MONTHLY MARKET REVIEW AND FORECAST

FOR APRIL 2024

TRUSTFUND PENSIONS LTD RESEARCH

MAY 2024

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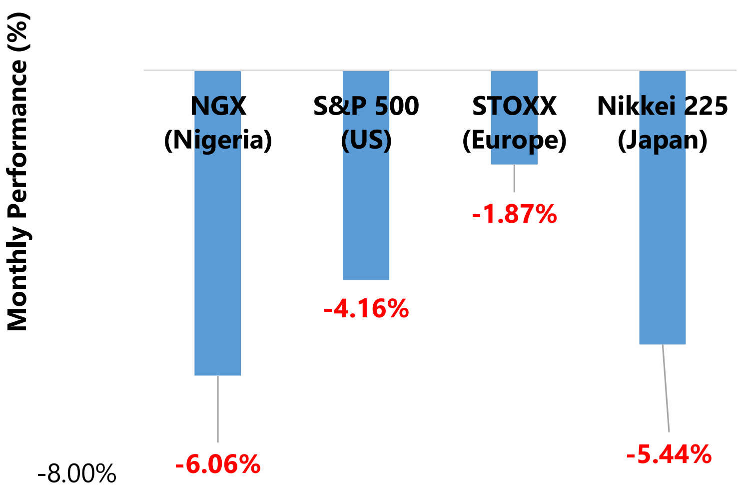
GLOBAL MARKET REVIEW

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*

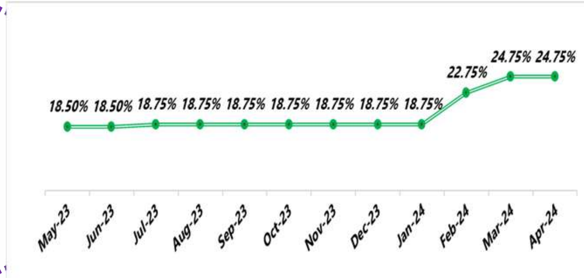
GLOBAL MACRO MOVERS FOR THE MONTH

- Global stocks fell in April as optimism surrounding U.S. interest rate cuts dwindled.
- In the U.S. shares fell as higher than forecasted inflation levels diminished hopes of any near-term interest rate cuts. The Real Estate and Information Technology sectors were the most affected as these sectors appear to be more sensitive to movements in interest rates.
- Similarly, the negative performance of the European stock market was influenced by the receding possibility of interest rate cuts in the U.S, with the Information Technology and Consumer Discretionary sectors emerging as the worst performers.
- With regards to the Nikkei 225 index, profit taking on large-cap tickers, especially semi-conductor related stocks and heightened tensions in the Middle East buoyed the negative stock performance in that region.
- In Nigeria, FPI flight from the local bourse contributed largely to the 606bps MoM loss witnessed in the Nigerian stock market.

Source: Schroders, (2024), (2024) Trustfund Research, (2024)

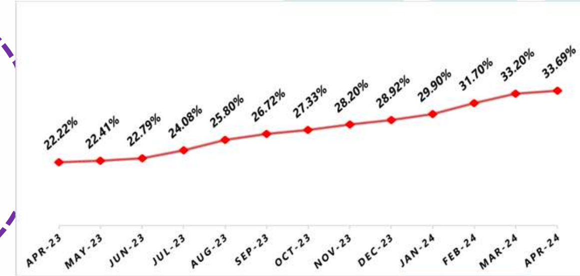
NIGERIAN MACRO REVIEW

MPR



The MPR remains at 24.75%, pending the next MPC meeting scheduled for for 25th & 26th May 2024.

CPI

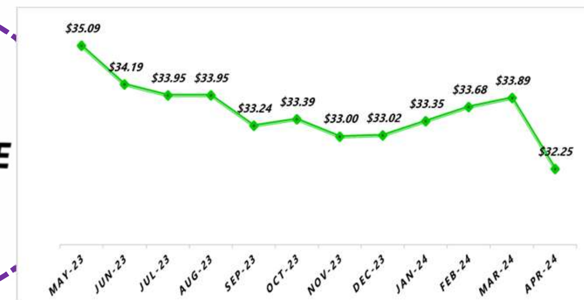


Headline Inflation accelerated further due to the continued pressure on food and energy prices. Hence, the Index climbed 49bps to 33.69% from 33.20% printed in March 2024. Food and Core inflation closed at 40.53% and 26.84% respectively.

