



MONTHLY MARKET REVIEW AND FORECAST FOR OCTOBER 2021

TRUSTFUND PENSIONS LTD RESEARCH

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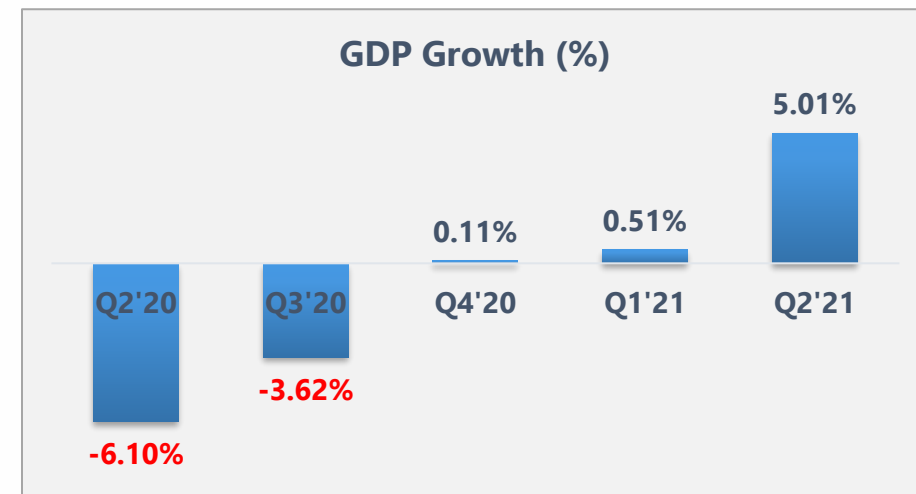
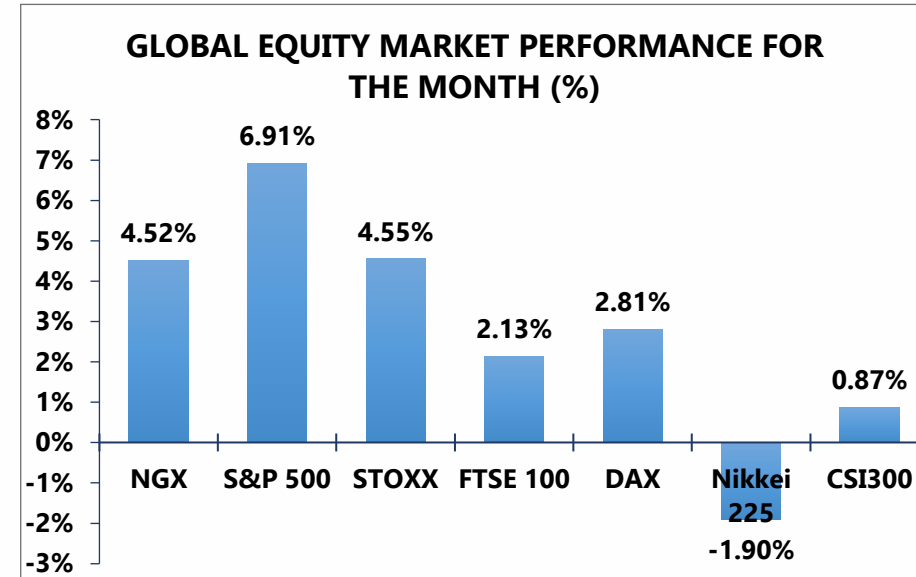
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GLOBAL MARKET REVIEW

