



Weekly Commentary & Stock recommendation

12th February – 16th February 2024





Global Economy

In January 2024, headline inflation in the US saw a slight uptick, rising by 0.3% month-on-month (MoM), compared to December's 0.2% MoM increase, as reported by the Bureau of Labor Statistics (BLS). However, year-on-year (YoY) inflation experienced a slight decrease, settling at 3.1%, down from December's 3.4% YoY. The increase in inflation was primarily propelled by a 0.6% MoM rise in shelter costs in January, continuing to strain household budgets. Meanwhile, core inflation, excluding volatile food and energy, showed a marginal uptick to 0.4% MoM and 3.9% YoY, indicating persistent price pressures despite the slowdown in headline inflation. Looking ahead, it remains uncertain whether inflation will continue its upward trajectory or stabilize in the upcoming months. The Federal Reserve will closely monitor inflation data as it determines future monetary policy actions. In the UK, headline inflation remained unchanged at 4.0% YoY in January compared to December 2023. On a MoM basis, headline CPI noted a 0.6% decrease from the surprising 0.4% MoM increase in December 2023. Housing and household services, particularly energy costs, contributed the most to the annual inflation rates. Conversely, furniture, household goods, and food experienced price decreases, partially offsetting the upward trends. Core inflation, excluding volatile energy, food, alcohol, and tobacco, remained stable at 5.1% YoY from December 2023. With inflation seemingly stabilizing and concerns about a potential recession looming, it is anticipated that the Bank of England (BoE) might maintain current interest rates to allow the economy to adjust and further evaluate the trajectory of inflation.

Domestic Economy

During the week, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for January 2024. The headline inflation experienced a 98bps increase, reaching 29.90% year-on-year (YoY), compared to 28.92% YoY in December 2023. This upswing was primarily fueled by a significant uptick in Food inflation (+148bps to 35.41% YoY) and Core Inflation (+52bps to 23.59% YoY). On a month-on-month (MoM) basis, the headline inflation rose by 35 bps, reaching 2.64% MoM, in contrast to 2.29% MoM in December 2023. This increase is attributed to a rise in both Food inflation (+49bps to 3.21% MoM) and Core inflation (+42bps to 2.24% MoM). Furthermore, the Central Bank of Nigeria (CBN) has implemented new measures impacting international oil companies, limiting their immediate foreign exchange transfers. This addresses the issue of "cash pooling," allowing only 50% immediate repatriation and the rest after 90 days. Additionally, the CBN has adjusted Price Verification System (PVS) limits to -15% to +15% for import and export pricing, aiming to enhance foreign exchange efficiency. Lastly, authorized dealer banks are now required to process Personal and Business Travel Allowances electronically, promoting transparency and stability in the foreign exchange market. These changes reflect the CBN's commitment to addressing forex challenges.



Equities

Making a rebound, from last week's bearish sentiments, the Nigerian Equities market closed in the green zone as the NGX All Share Index (ASI) grew by 3.79% WoW and 41.39% YTD to 105,722.80 points. This comes after the market gained in four (4) out of five (5) trading days of the week. This week, the Consumer Goods sector (+10.96% WoW) led the gains followed by the Oil and Gas (+5.25% WoW) and Insurance (+2.66% WoW) sectors. On the other hand, the Industrial Goods (-1.83% WoW) and Banking (-1.34% WoW) sectors closed bearish. This week, GREGU (+33.3% WoW to NGN901.00), BUAFODS (+20.8% WoW to NGN357.50) and ROYALEX (+20.0% WoW to NGN0.84) topped the gainers' chart, while MEYER (-19.0% WoW to NGN5.60), MORISON (-18.7% WoW to NGN2.48) and DEAPCAP (-14.3% WoW to NGN0.60) led the decliners' chart. We expect the mixed sentiment in the equities market in the coming week as investors price in recently released 2023FY earnings results.

Fixed Income

The Nigerian Treasury Bills market closed the week negative with the average yield rising by 12bps WoW to 15.47%. Likewise, the FGN Bond market closed on a bearish note, with the average yield surging 63bps WoW to close at 16.12%. This was driven by sell-offs across the yield curve. Overall, the Naira Fixed Income market ended the week bearish, with the average yield increasing by 38bps WoW to close at 15.80%. We expect this bearish sentiment to persist in the near term.

