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**MONTHLY MARKET REPORT
JULY 2024**

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REPORT SUMMARY

Review

- Global Macros: Dovish Central Banks and Easing Consumer Prices.
- Nigeria's Macros: Positive GDP Growth, CBN's rate hike, Rising Inflation.
- Money Market: CRR Debits and FX Settlements kept system liquidity low.
- Treasury bills: Bearish bias triggered by liquidity squeeze and MPC's 50bps rate hike.
- FGN Bonds: Bearish sentiment driven by tight liquidity and MPC's interest rate hike.
- Nigeria's equity: Bearish Sentiment spurred by disappointing earnings results.
- Nigeria's Eurobonds: Bearish sentiment heated by Fed's one interest rate cut from three cuts.

Outlook

- Global Economy: Deceleration in economic activities.
- Nigeria's Macros: Inflation should tick higher in the coming month.
- Money Market: Expect a similar pattern in system liquidity, following the signals from the MPC's in July' meeting.
- Treasury Bills: The bearish outlook is anticipated to continue, albeit with less intensity
- FGN Bonds: Bearish bias should linger as DMO reassess the borrowing levels.
- Nigeria's Equity: Expect bearish sentiment to persists.
- Nigeria's Eurobonds: Likely rate cut in September by the US Federal Reserve.





GLOBAL MACROECONOMIC REVIEW

United States: The consumer prices in the United States moderated to 3.00% y/y in June (estimated at 3.10%), down from 3.30% y/y in May. This marks the third consecutive drop in inflation in 2024 and the lowest yearly inflation rate since June 2023. Notably, on a month-on-month basis, consumer prices deflated at -0.10% m/m in June, down from the 0.00% seen in May. Energy costs grew slower while shelter prices eased during this period. According to the advanced estimate, the US GDP grew at 2.80% in Q2 2024, surpassing the market expectation of 2.00% and the 1.40% seen in Q1 2024. At the fifth FOMC meeting for 2024, the Federal Reserve Bank maintained the interest rate at 5.50% while indicating a likelihood for a 25-bps rate cut in September's meeting, subject to supporting economic data.

US, UK, Euro Area and China

GDP	Q2'24 ● 2.80%	Q1'24 ● 0.70%	Q1'24 ● 0.30%	Q2'24 ● 0.70%
	Q1'24 1.40%	Q4'23 -0.30%	Q4'23 -0.10%	Q1'24 1.50%
	Q2'23 2.10%	Q1'23 0.20%	Q1'23 0.00%	Q2'23 0.50%
MONETARY/ BANK RATE	Jul'24 ➔ 5.50%	Aug'24 ● 5.00%	Jul'24 ● 4.25%	Jul'24 ● 3.35%
	Jun'24 5.50%	Jul'24 5.25%	Jun'24 5.25%	Jun'24 3.45%
	Jul'23 5.50%	Aug'23 5.25%	Jul'23 4.25%	Jul'23 3.55%
INFLATION RATE	Jun'24 ● 3.00%	Jun'24 ➔ 2.00%	Jul'24 ● 2.60%	Jun'24 ● 0.20%
	May'24 3.30%	May'24 2.00%	Jun'24 2.50%	May'24 0.30%
	Jun'23 3.00%	Jun'23 7.90%	Jul'23 5.30%	Jun'23 0.00%

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

United Kingdom: In June, the UK's inflation rate remained at 2.00% y/y, the same level as in May. This figure was higher than the market expectation of 1.90%. The cost of restaurants and hotels increased to 6.20% from 5.80%, while clothing and footwear prices grew by 1.60%, down from 3.00%. Core inflation also remained steady at 3.50% in June. Additionally, month-on-month inflation slowed to 0.10% m/m from 0.30% m/m in May. Furthermore, the Bank of England voted to cut interest rate by 25bps to 5.00%. Although, the outcome of the meeting was based on a slim majority of 5-4.

Euro Area: Inflation has stayed at around 2.00% since October 2023. In July, it rose to 2.60% y/y based on the initial estimate, up from 2.50% y/y in June and slightly higher than the market's forecast of 2.40% y/y. Core inflation remained unchanged at 2.90% y/y for the third time while decreasing by 0.20% m/m, indicating the second consecutive month of a negative monthly rate since January 2024.

