

2024: A Year of challenges, Uncertainty, and opportunities



**“Be fearful when others are greedy,
Be greedy when others are fearful.”**

Warren Buffet

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EXECUTIVE SUMMARY

Global growth is expected to taper down to 2.9% in 2024, from 3.5% in 2022 and 3.0% in 2023, according to IMF. The World Bank made a less than optimistic 2024 outlook, forecasting that global GDP growth would slow for the third year in a row to 2.4%, which will leave poverty reduction goals at risk. Advanced economies are expected to slow from 2.6% in 2022 to 1.5% in 2023 and 1.4 percent in 2024, with a modest decline in growth from 4.1% in 2022 to 4.0% in 2023 and 2024 in both Emerging and Developing Economies. For Nigeria, a GDP growth of 3.1% is anticipated for 2024, up from a 2.9% growth projection in 2023. Growth in the Nigerian economy continues to stabilize, as the effect of key reforms unfolds in 2023 and 2024.

According to IMF, Global inflation is projected to decline steadily, from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, as a result of tighter monetary policy aided by lower international commodity prices. Global inflation is expected to decelerate to 3.9% in 2024 according to the World Bank. Economic outlook remains unsettled as major central banks signal a dovish stance in 2024 with inflation cooling, central banks are faced with the dilemma of rising inflation if monetary policy is eased and recession if monetary policy remains too tight. Interest rates have reached their highest in decades in most economies. Inflation hovering around 3% in advanced economies is close to the 2% target rate of respective central banks towards the end of 2023. In 2024, inflation in advanced economies is projected to dip below the 3% level by the end of 2024. This indicates the likelihood of interest rate easing in 2024. We expect a 25 to 50 bps cut in interest by the end of second quarter of 2024 in advanced economies. While in the case of Nigeria, we have projected that inflation will continue to rise in the H1 2024, peaking by May 2024 before moderating due to the high base effect from the prior year. We estimate that the CBN will likely hike the policy rate by 100-150bps in H1 2024 before a relaxation in H2 2024.

Challenges to the performance of the global economy in 2024 include the war in Gaza, the

Russia Ukraine war, more pronounced impact of climate disasters, a rising global debt burden and excessive government deficit all weigh on the outlook for 2024. The Russian and Ukrainian conflict, though seemingly overshadowed, continues to exert a lasting impact on the global economy. The repercussions have notably had effect on inflationary pressures across the globe, consequently affecting numerous African and middle east nations as shown by the surge in food and energy prices accompanied by increased hunger and cost of living crisis. Furthermore, The Israeli-Palestinian conflict intensified in October when Hamas, the governing body in the Gaza Strip, initiated an attack on Israel. The effect of the war on oil prices have been muted with the original spike to \$90 reducing to an average of \$84. Both wars have impacted gas prices in Europe and resulting in inflation which prompted monetary authorities in the Eurozone to further tighten monetary policies.

Central banks had to hike their anchor rates to fight inflation while Russia's war in Ukraine continue to weigh on economic activity. Global inflation was expected to fall from 8.8% in 2022 to 6.6 % in 2023. The Monetary Policy Committee of the Bank of England increased interest rates to 4.5%, marking the highest level in the UK since the 2008 financial crisis. Subsequently, the Bank of England, the European Central Bank, and the US Federal Reserve raised their interest rates by 0.25, 0.5 and 0.25 per centage points, respectively, as a measure to counter inflation. Also in the year, a US banking crisis led to the collapse of several American regional banks amongst which were the Silicon Valley Bank, First Republican Bank and Credit Suisse in Switzerland.

The year 2023 for Nigeria was marked by uncertainties stemming from government policy decisions, resulting in a lackluster start to the year. Nigeria experienced disruptions in economic activities and widespread hardship caused by the Central Bank of Nigeria's (CBN) Naira redesign policy, cash withdrawal limit and political uncertainty. The GDP performance was unstable

2023. The foreign exchange markets unification brought a drastic devaluation to the value of the Naira and contributed to the challenging business environment and saw the winding up of some firms and the inability of domestic firms to repatriate funds to foreign investors.

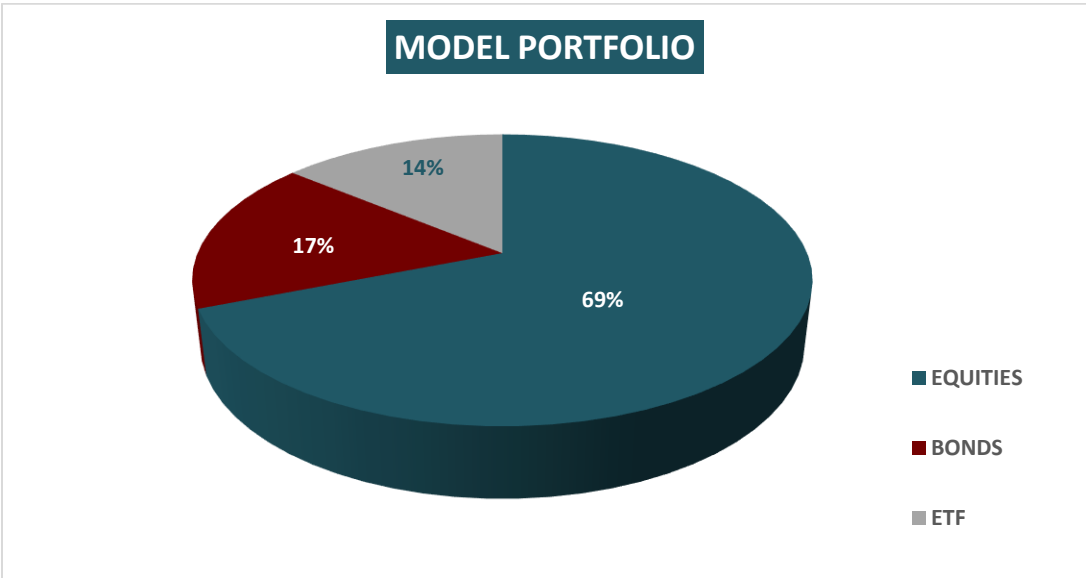
The rising geopolitical war between Russia and Ukraine and the Middle East war between Israel and Hamas will most likely continue to affect the economy in 2024. These will affect the global economy at large especially the oil sector. The looming threat of Iran intervening and confronting Israel in the war could also exert an upward pressure on oil prices and cause potential supply disruptions. Consensus projections for oil prices predict it hovering around \$80 a barrel in 2024 due to weakening demand. These geopolitical tensions could intensify and potentially spill into neighboring nations.

The Nigerian equities pulled a stellar performance to close the year 2023 with a 45.90% positive performance. The policy reforms implemented by

the present administration, coupled with positive corporate 9M earnings report by companies in the banking and oil and gas sectors, strengthened investors' optimism in H2 2023. The NGX All Share index rallied to the end of 2023 and achieved 74,773.77 index points, marking its highest ever, with a market capitalization of N40.92 trillion. The NGX ASI outperformed its peers, surpassing the indices of Ghana, Kenya, and South Africa.

We anticipate that the Nigerian equities will sustain a positive return in 2024. **However, while rallies are expected to continue until the middle of February 2024, by the end of Q1, the ASI which reached 94,538.12 on 19th January, is expected to recede below the 80, 000 mark.** This potential downturn would be attributed to an expected interest rate hike by the central bank, which might exacerbate borrowing conditions for firms. Additionally, the persistent inflationary pressures continuing to impact households may result in investors depleting their portfolios. Subpar dividend declaration by companies may dampen optimism in the market.

INVESTMENT RECOMMENDATION TO HOLD IN 2024



Stocks selected in our portfolio are fundamentally sound, stable and have produced higher risk adjusted returns in the past few years. The rally in December/January 2024 have pushed some of these stocks above their intrinsic value and exit prices. We advise investors to sell at the current market high and buy back in February/ March when we expect a dip in the market and hold their positions till year 2024. Our weekly reports will provide further guidance on actions to take along the year.

S/N	STOCK	SECTOR	WEIGHT	CURRENT PRICE (₦)	EXIT PRICE	UP/DOWN SIDE	EPS	P/E	RECOMMENDATION
1	UBA	Banking	5%	33.95	40.32	18.76%	12.93	0.66	HOLD
2	GTCO	Financial Service	5%	47.35	52.21	10.26%	12.98	0.91	HOLD
3	SEPLAT	Oil and Gas	10%	2310.00	2595.05	12.34%	40.58	14.23	HOLD
4	ZENITH	Banking	10%	45.85	52.81	15.18%	13.82	0.83	HOLD
5	TRANSCORP	Hotel	10%	15.95	20.1	26.02%	0.36	1.99	BUY
6	ETI	Banking	5%	27.45	32.81	19.53%	5.3	1.29	BUY
7	FIDELITY	Banking	6%	13.90	17.09	22.95%	2.87	1.18	BUY
8	MANSRD	Insurance	3%	6.40	7.16	11.9%	1.36	1.18	HOLD
9	CONOIL	Oil and Gas	10%	102.00	111.91	9.7%	4.68	1.68	SELL
10	UCAP	Financial Service	5%	25.00	27.29	9.2%	1.88	3.32	SELL
11	12.50% MAR 2035	FGN Bonds	5%	92.90	100	12.50%	-	-	BUY
12	14.55% APR 2029	FGN Bonds	5%	104.60	100	14.55%	-	-	BUY
13	8.375% MAR 2029	FGN Bonds	7%	\$ 96.38	100	8.38%	-	-	BUY
14	VSPBONDET	ETF	7%	400.20					BUY
15	NEWGOLD	ETF	7%	14990.00					BUY
			100%						

GLOBAL ECONOMIC REVIEW

The year 2023 continued the tapering of global GDP from the height of 6.1% in 2021, the year after the global pandemic shut down. Projections for the global economy were revised downward, indicating a baseline growth rate of 3.4% in 2022 to forecast of 2.9% in 2023. The 2023 forecast is 0.2 % higher than figures predicted in the October 2022 World Economic Outlook (WEO). Most central banks had to hike their anchor rates to fight inflation while Russia's war in Ukraine continue to weigh in on economic activity. Global inflation was expected to fall from 8.8% in 2022 to 6.6 % in 2023.

In its October 2023 outlook, the International Monetary Fund (IMF) reduced growth projections to 3.0 % for 2023, down from the initial projection of 3.4% made in 2022. Growth in advanced economies was anticipated to decelerate from 2.6% in 2022 to 1.5 % in 2023, as the prolonged effects of policy tightening continue to impact major economies. Emerging market and developing economies are expected to experience a modest decline in growth, from 4.1 % in 2022 to 4.0 % 2023. Global inflation forecasts indicated a steady decline from 8.7 % in 2022 to 6.9 % in 2023, this reduction is attributed to several factors which include the enduring aftermath of the pandemic and Russia's conflict in Ukraine which, triggered a sharp increase in energy prices. Compounding the downward review of growth are the encompassing impacts of essential monetary policy adjustments aimed at curbing inflation, the reduction of fiscal

aid amidst high debt, the conflict in Gaza which initially accelerated world oil prices on the speculation that Iran may join in the war and non-economic occurrences of severe climate change.

Economic indicators from the US indicated improvements in certain key areas like; domestic demand and industrial output. Positive economic trends seem to have continued in India, Brazil and Russia as well. The European economies are in a more challenging situation with Germany experiencing a stagnant growth during the half year 2023 owing to a subpar performance in the industrial sector which kept growth at a very low level in half year and overlapping into 9M 2023.

Core inflation continued to abate in most advanced economies. However, despite this improving price trend, inflation remains a concern for monetary authorities of the major apex bank including the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England (BoE). This led to monetary policy tightening by these central banks. Bond yields in these three important economies rose considerably towards the end of the year, indicating the market's expectation of continued rising interest rates. With these developments and the indication of ongoing high-interest rates in the US, the US dollar continued strengthening with consequent spillover effects in global trade. As inflation cooled, the monetary authorities held a dovish stance towards the end of the year 2023.

COUNTRIES (Real GDP Annual % Change)	2022	2023 Projected
WORLD OUTPUT GROWTH	3.5	3.0
USA	2.1	2.1
UNITED KINGDOM	4.1	0.5
JAPAN	1.0	2.0
GERMANY	1.8	-0.5
FRANCE	2.5	1.0
CHINA	3.0	5.0

Source: IMF outlook October 2023 and MBC Research.

KEY GLOBAL ECONOMIC EVENT'S IN 2023

The year 2023 started with various challenges and uncertainties while presenting both opportunities and risks. The year witnessed a diminishing severity of the COVID-19 pandemic, culminating in the World Health Organization (WHO) ceasing its global health emergency status in May. The ongoing Russian invasion of Ukraine triggered repercussions on grains and energy prices, causing scarcity, heightened prices and food inflation.

The Monetary Policy Committee of the Bank of England increased interest rates to 4.5%, marking the highest level in the UK since the 2008 financial crisis. Subsequently, the Bank of England, the European Central Bank, and the US Federal Reserve raised their interest rates by 0.25, 0.5 and 0.2 per centage points, respectively, as a measure to counter inflation. A US banking crisis led to the collapse of several American regional banks amongst which are Silicon Valley Bank and First Republic Bank while, Credit Suisse in Switzerland had to be rescued.

Across Africa, a sequence of coups, unrest, and political crises erupted in a few countries including Mali, Burkina Faso, Niger, Gabon, and most recently Niger. As in other regions, inflation heightened in Ghana peaking at a high as 53.6% in January 2023 but has steadily declined to 26.4% as at November 2023. Contrary to the direction in Ghana, Inflation rate in Nigeria maintained an upward trend rising to a peak of 28.20% in November 2023 - the highest in the last two decades. Inflation was not peculiar to the two African nations, countries like Egypt, Ethiopia,

Sierra Leone and Zimbabwe experienced price surges reaching the highest levels recorded in decades.

The Israeli-Palestinian conflict intensified in October when Hamas, the governing body in the Gaza Strip, initiated an attack on Israel. This prompted Israel to declare war on Hamas, initially causing a spike in oil prices due to concerns that Iraq might support the Palestinian faction in the conflict. However, despite the ongoing war, the effect of the war on oil prices have become muted with the original spike to \$90 reducing to an average of \$84 within the months of October and November 2023. The Israel and Gaza conflict had a pause for four days which saw the exchange of hostages for prisoners between the two nations. However, immediately after the truce, the Israeli bombardment on Gaza resumed more fiercely.

In the policy meeting held in November, Brazil announced its intention to join OPEC+. This decision is set to take effect from January 2024.

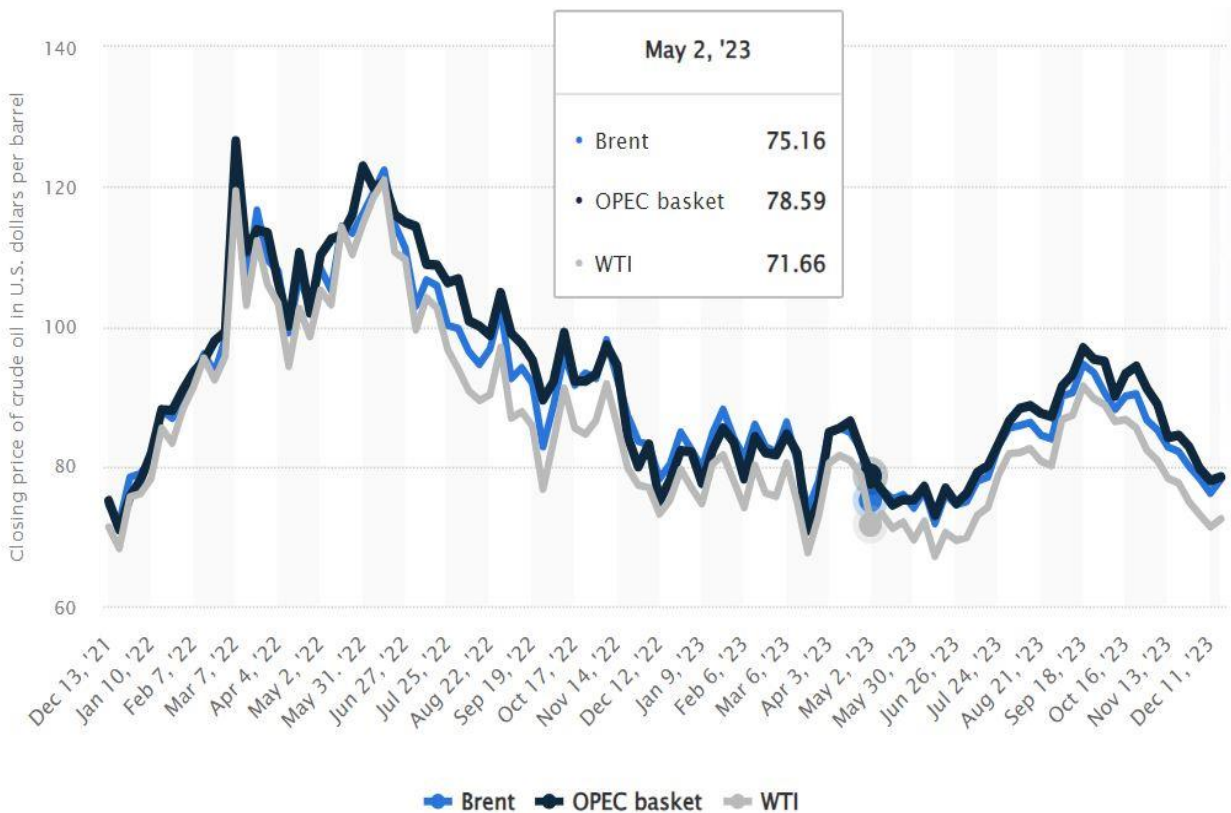
The global temperature surpassed the highest recorded temperature since 1940. November 2023 was the warmest November on record globally, with an average surface air temperature of 14.22°C, 0.85°C above the 1991-2020 average for November and 0.32°C above the temperature of the previous warmest November, in 2020.

Additionally, the year also witnessed catastrophic natural disasters, notably the fifth-deadliest earthquake of the 21st century striking Turkey and Syria.

GLOBAL OIL MARKET REVIEW

The oil market was relatively volatile during the year 2023. Oil prices started the year on a bearish note, declining by 5.03% from \$82.50 per barrel in January to \$77.76 per barrel in March 2023. The prices stabilized to \$84.82 per barrel in April, but subsequently followed a downward trajectory, declining by 11% to \$74.84 per barrel by June. The West Texas Intermediate crude followed similar trend averaging \$78.12 per barrel in January 2023, dipping by 6.79% to \$72.81 per barrel in March. The decline in price movement can be attributed to increased oil supply, rise in U.S. fuel stocks and weak Chinese export data which weighed on the market. Russia produced 10.3 million barrels per day which is equivalent to 13% of the world's total crude supply.

H2 2023 saw a significant rebound in crude prices. The Brent crude and WTI increasing to \$94.57 and \$91.46 per barrel in September from \$76.44 and \$72.16 per barrel in July 2023. Increase in oil prices in the Q3 2023 could be attributable to the decision by Saudi Arabia and Russia in early September to extend output cuts of a combined 1.3 million barrel per day (mb/d). In October, there was a mild drop in prices of oil with the Brent crude averaging \$90.78 and the WTI at an average of \$85.84 per barrel. However, in November, Oil prices wane continuously owing to increased oil supply and a reschedule of OPEC meeting whose major focus is to cut oil supplies. OPEC and OPEC+ producers agree to voluntary cut the supply of oil by 2.2 million barrels per day by early 2024.



Source: Statista

RUSSIA AND UKRAINE WAR

The Russian and Ukrainian conflict, though seemingly overshadowed, continues to exert a lasting impact on the global economy. Its repercussions have notably exacerbated inflationary pressures across the globe, consequently affecting numerous African and middle east nations as shown by surge in food and energy prices accompanied by increased hunger and cost of living crisis.

