MONTHLY MARKET REPORT OCTOBER 2024

REPORT SUMMARY

Review

- Global Macros: Mixed economic performance and inflationary pressures.
- Domestic Macros: Uptick in Inflation; Decline in Capital flows; Rising Debt levels.
- Foreign Exchange Market: Naira slipped despite CBN's interventions; FX reserves recorded gains
- Money Market: Liquidity plunged further into negative territory; Interbank rates surged
- Treasury bills: Bearish bias driven by liquidity constraints and OMO sales.
- FGN Bonds: Tight Liquidity Pressures Push October Bond Yields Up, Despite Strong Auction Interest.
- Nigeria's Eurobonds: U.S. Economic Data, Geopolitical tensions and Oil Volatility Drove Mixed Performance.
- Equities Market: Bears Roar on the Lagos Custom Street in October as Investors dump Bellwether Stocks.

Outlook

- Global Economy: Interest rate decisions and the US elections to take precedence.
- Domestic Macros: Persistent inflationary pressures and more policy reforms.
- Foreign Exchange Market: Stable FX market amid CBN's intervention.
- Money Market: Sustained tightening approach; Final MPC meeting for 2024.
- Treasury Bills: We expect the CBN/DMO to maintain the current rates.
- FGN Bonds: We anticipate mild buying interest; Expect the release of the 2025 FGN budget.
- Nigeria's Eurobonds: The US election and Fed meeting to drive market sentiments.
- Equities Market: Mixed Q3 earning report and end of the year rally to shape the stock market in November.

GLOBAL MACROECONOMIC REVIEW

United States: *Robust Job Growth, Inflation Pressures, and Fed Adjustments*

The U.S. economy displayed resilience in September with robust job gains, as non-farm payroll employment surged by 254,000, significantly surpassing projections. This strong labor market performance brought the unemployment rate down to 4.1%, reflecting continued economic health despite pressures from inflation. However, while core inflation held at a higher-than-expected rate of 3.3% annually, the broader Consumer Price Index (CPI) rose moderately due to increased shelter and food prices. The Producer Price Index (PPI) also saw unexpected stability, with price gains in services offsetting declining goods prices, indicating a mixed inflation outlook.

Simultaneously, the Federal Reserve lowered GDP growth estimates for Q3 and Q4, reflecting the economic drag from rising energy costs and geopolitical uncertainties. Crude oil inventories declined sharply, influenced by escalating Middle East tensions that have pushed oil prices to new highs. In response, Fed Chair Jerome Powell emphasized the need for data-driven rate cuts, signaling a more cautious approach in November.

United Kingdom: *Sluggish Economic Growth and Recession Concerns*

The UK economy returned to growth, registering a 0.2% rise in GDP in the month of September, yet concerns about an economic slowdown persist as inflation remains high and manufacturing and services sectors weaken. Both sectors reported declining PMIs, with services showing a multi-month low, which has sparked further pressure on the Bank of England to consider rate cuts. In line with this, the UK's long-term growth prospects face challenges due to inflationary constraints and weakened domestic demand.

Europe: *Industrial Decline, Moderate Inflation, and Cautious Monetary Policy*

In the Eurozone, industrial production faced persistent declines, particularly in Spain where industrial output decreased for the second consecutive month. Meanwhile, Eurozone inflation forecasts were adjusted downward, with the European Central Bank's (ECB) survey projecting 2025 inflation at 1.9%, below the 2% target, reflecting potential disinflation. The ECB responded by reducing the deposit rate to 3.25%, marking its third cut of the year as inflationary pressures ease, especially in services.

However, ongoing energy cost pressures and lagging wage growth signal potential vulnerabilities, and the ECB remains cautious about further rate cuts. Eurozone officials, like ECB member Klaas Knot, have urged a measured approach as inflation trends appear favorable but fragile. Additionally, Russia's unexpected interest rate hike to 21% highlighted fiscal challenges and underscored diverging monetary responses in the region.

Asia: *China's Economic Struggles and Japan's Wage Pressures*

China's economy faced continued contraction in manufacturing for the fifth consecutive month, with the PMI remaining in contraction territory at 49.8. In an attempt to stimulate growth, the People's Bank of China injected RMB 500 billion through a swap facility to support liquidity for institutional investors. This came amid further rate cuts aimed at boosting economic activity. Yet, the broader Asian economy showed mixed results, with China's overall GDP growth in Q3 at 4.6%, slightly below expectations, reflecting sluggish demand both domestically and globally.

