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MONTHLY MARKET REPORT JANUARY 2025

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REPORT SUMMARY

Review

- Global Macros: Inflation and trade war concerns drives monetary policies across the world.
- Domestic Macros: Persistent inflationary pressures; GDP Rebasing and Refinery Revival.
- Foreign Exchange Stronger Dollar Inflows Boost Naira Stability.
- Money Market: System Liquidity Recovers, Interbank Rates Ease Late January.
- Treasury bills: NTB Yields Drop Amid Liquidity Surge and Investor Confidence.
- FGN Bonds: Selling Pressure Drives Yield Uptick Amid Weak Trading Volumes.
- Nigeria's Eurobonds: Nigerian Eurobonds Rally Despite Fed Uncertainty and Profit-Taking.
- Equities Market: Stock Investors Kick-Starts 2025 with Bullish Sentiment, Gained 1.5% m/m.

Outlook

- Global Economy: Trade war to shape economic performance in February.
- Domestic Macros: Effect of rebasing of key macroeconomic indicators to take centre stage.
- Foreign Exchange Market: Naira to remain stable amid sustained CBN policies on transparency.
- Money Market: CBN to continue its stringent monetary policy through OMO auctions and CRR debits to regulate liquidity with focus on next MPC meeting.
- Treasury Bills: Anticipate steady declining yield as the CBN and DMO aim to refinance maturing debts and reduce yields.
- FGN Bonds: Anticipates mixed to bullish trend, as investors selectively pursue attractive yields.
- Nigeria's Eurobonds: Recent Tariff war to drive market volatility amidst decline dollar demand.
- Equities Market: Strong 2025 outlook and stable naira value to drive stock performance in February.

GLOBAL MACROECONOMIC REVIEW

United States: *A Dollar-Dominant Economy with Inflationary Pressures*

The U.S. economy entered 2025 with strong momentum, reflected in the surging U.S. dollar, robust labor market performance, and persistent inflation concerns. The dollar soared to a two-year high as the Federal Reserve maintained a cautious stance on rate cuts, emphasizing economic resilience and inflationary persistence. Market optimism was further fueled by President-elect Donald Trump's pro-growth policies, expected to amplify economic activity and inflationary pressures.

The U.S. labor market remained robust, with jobless claims at an eight-month low and nonfarm payrolls surging by 256,000 in December, pushing the unemployment rate down to 4.1%. However, the ISM services sector prices paid index reached its highest level in nearly two years, signaling continued inflation concerns. This prompted the Federal Reserve to hold off on immediate rate cuts, leading to a rise in Treasury yields, a stronger dollar, and declining equities as investors recalibrated expectations for monetary easing.

Inflation, while moderating slightly, remained a concern. The December Consumer Price Index (CPI) increased by 0.4% month-on-month and 2.9% year-on-year, with core CPI rising 3.2%. Energy prices, particularly gasoline, drove much of the inflationary uptick. Shelter costs, making up a third of CPI, rose 4.6% year-on-year, though at a slower pace than previous months. While investors speculated that the Federal Reserve might adopt a more dovish stance later in 2025, persistent inflation in key sectors like housing, food, and transportation signaled a challenging path toward the 2% inflation target.

United Kingdom: *Economic Struggles Amid Monetary Policy Divergence*

The UK economy faced significant headwinds in early 2025 as monetary policy divergence between the Bank of England (BoE) and the Federal Reserve weighed on the pound. Expectations of substantial rate cuts by the BoE led to a depreciation of sterling, exacerbating inflationary concerns. The pound's weakness made imports more expensive, further straining household budgets already grappling with elevated living costs.

Despite economic challenges, inflation in the UK showed signs of easing, allowing policymakers to consider rate adjustments. However, rising energy costs and supply-side disruptions posed risks to inflation control. Financial markets remained cautious, with investors closely monitoring the BoE's stance on monetary easing and its impact on economic stability.

Europe: *Inflation Concerns and Energy Uncertainties*

The eurozone entered 2025 with inflationary pressures still present, as December inflation edged up to 2.4%. The European Central Bank (ECB) signaled potential rate cuts, diverging from the Fed's stance and contributing to euro weakness against the dollar. Rising oil prices and fiscal uncertainties further complicated the economic outlook for the region.

A major development in the European energy market was Russia's decision to halt gas exports through Ukraine following the expiry of a transit agreement. The EU, having anticipated this move, secured alternative energy supplies to mitigate potential disruptions. However, concerns over energy security and price volatility remained key factors influencing eurozone inflation and monetary policy.

