2022 Nigerian Capital Market Review Report

Nigeria's Capital Market at Crossroads; Working Towards a New Normal.

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Proshare.

Online Trading in the Age of Distributed Ledger Technology (DLT): **The Doubts, the Pains and the Opportunities.**

8th Edition: November 2022

2016	2017	2018	2019	2020	2021	2022

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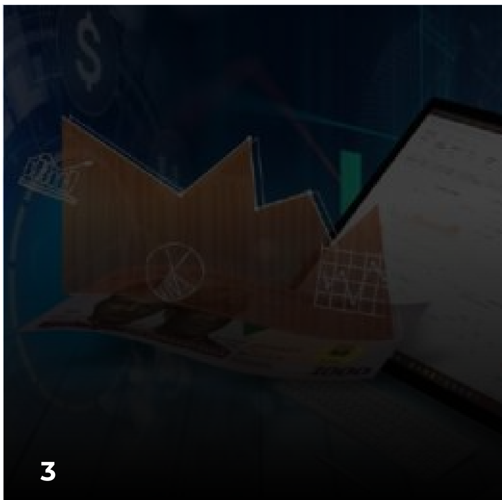


Executive **Summary.**

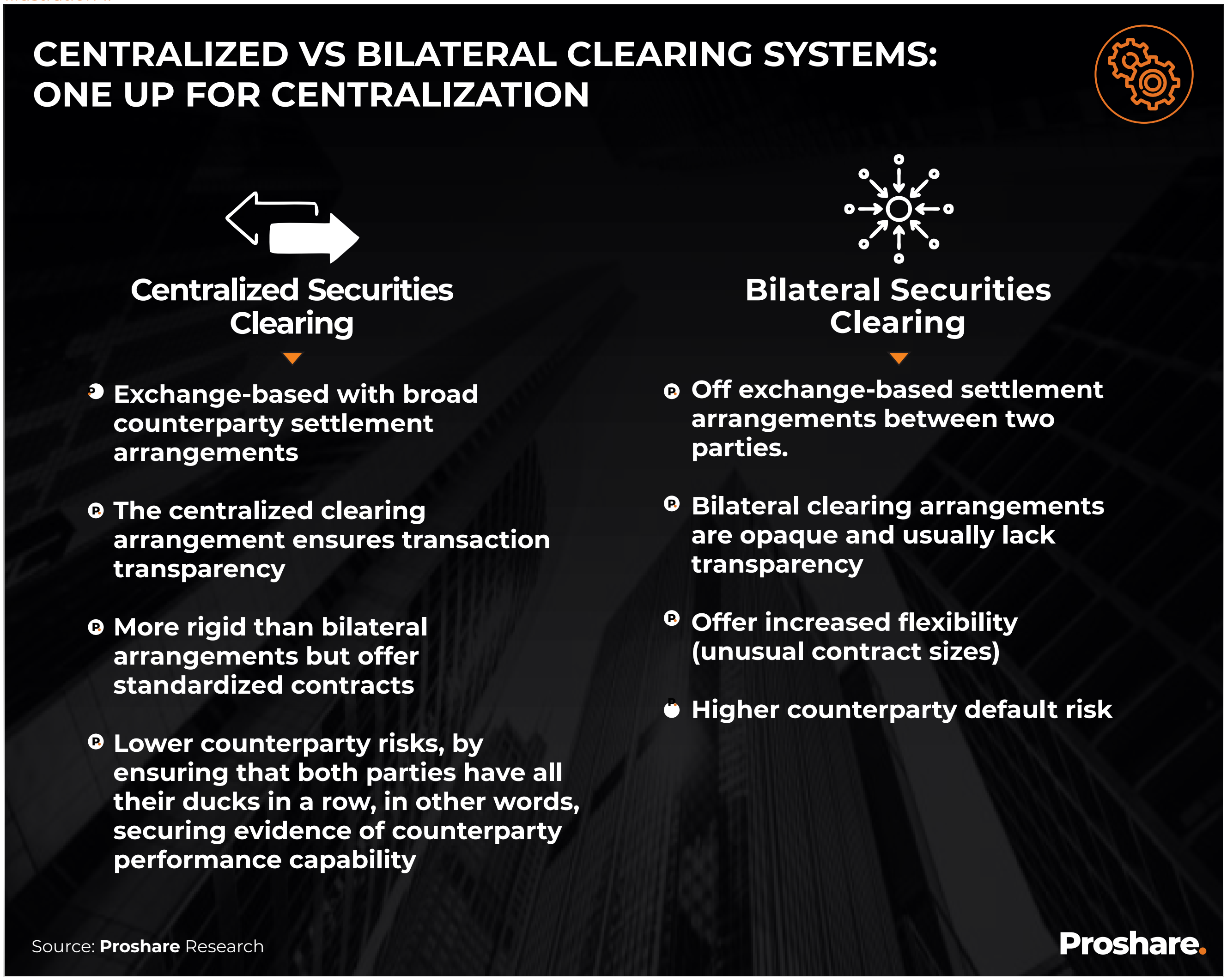
Nigeria's capital market is like a soccer player out of a youth academy, he or she is full of hunger with fire blazing from his or her eyes as he or she feels a sense of destiny and a connection to his or her heroes and their exploits. He or she is skillful, fast, and motivated. He or she is focused on a journey, and he or she is passionate. However, they lack experience, are impatient, and are full of kinetic energy unschooled by the hard knocks of life. Wait a minute, Is this a fair description of Nigeria's capital market? Certainly not.

The Nigerian capital market is much older than the post-academy kid and is more like a football player in mid-career preeminence with a mid-life crisis. A few of the pressing issues that are hurting the market include but are not limited to the following challenges:

1. **Oversight inertia.**
The Securities and Exchange Commission (SEC) has become more active in its functions but still defers to reaction rather than anticipation. With new technologies such as ChatGPT emerging as tools for market decision-making, and distributed ledger technology (DLT) becoming increasingly important in the payment and settlement architecture of the market, the SEC must come across stronger. Currently, issues around cross-border equity purchases using digital Apps are still at the sandbox (experimentation) stage and have not evolved into clear-cut oversight and operational guidelines.

2. **Financial market infrastructure upgrade.**
The market regulator has also been coy in settling the issues of market architecture for payment and settlement infrastructure ownership. The major payment settlement framework of the CSCS has shown strength over time but it must ease into a new phase of deeper engagement with technology and the broader use of distributed digital ledgers. Within this context, there is a need to resolve digital ledger linkages across settlement infrastructure in the market. The linkages should be in preparation for an intercontinental linkage of markets. Centralized clearing offers notable benefits over bilateral clearing systems, but multiple exchange integration becomes increasingly important for systemic efficiency and effectiveness (*see illustration 1*).

Illustration 1:



3. **Financial market infrastructure ownership.**

The ownership of the CSCS has been a matter of quiet discontent among capital market stakeholders. The arm wrestling between the FMDQ and NGX on their relative equity stakes in the CSCS has provided texture to shape market direction and ideology. For example, FMDQ represents a heavy money market stakeholder interest, including the Central Bank of Nigeria (CBN). Furthermore, the board of the FMDQ reflects CBN's representation in the capital market in addition to the presence of tier 1 deposit money banks (DMBs) in the capital market's payment and settlement ecosystem. The presence flows into the exercise of power over Nigeria's principal capital market infrastructure.

The interlocking share ownership needs to be audited for governance and competitiveness compliance. For example, the NGX had a 44.1% ownership of the CSCS in 2022, while the FMDQ allegedly bought an 8% stake but had expressed interest in acquiring a 21.8% shareholding. It is understood that an obscure, SEC rule 138, requires that no single entity should hold more than a 35% equity stake in a financial market infrastructure (FMI). Considering this rule, the NGX has been instructed by the market regulator to sell down its equity stake in the CSCS. These, among other issues, provide fodder for market influence gamesmanship ahead (*see illustration 2*).

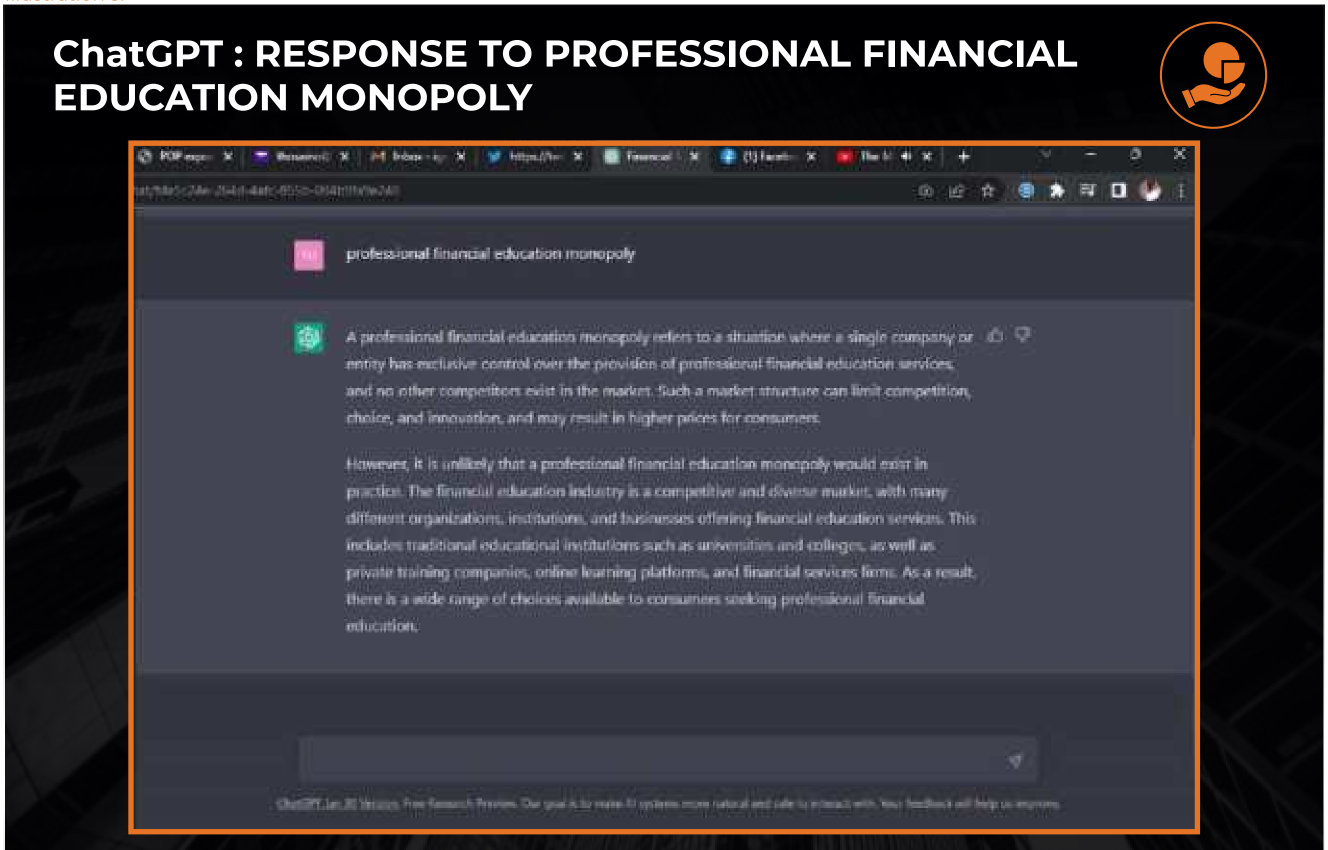
Illustration 2:

4. **The schooling of capital market operator.**
The Chartered Institute of Stockbrokers (CIS) has attempted a hop-skip-and-jump in capital market education. The Institute has promoted a Bill at the national assembly (NASS), establishing a new body for capital market education called the Chartered Institute of Securities and Investment (CISI). At face value, this would not be a bad initiative as it broadens the skill requirements of operators in the stock market (as distinct from the capital market, a broader jurisdiction). In a world that evolves within shorter service delivery cycles with the advent of technology, an agile professional education framework is not an option, but the only viable solution for business continuity.

The problem with the CISI initiative, however, is that the Bill supporting it creates a professional monopoly that has no precedence anywhere, and rests on professional hubris rather than best global practices. A random thought of engagement with the artificial intelligence (AI) Bot, ChatGPT, returned a response that sealed any thoughts of promoting a professional capital market education monopoly, noting that 'the financial education industry is a competitive and diverse market...' (*see illustration 3*).

Illustration: 3

Illustration 3:



Source: **ChatGPT**, **Proshare** Research

5. **SEC Funding and its consequences.**

The SEC is a pivotal institution that provides regulatory context for the movement of investment capital. Its sensitive and crucial nature in guiding capital market activities suggests that its funding must be devoid of influence from market operators. In this sense, the institution should be shielded from the fiery desires of traders and market speculators. The regulatory body like Caesar's wife must be above board. What does this mean in practical terms? It means that the regulator cannot depend on the market's traders and other professionals to earn revenues that sustain its operations. The market regulator should be supported by the federal government in a way that does not compromise its professional independence. The corollary is that the regulator should not be seen as a profit centre from where the federal authorities can pull funds into the federation account.

A situation where the SEC relies on secondary market transaction fees to fund its operations may be a challenge because it comes with legal implications in the event of market infractions. The compelling argument of a school of thought is that the SEC should be funded by the federal government and supported by revenues that come from fees, fines, and charges. However, an alternative school of thought insists that secondary market SEC fees occur in most global markets, and the fact that the SEC benefits from transactions subject to disputes do not compromise neutrality and commitment to equity and fairness. The SEC fees charged are the cost of regulatory services rendered in any transaction and should not be seen as a benefit of an infraction.

The Nigerian capital market is at a crossroads involving rapidly changing customer journey expectations, disruptive technology evolution, and market-restricting regulatory gaps. The regulators and operators must work swiftly to engage in collaboration to strengthen the ecosystem and make it user-friendly and digitally agile. The writers of the report note that the market must work from imagination rather than memory and that participants including investors and the markets' self-regulatory organizations (SROs) and SEC must elevate their game to best global practices. Indeed, the art of success would require that they lead value-creating innovation rather than follow the reactive actions of others.

Proshare analysts concluded that if markets must grow, they must have the capacity and preparedness to stand up to uncomfortable truths. Markets are like humans, what does not kill them makes them stronger. Nigeria's capital market faces a kaleidoscope of problems that require time, intelligence, and agility. The report notes that if Nigeria's capital market must move past operational, human, and legal crossroads, it must have the courage to face its demons.

Section 1 of the report took a broad sweep of the global capital market and highlighted the key developments of 2022 and the emerging opportunities that are based on the new distributed ledger technology (DLT) and other blockchain-enabled applications. The analysts noted that in the brave new world of artificial intelligence and machine learning, (AI/ML) the processing and use of data becomes a competitive delimiter of success and failure, adopters thrive, and non-adopters dive.
The section contextualizes the state of global markets for long-term capital and points out that both '***slowbalization***' and '***fragmentation***' could harm the markets for debt and equity at international, continental, and national levels. Staring down disaster is a tough act of courage, enlightenment, and to some extent *hubris*.

Section 2 went into the heart of technological matters as they relate to the capital market. If the Nigerian capital market is to measure up to its global counterparts it must adopt ever-changing technological advancements. Distributed ledger technology (DLT), Open AI's ChatGPT, and digital regulatory sandboxes must rise to the fore as regulators and market operators take on emerging digital realities. The report analysts insisted that the time has come for a review of ***market risk***, ***operating risk***, ***legal risk***, and ***counterparty risk*** that accompany the rising significance of technology in capital market operations.

Section 3 interrogated the fixed-income market in a time of rapid public sector change. With widening public sector budget deficits, the federal government has opted increasingly for deficit financing through the Issuance of treasury bills and bonds. In the last eight years, the market for federal debt instruments has ballooned as the debt management office (DMO) tried to keep up with the government's growing appetite for borrowing. The rising public sector debt profile has seen the FMDQ become a bustling market for traded public sector loans. While the analysts noted the growing sophistication and size of the public debt market, they, however, demurred at the country's rising debt-to-GDP and debt-to-revenue ratios. While debt may not be a bad thing in itself, however, when it rises to a point of gluttony it could lead to a fiscal bellyache.

Section 4 reviewed alternative asset classes such as mutual funds and the commodities market. The mutual funds market has had a mixed performance. Money market mutual funds have had an impressive upward fizz as tightened monetary policy has pushed interest rates up and supported higher net asset values (NAVs) for money market-based assets. Fixed income mutual assets have also seen upward heft, but with less rigour than their money market counterparts. Equity market mutual funds have punched underweight as higher interest rates nudge equity market sell-offs.

The commodity markets were volatile in 2022, a trend expected to continue in 2023 as the Russian-Ukrainian conflict continues to disrupt global supply chains and rising Asian demand puts pressure on prices. Higher energy costs and supply chain chokepoints will keep commodity prices relatively high throughout 2023. Analysts see this as both an opportunity and a threat. As an opportunity, investors may opt to hold long positions in primary commodities and strategic metals, while as a threat the slowing down of global output as a result of commodity supply problems could lead to prices bouncing off resistance thresholds in a sharp reversal.

Section 5 took a look at the changing interventions of market brokers who have come under pressure to improve their technical competence, operational efficiency, and client interface agility. The jury is still out on how well the brokers have done, but what is certain is that if they do not up their game, there will be no game, as technology makes them redundant. A souped-up ChatGPT for investors would effectively wipe out most, if not all, the routine functions of brokers, and like heft and hew in Dr. Johnson's book 'who moved my cheese?', brokers would be asking markets, 'who took my commissions?'

Section 6 of the report went on a helicopter survey of the legal framework of the capital market, highlighting what will become increasingly important and gaslighting what will become distant history.

Football academies are designed to be windows to the future, a fit-for-purpose factory of talents. Children from the academies are expected to be groomed into a tribe of fearsome footballers of tomorrow; honed and armed with the skills and intelligence to make them exceptional. Unfortunately in the general scheme of things if wishes were horses beggars would ride. Many academy hopefuls burn out; they miss the cut; they find out that they neither have the resilience nor the talent to progress to club first-team football. But this is not bad, the process allows boys and girls to objectively test their mettle against their contemporaries and receive a generally fair assessment of what they can or cannot do. The journey of self-discovery may be just as important as the goal of personal glory. Indeed, some would argue that the latter was more important than the former. A later-day lesson for Nigeria's middle-aged capital market.

Equities Market **Review.**

Global Market Review

Positive global economic expectations were hindered by a slew of macroeconomic headwinds in 2022. Countries struggled with China's zero COVID policy, Russia's invasion of Ukraine, soaring inflation rates, supply chain disruptions, monetary policy tightening, and geopolitical instability. Thus, the economic environment proved quite difficult to navigate.

US Markets:

2022 marked the US markets' worst year since the 2008 financial crisis as the S&P 500 sank 19.44%, ending a three-year win streak. The Fed's aggressive monetary policy measures were responsible for the poor investor sentiment. The Fed hiked rates seven times in a bid to moderate (sticky) inflationary pressures. Growth and technology companies also felt the regulatory authority's heavy hand, resulting in mass layoffs and slumps in valuation during the session.

Additionally, the Russian-Ukraine war and China's zero Covid policies caused supply chain issues as major companies had to relocate their production centers during the year. The S&P 500 went green in Q4 2022 rising by 7.1% after consecutive declines during the year. However, the losses accrued in the first 9 months of 2022 crushed this mild recovery as there was a lot more pain than gain in the market.

Europe Markets

Europe was largely affected by Russia's invasion of Ukraine in February 2022. This created a domino effect as it caused supply chain disruptions leading to increases in food and energy prices which further elevated inflationary pressures in the region. Countries had to suppress these pressures through quantitative tightening and by increasing their debt profile.

As the price of essential commodities rose, the cost of living of nationals sunk leading to a decline in economic activity. Thus, unstable economies were severely affected as some such as the UK, slipped into a recession.

Asia Pacific Market

The Asian market weathered recessionary fears due to rate hikes, soaring inflation, and China's unstable property market which grossly affected investor sentiment. China's zero covid policy weighed heavily leading to huge selloffs in indices like the Hang Seng index. Uncertainties surrounding the Chinese government's future policy direction led to increased foreign outflows.

India was the top performer in the market as the country served as a viable alternative for companies struggling with supply chain disruptions caused by China's COVID zero policy. Despite global rate hikes, India's Nifty 50 index recorded a strong growth of 4.8% as at end-year 2022.

Global Market in Numbers

The Global equities market indices tracked by Proshare closed the year in the red during the session. Out of the Thirty-two (32) stock markets under review, there were eight (8) gainers and twenty-four (24) losers. Argentina MerVal topped the list for the second consecutive year gaining +138.75%. Nigeria's NGXASI and Chile's IPSA completed the top three performers as they were up +19.98% and +12.43%, respectively in 2022.

Meanwhile, Russia, USA, and South Korea topped the losers list as they sank by 43.32%, 33.44%, and 24.89%, respectively in the year ended December 2022 (*see table 1*).

Table 1:

GLOBAL MARKET IN NUMBERS

Country	Indices	30/12/2022	31/12/2021	% Chg
Argentina	MerVal	**199360.66**	**83500.11**	**138.75%**
Nigeria	All Share Index	**51251.06**	**42716.44**	**19.98%**
Chile	IPSA	**3154.98**	**2806.17**	**12.43%**
India	NIFTY	**18191**	**17354.05**	**4.82%**
Brazil	Bovespa	**109734.6**	**104822.44**	**4.69%**
Jakarta	^JKSE	**6850.62**	**6581.48**	**4.09%**
Singapore	Straits Times (STI)	**3251.32**	**3123.68**	**4.09%**
UK	FTSE 100	**7451.74**	**7384.54**	**0.91%**
Spain	Madrid General (IGBM)	**822.82**	**861.8**	**-4.52%**
Malaysia	^KLSE	**1495.49**	**1567.53**	**-4.60%**
Mexico	IPC	**49517.86**	**53272.44**	**-7.05%**
Australia	All Ordinaries	**7221.7**	**7779.2**	**-7.17%**
Philippines	PSEi	**6566.39**	**7122.63**	**-7.81%**
Canada	S&P/TSX Composite Index	**19485.89**	**21222.84**	**-8.18%**
USA	Dow Jones Ind. Avg.	**33220.8**	**36338.3**	**-8.58%**
France	CAC 40	**6520.14**	**7153.03**	**-8.85%**
Japan	Nikkei 225	**26094.5**	**28791.71**	**-9.37%**
East Israel	TA-100	**1813.35**	**2056.51**	**-11.82%**
Germany	DAX	**13923.59**	**15884.86**	**-12.35%**
Italy	S&P/MIB Index	**23862.05**	**27346.83**	**-12.74%**
Netherlands	AEX General	**692.62**	**797.93**	**-13.20%**
Belgium	BEL-20	**3721.08**	**4310.15**	**-13.67%**
China	SSE Composite Index (Shanghai)	**3089.26**	**3639.78**	**-15.13%**
Hong Kong	Hang Seng	**19781.41**	**23397.67**	**-15.46%**
Switzerland	Swiss Market Index	**10798.39**	**12875.66**	**-16.13%**
China	SSE 180 Index (Shanghai)	**8228.68**	**10132.27**	**-18.79%**
Austria	ATX	**3130.13**	**3861.06**	**-18.93%**
USA	S&P500	**3849.28**	**4778.73**	**-19.45%**
Taiwan	Taiwan Weighted	**14137.69**	**18218.84**	**-22.40%**
South Korea	KS11	**2236.4**	**2977.65**	**-24.89%**
USA	Nasdaq	**10478.09**	**15741.56**	**-33.44%**
Russia	MICEX Index	**2146.7**	**3787.26**	**-43.32%**

Source: Proshare Research**, Various Exchanges**

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Top Global Gainers and Losers

Gainers

MerVal +138.75%

- Argentine's market ended the year on a positive note with a YTD increase of +138.75%
- The Argentina MerVal ended the year 2022 with 199360.66 index points an upward tick from a previous index point of 83500.11.
- Argentina recorded an annual inflation rate of 94.8% in 2022 as it suffered from price hikes during the session. So, investors likely used the market to hedge against inflation.

NGXASI +19.98%

- The NGXASI shot up during the session to +19.98% from +6.07% in the 2021 trading session.
- The Nigerian equities market closed the year with 51251.06 points as of December 2022.
- Even as the country faced various threats, increased buying interest during the year accelerated market performance in 2022.

IPSA +12.43%

- Chile's stock market made a quick recovery in 2022 gaining 12.43% in 2022 from a YTD drop of -1.80% in 2021.
- Investors responded well to the rejection of the proposed new leftist constitution.
- Commodity price rallies during the year also contributed to the positive economy.

NIFTY +4.82%

- The equities market closed positive at 4.82% by the end of the trading session.
- The country served as an alternative investment hub due to China's zero COVID policy.
- Strong growth in the market was likely driven by growing domestic equity fund inflows spurred on by the risk-taking habits of India's youthful population.

Losers

MICEX Index -43.32%

- Russia's stock exchange crashed by over -40% in 2022 to 2146.7 index points.
- The threat of western sanctions and investor sentiment due to Russia's invasion of Ukraine threw the market in disarray.

