PARTHIAN
SECURITIES

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Equity Market Wrap

14 February 2025

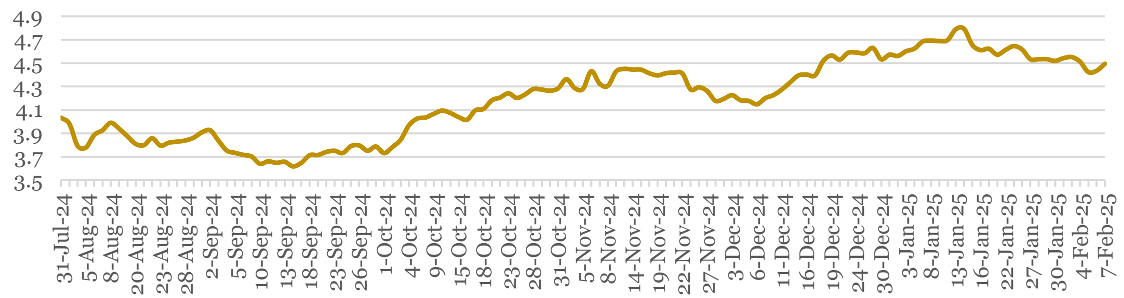
Global Update

- US inflation increased to 3% in January 2025, up from 2.9% in December, surpassing economists' expectations of 2.9%. This marks the highest rate since June 2024, driven largely by higher energy prices. Notably, the increase in inflation was broad-based, affecting items like car insurance, airfare, and medicine. Grocery prices also surged, especially eggs, which saw a significant increase due to an avian flu outbreak. Core inflation, which excludes food and energy prices, also increased more than expected. The rise in inflation poses a challenge for President Trump, whose tariff policies may contribute to higher prices and could influence decisions on interest rates. The Federal Reserve had previously held interest rates, citing economic uncertainty, but persistent inflation pressures could impact future policies. Following the release of the inflation report, stock prices declined, while bond yields rose, signaling expectations for higher borrowing costs.
- The UK economy grew by 0.1% in Q4 2024, narrowly escaping a recession, thanks to growth in services (+0.2%) and construction (+0.5%), though manufacturing remained weak. However, per capita GDP fell by 0.1%, reflecting declining living standards amid high inflation, weak wage growth, and rising household debt. Business investment and trade challenges also persisted. The Bank of England now faces a tough choice between supporting growth and curbing inflation, with consumer spending and confidence being key to the economic outlook. Overall, economic uncertainty remains high.
- China's Consumer Price Index (CPI) increased by 0.5% year-on-year in January, a notable rise from December's 0.1% growth. This jump was mainly fueled by stronger consumer spending during the Lunar New Year holiday, with airfares rising 8.9% and travel costs up by 7%. On the other hand, the Producer Price Index (PPI) fell by 2.3%, indicating weak demand from factories and intensified export competition. This contrast highlights consumer resilience despite challenges in manufacturing. To stimulate domestic demand, the People's Bank of China (PBOC) is injecting liquidity, though concerns over deflation risks and capital outflows persist.

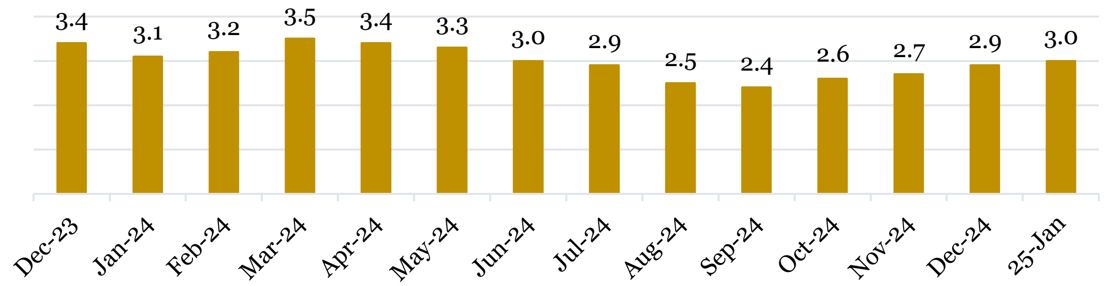
Global Economic Data

	Current	Previous	Change
US GDP	2.30% (Q4-2024)	3.10% (Q3-2024)	0.80%
US Interest Rate	4.25% - 4.50% (Jan. 2025)	4.25% - 4.50% (Dec. 2024)	0.50%
US Inflation	3.00% (Jan. 2025)	2.90% (Jan. 2024)	0.10%
China GDP	5.40% (Q4-2024)	4.60% (Q3-2024)	0.80%
China Inflation	0.10% (Dec. 2024)	0.20% (Nov. 2024)	0.10%

