MONTHLY MARKET REVIEW AND FORECAST
FOR AUGUST 2023

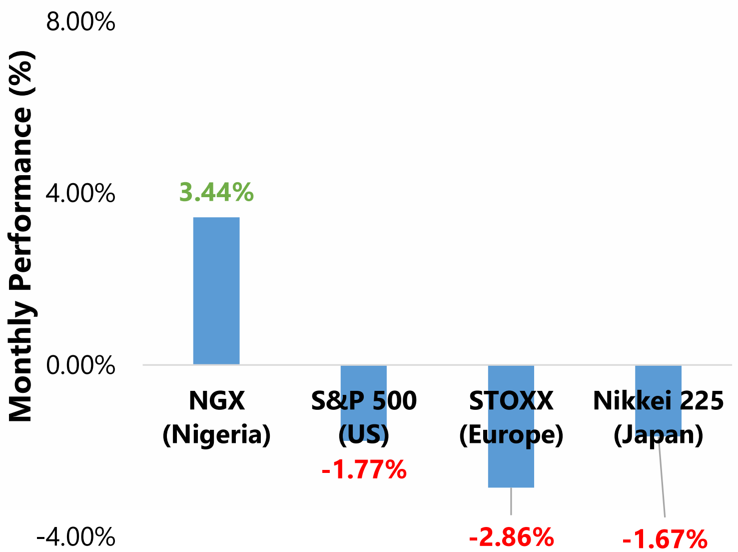
TRUSTFUND PENSIONS LTD RESEARCH

SEPTEMBER 2023

GLOBAL MARKET REVIEW

TRUSTFUND PENSIONS
INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

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



**NGX – 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

- Except for the Nigerian stock market, global share prices fell in August 2023 amidst concerns over the renewed weakness of the Chinese real estate sector.
- U.S. stocks took a dive in August following a drop in investors' confidence that the Federal Reserve would end its tightening cycle due to indications that policy makers were divided on next steps.
- Eurozone stocks lagged overall following declines in sectors most sensitive to the economic events of the region. For instance, though unchanged from July, headline inflation stood at 5.3%, higher than the 5.1% expected figure according to an analyst poll by Dow Jones.
- The Nikkei 225 index fell by 1.67%, suggesting a weakness in large cap growth stocks as the policy adjustment by the Bank of Japan triggered a modest rise in Bond yields, resulting in selloffs of large cap growth stocks. Furthermore, investors entered a Risk-Off mode, owing partly to the decline in U.S. stocks.
- In Nigeria, positive sentiments trailed the bourse as market participants bought into fundamentally sound stocks ahead of H1'2023 earnings results.

Source: Schroders, (2023), Trustfund Research, (2023)

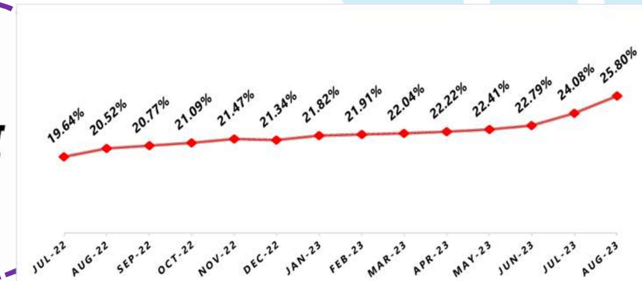
trustfund PENSIONS

Nigerian Macro Review

MPR

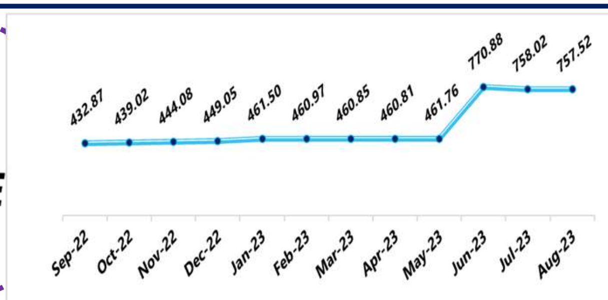
At its previous meeting, The Monetary Policy Committee continued its hawkish path by raising the benchmark rate by 25bps to 18.75%, highlighting the need to combat persistent inflationary pressures.