Asia: *Growth Momentum and Trade Tensions*

China's economy grew by 5.4% year-on-year in Q4 2024, surpassing expectations and signaling an improving economic landscape. Beijing's aggressive stimulus measures, focused on manufacturing, state debt management, and property sector stabilization, contributed to this growth. Despite these efforts, deflationary pressures and subdued private consumption continued to pose challenges.

Looking ahead, trade tensions are expected to escalate under U.S. President-elect Donald Trump, who has pledged to impose steep tariffs on Chinese goods. In anticipation, Beijing is preparing further fiscal support measures, including increased deficit spending and debt issuance, to counter potential economic slowdowns. There is the belief that suggests that China's GDP growth could slow to 4.5% in 2025 as trade headwinds intensify.

Key Economic Snapshot

	US		UK		EU		China	
GDP	Q4'24	2.30%	Q3'24	0.00%	Q4'24	0.00%	Q4'24	1.60%
	Q3'24	3.10%	Q2'24	0.40%	Q3'24	0.40%	Q3'24	1.30%
	Q4'23	3.40%	Q3'23	-0.10%	Q4'23	0.00%	Q4'23	0.60%
INTEREST/ POLICY RATE	Jan'25	4.50%	Dec'24	4.75%	Jan'25	2.90%	Jan'25	3.10%
	Dec'24	4.50%	Nov'24	4.75%	Dec'24	3.15%	Dec'24	3.10%
	Jan'24	5.50%	Dec'23	5.25%	Jan'24	4.50%	Jan'24	3.45%
INFLATION RATE	Dec'24	2.90%	Dec'24	2.50%	Dec'24	2.40%	Dec'24	0.10%
	Jan'24	2.70%	Jan'24	2.60%	Nov'24	2.20%	Nov'24	0.20%
	Dec'23	3.40%	Dec'23	4.00%	Dec'23	2.90%	Dec'23	-0.30%

Source: Bloomberg, Trading Economics, AIICO Capital

Africa: *Economic Developments and Regional Challenges*

Across Africa, economic conditions remained varied, with some countries benefiting from commodity price recoveries while others faced fiscal strains. Inflation and exchange rate volatility remained pressing concerns, particularly for economies reliant on imports. Additionally, energy sector developments, including Nigeria's refinery revivals, signaled attempts at enhancing regional economic stability.

Key Economic Snapshot

	Nigeria	Ghana	Angola	Egypt	South Africa
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%	Jan'25: 27.00%	Jan'25: 19.50%	Dec'24: 27.25%	Jan'25: 7.50%
	Sep'24: 27.25%	Dec'24: 27.00%	Dec'24: 19.50%	Nov'24: 27.25%	Dec'24: 7.75%
	Nov'23: 18.75%	Jan'24: 29.00%	Jan'24: 18.00%	Dec'23: 19.25%	Jan'24: 8.25%
INFLATION RATE	Dec'24: 34.80%	Jan'25: 23.50%	Dec'24: 27.50%	Dec'24: 24.10%	Dec'24: 3.00%
	Nov'24: 34.60%	Dec'24: 23.80%	Nov'24: 28.41%	Nov'24: 25.50%	Nov'24: 2.90%
	Dec'23: 28.92%	Jan'24: 23.50%	Dec'23: 20.01%	Dec'23: 33.70%	Dec'23: 5.10%

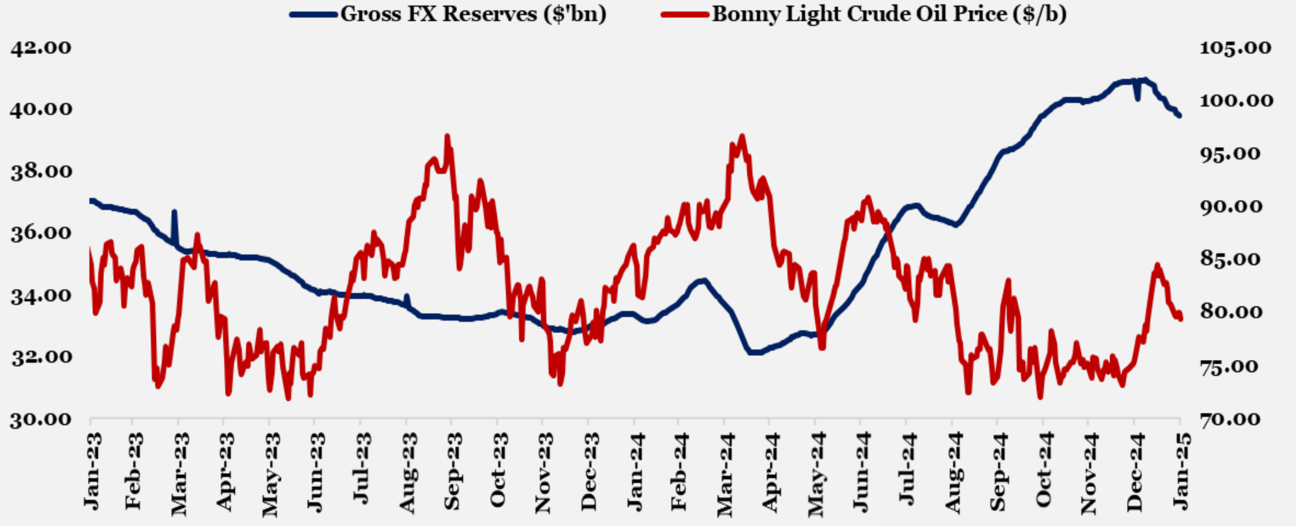
Source: Bloomberg, Trading Economics, AIICO Capital

