

What Moved the Markets this Week?

In the global scene, the Euro area's headline inflation for January 2024 slowed down to 2.80% from 2.90% in December 2023. This decline was supported by lower prices of food, alcohol & tobacco, energy and non-energy industrial goods in the month. Likewise, the core inflation cooled for the sixth consecutive month to 3.30%, hitting its lowest level since March 2022. Despite the marginal decline, we believe that the ECB would maintain its key policy rate at the same level in its next meeting in a bid to restore price stability and push the inflation rate below its target of 2.0%. Furthermore, in light of China's ongoing efforts to rejuvenate its economic growth amidst challenges in the property sector, the People's Bank of China (PBOC) reportedly reduced its key benchmark rate by 25bps to 3.50% during its latest meeting. While this marks the most significant rate cut since 2023, the one-year Loan Prime Rate remained unchanged at 2.45%. This move, combined with other expansionary fiscal measures by the Chinese government, is seen as a positive step amid declining growth rates and a deflationary trend aimed at supporting the ailing economy. In Sub-Saharan Africa, Statistics South Africa reported that the country's consumer price index inched up to 5.30% YoY and 0.10% MoM in January (compared to 5.10% YoY and 0.01% MoM in December 2023). This marks the first increase after two consecutive months of decline. The uptick was notably driven by higher food and non-beverage costs (7.20%), fuel costs (2.30%), transport costs (4.60%), and miscellaneous goods and services (5.40%) during the period. Similarly, the core index, which excludes food and energy costs, also rose by 4.60% from 4.50% in December. We anticipate that the uptrend in inflation would likely compel the South African Reserve Bank (SARB) to maintain higher interest rates for an extended period until a noticeable disinflation pattern is seen.

According to data by the National Bureau of Statistics (NBS), Nigeria's economy expanded by 3.46% YoY and 2.74% YoY in Q4-2023 and 2023FY, respectively (vs 3.52% YoY and 3.10% in Q4-2022 and 2022FY). Performance in the fourth quarter was supported by a significant recovery in the oil sector, following 16 consecutive quarters of contraction (-12.11% YoY vs -13.38% YoY in Q4-2022) driven by higher oil production volume. Also, improvements in the non-oil sector (+3.07% YoY vs 3.70% in Q4-2022) were driven by better performance in the financial and insurance, ICT, agriculture and trade sectors, amongst others. Looking ahead, we expect the economy to sustain its growth path on the back of higher oil output and a resurgence in business activities as the impact of macroeconomic reforms eases. In another development, the NBS also reported that the total value of capital importation in Q4-2023 stood at USD1.09bn, indicating a rise from USD1.06bn in Q4-2022 and USD0.6466bn in Q3-2023. This marks the first quarterly increase in two years, with the performance supported by an increase in Foreign Direct Investments (FDI) (+114.4% YoY) and Foreign Portfolio Investments (FPI) (+8.6% YoY). We believe the expectations of a higher yield environment would likely spur positive investor sentiment in the near term and drive an increase in FPIs. However, the weakening macroeconomic fundamentals and illiquidity challenge in the foreign exchange market remain a downside to our outlook. Lastly, at the just concluded African Health Forum2024, the Federal Government, through the Ministry of Health and Social Welfare, signed an MoU with the African Export-Import Bank (AFREXIM) for the development of Nigeria's healthcare sector through the Presidential Initiative for Unlocking Healthcare Value Chains (PIHVC). This partnership involves a USD1bn investment in providing healthcare infrastructure and enhancing the local production of pharmaceuticals, vaccines, and other medical consumables. With operations set to begin at the start of 2025, we believe that this partnership could foster growth in the country's healthcare sector and improve the populace's access to quality medical services.

Turning from the positive performance last week, the negative sentiment prevailed in the Nigerian Equities market as the Allshare Index (NGXASI) shed 3.44% WoW to settle at 102,088.07pts. As a result, the Year-to-Date return declined to 36.53%. Performance across sectors was mixed as the **NGXCONSMBRCHS** (+2.01% WoW), **NGXOILGAS** (+0.01% WoW) recorded week-on-week gains, while the **NGXINS** (-8.91% WoW), **NGXINDUSTR** (-9.94% WoW) and **NGXBANK** (-2.10% WoW) closed in the red zone during the week.

At the Bonds PMA held during the week, the DMO opened two new instruments- FEB 2031 and FEB 2034, offering NGN1.50trn (NGN1.25trn on each instrument), with a total subscription at NGN1.50trn vs NGN1.50trn that was allotted. As a result, the marginal rate stood at 18.50% and 19.00%, respectively. Also, at the T-bills PMA, the amount offered (NGN265.50bn) was lower than the previous auction (NGN1.00trn). However, the total subscription and total amount allotted increased to NGN224trn and NGN1.59trn from NGN1.59trn and NGN1.00trn at the previous auction, respectively. Also, the bid-to-cover ratio declined to 1.43x vs 1.98x at the previous auction. Consequently, the stop rates across the 91-day and 182-day instruments fell by 24bps and 50bps to 17.0% and 17.5%, respectively, while the 364-day remaining instrument was unchanged at 19.0%. The secondary market remained bearish as the average yields for T-bills and bonds rose to 16.79% and 16.80%, respectively, up from 16.41% and 16.12% last week.

