



PARTHIAN
SECURITIES

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Equity Market Wrap

31 January 2025

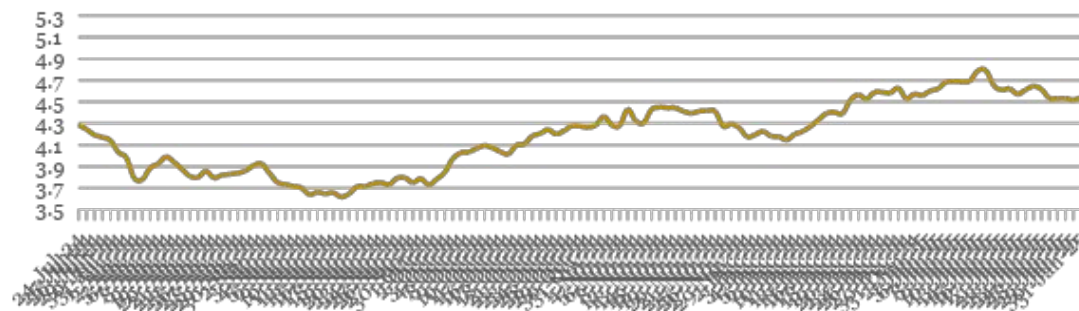
Global Update

- The U.S. economy grew by 2.30% year-on-year in the fourth quarter of 2024, a slowdown from 3.10% in the previous quarter. This brings the average growth rate in 2024 to 2.80%, slightly below the 2.90% recorded in 2023. The Q4 growth marks the 11th consecutive quarter of expansion, reflecting ongoing resilience despite challenging financial conditions. The growth was primarily driven by strong household spending, net exports, and government expenditure, while business investment weakened due to inventory reductions and more cautious capital spending.
- At its January 2025 meeting, the Federal Reserve decided to keep interest rates unchanged, maintaining the federal funds rate at 4.25% - 4.50%. This follows three consecutive rate cuts in 2024, totaling 100 basis points. The decision to pause further rate cuts was primarily due to the stubbornly high inflation. After a steady decline over six months, inflation started to rise again in October, reaching 2.9% in December 2024, moving further away from the Fed's 2% target. The Fed Chair emphasized the need for further progress on inflation before making any adjustments to policy.
- On the other hand, the European Central Bank (ECB) decided to lower key interest rates during its January meeting, reducing the deposit facility, main refinancing operations, and marginal lending facility rates by 25 basis points, to 2.75%, 2.90%, and 3.15%, respectively, down from the previous 3.00%, 3.15%, and 3.40%. This decision is part of the ECB's efforts to support the struggling economy, particularly given the challenges from a weak manufacturing sector and low consumer confidence, even as inflation slowed to 2.5% in December 2024. The ECB has signaled that future rate decisions will be based on data and made on a meeting-by-meeting basis, adjusting policy measures, as necessary.

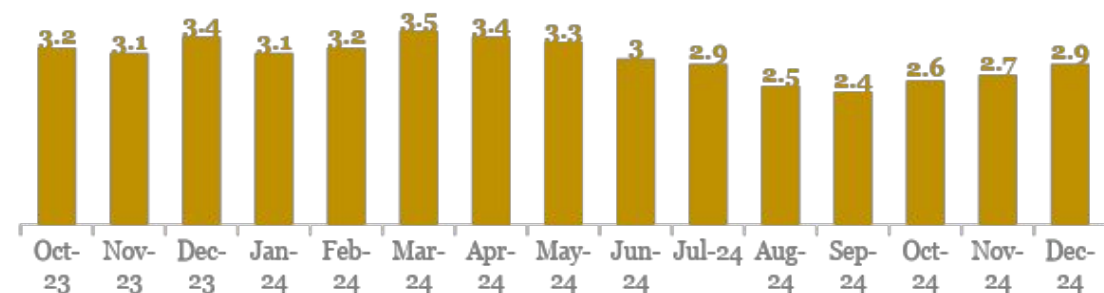
Global Economic Data

	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	2.90% (Dec. 2024)	2.70% (Nov. 2024)	0.20%
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 (%)

