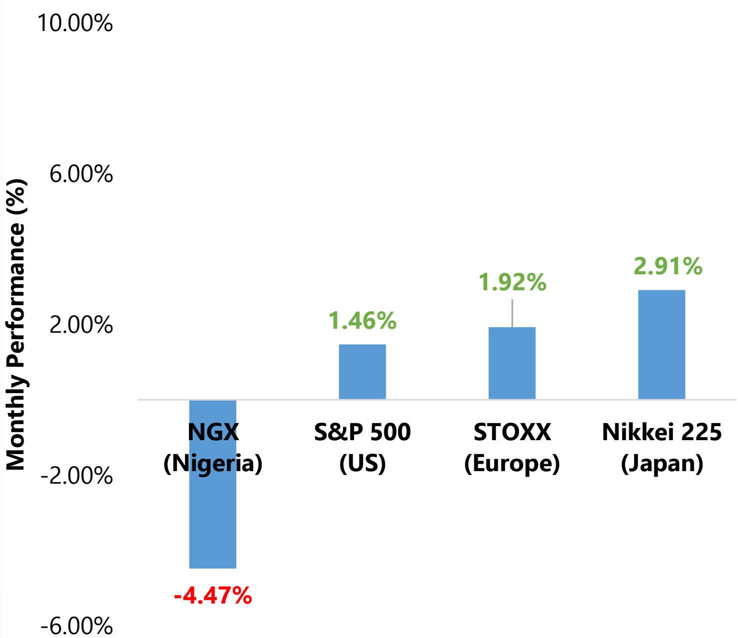
MONTHLY MARKET REVIEW AND FORECAST
FOR APRIL 2023

TRUSTFUND PENSIONS LTD RESEARCH

MAY 2023

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*

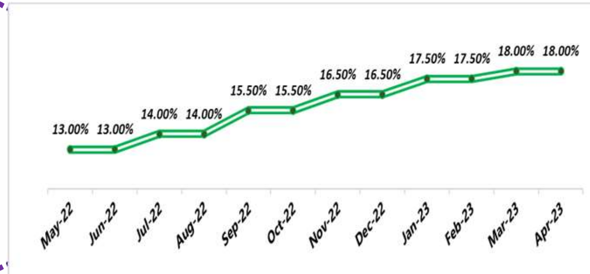
GLOBAL MACRO MOVERS FOR THE MONTH

- The U.S. market recorded limited gains in April as the announcement of the possibility of an economic slowdown by the FED tempered investors optimism of a potential moderation of monetary policy.
- In Europe, gains were supported by positive corporate earnings releases with some pf the top performing sectors including the Energy and Real Estate sectors. In addition, economic data illustrated that the Eurozone economy returned to growth in Q1 with a 0.1% quarter on quarter expansion.
- Similarly, the Nikkei 225 index in Japan posted gains this month as foreign investors patronized Japanese stocks at a high pace influenced by a weakening in the Yen due to the dovish direction of the Bank Of Japan at its first policy meeting under the new Governor Ueda’s leadership.
- In Nigeria, dividend markdowns following the earnings season dragged the overall ASI lower in April.

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

Nigerian Macro Review

MPR

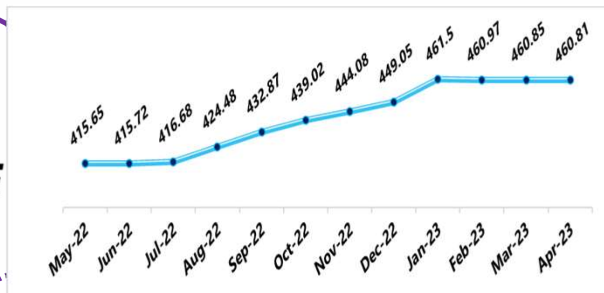


The Monetary Policy Rate remains at 18.00% as of March 2023. The next MPC meeting is slated for 22nd -23rd May 2023.

CPI

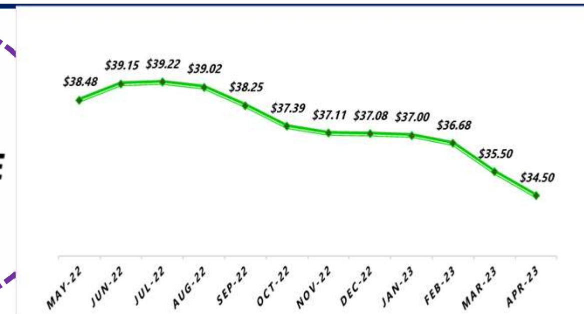
Headline inflation printed at 22.22% in April as a result of a continuous rise in the prices food and energy. Also, Food and Core inflation increased by 16bps and 28bps to close at 24.61% and 20.14%.

