

Global Updates

The U.S. economy grew by 2.0% YoY in Q4-2024, slowing from 3.0% in Q3-2024, bringing full-year growth to 2.80% (vs. 2.90% in 2023). This marks the 11th consecutive quarterly expansion, highlighting resilience despite tight financial conditions. Growth was driven by household consumption, net exports, and government spending, while business investment declined due to inventory drawdowns and cautious capital spending. Looking ahead, economic expansion is expected to remain strong as the Trump administration pursues tax cuts, energy sector deregulation, and pro-business policies aimed at boosting growth.

The European Central Bank (ECB) cut key interest rates by 25bps in January 2025, lowering the deposit facility rate to 2.75%, the main refinancing rate to 2.90%, and the marginal lending rate to 3.15%. While inflation is easing, domestic price pressures remain sticky due to lagging wage and price adjustments. However, slowing wage growth and stable corporate profits are helping absorb some cost pressures. Looking ahead, the rate cut should gradually reduce borrowing costs, but persistent inflation risks may keep the ECB cautious. Hence, we expect that further easing will depend on the economic and inflation trends.

The Federal Reserve held the fed funds rate at 4.25%-4.50% in January 2025, pausing its easing cycle after three 2024 cuts totaling 100bps. Policymakers noted solid economic growth but acknowledged that inflation remains elevated, removing previous references to progress toward the 2.00% target. Looking ahead, the Fed is expected to maintain a cautious stance, prioritizing inflation control over premature easing. Further rate cuts will likely depend on sustained disinflation and economic conditions in the coming months.

Domestic Updates

The Federal Government of Nigeria, through the Central Bank of Nigeria (CBN), has successfully cleared a USD7.00bn foreign exchange backlog following a forensic verification exercise. This initiative, announced by the CBN Governor, aims to alleviate the challenges businesses, multinationals, and foreign investors face in repatriating funds. The clearance process took longer than initially expected due to previous issues within the system, which had created bottlenecks. However, the completion of this exercise is expected to restore confidence in the foreign exchange market, ensuring that businesses can now operate with greater certainty. The optimism around the clearance of the backlog coupled with improved liquidity contributed to the 4.84% WoW naira appreciation to NGN1,474.78/USD. We believe that this would help alleviate repatriation challenges for businesses, multinationals, foreign investors, enhance market liquidity, and improve investors' confidence.

The federal government of Nigeria has secured a USD700m commitment from the International Finance Corporation (IFC) to support the country's mini-grid energy projects. This funding is part of a larger USD1bn facility, backed by the Rockefeller Foundation and African Development Bank (AfDB), to finance renewable energy expansion across Africa, with Nigeria being the first beneficiary. Meanwhile, the NNPC plans to launch five mini-LNG plants in Ajokuta, Kogi State, to boost gas supply, enhance energy security, and expand LPG access for clean cooking. Additionally, NNPC and BUA Group have signed a shareholders' agreement for a 600MW Mini-LNG Plant in Ajokuta. In our opinion, these initiatives are expected to drive the exploration of Nigeria's gas reserves, improve rural electrification, and promote LPG adoption.

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) awarded 10 Gas Distribution Licences (GDLs) to six companies as part of an initiative to expand gas utilization in the country. These licenses grant the companies, including NNPC Gas Marketing Company, Shell Nigeria Gas, and NIPCO, exclusive rights to establish and operate gas distribution systems in specific Gas Distribution Zones (GDZ). This move, aligned with the Petroleum Industry Act (PIA), aims to enhance access to cleaner energy sources such as Piped Natural Gas (PNG), which is safer, cost-effective, and more sustainable than traditional biomass cooking methods. The 10 awarded licenses cover a combined distribution capacity of 1.50bn standard cubic feet per day (bscf/d), with the development of over 1,200 kilometers of pipelines and 500 customer stations. We believe that this effort will help support the government's broader objectives of improving power generation, clean cooking access, and industrial development, while helping address health challenges caused by air pollution from biomass use.

Lastly, the federal government has unveiled plans to implement the National Single Window (NSW) system, a key initiative designed to streamline port operations, reduce costs, and improve trade efficiency at Nigerian ports. The system functions as a single platform that connects all stakeholders involved in foreign trade, including importers, exporters, commercial banks, shipping carriers, customs, ministries, and other relevant government agencies. The system is part of broader efforts to modernize Nigeria's maritime sector, including enhancing multimodal connectivity and exploring Public-Private Partnerships (PPP) for infrastructure development. We expect this to enhance Nigeria's trade facilitation, reduce revenue leakages, and attract more investment into the sector, ultimately contributing to the country's economic development.