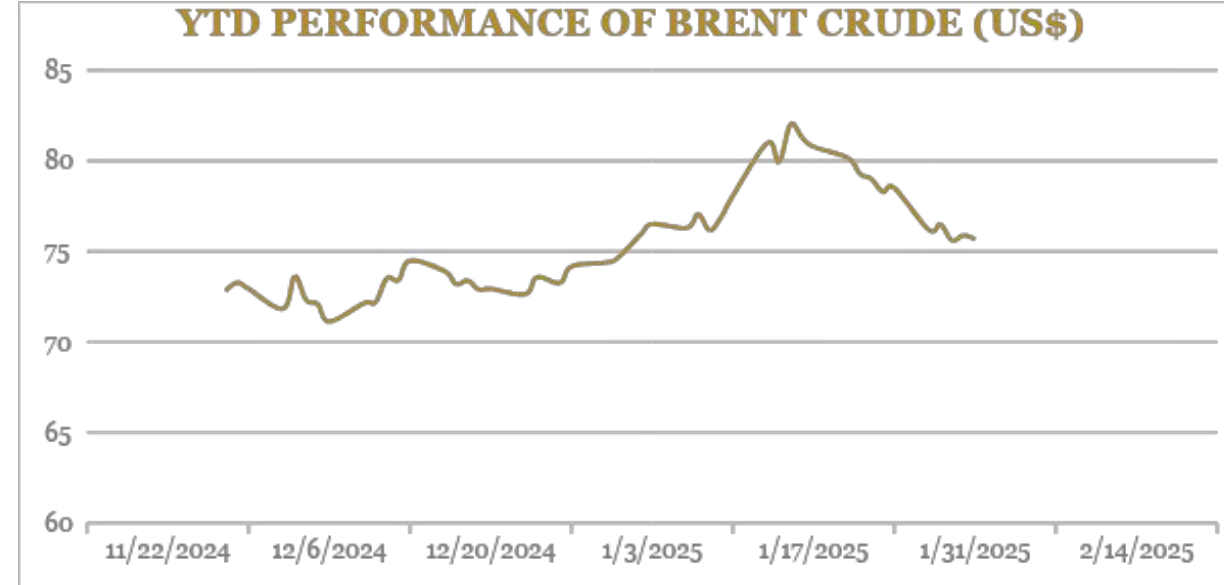


US Inflation %



Crude Oil Price Update

- Last week, both Brent and West Texas Intermediate (WTI) crude prices ended lower, driven by concerns that rising fuel costs could negatively impact global economic growth and reduce overall energy demand.
- Adding to market uncertainty, President Donald Trump has implemented tariffs on imports from Canada, Mexico, and China, further escalating global trade tensions. The tariffs include a 10% levy on energy products from Canada, affecting crude oil, which accounts for about a quarter of U.S. imports from the country. In 2023, these imports were valued at around \$100 billion, according to U.S. Census Bureau data. Trump also hinted at the possibility of additional tariffs on oil and natural gas around February 18, which contributed to a spike in oil prices during after-hours trading on Friday.
- In terms of weekly performance, Brent crude prices fell by **2.42%**, closing at \$75.67 per barrel, while WTI dropped by **2.85%**, settling at \$72.53 per barrel.



Source: Investing.com, PSL Research

Crude Oil Prices

	Current	Previous	Change
Brent Crude Oil(\$)	75.67	77.55	2.42%
WTI Crude Price (\$)	72.53	74.66	2.85%

Domestic Update

- The Nigerian government has secured a \$70 million commitment from the International Finance Corporation (IFC) to support the country's mini-grid energy projects. This funding is part of a larger \$1 billion facility, which is backed by the Rockefeller Foundation and the African Development Bank (AfDB), aimed at expanding renewable energy across Africa, with Nigeria being the first country to benefit. In a related development, the Nigerian National Petroleum Corporation Limited (NNPCL) plans to launch five mini-LNG plants in Ajaokuta, Kogi State, to enhance gas supply, strengthen energy security, and increase access to LPG for clean cooking. Furthermore, NNPCL and BUA Group have entered into a shareholders' agreement for a 45 million standard cubic feet per day Mini-LNG plant in Ajaokuta
- Additionally, the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) has awarded 10 Gas Distribution Licenses (GDLs) to six companies as part of an effort to expand gas utilization nationwide. These licenses grant companies such as NNPC Gas Marketing Company, Shell Nigeria Gas, and NIPCO exclusive rights to develop and manage gas distribution systems in designated zones. This initiative aligns with the Petroleum Industry Act (PIA) and is designed to improve access to cleaner, more sustainable energy sources like Piped Natural Gas (PNG), which is safer and more cost-effective than traditional biomass. The 10 licenses cover a combined distribution capacity of 1.5 billion standard cubic feet per day (bscf/d) and include the construction of over 1,200 kilometers of pipelines and 500 customer stations. This effort is expected to support the government's goals of enhancing power generation, expanding access to clean cooking, and driving industrial growth, while addressing health issues linked to air pollution from biomass use.
- The Nigerian government, through the Central Bank of Nigeria (CBN), has successfully resolved a \$7 billion foreign exchange backlog following a thorough verification process. This initiative, as announced by the CBN Governor, is aimed at easing the difficulties businesses, multinationals, and foreign investors face in repatriating funds. The clearance took longer than initially anticipated due to past system issues that created delays. However, with this process now completed, it is expected to restore confidence in the foreign exchange market, allowing businesses to operate with greater predictability. The clearance, along with improved liquidity, contributed to a 4.94% week-on-week appreciation of the naira, which closed at ₦1,474.78/USD.