Oil Markets - *A Surge Amid Supply Constraints and Rising Demand*

Oil prices surged to three-month highs in early 2025, driven by rising heating fuel demand in the U.S. and Europe amid severe winter conditions. Brent crude climbed 2.84% m/m to $76.76 per barrel, while WTI rose 1.02% to $71.98 per barrel. Geopolitical tensions further fueled price increases, with the U.S. imposing sweeping sanctions on Russia's oil sector, disrupting exports to major buyers like India and China.

Refinery utilization in the U.S. reached its highest level since 2018, reflecting strong domestic output. Additionally, backwardation in Brent futures widened, signaling tightening supply conditions.

In terms of price movement, the price of Bonny Light crude rose by 5.15%, closing at $79.37 per barrel, with an average price of $80.70 per barrel during the period.



Source: CBN, AIICO Capital

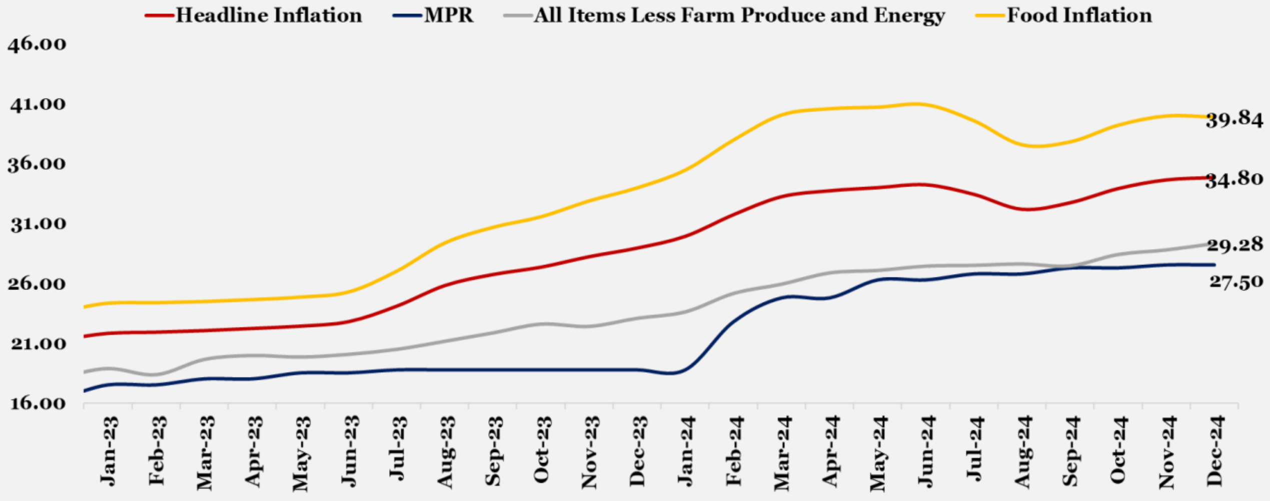
DOMESTIC
MACROECONOMIC REVIEW

Nigeria: *Persistent inflationary pressures; GDP Rebasing and Refinery Revival*

Nigeria's Inflation Surged to 34.80%, its highest level in nearly three decades

In December 2024, Nigeria's inflation rate rose to 34.80% y/y, an increase from 34.60% in November. This marks the fourth consecutive monthly rise and represents the highest level recorded in over six months. This uptick can largely be attributed to increased consumer demand during the festive season, which led to higher prices for a range of goods and services. Food inflation remained notably high at 39.84% y/y, slightly down from November's 39.93%. Essential items, including yam, sweet potatoes, beer, corn, rice, and fish, saw significant price hikes. The surge in demand during the festive season further intensified these inflationary pressures. Additionally, the core inflation rate, which excludes the more volatile categories of food and energy, increased to 29.28% y/y in December, up from November's 28.75%.

