

# MONTHLY MARKET REVIEW AND FORECAST

SEPTEMBER 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**

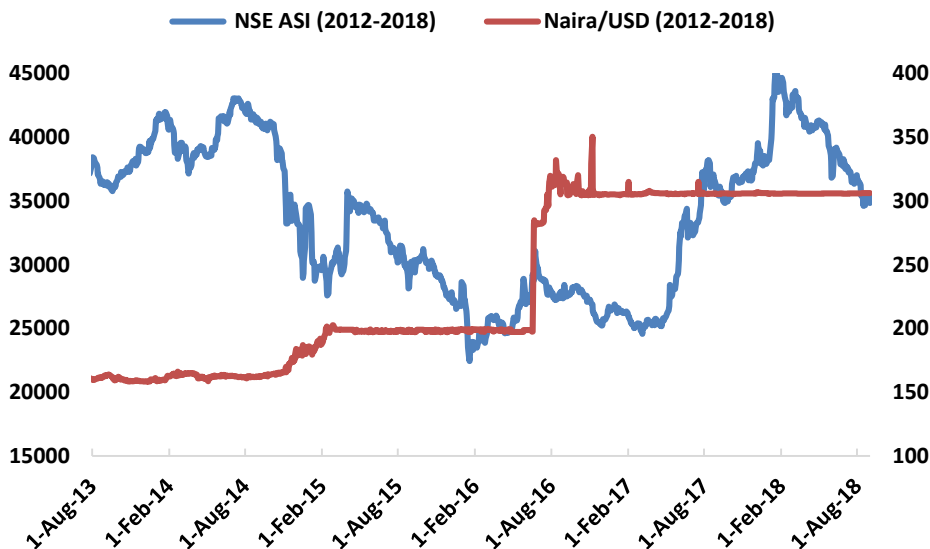
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# Snapshot of the Current Economic Environment

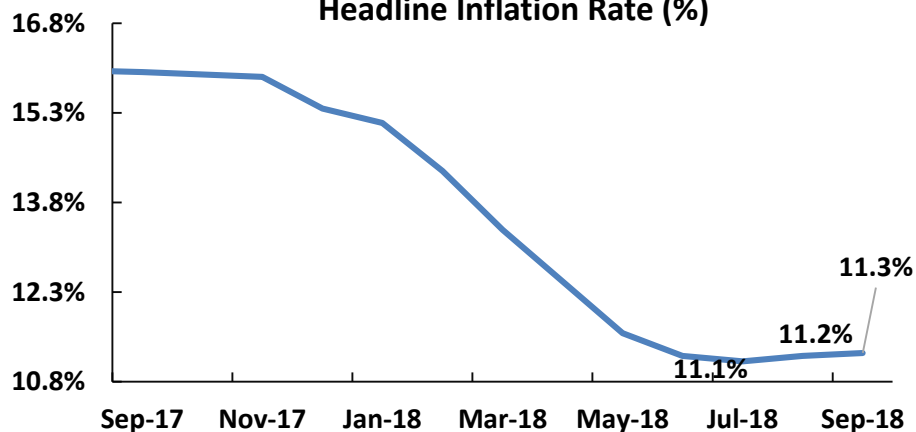
## Macroeconomic Environment

- ✓ MPC voted to retain rates at its current levels as we projected, amid budget and pre-election spending; thus allowing the CBN to continue with short term administrative measures.
- ✓ Inflation increased to 11.28% in September, a 5bps increase to buck its 18 consecutive disinflation since January 2017. The increase was largely driven by food inflation (13.16%).
- ✓ The Naira appreciated in the interbank market 0.07% Mom to N306.35/USD, with the local currency trading at 364.2/USD on the street.
- ✓ Reserves are expected to maintain downtrend as currency fear and political uncertainties spur FIs exit from emerging markets, amidst increasing oil prices.

