MONTHLY MARKET REVIEW AND FORECAST
FOR AUGUST 2024

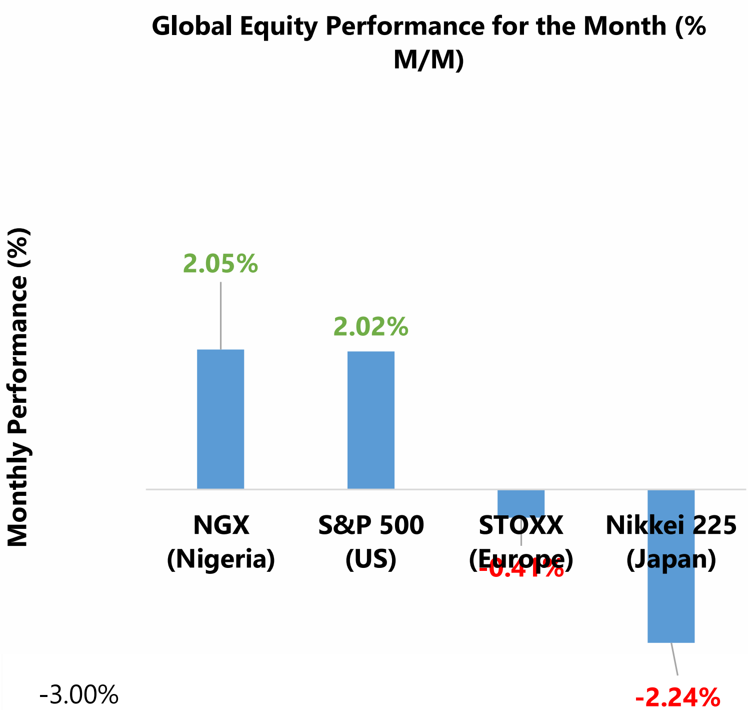
TRUSTFUND PENSIONS LTD RESEARCH

SEPTEMBER 2024

INVESTMENT RESEARCH

TRUSTFUND PENSIONS LIMITED

GLOBAL MARKET REVIEW



**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*

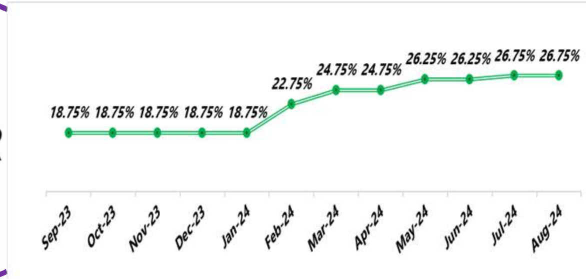
GLOBAL MACRO MOVERS FOR THE MONTH

- Save for the Nigerian Market that expressed a 1.22% decline due to negative sentiments surrounding corporate earnings results, global equities markets gained in August 2024.
- U.S. stocks closed higher in August, though the month initially saw significant market volatility and steep declines. This turbulence was triggered by weak U.S. economic data and expectations of multiple interest rate cuts by year-end. However, later in the month, reassuring economic data and strong corporate earnings helped stabilize the market.
- European stocks rose in August, with Real estate and Communication services leading the gains, while Energy and Information Technology underperformed. Anticipation of additional interest rate cuts provided a boost to rate-sensitive sectors like Real estate.
- The Japanese equity market volatility rose following a sharp sell-off early in the month. However, investor sentiment improved significantly toward the end of August. The turbulence was largely driven by a significant appreciation of the yen during the month.

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

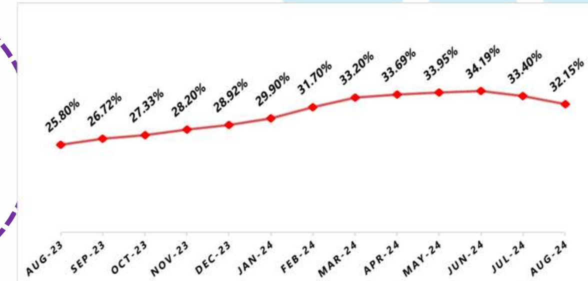
NIGERIAN MACRO REVIEW

MPR



The Monetary Policy Rate (MPR) remained at 26.75% in August, pending the re-convergence of the Monetary Policy Committee (MPC) on 23rd and 24th September 2024.

CPI



In a favourable turn of events, headline inflation decelerated in August due to the reduced pressure on food prices. Hence, the Index decreased by 125bps to 32.15% from 33.40% printed in July 2024. Food and Core inflation closed at 37.52% and 27.68% respectively.

