MONTHLY MARKET REVIEW AND FORECAST
FOR SEPTEMBER 2024

TRUSTFUND PENSIONS LTD RESEARCH

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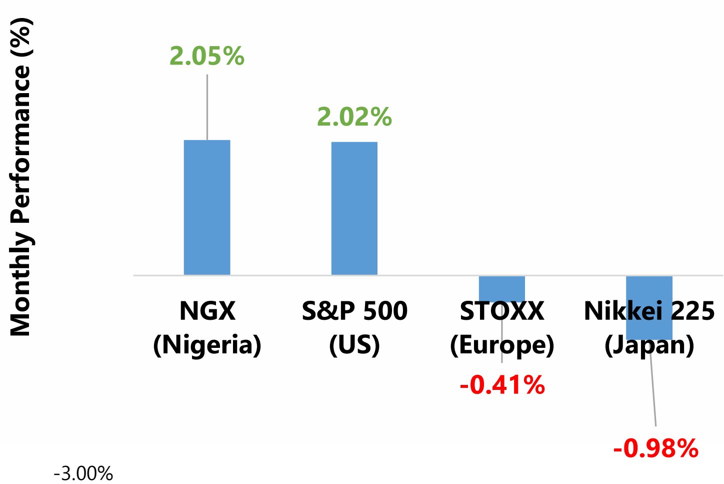
GLOBAL MARKET REVIEW

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



**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: Stoxx, (2024), Schroders, (2024) Trustfund Research, (2024)

GLOBAL MACRO MOVERS FOR THE MONTH

- In September, mixed sentiments trailed the global equities market as the Nigerian and U.S. market expressed gains, whilst the European and Japanese markets posted declines.

- The U.S. stock market saw another month of gains, with the S&P 500 rising by 2.02% month-over-month. This increase was fuelled by strong performances from stocks like VISTRA CORP (+39.09% MoM), CONSTELLATION ENERGY (+32.19% MoM), and UNITED AIRLINES HOLDING INC (+29.56% MoM). The U.S. Federal Reserve's 0.5% rate cut in September also contributed to the positive sentiment surrounding U.S. equities

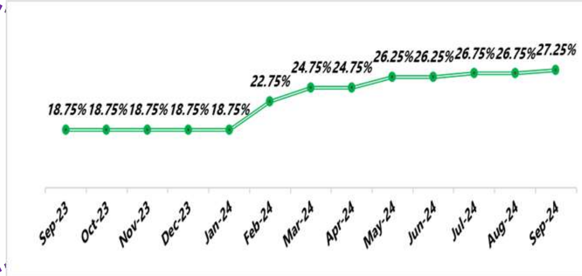
- European stocks declined in September, amid expectations that interest rates in the US may stay higher for longer than previously expected.

- In Japan, equities declined as the stronger yen put pressure on exporters, although sectors tied to domestic demand performed well. Markets experienced some volatility in both equities and the yen following Shigeru Ishiba's win in the ruling Liberal Democratic Party's leadership election, as investors had anticipated a victory for his more dovish opponent.

- In Nigeria, impressive earnings results from some banking names including GTCO, ACCESS and UBA contributed to this month's positive close.

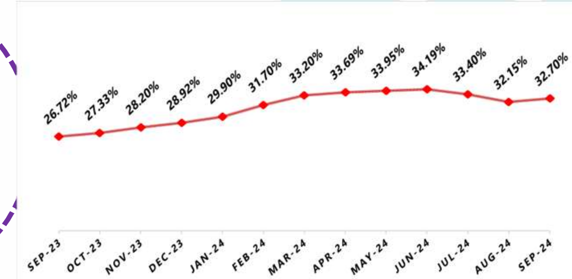
NIGERIAN MACRO REVIEW

MPR



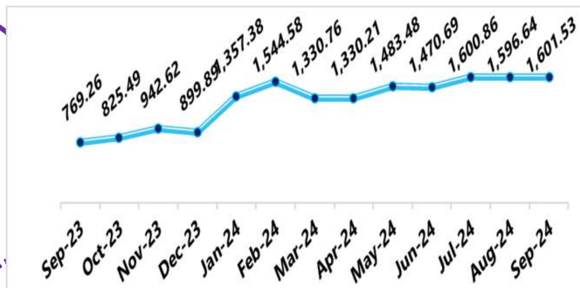
The Monetary Policy Rate (MPR) was increased to 27.25% in September with the Monetary Policy Committee (MPC) highlighting the ongoing need to rein in inflation as the anchor for this decision.

