September

2024

Cowry Monthly Economic & Financial Markets Report

August, 2024

Cowry Research

Global Economy Weakens on Price Pressure Across Regions…..

Signs of weakness in the global manufacturing sector persisted in August as production, new orders, and employment experienced mild contractions. The J.P.Morgan Global Manufacturing PMI, compiled by J.P.Morgan and S&P Global Market Intelligence, dropped to 49.5, an eight-month low, remaining below the neutral 50.0 mark for the second consecutive month.

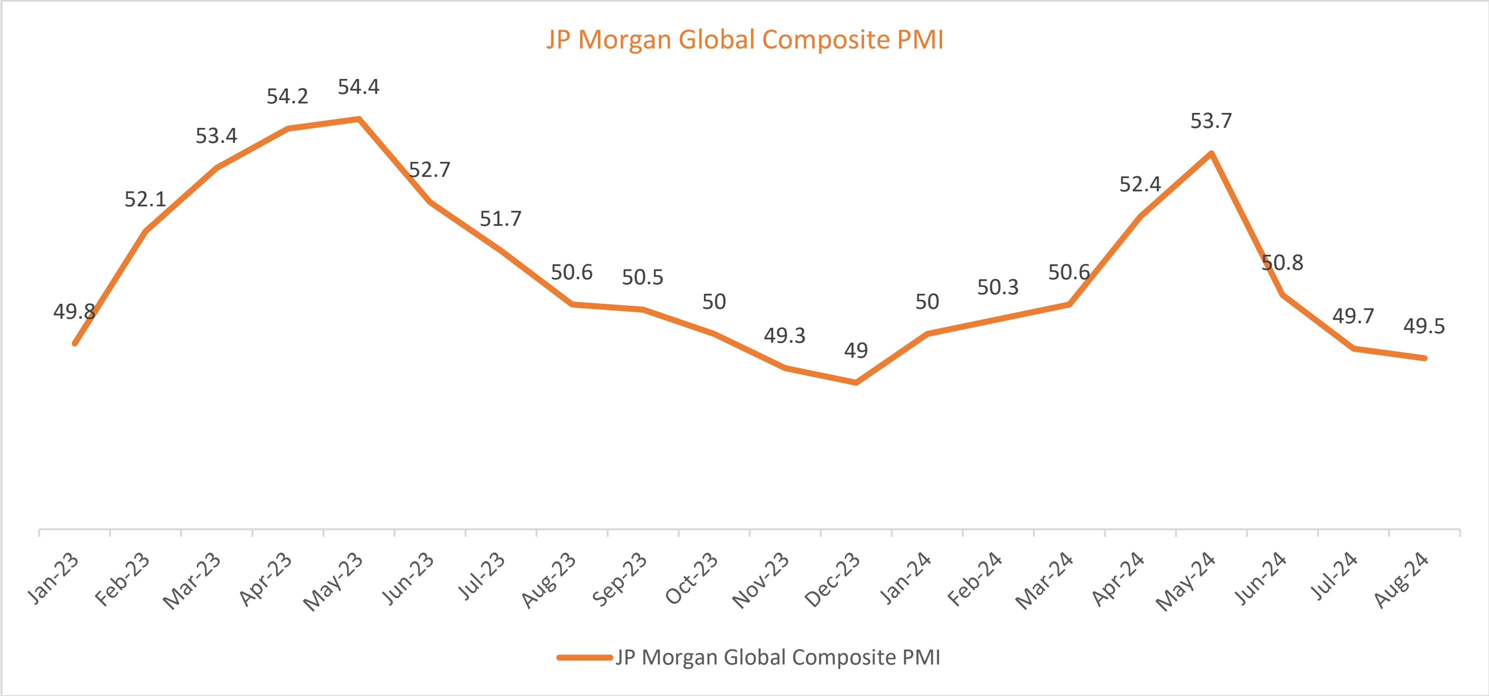
Of the 31 countries surveyed, 18, including the US, the eurozone, and Japan, saw PMIs indicating a decline in manufacturing conditions. China's PMI edged slightly above the neutral level at 50.4, but growth was weak, while India, the UK, and South Korea stood out with stronger performances.

Global manufacturing output decreased slightly in August for the first time in 2024, particularly in the intermediate and investment goods industries. Although consumer goods producers continued to see growth, it was modest and marked the weakest in a 13-month expansion.

New orders also fell for the second consecutive month across consumer, intermediate, and investment goods sectors. Global trade flows worsened further, with new export orders shrinking for the third consecutive month at the fastest rate since December 2023. Major exporters, including China, the US, Japan, Germany, and the UK, experienced reduced export order volumes.

