MONTHLY MARKET REPORT
SEPTEMBER 2024

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REPORT SUMMARY

Review

- Global Macros: Monetary Policy Shifts Amid Inflationary Pressures and Economic Uncertainty.
- Domestic Macros: Economic Recovery Amidst Structural Reforms and Inflationary Pressures.
- Foreign Exchange Market: Naira volatility Amid Stabilization Efforts and Reserve Growth.
- Money Market: Sustained Liquidity Crunch Amid CBN's Tightening Stance.
- Treasury bills: Mixed to Bearish Bias Fuelled by the MPR hike, Multiple OMO Auctions, and Tight Market Liquidity.
- FGN Bonds: Bullish Sentiment Prevailed Despite the Rate Hike, Liquidity Crunch, and Profit-taking.
- Nigeria's Eurobonds: Mixed to Bullish Performance Amid Economic Data and Geopolitical Tensions.
- Equities Market: Bullish Recovery Amid Mixed Market Sentiments and Corporate Actions.

Outlook

- Global Economy: Further monetary policy easing; lower inflationary pressures; Middle East tensions to persist.
- Domestic Macros: Cautious Optimism Amid Economic Adjustments and Market Volatility.
- Foreign Exchange Market: We expect volatility to persist, with the CBN still seeking ways to stabilize the market.
- Money Market: We anticipate the CBN will continue its tightening stance.
- Treasury Bills: We expect the DMO to sustain the current rates.
- FGN Bonds: We anticipate renewed investors' interest in the attractively priced securities.
- Nigeria's Eurobonds: Expect positive market sentiment to continue as investors focus on specific factors within each country.
- Equities Market: Optimistic investors' interests amid Q3 earnings should propel the ASI.

GLOBAL MACROECONOMIC REVIEW

United States: *Fed's Rate Cut Sparks Market Movement Amid Mixed Inflation Signals*

The US Federal Reserve made a significant decision to cut its interest rates for the first time in over four years. The key lending rate was reduced by 0.5 percentage points to 4.75% - 5%. The larger-than-expected cut was aimed at supporting a cooling job market and stabilizing inflation. This decision led to a rally in banking stocks, with institutions like Citigroup, JPMorgan, and Capital One seeing gains, although Wall Street ended slightly down.

Moody's cautioned that lower rates could initially squeeze banks' net interest income, but over time, the reduced borrowing costs may stimulate economic growth and improve asset quality, particularly for regional banks exposed to commercial real estate. Inflation remained mixed, with the Consumer Price Index (CPI) rising 0.2% in August and the core CPI slightly above expectations at 3.2%. These inflation subtleties suggest that the Fed may pursue a cautious 25-bps cut in the future rather than further aggressive reductions, with growth still steady and inflation trending downward.

United Kingdom: *BoE Holds Steady Despite High Inflation, Bond Reduction Planned*

The Bank of England (BoE) held interest rates steady at 5% during its September meeting, despite rising inflationary pressures. Core inflation was reported at 3.6% in August, and services inflation surged to 5.6%, intensifying debates over the path forward for monetary policy. Despite calls for easing, only one member of the Monetary Policy Committee voted for a rate cut. Alongside this decision, the BoE announced plans to reduce its government bond holdings by £100 billion over the next year, continuing its monetary tightening efforts.

The market responded positively to the BoE's cautious approach, with the British pound strengthening against both the US dollar and the euro. Meanwhile, UK government borrowing soared to £13.7 billion in August, £2.5 billion higher than forecasts, driven by inflation-related spending. Total borrowing for the financial year reached £64.1 billion, reflecting the continued fiscal strain caused by inflation. The BoE's decision to maintain rates reflects a measured strategy to address inflation without stifling growth.

Europe: *ECB Cuts Rates as Inflation Eases, Economic Growth Slows*

The European Central Bank (ECB) reduced interest rates by a quarter-point, lowering the deposit rate to 3.5% in response to cooling inflation and weakening economic performance. Inflation in the Eurozone dropped to 2.2% in August, its lowest in over a year. However, policymakers remain divided over the pace of further cuts, with some concerned about wage growth and inflation risks. Industrial output in key economies such as Germany and Italy has slowed, prompting a downgrade in growth forecasts.

ECB President Christine Lagarde stressed the importance of a data-driven approach, indicating that the central bank would remain flexible in responding to incoming economic data. While rates are expected to hold steady at the upcoming October meeting, further cuts are on the table if economic conditions worsen. Spain's economy provided a glimmer of hope, with GDP growing 0.8% in the second quarter and annual inflation dropping to a three-year low of 1.5%. Despite this, core inflation remains a concern at 2.4%, reflecting underlying pressures that may shape future ECB decisions.

Asia: *China Stimulus Boosts Markets, Japan Faces Persistent Inflationary Pressures*

Asia's economic landscape was shaped by China's largest economic stimulus package since the pandemic, with over $325 billion in interventions aimed at reviving the sluggish economy. The announcement led to a 4.3% surge in the CSI 300 index and a rise in global commodity prices such as silver and copper, benefiting international markets. However, skepticism lingers over China's ability to deliver sustained growth, given its mixed success with past stimulus efforts.