China: The inflation rate in China slowed to 0.20% y/y in June 2024, down from 0.30% in May and below the market estimate of 0.40%. On a month-on-month basis, inflation decreased to -0.20% in June from -0.10% in May. Core inflation remained steady at 0.60% y/y for both May and June.

China's GDP growth missed estimates, with a quarterly growth rate of 0.70% in Q2 2024 (compared to an estimated 1.50%) and a year-on-year growth rate of 4.70% in Q2 2024 (compared to an estimated 5.10%). The economic growth target for the end of 2024 remains at 5.0%.

In July, the People's Bank of China reduced its key lending rates by ten basis points, bringing the 1-year prime rate down to 3.35% (from 3.45%) and the 5-year prime rate down to 3.85% (from 3.95%).

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DOMESTIC MACROECONOMIC REVIEW

Nigeria's GDP grew at 2.98% In Q1'24 Vs 2.31% In Q1'23

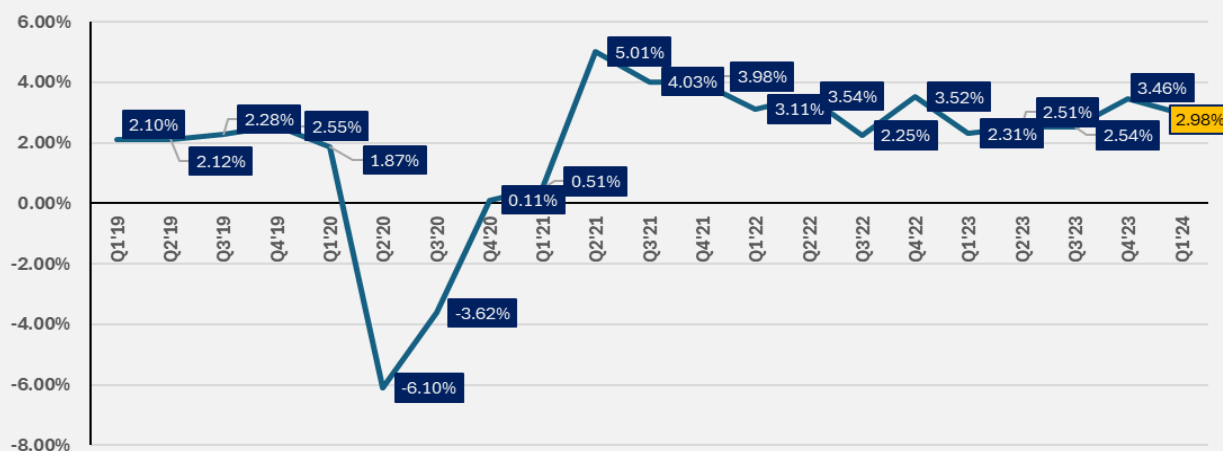
In the second quarter of 2024, Nigeria's Gross Domestic Product (GDP) expanded by 2.98% y/y, slightly lower than the 3.49% growth rate in the previous period. However, this figure exceeded the 2.31% growth rate recorded in the first quarter of 2023 but fell short of the 3.46% y/y growth in the fourth quarter of 2023. The real GDP for the first quarter of 2024 amounted to N18.28 trillion, a decrease from N21.77 trillion in the fourth quarter of 2023.

The growth in the national output was primarily due to the expansion of the oil sector, which experienced an increase of 5.70% y/y in the first quarter of 2024. This marked a significant improvement from the -4.21% growth rate in the first quarter of 2023 and the +12.11% growth in the fourth quarter of 2023. The National Bureau of Statistics reported an increase in average production from 1.55 million barrels per day (mbpd) in the fourth quarter of 2023 to 1.57 mbpd in the first quarter of 2024, representing the highest oil output since 1.57 mbpd was reported in the third quarter of 2021.

