PARTHIAN
SECURITIES
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Equity Market Wrap

23rd February 2024

Global Update

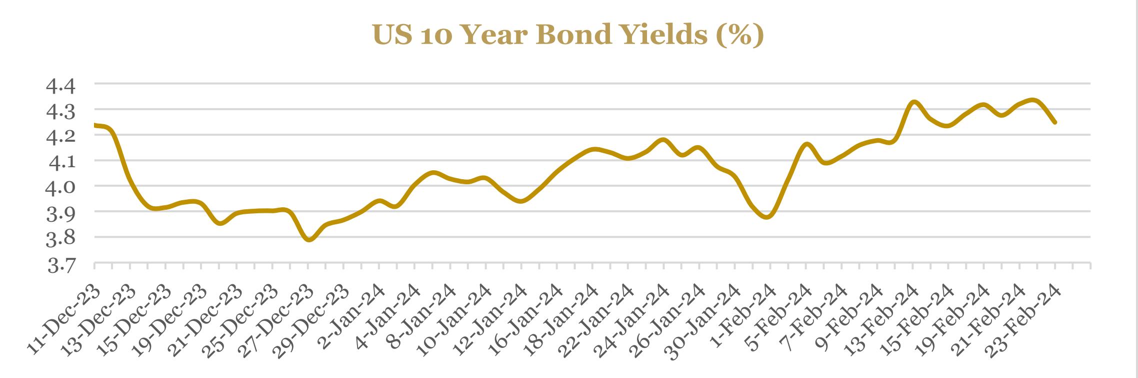
- The Federal Reserve's January meeting minutes revealed most policymakers are cautious about cutting interest rates too soon. They are uncertain about how long current borrowing costs will last and their impact on inflation. While some worry about keeping a restrictive policy too long, most are concerned about moving too quickly to ease policy. Recent strong job growth and higher-than-expected inflation make the decision on rate cuts challenging. Fed officials want more confidence in declining inflation before considering rate reductions. Despite inflation concerns, there are also worries about financial system vulnerabilities and uncertainty in reducing inflation. Investors expect rate cuts in June, and discussions on balance sheet policy are set for the March meeting. The mixed economic signals pose a challenge for the Fed, with risks of overly tight policy negatively affecting economic growth.

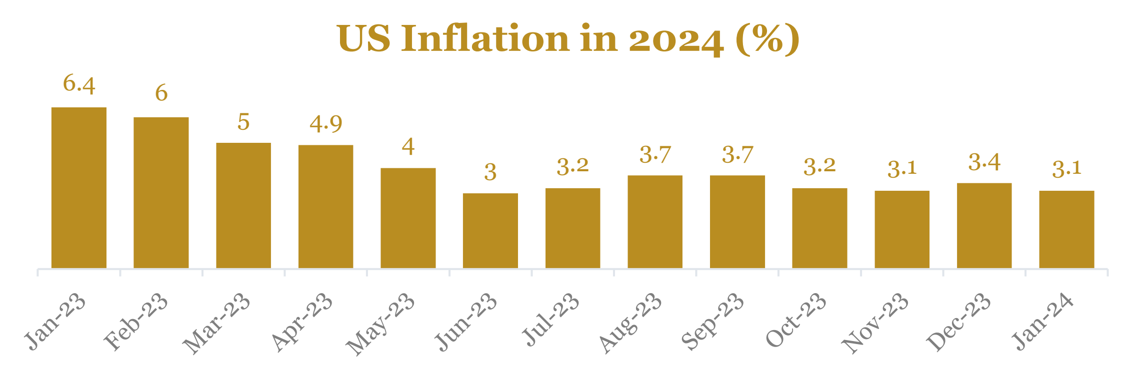
- During the February monetary policy meeting, the People's Bank of China (PBoC) opted to reduce the five-year loan prime rate by 25 basis points to 3.95%, marking a departure from the previous trend of keeping the rate unchanged for eight consecutive months at 4.20%. This decision is seen as a strategic move by the government to instill confidence in the economy, stimulate investment and consumption, and alleviate pressures in the real estate market. Concurrently, the central bank decided to maintain the one-year loan prime rate at 3.45%, defying market expectations of a decrease to 3.30%, marking the seventh consecutive month of stability in this rate.

