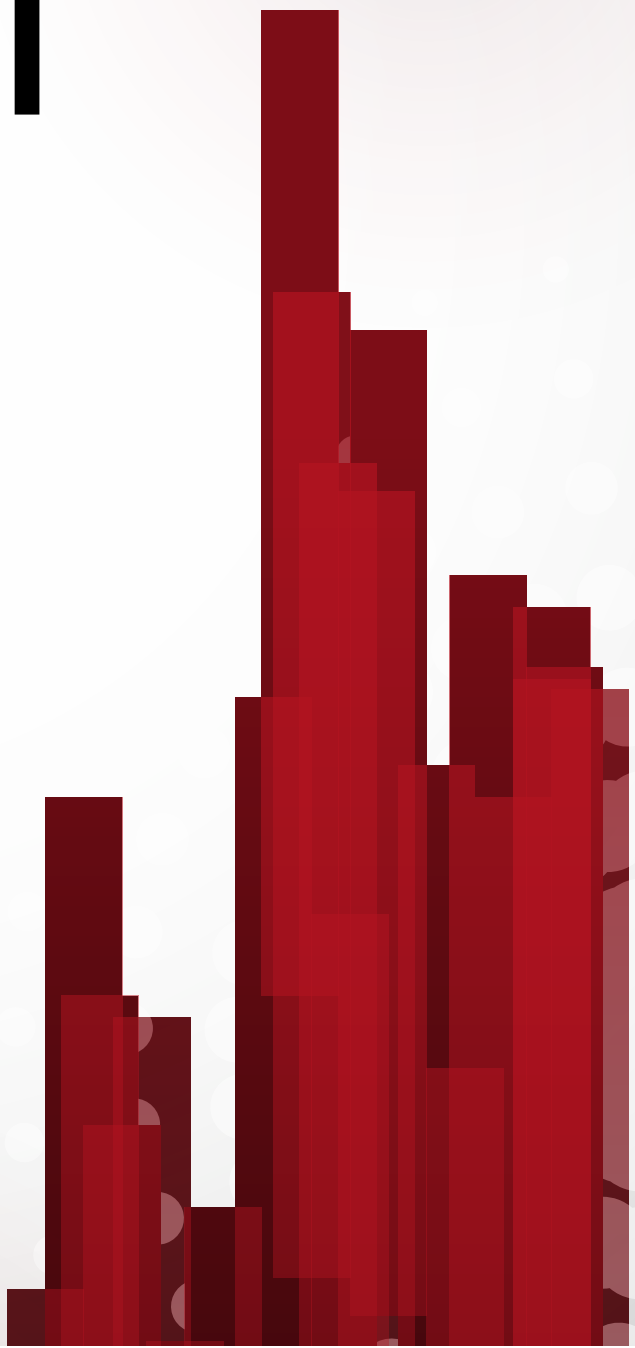


# MONTHLY REPORT

MAY 2024



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## EQUITIES MARKET

The domestic bourse closed on a bullish note in the month of May with the NGX-ASI rising by 1.09% to 99,300.38 points, up from 98,225.63 points filed in April. Investor wealth, increased by N619.44 billion to N56.17 trillion (+1.12%), driven by the market's positive performance and supplementay listing of International Breweries. Consequently, the year-to-date NGX All Share Index return rose to 32.80%.

Transaction levels also increased during the period, with trade volumes and values rising by 33.37% and 15.29%, respectively, totalling 9.12 billion shares and N178.00 billion in May, compared to 6.84 billion shares and N154.40 billion in April.

Sector-wise, four of the five sectors we track showed positive performance. The Banking Index led with a 2.97% rise, driven by gains in GTCO (+22.32%), FIDELITYNK (+13.33%), FCMB (+12.68%), ZENITHBANK (+2.80%), and ACCESSCORP (+2.08%). The Oil and Gas Index followed, with gains in OANDO (+22.28%), CONOIL (+5.05%), and SEPLAT (+3.60%). The Consumer Goods Index saw increases in the share prices of FLOURMILLS (+24.59%), DANGSUGAR (+20.82%), NESTLE (+13.69%), and UNILEVER (+2.03%). The Industrial Goods Index also rose, with JBERGER (+24.91%), BERGER (+9.49%), and WAPCO (+2.89%) driving its gains. The Insurance Index was the sole decliner, falling by 3.26% due to losses in LINKASSUR (-10.53%) and GUINEANS (-6.25%).

Market breadth, indicating market sentiment through the ratio of gainers to losers, improved to 0.87x from last month's 0.28x, with 46 stocks recording gains and 53 posting losses.



