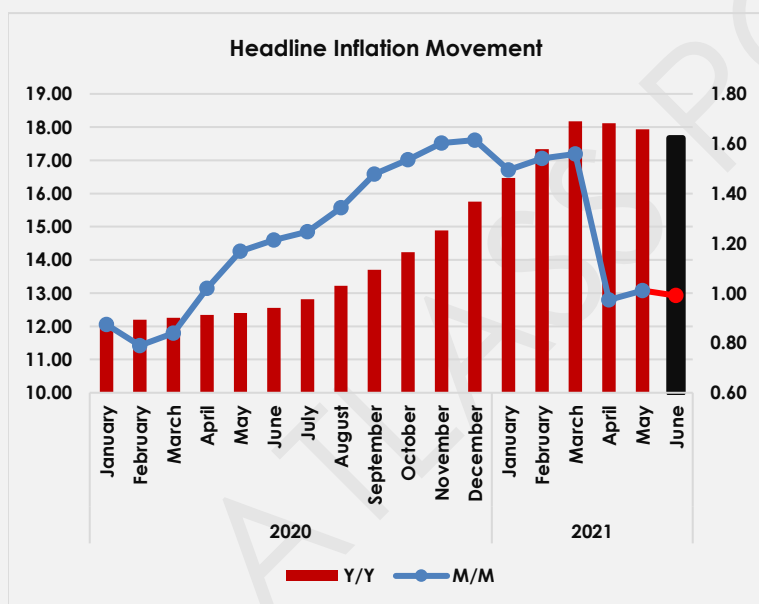


Pre-CPI report: Base year, CBN intervention to sustain decline in inflation rate

Ahead of the June 2021 edition of the Consumers Price Index report (CPI) that will be release by the Nigeria National Bureau of Statistics (NBS) in the coming week, we carried out a Pre-CPI report analysis in other to show the upward or downward projection in the general price level of goods and services in the economy for June 2021.

Our findings suggested that the measure of the average change in the price level of both food and non-food items (Headline Inflation) will decline by a minimum of 26bps to 17.67% y/y from 17.93% in the previous month. The moderate recovery expected is influenced by a high base year due to the Covid-19 restriction in 2020.

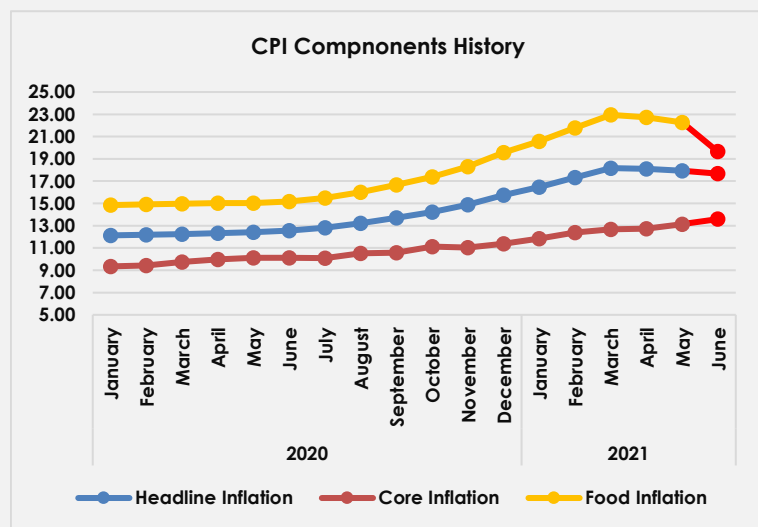


Source: NBS, Atlass Portfolios

Therefore, our position is that the effects of a new base year would outweigh other notable drivers within the month, such as instability in the FX market, insecurity in food producing regions and increased electricity tariff.

However, we expect core inflation (non-food items price index) to edge higher to 13.59% y/y (or 1.25% m/m) from 13.15% y/y (or 1.22% m/m) as high electricity tariff, high transportation cost and a plunge in Naira by ₦8 from ₦495/\$ to ₦503/\$ in the month of June, to impact inflationary pressures negatively.