Despite its reputation as the "breadbasket" of Europe, Ukraine has tragically become one of the most food-insecure nations since the onset of the war in February 2022. The United Nations reports that at least one in every three Ukrainians faces food insecurity. The devastation wrought upon farmlands and the displacement of farmers due to the war have exacerbated poverty and food insecurity. This impact is felt not only in Ukraine but also sends ripples of volatility in food prices globally.

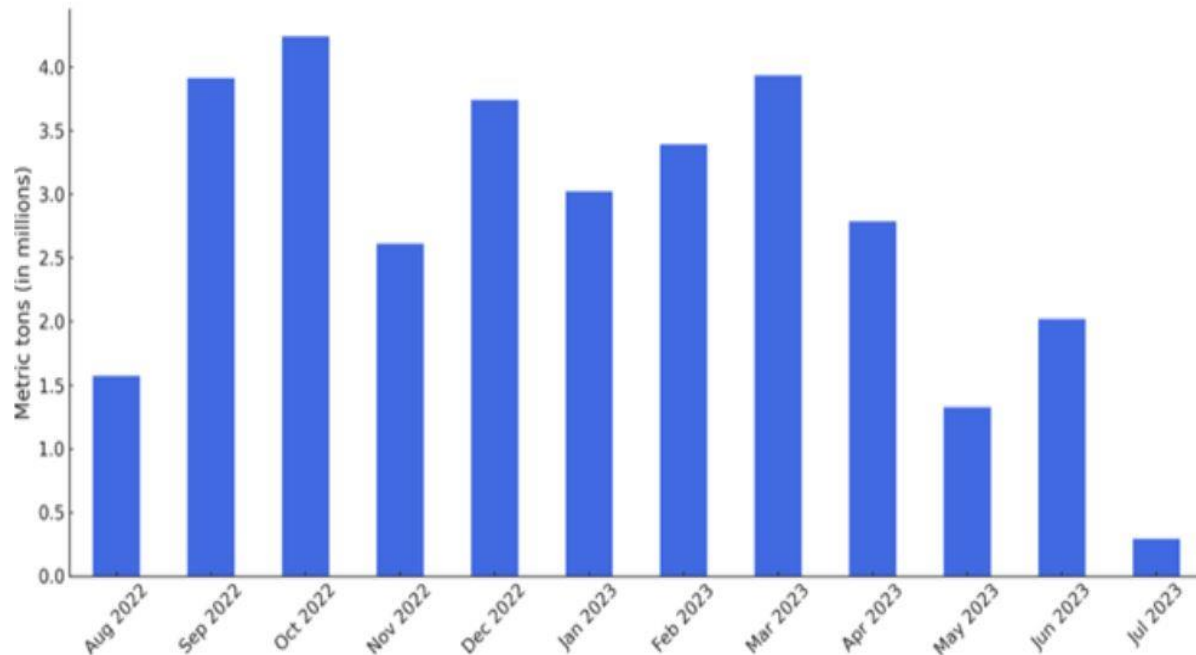
Prior to the war, Russia and Ukraine were the top global producers of food and agriculture, collectively contributing to 40% of the world's grain production. However, with the outbreak of war, the Black Sea port, a crucial commercial hub, was shut down. Despite a Black Sea grain initiative established by both nations in July 2022, to enable

the export of Ukrainian grains, Russia pulled out of the agreement in July 2023, causing a stoppage in grain movement through this vital channel. By July 2023, Ukraine had managed to export nearly 30 million tons of grains compared 18.94 million tons in January 2023 through the Black Sea initiative before the disruption. The suspension in July of the Black Sea Grain Initiative and recent attacks on Ukraine's grain facilities are concerns for the global economy. In this context, a proliferation of export restrictions on agricultural products has complicated the delivery of commodities to global markets and exacerbate fluctuations in commodity prices.

Majority of European countries and North African nations who had depended on these nations experienced surge in food prices. To ameliorate the short supply of grain these countries have looked to other suppliers like US and Argentina, but these other producers have not been able to fill the gap.

The conflict has also impacted global financial markets with eastern and western European countries facing the brunt. A study by the London School of Economics shows that on average trade links with Russia has caused a 1.53% drop in the value of each countries aggregate stock market index.

Ukraine's monthly export of grains during the black sea grain initiative



ISRAEL AND GAZA WAR

The conflict between Israel and Hamas traces back to Israel's withdrawal from the Gaza Strip in 2005. Despite the withdrawal, Israel has maintained military control over the Gaza territory. The governance of the Gaza Strip was taken over by the Hamas Islamist militant group following their victory in the Palestinian elections of 2006. Due to security concerns following Hamas' rise to power, Israel and Egypt imposed a blockade on the Gaza Strip. This blockade had led to numerous clashes and attacks between Israel and Palestinian militants.

On October 7, 2023, Hamas initiated a surprise cross-border attack by firing rockets into Israeli territory. This attack resulted in the deaths of at least 1,200 Israelis, including civilians, soldiers, and police. Additionally, 240 individuals were taken as hostages. Israel declared a war with the Israeli military launching myriad of bomb attacks on the

Gaza Strip while conducting a significant ground invasion.

The ongoing conflict has caused a devastating toll, resulting in the deaths of over 15,000 Palestinians, including men, women and 6,000 children. According to the United Nations, 1.8 million Palestinians and 500,000 Israelis have been internally displaced, making it one of the deadliest wars for children. The war has severely impacted Gaza's healthcare system, leading to its partial collapse. There have been shortages of food, water, and medical supplies.

Several nations, including Iran, sided with the Palestinian group, providing significant support even before the outbreak of war. In 2020, a U.S. State Department report revealed that Iran funneled \$100 million to Hamas. Additionally, Iran has played a role in arming militant groups in Gaza. There are speculations about potential energy

supply disruptions if Iran joined the war. Consequently, the war impacted gas prices in Europe and resulted in inflation which prompted monetary authorities in the Eurozone to further tighten monetary policies.

The conflict prompted global protests, primarily advocating for a ceasefire. In the month of

October after 49 days of conflict, a 4-day ceasefire was established, allowing for the exchange of hostages. However, immediately after the truce, Israel resumed its invasion of Gaza. The continuation of the war poses the risk of spilling over into neighboring countries, potentially heightening geopolitical tensions. The war has prompted a global realization of the need to fortify military defenses against potential future attacks.

THE EUROPEAN ECONOMY

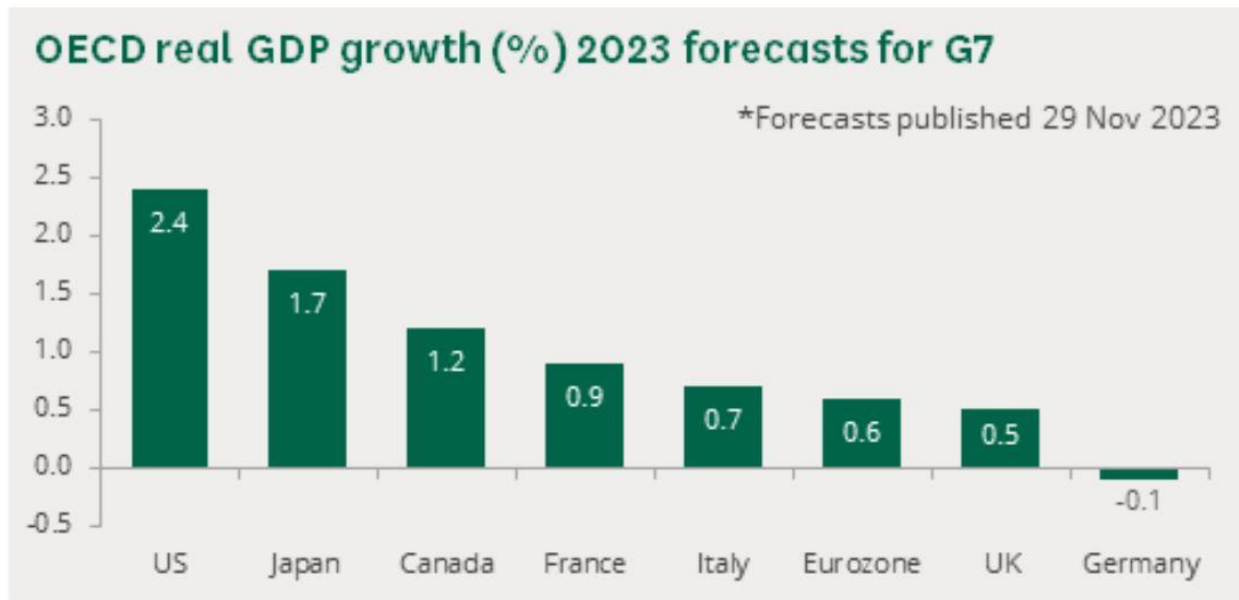
The European economy has shown resilience, rebounding in 2021 and posting robust growth in 2022. However, in the year 2023 there has been a drastic decline in the economic growth in some European countries. The European commission autumn forecast reviewed economic growth downward from 0.8% to 0.6%, 0.2% lower than its summer forecast. Weakened domestic demand and higher prices of goods and services are taking a heavier toll than expected. Despite the weak performance of the European economy, some southern European economies witnessed a remarkable rebound on the back of tourism related expenditure since the pandemic.

The largest economy in Europe, Germany, saw consecutive declines in its GDP for the first and second quarters (recession). The stagnancy of the German economy can be attributed to the weak domestic demand and tight monetary policy by the ECB. Despite the decline in energy prices and the presence of favorable employment data along with rising wages, the economy experienced growth challenges. The headwinds of high inflation and monetary tightening slowed down bank credit, eroded purchasing power and weakened investor's sentiment. Germany's inflation has cooled over the last 5 quarters; inflation was at a peak of 11.6% in October 2022, and has eased steadily since then

decelerating to 8.7% in January 2023, declining further to 6.4% in the June and 3.2% in November 2023. This reduction was mainly driven by the decline in wholesale energy prices and the introduction of energy saving measures.

Spain experienced a GDP growth of 0.6% in first quarter of 2023 and 0.4% in second quarter of 2023. This increase is largely attributed to strong demand and a boost in the tourism sector since the pandemic, as indicated by the European Commission. The Spanish inflation rate was 5.9% at the beginning 2023, drastically declined to 1.9% in June and currently at 3.2% in November 2023. This drastic decline is attributed to the interest rate hike by the ECB from 3.5% in February 2023 and subsequent increase to 4.0% in June.

GDP grew by 0.1% in France in Q1, domestic demand remained subdued in Q1 due to tighter financial conditions which outweighed government support measures and dynamic wages that preserved households' purchasing power. However, domestic demand rebounded and is now the main driver of growth as the GDP appreciated by 0.5% in Q2. Inflation cooled to its lowest since January 2022 to 3.4% in November 2023 decelerating from a high of 6.2% in January 2023, to a 4.3% in July 2023.



THE US ECONOMY

The United States economy got to a great start in 2023, the economy was characterized by steady consumer spending and stabilized manufacturing activity. In the effort to adjust from the effect of the covid-19 pandemic, the US economy has remained resilient post pandemic growing in Q1, 2023 by 2.2%, also by 2.1% in Q2. The economy experienced a massive boost in Q3, growing by 5.2% owing to higher wages which fueled consumer spending.

Since 2022, the U.S. economy has demonstrated resilience despite challenges, contradicting forecasts of a looming recession. The conflicts in the Middle East and the war between Russia and Ukraine have worsened inflationary pressures, creating some challenges in the economy. These factors have acted as obstacles to economic growth. In a bid to fight inflation, the Federal Reserve has kept interest rates higher from 4.0% in January and steadily increased it over the months to the highest of 5.5% in November. Inflation has decelerated from a 40 year high of 9.1% in June 2022 to 3.2% in November 2023.

The tech war with China lingers with negative impact on both economies. The US government choked off China's access to computer chips and advanced semi-conductor manufacturing equipment. The US restriction was to Stop China from becoming an AI authoritarian superpower. Netherland and Japan joined in the export restriction of advance semi-conductor manufacturing equipment to China. The Biden administration has said that the US tech companies that receive federal funding will be barred from building "advanced technology" facilities in China for 10 years, the guidelines were unveiled as part of a \$50bn plan aimed at building up the local semiconductor industry.

China retaliated by banning all U.S. semi-conductor companies that operate in the Chinese market. This negatively affected US companies. Micron, a leading US producer of memory chips, whose annual sales to the Chinese economy were \$3.3 billion in 2022, experienced a plunge of 48% in revenue in 2023 as a result of a ban placed on its product by the Chinese government. The Chinese government further restricted the export of two important minerals, gallium and germanium. These

minerals serve as major inputs for the manufacturing of high-tech microchips, which is detrimental to the cost-effectiveness of advanced semiconductor manufacturing in the US. The tech war has not posed significant effect on the US economy, the economy has flourished amidst the tech war.

THE CHINESE ECONOMY

The Chinese economy rebounded from the effect of the pandemic, as the government lifted the ban on travels in the early part of the year 2023. However not immune from challenges the economy posted a 5.2% GDP growth in 2023 in comparison to the 3% growth recorded in 2022. The uptick indicates a significant improvement in economic activity from 2022. China's economy has experienced health recovery since the pandemic, while several areas of weakness still remain. However, recovery has not been entirely smooth and balanced, as some sectors performed better than others.

The real estate and related sectors have accounted for about a one-fifth of China's GDP. The economy has experienced some crisis in the real

The economy witnessed a strike by the United Automobile Workers (UAW) which could have impeded the growth trajectory in the fourth quarter of 2023. The GDP grew by 2.4% in Q4 2023 relative to the 5.2% in Q3 2023. The inflation rate stood at 3.4% to wrap up the year 2023.

estate sector. The government began loosening restrictions on lending for home purchases and stepped-up spending on construction, though housing prices kept falling this could spell financial difficulties for the economy in the new future. Elsewhere, the manufacturing sector remain stable although 2023, services and tourism experienced significant rebound.

Despite high inflation in advanced economies, the Chinese economy experienced a downward trajectory in inflation. From 2.1% in January 2023, inflation decreased to 0.1% in December 2023, resulting in an annual average inflation rate of 0.2% for the Chinese economy in 2023. However, interest rate experienced a mild decline to 2.65% in June 2023 from 2.75% in January 2023 and remain steady till the end of the year.

THE GLOBAL EQUITIES MARKET

Despite the implementation of strict monetary policies by major global economies in 2023, the global equities market displayed mixed performances as some indices experienced massive rallies, posting gains and while a few markets remained laggards.

Major stock indices rebounded from the negative position in 2023. In US stock market, the S&P 500 rebounded from a negative terrain to experience 6.2% gains at Q1 of the year, the NASDAQ index also witness a rebound to positive terrain gaining a 10% increase when compared to the fourth quarter due to a cooling inflation report. The UK FTSE 100 index similarly rebounded to the positive terrain to gain 4.5% when compared to Q4,2022. The Nikkei 225 index also witnessed a rebound 5% Q1 of the year. The German DAX index witnessed

a rebound in the same vein to add 10% in when compared to Q4, 2022.

However, the performances in the emerging markets were mixed with improvements in China, Russia, Mexico, South Africa, and Brazil. Chinese shares made gains following the loosening of the COVID-19 restrictions in late 2022 – this improved investor sentiments and market activity. Performances in few other stock markets were bearish such as stock indexes in Indonesia, India and turkey.

The equity markets in US, UK and European countries experienced positive performance in Q1, 2023. At the end of Q1, global equities experienced a bullish trend, with the tech and energy sectors showing resilience that countered the instability observed in the banking sector. The US stocks indices the S&P 500, Dow Jones Industrial

Average and NASDAQ notched up by 7.0%, 0.4% and 20.5% respectively to end Q1. This was majorly attributed to gains in tech stocks which countered the systemic risk associated with the collapse of the Silicon Valley Bank which dampened investors' confidence. The UK FTSE 100 gained 2.4% on the back of a strong positive performance of the economy. The economy's performance strengthened market optimism. The Nikkei 225 index in Japan also witnessed a 7.5% gain at end of Q1. The EURO STOXX 50 similarly rose 13.8% owing to better economic performance. The German DAX, IBEX 35, FTSE MIB and French CAC indices in Germany, Spain, Italy and France gained 12.5%, 12.2%, 14.4% and 13.1% respectively.

Performances of the global equities markets were mixed in Q2. The S&P and the NASDAQ continued the bullish trend increasing by 7.6% and 3.4% respectively when compared to Q1 despite the federal reserve increasing interest rate three times between February and May. Conversely the FTSE 100 dipped 2% owing to a decline in stock prices of the energy groups. The German DAX witnessed an uptick of 7% compared to Q1, while in France the French CAC index dipped by 3.5% Q/Q. The Japan Nikkei 225 and TOPIX gaining 14.4% and 20.5% respectively, rallies in the Japan indexes is largely attributed to corporate governance reforms and a structural shift in the Japanese macro economy. Despite the weakening yen, the Nikkei 225 hit the highest level in 33 years to close at 33,700 yen in June.

The performance of the leading emerging equities markets was mixed. The South African JSE All-

Share Index rose by 4.2 %, propelled by gains in financials, tech and resource-link sectors. The India's BSE dipped 20.9% on account of allegations of unethical practices against a major business conglomerate in the country. The Brazilian BOVA11 BZ fell by 7.0%, as investors cautiously assessed the new administration's plan for the economy.

In the second half of the year, the MSCI WORLD Index dipped as the US equities performance were weak. The US labor statistics showed that unemployment rose by 0.3 per centage points to 3.8% in August which weakened investors optimism. Similarly, shares in the eurozone dipped owing to the negative effect of interest rate hike by the ECB. The energy sector and financial sector are notable exception to the declines, notching up gains amid higher oil prices and banks benefiting from rising interest rates. The Nikkei 225 dipped 4.0% owing to correction triggered by rising interest rates in the US and Japan. However, the TOPIX posted a modest gain of 2.5% during the period.

The fourth quarter saw the MSCI EAFE Equal-Weighted Index outperformed the S&P 500 Equal-Weighted Index by nearly 5% in 2023, adding to the 15 % outperformance since the bear market ended in October 2022. The S&P 500 wrapped the year 2023 with gains posting a 22.61% for the year on the performance of the tech mega cap stock. The DIJA in followed the same vein posting gains to close conclude the year 2023. The UK FTSE lagged it peers posing 2.37% gains. The GERMAN DAX, the TOPIX and Nikkei Index all witnessed rallies to conclude the year 2023.

International outperformance in 2023



MSCI WORLD INDEX 2023



Source: MSCI INDEX, MBC RESEARCH

THE NIGERIAN ECONOMY

The year 2023 was marked by uncertainties stemming from government policy decisions, resulting in a lackluster start to the year. Additionally, looming political uncertainty contributed to investor indecision. The first two months of the year saw disruptions in economic activities and widespread hardship caused by the Central Bank of Nigeria's (CBN) Naira redesign policy and the imposition of cash withdrawal limits. The redesign policy resulted in a liquidity crisis with severe impact on economic and productive activities, leading to contractions of many sectors as well as stifling of the informal economy. As a result, Gross Domestic Product (GDP) growth of the country experienced a decline of 3.11% in Q1, 2023 compared with the same quarter of the previous year. The Naira liquidity crunch in the Q1, 2023 shaved off about 80-100bps from growth in GDP according to a report released by NESG. However, the economy gained momentum as the liquidity crisis eased and the elections were concluded, and the results were released. Economic activities were back to normal as evidenced by a slight rebound in the GDP to 2.51% in Q3 from the 2.31% recorded in Q2 2023. A new administration took over the governance of the country on the 29th of May, 2023. The administration led by President Bola Tinubu announced major economic reform policies, right from inception. The government announced the removal of subsidies on petroleum products in addition to the floating of the naira, the country's currency.