On the other hand, the non-oil sector expanded at a slower rate of 2.80% y/y in the first quarter of 2024, down from 3.07% y/y in the fourth quarter of 2023 but slightly higher than the 2.77% y/y growth seen in the first quarter of 2023. Consequently, the non-oil sector's contribution to the gross domestic product decreased to 93.62% from 95.30% in the fourth quarter of 2023.

Considering the prolonged aggressive tightening of monetary policy, the GDP growth rate is expected to begin to slow down towards the end of 2024.

Nigeria GDP Growth Rate



Source: NBS, AIICO Capital

Nigeria's Inflation: The Rebound in Month-on-Month Inflation

The National Bureau of Statistics (NBS) reported that Nigeria's headline inflation rate for June 2024 increased to 34.19% y/y from 33.95% in May. Additionally, monthly headline inflation rose to 2.31% in June, following three consecutive months of decline - March (+3.02%), April (+2.29%), and May (+2.14%).

Furthermore, food inflation increased monthly to 2.55% in June, up from 2.28% in May, while core inflation rose to 2.06% in June from 2.01% in May. Yearly food inflation rose to 40.87% in June from 40.66% in May, and core inflation, which excludes volatile food and energy items, increased to 27.40% in June from 27.04% in May.

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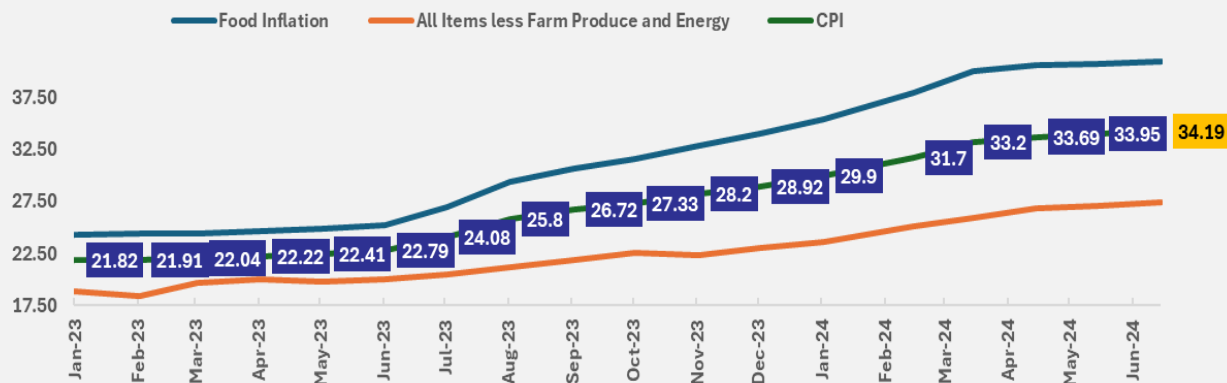
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DOMESTIC MACROECONOMIC REVIEW

All basket components increased between May and June. However, only Clothing and footwear, Communication, and Miscellaneous Goods and services increased at a slower pace compared to the preceding period.

Looking ahead, we anticipate that headline inflation will continue to increase in the coming months. Due to rising fuel prices, transportation costs, and renewed currency depreciation, the likelihood of a decrease in consumer prices in the near future seems low.



Source: NBS, AIICO Capital

MPC's 50bps Rate Hike | Asymmetric Corridor adjusted to +100/-300 bps.

The Monetary Policy Committee held its fourth meeting of 2024 in July and decided to raise the benchmark interest rate by 50 bps. They also adjusted the Asymmetric corridor around the MPR from +100/-300 bps to +500/-100 bps. All other parameters remained unchanged.

In addition, the CBN governor highlighted the growth in external reserves, which is expected to improve FX liquidity further. The governor also mentioned that the trends in the global and domestic economies will influence the policies aimed at effectively addressing inflation. The next MPC meeting is scheduled for September 23 and 24, 2024.

OPEC Production Output – Nigeria

According to direct sources from the Organization of Petroleum Exporting Countries (OPEC), Nigeria's total crude oil production increased by 2.00% to 1.27 million barrels per day (mbpd) in June from 1.25 mbpd in May. However, the average production output fell by 4.30% to 1.27 mbpd in Q2 2024 from 1.32 mbpd in Q1 2024.

