

What Moved the Markets this Week?

At its meeting held earlier this week, the U.S. Federal Reserve (US Fed) opted to maintain its benchmark interest rate within the range of 5.25% to 5.50%. This decision was made amidst ongoing concerns regarding a persistent increase in headline inflation, which has been steadily on the rise since January and reached 3.50% by March 2024. Given this continuous upward trend in inflationary pressures, the likelihood of any imminent rate cuts remains uncertain. Thus, looking ahead, we anticipate that the U.S. Fed will keep interest rates unchanged as it aims to steer inflation back towards its target of 2.00%. According to preliminary estimates from Eurostat, the Euro area experienced an expansion of 0.30% QoQ in Q1-2024, marking its strongest growth since Q3-2022 (vs 0.40% in Q1-2023 and -0.10% in Q4-2024). This growth was primarily driven by a rebound in the region's largest economy - Germany (which grew by 0.20% vs -0.50% in Q4-2023) and marginal expansions in production and fixed asset investments. However, demand remains subdued within the region, as evidenced by PMI data indicating a further contraction to 45.70pts (from 46.10pts in March 2024). Considering this and the preliminary inflation number for April (steady at 2.40%), we believe that this might prompt the ECB to opt for a rate cut decision at their next meeting in June.

On the domestic scene, the federal government recently approved an upward salary review ranging from 25% to 35% for civil servants across six salary structures, alongside a 20% to 28% pension increase for pensioners under the Defined Benefits Scheme within the same salary structures. This is aimed at alleviating the challenges posed by the economic and living conditions, the overall objective is to enhance the quality of life for citizens. While this development is promising, we anticipate that the surge in disposable income could fuel more spending, potentially increasing inflationary pressures in the country. In another development, the Nigeria Deposit Insurance Commission (NDIC) has increased the maximum deposit insurance coverage for the different licensed deposit-taking financial institutions. This includes an increase in coverage from NGN500,000 to NGN5,000,000 for Deposit Money Banks (DMBs) and Mobile Money Operators (MMDs), NGN200,000 to NGN2,000,000 for Microfinance Banks (MFBs), and NGN500,000 to NGN2,000,000 for both Primary Mortgage Banks (PMBs) and Payment Service Banks (PSBs). We view this adjustment as a move towards providing a broader and more credible deposit protection system. We anticipate that this change will enhance depositor confidence in the Nigerian banking system and lead to increased income for insurance players through higher insurance premiums. However, it's worth noting that this adjustment could potentially exert pressure on banks' margins due to increased regulatory costs. Lastly, on the corporate developments, Zenith Bank Plc (ZENITHBANK) shareholders recently greenlit the company's transition to a holding company structure. This decision, authorized during a court-ordered Extraordinary General Meeting (EGM), involves transferring its ordinary shares (31.40bn units) to Zenith Bank Holding Company Plc (HoldCo) and subsequently delisting its banking subsidiary from the exchange. Additionally, approval was granted for existing holders of Global Depository Receipts (GDRs) in the bank to switch to new GDRs in the HoldCo, and for existing shares in Zenpay Limited (a subsidiary of the HoldCo) to be transferred to the HoldCo as well. We anticipate that this transition will improve business operations, enhance its competitive positioning and ultimately generate more value for shareholders going forward.

The Nigerian equities market returned positive after six consecutive weeks of a negative performance, as the All-Share Index (NGXASI) recorded a +1.44% WoW gain to settle at 99,587.25pts. To buttress this, market breadth expanded to 1.18x from 0.56x in the prior week as 45 stocks gained compared to 38 stock which lost during the week. Thus, the year-to-date return rose to +33.18%. Across sectoral indices, the performance was mixed, as **NGXBANK** (+9.42% WoW), and **NGXINS** (+0.98% WoW) closed positive for the week while **NGXOILGAS** (-0.68% WoW), **NGXNSMRGDS** (-0.26% WoW), and **NGXINDUSTR** (-0.36% WoW) recorded week-on-week losses.

