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The Week-in-View

What moved the markets this week

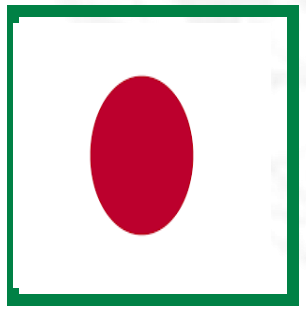
Nigeria | February 21st, 2025

Global Updates

According to the Office of National Statistics, the UK's inflation rate climbed to 3.00% YoY in January, up from 2.50% in December 2024, driven by higher transport costs (1.7% vs. -0.6%) and rising food and non-alcoholic beverage prices (3.30% vs. 2.00%). However, inflation in housing and household services showed signs of easing, growing by 2.10% (vs 3.10% in the prior month).

A key contributor to the inflationary pressure was the introduction of a value-added tax on private school fees, which pushed education costs higher (7.50% vs. 5.00% in December). Core inflation also rose to 3.70%, up from 3.20% in December. However, n a monthly basis, CPI declined by 0.1%, a more moderate drop compared to the 0.6% drop recorded in the previous month.

Looking ahead, persistent wage growth, elevated services inflation, and recent tax policy changes from the latest Budget are likely to sustain inflationary pressures. Given the challenge of balancing stagnant economic growth with inflation control, we anticipate a cautious approach from the Bank of England in its policy decisions.



Japan's annual inflation rate accelerated to 4.00% in January 2025, up from 3.60% in December, marking its highest level since January 2023. The surge was primarily driven by food prices, which rose at their steepest pace in 15 months (7.80% vs. 6.40%), with fresh vegetables and fresh food contributing significantly to the increase. Energy costs remained elevated due to the absence of government subsidies since May 2024, with electricity prices rising by 18.00% (vs. 18.70% in December) and gas costs increasing by 6.80% (vs. 7.80%). Also, core inflation climbed to a 19-month high of 3.20%, up from 3.00% in December, highlighting persistent underlying price pressures. On a monthly basis, the CPI increased by 0.50%, following a 14-month high 0.60% rise in December.

Looking ahead, inflationary pressures are expected to persist as food prices remain high and energy costs continue to reflect the absence of government subsidies. However, there are signs that price growth could moderate in the coming months as global commodity prices stabilize and government measures to ease living costs take effect. The Bank of Japan (BOJ) may consider tightening monetary policy further. However, given Japan's fragile economic recovery, the BOJ is likely to proceed cautiously, monitoring wage growth and external demand before making any major policy shifts.

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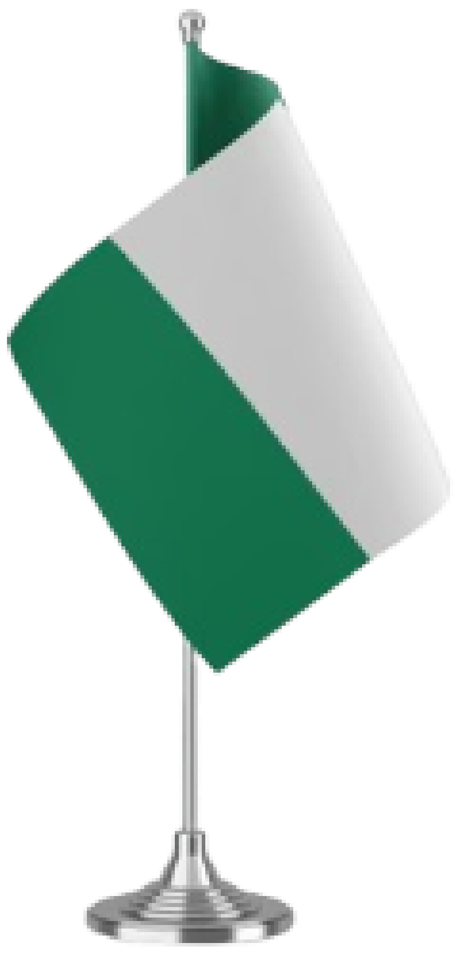
Domestic Updates