US 10 Year Bond Yields (%)



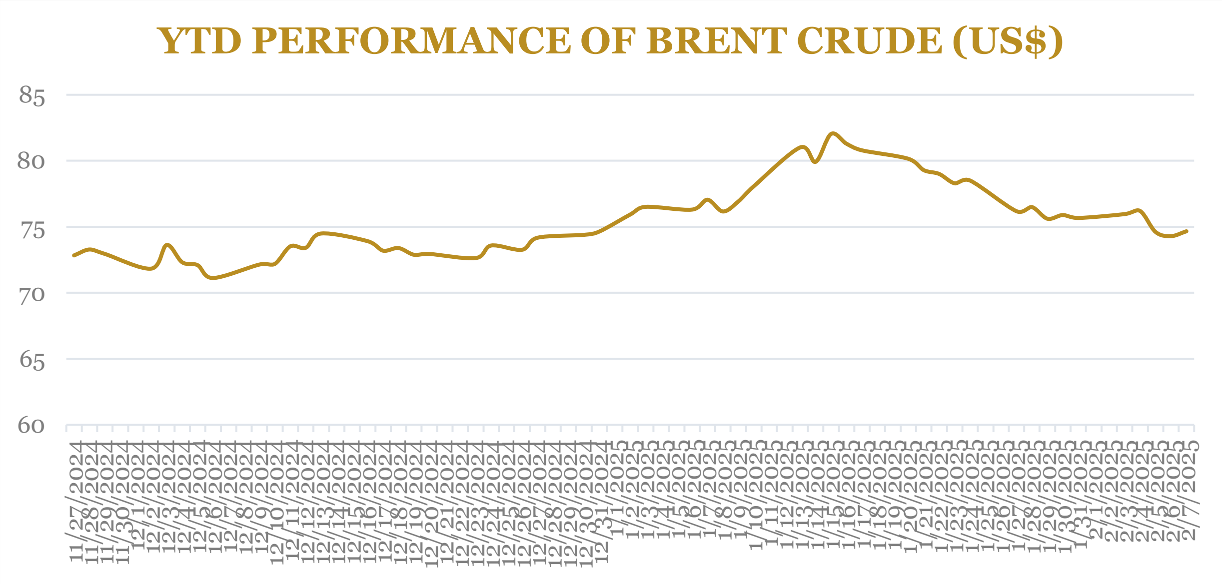
US Inflation %



Crude Oil Price Update

- Crude oil prices declined due to easing supply concerns amid potential peace negotiations between Russia and Ukraine. The prospect of a peace deal has raised expectations that sanctions on Russian oil exports could be lifted, potentially increasing global supply and alleviating previous disruptions. Additionally, the increase in U.S. crude inventories added further downward pressure on oil prices.

- On a weekly basis, Brent crude prices gained 0.11%, closing at $74.74 per barrel, while WTI dropped by 0.37%, settling at $70.74 per barrel week on week.



Source: Investing.com, PSL Research

Crude Oil Prices

	Current	Previous	Change
Brent Crude Oil($)	74.74	74.66	0.11%
WTI Crude Price ($)	70.74	71.00	0.37%

Domestic Update

- The Central Bank of Nigeria (CBN) has announced the removal of the three free monthly Automated Teller Machine (ATM) withdrawals that customers previously enjoyed when using ATMs from other banks, according to a circular issued on February 10, 2025. Starting March 1, 2025, all interbank ATM withdrawals will be subject to a fee of N100 per N20,000 transaction. Additionally, withdrawals from off-site ATMs (those located outside bank branches) will incur an extra charge of up to N500 per transaction. The policy aims to address rising operational costs and improve the efficiency of ATM services nationwide. However, the move has sparked public backlash, with advocacy organizations such as the Socio-Economic Rights and Accountability Project (SERAP) threatening legal action if the decision is not reversed, citing concerns about the financial strain it could place on economically vulnerable Nigerians.

