

MONTHLY MARKET REVIEW AND FORECAST FOR JANUARY 2024

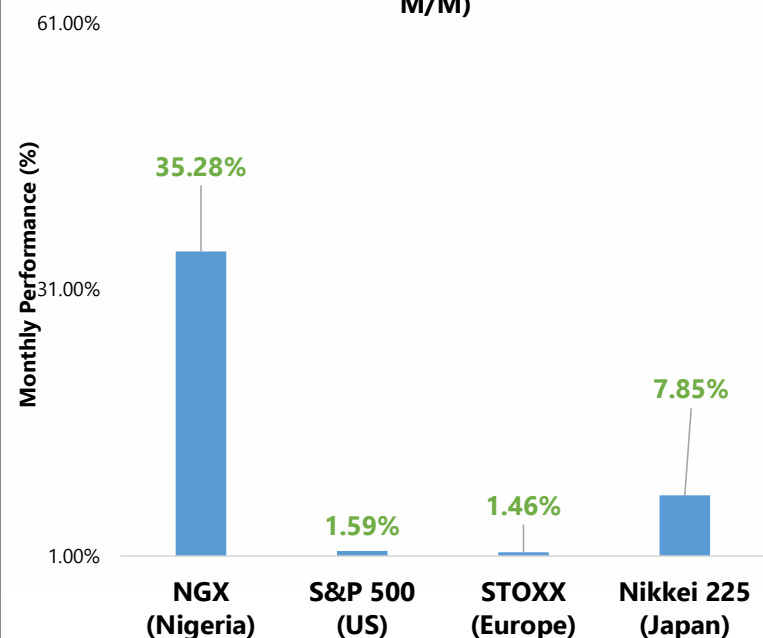
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GLOBAL MARKET REVIEW

GLOBAL MACRO MOVERS FOR THE MONTH

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



- Global shares started off the year strong, making 3 consecutive growth periods.
- U.S shares saw gains supported by impressive corporates earnings results, together with indicators of economic growth, including a 3.3% annualized GDP growth rate. Furthermore, general hopes of impending rate cuts by the Fed also boosted market sentiments.
- In Europe, the market posted a 1.46% MoM gain driven by positive sentiments in the Information Technology sector and the Communications sector. High demand for quality chip-making equipment led to a robust gain on semiconductor equipment stocks in the IT sector.
- The Nikkei 225 index of Japan soared in January driven by foreign investor patronage on large cap stocks on the expectations of structural changes in Japan, such as the NISA (Nippon Individual Savings Account) for Japanese retail investors.
- In Nigeria, bargain hunting activities and strategic positioning ahead of 2023FY earnings results, amid residual positive sentiments from last year spurred the bullish performance of the bourse for the month.

*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

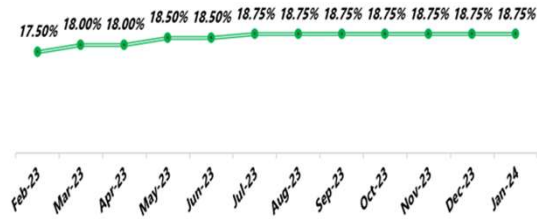
**S&P 500 tracks top 500 companies in USA

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

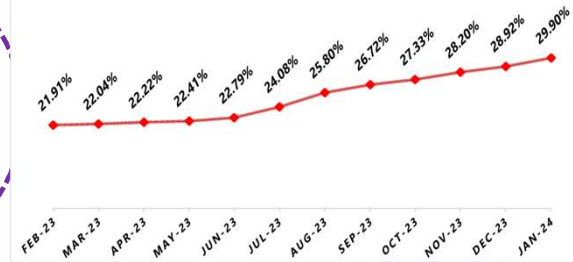
NIGERIAN MACRO REVIEW



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 98bps to 29.90% from 28.92% printed in December 2023. Food and Core inflation closed at 35.41% and 23.59% respectively.



