

Actionable Market Insights, Delivered Weekly.

**AIICO
CAPITAL**

MARKET COMMENTARY

DATE: Friday | 31 January 2025

Money Market

Interbank liquidity saw mixed trends this week. Early improvements, driven by CRR credits, OMO maturities, and FAAC inflows, eased rates, with the Overnight Policy Rate (OPR) and Overnight Rate (O/N) dropping to 26.50% and 27.00%, respectively. Midweek, liquidity tightened as ₦606 billion from an FGN bond auction settlement was debited, pushing rates higher. The Central Bank's aggressive tightening continued with a ₦600 billion OMO auction, oversubscribed at ₦2.89 trillion, leading to a ₦1 trillion allotment. This plunged the system into a debit position, causing a sharp spike in rates. By week's end, the OPR and O/N surged to 29.14% and 29.57%, reflecting elevated interbank rates amid tightening liquidity.

Outlook: Interbank rates are anticipated to remain at similar levels, barring any significant catalysts.

Treasury Bills

The Treasury bills market opened with robust demand for long-term securities, particularly the 1-year NTB, amid ample liquidity, though limited trades were executed due to wide bid/ask spreads. Sentiments remained mixed midweek, with investors showing indifference to yields ahead of an anticipated OMO auction, while demand persisted for longer maturities like December 2025 and January 2026 bills. Trading stayed subdued, with sideways interest across the curve. By week's end, the CBN's OMO auction offered ₦600 billion (₦300 billion each), with ₦500 billion each sold on 347-day (22.50% - 1.31% decline) and 361-day (22.65% - 1.19% decline) papers. The average mid-rate for the benchmark NTBs declined by 28bps w/w to 22.16%.

Outlook: We anticipate cautious trading next week as investors will shift their focus to the NTB auction, where ₦670 billion will be offered across three tenors: 91-day, 182-day, and 364-day. This auction occurs against the backdrop of ₦955.369 billion maturing in the same week.

FGN Bonds

The local bond market opened quietly as attention centered on the FGN bond auction, where ₦450 billion was offered across April 2029, February 2031, and a new January 2035 bond. Marginal yields settled at 21.79%, 22.50%, and 22.60%, respectively. Post-auction, a bearish trend emerged, with selling pressure on auctioned bonds as participants capitalized on gains, though matching bids were limited. Trading remained subdued, with sporadic interest in February 2031 and January 2035 papers. By week's end, activity slowed further as focus shifted to the OMO auction, leaving few trades at the curve's belly. The average mid-yield rose by 17bps to 20.32%.

Outlook: We expect mixed to bullish sentiments next week, as investors cherry-pick the attractive yields across the belly of the curve.

Nigerian Equities

The Nigerian equity market started the week positively, driven by gains in banking stocks and bargain hunting in NESTLE, STANBIC, NB, and others, pushing the All-Share Index (ASI) up 87bps. However, profit-taking emerged midweek, offsetting gains in stocks like DANGCEM and OANDO. Earnings releases influenced sentiments, with VITAFOAM and ARADEL gaining on strong results, while OANDO faced selloffs. Offshore interest was seen in GTCO, ZENITHBANK, and NESTLE. Key events included listings of GTCO and FCMB shares, delistings of TOURIST and UHOMES, and off-market trades in BUAFOODS and JAPPAULGOLD. Sector performance was mixed: Banking lost 115bps, Consumer gained 78bps, Oil & Gas fell 128bps, and Industrials rose 8bps. The ASI closed the week down 24bps but remains up 1.53% YTD.

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

BENCHMARK T-BILLS DISCOUNT RATES			
	31-Jan-25	24-Jan-25	Change in Rates
83 days	21.03%	23.69%	↓ -2.66%
174 days	19.87%	21.80%	↓ -1.93%
342 days	20.84%	21.40%	↓ -0.56%

Source: FMDQ DQL for 31-Jan-2025

BENCHMARK FGN BOND YIELDS			
	31-Jan-25	24-Jan-25	Change in Yield
5 yrs: 14.55% 26-Apr-2029	21.57%	21.54%	↑ 0.03%
10 yrs: 19.00% 21-Feb-2034	21.35%	21.35%	⇒ 0.00%
20 yrs: 15.45% 21-Jun-2038	19.35%	19.35%	⇒ 0.00%
30 yrs: 15.70% 21-Jun-2053	17.78%	17.78%	⇒ 0.00%

Source: FMDQ DQL for 31-Jan-2025

NFEM RATE (\$/₦)		Diff.
30-Jan-25	1,500.7785	
24-Jan-25	1,533.2630	↓ (32.4845)

Source: FMDQ

SYS. LIQ. (₦BN)		Diff.
31-Jan-25	721.34	
24-Jan-25	211.80	↑ 509.54

Source: CBN

NAME OF FUND	EFFECTIVE YIELD (%)
AIICO MONEY MARKET FUND	23.20
AIICO BALANCED FUND	3.40
AIICO EUROBOND FUND	6.95

As of January 28, 2025

BENCHMARK FGN EUROBOND YIELDS

	31-Jan-25	24-Jan-25	Change in Yield
5 yrs: NGERIA 8.375% 03/24/29	8.85%	9.00%	↓ -0.15%
10 yrs: NGERIA 7.375% 09/29/31	9.57%	9.63%	↓ -0.06%
15 yrs: NGERIA 7.696% 23/02/31	9.98%	10.07%	↓ -0.09%
30 yrs: NGERIA 8.25% 09/29/51	10.25%	10.32%	↓ -0.07%
8.75% ETI 06/17/31*	8.83%	8.74%	↑ 0.09%