In Japan, wage stagnation contributed to declining real incomes, with wages dropping 0.6% y/y. Inflationary pressure eased slightly, yet energy subsidies were necessary to curb rising prices. This ongoing inflation-management strategy indicates Japan's gradual adaptation to external shocks, though its domestic growth remains hampered by wage-related inflationary pressures and global demand fluctuations.

Key Economic Snapshot

GDP	Q3'24	2.80%	Q2'24	0.50%	Q3'24	0.40%	Q3'24	0.90%
	Q2'24	3.00%	Q1'24	0.70%	Q2'24	0.20%	Q2'24	0.70%
	Q3'23	4.90%	Q2'23	0.00%	Q3'23	-0.10%	Q3'23	1.50%
INTEREST/ POLICY RATE	Oct'24	5.00%	Oct'24	5.00%	Oct'24	3.40%	Oct'24	3.10%
	Sep'24	5.00%	Sep'24	5.00%	Sep'24	3.65%	Sep'24	3.35%
	Oct'23	5.50%	Oct'23	5.25%	Oct'23	4.50%	Oct'23	3.45%
INFLATION RATE	Sep'24	2.40%	Sep'24	1.70%	Oct'24	2.00%	Sep'24	0.40%
	Aug'24	2.50%	Aug'24	2.20%	Sep'24	1.70%	Aug'24	0.60%
	Sep'23	3.70%	Sep'23	6.70%	Oct'23	2.90%	Sep'23	0.00%

Source: Bloomberg, Trading Economics, AIICO Capital

Africa - *Economic Reforms, Debt Restructuring, and Fiscal Stability*

Ghana reached a new agreement with the IMF on its $3 billion loan program, indicating substantial progress in debt restructuring. Moody's upgraded Ghana's credit rating to reflect these fiscal reforms, underscoring improved liquidity risks and financial stability. Ghana's engagement in the G20 Common Framework for debt restructuring highlights a commitment to economic recovery.

Ethiopia received $340.7 million from the IMF following the completion of the first review of its $3.4 billion loan program. Structural reforms, including currency adjustments and debt restructuring, positioned Ethiopia to strengthen its fiscal foundation, providing a significant boost to economic stability in the region.

South Africa's inflation dropped to 3.8%, marking its lowest level in three years. This unexpected decline kept inflation within the central bank's 3%-6% target range and heightened expectations for a potential rate cut, signaling a period of relief from inflationary pressures.

Key Economic Snapshot

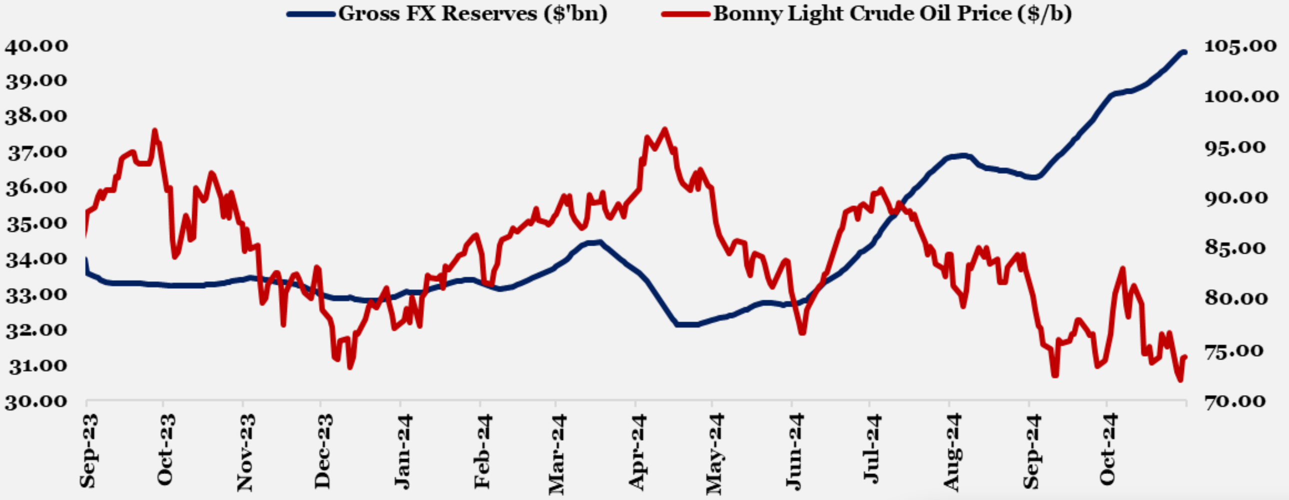
	Nigeria		Ghana		Angola		Egypt		South Africa	
GDP	Q2'24	3.19%	Q2'24	6.90%	Q2'24	4.10%	Q2'24	2.40%	Q2'24	0.30%
	Q1'24	2.98%	Q1'24	4.80%	Q1'24	4.60%	Q1'24	2.22%	Q1'24	0.50%
	Q2'23	2.51%	Q2'23	3.20%	Q2'23	0.10%	Q2'23	2.90%	Q2'23	1.80%
INTEREST/ POLICY RATE	Sep'24	27.25%	Sep'24	27.00%	Sep'24	19.50%	Sep'24	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	Sep'24	32.70%	Sep'24	21.50%	Sep'24	29.93%	Sep'24	26.40%	Sep'24	3.80%
	Aug'24	32.15%	Aug'24	20.40%	Aug'24	30.53%	Aug'24	26.20%	Aug'24	4.40%
	Sep'23	26.72%	Sep'23	38.10%	Sep'23	15.01%	Sep'23	38.00%	Sep'23	5.40%

