

What Moved the Markets this Week?

After twelve (12) consecutive months of disinflation, the United States inflation rate for July increased to 3.20% YoY (vs 3.00% YoY in June). This rise was primarily attributed to higher shelter costs. Notwithstanding, the core inflation (the Fed's favourite inflation measure) declined to 4.70% YoY during the month (vs 4.90% YoY in June). As a result, we project that the Federal Reserve could keep the Fed Fund rate unchanged at its next meeting. The situation in China was quite the opposite, as the general price level of goods and services declined by 0.30% in July. This represents the first time since February 2021 that the country records a deflation. This report further underlines the critical condition of the Chinese economy caused by the elongated lockdown measures and the real estate sector crisis. Thus, it is expected that the monetary authority will continue to explore options (cutting rates and/or providing liquidity) to stimulate the economy. According to the Office for National Statistics, the UK economy showed resilience as it grew by 0.40% YoY and 0.20% QoQ in Q2 2023. This growth represents its most robust quarterly performance since Q1-2022 and exceeded the Bank of England's projection of 0.10%. This impressive display was driven by expansion in the manufacturing and construction sectors following economic activity recovery. We believe the stronger-than-anticipated output growth will motivate the Bank of England to continue its battle against the stubbornly-high inflation rate.

According to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), the country's oil production volume for July declined significantly by 13.60% MoM to an average of 1.08 million barrels per day (mbpd). This lower oil production volume underscores the oil sector's lingering insecurity issues. Thus, the direct implication of this setback is a likely decrease in the country's oil revenue and could further widen the fiscal deficit. In pursuit of establishing a robust fiscal policy framework conducive to sustainable development, President Bola Tinubu inaugurated the Presidential Fiscal Policy and Tax Reforms Committee. The Committee, chaired by Mr. Taiwo Oyejide, seeks to oversee fiscal governance, drive tax reforms, and facilitate economic growth. One of this development's key objectives is to achieve a minimum tax-to-GDP ratio of 18.00% within three years via harmonizing taxes across all levels. In this vein, steps are taken to ensure that the Federal Inland Revenue Service (FIRS) is solely responsible for tax collection. We view this move as a positive for cost optimization and collection efficiency. In addition, the Nigerian Exchange Limited is partnering with Euroclear and Central's securities Clearing System Plc. to establish a dollar settlement platform. The collaboration primarily aims to enable Tech Startups to access capital in USD. This initiative will be instrumental in developing the Nigerian capital market in the medium term.

The Nigerian equities market closed in the green zone for the fourth consecutive week as the All-Share Index gained 0.20% WoW. Weekly performance was mixed across sectors as NGXBNK (+1.26% WoW) and NGXINS (-0.73% WoW) recorded gains while NGXNSMRGDS (-0.92% WoW), NGXOLGAS (-0.32% WoW), NGXINDUSTR (-0.39% WoW) recorded losses.

At the T-bills auction held this week, total subscription (NGN836.30bn) was 5.43x higher than the total offer (NGN153.99bn). Consequently, stop rates declined across the trio instruments to 5.00%, 5.90% and 9.00% (vs 6.00%, 8.00% and 12.50%), respectively. In the secondary market, performance was mixed as average T-bills yield declined to 6.88% (vs 6.97% last week) while average bond yield increased to 13.52% (vs 13.31% last week).

Nigeria | August 11th, 2023

Market Performance

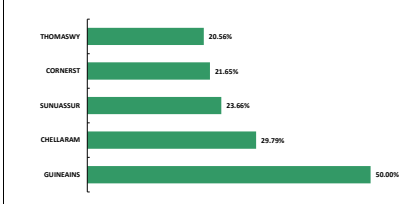
| Equities | This Week | Previous Week | % Δ |
|----------------|-----------|---------------|---------|
| NGXASI | 65,325.37 | 65,198.08 | 0.20% |
| Volume (bn) | 1.71 | 2.56 | -33.36% |
| Value (bn) | 24.93 | 29.61 | -15.81% |
| Mkt. Cap. (Tm) | 35.55 | 35.48 | 0.20% |
| Market Breadth | 0.85x | 0.84x | |

| | WTD | MID | YTD |
|------------|--------|--------|--------|
| NGXBNK | 1.26% | 1.69% | 63.25% |
| NGXNSMRGDS | -0.92% | 2.79% | 49.01% |
| NGXOLGAS | -0.32% | -1.39% | 98.59% |
| NGXINS | 0.73% | 4.99% | 97.00% |
| NGXINDUSTR | -0.39% | -0.13% | 18.20% |
| NGX-ASI | 0.20% | 1.54% | 27.46% |

