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MONTHLY MARKET REPORT DECEMBER 2024

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REPORT SUMMARY

Review

- Global Macros: Growth in Major Economies Offset by Inflation Concerns and Policy Shifts.
- Domestic Macros: Upsurge in Inflation; Contracting PMI; Decline in Capital importation
- Foreign Exchange Market: Naira Gained Momentum as CBN's 'BMATCH' and Increased Dollar Sales Boost Liquidity
- Money Market: Liquidity Tightened Despite FAAC Inflows as Interbank Rates Surge.
- Treasury bills: Mixed Sentiments Amid Liquidity Challenges; NTB & OMO Yields Adjust Downward.
- FGN Bonds: – Subdued Activity Amid Cautious Sentiments
- Nigeria's Eurobonds: Global Economic Uncertainty Weighs on Eurobond Market Sentiment
- Equities Market: Stock Investors took position in Dec as NGX-ASI expands by 37.7% in 2024

Outlook

- Global Economy: Slower global growth, continued disinflation, slower rate cuts in the US.
- Domestic Macros: Inflation to remain elevated, restrictive monetary policy stance and improved economic growth.
- Foreign Exchange Market: Naira to remain stable amid sustained CBN policies on transparency.
- Money Market: CBN to maintain tight monetary policy by absorbing liquidity via the OMO auctions and CRR debits.
- Treasury Bills: Yields to remain high amidst offering of ₦1.045 trillion against maturity of ₦311.48 billion.
- FGN Bonds: Anticipate cautious trading amid the Q1 2025 FGN bond issuance calendar and the government's debt-raising appetite.
- Nigeria's Eurobonds: Fewer-than-expected rate cuts in 2025 and a stronger dollar could lower demand for African investments from investors.
- Equities Market: Long-term investors and earnings performance to push equities market higher.





GLOBAL MACROECONOMIC REVIEW

United States: *Resilient Job Market Amid Inflationary Pressures*

In November 2024, the U.S. economy demonstrated remarkable resilience by adding 227,000 jobs, a substantial recovery from October's revised figure of 36,000. The previous month's underperformance was primarily due to disruptions from two major hurricanes and a Boeing workers' strike. The sectors driving job growth included healthcare, leisure and hospitality, government, and transportation equipment manufacturing. However, this robust job creation coincided with a slight uptick in the unemployment rate to 4.2%, its highest in six months. Wage growth, a crucial inflationary indicator, cooled slightly, suggesting moderating inflationary pressures. Nevertheless, inflation in November edged up to 2.7% year-over-year, driven by rising costs in used cars, hotel rooms, and auto insurance. Core inflation remained steady at 3.3%, and the Federal Reserve is expected to proceed with a third interest rate cut, aiming to bolster a cooling but stable labor market. The economic outlook remains cautiously optimistic, with potential risks stemming from policy uncertainties under the incoming administration.

United Kingdom: *Economic Contraction and Fiscal Tightening*

The UK economy contracted by 0.1% in October 2024, marking its second consecutive monthly decline. This downturn, the first back-to-back contraction since the COVID-19 pandemic, preceded Finance Minister Rachel Reeves' announcement of a £40 billion tax-raising budget. Businesses expressed concerns over a £25 billion increase in employers' national insurance, fearing it could stifle hiring and drive-up prices. The contraction reflects ongoing challenges in the UK economy, with policymakers grappling with balancing fiscal tightening and economic growth. The near-term outlook remains cautious as businesses and consumers adjust to higher tax burdens and potential economic headwinds.

Europe: *Economic Momentum and Consumer Spending*

The Eurozone economy showed renewed momentum in Q3 2024, with GDP growth reaching 0.4%, the highest quarterly expansion in two years. This growth was underpinned by increased government and household spending and inventory gains. Eurostat's third estimate confirmed a steady rebound in the region's economic activity, aligning with analyst expectations. The improvement from Q2's 0.2% growth signals a gradual recovery, albeit amid ongoing challenges such as inflationary pressures and geopolitical uncertainties. The Eurozone's economic prospects remain cautiously optimistic, driven by consumer confidence and fiscal support measures.

