



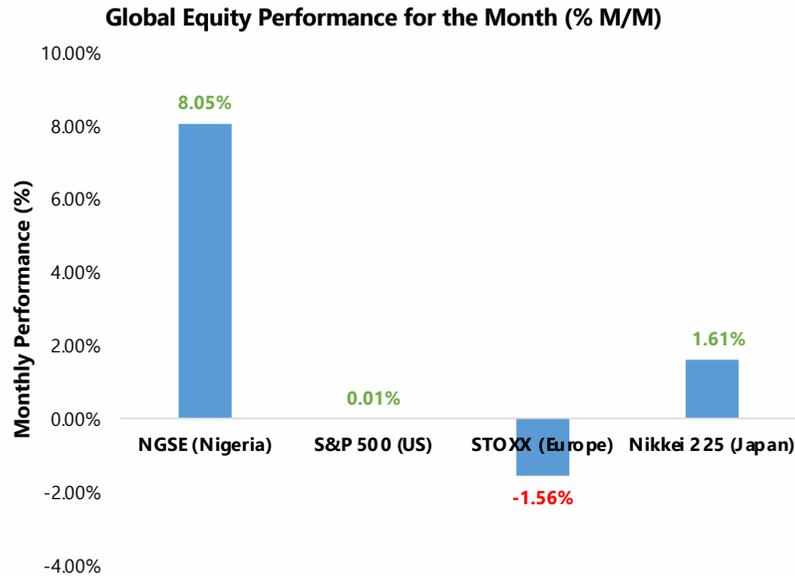
# MONTHLY MARKET REVIEW AND FORECAST FOR MAY 2022

TRUSTFUND PENSIONS LTD RESEARCH

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# GLOBAL MARKET REVIEW



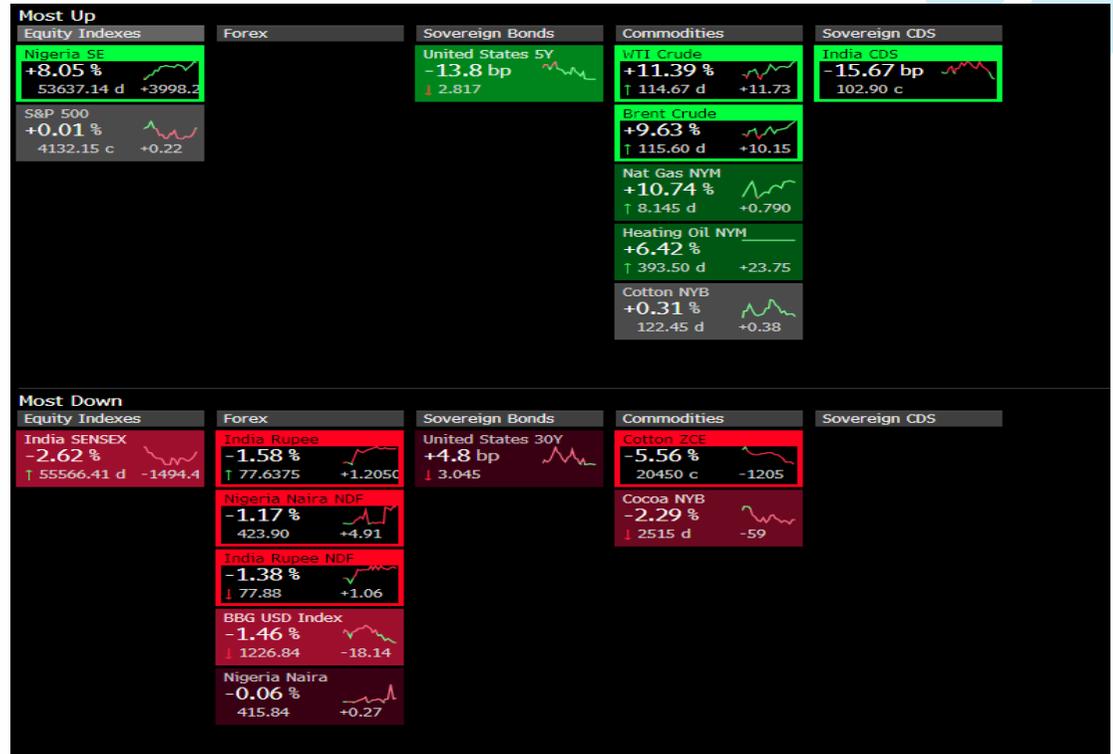
\*NGSE – Nigerian Stock Exchange Mainboard Index