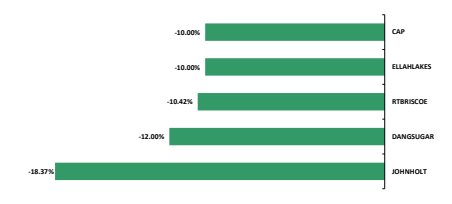
| Other Indices | WTD | MID | YTD |
|---------------|-------|-------|--------|
| NGX-30 | 0.15% | 1.26% | 28.83% |
| NGX-PENSION | 0.43% | 1.40% | 54.26% |

Market Outlets

Top Gainers

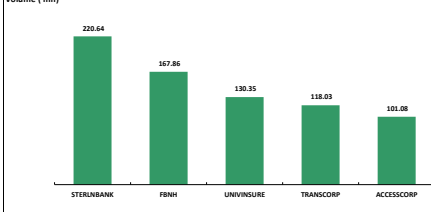


Top Losers

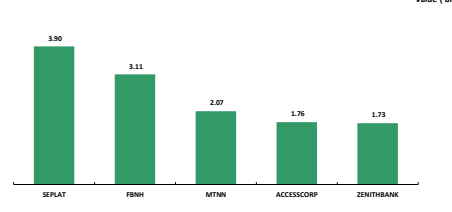


Weekly Trading Activity

Volume (mn)

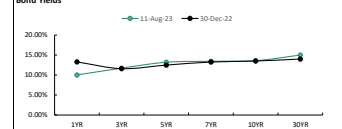


Value (bn)

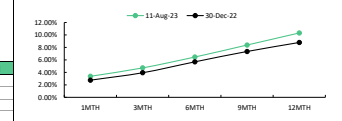


Fixed Income Monitor

Bond Yields



Treasury Bills



| | This Week | Previous Week | % Δ |
|---------------|-----------|---------------|-------|
| L&E (per USD) | 781.34 | 743.07 | -4.9% |

Money Market Rates

| | This Week | Previous |
|---------|-----------|----------|
| ORB | 2.00% | 5.83% |
| OVN | 2.80% | 6.83% |
| Average | 2.40% | 6.33% |

Bond Yields

| | This Week | Previous Week | % Δ |
|------|-----------|---------------|--------|
| 1YR | 10.02% | 9.85% | 0.16% |
| 3YR | 11.72% | 12.44% | -0.72% |
| 5YR | 13.20% | 12.64% | 0.56% |
| 7YR | 13.43% | 13.22% | 0.21% |
| 10YR | 13.59% | 13.59% | 0.00% |
| 30YR | 14.99% | 14.99% | 0.00% |

Treasury Bills Yields

| | This Week | Previous |
|---------|-----------|----------|
| 1MTH | 3.37% | 3.97% |
| 3MTH | 4.72% | 5.20% |
| 6MTH | 6.46% | 6.74% |
| 9MTH | 8.38% | 8.50% |
| 12MTH | 10.32% | 10.34% |
| Average | 6.65% | 6.97% |

In Other Markets

| | Nigeria | Ghana | Egypt | Kenya | South Africa | Frontier | Emerging | Developed |
|-------|---------|--------|--------|---------|--------------|----------|----------|-----------|
| Today | 0.18% | -1.62% | -0.30% | -0.69% | -0.42% | -0.01% | 0.88% | |
| WTD | 0.20% | -2.31% | 0.00% | -1.73% | 0.02% | -0.04% | -0.95% | 0.50% |
| YTD | 27.46% | 25.01% | 21.31% | -18.15% | 5.38% | 6.67% | 5.43% | 10.80% |
| YTD | 12.82x | 4.58x | 9.43x | 5.26x | 12.68x | 10.06x | 13.32x | 14.22x |

Contact Information

Investment Research

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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/eh.html?pc=NG

Reuters: www.thomsonreuters.com

Factset: www.factset.com

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