

Weekly Financial Market Update

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MARKET COMMENTARY

Money Market

System liquidity was propelled by FAAC credit at the start of the week but drifted significantly lower into the negative zone throughout the week. The OMO and bond auction funding were the major events that dampened market liquidity. Specifically, system liquidity was reported at -₦307.65 billion at the close of this week, from -₦52.97 billion posted last week Friday. Consequently, the Open Repo Rate (OPR) and Overnight Rate (O/N) soared by 262bps and 237bps to 20.20% and 21.20% week-on-week.

Outlook: We expect interbank rates to remain elevated next week.

Treasury Bills

The treasury bills market started off with the OMO auction, where CBN auctioned and sold ₦350.00 billion worth of OMO bills, with 96% of the allotment on the 365-Day paper. The stop rates across the 92-Day, 176-Day and 365-Day papers were 10.00%, 13.50% and 17.00%, respectively. Consequently, the rate in the treasury bills secondary market pushed upward up till mid-week, where investors began to cherry-pick some medium and long-dated papers at profitable levels. Towards the end of the week, liquidity crunch sparked a bearish bias. As a result, market closed bearish as the average mid-rate increased from 6.96% last week Friday to 11.53% today.

Outlook: : We expect activity to be skewed towards the NTB auction next week, as the DMO would be offering ₦417.06 billion worth of treasury bills.

FGN Bonds

The FGN bond auction at the start of the week was oversubscribed by c.₦244.57 billion despite the ₦360.00 billion offered. The rates on the 2029, 2033 and 2038 papers remained unchanged at 15.50%, 16.00% and 16.50%, respectively, when compared to the previous auction, while the 2027 paper was issued at 15.00%. After the auction, the market veered sideways and gradually pivoted to a bearish theme as liquidity deteriorated. At the end of the session, the bond market closed the week bearish, as the average mid-yield jumped by 102bps to 15.75%, week-on-week.

Outlook: We expect the bearish theme to persist next week.

Eurobonds

After the bullish theme noticed in the first half of the week, market activity strengthened on the back of FOMC's decision to hold interest rate unchanged at 5.50%. Similarly, in the North African region, particularly the Egypt curve, an aggressive bullish bias was witnessed towards the end of the week, majorly driven by the revised financing agreement between the IMF and Egypt from \$3bn to \$7bn or more. Also, Egypt's central bank increased interest rate by 200bps to 21.25%, while Bank of Ghana cut rate by 100bps to 29%. Overall, market settled on a bullish note as average mid-yield fell by 7bps to settle at 9.78%.

In other news, the US Non-farm payroll added 353k jobs in January, higher than 187k estimate.

Outlook: We expect the market sentiment to be influenced by speeches of US Fed officials next week.

AIICO Money Market Fund (AMMF)		
Net Yield	(As at 30th January 2024)	13.3049%
Added Benefit	Personal accident insurance cover	

Date	Sys. Liq. (₦'bn)	Diff.
2-Feb-24	-307.65	↓ (254.68)
26-Jan-24	-52.97	

Source: CBN

Macro Indicators	
GDP (Q3 2023)	+2.54% (Q2: 2023 +2.51% y/y)
Inflation (December'2023)	28.20% (Nov'23: 28.20%)
External Reserve (US\$'billion)	33.35 (-10.06% YTD)
Monetary Policy Rate	18.75%
Cash Reserve Requirement (CRR)	32.50%
Brent Crude Price US\$/bbl	*81.99 (+4.37% w/w)

Source: NBS, CBN, AIICO Capital

Benchmark T-Bills Discount Rates			
	31-Jan-24	24-Jan-24	Change in Rates
69 days	6.44%	2.07%	(4.37%)
160 days	8.89%	3.26%	(5.63%)
285 days	12.10%	12.64%	+0.54%

