

Russia /Ukraine War

Energy Crunch

Global Inflation

China/ Covid 19



2023

**A year of
Uncertainties and
Opportunities**

Political Risk

Insecurity

Food Inflation

Fuel Subsidy Removal

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EXECUTIVE SUMMARY

The Russia-Ukraine war shaped the global scene in 2022, pushing on commodities prices, and impacting price levels. Especially the shortage of gas supply from Russia to Europe pushed inflation rates to decades-high levels in various countries. As a result, monetary policy authorities were not sparing in their move to fight rising prices, hiking rates aggressively. From various indications including gradually abating inflation and monetary policy tones, monetary pivoting is underway. Nonetheless, the effect of the accumulated rate hikes is expected to lead to a slowdown in some economies, including China which is still battling with Covid-19 cases and the property sector crisis.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, chronic inflation pressures, punitive interest rates and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is projected to slow from 6.00% in 2021 to 3.20% in 2022 and 2.70% in 2023 according to IMF on the back of slower growth across both the Advanced Economies and the Emerging and Developing Economies.

This is the weakest growth projection since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is expected to rise from 4.70% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024.

Throughout 2022, Nigeria's inflation rate maintained an upward trend, reaching a 17-year peak of 21.47% in November 2022 due to persistent fuel scarcity, fluctuation in the NGN/USD exchange rate, and natural disaster, in addition to the effect of imported inflation and persistent domestic structural challenges. In turn, the Monetary Policy Committee (MPC) raised the Monetary Policy Rate (MPR) cumulatively by 500bps to 16.50% and also raised the Cash Reserve Ratio (CRR) by 500bps to 32.50%. Additionally, the Central Bank of Nigeria (CBN) has moved to reduce the amount of money outside of the banking system by mopping up the old currency notes while concurrently replacing with the newly designed Naira note.

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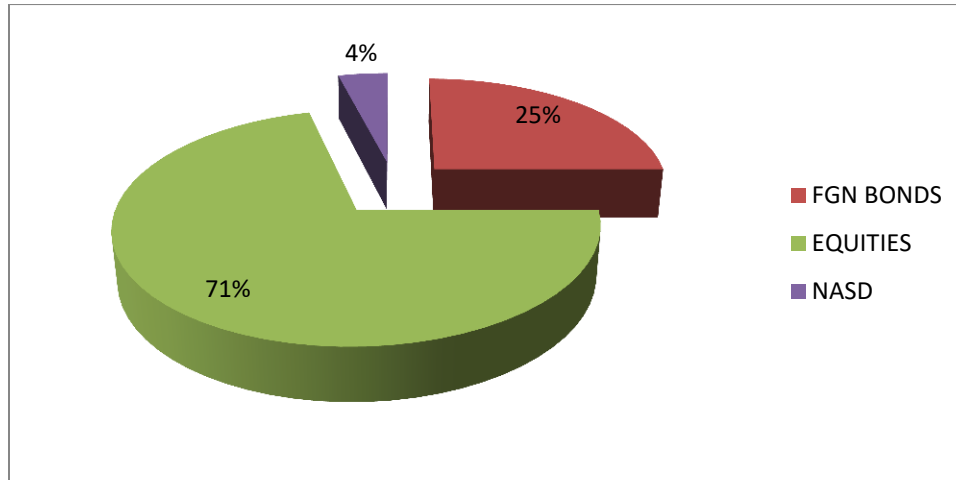
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The International Monetary Fund (IMF) recently revised its Nigerian real GDP growth forecast downwards to 3% (from 3.2% earlier expected) while the World Bank also slashed the same to 2.9% from an earlier projection of 3.20%. The reasons for the slower growth projections are similar: a slowdown in agricultural output due to the flooding, the impact of the CBN's hawkish monetary policy on the real sector, as well as the lingering FX issues.

The equities market performed excellently in 2022 opening the trading year at 42,716.44 index point at the beginning of trading on January 4, 2022, closed the year at 51,251.06 points, gaining 8,534.64 points or 19.98%. Further analysis revealed that activities on the Nigerian Exchange Limited (NGX) which opened the trading year at N22.296 trillion in market capitalisation at the beginning of trading on January 4, 2022, closed on December 30th 2022 at N27.915 trillion, hence has earned a year to date gain of about N5.619 trillion.

Despite the rising inflation and interest rate hike, the nation's equities market finished the year 2022 on a bullish note as the NGX All-Share Index appreciated by 19.98% to close the final trading day of the year on 30 December 2022 with 51,251.06 index points compared to 6.07% appreciation in 2021. The sudden turn in monetary policy direction around mid-2022 propelled fixed income yield upwards. However, yields began a downtrend at the tail-end of the year. In 2023, the outlook is for fixed income yields to increase, although at a gradual pace. The reason is due to the offsetting effects of the expected higher FGN borrowings as a result of higher budget deficit, and the expected high system liquidity from coupon payments and bond maturity, especially in the first half of the year.

MODEL PORTFOLIO TO HOLD IN 2023



S/N	Stocks	Sector	Weight	Current Price ₦	Exit Price ₦	Up/Downside	Portfolio Return	EPS	P/E
1	FIDSON	Health Care	5.00%	9.4	11.92	26.81%	1.34%	1.5	4.67
2	WAPCO	Industrial	8.00%	24.4	33.66	37.95%	3.04%	2.79	6.82
3	MTNN	ICT	7.00%	229.9	298.06	29.65%	2.08%	13.3	13.42
4	NB	Breweries	6.00%	46.45	69.54	49.71%	2.98%	1.87	19.34
5	GTCO	Financial Services	8.00%	24.1	31	28.63%	2.29%	4.53	4.03
6	ZENITH	Banking	8.00%	24.6	32.1	30.49%	2.44%	5.55	3.36
7	ACCESS	Financial Services	8.00%	8.95	13.93	55.64%	4.45%	3.88	1.89
8	DANGSUGAR	Consumer goods	8.00%	17.5	21.3	21.71%	1.74%	2.04	6.32
9	PRESCO	Agriculture	6.00%	150.8	170.5	13.06%	0.78%	16.15	5.97
10	NESTLE	Consumer goods	7.00%	1080	1521.85	40.91%	2.86%	2.33	18.37
11	13.53% MAR 2025	FGN BOND	6.00%	103.39	100	13.53%	0.81%	-	-
12	CSCS	OTC	4.00%	12.50	18.03	33.55%	1.20%	6.81	19.82
13	14.55% APR 2029	FGN BOND	7.00%	104.31	100	14.55%	1.02%	-	-
14	12.5% MAR 2035	FGN BOND	6.00%	94.04	100	12.50%	0.75%	-	-
15	16.25% APR 2037	FGN BOND	6.00%	107.65	100	16.25%	0.98%	-	-
			100.00%				28.75%		

A GLOBAL REVIEW

At the start of the year, the global economy was projected to extend the strong post-pandemic recovery (2021: 6.1%) with a baseline growth rate of 3.6% in 2022. However, this bullish outlook was dented by the multifaceted negative spillovers from the ongoing war in Ukraine and aggressive monetary policy tightening by various central banks targeted at curbing the runaway inflation. On the back of these developments, the IMF in its October 2022 World Economic Outlook (WEO) report downgraded its global growth projection for 2022 to 3.2% – its third downgrade since the war in Ukraine began in February. Inflation has become a major source of concern for many countries. The war in Ukraine triggered a sharp increase in crude oil and gas prices, which led to high food prices and energy costs globally. In the United Kingdom, inflation rate rose to 40-year high of 10.1% in July 2022. In Germany, inflation rate rose to 10% in September 2022, reaching an all-time high since German reunification. While government's across countries are implementing fiscal support and subsidies to ameliorate the situation for businesses and citizens, the measures do not appear sufficient in taming inflation. Monetary authorities have also raised interest rates to tackle rising prices, and this raises the possibility of constraining aggregate demand growth, and therefore triggering a recession in some countries.

GDP growth								
% change in real GDP					Updated 22 Dec			
	% change on previous quarter				% change on a year ago			
	Q4 21	Q1 22	Q2 22	Q3 22	Q4 21	Q1 22	Q2 22	Q3 22
UK	1.5	0.6	0.1	-0.3	8.9	10.7	4.0	1.9
Eurozone	0.5	0.6	0.8	0.3	4.8	5.5	4.2	2.3
USA	1.7	-0.4	-0.1	0.7	5.7	3.7	1.8	1.9
Japan	1.2	-0.5	1.1	-0.2	0.9	0.6	1.4	1.7
Germany	0.0	0.8	0.1	0.4	1.2	3.5	1.7	1.3
France	0.6	-0.2	0.5	0.2	5.1	4.8	4.2	1.0
G7	1.3	-0.1	0.2	0.5	4.8	4.0	2.4	1.9
OECD	1.4	0.2	0.5	0.4	5.2	4.6	3.3	2.5

Source: MBC Research

GLOBAL OVERVIEW

THE WORLD IN 2022

JANUARY	<ul style="list-style-type: none"> America records one million new COVID-19 cases for the first time, Omicron accounting for an estimated 95% of these. A range of environmental disasters happened around the world in the first month of 2022, including heavy rains and floods in Brazil, Iran and Madagascar; heavy snowfall in Turkey, Pakistan and the US; wildfires in Spain and Argentina as well as volcanic eruptions in Ecuador's Wolf volcano and Pacific nation of Tonga. British government report finds "a failure of leadership" led to parties taking place in Downing Street when UK under strict lockdown, amid a police investigation This led to months of political instability and a couple of leadership elections in the country.
FEBRUARY	<ul style="list-style-type: none"> Russia invaded Ukraine in a major escalation of the Russian-Ukrainian War, which began in 2014. The invasion began on the morning of 24 February 2022, when Russian president, Vladimir Putin announced a "special military operation" aiming for the "demilitarisation" and "denazification" of Ukraine. Denmark became the first EU country to lift all COVID-19 restrictions, with coronavirus no longer considered a "socially critical sickness".
MARCH	<ul style="list-style-type: none"> Russian forces seize the Ukrainian Zaporizhzhia nuclear plant, the largest in Europe. President Joe Biden announces the US is banning Russian oil imports with UK phasing out imports by the end of the year. US Federal Reserve raises interest rates for the first time since 2018 by 0.25% to help ease rising price inflation
APRIL	<ul style="list-style-type: none"> Elon Musk buys 9.2% of Twitter stock, making him the company's largest shareholder in a \$44 billion deal. South African President Cyril Ramaphosa declares a national state of disaster, after floods and mudslides in Durban area result in over 400 deaths and destroy over 4,000 homes.

GLOBAL OVERVIEW



KEY GLOBAL ECONOMIC EVENTS IN 2022

THE WORLD IN 2022

MAY	<ul style="list-style-type: none"> The US Federal Reserve makes largest interest rate increase since 2000 (+0.5%), attempting to combat the fastest rate of inflation in four decades. The US President Joe Biden with countries including India, South Korea and Japan, launched the Indo-Pacific Economic Framework in Tokyo, an economic alliance of Asia-Pacific nations to counter Chinese influence. European Union agrees to a plan to block two-thirds of Russian oil
JUNE	<ul style="list-style-type: none"> Queen Elizabeth II marks her Platinum Jubilee with four days of celebrations starting with a military parade at Buckingham Palace. United Kingdom posts highest inflation rate in the G7 at 9.1%, a 40-year high, led by a rise in the price of food and fuel. The pace at which prices grow in the UK increased to 9.1% in May from 9% in April, according to the Office for National Statistics (ONS).
JULY	<p>The IMF announced on Tuesday (July 26, 2022) a 3.2% revised downward forecast to global growth in 2022 and 2.9% in 2023. "The global economy is still reeling from the pandemic and Russia's invasion of Ukraine.</p>

GLOBAL OVERVIEW



KEY GLOBAL ECONOMIC EVENTS IN 2022

THE WORLD IN 2022

AUGUST	<ul style="list-style-type: none"> The US President Joe Biden signs the Inflation Reduction Act into law with \$370 billion of spending and tax cuts to combat climate change, address health care costs and tax large corporations. 22 million faced starvation in Horn of Africa, up 9 million since January, according to the UN, after worst drought in 40 years. The death toll from monsoon rain and floods rises to over 1,000 people, Pakistan appeals for international aid.
SEPTEMBER	<ul style="list-style-type: none"> UK's ruling Conservative party appoints Liz Truss as their next leader and Prime Minister Queen Elizabeth II dies at Balmoral Castle after ruling for 70 years, as the UK's longest-serving monarch. Her eldest son steps up to the throne as King Charles III. China locks down the economically important city of Chengdu with 21 million people, after 700 COVID-19 cases discovered in last few days
OCTOBER	<ul style="list-style-type: none"> UN General Assembly passes a resolution condemning Russia's attempted annexation of Ukrainian territory. Prime Minister Liz Truss announces her intention to resign, after 44 days in office, making her term shortest in country's history. In Nigeria's worst floods in a decade, more than 600 people died while displacing more than 1.3 million people. Italy forms new coalition government, choosing far-right Brothers of Italy (Fratelli d'Italia - FdI) leader Giorgia Meloni as Prime Minister, the 1st female to hold the office.

GLOBAL OVERVIEW



KEY GLOBAL ECONOMIC EVENTS IN 2022

THE WORLD IN 2022

NOVEMBER

- Bombing on Istiklal Avenue, central Istanbul, Turkey, labelled a terrorist attack, killing six people and injuring 81.
- Ethiopia's government and Tigrayan authorities reach an agreement end fighting after two years at peace talks in South Africa.
- Hurricane Nicole makes landfall near Vero Beach, Florida as a category 1 hurricane, causing widespread destruction and at least two deaths.

DECEMBER

- After widespread public protests China announces a major loosening of COVID-19 restrictions for the whole country, allowing home quarantine and scrapping QR codes, effectively ending China's zero-COVID policy
- Peru declares 30-day nationwide state of emergency, following a week of political protests after the removal and arrest of former President Pedro Castillo
- Japan announces its biggest military build-up since WWII, amid concerns over China and North Korea
- The ruling Taliban suspend university education for female students in Afghanistan, part of a wider crackdown on women's rights in the country
- HSBC, Europe's largest bank, says it will stop financing new oil and gas fields, in attempt to lower global greenhouse gas emissions.