Weekly Commentary

Domestic



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.2	33.2	-0.11%	0.92%	January 2024 CPI Report Uptrend Continues
USD/NGN (₦/\$)					
NAFEM	1498.25	1479.47	-1.25%	65.17%	
Parallel	1612.5	1487.5	-7.75%	34.94%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (November 2023)					
	January	December	CHG (pps)		
Headline	29.90	28.92	0.98	29.41	
Core	23.59	23.06	0.53	23.33	
Food	35.41	33.93	1.48	34.67	
GDP (%) - YoY					
	Q3 23	Q2 23	Q1 23	2022FY	News Headline for the week (click news for link)
Real GDP	2.54	2.51	2.31	3.1	NGX RegCo extends deadline for Neimeth free float compliance
Oil	-0.85	-13.43	-4.21	-19.22	Naira trades 1,498/\$ at official market, CBN tackles racketeers
Agriculture	1.30	1.50	-0.90	1.88	NNPC/TotalEnergies JV achieves zero routine gas flare
Manufacturing	0.48	2.20	1.61	2.45	Aviation Ministry Gets N40bn Approval for NAVAID Upgrade
Information and Communication	6.69	8.60	10.32	9.76	Oil slips as weaker IEA demand outlook offsets rate cut hopes
Labor Data (%)					
			Q2 23	Q1 23	Nigeria's crude production drops to 1.419mbpd, OPEC reveals
Unemployment Rate			4.2	4.1	Power minister laments as electricity subsidy rises to N3tn
Underemployment			11.8	12.2	Retail investors in lurch as fresh delisting plans near conclusion
Capital Importation (\$'mn)					
	Q3 23	Q2 23	QoQ (%)	YoY (%)	Comercio Partners: CBN FX Reforms Attracted \$500 FPIs in Latest Treasury Bills Auction
Foreign Portfolio Investment - Equities	8.37	8.52	-1.8%	16.10%	Japan unexpectedly slips into recession, Germany now world's third-biggest economy
Bonds	20.56	85.29	-75.89%	-89.91%	UK, Nigeria sign first enhanced trade partnership
Money Market	58.19	13.04	346.2%	-74.82%	Three firms lose N140 billion to naira devaluation
Foreign Direct Investment	59.77	86.03	-30.52%	-26.86%	NUPRC Says Plan to Conduct Closed Bid Round for Oil, Gas Blocks Legal
Monetary Policy Rates (%) (July 2023)					
	Latest	Prior		CHG (%)	Investors hope strong US economy can insulate stocks from yield surge
MPR	18.75	18.50		25.0%	IMF forecasts \$8bn fall in Nigeria's 2024 foreign reserves
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Wigwe's Demise: Access Holdings' Stock Price Depreciates by 6.26%
Liquidity Ratio	30.0	30.0		0.0%	Stocks fall, dollar and yields gain after hot US inflation data
Source: CBN, NBS, FMDQ, ARM Research					
New Zealand central bank blames inflation for restrictive policy					



Weekly Equities Market Snapshot						Friday, February 16, 2024					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
GEREGU	901.00	33.3%	901.00	210.00	125.8%	MEYER	5.60	-19.0%	6.91	2.19	56.0%
BUAFOODS	357.50	20.8%	357.50	76.50	84.9%	MORISON	2.48	-18.7%	3.38	1.78	-11.4%
ROYALEX	0.84	20.0%	1.06	0.44	-97.5%	DEAPCAP	0.60	-14.3%	1.16	0.20	3.4%
DAARCOMM	0.81	17.4%	1.29	0.20	-10.0%	INFINITY	7.19	-9.9%	7.98	1.26	19.8%
MBENEFIT	0.70	14.8%	1.00	0.30	32.1%	JOHNHOLT	2.19	-9.9%	3.29	1.04	-5.6%
CORNERST	2.50	12.1%	2.67	0.59	78.6%	RTBRISCOE	0.59	-9.2%	0.99	0.22	126.9%
AIRTELAFRI	2200.00	10.0%	2200.00	1175.00	16.6%	ACCESSCORP	22.50	-9.1%	30.70	8.40	-2.8%
FBNH	28.00	9.8%	31.00	10.30	18.9%	OANDO	12.30	-8.9%	16.00	3.80	17.1%
SEPLAT	3370.00	9.6%	3370.00	1150.00	206.4%	LINKASSURE	0.96	-8.6%	1.60	0.40	20.0%
NGXGROUP	24.60	8.8%	29.55	20.90	4.7%	MAYBAKER	6.45	-8.4%	8.50	3.90	22.9%

