

What Moved the Markets this Week?

During the week, the People's Bank of China (PBOC) held its benchmark lending rates - the one-year loan prime rate (LPR) and five-year LPR at 3.45% and 4.20%, respectively. This decision was hinged on the better-than-expected Q3-2023 GDP result, which suggests a gradual economic recovery. The Bank also considered the sustained currency depreciation a pivotal input to hold rates. We, however, anticipate rate cuts in the near term, given that domestic demand remains weak, which poses a further risk of deflation in the near term. Elsewhere in Sub-Saharan Africa, Statistics South Africa revealed that the country's inflation rose to 5.40% YoY in September (vs. 4.80% YoY in August), fueled chiefly by the food, energy, and transportation sectors. However, core inflation declined to 4.50% YoY (vs. 4.80% YoY in August). We anticipate a further spike in the country's inflation as the avian flu outbreak continues adversely impacting the eggs and chicken meat supply. However, as inflation is still within the South Africa Reserve Bank's (SARB) target band of 3.00%-6.00%, it might likely influence the Bank's decision to hold the interest rate for the third consecutive time in its next meeting. The Ghanaian government, in a bid to relieve its debt burden, has initiated discussions with its Eurobond creditors in a proposed restructuring that would require the debtholders to accept a 40% haircut on the principal amount, a maximum coupon rate of 5% and maturity extension of up to 20 years. While this move is in line with the country's effort to secure the second tranche of its US\$3.00bn IMF bailout program and resolve its economic challenges, we note that this restructuring will adversely impact investors' confidence in the Ghanaian market due to the higher perceived risk which could further widen the credit spread on the country's foreign currency denominated instruments.

On the domestic scene, the National Bureau of Statistics (NBS) reported that Nigeria's headline inflation reached an 18-year high of 26.72% YoY in September (vs. 25.80% YoY in August). Similarly, food and core inflation rose to 30.64% YoY and 21.84% YoY (from 29.34% and 21.15% in August), respectively. This uptick was driven by higher food, transportation, and medical services prices. We expect the general price level to remain elevated in the near term, hinged on an expected rise in global energy costs coupled with the persistent Naira depreciation and FX illiquidity (which will increase prices of imported goods). Also, the Budget Office of the Federation disclosed that the Federal Government has proposed a budget of NGN26.01trn for the 2024 fiscal year (19.15% higher than the 2023 budget) while 65.21% will be funded from government revenue, thus bringing the budget deficit to NGN9.05trn. The main assumptions underlying the budget are - an oil price of US\$73.96/bbl, an exchange rate of NGN70.00/USD and oil production of 1.78mbpd. While we note that oil production volume has been increasing, obtaining the projected 1.78mbpd requires increased efforts to curb theft and increase investment in the sector. Also, we anticipate a further depreciation in the Naira, potentially below the assumed levels premised on the limited supply of FX. To address the FX illiquidity and ensure economic stability, the finance minister disclosed FG's intention to approach the World Bank for an extended credit facility of USD1.50bn. In our view, the approval and receipt of this fund will be crucial to provide respite.

The local bourse closed in the red zone this week, recording a decline of 0.42% WoW after two consecutive weeks of recording positive returns. At the end of the week, the All-Share Index stood at 66,915.41pts, bringing the Year-to-Date return to 30.56%. The performance across sectoral indices was predominantly negative as the NGXNSMRGDS (-0.46% WoW), NGXOILGAS (-0.02% WoW), NGXINDUSTR (-0.07% WoW) and NGXASII (-0.96% WoW) recorded week-on-week losses while the NGXBNK (+3.52% WoW) recorded gain.

At the Bonds primary auction held during the week, the total subscription increased to NGN328.31bn from the previous auction's NGN291.00bn. As a result, the marginal rates on the APR 2029, JUN 2033, JUN 2038, and JUN 2053 (limited by 40bps, 30bps, 25bps and 30bps to 14.90%, 15.75%, 15.80% and 16.60% respectively. In the secondary market, sentiment was mixed as the average T-bills yield declined to 6.64% from 6.99% last week, while average bond yields rose to 14.64% from 14.46% last week.

