MERISTEM

The Week-in-View

What moved the markets this week

Nigeria | March 7th, 2025

Global Updates

U.S. non-farm payrolls rose by 151,000 in February, missing the 170,000 consensus forecast but improving from January's 125,000 gain. Meanwhile, the unemployment rate inched up to 4.10%. The labor force participation rate fell to 62.40%, its lowest level since January 2023, reflecting ongoing federal workforce reductions. Notably, Elon Musk's Department of Government Efficiency (DOGE) initiative cut 10,000 federal jobs, even as overall government payrolls expanded by 11,000. The decline in government employment, coupled with rising economic uncertainty, contributed to the subdued labor market outlook.

The labour force contracted by 385,000 workers, while the number of part-time workers seeking full-time positions increased by 460,000 to 4.90mn, reflecting job insecurity and weaker labour demand. We believe that the U.S. labour market will remain fragile, as declining labour force participation and rising underemployment offset job gains in key sectors. Federal workforce cuts and economic uncertainty could dampen hiring, while wage growth may soften if labour demand weakens. With market volatility and policy shifts posing downside risks, we maintain a cautious outlook.

President Trump signed an executive order increasing tariffs on Chinese imports from 10% to 20%, effective on the 3, in response, China announced on the same day that it would impose additional tariffs on various U.S. agricultural products. Specifically, a 15% tariff was levied on U.S. chicken, wheat, corn, and cotton, while a 10% tariff was applied to sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables, and dairy products. These measures are set to take effect on March 10, 2025. Also, President Trump confirmed that previously delayed 25% tariffs on imports from Canada and Mexico would take effect on March 4, 2025, citing insufficient progress in curbing illegal immigration and drug trafficking. In response, Canada imposed 25% tariffs worth USD30bn on U.S. goods, with plans to expand this to USD125bn. Mexico announced it would detail its countermeasures on March 9th. However, on March 5th, the Trump administration granted a one-month exemption from these tariffs for goods compliant with the United States-Mexico-Canada Agreement (USMCA), particularly affecting the automotive sector. This exemption, lasting until April 2, aims to prevent disruptions in the integrated supply chains between these nations. Additionally, the administration is considering imposing sanctions and tariffs on Russia to pressure a resolution to the Ukraine conflict and is seeking to negotiate a nuclear deal with Iran.

These policy shifts have contributed to economic uncertainty, affecting global markets and trade relationships.

Global Updates

These trade policies pose a risk of disrupting supply chains, particularly in the auto industry, while retaliatory tariffs from Canada and expected countermeasures from Mexico could drive up costs and fuel inflation, putting pressure on businesses and consumers and potentially slowing economic growth. Additionally, the U.S. administration's consideration of new tariffs on Russia and trade negotiations tied to Iran’s nuclear program add to geopolitical uncertainty, which could impact global energy markets and investor confidence. The unpredictability of these trade policies increases market volatility, discourages investment, and raises concerns about a prolonged slowdown in global trade and economic recovery.

According to estimates from Eurostat, the Eurozone annual inflation eased to 2.40% YoY in February from 2.50% YoY the prior month. This was driven primarily by a slowdown in services inflation (3.70% vs 3.90%) and energy prices (0.20% vs 1.90%). However, food, alcohol, and tobacco continued their upward trajectory, rising by 2.70% (vs 2.20% in January). Meanwhile, core inflation eased to 2.60% from 2.70% in January.

With inflation slowing reaching the European Central Bank (ECB) 2.00% target, the central bank cut its deposit rate by 25bps to 2.50%, marking its sixth rate reduction in nine months. This move is intended to support loan growth and strengthen domestic demand for both households and businesses to offset weaker exports, particularly in the face of the US tariff implementation on European goods. However, with inflation still above target levels, the ECB may proceed cautiously with additional rate cuts. A key concern remains the inflationary impact of Germany’s rising fiscal spending, particularly on military and infrastructural expenditures.

