

Actionable Market Insights, Delivered Weekly.

**AIICO
CAPITAL**

MARKET COMMENTARY

DATE: Friday | 25 October 2024

Money Market

System liquidity experienced a significant improvement, increasing by ₦1,021.27 billion, shifting from a debit position of ₦837.29 billion to a credit of ₦183.98 billion. This positive change was primarily driven by FAAC disbursements totaling ₦874 billion. However, debits from the FGN bond auction, FX market interventions by the CBN, and CRR debits caused interest rates to exceed 32% during the week. Subsequently, Signature bonuses and CRR credit inflows lowered the rates. Overall, the Overnight Policy Rate decreased by 2.55% to 29.78%, while the Overnight Rate fell by 2.42% to 30.14% week-on-week.

Outlook: Next week, we anticipate that rates will moderate due to increased liquidity from expected inflows from FGN Bond coupons and OMO maturities unless significant outflows occur due to CRR debits, OMO auctions, and/or FX interventions.

Treasury Bills

The Treasury bills market started the week quietly with a bearish sentiment. Mid-week, an NTB auction offered ₦374.669 billion across three tenors, with total subscriptions at ₦563.169 billion, matching the allotment. Stop rates held steady at 17.00% for 91 days and 17.50% for 182 days, while the 364-day rate rose by 79 bps to 20.65%. Following the auction, mixed to slightly bullish market sentiment persisted, mainly affecting mid to long-term NTB papers, leading to a week-on-week decline of the average mid-rate across the benchmark NTB papers by 7 bps to 21.46%.

Outlook: We anticipate the mixed trading sentiments to persist next week.

FGN Bonds

The local bonds market commenced the week with an FGN bond auction that leaned toward bearish sentiment. A total of ₦180bn was offered for the 2029 and 2031 bonds, with subscriptions reaching ₦389.32bn and allotments at ₦289.60bn. The marginal rates for both papers increased significantly by 175bps each. Post-auction, interest grew in the 2031 and 2033 bonds, which ended the week with yields down by almost 40 bps. Overall, the average mid-yield across the benchmark bonds fell by 9bps week-on-week to 19.19%.

Outlook: We expect the mixed to bullish sentiments to persist, supported by the FGN bond coupons.

Eurobonds Markets

The Eurobonds market began the week on a bearish note, driven by significant sell-offs in African bonds amid reduced expectations for aggressive Fed rate cuts and rising political uncertainty. However, optimism returned due to positive discussions between Angola and the IMF about a new debt program, alongside the Finance Minister's announcement of no Eurobond sales this year. This shift boosted Angola's Eurobonds, which influenced Nigerian and Egyptian bonds. However, the average mid-yield on Nigerian bonds rose by 8 bps to 9.41% week-on-week due to the bearish sentiment earlier in the week.

Outlook: We anticipate the same sentiment will continue next week, although some profit-taking may occur.

BENCHMARK T-BILLS DISCOUNT RATES

	25-Oct-24	18-Oct-24	Change in Rates	
90 days	20.86%	20.77%	↑	0.09%
181 days	23.53%	23.34%	↑	0.19%
335 days	19.74%	19.27%	↑	0.47%

Source: FMDQ DQL for 25-Oct-2024

BENCHMARK FGN BOND YIELDS

	25-Oct-24	18-Oct-24	Change in Yield	
5 yrs: 14.55% 26-Apr-2029	19.81%	19.79%	↑	0.02%
10 yrs: 19.00% 21-Feb-2034	20.20%	20.20%	→	0.00%
20 yrs: 15.45% 21-Jun-2038	19.57%	19.56%	↑	0.01%
30 yrs: 15.70% 21-Jun-2053	17.05%	16.73%	↑	0.32%

Source: FMDQ DQL for 25-Oct-2024

NAFEM RATE (\$/₦)

	Rate	Diff.
25-Oct-24	1,600.00	
18-Oct-24	1,600.78	↓ (0.78)

Source: FMDQ

SYS. LIQ. (₦BN)

	Rate	Diff.
25-Oct-24	183.98	
18-Oct-24	(837.29)	↑ 1,021.27

Source: CBN

NAME OF FUND

EFFECTIVE YIELD (%)

