MONTHLY MARKET REVIEW AND FORECAST FOR JUNE 2022

TRUSTFUND PENSIONS LTD RESEARCH

JULY 2022

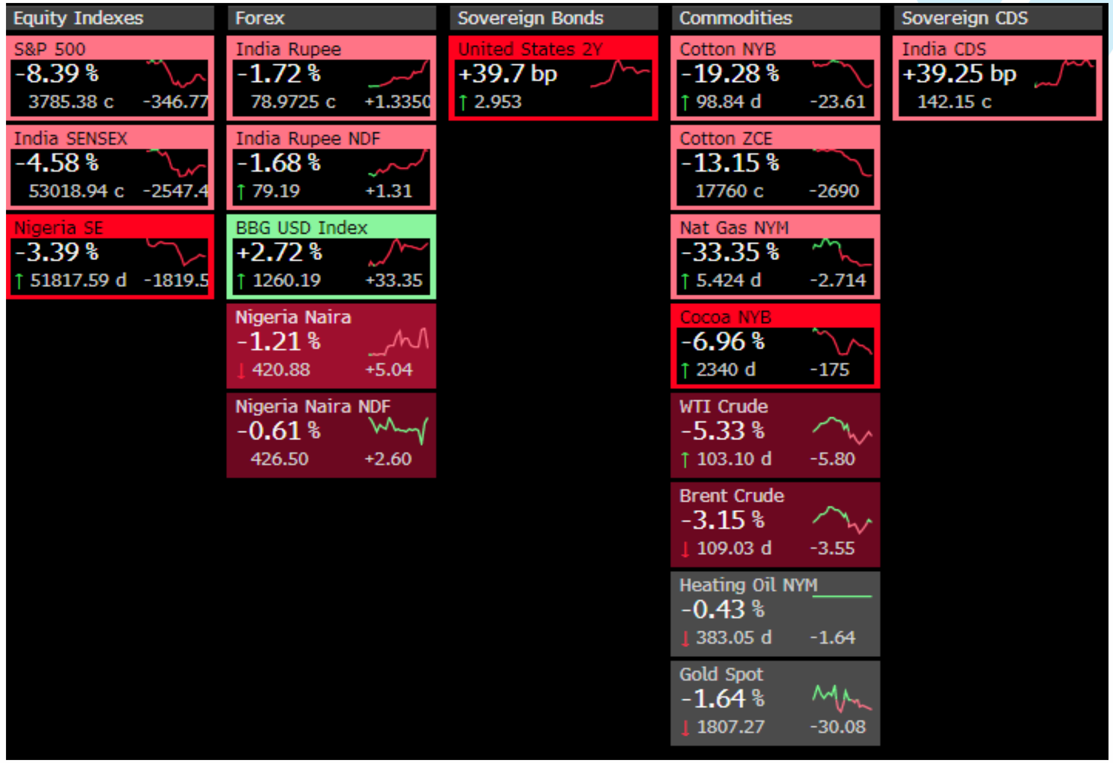
INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

GLOBAL MARKET REVIEW

Global Equity Performance for the Month (% M/M)

**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*

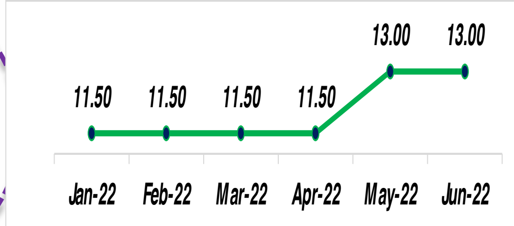
GLOBAL MACRO MOVERS FOR MAY 2022



Source: Bloomberg Terminal

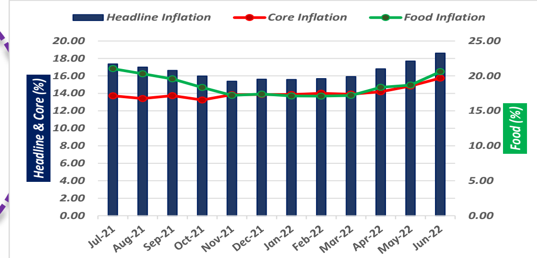
Nigerian Macro Review

MPR



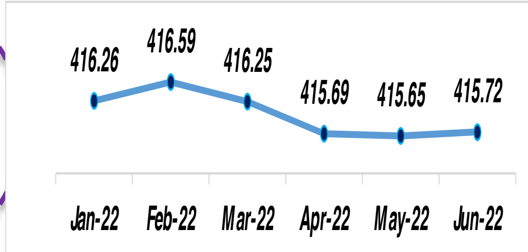
The Monetary Policy Committee succumbed to inflationary pressures after two years of expansionary monetary policy. The Committee took a hawkish stance and rose the MPR by 150bps to 13.00%. It emphasized on the need to curb rising inflation rate in the country.