- According to Eurostat's recent data, consumer prices in the Eurozone slightly eased to 2.80% year-on-year in January 2024, down from 2.90% in December 2023. Prices for food, alcohol, and tobacco moderated to their lowest level in 22 months, while core inflation continued its decline for the sixth consecutive month at 3.30% year-on-year. Energy prices saw a softer decline at -6.10% year-on-year. On a monthly basis, consumer prices contracted by 0.40% in January 2024 compared to a 0.20% increase in December 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	**3.95%**	**4.20%**	**0.25%**
China Inflation	**-0.30%** (Dec. 2023)	**-0.50%** (Nov. 2023)	**0.20%**
US 10 Year Bond Yield	**3.56%**	**3.88%**	**0.32%**

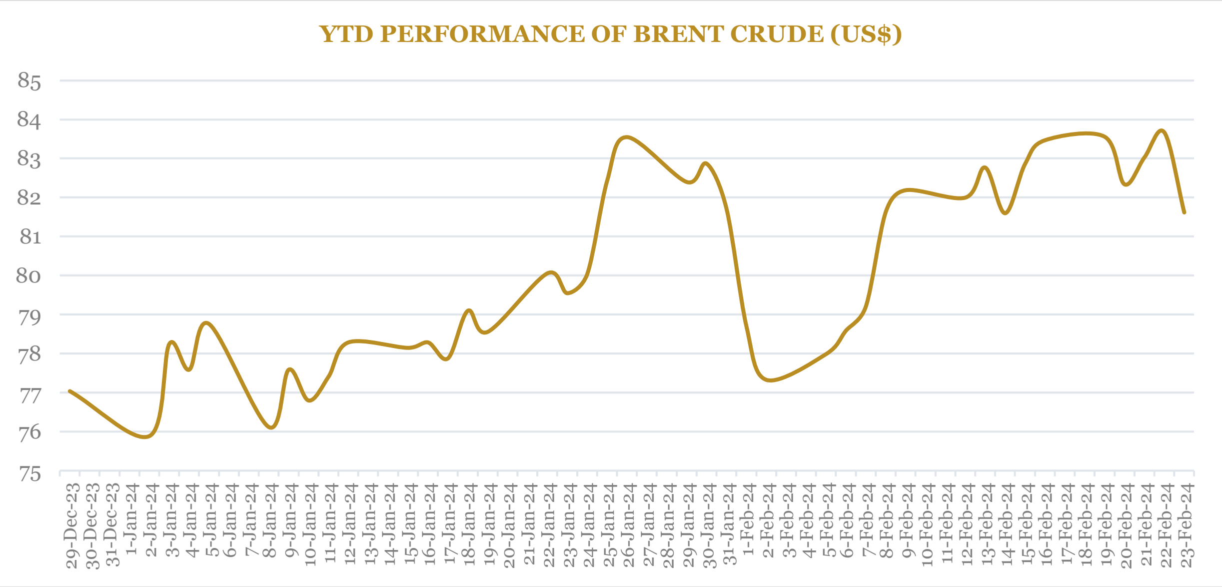




Crude Oil

- Crude oil prices ended the week in red, following remarks from a U.S. central bank policymaker suggesting that interest rate cuts might be postponed by at least two more months. However, signs of robust fuel demand and worries about supply could potentially boost prices in the upcoming days.

- On a week-on-week basis, Brent Crude Oil price decline by 2.22% to settle at US$81.62/b while the US Crude Oil (WTI) also further depreciated by 3.41% to close at US$76.49/b.



