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MONTHLY MARKET REPORT NOVEMBER 2024

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REPORT SUMMARY

Review

- Global Macros: Economic resilience and resurgence of inflationary pressures.
- Domestic Macros: Strong GDP numbers; Uptick in Inflation; Hike in benchmark interest rate.
- Foreign Exchange Market: Improved Liquidity and Strategic Interventions Stabilize Naira Amid FX Market Pressure
- Money Market: System Liquidity Recovers Marginally in November Amid Persistent Funding Pressures.
- Treasury bills: Yields Surge Amid Robust Demand and Liquidity Fluctuations in Treasury Bills Market.
- FGN Bonds: – Mixed to Bullish Close Despite Cautious Start
- Nigeria's Eurobonds: Steady yields Amid Oil Price Swings and Fed Policy Signals.
- Equities Market: High Capped Stocks dipped Equities Market by 0.15% in November

Outlook

- Global Economy: US Interest rate decisions and OPEC+ meeting to drive sentiments.
- Domestic Macros: Sustained inflationary pressures; more tax reforms.
- Foreign Exchange Market: Naira to continue to strengthen amid CBN reforms.
- Money Market: CBN to remain hawkish, albeit less aggressive.
- Treasury Bills: Mixed to bullish sentiments to end the year; sustained demand at the primary market window.
- FGN Bonds: Expect mild bullish sentiments to close the year, bolstered by coupon inflows, less aggressive CBN, and a possible weak DMO appetite.
- Nigeria's Eurobonds: Possible bullish close driven by strong appetite for the newly issued papers and less aggressive US Fed.
- Equities Market: Bargain-hunting on the back of year end market activities to rebound the equities market in December

GLOBAL MACROECONOMIC REVIEW

United States: *Economic Resilience Amid Mixed Signals*

In the third quarter of 2024, the U.S. economy demonstrated notable resilience, growing by 2.8% thanks to strong consumer spending and increased business investment in equipment. This uptick in consumer spending, driven by a solid labor market and improved household wealth, marked its fastest growth since early 2023, contributing 2.46 percentage points to the GDP increase. However, economists anticipate a slowdown in the fourth quarter due to factors such as the Boeing strike, hurricane effects, and ongoing geopolitical tensions.

The labor market exhibited mixed signals. In September, non-farm payrolls saw an addition of 254,000 jobs, which was significantly higher than expectations. Yet job growth plummeted to just 12,000 in October, the lowest level since 2020, impacted by strikes and severe weather conditions. Despite these challenges, the unemployment rate held steady at 4.1%.

Inflation continues to pose a complex issue, with the Consumer Price Index (CPI) showing a 0.2% increase in October, resulting in an annual inflation rate of 2.6%. Core inflation rose by 3.3%, primarily due to rising costs in shelter and food. In response, the Federal Reserve lowered interest rates to a range of 4.75% to 5.00%, indicating a cautious change in its monetary policy. Chair Jerome Powell highlighted the need for a balanced approach to manage inflation while promoting ongoing economic growth.

Geopolitical tensions, particularly concerning Iran and Israel, have further complicated the economic landscape, contributing to fluctuations in oil prices and reflecting ongoing global uncertainties.

United Kingdom: *Modest Recovery Amidst Persistent Inflation*

The UK economy experienced modest growth of 0.1% in Q3'24, the slowest rate in three quarters, down from 0.5% in Q2 and below the 0.2% forecast. The services sector also grew by 0.1%, driven by increases in professional, scientific, and technical activities (0.7%) as well as wholesale and retail trade (0.6%). However, inflationary pressures remain, exacerbated by a recent £70 billion government budget funded by higher taxes. In response, the Bank of England lowered interest rates from 5% to 4.75% to ease borrowing costs for households and businesses, though it cautioned that further cuts would be gradual due to inflation risks from increased spending. Both the manufacturing and services sectors showed weak performances in their PMIs, indicating vulnerabilities in the economic recovery. Higher VAT and national insurance contributions have contributed to rising business costs, potentially worsening inflation. While financial markets reacted positively with a stronger pound and adjusted expectations for rate cuts, global uncertainties, including trade issues tied to U.S. policies, complicate the UK's economic outlook.

Europe: *Inflation rises Amid Weak Growth*

In the Euro Area, inflation rose to 2.3% in November, slightly above the European Central Bank's (ECB) target. This reduction provided room for the ECB to prioritize economic growth through interest rate cuts. However, industrial output remained weak, with Spain recording its second consecutive decline, reflecting broader challenges in the region's industrial base.
The ECB cut deposit rates to 3.25%, its third reduction this year, aiming to stimulate growth while addressing inflation in the services sector. However, wage growth remains subdued, and energy costs continue to pose risks. Russia's unexpected 200-bps rate hike to 21% further illustrated the divergent monetary strategies across the region.