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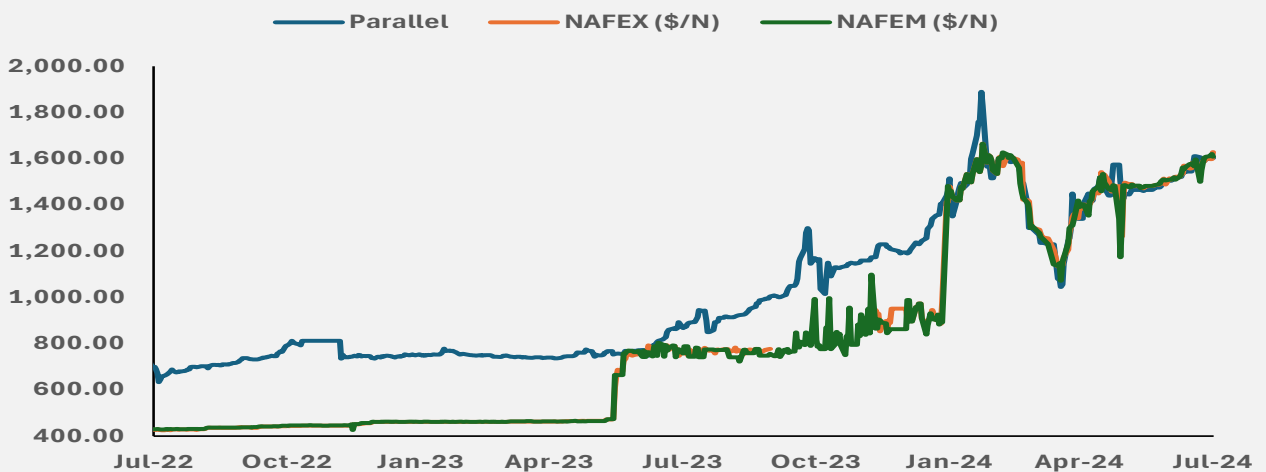


MARKET UPDATE

Foreign Exchange Market – Increased demand for foreign exchange exacerbated by seasonal effect.

In July, the Naira weakened compared to foreign currencies due to increased demand, partly due to seasonal effects. Although the exchange rate was less volatile, the Naira still weakened despite efforts by the Central Bank of Nigeria (CBN) to intervene in the market, particularly towards the end of the month. The CBN initially sold \$122.67 million and \$106.5 million to Authorized Dealer Banks, followed by an additional supply of over \$120 million at the end of the month to ease demand pressures.

The Naira depreciated further by 6.87% m/m to ₦1,608.73 per USD in the NAFEM window. At the parallel market, the Naira also depreciated by approximately 6.50% m/m to ₦1,602.83 per USD. According to the NAFEX fixing, the Naira depreciated by 9.42% m/m to ₦1,628.47 per USD. On the positive side, gross external reserves increased by 7.63% m/m, rising from \$34.19 billion at the end of June to \$36.80 billion at the end of July. However, the price of Brent crude oil fell by 6.58% from \$86.41 per barrel at the end of June to \$80.72 per barrel at the end of July.



Source: FMDQ, Rate Captain, AIICO Capital

Outlook: We anticipate a slight depreciation in August. This is due to recent decisions made by the CBN regarding the sale of foreign currencies to meet ongoing demand and seasonal fluctuations. While the \$500 million loan from the African Development Bank is expected to support the market, we anticipate a slight impact from this development.

Money Market Review – CRR Debits and FX Settlements kept system liquidity low.

In the money market, system liquidity remained negative for most of the month, especially during the first three weeks. The shortage was caused by CRR debits, FX Settlements, and other outflows.

Toward the end of the month, inflows from the monthly FAAC disbursement and Bond Coupon improved the liquidity balance, resulting in the system ending July with a positive balance of ₦635.58 billion, up from ₦514.17 billion at the end of June 2024.

Overall, the average opening system liquidity decreased significantly from +₦236.98 billion in June to -₦490.42 billion at the end of July. As a result, the average Open Repo Rate (OPR) increased by 314bps m/m to 30.00%, while the Overnight Rate (OVN) expanded by 309bps m/m to 30.59%.