CPI



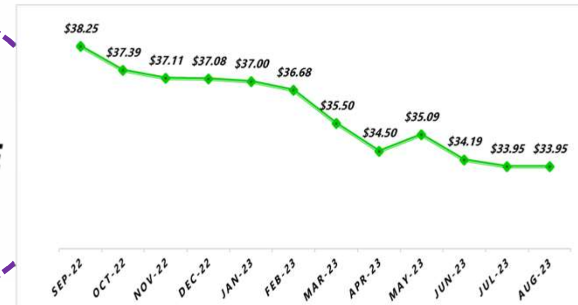
Headline Inflation continued to trend northwards to 25.80% in August 2023 (prev. 24.08%) despite the unabating rate hikes by the CBN to subdue inflationary pressures. This can be adduced to the persistent rise in food and energy prices.

FX RATE



The Naira inched 7bps higher at the I&E window to N757.52 from N758.02 recoded at the end of July 2023. The appreciation resulted from heightened supply amidst low demand.

RESERVE

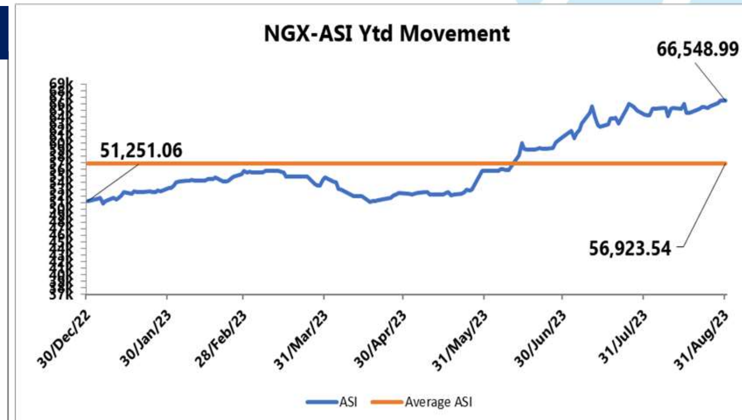


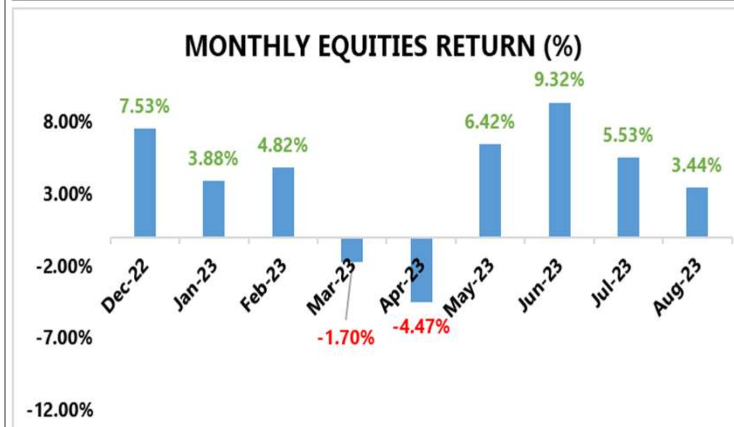
The External Reserve was unchanged from last month's figure at $33.95bn . This can be pegged to low demand at the I & E window and upward movements of crude oil prices.