Meanwhile, despite government efforts to clamp down on the increasing rate of insecurity the fallout of these securities challenges, continue to impede harvest season activities for farmers in the food production regions of the country and also fester cost of transporting food items. However, sustained government intervention through the Central Bank of Nigeria (CBN) in the agricultural sector is expected to impact Food Inflation positively.



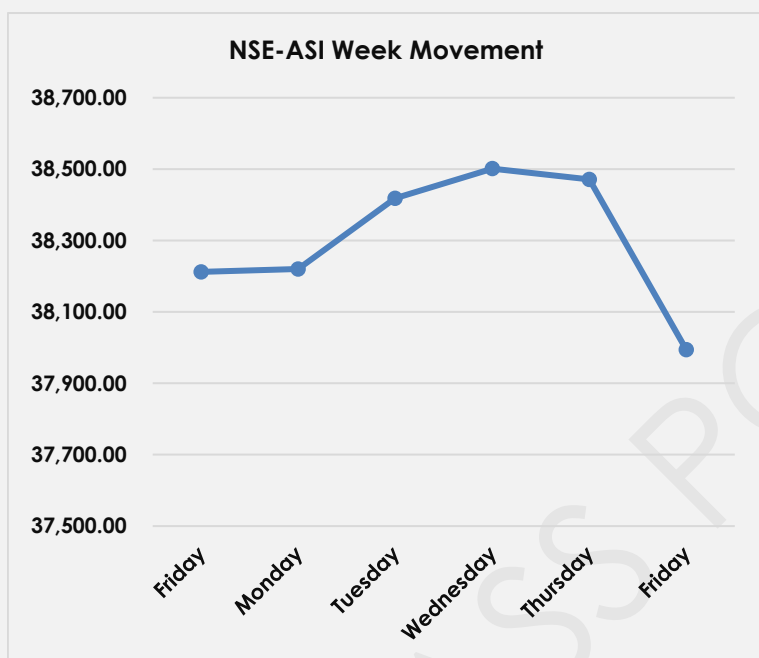
Therefore, we expect the food price sub-index to decline to 19.63% y/y (or 0.80% m/m) from 22.28% y/y (or 1.05%) last month. Conclusively, we project a lower Headline inflation rate of 17.67% for June 2021.

NIGERIA EQUITY MARKET

Stock market sheds 0.57%w/w amid profit-taking

The Nigeria equity market closed the last week trading sentiment with profit-taking from the previous week's gains. The decline was buoyed by price depreciation in PRESCO, HONYFLOUR, GTCO, amongst others.

Consequently, the All-Share Index shed 217.82 basis point, representing a decrease of 0.57% to close at 37,994.19, while the Market Capitalization lost ₦123.72 billion, representing a decline of 0.62%, to close at ₦19.80 trillion.

