

What Moved the Markets this Week?

At its meeting held earlier this week, the Bank of England maintained its restrictive monetary policy stance, keeping interest rate constant at 5.25% for the sixth consecutive time. The Monetary Policy Committee emphasized current indicators, specifically pointing out a 6.00% services inflation rate observed in March. Looking ahead, we anticipate the monetary authority will diligently monitor upcoming macroeconomic indicators to gauge the extent of persistent inflation risks. This evaluation will inform decisions during its next policy meeting in June regarding the consideration of a rate adjustment. In Asia, China's exports and imports rebounded in April 2024, growing by 1.50% and 8.40% in April respectively (vs. -7.50% and 1.90% in March). This rebound can be attributed to two key factors: deflationary pressures stemming from weak domestic demand, which enhanced the global competitiveness of Chinese goods, and government stimulus packages, which boosted domestic demand and subsequently improved import levels. With stimulus measures likely to continue, we anticipate a sustained growth in both domestic and foreign demand going forward. According to the Ghana Statistical Service (GSS), Ghana's inflation rate decreased to 25.00% YoY in April 2024, down from 25.80% in March 2024. This decline is mainly due to a favorable base effect and lower food prices, as food inflation slowed to 26.80% in April from 29.60% in March, marking its lowest level in 13 months. We anticipate a contractionary monetary policy stance from the Bank of Ghana, given that inflation still surpasses the bank's target range of 6.00 to 10.00%.

On the domestic scene, Global ratings agency, Fitch, recently upgraded Nigeria's outlook to positive from stable, citing economic reforms under the new administration. The agency noted that efforts to restore macroeconomic stability and boost policy credibility, including exchange rate and monetary policy adjustments, reduced fuel subsidies, and measures to increase government revenue and oil production, have improved the country's outlook and attracted significant inflows to the country's official foreign exchange market. We consider this a positive development, as it conveys a reassuring message to foreign investors and could potentially enhance the Central Bank of Nigeria's initiatives to draw in substantial foreign investment to the country. In a separate development, the Central Bank of Nigeria (CBN) reported that Nigeria's external debt service grew by 39.70% to USD1.12bn, up from USD801.36mn in Q1-2023. This surge was driven by higher cost of borrowing (as rates remain high globally) and the continuous depreciation of the Naira. Notably, the report indicated that Nigeria spent c.70% of dollar outflow on servicing external debt during the period. Going forward, we expect a further increase in the government's debt service as the Naira depreciates further. Also, the CBN has issued a directive requiring banks and financial institutions to impose a 0.50% cybersecurity levy on all electronic transactions, effective two weeks following the circular. This levy will be remitted to the National Cybersecurity Fund, which will be managed by the Office of the National Security Adviser. The introduction of this levy is in accordance with the 2024 Cybercrime (Prohibition, Prevention, etc.) Amendment Act, aimed at financing national cybersecurity initiatives. We believe this move is designed to strengthen cybersecurity measures in the financial sector by providing funding for initiatives that combat cyber threats and enhance online security. Lastly, in response to the CBN's earlier decision to attach the 2.00% and 3.00% fees on cash deposit exceeding NGN500,000 for individuals and NGN3mn for corporations, the monetary authority has extended the suspension on this fees to September 2024. We expect that this directive could ease the burden on large transactions and encourage fund inflows into the financial system.

The local bourse closed in the red zone as the NGXASI registered -1.38% WoW to settle at 98,234.24pts, bringing the year-to-date return to 31.38%. Across sectoral indices, performance was predominantly negative, as only NGXINDUSTR (+0.07% WoW) closed positively, while NGXCNSMRGDS (-1.18% WoW), NGXBNK (-0.07% WoW), NGXOILGAS (-0.33% WoW), and NGXINS (-1.01% WoW) closed in the negative territory.

During the OMO auction held this week, total amount offered stood at NGN500bn, while total amount subscribed is NGN291.60bn. Stop rate increased across the 91-day, 180-day and 364-day instruments increased to 18.99%, 19.48%, and 21.50% respectively, (vs. 16.24%, 17.00%, and 20.70% recorded in the last OMO auction). Also, at the T-bills market, a total of NGN179.4bn was offered (vs. NGN142.5bn at the last auction). Total subscription declined to NGN94.1bn (vs. NGN1.5trn at the previous auction), while the amount allotted was NGN274.7bn (vs. NGN362.45bn at the previous auction). Subsequently, stop rates across the 91-day, 180-day and 364-day instruments remained steady at 16.20%, 17.00%, and 20.70%, respectively. At the secondary fixed income market, sentiment was predominantly bullish as average T-bills and bond yields declined to 21.15% and 18.61% respectively, down from 21.57% and 18.81% in the prior week.