Asia: *Mixed Economic Signals Across the Region*

In South Korea, Q3 GDP growth was revised to 0.1% quarter-on-quarter, unchanged from previous estimates, indicating a slowdown from the 2.3% annual growth in Q2. This modest growth reflects ongoing challenges in the global economy, including geopolitical tensions and trade uncertainties. Meanwhile, China's economy persisted in deflation, with November's consumer price index rising only 0.2% year-on-year. Core inflation ticked up slightly to 0.3%, but the producer price index fell 2.5%, highlighting continued deflationary pressures. Japan, on the other hand, surpassed expectations with a 0.3% quarter-on-quarter GDP growth in Q3, driven by robust wage growth and consumer spending. The diverse economic trajectories in Asia underscore the region's varied responses to global economic challenges.



Key Economic Snapshot

GDP	Q3'24 ● 3.10%	Q3'24 ● 0.00%	Q3'24 ● 0.40%	Q3'24 ● 0.90%
	Q2'24 3.00%	Q2'24 0.40%	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	Dec'24 ● 4.50%	Dec'24 ➔ 4.75%	Dec'24 ● 3.15%	Dec'24 ➔ 3.10%
	Nov'24 4.75%	Nov'24 4.75%	Nov'24 3.40%	Nov'24 3.10%
	Dec'23 5.50%	Dec'23 5.25%	Dec'23 4.50%	Dec'23 3.45%
INFLATION RATE	Nov'24 ● 2.70%	Nov'24 ● 2.60%	Dec'24 ● 2.40%	Nov'24 ● 0.20%
	Oct'24 2.60%	Oct'24 2.30%	Nov'24 2.20%	Oct'24 0.30%
	Nov'23 3.10%	Nov'23 3.90%	Dec'23 2.90%	Nov'23 -0.50%

Source: Bloomberg, Trading Economics, AIICO Capital

Africa: South Africa's Economic Slowdown and Inflation Dynamics

South Africa's economy contracted by 0.3% in Q3 2024, with key sectors like agriculture, transport, trade, and government services contributing to the decline. The contraction reflects broader challenges, including declining imports, exports, and government spending. Despite the economic slowdown, inflation remained below the central bank's target range, rising to 2.9% in November. Food inflation slowed to its lowest since December 2010, while core inflation eased slightly. Analysts anticipate a potential 50-bps rate cut in January, aimed at stimulating economic activity and addressing growth challenges.

Key Economic Snapshot

GDP	Q3'24 ● 3.46%	Q3'24 ● 7.20%	Q3'24 ● 5.50%	Q3'24 ● 3.50%	Q3'24 ➔ 0.30%
	Q2'24 3.19%	Q2'24 6.90%	Q2'24 4.10%	Q2'24 2.40%	Q2'24 0.30%
	Q3'23 2.54%	Q3'23 2.00%	Q3'23 1.50%	Q3'23 2.65%	Q3'23 -0.90%
INTEREST/ POLICY RATE	Nov'24 ● 27.50%	Nov'24 ➔ 27.00%	Nov'24 ➔ 19.50%	Dec'24 ➔ 27.25%	Nov'24 ● 7.75%
	Sep'24 27.25%	Sep'24 27.00%	Sep'24 19.50%	Nov'24 27.25%	Sep'24 8.00%
	Nov'23 18.75%	Nov'23 30.00%	Nov'23 18.00%	Dec'23 19.25%	Nov'23 8.25%
INFLATION RATE	Nov'24 ● 34.60%	Nov'24 ● 23.00%	Nov'24 ● 28.41%	Nov'24 ● 25.50%	Nov'24 ● 2.90%
	Oct'24 33.88%	Oct'24 22.10%	Oct'24 29.17%	Oct'24 26.50%	Oct'24 2.80%
	Nov'23 28.20%	Nov'23 26.40%	Nov'23 18.19%	Nov'23 34.60%	Nov'23 5.50%

