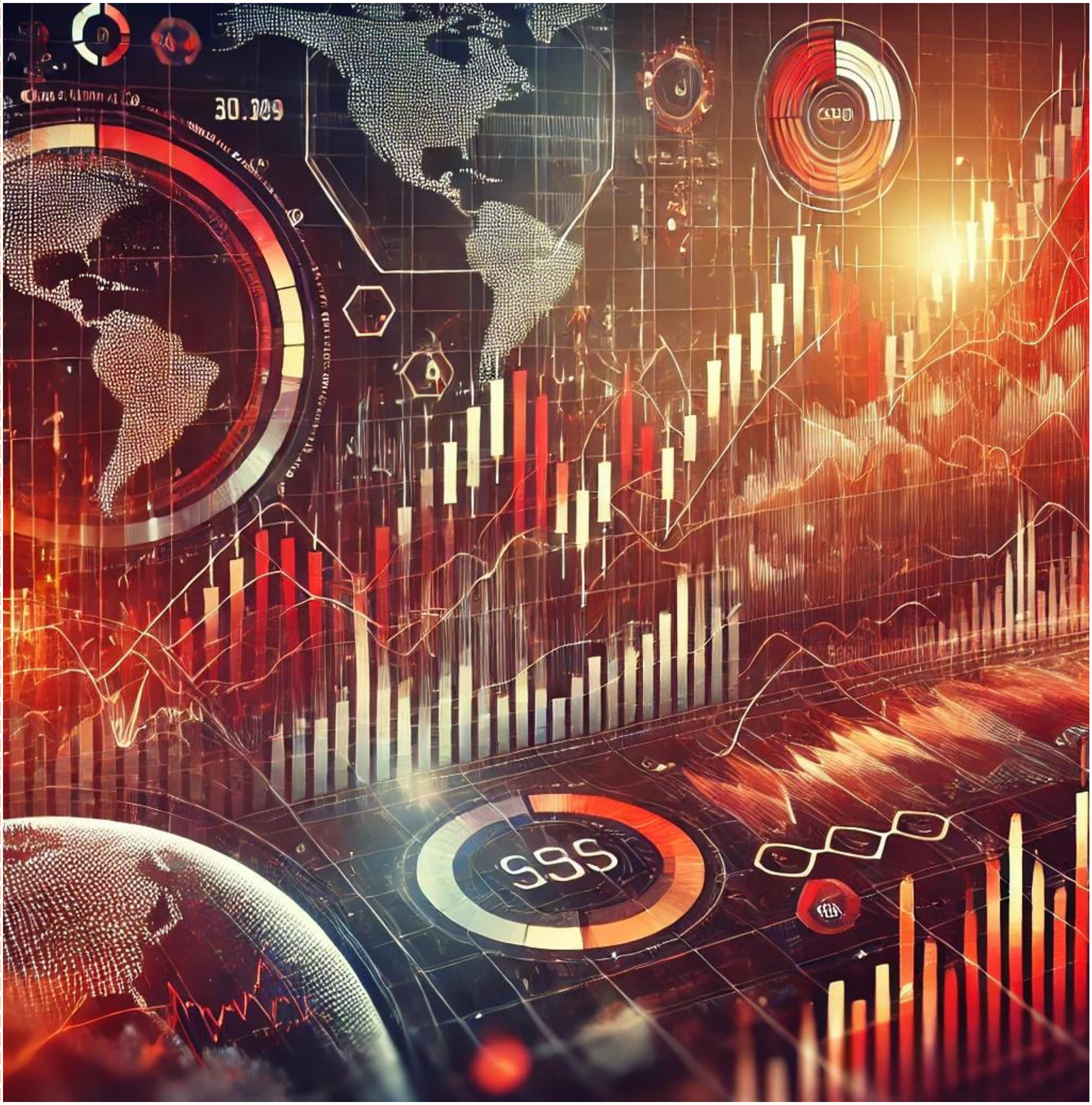
COWRY RESEARCH

MONTHLY MARKET REPORT JANUARY 2025



Global Economy in Positive Territory on Improved Operating Conditions….

The global economy experienced marginal expansion in January 2025, as indicated by the JP Morgan Global PMI report, which edged up to 50.1 points from a contraction in December. This signals the first improvement in operating conditions in seven months, driven by a return to growth in global manufacturing output and new orders. January's data signals a tentative return to expansion, though structural challenges persist in trade, employment, and cost pressures.

Among the five key sub-indices, output, new orders, and suppliers' delivery times recorded positive movements, while employment and stocks of purchases remained in decline. The recovery in production was underpinned by rising demand, despite continued regional disparities and external uncertainties, including concerns over potential US tariffs in the coming months.

Regional variations remained marked, with business conditions being affected by, among other things, the possibility of US tariffs being imposed during the coming year.

For the major industrial nations, India led global industrial growth, maintaining strong momentum.

The US witnessed a noticeable rebound, with output growth hitting a seven-month high, breaking a five-month contractionary trend.

China also saw a stronger expansion rate.

The euro area, Japan, and the UK continued to struggle, although their contraction rates slowed.

Output PMI data broken down by sector also highlighted ongoing performance disparities

Consumer goods production surged to a seven-month high, fuelled by solid new order growth.

Intermediate goods production rebounded into expansion after prior declines.

Investment goods remained weak, with output and new business contracting for the eighth consecutive month.