Source: Investing.com, PSL Research

Energy Commodity Data

	Current	Previous	Change
Brent Crude Price ($)	81.62	83.47	2.22%
WTI Crude Price ($)	76.49	79.19	3.41%

Domestic Update

- According to the latest data from the National Bureau of Statistics (NBS), the domestic economy sustained growth for the third consecutive quarter. In Q4-23, real GDP grew by 3.46% year-on-year, up from 2.54% in Q3-23. The oil sector notably rebounded with a 12.11% year-on-year growth, attributed to increased crude oil production volumes. The non-oil sector also expanded by 3.07% year-on-year, driven by growth in Finance & insurance, Agriculture, and Manufacturing sub-sectors. Overall, real GDP growth for 2023 settled at 2.74% year-on-year, compared to the 3.10% recorded in 2022.

- According to a report by the Central Bank of Nigeria (CBN), currency outside banks decreased slightly to N3.28 trillion in January 2024, accounting for 89% of the total N3.65 trillion in circulation. This contrasts with December 2023, where it comprised 94% of the total. Year-on-year, currency outside banks surged by 314% from N79 billion in January 2023 to N3.28 trillion in January 2024. Similarly, currency in circulation rose by 163% during the same period. Throughout 2023, both currency in circulation and outside banks experienced fluctuations, with the former peaking at N3.35 trillion in November and the latter at N3.08 trillion in the same month.

- Foreign investments in Nigeria's manufacturing sector rose to $1.5 billion in 2023 from $948 million in the previous year, according to the National Bureau of Statistics. Manufacturing led in attracting investments, with banking and finance sectors following. Overall, foreign investments in Nigeria decreased to $3.8 billion in 2023 from $5.4 billion in 2022. Other investments accounted for $2.37 billion, while portfolio investment and foreign direct investment were $1.1 billion and $377.3 million, respectively. Lagos State was the top destination with $2.5 billion, followed by Abuja at $1.1 billion, and Abia and Rivers States attracted $150 million and $6 million, respectively.

Foreign Exchange Update

- Last week, Naira depreciated by 7.7%, reaching ₦1,665.50/USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).

- Meanwhile, Nigeria's foreign exchange (FX) reserves continued to grow, with gross reserves increasing by USD151.79 million week-on-week to reach USD33.45 billion as of February 21st.

Fixed Income Market

- The Treasury bills secondary market saw continued bearish sentiment last week, primarily due to tight system liquidity. Consequently, the average yield across the market increased by 111 basis points to 16.84%. At last week's auction, a total of ₦265.50 billion was offered across standard maturities. The total subscription amounted to ₦2.26 trillion, with ₦1.58 trillion sold. Stop rates were set at 17.00% and 17.50% on the 91-day and 182-day bills, reflecting declines of 24 basis points and 50 basis points compared to previous auction levels, while the rate remained unchanged on the 364-day bill at 19.00%.

- Likewise, the FGN bonds secondary market concluded on a bearish tone, with average yield rising by 64 basis points to reach 16.82% week-on-week. The short-term, mid-term, and long-term segments of the benchmark curve all witnessed average yield increases. This was driven by sell pressures particularly on the MAR-2025, FEB-2031, and MAR-2036 bonds.

Equity Market

- The NGX All-Share Index declined by 3.44% last week, reversing the previous week's gain of 3.79%, and closing at 102,088.30 points. Consequently, year-to-date return stood at 36.53%. This sudden downturn was fueled by large sell-offs in heavyweight stocks like DANGCEM and MTNN.

- Overall sector performance was mixed with the Insurance, Industrial and Banking indices closing negative by 8.91%, 7.94% and 2.10% respectively. In contrast, the Consumer Goods and the Oil and Gas indices saw a positive advancement of 2.01%, and 0.01%, respectively.

- Adding to the market's bearish performance, both volume and value traded experienced a notable decline of 15.04% and 25.23% week-on-week, closing at 291.01 million units and ₦6.02 billion, respectively. GTCO emerged as the most traded stock by volume for the week, recording 122.42 million units, followed by FBNH with 112.32 million units and TRANSCORP with 108.85 million units. In terms of top-valued equities for the week, GTCO took the lead, accompanied by GEREGU and FBNH.

- This week, we expect mixed sentiment with a negative tilt as investors are likely to approach trading cautiously, given the uncertainties associated with the impending MPC meeting scheduled for 26 and 27 February.