

# MONTHLY MARKET REVIEW AND FORECAST

NOVEMBER 2018

**TRUSTFUND PENSIONS LTD RESEARCH**

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# Outline

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**Nigeria Macro Review**

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**Domestic market review**

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**Equity market outlook**

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**Fixed Income Markets Outlook**

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**Trustfund Unit Price Performance**

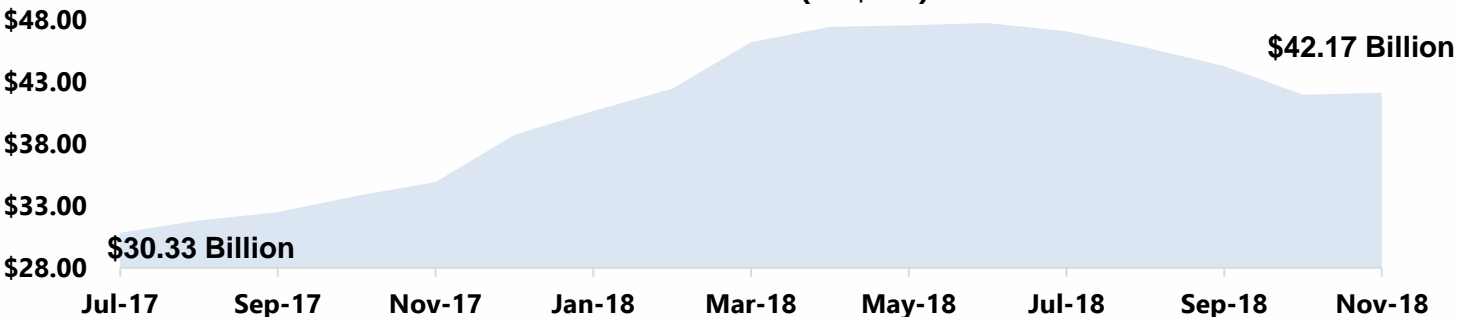
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**Market Outlook**

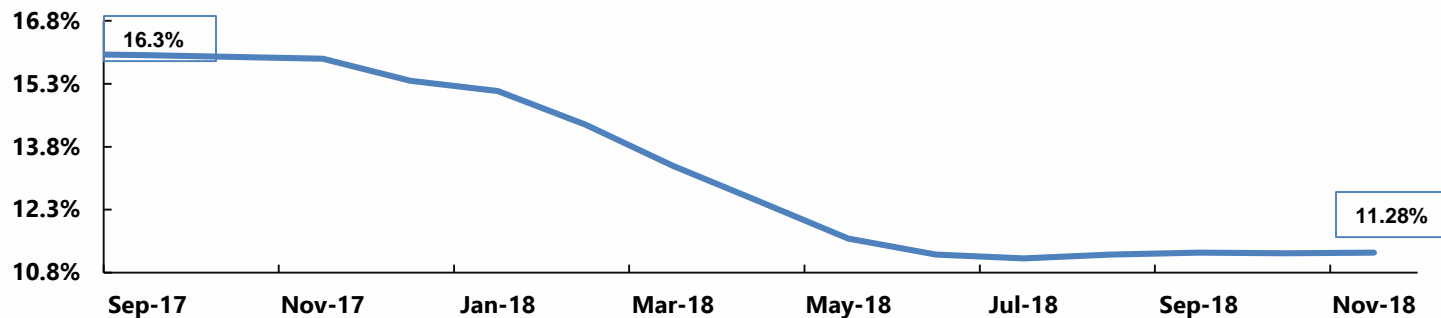
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# Key Macro Variables: Evolving In the Positive Direction

