MONTHLY MARKET REVIEW AND FORECAST

FOR FEBRUARY 2021

TRUSTFUND PENSIONS LTD RESEARCH

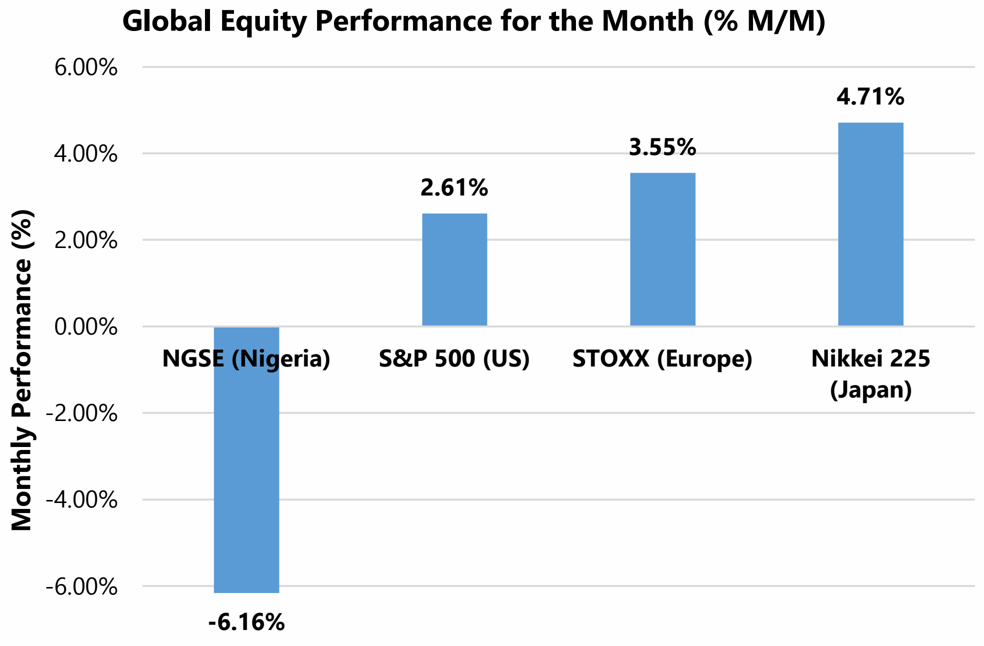
FEBRUARY 2021

Outline

INVESTMENT RESEARCH

TRUSTFUND PENSIONS LIMITED

GLOBAL MARKET REVIEW



**NGSE – Nigerian Stock Exchange Mainboard Index*

**STOXX Europe 600 – Index that tracks top 600 companies across Europe*

**Nikkei 225 tracks top 225 large companies across sectors in Japan*

***S&P 500 tracks top 500 companies in USA*

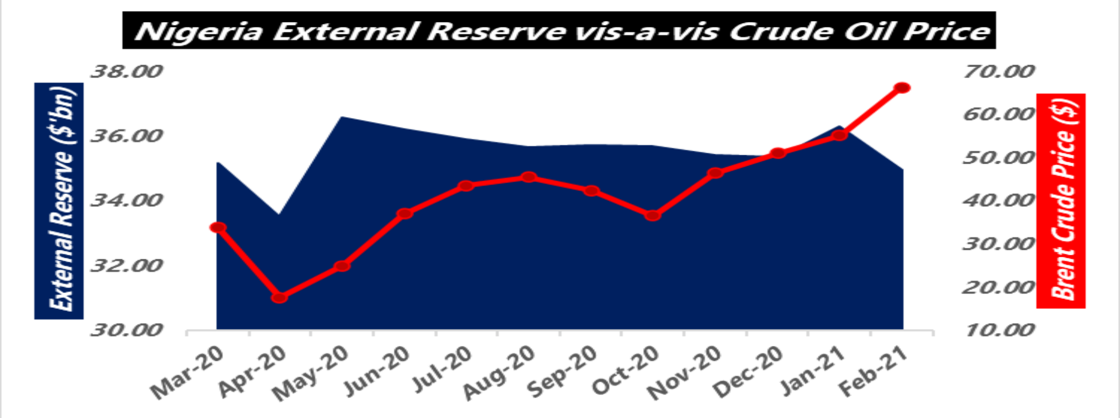
GLOBAL MACRO MOVERS FOR THE MONTH OF FEBRUARY

