MERISTEM

The Week-in-View

What moved the markets this week

Nigeria | March 7th, 2025

Global Updates

The US Bureau of Labour Statistics reported that inflation moderated slightly in February 2025, with headline inflation slowing to 2.80% YoY, from 3.00% in January, while core inflation eased to 3.10% YoY, its lowest level since April 2021. This was driven by a milder increase in shelter costs (4.2% YoY) , marking the slowest pace since December 2021, alongside a 0.7% annual decline in airline fares.

However, inflationary pressures persisted in categories like used vehicles (+3.50% YoY), motor vehicle insurance (+11.10% YoY), and food, where egg prices surged 58.80% YoY, contributing to a 7.70% YoY increase in the broader meat, poultry, and fish category.

Despite the softer print, there are concerns over the potential impact of tariff adjustments, higher fiscal deficit and supply chain disruptions. We believe that the Feds are likely to maintain a 'HOLD' stance in their meeting in March as they continue to monitor inflationary pressures in the U.S economy.

Additionally, the European Commission has announced countermeasures in response to the U.S imposition of 25% tariffs on EU steel and aluminum exports. The EU has opted for a two-phase retaliation. First, the EU will allow the suspension of its 2018 and 2020 countermeasures to lapse on April 1, reinstating tariffs on a range of U.S. products, including bourbon whiskey, orange juice, peanut butter, motorcycles, jeans, and tobacco, which were originally implemented in response to ÉUR8.00bn worth of affected EU exports. Second, the EU will introduce additional tariffs targeting U.S. exports worth over EUR18.00bn, expanding the list to include industrial chemicals, agricultural goods such as corn and rice, and manufactured products like dishwashers and textiles. This brings the total countermeasures to EUR26.00bn, effectively matching the economic impact of the U.S. tariffs.

We believe that the imposition of targeted U.S. tariffs on European automotive exports is likely to strain EU manufacturers, particularly in Germany, due to their heavy reliance on the U.S. market. Additionally, escalated trade restrictions could weigh on global supply chains and dampen economic activity in both regions.

Domestic Updates

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) reported a 3.77% MoM decline in Nigeria's crude oil production to 1.67mbpd (including condensates) in February 2025, down from 1.74mbpd in January. The decline was broad-based across key terminals, with Forcados (-12.53%), Bonny (-21.81%), Qua Iboe (-7.63%), Escravos (-13.47%), Brass (-16.64%), and Odudu (-11.26%) all recording lower output. The contraction was driven by operational disruptions, pipeline leakages and crude theft.

Despite peaking at 1.7mbpd during the month, Nigeria's production remains below its 1.5mbpd OPEC quota. Looking ahead, government efforts to curb oil theft and improve infrastructure could support a gradual recovery in output.

The African Development Bank (AfDB) and the International Institute of Tropical Agriculture (IITA) have signed a USD27.00mn agreement to finance the second phase of the Technologies for African Agricultural Transformation (TAAT) program, aimed at improving agricultural productivity and food security across Africa. This additional financing builds on the USD40.00mn deployed in Phase I, which facilitated the adoption of improved seed varieties, climate-smart practices, and mechanization solutions. The renewed funding underscores the need to strengthen food systems, enhance farmers' resilience to climate change, and position Africa as a net food exporter.

In the near term, we believe the initiative will increase access to agricultural technologies for over 40 million smallholder farmers, improve productivity, and attract private sector investments in agribusiness, ultimately supporting economic growth and reducing reliance on food imports.

Domestic Updates

On the corporate front, Aradel Holdings Plc has strengthened its industry position with its equity investment in Renaissance Africa Energy Holdings, a consortium that successfully acquired Shell Petroleum Development Company of Nigeria (SPDC). This acquisition, which follows Shell's strategic divestment from Nigeria's onshore assets, aligns with Aradel's diversification strategy and enhances its exposure to upstream oil and gas operations.

We anticipate that this acquisition will enhance ARADEL's revenue potential, support its diversification strategy, and position it for greater market share in Nigeria's energy sector.

Additionally, Seplat Energy Plc has announced plans to redeem its outstanding USD650.00mn 7.75% Senior Notes due April 2026 and issue a new USD650.00mn bond maturing in 2030 at a 9.13% coupon rate. This strategic liability management move aims to optimize financing costs, extend debt maturity, and enhance financial flexibility, particularly in light of the company's recent MPNU acquisition. The tender offer allows bondholders to either sell their 2026 notes at par value plus accrued interest or hold them until maturity, albeit with the risk of forced redemption if Seplat successfully refinances. We believe bondholders who tender mitigate liquidity and reinvestment risks while for seplat, a successful refinancing extends debt maturity, enhances financial flexibility, and supports post- Mobil Producing Nigeria Unlimited (MPNU) acquisition operations

Equities Market Updates

The Nigerian equities market closed the week in the negative territory for the second consecutive time, declining by 0.51% as bearish sentiment dominated three out of five trading sessions, bringing the year-to-date (YtD) return down to 2.98%.