The National Bureau of Statistics (NBS) reported inflation at 24.48% in January 2025, following the rebasing of the Consumer Price Index (CPI). Also, the food and core inflation stood at 26.08% and 22.59%, respectively. The rebasing expanded the inflation basket to 934 items from 740, updated the classification system, and reweighted key components, lowering food's share to 40.02% from 51.80%. Inflation eased due to the harvest season, stable fuel prices, and the Naira's 0.91% MoM appreciation to NGN1,543.29/USD, which reduced import costs for key commodities.

We expect near-term inflationary pressures to remain moderate, supported by Naira stability, steady PMS prices, and sustained food supply. However, upside risks persist, including telecom and electricity tariff hikes, potential supply disruptions during Ramadan, and heightened demand, which could drive renewed price pressures in the coming months.

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TRANSMISSION COMPANY OF NIGERIA
TCN

The Transmission Company of Nigeria (TCN) has successfully commissioned a 100MVA power transformer at the 132/33kV Osogbo Transmission Substation in Osun State, increasing the station's capacity from 180MVA to 280MVA. This development, part of TCN's broader grid expansion initiatives in collaboration with the World Bank, aims to enhance bulk power supply. The installation aligns with TCN's commitment to strengthening Nigeria's power transmission infrastructure, reducing system downtime, and ensuring a more reliable electricity supply for businesses and households.

This project is one of several under TCN's nationwide upgrade strategy, which includes replacing outdated equipment, expanding substations, and deploying modern transmission infrastructure to meet growing energy demands. In 2024 alone, TCN commissioned 48 transformer projects across various states, boosting Nigeria's total transmission capacity by 4,928MVA and adding approximately 3,942.4MW to the national grid.

We anticipate that this upgrade will improve electricity reliability, easing transmission constraints and reducing power supply disruptions. Furthermore, with TCN's continued investments in grid infrastructure and partnerships with international development agencies, we expect sustained improvements in transmission efficiency nationwide

Domestic Updates

At its 299th meeting held on February 19–20th, 2025, the Monetary Policy Committee (MPC) opted to maintain all policy parameters for the first time in three years, with the Monetary Policy Rate (MPR) unchanged at 27.50%, the Cash Reserve Ratio (CRR) at 50.00% for Deposit Money Banks and 16.00% for Merchant Banks, and the Liquidity Ratio at 30.00%.

This decision was primarily driven by foreign exchange stability, as recent policy reforms such as the Electronic Foreign Exchange Matching System and B-Match trading system have supported the Naira's appreciation. Furthermore, improved oil production, enhanced fiscal-monetary coordination, and increased foreign capital inflows, including Foreign Portfolio Investments (FPIs) and Diaspora remittances, reinforced the case for policy retention. However, inflationary pressures, particularly from food prices remain a key concern despite the recent rebasing of inflation figures.

Looking ahead, the decision to keep rates steady is expected to provide near-term relief to the real sector while sustaining attractive fixed-income yields. Barring significant external shocks, we anticipate the MPC will maintain its current stance in the near term.

The African Development Bank (AfDB) has approved a USD1.00mn grant from its Special Relief Fund to support emergency food aid in flood-affected communities across Northeastern Nigeria, in collaboration with the World Food Programme (WFP). This intervention follows the devastating floods in Borno State in September 2024, which worsened food insecurity in a region already struggling with conflict, displacement, and economic instability.

The flooding, driven by heavy rainfall and poor drainage infrastructure, displaced thousands, disrupted agricultural production, and heightened supply chain pressures, exacerbating food shortages. We believe that the AfDB's support will provide relief and help improve food security.