In Japan, core inflation continued its upward trajectory, with consumer prices, excluding fresh food, rising by 2.8% year-over-year in August. This marked the fourth consecutive month of increases, driven largely by processed food costs. The inflationary trend comes as the Bank of Japan (BoJ) prepares to make a policy decision, with expectations that it will hold rates steady for now. Japan's Tokyo-area inflation also slowed to 2% in September, influenced by energy subsidies. Meanwhile, China's central bank, the People's Bank of China (PBOC), lowered its seven-day reverse repo rate to 1.5% and its medium-term lending facility rate to 2%, signaling further monetary easing to support growth. Global stock markets, especially in Europe and China, have benefited from the positive sentiment generated by these moves.

Key Economic Snapshot

GDP	Q2'24	3.00%	Q2'24	0.50%	Q2'24	0.20%	Q2'24	0.70%
	Q1'24	1.60%	Q1'24	0.70%	Q1'24	0.30%	Q1'24	1.50%
	Q2'23	2.10%	Q2'23	0.00%	Q2'23	0.20%	Q2'23	0.50%
INTEREST/ POLICY RATE	Sep'24	5.00%	Sep'24	5.00%	Sep'24	3.65%	Sep'24	3.35%
	Aug'24	5.50%	Aug'24	5.00%	Aug'24	4.25%	Aug'24	3.35%
	Sep'23	5.50%	Sep'23	5.25%	Sep'23	4.50%	Sep'23	3.45%
INFLATION RATE	Aug'24	2.50%	Aug'24	2.20%	Sep'24	1.80%	Aug'24	0.60%
	Jul'24	2.90%	Jul'24	2.20%	Aug'24	2.20%	Jul'24	0.50%
	Aug'23	3.70%	Aug'23	6.70%	Sep'23	4.30%	Aug'23	0.10%

Source: Bloomberg, Trading Economics, AIICO Capital

Africa - *Debt Restructuring, Economic Policies, and Challenges in Africa: A Continent at Crossroads*

In the face of mounting debt and economic pressures, several African countries are undertaking significant measures to stabilize their economies. Ghana made notable progress with its debt restructuring efforts, offering bondholders a swap of approximately $13 billion in international bonds for new securities. This move, part of the G20's Common Framework, aims to reduce Ghana's debt by $4.7 billion and improve cash flow by $4.4 billion by 2026. The restructuring aligns with the IMF's program timeline, and bondholders participating before the September 30 deadline are incentivized with a 1% consent fee. Ghana's economic recovery strategy also includes inaugurating the Royal Ghana Gold Refinery, the country's first commercial gold refinery, a public-private partnership to process over 400 kilograms daily. This effort is expected to reduce raw gold exports and boost local value retention, diversifying Ghana's economy and increasing government revenues.

GLOBAL MACROECONOMIC REVIEW.../3

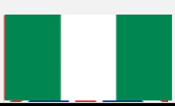
In Egypt, the central bank held its key lending rate steady at 28.25% in response to easing inflation, which dropped to 25.7% in July from a peak of 38%. While inflationary pressures are subsiding, the country faces slowing economic growth, with GDP expansion falling to 2.2% in Q1 2024. This decline was attributed to disruptions in Red Sea trade, particularly affecting the services sector. Despite these setbacks, Egypt anticipates a gradual recovery, with a significant inflation reduction expected by Q1 2025, driven by lower food prices and improved inflation expectations.

In South Africa, the South African Reserve Bank (SARB) cut its key interest rate by 25 bps to 8%—its first rate reduction in four years. This move follows a consistent easing of inflation, which stood at 4.4% in August, slightly below the 4.5% midpoint of SARB's target range. The central bank expects inflation to remain below the target range midpoint through 2026, supporting a more favorable economic outlook.

Meanwhile, Zambia continued to face one of its most severe economic downturns in over a century, driven by a historic drought that has devastated agricultural production. The government was forced to halve its economic growth target to 2.3% for 2024. Inflation surged to multi-year highs, peaking at 15.6% in September, with food prices driving the increase. Despite these challenges, Zambia's central bank opted to maintain its interest rate at 13.5%, marking a pause after six consecutive rate hikes. In addition to inflationary pressures, Zambia's economic woes were exacerbated by temporarily closing the border with the Democratic Republic of Congo, a critical route for copper exports. While the border has since reopened, the disruption underscored Zambia's vulnerability to external shocks, especially in its copper trade.

Kenya also faces significant financial challenges, with Fitch and Moody downgrading its credit ratings due to rising debt levels and fiscal mismanagement concerns. Kenya's long-term foreign-currency rating was cut to B- by Fitch, while Moody's downgraded it to Caa1. As discussions around a new IMF program gain traction, Kenya's central bank took a proactive step by cutting its benchmark interest rate by 25 bps to 12.75%, marking the first rate cut in four years. The decision aims to stimulate borrowing and investment in light of the country's mounting debt and economic pressures despite inflation remaining relatively stable at 4.4%.

