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SECURITIES

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Equity Market Wrap

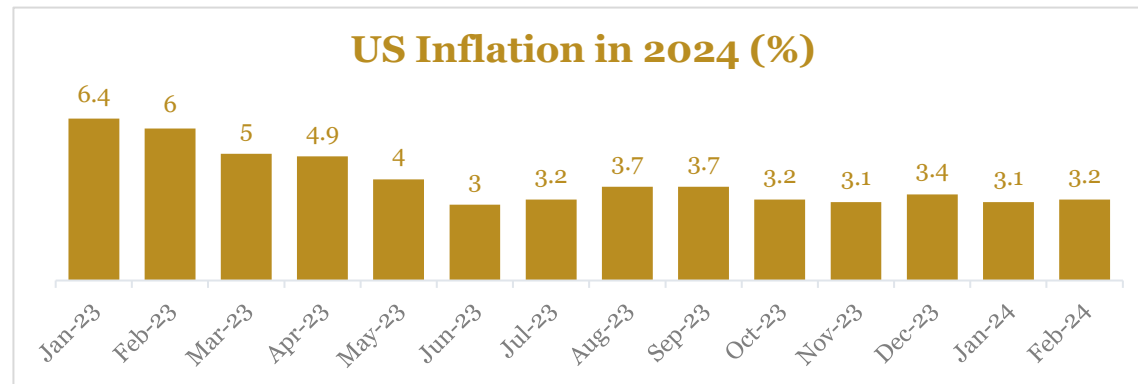
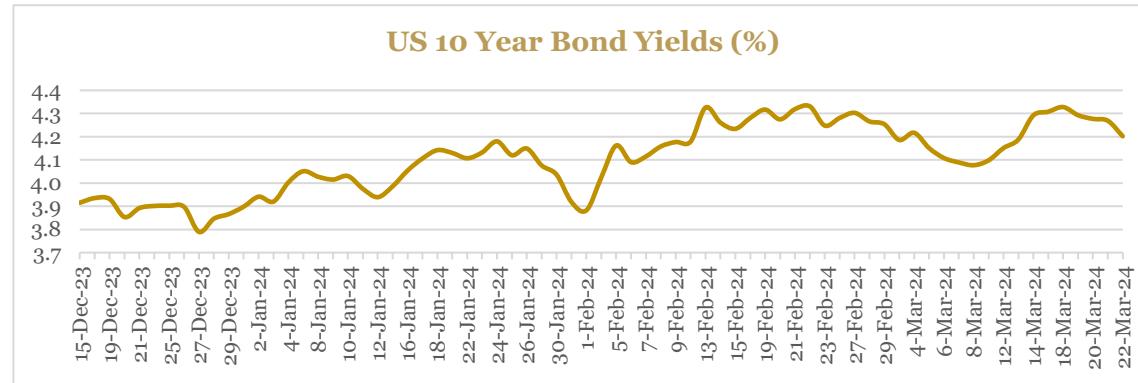
22nd March 2024

Global Update

- In February, UK's inflation decelerated, maintaining the trajectory for the Bank of England to initiate interest rate cuts in the coming months. This development provides some positive economic indicators for Prime Minister Rishi Sunak ahead of an anticipated election later this year. According to official data released on Wednesday, consumer prices experienced a 3.4% increase in annual terms, a slowdown from January's 4.0% rise. This marks the lowest inflation rate since September 2021. The Office for National Statistics highlighted that the main contributors to this slowdown were lower food and eatery prices, partially offset by increased costs for motor fuels. Core inflation, which excludes energy, food, and tobacco prices, also moderated to 4.5% from January's 5.1%. This figure was slightly lower than the 4.6% reading anticipated in the Reuters poll.
- Following that, last Thursday the Bank of England decided to keep interest rates unchanged at 5.25% but indicated potential cuts in the future as inflation decreases more rapidly than anticipated. The Monetary Policy Committee voted 8-1 to keep rates unchanged, with one member advocating for a 25-basis point cut to 5%. Notably, this marks the first time in this cycle that no members advocated for further rate hikes, following two members who had previously favored a quarter-point increase at the last meeting.
- Similarly, at its second meeting of the year on March 19th and 20th, the Federal Open Market Committee (FOMC) decided to keep the federal funds rate target range steady at 5.25% - 5.50%. It reiterated a projection of three interest rate cuts for 2024 but stated that the timing of these cuts would depend on further evidence of inflation nearing its target. The Fed expects year-end inflation to remain at 2.40%, unchanged from its December projection.

