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# MONTHLY MARKET REPORT AUGUST 2024

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# REPORT SUMMARY

## Review

- Global Macros: Slightly Dovish Central Banks and mixed Inflation numbers.
- Nigeria's Macros: Higher GDP Growth, Moderate Inflation, and the Domestic FGN US Dollar Bond.
- Foreign Exchange Market: Slight appreciation in the Naira, amid retail FX auction sales.
- Money Market: Liquidity boost from FAAC credits, SWAP maturities, and relaxed policy on standing lending and deposit facilities.
- Treasury bills: Bullish bias influenced by robust liquidity and dovish OMO and NTB auctions.
- FGN Bonds: Bullish Sentiment supported by ample system liquidity and lower inflation print.
- Nigeria's equity: Mixed-to-Bearish Sentiment amidst low momentum.
- Nigeria's Eurobonds: Bullish sentiment supported by strong signals for the first rate cut at the next FOMC meeting.

## Outlook

- Global Economy: Global aggregate demand should continue to show signs of weakness.
- Nigeria's Macros: We foresee another round of decline in inflation rate as the base effect continues to drive the year-on-year change lower.
- Foreign Exchange Market: We expect demand to persist while we anticipate a positive result regarding the recent domestic FGN dollar bonds issuance.
- Money Market: We expect system liquidity to stay positive for most of September.
- Treasury Bills: We anticipate that the bullish trend on NTB papers will continue due to ample liquidity and lower borrowing cost.
- FGN Bonds: The Bullish sentiment should spill into September.
- Nigeria's Equity: We expect a mixed performance in September.
- Nigeria's Eurobonds: Bullish sentiment is expected to linger in September while players tilt attention toward country-specific catalysts.









## GLOBAL MACROECONOMIC REVIEW

**United States:** In July, consumer prices in the US increased at a slower pace for the fourth consecutive month. The Consumer Price Index rose to 2.90% year-on-year, down from 3.00% in June. Energy costs went up by 1.1% year-on-year, with gasoline being the main contributor. Meanwhile, the monthly core inflation rate increased to 0.20% from 0.10% due to higher shelter costs. Additionally, the second reading of the US GDP for Q2 2024 was revised upward to 3.00% year-on-year from 2.80%.

During the month, the minutes of the latest FOMC meeting revealed that most participants anticipated a reduction in interest rates, as key economic indicators were consistent with the Fed's projections. Furthermore, Jerome Powell mentioned at the Fed's annual economic symposium in Jackson Hole that "the time has come for policy to adjust."

### US, UK, Euro Area and China

				
GDP	Q2'24 ● 3.00%	Q2'24 ● 0.60%	Q2'24 ➔ 0.30%	Q2'24 ● 0.70%
	Q1'24 1.40%	Q1'24 0.70%	Q1'24 0.30%	Q1'24 1.50%
	Q2'23 2.10%	Q2'23 0.00%	Q2'23 0.10%	Q2'23 0.50%
MONETARY/ BANK RATE	Jul'24 ➔ 5.50%	Aug'24 ● 5.00%	Jul'24 ● 4.25%	Aug'24 ● 3.35%
	Jun'24 5.50%	Jul'24 5.25%	Jun'24 4.25%	Jul'24 3.35%
	Jul'23 5.50%	Aug'23 5.25%	Jul'23 4.25%	Aug'23 3.45%
INFLATION RATE	Jul'24 ● 2.90%	Jul'24 ● 2.22%	Aug'24 ● 2.20%	Jul'24 ● 0.50%
	Jun'24 3.00%	Jun'24 2.00%	Jul'24 2.60%	Jun'24 0.20%
	Jul'23 3.20%	Jul'23 6.80%	Aug'23 5.20%	Jul'23 -0.30%

**United Kingdom:** In July, the UK's inflation rate increased by 2.22% year-on-year, which was below the estimated 2.30%. This marks the first increase in 2024. Gas and electricity prices were lower than in the same period in 2023. However, core inflation declined to 3.30% year-on-year in July, down from 3.50% in June. This indicates the lowest inflation rate since September 2021.

