What Moved the Markets this Week?

Nigeria | August 2nd, 2024

During its July meeting, the US Federal Reserve decided to keep its benchmark interest rate unchanged at 5.25%-5.50% for the eighth consecutive meeting, citing persistent elevated inflation, which remains above the Fed's 2.00% objective. We attribute the cautionary stance to the central bank's need to ensure inflation is on a clear and sustainable downward path. However, the Fed Chair hinted at a potential rate cut in September if inflation shows signs of moderating in the coming months. In the Eurozone, data from Eurostat revealed that the region's consumer price index (CPI) increased to 2.60% YoY in July 2024, up from 2.50% in June 2024, marking a reversal of the previously observed disinflationary trend. This uptick was driven by rising energy and non-energy industrial goods prices, which offset the deceleration in prices of services, food, alcohol, and tobacco. In light of this development, we anticipate the European Central Bank (ECB) to adopt a cautious approach at its upcoming meeting, closely monitoring other economic indicators to assess the trajectory of price levels in the economy. In its recent meeting, the Bank of England (BOE) implemented its first interest rate reduction in over four years, lowering the benchmark rate from 5.25% to 5.00%. This decision was driven by the economy's ongoing disinflationary trend, with inflation already aligning with the central bank's 2.00% target. However, we expect the BOE to adopt a cautious approach in its next meeting, predicated on its anticipation of a temporary inflationary uptick in the near term and its commitment to maintaining restrictive rates for an extended period, with flexibility to adjust the interest rate as necessary to ensure price stability.

On the domestic scene, the Nigerian Senate has passed a bill to amend the Central Bank of Nigeria Act, increasing the maximum ways and means advances to the federal government from 5% of the previous year's revenue to 10%. This facility enables the government to secure short-term or emergency funding from the CBN for critical projects. The amendment bill, which initially proposed a 15% borrowing limit was revised to 10% to maintain fiscal discipline. While the administration has indicated it will not utilize this window, and the CBN has disclosed its intention to exercise restraint in granting advances, we do not rule out a foray into this funding option in the mid to long term. In another development, the African Development Bank Group has approved a loan of USD500.00mn to support the inaugural phase of Nigeria's Economic Governance and Energy Transition Support Programme (EGET-SP). The initiative aims to enhance the country's electricity infrastructure and accelerate the adoption of cleaner energy sources. Additionally, the loan will facilitate the implementation of the recently enacted Electricity Act and the Nigeria Energy Transition Plan, which targets the achievement of 250 gigawatts of installed electricity capacity by 2050, with a focus on renewable energy sources accounting for 90% of this capacity. In our opinion, this financial support will bolster ongoing reforms geared towards transitioning Nigeria towards a cleaner energy future, reducing dependence on fossil fuels, and promoting sustainable development. The Federal Government has directed the Nigerian National Petroleum Company (NNPC) to sell crude oil to the Dangote Refinery in naira exclusively. The Federal Executive Council (FEC) also approved the sale of 450,000 barrels, allocated for domestic consumption, to Nigerian refineries, including the Dangote Refinery, in a pilot scheme. This initiative is expected to enhance the pricing of refined products in the local market, foster healthy competition among downstream operators, and promote economic activities. However, the sustainability of crude supply is crucial to realizing the full impact, considering the significant quantity of crude required by refineries, including Dangote and other modular refineries. Consequently, we anticipate that crude importation will continue in the short term to supplement local supply.

The Nigerian Equities Market ended the week on a negative note, with the NGXASI declining 0.43% WoW to close at 97,745.73pts. Consequently, the year-to-date return decreased to 30.76%. Sectoral performance was mixed, as the NGXINS (+0.78% WoW) and NGXOILGAS (+1.72% WoW) recorded weekly gains while the NGXBNK (-2.17% WoW), NGXINDUSTR (-0.03% WoW), and NGXCNSMRGDS (-2.88% WoW) indices posted weekly declines.

