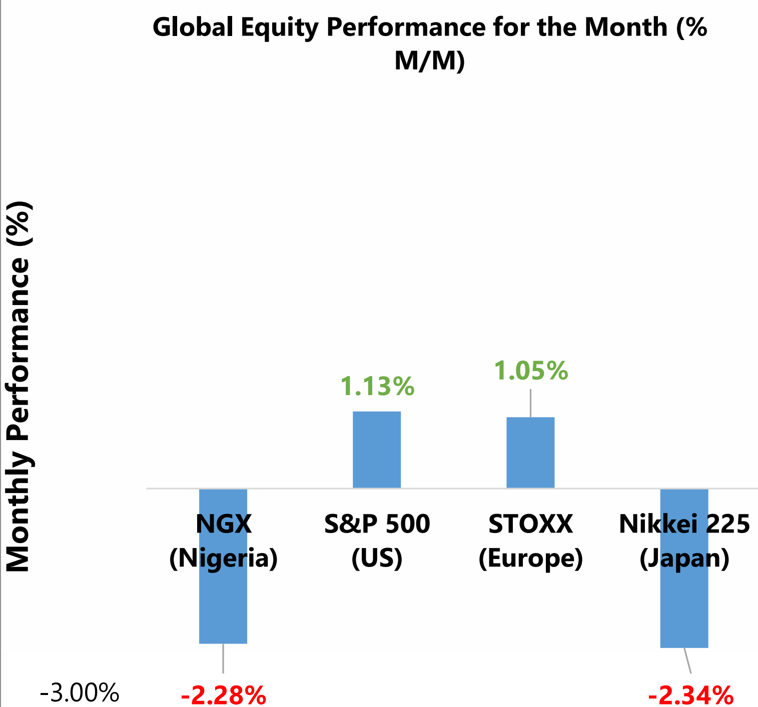
MONTHLY MARKET REVIEW AND FORECAST
FOR JULY 2024

TRUSTFUND PENSIONS LTD RESEARCH

AUGUST 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*

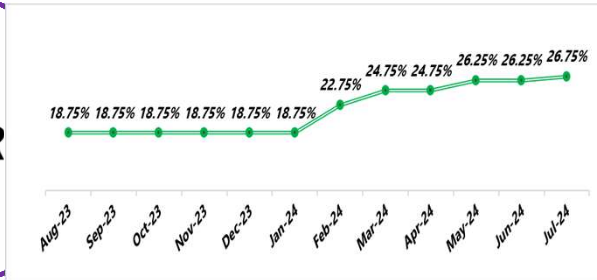
GLOBAL MACRO MOVERS FOR THE MONTH

- In July, global markets posted mixed returns with the U.S. and European markets closing positive, whilst the Nigeran and Japanese case was the reverse.
- In the U.S., shares rose, with investors favouring value stocks over growth stocks. Also, Smaller companies outperformed, while tech and consumer discretionary sectors lagged. Furthermore, the Fed held rates steady, hinting at a potential cut amid easing inflation and thus fuelling market patronage.
- European shares made modest gains in July, driven by the healthcare, utilities, and real estate sectors, while the consumer discretionary and information technology sectors posted losses. Strong earnings boosted healthcare, but weak consumer demand hurt luxury goods and autos.
- The Japanese market experienced volatility in July and ultimately succumbed to bearish sentiments by the end of the month. It can be agreed that these sentiments were driven my market speculation as opposed to developments in corporate fundamentals.
- In Nigeria, profit taking activities on some large cap stocks contributed to the overall decline witnessed in July.

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

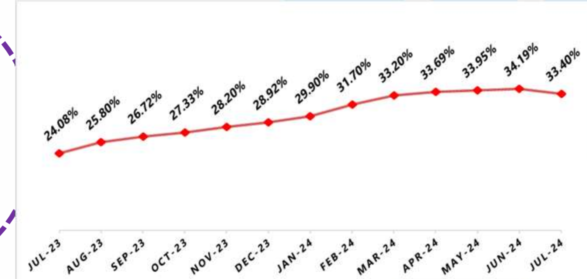
NIGERIAN MACRO REVIEW

MPR



The Monetary Policy Committee (MPC) maintained its hawkish stance with a 50bps increase in the MPR to 26.75%. The Committee's decision was hinged on the increasing pace of rising inflation. Nonetheless, the Committee expressed optimism for moderation in near term.

