

Global Updates

The Bank of Japan (BoJ) recently raised its key interest rate to 0.50% from 0.25%, marking its third increase since March 2024, when it ended its longstanding negative interest rate policy. This move reflects efforts to address the nation's rising inflationary pressures, which have surpassed the Bank's 2.00% target since April 2022. The rate hike was largely influenced by persistent core inflation driven by rising import costs, especially for energy and food. A weaker yen has further amplified the cost of imports, while labor shortages in Japan's aging workforce have started to exert upward pressure on wages, fueling inflation. While inflation is likely to remain elevated due to legacy issues such as high import costs and wage growth, we expect the central bank to maintain its hawkish stance to control inflation and support economic growth.

Kenya's National Bureau of Statistics (KNBS) has announced plans to begin publishing core inflation data, aiming to improve the precision of monetary policy decisions. Previously, KNBS reported a headline inflation that combined all components of inflation, including food, fuel, and other volatile items. The need for a more accurate and reflective monetary policy necessitated the disaggregation of data to isolate non-food and non-fuel inflation. Core inflation, which excludes these volatile items, is considered a more reliable measure for informing monetary policy decisions. Thus, with the introduction of core inflation data, the CBK is expected to have a clearer understanding of underlying inflation trends, improving its ability to predict the impact of interest rate decisions on the broader economy.

Domestic Updates

The Debt Management Office reported that Nigeria's total public debt stock rose to NGN142.30trn in Q3-2024, a NGN5.97% QoQ increase from NGN134.30trn in Q2-2024. Domestic debt grew by 3.0% due to increased government borrowings, with Federal Government bonds accounting for 78.95% of the total. Also, external debt rose by 9.22%QoQ as a result of the Naira depreciating from NGN1,470.19/USD in Q2-2024 to NGN1,601.03/USD in Q3-2024. External debt servicing climbed by 29.7% QoQ to NGN2.11trn due to higher multilateral creditor payments, Eurobond interest, and bilateral obligations, particularly to China's Exim Bank. On the other hand, domestic debt servicing fell by 23.12% to NGN1.43trn, despite a 36.80% rise in Treasury Bill interest payments. We expect Nigeria's debt stock to increase further, as the projected NGN13.05trn fiscal deficit for 2025 is set to be predominantly financed through debt, with 70.45% of the funding sourced via borrowings.

The Central Bank of Nigeria (CBN) has approved the release of the Nigerian Foreign Exchange (FX) Code, which will be officially launched on January 28, 2025. The FX Code serves as a guideline to promote ethical conduct among authorised dealers in the Nigerian Foreign Exchange Market (NFXEM) and strengthen governance and transparency in the FX market. A key feature of the revised guidelines introduced in November 2024 requires banks' boards, CEOs, and compliance officers to annually attest to the FX Code, demonstrating their commitment to market integrity and compliance. The framework consolidates all official FX market windows and mandates authorised dealers to ensure transparent pricing, disclose valuations, and engage in legitimate transactions while prohibiting dealings with unlicensed intermediaries. Additionally, licensed Bureau de Change (BOC) operators can now purchase FX from authorised dealers within CBN limits, adhering strictly to the FX Code. We believe that these reforms will help improve transparency in the FX market, enhance regulatory oversight, and ensure ethical practices across the sector.

Additionally, the Transmission Company of Nigeria (TCN) reported that they successfully commissioned 48 transformer projects across the country in 2024, adding 4,928 megawatt ampere (MVA) and 3,942.4 megawatts (MW) to the national grid. This infrastructure upgrade is part of TCN's broader strategy to enhance the efficiency, reliability, and capacity of Nigeria's power transmission network, addressing long-standing challenges like transmission bottlenecks and undercapacity in substations. These upgrades are expected to improve power supply in key regions, such as Ifeoluwa, Enugu, Abuja, and Kaduna, and eliminate the frequent rationing of electricity. The projects are aligned with the Transmission Rehabilitation and Expansion Program (TREP), which aims to modernize the grid and support sustainable power sector growth. In our opinion, TCN's ongoing investments, supported by multilateral financing, could ensure a more stable and reliable power supply, essential for Nigeria's economic and social development.