Also, the Eurozone expanded by 0.90% YoY in 2024 (vs 0.40% in 2023), according to revised numbers from the Eurostat, an improvement from the previous estimate of 0.70%. The revision revealed the region performed slightly better than initially reported, despite persistent economic headwinds, including high borrowing costs, subdued household consumption, and sluggish external demand. A key adjustment was made to the Q4:2024 growth, which was revised upward to 0.20% from 0.10% in February. This marks the second revision to the Q4:2024 data after the Eurostat initially reported economic stagnation in January. Despite the upward revision, the Eurozone’s economic outlook remains fragile, with factors such as Germany’s ongoing economic struggles, subdued business confidence, and geopolitical tensions (including potential trade conflicts with the US) posing significant downside risks to growth.

Domestic Updates

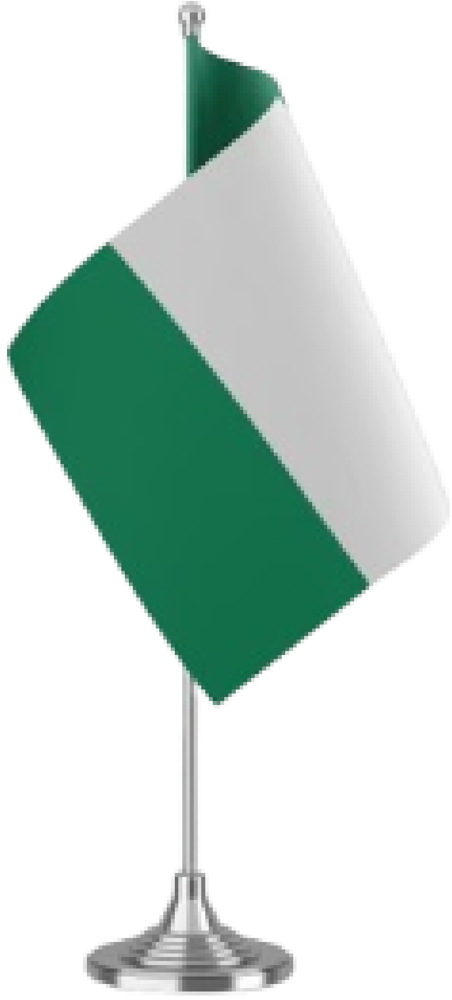
Dangote Refinery has reduced the ex-depot price of petrol from NGN890/litre to NGN825/litre, marking its second price cut in February. This move, aimed at providing economic relief ahead of Ramadan, has intensified competition in the downstream oil and gas sector, prompting NNPC Limited (NNPCL) to adjust its pump price from NGN945/litre to NGN860/litre at its retail outlets. Notably, the price differential drove demand towards marketers retailing Dangote's petrol, compelling NNPCL to realign pricing to maintain market share.

Furthermore, Dangote Refinery has announced a N65/litre refund to marketers who previously purchased at higher rates, absorbing an estimated NGN16.00bn loss to support its partners and consumers. We anticipate that the intensified competition in the downstream sector will sustain pricing realignments in the near term, potentially leading to further price adjustments as market forces play out.

On the corporate scene, FBN Holdings Plc (FBNH) has announced a strategic rebranding, changing its name to First HoldCo Plc (**FIRSTHOLDCO**) and unifying its subsidiaries under a single brand identity. This transformation aims to enhance operational efficiency, strengthen market positioning, and reinforce its legacy of trust, innovation, and customer-centricity.

The flagship First Bank Nigeria Limited will retain its name, while other subsidiaries in asset management, capital markets, securities, trusteeship, and insurance brokerage will adopt new names upon regulatory approval. We believe that the rebranding will improve synergies, expand market reach, and bolster global competitiveness, ultimately positioning **FIRSTHOLDCO** as a stronger player in the financial services sector.

Domestic Updates



The African Development Bank (AfDB) has announced a USD230.00mn trade finance package for Access Bank Plc to enhance trade finance capacity and improve FX liquidity for SMEs in Nigeria. The facility comprises a USD170.00mn Trade Finance Line of Credit (TFLoC) with a 3.5-year tenure to provide much-needed foreign exchange liquidity and a USD60.00mn Transaction Guarantee (TG) with a three-year tenure, enabling Access Bank to act as an Issuing Bank with AfDB providing up to 100% risk coverage to Confirming Banks (CBs) for trade transactions. This intervention addresses Nigeria's trade finance gap, which has been exacerbated by dollar liquidity shortages, limiting SME access to critical imports. The initiative aligns with AfDB's 2020-2024 Nigeria Country Strategy Paper (CSP) and Ten-Year Strategy (TYS) from 2024-2033, prioritizing economic revitalization and regional trade integration. We anticipate that the package will help ease constraints with foreign exchange, support women-led SMEs, and improve access to essential imports for SMEs in the country.

