

Equities Research

Monthly Equities Market Report August 2024

2nd September 2024



Global Market Overview: Global Equities Sustains Bullish Trend

In August 2024, the global equities market extended its winning streak for another month, with the MSCI World Index rising by 4.01% month-on-month (MoM), lifting most major indices. The only exception was China's SHCOMP and Japan's Nikkei 225 indices, which declined by 0.97% MoM and 1.16% MoM respectively.

The U.S. stock market also posted gains, with the S&P 500 increasing by 2.28% MoM. This growth was driven by strong performances from stocks such as KELLANOVA (+38.62% MoM), FORTINET (+32.17% MoM), and STARBUCKS CORP (+22.05% MoM). The positive sentiment was fueled by favorable economic data, including a slight cooling in inflation (2.9% year-over-year in July, down from 3.0% in June 2024), and indications of a weakening labor

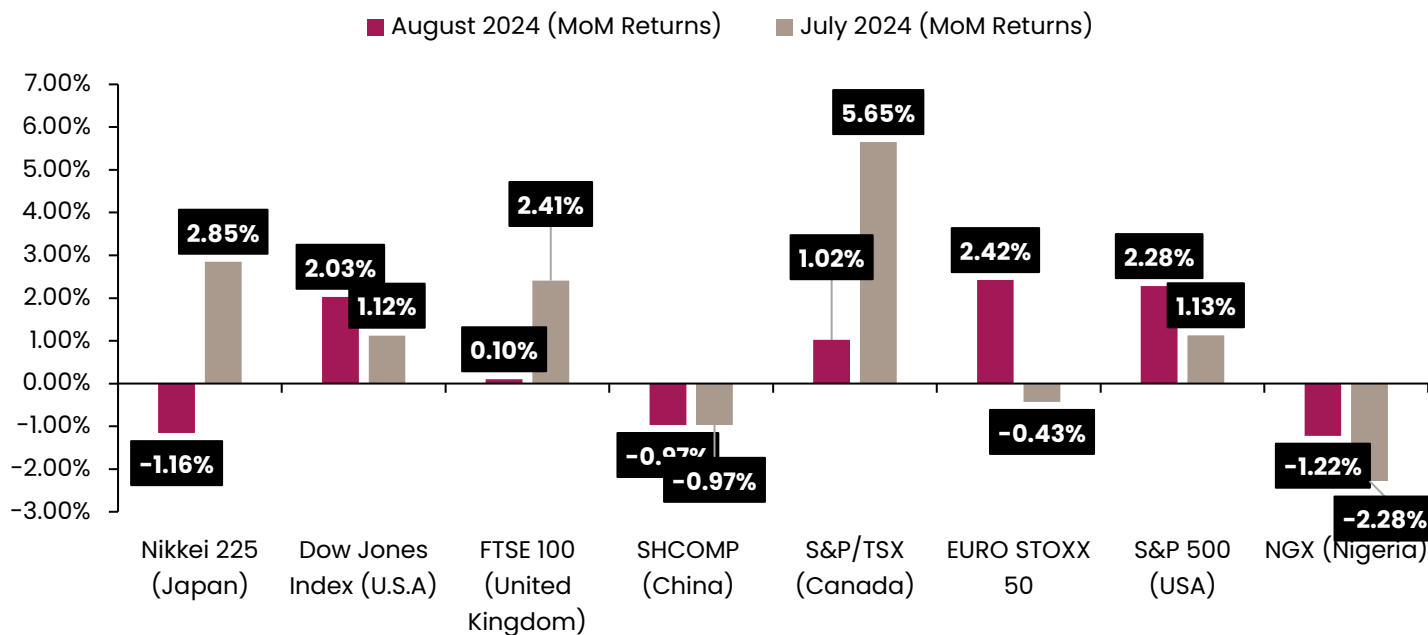
market, which bolstered expectations of a Fed rate cut in September.

In August 2024, the UK equities market experienced marginal gains, with the FTSE 100 Index rising by 0.10% MoM. This growth was supported by bullish sentiment in stocks like ENTAIN PLC (+14.89% MoM), NEXT (+12.02% MoM), and GSK PLC (+10.63% MoM). The UK’s flash composite PMI continued to climb, reaching 53.4 points in August, up from 52.8 points in July, indicating expansion in both the services and manufacturing sectors.