CPI

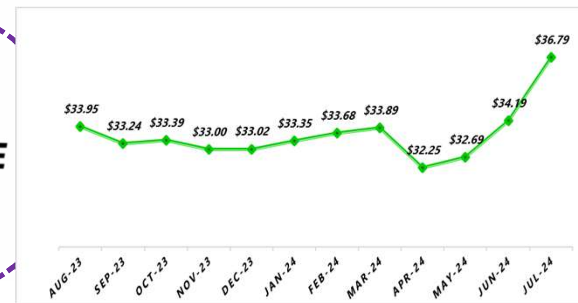


In a favourable turn of events, headline inflation decelerated in July due to the reduced pressure on food prices. Hence, the Index decreased by 79bps to 33.40% from 34.19% printed in June 2024. Food and Core inflation closed at 39.53% and 27.47% respectively.

FX RATE

There was persistent pressure in the FX market as the Naira continued to weakens against the U.S. Dollar. The Naira depreciated by 9.59% to N1,611.71 from N1470.69 printed in June 2024. This could be ascribed to the heightened demand for the dollar during the month.

RESERVE



The External Reserve sustained its upward trajectory as the Nation's Reserve advanced by 7.60% to close July 2024 at $36.79bn from $34.19bn recorded in June 2024. This was on the back of increased Diasporan inflows and capital importation.

trustfund PENSIONS

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

EQUITY MARKET

Profit Taking Strains the NGX ALSI Below the 100,000 Mark

✓ It was a tough month for the Domestic bourse as the NGX ALSI dipped by 228bps to close at 97,774.22 index points.

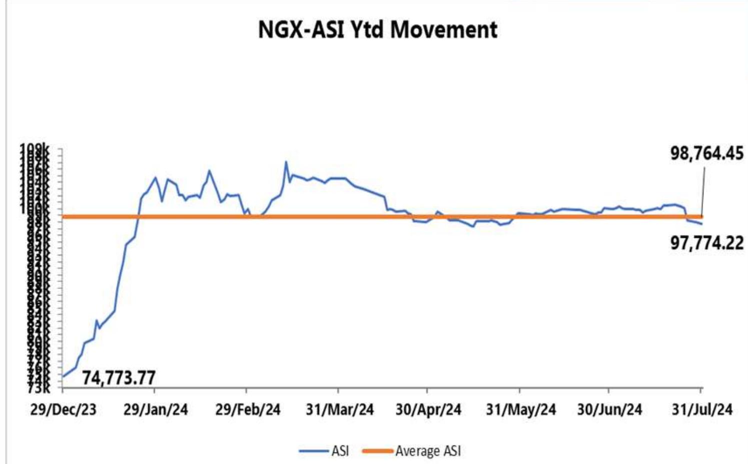
✓ This performance was mainly driven by sour investor sentiments towards the banking sector (-3.47%), stemming majorly from the FGN's recent plans to impose a windfall tax on banks' foreign exchange revaluation gains due to the currency liberalization policy.

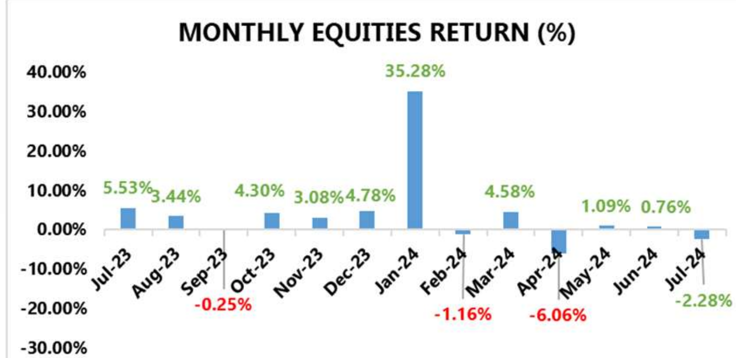
✓ In addition, the CBN's restrictive policy stance can be seen as a contributing factor to the negative performance of the bourse as investors continue to migrate to the fixed income market in search of higher yields, thereby leading to reduced equity space activity.

✓ Furthermore, less than desired Q2'24 earnings results of some tickers, particularly in the Consumer goods (-3.85%) sector, influenced the bearish sentiments in the market.

✓ Moreover, losses in the Industrial goods index (-5.58%) buoyed by significant share price depreciations in BERGER (-10.00% MoM), DANGCEM (-9.99% MoM), and CAP (-0.14% MoM) also drove the overall ASI loss in July.

✓ In contrast, the Oil and Gas index was the sole gainer of the indices under our purview, expressing a 4.81% gain driven by substantial gains in CONOIL (+37.14% MoM) and ETERNA (+18.75% MoM).