FX RATE



The Naira was relatively stable against the dollar at the I&E window. It was seen closing at $460.81 to a dollar which represent a diminution of 1bps. This was due continuous spike in demand for dollars amid short supply resulting from dwindling revenue.

RESERVE

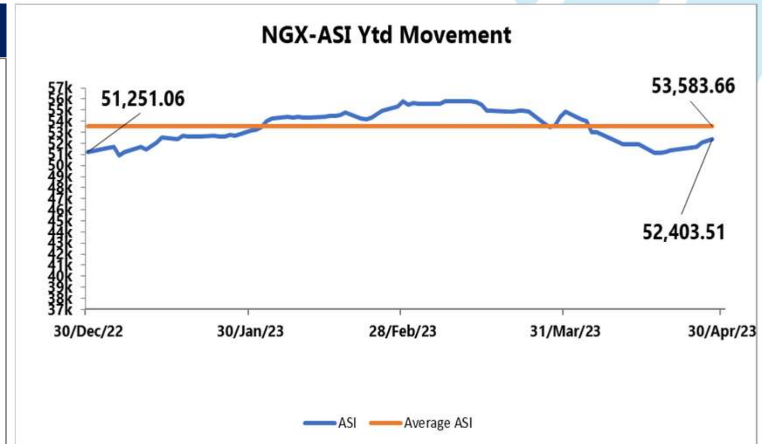


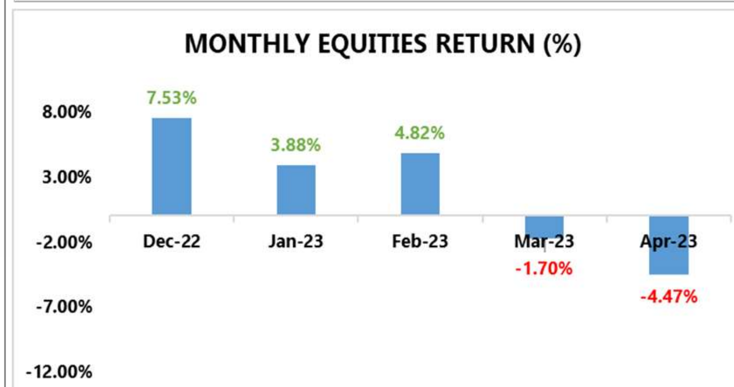
The External Reserve retained a downward movement despite improvements in the crude oil prices. The Reserve declined by 2.82% to $34.50bn in April when compared to $35.50bn recorded in March.

EQUITY MARKET

NGX ALSI DEFIES CONTINUOUS MPR HIKES

- Sentiments in the equities space were mixed as the market witnessed bargain hunting activities on some selected names while dividend mark downs and profit taking actions were experienced in some tickers.
- As such, the market shed 3.37%, largely caused by profit seeking on AIRTELAFRI (-15.48%) and MTNN (-4.71%), whilst mark downs on ZENITHBANK (-11.80%), NB (-13.51%), WAPCO (-7.31%), NESTLE (-3.38%), SEPLAT (-3.02%) and UBA (-7.19%) also contributed to the loss.
- Consequently, YTD performance moderated to 2.25% from 5.82% March 2023.
- A review of the sectoral performance revealed that only 2 sectors closed in green territory while 3 others closed in red terrain.
- The NGX Consumer Goods index sustained an upward trend with a MoM gain of 4.75% on the back of continued demand for BUAFOOD (+11.76%) and DANGSUGAR (+14.71%).
- The Insurance sector saw a 3.87% gain, which was supported by positive sentiments on MANSARD (+24.74%) and NEM (+4.71%).
- On the other hand, the NGX Industrial, NGX Oil and Gas, and NGX Banking sectors relapsed by 0.38%, 1.68% and 3.29% respectively.
- This can be linked to the dividend mark downs witnessed on WAPCO (-7.3%), SEPLAT (-3.02%), ZENITHBANK (-11.80%), UBA (-7.19%) and STANBIC (-1.46%).

