MONTHLY MARKET REVIEW AND FORECAST
FOR JANUARY 2022

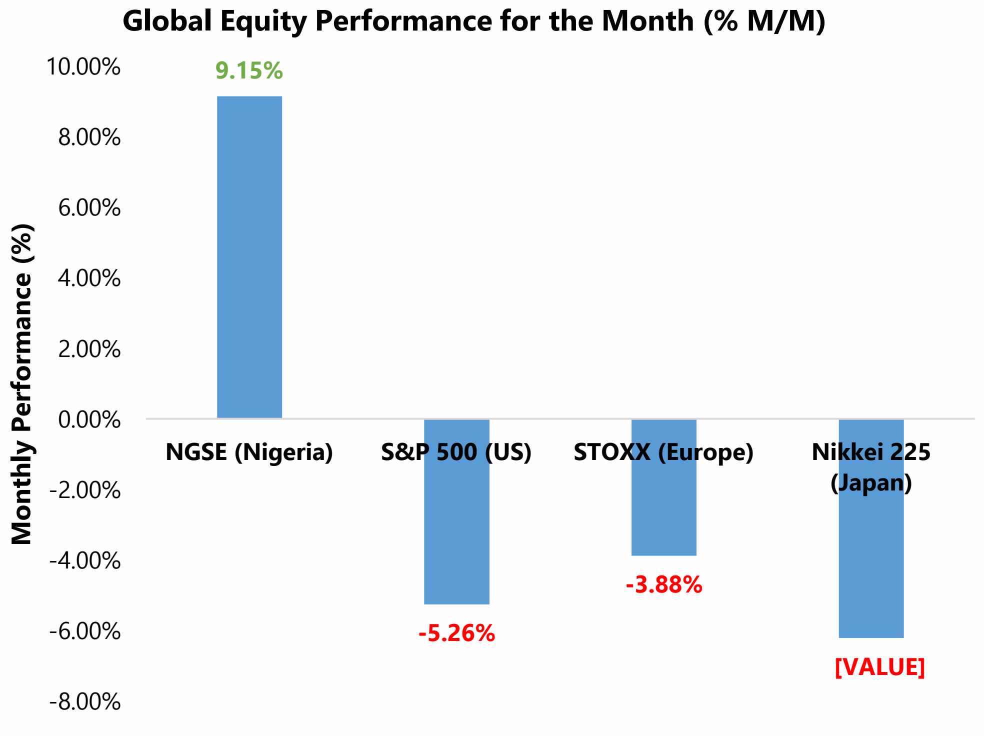
TRUSTFUND PENSIONS LTD RESEARCH

FEBRUARY 2022

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*

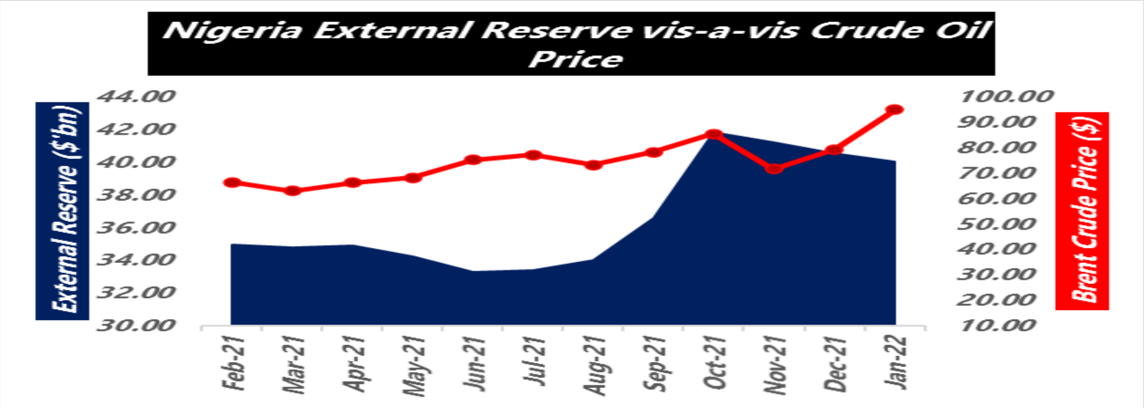
GLOBAL MACRO MOVERS FOR JANUARY 2021

Source: Bloomberg Terminal

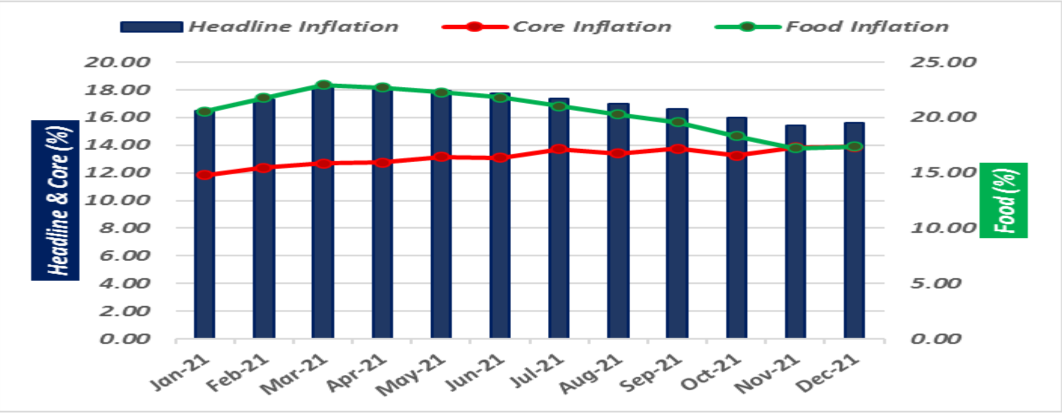
Nigerian Macro Review

HEADLINE	PREVIOUS	CURRENT	%Change	REMARK
	11.50%	11.50%	0.00% ⟷	***MONETARY POLICY RATE -*** The Central Bank of Nigeria left the Monetary Policy Rate unchanged at 11.50%. The Committee emphasized on need to sustain policy measures that will drive inflation down faster as well as accelerate output growth to levels above population growth rate.