FX RATE

The Naira depreciated against the Dollar at the NAFEX window by 1.98%. The FX rate closed April at N1,330.21 from N1,304.34 recorded in March. This was precipitated by heightened demand for the dollar during the month.

RESERVE



Despite the increase witnessed in crude oil prices during the period, the External Reserve declined by 4.84% to $32.25bn on the back of continuous intervention by the CBN at the NAFEX window.

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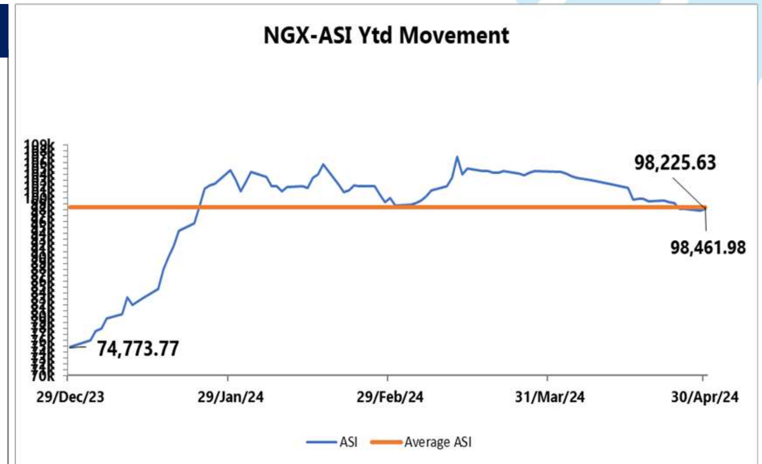
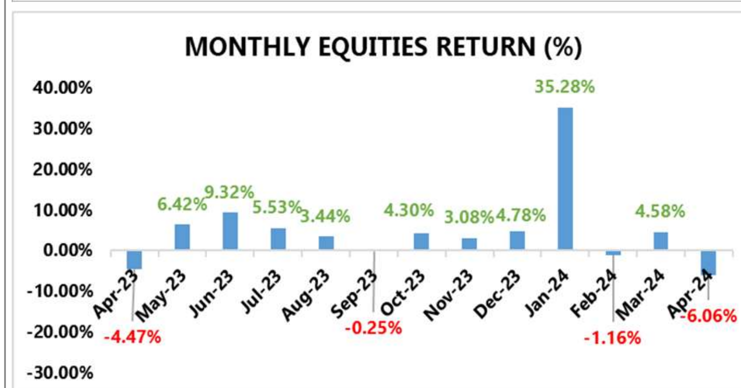
EQUITY MARKET

NGX ALSI Bows to Sell Pressures as FPIs Exit the Market

- ✓ The NGX ALSI recorded a 6.06% decline MoM, propelled by sell pressures witnessed in the stock market during the month.
- ✓ Some heavyweight names such as DANGCEM (-4.37%), MTNN (-9.48%), GTCO (-37.71%), FBNH (-32.77%) and ZENITHBANK (-27.87%) were responsible for the decline.
- ✓ Consequently, YTD moderated to 31.36%.
- ✓ From a sectoral analysis, all sectors under our purview closed in negative led by the Banking index, which was spurred by losses in ZENITH (-19.28% MoM), ACCESSCORP (-23.69% MoM) and UBA (-14.03% MoM). It can be agreed that the upward revision of capital requirements for all banks influenced the cautious trading expressed by investors in the banking sector.
- ✓ In addition, losses in the Consumer goods sector (- 4.04% MoM) were triggered by price depreciations in DANGSUGAR (-26.74% MoM), NESTLE (-11.56% MoM), FLOURMILL (-21.79% MoM) and NB (-8.73% MoM), which offset the positive performance of PZ (+8.57% MoM), GUINNESS (+8.87% MoM) and INTBREW (+0.65% MoM).
- ✓ Also, the Industrial goods sector (-3.19% MoM) closed in negative territory the third consecutive month in a row, brokered by losses in WAPCO (-6.55% MoM) and BERGER (-7.85% MoM).
- ✓ Furthermore, the Oil and gas sector (-2.04% MoM) recorded a decline, following losses in OANDO (-16.81% MoM), after the company posted a NGN81.23bn loss after tax in its 2022FY earnings results. In addition, ETERNA (-8.46% MoM) and Total (-7.22% MoM) recorded negative performances