Equities Market Updates

The Nigerian equities market closed the week on a positive note, despite bearish sentiment dominating four of the five trading sessions, extending the YtD return to 5.41%. The downturn was largely driven by sell-offs in the banking index. However, these losses were offset by strong gains in **BUAFOODS** (+11.91% WoW) and **DANGSUGAR** (+13.27% WoW).

Investor sentiment remained weak, as market breadth declined by 67.82% WoW to 0.71x (vs. 2.22x in the prior week), reflecting broad-based caution among investors. Sectoral performance was mixed, with **NGXCNSMRGDS** (+6.55% WoW) leading the gainers, followed by **NGXINS** (+1.47% WoW) and **NGXINDUSTR** (+0.05% WoW), while **NGXBNK** (-3.22% WoW) and **NGXOILGAS** (-2.87% WoW) closed in the red.

Market activity was subdued, as total volume and value traded declined by 16.88% and 10.90% WoW, respectively, to 1.99bn units and NGN49.34bn (vs. 2.39bn units and NGN55.37bn in the previous week).

	This Week	Previous Week	% Δ
NGXASI	108,497.40	108,053.52	+0.41%
Volume ('bn)	1.99	2.39	16.88%
Value ('bn)	49.34	55.37	10.90%
Mkt. Cap. ('trn)	65.85	65.58	+0.41%
Market Breadth	0.71x	2.22x	67.82%