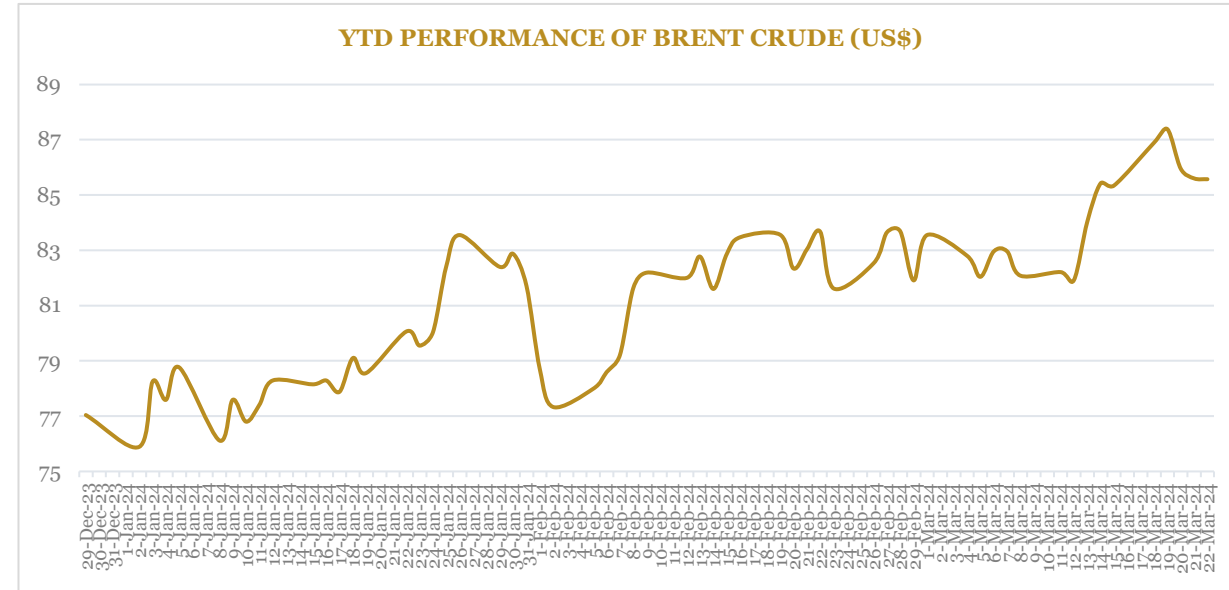
Global Economic Data

	Current	Previous	Change
US GDP	3.20% (Q3-2023)	4.90% (Q3-2023)	1.70%
US Interest Rate	5.25% - 5.50% (Feb. 2024)	5.25% - 5.50% (Jan. 2024)	0.00%
US Inflation	3.20% (Feb. 2024)	3.10% (Jan. 2024)	0.10%
China GDP	5.20% (Q4-2023)	4.90% (Q3-2023)	0.30%
China Interest Rate	3.95%	4.20%	0.25%
China Inflation	0.70% (Feb. 2024)	-0.80% (Jan. 2024)	1.50%
US 10 Year Bond Yield	3.56%	3.88%	0.32%



Crude Oil Price Update

- Oil prices experienced mixed results last week, with a slight decline overall. The potential for a ceasefire in Gaza contributed to weakening crude benchmarks, while the ongoing conflict in Europe and a decrease in the U.S. rig count helped mitigate the downward pressure.
- On a week-on-week basis, Brent Crude Oil price improved marginally by **0.27%** to settle at US\$85.57/b while the US Crude Oil (WTI) depreciated by **0.50%** to close at US\$80.63/b.