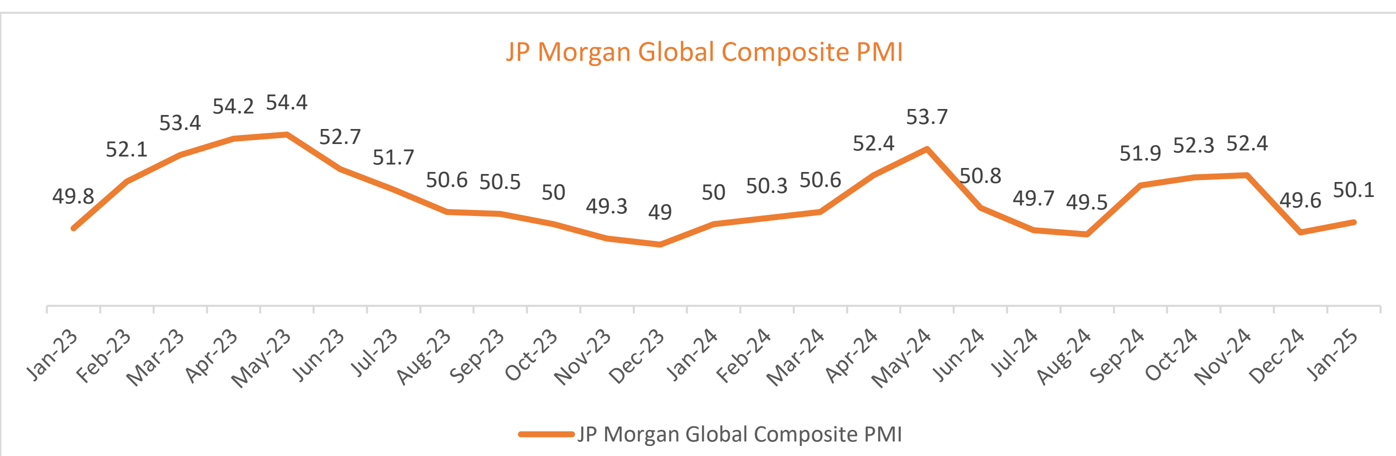
Trade and Labour Market Trends

Global new export orders declined for the eighth straight month, but the pace of contraction moderated.

Asia (excluding Japan and China) saw its strongest growth since May 2024, while contraction rates eased in China, the US, Japan, and the euro area.

Despite improvements in output and demand, employment levels fell for the sixth consecutive month, matching the job loss rate last seen in October 2024. While the US, Japan, and India saw job gains, these were outweighed by employment cuts in China (fastest in five years), the euro area, and the UK.

Price pressures rose during January as Input cost inflation accelerated to a five-month high, prompting a sharper rise in manufacturers' selling prices while Supplier performance deteriorated for the eighth consecutive month, while input buying volumes and stocks of purchases and finished goods declined



Source: S&P Global, Cowry Research

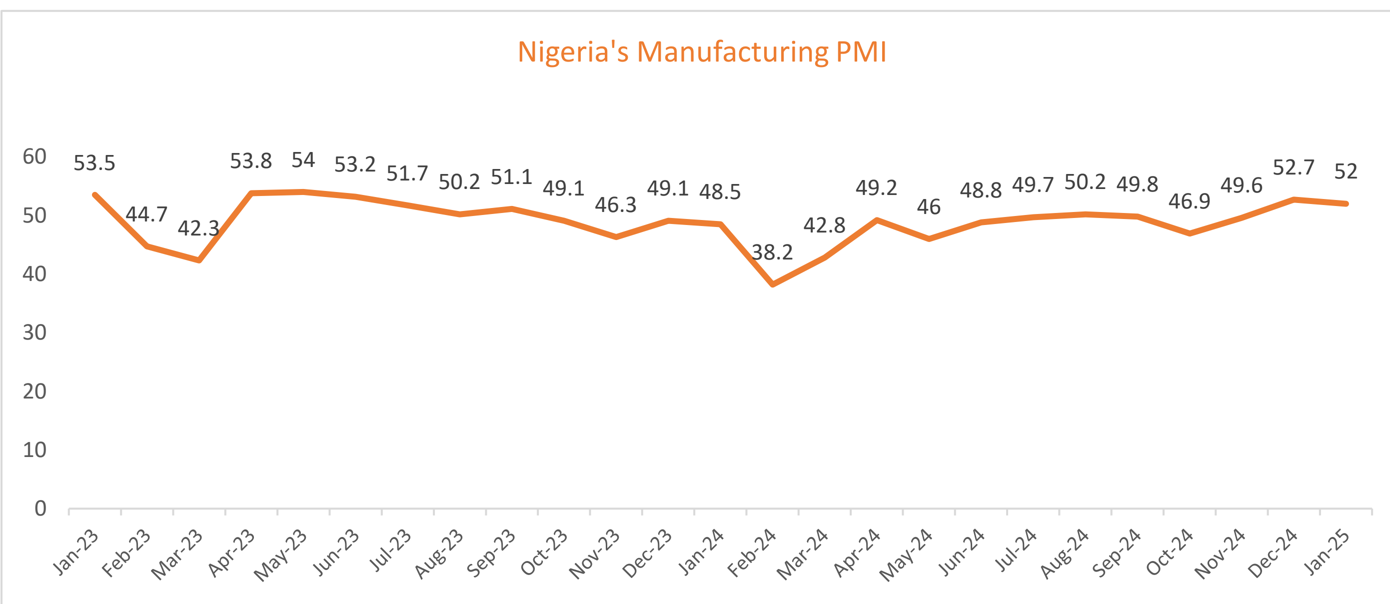
Nigeria PMI: Private Sector Growth Sustains Momentum Amid Easing Inflation….

On the domestic front, Nigeria's private sector maintained its growth momentum into early 2025, building on the expansion seen at the end of 2024. Business activity, confidence, employment, and inventories all saw continued increases to meet the rising demand, signaling sustained improvement across key industries. While input and output costs continued to rise, inflationary pressures eased slightly compared to December, providing some relief to businesses and strengthening their confidence. Overall, input price inflation reached its lowest level since April 2024, while output prices rose at the slowest pace in six months

Although cost pressures remain, they were less intense than in the previous month. The Purchasing Managers' Index (PMI), a key measure of private-sector performance, recorded 52.0 in January 2025, down from the 52.7 recorded in December 2024, but still above the 50.0 threshold. This movement indicates that although business activity expanded further in January 2025, the rate of expansion softened slightly. Three of the five monitored sectors for the index - manufacturing, services, and agriculture - reported growth, while wholesale and retail remained the exception, reflecting weaker consumer demand in that segment.

