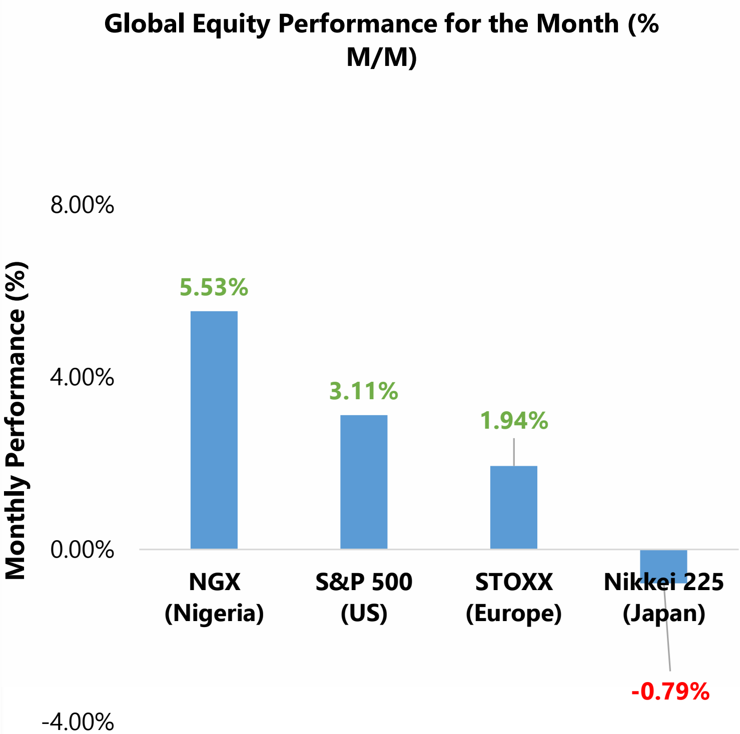
MONTHLY MARKET REVIEW AND FORECAST
FOR JULY 2023

TRUSTFUND PENSIONS LTD RESEARCH

AUGUST 2023

INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

GLOBAL MARKET REVIEW



**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*

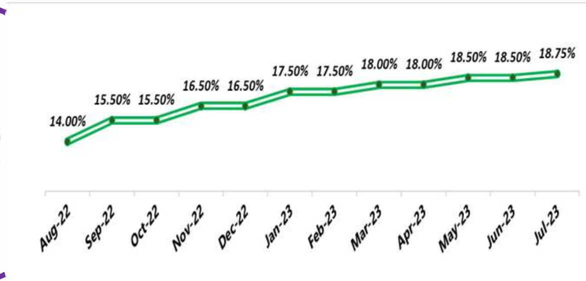
GLOBAL MACRO MOVERS FOR THE MONTH

- Bullish sentiments persisted on the global front supported by positive economic growth data filtering into various markets.
- U.S. stocks maintained an upward trajectory in response to data indicating resilient economic growth and dwindling inflation. Furthermore, Energy stocks moved northwards with the expectation of tighter supply and positive economic data. Banking, Technology, Healthcare and Consumer staple stocks also followed this trend.
- Similarly, Eurozone stocks expressed gains following falling inflation amid positive economic growth data. Consequently, the top gaining sectors were Real Estate, Energy and materials.
- In Nigeria, investors continued to plug into fundamentally sound stocks amid increased confidence in the market following the announcement of some of the ministerial cabinet members, perceived to drive positive economic growth.
- The Japanese market lagged behind its counterparts in July following some profit taking pressures during the month.

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

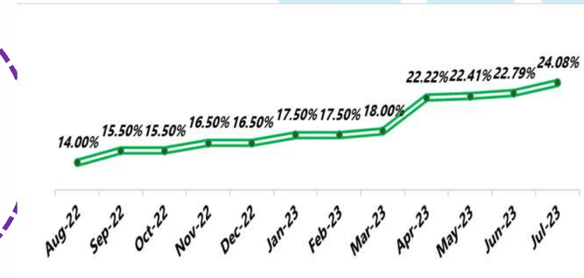
Nigerian Macro Review

MPR



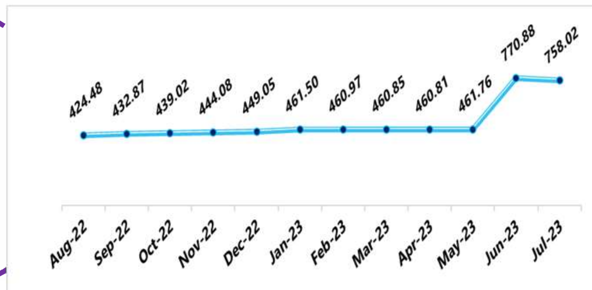
The Monetary Policy Committee continued its hawkish path by raising the benchmark rate by 25bps to 18.75%, highlighting the need to combat persistent inflationary pressures.