EQUITY MARKET

ALSI Continues on its Bullish Course

- ✓ The equities market sustained a bullish run as investors positioned ahead of H1'2023 earnings results.
- ✓ Consequently, the NGX ASI gained 3.44% stemming from buy interests in BUAFOODS (+32.60%), DANGCEM (+2.27%), MTNN (+4.77%), DANGSUGAR (+103.70%), TRANSCORP (71.95%), TRANSCOHOT (+5.38%), SEPLAT (+8.47%), NB (+6.85%), WAPCO (+9.21%) and NASCON (+55.54%).
- ✓ In addition, YTD returns advanced to 29.85% from 25.53% recorded at the end of July 2023.
- ✓ From a sectoral review, only one (1) out of the five (5) indices under our coverage, (Banking), closed in red terrain
- ✓ To illustrate, the Consumer Goods index gained 24.51% due to renewed demand for BUAFOODS (+32.60%), NB (+6.85%) and FLOURMILL (+14.39%), whilst the announcement of a merger amongst Dangote sugar refinery, Nascon Allied Industries and Dangote Rice limited spurred price gains on DANGSUGAR (+103.70%) and NASCON (+55.54%) for the month.
- ✓ Also, the NGX Insurance sector advanced by 3.08% resulting from capital appreciations on AIICO (+1.52%), CORNERST (+59.09%) and LINKASSURE (+16.88%).
- ✓ Furthermore, sustained positive sentiments on SEPLAT (+8.47%) and OANDO (+9.16%) marginally lifted the NGX Oil & Gas index by 0.91%.
- ✓ Meanwhile, the NGX Industrial goods sector climbed 57bps higher following investor patronage on on DANGCEM (+2.27%) and WAPCO (+9.21%).
- ✓ Conversely, the NGX Banking expressed a 3.57% drop ion its price, which was triggered by profit taking activities on ZENTHBANK (-2.95%), STANBIC (-6.47%), FBNH (-6.67%), ACCESSCORP (-2.35%) and FIDELITYBK (-18.02%).



