

Actionable Market Insights, Delivered Weekly.

AIICO CAPITAL

MARKET COMMENTARY

DATE: Friday | 20 September 2024

Money Market

System liquidity improved this week compared to the previous week, supported by OMO maturities and FGN bond coupon inflows. However, it remained negative, with most Deposit Money Banks (DMBs) relying on CBN's standing Lending Facility (SLF) to fund their operations. Consequently, the Open Repo Rate (OPR) and the Overnight Rate (O/N) decreased by 151 bps and 176 bps, settling at 29.69% and 29.97%, respectively.

Outlook: We anticipate sufficient system liquidity next week due to FGN bond coupons and FAAC inflows. However, debits from NTB and FGN bond auctions may further exacerbate the liquidity situation.

Treasury Bills

This week, the treasury bills market showed mixed to bearish sentiments due to tight system liquidity. Most of the trading activity focused on medium- and long-term papers. Towards the end of the week, there were few buying interests on September papers ahead of next week's auction. Overall, the average mid-rate across the benchmark NTB papers increased by 13 bps week-on-week, reaching 19.43%.

Outlook: We anticipate a cautious start to the week as investors shift their attention to the MPC meeting.

FGN Bonds

The local bond market started the week quietly. Later on, there was demand for specific papers (2031s and May 2033s) due to coupon payments for certain bonds, but overall, the market sentiment was mixed. Offers improved towards the close of the market as market players positioned themselves ahead of the upcoming FGN bond auction. Overall, the average mid-yield increased by 7 bps week-on-week to 18.45%.

Outlook: Next week, the focus will be on the FGN bond auction and the MPC meeting.

Eurobonds Markets

This week, the highly anticipated FOMC meeting occurred, with the Federal Reserve cutting their benchmark interest rate by a larger-than-expected 50 bps to a range of 4.75% - 5.00%. This led to a rally in the African Eurobonds market. However, the bullish sentiment was dampened by the speech of Fed chair Jerome Powell, who emphasized that such a large rate cut would not be the norm unless future data justifies it. As a result, the average mid-yield on the Nigerian bond curve decreased by 58 bps week-on-week, reaching 9.22%.

Outlook: We anticipate the same sentiment will continue next week, as participants continue to reassess the impact of the recent rate cut on their positions.

BENCHMARK T-BILLS DISCOUNT RATES

	20-Sep-24	13-Sep-24	Change in Rates
83 days	16.42%	16.42%	➡ 0.00%
174 days	19.45%	19.45%	➡ 0.00%
349 days	18.40%	18.40%	➡ 0.00%

Source: FMDQ DQL for 20-Sep-2024

BENCHMARK FGN BOND YIELDS

	20-Sep-24	13-Sep-24	Change in Yield
5 yrs: 14.55% 26-Apr-2029	18.15%	19.58%	↓ -1.43%
10 yrs: 19.00% 21-Feb-2034	20.30%	19.70%	↑ 0.60%
20 yrs: 15.45% 21-Jun-2038	17.15%	17.15%	↓ 0.00%
30 yrs: 15.70% 21-Jun-2053	16.60%	16.80%	↓ -0.20%

Source: FMDQ DQL for 20-Sep-2024

BENCHMARK FGN EUROBOND YIELDS

	20-Sep-24	13-Sep-24	Change in Yield
5 yrs: NGERIA 8.375% 03/24/29	9.17%	9.31%	↓ -0.14%
10 yrs: NGERIA 7.375% 09/29/33	9.93%	10.24%	↓ -0.31%
15 yrs: NGERIA 7.696% 23/02/38	10.22%	10.49%	↓ -0.26%
30 yrs: NGERIA 8.25% 09/29/51	10.51%	10.73%	↓ -0.22%
8.75% ETI 06/17/31*	8.26%	8.11%	↑ 0.15%

Source: FBN UK Runs for 20-Sep-2024

		Diff.
20-Sep-24	1,541.52	
13-Sep-24	1,546.41	↓ (4.89)

