PARTHIAN
SECURITIES
A Trading License Holder of the Nigerian Exchange Limited

Equity Market Wrap

16th February 2024

Global Update

- In January, UK inflation remained steady at 4% year-on-year, influenced by lower prices for furniture, household goods, and food. On a monthly basis, the consumer price index dropped to -0.6%, returning to negative territory after December's unexpected increase. The Office for National Statistics noted that higher charges for housing and household services, particularly in gas and electricity, contributed to the monthly increase, while lower prices in furniture, household goods, and food led to a decline. The core CPI, excluding volatile factors, reported an annual rate of 5.1%, slightly below the consensus estimate of 5.2%. On a monthly basis, core CPI decreased by -0.9%, surpassing the -0.8% forecast. Overall, the data reflects the mixed dynamics impacting inflation, with various sectors experiencing both upward and downward pressures.

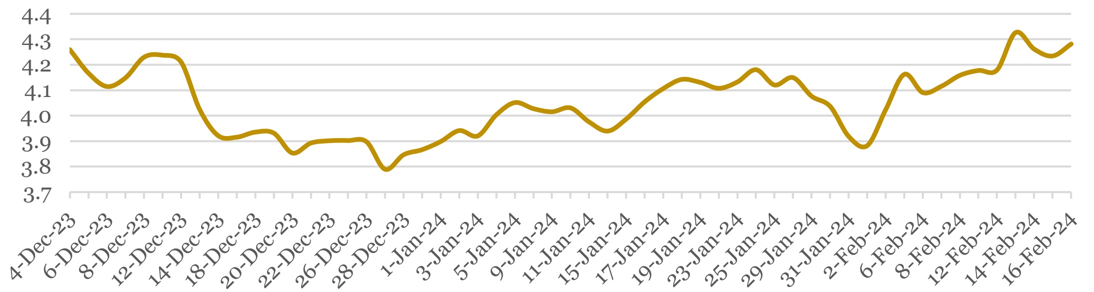
- The UK economy is officially in a recession, confirmed by the latest data from the Office for National Statistics (ONS). In the fourth quarter of 2023, Gross Domestic Product (GDP) shrank by 0.3%, following a 0.1% contraction in the previous quarter. This decline for two consecutive quarters meets the technical definition of a recession. Manufacturing, construction, and wholesale sectors saw significant downturns, contributing to the overall GDP drop. Sterling weakened against the dollar and euro. Investors anticipate a Bank of England (BoE) interest rate cut, and businesses seek more government support. While the UK now shares a recession status with Japan among the Group of Seven advanced economies, experts expect it to be short-lived and shallow. Canada's fourth-quarter GDP data is pending for comparison.

- According to the Bureau of Labor Statistics, headline inflation in the United States eased by 30 basis points to 3.1% year-on-year in January down from the 3.4% recorded in December 2023. The slowdown in consumer prices was primarily influenced by a decline in energy prices and a modest increase in food costs. On a month-on-month basis, headline inflation increased by 0.3% compared to December's 0.2%, driven by a rise in shelter costs. On the flip side, in January, wholesale prices in the U.S. surged more than expected, complicating the inflation outlook, according to a U.S. Department of Labor report. The producer price index (PPI) rose by 0.3% for the month, exceeding economists' forecast of a 0.1% increase. Excluding food and energy, core PPI increased by 0.5%, while PPI excluding food, energy, and trade services jumped by 0.6%, the largest one-month advance since January 2023.