In addition, the debt situation of the country worsened as the new administration borrowed more funds for the running of government. The present administration instituted reforms in the educational sector through the initiative of implementing a student loan scheme. The committee on tax reform implemented an inclusive tax system which is aimed at eliminating double taxation that existed within the Nigerian system.

The foreign exchange markets unification brought a drastic devaluation to the value of the Naira and contributed to the volatile business environment which saw the winding up of some firms and inability of domestic firms to repatriate funds to

foreign investors. These weakened investors' confidence in the country. The economy grew from 2.31% in Q2 to 2.51% Q3, mainly driven by the services sector of the economy. The major revenue generating source of the economy (oil sector) declined in its contribution to GDP due to incidence of Oil theft which significantly impede oil production in the country. The current administration signed several deals with other countries worthy of note is the agreement with Germany to expediate the presidential power initiative which would improve electricity supply in the country. The billion-dollar UAE investment into Nigeria which added to foreign direct investment into the country and the repeal of visa ban placed on Nigerian travelers to the UAE.

The country's net export position improved during the Q1 2023, with total export increasing by 8.66% to N6.48 trillion compared to N6.35 trillion in Q4, 2022. During Q1, total imports stood at N5.55 billion, reflecting a 3.67% increase from N5.36 trillion in the fourth quarter of 2022. Similarly, total export increased by 8.15% in Q2 to N7.01 trillion and total import to N5.72 trillion. In the same vein, total export for Q3 was N10.34 trillion while total import stood at N8.45 trillion reflecting a N1.8 trillion trade surplus in Q3 2023. Conversely, the foreign reserve has continually experienced depletion over the period declining to its lowest in the past two years to \$33.32 billion at Q3 and has maintained the declining trend due to increased demand for foreign exchange.

The MPC of the CBN met four times during the year to review key monetary policy parameters. In its July meeting, the MPC increased the MPR from 18.50% to 18.75%. The monetary policy stance remains hawkish in the short to medium term to bring a cool to rising prices during the year.

KEY ECONOMIC EVENTS DURING THE YEAR

JANUARY

- The CBN Naira redesign policy and the short-term notice for the disposal of old

currency notes led to a cash crunch which further exacerbated challenges already plaguing the economy and caused major disruptions in economic activities.

- Fuel Scarcity lingered as the average pump price of PMS increased by 54.52% from N166.40 per liter recorded in January 2022 to N257.12 per liter in January 2023.

FEBURARY

- The cash crunch lingered and continued to affect economic activities negatively. According to a report by NESG there was 86% decline in the total currency in circulation.
- Political tension was palpable in the country as it held a tightly contested presidential election.

MARCH

- The gubernatorial and state assembly elections held on March 11, 2023 for all states of the federation.

APRIL

- Inflation reaches its highest in decade at 22.22% despite CBN raising interest rate. The main driver of inflation is the global surge in energy prices and prices of grains due to the effect of the Russo-Ukrainian war.

MAY

- President Bola Tinubu was sworn in as the 19th president of Nigeria.
- The current administration announced a fuel subsidy removal whose impact was felt in the following month.

JUNE

- The foreign exchange unification was announced which saw the Naira. This weakened the Naira against major currencies and has contributed to a more

challenging business environment for businesses.

- The fuel subsidy removal accelerated inflation and increased the cost of living.
- The current administration announced the introduction of the student loan bill initiative. The initiative aims to facilitate convenient access to tertiary education through the Nigerian Education Loan fund for students. However, this would be implemented early 2024 to ease the rising cost of tertiary education.

JULY

- In a bid to curb Inflation, the CBN raised the monetary policy rate by 25bps to 18.75%
- The President set up a committee for tax reform for the nation notably spearheaded by a renowned tax expert and former partner at PWC tax practice to increase the nations revenue by broadening the tax net and harmonize double taxation that exist in the system.

AUGUST

- The federal government announced the disbursement of N5billion palliative to each state and federal capital territory.
- The President sent a list of his first set of nominees to the senate for confirmation which resulted in the establishment of his ministerial cabinets.
- A coup which ousted President Mohamed Bazoum was executed by military leaders in Niger. Nigeria's neighbor to the north. As the current chairman of Ecowas, Nigeria spearheaded the readiness to deploy military forces to Niger to reverse the coup occurrence in west African boundaries.

SEPTEMBER

- Lagos State achieved the first of its kind by launching its modern electric blue line mass transit. This is expected to

reduce travel time in the metropolis and thereby boosting economic activities and increasing the state's GDP.

- The nomination of a new CBN governor by the president was approved by the senate.

OCTOBER

- Nigeria recorded a landmark victory in the P&ID case after a UK court ruled in favor of that country. The country was held not to be liable for the payment of \$11billion for a breach on the agreement with P&ID in 2010 to build a gas processing plant. This would have worsened the debt crisis of the nation if the verdict had gone against the country.
- The judiciary upheld the new president's victory amidst legal challenge to the result of the last presidential elections.
- According to CBN, federal government spent \$2.56 billion in debt service for 9M 2023. This indicates an 18% year on year rise relative to the \$2.17 billion spent during the same period in prior year.
- The federal government has instituted security measure to curb cases of oil theft which has impeded crude oil production in Nigeria.

INFLATION

Inflation rose persistently through the year 2023-month on month. Headline Inflation in January 2023 stood at 21.82% which was 2.24% higher than the prior month. Inflation rose steadily following the twin policies of fuel subsidy removal and floating of the Naira. The policies led to higher inflation and significantly diminished the purchasing power of citizens, leaving many struggling to cope with its harsh impact on their purchasing power and personal finances.

NOVEMBER

- The CBN governor announced a new capitalization framework for banks is being put in place in preparation to service a one trillion-dollar economy in the near future.
- Dangote refinery began operation receiving license to produce 300,000 thousand barrels of refined crude per day. The refinery began with the production of diesel and jet fuel with the priority to service the Nigerian economy and production of petrol to begin next year.
- The central bank lifted ban on 43 items which include some locally produced goods like Rice, palm oil.

DECEMBER

- An agreement with Germany was reached to speed up the presidential power initiative to improve electricity supply in the country.
- The rehabilitation of the Port-Harcourt refinery was completed and began operation in December. This is in line with the federal government's promise to boost crude oil production domestically.

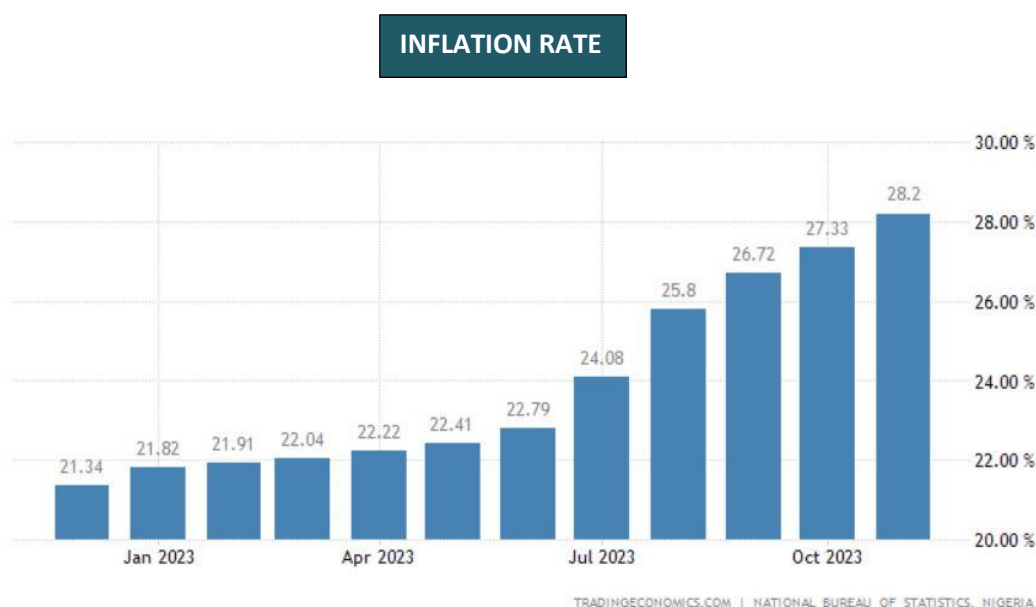
As of May 2023, when the fuel subsidy removal was implemented, inflation stood at 22.41%. However, the actual impact was not immediately felt until the subsequent month due to a time lag effect. Coupled with the elimination of the fuel subsidy was the declining exchange rate in impacting inflation for firms reliant on imported raw materials (import-related inflation). The administration's decision to unify the exchange rate has resulted in heightened losses for manufacturing

companies. Conversely, banking firms have thrived amid this policy shift.

To rein in inflation, the Central Bank of Nigeria (CBN) increased the benchmark interest rate by 25 basis points to 18.75% in July 2023. However, this measure has not proven effective in mitigating the impact of escalating prices. The monetary policy rate has remained unchanged since July 2023. In 2023, monetary authorities in advanced economies demonstrated a hawkish stance, which was eventually relaxed as inflation rates cooled off in H2. Under the leadership of Cardoso, the central bank announced that the core of its monetary

policy strategy shall be mainly inflation targeting. We expect further rise in interest rate following this pronouncement.

In November 2023, headline inflation surged to a historic peak of 28.20%, marking the highest rate since August 2005. Despite the hike in interest rates to 18.75%, it appears that inflation hasn't been reined in by this monetary policy tool. The primary drivers behind the headline inflation can be attributed to the escalation in food prices, increased transportation costs, elevated medical expenses, and soaring energy prices.



THE NIGERIAN EQUITIES MARKET

The Nigerian Equities market witnessed significant rallies throughout 2023. The early part of the year saw a surge in positive investor sentiment, evident through the declaration of full-year 2022 dividends/earnings. Major new listings by firms and existing companies seeking additional capital provided a substantial uplift to the All-Share Index, subsequently boosting market capitalization. However, in contrast, some companies chose to delist from the equities market due to the volatile economic environment and foreign exchange unification policy that has added to the cost of

business operations, prompting their exit from the Nigerian market.

In Q1, the (NGX) All Share index experienced a steady increase by 5.8% to close at 54,232.34 points, relative to the 51,595.66 points at the beginning of the quarter. The market capitalization appreciated by 5.9% to N29.544 trillion from N27.889 trillion to close the quarter higher. The performance of the NGX-ASI was driven by strong buying interest following the release of better-than-expected 2022 full year

dividend/earnings. The market reflected the dull start of economy in Q1.

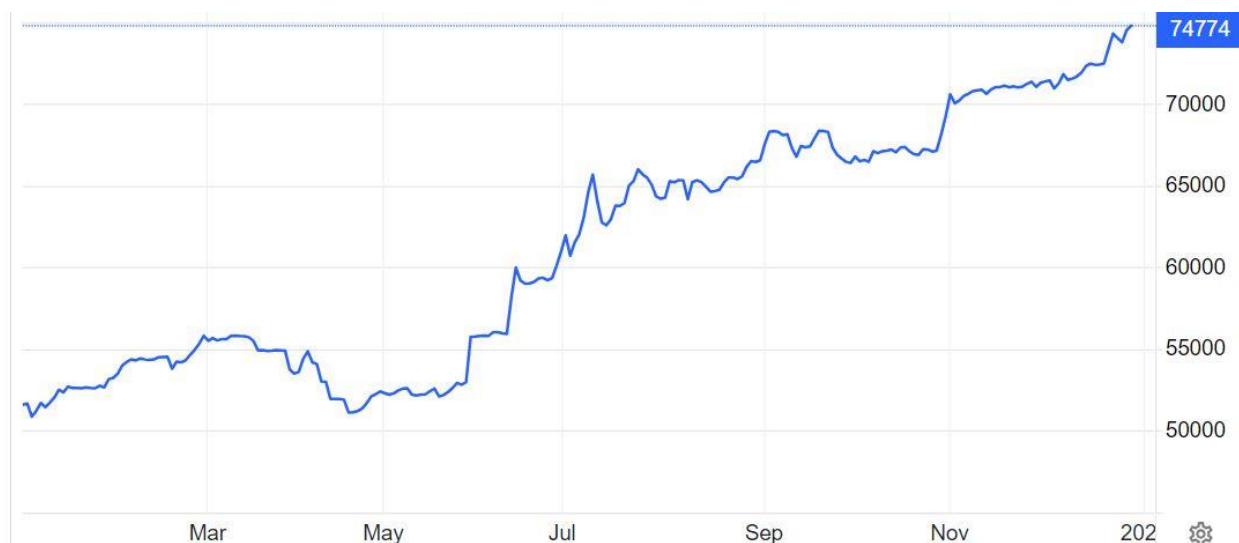
In the same vein, the All-share index maintained its bullish trend in Q2, from the previous quarter rising by 12.4% to close at 60,968.27 points indicating it highest in 15 years relative to 54,232.34 in the preceding quarter. Consequently, the market capitalization increased by 19.0% to N33.198 trillion from N27.889 in the preceding quarter. The YTD performance stood 18.96% to close the quarter, reflecting improved macroeconomic performance outlook. The market performance was largely driven by a positive sentiment after the announcement of the concluded election result which ushered in President Bola Tinubu on May 29, 2023. The Tinubu led administration fueled investors' confidence occasioned by policy shift in the nation's foreign exchange policy, due to the exchange rate unification indicating market determined rates for the currency.

The Equities market gathered momentum in Q3 gaining 8.79% to nudge higher at 66,382.14 points and posting a 25.52% YTD performance reflecting a 6.56 %-point increase in YTD performance. The market capitalization also followed similar trend adding 9.43% to close at N36.33 trillion compared to N33.20 trillion in the prior quarter. In the face of mounting concerns about escalating inflation, increased interest rates, and various uncertainties surrounding the outcome of the 2023 general election, the stock market experienced a rally. This surge was attributed to several tailwinds, including the streamlining of the exchange rate and the decision to float the naira.

The NGX-ASI witnessed a significant boost as it closed higher to end the quarter at 74,773.77 reflecting a 45.90% increase compared to the 51,251.06 point it closed last year. The All-Share index crossed the 74,000 points towards the end of the final quarter. Market capitalization witnessed a notable appreciation nudging higher and closing above the N40 trillion mark to end the quarter.

NGX ALL SHARE INDEX 2023

NGX QUARTERLY PERFORMANCE (Y/Y)			
Quarter	2022	2023	% Change
Q1	46,964.23	54,232.34	15.48%
Q2	51,705.61	60,968.27	17.91%
Q3	49,024.16	66,382.14	35.41%
Q4	51,251.06	74,773.77	45.90%



Source: Trading Economics, MBC Research.

NGX MONTHLY MARKET PERFORMANCE			
Month	2022	2023	% Change
January	46,205.05	52,657.88	13.97%
February	47,328.42	54,949.21	16.10%
March	46,964.23	54,232.34	15.47%
April	49,638.94	52,403.51	5.57%
May	54,085.30	52,973.88	-2.05%
June	51,705.61	60,968.27	17.91%
July	50,370.25	65,056.39	29.16%
August	49,682.15	65,558.91	31.96%
September	49,024.16	66,382.14	35.41%
October	43,912.64	67,136.58	52.89%
November	47,554.34	71,230.48	49.79%
December	51,251.06	74,773.77	45.90%
NGX SECTORAL PERFORMANCE			
SECTORS	2022 INDEX	2023 INDEX	%Change
NGX 30	1,842.50	2,790.28	51.44%
NGX BANKING	417.50	897.20	114.90%
NGX CONSUMER GOODS	1,276.51	2,209.04	73.05%
NGX INDUSTRIAL GOODS	2,403.24	2,712.27	12.85%
NGX INSURANCE	174.36	321.66	84.48%
NGX OIL AND GAS	462.48	1,043.06	125.54%

THE BUDGET PERFORMANCE

The 2023 budget themed “Budget of Fiscal Sustainability and Transition” as proposed by the Buhari led administration was signed into law in January 2023. The Federal government proposed ₦9.73 trillion and ₦20.51 trillion revenue and expenditure respectively, resulting into ₦10.78 trillion fiscal deficit. The budget was designed to achieve strategic objectives of national development plan of 2021 to 2025. Facilitate macroeconomic stability, human capital development, and food security, boost manufacturing performance, improve defense and internal security, improve business environment and transport infrastructure, ensure energy sufficiency and Promote industrialization focusing on Small and Medium Scale Enterprises.

In Q1 2023, despite a rise in international crude oil prices which average \$81.28 per barrel, 8.37% higher than the budget benchmark of \$75 per barrel, the budget operated at a deficit of ₦2.07 trillion, and exceeded projections by 92.26%. Government revenue for the quarter was ₦1.34 trillion, 26.6% below the budget benchmark. Total Government expenditure for the quarter amounted to ₦5.54 trillion 22.70% above the ₦4.40 trillion projections. Revenue fell short due to decreased domestic oil production, impacting petroleum profit tax and royalties. The revenue shortfall was however financed through domestic borrowing of ₦2.03 trillion, which resulted in an increase in the country's debt profile (both foreign and domestic) to ₦49.85 trillion by the end of Q1.

However, in Q2, government Revenues stood at N1.51 trillion in Q2 of 2023 representing a 12.57% rise in revenue from N1.34 trillion in Q1 of 2023. However, government expenditure stood at N2.77 trillion, above the projected expenditure. The debt position further worsened in Q2 amounting to N87.38 trillion which is 75.27% more than the prior debt. The N87.38 includes the N22.7trillion ways and means borrowed by the federal government which was initially excluded from the N49.85 trillion in Q1 2023.

FIXED INCOME MARKET REPORT FOR 2023

Government and corporate bonds are the most common types of fixed-income products. These include Treasury bills, Treasury notes, Eurobonds etc. The Nigerian fixed-income space currently offers great opportunities for investors as the Central Bank is speculated to continue an MPR increase, hence making yields more attractive to investors, while it faces lesser competition from advanced economies that have already increased theirs and are currently looking to slow the rate of hikes to avoid overheating their economies.

BOND MARKET

The FGN Bond market closed on a negative note at the end of Q1 2023, owing to the impact of both the released FGN bonds auction calendar and the outcome of the NTB auction as at Q1 2023. Consequently, the weekly analysis indicated an uptick of 21 basis points in the average benchmark yields.

Looking at Q2, the bond yields declined by an average of 166bps. The period started off with bearish bias prevailing amid thin level of liquidity. However, it moved on to a bullish state as market players sought to take advantage of high yields, alongside utilizing excess funds in the system, driven by the CRR refunds. In the last month of the quarter, the DMO replaced the 2028, 2032, 2042 and 2050 papers, with the 2029, 2033, 2038 and 2053s; of which the 33s, 38s and 53s were new issues. We saw the new issues open at 14.70%, 15.45% and 15.70% respectively. During the period, a total of N1,080bn was offered, with N1,163.98bn being allotted on the 2028, 2029, 2032, 2033, 2038, 2042, 2050 and 2053 papers. The FGN Bond market was slightly bullish, the price

The breakdown of the latter half of the year reveals a continual deficit in the budget, attributable to the current administration's actions, resulting in a rise of the country's debt by 0.61% to N87.91 trillion from N87.38 trillion in the Q2. To tackle issues such as the country's security framework and infrastructural deficiencies, among other concerns, the current administration authorized a supplementary budget of N2.176 trillion.

rally in the domestic bonds market persisted as the average yield contracted marginally by 0.02 points m/m to close at 12.98% in June. Overall, the JAN 2026 bond witnessed the most buying interest with a decline of 2.09 points in yield to settle to settle at 10.21% (vs 12.30% in May).

The FGN Bond market displayed a varied sentiment in Q3 2023. There was notable interest in purchasing shorter-term maturities, whereas some sell-downs occurred in the mid-section of the curve. The long end of the curve experienced relatively subdued activity. Consequently, the average benchmark yield increased to 14.65%. Across the benchmark curve, the average yield climbed up at the short (+41bps), mid (+37bps) and long (+36bps) segments.