FX RATE

The Naira appreciated against the Dollar by 0.94% in the Nigerian Foreign Exchange Market (NFEM). At the close of the month, the Naira exchanged for a dollar at the rate of N1596.64. This was precipitated by increased diaspora inflows.

RESERVE

Despite an uptick in the price of crude oil, the External Reserve decreased by 1.30% to $36.31bn from $36.79bn at the end of August 2024. The reduction could be adduced to increased U.S. Dollar sales at the FX market.

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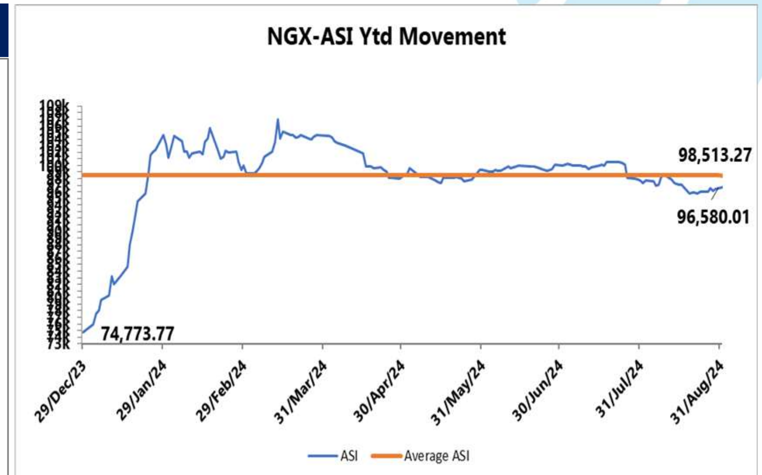
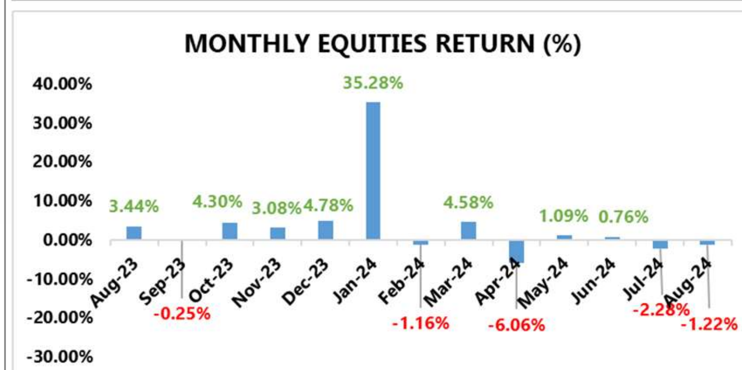
EQUITY MARKET

Unimpressive Corporate Earnings Results Strains the NGX ASI

- ✓ This month, the NGX ASI recorded a 1.22% loss to close at 96,580.01 index points following negative investor sentiments surrounding less than desired corporate earnings results.
- ✓ Although, this loss was cushioned by positive sentiments surrounding the acquisition of Nigeria Agip Oil company by Oando Plc during the month.
- ✓ Despite the overall loss, a cursory sectoral overview on the indices under our purview revealed that the industrial goods sector was the sole laggard with a 13.06 MoM decline, fuelled by negative sentiment arising from poor H1’24 earnings results from BUACEMENT (-19.2% MoM to NGN113.90) and DANGCEM (-10.00% MoM to NGN532.00).
- ✓ On the other hand, the Oil and Gas index recorded positive returns (+22.39% MoM), spurred on by gains in OANDO (+207.60% MoM to NGN76.90), TOTAL (+73.28% MoM to NGN673.00), ETERNA (+45.26% MoM to NGN27.60) and SEPLAT (+1.29% MoM to NGN3730.00).
- ✓ This was followed by the Banking sector, which gained 6.96% MoM following gains in ZENITHBANK (+15.56% MoM to NGN38.25), UBA (+13.05% MoM to NGN22.95) and ACCESSCORP (+3.83% MoM to NGN19.00), amid efforts to me the apex bank’s recapitalization requirements.
- ✓ In addition, the Consumer Goods sector closed positive on the back of positive sentiment in BUAFOODS (+5.48% MoM to NGN394.90), NB (+12.08% MoM to NGN28.30) and INTBREW (+16.67% MoM to NGN4.90).

