

Nigeria posts lowest capital importation in 5-years, as foreign investors dumped Nigeria over insecurity.

This week, we picked interest in the Q2'2021 Capital Importation data published by the National Bureau of Statistics (NBS) in order to analyse the performance of foreign investment inflows within the quarter. This became important following a record of 0.51% expansion of Nigeria's GDP in Q1'2021 and a decline of Naira in the FX market within Q2'2021.

The Capital Importation data is a quarterly statistic used to show the size (in U.S. dollar terms) of foreign investment inflows into long term Direct Investment (FDI), Portfolio Investment (FPI), and Other financial market investment vehicles in a country.

Bestowing to the data released, Nigeria in Q2'2021 recorded a total foreign investment inflow of \$875.62 million, representing a 54.06%q/q and 32.38%y/y contraction compared to the previous quarter [\$1.91bn] and the corresponding period of 2020 (\$1.29bn), respectively.

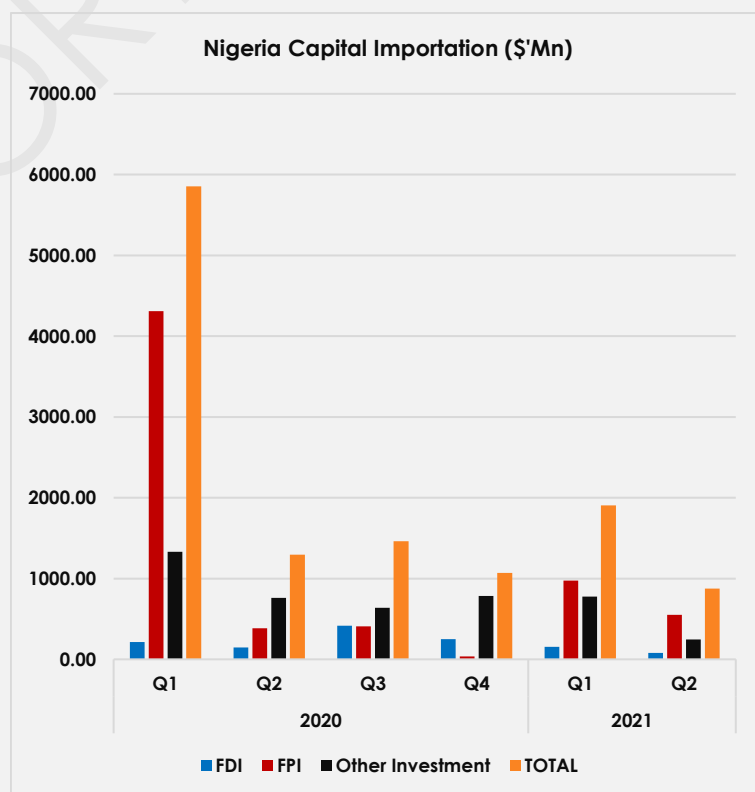
In addition, the Q2 Capital Importation figure also represents the lowest foreign investment inflows into Nigeria since Q1-2016 when total foreign investment inflows settled at \$710.97 million.

Drivers of the decline in foreign investment inflows

Aggregately, the sharp decline in the size of foreign investment inflows into Nigeria in Q2'2021, can be linked to the high inflation rate leading to the negative return on investment, the decline of Naira value in the FX market and civil unrest from secessionists in the southern part of the country, as well as high kidnapping rate in the northern part of the country.

By disaggregating the inflows into investment components, the data revealed reduced inflows into two of the three investment segments (Foreign Direct Investment and Other Investments), while Portfolio investment is the only segment with growth.

Specifically, inflows into Foreign Direct Investment (FDI) and Other Investment vehicles fell by 47.52%y/y and 67.64%y/y respectively, to \$177.97 million and \$246.27 million from \$148.59 million and \$761.03 million in the corresponding period of Q2'2020.