FX RATE



RESERVE



The Naira depreciated by 50.84% at the official window, exchanging a dollar at N1,357.38 from N899.89 recorded at the end of December 2023. This was attributed to increased demand for dollars amid low supply.

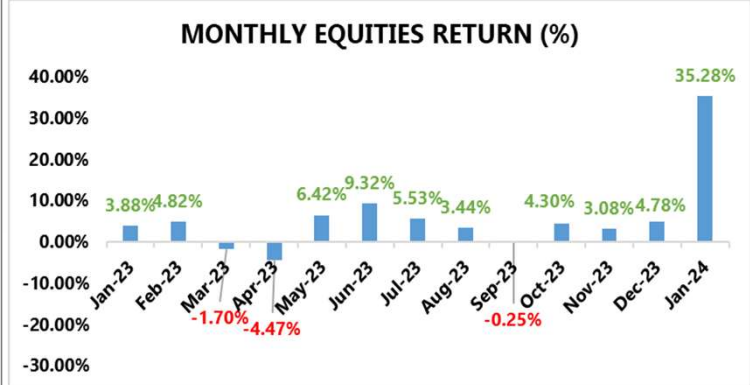
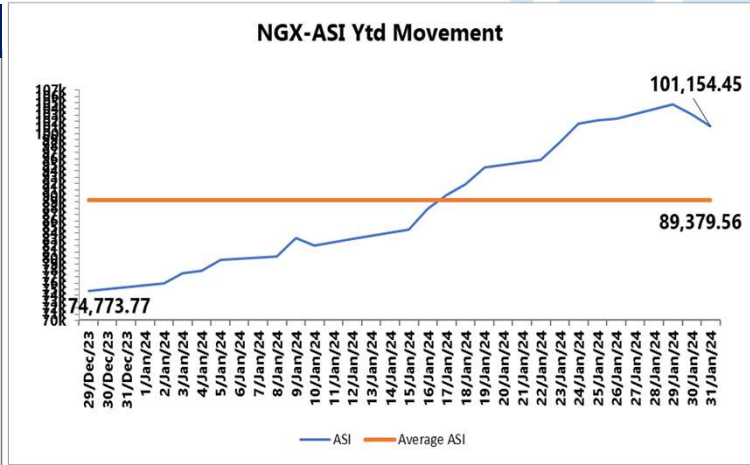
The External Reserve increased by 100bps to close the month at \$33.35bn from \$33.02bn printed in December 2023. This was due to increased inflow resulting from an uptick in crude oil production during the period.