The downturn was primarily driven by sustained sell pressure in **CONOIL** (-10.39% WoW), **CADBURY** (-8.00% WoW), **DANGSUGAR** (-5.27% WoW), **MTNN** (-4.22% WoW), and **OANDO** (-7.14% WoW). However, investor sentiment improved, as market breadth increased to 0.78x (vs. 0.44x in the prior week). Sectoral performance was largely bearish, with the **NGXINDUSTR** (-0.21% WoW), **NGXBNK** (-0.45% WoW) and **NGXOILGAS** (-1.15% WoW) indices closing in the red. While the **NGXCNSMRGDS** (+0.03 WoW) and **NGXINS** (0.89% WoW), closed in the positive territory.

Market activity strengthened over the week, with total traded volume surging 82.55% WoW to 3.28bn units, while total value traded climbed 35.87% WoW to NGN63.44bn (vs. 1.80bn units and NGN46.69bn in the prior week). **SOVRENINS** led the volume chart, while **GEREGU** recorded the highest traded value. On the performance board, **LIVESTOCK** topped the gainers' list, whereas **NEIMETH** led the decliners.

	This Week	Previous Week	% Δ
NGXASI	105,995.32	106,538.60	-0.51%
Volume ('bn)	3.28	1.80	82.55%
Value ('bn)	63.44	46.69	35.87%
Mkt. Cap. ('trn)	64.33	64.66	-0.51%
Market Breadth	0.78x	0.53x	47.06%

