

What Moved the Markets this Week?

In a surprise move, US President Joe Biden announced on July 21, 2024, that he would be withdrawing from the presidential race, citing his desire to dedicate his remaining term to fulfilling his duties as President without the distractions of a re-election campaign. In a strategic endorsement, President Biden threw his support behind Vice President Kamala Harris as his preferred successor. This unexpected development is poised to inject a degree of political uncertainty and sparking market volatility. The implications of President Biden's decision will likely be far-reaching, influencing the political calculus of various stakeholders and potentially reshaping the contours of the 2024 presidential election. Additionally, the US economy grew at a 2.80% annual rate in Q2-2024, driven by a 2.30% rise in consumer spending and inventory investments. However, a 6.90% increase in imports and a decline in the personal savings rate to 3.50% raised concerns about trade deficits and consumer financial health. Despite mixed signals, the economy remains resilient, but underlying vulnerabilities may inform future monetary policy decisions. Furthermore, the People's Bank of China (PBOC), unexpectedly cut the one-year medium-term lending facility (MLF) rate to 2.30% from 2.50%, marking the first such cut in nearly a year. This move aims to spur sluggish economic growth, following a surprise rate cut on Monday, signaling a shift towards monetary policy easing, as GDP growth slowed to 4.70% in Q2-2024. The PBOC's moves are seen as efforts to prop up business sentiment and household demand, particularly in the ailing property market. With easing pressure on the yuan against the US dollar, the rate cuts are expected to support the economy, albeit marginally.

On the domestic scene, the Monetary Policy Committee (MPC) raised the benchmark Monetary Policy Rate (MPR) by 50bps to 26.75% during its fourth meeting of the year on July 22-23. This move aims to combat inflationary pressures and maintain economic stability, supporting the central bank's inflation-targeting mandate. The MPC also adjusted the asymmetric corridor to +500bps/-100bps, while it maintained liquidity ratio at 30.00% and cash reserve ratios at 45.00% and 14.00% for Deposit Money and Merchant Banks. The 50bps rate increase is expected to have a muted impact on investor sentiment in the equities market. However, the adjustment to the asymmetric corridor is likely to have a more significant effect on the fixed income market, leading to tighter system liquidity and increased demand for higher yields. More so, the FG announced plans to issue USD500mn in domestic foreign currency-denominated bonds in August, in the bid to bolster the foreign reserves and enhance its liquidity. We believe that by issuing bonds in foreign currency, Nigeria can attract foreign investment, enhance its creditworthiness, and lead to exchange rate stability. On the flipside, however, it could lead to a fragmentation of the market. Additionally, in a recent development, the Nigerian government recently proposed a windfall tax targeting banks' foreign exchange gains, initially set at 50% but now increased to 70% following amendments by the Senate. This tax will be applied retrospectively to profits realised in 2023FY and will extend to all foreign exchange profits accrued from the implementation of the new forex policy until the end of 2025FY. The Federal Inland Revenue Service (FIRS) is expected to oversee the assessment, collection, and enforcement of this levy, allowing banks to enter into deferred payment agreements with an option to settle the tax in instalment. However, banks that default on these payments will incur a penal charge of 10% p.a on unpaid taxes, in addition to interest at the prevailing CBN minimum discount rate. We expect that this development will raise concerns regarding the implication of the wind fall tax on the bank's profitability, effective tax rate and the ongoing recapitalization of efforts.

The bears dominated the Nigerian Equities this week as the NGXASI recorded a significant loss of 2.33% WoW to settle at 98,201.49pts, thereby, bringing the Year-to-Date (YTD) performance to 31.33%. Across sectors, performance was predominantly negative as all sectors closed in the red zone. Specifically, the **NGXOILGAS** (-0.54% WoW), **NGXINDUSTR** (-5.89% WoW), **NGXCNSMRGDS** (-0.73% WoW), **NGXINS** (-0.27% WoW), and **NGXBANK** (-2.94% WoW) lost significantly.

At the bond auction held during the week, a total amount of NGN300.00 was offered (vs. NGN450.00 at the previous auction). However, investors demand declined to NGN279.66, compared to NGN305.26 recorded at the previous auction. Also, the total amount allotted amount to NGN225.71bn (vs. NGN297.01bn at the previous auction). Stop rate increased to 19.89% and 21.98% (vs. 19.64% and 21.98%) for bonds maturing in APR 2029 and May 2033, respectively. While that of FEB 2033 reduced slightly to 21.00% (vs. 20.19% at the previous auction). Similarly, at the T-Bills primary market auction, NGN277.96bn was offered, with a 1.35x subscription-to-Offer rate. Overall, average stop rates rose significantly, especially on the 91-Day and 182-Day instruments, by 220bps and 206bps to 18.50% and 19.50% while the 364-Day instrument increased modestly by 86bps to 22.10%.

