

What Moved the Markets this Week?

In the global cities, major monetary policy authorities, the United States Federal Reserve and the Bank of England have held the interest rate steady at 5.25% and 5.25% - 5.50%, respectively. The continuous moderation in inflation and the bid to support their respective country's economic growth influenced the decision to hold rates in the near term. We expect the committee to keep rates constant while monitoring underlying factors that threaten price stability, such as labour market trends and supply chain disruptions stemming from the ongoing geopolitical tensions in the Middle East. In Asia, a Hong Kong court has issued an order for the liquidation of China's property giant Evergrande Group following the failure of the company's debt restructuring plans. This directive comes two years after Evergrande defaulted on its debt, creating a ripple effect in the Chinese property sector and impacting the country's economy. While this may instil weaker confidence in the property sector, we expect some clarity and a more structured revitalization effort by the Chinese government. In addition, the International Monetary Fund has increased its 2024 projection for global growth to 3.1% from the initial 3.0% projected in October 2023. The improved outlook is based on the US economy's greater-than-expected resilience and fiscal support's positive impact on the Chinese economy. Contrary to the sub-Saharan region, the 2024 outlook was revised downward to 3.80% from 4% owing to weaker projections from its major economies - South Africa and Nigeria.

On the domestic scene, the Internal Money Fund (IMF), in its January World Economic Outlook report, has marginally reduced Nigeria's 2024 economic growth projections to 3.00% from the 3.10% forecast in October 2023. The organization's forecast is hinged on sustained Naira depreciation and suboptimal oil production. Nonetheless, we envision an improvement in the oil GDP anchored on low base effects and the government's focus on tackling existing efficiency and security challenges. Coupled with the expectation of gradual recovery in business activity, we project a 2024 GDP growth of 3.42%. In addition, the Central Bank of Nigeria (CBN) has imposed stringent limits on the Net Open Position (NOP) of Deposit Money Banks (DMBs) regarding their foreign currency exposures, both on and off the balance sheet. This mandates the banks to adhere to a strict cap on the NOP, restricting it to a maximum of 20% short position or 0% long position of shareholder's funds unimpair by losses. This is expected to provide better risk management strategies for banks regarding their exposure to currency and ensure that their capital remains sufficient to cover potential losses. For the economy, we opine that if effectively implemented, this directive may be a short-term respite for the struggling exchange rate, which fell to a historic low of NGN1,482.56 on January 30, 2024. In other developments, the Central Bank of Nigeria (CBN) has released revised guidelines governing the operations of International Money Transfer Operators (IMTOs) in the country. Notably, the CBN has increased the minimum capital requirement from NGN50m to USD1,00m. Also, the bank introduced an application fee of NGN10,000 for IMTOs seeking to operate in Nigeria and prohibited French companies from obtaining IMTO licenses. These regulatory adjustments highlight the CBN's dedication to stabilizing and reforming the country's foreign exchange market. On the corporate scene, Arrel Africa Plc (ARRELAFR) disclosed its intention to launch a share buy-back programme of about USD100m. Still awaiting regulatory approval, the programme is expected to begin in March 2024 over a 12-month timeline. This initiative aligns with the firm's positive long-term outlook and will be executed using its cash reserves. Nonetheless, we reiterate our SELL recommendation on the ticker as it currently trades at NGN2,000, 26.94% below our target price of NGN1,461.13.

The Nigerian equities market closed in the green zone for the fifth consecutive week in 2024, as the All-share index (NGXASI) gained 1.97% WoW to reach 104,421.23pts, and the Year-to-Date return advanced to 39.65%. Across sector indices, performance was primarily mixed as the NGXNSMRGDS (+1.30% WoW) and NGXNKINDUSTR (+4.36% WoW) recorded week-on-week gains while NGXBNK (-4.52% WoW) and NGXNGS (-4.07% WoW) recorded week-on-week declines.

