

What Moved the Markets this Week?

In June, the UK's inflation rate remained steady at 2.00%, aligning with the Bank of England's target rate, but slightly above expectations. However, core inflation persisted at an elevated level of 5.70%, indicating ongoing underlying price pressures driven by service costs and increasing demand for higher wage levels. This suggests that the Bank of England may maintain its current stance and announce another hold on August 1. Meanwhile, the South African Reserve Bank kept interest rates unchanged for the seventh consecutive meeting, marking the highest rate in fifteen years. This decision aims to combat rising inflation, which remains significantly above the targeted range of 3%-6%, currently standing at 5.20% in May. Given the persistence of inflationary pressures, we do not anticipate any rate cuts in the near future.

According to the National Bureau of Statistics (NBS), Nigeria's headline inflation has risen for the eighteenth consecutive month, reaching 34.19% year-on-year in June 2024, up from 33.95% in May. Food inflation also increased to 40.87%, while core inflation rose to 27.40%, compared to 40.66% and 27.04% in May, respectively. This persistent inflation is largely driven by escalating food prices due to the planting season for key crops like yam and tomatoes, as well as pest infestations affecting tomato crops, which have led to reduced output and scarcity. Additional factors contributing to inflationary pressures include fluctuations in the exchange rate, supply chain constraints, and rising logistics costs. In the near term, we anticipate continued inflationary pressures stemming from ongoing challenges in the food sector. However, recent government initiatives aimed at boosting agricultural output may help alleviate inflation in the medium to long term. In a significant development, the FG and the Nigeria Labour Congress (NLC) have reached an agreement to raise the minimum wage from NGN30,000 to NGN70,000 after extensive discussions aimed at addressing the rising cost of living. This new minimum wage is set to be reviewed every three years. Furthermore, members of the House of Representatives have agreed to a six-month 50% salary reduction to support government efforts in combating escalating food prices. While the wage increase is expected to ease the financial burden on workers, it may also exacerbate existing inflationary pressures. Also, the agreement to increase the minimum wage to NGN70,000, while a welcome development, may not be enough to offset the effects of inflation, and alternative solutions are needed to address the high cost of living. Meanwhile, the FG proposed an amendment to the 2024 Appropriation Act and the 2023 Finance Act, introducing a one-time 50% windfall tax on the foreign exchange revaluation gains recorded by Nigerian banks in 2023FY. However, we consider this funding source to be relatively insignificant compared to the NGNtrn funding gap identified by the government. Additionally, there are concerns regarding the potential impact of the windfall tax on banks' effective tax rates, profitability, and ongoing recapitalization efforts.

On the corporate front, the Nigerian Exchange (NGX) delisted Niger Insurance PLC, Resort Savings, RAK Unity Petroleum, and Loans PLC due to issues of non-compliance. The delisting of these firms highlights the NGX's commitment to ensuring that listed companies meet the necessary compliance requirements, which is crucial for maintaining investor confidence and the integrity of the market. In another development, the Nigerian National Petroleum Company (NNPC) announced a settlement agreement that will enable SEPLAT acquire EXXONMOBIL's stake in MOBIL. This acquisition is expected to stimulate increased investment in the oil sector. SEPLAT purchase aligns with the Nigerian government's initiative to promote local content in the oil and gas industry, potentially boosting the capabilities of domestic companies and service providers, thereby increasing the involvement of Nigerian firms in the oil sector.

The Nigerian Stock Exchange market ended the week on a bullish note as the NGXASI recorded a gain of 0.87% WoW to settle at 100,539.40pts, thus, bringing the Year-to-Date (YTD) performance to 34.46%. Across sectoral indices, performance was predominantly bearish as only NGXOILGAS (+1.38% WoW) and NGXINDUSTR (+0.08% WoW) closed in the green zone, while NGXCNSMRGDS (-0.15% WoW), NGXINS (-4.85% WoW), and NGXBANK (-0.75% WoW) closed in the red territory.

In the secondary market, sentiment was bearish as average bond yields improved to 19.41% from 17.79% in the previous week, while the T-bills market was also bearish at 24.89% (vs. 22.52% recorded in the previous week).

