FCSL

MONTHLY REPORT

NOVEMBER 2024

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MACRO-ECONOMIC UPDATE

Gross Domestic Product

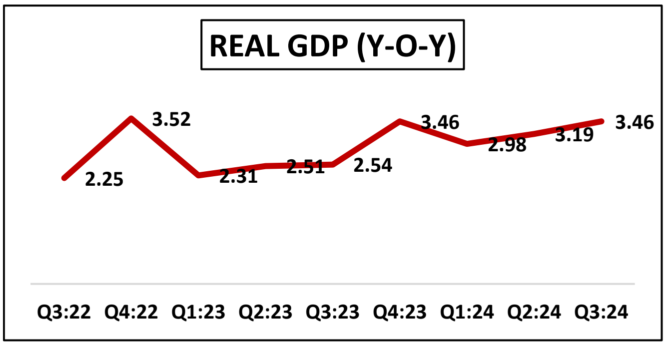
Nigeria's Gross Domestic Product (GDP) grew by 3.46% year-on-year in Q3 2024, marking an improvement from 3.19% recorded in Q2 2024 and 2.54% in Q3 2023. The Services sector was the primary driver of growth during the quarter, expanding by 5.19% compared to 3.79% in Q2 2024. It contributed 53.58% to aggregate GDP, although this was slightly lower than its 58.78% contribution in the previous quarter. The Agricultural sector recorded a modest growth of 1.14%, down from 1.41% in Q2 2024. Meanwhile, the Industrial sector grew by 2.18%, decelerating from 3.53% in Q2 2024.

Key contributors to real GDP in Q3 2024 included Crop Production, which accounted for 26.51% of GDP, a significant increase from 20.35% in Q2 2024. Trade contributed 14.78%, down from 16.39% in the previous quarter, while Telecommunications accounted for 13.94%, compared to 16.36% in Q1 2024. Other notable contributors were Crude Petroleum and Natural Gas (5.43%, slightly lower than 5.70% in Q1 2024), Financial Institutions (5.06%, down from 6.04% in Q2 2024), and Real Estate (5.57%, up from 5.17% in Q2 2024).

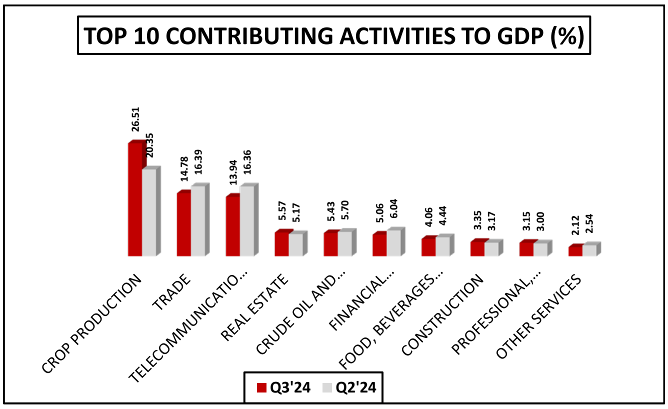
The slower GDP growth in Q3 2024 was influenced by several factors, including high inflationary pressures, which dampened demand for key consumables. Additionally, persistent insecurity and volatility in the foreign exchange market continued to weigh on economic activities during the period.

Outlook

Nigeria's economic outlook is optimistic, with growth likely to remain above 3% in the near term, driven by the Services sector (mainly financial services and telecommunications), agriculture, and potential industrial recovery. However, persistent inflation, insecurity, and exchange rate volatility pose significant risks, requiring effective policy measures and structural reforms to sustain momentum.



Source: NBS, FCSL Research



Source: NBS, FCSL Research

Inflation

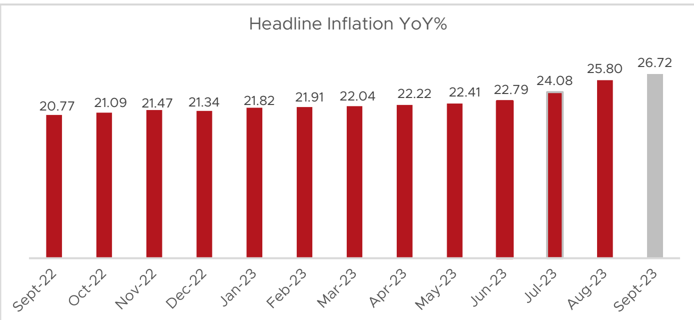
Persistent uptick in food prices following the rise in energy prices drove Nigeria's inflation up by 1.18% to 33.88% in October 2024, from 32.70% in September 2024, according to final data released by the Nigerian Bureau of Statistics (NBS). The Food and Non-Alcoholic Beverages category made the largest contribution to the inflation figure, rising to 17.55%.

