MONTHLY MARKET REVIEW AND FORECAST

FOR SEPTEMBER 2021

TRUSTFUND PENSIONS LTD RESEARCH

OCTOBER 2021

Outlines

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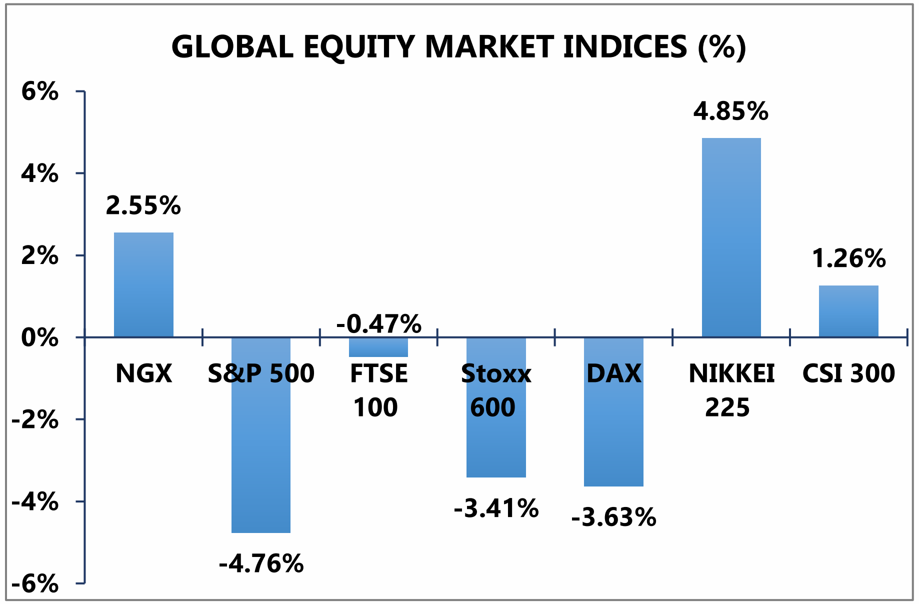
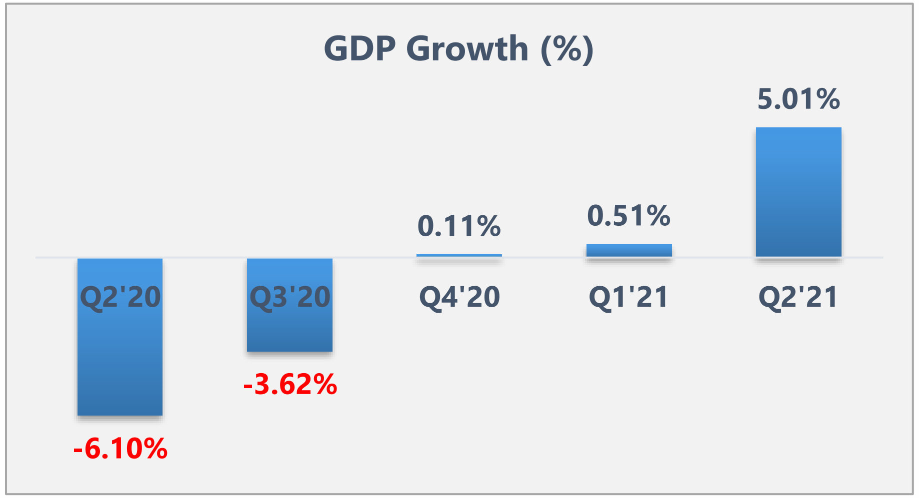
GLOBAL MARKET REVIEW

SEPTEMBER RETAINED ITS HISTORICAL BEARISH SENTIMENT

- Global equities market recorded negative returns in September over heightened global concerns, US debt worries, supply snags, Evergrande crisis in China and higher yields as markets position for tighter monetary policy. In contrast, Asian stocks ended in the green.
- Evergrande has failed to meet its debt obligations which may likely trigger global financial crisis. Howbeit, proper restructuring and asset sales to meet its debt obligations will mitigate the looming crisis.
- Thus, US S&P 500, UK FTSE 100, Europe STOXX 600 and German Dax indexes dipped in September by 4.76%, 0.47%, 3.41% and 3.63% respectively. While both Nikkei 225 (+4.85%) and CSI 300 (+1.26%) finished in the green.
- Overall, the outlook for the global economy remains encouraging post-pandemic. We anticipate that central banks' interventions and global vaccination efforts will continue to sustain reopening.

