

MONTHLY MARKET REVIEW AND FORECAST FOR JANUARY 2023

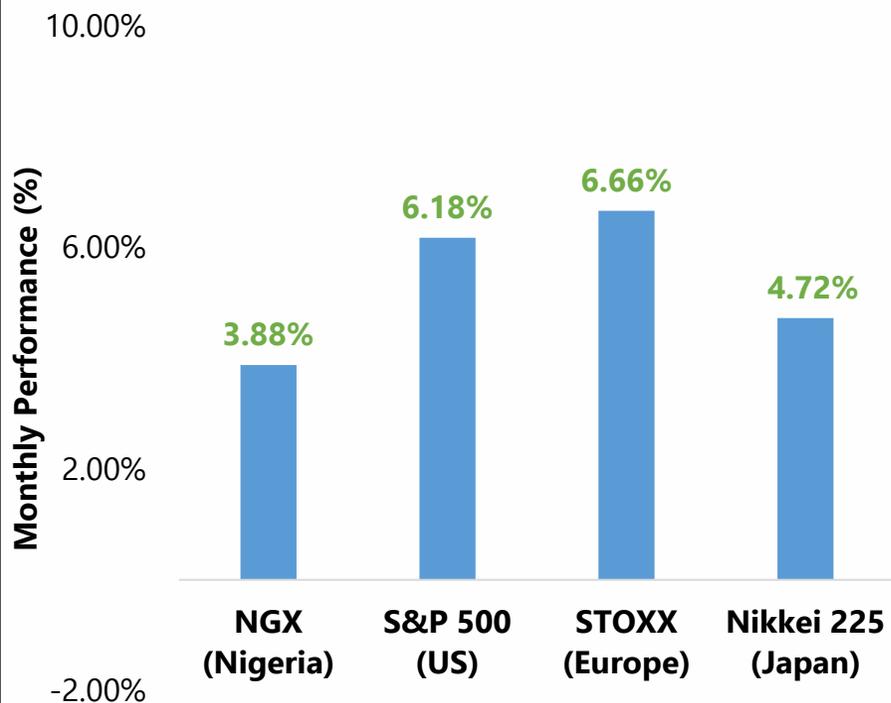
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F E B R U A R Y 2 0 2 2

GLOBAL MARKET REVIEW

GLOBAL MACRO MOVERS FOR THE MONTH

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



- Global stock markets posted strong gains in January 2023 following the less than flowery performance in December.
- These performances rode on investors' optimism following moderating inflationary data, which allayed the fears on the U.S. FED being unable to prevent a recession.
- In addition, the re-opening of Chinese economy further boosted investors' confidence in the Chinese market and boosted economic activity during the period.
- It can also be agreed that declining energy prices, eased supply chain restraints along with lowered expectations for corporate earnings further fueled support for global stock markets.

*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

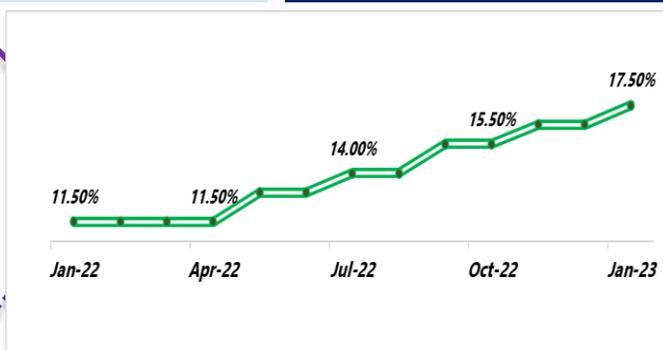
**S&P 500 tracks top 500 companies in USA

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

Nigerian Macro Review



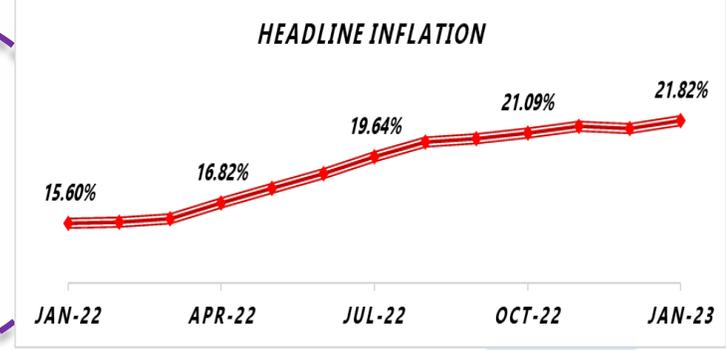
MPR



The MPC sustained a 100bps rate hike in its first meeting for the year as the benchmark rate was raised to 17.50%. The Committee emphasized the risk of high inflation to the economy with its adverse consequences on the standard of living.



