MONTHLY MARKET REVIEW AND FORECAST
FOR MAY 2024

TRUSTFUND PENSIONS LTD RESEARCH

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INVESTMENT RESEARCH
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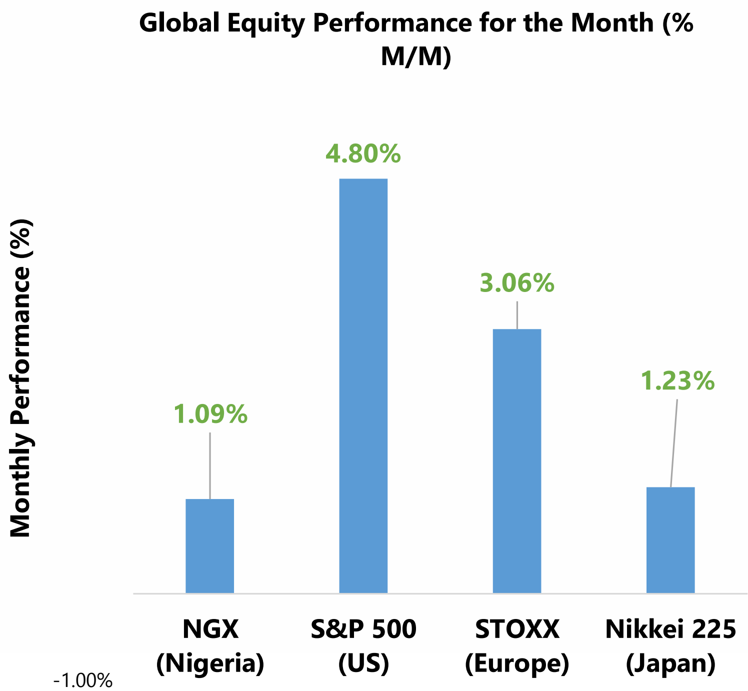
GLOBAL MARKET REVIEW



**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*

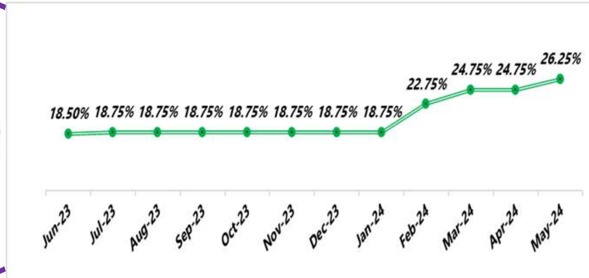
GLOBAL MACRO MOVERS FOR THE MONTH

- Global stocks reversed their negative performances from the previous month on the back of some impressive corporate earnings releases as well as optimism surrounding near term interest rate cuts in some regions, including the Eurozone.
- 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 positive performances with the real estate and utilities sectors among the top gainers. This was spurred by investors' anticipation of a rate cut by the European Central Bank (ECB) in June.
- The rise in the long-term Japanese interest rates contributed to the positive performance experienced in the Nikkei 225 index. Also, an increase in the number of companies committed to the Tokyo Stock Exchange's initiatives on the cost of capital and share price, led to a great number of share buy-backs. As a fallout, companies that participated in the buy-back program received positive sentiments on their stocks.
- In Nigeria, bargain hunting activities ahead to the Q2'2024 earnings season drove positive sentiments.

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

NIGERIAN MACRO REVIEW

MPR



The MPC remained hawkish in a bid to rein in the heightened inflation levels of the country. As such, a 150bps MPR hike to 26.25% was exercised.

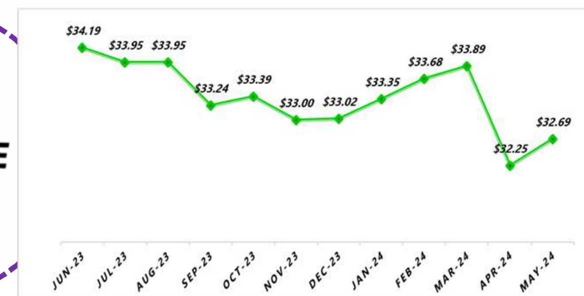
CPI

Headline Inflation accelerated further due to the continued pressure on food and energy prices. Hence, the Index climbed 36bps to 33.95% from 33.69% printed in April 2024. Food and Core inflation closed at 40.66% and 27.04% respectively.