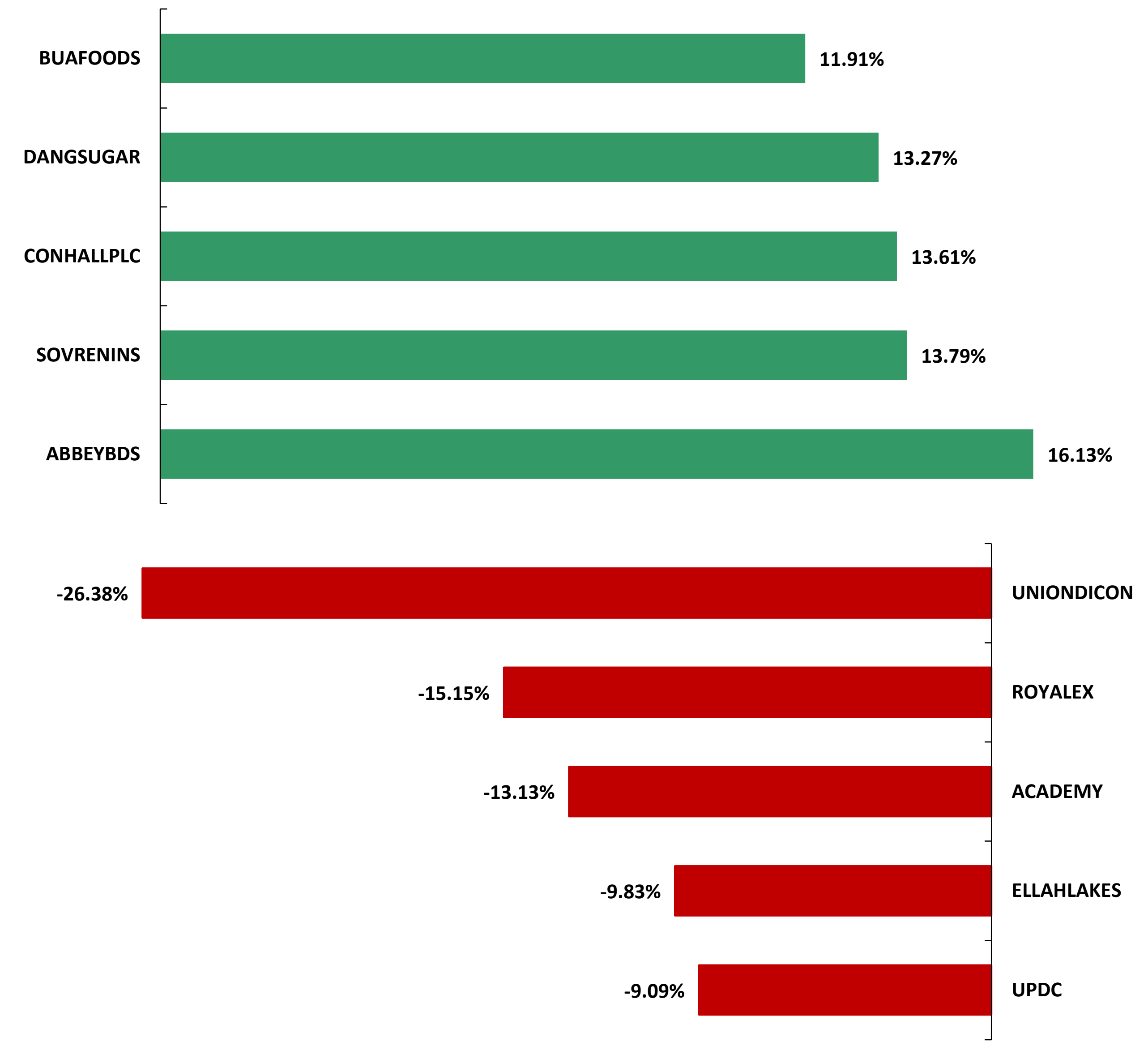
Gainers & Losers

Top Gainers	% Δ	Top Losers	% Δ
ABBEYBDS	16.13%	**UNIONDICON**	26.38%
SOVRENINS	13.79%	**ROYALEX**	15.15%
CONHALLPLC	13.61%	**ACADEMY**	13.13%
DANGSUGAR	13.27%	**ELLAHLAKES**	9.83%
BUAFOODS	11.91%	**UPDC**	9.09%