Market Updates

This week, the local bourse ended on a positive note, with the **NGXASI** gained 0.87%, to settle at 104,496.12, pushing the YTD return to 1.53%. This bullish performance was fuelled by buying interest in banking tickers like **STANBIC** (+8.15%WoW), **FBW** (+3.36%WoW), **UBA** (+3.29%WoW), **ACCESSCORP** (+2.77%WoW), and **ZENITHBANK** (+2.02%WoW), offsetting selling pressures in **DANGCEM** (-1.50%WoW) and **GTCC** (-0.33%WoW). Sectoral performance was predominantly bullish as the **NGXBANK** (+2.54%WoW), **NGXNSRMGRS** (+4.01%WoW), **NGXOILGAS** (+0.97%WoW), **MENI-AGRIC** (+4.92%WoW), and **MERTTECO** (+0.17%WoW) all closed in the green zone, while the **NGXINDUSTRY** (+1.55%WoW) and **NGXINS** (-1.80%WoW) closed in the red zone. Volume and value traded increased by 46.89% and 8.26% respectively to 2.12bn and NG67.30bn respectively (vs. 2.13bn and NG62.16bn in the previous week). **CHELLARAM** (+60.44%) emerged as the top gainer while **VERTISKAP** (-29.68%) led the laggards chart.

During the week, the DMO offered a total of NGN450bn across three maturities in today's auction—APR-29 (reopening), FEB-31 (reopening), and JAN-35 (new issue)—at marginal rates of 21.28%, 22.5%, and 22.6%, respectively. This compares to the previous auction, where NGN120bn was offered across two maturities (APR-29 and FEB-31) at marginal rates of 21.1% and 22.2%. Total subscription and allotment stood at NGN669.5bn and NGN606.5bn, significantly higher than the NGN276.8bn and NGN211.1bn recorded in the last auction. Performance in the fixed income market was bullish as average yields on bonds and treasury bills contracted by 3bps and 140bps to 20.69% and 23.43% compared to 20.72% and 24.83% in the previous week. This is due to mild buying interest in the short-end of the curve despite the sell-offs observed on the MAR-35 maturity amidst the listing of the new instrument (JAN-35).

The Nigerian Eurobond market recorded a bullish performance as the average yield declined by 10bps to 9.32%, down from 9.42% in the previous week. This was driven by increased buying interest across all maturities due to short-covering activities observed during the week.

Alternative Assets

Global oil prices saw significant declines this week, driven by President Donald Trump's proposal to impose a 25% tariff on imports from Canada and Mexico, key oil suppliers to the U.S. The announcement raised concerns about potential disruptions in oil supply and trade flows, fueling market volatility as investors assessed its broader impact on global supply chains. As a result, Brent crude fell 1.30% to USD77.48 from USD78.50, while WTI dropped 1.50% to USD73.38 from USD74.50 at the start of the week.

This week, gold prices experienced a significant rise, reaching record highs. On Monday, January 27, 2025, gold was priced at USD2,740.85 per ounce. By Friday, January 31, it had climbed to around USD2,805.18 per ounce, marking an increase of about 2.37% over the week. This upward trend was largely driven by investor concerns over potential tariffs announced by President Donald Trump. The uncertainty surrounding these tariffs led investors to seek safe-haven assets, with gold being a primary choice.

Early in the week, Bitcoin witnessed a decline, driven by broader market downturns. The announcement of a new artificial intelligence model by Chinese startup DeepSeek triggered sharp drops in major U.S. indices like the Nasdaq and S&P 500, which subsequently impacted the crypto market. As a result, Bitcoin's price fell by 2.25%, dropping from USD102,629.50 to USD100,320.50 by Tuesday. However, this dip was short-lived. Growing anticipation of a more lenient regulatory environment under the new U.S. administration fueled positive sentiment. The SEC's decision to establish a Crypto Task Force and revisit restrictive rules reassured investors, sparking renewed interest in Bitcoin. By Friday, Bitcoin had rebounded to USD105,196.40.

