

What Moved the Markets this Week?

During its June meeting, the European Central Bank (ECB) cut interest rates by 25bps to 4.25% in June 2024 (marking the first rate cut in five years). The monetary authority attributed this decision to recent price stability and the downward trend in the area's inflation (which has decreased from 10.60% in October 2022 to 2.60% in May 2024). In the near term, we anticipate the ECB will adopt a wait-and-see approach, closely monitoring relevant indicators to ensure prices remain on the downward trend and achieve its 2.00% inflation objective. In Sub-Saharan Africa, Statistics South Africa reported that the country's economy shrank by 0.10% in Q1-2024, down from a revised 0.30% growth in Q4-2023 and 0.60% in Q1-2023. The downturn is attributed to widespread contraction across six economic sectors, including manufacturing (-1.40%), mining (-2.30%), and construction (-3.10%), exacerbated by intensified power outages. However, we anticipate a return to economic growth in the upcoming quarters, driven by the government's efforts to stimulate economic expansion, potentially influenced by changes in government dynamics and subsequent fiscal reforms. Lastly, Zambia's bondholders have approved a debt restructuring plan, a potential relief to the country's debt crisis following its default over three years ago. The plan (which is a prerequisite to access the previously secured USD1.30bn facility from the IMF), involves swapping three bonds due in 2022, 2024, and 2027 for two amortising bonds with revised payment terms. Additionally, Zambia has requested an increase in the IMF's loan program from USD1.30bn to USD1.70bn to bolster its response to the worst drought in four decades and support the country's economic recovery.

On the domestic scene, the Organization of the Petroleum Exporting Countries and its allies (OPEC+) have adjusted Nigeria's oil production quota to 1.50 million barrels per day (mbpd) until December 2025, an increase from the initial 1.38mbpd. Although this falls short of the 1.78mbpd target set in the country's 2024 budget, the upward review offers Nigeria a chance to enhance its oil production and consequently boost its oil revenue. Going forward, we expect the government to intensify efforts to boost output in the sector, potentially leading to further quota increases in the near to mid-term. In a separate development, the African Export-Import Bank (Afreximbank) has disbursed USD925.00mn under the USD3.30bn crude-backed facility sponsored by the Nigerian National Petroleum Company (NNPC) Limited. This latest disbursement brings the total amount disbursed under the facility to USD5.18bn. We anticipate that this additional funding will improve liquidity in Nigeria's foreign exchange market in the near term. Moreover, since repayments are tied to oil production, we do not expect this increased borrowing to significantly strain the country's debt service capacity. Furthermore, the Central Bank of Nigeria (CBN) has revoked Heritage Bank Plc's license, citing the failure of its board and management to improve financial performance, posing a risk to financial stability. The CBN appointed the Nigeria Deposit Insurance Corporation (NDIC) as the bank's liquidator, with depositors expected to receive insured benefits of up to NGN5.00mn. We believe this action by the CBN aims to strengthen public trust in the banking sector and also sends a signal to other banks to adhere to regulatory standards and maintain strong financial performance. On the corporate scene, Fidelity Bank Plc (FIDELITYBK) has announced plans to raise up to NGN127.10bn through a Rights Issue and Public Offer. This capital-raising initiative aligns with the bank's efforts to meet the CBN's recapitalization requirements and aims to support sustainable growth and diversify earnings streams. The Rights Issue program offers 3.20 billion ordinary shares at a ratio of one new share for every ten shares held as of January 5, 2024, priced at NGN9.25 per share, which is a 0.54% premium to the closing price on June 7, 2024. Additionally, the Public Offer presents 10.00 billion ordinary shares to the general public at NGN9.75 per share, a 5.98% premium to the closing price on June 7, 2024.

The Nigerian equities market concluded the week in negative territory, with the NGXASI index declining by 0.08% to 99,222.33pts, resulting in a year-to-date return of 32.70%. Performance across sectors varied as the NGXINS (+0.84% WoW), NGXCSMRGDS (+0.33% WoW), and NGXINDUSTR (+0.00% WoW) closed positively while the NGXBNK (-0.62% WoW) and NGXOILGAS (-0.18% WoW) closed in the red zone.

