PARTHIAN
SECURITIES

A Trading License Holder of the Nigerian Exchange Limited

Equity Market Wrap

01st March 2024

Global Update

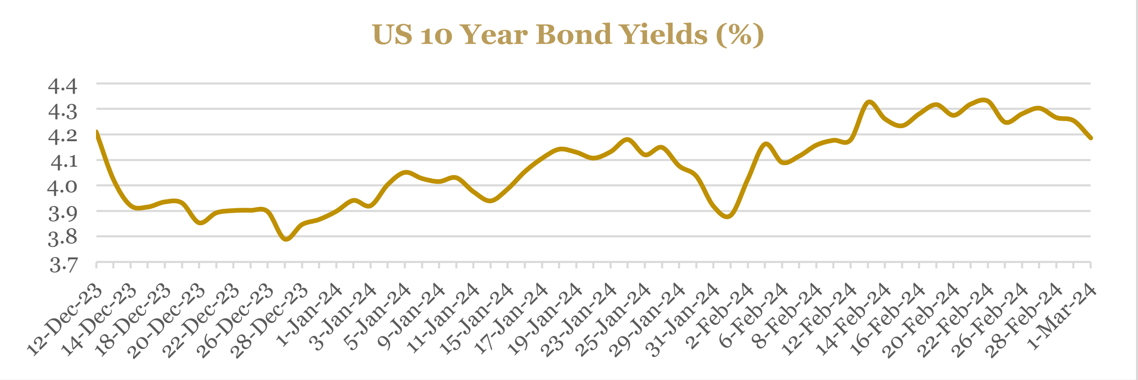
- In Q4, the U.S. economy expanded by 3.2% due to robust consumer spending, according to the Commerce Department. Despite a slight downgrade, the 2023 GDP growth stood at 2.5%. Consumer spending, accounting for 70% of economic activity, increased by 3%, and state/local government spending saw a rapid 5.4% growth, the quickest since 2019. Exports played a contributing role. Although inflation worries persist, the Fed's preferred measure eased to 1.8% in Q4. Looking ahead, the IMF forecasts a 2.1% growth in 2024, surpassing other advanced economies. However, the ISM reported a contraction in the U.S. manufacturing sector in February, sparking concerns about slowing demand. Talks about potential rate cuts by the Federal Reserve are ongoing.

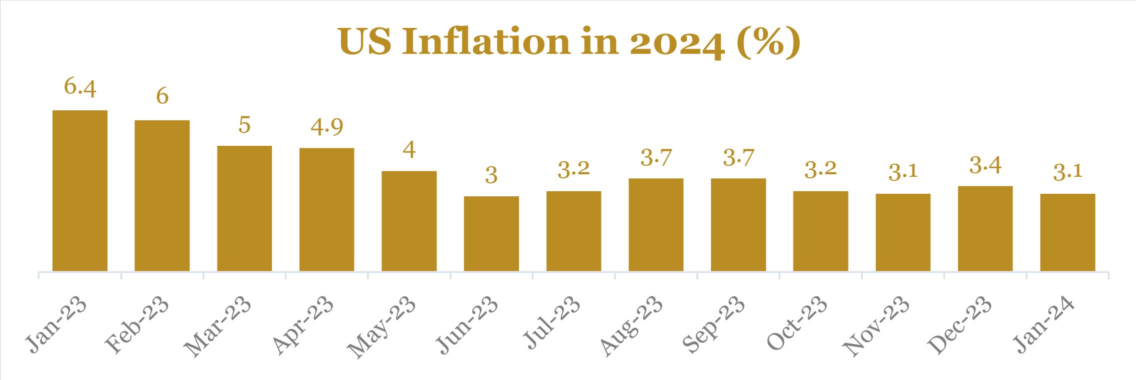
- In February, China's composite PMI held steady at 50.9 points, unchanged from January, according to the Chinese National Bureau of Statistics (NBS). The non-manufacturing PMI rose to 51.4, the highest in 5 months, driven by increased holiday-related demand. However, the manufacturing PMI slightly dropped to 49.1, staying below the 50-point mark due to production challenges and factory closures. New orders stayed flat at 49.0, with declines in foreign sales and employment, indicating ongoing challenges in production and overseas sales.

- Preliminary data from Eurostat indicates that consumer prices in the Euro Area continued their decline, dropping by 20 basis points to 2.6% year-on-year in February, down from January's 2.8%. Breaking it down, energy costs fell by 3.7% year-on-year, improving from January's 6.1%, and core inflation eased to 3.1% year-on-year, marking its lowest level in 23 months, compared to 3.3% in January. Price increases also slowed in categories like food, alcohol, and tobacco (4.0% year-on-year, down from January's 5.6%) and non-energy industrial goods (1.6% year-on-year, down from January's 2.0%). On a month-on-month basis, consumer prices increased by 0.6% in February, contrasting with the 0.4% recorded in January.

