



PARTHIAN  
SECURITIES

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# Equity Market Wrap

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29th March 2024

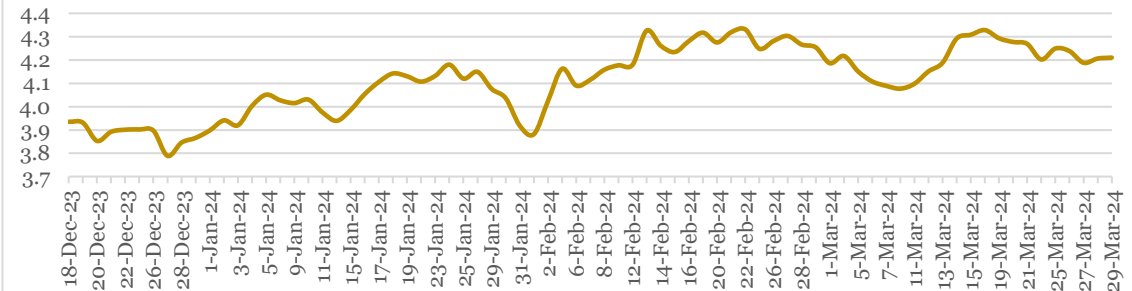
# Global Update

- The latest data from the Bureau of Economic Analysis (BEA) reveals that the US economy expanded by 3.4% in the fourth quarter of 2023, following a strong growth of 4.9% in the previous quarter (Q3-23). This marks an upward revision from the initial estimate of 3.2% released on January 25, 2024. The final figures indicate positive adjustments across several sectors: consumer spending increased by 3.3% (up from the previous estimate of 3.0%), non-residential fixed investment grew by 3.7% (compared to 2.4% initially reported), and government spending rose by 4.6% (versus 4.2% previously stated). However, there was a slight downward revision in private investment, which grew by 0.7% instead of the initially reported 1.2%. Overall, the economy experienced an average annual growth rate of 2.5% year-on-year in fiscal year 2023, marking a significant improvement from the 1.9% growth recorded in 2022.
- Australia's government plans to raise the minimum wage in line with inflation to help low-income families cope with living costs. This move, to be proposed in the Fair Work Commission's 2023-24 Annual Wage Review, aims to prevent a decline in real wages for low-paid workers. Last July, the minimum wage was increased by 5.75% amid rising living expenses. Despite initial concerns about inflation, there has been no damaging wage-price spiral, and inflation has dropped to a two-year low of 3.4%. The Reserve Bank of Australia predicts inflation to further decrease to 3.3% by June 2024. Additionally, the Labor government plans to offer tax cuts for all taxpayers starting from July this year to provide further relief for living costs.
- In the fourth quarter of 2023, South Africa saw a decrease in foreign direct investment (FDI) inflows to 16.2 billion rand (\$856.67 million) from 26.0 billion rand in the third quarter, according to central bank data. For the entire year of 2023, direct investment inflows totaled 96.5 billion rand, down from 151.0 billion rand in 2022. This decline was primarily due to a slowdown in equity investment by foreign parent companies in domestic firms. Portfolio investments also decreased, with outflows of 9.0 billion rand in the final quarter of 2023, compared to outflows of 41.9 billion rand in the previous quarter. Cumulative portfolio investment outflows for 2023 reached 87.5 billion rand, contrasting with inflows of 42.6 billion rand in 2022.

