

What Moved the Markets this Week?

According to the U.S. Bureau of Labor Statistics, the annual inflation rate in the US surged for a second consecutive month to 3.50% in March 2024 from 3.10% in February 2024, marking its highest level since September 2023. This increase can be attributed to elevated energy costs, particularly in gasoline, which also influenced the transportation index, while food inflation remained steady. Looking forward, we anticipate that this inflationary trend may dampen expectations of rate cuts by the Federal Reserve in the upcoming months, as inflation persists above the country's 2.00% target. Furthermore, during its April meeting, the European Central Bank (ECB) chose to keep its key interest rate steady at 4.50% for the fifth consecutive time. Despite a downturn in the bloc's inflation rate in March 2024, mainly due to decreases in food and goods prices, the central bank expressed its commitment to maintaining policy rates at a sufficiently restrictive level until inflation returns to its medium-term target of 2.00%. In our assessment, there is a likelihood of a dovish stance from the apex bank in the midterm, considering the diminishing inflation and the constraining effect of high interest rates on economic growth. The World Trade Organization in its latest global trade outlook report predicts that total global trade volumes will rise by 2.60% in 2024. This comes after a 1.20% decline in 2023, attributed to inflationary pressures and higher interest rates which impacted international trade. According to the report, the resurgence in trade is driven by the moderation of inflation and monetary policy in major economies, which had hampered trade in 2023. However, the WTO highlighted downside risks, such as the ongoing conflict between Israel and Hamas, which could lead to significant trade disruptions if it escalates (particularly, affecting the global energy market).

On the domestic scene, data from the Organization of the Petroleum Exporting Countries (OPEC) indicates that Nigeria's crude oil production declined for the second consecutive month in March 2024, dropping to 1.23 million barrels per day (mbpd) from 1.32mbpd in February 2024. This decline is attributed to oil theft, pipeline vandalism incidents, and insecurity in oil producing areas. However, the data revealed that the country's average crude oil production in Q1-2024 was 1.33mbpd, surpassing the Q4-2023 average of 1.31mbpd. Looking ahead, we emphasize the importance of the Federal Government increasing security measures along oil infrastructure, as current production figures are significantly lower than the country's 2024 budget estimate of 1.70 mbpd and OPEC's quota of 1.50mbpd. Additionally, the Central Bank of Nigeria (CBN) issued two circulars targeted at the country's Foreign Exchange market. Firstly, the use of foreign-denominated assets as collateral for Naira loans is to be ceased, except for cases involving Eurobonds issued by the federal government of Nigeria and guarantees from foreign banks, such as standby letters of credit. The apex bank provided a 90-day ultimatum to wind down loans falling within this category and after this period, any remaining loans will be subject to a risk-weighting of 150% for capital adequacy ratio computation. Furthermore, the CBN announced its foreign exchange (FX) sale to Bureau De Change (BDC) operators at the rate of NGN1101/USD, while maintaining the directive for BDCs to limit the spread on end-user sales to 1.50% of the purchase price. In our assessment, these directives align with recent reforms by the CBN and are aimed at further enhancing liquidity in the FX market and stabilizing the country's currency. On the corporate front, the Guaranty Trust Holding Company (GTCO) announced its plans to seek shareholder approval for raising additional capital of up to USD750.00mm (or its equivalent in Nigerian Naira). This will be accomplished through the issuance of securities, which may include ordinary shares, preference shares, convertible and/or non-convertible notes, bonds, or any other financial instruments. The issuance will be contingent upon obtaining the necessary approvals from the relevant regulatory authorities. We believe this move is in response to the recapitalization mandate by the CBN to bolster the capital base of banks and improve the capacity to absorb potential shocks.

The Nigerian equities market closed down for the fourth consecutive week, as the All-Share Index (NGXASI) recorded a 1.09% WoW decline to settle at 102,314.56pts. This brought the year-to-date return to +36.83%. Sector-wise, performance was broadly bearish, as NGXBNK (-7.22% WoW), NGXOILGAS (-0.28% WoW), NGXINS (2.45% WoW), NGXNSMRGDS (-1.33% WoW) and NGXINDUSTR (-0.23% WoW) closed in the negative zone for the week.

During this week's T-bills primary market auction, the total amount offered stood at NGN149.64bn, with total subscription amounting to NGN1.82trn, compared to NGN161.33bn and NGN2.62trn, respectively, at the previous auction. Consequently, the total amount allotted decreased to NGN951.82bn from NGN1.19trn in the last auction. This resulted in a decline in the bid-to-cover ratio to 1.91x, down from 2.20x in the previous auction. Furthermore, the stop rates for the 91-Day and 182-Day instruments remained unchanged at 16.24% and 17.00%, respectively, while the stop rate for the 364-Day instrument decreased to 20.70% from 21.12% in the prior auction. Sentiment in the secondary fixed-income market was varied, with the average T-bills yield climbing to 19.33%, while the average Bond yield decreased to 18.86% from 18.62% and 19.31%, respectively, in the preceding week.