EQUITY MARKET



Bulls Remained Undefeated to Close the Year

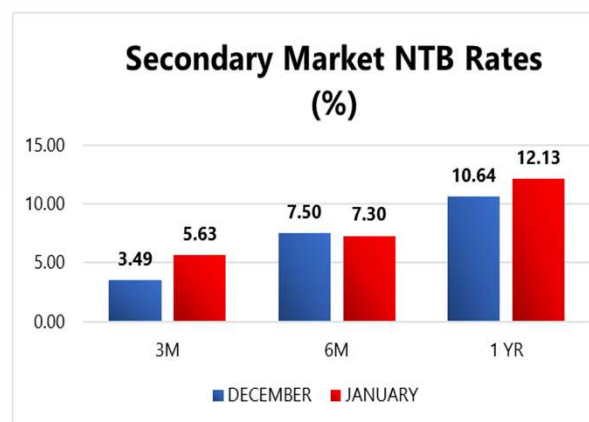
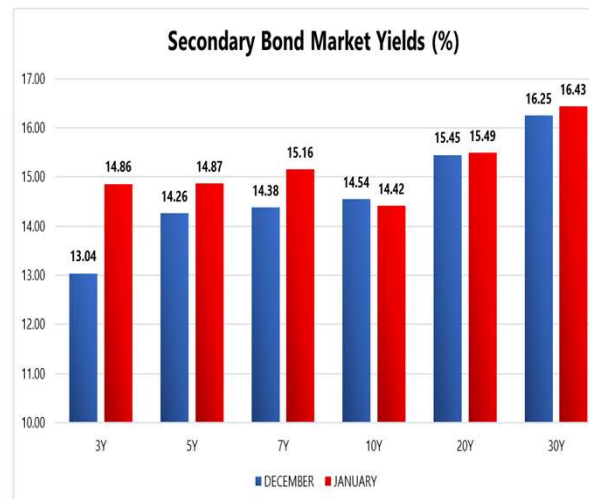
- ✓ The equities market opened the year on a positive note recording a new historical milestone to cross the 100,000 points psychological mark and close at 101,154.13 index points.
- ✓ Consequently, the NGX ALSI recorded a return of 35.28%. This was largely supported by buy interests witnessed in DANGCEM (+138.51%), BUACEMENT (+90.72%), BUAFOODS (+40.54%) GEREGU (+42.36%) and SEPLAT (+33.10%).
- ✓ Notably, the bullish performance of the equities space was despite a 36bps MoM increase in FGN bond yields to 14.49 at the end of January 2024. thus, it can be agreed that the bullish sentiments in the local stock bourse was spurred by bargain hunting activities and strategic positioning ahead of 2023FY earnings results, amid residual positive sentiments from last year.
- ✓ From a sectorial standpoint, all major indices in our purview recorded gains, barring the banking sector, which fell by 3.37% MoM from declines on ZENITHBANK (-9.18% MoM), UBA (-4.87% MoM), and ACCESSCORP (-1.94% MoM).
- ✓ The industrial goods index led the pack with a 107.86% gain driven by price appreciations in DANGCEM (+138.51% MoM), BUACEMENT (+78.35% MoM), and TRIPPLEG (+71.16% MoM).
- ✓ Furthermore, the consumer goods (+24.33% MoM), and Oil and Gas (+19.96% MoM) both closed positive buoyed by gains in BUAFOODS (+47.36% MoM), UNILEVER (+26.01% MoM), ETERNA (+42.96% MoM) and SEPLAT (+35.28% MoM).



Source: Bloomberg/TFP Research

FIXED INCOME MARKET

- In January, the fixed income market recorded a bearish close as yield expansions were observed along the bond and NTB curves.
- For instance, average bond yields were up by 36bps to close at 14.49%, whilst discounted rates on NTBs gained 258bps to close the year at 8.56%.
- This performance can be attributed to investors' continued patronage of the equities space. This in addition to heightening inflation levels further exerted pressure on yields upwards.
- In January's bond auction, the DMO offered approximately N360.00bn worth of the 16.2884% FGN MAR 2027, 14.55% FGN APR 2029, 14.70% FGN JUN 2033 and 15.45% FGN JUN 2038 bond instruments- N90.00bn each- through re-openings. Eventually, about N418.20bn was sold to auction participants at respective stop rates of 15.00% (prev. 15.50%), 15.50% (prev. 16.00%), 16.00% (prev. 16.50%) and 16.50% (prev. 17.15%). Notably, subscription levels reached to N604.56bn translating into a bid to offer ratio of 1.68x and bid to cover ratio of 1.45x.
- Regarding NTBs, the DMO held two auctions last month where a total of N288.37bn worth of the 91DTM, 182DTM and 364DTM bills were offered and sold to market participants at respective average stop rates of 3.72% (prev. 6.63%), 5.69% (prev. 10.50%) and 9.97% (prev. 12.87%). Notably, subscription levels reached N2.23trn, translating into a bid to offer and bid to cover ratio of 7.72x.



FIXED INCOME MARKET



- Next month, we expect traders to remain cautious as they await the release of the Feb'24 bond calendar, as well as monetary policy guidance from the apex bank, ahead of the forthcoming MPC meeting .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 foresee mixed trading with a bearish bias next month in line with historical trading patterns observed at the beginning of the year. This is based on the expectation of profit taking activities on rallied tickers from December's "Santa Rally". All the same, we anticipate bullish trading in Q2'24 as players position in stocks with sound fundamentals ahead of 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 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.