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**MONTHLY MARKET REPORT
MAY 2024**

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REPORT SUMMARY

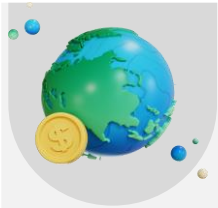
Review

- Global Macros: Mixed trend in economic growth and inflation rate
- Nigeria's Macros: Increasing Inflation, Q1'2024 GDP at 2.98%, MPC persistent rate hike.
- Money Market: Liquidity remained tight due to frequent OMO auctions and excess FGN bond sales
- Treasury bills: Bullish start fueled by NTB auction; Bearish close due to CBN's hawkish policy.
- FGN Bonds: Persistent demand for FGN bonds, plus a slight drop in stop rates, spurred bullish bias.
- Nigeria's equity: Bullish close despite the persistent selloffs.
- Nigeria's Eurobonds: Mixed sentiments continued to persist.

Outlook

- Global Economy: Feds should continue to maintain a data-driven approach.
- Nigeria's Macros: Monthly consumer price moderation expected, although, temporary.
- Money Market: Expect liquidity to stay depressed due to CBN's increasing appetite for OMO auctions.
- Treasury Bills: Expect a mixed-to-bearish theme, hinged on CBN's OMO auctions and few FGN bond coupons.
- FGN Bonds: Auction results to shape June's yield trajectory despite CBN's hawkish stance.
- Nigeria's Equity: Selloffs should ease due to lower P/E ratios, however, CBN's rate tightening may maintain bearish sentiment.
- Nigeria's Eurobonds: Expect the current trend to continue, until clearer economic data directs Fed's guidance and forecasts.









GLOBAL MACROECONOMIC REVIEW

United States: May was ushered in with the third Federal Open Market Committee meeting for 2024 on April 30th and May 1st. At the meeting, the policymakers kept the interest rate at 5.50%, marking the sixth consecutive time they held the interest rate since July 2023. The Fed expressed concerns about the recent resurgence in inflation, which suggests uncertainty about a rate cut in June, as the market earlier anticipated. During the month, the US inflation moderated to 3.40% y/y in April, which aligns with the market forecast, while falling from 3.50% y/y in March. Monthly inflation also eased to 0.30% from 0.40%, while core inflation, which strips out the volatile energy and food components, eased to 3.60% y/y in April, down from 3.80% y/y seen in both February and March 2024.

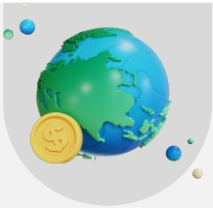
Approaching the end of the month, the US GDP growth rate for Q1'24 was revised to 1.30% y/y (Est. 1.30%) in the second estimate from 1.60% reported in the first estimate. Drilling further, Consumer spending slowed more than initially anticipated due to lower consumption of goods and services. On the other hand, non-residential investment was revised higher. Also, government spending was revised slightly up (1.3% vs. 1.2%), and both exports (1.2% vs. 0.9%) and imports (7.7% vs. 7.2%) rose more.

US, UK, Euro Area and China

				
GDP	Q1'24 ● 1.30%	Q1'24 ● 0.60%	Q1'24 ● 0.30%	Q1'24 ● 1.60%
	Q4'23 3.40% Q1'23 2.20%	Q4'23 -0.30% Q1'23 0.20%	Q4'23 0.00% Q1'23 0.00%	Q4'23 1.00% Q1'23 2.30%
MONETARY/ BANK RATE	May'24 ➔ 5.50%	May'24 ➔ 5.25%	Apr'24 ➔ 4.50%	May'24 ➔ 3.45%
	Apr'24 5.50% May'23 5.25%	Apr'24 5.25% May'23 4.50%	Mar'24 4.50% Apr'23 3.50%	Apr'24 3.45% May'23 3.65%
INFLATION RATE	Apr'24 ● 3.40%	Apr'24 ● 2.30%	May'24 ● 2.40%	Apr'24 ● 0.30%
	Mar'24 3.50% Apr'23 4.90%	Mar'24 3.20% Apr'23 8.70%	Apr'24 2.60% May'23 6.10%	Mar'24 0.10% Apr'23 0.10%

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

United Kingdom: The UK's GDP growth rate expanded to 0.60% q/q in the first quarter of 2024 after two consecutive quarters of decline. This also marks the highest growth rate in over two years. Consumer prices in the UK fell further to 2.30% y/y in April, down from 3.20% in March, driven by a decrease in gas and electricity prices. The market had expected inflation to come down to 2.10% y/y. Similarly, monthly inflation declined to 0.30% m/m in April from 0.60% in March. Core inflation eased to 3.90% y/y in April, though it was higher than the estimated 3.60% and lower than the 4.20% seen in March. Given the progress in lowering inflation to the 2% level, the Bank of England has signaled the possibility of a rate cut by June after maintaining the interest rate at 5.25% in May for the sixth time. Governor Andrew Bailey mentioned the need to see more evidence that inflation will remain at 2% before considering cutting interest rates.



