

Base-year, harvest season to drag inflation downward in July

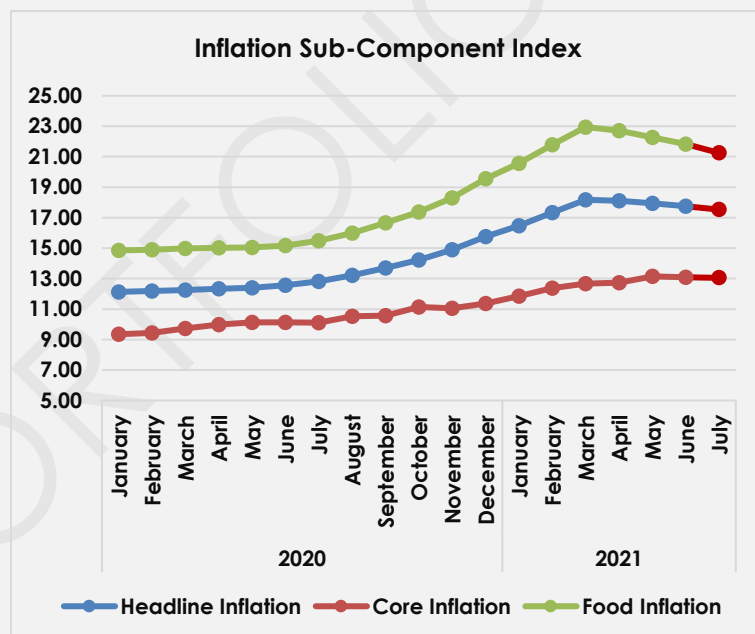
In the week ahead, the Nigeria National Bureau of Statistics (NBS) will publish the July 2021 Consumer Price Index report (CPI), which will show the direction of movement (up or down) of the general price level (Inflation rate) in the country for the month.

As such, we conducted a Pre-CPI report analysis, and our findings suggest that the Headline inflation rate (a measure of the average change in the price level of both food and non-food items) will descend by a minimum of 22bps to 17.53% y/y from 17.75% in the preceding month. This modest disinflation, we believe will be driven mainly by the joint decrease in both the Core inflation (i.e. non-food items price index) and Food inflation (i.e. food price index).

Our position is based on a projection of convergence performance of the two sub-components of the Headline inflation – Food price and Core price (all other items less farm produce) indexes, in July. From our analysis, the Food price index which mirrors the direction of change in the average price of farm produce is expected to descend to 1.05% m/m, as against 1.11% m/m in June and slide on a year-on-year basis to 21.25% y/y (due to base year and harvest season effects), compared to 21.83% y/y in the previous month.

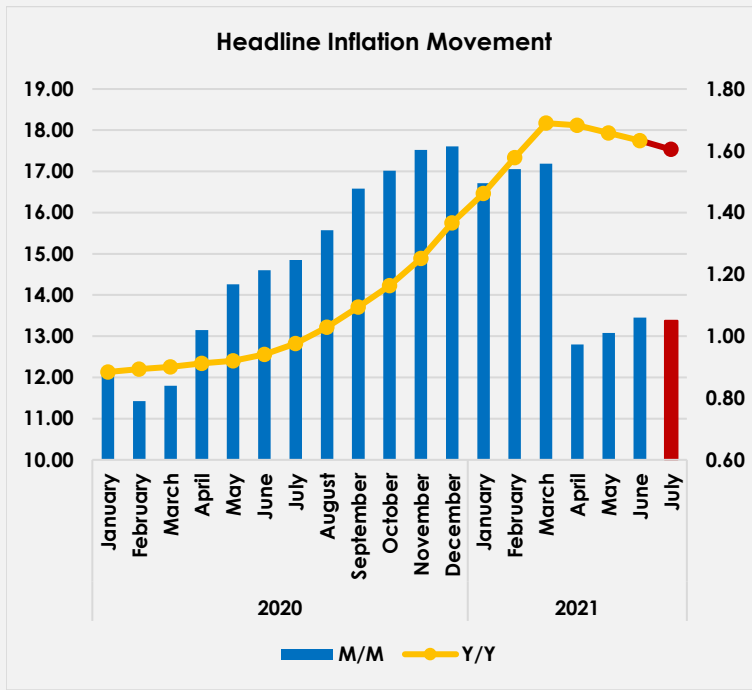
The month-on-month food price index which reflects the actual direction of changes for the month is expected to decline due to slight price decreases noticed on some major food items including – Yam, Pepper and Tomatoes in July. This also corroborates the global trend for July, as reported by the Food and Agriculture Organization (FAO) of the United Nations (UN). According to the latest statistics by the UN agency, the average global food price index declined