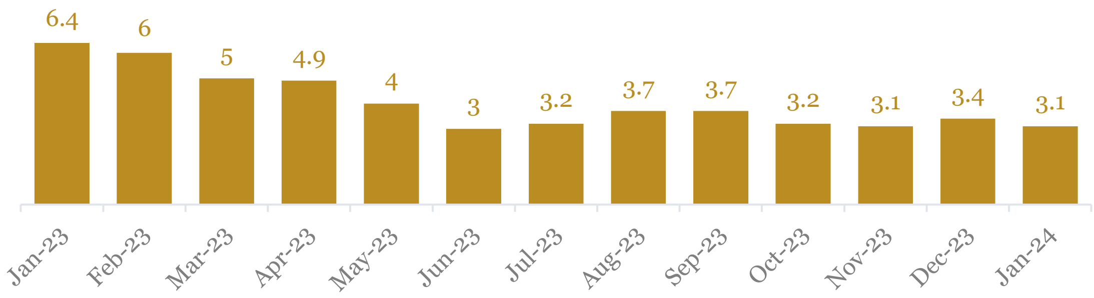
Global Economic Data

	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	**3.10%** (Jan. 2024)	**3.40%** (Dec. 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 (%)



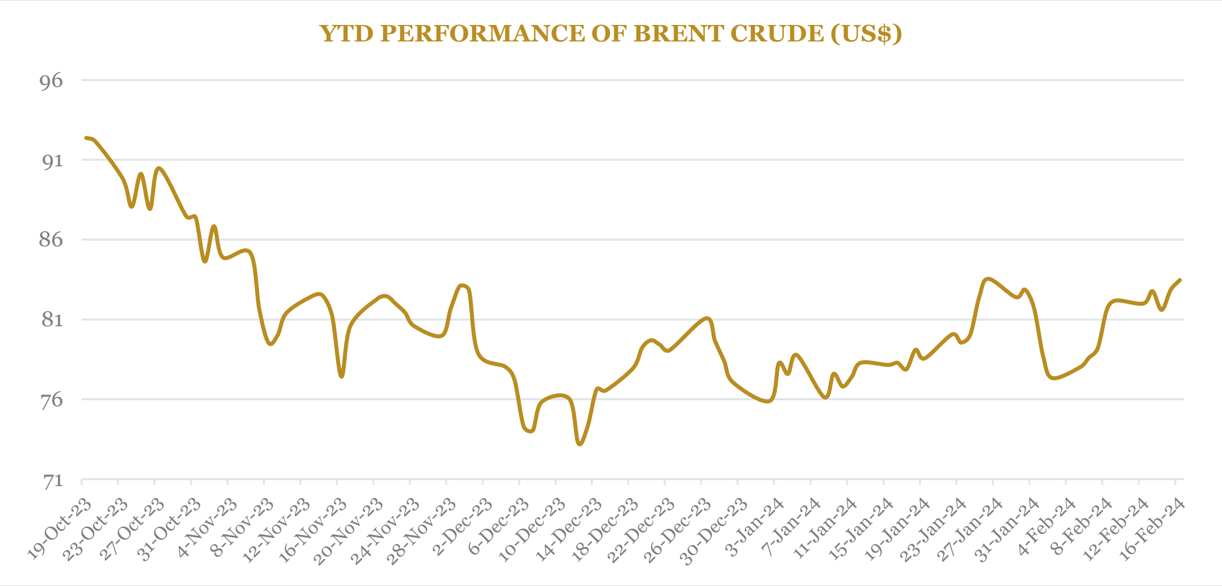
US Inflation in 2024 (%)



Crude Oil

- Crude oil prices ended the week on a positive note, registering an increase, driven by escalating tensions in the Middle East that are raising concerns about possible disruptions in the oil supply. This comes at a time when worries regarding the demand outlook remain high.

- On a week-on-week basis, Brent Crude Oil price increased by 1.56% to settle at US$83.47/b while the US Crude Oil (WTI) also further appreciated by 3.11% to close at US$79.19/b.



