



PARTHIAN  
SECURITIES

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# Equity Market Wrap

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5th January 2024

# Global Update

- Early assessments conducted by S&P Global indicate that the Composite PMI for the United States (US) pointed to a more robust performance at the conclusion of 2023, experiencing a slight uptick to 51.0% in December, compared to the 50.7% recorded in November. It's noteworthy that this improved figure suggests a sustained positive trend in the services sector, despite a further decline in manufacturing activities. Upon closer examination, the Services PMI reached a five-month peak at 51.3%, exceeding the 50.8% observed in November. This uptick was propelled by a substantial rise in new orders, fostering growth in output. Meanwhile, metrics for factory activities, as assessed by the Manufacturing PMI, decelerated by 47.9% in December, down from the 49.4% recorded in November. This slowdown underscores weakened operational conditions attributed to softer domestic and external demand.
- The US December Payroll report revealed an addition of 216,000 jobs for the month, maintaining the unemployment rate at 3.7%, in contrast to the anticipated figures of 170,000 jobs and a 3.8% unemployment rate. The increase in hiring stemmed from a boost of 52,000 government jobs and an additional 38,000 positions in healthcare-related sectors like ambulatory healthcare services and hospitals. Average hourly earnings experienced a 0.4% monthly increase, surpassing the expected 0.3%, with a year-on-year growth of 4.1%, exceeding the projected 3.9%.
- According to recent Eurostat data, consumer prices in the Euro Area rose by 2.9% YoY in December 2023, bouncing back from seven months of slowdown of 2.4% in November 2023. The increase is linked to higher energy prices after the German and French governments removed energy subsidies that had previously kept prices lower. This led to a less severe decline in energy costs (-6.7% y/y vs November: -11.5% y/y), coupled with slower price growth for food, alcohol, and tobacco (+6.1% y/y vs November: +6.9% y/y) and non-energy industrial goods (+2.5% y/y vs November: +2.9% y/y). On a monthly basis, consumer prices went up by 0.2% in December (November: -0.6% m/m).

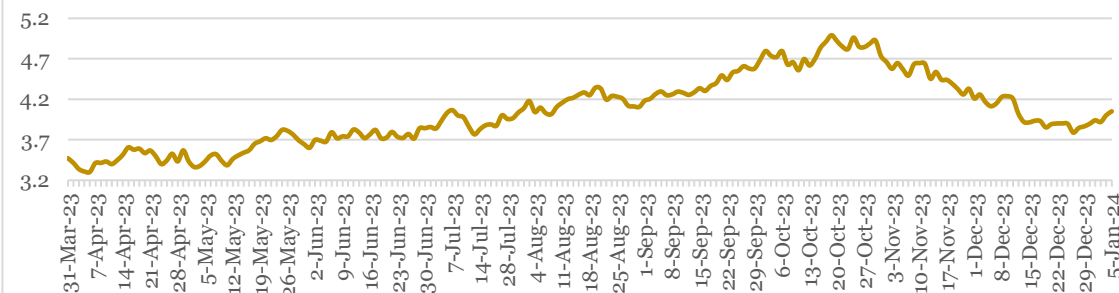
## Things to Watch in the Markets This week

- **Inflation data:** The U.S. is to publish the latest consumer price index figures on Thursday, followed a day later by the report on producer prices.

