

## Monthly Equities Market Report: October 2023

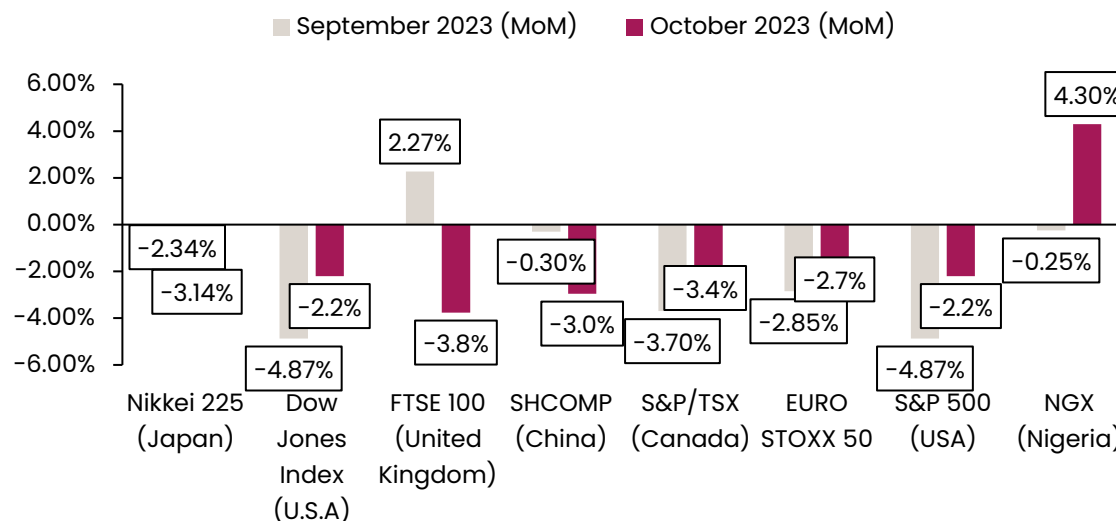
### Global Market Overview: Reign of the Bears

In October, the global equities market closed on a bearish note for the third month consecutively as the MSCI world Index fell 2.98% Month-on-Month. All indices under our coverage, save for the NGX All share Index (+4.30% MoM), came in negative.

The United States S&P 500 index (-2.20% MoM) posted a decline during the period. This was largely driven by higher for longer rates which affected the equities market performance. Europe's Stoxx 50 index (-2.70% MoM) also noted a decline over the period, as cracks continue to emerge in the economic outlook of the Eurozone. For context, bank surveys from the European Central Bank (ECB) showed a contraction in the supply of credit to households and businesses in the third quarter, while the eurozone composite purchasing managers' index (PMI) fell 0.7 points or 1.48% MoM to a preliminary 46.5 in October 2023 (vs. 47.2 points in September 2023).

Additionally, the Chinese SHCOMP index fell by 3.0% MoM. This decline can be attributed to continued weakness in the real estate sector, alongside reports of new US restrictions on AI chip exports to China which further dampened market sentiment.

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



Source: Bloomberg, NGX, ARM Research

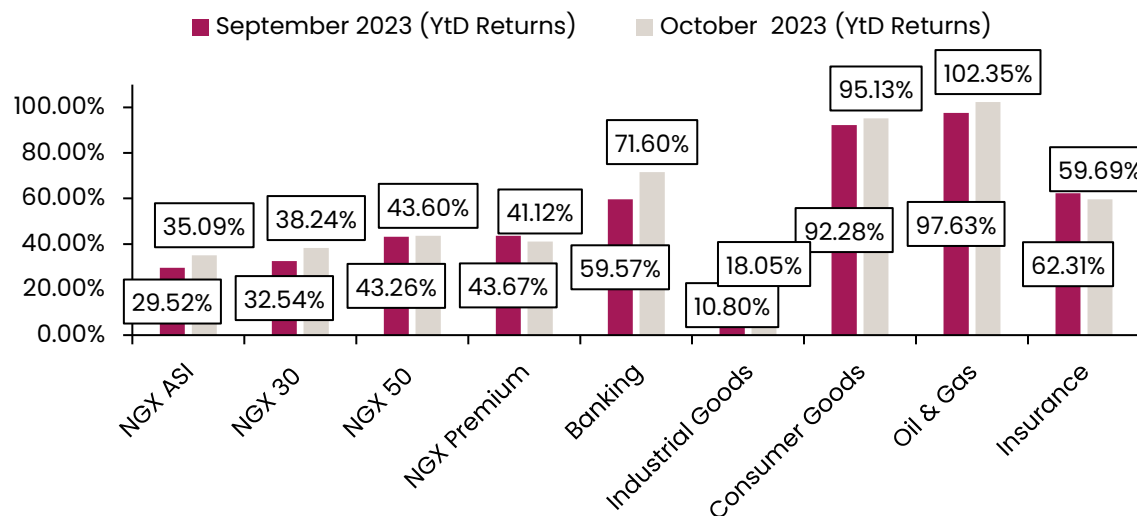
### Domestic Market: Bullish Sentiment Buoyed by Positive Earnings Results

The Nigerian equities market made an impressive comeback in October 2023, after the bearish returns recorded in the market the previous month. The NGX All Share Index (ASI) added 430bps to close at 69,236.19 points during the month (vs. 66,382.14 points in September 2023) bringing its year-to-date (YTD) returns up to 35.09% (vs. 29.52% in September 2023). The market registered gains in 12 out of 21 trading days in the month (vs. 8 out of 20 trading days in September 2023). However, average volume and value traded in October 2023 fell by 34.97% MoM and 28.91% MoM each to 368.37mn units and NGN5.26bn respectively.

