FCSL

MONTHLY REPORT

FEBRUARY 2025

FCSL

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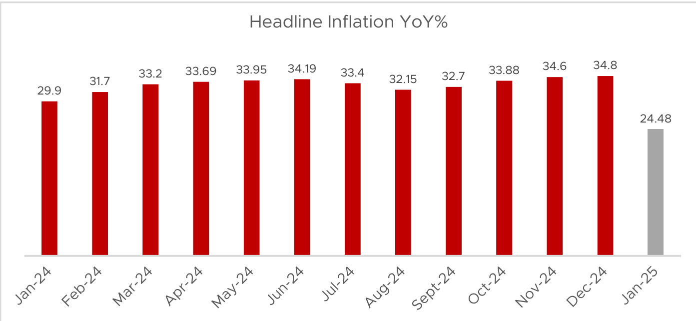
MACRO-ECONOMIC UPDATE

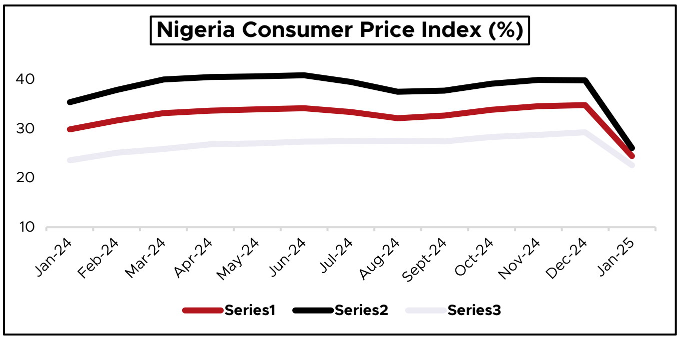
Inflation

The National Bureau of Statistics (NBS) released the rebased Consumer Price Index (CPI), reflecting an updated price reference period (base year) of 2024 and weight reference period of 2023. Following the rebasing of the CPI, Nigeria's inflation rate dropped to 24.48% YoY in January 2025 (released in February). This is a sharp decline from 34.80% in December 2024, according to data released by NBS. Rebasing the CPI allows NBS to ensure that inflation data accurately reflects the current economic structure and consumer spending patterns. By revising the weights of various goods and services in the CPI calculation, the inflation rate appears lower as the updated basket shows a decrease in the cost of living relative to the previous index.



Source: NBS, FCSL Research

Urban inflation stood at 26.09%, while rural inflation was reported at 22.15%, indicating a decrease in the general price level of goods and services compared to 34.80% in December 2024, as calculated with the old methodology.
In January 2025, the rebased food inflation index stood at 26.08% year on year, down from 39.84% in December 2024. Similarly, the core inflation rate, which includes volatile agriculture and energy prices, stood at 22.59% YoY in January 2025 compared to 29.28% in December 2024.



Source: NBS, FCSL Research

Outlook

We expect that inflation figures will continue to inch upwards in the short term, mainly driven by the persistent fluctuation in energy and food prices for selected commodities. While this methodological adjustment provides a clearer picture of inflation, it is important to note that the underlying factors driving price increases in Nigeria such as food prices, energy costs, and exchange rate fluctuation remain a concern for the economy.

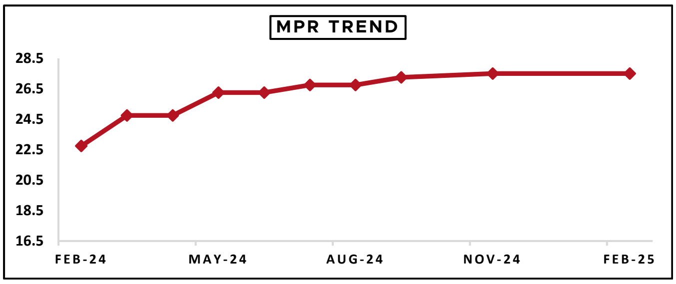
Despite the drop in the headline inflation rate, Nigeria's cost of living remains high, and other economic challenges persist. The outlook for inflation in the near term will depend on various factors, including government policy, food prices, and the stability of the Nigerian currency. The rebasing, while improving the accuracy of inflation reporting, is just a part of the efforts to stabilize the country's economy and manage inflation in the long term.

