

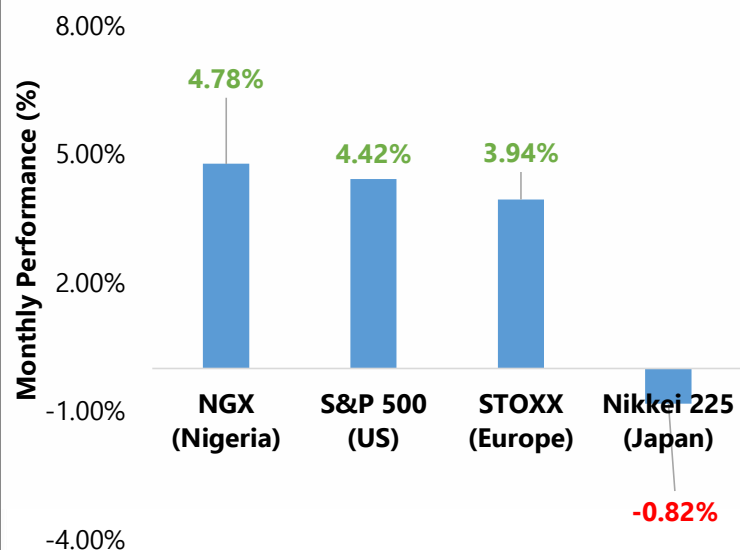
MONTHLY MARKET REVIEW AND FORECAST FOR DECEMBER 2023

TRUSTFUND PENSIONS LTD RESEARCH

J A N U A R Y 2 0 2 4

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

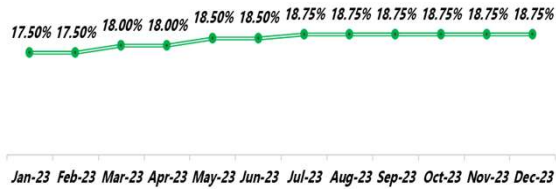
- Save for the NIKKEI 225 index, where ongoing economic weakness caused share prices to fall, global stock markets finished in green terrain driven by the December “Santa Rally”, and expectations of accelerated rate cuts in 2024, amid continued economic resilience.
- In the U.S, the FED retained interest rates at 5.25%-5.50% in December, after November 2023 inflation reduced to 3.1% y/y. this continued to boost U.S equity patronage.
- Speculations of an end to interest rate rises in the Eurozone boosted equity patronage, with the Real Estate and Information Technology sectors emerging as the top gaining sectors.
- Furthermore, lower Eurozone and U.S. inflation figures elicited hopes of peaked interest rates and rate cuts in 2024, which supported share prices.
- Additionally, bargain hunting activities on stocks with sound fundamentals in anticipation of corporate earnings releases, amid the December “Santa Rally” delivered a positive performance in the Nigerian stock market last month.

Source: Schroders, (2024), Pengana Capital Group, (2024) Trustfund Research, (2024)

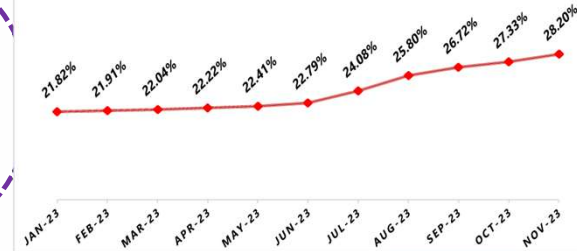
NIGERIAN MACRO REVIEW



MPR



CPI

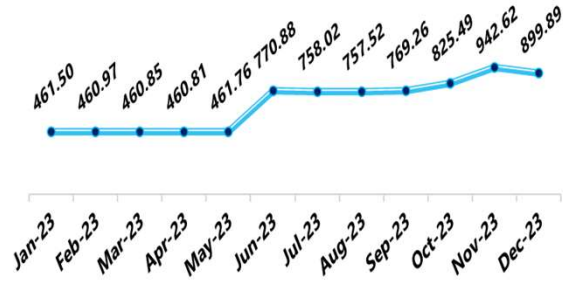


The Benchmark rate remained at 18.75% due to the non-convergence of the MPC following resignation of the CBN Governor and appointment of a new Governor along with other members of the Committee.