Core inflation, which excludes volatile agricultural produce and energy, increased by 5.79% year-on-year, climbing to 28.37% in October 2024 from 22.58% in October 2023.

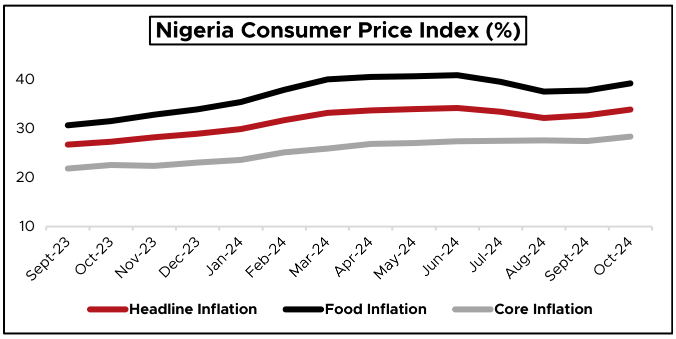
The most notable rises within core inflation were observed in categories such as Rents (actual and imputed rentals for housing), Passenger Transport by Road (bus journey intercity and taxi journey per drop), Accommodation Services (meals at local restaurants), and Medical Services (laboratory services, medical doctor consultation fees). On a month-on-month basis, core inflation edged up by 0.04%, rising to 2.14% in October 2024 from 2.10% in September.

Outlook

We expect inflation to remain elevated as the impact of high petrol pump prices (circa N1,030 per litre) continues to filter through transportation and production costs. Food inflation is also likely to remain a significant driver of overall inflation, particularly due to supply chain disruptions and increased festive season demand. The combined effects of these pressures and potential import constraints may exacerbate price increases in both urban and rural areas. Core inflation components, including housing, electricity, and imported goods, are also expected to rise, particularly if the Naira continues to depreciate. These factors may keep inflation above 30% in the short term despite efforts by CBN to stabilize prices.



Source: NBS, FCSL Research



Source: NBS, FCSL Research

Nigerian Foreign Exchange Market Performance in November

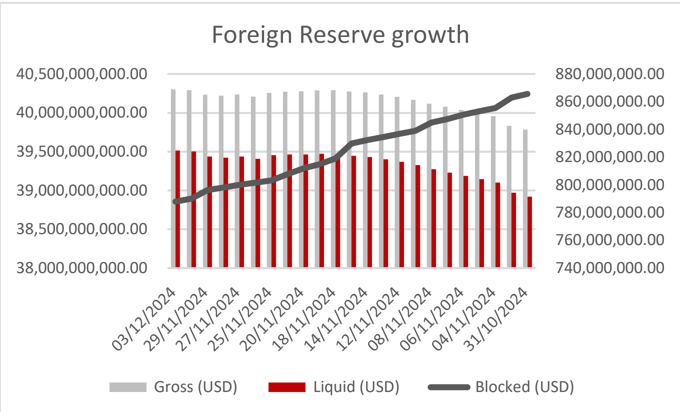
In November, the Nigerian Foreign Exchange Market experienced slight volatility against major global currencies. The Naira appreciated by 0.39% against the Dollar, closing at N1,663.39/$ on November 29 compared to N1,670/$ at the end of October. Similar trends were observed against the Euro and British Pound, with the Naira strengthening by 3.0% and 2.12%, respectively, to close at N1,757.05/€ and N2,110.85/£, compared to October 31 rates of N1,814.25/€ and N2,156.59/£.

Foreign Reserves

Foreign reserves rose 1.13% to $40.23 billion by November 29, up from $39.78 billion in October. This marked a two-year high and was driven by:

- Foreign capital inflows.
- Receipts from crude oil-related taxes.
- Contributions from third-party transactions.

Analysts anticipate further growth in reserves as the strategies supporting this increase remain effective.