In Q4 2023, the activities in the bond market were largely bullish as average yields declined by 31bps to 14.13%, across the benchmark curve, the average yield dipped at the short by -90bps and mid segments by -20bps but rose by 23bps at the long end of the curve.

TREASURY BILL MARKET

Bearish sentiments dominated the treasury bills market at the beginning of Q1, owing to several factors including CRR debit, and FX retail auction as market participants sought liquidity to meet their obligations. However, the market regained its bullishness as system liquidity increased due to CBN swap maturity and FAAC inflow c.N468bn. Save for the first auction of the quarter, the NTB auctions were heavily subscribed, as a result of high system liquidity, with the last auction

recording a N566.35bn oversubscription, and stop rates dropping significantly by 161bps, 62bps, and 176bps, respectively. Thus, due to the persistent buy interest at the end of Q1, yields declined Q/Q by an average 133bps.

The Treasury bill market in Q2 2023, the CBN offered instruments worth ₦187.11bn across the 91-day, 182-day and 364-day maturities. While demand was higher for the 364-day T-bills, the total subscription settled at N753.47 billion (vs N286.13 billion in the previous auction). Stop rates declined significantly by -202bps, -755bps, and -201bps to 2.87%, 4.37% and 6.23% respectively.

In Q3 2023, the last NTB's auctions, the CBN offered instruments worth ₦177.12bn across the 91-day, 182-day and 364-day maturities. The auction witnessed increased demand compared to the previous PMA, with the total subscription reaching N786.79 billion. Ultimately, the CBN allocated the entire offering at respective stop rates of 4.99%, 6.55%, and 11.37%.

Similarly, in Q4, activities at the NTB's secondary market were bullish as average yields declined by

418bps to 4.84%. Across the benchmark curve, the average yield dipped by -389bps to 2.67%, at the mid-segment by -408bps to 5.25% and at the long end by -476bps to 7.49%.

FGN EUROBOND MARKET

In Q1 2023, The FGN Eurobonds market had a bullish run for a significant part of the quarter, it however ended the quarter in a mixed mood due to cautious investor's behavior triggered by mixed signals from the FED's interest rate decision and end of quarter rebalancing.

The FGN Eurobonds market concluded the quarter on a positive note supported by higher oil prices, attractive levels and the core PCE printing below expectations (0.30% vs 0.40%). Despite the higher-than-expected United States GDP data and expectations of further rate hikes in Q2 2023.

The FGN Eurobonds market concluded the quarter on a predominantly bearish trend in Q3 2023, characterized by widespread selling activities. As a result, the average benchmark yield increased by 38 basis points ultimately selling at 11.71%

FOREIGN PORTFOLIO INVESTMENT

Q1 2023

Total capital importation into Nigeria in Q1 2023 stood at US\$1,132.65 million, lower than US\$1,573.14 million recorded in Q1 2022, indicating a decrease of 28.00%. When compared to the preceding quarter, capital importation rose by 6.78% from US\$1,060.73 million in Q4 2022.

Capital importation into the banking sector recorded the highest inflow of US\$304.56 million, representing 26.89% of total capital imported in Q1 2023. This was followed by capital imported into the production sector, valued at US\$256.12 million (22.61%), and IT Services with US\$216.06 million (19.08%). Capital Importation by Country of Origin reveals that capital from the United Kingdom ranked top in Q1 2023 with US\$673.64 million, accounting for 59.47%. This was followed by the United Arab Emirates and the United States

valued at US\$108.28 million (9.56%) and US\$95.36 million (8.42%) respectively. By Destination of Investment, Lagos state remained the top destination in Q1 2023 with US\$704.87 million, accounting for 62.23% of total capital investment in Nigeria. This was followed by Abuja (FCT), valued at US\$410.27 million (36.22%). Categorization of Capital Importation by Banks shows that Citibank Nigeria Limited ranked top in Q1 2023 with US\$424.13 million (37.45%). This was followed by Standard Chartered Bank Nigeria Limited with US\$360.33 million (31.81%) and Stanbic IBTC Bank with US\$151.85 (13.41%).

Q2 2023

In Q2 2023, total capital importation into Nigeria stood at US\$1,030.21 million, lower than US\$1,535.35 million recorded in Q2 2022, indicating a decrease of 32.90%. When compared

to the preceding quarter, capital importation fell by 9.04% from US\$1,132.65 million in Q1 2023.

- Other Investment ranked top accounting for 81.28% (US\$837.34 million) of total capital importation in Q2 2023.
- The production sector recorded the highest inflow with US\$605.04 million, representing 58.73% of total capital imported in Q2 2023, followed by the banking sector, valued at US\$194.58 million (18.89%), and Shares with US\$68.63 million (6.66%).
- Capital importation during the reference period originated largely from the United States with US\$271.92 million, accounting for 26.39%, followed by Singapore and the Republic of South Africa with US\$177.44 million (17.22%) and US\$136.95 million (13.29%) respectively.
- Lagos state remained the top destination in Q2 2023 with US\$778.06 million, accounting for 75.52% of total capital, followed by Abuja (FCT), with US\$194.28 million (18.86%).
- First Bank of Nigeria Limited received the highest capital into Nigeria in Q2 2023 with US\$323.13 million (18.23%), followed by Citibank Nigeria Limited with US\$187.77 million (12.23%) and Rand Merchant Bank with US\$126.03 (6.47%).

Q3 2023

In Q3 2023, total capital importation into Nigeria stood at US\$654.65 million, lower than

US\$1,159.67million recorded in Q3 2022, indicating a decline of 43.55%. In comparison to the preceding quarter, capital importation fell by 36.45% from US\$1,030.21 million in Q2 2023.

- Other Investment ranked top accounting for 77.56% (US\$507.77 million) of total capital importation in Q3 2023, followed by Portfolio Investment with 13.31% (US\$87.11 million).
- The production/manufacturing sector recorded the highest inflow with US\$279.51 million, representing 42.70% of total capital imported in Q3 2023, followed by the financing sector, valued at US\$127.93 million (19.54%), and Shares with US\$85.49 million (13.06%).
- Capital Importation during the reference period originated largely from the Netherlands with US\$175.62 million and recorded 26.83% share. This was followed by Singapore with US\$79.15 million (12.09%) and the United States with US\$67.04 million (10.24%).
- Lagos state remained the top destination in Q3 2023 with US\$308.83 million, accounting for 47.18% of total capital importation, followed by Abuja (FCT) with US\$194.66 million (29.73%) and Abia state with US\$150.09 million (22.93%).
- Stanbic IBTC Bank Plc received the highest capital importation into Nigeria in Q3 2023 with US\$222.84million (34.04%), followed by Citibank Nigeria Limited with US\$190.03 million (29.03%) and Zenith Bank Plc with US\$83.04 (12.68%).

FOREIGN DIRECT INVESTMENT

Total capital importation into Nigeria in Q1 2023 stood at US\$1.13 billion, lower than US\$1.57 billion recorded in Q1 2022, indicating a decrease of 28.00%. When compared to the preceding quarter, capital importation rose by 6.78% from US\$1,060.73 million in Q4 2022.

The largest capital importation during the period was received from Portfolio Investment, which accounted for 57.32% (US\$649.28 million) of total capital imported in Q1 2023. This was followed by

Other Investment with 38.31% (US\$435.76 million) and Foreign Direct Investment (FDI) with 4.20% (US\$47.60 million). Disaggregated by Sectors, capital importation into the banking sector recorded the highest inflow of US\$304.56 million, representing 26.89% of total capital imported in Q1 2023. This was followed by capital imported into the productive sector, valued at US\$256.12 million (22.61%), and IT Services with US\$216.06 million (19.08%).

Foreign direct investment on Capital Importation by Country in Q1 2023

COUNTRY	AMOUNT IN MILLION \$US	PERCENTAGE%
United Kingdom	673.64	54.97
United Arab Emirates	108.28	9.56
United States	95.36	8.42

Foreign direct investment on Destination of Investment in Q1 2023

COUNTRY	AMOUNT IN MILLION \$US	PERCENTAGE%
Lagos	704.87	62.23
Abuja	410.27	36.22

Categorization of Capital Importation by Banks in Q1 2023

COUNTRY	AMOUNT IN MILLION \$US	PERCENTAGE%
Citibank Nigeria Limited	424.13	37.45
Standard Chartered Bank Nigeria Limited	360.33	31.81
Stanbic IBTC Bank	151.85	13.41

Investment inflow into the Nigerian economy dipped by 33 % to \$1. 03 billion in Q2 of 2023 as against the \$1.535 billion recorded in Q2 2022, also a 9 % decline when compared to \$1.132 billion recorded in Q1 2023. According to the National Bureau of Statistics (NBS) report, ‘other investment’ topped sources of investment, accounting for 81.28 % (\$837.34 million) of total capital imported in the period. Higher than \$435.76 million was recorded in Q1.

The productive sector recorded the highest inflow with \$605.04 million, representing 58.73 % of total investment, followed by the banking sector, valued at \$194.58 million (18.89 %), and shares which were valued at \$68.63 million, representing 6.66 % of total investment in the period. “Capital importation

during the reference period originated largely from the United States with \$271.92 million, accounting for 26.39 %, followed by Singapore and the Republic of South Africa with \$177.44 million (17.22 %) and \$136.95 million (13.29 %) respectively.” Lagos State ranked the top investment destination in Q2 2023 with \$778.06 million, accounting for 75.52 % of total capital, followed by Abuja (FCT), with \$194.28 million (18.86 %).

The report also showed that First Bank of Nigeria Limited received the highest capital into Nigeria in the period, with \$323.13 million (18.23 %), followed by Citibank Nigeria Limited with \$187.77 million (12.23 %) and Rand Merchant Bank with \$126.03 (6.47 %).

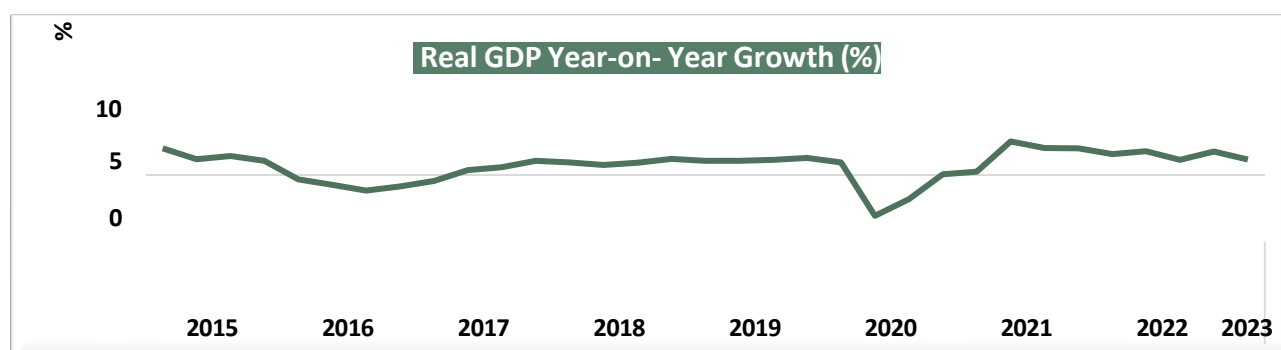
NIGERIA GROSS DOMESTIC PRODUCT

Q1 2023

Nigeria's Gross Domestic Product (GDP) grew by **2.31%** (year-on-year) in real terms in Q1 of 2023. This growth rate declined from 3.11% recorded in Q1 of 2022, and 3.52% in the fourth quarter of 2022. The reduction in growth is attributed to the adverse effects of the cash crunch experienced during Q1. The performance of the GDP in Q1 of 2023 was driven mainly by the Services sector, which recorded a growth of 4.35% and contributed 57.29% to the aggregate GDP. The agriculture sector grew by -0.90%, lower than the growth of 3.16% recorded in Q1 of 2022. Although the growth of the industry

sector improved to 0.31% relative to - 6.81% recorded in Q1 of 2022, agriculture, and the industrial sectors contributed less to the aggregate GDP in the quarter under review compared to Q1 of 2022.

In the quarter under review, aggregate GDP stood at N51,24 trillion in nominal terms. This performance is higher when compared to Q1 of 2022 which recorded aggregate GDP of N45,317,823.33 million, indicating a year-on-year nominal growth of 13.07%. For better clarity, the Nigerian economy has been classified broadly into the oil and non-oil sectors.



THE OIL SECTOR

The nation in Q1 of 2023 recorded an average daily oil production of 1.51 million barrels per day (mbpd), higher than the daily average production of 1.49mbpd recorded in the same quarter of 2022 by 0.01mbpd and higher than the fourth quarter of 2022 production volume of 1.34 mbpd by 0.17mbpd.

The real growth of the oil sector was -4.21% (year-on-year) in Q1 2023, indicating an increase of 21.83% points relative to the rate recorded in the corresponding quarter of 2022 (-26.04%). Growth increased by 9.18% points when compared to Q4 2022 which was -13.38%. On a quarter-on-quarter basis, the oil sector recorded a growth rate of 20.68% in Q1

2023. The Oil sector contributed 6.21% to the total real GDP in Q1 2023, down from the figure recorded in the corresponding period of 2022 and up from the preceding quarter, where it contributed 6.63% and 4.34% respectively.

THE NON-OIL SECTOR

The non-oil sector grew by 2.77% in real terms during the reference quarter (Q1 2023). This rate was lower by 3.30% points compared to the rate recorded in the same quarter of 2022 and 1.67% points lower than the Q4 2022. This sector was driven in Q12023 mainly by Information and Communication (Telecommunication); Financial

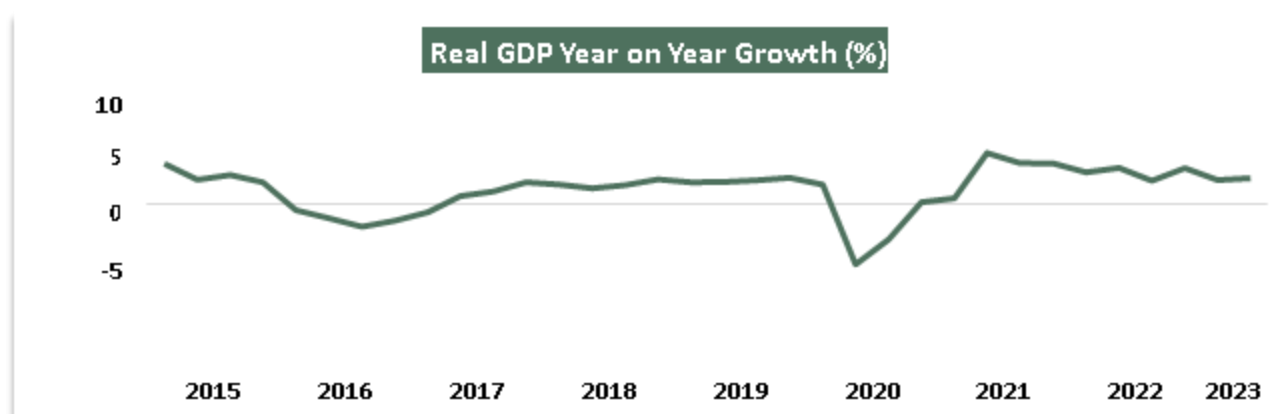
and Insurance (Financial Institutions); Trade; Manufacturing (Food, Beverage & Tobacco); Construction; and Transportation & Storage (Road Transport), accounting for positive GDP growth. In real terms, the non-oil sector contributed 93.79% to the nation's GDP in Q1 of 2023, higher than the share recorded in Q1 of 2022 which was 93.37% and lower than the fourth quarter of 2022 recorded as 95.66%.

Q2 2023

Nigeria's Gross Domestic Product (GDP) grew by 2.51% (year-on-year) in real terms in Q2 of 2023. This growth rate is lower than the 3.54% recorded in Q2 of 2022 and may be attributed to the challenging economic conditions being experienced. The performance of the GDP in Q2

of 2023 was driven mainly by the Services sector, which recorded a growth of 4.42% and contributed 58.42% to the aggregate GDP. The agriculture sector grew by 1.50%, an improvement from the growth of 1.20% recorded in the Q2 2022. The growth of the industrial sector was -1.94% relative to -2.30% recorded in the Q2 2022.

In terms of share to the GDP, agriculture, and the industrial sectors contributed less to the aggregate GDP in Q2 of 2023 compared to Q2 of 2022. In the quarter under review, aggregate GDP stood at N52,103,927.13 trillion in nominal terms. This performance is higher when compared to Q2 of 2022 which recorded aggregate GDP of N45,004,520.89 trillion, indicating a year-on-year nominal growth of 15.77%. For better clarity, the Nigerian economy has been classified broadly into the oil and non-oil sectors.



THE OIL SECTOR

The nation in Q2 of 2023 recorded an average daily oil production of 1.22 million barrels per day (mbpd), lower than the daily average production of 1.43mbpd recorded in the same quarter of 2022 by 0.22mbpd and lower than the Q1 2023 production volume of 1.51 mbpd by 0.29mbpd.

The real growth of the oil sector was -13.43% (year-on-year) in Q2 2023, indicating a decrease of 1.66% points relative to the rate recorded in the corresponding quarter of 2022 (-11.77%). Growth also decreased by 9.22% points when compared to Q1 2023 which was -4.21%. On a quarter-on-quarter basis, the oil

sector recorded a growth rate of -14.12% in Q2 2023. The Oil sector contributed 5.34% to the total real GDP in Q2 2023, down from the figure recorded in the corresponding period of 2022 and down from the preceding quarter, where it contributed 6.33% and 6.21% respectively.

THE NON-OIL SECTOR

The non-oil sector grew by 3.58% in real terms during the reference quarter (Q2 2023). This rate was lower by 1.19% points compared to the rate recorded in the same quarter of 2022 and 0.81% pointshigher than the Q1 2023. This sector was driven in the Q2 2023 mainly by Information and Communication (Telecommunication) Financial and Insurance

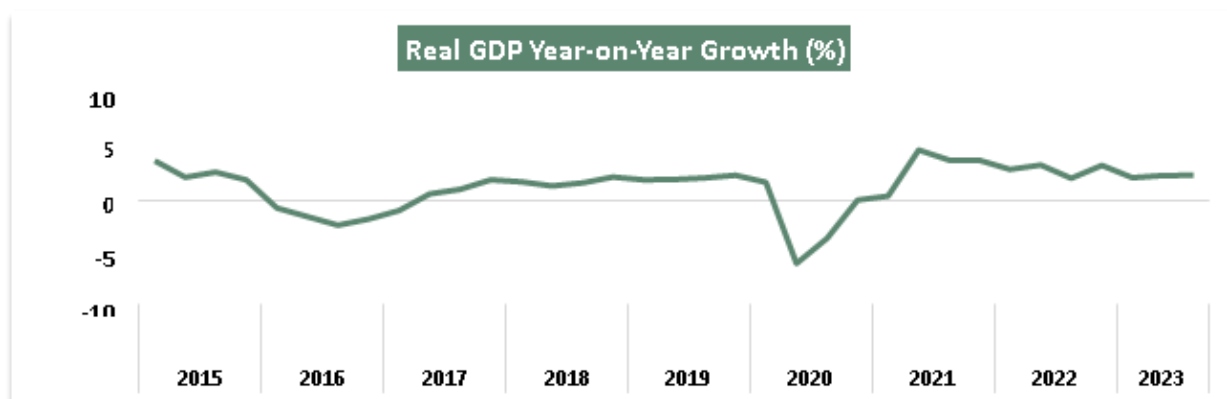
(Financial Institutions); Trade; Agriculture (Crop production); Manufacturing (Food, Beverage & Tobacco); Construction; and Real Estate, accounting for positive GDP growth. In real terms, the non-oil sector contributed 94.66% to the nation's GDP in Q2 of 2023, higher than the share recorded in Q2 of 2022 which was 93.67% and higher than the Q1 2023 which was 93.79%

Q3 2023

Nigeria's Gross Domestic Product (GDP) grew by 2.54% (year-on-year) in real terms in Q3 2023. This growth rate is higher than the 2.25% recorded in Q3 2022 and higher than Q2 2023 growth of 2.51%. The performance of the GDP in the third quarter of 2023 was driven mainly by the Services

sector, which recorded a growth of 3.99% and contributed 52.70% to the aggregate GDP. The agriculture sector grew by 1.30%, from the growth of 1.34% recorded in Q3 2022. The growth of the industrial sector was 0.46%, an improvement from - 8.00% recorded in Q3 2022. In terms of share of the GDP, agriculture, and the industry sectors contributed less to the aggregate GDP Q3 2023 compared to Q3 of 2022.