**Euro Area:** In July, inflation decreased to 2.22% from 2.60% in June 2024, which was in line with market predictions. The last time inflation in the EU was as low as 2.22% was in July 2021. Similarly, core inflation also dropped slightly to 2.80% from 2.90% in July.

**China:** China's inflation rose to 0.50% year-on-year in July, exceeding the estimated 0.30% and the previous month's rate of 0.20%. This marked the sixth consecutive period of consumer inflation following four consecutive deflationary months from October to January. In August, the People's Bank of China kept its prime loan rates unchanged at 3.35% for the one-year loan and 3.85% for the five-year loan.



## DOMESTIC MACROECONOMIC REVIEW

### Nigeria's GDP Grew At 3.19% IN Q2'24 Year-on-year

Nigeria's Gross Domestic Product (GDP) grew by 3.19% year-on-year in Q2 2024, up from 2.98% year-on-year in Q1 2024 and 2.51% year-on-year in Q2 2023. The GDP for Q2 2024 was valued at N18.29 trillion in real terms, compared to N18.28 trillion in the first quarter of 2024.

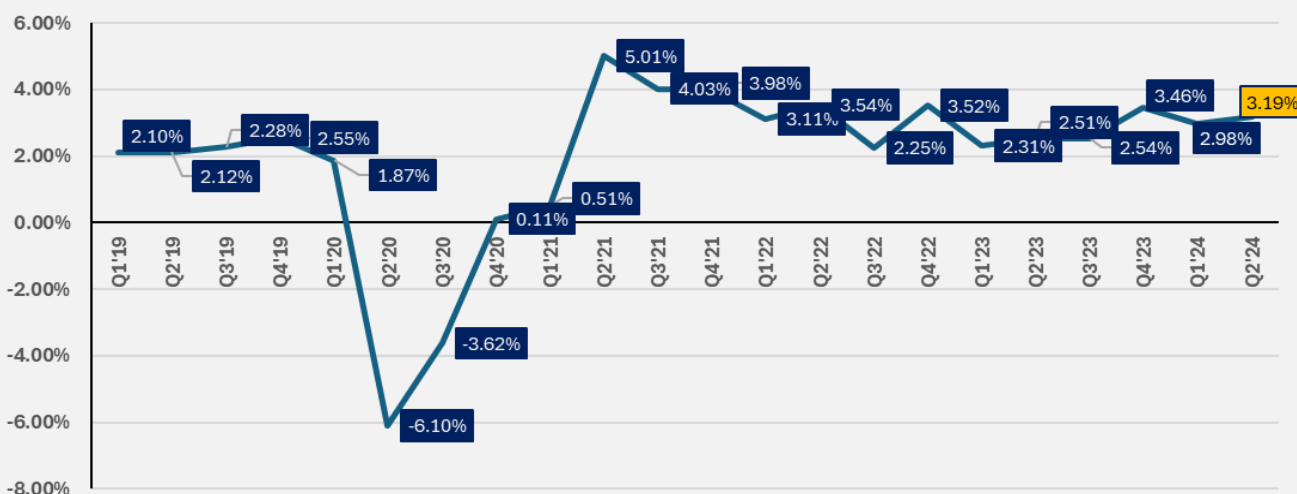
The non-oil sector expanded by 2.80% year-on-year, the same rate as in the first quarter, while the oil sector notably grew by 10.15% year-on-year, a significant increase from 5.70% year-on-year in the first quarter of 2024.

According to direct sources from OPEC, Nigeria produced 1.27 million barrels per day (mbpd) in Q2 2024, showing a 5.05% increase from 1.26 mbpd in Q1 2024. However, the average price of Brent crude oil increased by 3.91% from \$81.65 per barrel (pb) in Q1 2024 to \$84.84 pb.

Crop production, trade, and telecommunications grew by 1.65%, 0.70%, and 5.17%, respectively. Additionally, financial institutions grew by 30.37% in 2024, up from -33.30% in Q1 2024.

Regarding contribution to GDP, services had the highest share, increasing to 58.76% in Q2 2024 from 58.04%. The agricultural sector contributed 22.61%, while industries contributed 18.62%. In addition, the services sector grew faster at 3.79%, higher than 3.53% and 1.41% in the industries and agriculture sectors, respectively.