The National Bureau of Statistics (NBS) announced plans to rebase the Consumer Price Index (CPI) to 2024 standards, adjusting item weightings to reflect current economic realities. The Central Bank of Nigeria (CBN) responded to persistent inflation by raising its benchmark interest rate by 875 bps in 2024. Governor Olayemi Cardoso remains optimistic about inflation moderation in 2025, ahead of the next policy rate decision scheduled for February 18. Markets and investors continue to assess the effectiveness of these measures in stabilizing prices and fostering economic growth.



Source: NBS, CBN, AIICO Capital

GDP Rebasing: Strengthening Economic Data Integrity

The Nigerian Economic Summit Group (NESG) and the NBS hosted a workshop on January 9, 2025, focusing on rebasing GDP and CPI measures. NESG CEO Dr. Tayo Aduloju emphasized the importance of accurate economic data in attracting investors and shaping effective policies. The NBS outlined a technical framework for rebasing, selecting 2019 and 2024 as base years for GDP and CPI calculations, respectively. This move aims to provide a more accurate representation of Nigeria's evolving economic structure and support data-driven policymaking.

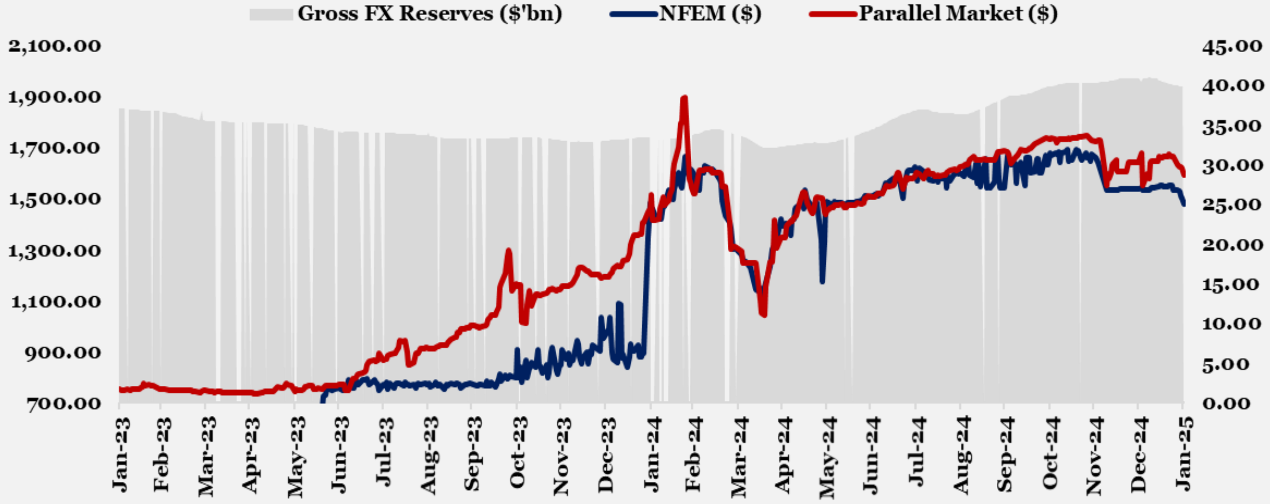
Refinery Revivals: A Step Toward Energy Independence

Nigeria marked a significant milestone with the partial resumption of operations at its Warri refinery, which had been inactive since 2015. The facility, now operating at 60% capacity, represents progress in reducing the nation's reliance on fuel imports. Alongside Warri, the Port Harcourt refinery also resumed operations, and the government aims to restore full functionality across all state-owned refineries in 2025. The privately-owned 650,000 bpd Dangote refinery, which commenced operations earlier in the year, further strengthens Nigeria's refining capacity.