Europe’s EUROSTOXX 50 Index rebounded in August 2024, following two consecutive months of losses, increasing by 2.42% MoM. The index was driven by buying interest in stocks such as ADYEN NV (+18.20% MoM), FERRARI NV (+17.07% MoM), and NOKIA OYJ (+9.08% MoM). Notably, economic activity appeared to be improving, as indicated by the rising Eurozone flash composite PMI, which hit a three-month high of 51.2 points (up from 50.2 points in July). This acceleration is attributed to increased business activity in the services sector.

In contrast, the Chinese stock market remained bearish in August 2024, with the SHCOMP Index declining further by 3.28% MoM. This negative performance was driven by sell-offs in stocks such as ZHIJIANG KANGLONGDA (-36.77% MoM), DALIAN THERMAL POWER (-32.98% MoM), and SHANGHAI FUDAN FORWARDS (-31.13% MoM). The downturn is attributed to the spillover effects of China’s ongoing real estate sector crisis on the broader economy.

Chart 1: Month-on-Month Returns of Major Indices in August 2024 and July 2024



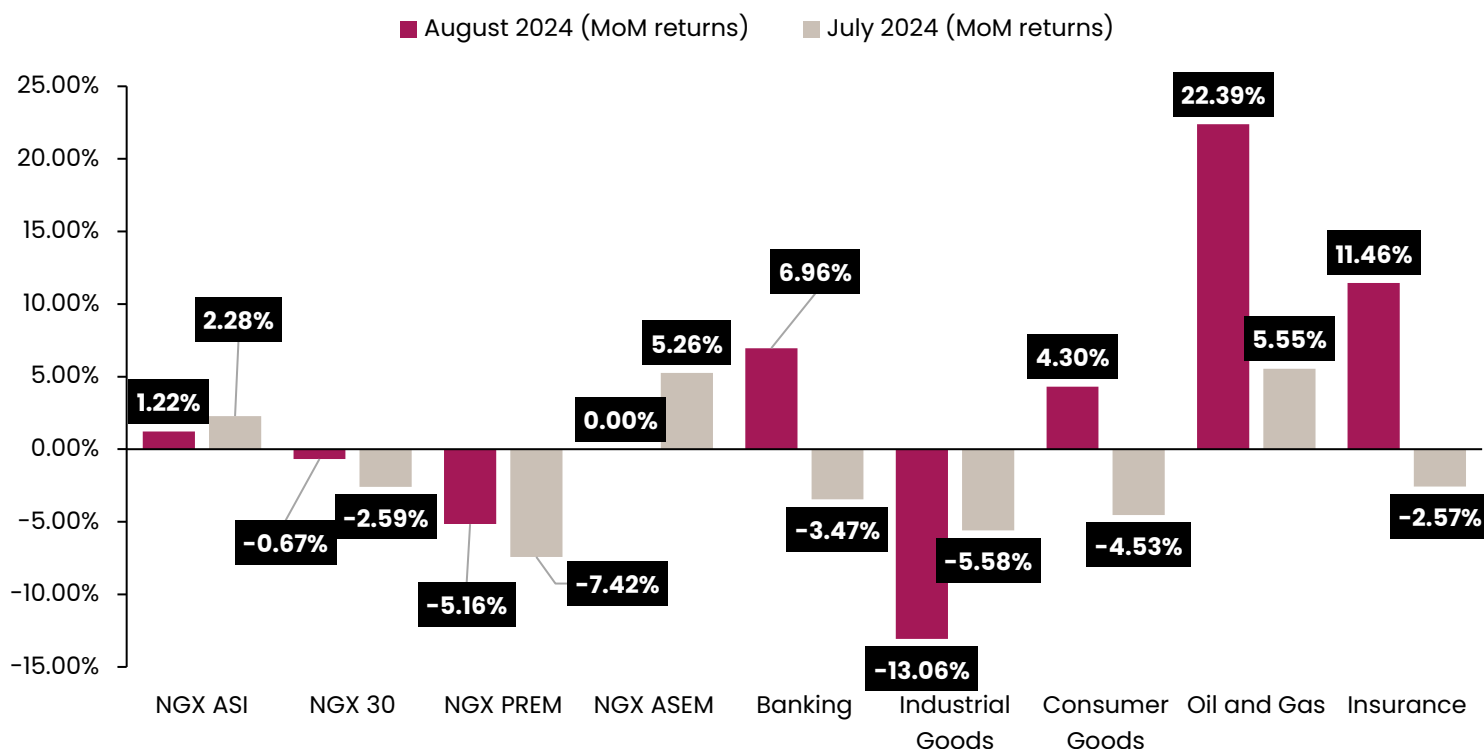
Source: Bloomberg, NGX, ARM Research

Domestic Market: Another Loss for the Books

Despite a 2.39% MoM decline in average fixed income yields to 20.08% in August 2024 and announcements of dividend payments, the NGX All Share Index (NGX ASI) lost 1.22% MoM to print at 96,580.01 points (vs. July 2024: -2.28% MoM to 97,774.22 points), bringing the Nigerian equities market to a bearish close for the second consecutive month. Consequently, the market’s year-to-date return (YtD) declined further to 29.16% (vs. 30.76% YtD in July 2024). We believe that unimpressive H1:2024 earnings results, particularly from players in the Industrial Goods sector, contributed to the loss witnessed in the overall equities market. However, this was partially offset by positive sentiment stemming from OANDO’s acquisition of Nigeria Agip Oil company, which was completed during the month. Notably, the market recorded gains in 11 out of 22 trading days in the month (vs. 8 out of 23 trading days in July 2024).

Trade metrics in the month were mixed, as total volume traded increased by 1.39% MoM to 13.87bn units while the total value traded declined by 21.76% MoM to NGN186.79bn. We believe that this is evidence of profit-taking activities that occurred in the market during the month, where investors sought to lock in gains. This led to a higher number of transactions, increasing overall trading activity but involving stocks of lower value, resulting in the observed decline in the total value traded.

Chart 2: Sectoral Performance Analysis for August 2024 and July 2024



Source: NGX, ARM Research

Sectoral Performance: Losses in Industrials Shadow Gains Across Board