Source: FMDQ DQL for 02 Feb 2024 and 26 Jan 2024

Benchmark FGN Bond Yields			
	31-Jan-24	24-Jan-24	Change in Yield
5 yrs: 16.2884% 17-Mar-2027	15.54%	13.49%	(2.05%)
10 yrs: 12.50% 27-Apr-2032	14.70%	14.30%	(0.40%)
20 yrs: 13.00% 21-Jan-2042	15.49%	15.39%	(0.10%)
30 yrs: 12.98% 27-Mar-2050	16.15%	15.25%	(0.90%)

Source: FMDQ DQL for 02 Feb 2024 and 26 Jan 2024

Benchmark FGN Eurobond Yields			
	31-Jan-24	24-Jan-24	Change in Yield
5 yrs: NGERIA 6 1/2 11/28/27	9.06%	9.10%	+0.04%
10 yrs: NGERIA 7.875 02/16/32	9.92%	9.99%	+0.07%
15 yrs: NGERIA 7.696 23/02/38	10.34%	10.38%	+0.04%
30 yrs: NGERIA 9.248 01/21/49	10.44%	10.36%	(0.08%)
7.125% ECOTRAN 16/02/26	9.17%	9.17%	(0.00%)

Source: FBN UK Runs for 02 Feb 2024 and 26 Jan 2024

Nigerian Equities

The Nigerian equity market experienced profit taking at the early part of the week, with CBN's circular on banks' Net Open Position on foreign assets intensifying the selloffs at mid-week. Afterwards, market digested the news with buy-side interests spilling into other sectors, in anticipation for sustained foreign currency gains for Q1'2024. As a result, the All-Share-Index (ASI) appreciated by 1.97%, week-on-week, while the Year-to-Date return settled at 39.65% and market capitalization climbed to ₦57.16 trillion.

The Industrial and Consumer Goods Indices gained 6.36% and 1.30%, respectively, week-on-week. On the flip side, the Banking and Oil & Gas Indices declined by 4.52% and 2.47%, respectively, week-on-week. FBNH led both the volume and value charts with 383.87 million units and ₦9.98 billion.

Outlook: *We expect the bullish bias to persist, albeit, at a less aggressive pace.*

Foreign Exchange

FMDQ's Nigeria's Autonomous Foreign Exchange (NAFEM) depreciated by ₦543.63 (or 60.95%) to \$/₦1,435.53 compared to \$/₦891.90 recorded last week, following the revised FX rate methodology.

Outlook: *We expect the volatility to persist next week.*

Commodities

Oil set for weekly loss despite OPEC+ output decision. As of the latest data, Brent fell by 7.56% week-on-week to \$77.23 per barrel, while WTI declined by 7.49% to US\$72.17 per barrel. Meanwhile, Gold appreciated by 1.78% week-on-week, settling at US\$2,053.30 per ounce at the time of this report.

Outlook: *We expect oil price to remain elevated next week, pending a bearish jitters.*

Top 5 Equity Advancers W-o-W

Name (Symbol)	Closing Price	Gain(N)	% Change
TRIPPLEG	4.02	1.19	42.05%
MEYER	4.30	0.74	20.79%
CORNERST	1.90	0.32	20.25%
JULI	0.70	0.11	18.64%
VERITASKAP	0.70	0.11	18.64%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W

Name (Symbol)	Closing Price	Loss(N)	% Change
DAARCOMM	0.70	-0.20	-22.22%
ETERNA	22.10	-5.35	-19.49%
SUNUASSUR	1.82	-0.43	-19.11%
DEAPCAP	0.67	-0.13	-16.25%
MAYBAKER	6.30	-1.20	-16.00%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↑ 1.57%	↑ 1.97%	↑ 3.23%	↑ 39.65%
NSE Banking Index	↑ 4.37%	↓ -4.52%	↑ 12.54%	↑ 8.74%
NSE Insurance Index	↑ 4.88%	↓ -3.67%	↑ 7.16%	↑ 30.39%
NSE Industrial Goods Index	↑ 0.16%	↑ 6.36%	↑ 0.51%	↑ 108.92%
NSE Consumer Goods Index	↑ 1.74%	↑ 1.30%	↑ 6.19%	↑ 32.02%
NSE Oil & Gas Index	↑ 0.01%	↓ -2.47%	↑ 0.03%	↑ 20.00%

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