PARTHIAN SECURITIES

A Trading License Holder of the Nigerian Exchange Limited

Equity Market Wrap

2nd February 2024

Global Update

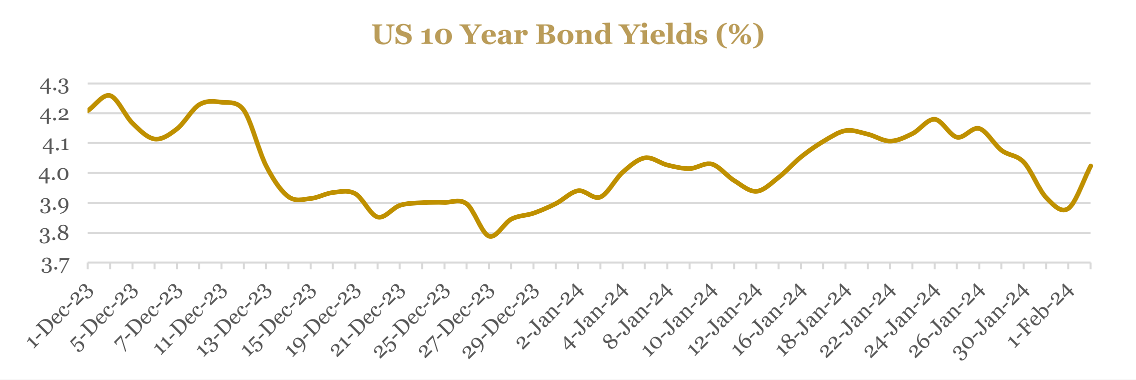
- Following the FOMC's two-day meeting, the US Federal Reserve announced last Wednesday that it would maintain benchmark interest rates at 5.25 to 5.50 percent for the fourth consecutive meeting, aligning with market expectations. Since March 2022, the Fed has increased rates eleven times to address soaring inflation. While inflation has moderated since then, doubts about a rate cut in March emerged from the latest policy statement. Fed Chair Jerome Powell stated that while interest rate hikes may be over, immediate rate cuts aren't guaranteed.

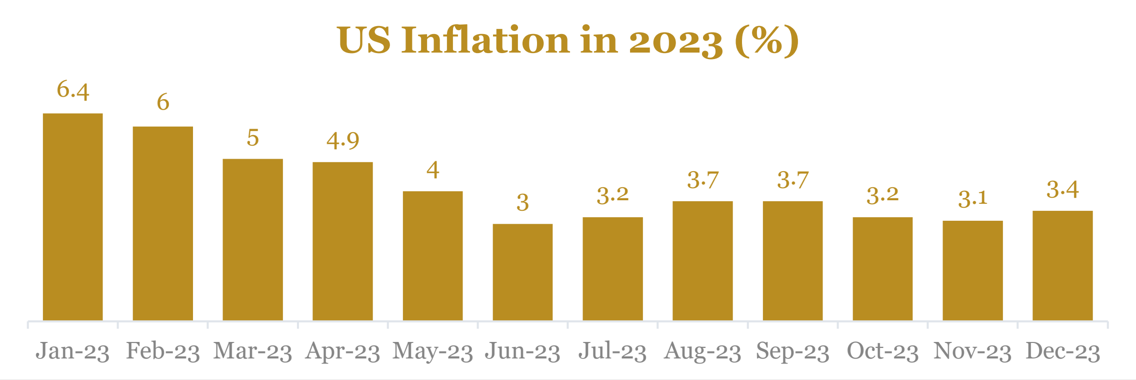
- The Bank of England's Monetary Policy Committee (MPC) voted 6-3 to keep the bank rate at 5.25%, marking the fourth consecutive meeting at this 16-year high level. The decision revealed a split within the Committee, with six members favoring no change, two advocating for a 25bps increase, and one supporting a 25bps rate cut. Looking ahead, the central bank expressed the view that monetary policy would stay restrictive for an extended period to counter the risk of inflation consistently surpassing the 2.0% target.

