

What Moved the Markets This Week?

During the week, the US Federal Reserve reduced its benchmark interest rate for the first time in four years, lowering it from 5.25%-5.50% to 4.75%-5.00%. The move reflects softer inflation, which dropped to 2.50% in August (vs 2.90% in July and 3.70% in August 2023), along with increased confidence in meeting employment targets. Looking ahead, while the rate cut is expected to stimulate economic activity and drive demand, we anticipate that the Fed will remain vigilant, closely monitoring labor market dynamics, inflationary pressures, global developments, and potential risks that could contribute to persistent inflation in a related development, the Office for National Statistics (ONS) reported that inflation remained steady at 2.20% in August, driven by lower fuel costs and a slower rise in food prices (1.30% compared to 1.50% in July) and energy costs. In response, the Bank of England (BoE) maintained its interest rate at 5.00%, following a 25bps rate cut earlier in August, as inflation remains above the Bank's 2.00% target, looking ahead, we anticipate a continued decline in inflation, supported by falling global oil and food prices, with the BoE likely to adopt a cautious stance while closely monitoring inflation trends. In Sub-Saharan Africa, the South African Reserve Bank (SARB) lowered its repo rate for the first time since July 2023, reducing it from a 15-year high of 8.25% to 8.00%. This decision follows a drop in inflation, which rose its below the midpoint of the bank's 4-5% target range. With inflation on a downward trend, supported by a stronger Rand, declining oil prices, and improvements in electricity supply, we expect the SARB to implement additional rate cuts in the near term to further stimulate economic growth and stability.

In the domestic scene, data from the National Bureau of Statistics (NBS) showed that Nigeria's inflation rate eased for the second consecutive month, dropping by 155bps to 33.15% YoY in August, down from 34.40% in July 2024. This decline was largely attributed to a reduction in food inflation, which fell to 37.52% YoY (vs. 39.53% in July), driven by improved food supply during the ongoing harvest season. Looking to lower prices for staples such as yam, maize, palm oil, cassava, and tomatoes. However, core inflation remained steady at 2.20% in August, driven by lower fuel costs and increased transport costs due to fuel scarcity and higher fuel prices during the period. In the near term, we expect inflationary pressures to ease further, particularly in food prices, supported by policy interventions (like the sale of subsidized rice) and the import duty waiver) alongside continued improvements in food supply from the harvest season. Contrarily, core inflation is likely to remain elevated due to persistently high fuel prices and ongoing currency fluctuations affecting the Central Bank of Nigeria (CBN), in its recently released Monetary, Credit, Foreign Trade, and Exchange Policy Guidelines for Fiscal Year 2024-2025, has reintroduced a cybersec law of 0.000% on all electronic transactions. This follows the controversial 0.50% rate introduced by the CBN in May 2024. The key is intended to strengthen the nation's cybersecurity infrastructure, particularly within the banking sector, while also providing an additional revenue stream for the government. Additionally, the CBN has placed new restrictions on Banks for Change (BCC) operators, limiting their single foreign exchange cash sale to US\$5,000.00 per approved transaction. This move is designed to enhance transparency in currency flows, alleviate demand pressures, and support stability in the FX market. In a separate development, the Nigerian National Petroleum Company Ltd (NNPC) has raised the pump price of petrol by approximately 11% to NGN950.22, attributing the increase to purchases conducted in US dollars, subject to FX volatility. NNPC also announced that sales of petrol in Nigeria from the Chevron Refinery will commence on October 1, 2024. Currently, petrol from the refinery is priced in dollars due to contracts established before the Naira-based pricing agreement. While this shift may ease some demand pressure on the dollar and marginally reduce Nigeria's import costs, low domestic crude oil production could still require imports, limiting the overall impact. Meanwhile, some marketies such as TotalEnergies, E.ON, and Shell, amongst others, have begun the purchase of petrol at a subsidized rate through the NNPC as the primary of labor.

On the corporate scene, Aradil Holdings Company (SARADIL) has announced plans to redenominate its ordinary shares, reducing the nominal value from NGN10.00 to NGN5.00 per share. As a result, shareholders will receive 20 ordinary shares of NGN5.00 for every 1 share previously held at NGN10.00, preserving the market value of their investments. This change could make the stock more affordable, potentially attracting new investors. However, this may be perceived as a devaluation, potentially increasing selling pressure in the short term.

This week, the Nigerian equities market continued on a bullish run, as the NGXASI gained 0.81% WoW to settle at 88,247.89pts, hence bringing the year-to-date (YTD) performance to 31.39%. This positive performance was driven by buying interest on GEREQU (+15.00% WoW), some banking ticks: FIDELITY (+24.20% WoW) and FCMB (+5.26% WoW). Across sectors, performance was predominantly bullish, with NGNINS (+0.80% WoW), NGXKOLGAS (+1.26% WoW) and NGXKOLGAS (+0.02% WoW) closed in the green zone, while the NGXSHIMDOS (-0.77% WoW) and NGXINDUSTR (-0.11% WoW) indices closed in the red territory.

The fixed income secondary market was largely bullish, as both average T-Bill yields and bond yields declined marginally to 19.84% and 19.36% (vs. 19.85% and 19.51% recorded at the previous week), respectively. In the Eurobonds market, a bullish sentiment prevailed this week as the average yield declined to 9.60% (vs. 9.95% in the previous week). This was driven by buying interest across all instruments. Notably, the shorter dated instruments - JAN-49 and SEP-51, witnessed the highest increase in price (USD90.26 and USD79.69 vs. USD88.10 and USD77.31 at the previous week, respectively).

Nigeria | September 20th, 2024

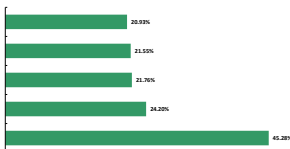
Market Performance table with columns: Equities, This Week, Previous Week, %A. Rows include NGXASI, Volume (Tn), Value (Tn), Mkt Cap (Tn), Market Breadth.

Market Breadth table with columns: WTD, MID, YTD. Rows include NGXBNK, NGXCMRARGO, NGXKOLGAS, NGXKOLGAS, NGXASI.

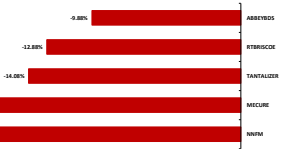
Other Indices table with columns: WTD, MID, YTD. Rows include NGX30, NGX PENSION.

Market Outlook

Top Gainers



Top Losers

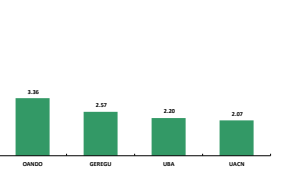


WINNING TRADING ACTIVITY

Volume (Tn)



Value (Tn)



Bank Yields

Table with columns: This Week, Previous Week, %A. Rows include NAFEM (per USD), 1YR, 3YR, 5YR, 7YR, 10YR.

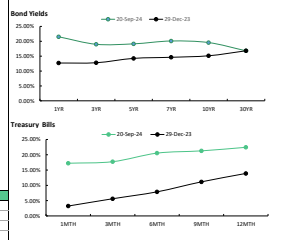
Market Interest Rates

Table with columns: This Week, Previous. Rows include OBR, OBR, Average.

Treasury Bill Yields

Table with columns: This Week, Previous. Rows include 1MTH, 3MTH, 6MTH, 9MTH, 12MTH, Average.

Fixed Income Schedule



In-Cheek Metrics

Table comparing Nigeria, Ghana, Egypt, Kenya, South Africa, Frontier, Emerging, Developed across TWD, YTD, P/E.

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