Source: Bloomberg, Trading Economics, AIICO Capital

Oil Markets - *Geopolitical Tensions and Strategic Production Adjustments*

The global oil market saw heightened volatility due to rising Middle East tensions, driven by potential conflict between Israel and Iran. This uncertainty pushed Brent and WTI crude prices to one-month highs, driven by fears of disruptions at critical points like the Strait of Hormuz. While U.S. oil stocks experienced an unexpected drawdown, reflecting steady demand, concerns remain about potential supply shortages. OPEC+ is considering a delayed production increase scheduled for December, as the recent uptick in oil prices may warrant further output stability. This mixture of geopolitical and economic signals suggests that the oil market may face sustained volatility into early 2025.

In Nigeria, the Bonny light crude price appreciated by 34bps to close at $74.20 per barrel, averaging $76.69 per barrel during the period.

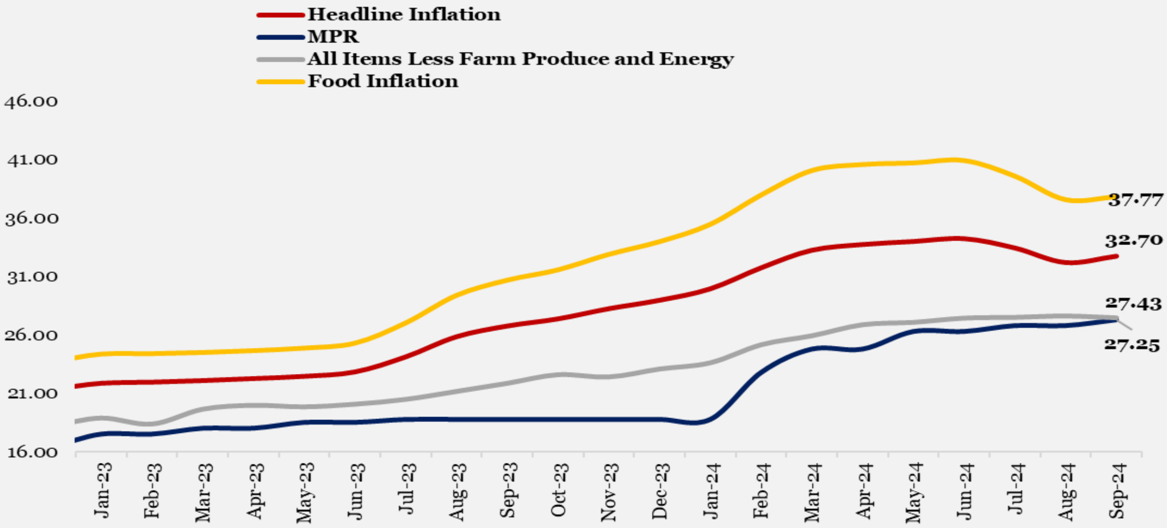


Source: CBN, AIICO Capital

Nigeria: *Uptick in Inflation; Decline in Capital flows; Rising Debt levels; Crude support to Dangote*

Inflation and Economic Reforms

Nigeria's inflation surged to 32.70% y/y in September 2024, reversing a short-lived downtrend due to petrol price hikes. Food inflation hit 37.77%, driven by increases in essential goods. This inflation spike, partially due to subsidy reforms, has raised challenges for the Central Bank of Nigeria (CBN). Proactive measures, including potential rate adjustments, aim to ease inflationary pressures, although the bank may adopt a more accommodative stance by early 2025. Additionally, the National Economic Council urged a delay in the proposed tax reform bill to incorporate broader stakeholder input, with northern states voicing concerns over VAT distribution policies that they argue could disproportionately affect the region.