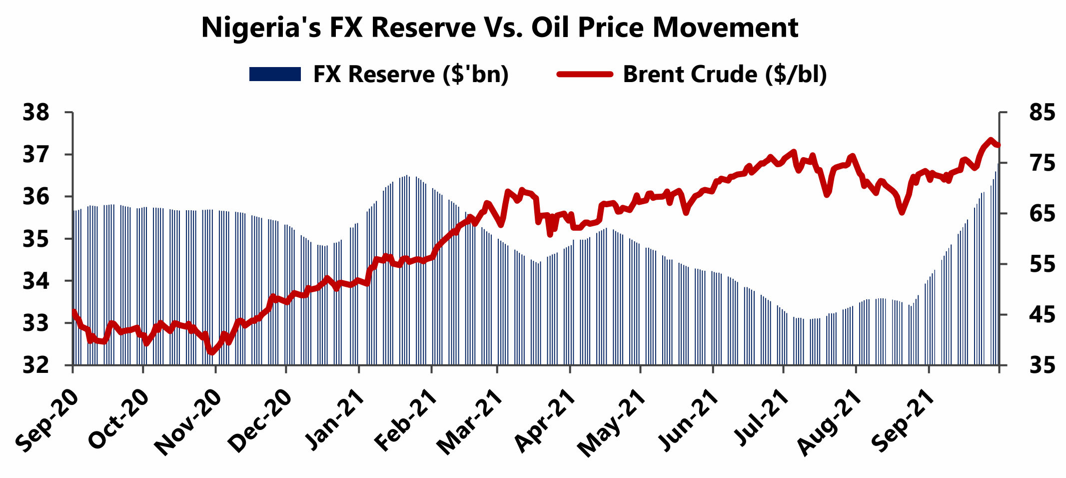




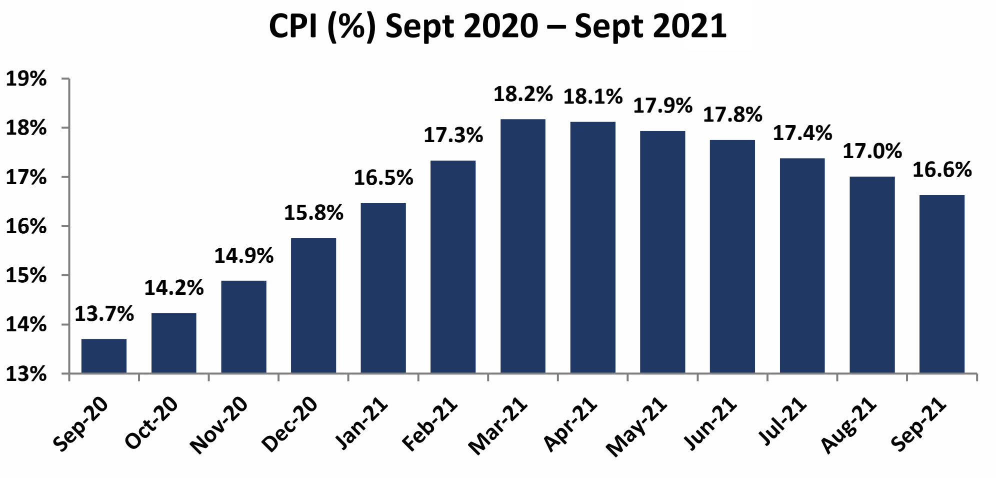
Nigerian Macro Review

Headline	PREVIOUS	CURRENT	%Change	Remark
Monetary Policy Rate (MPR)	11.50%	11.50%	0.00%	The MPC retained all policy parameters to continue its accommodative policy stance at its September meeting. The committee also discontinued sale of FX to BDCs and channeled all requests to commercial banks. We expect the MPC to continue to support growth through Q4-2021.
Inflation	17.01%	16.63%	-0.38%	According to National Bureau of Statistics, Headline Inflation rate moderated by 38bps to 16.63% yoy in September 2021, from 17.01% recorded the previous month. This is attributable to lower food inflation which dropped from 20.30% to 19.57% and higher base effects. We expect lower inflation in the coming month sustained by lower food inflation owing to the harvest season.