Source: Bloomberg Terminal

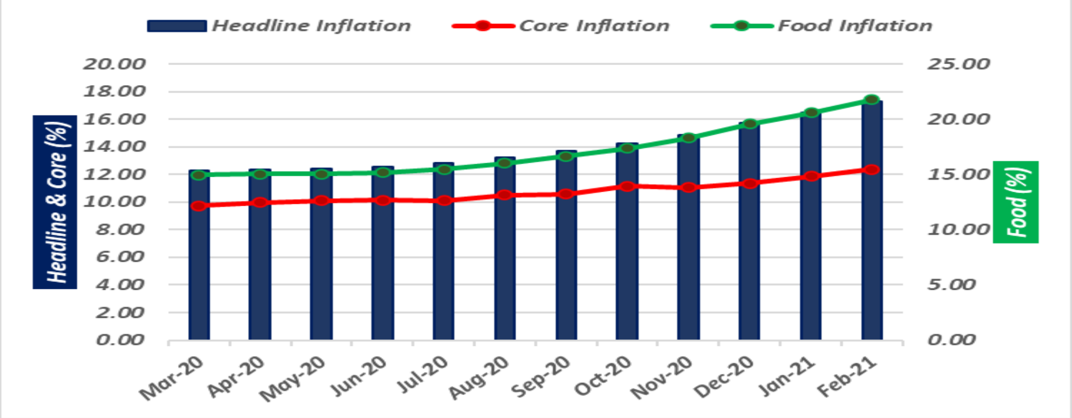
Nigeria Macro Review

Headline	PREVIOUS	CURRENT	%Change	Remark
Monetary Policy Rate (MPR)	11.50%	11.50%	0.00% ⬌	The Central Bank of Nigeria retain the Monetary Policy Rate at 11.50% at the first meeting of the year held on 25th January 2021. The Committee expressed concerns on persisting uptick in inflationary pressure triggered by insecurity, hike in electricity tariff and pump price of PMS.
Inflation	16.47%	17.33%	5.22% ⬆	The Consumer Price Index (CPI) for the month of February 2021 climbed by 86bps to 17.33% from 16.47% recorded in January 2021. This was spurred by sustained upward trend in the prices of food and transportation within the period. Food & Core inflation increased by 122bps and 53bps MoM respectively.
Exchange Rate (NGN/USD)	₦379.00	₦379.00	0.00% ⬌	The Central Bank of Nigeria maintained stable flow of greenback at various FX window at N379.00 a dollar. This was presumed as part of effort to unify various exchange rates in the nation and enhance stability.
External Reserves (USD'bn)	$36.30	$34.96	3.69% ⬇	The External Reserves depressed marginally by 3.69% to $34.96bn in February 2021 from $36.30bn recorded in preceding month despite increase in the price of crude oil. This was attributed to CBN intervention in various forex market to stabilize the exchange rate and low foreign inflows from foreign investors.