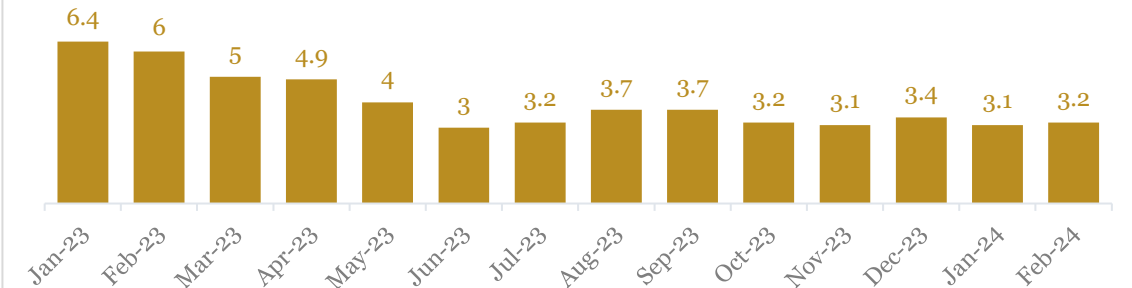
## Global Economic Data

	Current	Previous	Change
US GDP	3.40% (Q4-2023)	4.90% (Q3-2023)	1.50%
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%

### US 10 Year Bond Yields (%)

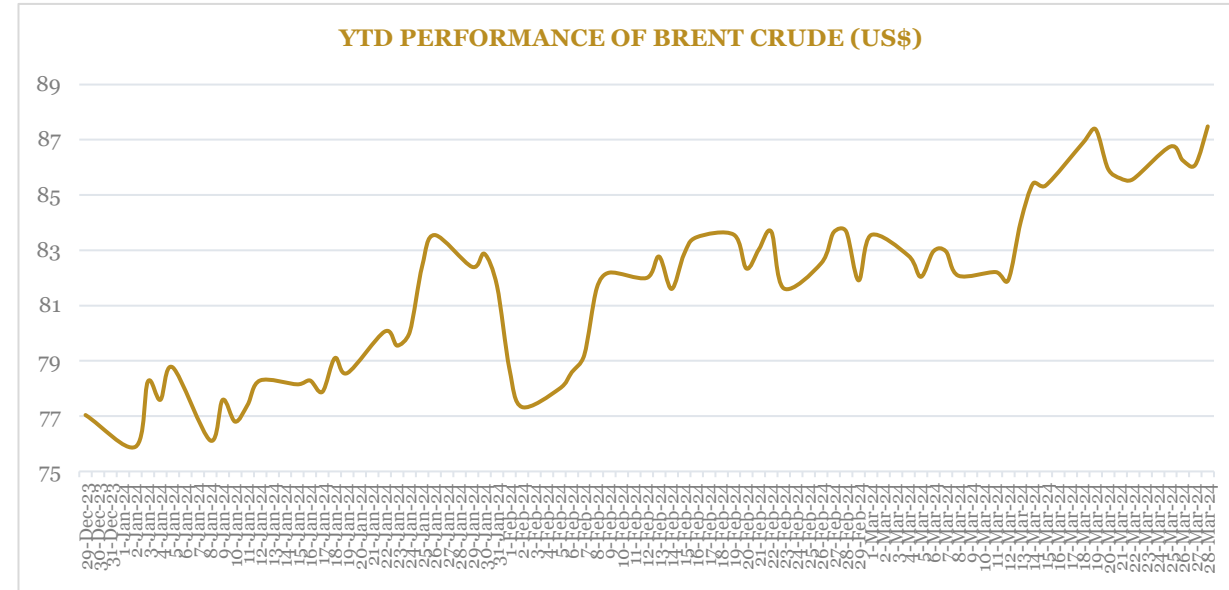


### US Inflation in 2024 (%)



# Crude Oil Price Update

- Oil prices ended higher on Thursday, marking a strong finish for the first quarter, as expectations of reduced output from Russia alleviated concerns about a potential global supply glut.
- Oil prices rose primarily due to a tighter market outlook as Russia, Saudi Arabia, and other OPEC members continued production cuts. Russia announced further cuts in March, while attacks by Ukraine on Russian fuel refineries reduced fuel supplies. Geopolitical tensions from the Israel-Hamas conflict and supply disruptions caused by Houthi attacks on ships in the Red Sea also supported oil prices.
- Also, the Biden administration is buying oil for the Strategic Petroleum Reserve at \$81.32 a barrel, above their target price range. This suggests concern about future price spikes or supply disruptions and this move may be in response to warnings about the risk of refinery closures from energy consultancy Wood Mackenzie and statements by Saudi Aramco Chief Executive Admin.
- On a week-on-week basis, Brent Crude Oil price improved by **1.84%** to settle at US\$87.00/b. Similarly, the US Crude Oil (WTI) appreciated by **3.15%** to close at US\$83.17/b.