Nigeria GDP Growth Rate



Source: NBS, AIICO Capital

### Nigerian Inflation: First Decline in Headline Inflation Since December 2022.

- Headline Inflation grew at 33.40% year-on-year in July, from 34.19% year-on-year in June.
- Headline Inflation grew at 2.28% month-on-month in July, from 2.31% month-on-month in June.
- Food Inflation grew at 39.53% year-on-year in July, from 40.87% year-on-year in June.
- Food inflation grew at 2.47% month-on-month in July, from 2.55% month-on-month in June.
- Core Inflation grew at 27.47% year-on-year in July, from 27.40% year-on-year in June.
- Core Inflation grew at 2.16% month-on-month in July, from 2.06% month-on-month in June.

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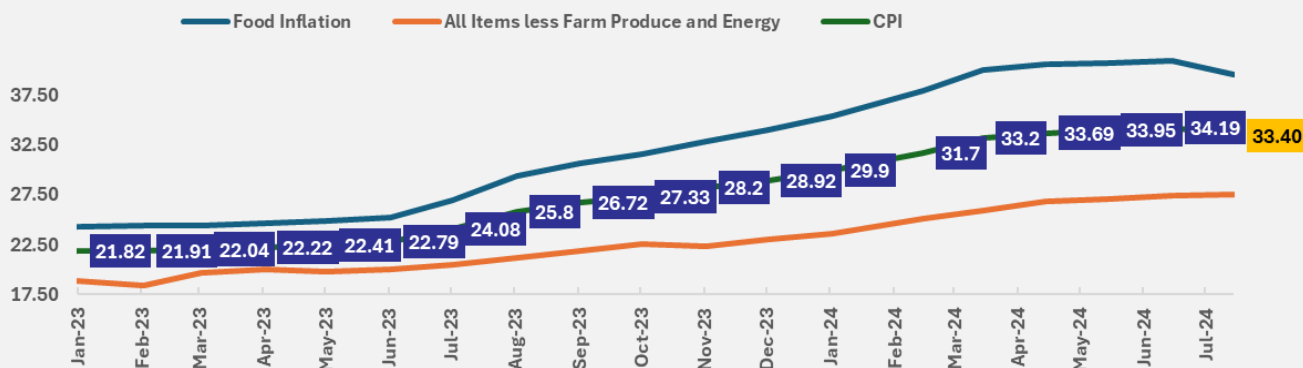
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## DOMESTIC MACROECONOMIC REVIEW

Similar to June's inflation report, all basket components increased between June and July. However, specific components of the inflation basket increased at a slower pace. Notably, the food and non-alcoholic beverage component, which accounted for 17.30% of the inflation, grew by 2.47% month-on-month in July, down from 2.55% month-on-month in June.

Given the significant influence of food inflation on overall inflation, we anticipate a decrease in inflation in the next reading as the base effect continues to drive the year-on-year change lower. This is in addition to the anticipated impact of duty-free imported food items on inflation.



Source: NBS, AIICO Capital

### Issuance of Domestic FGN US Dollar Bond.

In August, the FGN, through the DMO, issued a \$500.00 million domestic dollar bond, the first of its kind. This was the first series of a total programme size of \$2 billion. The bond has a lifespan of 5 years, with a 9.75% coupon paid would be paid semi-annually. The minimum subscription amount is \$10,000, with additional subscription in multiples of \$1,000. Also, buyers of the bond would be exempted from taxes.

