

**AIICO CAPITAL**

*Aim higher. Reach further ▶*

# MONTHLY MARKET REPORT JUNE 2024

*Aim higher. Reach further ▶*

[www.aiicocapital.com](http://www.aiicocapital.com)



# REPORT SUMMARY

## Review

- Global Macros: Mixed trends in economic growth, interest rate decisions, and inflation rates.
- Nigeria's Macros: Positive trade balance, falling crude oil output and soaring consumer prices.
- Money Market: Improved system liquidity buoyed by weaker outflows.
- Treasury bills: Marginally bullish bias due to mixed trends in stop rates.
- FGN Bonds: Surprise spike in auction stop rates.
- Nigeria's equity: Mixed-to-bullish posture, supported by tractions on profitable price levels.
- Nigeria's Eurobonds: Bearish sentiment fueled by Fed's reversal on interest rate cut projections.

## Outlook

- Global Economy: Sluggish economic growth should linger.
- Nigeria's Macros: Consumer Prices should tick higher, while CBN reconsider its approach to curbing inflation.
- Money Market: System liquidity should remain weak, while MPC policy decisions should drive subsequent periods.
- Treasury Bills: Size of borrowings should subside.
- FGN Bonds: Similarly, allotted bonds size is expected to reduce gradually.
- Nigeria's Equity: Expect market to continue trading sideways in July, following a similar trend in June.
- Nigeria's Eurobonds: Bearish bias should resurface, subject to significant movement in economic data and domestic updates.









## GLOBAL MACROECONOMIC REVIEW

**United States:** Inflation in the US showed stability, easing to 3.30% y/y in May from 3.40% y/y in April, which aligned with market expectations. Similarly, the US inflation on a month-on-month basis eased to 0.20% m/m in May from 0.30% m/m in the preceding month. Despite the slight moderation in consumer prices, the Federal Reserve held the 4th meeting for the year in June and maintained the current interest rate at 5.50%. The policy committee swept off the initial projections of three rate cuts this year and forecasted only one in 2024. Lastly, the US GDP growth rate was revised upward at 1.40% y/y in Q1'2024.

### US, UK, Euro Area and China

				
<b>GDP</b>	Q1'24 ● <b>1.40%</b>	Q1'24 ● <b>0.70%</b>	Q1'24 ● <b>0.30%</b>	Q1'24 ● <b>1.60%</b>
	Q4'23 3.40%	Q4'23 -0.30%	Q4'23 -0.10%	Q4'23 1.00%
	Q1'23 2.20%	Q1'23 0.20%	Q1'23 0.00%	Q1'23 2.30%
<b>MONETARY/ BANK RATE</b>	Jun'24 ➔ <b>5.50%</b>	Jun'24 ➔ <b>5.25%</b>	Jun'24 ● <b>4.25%</b>	Jun'24 ➔ <b>3.45%</b>
	May'24 5.50%	May'24 5.25%	May'24 4.50%	May'24 3.45%
	Jun'23 5.25%	Jun'23 5.00%	Jun'23 4.00%	Jun'23 3.55%
<b>INFLATION RATE</b>	May'24 ● <b>3.30%</b>	May'24 ● <b>2.00%</b>	May'24 ● <b>2.60%</b>	May'24 ➔ <b>0.30%</b>
	Apr'24 3.40%	Apr'24 2.30%	Apr'24 2.40%	Apr'24 0.30%
	May'23 4.10%	May'23 8.70%	May'23 6.10%	May'23 0.20%

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

**United Kingdom:** Inflation reached the 2.00% y/y target in May, the lowest since July 2021. Also, the core inflation dipped to 3.50% y/y in May from 3.90% in April. The month-on-month inflation steadied at 0.30% m/m, while core inflation grew slower at 0.50% m/m in May from 0.90% m/m in April. In its June meeting, the Bank of England decided to maintain the interest rate at 5.25%, which was in line with market expectations, although two members voted to cut the rate to 5.00%. The policymakers' commitment to maintaining a restrictive monetary policy until inflation risks diminish sustainably is unwavering. The country's GDP growth rate was also revised upward to 0.70% q/q for Q1'2024 from 0.60% q/q in the first estimate.