Source: NBS, CBN, AIICO Capital

Capital Importation and Foreign Investment

Capital inflows into Nigeria fell to $2.6 billion in the second quarter of 2024, with foreign direct investment (FDI) reaching a 10-year low of $30 million. This decline highlights the difficulties in attracting long-term investments due to the devaluation of the naira and instability in the foreign exchange market. In a notable development, the Dangote Refinery made its first petrol shipment as part of the government's naira-for-crude initiative. This move indicates a shift in policy towards self-reliance, aiming to stabilize local fuel prices and reduce dependence on imports.

Debt Outlook and Structural Adjustments

The IMF projects Nigeria's external debt to reach 25% of GDP by 2025, with economic reforms like exchange rate unification and subsidy removal impacting the cost of living. Ongoing reforms reflect the government's long-term commitment to fiscal consolidation, as international reserves have recently grown to nearly $40 billion due to a shift in CBN policies, including less intervention in the FX market. Further, the National Assembly introduced a bill mandating tax identification for bank accounts to enhance tax compliance and widen Nigeria's revenue base.

Energy Sector Developments

In a strategic move, the Nigerian National Petroleum Company Limited (NNPCL) supplied 48.6 million barrels of crude oil to the Dangote Refinery, although the refinery's output remains below its capacity. This support is part of broader energy reforms that have influenced Nigeria's fuel import trends. As a result, petrol imports have decreased while local production has increased. Additionally, the International Monetary Fund (IMF) projects that Nigeria's GDP will fall to the fourth largest in Africa, reflecting structural economic shifts amid naira devaluation and subsidy reforms.

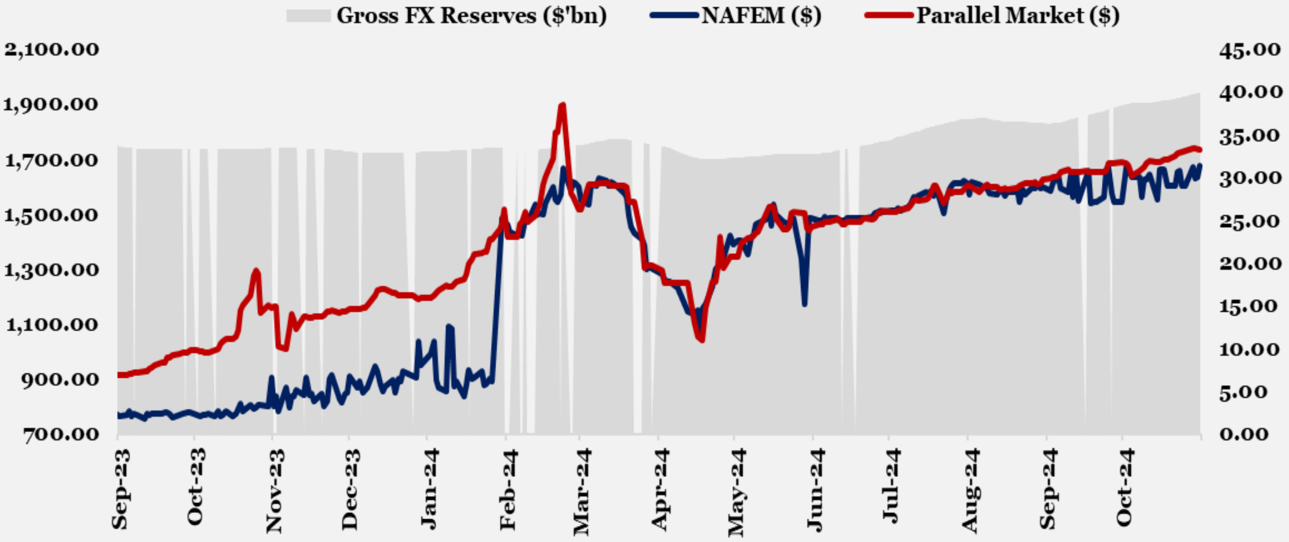
MARKET UPDATE

Foreign Exchange Market – *Naira slipped despite CBN's interventions; FX reserves recorded gains.*

In October, the Nigerian Autonomous Foreign Exchange Market (NAFEM) saw improved dollar liquidity, with the naira trading between ₦1,540 and ₦1,697/USD. The Central Bank of Nigeria (CBN) intervened with an estimated $383 million to stabilize rates, though the naira depreciated overall, closing at ₦1,675.49/USD—a monthly drop of 8.66%. Similarly, the parallel market saw a ₦50 drop, reaching ₦1,750/USD.

