

Weekly Financial Market Update



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MARKET COMMENTARY

Money Market

Opening system liquidity increased this week following the influx of FAAC monthly disbursement at the early part of the week. For context, system liquidity increased by 18.14% to ₦278.44 billion, week-on-week. Consequently, the Open Repo Rate (OPR) and Overnight Rate (O/N) fell by 213bps and 238bps to 12.75% and 13.25% respectively. **We expect the interbank rates to nudge higher next week, as system liquidity gradually weakens.**

Treasury Bills

The Treasury bills was considerably active prior to the NTB auction, with mixed to bullish sentiment on the short and mid dated papers, especially August 2023. However, at mid-week, offered jumped slightly higher in anticipation of a hawkish decision by the CBN before the release of the NTB result. Interestingly, the auction result printed earlier before the MPC's decision to raise the benchmark interest rate to 18.50% (+50bps), with the stop rate for the 1-year paper declining by 100bps. Consequently, yield dipped further but closed the week relatively quiet.

At the primary market, the DMO offered c.₦180.45 billion across 3 tenors and sold the same with a bid/cover ratio of 4.50x. Also, rates across the issued papers fell, as the 91-Day and 181-Day paper declined by 221bps and 145bps to 2.29% and 4.99%, respectively, while the 364-Day paper fell by 100bps to 7.99%. To contextualize, average yield shrank by 153bps to 4.90%, week-on-week. **We expect market rates to trend sideways next week, given the smaller-than-expected CRR debit.**

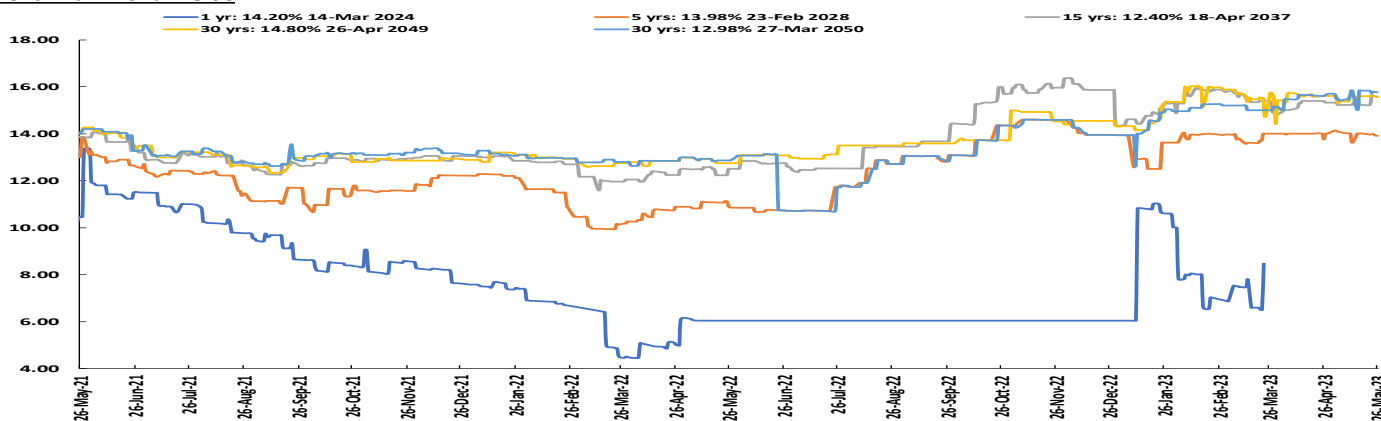
FGN Bonds

The local bonds market traded sideways this week, with some cherry picking around the short end of the curve (notably 2026, 2027 and 2028) and 2050s, as market players maintained caution before and after the MPC meeting. Similarly, market offers stood afar from prospective buyers, although occasional trades were consummated despite the less aggressive bids and offers. Overall, average yield fell by 29bps to 13.82%, week-on-week. **Next week, we expect yield to trend slightly higher, in the absence of bullish drivers.**

Eurobonds

The Eurobonds market traded bullish this week, with buying interests across the curve. However, the market repositioned bearish ahead of the U.S FOMC minutes. Other SSA peers trended mixed, as Angola's \$3.5 billion fuel subsidy removal amongst other country-specific jitters tossed the market trend. Given the bearish momentum at the last day of trading, average yield settled slightly lower at 11.69%, depicting a 4bps decline, week-on-week. **We expect the direction of the market to be impacted by economic data and speeches by the US Fed officials next week.**

Benchmark Bond Yields



Macro Indicators	
GDP (Q1 2023)	+2.31% (Q4: 2022 +3.52% y/y)
Inflation	22.22% (Mar'23: 22.04%)
External Reserve (US\$'billion)	35.18 (-5.13% YTD)
Monetary Policy Rate	18.50%
Cash Reserve Requirement (CRR)	32.50%
Brent Crude Price US\$/bbl	*77.01(0.18% w/w)

Source: NBS,CBN, AIICO Capital

Benchmark T-Bills Discount Rates			
	26-May-23	19-May-23	Change in Rates
13 days	5.50%	5.50%	(0.00%)
167 days	6.00%	6.00%	(0.00%)
321 days	7.90%	7.90%	(0.00%)

Source: FMDQ DQL for 26 May 2023

Benchmark FGN Bond Yields			
	26-May-23	19-May-23	Change in Yield
5 yrs: 16.2884% 17-Mar-2027	12.55%	12.65%	+0.10%
10 yrs: 12.50% 27-Apr-2032	14.90%	14.90%	(0.00%)
20 yrs: 13.00% 21-Jan-2042	15.45%	15.55%	+0.10%
30 yrs: 12.98% 27-Mar-2050	15.66%	15.77%	+0.11%