**Euro Area:** Inflation increased to 2.60% y/y in May, returning to February's inflation print after hovering at 2.40% y/y in March and April. Also, core inflation increased to 2.90% y/y in May from 2.70% y/y in April. Further, after holding the interest rate at 4.50% since September 2023, the committee members voted to cut the rate by 25bps in its June meeting., which was at par with the market forecast.

**China:** Inflation in China steadied for two consecutive months, 0.30% y/y in April and May, signalling a struggle for recovery in domestic demand. However, core consumer prices grew slower, at 0.60% y/y in May, from 0.70% m/m in April. Again, the People's Bank of China left key lending rates at 3.45% and 3.95% for the 1-year and 5-year tenors, respectively.



# DOMESTIC MACROECONOMIC REVIEW

## Positive Trade Balance

Nigeria’s total trades in Q1’24 were valued at N31.81 billion, up 145.58% from N12.95 billion in Q1’23, as the National Bureau of Statistics reported. Compared to the previous quarter, the value of foreign trade increased by 46.27% q/q. In addition, the trade balance was positive at N6.53 billion from N3.64 billion in Q4’2023 and N20.94 million in Q1’2023. Total imports were valued at N12.64 billion, while total exports were valued at N19.17 billion.

In Q1’24, the top three imported goods were mineral products, machinery and appliances, and products of chemical and allied industries, which accounted for 35.70%, 18.12%, and 9.31%, respectively. For exports, mineral products accounted for about 91.36% of the total exports in Q1’24, significantly surpassing all other exports.

## OPEC Production Output – Nigeria | World Bank approved \$2.25 billion loan to Nigeria

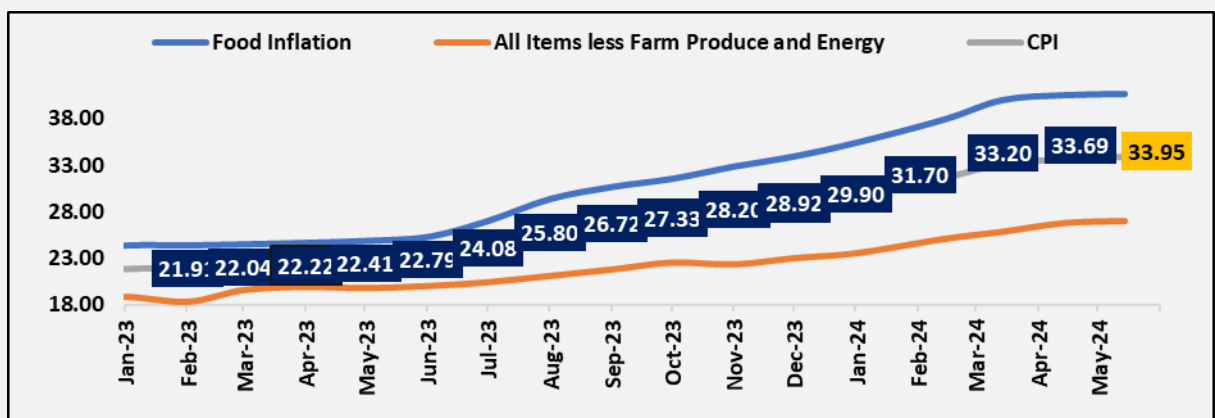
According to direct sources from the Organization of Petroleum Exporting Countries (OPEC), Nigeria’s total crude oil production fell by 2.34% to 1.25mbpd in May from 1.28 mbpd. In April. Within the same period, Brent crude oil price declined by 7.10% to \$81.62 pb.