FX RATE

The Naira continued to depreciate against the Dollar at the NAFEM window, shedding 11.52% to close the month at N1,483.48 from N1,330.21 recorded in April. This was precipitated by heightened demand for the dollar during the month.

RESERVE



The External Reserve expressed an upward momentum during the month under review. The Reserve advanced by 1.36% to end the month at $32.69 from $32.25 recorded in previous month. This was precipitated by reduced intervention at the NAFEM window.

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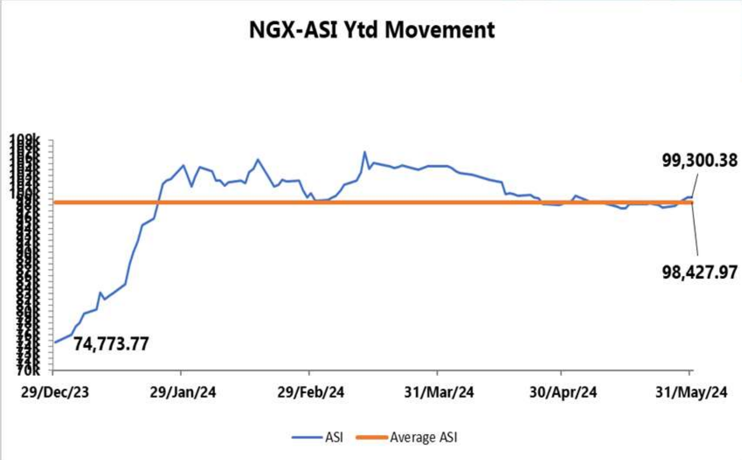
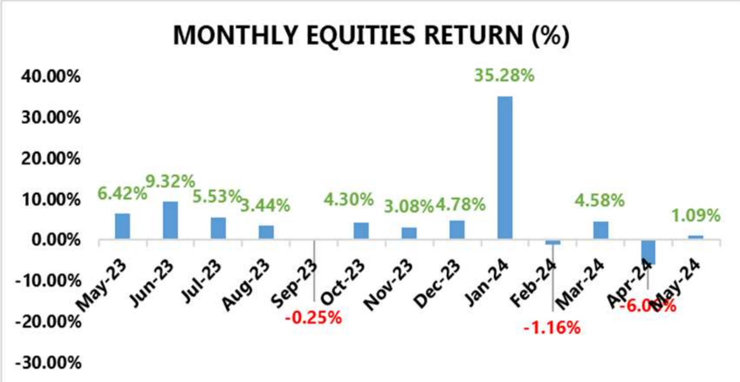
EQUITY MARKET

Local Bourse Rebounds in May

- ✓ The NGX ALSI reversed its losses in May, recording a 1.09% increase MoM to close at 99,300.56.
- ✓ This performance van be pegged to investors bargain hunting activities in anticipation of Q2'2024 earnings season.
- ✓ From a sectoral standpoint, the Banking index led the gainers with a 2.97% increase due to gains in WEMABANK (+18.72% MoM), JAIZBANK (+16.92% MoM), and FIDELITYBK (+13.33% MoM).
- ✓ Following closely was the Oil and gas sector (+2.06% MoM) riding on gains in SEPLAT (+3.60% MoM) and CONOIL (+5.05% MoM) outweighing losses in ETERNA (- 19.14% MoM). It is believed the resolution of the issues between the NNPC and Exxon Mobil's onshore assets spurred optimism on the SEPLAT ticker and contributed to its rally.
- ✓ The Consumer good index also recorded a positive performance with a 1.19% MoM gain on the back of gains in heavy weights like FLOURMILL (+24.59% MoM), DANGSUGAR (+20.82% MoM), and NESTLE (+13.69% MoM).
- ✓ Lastly, the Industrial goods sector (+0.16% MoM) rebounded to positive terrain after three (3) consecutive months in the red, owing to gains in CAP (+22.20% MoM), BERGER (+9.49% MoM) and CUTIX (+8.06% MoM).





Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

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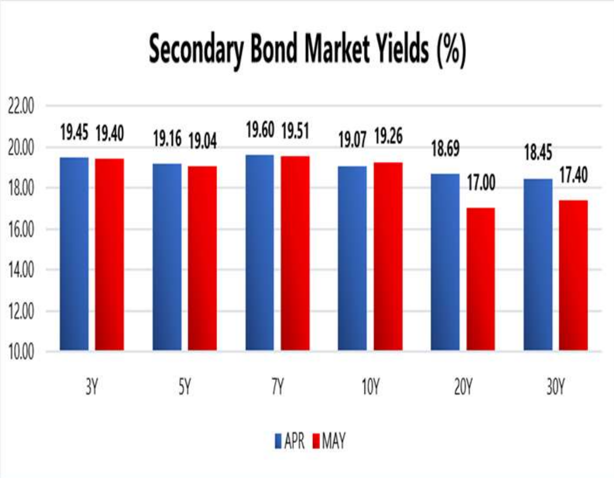
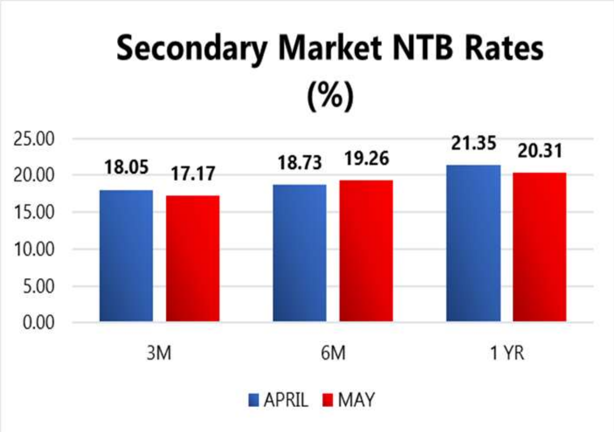
- The fixed income space reversed its bearish momentum in May mainly due to increased system liquidity of up to N1.22trn from FGN bond coupon payments (NGN9.37bn), maturing NT-Bills (NGN688.34bn), and maturing OMO bills (NGN518.35bn). This in addition to the benchmark rake hike triggered investment activity and contributed to the bullish performance of the bourse.
- Consequently, average bond yields shed 25bps to 18.69%, whilst average discounted rates on NTBs shed 59bps to 19.50%.
- In this month's bond auction, the DMO offered N450.00bn worth of the 19.30% FGN APR 2029 (Re-opening), 18.50% FGN FEB 2031 (Re-opening), 19.89% FGN MAY 2033 (New Issue) bond instruments- N150.00bn each. Eventually, about N380.877bn was sold to auction participants at respective stop rates of 19.29% (prev. 19.30%), 19.75% (prev. unchanged) and 19.89% (prev. Nil). Notably, subscription levels reached to N551.32bn translating into a bid to offer ratio of 1.23x and bid to cover ratio of 1.45x.
- Regarding NTBs, the DMO held two auctions last month where a total of N688.34bn worth of the 91DTM, 182DTM and 364DTM bills were offered to market participants, with up to N913.64bn being sold eventually at respective average stop rates of 16.37% (prev. 16.24%), 17.23% (prev. 17.00%) and 20.70% (unchanged). Interestingly, subscription levels reached N2.50trn, translating into a bid to offer ratio of 3.64x and bid to cover ratio of 2.74x.





FIXED INCOME MARKET

- Next month, we expect a sustenance of the high yield environment as the CBN continues its mission to tighten system liquidity and curb inflation amid the expectation of a liquidity influx from NTB maturities of up to NGN 688.34bn and bond coupon payments to the tune of NGN23.49bn. Furthermore, the ongoing labour union protests regarding the upward review of the national minimum wage continues to spark inflationary concerns and the possibility of an elongated policy tightening era by the apex bank. Nonetheless, these are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

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MARKET OUTLOOK AND STRATEGY

With the monetary arm of the economy at its wits end, its fiscal counterpart steps in offering the suspension of import duties and tariffs on staple food items, pharmaceutical products and other essential items. Given this, the near-term outlook for the economy sheds a glimmer of optimism as this relief is expected to ease the pressure on commodity prices and by extension, inflationary pressures. This should further improve production and the overall business environment, supported by an expected average GDP growth rate of 3.3% (AFDB, 2023). Furthermore, increased crude supply and revenue from the Dangote Refinery serves as an economic tailwind.

EQUITY

In the coming month, the equities space is expected to extend its bullish streak hinged on sustained bargain hunting on fundamentally sound stocks, given the perceived attractive entry points. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We expect bullish sentiments to persist, whilst yields 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 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 – 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.