MONTHLY MARKET REPORT
APRIL 2024

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REPORT SUMMARY

Review

- Global Macros: Mixed trend in economic growth and inflation rate
- Nigeria's Macros: Decline in oil output, hike in electricity tariffs and soaring inflation.
- Money Market: Deficit balance amplified by heavy primary market sales.
- Treasury bills: Relatively stable auction rates, with bearish bias.
- FGN Bonds: Bullish bias stimulated by investors' satisfaction for papers at profitable levels.
- Nigeria's equity: All sectorial indices closed in the red.
- Nigeria's Eurobonds: Push backs on rate cut tickled mixed sentiment.

Outlook

- Global Economy: Data should begin to align with Fed's expectation.
- Nigeria's Macros: A slight moderation in consumer prices is imminent, but not sustainable.
- Money Market: System liquidity is expected to stay low.
- Treasury Bills: Rates should fluctuate within a narrow range.
- FGN Bonds: Auction result would be a significant determinant of market sentiment.
- Nigeria's Equity: Volatility is expected to heighten further.
- Nigeria's Eurobonds: US economic data is expected to drive volatility.

GLOBAL MACROECONOMIC REVIEW

United States: The hope for stability in the prices of goods and services continued to wane as the recent inflation data reignited concerns around sticky inflation, uncertainty in the Fed's policy directions, and overall economic activities.

The inflation data for March, a key indicator of economic health, revealed a significant increase compared to the previous two months. While January and February's inflation stood at 3.10% m/m and 3.20% m/m respectively, March's inflation number notched even higher at 3.50% (with an estimated 3.40% y/y). This data, when analyzed, shows that the monthly headline and core inflation figures remain the same at 0.40% m/m and 0.40% m/m, respectively. However, food and energy costs have grown slower, increasing by 0.1% m/m (compared to 0.0% in February) and 1.1% m/m (2.3% in February). Energy and shelter costs drove the headline inflation yearly, surging by 2.10% y/y and 5.70% y/y, respectively. The US retail sales grew slower, at 0.70% m/m in March from 0.90% m/m in February. Meanwhile, yearly data posted a rapid surge at 4.00% y/y, from 1.50% y/y. However, US households expressed a bit of pessimism, as the consumer confidence index dropped to 97.0 points in April from 104.70 points in March, indicating the second, although consecutive, decline since September 2023.

Broadly, the US GDP growth performance caught the market by surprise, as it grew unexpectedly slower at 1.60% y/y, the lowest growth rate since the contraction in H1'22. Meanwhile, the market consensus forecast was at 2.50% y/y. The reduction in consumer spending was a significant drag down, which expanded by 2.50% in Q1'24, down from a 3.30% gain in Q4'23 and a 3.00% estimate.

US, UK, Euro Area and China

GDP	Q1'24	1.60%	Q4'23	-0.30%	Q1'24	0.30%	Q1'24	1.60%
	Q4'23	3.40%	Q3'23	-0.10%	Q4'23	0.00%	Q4'23	1.00%
	Q1'23	2.20%	Q4'22	0.10%	Q1'23	0.00%	Q1'23	2.30%
MONETARY/ BANK RATE	Apr'24	5.50%	Mar'24	5.25%	Apr'24	4.50%	Mar'24	3.45%
	Mar'24	5.50%	Feb'24	5.25%	Mar'24	4.50%	Feb'24	3.45%
	Apr'23	5.00%	Mar'23	4.25%	Apr'23	3.50%	Mar'23	3.65%
INFLATION RATE	Mar'24	3.50%	Mar'24	3.20%	Apr'24	2.40%	Mar'24	0.10%
	Feb'24	3.20%	Feb'24	3.40%	Mar'24	2.40%	Feb'24	0.70%
	Mar'23	5.00%	Mar'23	10.10%	Apr'23	7.00%	Mar'23	0.70%

Source: Bloomberg, Trading Economics, Investing.com, AIICO Capital

United Kingdom: Consumer prices in the UK fell further to 3.20% in March, from 3.40% in April, although, slightly higher than 3.10% estimate. Drilling further, food prices were key contributors to the decline, as food inflation grew slower at 4.50% y/y from 5.00% y/y in February. The core inflation also fell during the period, dropping to 4.20%, lowest since December 2021, but slightly surpassed 4.10% estimate.

