

What Moved the Markets this Week?

Preliminary data in the U.S. showed an uptick in business activity for October 2024, as reflected by the rise in the S&P Global Composite PMI Output Index to 54.30pts from 54.00pts in September. This growth, evident in both the services (55.30pts) and manufacturing (47.80pts) sectors, was fueled by strong demand and supported by easing price pressures, with average prices charged by businesses declining to 51.60—the lowest since May 2020—and input prices moderating slightly to 58.10. We expect this positive momentum to continue into the fourth quarter hinged on a sustained cooling in inflationary pressures, potentially leading to improved economic growth. Conversely, Japan's factory activity contracted for the fourth consecutive month in October 2024, as the Jv Bank manufacturing PMI slipped to 49.00pts from 49.70pts in September, remaining below the 50.00pts threshold. Similarly, the services PMI dropped significantly to 49.30pts in October from 53.10pts in September, marking its first contraction in four months and the lowest level since February 2022. Consequently, the composite PMI, which combines both sectors, declined to 49.40pts in October from 52.10pts in September, reflecting weakened business confidence amid persistently high costs. Looking ahead, our outlook for economic activity remains cautious, pressured by ongoing inflationary trends and softening demand, aligning with IMF forecasts of a slowdown in Japan's economic growth from 1.70% in 2023 to 0.30% in 2024. Meanwhile, South Africa's annual inflation rate fell for the fourth consecutive month to 3.80% in September 2024 from 4.40% in August (the lowest level since March 2021), driven by significant price reductions in transport and housing. Core inflation also eased to 4.10% from 4.30% in the previous month, reflecting stable underlying price pressures, while month-on-month inflation edged up by 0.10%. This sustained downtrend in inflation supports our expectation for further monetary easing by the South African Reserve Bank in the near term.

In the domestic scene, the International Monetary Fund (IMF), in its October update, revised Nigeria's 2024 economic growth forecast to 2.50%, down from 3.10% in July and 3.30% in April. This adjustment is attributed to ongoing challenges, including insecurity in oil-producing regions, severe flooding, escalating food insecurity, and weaker-than-expected economic performance in the year's first half. Looking ahead, our growth outlook remains modest, particularly due to subdued oil production levels amidst structural challenges and continuous pressures on the real sector from exchange rate depreciation and high borrowing costs. Meanwhile, the National Pension Commission has directed all Licensed Pension Fund Administrators (LPFAs) to stop further investments in commercial papers with non-bank capital market operators acting as issuing and placing agents. This move aims to shield pension funds from risks tied to non-investment grade commercial papers amidst growing LPFA investments in these instruments and the absence of clear SEC guidelines for their issuance. We believe this suspension should reduce LPFA exposure to high-risk commercial papers rated below BBB, enhancing the security of managed pension funds. In another development, the Federal Government has mandated that starting November 1, 2024, the Nigerian National Petroleum Corporation Limited (NNPC) and domestic Liquefied Petroleum Gas (LPG) producers must either halt the export of domestically produced cooking gas or, import an equivalent volume of LPG to balance local supply if they choose to export. This directive aims to curb the rate of increase in the price of locally produced LPG and ensure that it is made available at a cost-effective price. The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) has been instructed to work with stakeholders over the next 90 days to develop an LPG pricing framework that reflects the true cost of local production. While this directive is likely to boost domestic supply and investment in LPG storage facilities in the long term, we do not envisage a sharp decline in cooking gas prices in the short term, as the 90-day timeline extends into 2025. Additionally, the Central Bank of Nigeria (CBN) has announced plans to launch a new Bank Verification Number (BVN) platform by December 2024, developed in collaboration with the Nigerian Inter-Bank Settlement System (NISS). This platform will offer remote Know Your Customer (KYC) services for Nigerians living abroad, enabling them to access banking services without needing in-person verification. We believe this initiative will enhance financial accessibility and inclusion for the diaspora, making account management and financial transactions more convenient, potentially boosting remittance inflows and banking sector participation if effectively implemented.

This week, the local bourse maintained its positive momentum as the **NGXASI** advanced by 1.41% YoW to reach 99,448.91pts bringing YTD performance to 32.99%. This performance can be tied to gains on some oil & gas tickers, particularly **SEPLAT** (+9.25% YoW) and **OANDO** (+16.43% YoW), as well as banking stocks such as **ACCESSCORP** (+10.25% YoW) and **FBNH** (+10.58% YoW). Across sectors, performance was mixed, as **NGXBANK** (-7.86% YoW), **NGXINS** (-0.84% YoW), **NGXOLGAS** (-3.95% YoW), and **NGXINDUSTR** (-0.10% YoW) closed on a positive note, while the **NGXCNSMRGDS** (-0.84% YoW) index declined in the negative territory. Top gainers for the week were **EUNSELL** (+20.69% YoW), **UNILEVER** (+18.42% YoW), **ABBEYDOS** (+16.91% YoW), and **OANDO** (+16.43% YoW) while **DANGSUGAR** (-10.13% YoW), **JOHNHOLT** (-9.84% YoW), **NLSITECH** (-9.68% YoW), **REGALINS** (-8.20% YoW), **INTREWB** (-6.24% YoW) topped the losers chart for the week.

