

Global Economy & Market Update

Global Economy

As was widely anticipated, the Fed increased official short-term interest rates by another quarter point on Wednesday. Fed Chair Jerome Powell recognized that the ECI was "abating a little bit" in his post-meeting news conference. Powell did add, though, that the ECI and average hourly wages growth were "quite elevated" and that "the disinflationary process" was "at an early stage" and concentrated on goods prices due to mending supply networks.

The deposit rate increased to 2.5 percent as the ECB hiked its benchmark interest rates by 0.5%. Due to underlying inflation pressures, the central bank anticipates raising rates by the same level in March. The ECB said, "future decisions will continue to be data-dependent and will follow a meeting-by-meeting approach," adding that it "will thereafter examine the ensuing path of its monetary policy."

According to the most recent statistics, the annual headline inflation rate in the eurozone decreased from 9.2% in December to 8.5% in January, which was less than predicted. However, core inflation, which excludes fluctuations in the price of food and energy, remained at a record-high 5.2%. The last three months of 2022 saw an unexpected 0.1% growth in the eurozone's GDP.

The BoE's nine policymakers increased the benchmark interest rate by half a percentage point to 4% by a 7-2 majority, as anticipated. The bank said that the rate of headline inflation has started to decline and predicted that it will drop precipitously during the year, hitting 3% in the first quarter of 2024. However, the BoE issued a warning that "additional tightening in monetary policy might be necessary if there were signs of more persistent pressures." "The risks to inflation are tilted strongly to the upside," it added.

In terms of economic indicators, Japan's industrial output decreased by 0.1% in December, less than anticipated, while annualized retail sales growth of 3.8% outperformed forecasts due to a persistent post-pandemic rebound in spending. The unemployment rate remained constant in January, while consumer confidence increased.

According to recent economic reports, China's official manufacturing Purchasing Managers' Index (PMI) increased from 47.0 in December to 50.1 in January. For the first time since September, growth was seen in this period as domestic activity increased after Beijing lifted its coronavirus restrictions at the end of the year.

Global Market

Most of the U.S. major indexes extended their winning streaks into February, helped by some upside surprises in economic data and fourth-quarter earnings reports, as well as what some saw as encouraging signals from the Federal Reserve. The Dow Jones Industrial Average declined by 0.15% while the S&P 500 & Nasdaq indices closed higher by 1.62% & 3.31%, respectively.

Shares in Europe rose on hopes that central banks may be nearing the end of the most restrictive phase of this monetary tightening cycle. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 1.23% higher. Major stock indexes also advanced. Germany's DAX Index added 2.15%, France's CAC 40 Index gained 1.93%, and Italy's FTSE MIB Index climbed 1.95%. The UK's FTSE 100 Index climbed 1.76%, partly bolstered by the depreciation

of the pound against the U.S. dollar after the Bank of England (BoE) suggested interest rates might peak at a lower level than expected by the market.

In Asia, the Nikkei 225 Index rose 0.46% but the bigger TOPIX Index fell 0.63%, giving Japan's stock markets a mixed week. Expectations that the cycle of monetary policy tightening by the U.S. Federal Reserve may be at its top helped bolster sentiment. The Bank of Japan (BoJ) reaffirmed its dedication to a very accommodative monetary policy.

In the first week of trading following the week-long Lunar New Year holiday, Chinese shares declined as investors took profits from a recent rise and grew hesitant about the robustness of the country's recovery. The blue chip CSI 300 Index fell 0.95%, and the larger capitalization-weighted Shanghai Composite Index decreased by 0.04%. The benchmark Hang Seng Index in Hong Kong fell 4.5%, marking the worst weekly loss since the end of October.

