

Actionable Market Insights, Delivered Weekly.

AIICO CAPITAL

MARKET COMMENTARY

DATE: Friday | 18 October 2024

Money Market

This week, the liquidity crunch in the financial market continued despite coupon inflows, significant remita inflows, and other large inflows aimed at offsetting foreign exchange settlements and remita outflows. Overall, the interbank rates declined week-on-week. Specifically, the Overnight Policy Rate (OPR) fell by 3 bps to 32.33%, while the Overnight Rate (OVN) decreased by 44 bps to 32.56%.

Outlook: We expect interbank rates to trade in a mixed range due to next week's FGN bond auction and the upcoming FAAC credits.

Treasury Bills

The Treasury bills market experienced bearish sentiment this week due to a lack of liquidity in the financial system. Most selling interest was focused on short- and medium-dated papers as market participants sought to meet their obligations. Additionally, there was significant activity in the Open Market Operations (OMO) space, with long-dated papers trading around the high 23.00% level. As a result, the average mid-rate across benchmark NTB papers increased by 39 bps week-on-week, reaching 21.53%.

Outlook: Next week, we anticipate cautious trading with a mixed tone, as there will be an NTB auction with c. ₦374.67 billion offered across the usual tenors.

FGN Bonds

The local FGN Bonds market experienced mixed to bearish sentiments, with sideways interest noted in specific maturities, particularly in April 2029, February 2031, May 2033, March 2050, and June 2053 bonds. Overall, the average mid-yield rose by 28 bps week-on-week, reaching 19.28%.

Outlook: We expect a cautious start next week, as market players will focus on the FGN bonds auction, where the DMO will be offering ₦90 billion each across the April 2029 and February 2031 papers.

Eurobonds Markets

The Eurobonds market had a mixed performance this week with sideways interest across Nigeria, Angola, and Egypt papers. Overall, the average mid-yield on the Nigerian bond curve increased by 3bps to 9.33% week-on-week.

This week, Emerging market currencies and debt faced challenges from rising U.S. rates and election uncertainties. A key development was the IMF's potential reduction of penalty fees for distressed nations, which could significantly impact the market. Sovereign defaults are expected to rise, but Ghana's currency rating improved, and Saudi-Egypt private sector deals lifted sentiment. Angola's Eurobonds remain appealing amid strong EM ETF inflows.

Outlook: We expect a mixed performance next week.

BENCHMARK T-BILLS DISCOUNT RATES

	18-Oct-24	11-Oct-24	Change in Rates
83 days	20.77%	20.77%	→ 0.00%
174 days	23.34%	21.60%	↑ 1.74%
342 days	19.27%	19.27%	→ 0.00%

Source: FMDQ DQL for 18-Oct-2024

BENCHMARK FGN BOND YIELDS

	18-Oct-24	11-Oct-24	Change in Yield
5 yrs: 14.55% 26-Apr-2029	19.79%	19.48%	↑ 0.31%
10 yrs: 19.00% 21-Feb-2034	20.20%	20.20%	→ 0.00%
20 yrs: 15.45% 21-Jun-2038	19.56%	18.00%	↑ 1.56%
30 yrs: 15.70% 21-Jun-2053	16.73%	16.73%	→ 0.00%

Source: FMDQ DQL for 18-Oct-2024

BENCHMARK FGN EUROBOND YIELDS

	18-Oct-24	11-Oct-24	Change in Yield
5 yrs: NGERIA 8.375% 03/24/29	8.93%	8.86%	↑ 0.07%
10 yrs: NGERIA 7.375% 09/29/33	9.66%	9.66%	→ 0.00%
15 yrs: NGERIA 7.696% 23/02/38	10.01%	10.01%	→ 0.00%
30 yrs: NGERIA 8.25% 09/29/51	10.26%	10.27%	↓ -0.01%
8.75% ETI 06/17/31*	9.45%	8.82%	↑ 0.63%

Source: FBN UK Runs for 18-Oct-2024

NAFEM RATE (\$/N)

	18-Oct-24	11-Oct-24	Diff.
	1,600.78	1,641.27	↓ (40.49)

