

FG to borrow ₦895.8Bn to supplement 2021 budget as debt profile rises by 15.6%

During the week, two of the major activities that caught our attention was the submission of the Supplementary Budget of ₦895.8Bn by President Muhammadu Buhari to the National Assembly for approval and the National Debt data released by the Nigerian Bureau of Statistics (NBS).

2021 supplementary budget of ₦895.

It is empirical to look at how the Supplementary budget will be funded. Accordingly, the budget will be funded by way of borrowing from the World Bank – ₦45.63Bn, borrowing from the Special Reserve Levy Account – ₦135Bn, and borrowing from the domestic and foreign market – ₦722.4Bn

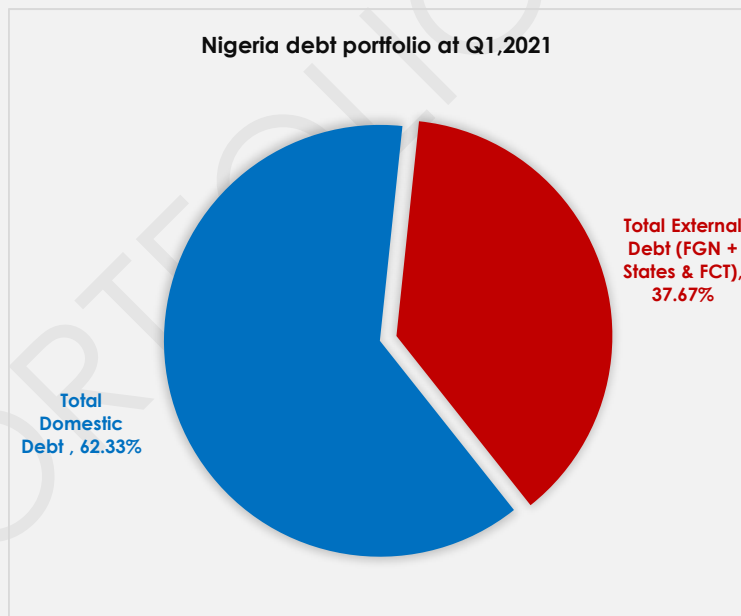
However, the borrowed fund will be utilized in neutralizing two major pain points facing the nation's economy – Insecurity, and the Covid-19 pandemic. Consequently, ₦83.56Bn will be utilized for the procurement and distribution of Covid-19 vaccines, where 70% of eligible Nigerians are to be vaccinated by the end of 2022.

Also, a total of ₦41.6Bn will be spent on salaries and health-related expenditures, while ₦770.6 to be utilized on recurrent component and capital expenditure on defense and security, as the security and law enforcement agencies urgently need to procure additional equipment and other resources in response to the current security challenges of the country.

Nigeria debt grew to ₦33.11Tn in Q1'2021

Meanwhile, according to the data released by the NBS, on the Nigerian Domestic Debt as of Q1'2021. Nigeria total debt as of Q1'2021 has risen to ₦33.11Tn by

15.64%, compared to ₦28.63Tr. The domestic debt by the FGN, States and FCT contributes 62.33% of the total debt with an amount of ₦20.64Tn.

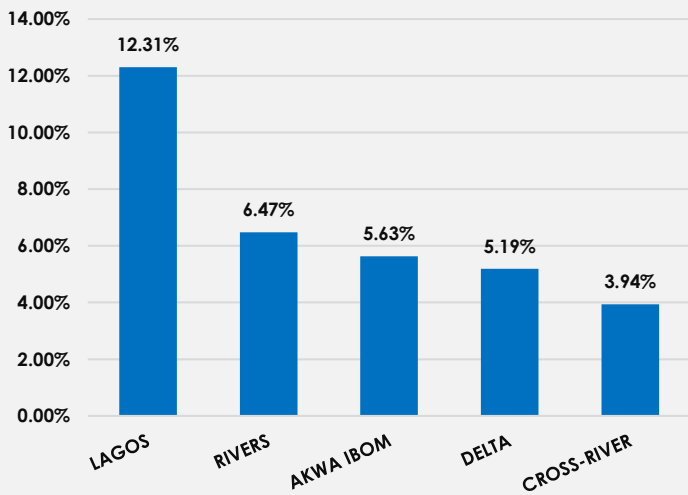


Source: NBS. Atlass Portfolios

In that regard, the total debt by the FGN stood at ₦16.51Tr (FGN Bond – 75%, NTB – 16%, Promissory Note – 6%, FGN Sukuk – 2%, Others – 1%), as against the ₦14.53Tn as of Q1'2020. However, the Federal Government spent ₦612.71Bn in Q1'2021 to service the debt, 0.6% higher than ₦609.13Bn spent to service FGN debt in Q1'2020.