External reserves grew by $1.43 billion, ending October at $39.79 billion, supported by reduced CBN interventions in alignment with market-driven policies. In addition, the upcoming Electronic Foreign Exchange Matching System (EFEMS), set for December 2024, aims to improve FX market transparency.

Government reforms, including subsidy removal and production incentives, boosted investor confidence, with capital importation reaching $6.9 billion by August. Finance Minister Wale Edun reaffirmed the commitment to transparency, enhancing foreign investment and economic stability.



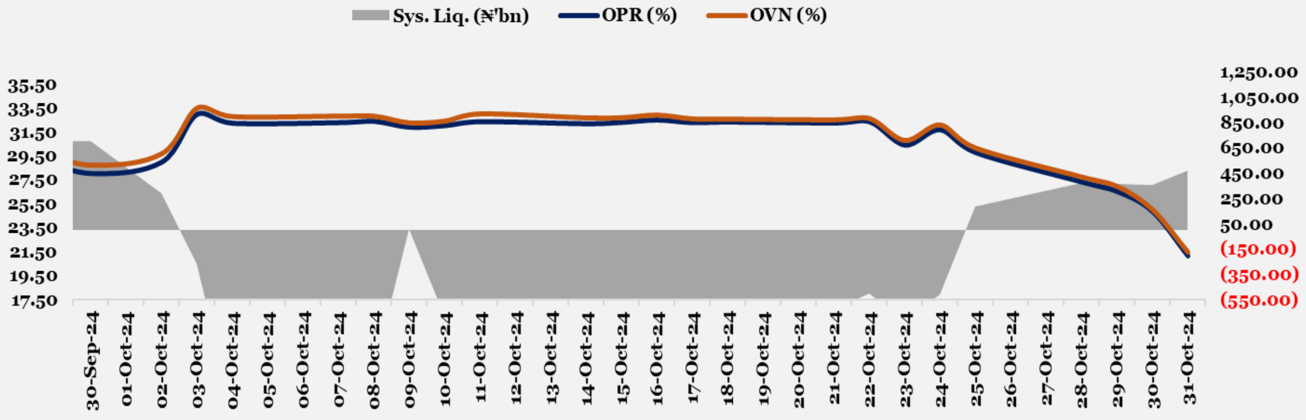
Source: FMDQ, Rate Captain, AIICO Capital

Outlook: The foreign exchange market is expected to remain stable, as the CBN is committed to maintaining price and supply stability through intermittent interventions.

Money Market – *Liquidity plunged further into negative territory; Interbank rates surged.*

October saw persistent illiquidity in Nigeria's interbank market, primarily driven by CBN's FX interventions, CRR debits, and frequent OMO auction settlements. The month began with a significant credit of ₦709.32 billion, but liquidity sharply declined throughout the period, averaging a debit of -₦579.71 billion, down from -₦26.13 billion in September. FAAC disbursements, remita credits, and other state inflows temporarily eased liquidity pressures in mid-October, with interbank rates reaching a low of 19%-25% by month-end. However, funding pressures remained high, with rates spiking up to 34% during peak OMO settlements and closing around 26%-27% after FAAC inflows.
Overall, the Open Repo Rate (OPR) and Overnight Rate (OVN) rose by 2.92% and 2.78%, averaging 30.59% and 30.99%, respectively.

MARKET UPDATE…/2



Source: CBN, FMDQ, AIICO Capital

Outlook: We expect the CBN to maintain its tightening approach by conducting liquidity mop-up operations through FX intervention sales, OMO auctions, and CRR debits. Attention will also shift to the last Monetary Policy Committee (MPC) meeting of the year.

Treasury Bills – *Bearish bias driven by liquidity constraints and OMO sales.*

The Treasury bills market experienced mixed, predominantly bearish sentiments due to liquidity constraints in the interbank market and inflation pressures. Early in the month, participants focused on longer-dated papers as bearish undertones prevailed, particularly at the mid-to-long end of the curve. Several auctions marked the month, with the CBN's OMO auction offering ₦500 billion, garnering ₦737.14 billion in subscriptions, while stop rates marginally rose to 24.32%.

