

What Moved the Markets this Week?

According to Eurostat, the Eurozone headline inflation rate is expected to slow to 1.80%YOY in September from the 2.20%YOY reported in August, to mark the first dip below the bank's 2.00% target rate since April 2021. A major contributor to the slowdown was the decline in energy prices (-6.00%) supported by slow down in services (+4.00%, from +4.10 in August). Looking ahead, we expect the ECB take a more cautious stance as they monitor movements in macro-economic indicators and the escalation in geopolitical tension in making decision at its October meeting. In Sub-Saharan Africa, the Kenya National Bureau of Statistics (KNBS) reported that the country's GDP expanded by 4.60% YOY in Q2-2024, slower compared to 5.60% YOY in Q2-2023. This growth was driven by expansion in agriculture (+4.80%), real estate (+6.00%), accommodation & food services (+26.6%), and financial and insurance sectors (+5.10%) which outweighed the contractions in sectors like Mining & Quarrying (-2.69%) and Construction (-2.87%). In addition, the country's headline inflation declined to a 2-year low of 3.60% in September 2024 from 4.40% recorded in August 2024 due to reductions in food and transportation prices. Nevertheless, with the midterm target of 2.5% and 7.5%, we expect Kenya's monetary authorities could hold rates in their next meeting as they observe the potential impact of resurging global geopolitical tension on inflationary pressure. The Bank of Ghana (BOG) announced the launch of the Ghana Gold Coin, issued and guaranteed by the Bank of Ghana in three different sizes of 1 oz, 1/2 oz, and 1/4 oz Coin to suit different investment. The initiative is targeted at absorbing excess liquidity, complement the use of the Bank's Bills and overnight deposit open market operations. The coin will be priced by the previous day London Bullion Marketing Association (LBMA) Auction PM Price. In our opinion, increased adoption of the GGC could relieve the pressure on the Ghana Cedi and serve as a stable hedging asset for investors and traders.

On the domestic front, the Central Bank of Nigeria (CBN) announced the introduction of an Electronic Foreign Exchange Matching System (EFEMS) for foreign exchange (FX) transactions in the Nigerian Foreign Exchange Market (NAFEM). The innovation would provide authorized dealers a platform to conduct all foreign exchange transactions in the interbank FX market. In collaboration with the Financial Markets Dealers Association of Nigeria (FMDA), the CBN is expected to publish the rules and real time buy or sell order data from the EFEMS. Also, the circular set a two-weeks test run of the system in the month of November, and implementation date of December 1, 2024. In our view, the new system when implemented would improve the CBN's regulatory oversight, enhance transparency, and could reduce FX volatility arising from speculations. In other developments, the Federal Government formalized the VAT exemption status for key energy products and infrastructure, alongside tax incentives for deep offshore oil and gas production. These products include diesel, feed gas, liquefied petroleum gas (LPG), compressed natural gas (CNG), electric vehicles, liquefied natural gas (LNG) infrastructure, and clean cooking equipment. This follows the temporary VAT exemption on diesel declared in October 2023, which expired in April 2024. These measures align with the current administration's plans to boost investment and growth in the oil and gas sector while enhancing Nigeria's global competitiveness in this space. When implemented, this policy could attract foreign investment into deep offshore oil and gas production, renewable energy, and further improve profit margin for oil and gas players. On the downside, it could lead to a reduction in the country's VAT receipts. Also, the World Bank has recently approved three new loan requests for Nigeria, amounting to a total of USD1.57bn. The funding is broken down into USD900m for the Governance Enhancement Program (HOPE-GOV), aimed at addressing systemic issues in education and healthcare delivery; USD570m for the Primary Healthcare Provision Strengthening Program (HOPE-PHC) and USD500 million for the Sustainable Power and Irrigation for Nigeria Project (SPIN). These programs if successfully implemented could improve key socio-economic indicators, such as a reduction in mortality rates and enhanced access to quality basic education. Additionally, SPIN is structured to support agricultural productivity by improving climate-resilient irrigation and water management systems, thereby boosting food security and reducing inflationary pressures on farm produce across the country in the medium to long term. In a separate development, the Rural Electrification Agency (REA) has announced the start of the Distributed Renewable Energy Scale-up Project, which aims to provide electricity to up to 17.50m Nigerians through renewable energy sources. The project aims to electrify 3.00m people via isolated mini-grids, 1.50m through interconnected mini-grids, and 12.00m through a merged grid and solar stand-alone systems. This five-year initiative is scheduled to launch next month, and funded by the World Bank with USD750m, following its approval in December 2023. In our view, if the project is implemented it could enhance infrastructural development in the power sector, boost foreign direct investment, and support Nigeria's transition to cleaner energy sources.