Monetary Policy

At its first meeting for 2025, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to maintain the key policy rate (MPR) at 27.50%, the asymmetric corridor +500/-100 basis points, liquidity ratio at 30.00%, and the cash reserve ratio for deposit money banks at 50% and for merchant banks at 16.00%, respectively. This move was largely in line with broad analyst expectations.

Excerpts from the Communique show that the Committee was satisfied with recent macroeconomic developments which are expected to positively impact price dynamics in the near to medium term. These include the stability in the foreign exchange market with the resultant appreciation of the exchange rate and the gradual moderation in the price of Premium Motor Spirit (PMS). The Committee noted the recent rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS) which reviewed the weights of items in the consumption basket to reflect current consumption patterns. The Committee further noted that as the Federal Government continues to improve security in food producing communities, supported by other measures to enhance food supply, food prices are expected to continue to moderate. The Committee highlighted the benefits of the improvements in the external sector to exchange rate stability, including the convergence of rates between the Nigeria Foreign Exchange Market (NFEM) and the Bureau de Change (BDC), and urged the Bank not to relent in its effort to boost market liquidity. In this regard, the Committee acknowledged recent measures introduced by the Bank, such as the Electronic Foreign Exchange Matching System (B-Match) and the Nigeria Foreign Exchange Code, to foster transparency, ethics and credibility in the market.

We are of the view that the MPC will maintain key rates at elevated levels until we see a moderation in consumer price levels which would signal a possible drop in the benchmark rate, possibly in H2' 2025.



Source: CBN, FCSL Research

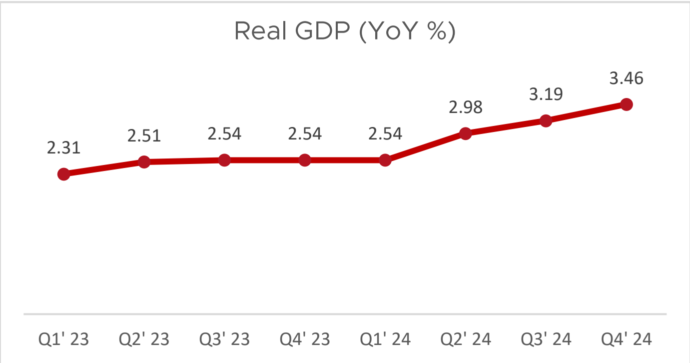
Gross Domestic Product (GDP)

The Nigerian economy surprisingly grew by 3.84% year-on-year in Q4 2024 – printing the fastest quarterly growth in the last three years and 38 basis points higher than the 3.46% recorded in Q2' 2024. Data released by the National Bureau of Statistics (NBS) also showed that the 2024 annual real GDP growth rate was 3.4% compared to 2.74% in 2023, ahead of the 2.9% growth rate projected by the International Monetary Fund (IMF). The growth was driven by both the oil and non-oil sectors. As seen in recent quarterly releases, the Services sector contributed about 79% of GDP growth in 2024 while the real sector, led by Oil & Gas, accounted for 13%. The oil refining sector returned to growth in Q4 2024 after about five years of consistent quarterly declines, this growth was likely driven by increased activity at the Dangote Refinery which began producing PMS within the last quarter of 2024.

The three fastest-growing sectors were rail transport (43.16%), metal ores (36.15%), and financial institutions (28.47%). While coal mining (-121.33%), electricity & gas (-5.04%), and air transport (-2.34%) recorded the highest declines within the same period.

Outlook

Our domestic economic outlook for 2025 remains optimistic, riding on the back of the ongoing rebasing of the GDP to capture other emerging and productive sectors of the economy, increased FX stability, and the expected moderation in the monetary policy rate to allow for capital creation and investments.



