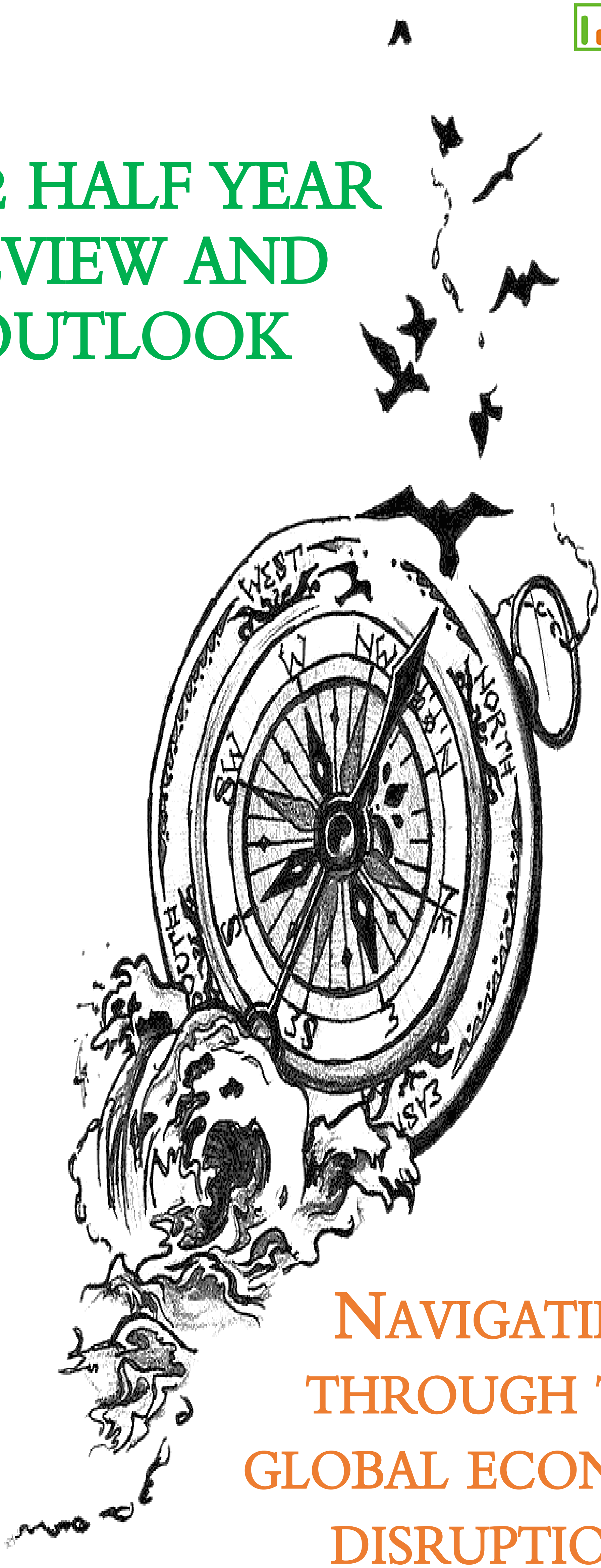
Arthur Steven
Asset Management Ltd

2022 HALF YEAR REVIEW AND OUTLOOK



NAVIGATING THROUGH THE GLOBAL ECONOMIC DISRUPTIONS

Outline

EXECUTIVE SUMMARY

Executive Summary

The audacity of hopes that the global economy will continue to gravitate towards a sustainable growth path after the inimical impact of the lockdown across the globe consequent on the Covid 19 pandemic was dashed. With 2020 came the act of God; the pandemic which threatened human existence and caused ripple effects the world is still trying to recover from. Then came the act of man; the Russian -Ukraine crises which has further complicated issues and caused a negative surprise to growth forecast.

With advent of the crises between Russia and Ukraine and the sanctions and counter sanctions that followed it. There are insinuations of a possible global recession as supply disruption, rising commodity prices especially energy prices and rising inflation continue to steer upwards. We expect with deep certitude that global growth rates will tank.

Although, the Nigerian economy was expected to gain from the rising crude oil prices, the country benefited little from the windfall as the gains from the increase in oil prices were gulped by the payment of heavy subsidy bill which moved in tandem with the oil price increase. With dwindling net proceeds to the government, rising inflation, and the bleak outlook of the global economy and the myriads of security challenges bedeviling the country. The outlook for H2 2022 is a bit gloomy.

Amid the unsavory happening in H1 2022, the Nigerian equities market was the best performed amongst other markets covered in this report. As noted in the report that the low interest environment is a major driver of the market, the hike in the policy rate by the CBN would most likely have a negative impact on the market. However, if inflation continue to rise and interest rate do not keep up with the rise in inflation, the market is expected to post a positive return in H2 2022.

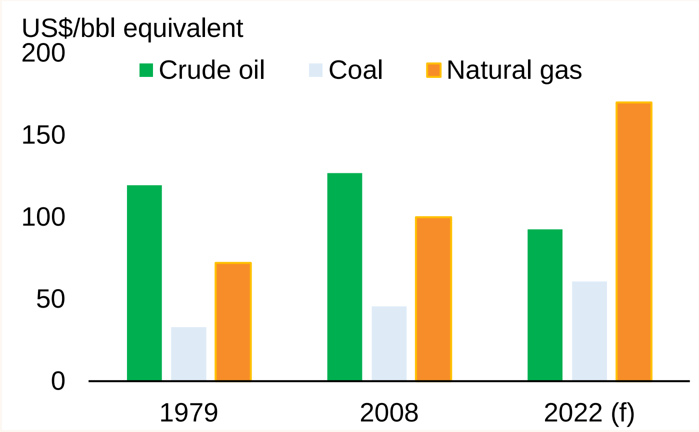
OVERVIEW OF THE GLOBAL ECONOMY

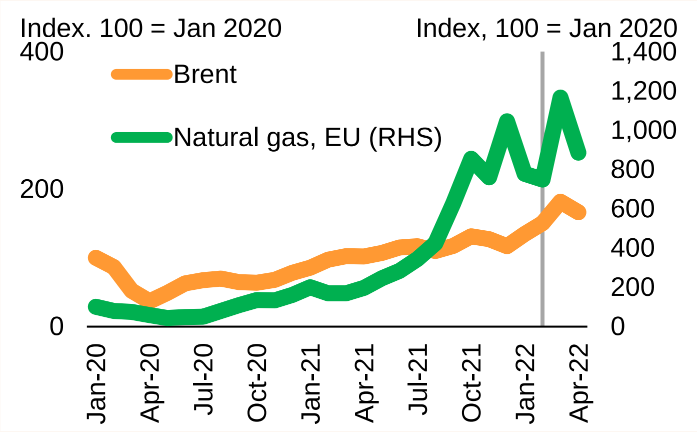
OVERVIEW OF THE GLOBAL ECONOMY

THE GLOBAL ECONOMY

The past six months of 2022 has been mostly shaped by the Invasion of Ukraine by the Russian federation and its effects on commodity prices. The Russian Federation's invasion of Ukraine, its global effects on markets, supply chains, inflation, and financial conditions has led to a downturn in global growth. Furthermore, the invasion of Ukraine has led to soaring prices and extreme price swings in energy markets; with economic progress in the activities of energy exporters more than offset by headwinds in most other economies. The invasion, has also led to a significant increase in agricultural commodity prices. Which not put under control would exacerbate food insecurity and extreme poverty in many emerging market and developing economies.

Russia is a major exporter of energy commodities. According to a World Bank report, the sanctions on its exports has given rise to coal and natural gas prices reaching historic highs in nominal terms. In real terms, only ***European natural gas price has reached an all-time high,*** and it is substantially above its previous peak in 2008. The United States and the European Union (EU) have announced plans to restrict fossil fuel imports from Russia. In retaliation, Russia has cut off direct natural gas exports to Bulgaria, Finland, the Netherlands, and Poland. In response to that, the United States and other International Energy Agency members ***announced the release of 180 million and 60 million barrels of oil, respectively, from April to October 2022.*** The global economy is expected to continue to navigate from these unexpected shocks