Foreign Exchange Update

- Naira appreciated by 4.94% last week, closing at ₦1,474.78/USD. This gain was fueled by several factors, including the CBN's resolution of the foreign exchange backlog, inflows from Foreign Portfolio Investors (FPIs), substantial contributions from International Oil Companies (IOCs), and the CBN's \$18.40 million intervention to authorized dealers.
- Nigeria's foreign exchange reserves fell for the fourth week in a row, decreasing by USD218.05 million week-on-week to reach USD39.77 billion as of January 29.

Fixed Income Market

- The Treasury bills secondary market was positive last week, with the average yield across all instruments falling by 96 basis points to 25.2%. This was largely driven by surplus liquidity in the financial system at the start of the week, which boosted demand for bills. Likewise, the OMO bill market closed on a bullish note, with the average benchmark yield decreasing by 194 basis points week-on-week to 27.39%.
- The FGN bond market also saw positive movement last week, driven by strong demand for auction bonds and a reduction in short positions by traders. This led to a slight decline in the average yield, which dropped by 3 basis points to 20.7%. The short-end yields fell by 48 basis points, while the mid-segment saw a decrease of 7 basis points. The demand for specific bonds, like the MAR-2025 and APR-2032, contributed to these changes, with the MAR-2025 bond seeing a 148-basis point drop and the APR-2032 bond falling by 16 basis points. On the other hand, long-end yields rose slightly by 1 basis point, particularly due to the sale of the JAN-2042 bond, which increased by 16 basis points.
- At the recent bond auction, the Debt Management Office (DMO) offered ₦450 billion in bonds, with total subscriptions reaching ₦669.94 billion. The oversubscription was primarily concentrated in the 2031 and 2035 bonds, with subscriptions of ₦175.87 billion and ₦401.41 billion, respectively. Ultimately, the DMO sold ₦606.46 billion, which was 35% higher than the original offer but 9% below the total subscription. The stop rates for the 2029 and 2031 bonds rose to 21.79% and 22.50%, while the newly issued 10-year bond settled at 22.60%.

Equity Market

- The Nigerian equities market was positive last week, boosted by listings of additional shares in the banking sector and strong earnings reports from various companies. Investor confidence remained high, with many expecting good dividend payouts. As a result, the NGX All-Share Index and Market Capitalization appreciated by 0.87% and 1.67% to close the week at 104,496.12 and ₦64.709 trillion, respectively. This pushed the year-to-date return up to 1.53%, from 0.65% the previous week.
- The market's positive movement was driven by notable gains in key stocks like NB (+15.48%), NESTLE (+11.43%), PRESCO (+8.74%), and ARADEL (+5.43%), which helped offset the losses in MRS (-18.96%) and TRANSCOHOT (-9.97%).
- Sectoral performance was mixed to positive, with the Consumer Goods, Banking and Oil & Gas sectors closing in positive territory, up by 4.01%, 2.54% and 0.97%, respectively. In contrast, the Insurance and Industrial Goods sectors experienced declines of 2.86% and 0.52%, respectively.
- The volume and value of trades saw significant growth, increasing by 46.89% and 8.26% to 3.13 billion shares and ₦67.30 billion, respectively, compared to 2.13 billion shares and ₦62.16 billion in the previous week. CHELLARAM led the gainers with a 60.44% rise, while VERITASKAP topped the losers' list with a 29.68% decline.
- Going into next week's trading session, we expect market trends to be driven by the ongoing earnings season, with positive sentiment likely favoring companies that report solid results and offer attractive dividends.