Manufacturing employment contracted for the first time in six months, although the decline was marginal. Job losses in the consumer and intermediate goods sectors were partially offset by hiring in the investment goods industry. Employment reductions were seen in the US and the eurozone, while Japan, the UK, and Brazil posted job gains.

The overall outlook for global manufacturing remains weak, with business optimism below its long-term average, subdued purchasing activity, and inventories. Input costs rose for the thirteenth month in a row, though at a slower rate, with manufacturers passing part of the cost burden to clients through higher prices.


JP Morgan Global Composite PMI
49.8
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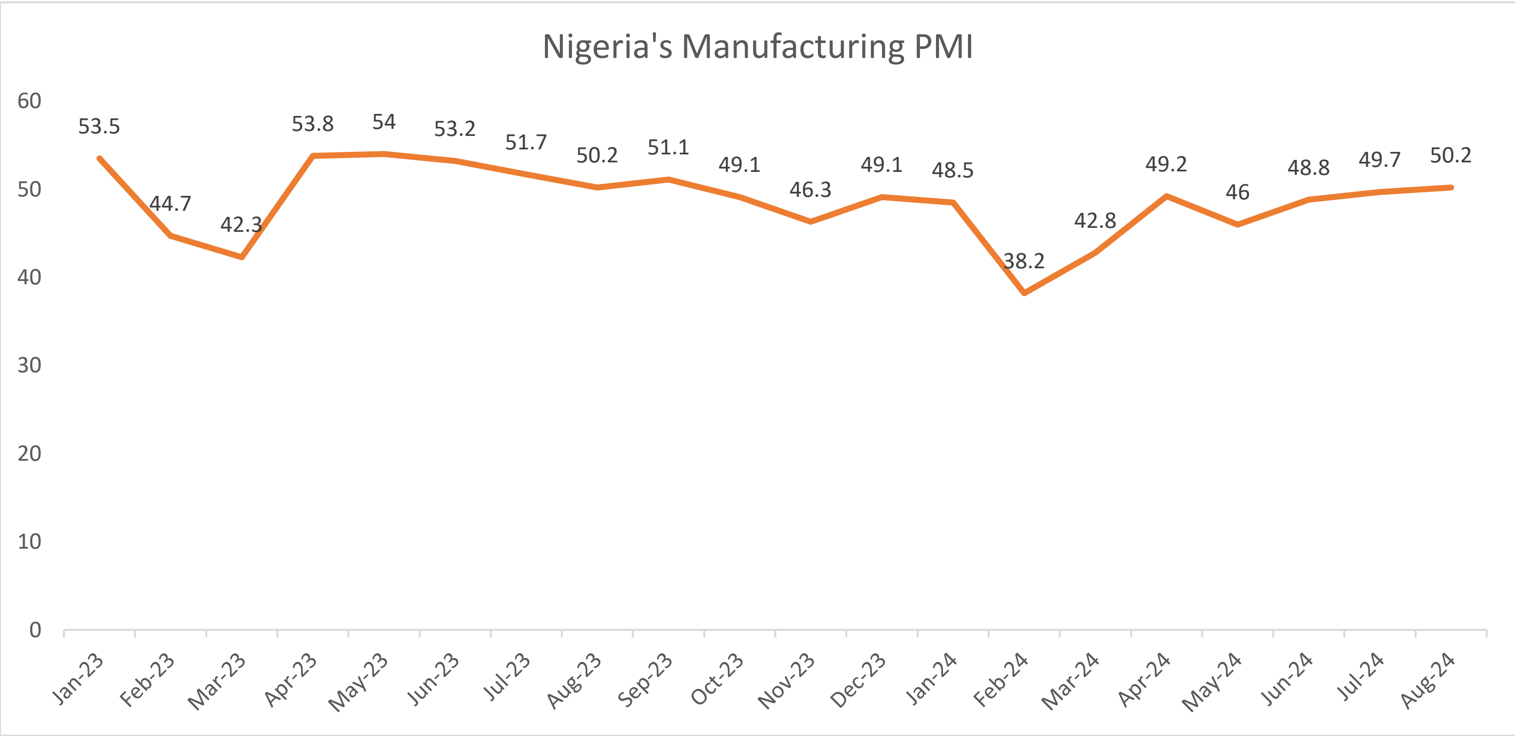
JP Morgan Global Composite PMI

Domestic Economy Rebounds after 13 months of Weak Performance….

In Nigeria, the August 2024 Purchasing Manager's Index (PMI) report from the Central Bank of Nigeria (CBN) showed a positive shift in economic activity, with the index rising to 50.2 points, signalling the first expansion in 13 months. This improvement suggests a gradual recovery, particularly in the services and agricultural sectors, although the industrial sector remained in contraction, albeit at a slower pace.

