MERISTEM

The Week in View

What Moved the Markets this Week?

Nigeria | September 13th, 2024

During the week, the Eurpean Central Bank (ECB) cut interest rate by 25bps to 3.50% from 3.75% in June, marking the second rate cut for the year. The ECB condidered the decline in inflation rate, which fell to 2.20%YoY in August. Thus, bringing the inflation rate closer to the bank's 2.00% target rate. Additionally, the slower economic growth evinced by lower GDP growth in Q2:2024 (+0.60%YoY) influenced the ECB decision. Looking ahead, we expect the ECB to further monitor movement in macro-economic indicators in making decision at its next meeting. Meanwhile, the Bank of Ghana reported a decline in the country's inflation rate to 20.40% in August, down from 20.90% recorded in July. This marks the fifth consecutive decline in inflation. We attribute this to a slowdown in food prices (like milks, oil and fats, fruits and nuts), as food inflation eased to 19.10%YoY in August vs 21.50%YoY in July. Contrarily, non-food inflation increased slightly to 21.50%, up from 20.50% in July. Also, imported inflation rose from 15.60% to 16.10% in July 2024. On a MoM basis, the inflation rate declined by 0.70% vs. 2.40% (marking the first monthly decline this year). We expect inflation to continue its downward trend in the near term, hinged on government continuous effort to ease food prices. Also, we expect that the Bank of Ghana will maintain its accommodative stance as inflation remains significantly above it target band of 6.00%-10.00%.

In the domestic scene, data from to the National Bureau of Statistics (NBS) reported a trade surplus of NGN6.95trn in Q2:2024 (compared to NGN5.20trn in Q1:2024), representing the highest gains since 2014FY (NGN8.93trn). During the period, total export grew by 1.31%QoQ to NGN19.42trn (vs. 19.17trn in Q1:2024). This was primarily attributed to the Naira depreciation, which increased the value of exported items. Also, total import fell by 10.71% to NGN12.47trn (vs. 13.97trn in Q1:2024) due to lower demand, and driven by the elevated exchange rate environment. Going forward, we expect a sustained trade surplus in the near term, as the higher exchange rate environment continue to dampen import figures. However, fluntuation in crude oil prices may impact the value of export. Furthermore, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) reported an increase in crude oil production to 1.35mbpd in August (vs. 1.31mbpd in July). This uptick was driven by higher output across some terminals - Bonny (4.89mbpd vs. 4.58mbpd), Brass (0.72mbpd vs. 0.66mbpd), Forcados (8.13mbpd vs 6.81mbpd). Meanwhile, terminals like Qua Iboe (3.07mbpd vs 3.34mbpd) and Escravos (4.21mbpd vs. 4.39mbdp) recorded declines. We anticipate improved oil production in the near term hinged on positive reforms within the oil and gas sector, and the government ongoing effort to tackle oil theft and pipeline vandalism.

This week, the local bourse closed on a positive note, as the **NGXASI** gained 1.06% WoW to settle at 97,456.62pts, thus bringing the year-to-date (YtD) performance to 30.34%. This positive performance was driven by buying interest on large cap tickers - **ACCESSCORP** (+2.39%) and **MTNN** (+7.37%). Across sectors, performance was largely bullish, as **NGXCNSMRGDS** (1.47% WoW), **NGXINS** (1.59% WoW), **NGXINDUSTR** (0.17% WoW), **NGXBNK** (5.12% WoW) , and **NGXOILGAS** (2.00% WoW) closed in the green zone.

At the T-bills PMA held during the week, the CBN offered a total of NGN161.88bn, lowered by 30.62% (vs. NGN233.31bn at the last auction). Similary, total subscription declined by 50.14% to NGN563.17bn (compared to NGN1.13trn at the previous auction). Total allotment stood at NGN161.88bn (vs. NGN233.31bn) . As a result, the stop rate across trio instruments declined by 37bps, 50bps, and 35bps to 16.63%, 17.00%, and 18.59% (vs. 17.00%, 17.50%, and 18.94%) for the 91-day, 182-day and 364-day instruments, respectively. At the fixed income secondary market, average T-bills declined to 20.76% (vs. 22.47% recorded at the previous week), while average bond yield increased to 16.80% (vs 16.60% at the previous week).

In the Eurobonds market, a bearish sentiment prevailed this week, as the average yield increased to 9.95% (vs. 9.91% in the previous week). This was driven by sell bias across the curve. Notably, the shorter dated instruments - **SEP-28** and **MAR-29**, witnessed the highest price declines (USD88.85 and USD95.59 vs. USD89.24 and USD95.96, respectively).