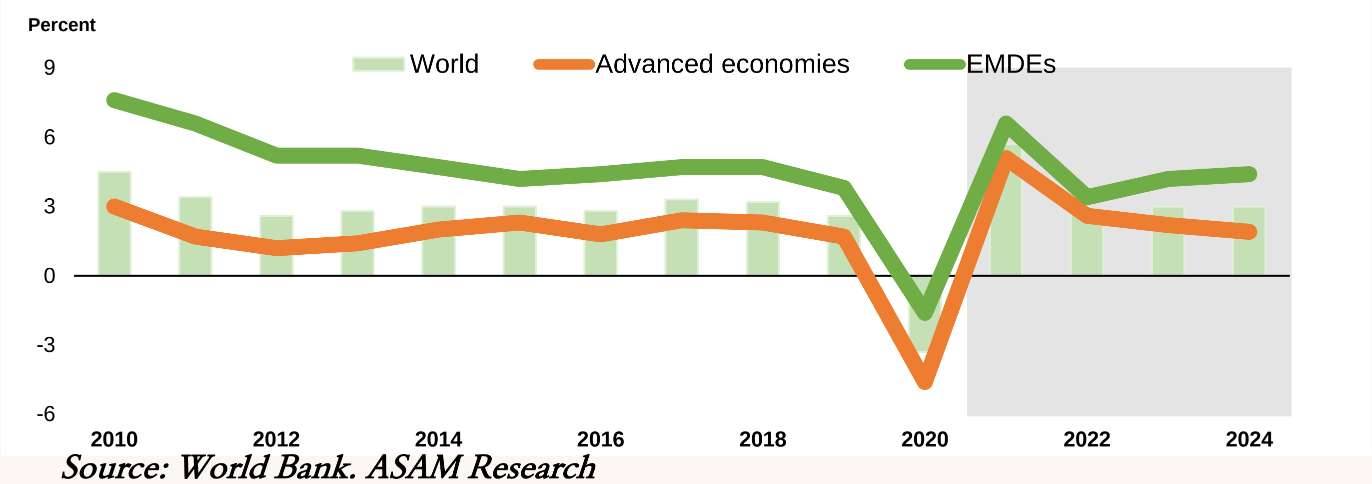


Source: World Bank. ASAM Research

OVERVIEW OF THE GLOBAL ECONOMY

GLOBAL GROWTH

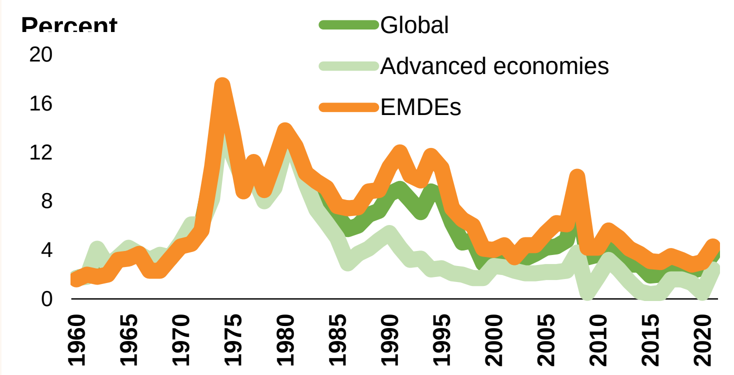
Global growth has moved in the opposite direction: declining since the beginning of the year and, and may stay same remainder of this decade. Although, According to World Bank global growth is projected to slow from 5.7 percent in 2021 to 2.9 percent in 2022 and grow at an average of 3 percent in 2023-24, as Russia's invasion of Ukraine significantly disrupts activity and trade in the near term, pent-up demand fades, and policy support is withdrawn amid high inflation. The downside risks could result in a prolonged global slowdown.

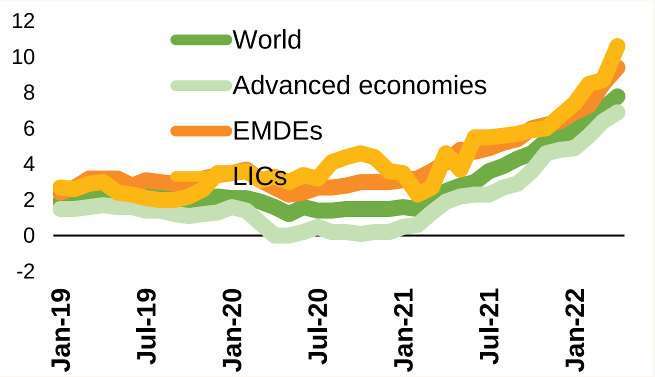


Source: World Bank. ASAM Research

Global Inflation

Inflation has accelerated in both advanced economies and emerging market and developing economies(EMDE's), reflecting firming demand; persistent supply disruptions; tight labor markets in some countries; and, especially, surging commodity prices, which have been pushed up further by the invasion. Global median headline CPI inflation rose to 7.8 percent (y/y) in April 2022, its highest level since 2008. Aggregate EMDE inflation reached over 9.4 percent—its highest level since 2008—while inflation in advanced economies, at 6.9 percent, is the highest since 1982. While increases in food and energy prices have mainly driven the sharp rise in headline inflation, core inflation has also risen globally. In the first half of 2022, the housing, fuel, transport, and furnishing sectors contributed about two-thirds and two-fifths to total headline inflation in advanced economies and EMDEs, respectively.





Sources: Ha, Kose, and Ohnsorge (2021b); Haver Analytics; International Monetary Fund. ASAM Research

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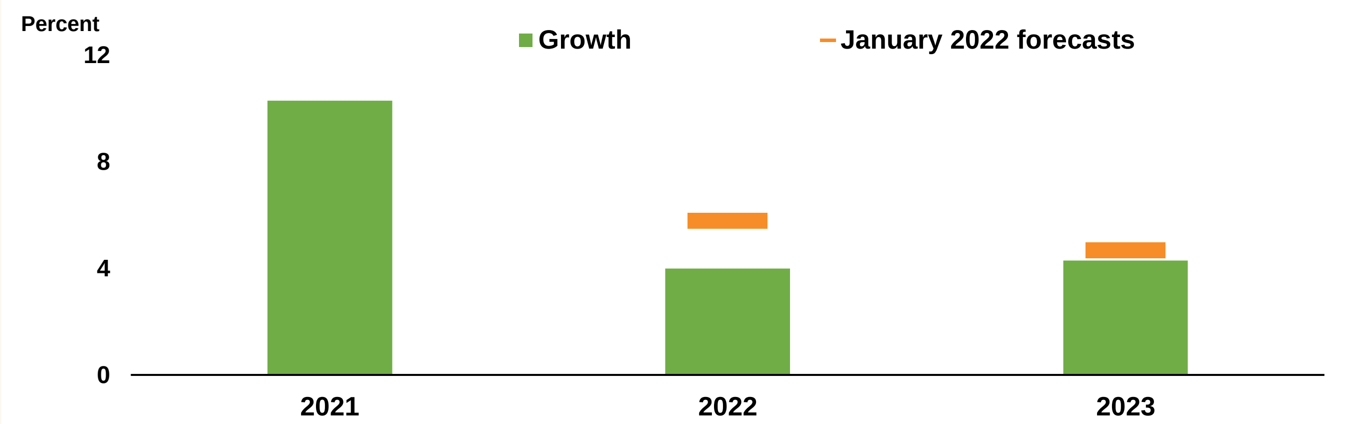
Global inflation

Global inflation has risen sharply from its lows in mid-2020. Markets expect inflation to peak in mid-2022 and possibly decline, remain elevated even after shocks abate and monetary policies tightened. The invasions of Ukraine have led to high commodity prices, supply disruptions, a new level of food insecurity and poverty, disenchanting inflation, tighter financial conditions, amplifying financial vulnerability, and policy uncertainty.

Global trade growth is anticipated to slow to 4 percent in 2022 as the invasion of Ukraine further disrupts global value chains, and global activity gradually shifts back toward the less trade intensive services sector. Russia and Ukraine account for a small share (under 3 percent) of global exports, several bans placed on Russia had disrupted trade. The G7 and the EU announced they would ban or gradually phase out their imports of Russian Energy commodities. Several energy companies announced they would cease operations in Russia, while many traders chose to boycott Russian oil.