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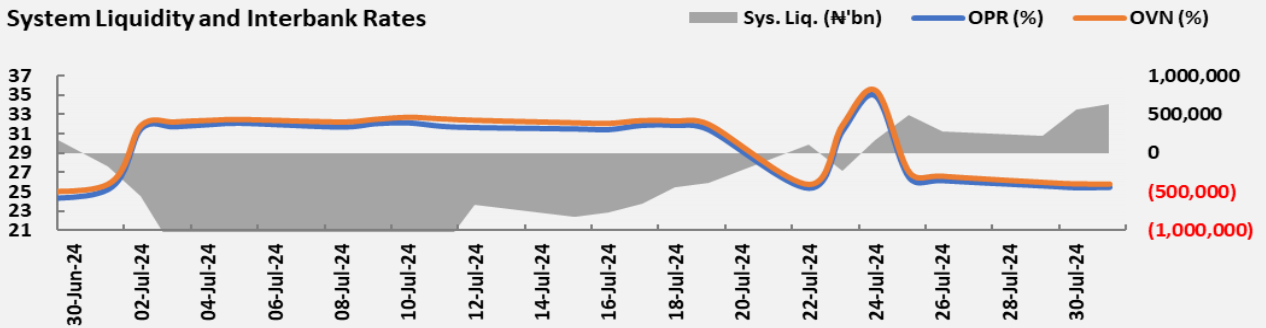
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MARKET UPDATE

Outlook: In August, we expect a similar pattern in system liquidity, following the signals from the CBN's actions in the July MPC meeting. To support market liquidity, we anticipate a total bond coupon of approximately ₦365.01 billion and OMO maturities of ₦97.95 billion. Towards the end of the month, we foresee liquidity improvement due to inflows from FAAC and bond coupons.

System Liquidity and Interbank Rates



Source: CBN, FMDQ, AIICO Capital

Treasury Bills – Bearish bias triggered by liquidity squeeze and MPC's 50bps rate hike.

In July, the treasury bills market decreased in prices due to limited liquidity and a higher benchmark interest rate set by the MPC. Despite some buying interest in a few bills, there were no sales at the first and second Open Market Operations (OMO) auctions. Also, two Nigerian Treasury Bills (NTB) auctions were conducted during the month, with stop rates rising for different maturities. The DMO also issued new T-Bills worth approximately ₦41.17 billion.

Overall, the market remained bearish, with the average mid-rate increasing by 266 basis points m/m to 23.13% by the end of the month.

JULY 2024 NTB AUCTION RESULT

Tenor	Jun'24	Jul 24	Jul 24	Change M-o-M (basis points)
	Close	Auc 1	Auc 2	
91	16.3000%	16.3000%	18.5000%	+220.000
182	17.4490%	17.4400%	19.5000%	+205.100
364	20.6800%	21.2400%	22.1000%	+142.000

JULY NTB	Offer (₦'bn)	Allot (₦'bn)	New Issues (₦'bn)
Auc 1	166.10	207.27	41.17
Auc 2	277.96	277.96	0.00

Source: CBN, FMDQ, AIICO Capital

Outlook: In August, the bearish outlook is anticipated to continue, albeit with less intensity, as the government faces challenges in managing the high borrowing costs.



MARKET UPDATE

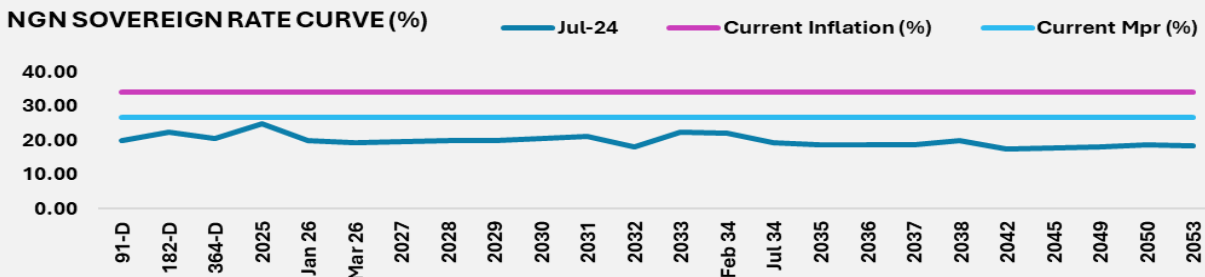
FGN Bond Market – Bearish sentiment driven by tight liquidity and MPC’s interest rate hike.

