



MONTHLY MARKET REVIEW AND FORECAST FOR MARCH 2024

TRUSTFUND PENSIONS LTD RESEARCH

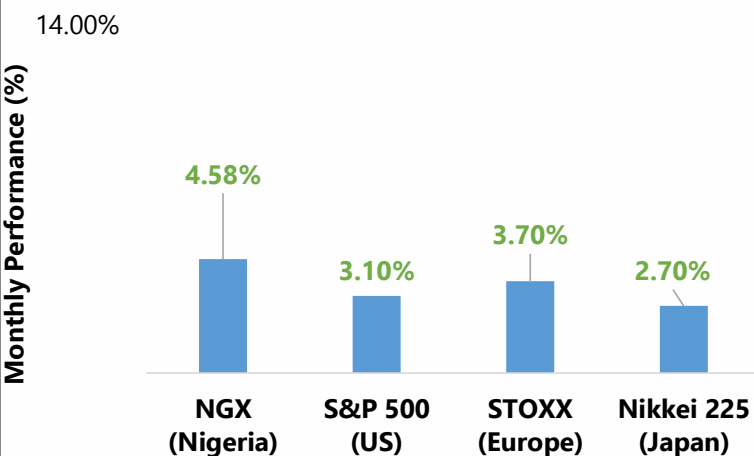


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GLOBAL MARKET REVIEW

GLOBAL MACRO MOVERS FOR THE MONTH

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



- Global stock markets expressed positive sentiments in March mainly on account of favourable economic data.
- U.S shares continued to post positive results largely due to ongoing economic resilience, evidenced by the upward revision of its annualized Q4'23 GDP growth rate.
- In Europe, the positive close can be attributed to continued optimism on demand for A.I technology, improved business activity and slowed inflation.
- With regards to the Nikkei 225 index, the bullish performance was underpinned by increased foreign investor participation and patronage of large cap stocks, impressive corporate earnings releases amid positive revisions of same for both the current and the next fiscal years and the optimism surrounding the possibility of increased earnings to some Japanese companies (specifically those with pricing power) supported by thecurrent inflationary environment.
- In Nigeria, the TRANSPower listing and value hunting ahead of the season's corporate disclosures.

*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

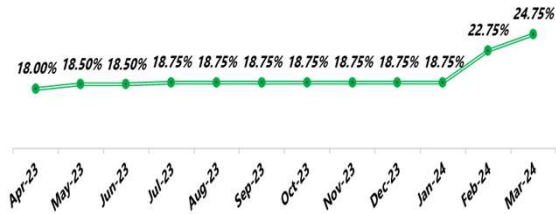
**S&P 500 tracks top 500 companies in USA

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

NIGERIAN MACRO REVIEW



MPR



CPI

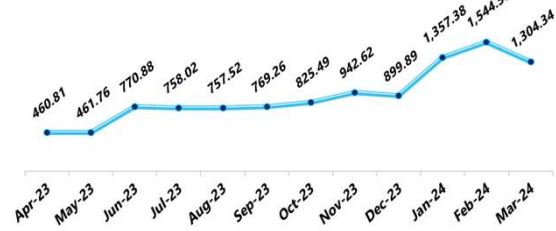


The MPC maintained a hawkish stance by calling a 200bps hike in the MPR to 24.75%. The Committee hinged its decision on the need to reign in rising inflation and curb the exchange rate volatility.

Headline Inflation accelerated further due to the continued pressure on food and energy prices. Hence, the Index climbed 150bps to 33.20% from 31.70% printed in February 2024. Food and Core inflation closed at 40.01% and 25.90% respectively.



FX RATE



RESERVE



The Naira strengthened against the dollar in March by gaining 15.55% against the dollar to close at N1,304.34 from N1,544.48. This was attributed to several interventions and policies by the CBN to enhance the value of Naira.