At the end of Q1’24, Nigeria’s average crude oil output was 1.33 mbpd, depicting a 1.07% increase from 1.31 mbpd in Q4’23. In the same period, Brent crude oil price increased by 13.55% from \$77.04 pb to \$87.48 pb.

In April, Finance Minister, Wale Edun, hinted that Nigeria was seeking a \$2.25 billion loan from the World Bank, which was later approved in June, as expected. The breakdown of the loan includes \$1.50 billion for the Nigeria Reforms for Economic Stabilization to Enable Transformation (RESET) Development Policy Financing Program (DPF) and \$750 million for the Nigeria Accelerating Resource Mobilization Reforms (ARMOR) Program-for-Results (PforR).

## Consumer prices in Nigeria are a bit harder as the June Consumer Price Index (CPI) increased to 33.95%.

Nigeria’s inflation for May nudged higher at 33.95% y/y, implying 0.26% up from 33.69% y/y. Also, food inflation increased to 40.66% y/y in May from 40.53% y/y in April, while core inflation paced higher at 27.04% y/y from 26.84% y/y. Based on the data, soaring food prices have continued to mount pressures on the headline number.



Source: NBS, AIICO Capital



## DOMESTIC MACROECONOMIC REVIEW

Zooming in, the month-on-month headline, food, and core inflation increased slower in May. However, the decline was at a decreased rate. For context, headline inflation grew to 2.14% m/m in May from 2.29% m/m in April, which was 0.15% less. Meanwhile, headline inflation grew to 2.29% m/m in April from 3.02% m/m in March, which was 0.73% less. Similar trends were noticed on both the month-on-month core and food inflation.

One significant reason for this increase was the depreciation of the Naira against foreign currencies. This depreciation makes imported goods and services more expensive as the cost rises. For instance, the Naira depreciated against the USD by an average of 15.37% m/m in May, following an 18.33% m/m gain in April, according to FMDQ's NAFEM window.



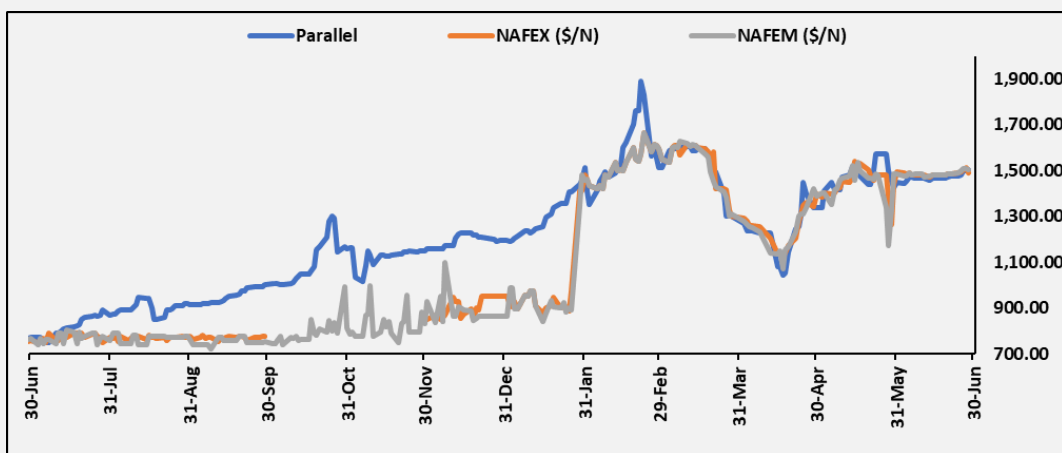
## MARKET UPDATE

### Foreign Exchange Market – Naira continues to lose steam against the USD.

In June, the FX market was less volatile despite the gradual depreciation observed throughout the month. Regardless, inflows from offshore players supported FX liquidity, particularly the OMO auctions worth about ₦1.77 trillion conducted by the CBN during the month.

