



Inflation Rate Halts Downtrend as MPC Has More to Worry About

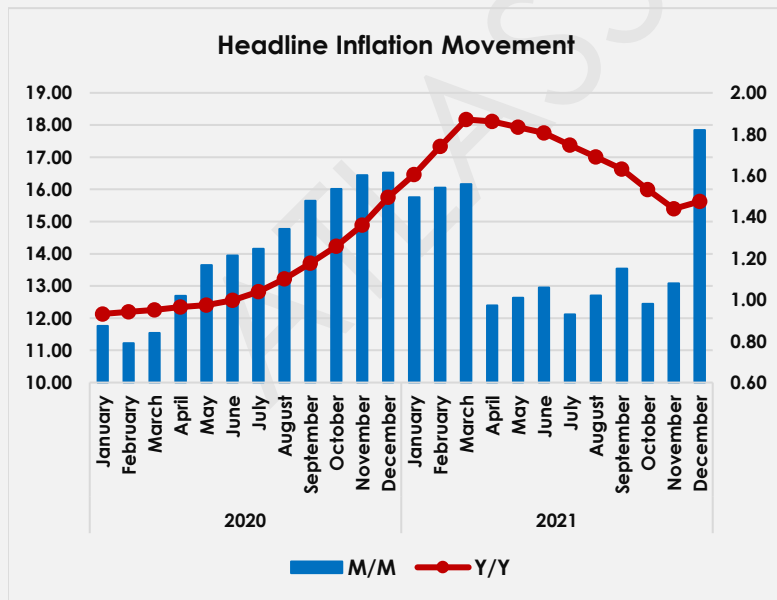
Headline Inflation Halts Eight Consecutive Months of Decline on Consumer Spending in Festive Season

After eight consecutive declines in the Consumer Price Indicator (CPI), the Headline Inflation rate rose by 23bps to 15.63% in December 2021 from 15.4% in the prior month, according to the official data released from the Nigerian Bureau of Statistics (NBS) on Monday. The increase in Headline Inflation was driven by the surge in consumer spending following the December festive season, security concerns and depreciation of Naira in the FX market as the two sub-indexes rose year-on-year.

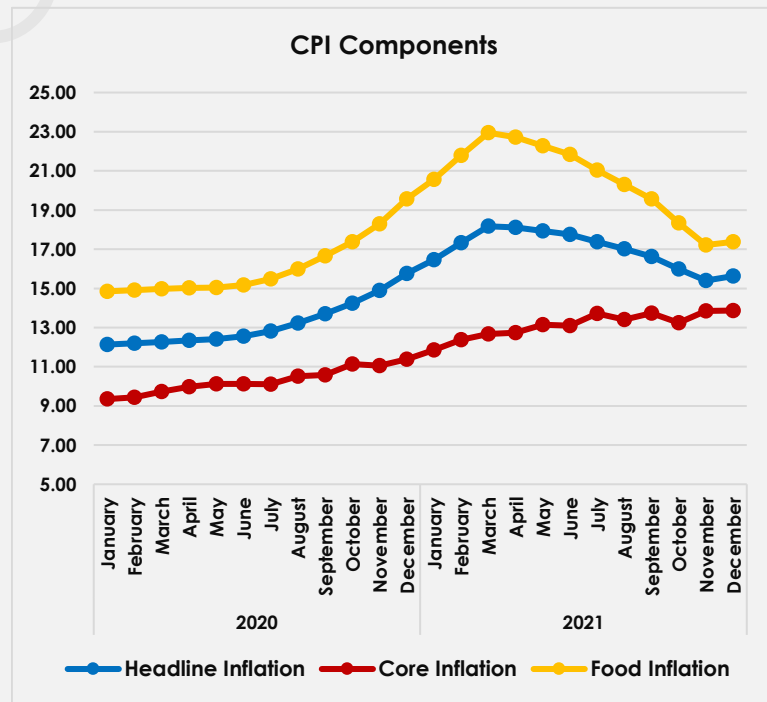
The Food Inflation index climbed by 16bps to increase by 17.37%y/y in December 2021, compared to 17.21% in November 2021, which implies food items were more expensive in December 2021 as against November 2021, driven by the price increase of some agricultural products such as tomatoes, cereals, tuber foods, meat, bread, etc.