Exchange Rate (NGN/USD)	₦409.82	₦413.38	+0.87%	Official rate depreciated by 0.87% to N413.38/$ in September due to heightened demand for dollars and halt of sales of FX to BDCs. We expect the demand pressure to continue amid demand for international payments such as school fees, medical bills and others.
External Reserves (USD'bn)	$34.02	$36.66	+7.58%	Nigeria's Foreign Reserve increased by 7.58% or $2.58 billion month-on-month to close at $36.60 billion as at September 2021. This can be attributed to increased oil prices and discontinuation of dollar allocation to BDCs. We expect the FX reserved to remain above $30 billion level through Q4-2021, barring in mind any shocks from CBN interventions.

External Reserve increased by $2.58 billion in September



Headline Inflation dipped for the fifth consecutive session



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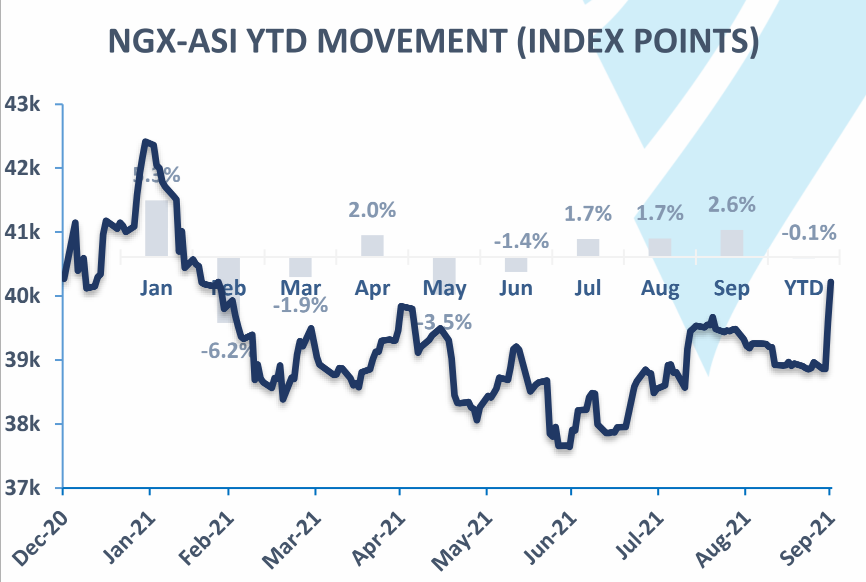
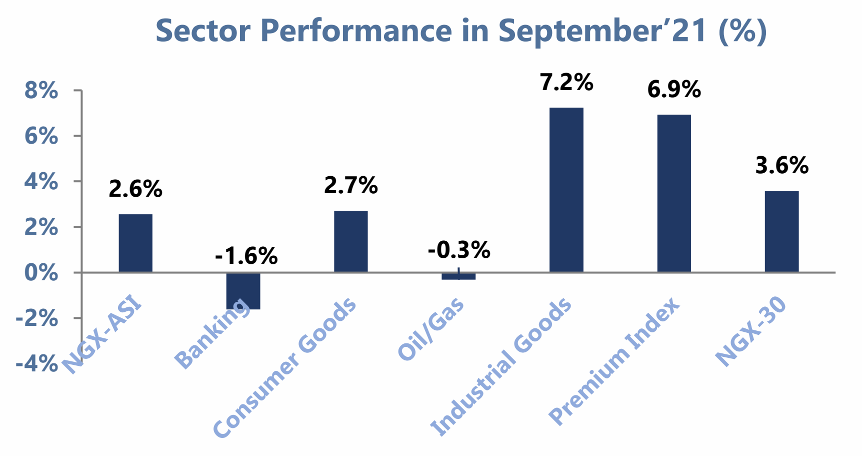
EQUITY MARKET