Hiring activity continued to strengthen in response to rising workloads, with companies adding staff to meet demand. The labor market expansion in January marked the second consecutive month of job creation, reinforcing the positive outlook for business conditions. Confidence among businesses also improved significantly at the start of the year, with firms expressing greater optimism about future expansion.

Firms also made progress in reducing work backlogs, as efforts to expedite project completion resulted in a solid decrease in outstanding work, the largest reduction since June 2022. Additionally, supplier delivery times have continued to improve, reflecting effective vendor relationships and timely payments. Many companies anticipate stronger demand and better market conditions in the months ahead, and as a result, business sentiment reached its highest level since the survey began over 11 years ago.



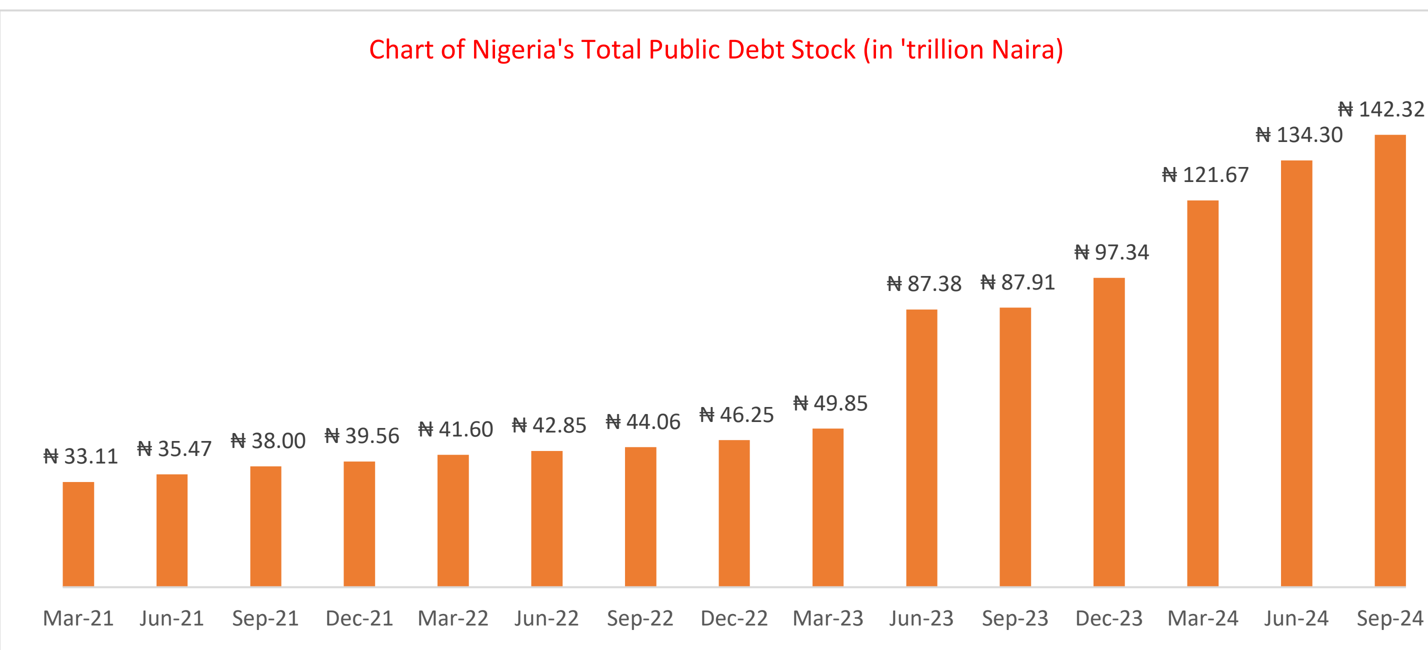
Source: CBN, S&P Global, Cowry Research

Nigeria's Public Debt Rises to N142.3 Trillion in Q3 2024 Amid Fiscal Strains…..

Elsewhere, the latest DMO data on public debt spotlights Nigeria's escalating debt levels, highlighting a persistent rise in debt stock with no signs of respite. As of Q3 2024, Nigeria's total public debt surged by 6% quarter-on-quarter to N142.3 trillion, marking an increase of N8 trillion within just three months. This uptrend was primarily driven by a widening fiscal deficit stemming from the government's budgetary shortfalls, alongside the continued depreciation of the naira, which saw the average exchange rate for external debt conversion weaken to N1,601.03/$ from N1,470.19/$ in Q2 2024. Additionally, domestic debt issuance by the DMO to finance fiscal gaps contributed significantly to the rising debt stock.

Year-to-date as of September 2024, Nigeria's domestic debt stock expanded by 24.2% to N73.4 trillion, now representing 51.6% of total debt—in line with the DMO's domestic-to-external debt mix cap of 70:30. Meanwhile, external debt rose sharply by 80.2% to N68.9 trillion, largely reflecting the naira's sustained depreciation. Notably, in dollar terms, gross public debt declined marginally to $88.9 billion from $91.3 billion in Q2, underscoring the adverse exchange rate effects on external obligations. The debt composition also shifted slightly, with domestic and external debt now accounting for 52% and 48%, respectively, compared to 53% and 47% in Q2. This contrasts sharply with the 64% domestic and 36% external mix recorded in Q3 2023, signalling a growing reliance on foreign-denominated debt due to currency devaluation.

The cost of servicing Nigeria's debt stock continues to mount, with total debt servicing rising to N3.6 trillion in Q3 2024, representing a 1.7% increase from the N3.5 trillion recorded in Q2. External debt servicing soared to $1.3 billion (N2.1 trillion), up 29.7% and 19.4% in naira and dollar terms, respectively, from $1.1 billion (N1.7 trillion) in Q2. However, domestic debt servicing declined significantly by 23.1% to N1.4 trillion from N1.9 trillion in Q2, likely reflecting lower coupon payments on maturing domestic instruments. Over the first nine months of 2024 (9M:2024), the Federal Government (FG) spent N9.6 trillion on debt servicing—an alarming 154.7% overshoot of the N6.2 trillion budgeted for the period and 75.2% of the pro-rata projected revenue of N12.7 trillion, further underscoring Nigeria's worsening fiscal constraints.



