

Monthly Equities Market Report: January 2024

Global Market Overview: Mixed Optimism with UK and China Downturns

The global equities market continued its bullish streak in January 2024, marking its third consecutive month of positive performance. The MSCI World Index led the charge, surging 1.14% month-on-month (MoM), with other major indices following suit. However, the UK's FTSE 100 and China's SHCOMP bucked the trend, experiencing declines of 1.33% and 6.27% MoM, respectively.

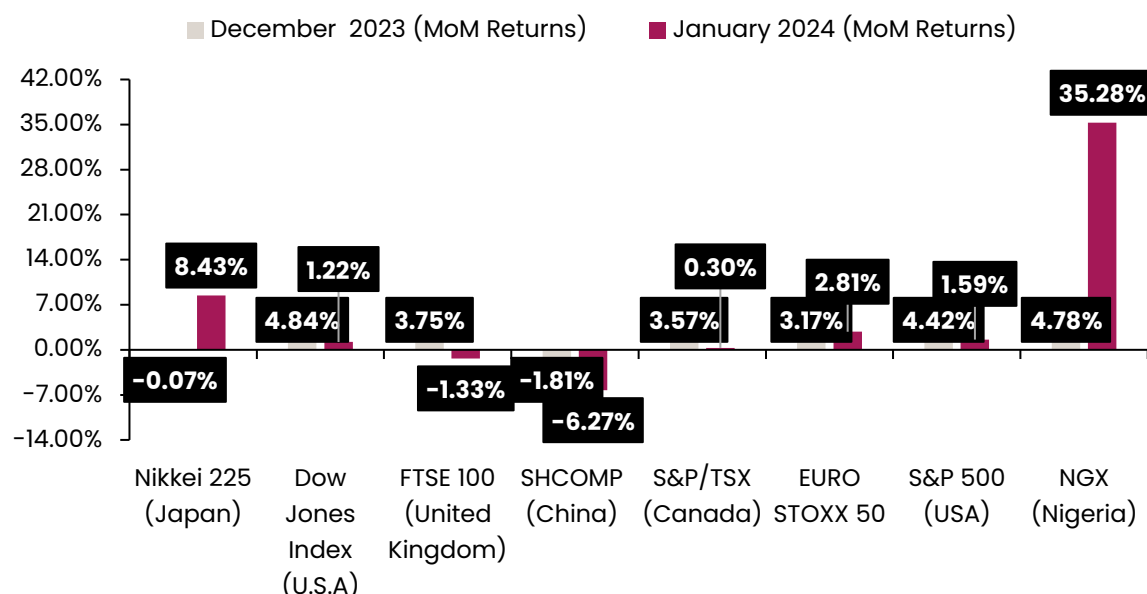
The US market continued its bullish run in January, with the S&P 500 climbing 1.59% MoM. This upswing was fueled by the release of the December 2023 Jobs report, which showed strong job creation (216k new jobs), solid wage growth, and a steady unemployment rate of 3.7%, bolstering hopes for a soft economic landing. Europe's Stoxx 50 index also performed well, gaining 2.81% MoM.

The European Central Bank's decision to hold rates steady and its commitment to data dependence, coupled with a slight improvement in the Eurozone's PMI (from 47.6 to 47.9 points), contributed to this positive sentiment.

The UK's FTSE 100 presented a different picture, declining 1.33% MoM. While the flash composite UK PMI rose to 52.5 points in January, indicating growth, this optimism was dampened by a 3.2% MoM decline in retail sales, raising concerns about a potential slowdown in the UK economy.

Similarly, the Chinese SHCOMP index took a significant hit, dropping 6.27% MoM. This decline was attributed to disappointing retail sales data, alongside worsening housing activity. Additionally, the Q4:2023 GDP growth of 5.2% YoY, which fell short of historical figures, further clouded sentiment around China's economic outlook.

Figure 1: Month-on-Month Returns of Major Indices for December 2023 and January 2024



Source: Bloomberg, NGX, ARM Research

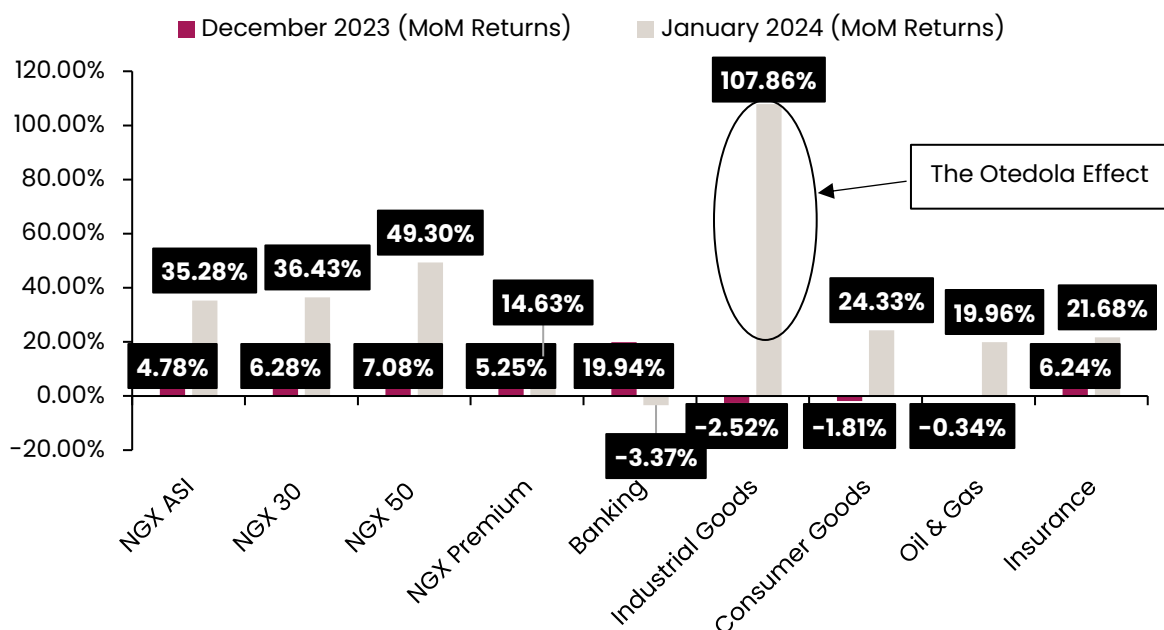
Domestic Market: Starting the Year with the Bulls