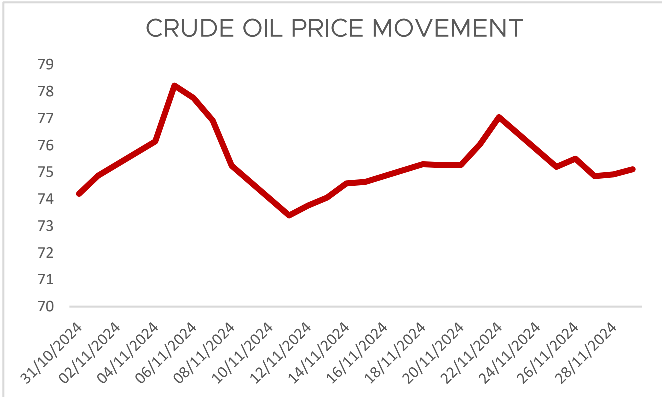
Source: CBN, FCSL Research

Crude Oil Market

Brent crude prices also recorded a modest improvement, rising by 1.23% to $75.11 per barrel from $74.2 as of October 31. Market participants noted several factors influencing crude prices:

1. Geopolitical Tensions: The ongoing conflict between Russia and Ukraine provided support for crude prices, alongside a temporary ceasefire in the Middle East.
2. Seasonal Demand: The onset of winter typically increases heating oil demand, applying upward pressure on prices.
3. Industrial Growth: Growth in industrial output from major economies such as China, the US, and Europe heightened crude oil demand.
4. Market Volatility: OPEC's decision to delay a planned output hike, declining demand from China, and comments from former U.S. President Trump on shale production and tariff hikes added complexity to the oil market.

Brent crude appreciated marginally by 1.3% when comparing November 30 and October 31 figures.



Source: NBS, FCSL Research

Outlook for December

In December, the Naira is expected to maintain its appreciation trajectory, supported by:

- Continued Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) inflows.
- Growth in foreign reserves, which should strengthen market confidence.
- Speculators potentially shifting to trade in favour of the Naira, driven by positive macroeconomic trends.

This overall sentiment signals potential stability and modest growth in both currency valuation and reserve accumulation through the close of the year.

EQUITIES MARKET

Bearish sentiments prevailed in November, as the NGX All-Share Index (NGX-ASI) declined by 15 bps, closing at 97,506.87 points compared to 97,651.23 points in October. The market's downturn was primarily attributed to a pullback in telecommunication stocks, with significant declines observed in MTNN (-2.91%) and AIRTELAFRI (-1.96%) which dominated gains across other sectors. Consequently, investor wealth decreased by N64.08 billion (-0.11%) to N59.10 trillion, compared to N59.17 trillion the previous month, bringing the Year-to-Date ASI return to 30.40%.

INDICATORS	29-Nov	31-Oct	%Change
NGX-ASI	97,506.87	97,651.23	-(0.15%)
Market Cap (N'bn)	59,107.43	59,171.51	-(0.11%)
Volume Traded (Units' m)	13,984.74	9,397.51	48.81%
Value Traded (b)	221.18	251.36	-(12.01%)

Source: NGX, FCSL Research

Trading activity presented a mixed picture M-o-M. Trade volumes surged by 48.81% to 13.98 billion shares, while trade value declined to N221.18 billion from 13.98 billion shares worth N251.36 billion in October.

SECTOR	29-Nov	31-Oct	% Change
BANKING INDEX	1,023.22	989.65	3.39%
INDUSTRIAL INDEX	3,526.38	3,452.35	2.14%
CONSUMER GOODS INDEX	1,589.61	1,552.32	2.40%
OIL & GAS INDEX	2,381.31	2,307.45	3.20%
INSURANCE INDEX	487.91	447.16	9.11%
MAINBOARD INDEX	4,739.66	4,781.16	-(0.87%)
NGX-30 INDEX	3,666.31	3,667.91	-(0.04%)
PREMIUM INDEX	9,162.86	9,028.00	1.49%