Headline Inflation accelerated further due to the continued pressure on the green back, cascading into food and energy prices. Hence, the Index climbed 72bps to 28.92% from 28.20% printed in November 2023. Food and Core inflation closed at 33.93% and 23.06% respectively.



FX RATE



RESERVE



The Naira appreciated by 4.53% at the official window, exchanging a dollar at N899.89 from N942.62 recorded at the end of November 2023. This could be attributed to low demand for dollars during the yuletide season amid increased diasporan inflows.

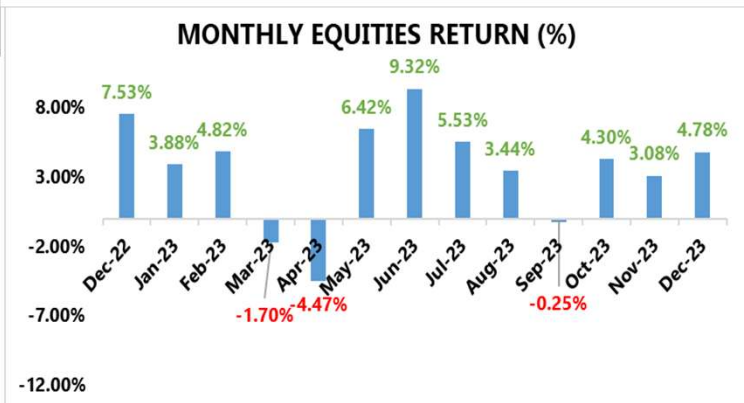
The External Reserve closed flat at \$33.02bn from \$33.00bn recorded in November 2023. This could be added to reduced pressure on dollar at the I & E window.

EQUITY MARKET



Bulls Remained Undefeated to Close the Year

- ✓ In the last month of the year, the NGX recorded a 4.78% gain and hit a Nigerian stock market milestone, closing at 74,773.77 index points.
- ✓ This was buoyed by sustained positive sentiments on NGX stocks during the Santa rally, which led to price appreciations in MTNN (+10.92%), TRANSCOHOT (58.06%), AIRTELAFRI (+4.83%) ACCESSCORP (+28.61%) and UBA (+20.14%)
- ✓ Consequently, the year closed with a gain of 45.90%.

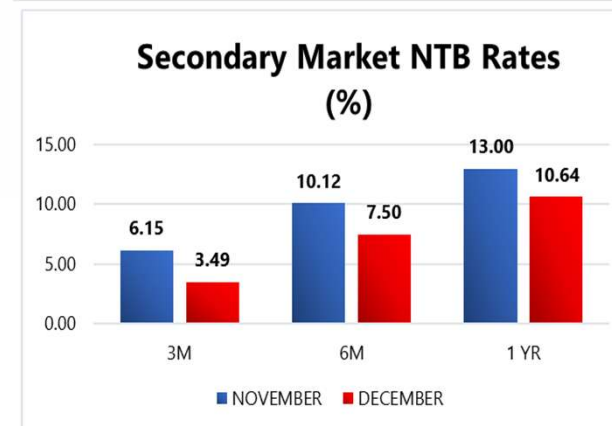
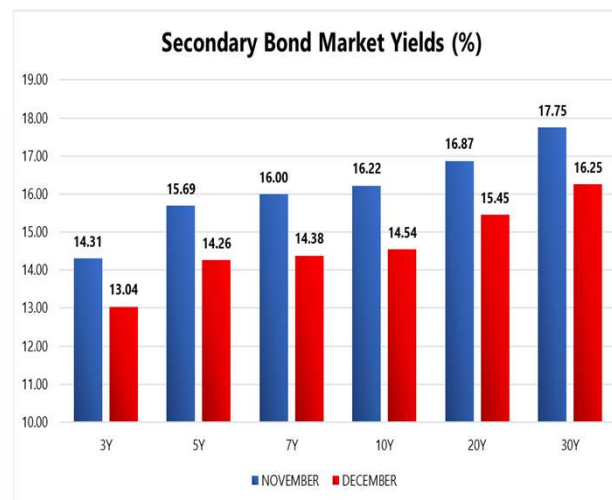