Source: NBS, FCSL Research

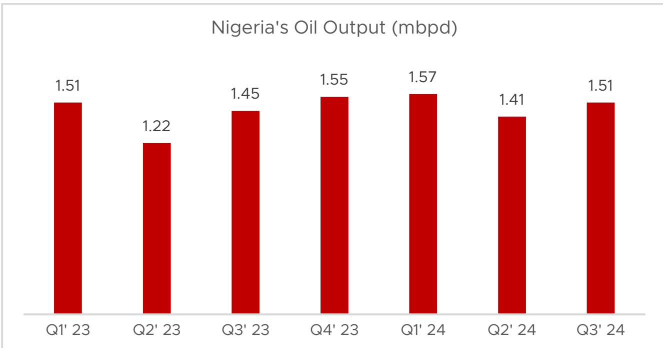
Crude Oil Production and Price Levels

Local crude oil production rose significantly in February, surpassing her OPEC quota of 1.5 million barrels per day (bpd) by 70,000 bpd and contributing to the cartel's overall output growth for the month. Reports indicate that OPEC produced 26.74 million bpd in February, an increase of 170,000 bpd compared to January, with Iran leading the surge by adding 80,000 bpd.

The boost in Nigeria's production is attributed to higher crude oil exports and increased domestic consumption, particularly driven by the 650,000 bpd Dangote refinery.

With recent policies like the move to market-reflective pricing and increased refining capacity after the Dangote Refinery's launch and full operationalization, which has greatly increased the nation's refinery capacity, the downstream oil and gas sector has made significant progress toward the country's goal of becoming self-sufficient in the production of petroleum products. Even though it is only using 70% of its capacity, the mostly state-owned NNPC Limited has also started up again at its refinery in Port Harcourt.

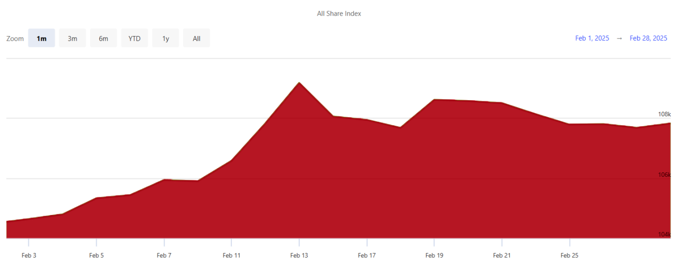
With OPEC+ supply cutbacks, production from non-OPEC+ nations, Middle East geopolitical concerns, and a shaky global market for crude, Nigeria's crude oil production is predicted to surpass 2 million barrels per day (2mbpd). In the meantime, oil demand is anticipated to be maintained by China's accommodative monetary policy and continuous fiscal stimulus, unless the US tries to promote shale output with the incoming administration's "drill-baby-drill" strategy.



Source: NBS, FCSL Research

EQUITIES MARKET

The equities market pulled a significant return of 3.18% month-on-month for February 2025 to reach 107,821.39 points and 4.76% for the year-to-date position (this contrasts with the 1.53% recorded for January 2025). Market capitalization rose by N2.48trillion to N67.193trillion (up 3.84%). The month under review witnessed increased trading activities as market players exchanged a total of 9.31billion units of shares in 287,466 deals for a total sum of N254.74billion.



Source: NGX

Key market movers for the month included BETAGLAS (+39.65%), PRESCO (+34.19%), DANGCEM (+21.83%), OKOMUOIL (+11.59%), and TRANSPOWER (+4.32%). Overall, PZ (+53.91%) emerged the best performing stock for February, while LEARNAFRCA (-33.87%) led the laggards.