STOCKS HIT NEW HIGHS IN OCTOBER

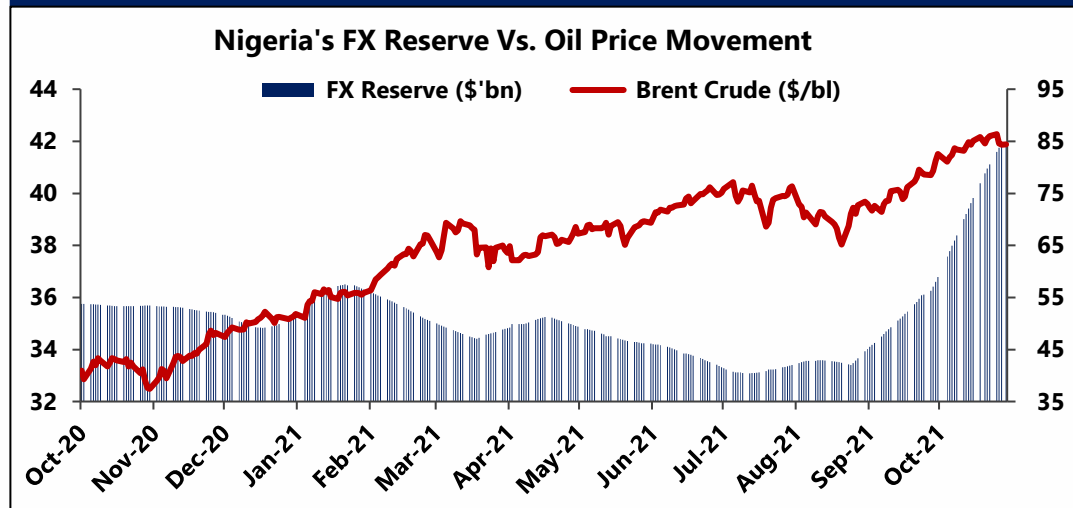
- October was a relatively quiet month for stock specific news flow. Nonetheless, the global stock market traded on a bullish note, supported by the start of earnings season, flattened yield curve in the fixed income space and the lift of covid-19 lockdown restrictions in more countries.
- In the Oil market, both Brent crude and WTI prices increased by 7.5% and 11.4% to close at \$84.38 and \$83.57 respectively on the back of higher demand for oil post Covid-19.
- Consequently, S&P 500 advanced by 6.91% to hit its all-time high, while DAX (+2.81%), STOXX (+4.55%), FTSE 100 (+2.13%) and CSI 300 (+0.87%) also finished in the positive territory. However, Nikkei 225 (-1.90%) closed the month bearish, weighed down by inflation concerns, US debt ceiling concerns as well as worries about a slowdown in the Chinese economy.
- We expect the market to maintain its bullish sentiment through November as asset managers kickstart end-of-the-year portfolio rebalancing.



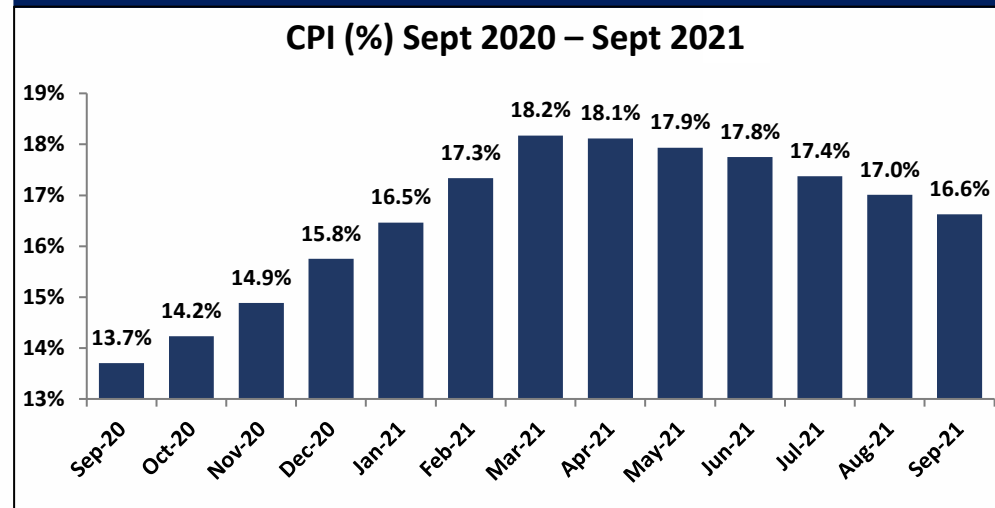
Nigerian Macro Review

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)	₦413.38	₦415.10	+0.87%	Official rate depreciated by 42bps to N415.10 in October 2021 from N410.82 recorded in previous month. This is attributed to restriction of forex sale to BDC's which triggered increased participation at various auction windows.
External Reserves (USD'bn)	\$36.66	\$41.79	+14.18%	Nigeria's External Reserves spiked by 14.18% to close at \$41.79bn in October from \$36.60bn recorded in preceding month. This was largely supported by receipt of \$4.00bn from Eurobond issuance across 3 maturities (7years, 12years and 30/40 years) and continuous increase in crude oil price.

