

What Moved the Markets this Week?

During the week, the US Bureau of Statistics reported that the country's headline inflation rate eased to 3.30% in May, down from 3.60% in April. This slowdown was primarily driven by declines in food and energy prices, which offset the high costs of shelter & housing. As inflation rate still remains above the FED's 2.00% target, the Federal Reserve maintained its restrictive monetary policy stance during its meeting this week, keeping interest rates unchanged at 5.25%-5.00%. Going forward, we expect further moderation in the US inflation rate hinged on slower non-fall payroll growth and a continuous fall in food prices. However, we expect the FED to keep rates unchanged in the near term as it monitors trends in labor market conditions and consumption patterns. In Sub-Saharan Africa, Ghana's inflation decelerated to a 2-year low of 23.10% YoY in May from 25.00% in April attributed to a sharp fall in food inflation and favorable base effect. However, monthly headline inflation soared to a 10-month high of 3.20%, driven by the impact of FX depreciation during the month, which propelled the prices of imported and non-food items. In the near term, we foresee a slowdown in the country's CPI, given the expected USD250m loan from the World Bank which will support the stability of the local currency - Cedi.

On the domestic scene, the Organization of Petroleum Exporting Countries (OPEC) reported that Nigeria's crude oil production declined by 2.34% to 1.25 mbpd in May, down from 1.28 million bpd in April. This marks the second decline observed in 2024 and falls short of the newly revised quota (1.50mbpd from 1.38mbpd). The lower production is attributed to ongoing challenges such as oil theft and vandalism in the oil and gas sector, as well as operational disruptions in some terminals due to maintenance and outdated infrastructure. In the near term, we anticipate that the resumption of operations at some terminals and recent government efforts to boost production might increase output, albeit marginally. For the long-term sustainability of the sector, it is crucial to incentivize investment to drive growth. In a separate development, the world bank has approved USD2.25bn financial support package for Nigeria. This loan will serve two financing facilities - USD1.50bn to back Nigeria's Reform for Economic Stabilisation to Enable Transformation (RESET) Development Policy Financing (DPF) and USD750m for Accelerating Resource Mobilisation Reforms (ARMOR). We believe this fund will aid the development of strategic sectors and the growth of the overall economy. Furthermore, data from the National Bureau of Statistics showed that Nigeria's total trade increased by 145.64% YoY to NGN31.81bn in Q1:2024, compared to NGN12.95bn in Q1:2023 and NGN21.75bn in Q4:2023. Exports (+195.47% YoY) rose at a faster pace than imports (+95.53% YoY), resulting in a historical high trade surplus of NGN6.52bn (vs. NGN0.93bn in Q1:2023 and a deficit of NGN1.42bn in Q4:2023). This significant growth is primarily attributed to the depreciation of the Naira which increased the value of the country's exports. We expect the trade balance to remain positive in Q2:2024 due to further depreciation in the value of Naira and increased Crude exports. On the domestic exchange, the Nigerian Exchange group (NGX) announced the launch of a new Unstructured Supplementary Service Data (USSD) platform. This innovative idea allows users to access real-time stock market information and direct connection with stockbrokers by dialing \*5474\* on their mobile phone. We believe this idea will help boost financial inclusion and participation in the Nigerian capital market. On the corporate front, Guinness Nigeria Plc. (GUINNESS) disclosed that Tolarum Group (a prominent player in Africa's consumer packaged goods sector) has agreed to acquire Diageo's 58.02% majority stake in GUINNESS NGN81.60 (offering a 48.91% premium to its current price of NGN54.80), with the transaction expected to be completed in 2025. Tolarum will also establish long-term license and royalty agreements for the continued production of the Guinness brand and its locally manufactured Diageo ready-to-drink and mainstream spirits brands. Although this action marks Diageo's exit from the Nigerian market, the Guinness brand and products will remain available in Nigeria. We do not anticipate any significant impact on the company's performance in the near term, as the transaction is expected to be finalized next year.

This week, the Nigerian equities market closed in the positive territory, as the NGXASI index gained 0.71% WoW to reach 99925.88pts, thus, improving the year-to-date performance to 33.64%. Across sectors, performance was broadly positive as sectoral indices under our coverage closed in the green zone - **NGXOILGAS** (+5.28%), **NGXBANK** (+3.63%), **NGXINS** (+3.42% WoW), **NGXNSMRGDS** (+1.05% WoW), and **NGXINDUSTR** (+0.27% WoW).

During the treasury bills primary auction held this week, the total amount offered was NGN44.23bn (vs. NGN221.17bn at the previous auction), with a subscription of NGN407.76bn (vs. 713.89bn at the previous auction). Allocation settled at NGN55.23bn (vs. NGN278.43bn at the previous auction). Subsequently, the stop rate for the 92-day, 182-day and 364-Day instrument declined marginally to 16.30%, 17.44%, and 20.50% (vs. 16.50%, 17.50% and 20.67% in the previous auction respectively). Additionally, at the fixed-income secondary market, sentiment was mixed as the average treasury yield increased to 21.90% from 21.02% recorded last week, while the average bond yield remained constant at 18.76%.