- The local bourse extended its bullish run in September, spurred by quarter-end portfolio rebalancing activities which saw renewed interest in some bellwether stocks.
- Accordingly, the All-Share Index advanced by 2.55% in September to close at 40,221.17 index points, narrowing the year-to-date loss to 0.12%. Notably, Industrial Goods (+7.2%) and Consumer goods (+2.7%) sectors finished in the positive zone, while Banking (-1.6%) and Oil/Gas (-0.3%) sectors swayed southward.
- The big names that lifted market mood for the month were DANGCEM **(+15.23%)**, NESTLE (+5.71%), MTNN (+1.39%) and GTCO (+3.69%), while losses from AIRTELAFRICA (-4.67%) and BUACEMENT (-2.94%) hampered gains.
- We expect interest rates in the fixed income market to continue to dictate equity market sentiment in the last quarter of the year. A lower interest rates in the fixed income market coupled with attractive dividend yields will likely increase demand for stocks, while higher interest rates will ostensibly lure investors away from the equities market.
- Overall, market breadth closed negative – 0.91x (40 advancers against 44 decliners), further supporting our expectation of mixed trading with a bullish tilt in the month ahead.





Source: Bloomberg/ TFP Research

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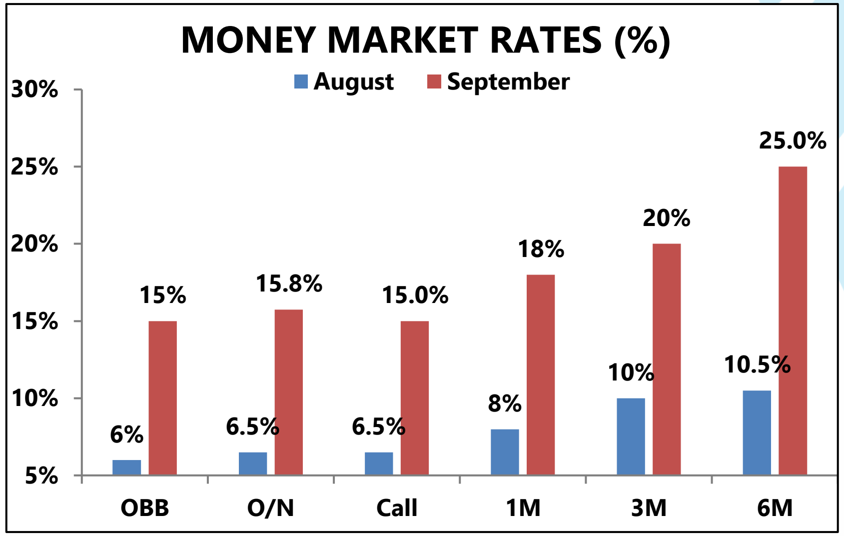
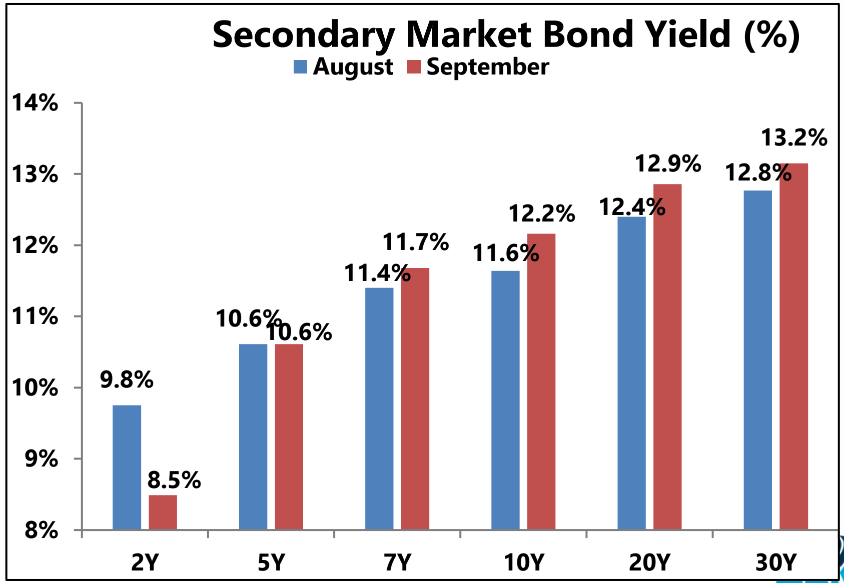
FIXED INCOME MARKET