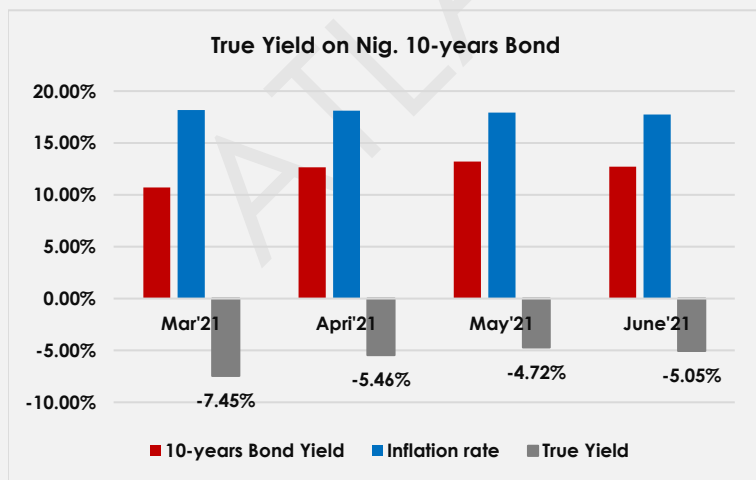


Source: NBS, Atlass Portfolios

We noticed that one of the sub-components of the FDI – Equity investment recorded a 47.52%/y/y decline, while the Other Capital sub-component recorded zero investment inflow in the quarter. Also, two sub-components of Other Investment – Loans and Other Claims contracted by 71.11%/y/y and 0.10%/y/y respectively, while Trade Credits recorder \$1.50 million as against zero records in Q2'2020. We believe this was due to the economic uncertainties, low ease of doing business and civil unrest in various parts of the country.

However, two sub-components of the Portfolio Investment segment – Equity and Money Market investment, recorded an expansion of 43.09%/y/y and 36.02%/y/y of investment inflows in the quarter, respectively, to \$85.16 million and \$452.67 million in Q2'2021. We believe this was due to the adaptation of I&E window exchange rate by the CBN in May, the decline in the inflation rate, and an increased yield rate in the money market instruments.

Recall that the Central Bank of Nigeria (CBN) adopted the I&E window for government transactions (from ₦379/\$1 to ₦411.25/\$1) within the Q2, while the true-yield on 10-years sovereign bond (offer yield minus inflation rate) rose continuously from -7.45% at the end of Q1 to -5.05% in June 2021.



Source: NBS, Atlass Portfolios

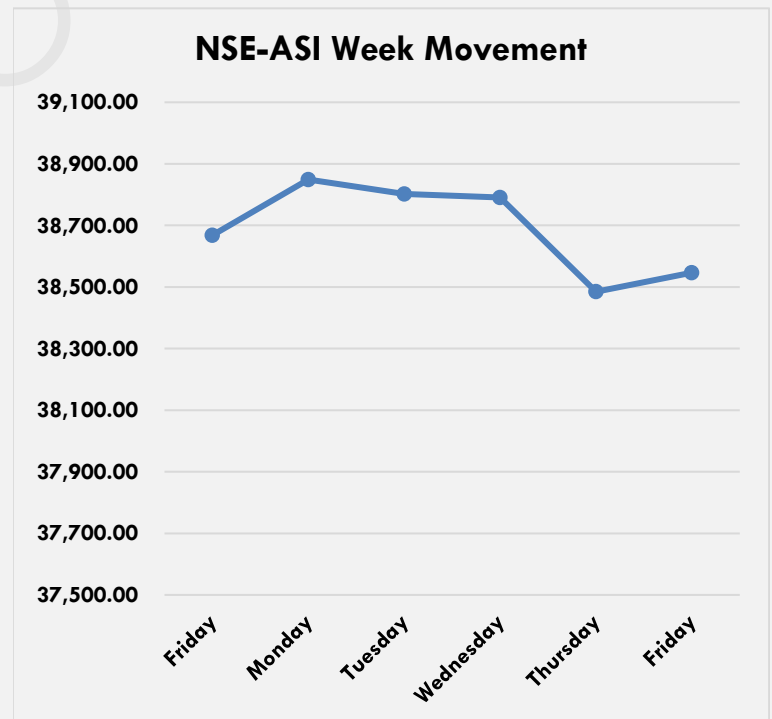
Although we expect the total Capital Importation figure for Q3'2021 to usurp that of Q2 (owing to the calm of various protests), nevertheless, we expect the total inflows to print below \$1.5 billion, as the two key risk factors – the exchange rate and the inflation rate, remains pressured.

NIGERIA EQUITY MARKET

CBN FX ban, profit-taking, low H1 earnings drags equity market lower, shed 0.31%w/w

Investors' wealth in the Nigerian equity market during the week lost ₦63 billion from the previous week's gain. The decline was on the back of less impressive H1'2021 corporate earnings and the CBN's suspension of forex to the BDCs.

Consequently, the All-Share Index declined by 120.82 basis points, representing a decrease of 0.31% to close at 38,547.08, while the Market Capitalization lost ₦62.95 billion, representing a decline of 0.31%, to close at ₦20.08 trillion.