Source: Debt Management Office, Cowry Research

Positive Outing for Domestic Bourse on Year-Start Portfolio Positioning…. ASI Up 1.53% m/m

The Nigerian equities market in January was shaped by year-beginning portfolio positioning, corporate actions, and performance expectations ahead of the FY 2024 earnings season. Investors responded to strategic moves by key banking stocks, with ACCESS and ZENITH completing their oversubscribed capital raises, while FCMB and GTCO concluded the first tranche of their equity capital raise programmes. These capital injections reinforced their ability to meet regulatory requirements while positioning them for expansion, product innovation, and overall business growth.

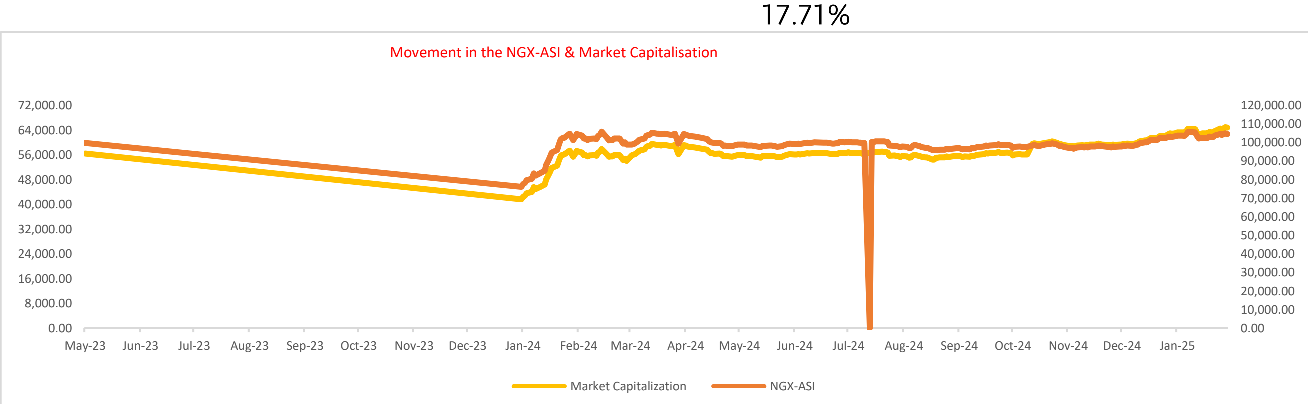
As a result, the NGX All-Share Index (NGX-ASI) gained 1.53% month-on-month to close at 104,496.12 points, translating to a year-to-date (YTD) return of 1.53%. Market capitalisation grew by 3.1%, reaching N64.71 trillion and adding N1.95 trillion in value to the total capitalisation of the market.

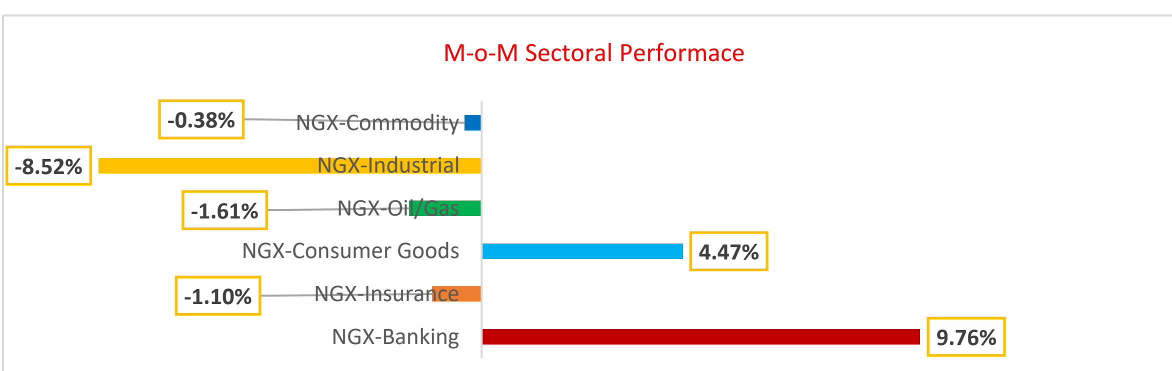
Trading activity showed mixed performance during the month. The average daily volume traded increased by 15.0% to 1.2 billion units, indicating heightened market participation. However, the average daily value traded declined by 19.0% to N15.4 billion, suggesting a shift in trading patterns towards lower-value stocks or reduced high-value transactions.

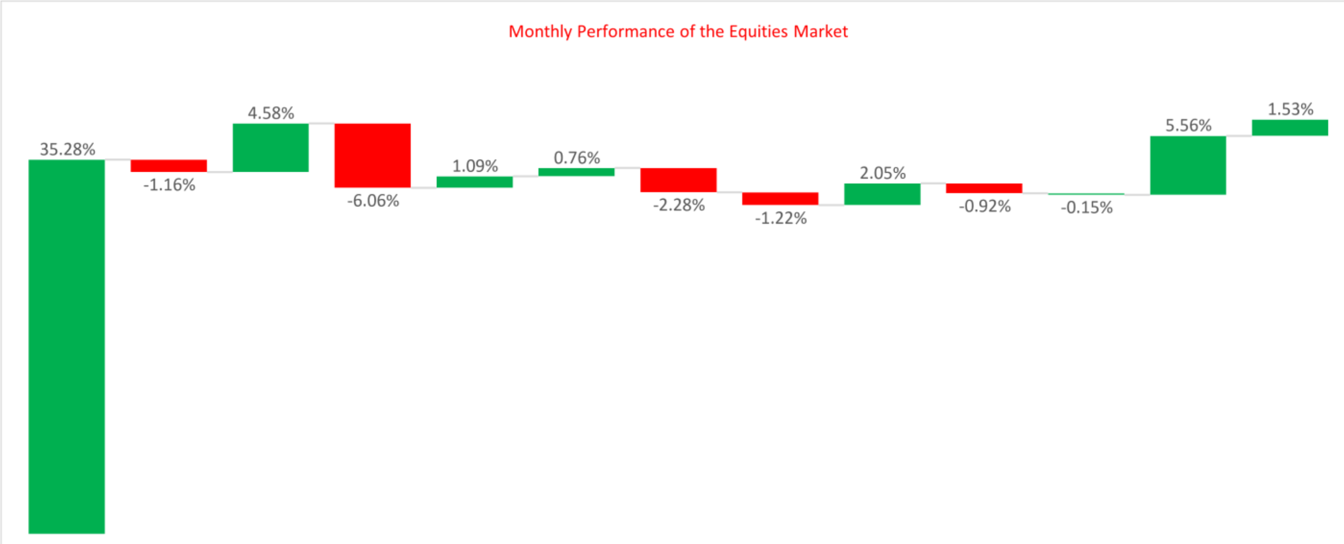
Sectoral performance was largely weak, with only two out of the six tracked indices closing positive. The Banking Index led the market, advancing by 9.76%, driven by rallies in WEMABANK, FCMB, and STANBIC IBTC. The Consumer Goods Index followed with a 4.47% gain, supported by positive movements in HONYFLOUR and NNFM.