In terms of debt by states in Q1'2021, Lagos state contributed 12.31% of the state's total debt of ₦4.12Tn, trailed by Rivers – 6.47%, Akwa Ibom – 5.63% and Delta – 5.119%. While Jigawa, Sokoto and Ebonyi had the least contribution of 0.77%, 0.94% and 1.06% respectively.

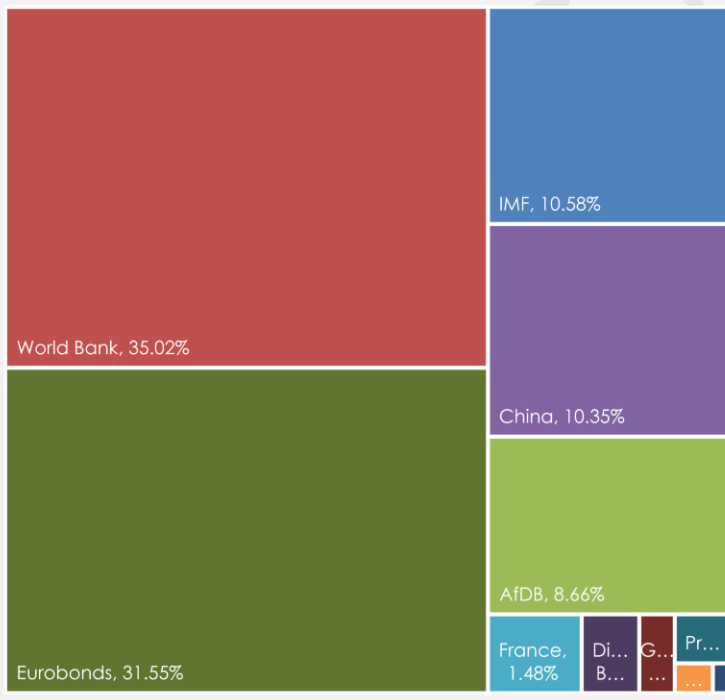
Top 5 State with Domestic Debt



Source: NBS, Atlass Portfolios

As regards the External debt, borrowing from the World Bank Group totaled \$11.51Bn, representing 35.02% of the external debt of \$32.86Bn, while borrowing from the African Development Bank Group (AfDB) contributed 8.66% (\$2.84Bn) as of Q1'2021. Similarly, China through the Exim Bank of China has lent Nigeria \$3.40Bn, representing 10.35% of the external debt.

Source of External Debt to % Total External Debt



Source: NBS, Atlass Portfolios

In conclusion, over the last two years, developing and transitioning nations' foreign debt has averaged 29% of their GDP. As a result, with a public debt to GDP ratio of less than 30%, Nigeria (17.80% foreign debt to GDP at FY'2020) is below the benchmark range for developing countries, making it one of the least leveraged among emerging market peers.

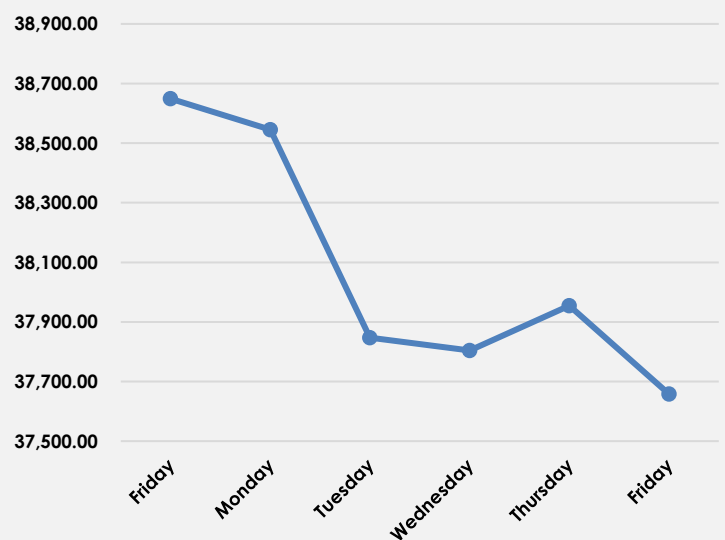
NIGERIA EQUITY MARKET

Investors' wealth shed 2.56%w/w amidst sell-off on bellwethers

Investors on the Nigerian Exchange went on a bearish sentiment as the market performance indicators declined in four of the five trading sessions in the week. The sell-off sentiment was impacted by the AIRTELAFRI, DANGCEM, BUACEMNT, MTNN, FLOURMILL, amongst others.

Consequently, the All-Share Index declined by 990.65 basis point, representing a decrease of 2.56% to close at 37,658.26, while the Market Capitalization lost ₦516.32 billion, representing a decline of 2.56%, to close at ₦20.14 trillion.