NASDAQ -33.44%

- NASDAQ is a broad index that is heavily skewed towards the technology sector.
- The index recorded huge selloffs in 2022 as a YTD decline of -33.44%.
- Investor sentiment was bearish towards risky stocks during the session because of the contractionary stance of the Fed.

KS11 -24.89%

- South Korea's KS11 saw a decline in activity to -24.89% in 2022 from a +3.63% uptick in the 2021 session.
- The country experienced modest growth levels in 2022 on account of cooling export demand, energy price swings, a sluggish housing market, and weaker disposable income.

Taiwan Weighted Index -22.40%

- The index closed negative 14137.69 index points representing a 22.40% Y-o-Y decline from 2021.
- Taiwan's economy contracted on the back of declines in GDP, soaring inflation, and spillover effects of the Russia-Ukraine situation.
- Also, rising interest rates drove capital away from high-risk investments.

Outlook for global markets

The slowdown in global economic activity and record-breaking levels of inflation in 2022 has caused analysts to remain cautiously optimistic. Global economic recovery is highly dependent on the monetary authorities tempering down their rate of monetary policy tightening, continued easing of China's zero COVID policy, and the outcome of the Russia-Ukraine dispute.

Africa Market Review

The continent dealt with a multitude of problems in 2022 including commodity price hikes, rising inflation exacerbated by the war in Ukraine, poor climate conditions, global financial contractions, and the rising risk of debt distress.

Out of the seventeen exchanges Proshare tracks, there were eight (8) losers and nine (9) winners. The top three winners in the African market were the Zimbabwe ASI, Malawi ASI, and Egypt's EGZ 30 which gained 80.13%, 36.74%, and 22.17%. Meanwhile, the Kenya ASI, Casablanca, and Uganda ASI closed the trading year in the red dipping by -13.04%, -18.72%, and -23.42%, respectively in 2022. (*see table 2*)

Table 2:

AFRICA MARKET REVIEW

Country	Indices	30/12/2022	31/12/2021	% Chg
Zimbabwe	All Share Index	19493.85	10822.36	80.13%
Malawi	Malawi ASI	62036.05	45367.68	36.74%
Egypt	EGX 30	14598.53	11949.18	22.17%
Lusaka	All-Share Index	7337.97	6059.68	21.10%
Nigeria	All Share Index	51251.06	42716.44	19.98%
Tunisia	Tunisia BVMT Index	8112.69	7046.01	15.14%
Botswana	DCI	7726.39	7009.61	10.23%
Namibia	NSX Namibia	1639.25	1571.65	4.30%
Mauritius	SEMTRI	8427.63	8346.72	0.97%
BRVM	BRVM-C	202.06	202.28	-0.11%
South Africa	JSE All Share Index	73597.1	73709.39	-0.15%
Tanzania	Dar es salaam	1872.17	1896.71	-1.29%
Rwanda	RSE ASI	142.64	145.34	-1.86%
Ghana	GSE Composite	2444.16	2789.34	-12.37%
Uganda	Al-Share Index	1219.78	1402.69	-13.04%
Casablanca	Casablanca	10857.61	13358.32	-18.72%
Kenya	ALL SHARE INDEX	127.47	166.46	-23.42%

Source: Proshare Research, **Various Exchanges**

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Top African Gainers and Losers

Gainers

Zimbabwe All Share Index +80.13%

- Zimbabwe All Share Index grew by +80.13% YTD to 19493.85 bases points.
- Zimbabwe has a history of high inflation due to economic instability and monetary policy mismanagement.
- Zimbabwe's hyperinflation problem likely resulted in over-bloated stock price figures.

Malawi ASI +36.74%

- Malawi's ASI closed the year positive as it ended the year with 62036.05 index points growing by +36.74% during the trading year.
- Growth in Malawi was suppressed by the global economic downturn, acute foreign exchange shortages, high inflation, and electricity disruptions caused by Cyclone Ana.

Egypt EGX 30 +22.17%

- The EGX 30 tracks The EGX 30 Index is a free-float capitalization-weighted index of the thirty most highly capitalized and liquid stocks traded on the Egyptian Exchange.
- EGX 30 closed the year in the green at 14598.53 points, marking a +22.17% YTD increase.
- The EGX 30 recovered quickly from the repercussions of Russia's invasion into Ukraine in February, currency depreciation, and global rate hikes.

Losers

Kenya All Share Index -23.42%

- Kenya ASI was down -23.42% in 2022, a YTD decline from 166.46 points to 127.47 index points.
- Hike in foreign outflows due to heightened global and domestic market uncertainties.
- The Kenyan economy grappled with global commodity price shocks, political uncertainty, regional drought, rising price of essential food items and increased cost of living.

Issues in the Nigerian Capital Market (NCM)

The Chartered Institute of Stockbrokers in the Face of Honour

The Chartered Institute of Stockbrokers (CIS) was in the eye of a storm in 2022 as it pushed the agenda for a unified capital market training framework under a proposed Chartered Institute of Securities and Investments (CISI). Connoisseurs of free markets and free market economists have balked at the prospect of a professional monopoly and insist that fixing what is not broken is a poor use of time and opportunities. The Institute in the year conferred honourary fellowships on individuals it considered distinguished and worthy of recognition.

In itself, this was commendable, except the choice of some beneficiaries appeared to have been informed by the politics of influence (towards a CISI Charter) rather than rewarding professional contributions or industry support.

The honorary fellowships, it is believed, are designed to recognize individuals that have made significant contributions to the securities industry or have shown support for the Institute's goals and objectives. Recipients are awarded certificates and can use the designation "Honorary Fellow of the

Chartered Institute of Stockbrokers" (HFCIS). Over the years, the body has awarded honorary fellowships to business leaders and past heads of state or presidents of the country (*see illustration 4*).

Illustration 4:

Understandably, some industry players have questioned the profile of recent award recipients, observing that only a few seem to have made any notable impact on the capital market thereby negating the purpose of the awards. Analysts believe that the body could do better in evaluating prospective awardees.

The CSCS Ownership Play Board: Market Development Beyond Monopoly Games

The capital market saw clever professional and political manoeuvering in 2022 as the nation's largest fixed-income trading platform, the FMDQ, showed up to the table to throw its hat into the ring as it expressed its intention to increase its shareholding in the country's premier market clearing and settlement platform, the CSCS. The fixed income financial market infrastructure's (FMI's) pursuit of additional equity in the CSCS started in December 2021. According to media reports, the deal, under regulatory approval, would see the FMDQ Group part with US$48.2m or roughly N20bn (at the autonomous market exchange rate) to acquire 21.6% of the CSCS. However, Proshare's independent investigations indicate that the FMDQ may already own more than a 10% stake in the Clearing and Settlement company, thereby if approved, the additional 21.6% stake would bring the FMDQ interest in CSCS to over 30%. Given that the SEC has instructed the NGX to reduce its equity stake in the CSCS to 35% as reflected in the regulatory statutes, both the NGX and FMDQ would have a joint controlling interest in the settlement infrastructure. Does this raise concerns about a market duopoly? Maybe.

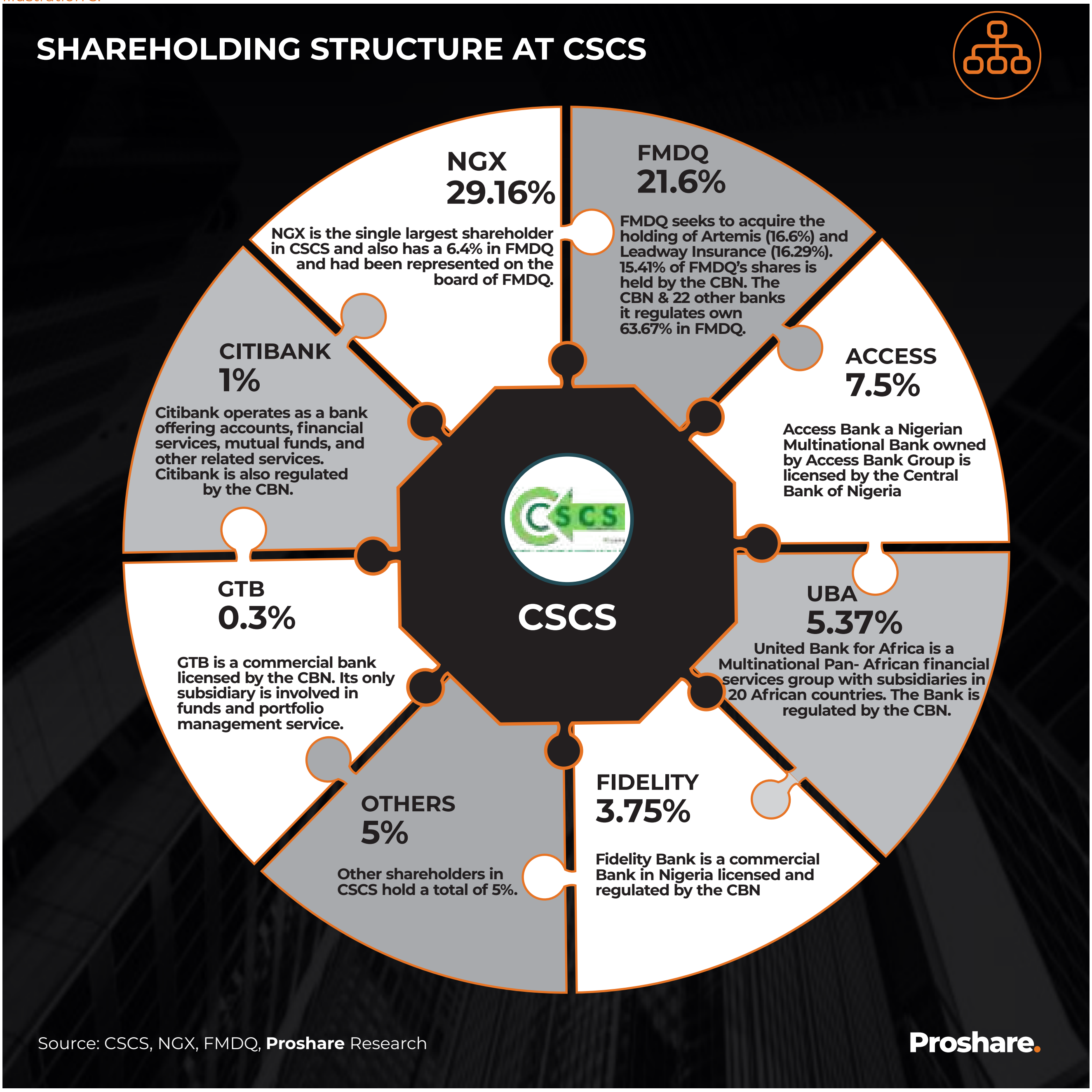
Dominant ownership of the CSCS by NGX and FMDQ would create an ownership duopoly distinct from a market duopoly. The structure would support internal checks and balances on both SROs. Further, the dominant ownership of the FMI by the country's two largest capital market asset exchanges would help grow the integration of the settlement arrangements of the market and would help scale up operations through digitalization.

Analysts think that strong equities and fixed income exchanges on the board of the CSCS would create self-regulatory checks by the competing entities, which would be good for the market. The market would be a beneficiary of the latent rivalry as it produces in-built operating and governance stabilizers. The larger presence of the FMDQ on the board of the CSCS would dilute the dominant influence of the NGX, and allow for a smoother playing field for other market participants.

According to earlier publicly available documents NGX was the largest CSCS shareholder with a 29.16% stake. Five CBN-regulated Deposit Money Banks (DMBs) owned about 18% - Access (7.5%), UBA (5.37%), Fidelity (3.75%), Citibank (1%), GTB (0.3%), while FMDQ sought to acquire part of the holdings of Artemis (16.6%) and Leadway Insurance (16.29%).

Considering the history of FMDQ and NGX, analysts believe that there may be a revolving door between both SROs. A board dominated by the NGX and FMDQ would be one under the strong influence of related parties, however, this does not vitiate the added value of a stronger FMDQ presence on the CSCS board (*see illustration 5*)

Illustration 5:



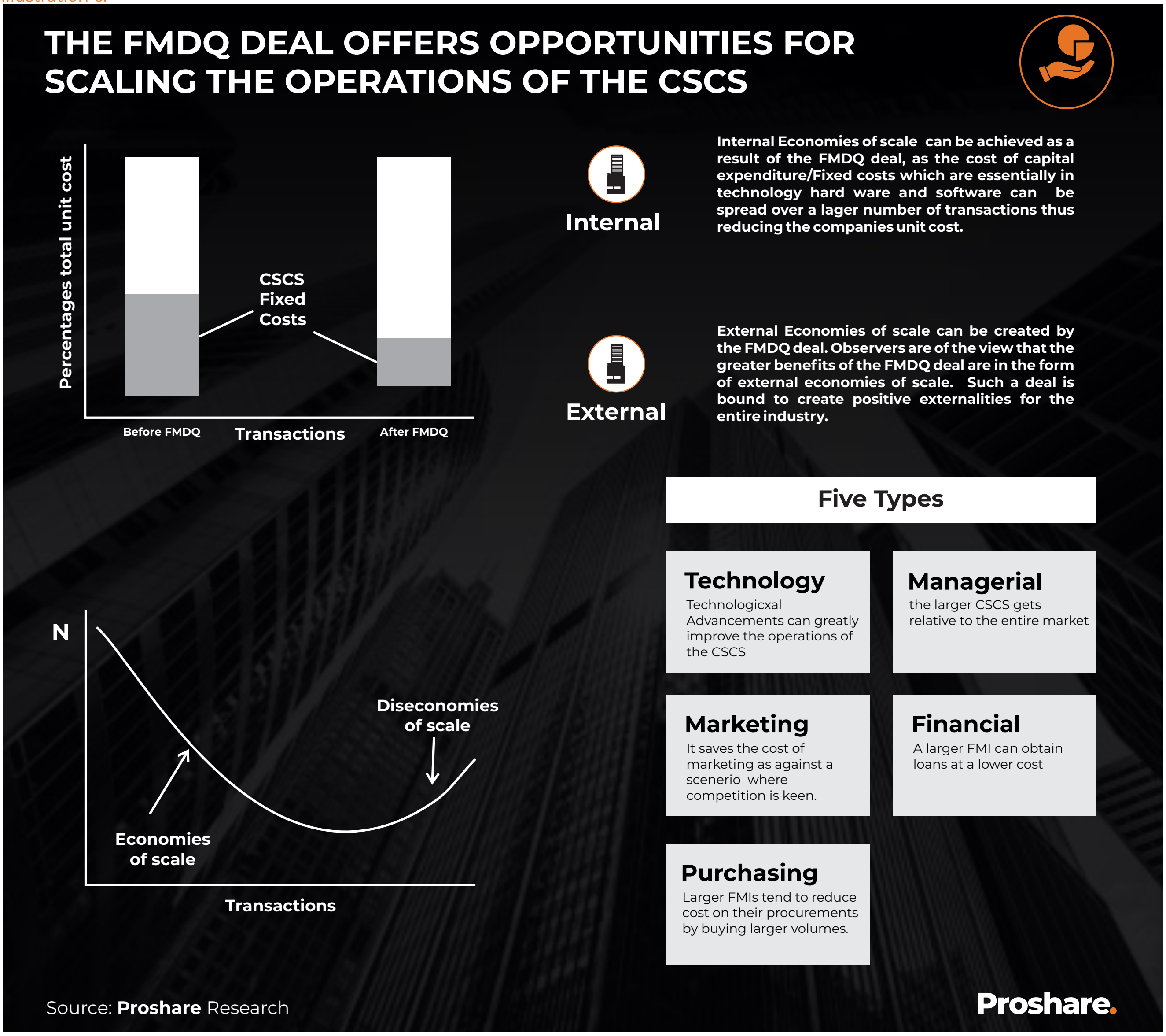
The acquisition of a greater FMDQ stake in CSCS is expected to support faster digitalization of the clearing house's operations.

The world over, Financial Market Infrastructures (FMIs) and self-regulatory organizations (SROs) have embraced a digital future to benefit from cost efficiency, speed, and ease of transaction completion. Market observers and stakeholders differ on what constitutes the most pressing need for Distributed Ledger Technology (DLT). In a recent survey conducted by **Sophus Consulting**, one in four respondents identified speed as the primary reason for digital ledger technology (DLT) adoption. Another reason is the technology's discrete security features. The modernization of payment platforms is catching on and this has implications for the business of Clearing would be done in the future.

Internal economies of scale can be achieved as a result of the FMDQ deal, as the cost of capital expenditure could be spread over a larger number of transactions, thereby reducing the average unit cost of transactions. Other fixed costs could be amortized over larger transaction numbers.

The bigger benefits of a potential scaled-up FMDQ ownership of the CSCS are in the form of external economies. The share acquisition could create positive externalities for the entire industry. For instance, the volume of data available at a giant depositary would be of benefit to smaller operators. This creates outcomes that are **preferable for the entire industry** (*see illustration 6*)

Illustration 6:



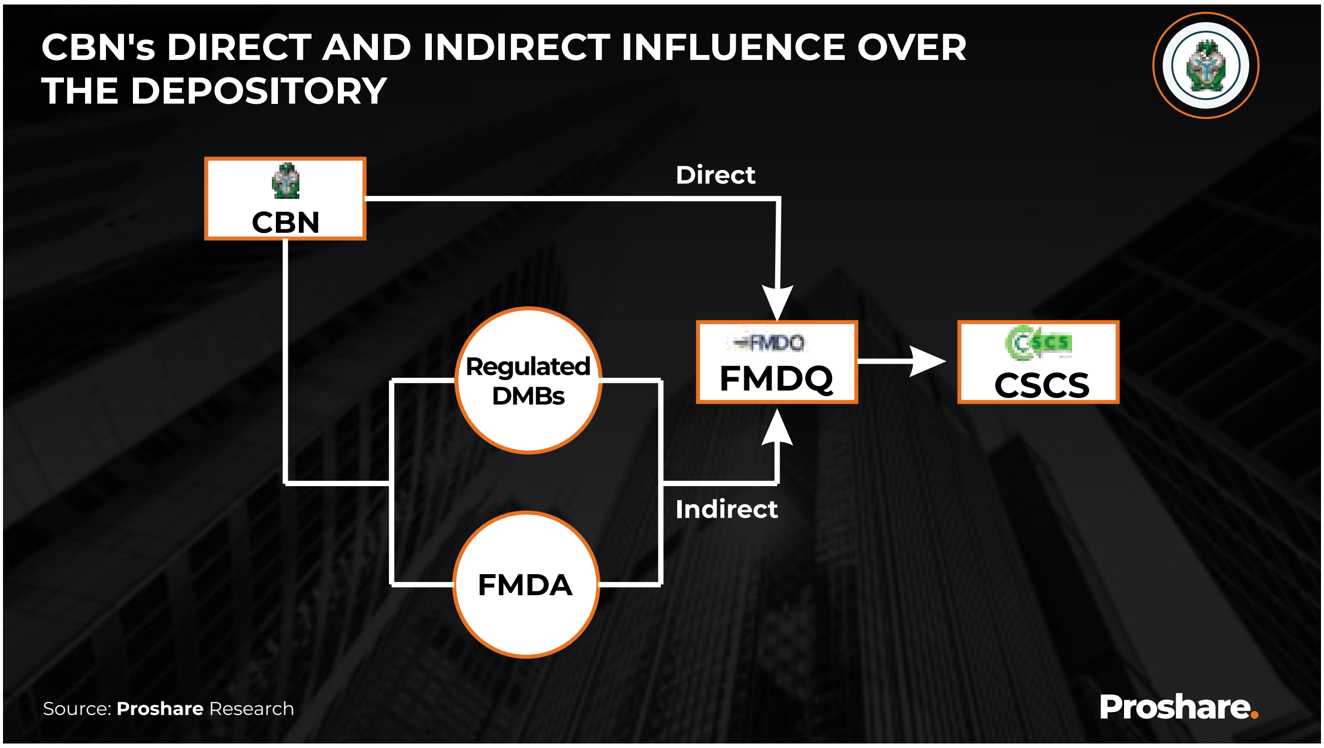
Despite these positive expectations, it must be noted that an alternative school of thought has identified four (4) potential pitfalls in the FMDQ equity acquisition proposal, namely:

- CBN's Indirect Control of the Depository;
- Possibility of Concentrated Ownership & Control;
- The Rise of a Monopoly; and
- FMDQ's Financial Market Infrastructure (FMI) power.

CBN's Direct and Indirect Influence over the Depository

FMDQ proposes to acquire a 21.61% stake in CSCS. Some analysts have expressed concern about the burgeoning influence of the CBN (and the financial institutions it regulates) on the CSCS. Currently, the CBN owns a 15.4% stake in FMDQ, which hands the apex bank substantial influence on the operations and policies of the FMDQ. If the stake of other CBN-regulated banks is considered, the stake of the CBN (direct and indirect) rises to 63.67% (*see illustration 7*)

Illustration 7:



The NGX and FMDQ are competing parties despite their cross-equity ownership. In Proshare's opinion, a potential FMDQ acquisition of 21.6% shareholding in CSCS is not anti-competitive. Analysts believe that monopoly considerations do not exist as the market's pricing mechanism is sufficiently monitored and regulated. **The SEC would not allow such monopoly pricing. The regulatory framework and laws ensure that any financial market infrastructure's (FMI's) *fee-for-service* pricing is within best global practices.**

Given the context and legal framework around the clearance required for the FMDQ acquisition of 21.6% equity in CSCS, it is our opinion that a clearance should be granted in line with the economic, technical, and legal context advanced. However, such a negative Clearance by the FCCPC should be subject to verifying information submitted by FMDQ on its interest in the CSCS.

The New Digital Assets Rules - Who is in Charge SEC or CBN?

The innovation of the digital age has caused a paradigm shift in every aspect of our lives. In the financial market, these innovations have brought about the emergence of a digital asset market such as Bitcoins and non-fungible tokens (NFT). The recent sudden rise in trading has made the Securities and Exchange Commission (SEC) issue guidelines on their issuance and custody in the country.

The Rules on Issuance, Public Offers, and Custody of Digital Assets issued on May 13th, 2022, appear to be a completion of the regulator's three-pronged approach to creating a regulatory framework in the crypto market. The new guideline classified a digital asset as a digital token that represents assets such as a debt or equity claim on the issuer. These rules and regulations legalize digital assets such as cryptocurrencies concerning the fulfillment of all requirements set by the SEC (*see illustration 8*).

Illustration 8:

REGISTRATION REQUIREMENTS FOR DIGITAL ASSET OFFERING

- **A registration Statement of the digital assets which includes;**
  - ***i. The name and ticker of the tokens***
  - ***ii. The amount to be registered.***
  - ***iii. The price per token***
  - ***iv. The number of tokens to be sold.***
  - ***v. The registration fees.***
- **KYC procedures, disaster recovery plans, and risk management protocol**
- **Security protocols including platform architecture and technology.**
- **Solicitors' opinion confirming that all applicable permits and licenses for the issuance and transfer of the securities, after the offer, have been obtained.**
- **Copy of the escrow agreement with an independent custodian/ Trustee registered with the commission.**
- **Corporate governance disclosures**
- **Evidence of payment of the applicable fees**

Source: SEC, **Proshare** Research

Proshare.

The newly issued rules slightly negate the previous CBN circular that prohibited financial institutions under its regulatory control from engaging in payment for transactions involving cryptocurrency and virtual assets. Even with the new rules by SEC, the CBN is yet to revoke its ban on financial institutions facilitating cryptocurrency transactions, which suggests that crypto transactions are still prohibited in Nigeria. This situation justifies the assumption that the CBN seems to have superior power in the regulation of the crypto sector than the SEC, which is a primary regulator overseeing securities offers, sales, and investment activities including crypto-assets.

Issues/Challenges Around the NGX Demutualization

The demutualization of the Nigerian Stock Exchange (now NGX) unlocked previously imprisoned opportunities for capital mobilization from the investing public. One of the major challenges the then NSE encountered was with the Companies and Allied Matters Act (2020). The Act only allowed the conversion of private companies into public companies and vice versa while preventing the conversion of companies limited by guarantee (like the then NSE) into public companies.

The demutualization saddled the exchange with the responsibility of being both a regulator and issuer which would make operations a bit more complex. Since the demutualized exchange is also listed on its exchange for trading, the responsibility might result in a plausible conflict of interest. To avoid such occurrences, the NGX established an independent regulatory company to regulate its market activity. The regulatory Chinese walls represent market best practice but leave slivers of concern about the potential for the barriers to be breached, creating a regulatory nightmare. The consideration of the potential for regulatory failure forms the basis for further interrogation of the demutualization goals of the NGX in a forthcoming Proshare report in H2 2023.

The New CISI Bill: Matters Arising

The new CISI bill aims to properly capture the scope of a stockbroker, the functions of the institute, and the securities that a stockbroker can deal in. The scope of the stockbroker ranges from securities dealing, fund and portfolio management, asset management, investment management, corporate finance, and other related fields. The passage of the bill will promote the regulation of training and certification of core capital market operators which will discourage the multiple fake operators in the country. With the new bill effectively defining the duties and streamlining the eligibility of a stockbroker (standardization of training and certification) to the Chartered Institute of Stockbrokers (CIS) only, the bill will drive the registration of all professionals in the securities business and prevent the current duplication of roles among different professional bodies. The new bill seeks to further deepen the existing Chartered Institute of Stockbrokers Act No. 105 of 1992 which recognized the CIS as the only body of professionals legally empowered to train and certify professionals in securities and investments. Analysts noticed the bill contains an additional part that focuses on the regulation of Commodity Exchanges and Warehouse Receipts, which will ease the development of the entire gamut of the commodities ecosystem.