Source: Bloomberg, Trading Economics, AIICO Capital

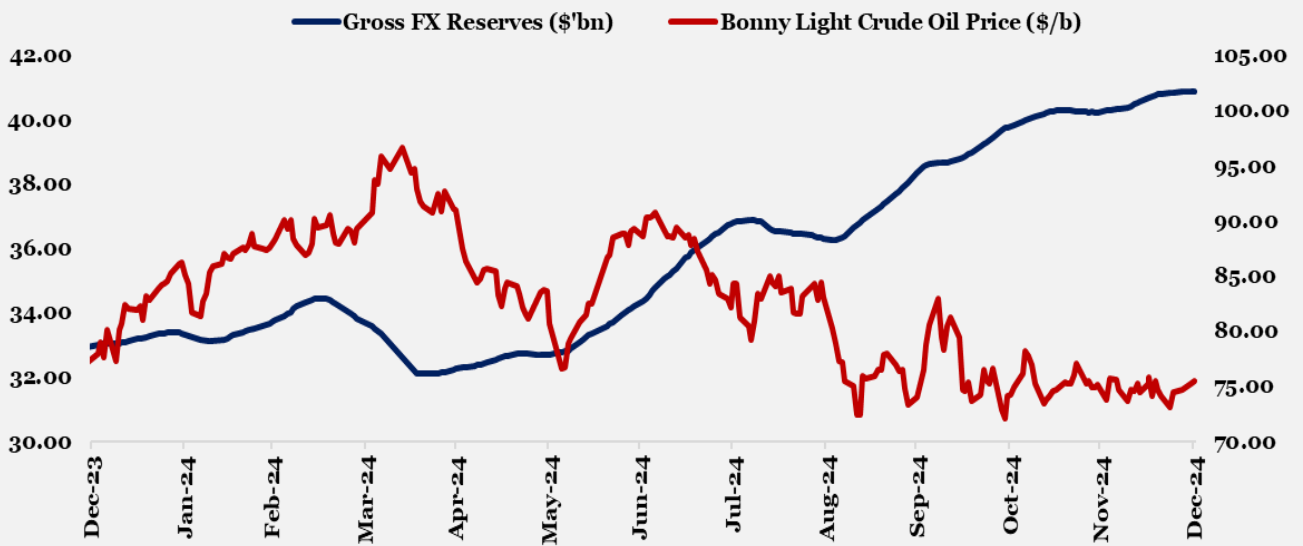


Oil Markets - Price Volatility Amid Geopolitical Tensions

Oil prices experienced a significant surge, with Brent crude closing at \$74.49 per barrel, driven by expectations of tighter sanctions on Russia and Iran. Chinese economic guidance and a potential Federal Reserve rate cut also supported the price rally. November saw China's crude imports rise for the first time in seven months, bolstered by lower Saudi prices. The global oil market remains sensitive to geopolitical developments and economic policies, influencing price stability and future production decisions.

Nigeria's oil sector faced significant challenges, with c.27% year-to-date decline in active oil rigs, jeopardizing the federal government's target of 2 million barrels per day by December 2024. The November OPEC report highlighted a drop in functional rigs from an average of 17 in the first half of the year to 11 in October. This decline poses risks to Nigeria's oil revenue and overall economic stability

In terms of price movement, the price of Bonny Light crude rose by 49 bps, closing at \$75.48 per barrel, with an average price of \$74.72 per barrel during the period.



Source: CBN, AIICO Capital



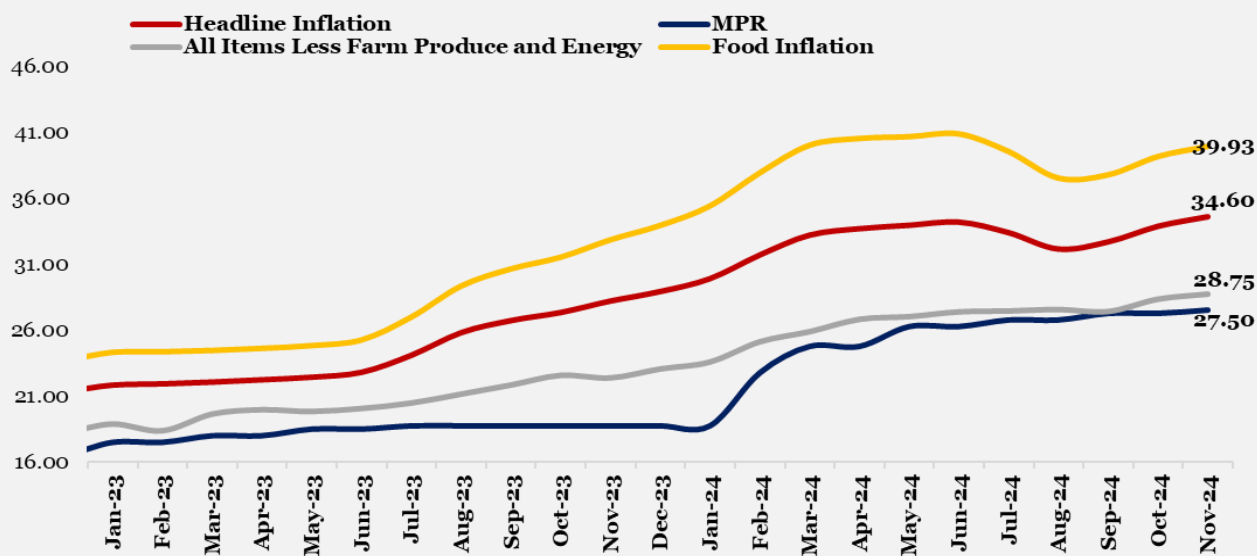
DOMESTIC MACROECONOMIC REVIEW

Nigeria: *Upsurge in Inflation; Contracting PMI; Decline in Capital importation.*