Asia: *China's Struggles and Japan's Inflation Management*

China's economy faced persistent challenges in Q3 2024. Manufacturing activity contracted for the fifth consecutive month, with the PMI improving slightly to 49.8 but remaining below the 50-mark. Despite stimulus efforts, including RMB 500 billion in liquidity injections and rate cuts by the People's Bank of China, economic momentum remains weak. GDP grew by 4.6% in Q3, slightly below expectations, as sluggish demand and real estate sector declines weighed on performance.

Retail sales grew by 4.8%, outpacing September's 3.2%, while industrial production rose 5.3%. However, fixed asset investments slowed to 3.4%, and imports fell, highlighting tepid domestic demand. Japan, meanwhile, experienced declining real wages and eased inflation, with a Tokyo-area CPI increase of 1.8%. The Bank of Japan anticipates gradual rate hikes, aiming for a balanced approach to inflation and currency stability.

Key Economic Snapshot

GDP	Q3'24	2.80%	Q3'24	0.10%	Q3'24	0.40%	Q3'24	0.90%
	Q2'24	3.00%	Q2'24	0.50%	Q2'24	0.20%	Q2'24	0.70%
	Q3'23	4.90%	Q3'23	-0.10%	Q3'23	-0.10%	Q3'23	1.50%
INTEREST/ POLICY RATE	Nov'24	4.75%	Nov'24	4.75%	Oct'24	3.40%	Nov'24	3.10%
	Sep'24	5.00%	Sep'24	5.00%	Sep'24	3.65%	Oct'24	3.10%
	Nov'23	5.50%	Nov'23	5.25%	Oct'23	4.50%	Nov'23	3.45%
INFLATION RATE	Oct'24	2.60%	Oct'24	2.30%	Nov'24	2.30%	Oct'24	0.30%
	Sep'24	2.40%	Sep'24	1.70%	Oct'24	2.00%	Sep'24	0.40%
	Oct'23	3.20%	Oct'23	4.60%	Nov'23	2.40%	Oct'23	-0.20%

Source: Bloomberg, Trading Economics, AIICO Capital

Key Economic Snapshot

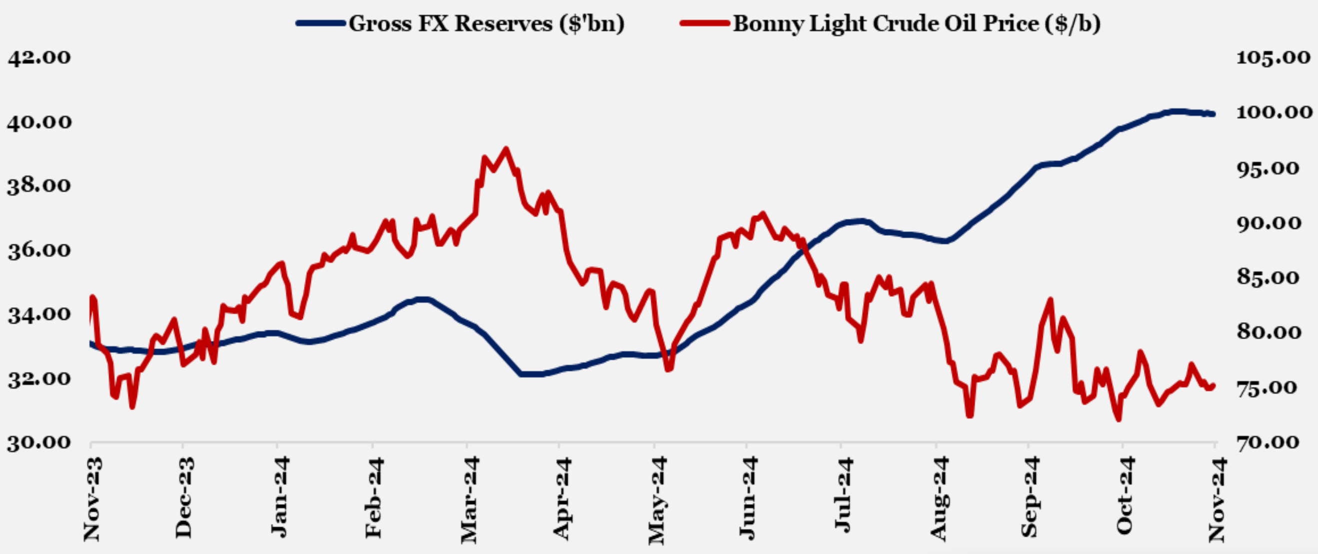
GDP	Q3'24	Q2'24	Q2'24	Q2'24	Q2'24
	3.46%	6.90%	4.10%	2.40%	0.30%
	Q2'24 3.19%	Q1'24 4.80%	Q1'24 4.60%	Q1'24 2.22%	Q1'24 0.50%
	Q3'23 2.54%	Q2'23 3.20%	Q2'23 0.10%	Q2'23 2.90%	Q2'23 1.80%
INTEREST/ POLICY RATE	Nov'24	Nov'24	Nov'24	Nov'24	Nov'24
	27.50%	27.00%	19.50%	27.25%	7.75%
	Sep'24 27.25%	Sep'24 27.00%	Sep'24 19.50%	Sep'24 27.25%	Sep'24 8.00%
	Nov'23 18.75%	Nov'23 30.00%	Nov'23 18.00%	Nov'23 19.25%	Nov'23 8.25%
INFLATION RATE	Oct'24	Oct'24	Oct'24	Oct'24	Sep'24
	33.88%	22.10%	29.17%	26.50%	3.80%
	Sep'24 32.70%	Sep'24 21.50%	Sep'24 29.93%	Sep'24 26.40%	Aug'24 4.40%
	Oct'23 27.33%	Oct'23 35.20%	Oct'23 16.58%	Oct'23 35.80%	Sep'23 5.40%

