

MONTHLY MARKET REVIEW AND FORECAST

MARCH 2019

TRUSTFUND PENSIONS LTD RESEARCH

A P R I L 2 0 1 9

Outline

Nigeria Macro Review

Domestic market review

Equity market outlook

Fixed Income Markets Outlook

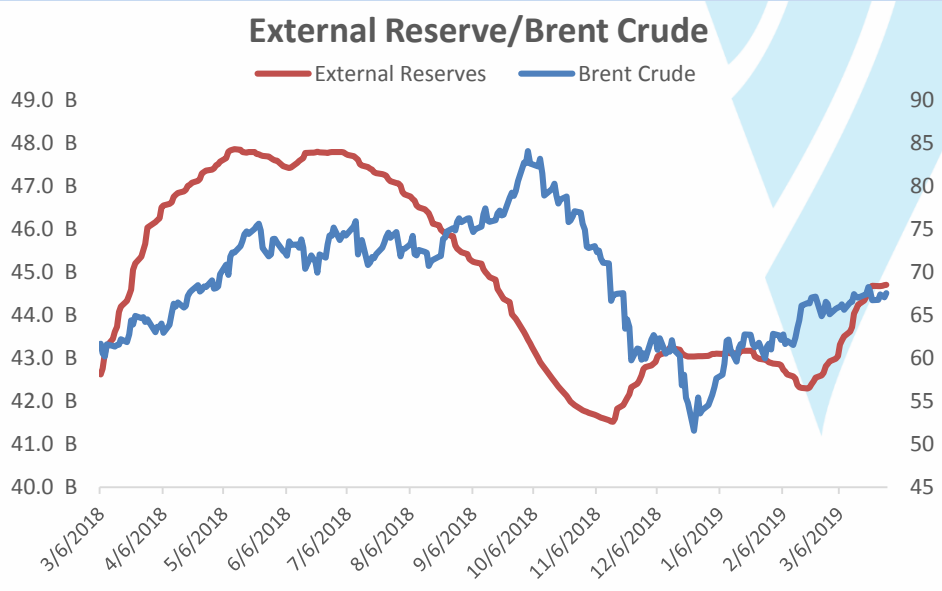
Market Outlook

Snapshot of the Current Economic Environment

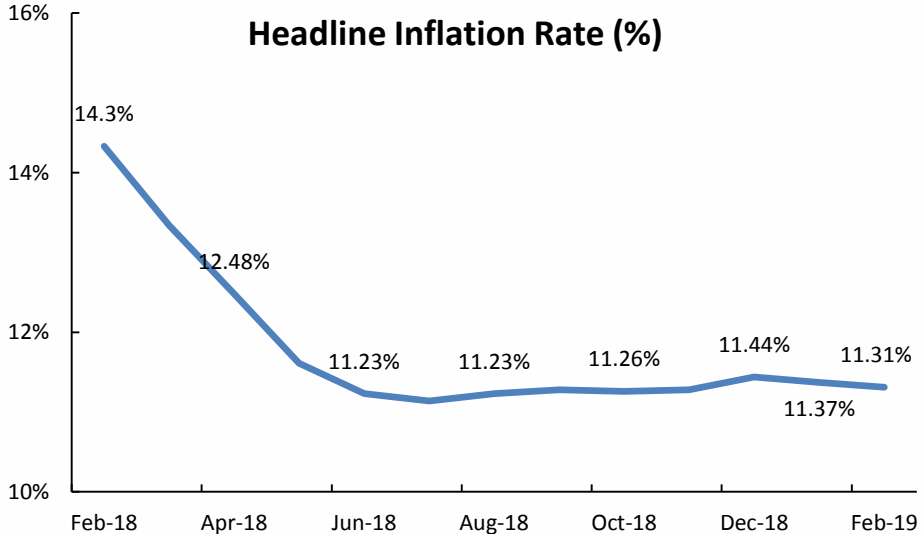
Macroeconomic Environment

- ✓ Oil: Brent Crude stood at \$67.58 a barrel, compared with \$66.3 the previous month, as OPEC's supply cuts continue to create strong resistance in the \$60 handle.
- ✓ Inflation in February moderated by 6bps to 11.31% compared to 11.37% recorded in January, as level of price slowed down on the food and core baskets.
