

Actionable Market Insights, Delivered Weekly.

AIICO CAPITAL

MARKET COMMENTARY

DATE: Friday | 27 September 2024

Money Market

System liquidity improved significantly this week, mainly due to inflows from FAAC, FGN bond coupons, and the maturity of FGN Sukuk 2024. The major highlight for the week was the increase in MPR by 50bps to 27.25% and the increment of the CRR from 45.00% to 50.00% for commercial banks. Interbank rates remained around 20.00% for most of the week but increased after the OMO auctions at the end of the week. Overall, the interbank rates showed mixed numbers week on week, with the Open Repo Rate (OPR) decreasing by 26bps to 29.43%, while the Overnight Rate (O/N) increased by 5bps to 30.0% and 29.97%, respectively.

Outlook: We expect the interbank rates to remain at similar levels next week.

Treasury Bills

The treasury bills market endured a bearish theme this week, spurred by the hike in MPR. This sentiment was also reflected at the NTB auction during the week, with rates increasing to 17.00%(+37bps), 17.50%(+50bps), and 20.00%(+141bps), across the 91, 182, and 364-day papers, respectively. The bearish bias was exacerbated by the OMO auctions held at the end of the week, with a total of ₦254.90 billion sold at a c.24.33% discount. Overall, the average mid-rate across the benchmark NTB papers increased by 104 bps week-on-week, reaching 20.47%.

Outlook: We anticipate a cautious start to the week as participants focus on month-end housekeeping.

FGN Bonds

The local bonds market ended the week on a bearish note. At the bond auction earlier in the week, the DMO closed the bonds on offer (Apr 2029s, Feb 2031s, May 2033s) at significantly lower rates than the previous levels, although they sold more than the offered amount. After the auction, there was a bearish trend due to the increase in the MPR and the higher stop rates at the NTB auction. By the end of the week, offers on the May 2033 bond exceeded 21.00%. Overall, the average mid-yield increased by 49 bps week-on-week to 18.94%.

Outlook: We expect a quiet start next week.

Eurobonds Markets

The African Eurobonds market had a positive start to the week, driven by optimism following the US Federal Reserve's interest rate cut and a steady rise in oil prices. Additionally, news of China's stimulus package led to a significant rally in the Asian markets, impacting the African Eurobonds. However, the market ended negatively due to a substantial decline in oil prices caused by the possibility of increased oil supplies from Saudi Arabia, overshadowing China's efforts to stimulate its economy and few profit takings. Overall, the average mid-yield on the Nigerian bond curve increased by 27 basis points week-on-week, reaching 9.49%.

Outlook: We anticipate a muted start next week.

BENCHMARK T-BILLS DISCOUNT RATES

	27-Sep-24	20-Sep-24	Change in Rates	
90 days	17.78%	16.42%	↑	1.36%
181 days	20.35%	19.45%	↑	0.90%
342 days	18.51%	18.40%	↑	0.11%

Source: FMDQ DQL for 27-Sep-2024

BENCHMARK FGN BOND YIELDS

	27-Sep-24	20-Sep-24	Change in Yield	
5 yrs: 14.55% 26-Apr-2029	18.17%	18.15%	↑	0.02%
10 yrs: 19.00% 21-Feb-2034	20.20%	20.30%	↓	-0.10%
20 yrs: 15.45% 21-Jun-2038	17.15%	17.15%	→	0.00%
30 yrs: 15.70% 21-Jun-2053	16.60%	16.60%	→	0.00%

Source: FMDQ DQL for 27-Sep-2024

BENCHMARK FGN EUROBOND YIELDS

	27-Sep-24	20-Sep-24	Change in Yield	
5 yrs: NGERIA 8.375% 03/24/29	9.10%	9.17%	↓	-0.07%
10 yrs: NGERIA 7.375% 09/29/33	9.77%	9.93%	↓	-0.16%
15 yrs: NGERIA 7.696% 23/02/38	10.15%	10.22%	↓	-0.07%
30 yrs: NGERIA 8.25% 09/29/51	10.42%	10.51%	↓	-0.09%
8.75% ETI 06/17/31*	8.26%	8.26%	→	0.00%

Source: FBN UK Runs for 27-Sep-2024

		Diff.
27-Sep-24	1,540.78	
20-Sep-24	1,541.52	↓ (0.74)