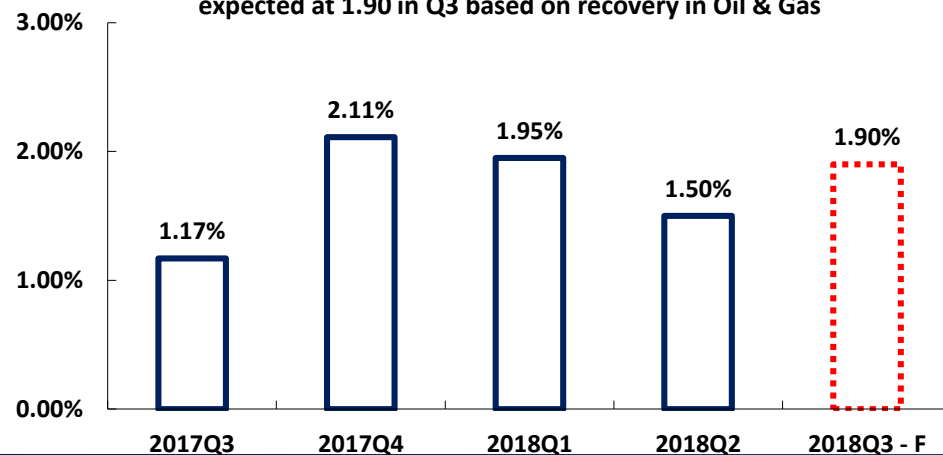
## NSE-ASI Vs NGN/\$: FX stability propelled ASI to 45,000 levels in 2018-H1



## Headline Inflation Rate (%)

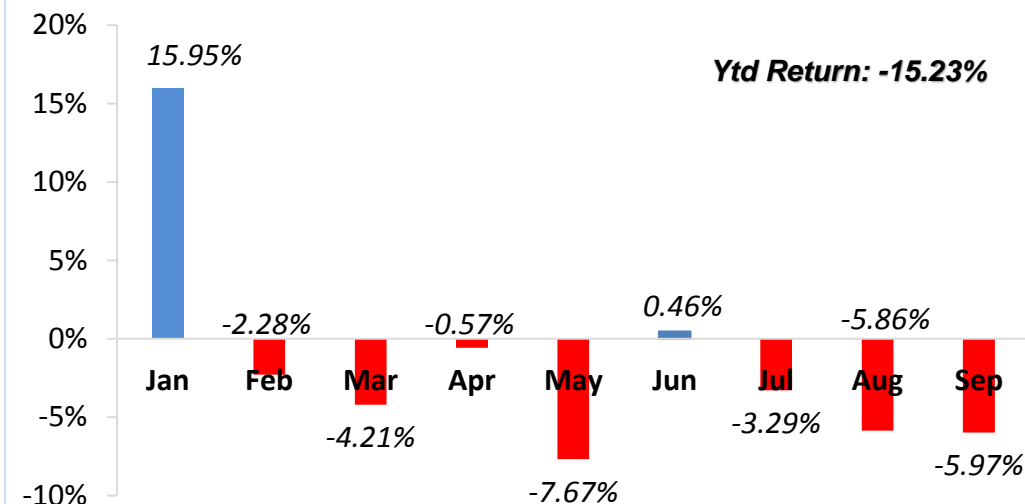


## GDP growth is expected at 1.7% in 2018FY (CBN Forecast), but expected at 1.90 in Q3 based on recovery in Oil & Gas



# September Equity Market Round-up

## Stock Market Monthly Performance Trend



- Despite rally in the price of crude oil in September, the Nigerian equity market closed bearish with a huge loss of ₦760.12 Billion or 5.95% to mark the third consecutive decline after a marginal uptick in June.
- This may be attributed to the tension spawned by election activities, which sparked sell-offs in the market.
- At -15.23%, Ytd return remained less attractive, nonetheless there is expectation of an improvement as market players position for Q3 earning season.
- Hence, we will continue to scale down exposure to some challenging sectors and focus more on quality Financials with the potential to turn in attractive dividend yield, especially as market valuation remain relatively attractive at 11.5x P/E and 7.3% Dividend yield.