GLOBAL OVERVIEW



KEY GLOBAL ECONOMIC EVENTS IN 2022

OIL MARKET REVIEW

Oil markets started the year on a strong note after slowing down toward the end of 2021. In December 2021, Brent and West Texas Intermediate (WTI) averaged \$74 and \$71 per barrel respectively. Then prices rebounded strongly in January 2022 and reached levels last seen in early October 2014. By the end of the month, Brent exceeded \$91 per barrel and WTI \$87 per barrel. In the first six months of 2022, the price of the international benchmark Brent crude oil was hit by the Russia-Ukraine conflict. After trading at \$77/bbl to \$79/bbl in the last weeks of December 2021 and early 2022, Brent spiked to \$100 in mid-February following Russia's invasion of Ukraine. On 7 March, it rose to \$139.13 in response to US President Joe Biden's ban on Russian fossil-fuel exports. The gain did not last long. Brent dropped below \$100 by mid-March amid worries over demand after China, the world's largest oil importer, imposed stringent new Covid-19 lockdowns. The price gradually rebounded above \$100 on supply concerns after more countries joined the US in banning Russian oil imports, as well as the anticipated rebound of demand from China when the country eased its Covid-19 restrictions. Brent reached \$125 a barrel on 14 June – for the first time since 9 March – with tight supply trumping worries about sluggish global economic growth. The EU banned imports of all seaborne Russian crude oil and petroleum products, which make up 90% of the block's current oil imports from the country. The ban is part of wider international sanctions on Russia over its invasion of Ukraine. In an effort to limit the upward pressure on global oil prices, G7 countries verbally agreed to implement a price cap on Russian crude and petroleum products in early September, implementing the squeeze in early December. As of 9 December 2022, Brent was trading at around \$76/bbl, down close to 40% from its 14 June high but having bounced back from the one-year low of \$75.70 hit in the previous session.

OIL PRICE MOVEMENT 2022.



GLOBAL OVERVIEW

THE GLOBAL OIL MARKET

WTI PRICE PERFORMANCE AND MAJOR DRIVERS

The price of US-produced WTI which traditionally traded below the Brent crude has been catching up with Brent this year on the prospect of rising demand for US crude as buyers were looking for alternatives to Russian oil. In early January 2022, WTI traded at \$76/bbl compared to \$79/bbl for Brent. On 7 March, WTI crossed \$130/bbl, trailing Brent after the US announced a ban on Russian energy imports, including oil and petroleum. Similar to Brent, the WTI oil price gradually retreated below \$100 in mid-March over concerns that fresh Covid-19 lockdowns would dent demand from China. The downtrend was short-lived as tight global supply persisted in the market. WTI rebounded above \$100 and advanced to \$123.68 on 14 June 2022 before giving up its gains. Despite the IEA and OPEC remaining somewhat bullish in their oil price projections, persistent headwinds from surging inflation and shrinking financial conditions worldwide, as well as their subsequent impact on economic activity, remains a significant downside risk. As of 9 December 2022, WTI was trading at \$72/bbl, close to 42% lower than its 14 June price point. The US oil benchmark has shed over 10% November 2022, having been pressured by growing concerns about a potential global recession-driven demand downturn, particularly among developed economies.

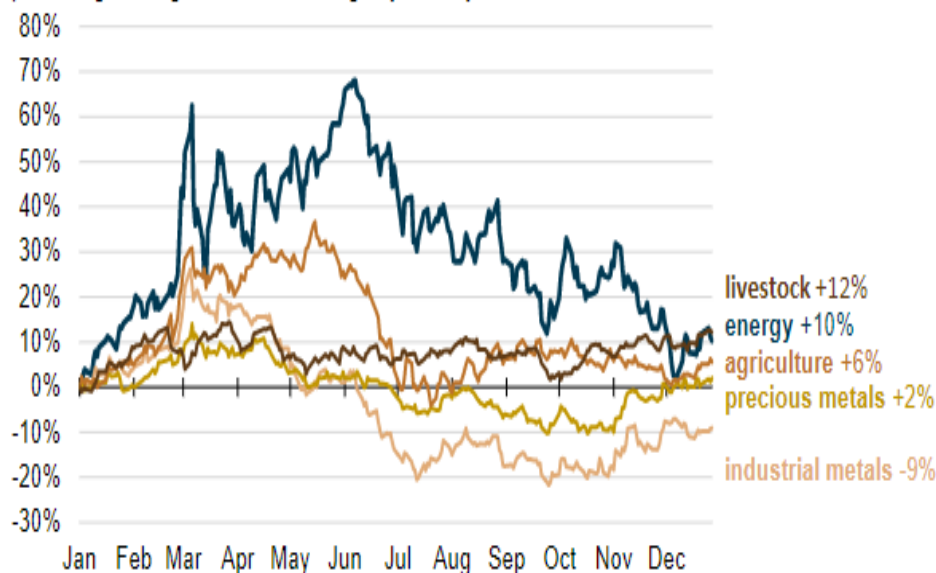


GLOBAL OVERVIEW

THE GLOBAL OIL MARKET

COMMODITY MARKETS IN 2022

2022 was a wild year for commodities like oil, gold, copper, lumber, and wheat. Back in February, the opening salvo of the war in Ukraine sent commodity markets into turmoil. Commodity prices skyrocketed, with some hitting all-time highs. By spring and early summer, commodity price increases really hurt many consumers—particularly oil prices, which peaked in the US in mid-June. For example, the average nationwide US gas price hit \$5.02 a gallon for regular unleaded on June 14, 2022, with even higher prices striking Europe. The US national average has since dropped to \$3.92 per gallon, as of mid-October. Commodity prices had previously been on the rise before the Russian invasion of Ukraine, as global supply disruptions and COVID broadly impacted markets.



Source: Bloomberg, MBC Research

GLOBAL OVERVIEW

COMMODITY MARKETS

RUSSIA'S WAR AGAINST UKRAINE

Hostilities between Russia and Ukraine began on February 24, 2022, when Russian President Vladimir Putin directed the Russian forces to launch a major, multi-prong invasion of Ukraine. The broad scope of the assault, which Putin termed a “special military operation,” suggested that Moscow’s objectives were to quickly seize Kyiv, presumably deposing the government, and occupy as much as the eastern half to two-thirds of the country.

Ten months into Russia’s latest invasion of Ukraine, the outcome of the war remains unclear. The Russian military appears incapable of taking Kyiv or occupying a major portion of the country. Ukrainian forces have enjoyed three months of success on the battlefield and could well continue to make progress in regaining previously lost territory. The war also could settle into a more drawn-out conflict, with neither side capable of making a decisive breakthrough in the near term.

Most world leaders stand unified in condemnation of the unexpected attack on Ukraine. Russia is the world’s most prominent natural gas provider. Seeing opposition from countries dependent on its gas, Russia cut its gas supplies. The outcome was a spike in gas costs, which was fueled inflation.

In addition to higher gas costs the war has affected Ukraine and Russia in many other ways, including but not limited to:

Life In Ukraine

Since world war II, Ukraine has shown signs of the fastest displacement crisis in Europe. There are about 7.6 million Ukrainian refugees across Europe. Most of the groups are made up of women and children, who frequently become target of exploitation and violence when there is a crisis.

Ukraine’s Influence on the World Economy

As the largest grain exporter, Ukraine fed an estimated 400 million people worldwide with its grain. Its main maritime route departs from the Black Sea, which is impassable because of the fighting. Extreme hunger crisis is already present in places such as the Middle East and Africa. Ukraine was their main grain supplier, and the difficulty in exports worsened the food crisis exponentially.

Russian Gas

Germany imports half of its gas supply from Russia, Italy obtains 46 per cent, while France imports a quarter of its gas from Russia.

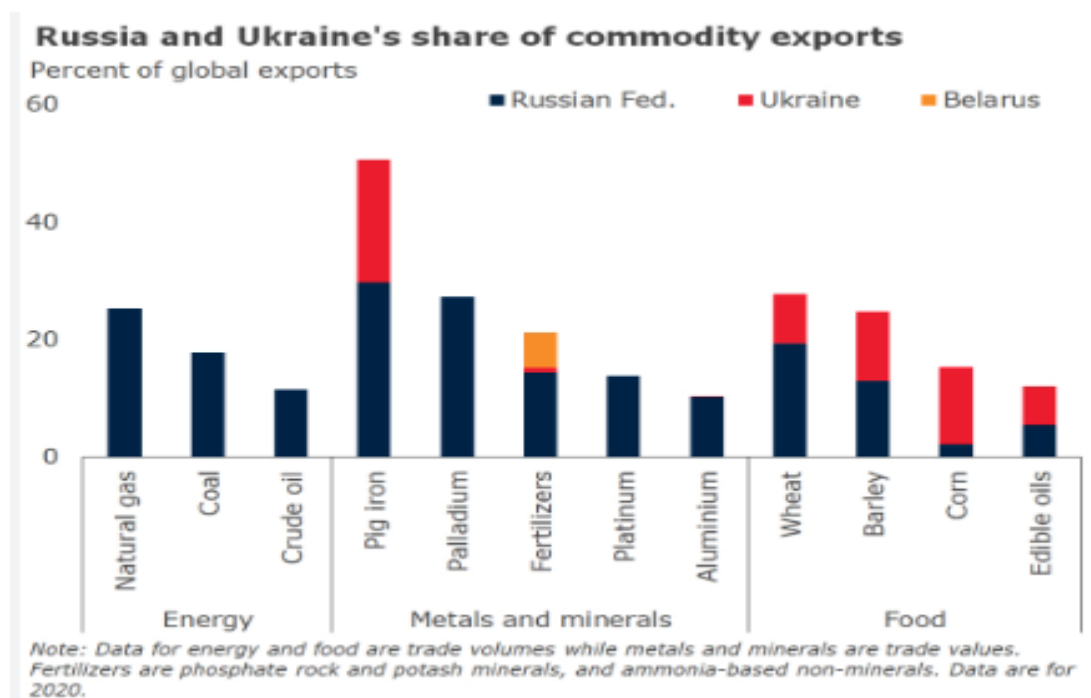
GLOBAL OVERVIEW

RUSSIA UKRAINE WAR

RUSSIA'S WAR AGAINST UKRAINE

Smaller European countries, including Bosnia and Herzegovina, Moldova, and North Macedonia, completely rely on Russian Gas. Serbia's reliance is 89 per cent and Finland & Latvia import 90% of their gas supplies from Russia.

Due to the impact of the current war, the supplies have been reduced or, in some places, even stopped. This resulted in gas rationing, which will deplete the reserves in a short amount of time because of the higher winter demand. A full cut-off from the Russian gas supply will exhaust all reserves by the end of 2022. This would cause employment and industries to suffer, will force the closure of enterprises requiring high energy input.



Source: Bloomberg, MBC Research

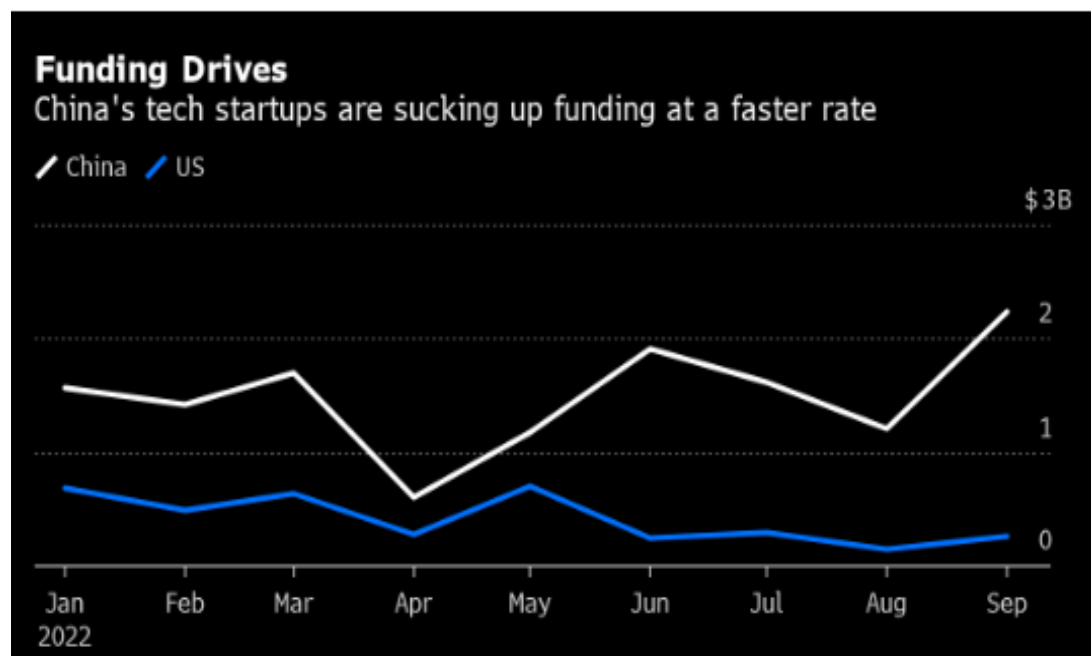
GLOBAL OVERVIEW

RUSSIA UKRAINE WAR

TECH WAR BREAKS OUT BETWEEN THE US AND CHINA

The US is rapidly ramping up efforts to try to curtail China's activities in the semiconductor industry - vital for everything from smartphones to weapons of war. In October, Washington announced some of the broadest export controls yet - requiring licenses for companies exporting chips to China using US tools or software, no matter where they're made in the world.

Washington's measures also prevent US citizens and green card holders from working for certain Chinese chip makers. Green card holders are US permanent residents who have the right to work in the country. It is cutting off the pipeline of American talent to China with the aim of curtailing the development of high-end semiconductors.



Source: S&P Global, MBC Research

GLOBAL OVERVIEW

MAJOR ECONOMIC EVENTS IN 2022

The US claims that China's use of the technology poses a threat to its national security. Meanwhile, China has called the controls "technology terrorism". Countries in Asia that produce chips - such as Taiwan, Singapore and South Korea - have raised concerns about how this bitter battle is affecting the global supply chain. The Biden administration has added 36 more Chinese companies, including major chipmaker YMTC to Washington's "entity list". This means American companies will need strict government permission to sell certain technologies to them. The US restrictions have broad implications. In 2022, UK-based computer chip designer Arm Technology Limited confirmed that it was not selling its most advanced designs to Chinese firms including tech giant Alibaba because of US and UK controls.