MARKET UPDATE

Foreign Exchange Market – *Stronger Dollar Inflows Boost Naira Stability*

In January, the Nigerian Foreign Exchange Market (NFEM) demonstrated relative stability, supported by improved liquidity from Foreign Portfolio Investors (FPIs), International Oil Companies (IOCs), and Central Bank of Nigeria (CBN) interventions. The Naira fluctuated within a broad range of $/₦1,440.00 to $/₦1,570.00, with notable strengthening mid-month as increased supply eased demand pressures. Despite brief periods of depreciation, particularly early in the month, market liquidity remained robust, enabling the Naira to appreciate towards the end of the month. A strong supply inflow from FPIs and heightened CBN participation helped the currency gain 3.75% m/m at the NFEM window, closing at ₦1,478.22/USD. The parallel market followed a similar trajectory, with the Naira appreciating by approximately ₦52.50/USD to close at ₦1,590.00/USD. Conversely, the external reserves declined by $1.15 billion to $39.72 billion, amid CBN interventions.



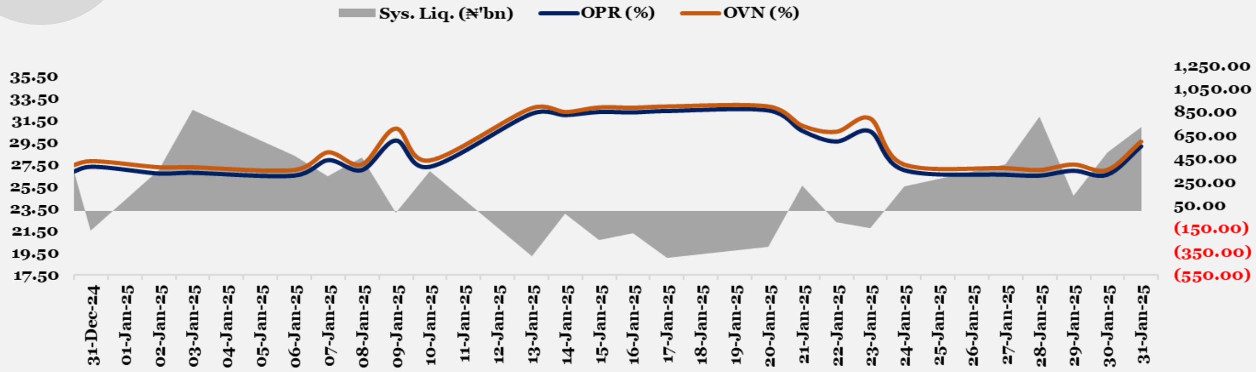
Source: FMDQ, Rate Captain, AIICO Capital

Outlook: The Naira is anticipated to stay stable and within a consistent trading range, supported by the CBN's policies designed to enhance transparency and minimize speculative actions.

Money Market –*System Liquidity Recovers, Interbank Rates Ease Late January*

Interbank liquidity exhibited significant fluctuations, driven by various inflows and liquidity tightening measures. Early in the month, inflows from Remita, FAAC payments, and OMO maturities provided temporary relief, lowering interbank rates. However, liquidity pressures resurfaced due to aggressive tightening by the Central Bank, including ₦500 billion and ₦1 trillion OMO auctions, FGN bond settlements, and net CRR debits. These events led to a sharp rise in interbank rates, with the Overnight Policy Rate (OPR) peaking at 32.33% and the Overnight Rate (O/N) at 32.75%. Despite liquidity constraints mid-month, late inflows, including a Signature bonus and Remita credits, helped ease pressures, bringing rates lower by month-end. System liquidity averaged ₦181.71 billion, a notable improvement from December's -₦268.79 billion. Consequently, the OPR and O/N declined by 49bps and 48bps m/m, closing at 29.02% and 29.58%, respectively.

Outlook: We anticipate that the CBN will continue its stringent monetary policy through OMO auctions and CRR debits to regulate liquidity. Attention will be focused on the upcoming MPC meeting scheduled for February 18.



Source: CBN, FMDQ, AIICO Capital

Treasury Bills – *NTB Yields Drop Amid Liquidity Surge and Investor Confidence.*

The Treasury Bills market in January exhibited a predominantly bullish trend, driven by strong demand for long-term securities amid fluctuating liquidity conditions. Early in the month, investor focus centered on newly issued long-tenor bills, particularly the December 2025 and January 2026 maturities, with limited offers meeting demand. The CBN conducted multiple OMO auctions, offering a combined ₦1.1 trillion, which saw strong subscription levels. Stop rates for the long-dated papers declined significantly, reflecting easing yield expectations.

Mid-month, attention shifted to NTB primary auctions, where the DMO offered ₦515 billion and later ₦530 billion, attracting robust subscriptions of over ₦1 trillion and ₦2.5 trillion, respectively. The 1-year NTB stop rate fell 82.2 bps to 21.80%, while short-term rates remained steady.