At the secondary fixed income market this week, market sentiment was predominantly bullish as the average T-bills yields declined to 20.74% from 21.57% last week, while the average bonds yields fell to 18.81% from 18.93% in the previous week.

Nigeria | May 3rd, 2024

Market Performance

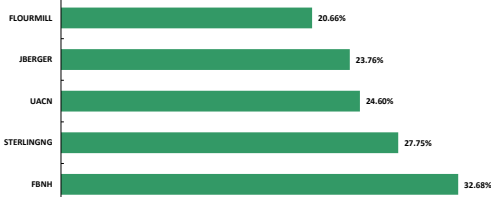
Equities	This Week	Previous Week	% Δ
NGXASI	99,587.25	98,176.76	1.44%
Volume (bn)	1.91	1.63	17.57%
Value (bn)	32.48	29.73	9.25%
Mkt. Cap. (trn)	56.32	55.52	1.44%
Market Breadth	1.18x	0.55x	

	WTD	MID	YTD
NGXBANK	9.42%	8.03%	-6.76%
NGXNSMRGDS	-0.26%	1.34%	39.71%
NGXOILGAS	-0.68%	-0.32%	21.17%
NGXINS	0.98%	1.54%	19.83%
NGXINDUSTR	-0.36%	0.01%	72.83%
NGX-ASI	1.44%	1.39%	33.18%

Other Indices	WTD	MID	YTD
NGX-30	1.49%	1.56%	32.29%
NGX-PENSION	6.15%	4.41%	11.70%

Market Outliers

Top Gainers

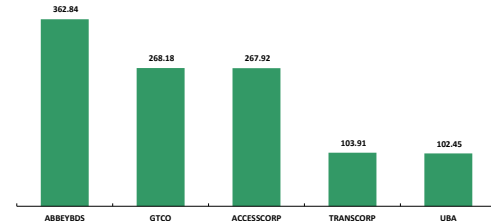


Top Losers

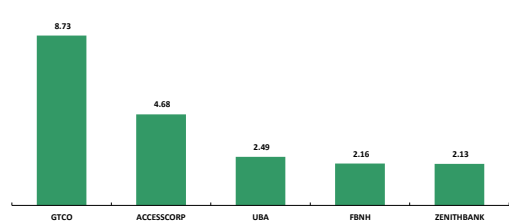


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,400.40	1,339.23	-4.37%

Money Market Rates

	This Week	Previous
OBG	26.25%	30.25%
OVN	27.08%	31.25%
Average	26.67%	30.75%

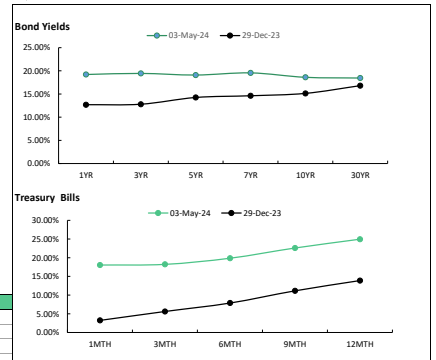
Bond Yields

	This Week	Previous Week	%Δ
1YR	19.21%	21.22%	-2.01%
3YR	19.45%	19.07%	0.38%
5YR	19.10%	19.11%	-0.01%
7YR	19.56%	19.68%	-0.12%
10YR	18.61%	18.61%	-0.00%
30YR	18.45%	18.45%	0.00%

Treasury Bills Yields

	This Week	Previous
1MTH	18.04%	18.79%
3MTH	18.23%	19.20%
6MTH	19.87%	20.85%
9MTH	22.60%	23.32%
12MTH	24.95%	25.68%
Average	20.74%	21.57%

Fixed Income Monitor



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Bloomberg: MERI <GO>

Capital IQ: www.capitaliq.com

ISI Emerging Markets: www.securities.com/ch.html?pc=NG

Reuters: www.thomsonreuters.com

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