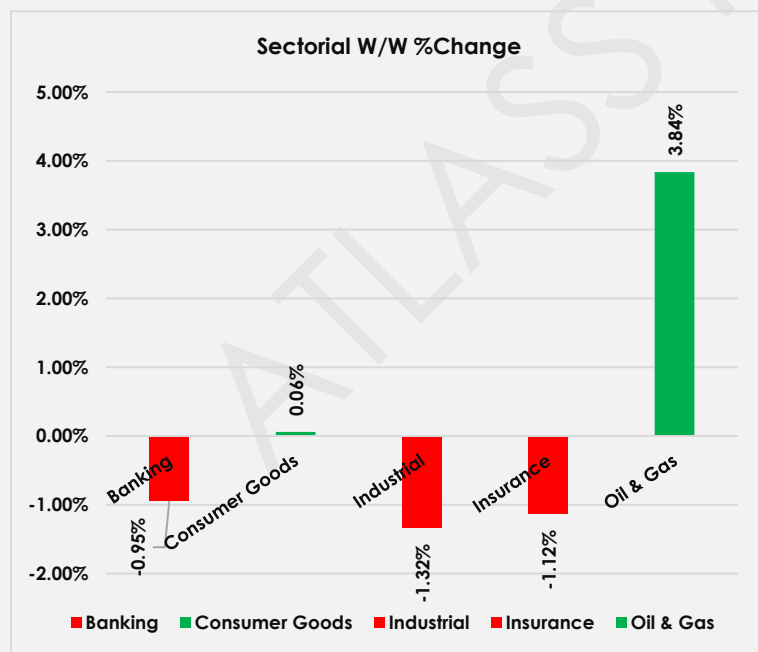


Source: NGX, Atlass Portfolios

Though, despite the bearish sentiment, some of the stocks appreciated, among which are; OANDO, which emerged as the best performing stock of the week with 23.17% growth, followed by BOCGAS with 19.48% growth, while WAPCO, DANGSUGAR, AIRTELAFRI, ACESS and DANGCEM grew by 5.29%w/w, 4.82%w/w, 2.33%w/w, 0.55%w/w and 0.04%w/w respectively, to be among the 38 appreciated stocks for the week.

On the other hand, LINKASSURE receded 14.29%w/w to led the losers' chart, trailed by REGALINS (-12.50%w/w), VITAFOAM (-6.25%w/w), BUACEMENT (-4.23%w/w), GTCO (-3.72%w/w), ZENITHBANK (-1.21%), and NB (-0.86%w/w), as 35 stocks depreciated during the week.

Subsequently, only two of the five major sectors of the market had a positive sentiment, led by Oil & Gas with 3.84%w/w gain, followed by Consumer Goods with 0.06%w/w growth. Whereas, the Industrial Goods, Insurance and Banking sectors shed 1.32%w/w, 1.12%w/w and 0.95%w/w, respectively.



Source: NGX, Atlass Portfolios

Meanwhile, a total of 1.37 billion shares valued at ₦11.82 billion in 22,982 deals were traded in the week, compared to 896.17 million shares worth ₦5.24 billion in 11,714 deals traded in the prior week.

Outlook

We expect bargain hunting from investors in the coming week, amid anticipation of interim dividends from tier-1 lenders and banks pledges to support CBN FX policy.

FX, FOREIGN RESERVE & OIL MARKET

Naira weakened amid CBN suspension of FX supply to BDCs

The Naira weakened against the US Dollar during the week, following the Central Bank of Nigeria (CBN) suspension of FX to the Bureau De Change (BDC) operators.

As a result, the Naira depreciated in the parallel market by 2.18% to close on Friday at ₦515/USD, as against ₦504/USD in the previous week. But the Naira appreciated marginally in the I&E Window by 0.01% from ₦411.50/USD in the prior week to close the week at ₦411.44/USD.

FX Rate	Open	Close	W/W %Change
I & E Window	411.50	411.44	0.01%
Parallel Market	504.00	515.00	-2.18%

Source: FMDQ, AbokiFX, Atlass Portfolios

Oil Price hedged higher as demand grows faster than supply

The global oil prices during the week hedged higher with, demand growing faster than supply and vaccinations expected to alleviate the impact of a resurgence in COVID-19 infections across the world.