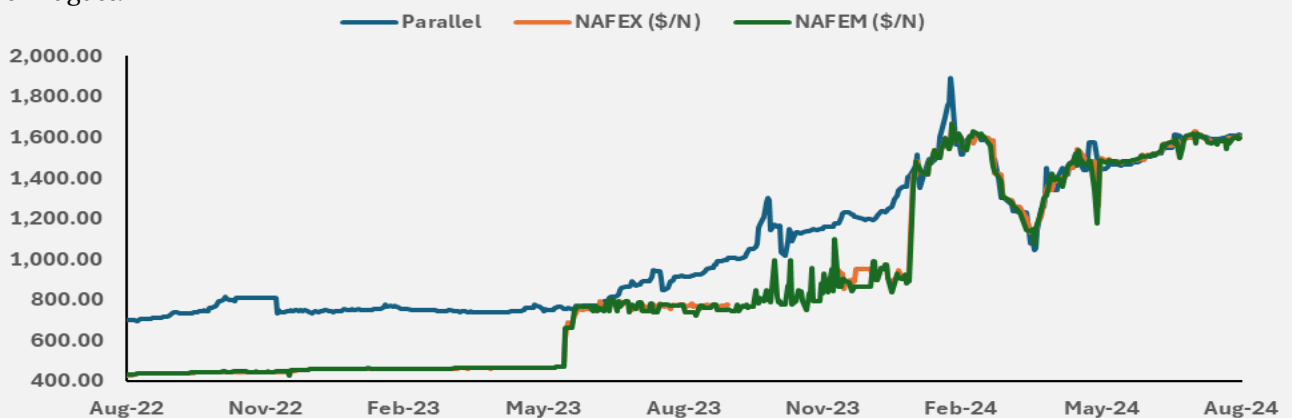


## MARKET UPDATE

### Foreign Exchange Market – Slight appreciation in the Naira, amid retail FX auction sales.

In August, the Naira recorded marginal appreciation amid minimal volatility. The CBN's retail Dutch Auction (rDAS) helped maintain stability as \$876.26 million was sold at ₦1,495 per dollar to 26 dealer banks out of \$1.18 billion in total bids from 32 authorized dealer banks. As a result, the Naira appreciated by 0.63% month-on-month to ₦1,598.56 per USD in the NAFEM window and by 1.57% month-on-month to ₦1,602.58 per USD based on NAFEX fixing.

However, in the parallel market, there was a slight depreciation, with the Naira losing approximately 0.78% month-on-month to ₦1,615.35 per USD. Additionally, gross external reserves decreased by 1.30% month-on-month, from \$36.80 billion at the end of July to \$36.32 billion at the end of August. The price of Brent crude oil also declined by 2.50%, dropping from \$86.84 per barrel at the end of July to \$78.82 per barrel at the end of August.



Source: FMDQ, Rate Captain, AIICO Capital

**Outlook:** In September, we anticipate that the \$500 million domestic dollar issuance will be oversubscribed, thus bolstering FX market liquidity. We also expect that the demand for foreign currencies will continue while the CBN seeks ways to stabilize the market.

### Money Market Review – Liquidity boost from FAAC credits, SWAP maturities, and relaxed policy on standing lending and deposit facilities.

In the early period of the month, system liquidity was buoyant due to inflows from FAAC credits from the previous month and other government remittances. As the month progressed, liquidity moderated significantly following the retail Dutch Auction (rDAS) funding, worth c. ₦1.20 trillion. However, system liquidity was rejuvenated from SWAP maturities, early FAAC credits, and FGN bond coupon inflows. In addition, system liquidity was stabilized on the back of the revised CBN's policy regarding the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF). The key points are noted below:

1. Authorized dealers are now permitted to access the SLF at 31.75%, as the suspension has been lifted.
2. Authorized dealers are still permitted to access the ILF (Intraday Lending Facility) window at no cost. If not settled, ILF will be automatically converted to SLF and incur the 5% penalty (total cost of 36.75%)
3. Rediscounting of instruments pledged by participants at the penal rate, has been reintroduced.
4. For Commercial and Merchant Banks, the SDF rate of 25.75% will now be limited to deposits up to N3bn, after which a fixed rate of 19% will be applied for excess deposits above N3bn.
5. For Payment Service Banks- The SDF rate of 25.75% will now be limited for deposits of up to N1.5bn, after which a fixed rate of 19% will be applied for excess deposits above N1.5bn