Prominently, the bill prohibits ponzi/pyramid schemes and other illegal investments with a punishment of a jail term of not less than 10 years for promoters of such schemes. The punishment should slightly address the rising online fraudulent investment in the country.
New approaches to address systemic risk will be deployed under the bill. The approaches cut across monitoring, managing, and mitigating systemic risks with access to relevant information from both financial sector regulatory authorities and government agencies. To smooth out the complexity of identification, a legal entity identifier will be used for proper monitoring of systemic risks.

Some industry players seem to oppose the new bill. The Association of Corporate and Individual Investment Adviser (CIIA) believes that the capital market does not need a new law to enforce discipline amongst its market operators as the current ISA 29 of 2007 already serves that purpose. They envisage that the proposed bill will create an unwieldy structure of conflicting career pursuits in the market which is a bid to legislate a monopoly into existence. Furthermore, the uniformity of the professionals will not address the issue of low trust in the market as specified in the bill but only enforcement actions can.

The SEC's Unsettling Revenue Drive

Market Operators and trade groups have previously queried the funding structure of the Security and Exchange Commission (SEC). Over the years, the SEC generates funds from fees (registration and transaction), penalties/ fines, and subventions from the government. The subvention received is known for its inadequacy which makes the regulator highly dependent on fees and penalties from market operators. The comment exhaled from the point of view that the regulatory body should be independently operated. They think that the fees received from market operators can obscure the effectiveness of the regulator and should only rely on the government, fines, and registration fees for funding the SEC. The regulator charges a commission of 0.3% on each transaction while the registration fee varies based on the transaction description (*see illustration 9*).

Illustration 9:

SEC REGISTRATION FEES

Services	Fees
Registration of Existing securities (upon incorporation as/ conversion to a public company)	Filling fee of N100,000, the first **500 million** (of the value shares to be registered) at **0.3%**, the next **500 million** at 0.225%, and any other sum thereafter at **0.15%**.
Registration of Distribution of securities: ***IPO, offer for subscription, offer for sale, rights issues, and private placements.***	Filling fee of **N100,000,** the first 500 million (of the value shares to be registered) at **0.275%**, the next **500 million** at **0.225%**, and any other sum thereafter at **0.15%**
Registration of Bonus issue/ script Dividend	Filling fee of **N100,000,** a flat rate of **0.3%** of the nominal values of shares.
Debt-equity conversion	Filling fee of **N100,000,** the first **500 million** (of the value shares to be registered) at **0.3%**, the next **500 million** at **0.225%**, and any other sum thereafter at **0.15%.**
Global Depository receipts/ Nigerian Depository receipts.	Filling fee of **N100,000,** the first **500 million** (of the value shares to be registered) at **0.275%**, the next **500 million** at **0.225%**, and any other sum thereafter at **0.15%**.
Share Capital Reconstruction.	Processing fee **N100,000**
Registration of Bond issuance by state, local government, FCT, and government agencies.	Filling fee of **N100,000,** the first **500 million** (of the value shares to be registered) at **0.15%**, the next **500 million** at **0.145%**, and any other sum thereafter at **0.1425%**.
Registration of corporate and supranational bonds.	Filling fee of **N100,000,** the first **500 million** (of the value shares to be registered) at **0.15%**, the next 500 million at **0.145%**, and any other sum thereafter at **0.1425%**.
Government agencies and corporate bond restructuring.	Process fee of **0.03%** of the outstanding amount
Registration of Sukuk	Filling fee of **N100,000**, the first **500 million** (of the value shares to be registered) at **0.15%**, the next **500 million** at **0.145%**, and any other sum thereafter at **0.1425%**.
Shelf Registration.	Filling fee of **N100,000** and the processing fee of **N200,000**

Source: SEC, Proshare Research

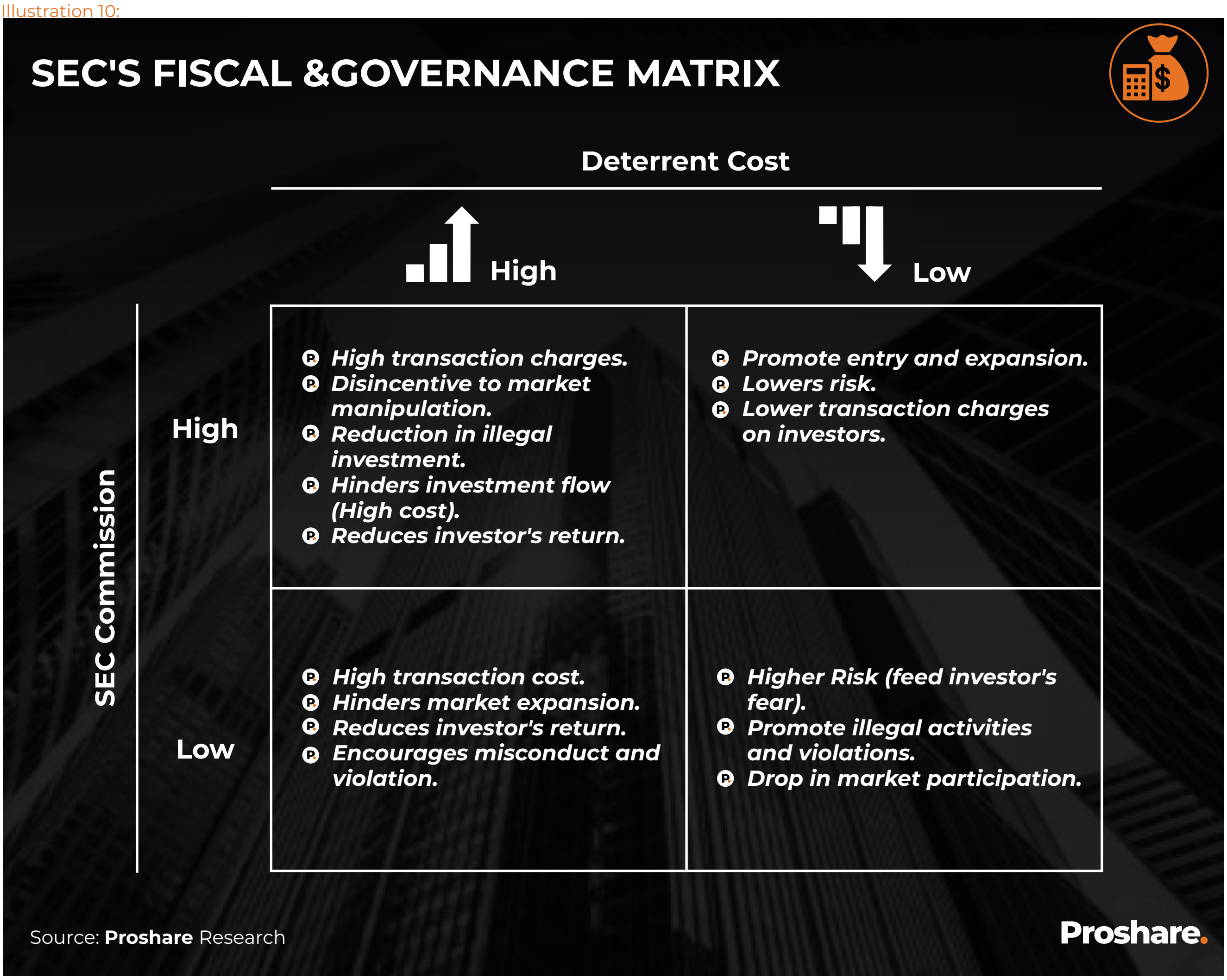
Proshare.

One school of thought raises the scenario of illegal investments where the SEC has received transaction fees, and the body could be said to be an accomplice in crime, as a beneficiary of income from the proceeds of criminal activity. The school argues that the SEC is meant to develop and regulate the capital market in a dynamic, fair, and efficient way to contribute to the nation's economic development, so being cut in such a web lessens the potency of its authorities.

A second school disagrees with this position and argues that as long as the SEC was not aware of the crime being committed as of when it received fees on market activities it could not be said to be an accomplice (*see illustration 10*).

Illustration: **10**

Illustration 10:



Proshare analysts have concluded that if markets must grow, they must be able and prepared to deal with uncomfortable truths. Markets are tangentially like human beings. If stress does not break them, then it will make them. Nigeria's capital market is facing a poly-crisis of human, technological, and infrastructural issues. A set of solutions will come, but it will require time, intelligence, and tact. A difficult combination to see in periods of uncertainty.

Top Five Moments in the Nigerian Capital Market

- On **May 27, 2022**, the NGX All Share Index (ASI), which monitors the broad market movement of all listed stocks, reached 54085.3, its highest level since March 2008. The record gain, which increased the market capitalization to N29.158 trillion, supported investors' gains of N1.807 trillion in May 2022 and was fueled by a confluence of favorable macroeconomic conditions, high dividend payouts, higher-than-anticipated corporate earnings in the year's first quarter, and relatively low-interest rates.

- Nigeria Exchange Limited (NGX) announced the launch of West Africa’s first Exchange-Traded Derivatives (ETD) market with Equity Index Futures Contracts on **April 14, 2022**. The derivative project kicked off in 2015 following a market-wide feasibility study concluded in 2014 which pointed to prospects for product creation in the equity, debt, currency, energy, and commodity markets. The NGX ETD market was a brainchild of the NGX in collaboration with the NG Clearing Limited, the premier Central Counterparty (CCP) in Nigeria, to provide the clearing infrastructure for NGX Derivatives Market and its clearing members – Access Bank and Zenith Bank. The ETDs market was opened with the listing of NGX30 index futures for June 2022 and NGX PENSION index future for September 2022 with activities recorded by Cardinal Stone Securities Limited, Meristem Securities Limited, and APT Securities and Funds Limited having been cleared by the NGX Regulation Limited to facilitate transactions on the NGX Derivatives Market. Analysts say the high liquid, accessibility, and price discovery of ETDs would further deepen the Nigerian capital market and allow traders to manage risk by hedging their exposure.

- The African Exchanges Linkage Project (AELP) went live on **November 18, 2022**, with the NGX serving as one of the seven Exchanges participating in Phase 1 of the AELP. The platform officially switched on at 0000 UTC on the day and integrates the African capital markets by facilitating cross-border trading and free movement of investments in Africa through the Linkage platform. The AELP is a flagship project of the African Securities Exchanges Association (ASEA) and the African Development Bank (AfDB) to facilitate cross-border trading among seven participating Exchanges and select broker firms. The seven Exchanges that pioneer Phase 1 of the platform are Bourse Regionale des Valeurs Mobilieres (BRVM), Bourse de Casablanca, The Egyptian Exchange (EGX), Johannesburg Stock Exchange (JSE), Nairobi Securities Exchange (NSE), Nigerian Exchange Limited (NGX), and Stock Exchange of Mauritius (SEM). With the AELP test environment already operational since July 2022, enabling the stockbrokers and securities dealers to familiarize themselves with the platform and execute mock trades, analysts say capital mobility has become a reality in Africa.

- Geregu Power Plc, a power generation and sales company listed 2.5bn ordinary shares of 50kobo each at N100 per share on NGX Main Board on **October 5, 2022**, implying a market capitalization of N250bn upon listing. Whereas the listing provided the company with access to capital, as well as greater visibility and credibility, it provides investors with the opportunity to own a piece of the company and benefit from its performance. The listing of Geregu Power Plc marked the first power generating company (Genco) to be listed on the NGX Main Board and added N250bn to market capitalization, further boosting liquidity in the Nigerian capital market and providing opportunities for wealth creation. Analysts say there has been high investors' demand for Geregu stock whose share price gained about 49% in three months, from listing to the end of 2022.

- The apex regulator of the Nigerian capital market, the Securities and Exchange Commission (SEC) released a new guideline titled "New Rules on Issuance, Offering Platforms and Custody of Digital Assets", dated **May 21, 2022**. The rule follows the declaration by the commission in September 2020 that it would be taking a three-pronged approach to regulating innovation in the crypto sector, including safety, market deepening, and providing solutions to problems. The rules are divided into five parts and address different aspects of digital and virtual assets. First, rules on the issuance of digital assets as securities. Second, rules on registration requirements for digital asset offering platforms. Third, rules on registration requirements for digital asset custodians. Four, rules on virtual assets service providers. Lastly, rules on digital assets exchange. The continuous innovations of the digital age have changed the dynamics of lives and integrated digital assets into the fabric of conventional financial markets. The introduction of SEC Rules on digital assets is expected to provide a clear regulatory framework for the growth of the digital asset market in Nigeria.

Nigerian Equities Market Review (Listed)

NGXASI Monthly and Quarterly Performance in 2022

The Nigerian Equities Market recorded an impressive performance in January 2022 and ended Q1 2022 with a +9.95% gain. Positive market sentiment further permeated the market in the second quarter as investors maintained the positive tempo on the bourse. The NGXASI inched up further by +10.33% in Q2 2022.

The market dipped in Q3 2022 as the benchmark index moved down by -5.39% in Q3 2022 while the index retracted by +4.54% in Q4 2022 as the market closed the year with a return of +19.98% as against the +6.07% gain recorded in the year 2021 (*see chart 1*).

Chart 1:

Monthly, the market closed in the green in six (6) out of the twelve (12) months. The highest monthly gain was recorded in January 2022 with +9.15% while the highest loss was recorded in October 2022 with -10.58% loss recorded.
OR
Strong positive sentiment in the market as it closed in the green in six (6) out of the twelve (12) months. January 2022 recorded the largest monthly gain of +9.15%, while October had the highest monthly loss at -10.5% (*see table 3*).

Table 3:

NGX ASI PRICE MOVEMENT

YTD Market Performance Review			
Periods	**31-Dec-21**	**30-Dec-22**	**% Change**
YTD	**42,716.44**	**51,251.06**	**19.98%**
Monthly Market Performance			
Jan '22	42,716.44	46,624.67	9.15%
Feb '22	46,624.67	47,394.53	1.65%
Mar '22	47,394.53	46,965.48	-0.91%
Apr '22	46,965.48	49,638.94	5.69%
May '22	49,638.94	52,990.28	6.75%
Jun '22	52,990.28	51,817.59	-2.21%
Jul '22	51,817.59	50,370.25	-2.79%
Aug '22	50,370.25	49,836.51	-1.06%
Sep '22	49,836.51	49,024.16	-1.63%
Oct '22	49,024.16	43,839.08	-10.58%
Nov '22	43,839.08	47,660.04	8.72%
Dec '22	47,660.04	51,251.06	7.53%
Quarterly Market Performance			
Q1	42,716.44	46,965.48	9.95%
Q2	46,965.48	51,817.59	10.33%
Q3	51,817.59	49,024.16	-5.39%
Q4	49,024.16	51,251.06	4.54%

Source: NGX, Proshare Research

Proshare.

Trading Statistics in 2022

Market Snapshot

Trading activities On the Nigerian Equities market closed the Year 2022 with +19.98% gain as against +6.07% gain in 2021, +50.03% gain in 2020 and -14.60% loss recorded in 2019.

Analysis of market turnover revealed that total volume traded decreased by -15.57% in 2022 as against -13.53% decline in 2021 and +21.69% growth recorded in 2020. Also, the total value traded increased by +10.07% in 2022 as against -16.68% decline in 2021 and +6.43% growth in 2020.

The market recorded 53 gainers to 61 losers in 2022 as against 68 gainers to 53 losers in 2021 and 57 gainers to 66 losers in 2020 (*see table 4*).

Table 4:

MARKET SNAPSHOT

YTD Market Performance Review			
	Year 2022	Year 2021	% Change
Total Volume Traded	69,050,205,731	81,787,694,370	-15.57%
Total Value Traded	920,979,197,976	836,727,947,970	10.07%
No of Deals	1,047,898	1,008,057	3.95%
No of Equities Listed	148	155	-4.52%
Gainers	53	68	-22.06%
Losers	61	53	15.09%
Unchanged	34	33	3.03%

Source: TheAnalyst

Proshare.

Volume and Value by Sector

The financial services sector outperformed other sectors with 61.47% contribution to total volume traded on the Nigerian bourse in 2022 as against 64.75% contribution recorded in 2021. Consumer Goods and Conglomerates sectors followed closely on the table while Utilities sector traded the least volume.

Financial services traded 42.45bn volumes in 2022 to lead the pack, Consumer Goods and Conglomerates sectors came in as second and third with 9.91bln and 5.71 bn traded volumes respectively while Utilities sector traded the least volume with 174.84m units traded (*see table 5*).

Table 5:

NUMBER OF SECURITY LISTED

Sector	Total Deals	Total Volume	Total Value	% Contribution by Volume
Financial Services	514,688.00	42,445,395,055.00	352,645,277,655.71	**61.47%**
Consumer Goods	164,864.00	9,906,875,679.00	159,495,100,333.48	**14.35%**
Conglomerates	39,530.00	5,714,264,748.00	12,983,677,353.79	**8.28%**
ICT	80,666.00	3,363,923,481.00	196,186,650,909.59	**4.87%**
Oil and Gas	60,884.00	1,577,859,576.00	62,748,464,758.91	**2.29%**
Services	39,524.00	1,431,950,120.00	4,118,129,331.19	**2.07%**
Industrial Goods	70,661.00	1,297,478,893.00	79,198,879,819.65	**1.88%**
Construction/Real Estate	15,473.00	1,183,331,348.00	7,557,625,531.95	**1.71%**
Agriculture	31,287.00	1,042,873,279.00	24,311,313,467.39	**1.51%**
Natural Resources	4,412.00	487,529,456.00	489,146,268.36	**0.71%**
Healthcare	22,467.00	423,879,866.00	2,213,044,123.71	**0.61%**
Utilities	3,442.00	174,844,230.00	19,031,888,421.80	**0.25%**
Grand Total	**1,047,898.00**	**69,050,205,731.00**	**920,979,197,975.53**	

Source: TheAnalyst

Proshare.

Top 10 Equity Transaction

Analysis of equity transactions by volume reveals that **HONYFLOUR** topped the volume of equities traded with 6.53bn units of shares traded in 2022; **TRANSCORP** followed with 5.07bn units while **FCMB** came third with 4.52bn units (*see table 6*).

Table 6:

TOP 10 EQUITY TRANSACTIONS BY VOLUME IN 2022

Sector	Total Deals	Total Volume	Total Value	% Contribution by Volume
HONYFLOUR	11,328.00	6,528,180,284.00	27,006,811,598.52	**9.45%**
TRANSCORP	27,498.00	5,071,537,836.00	5,932,370,427.56	**7.34%**
FCMB	11,675.00	4,520,899,339.00	16,349,030,252.71	**6.55%**
FBNH	34,722.00	4,128,735,712.00	46,122,155,649.15	**5.98%**
GUARANTY	91,094.00	3,800,720,604.00	85,051,587,503.95	**5.50%**
ZENITHBANK	82,336.00	3,033,161,766.00	71,188,146,639.30	**4.39%**
FIDELITYBK	29,202.00	2,941,089,150.00	9,842,805,101.20	**4.26%**
UBA	41,338.00	2,778,272,422.00	21,481,927,662.30	**4.02%**
ACCESSCORP	32,004.00	2,728,072,615.00	24,108,436,907.70	**3.95%**
STERLNBANK	14,932.00	2,462,192,590.00	3,632,240,535.63	**3.57%**
Grand Total	**1,047,898.00**	**69,050,205,731.00**	**920,979,197,975.53**	

Source: TheAnalyst

Proshare.

Similarly, analysis of equity transaction by value reveals that **MTNN** topped activities with N147.47bn value of shares traded in 2022; **GUARANTY** followed with N85.05bn while **ZENITHBANK** came in third with N71.19bn value of shares transacted (*see table 7*).

Table 7:

TOP 10 EQUITY TRANSACTIONS BY VALUE IN 2022

Company	Total Deals	Total Volume	Total Value	% Contribution by Volume
MTNN	62,109.00	695,720,262.00	147,469,218,881.60	**16.01%**
GUARANTY	91,094.00	3,800,720,604.00	85,051,587,503.95	**9.23%**
ZENITHBANK	82,336.00	3,033,161,766.00	71,188,146,639.30	**7.73%**
DANGCEM	18,539.00	203,712,437.00	55,366,052,708.00	**6.01%**
SEPLAT	7,488.00	48,526,708.00	49,341,952,106.40	**5.36%**
AIRTELAFRI	7,443.00	31,500,499.00	46,482,127,667.20	**5.05%**
FBNH	34,722.00	4,128,735,712.00	46,122,155,649.15	**5.01%**
NESTLE	10,534.00	25,767,942.00	33,314,057,865.20	**3.62%**
HONYFLOUR	11,328.00	6,528,180,284.00	27,006,811,598.52	**2.93%**
BUAFOODS	6,919.00	472,453,614.00	26,867,387,116.25	**2.92%**
Grand Total	**1,047,898.00**	**69,050,205,731.00**	**920,979,197,975.53**	

Source: TheAnalyst

Proshare.

Foreign Portfolio Participation in Equity Trading in 2022

Data on Foreign investors' participation in equity trading on the NGX put together by major custodians and market operators monthly revealed that foreign investor's participation in the Nigerian Equities Market continues to underperform in comparison to the previous year.

Foreign investors' participation dropped by 79.26% in November 2022. This represents the highest monthly decline in the year under review while the highest monthly growth of 123.26% was recorded in May 2022.

The highest total foreign transaction in 2022 was recorded in May with the figure put at N45.43bn compared to the highest total foreign transaction in 2021 which was attained in February with a traded figure of N62.07bn (*see table 8*).

Table 8:

FOREIGN INVESTORS

Month	2022 N'bn	2021 N'bn	% Chg
Jan	41.31	47.52	-13.07%
Feb	45.43	62.07	-26.81%
Mar	42.17	40.64	3.76%
Apr	27.08	28.02	-3.35%
May	45.3	20.29	123.26%
Jun	42.19	23.42	80.15%
Jul	29.68	15.53	91.11%
Aug	28.21	25.36	11.24%
Sep	19.67	24.35	-19.22%
Oct	28.55	42.42	-32.70%
Nov	14.43	69.56	-79.26%
Dec	15.21	35.32	-56.94%

Source: NGX, Proshare Research

Proshare.

NSE Gainers and Losers in 2022

At the close of trading for the year, the market recorded 59 gainers to 64 losers and 35 unchanged. MULTIVERSE topped the list of gainers as it had a 1890% gain, followed by WEMABANK and MEYER (*see table 9*).

Table: **9**

Table 9:

GAINERS IN 2022

S/N	TICKER	30-Dec-22	31-Dec-21	% Chg
1	MULTIVERSE	3.98	0.20	1890.00%
2	WEMABANK	3.90	0.72	441.67%
3	MEYER	2.27	0.46	393.48%
4	STANBICETF30	245.00	68.50	257.66%
5	THOMASWY	0.97	0.35	177.14%
6	ACADEMY	1.29	0.50	158.00%
7	CHAMPION	5.50	2.35	134.04%
8	LEARNAFRCA	2.20	1.17	88.03%
9	PZ	11.35	6.10	86.07%
10	ETRANZACT	3.50	1.89	85.19%
11	GUINNESS	69.30	39.00	77.69%
12	AIRTELAFRI	1,635.00	955.00	71.20%
13	NAHCO	6.40	3.74	71.12%
14	FIDELITYBK	4.35	2.55	70.59%
15	SEPLAT	1,100.00	650.00	69.23%
16	JAIZBANK	0.92	0.56	64.29%
17	ABBEYBDS	1.70	1.04	63.46%
18	BUAFOODS	65.00	40.00	62.50%
19	PRESCO	137.50	87.80	56.61%
20	GEREGU	149.00	100.00	49.00%
21	BUACEMENT	97.75	67.05	45.79%
22	FIDSON	9.00	6.22	44.69%
23	ARDOVA	18.40	13.00	41.54%
24	UCAP	14.00	9.90	41.41%
25	CADBURY	11.90	8.80	35.23%
26	ETERNA	6.69	5.05	32.48%
27	NEWGOLD	11,999.90	9,089.94	32.01%
28	CORNERST	0.60	0.46	30.43%
29	RTBRISCOE	0.26	0.20	30.00%
30	FCMB	3.85	2.99	28.76%
31	NGXGROUP	25.05	19.90	25.88%
32	ETI	10.60	8.70	21.84%
33	COURTVILLE	0.46	0.38	21.05%
34	ROYALEX	1.06	0.88	20.45%
35	CONOIL	26.50	22.00	20.45%
36	NCR	3.60	3.00	20.00%
37	VETINDETF	23.99	20.07	19.53%

S/N	TICKER	30-Dec-22	31-Dec-21	% Chg
38	TRANSCORP	1.13	0.96	17.71%
39	OKOMUOIL	165.00	142.00	16.20%
40	TRANSCOHOT	6.25	5.38	16.17%
41	MRS	14.10	12.35	14.17%
42	NSLTECH	0.22	0.20	10.00%
43	JBERGER	24.50	22.35	9.62%
44	MTNN	215.00	197.00	9.14%
45	MORISON	2.17	1.99	9.05%
46	VETGRIF30	18.40	16.88	9.00%
47	UBN	6.40	5.90	8.47%
48	UACN	10.25	9.50	7.89%
49	MAYBAKER	4.30	4.02	6.97%
50	LOTUSHAL15	14.65	13.90	5.40%
51	VETBANK	4.23	4.04	4.70%
52	GLAXOSMITH	6.15	5.95	3.36%
53	UNITYBNK	0.55	0.54	1.85%
54	MERGROWTH	17.50	17.20	1.74%
55	DANGCEM	261.00	257.00	1.56%
56	JOHNHOLT	0.73	0.72	1.39%
57	TRANSEXPR	0.82	0.81	1.23%
58	WAPCO	24.00	23.95	0.21%
59	FLOURMILL	28.40	28.35	0.18%

Source: NGX, Proshare Research

On the other hand, REGALINS and LIVESTOCK both led the top 5 losers in the market with -50.98% and -49.30% losses respectively, while CAVERTON, GSPECPLC and SIAMLEFT40 followed closely to complete the top 5 losers (*see table 10*).