GLOBAL MACROECONOMIC REVIEW

Euro Area: During the month, the market's expectations regarding the first rate cut in June increased, with higher bets for the July and September meetings. This was due to a stable headline inflation rate of 2.40% y/y in March and April, caused by low food prices. Additionally, core inflation decreased to 2.70% y/y in April from 2.90% y/y in March. However, it remained one percentage point above the 2.60% estimate.

After stagnation in the previous quarter, the EU economy posted growth at 0.30% in Q1'24 (Est. 0.10%), according to the first estimate reported by EUROSTAT. The German and French economies expanded by 0.20% within the bloc, while Italy grew by 0.30%. In the bloc's labor market, the unemployment rate steadied at 6.50% for the fifth consecutive time, with a slow jobless rate coming in from Germany and a higher jobless rate spanning Spain, France, and Italy.

Hence, the European Central Bank maintained its benchmark interest rate for the fifth consecutive time at 4.50% while signalling the tendency to begin rate cuts by June, as a few council members began to show confidence, according to ECB President Christian Lagarde.

China: In Q1'24, China's economic growth rate hit 5.30% y/y, beating both performance in the preceding quarter (5.20% y/y) and market estimate (5.00% y/y). On a quarterly basis, the second largest economy posted a growth of 1.60% in Q1'24, steeply higher than 1.20% q/q in Q4'23 and narrowly above the 1.40% q/q estimate, according to Reuters. Further, industrial output grew by 4.50% y/y, missing market expectations of 6.00%. Similarly, Retail sales grew at 3.10% y/y, lower than the 4.60% y/y estimate.

According to S & P Global, The Caixin China General Manufacturing PMI increased to 51.4 points in April 2024, maintaining an upward trajectory since October 2023. The recent increment from 51.10 points in March 2024 was spurred by an improvement in demand conditions and an increase in new orders.

In addition, Retail sales increased 5.50%, beating the 5.20% forecast in a Reuters poll. Industrial production increased 7.00% compared with estimates of 5.00% growth for January- February, further cementing a bright start for the year.

Japan: In its April meeting, the Bank of Japan (BOJ) maintained interest rates at 0.00-0.10%, which aligned with market expectations. The BOJ also added that it will continue to conduct bond purchases, as mentioned in the previous meeting held in March.

Global Trade and Economic Outlook

The World Trade Organization, in its latest global trade outlook, expects world trade volume to increase by 2.60% in 2024 and 3.30% in 2025, after falling by 1.20% in 2023 due to the sustained impact of high energy prices and overall inflation. The report also highlights the potential impact of regional conflicts, geopolitical tensions, and economic policy uncertainty on global trade.

Lastly, the International Monetary Fund (IMF) revised the global growth forecast at 3.20% for 2023 and 2024, from 3.10% forecasted earlier, according to the latest global economic outlook dated April 2024. The IMF expects global inflation to decline steadily, from 6.80% in 2023 to 5.90% in 2024 and 4.50% in 2025, with advanced economies returning to their inflation targets sooner than emerging and developing economies. For Nigeria, IMF upwardly revised the country's GDP forecast to 3.30% in 2024, from the previously estimated 3.00%.

Nigeria's Crude Oil Output Slumped in April.

According to the latest report by OPEC, Nigeria's crude oil production dwindled in the month of March, falling by 2.71% to 1.39 mbpd (based on secondary sources), or 6.88% to 1.23 mbpd (based on direct communication). Nonetheless, total production output increased on a quarterly basis, with a 3.04% uptick (based on secondary sources) or 1.07% (based on direct communication).

We partly allude the decline in production to insufficient infrastructure and lack of proper operational structure to ensure a sustained increase in output. Other factors could be tied to external drivers, particularly demand.