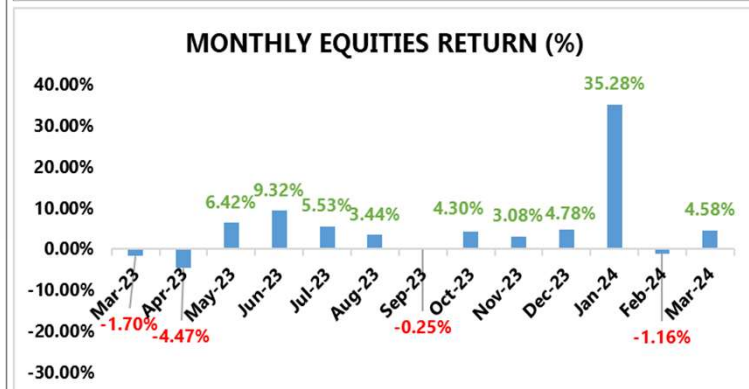
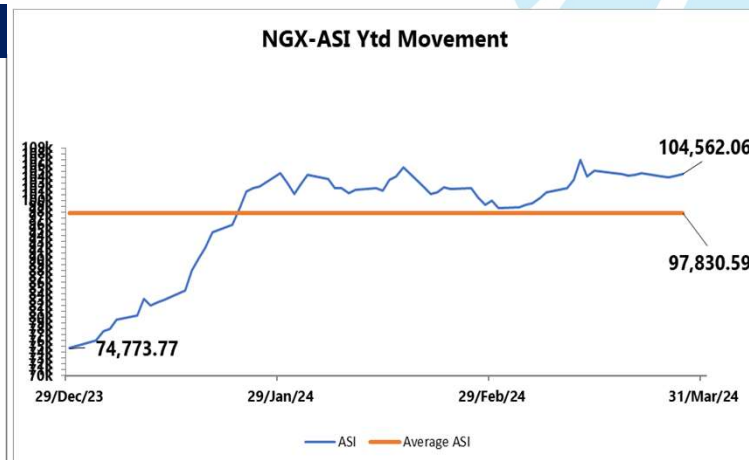
The External Reserve recorded a \$0.21bn increase to close the month at \$33.89bn from \$33.68bn recorded in the previous month. This was due to increased inflows, resulting from crude oil price and volume upticks during the period.

EQUITY MARKET



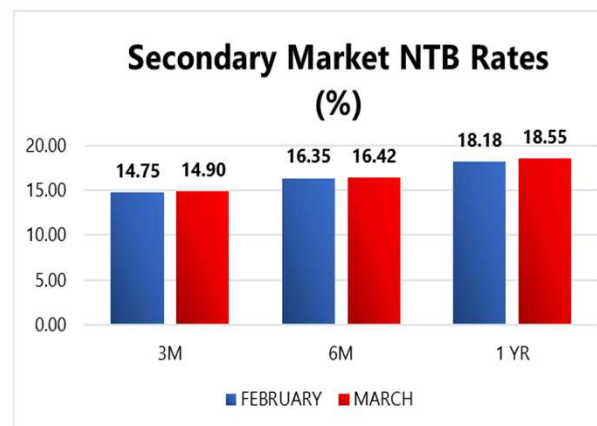
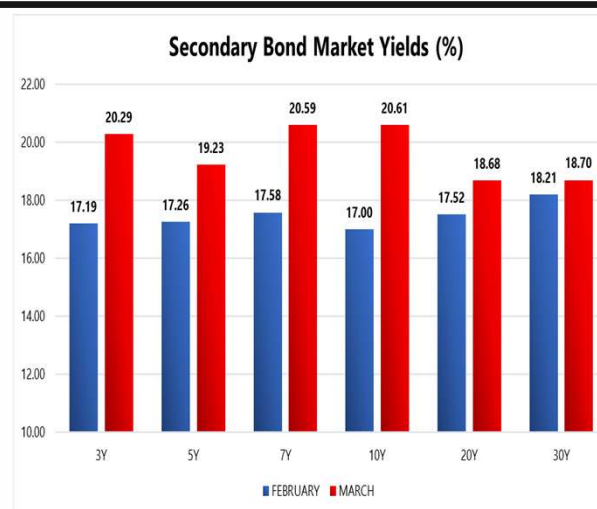
TRANSPower Listing Ahead of Corporate Disclosures Boosts Equity Performance