Of the 36 subsectors, 17 showed growth, with primary metals leading the way, while the forestry subsector saw the largest decline. There were slight increases in output, new orders, and stock of raw materials, each registering above the 50-point mark, indicating positive momentum. However, employment remains a concern, with the employment index at 48.7 points, signalling ongoing labour market challenges.



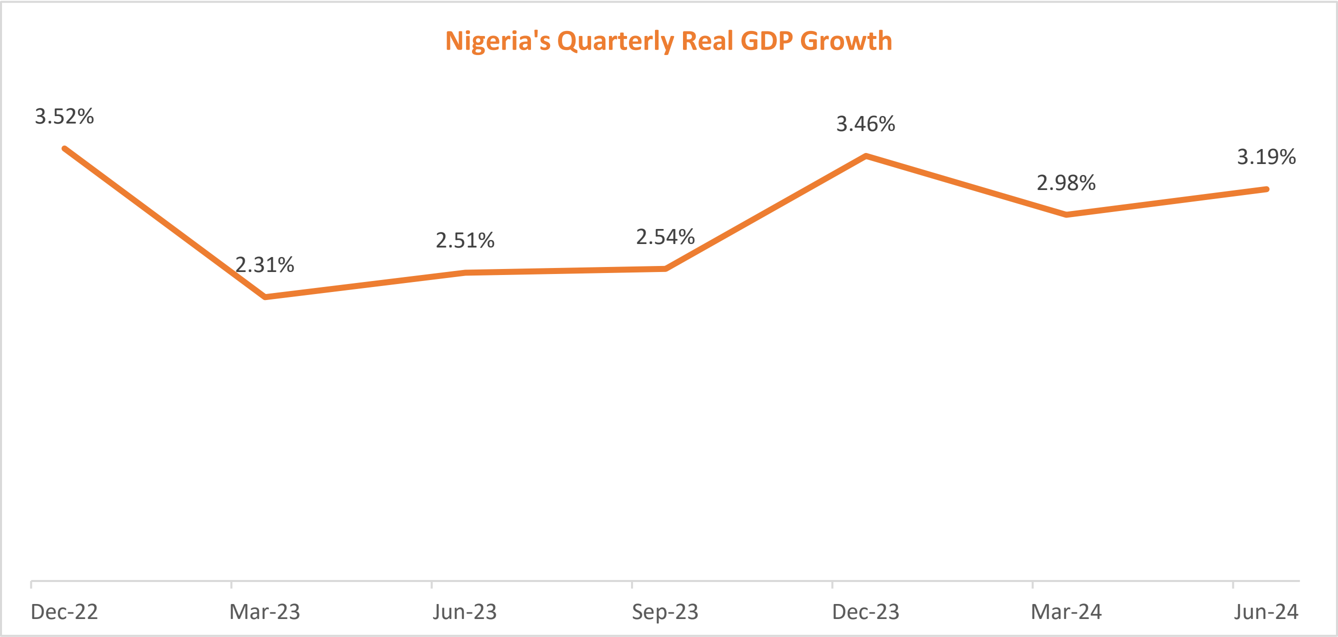
Nigeria's Output Growth Stays Upbeat Amid Dynamics; Economy Quickens to 3.19%……..

Nigeria's economy strengthened by 3.19% in the second quarter of 2024, driven by the non-oil sector. Despite facing high price pressures, global dynamics, rising interest rates, and local currency depreciation, the non-oil sector, particularly financial institutions and telecommunications, played a significant role in sustaining growth.

According to data from the National Bureau of Statistics (NBS), the economy has now grown for 15 consecutive quarters. The services sector was the largest contributor to growth, expanding by 3.79% year-on-year and accounting for 58.8% of GDP. Key sectors such as telecommunications, financial institutions, real estate, construction, and broadcasting services posted positive growth.

The agriculture sector grew modestly by 1.41%, while the industrial sector expanded by 3.53%, showing improvement from previous contractions. The oil sector's real growth jumped to 10.15% year-on-year, rebounding from a -13.43% contraction in the corresponding quarter of 2023.

Meanwhile, the non-oil sector maintained steady growth, contributing 94.30% to the nation's GDP, driven by sectors like financial services, telecommunications, agriculture, trade, and manufacturing.