Source: Bloomberg, Trading Economics, AIICO Capital

Oil Markets - *Heightened Volatility Amid Geopolitical Risks*

Global oil markets experienced significant volatility in late 2024. Escalating Middle East tensions, particularly fears of Iranian retaliation drove Brent and WTI crude prices to monthly highs. U.S. crude inventories saw an unexpected decline, indicating robust demand in the world's largest fuel consumer. OPEC+ delayed its planned December production hike amid weakening demand signals, especially from China, adding to market uncertainty.

In Nigeria, the price of Bonny Light crude rose by 1.23%, closing at $75.11 per barrel, with an average price of $75.44 per barrel during the period.



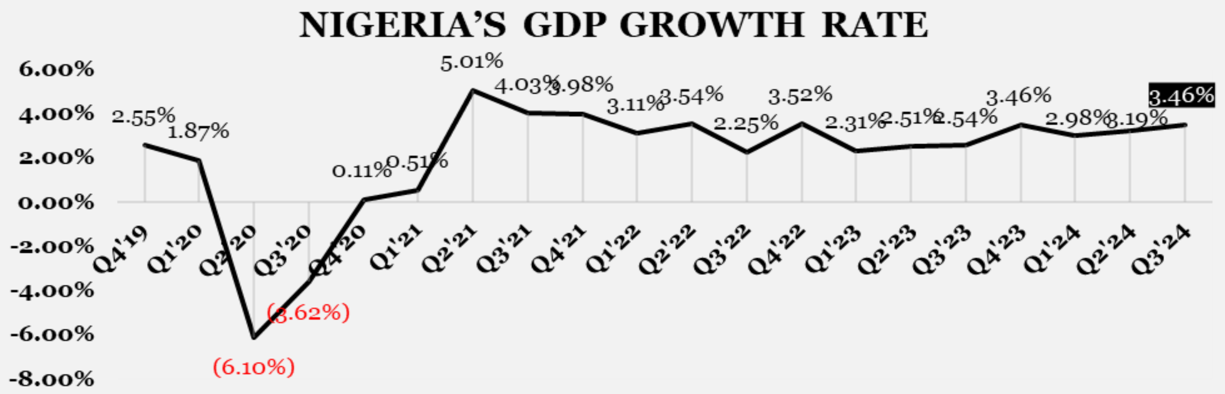
Source: CBN, AIICO Capital

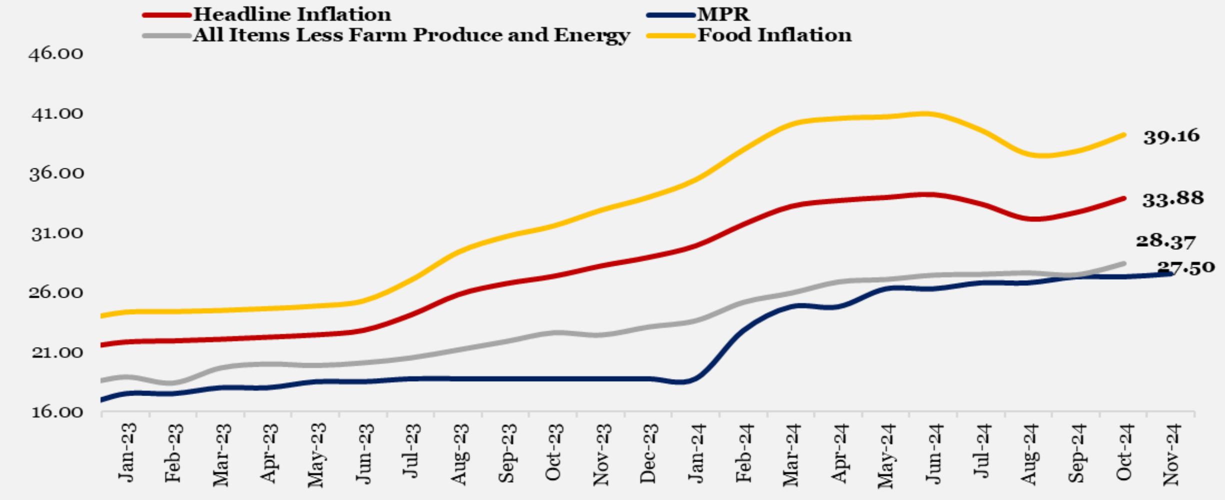
DOMESTIC MACROECONOMIC REVIEW

Nigeria: *Strong GDP numbers; Uptick in Inflation; Hike in benchmark interest rate.*

Economic Growth, Inflation and Unemployment

In Q3 2024, Nigeria's economy witnessed a growth of 3.46%, largely fueled by the services sector, which accounted for over 53% of the economic output and expanded by 5.19%. Despite this growth, inflation rose sharply to 33.9% in