CPI



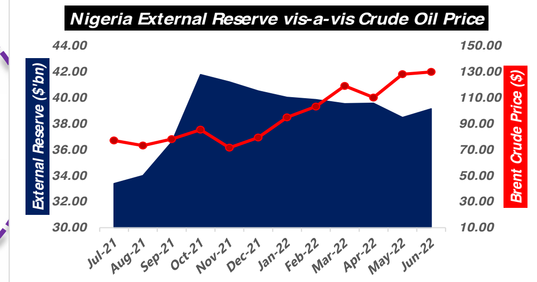
Headline inflation rate expanded by 89bps to finish June 2022 at 18.60%. This was triggered by the continuous increase in the prices of goods and cost of energy during the period. Food inflation surged by 10.28% while Core inflation increased by 6.13% to end at 20.60% and 15.75% respectively.

FX RATE



The CBN official exchange rate closed at N415.72 from N415.65 close of previous month. This was due to increased dollar supply in the official window during the period which stem participation in various auction window.

RESERVE



The External Reserves increased marginally by 1.74% to $39.15bn during the month due to increase in crude oil price. This is adduced to crude oil proliferation and vandalism in the oil producing region which resulted to lower output.

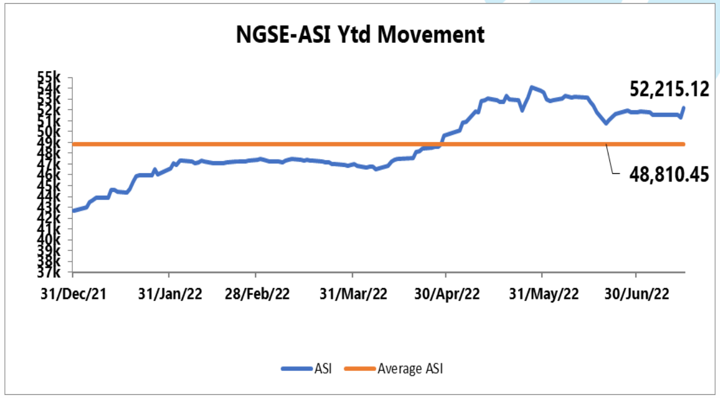
INVESTMENT RESEARCH

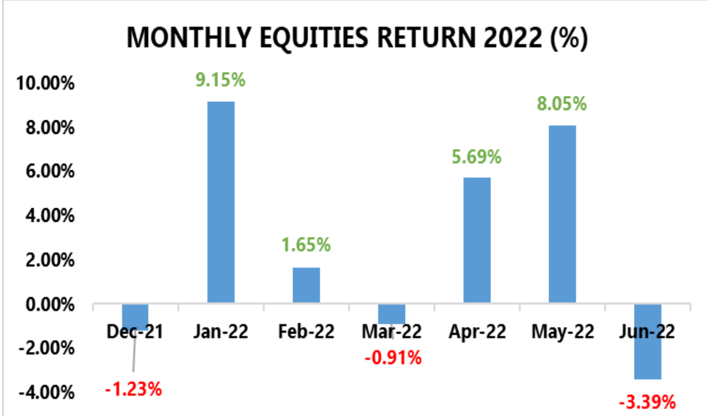
TRUSTFUND PENSIONS LIMITED

EQUITY MARKET

NGX ALSI Bows to MPR Hike as Sell Pressure Drags Performance

- ✓ The market witnessed aggressive sell-offs across board on the backdrop of 150bps hike in MPR by the MPC towards the ending of previous month. The broad index shed 2.21% in the month under review.
- ✓ Nevertheless, YTD return still maintained at 21.31%.
- ✓ All the sectorial indices under coverage closed in the red.
- ✓ The NGX Banking was down 6.56% following aggressive dumping of GTCO (-9.09%), ZENITHBANK (-7.46%), ACCESSCORP (-7.50%), FBNH (-2.52%) and UBA (-3.87%).
- ✓ NGX Consumer Goods stepped down by 4.26% propelled by profit taking on BUAFOODS (-5.01%), NB (-5.77%), DANGSUGAR (-4.12%) and INTBREW (-20.25%).
- ✓ Sell-offs in DANGCEM (-0.72%) and BUACEMENT (-3.16%) dragged NGX Industrial by 1.91%.
- ✓ NGX Insurance and Oil & Gas tail off by 1.59% and 0.41% which was triggered by disposal of AIICO (-7.25%), MANSARD (-6.54%), OANDO (-0.70%) and CONOIL (-9.29%).