Nigeria's Inflation Hits 34.60% as Food and Transport Costs Soar

Nigeria's inflation rate accelerated in November 2024 to 34.60% y/y, up from 33.88% in October, marking the third consecutive monthly increase and the highest level in over six months. This figure surpassed the projected 34.30%, driven primarily by rising food prices, exchange rate volatility, and higher costs for transport, housing, and utilities. Food inflation climbed to 39.93% from 39.16% despite temporary relief from the harvest season. Flooding in agricultural hubs like Borno and elevated fuel prices pushed transportation costs upward, erasing earlier gains. Additionally, the government's delay in implementing a 150-day food import waiver exacerbated food inflation. Core inflation, excluding food and energy, also edged up to 28.75% in November from 28.37% in October, signaling persistent price pressures.

Nigeria's inflation is expected to peak soon, followed by disinflation as the effects of fuel subsidy removal and naira devaluation ease. Recent fuel price hikes and flooding in key agricultural regions have reversed earlier improvements in food prices. However, there is optimism for long-term economic prospects. The current challenges present opportunities for structural reforms. Policies that boost agricultural productivity could address rising food costs while stabilizing the foreign exchange market and rebuilding investor confidence.



Source: NBS, CBN, AIICO Capital

Purchasing Managers Index (PMI) declines for the second consecutive month

According to the Central Bank of Nigeria's (CBN) data, the Nigeria Composite Purchasing Managers Index (PMI) for November 2024 stood at 48.9 index points, indicating a contraction in economic activities for the second consecutive month. The contraction was driven by contraction experienced in Industry (49.3 points) and Service (47.4 points) activities, while the Agriculture activities expanded by 51 index points despite the dry season effect.

Capital Importation Decline and State Debt

Nigeria's capital importation fell by 51.9% to \$1.25 billion in Q3 2024, the lowest inflow this year, reflecting a three-quarter consecutive decline. Additionally, the National Economic Council reported that state debts to the federal government reached N16.6 billion.

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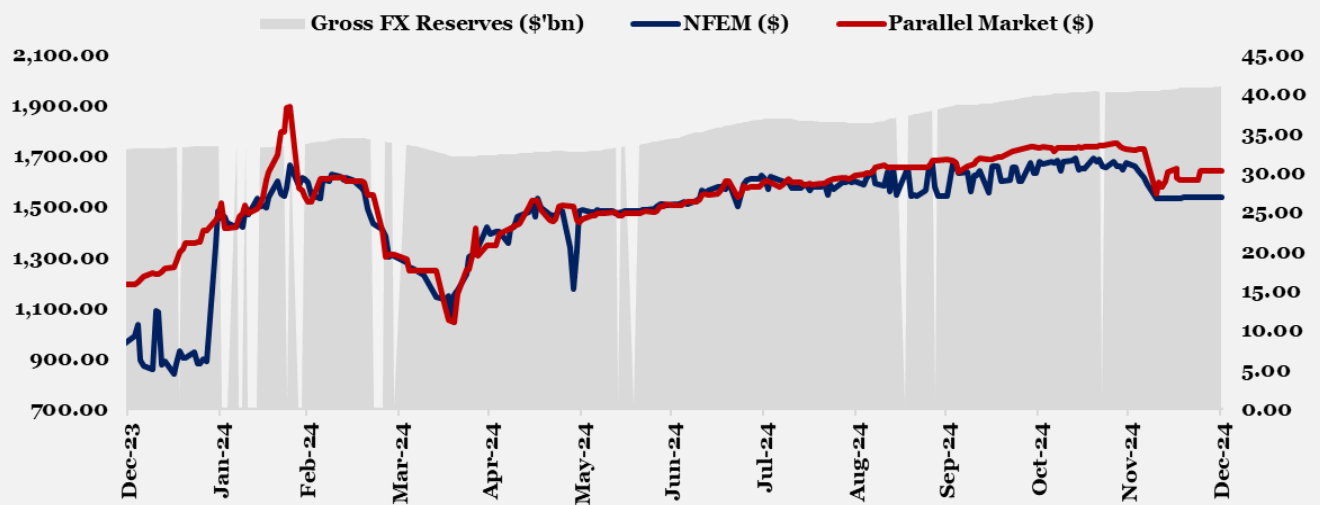
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MARKET UPDATE

