

Actionable Market Insights, Delivered Weekly.

AIICO CAPITAL

MARKET COMMENTARY

DATE: Friday | 01 November 2024

Money Market

System liquidity saw a substantial improvement this week, driven by inflows from OMO maturities, remita inflows, and Signature bonuses, despite debits from FX settlements and CRR. This positive trend significantly eased funding rates across banks, with the Overnight Policy Rate dropping by 10.53% to 19.25% and the Overnight Rate decreasing by 10.46% to 19.68% week-on-week.

Outlook: Next week, we expect rates to stay at their current levels, supported by continued improvements in system liquidity, unless there are significant debits from the Apex bank.

Treasury Bills

Activity in the Treasury bills market displayed mixed sentiments, though it leaned towards bullishness as participants selectively picked their preferred papers. Most of the interests was skewed to select maturities, particularly the February, March, April, May bills, and October 2025 papers. Thus, the average mid-rate across the benchmark NTB papers declined by 5 bps to 21.41%.

Outlook: We expect a cautious start next week as participants await the upcoming NTB auction.

FGN Bonds

The local bonds market saw renewed buying interest in select maturities, particularly the February 2031, May 2033, February 2034, and June 2053 bonds. This demand was fueled by improved liquidity from FGN bond coupon inflows. As a result, the average mid-yield for benchmark bonds decreased by 30 bps week-on-week, settling at 18.89%.

Outlook: We expect the mixed to bullish sentiments to persist.

Eurobonds Markets

The Eurobonds market ended the week on a bearish note, despite higher intra-day prices briefly on Friday after the October Jobs report. Specifically, Job creation slowed to its weakest pace since late 2020, with nonfarm payrolls rising by just 12,000, far below the 100,000 estimate. The unemployment rate remained steady at 4.1%, and the broader measure of unemployment was unchanged at 7.7%. Overall, African sovereigns saw a negative trend, with Nigerian bonds' average mid-yield rising by 30 bps to 9.71% week-on-week.

Outlook: Next week, attention will be on the US elections and the Federal Reserve's penultimate meeting of the year.

BENCHMARK T-BILLS DISCOUNT RATES

	01-Nov-24	25-Oct-24	Change in Rates
83 days	20.86%	20.86%	→ 0.00%
174 days	23.53%	23.53%	→ 0.00%
328 days	19.74%	19.74%	→ 0.00%

Source: FMDQ DQL for 01-Nov-2024

BENCHMARK FGN BOND YIELDS

	01-Nov-24	25-Oct-24	Change in Yield
5 yrs: 14.55% 26-Apr-2029	20.41%	19.81%	↑ 0.60%
10 yrs: 19.00% 21-Feb-2034	19.98%	20.20%	↓ -0.22%
20 yrs: 15.45% 21-Jun-2038	19.00%	19.57%	↓ -0.57%
30 yrs: 15.70% 21-Jun-2053	16.98%	17.05%	↓ -0.07%

Source: FMDQ DQL for 01-Nov-2024

BENCHMARK FGN EUROBOND YIELDS

	01-Nov-24	25-Oct-24	Change in Yield
5 yrs: NGERIA 8.375% 03/24/29	9.36%	9.04%	↑ 0.32%
10 yrs: NGERIA 7.375% 09/29/33	10.05%	9.69%	↑ 0.36%
15 yrs: NGERIA 7.696% 23/02/38	10.36%	10.07%	↑ 0.29%
30 yrs: NGERIA 8.25% 09/29/51	10.56%	10.31%	↑ 0.25%
8.75% ETI 06/17/31*	8.99%	8.91%	↑ 0.08%

Source: FBN UK Runs for 01-Nov-2024

NAFEM RATE (\$/N)

		Diff.
1-Nov-24	1,666.72	
25-Oct-24	1,600.00	↑ 66.72

Source: FMDQ

SYS. LIQ. (N'BN)

		Diff.
1-Nov-24	398.31	
25-Oct-24	183.98	↑ 214.33

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

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)	39.77 (+20.83% YTD as of 01-Nov-24)
Monetary Policy Rate	27.25%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*73.36 (-2.46 w/w)

Source: NBS, CBN, AIICO Capital

Nigerian Equities

The local stock market ended the week on a bearish note, with the NGX-ASI dropping by 0.22% to 97,432.02 points and market capitalization decreasing to ₦59.04 trillion. This decline, driven by losses in ARADEL (-10.00%), UACN (-5.73%), and UBA (-2.68%), brought the year-to-date ASI return to 30.30%. Sector performance was mixed; Banking gained 1.15%, Consumer Goods rose 0.23%, and Insurance added 0.15%, while Oil & Gas and Industrial Goods fell by 0.07% and 0.01%, respectively.

Outlook: We expect mixed trading next week.

Foreign Exchange

This week, the central bank intervened twice in the NAFEM market, selling an estimated \$72 million at an exchange rate of \$/₦1,630.00. Nevertheless, the naira depreciated by 4.17% over the week, ending at \$/₦1,666.72 in the NAFEM window.

Outlook: We expect the volatility to persist next week.

Commodities

Oil prices climbed 1% to a one-week high amid reports of Iran planning a retaliatory strike on Israel from Iraq. Brent crude reached approximately \$73.36 per barrel, while WTI was around \$69.76. Meanwhile, gold prices remained relatively stable. Gains from a weaker U.S. dollar, following disappointing job growth data and increased safe-haven demand, were balanced by rising Treasury yields, with gold trading at about \$2,750.70 per ounce.

Outlook: We expect some volatility next week amid the US elections and FOMC meeting.

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↓ -0.22%	↓ -2.03%	↓ -0.22%	↑ 30.30%
NSE Banking Index	↑ 1.15%	↑ 0.19%	↑ 1.15%	↑ 11.58%
NSE Insurance Index	↑ 0.15%	↓ -0.40%	↑ 0.15%	↑ 39.22%
NSE Industrial Goods Index	↓ -0.01%	↓ -3.70%	↓ -0.01%	↑ 27.27%
NSE Consumer Goods Index	↑ 0.23%	↓ -0.22%	↑ 0.23%	↑ 38.77%
NSE Oil & Gas Index	↓ -0.07%	↑ 1.15%	↓ -0.07%	↑ 121.06%

Source:NGX, Bloomberg, AIICO Capital

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