During this week's OMO auction, the total amount offered was NGN250.00bn, with a total subscription of NGN513.95bn, resulting in a subscription-to-offer ratio of 2.08x. Stop rates for the 105, 189, and 357-day instruments was 18.74%, 19.59%, and 22.33% respectively. Additionally, at the treasury bills primary auction held this week, the total amount offered was NGN211.17bn, with a subscription of NGN713.89bn. Subsequently, the stop rate for the 183-day instrument increased marginally to 17.50% (from 17.45% in the previous auction), while the stop rate for the 364-day instrument declined to 20.67% from 20.69%. However, the stop rate for the 91-day instrument remained unchanged at 16.50%. The fixed-income secondary market registered mixed sentiments during the week as the average treasury yield rose to 21.45% from 21.02%, while the average bond yield decreased to 17.03% from 17.58% in the previous week.

Nigeria | June 7th, 2024

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	99,222.33	99,300.56	-0.08%
Volume (bn)	1.91	2.18	-12.52%
Value (bn)	30.44	31.25	-2.61%
Mkt. Cap. (trn)	56.13	56.17	-0.08%
Market Breadth	1.05x	1.69x	

	WTD	MID	YTD
NGXBNK	-0.62%	-0.62%	-11.68%
NGXCSMRGDS	0.33%	0.33%	39.96%
NGXOILGAS	-0.18%	-0.18%	23.85%
NGXINS	0.84%	0.84%	15.13%
NGXINDUSTR	0.00%	0.00%	73.08%
NGX-ASI	-0.08%	-0.08%	32.70%

Other Indices	WTD	MID	YTD
NGX-30	-0.21%	-0.21%	31.49%
NGX-PENSION	-0.69%	-0.69%	10.34%

Market Outliers

Top Gainers

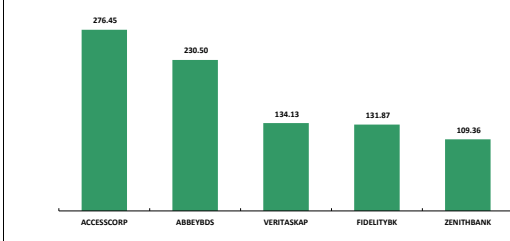


Top Losers

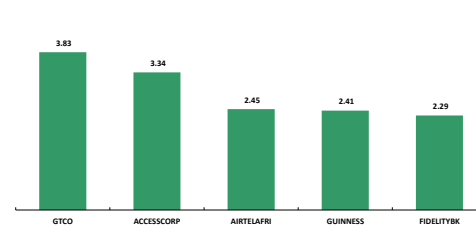


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	% Δ
NAFEM (per USD)	1,483.99	1,485.99	0.13%

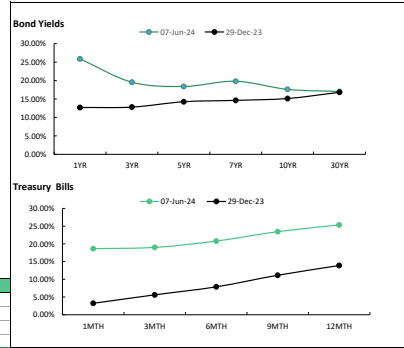
Money Market Rates	This Week	Previous
OBB	29.95%	29.09%
OVN	30.65%	29.94%
Average	30.30%	29.52%

Bond Yields	This Week	Previous Week	% Δ
1YR	25.87%	25.16%	0.72%
3YR	19.54%	19.36%	0.18%
5YR	18.40%	19.47%	-1.07%
7YR	19.81%	20.20%	-0.39%
10YR	17.61%	17.22%	0.39%
30YR	17.03%	17.58%	-0.54%

Treasury Bills Yields	This Week	Previous
1MTH	18.65%	18.27%
3MTH	19.01%	18.29%
6MTH	20.79%	20.46%
9MTH	23.45%	23.08%
12MTH	25.33%	25.00%
Average	21.45%	21.02%

In Other Markets	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.09%	0.00%	-0.77%	-0.01%	-0.30%	0.82%	0.98%	0.76%
WTD	-0.09%	0.49%	0.00%	1.43%	0.25%	0.60%	2.32%	1.29%
YTD	32.70%	20.50%	6.16%	24.42%	0.00%	2.96%	4.84%	6.71%
P/E	13.09x	5.21x	7.55x	5.7x	16.45x	11.27x	15.34x	16.33x

Fixed Income Monitor



Contact Information

Investment Research
research@meristemng.com

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/ch.html?pc=NG

Reuters: www.thomsonreuters.com

Factset: www.factset.com

IMPORTANT INFORMATION:

Meristem Securities Limited ("Meristem") equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; Meristem can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e. may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of The Nigerian Stock Exchange (The NSE). Meristem Securities' registered office is at 20A Gerard Street, Ikoyi, Lagos, Nigeria. Website: www.meristemng.com; Email: research@meristemng.com. © Meristem Securities Limited 2024.