Source: NGX, FCSL Research

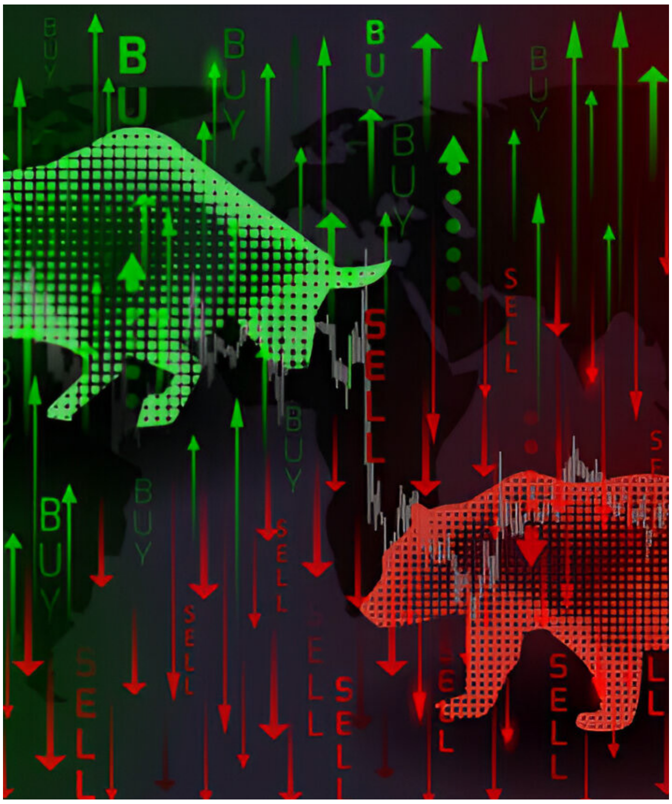
Sectoral performance was broadly positive in November, as all five major sectors posted gains. The Insurance sector led with a 9.11% increase, driven by substantial gains in SUNUASSUR (+86.60%), PRESTIGE (+35.59%), CONHALLPLC (+33.33%), MANSARD (+21.38%), and WAPIC (+22.62%). The Banking sector followed with a 3.39% rise, supported by advances in ZENITHBANK (+11.39%), UBA (+9.73%), ETI (+5.37%), ACCESSCORP (+5.22%), and FBNH (+0.57%). Similarly, the Oil and Gas sector gained 3.20%, driven by strong performances from CONOIL (+45.80%) and ARADEL (+4.42%). The Consumer Goods sector also recorded a 2.40% increase, with notable contributions from FLOURMILLS (+30.81%), CADBURY (+29.88%), and DANGSUGAR (+15.87%).

Meanwhile, the Industrial Goods sector saw significant 2.14% growth, highlighted by WAPCO's impressive 50.65% surge.

Major Gainers

Symbol	Opening Price(N)	Closing Price(N)	% Change (+)
EUNISELL	5.11	19.27	277.10%
JOHNHOLT	3.00	8.92	197.33%
SUNUASSUR	2.09	3.90	86.60%
TANTALIZER	0.64	1.15	79.69%
WAPCO	38.50	58.00	50.65%
CONOIL	189.30	276.00	45.80%
PRESTIGE	0.59	0.80	35.59%
CONHALLPLC	1.50	2.00	33.33%
FLOURMILL	62.00	81.10	30.81%
CADBURY	16.40	21.30	29.88%

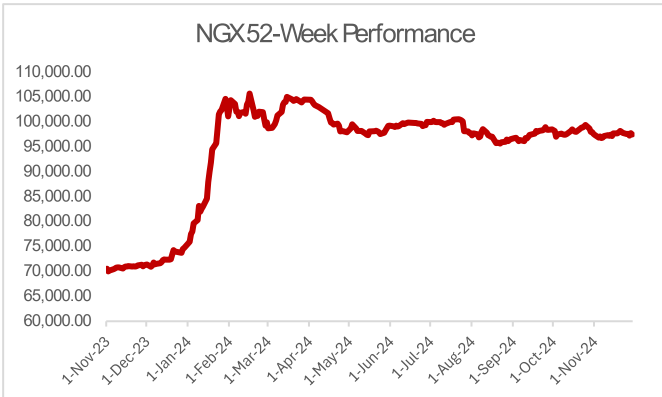
Source: NGX, FCSL Research



Major Losers

Symbol	Opening Price(N)	Closing Price(N)	% Change (-)
MULTIVERSE	8.80	5.90	-(32.95%)
OANDO	89.65	64.95	-(27.55%)
ABBEYBDS	3.25	2.40	-(26.15%)
ETERNA	27.50	20.80	-(24.36%)
RTBRISCOE	3.05	2.50	-(18.03%)
ELLAHLAKES	3.93	3.25	-(17.30%)
VERITASKAP	1.44	1.20	-(16.67%)
DEAPCAP	1.25	1.06	-(15.20%)
LASACO	2.43	2.13	-(12.35%)
MECURE	12.95	11.45	-(11.58%)

Source: NGX, FCSL Research



Source: NGX, FCSL Research

Market breadth dropped to 0.75x from 1.21x in November, reflecting weaker sentiment with 46 gainers and 61 losers for the month.