Similarly, the local bond market showed a bearish trend in July due to tight system liquidity and an interest rate hike by the MPC. Before the auction at the end of the month, the market sentiment remained mixed to bearish in anticipation of higher stop rates. This sentiment filtered into the auction, as the DMO only allotted ₦225.72 billion despite offering ₦300.00 billion worth of bonds. The total subscription was ₦279.67 billion. Furthermore, the stop rates for Apr 2029, Feb 2031, and May 2033 papers were issued higher than the previous stop rates at 19.89% (+25bps), 21.00% (+81bps), and 21.98% (+48bps), respectively.

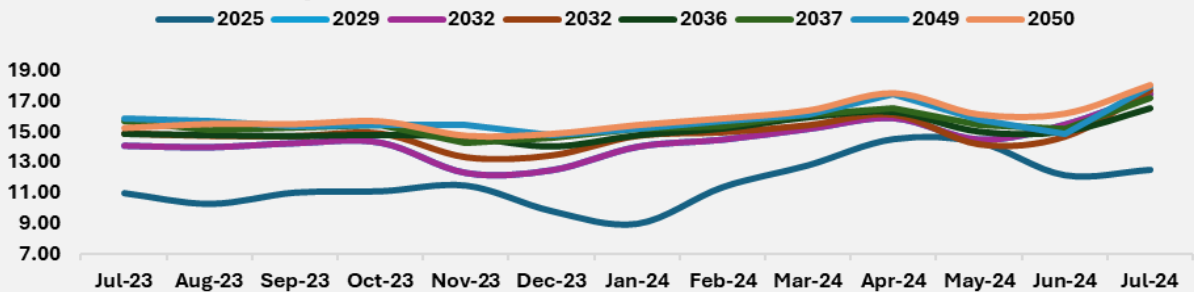
Overall, the market ended on a bearish note as the average mid-yield increased by 79 basis points m/m, closing at 19.63%.

JULY 2024 BOND AUCTION						
Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Yield	June'24 Close	Change M-o-M (bps)
17 Apr 29	100.00	21.49	18.89	19.89%	19.64%	25.00
21 Feb 31	100.00	16.53	6.18	21.00%	20.19%	81.00
15 May 33	100.00	241.65	200.65	21.98%	21.50%	48.00
	300.00	279.67	225.72			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital



Source: DMO, AIICO Capital

Outlook: The bearish outlook is expected to continue into August while the DMO continues to reassess the borrowing levels.



