

What Moved the Markets this Week?

Global Updates

According to data from the Bureau of Statistics, the US inflation climbed for the second consecutive time to 2.70% YOY in November, up from 2.60% recorded in October. The uptick in inflation was driven by increase in the food inflation which rose by 0.50%, and the base effects from the previous year. Additionally, Monthly CPI increased by 0.30% - the largest rise since April, with shelter contributing 40.00% of the gain. Core CPI remained steady at 3.30% YoY and 0.30% on monthly basis. Going forward, the Fed is likely to adopt a cautious stance on rate cuts as inflation stays near acceptable levels but remains slightly above the 2.00% target. Persistent inflationary pressures suggest that progress toward the 2.00% goal may proceed more slowly, necessitating gradual policy adjustments.

The European Central Bank (ECB) cut its deposit rate by 25bps to 3.00% from 3.25%, marking its fourth rate cut this year, as inflation nears its target and economic growth remains weak. Also, lending rates were also lowered to 3.15% for lending facility and 3.40% for overnight rate (vs 3.40% and 3.65% respectively). While recent cuts have eased borrowing costs, monetary conditions remain tight due to previous hikes. Looking ahead, we expect the ECB to continue to monitor inflation trends and economic growth closely, with the potential for further rate cuts if inflation remains subdued and economic conditions fail to improve.

In November, South Africa's headline inflation rose marginally to 2.90% YoY from 2.80% in October, remaining well within the central bank's target range of 3.00%-6.00%. This marks the first increase in inflation after five consecutive monthly declines, primarily driven by a softer decline in transport costs (-2.90% vs. -4.80% in October), reflecting a slower drop in fuel prices (-13.60% vs. -19.10%). However, the impact was offset by a further drop in food inflation to 2.30% - a 14-year low - from 3.60 in October, supported by improved agricultural output, lower input costs, and easing supply chain pressures. Also, core inflation (excluding food and fuel) also moderated to 3.70% from 3.90%, underscoring sustained subdued price pressures. Looking ahead, we expect food inflation to remain subdued in the near term, supported by stable food supply conditions and moderating input costs. Additionally, the core inflation trends also suggest a continued environment of price stability. However, global fuel price volatility remains a key risk that could disrupt this trajectory, and policymakers are likely to monitor these developments closely as they evaluate future monetary policy decisions.

Domestic Updates

Nigeria's economic activity contracted for the second consecutive month, with the Purchasing Managers Index (PMI) from the Central Bank of Nigeria (CBN) declining to 48.90 points, in November, down from 49.60 points in October. The decline was broad-based, with major PMI components—output, new orders, employment, and raw material stocks—falling below expansion levels, reflecting a general slowdown. The contraction was driven by weak consumer demand, supply chain disruptions, and macroeconomic challenges. While agriculture showed modest resilience at 51.00 points (up from 50.30 in October), the industry PMI was stable at 49.30 points, whereas the services sector faced a sharp decline to 47.40 points, down from 50.00 points in October, largely due to weaker consumer demand. Looking ahead, we expect near-term PMI figures to show improvement, supported by pent-up consumer demand associated with the festive season and increased economic activity during this period. However, structural challenges such as supply chain disruptions and macroeconomic pressures may temper the pace of recovery.

In another update, Nigeria recorded a trade surplus of NGN5.81trn in Q3-2024, marking its eighth consecutive quarter of positive trade balances. This is an increase from NGN4.05trn in Q2-2024 and NGN1.31trn in Q3-2023. Total trade value rose to NGN35.16trn, representing an 81.35% YoY increase, driven by both crude oil and non-oil exports, which grew by 57.06% and 290.95% to NGN13.41trn and NGN7.08trn, respectively. Imports also increased by 62.30% to NGN14.60trn, although exports, which accounted for 58.27% of total trade, rose by 98.00%, leading to the trade surplus. The growth in export values is largely attributed to a sharp increase in crude oil exports as well as a recovery in non-oil exports spurred by increased agricultural output despite the challenges faced by the sector. We anticipate that the trade surplus will be sustained in the near term, supported by a recovery in oil exports driven by increased oil production and rising oil prices. Additionally, the growth in non-oil exports will continue to bolster trade diversification, contributing to the positive trade balance.

Also, Nigeria's oil production, including condensates, rose by 9.90% to 1.69 million barrels per day (mmbpd) in November 2024, up from 1.54mmbpd in October, according to data from the Nigerian Upstream Petroleum Regulatory Commission. This marks the highest level of increase since April 2021. Liquid crude oil output increased significantly by 11.42% to 1.48mmbpd, while condensate production declined marginally by 0.01% to 204,822bpd. Despite these improvements, production remains below Nigeria's OPEC quota and the 2024 budget benchmark of 1.78mmbpd. The shortfall underscores ongoing challenges such as operational inefficiencies, pipeline vandalism, and funding constraints, which continue to hinder the sector's potential. We expect ongoing efforts to improve upstream infrastructure and enhance security in oil-producing regions to sustain the current momentum in liquid crude production in the near term.