OUTLOOK

In the month of December, market participants are likely to position in anticipation of the year-end rally, aiming to leverage the traditional seasonal momentum associated with the holiday period.

FIXED INCOME REPORT

As of November 30, system liquidity stood at a negative N237 billion, marking a significant decline from the N357 billion position at the close of October 2024. This represents a decrease of over 100% within one month.

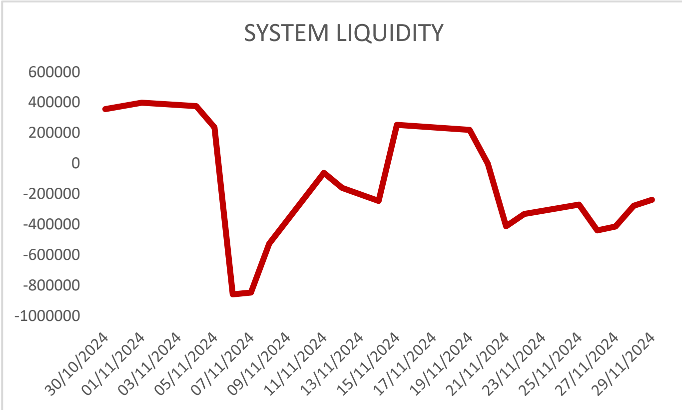
The sharp drop in liquidity can be attributed to the following factors:

1. Bullish Activities in the Primary Market: Financial institutions were notably active, impacting liquidity levels.
2. Increase in Standing Lending Facility (SLF): The SLF surged from zero on November 1 to N679.1 billion by November 29.
3. Growth in Standing Deposit Facility (SDF): The SDF also recorded significant growth, rising by 36% from N221 billion on October 30 to N301 billion as of November 29. However, the SLF increase had a more pronounced effect, contributing to the sharp liquidity decline.

By the end of November, money market rates reflected the tightened liquidity:

- Open Buy Back (OBB): Settled at 29.25%, compared to 21.14% in October, marking a 38% increase.
- Overnight (OVN) Rate: Closed at 29.91%, up from 21.45% in October, a 39% increase.

These elevated rates indicate tighter liquidity conditions in the financial market, likely to increase short-term funding costs for market participants



Source: CBN, FCSL Research

Treasury Bills

The final Treasury Bills (T-Bills) auction in November was held on the 20th. The Central Bank of Nigeria (CBN) offered N41.8 billion, N28.4 billion, and N540.4 billion for the 91-day, 182-day, and 364-day tenors, respectively. Allotments were N35 billion, N16.9 billion, and N640.7 billion for the respective tenors.

Investor demand was robust, with initial subscription levels of N35.4 billion, N18.88 billion, and N1.12 trillion, translating to a subscription-to-offer ratio of 0.85x, 0.66x, and 2.08x. The stop rates settled at 18%, 18.5%, and 23.5% for the 91-day, 182-day, and 364-day tenors, respectively.

The total amount offered in the November 20 auction was N610.8 billion, compared to N513 billion in the November 6 auction, bringing the total for the month to N1.123 trillion offered and N1.32 trillion allotted.

By comparison, in the October 23 auction, bids and subscriptions totalled N16.8 billion, N12.58 billion, and N460 billion for the 91-day, 182-day, and 364-day tenors, against offerings of N13.1 billion, N11.9 billion, and N349.5 billion, respectively. The subscription-to-offer ratio for the 364-day tenor in the November 20 auction (2.08x) significantly outpaced the October 23 auction (1.31x).

In the secondary market, average yields expanded by over 2%, with sell pressures observed on both the short and long ends of the curve. Analysts attribute this to expectations of a Monetary Policy Committee (MPC) rate hike and subsequent market reactions after the hike.