Equities Market Updates

The equities market closed the week in the red, as the NGXASI declined by 1.19% WoW, weighed down by bearish sentiment across four of the five trading sessions. The downturn was primarily driven by selloffs in the banking sector, with notable declines in **FCMB** (14.15% WoW), **ACCESSCORP** (6.84% WoW), **GTCO** (2.78% WoW), **FIDELITYBK** (3.09% WoW), and **STERLINGNG** (6.91% WoW).

Despite the overall decline, investor sentiment improved significantly, with market breadth rising to 0.53x from 0.44x in the previous week. Sectoral performance was largely negative, as **NGXINS** (2.33% WoW), **NGXBNK** (2.87% WoW), **NGXCNSMRGDS** (1.72% WoW), and **NGXOILGAS** (0.19% WoW) and **NGXINDUSTR** (0.01% WoW) all closed lower.

On the activity chart, trading volume and value increased by 5.63% and 2.37%, respectively to 1.80bn units and NGN46.69bn (vs 1.70bn units and NGN46.69bn in the previous week. **TANTALIZER** (+36.32% WoW) led the market, whereas **ETERNA** (18.7% WoW) recorded the steepest decline. **ZENITHBANK** emerged as the most actively traded stock by both volume and value.

	This Week	Previous Week	% Δ
NGXASI	106,538.60	107,821.39	-1.19%
Volume ('bn)	1.80	1.70	5.63%
Value ('bn)	46.69	45.61	2.37%
Mkt. Cap. ('trn)	64.66	65.44	-1.19%
Market Breadth	0.53x	0.44x	21.21%