October, the highest level seen in nearly thirty years, primarily driven by increases in food and transportation costs. Food inflation specifically soared to 39.16%, highlighting the rising prices of essential staples such as rice and vegetable oils. On a positive note, unemployment rates improved to 4.3% in Q2, indicating progress in job creation as more individuals turned to self-employment following job losses in the formal sector.





Source: NBS, CBN, AIICO Capital

Monetary Policy and Fiscal Adjustments

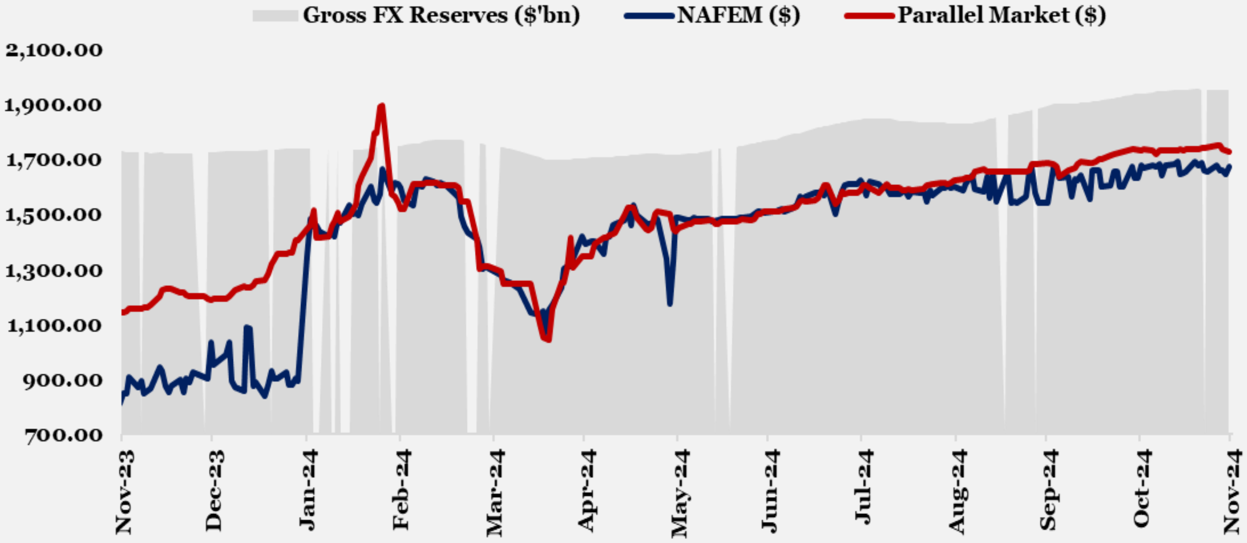
The Central Bank of Nigeria (CBN) sustained the hawkish approach by increasing the Monetary Policy Rate (MPR) by 25bps to 27.5% at its November meeting, marking its sixth consecutive hike this year in an effort to address inflation. Governor Olayemi Cardoso highlighted that the anticipated benefits of these measures will materialize over the next six to nine months. In a related development, Nigeria's foreign reserves exceeded $40 billion, a result of reforms in the foreign exchange market and a rise in remittances. Meanwhile, the government's proposed VAT reforms have encountered resistance, sparking discussions about fair distribution.