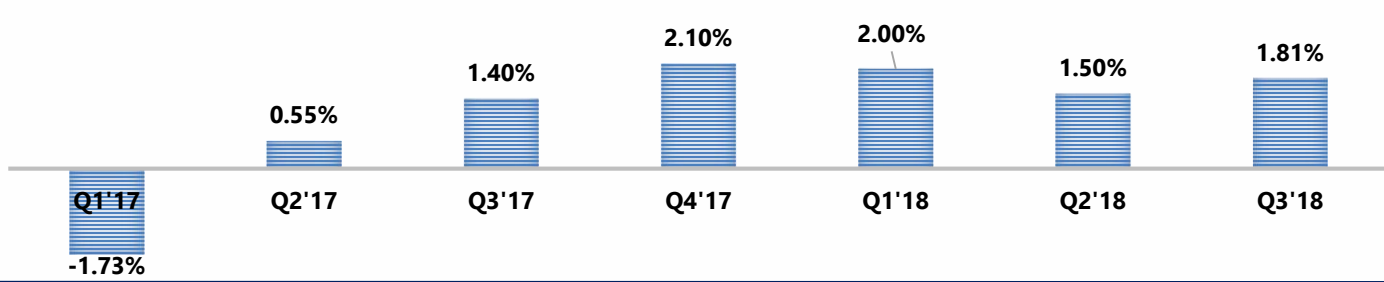
External Reserves (US\$mn)



Headline Inflation Rate (%)



Quarterly GDP Growth Rate



The External reserves balance recorded some accretion in November following four months of consistent drawdown.

Headline inflation increased in November – after a month of decline to 11.28% y/y, as significant gains from food inflation largely offset slight expansion in the core basket.

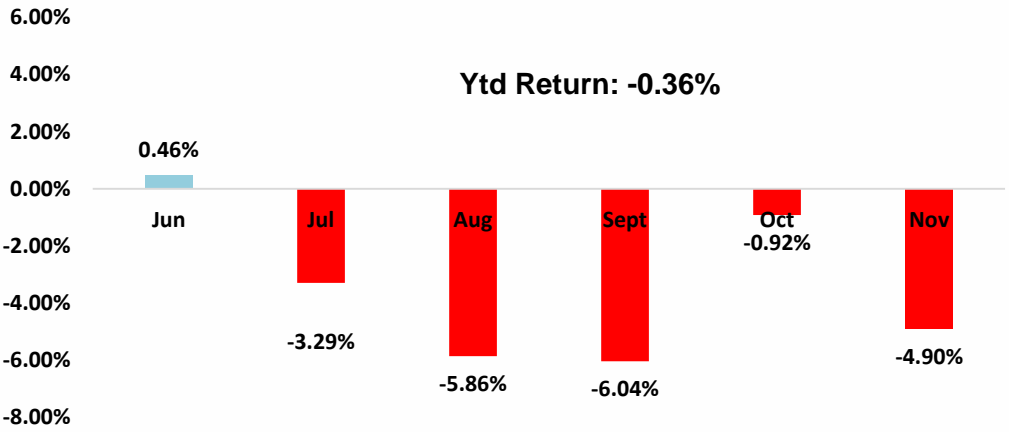
The inflation rate has lost its signaling effect on the market, as increasing political uncertainty ahead of the general elections weigh more on investors' participation in the equities market.

GDP growth is expected higher in 2018Q4 as macro variables evolve in the positive direction.



# November Equity Market Round-up

## Stock Market Monthly Performance Trend



- The Local stocks maintained a steady decline in November, after strings of exits by offshore investors and weak 2018-Q3 results.
- Broadly, 2018Q3 results came less impressive due to high finance charges and weak consumer spending, especially for the Consumer Goods names: GUINNESS(-6.05%), NB (-6.52%), PZ(-14.28%).
- Nonetheless, Tier-1 banks had fairly impressive performance{ZENITH (+11.6%), Guaranty (+12.6%), ACCESS(+11.6%)}, save for FBNH whose 9M'18 earnings slumped 1.97% y/y.
- Thus, investors are projected to remain conservative in the near term, with little hopes of broad-based and sustained recovery through 2018 year-end.
- Top picks remains: UBA, ACCESS, GUARANTY, AFRIPRUD, UCAF and OKOMU.