GLOBAL MACROECONOMIC REVIEW

Euro Area: The second estimate for GDP growth rate stayed the same at 0.30% q/q in Q1 2024, in line with the market estimate of 0.30%. This maintains the most robust GDP growth rate since Q3 2022. Germany, the region's largest economy, grew at 0.20% after contracting by 0.50% in Q4 2023. Also, Spain's economy grew at a robust 0.70% after stagnation in the first estimate.

China: In line with the forecast, the People's Bank of China maintained its one-year loan prime rate at 3.45%, while the five-year loan prime rate was kept at 3.95% in its meeting held in May. In addition, China's exports and imports rebounded, increasing by 1.50% and 8.40% respectively, compared to declines of -7.50% and a rise of 1.90% in March. This recovery was due to deflationary pressures from weak domestic demand, which enhanced the global competitiveness of Chinese goods, and government stimulus packages, which boosted domestic demand.

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A woman in a nurse's uniform with a stethoscope around her neck is gesturing with her hands raised, palms facing forward, as if explaining something. She is positioned in front of a large graphic that resembles a medical chart or poster. The chart has a yellow section on the left with the text 'AIICO MONEY MARKET FUND.' and 'AMM', a central white section with the text 'Did you know money-related problems can put your health at risk? That's why you need to invest today to prevent it.', and a red section on the right with the text 'AIICO BALANCED FUND' and 'ABF'. The top right corner of the graphic features the 'AIICO CAPITAL' logo. The bottom right corner of the graphic has the slogan 'Aim higher. Reach further.' and the website 'www.aiicocapital.com' with a magnifying glass icon.



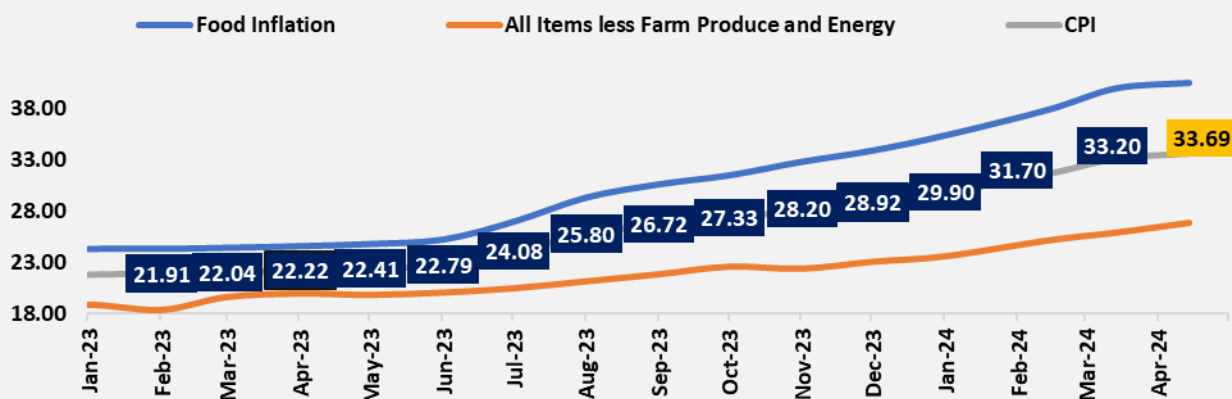
DOMESTIC MACROECONOMIC REVIEW

Nigeria's inflation accelerated to 33.69% in April 2024.

In April, headline inflation in Nigeria reached a new all-time high at 33.69% y/y, up from 33.20% in March, showing an increase of 0.49%. It's the smallest increase since June 2023. Additionally, core and food inflation rose to 26.84% y/y in April (up from 25.90% in March) and 40.53% y/y in April (up from 40.01% in March).

Fortunately, the core monthly inflation, along with the food and headline readings, which decreased for two consecutive months, also increased at a slower rate during the month: core at 2.20% m/m (compared to 2.54% in March), food at 2.50% m/m (compared to 3.62% in March), and headline at 2.29% m/m (compared to 3.02% in March). It's worth noting that food inflation showed its slowest monthly growth since June 2023, marking the first monthly reading at 2% since December 2023.