Key Economic Snapshot

										
GDP	Q2'24	3.19%	Q2'24	6.90%	Q2'24	4.10%	Q1'24	2.22%	Q2'24	0.30%
	Q1'24	2.98%	Q1'24	4.80%	Q1'24	4.60%	Q4'23	2.30%	Q1'24	0.50%
	Q2'23	2.51%	Q2'23	3.20%	Q2'23	0.10%	Q1'23	3.90%	Q2'23	1.80%
INTEREST/ POLICY RATE	Sep'24	27.25%	Sep'24	27.00%	Sep'24	19.50%	Sep'24	27.25%	Sep'24	8.00%
	Aug'24	26.75%	Aug'24	29.00%	Aug'24	19.50%	Aug'24	27.25%	Aug'24	8.25%
	Sep'23	18.75%	Sep'23	30.00%	Sep'23	17.00%	Sep'23	19.25%	Sep'23	8.25%
INFLATION RATE	Aug'24	32.15%	Sep'24	21.50%	Aug'24	30.53%	Aug'24	26.20%	Aug'24	4.40%
	Jul'24	33.40%	Aug'24	20.40%	Jul'24	31.09%	Jul'24	25.70%	Jul'24	4.60%
	Aug'23	25.80%	Sep'23	38.10%	Aug'23	13.54%	Aug'23	37.40%	Aug'23	4.80%

Source: Bloomberg, Trading Economics, AIICO Capital

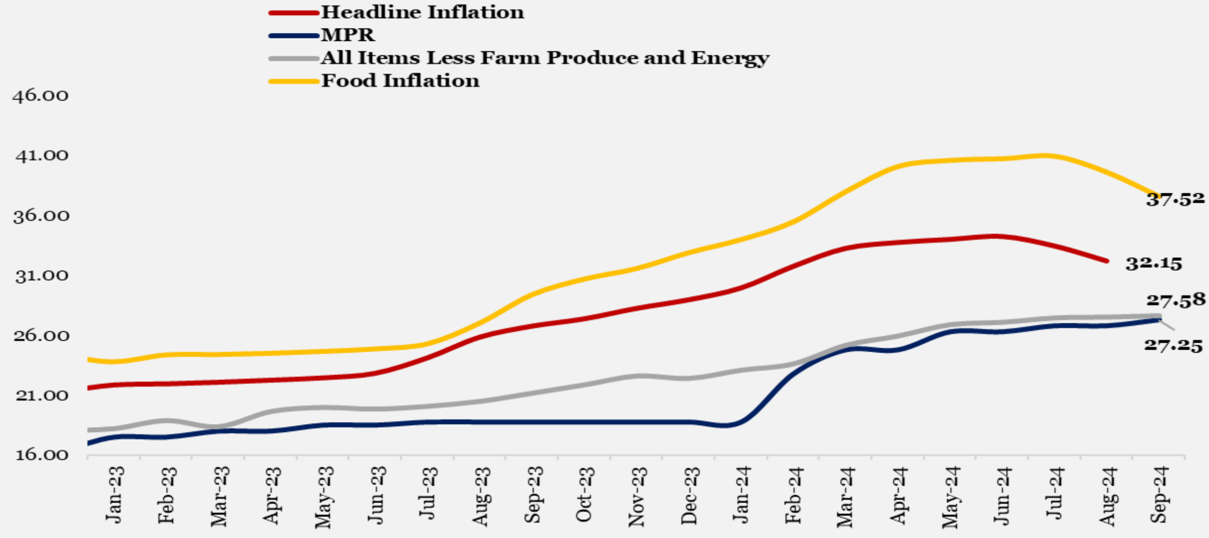
DOMESTIC MACROECONOMIC REVIEW

Nigeria's Economic Rebound: *First Growth in Over a Year.*

Nigeria's economy showed signs of recovery for the first time in over a year, as indicated by the Central Bank of Nigeria's (CBN) August 2024 Purchasing Managers' Index (PMI) report. The PMI reached 50.2 points, signaling an end to 13 months of contraction. The rise was driven by increases in output (50.8), new orders (50.5), and raw material inventories (51.3). Despite these positive indicators, employment continued to decline, registering 48.7 points—marking the eighth consecutive month of workforce contraction. Sectoral performance was mixed, with the services sector growing for the third month, driven by activities like motor vehicle repair. The agricultural sector saw its first growth in months (PMI of 50.5), though subsectors such as livestock and fishing continued to struggle. The industrial sector, however, remained in contraction with a PMI of 49.2. Interestingly, Stanbic IBTC's PMI figure for August 2024 stood at 49.9, slightly lower but still indicating an improvement.

Inflationary Pressures and Monetary Tightening: *CBN's Aggressive Strategy.*

Nigeria continued to grapple with inflationary pressures despite some moderation in recent months. The Central Bank of Nigeria's (CBN) Monetary Policy Committee raised the benchmark interest rate by 50 bps to 27.25% in September 2024—its fifth hike this year. While inflation decelerated to 32.15% in August from 33.40% in July, core inflation remained elevated due to rising energy prices and fuel shortages following recent hikes in petrol prices. CBN Governor Yemi Cardoso cited persistent risks, including floods and currency devaluation, as reasons for the rate hike, despite analyst expectations for a pause. The rate hike aims to stabilize the naira, curb inflationary pressures, and attract foreign capital flows. However, with inflation still far above the CBN's 21% target, the central bank faces the challenge of balancing tight monetary policy with the need for economic growth. Despite concerns over the impact on the equity market, the rate hike is expected to bolster yields in the fixed-income market, providing investors with higher returns.



Source: NBS, CBN, AIICO Capital

Unemployment Rate: *Challenges persist.*

The unemployment rate rose to 5.3% in Q1 2024 from 5% in Q3 2023, while labor force participation dropped to 77.3%. Critics argue that the International Labour Organization's (ILO) methodology fails to capture Nigeria's true unemployment scope, especially with a continuous influx of new labor force entrants. These factors underscore the government's challenges as it strives to stabilize the economy, reduce inflation, and create jobs in an environment of slow recovery and high inflation.