At the end of the month, the Naira depreciated further by 3.79% m/m in the NAFEM window to ₦1,505.30 per USD after losing 6.83% m/m in May. However, according to NAFEX fixing, the naira appreciated by 0.52% m/m to ₦1,488.21 per USD. Gross external reserves increased by 4.57% m/m from \$32.69 billion at the end of May to \$324.19 billion at the end of June.

In Q3'24, Naira depreciated by c. 15.38% q/q and 15.33% q/q, to c. ₦1,505.00 per USD and to ₦1,505.30 per USD, in the parallel market and NAFEM window.



Source: FMDQ, Rate Captain, AIICO Capital

**Outlook:** Given the approved \$2.25 billion loan from the World Bank, we expect some stability in July, in addition to CBN's frequent OMO issuance. Although, the size of FX demand could continue to shrug off the impact of fresh FX liquidity.

For Q3, the rate trajectory and the outcome of the MPC meeting will be the critical catalysts for determining the trend in the foreign exchange market.

### Money Market Review – Improved system liquidity buoyed by weaker outflows

The money market was relatively liquid in June, majorly due to the absence of significant outflows.

Initially, the first half of the month showed a mixed trend, with most of the deficit balances driven by OMO auction debits (₦1.50 trillion), particularly the first two auctions out of the four conducted during the month. However, early FAAC inflows and Bond coupons (c.₦216.00 billion) boosted the liquidity balance around mid-month. Afterward, system liquidity stayed positive given the small size of the other OMO auctions (₦264.33 billion) and some additional inflows from Remita, NG CARES, and NDF maturity (c.₦178.00 billion)

Overall, average opening system liquidity increased from -₦227.77 billion in May to +₦236.98 billion in June. Accordingly, the average Open Repo Rate (OPR) contracted by 275bps m/m to 26.85%, while the Overnight Rate (OVN) fell by 288bps m/m to 27.49%.

On a quarterly basis, the average Open Repo Rate (OPR) increased by 700bps q/q from 21.35% in Q1'24 to 28.35% in Q2'24. Similarly, the Overnight Rate (OVN) increased by 662bps q/q from 22.53% in Q1'24 to 29.15% in Q2'24.

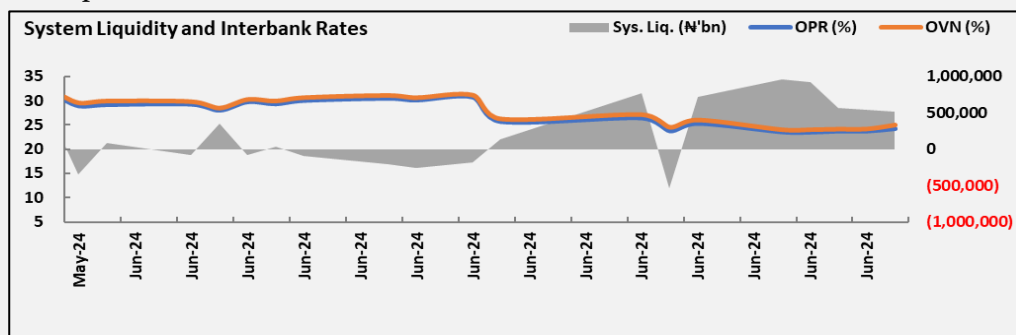
Aim higher. Reach further ▶

[www.aiicocapital.com](http://www.aiicocapital.com)



## MARKET UPDATE

**Outlook:** For Q3'24, system liquidity should stay depressed despite significant inflows from FAAC and bond coupons. The reason is the Central Bank's persistent liquidity mop-ups to curb inflationary pressures. The July MPC meeting would provide more context about CBN's intended actions in the subsequent months, given that inflation has stayed high and progress on foreign exchange rates has been less impressive.