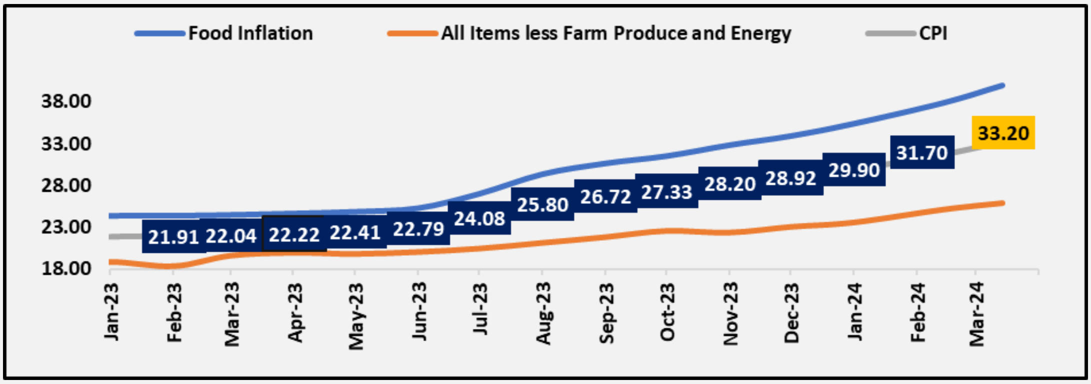
Hike in Electricity Tariffs.

During the month, the Nigerian Electricity Regulatory Commission (NERC) increased the electricity tariffs by c. 230.88% for Band A users from N68.00 to N225.00 per kilowatt hour (kwh). According to the NERC Vice Chairman, Mr Oseni, the Band A users represent about 15% of the total population but consume about 40% of the nation's electricity.

Nigeria's inflation quickened to 33.20%, highest level ever recorded by the NBS.

Nigeria's headline inflation for March accelerated to 33.20% y/y in March, from 31.70% y/y in February, implying an increase of c. 1.50%. Also, food and core inflation increased at 40.01% y/y and 25.90% y/y, respectively. The yearly headline, food, and core inflation hit record highs compared to historical data from the National Bureau of Statistics. However, only monthly food and headline inflation grew at a slower pace at 3.62% m/m (vs 3.79% m/m in February) and 3.02% m/m (vs 3.12% m/m in February), respectively, indicating the first monthly decline since October 2023.

In the interim, while increased FX liquidity addresses part of the issue, challenges related to food and other commodities supply and high energy prices could outweigh any positive impacts associated with improvements in the foreign exchange market thus far.



Source: NBS, AIICO Capital

CBN Policies: Reduction of LDR from 65% to 50% | Prohibition of Foreign Denominated Asset as Collateral for Naira Loans.

Following the increase in CRR to 45% in the last MPC meeting, the Central Bank of Nigeria (CBN) adjusted the Loan-to-Deposit Ratio (LDR) for Deposit Money Banks, reducing it from 65% to 50%.

The CBN also prohibited the use of foreign-denominated assets as collateral for Naira loans. The banks were given a 90-day deadline to wind down loans in this category.

MARKET UPDATE

Foreign Exchange Market – Reversal in exchange rate after testing a critical region.

In the first half of the month, the Naira sustained a steady appreciation in the foreign exchange market, supported by CBN's supply of foreign exchange to the Bureau De Change Operator (BDCs) and OMO bills auction, where ₦676.65 billion was allotted to foreign investors. However, the trend retreated to the opposite direction after hitting critical levels around mid-month with a noticeable decrease in the external reserve and increased demand for foreign exchange. For context, at the NAFEM window, Naira peaked at ₦1,072.00 per USD around mid-month, marking its highest level since January 2024. At the parallel market, Naira peaked at c. ₦1,055.00 per USD around mid-month, indicating its highest level since October 2023.

However, the NAFEX fixing only hovered at ₦1,142.00/$ before depreciating similarly with the NAFEM and Parallel market. Thereafter, the CBN intervened by supplying roughly $126m to the BDCs, while the external reserves witnessed some inflows from offshore players.

Gross external reserves declined by 4.65% m/m to $32.25 billion, while brent crude oil prices fell by some 1.31% to $86.33/pb. Overall, the month ended slightly negative in the foreign exchange market. At the NAFEM and Parallel market window, Naira depreciated by 6.23% m/m and 3.08% m/m, to close at ₦1,390.96/$ and c. ₦1,340.00/$, respectively. At the NAFEX fixing, Niara depreciated by 7.33% to close the month at ₦1,398.86/$.