Source: FMDQ

	SYS. LIQ. (N'BN)	Diff.
20-Sep-24	(272.48)	
13-Sep-24	(503.03)	↑ 230.55

Source: CBN

NAME OF FUND	EFFECTIVE YIELD (%)
AIICO MONEY MARKET FUND	22.40
AIICO BALANCED FUND	8.68
AIICO EUROBOND FUND	6.83

As of 19 September 2024

MACRO INDICATORS

GDP (Q1 2024)	+3.19% (Q1: 2023 +2.98% y/y)
Inflation (Jul'2024)	32.15% (Jul'24: 33.40%)
External Reserve (US\$'billion)	37.31 (+13.36% YTD)
Monetary Policy Rate	26.75%
Cash Reserve Requirement (CRR)	45.00%
Brent Crude Price US\$/bbl	*74.66 (-0.12 d/d)

Source: NBS, CBN, AIICO Capital

Nigerian Equities

The Nigerian equities market continued its bullish streak, with the All-Share Index advancing by 0.81% week-on-week, closing at 98,247.99 points. Gains in GEREGU, MTNN, and FIDELITYBK countered profit-taking in OANDO and FBNH. CAVERTON, GEREGU, and FLOURMILL hit new highs, while 16.1 million units of DANGCEM were traded off-market. Fidson Healthcare sealed a major partnership with Chinese firms, boosting investor sentiment.

Outlook: We anticipate cautious activity next week as investors await the outcome of the upcoming MPC Meeting.

Foreign Exchange

The Naira experienced increased volatility this week, hitting a high of ₦1,656.49/\$ but closing at ₦1,541.52/\$, resulting in a 0.32% gain week-on-week.

Outlook: We expect the volatility to persist next week.

Commodities

Oil prices dropped on Friday but were still poised to finish the week with gains. This follows a significant decrease in U.S. interest rates and decreasing global stockpiles. Brent oil rose by 3.90% to \$74.66 per barrel for the week, while WTI increased by 4.95% to \$72.35 per barrel. In addition, Gold reached above the \$2,600 level on Friday for the first time, with a 1.43% increase to reach \$2,647.70 per ounce. This surge was driven by expectations of further U.S. interest rate cuts and escalating tensions in the Middle East.

Outlook: We expect the trend to persist next week.

Top 5 Equity Advancers W-o-W

Ticker	Px	% Change	Points	% Mov
GEREGU	1,150.00	↑ 15.00%	↑ 688.70	↑ 87.03%
MTNN	199.8	↑ 3.95%	↑ 284.10	↑ 35.90%
FIDELITYBK	13.6	↑ 24.20%	↑ 141.01	↑ 17.82%
GTCO	47.5	↑ 3.26%	↑ 81.08	↑ 10.25%
STANBIC	57	↑ 2.74%	↑ 36.11	↑ 4.56%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W

Ticker	Px	% Change	Points	% Mov
OANDO	82.5	↓ -7.36%	↓ 149.54	↓ -18.90%
FBNH	27.5	↓ -5.17%	↓ 98.88	↓ -12.50%
FLOURMILL	50.45	↓ -7.43%	↓ 30.50	↓ -3.85%
TRANSCORP	10.8	↓ -3.57%	↓ 29.86	↓ -3.77%
WAPCO	36.55	↓ -2.40%	↓ 26.62	↓ -3.36%

Source: NGX, AIICO Capital

Index Performance Summary

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↑ 0.25%	↑ 0.81%	↑ 1.73%	↑ 31.39%
NSE Banking Index	↓ -0.24%	↑ 1.26%	↑ 6.33%	↑ 1.59%
NSE Insurance Index	↑ 2.39%	↑ 0.86%	↓ -2.10%	↑ 29.10%
NSE Industrial Goods Index	↑ 0.01%	↓ -0.13%	↓ -0.13%	↑ 41.93%
NSE Consumer Goods Index	↓ -0.38%	↓ -0.77%	↓ -0.50%	↑ 39.76%
NSE Oil & Gas Index	↑ 0.41%	↑ 0.02%	↑ 3.57%	↑ 84.80%

Source: NGX, Bloomberg, AIICO Capital

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