The year 2024 began on a high note in the Nigerian Equities market, maintaining the upward trajectory observed last year. Consequently, the NGX All Share Index (ASI) surged beyond 100,000 points, reaching 101,154.13 points in January 2024, a notable ascent from the December 2023 closing figure of 74,773.77 points. This is following gains recorded in 18 out of 22 trading days in the month (vs. 14 out of 19 trading days in December 2023). In January, the trading sentiment remained predominantly positive, evidenced by a 96.19% MoM increase in average total volume and a 60.59% MoM rise in average total value, reaching 868.91mn units and NGN14.64bn, respectively. Overall, the equities market gained 35.28% on both a MoM basis and YtD basis (vs. 4.74% MoM and 45.90% YtD in December 2023).

We recognize that the positive performance in the Nigerian equities space in January 2024 was despite the 161bps MoM jump in average fixed Income yields to 11.82% (vs. 10.21% In December 2023). Therefore, we believe that the impressive performance was an offshoot of the positive investor sentiment carried over from the previous year, prompting investors

to engage in bargain-hunting activities and strategically positioning themselves in high-dividend paying tickers ahead of the release of the 2023FY earnings results.

Figure 2: Sectoral Performance Analysis for December 2023 and January 2024 (MoM)



Source: NGX, ARM Research

Sectoral Performance: Market Extends winning streak in January 2024, Industrial Goods Sector Leads the charge

The Nigerian equities market maintained its bullish run in January 2023, gaining for the fourth consecutive month. All major sectors under our coverage posted positive returns, except for the banking sector, which declined by 3.37% month-over-month. The industrial goods sector led the charge with an impressive 107.86% surge. This strong performance was driven by gains in tickers like DANGCEM (+138.51% MoM), BUACEMENT (+78.35% MoM), and TRIPPLEG (+71.16% MoM). We allude that the acquisition of major shares in DANGCEM by business Mugul Femi Otedola contributed to the positive sentiment around this sector. Following behind were the consumer goods (+24.33% MoM), Insurance (6.24%), and Oil and Gas (+19.96% MoM).

The Consumer goods sector's positive performance was driven by gains in BUAFOODS (+47.36% MoM) and UNILEVER (+26.01% MoM). The insurance sector followed closely behind, with gains in SUNUASSUR (+66.36% MoM), VERITASKAP (+64.86% MoM), and LINKASSURE (+46.25% MoM).

The Oil and Gas sector maintained its upward momentum in January 2024, registering a 19.96% growth rate, rebounding from last month losses. Key contributors to this growth were, ETERNA (+42.96% MoM) and SEPLAT (+35.28% MoM)

In contrast, the banking sector experienced a decline over the same period. Gains in WEMABANK (+78.57% MoM), UNITYBNK (+43.83% MoM), and JAIZBANK (+33.51%) were offset by losses in index heavyweights like ZENITHBANK (-9.18% MoM), UBA (-4.87% MoM), and ACCESSCORP (-1.94% MoM).

Overall, DANGCEM (+138.51% MoM), BUACEMENT (+90.72% MoM), BUAFOODS (36.65% MoM), SEPLAT (+33.10 MoM), and GEREGU (42.36% MoM) recorded the highest MoM gains in January 2023.

February 2024 Outlook

We expect mixed sentiment to permeate the local bourse, driven by the release of 2023FY earnings results prompting investors to adjust their portfolios based on the performance of these tickers. Also, we expect the removal of nine (9) tickers tracked by the MSCI Nigeria Index in the coming month. Recall that in October 2023, Morgan Stanley Capital International (MSCI) reclassified Nigeria Indexes from Frontier Markets to Standalone Markets status, due to persistent FX shortages in the Nigerian FX market, hindering access to the Nigerian equities market and capital repatriation by foreign investors. Consequently, tickers including DANGCEM, MTNN, GTCO, ZENITH, SEPLAT, STANBIC, NESTLE, NB, and BUACEMENT will be eliminated from the MSCI Frontier Markets Indexes, valuing them at effectively zero as of the close of February 29, 2024. Overall, the outlook for the equities market in February is anticipated to hinge significantly on the disclosure of 2023FY earnings

results. Consequently, we recommend that investors strategically position themselves in stocks within sectors demonstrating robust fundamentals, particularly in the **Banking, Oil and Gas, Consumer Goods, and Industrial Goods** sectors.

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