



## Domestic and Foreign Portfolio Inflows Update: July 2022

MPR: 14% July 22 Inflation: 19.64%

Q1'22 Real GDP Growth: 3.11%

### Foreign Investors Growing Apathy Dangles Total Domestic & FPIs to N101.18bn in July

Foreign Investors' participation in the Nigerian equities market is gradually waning despite Nigerian stocks being among the cheapest and relatively attractive stocks in the world. But a catch of hope lies in the continued outperformance by domestic (Retail and Institutional) investors over their international counterparts in equities trading by a 42% difference in July 2022.

This week, we take a look at the monthly trading figure on domestic and foreign portfolio investments polled and recently published by the NGX from market operators. The report showed that the total inflow in equities market transactions by these investors further declined by 35.36% to N101.18 billion in July 2022 from N156.52 billion in June 2022. However, it reported that this was a 12.71% year-on-year increase from N89.77 billion transacted in July 2021.

Away from the notion that foreign investors have always exhibited apartheid during this time in a pre-election season when they opt to aggressively exit Nigerian equities with the institutional investors threading the same path, the declining sentiment in the market has paved the way for some reconsiderations and portfolio rebalancing efforts by these investors.

Consequently, our analysis of the total transaction carried out between July and the preceding month (June) revealed a 37.46% significant decrease to N71.50 billion in July from N114.33 billion in June. In the same vein, we saw the total foreign transactions decrease by 29.65% from N42.19 billion to N29.68 billion between June 2022 and July 2022.

On the aggregate investment by domestic investors, the NGX report put it that institutional investors outperformed their retail counterparts by a large margin of 14% and this shows the increasing activities of fund managers and some banks in the equities space as they continue to cherry-pick on some of the fundamentally sound tickers during the month. Furthermore, a monthly comparison of domestic transactions during the month showed that the retail transactions decreased by 30.51% from N44.11 billion in June to N30.65 billion in July 2022. Similarly, the institutional composition of the domestic market decreased by 41.83% from N70.22 billion in June 2022 to N40.85 billion in July 2022.

Year-to-date, total domestic and foreign portfolio investment printed N1.76 trillion, a 56.8% year-on-year increase from N1.12 trillion reported in the same period last year. This portends a positive uptrend back to an almost a 15-year high of N3.56 trillion in 2007 before the global financial crisis. Thus, the total domestic transactions are N1.49 trillion while the foreigners transacted a total of N273.16 billion in seven months.

In our opinion just like in the June edition where we averred that local institutional investors may have more incentive to remain in the market despite the rates hike by the CBN and other central bank chiefs across the globe in July, and regardless of the expectations that listed corporates will continue to deliver strong profit growth, we reckon that sustained upward pressure on interest rates will continue to create apathy towards risk assets like equities for investors, especially the risk averse investors.