Foreign Exchange Market – Naira Gained Momentum as CBN's 'BMATCH' and Increased Dollar Sales Boost Liquidity

The Nigerian Foreign Exchange Market (NFEM) in December showcased a notable improvement in liquidity, largely attributed to the introduction of the "BMATCH" trading platform and increased dollar sales from exporters. Throughout the month, the Naira progressively strengthened, supported by a higher supply from foreign portfolio investors and weak importer demand. Exchange rates fluctuated between \$/₦1,500 and \$/₦1,693, with the Naira closing at \$/₦1,535.82, appreciating by 8.18% in the NFEM window. The parallel market mirrored this trend, with the Naira gaining approximately ₦85/USD, closing at ₦1,642.50/USD. Additionally, the external reserves increased by \$650 million to \$40.88 billion, supported by reduced CBN interventions and market-aligned policies.



Source: FMDQ, Rate Captain, AIICO Capital

Outlook: The Naira is expected to remain stable and continue to trade within a similar range as the CBN sustains and rolls out supportive policies to bolster transparency and reduce speculative activities.

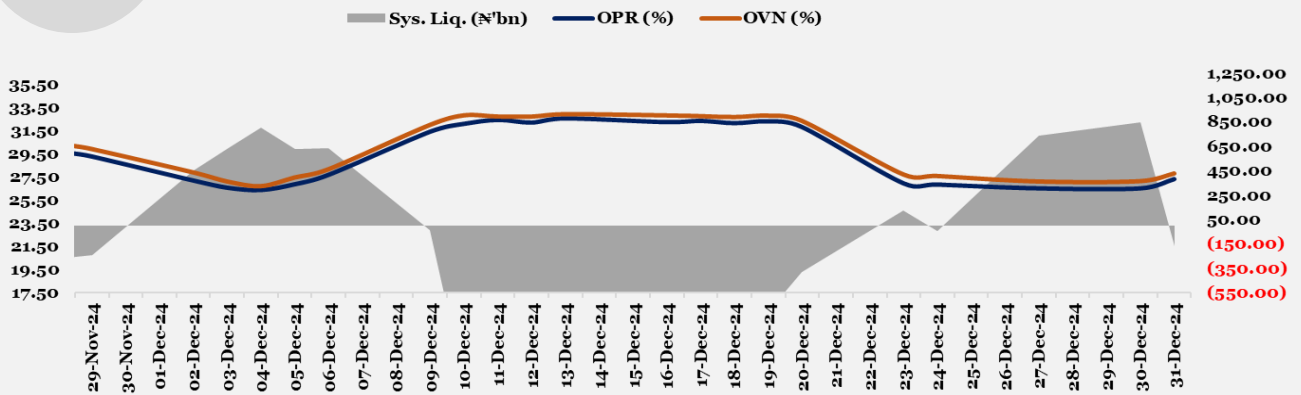
Money Market – Liquidity Tightened Despite FAAC Inflows as Interbank Rates Surge

In December, system liquidity showed significant movements, influenced by various inflows and outflows. Early in the month, FAAC disbursements and remita inflows boosted liquidity, reducing interbank rates. However, liquidity tightened due to substantial NTB and OMO auction settlements, pushing rates higher. The Overnight Policy Rate (OPR) and Overnight Rate (O/N) peaked mid-month at 32.54% and 32.92%, respectively, before easing slightly by month's end, closing at 27.67% and 28.17%. Despite intermittent inflows from statutory revenues and bond maturities, elevated outflows from bond auctions, FX interventions, and CRR debits kept liquidity in deficit.

Overall, The average system liquidity balance closed at -₦268.79 billion (-₦252.68 billion - Nov 24), reflecting increased funding pressures compared to November. Consequently, the average OPR and O/N rates rose slightly, ending at 29.50% (+0.07%) and 30.06% (+0.04%) m/m.



MARKET UPDATE.../2



Source: CBN, FMDQ, AIICO Capital

Outlook: We expect that the CBN will maintain its tight monetary policy by adopting measures to absorb liquidity via the OMO auctions, and CRR debits.

