

What Moved the Markets this Week?

The International Monetary Fund (IMF) raised its forecast for 2023 global growth to 2.90% (from 2.70% in October 2022). However, the new growth projection remains below the 3.40% growth rate projected for 2022. The IMF emphasized that the rise was the United States resilient spending and China's reopening, supporting demand. The fund also predicted a decrease in global consumer prices, which is not surprising given the moderation in the advanced economies. Eurostat reported the European inflation at 8.50% YoY in January 2023 (from 9.20% in December 2022), representing the third consecutive decline attributed to a slowdown in energy prices. Despite the disinflation, the European Central Bank lifted its interest rate by 50bps, citing that inflation remains above its 2% target. Similarly, the Federal Reserve and the Bank of England increased their benchmark rates in their respective economies by 25bps and 50bps, respectively, to curb inflation. In the near term, we expect the hawkish stance to persist in the advanced economies to rein in inflation further.

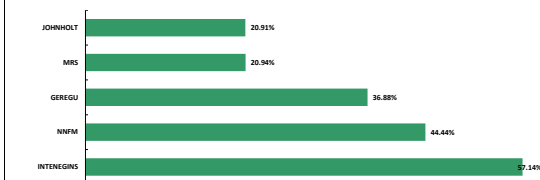
On the domestic scene, Moody's Investors Service (Moody's) further lowered Nigeria's credit rating into the junk category to Caa1 from B3. The primary reason for the downgrade is the worsening of the Government's financial and debt position, given a more significant budget deficit in 2023 and the Government's limited funding choices. Consequently, the agency downgraded the long-term deposit ratings of nine Nigerian banks (Access Bank Plc, Zenith Bank Plc, First Bank of Nigeria Limited, United Bank for Africa Plc, Guaranty Trust Bank Limited, Union Bank of Nigeria Plc, Fidelity Bank Plc, First City Monument Bank Limited, and Sterling Bank Plc) to Caa1, citing the banks' significant direct and indirect exposure to the Nigerian sovereign debt as the reason. This is expected to dampen investors' confidence and may lead to lower foreign inflows translating into further pressure on foreign exchange. However, we believe some developments during the week could improve the country's macroeconomic conditions. First, Dangote Industries Limited sealed an agreement with China Sinorama International Engineering to construct a Dangote cement plant in Ogun state. The agreement is anticipated to increase Dangote's manufacturing capacity by 17.02% to 41.25Mta, which could result in higher business profits, create employment, and improve economic output. Also, the USD741 million agreement between NNPC and Dawoos Engineering and Construction Company to renovate the Kaduna refinery. We envisage that reworking the local refineries would complement the Dangote refinery when it begins operation, translating to less reliance on petroleum imports and improving FX liquidity and output growth.

The Nigerian equities market sustained its positive mood this week as the All-Share Index gained 2.95% to close at 54,213.09pts. Consequently, the Year-to-Date return increased to 5.78% (vs 2.74% last week). Furthermore, on a sectoral basis, performance was positive as all sectoral indices gained week-on-week except **NGXCONSMRGDS**, which lost 0.42% WoW.

At the IGB bond auction, the Debt Management Office (DMO) offered four instruments (NGN360bn) and allotted NGN703.60bn. The marginal rate of the 2032 bond increased by 15bps to 14.90%, while that of 2037 remained flat at 15.80%. Also, the marginal rates of 2028 and 2049 were 14.00% and 15.90%, respectively. In the secondary market, performance was mixed. For context, the average T-bills yield declined to 2.16% (vs 3.21% last week), while the average bond yield rose to 13.24% (from 13.11% in the previous week).

Market Outliers

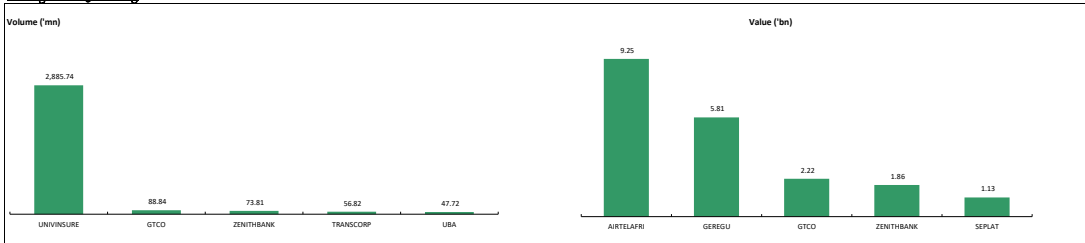
Top Gainers



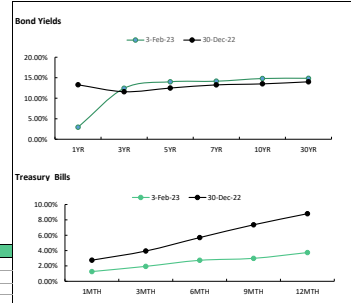
Top Losers



Weekly Trading Activity



Fixed Income Monitor



	This Week	Previous Week	%
I & E (per USD)	461.50	461.75	0.05%

	This Week	Previous Week	%
Bond Yields			
1YR	2.92%	3.13%	-0.21%
3YR	12.42%	11.87%	0.55%
5YR	14.01%	13.39%	0.62%
7YR	14.15%	13.86%	0.28%
10YR	14.80%	14.77%	0.03%
30YR	14.86%	14.83%	0.03%

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.40%	0.00%	-0.93%	1.24%	0.11%	0.46%	0.27%	1.04%
WD	2.95%	-1.15%	0.00%	2.51%	-1.11%	-0.10%	-0.54%	1.16%
YTD	5.78%	-1.74%	11.35%	1.39%	9.37%	6.82%	9.33%	9.77%
P/E	10.10x	3.81x	9.72x	6.56x	10.85x	11.07x	12.95x	15.00x

	This Week	Previous
Money Market Rates		
0BB	10.88%	10.50%
OVN	11.06%	11.00%
Average	10.97%	10.75%

	This Week	Previous
Treasury Bills Yields		
1MTH	1.27%	1.76%
3MTH	1.94%	2.06%
6MTH	2.73%	3.16%
9MTH	2.99%	4.38%
12MTH	3.74%	4.69%
Average	2.53%	3.21%

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