

What Moved the Markets this Week?

Due to worries about the US government's budgetary imbalances and probable economic instability, Fitch Ratings downgraded US government debt from AAA to AA+. Fitch announced its decision was based on multiple factors, including a steady decline in governance standards, anticipated fiscal weakening in the next three years, and persistently high and growing overall debt level. Also, the global rating agency argued that the country's finances would worsen in the next three years as a result of tax cuts, additional spending programs, and economic shocks. Although the downgrade might prompt investors to be cautious of the country's fiscal burden, it is not anticipated to be a significant problem in the short to medium term. Notwithstanding, we envisage that investors will demand higher premia on the long-dated US treasury instruments. An additional concern for investors is an expectation that the Federal Reserve may further hike the fed funds rate due to the strong employment report released on Friday. In the report, wages in July rose by 0.40% while the unemployment rate slowed to a record low of 3.50%. This underscores the likelihood of a soft landing as the payroll growth gradually slows. In its last Monetary Policy Committee meeting, the Bank of England (BOE) raised the Monetary Policy Rate by a quarter percentage point to 5.25%, marking its 14th consecutive hike. Although the UK inflation rate declined more than expected to 7.90% in July, Britain continues to battle with a high cost of living. The BOE disclosed that it will continue to closely monitor inflation indicators as the bank estimates inflation to be below 3.00% by next year without plunging into a recession.

On the domestic scene, President Tinubu's speech addressing the nation emphasized the immediate macroeconomic challenges and provided reassurance about the Government's steadfast commitment to delivering effective solutions. Specifically, he outlined a range of initiatives slated for implementation between July 20 23 and March 2024 to encourage the manufacturing and Micro, Small, and Medium-size Enterprises (MSME) sectors. Although we recognize these initiatives' potential to alleviate macroeconomic challenges, we do not expect immediate outcomes. Furthermore, the Nigerian National Petroleum Company Limited (NNPC) and Nipco Gas Limited declared the agreement to build and install Compressed Natural Gas (CNG) stations nationwide. The partnership is a component of NNPC's dedication to cutting carbon emissions and offering less expensive alternative fuel options. The effort intends to increase access to CNG, build out the CNG infrastructure, and speed up the adoption of this cheaper, cleaner fuel for automobiles which should lower transportation expenses. On the corporate scene, GlaxoSmithKline Consumer Nigeria Plc made public its decision to halt operations in Nigeria. This move was prompted by the GSK Group's plan to discontinue the direct sale of prescription medicines and vaccines through local operating companies, shifting toward a novel distribution approach involving a local third party. While these shifts primarily influence GLAXOSMITH NIGERIA's resolution, it's noteworthy that earlier apprehensions about foreign exchange challenges and their influence on product availability also played a role. While precise details remain uncertain, the company has hinted at the possibility of shareholders receiving cash distribution and return of capital if the proposal obtains approval.

Despite closing down on three out of the five trading days, the local bourse closed positive for the second consecutive week, gaining 0.22% WoW to reach 65,198pts. The performance across sectors was mixed as three indices recorded week-on-week gains, except NGXBNK (-2.13% WoW) and NGXOILGAS (-0.68% WoW).

In the fixed income market, the bearish mood lingered as the average T-bills and bond yields increased to 6.97% and 13.31% (from 4.85% and 12.86% last week).

Nigeria | August 4th, 2023

Market Performance

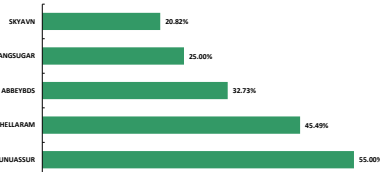
Equities	This Week	Previous Week	% Δ
NGXASI	65,198.08	65,056.39	0.22%
Volume (bn)	2.56	2.84	-9.86%
Value (bn)	29.61	37.63	-21.33%
Mkt. Cap. (Tm)	35.48	35.40	0.22%
Market Breadth	0.84x	0.70x	

	WTD	MID	YTD
NGXBNK	-2.13%	0.43%	61.22%
NGXCNSMRGDS	2.27%	3.75%	50.40%
NGXOILGAS	-0.68%	-1.08%	99.22%
NGXINS	5.88%	4.23%	55.86%
NGXINDUSTR	0.23%	0.26%	18.66%
NGX-ASI	0.22%	1.34%	27.21%

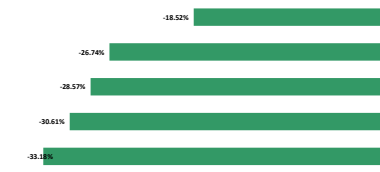
Other Indices	WTD	MID	YTD
NGX-30	0.15%	1.26%	28.83%
NGX-PENSION	0.43%	1.40%	54.26%

Market Outliers

Top Gainers

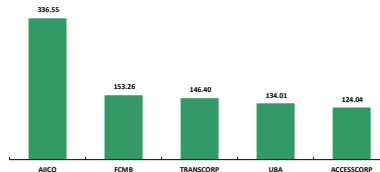


Top Losers

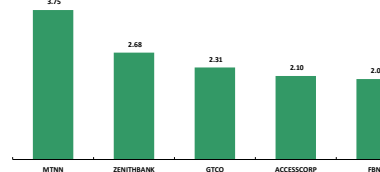


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	% Δ
I & E (per USD)	743.07	775.26	4.40%

Bond Yields	This Week	Previous Week	% Δ
1YR	9.85%	12.21%	-2.36%
3YR	12.44%	11.25%	1.19%
5YR	12.64%	12.61%	0.03%
7YR	13.22%	12.95%	0.28%
10YR	13.59%	13.62%	-0.03%
30YR	14.99%	14.55%	0.44%

In Other Markets	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-0.10%	0.15%	-0.02%	0.22%	-0.10%	-0.41%	-0.60%	
WTD	0.22%	5.45%	0.00%	0.84%	-1.96%	-2.63%	-3.27%	
YTD	27.21%	27.96%	19.54%	-16.71%	5.37%	6.64%	6.21%	9.28%
YTD	12.85%	4.61%	9.29%	5.38%	12.65%	10.06%	13.37%	14.26%

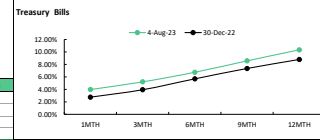
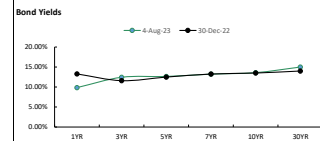
Money Market Rates

	This Week	Previous
ORB	5.83%	0.90%
OVN	6.83%	1.40%
Average	6.33%	1.15%

Treasury Bills Yields

	This Week	Previous
1MTH	3.97%	2.27%
3MTH	5.20%	3.29%
6MTH	6.74%	4.79%
9MTH	8.58%	6.11%
12MTH	10.34%	7.78%
Average	6.97%	4.85%

Fixed Income Monitor



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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

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