On a Month-on-Month basis, the Food Inflation index also rose to 2.19%*m/m* in December 2021, from 1.07% in November 2021, as the festive season spending came to play.

Similarly, the Core Inflation which excludes agricultural produces, stood at 13.87%*y/y*, 2bp up from 13.85% in November 2021. But decelerate by 14bps to 1.12%*m/m* in December 2021 compared to 1.26%*m/m* in November 2021 as Naira extends its depreciation in the FX market as well as low liquidity in the FX market. Notably, the Naira December depreciated in the I&E Window by ₦19.93 to close at ₦435.00/USD. While it appreciated at the Parallel markets by ₦5.00 to close at ₦565/USD.



Source: NBS, Atlass Portfolios



Source: NBS, Atlass Portfolios

Meanwhile, inflationary pressures remain a significant macroeconomic risk in the Nigerian economy as it is a major concern to both businesses and citizens. However, we expect the January inflation rate to stand between 15.4% to 15.6% as against the December 2021 rate.

Inflation Rate, Weak PMI to Shape MPC First Decision in 2022

As the Monetary Policy Committee (MPC) is set to hold its 283rd meeting and the first in 2022, the 10-members of the committee is expected to meet on Monday, January 24, 2022, and Tuesday, January 25, 2022. Meanwhile, we took out time to look into what could be the committee's consideration that will direct their decision to either tighten, hold or lose the Monetary Policy Rate (MPR) and other parameters.

MPC Meeting in Nov 2021	Decision	Remark
Monetary Policy Rate (MPR)	11.50%	Hold
Asymmetric Corridor	+100/-700	Hold
Cash Reserve Ration (CRR)	27.50%	Hold
Liquidity Ratio	30.00%	Hold

Source: CBN, Atlass Portfolio

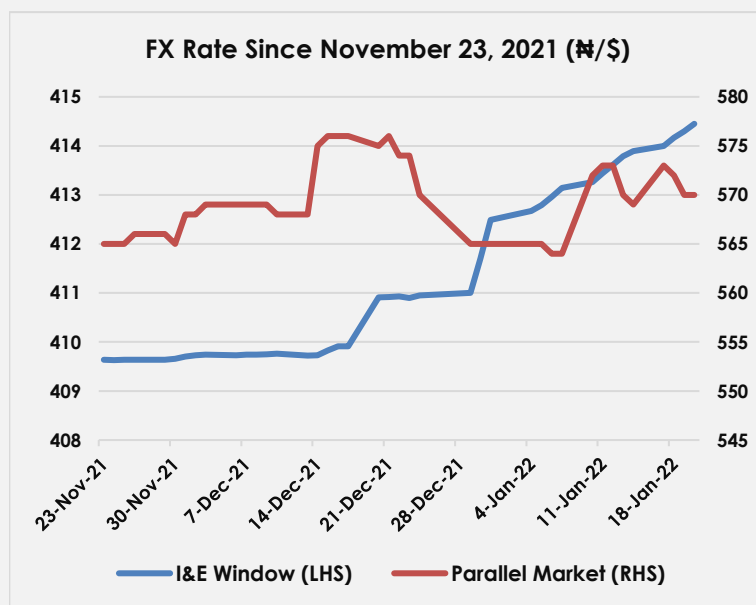
The committee is expected to consider the development of international and domestic macroeconomic indicators since the last meeting in November 2021. Amongst these are the latest GDP rate, inflation rate, FX rate PMI, crude oil price, the impact of the Omicron Covid-19 variant on the economy and the equity market development.