\*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 MAY 2022

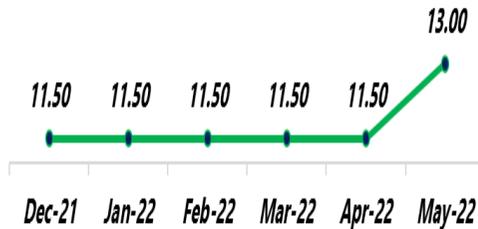


Source: Bloomberg Terminal

# Nigerian Macro Review



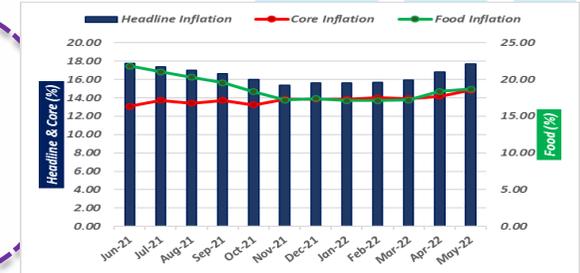
## MPR



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



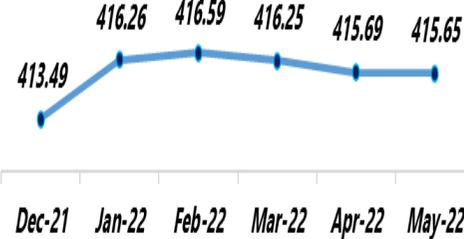
## CPI



Headline inflation rate expanded by 89bps to finish the month of May 2022 at 17.71%. This was triggered by a continuous increase in the prices of goods and cost of energy during the period. Food inflation surged by 0.31% while Core inflation increased by 0.66% to end at 18.68% and 14.84%.



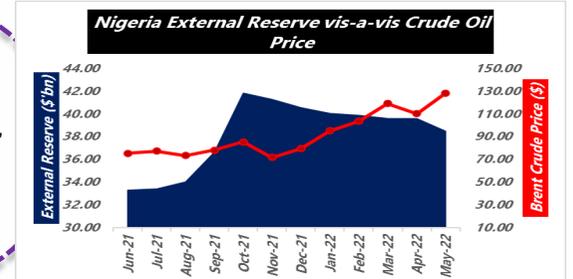
## FX RATE



The CBN official exchange rate closed at N415.65 from N415.69 close of previous month. This was due to increased dollar supply in the official window during the period which stem participation in various auction windows.



## RESERVE



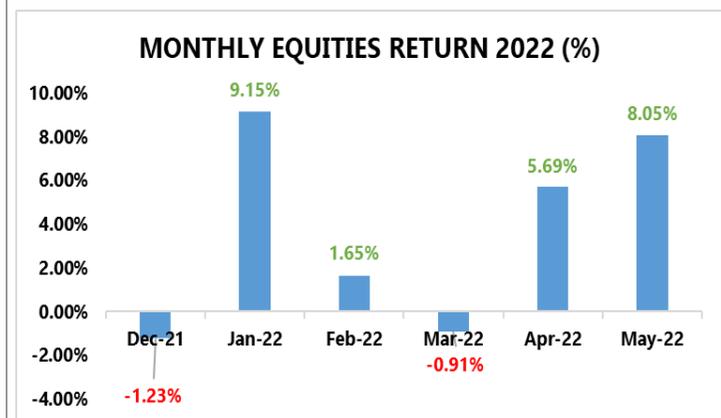
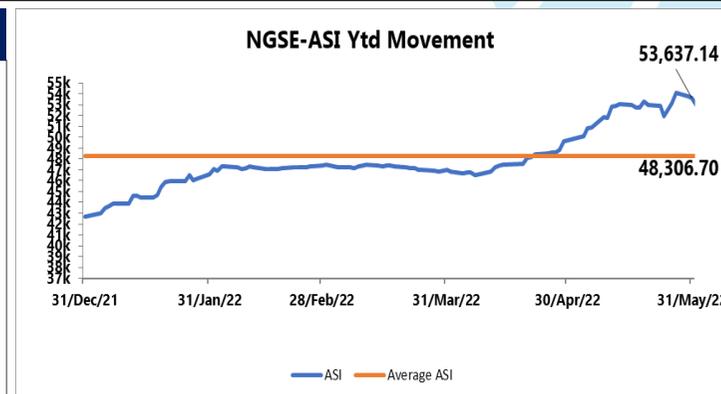
The External Reserves decreased marginally by 2.78% to \$38.48bn during the month despite a surge in crude oil price. This is added to crude oil proliferation and vandalism in the oil producing region resulting in lower output.