Global Trade Forecast



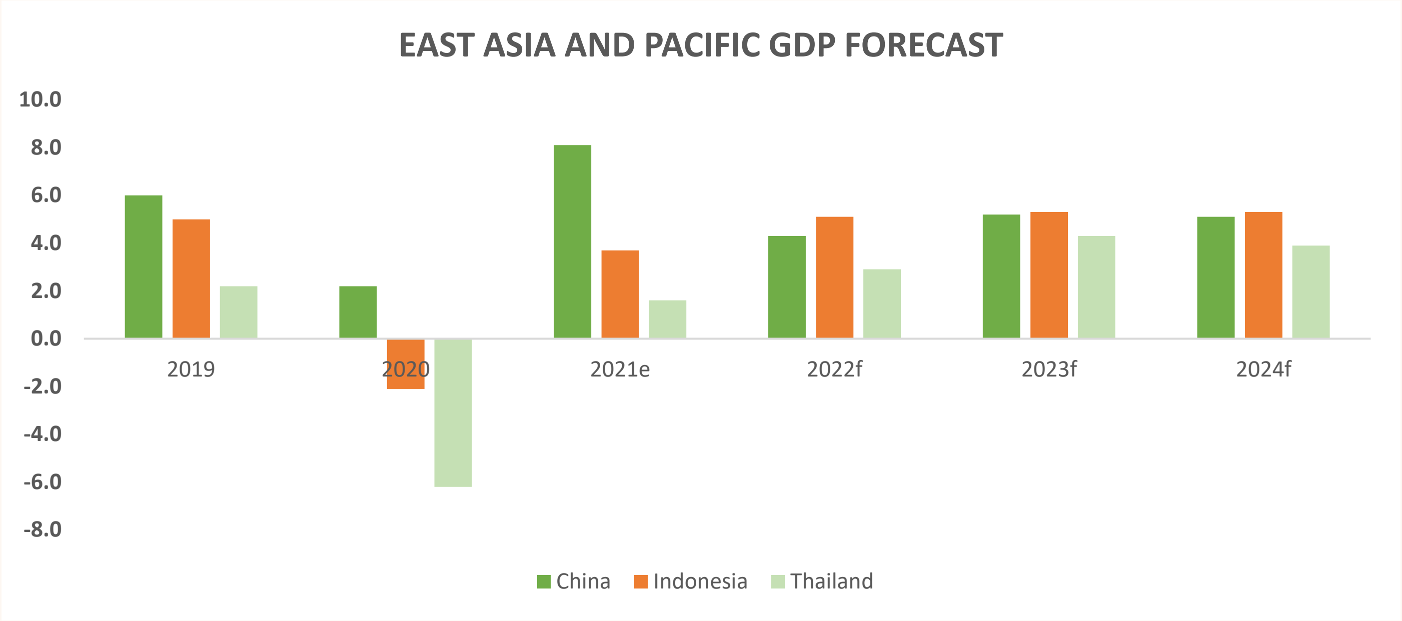
Source: World Bank, ASAM Research

EAST ASIA AND PACIFIC

Growth in the East Asia and Pacific (EAP) region is projected to decelerate to 4.4 percent in 2022 as slower growth in China more than offsets a rebound in the rest of the region. The region has so far been affected less than the rest of the world by the spillovers from the Russian Federation's invasion of Ukraine, in terms of both output and inflation; however, the war's effects on commodity prices and global demand are expected to dampen the recovery, especially in commodity-importing economies. Downside risks to the outlook include a lingering pandemic and resulting mobility restrictions, financial stress triggered by tightening global financial conditions, larger-than-expected spillovers from the war, and disruptions from natural disasters.

OVERVIEW OF THE GLOBAL ECONOMY

China, which experienced a much stronger recovery from the initial stages of the COVID-19 pandemic than the rest of the world, has been experiencing slowing momentum due to recurrent COVID-19 flare-ups. The government has eased fiscal policy to mitigate the impact of outbreaks. Infrastructure investment has rebounded and the contraction in real estate investment moderated at the start of the year, but it has deepened again because of pandemic related restrictions. The real estate sector remains in financial distress.



Sources: World Bank, ASAM Research

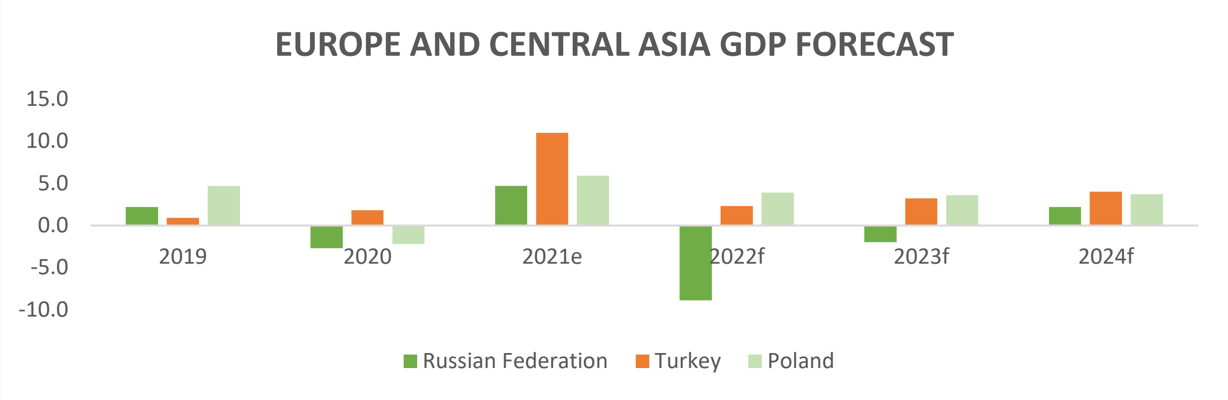
EUROPE AND CENTRAL ASIA

The Russian Federation's invasion of Ukraine has triggered a humanitarian crisis in Ukraine, set back economic growth in Europe and Central Asia and beyond, and heightened global geopolitical instability.

The invasion has devastated Ukraine's economy, while output in Russia has plummeted. Output is forecast to shrink by about 3 percent in 2022, as the invasion and its repercussions reverberate through commodity and financial markets, trade and migration links, and business and consumer confidence.

The largest regional spillovers of the war in Ukraine are likely to be through higher commodity prices and weaker external demand from the euro area. The invasion has increased the risks of widespread financial stress, a de-anchoring of inflation expectations, and food insecurity. A protracted war is likely to further heighten policy uncertainty and fragment regional trade and investment integration.

OVERVIEW OF THE GLOBAL ECONOMY

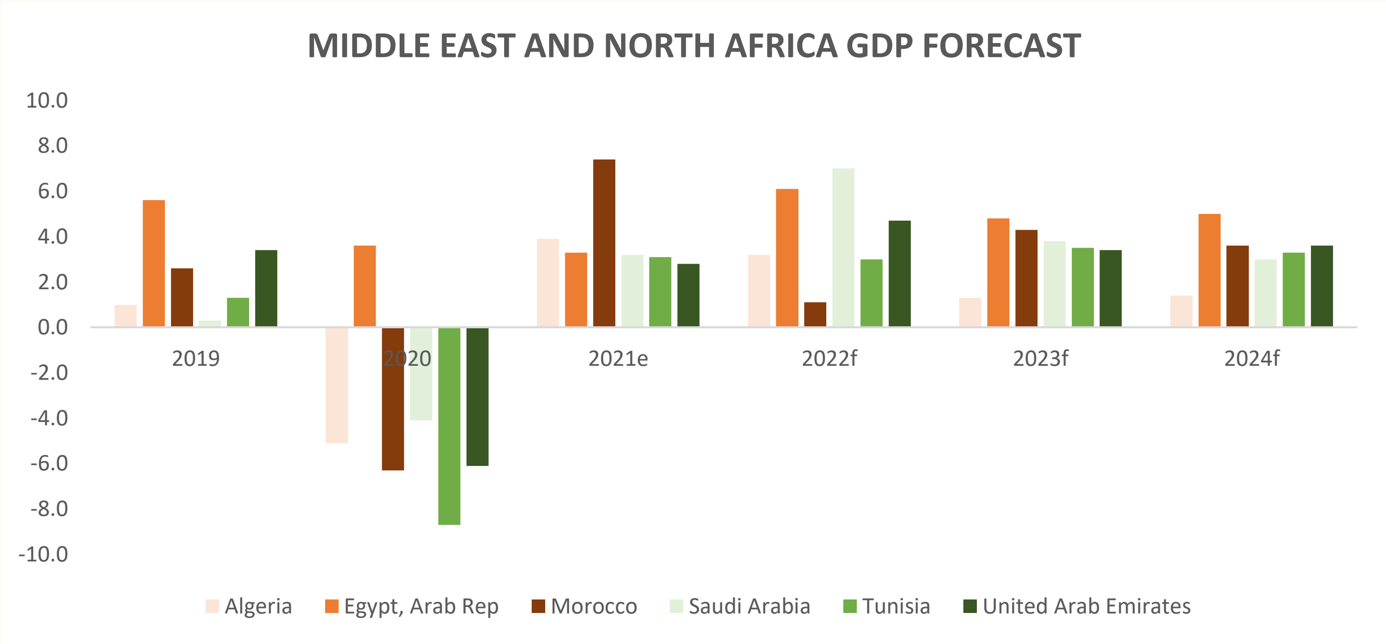


Sources: World Bank, ASAM Research

MIDDLE EAST AND NORTH AFRICA

Output in the Middle East and North Africa region is expected to expand by 5.3 percent in 2022—0.9 percentage point above previous projections, in part reflecting higher oil prices. This would be the region's fastest growth in a decade; however, this rebound is expected to be short-lived.

The region faces a growing divide between oil exporters—which on net should benefit from elevated oil prices and high COVID-19 vaccination rates—and oil importers, which face higher food and energy prices, deteriorating external balances, and still limited vaccination rates. Risks to the outlook are predominantly to the downside, with drought conditions, policy uncertainty, new outbreaks of COVID-19, and geopolitical tensions threatening to raise prices further, erode real incomes, and aggravate social tensions.

