



PARTHIAN  
SECURITIES

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# Equity Market Wrap

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12th January 2024

# Global Update

- In December 2023, the US Consumer Price Index (CPI) saw a 0.3% monthly increase, surpassing the anticipated 0.2%. Annually, the CPI rose by 3.4%, exceeding the projected 3.2%. In contrast, the December 2022 annual CPI gain was approximately 6.4%. The Core CPI, excluding volatile food and energy prices, also experienced a 0.3% monthly increase and a 3.9% rise from a year ago, slightly exceeding estimates. The year-over-year core reading is the lowest since May 2021. This increase is primarily attributed to a 0.5% monthly and 6.2% annual rise in shelter costs, contributing significantly to the overall inflation uptick.
- In a surprising turn of event, wholesale prices unexpectedly dropped in December 2023, signaling a positive trend for inflation, as reported by the US Labor Department on Friday. The Producer Price Index (PPI) fell by 0.1% for the month, ending 2023 with a 1% increase from the previous year, contrary to the expected 0.1% monthly gain. The core PPI, excluding food and energy, remained unchanged against the anticipated 0.2% increase. Excluding food, energy and trade services, core PPI remained flat, and for the full year, the final demand measure, excluding certain factors, rose by 2.5%, a slowdown from the 4.7% increase in 2022.
- China's economy is facing increasing deflationary pressures, with consumer prices declining for three straight months. In December 2023, headline inflation dropped by 0.3% year-on-year, an improvement from November's 0.5% decrease. This shift is attributed to stronger demand and a milder decline in pork prices. Food prices fell by 3.7% year-on-year in December compared to a 4.2% decrease recorded in November 2023, while non-food inflation increased by 0.5% year-on-year. On a month-on-month basis, headline inflation rose by 0.1% in December, a positive change from November's -0.5% decrease.

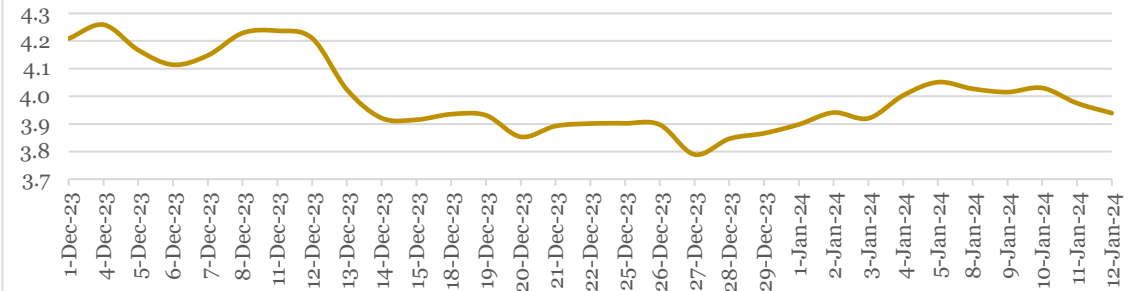
## Things to Watch in the Markets This week

- U.S. retail sales:** The U.S. is to publish its retail sales data Wednesday.
- China GDP:** China is to release full-year GDP figures on Wednesday which will show how close the world's second-largest economy got to realizing the official 5% growth target for 2023.

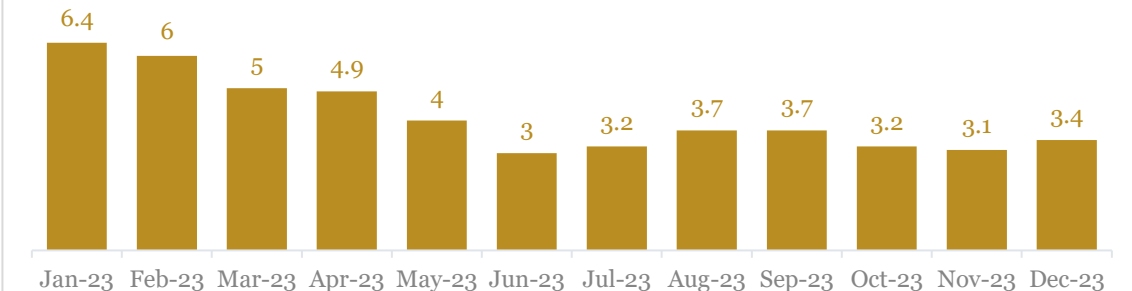
## Global Economic Data

	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	3.40% (Dec. 2023)	3.10% (Nov. 2023)	-0.30%
China GDP	4.90% (Q3-2023)	6.30% (Q2-2023)	1.40%
China Interest Rate	3.45%	3.45%	0.00%
China Inflation	-0.30% (Dec. 2023)	-0.50% (Nov. 2023)	0.20%
US 10 Year Bond Yield	3.56%	3.88%	0.32%