The trend persisted, with the average mid-rate for benchmark NTBs falling 2.26% m/m to 23.31%. Despite intermittent liquidity constraints, the market remained skewed towards longer-dated instruments, with investors seeking higher real returns

JANUARY 2025 NTB AUCTION RESULT				
Tenor	Dec'24 Close	Jan'25 Auc 1	Jan'25 Auc 2	Change M-o-M (basis points)
91	18.00%	18.00%	18.00%	+0.00
182	18.50%	18.50%	18.50%	+0.00
364	**22.90%**	**22.62%**	**21.80%**	**(110.00)**

JANUARY 2025 OMO AUCTION RESULT				
Tenor	Dec'24	Jan'25	Jan'25	Change M-o-M
Long	23.93%	23.81%	22.50%	(143.00)
Long	**23.95%**	**23.84%**	**22.65%**	(130.00)

Source: CBN, FMDQ, AIICO Capital

Outlook: We anticipate yields will continue to decline steadily as the CBN and DMO aim to refinance maturing debts and reduce yields, supported by a strengthening macroeconomic environment. In February, total expected maturities is c.₦2.2 trillion, while the primary market offering is ₦1.37 trillion.

FGN Bond Market – *Selling Pressure Drives Yield Uptick Amid Weak Trading Volumes*

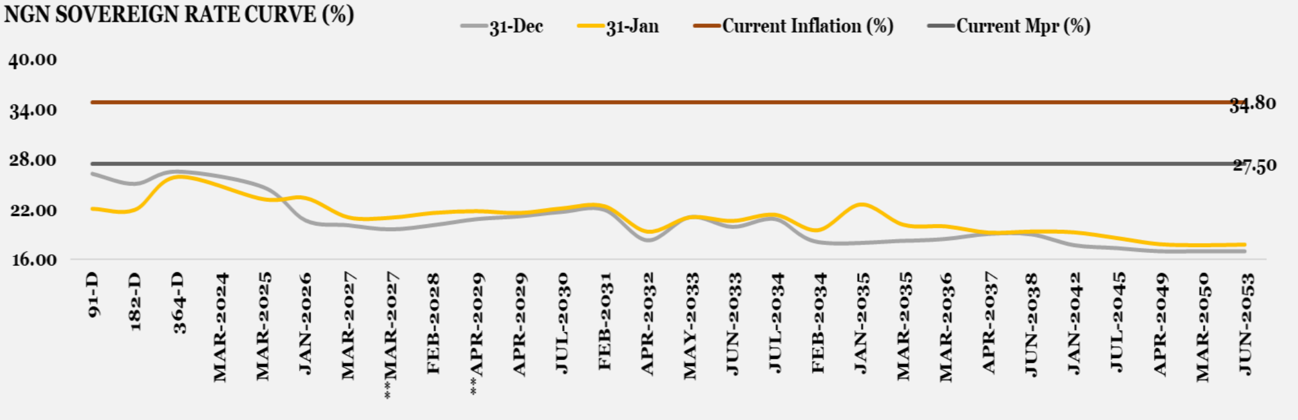
The local bonds market exhibited a predominantly bearish tone in January, with sporadic interest across mid- to long-term maturities. Early in the month, selective demand emerged for February 2031, May 2033, and June 2053 bonds, but weak transaction volumes persisted due to wide bid/ask spreads. Selling pressures mounted mid-month, particularly on February 2031 and February 2034 papers, as market participants positioned ahead of the Q1 2025 FGN bond issuance calendar, which introduced a new January 2035 bond.

The FGN bond auction offered ₦450 billion across April 2029, February 2031, and January 2035, with marginal yields of 21.79%, 22.50%, and 22.60%, respectively. Post-auction, selling pressure emerged as investors capitalized on gains, driving yields higher. By month-end, cautious sentiment persisted, leading to limited trading activity. Overall, the average mid-yield across the curve increased by 1.17% m/m to 20.52%.