global food price index declined by 1.6 points in July to 123.0 points owing to a decrease in the average global prices of Dairy, Cereals and Vegetable Oils.



Source: NBS. Atlass Portfolios

Despite the low inflows of c.\$2.75 billion (6% lower than \$2.72 billion in June) through the I&E FX window in July, which by extension led to Naira depreciating by 0.16% against the USD (from ₦410.7/\$1 at the end of June to ₦411.44/\$1) in July, our analysis revealed that the Core inflation index, which mirrors the direction of change in the average price of all items less farm produce, is expected to fall both on a month-on-month and year-on-year basis. We expect Core inflation to print at 0.71% m/m (as against 0.81% m/m in June) and 13.05%y/y (as against 13.09% y/y in June). We believe this will be driven mainly by the base year effect.



Source: NBS. Atlass Portfolios

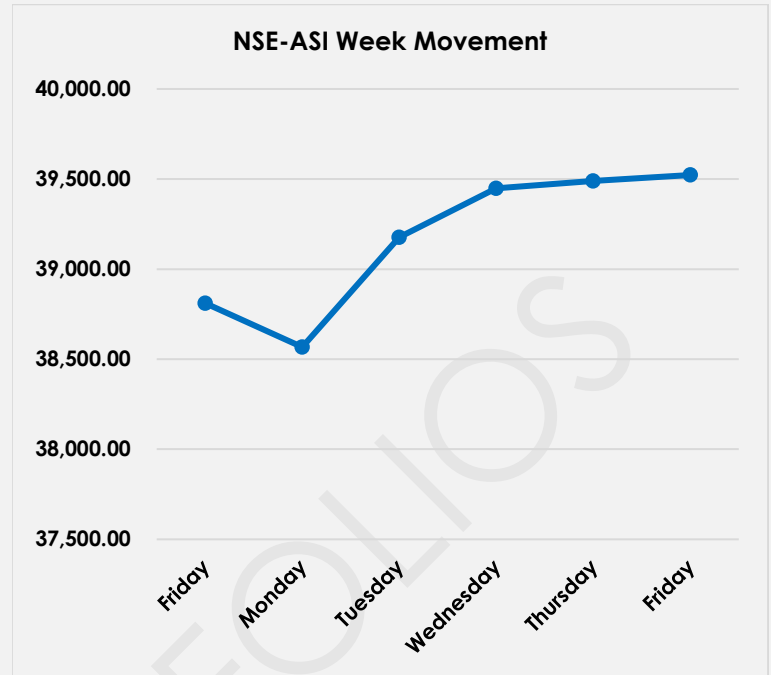
Overall, we expect base year and harvest season effects, supported by the decline of the Food price index in July, to drag the inflation rate to print at 17.53%.

NIGERIA EQUITY MARKET

Telco stocks sustain equity market weekly rally as investors' wealth grew 1.83%w/w

The Nigeria equity market sustained the previous week positive rally following the positive sentiment on telco giants and other bellwether stocks.

Resultantly, the All-Share Index grew by 711.59 basis points, representing an increase of 1.83% to close at 39,522.34, while the Market Capitalization gained ₦370.74 billion, representing a growth of 1.83%, to close at ₦20.59 trillion.