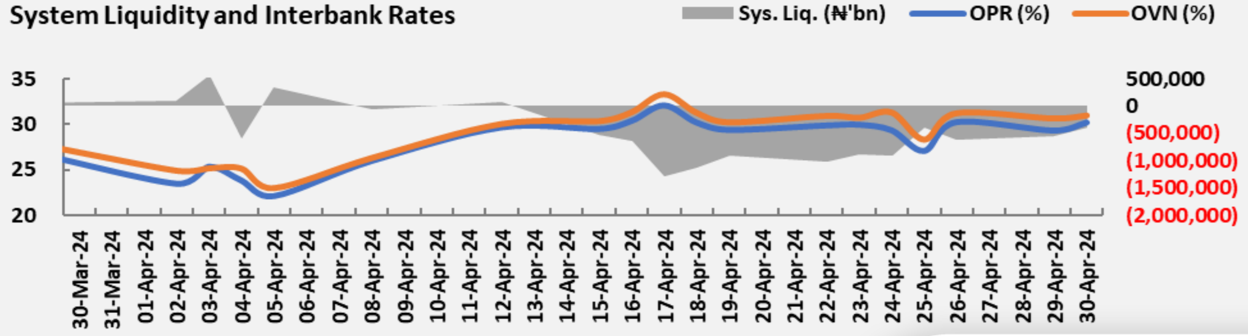
Outlook: Observing the sharp reversal in the FX market during the month, where naira depreciated after testing a critical level, we expect slight increase in volatility in the coming month. While the CBN have been able to maintain supply, despite lower oil output receipt, we expect the level of demand to play a critical role in determining the direction in foreign exchange rate.

Money Market Review – *Deficit balance amplified by heavy primary market sales*

In April, after the FAAC credit at the beginning of the month, system liquidity reported a negative balance for most of the month, given the less significant inflows from FGN coupon against substantial outflows, including OMO bills auction (₦676.67 billion), new treasury bills issues (₦1.00 trillion) and FGN local bonds auction (₦626.81 billion).

Although, average opening system liquidity relatively increased from -₦830.43 billion in March to -₦490.48 billion. Overall, the average Open Repo Rate (OPR) increased by 27bps m/m to 28.22%, while the Overnight Rate (OVN) decreased by 25bps m/m to 29.20%.

Outlook: In May, we do not envision any material inflows, except FAAC credit, which often offsets the deficit system liquidity, including other obligations. Hence, liquidity is expected to stay low, while interbank rates should stay elevated.



MARKET UPDATE

Treasury Bills – *Relatively stable auction rates, with bearish bias.*

The treasury bills market started the month with bearish sentiment due to the OMO bills auction, which impacted rates in the secondary market to reprice upwards. However, the OMO bills auction maintained the same rates for the short and medium papers at 19.00% and 19.50%, respectively, while the stop rate for the long-dated paper declined by 38bps to 21.125% compared to the previous auction.

APRIL 2024 OMO Bills AUCTION RESULT					
Date	Tenor	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Closing Rate
03-Apr-24	Short	75.000	17.000	17.000	**19.0000%**
03-Apr-24	Medium	75.000	20.250	7.250	**19.5000%**
03-Apr-24	Long	350.000	1,157.900	652.400	**21.1250%**
		500.000	**1,195.150**	**676.650**	

Source: CBN, FMDQ, AIICO Capital

Similarly, the first treasury bills auction result portrayed a comparable posture, as stop rates for the 91-Day and 182-Day papers remained unchanged at 16.24% and 17.00%, respectively. The stop rates for the 364-day papers fell by 42.40bps to 20.70%.

Subsequently, activities were mixed, albeit with a bearish dominance, linked to profit-taking by some foreign investors. At the final auction for the month, the DMO allotted ₦362.45 billion across the three tenors, while the stop rates remained unchanged at 16.24%, 17.00%, and 20.70% accordingly.

APRIL 2024 NTB AUCTION RESULT				
Tenor	Mar'24 Close	Apr 24 Auc 1	Apr 24 Auc 2	Change M-o-M (basis points)
91	16.240%	16.240%	16.240%	**(00.00)**
182	17.000%	17.000%	17.000%	**(00.00)**
364	**21.124%**	**20.700%**	**20.700%**	(42.40)

Source: CBN, FMDQ, AIICO Capital

APRIL NTB	Offer (₦'bn)	Allot (₦'bn)	New Issues (₦'bn)
Auc 1	149.64	951.83	802.19
Auc 2	142.57	362.45	219.88

Source: CBN, FMDQ, AIICO Capital

Overall, the market settled bearish, as the average mid-rate closed higher at 19.26%, from 15.89% in March.