In the quarter under review, aggregate GDP stood at N60,65 trillion in nominal terms. This performance is higher when compared to the third quarter of 2022 which recorded aggregate GDP of N52,25 trillion, indicating a year- on-year nominal growth of 16.08%. For better clarity, the Nigerian economy has been classified broadly into the oil and non-oil sectors.



THE OIL SECTOR

The nation Q3 2023 recorded an average daily oil production of 1.45 million barrels per day (mbpd), higher than the daily average production of 1.20mbpd recorded in the same quarter of 2022 by 0.25mbpd and higher than Q2 of 2023 production volume of 1.22 mbpd by 0.23mbpd.

The real growth of the oil sector was - 0.85% (year-on-year) in Q3 2023, indicating an increase of 21.83% points relative to the rate recorded in the corresponding quarter of 2022 (-22.67%). Growth also increased by 12.58% points when compared to Q2 2023 which was - 13.43%. On a quarter- on-

quarter basis, the oil sector recorded a growth rate of 12.47% in Q3 2023. The Oil sector contributed 5.48% to the total real GDP in Q3 2023, down from the figure recorded in the corresponding period of 2022 and up from the preceding quarter, where it contributed 5.66% and 5.34% respectively.

THE NON- OIL SECTOR

The non-oil sector grew by 2.75% in real terms during the reference quarter (Q3 2023). This rate was lower by 1.52% points compared to the rate recorded in the same quarter of 2022 and 0.84% points lower than Q2 of 2023. This sector was driven in the third quarter of 2023 mainly by

Information and Communication (Telecommunication); Financial services and Insurance (Financial Institutions); Agriculture (Crop production); Trade; Construction; and Real Estate, accounting for positive GDP growth. In

real terms, the non-oil sector contributed 94.52% to the nation's GDP in the third quarter of 2023, higher than the share recorded in Q3 2022 which was 94.34% and lower than 94.66% recorded in Q2 2023.

2024 GLOBAL ECONOMIC OUTLOOK – WHAT WILL SHAPE THE ECONOMY IN 2024?

The World Bank made a less than optimistic 2024 outlook, forecasting that global GDP growth would slow for the third year in a row to 2.4%, which will leave poverty reduction goals at risk. Goldman Sachs projects worldwide GDP is forecast to expand by 2.6 percent in 2024 on an annual average basis, compared with the 2.1 percent consensus forecast of economists surveyed by Bloomberg. Morgan Stanley economists predict that global economic expansion will tick down to 2.8% in 2024 and 2.9% in 2025, from 3% in 2023.

On the average, MBC Research expects global growth of 2.5% to 2.6% in 2024.

The rising geopolitical war between the Russia and Ukraine, the Middle East war between Israel and Hamas, more pronounced impact of climate disasters, a rising global debt burden and excessive government deficit all weighs on the outlook forecast for 2024.

The US economy performed better than anticipated in 2023. Despite concerns about an impending recession, the economy defied these expectations, exhibiting steady growth throughout 2023. This growth was attributed to robust consumer demand supported by substantial fiscal stimulus. Nevertheless, the IMF foresees a slowdown in the US economy, with growth expected to decline from 2.1% in 2023 to 1.5% in 2024.

In China, nine-month 2023 GDP year-on-year growth reached 4.9%, surpassing the median forecast of 4.6%. However, the Chinese economy is anticipated to decelerate from a projected 5.0% in 2023 to 4.2% in 2024. Contrary to the two countries, both the UK and German economies struggled to grow during 2023. The IMF has

predicted a rebound for both economies, estimating growth rates of 0.6% and 0.9%, respectively. The global economy in 2023 was marked by high-interest rates that permeated through the system, resulting in cooling inflation. Additionally, there was a rise in geopolitical tensions in various regions and a more pronounced impact of climate disasters.

Economic outlook remains unsettled as major central banks signal a dovish stance in 2024. As inflation cools, central banks are faced with the dilemma of rising inflation if monetary policy is eased and recession if monetary policy remains too tight. Interest rates have reached their highest in decades in most advanced economies. Specifically, the UK, US, and Eurozone interest rates stand at 5.25%, 5.25% to 5.5%, and 4.5%, respectively. Inflation hovering around 3% in advanced economies is close to the 2% target rate of respective central banks towards the end of 2023. However, in 2024, inflation in advanced economies is projected to dip below the 3% level by the end of 2024. This indicates the likelihood of interest rate easing in 2024. We expect a 25 to 50 bps cut in interest by the end of second quarter of 2024 in advanced economies. Global inflation is expected to decelerate to 3.9% in 2024.

Innovation persists without pause. Specifically, the rapid adoption of artificial intelligence (AI) has the potential to lead to one of the swiftest technological revolutions. Indeed, the tangible first impacts of Artificial Intelligence could be felt in 2024, be it on employment (negative), productivity or profitability (both potentially positive). The forthcoming elections in the US and UK signal uncertainty, with a possible "Trump 2.0" coming into power. The elections could render investors indecisive due to the unpredictability of new administrations' policies during this period, potentially impacting GDP projections in both these countries and globally.

World Output	3.5	3	2.9
Advance Economies	2.6	1.5	1.4
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy	3.7	0.7	0.7
Spain	5.8	2.5	1.7
Japan	1.0	2.0	1.0
United Kingdom	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Other Advanced Economies	2.6	1.8	2.2
Emerging Markets and Developing Economies	4.1	4.0	4.0
Emerging Markets and Developing Asia	4.5	5.2	4.8
China	3	5	4.2
India	7.2	6.3	6.3
Sub-Saharan Africa	4.0	3.3	4.0
Nigeria	3.3	2.9	3.1
South Africa	1.9	0.9	1.8

Source: IMF, MBC Research

GLOBAL OIL MARKET AND ENERGY MARKETS

Oil prices concluded the tumultuous 2023 on a bearish note, driven by concerns regarding oil output levels from major oil producers. During its last meeting on November 30, 2023, OPEC oil producers pledged voluntary supply cuts of 2.2 million barrels per day with the aim of stabilizing and balancing oil prices. Angola's recent departure from OPEC in late 2023, as the second-largest oil producer in Africa, suggests a potential disruption

in oil production. However, this might be offset by Brazil's imminent intention to join OPEC in early 2024. Nevertheless, geopolitical conflicts such as the situation in Ukraine, the ongoing Middle East war in Gaza, and the recent attack by Yemen's Houthi militant group on shipping vessels transiting the Red Sea all contribute to the uncertainty surrounding oil and energy forecasts for 2024.

The effect of the Russian-Ukraine crisis on world oil seems to have waned. Oil prices reached a high of over \$100 in February 2022 at the beginning of the Russia's invasion in Ukraine, it has however receded as low as \$77 in December 2023. However, the impact of high energy prices due to restrictions on Russian crude and LNG products strongly affects European economies, particularly Germany.

The ongoing conflict between Israel and Palestine in the Middle East could intensify and potentially spill into neighboring nations. The looming threat of Iran intervening and confronting Israel in the war could also exert an upward pressure on oil prices due to potential supply disruption.

A global slowdown of oil demand is imminent in the years ahead, evident by increased production and sales of electric vehicle, which curb the use of fossil fuel. At a global level, electric vehicle (EV) sales grew by over 35% in 2023, with one in seven cars sold being an EV. The IEA forecast global demand for OPEC crude plus withdrawals from stocks - known as the call on OPEC - will average 28.2 million bpd on average in 2024 and dip to 27.7 million bpd in the first half of 2024. The slowing demand will complicate efforts by key producers to

defend their market share and maintain elevated oil prices.

Global energy consumption will grow by 1.8% in 2024, largely driven by strong demand in Asia, Latin America, and the Middle East, where consumption is expected to expand by 3.1%. Despite relatively high prices and unsolved supply chain disruptions, demand for fossil fuels will reach record levels, but demand for renewable energy will rise by 11%. EU efforts to replace Russian energy supplies will continue to attract new investment into fossil-fuel production in 2024. We expect global natural gas production to expand by 2.2% year on year. A bid to seek an alternative to Russian energy supply, this will continue to attract new investment into fossil fuel production in 2024. Global natural gas is expected to increase by 2.2% year on year. The US exports of liquefied natural gas are set to increase in the coming years as export capacity expands.

Consensus has the oil price hovering around \$80 a barrel in 2024 due to weakening demand. However, geopolitical tension may trigger higher global oil prices.

FINANCIAL MARKET FORECAST 2024

THE US EQUITIES

At the wake of the Fed's decision to rapidly hike interest rates, the S&P 500 index dipped 20% in 2022. However, the index rebounded with an impressive display of 22.61% year-to-date (YTD) to wrap up 2023, driven by a cluster of tech mega-cap stocks which accounts for 30% of the market capitalization in the US. In the same vein, the DJIA also nudged higher to wrap up 2023, posing a 12.54% performance.

The uncertainty surrounding the US economy, which defied expectations of a recession in 2023, and factors such as rising geopolitical tension, a softening consumer trend among US households, and political risks associated with the upcoming US election, all impact the outlook for the US equities

market. According to a report by J.P. Morgan, excess liquidity and cash-like assets among US households have fallen from a peak of \$3.4 trillion to \$1 trillion and are projected to be largely exhausted by Q2 of 2024.

Anticipating a challenging environment for stocks in the upcoming year, as liquidity continues to contract, major central banks rapidly reduce balance sheets, and borrowing rates remain restrictive across consumer and corporate segments. However, the potential for a Fed interest rate cut could provide a boost to the US equities market.

The challenging expectation for stocks in the US is evident by the underperformance of the index through the market breadth, with seven tech- mega

cap stocks preventing the S&P index underperformance in 2023. The MSCI EAFE Equal-Weighted Index has outperformed the S&P 500 Equal-Weighted Index by nearly 5% in 2023, adding to the 15 %age points of outperformance since the bear market ended in October 2022.

As the advantages of AI become more apparent, companies stand to gain from AI-related stocks due

to their potential for enhanced productivity, thereby driving up profits. Increasing capital investment may favor AI-related stocks, offering an opportunity for investors as businesses seek to enhance their operational processes. However, maintaining portfolio diversification remains crucial due to heightened volatility typically associated with new technologies and the potential for shifts in leadership as technology and its adoption evolve.

THE EUROPEAN AND UK EQUITIES

In 2023, the UK's FTSE 100 index lagged its counterparts, concluding the year at 7,733.24, marking a 2.37% year-to-date. The underwhelming performance of the FTSE is linked to the strict monetary rate hikes that created a challenging business landscape for companies, impacting their financial standings. The lackluster performance of the FTSE is reflected in the UK's economic performance as inflation remains elevated, fueling concerns about a period of stagflation next year.

It's worth remembering the shelter provided by the FTSE 100's heavier weighting of old economy stocks when macroeconomic conditions were tougher in 2022. Those defensive characteristics may be needed again at the start of a year when major elections loom in the UK and US, geopolitical events remain a big worry and the full lag effect of interest rate rises is still to be felt. The Federal Reserve is seen cutting as early as Q1 of 2024, followed by the European Central Bank and Bank of England in Q2. On five out of the eight occasions since the 1980s that the US Federal Reserve has cut rates, the Bank of England has followed suit within three months.

Investors hope lower interest rates can inspire a change in fortunes for the unloved FTSE 100 index in 2024, having traded at a big discount to global peers in 2023. We project the FTSE 100 to reach 8,000 by December 2024, backed on the expectation of interest rate cuts which will revive the property sector, coupled with an attractive 4% dividend yield suggesting investors could see double-digit returns on equities next year. Despite

the outlook, the UK is still among the least preferred in its coverage because emerging markets equities are forecast to see double-digit earnings growth next year.

In a nutshell, government fiscal stance and election pose risks for UK equities. In the UK general election, the Labor Party has a massive lead against the incumbent Conservative Party in opinion polls. Labor governments are often associated with higher taxes, especially on corporations. However, stocks in the UK are trading at a discount, showing a good time for investors to take advantage.

In the Eurozone, the German Dax witnessed a 19.06% year to date for 2023. However, the economy is in recession due to the malaise in global manufacturing and its reliance on slowing Chinese demand. The Index defied economic backdrop of recession to post gain concluding the year at 16,751.64 points. As highlighted, by the ECB the expectation of an interest rate cut and a substantial decline in oil and gas prices have been the two primary factors propelling German equities.

In 2024, the looming election, geopolitical events and monetary policy stance of the ECB will be a major determinant of the equities in the Eurozone in 2024. In June, markets will brace for the European Parliament elections, as the next European Commission needs to implement tighter fiscal reforms after a three-year period of ultra-loose policies. If inflation were to prove more persistent than currently anticipated, this could lead

to a further increase in long-term interest rates. Coupled with weaker than anticipated economic growth, this, in turn, could trigger a rise in market volatility.

Markets and non-banks remain highly vulnerable to adverse macro-financial and geopolitical surprises, growing vulnerabilities in the real economy can be expected to gradually impair banks' asset quality, and this, together with lower lending volumes rising funding costs, may challenge their profitability outlook. In addition, tighter financial and credit conditions are

increasingly translating into higher debt service costs, weakening the resilience of firms, households and sovereigns.

Extra caution is clearly needed in selecting European stocks to invest in. It is unlikely that 2024 will offer chances to get rich quickly, so look for solid companies that are coming through the period of high interest rates with steady profits, preferably ones with low or no debts. Look also for companies with international markets that will be less dependent on how well the eurozone performs.

The Asian Equities

In 2023, Asian equities experienced significant rallies, with the TOPIX and Nikkei recording gains of more than 20% to conclude the year. The Japan Nikkei exhibited a superb performance, achieving a 28% gain to close at 33,464.17. The TOPIX index followed suit, registering a 24% gain to conclude the year at 2,366.39. These market rallies were supported by market restructuring, attracting interest from both domestic and foreign investors.

Despite a suboptimal global market environment marked by high interest rates, sluggish economic activity, and persistent inflation, the two indices outperformed its peers in the face of challenges in 2023. The Japanese economy was on the path to recovery in 2023. Inflation stood at 2.8% as of November 2023, exceeding the Bank of Japan's target of 2%, fueled by the presence of a negative interest rate which boost domestic consumption and encouraged investment in the economy.

We anticipate the bullish performance of the Nikkei and TOPIX to continue into 2024, this is due to the accommodating fiscal policy of the government, a possible gain for the Yen against the dollar due to the expected Fed's dovish stance in

2024. The positive outlook for stock performance in 2024 is influenced by market restructuring through significant regulatory reforms in Japan's capital markets. Noteworthy is Japan's move to encourage listed companies to enhance valuations and earnings, with the potential consequence of delisting for firms failing to demonstrate efficient capital allocation. The unpopularity of PM Kishida's cabinet, may have positive impact on the economy and market sentiment before the presidential election of the ruling Liberal Democratic Party (LDP) in September 2024. Another indicator of improved corporate governance is the unwinding of cross-shareholdings by Japanese companies, wherein firms own shares in their business partners to maintain relationships.

However, the macroeconomic conditions of mild inflation, and a weaker yen surrounding the economy still persist which may impede this projection. In addition, the end of the ultra-low interest rate by the BOJ for decades could be reversed in 2024 and this may further weigh on the outlook of the Asian stocks for 2024.

Global Economic Risks in 2024

- **Rising Geopolitical Tension**

Geopolitical tensions have become the single most important risk confronting the global economy. The Russian Ukraine war in Europe, the Israel and Gaza war in the Middle east poses challenge on energy and food price in the world. Recently the Houthi attack on the red sea disrupt shipping route through the suez canal. An escalation of the conflict in the Middle East could push energy prices into uncharted territory given that the region accounts for nearly 30% of global oil production. Geopolitical tensions heighten uncertainty, which hurts investment and economic growth. Conflicts and wars also tend to reduce global supply capacity and potentially inflationary effects.

- **Huge debt burden**

The global economy currently faces a huge debt profile which is a major concern for international monetary organizations. The combination of weak growth, high real interest rates, and elevated debt levels could make servicing debt more difficult in vulnerable developing economies and push more of them into financial stress. A flare up in debt burden may lead to financial stress and default which may negatively impact growth projections.

- **Climate Change**

With year 2023 being the hottest year in history, the effect of climate change cannot be neglected. Climate change is increasing the frequency and cost of natural disasters, which tend to crimp economic growth, aggravate poverty, and lower agricultural yields. Several sub-Saharan African nations currently battle with hunger and poverty because of climate change. The risk associated with climate change may cast a long shadow over the global economy in 2024.

- **Artificial Intelligence**

As AI continues to advance and permeate various industries, it creates winners and losers, amplifying existing disparities between countries and companies. The innovation in technology through Artificial intelligence could pose a major Unemployment risk to the global economy in 2024. The increased use of AI would drive lots of employees out of the job market. AI is meant to compliment and make work easier for humans, not to compete with humans. A survey of 4,700 CEOs in more than 100 countries by PwC, released at the start of the Davos meetings, said 14% think they'll have to lay off staff because of the rise of generative AI.

NIGERIAN ECONOMIC OUTLOOK

THE NIGERIAN 2024 BUDGET

The Federal Government of Nigeria recently presented the 2024 Budget proposal to the National Assembly. The Budget titled "Budget of Renewed Hope" shows a proposed expenditure of NGN27.5 trillion and an estimated revenue of NGN18.32 trillion for the 2024 fiscal year. The National Assembly passed the 2024 appropriation bill, raising its size from President Bola Tinubu's

proposed N27.5 trillion to N28.7 trillion. The budget was increased by N1.2 trillion.

In the bill passed, the sum of N1.74 trillion was earmarked for statutory transfers, N8.27 trillion for debt servicing, N8.76 for recurrent expenditure and N9.99 trillion for capital expenditure, The Senate said that to accommodate further requests from the Executive for additional funding, the Committee

on Appropriation made some adjustments to the bill. Some of the adjustments made include foreign exchange differential, increase of Government-Owned Enterprises' (GOEs') revenue, GOE's personnel reduction, Service Wide vote (wage adjustment) and reduction from Service Wide. President Bola Tinubu had late November presented the 2024 budget estimates of N27.5trn to the National Assembly. Christened the 'Budget of Renewed Hope', the President said it would ensure macro-economic stability, poverty reduction, and greater access to social security, amongst others.

The ₦28.7 trillion budget proposal (+15% y/y) will be funded by oil revenue (₦7.9 trillion), non-oil revenue (₦10.4 trillion), leaving a deficit of ₦9.2 trillion. The government expects Federation Account revenue to more than double due to the depreciation of the exchange rate, higher oil production projection, and the removal of subsidies.