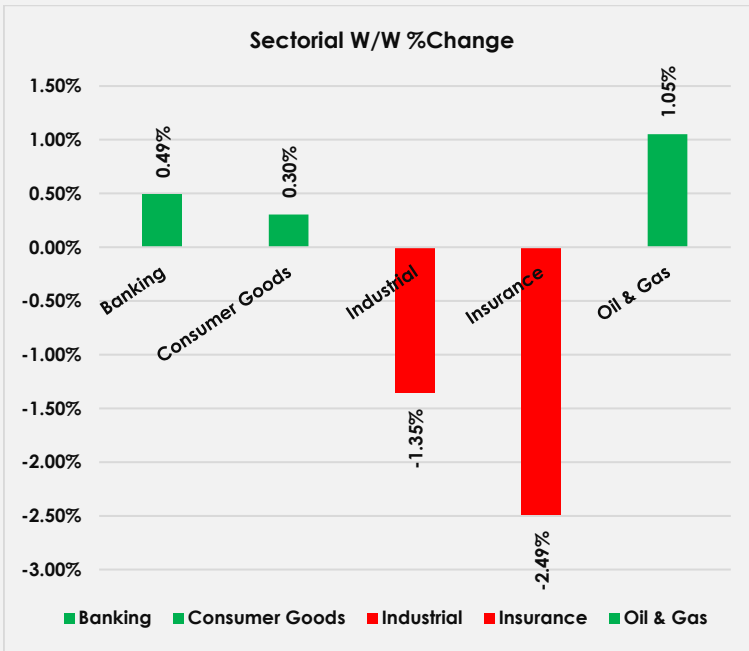
Source: NGX. Atlass Portfolios

The positive sentiment was driven mainly by HONYFLOUR, which emerged as the best performing stock of the week with 28.12% growth, followed by NNFM with 22.76% growth. While AIRTELAFRI, UCAP, MTNN, WAPCO and ZENITHBANK grew by 15.38%w/w, 3.88%w/w, 2.44%w/w, 1.36%w/w and 0.21%w/w respectively, to be among the 29 appreciated stocks for the week.

On the other hand, JULI receded 18.02%w/w to led the losers' chart, trailed by REGALINS (-12.50%w/w), WEMABANK (-9.20%w/w), DANGCEMENT (-2.62%w/w), SEPLAT (-1.34%w/w), DANGSUGAR (-1.13%), and GUINNESS (-0.63%w/w), as 29 stocks depreciated during the week.

Subsequently, only three of the five major sectors had a positive sentiment, led by Oil & Gas with 1.05%w/w gain, followed by Banking with 0.49%w/w growth and Consumer Goods sector with 0.30%w/w increase. Whereas, the Insurance and Industrial Goods sectors shed 2.49%w/w, and 1.35%w/w, respectively.

Sectorial W/W %Change



Source: NGX, Atlass Portfolios

Meanwhile, a total of 1.61 billion shares valued at ₦12.59 billion in 18,621 deals were traded in the week, compared to 989.59 million shares worth ₦8.18 billion in 18,621 deals traded in the prior week.

Outlook

We expect the bargain hunting to sustain amid the decline of yields in the Fixed Income market.

FX, FOREIGN RESERVE & OIL MARKET

Naira remain mixed in the FX market

The Naira during the week remains mixed against the US Dollar in the FX market as it depreciated in the parallel market by 0.98% to close on Friday at ₦515/USD, as against ₦510/USD in the previous week. But the Naira appreciated in the I&E Window by 0.17% from ₦410.8/USD in the prior week to close the week at ₦411.50/USD.

FX Rate	Open	Close	W/W %Change
I & E Window	411.50	410.80	▲ 0.17%
Parallel Market	510.00	515.00	▼ -0.98%

Source: FMDQ, AbokiFX, Atlass Portfolios

Oil Price fell as surging Covid-19 cases revive movement restriction

The global oil prices fell after the International Energy Agency warned that demand growth for crude and its products had slowed sharply as surging COVID-19 cases worldwide forced governments to revive movement restrictions.