- ✓ The Naira further weakened in the interbank market, shedding 10bps to peg at ₦306.95/USD as at month end.
- ✓ Foreign Exchange reserves gained N1.84bn MoM in March, which can be attributed to increased crude oil production, amidst increasing oil price.
- ✓ MPR dropped to 13.5% as the CBN move to boost credit flow to productive sectors of the economy.
- ✓ PMI for March printed at 57.4, indicating an expansion for the twenty-fourth consecutive month.

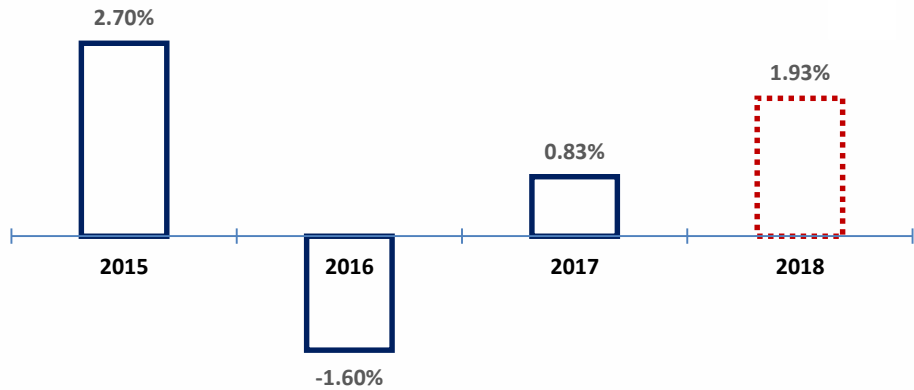
External Reserves Balance Remained pressured on FX demand



Headline Inflation Rate (%)

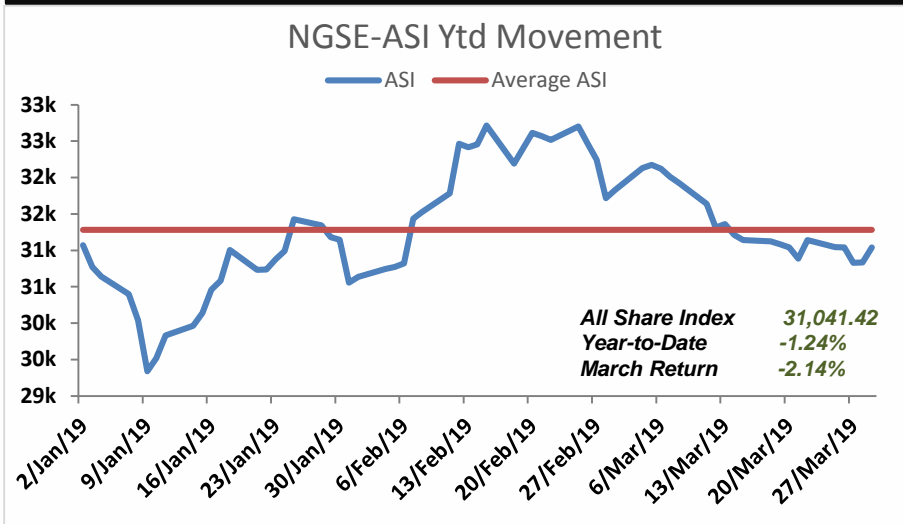


GDP Growth (%)