The budget is premised on a 1.78 mb/d oil output, oil price benchmark of \$77.96/barrel, inflation of 21.4% and GDP growth rate of 3.76%. Key risks to oil revenue include lower OPEC quota, a stronger dollar, and a downtrend in oil prices. Overall, while we see exchange rate at weaker levels in 2024, this could buoy oil revenue, subject to

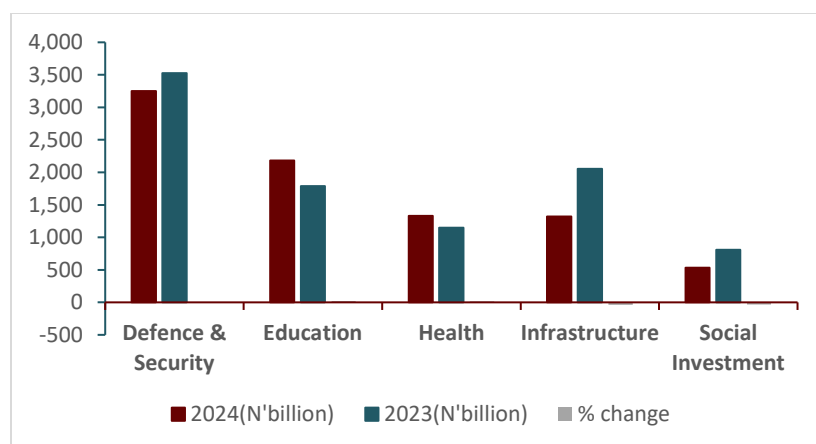
commensurate adjustments to pump prices. On non-oil revenue, we acknowledge the increased outperformance of corporate income tax. Measures recommended by the Presidential Committee on fiscal matters could help the administration raise its tax-to-GDP ratio and slow down deficit accumulation over the medium term. However, a worrying trend in recent times is repeated underutilization of capital expenditure provisions while personnel costs are bound to rise as salaries of Federal workers would be reviewed upwards.

On the expenditure side, a supplementary budget of ₦2.2 trillion was passed in Q4, which raised the FY'23 budget outlay to ₦24.8 trillion. In retrospect, the government has spent 31% less than budgeted so far in 2023. The largest spending shortfalls occurred in capital expenditure (-75.3%) and non-debt recurrent expenditure (-31.4%). More was spent on debt servicing (+17.7%) driven by domestic debt, interest on ways and means, and foreign debt. A \$500 million Eurobond was repaid earlier in the year. In 9M'23, Nigeria recorded a fiscal deficit of ₦4.0 trillion, which is materially lower than pro-rated budget estimate of ₦10.3 trillion. The deficit was largely financed from domestic sources including the CBN.

SECTORAL SHARES OF EXPENDITURE IN 2023 AND 2024 BUDGET

SECTORS	2024(N'billion)	2023(N'billion)	% change
Defense & Security	3,250	3,526	-7.8
Education	2,180	1,790	21.8
Health	1,330	1,150	15.7
Infrastructure	1,320	2,055	-35.8
Social Investment	534	809	-34

Source; Budget Office of the Federation and MBC Research.



Source; Budget Office of the Federation and MBC Research.

IMPLICATIONS ON PRIORITY SECTORS

The sectoral disaggregation of the 2024 budget has some associated implications for these crucial sectors, which cannot be overlooked, some of which are highlighted below.

EDUCATIONAL SECTOR

In the Education sector, incorporating student loans for enrollees in tertiary education in the budget proposal is a welcome development.

This is expected to reduce the prevalence of out-of-school children as Nigeria has the world's second-highest out-of-school children after India. Tertiary education is considered more expensive compared to the lower levels of education; hence, with student loans, poor students would have access to tertiary education and be relatively competitive with their counterparts from wealthy families. Meanwhile, the Federal Government must set clear guidelines and ensure strict compliance to achieve the desired outcomes. The Student Loan also serves as a springboard test for the subnational governments to emulate.

HEALTH SECTOR

The government has more influence in the Health sector, controlling two-thirds of healthcare facilities in the country. Meanwhile, the health financing gap leaves more to be desired. The financing gap in the Health sector has been estimated at US\$82billion, covering only infrastructure needs. Meanwhile, the enormous

fiscal pressures from expenditure allocation have limited the resources to fund the sector. Even if the government will retain its influence in the sector, there is a need for effective collaboration with various stakeholders, including the private sector and development partners, to meet the sector's financing needs.

INFRASTRUCTURE & SOCIAL SECTOR

Public spending in priority sectors, including infrastructure, health, education, and social investment, is low and is below the required spending to achieve the Sustainable Development Goal (SDG) targets in these sectors by 2030. According to the International Monetary Fund (IMF), the post-COVID SDG funding requirement was estimated to be US\$50billion per annum, which is higher than the pre-COVID estimate of US\$10billion. Considering the current fiscal pressure, the spending requirement is enormous for the government. Also, data from the World Bank shows that the country's real investment has fallen short of the additional spending needed (US\$40 billion) as it only increased from US\$68.4 billion in 2020 to US\$71.6 billion in 2021. Thus, the deliberate attempt by the government to prioritize these SDG-related sectors in annual budgetary allocations is crucial to incentivize private sector investments in these sectors in the years ahead.

DEFENSE AND SECURITY SECTOR

There has been more focus on spending on the Defense and Security sector over the years due to its priority in the lives and livelihoods of Nigerians. Meanwhile, there is a need to scrutinize the efficiency of spending in the sector as it has yet to improve national security significantly. This drives home the point that spending alone might not be the only solution to solving the country's insecurity challenges. Non-monetary measures such as tackling the root causes of social, economic, and political exclusion should be prioritized. Hence, social investment should also be prioritized in the annual budgetary allocations. In addition, the fiscal pressures on the Federal government can also be reduced through the devolution of powers to the sub nationals, and this, coupled with effective community policing and intelligence gathering, should lessen the insecurity level.

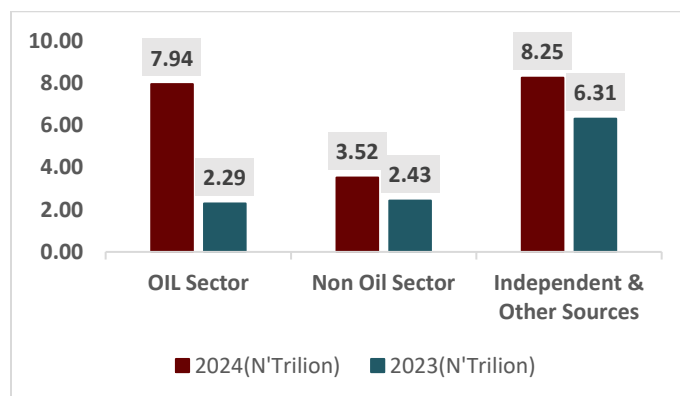
AGGREGATE REVENUE

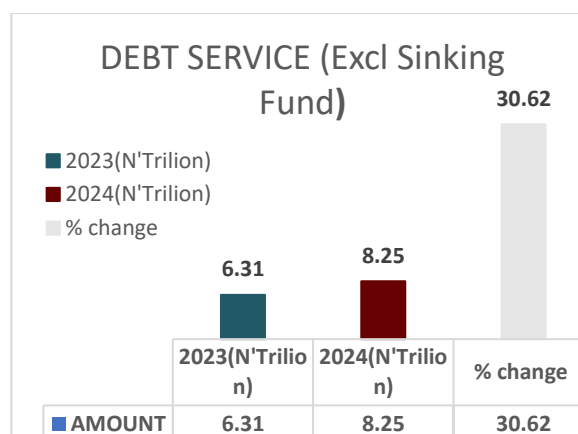
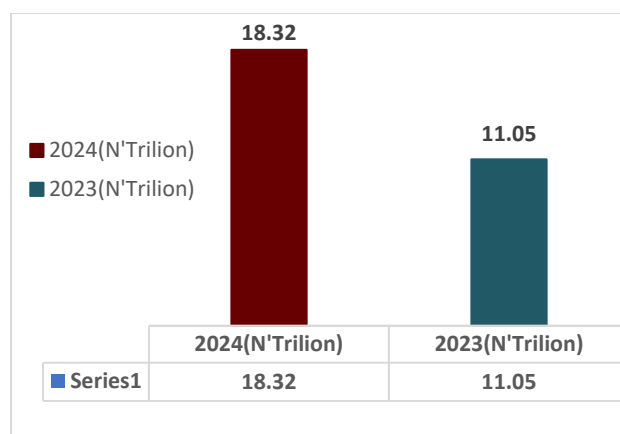
Aggregate revenue projection is quite optimistic given the prevailing weak macroeconomic environment and continued inefficiencies in many of the FG revenue-generating agencies. Expectations of a 43.9% share of the projected revenue from oil & gas is ambitious. This is due to agreed OPEC+ output cut till 2024, incessant sabotage in the oil-rich Niger-Delta, and the time lag required for the new exploration licenses to manifest in additional production. On the balance of analysis, we estimate the fiscal deficit to exceed ₦13.0tn (assuming CAPEX implementation is not relegated) as against the ₦9.2tn budgeted. Consequently, we see total public debt stock crossing the ₦100.0tn mark by YE-2024 (from ₦87.4tn in June 2023) while debt service-to revenue is estimated to remain above the 60.0% level. A positive variance will require hard work and focus on cutting waste in government agencies.

AGGREGATE REVENUE

SECTORS	2024(N'Trillion)	2023(N'Trillion)	% change
OIL Sector	7.94	2.29	247.12
Non oil Sector	3.52	2.43	44.72
Independent & Other Sources	8.25	6.31	30.62

Drilling down to the Federal Government specifically, retained revenue targets were surpassed slightly (+4%), owing to higher-than-expected corporate income tax collections (+121%), which made up for the shortfalls in oil revenue, customs revenues and federation account levies. We expect tax collections to continually outperform in 2024, on the back of the aggressive revenue drive of the current administration, as geared by the Presidential Fiscal Committee. Measures to synchronize the Bank Verification Number (BVN) with National Identification Numbers (NIN) are part of broader measures to ensure tax compliance and broaden the tax net.





AGGREGATE REVENUE AND DEBT SERVICE

Source; Budget Office of the Federation and MBC Research.

EXPECTATIONS ON INFLATION

Inflation Outlook: Fuel prices could keep inflation elevated.

The new government came in with the policy of oil subsidy removal. The removal of subsidies led to a surge in headline inflation. Empirical evidence shows us that an aggressive spike in the PMS Price will have a positive and significant impact on headline inflation for up to 15 months. As a result, we retain our bearish outlook on inflation in H1'24. This might gradually end by mid-2024.

On the global scene, supply chain pressures, unification of the currency and Middle East tensions were key drivers of commodity prices and inflation. The anticipated normalization in supply chains supports the view that commodity prices could be lower in 2024 because of increased production of refined products in Dangote refinery and the just completed TAM of the Port Harcourt refinery. On the flip side, geopolitics in the Middle East has raised concerns of further spikes in oil prices, should war escalate in that territory.

On the back of these twin possibilities, our baseline forecast rests on the argument that whether oil prices rise or fall, the Naira could remain weak in 2024 due to hazy outlook on oil production, exports, and remittances of NNPC into the federation account. As a result, this could induce upward adjustments in PMS prices. While this may

keep inflation elevated, we could see some moderations in Q3'24 due to high base effects. So far in 2023, PMS prices averaged ₦650/litre. All other things being equal, we assume that inflation will moderate provided the following potential drivers come into play,

- Foreign exchange stabilization
- Modest improvement in domestic food supply and unhindered flow of food importation through land borders.
- Improved security and safety of farmers and farmland
- Increased production of refined Oil.
- Increase in minimum wage

Over the years especially in 2023, Nigeria used various monetary and fiscal policies to counter inflation with little success. If the above criteria are not put into practice there is a high possibility that inflation might increase further. The major factors affecting the increase in inflation is PMS prices which also directly or indirectly affect the cost of production and transportation. Insecurity has affected inflation by reducing foreign direct investment and foreign portfolio investments, the insecurity recorded especially in the northern part of Nigeria where a major chunk of the domestic food is produced is affected by the activities of

bandits in the region. On the flip side, all other things being equal, we also assume that inflation might increase at an increasing rate if there are no solutions to the following drivers.

- High rate of insecurity in the country
- Continuous increase in the price of PMS
- Continuous devaluation of the Naira
- Disappointing agricultural sector performance

The CBN governor has guided that the current inflation trajectory requires a sustained tightening stance. We have projected that inflation will continue to rise in the H1 2024, peaking by May 2024 before moderating due to the high base effect

EXPECTATIONS ON MONETARY POLICY

Since the current administration came into power, the apex bank has deviated from the unorthodox policies under the previous CBN regime. In Q3 2023 we witnessed a 25bps hike in the monetary Policy Rate (MPR) and a 400bps increase in the Standing Deposit Facility (SDF). Under the leadership of the recently appointed Governor of the Central Bank of Nigeria, Olayemi Cardoso, two Monetary Policy Committee (MPC) meetings were rescheduled, citing a provision in the CBN Act that specifies the minimum requirement of four meetings per year. However, the market anticipated the first meeting of the newly constituted committee. Nevertheless,

The Central Bank is set to focus on the monetary policy objectives highlighted in a Policy Council report, the current CBN Governor (Dr. Yemi Cardoso) coauthored earlier in the year. They include:

- The anchoring of money market rates to the Monetary Policy Rate,
- A review and transfer of quasi-fiscal roles of the CBN, and
- The transition to a unified and market-determined exchange rate system.

The Governor's keynote address at the Banker's Committee shed some light on his policy outlook for the coming year. According to the Governor, his team had been critically reviewing the effectiveness of the Central Bank's monetary policy tools and spent time in fixing the transmission

from the prior year. We estimate that the CBN will likely hike the policy rate by 100-150bps in H1'24 before a relaxation in H2 2024.

From Q2, we expect the base effect and the dissipating impact of the large gasoline price increases to propel disinflation, helping 2024 inflation to average 22.0% from 24.5% expected in 2023. In addition, the sustained hawkish disposition of the CBN and reduced deficit financing to the government due to expected gains from subsidy removal could lower the broad money supply, which is positive for inflation. Despite the expected moderation, our projected inflation is well above the long-run average of 24.0%.

mechanism to ensure the decisions of MPC meetings result in desired objectives. One of the measures was the alignment of money market rates with the Monetary Policy Rate. A key constraint to this misalignment was an existing cap on interest-bearing deposits in the SDF window, which was initially ₦7.5 billion (2014), before it was lowered further to ₦2 billion (2019) in a bid to discourage banks from parking cash with the apex bank. This invariably led to a deluge of system liquidity, precipitous decline in rates, discouraging investments in local currency assets, and counteracting the passthrough effect of successive rate hikes. The removal of the cap on SDF deposits was one of the measures put in place to fix the transmission mechanism. Others are regular Open Market Operations (OMO) to mop-up excess liquidity, inauguration of a new liquidity management committee, sustained CRR debits, and issuance of Treasury Bills.

In the CIBN dinner that held in November 2023, the key priority areas (broad vision) for the new Apex Bank governor over the next 5 years and current indicative actions (recalibration moves) to achieving them are:

- **Introduction of inflation targeting mechanism to enhance disinflation strategy.**

The Central Bank announced the adoption of an inflation targeting framework to enhance the effectiveness of monetary policy. Literature tells us

that inflation targeting involves several elements, including the public announcement of medium-term targets for inflation, an information-inclusive approach with many variables (and not just monetary aggregates), increased transparency of monetary policy strategy through communication with the public and the markets about the plans and objectives of monetary policymakers, and increased accountability of the central bank in attaining its inflation targets. A key side effect of an inflation targeting regime is output fluctuations as low economic growth could ensue from attempts to target inflation. This could invariably affect the ambitious fiscal goal of attaining a \$1 trillion economy over the medium term. On near-term interest rate decisions, the Central Bank Governor emphatically stated that his team would retain its tightening measures for the next two quarters to effectively manage inflation. This supports our baseline scenario that inflation could peak in Q2 24 before falling. However, we do not see room for rate cuts until inflation falls considerably. Thus, we see room for a net 75bps rate hike in 2024 to 19.5% in Q1/Q2 20204.

- **Improvement of liquidity management strategies and cessation of quasi fiscal intervention.**
- **Better policy communication and embracement of orthodox strategies**

EXPECTATIONS ON FOREIGN RESERVES

Large drop in fuel imports expands trade surplus.

Following the removal of fuel subsidies on the 29th of May 2023, Nigeria's oil imports nosedived by 89% m/m to \$151 million in June 2023, its lowest in 30 months. As a result of this decline, overall imports moderated by 62% m/m. This contributed to a substantial rise in trade surplus and consequently, boosted Nigeria's current account position from a deficit position in Q1 23 (-\$0.4 billion) to a surplus position in Q2 23 (+\$2.9 billion). Thus, Nigeria's Current account balance-to-GDP rose to 2.78%, its highest outturn since Q3'2018. Provisional data from the National Bureau of Statistics (NBS) shows trade surplus remained as high as +\$2.7 billion in Q3 23, on the

- **Recapitalization of the banking sector to support the goal of growing the economy to \$1.0tr over the next eight years.**

The implicit assumption is that FX demand-supply imbalance would remain modest, and inflation reading would mainly reflect high base year impact provided that the following criteria are met.

- Average rate in base yr: ₦775.17/\$
- Average inflation (f): 22.1%
- US average inflation (e): 2.8%
- MPR (f*): 18.8%
- US Fed rate (e): 4.6%.

On the flip side we also assume, all other things being equal that the implicit assumption here is that the impact of worsening FX supply has been captured in average inflation reading.

- Average rate in base yr: ₦775.17/\$
- Average inflation (f): 24.7%
- US average inflation (e): 2.8%
- MPR (f*): 19.5%
- US Fed rate (e): 4.6%

back of a huge decline (-\$4.4 billion y/y) in imports and a mild drop in exports (-\$0.2 billion/y). While exports are held back by weak oil production, imports were greatly reduced by a drop in petroleum imports following the removal of fuel subsidies.

In 2022, the current account recorded an overall surplus/positive balance for the first time in 3 years on account of a narrower trade deficit and positive secondary income balance. As a result, current accounts improved from -0.8% of GDP in 2021 to 0.2% of GDP. Because of the huge drop in oil imports, we expect this metric to improve to 1.9% of GDP in 2023 and 2.0% of GDP in 2024.

EXPECTATIONS ON GDP

Real Sector outlook: Reforms slow output growth in 2023

Growth in the Nigerian economy continues to normalize, as key reforms are executed. In Q3 23, Nigeria's real GDP growth slowed to 2.54% y/y, 3bps higher than the previous quarter (Q2'23: 2.51% y/y). The industrial sector slumped by 1.9%, extending its 4-year recessionary trend. A notable contraction in the transport sector was observed, following the decision of the President to end gasoline subsidies. This reform dented growth in the trade sector slightly, but the telecoms and finance sector remained unscathed, expanding at faster proportions. Growth in the services sector halved amid a contraction in the transport sector (Q3 23: -35.85% y/y) and slower growth in trade (Q3 23: 1.53% y/y, Q3 22: 5.08% y/y). This can be attributed to the devaluation of the Naira and removal of fuel subsidies, which contributed to high transport prices, elevated cost of doing business and compressed consumer demand. As a result, trade volumes have been suboptimal.

The telecoms (ICT) and finance sectors remained the delight of the services sector. ICT expanded by 6.69% y/y (Q3'22: 10.53% y/y) amid mobile money penetration, absence of restrictions on SIM registrations and sustained digital adoption across sectors. Since the cash crunch of Q1'23, the financial services sector has grown by at least 24% y/y. This underscores the increased preference for digital payments platforms over cash transactions, following the hardship faced during the cash crunch.

GDP Outlook: What will determine 2024 GDP print?

Agricultural sector.

In 2024, we expect growth in the agricultural sector to slow, following the transfer of quasi-fiscal interventions from the Central Bank to relevant agencies. As a result, we mark down our growth for crop production; however, a rebound in livestock could support growth for the wider agricultural sector.

Manufacturing Sector.