Since Q4'2020, when the economy recovered from the Covid-19 induced recession, the Nigerian economy has remained fragile despite reporting 4-quarters of successive economic expansion. The last GDP report released revealed a sustained economic expansion of 4.03%/y as

against the expansion of 5.01%/y in Q2'2021, and a contraction of 3.6%/y in Q3'2020. Meanwhile, the Inflation rate in December 2021 halted the eight consecutive months of a downtrend to settle at 15.63%/y, following the increase in core and food inflation, driven by the festive period spending and high exchange rate. However, the increase in the inflation rate implies the rate is 2.63% higher than the 13% target in the 2022 Appropriation Bill. Similarly, the Manufacturing and Non-Manufacturing Purchasing Managers' Index remained below the 50-index points benchmark as the October 2021 figures stood at 47.3 and 47.5 index points from 46.6 and 47.8 index points in September 2021, respectively.

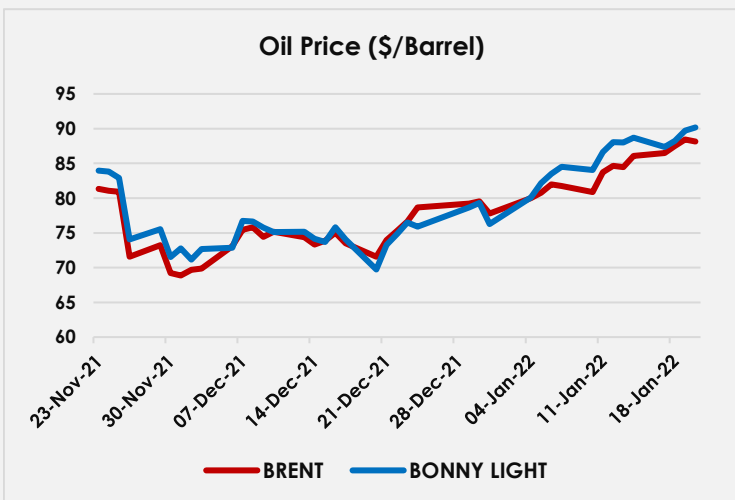
Finally, to strengthen the Naira in the FX market, we believe that the CBN should further improve the liquidity in the FX market and relax the restriction of \$100/month for FX transactions on naira debit cards for legitimate foreign transactions.

Also, the naira continued to remain weakened in the I & E Window and Parallel Market as the naira fell to ₦414.45/USD from ₦409.64/USD on Tuesday, November 23, 2021 and depreciated in the parallel market to ₦570/USD from ₦565/USD on November 23, 2021.



Source: CBN, BDCs, Atlass Portfolio

Nevertheless, between the last MPC meeting and now, the global oil prices rose to the highest in 7-years as the oil price benchmark (Brent Oil) rose by 8.41% to \$88.17 per barrel, while Nigeria Oil (Bonny Light) surged by 7.4% to \$90.17 per barrel following low U.S. inventory and global economic recovery.



Source: CBN, Oilprices.com, Atlass Portfolios

In the equity market, following investors positive sentiment to queue ahead of dividend declaration, the listing of BUA Foods Pls, tranche-II shares buy-back of Dangote Cement Plc, as well as open market orders by foreign investors on blue-chip stocks, the All-Share Index and Market Capitalization rose by 6.09% and 9.53% to 45,890.52 and ₦24.72 trillion.

Looking ahead, we expect the committee to continue to find succor to the contracting PMI as tightening the interest rate will increase the borrowing cost, which will further impact the access to funds to boost production and the unemployment rate. However, tightening MPR will enable the CBN to control the high inflation rate impacted by consumer spending in the festive season. Also, holding the MPR at the current rate will allow the CBN to closely monitor the fragile economy.