Source: FMDQ DQL for 26 May 2023

Benchmark FGN Eurobond Yields			
	26-May-23	19-May-23	Change in Yield
1 yr: NGERIA 6 3/8 07/12/23	6.22%	6.23%	+0.01%
5 yrs: NGERIA 6 1/2 11/28/27	11.20%	11.96%	+0.76%
10 yrs: NGERIA 7.875 02/16/32	12.15%	12.46%	+0.31%
15 yrs: NGERIA 7.696 23/02/38	12.64%	12.64%	(0.00%)
30 yrs: NGERIA 9.248 01/21/49	12.65%	12.65%	(0.00%)
7.125% ECOTRAN 16/02/26	14.03%	14.03%	(0.00%)

Source: FBN UK Runs for 26 May 2023

Nigerian Equities

The Nigerian equity market closed on a bullish note, relative to last week, as the Nigerian Stock Exchange All Share Index (NGX ASI) gained c.1.51% to close at 52,973.88 points, while year-to-date return settled at c 3.36%. Observably, buying interest in NESTLE (9.98%), and SEPLAT (2.13%) drove the upward trend this week.

The NGX Banking Goods, Consumer Goods and, Oil & Gas Indices appreciated in value by 2.14%, 0.41%, and 1.05%, respectively this week. However, the NGX Industrial Goods Index depreciated in value by 0.88%, this week. UBA led the volume charts with c. 305.63 million units while ZENITHBANK led the value charts with c. ₦ 6.36 billion, this week.

We expect the market to remain bullish next week.

Foreign Exchange

FMDQ's Nigerian Autonomous Foreign Exchange Fixing (NAFEX) rate depreciated to ₦463.00/US\$1.00 from ₦462.33/US\$1.00 recorded last week.

We expect the NAFEX rate to hover at similar levels next week.

Commodities

Oil prices rose this week, as US oil and fuel supplies tightened and the Saudi energy minister's warning to speculators boosted the potential of additional OPEC+ output restrictions. As of report time, Brent oil prices appreciated by c. 0.18% to \$77.15 per barrel, week-on-week, while WTI appreciated by c 0.72% day-on-day to settle at US\$73.22pb. Similarly, Spot Gold appreciated by c. 0.63% day-on-day to close at US\$1,962.60 per ounce as of report time. **We expect to see similar performance next week, pending any significant bearish driver.**

AIICO Money Market Fund (AMMF)

Net Yield (As at 25th May 2023) 12.0717%

Added Benefit Personal accident insurance cover

Top 5 Equity Advancers W-o-W

Name (Symbol)	Closing Price	Gain(N)	% Change
FTNCOCOA	0.68	0.24	↑ 54.55%
RTBRISCOE	0.38	0.11	↑ 40.74%
CHAMS	0.41	0.11	↑ 36.67%
TRIPPLEG	3.90	0.95	↑ 32.20%
UPL	2.25	0.38	↑ 20.32%

Source: NGX, AIICO Capital

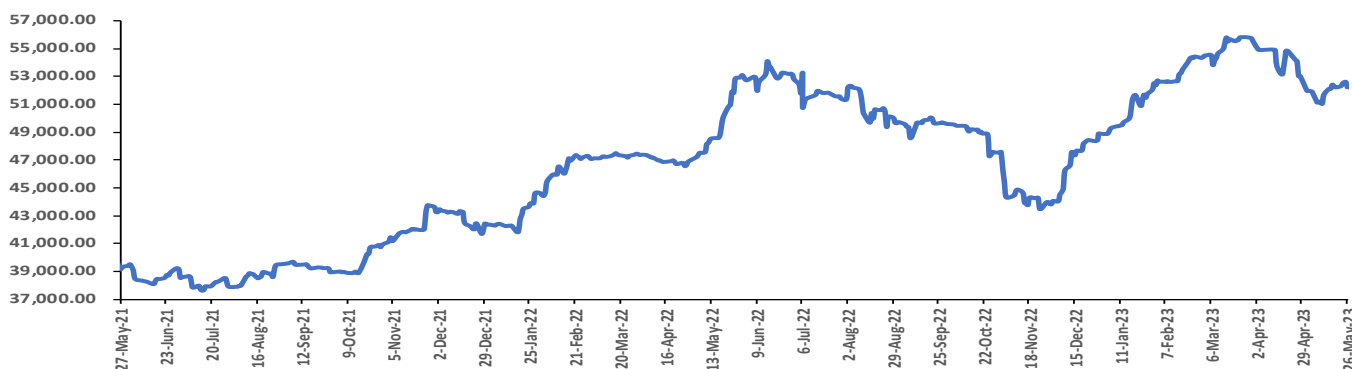
Top 5 Equity Decliners W-o-W

Name (Symbol)	Closing Price	Loss(N)	% Change
SOVRENINS	0.36	-0.09	↓ -5.66%
CHELLARAM	1.47	-0.34	↓ -3.77%
ARDOVA	17.35	-2.80	↓ -3.53%
ROYALEX	0.48	-0.04	↓ -3.33%
NEIMETH	1.39	-0.11	↓ -3.33%

Source: NGX, AIICO Capital

	W-o-W	MTD	YTD
NGX ASI	↑ 0.29%	↑ 1.51%	↑ 3.36%
NSE Banking Index	↑ 2.14%	↑ 5.63%	↑ 18.80%
NSE Insurance Index	↑ 2.40%	↑ 10.54%	↑ 20.22%
NSE Industrial Goods Index	↓ -0.88%	↓ -0.70%	↓ -2.22%
NSE Consumer Goods Index	↑ 0.41%	↑ 3.10%	↑ 32.48%
NSE Oil & Gas Index	↑ 1.05%	↑ 3.24%	↑ 21.88%

NSE All Share Index



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