

Monthly Equities Market Report: November 2023

Global Market Overview: Easing Inflation and Hawkish Pause Fuels Optimism across Markets

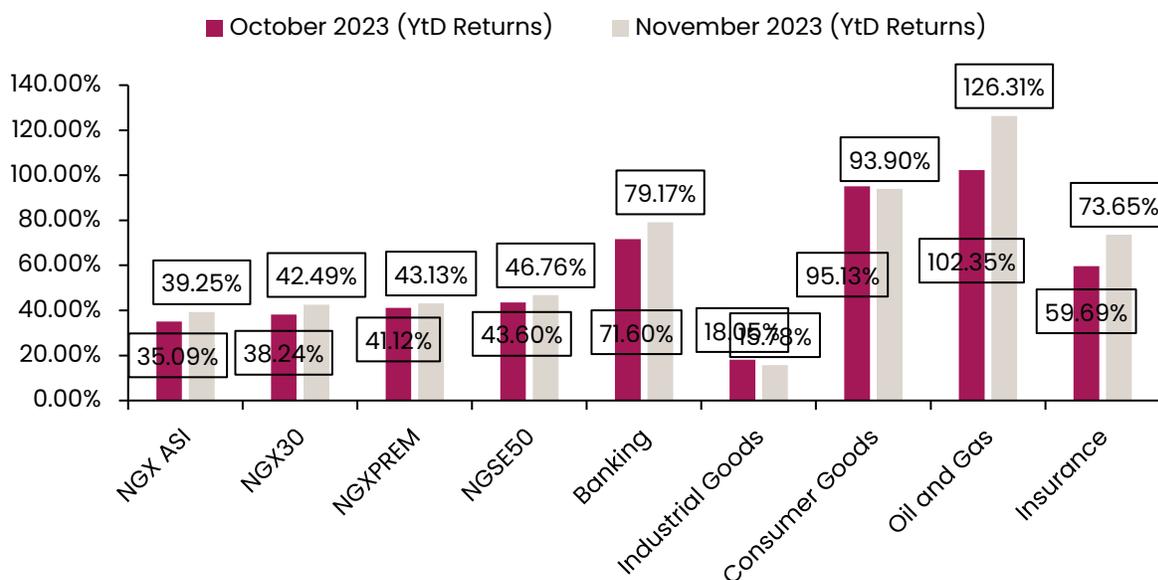
In a welcome turnaround, the global equities market finally caught a break in November 2023, snapping a three-month streak of losses. The MSCI World Index led the charge, climbing 0.85% month-on-month (MoM). This upswing extended to all indices under our watch, painting a picture of renewed optimism across the globe. This positive sentiment, we believe, stemmed from data suggesting that central banks might be nearing the end of their aggressive rate hikes.

The US market rebounded in November, with the S&P 500 index surging 8.92% MoM. This upswing was fueled primarily by the release of a cooler-than-expected US Consumer Price Index (CPI) for October. The CPI dipped to 3.2% YoY from 3.7% YoY in September, sending a wave of optimism through investors.

Europe's Stoxx 50 index was not far behind, racking up a 7.91% MoM gain. Like the US, positive Eurozone CPI data for October (2.4% YoY vs. September's 4.3% YoY) played a key role in bolstering market sentiment. Additionally, a modest improvement in the Eurozone's headline PMI (from 46.5 in October to 47.1 points) added fuel to the fire.

The Chinese SHCOMP index eked out a 0.36% MoM gain, defying expectations. Retail sales in China surprised analysts, jumping 7.6% YoY in October. However, the housing market continued to cast a long shadow, acting as a drag on growth. The Chinese government, to prop up the economy, has kept its foot on the fiscal stimulus pedal. Recent injections of liquidity into the banking system and potential further reserve ratio cuts before year-end hint at continued efforts to navigate these choppy waters.