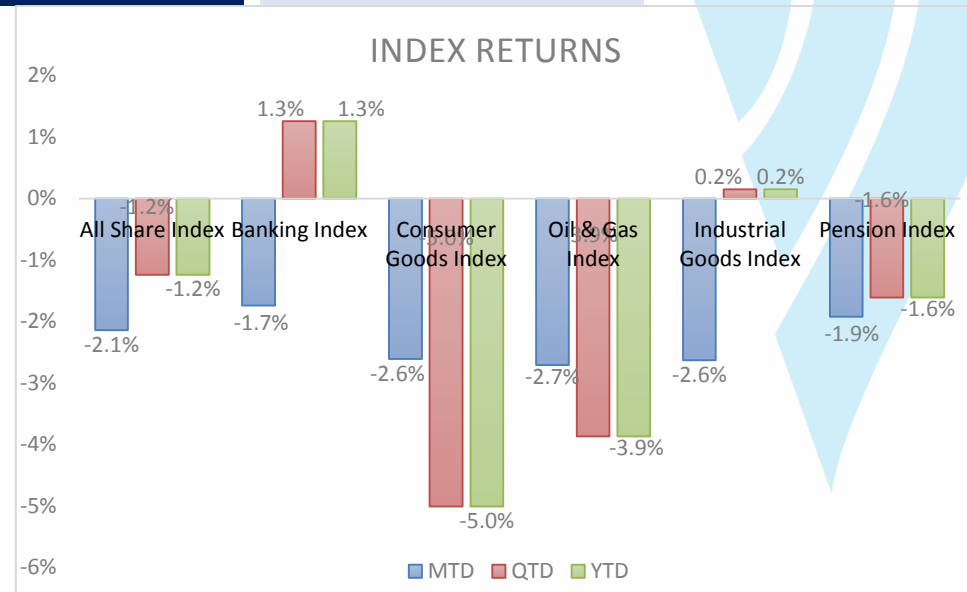


Equity Market: Round up and Outlook

The bears dominated activities, ASI down -2.14%



Source: Trustfund Pensions Plc Investment Department



Equity Commentary

- Equities market corrected sharply in March as it lost 2.14%, eroding all the gains achieved in February (+3.8%) and further pushing the Ytd return down to -1.24%.
- This can be attributed to the lingering US/China trade war, the uncertainties surrounding UK's BREXIT negotiation and the silence from the Presidency as regards cabinet reshuffle which have kept investors at bay, all culminating to investor apathy with majority sitting on the fence while seeking clear direction.
- Looking ahead, we believe clear direction from the Presidency will boost investor confidence and spur activities in the market. Having said that, we will continue to seek opportunities in stocks with strong fundamentals that offer very attractive returns and remain less susceptible to high volatility, while letting go of the laggards.

Fixed Income Market: Round up and Outlook

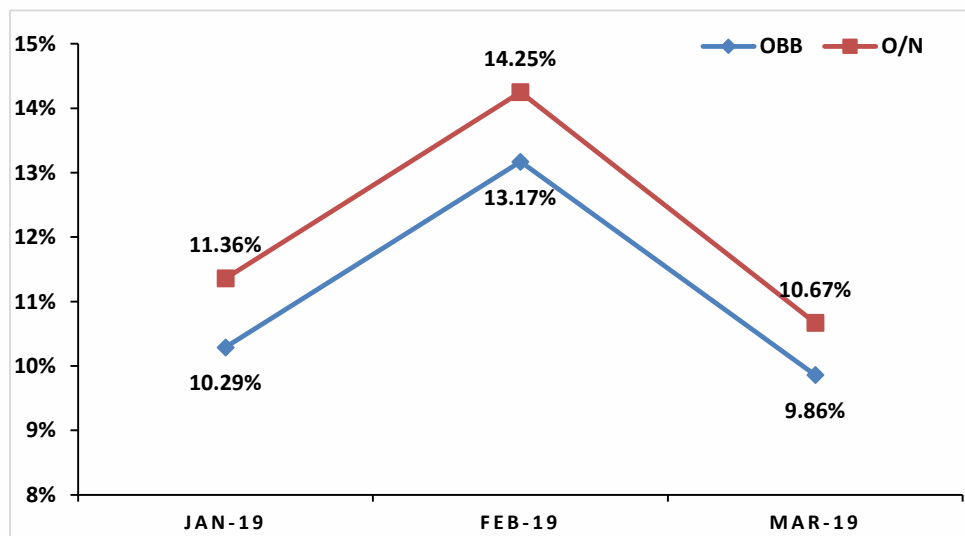
Minimal Activities Witnessed in the Fixed Income Space