## OUTLOOK

We expect a mixed market trend to continue in the new month on the back of bargain hunting as investors position for the medium to long – term while traders seek to ride upon the bargain hunting activities of investors to book quick wins. We also expect movement in the share prices of banks, caused by key investors looking to position and qualify for more rights ahead of the primary market issues, to spur some speculative run in the sector. However, occasional adjustments in price movements across diverse sectors may occur as a result of dividend adjustments and portfolio rebalancing in favour of money market investments.



However, at the FGN Bond secondary market, there was an increase in offer across several listed instruments with improved activities seen across all the dated bond instruments. The short and mid-dated instruments had increased demand despite little offers seen across some bonds while the longer-dated bonds recorded a slight increase with the 8-year bonds gaining an average of 0.92%.

Consequently, average yields decreased by 25bps to close at 18.69% from 18.94%.

DATE	BOND	OFFER SIZE (N'BN)	BID RANGE (N'BN)	ALLOTTED VOLUME (N'BN)	RATE
13-May-24	NIGB 19.30 04/17/29	150.00	100.57	32.67	19.29%
13-May-24	NIGB 18.50 02/21/31	150.00	76.88	62.98	19.74%
13-May-24	NIGB 19.89 05/15/33	150.00	373.87	285.12	19.89%
		<b>450.00</b>	<b>551.32</b>	<b>380.77</b>	

Source: DMO

## FIXED INCOME REPORT

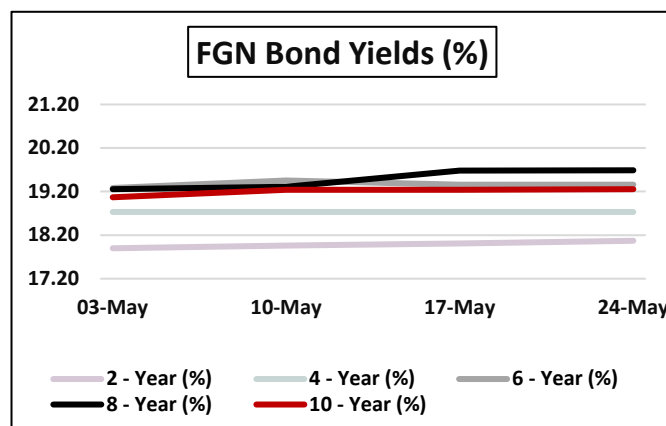
The fixed-income market experienced mixed sentiments in May, with improved activities (demand) seen across the treasury bill and a slightly repressed offer as investors switched from one asset class to the other to maximize returns from investment.

### Bonds

The Debt Management Office (DMO) issued three (3) bond instruments on the 13th of May 2024, a Five (5) year April 2029 bond, a seven (7) year Feb 2031 bond and a ten (10) year May 2034 bond with a total of value of N450 billion being offered. There was a total bid of N551.32 billion with N380.77 billion being allotted. The stop rate of the bonds stood at 19.29% for the 2029 bond, 19.74% for the 2031 bond and 19.89% for the 2034 bond.

FGN BOND	31-May	30-Apr	% Change
2 - Year(%)	18.14	18.08	↑ 0.33%
4 - Year(%)	18.73	19.07	↓ -1.78%
6 - Year(%)	19.29	19.39	↓ -0.52%
8 - Year(%)	19.70	19.52	↑ 0.92%

Source: FMDQ



Source: FMDQ

## Treasury Bills

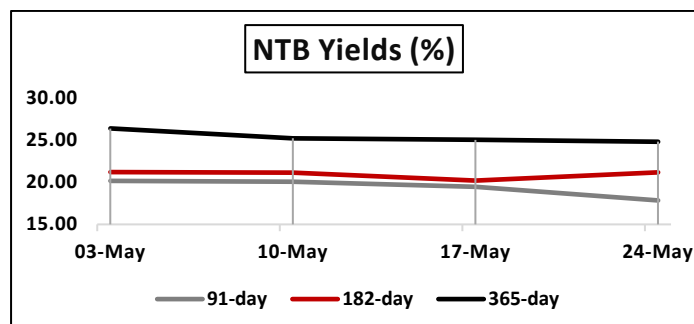
Two Nigerian Treasury-Bills (NTB) primary market auctions were conducted in May by the Central Bank of Nigeria (CBN), with a combined offer value of N688.34 billion. The first auction took place on the 8th of May, with stop rates closing flat at 16.24%, 17.00%, and 20.70% for 91-day, 182-day, and 364-day bills, respectively maintaining its attractive stance.