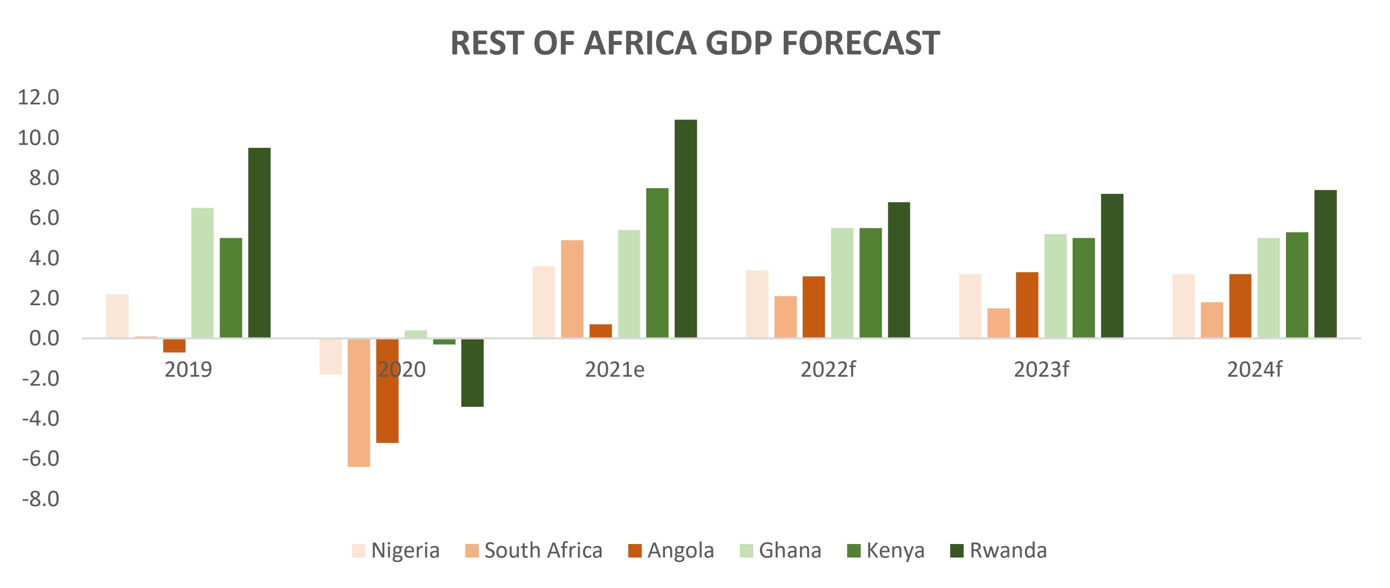


Sources: World Bank, ASAM Research

OVERVIEW OF THE GLOBAL ECONOMY

REST OF AFRICA

The surge in global food prices resulting from the Russia's invasion of Ukraine is weighing on recoveries across Sub-Saharan Africa (SSA), especially in countries heavily reliant on food imports. Surging living costs are tempering the boost to recoveries from high prices of metals and energy.



Sources: World Bank, ASAM Research

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

OVERVIEW

The propitious expectation the year 2022 came with, were dash in the first half of the year as the proverbial Dutch diseases resurfaced with what is supposed to be a windfall; the increase in oil prices due to the Russia and Ukraine crisis filtered away consequent on the heavy subsidy bill which moved in tandem with the increase in oil prices.

In April 2022, the Nigerian National Petroleum Commission (NNPC) discloses that the economy has spent over N947.53billion on petrol subsidy in the first quarter of the year.

Despite the fact that Russia and Ukraine do not account for top 10 imports into the country, the implication of the crisis in the global market has resulted into a spillover effect into the country.

Nigeria is in a paradoxical situation where growth prospects have improved, but the overall macroeconomic framework is deteriorating. The weakening of Nigeria's macroeconomic framework is mainly due to the rising inflation rate caused by global supply chain disruption, weaken exchange rate and high debt profile.

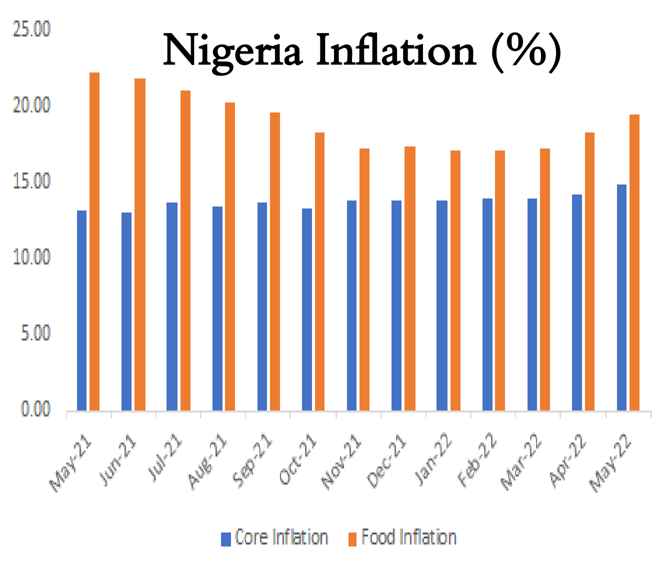
INFLATION

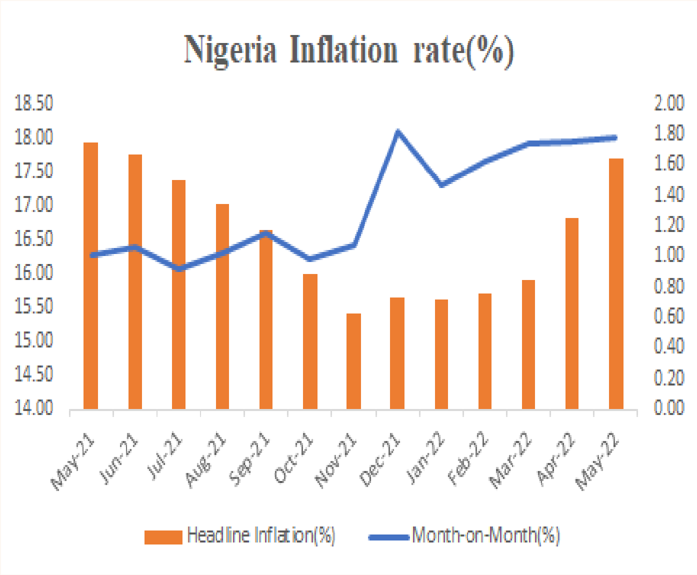
Headline Inflation rate rose to the highest level in over eleven months to 17.71% Year-on-Year (y/y) in May 2022 when compared to the figure (16.82%) recorded in April 2022. It was the fourth consecutive monthly increase recorded and the highest level in over eleven months.

The upward trend in inflation in Nigeria for the Half year 2022 is majorly driven from the supply side/cost push inflation than the demand-pull inflation, as we have the continuous rise in insecurity, global supply chain disruption from the ongoing crises between Russia and Ukraine resulting into rise in imported good price and rise in crude oil and diesel prices which impacted the cost of living for individual and the cost of doing business.

THE NIGERIAN ECONOMY

Also, Fuel scarcity affected the hike in transportation price. However, the CBN's inflation target of 6–9%, which was not achieved in previous years and half-year 2022, remains unlikely to be met in the second half of the year.





Source: NBS, ASAM Research

GROSS DOMESTIC PRODUCT.

According to the National Bureau of Statistics (NBS), Nigeria's Gross Domestic Product (GDP) grew by 3.11% Year-on-Year (YoY) indicating a fairly strong growth in economic activities when compare with the growth rate of 0.11% recorded in Q4 2020 when the country escaped a possible recession (a fall in the GDP for 2 consecutive quarters). In a broader perspective, although the economy experienced growth, the economy witnessed a slowdown in economic activities when compared with the previous quarter growth rate of 3.98

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Economic growth fell by 88 basis point in Q1 2022. Invariably, the output of the economy is increasing at a decreasing rate. A further look at the GDP figures from the three broad classifications of Agriculture, Industry and Services shows that the industry sector decline worsened at it recorded a contraction of -6.81% in Q1 2022 when compared with the -0.05% decline recorded in Q4 2021. We suspect the rising production cost driven by exchange rate volatility to have impact the industry sector's output negatively.

From the report Nigeria recorded an average daily oil production of 1.49 million barrels per day (mbpd), lower than the daily average production of 1.72mbpd recorded in the same quarter of 2021 by 0.23mbpd and lower than the fourth quarter 2021 production volume of 1.50mbpd by 0.01mbpd, Overall the oil sector contributed 6.63% to the total real GDP in Q1 2022, down from the figures recorded in the corresponding period of 2021 and up compared to the preceding quarter, where it contributed 9.25% and 5.19% respectively.