	15.63%	15.60%	0.03% ↓	***INFLATION -*** The CPI for January 2022 stood 3bps lower at 15.60%. This was due to a marginal uptick in agricultural produce prices, driven by ongoing food insecurity. Also, the Food price index moderated 24bps to settle at 17.13%, while core inflation was unchanged at 13.87%.
	₦412.99	₦415.26	0.55% ↑	***EXCHANGE RATE –*** The CBN official exchange rate inched up by 0.55% to N415.26 in the month of January 2022. The increase is attributed to continued restriction of forex sale to BDC's which triggered increased participation at various auction windows.
	$40.52bn	$40.04bn	-1.18% ↓	***EXTERNAL RESERVE –*** The External Reserves relapsed marginally by 1.18% to $40.04bn. This was largely driven by high demand for FX from Deposit Money Banks following sale restrictions to BDCs.

High Demand for FX Pressured External Reserve



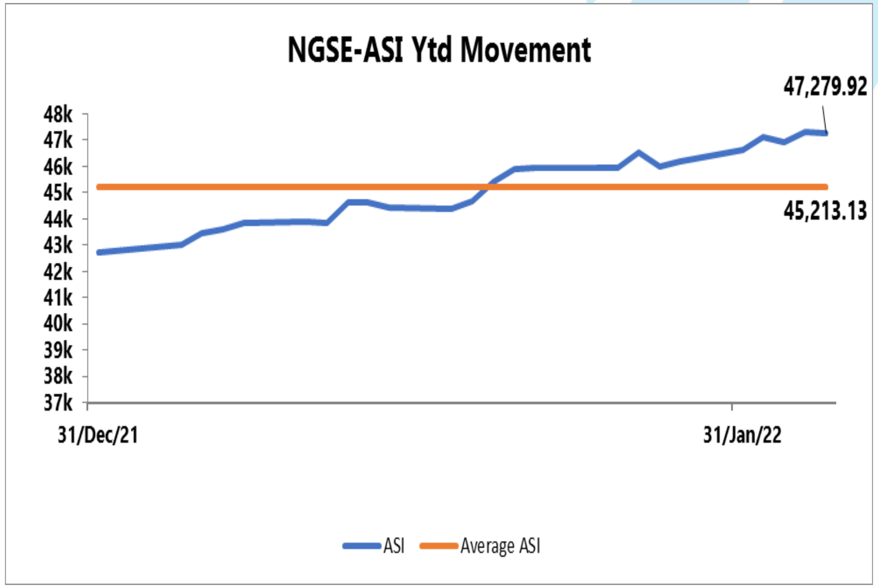
Inflation Continue to Slow Down on Base Effect Comparism