Source: Investing.com, PSL Research

## Commodity Data

	Current	Previous	Change
Maize(\$)	87.00	85.43	1.84%
WTI Crude Price (\$)	83.17	80.63	3.15%



## Domestic Update

- The Central Bank of Nigeria's Monetary Policy Committee (MPC) increased the benchmark interest rate by 200 basis points, from 22.75% to 24.75%. This decision was announced by the CBN Governor after the 294th MPC meeting in Abuja last week. The CBN also maintained the Cash Reserve Ratio (CRR) at 45% and raised the CRR for merchant banks from 10% to 14%, while keeping the liquidity ratio unchanged at 30%. This move reflects the bank's commitment to addressing inflation and exchange rate fluctuations.
- The Central Bank of Nigeria (CBN) has implemented new capital requirements for banks, aiming to strengthen the financial sector. Under these reforms announced on March 28, 2024, commercial banks with international authorization must raise their capital to N500 billion, while national banks must increase theirs to N200 billion. Merchant banks are also affected, with a new minimum capital requirement of N50 billion. Non-interest banks with national and regional authorization face capital increases to N20 billion and N10 billion, respectively.
- All banks have 24 months, starting from April 1, 2024, to meet these new requirements, ending on March 31, 2026. The CBN advises banks to consider raising capital through private placements, rights issues, or offers for subscription, as well as pursuing mergers and acquisitions or adjusting their license authorization. The new capital requirement will include paid-up capital and share premium, excluding Shareholders' Fund. This move is part of the CBN's efforts to enhance the stability and resilience of the banking sector..

## Foreign Exchange Update

- Last week, naira continued its upward trend, appreciating by 9.3% to ₦1,309.39 per USD at the Nigerian Autonomous Foreign Exchange Market (NAFEM).
- Meanwhile, Nigeria's foreign exchange reserves saw a further decline last week, with gross reserves dropping by USD311.91 million to USD33.95 billion as of March 26th.

## Fixed Income Market

- Last week, the bullish sentiments continued in the Nigerian Treasury bills market. This performance was driven by increased demand, as investors sought to compensate for lost bids at the NTB primary market auction (PMA) held on Wednesday and as a result the average yield across all instruments contracted by 6 basis points to 17.9% WoW.
- At the primary auction, the CBN offered ₦161.33 billion in Treasury bills, with high demand reaching ₦2.62 trillion. Most interest was on the longer-dated bills. Eventually, the CBN allocated ₦1.19 trillion in bills, maintaining unchanged stop rates at 16.24% for 91-day bills, 17.00% for 182-day bills, and 21.12% for 364-day bills.
- Last week, the FGN bond market remained largely quiet as investors evaluated the MPC's hawkish stance and the 200 basis points hike in the MPR announced on Tuesday. Consequently, the average yield rose by 15 basis points to 19.4%.

## Equity Market

- The equities market declined further last week as the NGX All-Share Index and Market Capitalization both depreciated by **0.08%** to close the week at 104,562.06 and ₦59.121 trillion, respectively.
- The decline was mainly driven by the sell pressure on FBNH and DANGSUGAR. Consequently, the YTD and QTD return both stood at 39.84%.
- Overall sector performance was mixed with the Insurance, Banking and Industrial Goods sector closing positive by **3.19%**, **1.93%**, and **0.21%**, respectively. While the Consumer Goods sector closed negative by **0.97%** and the Oil & Gas sector remain unchanged at 0.00% WoW. Trading activity remained low, with both trading volume and value decreasing by 31.9% and 7.8% week-on-week, respectively.
- Next week, we expect mixed to positive sentiment particularly as bargain hunting activities in some large cap stocks, 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.