Bearish sentiment dominated market mood in September

- The fixed income market reversed its bullish performance to close September on a bearish note as yield advancements were recorded across various segments of the market. As such, average bond yield gained 5bps to settle at 11.20%.
- Similarly, discounted rates on NTBs and OMO bills finished higher on the average with NTBs finishing 66bps higher to 5.11% and OMO bills closing 16bps higher to 6.11%. This is largely attributable to investors' selling off their positions to create liquidity for portfolio rebalancing obligations at the end of the quarter.
- In other news, the DMO conducted an FGN bond auction where instruments worth NGN150.00 billion were offered to investors through re-openings of the 13.98% FGN FEB 2028 (Bid-to-offer: 1.1x; Stop rate: unchanged at 11.60%), 12.40% MAR 2036 (Bid-to-offer: 2.5x; Stop rate: unchanged at 12.75%) and 12.98% FGN MAR 2050 (Bid-to-offer: 3.1x; Stop rate: 13.00%, previously: 12.80%) bonds. In the coming months, the DMO targets to raise about N400-N480 billion through bond issuances and intends to offer the 12.50% FGN JAN 2026, 16.2499% FGN APR 2037 and 12.98% FGN MAR 2050.
- We expect these auctions to be oversubscribed given the estimated N1.12trn maturity profile of the rest of the year, which would bolster system liquidity and further drive demand and investments in the fixed income space. Notwithstanding, we do not expect any drastic movements in yields except in the event of a major shock to the market.





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MARKET OUTLOOK AND STRATEGY

IMF reviewed Nigeria's growth for FY2021 from 1.5% to 2.5% on the back of easing OPEC's production cuts, COVID-19 vaccine rollout and lift of lockdown restrictions which is expected to further support output. Nonetheless, portfolio inflow is expected to remain depressed as exchange rate shortages and capital controls will continue to deter much needed investment in critical sectors of the economy. Also, oil price volatility, rising food prices and continued restrictions on foreign currency remain major concerns.

EQUITY

We anticipate mixed sentiment with mild uptick to prevail in H2-2021 as the economy recovers from COVID-19 impact. However, attractive yield environment in the fixed income space will continue to stifle demand for stocks.

Hence, we will continue to take profit on rallied tickers and cherry-pick attractive stocks when suitable opportunities are identified.

FIXED INCOME

Bond – We will maintain our position in FGN Bonds and continue to seek opportunities to optimize portfolio return.

Corporate Issuances – At current yield level (avg. 12%), we anticipate more corporate issuances at attractive yields, hence, we will take position in investment grade instruments.

Treasury Bills – we expect yields to continue to hover around 7% as high inflation rate continues to spur negative sentiment .

Money Market – We will max out positions on the short end of the curve with rates expected at 11% avg.

We will continue to take advantage of market opportunities with focus on corporate issuances and infrastructure instruments to improve investment returns. As such, asset exposure may vary over time.

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THANK YOU