Subsequent NTB auctions maintained tight liquidity. An early auction saw ₦81.9 billion offered with stop rates steady at 17.00%, 17.50%, and 19.864% for 91-, 182-day, and 364-day tenors, respectively. Later in October, a larger auction offered ₦374.669 billion, witnessing a rate increase on the 364-day bill to 20.65%.

Towards month-end, some bullish sentiment emerged with selective buying interest in mid-dated papers. Overall, yields rose 2.67% m/m to 24.15%, reflecting investor caution despite increased demand for 1-year bills and a ₦115.16 billion oversubscription at the final DMO auction.

OCTOBER 2024 NTB AUCTION RESULT				
Tenor	Sep'24 Close	Oct'24 Auc 1	Oct'24 Auc 2	Change M-o-M (basis points)
91	17.00%	17.00%	17.00%	+0.00
182	17.50%	17.50%	17.50%	+0.00
364	**20.00%**	**19.86%**	**20.65%**	+65.00

OCTOBER 2024 OMO AUCTION RESULT				
Tenor	Sep'24 Close	Oct'24 Auc 1	Oct'24 Auc 2	Change M-o-M (basis points)
Short	0.00%	0.00%	0.00%	+0.00
Mid	0.00%	0.00%	0.00%	+0.00
Long	**24.30%**	**24.32%**	**24.30%**	+0.00

Source: CBN, FMDQ, AIICO Capital

Outlook: We expect the CBN to continue its aggressive approach in the Treasury bills market. The expected NTB maturity is ₦ 1.12 trillion.

FGN Bond Market – *Tight Liquidity Pressures Push October Bond Yields Up, Despite Strong Auction Interest.*

The FGN Bonds market exhibited mixed sentiments, with a bias toward bearish trading amid liquidity constraints and cautious investor sentiment. Early in the month, the market was quiet, focusing on bonds maturing in 2029, 2031, and 2033, with limited trading in other tenors. By mid-month, bearish pressure pushed yields up by 10-50 basis points, particularly on long-dated securities.

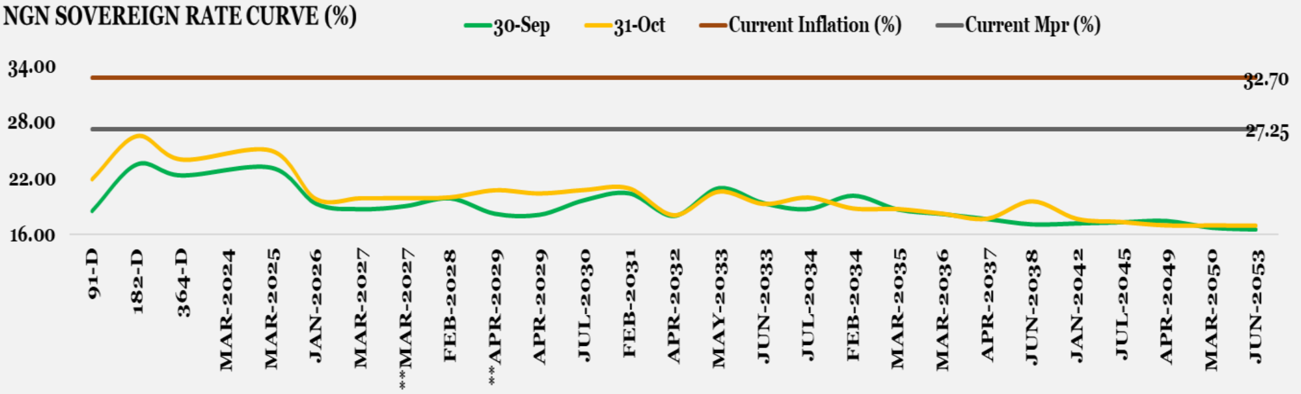
The highlight was the FGN bond auction, where ₦180 billion was offered for the re-opened 2029 and 2031 tenors. The auction attracted significant interest, with total subscriptions reaching ₦389.32 billion and an allotment of ₦289.60 billion. Stop rates surged, closing at 20.75% and 21.70% for the 2029 and 2031 bonds, respectively—reflecting a 1.75% increase compared to prior levels. This auction created subsequent buying interest in longer tenors like the 2031 and 2033 bonds.