Treasury Bills – Mixed Sentiments Amid Liquidity Challenges; NTB & OMO Yields Adjust Downward.

The Treasury bills market experienced mixed sentiments, with early subdued trading shifting to more active secondary market engagement following key NTB and OMO auctions. Early in the month, investors focused on the November 2025 papers, trading around 22.00%. The NTB auction offering ₦583 billion led to a 57bps drop in the 364-day stop rate to 22.93%, which spurred secondary market interest. An OMO auction followed, with significant long-term subscriptions totaling ₦2.243 trillion, though only ₦772.93 billion was allotted. Later, tight liquidity conditions tempered activity, especially in mid-to-long-term papers, such as the December 2025 securities. Despite some late bearishness due to liquidity pressures, demand for specific papers like the 11 Dec 2025 NTB persisted. By month's end, the average mid-yield across benchmark NTB papers rose by 42bps m/m, settling at 25.99%.

A total of 3 NTB auctions were conducted, with an overall offer size of ₦1.19 trillion. ₦1.61 trillion was allotted, and the total subscription reached ₦4.12 trillion. Similarly, 3 OMO auctions were conducted, with a total offer size of ₦1.60 trillion. ₦2.83 trillion was allotted, and the total subscription amounted to ₦4.73 trillion.

DECEMBER 2024 NTB AUCTION RESULT

Tenor	Nov'24 Close	Dec'24 Auc 1	Dec'24 Auc 2	Dec'24 Auc 3	Change M-o-M (basis points)
91	18.00%	18.00%	18.00%	18.00%	+0.00
182	18.50%	18.50%	18.50%	18.50%	+0.00
364	23.50%	22.93%	22.80%	22.90%	(60.00)

DECEMBER 2024 OMO AUCTION RESULT

Tenor	Nov'24 Close	Dec'24 Auc 1	Dec'24 Auc 2	Dec'24 Auc 3	Change M-o-M (basis points)
Short	0.00%	0.00%	0.00%	0.00%	+0.00
Mid	0.00%	0.00%	0.00%	0.00%	+0.00
Long	0.00%	0.00%	23.95%	23.93%	
Long	24.28%	23.98%	23.98%	23.95%	(33.00)

Source: CBN, FMDQ, AIICO Capital

Outlook: We expect yields to remain high, especially as January brings a total NTB primary market offering of ₦1.045 trillion compared to a total NTB maturity of ₦311.48 billion.

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MARKET UPDATE.../3

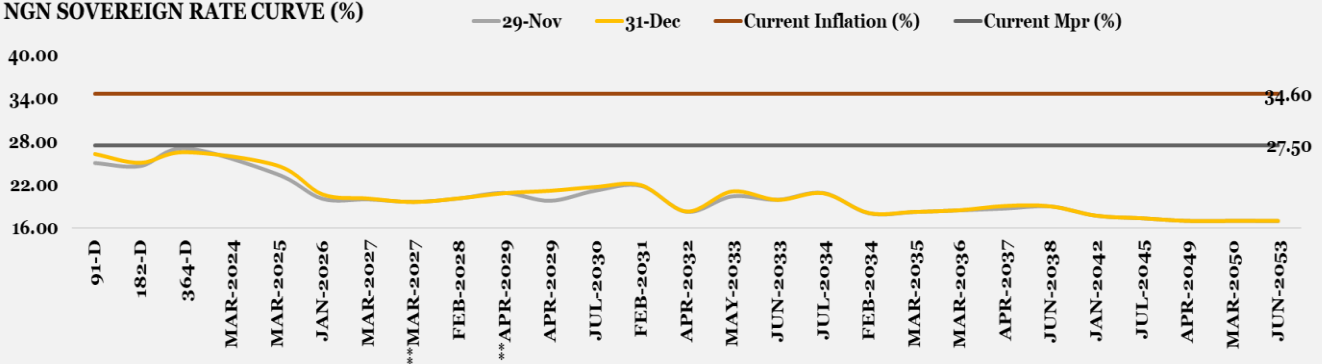
FGN Bond Market – *Subdued Activity Amid Cautious Sentiments*

The domestic bond market experienced subdued trading with mixed sentiments across key maturities, including April 2029, February 2031, May 2033, and February 2034. Moderate interest in the February 2031 paper persisted throughout the month, though activity was generally limited due to weak investor demand and sparse matching bids. Mid-month, attention shifted towards the NTB auction and the announcement of the December FGN bond auction circular. The DMO reopened the April 2029 and February 2031 bonds, each offering ₦60 billion. Despite these developments, trading volumes remained low, with a cautious tone persisting towards the end of the month. By month's end, selective demand resurfaced, primarily in the February 2031 paper. Overall, the average mid-yield across bonds rose by 22bps m/m, settling at 19.57%.