However, the Industrial Goods Index was the worst performer, falling by 8.52% due to sell-offs in DANGCEM and CUTIX. The Oil & Gas Index dropped by 1.61%, weighed down by losses in MRS and TOTAL, while the Insurance Index declined by 1.10%, dragged by weakness in SUNUASSUR and SOVRENINS. The newly introduced Commodity Index also weakened, shedding 0.38% amid declines in ARADEL and TRANSPOWER.

Market sentiment remained fragile, as reflected in the market breadth, with 81 gainers compared to 30 decliners. Among the top-performing stocks, SCOA surged by 97.57 %, followed by CHELLARAM with a 76.49% increase, HONYFLOUR with 52.06%, NCR with 46.00%, and UPL with 45.45%. On the flip side, SUNUASSUR led the list of worst-performing stocks, plummeting by 46.51%, while EUNISELL declined by 30.05%, MRS fell by 25.21%, VERITASKAP dropped by 19.85%, and DANGCEM lost 17.71%







Top Performing Stocks and Worse Performing Stocks in January 2025

Top Ten Gainers				Bottom Ten Losers			
Symbol	31-Jan-25	24-Jan-25	% Change	Symbol	31-Jan-25	24-Jan-25	% Change
CHELLARAM	6.53	4.07	60.4%	VERITASKAP	1.09	1.55	-29.7%
VITAFOAM	31.95	24.30	31.5%	MRS	162.90	201.00	-19.0%
BETAGLAS	71.50	59.10	21.0%	NEIMETH	2.65	3.10	-14.5%
NNFM	60.60	50.10	21.0%	LINKASSURE	1.38	1.60	-13.8%
SKYAVN	40.00	33.15	20.7%	NSLTECH	0.70	0.81	-13.6%
NB	35.80	31.00	15.5%	GUINEAINS	0.73	0.84	-13.1%
SUNUASSUR	5.75	5.01	14.8%	REGALINS	0.69	0.79	-12.7%
TIP	3.44	3.00	14.7%	LIVESTOCK	5.30	6.00	-11.7%
RTBRISCOE	2.85	2.52	13.1%	AIICO	1.62	1.80	-10.0%
UPL	5.60	5.00	12.0%	TRANSCOHOT	114.65	127.35	-10.0%

Brent Crude Gains 7.9% in the Month Amid Supply Curbs and Demand Support…

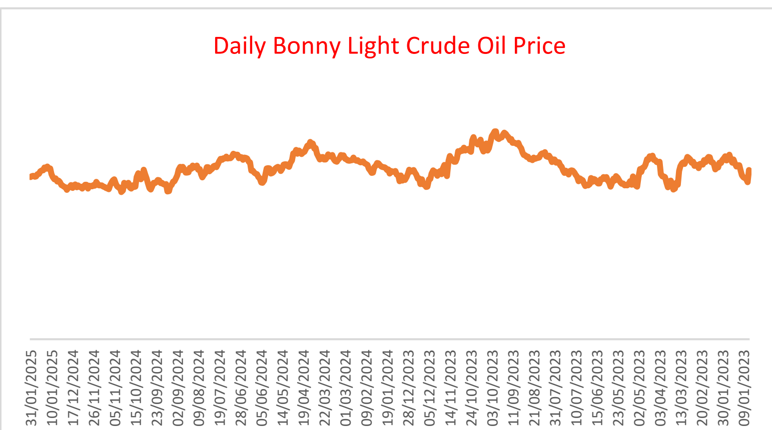
In the past month, Brent crude prices climbed 7.9% month-on-month to an average of $79.69 per barrel, up from $73.86 per barrel. The price surge was driven by OPEC+ production cuts, which tightened supply, alongside new U.S. sanctions on Russia's oil sector in the final weeks of President Biden's administration. Additionally, the Shandong Port Group's ban on U.S.-sanctioned oil vessels further restricted supply flows. On the demand side, a weaker U.S. dollar, cold weather across the U.S. and Europe, and China's fiscal stimulus provided support, helping offset concerns about potential headwinds from Trump's tariff plans.

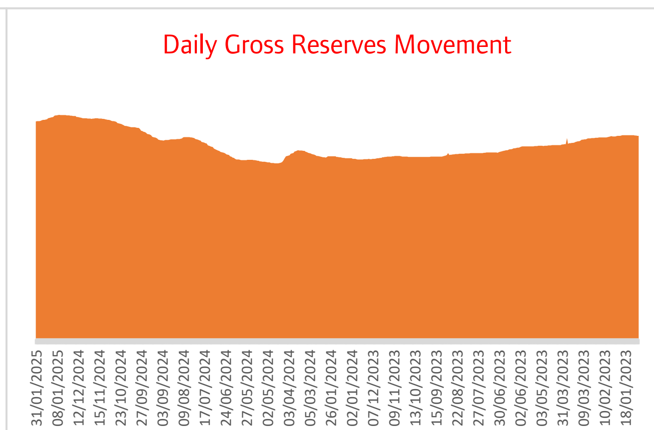
Bonny Light Gains 3.02% as FX Reserves Decline; Naira Strengthens in January…..