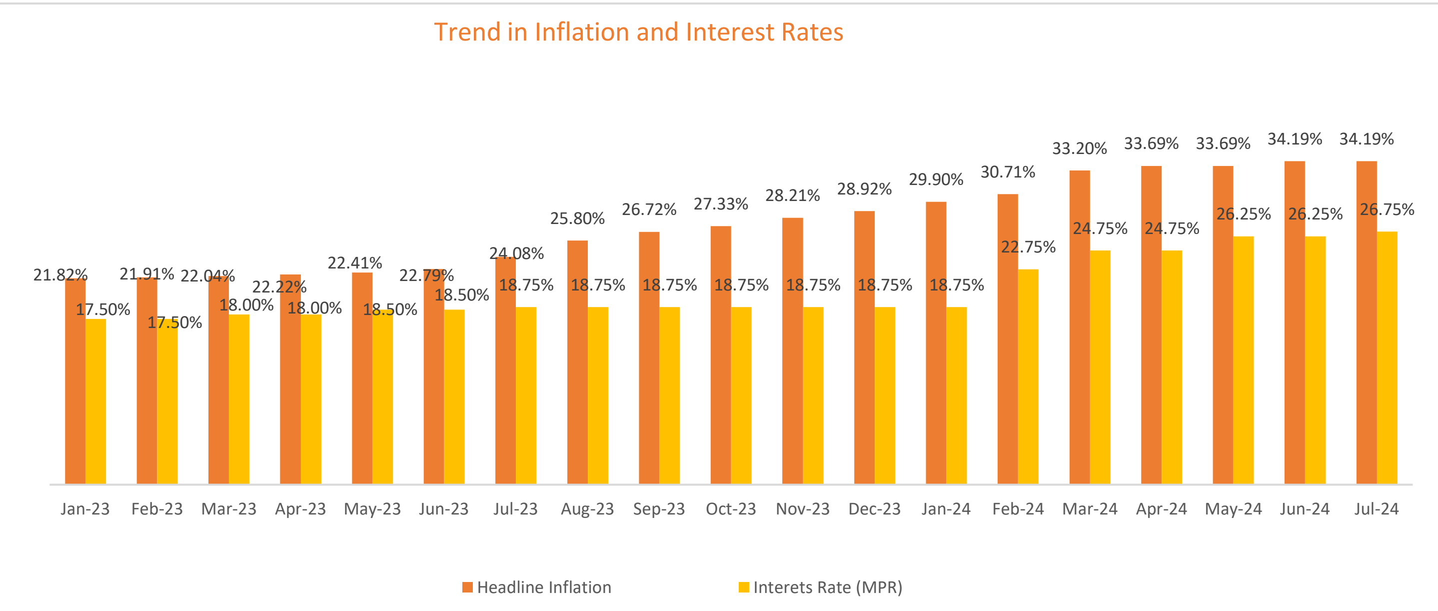
Price Pressure Eases with a Downtrend in Inflation to 33.40% After 29 Months…….

Inflationary pressures in Nigeria eased for the first time in 29 months, with the headline inflation rate dropping to 33.40% in July 2024, down from 34.20% in June, due to the high base effect and the Central Bank's interest rate hike. However, inflation remains high compared to the 24.08% recorded in July 2023.

The CBN's inflation-targeting measures, including raising interest rates to 26.75%, helped to moderate inflation, alongside federal government initiatives such as suspending import duties and VAT on key food items and inputs for manufacturing.

The food index, which plays a major role in the headline figure, eased to 39.53% in July from 40.87% in June. However, core inflation, which excludes volatile items, edged up slightly to 27.47%, driven by rising energy costs, higher transport prices, and increased rents.

Across Nigerian states, inflation rates varied significantly, with Bauchi, Jigawa, and Kebbi experiencing the highest inflation, while Benue, Delta, and Borno saw the slowest increases. Food inflation remained particularly high in Sokoto, Jigawa, and Enugu, reflecting ongoing challenges in food price stability.



Source: Central Bank of Nigeria, National Bureau of Statistics

Weak Sentiment Pervades Local Bourse; ASI Dips 1.22% in August……

In August, the Nigerian equities market experienced a bearish outing as investors realigned their portfolios in the face of weak market internals and dividend earning season. The All-Share Index (ASI) declined by 1.22% month-on-month, closing at 96,579.54 points, down from 97,774.22 points in July. This drop reduced the year-to-date return of the index to 29.16%, compared to 30.76% in the previous month.

Market capitalisation also contracted by N35.75 billion, settling at N55.48 trillion. The discrepancy between the ASI and market capitalisation can be attributed to the listing of 141.4 billion additional shares of International Breweries and 2.4 billion shares of Notore Chemical Industries Plc.