Major Gainers

SYMBOL	31-Jan-25	28-Feb-25	Gain (N)	% Change
PZ	23	35.4	12.4	53.91%
ETERNA	27.5	42	14.5	52.73%
UPDC	2	2.87	0.87	43.50%
HONYFLOUR	9.58	13.7	4.12	43.01%
AFRIPRUD	25	35.4	10.4	41.60%
SKYAVN	33.15	46.5	13.35	40.27%
LIVESTOCK	5.3	7.43	2.13	40.19%
BETAGLAS	71.5	99.85	28.35	39.65%
CAVERTON	2.15	2.95	0.8	37.21%
PRESCO	585	785	200	34.19%

Source: NGX, FCSL Research

Major Losers

SYMBOL	31-Jan-25	28-Feb-25	Gain (N)	% Change
LEARNAFRCA	4.99	3.3	-1.69	-33.87%
UNIONDICON	7.5	5.4	-2.1	-28.00%
GUINEAINS	0.84	0.64	-0.2	-23.81%
DAARCOMM	0.84	0.64	-0.2	-23.81%
NSLTECH	0.81	0.63	-0.18	-22.22%
LIVINGTRUST	6	4.81	-1.19	-19.83%
LINKASSURE	1.6	1.3	-0.3	-18.75%
OANDO	68.4	58.05	-10.35	-15.13%
PRESTIGE	1.29	1.1	-0.19	-14.73%
SCOA	3.96	3.44	-0.52	-13.13%

Source: NGX, FCSL Research

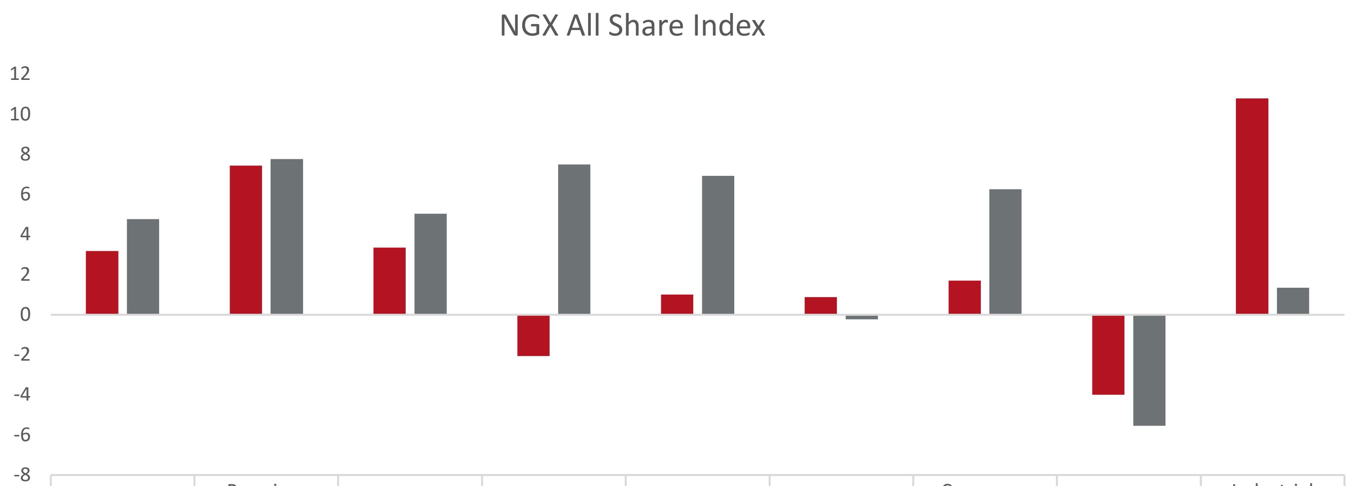
Sectoral performance within the period was largely positive with the Industrial Goods Index pulling a healthy 10.8% to lead the pack. Gains recorded in BETAGLAS (+39.65%), DANGCEM (+21.83%) and WAPCO (+5.63%) served to pull the Industrials to lead the sector indices' performance for the period. The Consumer Goods Index gained 1.7% on the back of gains in PZ (+53.91%) and HONYFLOUR (+43.01%). The Insurance Index also joined the gainers for the period with Consolidated Hallmark Insurance Plc (+23.03%), International Energy Insurance (+14.20%) and Veritas Kapital Assurance (10.09%), pushing the Index into green territory for the month. On the Southside, the Banking Index shed 2.07% with Tickers such as FIDELITYBK (-8.48%); STERLINGNG (-5.17%), ZENITHBANK (-4.45%) and FCMB (-4.07%) closing the period under water.