Source: Bloomberg/ TFP Research

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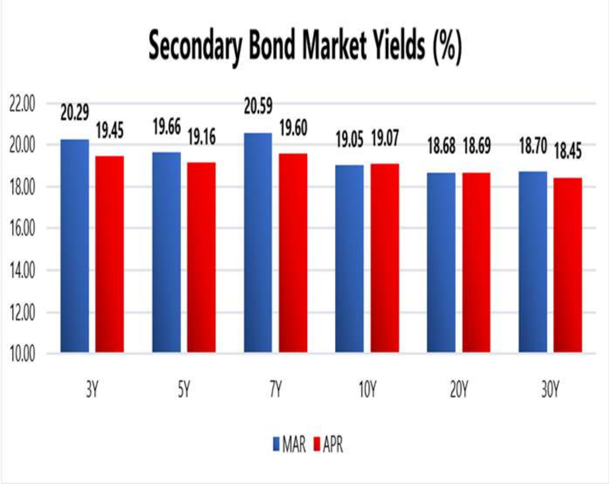
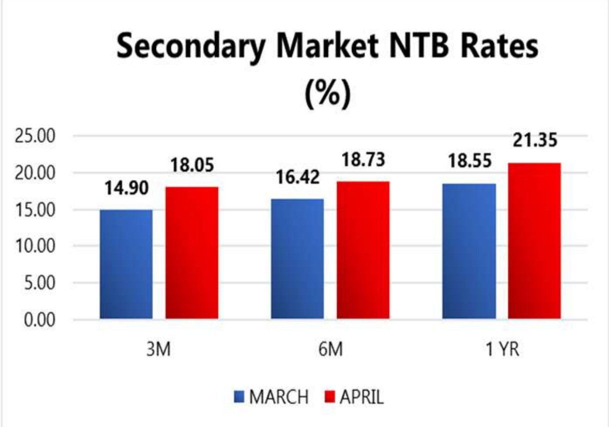
FIXED INCOME MARKET

- Sentiments were mixed with a bearish bias in the fixed income space in April as players in the NTB space took a cue from the high interest rate environment, whilst the positive momentum in the FGN bond primary market from improved interest in instruments drove the direction of yields in the secondary bond market.
- To illustrate, average bond yields shed 47bps to close at 18.94%, whilst discounted rates on NTBs gained 396bps on the average to close at 20.09%.
- In this month's bond auction, the DMO offered N450.00bn worth of the 19.300% FGN APR 2029 (New issue), 18.50% FGN FEB 2031 (Re-opening), 19.00% FGN FEB 2034 (Re-opening) bond instruments- N150.00bn each. Eventually, about N626.82bn was sold to auction participants at respective stop rates of 19.30% (prev. Nil), 19.72% (prev. 20.00%) and 20.00% (prev. 20.45%). Notably, subscription levels reached to N920.09bn translating into a bid to offer ratio of 2.04x and bid to cover ratio of 1.47x.
- Regarding NTBs, the DMO held two auctions last month where a total of N292.21bn worth of the 91DTM, 182DTM and 364DTM bills were offered to market participants, with up to N1.31trn being sold eventually at respective average stop rates of 16.24% (prev. 16.57%), 17.00% (prev. 17.33%) and 20.70% (prev. 21.24%). Interestingly, subscription levels reached N2.58trn, translating into a bid to offer ratio of 8.84x and bid to cover ratio of 1.96x.





FIXED INCOME MARKET

- Next month, we expect a sustenance of the high yield environment as the CBN continues its mission to tighten system liquidity and curb inflation. Nonetheless, these are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

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MARKET OUTLOOK AND STRATEGY

The shortrun outlook for the economy remains bleak owing to several factors, including, rising inflation, FX supply challenges, food insecurity and heightened energy costs that have cascaded into the prices of goods and services nationwide. However, we maintain a cautiously optimistic outlook for 2024 in the medium to long term, which is hinged on an expected average GDP growth rate of 3.3% (AFDB, 2023), to be buoyed by slowed pace of inflation due to expected accelerated tightening interventions by the CBN, increased crude supply and revenue from the Dangote Refinery, as well as improved investments and overall business environment as policy direction becomes clearer.

E Q U I T Y

In the coming month, the equities space is expected to extend its bearish streak as FPIs continue to repatriate their funds, whilst other market participants continue to patronize the high yield environment in the fixed income space. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

F I X E D I N C O M E

Bond – We expect bullish sentiments to persist, whilst yields remain elevated and will continue to take advantage when suitable opportunities are identified.

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 on the uptrend, we will 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.