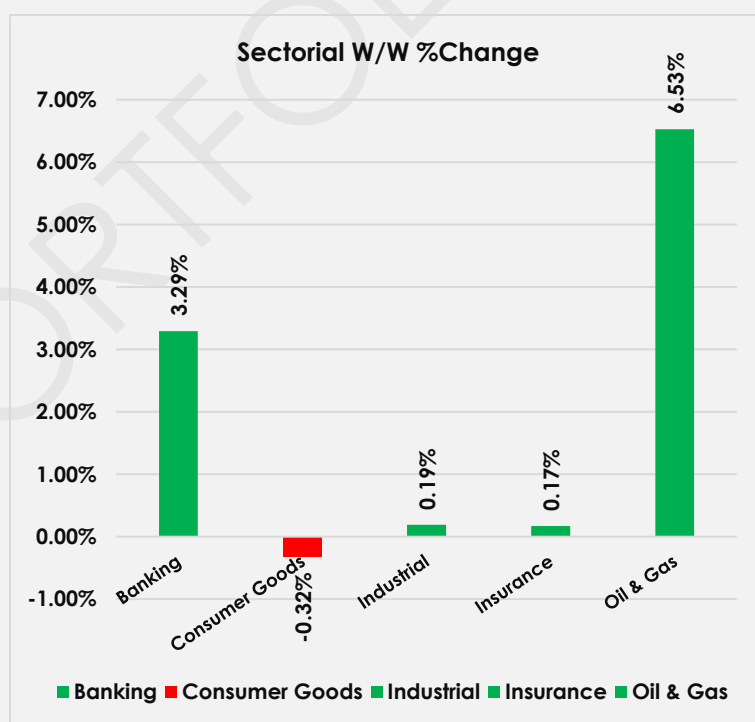


Source: NBS. Atlas Portfolios

However, at the gainers' table, UAC-PROP has the highest gain of 33.72%w/w, to emerge as the best performing stock of the week, followed by CUTIX with 21.00%W/W growth, while TOTAL, ACCESS, FIDSON, and WAPCO grew by 9.24%w/w, 6.40%w/w, 5.00%w/w and 2.59%w/w respectively, to be among the 44 appreciated stocks for the week.

On the other hand, PRESTIGE retroceded 10.00%w/w to led the losers' table, trailed by BOCGAS (-9.94%w/w), PRESCO (-8.72%w/w), NASCON (-4.13%w/w), DANGSUGAR (-2.99%w/w), GTCO (-0.51%), and FIDELTYBK (-0.43%w/w), as 20 stocks depreciated during the week.

Nevertheless, four of the five major sectors of the market had a positive sentiment, as Oil & Gas, Banking, Industrial Goods and Insurance sectors grew by 6.53%, 3.29%, 0.19% and 0.17% week-on-week accordingly, while the Consumer Goods receded 0.32%w/w.



Source: NBS. Atlas 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.

Outlook

We expect to see further mixed sentiment in the new week amid interim earnings results.

FX, FOREIGN RESERVE & OIL MARKET

Naira sustain decline despite rising oil prices

The Naira weakened against the US Dollar during the week. The Naira depreciated in the parallel market by 0.40% to close on Friday at ₦505/USD, as against ₦503/USD in the previous week. Also, the Naira depreciated in the I&E Window by 0.12% from ₦411.25/USD in the prior week to close the week at ₦411.75/USD.

FX Rate	Open	Close	W/W %Change
I & E Window	411.25	411.75	▼ -0.12%
Parallel Market	503.00	505.00	▼ -0.40%

Source: FMDQ, AbokiFX, Atlass Portfolios

Oil Price decline on collapse talk among major producers

The global oil prices fell during the week amid uncertainty oversupply after the collapse of talks among major producers, which could potentially cause the current output agreement to be abandoned.

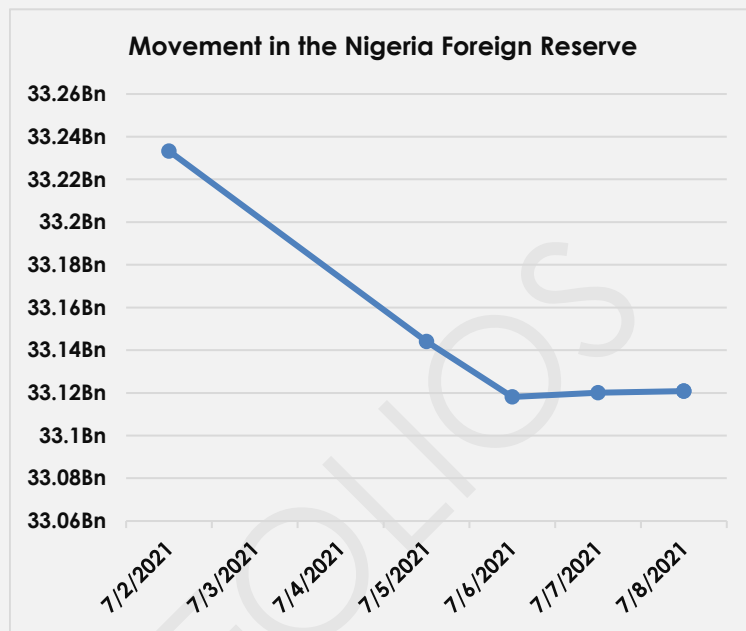
Consequently, the Brent fell by 0.83% to close at \$75.55pb, while the US oil benchmark, (WTI) dipped by 0.89% to \$74.56pb.