Market Updates

The Nigerian equities market posted a bullish performance this week, with the NGX All-Share Index (NGXASI) advancing by 1.19% week-on-week (WoW) to close at 90,453.21pts, bringing year-to-date (YTD) returns to +32.90%. The uptrend was driven by strong investor demand in **ARADEL** (+32.28% WoW), **MTN** (+2.47% WoW), and **CONOIL** (+33.52% WoW). Sectoral performance was largely positive, with **NGXINS** (+5.52% WoW), **NGXOILGAS** (+7.61% WoW), **NGXNSMRGDS** (+1.01% WoW), **NGXBNK** (+0.16% WoW), and **MERITELCO** (+0.11% WoW) closing in the green zone, while **NGXINDUSTR** (-0.60% WoW) and **MERI-AGRIC** (-0.53% WoW) closed the week in the red zone. Top weekly gainers included **GOLDBREW** (+60.00% WoW), **AFRIPRUD** (+59.72% WoW), **TANTALIZER** (+52.07% WoW), **CONOIL** (+33.52% WoW), and **WAPIC** (+25.23% WoW). Conversely, the biggest losers were **NSITECH** (-22.86% WoW), **AUSTINLAZ** (-14.74% WoW), **HMCALL** (-11.11% WoW), **JBESGER** (-10.00% WoW), and **JOHNHOLT** (-9.96% WoW). Market activity softened, with total trade volume and value declining by 14.47% and 33.31% to 2.66bn and NGN46.37bn, respectively. **WAPIC** led the volume chart, while **ARADEL** dominated the value chart.

Over the week, the Central Bank of Nigeria (CBN) conducted a treasury bills auction, offering NGN275.78bn across three tenors. Stop rates for the 91-day and 182-day bills remained steady at 18.00% and 18.50%, respectively, while the 364-day bill rate edged down by 13bps to 22.80% from 22.93% at the previous auction. Demand for the 91-day bill was muted, but strong investor interest drove oversubscription in the 182-day and 364-day bills, resulting in an average subscription-to-offer ratio of 3.31x, slightly below the 4.44x seen in the prior auction. Total allotments post-auction stood at NGN27.88bn. In the secondary fixed-income market, performance was mixed as the average treasury bills yield dipped marginally by 2bps to 25.70%, while the average bond yield increased by 3bps to 19.50%.

Furthermore, the Eurobond market faced bearish sentiment, with the average yield rising to 9.36% from 9.18% in the prior week. This uptick was driven by profit-taking activities following recent bullish trends, compounded by concerns after a 0.10% increase in the US inflation to 2.70%, and market anticipation of a potential rate cut at the upcoming Federal Reserve meeting.

Nigeria | December 13th, 2024

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	90,453.21	88,309.30	1.19%
Volume (bn)	2.66	3.12	-14.74%
Value (bn)	46.37	69.75	-33.31%
Mkt. Cap. (trn)	60.46	59.75	1.19%
Market Breadth	2.38x	3.51x	47.88%

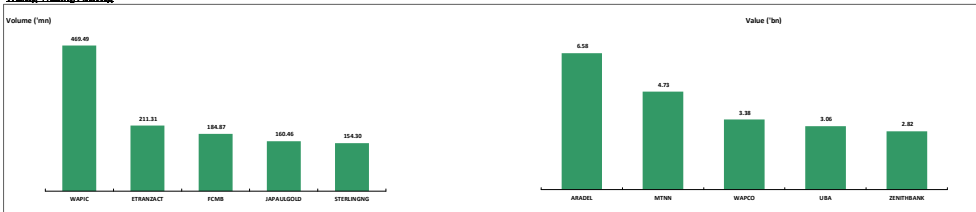
	WTD	MTD	YTD
NGXBNK	0.16%	1.46%	15.72%
NGXNSMRGDS	1.01%	1.15%	43.39%
NGXOILGAS	7.61%	12.82%	157.36%
NGXINS	5.52%	16.60%	78.87%
NGXINDUSTR	-0.60%	1.90%	32.49%
NGXASI	1.19%	1.92%	33.90%
MERITELCO	0.11%	-1.88%	4.01%
MERI-AGRIC	-0.53%	-0.84%	85.95%

Other Indices	WTD	MTD	YTD
NGX30	-0.09%	1.11%	32.85%
NGXPENSION	-0.07%	1.66%	33.85%

Market Outliers



Weekly Trading Activity



	This Week	Previous Week	% Δ
NAFEM (per USD)	1,533.00	1,533.75	0.05%

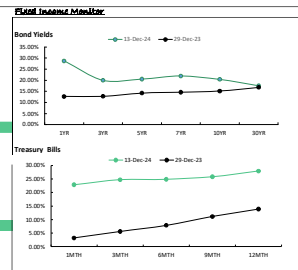
  

Bond Yields	This Week	Previous Week	% Δ
1YR	28.74%	28.94%	-0.20%
1YR	20.02%	20.51%	-0.31%
5YR	20.54%	20.91%	-0.37%
7YR	21.92%	21.86%	0.05%
10YR	20.64%	20.47%	0.03%
10YR	17.54%	17.11%	0.42%

Monthly Market Rates	This Week	Previous
OBX	27.67%	27.67%
OVN	28.17%	28.17%
Average	27.92%	27.92%

Treasury Bill Yields	This Week	Previous	Column
1MTH	22.85%	22.86%	
3MTH	24.72%	25.55%	
6MTH	24.89%	24.98%	
9MTH	25.82%	25.92%	
12MTH	27.93%	27.60%	
Average	25.24%	25.38%	-2.35x



Key Ratios

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.62x	0.13x	0.18x	0.50x	0.19x	-0.22x	0.41x	0.08x
WTD	1.19%	-0.20%	-0.14%	-1.36%	0.22%	-0.18%	0.71%	-0.72%
YTD	32.90%	51.07%	24.72%	29.28%	13.31%	4.76%	8.71%	4.55%
P/E	9.72x	4.94x	6.36x	5.10x	17.54x	N/A/N/A	14.20x	14.61x

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