



PARTHIAN
SECURITIES

A Trading License Holder of the Nigerian Exchange Limited

Equity Market Wrap

19th January 2024

Global Update

- According to China's National Bureau of Statistics, GDP for the final quarter of 2023 increased by 5.2%, below the 5.3% growth forecast in a Reuters poll. For the entire year, GDP growth also stood at 5.2%, a significant improvement from the 3% increase in 2022. However, the recovery proved more uncertain than anticipated, with a deepening property crisis, increasing deflationary risks, and subdued demand clouding the outlook for the coming year. Initial expectations of a robust post-COVID economic rebound in the world's second-largest economy faded as the year progressed due to weak consumer and business confidence, rising local government debts, and a global economic slowdown exerting substantial pressure on employment, activity, and investment.
- The UK's headline inflation, as reported by the Office for National Statistics (ONS), rose to 4.0% in December 2023, up from November's 3.9%, the first rise in 10 months. The unexpected uptick was driven by higher tobacco duty and seasonal airfare increases. Following the release of this data, Pounds strengthened, and yields on British government bonds saw an uptick. Meanwhile, interest rate futures suggested a roughly 60% probability of the BoE initiating rate cuts by mid-May.
- Kenya's finance minister and central bank governor have revealed plans to tap into international bond markets to tackle economic challenges, including addressing a \$2 billion Eurobond maturing in June. The country is grappling with declining reserves, currency weakness, and revenue issues. Despite securing \$941 million in IMF lending, Kenya faces a cautious evaluation from the IMF, which raises doubts about its ability to access the Eurobond market at a reasonable cost in 2024. The IMF underscores the high debt risk, with public debt reaching 73% of GDP, and notes growing social discontent due to a high cost of living. To address liquidity challenges, Kenya is engaging in discussions with the World Bank and exploring alternative financing options, including seeking support from multilateral lenders and pursuing a syndicated loan led by the Trade Development Bank.

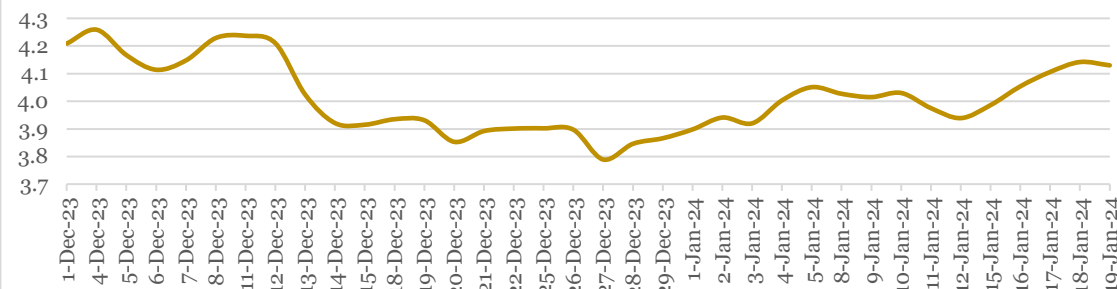
Things to Watch in the Markets This week

- **US data:** The U.S. is to publish its PMI and 2023 4th quarter GDP data on Wednesday and Thursday.

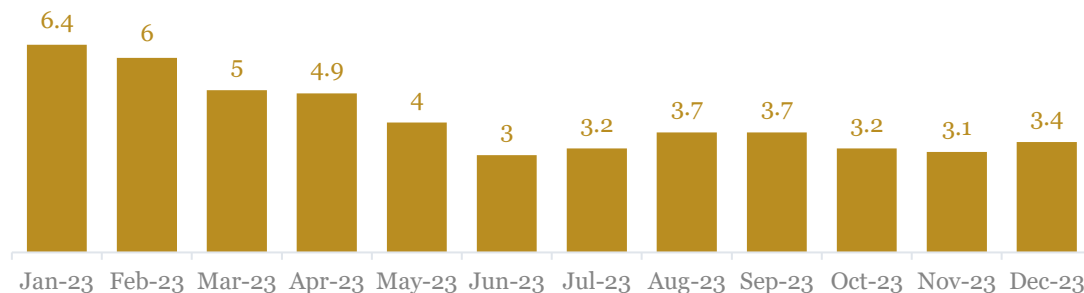
Global Economic Data

	Current	Previous	Change
US GDP	4.90% (Q3-2023)	4.10% (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	5.20% (Q4-2023)	4.90% (Q3-2023)	0.30%
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 (%)