The Oil & Gas Index topped the laggards with a hefty 4% drop. The Index saw the likes of Oando Plc (-15.13%) and CONOIL (-4.96%) shed some weight within the period.

OUTLOOK

For domestic equities, we expect to see some recovery from the sell-off occasioned by the Monetary Policy Committee (MPC) hold on the key policy rate which led to asset switching in favour of money market fixed income securities. We expect market direction in the month of March to be largely determined by investors' reaction to the ongoing release of 2024FY earnings results and dividends, especially releases from the banking sector expected towards the latter end of the month. The audited earnings from the Consumer Goods space are, however, expected to come earlier, and in our view, share prices in the sector are low and recovering from FX losses earlier recorded in their financials, so we expect the sector to record positive sentiments, especially given the recent stability of the foreign exchange rate.

Overall, mixed sentiments will prevail with the bears likely to force a negative return for the period. Investors should focus on stocks with sound fundamentals and consistent dividends, currently trading at attractive prices.



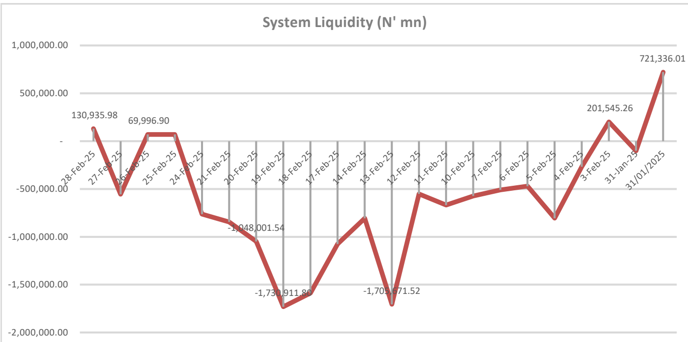
	NGX-ASI	Premium Stocks	NGX 30	Banking	Pension Index	Insurance	Consumer Goods	Oil & Gas	Industrial Goods
Feb. 2025	3.18	7.43	3.35	-2.07	1	0.87	1.7	-4	10.78
2025 YtD	4.76	7.76	5.03	7.49	6.93	-0.24	6.25	-5.55	1.34

Source: NGX, FCSL Research

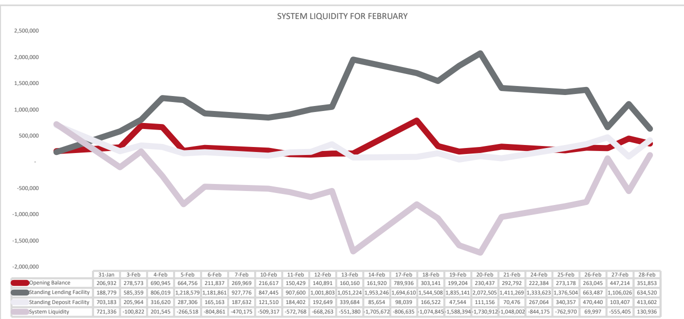
FIXED INCOME REPORT

System Liquidity

System liquidity remained largely negative throughout February, primarily due to the substantial levels of the Standing Lending Facility held with the Central Bank of Nigeria (CBN). This was a consequence of a series of successful Treasury Bills (T-bills) and Open Market Operations (OMO) auctions. Liquidity reached its lowest point at approximately -N1.7 trillion in mid-February. However, towards the end of the month, it rebounded into positive territory, driven by inflows from the repayment of maturing bills and the Federation Account Allocation Committee (FAAC) disbursement.