Consequently, the Brent declined by 0.16% to close at \$70.59pb, while the Nigeria oil benchmark (Bonny Light) shed 0.19% to close at \$69.64pb.

Oil Price	Open	Close	W/W %Change
Brent (\$)	70.70	70.59	▼ -0.16%
Bonny Light (\$)	69.77	69.64	▼ -0.19%

Source: Oilprice.com, Atlass Portfolios

Foreign Reserve

The Nigeria Foreign Reserve on Tuesday halt 1-month positive growth trend, but still posted a week-on week gain of \$22.32 million from the closing position of \$33.56Bn (Friday, 6th August, 2021) to \$33.58 billion on Thursday 12th July 2021.



Source: CBN, Atlass Portfolios

GLOBAL STOCKS

Global stocks sustain growth amid drop in Gold and Oil prices

Global stocks edged up to closing records and notched a second straight week of gains, buoyed by a climb in Walt Disney shares, but a sharp drop in consumer sentiment kept gains in check.

As a result, two of the three major market indices in the US, the DJIA and S&P 500, closed the week higher by 0.87%w/w, 0.71%w/w, respectively, while the NASDAQ shed 0.09%w/w to reverse the previous week positive sentiments.

The European stocks scaled new highs to clocked their fourth consecutive week of gains on optimism over a strong earnings season and steady recovery from the pandemic-led economic downturn. Consequently, UK FTSE 100, Germany DAX and France CAC 400 grew by 1.34%w/w, 1.37%w/w and 1.16%w/w, respectively.

The Asian market similarly hedged up as sharp falls in gold and oil prices briefly spooked sentiment. In that regard, all of the four indices grew as China Shanghai Composite, Japan Nikkei 225, Honk-Kong HANG SENG, and India S&P BSE increased by 1.68%w/w, 0.56%w/w, 0.81%w/w and 2.14%w/w respectively.

Positive sentiment also prevailed in other emerging markets as all other emerging stock markets grew, accordingly; save for Brazil Bovespa that shed 1.32%w/w.

	STOCK MARKET	OPEN	CLOSE	W/W % CHANGE
US	DJIA	35,208.51	35,515.38	▲ 0.87%
	S&P 500	4,436.52	4,468.00	▲ 0.71%
	NASDAQ	14,835.76	14,822.90	▼ -0.09%
EUROPE	France: CAC 40	6,816.96	6,896.04	▲ 1.16%
	Germany: DAX	15,761.45	15,977.44	▲ 1.37%
	UK: FTSE 100	7,122.95	7,218.71	▲ 1.34%
ASIA	China: Shanghai Composite	3,458.23	3,516.30	▲ 1.68%
	Hong Kong: Hang Seng	26,179.40	26,391.62	▲ 0.81%
	Japan: Nikkei 225	27,820.04	27,977.15	▲ 0.56%
	Indian: S&P BSE Sensex	54,277.72	55,437.29	▲ 2.14%
SOUTH AMERICA	Brazil: Bovespa	122,810.36	121,193.75	▼ -1.32%
	Mexico: IPC All-Share	51,113.85	51,490.94	▲ 0.74%
	Argentina: Merval	65,860.91	69,544.76	▲ 5.59%
AFRICA	South Africa: FTSE/JSE Africa All-Share	68,673.95	69,384.76	▲ 1.04%
	Egypt: EGX 30	10,723.18	10,884.50	▲ 1.50%
	Ghana: GSE Composite	2,741.65	2,744.25	▲ 0.09%
	Nigeria: ASI	38,810.75	39,522.34	▲ 1.83%

Source: WSJ, Atlass Portfolios

We expect a further uptrend in the global market, amid the US senate nod on the infrastructure bill, bets on economic strength bolster Treasury yields and lift cyclically-sensitive shares that have stagnated in recent months after a powerful rally earlier this year.

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