- The 10-Year Bond yield increased by 36bps in March to close at 14.35% as sell pressures pushed yields higher, amidst lingering investor apathy.
- Conversely, the 90-day, 180-day and 365-day T-bills closed at 10.66%, 13.05% and 12.86% respectively.
- This reflects the Central Bank of Nigeria's expansionary stance by encouraging credit flow to the productive sectors of the economy.
- We expect rates to further moderate in April, as the CBN continues to support businesses.

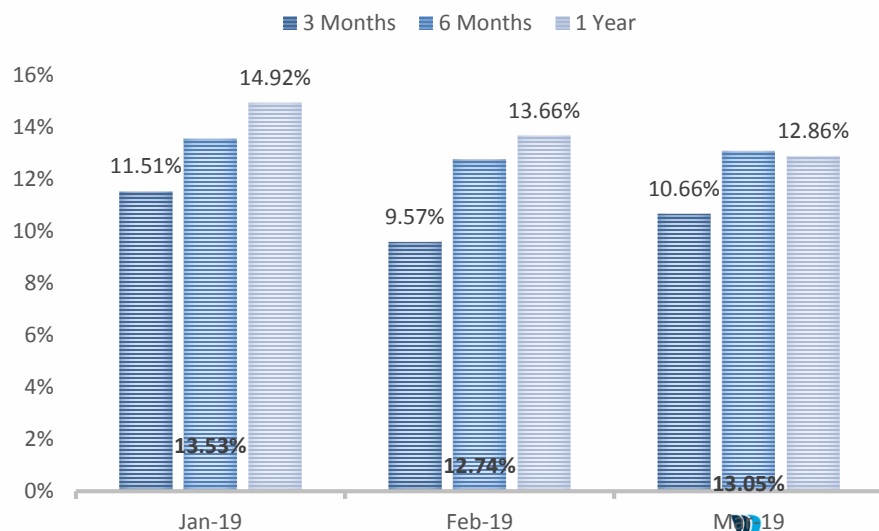
Secondary Market Bond Yield in March (%)



Short term Inter-Banks Placement Rates



Secondary Market Treasury Bills Rates



Market Outlook and Strategy

Available data on key macroeconomic indicators for output growth in the first quarter of 2019, and forecasts for the rest of the year, suggests continued positive outcomes. Based on recent projections, the economy is expected to grow by 2.0% (IMF), 2.2% (World Bank) and 2.74% (CBN) hinged on: the enhanced flow of credit to the real sector; sustenance of a stable exchange rate and moderating inflation rate.

Equity

Despite current low prices, the outlook for Nigerian equities remains uncertain in 2019 (especially the first quarter), as policy directions remain unclear. Given this bleak outlook for price recovery, our equity strategy for 2019 will be conservative and dividend focused. We will explore stocks with consistent dividend history and Profit After Tax (PAT) capacity to turn in impressive dividend yield.

Bonds

Taking position in long term bonds offers trading opportunity in the near term should our projection of lower bond yield materializes. More so, our preferred long term bonds are currently trading at 14% yield levels in the secondary market Hence, we will continue to take position in high coupon bonds, at low premium, to improve portfolio return

Money Market

Rates on short term instruments resumed downtrend in February and are expected to remain at the current levels on surfeit system liquidity.

While we expect yields on T-bills to trend lower 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.

THANK YOU