Source: CBN, FCSL Research



Source: CBN, FCSL Research

Treasury Bills

Primary Market Auctions

Two primary auctions were conducted in February 2024:

1. February 5 Auction:

- N50 billion, N120 billion, and N500 billion were offered for the 91-day, 182-day, and 364-day bills, respectively.
- Subscription levels stood at N42.3 billion, N19.5 billion, and N3.15 trillion, respectively.
- The subscription-to-offer ratios were 0.85x, 0.16x, and 6.31x for the 91-day, 182-day, and 364-day bills.
- Stop rates were 18.00%, 18.50%, and 20.32%, respectively.

2. February 19 Auction:

- N80 billion, N120 billion, and N500 billion were offered for the 91-day, 182-day, and 364-day bills, respectively.
- The subscription-to-offer ratios stood at 0.78x, 0.42x, and 4.59x, respectively.
- Stop rates declined to 17.00%, 18.00%, and 18.43% for the 91-day, 182-day, and 364-day bills.

Demand and Allotment Trends

Despite declining stop rates, demand for the 364-day bill remained robust. Total subscription for the 364-day instrument in February reached N5.45 trillion, while only N1.32 trillion was allotted. The significant unmet demand spilled into the secondary market, fueling bullish conditions.

Secondary Market Performance

Throughout February, the secondary market exhibited bullish sentiment, driven by strong demand for longer-tenured bills. As a result, average yields in the secondary market declined sharply, closing at 19.78%.

Outlook for March

Given the sustained demand for the 364-day bill despite falling stop rates, we expect this trend to continue into March. The secondary market is likely to remain active, with demand pressures keeping yields compressed.

Table 1:	Summary of Auction Result		
Auction Date	19-Feb-25	19-Feb-25	19-Feb-25
Allotment Date	20-Feb-25	20-Feb-25	20-Feb-25
Maturity Date	22-May-25	21-Aug-25	19-Feb-26
Tenor	91-Day	182-Day	364-Day
Offer (₦)	80,000,000,000	120,000,000,000	500,000,000,000
Subscription (₦)	62,140,666,000	49,877,980,000	2,296,333,482,000
Allotment (₦)	34,766,762,000	34,984,179,000	704,377,021,000
Range of Bids (%):	16.0000 - 25.0000	17.2400 - 22.5000	16.5000 - 25.0000
Stop Rate (%):	17	18	18.43

Table 1:	Summary of Auction Result		
Auction Date	05-Feb-25	05-Feb-25	05-Feb-25
Allotment Date	06-Feb-25	06-Feb-25	06-Feb-25
Maturity Date	08-May-25	07-Aug-25	05-Feb-26
Tenor	91-Day	182-Day	364-Day
Offer (₦)	50,000,000,000	120,000,000,000	500,000,000,000
Subscription (₦)	42,367,127,000	19,523,337,000	3,156,141,653,000
Allotment (₦)	31,941,827,000	18,693,337,000	619,364,836,000
Range of Bids (%):	17.0000 - 22.0000	17.5000 - 22.0000	19.8900 - 24.3000
Stop Rate (%):	18	18.5	20.32

Source: DMO, FCSL Research

Sovereign Bonds

Primary Market Performance

Bond yields in February reacted to inflation data, declining for the first time in a long while. Yields dropped to **19.33% and 19.30%** for the **April 2029 and February 2031** bonds, respectively. The downward movement in yields was observed across all tenures.

At the **February bond auction**, the **Debt Management Office (DMO)** offered a total of **N350 billion**, allocated as follows:

- N200 billion for the April 2029 bond
- N150 billion for the February 2031 bond

However, total allotments across both tenures reached N910 billion, with:

- N305 billion allotted for the April 2029 bond
- N605 billion allotted for the February 2031 bond

Subscription levels were robust, reaching a total of N1.63 trillion, reflecting strong demand for fixed-income securities despite declining yields. The subscription-to-offer ratio stood at:

- 7.8x for the February 2031 bond
- 2.33x for the April 2029 bond

By the close of February, bond yields settled at 19.20% and 19.33% for the April 2029 and February 2031 bonds, respectively.