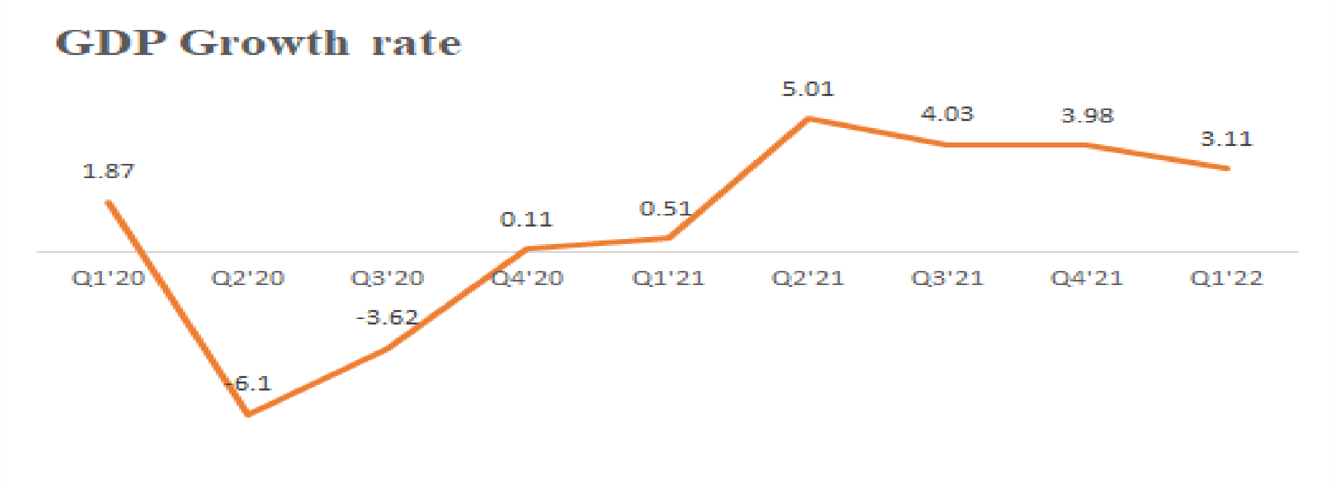
The non-oil sector grew by 6.08% in Q1 2022. This rate was higher by 5.28% points compared to the rate recorded same quarter of 2021 and 1.34% points higher than the fourth quarter of 2021. This sector was driven in first quarter 2022 mainly by the Telecommunication sector Trade; Financial and Insurance sector, Agriculture and Manufacturing Overall, the non-Oil sector contributed 93.37% to the nation's GDP in the first quarter of 2022, higher than the share recorded in the first quarter of 2021 which was 90.75% and lower than the fourth quarter of 2021 recorded as 94.81%.

Although the non-oil sector contributes a large percentage to the country GDP, the oil sector remains the major source of foreign exchange for the government with the current hike in oil prices which is meant to be a blessing for the federal government has all filtered away by the increase in subsidy thereby leading to fuel scarcity in some major part of the country.

Its worthy to note that in 2020 and 2021, when oil prices were much lower, the government lost an opportunity to address one of the primary sources of fiscal vulnerability by choosing to maintain the subsidy for premium motor spirit, more commonly known as petrol—a subsidy that is unique, opaque, costly, unsustainable, harmful, and unfair.

THE NIGERIAN ECONOMY

Nigeria's gross domestic product (GDP) is projected to grow by 3.4 percent in 2022 and by 3.2 percent in 2023, with the continuous crisis in Russia and Ukraine leading to crude oil prices fluctuation amid the pre-election season, weaken exchange rate, we expect a likely drop in the projection of GDP for the year.



Source: NBS, ASAM Research

EXCHANGE RATE, FOREIGN RESERVES AND FOREIGN INVESTMENT

Nigeria has been unable to sustain the fluctuation in exchange rate despite its ban on the sales of forex to Bureau D change and the introduction of "Naira 4 dollar scheme" in 2021. As of the time of writing his report Naira was traded at N428.16/$ at the Investors and Exporters window.

In February 2022, the central bank of Nigeria (CBN) introduced an extended version of the "Naira 4 dollar scheme" from the IMTOs to the IEFX Window, similar to the Naira to dollar scheme in 2021, eligible participate who bring in dollars will receive a N65 incentive payment for every dollar brought via the IEFX window.

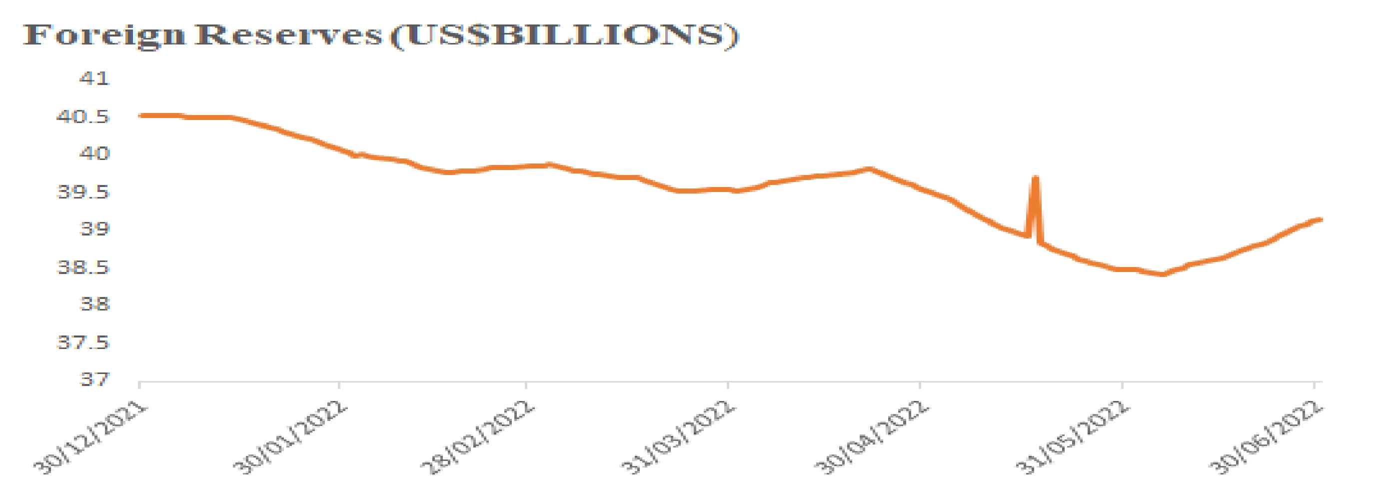
The apex bank persistent intervention in order to ensure stability in the forex and also the decline in capital inflow continued to deepen the foreign reserves. The reserves which stood at US$40.52 billion as of the end of December 2021, declined to US$39.15billion as of the end of June 2022. Nigeria foreign reserves has been supported since 2021 by proceed in Eurobonds Issuance, In March 2021 Nigeria issued additional

THE NIGERIAN ECONOMY

EXCHANGE RATE, FOREIGN RESERVES AND FOREIGN INVESTMENT

Eurobonds for US$1.25 billion. However, according to the World Bank Report, Nigeria foreign reserves is expected to continued its decline in the second half of the year as the CBN is expected to clear the forex backlog to foreigners (estimated at US$1.7 billion in October) and Forex forward contracts.

Also, we don't expect stability in foreign reserves as the Russia and Ukraine crisis keeps increasing oil prices, Nigeria petrol subsidy keeps increasing thereby weaken exchange rate.



Source: CBN, ASAM Research

According to the National Bureau of Statistics (NBS), the total value of capital importation for Q1 2022 stood at US$1.57 billion representing a decline by -17.46 y/y and declined by -28.09 quarter-on-quarter(Q/Q) from US$1.91billion and US$2.19billion recorded in Q1 2021 and Q4 2021 respectively. From the report, portfolio investment accounts for 60.78% of the capital importation which is the largest contributor to the data, a cursory look shows that portfolio investment declined by -1.70% y/y and -48.95% q/q. The decline in portfolio investment might be attributed to the insecurity in the country, volatility in exchange rate and also the pre-election year as we expect the election in 2023.