# EQUITY MARKET



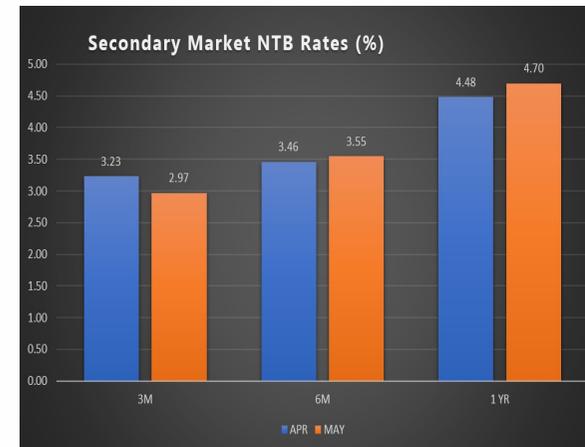
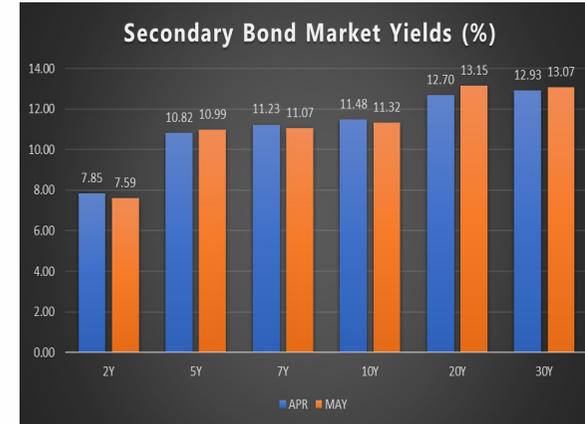
## NGX ALSI Hits 50k Point on Continuous Demand for AIRTELAFRI and SEPLAT

- ✓ The equities market gained 6.75% to hit 50k index points and closed precisely at 52,990.28 index points in the month for the first time in 15 years. As such, YTD return stood at 24.05%.
- ✓ The performance of the Index was largely driven by AIRTELAFRI as it contributed a weighted return of 6.37%.
- ✓ Furthermore, MTNN & BUACEMENT contributed weighted returns of 1.18% and 0.72%.
- ✓ Nonetheless, profit taking activities on DANGCEM (-5.27%), GTCO (-6.04%), ZENITHBANK (-4.29%), NESTLE (-2.78%), BUAFOODS (-2.69%), STANBIC (-5.63%) & UBA (-6.06%) slightly impacted on the Index performance.
- ✓ In addition, the NGX Consumer Index gained 5.44% on the strength of NB (+11.56%), INTBREW (+42.16%) and FLOURMILL (+6.19%).
- ✓ Meanwhile, positive sentiments on SEPLAT (+7.46%) and CONOIL (+11.07%) supported the positive return witnessed in the NGX Oil & Gas space.
- ✓ An 8.16% appreciation on BUACEMENT lifted the mother Index out of the negative region to finish the month at 0.41%.
- ✓ On the other hand, the NGX Banking and Insurance indices were dragged down by sell-offs on ZENITHBANK (-4.29%), GTCO (-6.04%), STANBIC (-4.23), FBNH (-8.33%), AIICO (-13.92%) and MANSARD (-16.36%).



# FIXED INCOME MARKET

- Last month, the MPC decided on a 150bps increase in the MPR from 11.00% to 13.00% citing the need to combat the country's rising inflation levels. Notably, the decision was in line with the steps taken by global monetary authorities with similar objectives.
- Expectedly, the market reacted to this policy move by sustaining its bearish course as yield advancements were observed across the curve. To illustrate, average bond yields increased by 13bps to 11.65%, while average discounted rates on NTBs and OMO bills gained 16bps and 7bps to close at 3.78% and 4.13% respectively.
- 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 N345.26bn was sold in competitive bids to investors at respective stop rates of 10.00% (unchanged), 12.45%( prev. 12.50%) and 13.00%(prev.12.90%).
- Also, the DMO conducted two NTB auctions last month where a total of N280.50bn worth of the 91DTM, 182DTM and 364DTM bills was offered to investor with approximately N311.35bn being sold at average stop rates of 2.12%(prev. 1.89%), 3.45%(prev. 2.62%) and 5.60%(prev.3.92%) respectively.



# FIXED INCOME MARKET

- We foresee yields an extension of the higher yields in June 2022 given the higher MPR coupled with the FGN's increased borrowing plans. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/ apex bank interventions.

# MARKET OUTLOOK AND STRATEGY

The IMF has upwardly reviewed Nigeria's economic growth to 3.4% as opposed to 2.7% earlier projected, citing the increase in crude oil prices. However, it is important to note that the Russian war on Ukraine still poses great risks to economic growth as was induced commodity price increases and expanding price pressures are likely to overturn any probable silver linings from the expected boost in oil revenue. In addition, global and domestic inflation levels are expected to remain elevated, largely influenced by the ongoing Russia-Ukraine war.

## EQUITY

In the coming month, we expect mixed trading with a bullish bias as value seeking investors continue to patronize stocks with strong fundamentals while others take profit on rallied tickers. As such, we aim cherry-pick attractive stocks and cash in on capital gains 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. 12.66%), 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 3.78% 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 6.0% 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.