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%**

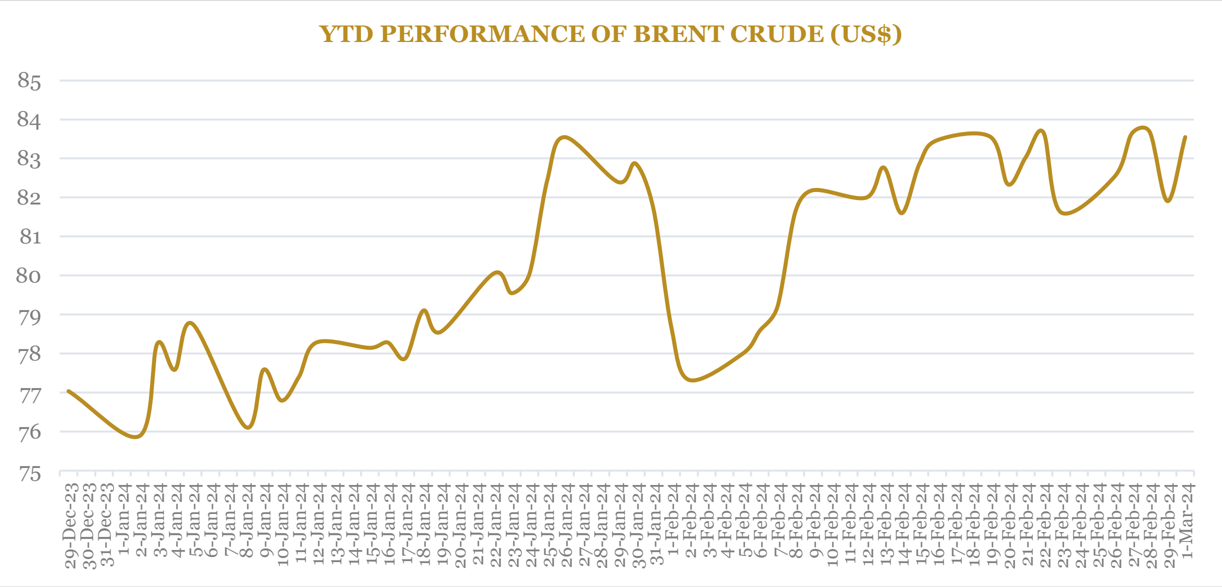




Crude Oil

- Oil prices closed the week positive as traders awaited an OPEC+ decision on supply agreements for the second quarter. Additionally, market participants took into account economic data from the U.S., Europe, and China.

- On a week-on-week basis, Brent Crude Oil price improved by 2.36% to settle at US$83.55/b while the US Crude Oil (WTI) also further appreciated by 4.55% to close at US$79.97/b.



Source: Investing.com, PSL Research

Energy Commodity Data

	Current	Previous	Change
Brent Crude Price ($)	83.55	81.62	2.36%
WTI Crude Price ($)	79.97	76.49	4.55%

Domestic Update

- At its initial meeting of the year, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to raise the Monetary Policy Rate (MPR) by 400 basis points to 22.75%, marking the highest level ever recorded for the MPR. This rate hike underscores the central bank's dedication to ensuring price stability and managing inflation expectations in the short term. Additionally, the Committee opted to widen the asymmetric corridor to +100 basis points/-700 basis points (previously: +100 basis points/-300 basis points), elevate the Cash Reserve Requirement (CRR) to 45.0% (previously: 32.5%), and maintained the Liquidity ratio at 30.0%.

- To address issues in Nigeria's retail foreign exchange market, the Central Bank has decided to provide each eligible Bureau De Change with $20,000. This move aims to narrow the gap in exchange rates. The allocated funds will be sold at N1,301/$, based on the previous day's spot transaction rate, intending to boost market liquidity and stabilize the Naira.

Foreign Exchange Update

- Last week, Naira strengthened by 7.6% to ₦1,548.25/USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).

- Nigeria's foreign exchange reserves saw a further improvement, with gross reserves rising by USD200.45 million week-on-week to reach USD33.72 billion as of February 29th.

Fixed Income Market

- Last week, the Treasury bills secondary market concluded on a bearish note, with the average yield expanding by 49 basis points to 17.4% across all instruments. The diminished interest in bills led market players to capitalize on profits from positions in mid- and long-dated instruments. At the OMO auction, the CBN offered N500 billion across three maturities, receiving a total subscription of N1.13 trillion and an allotted amount of N1.05 trillion. Stop rates concluded higher than previous levels, standing at 19.00%, 19.50%, and 21.50%, in contrast to the earlier rates of 17.24%, 18.00%, and 19.00%.

- Likewise, The FGN Bonds market started last week on a bearish note as traders exercised caution ahead of the MPC meeting's outcome. Following the meeting, where the MPR was raised by 400 basis points to 22.75% from 18.75%, and the CRR increased to 45% from 32.50%, the bearish sentiment continued through the week. The OMO PMA results further contributed to this trend. Consequently, the average benchmark yield rose by 46 basis points, closing the week at 17.28%.

Equity Market

- The Nigerian equities market faced another week of losses as the NGX All-Share Index and Market Capitalization depreciated by 3.27% to close the week at 98,751.98 and ₦54.035 trillion respectively.

- This was because of investors reacting negatively to the outcome of the Monetary Policy Committee's (MPC) meeting which resulted to a significant sell-off on Tuesday. Despite attempts by investors to capitalize on the market's downturn later in the week, the gains proved insufficient to offset the losses as sell pressures on MTNN and BUACEMENT further depreciated the market. Consequently, the month-to-date and year-to-date returns settled at -1.23% and 32.07%, respectively.

- Overall sector performance was bearish with the Industrial, Insurance, Consumer Goods, Oil and Gas and Banking indices closing negative by 3.87%, 3.40%, 2.62%, 1.55% and 0.69%, respectively.

- The overall trading volume surged by 26.33%, reaching 367.62 million units, and the total traded value experienced a 12.68% increase, closing at ₦6.78 billion. TRANSCORP emerged as the most traded stock by volume for the week, totaling 218.81 million units, followed by UBA with 208.87 million units and ZENITHBANK with 158.10 million units. In terms of top-valued equities of the week, ZENITHBANK led with ₦2.15 billion, trailed by UBA at ₦4.67 billion, and FBNH at ₦3.08 billion.

- We expect mixed to bearish sentiment to persist next week as investors might continue to react negatively to the 400-basis point (bps) hike in interest rate to 22.75%. Nonetheless, we highlight the probability of bargain hunting activities as we begin to see more releases of full-year corporate earnings and final dividend declarations.