

What Moved the Markets this Week?

According to the US Bureau of Labor Statistics, the country's inflation rate rose for the second consecutive time to 3.70% YoY in August (vs. 3.20% YoY in July). This rise is primarily attributed to the surge in energy costs, notably higher gasoline and fuel oil prices, which outweighed the decline in food prices. However, core inflation slowed to 4.30% YoY (vs. 4.70% YoY in July). Hence, we posit that the US Federal Reserve will likely maintain a hold stance at its next meeting to support the US economy. In the Eurozone, the European Central Bank (ECB) hiked its policy rate by 25bps to 4.00% at its recent meeting. This move aims to tame the stubbornly high inflation, which is still above the bank's target of 2%. We anticipate the tighter monetary policy to exert pressure on domestic demand and business activities in the region, which could prompt further sluggish economic growth across member countries. In Sub-Saharan Africa, Ghana's headline inflation for August 2023 tipped to 40.10%YoY from 43.10%YoY recorded in July 2023, signalling the first decline since May and the lowest inflation in eleven months. This decline was supported by a slowdown in food and non-food inflation (51.90% and 30.50% vs. 55.00% and 33.80% in July), respectively. We however note that the inflation rate still stands above the Bank of Ghana's (BoG) inflation target band of 6%-10% thus, we expect BoG to continue its tightening policy stance to restore economic stability.

In the domestic scene, the National Bureau of Statistics reported that headline inflation for August 2023 increased by 177bps to 25.80% YoY (vs. 24.08% YoY in July 2023), spurred by a twin increase in food (29.34% YoY) and core inflation (21.15% YoY). This outcome was driven by increased food prices (mainly oil and fat, bread and cereals, and tubers) and transportation costs. We expect inflation to remain elevated in the near term due to higher global energy prices, which could cause an uptick in premium motor spirit (PMS) prices. Also, lingering challenges in sourcing foreign exchange (FX) and the freefall of the Naira are expected to increase the prices of imported items. Furthermore, according to the Debt Management Office (DMO), Nigeria's total debt stock as of June 2023 surged significantly by 75.29% to NGN87.38trn compared to NGN49.85trn recorded in March 2023. This increment is attributed to the FX liberalization during the quarter and subsequent depreciation of Naira, which saw external debt surge by 69.30% to NGN32.25trn. Similarly, the securitization of the FGN's Ways and Means loans (NGN22.71trn) from the Central Bank of Nigeria (CBN) contributed to the country's domestic debt surge. Notwithstanding, we anticipate that the fiscal reforms designed by the President's team to increase the government's revenue generation capacity should reduce its reliance on debt to fund its budget. In addition, the FTSE Russell, a primary provider of global market benchmarks and indices, has downgraded Nigeria's classification from a frontier market to an "unclassified market," effective September 18, 2023. This decision is owed to the uncertainties regarding Nigeria's macroeconomic landscape specifically the illiquidity of the exchange rate that impacts investors' repatriation of capital from Nigeria. Following the disclosure, there was an immediate reaction as the All Share Index (ASI) lost -1.24% on Monday. The likely implication of this development is a direct reduction of foreign inflows into the Nigerian equities market; however, we opine that the low foreign participation in the local bourse will limit the adverse impact on the market returns in the near term. Lastly, Fidelity Bank Plc (FIDELITYBK) announced the completion of its 100% acquisition of Union Bank UK Plc (UBUK) following the Bank of England's Prudential Regulatory Authority (PRA) approval. This move aligns with the bank's ambitious expansion strategy to extend its operations beyond the Nigerian market. Though UBUK has consistently reported losses in recent years, the successful implementation of turnaround strategies by FIDELITYBK will be instrumental in creating value for its shareholders.

This week, the ASI shed 1.10% (WoW) to settle at 67,305.79pts, thus bringing the Year-to-Date return to 31.50% (vs. 32.96% in the previous week). All sectoral indices recorded week-on-week losses save the NGXINS (+0.46% WoW) which recorded week-on-week gain.

At the T-bills primary auction held during the week, the total subscription declined to NGN43.87bn relative to the last auction (NGN75.75bn) due to tight system liquidity ahead of the auction. Consequently, the average stop rate rose by 81bps to 8.83% (vs. 8.02% at the previous auction). Similarly, the average marginal rate at the FGN bond auction increased to 15.44% (14.88% at the last auction). At the secondary market, the mood was predominantly bearish as the average T-bills and bond yields rose to 8.19% and 14.40% (vs. 7.83% and 14.31% last week), respectively.

