



PARTHIAN  
SECURITIES

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# Equity Market Wrap

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9th February 2024

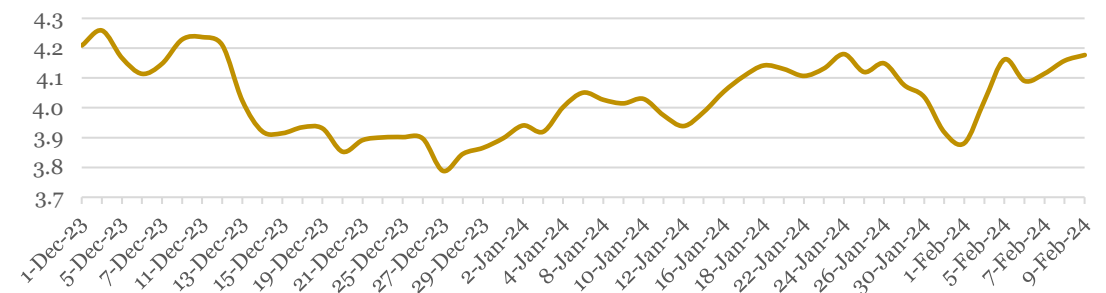
# Global Update

- In January, China experienced the sharpest decline in consumer prices in over 14 years, coupled with a drop in producer prices, intensifying the pressure on policymakers to take decisive actions to rejuvenate an economy grappling with waning confidence and looming deflationary risks. The second-largest global economy has been contending with a persistent decline in prices since the beginning of the previous year, prompting policymakers to implement interest rate cuts to stimulate growth. Despite the focus on curbing inflation in many developed economies, China's consumer price index (CPI) witnessed a 0.8% year-on-year decrease in January, following a 0.3% drop in December, as reported by the National Bureau of Statistics (NBS) last Thursday. The month-on-month CPI showed a 0.3% increase, up from a 0.1% uptick the preceding month.
- Australia's central bank kept interest rates steady, hinting at the possibility of future increases due to high inflation. The Reserve Bank of Australia (RBA) maintained rates at 4.35%, signaling a cautious approach to policy easing. Despite expectations for stability following a decrease in fourth-quarter inflation, the RBA remains uncertain about inflation reaching its 2%-3% target.
- The Bank of Ghana released the latest Ghana Petroleum Holding Fund (PHF) semi-annual report, showing that Ghana received over \$521 million in the second half of 2023, down from \$696.82 million in 2022. Revenue sources included crude oil liftings, corporate tax, surface rental, and interest on the Petroleum Fund account. Investments totaled \$1.23 billion, with allocations to the Ghana Stabilization Fund and the Ghana Heritage Fund. The Bank of Ghana oversees revenue receipt and disbursement, with 30 percent allocated to the Ghana Petroleum Funds and the remainder to the Annual Budget Funding Amount.