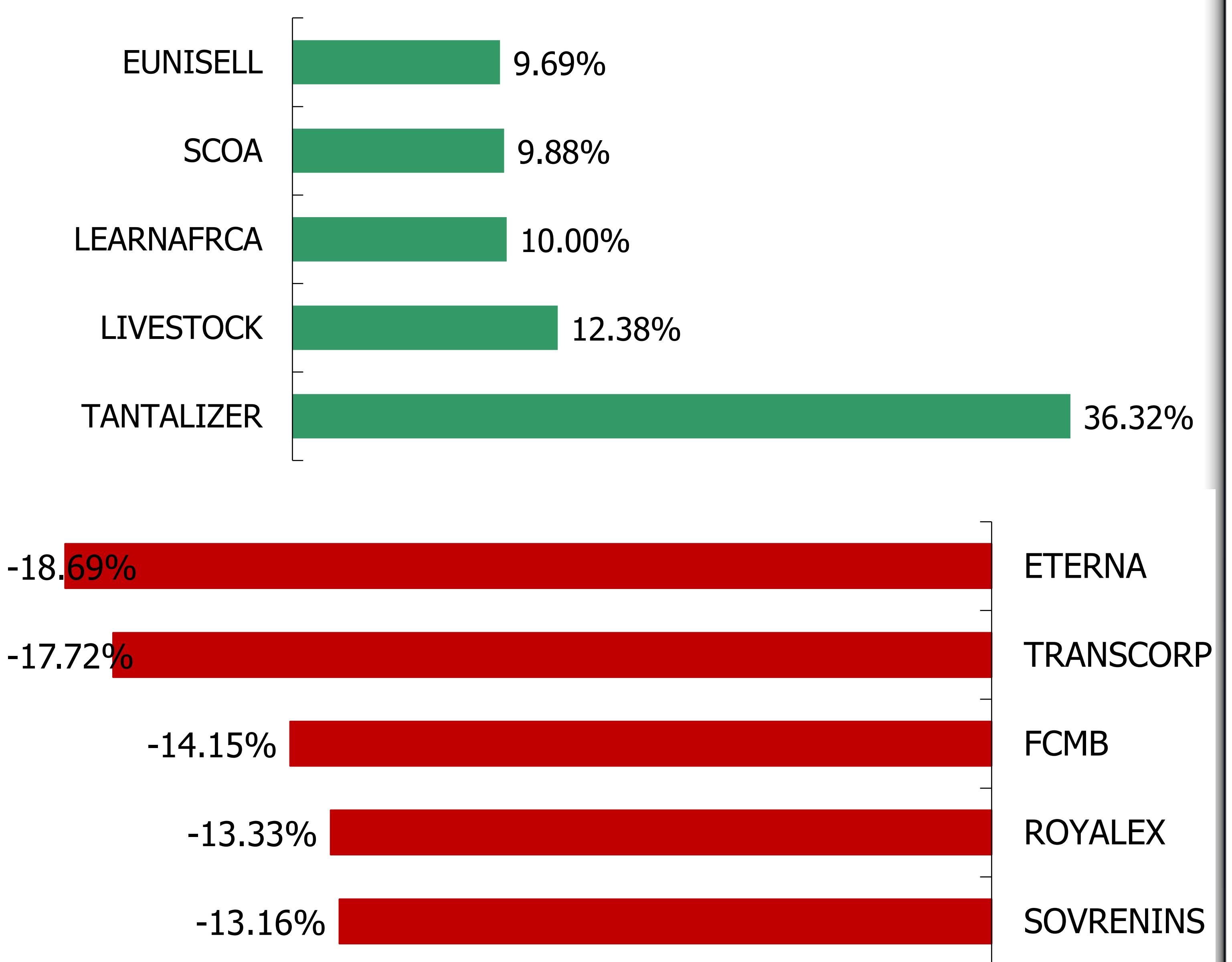
Gainers & Losers

Top Gainers	% Δ	Top Losers	% Δ
TANTALIZER	36.32%	**ETERNA**	18.69%
LIVESTOCK	12.38%	**TRANSCORP**	17.72%
LEARNAFRCA	10.00%	**FCMB**	14.15%
SCOA	9.88%	**ROYALEX**	13.33%
EUNISELL	9.69%	**SOVRENINS**	13.16%