DECEMBER 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	60.00	67.46	51.86	21.14%	21.00%	+14.00
21-Feb-31	60.00	211.36	159.29	22.00%	22.00%	+0.00
	120.00	278.82	211.14			

Source: DMO, AIICO Capital

NGN SOVEREIGN RATE CURVE (%)



Source: FMDQ, NBS, CBN, AIICO Capital

Outlook: The local bonds market is expected to trade cautiously as participants await the Q1 2025 FGN bond issuance calendar, which will help gauge the government's debt-raising appetite.



MARKET UPDATE.../4

Eurobonds Market – *Global Economic Uncertainty Weighs on Eurobond Market Sentiment*

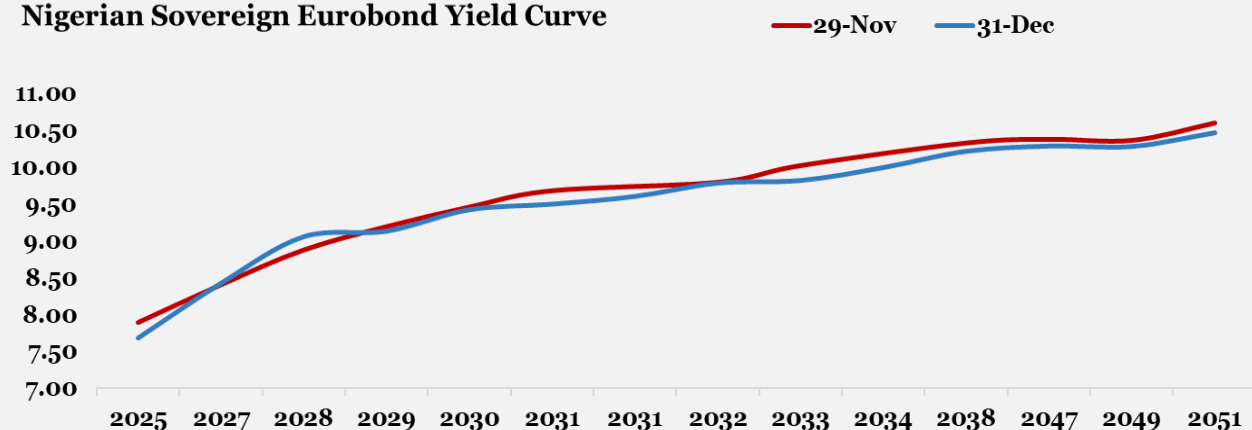
The Eurobond market displayed mixed sentiments, transitioning into a bullish trend driven by strong demand for Sub-Saharan African (SSA) and North African papers. Nigeria's newly issued 6.5- and 10-year Eurobonds, which printed at 9.625% and 10.375% yields, attracted significant investor interest, with subscriptions exceeding \$9 billion.

Angola's market received a boost from the U.S. President's \$600 million investment pledge, while Kenya, Egypt, and Nigeria led SSA outperformance. Optimism was bolstered by expectations of dovish monetary policies from the Federal Reserve and the ECB, supported by U.S. labor data showing a 4.2% unemployment rate. Nigeria's average mid-yield dropped 42bps to 9.16%.

However, the market turned bearish towards the month's end amid rising global economic uncertainty. Stronger-than-expected U.S. inflation data and the Producer Price Index increase led to cautious investor sentiment despite the anticipated Federal Reserve rate cuts. SSA and North African sovereign bonds saw selloffs, though some Nigerian corporates attracted mild buying interest.

Trading volumes dwindled as the festive season approached, and activity slowed across African curves. The average mid-yield for Nigerian Eurobonds declined slightly, closing at 9.54%, reflecting a marginal 3bps m/m decline.

Nigerian Sovereign Eurobond Yield Curve



Source: FBN UK, AIICO Capital

Outlook: The prospect of fewer-than-expected rate cuts in 2025 suggests a stronger dollar, which could lead to reduced demand for African investments from investors. Participants will also closely monitor President Trump's policies.