Nigeria | February 23rd, 2024

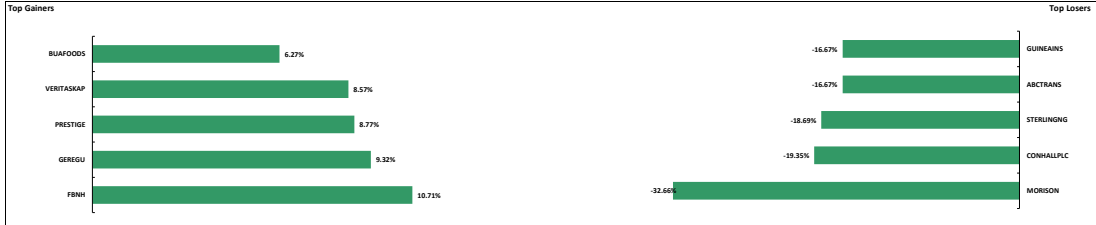
Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	102,088.07	105,722.78	-3.44%
Volume (Tbn)	1.37	1.56	-11.79%
Value (Tbn)	31.53	36.43	-13.45%
Mkt. Cap. (Tbn)	55.86	57.85	-3.44%
Market Breadth	0.25x	0.68x	

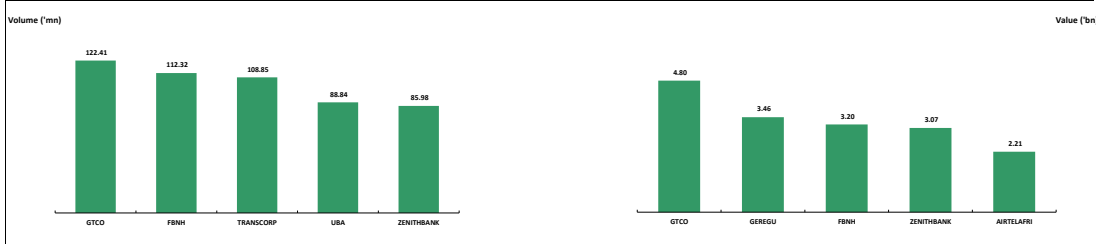
WID	MID	YTD
NGXBANK	-2.10%	1.23%
NGXCONSMBRCHS	2.01%	20.03%
NGXOILGAS	0.01%	4.88%
NGXINS	-8.91%	-1.68%
NGXINDUSTR	-7.94%	-12.94%
NGX-ASI	-3.44%	0.92%

Other Indices	WID	MID	YTD
NGX-30	-3.36%	1.14%	37.99%
NGX-PENSION	-2.84%	0.65%	13.68%

Market Outliers



Weekly Trading Activity



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,665.50	1,537.96	-7.66%

Bond Yields	This Week	Previous Week	%Δ
1YR	21.98%	19.30%	2.67%
3YR	16.55%	15.93%	0.62%
5YR	16.30%	15.67%	0.63%
7YR	18.49%	15.52%	2.98%
10YR	16.00%	16.00%	0.00%
30YR	17.45%	17.47%	-0.02%

In Other Markets	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.84%	0.02%	0.06%	0.17%	0.12%	0.36%	0.86%	0.87%
WID	-3.44%	-0.01%	0.00%	1.92%	0.80%	0.89%	1.30%	0.99%
YTD	36.53%	1.75%	17.74%	0.78%	-3.50%	4.09%	0.56%	1.94%
DYI	14.74%	3.67%	14.08%	4.94%	16.00%	11.53%	15.41%	14.39%

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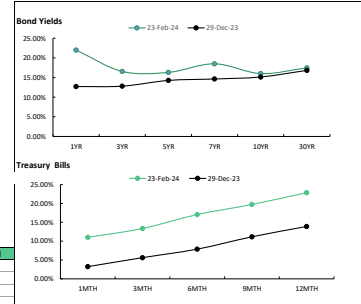
Monday Market Rates

	This Week	Previous
DBR	24.91%	16.25%
DMV	25.75%	16.93%
Average	25.33%	16.59%

Treasury Bills Yields

	This Week	Previous
1MTH	11.00%	10.24%
3MTH	13.35%	13.34%
6MTH	17.04%	16.27%
9MTH	19.72%	19.53%
12MTH	22.85%	22.67%
Average	16.79%	16.41%

Fixed Income Monitor



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