NGX Ticker	Mcap (N'bn)	Mcap (USD'mn)	Price (N)	MoM Return (%)	NGX Ticker	Mcap (N'bn)	Mcap (USD'mn)	MoM Return (%)
INFINITY	33.3	1818	8.0	347.8%	JULI	0.1	0.6	-25.3%
MULTIVERSE	72.5	395.8	17.0	210.5%	UACN	45.7	249.5	-15.7%
DAARCOMM	11.3	61.6	0.9	190.3%	ETRANZACT	30.5	166.3	-14.8%
SCOA	1.3	7.0	2.0	61.0%	OANDO	150.4	821.7	-11.0%
TRANSCOHOT	760.0	4152.1	100.0	58.1%	FTNCOCOA	4.4	24.0	-9.8%
UPDCREIT	16.5	90.4	6.2	43.8%	TRIPPLEG	1.4	7.7	-9.7%
UCAP	138.0	753.9	23.0	34.1%	TANTALIZER	0.0	0.0	-9.6%
CADBURY	44.1	241.1	23.5	33.8%	ELLAHLAKES	0.4	2.2	-7.3%
IKEJAHOTEL	16.6	90.5	8.0	29.9%	BUACEMENT	6083.7	33235.4	-6.7%
JAIZBANK	105.0	573.6	3.0	29.3%	DEAPCAP	1.2	6.6	-6.5%

Source: Bloomberg/TFP Research

FIXED INCOME MARKET

- In the December, the fixed income market recorded a bullish close as yield declines were observed along the bond and NTB curves.
- For instance, average bond yields were down by 159bps to close at 14.13%, whilst discounted rates on NTBs shed 359bps to close the year at 5.98%.
- This performance can be pegged to the market's reactions to lower stop rates at primary auctions, amid lower volumes of instrument offers.
- In December's bond auction, the DMO offered approximately N360.00bn worth of the 14.55% FGN APR 2029, 14.70% FGN JUN 2033, 15.45% FGN JUN 2038, and 15.70% FGN JUN 2053 instruments- N90.00bn each- through re-openings. Eventually, about N273.63bn was sold to auction participants at respective stop rates of 15.50% (prev. 16.00%), 16.00% (prev. 17.00%), 16.50% (prev. 17.50%) and 17.15% (prev. 18.00%). Notably, there was a 99% increase in subscription levels to N886.41bn (prev. N445.30bn), translating into a bid to offer ratio of 2.46x and bid to cover ratio of 0.76x.
- Regarding NTBs, the DMO held two auctions last month where a total of N80.60bn worth of the 91DTM, 182DTM and 364DTM bills were offered to market participants. Eventually, approximately N580.60bn worth of these bill were sold to investors at respective average stop rates of 6.63% (prev. 7.50%), 10.50% (prev. 11.50%) and 12.87% (prev. 16.75%). Notably, subscription levels reached N2.61bn, translating into a bid to offer ratio of 32.4x and a bid to cover ratio of 4.5x.



FIXED INCOME MARKET



- Next month, we expect traders to remain cautious as they await the release of the Q1'24 bond calendar, as well as monetary policy guidance from the apex bank .Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

MARKET OUTLOOK AND STRATEGY



The short run outlook for the economy remains bleak owing to several factors, including Naira depreciations that could pressure consumer spending and contribute to higher inflation, and the petrol subsidy reform that pressured 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 anticipated improved FX supply, 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 clear.

E Q U I T Y

We expect bullish trading in Q1'24 as market players position in stocks with sound fundamentals in time for earning's season. 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 will continue to monitor market trends and 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 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.