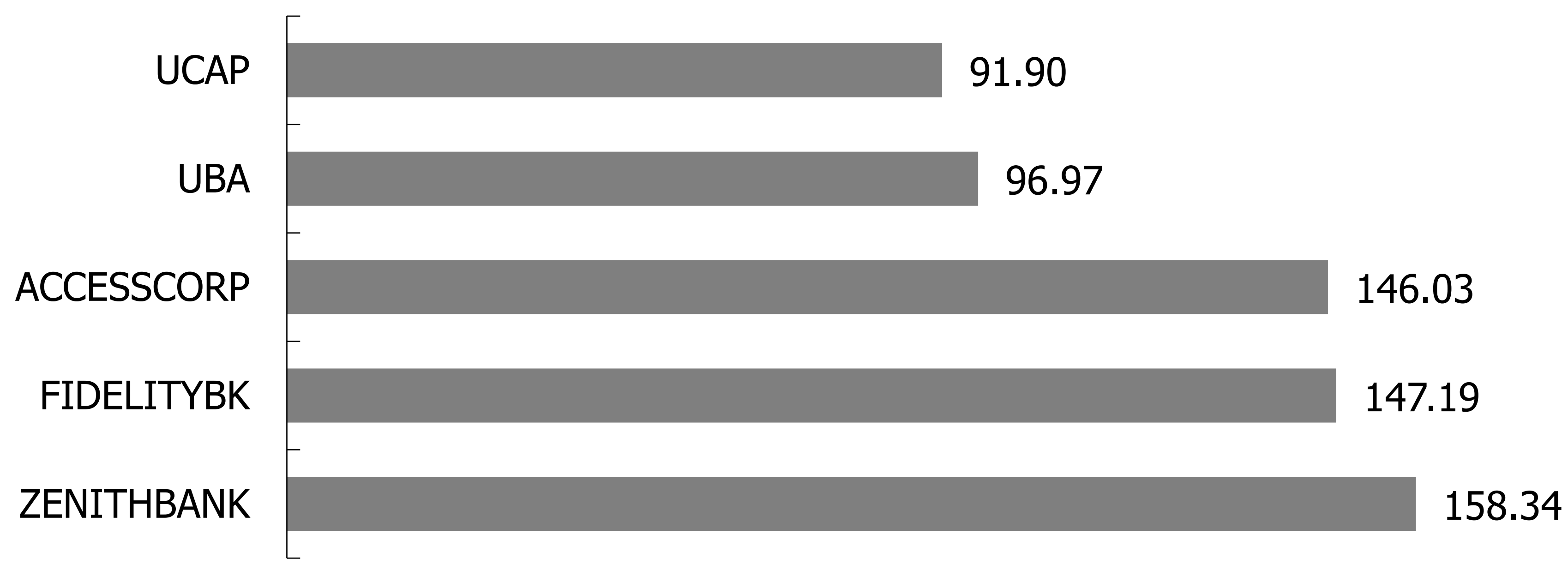
Equities Market Snapshot

Sectoral Performance	WtD (%)	MtD (%)	YtD (%)
NGXBNK	-2.87%	-2.87%	4.40%
NGXCNSMRGDS	-1.72%	-1.72%	4.42%
NGXOILGAS	-0.19%	-0.19%	-5.72%
NGXINS	-2.33%	-2.33%	-2.56%
NGXINDUSTR	-0.01%	-0.01%	1.33%
MERI-TELCO	0.43%	0.43%	3.50%
MERI-AGRIC	4.65%	4.65%	9.46%
Other Indices			
NGX-30	-1.50%	-1.50%	3.51%
NGX-PENSION	-1.42%	0.91%	6.62%

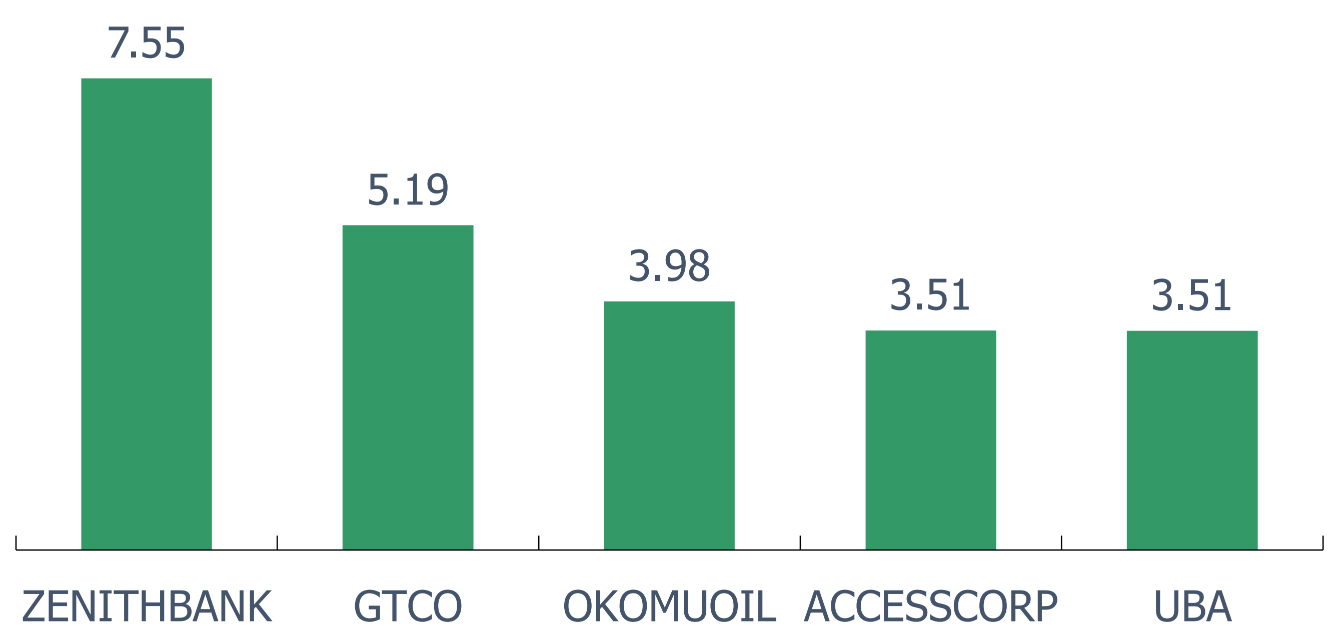
Top Gainers & Losers



Volume ('mn)



Value (NGN'bn)



Fixed Income

At the Primary Market Auction held this week, the Central Bank of Nigeria (CBN) offered NGN650.00bn across three tenors, a reduction from NGN700.00bn at the previous auction. Investor demand softened, with total subscriptions declining by 20.16% to NGN1.92trn, driving the bid-to-offer ratio down to 2.95x from 3.21x previously. Despite weaker demand, total allotment increased to NGN834.33bn from NGN774.13bn in the last auction. Consequently, stop rates settled at 17.00%, 17.75%, and 17.82% for the 91-day, 182-day, and 364-day instruments, respectively, compared to 17.00%, 18.00%, and 18.43% in the prior auction.

