

Actionable Market Insights, Delivered Weekly.



MARKET COMMENTARY

DATE: Friday | 23 August 2024

Money Market

Despite the outflows from NTB and FGN local bond auction settlements, FAAC credits and bond coupon led system liquidity to close the week with a positive balance. Consequently, the Open Repo Rate (OPR) and the Overnight Rate (O/N) decreased by 652 bps and 681 bps to 25.78% and 26.17% respectively, compared to the previous week.

Outlook: We expect the current status to persist, barring any significant outflows.

Treasury Bills

Before Wednesday's primary auction, the treasury bills market was mixed. After the auction, the market trended bullish, with significant unmet bids at the auction seeking several mid and long-dated papers in the secondary market.

The NTB auction results showed strong investor interest in the 1-year paper, with about 88.57% subscription on the 364-Day paper. In the end, the DMO allotted ₦291.03 billion, despite offering ₦409.98 billion. Total subscription printed at c.₦1.03 trillion. The stop rates for the 91-Day, 182-Day, and 364-Day papers settled at 18.20% (-10bps), 19.20% (-10bps), and 20.90% (-98.9bps), respectively, compared to the previous stop rates.

Overall, the average mid-rate declined by 91 bps week-on-week, settling at 19.81%.

Outlook: We expect a high probability of continued bullish sentiment throughout next week, while the market eagerly anticipates the NTB auction calendar for Q4 2024.

FGN Bonds

The week started with a surprise sale of bonds worth ₦374.749 billion at the primary market, despite a downward revision of the offer size from ₦300.00 billion to ₦190.00 billion. Additionally, the DMO reported a total subscription of approximately ₦460.18 billion. Consequently, the total bid-to-cover ratio was about 1.23x, while the stop rates exhibited mixed results. The stop rate for the 2029 paper closed higher at 20.30%, while the stop rates for the 2031 and 2033 papers closed lower at 20.90% (-10bps) and 21.50% (-48bps) respectively.

Throughout the rest of the week, the market was mixed-to-bullish, as demand increased due to improved liquidity supported by FAAC and bond coupon inflows. Consequently, the average mid-yield decreased by 43 bps to 18.96% on a week-on-week basis.

Outlook: We anticipate a mixed to bullish bias next week.

Eurobonds Markets

The Eurobonds market had a positive week, with increased buying interest due to dovish minutes from July's FOMC meeting and a similarly dovish speech from Powell at the Fed's annual economic symposium in Jackson Hole. As a result, the average mid-yield on the Nigerian curve decreased by 29 basis points week-on-week to 9.94%.

Outlook: Next week, we expect players to continue to keep track of key economic data such as Initial Jobless Claims and the PCE Price Index. Meanwhile, the market continues to anticipate a strong potential for a rate cut in the next Fed meeting.

Benchmark T-Bills Discount Rates	23-Aug-24	16-Aug-24	Change in Rates
90 days	18.77%	22.60%	↓ -3.83%
181 days	21.50%	22.68%	↓ -1.18%
321 days	19.73%	20.91%	↓ -1.18%

Source: FMDQ DQL for 23 Aug 2024 and 16 Aug 2024

Benchmark FGN Bond Yields	23-Aug-24	16-Aug-24	Change in Yield
5 yrs: 16.2884% 17-Mar-2027	20.03%	20.01%	↑ 0.02%
10 yrs: 12.50% 27-Apr-2032	18.52%	18.51%	↑ 0.01%
20 yrs: 13.00% 21-Jan-2042	17.50%	17.50%	→ 0.00%
30 yrs: 12.98% 27-Mar-2050	18.62%	18.62%	→ 0.00%

Source: FMDQ DQL for 23 Aug 2024 and 16 Aug 2024

Benchmark FGN Eurobond Yields	23-Aug-24	16-Aug-24	Change in Yield
5 yrs: NGERIA 6 1/2 11/28/27	9.17%	9.44%	↓ -0.27%
10 yrs: NGERIA 7.875 02/16/32	10.18%	10.44%	↓ -0.26%
15 yrs: NGERIA 7.696 23/02/38	10.56%	10.88%	↓ -0.32%
30 yrs: NGERIA 9.248 01/21/49	10.58%	10.80%	↓ -0.22%
7.125% ECOTRAN 16/02/26*	8.88%	9.14%	↓ -0.26%