Source: FMDQ

	SYS. LIQ. (N'BN)	Diff.
27-Sep-24	698.14	
20-Sep-24	(272.48)	↑ 970.62

Source: CBN

NAME OF FUND	EFFECTIVE YIELD (%)
AIICO MONEY MARKET FUND	22.31
AIICO BALANCED FUND	9.36
AIICO EUROBOND FUND	6.82

As of September 26, 2024

MACRO INDICATORS	
GDP (Q2 2024)	+3.19% (Q1: 2023 +2.98% y/y)
Inflation (August'2024)	32.15% (Jul'24: 33.40%)
External Reserve (US\$ billion)	37.87 (+15.06% YTD as of 25-Sep-24)
Monetary Policy Rate	27.25%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*72.34 (-2.32 d/d)

Source: NBS, CBN, AIICO Capital

Nigerian Equities

The local equities market maintained a bullish momentum as it closed at 98,458.68 points, with bargain hunting in SEPLAT, UBA, FLOURMILL, and FIDELITYBK offsetting selloffs in MTNN and OANDO, pushing the All-Share Index up by 21bps w/w. Active trades in FIDELITYBK and TRANSCORP were notable, while FLOURMILL rallied following its proposed acquisition. SEPLAT and CAVERTON reached new 52-week highs. Key events include the execution of 400 million MECURE shares and GTCO's dividend markdown.

Outlook: We anticipate cautious trading next week, though buying interest may emerge as investors position for Q3 earnings reports and corporate actions.

Foreign Exchange

This week, the naira experienced increased volatility at the NAFEM window, with the USDNGN fluctuating between ₦1,540.00/\$ and ₦1,650.00/\$. However, it appreciated on the last day of the week to close at ₦1,540.78/\$, leading to a 0.05% gain week-on-week.

Outlook: We expect the volatility to persist next week.

Commodities

Oil prices experienced a weekly decline due to the possibility of increased oil supplies from Saudi Arabia, which outweighed China's efforts to boost its economy. As of the latest report, Brent oil dropped by 3.11% to \$72.34 per barrel for the week, while WTI decreased by 5.25% to \$68.55 per barrel. In contrast, gold prices were on track for their strongest quarter in over eight years, reaching a series of record highs in recent sessions. Gold increased by c.1.00% week-on-week, reaching \$2,674.30 per ounce.

Outlook: We expect the trend to persist next week.

Top 5 Equity Advancers W-o-W

Ticker	Px	% Change	Points	% Mov
SEPLAT	4,103.10	↑ 10.00%	↑ 403.10	↑ 191.32%
UBA	25.75	↑ 6.19%	↑ 94.21	↑ 44.72%
FLOURMILL	62	↑ 22.89%	↑ 86.98	↑ 41.28%
FIDELITYBK	15	↑ 10.29%	↑ 74.50	↑ 35.36%
GTCO	47.4	↑ 1.94%	↑ 48.82	↑ 23.17%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W

Ticker	Px	% Change	Points	% Mov
MTNN	191	↓ -4.40%	↓ 328.96	↓ 156.13%
OANDO	75.2	↓ -8.85%	↓ 166.66	↓ -79.10%
OKOMUOIL	363	↓ -13.10%	↓ 95.83	↓ -45.48%
INTBREW	4.01	↓ -8.86%	↓ 19.24	↓ -9.13%
DANGSUGAR	34.85	↓ -1.83%	↓ 14.50	↓ -6.88%

Source: NGX, AIICO Capital

D-o-D

W-o-W

MTD

YTD

NGX ASI	↓ -0.07%	↑ 0.21%	↑ 1.95%	↑ 31.68%
NSE Banking Index	↓ -0.38%	↑ 2.45%	↑ 8.93%	↑ 4.08%
NSE Insurance Index	↓ -0.56%	↑ 1.43%	↓ -0.70%	↑ 30.95%
NSE Industrial Goods Index	↑ 0.02%	↓ -0.04%	↓ -0.17%	↑ 41.87%
NSE Consumer Goods Index	↓ -0.81%	↓ -0.15%	↓ -0.64%	↑ 39.56%
NSE Oil & Gas Index	↑ 0.34%	↑ 3.28%	↑ 6.97%	↑ 90.87%

Source: NGX, Bloomberg, AIICO Capital

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