NSE-ASI Week Movement

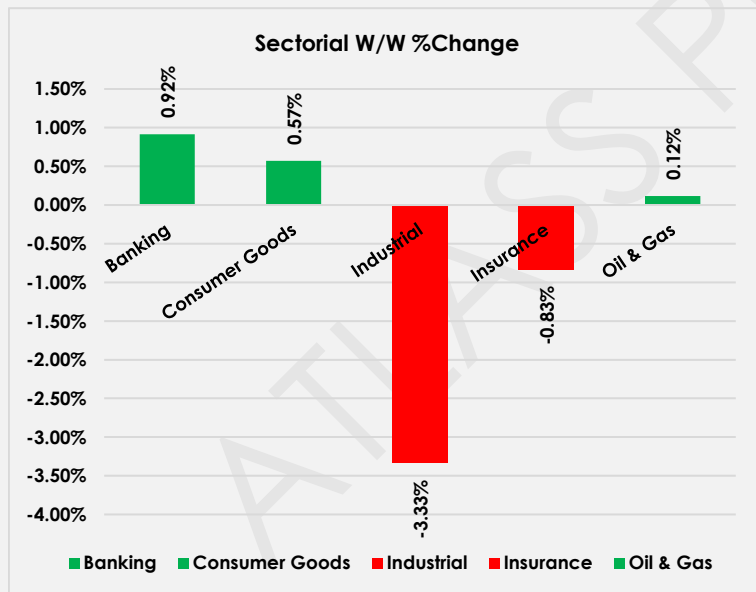


Source: NGX, Atlass Portfolios

However, at the gainers' table, LINKASSURE and VERITASKAP has the highest gain of 18.18% respectively, to emerge as the best performing stock of the week, followed by VITAFOAM with 17.77% growth, while HONEYFLOUR, STANBIC, NB, and DANGSUGAR grew by 10.71%w/w, 2.69%w/w, 1.44%w/w and 1.41%w/w respectively, to be among the 33 appreciated stocks for the week.

On the other hand, CHIPLC receded 13.43%w/w to led the losers' chart, trailed by ROYALEX (-12.50%w/w), AIRTELAFRI (-10.00%w/w), DANGCEM (-3.91%w/w), BUACEMENT (-3.38%w/w), MTNN (-1.21%), and FLOURMILL (-0.17%w/w), as 37 stocks depreciated during the week.

Nevertheless, three of the five major sectors of the market had a positive sentiment, as Banking, Consumer Goods and Oil & Gas sectors grew by 0.92%, 0.57% and 0.12% week-on-week accordingly, while the Industrial Goods and Insurance sectors shed 3.33%w/w and 0.83%w/w.



Source: NGX, Atlass Portfolios

Meanwhile, a total of 1.01 billion shares valued at ₦ 10.33 billion in 15,165 deals were traded in the week, compared to 981.15 million shares worth ₦10.38 billion in 15,001 deals traded in the prior week.

In the meantime, a total share of 29.43 billion of Guaranty Trust Bank Plc (GUARANTY) was delisted on Thursday 24th June 2021, while a total share of 29.43 billion of Guaranty Trust Holding Company Plc(GTCO) was listed on Thursday.

Outlook

Bargain hunting is expected to prevail in the equity market for the coming week.

FX, FOREIGN RESERVE & OIL MARKET

Naira weakened on low supply from CBN

The Naira weakened against the US Dollar during the week, following low supply of the USDollar by the Central Bank of Nigeria (CBN)

As a result, the Naira depreciated in the parallel market by 0.40% to close on Friday at ₦500/USD, as against ₦498/USD in the previous week. Also, the naira depreciated in the I&E Window by 0.16% from ₦411.00/USD in the prior week to close the week at ₦411.67/USD.

FX Rate	Open	Close	W/W %Change
I & E Window	411.00	411.67	▼ -0.16%
Parallel Market	498.00	500.00	▼ -0.40%

Source: FMDQ, AbokiFX, Atlass Portfolios

Oil Price sustain growth on high demand expectation

The global oil prices during the week rose to their highest since October 2018 for a fifth week in a row on expectations demand growth will outstrip supply and OPEC+ will be cautious in returning more crude to the market from August.