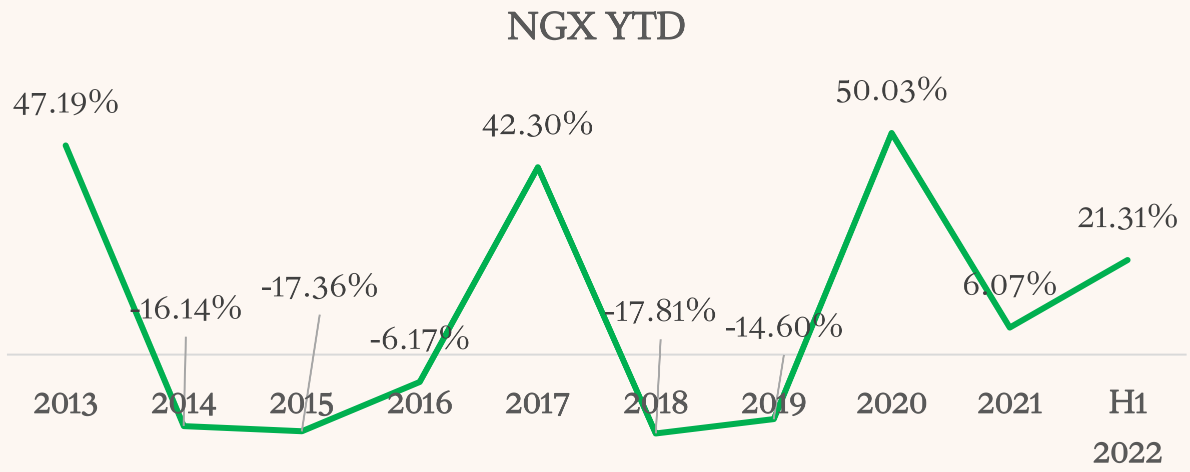
Across the sectors, capital importation into banking had the highest inflow of US$818.84 million amounting for 52.05% of total capital imported in the first quarter of 2022. This was followed by capital imported into the production sector, valued at US$223.67 million (14.22%) and the financing sector with US$199.37 million (12.67%).

THE NIGERIAN EQUITIES MARKET

THE NIGERIAN EQUITIES MARKET

PERFORMANCE OF THE EQUITES MARKET

The Nigerian Equities Market wrapped up the first quarter(H1) of 2022 on positive note as the broad index gained 21.31% maintaining the bullish trajectory from 2021. The market opened the year at 42,716.44 points and closed 51,817.59 points which indicated that the NGX-ASI gained 9,101.15 points 3.72x over the total gains recorded in the NGX-ASI for the whole 2021. This outcome corroborate the strong bullish sentiment which pervaded a larger part of the first half (H1) of 2022.



Stock Market Index	H1 2022 YTD
Bostwana(BSC DCI)	2.39%
Egypt(EGX 30)	-22.89%
Ghana(GSE-CI)	-8.86%
Morocco(MASI)	-9.90%
South Africa(JSE)	-9.99%
Nigeria(NGX-ASI)	21.31%

Source: Trading Economics, ASAM Research

In the course of H1 2022, the equities market sent strong signals of a likely replication of the historic feet recorded in 2008 when the ASI hit above 66,000 points with the 18-straight trading days bullish rally which occurred between April 8, 2022 and May 9, 2022. Within this period alone, the broad Index gained 11.30% which is 523 basis point higher than the entire gains posted for the whole of 2021. However, at the tail end of H1 2022, the market witnessed profit taking which caused the market to shed 2,255.63 points to close above the 50,000 psychological level. By and large, the Nigerian equities market was investors preferred destination in H1 2022.

THE NIGERIAN EQUITIES MARKET

DRIVERS OF THE PERFORMANCE

Low interest Environment;

Arguable, one of the critical factors that drive the equities market is the policy rate by the Central Bank which underscored the saying that apex banks determine the boom and doom of the equities market. In September 2020, when the Central Bank of Nigeria (CBN) dropped the interest rate by 100 basis point in order to spur growth, the market gained 54.96% between the day of the announcement by the CBN and the close of the year while the market recorded a final return of 50.03%.

As observed in 2020, the low interest environment spilled into 2021 and transcended into the H1 2022. In consonance with the risk adjusted return that investors seek, the equities market witnessed inflows as the reduction in the policy rate plunged yields in the fixed income market.

LISTING;

One of the contributing factors to the 21.31% on the equities market in the 1st half of the year 2022 was the listing by introduction of 18 Billion shares of BUA FOODS Plc on the 5th of January 2022 at N40 per share added N720 billion to the total Market Capitalization and with the N55 close which implies N15 in absolute terms and 37.50% price appreciation. The listing must have contributed positively to the market.

EARNINGS

The earning season also drove the bullish rally the equities market experienced in the 1st half of the year as investor reacted to earning release as well as dividend declaration and other corporate actions. During the first 6 months of the year, investors didn’t just react to the blue-chip stock only but also to the performance and actions by small cap firms. Small cap stocks such as McNichols which opened the year at N0.77 but shed about -9.09% in March and remained flat before investors drove the price up in reaction to the dividend declaration and more importantly the proposed 6 for 5 bonus shares earned the stock a Year-To-Date 163.64%. More still, we also saw the market react to the 58.6% growth in earnings of Seplat which saw the price double from N650 to N1,300.

THE NIGERIAN EQUITIES MARKET

RUSSIAN-UKARINE CRISIS;

The invasion of the Ukraine by Russia on the 24th of February, 2022 has caused a major upset in energy market as the prices of energy commodities continue to skyrocket, fueling global inflation. Consequent on the crises, Nigeria's Bonny light crude which sold for about $73.52 dollars in November 2021 gained about 36.57% when compare with the price on the day of the invasion and 51.55% as at the close of H1 2022.

The crises also impacted the price of natural gas considering the important role that Russia occupies a major supplier of natural gas across the globe. According to the International Energy Agency, Russia accounted for 14% of the global output in 2021. Considering the huge sanction by Western Nation on Russian oil and gas and the need for alternative, firms in the oil and gas sector especially in the exploration subsector benefited from the crisis. For example, Seplat having continued to broaden its revenue base with investments in the gas value chain posted a stellar performance which earned it 100% share price appreciation in H1 2022 as investors reacted positively to the prospect in the sector.

More still, in H1 2022, Presco and Okomu also saw significant price appreciation in their share prices as the two firms posted 87.93% and 52.75% respectively. The price appreciation in the stock price was consequent on the perceived stellar performance that these two agricultural firms are expected to post as the demand for oil palm continues to grow being a substitute to sun flower oil which the invaded Ukraine is the highest exporter.

THE NIGERIAN EQUITIES MARKET

FOREIGN PORTFOLIO INVESTMENT

Period	Total	Foreign N'Billion	Foreign %	Domestic N'Billion	Domestic %	Foreign Inflow N'Billion	Foreign outflow N'Billion	Domestic Retail N'Billion	Domestic Institutional N'Billion
Jan 2022	323.38	41.31	12.77%	282.07	87.23%	18.1	23.21	143.62	138.45
Feb 2022	183.56	45.43	24.75%	138.13	75.25%	20.86	24.57	61.39	76.74
Mar 2022	185.26	42.17	22.76%	143.09	77.24%	16.37	25.8	60.61	82.48
Apr 2022	205.88	27.08	13.15%	178.8	86.85%	15.02	12.06	68.22	110.58
May 2022	607.45	45.3	7.46%	562.15	92.54%	25.53	19.77	74.19	487.96
2022 YTD	1505.53	201.29	13.37%	1304.24	86.63%	95.88	105.41	408.03	896.21
2021 YTD	933.65	198.54	21.26%	735.11	78.74%	91.32	107.22	299.23	435.88

NGX, ASAM Research

The YTD participation in the local market in 2022 was 1.61x of the participation in 2021 indicating that the market was bullish in H1 2022. Domestic investor continued to dominate the participation in the equities market for the 5-months covered in this report. Between January 2022 and February 2022, there was a sharp increase in foreign investors participation of 1,198 basis point.

As noted in ASAM 2021 Review and 2022 Economic Outlook (titled 'Weathering the Storm and Looking Ahead'), major stock indices closed the year 2021 negative on the back of massive sell-off which spilled over into 2022 whereas the Nigerian Equities Market closed the year positive which continued into the year 2022.

Therefore, the positive outlook of the market remains a tenable reason for the increased participation of foreign investors in February 2022. However, the participation of foreign investors dropped significantly as investors reacted to global hike in interest rates while the CBN was a bit tardy with its interest rate hike in H1 2022.