In the secondary market, investor sentiment remained bearish, as the average yield on bonds and Treasury bills (T-bills) increased to 18.16% and 23.86%, respectively, from 17.87% and 23.24% in the previous week.

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	97,745.73	98,201.49	-0.46%
Volume ('bn)	3.39	2.58	31.27%
Value ('bn)	52.23	44.40	17.63%
Mkt. Cap. ('trn)	55.50	55.61	-0.20%
Market Breadth	1.05x	1.15x	-8.80%

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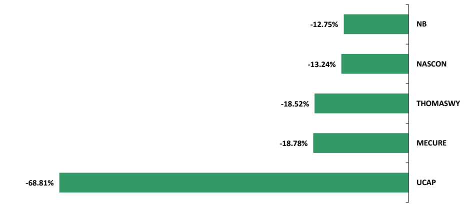
.	WtD	MtD	YtD
NGXBNK	-2.17%	-3.47%	-10.67%
NGXCNSMRGDS	-2.88%	-4.53%	34.66%
NGXOILGAS	1.72%	5.55%	45.79%
NGXINS	0.78%	-2.57%	18.31%
NGXINDUSTR	-0.03%	-5.58%	63.47%
NGX-ASI	-0.43%	0.00%	30.76%

Other Indices	WtD	MtD	YtD
NGX-30	-0.58%	-2.59%	29.53%
NGX-PENSION	-1.53%	-3.31%	12.24%

Market Outliers

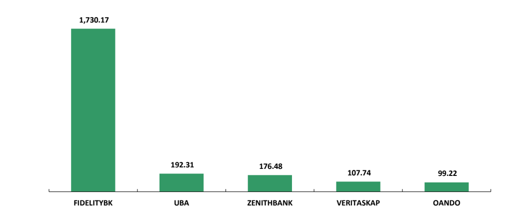
Top Gainers

Top Losers

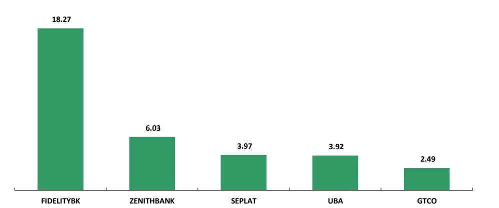


Weekly Trading Activity

Volume ('mn)

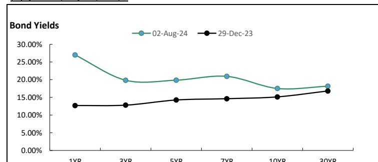


Value ('bn)

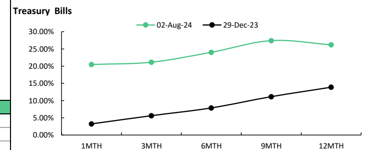


Fixed Income Monitor

Bond Yields



Treasury Bills



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,617.08	1,609.29	-0.48%

Money Market Rates

	This Week	Previous
OBB	25.61%	26.19%
OVN	26.06%	26.66%
Average	**25.84%**	**26.43%**

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	20.48%	19.35%
3MTH	21.15%	20.97%
6MTH	24.03%	23.59%
9MTH	27.42%	26.30%
12MTH	26.21%	25.97%
Average	**23.86%**	**23.24%**

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.40%	0.07%	1.17%	-0.61%	1.89%	-0.34%	-0.53%	-1.47%
WtD	-0.43%	0.01%	0.99%	1.45%	1.99%	-0.62%	-0.06%	0.14%
YtD	30.76%	43.56%	18.01%	14.79%	7.60%	2.62%	4.67%	4.68%
P/E	14.56x	6.01x	8.22x	5.18x	24.02x	11.20x	15.46x	15.87x

Contact Information

Investment Research

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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
Reuters: www.thomsonreuters.com
ISI Emerging Markets: www.securities.com/ch.html?pc=NG
FactSet: www.factset.com