China has filed a complaint against the US with the World Trade Organization (WTO) over its export controls on semiconductors and other related technology. This is the first WTO case Beijing has brought against the US since President Joe Biden took office in January 2021. In its WTO filing, China alleged that the US is abusing export controls to maintain "its leadership in science, technology, engineering and manufacturing sectors". It added that US actions threatened "the stability of the global industrial supply chains". The US said in response that the trade body was "not the appropriate forum" to settle concerns related to national security.

The Biden administration has said that the US tech companies that receive federal funding will be barred from building "advanced technology" facilities in China for 10 years. The guidelines were unveiled as part of a \$50bn (£43bn) plan aimed at building up the local semiconductor industry. It comes as business groups have pushed for more government support in an effort to reduce reliance on China. A global microchip shortage which has slowed production in various sectors.

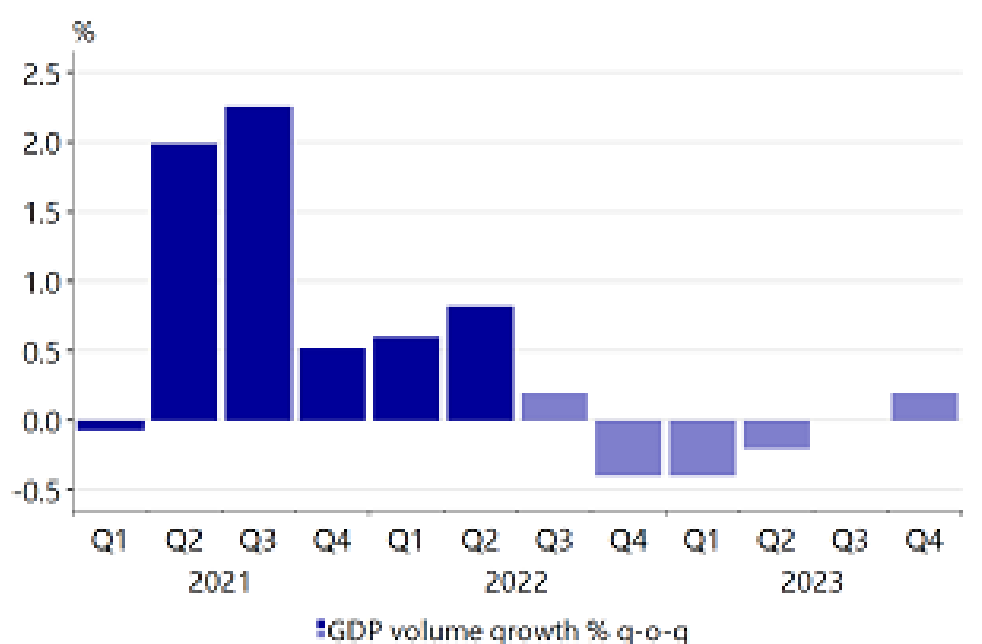
GLOBAL OVERVIEW

US-CHINA TECH WAR

THE EUROPEAN UNION ECONOMY

In the third quarter, Eurozone GDP growth slowed to 0.2% q/q, from 0.8% q/q in the second quarter. The Eurozone's largest economy, Germany outperformed expectations, by expanding 0.3% q/q as against 0.2% q/q in Q2. Italy also performed better than expected, growing by 0.5% q/q rather than the expected stagnancy. Meanwhile, France and Spain managed to grow 0.2% q/q, broadly in line with expectations. In the four countries, growing service sector activity was the driving force, while industrial activity contracted or stagnated.

EUROZONE GDP GROWTH



Source: Trading Economics, MBC Research

The Eurozone's third quarter GDP figure was slightly better than the stagnation projected and follows a streak of positive growth surprises in 2022H1. Going forward, however, it is expected the Eurozone economy to enter a contractionary mode. Starting in the final quarter, we expect this contraction to last for several quarters and is followed by a relatively shallow recovery starting end-2023.

GLOBAL OVERVIEW

THE EUROZONE

2023 Macroeconomic and Investment Outlook

The composite Purchasing Managers' Index has been in contractionary territory in the four months till October, with activity gradually weakening across sectors. Activity recently has clearly been the weakest in manufacturing and construction.

At the same time, food and energy prices are unlikely to retreat substantially and structurally anytime soon. With close to no Russian gas flowing in anymore, Europe will need to scramble for even more alternative gas supplies when stocks are depleted after this winter.

High inflation and the war in Ukraine have been two of the main drivers of falling consumer confidence for over a year. Since June 2022, consumers have been getting less optimistic about the economic outlook and their own future financial situation. Consumers have turned outright pessimistic with most components of the consumer confidence survey currently at all-time lows. Importantly, households' assessment of their current financial situation is gloomy when compared to its long-term mean-, indicating not only are consumers expecting things to worsen, but they have actually started to experience it.



Source: Trading Economics, MBC Research

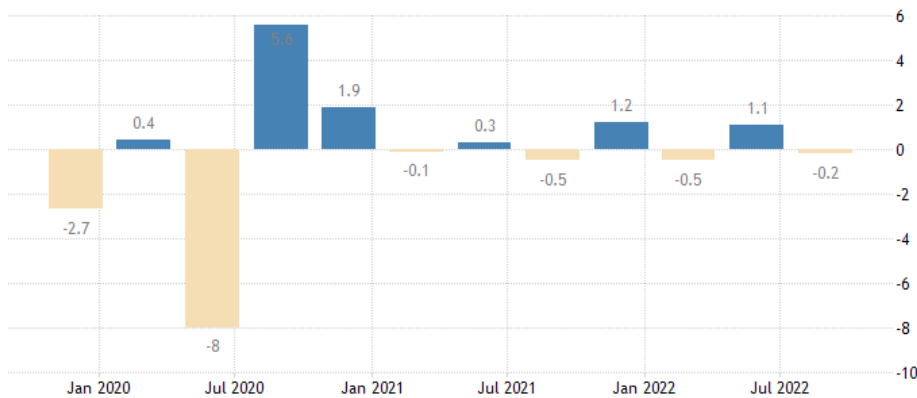
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THE JAPANESE ECONOMY

Japan's economy, the third largest in the world behind the United States and China, shrank by 0.3% in the third quarter of 2022 after it expanded 0.9% in the second quarter and 0.1% in the first quarter.

JAPAN'S GDP GROWTH



Source: Statista, MBC Research

In July, the International Monetary Fund cut Japan's growth outlook for 2022 to 1.70%, down from 2.40% in April.

Japan's economic recovery from the pandemic has lagged other countries due to weak consumption, which has been exacerbated by ongoing border controls and domestic pandemic restrictions that continued until March.

The weak recovery has turned the Bank of Japan into a global outlier, with it sticking to an ultra-loose monetary policy while other central banks raise rates to tame rising inflation.

GLOBAL OVERVIEW

THE ECONOMY OF JAPAN

A GLANCE AT THE EQUITIES MARKET

Investors are reeling from the worst year in global financial markets since the 2008 financial crisis, as inflation forced central banks to raise interest rates and put an end to the supply of cheap money that has fueled a golden decade for investors. Global stocks have lost about 20% of their value during the last year, as the “everything bubble” that inflated during the Covid-19 pandemic burst, sending tech shares and crypto assets tumbling. Inflation surged as economies reopened from the pandemic lockdowns and Russia triggered an energy crisis in Europe by weaponising gas supplies.

Stock markets suffered the worst showing in year in 2022, rocked by Russia's invasion of Ukraine, decades-high inflation peaking in the year, the end of easy money and China's latest Covid woes. Equities were slammed as the US Federal Reserve, the European Central Bank and the Bank of England aggressively lifted interest rates in a bid to tackle rampant consumer price increases. In Europe, Frankfurt and Paris suffered annual losses of 13 % and 9.6 % respectively, on course for the worst slumps since 2018, However, London rose 0.9% as the energy sector was buoyed. Wall Street faces its worst annual drop since 2008, with the S&P index down 20 percent and the tech-heavy Nasdaq losing 30 percent.

The MSCI All-Country World Index of stocks which tracks stocks across developed markets lost about a fifth of its value during 2022 (19.64%), in what Bloomberg calls an “\$18tn rout”. That’s the worst performance in 14 years, since the global financial crisis wiped 40% off stock values in 2008. MSCI indices for European, developed, emerging and frontier markets shedding 12.28%, 16.79%, 22.47%, and 20.80%, respectively.

Europe’s STOXX 600 fell by about 12% in 2022, its worst performance since 2018. But the UK’s FTSE 100 posted a small gain, lifted by energy companies and defense firm BAE Systems.

China’s blue-chip CSI 300 index fell 22% in 2022, as Covid-19 lockdowns hit its economy through the year. The market sell-off wiped almost \$1.4tn from the fortunes of the richest 500 investors alone in 2022, according to the Bloomberg billionaires index.

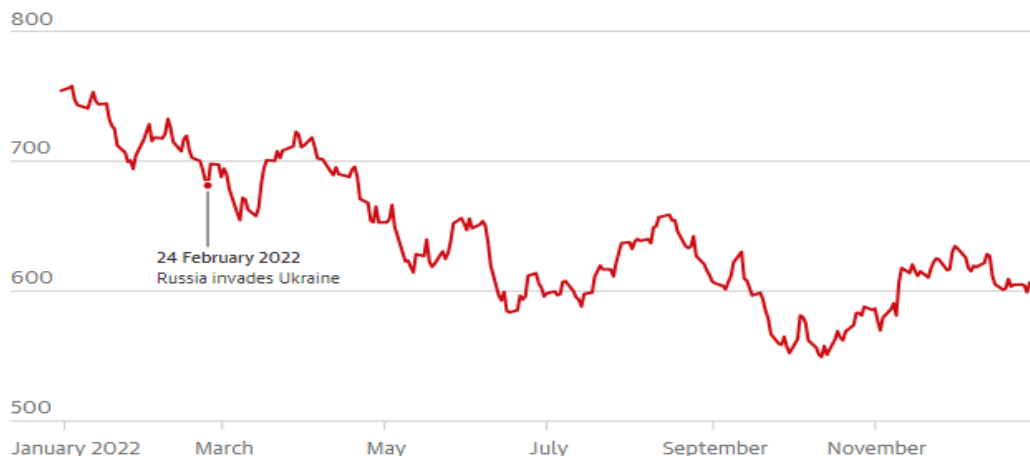
Shares tumbled as inflation soared, crushing hopes that price increases would be transitory. US consumer price inflation reached a four-decade high of 9.1% in June, and proved stickier than hoped in the autumn too. Tech stocks were particularly hit – the Nasdaq Composite lost a third of its value in 2022. The

GLOBAL OVERVIEW

GLOBAL EQUITIES MARKET

Apple stock fell 27%, Amazon's share price halved, while Facebook owner Meta fell 65% as investors balked at Mark Zuckerberg's \$100bn push into the metaverse. Tesla also lost about two-thirds of its value in 2022, hitting a two-year low. Tesla's shares had a rough end to the year, losing almost 40% in December, hit by fears of slowing demand and concerns that chief executive Elon Musk was being distracted by his purchase of Twitter.

The MSCI, all-country world equity index, dollars



Source: Bloomberg, MBC Research

In Asia, China was plagued once more by the pandemic in 2022 as authorities grappled with the deadly disease. Hong Kong tanked 15.5 percent and Shanghai dived 15.1 percent in the biggest annual slumps since 2011 and 2018 respectively. Covid spiked once more in the Asian superpower in December after Beijing relaxed its strict curbs in the face of rare public outcry. This also prompted worries about the impact on stretched global supply chains. Tokyo plunged 9.4 percent in the first annual fall since 2018 but the Bank of Japan maintained its ultra-easy monetary policy, in contrast with other central banks, to help its fragile economy.

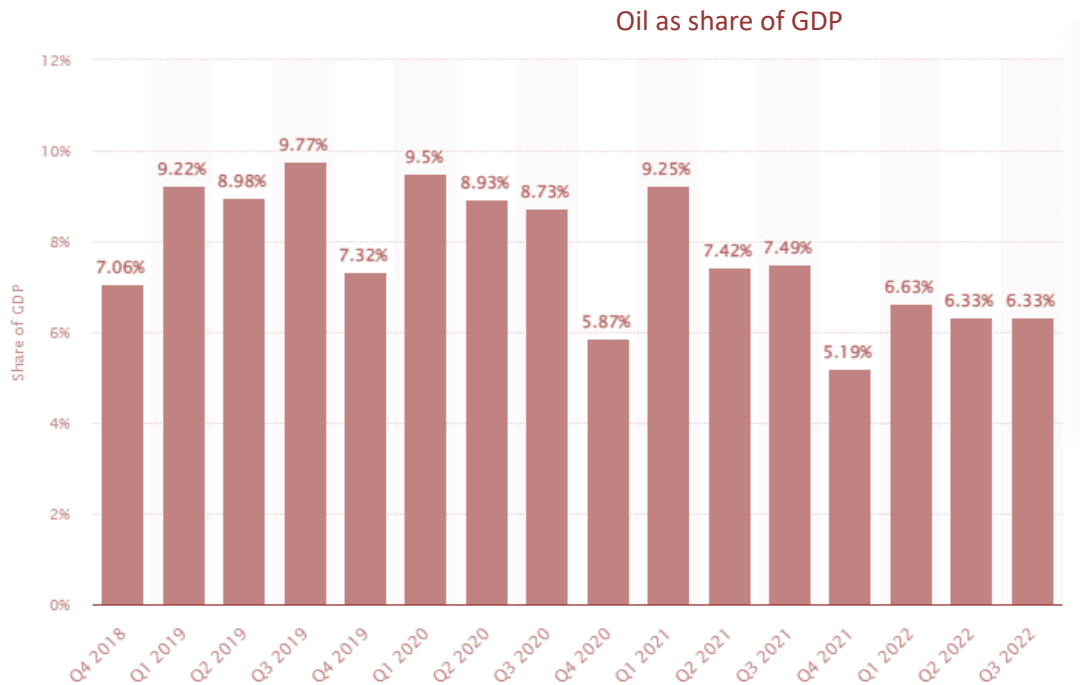
GLOBAL OVERVIEW

GLOBAL EQUITIES MARKET

NIGERIA ECONOMIC PERFORMANCE

The Nigerian economy maintained its steady recovery from Q4 2021. Nigeria's real Gross Domestic Product Increased by 2.25% in Q3 2022 to 18.96trn. For the nine months to September 2022, the GDP was up by 2.94%, The resilience of the non-oil sector has been central to GDP growth which now contributes over 94% to Nigeria's GDP amid the contraction of the oil sector from an average of 91% over 3 years.

