MONTHLY MARKET REVIEW AND FORECAST
FOR AUGUST 2022

TRUSTFUND PENSIONS LTD RESEARCH

SEPTEMBER 2022

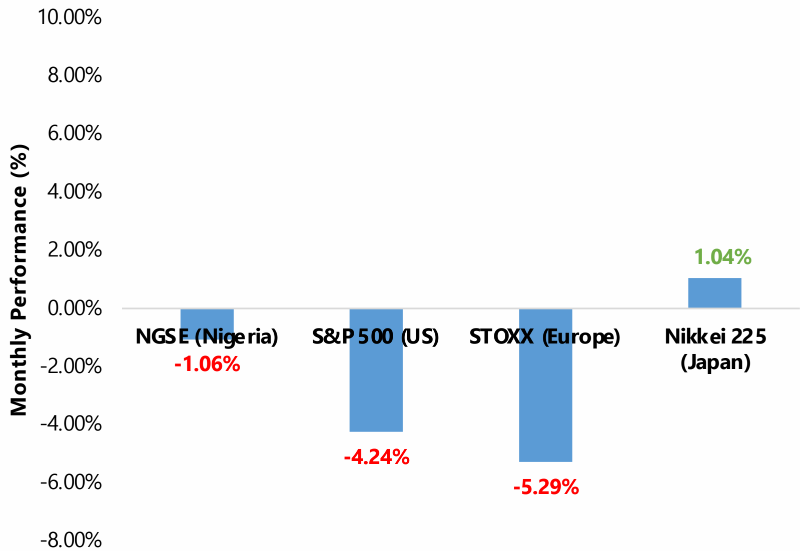
trustfund PENSIONS

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 AUGUST 2022

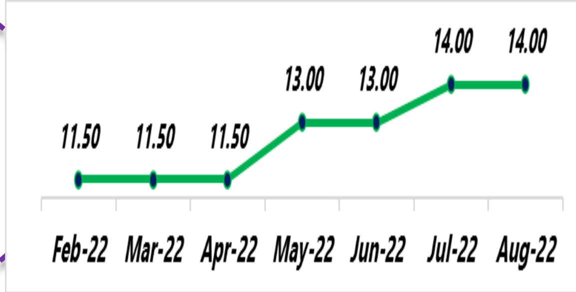
Equity Indexes	S&P 500	-4.24 %	3955.00 c	-175.29
Equity Indexes	Nigeria SE	-1.06 %	49836.51 d	-533.74
Equity Indexes	India SENSEX	+0.00 %	0.00 c	+0.00
Forex	BBG USD Index	+2.24 %	↓ 1295.64	+28.40
Forex	India Rupee NDF	-0.48 %	↑ 79.80	+0.38
Forex	Nigeria Naira	-0.42 %	428.95	+1.78
Forex	Nigeria Naira NDF	+0.22 %	432.03	-0.97
Forex	India Rupee	+0.00 %	0.0000 c	+0.0000
Sovereign Bonds	United States 5Y	+67.5 bp	↑ 3.351	
Commodities	Cotton NYB	+17.03 %	↓ 113.21 d	+16.47
Commodities	WTI Crude	-7.44 %	↑ 89.55 d	-7.20
Commodities	Nat Gas NYM	+11.20 %	↑ 9.127 d	+0.919
Commodities	Brent Crude	-5.72 %	↑ 95.64 d	-5.80
Commodities	Heating Oil NYM	+4.82 %	↑ 366.74 d	+16.87
Commodities	Cotton ZCE	+2.19 %	↓ 14930 d	+320
Commodities	Cocoa NYB	+1.69 %	2413 d	+40
Commodities	Gold Spot	-3.11 %	↑ 1711.04	-54.90
Sovereign CDS	India CDS	-32.57 bp	112.30 c	

Source: Bloomberg Terminal

trustfund PENSIONS

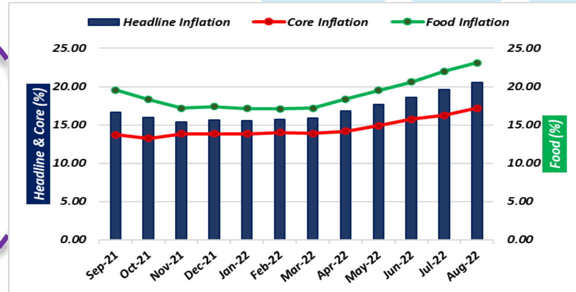
Nigerian Macro Review

MPR



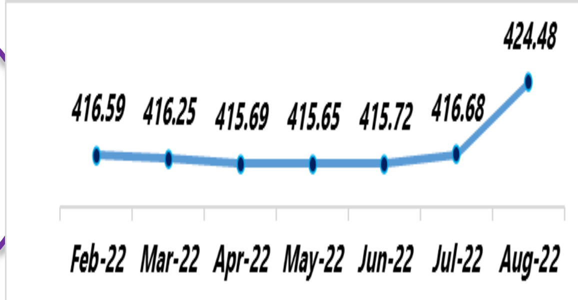
The MPR was maintained at 14.00% in August 2022. This follows the MPC's response to the aggressive inflation figure movements that prompted consecutive MPR elevations. The Committee stressed the need to maintain price stability and fortify the economy.

