

What Moved the Markets this Week?

The UK's manufacturing PMI dropped to 51.50pts in September 2024 from 52.50pts in August, signalling a slowdown in the manufacturing sector's output. This decline can be tied to factors such as cautious consumer spending ahead of the autumn season, weak export orders from the European Union, and a decrease in delivery backlogs. Looking ahead, ongoing job cuts (driven by employers' cautious hiring approach amid uncertainty around policy direction from the new fiscal authority), weakening consumer demand, and persistent trade challenges with the EU, are likely to keep manufacturing output under pressure in the near term. In Asia, the People's Bank of China (PBOC) announced a 50bps reduction in the reserve requirement ratio, marking the second cut this year. Additionally, the PBOC lowered the 7-day reverse repo rate by 20bps to 1.50%, alongside other fiscal and monetary support measures. These actions align with the Chinese government's ongoing expansionary policies aimed at bolstering the economy amid weakening demand and consumption, as concerns grow over the possibility of missing the 5.00% growth target. China's GDP growth for Q2-2024 came in at 4.70% YoY, down from 6.30% in Q2-2023, reflecting softer domestic demand. In our view, these measures are expected to enhance system liquidity and stimulate both business investment and consumer spending and enhance the country's growth prospects.

On the domestic front, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria raised the monetary policy rate by 50bps to a record high of 27.25%, marking the fifth consecutive hike this year and bringing the total increase to 850bps. Additionally, the MPC increased the cash reserve ratio for commercial banks by 500bps to 50.00% and for merchant banks by 200bps to 16.00%, while leaving other policy parameters unchanged. The decision is in line with the Apex bank's inflation control and exchange rate management objectives. In our view, while this move may help curb excess liquidity and sustain foreign capital inflows, potentially stabilizing the exchange rate, it could further strain the real sector through higher borrowing costs, which will likely weigh on economic growth in the near term. In another development, the Federal Executive Council has approved the Economic Stabilization Bill, incorporating recommendations from the Presidential Fiscal Policy and Tax Reforms Committee. The bill aims to amend tax and fiscal laws with key goals such as boosting investment in the gas sector, strengthening the Naira, promoting fiscal discipline, and creating jobs. Proposed changes include zero-rated VAT for exports, tax relief for private sector players, the suspension of certain taxes on small businesses and vulnerable groups, and a tax identification consolidation initiative to broaden the tax base. We believe that the successful execution of these policies could enhance the business environment, create more job opportunities, increase the competitiveness of the export sector, and improve government revenue in the medium to long term. According to the National Bureau of Statistics, Nigeria's unemployment rate rose to 5.30% in Q1-2024, up from 4.10% in Q1-2023. This increase is attributed to ongoing macroeconomic challenges that have constrained business expansion and, in turn, dampened job creation. Looking ahead, with the current business environment still under pressure, employment levels are likely to remain subdued in the near term, as businesses struggle to generate enough jobs to keep pace with population growth. However, targeted government policies—such as tax incentives for employers and initiatives to promote domestic manufacturing—could help improve employment prospects over the medium to long term. On the corporate front, Flour Mills of Nigeria Plc (FLOURMILL) has announced that its majority shareholder, Excelsior Shipping Company (which holds 63.34% of FLOURMILL's shares), has received approval from the Securities and Exchange Commission (SEC) to acquire the remaining shares held by the company's minority shareholders, pending shareholder approval and the sanction of the federal high court. The transaction is structured as a scheme of arrangement with a proposed offer price of NGN70.00 per share, representing a potential upside of 32.90% compared to its closing price of NGN62.00 on September 27, 2024. In our view, the acquisition, if successful, makes the case for a potential delisting of the company from the Nigerian Exchange (NGX) or could likely prompt changes in the corporate governance structure.

This week, the local bourse sustained its positive trajectory, with the NGX All-Share Index (NGXASI) rising by 0.21% WoW to close at 86,458.68pts, bringing the year-to-date (YTD) gain to 31.68%. This bullish performance was primarily driven by buying interest in SEPLAT (+10.00% WoW), FLOURMILL (+2.89% WoW) and select banking stocks, including FBNN (+2.86% WoW), and UBA (+8.65% WoW). Sectoral performance varied, as NGXBNK (+2.45% WoW), NGXOLIGAS (+3.28% WoW), and NGXINS (+1.43% WoW) recorded weekly gains, while NGXNSMRGDS (0.15% WoW) and NGXINDUSTR (0.04% WoW) registered week-on-week losses.