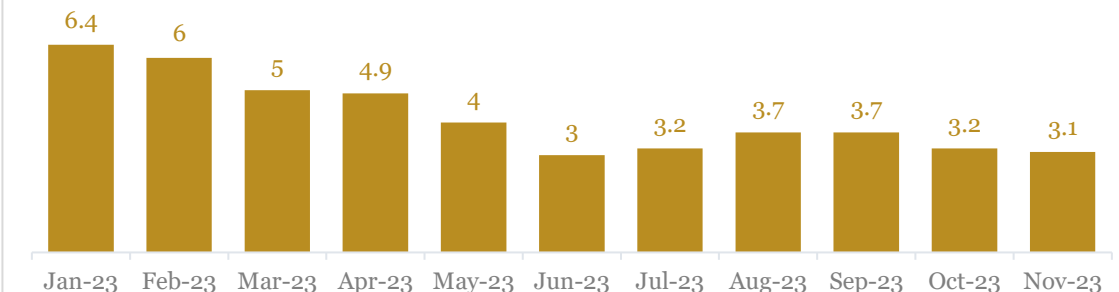
## Global Economic Data

	Current	Previous	Change
US GDP	4.90% (Q3-2023)	2.10% (Q2-2023)	2.80%
US Interest Rate	5.25% - 5.50% (Dec 2023)	5.25% - 5.50% (Nov. 2023)	0.00%
US Inflation	3.10% (Nov. 2023)	3.20% (Oct. 2023)	-0.10%
China GDP	4.90% (Q3-2023)	6.30% (Q2-2023)	1.40%
China Interest Rate	3.45%	3.45%	0.00%
China Inflation	-0.50% (Nov. 2023)	-0.20% (Oct. 2023)	-0.30%
US 10 Year Bond Yield	3.56%	3.88%	0.32%

## US 10 Year Bond Yields (%)



## US Inflation in 2023

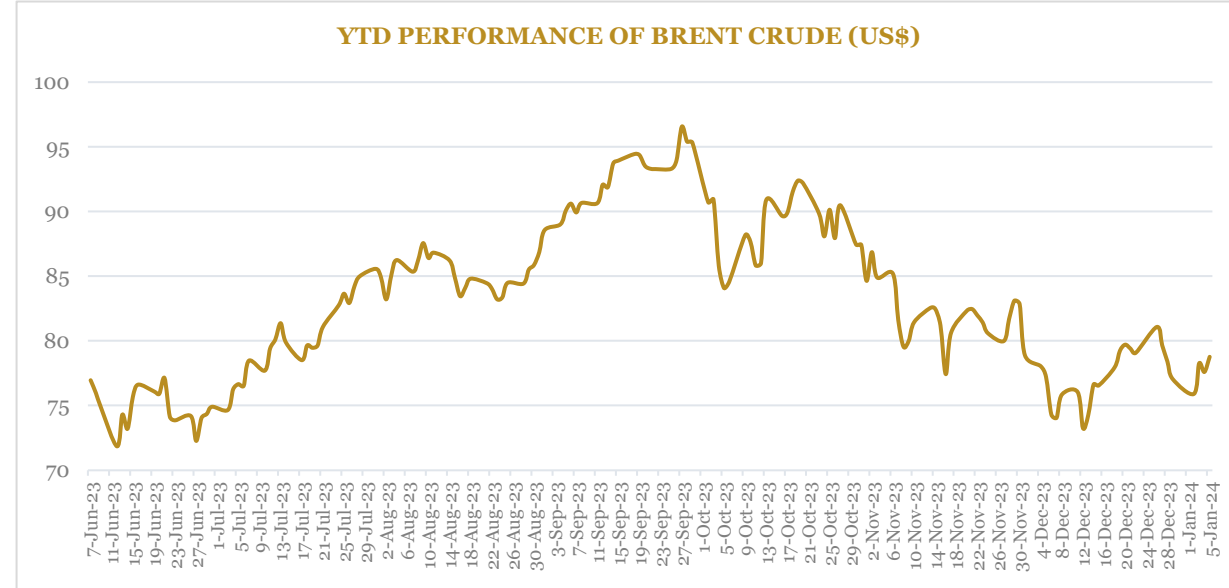


# Crude Oil

- Oil prices went up at the beginning of the new year due to rising tensions in the Middle East. The situation escalated when the US Navy took action against three Houthi boats, and Maersk, a major shipping company, halted passage through the waterway due to an attack by Houthi rebels on one of its vessels.
- On a week-on-week basis, Brent Crude Oil price increased by **2.23%** to settle at US\$78.76/b while the US Crude Oil (WTI) also further appreciated by **3.01%** to close at US\$73.81/b.

## Implications on Nigeria

- The current crude oil prices are above the 2023 oil price benchmark price at \$75/barrel which is positive for Nigeria's trade balance and government revenue provided that our output also increases to the pre-pandemic levels of about 2 mbd.