Other Notable Developments

• Nigeria's Landmark Dollar Bond Issuance

In a significant development, Nigeria successfully raised $900 million through its first domestic dollar-denominated bond in September 2024. With a 9.75% coupon rate, the issuance was oversubscribed by 180%, signaling strong investor confidence in the country's economic prospects. Targeting local investors, pension funds, and the Nigerian diaspora, the bond provides an alternative to international markets with higher borrowing costs. The proceeds will support critical sectors such as healthcare, infrastructure, and human capital development, while the bond's listing on local exchanges will enhance liquidity. The success of this transaction marks a shift in Nigeria's debt strategy, aiming to diversify funding sources and reduce reliance on international markets. With the bond issuance program projected to raise $2 billion, the strong demand indicates growing market confidence in Nigeria's fiscal management despite ongoing macroeconomic challenges. The oversubscription also reflects broader optimism around Nigeria's efforts to stabilize its currency and attract foreign investment.

• Non-Oil Exports and Tax Reforms

Nigeria's drive to diversify its economy away from oil dependency saw gains in both non-oil export growth and tax administration reform. APM Terminals Apapa reported a 25% rise in non-oil export cargo volumes in the first half of 2024, underscoring the country's efforts to boost export diversification. Meanwhile, the Federal Inland Revenue Service (FIRS) introduced the e-Invoice system, modernizing tax collection and compliance in business transactions. The reforms align with broader tax simplification efforts aimed at small businesses, contributing to Nigeria's goal of increasing its tax-to-GDP ratio. These changes are part of a larger strategy to enhance domestic revenue mobilization and reduce the country's reliance on oil revenue. Additionally, APM Terminals plans to host an exporters' forum to tackle challenges in the sector, further encouraging growth in non-oil exports.

• Rail Transport Growth: A Bright Spot in Nigeria's Economic Landscape

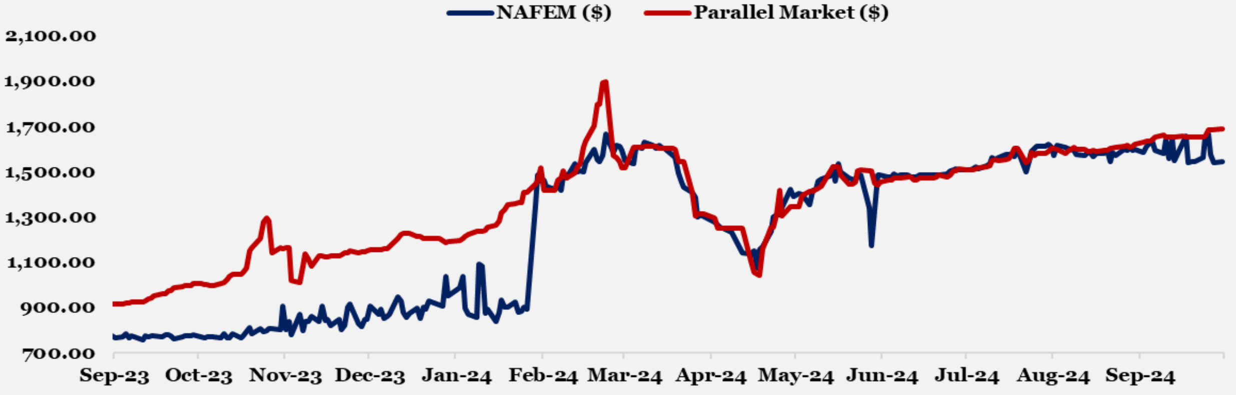
Rail transport revenue in Nigeria surged in Q2 2024, as the Nigerian Railway Corporation (NRC) reported a 53.14% increase in passenger revenue, rising from N1.10 billion to N1.69 billion. This growth was driven by both passenger traffic and a 206.68% increase in goods and cargo transport, with goods movement revenue increasing from N175.22 million in Q2 2023 to N537.36 million in Q2 2024. The substantial rise in rail revenue reflects the growing role of rail transport in Nigeria's broader infrastructure development efforts. As the government continues to prioritize the expansion of rail networks and modernization of transport infrastructure, this sector is poised for continued growth.

MARKET UPDATE

Foreign Exchange Market – *Naira volatility Amid Stabilization Efforts and Reserve Growth.*

In September 2024, the NAFEM market experienced heightened volatility due to limited foreign exchange supply and strong corporate demand. Exchange rates fluctuated between $/₦1,500 and $/₦1,699. The Central Bank of Nigeria (CBN) intervened several times, injecting an estimated $426 million, which helped stabilize rates. Thus, the Naira appreciated by 3.54% M-o-M, with the NAFEX fixing rate closing at $/₦1,541.94, with improved dollar liquidity in the market boosting turnover by 17.34% M-o-M, reflecting a monthly increase of $706.16 million. However, the parallel market saw a 4.01% M-o-M depreciation, with rates closing at $/₦1,687.50. On a positive note, Nigeria's gross foreign exchange reserves grew by 5.64% M-o-M, adding $2.05 billion to reach $38.35 billion, supported by CBN interventions and improved inflows. Overall, the market remained pressured, but liquidity showed signs of recovery.

On a quarterly basis, the Naira depreciated by 2.43% Q-o-Q at the NAFEM window, while monthly FX turnover decreased by 8.04% Q-o-Q (equivalent to a quarterly decline of approximately $1.226 billion). In the parallel market, the Naira depreciated by 11.72% Q-o-Q. On a positive note, the Gross FX reserves increased by 12.17% Q-o-Q, reaching a total of approximately $4.16 billion.



