



PARTHIAN
SECURITIES

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Equity Market Wrap

26th January 2024

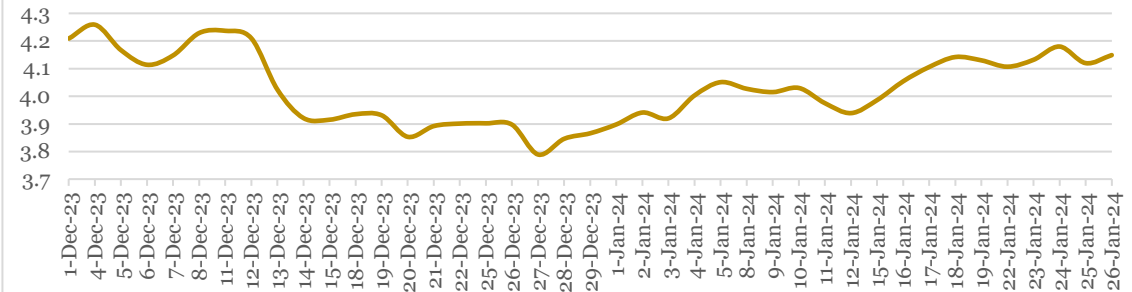
Global Update

- In the last quarter of 2023, the U.S. economy grew by 3.3%, surpassing expectations. This growth was driven by strong consumer spending, despite a slight slowdown in government spending. Non-residential investments increased, but residential investments grew at a slower pace. Overall, the economy expanded by 2.5% year-on-year in 2023, defying concerns about a recession amid elevated interest rates.
- In addition to the positive GDP growth, there was also progress on inflation. The core prices for Personal Consumption Expenditures (PCE), a metric favored by the Federal Reserve for gauging longer-term inflation, increased by 2% for the period. The headline inflation rate stood at 1.7%. Annually, the PCE price index rose by 2.7%, a decrease from the 5.9% reported a year ago. The core figure, excluding food and energy, saw a 3.2% annual increase, down from the 5.1% recorded previously.
- During the first policy meeting of 2024, the European Central Bank (ECB) decided to keep its key interest rates steady, as expected by the market. This marks the third consecutive meeting where rates remain unchanged: main refinancing operations at 4.5%, marginal lending facility at 4.75%, and deposit lending facility at 4.00%. The ECB aims to sustain these rates to reach its 2.0% medium-term inflation target. The committee will continue to base interest rate decisions on data, assessing economic and financial information, underlying inflation dynamics, and the effectiveness of monetary policy transmission.

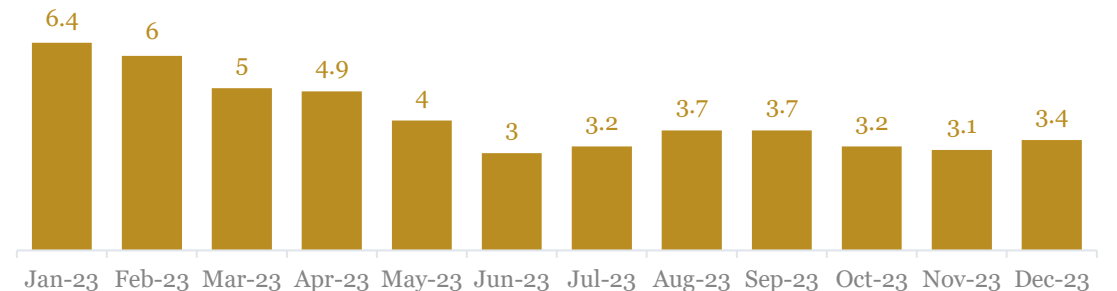
Global Economic Data

	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 (%)

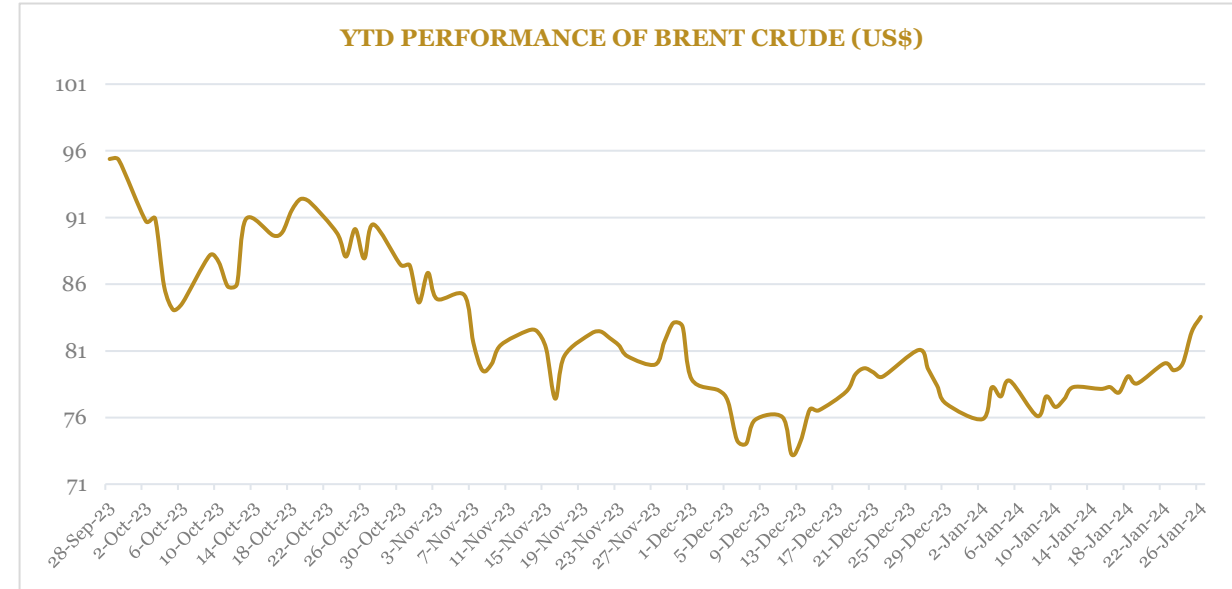


US Inflation in 2023 (%)