Table 10:

LOSERS IN 2022

S/N	TICKER	30-Dec-22	31-Dec-21	% Chg
1	REGALINS	0.25	0.51	-50.98%
2	LIVESTOCK	1.09	2.15	-49.30%
3	CAVERTON	0.99	1.72	-42.44%
4	GSPECPLC	2.48	4.19	-40.81%
5	SIAMLETF40	77.60	130.00	-40.31%
6	SUNUASSUR	0.29	0.45	-35.56%
7	UPL	1.90	2.94	-35.37%
8	REDSTAREX	2.26	3.45	-34.49%
9	UPDCREIT	3.00	4.45	-32.58%
10	HONYFLOUR	2.34	3.40	-31.18%
11	BERGER	6.00	8.55	-29.82%
12	NESTLE	1,100.00	1,556.50	-29.33%
13	WAPIC	0.40	0.56	-28.57%
14	JAPAULGOLD	0.28	0.39	-28.21%
15	FTNCOCOA	0.29	0.39	-25.64%
16	BETAGLAS	39.60	52.95	-25.21%
17	CUSTODIAN	5.95	7.90	-24.68%
18	CUTIX	2.01	2.64	-23.86%
19	CILEASING	3.20	4.20	-23.81%
20	UPDC	0.91	1.19	-23.53%
21	NNFM	6.15	8.00	-23.13%
22	IMG	7.40	9.45	-21.69%
23	LINKASSURE	0.40	0.51	-21.57%
24	UNILEVER	11.60	14.50	-20.00%
25	ABCTRANS	0.25	0.31	-19.35%
26	NEIMETH	1.43	1.75	-18.29%
27	MBENEFIT	0.27	0.33	-18.18%
28	NB	41.00	50.00	-18.00%
29	TRIPPLEG	0.79	0.96	-17.71%
30	PRESTIGE	0.42	0.51	-17.65%
31	LASACO	0.87	1.05	-17.14%
32	NASCON	11.10	13.20	-15.91%
33	AIICO	0.59	0.70	-15.71%
34	ELLAHLAKES	3.60	4.25	-15.29%
35	CHIPLC	0.67	0.79	-15.19%
36	IKEJAHOTEL	1.05	1.22	-13.93%
37	MANSARD	2.00	2.32	-13.79%

S/N	TICKER	30-Dec-22	31-Dec-21	% Chg
38	CAPHOTEL	2.76	3.19	-13.48%
39	TOTAL	193.00	221.90	-13.02%
40	GTCO	23.00	26.00	-11.54%
41	SCOA	0.92	1.04	-11.54%
42	OANDO	3.92	4.42	-11.31%
43	CWG	1.01	1.12	-9.82%
44	ALEX	6.50	7.20	-9.72%
45	UNIONDICON	8.95	9.90	-9.60%
46	VITAFOAM	20.45	22.50	-9.11%
47	ACCESSCORP	8.50	9.30	-8.60%
48	CAP	17.80	19.45	-8.48%
49	VSPBONDETF	165.93	180.48	-8.06%
50	DANGSUGAR	16.05	17.40	-7.76%
51	STERLNBANK	1.40	1.51	-7.28%
52	STANBIC	33.45	36.00	-7.08%
53	SOVRENINS	0.28	0.30	-6.67%
54	SKYAVN	5.00	5.30	-5.66%
55	UBA	7.60	8.05	-5.59%
56	AFRIPRUD	6.00	6.35	-5.51%
57	INTBREW	4.70	4.95	-5.05%
58	VERITASKAP	0.20	0.21	-4.76%
59	ZENITHBANK	24.00	25.15	-4.57%
60	PHARMDEKO	2.10	2.20	-4.55%
61	FBNH	10.90	11.40	-4.39%
62	INFINITY	1.27	1.32	-3.79%
63	NPFMCRFBK	1.69	1.70	-0.59%
64	VETGOODS	5.88	5.90	-0.34%

Source: NGX, Proshare Research

Proshare.

NGXASI Performance Review and How Each Company Fared in 2022

The Nigerian Stock Market continued its bullish run witnessed in 2021 at a faster pace at the close of trading in 2022. The NGXASI closed the Year 2022 with a +19.98% gain as against +6.07% gain in 2021 and +50.03% in 2020, respectively. The NGX Oil and Gas Index recorded the highest gain as it increased by +34.05%, while the NGX Insurance Index recorded the highest drop with a -11.99% loss (*see table 11*).

Table 11:

NGX SECTORAL INDICES - 2022 YTD PERFORMANCE REVIEW

S/N	TICKER	31-Dec-21	30-Dec-22	% Chg
1	NSE Oil and Gas	345.01	462.48	34.05%
2	NSE Main Board	1748.37	2328.51	33.18%
3	NSEAFRHDYI	2559.43	3321.49	29.77%
4	NSEMERIGRW	1805.02	2297.3	27.27%
5	NSE ASI	42716.44	51251.06	19.98%
6	NSE-IND	2008.3	2403.24	19.67%
7	NSE Premium	4167.78	4715.57	13.14%
8	NSE Pension	1624.09	1792.58	10.37%
9	NSE LII	3009.51	3240.83	7.69%
10	NSE-30	1722.3	1842.5	6.98%
11	NSE Banking	406.07	417.5	2.81%
12	NSE Food and Beverages	589.28	588.93	-0.06%
13	NSECG	1278	1276.51	-0.12%
14	NSE-ASeM	670.65	659.42	-1.67%
15	NSEAFRBVI	1038.82	991.06	-4.60%
16	NSE Insurance	198.11	174.36	-11.99%

Source: NGX, Proshare Research

Proshare.

NGX Premium Board

NGX Premium Board Index recorded four (4) gainers to four (4) losers. SEPLAT recorded +69.23% to top the gainers while ACCESSCORP recorded -8.60% loss to top the list of losers (*see table 12*).

Table 12:

NGX PREMIUM BOARD

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	SEPLAT	650.00	1,100.00	69.23%
2	MTNN	197.00	215.00	9.14%
3	DANGCEM	257	261	1.56%
4	WAPCO	23.95	24.00	0.21%
5	FBNH	11.4	10.9	-4.39%
6	ZENITHBANK	25.15	24.00	-4.57%
7	UBA	8.05	7.60	-5.59%
8	ACCESSCORP	9.3	8.5	-8.60%

Source: NGX, Proshare Research

Proshare.

NGX Banking Index

NGX Banking Index recorded six (6) gainers to four (4) losers. WEMABANK recorded a +441.67% gain to top the list of five gainers while ACCESSCORP recorded a -8.60% loss to top the list of four losers (*see table 13*).

Table 13:

NGX BANKING INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	WEMABANK	0.72	3.9	441.67%
2	FIDELITYBK	2.55	4.35	70.59%
3	JAIZBANK	0.56	0.92	64.29%
4	ETI	8.7	10.6	21.84%
5	UBN	5.9	6.4	8.47%
6	UNITYBNK	0.54	0.55	1.85%
7	ZENITHBANK	25.15	24	-4.57%
8	UBA	8.05	7.6	-5.59%
9	STERLNBANK	1.51	1.4	-7.28%
10	ACCESSCORP	9.3	8.5	-8.60%

Source: NGX, Proshare Research

Proshare.

NGX Insurance Index

NGX Insurance Index recorded one (1) gainer to twelve (12) losers while two (2) stocks recorded no price movement. COENERST recorded a +30.43% gain to top the list of gainers while REGALINS recorded -50.98% to top the list of losers (*see table 14*).

Table 14:

NGX INSURANCE INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	CORNERST	0.46	0.6	30.43%
2	NEM	4.5	4.5	0.00%
3	UNIVINSURE	0.2	0.2	0.00%
4	UNITYKAP	0.21	0.2	-4.76%
5	SOVRENINS	0.3	0.28	-6.67%
6	MANSARD	2.32	2	-13.79%
7	CHIPLC	0.79	0.67	-15.19%
8	AIICO	0.7	0.59	-15.71%
9	LASACO	1.05	0.87	-17.14%
10	PRESTIGE	0.51	0.42	-17.65%
11	MBENEFIT	0.33	0.27	-18.18%
12	LINKASSURE	0.51	0.4	-21.57%
13	WAPIC	0.56	0.4	-28.57%
14	SUNUASSUR	0.45	0.29	-35.56%
16	REGALINS	0.51	0.25	-50.98%

Source: NGX, Proshare Research

Proshare.

NGX 30 Index

NGX 30 Index recorded seventeen (17) gainers as against thirteen (13) losers. WEMABANK recorded a +441.67% gain to top the list of gainers while NESTLE recorded a -29.78% loss to top the list of losers (*see table 15*).

Table 15:

NGX 30 COMPANIES

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	WEMABANK	0.72	3.9	441.67%
2	GUINNESS	39	69.3	77.69%
3	AIRTELAFRI	955	1635	71.20%
4	FIDELITYBK	2.55	4.35	70.59%
5	SEPLAT	650	1100	69.23%
6	PRESCO	87.8	137.5	56.61%
7	BUAFOODS	44	65	47.73%
8	BUACEMENT	67.05	97.75	45.79%
9	UCAP	9.9	14	41.41%
10	FCMB	2.99	3.85	28.76%
11	ETI	8.7	10.6	21.84%
12	TRANSCORP	0.96	1.13	17.71%
13	OKOMUOIL	142	165	16.20%
14	MTNN	197	215	9.14%
15	DANGCEM	257	261	1.56%
16	WAPCO	23.95	24	0.21%
17	FLOURMILL	28.35	28.4	0.18%
18	FBNH	11.4	10.9	-4.39%
19	ZENITHBANK	25.15	24	-4.57%
20	INTBREW	4.95	4.7	-5.05%
21	UBA	8.05	7.6	-5.59%
22	STANBIC	36	33.45	-7.08%
23	DANGSUGAR	17.4	16.05	-7.76%
24	ACCESSCORP	9.3	8.5	-8.60%
25	GUARANTY	26	23	-11.54%
26	TOTAL	221.9	193	-13.02%
27	NB	50	41	-18.00%
28	UNILEVER	14.5	11.6	-20.00%
29	CUSTODIAN	7.9	5.95	-24.68%
30	NESTLE	1566.5	1100	-29.78%

Source: NGX, Proshare Research

Proshare.

NGX Consumer Goods Index

NGX Consumer Goods Index recorded six (6) gainers to nine (9) losers. CHAMPION recorded a +134.04% gain to top the list of gainers while HONYFLOUR recorded a -31.18% loss to top the list of losers (*see table 16*).

Table 16:

NGX CONSUMER GOODS INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	CHAMPION	2.35	5.5	134.04%
2	PZ	6.1	11.35	86.07%
3	GUINNESS	39	69.3	77.69%
4	BUAFOODS	44	65	47.73%
5	CADBURY	8.8	11.9	35.23%
6	FLOURMILL	28.35	28.4	0.18%
7	INTBREW	4.95	4.7	-5.05%
8	DANGSUGAR	17.4	16.05	-7.76%
9	VITAFOAM	22.5	20.45	-9.11%
10	NASCON	13.2	11.1	-15.91%
11	NB	50	41	-18.00%
12	UNILEVER	14.5	11.6	-20.00%
13	NNFM	8	6.15	-23.13%
14	NESTLE	1556.5	1100	-29.33%
15	HONYFLOUR	3.4	2.34	-31.18%

Source: NGX, Proshare Research

Proshare.

NGX Oil and Gas Index

NGX Oil and Gas Index recorded five (5) gainers to one (1) loser. SEPLAT recorded +69.23% to top the list of gainers while TOTAL recorded -13.02% loss to top the list of losers (*see table 17*).

Table 17:

NGX OIL AND GAS INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	SEPLAT	650	1100	69.23%
2	ARDOVA	13	18.4	41.54%
3	ETERNA	5.05	6.69	32.48%
4	CONOIL	22	26.5	20.45%
5	MRS	12.35	14.1	14.17%
6	TOTAL	221.9	193	-13.02%

Source: NGX, Proshare Research

Proshare.

NGX Lotus Islamic Index

NGX Lotus Islamic Index recorded eight (8) gainers to two (2) losers. AIRTELAFRI recorded a +71.20% gain to top the list of gainers while NESTLE recorded a -29.33% loss to top the list of losers (*see table 18*).

Table 18:

NGX LOTUS ISLAMIC INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	AIRTELAFRI	955	1635	71.20%
2	JAIZBANK	0.56	0.92	64.29%
3	BUAFOODS	44	65	47.73%
4	BUACEMENT	67.05	97.75	45.79%
5	OKOMUOIL	142	165	16.20%
6	MTNN	197	215	9.14%
7	DANGCEM	257	261	1.56%
8	WAPCO	23.95	24	0.21%
9	CAP	19.45	17.8	-8.48%
10	NESTLE	1556.5	1100	-29.33%

Source: NGX, Proshare Research

Proshare.

NGX Industrial Index

NGX Industrial Index recorded four (4) gainers to five (2) losers while one (1) stock recorded no price movement. MEYER recorded a +393.48% gain while BERGER recorded a -29.82% loss to top the list of losers (*see table 19*).

Table 19:

NGX INDUSTRIAL GOODS

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	MEYER	0.46	2.27	393.48%
2	BUACEMENT	67.05	97.75	45.79%
3	DANGCEM	257	261	1.56%
4	WAPCO	23.95	24	0.21%
5	NOTORE	62.5	62.5	0.00%
6	CAP	19.45	17.8	-8.48%
7	TRIPPLEG	0.96	0.79	-17.71%
8	CUTIX	2.64	2.01	-23.86%
9	BETAGLAS	52.95	39.6	-25.21%
10	BERGER	8.55	6	-29.82%

Source: NGX, Proshare Research

Proshare.

NGX ASeM Index

NGX ASeM Index recorded one (1) gainer to one (1) loser and two (2) unchanged as SMURFIT recorded a +45.00% gain to emerge as the only gainer while JULI recorded a -13.19% loss to emerge as the only loser (*see table 20*).

Table 20:

NGX ASEM INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	SMURFIT	0.20	0.29	45.00%
2	CAPOIL	0.2	0.2	0.00%
3	RAKUNITY	0.30	0.30	0.00%
4	JULI	0.91	0.79	-13.19%

Source: NGX, Proshare Research

Proshare.

NGX Pension Index

NGX Pension Index recorded twenty (20) gainers to twenty (20) losers. PZ recorded a +86.07% gain to top the list of gainers while NESTLE recorded a -29.33% loss to top the list of losers (*see table 21*).

Table 21:

NGX PENSION INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	PZ	6.1	11.35	86.07%
2	GUINNESS	39	69.3	77.69%
3	AIRTELAFRI	955	1635	71.20%
4	FIDELITYBK	2.55	4.35	70.59%
5	SEPLAT	650	1100	69.23%
6	PRESCO	87.8	137.5	56.61%
7	BUAFOODS	44	65	47.73%
8	BUACEMENT	67.05	97.75	45.79%
9	ARDOVA	13	18.4	41.54%
10	UCAP	9.9	14	41.41%
11	CADBURY	8.8	11.9	35.23%
12	FCMB	2.99	3.85	28.76%
13	TRANSCORP	0.96	1.13	17.71%
14	OKOMUOIL	142	165	16.20%
15	JBERGER	22.35	24.5	9.62%

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
16	MTNN	197	215	9.14%
17	UACN	9.5	10.25	7.89%
18	DANGCEM	257	261	1.56%
19	WAPCO	23.95	24	0.21%
20	FLOURMILL	28.35	28.4	0.18%
21	FBNH	11.4	10.9	-4.39%
22	ZENITHBANK	25.15	24	-4.57%
23	INTBREW	4.95	4.7	-5.05%
24	AFRIPRUD	6.35	6	-5.51%
25	UBA	8.05	7.6	-5.59%
26	STANBIC	36	33.45	-7.08%
27	STERLNBANK	1.51	1.4	-7.28%
28	DANGSUGAR	17.4	16.05	-7.76%
29	CAP	19.45	17.8	-8.48%
30	ACCESSCORP	9.3	8.5	-8.60%
31	VITAFOAM	22.5	20.45	-9.11%
32	GUARANTY	26	23	-11.54%
33	TOTAL	221.9	193	-13.02%
34	MANSARD	2.32	2	-13.79%
35	NASCON	13.2	11.1	-15.91%
36	NB	50	41	-18.00%
37	UNILEVER	14.5	11.6	-20.00%
38	CUSTODYINS	7.9	5.95	-24.68%
39	BETAGLAS	52.95	39.6	-25.21%
40	NESTLE	1556.5	1100	-29.33%

Source: NGX, Proshare Research

Proshare.

NGX Corporate Governance Index

NGX Corporate Governance Index recorded eighteen (18) gainers to twenty (20) losers. WEMABANK recorded a +441.67% gain to top the list of gainers while SUNUASSUR recorded a -35.56% loss to top the list of losers (*see table 22*).

Table: **22**

Table 22:

NGX CORPORATE GOVERNANCE INDEX

S/N	Company Name	31-Dec-21	30-Dec-22	% Chg
1	WEMABANK	0.72	3.9	441.67%
2	PZ	6.1	11.35	86.07%
3	ETRANZACT	1.89	3.5	85.19%
4	GUINNESS	39	69.3	77.69%
5	NAHCO	3.74	6.4	71.12%
6	FIDELITYBK	2.55	4.35	70.59%
7	SEPLAT	650	1100	69.23%
8	ARDOVA	13	18.4	41.54%
9	UCAP	9.9	14	41.41%
10	CORNERST	0.46	0.6	30.43%
11	ROYALEX	0.88	1.06	20.45%
12	TRANSCOHOT	5.38	6.25	16.17%
13	JBERGER	22.35	24.5	9.62%
14	MTNN	197.00	215.00	9.14%
15	GLAXOSMITH	5.95	6.15	3.36%
16	DANGCEM	257	261	1.56%
17	WAPCO	23.95	24	0.21%
18	FLOURMILL	28.35	28.4	0.18%
19	NEM	4.5	4.5	0.00%
20	NPFMCRFBK	1.7	1.69	-0.59%
21	FBNH	11.4	10.9	-4.39%
22	ZENITHBANK	25.15	24	-4.57%
23	AFRIPRUD	6.35	6	-5.51%
24	UBA	8.05	7.6	-5.59%
25	STANBIC	36	33.45	-7.08%
26	DANGSUGAR	17.4	16.05	-7.76%
27	ACCESSCORP	9.3	8.5	-8.60%
28	GTCO	26	23	-11.54%
29	MANSARD	2.32	2	-13.79%
30	NB	50	41	-18.00%
31	NEIMETH	1.75	1.43	-18.29%
32	UNILEVER	14.5	11.6	-20.00%
33	CUSTODIAN	7.9	5.95	-24.68%
34	WAPIC	0.56	0.4	-28.57%
35	NESTLE	1556.5	1100	-29.33%
36	BERGER	8.55	6	-29.82%
37	HONYFLOUR	3.4	2.34	-31.18%
38	REDSTAREX	3.45	2.26	-34.49%
39	SUNUASSUR	0.45	0.29	-35.56%

Source: NGX, Proshare Research

Proshare.

Penny Stocks

A total of 89 (eighty-nine) stocks are currently classified as penny stocks as of 30th December 2022 as against 99 in 2021, 103 in 2020 and 113 in 2019. These are stocks trading below the share price of N5.00. The Financial Services Sector recorded the highest number of penny stocks with 35 stocks making the list, followed closely by the Services sector with 20 stocks and the ICT sector with 7 stocks. Consumer Goods (6), Healthcare and Conglomerates (4 each), Industrial Goods, Agriculture and Construction/Real Estate (3 each), Oil and Gas and Natural Resources sectors with two (2) stocks contributed to the penny stock basket to complete the list.

Out of the 89 stocks that made the list, twenty-five (25) recorded positive returns while thirty-seven (37) records negative returns as twenty-seven (27) are unchanged as of the end of the Year 2022 (*see table 23*).

Table 23:

PENNY STOCKS BY SECTOR

Sector	No
Financial Services	35
Services	20
ICT	7
Consumer Goods	6
Healthcare	4
Conglomerates	4
Industrial Goods	3
Construction/Real Estate	3
Agriculture	3
Oil and Gas	2
Natural Resources	2
Total	**89**

Source: NGX, **Proshare** Research

Proshare.

Table 24:

PENNY STOCKS

S/N	Ticker	30-Dec-22	31/12/2021	% Chg	Sector
1	MULTIVERSE	3.98	0.2	1890.00%	Natural Resources
2	WEMABANK	3.90	0.72	441.67%	Financial Services
3	MEYER	2.27	0.46	393.48%	Industrial Goods
4	THOMASWY	0.97	0.35	177.14%	Natural Resources
5	ACADEMY	1.29	0.5	158.00%	Services
6	CHAMPION	5.50	2.35	134.04%	Consumer Goods
7	LEARNAFRCA	2.20	1.17	88.03%	Services
8	ETRANZACT	3.50	1.89	85.19%	ICT
9	NAHCO	6.40	3.74	71.12%	Services
10	FIDELITYBK	4.35	2.55	70.59%	Financial Services
11	JAIZBANK	0.92	0.56	64.29%	Financial Services
12	ABBEYBDS	1.70	1.04	63.46%	Financial Services
13	CORNERST	0.60	0.46	30.43%	Financial Services
14	RTBRISCOE	0.26	0.2	30.00%	Services
15	FCMB	3.85	2.99	28.76%	Financial Services
16	COURTVILLE	0.46	0.38	21.05%	ICT
17	ROYALEX	1.06	0.88	20.45%	Financial Services
18	NCR	3.60	3	20.00%	ICT
19	TRANSCORP	1.13	0.96	17.71%	Conglomerates
20	NSLTECH	0.22	0.2	10.00%	Services
21	MORISON	2.17	1.99	9.05%	Healthcare
22	MAYBAKER	4.30	4.02	6.97%	Healthcare
23	UNITYBNK	0.55	0.54	1.85%	Financial Services
24	JOHNHOLT	0.73	0.72	1.39%	Conglomerates
25	TRANSEXPR	0.82	0.81	1.23%	Services
26	CHELLARAM	2.24	2.24	0.00%	Conglomerates
27	ARBICO	1.03	1.03	0.00%	Construction/Real Estate
28	DUNLOP	0.20	0.2	0.00%	Consumer Goods
29	GOLDBREW	0.81	0.81	0.00%	Consumer Goods
30	MULTITREX	0.36	0.36	0.00%	Consumer Goods
31	AFRINSURE	0.20	0.2	0.00%	Financial Services
32	ASOSAVINGS	0.50	0.5	0.00%	Financial Services
33	DEAPCAP	0.20	0.2	0.00%	Financial Services
34	GOLDINSURE	0.20	0.2	0.00%	Financial Services
35	GUINEAINS	0.20	0.2	0.00%	Financial Services
36	INTENEGINS	0.38	0.38	0.00%	Financial Services
37	NEM	4.50	4.5	0.00%	Financial Services
38	NIGERINS	0.20	0.2	0.00%	Financial Services
39	RESORTSAL	0.20	0.2	0.00%	Financial Services
40	STACO	0.48	0.48	0.00%	Financial Services
41	STDINSURE	0.20	0.2	0.00%	Financial Services
42	UNHOMES	3.02	3.02	0.00%	Financial Services
43	UNIVINSURE	0.20	0.2	0.00%	Financial Services
44	CHAMS	0.22	0.22	0.00%	ICT
45	OMATEK	0.20	0.2	0.00%	ICT

S/N	Ticker	30-Dec-22	31/12/2021	% Chg	Sector
46	AUSTINLAZ	2.03	2.03	0.00%	Industrial Goods
47	AFROMEDIA	0.20	0.2	0.00%	Services
48	DAARCOMM	0.20	0.2	0.00%	Services
49	EUNISELL	2.91	2.91	0.00%	Services
50	MEDVIEWAIR	1.62	1.62	0.00%	Services
51	TANTALIZER	0.20	0.2	0.00%	Services
52	TOURIST	2.84	2.84	0.00%	Services
53	NPFMCRFBK	1.69	1.7	-0.59%	Financial Services
54	INFINITY	1.27	1.32	-3.79%	Financial Services
55	PHARMDEKO	2.10	2.2	-4.55%	Healthcare
56	INTBREW	4.70	4.95	-5.05%	Consumer Goods
57	SOVRENINS	0.28	0.3	-6.67%	Financial Services
58	STERLNBANK	1.40	1.51	-7.28%	Financial Services
59	CWG	1.01	1.12	-9.82%	ICT
60	OANDO	3.92	4.42	-11.31%	Oil and Gas
61	SCOA	0.92	1.04	-11.54%	Conglomerates
62	CAPHOTEL	2.76	3.19	-13.48%	Services
63	MANSARD	2.00	2.32	-13.79%	Financial Services
64	IKEJAHOTEL	1.05	1.22	-13.93%	Services
65	CHIPLC	0.67	0.79	-15.19%	Financial Services
66	ELLAHLAKES	3.60	4.25	-15.29%	Agriculture
67	AIICO	0.59	0.7	-15.71%	Financial Services
68	LASACO	0.87	1.05	-17.14%	Financial Services
69	PRESTIGE	0.42	0.51	-17.65%	Financial Services
70	TRIPPLEG	0.79	0.96	-17.71%	ICT
71	MBENEFIT	0.27	0.33	-18.18%	Financial Services
72	NEIMETH	1.43	1.75	-18.29%	Healthcare
73	ABCTRANS	0.25	0.31	-19.35%	Services
74	LINKASSURE	0.40	0.51	-21.57%	Financial Services
75	UPDC	0.91	1.19	-23.53%	Construction/Real Estate
76	CILEASING	3.20	4.2	-23.81%	Services
77	CUTIX	2.01	2.64	-23.86%	Industrial Goods
78	FTNCOCOA	0.29	0.39	-25.64%	Agriculture
79	JAPAULGOLD	0.28	0.39	-28.21%	Oil and Gas
80	WAPIC	0.40	0.56	-28.57%	Financial Services
81	HONYFLOUR	2.34	3.4	-31.18%	Consumer Goods
82	UPDCREIT	3.00	4.45	-32.58%	Construction/Real Estate
83	REDSTAREX	2.26	3.45	-34.49%	Services
84	UPL	1.90	2.94	-35.37%	Services
85	SUNUASSUR	0.29	0.45	-35.56%	Financial Services
86	GSPECPLC	2.48	4.19	-40.81%	Services
87	CAVERTON	0.99	1.72	-42.44%	Services
88	LIVESTOCK	1.09	2.15	-49.30%	Agriculture
89	REGALINS	0.25	0.51	-50.98%	Financial Services

Source: **NGX, Proshare** Research

Proshare.