### US 10 Year Bond Yields (%)



### US Inflation in 2023 (%)

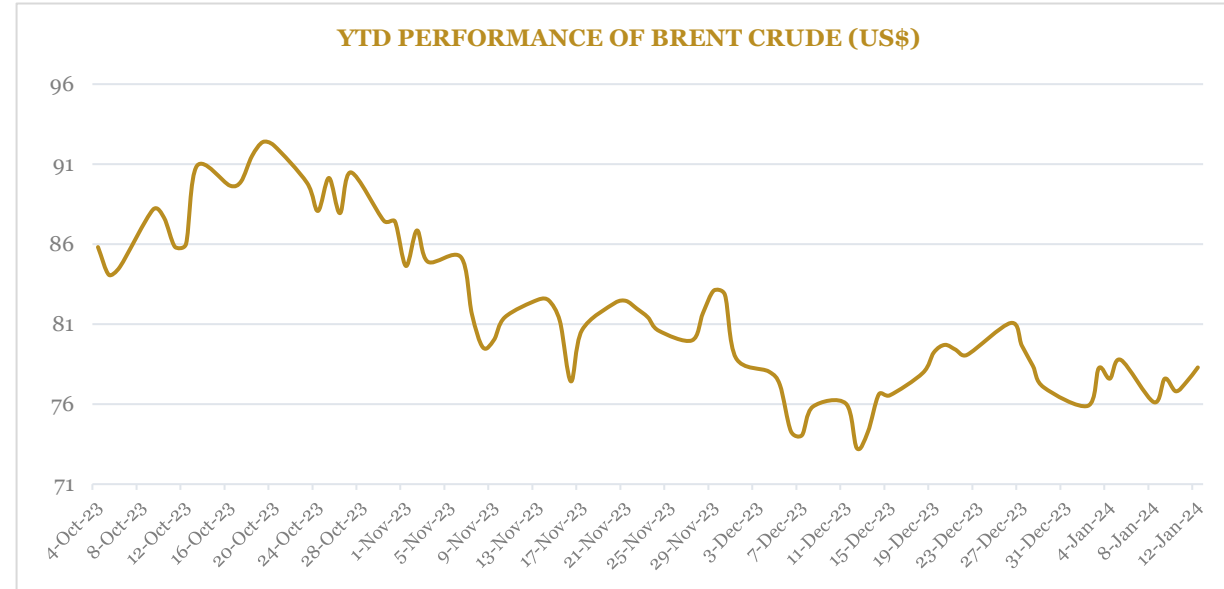


# Crude Oil

- On a week-on-week basis, Brent Crude Oil price declined by **0.59%** to settle at US\$78.29/b while the US Crude Oil (WTI) also further depreciated by **1.53%** to close at US\$72.68/b.
- Last week began with significant price reductions from leading exporter Saudi Arabia, coupled with an unexpected increase in U.S. crude stockpiles, raising concerns about oversupply. However, as of Friday Oil prices surged following a military intervention by the US and its allies targeting Houthi positions in Yemen, in response to the rebels' earlier attacks on merchant vessels. Analysts anticipate that if the conflict persists, Brent and WTI prices could surpass \$75 and \$80, respectively.