Source: FMDQ, Rate Captain, AIICO Capital

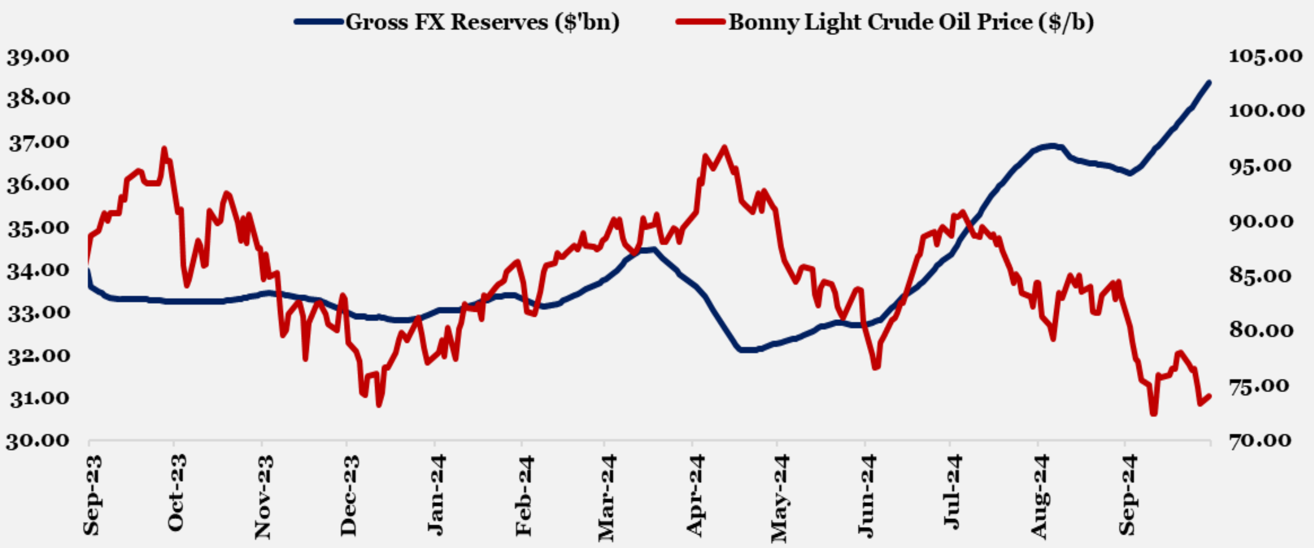
Outlook: With the introduction of the new Electronic Foreign Exchange Matching System (EFEMS), we expect volatility to persist as the CBN continues its efforts to stabilize the market. The EFEMS is anticipated to enhance governance, increase transparency, and promote a market-driven exchange rate.

Oil Price – *Sustained Volatility.*

Oil prices experienced notable volatility, culminating in an average decline of 8.25% M-o-M, settling at $73.95 per barrel. The month began with Brent crude prices rising due to a significant withdrawal from U.S. inventories and planned output delays by OPEC+. However, concerns about supply surpassing demand loomed large, leading to a mixed performance throughout the month. After a notable interest rate cut from the U.S. Federal Reserve, Brent rebounded to $74.52 before closing lower.

Factors influencing prices included production interruptions from Hurricane Francine and anticipated increases in output from Libya and Saudi Arabia, which pressured prices downward. Meanwhile, gold prices surged, with notable gains attributed to expectations of further U.S. interest rate cuts and escalating geopolitical tensions, reaching a monthly high of $2,674.30 per ounce, marking the strongest quarter for gold in over eight years.

Outlook: We expect oil prices to trend higher amid ongoing tensions in the Middle East.

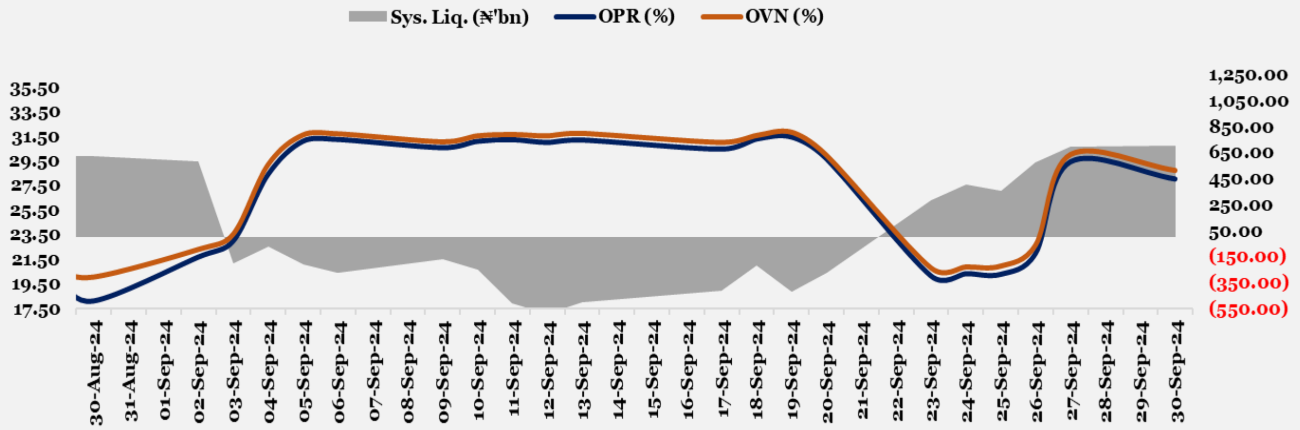


Source: CBN, AIICO Capital

Money Market – *Sustained Liquidity Crunch Amid CBN's Tightening Stance.*

Interbank market liquidity fluctuated significantly, opening in a credit of ₦579.34 billion and closing in a debit of ₦530.81 billion mid-month before recovering to ₦785.85 billion by the end of the month. Liquidity dips were driven by factors such as OMO auction settlements, remita outflows, TSA debits, and NNPC obligations, which caused rates to spike to as high as 32.25%. However, FAAC disbursements, FGN bond coupon payments, and other inflows provided some relief, pushing rates down to 19% and 25.75% at various points.