The Federal Government of Nigeria, through the Federal Ministry of Communications, Innovation & Digital Economy (FMCIDE), has signed a USD10.00mn Memorandum of Understanding (MoU) with the West Indian Ocean Cable Company (WIOCC) to enhance Nigeria's digital infrastructure. The partnership aims to connect three million homes to a hyperscale open-access digital platform, providing improved broadband access through advanced fibre and colocation facilities. The agreement includes initiatives to partner with internet service providers (ISPs), create jobs, and offer digital infrastructure training to Nigerian youth. Looking ahead, we expect this partnership to support Nigeria's digital growth and foster a robust digital ecosystem that empowers communities and drives economic development.

Market Updates

The local bourse ended the week on positive note as the **NGXASI** returned 1.22%WoW to settle at 103,588.46pts bringing the year to date return to a positive 1.22%. This positive performance was driven by rising interest on indices such as **ZENITHBANK** (+5.88% WoW), **WAPIC** (+15.32% WoW), **TRANSLOOP** (+10.67% WoW), **TRANSPOWER** (+7.86% WoW), and **UBA** (+7.67% WoW). Across sectoral indices under our coverage, performance was predominantly bearish as **NGXNSMRGDS** (0.12% WoW), **NGXINS** (1.20% WoW), **NGXOLIGAS** (0.93% WoW) and **MERAGRIC** (0.04% WoW) closed in the red zone. However, the **NGXINDSTR** (+1.94% WoW), **NGXBANK** (+4.09% WoW) and **MERTELECO** (+1.10% WoW) ended the week on positive territory. Top gainers for the week were **SCOA** (+19.68% WoW), **UPOIC** (+19.50% WoW), **WAPIC** (+15.32% WoW), **ROYALEX** (+14.61% WoW), and **DAARCOMM** (+13.51% WoW) while **SUNUASSUR** (25.11% WoW), **EUNSELL** (18.95% WoW), **JOHNHOLT** (18.47% WoW), **ABBEYBDS** (14.60% WoW), and **CONNERST** (14.29% WoW) topped the losers chart for the week. Trading activity was mixed, as the total value traded increased by 9.21% WoW to NGN62.10bn from NGN56.92bn. In terms of volume, **SEPLAT** led in volume traded dropped by 4.63% WoW reaching 2.13bn units in the previous week. **NSICTECH** was the most traded stock by volume, while **SEPLAT** led in value traded chart.

During the week, the CBN conducted its second Treasury Bills (T-Bills) Primary Market Auction (PMA) for the month, offering NGN50.00bn across three maturities. The auction attracted significant investor interest, with an oversubscription of NGN2.49trn, up from NGN1.48trn in the previous auction, with 98.25% of the total subscription concentrated on the long-dated bill. Stop rates for the 92-day and 182-day remained unchanged from the previous auction, while the 364-day bill rose by 118bps to 21.80% from 20.62% at the previous auction. Ultimately, the CBN sold NGN756.05bn worth of bills, resulting in a bid-to-cover ratio of 3.5x (vs. 3.8x at the previous auction).

In the secondary fixed-income market, performance was mixed as average yields on bonds expanded by 66bps to 17.64%, while average yields on treasury bills fell to 24.36% (compared to 16.98% and 25.38% in the previous week, respectively).

The Nigerian Eurobond market recorded a bullish performance as the average yield declined by 2bps to 9.42%, down from 9.44% in the previous week. This was driven by increased buying interest in short-dated maturities such as NOV-25, NOV-27, SEP-28, and MAR-29 in the week.

Alternative Assets

Earlier in the week, Bitcoin hit a monthly high of USD 107,056.80 before retreating to USD 101,546.60 by Tuesday, due to profit-taking activities. However, the dip was short-lived, as Bitcoin rebounded to USD 105,671.30 by Friday. This recovery was fueled by positive market sentiment, bolstered by comments from institutional figures like BlackRock CEO Larry Fink, who projected significant appreciation for Bitcoin in the future to USD700,000. Also the appointment of Senator Cynthia Lumis, a well-known advocate for cryptocurrencies as the head of the Senate Banking Subcommittee on Digital Assets contributed to Bitcoin's rebound.