Outlook: Based on the current liquidity situation, rates are predicted to fluctuate within a narrow range, and the market may experience a bearish trend afterwards. Furthermore, the outcome of the May 20th and 21st MPC meetings may influence market sentiment on different parts of the curve.

MARKET UPDATE

FGN Bond Market – *Bullish bias stimulated by investors' satisfaction for papers at profitable levels.*

Earlier this month, the Debt Management Office (DMO) added the February 2031 and 2034 bonds back into the bond issuance calendar and a new 2029 bond. However, despite reintroducing these bonds, rates were expected to stay the same, as demand remained evident across the yield curve.

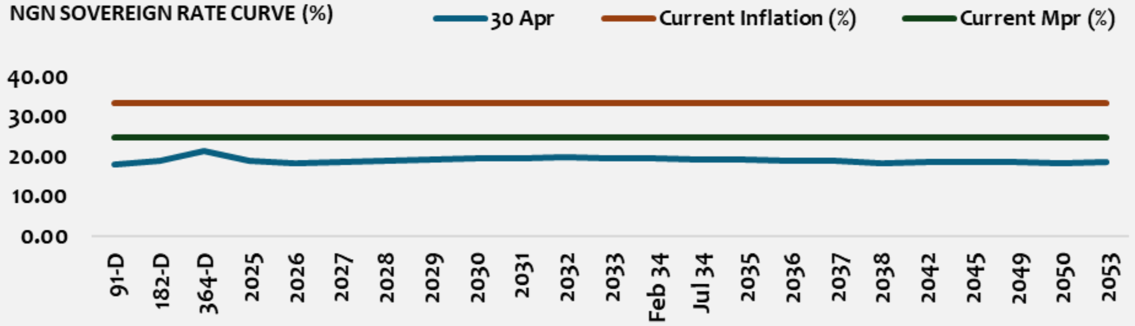
At the auction, the DMO sold bonds worth ₦626.81 billion across these three tenors, with total subscriptions amounting to ₦920.09 billion. The stop rate for the new 2029 paper was 19.30%, while the stop rates for the reissued 2031 and 2034 papers stood at 19.75% and 20.00%, depicting 25bps and 45bps less than the previous stop rates. Post-auction activities were less volatile, and players continued to select attractively priced papers, including the on-the-run papers, leading to increased demand, further boosted by coupon inflows.

Consequently, the market settled bullish, as the average mid-yield declined by 31bps m/m to close at 18.63%.

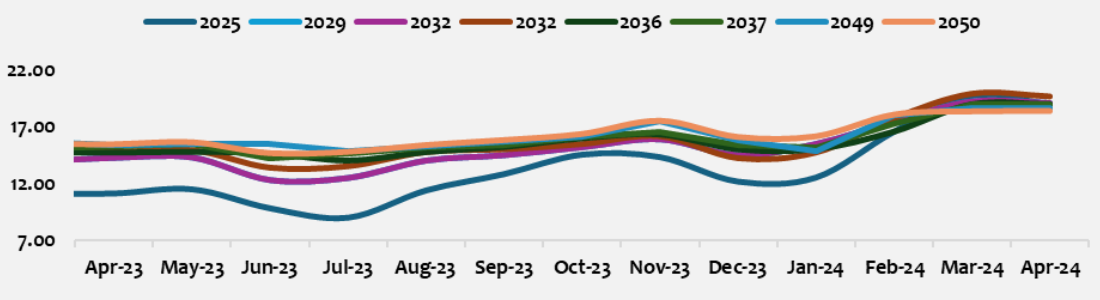
APRIL 2024 BOND AUCTION RESULT

Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Non-com (₦'bn)	Yield	Mar'23 Close	Change M-o-M (bps)
17 Apr 29	150.000	239.542	79.915	-	19.300	-	-
21 Feb 31	150.000	129.718	85.050	-	19.750	20.000	(25.00)
21 Feb 34	150.000	550.828	461.848	-	20.000	20.450	(45.00)
	450.000	920.088	626.813	0.000			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital



Source: DMO, AIICO Capital

Outlook: The bond auction result would be a significant determinant of market sentiment, as changes in the on-the-run bonds and allotment size should direct the trend across the curve.

