

Actionable Market Insights, Delivered Weekly.

**AIICO
CAPITAL**

MARKET COMMENTARY

DATE: Friday | 10 January 2025

Money Market

System liquidity oscillated throughout the week, beginning with a dip due to a late CRR event, followed by a rise from CRR refunds and OMO maturities inflow (₦300 billion). The CBN's ₦500 billion OMO auction increased interbank rates, with the Overnight Policy Rate (OPR) hitting 27.90% and the Overnight Rate (O/N) at 28.60%. Liquidity tightened midweek after the NTB auction settlement, pushing rates higher. By week's end, liquidity constraints from matured CBN swaps drove rates up, with the OPR closing at 27.29% and the O/N at 27.86%, marking a weekly increase.

Outlook: Liquidity is expected to plunge into negative territory due to upcoming swap maturities and the effects of the CRR, despite the expectation of OMO maturities of ₦270 billion.

Treasury Bills

The Treasury Bills market began actively, driven by investor expectations of declining yields and surplus liquidity. Early in the week, attention centered on March, April, June, July, and December maturities. The CBN's first OMO auction of the year, offering ₦500 billion, saw strong demand with ₦1.1 trillion in subscriptions. As the week progressed, activity shifted to the NTB primary market, where the DMO conducted an auction offering a total of ₦515 billion across the 91-day, 182-day, and 364-day maturities. The auction was oversubscribed by ₦1.0 trillion, while the DMO sold exactly what was on offer. Stop rates across the 91-day and 182-day remained unchanged at 18.00% and 18.50%, respectively, while the 364-day declined by 27.8bps to close at 22.622%. Post-auction was met with notable demand for the new 1-year bill maturing on January 8, 2026. By week's end, mixed sentiments prevailed, with a 4bps decline in the average mid-rate for benchmark NTB papers, closing at 22.97%.

Outlook: We expect mixed activity in the upcoming week, with interest skewed to the long-dated papers.

FGN Bonds

The local bonds market experienced a predominantly bearish tone this week, with offers focused on short-to-mid maturities, including March 2025, February 2031, and February 2034. Low transaction volumes characterized the market, partly due to wide bid/ask spreads. Notable interest was observed in May 2033 and April 2032 bonds, while offers at the long end, such as June 2053, persisted. As the week closed, the market remained subdued, with selective trading in April 2029, February 2031, May 2033, and June 2053 bonds. The average mid-yield increased by 9bps, ending at 19.70%.

Outlook: The FGN Bonds market is anticipated to remain mixed as investors look forward to the release of the FGN bond issuance calendar for the first quarter of 2025.

Eurobonds Markets

The Eurobond market began the week positively with increased buying interest in African sovereign bonds, particularly from oil-exporting nations like Nigeria and Angola. However, profit-taking and anticipation of key data releases led to a mid-week downturn, with selling pressure across Sub-Saharan and North African curves. Market sentiment was affected by strong U.S. jobs data (256,000 in December, up from 227,000 in November), which raised concerns about slower rate cuts. Despite a brief recovery driven by Nigerian, Angolan, and Egyptian bonds, the market closed the week bearish. The average mid-yield for Nigerian Eurobonds rose by 11bps to 9.43%.

Outlook: We anticipate that mixed to bearish sentiments will continue next week, as the market now requires a bullish catalyst to generate renewed interest in African risk.

BENCHMARK T-BILLS DISCOUNT RATES			
	10-Jan-25	03-Jan-25	Change in Rates
90 days	21.47%	23.70%	↓ -2.23%
181 days	22.29%	22.37%	↓ -0.08%
314 days	21.50%	21.50%	→ 0.00%

Source: FMDQ DQL for 10-Jan-2025

BENCHMARK FGN BOND YIELDS			
	10-Jan-25	03-Jan-25	Change in Yield
5 yrs: 14.55% 26-Apr-2029	21.22%	21.20%	↑ 0.02%
10 yrs: 19.00% 21-Feb-2034	20.86%	20.86%	→ 0.00%
20 yrs: 15.45% 21-Jun-2038	19.02%	19.02%	→ 0.00%
30 yrs: 15.70% 21-Jun-2053	17.50%	16.98%	↑ 0.52%

Source: FMDQ DQL for 10-Jan-2025

NFEM RATE (\$/N)		Diff.
10-Jan-25	1,542.0256	
3-Jan-25	1,534.5585	↑ 7.4671

Source: FMDQ

SYS. LIQ. (N'BN)		Diff.
10-Jan-25	346.96	
3-Jan-25	736.36	↓ (389.40)

