MONTHLY MARKET REVIEW AND FORECAST
FOR SEPTEMBER 2023

OCTOBER 2023

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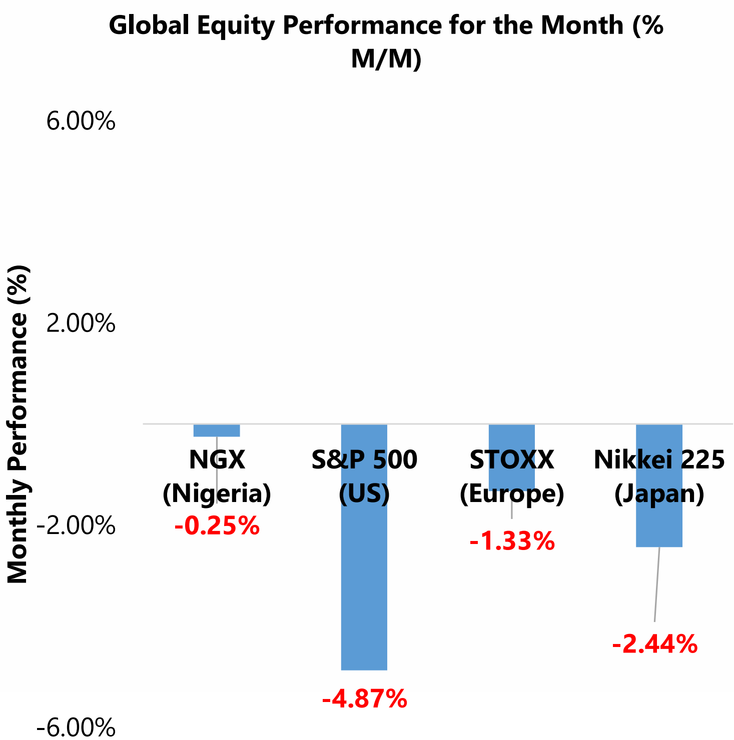
GLOBAL MARKET REVIEW



**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 shares poste negative returns in September 2023, mainly due to concerns surrounding rising global interest rates.
- U.S. stocks dipped as the prospects of a sustained period of higher interest rates sank into investors' minds. This was triggered by Fed "dot plot" (the dot plot is a chart showing each Fed policymaker's forecast for interest rates).
- Eurozone stocks lagged overall following declines in sectors most sensitive to the negative effects of rising interest rates on economic growth. The steepest drag came from the consumer discretionary sector based on concerns over the impacts of higher interest rates on consumer disposable income.
- The Nikkei 225 index also suffered from higher interest rates in Japan and potentially more interest rate rises in the U.S. Subsequently, the effects of these concerns were significantly noticed in the prices of large cap growth stocks.
- In Nigeria, profit taking on bellwether stocks, following the stock price rallies in the previous months, led to this month's ASI decline.

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

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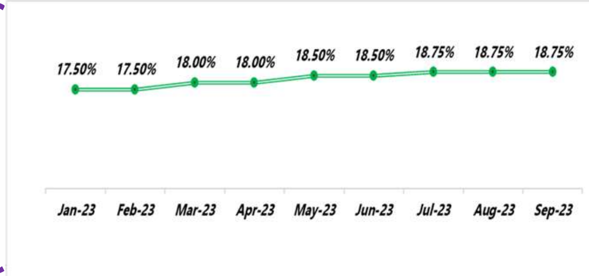
Nigerian Macro Review

MPR

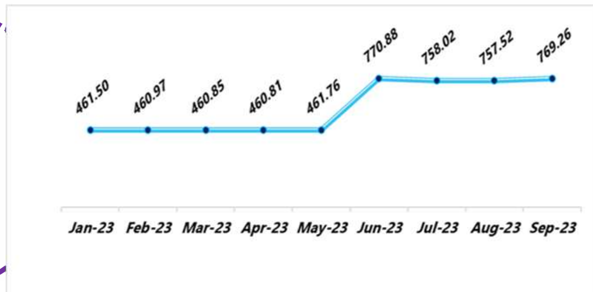


The Benchmark rate remains at 18.75% due to the non-convergence of the MPC following resignation of the CBN Governor and appointment of a new Governor along with other members of the Committee. The Committee is expected to meet on 20th & 21st November 2023.

CPI

Headline Inflation accelerated further fuelled by the petrol subsidy removal and Naira devaluation, which have impacted on consumer prices. The Index advanced by 92bps to 26.72% compared to 25.80% recorded in prior month. Food and Core inflation closed at 30.64% and 21.84% respectively.