Figure 1: Month-on-Month Returns of Major Indices in October and November 2023



Source: Bloomberg, NGX, ARM Research

Domestic Market: A Record-Breaking Performance

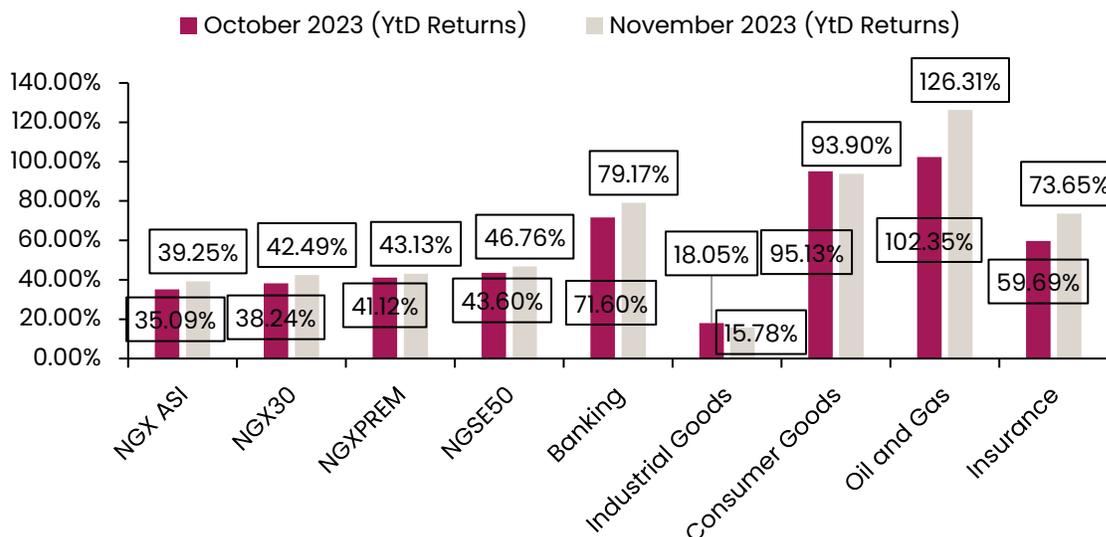
In November 2023, the Nigerian equities market hit a milestone, with the NGX All Share Index (ASI) surging past 70,000 points for the first time in its history. This upward trend persisted throughout the month, propelling the equities market to a 4.78% MoM increase to 71,365.98 points (vs. 69,236.19 points In October 2023). Similarly, the market's year-to-date (YtD) returns grew to 39.25% in November 2023 from 35.09% YtD the previous month, signaling sustained positive momentum.

Market sentiment remained robust, marked by gains in 17 out of 22 trading days, a notable improvement from October's 12 out of 21 trading days. Moreover, there was a substantial rise in both average trading volume (up 30.45% MoM to 480.56 million units) and average value traded (up 25.87% MoM to NGN6.63 billion). As anticipated, the release of impressive 9M:2023 earnings results played a pivotal role in driving the market's strong performance

during November 2023. Despite downgrades from global rating agencies (FTSE Russell and MSCI), the impact on market performance was minimal due to the relatively low involvement of foreign investors in the market (September 2023 YtD: 9.51% vs. September 2022 YtD: 16.30%).

Notably, during the month, Fitch Ratings affirmed Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. This affirmation marks a positive stride in bolstering foreign investors' confidence in Nigeria's local markets. Yet, it is crucial to acknowledge the intricate challenges that persist, such as structural issues, the FX crisis, and inflationary pressures. Addressing these concerns is imperative to attract increased foreign investor participation. Hence, we do not foresee a significant rise in foreign investor participation in the Nigerian equities market in the coming months.

Figure 2: Sectoral Performance Analysis for October and November 2023 (YtD).



Source: NGX, ARM Research

Sectoral Performance: Oil and Gas Sector Leads Equities Market to Positive Performance

The Nigerian equities market noted a positive performance for the second month consecutively in November 2023. Major sectors under our coverage closed positive with exception of the Industrial goods and consumer goods sectors (-1.93% MoM and -0.63% MoM respectively). The oil and gas sector surged ahead, by an impressive 11.85% month-over-month (MoM) growth. The oil and gas sector's impressive growth was fueled by the strong performance of tickers within the sector during the 9M:2023 earnings season. The Insurance sector came in second (+8.74% MoM), followed by the Banking sector (+4.42% MoM).