Source: CBN

NAME OF FUND	EFFECTIVE YIELD (%)
AIICO MONEY MARKET FUND	22.89
AIICO BALANCED FUND	0.68
AIICO EUROBOND FUND	6.92

As of January 07, 2025

BENCHMARK FGN EUROBOND YIELDS				
	10-Jan-25	03-Jan-25	Change in Yield	
5 yrs: NGERIA 8.375% 03/24/29	8.99%	8.80%	↑	0.19%
10 yrs: NGERIA 7.375% 09/29/33	9.61%	9.49%	↑	0.12%
15 yrs: NGERIA 7.696% 23/02/38	10.08%	9.98%	↑	0.10%
30 yrs: NGERIA 8.25% 09/29/51	10.36%	10.26%	↑	0.10%
8.75% ETI 06/17/31*	8.46%	8.56%	↓	-0.10%

Source: FBN UK Runs for 10-Jan-2025

MACRO INDICATORS	
GDP (Q3 2024)	+3.46% (Q2: 2024 +3.19% y/y)
Inflation (November'2024)	34.60% (Oct'24: 33.88%)
External Reserve (US\$'billion)	40.80 (+23.98% YTD as of 09-Jan-25)
Monetary Policy Rate	27.50%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*79.76 (+3.25 w/w)

Source: NBS,CBN, AIICO Capital

Nigerian Equities

The local bourse sustained its bullish momentum this week, with the All-Share Index climbing 180bps w/w to close at 105,451.06 points, and the market capitalization settled at ₦64.3 trillion, driven by strong gains in MTNN, TRANSCORP, TRANSCOHOT, FBNH, and ETI. Despite a bearish performance in the insurance sector, which dipped 691bps w/w, CUSTODIAN, AIICO, and LINKASSURE posted weekly gains. Key off-market trades included 113.9 million units of FBNH at ₦28.50, 3 million units of BUAFODDS, and 972.7 million units of WEMABANK at ₦10.00. In capital raises, Access Holdings and FCMB Group's public offers are set for CSCS account credits by mid-January, with GTCO's public offer nearing completion.

Outlook: We expect the market to trade mixed sentiments next week.

Foreign Exchange

The Nigerian Foreign Exchange Market (NFEM) maintained stability throughout the week, supported by enhanced liquidity and active supplier participation. Trading ranged between \$/₦1,500.00 and \$/₦1,551.00, with suppliers aiming for better prices. As the week concluded, persistent demand pressure caused the Naira to depreciate by 0.487% w/w, closing at \$/₦1,542.03.

Outlook: We expect the Naira to continue trading within a similar range.

Commodities

Oil prices surged following the U.S. Treasury Department's announcement of comprehensive sanctions targeting Russia's oil sector. Brent crude rose to c.\$79.76 per barrel, while West Texas Intermediate (WTI) traded at around \$76.57. In addition, gold prices experienced a rebound as the uncertainty surrounding the policies of the incoming Trump administration heightened the appeal of safe-haven assets. This trend persisted despite robust U.S. employment data that bolstered expectations that the Federal Reserve may not implement aggressive interest rate cuts this year. Gold was priced at c.\$2,688.40 per ounce.

Outlook: We expect the volatility to persist.

Top 5 Equity Advancers W-o-W				
Ticker	Px	% Change	Points	% Mov
MTNN	242.00	↑ 21.00%	↑ 1,570.03	↑ 84.19%
TRANSCORP	51.50	↑ 18.39%	↑ 597.21	↑ 32.03%
TRANSCOHOT	127.35	↑ 9.78%	↑ 213.50	↑ 11.45%
FBNH	30.20	↑ 8.05%	↑ 148.33	↑ 7.95%
ETI	30.40	↑ 8.57%	↑ 80.88	↑ 4.34%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W				
Ticker	Px	% Change	Points	% Mov
OANDO	62.50	↓ -3.10%	↓ 45.66	↓ -2.45%
SUNUASSUR	7.30	↓ -36.52%	↓ 44.82	↓ -2.40%
WAPCO	70.00	↓ -2.10%	↓ 44.37	↓ -2.38%
UBA	34.20	↓ -2.01%	↓ 43.97	↓ -2.36%
ZENITHBANK	46.00	↓ -1.08%	↓ 28.83	↓ -1.55%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↓ -0.08%	↑ 1.80%	↑ 2.20%	↑ 2.45%
NSE Banking Index	↓ -0.41%	↑ 1.94%	↑ 3.03%	↑ 3.31%
NSE Insurance Index	↓ -1.53%	↓ -6.91%	↑ 0.35%	↑ 9.89%
NSE Industrial Goods Index	→ 0.00%	↓ -0.26%	↑ 0.06%	↑ 0.05%
NSE Consumer Goods Index	↓ -0.16%	↓ -0.34%	↑ 0.18%	↑ 0.34%
NSE Oil & Gas Index	↓ -0.08%	↓ -0.34%	↓ -0.83%	↓ -0.86%

Source: NGX, Bloomberg, AIICO Capital

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