Nigeria | July 19th, 2024

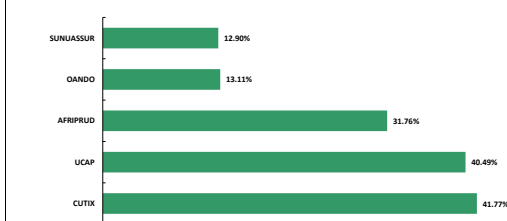
Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	100,539.40	99,671.28	0.87%
Volume (bn)	2.82	2.64	6.83%
Value (bn)	34.37	35.50	-3.18%
Mkt. Cap. (trn)	36.40	56.58	-35.66%
Market Breadth	1.29x	1.03x	25.27%
	WTD	MID	YTD
NGXBANK	-0.75%	1.66%	-5.93%
NGXCNSMRGDS	-0.15%	-0.97%	39.68%
NGXOILGAS	-0.10%	4.33%	44.10%
NGXINS	-4.86%	-3.05%	17.71%
NGXINDUSTR	0.08%	0.35%	73.75%
NGX-ASI	0.87%	0.48%	34.46%

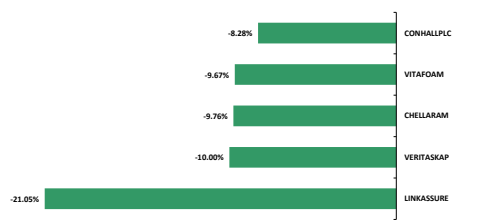
Other Indices	WTD	MID	YTD
NGX-30	1.02%	0.23%	33.28%
NGX-PENSION	1.11%	0.39%	16.53%

Market Outliers

Top Gainers

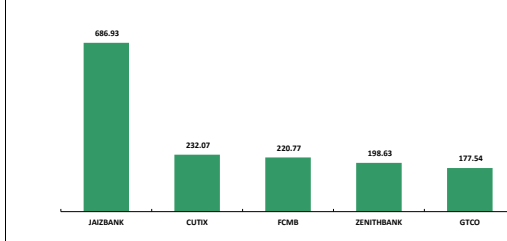


Top Losers



Weekly Trading Activity

Volume (mn)



Value (bn)

	This Week	Previous Week	%Δ
NAFEM (per USD)	1,596.92	1,563.80	-2.07%

Money Market Rates

	This Week	Previous
OBB	31.39%	31.61%
OVN	32.02%	32.45%
Average	31.71%	32.03%

Bond Yields

	This Week	Previous Week	%Δ
1YR	25.74%	26.39%	-0.64%
3YR	19.72%	19.66%	0.05%
5YR	19.74%	19.67%	0.07%
7YR	20.39%	20.38%	0.02%
10YR	17.69%	17.57%	0.11%
30YR	17.87%	17.79%	0.09%

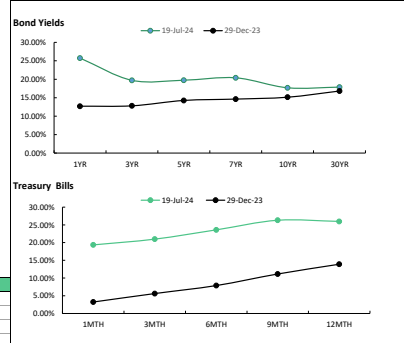
Treasury Bills Yields

	This Week	Previous
1MTH	19.35%	19.30%
3MTH	20.97%	20.14%
6MTH	23.59%	21.98%
9MTH	26.30%	25.21%
12MTH	25.97%	25.95%
Average	23.24%	22.52%

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.04%	0.07%	1.11%	-0.12%	-0.71%	0.08%	-0.50%	-0.73%
WTD	0.87%	2.89%	0.00%	-1.29%	-2.36%	-0.17%	-1.57%	-1.48%
YTD	34.46%	34.13%	15.10%	17.91%	3.73%	4.41%	8.03%	6.55%
P/E	14.91x	5.86x	8.04x	5.30x	23.23x	11.40x	15.99x	16.16x

Fixed Income Monitor



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