MARKET UPDATE

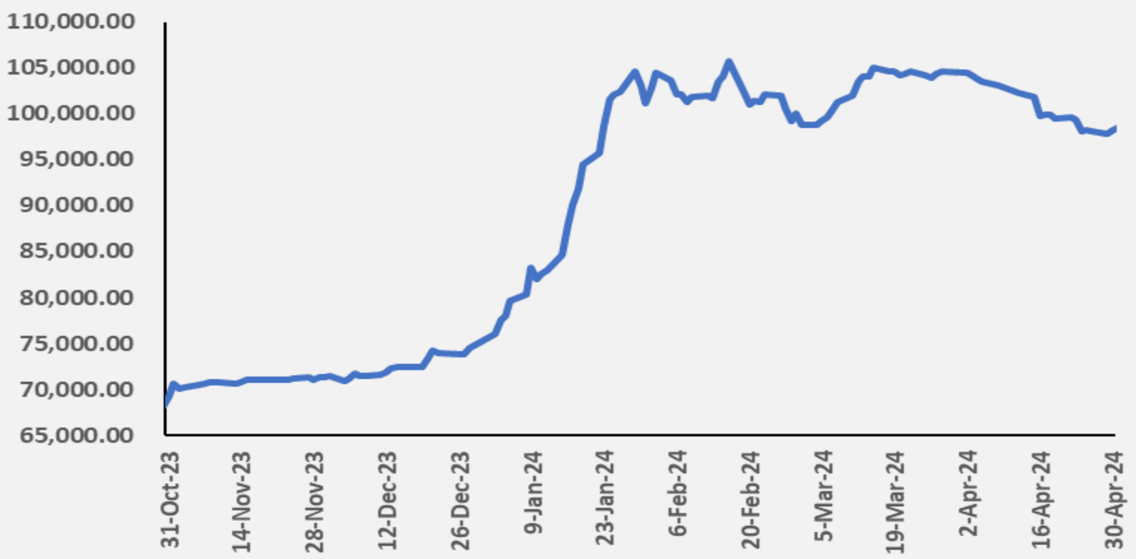
Equities Market Performance in April – *All sectorial indices closed in the red, with the banking sector leading the pack.*

In April, the All-Share Index suffered massive selloffs from the banking sector, coupled with some heavy-cap tickers that witnessed a pullback towards the end of the month.

The banking tickers consistently declined during the month despite occasional demand from profitable entry points. In April, the banking sector dominated activities. Key decliners included DANGSUGAR (-32.35%m/m), NB (-21.23% m/m), GTCO (-17.42% m/m), FBNH (-14.34% m/m), ACCESSCORP (-12.01% m/m), and NESTLE (-11.56% m/m).

Overall, the All-Share Index (ASI) declined by 6.06% m/m to settle at 98,225.63 points, while the year-to-date return and market capitalization closed at 31.36% and ₦55.55 trillion, respectively.

NGX ASI 1-Year Chart



Source: NGX, AIICO Capital

Sectorial Performance: All sectors closed in the red.

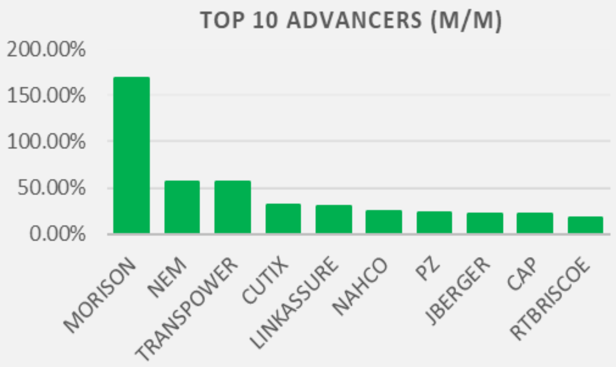
The banking index led the pack, declining by 24.79%, while other sectors lost single digit percentage points.

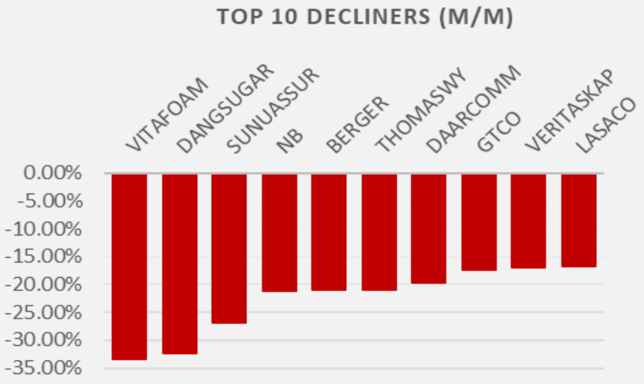
Thus, the consumer goods, industrial good and oil & gas indices fell by 4.04%, 3.19% and 2.04% respectively.