Despite these fluctuations, average system liquidity for the month declined significantly, from ₦382.22 billion in August to -₦26.13 billion in September. Interbank rates also showed slight improvement, with the overnight policy rate (OPR) and overnight (O/N) rate declining by 24bps and 36bps to settle at 27.68% and 28.21%, respectively. However, tight liquidity conditions continued to dominate the market overall.



Source: CBN, FMDQ, AIICO Capital

MARKET UPDATE.../3

Quarterly, the average system liquidity improved by approximately 70 bps, gaining about ₦119.92 billion, while the overnight policy rate (OPR) and overnight (O/N) rate increased by 23 bps and 3 bps, respectively.

Outlook: We anticipate the CBN will continue its tightening stance by conducting liquidity mop-up exercises through OMO auctions and CRR debits.

Treasury Bills – *Mixed to Bearish Bias Fuelled by the MPR hike, Multiple OMO Auctions, and Tight Market Liquidity.*

The Treasury bills market experienced fluctuating sentiments throughout the month. Initially, bullish trends were observed, particularly in mid-dated papers (March, April, and May NTBs), leading to a 50-100bps rate decline. The CBN's OMO auction offered ₦500bn, with significant subscriptions and allotments, while an NTB auction saw ₦233.313bn offered and high subscription rates, resulting in lower stop rates.

Mid-month, the market turned bearish due to reduced interbank liquidity, focusing on mid to long-dated papers. An NTB auction offered ₦161.879bn, with lower stop rates compared to previous auctions. The market remained bearish, influenced by liquidity constraints.

Towards the end of the month, cautious trading prevailed, influenced by the MPC meeting outcomes. An NTB auction offered ₦227.54bn, with mixed sentiments across different tenors. Two OMO auctions by CBN saw varied subscriptions and sales with high stop rates.

Overall, the average mid-yield of benchmark NTB papers rose by 29bps M-o-M, closing at 21.48%.

Quarterly, the treasury bills market began with a bearish trend, driven by tight liquidity and higher stop rates, pushing average rates up by approximately 199bps to 24.02% by the end of the first month. In August, bullish sentiments emerged despite liquidity fluctuations, focusing on mid-to-long-term papers, leading to a 271bps decline in average yields. Towards the quarter's end, cautious trading re-emerged due to the MPC meeting, with low overall trading volume despite some demand.

The CBN conducted eight OMO auctions, offering around ₦3.8trn and selling ₦2.3trn. The DMO's seven auctions saw oversubscriptions and varying stop rates, with the average mid-yield of NTB papers declining by 93bps Q-o-Q.

SEPTEMBER 2024 NTB AUCTION RESULT

Tenor	Aug'24 Close	Sep'24 Auc 1	Sep'24 Auc 2	Sep'24 Auc 3	Change M-o-M (basis points)
91	18.20%	17.00%	16.63%	17.00%	**(120.00)**
182	19.20%	17.50%	17.00%	17.50%	**(170.00)**
364	**20.90%**	**18.94%**	**18.59%**	**20.00%**	**(90.00)**

SEPTEMBER 2024 OMO AUCTION RESULT

Tenor	Aug'24 Close	Sep'24 Auc 1	Sep'24 Auc 2	Sep'24 Auc 3	Change M-o-M (basis points)
Short	0.00%	0.00%	0.00%	0.00%	+0.00
Mid	0.00%	0.00%	0.00%	0.00%	+0.00
Long	**21.87%**	**21.80%**	**24.36%**	**24.30%**	+243.00

Source: CBN, FMDQ, AIICO Capital

MARKET UPDATE.../4

Outlook: We anticipate that the CBN will maintain its hawkish stance in the Treasury bills market, keeping yields at high levels.

FGN Bond Market – *Bullish Sentiment Prevailed Despite the Rate hike, Liquidity Crunch, and Profit-taking.*