- ✓ The Domestic bourse rebounded in March, largely underpinned by the TRANSPower listing and value hunting ahead of the season's corporate disclosures.
- ✓ Consequently, the NGX ALSI recorded a MoM gain of 4.58% at the close of March 2024, leading to a 39.84% YTD return close.
- ✓ This performance is mainly attributable to gains on TRANSPower (+42.80% MoM), GTCO (+32.58% MoM), ZENITHBANK (+27.14% MoM), FBNH (+27.42% MoM) and ACCESSCORP (+27.94% MoM).
- ✓ From a sectoral standpoint, performance was quite mixed with a negative bias as the Banking sector was the only index under our purview to record a gain (+21.21% MoM), spurred by gains in GTCO (+32.58% MoM), ZENITHBANK (+27.14% MoM), FBNH (+27.42% MoM) and ACCESSCORP (+27.94% MoM).
- ✓ Conversely, the Industrial goods index closed in negative terrain, driven by losses in BERGER (-9.80% MoM) and BUACEMENT (-4.53% MoM).
- ✓ Similarly, the Oil & Gas index recorded a monthly decline stemming mainly from losses in CONOIL (-10.00% MoM).
- ✓ In the same vein, the Consumer goods index closed bearish following losses in VITAFOAM (-21.37% MoM), NASCON (-13.71% MoM) and NNFM (-9.97% MoM) which offset gains in FLOURMILL (+27.66% MoM), PZ (+23.78% MoM), and HONEYFLOUR (+11.43% MoM).



FIXED INCOME MARKET

- In March, the fixed income market sustained upward movements in yields as the CBN maintained its policy tightening efforts in a bid to curb inflation, tackle excess system liquidity and by extension, provide attractive fixed income investment outlets to market participants- especially foreign investors.
- This was evident in the hawkish stance adopted by the apex bank with an additional 400bps hike in the MPR to 24.75%.
- Consequently, average bond yields gained 219bps to close at 19.41%, whilst average discounted rates on NTBs advanced by 70bps to 16.14%.
- For instance, average bond yields were up by 219bps to close at 19.41%, whilst discounted rates gained 70bps in the average to close at 16.41%.
- In this month's bond auction, the DMO offered N450.00bn worth of the 19.94% FGN MAR 2027 (New Issue), 18.50% FGN FEB 2031 (Re-opening) and 19.00% FGN FEB 2034 (re-opening) bond instruments- N150.00bn each. Eventually, about N475.67bn was sold to auction participants at respective stop rates of 19.94% (prev. Nil), 20.00% (prev. 18.50%) and 20.45% (prev. 19.00%). Notably, subscription levels reached to N615.01bn translating into a bid to offer ratio of 1.37x and bid to cover ratio of 1.29x.



FIXED INCOME MARKET



- Furthermore, the DMO conducted a special bond auction targeted at foreign investors in a bid to boost foreign portfolio investments in Nigeria and diversify the country's sources of funds. At this auction, the DMO offered and sold approximately N2.36trn worth of the MAR-2026 (2-year; N700.00bn), MAR-2027 (3-year; N1.10trn), and MAR-2028 (4-year; N558.24bn) with coupons averaging 21.00% at respective stop rates of 21.00%, 19.94% and 21.00%.
- Regarding NTBs, the DMO held three auctions last month where a total of N660.01bn worth of the 91DTM, 182DTM and 364DTM bills were offered to market participants, with up to N2.67trn being sold eventually at respective average stop rates of 16.57% (prev. 17.12%), 17.33% (prev. 17.75%) and 21.24% (prev. 19.00%). Interestingly, subscription levels reached N5.78trn, translating into a bid to offer ratio of 8.74x and bid to cover ratio of 2.16x.
- It can be agreed that the decision to conduct three NTB PMAs in March, as opposed to the usual two auctions, was part of the FGN's system liquidity thinning strategy.
- 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



The shortrun outlook for the economy remains bleak owing to several factors, including, rising inflation, food insecurity and heightened energy costs that have cascaded into the 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 clearer.

E Q U I T Y

In the coming month, the equities space is expected to extend its bullish streak as corporate earnings releases are expected to support positive sentiments in the market. Also, increased foreign investor participation in the equities market should spur buy sentiments in the local bourse. 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 expect yields to remain elevated and 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 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.