Tickers	Pts/Δ	WoW	MtD	Qtd	YtD
NGXASI	105,722.80	3.79%	4.52%	41.39%	41.39%
Market Cap	57.85trn	3.79%	4.50%	41.38%	41.38%
NGX Banking	896.45	-1.34%	3.41%	-0.08%	-0.08%
NGX Industrial	1,640.29	-1.83%	-5.43%	96.57%	96.57%
NGX Consumer	896.45	10.96%	17.66%	46.29%	46.29%
NGX Oil & Gas	1,312.08	5.25%	4.86%	25.79%	25.79%
NGX Insurance	1,640.29	2.66%	7.93%	31.33%	31.33%

Source: NGX, ARM Research

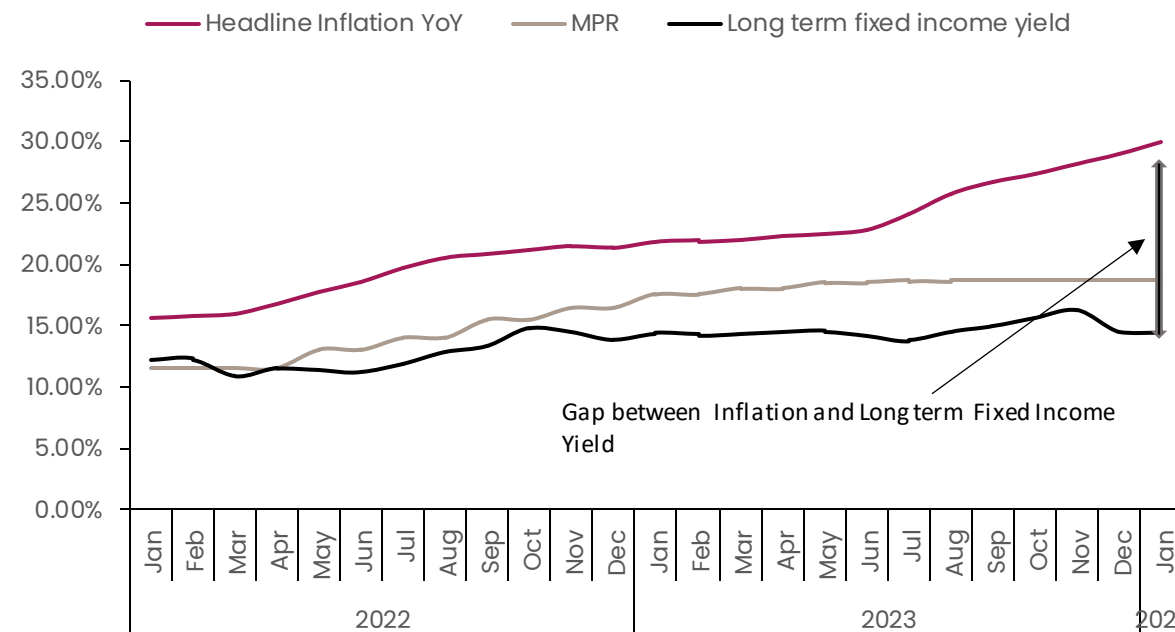


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	92 Day	176 Day	365 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
Money Market				OMO				OMO					
Overnight (O/N)	16.93%	15.50%	1.43%	29-Jan-24	10.00%	13.50%	17.00%	N/A	29-Jan-24	15	15	N/A	270
Open Repo Rate (OPR)	16.25%	17.00%	-0.75%	15-Jan-24	10.00%	13.50%	15.50%	N/A	15-Jan-24	22	35	N/A	300
NIBOR - 1M	15.95%	19.06%	-3.11%	10-Jan-24	10.50%	14.00%	17.75%	N/A	10-Jan-24	50	N/A	100	150
NIBOR - 3M	16.50%	20.44%	-3.94%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	25	N/A	25	50
NIBOR - 6M	17.15%	21.13%	-3.98%	20-Dec-23	N/A	12.00%	N/A	15.00%	20-Dec-23	50	50	50	100
Treasury Bills				Treasury Bills				Treasury Bills					
					91 Day	182 Day	364 Day			91 Day	182 Day	364 Day	
1-month	10.39%	7.81%	2.58%										
3-month	13.61%	11.59%	2.02%	24-Jan-24	5.00%	7.15%	11.54%		24-Jan-24	7.85	6.44	217.53	
6-month	16.47%	15.00%	1.47%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49	52.29	
9-month	19.90%	18.29%	1.61%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16	48.11	
12-month	23.76%	21.24%	2.52%	13-Dec-23	6.25%	11.00%	13.50%		13-Dec-23	1.10	1.28	11.20	
FGN Bonds (Local)				FGN Bonds				FGN Bonds					
					May-27	Apr-29	Jun-33	Jun-38		May-27	Apr-29	Jun-33	Jun-38
14.20% 14-MAR-2024	11.74%	10.51%	1.23%	11-Dec-23	15.00%	16.50%	16.00%	17.15%	11-Dec-23	28.61	9.15	24.34	211.52
13.53% 23-MAR-2025	12.48%	12.49%	-0.01%	11-Dec-23	15.50%	16.00%	16.50%	17.15%	11-Dec-23	31.47	33.19	47.07	322.77
12.50% 22-JAN-2026	15.98%	13.41%	2.57%	13-Nov-23	16.00%	17.00%	17.50%	18.00%	13-Nov-23	20.53	22.26	54.86	237.09
16.2884% 17-MAR-2027	16.50%	16.02%	0.48%	16-Oct-23	14.90%	15.75%	15.80%	16.60%	16-Oct-23	43.65	10.45	25.69	171.71
12.1493% 18-JUL-2034	16.43%	16.43%	0.00%	11-Sep-23	14.50%	15.45%	15.55%	16.25%	11-Sep-23	10.43	4.07	25.53	187.73
16.2499% 18-APR-2037	16.61%	16.61%	0.00%	Corporate Bonds				This Week	Prior Week	WoW (%)			
14.8% 26-APR-2049	17.87%	16.00%	1.87%	ACCESS 15.50% 23-JUL-2026				17.78%	16.10%	1.68%			
				VIATHAN 16.00% 14-DEC-2027				17.13%	115.19%	-98.06%			
				UNION 16.20% 27-JUN-2029				18.88%	18.80%	0.08%			