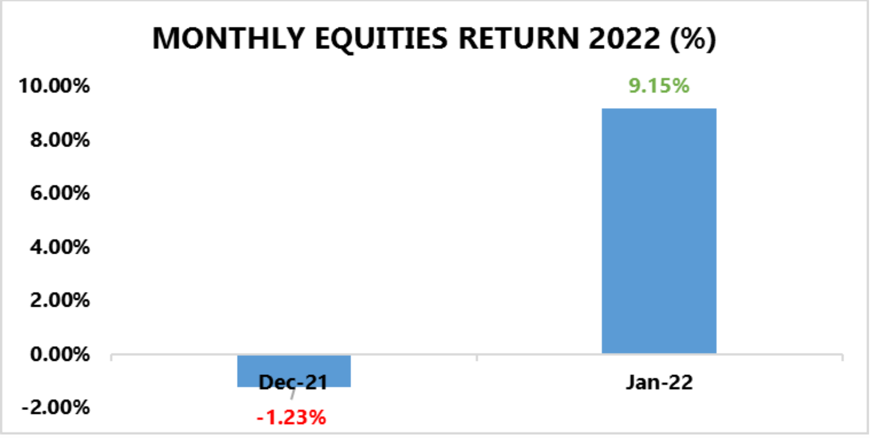


EQUITY MARKET

Back-to-Back; NGX ASI Finished the Year in Green

- ✓ The Nigerian Stock Exchange (NGX) opened the year 2022 with positive sentiments as investors were seen jostling for dividend paying tickers ahead of FY 2021 earnings release. Consequently, the ALSI accelerated by 9.15% to close the first month of the year at 46,624.67 index point.
- ✓ The performance was largely buoyed by continued demand witnessed on AIRTELAFRI (+33.09) by offshore investors and local participation on some bellwethers like DANGCEM (+1.40%) BUACEMENT (+5.52%), SEPLAT (+21.54%), GTCO (3.46%) and ZENITHBANK (+3.58%).
- ✓ On the sectoral front, 3 of the 5 sectors under coverage closed in the green. In context, NGX Oil & Gas which led the gainers chart by 14.14% was supported by gains recorded by SEPLAT (+21.54%), TOTAL (+8.61%) and OANDO (+7.01%). This is followed by NGX Banking which advanced by 8.69% resulting from demand on GTCO (+3.46%), ZENITHBANK (+3.58%), ACCESS (+6.45%) and UBA (+6.83%) while NGX Industrial Goods inched up by 3.39% solely engineered by the cement tickers; DANGCEM – (+1.40%), BUACEMENT (+5.52%) and WAPCO (+6.89%).
- ✓ Weak sentiments on NESTLE (-7.81%) and NB (-3.10%) led to 2.48% depreciation on NGX Consumer Goods while NGX Insurance shed 5.50% triggered by sell offs witnessed on NEM (-18.00%), WAPIC (-10.71%), LINKASSURE (-7.84%) and PRESTIGE (-15.69%).