Source: Investing.com, PSL Research

Commodity Data

	Current	Previous	Change
Maize(\$)	85.57	85.34	0.27%
WTI Crude Price (\$)	80.63	81.04	0.50%



Domestic Update

- The Central Bank of Nigeria (CBN) announced last Wednesday that it has cleared all valid foreign exchange backlogs, fulfilling Governor Olayemi Cardoso's pledge to process inherited claims totaling US\$7 billion. Hakama Sidi Ali, CBN's Acting Director of Corporate Communications, confirmed that the CBN recently settled \$1.5 billion to resolve remaining obligations to bank customers. Ali also stated that independent auditors from Deloitte Consulting ensured only legitimate claims were honored. Cardoso reiterated that clearing the FX backlog remained a priority to restore credibility and confidence in the Nigerian economy.
- The Senate has approved the 2024 Statutory Budget for the Federal Capital Territory (FCT) at N1.282 trillion, up by N135 billion from the Ministry of FCT's initial proposal. This decision follows a review of the combined report from the Senate and House of Representatives Committees on FCT during last Tuesday's session. Senator Ibrahim Bomai, the Chairman of the Senate Committee on FCT, presented the report, mentioning the initial proposal of N1.15 trillion. The committee recommended a budget of N1.28 trillion, allocating N140 billion for personnel expenses.
- Nigeria's unemployment rate rose from 4.2% to 5.0% in Q3 2023, as per the latest Labour Force Survey. The labour force participation rate also fell from 80.4% to 79.5% during this period, according to the National Bureau of Statistics.

Foreign Exchange Update

- Last week, the Nigerian naira strengthened by 12.0%, reaching ₦1,431.49 per USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- Inversely, the Nigeria's foreign exchange reserves halted its five-week growth streak, with gross reserves decreasing by USD96.41 million week-on-week to USD34.32 billion as of March 20th.

Fixed Income Market

- Last week, the Treasury bills market saw bullish sentiments driven by the significant demand at the mid and long segments of the curve, with players aiming to manage their excess cash. As a result, the average yield across the market decreased by 74 basis points to 17.9%.
- The FGN Bond market continued its bearish trend last week, with the average yield rising by 82 basis points to 19.3%. This was influenced by players' reactions to the Debt Management Office's private auction of NGN2.36 trillion worth of foreign currency bonds for the Central Bank of Nigeria. Additionally, at this month's FGN bond auction, instruments worth NGN450.00 billion were offered to investors, with subscription levels settling lower at NGN615.01 billion. The DMO eventually over-allotted instruments worth NGN608.86 billion, resulting in a bid-to-cover ratio of 1.0x.

Equity Market

- The equities market was negative last week with only two out of five trading sessions closing positive. The NGX All-Share Index and Market Capitalization depreciated by **0.42%** to close the week at 104,647.37 and N59.169 trillion respectively. This negative performance was largely driven by the sell off in MTNN. Consequently, the year-to-date return stood at **39.95%**.
- Overall sector performance was mixed to positive as the Insurance, Banking, Industrial Goods, and Oil & Gas sector closed positive by **8.92%**, **4.19%**, **0.57%**, and **0.30%**, respectively. While the Consumer Goods sector closed negative by **0.37%**.
- Activity levels stayed low as both the total trading volume and value decreased by 2.1% week-on-week and 7.8% week-on-week, respectively.
- Next week, we expect a slow start at the beginning of the week as investors focus on the outcomes of the MPC meeting. However, towards the end of the week we envisage that activities will pick up on the back of bargain hunting and the possible release of the full year 2023 banking results.



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Stocks Watchlist

Security	Recommendation	Rationale
UCAP	Buy	<ul style="list-style-type: none">• Strong earnings and expected audited accounts for 2023.• Expected high dividend declaration.• Strong earnings expectation on the back of FX revaluation gains.• Proposed bank recapitalization.• Positive Buy Technical.
ZENITHBANK	Buy	
UBA	Buy	
ACCESS	Buy	

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