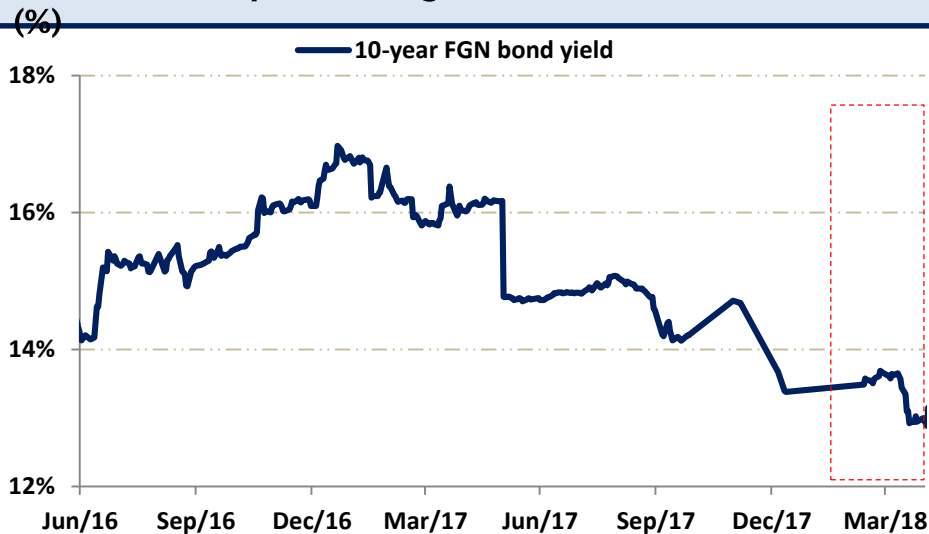
## Sector Performance Summary

Sector Indexes	Today's Return	YTD Return	P/E (x)	Dividend Yield
FINANCIAL SERVICES	-2.47%	-11.4%	6.5x	2.3%
CONSUMER GOODS	-0.11%	-21.8%	18.5x	2.3%
HEALTHCARE	1.42%	-15.7%	#DIV/0!	1.7%
INDUSTRIAL GOODS	0.05%	-12.4%	18.2x	4.2%
OIL AND GAS	0.3%	-5.6%	8.5x	6.2%
SERVICES	0.1%	-6.2%	2.3x	768.8%
CONGLOMERATES	-0.4%	-32.9%	6.2x	10.2%
AGRICULTURE	0.1%	-3.2%	17.5x	2.3%

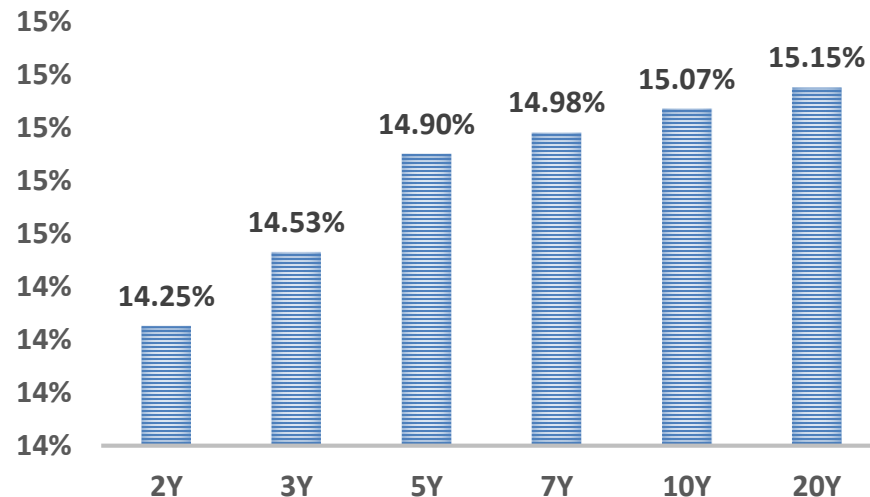
\*YTD means Year-to-Date; WTD means Week-to-Date. Sector P/E's are adjusted for companies with negative trailing earnings

