MONTHLY MARKET REVIEW AND FORECAST FOR FEBRUARY 2022

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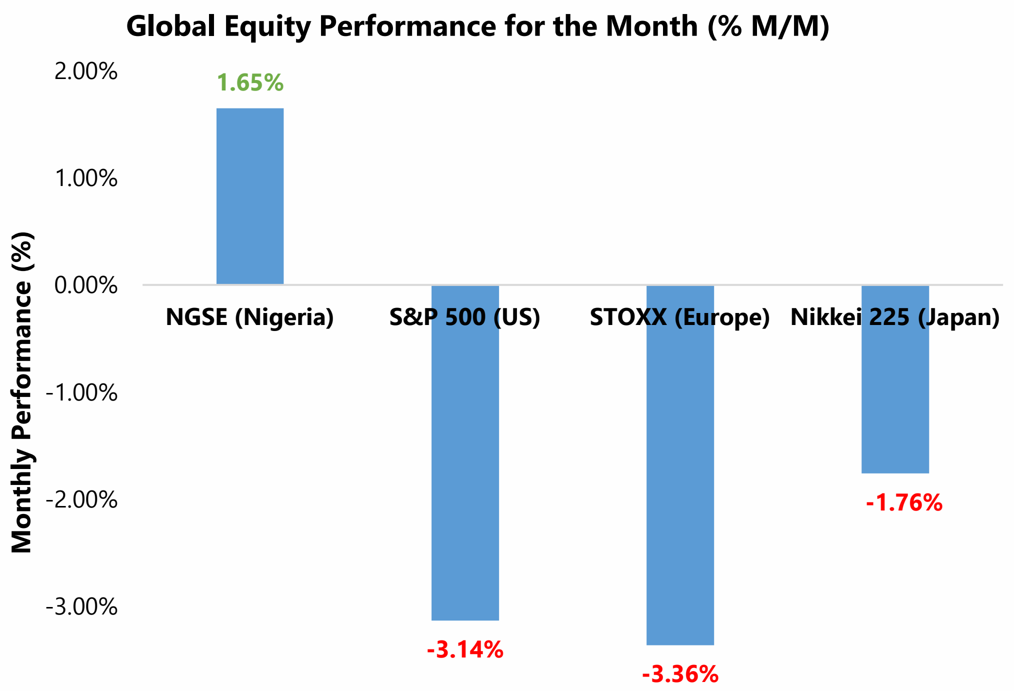
GLOBAL MARKET REVIEW



**NGSE – 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 FEBRUARY 2022

Source: Bloomberg Terminal

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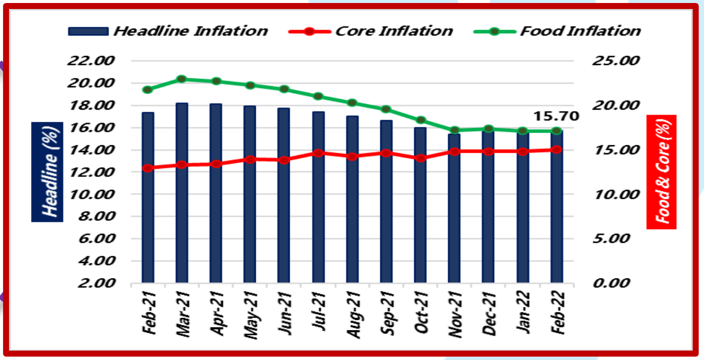
Nigerian Macro Review

MPR

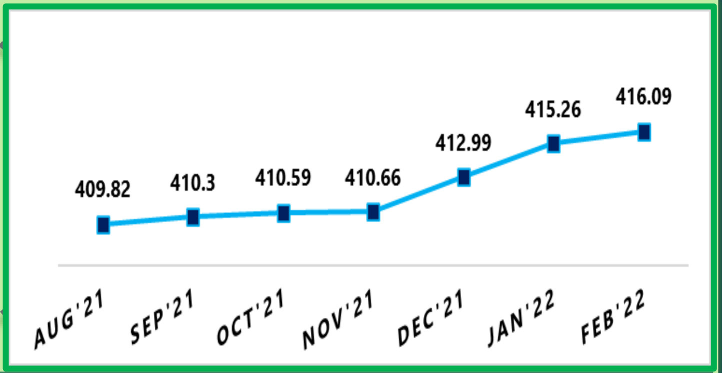
The Monetary Policy Committee (MPC) retained the Monetary Policy Rate (MPR) at 11.50%. The Committee emphasized the need to sustain policy measures that will quickly decelerate inflation as well as increase output growth to levels above population growth rate.