In the secondary market, sentiment was bearish as average bond yield improved to 20.55% from 20.19% in the previous week, while the T-Bills market was also bearish at 23.81% (vs 23.24% recorded in the previous week).

Nigeria | July 26th, 2024

Market Performance

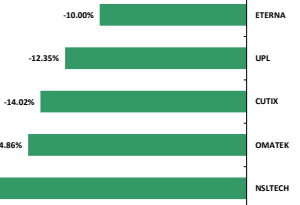
Equities	This Week	Previous Week	% Δ
NGXASI	98,201.49	100,539.40	-2.33%
Volume ('bn)	2.58	2.82	-8.48%
Value ('bn)	44.40	34.37	29.18%
Mkt. Cap. ('trn)	55.61	56.93	-2.33%
Market Breadth	0.44x	1.29x	-65.90%
	WTD	MID	YTD
NGXBANK	-2.94%	-1.32%	-8.69%
NGXCNSMRGDS	-0.73%	-1.69%	38.66%
NGXOILGAS	-0.54%	3.77%	43.33%
NGXINS	-0.27%	-3.32%	17.39%
NGXINDUSTR	-5.89%	-5.56%	63.52%
NGX-ASI	-2.33%	-1.85%	31.33%
	WTD	MID	YTD
NGX-30	-2.25%	-2.02%	30.29%
NGX-PENSION	-2.18%	-1.80%	13.99%

Market Outliers

Top Gainers

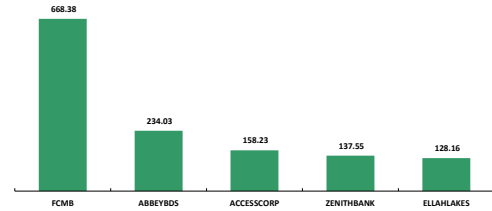


Top Losers

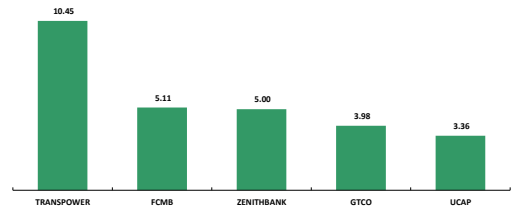


Weekly Trading Activity

Volume ('mn)



Value ('bn)



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,609.29	1,596.92	-0.77%

Money Market Rates

	This Week	Previous
0BB	26.19%	31.39%
OVN	26.66%	32.02%
Average	26.43%	31.71%

Bond Yields

	This Week	Previous Week	%Δ
1YR	26.99%	25.74%	1.24%
3YR	19.84%	19.72%	0.12%
5YR	19.86%	19.74%	0.12%
7YR	20.93%	20.39%	0.54%
10YR	17.52%	17.69%	-0.17%
30YR	18.16%	17.87%	0.29%

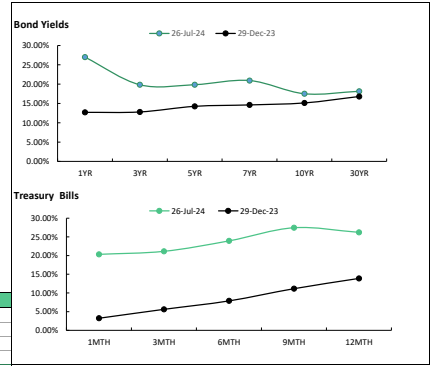
Treasury Bills Yields

	This Week	Previous
1MTH	20.33%	19.35%
3MTH	21.14%	20.97%
6MTH	23.93%	23.59%
9MTH	27.45%	26.30%
12MTH	26.21%	25.97%
Average	23.81%	23.24%

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-1.95%	2.25%	-0.36%	-1.28%	0.52%	-0.70%	-0.78%	-1.47%
WTD	-2.33%	5.63%	0.00%	-4.04%	1.47%	-1.73%	-1.43%	-1.49%
YTD	31.33%	45.77%	16.86%	13.15%	5.47%	2.66%	4.91%	3.99%
P/E	14.90x	6.06x	8.16x	5.14x	23.59x	11.20x	15.50x	15.77x

Fixed Income Monitor



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