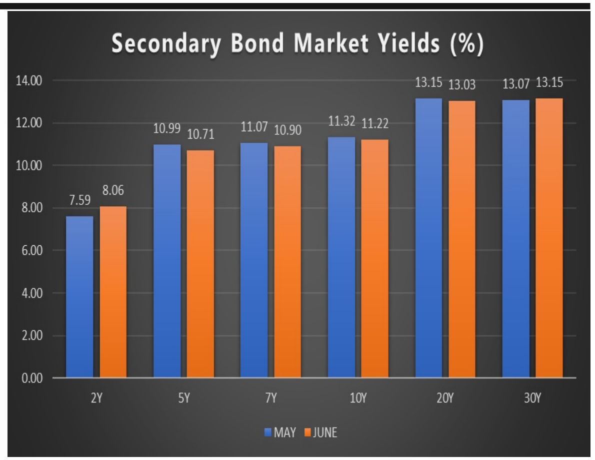


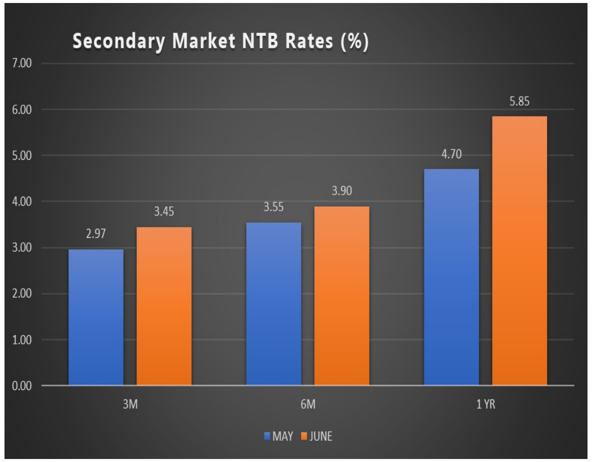


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Overall, the market leaned towards a bearish bias last month as average discounted rates on NTBs and OMO bills gained 138bps and 106bps to settle at 5.24% and 5.19% respectively. However, the bond market shed 12% off previous yield levels to settle at 11.54%. This can be pegged to bond sellers taking advantage of the month's tightened liquidity situation by trading at higher yields.
- Moreover, it can be agreed that the hike in the MPR amidst from reduced coupon payments and OMO repayments also contributed to the bearish bout.
- In addition, the DMO conducted a bond auction last month where up to N225.00bn worth of the 13.53% FGN MAR 2025, 13.00% FGN JAN 2042 and 12.50% FGN APR 2032 instruments was split equally and offered to investors through re-openings. Subsequently, approximately N226.12bn was sold in competitive bids to investors at respective stop rates of 10.10% (prev. 10.00%), 12.50% (prev. 12.45%) and 13.15% (prev. 13.00%).
- Also, the DMO conducted two NTB auctions last month where a total of N341.31bn worth of the 91DTM, 182DTM and 364DTM bills was offered to investors with approximately N511.05bn being sold at average stop rates of 2.45%(prev. 2.12%), 3.30%(prev. 3.45%) and 6.26%(prev.5.60%) respectively.





FIXED INCOME MARKET

- In the coming months, yields are expected to remain elevated, although coupon repayments amounting to approximately N678bn is expected to drive demand in the fixed income space, thus yields in the space are expected to slightly dwindle.

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

MARKET OUTLOOK AND STRATEGY

The lingering tensions in Eastern Europe continue to pose supply chain disruptions, the effects of which still cascade on oil and energy prices. This allows for increased revenues for players in the oil sector and the Nigerian government overall. However, this increase in oil prices have resulted in harsh cost pressures across the country with headline inflation levels reaching historical highs. As such, we foresee elevated inflation levels in the next month, which could dampen economic activity. In addition, the MSCI's intentions to possibly reclassify Nigeria as Stand-alone market leaves the outlook for the Nigerian investment climate somewhat obscure.

EQUITY

We continue to envisage a bullish market in the coming month as investors continue to patronize stocks with dual listings such as SEPLAT and AIRTELAFRI. However, the recent hike in the MPR is expected to push market participants to the fixed income space in anticipation of higher yields. This is expected to affect market activity levels in the domestic bourse. Notwithstanding, we will continue to take profit on rallied tickers and cherry-pick attractive stocks when suitable opportunities are identified.

FIXED INCOME

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. 12.43%), 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 5.24% as the expected increase in system liquidity should spur buy sentiments.

Money Market – We will max out positions on the short end of the curve with rates expected at 8.56% 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.