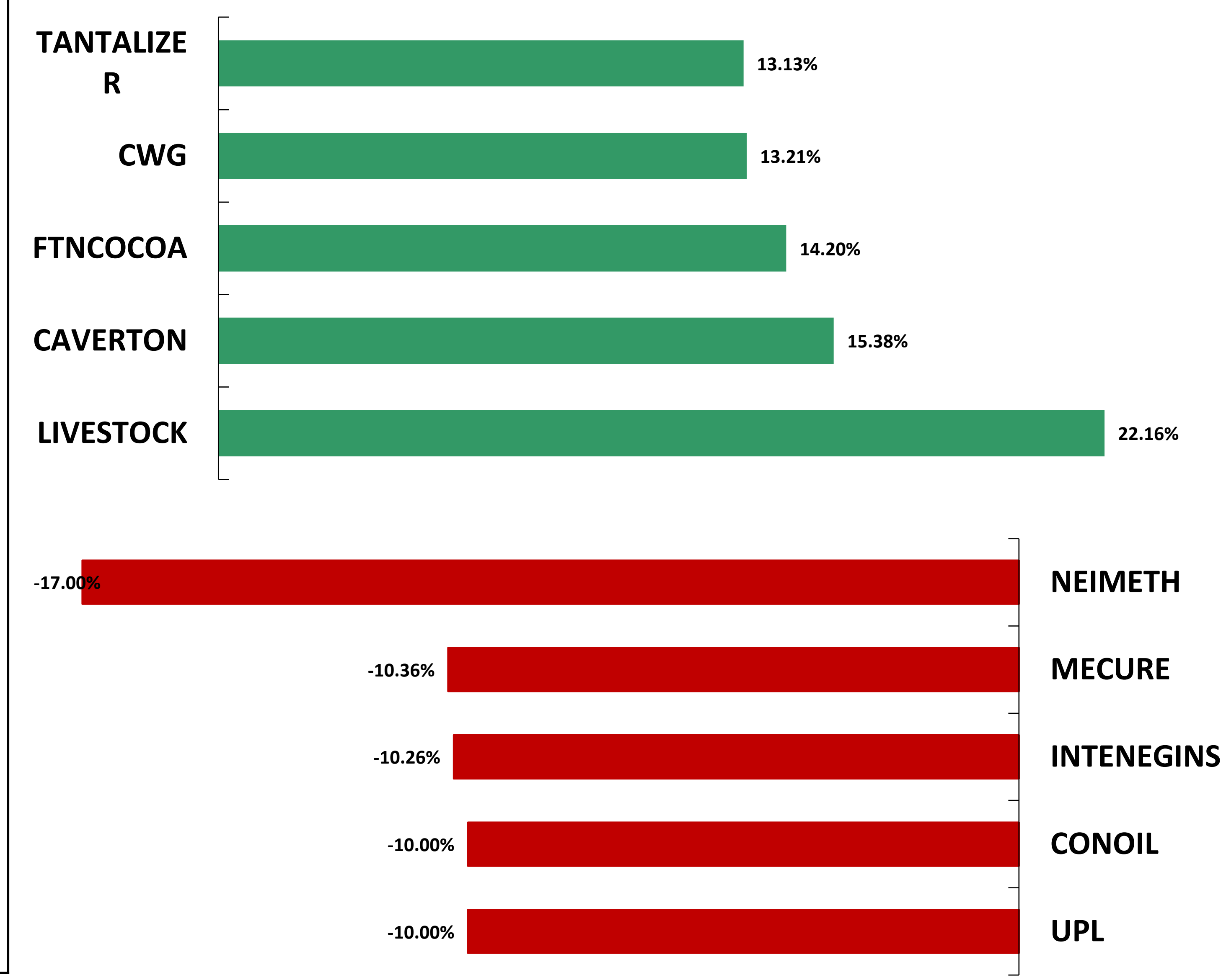
Gainers & Losers

Top Gainers	% Δ	Top Losers	% Δ
LIVESTOCK	22.16%	**NEIMETH**	17.09%
CAVERTON	15.38%	**MECURE**	10.36%
FTNCOCOA	14.20%	**INTENEGINS**	10.26%
CWG	13.21%	**CONOIL**	10.00%
TANTALIZER	13.13%	**UPL**	10.00%