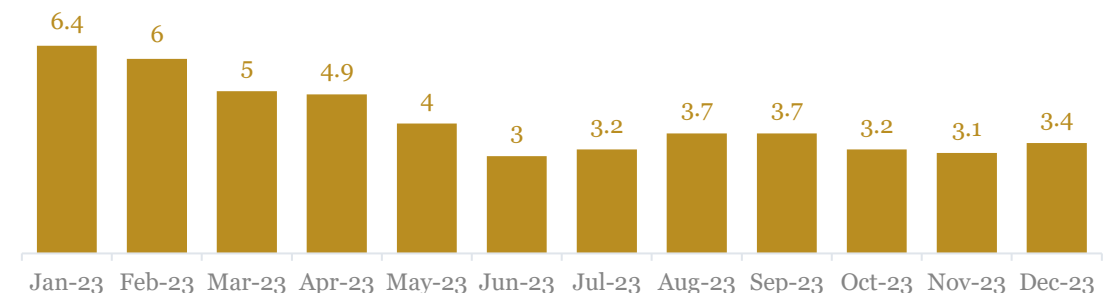
## Global Economic Data

	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%

### US 10 Year Bond Yields (%)

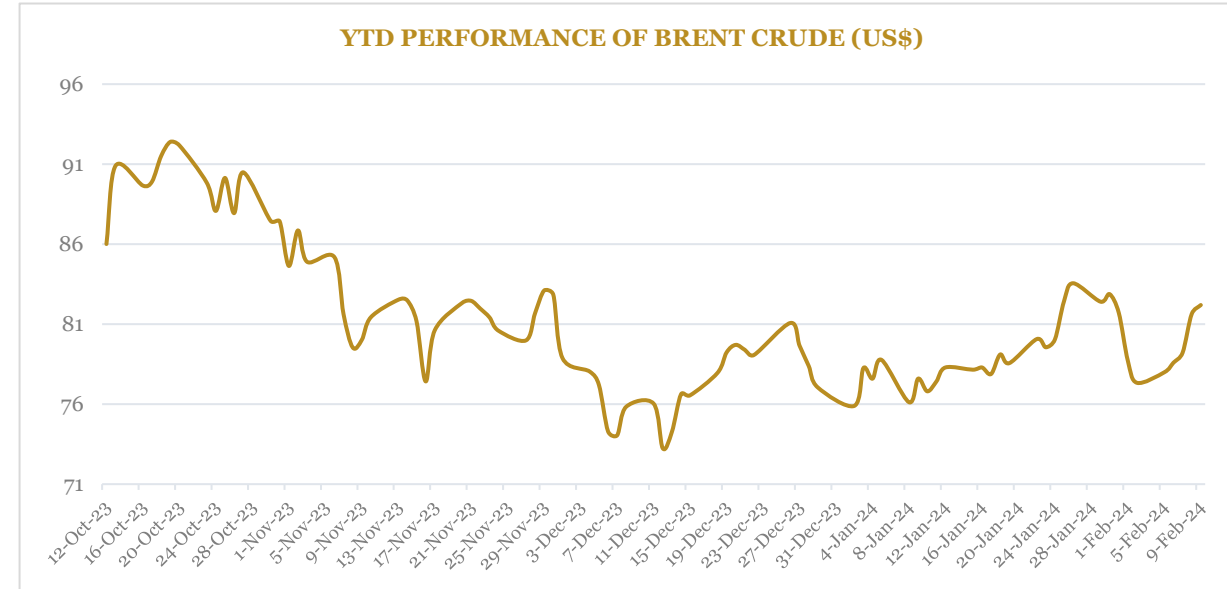


### US Inflation in 2023 (%)



# Crude Oil

- Oil prices recorded a weekly gain amid concerns about an expanding conflict in the Middle East, particularly after Israel turned down a ceasefire proposal from Hamas.
- On a week-on-week basis, Brent Crude Oil price increased by **6.28%** to settle at US\$82.19/b while the US Crude Oil (WTI) also further appreciated by **6.31%** to close at US\$76.84/b.



Source: Investing.com, PSL Research

## Energy Commodity Data

	Current	Previous	Change
Brent Crude Price (\$)	82.19	77.33	6.28%
WTI Crude Price (\$)	76.84	72.28	6.31%



## Domestic Update

- The Central Bank of Nigeria (CBN) has removed the  $\pm 2.5\%$  cap spread on interbank foreign exchange (FX) transactions and lifted restrictions on the sale of interbank proceeds. This change aims to promote a market-based price discovery system and emphasizes conducting FX transactions on a "Willing Buyer and Willing Seller" basis. It reflects a shift towards market liberalization and discontinues guidelines dating back to 2016 regarding the sale of inter-bank funds to Bureau-de-Change operators. Authorized dealers can now sell proceeds to BDC operators and other willing buyers outside the market.
- S&P Global has affirmed Nigeria's credit ratings at "B-/B" for foreign and local currency with a stable outlook. The agency also maintained Nigeria's national scale ratings at "ngBBB+/ngA-2". This decision reflects confidence in Nigeria's reform agenda despite challenges like below-potential oil production, inflation, and currency volatility. S&P Global cautioned that the rating could be lowered if certain risks materialize, including meeting commercial obligations, foreign exchange reserves, higher fiscal deficits, and market willingness to absorb local currency debt issuance.

## Foreign Exchange Update

- Last week, Naira depreciated by 2.3%, reaching ₦1,469.97/USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- Similarly, Nigeria's foreign exchange reserves continued to decline, with gross reserves decreasing by USD182.02 million week-on-week to settle at USD33.17 billion as of February 5, 2024.

## Fixed Income Market

- Bearish sentiments persisted in the Treasury bills secondary market last week. This was mainly influenced by the adjustment of the offer amount for the NTB auction, increasing from N417 billion to N1 trillion. The Debt Management Office (DMO) offered and allocated N1 trillion, with total subscriptions reaching N1.98 trillion. Stop rates for the 91-, 182-, and 364-day papers closed higher at 17.24%, 18.00%, and 19.00%, respectively, compared to the previous rates of 5.00%, 7.50%, and 11.54% at the last auction. Average benchmark yield surged by 512 basis points, concluding the week at 15.05%.
- The FGN Bonds market remained bearish through out last week, primarily influenced by the outcome of the NTB auction. As a result, the average benchmark yield closed at 15.51%, reflecting a 63 basis points increase compared to the previous week.

## Equity Market

- The Nigerian stock market saw its first week-on-week loss in 2024, leading to a **2.45%** decline in the NGX All-Share Index and a **2.49%** drop in Market Capitalization. The week concluded with the index at 101,858.37 points and the market capitalization at ₦55.735 trillion. Consequently, the year-to-date growth stood at 36.22%.
- This decline was driven by significant selloffs observed in DANGSUGAR, BUACEMENT, MTNN, and the banking stocks. Overall sector performance was underwhelming with all five indices losing. The Banking, Industrial Goods, Insurance, Oil & Gas and Consumer indices declined by **6.86%**, **4.16%**, **1.48%**, **0.40%** and **0.14%**, respectively.
- The trading volume fell by 69.88% week-on-week to 321.89 million units, while the traded value rose by 68.67% to ₦7.35 billion. FBNH, TRANSCORP, and JAIZBANK led in volume with 403.17 million units, 183.45 million units, and 146.17 million units, respectively. In terms of value, FBNH, GTCO, and UBA led with closing values of ₦10.73 billion, ₦4.11 billion, and ₦3.29 billion, respectively.
- We expect mixed to bearish sentiment at next week's trading session as investors might continue to trade with caution and likely reduce their exposure to equities in hopes of a sustained increase in fixed income yields.