Source: ZENITH UK Runs for 23 Aug 2024 and 16 Aug 2024

AIICO Money Market Fund (AMMF)

Net Yield (As at 22nd August 2024) 21.3043%

	NAFEM RATE (\$/N)	Diff.
23-Aug-24	1,570.14	
16-Aug-24	1,579.89	↑ (9.75)

Source: FMDQ

Date	Sys. Liq. (N'bn)	Diff.
23-Aug-24	1,224.40	
16-Aug-24	18.64	↑ 1,205.76

Source: CBN

Macro Indicators

GDP (Q1 2024)	+2.98% (Q4: 2023 +3.46% y/y)
Inflation (Jul'2024)	33.40% (Jun'24: 34.19%)
External Reserve (US\$'billion)	36.45 (+10.76% YTD)
Monetary Policy Rate	26.25%
Cash Reserve Requirement (CRR)	45.00%
Brent Crude Price US\$/bbl	*79.70 (+0.99% w/w)

Source: NBS, CBN, AIICO Capital

Nigerian Equities

The Nigerian stock market concluded the week on a bearish note, with the ALL-Share Index dropping by 1.16% week-on-week and settling at 95,973.45 points, down from 97,100.31 points the previous week. The year-to-date return was 28.35%, and the market capitalization ended the week at ₦55.13 trillion.

Outlook: We expect similar momentum next week.

Foreign Exchange

The Naira appreciated against the USD by 0.62% week-on-week, reaching ₦1,570.14/\$.

Outlook: We expect market to trade within ₦1500-1600 levels next week.

Commodities

Crude oil prices declined this week due to weakness in global demand. Overall, Brent oil decreased by 0.90% to \$78.96 per barrel, while WTI declined by 2.43% to \$74.79 per barrel. The price of gold increased by 0.40% to \$2,547.90 per ounce.

Outlook: We expect a mixed trend next week.

Top 5 Equity Advancers W-o-W

Name (Symbol)	Closing Price	Gain(N)	% Change
RTBRISCOE	2.71	1.01	↑ 59.41%
TANTALIZER	0.68	0.24	↑ 54.55%
OANDO	47.85	12.00	↑ 33.47%
DEAPCAP	0.56	0.13	↑ 30.23%
UCAP	19.75	4.15	↑ 26.60%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W

Name (Symbol)	Closing Price	Loss(N)	% Change
CUTIX	3.10	-1.85	↓ -37.37%
DANGCEM	532.00	-59.10	↓ -10.00%
TIP	2.03	-0.22	↓ -9.78%
THOMASWY	1.58	-0.17	↓ -9.71%
BETAGLAS	48.00	-5.00	↓ -9.43%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGXASI	↑ 0.27%	↓ -1.16%	↓ -1.84%	↑ 28.35%
NSE Banking Index	↑ 0.88%	↑ 0.37%	↑ 4.91%	↓ -6.29%
NSE Insurance Index	↑ 2.05%	↑ 1.90%	↑ 5.39%	↑ 24.68%
NSE Industrial Goods Index	↓ -0.07%	↓ -4.94%	↓ -13.13%	↑ 42.01%
NSE Consumer Goods Index	↓ -0.54%	↓ -1.42%	↑ 0.80%	↑ 35.74%
NSE Oil & Gas Index	↑ 3.55%	↑ 3.54%	↑ 12.79%	↑ 64.44%

Source: NGX, Bloomberg, AIICO Capital

Important Disclaimers

This document has been issued and approved by AIICO Capital and is based on information from various sources that we believe are reliable. However, no representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction.

Investments discussed in this report may not be suitable for all investors. This report is provided solely for the information of AIICO Capital clients who are then expected to make their own investment decisions. AIICO Capital conducts designated investment business with market counter parties and customers and this document is directed only to such persons. AIICO Capital accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only and may not be reproduced, distributed or published by any recipient for any purpose without prior express consent of AIICO Capital. Users of this report should bear in mind that investments can fluctuate in price and value. Past performance is not necessarily a guide to future performance.

AIICO Capital is regulated by the Securities and Exchange Commission, and is licensed to provide fund and portfolio management services in Nigeria.