External Reserve Inch Up as Crude Oil Price Rally



Inflation Maintain Upward Trend as Insecurity Persists



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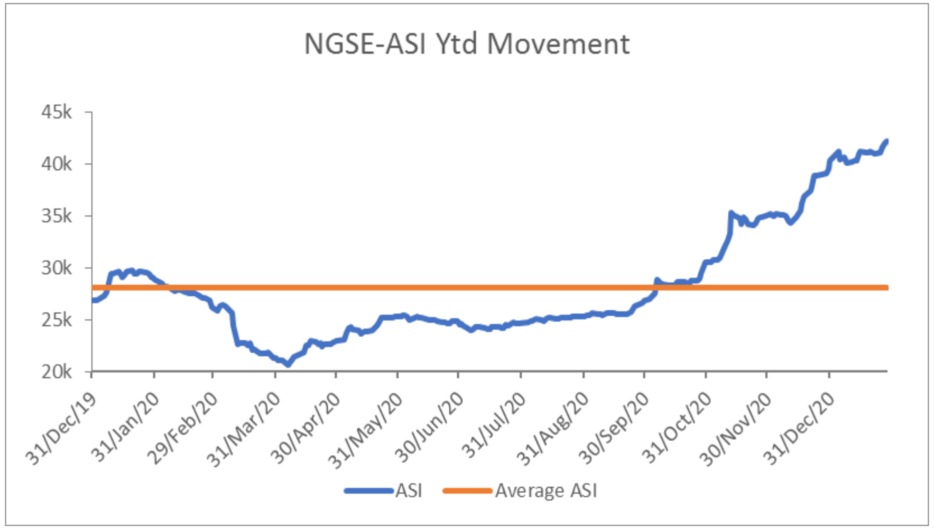
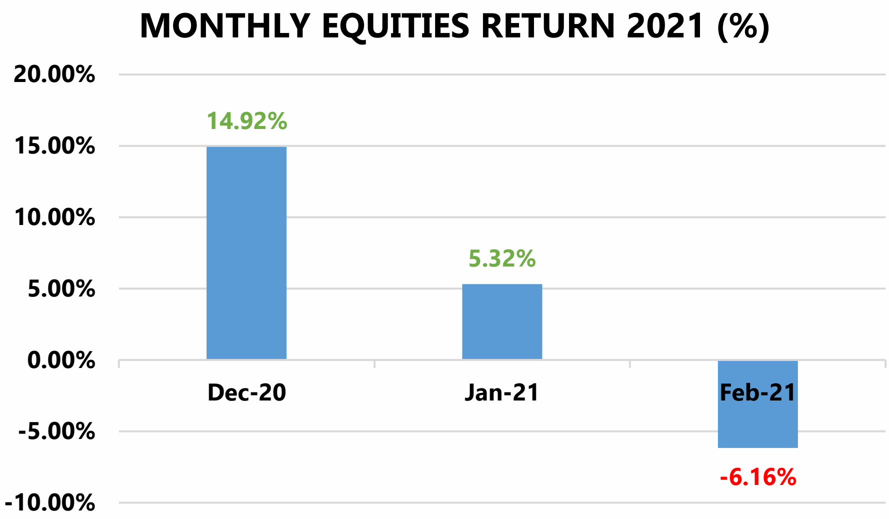
EQUITY MARKET

The Local Capital Market Trends Southwards

The local equities bourse posted its first M/M loss for the year in February 2021 as the benchmark index shed 6.16% to close at 39,799.89 index points, which was below the previous 40,000 index points support level. Upon analysis, it was observed that this loss was largely attributable to broad based selloffs in the market, except for the Oil & Gas sector, which posted a gain of up to 11.87% M/M. Further analysis also revealed that some of the major losers for the month were the Banking (-9.11% MoM) and industrial goods (Cement) (-7.60% MoM) segments. Basically, it appears that this bearish performance of the bourse was due to fund outflows from the market. Although, it would have been expected that funds realised from profit taking activities would have been channelled into tickers with perceived recovery positions in FY’21 as the effects of the Covid-19 pandemic begin to ease. Nonetheless, it can be agreed that these market selloffs were as result of the upward repricing of yields in the fixed income market. Overall, we mixed trading in the following month as some investors continue to book gains, while others hunt for bargains