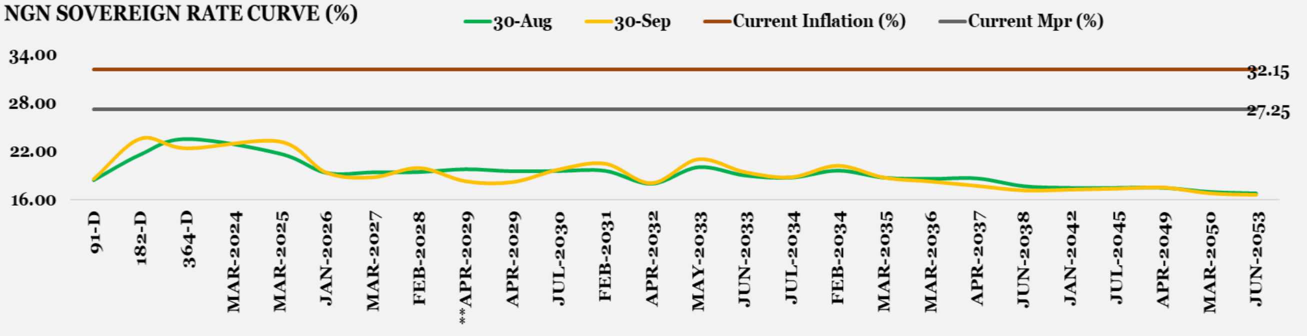
The bonds market exhibited mixed sentiments, with participants cherry-picking papers and focusing on mid-to-long-term bonds. Early in the month, yields rose by 10-20bps, driven by buyer resistance. Market activity centered on the 2031s, 2033s, and auction papers, with sentiment becoming bearish due to the anticipation of an FGN bond auction. The auction, held mid-month, offered ₦150 billion across the 2029, 2031, and 2033 maturities, attracting subscriptions of ₦414.88 billion, with an allotment of ₦264.53 billion. Stop rates fell slightly to 19.00%, 19.99%, and 20.05%, down from the previous auction levels. However, bearish sentiment persisted, exacerbated by a 50bps hike in the Monetary Policy Rate (MPR) at the MPC meeting. This led to a 50bps increase in yields on auction papers. Despite this, the average mid-yield across the curve declined by 6bps to 18.76% M-o-M.

At the start of the quarter, cautious trading prevailed due to bearish bias and anticipation of the MPC meeting. Post-auction, bearish sentiments grew amid profit-taking and liquidity issues. The quarter ended with mixed, bearish-tilted sentiments, focusing on the 29s, 31s, 33s, 34s, 38s, and 53s. Yields declined by 99bps Q-o-Q, with the average mid-yield stable at 18.76%.

SEPTEMBER 2024 BOND AUCTION RESULT

Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	Aug'24 Close	Change M-o-M (basis points)
17-Apr-29	70.00	22.56	2.73	**19.00%**	**20.30%**	**(130.00)**
21-Feb-31	50.00	54.98	31.08	**19.99%**	**20.90%**	**(91.00)**
15-May-33	30.00	337.35	230.72	**20.05%**	**21.50%**	**(145.00)**
	150.00	**414.88**	**264.53**			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital

Outlook: With expected coupon inflows of c.₦427.02 billion, we anticipate renewed investors' interest in the attractively priced securities. We also anticipate that the DMO will sustain the rates at their current levels while gradually reducing their borrowing for the year.

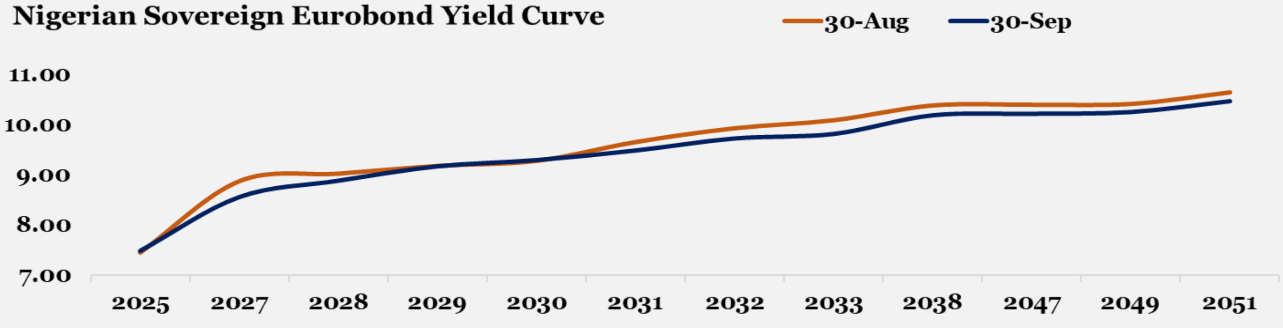
Eurobonds Market – *Mixed to Bullish Performance Amid Economic Data and Geopolitical Tensions.*

The Eurobonds market exhibited mixed performance, driven by U.S. economic data and global geopolitical factors. Early in the month, weaker-than-expected U.S. indicators such as ISM Manufacturing PMI, job openings, ADP employment data, and falling oil prices put pressure on the market. Nonfarm payrolls also missed expectations, but unemployment remained stable at 4.2%. This led to cautious trading, with bearish sentiment dominating the market.

Mid-month, the market rebounded as oil prices recovered from earlier lows, supported by the U.S. Producer Price Index (PPI) and better-than-expected consumer sentiment. Investors remained cautious ahead of inflation data, but the CPI print of 2.5% did little to shift market direction.

Later in the month, the market saw further bullish momentum following a 50bps rate cut by the U.S. Federal Reserve, which boosted sentiment. Upbeat retail sales data and lower unemployment claims also contributed to the rally. However, profit-taking activities tempered gains.

Despite some volatility, the month closed with mixed sentiments as rising oil prices, Middle East tensions, and U.S. consumer confidence data influenced the market. Overall, the average mid-yield across Nigerian Eurobond papers declined by 14bps M-o-M to 9.47%.



Source: FBN UK, AIICO Capital

In Q3 2024, the SSA Eurobond market was shaped by a 50bps US Fed rate cut and reduced demand from China's slowing economy. Geopolitical tensions in the Middle East, involving Israel, Iran, Lebanon, and Libya, further increased global volatility.