Nigeria | September 15th, 2023

Market Performance

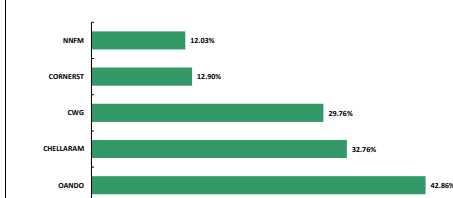
Equities	This Week	Previous Week	% Δ
NGXASI	67,395.74	68,143.34	-1.10%
Volume ('bn)	2.91	2.54	14.76%
Value ('bn)	47.45	45.46	4.37%
Mkt. Cap. ('trn)	36.89	37.30	-1.09%
Market Breadth	0.57x	1.51x	

	WTD	MID	YTD
NGXBANK	-3.24%	6.92%	65.51%
NGXCNSMRGDS	-1.84%	1.83%	83.79%
NGXOILGAS	-2.02%	-2.08%	99.01%
NGXINS	0.46%	-0.86%	52.82%
NGXINDUSTR	-0.28%	0.86%	20.04%
NGX-ASI	-1.10%	1.27%	31.50%

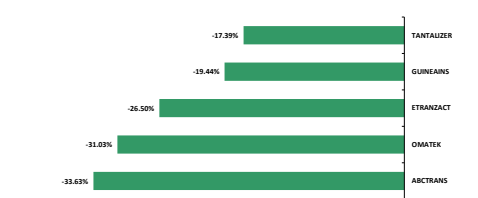
Other Indices	WTD	MID	YTD
NGX-30	-1.09%	1.39%	34.70%
NGX-PENSION	-0.87%	2.41%	60.26%

Market Outliers

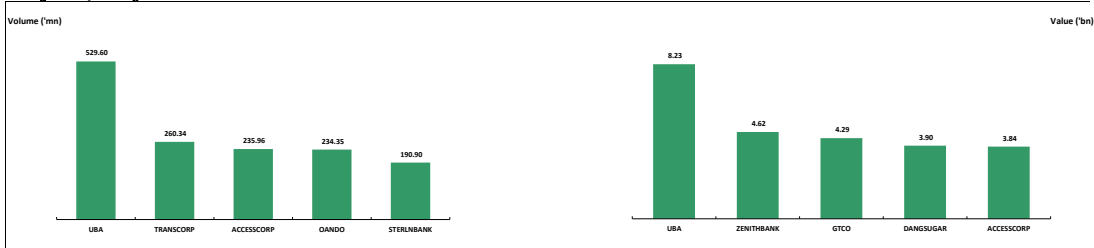
Top Gainers



Top Losers



Weekly Trading Activity



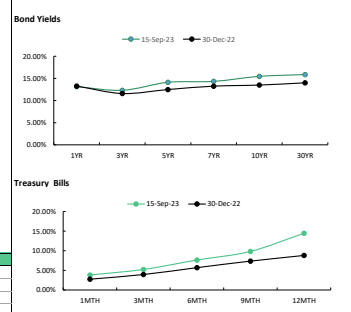
	This Week	Previous Week	%Δ
I & E (per USD)	756.91	722.39	-4.56%

Bond Yields	This Week	Previous Week	%Δ
1YR	13.14%	13.54%	-0.40%
3YR	12.32%	12.41%	-0.09%
5YR	14.12%	13.76%	0.36%
7YR	14.33%	14.33%	0.00%
10YR	15.46%	15.22%	0.24%
30YR	15.87%	15.87%	0.00%

Money Market Rates	This Week	Previous
OBB	23.64%	18.75%
ONV	24.42%	17.83%
Average	24.03%	18.39%

Treasury Bills Yields	This Week	Previous
1MTH	3.81%	3.36%
3MTH	5.23%	5.10%
6MTH	7.63%	7.79%
9MTH	9.83%	9.97%
12MTH	14.45%	12.92%
Average	8.19%	7.83%

Fixed Income Monitor



vs. Other Markets	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.07%	-0.25%	0.52%	0.30%	0.47%	-0.16%	0.77%	0.95%
WTD	-1.10%	2.24%	0.00%	0.23%	1.42%	-0.33%	0.85%	1.23%
YTD	31.50%	28.50%	33.85%	-22.39%	2.26%	2.42%	2.69%	8.01%
P/E	10.30x	4.57x	8.96x	4.97x	11.66x	9.39x	14.19x	13.60x

Contact Information

Investment Research
research@meristemng.com

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