External Reserve increased by \$5.13 billion in October



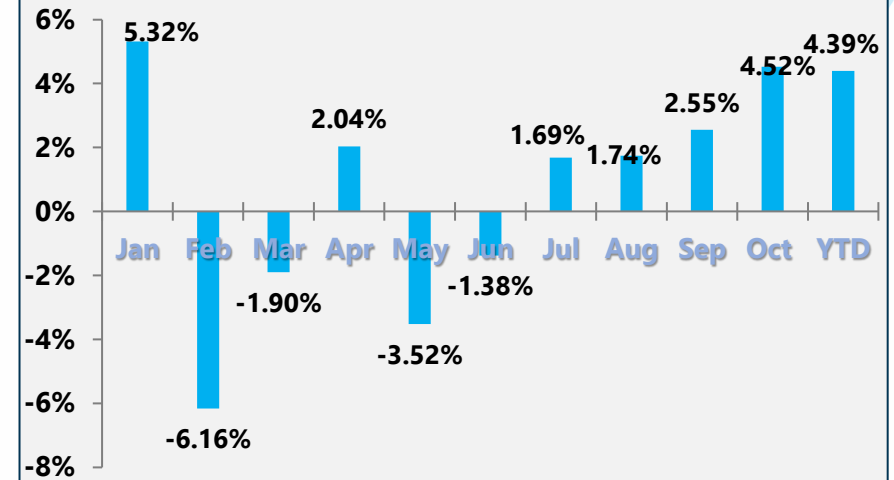
Headline Inflation continues its steady decline...



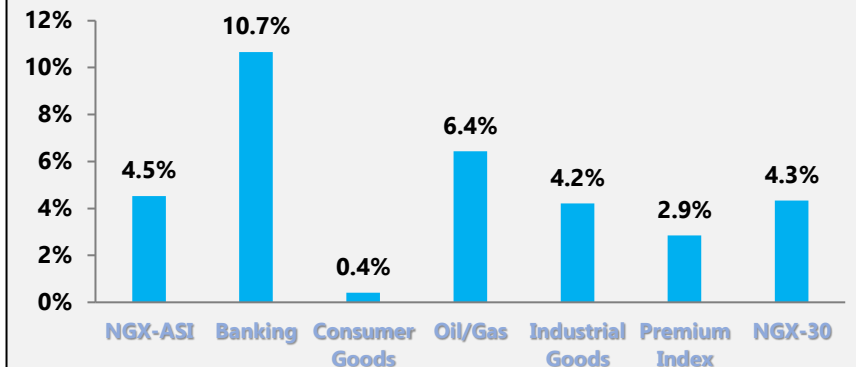
EQUITY MARKET

- The equities market continued to ride on the positive path since the start of H2 2021. The NGX ASI accelerated by 4.52% to close the month at 42,038.60 index points from the points recorded in September 2021. This supported the YTD return to move from negative position to positive region to close at 4.39% from -0.12% recorded in previous month.
- Notably, all the five (5) sectors under coverage closed positive. NGX Banking led the chart with 10.66% on the back of gains from GTCO (+2.14%), ZENITHBANK (+7.68%), FBNH (+37.27%), UBA (+13.91%) and ACCESS (+3.83%). Also, gains from TOTAL (+25.42%) and SEPLAT (+3.03%) buoyed NGX Oil & Gas sector (+6.43%) to positive. Furthermore, advances from BUACEMENT (+9.09%), WAPCO (+17.90%), MANSARD (+2.35%), AIICO (+1.24%), NEM (+2.00%), NB (+7.07%) and INTBREW (+9.38%) triggered positive sentiments in NGX Industrial Goods (+4.21%), NGX Insurance (+3.98%) and Consumer Goods (+1.62%) sectors.
- We expect a decent amount of profit taking activities as investors book gains from last month's bullish run. Nonetheless, we anticipate bullish sentiments to prevail overall in the coming months, to be supported by year-end portfolio rebalancing activities of asset managers.