MARKET UPDATE

Foreign Exchange Market – *Improved Liquidity and Strategic Interventions Stabilize Naira Amid FX Market Pressure*

The Nigerian foreign exchange market displayed mixed trends in November, driven by improved dollar liquidity and strategic interventions by the Central Bank of Nigeria (CBN). At the NAFEM window, the CBN sold over $400 million in interventions, with rates ranging from ₦1,640/USD to ₦1,660/USD across multiple sessions. The interbank market, however, remained under pressure, with trades spanning ₦1,557/USD to ₦1,722/USD due to persistent demand for foreign exchange. Significant inflows from Foreign Portfolio Investors (FPIs) targeting high-yield government securities and exporter proceeds supported liquidity. Despite these efforts, suppliers of foreign exchange sought higher levels to sell their proceeds, reflecting persistent demand pressure in the market.

Overall, the Naira appreciated by 17bps at the NAFEM window, closing at ₦1,672.69/USD. Similarly, the parallel market saw a 29bps gain, ending at ₦1,727.50/USD. External reserves grew by $450 million to $40.23 billion, buoyed by reduced CBN interventions and market-aligned policies.



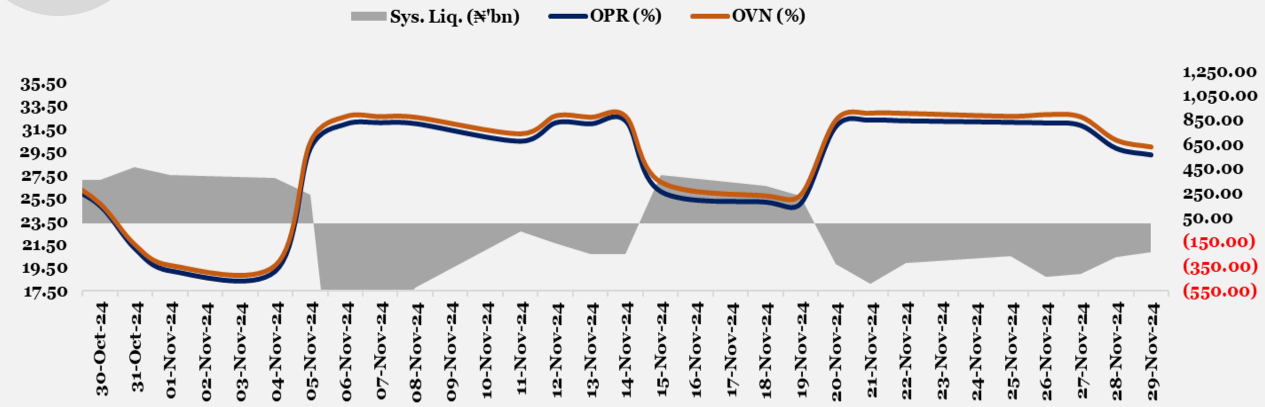
Source: FMDQ, Rate Captain, AIICO Capital

Outlook: The forex market is anticipated to remain stable, as the CBN aims to ensure price and supply stability through periodic interventions and the interbank e-FEMS (Electronic Foreign Exchange Market).

Money Market – *System Liquidity Recovers Marginally in November Amid Persistent Funding Pressures.*

The interbank market experienced significant liquidity fluctuations in November, with opening balances varying widely due to diverse funding activities. The month began with a credit of ₦375.53 billion, which transitioned into deficits driven by net CRR debits, OMO auction settlements of ₦1.447 trillion, and other outflows. Despite intermittent improvements from CBN SWAP maturities, promissory note inflows, and FAAC distributions, these inflows were outweighed by FX settlements and FGN bond-related funding obligations.

Liquidity closed the month with an average deficit of -₦252.68 billion, reflecting a modest recovery from October's -₦579.71 billion. Interest rates mirrored these liquidity trends, with the Overnight Rate (OVN) averaging 30.02%, down 0.97% month-on-month, while the Open Repo Rate (OPR) declined 1.16% to 29.43%. Rates peaked at 32.50% amid persistent funding pressures, especially toward the month's end, despite episodic liquidity injections.



