

Strategies for Post COVID-19 Recovery of the Capital Market



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COVID-19 NIGERIA

Friday 11:11 am 14 Aug 2020

Samples Tested



341,421

Confirmed Cases



48,116

Active Cases



12,841

Discharged Cases



34,309

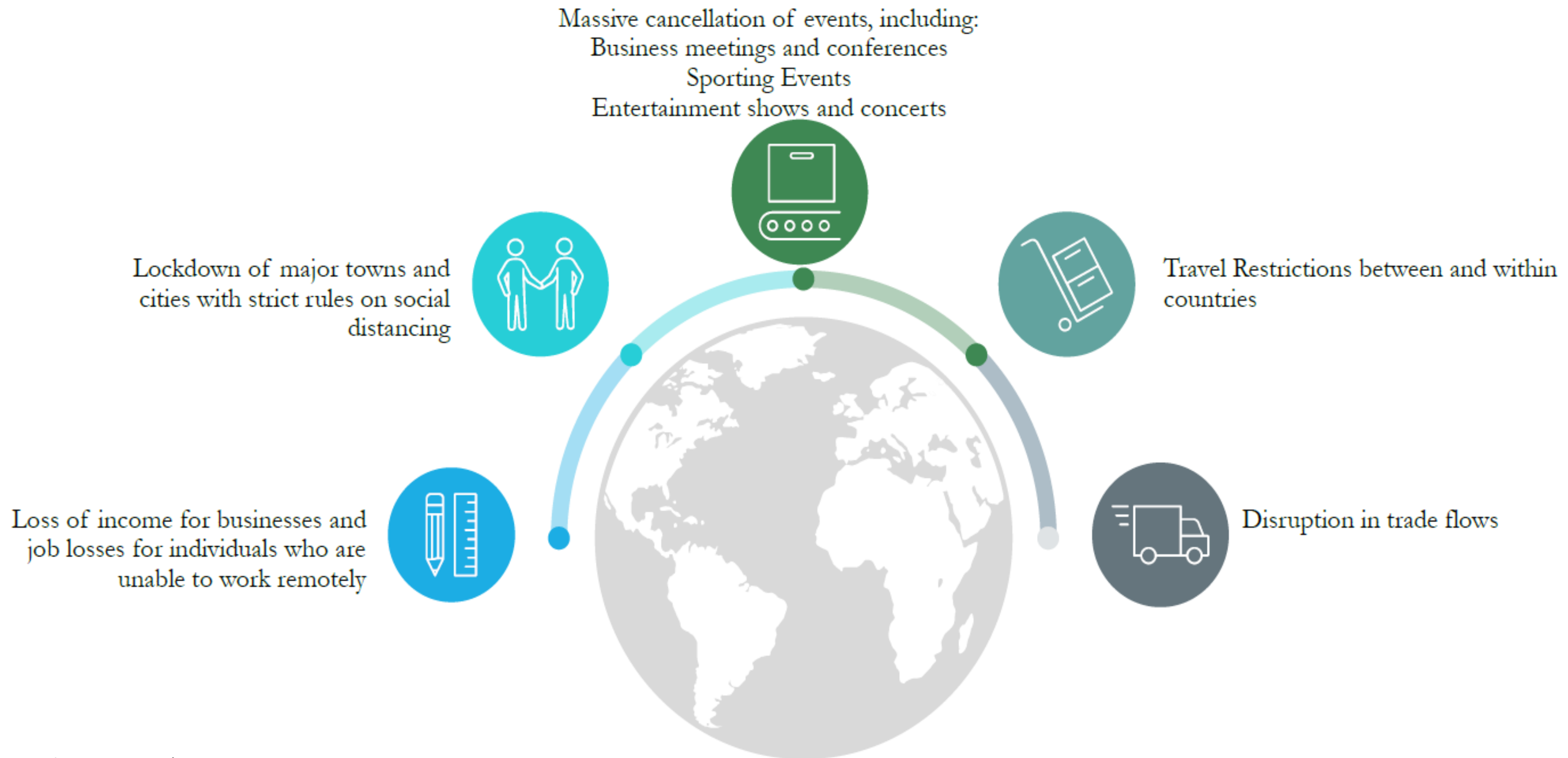
Death



966

Source: NCDC Coronavirus microsite

COVID-19 has had an impact on the economy



Credit: SEC Ag. DG's presentation

Impact of the pandemic on the Capital Market

1

Growth Concerns

- IMF cut 2020 global growth forecast to -4.9% on concerns due to the pandemic. 2021 growth forecast was set at 5.4%
- Nigeria's economy is forecast to contract by 5.4% this year and recover partially to a growth of 2.6% next year.

2

Investor Confidence took a hit

- The COVID-19 crisis is likely to have an enduring effect on investor confidence.
- Higher risk aversion will drive investors to adopt more conservative investment strategies, such as shorter maturity or shift focus to higher-rated investments

3

Currency Devaluation

- CBN depreciated the official exchange rate to about N380/\$1 but scarcity, and heightened currency speculation is pushing the dollar to over N470 in the parallel market
- Foreign reserves remain low but stable. Question is whether they are enough to meet post-lockdown demand. Reserves are closer to the \$30b mark CBN set for a devaluation.

4

Market Performance

- The equities market started this year on a positive growth path, gaining about 10% in January.
- This later reversed, partly due to COVID-19 as the market lost about 23% YtD in the first week of April
- It has seen some recovery, as at the end of July, the market closed at 24,693.73, moderating the loss to 8% YtD.