Source: CBN, FMDQ, AIICO Capital

### Treasury Bills – Marginally bullish bias due to mixed trends in stop rates.

The treasury bills market teetered bullish in the first half of the month amidst the collision between weak system liquidity and the steady decline in stop rates at the treasury and OMO bills auctions. In the second half of the month, the market witnessed bearish sentiments, supported by the partial uptick in stop rates at the primary markets.

Four OMO auctions and three NTB auctions were held at the primary market. The first two OMO auctions witnessed oversubscription at ₦1.51 trillion despite ₦750.00 billion offered. Meanwhile, the CBN sold ₦1.50 trillion. The CBN had no sale at the third auction while selling ₦264.33 billion at the final auction, bringing the total to ₦1.77 trillion in OMO auctions for June.

The three NTB auctions were oversubscribed, and the DMO sold treasury bills worth ₦617.90 billion. The 364-day paper consistently saw increased traction relative to the 91-day and 182-day papers.

At the end of the month, the market settled bullish, as the average mid-rate fell 5bps m/m to 20.47%.

In Q2'24, the market closed bearish, with a 458bps q/q surge in the average mid-rate from 15.89% at the end of Q1'24, impacted by CBN's policy tightening, liquidity mop-ups, appetite for foreign investors, and an increase in MPR to 26.25% from 24.75% at the end of Q1'24 and 18.75% at the end of Q4'23.

#### JUNE 2024 NTB AUCTION RESULT

Tenor	May'24	Jun 24	Jun 24	Jun 24	Change M-o-M (basis points)
	Close	Auc 1	Auc 2	Auc 3	
91	16.5000%	16.5000%	16.3000%	16.3000%	+20.000
182	17.4490%	17.5000%	17.4490%	17.4490%	+00.000
364	20.6900%	20.6700%	20.5000%	20.6800%	+01.000

Source: CBN, FMDQ, AIICO Capital

Aim higher. Reach further ▶

www.aiicocapital.com



# MARKET UPDATE

JUNE 2024 OMO AUCTION RESULT						
Tenor	May'24	Jun 24	Jun 24	Jun 24	Jun 24	Change M-o-M (basis points)
	Close	Auc 1	Auc 2	Auc 3	Auc 4	
Short	18.9999%	18.7400%	0.0000%	0.000%	0.000%	+25.990
Medium	19.6400%	19.5900%	19.4800%	0.000%	0.000%	+16.000
Long	22.3400%	22.3300%	22.2990%	0.000%	22.480%	+00.14

Source: CBN, FMDQ, AIICO Capital

JUNE NTB	Offer (₦'bn)	Allot (₦'bn)	New Issues (₦'bn)
Auc 1	221.13	278.43	57.30
Auc 2	44.23	55.23	11.00
Auc 3	228.76	284.26	55.50

Source: CBN, FMDQ, AIICO Capital

**Outlook:** For Q3 '24, the size of government borrowing is expected to subside, factoring in the cost and amount borrowed so far in Q1 '24 and Q2 '24. For context, the DMO issued fresh treasury bills worth ₦5.28 trillion in H1 '24 because of the consistent over-allotment, while a total of ₦6.42 trillion was issued in OMO auctions in H1 '24.

**Unlock Possibilities.**

Aim higher. Reach further ▶  
[www.aiicocapital.com](http://www.aiicocapital.com)





# MARKET UPDATE

## FGN Bond Market – *Surprise spike in auction stop rates.*

The local FBN bonds market was saturated with mixed interest before the bond auction was rescheduled to the last week of the month.