# Market Round-up : Bonds

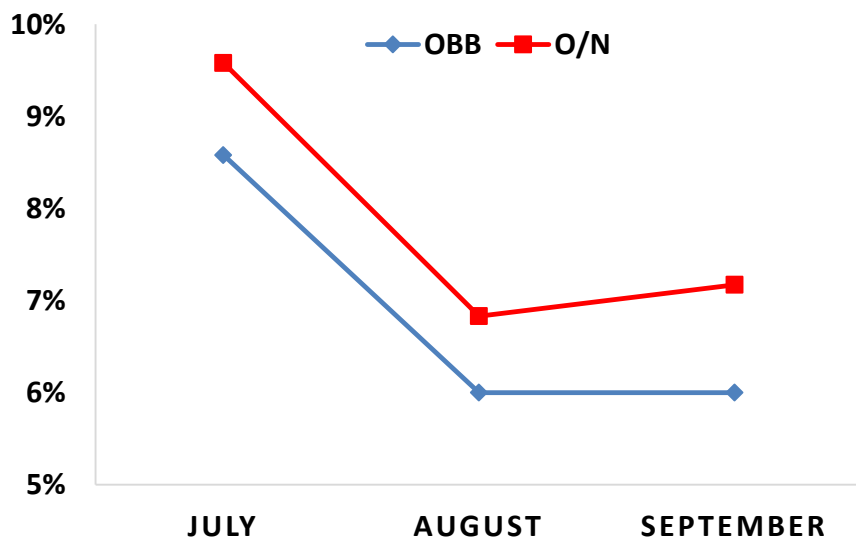
2018 Ytd 10 year average Bond Yield trend (%)



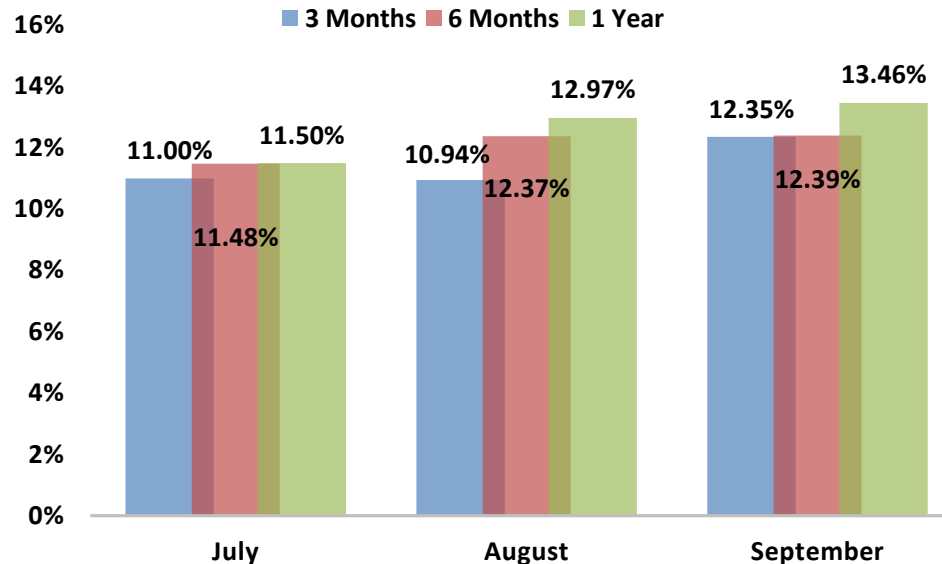
Secondary Market Bond Yield in September



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 upward in the month of October.

Hence, we will continue to take position in high coupon bonds, at low premium, to improve portfolio return

### Money Market

OMO and auction maturities, FAAC injections and budgetary spending will underpin liquidity position in October. 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.