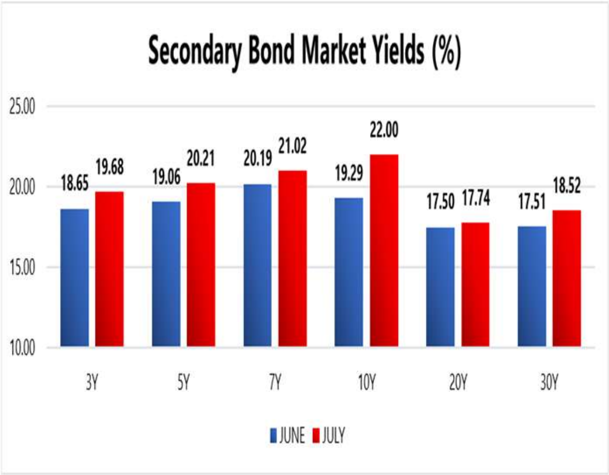


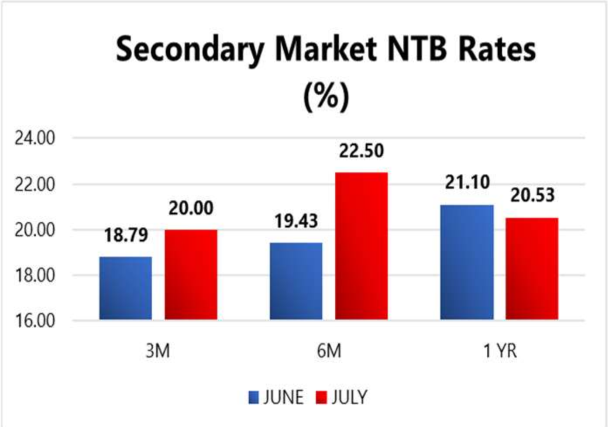


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Bearish sentiments prevailed in the secondary fixed income market in July, markedly influenced by the persistent hawkish stance adopted by the apex bank, which prompted investors to align their portfolios according to the prevailing benchmark rate.
- To illustrate, average bond yields gained 101bps to close at 19.76%, whilst average discounted rates on NTBs soared by 263bps to 22.43%.
- In other news, the DMO held an FGN bond auction during the month where up to N300.00bn 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. Eventually, the FGN sold approximately N74.29bn less than what was offered to investors at respective stop rates of 21.00% (prev. 20.19%), 19.89% (prev. 19.64%) and 21.98% (prev. 21.50%). Akin to the previous FGN bond auction, subscription levels were below offer levels at N279.66bn, translating into a bid to offer ratio of 0.93x and a bid to cover ratio of 1.24x.
- Additionally, there were two NTB PMAs conducted in July, where in a total of N444.07 worth of the 91DTM, 182DTM and 364DTM bills were rolled over and offered to investors. Ultimately, about N485.23bn worth of these bills were sold to investors at respective average stop rates of 17.40% (prev., 16.37%), 18.47% (prev. 17.46%) and 21.67% (prev. 20.62%). Furthermore, subscription levels reached N682.61, indicating a bid to offer ratio of 1.54x and a bid to cover ratio of 1.41x.





FIXED INCOME MARKET

- Next month, we expect sustained bearish sentiments in the fixed income market, particularly at the short end of the yield curve, with the potential for a slight increase in current levels as the CBN's continuous rate hikes, aimed at controlling inflation, are the primary factors contributing to the higher yields in this market. This expectation is despite the anticipated moderate liquidity injection from N114.82 billion in NT-bills maturities and NGN431.19 billion in bond coupon payments. Additionally, the FGN is planning to issue USD500 million in domestic foreign currency-denominated bonds in the coming weeks. These bonds, offered at competitive yields, could attract investors and potentially aid the apex bank in its efforts to stabilize the exchange rate. Nonetheless, these are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

MARKET OUTLOOK AND STRATEGY

In July 2024, Nigeria faced high inflation driven by rising food and fuel prices, with the CBN maintaining high interest rates to combat it. The government's reduction of fuel subsidies increased prices, causing public discontent but aimed at fiscal stability. The oil sector saw fluctuating production, while agriculture and tech sectors showed resilience. Looking to August 2024, inflation may slightly ease, but economic challenges persist. The government's diversification efforts, especially in agriculture and tech, could stabilize growth. However, high borrowing costs and the full impact of subsidy removal will remain key concerns for businesses and consumers.

EQUITY

In the coming month, the equities space is expected to remain volatile influenced by extended profit taking activities in addition to investor sell-downs on banking stocks ahead of the Rights issues by different banks due to the ongoing bank recapitalization exercise . Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We expect bearish sentiments to persist, in line with inflation and MPR levels. 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 – with current double digit yield levels, we will continue to monitor its trend and take position in yields not less than rates obtainable in money market.

Money Market – at the current high-rate environment, 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.