In the primary bond auction this week, the total subscription (NGN654.56bn) was 1.45x the total allotment amount (NGN418.30bn). Nonetheless, stop rates across the offered instruments remained unchanged at 15.00%, 13.50%, 16.00%, and 16.30% from the previous auction. Also, at the DMO auction, the total subscription was NGN33bn on the amount offered of NGN250bn. Consequently, stop rates across the trio of tenured instruments were 10.00%, 11.50%, and 17.00%. The settlement in the secondary fixed income market was predominantly bullish as the average 1-Bills and bond yields rose to 8.49% and 14.88%, respectively (vs 4.71% and 13.79% last week).

Nigeria | February 2nd, 2024

Market Performance

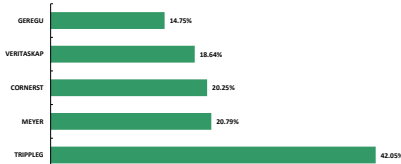
Equities	This Week	Previous Week	% Δ
NGXASI	104,421.23	102,401.88	1.97%
Volume (bn)	3.87	2.94	31.56%
Value (bn)	95.06	57.74	64.63%
Mkt. Cap. (Tmn)	57.15	56.04	1.98%
Market Breadth	0.47x	0.72x	

	WD	MD	YTD
NGXBNK	-4.52%	12.54%	8.74%
NGXNSMRGDS	1.30%	6.19%	32.02%
NGXOILGAS	-2.47%	0.03%	20.00%
NGXINS	-4.07%	6.71%	29.85%
NGXINDUSTR	4.36%	0.51%	108.92%
NGXASI	1.97%	3.23%	39.65%

Other Indices	WD	MD	YTD
NGX-30	2.05%	3.26%	40.88%
NGX-PENSION	-1.85%	7.47%	21.38%

Market Outlook

Top Gainers

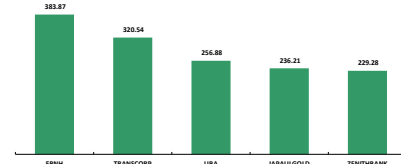


Top Losers

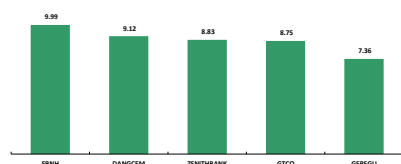


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,435.53	891.90	37.87%

Money Market Rates

	This Week	Previous
ORB	20.20%	17.58%
ONB	21.20%	18.93%
Average	20.70%	22.68%

Bond Yields

	This Week	Previous Week	%Δ
1YR	12.50%	12.72%	-0.22%
3YR	14.87%	13.31%	1.56%
5YR	14.52%	13.97%	0.55%
7YR	14.78%	14.01%	0.77%
10YR	15.08%	15.32%	-0.25%
30YR	16.18%	15.63%	0.55%

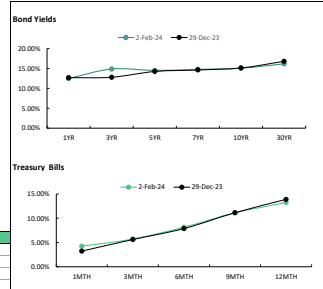
Treasury Bills Yields

	This Week	Previous
1MTH	4.23%	2.28%
3MTH	5.79%	3.42%
6MTH	8.15%	4.41%
9MTH	11.12%	5.87%
12MTH	13.24%	7.57%
Average	8.49%	4.71%

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	1.57%	0.00%	0.54%	0.50%	-0.10%	0.24%	0.65%	-0.78%
WD	1.97%	0.00%	0.00%	2.21%	-0.92%	0.23%	-0.30%	0.36%
YTD	39.65%	1.35%	14.22%	0.78%	-3.25%	1.59%	-4.07%	-0.24%
P/E	15.09x	5.79x	13.66x	5.06x	16.24x	11.23x	14.70x	14.91x

Fixed Income Monitor



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