- Last week's key economic reports in the United States offered a comprehensive view of the nation's economic well-being. The Consumer Price Index (CPI) showed a 3.4% year-on-year increase in December, slightly higher than expected. The Employment Situation report highlighted a robust job market, with total nonfarm payroll employment increasing by 216,000 in December, surpassing the expected 177,000. The unemployment rate remained steady at 3.7%. In contrast, the Producer Price Index (PPI) saw a year-on-year decline in December, contrary to expectations of a slight increase. Additionally, the Productivity and Costs report revealed unexpected growth in U.S. worker productivity during the fourth quarter, outperforming projected rates.

Global Economic Data

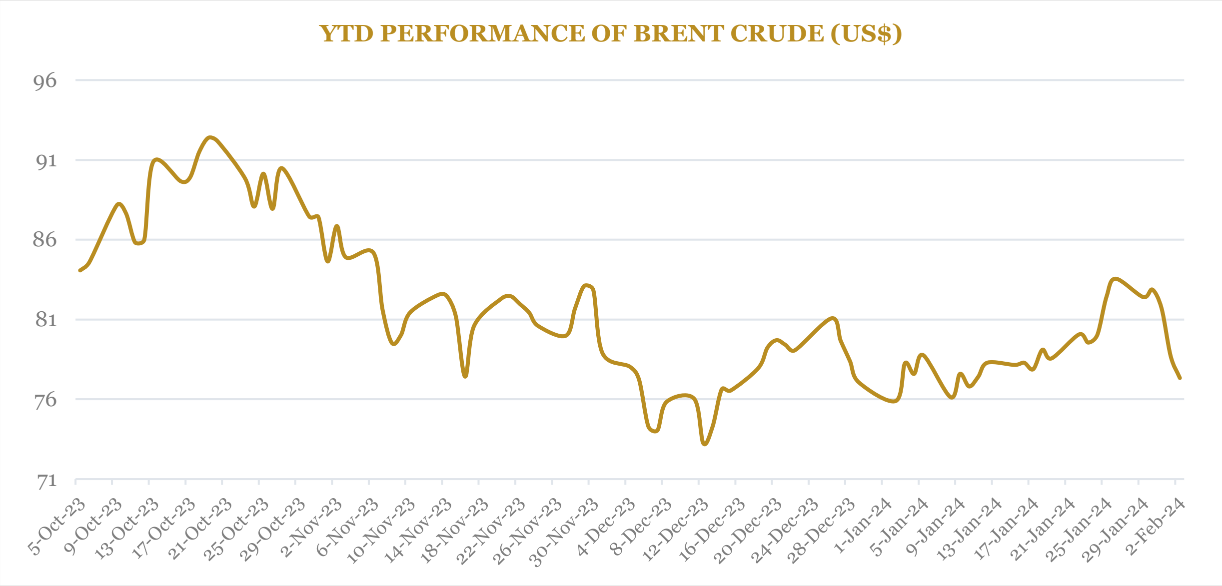
	Current	Previous	Change
US GDP	4.90% (Q3-2023)	4.10% (Q2-2023)	2.80%
US Interest Rate	5.25% - 5.50%(Jan .2023)	5.25% - 5.50% (Dec. 2023)	0.00%
US Inflation	3.40% (Dec. 2023)	3.10% (Nov. 2023)	-0.30%
China GDP	5.20% (Q4-2023)	4.90% (Q3-2023)	0.30%
China Interest Rate	3.45%	3.45%	0.00%
China Inflation	-0.30% (Dec. 2023)	-0.50% (Nov. 2023)	0.20%
US 10 Year Bond Yield	3.56%	3.88%	0.32%





Crude Oil

- Last Friday, oil prices experienced a 2% decline and recorded weekly losses due to U.S. jobs data, which diminished the likelihood of immediate interest rate cuts in the world's largest economy. This development raised concerns about a potential decrease in crude demand.
- Furthermore, concerns over slowing growth in China and the prospect of easing tensions in the Middle East contributed to the overall reduction in oil prices.
- On a week-on-week basis, Brent Crude Oil price declined by 7.44% to settle at US$77.33/b while the US Crude Oil (WTI) also further depreciated by 7.35% to close at US$72.28/b.