7.625 21-NOV-2025	8.55%	8.59%	-0.04%	FIDELITY 8.50% 7-JAN-2031				16.64%	16.04%	0.60%			
6.50% 28-Nov-2027	9.11%	9.17%	-0.06%	MTN COM PLC 12.75 11 4-NOV-2031				16.63%	16.07%	0.56%			
7.875% 16-FEB-2032	9.91%	10.03%	-0.12%										
7.625% 28-Nov-2047	10.04%	10.14%	-0.10%										
Source: DMO, CBN, FMDQ, ARM Research													



Nigeria's Inflation Nightmare: Will the CBN Tighten the Screws Again?

Nigeria continues to grapple with escalating inflation, with January 2024 witnessing a surge in headline inflation to 29.90%. This represents a 98bps MoM increase from December and an alarming 809bps YoY rise compared to January 2023. The relentless upward trajectory poses significant challenges for the Central Bank of Nigeria (CBN) as it gears up for its January 26th and 27th Monetary Policy Committee (MPC) meeting, the first since July 2023 and in the Cardoso administration. The pivotal question looming over the MPC meeting is whether the CBN will opt for further tightening of monetary policy to combat inflation. Several factors point towards a hawkish stance from the MPC. These include the sustained surge in inflation, which significantly surpasses the CBN's target rate of 6-9%, along with exceptionally high food inflation and external inflationary pressures stemming from geopolitical tensions and volatile energy prices. However, a cautious approach may also be warranted, as the committee weighs the potential impact of rate hikes on economic growth and considers the lag effect of previous tightening measures. The MPC finds itself navigating a delicate balance between curbing inflation and sustaining economic growth. While a rate increase appears probable, the extent of additional measures, such as liquidity tightening, remains uncertain. Looking ahead, we anticipate a significant increase on the MPR, further underscoring the CBN's hawkish stance in its efforts to address the persistent inflationary pressures.



Source: NBS, Bloomberg, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	69.60	125.7	80.60%	STRONG BUY
FLOUR MILLS NIG. PLC.	35.10	38.37	9.32%	NEUTRAL
GUINNESS NIG PLC	54.50	100	83.49%	STRONG BUY
NIGERIAN BREW. PLC.	38.00	39.22	3.21%	NEUTRAL
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	275.00	326.50	18.73%	OVERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	35.50	45.01	26.79%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3370.00	3,382.00	0.36%	NEUTRAL
TOTALENERGIES MARKETING NIGERIA PLC	346.50	299.70	-13.51%	SELL

Source: NGX, ARM Research



Thank You





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