All inflation baskets grew slower except four: communication, transportation, furniture & household, and Alcoholic Beverage & tobacco. The drivers for the moderation seen in April can be attributed to the decline in diesel prices and the appreciation of the naira during the period. At the beginning of April, Dangote Refinery sold diesel at around 1,200-1,300/liter, down from around 1,700/liter. In the NAFEM window, the naira appreciated by an average of 18.33% in April, while in the parallel market, the naira appreciated by c. 19.07%.



Source: NBS, AIICO Capital

Nigeria's GDP grew at 2.98% in Q1'2024 vs 2.31% in Q1'2023

In Q1 2024, Nigeria's Gross Domestic Product (GDP) grew by 2.98% y/y, lower than Bloomberg's estimate of 3.49%. This was higher than the 2.31% growth rate in Q1 2023 but lower than the 3.46% y/y growth in Q4 2023. The real GDP for Q1 2024 was N18.28 trillion, down from N21.77 trillion in Q4 2023.

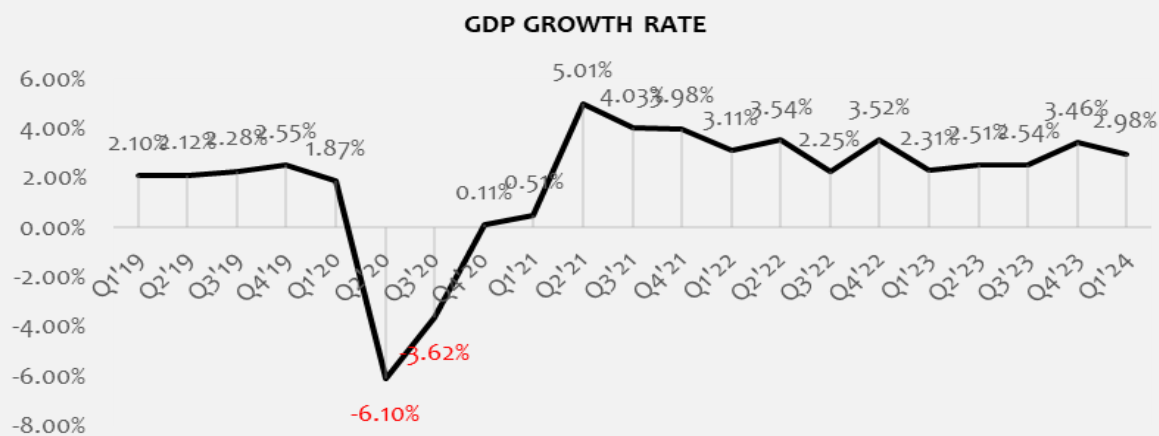
The growth in the national output was mainly fueled by the oil sector, which expanded by 5.70% y/y in Q1 2024. This marked a significant improvement from -4.21% in Q1 2023 and +12.11% in Q4 2023. The National Bureau of Statistics reported an increase in average production from 1.55 million barrels per day (mbpd) in Q4 2023 to 1.57 mbpd in Q1 2024, making it the highest oil output since 1.57 mbpd was reported in Q3 2021. However, the average Brent crude oil price fell by 1.32% from \$82.85 per barrel to \$81.76 per barrel. The oil sector's contribution to the GDP increased to 6.38% from 4.70% in Q4 2023.

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DOMESTIC MACROECONOMIC REVIEW



Source: NBS, AIICO Capital

On the other hand, the non-oil sector grew at a slower rate of 2.80% y/y in Q1 2024, down from 3.07% y/y in Q4 2023 but slightly higher than the 2.77% y/y growth seen in Q1 2023. Further analysis revealed that the Agriculture sector experienced a decline of -0.18% y/y from +2.10% y/y, while the Mining & Quarrying sector declined to +6.30% y/y from +8.04% y/y, and the ICT sector decreased to +5.43% y/y from +6.33% year-on-year. However, the Finance and Insurance sector improved to +31.24% y/y from +29.78% y/y in Q4 2023. As a result, the non-oil sector's contribution to the gross domestic product decreased to 93.62% from 95.30% in Q4 2023.

MPC raised the benchmark interest rate by 150 basis points to 26.25%.

During the May MPC meeting, the monetary policy committee considered two options: increasing the interest rate or maintaining it and evaluating the full impact of previous hikes. Ultimately, the MPC raised the benchmark rate by 150 basis points while keeping other parameters unchanged. This implies a total 750bps hike within H1'2024 alone.