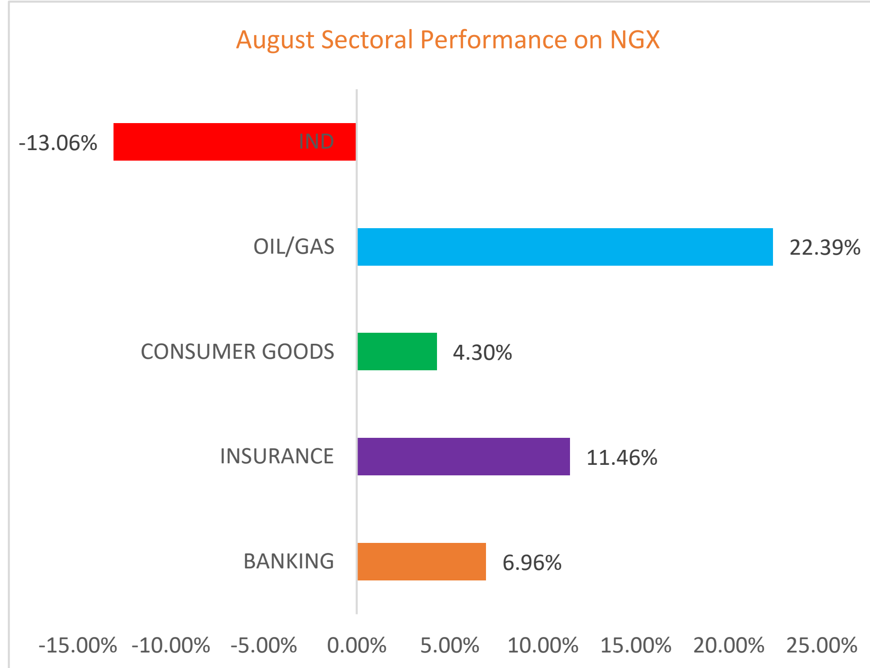
Despite the overall negative performance of the benchmark index, there were signs of optimism in trading activity on the Exchange. The total number of deals and the value of traded equities increased by 17.58% and 36.62% month-on-month, respectively, month-on-month, with 12,754 deals worth N31.58 billion. However, the traded volume saw a significant drop, falling by 68.78% to 573.96 million units.

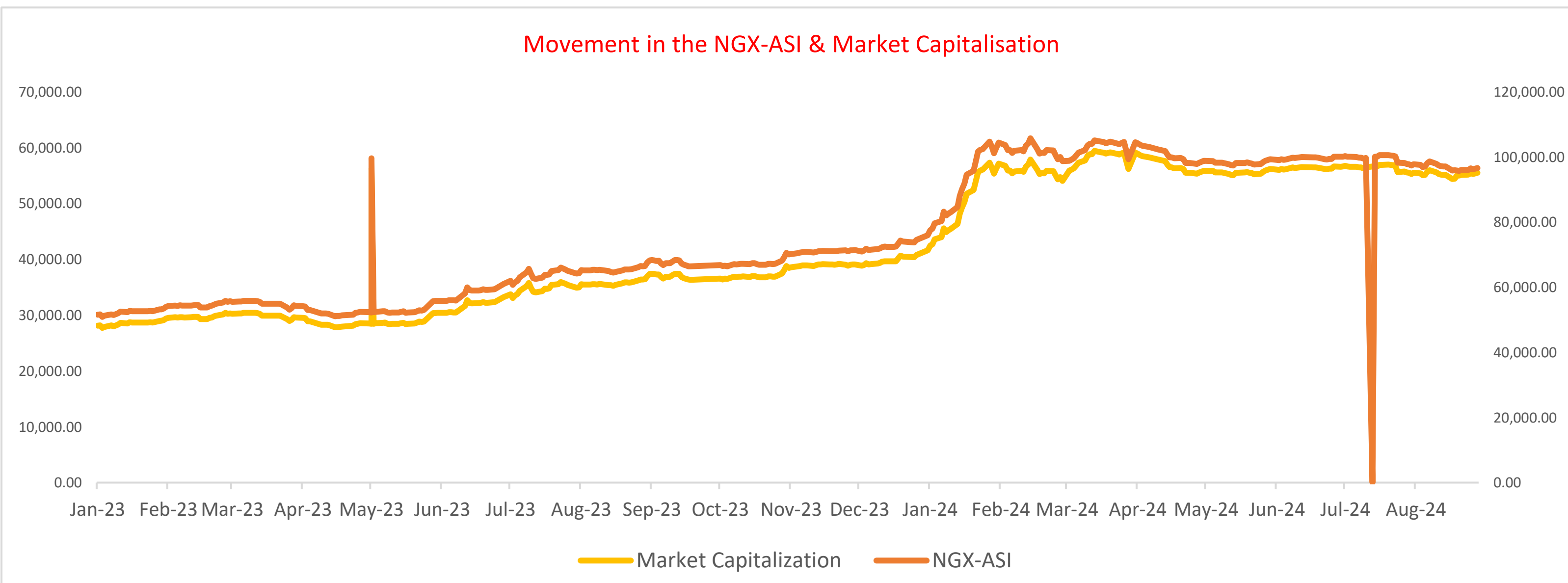
On a sectoral basis, the market displayed predominantly positive performance, with four of the five major sectors closing in positive territory. The Oil and Gas sector was the standout performer, posting a 22.39% gain driven by strong interest in stocks such as OANDO, TOTAL, and ETERNA.