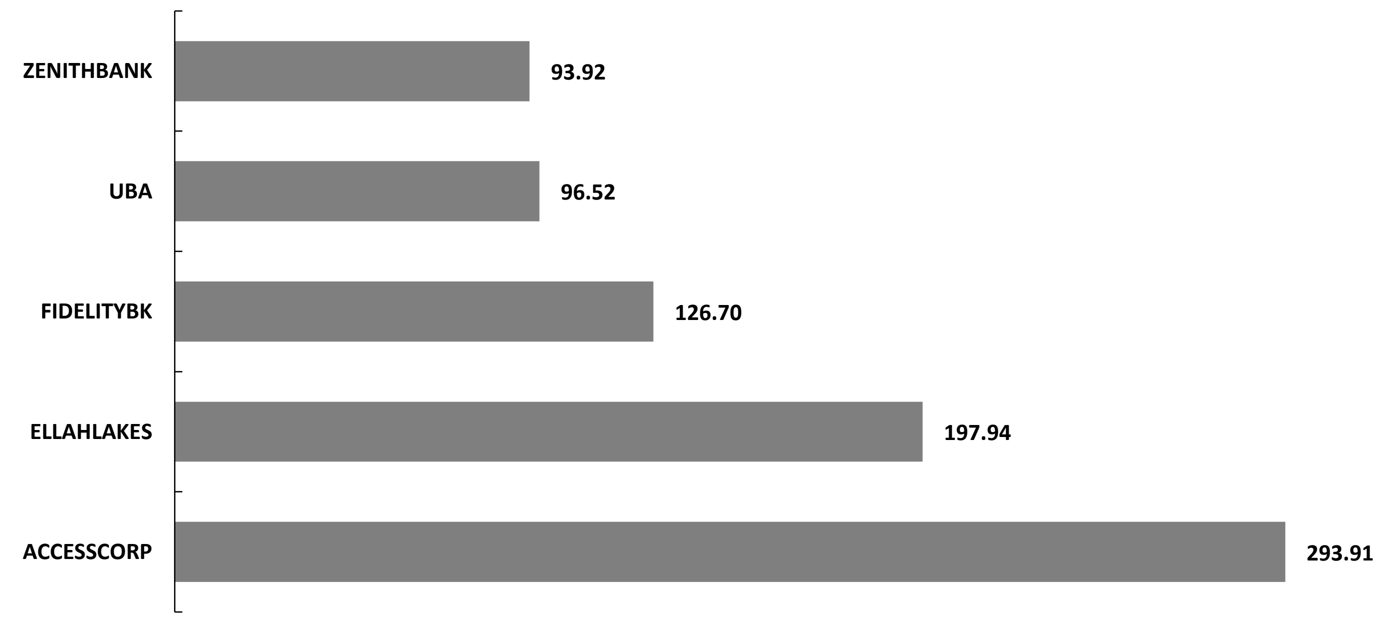
Equities Market Snapshot

Sectoral Performance	WtD (%)	MtD (%)	YtD (%)
NGXBNK	-3.22%	4.40%	14.59%
NGXCNSMRGDS	6.55%	-4.21%	0.08%
NGXINDUSTR	0.05%	4.17%	3.02%
NGXINS	1.47%	11.30%	1.81%
NGXOILGAS	-2.87%	-1.75%	-3.33%
MERI-AGRIC	1.92%	1.92%	2.91%
MERI-TELCO	0.17%	3.06%	3.06%
Other Indices			
NGX-30	0.59%	4.20%	5.89%
NGX-PENSION	-1.22%	2.46%	8.47%

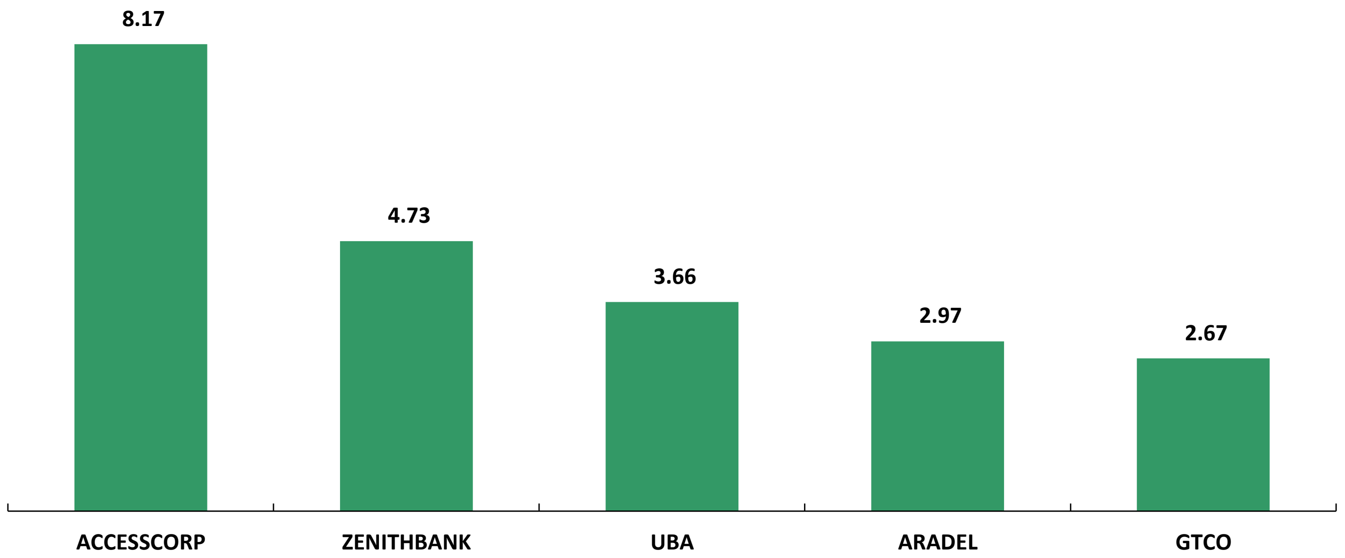
Top Gainers & Losers



Volume ('mn)