CPI



The headline Inflation figure for July 2023 grew by 129bps to 24.08% from 22.79% recorded in June 2023 adduced to a persistent rise in food and energy prices, as well as limited FX supply.

FX RATE



Following the implementation of a single FX window, the Naira fell to N758.02 against the U.S. dollar at the end of July 2023. This translates to a 1.67% from June's N770.88 close.

RESERVE

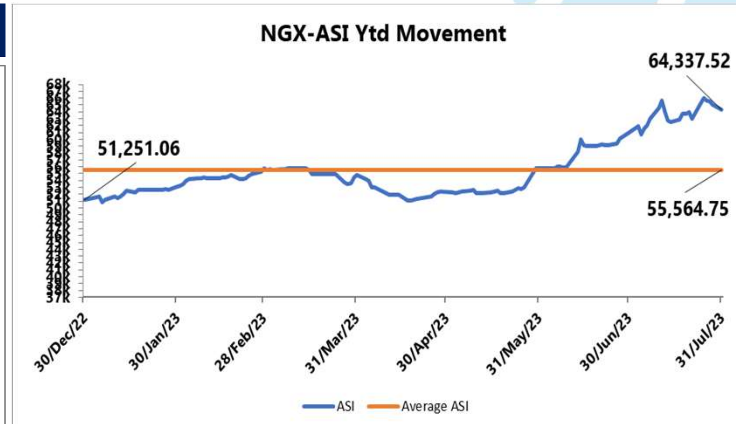
The External Reserve declined marginally by 0.70% to $33.95bn in July 2023 from $34.19bn recorded in June. This was due to the apex bank's increased intervention at the I & E window following a complete synchronization of various FX windows.

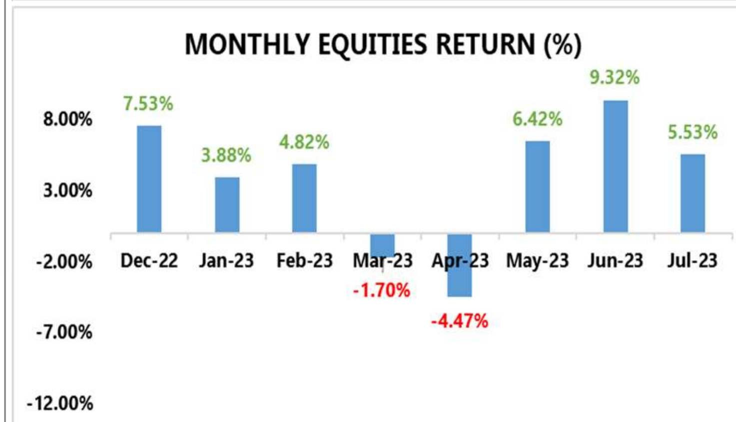
trustfund PENSIONS
INVESTMENT RESEARCH
TRUSTFUND PENSIONS LIMITED

EQUITY MARKET

ALSI Continues on its Bullish Course

- ✓ Bullish sentiments persisted in the equities space as investors consistently patronized fundamentally sound stocks.
- ✓ As such, the ALSI gained 5.53% adduced to buying interests on DANGCEM (+23.51%), STANBIC (+28.70%), BUACEMENT (+7.26%), TRANSCOHOT (+62.18%), SEPLAT (+20.99%), GEREGU (+15.00%), UBA (+14.29%), NASCON (+73.80%), FIDELITYBK (+22.86%) and SKYAVN (+152.22%).
- ✓ Consequently, YTD performance advanced to 25.53% from 18.96% at the close of June 2023.
- ✓ A cursory sectoral performance review revealed that 3 sectors closed in green territory while 2 sectors finished the month in the red zone.
- ✓ For context, the NGX Oil and Gas index expressed a 20.05% gain driven by price movements in SEPLAT (+20.99%), TOTAL (+10.00%), CONOIL (+32.53%) and MRS (+38.54%).
- ✓ Likewise, the NGX Industrial goods sector was up by 14.17%. This was influenced by the Share Buy-Back Programme executed by the cement giant, DANGCEM (+23.51%) and buy sentiments in BUA (+7.26%).
- ✓ Furthermore, sustained positive sentiments witnessed on the GTCO (+4.71%), STANBIC (+28.70%), FBNH (+5.57%) and UBA (+14.29%) tickers drove a 3.84% gain in NGX Banking index.
- ✓ Conversely, the NGX Insurance and NGX Consumer Goods indices shed 4.58% and 5.89% respectively due to profit taking activities on AIICO (-7.04%), MANSARD (-5.32%), NEM (-6.25%), NESTLE (-6.00%), NB (-18.89%), INTBREW (-16.35%), GUINNESS (-25.06%) and FLOURMILL (-16.42%). These profit taking activities were spurred by less than impressive earnings results released during the period.