Domestic Economy & Market Update

Inflation YoY (December 2022)	Latest (%)	Prior (%)	Change	2022 Average
Headline	21.34%	21.47%	-0.13%	18.79%
Core	18.49%	18.24%	0.25%	16.01%
Food	23.75%	24.14%	-0.39%	20.83%

GDP (%) - YoY	Q3 22	Q2 22	Q1 22	Q4 21
Real GDP	2.25%	3.54%	3.11%	3.98%
Oil	-22.67%	-11.77%	-26.04%	-8.06%
Agriculture	1.34%	1.20%	3.16%	3.58%
Manufacturing	1.91%	3.00%	3.35%	2.28%

Labour Data (%) Q4 20	Latest (%)	Prior (%)	Change (%)
Unemployment Rate	33.3	27.1	6.2
Underemployment	28.8	20.1	8.7

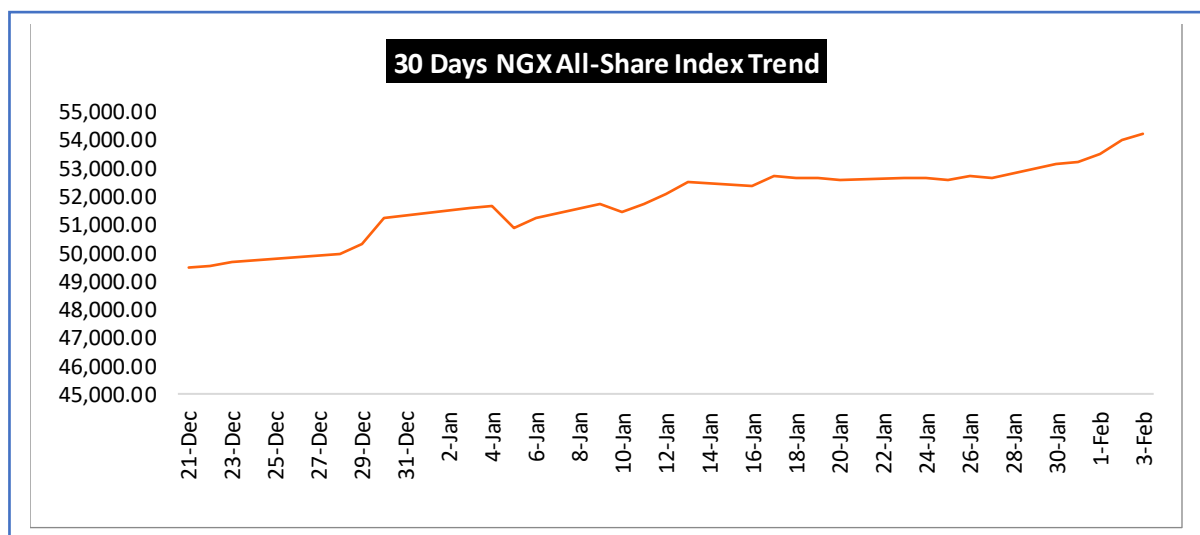
Source: NBS, Alpha Morgan Research

Domestic Equities

Bullish sentiments trading permeated the domestic bourse in the course of the week's trading session as market participants took positions following the release of some companies' 2022 full year financial statements. Consequently, on a week-on-week basis, the market closed positively as price upticks in bellwether stocks drove the NGX All Share Index up by 2.55% to close at 54,213.09pts. The expansion in the index was driven by buying interests in GEREGU (36.88%), SEPLAT (20.45%), MTNN (5.73%), UBA (3.68%), AIRTELAFRI (3.11%), GTCO (3.07%), ACCESSCORP (2.22%), FBNH (2.14%), ETI (2.07%), and ZENITHBANK (1.20%). Overall, the Month-to-Date return and Year-to-Date return both printed +5.78%.

Investors traded 3.79 billion shares worth NGN27.50 billion in a total of 20,333 deals this week, compared to 756.77 million shares worth NGN13.65 billion that were traded in a total of 18,248 deals the week before.

Figure 1: NGX ASI Trend



Trading in the top three stocks, Universal Insurance Plc, Guaranty Trust Holding Company Plc, and Zenith Bank Plc, contributed 3.048 billion shares worth N4.653 billion in 2,674 transactions, or 80.45%, 16.92%, and 16.92%, respectively, to the overall equity turnover volume and value.