For 2022, The performance of the oil sector was not very impressive as its contribution to real GDP has declined from over 9% in Q1 2020 to less than 6% in Q3 2022. This comes as a result of continuous decline in oil production which has persisted for 6 consecutive quarters now. Some of the major issues confronting the oil sector are Lack of investment inflows, pipeline vandalism and oil theft. Other issues are Flooding, Prolonged shut down of Trans Forcados and Trans Niger Pipelines for maintenance purpose which affected exportation.

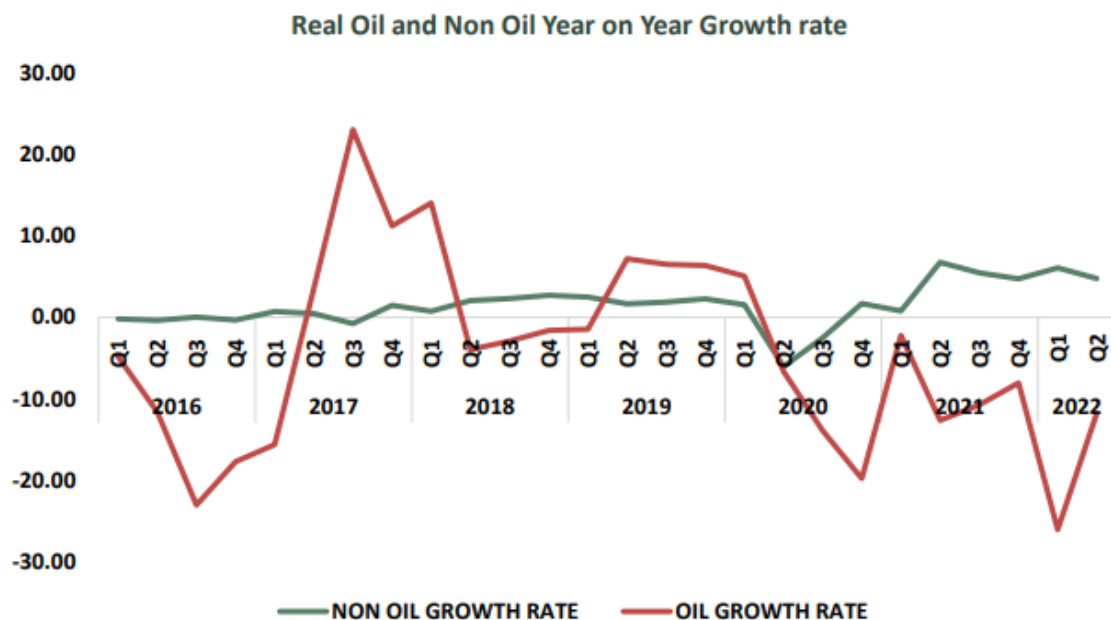


Source: Statista, MBC Research

DOMESTIC REVIEW

NIGERIA IN 2022

DOMESTIC REVIEW



The non-oil sector has been the growth enabler for the Nigerian Economy. Key to this continuous growth is the Services sector which accounts for more than half of the total real GDP and expanded by an average of 7.05% in 2022. Specific services sub sector that has propped the growth include the Information and Communication Technology which has contributed 15.3% to real GDP. The advancement was due to a couple of factors which include a higher number of telephone subscribers and deepened tele density, 7.65% rise in the number of active internet subscribers. Trade Sub sector also contributed 15.35% to total real GDP and expanded by 5.08% YoY.

Trailing the Services sector is the agricultural sector which accounted for 25% of the real GDP up to Q2 2022 and has been growing steadily in line with its historical seasonality pattern, in Q3 2022, the sector expanded by 1.34% yoy. The lean harvest season within the period came in with higher crop produce. The flooding event of Q3 2022 poses a major threat to agriculture expansion in Q4 2022 and in the early parts of 2023. The flood wiped out farmlands while also displacing farmers. This is expected to put a strain on output in the coming quarters.

NIGERIA IN 2022

Nigeria's GDP in Q2 2022 stood at N45 trillion with a growth rate of 3.54% against the Q1 2022 rate of N45.32 trillion and a growth rate of 3.11%. The non-oil sector accounted for 93.67% of the total GDP while the oil sector accounted for 6.33% of the total GDP. The non-oil sector had a growth rate of 4.77%.

The Nigeria non-oil sector comprises activities that exclude the petroleum and gas industry. The non-oil sector includes sectors like information and communication, agriculture, transportation, manufacturing, trade, financial services and insurance. The non-oil sector's growth of 4.77% is lower compared to 6.08% recorded in the first quarter of 2022, showing a decrease in growth rate when compared to the previous quarter.

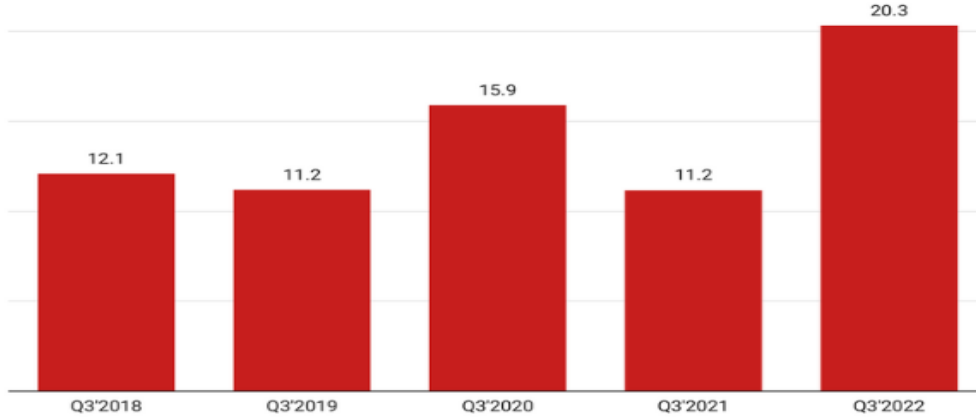
Oil and Non-oil Contribution to GDP

	NON OIL	OIL
Q1 2020	90.5	9.5
Q2 2020	91.07	8.93
Q3 2020	91.27	8.73
Q4 2020	94.13	5.87
Total of 2020	91.84	8.16
Q1 2021	90.75	9.25
Q2 2021	92.58	7.42
Q3 2021	92.51	7.49
Q4 2021	94.81	5.19
Total of 2021	92.76	7.24
Q1 2022	93.37	6.63
Q2 2022	93.67	6.33

DOMESTIC OVERVIEW

NIGERIA IN 2022

Information and Communication Sector's Growth Rate (%)



Source: NBS, MBC Research

The contribution of the Nigerian Information and Communication Technology (ICT) sector to the Gross Domestic Product (GDP) increased to 20.32 percent in Q3 2022, the highest in five years.

According to the Q3 report released by the National Bureau of Statistics (NBS), the sector saw an increase in growth of 9.15 percent in 2022 compared to the preceding years where it recorded 11.2, 15.9, 11.2, and 12.1 percent, respectively.

DOMESTIC OVERVIEW

NIGERIA IN 2022

NIGERIA IN 2022

- Public debt stood at N33,805.84 billion and remained within the 2020-2023 borrowing plan of the Federal Government.

JANUARY

- The CBN under its Targeted Credit Facility (TCF) programme disbursed N369.78 billion to Nigerians since the outbreak of COVID-19.

- The Academic Staff Union of Universities (ASUU) on February 14, 2022, embarked on a warning strike, which later became indefinite, to press home its demands on the Federal Government (FG) to provide funds for the revitalisation of public universities to the tune of N1.1 trillion.

FEBRUARY

- On March 22, President Muhammadu Buhari commissioned the newly built international terminal of the Murtala Muhammed Airport, Lagos.

MARCH

- Local airfares' baseline appreciated by 4.43% as airlines responded to a spike in the price of aviation fuel and the attendant costs of operation

APRIL

- The MPC committee of the CBN Increase interest rates by a significant 150basis points to 13% while maintaining the asymmetric interest rate corridor, CRR and Liquidity ratios

- The Independent National Electoral Commission (INEC) has assured Nigerians that no underage persons would be allowed to vote in the 2023 general elections.

MAY

DOMESTIC REVIEW

KEY DOMESTIC ECONOMIC EVENTS IN 2022

NIGERIA IN 2022

- On June 5, 2022, a mass shooting and bomb attack occurred at a Catholic church in the city of Owo in Ondo State, Nigeria. At least 40 people were killed, with the highest estimates being around 80.
- Subsequently, on June 11, after 74 days in captivity, 11 out of the 61 persons kidnapped regained their freedom on health grounds to enable them to undergo urgent medical treatment.

JUNE

- Troops of the 202 Battalion of the Nigerian Army in Borno State rescued two more schoolgirls abducted from the Government Girls' Science Secondary School in Chibok by Boko Haram terrorists in 2014.
- The Kuje Prison in The Federal Capital Territory was bombed and attacked by gunmen and an unknown number of prisoners escaped. Islamic State West Africa (ISWA) has claimed responsibility for the attack.

JULY

- In August 2022, several reports since 2021 revealed that some of the International Oil Companies (IOCs), were in the process of divesting assets worth over N20.8 trillion.
- Nigeria's inflation rate jumps to 19.64%, the highest rate since September 2005.
- The total FG's borrowing from CBN rose from N20.61tn in July 2022 to N22.07tn in August 2022

AUGUST

- Over 500 houses were submerged, while properties worth millions of naira were lost due to floods in Lokoja, the Kogi State capital.
- On September 29, Nigeria's presidential candidates signed an accord to commit to a peaceful campaign for the 2023 general elections.

SEPTEMBER

DOMESTIC OVERVIEW

KEY DOMESTIC ECONOMIC EVENTS IN 2022

NIGERIA IN 2022

- President Muhammadu Buhari presented the “2023 Budget of Fiscal Consolidation and Transition” to the joint session of the National Assembly.
- On October 14, after eight months of embarking on strike to press home their demands from the federal government, lecturers of public universities under the aegis of ASUU suspended the action

OCTOBER

**DOMESTIC
OVERVIEW**

- Nigeria’s inflation rate increased from 20.77% to 21.09% as the country battles with soaring food prices.
- Nigeria’s Navy seized a foreign ship and detained 27 foreigners who were charged with operating illegally on Nigerian waters and attempting to export crude oil without clearance.

NOVEMBER

- The December 2022, the CBN released further guidelines limiting over the counter cash withdrawal to N100,000 and N500,000 per week for individual and corporate organisations, respectively
- It also announced the change of the naira notes to a new design.

DECEMBER

**KEY
DOMESTIC
ECONOMIC
EVENTS IN
2022**

MONETARY POLICY IN 2022

Monetary policy rates remained unchanged in the first 3 months of the year. However, the CBN unexpectedly raised its benchmark interest rate for the first time in almost six years to curb accelerating inflation and boost portfolio inflows. The monetary policy committee voted to hike the rate by 150 basis points to 13% in May, the first increase since July 2016. The Apex bank on July 19, 2022, raised the benchmark interest rate to 14% from 13%, which is 100bps, following a 150 bps increase on May 24, 2022, from 11.5% to 13%.

The Central Bank of Nigeria (CBN) on September 27, 2022, once again raised the benchmark interest rate by 150bps from 14% to 15.5%, marking it the third straight rate increase so far in 2022.

The hike in interest rates has taken interest rates to the highest since 2006. The key reason given by CBN for the hike in interest rates is to curb the spiraling inflation against the backdrop of soaring food prices, higher energy costs due to COVID-19 fallout, Russian-Ukraine-induced supply chain disruptions, and the continued insecurity in the country. The country's annual inflation rate climbed for the seventh straight month to a 17-year high of 20.5% in August 2022.

The CBN increased its monetary policy rate by 100 bps to 16.50% at its November 2022 meeting, following a 150bps hike in September, matching market expectations. This represents the fourth straight rate increase so far, citing the risk of slowing growth amid persistent inflationary pressures.

Nigeria's headline inflation rate accelerated for the ninth straight month to hit an over 17-year high of 21.1% in October, amid increases in the cost of imported products due to currency depreciation and rising energy costs. Meanwhile, policymakers noted that recent developments, towards year end, in terms of observed month-on-month deceleration in the rate of increase in inflation suggest that the previous tightening policies were yielding the expected outcome.

DOMESTIC REVIEW

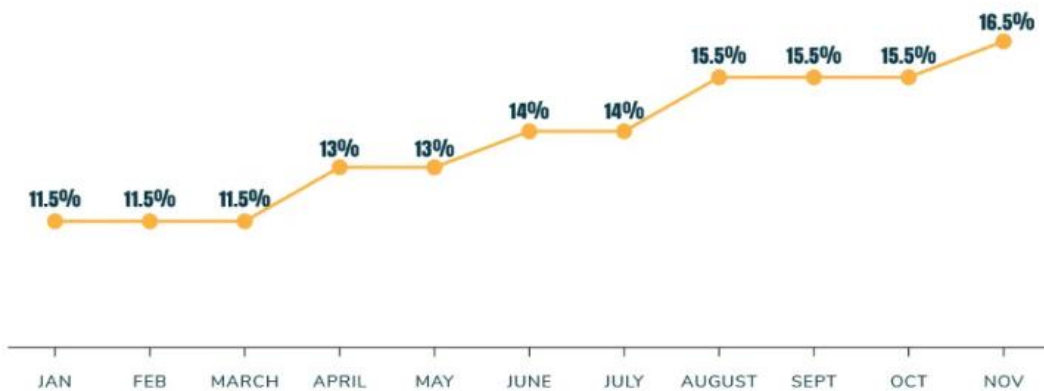
MONETARY POLICY

MONETARY POLICY IN 2022

At the final MPC meeting for the year, 288th meeting of the MPC held on 21st and 22nd November 2022, the policy decisions reached are as follows:

- Raise the MPR to 16.5 per cent;
- Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- Retain the CRR at 32.5 per cent; and
- Retain the Liquidity Ratio at 30 per cent.