2021 NGX MONTHLY PERFORMANCE (%)



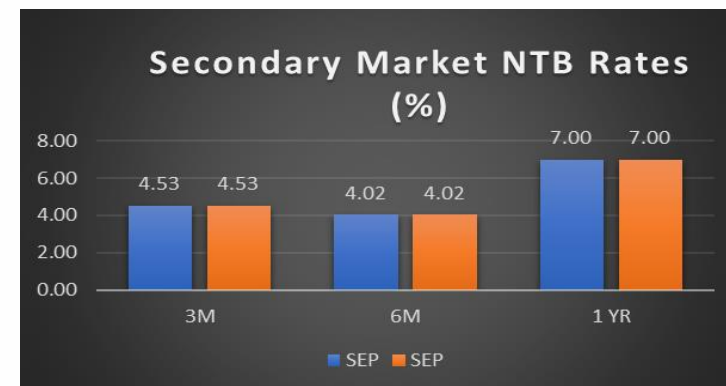
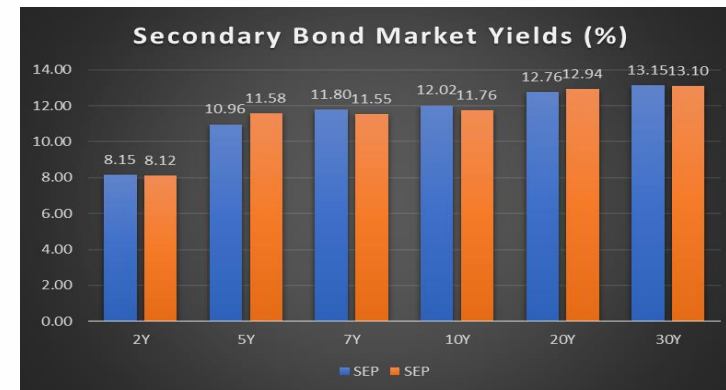
Sector Performance in October '21 (%)



Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- The fixed income market extended its bearish performance from September into October. Average bond yields gained 8bps to close at 11.28%. This performance is pegged to investors selling off their positions in anticipation of higher yields at the auctions, combined with the need to create liquidity for portfolio rebalancing.
- At the bond auction window conducted, the DMO allotted N192.76bn worth of the 12.5000% JAN 2026, 16.2500% APR 2037 and 12.9800% MAR 2050 bond instruments to investors at respective stop rates of 11.65%, 12.95% and 13.20% from an offer of N150.00bn across the 3 nomenclatures.
- Similarly, discounted rates on NTBs and OMO bills finished higher on the average with NTBs finishing 18bps higher to 5.29% and OMO bills finishing 5bps higher at 6.25%.
- Furthermore, the DMO conducted a bond auction where up to N192.76bn worth of the 12.5000% JAN 2026, 16.2500% APR 2037, 12.9800% MAR 2050 bond instruments was allotted to investors at respective stop rates of 11.65%, 12.95% and 13.20% from an offer of about N150.00bn.
- For the remainder of the year, the DMO plans to raise N250.00- N300.00 billion through bond issuances. We expect these auctions to be oversubscribed given the estimated N621.65bn 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.



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

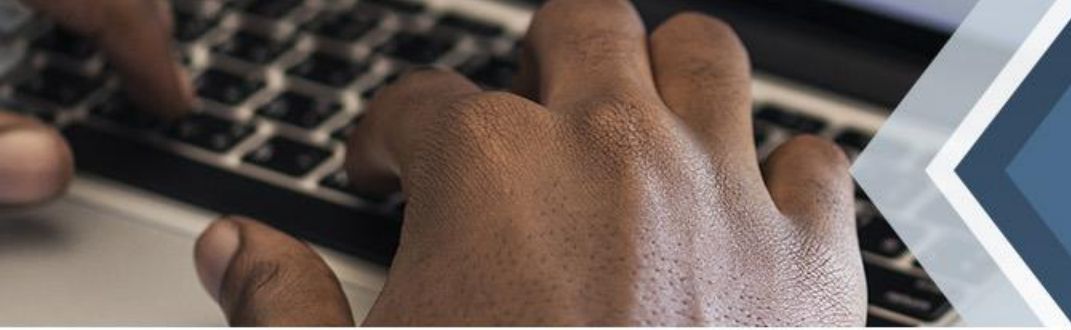
Bond – We will maintain our position in FGN Bonds and continue to seek opportunities to optimize portfolio return.

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.



THANK YOU