Given the macro headwinds and divestments in the Consumer Goods space, we could see weaker growth numbers in manufacturing. While the cash shortage and election season kept real estate activities in limbo in 2023, we expect budget execution and clarity on policy direction to buoy public construction in 2024. Beyond local demand, external demand could also keep the cement sector in the arena of growth.

On the services leg, we expect modest performances in trade, manufacturing, and transport, due to the sustained impact of elevated PMS prices and Naira depreciation. Finance and ICT may continually outperform other sectors. However, headwinds could emerge from the synchronization of Bank Verification Numbers (BVN) with National Identification Numbers (NIN), which could slow growth economic activities. Tying these altogether, we see room for a 3.41% uptick in the non-oil sector. In 2024 (2023E: 3.09%). Given the idiosyncratic risks associated with the oil sector, we adopt a scenario approach in arriving at our FY'24 growth estimates. Adopting a baseline oil production scenario of 1.45 mb/d, this implies a +0.6% y/y expansion in the oil sector and translates into a 3.2% y/y expansion in overall real GDP growth.

Nigeria has a couple of refinery projects in the works from the Dangote refinery to the existing refineries (Port-Harcourt, Warri and Kaduna Refineries). While our growth estimate excludes any ramp-up in refining capacity, our models show that an improvement in national refining capacity by 50,000 b/d could add +0.1% to GDP.

Fiscal outlook: Non-oil sources reign supreme.

Oil production fell short of target in 2023, despite high oil prices and a favorable OPEC production quota (initially 1.7 mb/d). The devaluation of the Naira and removal of subsidies were key revenue drivers for the year, as the former shored up the naira equivalent of oil USD receipts while the latter reduced the deductions made to gross oil revenues. Notwithstanding, the shortfall in oil production weighed on the contribution of oil to federation revenues. Gross oil and gas revenues (9M 23: ₦5.6 trillion) fell short of target by 21%, while non-oil

revenue exceeded budget estimates by 30% (9M'23: ₦6.9 trillion).

MAJOR RISKS IN 2024

Nigerians are still smarting from last year's economic shocks and expecting that things will turn the corner in 2024. We project that the country's economy will perform better this year on the back of the recovery of the oil sector from recession and gains from the Federal Government reforms. The year 2023 was indeed tough for Nigerians as the removal of petrol subsidy and naira devaluation increased inflation pressures, poverty, and unemployment in the country. We project that 2024 will be better than 2023 but it won't be the total transformation of the economy or major reduction like in 2023. The outlook for 2024 is cautiously optimistic, predicated on robust liquidity dynamics and positive inflation and interest rate expectations. We expect that some risk might affect the transformation of the economy in 2024 if they are not well taken care of.

IMPLICATION OF THE RISK ON THE ECONOMY

Insecurity The International Monetary Fund has projected that Nigeria's economic growth will decline in 2023 and 2024 due to security issues in the oil sector. The IMF disclosed this in its latest 'World Economic Outlook Update. Insecurity also increases the cost of doing businesses caused by high wages, insurance premiums and security expenditures. This goes a long way to affect profit, lower returns on investment and ultimately affect economic growth and development. The recent insecurity challenges recorded in Nigeria has been a major concern to tackle. It has seriously affected major sector of the economy especially in the Oil sector and Agricultural sector.

- Oil sector: over the years Nigeria has recorded a huge number of oil bunkering and illegal mining in the country which has reduced the volume of oil production in the country. This unlawful activity usually involves the illegal extraction and smuggling of crude oil, vandalization of pipelines, and bunkering, resulting in significant revenue losses for the country and environmental degradation especially in the southern part of Nigeria (Niger Delta). The stolen oil is often refined locally or sold on the black market, robbing the country of vital revenue that could be invested

in infrastructure development and social welfare programs. If this activity should continue or not mitigated in 2024, it will definitely serve as a risk to the country's projected revenue. Nigeria can therefore adopt some steps to reduce Oil theft in the country which are; Maritime security support, Oil pipeline protection via technology, Collaboration between domestic and international navies, Transparency and Accountability etc.

- Agricultural sector: The Food and Agriculture Organization (FAO) says at least 26.5 million Nigerians in Borno, Sokoto and Zamfara states as well as the FCT, Abuja, may face food crisis between June and August 2024. This is due to insurgency and banditry that take place in these regions which end up affecting farmers and farm lands. Agriculture contributes 42 percent of Nigeria's GDP and engages over 65 percent of Nigeria's workforce. The sector is constrained by challenges recently characterized by insecurity, leading to low output and inefficient production tools and infrastructure.

High rate of kidnapping has also been a major risk that affects the economy, people don't feel safe again. The large sum of money spent as ransom payment could affect the state economy drastically. Many people kidnapped paid a lot of money as ransom. This situation affects both state and household economy. Some people usually go as far as borrowing to bail their relatives out from the hands of hoodlums.

Pressure On Inflation. Fear of continuous increase in inflation can affect the growth of the economy and Nigeria has been experiencing a persistence increase in inflation rate. In an inflationary environment, unevenly rising prices inevitably reduce the purchasing power of some consumers, and this erosion of real income is the single biggest cost of inflation. Inflation can also distort purchasing power over time for recipients and payers of fixed interest rates.

Foreign Exchange Reserve Continuous depletion on the foreign exchange reserve will pose challenge on the foreign exchange liquidity in the economy. However, measures have been made to stabilize the foreign

exchange market against volatility, but if the issue of illiquidity of foreign exchange is unresolved this may pose difficulties for smooth business operation.

THE EQUITIES MARKET 2024

The Nigerian equities pulled a stellar performance to close the year 2023, posing a 45.90% YTD. The policy reforms implemented by the present administration, coupled with a corporate positive nine-month earnings report by companies in the banking and oil and gas sectors, strengthened investors' optimism in the second half of 2023. The NGX All Share index witnessed a great rally to close 2023 at 74,773.77 points, marking its highest ever, and a market capitalization of 40.92 trillion. The NGX ASI outperformed its peers, surpassing the indices of Ghana, Kenya, and South Africa.

All sectors posted impressive performances all through the year, with the oil and gas sector leading the league of the indices with a 125% gain for the year 2023. The banking sector index came behind, posing a 114% gain to close the year. Consumer Goods index, Insurance index, and Industrial Good index all closed the year posting positive gains of 90.39%, 84.84%, and 12.86%, respectively.

The macroeconomic landscape of the Nigerian economy has been harsh and volatile, with an uncertain outlook for 2024. The CBN has maintained a hawkish stance due to the upward trajectory of inflation, keeping a steady interest rate since July 2023. However, the contractionary monetary policy tools of interest rates seem ineffective in curbing inflation in the economy.

Amidst the turbulence, the NGX Equities continued to maintain a promising outlook as investor sentiment is strengthened by policy reforms. We expect that the current rally will continue until the February 2024, and the NGX ASI will surpass the 85,000 mark in the coming weeks of 2024.

Significant rallies are anticipated on banking stocks due to positive earnings reports on their financial statements and gains on revaluation. In preparation for the proposed bank recapitalization and a potential funding of a \$1 trillion economy, mentioned by the CBN governor, we anticipate that the proposed recapitalization will increase equity raised through right issues and potentially lead to mergers by banks to strengthen their capital base. Investors are advised to tread cautiously and avoid falling into a bullish trap on banking stocks, as the significant rally experienced may be short-lived. A substantial dividend payout in the banking stocks will boost investor sentiment, and we may experience a significant rise in the share price of stocks in this sector.

The Consumer Goods sector showed gains in 2023, but these trends may not be sustained in 2024. The foreign exchange policy of the present administration is affecting negatively the financial statements of companies in this sector, leading to FX exchange losses due to illiquidity and Naira devaluation. However, a potential merger between NASCON, DANGOTE SUGAR, and DANGOTE RICE could drive rallies for these stocks in 2024. We project that share prices of stocks in this sector may experience minor rallies in 2024, although they seem less attractive due to returns, opportunities for gains still lies in the sector.

Regarding the Oil and Gas sector, we anticipate a significant rise in the share prices of stocks within this industry. The present administration's policy of fuel subsidy removal continues to impact companies positively, leading to a notable increase in the sales of petroleum products. We expect a moderately bullish trend in the Oil and Gas sector

as oil prices stabilize in international market and investments in LNG increase. A Possibility of higher earnings from local refining and the deregulation of oil prices in 2024 will significantly improve the index of the oil and gas sector and thereby the overall market capitalization.

Overall, we anticipate that the Nigerian equities will sustain a positive return in 2024. However, while rallies are expected to continue until the middle of

February 2024, by the end of Q1, the ASI may recede below the 80,000 mark. This potential downturn could be attributed to the interest rate hike by the central bank, which might exacerbate borrowing conditions for firms. Additionally, the persistent inflationary pressures continuing to impact households may result in investors depleting their portfolios. Subpar dividend declaration by companies may dampen optimism in the market.

FIXED INCOME AND INTEREST RATE IN 2024

The year 2023 proved to be another rollercoaster year for Nigerian fixed-income markets. Indeed, the year was going to be another inflexion point as the general elections marked the end of the eight-year presidency of Muhammadu Buhari. The incoming Tinubu administration moved to change things quickly with big increases in petrol prices, the dismissal of the erstwhile CBN governor (Godwin Emefiele) and the removal of the hard peg on Naira trading within the official FX market, which led to a 40% weakening of the currency in June.

To credibly signal to fixed-income markets that it wants Naira interest rates to remain elevated, the CBN must essentially sterilize all excess liquidity from the banking system. There are three means to carry out this effectively: elevated open market operations (OMO) bills (potentially at >20% rates), aggressive hikes in the MPR which raise the SDF (well above 20%) or scorching increments in cash reserve requirements towards 50%. The problem with the first two approaches is that CBN's large private OMO bill securities issued as the opposite leg of its cross-currency swaps to Nigerian banks have greatly constrained its balance sheet.

Anything absence of this or aggressive hikes in OMO activity and discount window rates will result in non-credible liquidity management. As we saw in December, this will lead to declines in rates when the CBN turns passive to any build-up in system liquidity.

The CBN governor guided to hawkishness in H1'24, even though there were some notable buy pressures in the fixed-income market in December 2023. Solely from a policy standpoint, investors

may be inclined to hold a sizable portion of their fixed income portfolios in short-tenured instruments with a view to rotating into duration in the second half of the year or in the slightest hint of inflexion in 2024. However, should the CBN become slow to mop out huge maturities expected in Q1 or align with global monetary authorities as they wind down on tightening, then the winning strategy could be long duration even from Q1.

In terms of potential liquidity flows, we estimate that monthly maturities (including Bond coupons, OMO and NTB) over 2024 will average NGN955billion (vs NGN676billion in 2023, NGN620billion in 2022 and NGN720billion in 2021). On the supply side, our projection is that monthly securities supply (incorporating the FGN debt plans and NTB/OMO refinancing's) will likely average NGN1.2 trillion (2023: NGN826 billion) which exceeds system maturities. On balance, we assume that there will be an excess of securities supply over potential demand for paper which is fundamentally supportive of higher interest rates over 2024.

How high rates go will be determined by the interplay between how hawkish the CBN approaches excess liquidity in trying to signal higher rates (likely in H1 2024) and how desperate the DMO is to meet its FGN borrowing target. This suggests similar bearish conditions when any overlap occurs such as over Q2-Q3 2024 in a repetition of the September-November 2023.

In the domestic bond market, we expect that on the balance of factors, we anticipate 200bps drop in yield in FY: 2024 with marginal increase in H1

given expected aggressive CBN liquidity mop-up but moderation beyond H1 owing to better global and local inflation dynamics. Risks to our forecast could materialize from potential global reflation, elongated tightening campaign by CBN and aggressive FG borrowing due to disappointing revenue performance.

The factors that might influence the fixed income market and interest rate are as follows.

- Domestic inflation
- Domestic interest rate policy
- FG borrowings
- Global interest rate direction

Other things being equal, we assume the following on the best-case scenario.

- Average Inflation rate to print at 24.1%
- CBN tightens rate in Q1 but relaxes in H2 as macroeconomic signals improve and global interest rate come down.
- Fiscal deficit to reach c. ₦13.0tn against the ₦9.2tn budgeted. However, FG taps ₦8.0tn from domestic market complemented by other funding sources including Eurobond issuances and ways & means financing.
- Systemic central banks hold or cut rates.

While on the flip side, which is the worst-case scenario we assume the following.

- Inflation rate to average 24.7%
- CBN maintains aggressive stance throughout the year to further incentivize holding the Naira and lure offshore capital.
- Fiscal deficit to reach ₦13.0tn against the ₦9.2tn budgeted. However, FG taps ₦8.0tn from domestic market complemented by other funding sources including Eurobond issuances and Ways & Means financing.
- Systemic central banks hold or cut interest rates.

The Central Bank of Nigeria (CBN) is likely to maintain a tight monetary policy stance to rein in

inflation in 2024. Tight monetary policy is a set of measures taken by a country's Central Bank to slow down the growth of the money supply and reduce inflation. Such measures include raising interest rates, increasing Cash Reserve Requirements (CRR), and selling government bonds. The CBN commenced a series of hikes in its benchmark interest rate in May 2022 and raised the Monetary Policy Rate (MPR) from 11.5 % to 18.75 % in July 2023. The major reason for the continued interest rate hike was to rein in inflation. The CBN has no alternative but to launch a newly intensified phase of monetary tightening when the Monetary Policy Committee (MPC) next sits, which could be in early 2024.

Economists Intelligence Unit (EIU) projects the monetary policy rate to be raised by 300 basis points, to 21.75 %, in 2024 "However, we do not expect the CBN to deliver a positive real short-term interest rate in 2024 or beyond, and there is a risk of even greater passivity than we expect. The MPC attaches a heavy weight to economic growth, and policy choices will be subject to significant political interference," We expect that the first-rate cuts will be made in 2025, when disinflation and monetary easing in advanced markets will have set in, and that the policy rate will fall to 12.5 % by 2026 and stay there until 2028. Inflation will consistently exceed the 9 % target ceiling and real short-term interest rates will be negative, as we expect the CBN to prioritize stimulus over its price stability mandate.

If the naira becomes stable then the MPR will become effective or if Nigeria will build up a significant reserve that will absorb capital flows and have enough reserve, the naira will be stable then MPR can become effective. The naira needs to settle first before the MPR can be effective, a tight monetary policy, implemented by the CBN, can have several effects on ordinary Nigerians, both positive and negative. On the potential positive effects, tightening the money supply can help control inflation, leading to more stable prices for everyday goods and services. This can improve purchasing power and household finances.

A tight monetary policy can attract foreign investment and strengthen the Nigerian Naira. This

can make imports cheaper and potentially stimulate economic growth. By controlling inflation and the money supply, a tight monetary policy can contribute to a more stable financial system. This can benefit businesses and consumers alike. On the

negative side, when the CBN increases interest rates, it becomes more expensive for individuals and businesses to borrow money. This can lead to decreased investment, slower economic growth, and potential job losses.

ALTERNATIVE INVESTMENT ASSETS IN 2024

To achieve a well-diversified portfolio, an investor will invest in various asset classes with different risk profile. We would be providing two ETFs they include: The Vetiva S&P Nigeria Sovereign Bond ETF (VSPBONDEF) and The New Gold Exchange Traded Fund.

The Vetiva S&P Nigeria Sovereign Bond ETF (VSPBONDEF) is an optimized bond ETF managed by Vetiva Fund Managers Limited. It aims to track the S&P Nigerian Sovereign Bond Index, aligning the unit price of the ETF on the Exchange with the movement of the Index. By holding units in the ETF, investors gain market exposure to the most liquid and actively traded FGN Bond Securities. The fund comprises 10 FGN bonds, offering attractive yields to those who invest in the fund. The ETF seeks to replicate, as closely as possible, the price and yield performance of the FGN Bond securities constituting the S&P Nigerian Sovereign Bond Index, net of expenses. Specifically, it tracks the S&P/FMDQ Nigeria Sovereign Bond, reflecting the performance of local currency-denominated sovereign debt publicly issued by the government of Nigeria in its domestic market. The advantage of this ETF

The ETF Index has performed superbly since its listing on October 24, 2016, with a price of N130.27. The fund currently trades at N400.20, reflecting year-to-date returns of 89.11% and 155.02% as of September 2023, based on the ETF NAV and S&P/FMDQ bond index return, respectively. Additionally, the fund has made distributions, paying an average of N13.34 over the seven years since its listing semi-annually, surpassing the dividends payments by a host of listed companies.

The New Gold Exchange traded Fund index is tracked by the South African price of Gold in Rands. This will help investors to hedge against the currency devaluation facing the Nigerian economy as the index is pegged to the value of Gold. It provides stability to the funds invested in the Index.

We believe these funds have the potentials to delights investors with good returns in 2024. Investors are advised to buy into Exchange traded funds to hedge against the volatility in economy and fluctuations in the stock market. These funds currently trade below their high and has an upward potential in 2024.

FIXED INCOME INSTRUMENTS (FGN Bond and Eurobonds)

The bonds or fixed income market serves as an alternative investment in which investors can diversify their portfolios. The market provides investors with steady cash flows in dollars (bi-annual returns), helping to hedge against currency devaluation, inflation, and exchange rate differences when coupons are paid, even until maturity, as returns are earned. FGN Bonds are

some of the most liquid fixed income instruments because investor can sell before maturity at the prevailing market rates.

We have carefully selected the FGNBOND27Mar2035, FGNBond22Jan2026

and FGNMAR 2029 with a favorable yield to be part of investors' portfolios for 2024.

Instrument	Maturity	Coupon/Rate	Price	Yield
FGN 2035	Mar-35	12.50%	92.09	13.90%
FGN2029	26-Apr	14.55%	104.6	13.29%

The FGNMAR 2029 Eurobond, with an 8.375% coupon and a principal amount of US\$1.25 billion, is presently trading at a discount at \$96.375, resulting in a USD yield of 9.121% as of the end of 2023. This contrasts with the original yield of 8.375% at the bond's issuance date on March 24 2022. The bonds USD coupon is paid bi-annually 24 March and 24 September in each year up to and including the Maturity Date. The FGNMAR2029 Eurobond provides investors the opportunity to earn returns in Dollars.

CRITERIA AND RECOMMENDATIONS

Fixed Income Criteria

- Regular payment of returns: Investment in Federal Government Bond guarantees regular cash-flow in terms of semi-annual coupon payments.
- Protection against credit risk: FGN bonds are immune to credit risk because the instruments are backed by the full faith of treasury of the Federal Government.
- Liquidity: FGN Bonds are some of the most liquid fixed income instruments because investor can sell before maturity at the prevailing market rates.

The equities market presents attractive opportunities for investors in form of capital

appreciation and dividend return. Nigerian stocks are currently undervalued and present an opportunity for growth in the short to medium term. Thus, we expect the low valuation to serve as an incentive for highly risk-tolerant investors to channel funds into the equities market in 2024. We believe stocks in the Financial Services (mostly Banks), ICT, Agriculture, Consumer Goods and the Industrial sectors present strong prospects for growth given their resilience to the economic recession.

The NGX-ASI closed on a positive note with YTD return at 45.90% in 2023. In 2024, we expect a higher fixed income yield. Factors that we think would keep yields elevated include possibility of an additional 200bps hike in MPR and the ₦28.7 trillion approved budget (+15% y/y) will be funded by oil revenue (₦7.9 trillion), non-oil revenue (₦10.4 trillion), leaving a deficit of ₦9.2 trillion. The government expects Federation Account revenue to more than double due to the depreciation of the exchange rate, higher oil production projection, and the removal of subsidies.

As the economy recovers, the markets will experience improved activities in the year. Our criteria basis is that investors can make 25% returns on the recommended investments.

RECOMMENDATIONS

In making our recommendation, we considered stocks which satisfy our fundamental and technical analysis requirements. The fundamental analysis and technical charts underscore the strength of the fundamentals of the selected stocks. The stocks in our portfolio have upward potential earnings of at least 20% in excess of their current market prices within a year.