Auction Date	Maturity	Tenor	Stop Rate	Offer (NGN'billion)	Subscription (NGN'billion)	Allotment (NGN'billion)
08-May-24	08-Aug-24	91-Day	16.24%	39.90	21.24	16.60
08-May-24	07-Nov-24	182-Day	17.00%	5.44	13.07	5.44
08-May-24	08-May-25	364-Day	20.70%	134.02	879.75	252.64
23-May-24	22-Aug-24	91-Day	16.50%	331.01	124.92	65.69
23-May-24	21-Nov-24	182-Day	17.449%	9.30	33.21	28.46
23-May-24	22-May-25	364-Day	20.69%	168.67	1,432.97	549.83

Source: DMO

Stop rates for the bills however saw slight changes at the second auction which held on the 23rd of May 2024 with the 91-day, 182-day, and 364-day bills closing at 16.50%, 17.449%, and 20.69% respectively (with the long-dated bill recording slight drop in its auction yield).

The NT-Bills secondary market followed the trend of the primary market closing down at the end of the month, owing to investors' reaction to the auction result. As a result, average yields dipped by 48 basis points to 21.72% in May, up from 22.20% in April. Additionally, the 9th-May-24 and 23rd-May-24 instruments were delisted as they matured during the month.



Source: FMDQ

NT - BILLS	31-May	30-Apr	% Change
91 - Days(%)	17.86	18.85	↓ -5.25%
182 - Days(%)	21.20	20.61	↑ 2.86%
364 - Days(%)	24.84	26.48	↓ -6.19%

Source: FMDQ

## System Liquidity

System liquidity fluctuated throughout the month playing mainly in the negative zone and this was mainly driven by a fall in the opening balances and an increase in standing lending facilities. Liquidity closed up at the end of the month gaining N484.29 billion to close at N80.71 billion from -N403.58 billion recorded in April.

Driven by the increase in system liquidity, Open-Buy-Back and Overnight rates dropped by 1.12% and 1.06% respectively to 29.09% and 29.94% in May from 30.21% and 31.00% in April.

MONEY MARKET	31-May	30-Apr	Change	% Change
System Liquidity (N'billion)	80.71	-403.58	↑ 484.29	120.00%
Open-Buy-Back Rate (%)	29.09	30.21	↓ -1.12	-3.71%
Overnight Rate (%)	29.94	31.00	↓ -1.06	-3.42%

Source: CBN, FMDQ

## FIXED INCOME OUTLOOK

In June, we anticipate a continuous increase in activities across the NTB market with demand dominating this space. A slightly repressed demand with increased offers is expected at the FGN Bond market mainly driven by more attractive yields prevalent in the NTB market and investors repositioning to get the best possible yield on their investment from the market.

We also expect further fluctuation in liquidity with an uptick in rates mainly driven by market pricing.

## FOREIGN EXCHANGE

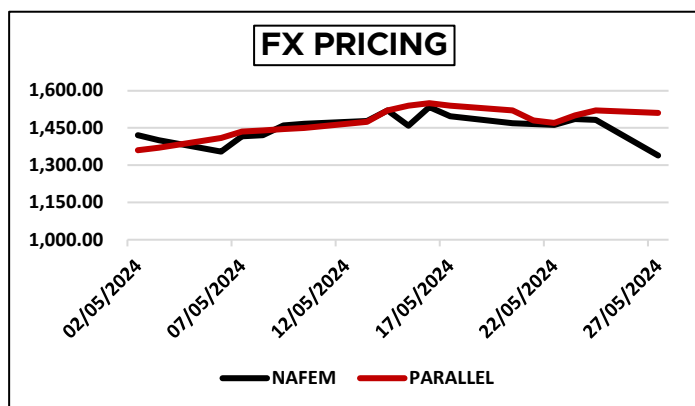
In May, the Naira was volatile with mixed sentiments across the Parallel and NAFEM segments. During the month, the Naira weakened further in both segments closing at N1,485.99/\$ at the NAFEM and N1,485/\$ at the parallel market representing a loss of 4.60% and 9.19% M-o-M respectively.

The NAFEM hit a low of 1,173.88/\$ during the period but dropped to its closing levels at the end of the month while the Parallel market played at an average rate of N1,477.95 / \$ during the month and this was driven by increased speculation by FX traders, limited supply and increased demand despite the CBN's effort to control this volatility.