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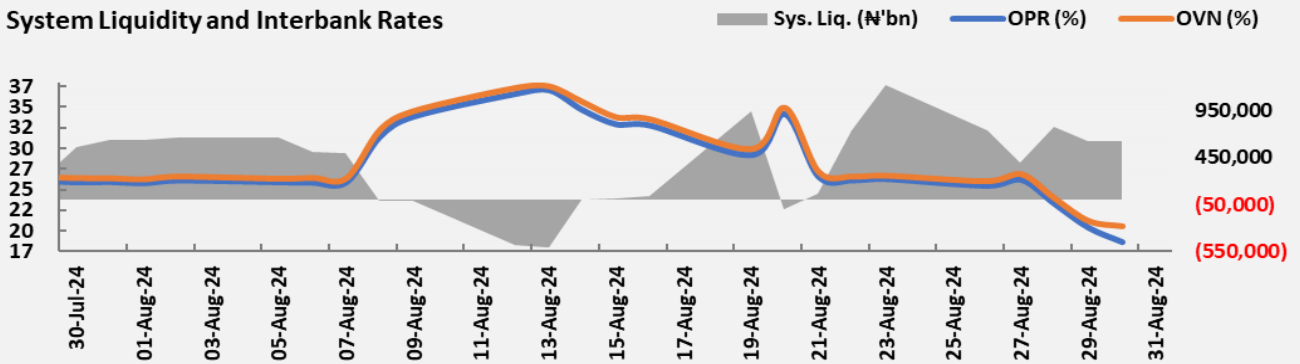


# MARKET UPDATE

Overall, the average opening system liquidity increased significantly from -₦490.42 billion in July to +₦365.28 billion in August. As a result, the average Open Repo Rate (OPR) declined by 207bps month-over-month to 27.92%, while the Overnight Rate (OVN) decreased by 202bps month-over-month to 28.57%.

**Outlook:** Given the new CBN's policy on SDF and SLF, we expect system liquidity to stay positive for most of September. However, since this could ease short-term treasuries, we expect the MPC meeting to provide context, especially in maintaining balance with the monetary policy rate.

## System Liquidity and Interbank Rates



Source: CBN, FMDQ, AIICO Capital

## Treasury Bills – Bullish bias influenced by robust liquidity and dovish OMO and NTB auctions.

The treasury bills market posted a solid bullish performance in August, given the combined impact of falling stop rates and improved system liquidity. Furthermore, the CBN held two OMO bills auctions in August. The first and second OMO auctions saw a drop in stop rates, with the CBN selling ₦869.00 billion and ₦758.00 billion, respectively. During the month, the DMO sold a total of ₦494.05 billion treasury bills at both auctions, which were both in line with the offer sizes.

Overall, the average mid-rate plunged by 466 bps month-on-month to 18.47% at the end of August.

AUGUST 2024 NTB AUCTION RESULT				
Tenor	Jul'24	Aug 24	Aug 24	Change M-o-M (basis points)
	Close	Auc 1	Auc 2	
91	18.5000%	18.5000%	18.2000%	(30.00)
182	19.5000%	19.5000%	19.2000%	(30.00)
364	22.1000%	21.8890%	20.9000%	(120.00)

AUGUST 2024 OMO AUCTION RESULT				
Tenor	Last Stop Rates	Aug 24	Aug 24	Change M-o-M/Last Issuance (basis points)
		Auc 1	Auc 2	
Short	18.7400%	18.4890%	-	(25.10)
Medium	19.4800%	19.2880%	-	(19.20)
Long	22.4800%	21.8900%	21.8700%	(61.00)

AUGUST NTB	Rollover (₦'bn)	Allot (₦'bn)	New Issues (₦'bn)
Auc 1	277.96	277.96	0.00
Auc 2	216.09	216.09	0.00

Source: CBN, FMDQ, AIICO Capital

**Outlook:** The focus of market participants will be the MPC meeting. We anticipate that the bullish trend on NTB papers will continue due to ample liquidity and the DMO's unwillingness to borrow at higher costs. Additionally, we expect the CBN to continue its regular OMO auctions to mop up excess liquidity.