CPI



Inflation maintained an upward trend advancing by 48bps to 21.82% from 21.34% recorded in December 2022. This was precipitated by a surge recorded in both food and core inflation which increased by 57bps and 67bps to 24.32% and 19.16% respectively.



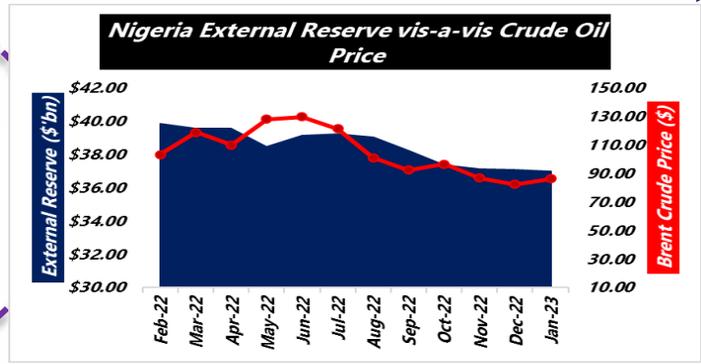
FX RATE



The Naira continued to weaken against the dollar in the I&E window as it witnessed a depreciation of 2.77% to N461.50. This was due to a continuous spike in the demand for dollars amid short supply resulting from dwindling revenue.



RESERVE

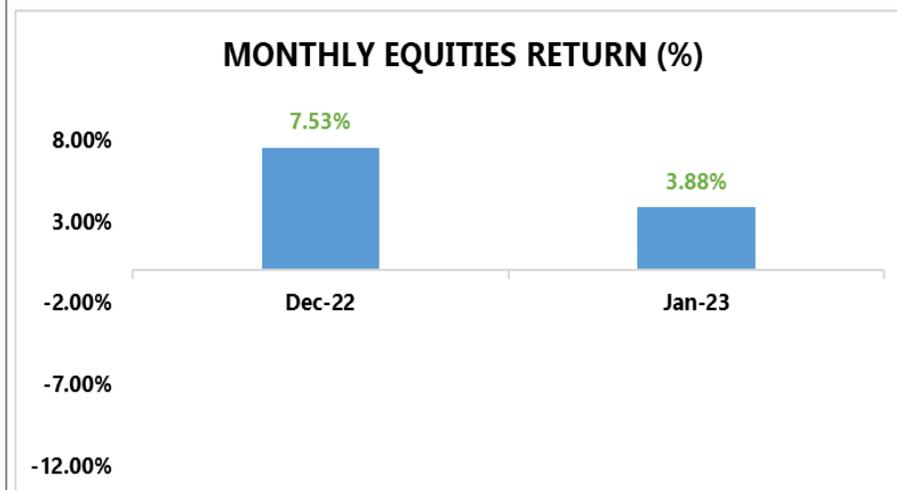
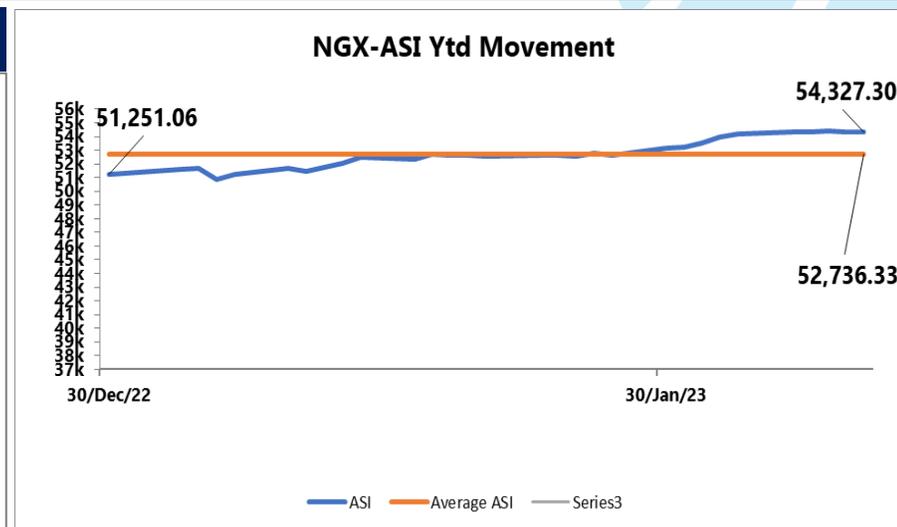