JANUARY 2025 BOND AUCTION RESULT

Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	Dec'24 Close	Change M-o-M (basis points)
17-Apr-29	100.00	92.66	78.86	**21.79%**	**21.14%**	**+65.00**
21-Feb-31	150.00	175.87	159.29	**22.50%**	**22.00%**	**+50.00**
29-Jan-35	200.00	401.41	368.31	**22.60%**	**N/A**	**N/A**
	450.00	**669.94**	**606.46**			

Source: DMO, AIICO Capital



Source: FMDQ, NBS, CBN, AIICO Capital

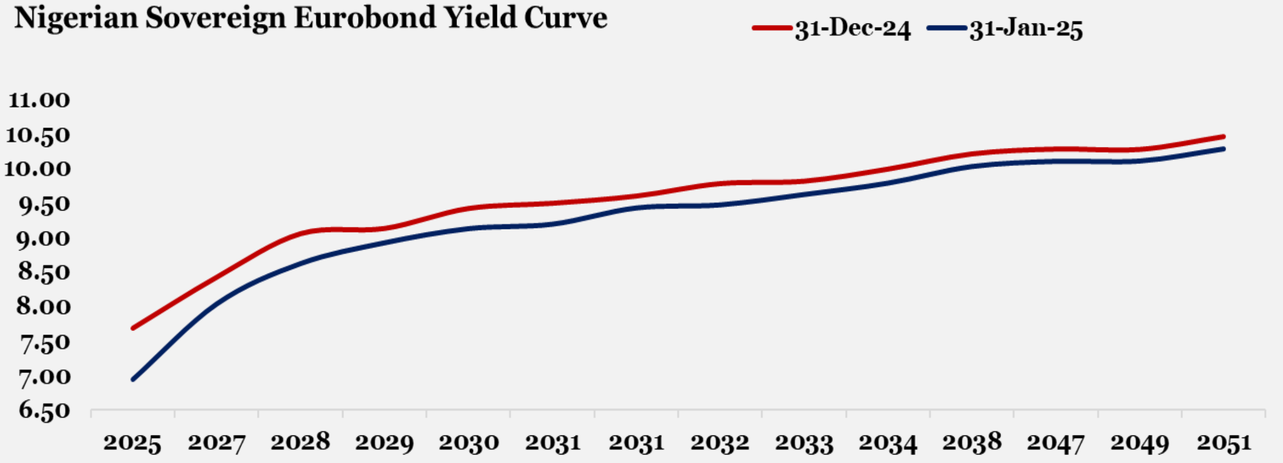
Outlook: The local bonds market is anticipated to exhibit a mixed to bullish trend, as investors selectively pursue attractive yields.

Eurobonds Market – *Nigerian Eurobonds Rally Despite Fed Uncertainty and Profit-Taking*

The Eurobond market opened the year on a subdued note but gradually gained momentum as risk appetite improved. Early sessions saw limited bids for Nigerian and Egyptian bonds, while Angola showed weakness. However, a bullish tone emerged mid-month, driven by increased demand for African sovereign bonds, particularly from oil-exporting nations like Nigeria and Angola, as oil prices climbed. Positive IMF developments also boosted sentiment for Egyptian bonds, while Angola announced plans to raise over $2 billion in new Eurobonds.

Market volatility persisted, with strong U.S. jobs data (256,000 in December) dampening expectations of early Fed rate cuts, triggering sell-offs across SSA and North African curves. Mid-month, softer U.S. inflation data briefly spurred a rally in Nigerian and Angolan Eurobonds. The FOMC maintained interest rates at 4.25%-4.50%, with Chair Powell signaling no imminent cuts, influencing cautious trading. Egypt's $2 billion Eurobond issuance attracted interest but later faced profit-taking.

By month-end, dovish remarks from President Trump, indicating a preference against additional China tariffs and advocating for lower U.S. interest rates, renewed global risk appetite. This supported SSA Eurobonds, stabilizing yields. Overall, Nigerian Eurobond yields declined by 28bps m/m, closing at 9.26%.