# MARKET UPDATE

## FGN Bond Market – Bullish Sentiment supported by ample system liquidity and lower inflation print.

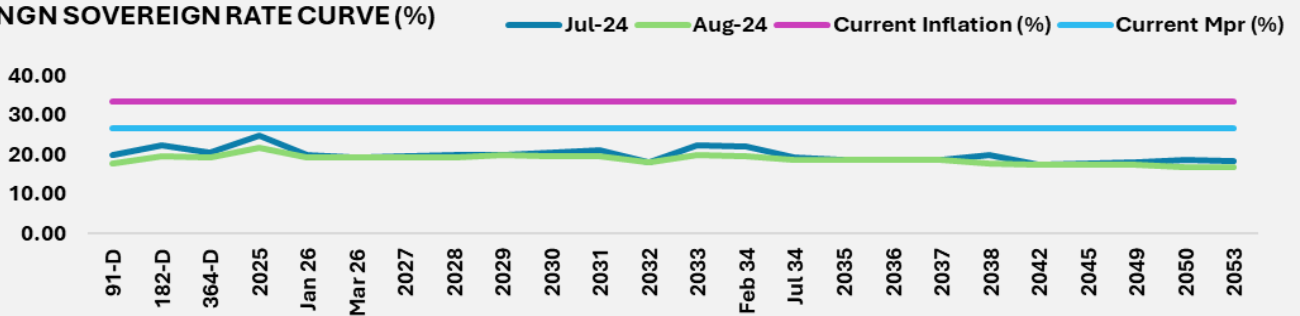
The local bond market was not left out in the bullish frenzy. In addition to the robust system liquidity, the lower headline inflation fostered the expectation for a dovish bond auction. Eventually, the bond auction was mixed, with only the 5-year paper (April 2029) closing higher at 20.30% (+41bps) compared to the previous auction, while the Feb 2031 and May 2033 papers closed lower at 20.90% (-10bps) and 21.50% (-48bps), respectively.

In the end, the market settled bullish at 18.96%, implying a decline of 67bps compared to 19.63% recorded in July.

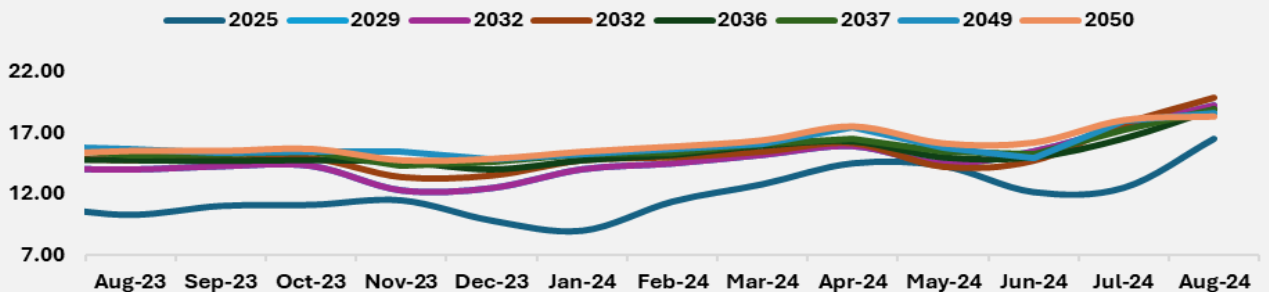
AUGUST 2024 BOND AUCTION						
Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Yield	July'24 Close	Change M-o-M (bps)
17 Apr 29	70.00	24.35	18.35	20.30%	18.89%	+41.00
21 Feb 31	70.00	60.75	42.19	20.90%	21.00%	(10.00)
15 May 33	50.00	375.08	314.21	21.50%	21.98%	(48.00)
	190.00	460.18	374.75			

Source: DMO, AIICO Capital

### NGN SOVEREIGN RATE CURVE (%)



Source: FMDQ, NBS, CBN, AIICO Capital



Source: DMO, AIICO Capital

**Outlook:** Considering all pointers like system liquidity, bond coupon, lower inflation, and lower government borrowing costs, the bullish sentiment should spill into September.