Stocks on Pause

Thirty-four or 24.29% of the 140 companies listed on the Nigerian Exchange recorded no price movement as of December 30, 2022, as against 21% in 2021, 23% in 2020, 20% in 2019, **17% in 2018**, and 37% of such **stocks recorded in 2017**.

Further analysis revealed that out of the 34 stocks; stocks from the financial services sector dominated the list with fourteen (14) stocks, services follow closely with six (6) stocks, Consumer and Industrial Goods have four (4each), ICT and Construction/Real Estate have two (2) each while Healthcare and Conglomerates have one (1) each to complete the list (*see table 25*).

Table 25:

STOCKS ON PAUSE BY SECTOR

Sector	No
Financial Services	14
Services	6
Consumer Goods	4
Industrial Goods	4
ICT	2
Construction/Real Estate	2
Healthcare	1
Conglomerates	1
Total	34

Source: NGX, **Proshare** Research

Table 26:

STOCKS ON PAUSE

S/N	Ticker	30-Dec-22	31/12/2021	% Chg	Sector
1	AFRINSURE	0.20	0.2	0.00%	Financial Services
2	AFROMEDIA	0.20	0.2	0.00%	Services
3	ARBICO	1.03	1.03	0.00%	Construction/Real Estate
4	ASOSAVINGS	0.50	0.5	0.00%	Financial Services
5	AUSTINLAZ	2.03	2.03	0.00%	Industrial Goods
6	CHAMS	0.22	0.22	0.00%	ICT
7	CHELLARAM	2.24	2.24	0.00%	Conglomerates
8	DAARCOMM	0.20	0.2	0.00%	Services
9	DEAPCAP	0.20	0.2	0.00%	Financial Services

S/N	Ticker	30-Dec-22	31/12/2021	% Chg	Sector
10	DUNLOP	0.20	0.2	0.00%	Consumer Goods
11	EKOCORP	5.79	5.79	0.00%	Healthcare
12	ENAMELWA	16.20	16.2	0.00%	Consumer Goods
13	GOLDBREW	0.81	0.81	0.00%	Consumer Goods
14	GOLDINSURE	0.20	0.2	0.00%	Financial Services
15	GUINEAINS	0.20	0.2	0.00%	Financial Services
16	INTENEGINS	0.38	0.38	0.00%	Financial Services
17	EUNISELL	2.91	2.91	0.00%	Services
18	MEDVIEWAIR	1.62	1.62	0.00%	Services
19	MULTITREX	0.36	0.36	0.00%	Consumer Goods
20	NEM	4.50	4.5	0.00%	Financial Services
21	NESF	552.20	552.2	0.00%	Financial Services
22	NIGERINS	0.20	0.2	0.00%	Financial Services
23	NOTORE	62.50	62.5	0.00%	Industrial Goods
24	OMATEK	0.20	0.2	0.00%	ICT
25	PREMPAINTS	10.00	10	0.00%	Industrial Goods
26	RESORTSAL	0.20	0.2	0.00%	Financial Services
27	STACO	0.48	0.48	0.00%	Financial Services
28	STDINSURE	0.20	0.2	0.00%	Financial Services
29	TANTALIZER	0.20	0.2	0.00%	Services
30	TOURIST	2.84	2.84	0.00%	Services
31	UHOMREIT	36.60	36.6	0.00%	Construction/Real Estate
32	UNHOMES	3.02	3.02	0.00%	Financial Services
33	UNIVINSURE	0.20	0.2	0.00%	Financial Services
34	VANLEER	5.45	5.45	0.00%	Industrial Goods

Source: **NGX, Proshare** Research

Proshare.

Growth of Securities Listed on NGX

The total number of securities listed on NSE increased by +22.85% from 372 securities in 2021 to 457 securities at the end of Q1 2022. Corporate Bonds recorded the highest growth among the securities listed. It grew by 184.78% while FGN bonds also increased by 4.65% to follow closely. However, State and Municipal bonds dropped by -28.57% was the only securities listed to record a decline. Equities – AseM, Premium Board, Main Board, REITs/CEF, Traded Funds, Growth Board, and Memorandum Listing also remained unchanged within the period under review (*see table 27*).

Table 27:

NUMBER OF SECURITIES LISTED

Category	Q1 2022	Q4 2021	% Chg
Equities – Premium Board	8	8	0.00%
Equities - Main Board	134	134	0.00%
Equities – AseM	4	4	0.00%
Exchange -Traded Funds	12	12	0.00%
Equities – REITs and CEF	4	4	0.00%
FGN Bonds	90	86	4.65%
Corporate Bonds	131	46	184.78%
State and Municipal Bonds	10	14	-28.57%
Equities - Growth Board	6	6	0.00%
Memorandum Listing	58	58	0.00%
Total	457	372	22.85%

Source: NGX Fact Sheet

Proshare.

New Listing and De-listings in 2022

Listings on the Nigerian Exchange remained at par in 2022 as the Exchange recorded three (3) new listings as against slight improvement in the previous year as the bourse witnessed 3 New Listings, 2 De-Listings in 2021 compared to 1 New Listing, 5 De-Listings in 2020; 3 New Listings, 7 De-Listings in **2019**, and 1 New Listing, 4 De-Listings in **2018**.

New Listing(s)

BUAFOODS was the first company to be listed in the year 2022. **ACCESSCORP** was later listed in March 2022 while the third, **GEREGU**, got listed in October 2022.

An assessment of the share price of the newly listed entities in 2022 revealed that **BUAFOODS** grew by +62.50% between January 5, 2022, when it was listed, and the last trading day in 2022 while **GEREGU** grew by **+39.70%** between October 5, 2022, when it was listed and the last trading day in 2022.

However, **ACCESSCORP** dropped by -12.56% between March 28, 2022, when it was listed, and the last trading day in 2022 (*see table 28*).

Table: **28**

Table 28:

NEW LISTINGS IN 2022

Ticker	Listing Date	Listing Price	30-Dec-22	% Chg	Method of Listing (s)
BUAFOODS	05-Jan-22	40	65	62.50%	Introduction
ACCESSCORP	28-Mar-22	9.95	8.7	-12.56%	Introduction
GEREGU	05-Oct-22	100	139.7	39.70%	Introduction

Source: NGX, Proshare Research

Proshare.

Delisting(s)

The market witnessed three (3) delisting(s) in the year 2022 and the companies are:

- Studio Press Nigeria Plc — Jan 7th, 2022
- Union Diagnostic and Clinical Services Plc — Jan 7th, 2022
- Access Bank Plc — March 28th, 2022

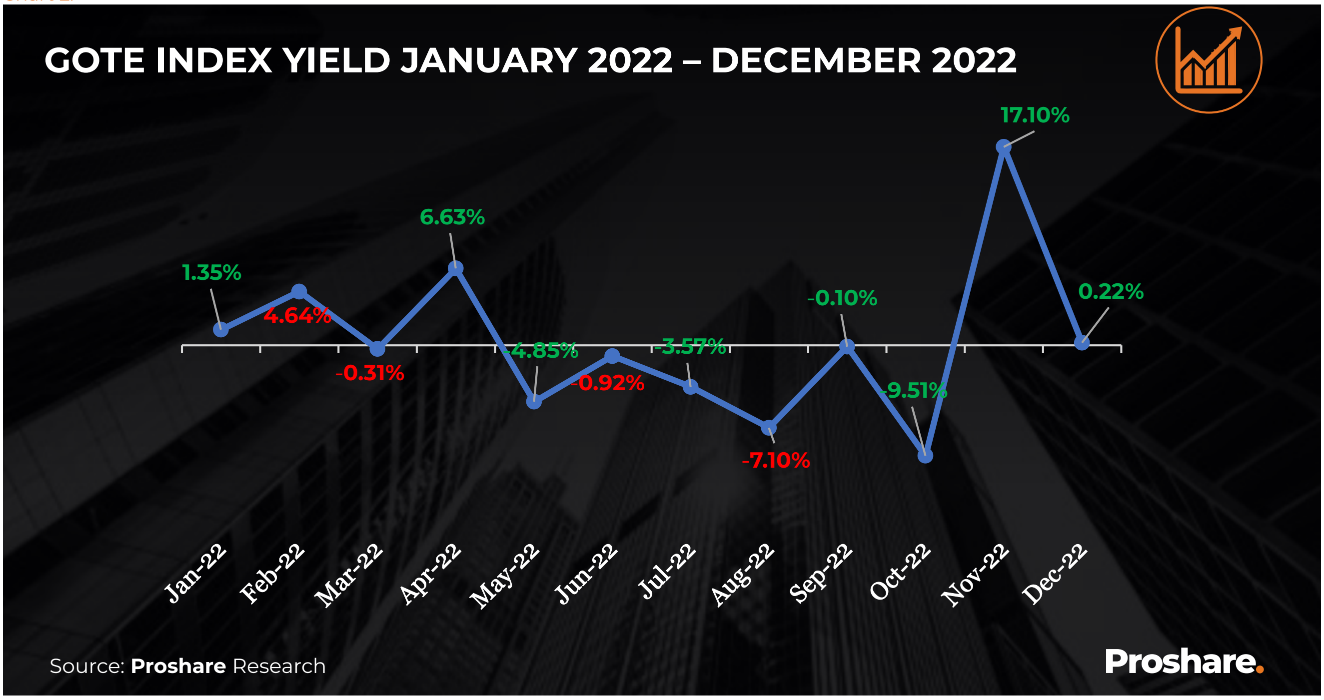
Proshare's 'Toni Index' and 'Gote Index'

This section aims to examine the performance of Proshare's index which consists of the Dangote index and Tony's index year-to-date. Tony and Dangote have stocks with large Market Caps which can the overall sentiment of the market. Tony's index consists of **AFRIPRUDE, TRANSCOHOT TRANSCORP, UBA**, and **UBCAP** while Dangote's index consists of **DANGCEM, DANGSUGAR**, and **NASCON**.

Dangote Index (Gote Index)

The index opened the year on a positive note with growth of +1.35% in January 2022 following major declines in March, May, and June with -0.31%, -4.85%, and -1.62% respectively. The month of May particularly recorded the highest decline during the year. The decline was a result of MPR rate hikes from 11.5% to 13.0% in May 2022. The Gote index closed the year at 136.21 index points, posting a Yield to Date of 0.99% (*see chart 2*).

Chart 2:



Furthermore, Dangote Cement Plc is a large-cap stock within the index that served as the major factor contributing to the growth or decline of the Dangote Index. Dangote cement delivered slightly weak Q3 2022 financial result, posting a profit for the year of N12.41M which represents a decline of -23.5% recorded in Q3 2021. Profit before tax (PBT) in Q3 2022 stands at N335.9m which shows a -17.2% decline in Q3 2021 at N405.59m. The rise in revenue was because of increase in sales of cement and clinkers which saw a growth of 15.2% at N1.12bn in Q3 2022 as against N1.02b generated in 2021 (see *chart 3*).

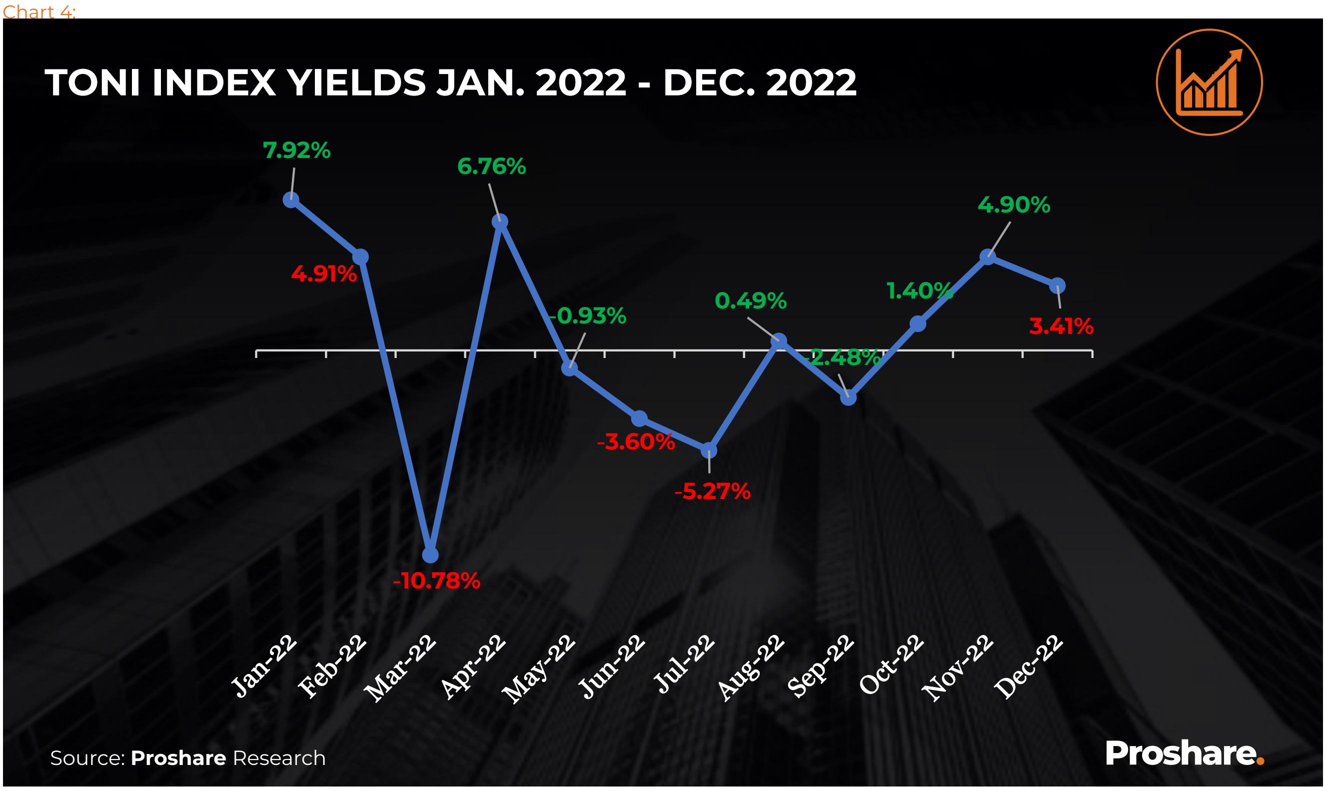
Chart 3:

Toni Index

The index started the year off on a positive note, rising by +7.92% to 118.03 index points in January 2022. This was followed by a 4.91% Month-on-Month (MOM) increase rise to 123.83 index points in February, followed closely by a significant MOM decline of -10.78% in March. Thus, the Toni index ended Q1 with a yield to date of +1.01% at 110.48 index points.

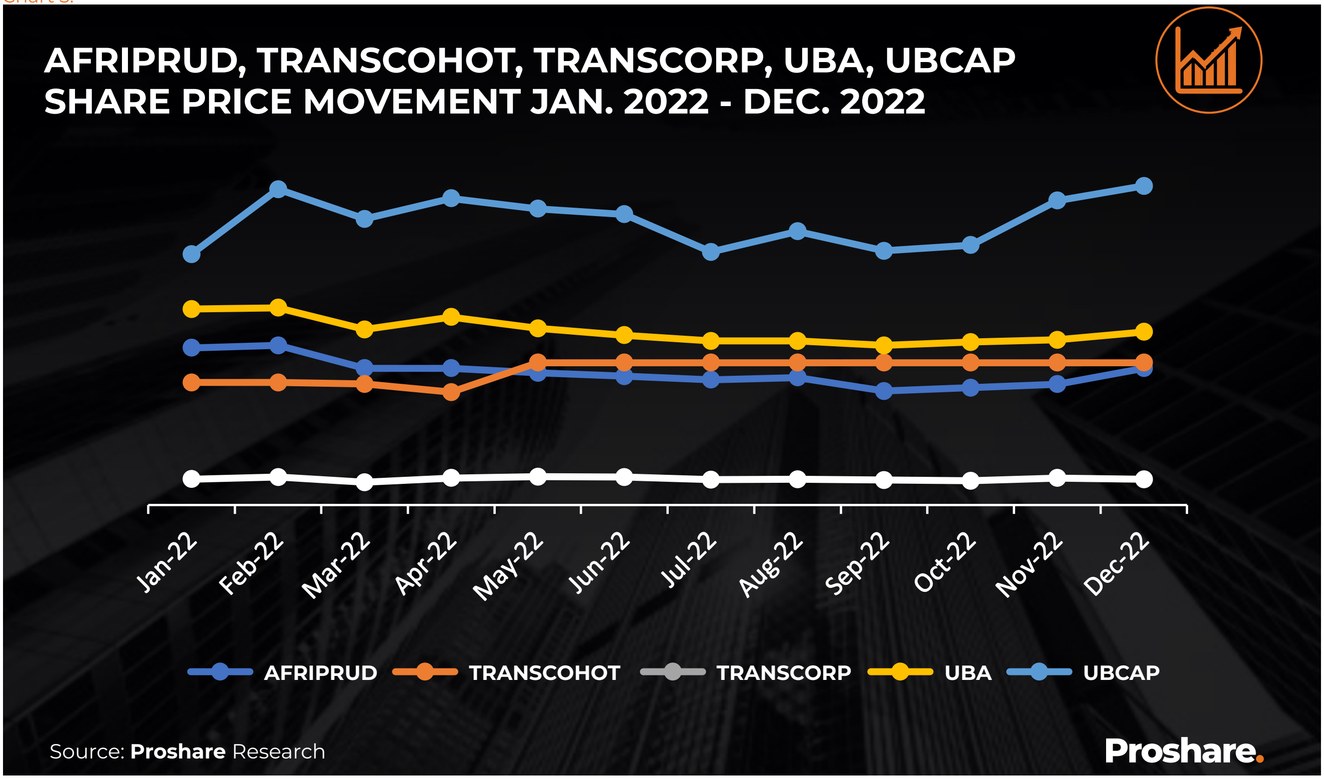
April kicked off Q2 2022 as it posted an improved MOM of +6.76%. However, the index could not maintain its positive posture as investors began to offload the Toni index stocks with major sell-offs in AFRIPRUDE, UBA, and UBCAP representing a MOM decline of -3.33%, -6.06%, and -3.35% respectively. The months of March, May, June, July, and September recorded a decline of -10.78%, -0.93%, -3.60%, -5.27%, and -2.48% M-o-M, respectively. The chart below reveals that the Tony index had reported a mixed market performance in the year 2022 with the Bulls dominating at the end of the year (see *chart 4)*.

Chart 4:



The months with the highest MoM yields were January, April, February, November, December, and August with +7.92%, +6.67%, 4.91%, +4.90, 3.41%, and +0.49% respectively. Investors' activity on the Index is high, as it is mostly composed of stocks in the financial services sector (UBA, AFRIPRUD, UBCAP), the sector is also most active on the NSE. Yield to date returns on **AFRIPRUD, TRANSCOHOT TRANSCORP, UBA**, and **UBCAP** in 2022 are -5.51%, 16.17%, 17,71%, -5.59% and 41.41% respectively with UBCAP posting the best yield to date return by the end of the year and sell offs were recorded in AFRIPRUDE and UBA (*see chart 5*).

Chart 5:



Sectoral Market Capitalizations/ Performance Review

The utility sector recorded 100% growth in market capitalization in 2022 after being introduced newly on October 5, 2022, to emerge as the sector with the highest growth rate. The Oil and Gas sector came second with a +46.77% growth rate recorded in 2022. However, the Conglomerates sector recorded the highest drop in market capitalization with -52.87% as ICT and Construction/Real Estate sectors followed closely with -41.98% and -2.69% drop respectively. Total Equities Market Capitalization fell by -4.62% in 2022 as it moved from N22.45trn in 2021 to N21.42trn in 2022 (*see table 29*).

Table 29:

SECTORAL MARKET CAPITALIZATIONS

Sector	2022	2021	% Chg
Conglomerates	113,423,442,607.90	240,682,570,748.70	**-52.87%**
ICT	4,419,915,420,767.31	7,617,598,644,439.35	**-41.98%**
Construction/Real Estate	63,623,427,641.76	65,379,319,223.84	**-2.69%**
Financial Services	3,869,081,998,903.31	3,946,862,067,230.21	**-1.97%**
Natural Resources	7,035,618,582.44	6,446,583,408.90	**9.14%**
Industrial Goods	8,297,486,328,731.73	7,194,508,147,262.91	**15.33%**
Healthcare	43,632,615,017.31	36,678,810,201.89	**18.96%**
Services	156,207,898,344.28	124,614,187,254.26	**25.35%**
Agriculture	306,003,149,365.62	239,063,218,748.70	**28.00%**
Consumer Goods	3,311,670,059,410.82	2,420,876,948,384.85	**36.80%**
Oil & Gas	820,404,707,473.83	558,955,897,582.26	**46.77%**
Utilities	7,035,618,582.44	0.00	**100.00%**
Total	21,415,520,285,428.70	22,451,666,394,485.90	**-4.62%**

Source: NGX, Proshare Research

Proshare.

Nigerian Equities Market Review (Unlisted)

The NASD Security Index Year-to-date return declined by -5.56%; a dip from the +1.34% YTD performance recorded in 2021. The total volume traded Year-to-Date stands at 3,234,461,422 units in 2,682 deals and the total Value traded is N 28,050,707,224.24. Volume and values of shares traded declined by -75.02% and -14.60% respectively. The equities trading platform saw a considerable amount of sell-offs in market capitalization as the volume of shares traded and deals completed declined notably in Q1 and Q4 2022. The NASD's NSI Index gained +5.5%, from 725.85 points in Q1 2021 to 765.95 points in Q2 2021 making it the best Quarter on Quarter market performance. According to market analysts, the NASD exchange experienced its best performance on May 19 (Q2) at 808.75 index points posting a YTD of 8.75%, and its worst performance on November 29 at 702.76 index points (Q4) with a YTD of -5.56%. December recorded the lowest yield for the year -5.56%, followed by November, April, March, October, and February with -3.12%, -2.64%, -2.64%, -1.72% and -0.03% respectively. The highest gains were recorded in August at 5.23%, followed by July, May, June, September, and January with +4.02%, +3.15%, 2.93%, 2.42% and +0.42% respectively (*see chart 6 and table 30*).