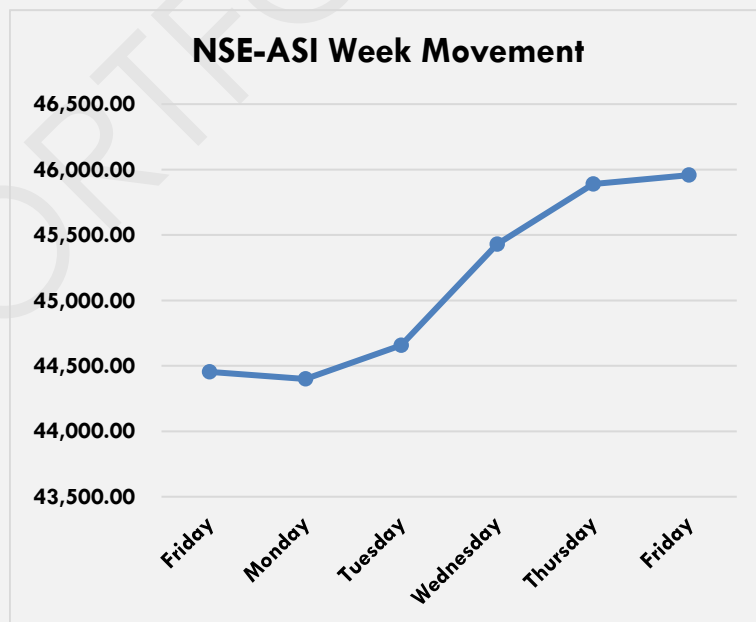
Lastly, we expect the CBN to continue to sustain its unorthodox measures to control system liquidity in the economy.

NIGERIA EQUITY MARKET

Bellwethers Sustain Weekly Equity Market Rally, Gain 3.38%w/w

The Nigeria equity market sustained the weekly rally as the market rose in four of the five trading sessions following investors' appetite in bellwether such as AIRTELAFRI, SEPLAT and the completion of tranche-II shares buy-back of Dangote Cement Plc.

Resultantly, the All-Share Index grew by 1,502.68 basis points, representing an increase of 3.38% to close at 45,957.35, while the Market Capitalization gained ₦809.62 billion, representing a growth of 3.38%, to close at ₦24.76 trillion.

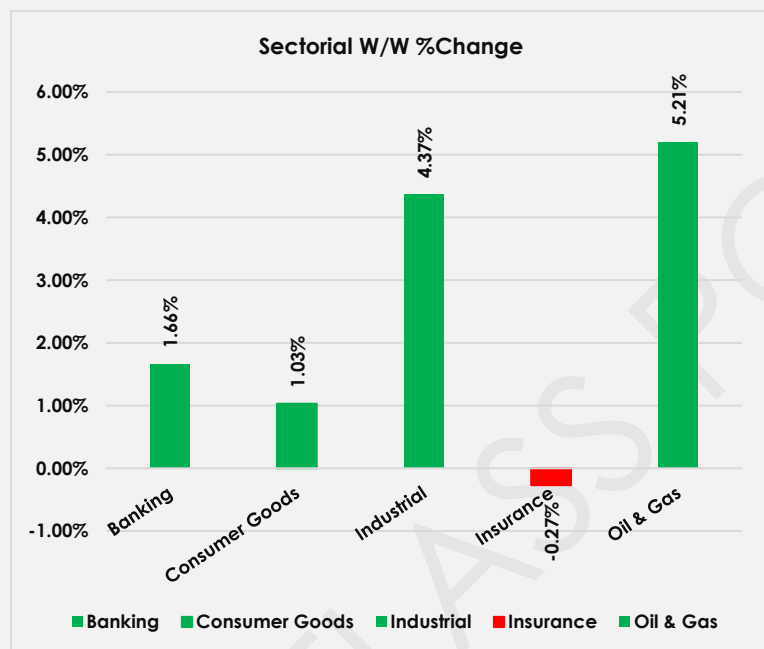


Source: NGX, Atlass Portfolios

In the meantime, the positive sentiment was driven mainly by COURTVILLE, which emerged as the best performing stock of the week with 24.32% growth, followed by ETERNA with 13.19% growth. While AIRTELAFRI, SEPLAT, VITAFOAM, DANGCEM, DANGSUGAR, BUACEMENT, NGXGROUP, ACCESS, GTCO, ZENITHBANK FLOURMILL and UCAP grew by 10.00%w/w, 9.43%w/w, 5.71%w/w, 5.52%w/w, 4.41%w/w, 4.23%w/w, 3.02%w/w, 2.63%w/w, 2.38%w/w, 1.18%w/w, 1.06%w/w and 0.45%w/w respectively, to be among the 47 appreciated stocks for the week.

