

MARKET COMMENTARY

Money Market

After starting the week with a negative balance, system liquidity improved mid-week due to inflows from FX Swap maturities. However, the OMO auction absorbed liquidity from the system, issuing ₦500.00 billion worth of OMO bills. By the end of the week, system liquidity opened positive at ₦80.71 billion, compared to ₦170.43 billion last Friday. As a result, the Open Repo Rate (OPR) declined by 331 bps to 29.09%, and the Overnight Rate (O/N) decreased by 306 bps to 29.94% compared to the previous week.

Outlook: We expect the size of the NTB issuance to impact system liquidity and ultimately the interbank rates.

Treasury Bills

The treasury bills market experienced mixed sentiment on Monday and Tuesday with minimal volatility. On Wednesday, the OMO auction issued by the CBN drove yields higher as investors anticipated higher stop rates compared to the previous auction. However, the stop rates for medium- and long-dated papers decreased by 10 basis points to 19.64% and by 15 basis points to 22.34%, respectively, while no bids were recorded for the short-term paper.

Activity in the treasury bills market remained relatively calm thereafter, while traction on OMO bills increased towards the end of the week. Additionally, the DMO released the Q3 2024 NTB Issuance calendar, indicating a total size of ₦1.56 trillion to be issued between June and August 2024.

As a result, the market settled bearish, with the average mid-rate increasing by 22 bps week-on-week to 20.52%.

Outlook: Next week, we expect market activities to be skewed towards the NTB auction, where the DMO will be offering treasury bills worth ₦221.13 billion.

FGN Bonds

This week, the FGN local bonds market saw a mix of bids and offers, with most activities concentrated on the 2027, 2032, 2034, 2049, 2050, and 2053 maturities. By the end of the week, the market closed slightly bullish, with the average mid-yield marginally decreasing by 1 bps to settle at 18.49%.

Outlook: We expect the trend to stay mixed next week, pending any major jitters.

Benchmark T-Bills Discount Rates			
	31-May-24	24-May-24	Change in Rates
83 days	17.17%	16.18%	↑ 0.99%
174 days	19.26%	19.26%	→ 0.00%
328 days	20.31%	20.30%	↑ 0.01%

Source: FMDQ DQL for 31 May 2024 and 24 May 2024

Benchmark FGN Bond Yields			
	31-May-24	24-May-24	Change in Yield
5 yrs: 16.2884% 17-Mar-2027	18.48%	18.47%	↑ 0.01%
10 yrs: 12.50% 27-Apr-2032	19.70%	19.69%	↑ 0.01%
20 yrs: 13.00% 21-Jan-2042	17.00%	17.00%	→ 0.00%
30 yrs: 12.98% 27-Mar-2050	17.50%	17.50%	→ 0.00%

Source: FMDQ DQL for 31 May 2024 and 24 May 2024

Benchmark FGN Eurobond Yields			
	31-May-24	24-May-24	Change in Yield
5 yrs: NGERIA 6 1/2 11/28/27	8.53%	8.65%	↓ -0.12%
10 yrs: NGERIA 7.875 02/16/32	9.95%	10.10%	↓ -0.15%
15 yrs: NGERIA 7.696 23/02/38	10.49%	10.51%	↓ -0.02%
30 yrs: NGERIA 9.248 01/21/49	10.22%	10.35%	↓ -0.13%
7.125% ECOTRAN 16/02/26*	7.67%	7.83%	↓ -0.16%

Source: FBN UK Runs for 31 May 2024 and 24 May 2024

AIICO Money Market Fund (AMMF)	
Net Yield (As at 30th May 2024)	18.0714%

Date	Sys. Liq. (₦'bn)	Diff.
31-May-24	80.71	
24-May-24	170.43	↓ (89.71)

Source: CBN

Macro Indicators	
GDP (Q1 2024)	+2.98% (Q4: 2023 +3.46% y/y)
Inflation (April'2024)	33.69% (Mar'24: 33.20%)
External Reserve (US\$'billion)	32.69 (-0.67% YTD)
Monetary Policy Rate	26.25%
Cash Reserve Requirement (CRR)	45.00%
Brent Crude Price US\$/bbl	*81.54 (-0.71% w/w)

Source: NBS, CBN, AIICO Capital

Eurobonds

The Eurobond market maintained a bearish posture ahead of the release of two key economic data this week.

