



PARTHIAN
SECURITIES

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Equity Market Wrap

03 January 2025

Global Update

- The U.S. labor market showcased resilience as unemployment benefit applications fell to an eight-month low in the final week of December 2024. According to the Labor Department's report, initial claims for state unemployment benefits decreased by 9,000 to 211,000, well below economists' expectations of 222,000. This decline underscores a robust labor market aligned with economic stability. Despite some volatility around year-end, significant reductions in claims were observed in California and Texas, while Michigan and several northeastern states recorded increases. The four-week moving average of claims also declined to 223,250, stripping out seasonal fluctuations.
- China's manufacturing sector expanded for the third consecutive month in December 2024, although at a slower pace than anticipated. The Purchasing Managers Index (PMI) recorded a marginal expansion at 50.1, slightly below November's 50.3 and the 50.3 forecast. A PMI reading above 50 indicates growth, signifying steady manufacturing activity despite slower-than-expected momentum. Production activities in manufacturing enterprises maintained robust expansion, supported by recent fiscal and monetary stimulus measures. Amid these developments, Beijing signaled plans for more proactive fiscal measures and moderately loose monetary policies in 2025 to bolster economic resilience. Non-manufacturing PMI also expanded significantly to 52.2 in December, lifting the composite PMI to 52.2 from November's 50.8. With GDP growth estimated at 4.9% in 2024 and a 2025 target of 5%, China's proactive stance is expected to counter economic challenges, including potential U.S. tariff impositions.

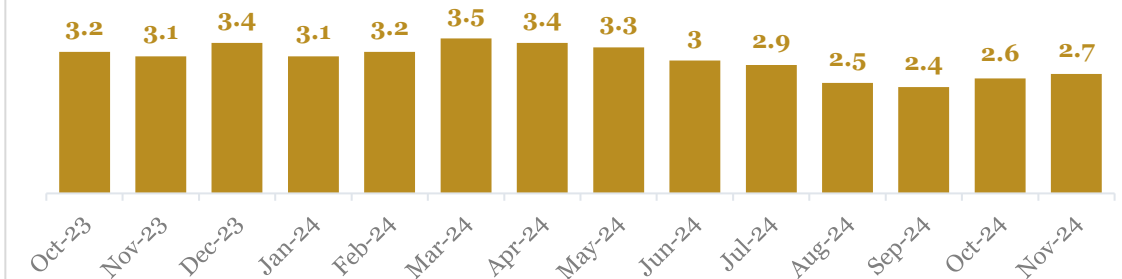
Global Economic Data

| | Current | Previous | Change |
|------------------|-------------------------------------|-------------------------------------|--------------|
| US GDP | 2.80% (Q3-2024) | 3.00% (Q2-2024) | 0.20% |
| US Interest Rate | 4.25% - 4.50% (Dec. 2024) | 4.50% - 4.75% (Nov. 2024) | 0.50% |
| US Inflation | 2.70% (Nov. 2024) | 2.60% (Oct. 2024) | 0.10% |
| China GDP | 4.60% (Q3-2024) | 4.70% (Q2-2024) | 0.10% |
| China Inflation | 0.20% (Nov. 2024) | 0.30% (Oct. 2024) | 0.10% |

US 10 Year Bond Yields (%)