MARKET UPDATE.../5

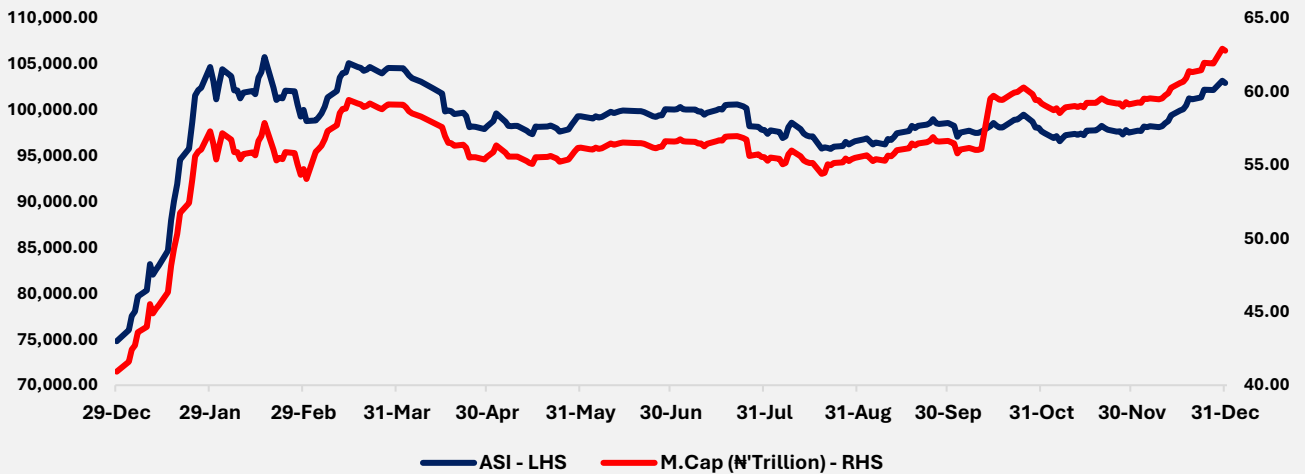
Equities Market Performance – Stock Investors took position in Dec as NGX-ASI expands by 37.7% in 2024

The Nigerian local bourse (NGX All-Share Index) closed the year at 102,926.4 points, reflecting a 5.7% month-on-month (M-o-M) growth, while the market capitalization rose by 6.2% to ₦62.8 trillion. The discrepancy between the market capitalization and the NGX-ASI was driven by the listing of additional 20.7 billion units of Nigerian Breweries Plc and additional 10.05 billion units of Jaiz Bank Plc. Although Flour Mills of Nigeria Plc delisted its entire issued shares from the NGX.

In light of the above, the Nigeria Stock market closed the year on brighter note, having recorded 37.7% growth in 2024 amidst banking reforms and new listing.

Major new listing include Aradel Holdings Plc (₦3.05 trillion), Transcorp Power Plc (₦1.8 trillion) and Haldane McCall Plc (₦11.99 billion), while about 21 companies raised a total of ₦8.6 trillion additional capital. In term of the market activities, a total of 139.1 billion volume of shares worth ₦3.2 trillion in 2.4 million deals were traded in 2024.

Movement of NGX Market Indicators in 2024



Source: NGX, AIICO Capital

Market Sector	Dec-23	Nov-24	Dec-24	YTD
NGX-ASI	4.8%	-0.1%	5.6%	37.7%
Banking	19.9%	3.4%	6.0%	20.9%
Consumer Goods	-1.8%	2.4%	8.9%	54.4%
Industrial Goods	-2.5%	2.1%	1.3%	31.7%
Insurance	6.2%	9.1%	47.2%	123.2%
Oil & Gas	-0.3%	3.2%	13.9%	160.0%

Source: NGX, AIICO Capital

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MARKET UPDATE.../6

Top 5 Performer	Open	Close	% Change
JULI	0.59	10.3	1645.8%
SUNUASSUR	1.1	10.75	877.3%
OANDO	10.5	66	528.6%
EUNISELL	3.2	19.27	502.2%
CONOIL	83.9	387.2	361.5%

Top 5 Decliner	Open	Close	% Change
MULTIVERSE	18.57	7.35	-60.4%
DANGSUGAR	57	32.5	-43.0%
NASCON	52.7	31.35	-40.5%
DAARCOMM	0.9	0.63	-30.0%
MTNN	264	200	-24.2%

Source: NGX, Bloomberg, AIICO Capital

Outlook: We expect sustained positive sentiment from investors amid the anticipated earnings performance of blue-chip stocks.

Contact us now to receive valuable investment guidance today.



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