The committee noted the improvement in inflation, particularly the monthly decline in food inflation, which contributed to a drop in monthly headline inflation in April. The CBN governor attributed the volatility in the NGN/USD exchange rate to seasonal demand, reflecting the interplay between demand and supply in a freely functioning market.

At the Q&A session, the CBN governor reiterated that foreign investors are increasingly gaining confidence in the Nigerian market. He added that the interest rate hike had impacted the inflation figures, but a more significant impact would take time to materialize. The next MPC meeting is scheduled for July 22nd and 23rd, 2024.

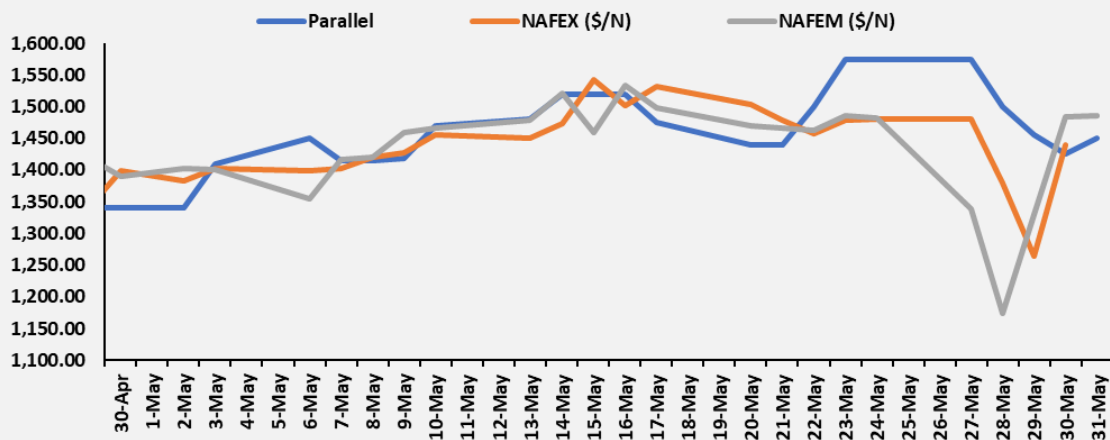


MARKET UPDATE

Foreign Exchange Market – Currency depreciation due to heightened demand against insufficient supply.

In May, USD demand was high in the FX markets despite increased inflows from offshore players and frequent interventions by the CBN. The interventions included three OMO auctions with a total allotment of approximately ₦1.92 trillion.

By the end of the month, the Naira had further depreciated by 6.83% m/m in the NAFEM window to ₦1,485.00 per USD, following a 6.23% m/m loss in April. Additionally, the naira depreciated by about 8.21% m/m to approximately ₦1,450.00 per USD in the parallel market. The average turnover in May was \$279.67 million, showing a 2.67% increase compared to April. Gross external reserves increased by 1.35% from \$32.25 billion to \$32.29 billion by May 29th.



Source: FMDQ, Rate Captain, AIICO Capital

Outlook: We anticipate that the CBN will continue intervening in the FX market to stabilize supply levels and address liquidity issues by issuing more OMO securities with attractive yields to encourage FPI participation.

Money Market Review – System liquidity stayed short due to frequent OMO auctions and over-allotment of FGN bonds.

The financial system faced a liquidity shortage for the significant part of May. While inflows from federal allocations and FX Swap maturities helped increase money in the financial system, OMO auctions (₦1.92 trillion), NTB auctions (₦913.64 billion), and FGN local bond auctions (₦682.07 billion) significantly impacted liquidity.

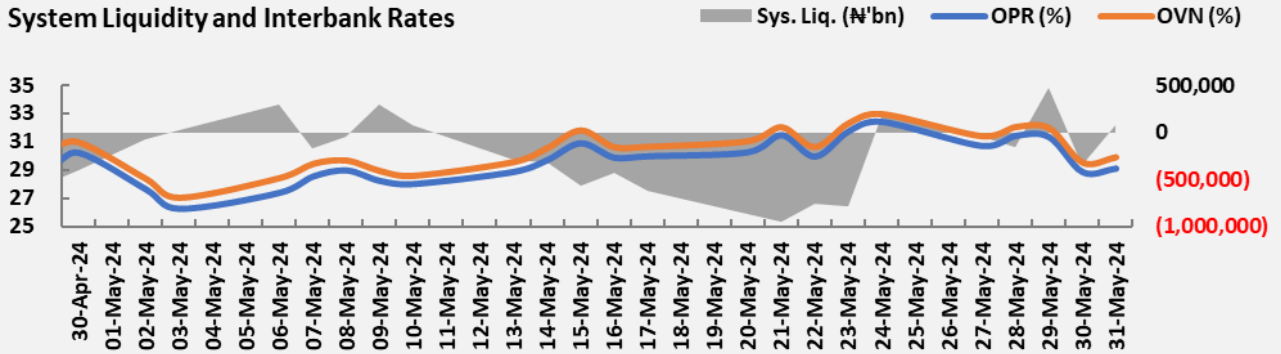
Overall, the average opening system liquidity increased from -₦490.48 billion in April to -₦227.77 billion in May. The average Open Repo Rate (OPR) increased by 138 basis points m/m to 29.61%, while the Overnight Rate (OVN) expanded by 118 basis points m/m to 30.38%.

