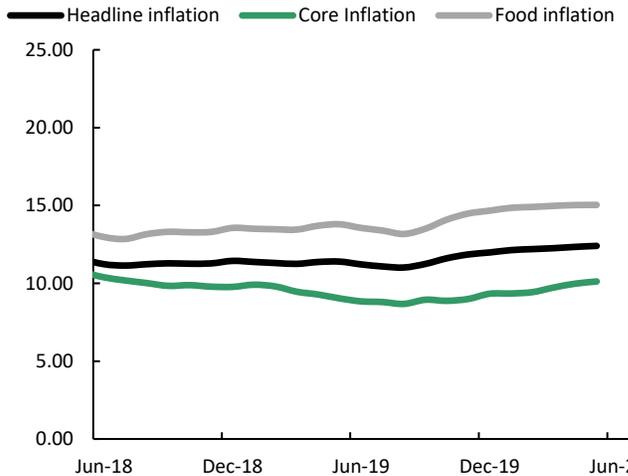


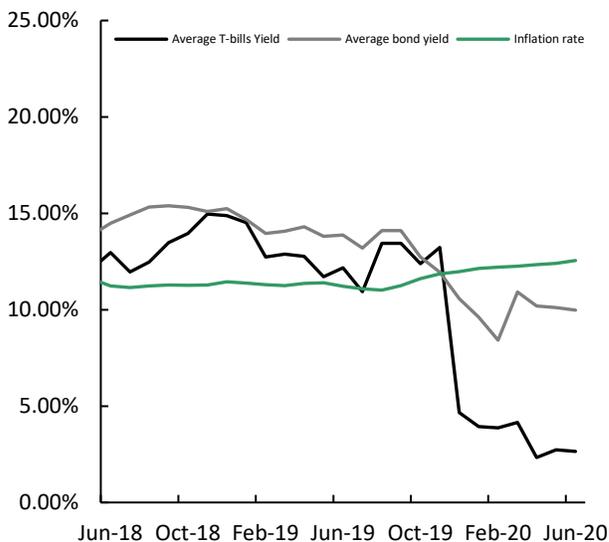
# Macro-Economic Update | Inflation | June 2020

**Headline inflation for the month of June 2020 increased by 12.56%YoY up from 12.40% recorded in May 2020. The uptick in headline inflation was triggered by higher food prices as the Food Index increased by 15.18%YoY (vs 15.04% in May 2020), as well as the core index climbing higher by 10.13% YoY (vs 10.12% in May 2020). We expect prices to remain elevated in the coming months mainly on account of the Naira devaluation and the continued land border closure.**



## Composite Food Index Keeps North

To close out a six-month period occasioned by panic buying, increased system liquidity and rising input prices, headline inflation inched higher by 12.56%YoY (vs 12.40%YoY in May 2020) in June 2020. The increase reflected higher prices witnessed during the month, especially on some food items such as Bread, Cereals and Potatoes amongst others, while the extant demand for pharmaceutical products and medical services kept prices of non-food items high. Consequently, a surge was recorded in the food and core indices by 15.18% YoY (vs 15.04% YoY in May 2020) and 10.13%YoY (vs 10.12%YoY in May 2020) respectively. Although the gradual easing of the lockdown allayed panic purchase of food items, food prices typically remain sticky downwards, while the increasing cases of COVID-19 kept demand for pharmaceutical products and personal protective gears elevated. Going forward, we expect the naira devaluation by the CBN to stir some upward price movements in input prices.



## Buying Pressures Keep Yields Depressed

Investors' appetite for government securities remained robust despite negative real rates of return. This is largely due to copious liquidity amid a dearth of investment options. In the secondary market, buying pressure continue to depress yields as average T-bills and bond yields declined to 2.02% (vs 2.26% the previous week) and 7.15% (vs 7.20% the previous week) respectively. In the coming months, we expect robust participation in the fixed income space as liquidity levels remain supportive.

## Investors tread with Caution ahead of Earnings Season

In the past week, advanced economies witnessed some burst of excitements in the equities space as investors reacted to developments in the race for a COVID-19 vaccine, thereby extending the positive momentum which had been sustained since the selloffs experienced in March. In the Nigerian equities market, although some optimism was stirred by recoveries in energy prices and eased lockdown towards the tail end of H1:2020, recent investors' sentiments suggest apprehension for equities as investors book profits ahead of the earnings season. The NSEASI has since lost -9.52%YtD and -0.08%WoW. However, with restriction of interventions in the I&E window, coupled with negative real rate of returns on fixed income instruments, we expect to see pockets of bargain hunting activities on fundamentally sound counters.

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