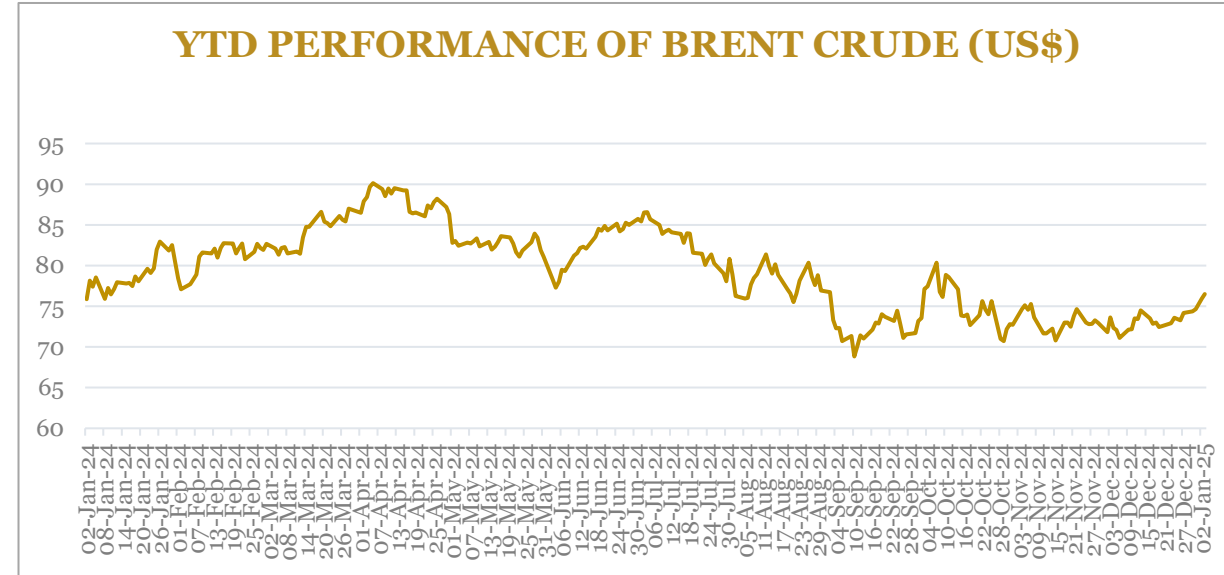


US Inflation %



Crude Oil Price Update

- Oil prices rose last week, reaching a two-month high of \$76.51 per barrel on January 3rd, supported by cold weather across Europe and the U.S. and economic stimulus signals from China.
- U.S. crude stockpiles fell by 1.2 million barrels to 415.6 million barrels, tightening supply. However, gasoline and distillate inventories increased due to higher refinery output, even as fuel demand hit a two-year low, reflecting mixed signals in the global energy market.
- On a week-on-week basis, Brent Crude oil prices improved by **3.15%**, settling at US\$76.51 per barrel. Similarly, the U.S. Crude oil (WTI) rose by **4.76%**, closing at US\$73.96 per barrel.



Source: Investing.com, PSL Research

Crude Oil Prices

| | Current | Previous | Change |
|----------------------|---------|----------|--------|
| Brent Crude Oil(\$) | 76.51 | 74.17 | +3.15% |
| WTI Crude Price (\$) | 73.96 | 70.60 | +4.76% |

Domestic Update

- The Federal Government commenced the 2024 Withholding Tax Regulations on January 1, 2025, following approval by President Bola Tinubu in July 2024. The reforms, published in October, aim to modernize Nigeria's tax system by easing compliance burdens, particularly for SMEs, manufacturers, and farmers. Key provisions include exemptions for SMEs and reduced withholding tax rates for low-margin businesses, enhancing cash flow and sustainability. Additionally, proposed PAYE reforms aim to correct fiscal inequities. The tax-free threshold rises to ₦800,000 annually, benefiting over 90% of public and private sector workers. High-income earners will see a marginal increase in tax rates, ensuring a progressive system. These changes aim to foster economic stability while supporting equitable tax contributions.
- Last week, Nigerian telecom operators, under the Association of Licensed Telecommunications Operators of Nigeria (ALTON), demanded a 100% tariff increase to address escalating operational costs caused by inflation, volatile exchange rates, and rising energy prices. MTN Nigeria CEO, Karl Toriola, revealed that the proposal, submitted to the Nigerian Communications Commission (NCC), aims to sustain the sector despite financial pressures. Operators warn of potential service disruptions in 2025 if tariffs remain stagnant, citing risks to network expansion and service quality. ALTON Chairman, Engr. Gbenga Adebayo, highlighted the industry's mounting challenges, urging immediate reforms to prevent national economic disruptions in sectors like healthcare, security, and commerce. Stakeholders emphasize collaboration to secure the sector's long-term viability.
- Nigeria's Broad Money Supply (M2) surged by 51% YoY to N108.96 trillion in November 2024, up from N72.03 trillion in November 2023, driven by increased domestic borrowing by the Federal Government. Key components of M2, including demand deposits with 34.4% growth and currency outside banks with a 50.9% growth, significantly expanded liquidity. Credit to the government increased by 54% YoY to N39.6 trillion, while private sector credit rose 27% YoY to N75.96 trillion, pushing net domestic credit up by 91% YoY to N115.6 trillion. This growth underscores reliance on borrowing to finance fiscal deficits, with potential inflationary risks. We suggest balanced fiscal and monetary policies to manage liquidity expansion and to sustain economic growth without exacerbating inflationary pressures.

