

Cytonn Annual Markets Review - 2022

Global Market Review:

Economic Growth:

According to the **October 2022 World Economic Outlook Report** by the International Monetary Fund (IMF), the global economy is projected to grow at a slower rate of 3.2% in 2022, from the 6.0% growth recorded in 2021. Additionally, emerging markets and developing economies are projected to expand by 3.7% in 2022, 2.9% points lower than the 6.6% growth in 2021 while advanced economies are expected to record a 2.4% growth from the 5.2% expansion recorded in 2021. The expected slowdown in the Global economy's growth is majorly attributable to;

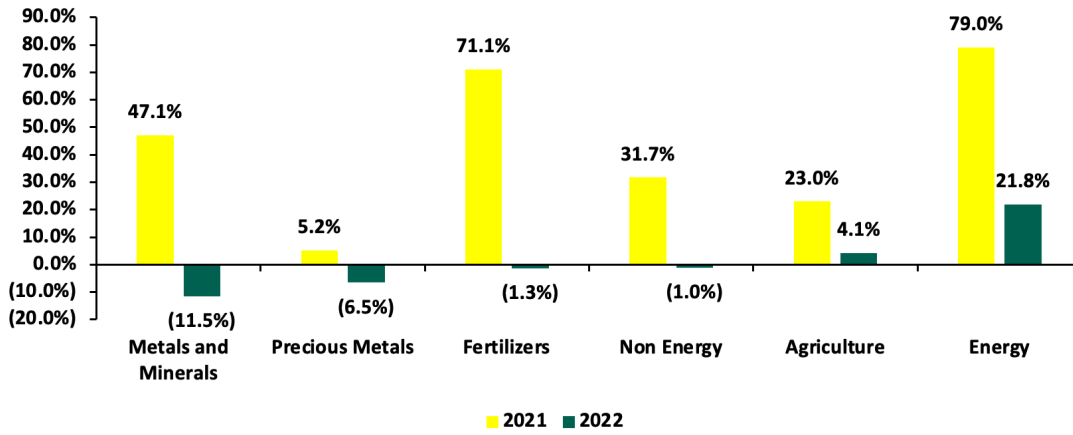
- i. The persistent inflationary pressures which have seen several central banks raise their interest rates with the aim of anchoring inflation. Notably, Global inflation is forecasted to rise to 8.8% in 2022, from 4.7% in 2021,
- ii. Unfavorable financial conditions occasioned by high cost of borrowing and worsened liquidity in emerging economies as most advanced economies continue to tighten their monetary policies, and,
- iii. Pre-existing supply chain disruptions worsened by the ongoing conflict in Ukraine which have greatly impacted global fuel energy and food supplies, and,
- iv. COVID-19 pandemic and its related impact remain a constraining factor for global economic growth mainly as result of emergence of new strains, and resurgence in infections in some economies such as China which have necessitated re-imposition of lockdowns.

The global economy's future performance is majorly dependent on how soon the inflationary pressures will ease, which will see central banks will ease the monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China.

Global Commodities Market Performance:

Global commodity prices registered mixed performance in 2022, with prices of metals and minerals declining the most by 11.5% largely driven by slowed global demand. Similarly, the prices of precious metals declined by 6.5% mainly attributable to reduced demand for safe haven assets, which has been accelerated by interest rate hikes in advanced economies that has seen investors opt for higher-yield-bearing assets. On the other hand, the energy prices increased the most by 21.8% year on year, mainly due increasing demand for fuel and gas amid lower supply, a situation that has been worsened by persistent supply chain bottlenecks arising from geopolitical tension between Russia and Ukraine. Below is a summary performance of various commodities;

Cytonn Report: World Bank Commodity Price Index

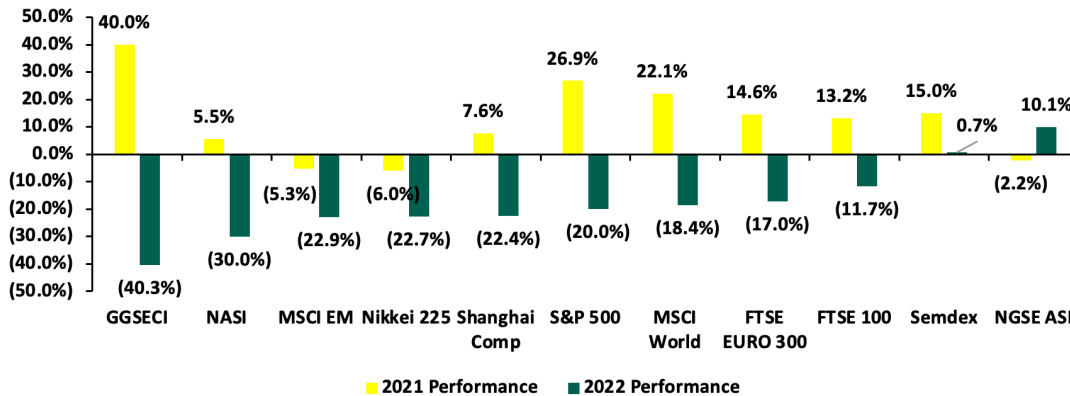


Source: World Bank

Global Equities market performance:

Global stock market recorded mixed performance in 2022, with most indices declining attributable to capital outflows as investors sought less risky markets such as government papers and other investments alternatives. Additionally, stock markets in developing countries witnessed high capital flights and higher declines as a result of increased uncertainties about the economies following interest rate hikes around the world particularly in advanced economies aimed at curbing the inflationary pressures. The Nigeria all share index was the largest gainer, recording a 10.1% gain, largely driven by increased investor sentiments following the rallying of crude oil prices with Nigeria being a net exporter of crude oil. Additionally, the Nigerian banking stocks recorded significant gains mainly attributable to the Central Bank of Nigeria’s decision to gradually hike the Monetary Policy Rate (MPR) to 16.5% in November 2022, from 11.5% in January 2022, which consequently led to 0.5% points increase in maximum lending rate to 28.1% in November 2022, from 27.7% in January 2022. On the other hand, Ghana stock composite index was the largest decliner recording losses of 40.3%, mainly due to continuous deterioration in the country’s business environment arising from high inflation at 50.3% as of November 2022 coupled with continued weakening of the Ghanaian Cedi which depreciated by 42.8% in 2022. Additionally, the re-imposition of capital gains tax on securities listed on the GSE has seen investors prefer fixed income securities. Below is a summary of the performance of key indices:

Cytonn Report: Global Equities Market Performance



*Dollarized performance