This week, the Nigerian equities market returned bearish, as the NGXASI shed 0.95% WoW to settle at 97,520.54pts, hence bringing the year-to-date (YTD) performance to 30.41%. This negative performance was driven by sell-offs on DANGSUGAR (12.00% WoW), DANGCEM (10.00% WoW) and some banking tickers: FIDELITY (13.33% WoW) and FBNI (11.19% WoW). Across sectors, performance was mixed, as NGXOLIGAS (7.29% WoW), NGKINS (3.81% WoW), and NGKNSMRGDS (0.34% WoW) closed in the green zone, while the NGKINDUSTR (6.84% WoW) and NGXBNK (0.74% WoW) indices closed in the negative territory.

At the OMO auction held during the week total amount offered was NGN500.00bn, while total subscription was NGN737.14bn. Interestingly, only the 362-day instrument saw subscription, hence, a total of NGN731.14bn was sold and stop rate for the 362-day instrument registered at 24.32%. The sentiment was broadly bearish in the fixed income secondary market, as average T-bills yields rose to 21.27% from 20.33%. Also, the average bond yield increased to 19.45% from 18.45% the previous week.

The Nigerian Eurobonds market was predominantly bearish sentiment this week, driven by sell pressure across the curve, as the average yield rose to 9.63% (vs. 9.43% the previous week). In our view, the risk-off sentiment was fueled by investors appeal to Asian instruments during the week due to the Chinese stimulus package. Nonetheless, we expect stronger demand for SSA instruments next week, hinged on their strong yield position compared to advanced markets.

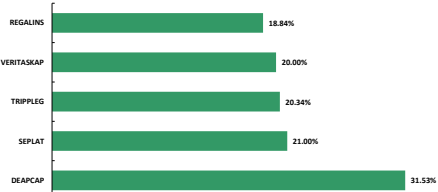
Nigeria | October 4th, 2024

Market Performance

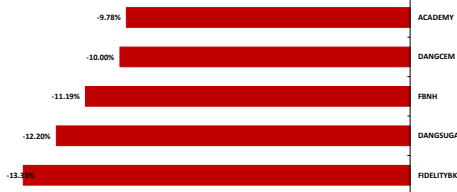
Equities	This Week	Previous Week	% Δ
NGXASI	97,520.54	98,458.68	-0.95%
Volume ('bn)	1.81	2.90	-37.76%
Value ('bn)	27.86	43.06	-35.30%
Mkt. Cap. ('trn)	56.03	56.57	-0.95%
Market Breadth	1.33x	1.49x	-10.26%
	WTD	Mtd	YTD
NGXBNK	-0.74%	-1.87%	3.30%
NGKNSMRGDS	0.34%	0.39%	40.04%
NGXOLIGAS	7.29%	7.29%	104.78%
NGKINS	3.81%	1.70%	35.93%
NGKINDUSTR	-6.84%	-5.83%	32.16%
NGX-ASI	-0.95%	-1.05%	30.42%
	WTD	Mtd	YTD
Other Indices			
NGX-30	-0.90%	-0.84%	30.11%
NGX-PENSION	0.61%	0.09%	23.92%

Market Outliers

Top Gainers

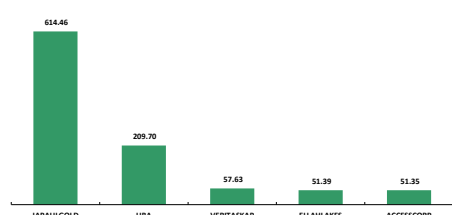


Top Losers

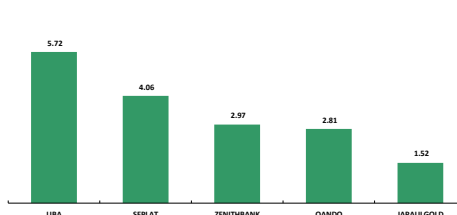


Weekly Trading Activity

Volume ('mm)



Value ('bn)



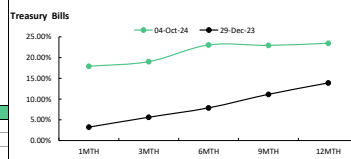
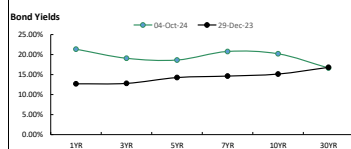
	This Week	Previous Week	%Δ
NAFEM (per USD)	1,631.21	1,540.78	-5.84%

Bond Yields	This Week	Previous Week	%Δ
1YR	21.35%	19.38%	1.97%
3YR	19.08%	19.09%	-0.01%
5YR	18.64%	18.29%	0.35%
7YR	20.77%	20.24%	0.53%
10YR	20.20%	20.10%	0.10%
30YR	16.64%	16.60%	0.04%

Money Market Rates	This Week	Previous
09B	32.23%	29.43%
09N	32.77%	30.02%
Average	32.50%	29.73%

Treasury Bills Yields	This Week	Previous
1MTH	17.01%	17.37%
3MTH	19.02%	18.15%
6MTH	23.05%	21.73%
9MTH	22.93%	21.80%
12MTH	23.46%	22.59%
Average	21.27%	20.33%

Fixed Income Monitor



Contact Information

Investment Research
research@meristemng.com

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