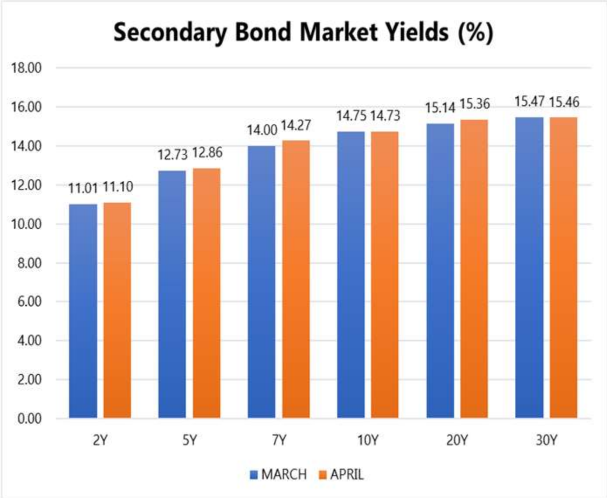


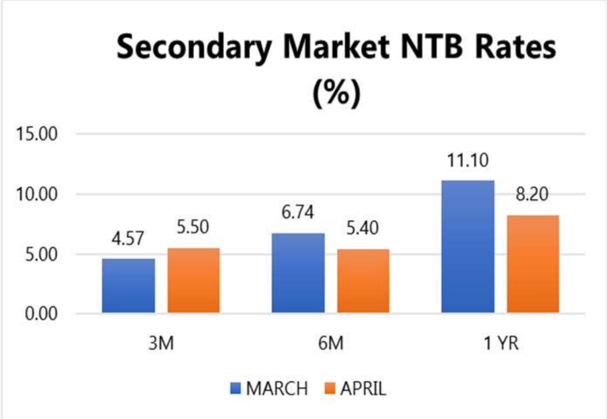


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- There was a clash between the bears and the bulls in the fixed income market last month, however, the market took a bearish turn overall despite the liquidity influx towards the end of the month as yield advancements were recorded circa in the market.
- To illustrate, average bond yields closed 5bps higher at 14.21%, whilst average NTB rates settled at 7.99%, up by 159bps. The bearish momentum can be pegged to investors' preference for fixed deposit placements offering relatively attractive yields (avg. 15.47%).
- In addition, it is believed that market players are more cautious of longer termed instruments due to fiscal uncertainties.
- In other news, the DMO conducted a bond auction yesterday wherein up to N360.00bn worth of the 13.98% FGN FEB 2028, 12.5000% FGN APR 2032, 13.00% FGN JAN 2042 12.90% FGN MAR 2026 was split equally and offered to investors. Subsequently, approximately N368.67bn was sold at respective stop rates of 14.00% (unchanged), 14.80% (prev. 14.75%), 15.40% (prev. nil) and 15.80% (prev. nil). Notably, subscription levels reached N444.03bn, translating into a bid to cover ratio of 1.23x.
- Furthermore, there were two NTB auctions held within the month, which saw up to N281.10bn worth of the 91DTM, 182DTM and 364DTM bills were offered and sold to investors at respective average stop rates of 5.65% (prev. 3.33%), 8.00% (prev. 6.33%) and 12.46% (prev. 11.41%).





FIXED INCOME MARKET

- As inflation continues to inch higher (22.04% in March 2023), we expect the MPC to continue with its hawkish stance, albeit at slower pace. Although we expect an initial upward repricing of yields underpinned by a higher MPR, the current correlation between the MPR and fixed income yields remains weak. As such, we expect the fiscal direction of the new administration to have a greater influence on the direction of fixed income yields in the long term. Generally, we expect yields to continue to rise in May due to thinning system liquidity amidst continuous CRR debits. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

MARKET OUTLOOK AND STRATEGY

Inflation is expected to remain elevated, albeit moderately and monetary tightening persists underpinned by the apex bank's objective of curtailing inflation. As such, interest rates are expected to be high, whilst fixed income yields rise on the short end and close lower on the longer end. In addition, Forex is foreseen to remain elevated as export revenues may be insufficient to improve the exchange rate. Therefore, prices of goods and services are likely to maintain an upward trend, slowing economic growth and activity. However, a pro market administration is expected to improve economic conditions in the medium to long term.

EQUITY

We continue to expect a short-term negative performance in the bourse underpinned by investors' profit taking activities on rallied tickers and dividend markdowns in earnings season. However, 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 in the mid term. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ apex bank interventions/ liquidity shocks to the system.

FIXED INCOME

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 comparatively 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.