MONTHLY MARKET REVIEW AND FORECAST
FOR NOVEMBER 2023

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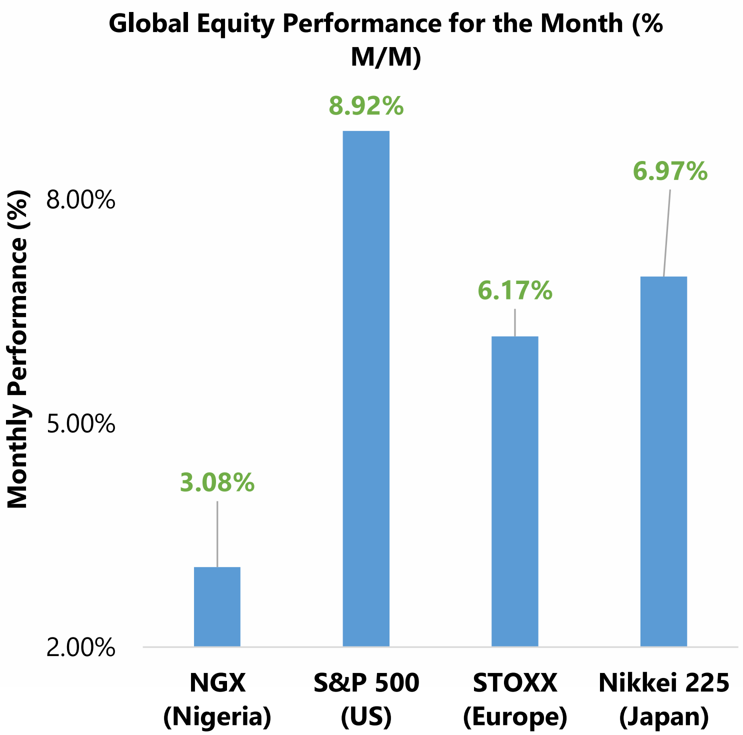
GLOBAL MARKET REVIEW



**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*

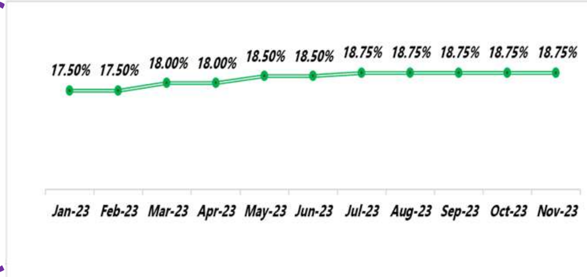
GLOBAL MACRO MOVERS FOR THE MONTH

- Global stocks ended the month on a positive note as slowing inflation presented hopes that interest rates may have peaked.
- In the U.S, the decline in inflation to 3.2% y/y boosted equity gains, especially the on stocks in the real estate and technology sectors, which are largely considered to be rate sensitive.
- Similarly, steeper than expected declines in inflation levels stoked hopes of easing price pressures and interest rate cuts. As such, investors channeled funds to the stock market, leading to a bullish close to the month.
- Also, Japanese stock rebounded in November following lower inflation rates, which led to yield declines in the 10-year Japanese Government Bond (JGB) and U.S treasury yields. This triggered investor patronage in the stock market, particularly on growth stocks.
- Additionally, bargain hunting activities on stocks with sound fundamentals amidst corporate earnings releases delivered a positive performance in the Nigerian stock market last month.

Source: Schroders, (2023), Trustfund Research, (2023)

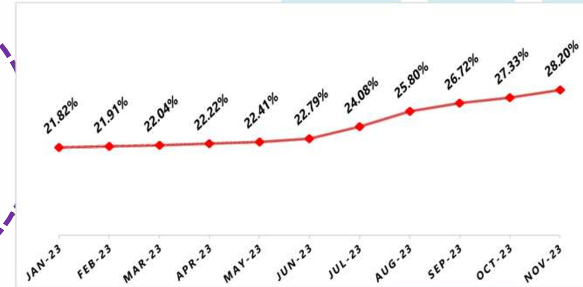
NIGERIAN MACRO REVIEW

MPR



The Benchmark rate remains 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.

CPI



Headline Inflation accelerated further due to the continued pressure on the green back, cascading into food and energy prices. Hence, the Index jumped by 87bps to 28.20% from 27.33% printed in the prior month. Food and Core inflation closed at 32.84% and 22.38% respectively.