At this week’s OMO auction, the CBN offered NGN600.00bn across the 355-day and 362-day instruments but saw strong demand, with total subscriptions reaching NGN1.87trn. Investor interest was largely concentrated on the 362-day paper, which accounted for 57.89% of total bids. In line with its aggressive liquidity management strategy, the CBN significantly increased its allotment to NGN1.68trn, up from NGN1.40trn at the previous auction. As a result, stop rates declined to 19.19% and 19.45%, respectively, from 21.32% and 21.45% in the prior auction, reinforcing the ongoing downward trend in market yield.

The secondary fixed-income market maintained its bullish momentum, as investors continued to seek attractive yields. Consequently, average yields on Treasury bills and bonds declined to 19.16% and 18.45%, respectively (vs. 19.89% and 18.53% the previous week).

The Eurobond market faced a bearish run this week, weighed down by rising geopolitical tensions. Concerns over the U.S. tariff policies and potential sanctions on Russia weakened global risk appetite, prompting investors to scale back exposure to emerging market assets. Additionally, the decline in oil prices during the week, Nigeria’s key revenue source further fueled the downturn. Consequently, average Eurobond yields rose by 11bps to 8.94%, from 8.83% the previous week.

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Fixed Income Market Monitor

Bonds

	This Week	Previous Week	% Δ
Avg Bond Yield	18.45%	18.53%	+0.08%
1YR	21.95%	19.58%	2.37%
3YR	19.10%	19.12%	-0.02%
5YR	18.86%	18.88%	-0.02%
7YR	18.56%	18.70%	-0.14%
10YR	18.47%	18.50%	-0.03%
30YR	16.74%	16.70%	0.04%

Treasury Bills

	This Week	Previous Week	% Δ
1MTH	17.85%	19.14%	-1.29%
3MTH	17.89%	19.24%	-1.35%
6MTH	19.13%	19.65%	-0.52%
9MTH	20.39%	20.09%	0.30%
12MTH	21.25%	21.33%	-0.08%
Average	17.85%	19.89%	-0.73%

Exchange Rate	This Week (NGN/USD)	Previous Week (NGN/USD)	% Δ
NAFEM	1,517.24	1,500.15	-1.12%

Money Market	This Week	Previous Week	% Δ
OBB	27.08%	26.75%	+0.33%
OVN	27.67%	27.33%	+0.34%

Alternative Assets

This week, global oil prices faced significant pressure, with West Texas Intermediate (WTI) crude plunging to a nearly six-month low of USD65.43 per barrel (pb). Brent crude also declined to USD68.55pb, reflecting similar bearish sentiment in the market. The downturn was driven by concerns over weakening global trade following the announcement of new U.S. tariffs on European goods, which raised fears of lower demand. Additionally, speculation that the OPEC+ might ease production cuts amid slowing demand added to the pressure on oil prices. However, global oil managed to snap a four-day losing streak on Thursday, buoyed by a slight recovery in demand expectations from China, one of the world's largest oil consumers. By Friday Brent oil and WTI had rebounded to USD70.46pb and USD67.33pb, respectively, as cautious optimism returned to the market.

Bitcoin experienced heightened volatility this week, influenced by key policy announcements and shifting market sentiment. The most significant driver was President Trump's announcement of a strategic Bitcoin reserve, which initially fueled a sharp rebound, pushing prices to a high of USD95,073 on Monday following a period of sell-offs. However, this rally was short-lived as escalating global trade tensions increased risk aversion, prompting renewed selling pressure that drove Bitcoin down to USD82,300 by Tuesday. Later in the week, optimism resurfaced after President Trump signed an executive order directing the U.S. Treasury to accumulate Bitcoin as part of national reserves. This move signalled potential institutional adoption, reigniting investor confidence and driving BTC's price back up to USD89,498 by Friday.

Contact Information

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