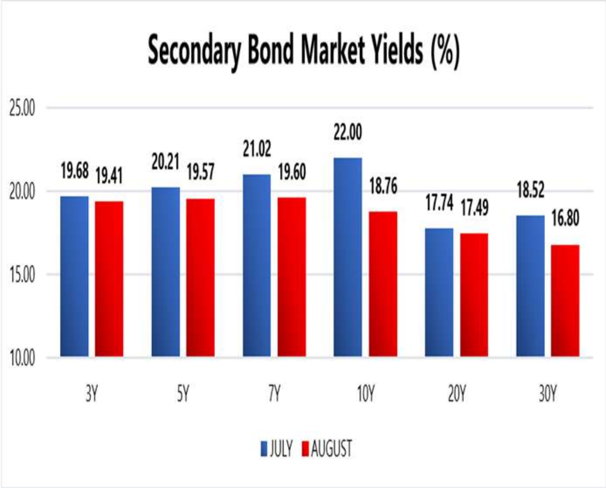


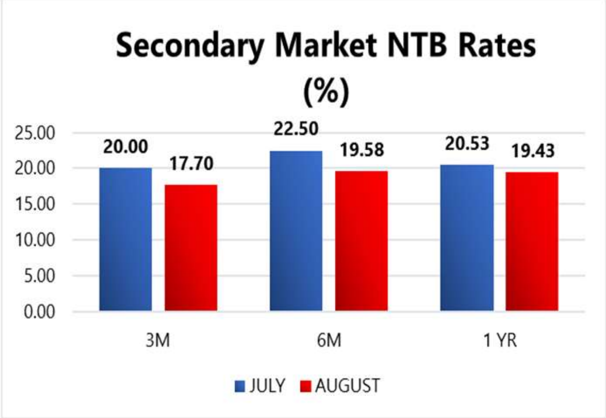


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Nigeria's fixed income market showed impressive resilience in August 2024, Contrary to our pessimistic outlook, . Despite worries about increasing yields driven by economic drawbacks, there was strong demand in both the Nigerian Treasury bills and FGN bonds spaces
- Evidently, average secondary market bond yields slid 80bps lower to close at 18.96%, whilst average discounted rates on NTBs plummeted by 318bps to 19.24%.
- This performance can be pegged to expectations of lower inflation and a less aggressive stance from the CBN.
- In other news, the DMO held an FGN bond auction during the month where up to N220.00bn worth of the 18.50% FGN FEB 2031, 19.30% FGN APR 2029, and 19.89 FGN MAY 2033 instruments were offered to auction participants (same as last month's offers). Eventually, the FGN sold approximately N374.75bn worth of these instruments to investors at respective stop rates of 20.90% (prev. 21.00%), 20.30% (prev. 19.89%) and 21.50% (prev. 21.98%). Subscription levels were 64% higher than the last auction's levels at N460.18bn, translating into a bid to offer ratio of 2.09x and a bid to cover ratio of 1.23x.





FIXED INCOME MARKET

- Additionally, there were two NTB PMAs conducted in August, where in a total of N626.07 worth of the 91DTM, 182DTM and 364DTM bills were rolled over and offered to investors. Ultimately, about N507.13bn worth of these bills were sold to investors at respective average stop rates of 18.35% (prev., 17.40%), 19.35% (prev. 18.47%) and 21.40% (prev. 21.67%). Furthermore, subscription levels reached N1.51trn, indicating a bid to offer ratio of 2.42x and a bid to cover ratio of 2.99x.
- In September, we expect sustained bullish sentiments in the fixed income market as market participants strive to re-invest their liquidity positions from N568.20bn in T-bill maturities and N600.99bn in bond coupon payments. 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

In August 2024, Headline inflation tapered slightly, though still high, driven by food and fuel prices. Also, the Naira's depreciation worsened due to foreign exchange shortages, further straining businesses and increasing the cost of imports. Furthermore, efforts to boost oil production faced delays, keeping fiscal revenues below target. Looking into September 2024, Nigeria's macroeconomic environment remains challenging as economic growth remains sluggish, with high living costs impacting consumer demand and business operations, thus prolonging the difficult economic climate. This is despite government reforms, including subsidy removals and tax policy adjustments.

EQUITY

In the coming month, the equities space is expected to remain volatile with a bearish bias influenced by extended sell offs by investors in favour of relatively attractive yields obtainable in the fixed income space. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We expect bullish sentiments to persist, in line with system liquidity. Thus, 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 – we expect yields to taper due to a liquid financial system, albeit remain at double digit levels.As such, we will continue to monitor its trend and take position in yields not less than rates obtainable in money market.

Money Market – As rates continue to dwindle, we will be strategic with our positions on the short end of the curve to maximize the most attractive rates and support our liquidity laddering strategy, whilst ensuring safety of funds.

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.