Source: FBN UK, AIICO Capital

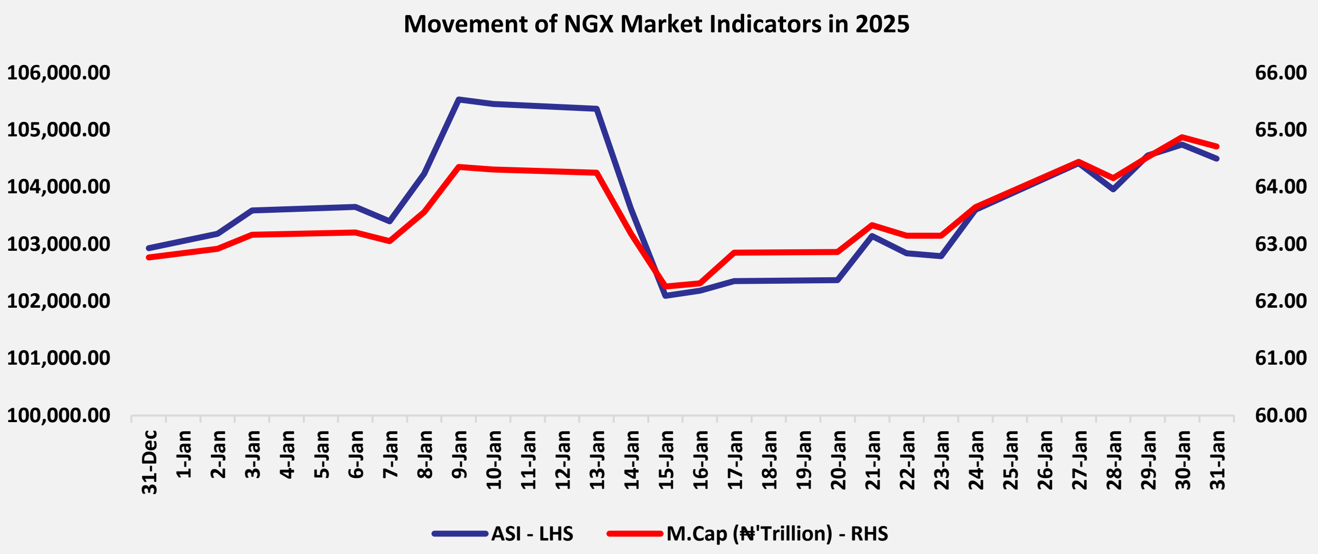
Outlook: The recent tariff war involving the US, Canada, Mexico, and China indicates that the Eurobond market may experience increased volatility. A stronger dollar is likely to reduce investor demand for African investments

Equities Market Performance – *Stock Investors Kick-Starts 2025 with Bullish Sentiment, Gained 1.5% m/m*

Investors at the Nigerian local bourse kicked off the year 2025 with a bullish sentiment, as the NGX All-Share Index (NGX-ASI) closed January at 104,496.12 points, reflecting a 1.53% month-on-month (M-o-M) growth. Meanwhile, market capitalization rose by 3.4% to ₦64.71 trillion. The discrepancy between market capitalization and the NGX-ASI was driven by the listing of Access Holdings Plc, Guaranty Holdings Plc, and FCMB Holdings Plc additional shares through rights issues and public offers.

The positive sentiment was fueled by price increases across the Banking and Consumer Goods sectors. However, a decline in Dangote Cement (DANGCEM) dragged the Industrial sector lower by 8.5% M-o-M, followed by losses in the Oil & Gas and Insurance sectors.

In terms of market activity, investors traded 14.9 billion shares worth ₦303.5 billion across 300,274 deals, compared to 11.6 billion shares worth ₦321.6 billion in 194,476 deals recorded in December 2024.



Source: NGX, AIICO Capital

Market Sector	Jan-24	Dec-24	Jan-25	YTD
NGX-ASI	35.3%	5.6%	1.5%	1.5%
Banking	-3.4%	6.0%	9.8%	9.8%
Consumer Goods	24.3%	8.9%	4.5%	4.5%
Industrial Goods	107.9%	1.3%	-8.5%	-8.5%
Insurance	21.7%	47.2%	-1.1%	-1.1%
Oil & Gas	20.0%	13.9%	-1.6%	-1.6%

Source: NGX, AIICO Capital

MARKET UPDATE…/6

Top 10 Performer	Open	Close	%Change
SCOA	2.06	4.07	97.6%
CHELLARA	3.70	6.53	76.5%
HONYFLOU	6.30	9.58	52.1%
NCR	5.00	7.30	46.0%
UPL	3.85	5.60	45.5%
TRANSEXP	1.38	2.00	44.9%
VITAFOAM	23.00	31.95	38.9%
NNFM	43.90	60.60	38.0%
MULTIVER	7.35	10.05	36.7%
AFRIPRUD	20.55	26.80	30.4%

Top 10 Decliner	Open	Close	%Change
SUNUASSU	10.75	5.75	-46.5%
EUNISELL	19.27	13.48	-30.0%
MRSOIL	217.80	162.90	-25.2%
VERITASK	1.36	1.09	-19.9%
DANGCEM	478.80	394.00	-17.7%
DEAPCAP	1.18	1.05	-11.0%
SOVRENIN	1.12	1.00	-10.7%
MORISON	4.01	3.61	-10.0%
JBERGER	155.25	139.80	-10.0%
GUINEAIN	0.81	0.73	-9.9%

Source: NGX, Bloomberg, AIICO Capital

Outlook: In February, we expect sustained positive sentiment in the market, driven by the repricing of fundamentally strong stocks, supported by expectations of a positive 2025 outlook and a stable naira.

Contact us now to receive valuable investment guidance today.

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