The benchmark of interest rate also known as the MPR has been increased from 15.5% to 16.5%. The current interest rate is the highest since 2001.



DOMESTIC OVERVIEW

MONETARY POLICY

2022 INFLATION

Nigeria's annual inflation rate stood at 15.60% in January of 2022, little changed from 15.63% in the previous month. There was a slight deceleration in prices of major component, food (17.13% vs 17.37% in December 2021). Meanwhile, inflation was higher for almost all other categories, primarily clothing & footwear (15.4% vs 15.1%); transport (15.1% vs 15%); furnishings (14.6% vs 14.5%); miscellaneous goods & services (14.4% vs 14.1%) and alcoholic beverages & tobacco (14.1% vs 13.7%). The annual core inflation rate, which excludes the prices of agricultural produce, was flat at 13.87% in January, the highest since April of 2017.

Nigeria's annual inflation rate climbed to 15.7% in February of 2022 from 15.6% in the prior month, as fuel shortages drove transport costs higher (15.1%), thereby affecting prices of goods and commodities. Food inflation also remained elevated (17.1%). Nigeria has faced fuel shortages since February after importing substandard fuel, resulting in weeks of severe scarcity and long queues at filling stations. Making the situation worse was, a US dollar shortage which prompted the CBN to put restrictions on foreign exchange supplies of certain items, cutting supplies of goods and exerting pressure on prices. The annual core inflation rate, which excludes the prices of agricultural produce, rose to 14.01% in February, the highest since April of 2017, from 13.87% in the prior month. On a monthly basis, consumer prices increased 1.6%, up from a 1.5% rise in the prior month.

Nigeria's annual inflation rate accelerated for the third straight month to 16.82% in April of 2022, from 15.92% in March. It was the steepest inflation rate movement since August 2021, amid widespread increases across all divisions on the back of surging global commodity prices.

Annual inflation rate in Nigeria increased to 19.64% in July of 2022, the highest since September of 2005, from 18.6% in June, with a weakening naira continuing to pressure cost of imports up. Food inflation increased to 22%, the highest since May last year, mainly due to rising cost for bread and cereals, potatoes, yam and other tubers, meat, fish, oil, and fat. Other upward pressure came from gas, liquid fuel, solid fuel, passenger transport by road and by air, garments, cleaning, repair and hire of clothing.

DOMESTIC OVERVIEW

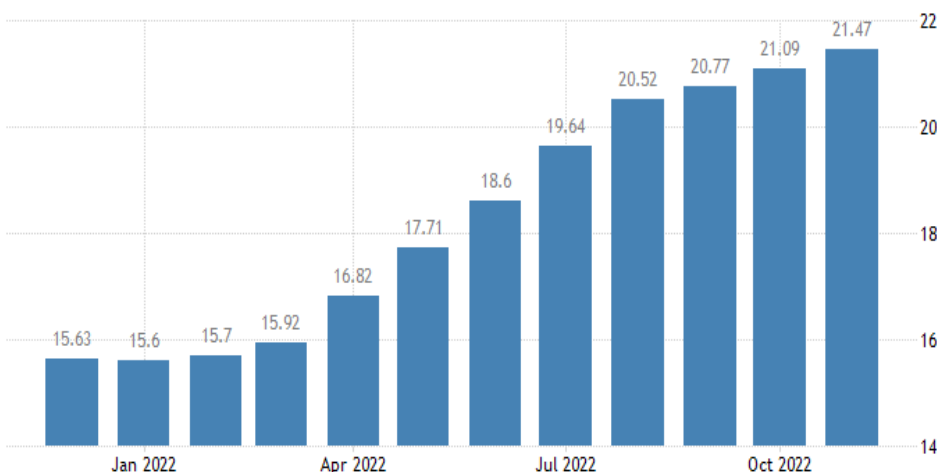
INFLATION IN 2022

2022 INFLATION Cont'd

The annual inflation rate in Nigeria accelerated to 20.52 percent in August of 2022 from 19.64 percent in the previous month, above market expectations of 20.25 percent and remaining at the highest since September 2005. Food inflation quickened to 23.12 percent from 22.02 percent in July amidst higher prices for staples including rice and bread. Also, a weakening naira continued to pressure cost of imports up. On a Month on Month basis, consumer prices rose 1.77 %, following a 1.82 % increase in July.

The annual inflation rate in Nigeria accelerated for the ninth straight month to 21.09% in October of 2022 from 20.77% in the prior month. It was the highest reading since September of 2005, even after a recent 150 bps rate hike by the central bank, largely due to a weaker currency that raised the costs of imported products. Food inflation climbed for the eighth straight month to 23.72%, the highest since October of 2005, amid supply disruptions caused by widespread flooding and higher import costs. Prices of imported food climbed 18.1 percent from a year earlier. Upward pressure also came from non-food products, namely housing & utilities (16.8% vs 16.4%); transport (19% vs 18.7%); furniture & household equipment (16.9% vs 16.8%); education (17.3% vs 16.9%); health (17.4% vs 16.9%); miscellaneous goods & services (17.7% vs 17.2%); and restaurant & hotels (16.5% vs 16.3%).

The annual inflation rate in Nigeria accelerated for the 10th straight month to 21.47% in November of 2022 from 21.09% in October and above market estimates of 21.15%. It was the highest reading since September of 2005, attributed to food supply disruptions, import cost hikes due to currency depreciation and a rise in production costs.



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DOMESTIC OVERVIEW

INFLATION IN 2022

2022 BUDGET PERFORMANCE

As at August 2022, The breakdown showed that the government spent N4.72 trillion and generated N1.63 trillion. The country could only generate 45.53% of the N3.58 trillion estimated for the first four months. While the country's inability to generate a good portion of its estimated revenue creates fiscal issues, it highlights yet another issue. The country's finance ministry reduced the estimated revenue projection for 2022 from N10.74 trillion to N9.97 trillion. This 7.18% downward revision increased the budget deficit by 12.07% from the original N6.386 trillion. This means the budget deficit for 2022 has increased from N6.386 trillion to N7.157 trillion. The adjustment was contained in the country's budget call circular, as released by the finance ministry to prepare for the 2023 budget. The benchmark for the sale of crude per barrel was increased from \$62 per barrel to \$73 per barrel. However, the expected production capacity of oil was reduced from 1.88 million barrels per day (mbpd) to 1.6 mbpd. This means the country is estimated to produce 0.28 mbpd less from July.

DOMESTIC REVIEW

2022 BUDGET OF ECONOMIC GROWTH AND SUSTAINABIL ITY

Macro-Economic Projections of 2022 Budget Approved and Revised

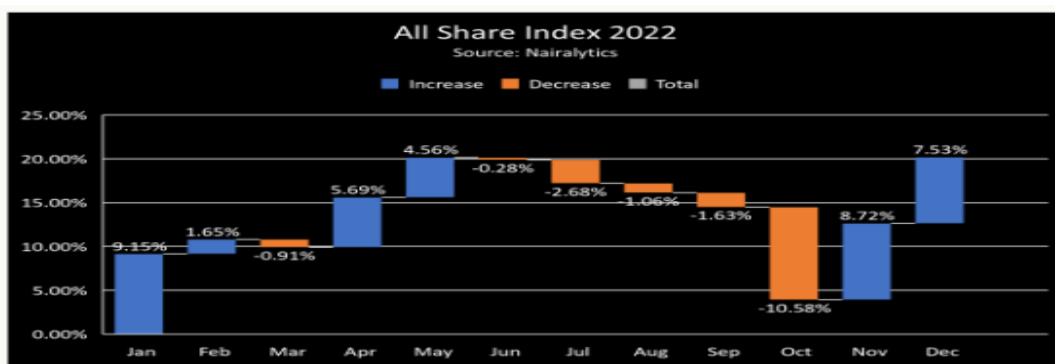
Description	2022 Passed by NASS	2022 Revised Forecast (as at July 2022)
Oil price Benchmark (US\$/b)	62.00	73.00
Oil Production (mbpd)	1.88	1.60
Exchange Rate (N/\$)	410.15	410.15
Inflation (%)	13.00	16.11
Nominal GDP (N'trn)	184.38	198.93
GDP Growth Rate (%)	4.20	3.55
Nominal Consumption (N'trn)	119.28	120.17

THE NIGERIAN EXCHANGE LTD BOURSE IN 2022

The equities market opened the trading year at 42,716.44 index point at the beginning of trading on January 4, 2022, closed the year at 51,251.06 points, gaining 8,534.64 index points or 19.98%. Further analysis revealed that activities on the Nigerian Exchange Limited (NGX) which opened the trading year at N22.296 trillion in market capitalization at the beginning of trading on January 4, 2022, closed on December 30th 2022 at N27.915 trillion, hence has earned a year to date gain of about N5.619 trillion.

Despite the rising inflation and interest rate hike, the nation's equities market finished the year 2022 on a bullish note as the NGX All-Share Index appreciated by 19.98% to close the final trading day of the year on 30 December 2022 with 51,251.06 index points compared to a 6.07% appreciation in 2021. The Nigerian stock market ended the year 2022 on an impressive note, as investors increased their position taking, especially on blue-chip stocks. The Market had gone on a monthly losing streak posting negative returns every month from June to October 2022. After getting to a record low in October, having suffered a massive price correction on Airtel in the month of October, positive sentiments returned to the local bourse as investors rebalance their portfolio ahead of the year's end. A hike in the Monetary Policy Rate (MPR) to 15.5% also saw investors in the stock market react negatively which led to the aggressive movement of investors to the fixed-income market. Foreign investors had during the period also sold off Nigerian stocks with tensions created by the build-up to 2023 general election tensions. Stocks posted losses for 5 months straight in the second half of the year before recovering in November and December with 8.72% and 7.53% gains respectively. In contrast, stocks lost only in March and June in the first half of the year. Earlier gains in the months of January (+9.15%) and gains in February, April and May helped boost year-end gains.

At the end of the year, Nigeria's Exchange Limited was ranked 4th best performing market, globally, in 2022.



Source: NSE, MBC Research

DOMESTIC REVIEW

THE NIGERIAN CAPITAL MARKET

THE NIGERIAN STOCK EXCHANGE IN 2022

NGX-ASI PERFORMANCE REVIEW			
Periods	31/12/2021	31/12/2022	% Change
	42,716.44	51,251.06	19.98%
NGX QUARTERLY MARKET PERFORMANCE			
Quarter	2021	2022	% Change
Q1	39,045.13	46,842.86	19.97%
Q2	37,907.28	51,817.59	36.70%
Q3	40,221.17	49,024.16	21.89%
Q4	42,716.44	51,251.06	19.98%
MONTHLY MARKET PERFORMANCE			
Month	2021	2022	% Change
Jan	42,412.66	46,624.67	9.93%
Feb	39,799.89	47,394.53	19.08%
Mar	39,045.13	46,965.48	20.29%
Apr	39,834.42	49,638.94	24.61%
May	38,437.88	53,772.14	39.89%
Jun	37,907.28	51,817.59	36.70%
Jul	38,547.08	50,370.25	30.67%
Aug	39,219.61	49,836.51	37.07%
Sep	40,221.17	49,024.16	21.89%
Oct	42,038.60	43,839.08	4.28%
Nov	43,248.05	47,660.04	10.20%
Dec	42,716.44	51,251.06	19.98%

NGX SECTORAL PERFORMANCE			
Sectors	2021 Index	2022 Index	% Change
NGX Banking	406.07	417.50	2.81%
NGX Industrial	2,008.30	2,403.24	19.67%
NGX Insurance	198.11	174.36	-11.99%
NGX Oil & Gas	345.01	462.48	34.05%
NGX Consumer Goods	589.28	588.93	-0.06%

Source: NGX, MBC Research

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, chronic inflation pressures, punishing interest rates and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is projected to slow from 6.00% in 2021 to 3.20% in 2022 and 2.70% in 2023 according to IMF on the back of slower growth across both the Advanced Economies and the Emerging and Developing Economies.

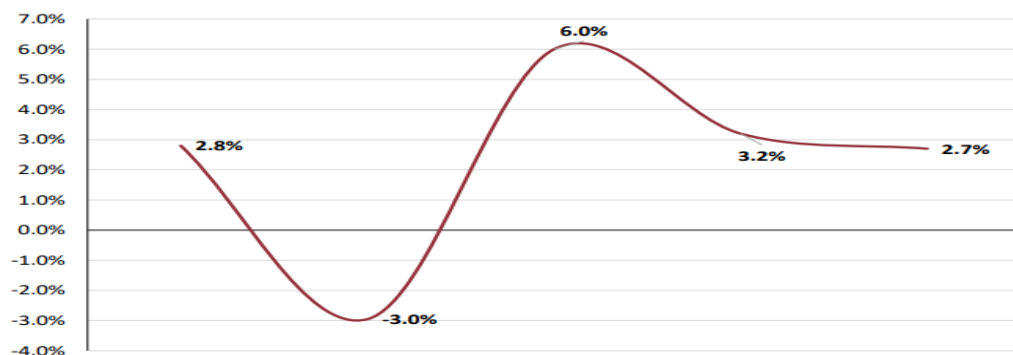
This is the weakest growth projection since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is expected to rise from 4.70% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024.

Many economies are affected by supply chain disruptions and rising energy prices triggered by the war in Ukraine. While many of the oil producing countries are benefiting from higher energy prices (for instance, Saudi Arabia's economy is expected to grow by 7.6% in 2022), oil-importing countries are battling with rising inflation, which is a downside risk to growth. The negative shocks of 2022 are expected to have long-lasting effects on output in 2023 and beyond. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints.

It is expected that the euro area economy will contract 0.2% in 2023 on the back of the ongoing energy crisis and tightening monetary policy. Inflation which surged to an unprecedented annual rate of 10.7% in October 2022 is expected to remain well above target for the remainder of 2022 as well as 2023.

Meanwhile, the U.K. economy grew 7.5% and estimated 4.2% in 2021 and 2022 respectively. Now, largely because of double-digit inflation, that's slated to decline -1.5% in 2023, the greatest economic deceleration of any major economy, except for Russia. The Bank of England is thus likely to end its rate hikes at 4% and follow the Fed in cutting in early 2024.