AIICO MONEY MARKET FUND	22.12
AIICO BALANCED FUND	10.95
AIICO EUROBOND FUND	6.90

As of October 23, 2024

BENCHMARK FGN EUROBOND YIELDS				
	25-Oct-24	18-Oct-24	Change in Yield	
5 yrs: NGERIA 8.375% 03/24/29	9.04%	8.93%	↑	0.11%
10 yrs: NGERIA 7.375% 09/29/33	9.69%	9.66%	↑	0.03%
15 yrs: NGERIA 7.696% 23/02/38	10.07%	10.01%	↑	0.06%
30 yrs: NGERIA 8.25% 09/29/51	10.31%	10.26%	↑	0.05%
8.75% ETI 06/17/31*	8.91%	9.45%	↓	-0.54%

Source: FBN UK Runs for 25-Oct-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)	39.30 (+19.39% YTD as of 23-Oct-24)
Monetary Policy Rate	27.25%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*75.82 (+2.27 w/w)

Source: NBS,CBN, AIICO Capital

Nigerian Equities

This week, the bullish trend continued in the Nigerian equities market as the All-Share Index rose by 1.41% w/w, buoyed by gains across all sessions. Banking stocks, particularly FUGAZ (UBA, FBNH, ZENITHBANK, ACCESSCORP, STANBIC, GTCO), led the rally, with strong interest also seen in SEPLAT, OANDO, and TRANSCOHOT. SEPLAT traded between ₦5,700-₦5,800 following government approval for its MPNU acquisition, while TRANSCOHOT hit a 52-week high at ₦106.0. CONOIL was marked down post-dividend (₦3.50), and trading in OANDO was suspended due to delayed financial filings. Meanwhile, ARADEL ended the week at ₦600.1, down 4.05% w/w.

Outlook: We expect mixed trading next week due to ongoing reactions to various companies' earnings releases and potential profit-taking.

Foreign Exchange

This week, the interbank NAFEM market traded between \$/1,585.43 and \$/₦1,697. The central bank intervened thrice, selling around \$148 million at \$/₦1,600. Overall, the naira saw a slight appreciation of 5 bps week-over-week, closing the week at \$/₦1,600.00 in the NAFEM window.

Outlook: We expect the volatility to persist next week.

Commodities

Oil prices are set to increase by over 2% for the week, with today's trading showing minimal changes as traders remained cautious due to rising tensions in the Middle East, just ahead of upcoming ceasefire talks in Gaza. Brent crude is around \$75.82 per barrel, and WTI is approximately \$71.59. In contrast, gold prices dipped today as investors took profits following a significant rally driven by geopolitical tensions and U.S. election concerns.

Outlook: We expect the trend to persist next week.

Top 5 Equity Advancers W-o-W				
Ticker	Px	% Change	Points	% Mov
SEPLAT	5,700.00	↑ 9.25%	↑ 521.76	↑ 37.85%
UBA	30.10	↑ 18.50%	↑ 295.20	↑ 21.42%
OANDO	89.65	↑ 16.43%	↑ 288.81	↑ 20.95%
FBNH	28.75	↑ 10.58%	↑ 181.29	↑ 13.15%
TRANSCOHOT	106.00	↑ 9.28%	↑ 169.30	↑ 12.28%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W				
Ticker	Px	% Change	Points	% Mov
MTNN	184.00	↓ -3.66%	↓ 261.67	↓ -18.98%
DANGSUGAR	31.50	↓ -10.13%	↓ 79.19	↓ -5.75%
INTBREW	4.06	↓ -6.24%	↓ 13.32	↓ -0.97%
UCAP	18.05	↓ -1.90%	↓ 3.86	↓ -0.28%
WEMABANK	7.90	↓ -0.63%	↓ 1.18	↓ -0.09%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↑ 0.26%	↑ 1.41%	↑ 0.90%	↑ 33.00%
NSE Banking Index	↑ 0.76%	↑ 7.86%	↑ 5.79%	↑ 11.37%
NSE Insurance Index	↑ 1.42%	↑ 4.04%	↑ 4.58%	↑ 39.78%
NSE Industrial Goods Index	↑ 0.07%	↑ 0.10%	↓ -5.83%	↑ 32.16%
NSE Consumer Goods Index	↑ 0.11%	↓ -0.84%	↓ -0.30%	↑ 39.07%
NSE Oil & Gas Index	↑ 0.13%	↑ 3.95%	↑ 14.50%	↑ 118.54%

Source: NGX, Bloomberg, AIICO Capital

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