Source: Investing.com, PSL Research

Energy Commodity Data

	Current	Previous	Change
Brent Crude Price ($)	77.33	83.55	7.44%
WTI Crude Price ($)	72.28	78.01	7.35%

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Domestic Update

- In Nigeria, the official foreign exchange market experienced a significant devaluation of the Nigerian Naira against the US Dollar last week. The Naira hit a historic intraday low of 1,462.00/$ at the NAFEM window, nearing its parallel-market rate of approximately N1,500.00/$1. This decline followed the Central Bank of Nigeria's adjustment of the exchange rate methodology. Despite concerted efforts by both the Central Bank and the Federal Government to enhance liquidity in the foreign exchange market, the Naira continues to sharply depreciate.

- In response to these challenges, the Central Bank introduced a new policy regarding the Net Open Position (NOP) of banks. This policy mandates banks to ensure that the NOP limit of their overall foreign currency assets and liabilities remains within the range of "20% short or 0% long of shareholders' funds." The objective of this directive is to prudently manage foreign exchange risks, mitigate potential losses, and ensure precise and timely reporting by financial institutions.

- In January, business activities exhibited a notable surge as the Stanbic IBTC Purchasing Managers' Index climbed from 52.7 to 54.4. This upturn was propelled by increased new orders and output rates. The January PMI surge represented the most substantial growth in over a year, highlighted by a significant uptick in new business, the most considerable expansion since April 2022. All four key sectors surveyed demonstrated enhancements in output, underlining the broad-based nature of the positive trend.

Foreign Exchange Update

- The Naira experienced a depreciation of 37.9%, reaching NGN1,435.53/USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).

- Likewise, Nigeria's foreign exchange reserves halted their accumulation trend last week following five consecutive weeks of growth. The gross reserves decreased by USD18.03 million week-on-week, settling at USD33.35 billion as of January 30th.

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Fixed Income Market

- The Nigerian Treasury Bills secondary market witnessed bearish sentiments last week, driven by tight liquidity in the financial system, prompting sell-offs across the yield curve. Consequently, the average yield across all instruments rose by 269 basis points to reach 9.7%.

- At last week's OMO Primary Market Auction (PMA) saw the CBN offer NGN350.00 billion, attracting total bids of NGN533.80 billion. The CBN allotted all offered amounts at unchanged stop rates: 10.00% for the 92-day, 13.50% for the 183-day, and 17.00% for the 365-day bills.

- The FGN bonds secondary market experienced a bearish trend, with the average yield increasing by 66 basis points to 14.8%. The FGN bond market conducted an auction where the DMO offered ₦360 billion across the 27s, 29s, 33s, and 38s. However, ₦418.21 billion was sold, with the total subscription standing at ₦604.57 billion. The stop rate for the 27s closed at 15.00%, while other bonds remained at the same levels as the previous auction.

Equity Market

- Following a series of bearish performances last week, the stock market experienced a revival towards the end. This led to the NGX All-Share Index and Market Capitalization posting gains of 1.97% and 2.00%, concluding the week at 104,421.23 and ₦57.158 trillion, respectively.

- This positive momentum was fueled by heightened buying activity in DANGCEM and BUAFOODS, which counterbalanced losses in ZENITHBANK and UBA. Year-to-date return stood at 36.95%.

- Sectoral performance was mixed as the Industrial Goods index (6.36%), and Consumer Goods index (1.30%) recorded gains. On the flip side, the Banking index (4.52%), Insurance index (4.07%), and Oil & Gas index (2.47%) experienced a downturn.

- Further strengthening the upbeat market performance, both trading volume and value surged by 81.66% and 165.23% respectively, settling at 943.51 million units and ₦23.48 billion. FBNH emerged as the most actively traded stock by volume for the week, recording 383.87 million units, followed by TRANSCORP (320.54 million units) and UBA (256.88 million units). In terms of top-valued equities of the week, FBNH took the lead, with DANGCEM and ZENITHBANK following closely behind.

- We expect mixed to positive sentiment at next week's trading session on the back of bargain hunting activities