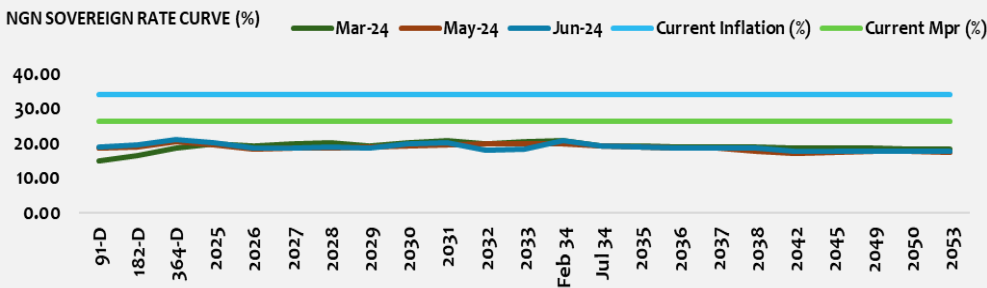
The FGN bond auction results surprised the market with a significant increase in stop rates. The 2029, 2031, and 2033 maturities were issued at 19.64% (up from 19.29%), 20.19% (up from 19.74%), and 19.89% (up from 16.10%).

Overall, the market settled bearish, and the average mid-yield increased by 198bps m/m to close the month at 20.47%.

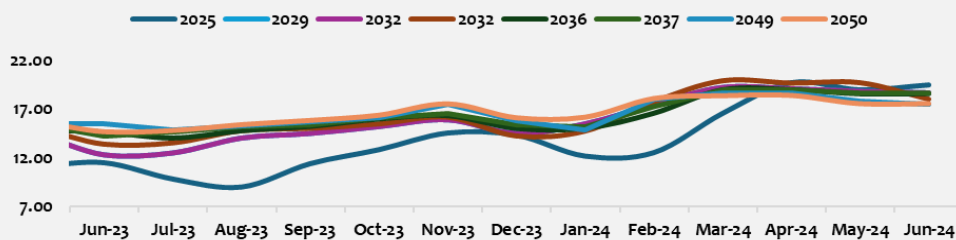
Surprisingly, the FGN bonds market closed bullish in Q2'24, falling by 10bps q/q to 18.94% at the end of Q1'24 and 18.84% at the end of Q2'24. The slight bullish close for the quarter can be alluded to the downtrend in stop rates at the auction, particularly the first two auctions in Q2'24. Despite the recent uptick at the last auction for the quarter, the market settled bullish.

JUNE 2024 BOND AUCTION RESULT						
Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Yield	May'24 Close	Change M-o-M (bps)
17 Apr 29	150.00	22.23	22.13	19.64%	19.29%	+35.00
21 Feb 31	150.00	53.48	45.38	20.19%	19.74%	+45.00
15 May 33	150.00	229.55	229.50	21.50%	19.89%	+16.10
	450.00	305.26	297.01			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital



Source: DMO, AIICO Capital

**Outlook:** The July auction makes predictions challenging to decipher. However, we know that the DMO has raised a significant amount from the bond auction in H1 24, worth about ₦4.13 trillion, and at a very high cost. Even though the DMO keeps pace with the uptrend in rates, we expect the allotted size to reduce gradually.



# MARKET UPDATE

## Equities Market Performance in June – *Mixed-to-bullish posture, supported by tractions on profitable price levels.*

In June, the Nigerian equity market had a bullish trend in most trading sessions. Initially, buying interests on heavy-weighted tickers like TOTAL, GUINNESS, PRESCO, NB, FLOURMILL, FIDELITYBK, TRANSCORP, OANDO, and most stocks in the banking sector.

However, a few days before the end of the month, selling interests increased dramatically, with ZENTIH BANK and UBA driving the All-Share Index downwards, although this was short-lived. Thereafter, SEPLAT, OKOMUOIL, and MTNN pushed the All-Share Index to over 100,000 points, the highest since April 15.

NGX ASI 1-Year Chart



Source: NGX, AIICO Capital

### Sectorial Performance: All sectors closed in the green in the month of June.

The oil & gas index topped the sectorial indices performance at 11.32% m/m, following the banking index, which gained 4.12% m/m. Thus, the consumer and industrial goods indices increased by 1.11% m/m and 0.03% m/m, respectively.