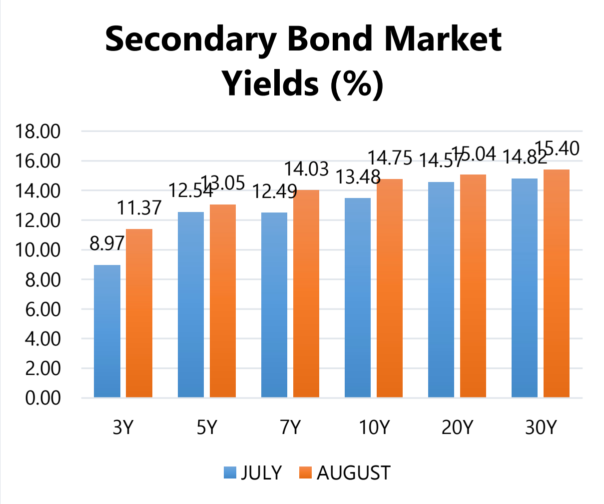


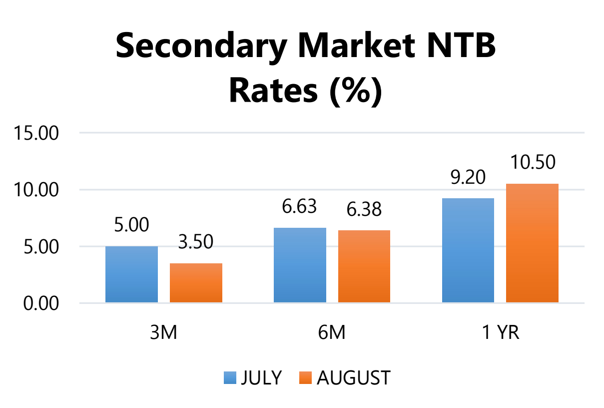
Source: Bloomberg/ TFP Research

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

FIXED INCOME MARKET

- There were mixed sentiments expressed in the fixed income market last month, predominantly due to tighter system liquidity levels and increased patronage in the NTBs space boiling down to comparatively attractive obtainable rates.
- In addition, the bearish sentiments witnessed in the secondary bonds space can be adduced to investors' realignment activities to take advantage of the higher rates being offered at the primary market.
- Furthermore, the bullish sentiments in the secondary NTBs segment was grounded on market players' efforts to recover lost bids from the month's PMAs.
- At the bond auction, the DMO sold approximately N227.758 worth of the 14.55% FGN APR 2029 (re-opening), 14.70% FGN JUN 2033 (re-opening), 15.45% FGN JUN 2038 (re-opening) and 15.70% FGN JUN 2053 (re-opening) bonds, despite a total offer of N360.00bn. Nonetheless, the instruments were sold at respective stop rates of 13.85% (prev. 12.50%), 15.00% (13.60%), 15.20% (prev. 14.10%) and 15.85% (prev. 14.30%). Notably, subscription levels dropped by 67% to N312.56bn (prev. N945.14bn), translating into a bid to offer ratio of 0.87x.
- Consequently, average bond yields grew by 97bps to close at 14.20%, whilst discounted rates on NTBs shed 27bps to settle at 6.41%.





FIXED INCOME MARKET

- Also, NTBs worth up to N457.20bn were rolled over and sold to investors in the two PMAs conducted during the month. The average stop rate on the offered instruments were as follows;
  - 91DTM: 5.10% (prev. 4.43%)
  - 182DTM: 6.95% (prev. 5.75%)
  - 364DTM: 11.89% (prev. 9.05%).
- Interestingly, the bid to cover ratio at both auctions was 5.2x cumulatively as subscription levels soared by 118% compared to July's auctions.
- In other news, the CBN conducted the first OMO auction of the year as part of its efforts to mop up excess system liquidity. At the auction, subscription levels were 2.05x above the offered amount and stop rates on the 182 DTM and 364DTM bills settled at 12.98% and 14.49% respectively.
- Elsewhere, negative sentiments were observed in the Nigerian Eurobond space following the release of the report on the CBN's external reserve by JP Morgan, stating that the reserve figure stands at roughly $3.7bn owing to larger-than-expected currency swaps and borrowing against existing reserves – as opposed to prior estimated figures (approx. $33bn). Consequently, average yields closed 134bps lower at 11.34% (Thisday, 2023).
- In September, approximately N527.15bn is expected in maturities, whilst up to N352.15bn worth of coupon payments are due as inflows into the system. With these, we foresee continued repricing activities in the fixed income space in the wake of the current monetary policy situation. As such, we expect a further rise in yields amid potential tighter system liquidity levels. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

MARKET OUTLOOK AND STRATEGY

We foresee a persistent inflationary pressures as well as heightened FX volatility from the continued adoption of certain market-oriented policies including the removal of fuel subsidy and the implementation of a managed floating exchange rate system. In line with PWC, 2023, we also anticipate further regulatory reforms, a medium-term decline in consumer demand and an improved, albeit slow, forecast for government spending, taxation and credit control. These expectations are driven by inauguration of a new ministerial cabinet, the implementation of new tax reforms, rising consumer goods prices, and uneven wage adjustments across sectors.

EQUITY

Bullish sentiments are expected in September due to the likelihood of positive earnings results –especially the banking sector- together with the anticipation that the FX liberalization policy and PMS subsidy removal will continue to positively impact certain segments of the market. However, rising fixed income yields still pose as a threat to the positive performance of the equities space. As such, we will continue to focus on fundamentally sound stocks with attractive interim and final dividend payouts. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We will book profits on the rallied instruments in our position and deplore the sales proceeds into alternative assets with attractive returns.

Corporate Issuances – our focus will be on available "A" rated corporate bonds at attractive yields to further boost portfolio return.

Treasury Bills – with yields currently at comparatively low single digit levels, we continue to monitor its trend and take position in yields not less than rates obtainable in money market.

Money Market – We will be strategic and maximize positions on the short end of the curve to support our liquidity laddering strategy.

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