Trailing the Oil & Gas was the Insurance sector which followed with 11.5% month-on-month gain, while the Banking and Consumer Goods sectors recorded more modest increases of 6.96% and 4.30% month-on-month, respectively. In contrast, the Industrial Goods sector was the sole laggard, declining by 13.06% from the prior month, due to weakened sentiment in major players like BUA Cement, Dangote Cement, and Cutix.

Elsewhere, Investor sentiment improved markedly in the month of August, with positive market breadth indicating 69 advancing stocks against 25 decliners. The best-performing stocks in the month included RT BRISCOE (+367.11%), OANDO (+207.60%), and JULIUS BERGER (+75.77%), while UNITED CAPITAL (-41.29%), CUTIX (-39.96%), and BUA Cement (-20.46%) were among the top underperformers.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Aug-24	Jul-24	% Change	Symbol	Aug-24	Jul-24	% Change
RTBRISCOE	3.55	0.76	367.1%	UCAP	18.20	31.00	-41.3%
OANDO	76.90	25.00	207.6%	CUTIX	3.08	5.13	-40.0%
IMG	26.40	14.30	84.6%	BUACEMENT	113.90	143.20	-20.5%
JBERGER	170.50	97.00	75.8%	THOMASWY	1.57	1.95	-19.5%
TOTAL	673.90	388.90	73.3%	CWG	5.50	6.35	-13.4%
DEAPCAP	0.88	0.52	69.2%	SUNUASSUR	1.28	1.47	-12.9%
NSLTECH	0.66	0.39	69.2%	FIDSON	13.00	14.75	-11.9%
DAARCOMM	0.73	0.44	65.9%	TRANSPOWER	335.20	373.90	-10.4%
MCNICHOLS	1.55	0.98	58.2%	MTNN	180.00	200.00	-10.0%
OMATEK	0.88	0.56	57.1%	DANGCEM	532.00	591.10	-10.0%





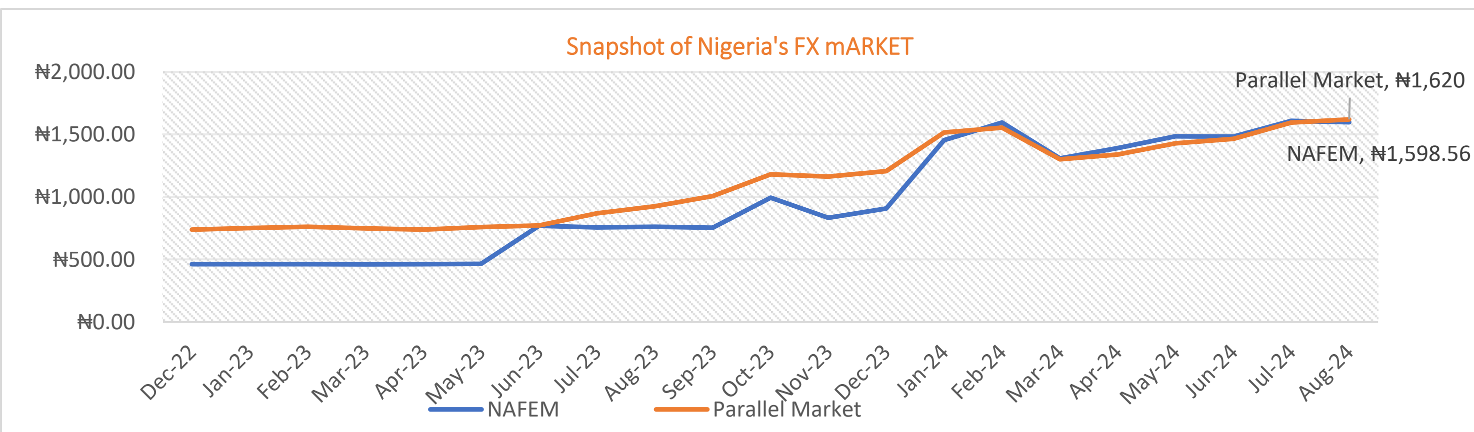
Naira Sees Yo-Yo in August with Mixed Performance on CBN's Interventions…….