We recommend a portfolio consisting fixed income, FGN Bonds and ETFs.

EQUITY PORTFOLIO MODEL FOR 2024

❖ UBA

UBA Plc Q3 2023 results showed that interest income advanced by 58.55% from N420.23 bn in Q3 2022 to N666.29 bn in Q3 2023. Net interest income went up by 56.83% from N282.51 bn in Q3 2022 to N443.08 bn in Q3 2023. Operating income advanced by 145.56% from N414.39 bn in Q3 2022 to N1.017 trn in Q3 2023 due to increase in net trading and foreign exchange gains. Profit before tax grew by 262.54% from N138.49 bn in Q3 2022 to N502.09 bn in Q3 2023 due to increase in operating income. Profit after tax went up by 287.18% from N116.04bn in Q3 2022 to N449.29bn in Q3 2023 as a result of increase in foreign exchange income. Consequently, UBA recorded a 295.41% rise in earnings per share from N3.27 in Q3 2022 to N12.93 in Q3 2023. UBA Plc has a BVPS of N51.99. P/BV of 0.56x and P/E ratio of 0.56x. United Bank for Africa Plc (the Bank) is a Nigeria-based pan-African financial services institution. This means investors who invested in the stock of UBA have reaped 96 % of their investment in terms of stock appreciation. UBA is the highest gainer in YtD for the year 2023 as the listed Tier-1 banks continued to rally on the bourse amid Central Bank of Nigeria (CBN) foreign exchange policies. We recommend a **Hold** on UBA with an exit piece ~~N~~40.32

❖ GTCO

GTCO Plc Q3 2023 results showed that interest income advanced by 74.23% from N85.2 bn in Q3 2022 to N148.6 bn in Q3 2023 due to increase in interest on loans from customers. Net interest income went up by 74.43% from N68.8 bn in Q3 2022 to N120.0 bn in Q3 2023. Net fee and commission income soared by 36.2% from N22.7 bn in Q3 2022 to N30.9 bn in Q3 2023, as a result of increase Credit related fees and commissions. Profit before tax grew by 59.1% from N66.4 bn in Q3 2022 to N105.8 bn in Q3 2023. Profit after tax went up by 64.6% from N52.7bn in Q3 2022 to N86.9bn in Q3 2023. Consequently, GTCO recorded a 64.8% rise in earnings per share from N1.88 in Q3 2022 to N3.10 in Q3 2023. GTCO Plc has a BVPS of N43.25, P/BV of 0.82x and P/E ratio of 2.85x. Guaranty Trust Bank Limited (GTBank) is a multinational financial institution that provides individuals, businesses, private and public institutions across Africa and the United Kingdom with a broad range of market-leading financial products and services. GTCO on the other hand has delivered double-digit returns on average equity annually for about a decade. We recommend a **Hold** on GTCO at an exit price of ~~N~~52.21

❖ ZENITH PLC

Zenith Q3 2023 results showed that gross earnings advanced by 114.17% from N620 bn in Q3 2022 to N1.33 trn in Q3 2023 as a result of increase in revenue derived from loans and advances to customers. Interest and similar income went up by 71.70% from N390.75 bn in Q3 2022 to N670.93 bn in Q3 2023 due to increase in Placement with banks and discount houses. Net interest income grew by 46.77% from N282.90 bn in Q3 2022 to N415.22 bn in Q3 2023. Profit before tax went up by 149.34% from N202.54bn in Q3 2022 to N505.03bn in Q3 2023 as a result of increase in foreign currency revaluation gains. Profit after tax rose by 149.05% from N174.33 bn in Q3 2023 to N434.17bn in Q3 2023 as a result of increase in Interest income on trading bonds Consequently, Zenith recorded

a 149.00% rise in earnings per share from N5.55 in Q3 2022 to N13.82 in Q3 2023. Zenith Plc has a BVPS of N61.15, P/BV of 0.69x and P/E ratio of 0.76. Zenith Bank Plc offers its clients a wide range of corporate, investment, business and personal banking products and solutions. It is one of the biggest and most profitable banks in Nigeria. It has increased its coverage to over 500 branches in all state capitals and metropolitan cities in Nigeria. Regardless of the extra ordinary profit in the foreign exchange in Q2 and Q3 2023 in which Zenith benefited from, we are confident that the bank will produce strong financial results in the subsequent quarters. The Bank presently has a shareholder base of over half a million, an indication of the strength of the Zenith brand.

We recommend a **Hold** on Zenith PLC with a target price of ~~N~~52.81.

❖ FIDELITY

Fidelity bank plc Q3 2023 results showed that Gross earnings advanced by 60.73% from ~~N~~241.8 bn in Q3 2022 to ~~N~~388.79 bn in Q3 2023. Interest and similar income increased by 54.60% from ~~N~~198.30 bn in Q3 2022 to ~~N~~306.58 bn in Q3 2023. Net interest income increased by 74.30% from ~~N~~111.85 in Q3 2022 to ~~N~~194.95 bn in Q3 2023. Profit before tax advanced by 193.69% from ~~N~~37.79 bn recorded in Q3 2022 to ~~N~~110.99 bn in the current period due to an increase in fees and commission income. Profit after tax went up by 162.46% from ~~N~~34.95 bn in Q3 2022 to ~~N~~91.75 bn in Q3 2023 as a result of increase in dividend income. Earnings per share appreciated by 162.46% from ~~N~~1.21 in Q3 2022 to ~~N~~2.87 in the current period. Fidelity has a BVPS of ~~N~~12.83, P/BV of 0.82x and P/E ratio of 0.91. Fidelity Bank is a full-fledged commercial bank operating in Nigeria, with over 7.2 million customers who are serviced across its 250 business offices and various other digital banking channels. Fidelity Bank is rapidly implementing a digital based retail banking strategy which has resulted in exponential growth in savings deposits over the last 12 years, with over 57 % customer enrollment on the Bank's flagship mobile/internet banking products. We recommend a short term **Buy** on Fidelity with an exit price of ~~N~~17.09.

❖ TRANSCORP

TRANSCORP Plc Q3 2023 results showed that revenue increased by 33.02% from N96.2 bn in Q3 2022 to N128.0 bn in Q3 2023 due to an increase in revenue from the capacity charge and energy sent out. Gross profit appreciated by 37.60% from N46.7 bn in Q3 2022 to N64.3 bn in Q3 2023. Operating profit rose by 35.59% from N31.5 bn in Q3 2022 to N42.7 bn in Q3 2023. Profit before tax soared by 25.38% from N20.86 bn in Q3 2022 to N26.1 bn in Q3 2023. Profit after tax increased by 19.42% from N19.00bn in Q3 2022 to N22.73bn in Q3 2023. Consequently, Transcorp recorded a 63.63% rise in earnings per share from N0.22 in Q3 2022 to N0.36 in Q3 2023. Transcorp Plc has a BVPS of N4.00, P/BV of 2.17x and P/E ratio of 4.47x. Transnational Corporation Plc is a Nigeria-based company, which is engaged in the investment and operation of portfolio companies in the hospitality, power, agriculture, and oil and gas sectors. Year on year Transnational Corporation PLC had increase in revenues from 111.22bn to 134.72bn. We recommend a short term **Buy** on TRANSCORP at an exit price of N20.10

❖ AXA MANSARD

Axa Mansard Plc Q3 2023 results showed that revenue advanced by 16.81% from N52.47 bn in Q3 2022 to N61.29 bn in Q3 2023. Insurance Service Result went up by 43.64% from N6.31 bn in Q3 2022 to N9.08 bn in Q3 2023. Net investment income went up by 289.35% from N4.10 bn in Q3 2022 to N15.98 bn in Q3 2023 as a result of increase in net gain and also a reduction in net credit impairment losses. Profit before tax grew by 470.76% from N2.65 bn in Q3 2022 to N15.09 bn in Q3 2023 as a result of increase in profit on investment contract. Profit after tax went up by 737.8% from N1.50 bn in Q3 2022 to N12.56 bn in Q3 2023. Consequently, Axa Mansard Plc recorded a 700% increase in

earnings per share from N0.17 in Q3 2022 to N1.36 in Q3 2023. Axa Mansard has a BVPS of N4.65, P/BV of 1.02x and P/E ratio of 0.87x

AXA Mansard Insurance Plc is an insurance and asset management company engaged in the provision of life and general business risk management solutions and financial services to corporate and retail customers. The Company's segments include Non-life business, Life Business, AXA Mansard Insurance, Investment Management, Property Development and Health Maintenance. We recommend a **Hold** on AXA MANSARD at an exit price of N7.16

❖ CONOIL PLC

Conoil Plc Q2 2023 results showed that revenue advanced by 73% from 30bn in Q3 2022 to N52 bn in Q3 2023. Gross profit advanced by 62% from 3.8 bn in Q2 2022 to N6.1 bn in Q3 2023. Profit before tax went up by 145% from N1.68 bn recorded in Q3 2022 to N4.1 bn in Q3 2023 Profit after tax also went up by 158% from N1.2 bn in Q3 2022 to N3.2 bn in Q3 2023 due to other income which increase by 77%. Consequently, Earnings per share went up by 158% from N1.81 in Q3 2022 to N4.68 in Q3 2023. Conoil has a BVPS of N45.05, P/BV of 1.98 x and P/E ratio of 4.76x. Conoil Plc engages in the marketing of refined petroleum products, manufacturing and marketing of lubricants, household, and liquefied petroleum gas for domestic and industrial use. Conoil is involved in petroleum exploration and production, manufacturing and marketing of refined product. The Company operates through three segments: White products, Lubricants and Liquefied Petroleum Gas (LPG). Conoil has largest spread of aviation filling stations nationwide, with an ever-growing clientele, which includes the world's leading airlines. The Possibility of higher earnings from local refining and the deregulation of oil prices will impact positively on the earnings of the company. We recommend a short term **Sell** on Conoil at an exit price of N 111.91.

❖ UCAP

UCAP Plc Q3 2023 results showed that gross earnings advanced by 20.34% from N14.5bn in Q3 2022 to N17.5bn in Q3 2023. Net operating income advanced by 11.2% from N13.4 bn in Q3 2022 to N15.0 bn in Q3 2023. Profit before tax went by 6.5% from N9.12 bn recorded in Q3 2022 to N9.71 bn in Q3 2023. Profit after tax also went up by 9.76% from N7.71 bn in Q3 2022 to N8.47 bn in Q3 2023 Earnings per share went up by 9.94% from N1.71 in Q3 2022 to N1.88 in Q3 2023. UCAP has a BVPS of N20.40, P/BV of 1.13x and P/E ratio of 3.06x. United Capital Plc is engaged in the business of investment banking and provides issuing house, corporate investment advisory services, project finance, debt restructuring, mergers and acquisitions, and debt capital markets activities. UCAP has been recognized for the second consecutive year, as one of Africa's fastest-growing companies by the globally acclaimed news publication, Financial Times. We recommend a **Sell** on UCAP at an exit price of N27.29.

❖ ECOBANK TRANSNATIONAL INCORPORATED

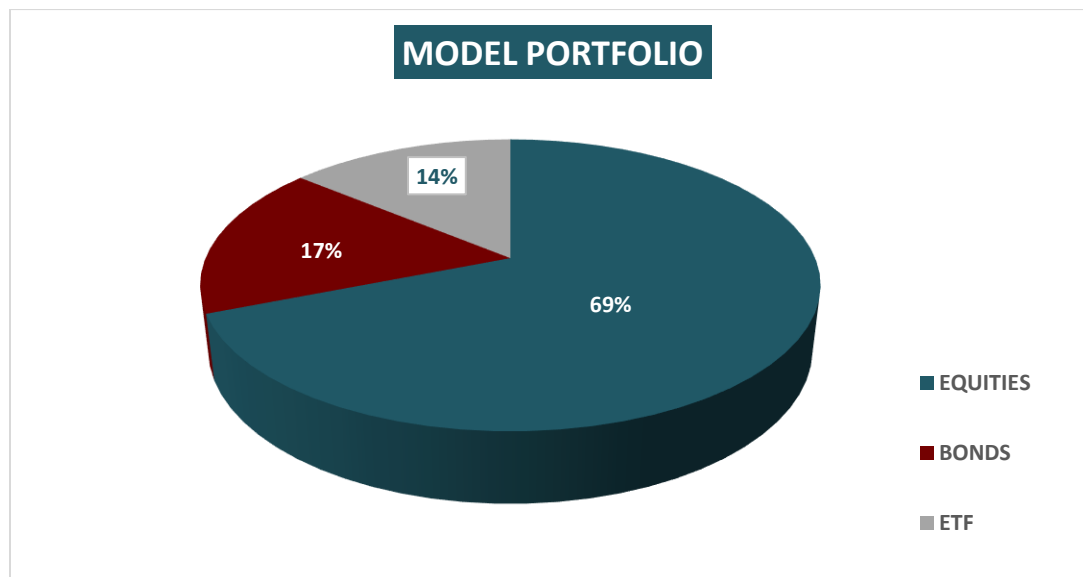
ETI plc Q3 2023 results showed that Interest and similar income advanced by 65.70% from ~~N~~485.86 bn in Q3 2022 to ~~N~~805.11 bn in Q3 2023. Net interest income increased by 59.96% from ~~N~~311.69 bn in Q3 2022 to ~~N~~498.60 bn in Q3 2023. Operating income increased by 55.08% from ~~N~~570.41 in Q3 2022 to ~~N~~884.61 bn in Q3 2023. Profit before tax advanced by 55.41% from ~~N~~168.69 bn recorded in Q3 2022 to ~~N~~262.17 bn in Q3 2023 due to an increase in fees and commission income. Profit after tax went up by 55.79% from ~~N~~117.41 bn in Q3 2022 to ~~N~~182.92 bn in Q3 2023. Earnings per share appreciated by 58.00% from ~~N~~3.35 in Q3 2022 to ~~N~~5.30 in Q3 2023. ETI has a BVPS of ~~N~~3.79, P/BV of 3.66x and P/E ratio of 1.29. Ecobank Bank is a pan-African banking conglomerate, with banking operations in 33 African countries. It is the leading independent regional banking group in West Africa and Central Africa, serving wholesale and retail customers. It also maintains subsidiaries in Eastern and

Southern Africa. ETI has an affiliate in France, and representative offices in China, Dubai, South Africa, and the United Kingdom. Ecobank also offers dividend payment in dollars.

❖ **SEPLAT ENERGY PLC**

Seplat Energy Plc Q3 2023 results showed that revenue advanced by 84.81% from N258.71bn in Q3 2022 to N478.13 bn in Q3 2023. Gross profit advanced by 107.20% from N118.54 bn in Q3 2022 to N245.61bn in Q3 2023. Operating Profit declined by 7.42% from N98.64bn in Q3 2022 to N91.32 in Q3 2023. Profit before tax fell by 18.87% from N177.47bn recorded in Q3 2022 to N62.85bn in Q3 2023. Profit after tax also went up by 38.60% from N33.85bn in Q3 2022 to N46.92bn in Q3 2023. Consequently, Earnings per share declined by 31.57% from N59.30 in Q3 2022 to N40.58 in Q3 2023. Nigeria represents a huge market opportunity for Seplat Energy, both in today's hydrocarbon-based energy industry, and in the lower-carbon, renewable industry of the future. Seplat Energy provides 30% of processed gas used for electricity in Nigeria, with new capacity coming on stream in 2023.

INVESTMENT RECOMMENDATION TO HOLD IN 2024



S/N	STOCK	SECTOR	WEIGHT	CURRENT PRICE (₦)	EXIT PRICE	UP/DOWN SIDE	EPS	P/E	RECOMMENDATION
1	UBA	Banking	5%	33.95	40.32	18.76%	12.93	0.66	HOLD
2	GTCO	Financial Service	5%	47.35	52.21	10.26%	12.98	0.91	HOLD
3	SEPLAT	Oil and Gas	10%	2310.00	2595.05	12.34%	40.58	14.23	HOLD
4	ZENITH	Banking	10%	45.85	52.81	15.18%	13.82	0.83	HOLD
5	TRANSCORP	Hotel	10%	15.95	20.1	26.02%	0.36	1.99	BUY
6	ETI	Banking	5%	27.45	32.81	19.53%	5.3	1.29	BUY
7	FIDELITY	Banking	6%	13.90	17.09	22.95%	2.87	1.18	BUY
8	MANSRD	Insurance	3%	6.40	7.16	11.9%	1.36	1.18	HOLD
9	CONOIL	Oil and Gas	10%	102.00	111.91	9.7%	4.68	1.68	SELL
10	UCAP	Financial Service	5%	25.00	27.29	9.2%	1.88	3.32	SELL
11	12.50% MAR 2035	FGN Bonds	5%	92.90	100	12.50%	-	-	BUY
12	14.55% APR 2029	FGN Bonds	5%	104.60	100	14.55%	-	-	BUY
13	8.375% MAR 2029	FGN Bonds	7%	\$ 96.38	100	8.38%	-	-	BUY
14	VSPBONDETf	ETF	7%	400.20					BUY
15	NEWGOLD	ETF	7%	14990.00					BUY
			100%						

CONCLUSION

The outlook for the year 2024 anticipates a global economy characterized by both opportunities and uncertainties. According to the International Monetary Fund (IMF), as stated in its October 2023 economic report, the global economy is anticipated to decelerate from 3.5% in 2022 to 3.0% in 2023, with a mild contraction to 2.9% projected for 2024. Advanced economies are expected to slow from 2.6% in 2022 to 1.5% in 2023 and 1.4 percent in 2024, with a modest decline in growth from 4.1% in 2022 to 4.0% in 2023 and 2024 in both Emerging and Developing Economies. Global inflation is projected to decline steadily, from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, attributed to a tighter monetary policy aided by lower international commodity prices.

For Nigeria, a GDP growth of 3.1% is anticipated for 2024, up from a 2.9% growth projection in 2023. The inflation rate is projected to peak to 30% between the months February and March 2024 before gradually declining to a range of 23-25% by the end of the year. Additionally, the Monetary Policy Rate (MPR) is expected to experience an increase of 100-150 basis points in 2024. We believe that there will be an interest rate cut eventually when inflation subsides.

The equities market offers exciting opportunities for investors in terms of both price appreciation and dividend returns. Following the exuberant rally at the end of 2023, stocks are currently overvalued in the Nigerian stock market. Despite the current bullish trend, which may be short-lived as investors are likely to take profits in the near future. Nevertheless, our projection indicates that the all-share index will surpass the 90,000 mark in 2024, due to the possible public offers by banks to strengthen capital base ahead of the recapitalization. We hold the view that stocks in the Financial Services (especially Banks), Oil and Gas, Insurance, and ICT exhibit strong growth prospects due to their resilience to the economic landscape of the country.

Stocks selected in our portfolio are fundamentally sound, stable and have produced higher risk adjusted returns in the past few years. The rally in December/January 2024 have pushed some of these stocks above their intrinsic value and exit prices. We advise investors to sell at the current market high and buy back in February/ March when we expect a dip in the market and hold the position till year 2024. Our weekly reports will provide further guidance on actions to take along the year.

In 2024, we anticipate a higher fixed income yield driven by the hawkish monetary stance of the CBN. This is expected to maintain elevated yields, possibly with an additional 100-150bps hike in the MPR. The Federal Government plans to finance a significant portion of its 2024 fiscal deficit through the domestic debt market, leading to an expected increase in domestic borrowing. Additionally, the anticipated high system liquidity from coupon payments and bond maturity further contributes to our expectations for the year.

We will continue to review the economic, financial markets and identify emerging trends and opportunities as the year proceeds. We will notify new opportunities to investors via our weekly and monthly investment letter and notes.

Thank you for reading and following our reports. We will appreciate your kind feedback on areas you would like us to cover in future.

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