Chart: 6

Chart 6:

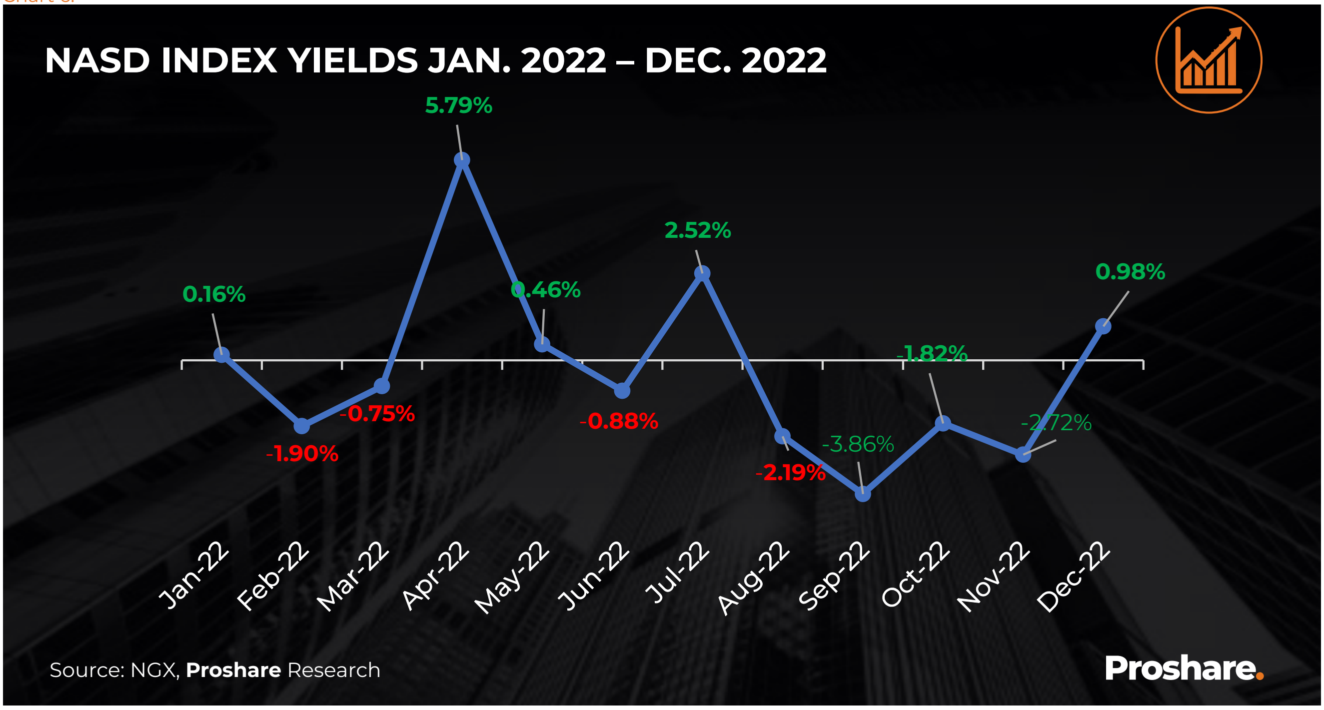


Table 30:

NASD QUATERLY MARKET PERFORMANCE

QUARTER	31-Dec-21	End of Quarter	YTD Chg	QOQ Chg
Quarter 1	742.82	724.49	-2.47% ↓	-2.47% ↓
Quarter 2	742.82	763.24	2.75% ↑	5.35% ↑
Quarter 3	742.82	735.79	-0.95% ↓	-3.60% ↓
Quarter 4	742.82	709.66	-4.46% ↓	-3.55% ↓

Source: NGX, **Proshare** Research

Proshare.

Technology & **The Nigerian Capital Market.**

Wealth-Techs

Financial technology is a rapidly growing industry that uses technology to improve and automate the management of wealth which includes investment management, financial planning, and other financial services for individuals and institutions. One of the main drivers of wealth-tech in Nigeria is the country's large and young population, which is increasingly interested in investing and saving for their future. Additionally, the rise of mobile technology and internet access has made it easier for individuals to access financial services online, which has helped to drive the growth of technology.

One of the most popular wealth-tech companies in Nigeria is Piggyvest, which offers a platform for users to save and invest their money, with a focus on helping individuals to reach their financial goals. The platform offers a variety of savings options, including a flexible savings plan, a target savings plan, and a safe lock savings plan, allowing users to invest their savings in a variety of investment options, such as fixed deposit accounts and mutual funds.

However, there are also potential risks associated with wealth tech. One of which is cybersecurity, as digital platforms and online account management can make it easier for hackers to access sensitive financial information. Additionally, like other developing countries, Nigeria also faces issues related to poor financial inclusion, particularly in rural areas which can make it difficult for individuals to take advantage of wealth tech innovations.

Regulatory Sandboxes

In view of the growing demand for easier and cheaper payment solutions through disruptive technology in the financial service space, the Central Bank of Nigeria (CBN) has deemed it pertinent to ensure new and more flexible ways of engaging with the payment industry by taking proactive steps in ensuring more flexible ways of engaging operators in the payment solutions/fintech space. In a bid to regulate how operators stir out their new products and services by introducing a regulatory sandbox that allows FinTech start-ups and other innovators to conduct live experiments in a controlled environment under a regulator's supervision in the Nigerian market.

It is important to note that CBN's Regulatory Sandbox is not the only sandbox in Nigeria. Other regulatory sandboxes in Nigeria include the Nigerian Communications Commission (NCC) which established a regulatory sandbox for the telecom sector and the Securities and Exchange Commission (SEC) which recently established a regulatory sandbox for the capital market. However, the regulatory sandboxes in Nigeria also raise concerns about the blurred lines between innovation and regulation. While sandboxes are intended to foster innovation and experimentation, they also rely on regulators to define the boundaries and set the rules for what is allowed within the sandbox. This can create a challenging environment for companies, as they must navigate the fine line between pushing the boundaries of what is possible and staying within the bounds of what is permitted.

Another concern is that regulatory sandboxes can create a two-tiered system, where companies operating within the sandbox are given preferential treatment and have a competitive advantage over those operating outside of it. This can lead to a lack of a level playing field and can discourage competition. Furthermore, the regulatory sandboxes in Nigeria may also raise questions about accountability and oversight. In a sandbox environment, companies may be given more freedom to experiment, but they may also be given less oversight. This can create the potential for abuse and can make it difficult for regulators to detect and address any issues that may arise.

No doubt, regulations around fintech are still emerging and developing, there is still a huge entry barrier for new entrants, and it is expected that the sandboxes would present them with a safe testing environment and ease regulatory onboarding. It is furtherance of the above that the CBN Issued the framework for Regulatory Sandbox Operations published on the 13th of January 2021 (*Sandbox Framework*).

The UK has been viewed as leading the way with the trend after the Financial Conduct Authority (FCA) introduced its regulatory sandbox in 2016. Today, more than 60 countries globally including the UK, Australia, Bahrain, Canada, India, Kenya, Malaysia, Russia, and Singapore have adopted regulatory sandboxes. According to a World Bank study, Africa currently has the third-highest number of sandboxes worldwide, ahead of North America and South Asia.

Frauds And Supervision/Enforcement

Lack of data protection, side effects of a global pandemic, and an increase in exploit sophistication has led to a huge inclination towards hacking and data breaching. COVID-19 has also ramped up remote workforces, making roads for cyberattacks in unsecured locations. Recent security studies further suggested that most companies have poor cybersecurity practices in place which makes them vulnerable to data losses.

In the Nigerian capital market, with over 4 million investors and over 50,000 active investors, the market ecosystem has seen a surge in Ponzi Schemes. Instead of leveraging the potential of the Nigerian capital market with new and innovative securities, the Ponzi schemes market is attracting investors in more recent times. Although Nigeria's “investors' greed” has grown over time and supported the growing scale of the Ponzi scheme, there is also a gap in products that approximate the investment goals of Nigeria's changing demography.

More so, there is a high risk of defaults and little-to-no regulatory sanctions for defaulters in both the Nigerian capital market and the Ponzi scheme markets. Investors are, thus, getting attracted to the Ponzi scheme markets which promise higher returns above inflation and market returns on investments. This contributes significantly to the escalation in the number of Ponzi Schemes and the associated high level of patronage in recent times.

Valuing the popular Ponzi schemes in Nigeria between 2015 and 2021 (close to 180 schemes), Proshare Research estimated the value lost to the schemes at N874.95bn. The Director of the Bank Examination Department of the Nigeria Deposit Insurance Company (NDIC), Michael Oladele, recently disclosed that the Nigerian market lost nothing less than N911.45 billion to various Ponzi schemes and related frauds in the last 23 years. Whereas the ratios of the illegal schemes to the new listings seem insignificant, it could have a damaging effect on the capital market due to the negative perception of the investment climate in the country.

Fraud and Ponzi schemes remain a serious problem in Nigeria and poor supervision and enforcement have contributed to the proliferation of these crimes. Although the Financial and capital market regulators have taken steps to combat fraud and scams in the country, enforcement, and supervision have been somewhat inadequate. Analysts say the capital market regulator needs to bridge the gap by reconstructing the regulatory framework and expanding its cover to technology issues, traditional and social media responsibilities, obligations and liabilities, national security concerns, and best practices within the profession.

Elsewhere, the Fintech industry is one of the world's fastest-growing markets in the tech sector. The global fintech industry is expected to reach US$324bn by 2026 with a compound growth rate of 25% from 2022 to 2027. A major driver for this growth is the industry's focus on the underserved areas of traditional banking such as rural outreach and retail banking. Globally, payment fraud in the fintech industry grew 121% from 2020 to 2021 making it the sector most targeted by payment fraud, followed by the travel and hospitality industry with 34% annual growth in fraud attacks. Billions of link-based URLs, attachments, and natural language messages in email, mobile, and browser channels over six months in 2022 and found more than 255m attacks, a 61% increase in the rate of phishing attacks compared to 2021. Also, 3.4 billion phishing emails are sent daily, and over one trillion annually. The annual number goes way beyond one trillion. The figure is growing, and the threats are getting more sophisticated.

DLTs and FMIs – Exchange-Driven Changes

A major appeal of Blockchain, more generically described as Distributed Ledger Technology (DLT), from the perspective of financial market participants has been the promise of simpler and less risky operational processes. One of the most significant ways in which DLTs could change Financial Market Infrastructures (FMIs) is through their ability to enable the direct exchange of assets without the need for intermediaries.

Additionally, they allow the smooth flow of financial traffic every day in the interests of security, reduction of cost, the time required for settlement, an increase in the overall speed and efficiency of transactions as well as various types of operational complexity, these activities have been increasingly concentrated in centralized structures that we refer to as FMIs The purpose of FMIs has been to facilitate the efficient interaction of financial market participants. They enable the settlement of contractual obligations(trade) of multiple counterparties via a single entity rather than many bilateral relationships.

It is important to note that one of the areas where DLTs could have a significant impact is in the foreign exchange market. The Nigerian foreign exchange market is currently plagued by issues such as a lack of transparency, inefficiency, and high costs. DLTs have the potential to address these issues by increasing transparency and reducing costs through the use of smart contracts and the elimination of intermediaries. The Nigerian financial sector has been hit by several cyber-attacks in recent years, and DLTs can help to mitigate these risks by providing a secure and tamper-proof way of recording and processing transactions. However, some challenges need to be addressed before DLTs can be widely adopted in Nigeria.

Fixed Income **Market Review.**

Global Market

The fixed income tumbled this year both in the developed and emerging economies, bond yields rose to record high levels with selloff sentiments. The market seems to have recovered from the covid-19 surge in 2021 but the eruption of the Russian-Ukrainian war in Q1 2022 triggered a global financial crisis, leading to the exit of investors to safer ravens, particularly in the US, UK, and EU, where the yields more than doubled.

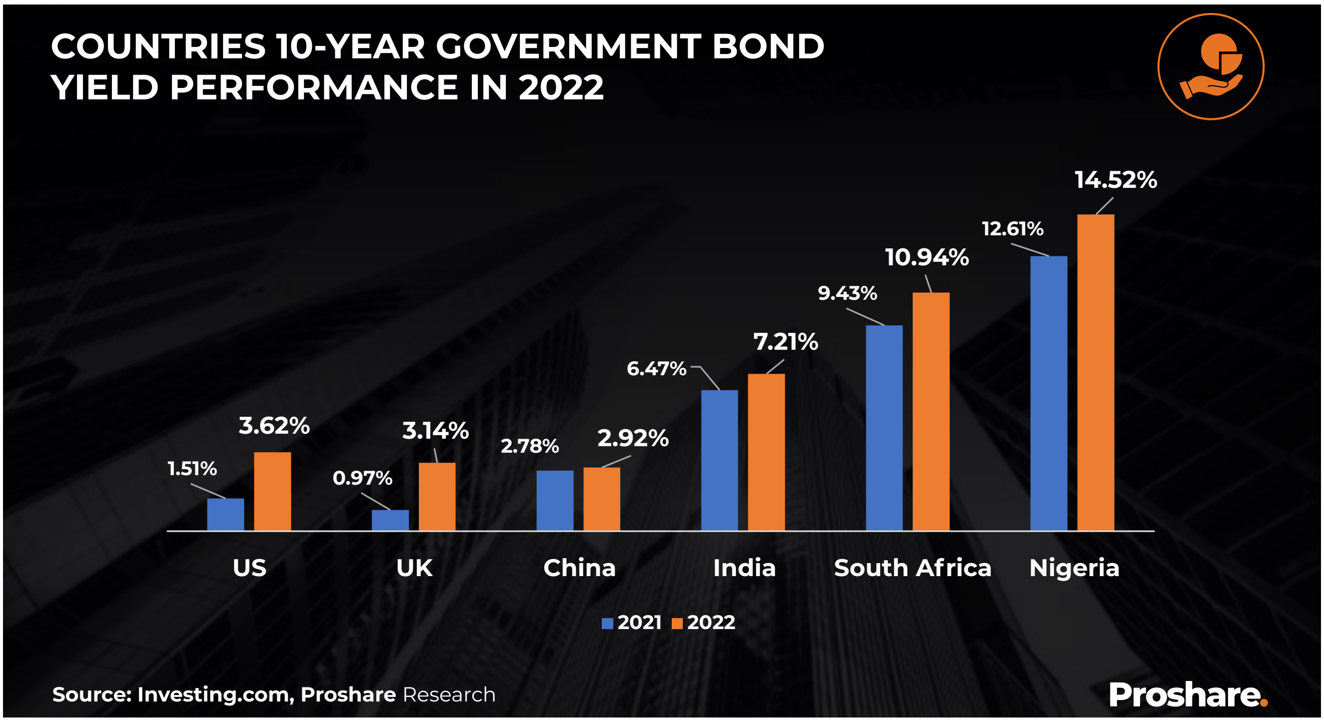
The Fixed income performance was shaped mainly by the global hawkish monetary policy, higher inflation, recession risks, and negative returns. The Fed's Hawkish Monetary policy pressured other central banks to follow in a similar direction which sparked recession fears that generated an inverted yield curve in most regions such as Germany, Canada, the US, and many more, a major indicator of recession. For example, the US 10-year bond had a lower yield compared to the 2-year bond, indicating investors are going long-term while selling off at the short end of the curve.

Analysts note that historically, bond yields have been positive at times of rising interest rates as coupons offset price declines. However, the high inflation rates of 2022 resulted in negative returns. The returns pushed investors to exit the market for other safer assets, recording the biggest outflows recently.

The uncertainties made bond yields extremely high for most economies, reflecting lower investor confidence and diversion into safer assets. In the UK, the Bond yields rose to a record high of 4.24% in September reacting to the Liz Truss mini-budget saga, which prompted an emergency bond-buying programme for the long-dated maturities by the bank of England to tame the extremely high yields. Emerging markets were not exempted from the yields spike, Ghana's had the highest at 34.3% in November as the country battled with dwindling revenue and debt sustainability.

Comparing the bond yields of major economies in 2022 against 2021, the UK's 10-year bond yield recorded the highest growth of +223.71%, followed by the US's 10-year bond with +139.74% (Y-o-Y). Surprisingly, China recorded the least growth of +2.92% (Y-o-Y) despite the slowdown in growth and rising covid cases, revealing strong investors' appetite for the asset. For Nigeria, 10-year bond yields edged up (Y-o-Y) by +15.15% to 14.52%, the highest ever (*see chart 7*).

Chart 7:



Certainly, the rate hikes to tackle inflation will continue in 2023, although some countries have decided to go less hawkish such as New Zealand, Canada, Australia, and some others. The dovish stance should trim down yields in 2023, seeing that bond yields have begun to slow down in Q4 across countries. Particularly in China, the recent easing of covid-19 restrictions has spurred a rally in the country's 10-year bond, dropping the yields by 50bps.

Domestic Fixed Income Market

The performance of the domestic market was predominantly determined by system liquidity, inflation, and monetary policy. The liquidity tightness pushed up money market rates and fixed income yields to double digits, including short-term instruments. The 365-day yield on Nigerian treasury bills rose from 1.50% in January to 14.84% in December and the average marginal rates on bonds offered by DMO advanced from 12.50% in its January issue to 14.55% issued in December, driven by upward adjustment in the stop rates to attract investors. Seeing those investors generally lost interest in fixed income globally with the negative real return, the Federal government had to raise coupon rates to attract investors.

Surprisingly, bond yields softened in Q4, warming up to the slowdown in the pace of rate hikes globally. The average bond yield peaked on November 9, 2022, at 14.82% as buying interests resurfaced bringing yields down to 13.31% as of December 29 irrespective of the 100bps rate hike and higher inflation figures in December. Some analysts attributed the inflow to the windfall of old stacked notes as the deadline for the swap gets closer (CBN redesigning policy). The sustainability of the recent buying interests seems sketchy as the old note will cease to be a legal tender by January 31, 2023, leaving the big Elephant (Inflation) and MPR's direction to determine the fate of the market. Also, Debt sustainability fears with the mounting public debt stock at N44.06trn as of September 2022 might be another defining metric. In that light, Proshare analysts expect bond yields to remain elevated in 2023.

Normally, the high-yield environment should discourage corporates from issuing debt instruments to raise funds as unsecured bonds or commercial papers require higher rates than risk-free instruments. The reverse was the case in this period, we saw huge issuances of commercial papers and corporate bonds both from small and large firms in 9 months of 2022, roughly, a total of N837.91bn commercial paper were quoted on FMDQ. However, the insistent rate hikes affected private debt instrument issuances in Q4, the issuance subsided and might likely continue in 2023.

Amidst the huge outflow, Fitch global rating agency downgraded the country's long-term foreign currency issuer default rating (IDR) to 'B-' from 'B', six notches above default due to the high government debt cost and dwindling revenue. The downgrade suggests a higher credit risk that may feed into the cost of borrowing as the world bank recently commented on the country's high debt servicing and debt stock. Nigeria's public debt stock grew to N44.06trn as of September 2022 from N38.00trn in September 2021 with the huge budget deficit. The total debt stock excludes Ways and Means borrowed from CBN, amounting to N22.77trn in October 2022, (*see table 31*).

Table 31:

PUBLIC DEBT STOCK AS OF SEPTEMBER 2022

	Value (N'bn)		Share of Total Debt (%)
Domestic Debt		**26,915.78**	**61.08%**
FGN Bonds	**15,780.02**		**35.81%**
NT Bills	**4,542.78**		**10.31%**
NT Bonds	**50.99**		**0.12%**
FGN Savings Bond	**24.95**		**0.06%**
FGN Sukuk	**612.56**		**1.39%**
Green Bond	**25.69**		**0.06%**
Promissory Notes	**514.94**		**1.17%**
Sub National Debt	**5,363.85**		**12.17%**
External Debt		**17,148.46**	**38.92%**
Multilateral Loans	8,026.19		18.21%
Bilateral Loans	2,103.53		4.77%
Commercial Loans	6,768.68		15.36%
Promissory Notes	250.06		0.57%
Total Debt		**44,064.24**	

Source: DMO, Proshare Research

Proshare.

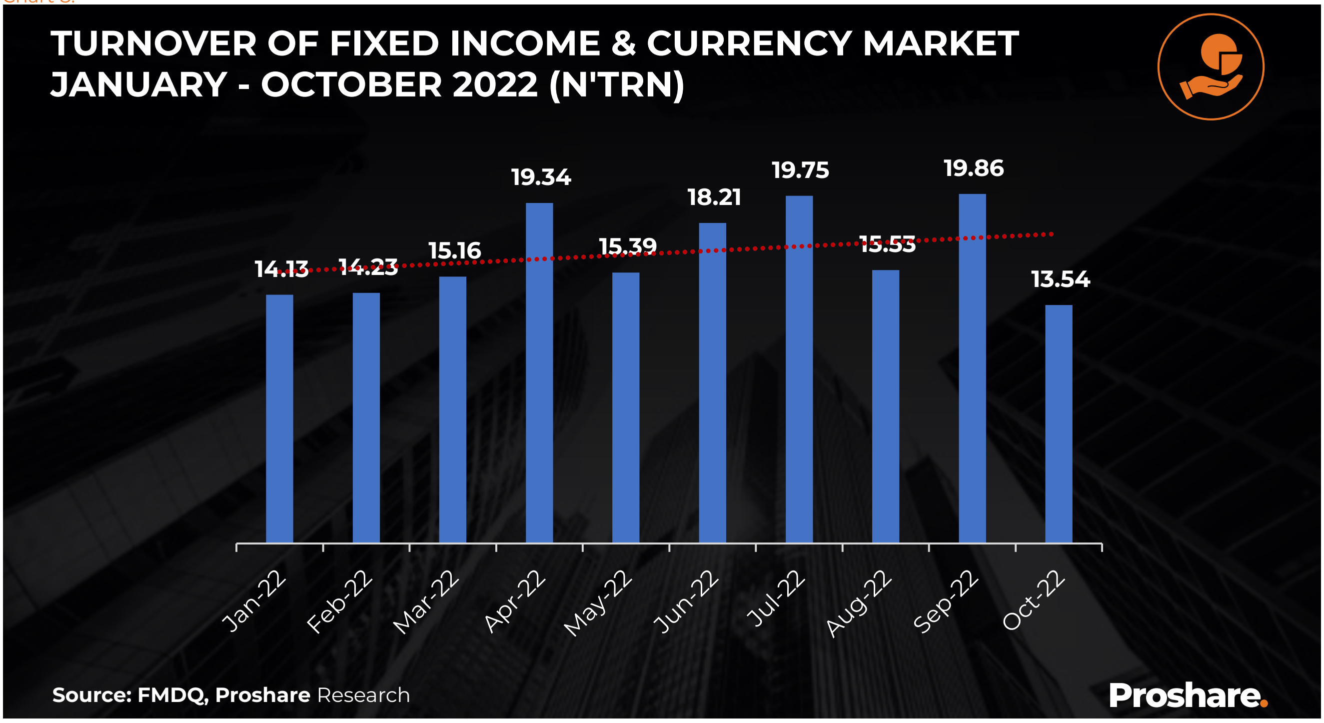
The harsh global market conditions made the FGN visit the Eurobond market once this year, US$1.25bn was raised in March at 8.75% coupon rate for a seven-year tenor. The non-issuance of the Eurobond led to the reliance on domestic bond issuance for funding, the DMO increased the monthly bond offer to N225bn in April from the previous issuance of N150bn.

Rounding up the year, the FGN issued N100bn Sovereign Al' Ijarah Sukuk Bond which attracted an extra N130bn from investors with an oversubscription of 165%. The proceeds from the issuance will be used for the rehabilitation of road infrastructures across the country. The oversubscription at the recent Sukuk Bond issuance might make the federal government raise more Sukuk bonds in 2023.

Activities on FMDQ

Despite the economic shocks, the fixed income and currency (FIC) market turnover for 2022 increased to N165.14trn from N162.59trn in the corresponding period in 2021, indicating a y-o-y growth of +1.57%. The FIC market had the highest turnover in September at N19.86trn while the highest month-on-month growth rate was in April, a +27.49% rise from N15.17trn in March to N19.34trn. The growth in April was driven by the +49.9% rise in the money market, +49.2% in foreign exchange, and +42.2% in CBN special bills. The lowest turnover during the period was in January at N14.13trn (*see chart 8*).

