

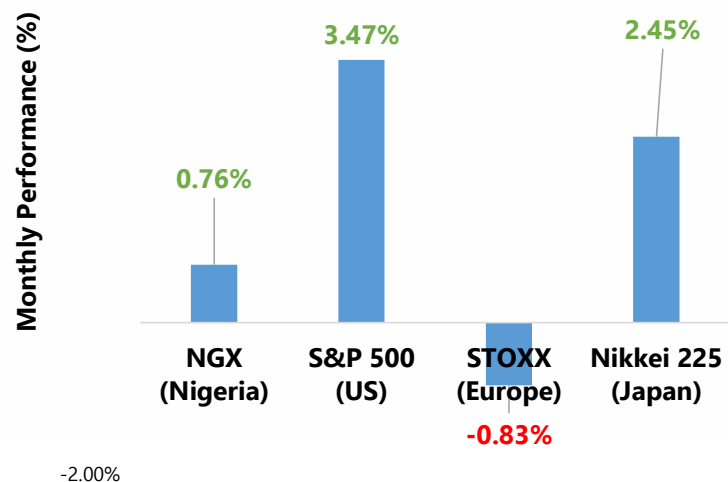
# MONTHLY MARKET REVIEW AND FORECAST FOR JUNE 2024

TRUSTFUND PENSIONS LTD RESEARCH

# GLOBAL MARKET REVIEW

## GLOBAL MACRO MOVERS FOR THE MONTH

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



- Global stocks extended their positive performances from the previous month, save for European stocks, on the back of some impressive corporate earnings releases as well as optimism surrounding near term interest rate cuts in some regions.
- U.S. stocks rallied due to some strong corporate earnings releases, together with hopes of interest rate cuts in the future. The most rallied sectors were the information technology, utilities, and communication services sectors.
- In Europe, stocks expressed negative performances on the back of uncertainty caused by the announcement of parliamentary elections in France and dwindling expectations for steep interest rate cuts
- In Japan, the Q2'24 earnings season that was characterized by stronger-than-expected results with Japanese companies expressing sales growth, pricing power, and cost control, leading to improved corporate profitability boosted market sentiments. However, market sentiment was weighed down by conservative earnings guidance from company management for the new fiscal year
- In Nigeria, bargain hunting activities ahead to the Q2'2024 earnings season, amid the ongoing bank recapitalization exercise, drove positive sentiments.

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

\*NGX – Nigerian Stock Exchange Mainboard Index

\*STOXX Europe 600 – Index that tracks top 600 companies across Europe

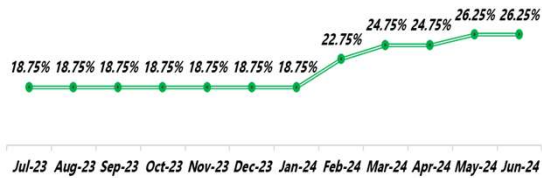
\*Nikkei 225 tracks top 225 large companies across sectors in Japan

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

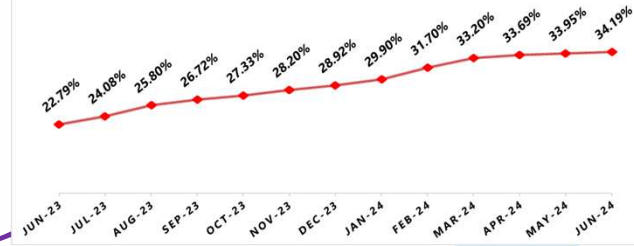
# NIGERIAN MACRO REVIEW



## MPR



## CPI

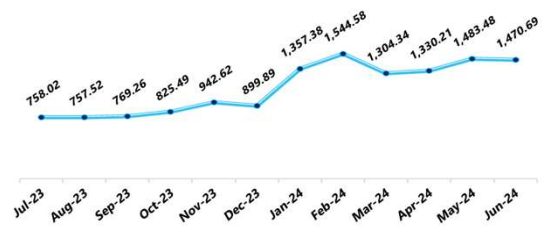


The MPR remains at 26.25% pending the next MPC meeting, which is scheduled for 22<sup>nd</sup> and 23<sup>rd</sup> July 2024. We expect an additional hike in the MPR as the apex bank persists its course to rein in rising inflation.