Regionally, Nigeria's Eurobond yields fell due to economic reforms and attractive OMO bill rates, which attracted foreign investors. Ghana's yields rose amid debt restructuring despite IMF support and a new gold refinery. Despite rating downgrades, Kenya benefited from lower inflation, while Zambia faced severe economic challenges with surging inflation and a weakening kwacha.

Key factors included the Fed rate cut, which boosted demand but signaled global economic concerns, and China's sluggish demand, which impacted SSA commodity exporters. The unwinding of the yen carry trade caused temporary capital outflows, spiking SSA Eurobond yields. Geopolitical tensions led to higher oil prices, benefiting oil exporters like Nigeria and Angola but increasing inflationary pressures for importers like Kenya and Ethiopia.

Outlook: Anticipated further US Fed rate cuts could boost SSA Eurobonds by lowering borrowing costs and increasing demand. Nigeria will continue its $2bn Eurobond program, while Egypt's upcoming issuance will be closely watched. Kenya plans a diaspora bond, and Zambia seeks World Bank Catastrophe Funds to address economic challenges. Overall, market sentiment remains cautiously optimistic.

Equities Market Performance – *Bullish Recovery Amid Mixed Market Sentiments and Corporate Actions.*

The Nigerian local bourse (NGX All-Share Index) experienced steady upward momentum, closing the month at 98,558.79 points, a 2.05% M-o-M rise from its starting position. This marked a significant recovery following a low of 96,580.01 points earlier in the month. Market capitalization rose to ₦56.63 trillion, driven by positive market breadth and advancing stocks like AFRIPRUD, ABBEYBDS, and NSLTECH. However, some stocks, such as ELLAHLAKES and NEIMETH, experienced declines, but the former recovered considerably and ended positively.

Trading activity fluctuated, with 11 billion shares traded at ₦298 billion. The banking sector resumed its strong performance, reflected in gains for major indices like the NGX Banking Index, which recorded a 4.29% year-to-date increase.

Significant corporate actions shaped the market, including financial results from Stanbic IBTC, Guaranty Trust Holding Company, Access Holdings, and Zenith Bank's extension of its rights issue. BUA Foods announced plans to expand its pasta production capacity, while Flour Mills of Nigeria proposed acquiring minority shares to enhance its growth strategy.

On a quarterly basis, the NGX All Share Index (ASI) decreased by 1.50% Q-o-Q from the closing value of 100,057.49 points in June, while the market capitalization increased by 6 bps due to the listing of additional shares from Wema Bank, Notore and International Breweries' right issues. Sector performance varied, with the Oil and Gas index showing the highest gain of 38.19%, followed by the Banking index with a gain of 13.77% and the Insurance Index with a gain of 10.08%. On the other hand, the Industrial and Consumer goods indices experienced declines of 18.94% and 1.10%, respectively.

Source: NGX, AIICO Capital

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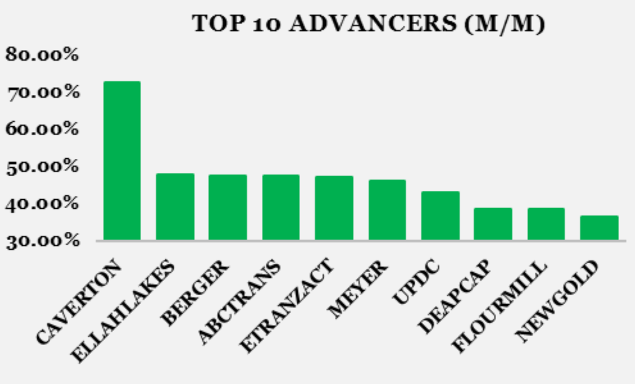
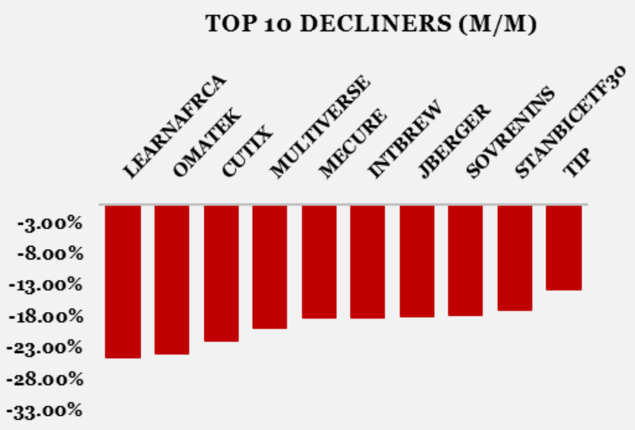
	September	YTD
Market Capitalization	2.09%	38.41%
NGX ASI	2.05%	31.81%
NGX Banking Index	10.18%	5.27%
NGX Insurance Index	1.36%	33.66%
NGX Industrial Index	-1.25%	40.35%
NGX Consumer Index	-0.69%	39.49%
NGX Oil & Gas Index	6.97%	90.87%

Source: NGX, Bloomberg, AIICO Capital



Source: NGX, Bloomberg, AIICO Capital



Outlook: The All-Share Index is expected to increase, with the banking index demonstrating strong bullish momentum. Additionally, insurance stocks are expected to rebound in October, supported by optimistic investor sentiment amid Q3 earnings releases and substantial trading volumes, indicating a positive market outlook for the new month.

Contact us now to receive valuable investment guidance today.

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