Chart 8:

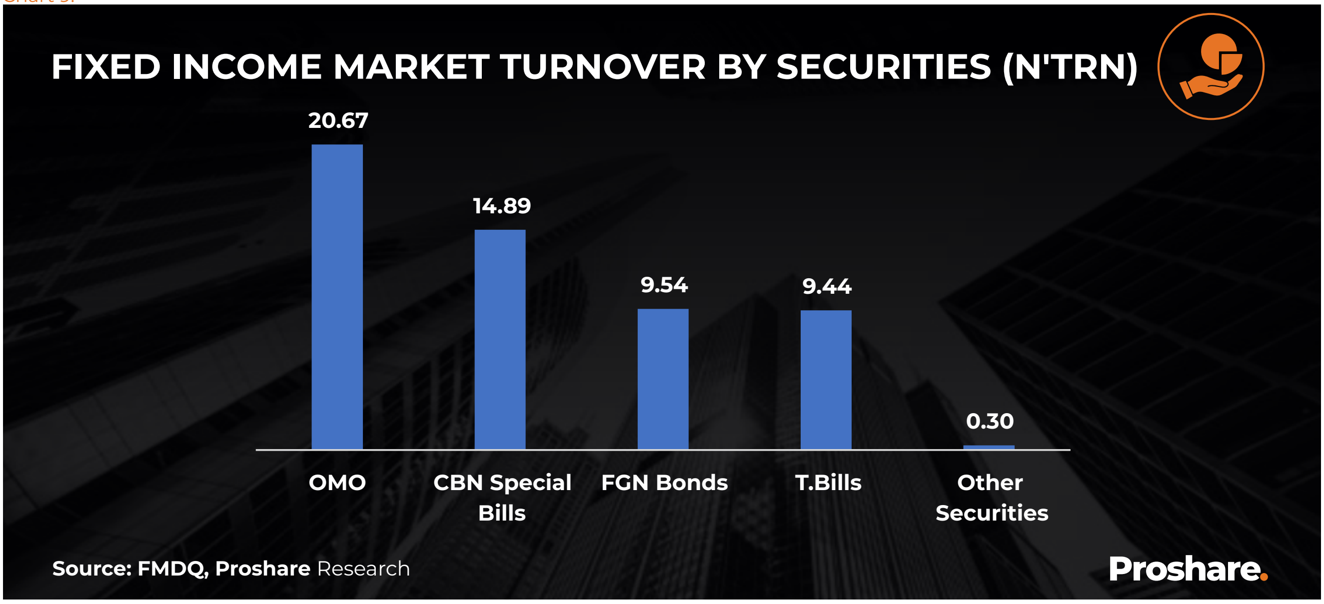


Secondary Market

For the secondary market, OMO bills led in terms of turnover in the fixed-income market, recording N20.67trn as of August 2022 which accounted for 37.7% of the fixed-income secondary market activity. The ranking is slightly similar to the previous year, only that CBN special Bills came from the rear-back in 2021 to the second position with a turnover of N14.89trn. The FGN bond followed closely and Treasury bills thereafter at 9.54 and 9.44 respectively (*see chart 9*).

Chart: 9

Chart 9:



Money Market

The money market turnover was N46.69trn for January to October, representing 28.4% of the turnover of the FIC market. The money market turnover rose by +8.40% year-on-year from N43.07trn in the same period in 2021. The market had the highest turnover in July at N8.21trn while the lowest volume was in February at N2.86trn.

For the first four months of the year, the Open Repo Rate (OPR) and Over Night (O/N) remained at single digits as liquidity remained robust. As liquidity dropped, the rates increased significantly for the rest of the year, reaching a record high of 17.25% on 7th October triggered by the monetary tightening. Proshare analysts expected the currency redesigning policy to stimulate liquidity and push down the interbank rates as bank deposits increased but the rates remained at double digits till the end of the year (*see chart 10)*.

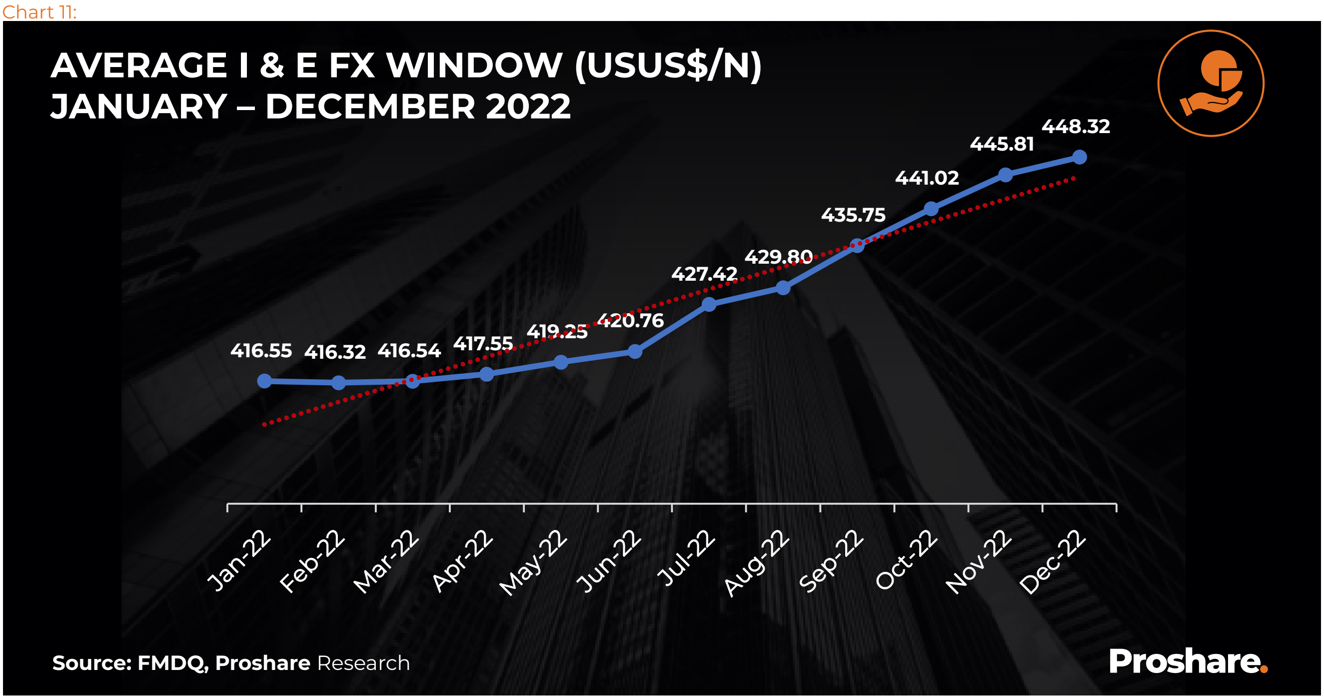
Chart 10:

The Currency Market

The Naira averaged N427.92 against the US Dollar at the I & E FX window, indicating a year-on-year depreciation of +7.63% from the average of N409.66 in 2021 (see chart below). The severity of the FX shortage and strong appreciation in the US dollar worsened demand pressure this year, pushing down the value of the naira at both the official rate and parallel market. Basically, the parallel market became the only reliable option for industries as the Federal government had difficulty repatriating foreign airlines funds, amounting to $567m as of November. The currency had a free fall in the unregulated market with a spread of over N300 against the official market. According to CBN data, $11.42bn was spent on interventions to ensure exchange rate stability at the authorised currency windows between January and July against $10.75bn in 2021. The huge CBN intervention pull down the country's external reserves to US$36.94bn from US$40.52bn in 2021. The CBN currency redesign triggered another record-low naira depreciation in October, naira fell close to N1000 to the US dollar at the parallel market.

In February, the CBN introduced RT 200 programme in a bid to solve the FX crisis. The RT 200 programme is a non-oil export proceeds repatriation targeted to generate $200bn FX income in the next three to five years. Successfully, the scheme generated $4.98bn as proceeds in 9 months of 2022, showing an improvement in the diversification of FX revenue. With the expectation that the scheme will generate higher proceeds in 2023, the pressure on the naira should ease slightly. However, to effectively solve the lingering FX shortage, the demand side needs to be addressed through the adoption of a unified exchange window in order to discourage arbitrage and curb the high demand for dollars (see chart 11 below).

Chart 11:



FGN Eurobond Market

The high-yield environment discouraged the issuance of Eurobond in 2022, the federal government issued only $1.25bn in March, a 7-year tenor at 8.75% coupon rate. The issuance had a high demand that the order book rose to a peak of $4 billion with investors from the United States, Europe, and Asia. Domestic investors participated in the offer with a total subscription of $60 million.

The plan to raise an additional US$950m Eurobond to balance the $6.1bn external borrowing for 2021 was aborted due to the spike in yields, the average yields of Eurobond rose from 6.86% on January 04 to 14.05% on October 31, 2022. Meanwhile, the direction of the yields changed in November, sloping downward to 11.01% as of December 13. Proshare analysts doubt the issuance of Eurobond in 2023 as the yields remain extremely high but the federal government will rely on the domestic market to finance the N11.34trn 2023 budget deficit.

Other Asset **Classes.**

Mutual Funds

A large portion of mutual funds recorded a good performance in the year 2022, with government-backed instruments doing better than their counterparts. The Bonds Funds had the best performance, it grew by +443.80% Year-on-Year (Y-o-Y), the second-best performer was the Fixed Income Bonds which grew by +204.44% Y-o-Y. Real Estate Funds had the lowest performance, its Net Asset Value (NAV) declined by - 8.41% Y-o-Y.

For Equity-based mutual funds, its NAV appreciated by +2.23% which is lower than the NGX ASI which recorded a Y-o-Y increase of +19.98%. Data released by The Securities and Exchange Commission (SEC) showed that Afrinvest Equity Fund recorded the highest Y-o-Y percentage change of +17.32% with a NAV of N403.66m as of 30 Dec 2022. While ARM Aggressive Growth Fund had the lowest percentage change of -14.28% with a NAV of N2.33bn (*see table 32*).

Table 32:

EQUITY-BASED MUTUAL FUNDS

EQUITY BASED FUNDS	30-Dec-22	31-Dec-21	% Change
UBA Nom-Cowry Equity Fund	55,037,121.18	-	-
Afrinvest Equity Fund	403,661,214.40	344,056,669.35	17.32%
Meristem Equity Market Fund	287,953,769.40	245,665,276.41	17.21%
Paramount Equity Fund	710,192,598.27	613,201,784.90	15.82%
Legacy Equity Fund	989,842,690.11	862,034,046.67	14.83%
United Capital Equity Fund	1,819,836,853.37	1,729,853,751.83	5.20%
Stanbic IBTC Nigerian Equity Fund	7,250,834,145.50	6,969,991,990.04	4.03%
Futureview Equity Fund	24,836,903.80	23,965,547.87	3.64%
Anchoria Equity Fund	440,357,191.55	431,517,902.86	2.05%
FBN Nigeria Smart Beta Equity Fund	363,506,877.74	357,366,311.90	1.72%
PACAM Equity Fund	287,784,706.78	283,592,345.72	1.48%
Vantage Equity Income Fund	321,808,521.14	325,243,434.76	-1.06%
AXA Mansard Equity Income Fund	245,931,683.28	248,623,351.51	-1.08%
Frontier Fund	245,574,216.52	255,590,865.42	-3.92%
Stanbic IBTC Aggressive Fund (Sub Fund)	334,547,496.95	352,507,523.17	-5.09%
ARM Aggressive Growth Fund	2,325,531,316.72	2,713,036,470.60	-14.28%
Sub-Total	16,107,237,306.71	15,756,247,273.01	2.23%

Source: NGX, Proshare Research

Proshare.

The money market funds had a Y-o-Y return of +9.30%, with Core Investment Money Market Fund recording the highest return of +423.80% and a NAV of N36.92m as of 30 Dec 2022. GDL Money Market Fund had the highest percentage decline of -31.50% Y-o-Y with a NAV of N562.08m as of 30 Dec 2022 (*see table 33*).

Table 33:

MONEY MARKET MUTUAL FUNDS

MONEY MARKET FUNDS	30-Dec-22	31-Dec-21	% Change
Core Investment Money Market Fund	36,923,152.73	7,049,054.46	423.80%
Trustbanc Money Market Fund	510,068,353.82	110,363,004.36	362.17%
Norrenberger Money Market Fund	2,615,683,146.57	685,977,163.13	281.31%
Chapel Hill Denham Money Market Fund	4,076,092,021.05	2,079,058,596.27	96.05%
Anchoria Money Market Fund	426,340,800.08	266,134,748.15	60.20%
AIICO Money Market Fund	1,237,371,372.57	780,211,592.47	58.59%
Abacus Money Market Fund	13,428,577,023.67	8,588,293,630.17	56.36%
Zenith Money Market Fund	16,967,584,727.22	11,621,174,831.51	46.01%
Emerging Africa Money Market Fund	1,025,854,810.76	712,676,839.66	43.94%
Coral Money Market Fund	7,443,397,387.14	5,468,059,245.16	36.13%
United Capital Money Market Fund	28,712,741,824.24	21,699,245,632.39	32.32%
ValuAlliance Money Market Fund	1,593,065,799.07	1,256,352,859.18	26.80%
Afrinvest Plutus Fund	636,735,588.23	516,328,787.29	23.32%
EDC Money Market Fund Class A	10,799,706,195.47	8,944,386,508.16	20.74%
EDC Money Market Fund Class B	430,053,365.62	360,919,722.91	19.15%
ARM Money Market Fund	67,462,316,609.16	59,395,631,303.75	13.58%
Stanbic IBTC Money Market Fund	243,588,294,739.32	219,844,570,634.91	10.80%
Meristem Money Market Fund	1,971,448,177.95	1,790,551,748.92	10.10%
Greenwich Plus Money Market Fund	2,092,745,416.26	2,067,218,975.67	1.23%
Cordros Money Market Fund	4,657,449,123.38	4,646,293,207.69	0.24%
FBN Money Market Fund	148,640,547,362.33	149,356,093,802.31	-0.48%
AXA Mansard Money Market Fund	31,470,627,917.28	35,012,941,453.72	-10.12%
Nova Prime Money Market Fund	135,352,313.33	160,916,380.19	-15.89%
Vetiva Money Market Fund	591,707,454.81	733,071,492.46	-19.28%
PACAM Money Market Fund	613,402,936.33	775,489,909.10	-20.90%
Legacy Money Market Fund	3,425,870,364.98	4,561,066,261.75	-24.89%
FAAM Money Market Fund	271,099,998.00	387,383,228.97	-30.02%
Coronation Money Market Fund	4,018,142,642.67	5,780,392,529.88	-30.49%
GDL Money Market Fund	562,082,669.73	820,543,515.15	-31.50%
Sub-Total	599,441,283,293.77	548,428,396,659.74	9.30%

Source: NGX, Proshare Research

Proshare.

Fixed income funds recorded the lowest performance in the pool of Mutual funds as it declined by -10.46% with a total NAV of N337.96bn as of 30 Dec 2022. FBN Bond Fund (FBN Fixed Income Fund) recorded the highest percentage increase in this segment with a growth of +66.72% with a NAV of N62.37bn as of 30 December 2022, while Legacy Debt Income Fund recorded the highest percentage decline of -74.79% with a NAV of N1.67bn as of 30 December 2022 (*see table 34*).

Table 34:

FIXED INCOME MUTUAL FUNDS

FIXED INCOME FUNDS	30-Dec-22	31-Dec-21	% Change
Nigeria Bond Fund	1,987,822,943.95	-	-
Cordros Fixed Income Fund	368,831,698.93	-	-
ARM Short Term Bond Fund	888,628,441.63	-	-
DLM Fixed Income Fund	414,865,997.49	-	-
UBA Nom-Cowry Fixed Income Fund	52,580,649.78	-	-
FBN Bond Fund (FBN Fixed Income Fund)	62,369,822,864.97	37,411,026,970.54	66.72%
Stanbic IBTC Enhanced Short-Term Fixed Income Fund	24,210,812,747.16	17,596,413,267.10	37.59%
GDL Income Fund	23,054,719.54	20,419,156.30	12.91%
Lotus Capital Fixed Income Fund	14,991,061,991.21	13,555,068,337.94	10.59%
Emerging Africa Bond Fund	674,057,430.72	614,288,747.75	9.73%
SFS Fixed Income Fund	6,559,050,836.95	6,090,635,790.51	7.69%
Nigeria International Debt Fund	1,429,327,958.95	1,352,238,580.90	5.70%
PACAM Fixed Income Fund	54,471,334.80	52,039,707.52	4.67%
Kedari Investment Fund (KIF)	167,278,876.29	165,781,709.15	0.90%
Stanbic IBTC Conservative Fund (Sub Fund)	237,358,787.83	241,982,123.85	-1.91%
Lead Fixed Income Fund	729,710,706.54	754,571,885.35	-3.29%
Coral Income Fund	2,774,218,484.62	2,947,201,695.00	-5.87%
Vantage Guaranteed Income Fund	9,660,295,986.31	10,687,058,888.09	-9.61%
United Capital Fixed Income Fund	100,371,778,930.53	112,064,831,226.81	-10.43%
Anchoria Fixed Income Fund	430,500,523.10	490,798,883.43	-12.29%
CEAT Fixed Income Fund	411,826,531.15	470,494,958.94	-12.47%
Stanbic IBTC Absolute Fund (Sub Fund)	38,213,912,030.05	43,815,644,279.28	-12.78%
AVA GAM Fixed Income Fund	246,720,067.07	295,484,581.08	-16.50%
CardinalStone Fixed Income Alpha Fund	1,281,617,986.10	1,590,860,157.16	-19.44%
Zenith Income Fund	3,459,149,646.13	4,638,496,435.61	-25.43%
ARM Fixed Income Fund	964,410,272.22	1,428,336,782.91	-32.48%
Stanbic IBTC Guaranteed Investment Fund	15,434,207,148.58	24,720,914,637.22	-37.57%
Stanbic IBTC Bond Fund	47,161,071,001.01	87,942,477,589.03	-46.37%
EDC Fixed Income Fund	399,426,631.82	822,511,192.86	-51.44%
Coronation Fixed Income Fund	328,035,830.23	1,063,784,829.80	-69.16%
Legacy Debt Fund	1,666,467,123.74	6,611,515,477.69	-74.79%
Sub-Total	337,962,376,179.40	377,444,877,891.82	-10.46%

Source: NGX, Proshare Research

Proshare.

The Dollar fund had a Y-o-Y return of +21.807%, with Vantage Dollar Fund recording the highest return of +713.98% and a NAV of N15.44bn as of 30 Dec 2022. AVA GAM Fixed Income Dollar Fund had the highest percentage decline of -29.63% Y-o-Y with a NAV of N357.98m as of 30 Dec 2022 (*see table 35*).

Table 35:

DOLLAR MUTUAL FUNDS

DOLLAR FUNDS	30-Dec-22	31-Dec-21	% Change
Vantage Dollar Fund	15,435,763,864.14	1,896,326,474.44	713.98%
Nigeria Dollar Income Fund	3,775,124,103.53	1,484,619,347.94	154.28%
Cordros Dollar Fund	5,791,530,672.30	4,415,274,957.22	31.17%
Emerging Africa Eurobond Fund	967,399,492.16	775,032,254.79	24.82%
PACAM Eurobond Fund	774,605,565.03	651,829,461.36	18.84%
United Capital Eurobond Fund	78,095,108,316.55	66,930,704,693.25	16.68%
Stanbic IBTC Dollar Fund	196,592,261,343.14	171,942,435,919.05	14.34%
Legacy USD Bond Fund	6,139,535,902.85	5,504,939,178.16	11.53%
Afrinvest Dollar Fund	784,374,854.34	753,188,974.55	4.14%
Nova Dollar Fixed Income Fund	101,515,384.07	102,037,901.05	-0.51%
FSDH Dollar Fund	1,838,588,727.14	2,140,293,414.70	-14.10%
ARM Eurobond Fund	4,927,948,589.65	6,439,047,640.85	-23.47%
AVA GAM Fixed Income Dollar Fund	357,977,987.30	508,710,534.75	-29.63%
FBN Dollar Fund (Retail)	13,163,655,023.09	N/A	
Futureview Dollar Fund	34,887,287.25	N/A	
AXA Mansard Dollar Bond Fund	2,745,392,528.22	N/A	
FBN Eurobond (Nigeria Eurobond USD) Fund (Retail)	N/A	7,979,567,094.35	
FBN Eurobond (Nigeria Eurobond USD) Fund (Institutional)	N/A	662,747,571.43	
Sub-Total	331,525,669,640.76	272186755417.89	21.80%

Source: NGX, Proshare Research

Proshare.

The Ethical fund had a Y-o-Y return of +16.46%, with a total NAV of N2.95bn. ARM Ethical Fund recorded the highest return of +37.98% and a NAV of N564.55m as of 30 Dec 2022 (*see table 36*).

Table 36:

ETHICAL MUTUAL FUNDS

ETHICAL FUNDS	30-Dec-22	31-Dec-21	% Change
ARM Ethical Fund	564,548,787.46	409,154,626.01	37.98%
Stanbic IBTC Ethical Fund	1,799,937,197.24	1,567,934,296.20	14.80%
ESG Impact Fund	585,260,800.15	555,719,309.70	5.32%
Sub-Total	2,949,746,784.85	2,532,808,231.91	16.46%

Source: NGX, Proshare Research

Proshare.

The Real Estate Funds recorded a decline in NAV by -9.05%. Nigeria Real Estate Investment Trust had the highest percentage growth in its NAV, with a marginal growth of +1.51% while UPDC Real Estate Investment Fund had the highest percentage decline of -15.01%. The UPDC REIF controls over 50% of the funds in this segment (*see table 37*).

Table 37:

REAL ESTATE MUTUAL FUNDS

REAL ESTATE FUNDS	30-Dec-22	31-Dec-21	% Change
Nigeria Real Estate Investment Trust	7,511,812,185.17	7,400,000,000.00	1.51%
Union Homes REITS	9,955,126,113.51	9,921,342,054.26	0.34%
SFS Real Estate Investment Trust Fund	2,290,871,889.36	2,406,796,715.81	-4.82%
UPDC Real Estate Investment Trust	25,897,690,428.98	30,471,766,434.77	-15.01%
Sub-Total	45,655,500,617.02	50,199,905,204.84	-9.05%

Source: NGX, Proshare Research

Proshare.

Commodities Market Review

In the year 2022, after economic activities had returned, the effects of reduced supply for commodities, predominantly food crops have bitten hard. It was estimated by the Food and Agriculture Organization of the United States that between 720 to 811 million people faced hunger in 2020, an increase of about 118 million people that faced hunger the prior year pointing to the fact that the world was still a long way from achieving the **sustainable development goal 2** of zero hunger by 2030. According to the world food program, about 135 million people suffer from acute hunger, mainly resulting from issues created by man-made conflicts, climate change, and economic problems. Then Russia invaded Ukraine, an action that resulted in skyrocketing prices of food commodities and energy.

Soft Commodities

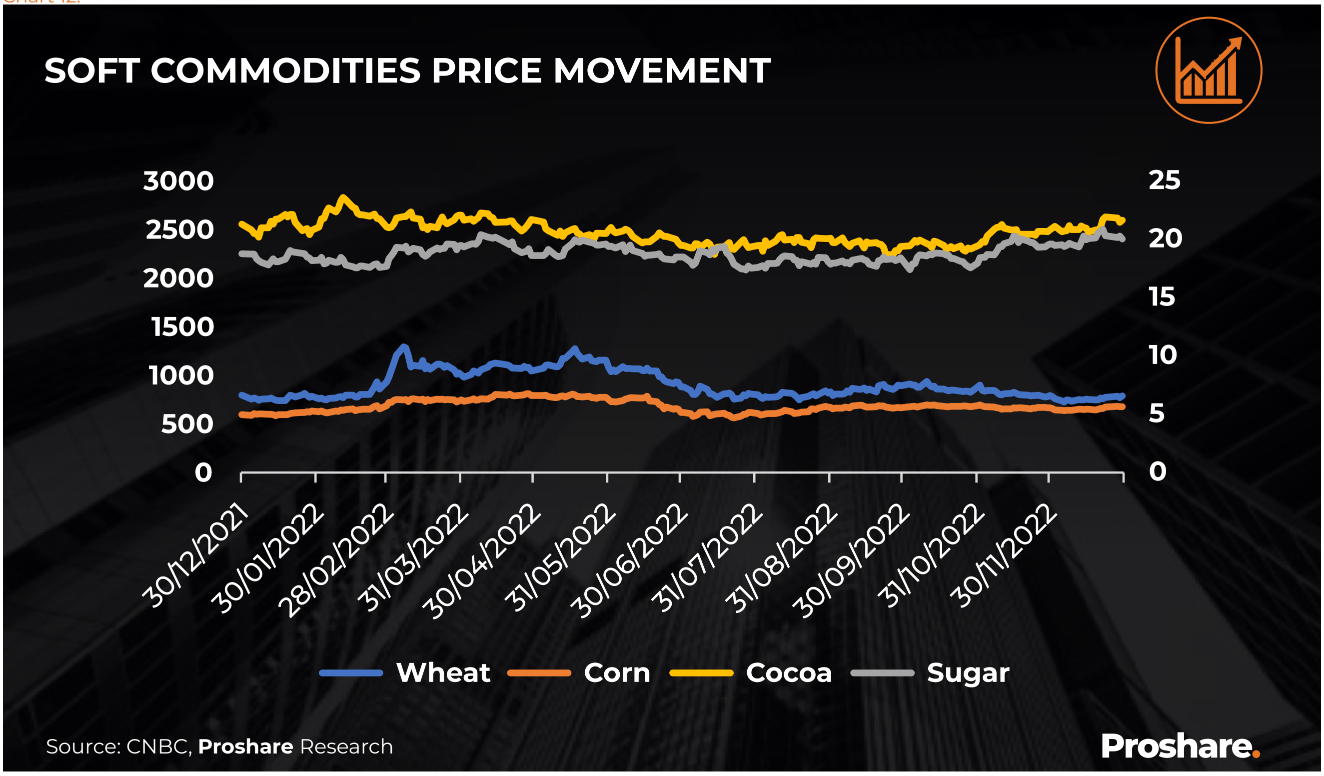
Wheat prices surged from March when the invasion started followed by sugar prices while corn maintained its gradual growth. This invasion coincided with the planting season for some countries causing further disruption to an already strained supply market which had been affected by the renewed global demand from the ease of lockdowns by countries pushing prices up as high as US$1,200 per bushel from US$758 per bushel at the beginning of the year. As countries began adjusting to the realities of the war by the end of the second quarter, the price of wheat started declining gradually but advanced again at the end of the third quarter into the fourth quarter as nations were faced with climate change troubles. This short rally wasn't enough though to push prices up to the US$800 mark.