At the T-Bills Primary Market Auction held during the week, total amount offered was NGN27,540bn (vs. NGN161.88bn offered at the previous auction) while total subscriptions fell by 45.97% to NGN304.27bn. The total allotment matched the offer at NGN27,540bn, resulting in a bid-to-offer ratio of 1.34x (compared to 3.48x in the previous auction). Consequently, the stop rates for the 91-day, 182-day and 364-day instruments rose by 79bps, 50bps and 141bps to 17.00%, 17.50% and 20.00%, respectively (from 16.63%, 17.00% and 18.59% previously). Additionally, at the OMO auction held during the week, total amount offered was NGN100,000bn, while total subscription was NGN252,000bn. Interestingly, only the 362-day instrument saw subscription, hence, stop rate for the 362-day instrument was 24.36%. Sentiment was mixed in the fixed income secondary market, as average T-bills yields rose to 21.93% from 20.79%, while average bond yield declined to 18.75% from 19.36% in the previous week.

The Eurobonds market experienced a bullish sentiment this week, with the average yield falling to 9.43%, compared to 9.60% in the previous week and the average price across all instruments rising to USD89.87, up from USD89.11 the previous week.

Nigeria | September 27th, 2024

Market Performance

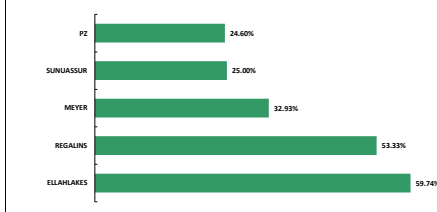
Equities	This Week	Previous Week	% Δ
NGXASI	96,458.68	98,247.99	0.21%
Volume (bn)	2.90	1.83	58.56%
Value (bn)	43.06	33.56	28.31%
Mkt. Cap. (trn)	56.48	56.48	0.00%
Market Breadth	1.49x	1.13x	31.01%

	WTD	MID	YTD
NGXBNK	2.45%	8.93%	4.08%
NGXNSMRGDS	-0.15%	-0.64%	39.56%
NGXOLIGAS	3.28%	6.97%	90.87%
NGXINS	1.43%	-0.70%	30.95%
NGXINDUSTR	-0.04%	-0.17%	41.87%
NGX-ASI	0.21%	1.95%	31.68%

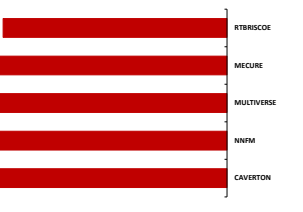
Other Indices	WTD	MID	YTD
NGX-30	0.40%	2.05%	31.29%
NGX-PENSION	1.45%	5.40%	23.17%

Market Outliers

Top Gainers

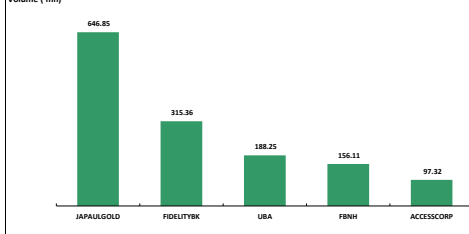


Top Losers

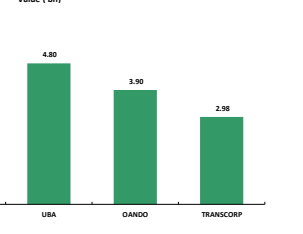


Weekly Trading Activity

Volume (mn)



Value (bn)



	This Week	Previous Week	% Δ
NAFEM (per USD)	1,540.78	1,541.52	0.05%

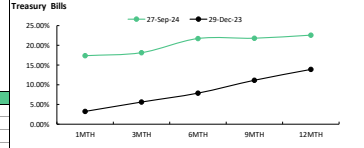
Bond Yields	This Week	Previous Week	% Δ
1YR	19.38%	21.52%	-2.14%
3YR	19.09%	19.00%	0.09%
5YR	18.29%	19.14%	-0.85%
7YR	20.24%	20.10%	0.14%
10YR	20.10%	19.57%	0.53%
30YR	16.60%	16.81%	-0.21%

vs. Other Markets	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	-0.07%	-0.37%	0.08%	0.05%	0.29%	0.78%	2.34%	1.47%
WTD	0.21%	-0.05%	0.00%	0.68%	4.47%	2.10%	5.15%	2.45%
YTD	31.68%	39.91%	25.64%	16.34%	13.90%	9.36%	13.64%	10.92%
P/E	11.57x	4.44x	8.15x	5.24x	24.33x	12.14x	16.14x	17.04x

Money Market Rates	This Week	Previous
OBB	29.43%	29.69%
OVN	30.02%	29.97%
Average	29.73%	29.83%

Treasury Bill Yields	This Week	Previous
1MTH	17.27%	17.23%
3MTH	18.15%	17.73%
6MTH	21.73%	20.53%
9MTH	21.80%	21.28%
12MTH	22.59%	22.44%
Average	20.33%	19.84%

Fixed Income Monitor



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