CPI



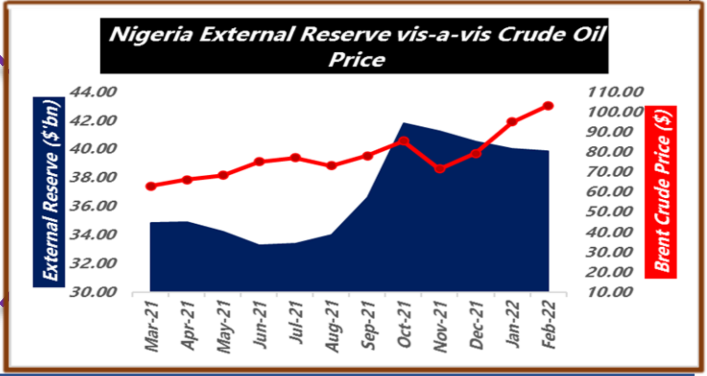
The inflation figure for February 2022 printed at 15.70% translating to 0.10% increase from January. This was buoyed by price increments in major components of the core index (gas, liquid fuel, e.t.c.) which rose by 14pbs to 14.01%. Food inflation stood 2bps lower at 17.11%.

FX RATE



The CBN official exchange rate inched up by 0.20% to N416.09 in February 2022. This increase is attributed to the continued restriction of forex sale to BDC's, which triggered increased participation at various auction windows.

RESERVE



Despite a continuous surge in crude oil prices, the External Reserves sustained a marginal decrease of 0.45% to $39.86bn. This was largely driven by the continuous intervention by the Apex bank at various auction points.

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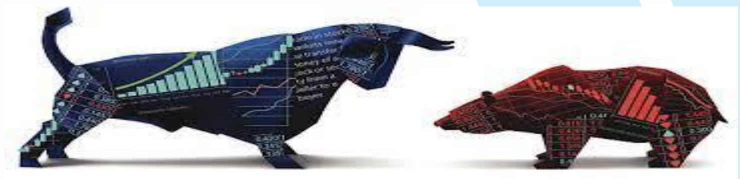
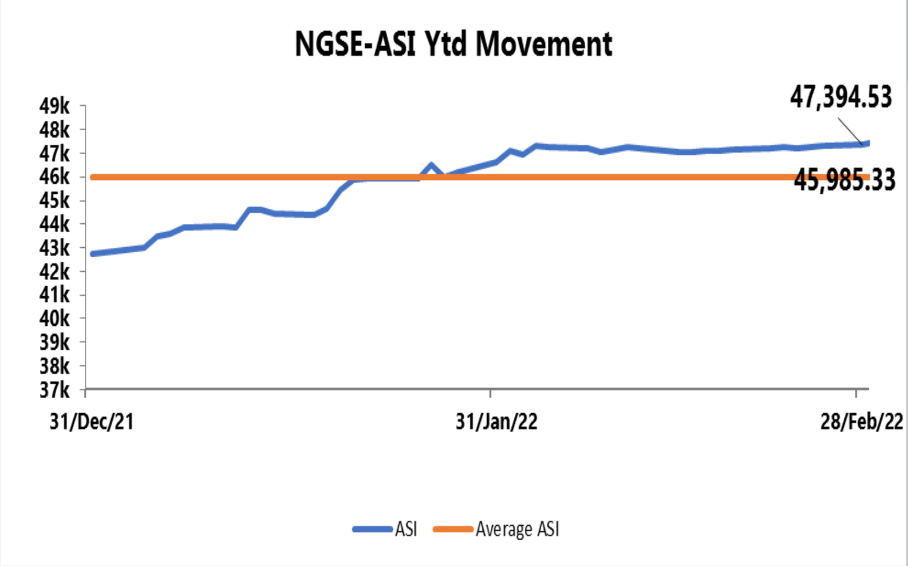
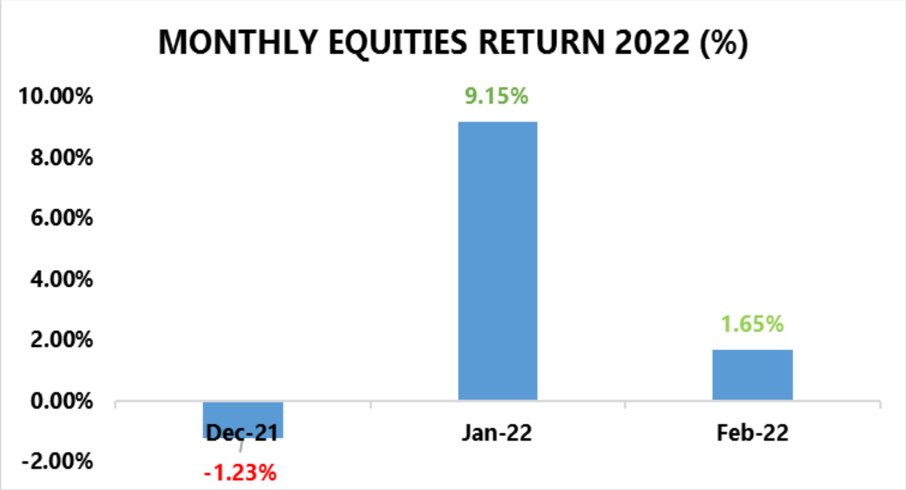
EQUITY MARKET