## 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 (\$)	78.29	78.76	0.59%
WTI Crude Price (\$)	72.68	73.81	1.53%



## Domestic Update

- The Central Bank of Nigeria (CBN) announced the allocation of \$61.64 million to foreign airlines through various Deposit Money Banks (DMBs) last week. Mrs. Hakama Sidi-Ali, the Acting Director of Corporate Communications in Abuja, revealed last Sunday that this disbursement is in line with the CBN's commitment to addressing the backlog of matured foreign exchange in DMBs. The initiative is part of the CBN's ongoing efforts to minimize its outstanding liability to airlines. Additionally, Sidi-Ali noted that over the last three months, the CBN has successfully cleared nearly \$2 billion in outstanding forward liabilities.
- On Thursday last week, the Federal Government stated that it opted for an N800 to the dollar exchange rate in the 2024 Appropriation Act, taking into consideration the average performance of naira. The decision aimed to avoid using a spot rate for the foreign exchange benchmark in the 2024 budget, mitigating potential eventualities and uncertainties. Atiku Bagudu, the Minister of Budget and National Planning, explained that initially, the FG had selected a projected exchange rate of N750 to the dollar for the 2024 budget. However, the National Assembly later adjusted it to N800 to the dollar. Bagudu emphasized the need for a cautious approach in budgeting, as relying on spot rates could be affected by sudden changes, such as fluctuations in oil prices or unforeseen incidents like a shipping channel blockage.
- Dangote refinery is to commence test runs after receiving its sixth 1 million barrel of crude cargo last week.
- Following the announcement from the Central Bank of Nigeria (CBN) regarding the dissolution of the Board and Management of three major banks — Union Bank, Keystone Bank, and Polaris Bank over concerns such as regulatory non-compliance, failures in corporate governance, and involvement in activities threatening financial stability, the CBN has unveiled the appointment of new executive officers for the three banks.

## Foreign Exchange Update

- Last week, Naira depreciated by 2.4%, reaching ₦890.54/\$ at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- The Nigeria's foreign exchange reserves continued its upward trajectory last week, registering a weekly increase of USD49.07 million and reaching a closing value of USD33.09 billion as of January 11, 2024.

## Fixed Income Market

- The Treasury bills market was bullish last week, with the average yield dropping by 247 basis points (bps) to 4.0%. The positive performance was influenced by lower yields at the Wednesday Primary Market Auction (PMA) and increased demand to fill unmet bids. At the Primary Market Auction (PMA), the Debt Management Office (DMO) offered and sold ₦56.56 billion across standard maturities, despite a total subscription of ₦1.14 trillion. Across the standard maturities, there was a decline of 456 bps, 578 bps, and 384 bps, settling at 2.44%, 4.22%, and 8.39%, respectively.
- The Central Bank of Nigeria (CBN) also announced an Open Market Operations (OMO) auction, offering ₦300 billion spread across the 97-day, 181-day, and 363-day tenors. The OMO auction attracted a total subscription of ₦414.20 billion, resulting in a total sale of ₦357.20 billion across the three tenors. Notably, there was an increase in stop rates for the 97-day, 181-day, and 363-day tenors, concluding at 10.50%, 14.00%, and 17.75%, respectively. Following the results, trades were executed on the newly issued OMO bill at 7.50% before bids retraced to as high as 11% levels. Week-on-Week the average benchmark yield fell by 283 bps to 2.89%.
- The FGN bonds secondary market witnessed bullish activities, driven by continued bargain hunting for instruments offering attractive yields. Consequently, the average yield decreased by 44bps to 13.3%.

## Equity Market

- The Nigerian stock market continued its positive momentum for the second consecutive week, with the NGX All-Share Index and Market Capitalization appreciating by 4.24% to close the week at 83,042.96 and ₦45.442 trillion respectively. Consequently, year-to-date return advanced by 11.06%. While profit-taking activities briefly dampened the positive trend in the middle of the week, robust rallies in Consumer Goods, Banking, and Industrial Goods stocks drove the market's pricing gauge to reach a historic high.
- Market breadth, a gauge of investor sentiment, showed an improvement, increasing to 2.83x from the previous week's 1.4x. This improvement was driven by 75 stocks recording gains, 23 experiencing losses, and 57 closing flat. Sectoral performance was mixed to positive, with gains observed in the Consumer Goods index (9.60%), Insurance index (7.63%), Banking index (5.10%), and Industrial Goods index (4.80%) while the Oil and Gas index experienced a downturn (1.61%).
- Total volume and value traded both declined by 32.72% and 36.51%, amounting to 600.63 million units and ₦9.10 billion, respectively. TRANSCORP emerged as the most traded stock with 653.26 million units, followed by FCMB with 360.64 million units and FIDELITYBK with 357.06 million units. In terms of top-valued equities for the week, UBA led at ₦9.67 billion, followed by ACCESSCORP at ₦9.32 billion, and TRANSCORP at ₦8.88 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.