	January	February	March	April	YTD
NGX ASI	35.28%	-1.16%	4.58%	-6.06%	31.36%
NGX Banking Index	-3.37%	-2.01%	21.21%	-24.79%	-13.69%
NGX Insurance Index	21.68%	-6.08%	10.44%	-6.49%	18.01%
NGX Industrial Index	107.86%	-13.33%	-0.92%	-3.19%	72.81%
NGX Consumer Index	24.33%	16.45%	-0.78%	-4.04%	37.86%
NGX Oil & Gas Index	19.96%	4.14%	-0.66%	-2.04%	21.56%
Market Capitalization	35.29%	-1.18%	8.07%	-6.03%	35.77%

Source: Bloomberg, AIICO Capital

MARKET UPDATE





Source: NGX, Bloomberg, AIICO Capital

Outlook: We expect volatility to heighten further in the coming months, particularly in the banking sector.

EUROBONDS

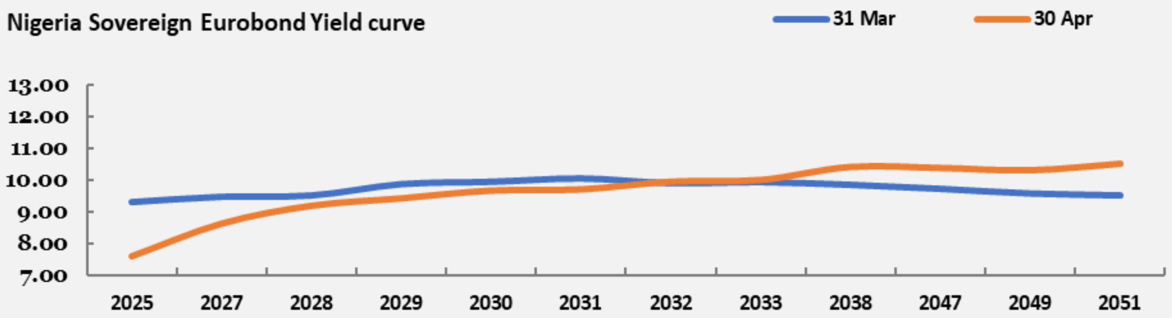
Eurobonds Market – *Push backs on rate cut tickled mixed sentiment.*

The Eurobonds market experienced several fluctuations during the month, driven by the mixed US economic indicators. While bearish-induced economic data spurred selloffs, the market rebounded shortly after, in addition to some occasional and positive indicators. Thus, the US CPI, retail sales, and GDP growth rate were critical data for many players.

During the month, US inflation data printed higher-than-expected at 3.50% y/y in March (Est. 3.40%) from 3.20% in February. Also, the US retail sales data for March surpassed expectations at 0.70% compared to the anticipated 0.30%.

Lastly, US GDP growth was 1.60% in Q1 2024, below the market estimate of 2.20% and the previous quarter's 3.40%. In addition, the US Core PCE Index decreased slightly to 2.70% (from the estimated 2.80%), while the monthly PCE Index remained unchanged at 0.30% compared to the previous data.

Overall, the market settled on a bearish note, as the average mid-yield increased by 40bps m/m to 9.63%.



Source: FBN UK, AIICO Capital

Other notable information:

- South Africa's inflation declined to 5.30% in March 2024, from 5.60% in February, driven by a decline in food prices and non-alcoholic beverages to their lowest level in 42 months. Moreover, he emphasized the positive impact of the €7.4 billion financial package from the European Union on the path to economic stability.
- Kenya Central Bank maintained policy rate at 13%, after two consecutive hikes.

Outlook:

Economic indicators have been mixed so far and speeches from Federal Reserve officials indicate that future economic data is becoming more challenging to predict, given recent inflation and labour tightness.

While the Feds recently maintained interest rates at current levels, with the option of a rate cut or keeping the rate unchanged, we expect the market to continue monitoring inflation progress.

Contact us now to receive valuable investment guidance today.

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