Market Performance

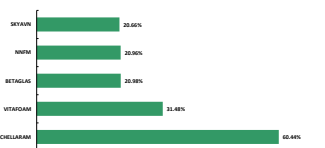
Index	This Week	Previous Week	YTD
NGXASI	104,496.12	103,938.46	0.87%
Volume (Tn)	3.13	2.13	46.98%
Value (Tn)	67.30	62.16	8.26%
Mkt. Cap. (Tn)	63.72	62.42	2.08%
Market Breadth	4.13x	3.00x	3.21%

Index	WoW	MoW	YTD
NGXBANK	2.54%	9.25%	9.75%
NGXNSRMGRS	4.01%	4.47%	4.47%
NGXOILGAS	0.97%	-1.61%	1.61%
NGXINS	-1.80%	-1.10%	-1.10%
NGXINDSTRY	0.57%	0.52%	0.52%
NGXAGG	0.87%	1.53%	1.53%
MERTTECO	0.17%	3.06%	3.06%
MENI-AGRIC	4.92%	4.60%	4.60%

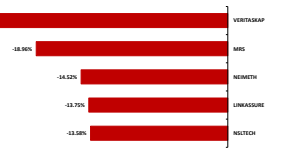
Other Indices	WoW	MoW	YTD
NGX-30	0.72%	1.62%	1.62%
NGX-PENSION	1.74%	5.67%	5.67%

Market Profiles

Top Gainers

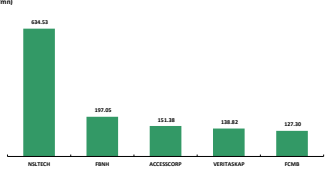


Top Losers

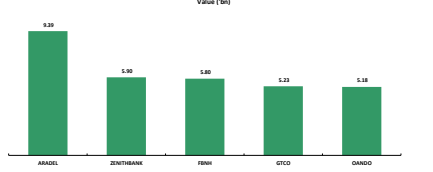


Volume Traded Activity

Volume (Tn)

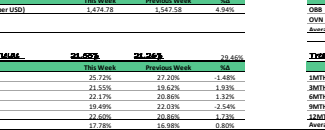


Value (Tn)



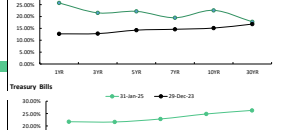
Bond Yields

Yield (%)



Treasury Bills

Value (Tn)



	This Week	Previous Week	Change
NAFEM (per USD)	1,474.78	1,457.58	0.84%

	21.02%	21.26%	21.65%
1M	21.72%	27.20%	-1.48%
3M	21.55%	19.82%	-1.93%
6M	22.17%	20.86%	-1.32%
9M	19.40%	22.03%	-2.54%
12M	22.60%	20.86%	-1.73%
Average	21.75%	16.58%	-0.80%

	This Week	Previous	Change
CBM	32.33%	32.33%	0.00%
OVN	32.75%	32.75%	0.00%
Average	32.44%	32.44%	0.00%

	This Week	Previous	Change
3MTH	21.69%	21.59%	-1.88%
6MTH	21.60%	23.27%	-1.67%
9MTH	22.81%	23.80%	-0.99%
12MTH	24.83%	25.60%	-0.77%
Average	26.24%	27.61%	-1.13%

By Sector Markets

	Nigeria	China	Euro	India	South Africa	Frontier	Emerging	Developed
Today	-0.24%	0.03%	0.40%	-0.16%	0.32%	0.37%	0.32%	0.83%
WTD	0.87%	3.01%	0.26%	-1.27%	-1.88%	-0.20%	0.33%	0.94%
YTD	1.53%	6.97%	0.91%	3.89%	2.21%	1.76%	1.88%	5.36%
1M	0.53%	4.60%	0.20%	5.91%	15.04%	80.0 N/A	14.00%	14.50%

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 <GO>

Capital IQ: www.capitaliq.com

ISI Emerging Markets: www.emeristem.com/eh.html?pp=NG

Reuters: www.thomsonreuters.com

FactSet: www.factset.com

IMPORTANT INFORMATION: DISCLAIMER

Meristem Securities Limited ("Meristem") hereby reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or unfair at the time of publication. Meristem can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as the information is earlier stated, is based on publicly available information, analysis, estimates and opinions and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e. may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of the Nigerian Stock Exchange (The NGX). Meristem Securities' registered office is at 204 Gerard Street, Lagos, Nigeria. Website: www.meristem.com. Email: research@meristem.com. © Meristem Securities Limited 2024.