Headline Inflation accelerated further due to the continued pressure on food and energy prices. Hence, the Index climbed 24bps to 34.19% from 33.95% printed in May 2024. Food and Core inflation closed at 40.87% and 27.40% respectively.



## FX RATE



## RESERVE



The exchange rate inched up by 86bps MoM. During the month, the Naira was exchanged for the Dollar at N1470.69 from N1483.48 printed in previous month at the NAFEM window. This could be ascribed to lower demand for the dollar during the month.

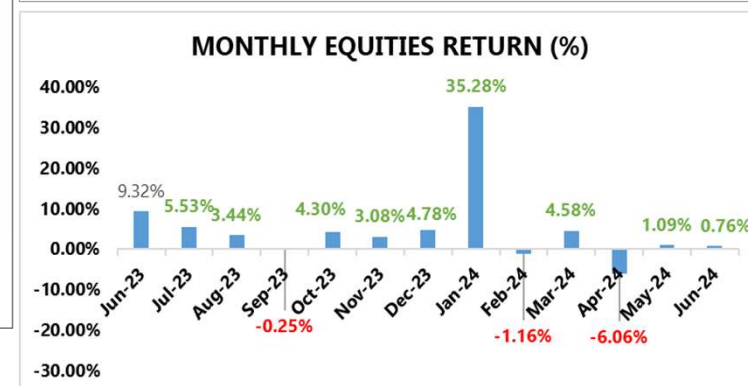
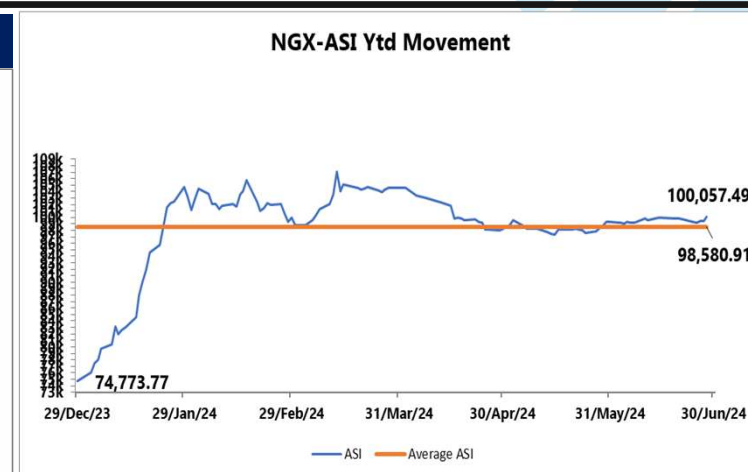
The External Reserve sustained an upward trajectory as the Nation's Foreign Reserve advanced by 4.59% to close H1 2024 at \$34.19bn from \$32.69bn recorded in May 2024. This was on the back of increase in price of crude and sale of gold at the London Market.

# EQUITY MARKET



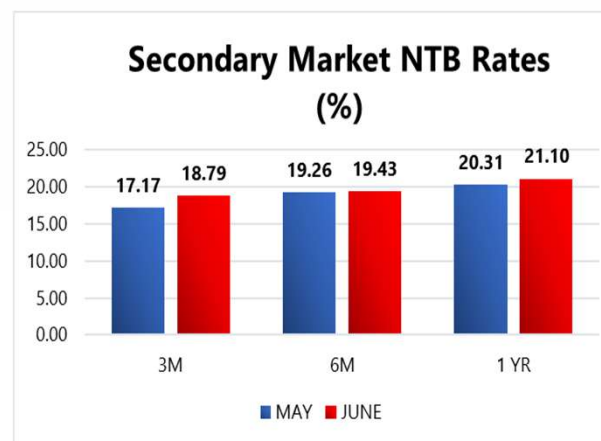
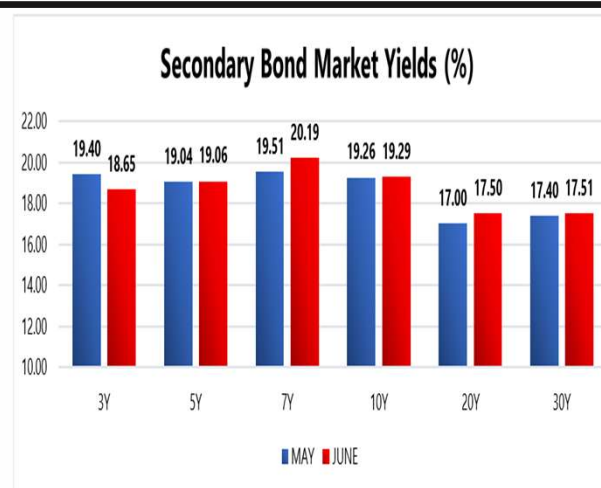
## Local Bourse Extends its Bullish Streak