Cocoa started the year selling at US$2559 per metric tonne but had fallen to US$2340 per metric tonne by the end of the second quarter. The last quarter witnessed a rise in its price as farmers in top producing countries, Ivory Coast and Ghana, complained about the lack of benefits in growing cocoa. With illegal gold miners in Ghana causing pollution to their land, the threat of underproduction was sounded as acres of farmland were destroyed and trees died off along with the fact that some miners priced these farmers out of the market by paying the off to sell their lands.

Corn, like wheat, advanced when the Russian invasion started. Like wheat which is a major export for both Russia and Ukraine, Ukraine thrives in the export of corn. Corn price movement largely mirrored wheat's price movement during the year as prices fell and climbed around the same period although having a far better performance at the end of the year. Corn posted a YTD gain of 13.84%.

Sugar demand increased as the year went along, and this was evident in the pricing of sugar which had a 6.71% YTD. As economies began opening properly, demand for sugar increased which was also affected by the price of crude oil, which shot up as a result of the war in Ukraine, since sugar is used in the production of ethanol which is used as a fuel additive which can be used to blend gasoline (*see chart 12*).

Chart 12:



Other commodities like precious metals were equally affected, albeit not only through demand and supply.

Precious Metals

The Yellow Metal, Gold, is a haven generally seen as a hedge against inflation, especially as it has an almost inverse relationship with the dollar. That is, as the purchasing power of the dollar declines, gold value is expected to climb. This has not always been the case but has followed that dynamic more often than not, a case for why it's hailed as such.

The first half of the year 2022 has presented various challenges to investors as they had to navigate risks arising from higher interest rates, rising inflation, and increasing geopolitical tensions in a year meant to be for economic growth and normalization. After Russia invaded Ukraine, gold prices moved up, crossing the US$ 2000 mark. It traded between US$ 1800 and US$ 2000 from march till June before dropping below US$ 1800 per troy ounce on the 5th of July 2022 as FED aggressive rate hikes drove traders to switch from gold assets to Dollar assets. It had a YTD of 0.67% by the end of the year.

The white metal, Silver, performed better than Gold, posting a YTD gain of 4.25%. Starting the year at US$22.81 per troy ounce, and closing at US$ 24.04 troy ounces.

The worst-performing metal among the precious metals is Palladium which posted a negative return of -9.34%. After advancing as high as US$ 2981.9 per troy ounce in the first quarter, it dropped below the US$ 2000 mark in the second quarter and gradually declined before closing the year at US$ 1798 per troy ounce.

Platinum on the other hand was the best-performing metal in the year, posting a YTD gain of 12.26%. It surged in the first quarter due concerns of supply after Russia invaded Ukraine. Russia is the second-largest producer of platinum after South Africa. Strong import volumes from China pushed the price up further, closing the year at US$ 1082.9 per troy ounce (*see chart 13*).

Chart 13:

AFEX Commodities Performance

The AFEX composite index (ACI) opened at a value of 504.83 points in January 2022, tumbling to 481.02 points in February. It was a green week for grains in the first week of January as demand pressures witnessed continued to put pressure on prices which continued its green streak for the third week in a row. By February, grains like maize, soybean, and sorghum plummeted as a result of low demand.

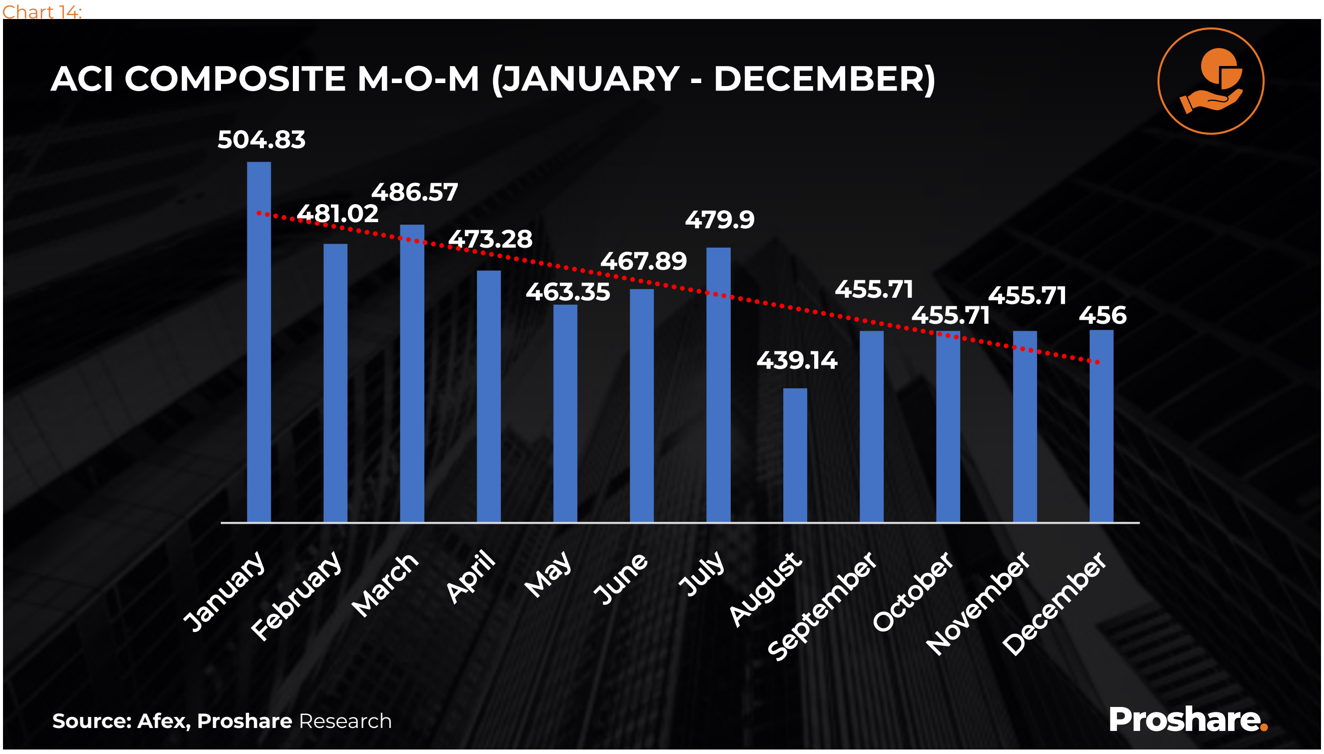
The crisis between Russia and Ukraine caused a price spike in March as commodities ranging from oil to agricultural products advanced. Prices of some commodities rose reflecting the supply chain disruption of these commodities to the international market.

Local market activity in August declined as demand for many commodities was low pointing to the period when inventory processors had large inventories of commodities.
By September, reports of flooding in some parts of the country pushed prices of Paddy rice up as many farmers claimed their farms were destroyed and many processors claimed that their stock was washed away by the flood. ACI settled at 455.71 points.

The scarcity of commodities domestically resulted in price increases across grains in October. Key producing states of grains production were seriously affected by the flood incidence which had a significant negative effect on the general food supply.

By December 2022, the ACI had a slight increase closing at 456 points as of December 22nd, 2022. An impressive -0.51% Loss YTD (*see chart 14*).

Chart 14:



The Inevitable Change In The Role of **Market Brokers.**

Market brokers had an active trading period in 2022 as the equity market showed growth driven by domestic investors. Foreign investors left the Nigerian bourse in 2020 in the middle of the COVID-19 pandemic and backed out of opportunities to return to the country as foreign exchange incomes took a knock and repatriation of earnings became increasingly difficult.

The fixed income market grew sizeably as the federal government went on a borrowing binge in 2022 as it attempted to plug the yawning budget deficit. The deficit widened as oil theft created a situation of dwindling foreign exchange revenues. The waters got a bit muddied when the state-owned oil company, the NNPC, refused to make remittances to the federation account monthly as was the previous practice, before its commercialization.

The new status of the company, argued its managers, did not make provisions for the payment of monthly inflows to the federation account, given its limited liability status and the rules under the newly signed Petroleum Income Act (PIA). The Act made the NNPC Limited, a company owned equally by the Ministry of Finance Incorporated and the Ministry of Petroleum Resources. The company was separated from its previous regulatory function and converted to a commercialized publicly-owned entity with a profit mandate and a commission to run along with best global management practices.

The implication is that, like the Nigerian Liquified Natural Gas Limited (NLNG) operational framework, the federal government should expect only dividends from profit from the NNPC, and the payment of the approved federal taxes, fees, and levies. The implication is that the federal and other state and local governments would not receive monthly federation account allocations (FAAC) funded by the NNPC.

The trickle-down effect was and will continue to be a tightening of the various governments' monthly wallets. concerning fixed income brokers, this is a boon as treasuries see larger traded volumes alongside more private commercial paper Issuances. But for equity traders, the outcome could be darker as higher interest rates lead to lower equity transactions as investors skip to debt and money market instruments as they try to head off the impact of inflation on their investment returns.

In the new capital market age with artificial intelligence and machine learning (AI/ML) taking increasingly more important roles, brokers will need to acquire more advanced technology skills, particularly in data analytics and visualization. With technologies such as ChatGPT able to write concise reports on market developments, and distributed ledger technology (DLT). With technology scaling to achieve improved consumer service quality without human intervention, brokers will need to find better use of their times, sipping chilled coconut juice in the long shaded alcoves of palm tree parapets in the Bahamas is an attractive proposition but is unlikely to happen. In the brawny streets of Nigeria's urban jungle, 'you must hustle if you wan chop!' or in the more refined language of urbanites, "there is no food for the slothful"

Regulatory **Governance**.

Regulatory **Governance.**

The Nigerian economy was beset by a slew of challenges, including a drop in external reserves to $37.17 billion as of November 2022, rising inflation and interest rates, a worsening unemployment crisis, environmental issues, and currency depreciation. This led to high operating costs, low purchasing power, high living costs, decreased standard of living, and rising poverty levels.

Thus, we explore the measures taken by SEC, NGX, CBN, AMCON, FMDQ, and NASD to combat the challenging economic climate in 2022. These market coordinators regularly issued circulars and proposed new rules and directives to keep the market stable in the face of global and local turmoil.

Securities and Exchange Commission (SEC)

In the new fiscal year, the SEC proposed and issued varied regulations and rules to boost investor confidence, address pertinent market issues, and encourage market growth and development (*see table 38*).

Table 38:

REGULATORY ACTIONS AND ACTIVITIES BY SEC IN 2022

Dates	Regulatory Actions
January, 2022	SEC released a reminder on the 2022 renewal of registration. SEC Approved Champion Breweries Plc Mandatory Takeover Offer
March, 2022	SEC banned unregistered investments schemes. SEC proposed amendments of the rules and regulations on Schedule I and Rule 393. SEC proposed the registration of virtual asset service providers and issuance of digital assets draft. SEC sealed Oxford International Group and others for unlicensed activities.
April, 2022	SEC released circular on fairness review of mergers, takeovers, and acquisitions. SEC proposed registration of digital and virtual assets regulation draft. SEC targeted automation of the E-Dividend Management System for Q3, 2022.
May, 2022	SEC issued circular warning against investing with unregistered investment crowdfunding platforms. SEC organised sensitization and capacity building programme for the Nigerian Capital Market. SEC approved NGX Guidelines on Trade Execution.
August, 2022	SEC released an amendment to the Investment and Securities (Exemption of State Government etc.) Order, 2019. SEC proposed Shariah Advisory Services for non-Interest Capital Market products and services regulation. SEC issued periodic updates of registered Farmers Cooperatives and Warehouses linked to Commodity Exchange.
September, 2022	SEC released a draft detailing new registration requirement.
October, 2022	SEC released an update to the Nigeria Sanctions List.
November, 2022	SEC issued notice to all capital market operators for renewal of 2023 Registration. SEC approved NGX Technology Board Listing Rules.
December, 2022	SEC issued a reminder to all CMOs for renewal of 2023 registration.

Source: SEC, Proshare Research

Proshare.

Nigerian Exchange (NGX)

Below is a summary of the regulatory activities of the NGX in 2022 (*see table 39*).

Table 39:

REGULATORY ACTIONS AND ACTIVITIES BY THE NGX IN 2022

Dates	Regulatory Actions
April, 2022	NGX launched West Africa's first Exchange Traded Derivatives (ETDs) market.
May, 2022	NGX urged public, private sector to implement initiatives against climate change.
June, 2022	NGX reaffirmed its commitment to build innovative structures towards SMEs funding. NGX, CIS enhance stakeholders' capacity for exchange traded derivatives.
July, 2022	NGX amended issuers rule of the rulebook.
August, 2022	SEC approved NGX guidelines on Trade execution.
September, 2022	NGX announced that rule 11.1 on know your client takes effect on October 04, 2022. NGX Group released its Dividend policy.
October, 2022	NGX Regco counselled stakeholders to intensify ESG efforts. NGX implored investors to promptly disclose substantial interests in listed forms. NGX Group appointed Kwairanga as mew Chairman.
November, 2022	NGX approved Free Float Compliance Extension of Abbey Mortgage Bank.
December, 2022	NGX approved NPF Microfinance Bank Plc Free Float Compliance Extension. NGX Regco drove capital market sustainability agenda with engagement forum.

Source: Proshare Research

Central Bank of Nigeria (CBN)

The Naira redesign policy is one of the major policy enactments announced by the monetary authority in 2022 in furtherance of CBN's attempt to protect the unbanked. Below is a compilation of other CBN's circulars and guidelines released in the year 2022 (*see table 40*).

Table 40:

REGULATORY ACTIONS AND ACTIVITIES BY THE CBN IN 2022

Dates	Regulatory Actions
February, 2022	CBN released its operating guidelines for RT200 Non-oil export proceeds repatriation rebate scheme.
March, 2022	CBN issued guidelines for the regulation and supervision of credit guarantee companies in Nigeria. CBN issued procedures for the registration & operation of Bank Neutral Cash Hubs (BNCH) in Nigeria.
May, 2022	CBN issued operational guidelines on open banking in Nigeria. CBN released circular on the enrolment of OFIs on the credit risk management system (CRMS). CBN issued a circular on the review of operations of the NIBSS instant payments system and other e-payment options with similar features.

Dates	Regulatory Actions
June, 2022	CBN released revised guidelines for the operation of non-interest financial institutions' instruments. CBN issued guideline on the registration & operation of bank neutral cash hubs (BNCH) in Nigeria. CBN released the Monetary, Credit, Foreign Trade, and Exchange policy guidelines for 2022/2023. CBN reviewed the operations of the NIBSS instant payments system and other electronic payment options with similar features. CBN released a circular on risk-based cybersecurity framework.
July, 2022	CBN issued an exposure draft on the digital financial services awareness guidelines. CBN reviewed the Industry Quick Response (QR) Code presentment Options. CBN Risk-based cybersecurity framework and guidelines for other financial Institutions. CBN released framework for the operationalisation of the CBN non-interest backed securities.
August, 2022	CBN interest rate adjustment on all intervention facilities. CBN reviewed the Savings rate.
October, 2022	Introduction of CBN's Naira redesign policy. CBN issued exposure draft on the guidelines for contactless payments in Nigeria. CBN published guidelines on the regulation of representative offices of foreign banks in Nigeria. CBN issued a circular to all authorized dealers on access to the discount window.
November, 2022	CBN released guidelines for Banks and OFIs Licensing on Anti-Money Laundering. Currency redesign: the unveiling of redesigned N200, N500, and N1000 notes. CBN acknowledged increased currency deposits across banks and OFIs in furtherance of the currency redesign. Operational Guidelines for representative offices of foreign banks.
December, 2022	CBN directed banks to desist from payment card discrimination. CBN revised the cash withdrawal limits. CBN published financial markets department H1 2022 activity report. CBN issued circular reverting the cash withdrawal limit. CBN issued guidance on targeted financial sanctions related to terrorism and terrorism financing. CBN released guidelines on targeted financial sanctions relating to proliferation financing. CBN published circular on illegal activities by international money transfer operators.

Source: CBN, Proshare Research

Proshare.

Asset Management Corporation of Nigeria (AMCON)

In 2022, AMCON regulatory activities focused on debt recovery (*see chart 41*).

Table 41:

REGULATORY ACTIONS AND ACTIVITIES BY AMCON IN 2022

Dates	Regulatory Actions
January, 2022	AMCON Listed 7,912 Names Owing N4.4tn as Deadline Expires.
April, 2022	Senate Passed AMCON Amendment Bill to Aid Quicker Assets Disposal.
August, 2022	PMB Signs into Law AMCON (amendment) Act, 2019 That Empowers it Access Financial Details of Debtors.
September, 2022	AMCON Buckles under N5trn Toxic Assets Recovery, Litigations.
November, 2022	AMCON MD Submits List of Top 1,000 Bank Debtors Owing N4.4trn to National Assembly. AMCON took over Jimoh Ibrahim's Prime Assets Over N69.4bn Debt. AMCON Debt recovery committee submits report imploring strict compliance with due processes for debtors.

Source: Proshare Research

Proshare.

Financial Market Dealers Quotation (FMDQ)

FMDQ mostly admitted a considerable number of bonds throughout the fiscal year 2022 (*see table 42*).

Table 42:

REGULATORY ACTIONS AND ACTIVITIES BY FMDQ IN 2022

Dates	Regulatory Actions
February, 2022	FMDQ admitted Emerging Africa Asset Management Limited Mutual Funds on its platform. FMDQ Exchange admitted NOVA Merchant Bank N50bn Commercial Paper Programme on its platform.
April, 2022	FMDQ admitted Prima Corporation Series 2 N7.02bn CP on its platform. Veritasi Homes signed ten billion Naira Commercial Paper Through FMDQ Exchange.
May, 2022	FMDQ admitted UAC of Nigeria PLC ₦45bn Commercial Programme.
June, 2022	Lekki Gardens raised N25bn Commercial Paper on FMDQ.
July, 2022	FMDQ listed $5.25bn Eurobond and N250bn 10yr Ijarah Sukuk. DMO listed N250bn Sovereign Sukuk on the Nigerian Exchange and FMDQ Securities Exchange.
August, 2022	Neveah Limited issued N3.99bn Series 5 Commercial Paper on FMDQ.
September, 2022	Lagos Free Zone listed Series 2 N25b Bond on the FMDQ Exchange. FMDQ Exchange welcomed Union Bank of Nigeria PLC Commercial Paper Programme to its Platform. Coleman Technical Industries Limited quoted additional Commercial papers on FMDQ Exchange. FMDQ Exchange approved ₦30bn Commercial paper programme to boost agriculture.
October, 2022	Jilnas Nigeria Limited joined Other Corporate issuers to quote Commercial Papers on FMDQ exchange. FMDQ Exchange supports Infrastructure development with the registration of Julius Berger Nigeria PLC Commercial paper programme.

Source: FMDQ, Proshare Research

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National Association of Securities Dealers (NASD)

NASD executed its regulatory capacity in furtherance of its mission to protect investor interest and operate an innovative hub for capital formation in West Africa (*see table 43*).

Table 43:

REGULATORY ACTIONS AND ACTIVITIES BY AMCON IN 2022

Dates	Regulatory Actions
January, 2022	AMCON Listed 7,912 Names Owing N4.4tn as Deadline Expires.
April, 2022	Senate Passed AMCON Amendment Bill to Aid Quicker Assets Disposal.
August, 2022	PMB Signs into Law AMCON (amendment) Act, 2019 That Empowers it Access Financial Details of Debtors.
September, 2022	AMCON Buckles under N5trn Toxic Assets Recovery, Litigations.
November, 2022	AMCON MD Submits List of Top 1,000 Bank Debtors Owing N4.4trn to National Assembly. AMCON took over Jimoh Ibrahim's Prime Assets Over N69.4bn Debt. AMCON Debt recovery committee submits report imploring strict compliance with due processes for debtors.

Source: Proshare Research

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Conclusion.

The future of Nigeria's capital market is wrapped in the probable, packed in the possible, and gifted to the unimaginable. In 2023, the market will be the subject of intense internal and external pressures. Operators planning to stay on the capital market playfield will have to think differently, work differently, and act unusually. The pain for operators in 2023 will be how technology redefines asset pricing, investors' renew journey experiences, and markets mitigate risks.

The many faces of Nigeria's capital market from 2023 will be a hydra head of the imaginative, the agile, and the regulatorily aggressive. The future will be controlled by the brave and the visionary, with the patient, dogs neither eating nor seeing the last bones, because there will be no bones. Agility and flexibility will be the hallmark of market success market operators from 2023. The dynamics of changing customer journey experiences and expectations will bring about winners and losers. The winners will possess at least three characteristics:

- Market sensibility and consumer awareness
- Corporate adaptability
- Corporate foresight (AI-augumented awareness), insight, and hindsight

In the new era of sustainable corporate and institutional growth, single-story narratives of success will always be questionable. The new institutional winners will require many hats on different heads, ***polycrisis*** can only be solved by multidimensional thinking.

Source: **Proshare** Research

List of **Illustrations**, **Tables** and **Charts**.

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Illustrations.

Charts.

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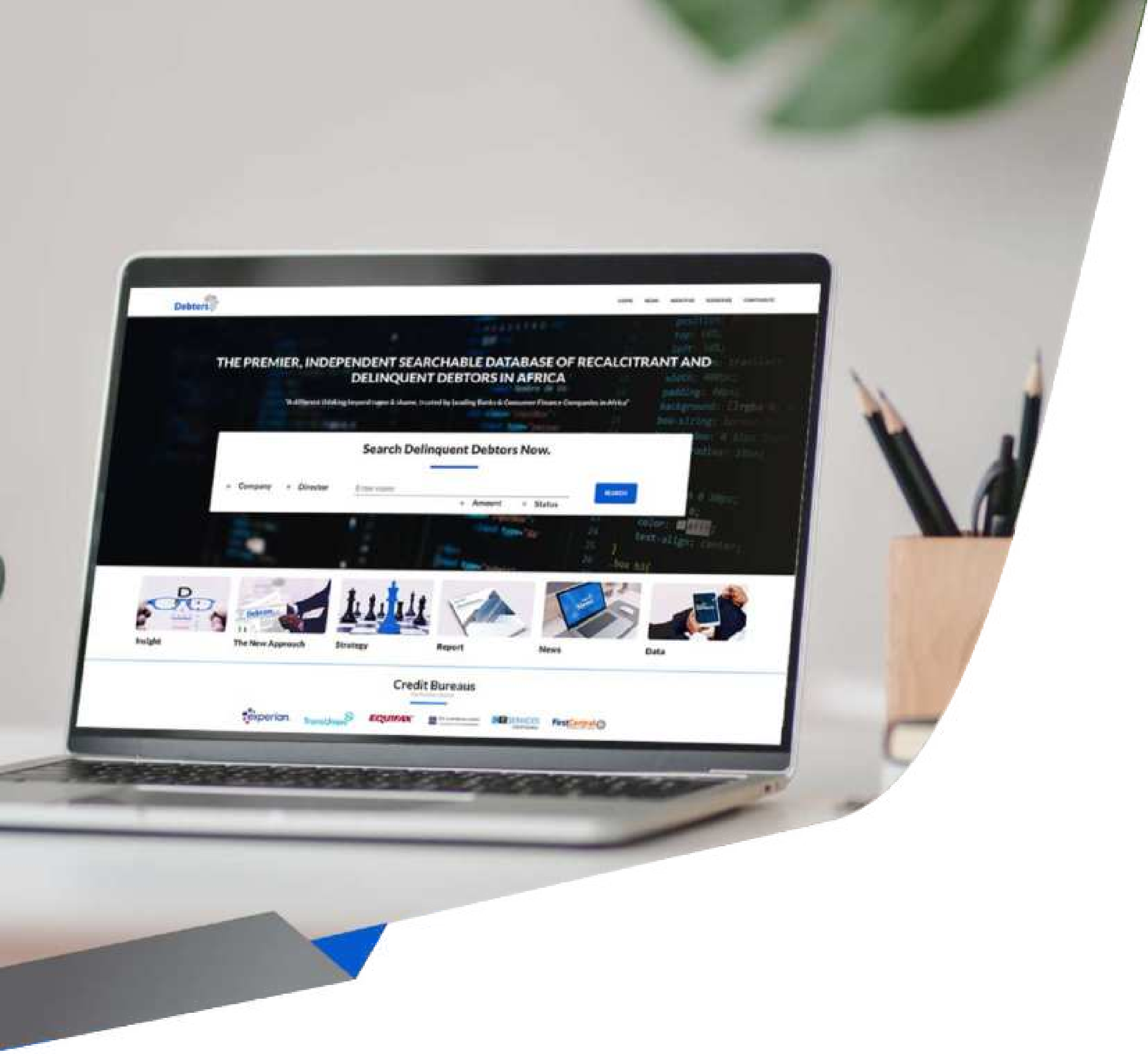
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