Global GDP Growth (%)



GLOBAL OUTLOOK

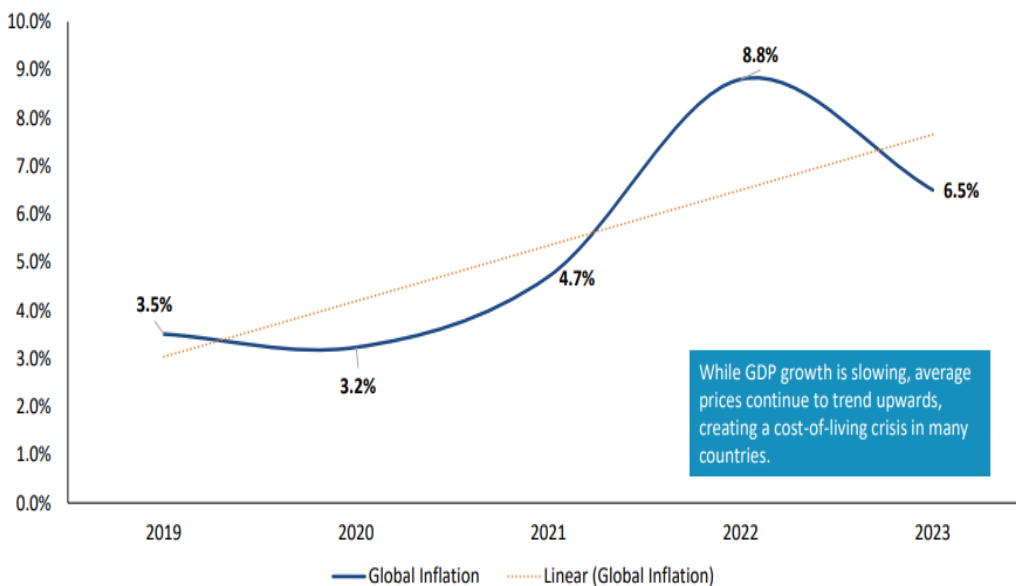
GLOBAL GROWTH OUTLOOK

The global economy is expected to slow further in 2023 as the massive and historic energy shock triggered by Russia's war of aggression against Ukraine continues to spur inflationary pressures, sapping confidence and household purchasing power and increasing risks worldwide.

Russia's war in Ukraine and the lingering effects of the COVID-19 pandemic are dragging down global economic growth more than expected and driving up inflation. The war in Ukraine has driven up food and energy prices worldwide, with Russia a key global energy and fertilizer supplier and both countries major exporters of grain for millions of people worldwide already facing hunger. Organization for Economic Cooperation and Development expects the economy to grow 1.25% (2022) in the 19 countries using the euro currency, with risks of deeper declines in several European economies during the winter months, and 0.3% in 2023.

Growth in China is expected to drop to 3.2% 2022. Except in 2020 when the pandemic emerged, it would be the lowest growth rate in China since the 1970s. We project it would rise slightly to 4.7% in 2023.

Global Inflation Rate (%)



GLOBAL OUTLOOK

GLOBAL GROWTH OUTLOOK

THE FUTURE OF OIL

There are two grades of crude oil that are benchmarks for other oil prices. These are the WTI at Cushing and North Sea Brent.

Internationally, the Brent crude oil price is expected to average \$95.33/b in 2023, according to the Energy Information Administration's (EIA). This is up from an annual average of \$70.89 in 2021 and 102.13 in 2022. Broken down quarterly, the latest EIA STEO forecasts that the Brent spot average will hit \$92.98 per barrel in the fourth quarter of 2022, \$93.30 per barrel in the first quarter of 2023, \$93.35 per barrel in Q2, 2023, \$95 per barrel in Q3, 2023, and \$96.65 per barrel in Q4, 2023.

The EIA forecasts that WTI prices will average \$87.33/b in 2023, down from \$95.88 in 2022. The EIA also reports that global oil and liquid fuels demand was 99.82 million b/d in December 2022. However, the EIA expects demand to rise slightly in 2023, reaching an annual average of 100.98 million b/d

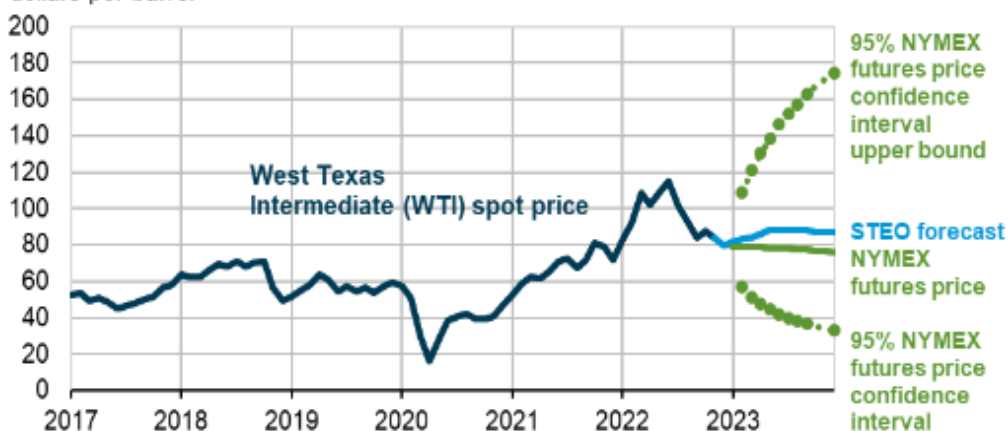
According to the Organization of the Petroleum Exporting Countries (OPEC), we are to see robust global oil demand growth in 2023 with potential economic upside coming from a relaxation of China's zero-COVID policies, which this year have pushed the country's oil use into contraction for the first time in years. World oil demand in 2023 will rise by 25 million barrels per day (bpd), or about 2.3%, according to the Organization of the Petroleum Exporting Countries (OPEC).

GLOBAL OUTLOOK

GLOBAL OIL MARKET

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals

dollars per barrel



THE U.S –CHINA RIVALRY

The great competition between the US and China which intensified in 2022 will likely be the most important theme of the coming decades. At their meeting in Bali in November, the leaders of China and the United States raised hopes that the world's two superpowers would find ways to prevent their rapidly deteriorating relationship from descending into open conflict.

Yet, as neither side appears willing to compromise on contentious issues, experts warn that Sino-U.S. ties will remain fraught, with the rivalry set to intensify this year: Washington will continue to hunt for ways to isolate Beijing politically and further slow its technological rise, while China is expected to keep pressuring Taiwan, buttress ties with Russia and increase its self-sufficiency.

On the U.S. side, the Biden administration is seeking to stabilize the relationship with China to reduce the risk of conflict, whether stemming from an incident between the two militaries or an act of aggression against Taiwan. But there is no reason to think that the U.S. will dial back its competitive approach, let alone yield ground on China's self-declared core interests in Xinjiang, Taiwan or the South and East China seas.

With 2022 behind us, bilateral ties this year look likely to be marked more by tensions than by rapprochement. Indeed, as long as “outcompeting China” continues to plague Washington, stable and constructive relations will remain elusive as ever.



GLOBAL OUTLOOK

U.S- CHINA RIVALRY

NIGERIA IN 2023

The International Monetary Fund (IMF) recently revised its Nigerian real GDP growth forecast downwards to 3% (from 3.2% earlier expected) while the World Bank also slashed the same to 2.9% from an earlier projection of 3.20%. The reasons for the slower growth projections are similar: a slowdown in agricultural output due to the flooding, the impact of the CBN's hawkish monetary policy on the real sector, as well as the lingering FX issues.

Post pandemic output holds steady at 3.0%, aided by a robust outturn in the services sector, which masked lingering weaknesses in oil GDP. We expect services to be the cornerstone for growth in 2023, profiting from data-led growth in ICT and the positive pass-through of improved cross-border activities in the trade sector.

Nigeria's crude oil production touched a decade-low of 1.0mbpd in 2022, as a result of oil theft, low investment, and significant leakages associated with poor maintenance. In our view, oil production will likely improve in 2023, aided by increasing pipeline surveillance and the ongoing clampdown on oil theft. In addition, the 2 biggest oil export terminals in Nigeria Forcados and Bonny oil Terminals which were shut down for most of 2022, have begun operation and export. Consequently, we project oil production to an average of 1.5mbpd in 2023, with a corresponding oil sector growth of 7.4%. We also posit that the coming onstream of the Dangote Refinery portends positives for recovery of the oil sector.

The above-average rainfall across Nigeria, and the subsequent release of water from dams, led to widespread flooding in over 30 states in 2022. With over 637,000 hectares of cropland submerged, the resulting food scarcity is expected to extend into H1'23. Furthermore, the National Emergency Management Agency has warned that the flood incidences could worsen in 2023, suggesting likely headwinds to growth in the agricultural sector. Consequently, we forecast Agric sector growth to remain sub-optimal at 1.9% in 2023.

Nigeria's 2023 general election is just week's away. With incumbent President Mohammadu Buhari term-limited, the country will be choosing a new leader. That new president will immediately confront an exhausting array of challenges, from multiple, complex security crises to a mismanaged economy. The economic outlook remains uncertain. **This report assumes that 2023 will be mostly transitional and gradual, with strategic priorities of the new administration likely to be more pronounced in 2024.**

DOMESTIC OUTLOOK

The Nigerian 2023 BUDGET

The Proposed 2023 Budget, themed “Budget of Fiscal Sustainability and Transition”, is designed to achieve the following strategic objectives of the National Development Plan 2021 - 2025:

1. Facilitate macroeconomic stability, human capital development, and food security
2. Boost manufacturing performance
3. Improve defense and internal security
4. Improve business environment and transport infrastructure
5. Ensure energy sufficiency
6. Promote industrialization focusing on Small and Medium Scale Enterprises

The proposed Revenue and Expenditure budgets for 2023 are ₦9.73 trillion and ₦20.51 trillion, respectively, resulting in ₦10.78 trillion fiscal deficit, which represents 4.78% of GDP.

Highlights:

- The budget expenditure of ₦20.51trn represents the highest in Nigeria’s history, and is to be (partly) funded by expected revenue of ₦9.73 trn. The country’s highest recorded deficit of ₦10.78trn (4.78% of estimated GDP) is to be financed by new borrowings, privatization proceeds and drawdown on loans already secured for specific projects.
- The budget deficit exceeds the expected revenue of ₦9.73 trn by about 11%. Put in perspective, Nigeria needs to generate an additional 111% of its current revenue (i.e. more than double its revenue) to be able to meet its expenditure needs without borrowings.
- Capital expenditure (excluding statutory transfer component) of ₦4.93trn represents about a quarter of the 2023 budget expenditure, and decreased by 8.88% from 2022.
- The non-debt recurrent expenditure (NDRE) of ₦8.27trn remains the largest expense in the budget (about 40%), and is 16% higher than the 2022 revised budget of ₦7.11trn. It includes personnel cost of ₦4.99trn, which accounts for 60.33% of NDRE.

The President touched on critical areas requiring urgent funding, including:

Human Capital Development - The Federal Government (FG) seeks to resolve the ongoing crisis in public universities, and has made a provision of ₦470bn in the budget for revitalizing and enhancing salaries of civil servants in tertiary institutions. The government stated its intention to equip existing hospitals and rehabilitate infrastructure, with emphasis on local production of basic medicines/vaccines.

2023 BUDGET OF FISCAL SUSTAINABILITY & TRANSITION

Defense and Internal Security - The FG stated its intention to prioritize security in the Budget through equipping and motivating its security personnel. Out of the N4.5trn budgeted for Ministries, Department and Agencies, expenses for Defense and the National Security Adviser account for N1.2trn (26%).

2023 Finance Bill - The President mentioned that consultations are ongoing on the 2023 Finance Bill, a document that amends current tax and fiscal laws, and the Bill would be forwarded to the National Assembly for review and signing into law.

The key assumptions behind the budget and movements in the proposed fiscal parameters between the approved 2022 and 2023 Budgets are shown below:

Budget Assumption/ Fiscal Parameter	2022 Approved Budget	2023 Proposed Budget	Percentage change
Benchmark oil price	US\$62 per barrel	US\$70 per barrel	13%
Oil production volume (bpd)	1.88 million	1.69 million	-10%
Inflation Rate (%)	13%	17.16%	32%
Average exchange rate	₦410.15/ US\$1	₦435.57/ US\$1	6%
GDP growth rate (%)	4.20%	3.75%	-11%
Capital expenditure	₦5.47 trillion	₦5.35 trillion	-2%
Statutory transfer	₦869.67 billion	₦744.11 billion	-14%
Debt service	₦3.61 trillion	₦6.31 trillion	75%
Recurrent expenditure (non-debt)	₦6.91 trillion	₦8.27 trillion	20%
Total revenue	₦10.74 trillion	₦9.73 trillion	-9%
Total expenditure	₦17.13 trillion	₦20.51 trillion	20%
Fiscal deficit	(₦6.39 trillion)	(₦10.78 trillion)	-69%

DOMESTIC OUTLOOK

EXPECTATIONS FOR THE 2023 BUDGET

The 2023 budget expenditure of 20.51 trillion naira (US\$43.7 billion) is the highest ever. More than half of this is money the government doesn't have and has to be financed with new debt. This will mean that the country exceeds the 3% of GDP threshold stipulated by the Fiscal Responsibility Act of 2007 – a pointer to the worsening of the country's fiscal health.

More than 60% of the 2023 budget will finance debt repayments (N6.31 trillion), personnel costs (N4.99 trillion) and overheads (N1.11 trillion). This leaves very little for spending to revitalize the economy and raise its growth potential.

EXPECTATIONS ON INFLATION

Inflation rallied to a 17-year high of 21.50% in November 2022, reflecting supply-side factors like lingering structural issues, persistent insecurity, and flooding in food-producing regions. In 2023, we see three major price triggers: relentless currency pressures, PMS Price adjustment, and climate change.