Source: FBN UK Runs for 31-Jan-2025

MACRO INDICATORS

GDP (Q3 2024)	+3.46% (Q2: 2024 +3.19% y/y)
Inflation (December'2024)	34.80% (Nov24: 34.60%)
External Reserve (US\$billion)	39.77 (+20.84% YTD as of 30-Jan-25)
Monetary Policy Rate	27.50%
Cash Reserve Requirement (CRR)	50.00%
Brent Crude Price US\$/bbl	*76.81 (-1.69 w/w)

Source: NBS,CBN, AIICO Capital

Eurobonds Market

The Eurobond market opened bearish, driven by negative sentiments in the technology sector and concerns over a cost-effective AI model from China. Midweek, performance was mixed, with sideways interest in Nigerian bonds and buying interest in Ghana, Angola, and Egypt, particularly after Egypt's \$2 billion Eurobond issuance. The FOMC meeting maintained rates at 4.25%-4.50%, with Chair Powell signaling no imminent rate cuts, impacting regional trends. Nigerian bonds turned bullish, while Angola remained flat, and Egypt faced bearish pressures. By week's end, mild bullish sentiments emerged in Nigeria and Angola, contrasting with Egypt's bearish trend. Overall, the average Nigerian Eurobond yields declined by 10bps w/w to 9.26%.

Outlook: We expect a mixed start to the month, with investors cherry-picking the attractive papers.

Foreign Exchange

The Nigerian Foreign Exchange Market (NFEM) saw improved liquidity throughout the week, driven by increased foreign exchange inflows from Foreign Portfolio Investors (FPIs), International Oil Companies (IOCs), and Central Bank of Nigeria (CBN) interventions. The Naira fluctuated within a range of \$/₦1,490.00 to \$/₦1,548.00, experiencing slight depreciation early in the week before strengthening midweek. By Friday, a surge in supply led to a 1.60% appreciation, with the NAFEM fixing rate settling at ₦1,497.50/\$ per FMDQ data. Trades ranged between \$/₦1,440.00 and \$/₦1,519.37, marking a stronger close for the Naira.

Outlook: We expect the Naira to continue to appreciate.

Commodities

Oil prices declined following the White House's announcement of 25% tariffs on Canada and Mexico, set to take effect on Saturday. Brent crude settled at \$76.81 per barrel, while West Texas Intermediate (WTI) traded at \$75.84, marking weekly losses of 2.1% and 2.4%, respectively. Meanwhile, gold prices surged past the key \$2,800 level for the first time, driven by increased safe-haven demand amid U.S. President Donald Trump's tariff threats. Concerns over global economic growth and inflationary pressures fueled the rally, with gold closing at \$2,801.29 per ounce.

Outlook: OPEC+ is expected to maintain its current strategy of gradually increasing oil production when it meets on Monday. Market participants anticipate no major policy shifts, as the group continues to balance supply management with global demand recovery.

Top 5 Equity Advancers W-o-W				
Ticker	Px	% Change	Points	% Mov
NESTLE	975.00	↑ 11.43%	↑ 145.57	↑ 16.22%
STANBIC	64.35	↑ 8.15%	↑ 115.41	↑ 12.86%
NB	35.80	↑ 15.48%	↑ 90.59	↑ 10.09%
PRESCO	585.00	↑ 8.74%	↑ 86.32	↑ 9.62%
FBNH	29.95	↑ 4.36%	↑ 82.40	↑ 9.18%

Source: NGX, AIICO Capital

Top 5 Equity Decliners W-o-W				
Ticker	Px	% Change	Points	% Mov
TRANSCOHOT	114.65	↓ -9.97%	↓ 238.90	↓ -26.61%
DANGCEM	394.00	↓ -1.50%	↓ 187.77	↓ -20.92%
OANDO	68.40	↓ -5.00%	↓ 82.19	↓ -9.16%
MRS	162.90	↓ -18.96%	↓ 23.99	↓ -2.67%
UNILEVER	38.00	↓ -3.68%	↓ 15.30	↓ -1.70%

Source: NGX, AIICO Capital

	D-o-D	W-o-W	MTD	YTD
NGX ASI	↓ -0.24%	↑ 0.87%	↑ 1.53%	↑ 1.53%
NSE Banking Index	↓ -1.15%	↑ 2.54%	↑ 9.76%	↑ 9.76%
NSE Insurance Index	↓ -0.48%	↓ -2.86%	↓ -1.10%	↓ -1.10%
NSE Industrial Goods Index	↑ 0.08%	↓ -0.52%	↓ -8.52%	↓ -8.52%
NSE Consumer Goods Index	↑ 0.78%	↑ 4.01%	↑ 4.47%	↑ 4.47%
NSE Oil & Gas Index	↓ -1.28%	↑ 0.97%	↓ -1.61%	↓ -1.61%

Source:NGX, Bloomberg, AIICO Capital

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