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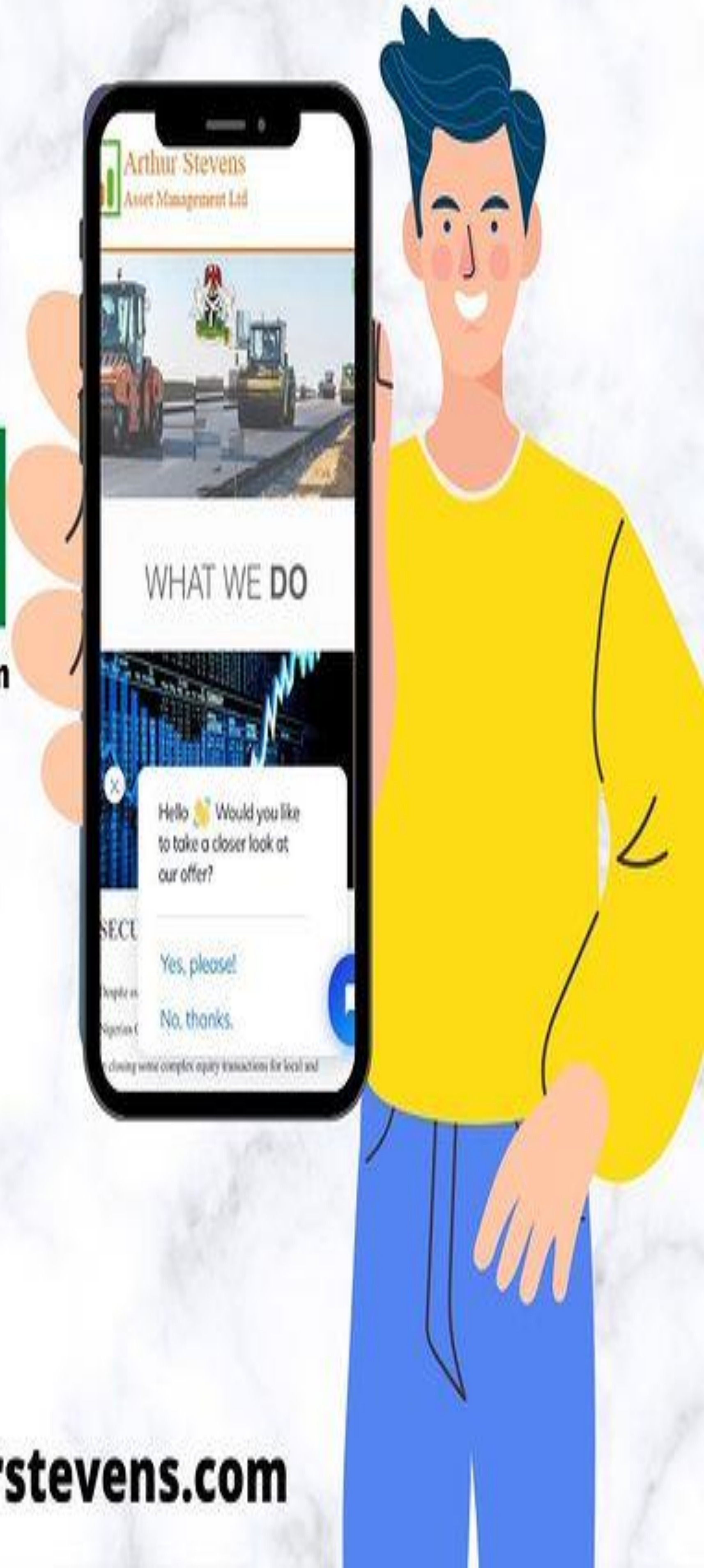

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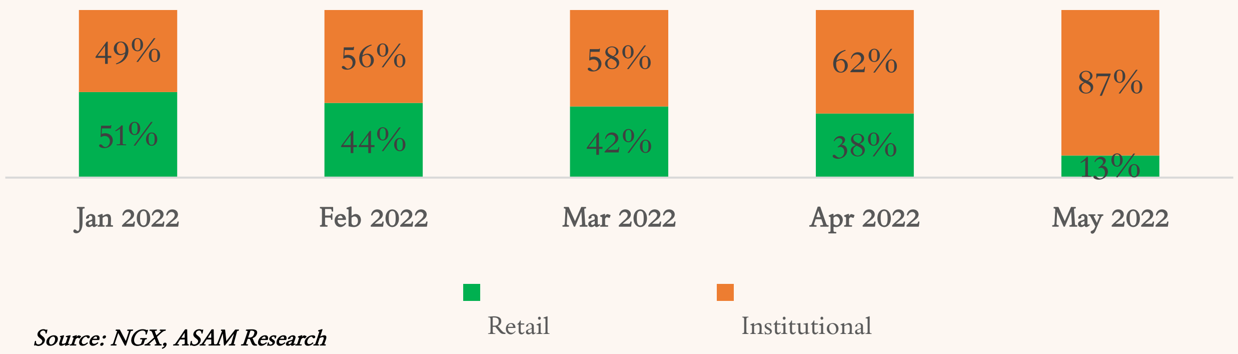
As noted in ASAM 2021 Review and 2022 Economic Outlook (titled ‘Weathering the Storm and Looking Ahead’), major stock indices closed the year 2021 negative on the back of massive sell-off which spilled over into 2022 whereas the Nigerian Equities Market closed the year positive which continued into the year 2022. Therefore, the positive outlook of the market remains a tenable reason for the increased participation of foreign investors in February 2022. However, the participation of foreign investors dropped significantly as investors reacted to global hike in interest rates while the CBN was a bit tardy with its interest rate hike in H1 2022.

DOMESTIC PARTICIPATION IN THE EQUITIES MARKET



Source: NGX, ASAM Research

Local investors continued to dominate the Nigerian Equities market as they accounted for well above 50% of the total participation over 5-months being considered. In January 2022, retail investors accounted for 51% of the total participation compared to institutional investors. However, this was short-lived as retail investors participation continued to ebb amidst fears of uncertainty. The fall in the participation of retail investor could be as result of mounting inflationary pressure and the fear that the gains in price appreciation would reverse as the market is expected to react negatively to the hike in the MPR

THE NIGERIAN EQUITIES MARKET

OVERVIEW OF STOCK PERFORMANCE

Major Banking stocks closed H1 on a somber note as four (4) out of the five (5) Tier 1 banks popularly referred to as FUGAZ recorded a decline in their share prices. UBA, ACCESSCORP, GTCO, ZENITHBANK lost -7.45%, -0.54%, -21.15% and -13.72% respectively while First Bank (FBNH) was the lone gainer with 1.75%.

Stocks in the insurance sector closed H1 on a negative note as only two (2) out of the twenty-one (21) stocks listed gained which are CORNERST (56.52%) and LINKASSURE (1.96%). After the signing of the Insurance bill into law by President Buhari which made health insurance compulsory and The Nigerian Content Development and Monitoring Board (NCDMB) and National Insurance Commission (NAICOM) signing a joint insurance regulation that oblige the oil and gas companies to patronize local insurance firms. There were expectations that investors will price the news into insurance stocks but this didn't come into fruition at the close of H1 2022.

The top performers in the Consumer Goods sector was dominated by the breweries as four (4) out of the five (5) stocks gained with GUINNESS being the highest gainer at 132.05%. Stocks in the Agriculture sector recorded a positive YTD in H1 2022 with PRESCO and OKOMUOIL gaining 87.93% and 52.75% respectively.

In the Health Care sector, FIDSON, MORISON and GLAXOSMITH were the gainers with 80.06%, 10.05% and 9.24% gains respectively.

In the Industrial Goods sector, MEYER, WAPCO, BUACEMENT and DANGCEM were the gainers with a share price appreciation of 447.83%, 10.23%, 7.23%, 7.00% respectively. The Oil and Gas sector had seven (7) gainers with SEPLAT, ETERNA, MRS being the top three (3) gainers with 100.00%, 40.59% and 31.58% respectively. The ICT sector had on its gainers' list five (5) stock with AIRTELAFRI, NCR and MTNN being the top three gainers (3) with share price appreciation of 81.38%, 20.00% and 16.75% respectively.

THE NIGERIAN EQUITIES MARKET

COMPANY	YTD
Top 5 Gainers	
MEYER	447.83%
MCNICHOLS	163.64%
ACADEMY	154.00%
GUINNESS	132.05%
NAHCO	127.27%
Top 5 Losers	
JULI	-58.24%
REGALINS	-47.06%
CAVERTON	-40.70%
LIVESTOCK	-39.53%
GSPECPLC	-34.37%

NGX, ASAM Research

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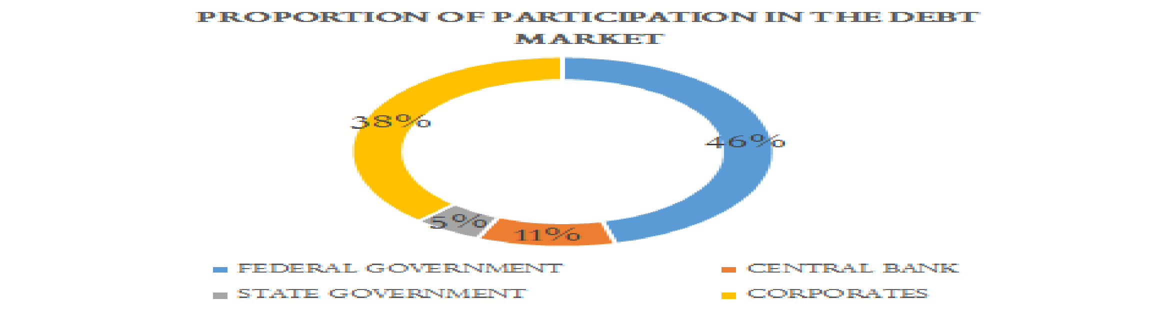
THE NIGERIAN FIXED INCOME MARKET

THE NIGERIAN FIXED INCOME MARKET

OVERVIEW OF THE FIXED INCOME MARKET

The Nigerian Bond market remained dominated by the government at the close of H1 2022, the total listed debt obligations on the Nigerian Exchange Limited (NGX) were 113 as at the 30th of June 2022. The Federal Government of Nigeria was the largest debtor accounting for approximately 46% of the total outstanding obligations. The corporate sector is the second largest debtor with 38% while the Central Bank of Nigeria and the State Government jointly accounted for 16% of the total debt obligation.