Source: CBN, FMDQ, AIICO Capital

Outlook: We anticipate that the CBN will continue its restrictive strategy by implementing liquidity absorption measures through foreign exchange intervention sales, open market operations (OMO) auctions, and debits to the cash reserve ratio (CRR).

Treasury Bills – *Yields Surge Amid Robust Demand and Liquidity Fluctuations in Treasury Bills Market.*

In November, the Treasury Bills market exhibited mixed sentiment, oscillating between cautious and bullish tones. Early in the month, market activity was subdued, with participants selectively trading Feb-May NTBs and long-end OMO papers. The CBN floated an OMO auction offering ₦300 billion across tenors, oversubscribed by ₦1.15 trillion, with a total allotment of ₦1.447 trillion.

Two NTB auctions during the month offered a combined ₦1.1 trillion across the 91-day, 182-day, and 364-day maturities. Stop rates rose sharply, peaking at 23.5% for 1-year bills, sparking selloffs. However, as unmet demand persisted, secondary market activity improved mid-month, particularly on newly issued bills.

Overall, improved system liquidity, driven by FAAC inflows and FPI demand, supported strong demand for mid-to-long-term bills. Average NTB yields rose by 1.42% m/m, closing at 25.57%. Major activity centered around Jul-Nov maturities, with yields generally declining 7-8 bps toward month-end.

NOVEMBER 2024 NTB AUCTION RESULT

Tenor	Oct'24 Close	Nov'24 Auc 1	Nov'24 Auc 2	Change M-o-M (basis points)
91	17.00%	18.00%	18.00%	+100.00
182	17.50%	18.50%	18.50%	+100.00
364	**20.65%**	**23.00%**	**23.50%**	**+285.00**

NOVEMBER 2024 OMO AUCTION RESULT

Tenor	Oct' 24 Close	Nov'24 Auc 1	Change M-o-M (basis points)
Short	0.00%	0.00%	+0.00
Mid	0.00%	0.00%	+0.00
Long	**24.30%**	**24.28%**	(2.00)

Source: CBN, FMDQ, AIICO Capital

Outlook: We anticipate a combination of mixed to positive sentiments to continue in the treasury bills market, with strong demand expected at the primary market auctions, given the anticipated NTB maturity of ₦ 1.19 trillion.

FGN Bond Market – *Mixed to Bullish Close Despite Cautious Start*

In November, the bonds market maintained a cautious tone, influenced by major events like the MPC meeting and inflation data release. Trading activity was subdued, with investors selectively engaging in key maturities such as Apr 2029, Feb 2031, Feb 2034, and Jun 2053 bonds. These maturities were the most traded throughout the month, with yields generally rising across the curve.

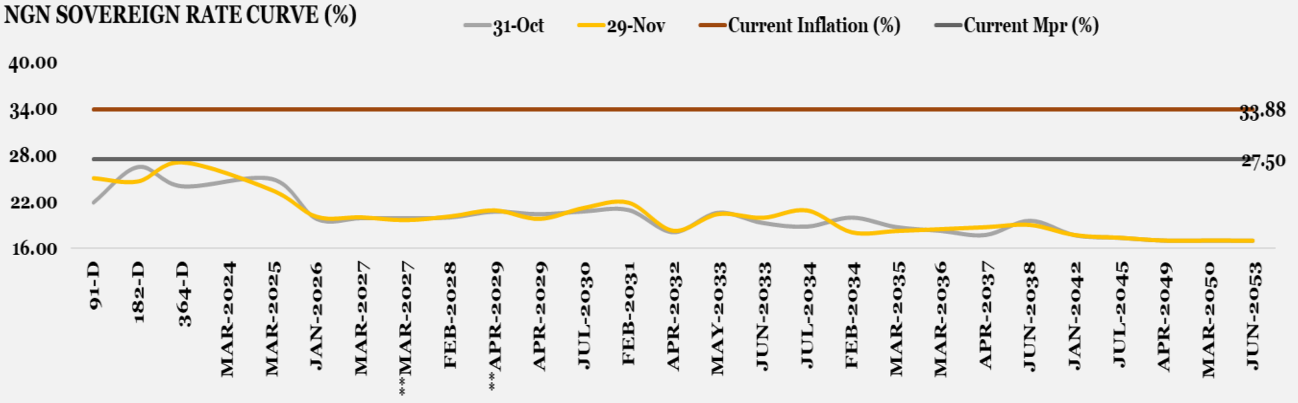
The month featured a primary bond auction where the DMO offered ₦120 billion across Apr 2029 and Feb 2031 papers. Despite the reduced offer volume, the auction was oversubscribed by ₦249.59 billion, with stop rates increasing to 21.00% and 22.00%. This repriced yields upward, particularly on the Feb 2031 paper, which saw increased activity.