Toward month-end, mixed but cautiously bullish sentiment emerged, notably on 2034 and 2053 bonds, as investors looked to reposition after the primary market auction. Overall, the average yield rose 56 bps m/m to 19.33%.

OCTOBER 2024 BOND AUCTION RESULT

Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	Sep'24 Close	Change M-o-M (basis points)
17-Apr-29	90.00	60.74	57.24	**20.75%**	**19.00%**	**+175.00**
21-Feb-31	90.00	328.58	232.36	**21.74%**	**19.99%**	**+175.00**
	180.00	**389.32**	**289.60**			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital

Outlook: Expected coupon inflows of c.₦166 billion should generate moderate buying interest, while investors remain focused on the upcoming Monetary Policy Committee (MPC) decision later this month. Furthermore, we expect that the FGN to unveil its budget for 2025.

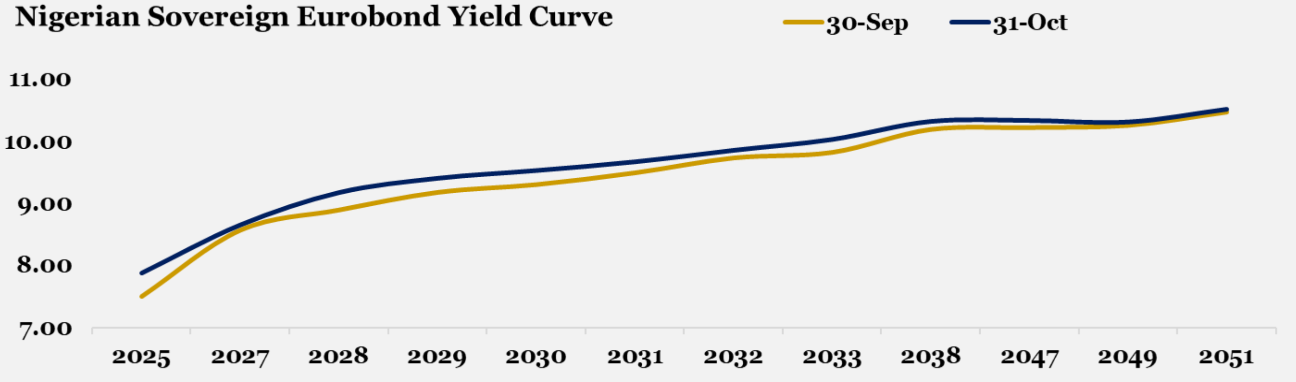
Eurobonds Market – *U.S. Economic Data, Geopolitical tensions and Oil Volatility Drove Mixed Performance.*

The FGN Eurobonds market witnessed mixed performance, shaped by fluctuating oil prices, U.S. economic data, and geopolitical tensions. Early in the month, higher oil prices initially boosted demand for Nigerian Eurobonds, with Brent crude rising by 1.5%. However, rising global supply and escalating Middle Eastern tensions led to sporadic sell-offs, contributing to overall risk-off sentiment among investors. Sub-Saharan Africa (SSA) bonds, including Nigeria's, faced particular pressure as investors shifted towards safer assets.

Mid-month, despite a bullish opening spurred by positive U.S. jobs data, the market turned cautious as Federal Reserve members signaled diverging views on rate cuts. U.S. CPI data rose to 2.4%, marginally above expectations, and weekly jobless claims climbed to 258k, sparking concerns over an economic slowdown.

As the month progressed, Eurobond yields fluctuated with changing sentiment around crude oil prices and updates on OPEC production increases. Lower oil prices and ceasefire talks in the Middle East, coupled with mixed U.S. retail sales data, led to a bearish close for the third week. Toward month-end, rising unemployment claims in the U.S. added to bearish momentum. Further contributing to global market unease, Microsoft and Meta's disappointing forecasts led to declines in their stock prices.

By the end of October, the average Nigerian yield curve had risen 17bps to 9.64%.



Source: FBN UK, AIICO Capital

Outlook: This month's elections and Fed meeting will be significant; therefore, we expect mixed activity overall as investors adopt various positions.