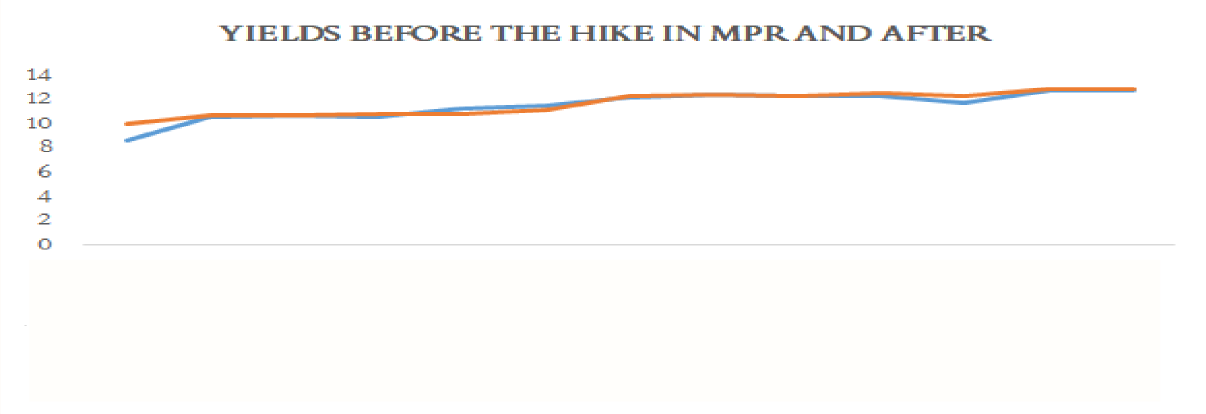
More still, the combined outstanding debt obligation of the Federal Government, State Government and the Central Bank account for 62% of the total debt obligation insinuating that the government is mopping up the funds that would have been available for corporates thereby posting a possible crowing out of the private sector in the market.



Source: NGX, ASAM Research

The hike in the MPR in May 2022 was expected to cause a rise in the yields. From the observations, yields did rise as expected. However, we expect the uptick in yields to subside in Q2 as explained by ASAM's Macroeconomic Note (Titled the Impact of Galloping Inflation on the Financial Market) that investor react to a risk in interest rate slow driving up the yields steadily until investors become indifferent and yields stabilize.

A closer look at the yield still shows that the yields on bonds has not been able to beat inflation. If inflation keep the upward trend while interest rate remains flat, we expect investors to allocate a sizable portion of their funds to the equities as the market portends the potential to beat inflation.

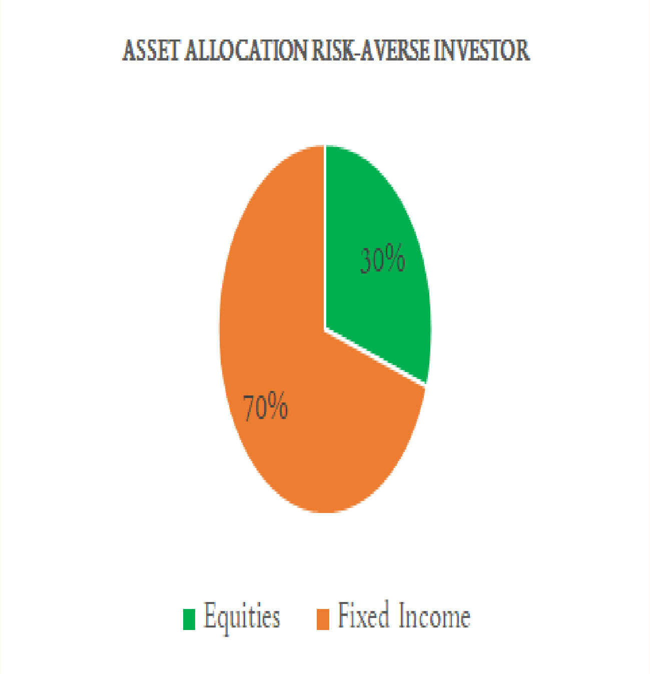


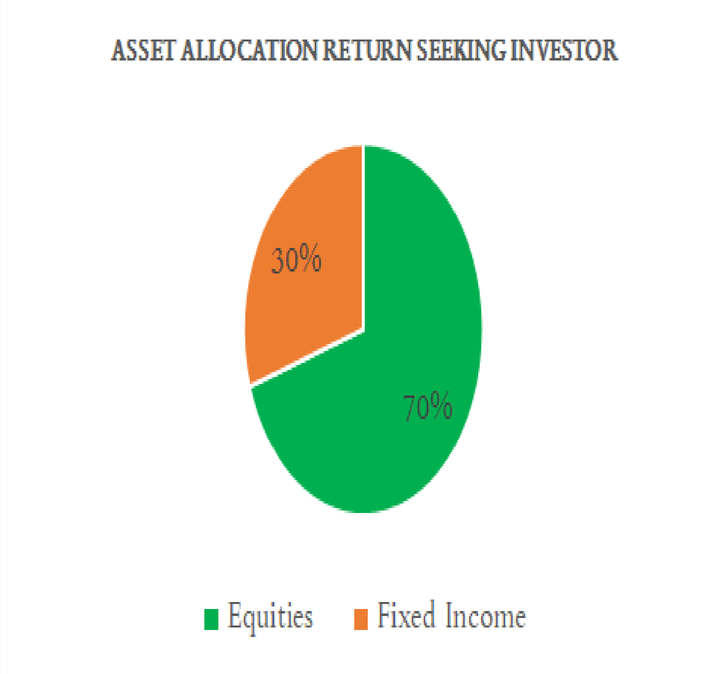
Source: NGX, ASAM Research

MODEL PORTFOLIO FOR H2 2022

OUR MODEL PORFOLIO FOR H2 2022

PORTFOLIO MIX





Source: ASAM Research

We remain optimistic that the equities market remains the main destination to maximize real returns on investment. Considered two different kind of investors, we recommend that a return seeking investor should be exposed more to the equities market while investors with low appetite for risk should overweight fixed income instruments in their portfolio.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OUR STOCK RECOMMENDATION FOR H2 2022

OUR STOCK RECOMMENDATION

RECOMMENDATION FOR H2 2022

The performance in the Equities market by and large has been rode on the back of the dovish stance of the CBN as typified by the stellar performance in years where the policy rate was reduced and had the opposite posture in years where there was a hike in interest rate.

The interest rate hike by 150 basis point is expected to have a negative impact on the equities market. More still, in tandem with presidential election cycle, there is likely to be a sell-off in the market as the equities market is expected to react negatively to the buildup into electioneering. Furthermore, the uptick inflation is expected to be positive for the market as the yields in the fixed income are still below the inflation rate of 17.71% and the equities market remains the destination to maximize real returns.

Considering the fact that institutional investors account for the highest participation in the market and their long-term investment horizon, we expect the market to post a positive return in the H2 2022 despite the twin effect of the interest rate hike and electioneering. We tip the following sectors for stellar performance in H2 2022.

- **Health Care (Pharmaceutical)**

Pharmaceutical products are less sensitive to inflation as the products are mainly non-discretionary with inflation poised to nudge upwards, we do not expect a major decline in the demand for the sector's output.

Company	Comment
FIDSON	The firm has a welldiversified product base across all age grades
GLAXOSMITH	Solid product offering across pharmaceticlas and other health care services
MAYBAKER	The firm has a welldiversified product base across all age grades

- **Oil and Gas**

We expect the sector to perform as the crisis in Ukraine persist with no end in sight in H2 2022.

Company	Comment
SEPLAT	The firm is expected to benefit from high oil prices and pay-off from its investment in the Gas value chain
TOTAL	We expect the firm to benefit from oil prices as well as its diversification into solar

THE NIGERIAN EQUITIES MARKET

- **Telecoms**

The demand for data subscription is expected to grow into the future as the importance of internet connectivity continue to grow.

Company	Comment
MTN	The firm is expected to benefit from demand for the internet as well as the diversification into financial services
AIRTELAFRICA	The firm is expected to benefit from demand for the internet as well as the diversification into financial services

- **Agriculture**

The rising prices of commodities across the globe and the fairly inelastic nature of the output of the sector is expected to be in high demand as real income continue to decline.

Company	Comment
PRESCO	The growing demand for the firm's main output is expected to impact the firm's topline as countries around the world continue to source for alternaves to the sun flower oil which Ukraine is the main exporter
OKOMUOIL	The growing demand for the firm's main output is expected to impact the firm's topline as countries around the world continue to source for alternaves to the sun flower oil which Ukraine is the main exporter

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