Source: Investing.com, PSL Research

Energy Commodity Data

	Current	Previous	Change
Brent Crude Price ($)	83.47	82.19	1.56%
WTI Crude Price ($)	79.19	76.84	3.11%

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Domestic Update

- In January, the Consumer Price Index (CPI) rose to 29.90%, up from 28.92% the previous month, according to the National Bureau of Statistics (NBS). Year-on-year headline inflation increased by 8.08%, compared to 21.82% in January 2023. The increase in consumer prices is attributed to several factors including persistent foreign exchange pressures, a significant gap between food demand and supply due to below-average harvests, and elevated diesel and gas prices, compounded by unfavorable base effects from the previous year. Consequently, both food inflation and core inflation rose to 35.41% and 23.59% respectively. Urban inflation rose to 31.95% year-on-year, compared to 22.55% in January 2023. On a month-on-month basis, the index increased by 0.30% to 2.72% in January, up from 2.42% in December.

- The Central Bank of Nigeria (CBN) has directed authorized banks to stop giving Personal Travel Allowance (PTA) and Business Travel Allowance (BTA) in cash. Instead, these allowances should be processed through electronic channels like debit or credit cards. The aim is to enhance transparency, stability, and compliance in the foreign exchange market while reducing forex malpractices. This change marks a significant shift in how travel-related foreign currency transactions are conducted.

- According to the Nigerian Upstream Regulatory Commission (NUPRC), crude oil production, including condensates, rose for the second straight month, reaching 1.64 million barrels per day in January, up by 5.9% from December 2023's 1.55 million barrels per day. This marks an 11.7% increase from the 2023 average. Production surged at terminals like Bonny, Qua Iboe, Forcados, and Escravos. The rise is attributed to government efforts to combat theft and vandalism. The NUPRC unveiled a three-year plan to increase production to 2.60 million barrels per day by 2026.

Foreign Exchange Update

- Last week, Naira depreciated by 4.4%, reaching ₦1,537.96/USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).

- Meanwhile, Nigeria's foreign exchange reserves saw a weekly gain, with the gross reserves rising by USD 96.05 million to reach USD 33.21 billion as of February 14th.

Fixed Income Market

- The Treasury bills secondary market concluded last week on a downturn. As a result, the average benchmark yield expanded by 9 bps, concluding the week at 16.0%. Despite this overall negative trend, it's worth mentioning that sentiments were predominantly positive throughout the week, with market participants selectively choosing instruments offering attractive yields.

- Similarly, the FGN Bonds market witnessed a bearish trend throughout last week, largely influenced by the outcomes of the recently released February bonds auction issuance circular. The Debt Management Office (DMO) intends to offer N2.5 trillion across two new maturities, namely 2031 and 2034. As a result, the average benchmark yield reached 16.17% at the end of the week, marking a 67-basis points increase on a week-over-week basis.

Equity Market

- The Nigerian equities market closed the week in positive with the NGX All-Share Index and Market Capitalization both appreciating by 3.79% to close the week at 105,722.78 and ₦57.850 trillion, respectively.

- This uptick was fueled by the increased buying interest seen in GEREGU, BUAFOODS, and AIRTELAFRI, bringing the year-to-date return growth to 41.39%.

- Overall sector performance was mixed with the Consumer goods, Oil & Gas and Insurance indices closing positive by 10.96%, 5.25% and 2.66% respective while, the Industrial Goods and Banking indices closed negative by 1,83% and 1.34%, respectively.

- The total trading volume increased by 6.41% week-on-week, reaching 342.52 million units, while the total traded value rose by 9.46% week-on-week, totaling ₦8.05 billion. FBNH, GTCO, and UBA dominated the volumes board, closing with total volumes of 1.48 billion units, 1.18 billion units, and 1.01 billion units, respectively. In the values chart, GEREGU, GTCO, and UBA led with total closing values of ₦2.09 billion, ₦3.88 billion, and ₦2.40 billion, respectively.

- This week we expect mixed to positive sentiment, particularly as we approach the earnings season. Additional earnings releases and potential dividend declarations are likely to act as catalysts for another wave of positive sentiment, encouraging increased buying activities on The Exchange.