- According to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Nigeria's crude oil production increased to 1.539 million barrels per day (bpd) in January 2025, surpassing OPEC's quota of 1.5 million bpd. This marks a significant achievement, as Nigeria has faced challenges in meeting its production targets in recent years. The growth is attributed to improved security in the Niger Delta, which has reduced oil theft and vandalism. Although the government aims for a target of 2 million bpd, expanding production faces opposition from local communities concerned about environmental impacts. While higher output contributes to increased revenue and foreign exchange earnings, maintaining these gains will require continued security efforts, community involvement, and environmental stewardship.

- The Nigerian Senate has approved a ₦54.99 trillion budget for 2025, an increase from the initial ₦49.7 trillion proposal, leveraging additional revenues from key agencies. The budget includes ₦3.65 trillion for statutory transfers, ₦13.64 trillion for recurrent expenditures, ₦23.96 trillion for capital projects, and ₦14.32 trillion for debt servicing, resulting in a deficit of ₦13.08 trillion (1.52% of GDP). A notable allocation of ₦300 billion is set aside for healthcare to bridge the gap left by suspended U.S. aid, with funds aimed at acquiring vaccines and treatments for diseases like malaria, polio, HIV, and tuberculosis. This expanded budget focuses on strengthening infrastructure, ensuring fiscal stability, and improving public health while balancing the need for economic growth amid rising debt.

Foreign Exchange Update

- Last week, the naira weakened by 0.54%, closing at ₦1,509.70 per USD in the Nigerian Foreign Exchange Market (NFEM). This decline occurred despite the intervention by Central Bank of Nigeria's (CBN), where it sold USD 66.45 million to authorized dealers.

- Nigeria's foreign exchange reserves fell by USD 307.19 million week-on-week, reaching USD 39.10 billion on February 13, marking the sixth consecutive week of decline.

Fixed Income Market

- Last week, the Treasury bills secondary market remained bullish despite tight liquidity, driven by expectations of a lower January CPI and a HOLD decision at the MPC meeting. Average yields fell by 51bps to 24.1%, with NTB and OMO yields declining by 45bps and 67bps, respectively. The CBN's OMO auction saw strong demand, with a bid-to-offer ratio of 3.2x and NGN1.40 trillion allotted.

- At the recent OMO auction, the CBN offered NGN600bn, a 33.86% decline from the previous auction. Total subscription reached NGN1.92trn, with strong demand for the 362-day instrument (NGN1.50trn). The CBN allotted NGN1.395trn, a 39.50% increase, signaling tighter liquidity control. Stop rates settled at 21.32% tor the 355-day and 21.45% for the 362-day.

- The FGN bond secondary market was bullish, driven by demand for short- and mid-term papers amid expectations of lower rates. Consequently, the average yield rose 28bps to 20.3%, with notable demand for JAN-2026 (-110bps), JUL-2030 (-40bps), and JUN-2053 (-18bps) bonds. Next week, January CPI data will shape market sentiment, while a medium-term yield decline remains likely.

Equity Market

- The Nigerian equities market maintained its upward momentum, supported by continued buying interest as more companies released their earnings and investors awaited dividend announcements. As a result, the NGX All-Share Index rose by 2.00%, while market capitalization increased by 2.78%, closing the week at 108,053.95 and ₦67.42 trillion, respectively. This boosted the year-to-date return to 4.98%, compared to 2.92% the week before.

- The positive movement was driven by strong performances in key stocks such as DANGCEM (+21.8%), TRANSCORP (+11.1%), PRESCO (+12.1%), TRANSCOHOT (+10.0%), TRANSPOWER (+4.3%), and MTN (+3.6%), which helped offset the losses in BUAFOODS (-10.0%) and FIDELITY (-6.3%).

- Sectoral performance was mixed, with the Industrial Goods, and the Insurance registering gains of 10.36%, 2.52%, respectively. However, the Consumer Goods, Oil & Gas, and the Banking sectors saw a decline of 3.63%, 2.30%, and 0.24%, respectively.

- Market activity weakened as trading volume and value declined by 18.53% and 41.16% to 2.39bn units and ₦55.37bn, respectively. HONYFLOUR led the gainers with a 38.50% increase, while DAARCOMM topped the losers' chart, down 13.58%. The decline in market turnover reflects cautious investor sentiment.

- We expect a mixed market performance this week as investors realign their portfolios toward dividend-paying stocks, guided by insights from the recently released 2024 full-year earnings results. Market sentiment will also be shaped by key economic indicators, particularly January's inflation data and the CBN's monetary policy stance.