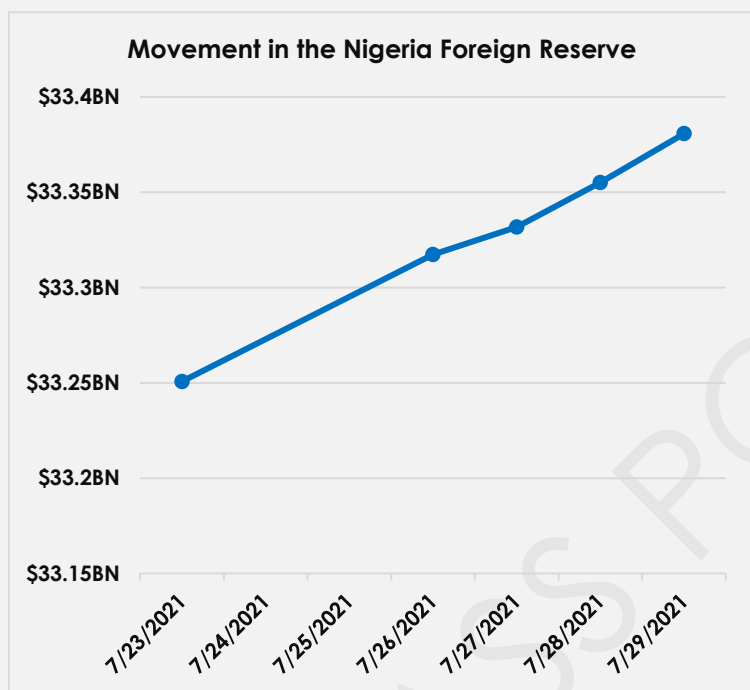
Consequently, the Brent rose by 2.68% to close at \$75.41pb, while the Nigeria oil benchmark (Bonny Light) rose by 2.09% to \$74.32pb.

Oil Price	Open	Close	W/W %Change
Brent (\$)	73.44	75.41	▲ 2.68%
Bonny Light (\$)	72.80	74.32	▲ 2.09%

Source: Oilprice.com, Atlass Portfolios

Foreign Reserve

The Nigeria Foreign Reserve sustained its uptrend to a gain of \$129.97 from the closing position of \$33.25Bn (Friday, 23rd July, 2021) to \$33.38 billion on Thursday 29th July 2021.



Source: CBN, Atlass Portfolios

GLOBAL STOCKS

Global stocks reverse bearish sentiment ahead of key economic data

Global stocks dropped further during the week from record highs as an underwhelming earnings report from Amazon.com Inc (AMZN.O) dampened the market mood.

As a result, all the three major market indices in the US, the DJIA, S&P 500 and NASDAQ, closed the week lower by 0.36%, 0.37% and 1.11%, respectively, sustaining the previous week negative sentiments.

Mixed sentiment prevailed in the European market, as concerns about the fast-spreading Delta variant and regulatory actions in China outweighed optimism around the quarterly earnings season and economic recovery. Consequently, UK FTSE 100 and France CAC 400 grew by 0.07%w/w and 0.67%w/w respectively. While Germany DAX fell by 0.80%w/w.

	STOCK MARKET	OPEN	CLOSE	W/W % CHANGE
US	DJIA	35,061.55	34,935.47	▼ -0.36%
	S&P 500	4,411.79	4,395.26	▼ -0.37%
	NASDAQ	14,836.99	14,672.68	▼ -1.11%
EUROPE	France: CAC 40	6,568.82	6,612.76	▲ 0.67%
	Germany: DAX	15,669.29	15,544.39	▼ -0.80%
	UK: FTSE 100	7,027.58	7,032.30	▲ 0.07%
ASIA	China: Shanghai Composite	3,550.40	3,397.36	▼ -4.31%
	Hong Kong: Hang Seng	27,321.98	25,961.03	▼ -4.98%
	Japan: Nikkei 225	27,548.00	27,283.59	▼ -0.96%
	Indian: S&P BSE Sensex	52,975.80	52,586.84	▼ -0.73%
SOUTH AMERICA	Brazil: Bovespa	125,052.78	121,800.79	▼ -2.60%
	Mexico: IPC All-Share	50,268.45	50,868.32	▲ 1.19%
	Argentina: Merval	64,841.23	66,005.29	▲ 1.80%
AFRICA	South Africa: FTSE/JSE Africa All-Share	68,063.70	68,970.78	▲ 1.33%
	Egypt: EGX 30	10,646.85	10,742.23	▲ 0.90%
	Ghana: GSE Composite	2,650.78	2,717.30	▲ 2.51%
	Nigeria: ASI	38,667.90	38,547.08	▼ -0.31%

Source: WSJ, Atlass Portfolios

The Asian market on the other hand slumped during the week, with key indexes booking their worst monthly performance in years, as persistent concerns over regulatory crackdowns outweighed Beijing's attempts to calm markets.

In that regard, all of the four indices receded as China Shanghai Composite, Japan Nikkei 225, Honk-Kong HANG SENG, and India S&P BSE dipped 4.31%w/w, 0.96%w/w, 4.98%w/w and 0.73%w/w respectively.

Positive sentiment however prevailed in other emerging markets, Egypt EGX 30, South-Africa FTSE/JSE and Mexico IP All-Share gained 0.90%w/w, 1.33%w/w and 1.19%w/w, respectively; save for Brazil Bovespa and Nigeria ASI that shed 2.60%w/w and 0.31%w/w, respectively.

We anticipate a modest recovery in the global market on the expectation of Fed to remain flexible, edging toward tightening only when justified by consistently strong economic data.

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