Key Market Metrics		
All share index	54,213.09	
Friday's return	0.40%	↑
WTD	2.55%	↑
MTD	1.83%	↑
YTD	5.78%	↑
Market Cap (N'bn)	29,528.41	

Key Market Metrics		
Banking	2.43%	↑
Consumer Goods	-0.14%	↓
I.T/Communications	3.10%	↑
Industrial	3.24%	↑
Insurance	-0.40%	↓
Oil & Gas	18.01%	↑

Top Gainers			Top Losers		
Stock	Price (N)	WoW Change	Stock	Price (N)	WoW Change
NNFM	9.75	44.44%	CILEASING	3.43	-31.40%
GEREGU	219.00	36.88%	CHAMS	0.25	-16.67%
MRS	19.35	20.94%	MCNICHOLS	0.67	-16.25%
JOHNHOLT	1.33	20.91%	IKEJAHOTEL	0.99	-10.00%
SEPLAT	1325.00	20.45%	GUINNESS	63.00	-10.00%
FCMB	4.90	18.07%	ACADEMY	1.19	-9.85%
SOVRENINS	0.30	15.38%	SUNUASSUR	0.34	-8.11%
NAHCO	8.90	14.10%	ARDOVA	17.65	-7.59%
FIDELITYBK	6.00	11.11%	ETERNA	7.00	-6.67%
NGXGROUP	29.00	10.90%	RTBRISCOE	0.28	-6.67%

Source: NGX, Alpha Morgan Research

Treasury Bills Market

The treasury bills market ended the week on a mixed note with buyside activity seen particularly on the papers due on June 8, 2023, and December 7, 2023, and January 11, 2024, at 1.10%, 1.70%, and 2.20%. The average rate therefore decreased by 35bps to settle at 3.38%.

Benchmark T-Bills Discounted Rates				
	3-Feb-23	27-Jan-23	Change	
83 days	1.10%	1.10%	0.00%	↔
125 days	1.60%	1.19%	0.41%	↑
307 days	3.74%	3.74%	0.00%	↔

Source: FMDQ, Alpha Morgan Research

FGN Bonds

At the primary market auction this week, the DMO offered NGN360.00 billion and allotted NGN662.62 billion. Total subscription came in at NGN805.16 billion, a subscription rate of 2.24x, while the average stop rate was at 15.15%.

The FGN bond secondary market's traded on a bearish note over week with most as sell-side pressures seen across most of the ends of the curve. The average yield settled at 13.97%.

Benchmark FGN Bond Yields				
	3-Feb-23	27-Jan-23	Change	
5 years: 17-Mar-2027 (16.2884%)	13.41%	13.37%	0.04%	↑
10 years: 27-Apr-2032 (12.50%)	14.90%	14.80%	0.10%	↑
20 years: 21-Jan-2042 (13.00%)	15.15%	15.15%	0.00%	↔
30 years: 27-Mar-2050 (12.98%)	15.10%	14.96%	0.14%	↑

Source: FMDQ, Alpha Morgan Research

FGN Eurobonds

As a result of the spill over impact of weaker stocks trading brought on by poor reports from leading US tech companies, the surge fuelled by investors' anticipation that rates were near to peaking was muted, and selloffs were seen across the SSA markets. The overall average yield for the FGN sovereign curve climbed 95bps to settle 11.49%

Benchmark FGN Eurobond Yields

	3-Feb-23	27-Jan-23	Change	
1 year: 12-Jul-2023 (8.375%)	7.24%	6.64%	0.60%	↑
5 years: 28-Nov-2027 (6.50%)	11.31%	9.95%	1.36%	↑
10 years: 16-Feb-2032 (7.875%)	12.14%	11.10%	1.04%	↑
15 years: 23-Feb-2038 (7.696%)	11.92%	11.29%	0.63%	↑
30 years: 21-Jan-2049 (9.248%)	12.15%	11.48%	0.67%	↑

Source: FMDQ, Alpha Morgan Research

Nigeria FX

The Nigeria's FX reserves dropped by ca. USD20.47 million WoW to ca.USD37.02 billion, as the outflows for the CBN's interventions across the various FX windows outweighed dollar inflows.

However, the naira depreciated by 0.11% against the USD at the I&E Window to close at NGN462.00/USD.

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