Outlook: System liquidity is likely to hover at low-negative levels in the coming month, as we expect the continued OMO auctions and CBN's intervention to offset FAAC and any other inflows, including the FGN bond coupon, which is slightly less than ₦220 billion.



MARKET UPDATE

System Liquidity and Interbank Rates



Source: CBN, FMDQ, AIICO Capital

Treasury Bills – Bullish start spurred by the NTB auction result; Bearish close triggered by the CBN’s hawkish policy

The treasury bills market started bullish in the first half of the month, with a slight decrease in stop rates at the primary market auctions. However, market's sentiment turned negative after the CBN decided to increase the monetary policy rate by 150 basis points to 26.25% and issued multiple OMO bills. This act caused system liquidity to deplete and led to more asset selling.

During the month, the CBN held three OMO auctions, with a total allotment size of ₦1.92 trillion. The first auction was undersubscribed at ₦286.65 billion despite total offers of ₦500.00 billion. Ultimately, the CBN sold ₦260.65 billion at stop rates lower than the previous stop rates. In the same week, the DMO offered ₦179.36 billion worth of treasury bills but sold ₦274.67 billion despite ₦914.05 billion in total subscriptions. At post-auction, sentiment was mixed across the curve, although less aggressively.

MAY 2024 OMO AUCTION RESULT

Tenor	Apr'24 Close	May 24 Auc 1	May 24 Auc 2	May 24 Auc 3	Change M-o-M (basis points)
Short	19.0000%	18.9900%	18.9999%	-	+00.00
Medium	19.5000%	19.4800%	19.7400%	19.640%	+14.00
Long	21.1250%	21.5000%	22.4900%	22.340%	+121.50

MAY 2024 NTB AUCTION RESULT

Tenor	Apr'24 Close	May 24 Auc 1	May 24 Auc 2	Change M-o-M (basis points)
91	16.2399%	16.5000%	16.5000%	+26.000
182	17.0000%	17.0000%	17.4490%	+44.900
364	20.7000%	20.7000%	20.6900%	+01.000

MAY NTB	Offer (₦'bn)	Allot (₦'bn)	New Issues (₦'bn)
Auc 1	179.35	274.67	95.32
Auc 2	508.98	638.98	130.00

Source: CBN, FMDQ, AIICO Capital

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MARKET UPDATE

After the recent increase in the MPR, the market became pessimistic, expecting higher interest rates. However, the NTB auction after the rate hike had mixed results. The 91-day and 182-day papers saw rate increases of 26 and 44.90 basis points, with only 13.95% of the total allotment sold. On the other hand, the 364-day paper was issued at a rate of 20.69%, which was a basis point drop from the previous rate.

Following this, the CBN conducted an OMO auction and issued ₦1.15 trillion, exceeding the ₦500 billion offers. The rates offered were higher than the previous stop rates.

Mixed sentiment returned to the market, and the CBN issued OMO bills. Of the total subscriptions of ₦903.78 billion, only ₦500.00 billion worth of bills were offered and sold. Interestingly, there was no interest in the short-term OMO bills and only minimal interest in the medium-term ones. The long-term OMO bills accounted for approximately 99% of the total subscription and allotment.

Following these events, market activities remained subdued. There was limited interest in treasury bills, while demand for OMO bills increased towards the end of the month.

In quantifiable terms, the treasury bills market closed on a bearish note in May. The average mid-rate rose by 126 basis points m/m, settling at 20.52%.

Outlook: We expect a mixed-to-bearish theme in the treasury bills market, given several factors, including tight liquidity and CBN's increasing appetite for OMO auctions.