Crude Oil

- Oil prices climbed for the second week in a row, reaching their highest level in nearly two months on Friday. The surge was fueled by optimistic U.S. economic growth and indications of Chinese stimulus, which heightened expectations for increased demand. Additionally, concerns over Middle East supply provided further support to the rising oil prices.
- On a week-on-week basis, Brent Crude Oil price inclined by **6.35%** to settle at US\$83.55/b while the US Crude Oil (WTI) also further appreciated by **6.27%** to close at US\$78.01/b.



Source: Investing.com, PSL Research

Energy Commodity Data

	Current	Previous	Change
Brent Crude Price (\$)	83.55	78.56	6.35%
WTI Crude Price (\$)	78.01	73.41	6.27%



Domestic Update

- The Nigeria National Petroleum Corporation Limited (NNPCL) and the Ministry of Finance will now send all their dollar revenues to the Central Bank of Nigeria (CBN) to boost the nation's reserves and foreign exchange. The CBN governor, Olayemi Cardoso, announced this collaboration during a speech at the launch of the Nigerian Economic Summit Group's report for 2024. He expects stability in the foreign exchange market in 2024, thanks to reduced petroleum imports and the CBN's new exchange policy. The CBN is actively working to improve short, medium, and long-term FX liquidity and address the undervaluation of the naira. Efforts are underway to clear the backlog of FX transactions.
- The Nigerian government has allocated N200 billion to support Micro, Small, and Medium Enterprises (MSMEs) and manufacturing sectors, aiming to create jobs and boost economic growth. This was announced during a capacity-building event in Lokoja, Kogi State, by Nura Rimi, the Permanent Secretary of the Federal Ministry of Industry, Trade and Investment. The government also introduced the licensing of Business Development Service Providers (BDSPs) to standardize services. The event in Lokoja encouraged networking and collaboration among MSMEs, aligning with President Bola Tinubu's Renewed Hope Agenda, which emphasizes the importance of MSMEs in economic growth.
- According to the Nigerian Exchange (NGX) report, total transactions on the local bourse hit NGN3.56 trillion in 2023, up by 53.9% from NGN2.32 trillion in 2022. In December, transactions surged to NGN343.90 billion, a six-month high, rising by 14.4% from November's NGN300.67 billion. The increase was driven by a 29.1% rise in domestic transactions to NGN296.03 billion, largely led by institutional investors (+49.7%), while foreign transactions declined by 32.9% to NGN47.9 billion due to ongoing FX liquidity issues.

Foreign Exchange Update

- In the past week, Naira appreciated by 1.2%, reaching ₦891.90/\$ at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- The Nigeria's foreign exchange (FX) reserves saw further growth, with the gross reserves rising by USD 77.69 million week-on-week to reach USD 33.35 billion as of January 23rd.

Fixed Income Market

- Last week, the T-bills secondary market saw bearish activity as investors took profits across the curve. Consequently, the average yield for all instruments increased by 286 basis points to 7.0%. At last week's NTB auction, the central bank offered NGN231.82 billion in bills, and total subscription reached NGN1.09 trillion. The auction closed with the CBN allotting the full amounts at stop rates of 5.00% (91-day), 7.15% (182-day), and 11.54% (365-day).
- Last week, the bearish sentiment persisted in the FGN bonds market as investors took short positions ahead of the January 2024 bond auction. The average yield across different tenors rose by 23 basis points to 13.5%. Long-dated instruments saw the most significant increase, with a 39 basis points rise, while short and medium-dated instruments increased by 11 and 10 basis points, respectively, week-on-week.

Equity Market

- The equities market closed positive last week. The NGX All-Share Index and Market Capitalization appreciated by **8.32%** to close the week at a historic high of 102,401.88 and N56.038 trillion respectively.
- This positive performance was driven by investors' interest for DANGCEM, BUACEMENT and SEPLAT. Year-to-date return stood at 36.95%. Although the week closed positive, trading activity was down, with both total traded volume and value decreasing by 42.4% and 25.6%, respectively. The most actively traded stocks by volume included TRANSCORP with 273.5 million units, UBA with 178.8 million units, and ACCESSCORP with 128.9 million units. In terms of value, the leaders were UBA at ₦5.4 billion, DANGSUGAR at ₦5.1 billion, and TRANSCORP at ₦4.7 billion.
- With the exception of the Insurance and Banking indices, which both declined by **4.10%** and **1.63%**, respectively, all other indices closed higher for the week. The Industrial Goods, Oil & Gas and Consumer goods indices experienced gains of **23.20%**, **11.57%**, and **5.29%**, respectively.
- 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.