Source: FMDQ

SYS. LIQ. (N'BN)

	18-Oct-24	11-Oct-24	Diff.
	(837.29)	(702.83)	↓ (134.46)

Source: CBN

NAME OF FUND

EFFECTIVE YIELD (%)

AIICO MONEY MARKET FUND	21.96
AIICO BALANCED FUND	10.99
AIICO EUROBOND FUND	6.73

As of October 17, 2024

MACRO INDICATORS

GDP (Q2 2024)	+3.19% (Q1: 2023 +2.98% y/y)
Inflation (August'2024)	32.70% (Aug'24: 32.15%)
External Reserve (US\$'billion)	38.88 (+18.12% YTD as of 16-Oct-24)
Monetary Policy Rate	27.25%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*73.55 (-5.62 w/w)

Source: NBS, CBN, AIICO Capital

Nigerian Equities

This week, the Nigerian equities market gained 48bps, driven by bargain hunting in OANDO, TRANSPOWER, TRANSCOHOT, and DANGSUGAR, despite selloffs in ARADEL and OKOMUOIL. SEPLAT saw increased interest, trading between ₦5,000-₦5,300, while ARADEL lost 11% post-listing. GTCO attracted offshore investors, trading briefly at ₦52. Notable events included the listing of 1.6 billion CILEASING shares and dividend markdowns for FIDELITYBK and UBA.

Outlook: We anticipate mixed trading next week.

Foreign Exchange

The Nigerian FX market saw improved dollar liquidity in the interbank NAFEM market this week. The central bank intervened once, selling around \$60 million at ₦1,540. Overall, the naira appreciated by 2.47% week-on-week, closing at ₦1,600.78 in the NAFEM window.

Outlook: We expect the volatility to persist next week.

Commodities

Oil prices dropped over 2% and are on track for a weekly decline exceeding 7%. This was influenced by concerns over demand from a slowing Chinese economy and reduced supply risks from Middle Eastern conflicts. Brent crude was priced at c.\$73.55 per barrel, while WTI sat around \$69.70. Meanwhile, gold surged past the significant \$2,700-per-ounce mark, reaching around \$2,731.40, driven by rising tensions in the Middle East and uncertainty surrounding the U.S. elections.

Outlook: We expect the trend to persist next week.

Top 5 Equity Advancers W-o-W				
Ticker	Px	% Change	Points	% Mov
OANDO	77.00	↑ 10.00%	↑ 159.81	↑ 34.45%
TRANSCOHOT	97.00	↑ 7.78%	↑ 131.68	↑ 28.39%
DANGSUGAR	35.05	↑ 13.06%	↑ 90.35	↑ 19.48%
UBA	25.40	↑ 3.67%	↑ 56.53	↑ 12.19%
GTCO	50.00	↑ 2.04%	↑ 54.05	↑ 11.65%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W				
Ticker	Px	% Change	Points	% Mov
OKOMUOIL	338.10	↓ -6.86%	↓ 43.62	↓ -9.40%
NESTLE	870.00	↓ -2.25%	↓ 29.12	↓ -6.28%
STANBIC	55.95	↓ -1.84%	↓ 24.99	↓ -5.39%
NB	28.00	↓ -3.45%	↓ 18.87	↓ -4.07%
CUSTODIAN	11.65	↓ -8.98%	↓ 12.42	↓ -2.68%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↓ -0.01%	↑ 0.48%	↓ -0.50%	↑ 31.16%
NSE Banking Index	↑ 0.51%	↓ -0.51%	↓ -1.92%	↑ 3.25%
NSE Insurance Index	↓ -0.91%	↓ -1.23%	↑ 0.53%	↑ 34.36%
NSE Industrial Goods Index	→ 0.00%	↑ 0.04%	↓ -5.92%	↑ 32.03%
NSE Consumer Goods Index	↑ 0.63%	↑ 1.42%	↑ 0.55%	↑ 40.25%
NSE Oil & Gas Index	↑ 0.02%	↑ 1.08%	↑ 10.15%	↑ 110.23%

Source: NGX, Bloomberg, AIICO Capital

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