This week, WTI crude oil declined from USD 77.70/bbl at the start of the week to USD 74.27/bbl, while Brent crude fell from USD 79.91/bbl to USD 78.06/bbl by Thursday. The drop was largely driven by President Trump's remarks about lower oil prices at the World Economic Forum in Davos, Switzerland. Additionally, his executive orders aimed at boosting U.S. oil production, added further downward pressure. However, oil prices saw a partial rebound later in the week as the U.S. dollar weakened against the euro, following strong economic data from the eurozone. Despite the recovery, weekly losses were significant, with Brent down 2.40% WoW to USD 77.96/bbl and WTI down 3.70% WoW to USD 74.28/bbl, compared to USD 81.73/bbl and USD 79.30/bbl, respectively, in the previous week.

Market Performance

Instrument	This Week	Previous Week	%
NGXASI	103,588.46	102,953.68	1.22%
Volume (Tn)	2.13	2.23	-4.51%
Value (Tn)	62.10	56.92	9.21%
Mkt. Cap. (Tn)	62.42	64.21	-2.79%
Market Breadth	1.0%	1.0%	1.01%

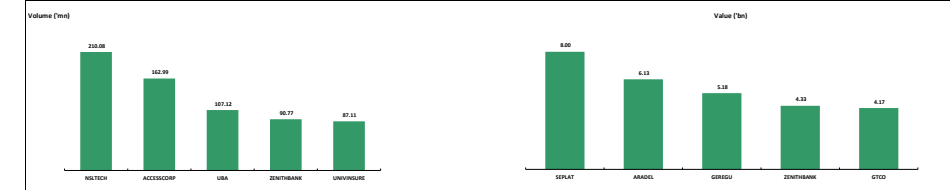
Index	WoW	MoM	YoY
NGXNSMRGDS	-0.09%	7.04%	7.04%
NGXNSMRGDS	-1.20%	0.44%	0.44%
NGXBANK	-0.93%	2.55%	2.55%
NGXINS	-1.20%	1.80%	1.80%
NGXINDSTR	0.12%	0.65%	0.65%
NGXAGG	1.22%	0.65%	0.65%
MERITELECO	1.10%	2.88%	2.88%
MERAGRIC	-0.04%	-0.31%	-0.31%

Other Indices	WoW	MoM	YoY
NGX-30	1.58%	0.00%	0.00%
NGX-PENSION	2.33%	4.00%	4.00%

Market Profiles



Volume Trading Activity



Instrument	This Week	Previous Week	%
NAFEM (per USD)	1,647.58	1,647.58	0.00%
OMB	32.33%	32.33%	0.00%
OVN	32.75%	32.75%	0.00%
Average	32.48%	32.48%	0.00%

Instrument	This Week	Previous Week	%
1MTH	23.01%	23.01%	-0.00%
3MTH	22.51%	23.27%	-0.76%
6MTH	23.61%	23.80%	-0.18%
9MTH	25.62%	25.60%	0.02%
12MTH	27.00%	27.69%	-0.69%
Average	24.36%	25.18%	-0.82%

Instrument	This Week	Previous Week	%
1MTH	27.83%	27.20%	0.63%
3MTH	19.62%	1.25%	1.37%
6MTH	21.51%	20.80%	0.68%
9MTH	22.47%	22.03%	0.44%
12MTH	21.41%	20.80%	0.55%
Average	21.62%	21.54%	0.06%

Instrument	This Week	Previous Week	%
1MTH	0.79%	0.60%	0.19%
3MTH	0.41%	0.33%	0.08%
6MTH	0.65%	0.86%	-0.21%
9MTH	0.58%	0.79%	-0.21%
12MTH	0.38%	0.50%	-0.12%
Average	0.56%	0.62%	-0.06%

Instrument	This Week	Previous Week	%
1MTH	22.51%	23.27%	-0.76%
3MTH	23.61%	23.80%	-0.18%
6MTH	25.62%	25.60%	0.02%
9MTH	27.00%	27.69%	-0.69%
12MTH	24.36%	25.18%	-0.82%
Average	24.36%	25.18%	-0.82%

Contact Information

Investment Research
 research@meristem.com
 Meristem Research can also be accessed on the following platforms:
 Meristem Research portal: <https://research.meristem.com/reports>
 Bloomberg: MERI<EQ>
 Capital IQ: www.capitaliq.com
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