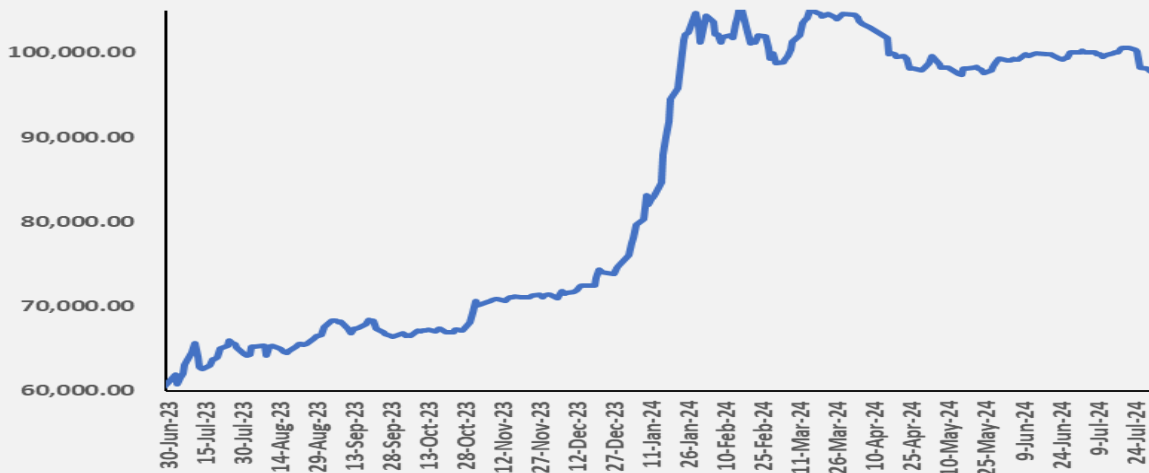
MARKET UPDATE

Equities Market Performance in July – *Bearish Sentiment spurred by disappointing earnings results.*

The Nigerian equity market had a mixed trend for most of the month. In the mid-month, the All-Share Index dropped to 99,468.90 points due to profit-taking on SEPLAT. By the end of the month, the All-Share Index fell below 100,000 points because of selloffs on major stocks like DANGCEM, NESTLE, BUACEMENT, WAPCO, and MTNN.

The Q2'24 earnings results prompted these selloffs, which revealed challenges such as cost pressures on production, increased finance costs, and foreign exchange revaluation losses.

NGX ASI 1-Year Chart



Source: NGX, AIICO Capital

Sectorial Performance: All sectors closed in the red, except the Oil & Gas index.

The oil & gas index gained 5.55% m/m. Meanwhile, the industrial, consumer goods, banking and insurance index declined by 5.58% m/m, 4.53% m/m, 3.47% m/m and 2.57% m/m, respectively.

The oil & gas index increased by 5.55% m/m in July, stimulated by the bullish bias on CONOIL (+37.14%) & ETERNA (+18.75%) which have a combined weight of over 17% in the oil and gas index. This was despite the 1.71% m/m decline on SEPLAT.

	July	YTD
NGX ASI	↓ -2.28%	↑ 30.76%
NGX Banking Index	↓ -3.47%	↓ -10.67%
NGX Insurance Index	↓ -2.57%	↑ 18.31%
NGX Industrial Index	↓ -5.58%	↑ 63.47%
NGX Consumer Index	↓ -4.53%	↑ 34.66%
NGX Oil & Gas Index	↑ 5.55%	↑ 45.79%
Market Capitalization	↓ -1.92%	↑ 35.67%

Source: NGX, Bloomberg, AIICO Capital

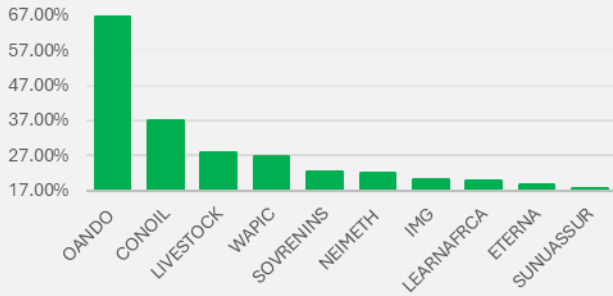
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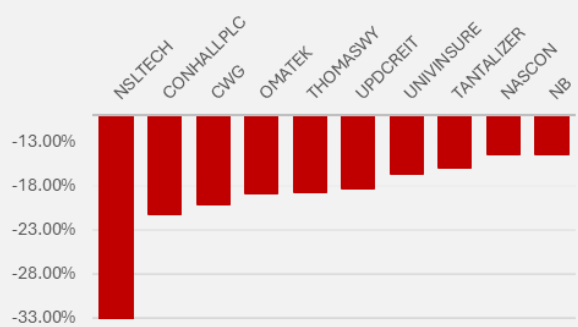


MARKET UPDATE

TOP 10 ADVANCERS (M/M)



TOP 10 DECLINERS (M/M)



Source: NGX, Bloomberg, AIICO Capital

Banking Recapitalisation: Update!