## Sector Performance Summary

Sector Indexes	Today's Return	YTD Return	P/E (x)	Dividend Yield
FINANCIAL SERVICES	-3.02%	4.1%	7.6x	2.0%
CONSUMER GOODS	1.02%	-6.3%	22.1x	1.9%
OIL AND GAS	-0.48%	14.5%	9.6x	5.3%
INDUSTRIAL GOODS	3.96%	3.9%	21.6x	3.5%
SERVICES	-1.0%	2.4%	2.6x	693.6%
HEALTHCARE	0.0%	0.0%	0.0x	1.4%
CONGLOMERATES	1.1%	-12.0%	8.3x	7.4%
AGRICULTURE	0.1%	10.9%	20.1x	2.0%

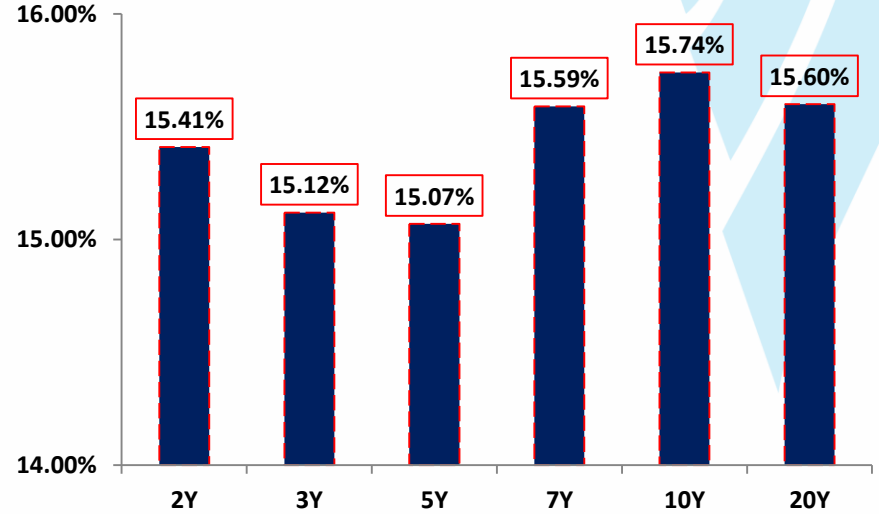
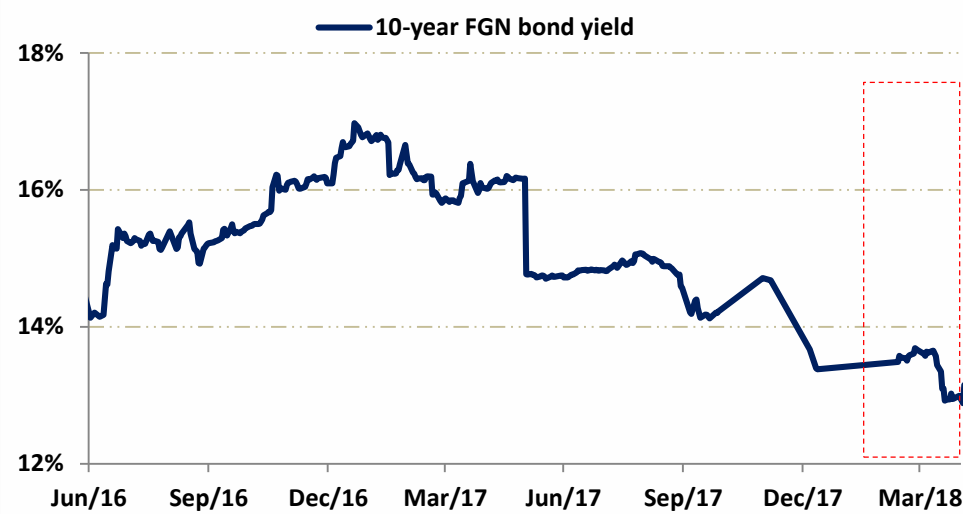
\*YTD means Year-to-Date; WTD means Week-to-Date. Sector P/E's are adjusted for companies with negative trailing earnings