On the other hand, VERITASKAP and REGALINS receded 8.70%w/w each to led the losers' chart, trailed by HONYFLOUR (-4.76%w/w), JAPAUFGOLD (-4.76%w/w), CHIPLC (-2.99%w/w), STANBIC (-2.97%w/w), ARDOVA (-2.60%), BUAFOODS (-2.42%w/w), WAPCO (-1.55%w/w), CUSTODIAN (-1.40%w/w), LIVESTOCK (-0.94%w/w) and UBA (-0.61%w/w), as 23 stocks depreciated during the week.

Subsequently, only four of the five major sectors had a positive sentiment, led by Oil & Gas with 5.21%w/w gain, followed by Industrial Goods with 4.37%w/w growth, Banking (1.66%w/w) and Consumer Goods sector with 1.03%w/w increase. Whereas, Insurance sectors shed 0.27%w/w.



Source: NGX, Atlass Portfolios

Meanwhile, a total of 1.86 billion shares valued at ₦47.49 billion in 20,861 deals were traded in the week, compared to 1.60 billion shares worth ₦32.72 billion in 22,607 deals traded in the prior week.

Outlook

We expect the bargain hunting to sustain amid dividend expectation and better investment returns as against the Fixed Income market.

FX, FOREIGN RESERVE & OIL MARKET

Naira Relatively Stable in the FX market

The Naira during the week was relatively stable against the USDollar in the parallel market as it closed at ₦569/USD on Friday, the same as its closing position in the previous week. But the Naira weakened in I&E Window by 0.18% to close on Friday at ₦415.53/USD compared to ₦414.79/USD in the prior week.

FX Rate	Open	Close	W/W %Change
I & E Window	414.79	415.53	▼ -0.18%
Parallel Market	569.00	569.00	▬ 0.00%

Source: CBN, BDCs, Atlass Portfolios

Oil Price rose on Supply Concerns

The global oil prices rose to their highest in 7-years due to supply concerns, from short-term issues like a temporary halt to flows in an Iraq-to-Turkey pipeline to a consistent shortfall from OPEC+ members in reaching targeted supply increases.

Consequently, the Brent grew by 2.13% to close at \$87.89pb, while the Nigeria oil benchmark (Bonny Light) rose by 2.87% to close at \$89.03pb.

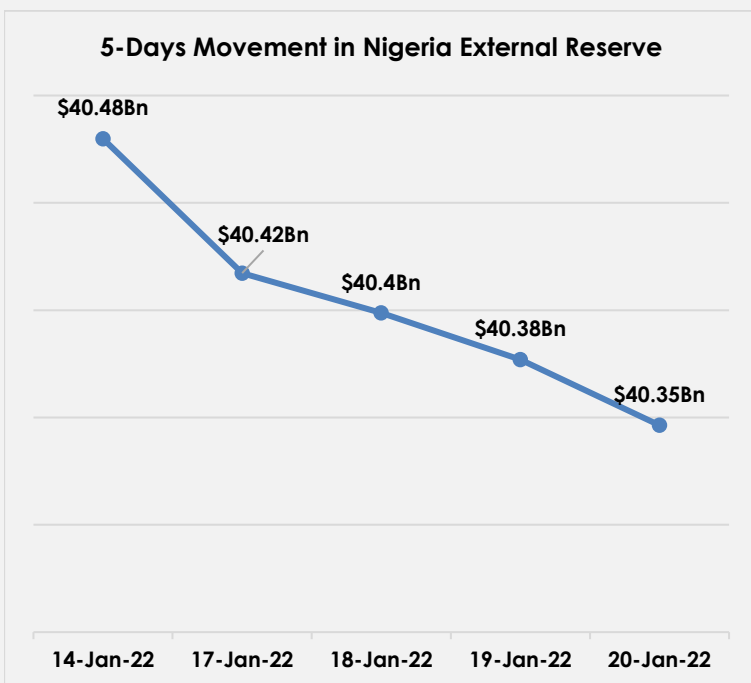
Oil Price	Open	Close	W/W %Change
Brent (\$)	86.06	87.89	▲ 2.13%
Bonny Light (\$)	86.55	89.03	▲ 2.87%

Source: Oilprices.com Atlass Portfolios

Foreign Reserve

The Nigeria Foreign Reserve sustained its decrements dipped by \$133.49 million from the closing position of \$40.48Bn (Friday, 14th January 2022) to \$40.35 billion on Thursday 21st January 2022.