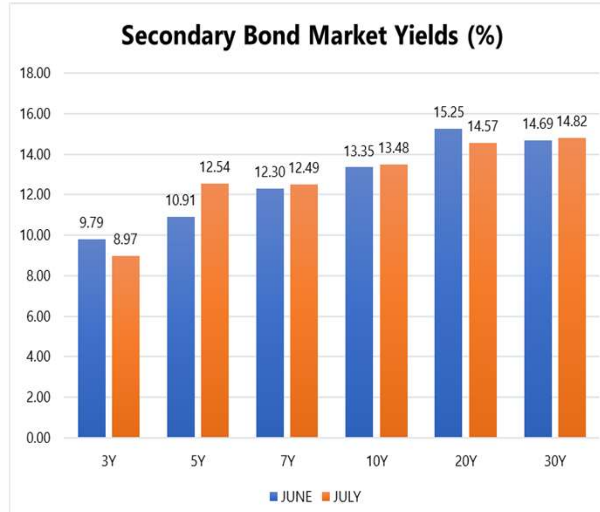


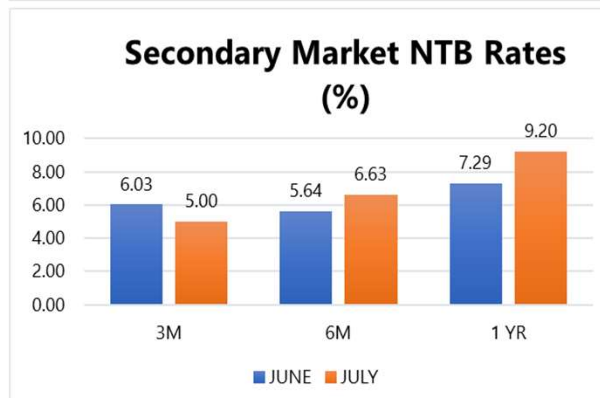
trustfund PENSIONS

Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Overall, there was a bearish tone in the fixed income space in July, which can be adduced to moderate system liquidity levels and investors' reactions to July's hawkish MPC decisions.
- At the conclusion of its meeting in July, the MPC increased the MPR further by 25bps to 18.75%, while narrowing the asymmetric corridor to +100/-300bps around the MPR for the first time since 2020. Nonetheless, other parameters were maintained as follows; Cash Reserve Requirement (CRR) at 32.5% and Liquidity ratio at 30.0%.
- Consequently, average bond yields gained 7bps MoM to settle at 13.23%, whilst discounted rates on NTBs rose by 42bps to close at 6.42%.
- In other news, up to N360.00bn worth of the 14.55% FGN APR 2029 (re-opening), 14.70% FGN JUN 2033 (re-opening), 15.45% FGN JUN 2038 (re-opening) and 15.70% FGN JUN 2053 (re-opening), was offered to investors in an auction in July, with approximately, N656.74bn eventually sold at respective stop rates of 12.50% (prev. 13.90%), 13.60% (prev. 14.70%), 14.10% (prev. 15.45%) and 14.30% (prev. 15.70%). Notably, subscription levels reached N945.14bn translating into a bid to offer ratio of 2.63x.
- Similarly, at total N406.10bn worth of the 91DTM, 182DTM and 364DTM bills was offered and sold to investors at respective average stop rates of 4.43%, 5.75% and 9.05%. Unsurprisingly, the auction was 168.41% oversubscribed, translating into a bid to offer ratio of 2.8x





FIXED INCOME MARKET

- In august, approximately N457.21bn is expected in maturities, whilst up to N67.37bn worth of coupon payments are due as inflows into the system. With these, we foresee continued repricing activities in the fixed income space in the wake of the current monetary policy situation. As such, we expect a further rise in yields. 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

In august, we foresee persistent inflationary pressures as well as heightened FX volatility from the adoption of certain market-oriented policies including the removal of fuel subsidy and the implementation of a managed floating exchange rate system. In line with PWC, 2023, we also anticipate further regulatory reforms, a medium-term decline in consumer demand and an improved, albeit slow, forecast for government spending, taxation and credit control. These expectations are driven by proposed new ministerial cabinet, the implementation of new tax reforms, rising consumer goods prices, and uneven wage adjustments across sectors.

EQUITY

This month, we expect sell offs on company tickers that posted negative earnings results due to foreign losses incurred as a result of the devaluation of the naira from the liberalization of the exchange rate. We also foresee a focus shift to the fixed income space given the narrowing of the asymmetric corridor, which could translate into a rise in yields. However, we maintain that the formulation of pro-business policies would attract foreign investor participation, which would sustain the bullish momentum of the market. 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.