Market Performance

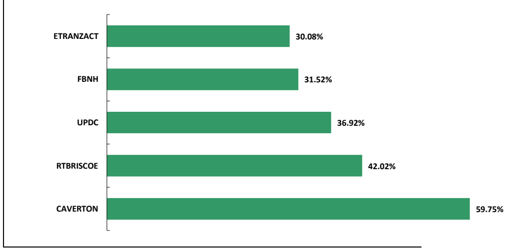
Equities	This Week	Previous Week	% Δ
NGXASI	97,456.62	96,433.53	1.06%
Volume ('bn)	2.57	2.11	21.73%
Value ('bn)	49.25	47.58	3.50%
Mkt. Cap. ('trn)	55.39	55.39	0.00%
Market Breadth	1.51x	0.79x	91.28%

.	WtD	MtD	YtD
NGXBNK	5.12%	5.00%	0.32%
NGXCNSMRGDS	1.47%	0.28%	40.85%
NGXOILGAS	2.00%	3.55%	84.77%
NGXINS	1.59%	-2.93%	28.00%
NGXINDUSTR	0.17%	0.00%	42.12%
NGX-ASI	1.06%	0.91%	30.34%

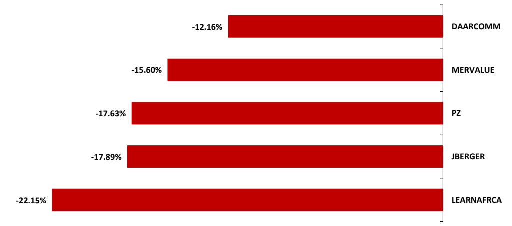
Other Indices	WtD	MtD	YtD
NGX-30	0.20%	0.02%	6.83%
NGX-PENSION	0.96%	2.39%	87.81%

Market Outliers

Top Gainers

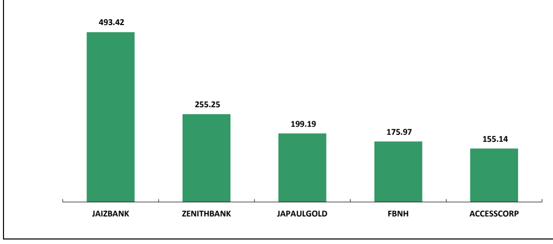


Top Losers

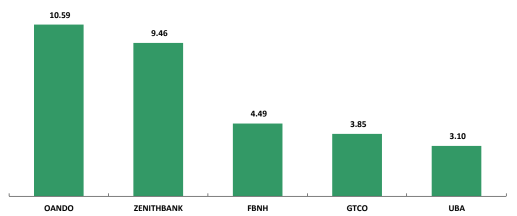


Weekly Trading Activity

Volume ('mn)

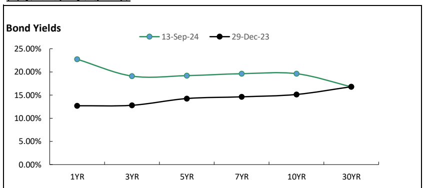


Value ('bn)

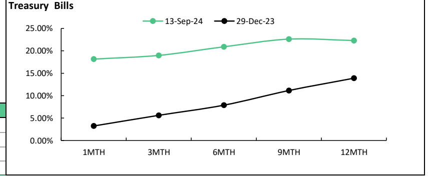


Fixed Income Monitor

Bond Yields



Treasury Bills



	This Week	Previous Week	%Δ
NAFEM (per USD)	1,546.41	1,593.32	3.03%

Money Market Rates

	This Week	Previous
OBB	31.20%	31.25%
OVN	31.73%	31.70%
Average	**31.47%**	**31.48%**

Bond Yields

	This Week	Previous Week	%Δ
1YR	22.74%	22.65%	0.09%
3YR	19.10%	19.12%	-0.02%
5YR	19.20%	19.04%	0.16%
7YR	19.61%	19.80%	-0.19%
10YR	19.62%	19.50%	0.12%
30YR	16.80%	16.60%	0.20%

Treasury Bills Yields

	This Week	Previous
1MTH	18.15%	19.30%
3MTH	18.98%	20.56%
6MTH	20.89%	23.93%
9MTH	22.61%	25.42%
12MTH	22.29%	23.14%
Average	**20.76%**	**22.47%**

In Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.44%	0.25%	0.04%	0.49%	0.27%	0.59%	1.60%	1.30%
WtD	1.06%	0.87%	0.00%	0.69%	0.64%	-0.10%	0.07%	0.22%
YtD	30.34%	39.70%	22.51%	15.42%	6.49%	5.35%	5.07%	6.80%
P/E	11.87x	6.38x	7.62x	5.17x	22.82x	11.79x	14.92x	16.47x

Contact Information

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