CPI



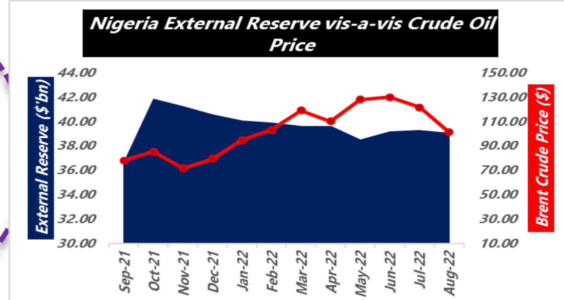
Headline inflation sustained an uptick trend to settle at 20.52% from 19.64% printed in previous month. The was likened to food supply disruptions and persistent currency depreciations, amid global headwinds. Food inflation closed at 23.12% while Core inflation finished at 17.20%.

FX RATE



The CBN official exchange rate sustained an upward trend to close at N424.48 from N416.68 recorded in July. This was due to increased demand for U.S Dollars amid inadequate supply resulting from dwindling revenue occasioned by global economic headwinds.

RESERVE



The External Reserves relapsed slightly by 0.51% to $39.02bn in August from $39.22bn recorded in the previous month. This could be adduced to the fall in crude oil prices as well as sustained oil theft in the nation's oil producing region.

INVESTMENT RESEARCH

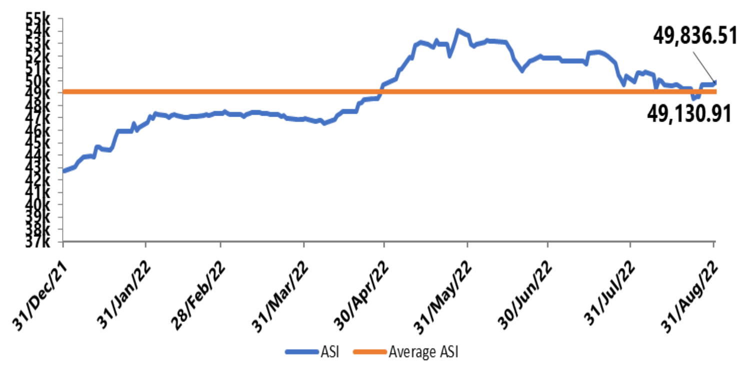
TRUSTFUND PENSIONS LIMITED

EQUITY MARKET

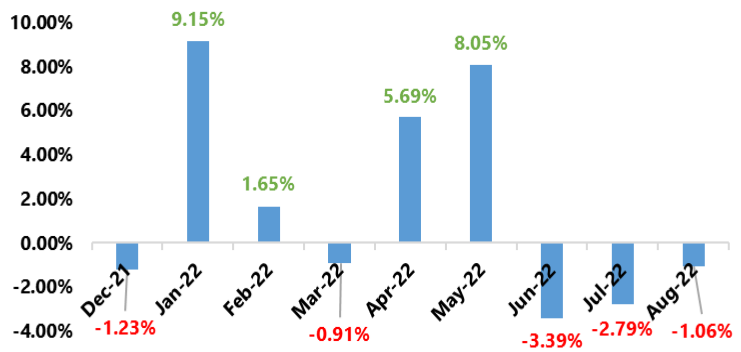
NGX ALSI Continues to Bow to MPR Hikes as Sell Pressures Drag Performance

- ✓ The market sustained continuous sell-offs due to yield improvements in the fixed income space. The benchmark index declined by 1.06% in the month under review.
- ✓ YTD return moderated to 16.67%.
- ✓ Three (3) out of the five (5) sectors under our coverage closed in green territory.
- ✓ The NGX Insurance sector led the gainers' chart with a MoM return of 7.90% propelled by gains recorded in AIICO (+0.55%), MANDARD (+1.80%) and NEM (+5.00%).
- ✓ The NGX Consumer Goods index appreciated by 4.76% largely spurred by renewed interest in NESTLE (+6.95%) and BUAFOODS (+14.76%).
- ✓ H1 2022 impressive results and interim dividends declared by ZENITHBANK and STANBIC lifted the NGX Banking sector by 2.43%.
- ✓ Elsewhere, the NGX Industrial and the NGX Oil & Gas indices were down by 13.83% and 4.34% respectively. These were majorly instigated by sell-offs on DANGCEM (-7.55%), BUACEMENT (-24.96%) and SEPLAT, which lost 9.12% resulting from non approval of the Exxon Mobil acquisition deal.