Nigeria | October 20th, 2023

Market Performance

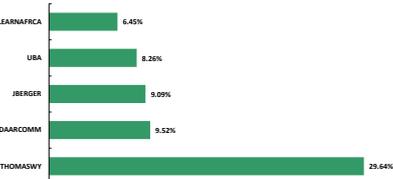
| Equities | This Week | Previous Week | % Δ |
|------------------|-----------|---------------|--------|
| NGXASI | 66,915.41 | 67,200.69 | -0.42% |
| Volume ('bn) | 1.49 | 1.51 | -1.7% |
| Value ('bn) | 24.27 | 25.78 | -5.84% |
| Mkt. Cap. ('trn) | 36.76 | 36.92 | -0.42% |
| Market Breadth | 0.69x | 1.33x | |

| | WTD | MTD | YTD |
|------------|--------|--------|--------|
| NGXBNK | 3.52% | 4.18% | 66.25% |
| NGXNSMRGDS | -0.46% | 1.11% | 94.29% |
| NGXOILGAS | -0.02% | 0.31% | 98.25% |
| NGXINS | -0.96% | -3.15% | 57.19% |
| NGXINDUSTR | -0.07% | 3.51% | 14.69% |
| NGX-ASI | -0.42% | 0.80% | 30.56% |

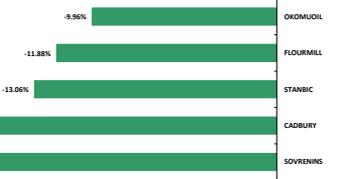
| Other Indices | WTD | MTD | YTD |
|---------------|-------|-------|--------|
| NGX-30 | 1.09% | 1.16% | 34.05% |
| NGX-PENSION | 1.37% | 2.19% | 62.37% |

Market Outliers

Top Gainers

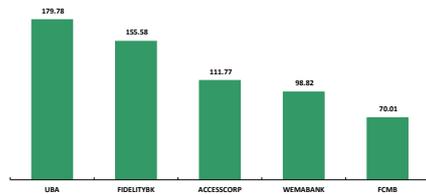


Top Losers

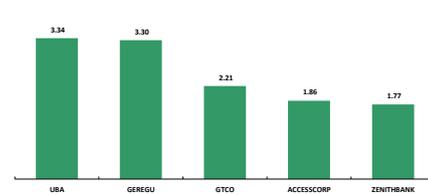


Weekly Trading Activity

Volume (mm)



Value ('bn)



| | This Week | Previous Week | % Δ |
|-----------------|-----------|---------------|--------|
| NAFEM (per USD) | 808.27 | 764.86 | -5.37% |

| Bond Yields | This Week | Previous Week | % Δ |
|-------------|-----------|---------------|--------|
| 1YR | 8.92% | 10.71% | -1.79% |
| 3YR | 13.10% | 13.16% | -0.06% |
| 5YR | 14.06% | 14.12% | -0.06% |
| 7YR | 14.96% | 14.79% | 0.17% |
| 10YR | 15.85% | 15.52% | 0.33% |
| 30YR | 16.41% | 16.13% | 0.29% |

In Other Markets

| | Nigeria | Ghana | Egypt | Kenya | South Africa | Frontier | Emerging | Developed |
|-------|---------|--------|--------|---------|--------------|----------|----------|-----------|
| Today | -0.27% | 0.00% | -2.26% | -0.02% | -1.04% | -0.81% | -1.31% | -1.18% |
| WTD | -0.42% | -0.61% | 0.00% | -0.14% | -3.69% | -1.87% | -2.16% | -1.67% |
| YTD | 30.56% | 27.91% | 48.07% | -26.85% | -3.86% | -1.98% | -2.67% | 1.80% |
| P/E | 10.09x | 6.50x | 10.55x | 5.08x | 11.00x | 8.96x | 13.45x | 13.10x |

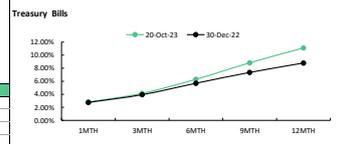
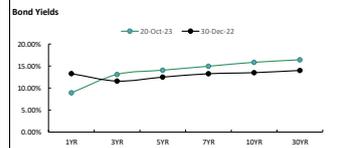
Money Market Rates

| | This Week | Previous |
|---------|-----------|----------|
| 08B | 1.50% | 1.00% |
| 01W | 2.22% | 1.67% |
| Average | 1.86% | 1.34% |

Treasury Bills Yields

| | This Week | Previous |
|---------|-----------|----------|
| 1MTH | 2.83% | 2.94% |
| 3MTH | 4.15% | 4.49% |
| 6MTH | 6.30% | 7.04% |
| 9MTH | 8.83% | 9.63% |
| 12MTH | 11.10% | 10.85% |
| Average | 6.64% | 6.99% |

Bond Income Monitor



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Meristem Research can also be accessed on the following platforms:

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

Bloomberg: MERI<GO>

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