FX RATE



There was a 1.55% decline on the Naira in the I&E window to N769.26 from N757.52 recorded at the end of August 2023. The continues to be a fall out of the persistent pressure on the green back, amid low supply.

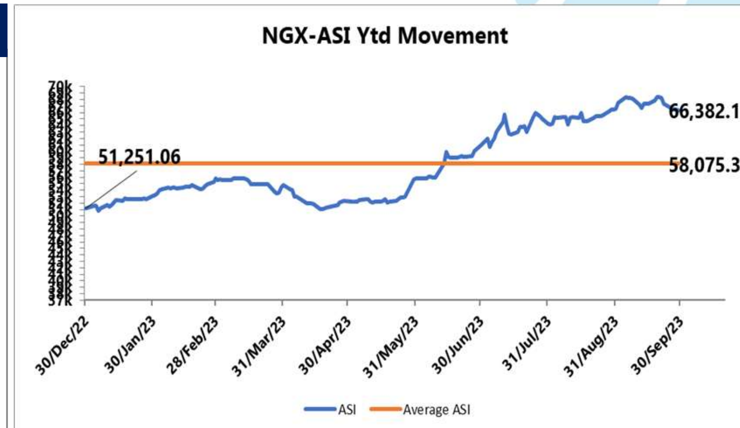
RESERVE

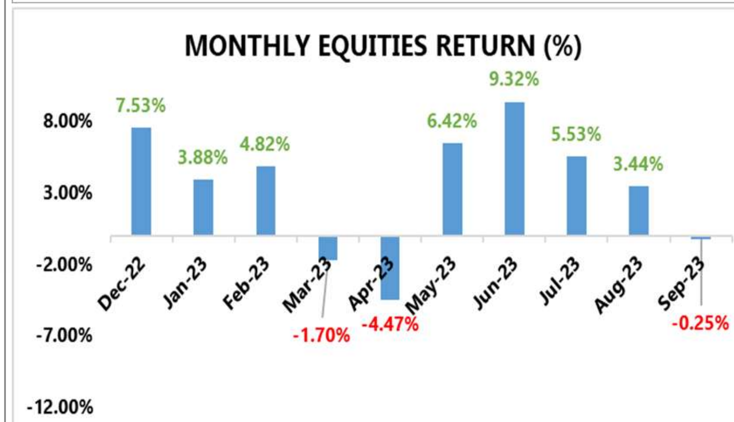
The External Reserve remained pressured by high FX demand at the I & E window, amid low revenue generation. As a result, the Reserve shed 2.09% to close at $33.24bn, despite the continuous spike in crude oil prices.

EQUITY MARKET

Bears Seize the Bourse in September

- ✓ The bears seemed to be in the driver's seat in the equities space last month as the NGX ASI shed 25bps MOM to close at 66,382.14 index points.
- ✓ This was triggered by profit taking on cement giants DANGCEM (-5.56%) and BUACEMENT (-11.08); telecoms giant MTNN (-3.83%),; banking giant GTCO (-6.13%) and consumer goods giant NESTLE (-6.82%).
- ✓ Consequently, YTD performance slowed down to 29.52% from 29.85% printed in August 2023.
- ✓ In sectorial terms, 3 out of the 5 indices in our purview closed in positive territory as follows;
- ✓ The Consumer Goods index gained 6.53% due to continued demand for BUAFOODS (+12.67%), NB (+4.74%), GUINNESS (+4.50%) and INTBREW (+4.65%).
- ✓ The NGX Insurance sector advanced by 5.30% from price appreciations on AIICO (+2.99%), MANSARD (+9.59%), NEM (+7.42%), CORNERST (+15.00%) and WAPIC (+3.23%).
- ✓ Both STANBIC and UBA gained 20.00% apiece to lift the NGX Banking index by 3.08%, despite the losses recorded on ZENITHBANK (-4.41%), GTCO (-6.13%) and FBNH (-2.68%).
- ✓ On the other hand, the 2.75% loss witnessed in the NGX Oil & Gas sector was pinned solely by the 18.99% depreciation printed on CONOIL, whilst the NGX Industrial goods sector contracted by 6.91% from profit talking activities on DANGCEM (-5.56%) and BUACEMENT (-11.08%).