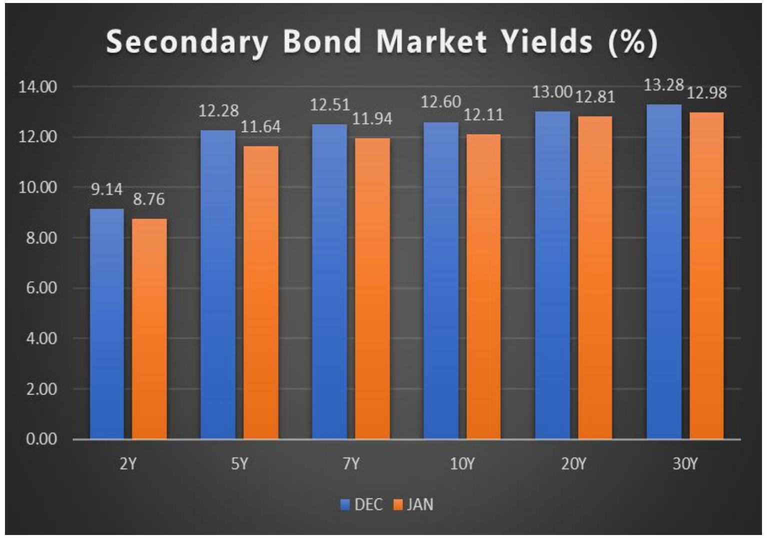


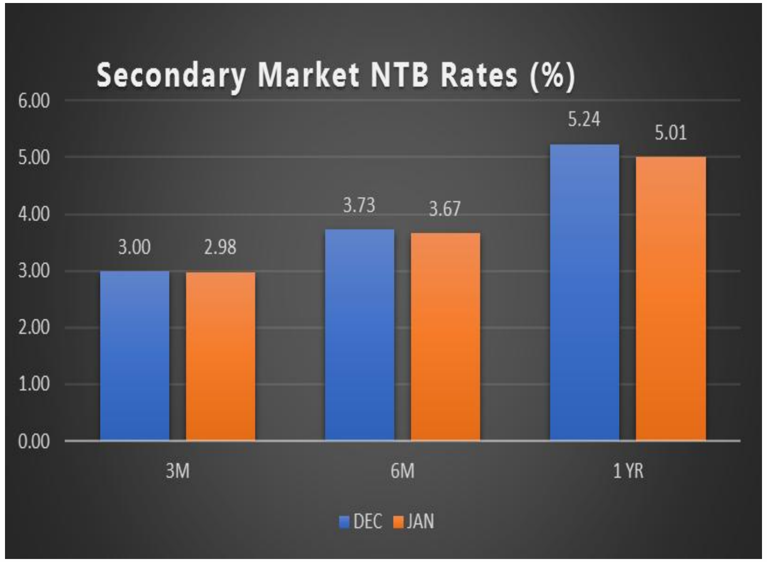


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Trading in the fixed income market was mixed with a bullish bias as average yields on benchmark bonds shed 33bps to settle at 11.53%, whereas NTB discounted rates pared by an average of 20bps to close at 4.58%. In the OMO bills space, discounted rates gained an average of 9bps to settle at 5.54%.
- This performance can be pegged mainly to the robust level of system liquidity (approx. N1.7bn) during the month. As such, market participants (mainly local participants) scurried to these outlets to invest any excess liquidity.
- It can also be agreed that market players who lost out in the NTB PMAs conducted during the month sought to find solace in the secondary market, thus driving yields southward.
- At the PMAS, the DMO offered up to N206.91bn worth of treasury instruments to investors. Eventually, approximately N281.29 worth of the 91 DTM, 182 DTM and 364 DTM bills were allotted at respective average stop rates of 2.49%, 3.37% and 5.45%.
- We continue to envisage yields hovering at current levels in the absence of significant inflows to stimulate demand. However, we expect an uptick in yields in the medium term as given the FG's borrowing plans for the year. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/ apex bank interventions.





MARKET OUTLOOK AND STRATEGY

In 2022, the IMF forecasts a 2.7% growth for the Nigerian economy. This is hinged on the outperformance in the non-oil sector (especially services) and recovery of oil prices. Furthermore, we expect the Nigerian oil sector to exit contraction as the OPEC recently increased its production levels and Nigeria's allowable production increased to 1.7mbpd (previously 1.62mbpd). Hence, we foresee a 5% growth in the oil sector in 2022. We also forecast continued growth in the non-oil sector based on the resilience of the agricultural sector and the services sector on the back of increased digitalization.

EQUITY

We continue to envisage a bullish equities space specifically in Q1'22 as investors favour stocks with attractive dividend yields during the 2021 FY dividend declaration period. However, the expectations of tighter global financing conditions in H2'22, together with political ambiguity surrounding the pre-election year, will result in a capital flight to haven instruments by investors.

Therefore, we will continue to take profit on rallied tickers and cherry-pick fundamentally justified stocks when suitable opportunities are identified.

Bond – We will maintain our position in FGN Bonds and continue to seek opportunities to optimize portfolio return.

Corporate Issuances – At current yield levels (avg. 13.08%), we anticipate more corporate issuances at attractive yields, hence, we will take position in investment grade instruments.

Treasury Bills – we expect yields to continue to hover around 4.7% as high inflation rate continues to spur negative sentiment .

Money Market – We will max out positions on the short end of the curve with rates expected at 10.98% avg.

We will continue to take advantage of market opportunities with focus on corporate issuances and infrastructure instruments to improve investment returns. As such, asset exposure may vary over time.