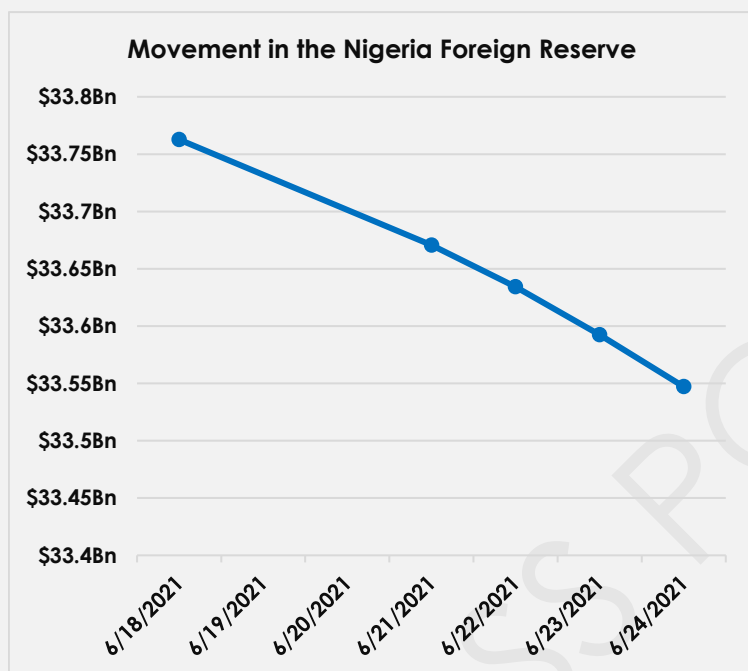
Consequently, the Brent rose by 3.63% to close at \$76.18pb, while the Nigeria oil benchmark, (Bonny Light) rose by 2.18% to \$75.09pb.

Oil Price	Open	Close	W/W %Change
Brent	73.51	76.18	▲ 3.63%
Bonny Light	73.04	75.09	▲ 2.81%

Source: Oilprice.com, Atlass Portfolios

Foreign Reserve

The Nigeria Foreign Reserve sustained its free fall to loss \$215.62 from the closing position of \$33.76Bn (Friday, 18th June, 2021) to \$33.55 billion on Thursday 24th June 2021.



Source: CBN, Atlass Portfolios

GLOBAL STOCKS

Global stocks reverse bearish sentiment ahead of key economic data

This week, positive sentiment triumph in the global stock markets to shook off concerns about a more belligerent Federal Reserve to post a record high this week, but activity in some areas of the market indicates concern over potential volatility ahead of key economic data and corporate profit reports.

As a result, all of the three major market indices in US the DJIA, S&P 500 and NASDAQ, closed the week higher by 3.44%, 2.74% and 2.35% respectively, reversing previous week negative sentiments.

Similarly, all of foremost indices in the European market, Germany DAX, UK FTSE 100 and France CAC 400 grew by 1.04%w/w, 0.82%w/w and 1.69%w/w respectively, Sentiment was also buoyed by investors focus on a steady economic rebound against the backdrop of fears of a tapering in global monetary stimulus, while technology and financial stocks jumped, taking cues from their U.S. peers.

	STOCK MARKET	OPEN	CLOSE	W/W % CHANGE
US	DJIA	33,290.08	34,433.84	▲ 3.44%
	S&P 500	4,166.45	4,280.70	▲ 2.74%
	NASDAQ	14,030.38	14,360.39	▲ 2.35%
EUROPE	France: CAC 40	6,569.16	6,622.87	▲ 0.82%
	Germany: DAX	15,448.04	15,607.97	▲ 1.04%
	UK: FTSE 100	7,017.47	7,136.07	▲ 1.69%
ASIA	China: Shanghai Composite	3,525.10	3,607.56	▲ 2.34%
	Hong Kong: Hang Seng	28,801.27	29,288.22	▲ 1.69%
	Japan: Nikkei 225	28,964.08	29,066.18	▲ 0.35%
	Indian: S&P BSE Sensex	52,344.45	52,925.04	▲ 1.11%
	Brazil: Bovespa	128,405.35	127,255.61	▼ -0.90%
SOUTH AMERICA	Mexico: IPC All-Share	50,319.57	50,549.86	▲ 0.46%
	Argentina: Merval	65,136.00	65,133.47	▼ -0.004%
AFRICA	South Africa: FTSE/JSE Africa All-Share	65,635.23	66,215.47	▲ 0.88%
	Egypt: EGX 30	9,865.59	10,278.86	▲ 4.19%
	Ghana: GSE Composite	2,645.88	2,643.60	▼ -0.09%
	Nigeria: ASI	38,648.91	37,658.26	▼ -2.56%

Source: WSJ, Atlass Portfolios

Likewise, positive sentiment prevailed mostly in the Asian market to snap last week loss, all of the four indices receded, China Shanghai Composite, Japan Nikkei 225 and Hong-Kong HANG SENG, and India S&P BSE grew 2.34%w/w, 0.35%w/w, 1.69%w/w and 1.11%w/w respectively.

In other emerging markets, Egypt EGX 30, South-Africa FTSE/JSE and Mexico IP All-Share gained 4.19%w/w, 0.88%w/w and 0.46%w/w, respectively. While Ghana GSE Composite, Brazil Bovespa and Argentina Merval shed 0.09%w/w, 0.90%w/w, 0.004%w/w, respectively.

We expect a modest recovery in the global market as focus will be on economic data, including reports on home prices, manufacturing and Friday's closely-watched U.S. payrolls report for June.

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