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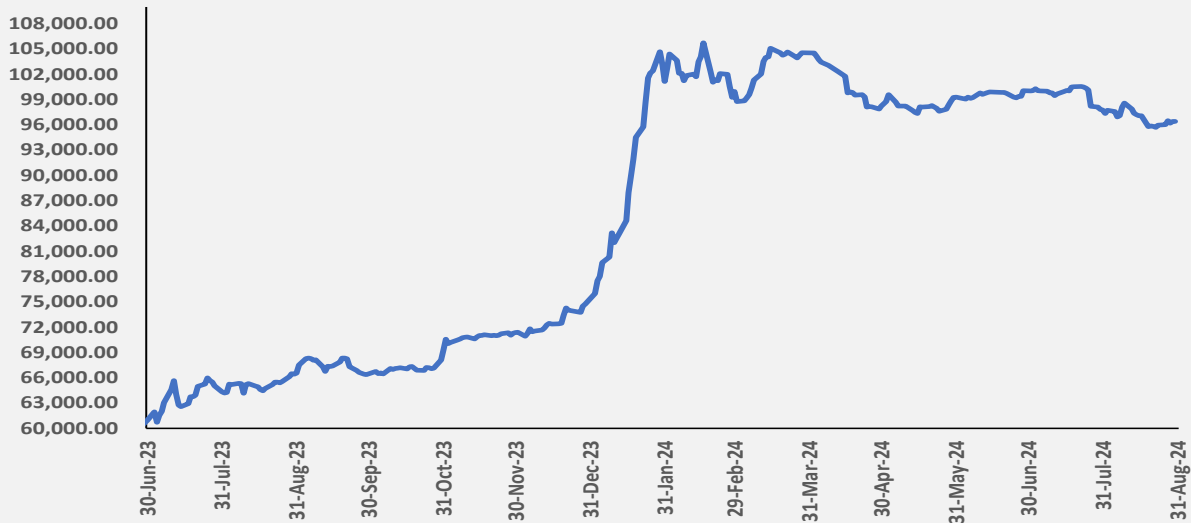


# MARKET UPDATE

## Equities Market Performance in August – *Mixed-to-Bearish Sentiment amidst low momentum.*

The Nigerian equity market settled on a bearish note in August, driven by the decline in the price of some large-cap tickers, including BUACEMENT (-20.46%), TRANSPOWER (-10.35%), MTNN (-10.00%), and DANGCEMENT (-10.00%). Conversely, the oil & gas index led the bulls in line with our expectations. Tickers like OANDO (+207.60%), TOTAL (+73.28%), and ETERNA (+45.26%) populated the top advancers amongst the bellwether stocks.

**NGX ASI 1-Year Chart**



Source: NGX, AIICO Capital

Overall, the All-Share Index (ASI) ended the month on a bearish note, falling by 1.22% month-on-month and settling at 96,579.254 points. The year-to-date return and market capitalization closed lower at 29.16% (from 30.76%) and ₦55.47 trillion (from ₦55.51 trillion).

### Sectorial Performance: All sectors closed in the green except the industrial index.

The oil & gas index increased by 22.39% month-on-month in August, while the banking and consumer goods indices increased by 6.96% and 4.30%, month-on-month, respectively. However, the industrial index declined by 13.06%, month-on-month.

	August	YTD
Market Capitalization	↓ -0.06%	↑ 35.58%
NGX ASI	↓ -1.22%	↑ 29.16%
NGX Banking Index	↑ 6.96%	↓ -4.46%
NGX Insurance Index	↑ 11.46%	↑ 31.87%
NGX Industrial Index	↓ -13.06%	↑ 42.12%
NGX Consumer Index	↑ 4.30%	↑ 40.46%
NGX Oil & Gas Index	↑ 22.39%	↑ 78.43%