Back-to-Back; NGX ASI Finished the Month in Green

- ✓ The equities market witnessed a continuous ride on a positive footprint resulting from investors' perennial quest for dividend paying tickers ahead of FY 2021 financial results announcements and the resurgence of bullish sentiments in the fixed income space. As a result, the NGX ASI soared by 1.65% in the month of February to close at 47,394.53 index points, which boosted YTD return to 10.95%.
- ✓ Essentially, the uptick was largely driven by gains recorded on DANGCEM (+4.95%), MTNN (+1.77%), SEPLAT (+8.85%), ZENITHBANK (+4.03%) and WAPCO (+5.27%).
- ✓ Dissecting the sectoral performance, all the five (5) sectors under coverage closed positive. In perspective, NGX Oil & Gas index topped the table expanding by 7.76% due to buy interests in SEPLAT (+8.85%), TOTAL (+9.92%) and OANDO (+1.06%). This was followed by the NGX Industrial Goods sector, which gained 2.82% buoyed by DANGCEM (+4.95%) and WAPCO (+5.27%).
- ✓ Similarly, the NGX Banking sector progressed by 2.76% mostly driven by investor's interest in ZENITHBANK (+4.03%) and ACCESS (+4.55%). The 2.32% uptick printed by the NGX Consumer Goods index was mainly stimulated by GUINNESS (+40.06%) and FLOURMILL (+12.08%), whilst positioning ahead of the dividend declaration period saw MANSARD (+2.13%), NEM (+2.98%) and CORNERST (27.27%) lift the NGX Insurance sector by 2.53%.