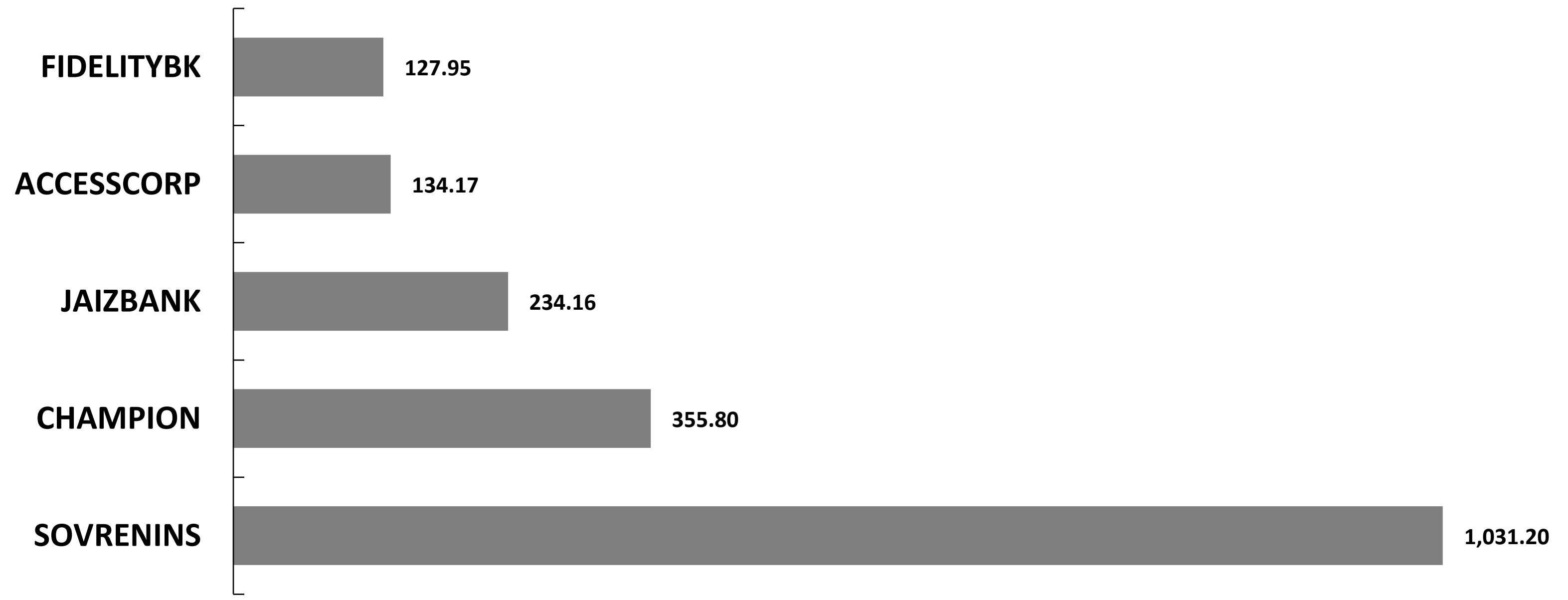
Equities Market Snapshot

Sectoral Performance	WtD (%)	MtD (%)	YtD (%)
NGXBNK	-0.45%	-3.31%	3.93%
NGXCNSMRGDS	0.03%	-1.69%	4.45%
NGXOILGAS	-1.15%	-1.34%	-6.81%
NGXINS	0.89%	-1.45%	-1.69%
NGXINDUSTR	-0.21%	-0.22%	1.11%
MERI-TELCO	0.43%	0.43%	3.50%
MERI-AGRIC	4.65%	4.65%	9.46%
Other Indices			
NGX-30	-0.39%	-1.88%	3.05%
NGX-PENSION	-0.39%	-2.37%	4.39%

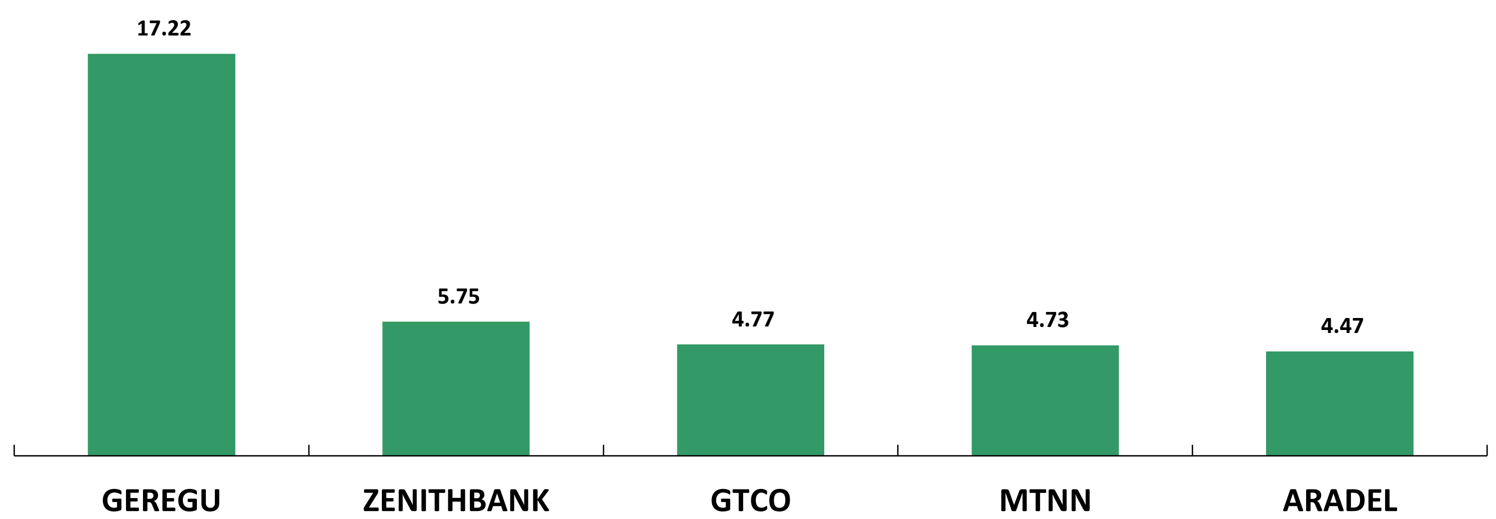
Top Gainers & Losers



Volume ('mn)



Value (NGN'bn)



Market Updates

Fixed Income

At this week's Treasury Bills Primary Market Auction (PMA), the Central Bank of Nigeria (CBN) offered NGN550.00bn across the three tenors, representing a 15.38% increase from the NGN650.00bn offered at the previous auction. However, total subscriptions declined significantly to NGN1.27trn from NGN2.40trn, indicating a moderation in investor demand. Interest remained concentrated on the 364-day bill, which attracted NGN1.19trn in bids, accounting for 93.70% of total subscriptions. Ultimately, the CBN allotted NGN678.75bn, surpassing the initial offer by 23.27%, with stop rates settling at 17.00%, 17.79%, and 18.39% for the 91-day, 182-day, and 364-day tenors, respectively.