The Nigerian equities market has proven to be quite resilient despite macroeconomic challenges within the country such as FX supply issues, inflationary pressures and high interest rates. Interestingly, the domestic equities market stayed positive despite rising fixed income yields (+194bps MoM to 13.13%) and the downgrade of MSCI Nigerian Indexes from Frontier Markets to Standalone Markets. The downgrade had little effect on domestic equities, and after the announcement on the 26<sup>th</sup> of September 2023, the

market went on to gain 3.02% in the five (5) days following the announcement. Hence, we believe that investors were largely focused on bargain hunting, with the positive sentiment fueled by the release of impressive Q3:2023 earnings reports by some tickers majorly in the Banking and Telecommunication sectors.

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



Source: NGX, ARM Research

### Sectoral Performance: Banking sector takes the Lead

The Nigerian equities market witnessed a predominately bullish performance in October 2023 as major sectors under our coverage closed positive with exception of the Insurance sector (-1.61% MoM). The Banking sector lead the charge gaining 7.45% MoM. This is alluded to investors positioning themselves in tickers with strong fundamentals in anticipation of the 9M:2023 earnings release. Coming closely behind are the Industrial Goods (+ 6.54% MoM), Oil and Gas (+2.38% MoM) and Consumer Goods (+1.48% MoM) sectors.

Gains in UBA (+29.81% MoM), ACCESSCORP (+12.74% MoM), ZENITH BANK (+5.91% MoM) contributed to the positive performance observed in the banking sector.

The Industrial goods sector came in second driven by gains in tickers such as BUA CEMENT (+12.63% MoM), BETA GLASS (+7.30% MoM), and BERGER PAINTS (+13.30% MoM)

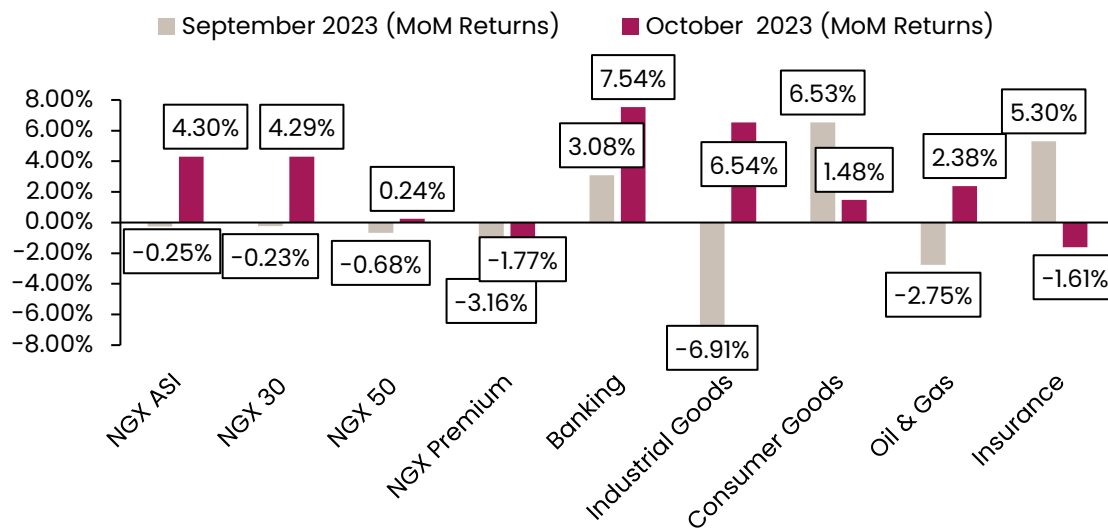
Similarly, the Oil and Gas sector witnessed an uptick on the back of gains in SEPLAT (+3.70% MoM), and MRS (+5.72% MoM)

The Consumer goods sector, albeit declining from its lead position in September 2023, still recorded positive returns in October 2023. Tickers such as DANGSUGAR (+21.86% MoM), BUA FOODS (3.10% MoM), and NESTLE (2.44% MoM) supported growth.

Conversely, the insurance sector posted a negative return over the period. Gains in tickers such as AXA MANSARD (+15.89% MoM), WAPIC (+4.69% MoM), and MUTUAL BENEFITS (+4.76%) were offset by losses in CORNERSTONE (-15.73% MoM), NEM (-8.18% MoM), CONSOLIDATED HALLMARK (-10.43 MoM).

Overall, AIRTEL AFRICA (19.39% MoM), BUA CEMENT (12.63% MoM), UBA (29.81% MoM), GEREGU (+16.49 MoM), DANGSUGAR (21.86% MoM) recorded the highest MoM gains in October 2023.

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



Source: NGX, ARM Research

### November Outlook

In the coming month, we expect buying interest to permeate the market, an offshoot of the release of Q3:2023 earnings results as investors position themselves in attractive tickers. Furthermore, we do not see the MSCI downgrade posing as a serious cause for concern in the Nigerian equities market, given the already low participation of foreign investors in the market (2023 YtD as of September 2023: 9.51% vs. 2022 YtD as of September 2022: 16.30%). However, given the volatility in the macroeconomic environment, we maintain that investors should consider fundamentally sound tickers in sectors such as **Banking, Oil & Gas and Industrial Goods**.

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