In the foreign exchange market, the naira traded in the mixed zone in reaction to the mixed dynamics impacting the demand and supply of liquidity by the apex bank into the market. Thus, the naira edged the united states dollar by 0.64% month on month to close at N1,598.56/$1 at the NAFEM window and then depreciated by 1.54% month on month to N1,620 from N1,595/$1 at the parallel market.

In the review month, Nigeria's Bonny Light price movement was muted month-on-month, settling at $84.28 per barrel, reflecting a slight decline from $84.28 per barrel at the end of July 2024. This decrease was primarily driven by global economic conditions and key factors influencing the global oil market, including decisions made by OPEC. A significant factor contributing to the price decline was the anticipation of further monetary policy changes by the U.S. Federal Reserve.

In August, the Federal Reserve hinted at a potential rate cut by the end of the year, which introduced uncertainty into the market and caused fluctuations in the value of the U.S. dollar. Additionally, a slight increase in global crude oil supplies exerted further downward pressure on prices. Although OPEC's decision to maintain production cuts provided some support to prices, market sentiment was largely overshadowed by concerns over slowing global demand, driven by economic uncertainties and geopolitical tensions.

On the domestic front, Nigeria's foreign exchange reserves recorded a marginal dip of 1.33% month on month to close at $36.31 billion from July's $36.80 billion and was attributed to the CBN's involvement in the FX market in an effort to stabilise the Naira.



Money Market Rates Eases as System Liquidity Improves……

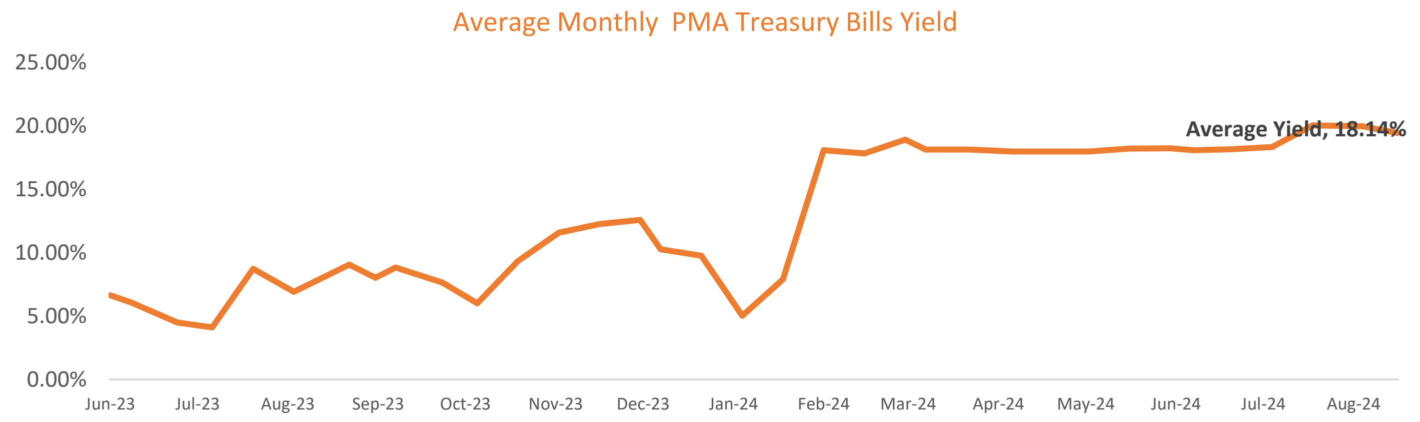
In the Nigerian money market, liquidity constraints continued to weigh heavily by the end of the month, with system liquidity closing at N466.9 billion. This was impacted by primary market sales of N51.9 billion. As a result, money market rates such as the overnight (OVN) and open repo rate (OPR) contracted sharply by 549 basis points (bps) and 513 bps, respectively, from their levels at the end of July.

However, liquidity in the financial system improved due to a significant FAAC inflow exceeding N600 billion. This led to a notable contraction in the overnight NIBOR rate by 5.71 percentage points, bringing it down to 20.25%. NIBOR rates also declined across all tenors, and the Nigerian Inter-Bank Treasury Bill True Yield (NITTY) witnessed a broad-based decline from the previous month.

In the secondary treasury bills market, bullish sentiments dominated, causing average yields on secondary market treasury bills to drop by 260 bps, settling at 21.18% across the 91-day, 182-day, and 364-day maturities.

In the August primary market auctions, the Central Bank of Nigeria (CBN) raised N626.1 billion, a 41% increase compared to the previous month's issuance. Strong investor interest resulted in total subscriptions reaching N1.51 trillion, particularly skewed towards longer maturities, as investors sought to lock in rates in anticipation of future yield declines.