The Oil and Gas sector's positive performance was driven by gains in SEPLAT (+22.76% MoM) and CONOIL (+7.86% MoM). The insurance sector followed closely behind, with gains in SUNUASSUR (+48.94% MoM), VERITASKAP (+42.31% MoM), and PRESTIGE (+19.51% MoM).

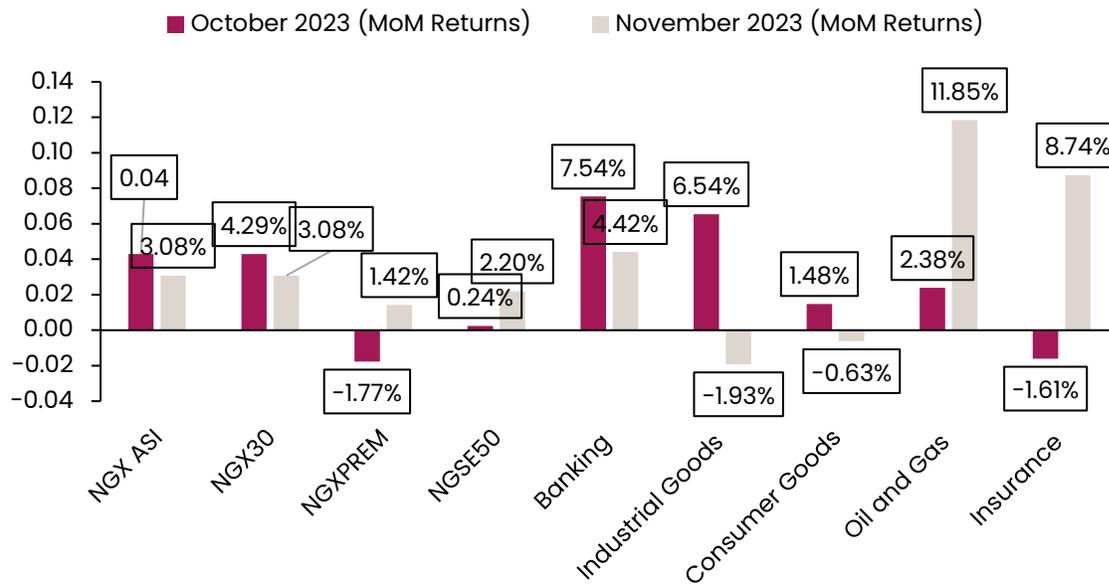
The banking sector maintained its upward momentum in November 2023, registering a 4.42% growth, though at a slower pace compared to the 7.54% growth observed in October. Key contributors to this growth were UNITYBNK, which surged by 41.41% MoM, ETI with a 13.33% MoM increase, and FIDELITYBK, which gained 6.63% MoM.

In contrast, the industrial goods sector experienced a decline over the same period. Gains in MAYER (+31.02% MoM), WAPCO (+9.74% MoM), and CUTIX (+2.18%) were negated by losses in index heavyweights like CAP (-4.29% MoM), BUACEMENT (-2.80% MoM), and DANGCEM (-2.44% MoM).

Similarly, the consumer goods sector underperformed this month, with its benchmark index falling by 0.63%. Losses in heavyweight stocks like DANGSUGAR (-7.94% MoM), INTBREW (-5.49% MoM), and CHAMPION (-4.11% MoM) outweighed gains in NNFM (+76.44% MoM), PZ (+15.95% MoM), and CADBURY (+10.83% MoM).

Overall, DEAPCAP (+136.00% MoM), NSLTECH (+136.14% MoM), MULTIVERSE (86.88% MoM), NNFM (+76.44 MoM), and OMATEK (54.35% MoM) recorded the highest MoM gains in October 2023.

Figure 3: Sectoral Performance Analysis for October and November 2023 (MoM)



Source: NGX, ARM Research

December 2023 Outlook

As we approach the year-end, our optimism persists regarding the equities market performance, considering its remarkable resilience amid substantial economic challenges and downgrades experienced throughout the year. Nonetheless, we recommend investors focus on stocks within sectors that exhibit robust fundamentals, notably **Banking, Oil and Gas and Industrial Goods** sectors.

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