Oil Price	Open	Close	W/W %Change
Brent	76.18	75.55	▼ -0.83%
WTI Crude	75.23	74.56	▼ -0.89%

Source: Oil Price.com, Atlass Portfolios

Foreign Reserve

The Nigeria Foreign Reserve posted its second uptick on Thursday but declined by \$112.51 from the closing position of \$33.23Bn (Friday, 2nd July, 2021) to \$33.12 billion on Thursday 8th July 2021.



Source: CBN, Atlass Portfolios

GLOBAL STOCKS

Global stocks reverse bearish sentiment ahead of key economic data

This week, mixed sentiment prevailed in the global equity markets as markets relaxed from fears of a slowing pace of economic recovery from COVID-19 that dominated trading for much of the week.

Despite the extended rally in Treasury yields last week, the three major U.S. stock indexes rallied to record closing highs.

As a result, all of the three major market indices in the US the DJIA, S&P 500 and NASDAQ, closed the week higher by 0.24%, 0.40% and 0.43%, respectively, to sustain the previous week positive sentiments.

However, mixed reactions in the major European markets about the resilience of economic recovery sent investors fleeing to bonds, as only the Germany DAX grew by 0.24% w/w. While UK FTSE 100 and France CAC 400 dipped by 0.02%w/w and 0.36%w/w respectively.

	STOCK MARKET	OPEN	CLOSE	W/W % CHANGE
US	DJIA	34,786.35	34,870.16	▲ 0.24%
	S&P 500	4,352.34	4,369.55	▲ 0.40%
	NASDAQ	14,639.33	14,701.92	▲ 0.43%
EUROPE	France: CAC 40	6,552.86	6,529.42	▼ -0.36%
	Germany: DAX	15,650.09	15,687.93	▲ 0.24%
	UK: FTSE 100	7,123.27	7,121.88	▼ -0.02%
ASIA	China: Shanghai Composite	3,518.76	3,547.89	▲ 0.83%
	Hong Kong: Hang Seng	28,310.42	27,490.66	▼ -2.90%
	Japan: Nikkei 225	28,783.28	28,569.02	▼ -0.74%
	Indian: S&P BSE Sensex	52,484.67	52,638.33	▲ 0.29%
SOUTH AMERICA	Brazil: Bovespa	127,621.65	125,427.77	▼ -1.72%
	Mexico: IPC All-Share	50,360.46	49,768.35	▼ -1.18%
	Argentina: Merval	63,426.11	62,371.58	▼ -1.66%
AFRICA	South Africa: FTSE/JSE Africa All-Share	66,323.76	66,385.57	▲ 0.09%
	Egypt: EGX 30	10,256.62	10,184.80	▼ -0.70%
	Ghana: GSE Composite	2,652.21	2,652.54	▲ 0.01%
	Nigeria: ASI	38,212.01	37,994.19	▼ -0.57%

Source: WSJ, Atlss Portfolios

We expect a modest recovery in the global market as inflation data could provide a scare ahead of testimony by Federal Reserve Chair Jerome Powell on Wednesday and Thursday, where markets will be hypersensitive to any talk of early tapering.

Likewise, investors sat on the fence as two of the four indices grew week-on-week, the China Shanghai Composite, and India S&P BSE grew by 0.83w/w and 0.29%w/w respectively, while Hong Kong Hang Seng and Japan Nikkie 225 shed 2.90%w/w and 0.74%w/w respectively.

In other emerging markets, only the South-Africa FTSE/JSE and Ghana GSE Composite gained 0.09%w/w and 0.01%w/w, respectively. While Egypt EGX 30, Mexico IP All-Share, Brazil Bovespa and Argentina Merval shed 0.70%w/w, 1.18%w/w, 1.72%w/w, and 1.66%w/w respectively.

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