

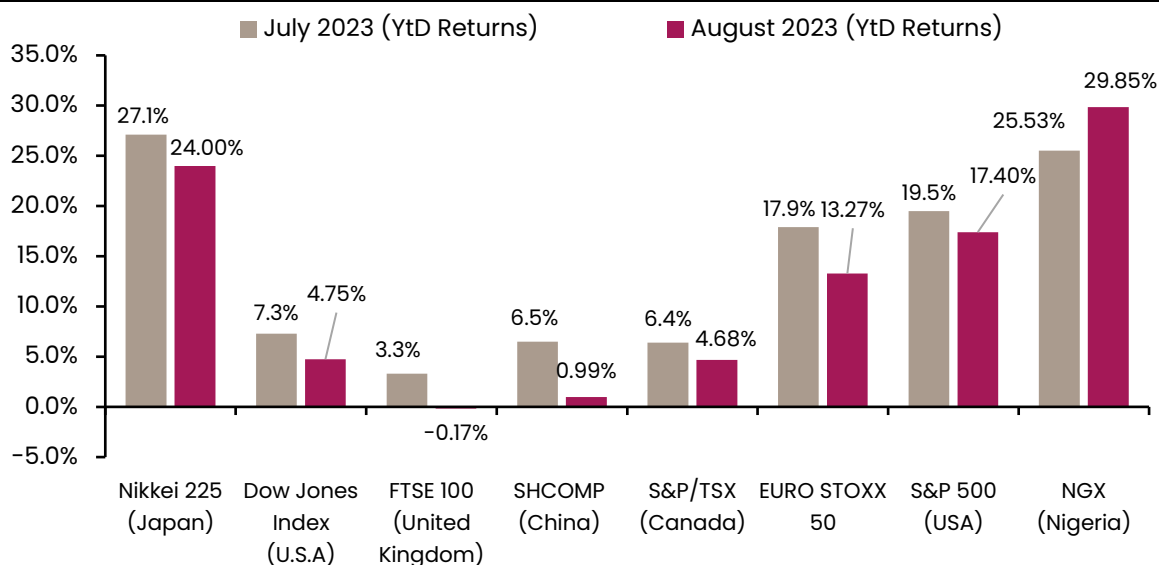
## Monthly Equities Market Report: August 2023

### Global Market Overview: Reign of the Bears

Global equities market closed bearish as the MSCI World Index fell by 2.55% Month-on-Month (MOM). This negative performance reflected on all the global indices under our coverage save for Nigeria’s NGX All Share Index (ASI). For context, United States’ S&P 500 (-1.77% MoM) declined despite easing inflationary pressures, however, rising treasury yields shored returns.

Europe’s Euro STOXX 50 index (-3.90% MoM) and United Kingdom’s FTSE 100 index (-3.38% MoM) declined in August, despite the hawkish pause position adopted by European Central Banks. We believe that the weak performance of the Euro area manufacturing economy (Purchasing Managers’ Index of 43.5 points in August 2023) contributed to the bearish sentiment. Similarly, China’s SHCOMP index (-5.20% MoM), posted the highest loss among the indices under our coverage. This is on the back of economic turmoil permeating the economy, particularly in the real estate sector. However, we note significant improvement in the PMI figures for August 2023 to 51.0 points (vs. 49.2 points in July 2023).

Figure 1: Year to Date Returns of Major Indices in July and August 2023



Source: Bloomberg, NGX, ARM Research

### **Domestic Market: Bullish Momentum Teetering on the Edge**

Bullish sentiment continued to dominate the Nigerian equities market for the eighth (8<sup>th</sup>) consecutive month this year, albeit at a noticeably slower pace. In August, the market recorded a 3.44% MoM increase, settling at 66,548.99 points (vs. 5.53% MoM increase to 64,337.52 points in July 2023). Consequently, year-to-date (YtD) returns rose from 25.53% in July 2023 to a solid 29.85% in August 2023. Notably, on August 29th, 2023, the NGX All Share Index (ASI) reached a 15-year peak, registering 66,490.34 points, the highest level since the 66,371.20 points recorded on March 5th, 2008. We attribute this bullish trend to the lasting impact of policies implemented by the new administration.

Furthermore, the average volume and value traded in August 2023 retreated from their surge in the previous month, plunging by 65.18% MoM and 67.81% MoM each, to 396.76bn units and NGN5.76bn respectively. In August 2023, the market recorded gains in 13 out of 23 trading days (vs. 12 out of 21 trading days in July 2023).

We believe that the upward trend in fixed income yields had an impact on the relatively sluggish MoM gain observed in the equities market. To provide context, the average yield in the fixed income space increased by 55bps to reach 10.67%, up from 10.11% in July 2023. This shift in fixed income yields redirected investors' attention from the equities market toward a higher-yield environment. However, it is worth noting that the positive earnings reports released by certain tickers in the latter part of the month contributed to the overall performance of the Nigerian equities market.