Source: NGX, Bloomberg, AIICO Capital

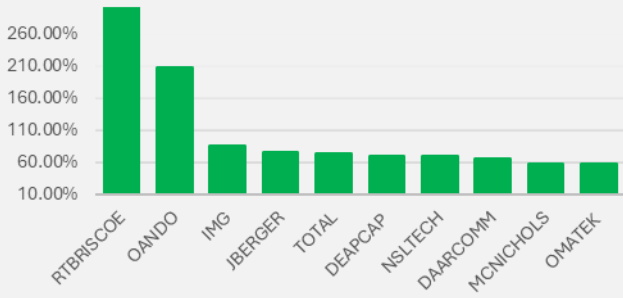
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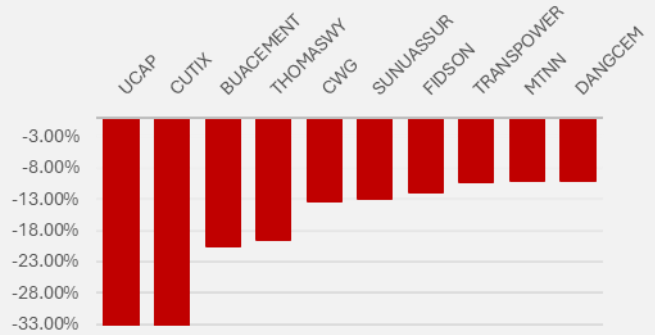


# MARKET UPDATE

TOP 10 ADVANCERS (M/M)



TOP 10 DECLINERS (M/M)



Source: NGX, Bloomberg, AIICO Capital

**Outlook:** We expect a mixed performance in September, with likely profit taking on several stocks and cherry-picking on attractively priced tickers.





# EUROBONDS

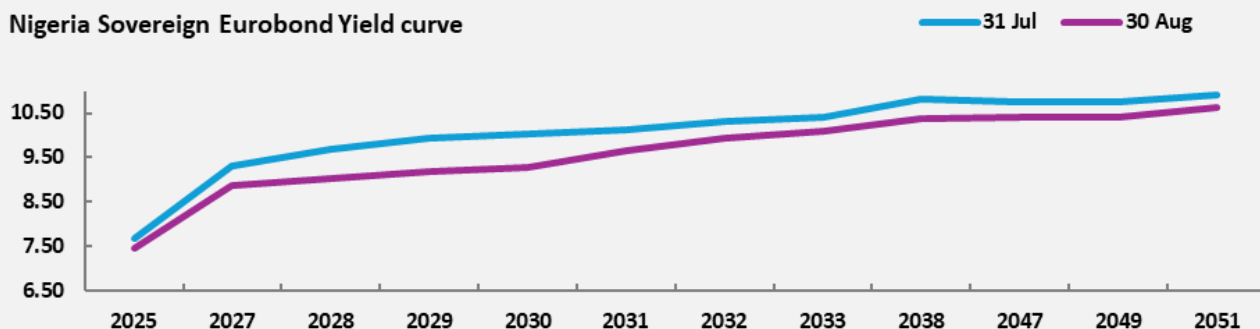
**Eurobonds Market** – *Bullish sentiment supported by strong signals for the first rate cut at the next FOMC meeting.*

The Eurobonds market closed bullish in August following the lower inflation print, dovish Fed minutes, and Jerome Powell's dovish speech at the Fed's annual economic symposium in Jackson Hole.

US inflation (CPI) grew by 0.20% month-on-month, which aligns with market forecasts. However, year-on-year inflation rose by 2.90% year-on-year, lower than the estimated 3.0% year-on-year.

For context, the average mid-yield decreased by 12bps month-on-month, to settle at 9.94%.

**Nigeria Sovereign Eurobond Yield curve**



Source: FBN UK, AIICO Capital

## Other notable information:

- Fitch Downgraded Kenya's sovereign rating to "B-" from "B"; Outlook Stable. This marked the third downgrade since June this year. This downgrade came after similar actions by Fitch and Moody's.
- Angola considered Eurobonds sales. "International markets are once again open to countries with characteristics similar to Angola, and Angola could issue Eurobonds at any time," said Ottoniel dos Santos, Angola's secretary for finance.
- The government of Ghana invite its Eurobond investors for a debt exchange offer to boost its debt restructuring efforts. According to the finance minister, this would give bondholders an offer to exchange their existing debts for reissued ones in a 21-day offer.

**Outlook:** Bullish sentiment is expected to linger in September while players gradually tilt attention toward country-specific catalysts.

Contact us now to receive valuable investment guidance today.



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