Foreign Exchange Update

- Based on data from the Nigeria Foreign Exchange Market (NFEM), the Naira closed flat last week at ₦1,534.05/\$ on Friday, January 3, 2025. Also, the Naira closed flat in the parallel market at N1650.00/\$ on Friday, January 3, 2025.
- Similarly, Nigeria's foreign exchange reserves increased by \$9.60 million week-on-week, reaching a total of \$40.88 billion as of December 30, 2024.

Fixed Income Market

- Last week, the Treasury bills secondary market experienced a quiet trading activity due to limited participation as the year begins. The average yield remained stable at 26.2%, with the NTB segment declining by 7bps to 25.5%, while the OMO segment rose by 3bps to 27.2%. The CBN's OMO auction offered N500 billion across the 358-Days and the 365-Days instruments, attracting N931.32 billion in subscriptions (i.e. 1.9x bid-to-offer), with full allotment achieved.
- Similarly, the FGN bond secondary market saw limited activity, characterized by cautious retail-sized trades. As a result, the average yield edged up slightly by 3 basis points to 19.8 percent. Yields increased at the short end by 14bps and marginally at the mid end by 1bp, driven by selloffs in the Jan-2026 and Jul-2034 bonds. Meanwhile, the long end of the curve remained stable, reflecting subdued market dynamics.

Equity Market

- Last week, the Nigerian equities market sustained its bullish sentiment driven by gains in some large cap stocks like MTN, WAPCO, and BUAFOODS. As a result, the NGX All-Share Index and Market Capitalization appreciated by **1.42%** and **2.02%** to close the week at 103,586.33 points and N63.17 trillion, respectively. Notably, trading occurred on four of the five days of the week as the Federal Government of Nigeria declared Wednesday, January 1, as public holidays to Commemorate the New Year Day Celebration.
- The strong performance was largely driven by impressive performances from stocks such as UCAP (**+15.84%**), AFRIPRUD (**+23.02%**), MTN (**+3.09%**), WAPCO (**+3.79%**), OKOMUOIL (**+9.98%**), PRESCO (**+3.79%**), HONYFLOUR (**+20.79%**), and SUNUASSUR (**+27.92%**). These strong advances more than offset losses seen in stocks like TOTAL (**-6.51%**) OANDO (**-3.73%**), DANGSUGAR (**-3.82%**), and CWG (**-10.83%**).
- Sectoral performance was mostly bullish, with the Insurance, Consumer Goods, Banking and the Industrial Goods sectors closing positive by **26.91%**, **2.16%**, **0.58%**, and **0.50%**, respectively. Only Oil and Gas sector closed negative by **0.45%**.
- The volume of shares traded week-on-week increased by 57.01% to 709.28 million units, while the value of trades declined by 52.86%, to N8.24 billion. A total turnover of 2.62 billion shares worth N69.74 billion in 47,953 deals was traded last week by investors on the floor of the Exchange, compared to 1.39 billion shares valued at N52.02 billion exchanged last week in 33,411 deals.
- As the year begins, we expect a mixed-to-positive sentiment in this week's trading session, as investors reassess and adjust their portfolios, while bargain hunters position themselves ahead of the unaudited Q4 2024 numbers and dividend declarations.