In August 2024, only the Industrial Goods sector (-13.06% MoM) closed on a negative note, while the Oil and Gas (+22.39% MoM), Insurance (+11.46% MoM), Banking (+6.96% MoM) and Consumer Goods (+4.30% MoM) sectors recorded gains.

Losses in the Industrial Goods sector was fueled by negative sentiment arising from poor H1:2024 earnings results, particularly from BUACEMENT (-19.2% MoM to NGN113.90) and DANGCEM (-10.00% MoM to NGN532.00), which offset gains in LAFARGE (+2.17% MoM to NGN37.60), CUTIX (+23.83% MoM to NGN3.08) and BERGER (+5.93% MoM to NGN14.30).

Following the completion of OANDO's acquisition of Nigeria Agip Oil Company and impressive earnings results, the Oil and Gas sector recorded positive returns, spurred on by gains in OANDO (+207.60% MoM to NGN76.90), TOTAL (+73.28% MoM to NGN673.00), ETERNA (+45.26% MoM to NGN27.60) and SEPLAT (+1.29% MoM to NGN3730.00).

The Insurance sector also ended the month on a positive note, benefiting from buying interest in CORNERSTONE (+31.71% MoM to NGN2.70), AIICO (+18.81% MoM to NGN1.20) and VERIKAP (+39.39% MoM to NGN1.38), which posted revenue growth in H1:2024.

Amidst the race to meet the Central Bank's recapitalization requirements, the Banking sector posted positive returns, following gains in ZENITHBANK (+15.56% MoM to NGN38.25), UBA (+13.05% MoM to NGN22.95) and ACCESSCORP (+3.83% MoM to NGN19.00).

In addition, despite poor earnings results, the Consumer Goods sector closed positive on the back of positive sentiment in BUAFOODS (+5.48% MoM to NGN394.90), NB (+12.08% MoM to NGN28.30) and INTBREW (+16.67% MoM to NGN4.90) offsetting losses in NESTLE (-3.01% MoM to NGN805.00).

Notably, gains in OANDO (+207.60% MoM to NGN76.90), BUAFOODS (+5.48% MoM to NGN394.90) and ZENITHBANK (+15.56% MoM to NGN38.25) helped to minimize losses incurred in the overall market, which were driven by DANGCEM (-10.00% MoM to NGN532.00), BUACEMENT (-19.21% MoM to NGN113.90) and MTNN (-10.00% MoM to NGN180.00).

Overall, the top gainers for the month were RTBRISCOE (+367.11% MoM to NGN3.55), OANDO (+207.60% MoM to NGN76.90) and IMG (+84.62% MoM to NGN26.40). On the flipside, THOMASWYATT (-19.49% MoM to NGN1.57), BUACEMENT (-19.21% MoM to NGN113.90) and CWG (-13.39% MoM to NGN5.50) led the laggards.

September 2024 Outlook

Looking ahead, we expect sustained selloffs in the market, as investors continue to take profit to lock in gains. Furthermore, the outcome of the September 2024 MPC meeting would play a pivotal role in determining the performance of the market. However, we think that the positive sentiment in the Oil and Gas sector would remain prevalent in September and help to buffer losses that might arise from profit-taking activities.

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