Looking ahead to December, we anticipate continued sell pressures. While system liquidity may benefit from FGN bond repayments, it is likely to be offset by outflows from anticipated T-Bills and Open Market Operations (OMO) auctions.

Summary of Auction Result			
Auction Date	06-Nov-24	06-Nov-24	06-Nov-24
Allotment Date	07-Nov-24	07-Nov-24	07-Nov-24
Maturity Date	06-Feb-25	08-May-25	06-Nov-25
Tenor	91-Day	182-Day	364-Day
Offer (₦)	20,749,351,000.00	5,439,365,000.00	487,238,703,000.00
Subscription (₦)	15,996,250,000.00	4,901,858,000.00	649,033,219,000.00
Allotment (₦)	13,996,250,000.00	3,401,858,000.00	608,933,219,000.00
Range of Bids (%):	16.3000 - 22.5000	17.2400 - 23.0000	19.0000 - 24.0300
Stop Rate (%):	18.00	18.50	23.00

Summary of Auction Result			
Auction Date	20-Nov-24	20-Nov-24	20-Nov-24
Allotment Date	21-Nov-24	21-Nov-24	21-Nov-24
Maturity Date	20-Feb-25	22-May-25	20-Nov-25
Tenor	91-Day	182-Day	364-Day
Offer (₦)	41,892,409,000.00	28,457,893,000.00	540,450,137,000.00
Subscription (₦)	35,413,911,000.00	18,878,307,000.00	1,122,876,185,000.00
Allotment (₦)	35,413,911,000.00	16,922,307,000.00	640,712,184,000.00
Range of Bids (%):	17.5000 - 18.0000	17.0000 - 20.0000	22.0000 - 28.0000
Stop Rate (%):	18.00	18.50	23.50

Source: DMO, FCSL Research

Sovereign Bonds

In the November bond auction, a total of N120 billion was offered, split equally between the 19.30% April 2029 and 18.50% February 2031 maturities.

- The April 2029 issue saw subscription levels of N75.56 billion, with a subscription-to-offer ratio of 1.26x and a stop rate of 21%.
- The February 2031 issue experienced stronger demand, with subscriptions totalling N294 billion and a subscription-to-offer ratio of 4.9x, closing at a stop rate of 22%.

Comparatively, the October 21 auction showed moderate demand for the April 2029 bond and significantly higher interest in the February 2031 bond. A total of N180 billion was offered across the two tenors, with allotments reaching N289.5 billion. Stop rates were 20.75% for the April 2029 bond and 21.74% for the February 2031 bond.

Historical data highlights sustained interest in longer-dated bonds. For instance, the 19.89% May 2033 bond saw robust demand during its reopening in July, August, and September, with subscriptions reaching N200.65 billion, N314 billion, and N230.72 billion, respectively.

In the secondary bond market, trading activity was subdued due to expectations surrounding MPC decisions and bond auction results. A hawkish stance from the CBN fuelled sell pressures and inactivity. Minimal trading activity is anticipated in December, as market participants adjust to the new Monetary Policy Rate (MPR).

Maturity	Offer size	Previous stop rate	Subscription	Allotment	Stop Rate
19.30% FGN APR 2029	N60bn	20.75%	N75.56bn	N63.53bn	21.00%
18.50% FGN FEB 2031	N60bn	21.74%	N294.03bn	N282.63bn	22.00%
TAL	N120bn		N369.59bn	N346.16bn	

Source: DMO, FCSL Research

Eurobonds Market Performance in November

In November, the Eurobonds market experienced mixed performance, with short-term instruments appreciating slightly while longer-term bonds witnessed marginal declines.

Short-Term Instruments

The following bonds recorded slight price increases:

- 7.625% Nov 2025: Gained 0.14% to close at $99.88, compared to $99.74 on October 31.
- 6.5% Nov 2027: Gained 0.61% to close at $94.98, up from $94.4 at the end of October.

- 6.125% Sept 2028: Gained 0.97% to close at $91.18, rising from $90.3 on October 31.

The appreciation in short-term bonds was supported by the Federal Reserve's rate cut and a lack of hawkish signals, which boosted market sentiment.

Long-Term Instruments

In contrast, the long end of the curve experienced slight price dips:

- 8.25% Sept 2051: Declined 0.53% to 79.34 from 79.76 at October's close.
- 9.25% Jan 2049: Dropped 0.32% to 90.46, down from 90.75.
- 7.63% Nov 2047: Fell 0.38% to 76.07 from 76.36 as of October 31.