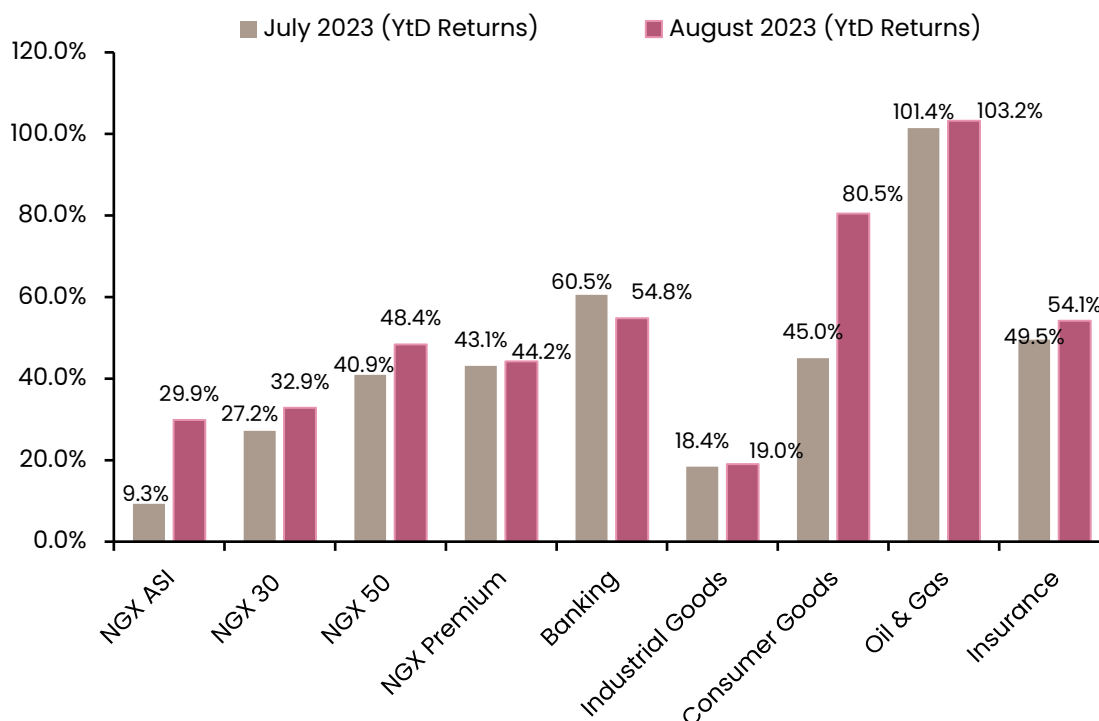
### **Sectoral Performance: Consumer Goods Sector Leads the Charge**

In August 2023, all the sectors within our coverage ended the month with positive returns compared to July 2023, except for the Banking sector, which experienced a 3.57% MoM decline. The Consumer Goods sector led the way with an impressive 24.51% MoM gain. We opine that this was on the back of positive investors sentiment stemming from impressive earnings reports. Following closely behind were the Insurance (+3.08% MoM), Oil and Gas (+0.91% MoM), and Industrial Goods (+0.57% MoM) sectors.

We believe that significant uptick in BUAFOODS (+32.60% MoM), DANGSUGAR (+103.70% MoM), NASCON (+55.54% MoM), and NB (+6.85% MoM) contributed to the positive outcome in the consumer goods sector.

Additionally, the Insurance sector saw gains driven by tickers such as CORNERST (+59.09% MoM), CHIPLC (+21.87% MoM), LINKASSURE (16.88% MoM), and SUNUASSUR (+30.30% MoM).

Figure 2: Year to Date Returns for Major NGX Indices and Sectors in July and August 2023



Source: NGX, ARM Research

While the Oil and Gas sector retreated from its dominant performance in July 2023 (+20.05% MoM), it still maintained an overall positive performance in August 2023 (+0.91% MoM). We believe gains in SEPLAT (+9.95% MoM) bolstered the sector against losses incurred in ETERNA (-38.34% MoM) and CONOIL (-10.00% MoM).

The Industrial Goods sector rebounded from its loss in July 2023 (-5.89% MoM) to post a 3.08% MoM gain in August 2023. Gains in DANGCEM (+2.27% MoM) and WAPCO (+9.21% MoM) played significant roles in freeing the sector from the bears.

Conversely, the Banking Sector relapsed from its positive performance in July 2023 (+3.84% MoM) as it lost 3.57% MoM. This is on the back of bearish sentiments in FIDELITYBK (-18.02% MoM), ZENITHBANK (-2.95% MoM), and UBN (-7.14% MoM), which outweighed the gains in WEMABANK (+8.89% MoM) and STERLINGNG (-1.21% MoM).

Overall, DANGSUGAR (+103.70% MoM), GLAXOSMITH (+87.4% MoM), ABCTRANS, (79.59% MoM), TRANSCORP (+71.59% MoM) and ABBEYBDS (+70.00% MoM) recorded the highest MoM gains in August 2023.

### September 2023 Outlook

We maintain a positive outlook on the performance of the Nigerian equities market in September 2023. This is based on our expectation of positive earnings reports, especially from the banking sector, and the anticipation that the recent policy changes, such as FX liberalization and PMS subsidy removal, will continue to have a positive impact on the market. However, we acknowledge that the rising yields in fixed income instruments could potentially act as obstacles to the market's positive performance in the coming month. Considering this, we advise investors to focus on tickers with attractive interim and final dividend payouts, with a particular emphasis on sectors such as **Banking, Oil & Gas, and Industrial Goods**.

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