	Q1'2024	Q2'2024	Jun'2024
NGX ASI	↑ 39.84%	↓ -4.31%	↑ 0.76%
NGX Banking Index	↑ 14.76%	↓ -19.37%	↑ 4.12%
NGX Insurance Index	↑ 26.20%	↓ -3.79%	↑ 6.36%
NGX Industrial Index	↑ 78.49%	↓ -3.00%	↑ 0.03%
NGX Consumer Index	↑ 43.66%	↓ -1.82%	↑ 1.11%
NGX Oil & Gas Index	↑ 24.09%	↑ 11.30%	↑ 11.32%

Source: NGX, Bloomberg, AIICO Capital

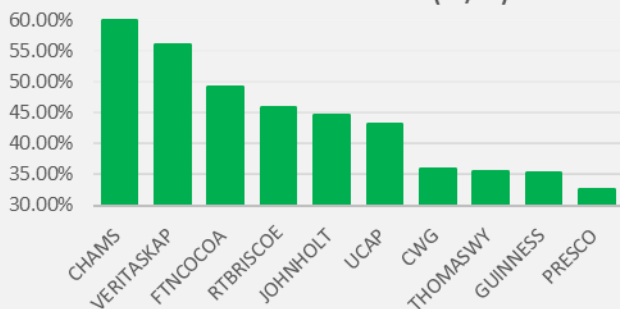
Aim higher. Reach further ▶

[www.aiicocapital.com](http://www.aiicocapital.com)



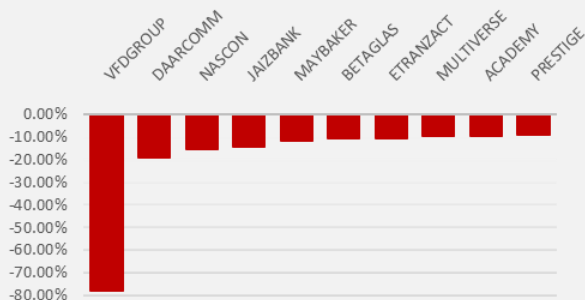
# MARKET UPDATE

TOP 10 ADVANCERS (M/M)



Source: NGX, Bloomberg, AIICO Capital

TOP 10 DECLINERS (M/M)



## Banking Recapitalisation: Update!

During the month, Wema and Fidelity Bank received regulatory approval for equity issuance. Wema Bank issued N 40 billion in right issues to align with CBN's minimum capital requirement. Also, Fidelity Bank issued N127.10 billion, of which N29.60 billion was to be raised via right issues and N97.5 billion via public offer.

Overall, the All-Share Index (ASI) closed the month bullish at 0.76% m/m to settle at 100,057.49 points, while the year-to-date return and market capitalization closed at 32.81% and ₦56.60 trillion, respectively.

In Q2'24, the equity market settled bearish, falling by 4.31% q/q, driven by the banking index, which shed 19.37% q/q, amongst other sectorial indices, including the industrial and consumer goods indices, which declined by 3.00% and 1.82%, respectively. However, the oil and gas index maintained a bullish footing, gaining 11.30% in Q2'24, after +24.09% in Q1'24, ultimately leading other sectors as the best-performing sectorial index in H1'2024.

**Outlook:** We expect the market to continue trading sideways in July, following a similar trend in June. Market players should continue gradually buying stocks at profitable levels.

We expect momentum to ease in Q3 '24 relative to Q2 '24. A more precise direction on the banks' actual equity capital raise is expected to provide more context regarding market reaction as investors look forward to the key parameters in future public and private offers.