Post-MPC, the market reacted mildly to a 25bps rate hike, as it fell below expectations. The month ended on a bullish note, with average mid-yields rising by 2bps m/m to 19.35%

NOVEMBER 2024 BOND AUCTION RESULT

Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	Oct'24 Close	Change M-o-M (basis points)
17-Apr-29	60.00	75.56	63.53	**21.00%**	**20.75%**	**+25.00**
21-Feb-31	60.00	294.03	282.63	**22.00%**	**21.74%**	**+26.00**
	120.00	**369.59**	**346.16**			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital

Outlook: Expected coupon inflows of c.₦218.61 billion should create moderate buying interest as we approach the end of the year.

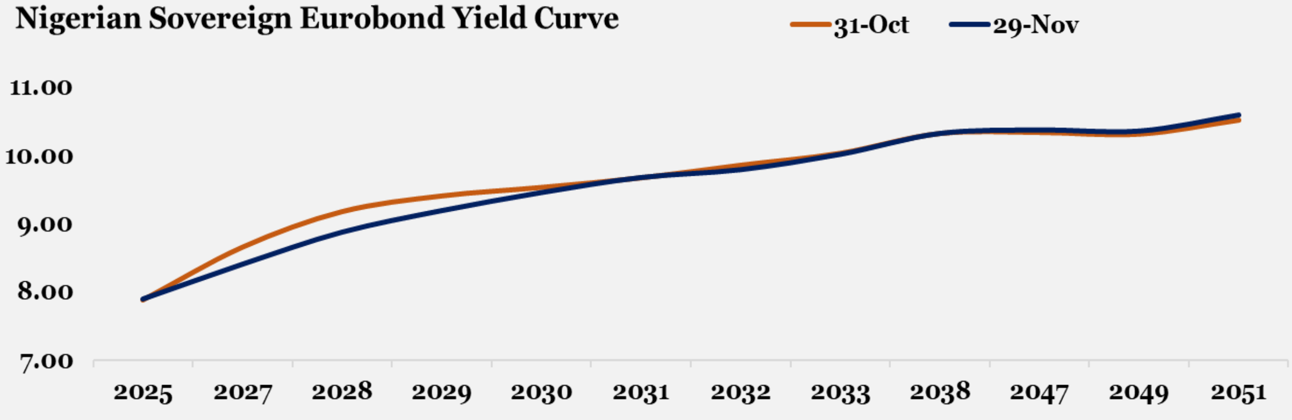
Eurobonds Market – *Nigerian Eurobonds Steady Amid Oil Price Swings and Fed Policy Signals*

November was marked by significant volatility in the Eurobonds market, shaped by global economic events and geopolitical developments. Early in the month, the market experienced a bullish streak driven by the U.S. elections and a 25bps rate cut by the FOMC. African sovereign bonds, including Nigeria, Angola, and Egypt, saw gains of up to $2.

Mid-month, sentiment shifted bearish following Fed Chair Jerome Powell's comments on the limited urgency for aggressive rate cuts and strong U.S. Retail Sales data. These factors pushed U.S. Treasury yields higher, leading to sell-offs in African bonds.

The conflict between Ukraine and Russia, fluctuating oil prices, and strong U.S. Q3 GDP growth (2.8%) drove mixed sentiments later in the month. While oil-producing countries like Nigeria and Angola experienced price fluctuations, Ivory Coast's fiscal discipline measures and Kenya's $200 million AfDB funding provided positive regional highlights.

Overall, the market ended mildly bullish, with average mid-yields across the Nigerian Eurobond curve declining by 6bps m/m to 9.58%.



Source: FBN UK, AIICO Capital

Outlook: The new 6.5-year and 10-year Nigerian Eurobonds, recently issued at interest rates of 9.625% and 10.375% respectively, are expected to attract significant buying interest from investors. This trend is likely to drive some bullish activity as the year comes to a close. However, investors might remain cautious ahead of the final FOMC meeting for the year.