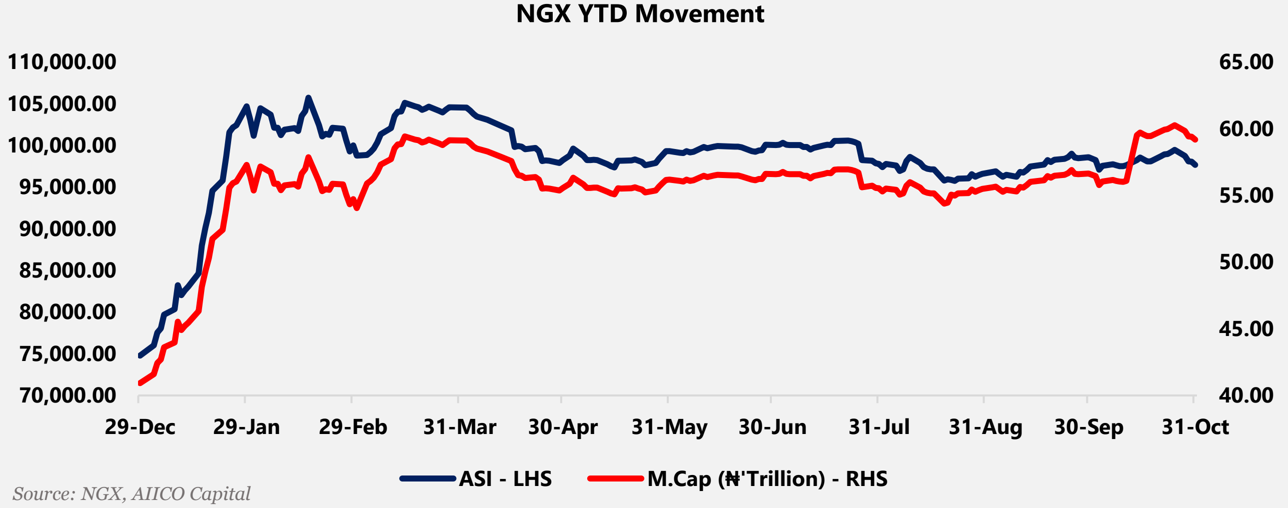
Equities Market Performance – *Bear Roar on the Lagos Custom Street in October as Investors dump Bellwether Stocks.*

The Nigerian local bourse (NGX All-Share Index) closed the month at 97,651.02 points, reflecting a 0.92% month-on-month (M-o-M) decline. Despite this, market capitalization rose by ₦2.54 trillion to ₦59.17 trillion, largely due to the listing of ₦3.1 trillion worth of shares from Aradel Holdings Plc.

Trading activity slowed, with 9.4 billion shares worth ₦251.4 billion traded across 190,572 deals in October, compared to 11.7 billion shares worth ₦298.4 billion across 206,236 deals in September.

Among sectors, Oil & Gas outperformed with a 15.9% M-o-M gain, driven by price appreciation in Seplat shares. This was followed by the Banking and Insurance sectors, which grew by 4.8% and 4.0% M-o-M, respectively. In contrast, the Industrial Goods and Consumer Goods sectors declined by 9.3% and 0.08% M-o-M, respectively.

Significant corporate actions included the listing of 4.3 billion Aradel Holdings shares at ₦702 per share.



Source: NGX, AIICO Capital

Market Sector	Oct-23	Sep-24	Oct-24	YTD
NGX-ASI	4.3%	2.0%	-0.92%	30.6%
Banking	7.5%	10.2%	4.8%	10.3%
Consumer Goods	1.5%	-0.7%	-0.8%	38.4%
Industrial Goods	6.5%	-1.2%	-9.3%	27.3%
Insurance	-1.6%	1.4%	4.0%	39.0%
Oil & Gas	2.4%	7.0%	15.9%	121.2%

Source: NGX, AIICO Capital

MARKET UPDATE.../6

Top 5 Decliner	Open	Close	% Change
TRIPPLEG	4.54	1.82	-59.9%
REGALLINS	0.75	0.48	-36.0%
INTENEGINS	1.55	1.32	-14.8%
UPDC	1.76	1.53	-13.1%
AFRIPRUD	9.9	9.5	-4.0%

Top 5 Performer	Open	Close	% Change
EUNISELL	2.9	5.11	76.2%
MECURE	7.65	12.95	69.3%
UPL	2.17	3.38	55.8%
SEPLAT	4103.1	5700	38.9%
LIVESTOCK	2.99	3.87	29.4%

Source: NGX, Bloomberg, AIICO Capital

Outlook: We expect the market to rebound, supported by strong Q3 earnings from banking stocks and positive investor sentiment as the year-end rally approaches. However, the current high yields in the fixed-income market may temper market growth.

Contact us now to receive valuable investment guidance today.

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