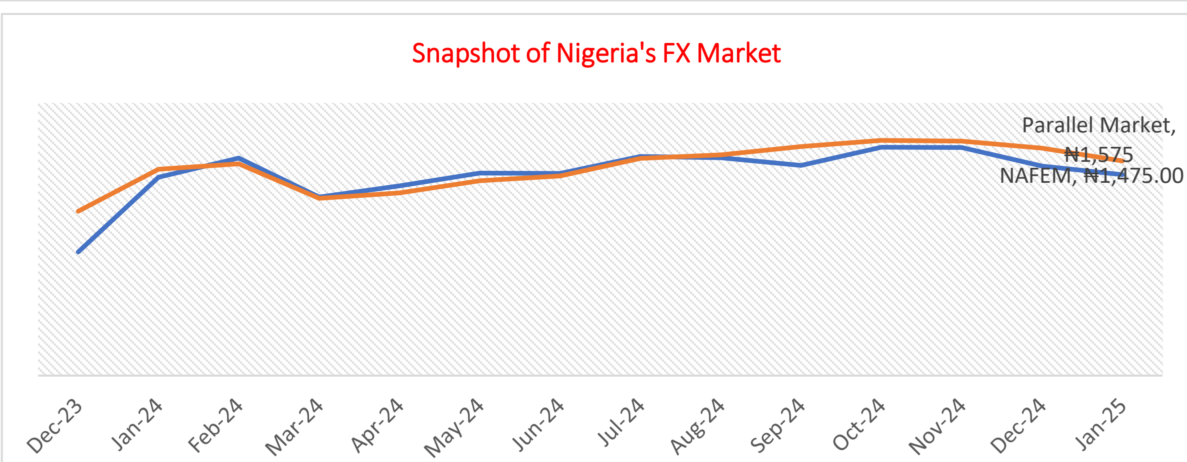
Nigeria's Bonny Light crude oil started the month at $77.04 per barrel, rising to $84.02 per barrel by mid-January, driven by strong global oil prices and increased demand for Nigerian crude. However, the commodity later eased, closing the month at $79.37 per barrel, marking a 3.02% month-on-month (m/m) increase.

Meanwhile, Nigeria's foreign exchange reserves fell 2.83% m/m, declining from $40.88 billion at the beginning of January to $39.72 billion by month-end, reflecting sustained pressure on external reserves.

In the foreign exchange market, the naira exhibited relative stability against the U.S. dollar. In the official market, the currency appreciated by 4.27%, strengthening from N1,538/$ at the start of January to N1,475/$ by January 31. Similarly, in the parallel market, the naira firmed, closing at an average of N1,575/$ at month-end.







Positive Outing for T-Bills Auctions Despite Thin Liquidity Levels…..

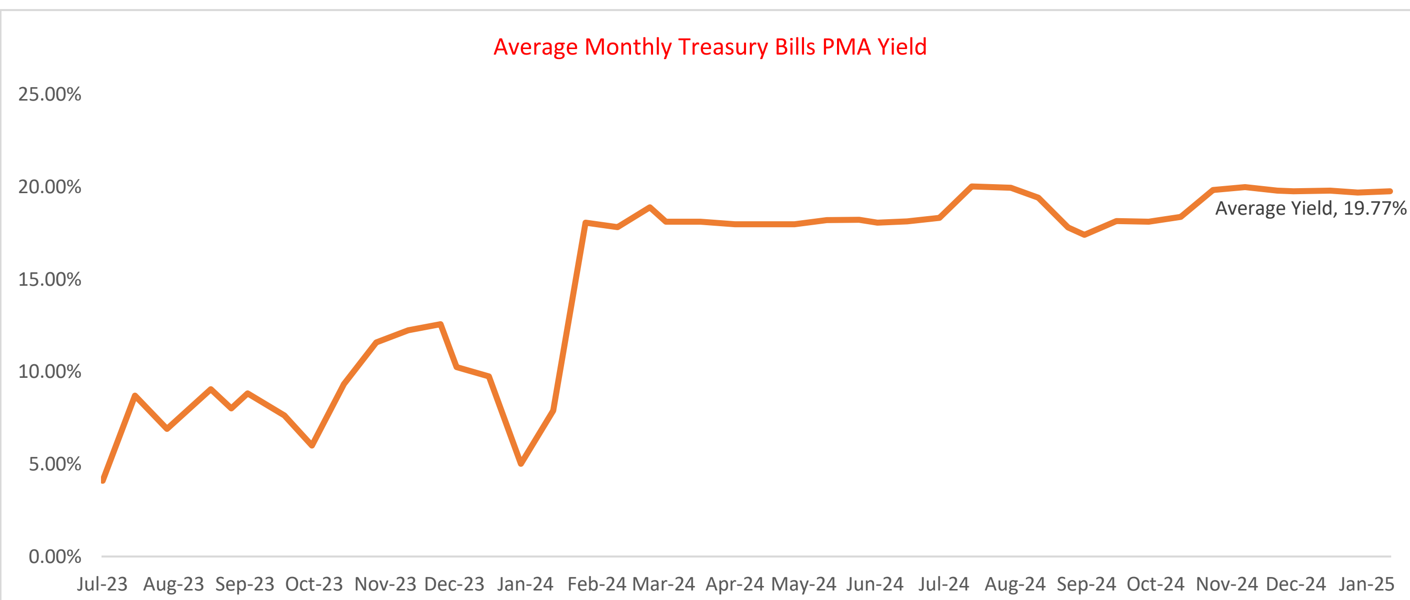
System liquidity in the money market declined further in January 2025, deepening from a deficit of N236.3 billion in December to a negative N307.5 billion. The decline was largely driven by FAAC allocations of N1.42 trillion, which reduced banks' immediate borrowing needs, alongside the Central Bank of Nigeria's (CBN) N500 billion Open Market Operation (OMO) auction at the beginning of the month.