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MARKET UPDATE

FGN Bond Market – *Persistent demand for FGN bonds, plus a slight drop in stop rates, spurred bullish bias.*

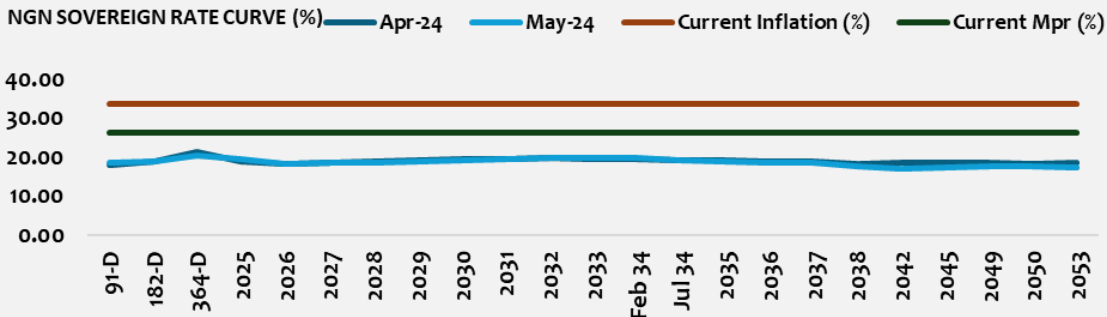
The month began with the DMO’s revision of the FGN bond calendar, replacing the Feb 2034 paper with a new May 2033 (9-year) paper. Subsequently, the FGN local bonds market exhibited a mixed-to-bullish sentiment up to the bond auction.

The DMO offered ₦450.00 billion at bond auction across the 2029, 2031, and 2033 (New) papers. However, the DMO issued a total of ₦682.07 billion, with ₦380.77 billion allotted to competitive bidders and the remaining ₦301.30 billion allotted to non-competitive bidders. Most of the allotment was skewed to the New 2033 paper, accounting for c.68.05% of the total issuance, and was issued at 19.89%. Furthermore, the 2029 and 2031 papers were issued at 19.29% and 19.74%, respectively, representing a marginal decline of 1bp compared to the previous auction. At post-auction, market sentiment stayed mixed but on a calm note.

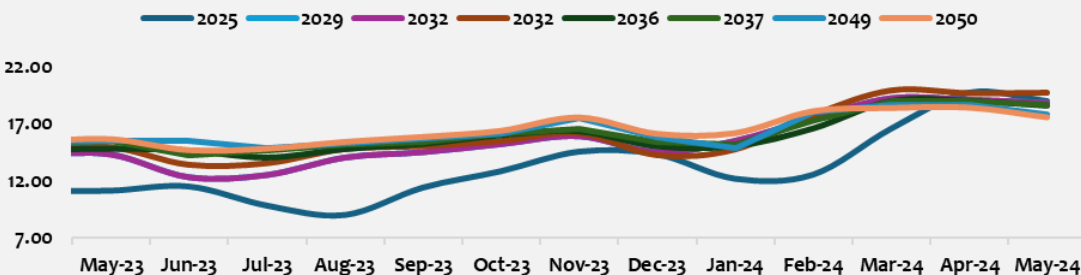
After the CBN’s hike in interest rate, the market repriced, with yields soaring higher across the curve. After a while, activities subsided, and the average yield settled at 18.49%, implying a 14bps decline from 18.63% in April.

MAY 2024 BOND AUCTION RESULT							
Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Non-com (₦'bn)	Yield	April'24 Close	Change M-o-M (bps)
17 Apr 29	150.000	100.566	32.670	36.500	19.290%	19.300%	(01.00)
21 Feb 31	150.000	76.875	62.975	85.800	19.740%	19.750%	(01.00)
15 May 33	150.000	373.875	285.124	179.000	19.890%	-	-
	450.000	551.316	380.769	301.300			
	Total			682.069			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital



Source: DMO, AIICO Capital

Outlook: We still anticipate the auction result determining the yield trajectory for June, given the stop rates witnessed at the auctions despite the CBN’s hawkish stance.