Nigeria | April 12th, 2024

Market Performance

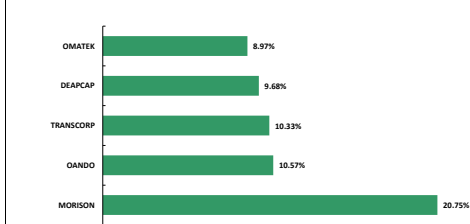
Equities	This Week	Previous Week	%Δ
NGXASI	102,314.56	103,437.67	-1.09%
Volume (bn)	1.12	3.24	-65.49%
Value (bn)	28.60	55.96	-48.89%
Mkt. Cap. (trn)	57.86	58.48	-1.06%
Market Breadth	0.52x	0.78x	

	WTD	MID	YTD
NGXBNK	-7.22%	-13.46%	-0.69%
NGXNSMRGDS	-1.33%	-0.40%	43.08%
NGXOILGAS	-0.28%	-0.28%	23.75%
NGXINS	-2.45%	-3.28%	22.06%
NGXINDUSTR	-0.23%	-0.50%	77.60%
NGX-ASI	-1.09%	-2.15%	36.83%

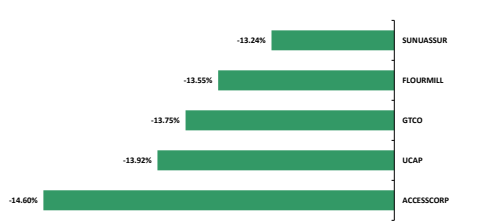
Other Indices	WTD	MID	YTD
NGX-30	-1.02%	-2.18%	36.05%
NGX-PENSION	-2.90%	-6.47%	13.54%

Market Outliers

Top Gainers

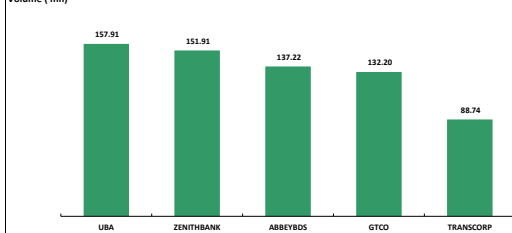


Top Losers

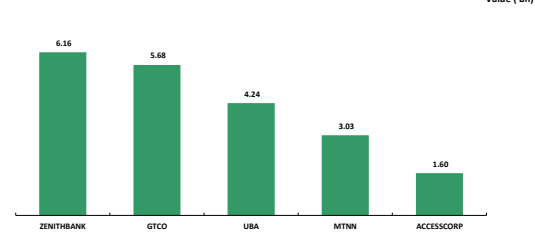


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,142.38	1,251.05	9.51%

Money Market Rates

	This Week	Previous
OBB	29.67%	22.11%
OVN	30.07%	23.00%
Average	29.87%	22.56%

Bond Yields

	This Week	Previous Week	%Δ
1YR	23.25%	19.62%	3.63%
3YR	19.41%	20.29%	-0.88%
5YR	19.58%	19.50%	0.08%
7YR	19.75%	20.06%	-0.30%
10YR	18.61%	18.60%	0.00%
30YR	18.45%	18.70%	-0.25%

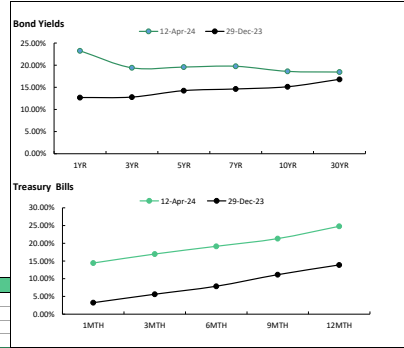
Treasury Bills Yields

	This Week	Previous
1MTH	14.43%	13.39%
3MTH	16.96%	16.21%
6MTH	19.14%	18.56%
9MTH	21.32%	21.39%
12MTH	24.79%	23.55%
Average	19.33%	18.82%

Int. Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-0.71%	0.07%	1.25%	0.40%	0.09%	-0.33%	-0.26%	-0.66%
WTD	-1.09%	-0.37%	0.00%	-2.41%	0.79%	-0.84%	0.90%	-0.85%
YTD	36.83%	9.95%	14.50%	20.11%	-1.98%	3.92%	3.06%	2.75%
P/E	14.02x	4.67x	10.87x	5.45x	13.65x	11.49x	15.29x	14.87x

Fixed Income Monitor



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