Nigeria | June 14th, 2024

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	99,925.88	99,222.33	0.71%
Volume ('bn)	2.74	1.91	43.76%
Value ('bn)	43.62	30.44	43.32%
Mkt. Cap. ('trn)	56.53	56.13	0.71%
Market Breadth	2.00x	1.05x	

	WID	MID	YTD
NGXBANK	3.63%	2.99%	-8.47%
NGXNSMRGDS	1.05%	1.39%	41.44%
NGXOILGAS	5.28%	5.09%	30.39%
NGXINS	3.42%	4.29%	19.07%
NGXINDUSTR	0.27%	0.27%	73.55%
NGX-ASI	0.71%	0.63%	33.64%

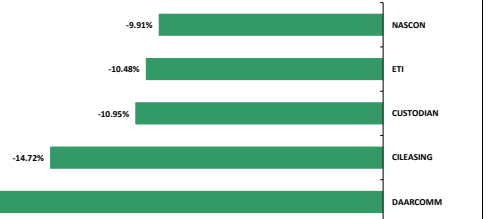
Other Indices	WID	MID	YTD
NGX-30	1.05%	1.04%	21.67%
NGX-PENSION	11.54%	17.97%	33.69%

Market Outliers

Top Gainers

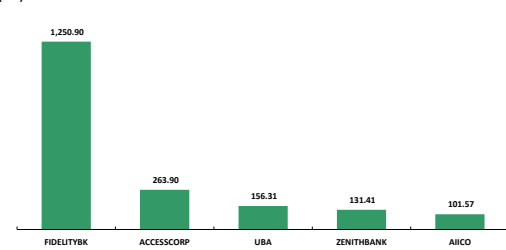


Top Losers

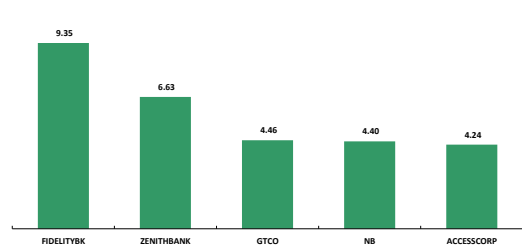


Weekly Trading Activity

Volume ('mn)



Value ('bn)



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,482.72	1,483.99	0.09%

Money Market Rates

	This Week	Previous
OBBL	25.63%	29.95%
OVN	26.25%	20.65%
Average	25.94%	30.30%

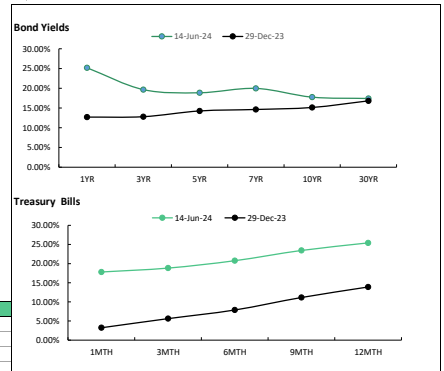
Bond Yields

	This Week	Previous Week	%Δ
1YR	25.18%	25.87%	-0.69%
3YR	19.66%	19.54%	0.12%
5YR	18.86%	18.40%	0.46%
7YR	19.96%	19.81%	0.15%
10YR	17.75%	17.61%	0.14%
30YR	17.41%	17.03%	0.38%

Treasury Bills Yields

	This Week	Previous
1MTH	17.81%	18.65%
3MTH	18.83%	19.01%
6MTH	20.76%	20.79%
9MTH	23.44%	23.45%
12MTH	25.41%	25.33%
Average	21.25%	21.45%

Fixed Income Monitor



In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.09%	-0.17%	1.09%	0.19%	0.82%	-0.32%	0.65%	-1.64%
WID	0.71%	-0.13%	0.00%	-0.82%	0.21%	-1.06%	0.22%	-1.44%
YTD	33.64%	20.35%	6.12%	23.40%	0.15%	1.40%	5.06%	4.41%
P/E	13.15x	5.12x	7.66x	5.51x	20.16x	11.10x	15.47x	15.97x

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Meristem Research can also be accessed on the following platforms:

Meristem Research portal: <https://research.meristemng.com/reports>

Bloomberg: MERI <GO>

Capital IQ: [www.capitaliq.com](http://www.capitaliq.com)

ISI Emerging Markets: [www.securities.com/ch.html?pc=2NG](http://www.securities.com/ch.html?pc=2NG)

Reuters: [www.thomsonreuters.com](http://www.thomsonreuters.com)

FactSet: [www.factset.com](http://www.factset.com)

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