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MARKET UPDATE

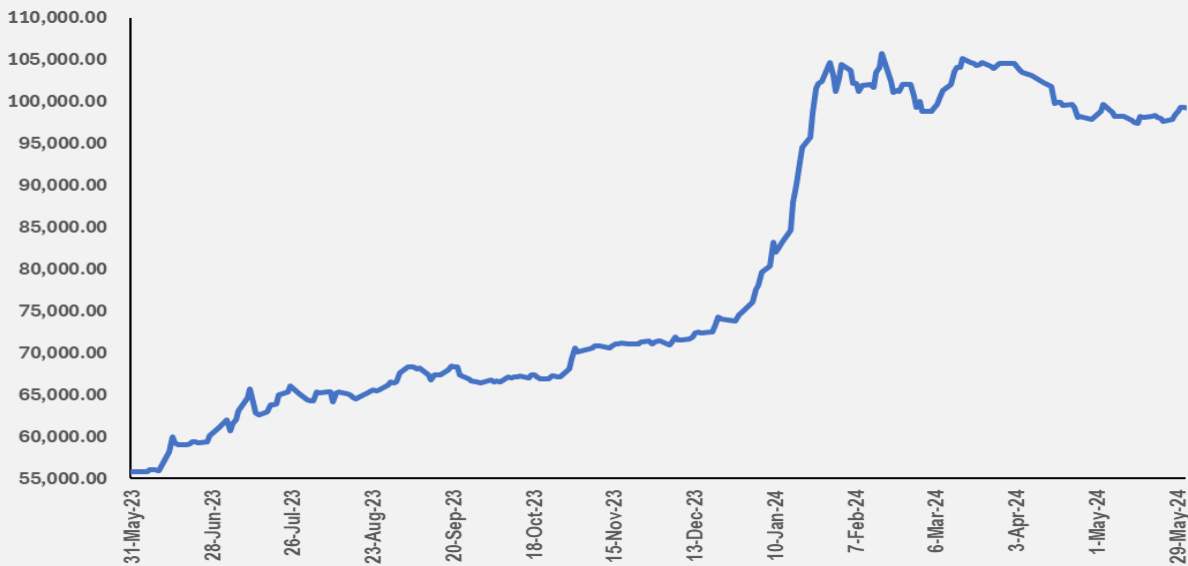
Equities Market Performance in May – Bullish close despite the persistent selloffs.

The Nigerian equity market extended its downtrend in May, with persistent selling interests across several tickers for three consecutive weeks, particularly on the Banking and Oil & Gas indices. However, towards the end of the month, noticeably renewed buying interests jolted several stocks at profitable levels, leading the month to close slightly bullish.

Top bullish movers were PRESCO (+27.85%), FLOURMILL (+24.59%), GTCO (+22.32%), OANDO (+22.28%), DANGSUGAR, (+20.82%), NESTLE (13.69%), and FIDELITYBK, while top bearish movers were NASCON (22.26%), ETI (-18.08%), TRANSORP (-17.14%), and AIRTELAFRI (-2.27%) amongst others.

Overall, the All-Share Index (ASI) closed the month bullish at 1.09% m/m to settle at 99,300.38 points, while the year-to-date return and market capitalization closed at 32.80% and ₦56.17 trillion, respectively.

NGX ASI 1-Year Chart



Source: NGX, AIICO Capital

Sectorial Performance: All sectors closed in the green, except Insurance Sector.

The banking and oil & gas index appreciated by 2.97% and 2.06%, respectively, while the industrial and consumer goods indices increased by 0.16% and 1.19%, respectively.

	January	February	March	April	May	YTD
NGX ASI	↑ 35.28%	↓ -1.16%	↑ 4.58%	↓ -6.06%	↑ 1.09%	↑ 32.80%
NGX Banking Index	↓ -3.37%	↓ -2.01%	↑ 21.21%	↓ -24.79%	↑ 2.97%	↓ -11.13%
NGX Insurance Index	↑ 21.68%	↓ -6.08%	↑ 10.44%	↓ -6.49%	↓ -3.26%	↑ 14.17%
NGX Industrial Index	↑ 107.86%	↓ -13.33%	↓ -0.92%	↓ -3.19%	↑ 0.16%	↑ 73.08%
NGX Consumer Index	↑ 24.33%	↑ 16.45%	↓ -0.78%	↓ -4.04%	↑ 1.19%	↑ 39.50%
NGX Oil & Gas Index	↑ 19.96%	↑ 4.14%	↓ -0.66%	↓ -2.04%	↑ 2.06%	↑ 24.07%
Market Capitalization	↑ 35.29%	↓ -1.18%	↓ 8.07%	↓ -6.03%	↑ 1.12%	↑ 37.28%