As a result, key monetary rates increased, with the Open Repo Rate (OPR) and Overnight (OVN) rate climbing 1.8% each month-on-month to 29.1% and 29.6%, respectively. In the primary market, the CBN conducted an OMO auction offering N500.0 billion, which was significantly oversubscribed by N1.1 trillion. The stop rates for the 350-day and 364-day bills stood at 23.8% each.

The CBN also conducted its first Treasury Bills (T-bills) auction of the year, with investors displaying strong appetite, submitting bids worth N2.5 trillion against the N530.0 billion offer. This resulted in a bid-to-offer ratio of 4.8x, highlighting sustained demand for risk-free instruments. The Debt Management Office (DMO) issued T-bills across three maturities—91-day, 182-day, and 364-day tenors—with the longest maturity attracting the highest level of interest.

Despite the overwhelming demand, the DMO allotted N756 billion in total, with yields remaining mostly stable. Investor preference for longer-dated instruments continues to be influenced by the need to lock in current high yields amid uncertainty surrounding the future direction of monetary policy, particularly following the Consumer Price Index (CPI) reconstitution exercise.

In the secondary market, the average yield on T-bills contracted by 2.5% month-on-month to 23.5%, reflecting heightened buy interest across the short-, mid-, and long-end of the yield curve. Yields declined by 4.4%age points, 2.5%age points, and 0.7%age points to settle at 22.0%, 22.6%, and 25.9%, respectively.



Source: CBN Auctions, Cowry Research

Bullish Sentiment Drives Nigeria's Eurobond Market as Yields Decline, Sell-Pressure Dominates Local Bonds…..

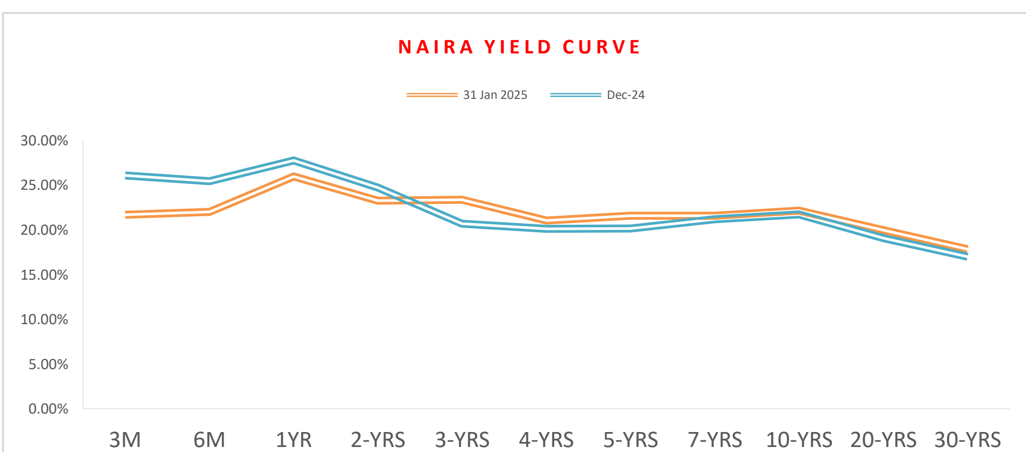
Conversely, the Federal Government of Nigeria (FGN) bond market witnessed a bearish performance, with significant sell pressure across all tenors. Yields on short- and long-dated bonds surged by 98 basis points and 92 basis points month-on-month, respectively, while mid-tenor bonds recorded a 49 basis-point increase. The bearish sentiment was driven by sell-offs on JAN-26, MAR-35, and MAR-36 bonds, pushing the overall average yield up by 81 basis points to 20.3 %.

The DMO opened the year's bond auction with a N450.0 billion offer, reopening the APR-2029 and FEB-2031 bonds while introducing a fresh issuance for the JAN-2035 bond. At the close of the auction, the CBN allotted N78.9 billion, N159.3 billion, and N368.3 billion on the APR-2029, FEB-2031, and JAN-2035 bonds, respectively, bringing the total amount raised to N606.5 billion.

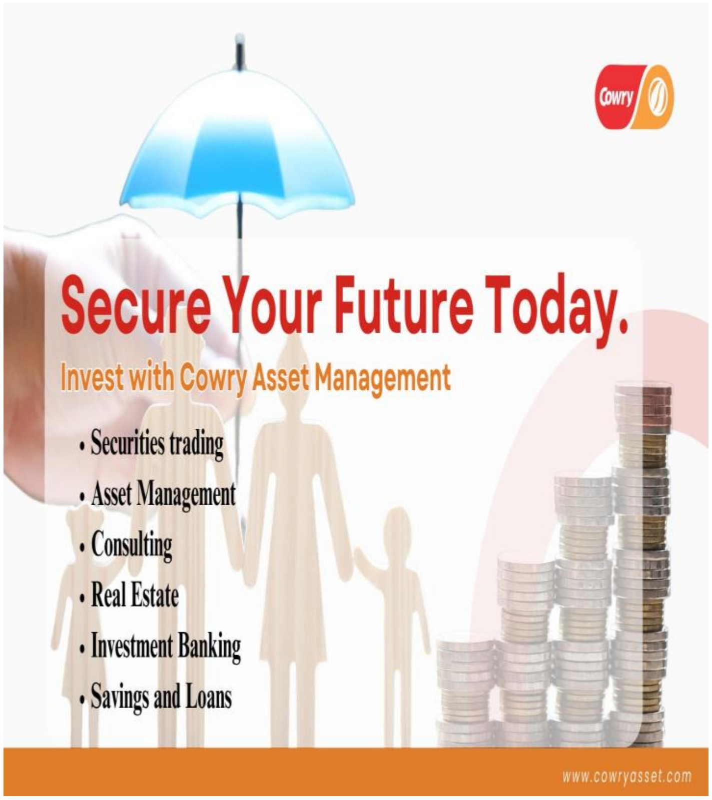
However, the bid-to-cover ratio weakened to 1.1x from the previous 1.3x, reflecting a slight decline in investor enthusiasm. The marginal rates on APR-2029 and FEB-2031 bonds increased by 70 basis points and 50 basis points to 21.8% and 22.5%, respectively, while the new JAN-2035 bond was issued at a marginal rate of 22.6%. As a result, the average stop rate across the board rose by 75 basis points to 22.3%.