The 2022 flooding incidence was the most severe on record. The Nigeria Emergency Management Agency (NEMA) estimates that more than 2.4 million people were displaced, while about 637,000 farmland hectares were submerged. Consequently, the climate-related shock could fuel food scarcity in early 2023, forcing food prices higher. Lingering Fuel Scarcity, Possibility of subsidies removal in the second half of the year, Persistent FX issues and the High spending ahead of the elections can make inflation remain elevated. Thus, we expect inflation to soar in the first half of the year before moderating slightly in H2'22. We project headline inflation to average 17.6% in 2023, marginally lower than 18.7% in 2022.

EXPECTATIONS FOR MONETARY POLICIES

The CBN was intolerant of high system liquidity in 2022, adjusting the policy rate four times by a cumulative 400bps to an all-time high of 16.5%. Going forward, with persistent inflationary pressure, widening fiscal deficit, and government borrowing, we anticipate that the MPR will remain high in the first half of 2023.

EXPECTATIONS ON UNEMPLOYMENT

We envisage an increase in the unemployment rate for the year 2023, as there has been no successfully implemented policies and government assisted programs to address the consistent high rate of unemployment over the years. Unemployment and poverty are expected to surge given the weak link between GDP improvement and social indicators.

DIRECTION OF THE FOREIGN RESERVE

Despite the Central Bank's Race to US\$200 billion in FX Repatriation (RT200 FX Programme) which aims to diversify foreign exchange sources with a goal of attracting US\$200 billion over the next 3 to 5 years, external reserves has trended downwards in recent times. Nigeria is still challenged with limited FX inflows and high demand for foreign currency to finance imports and service payments. Worst still, receipts from oil are dwindling due to oil theft, and monetary tightening in advanced countries are expected to trigger capital outflows from developing countries. With limited inflows from exports and low foreign investment inflows arising from a tough business environment, exchange rate is expected to remain pressured in 2023. Efforts to improve the business environment coupled with clarity on foreign exchange policies remain vital in attracting investment into the country, boosting external reserves and ensuring exchange rate stability.

DOMESTIC OUTLOOK

WHERE YOU SHOULD PUT YOUR MONEY

The equities market presents attractive opportunities for investors in form of capital appreciation and dividend return. Nigerian stocks are currently undervalued and present an opportunity for growth in the short to medium term. Thus, we expect the low valuation to serve as an incentive for highly risk-tolerant investors to channel funds into the equities market in 2023. However, the election is just around the corner and it may trigger some short term downside risks. We believe stocks in the Financial Services (mostly Banks), ICT, Agriculture, Consumer Goods and the Industrial sectors present strong prospects for growth given their resilience to the economic recession.

The NGX-ASI closed on a positive note with a YTD return at 19.98% In 2022.

In 2023, we expect a higher fixed income yield. Factors that we think would keep yields elevated include possibility of an additional 200bps hike in MPR and the expected increase in domestic borrowing as the Federal Government intends to finance most of its 2023 fiscal deficit through local borrowings (replicating its 2022 deficit financing strategy) 92% of its fiscal deficit was financed through the domestic debt market and the expected high system liquidity from coupon payments and bond maturity, especially in the first half of the year.

As the economy recovers, the markets will experience improved activities in the year.

MODEL PORTFOLIO TO HOLD IN 2023

The objective of our portfolio is to provide an asset mix which is expected to give an optimal positive risk adjusted returns using the 10-year FGN bond yield as our benchmark. Our model portfolio gives a return of 28.75% which is in excess of 10% above our average inflation projection of 17.60%. The model portfolio is based on the following assumptions;

1. Real GDP growth of 3.00%.
2. Average headline inflation of 17.60%.
3. Average oil price of \$70/bbl.

INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

BASIS FOR RECOMMENDATION

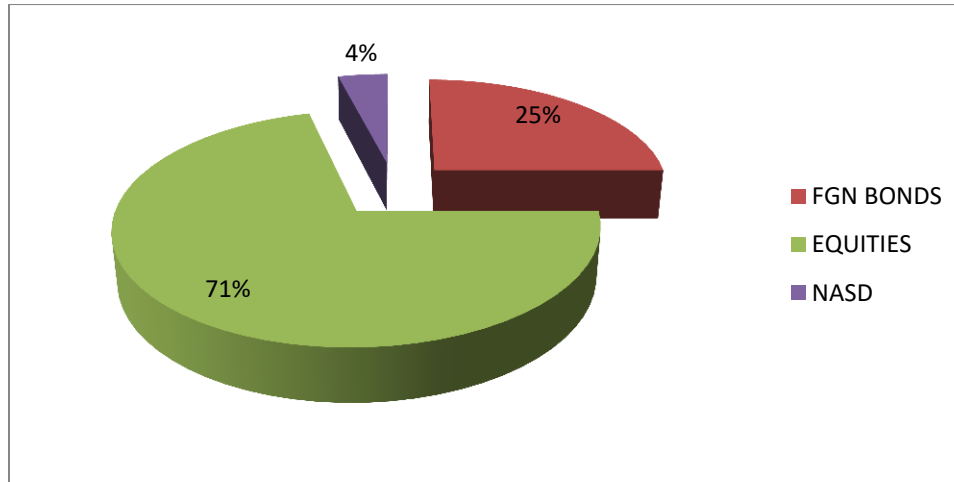
In making our recommendation, we considered stocks which satisfy our fundamental and technical analysis requirements. The fundamental analysis and technical charts underscores the strength of the fundamentals of the selected stocks. The stocks in our portfolio have upward potential earnings of at least 20% in excess of their current market prices within a year.

We recommend a portfolio consisting fixed income, quoted and unquoted equities.

INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

MODEL PORTFOLIO TO HOLD IN 2023



S/N	Stocks	Sector	Weight	Current Price ₦	Exit Price ₦	Up/Downside	Portfolio Return	EPS	P/E
1	FIDSON	Health Care	5.00%	9.40	11.92	26.81%	1.34%	1.5	4.67
2	WAPCO	Industrial	8.00%	24.40	33.66	37.95%	3.04%	2.79	6.82
3	MTNN	ICT	7.00%	229.90	298.06	29.65%	2.08%	13.3	13.42
4	NB	Breweries	6.00%	46.45	69.54	49.71%	2.98%	1.87	19.34
5	GTCO	Financial Services	8.00%	24.10	31.00	28.63%	2.29%	4.53	4.03
6	ZENITH	Banking	8.00%	24.60	32.10	30.49%	2.44%	5.55	3.36
7	ACCESS	Financial Services	8.00%	8.95	13.93	55.64%	4.45%	3.88	1.89
8	DANGSUGAR	Consumer goods	8.00%	17.50	21.30	21.71%	1.74%	2.04	6.32
9	PRESCO	Agriculture	6.00%	150.80	170.50	13.06%	0.78%	16.15	5.97
10	NESTLE	Consumer goods	7.00%	1,080.00	1,521.85	40.91%	2.86%	2.33	18.37
11	13.53% MAR 2025	FGN BOND	6.00%	103.39	100.00	13.53%	0.81%	-	-
12	CSCS	OTC	4.00%	12.50	18.03	33.55%	1.20%	6.81	19.82
13	14.55% APR 2029	FGN BOND	7.00%	104.31	100.00	14.55%	1.02%	-	-
14	12.5% MAR 2035	FGN BOND	6.00%	94.04	100.00	12.50%	0.75%	-	-
15	16.25% APR 2037	FGN BOND	6.00%	107.65	100.00	16.25%	0.98%	-	-
			100.00%				28.75%		

BUILDING AN OPTIMAL PORTFOLIO

❖ FIDSON

- ❖ Fidson 9M 2022 results showed an increase in revenue by 44.48% from N21.75bn in 9M 2021 to N31.43bn in 9M 2022. Operating profit advanced from N4.29 bn in 9M 2021 to N6.35bn in 9M 2022, reflecting an increase of 48.03%. Profit before tax went up by 49.06% from N3.42bn 9M 2021 to N5.10bn in 9M 2022. Profit after tax grew by 47.97% from N2.32bn in 9M 2021 to N3.44bn in 9M 2022. EPS grew by 35.14% to N1.50 in 9M 2022 from N1.11 in 9M 2021. Fidson has a BVPS of N5.92, P/BV of 1.58x and P/E ratio of 4.67x. Fidson Healthcare Plc is a leading pharmaceutical company in Nigeria with services in toll manufacturing, ethical products and over the counter drugs. The company in June 2021 expanded its portfolio of ethical products which boosted revenue generation by 88% as well as increasing income from its toll manufacturing from 2021 levels as a result of the deal signed with GSK Consumer Plc. The performance of the company led to positive sentiments in the equities market as it became one of the best performing stocks in 2022. Accordingly, we expect to witness growth in the FY bottom-line of the company and profit after tax is expected to climb past N4.9 billion in Q4 2022, while the earnings per share should move past N2.34 by year's end. We place a medium to long term "BUY" recommendation with a target price of ₦11.92.

❖



INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

❖ WAPCO

Lafarge Africa (WAPCO) Plc 9M 2022 results showed that earnings advanced by 23.11% from N219.20bn in 9M 2021 to N269.85 bn 9M 2022. Gross profit increased by 31.99% to N134.77bn in 9M 2022 from N102.11bn in 9M 2021. In a similar fashion, profit before tax advanced by 22.88% from N43.90bn recorded in 9M 2021 to N53.95 bn in 9M 2022. Likewise, profit after tax grew by 11.15% from N40.40bn in 9M 2021 to N44.90bn in 9M 2022. Consequently, Earnings per share went up by 11.16% from N2.51 in 9M 2021 to N2.79 in 9M 2022. Lafarge Africa has a BVPS of N25.29, P/BV of 1.00x and P/E ratio of 6.80x. We expect the profit after tax is expected to climb past N63 billion in FY 2022, while the earnings per share should move past N3.97 by year's end. We place a medium to long term "BUY" recommendation with a target price of N33.66.



INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

❖ MTNN

MTNN 9M 2022 results showed an increase in revenue of 20.71% from ₦1.21 trn in 9M 2021 to ₦1.46 trn in 9M 2022. Operating profit advanced from ₦418.35bn in 9M 2021 to ₦537.68bn in 9M 2022, reflecting an increase of 28.52%. Profit before tax grew by 24.68% from ₦321.35bn in 9M 2021 to ₦400.67bn 9M 2022, despite a 40.10% increase in finance costs. Profit after tax rose by 22.12% from ₦220.31bn in 9M 2021 to ₦269.04bn in 9M 2022. EPS increased by 22.92% to ₦13.30 in 9M 2022 from ₦10.82 in 9M 2021. MTNN has a BVPS of ₦9.14, P/BV of 25.15x and P/E ratio of 13.42x. MTN has invested heavily into its network over the past year, and it plans to continue doing so through in 2023. MTN is an Information and Communication Technology (ICT) firm poised for interesting developments that will reposition it to deepen its growth in Nigeria's economy. The firm holds the largest market share in the telecommunications sector and has constantly expanded its services to increase mobile and internet penetration across Nigeria. MTN pledged \$1.4 billion in network infrastructure investment over the next 3 years in Nigeria and received CBN's approval to launch a Payment Service Bank (PSB), launching the firm into the financial services sector. We are optimistic that this will increase their customer base over the years thereby improving their earnings for the benefit of the company and its shareholders. Hence, we should see the FY 2022 climb PAT above ₦361 billion, while the EPS is projected above ₦17.75. We maintain a medium to long term "BUY" recommendation on the stock of MTNN with a target price of ₦298.06.



INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

❖ NB

Nigerian Breweries Plc 9M 2022 results showed an increase in revenue by 27.21% from ₦309.28bn in 9M 2021 to ₦393.45bn in 9M 2022. Operating profit advanced from ₦24.74bn in 9M 2021 to ₦35.39bn in 9M 2022, reflecting an increase of 43.06%. Profit before tax grew by 49.89% from ₦12.74bn in 9M 2021 to ₦19.09bn in the current period, as finance income grew by 172.63% and finance cost dropped by 48.82%. Profit after tax rose by 79.58% from ₦8.22bn in 9M 2021 to ₦14.76bn in 9M 2022. EPS increased by 78.43% to ₦1.82 in 9M 2022 from ₦1.02 in 9M 2021. Nigerian Breweries has a BVPS of ₦23.06, P/BV of 2.04x and P/E ratio of 19.34x. Nigerian Breweries Plc is a major player in the Brewery sector with its plants located across the country. The company came out of its loss position from Q1 2021 and has continued to grow its revenues and profits in 2022. The company is well positioned to maintain its leadership in its sector even though there are other companies producing non-differentiated products in competition. We should see the FY 2022 climb PAT above N16.70billion, while the EPS is projected above N2.06. We place a “BUY” recommendation with a target price of ₦69.54.