At the primary market auction (PMA) for T-bills held during the week, a total of NGN374.67bn was offered across the three maturities - 91-day, 182-day and 364-day while total subscription was NGN489.84bn. Subscription-to-offer and bid-to-cover declined to 1.33x and 1.31 (vs 3.33x and 3.34x in the previous auction). The stop rates for the 91-day, 182-day maturities was unchanged at 17.00%, 17.50%, while the rate for the 364-day maturity edged up by 7bps to 20.65% (vs 19.86% in the last auction). In the secondary market, performances were largely bearish as the average treasury bills and bond yield edged up by 7bps and 10bps to 23.13% and 19.31% respectively (vs 22.37% and 19.30% in the previous week).

Meanwhile, in the Eurobond market, performances were largely bearish as the yields across the curve trended higher. Consequently, the average yield posted 9.58% (vs 9.44% in the previous week). We noted a bear steepening as the yields on the shorter end of the curve rose faster than the longer maturities. This can be attributed to investors seeking higher yields as well as profit-taking activities. We anticipate modest investor activity next week, as some specific maturities are at relatively attractive levels which could spur buy-ins.

Nigeria | October 25th, 2024

Market Performance

Equities	This Week	Previous Week	% Δ
NGXASI	99,448.91	98,070.23	1.41%
Volume ('bn)	2.14	1.44	48.99%
Value ('bn)	85.93	73.84	16.37%
Mkt. Cap. ('trn)	60.26	59.43	1.41%
Market Breadth	2.81x	0.82x	242.62%

	WTD	MTD	YTD
NGXBANK	7.86%	5.79%	11.37%
NGXCNSMRGDS	-0.84%	-0.30%	39.07%
NGXOLGAS	3.95%	14.50%	118.54%
NGXINS	-0.84%	4.58%	39.78%
NGXINDUSTR	0.10%	-5.83%	32.16%
NGX-ASI	1.41%	0.90%	33.00%

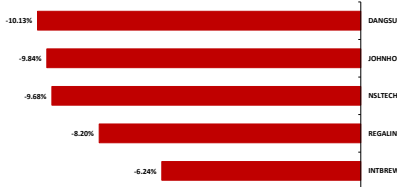
Other Indices	WTD	MTD	YTD
NGX-30	1.47%	1.28%	32.90%
NGX-PENSION	3.73%	5.30%	30.38%

Market Outliers

Top Gainers

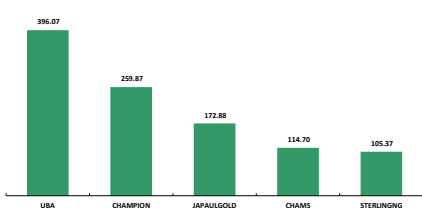


Top Losers

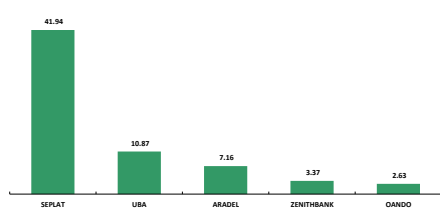


Weekly Trading Activity

Volume ('mn)



Value ('bn)



	This Week	Previous Week	% Δ
NAFEM (per USD)	1,600.00	1,600.78	0.05%

Bond Yields

	This Week	Previous Week	% Δ
1YR	25.11%	19.51%	5.60%
3YR	19.04%	19.92%	-0.88%
5YR	20.36%	20.05%	0.31%
7YR	21.65%	18.06%	3.59%
10YR	20.20%	18.75%	1.45%
30YR	16.73%	16.73%	-0.00%

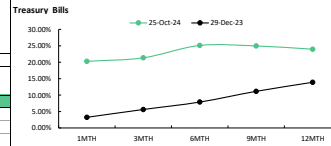
Monthly Market Rates		
	This Week	Previous
OBBL	32.33%	32.36%
OVN	32.36%	33.00%
Average	32.45%	32.68%

Treasury Bills Yields			
	This Week	Previous	Column 1
1MTH	20.77%	19.65%	
3MTH	21.35%	20.82%	
6MTH	25.11%	23.70%	
9MTH	24.96%	23.85%	
12MTH	23.97%	23.84%	
Average	23.13%	22.37%	

vs Other Markets

	Nigeria	Ghana	Egypt	Kenya	South Africa	Frontier	Emerging	Developed
Today	0.26%	0.02%	0.46%	1.18%	-0.08%	-0.15%	-0.64%	0.33%
1MFD	1.41%	0.51%	0.00%	0.85%	-0.38%	-0.88%	-1.78%	-2.04%
YTD	33.00%	39.60%	22.73%	25.38%	12.98%	7.01%	10.82%	5.55%
P/E	11.23x	4.55x	8.03x	5.67x	18.66x	12.01x	15.77x	16.15x

Fixed Income Monitor



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Meristem Research can also be accessed on the following platforms:

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

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Capital IQ: [www.capitaliq.com](http://www.capitaliq.com)

Emerging Markets: [www.securities.com/eh.htm?pc=NG](http://www.securities.com/eh.htm?pc=NG)

Reuters: [www.thomsonreuters.com](http://www.thomsonreuters.com)

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