The External Reserve continue to trend downwards despite the uptick in Crude Oil prices. The Reserves declined marginally by 0.22% to \$37.08bn as a result of increased support in various auction window.



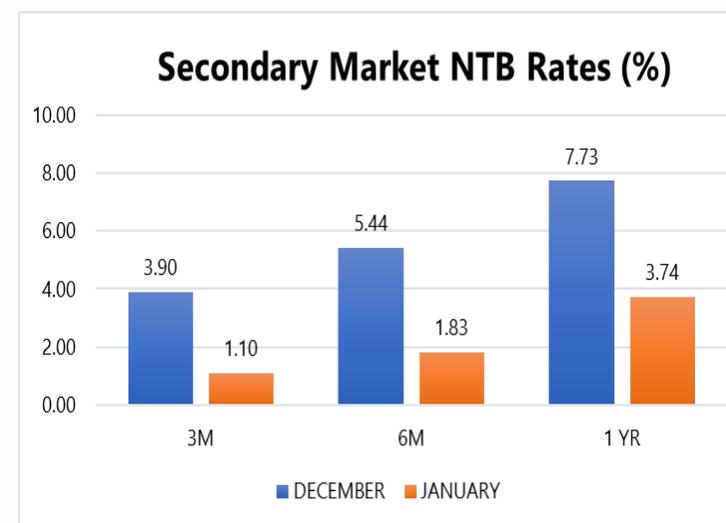
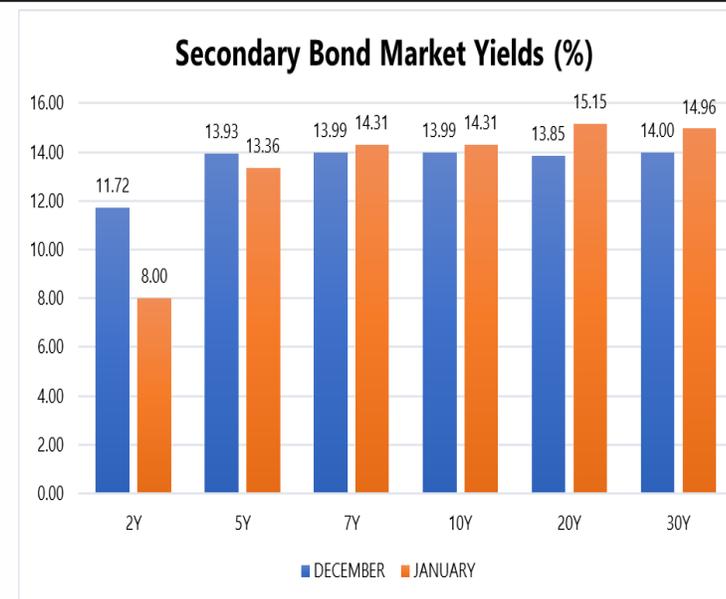
NGX ALSI DEFIES CONTINUOUS MPR HIKES