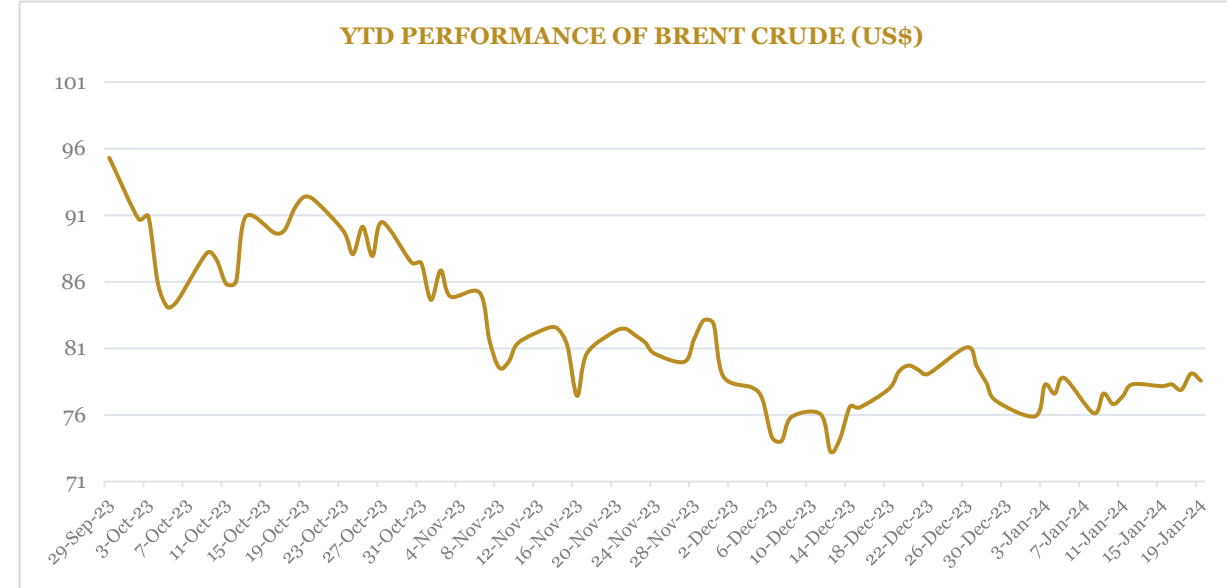


Crude Oil

- Oil prices ended the week on a positive note, buoyed by tensions in the Middle East and disruptions to oil output, which outweighed worries about the Chinese and global economies.
- On a week-on-week basis, Brent Crude Oil price inclined by **0.34%** to settle at US\$78.56/b while the US Crude Oil (WTI) also further appreciated by **0.78%** to close at US\$73.25/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 (\$)	78.56	78.29	0.34%
WTI Crude Price (\$)	73.25	72.68	0.78%



Domestic Update

- In December 2023, Nigeria's inflation rose to 28.92% from the previous month's 28.20%, marking the eleventh consecutive increase since February 2023. Compared to December 2022, there was a substantial year-on-year increase of 7.58%. On a month-on-month basis, December 2023's inflation rate reached 2.29%, exceeding November 2023 by 0.20%, indicating a higher rate of price increase. The increase in December was driven by currency challenges, higher energy prices, and increased food demand during the holiday season. As a result, food prices hit a 19-year high at 33.93% year-on-year, while non-food inflation rose to 23.07% year-on-year. On a month-on-month basis, December saw a 1.76% increase, the second consecutive monthly rise (up from 1.56% in November).
- Due to macroeconomic challenges, lending by banks to governments and the private sector dropped by 11% (N8.06 trillion), declining from N72.96 trillion in October 2023 to N64.9 trillion in November 2023, as revealed by the Central Bank of Nigeria's Money and Credit statistics. Lending to the government fell by 45% to N5.16 trillion, and credit to the private sector decreased by 6.03% to N59.74 trillion. This dip in the private sector credit marks the first decline in November, attributed to factors like double-digit inflation, a weakened Naira, increased operating expenses, and concerns about insecurity.

Foreign Exchange Update

- Last week, Naira depreciated by 1.3%, reaching ₦902.45/\$ at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- The Nigeria's foreign exchange (FX) reserves continued its upward trend last week, adding USD 82.42 million week-on-week to reach a closing balance of USD 33.20 billion as of January 16, 2024.

Fixed Income Market

- Last week, the Treasury bills market saw limited activity, with slight sell pressure noted on a few short-dated papers. Consequently, the average benchmark yield increased by 39 basis points, ending the week at 3.28.
- Similarly, the FGN bonds market witnessed a bearish trend throughout the week. As a result, the average benchmark yield closed the week at 13.94%, reflecting a 14 basis points increase week-on-week. This cautious bias is attributed to the underwhelming December 2023 inflation data released by the NBS last Monday.

Equity Market

- The positive trend in the Nigerian stock market persisted for the third consecutive week, with the NGX All-Share Index and Market Capitalization appreciating by 13.84% and 13.85% to close the week at 94,538.12 and ₦51.735 trillion respectively. Consequently, year-to-date return advanced by 26.43%.
- This positive momentum was fueled by strong investor interest in various stocks within the Industrial, Insurance, Oil & Gas, and Consumer Goods sectors such as DANGCEM, BUACEMENT, SEPLAT, WAPCO, TRANSCORP and DANGSUGAR.
- Investor sentiment, as indicated by market breadth, saw an uptick, rising to 5.06x compared to the previous week's 2.83x. This improvement was driven by 81 stocks recording gains, 58 registering losses, and 16 closing flat. Sectoral performance varied, with positive outcomes observed in the Industrial Goods index (46.88%), Insurance index (14.94%), Oil & Gas (8.82%), and Consumer Goods index (8.18%). Conversely, the Banking index faced a downturn (0.12%).
- The overall trading activity expanded significantly, with the total trading volume increasing by 40.60% week-on-week, reaching 844.49 million units. Concurrently, the total traded value saw a robust 65.36% week-on-week increase, totaling ₦15.044 billion. Leading the volumes were TRANSCORP, JAIZBANK, and AIICO, closing at 443.22 million units, 375.14 million units, and 274.20 million units, respectively. On the values chart, TRANSCORP, ZENITHBANK, and NASCON took the lead with closing values of ₦7.79 billion, ₦6.30 billion, and ₦5.99 billion, respectively.
- We expect mixed sentiment at next week's trading session.