Although the average stop rate for August rose by 52 bps month-on-month to 19.7%, the final auction of the month saw a significant drop in the stop rate by 60 bps to 19.4%, due to repricing at the longer end of the curve.



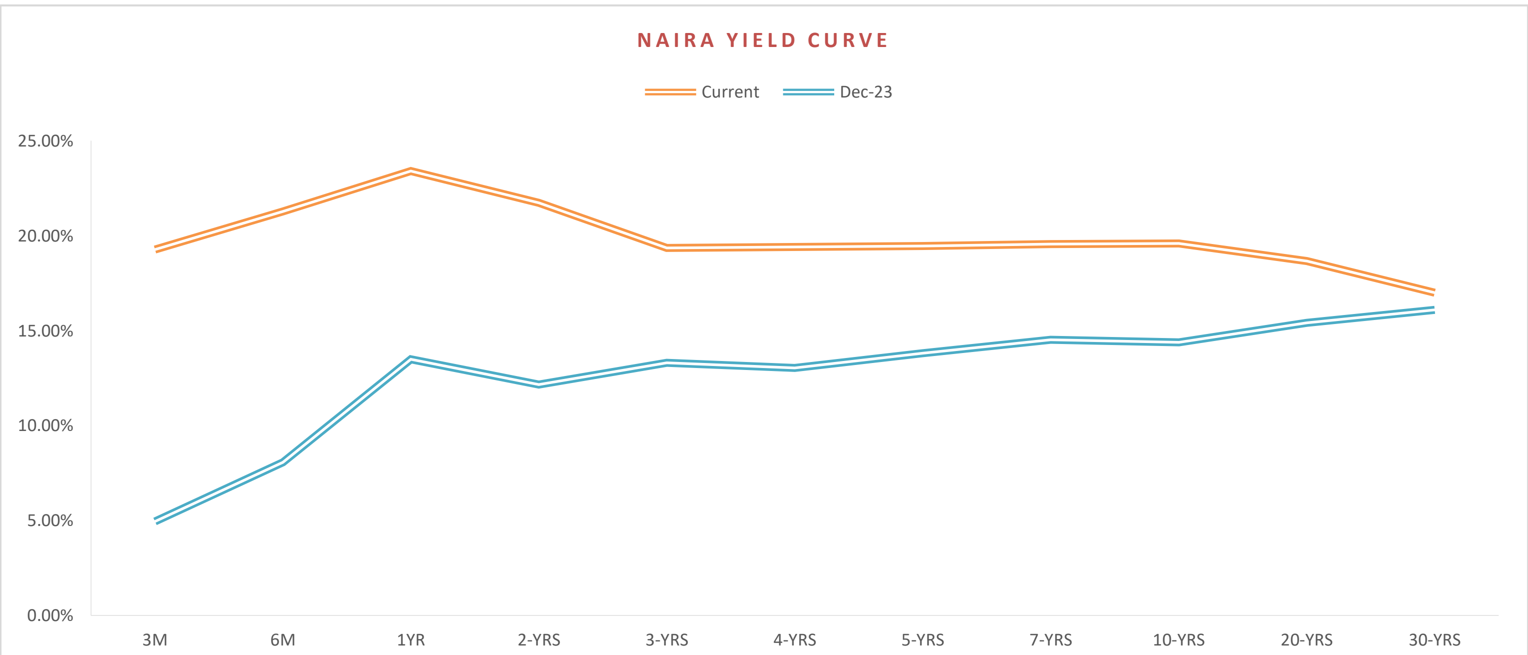
Source: CBN Auctions, Cowry Research

Bullish Bonds Outing with Increased Buy-Interest….

In the secondary bonds market, performance was similarly bullish, with the average yield decreasing by 0.7% month-on-month to 18.7%. The short end of the yield curve experienced the largest gains, with average yields dipping by 94 bps to 20.0%, driven by increased buying interest in the MAR 2025 (-2.8 percentage points) and JAN 2026 (-0.6 percentage points) plain vanila bonds. The mid- and long-term segments also saw average yields decline by 49 bps and 70 bps, to 19.2% and 17.8%, respectively.

At the latest monthly primary market auction held by the Debt Management Office (DMO), N190 billion worth of papers were issued (April 2029, February 2031, and May 2033 maturities). Subscriptions at the auction reached N460 billion, though demand was relatively weak for the April 2029 and February 2031 papers, which garnered N24 billion and N61 billion in subscriptions, respectively.

In contrast, the May 2033 bond saw overwhelming demand, with subscriptions totalling N375 billion. Stop rates for these maturities were 20.30%, 20.90%, and 21.50%, respectively, compared to 19.89%, 21.00%, and 21.98% at the previous auction.



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