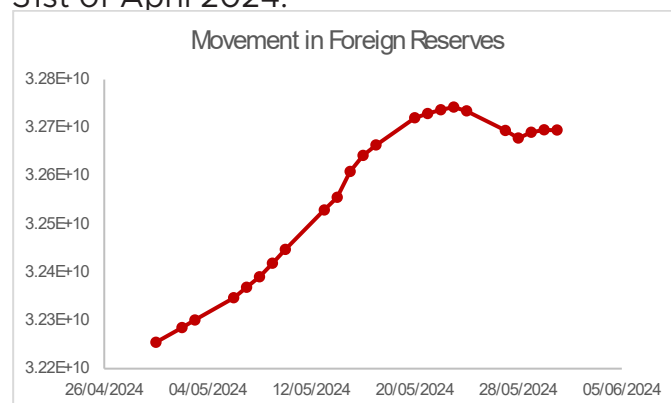


## FOREIGN RESERVES

Nigeria's foreign exchange reserve levels grew by \$435.89 million (+1.34%) in the month of May. The Central Bank of Nigeria's latest figures showed an upward movement of the country's foreign reserves. Specifically, Nigeria's reserves rose to \$32.690 billion as of May 29, 2024, an improvement from a \$32.254 billion on the 31st of April 2024.



Source: FMDQ, NAIRAMETRICS



Source: CBN

## OUTLOOK

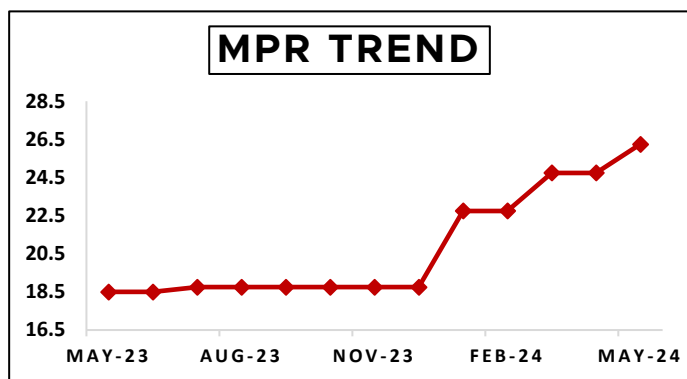
We expect mixed sentiments in June with slight recovery in the Naira across both markets as consistent interventions by the CBN to support the Naira continue to push the currency back to current seen levels.

## OUTLOOK

In the coming month, we anticipate a further rise in foreign reserves, primarily driven by increased income from crude oil sales. However, the Naira might face more sell pressures, prompting the Central Bank of Nigeria (CBN) to intervene in the foreign exchange (FX) market to stabilize the currency. To achieve this, the CBN may increase the supply of foreign currency, which could lead to a downturn in its reserve levels.

## MONETARY POLICY RATE

In May, the Monetary Policy Rate (MPR) was further increased by 150bps to 26.25% as against its previous figure of 24.75%. During the Policy Committee meeting, which was the third of the year, the Central Bank Governor Dr. Olayemi Cardoso stated that the key policy rate was significantly tightened to address liquidity surplus and persistent high inflation which reached 33.69% in April.



Source: CBN

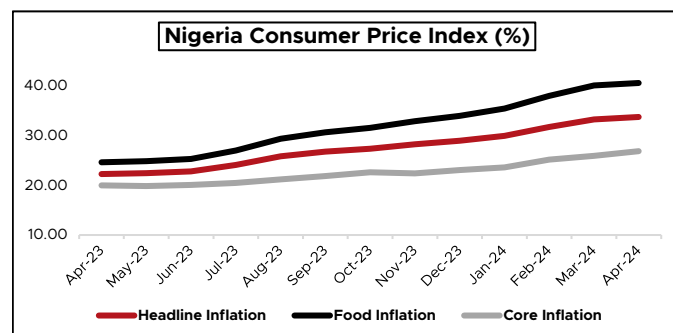
The MPC in its February and March meetings had increased the MPR by a total of 600bps. The hike of 150bps during the month takes the total to 750 bps which significantly impacted market rates. The bank will hold its next MPC meeting in July 2024 and the expectation is that their decision will be mainly driven by the inflationary trend at the time of the Meeting.

## OUTLOOK

In response to the higher benchmark rate and tightened system liquidity, the market experienced widespread upward revision of lending and deposit rates. While the upward adjustment in MPR is intended to address liquidity and ultimately inflation concerns, its effects are varied. Lenders may face challenges adapting to these changes, while investors stand to benefit from potentially higher returns. However, borrowers could find themselves in a difficult position due to the increased cost of borrowing.