# EUROBONDS

## Eurobonds Market – *Bearish sentiment fueled by Fed's reversal on interest rate cut projections*

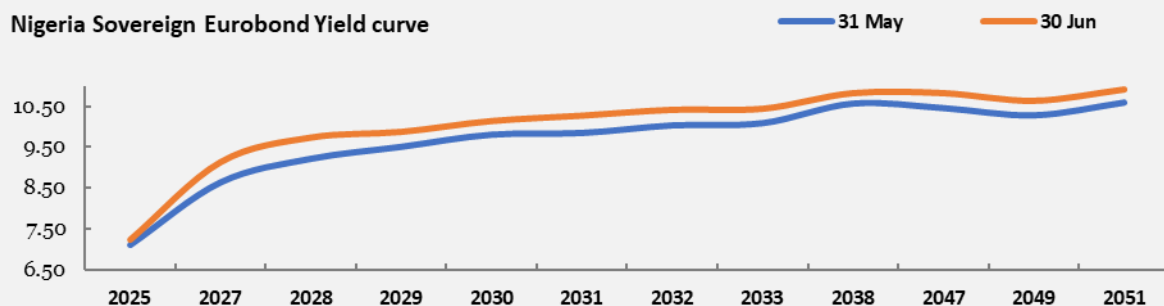
The US Non-farm Payroll, CPI, and the Fed's rate decision were the crucial turning points for market players in June.

The first few trading sessions in the month witnessed a bearish bias due to the US Nonfarm Payroll, which was higher-than-forecasted at 272k (Est. 182k) from 165k, despite the U.S unemployment rate increasing to 4.00% from 3.90% in April. The bearish trend persisted till US CPI data showed that inflation fell to 3.30% in May (Est. 3.30%), down from 3.40% in April.

In addition, monthly headline and core inflation were lower in May, at 0.00% and 0.20%, respectively, down from 0.30% in the previous month. Thereafter, market sentiment switched to bullish. However, the Fed's projection for a single rate cut stimulated a bearish bias, given that three rate cuts were announced at the start of the year.

Overall, the market closed bearish, as the average mid-yield increased by 36bps m/m to settle at 10.03%. to settle at 9.67%.

Nigeria Sovereign Eurobond Yield curve



Source: FBN UK, AIICO Capital

### Other notable information:

- Ghana agreed in principle with bondholders on \$13 billion worth of international debt, with 37% haircut and maturity of bonds lengthened.
- Angola's inflation crossed 30% to 30.16% in May 2024, from 28.20% reported in April.

**Outlook:** The Federal Reserve's recent policy decision supports a bearish sentiment in the coming months. The one rate cut from three rate cuts should keep rates elevated for as long as economic data supports a higher-for-longer narrative.

Domestic drivers in Nigeria and other African Eurobonds markets would continue to take center stage at different intervals. For Nigeria, jitters should increasingly center around the oil production output, interest rate environment, and external reserves. However, we expect external pressures to have a more significant impact, unlike the Ghana Eurobonds market, where an Agreement in Principle translates to a 37% haircut and restructuring coupon rates to 1.50%, amongst other parameters.

Contact us now to receive valuable investment guidance today.



AIICO Capital Limited  
Plot 12, 2<sup>nd</sup> Floor, Churchgate  
Street, Victoria Island, Lagos  
State.

: +234 9062 547 284

: +234 9167 429 986

: +234 9167 065 277

: [accs@aiicocapital.com](mailto:accs@aiicocapital.com)

: [www.aiicocapital.com](http://www.aiicocapital.com)

**Disclaimer:**

The information provided in this material is general in nature and does not constitute financial advice. AIICO Capital Limited does not assume any liability or responsibility in relation to the information provided in this material, including information provided by third parties. While every effort has been made to ensure the information provided is accurate, do not rely solely on this information to make a financial or investment decision. Before making any financial or investment decision, consult your financial adviser.

AIICO Capital Limited does not give any warranty as to the accuracy, reliability or completeness of the information contained in this material. AIICO Capital Limited, its employees and affiliates do not accept any liability for any error or omission in this material or for any loss or damage suffered by a recipient or any other person.

Copyright © 2023 AIICO Capital Limited, All rights reserved.

*Aim higher. Reach further* ▶

[www.aiicocapital.com](http://www.aiicocapital.com)