NGSE-ASI Ytd Movement



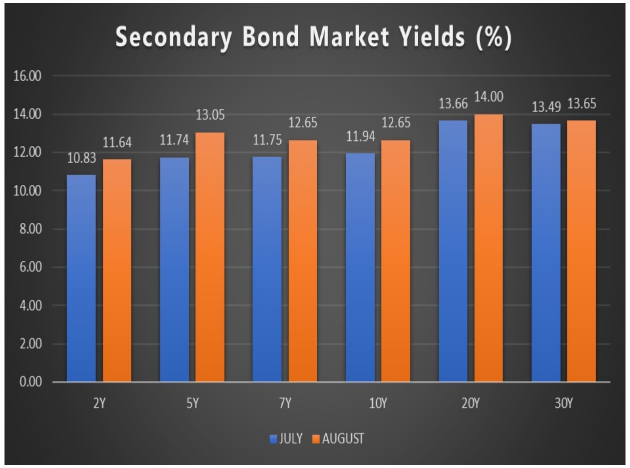
MONTHLY EQUITIES RETURN 2022 (%)

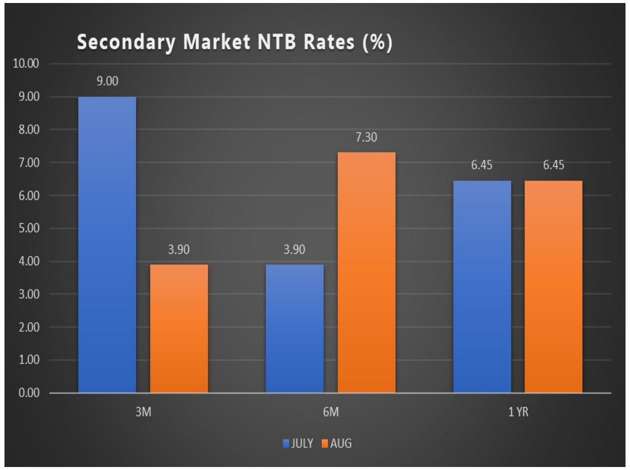


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Last month, the market expressed bearish sentiments across various segments as the market continues to respond to current macroeconomic realities. As such, average bond yields gained 89bps to settle at 13.15%, whilst discounted rates on NTBs and OMO bills advanced on the average by 107bps and 112bps to close at 7.78% and 10.71% respectively.
- In addition, it can be agreed that the higher stop rates at August's bond auction further spurred the bearish trend in the market.
- At the auction, up to N225.00bn worth of the 13.53% FGN MAR 2025, 12.5000% FGN APR 2032 and 13.0000% FGN JAN 2042 bonds were split equally and offered through re-openings. As subscription levels reached N247.08bn and skewed to the 20-year instrument , about N200.58bn was eventually sold to market participants at respective stop rates of 12.50%, 13.50% and 14.00%.
- Furthermore, the DMO conducted two NTB auctions in August where a total of N446.15bn worth of the 91 DTM, 182 DTM and 364 DTM bills was offered and sold to market participants at respective average stop rates of 3.75% (Prev. 2.78%), 4.75% (Prev. 4.05%) and 7.98% (Prev. 6.26%). The auction saw a mild over subscription of N498.65bn, N52.5bn over the offer size, thus translating into a 1.1x bid to cover ratio.





FIXED INCOME MARKET

- In the coming months, bill maturities and coupon repayments are expected to drive demand in the fixed income space. Thus, yields in the space are expected to slightly dwindle, albeit remain elevated at double digit levels.

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

MARKET OUTLOOK AND STRATEGY

The IMF maintained its growth projection for Nigeria at 3.4% for 2022 but raised its 2023 forecast to 3.2%, echoing the elevated oil price environment. Furthermore, improved harvest, sustained growth in select sectors and electioneering activities support the economy's growth potential. However, the impacts of the Russia-Ukraine crisis still pose risks to economic growth. Also, fuel subsidy and low oil production levels could hamper the benefits of higher oil prices. Moreover, the price surges in deregulated petroleum products (diesel, kerosene, aviation fuel) and agricultural commodities including wheat have increased operational costs for businesses and pressure consumer spending power. This could slow economic activity and further hinder economic growth.

EQUITY

We foresee a bearish market in the coming month as investors continue to sell off their equity positions and deploy the proceeds into the fixed income market in search of relatively higher returns. We also expect market players to continue to patronize stocks with dual listings 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. 14.66%), we anticipate more corporate issuances at attractive yields, hence, we will take position in investment grade instruments.

Treasury Bills – we expect yields to be sticky around 7.53% as comparable instruments continue to offer more attractive returns.

Money Market – We will max out positions on the short end of the curve with rates expected at 15.00% 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.