Value (NGN'bn)



Fixed Income

At this week’s Treasury Bills Primary Market Auction (PMA), the Central Bank of Nigeria (CBN) offered NGN700.00bn across the three tenors, representing a 4.48% increase from the NGN670.00bn offered in the previous auction. However, total subscriptions declined to NGN2.41trn from NGN3.22trn, indicating a moderation in investor demand. Interest remained concentrated in the 364-day instrument, which attracted NGN2.30trn in bids. Consequently, the CBN allotted NGN774.13bn, exceeding the initial offer by 10.59%. Notably, stop rates settled at 17.00%, 18.00%, and 18.43% for the 91-day, 182-day, and 364-day instruments, respectively, the lowest levels in nearly a year.

The secondary fixed-income market experienced a predominantly bullish trend, driven by increased investor demand following a notable decline in primary market rates and the MPC’s decision to maintain policy parameters. As a result, average Treasury bill and bond yields fell to 20.20% and 19.47%, respectively, from 20.25% and 22.08% in the previous week. Investors sought to lock in attractive yields, particularly after the recent auction's sharp moderation in stop rates.

The Eurobond market exhibited a predominantly bullish sentiment, as strong investor demand drove average yields down to 8.93% from 9.03% in the previous week. Buying interest was broad-based across all maturities, reflecting sustained appetite for Nigerian sovereign bonds.

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Fixed Income Market Monitor

	This Week	Previous Week	% Δ
Avg Bond Yield	19.61%	22.08%	-2.48%
1YR	21.13%	21.87%	-0.74%
3YR	20.35%	20.31%	0.04%
5YR	19.57%	21.38%	-1.81%
7YR	19.54%	19.00%	0.54%
10YR	19.44%	20.91%	-1.47%
30YR	17.60%	17.60%	0.00%

	This Week	Previous Week	% Δ
1MTH	19.16%	21.80%	-2.64%
3MTH	19.41%	20.65%	-1.24%
6MTH	19.73%	21.86%	-2.13%
9MTH	20.76%	23.65%	-2.89%
12MTH	21.90%	23.00%	-1.10%
Average	22.08%	20.25%	-0.06%

Exchange Rate	This Week (NGN/USD)	Previous Week (NGN/USD)	% Δ
NAFEM	1501.08	1,509.70	-0.57

Money Market	This Week	Previous Week	% Δ
OBB	32.33%	32.45%	+0.12
OVN	32.83%	32.80%	+0.03

Alternative Assets

This week, crude oil prices posted modest gains, driven by supply concerns and rising demand. A Ukrainian drone strike on a Russian oil facility heightened fears of reduced output, while the ongoing halt of Kurdish oil exports through Turkey, unresolved since March 2023, further tightened supply. Despite U.S. pressure on Iraq to resume exports, disputes over revenue-sharing and pipeline fees persist. Demand growth in the U.S. and China also supported prices, with global consumption averaging 103.40 million barrels per day (mbpd) in February, up 1.40mbpd in January, driven by colder weather in the U.S. and heightened industrial activity in China. Consequently, WTI crude and Brent crude oil gained 2.50% and 2.30%, closing at USD72.44 and USD76.45, respectively, up from USD70.67 and USD74.74 on Monday.

Bitcoin prices fluctuated moderately throughout the week, influenced by macroeconomic and regulatory factors. Persistent inflation concerns and the Federal Reserve’s decision to keep interest rates unchanged continued to weigh on investor sentiment. However, a positive regulatory shift emerged as the U.S. Securities and Exchange Commission (SEC) dropped its lawsuit against Coinbase, signaling a more relaxed approach to digital asset regulation under the current administration. Despite these contrasting factors, Bitcoin closed the week at USD96,115.42, down from USD97,221.38 on Monday.

Contact Information

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