	Right Issue Price (₦)	Public Offer Price (₦)	Market Price as at July 31, 2024	Market Price vs Primary Market	Right Issue Size (₦'bn)	Public Offer Size (₦'bn)	Total Size (₦'bn)	Min Cap Required (₦'bn)
WEMA	4.66	-	6.25	↑ 1.59	40.00	-	40.00	184.90
FIDELITY	9.25	9.75	10.60	↑ 0.85	29.60	97.50	127.10	370.30
ACCESSCORP	19.75	-	18.30	↓ -1.45	351.00	-	351.00	248.20
GTCO	-	44.50	44.00	↓ -0.50	-	400.50	400.50	361.80
FCMB	-	7.30	7.85	↑ 0.55	-	110.94	110.94	374.70
ZENITHBANK	36.00	36.50	33.10	↓ -3.40	188.38	101.00	289.38	229.30

*Accesscorp, GTCO and ZENITHBANK traded below the offer price at the close of July.

Outlook: We anticipate a bearish market sentiment to persist in August, with continued buying interest in the oil & gas sector helping to mitigate the overall market impact.

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EUROBONDS

Eurobonds Market – *Bearish sentiment heated by Fed's one interest rate cut from three cuts.*

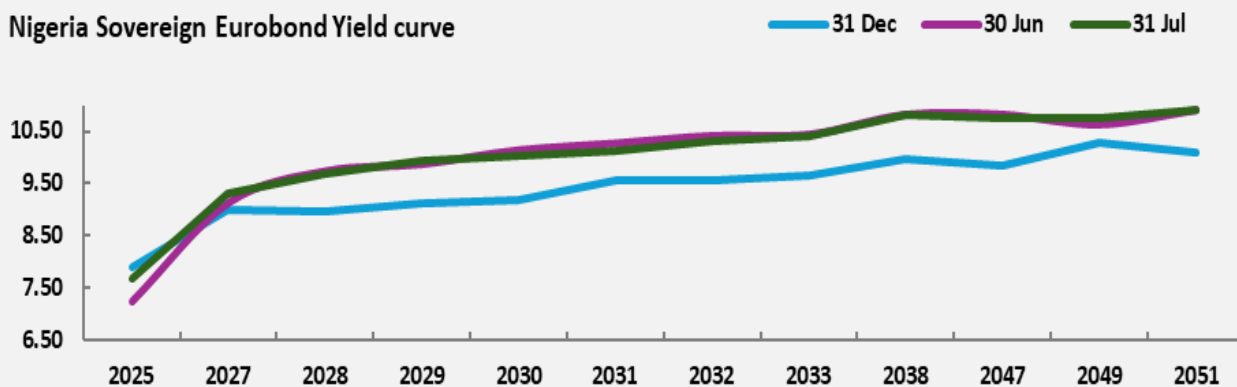
In July, key drivers in the US markets included the Consumer Price Index (CPI), Housing Statistics, and the GDP growth rate, among other indicators.

There was bullish sentiment at the start of the month, spurred by the fact that the US Consumer Price Index for June grew by 3.00%, lower than the estimated 3.10% and the 3.30% in May. However, the market sentiment turned bearish when the US Housing Statistics data showed a figure of 1.35 million, surpassing the estimated 1.30 million and the 1.31 million reported in the previous month. Additionally, the US GDP growth rate for Q2'24 was reported at 2.80%, higher than the market forecast of 2.00% and 1.40% in Q1'24.

At the FOMC meeting, the Federal Reserve maintained a hold stance while indicating the possibility of a rate cut in the upcoming September meeting.

Overall, the market closed bearish, as the average mid-yield increased by 3bps m/m to settle at 10.06%.

Nigeria Sovereign Eurobond Yield curve



Source: FBN UK, AIICO Capital

Other notable information:

- The Bank of Ghana maintained its benchmark monetary policy rate at 29% for the third consecutive meeting, while citing recent price developments suggest a resumption of the disinflation process.
- Angola's central bank kept its main interest rate at 19.5%, citing a potential slowdown in inflation and an improvement in the supply of essential goods in the near term.

Outlook: Market sentiment in August will largely depend on economic indicators, as market participants look for supporting evidence to anticipate a rate cut in the upcoming FOMC meeting. As of now, the market widely expects the first rate cut to occur in September's meeting. Economic data would influence any potential changes, especially the US Non-farm Payroll and Consumer Price Index.

Contact us now to receive valuable investment guidance today.



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