- ✓ The NGX ALSI closed positive in June by crossing the 100,000 mark, thus recording a 0.76% increase MoM to close at 100,057 index points.
- ✓ This performance can be pegged to investors bargain hunting activities in anticipation of Q2'2024 earnings season in addition to sentiments surrounding the ongoing bank recapitalization exercise.
- ✓ From a sectoral standpoint under our purview, the Oil & Gas index led the gainers with an 11.32% MoM increase buoyed by gains in SEPLAT (+11.29%).
- ✓ Following closely was the Banking sector (+4.12% MoM) riding on gains in GTCO (+12.50% MoM) and ZENITHBANK (+8.18% MoM) outweighing losses in FBNH (- 6.61% MoM).
- ✓ The Consumer good index also recorded a positive performance with a 1.11% MoM gain on the back of impressive gains on PRESCO (+32.56% MoM).
- ✓ Lastly, the Industrial goods sector narrowly crossed to positive terrain with a 3bps MoM gain at the end of the month.



# FIXED INCOME MARKET

- Last month's bullish run was reversed in June as minimal activity was recorded during the month resulting from market participants' cautiousness in anticipation of the primary auction that was held towards the end of the month. This was in addition to market players' focus on the equities' space as a fallout of the ongoing bank recapitalization exercise.
- As such, average bond yields gained 7bps MoM to close at 18.75%, whilst average discounted rates on NTBs were up by 50bps MoM to settle at 19.80% as a result of liquidity pressures in addition to investors' reactions to the NTB PMA results for that month.
- At the FGN bond PMA held during the month, stop rates inclined, whilst allotment and subscription volumes dipped as the DMO re-opened and offered the 5-year, 7-year and 9-year instruments in at N150.00bn each. Eventually, about N297.01bn was sold to auction participants at respective stop rates of 19.64% (prev.19.29%), 20.19% (prev. 19.75%) and 21.50% (prev. 19.89%). Notably, subscription levels stood at N305.30bn translating into a bid to offer ratio of 0.68x and bid to cover ratio of 1.03x.
- It can be agreed that the higher stop rates offered at the auction were part of the FGN's efforts to encourage investor participation at the PMA, especially foreign investors, to raise needed funds and further diversify the country's source of funds.



# FIXED INCOME MARKET



- In June, the DMO held three auctions where a total of N494.07 worth of the 91DTM, 182DTM and 364DTM bills were offered to auction participants. Interestingly, the auctions were 33% oversubscribed a total subscription levels reached N1.8trn despite tight system liquidity. It can be asserted that investors' desires for high returns drove the outcome of the auctions. Eventually, the DMO sold instruments totaling N617.62bn at respective average stop rates of 16.37% (prev. Nil), 17.46% (prev. 17.23%) and 20.62% (prev. 20.70%).
- 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.

# MARKET OUTLOOK AND STRATEGY



Though currently challenging, the growth driven Fiscal (PMS Deregulation, Debt reduction & restructuring), Monetary (FX market liberalization and Orthodox monetary policy) and Sectoral (Bank recapitalization and Dry season farming) reforms initiated by the current administration offer a sliver of hope to the country's mid to long term economic outlook. If successful, these policies are expected to drive economic growth by easing commodity price and inflationary pressures through enhanced production means; and an improved business environment, which is expected to attract foreign investments and support economic growth.

## EQUITY

In the coming month, the equities space is expected to extend its bullish streak as a knock-on effect of 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 view of investors' focus on the equities space. 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.