FX RATE

The Naira depreciated further by 14.19% at the official window, exchanging a dollar at N942.62 by the end of month when compared to N825.49 at the end of October 2023. This can be pegged to continuous pressure on the U.S dollar amid low supply.

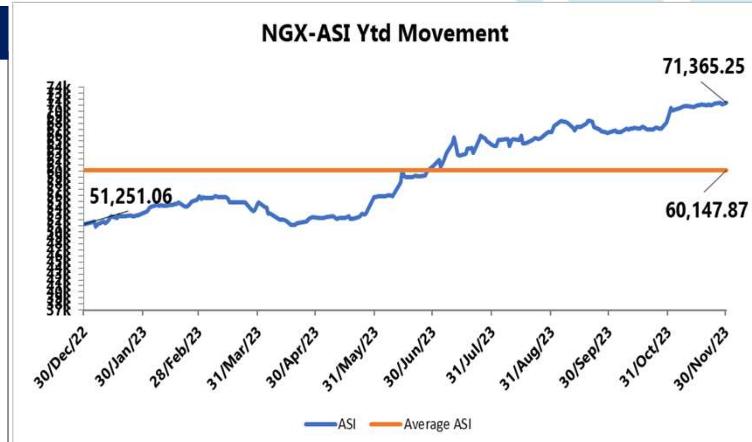
RESERVE

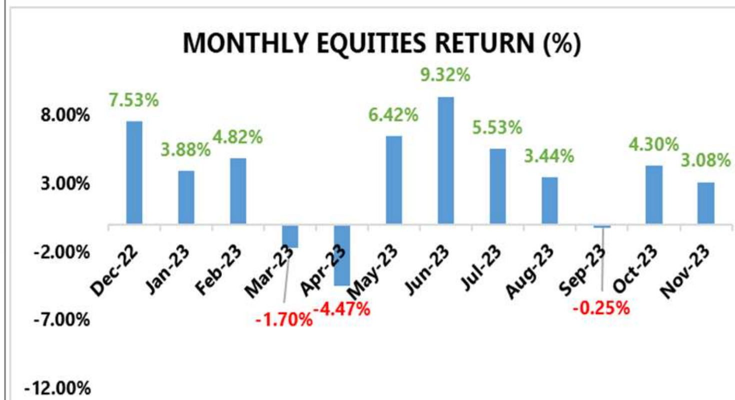
The External Reserve trimmed marginally by 1.17% to $33.00bn from $33.39bn recorded in the previous month. This can be adduced to sustained pressure on dollar at the I & E window.

EQUITY MARKET

Bulls Continue to Dominate the Bourse

- ✓ The bulls continued to reign supreme in the local stock market, mainly influenced by the "Santa Claus Rally", which is common around this time.
- ✓ Thus, investors' bargain hunting activities drove the NGX ASI up by 3.08% to close at 71, 365.25 index points. Notably, increased demand on stocks with dual listings such as AIRTELAFRI (+16.88%) and SEPLAT (+21.27%), in addition to buy interests in FBNH (+23.18%), GTCO (+12.07%) and NESTLE (+9.52%) fuelled the month's performance.
- ✓ Furthermore, YTD performance finished at 39.25% from 35.09% recorded in October 2023.
- ✓ Additionally, sectoral analysis on the indices within our purview revealed that performance was largely positive, save for the NGX Industrial and Consumer goods sectors that respectively lost 1.93% M/M and 0.63% M/M due to losses in BUACEMENT (-2.80%), DANGCEM (- 2.44%), . DANGSUGAR (-7.94%), INTBREW (- 5.49%), and CHAMPION (-4.11%) .
- ✓ Nonetheless, the NGX Oil & Gas sector gained 11.85% following gains in SEPLAT (+22.76%) and CONOIL (+7.86%)
- ✓ Also, the NGX Banking index was up by 4.42%, albeit slower than October's 7.54% growth rate. Regardless, this growth was spurred by price appreciations in UNITYBNK (+41.41%), ETI (+13.33%), and FIDELITYBK, (+6.63%).