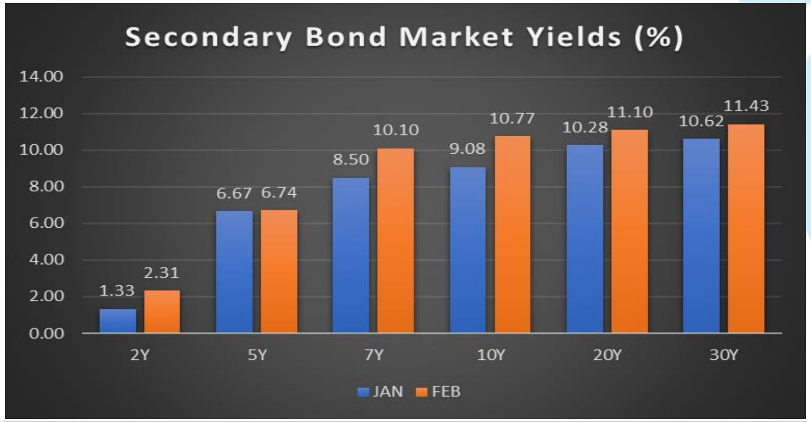


Source: Bloomberg/ TFP Research

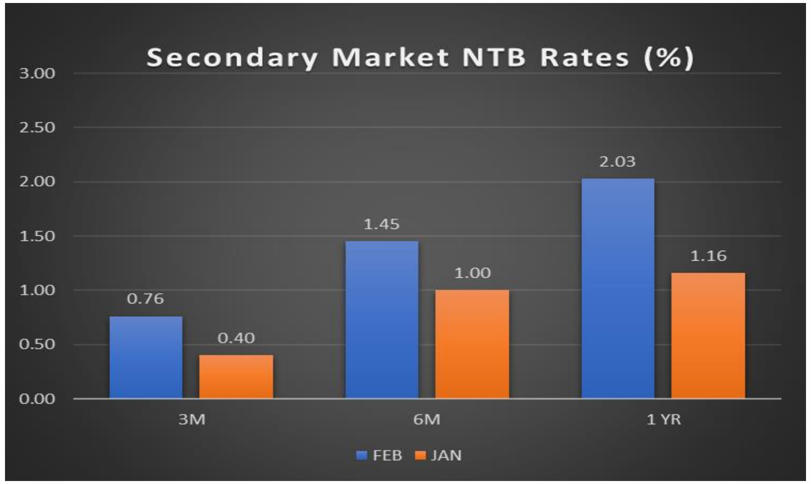
FIXED INCOME MARKET

- At the end of February 2021, there was a 117bps M/M increase in average bond yields, which led average yields to print at 9.24%. However, there were a few yield declined observed during the first and last weeks of the month, despite the M/M increase. This may have been triggered by market players' buying activities in response to the increase in yields.
- At the primary market, the DMO offered a total of N150.00bn across the 10-year, 15-year and 25-year instruments. Expectedly, the auction was well subscribed with subscription levels reaching approximately N189.5bn, which translates to s subscription rate of 1.26x. Eventually, the DMO sold up to N202.55 billion which is more than the offered amount. Although, 60% of that sale (N122 billion) was via non-competitive allotments. Nevertheless, average stop rates climbed 254bps to 11.1%.
- Similarly, discount rates at the NTB space improved by 41bps M/M to settle at 1.44% in February. Furthermore, there were two PMAs conducted during the month in which a total of N298.00bn worth of bills (same amount that matured in February) was sold to market participants. In the first auction, about N 169.78 billion was offered but N130.88 billion was sold, despite a total subscription of N198.7 billion (subscription rate of 1.17x), while average stope rate rose 105bps to 2.33%. Meanwhile, up to N128.21 billion was offered in the second auction, in which total subscription was down to N192.06 billion, translating to a subscription rate of 1.49x. Regardless, average stop rates rose by 134bps to 3.67%.
- In the OMO bills segment, average discounted rates accelerated 419bps to close the month at 5.82%.

SECONDARY BOND MARKET YIELD CURVE (%)



Secondary Market NTB Rates (%)



MARKET OUTLOOK AND STRATEGY

We continue to anticipate a positive GDP growth 2021 supported by increased economic activities and mild recovery in the oil market. Notwithstanding, we expect rates in the fixed income space to trend higher as the apex bank seeks to attract and retain foreign investors. In addition to its dovish stance to improve participation in real sector of the economy. However, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

EQUITY

Market valuation remains attractive at the current levels (P/E ratio at 7.36x & Dividend Yield at 5.63%).

Our focus will remain on defensive stocks with adequate free float and potential for attractive dividends to buffer our portfolio position.

FIXED INCOME

Bond – We will continue to monitor exposure to government securities while seeking opportunity for bond portfolio rebalancing.

Corporate Bonds – We will be on the look out for "A" rated corporate bonds with attractive coupon, as current yield level proffers the opportunity for Private Issuers to return to the debt market.

Treasury Bills – we expect yields to continue to hover around 2% owning to paucity of attractive investible outlets.

Money Market – We will continue to deal at best market rates to sustain our liquidity laddering strategy

We will continue to take position in bellwether stocks with dividend payment history, while scanning for attractive yields in the fixed income space – especially government and corporate bonds.

THANK YOU