The Eurobond market experienced a bullish performance in the month, with strong buy interest across all tenors. Yields on short- and long-dated maturities declined by 223 basis points (bps) and 83 bps, respectively, while mid-tenor yields dropped by 127 bps. The rally was largely driven by demand for the NOV-25, FEB-32, and SEP-51 maturities, which contributed to a 36 bps decline in the average yield, bringing it down to 9.32% from 9.68%.

FGN Eurobonds	Issue Date	TTM (years)	31-Jan-25 Price (N)	Monthly USD Δ	31-Jan-25 Yield	Monthly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.81	100.22	0.92	7.3%	-1.12
6.50 NOV 28, 2027	28-Nov-17	2.82	95.87	1.23	8.2%	-0.46
6.125 SEP 28, 2028	28-Sep-21	3.66	91.93	1.44	8.7%	-0.43
8.375 MAR 24, 2029	24-Mar-22	4.15	97.67	0.80	9.1%	-0.22
7.143 FEB 23, 2030	23-Feb-18	5.07	91.75	1.39	9.2%	-0.34
8.747 JAN 21, 2031	21-Nov-18	5.98	97.56	1.56	9.3%	-0.34
7.875 16-FEB-2032	16-Feb-17	7.05	91.51	1.73	9.6%	-0.35
7.375 SEP 28, 2033	28-Sep-21	8.66	86.64	1.31	9.7%	-0.23
7.696 FEB 23, 2038	23-Feb-18	13.07	82.81	1.40	10.1%	-0.22
7.625 NOV 28, 2047	28-Nov-17	22.84	77.65	1.54	10.2%	-0.21
9.248 JAN 21, 2049	21-Nov-18	23.99	91.86	1.50	10.2%	-0.18
8.25 SEP 28, 2051	28-Sep-21	26.67	81.15	1.65	10.3%	-0.22
					9.32%	



Source: FMDQ, DMO, Cowry Research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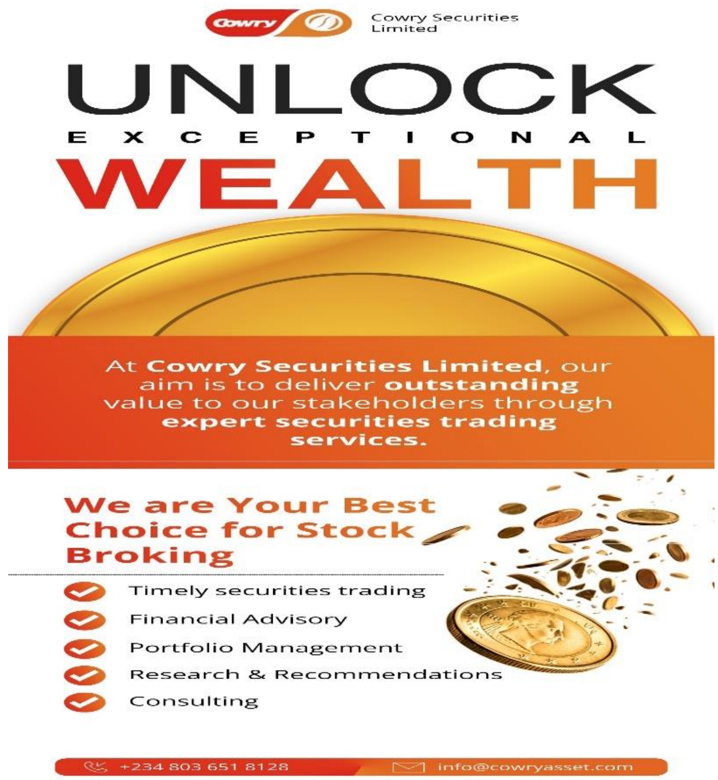
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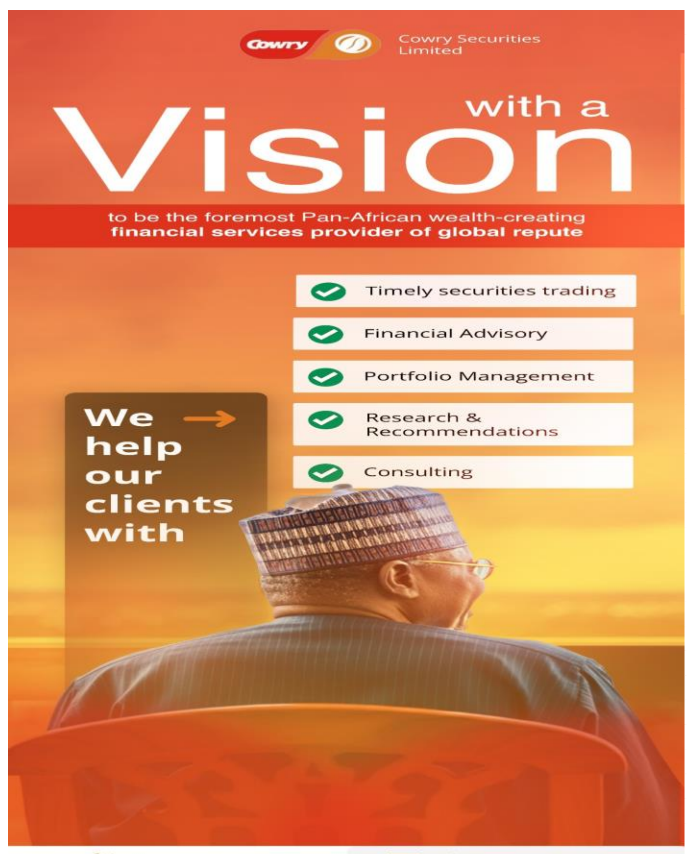
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