5-Days Movement in Nigeria External Reserve



Source: CBN Atlass Portfolios

However, the Asian shares were mixed, shrugging off drops in Europe and on Wall Street overnight as China underscored its diverging the monetary and economic picture by cutting benchmark mortgage rates. In that regard, China Shanghai Composite and Hong Kong HANG SENG rose by 2.39%w/w and 0.04%w/w, respectively, while Japan Nikkei 225 and India S&P BSE dipped by 2.14%w/w and 3.59%w/w, respectively.

Negative sentiment also prevailed in other emerging markets as all other emerging stock markets declined, accordingly; save for Brazil: Bovespa, Ghana: GSE Composite and Nigeria ASI that grew by 27.45%w/w, 1.00% and 3.38%w/w, respectively.

On expectations of rising interest rates, bolstering the shares of regional banks, as a tumble in technology stocks pushes investors to search for assets that could thrive amid higher yields and tighter Federal Reserve policy, we anticipate further negative sentiment in the global market.

GLOBAL STOCKS

Global stocks Post Biggest Weekly Decline in 2-years Amid Rate Tightening Expectation and Weak Earnings

Wall Street's main indexes ended the week lower as Netflix shares plunged after a weak earnings report that saw the S&P 500 and Nasdaq log their biggest weekly percentage drops since the pandemic in March 2020. Consequently, all the three major market indices in the U.S. lost ground as the DJIA, S&P 500, and NASDAQ closed the week lower by 4.58%w/w, 5.68%w/w, and 7.55%w/w, respectively.

European stocks similarly slumped to mark the third week of losses as jitters over monetary policy tightening by central banks this year and weak economic data sparked steep declines across global equities. Consequently, UK FTSE 100, Germany DAX and France CAC 400 dipped 0.65%w/w, 1.76%w/w and 1.04%w/w, respectively.

	STOCK MARKET	OPEN	CLOSE	W/W % CHANGE
US	DJIA	34,607.72	34,584.88	▼ -0.07%
	S&P 500	4,458.58	4,432.99	▼ -0.57%
	NASDAQ	15,115.49	15,043.97	▼ -0.47%
EUROPE	France: CAC 40	6,663.77	6,570.19	▼ -1.40%
	Germany: DAX	15,609.81	15,490.17	▼ -0.77%
	UK: FTSE 100	7,029.20	6,963.64	▼ -0.93%
ASIA	China: Shanghai Composite	3,703.11	3,613.97	▼ -2.41%
	Hong Kong: Hang Seng	26,205.91	24,920.76	▼ -4.90%
	Japan: Nikkei 225	30,381.84	30,500.05	▲ 0.39%
	Indian: S&P BSE Sensex	58,305.07	59,015.89	▲ 1.22%
SOUTH AMERICA	Brazil: Bovespa	114,285.93	111,439.37	▼ -2.49%
	Mexico: IPC All-Share	51,521.80	51,307.71	▼ -0.42%
	Argentina: Merval	75,895.02	78,512.09	▲ 3.45%
AFRICA	South Africa: FTSE/JSE Africa All-Share	64,296.06	62,863.64	▼ -2.23%
	Egypt: EGX 30	11,056.27	10,996.76	▼ -0.54%
	Ghana: GSE Composite	2,800.36	2,795.88	▼ -0.16%
	Nigeria: ASI	38,921.78	38,943.87	▲ 0.06%

Source: WSJ, Atlass Portfolios

Contact Information

Investment Research

obaanu@atlassportfolios.com

info@atlassportfolios.com

Corporate website: <https://atlassportfolios.com/>