CPI



Headline inflation rebounded in September, albeit moderately, expressing a 55bps increase to 32.70%. This was attributed to increased pressure on food prices. Food and Core inflation closed at 37.77% and 27.43% respectively.

FX RATE



The Naira depreciated against the Dollar by 0.31% in the Nigerian Foreign Exchange Market (NFEM). At the close of the month, the Naira exchanged for a dollar at the rate of N1601.53 fuelled by increased demand for the dollar amid FX shortages.

RESERVE

In September, the External Reserve increased by 5.62% to $38.35bn from $36.31bn at the end of August 2024. This increase can be adduced to an increase in crude oil prices and sales.

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EQUITY MARKET

Impressive H1'24 Banking Earnings Results Boosts NGX Performance

✓ In September, the NGX ASI rebounded its previous month's losses with a 2.05% gain fuelled by positive sentiments surrounding impressive earnings results from some banking names including GTCO, ACCESS and UBA.

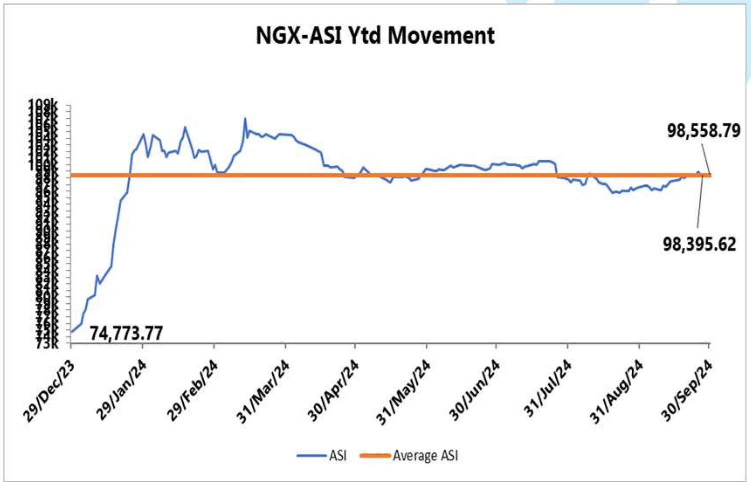
✓ Consequently, the NGX ASI gained 2.05% to close at 98,558.79 index points.

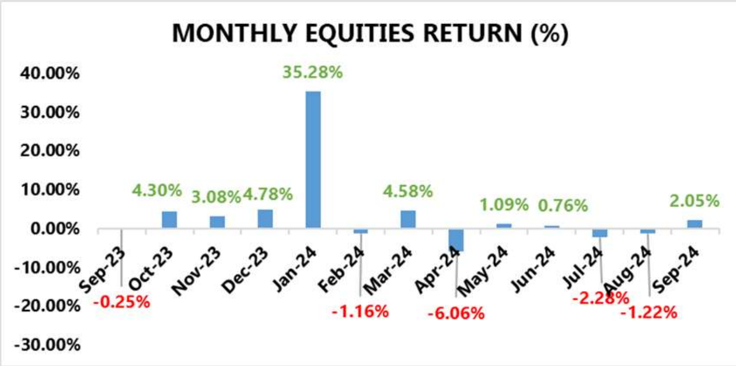
✓ a cursory sectoral overview on the indices under our purview revealed that the Industrial goods and Consumer goods sectors were the only laggards shedding 1.25% and 0.69% MoM respectively. The losses in the industrial goods sector are attributable to the poor sentiments following unimpressive H1'24 earnings results from some companies within that sector such as CUTIX (-21.75% MoM), BUACEMENT (-3.42% MoM), and WAPCO (-1.60% MoM).

✓ In addition, the decline in the Consumer goods index can be pinned to losses on NNFM (-33.95% MoM), INTBREW (-18.16% MoM), and CADBURY (-9.39% MoM).

✓ On the other hand, the Banking index topped the leader board with a MoM gain of 10.18% fuelled by positive earnings results from ACCESSCORP, GTCO, and UBA amid buy interests in FIDELITYBK (+31.75% MoM), UBA (+23.31% MoM), and STERLINGNG (+21.95% MoM), which were driven by recapitalization efforts.

✓ With regards to the Oil and Gas index, tickers such as CONOIL (+16.67% MoM), SEPLAT (+10.00% MoM), and ETERNA (+8.70% MoM) buoyed the sector's gain.