The fixed income secondary market saw subdued activity this week, with a mixed but broadly bearish sentiment across segments. In the bond market, yields at the short end compressed by 4bps, while the mid (+6bps) and long (+1bps) segments recorded slight expansions. Notably, the JAN-35 bond (-26bps) attracted the highest buying interest, whereas the FEB-31 bond (+47bps) faced the most sell pressure, causing the average bond yield to edge up by 1bps to 18.46% from 18.45%.

Similarly, the Treasury bills market traded mixed with a slight bearish bias. Cautious trading dominated early in the week ahead of the auction, driving sell pressure on the FEB-26 bill, which saw its yield rise by 28bps to 21.75% by midweek. However, by the week's close, the APR-25 bill saw the highest demand, with its yield declining by 16bps to 16.81%, while the SEPT-25 bill experienced the most sell pressure, pushing its yield up by 66bps. Overall, the average T-bills yield inched up by 1bps to 19.17% from 19.16% last week.

The Nigerian Eurobond market witnessed a broadly bearish performance, with the mid-curve segment experiencing the most sell pressure, pushing yields up by 19bps. This downturn was driven by a risk-off sentiment toward Sub-Saharan African assets amid escalating global uncertainties and rising trade tensions between the U.S. and the European Union. Additionally, stronger-than-expected U.S. inflation data reinforced investor confidence in U.S. Treasuries, as expectations of a less aggressive Federal Reserve stance gained traction. Consequently, U.S. Treasury yields declined, with the 10-year yield easing to 4.31% by Thursday, prompting a flight to safer assets. As a result, average Eurobond yields expanded by 16bps to 9.42% from 9.26% in the previous week.

Fixed Income Market Monitor

Bonds

	This Week	Previous Week	% Δ
Avg Bond Yield	18.46%	18.45%	+0.01%
1YR	18.01%	18.11%	-0.10%
3YR	19.13%	19.12%	+0.01%
5YR	19.16%	19.00%	+0.16%
7YR	18.57%	18.56%	+0.01%
10YR	18.48%	18.61%	-0.13%
30YR	16.74%	16.74%	+0.00%

Treasury Bills

	This Week	Previous Week	% Δ
1MTH	16.81%	16.96%	-0.15%
3MTH	19.51%	19.22%	+0.29%
6MTH	19.12%	18.35%	+0.77%
9MTH	20.92%	20.60%	+0.32%
12MTH	21.72%	21.52%	+0.20%
Average	19.17%	19.16%	+0.01%

Exchange Rate	This Week (NGN/USD)	Previous Week (NGN/USD)	% Δ
NAFEM	1,517.93	1,517.24	-0.05%

Money Market	This Week	Previous Week	% Δ
OBB	32.40%	27.08%	+5.32%
OVN	32.80%	27.67%	+5.13%

Alternative Assets

Brent crude oil prices hovered around USD69.00 per barrel at the start of the week, while West Texas Intermediate (WTI) dipped below USD66 per barrel. This downward trend was primarily driven by investor concerns over potential economic slowdowns resulting from escalating U.S. trade tariffs and uncertainties surrounding the ongoing Ukraine conflict. This sentiment was further exacerbated by the International Energy Agency's (IEA) warning of a potential surplus in the global oil market for 2025, with supply projected to exceed demand by approximately 600,000 barrels per day. This anticipated surplus is attributed to record-high production levels in the United States coupled with weaker-than-expected global demand. By Midweek, oil prices faced additional pressure due to renewed trade tensions between the U.S. and the European Union. Towards the end of the week, oil prices showed signs of stabilization. This rebound can be attributed to several factors, including a significant drawdown in U.S. gasoline inventories, which supported crude prices. Additionally, market participants speculated that lower oil prices might prompt OPEC to reconsider its production cuts, potentially tightening supply and supporting prices. Reports of renewed diplomatic efforts to reach a Ukraine ceasefire also contributed to improved market sentiment, easing concerns over prolonged geopolitical disruptions. Overall, Brent crude and WTI gained 1.62% and 1.67% by Friday to USD70.26 and USD67.02, respectively, from USD69.14 and USD65.92 on Monday

At the start of the week, Bitcoin prices tumbled to USD79,369 from USD81,944 in the previous week, as investors exercised caution amid broader global macroeconomic uncertainties. By midweek, sentiment shifted positively, as the market reacted to the release of the US February's inflation data, which showed signs of price moderation. This boosted investor confidence, fueling expectations that the Fed might adopt a less aggressive stance on interest rate hikes. By Friday, Bitcoin climbed to USD85,040, as investor sentiment was further bolstered by speculation surrounding potential institutional inflows into the crypto market

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