Equities Market Performance – *High Capped Stocks dipped Equities Market by 0.15% in November*

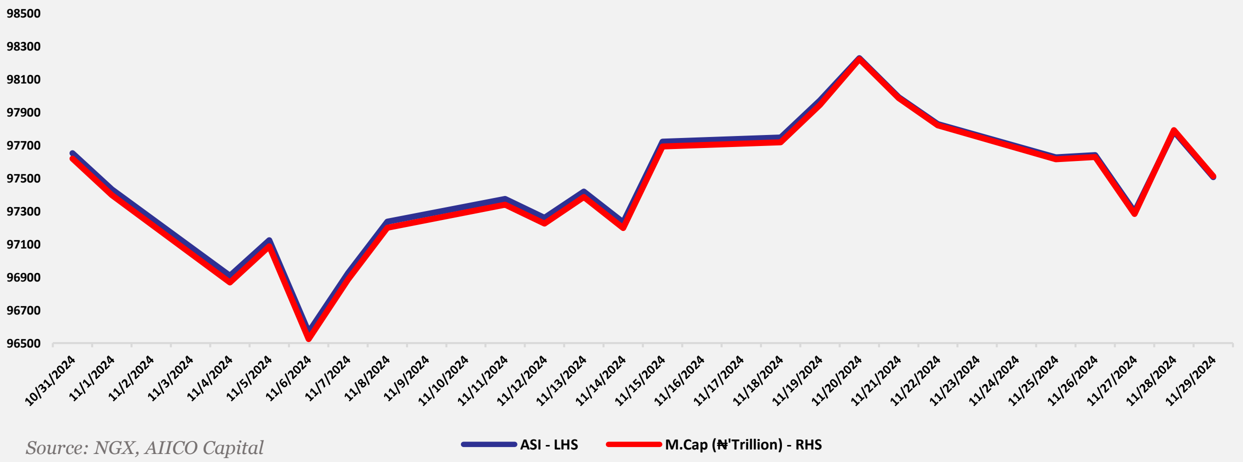
The Nigerian local bourse (NGX All-Share Index) closed the month at 97,506.87 points, reflecting a 0.15% month-on-month (M-o-M) decline, while the market capitalization dipped by 0.11% to ₦59.11 trillion. The discrepancy between the market capitalization and the NGX-ASI was driven by the listing of 3.12 billion units of Haldane McCall Plc and additional 93.95 million units of Chapel Hill Denham Series 10 Nigeria Infrastructure Debt Fund.

Trading activity was mixed during the month, with 13.9 billion shares worth ₦251.2 billion traded across 196,064 deals in November, compared to 9.4 billion shares worth ₦251.4 billion across 190,600 deals in October.

Interestingly, all the major sectors recorded positive investor sentiment. The Insurance sector led the pack with a 9.11% M-o-M gain, followed by the Banking sector (+3.4%), Oil & Gas sector (+3.2%), Consumer Goods sector (+2.4%), and Industrial Goods sector (+2.1%).

Significant corporate actions during the period included the listing of 3.12 billion shares of Haldane McCall Plc at ₦3.84 per share, the ₦26 billion sand mining deal by Japaul Gold and Ventures Plc, and the completion of Access Bank's acquisition of Standard Chartered Bank subsidiaries in Angola and Sierra Leone.

Stock Market Movement in Nov'2024



Source: NGX, AIICO Capital

Market Sector	Nov-23	Oct-24	Nov-24	YTD
NGX-ASI	3.1%	-0.9%	-0.15%	30.40%
Banking	4.4%	4.8%	3.39%	14.05%
Consumer Goods	-0.6%	-0.8%	2.40%	41.77%
Industrial Goods	-1.9%	-9.3%	2.14%	30.02%
Insurance	8.7%	4.0%	9.11%	51.69%
Oil & Gas	11.8%	15.9%	3.20%	128.30%

Source: NGX, AIICO Capital

MARKET UPDATE…/6

Top 5 Performer	Open	Close	% Change
EUNISELL	5.11	19.27	277.1%
SUNUASSUR	1.09	3.9	257.8%
JOHNHOLT	3	8.92	197.3%
TANTALIZER	0.64	1.15	79.7%
WAPCO	38.5	58	50.6%

Top 5 Decliner	Open	Close	% Change
MULTIVERSE	8.8	5.9	-33.0%
OANDO	89.65	64.95	-27.6%
ABBEYBDS	3.25	2.4	-26.2%
ETERNA	27.5	20.8	-24.4%
RTBRISCOE	3.05	2.5	-18.0%

Source: NGX, Bloomberg, AIICO Capital

Outlook: We expect the market to rebound supported by investors' positive sentiment amidst year end rally. 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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