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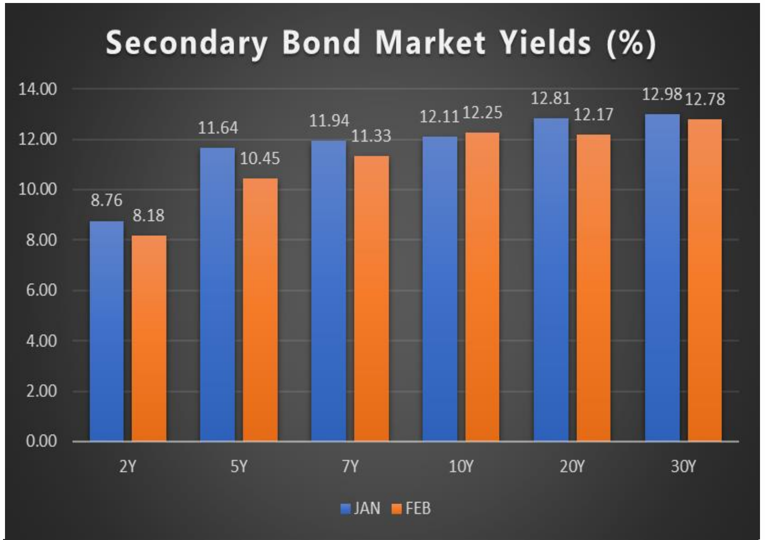
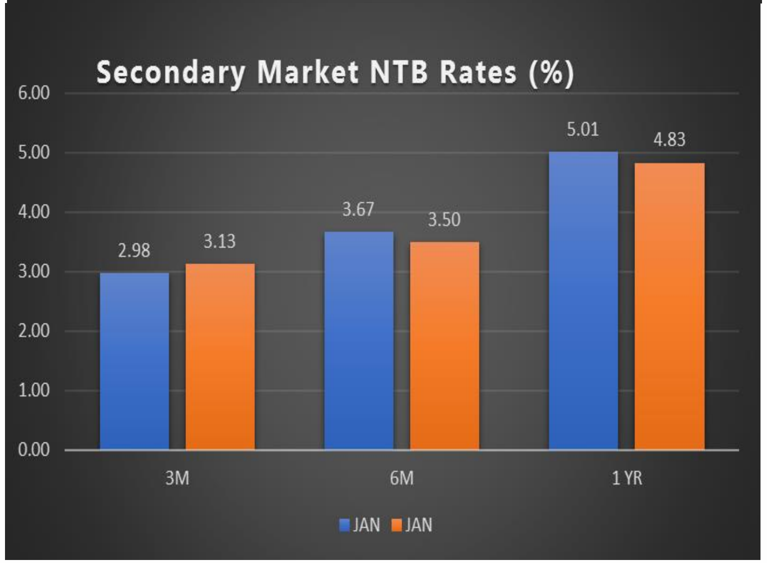
Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- The bourse sustained its bullish run this month as secondary market yields adjusted to reflect the lower stop rates obtained in the month's auctions, coupled with market participants' efforts to recover lost bids from the PMAs.
- At February's bond auction, the DMO offered instruments worth NGN150.00 billion to investors through re-openings of the 12.50% FGN JAN 2026 (Bid-to-offer: 4.3x; Stop rate: 10.95%, previously 11.50%) and 13.00% FGN JAN 2042 (Bid-to-offer: 3.1x; Stop rate: 13.00%, unchanged) bonds. As anticipated, demand was higher (subscription: NGN557.72 billion; bid-to-offer: 3.7x) than January's auction (Subscription: NGN325.24 billion; Bid-to-offer: 2.2x). The DMO eventually over-allotted instruments worth NGN415.42 billion across the competitive (NGN297.39 billion) and non-competitive (NGN118.03 billion) bids.
- Also, the DMO conducted two NTB auctions this month where a total of N213.29bn worth of the 91DTM, 182DTM and 364DTM bills were offered to investors. With subscription levels reaching up to N1.05trn, approximately N472.92bn was eventually allotted to participants at average stop rates of 2.36%, 3.30% and 4.78% respectively.
- In addition, it can be agreed that the residual effects of the liquidity influx from January into February further spurred investors' buy sentiments in the fixed income space.





FIXED INCOME MARKET

- As such, average bond yields shed 61bps M/M to close at 10.92%, whilst average discounted rates on NTBs and OMO bills shed 79bps and 170bps to close at 3.59% and 3.84% respectively.
- In the absence of any significant inflows to support demand, we foresee yields oscillating at current levels this month. However, we expect an uptick in yields in the medium term as liquidity levels wane, combined with the FG's borrowing plans for the year. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/ apex bank interventions.

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MARKET OUTLOOK AND STRATEGY

In the wake of the Russia-Ukraine crisis, there exists mixed economic implications for Nigeria. On one hand, the supply chain disruptions and sanctions placed on Russia, the second largest oil producer in the world, has led to a hike in oil and energy prices. This poses as a silver lining for Nigeria stemming from the expected boost in oil revenue. However, this translates into higher subsidy payments, which could cascade to increased commodity prices and reverse the country's declining inflation. Furthermore, there also exists the risk of higher debt service costs to the country owing to increased interest rates in other countries.

E Q U I T Y

We continue to envisage a bullish market in the coming month as more corporate earnings results and dividend declarations trickle into the market. We anticipate buy sentiments by investors who wish to take advantage of these earnings to drive stock prices higher. Hence, we aim to take profit on rallied tickers and cherry-pick attractive stocks when suitable opportunities are identified.

F I X E D   I N C O M E

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. 12.2%), 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 3.5% 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 8.02% 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.