INVESTMENT OUTLOOK

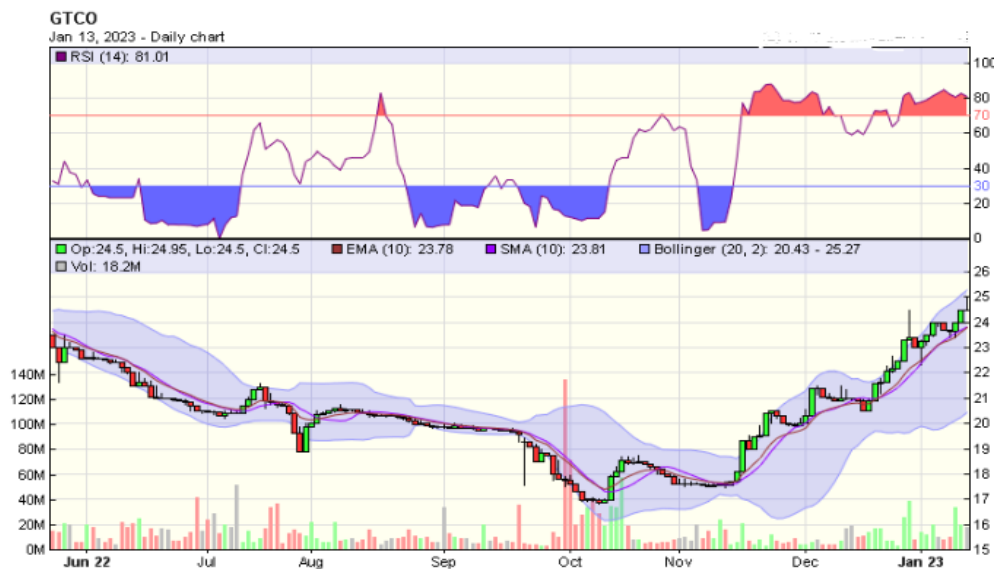


BUILDING AN OPTIMAL PORTFOLIO

❖ GTCO

GTCO Plc 9M 2022 results showed that interest income advanced by 19.20% from N195.03bn in 9M 2021 to N232.49 bn in 9M 2022. Net interest income went up by 16.41% from N162.94 bn in 9M 2021 to N189.69 bn in 9M 2022. Profit before tax grew by 11.73% from N151.91bn in 9M 2021 to N169.72bn in 9M 2022 period due to 18.27% rise in fees and commission income and 42.32% rise Net gains on financial instruments. Profit after tax went up by 0.73% from N129.40bn in 9M 2021 to N130.35bn in 9M 2022. Consequently, Gtco recorded a 0.22% rise in earnings per share from N4.54 in 9M 2021 to N4.55 in 9M 2022. Gtco Plc has a BVPS of N29.66, P/BV of 0.82x and P/E ratio of 4.03x. GTCO Plc has recently been restructured into a holdco structure, now listed as GTCO Plc on the NGX Bourse. This allows the company diversify its operations outside its core banking operations in order to generate more value for shareholders. GTCO Plc has been driving its revenue growth through retail expansion, which has grown consistently across all income lines, driven by a strong focus on consumer lending, payments and remittances, digitization of customer journeys, and customer acquisition at scale. Based on their performance over the years we see Gtco sustaining their positive results in 2022. Accordingly, we expect to witness growth in the FY bottom-line of the company and profit after tax is expected to climb past N174 billion in Q4 2022, while the earnings per share should move past N6.96 by year's end. We place a medium to long term "BUY" recommendation with a target price of N31

INVESTMENT OUTLOOK

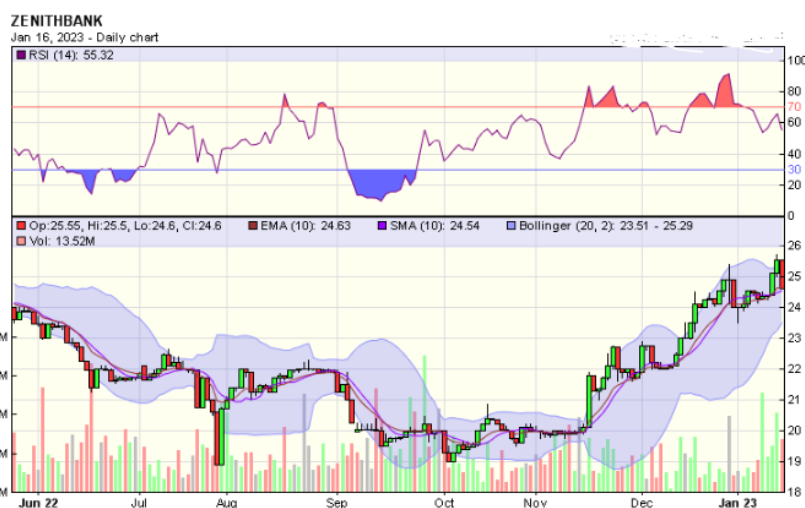


MBC RESEARCH

BUILDING AN OPTIMAL PORTFOLIO

❖ ZENITH

The 9M 2022 results showed that gross earnings advanced by 19.65% to ₦620.57 bn in 9M 2022 from ₦518.67 bn in 9M 2021. Net interest income grew by 20.52% from ₦234.75 bn in 9M 2021 to ₦282.91bn in 9M 2022, supported by a 26.52% rise in interest income. Profit before tax advanced by 12.65% from ₦179.81 bn recorded in 9M 2021 to ₦202.55 bn in 9M 2022. This is attributable to the 0.86% increase in trading income and 27.79% increase in net fees and commission income. Profit after tax went up by 8.55% from ₦160.59 bn in 9M 2021 to ₦174.33bn in 9M 2022 after a 46.85% increase in income tax expenses. Earnings per share advanced by 8.61% from ₦5.11 in 9M 2021 to ₦5.55 in 9M 2022. Consequently, Zenith has a BVPS of ₦37.81, P/BV of 0.66x and P/E ratio of 3.36x. Zenith Bank has managed to shield itself from the slowdown witnessed in the economy and can largely be attributed to the digitization of their modus operandi thereby making funds easily accessible to their customers. The Bank has clearly distinguished itself in the Nigerian financial services industry through superior service quality, unique customer experience and sound financial indices. The bank, with a knack for setting the pace and raising benchmarks, is a clear leader in the digital space with several firsts in the deployment of innovative products, solutions and an assortment of alternative channels that ensure convenience, speed and safety of transactions. Accordingly, we expect to witness growth in the FY bottom-line of the company and profit after tax is expected to climb past N296 billion in Q4 2022, while the earnings per share should move past N9.54 by year's end. We place a "BUY" recommendation with a target price of ₦32.10.



INVESTMENT OUTLOOK

MBC RESEARCH

BUILDING AN OPTIMAL PORTFOLIO

❖ ACCESS HOLDINGS

Access Holdings Plc 9M 2022 results showed that interest income advanced by 21.46% from N470.9 bn in 9M 2021 to N571.98 bn in 9M 2022. Net interest income went up by 4.78% from N267.73 bn in 9M 2021 to N280.53 bn in 9M 2022. Profit before tax grew by 8.97% from N135.06 bn in 9M 2021 to N147.18 bn in 9M 2022 due to the 36.05% increase in net impairment charges, 17.27% rise in fees and commission expense and 11.62% rise in net foreign exchange gain. Profit after tax went up by 12.54% from N121.88bn in 9M 2021 to N137.17bn in 9M 2022, on the back of a 22.92% fall in income tax expense. Consequently, Access recorded a 12.14% rise in earnings per share from N3.46 in 9M 2021 to N3.88 in 9M 2022. Access Holdings Plc has a BVPS of N29.11, P/BV of 0.32x and P/E ratio of 1.80x.

Access Holdings Plc has recently been restructured into a holdco structure, now listed as ACCESSCORP on the NGX Bourse. This allows the company diversify its operations outside its core banking operations in order to generate more value for shareholders. Access Holdings Plc has been driving its revenue growth through retail expansion, which has grown consistently across all income lines, driven by a strong focus on consumer lending, payments and remittances, digitization of customer journeys, and customer acquisition at scale. Based on their performance over the years we see Access bank sustaining their positive results in 2022. Accordingly, we expect to witness growth in the FY bottom-line of the company and profit after tax is expected to climb past N160 billion in Q4 2022, while the earnings per share should move past N5.63 by year's end. We place a medium to long term "BUY" recommendation with a target price of ₦13.93.



INVESTMENT OUTLOOK

MBC RESEARCH

DANGSUGAR Plc

Dangote Sugar Plc 9M 2022 results showed an increase in revenue by 47.48% from N195.50bn in 9M 2021 to N288.32bn in 9M 2022. Operating profit advanced from N28.61bn in 9M 2021 to N49.87 bn in 9M 2022, reflecting an increase of 74.26%. PBT went up by 56.97% from N23.10bn in 9M 2021 to N36.27bn in 9M 2022. PAT grew by 60.07% from N15.51bn in 9M 2021 to N24.83bn in 9M 2022. EPS rose by 59.38% to N2.04 in 9M 2022 from N1.28 in 9M 2021. Dangote Sugar Plc has a BVPS of N11.63, P/BV ratio of 1.47x and P/E ratio of 6.32x. Dangote Sugar Refinery Plc is Nigeria's largest producer of household and commercial sugar with 1.44M MT refining capacity. The Q3 earnings report showed a positive growth following the declined performance in 2021 and despite the hike in price of raw materials following the war in Ukraine. We remain positive that in the long run, the firm will also boost its earnings as it benefits from its Backward Integration goal to become a global force in sugar production, by producing 1.5M MT/PA of refined sugar from locally grown sugar cane for the domestic and export markets. Conclusively, the company presents positive top-line and bottom-line results, we see the company approach a Revenue of N393bn in FY 2022 and EPS of N2.52. We maintain a medium to long term "BUY" recommendation on the stock of DANGSUGAR with a target price of ₦21.30.

INVESTMENT OUTLOOK



MBC RESEARCH

BUILDING AN OPTIMAL PORTFOLIO

❖ PRESCO Plc

Presco 9M 2022 results showed that revenue grew by 49.70% from N34.23bn in 9M 2021 to N51.25bn in 9M 2022. Similarly, gross profit increased by 44.03% to N33.88bn in 9M 2022 from N23.52bn in 9M 2021. Profit from operations advanced by 60.36% from N15.2bn in 9M 2021 to N24.5bn in 9M 2022. Profit before tax advanced by 42.66% to N21.02bn in 9M 2022 from N14.73bn in 9M 2021. Profit after tax grew by 42.62% from N10.92 in 9M 2021 to N15.58bn in 9M 2022, despite a 7.35% increase in Administrative Expenses. Consequently, EPS rose by 17.42% from N13.78 in 9M 2021 to N16.18 in 9M 2022. Presco has a BVPS of N11.52, P/BV of 11.93x and a P/E ratio of 5.97x. PRESCO recent move to expand its existing Palm Oil mill from 60 ton/hour to a 90 ton/hour milling plant by year-end 2022, construction of a new 60 ton/hour Palm Oil mill in Sokoban estate, which is to be completed in 2023, and expansion of the company's palm kernel oil plant to 350 ton/day (current capacity: 60 ton/day), will support their topline growth. Hence, we see their FY' 2022 PAT move past N18.86bn. We maintain a medium to long term "BUY" recommendation on the stock of PRESCO with a target price of N170.50.

INVESTMENT OUTLOOK



BUILDING AN OPTIMAL PORTFOLIO

NESTLE Plc

Nestle 9M 2022 results showed that revenue grew by 27.48% from N261.59bn in 9M 2021 to N333.47bn in 9M 2022. Similarly, gross profit increased by 15.79% to N117.28bn in 9M 2022 from N101.29bn in 9M 2021. Profit from operations advanced by 14.60% from N56.12bn in 9M 2021 to N64.87bn in 9M2022. Profit before tax advanced by 13.18% to N58.38bn in 9M 2022 from N51.58bn in 9M 2021. Profit after tax grew by 19.56% from N33.58 in 9M 2021 to N40.15bn in 9M 2022, despite a 5.50% decrease in Administrative Expenses. Consequently, EPS rose by 19.57% from N42.37 in 9M2021 to N50.66 in 9M 2022. Nestle has a BVPS of N104.14, P/BV of 10.37x and a P/E ratio of 15.98x. Hence, we expect their 2022 PAT to move past N51.18 billion, taking the EPS above N80.18. We place a medium to long term “BUY” recommendation with a target price of ₦1,521.85.



FIXED INCOME CRITERIA

- **Regular payment of returns:** Investment in Federal Government Bond guarantees regular cash-flow in terms of semi-annual coupon payments.
- **Protection against credit risk:** FGN bonds are immune to credit risk because the instruments are backed by the full faith of treasury of the Federal Government.
- **Liquidity:** FGN Bonds are some of the most liquid fixed income instruments because investor can sell before maturity at the prevailing market rates.

FIXED INCOME RECOMMENDATION

S/N	Instrument	Maturity	Coupon/Rate	Price	Yield
1	FGN 2025	Mar-25	13.53%	103.39	11.71%
2	FGN 2029	April-29	14.55%	104.31	13.50%
3	FGN 2035	Mar-35	12.50%	94.04	13.50%
4	FGN 2037	April-37	16.25%	107.65	14.93%

NASD CRITERIA

NASD stock recommendation is based on fundamental analysis. We have selected stocks with at least 20% upside potential in 2023.

INVESTMENT OUTLOOK

BUILDING AN OPTIMAL PORTFOLIO

❖ CSCS

CSCS Plc's result for Q2 2022 showed that fees revenue increased from N2.33bn in Q2 2021 to N2.70bn in Q2 2022 by 16.21%. Total operating income also increased by 26.64% from N2.96bn in Q2 2021 to N3.75bn in Q2 2022. Operating profit advanced by 27.47% from N1.24bn in Q2 2021 to N1.59bn in Q2 2022. Profit before tax advanced by 15.35% from N2.82bn in Q2 2021 to N3.25bn in the current period following a 5.75% increase in investment income from N1.57bn in Q2 2021 to N1.66bn in the current period. Profit after tax rose to N2.65bn in the current period from N2.39bn in Q2 2021. Consequently, Earnings per share increased by 10.42% from N0.48 in Q2 2021 to N0.53 in the current period. CSCS has a BVPS of N6.53, P/BV of 2.21x and P/E ratio of 13.58x.

We place a "BUY" recommendation with a target price of N18.03.

CONCLUSION

2023 is projected to be a year of opportunities amid major uncertainties. The International Monetary Fund (IMF) projects that the global economy will expand by 2.70% in 2023, on the back of slower growth across both the Advanced Economies and the Emerging and Developing Economies. Global inflation is expected to rise from 4.70% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024. In Nigeria, we expect the GDP growth to be 3.0% in 2023.

The equities market presents attractive opportunities for investors in form of capital appreciation and dividend return. Nigerian stocks are currently undervalued and present an opportunity for growth in the short to medium term. However, the election is just around the corner and it may trigger some short term downside risks. We believe stocks in the Financial Services (mostly Banks), ICT, Agriculture, Consumer Goods and the Industrial sectors present strong prospects for growth given their resilience to the economic recession.

In 2023, we expect a higher fixed income yield. Factors that we think would keep yields elevated include possibility of an additional 200bps hike in MPR and the expected increase in domestic borrowing as the Federal Government intends to finance most of its 2023 fiscal deficit through local borrowings (replicating its 2022 deficit financing strategy) 92% of its fiscal deficit was financed through the domestic debt market and the expected high system liquidity from coupon payments and bond maturity, especially in the first half of the year.

We see opportunities shining through the midst of various uncertainties, and on this basis, we have recommended an asset mix comprising 10 Equities, 4 FGN Bonds and 1 NASD with an expected average return of 20%. Unforeseen changes to economic and market conditions may occur during the year. In such cases, we will review the portfolio appropriately and amend our recommendations accordingly.

INVESTMENT OUTLOOK

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