

What Moved the Markets this Week?

For the fifth consecutive month this year, the US inflation rate moderated to 4.00% in May (from 4.90% in April) reflecting the lower gasoline and electricity prices. Similarly, the core inflation declined by 20bps to 5.30%. The inflation reading supported the Federal Reserve's decision to keep the Fed Fund rate unchanged for the first time since March 2022. However, the Fed hinted at the likelihood of resuming the tightening cycle in its July meeting. In our opinion, the pause could quell the risk of a hard landing. Unlike the Federal Reserve, the European Central Bank (ECB) hiked its benchmark lending rate for the eighth consecutive time to 3.50%. The rate is at its highest level since 2001 – indicating the Bank's intense efforts to bring the inflation rate to its target level. Also, the ECB revised its inflation projections, stating that it anticipates inflation to remain above its 2% target until the end of 2025. For the People's Bank of China (PBOC), an expansionary monetary policy decision was taken as it cut the short-term reverse repo rate by 10bps to 1.90%. Equally, the PBOC disclosed the injection of USD279.97mm (2 billion Yuan) into the economy. This decision aligns with the Bank's intention to provide stimulus to the economy and boost economic growth. For the first time since January 2023, Ghana's inflation rate jumped by 100bps to 42.20% in May 2023, owing to higher food prices during the period. We assert that the introduction of new taxes by the Ghanaian government contributed to the increase in the price level. Thus, we posit that the monetary authority will likely maintain its tightening cycle as it seeks to restore price stability.

In Nigeria, a series of events unfolded, ranging from the suspension of the Central Bank of Nigeria (CBN) governor's suspension by the President to the floating of the exchange rate and the May inflation release. First, in alignment with his proclamation in his inaugural speech, the President suspended the CBN governor with immediate effect. Additionally, Mr Folasheun Shorubi, the Deputy CBN Governor, Operations, was announced as the acting CBN governor. Furthermore, the CBN disclosed the immediate collapse of all FX segments into the Investors and Exporters (I&E Window). Also, the apex bank announced the re-introduction of order-based two-way quotes that allow the willing buyer, willing seller model. These policies are in corroboration with the President's intent to unify the exchange rates. As such, we noticed the immediate reaction to the value of the Naira (depreciating to NGN63.04/USD as of June 16). In our opinion, this development is positive as it is expected to boost investor confidence further, thus, attracting FX inflows. Nonetheless, we maintain that an increase in FX supply and conscious FX management will allow the fruits of the development to be fully enjoyed. Additionally, the National Bureau of Statistics (NBS) reported an uptick in the country's headline inflation to 22.41% YoY (in line with our expectation of 22.42%) in May 2023 from 22.22% YoY in the previous month. This 19bps increase was majorly caused by an increase in the food index (24.82% YoY) due to higher prices of household food items despite the slowdown in core inflation. Therefore, we anticipate that the monetary policy committee will further maintain its hawkish stance to rein in the rising inflation.

The Nigerian equities market sustained its bullish run as the All-Share Index gained 5.49% WoW to close at 59,000.96pts. As a result, the Year-to-Date return increased to 15.12% (vs 9.13% in the previous week). In addition, the performance across all sectors was positive as all indices recorded week-on-week gains, except the **NGXINDUSTR** (-1.63% WoW).

In the primary market auction held during the week, subscription level (NGN286.13bn) was higher than the amount offered (NGN34.54bn). Consequently, only the stop rate of the 91-Day instrument increased by 41bps to 4.89% while that of 182-Day and 364-Day instruments declined by 88bps and 121bps to 5.12% and 8.24%, respectively. In the secondary market fixed income market, the sentiment was mixed as average bond yield declined to 13.68% (vs. 13.76% last week), while average T-bills yield rose to 6.27% (vs 5.56% last week).

Nigeria | June 16th, 2023

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	59,000.96	55,930.97	5.49%
Volume (bn)	4.16	0.57	624.52%
Value (bn)	62.05	6.09	919.74%
Mkt. Cap. (Tm)	32.13	30.45	5.49%
Market Breadth	3.24x	2.19x	

	WTD	MID	YTD
NGXBNK	12.59%	13.12%	41.83%
NGXCNSMRGDS	4.14%	4.11%	49.92%
NGXOILGAS	11.95%	20.91%	55.82%
NGXINS	9.00%	26.02%	51.07%
NGXINDUSTR	-1.63%	-2.98%	0.44%
NGX-ASI	5.49%	5.79%	15.12%

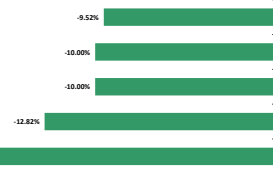
Other Indices	WTD	MID	YTD
NGX-30	5.70%	5.76%	16.00%
NGX-PENSION	8.83%	9.09%	35.28%

Market Outliers

Top Gainers

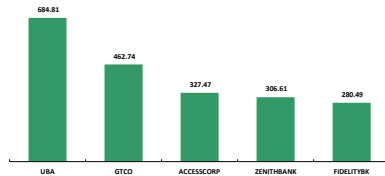


Top Losers

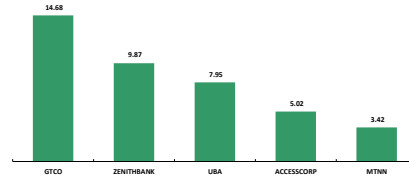


Weekly Trading Activity

Volume (mn)

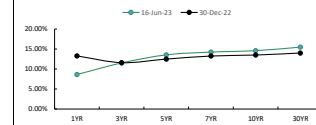


Value (bn)

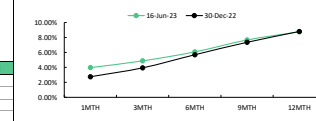


Fixed Income Monitor

Bond Yields



Treasury Bills



	This Week	Previous Week	% Δ
I & E (per USD)	663.04	472.50	-28.74%

Bond Yields

	This Week	Previous Week	% Δ
1YR	8.62%	8.84%	-0.22%
3YR	11.52%	12.07%	-0.55%
5YR	13.55%	13.57%	-0.02%
7YR	14.23%	14.20%	0.03%
10YR	14.59%	14.67%	-0.08%
30YR	15.47%	15.77%	-0.30%

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-0.33%	0.03%	0.05%	-0.01%	0.60%	0.00%	0.86%	0.18%
WTD	5.49%	0.24%	0.00%	-5.19%	2.07%	0.67%	2.12%	2.42%
YTD	15.12%	8.18%	22.49%	-21.28%	7.51%	2.36%	7.03%	11.19%
YTD	10.74x	3.63x	8.92x	5.05x	10.90x	9.66x	13.31x	14.46x

Contact Information

Investment Research

research@meristemng.com

Meristem Research can also be accessed on the following platforms:

Meristem Research portal: <https://research.meristemng.com/reports>

Bloomberg: MERI <GD>

Capital IQ: www.capitaliq.com

ISI Emerging Markets: www.securities.com/ch.html?pc=NG

Reuters: www.thomsonreuters.com

Factset: www.factset.com

IMPORTANT

Meristem Securities Limited ("Meristem") equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; Meristem can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e. may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of the Nigerian Stock Exchange (The NSE). Meristem Securities' registered office is at 20A Gerard Street, Ikoyi, Lagos, Nigeria. Website: www.meristemng.com; Email: research@meristemng.com. © Meristem Securities Limited 2023.