Source: NGX, Bloomberg, AIICO Capital

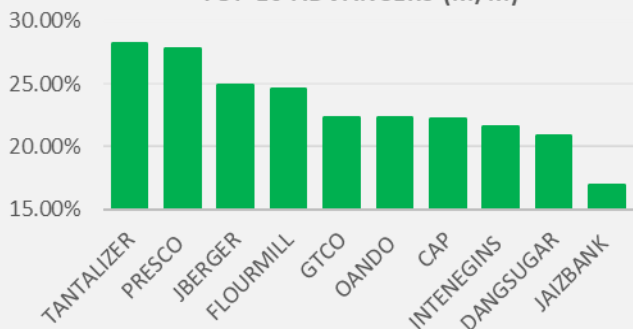
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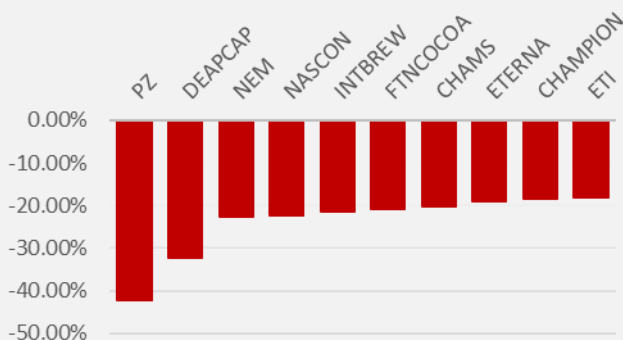


MARKET UPDATE

TOP 10 ADVANCERS (M/M)



TOP 10 DECLINERS (M/M)



Source: NGX, Bloomberg, AIICO Capital

Outlook: We expect overall momentum to ease with the likelihood to close bullish in June, given that most actively traded stocks now trade at lower P/E ratios. However, the CBN's aggressive rate tightening could encourage some players to stay bearish.

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EUROBONDS

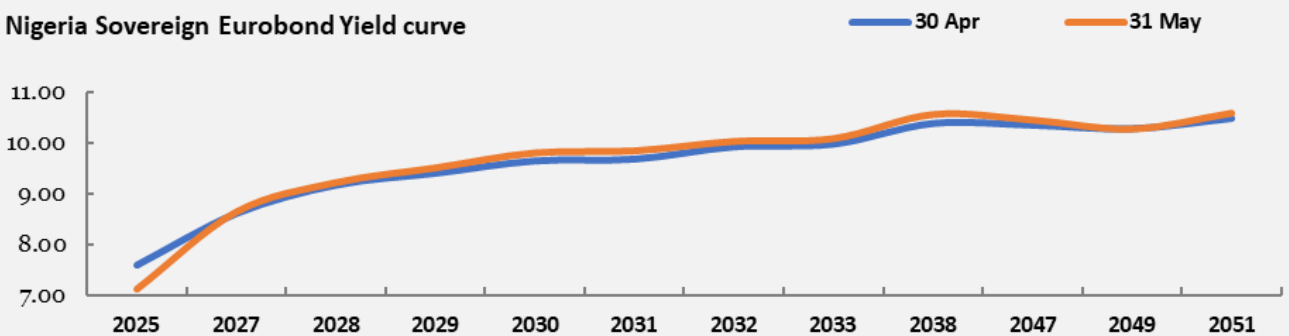
Eurobonds Market – *Mixed sentiments continued to persist.*

The Eurobonds market was quite volatile in May due to uncertainty about the direction of US economic data. Although there was some optimism due to a decrease in US CPI data and a downward revision of Q1 2024 GDP to 1.30%, the market frequently experienced losses. The resilience of the labor market partly offset this.

In domestic news, Fitch, a global rating agency, upgraded Nigeria's outlook from stable to positive, citing economic reforms under the new administration.

Overall, the market closed slightly bearish, with the average mid-yield increasing by four basis points m/m to settle at 9.67%.

Nigeria Sovereign Eurobond Yield curve



Source: FBN UK, AIICO Capital

Other notable information:

- Ghana's inflation rate decreased to 25.00% y/y in April 2024, down from 25.80% in March 2024. This decline is mainly due to a favorable base effect and lower food prices, as food inflation slowed to 26.80% in April from 29.60% in March, marking its lowest level in 13 months.
- Ghana secured a pivotal memorandum of understanding (MoU) with key bilateral creditors, including China and France, to restructure \$5.4 billion in debt. This crucial agreement cleared the path for the International Monetary Fund (IMF) executive board to approve a \$360 million disbursement as part of Ghana's \$3 billion, three-year bailout program
- The South African central bank's Monetary Policy Committee (MPC) opted to maintain the repo rate at 8.25%. This decision was reached unanimously, reflecting the committee's collective stance.
- The National Bank of Angola decided to raise its policy rate by 50 bps to 19.50%. This move follows a prior increase of 100 bps in March, signifying the third consecutive uptick since last November.

Outlook: We expect a similar trend to persist, pending an array of economic data points showing a precise direction, which would inform the Fed's forward guidance and market forecast.

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