Secondary Market Trends

Bullish sentiment continued in the **secondary market**, fueled by investor reactions to news of a reduction in interest rates. As a result, **average bond yields declined by 176 basis points (bps) month-on-month, closing at 18.6%.**

While all tenors experienced bullish momentum, **shorter-duration bonds,** such as the **January 2026 and March 2025** issues, saw **stronger buying pressure**.

Outlook

Given the persistent demand for fixed-income instruments and declining yields, we anticipate continued bullish trends in the bond market in the near term, particularly in the short- to medium-tenor segments.

Maturity	Offer size	Previous stop rate	Subscription	Allotment	Stop Rate
19.30% FGN APR 2029	N200bn	21.79%	N465.14bn	N305.36bn	19.20%
18.50% FGN FEB 2031	N150bn	22.50%	N1,167.09bn	N605.03bn	19.33%
TOTAL	N350bn		N1,632.23bn	N910.39bn	

Source: FMDQ, FCSL Research

Eurobonds Market Update

Yield Performance and Market Trends

The Eurobonds market experienced a **significant year-on-year (YoY) decline in yields**, reflecting strong bullish sentiment. Short-term Eurobonds, including the **November 2025, November 2027, and September 2028** issues, saw notable yield drops:

- **November 2025**: Declined to **6.19%** (from **8.23%**) – a **25% decrease**
- **November 2027**: Declined to **7.59%** (from **9.06%**) – a **16% decrease**
- **September 2028**: Declined to **8.33%** (from **9.19%**) – a **9% decrease**

The primary driver of this bullish trend was the **Federal Reserve's stance on interest rates**, as the Fed signaled an end to continuous rate hikes, boosting investor confidence in fixed-income assets.

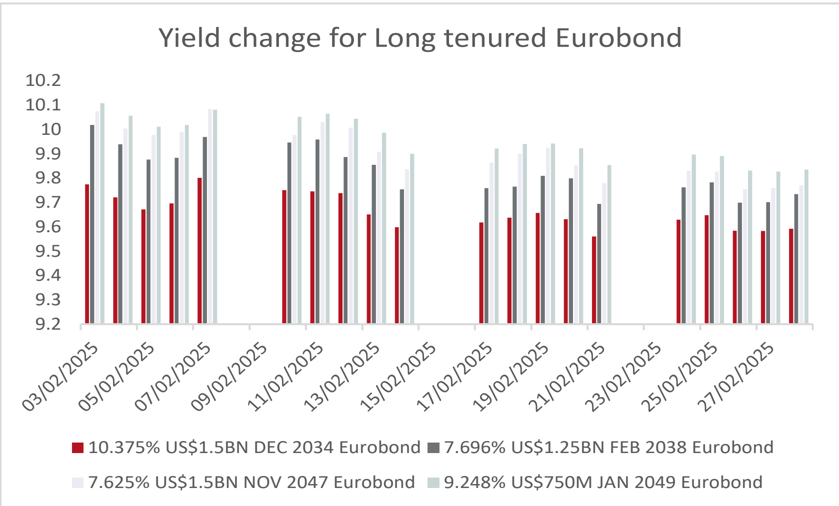
Long-Term Eurobond Performance

Longer-term bonds also benefitted from the bullish momentum. The **November 2047, January 2049, and September 2051** bonds saw yield compressions, closing at:

- **November 2047: 9.77%** (previously **10.09%**)
- **January 2049: 9.85%** (previously **10.24%**)
- **September 2051: 9.92%** (previously **10.23%**)

Market Outlook for March

Despite the bullish run in February, we anticipate a bearish shift in March, as market participants react to ongoing trade wars and tariffs imposed by the Trump administration. Investor sentiment may weaken, leading to an uptick in yields.



Source: DMO, FCSL Research

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