- ✓ The equities market recorded a 3.88% gain in the month of January 2023. This was driven by buy sentiments that persisted ahead of corporate action disclosures.
- ✓ The performance was buoyed by weighted returns recorded in MTNN (+0.73%), BUAFOODS (+0.68%), GEREUGU (+0.50%), DANGCEM (+0.35%), AIRTEL (+0.33%) and GTCO (+0.21%) amongst others.
- ✓ A review of the sectorial performance revealed that all sectors under coverage closed in positive terrain.
- ✓ NGX Banking led the chart with a gain of 7.51% resulting from favourable sentiments on ZENITHBANK (+4.17%), GTCO (+8.48%), FBNH (+7.34%), UBA (+7.89%) and ACCESSCORP (+7.06%).
- ✓ Accretion on BUAFOODS (+14.62%), NB (+1.95%) and DANGSUGAR (+8.10%) were responsible for the performance witnessed on NGX Consumer Goods.
- ✓ NGX Oil and Gas advanced by 5.41% largely supported by TOTAL (+16.06%).
- ✓ Gains recorded in NGX Insurance and Industrial Goods were propelled by AIICO (+6.78%), MANSARD (+1.50%), DANGCEM (+2.26%), BUACEMENT (+1.74%) and WAPCO (+4.58%).



FIXED INCOME MARKET

- Trading in the fixed income market was mixed with some segments expressing bullish outcomes, whilst others tilted towards a bearish pattern.
- To illustrate, the secondary bond market witnessed a bearish run in January owing to selloffs by market participants in order to position for the month's bond auction.
- Consequently, average bond yields gained 44bps to close at 13.75% M/M.
- At the auction, the DMO offered up to N360.00bn worth of the 13.98% FGN FEB 2028, 12.5000% FGN APR 2032, 16.2499% FGN JAN 2037 and 14.80% FGN APR 2049 bond instruments. Eventually, about N662.62bn was sold to investors at respective stop rates of 14.00% (prev. Nil), 14.90% (prev. 14.75%), 15.80% (prev. Nil) and 15.90% (prev. Nil). Notably, subscription levels reached N805.17bn, translating into a bid to cover ratio of 1.2x and bid to offer ratio of 2.2x.
- In the T-bills space, the liquidity influx from bond maturities, T-bills maturities and coupon repayments led to increased demand in the NTB market, which drove demand southwards leading to a decline in average discounted rates by an average of 319bps to close at 1.91%. Similarly, average discounted rates on OMO bills shed 113bps to settle at 2.20%.
- In addition, financial institutions' continuous efforts to offload idle funds to avoid surplus CRR debits further contributed to the positive performance of the segment.



FIXED INCOME MARKET

- In other news, there were 2 NTB auctions held by the DMO in January in which a total of N277.47 bn worth of the 91DTM, 182DTM and 364DTM bills was offered and sold to investors at respective average stop rates of 1.15% (prev. 4.62%), 3.07% (prev. 7.58%) and 6.04% (prev. 13.05%). Notably, both auctions were oversubscribed with subscriptions skewed to the longer dated instruments. Bid to cover ratio for both auctions stood at 5.2x.
- In February, it is believed that elevated inflation levels (currently 21.82%) would keep yields at double digit levels as investors make efforts to reprice instruments in their position with the aim of attaining real returns above inflation. However, we also expect yields to taper slightly (but remain at double digit levels) as profit seeking investors book gains on “in the money” bonds in their position. We also expect some cautious trading at the beginning of the month as investors monitor the developments of the upcoming election and await its outcome. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

MARKET OUTLOOK AND STRATEGY



We foresee increased inflationary pressures in February due to the impacts of flooding as well as increased food and energy costs. Furthermore, the “Naira scarcity”, a fall out of the CBN cash swap policy, is expected to pressure prices further. In addition, the higher production costs faced by manufacturers would lead to reduced output and increased prices as demand would outweigh supply. This would in turn lower the economy’s GDP. However, we expect that the outcome of the upcoming election would be positive for growth given the pro market views of the leading presidential candidates.

E Q U I T Y

The performance of the bourse is expected to be positive owing to dividend seeking investors’ efforts to position their portfolios in fundamentally sound stocks during this earnings season. In addition, a pro market administration would mean favorable market policies for businesses to drive profits, leading to greater investor patronage of these tickers in the stock 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 book profits on the rallied instruments in our position and deplore the sales proceeds into alternative assets with attractive returns.

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 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.