Source: Bloomberg/ TFP Research

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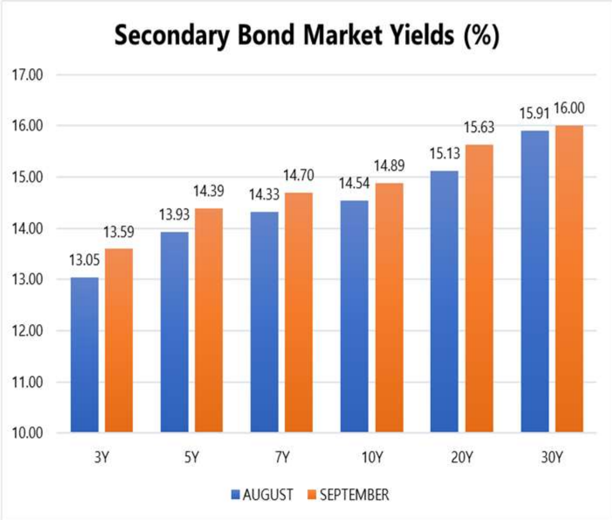
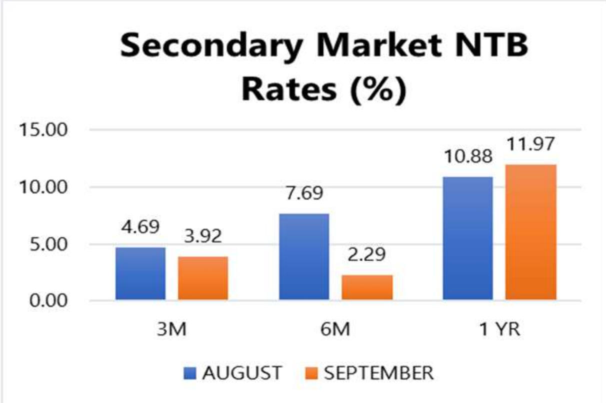
FIXED INCOME MARKET

- Bearish sentiments permeated the fixed income market this month despite elevated system liquidity levels.
- This can be assumed to be due to investors' repricing efforts and quests for higher rates at primary market auctions to mitigate the impacts of rising inflation on their respective portfolios.
- Consequently, average bond yield rose by 38bps M/M to 14.44%, whilst average discounted rates on NTB instruments gained 61bps to settle at 7.49%.
- Furthermore, the DMO sold approximately N251.49 worth of the 14.55% FGN APR 2029, 14.70% FGN JUN, 15.45% FGN JUN 2038 and 15.70% FGN JUN 2053 bonds through re-openings, despite a total offer of N360.00bn. Nonetheless, the instruments were sold at respective stop rates of 14.50% (prev. 13.85%), 15.45% (15.00%), 15.55% (prev. 15.20%) and 16.25% (prev. 15.85%). Notably, subscription levels declined by 7% to N290.99bn (prev. N312.56bn), translating into a bid to offer ratio of 0.81x.
- In addition, the DMO rolled over approximately N392.32 worth of NTBs in a total of two PMAs last month. Subsequently, the 91DTM, 182DTM and 364DTM papers were sold at respective average stop rates of 5.75% (prev. 5.10%), 6.78% (prev. 6.95%) and 12.18% (prev. 11.89%).





FIXED INCOME MARKET

- Interestingly, subscription levels dropped by 40% compared to August's auctions- perhaps due to market participants' cautious trading activities in anticipation of rate guidance from the MPC. Nonetheless, the bid to cover ratio at both auctions was 4.3x cumulatively.
- In October, we foresee continued repricing activities in the fixed income space in anticipation of the benchmark rate guidance from the new MPC. Thus, we expect yields to remain elevated at current levels as investors continue to trade cautiously in the secondary market, whilst demanding higher rates at the primary market in attempts to stave off the effects of rising inflation on their respective portfolios. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

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MARKET OUTLOOK AND STRATEGY

The economic outlook for the last quarter of 2023 remains topsy turvy with crude oil prices on the rise in the absence of petrol subsidy and the unhinged FX landscape. Bearing these, inflation is expected to remain elevated, further eroding household's purchasing power and feeding into subdued FY'23 real GDP growth in line with the AFDB's forecast (3.3% average). However, the Dangote refinery presents a silver lining as a production rate of up to 650,000 bpd (Daily Trust, 2023) could translate into lower fuel costs for Nigerians, which could put some ice on rising inflation. In addition, the potential capacity for crude exports could boost the country's external reserves as well as spur economic growth.

E Q U I T Y

With foreign investors remaining on the cautious end of the stick, we expect next month's session to remain relatively quiet with a bullish tilt as trickling earnings results are likely to give activity levels a slight boost. This assumes that paid dividends will be re-invested in the market. 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 will continue to monitor market trends and 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 at comparatively low single digit levels, we 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.