Source: Investing.com, PSL Research

## Energy Commodity Data

	Current	Previous	Change
Brent Crude Price (\$)	78.76	77.04	2.23%
WTI Crude Price (\$)	73.81	71.65	3.01%



## Domestic Update

- President Bola Ahmed Tinubu has granted an extension to the 2023 supplementary budget, aligning its timeline with the 2024 capital component, and extending it until March 2024. This decision, confirmed by Speaker Tajudeen Abbas, includes Tinubu's approval of the N28.7 trillion 2024 appropriation bill. The extension allows for concurrent operation with the 2024 budget until March 31. The initial enactment of the N2.17 trillion 2023 supplementary budget in November had sparked controversy due to specific allocations. In an effort to address borrowing concerns, Tinubu has opted to securitize the N7.3 trillion Ways and Means debt balance, a move sanctioned by the National Assembly on December 30.
- According to the National Bureau of Statistics (NBS), capital inflow into Nigeria hit a record low in Q3-2023 declining by 43.6% to USD 654.65 million from the USD 1.54 billion recorded in Q2-2022. The decline is attributed to foreign investors' limited interest due to ongoing FX challenges, uncompetitive interest rates, and a lackluster economic outlook. Notable drops were seen in foreign portfolio investments (down 80.3% to USD 87.11 million), foreign direct investments (down 26.9% to USD 59.77 million), and other investments (down 20.2% to USD 507.77 million). Quarter-on-quarter, capital importation fell by 36.5%.
- In November, total transactions on the Nigerian stock market hit a four-month high, jumping by 34.1% to NGN300.67 billion from October's NGN220.94 billion. Domestic investors drove the increase, with domestic transactions rising by 22.2% to NGN229.30 billion (compared to NGN187.58 billion in October). Foreign transactions also surged by 113.9% to NGN71.37 billion, their highest since March 2020 (NGN110.22 billion), likely reflecting investor optimism about government reforms.

## Foreign Exchange Update

- Last week, Naira experienced a 3.0% appreciation, reaching ₦869.39/\$ at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- The Nigeria's foreign exchange reserves began the year with a positive accumulation, witnessing a week-on-week increase of USD 129.82 million. The gross reserve level rose to USD 33.04 billion as of January 3rd.

## Fixed Income Market

- Last week, positive sentiments prevailed in the Nigerian Treasury bills secondary market, buoyed by robust system liquidity that fueled demand. Consequently, the average yield in the segmented market contracted by 35 basis points, settling at 6.4%. Within market segments, the average yield in the NTB secondary market decreased by 34 basis points to 6.0%, while in the OMO segment, it contracted by 47 basis points, reaching 10.9%.
- Likewise, the FGN bonds market witnessed bullish sentiments, with market participants selectively opting for attractive instruments along the yield curve. Consequently, the average benchmark yield saw a decline of 39 basis points, settling at 14.15%.

## Equity Market

- The Nigeria stock market commenced the first trading week of 2024 with a jubilant start, witnessing gains on all trading sessions. Consequently, the NGX All-Share Index and Market Capitalization appreciated by 6.54% to close the week at 79,664.66 and ₦43.594 trillion, respectively.
- The market's positive performance was fueled by buy interest in blue-chip telecommunication and banking stocks such as MTNN, AIRTELAFRI, WEMA, GTCO, UBA and ACCESSCORP.
- Market breadth, a gauge of investor sentiment, showed an improvement, increasing to 1.4x from the previous week's 0.6x. This improvement was driven by 88 stocks recording gains, 17 experiencing losses, and 50 closing flat. Sectoral performance was also positive, with gains observed in the Insurance (14.08%), Banking (10.29%), Consumer Goods (4.40%), Industrial Goods (3.58%), and the Oil and Gas (3.00%) indices. Total volume traded declined by 9.30% while value traded appreciated by 28.38%, resulting in a total of 892.68 million units traded at ₦14.33 billion.
- We expect mixed sentiment at next week's trading session as some investors may start to take profit while bargain hunters position ahead of unaudited Q4-2023 numbers and dividend declarations.