The decline in longer-tenured bonds reflected investors cautious sentiment as geopolitical tensions, including the Middle East crisis and volatile crude oil prices, influenced investor positioning.

Key Market Drivers for December

1. Federal Reserve's Policy Stance:
    - A further rate cut by the Federal Reserve, alongside a lack of hawkish commentary, could provide support for short-term Eurobonds.

2. Geopolitical Factors:
    - Heightened tensions in the Middle East and increased crude oil prices could signal potential inflationary pressures, prompting mixed reactions in the market.

Outlook for December

In December, the market's attention will primarily be on the Federal Reserve's speech scheduled for December 17, as it is expected to provide insights into potential future rate adjustments.

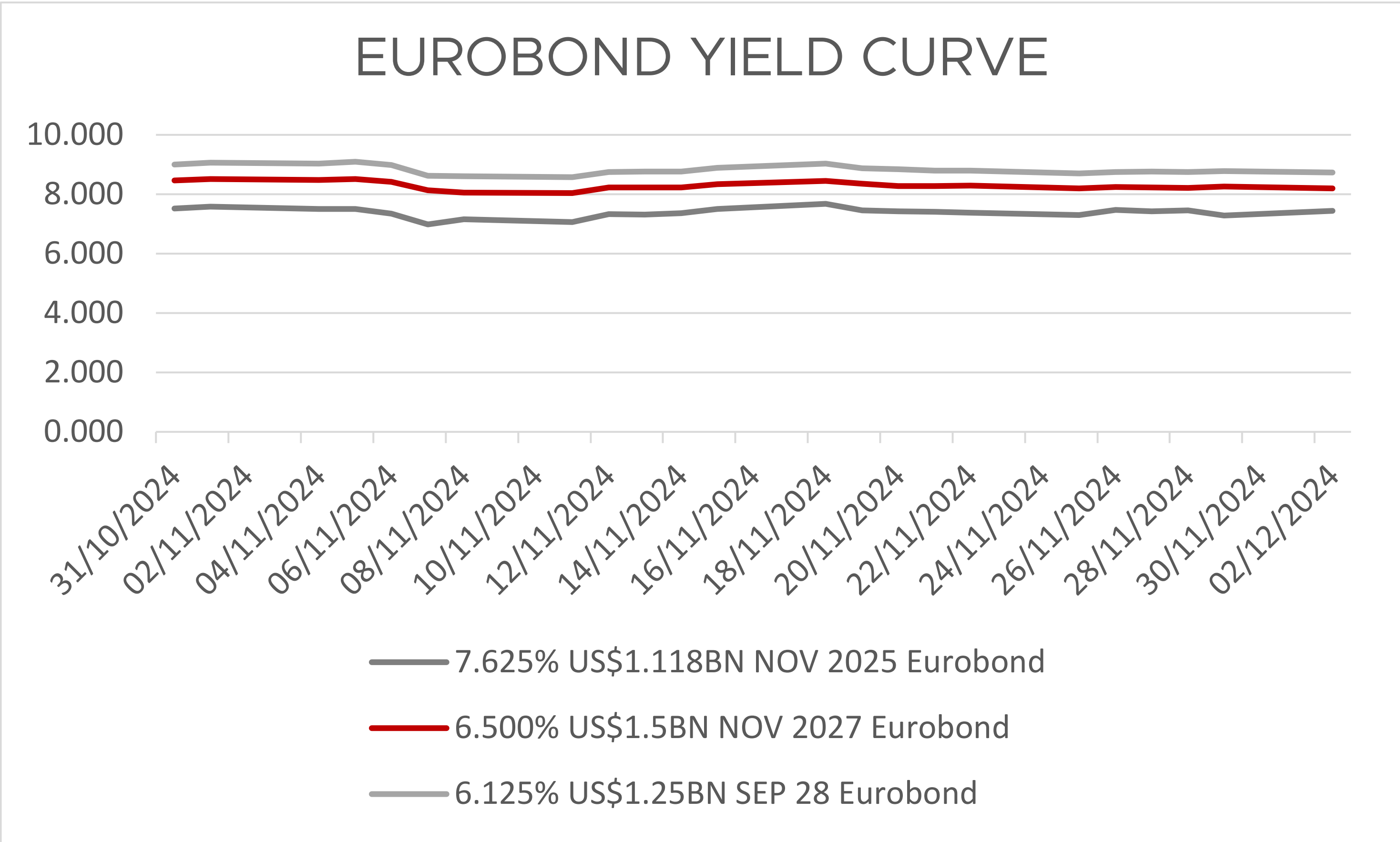
While the Fed has avoided signaling a hawkish stance thus far, rising inflationary pressures could influence upcoming decisions and market sentiment.