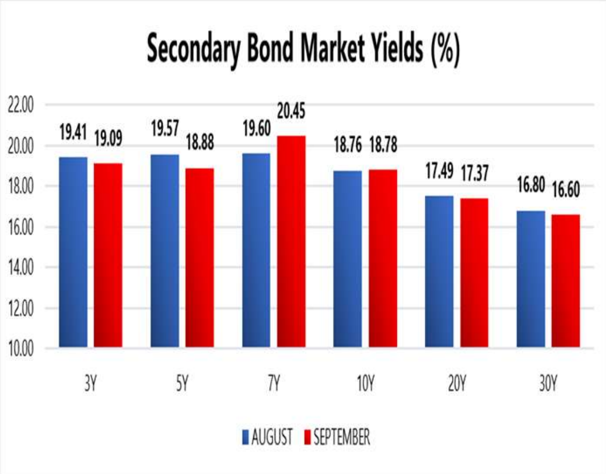


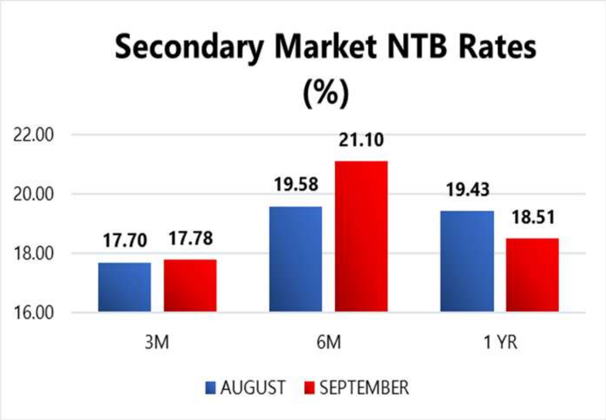


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- In September, mixed sentiments trailed the domestic fixed income bourse as bond yields trended downwards by 18bps MoM to 18.77% following an upward movement in prices, suggesting increased investor appetite for longer dated instruments; whilst average discounted rates on NTBs closed 60bps at 19.84%, indicating a sell-side bias within that space.
- In other news, the DMO held an FGN bond auction during the month where up to N150.00bn worth of the 18.50% FGN FEB 2031, 19.30% FGN APR 2029, and 19.89 FGN MAY 2033 instruments were offered to auction participants (same as last month's offers). Eventually, the FGN sold approximately N264.53bn worth of these instruments to investors at respective stop rates of 19.99% (prev. 20.90%), 19.00% (prev. 20.30%) and 20.05% (prev. 21.50%). Notably, the auction was 6% oversubscribed, translating into a bid to offer ratio of 2.77x and a bid to cover ratio of 1.57x.
- Additionally, there were three NTB PMAs conducted in September, where a total of N622.74 worth of the 91DTM, 182DTM and 364DTM bills were rolled over, offered and sold to investors to investors at respective average stop rates of 16.88% (prev., 18.35%), 17.33% (prev. 19.35%) and 19.18% (prev. 21.40%). Furthermore, subscription levels reached just under N2.00trn, indicating a bid to offer ratio and bid to cover ratio of 3.21x.





FIXED INCOME MARKET

- In October, up to N443.44bn worth of T-bills maturities and N417.91 worth of bond coupon payments are expected to slightly increase system liquidity levels, which could cause yields to taper. However, we expect yields to remain elevated as the CBN aims to attract foreign investors by offering competitive returns. 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

In October 2024, Nigeria's macroeconomic challenges remain persistent, with inflation hovering around 32%. In September 2024, the CBN sustained its hawkish move, hiking its benchmark interest rate at 27.25%, as inflationary pressures, driven by high food, energy, and transportation costs, continued. The naira saw further depreciation, exacerbated by ongoing foreign exchange shortages, adding pressure on businesses reliant on imports. Oil production remained below expectations due to operational and security issues, affecting government revenues. Structural reforms, including subsidy removal and tax adjustments, have yet to yield significant improvements, while consumer demand and business growth remain subdued due to rising living costs.

EQUITY

In October, we anticipate the market's positive momentum to continue as investors focus on stocks with solid fundamentals ahead of Q3 2024 earnings reports. Additionally, dividend announcements and payments may boost buying interest. However, a potential risk is a rise in fixed income yields, which could lead to selloffs in the equities market. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

Bond – We expect yields to remain elevated as the CBN aims to attract foreign investors by offering competitive returns. 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 – we expect yields to taper due to a liquid financial system, albeit remain at double digit levels.As such, we will continue to monitor its trend and take position in yields not less than rates obtainable in money market.

Money Market – As rates continue to dwindle, we will be strategic with our positions on the short end of the curve to maximize the most attractive rates and support our liquidity laddering strategy, whilst ensuring safety of funds.

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.