First, the US GDP for Q1 2024 was revised lower to 1.30% from the earlier reported 1.60%, marking a significant drop from 3.40% in Q4 2023. Consequently, the market responded with a bullish bias, as the data suggested a potential weakness in the US economy, which could increase the likelihood of a rate cut and a dovish stance by the US Federal Reserve.

Second, the US PCE Price Index remained unchanged from the previous month, aligning with market forecasts. This sustained buying interest, albeit with less intensity.

As a result, the market closed bullish, with the average mid-yield falling by 10 bps week-on-week to 9.67%.

Outlook: Next week, we expect market players to focus on several US economic data like the Factory orders, Job Openings, ADP Employment, and Non-Farm Payroll.

Nigerian Equities

After three weeks of bearish sentiment, the Nigerian Equity market moved the needle this week. Valued investors played actively with cautious cherry-picking of attractively priced stocks. On the other hand, sellers eased momentum.

Particularly, DANGSUGAR (+20.51%), UBA (+15.63%), FBNH (+14.67%), SEPLAT (+13.67%), OANDO (+11.85%), and NB (+11.58%) were the key drivers this week, while WAPCO (-3.43%), and MTNN (-0.22%) had little impact on the overall sentiment. Overall, the All-Share Index appreciated by 1.73%, week-on-week to close at 99,300.38 points. The year-to-date return and market capitalization improved to 32.80% and ₦56.17 trillion, respectively.

Consequently, the Banking, Consumer Goods, and Oil & Gas Indices appreciated by 8.72%, 2.04% and 9.08%, respectively, week-on-week. In contrast, Industrial Goods Index lost 0.13%, week-on-week.

Outlook: We expect a mixed sentiment next week.

Foreign Exchange

FMDQ's Nigeria's Autonomous Foreign Exchange (NAFEM) appreciated by ₦3.18 (or 0.21%) to \$/₦1,485.99 compared to \$/₦1,482.81 recorded at the close of last week.

Outlook: We expect volatility to persist next week.

Commodities

Early in the week, the oil market displayed a bullish sentiment, driven by market anticipation of the OPEC+ decision on voluntary output cuts by June 2. However, these gains were erased by the end of the week. Overall, Brent oil decreased by 0.71% to \$81.54 per barrel, while WTI fell by 0.91% to \$77.01 per barrel. Meanwhile, the price of gold increased by 0.52% to \$2,352.00 per ounce as of the time of writing.

Outlook: We expect the outcome of the OPEC+ meeting on production cut to drive sentiment next week.

Top 5 Equity Advancers W-o-W

Name (Symbol)	Closing Price	Gain(N)	% Change
FIDELITYBK	10.20	1.90	↑ 22.89%
DANGSUGAR	47.00	8.00	↑ 20.51%
NASCON	40.85	6.85	↑ 20.15%
FCMB	8.00	1.20	↑ 17.65%
UBA	22.20	3.00	↑ 15.63%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W

Name (Symbol)	Closing Price	Loss(N)	% Change
CILEASING	2.97	-0.47	↓ -13.66%
NPFMCRFBK	1.60	-0.20	↓ -11.11%
FTNCOCOA	1.10	-0.10	↓ -8.33%
LEARNAFRCA	3.30	-0.22	↓ -6.25%
FIDSON	14.90	-0.85	↓ -5.40%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↑ 0.02%	↑ 1.73%	↑ 1.17%	↑ 32.80%
NSE Banking Index	↓ -0.06%	↑ 8.72%	↑ 3.58%	↓ -11.13%
NSE Insurance Index	↑ 2.26%	↑ 3.88%	↓ -3.79%	↑ 14.17%
NSE Industrial Goods Index	↓ 0.00%	↓ -0.13%	↓ -0.21%	↑ 73.08%
NSE Consumer Goods Index	↑ 0.03%	↑ 2.04%	↓ -0.41%	↑ 39.50%
NSE Oil & Gas Index	→ 0.00%	↑ 9.08%	↑ 1.70%	↑ 24.07%

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