Source: Bloomberg/ TFP Research

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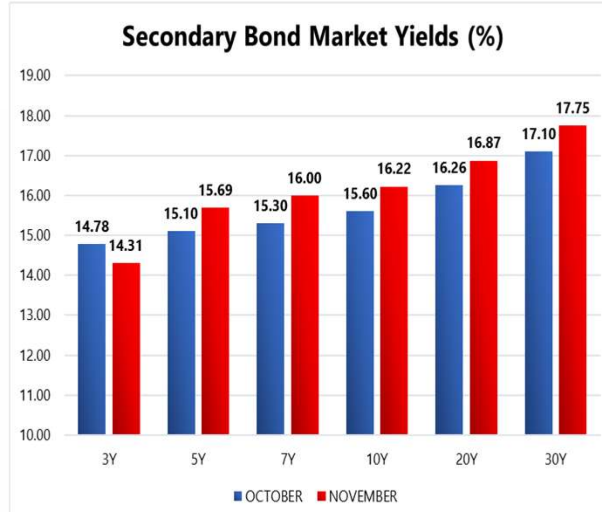
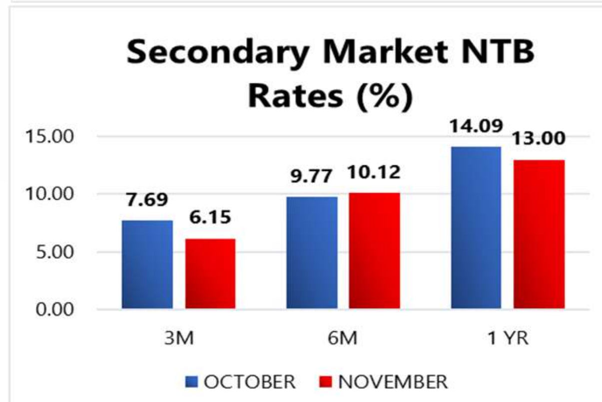
FIXED INCOME MARKET

- The fixed income market traded on a mixed note in November as yield advancements were recorded in the secondary bonds space, whilst declining yields were observed in the secondary T-bills space.
- To illustrate, average bond yields gained 40bps to close at 15.72% as uncertainty surrounding the direction of monetary policy continues to plague the secondary bonds space.
- On the other hand, increased demand in the secondary NTBs space caused a 33bps decline in average discounted rates to 9.57%. This can be adduced to investors reactions in response to higher stop rates at the NTB PMAs conducted during the month.
- In the primary NTB market, the DMO conducted two auctions selling a total of N1,058.91 worth of the 91DTM, 182DTM and 364DM bills at respective average stop rates of 7.50% (prev. 4.83%), 11.50% (prev. 7.06%) and 16.75% (prev. 11.13%).
- Elsewhere, there was a bond auction held by the DMO in which approximately N434.50 out of the N360.00bn offered on the 14.55% FGN APR 2029, 14.70% FGN JUN, 15.45% FGN JUN 2038 and 15.70% FGN JUN 2053 bonds was sold through re-openings. The instruments were sold at respective stop rates of 15.50% (prev. 14.90%), 16.00% (prev. 15.75%), 16.50% (prev. 15.80%) and 17.15% (prev. 16.60%). Notably, subscription levels increased by 16% to N445.30bn (prev. N383.11bn), translating into a bid to offer ratio of 1.02x and a bid to offer ratio of 1.24x.





FIXED INCOME MARKET

- In December, up to N112.59bn worth of NTB maturities and bond coupon payments of about N261.86bn are expected to flow into the system. Bearing this, expect bearish sentiments to persist in the coming month as the CBN aims to tighten system liquidity as a means of tackling rising inflation. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

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MARKET OUTLOOK AND STRATEGY

The economic outlook for the remainder of 2023 remains pessimistic as increased petrol costs continue to cascade into the prices of consumer goods and services, thereby pushing inflation higher. Furthermore, the persistent monetary tightening policies and global supply chain disruptions from the Russia- Ukraine and Israel- Gaza conflicts are expected to subdue FY'23 GDP growth in line with the AFDB's forecast (3.3% avg.). However, we anticipate that the commencement of operations of the Dangote refinery would provide a silver lining as it is expected to support the manufacturing sector and oil refining subsector by lowering production costs, which would in turn slow rising inflation levels in the long term. Furthermore, the potential capacity for crude exports could boost the country's external reserves as well as spur economic growth.

EQUITY

We anticipate positive sentiments in the coming month from investor optimism during the "Santa Rally" in December as some investors rebalance their portfolios, whilst others take positions in fundamentally sound stock ahead of the Q1'24 earnings season.

Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We will continue to monitor market trends and leverage on suitable opportunities when 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 elevated at double digit levels, we continue to monitor market trends 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.