Key Factors to Watch

1. Federal Reserve Policy:
    - If the Fed announces further rate cuts, short-tenured Eurobonds are likely to see price appreciation, benefiting from the dovish policy environment.
    - Long-tenured bonds, however, may remain under pressure, with geopolitical and inflation concerns acting as headwinds.
2. Middle East Ceasefire:
    - Analysts are closely monitoring the ongoing ceasefire in the Middle East. Any escalation in tensions could prolong unrest in the region, causing increased volatility.
    - Such developments might lead to a surge in commodity prices, particularly crude oil and gold, and could impact dollar-denominated instruments.

Implications for Market Participants

Investors are advised to maintain a cautious approach, keeping an eye on both macroeconomic policy signals and geopolitical developments in the Middle East. Short-tenured instruments may present opportunities for gains in a dovish rate environment, while long-term holdings require vigilance against potential downside risks.



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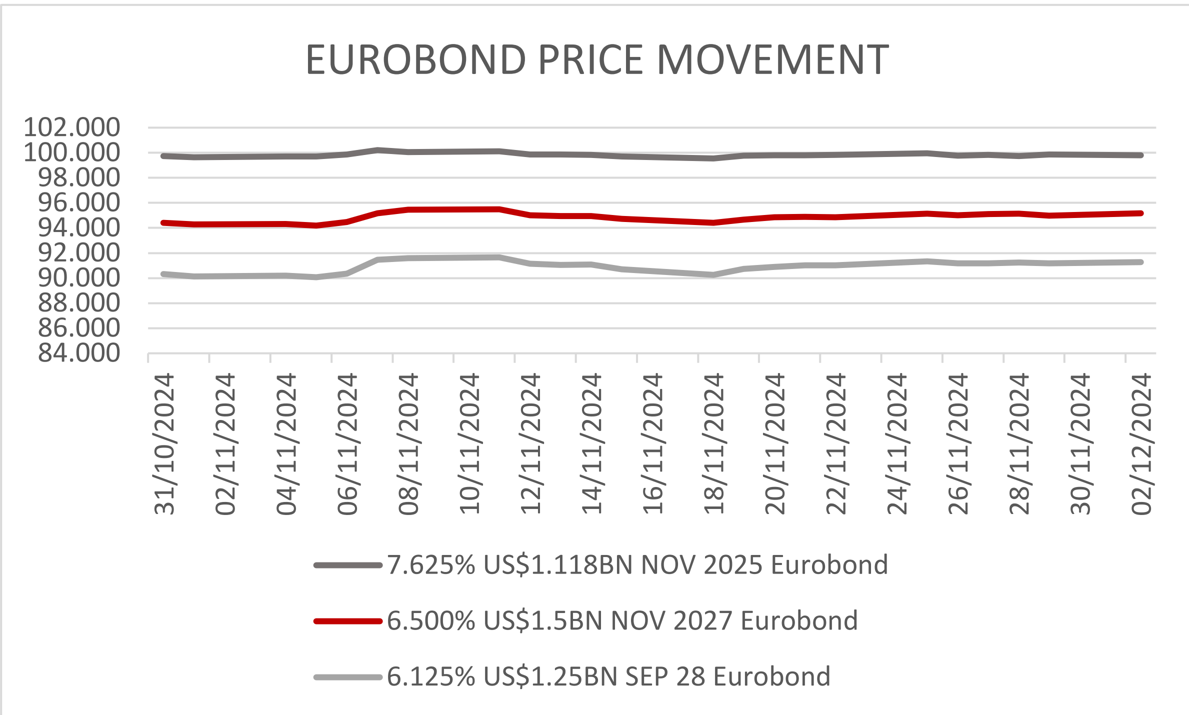

Source: DMO, FCSL Research

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