5

Government Stimulus

- Following the Bankers' Committee meeting of March 27, 2020, CBN announced ₦3.5trn stimulus plan, moratoria on loans from intervention funds and pledged credit support for healthcare sector.
- On April 14, FG announced a ₦500billion stimulus package, to be used to prop up the economy during the pandemic.
- The social register was expended from 1million to 3.6million.
- The stimulus is expected to help the capital market

The All Share Index saw a dip



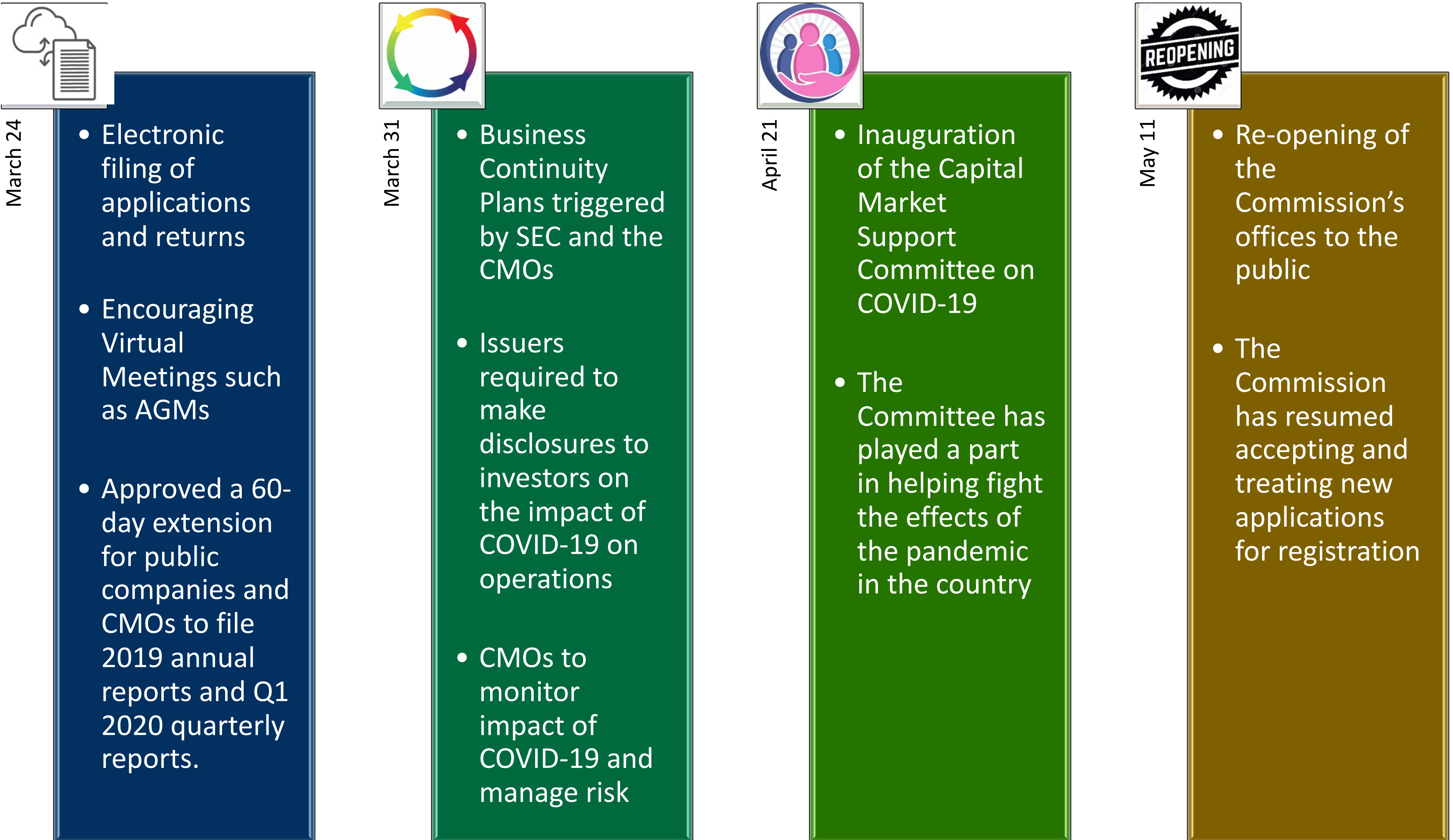
Source: Trading Economics

The virus also had a negative effect on global stock markets



Source: Trading Economics

Response to COVID-19: 4 circulars



Post COVID-19 Capital Market Recovery Strategies

Work to support the market in difficult economic periods. Improved advocacy. We will collaborate with CBN, PENCOM, and other organizations in areas of common interest.

**Market Resilience
in the coming
headwinds**

**More attention
to market
development**

The Commission's market development mandate has to be fore-front at this time. SEC must work more to deepen the market and focus more on financial literacy and investor education.

Improved use of technology, eliminating manual processes, in favour of automation and use of RegTech and support for FinTech.

**Greater Use of
Technology**

**Implement the
Capital Market
Master Plan**

Continued implementation of the Capital Market Master Plan (CMMP), alongside the implementation of other innovative policy mix.

Consider emerging risks, particularly those that pose existential threats, and develop measures to mitigate these risks. Work with market players to address challenges to their operations resulting the pandemic.

**Consideration
of Emerging
Risks**

**Adapt and
Innovate**

Review some of our methods, introduce more relevant and efficient ones and be able to increasingly adapt to innovation.

Going forward, we will focus on these



Improving regulations to promote remote trading, online submission of returns, virtual meetings, video conferencing, and the likes



Getting better at catching market manipulation and infractions. Taking strong punitive measures against participants.



Working harder, and leveraging technology, to reduce the unclaimed dividend figures



Strengthening investor protection, encouraging transparency and fairness in the market



Making it easier for issuers to access the market



Stronger advocacy

Thank you

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