# Market Round-up :November Bonds

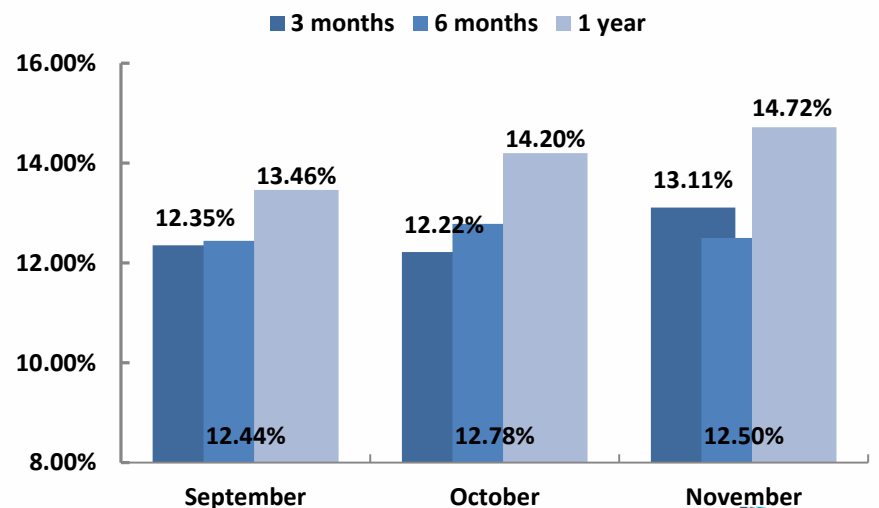
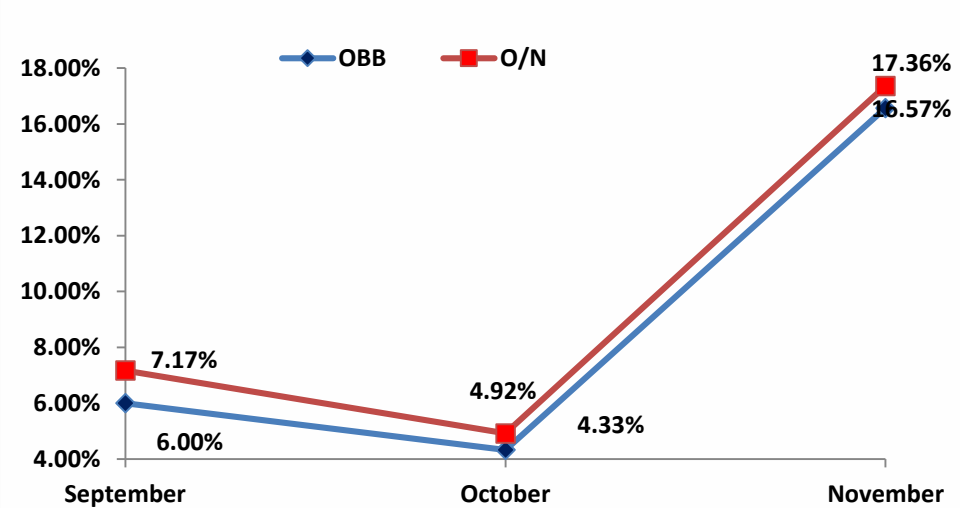
10 year average Bond Yield closed May at 13.44%

Secondary Market Bond Yield in November (%)



Short term Inter-Banks Placement Rates

Secondary Market Treasury Bills Rates



# Market Outlook and Strategy

The outlook for the year, however, remains positive as the economy is projected to grow by 1.75% in 2018 (CBN forecast), anchored on continued stability in the foreign exchange market, sustained high price and production of oil. However, Inflation outlook suggests a mild resurgence of inflationary pressure in the economy, traceable largely to cost-push factors, election related spending, amongst other domestic factors, all of which may exert downward pressure on consumer prices in the near-term.

**Equity**  
There may be further pullback by foreign investors as yields in the global economy increase and the persisting uncertainties in the Nigerian economy make the Nigerian equity market less attractive. We will be conscious and may gradually enter the equity market through cost averaging investment strategy, with focus on stocks that have good fundamentals.

**Bonds**  
Taking into account the recent increase in the Fed rate and expectations of a further increase in December 2018, together with the election considerations and weak economic performance, we envisage that the yields on fixed income securities will trend up further in the month ahead. Hence, we will continue to take position in high coupon bonds, at low premium, to improve portfolio return

**Money Market**  
Maturing government securities and FAAC injections will underpin liquidity position in November. Hence the CBN is expected to use OMO to manage liquidity in the market which will spur higher yields on short-term securities. While we expect yields on T-bills to trend higher from the current levels, we will be strategic and continue to deal at the best rate for liquidity and flexibility

We will be cautious on equity positions and scale down exposure to some heavyweight stocks. Proceeds will be reinvest in attractive alternatives to support NAV growth.

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# THANK YOU

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