Nigeria | May 10th, 2024

Market Performance

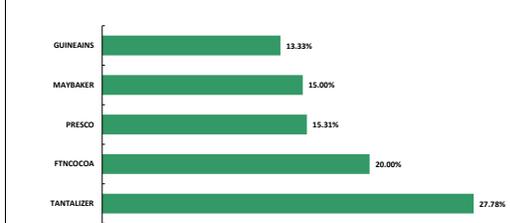
Equities	This Week	Previous Week	% Δ
NGXASI	98,234.24	99,587.25	-1.36%
Volume (bn)	2.18	1.91	13.95%
Value (bn)	50.17	32.48	54.46%
Mkt. Cap. (trn)	55.56	56.32	-1.35%
Market Breadth	1.08x	1.18x	

	WTD	MID	YTD
NGXBANK	-0.07%	7.95%	-6.83%
NGXCNSMRGDS	-1.18%	0.15%	38.06%
NGXOILGAS	-0.33%	-0.65%	20.77%
NGXINS	-1.01%	0.51%	18.62%
NGXINDUSTR	0.07%	0.09%	72.95%
NGX-ASI	-1.36%	0.01%	31.38%

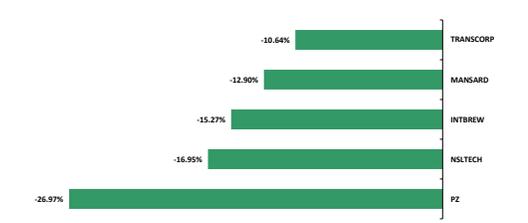
Other Indices	WTD	MID	YTD
NGX-30	-1.46%	0.08%	30.36%
NGX-PENSION	-1.14%	3.23%	10.43%

Market Outliers

Top Gainers

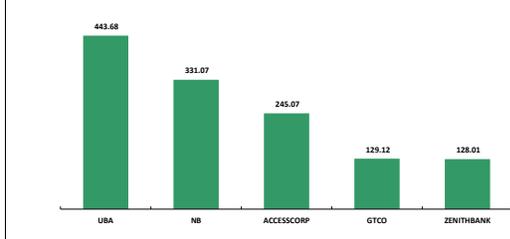


Top Losers

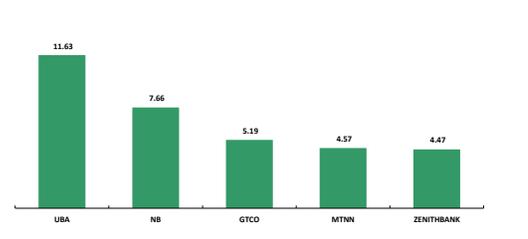


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	% Δ
NAFEM (per USD)	1,466.31	1,400.40	-4.49%

Bond Yields

	This Week	Previous Week	% Δ
1YR	18.97%	19.52%	-0.55%
3YR	19.45%	19.41%	0.03%
5YR	18.95%	19.10%	-0.15%
7YR	19.49%	19.57%	-0.08%
10YR	17.91%	18.61%	-0.70%
30YR	17.81%	18.45%	-0.64%

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-0.02%	0.00%	0.05%	1.30%	-0.10%	-0.29%	0.29%	
WTD	-1.36%	0.05%	0.00%	1.76%	2.80%	0.72%	0.20%	0.98%
YTD	31.38%	16.55%	4.45%	15.60%	2.18%	2.52%	3.89%	4.29%
P/E	12.96x	5.00x	9.94x	5.54x	16.49x	11.17x	15.37x	15.46x

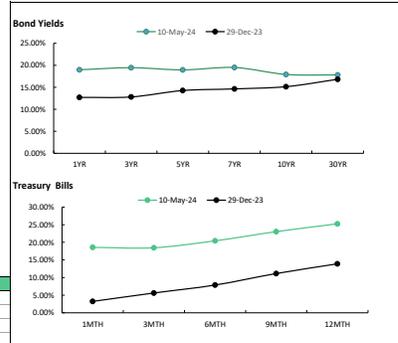
Money Market Rates

	This Week	Previous
OBB	28.00%	26.25%
OVN	28.63%	27.08%
Average	28.31%	26.67%

Treasury Bills Yields

	This Week	Previous
1MTH	18.57%	18.04%
3MTH	18.46%	18.23%
6MTH	20.42%	19.87%
9MTH	23.03%	22.60%
12MTH	25.24%	24.95%
Average	21.15%	21.37%

Fixed 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 <GD>

Capital IQ: www.capitaliq.com

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

Reuters: www.thomsonreuters.com

Factset: www.factset.com

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