## INFLATION

In May, Nigeria’s inflation rate rose by 0.49%, reaching 33.69% from 33.20% in April, driven by higher food and energy prices, according to final data from the Nigerian Bureau of Statistics (NBS). The major year-on-year contributor was food and non-alcoholic beverages, with a significant rise of 17.45%. Other key contributors included Housing, Water, Electricity, Gas & Other Fuel (+5.64%), Clothing & Footwear (+2.58%), Transport (+2.19%), Furnishings & Household Equipment & Maintenance (+1.69%), Education (+1.33%), Health (+1.01%), Miscellaneous Goods & Services (+0.56%), Restaurant & Hotels (+0.41%), Alcoholic Beverage, Tobacco & Kola (+0.37%), Recreation and Culture (+0.23%), and Communication (+0.23%).



Source: NBS

## OUTLOOK

We expect the persistent rise in the general price levels to continue into the coming month due to the weakness in the Naira and fluctuating food prices, although at a slower rate for June 2024, potentially peaking soon. Current monetary policy efforts to curb inflationary pressure may have a minimal effect on the Consumer Price Index (CPI) due to ongoing structural challenges such as widespread insecurity, flooding in key food-producing areas, and the increased production costs from higher interest rates, which continue to exert inflationary pressure on the economy.

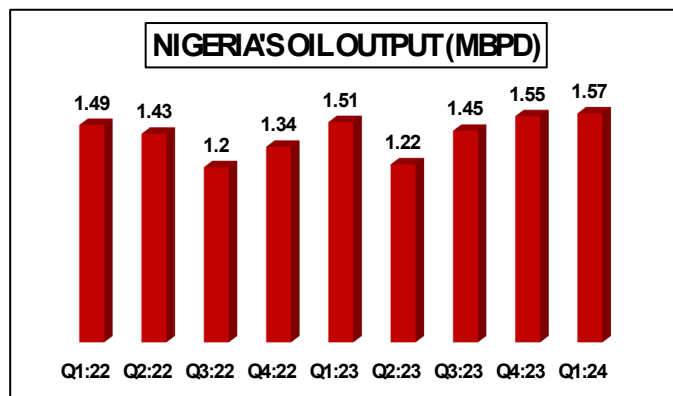


Nigeria recorded an average daily oil production of 1.57 million barrels per day (mbpd), higher than the daily average production of 1.51mbpd recorded in the same quarter of 2023 by 0.06mbpd and higher than the fourth quarter of 2023 production volume of 1.55 mbpd by 0.02mbpd.

On a quarter-on-quarter basis, the oil sector recorded a negative growth rate of -6.41% in Q1 2024. Overall, the sector contributed 6.38% to aggregate GDP in Q1'24 (up from 4.70% in Q4'23).

### GROSS DOMESTIC PRODUCT (GDP)

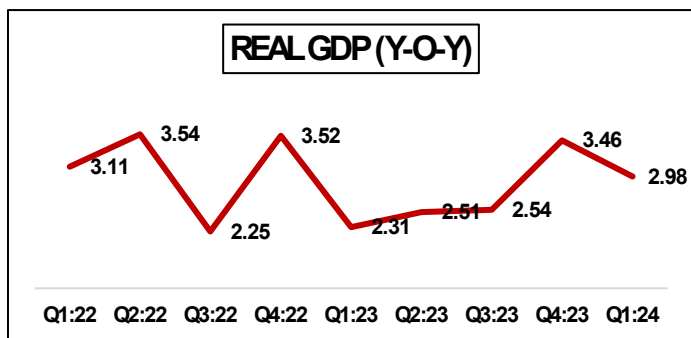
Nigeria's Gross Domestic Product (GDP) was released during the month, and it increased by 2.98% year-on-year in Q1'2024, down from 3.46% in Q4'2023 and up from 2.31% in Q1'2023. The service sector drove this performance, growing by 4.32% and contributing 58.04% to aggregate GDP. The agricultural sector grew by 0.18% (vs. 2.10% in Q4'23), while the industrial sector grew from its previous figure by 2.19% (vs 3.86% in Q4'23).



Source: NBS

### OUTLOOK

We anticipate further slowdown in the growth rate mainly driven by persistent inflationary trends (which should slow down demand for major consumables), lingering insecurity, and volatility in the FX rate. We however foresee growth in the oil sector, because of the federal government initiatives to boost remittance of crude oil proceeds, the recent acquisition of Mobil Producing Nigeria Ltd by Seplat Energy Plc which could see an addition of up to 400,000 barrels per day (bpd) to Nigeria's daily production and the increased operations of the Dangote Refinery.



Source: NBS



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