-41.18%
3	ARBICO	1.89	2.85	-33.68%
4	SEPLAT	386.00	544.50	-29.11%
5	CILEASING	4.60	6.20	-25.81%
6	OMATEK	0.26	0.34	-23.53%
7	INTBREW	4.10	4.90	-16.33%
8	ARDOVA	11.80	13.80	-14.49%
9	TRIPPLEG	0.50	0.58	-13.79%
10	CAVERTON	1.98	2.25	-12.00%
11	TRANSEXPR	0.80	0.90	-11.11%
12	CAP	20.65	23.20	-10.99%
13	UBN	5.90	6.60	-10.61%
14	FLOURMILL	19.00	21.25	-10.59%
15	JBERGER	19.85	22.05	-9.98%
16	CHELLARAM	2.51	2.78	-9.71%
17	DEAPCAP	0.30	0.33	-9.09%
18	PZ	4.00	4.40	-9.09%
19	JOHNHOLT	0.51	0.56	-8.93%
20	NAHCO	2.29	2.50	-8.40%

Table 2: Best and Worst Performers for Q2 2020

Major News Headlines in Q2 2020

#### Nigeria faces reclassification on MSCI indexes to Standalone Market Status – Financial Nigeria

MSCI, a leading provider of global equity indexes, said on Tuesday that it has launched a consultation to remove Nigeria from the MSCI Frontier Market Indexes, which is tracked by \$12 billion worth of assets, and reclassify Nigerian equities to "Standalone Market Status." The New York-based firm stated this ahead of the announcement of the "flexible forex policy" by the Central Bank of Nigeria (CBN) on Wednesday. MSCI said the move might become necessary because of a sharp decline in liquidity in the Nigerian foreign exchange market and stiff capital controls imposed by the CBN.

### UAC sets July date to divest from UPDC – The Nation

UAC of Nigeria (UACN) Plc has said it would unbundle its majority stake from its loss-making property arm UACN Property Development Company (UPDC) by July 2020. In a statement, Group Managing Director, UAC of Nigeria (UACN) Plc, Fola Aiyesimoju, said the plan is, however, subject to COVID-19 disruptions that might affect approval timings. He stressed that the process would be completed to unbundle the stake to shareholders, subject to regulatory approvals.

### CBN forecasts slower growth, reduces lending rate to 12.5% - Punch

The Monetary Policy Committee on Thursday said the lower growth recorded in the economy in first quarter of 2020 was expected to dip slightly but with combined monetary and fiscal stimulus, the country may avoid a recession. The CBN Governor, Mr Godwin Emefiele, said this in Abuja at the end of the MPC 273th meeting held virtually.

### COVID-19: IMF Executive Board Approves US\$3.4bn in Emergency Support to Nigeria – Proshare

The IMF approved US\$3.4 billion in emergency financial assistance under the Rapid Financing Instrument to support the authorities' efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices. The COVID-19 outbreak has magnified existing vulnerabilities, leading to a historic contraction in real GDP growth and to large external and fiscal financing needs. Once the impact of the COVID-19 shock passes, the authorities' commitment to medium-term macroeconomic stability remains crucial to support the recovery and ensure debt remains sustainable.

### Budget: FG to retain \$30 benchmark despite oil price fall – Punch

The Federal Government is not considering tinkering with the \$30 per barrel oil price benchmark for the 2020 budget despite the drop in crude oil price, investigations have revealed. Crude oil prices had dropped from about \$46.64 per barrel in February to less than \$20 per barrel. The Federal Government had in the 2020 budget proposal revised downward the revenue projection for the 2020 fiscal period by N3.3tn from the initial approved amount of N8.41tn to N5.08tn.

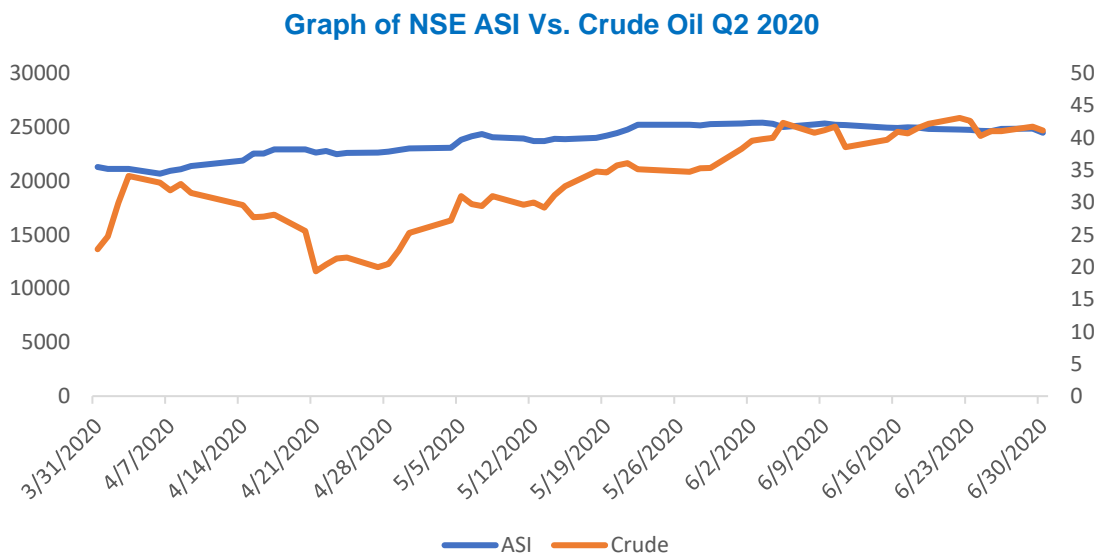


Fig 2: Graph of NSE ASI vs Crude Oil – Q2 2020

### Q3 2020 Expectations/Outlook

For Q3 2020, our outlook remains bearish for the market. There is still no major catalyst in the market and the market is still being driven by speculative activities from locals. We expect Internationals to remain skewed towards the sell side and if dollar sales resume in the IEFX window for internationals this quarter, we expect that this will bring about further sales from internationals and this may further depress the market. There was an announcement in Q2 from the MSCI that stated that in the event of further deterioration of market accessibility, MSCI may reclassify the MSCI Nigeria Indexes to Standalone Markets status as soon as practicable.

If this reclassification happens it will be negative for our market. Index funds that track our index would have to sell off and it will also send a negative signal to the international community of investors. We also must flag that a significant

number of international investors have already reduced their positions earlier in the year given the decline in the crude oil price so the immediate impact may not be felt as aggressively. It will affect the possibility/prospect of future flows coming into the market.

We also expect to see more of the impact of the Covid 19 pandemic in Q2 results from corporates. We expect a broad dampening of earnings and this will also likely further affect market performance. We expect to see a continuation of increased participation from local investors and expect that they will drive activities largely for the quarter.