



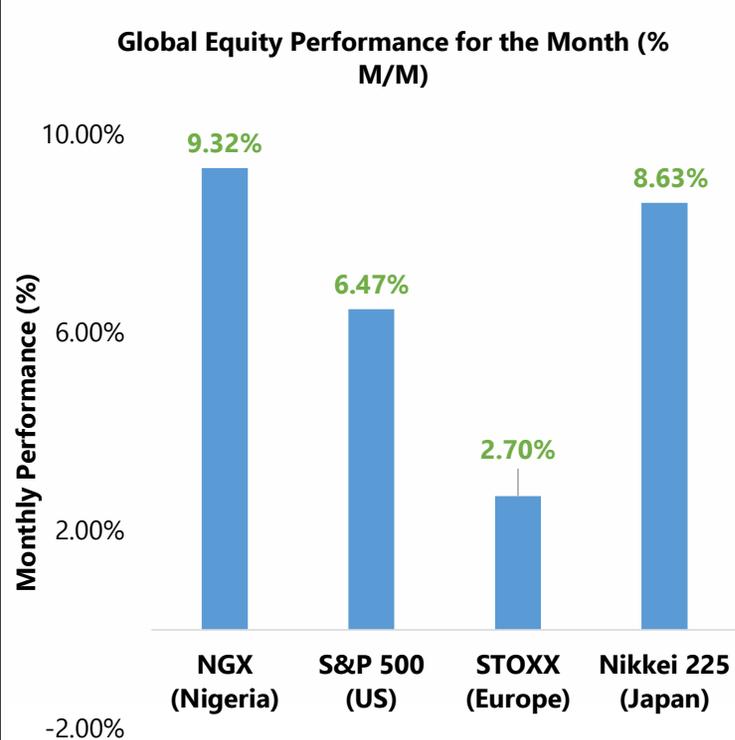
# MONTHLY MARKET REVIEW AND FORECAST FOR JUNE 2023

TRUSTFUND PENSIONS LTD RESEARCH



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# GLOBAL MARKET REVIEW



## GLOBAL MACRO MOVERS FOR THE MONTH

- Overall, global markets posted impressive gains in June as enthusiasm over technology stocks- amidst moderating inflation- boosted market gains for the period.
- U.S stock market gains were mainly pegged to increased investor optimism over the economy evidenced by moderating inflation and a resilient economy despite rising interest rates.
- In the Eurozone, IT and financial stocks drove market gains following the release of strong earning results from most banking tickers. In addition, a decline in the headline inflation for June also boosted investor confidence in the Eurozone market.
- Continuous foreign investor patronage, in addition to lingering expectations of corporate governance reforms and structural shifts in the Japanese macro economy, largely buoyed Nikkei 225 market gains in June.
- In Nigeria, increased investor trust and confidence in the newly inaugurated administration stemming from the dispensation of policies perceived to serve a catalysts for economic growth influenced the market's positive performance. .

\*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

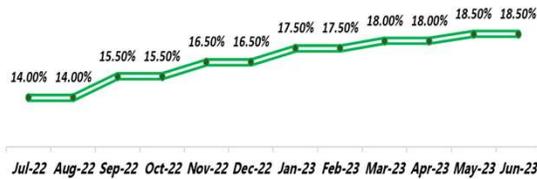
\*\*S&P 500 tracks top 500 companies in USA

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

# Nigerian Macro Review



## MPR



## CPI

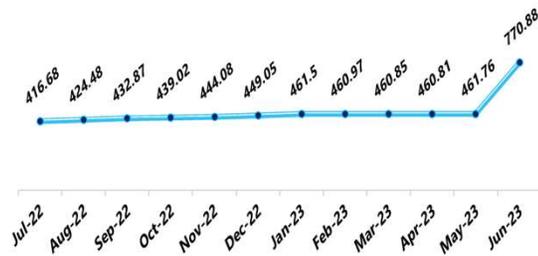


The Monetary Policy Rate remains at 18.50% per the decision of the MPC in its previous meeting in April 2023. The next meeting is slated for 24<sup>th</sup> and 25<sup>th</sup> July 2023.

The headline Inflation figure for June 2023 grew to 22.79% from 22.41% printed in May 2023 resulting from a persistent rise in food and energy prices.



## FX RATE



## RESERVE



The Central Bank of Nigeria announced a complete harmonization of various FX windows. This saw the Naira depreciate to N664.04 at the I & E window. However, it closed at a weighted average rate of N770.88 to a dollar by the end of June 2023.

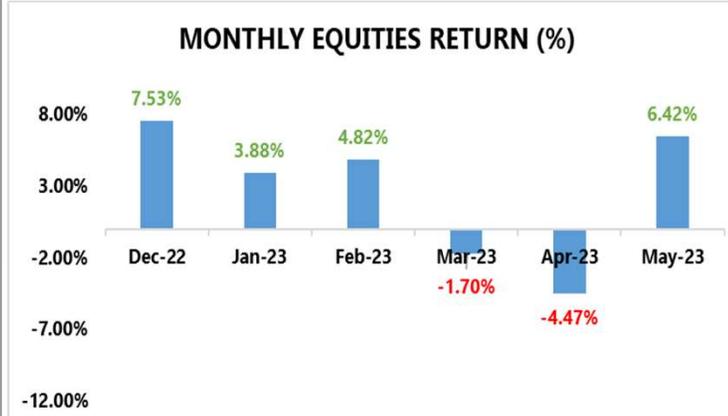
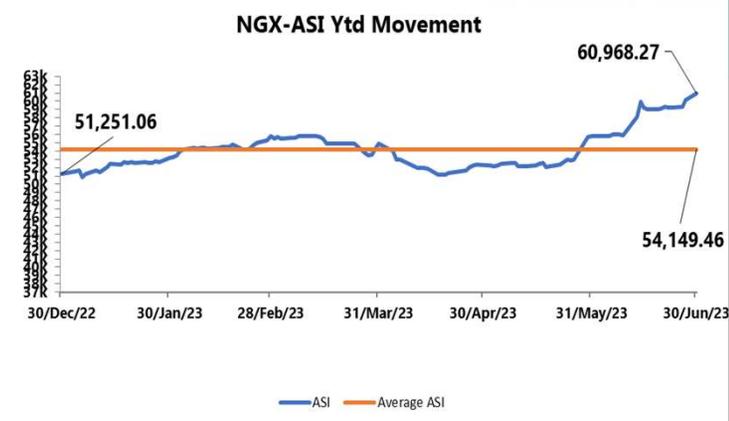
The External Reserve declined marginally by 2.56% to \$34.19bn in June 2023 from \$35.09bn recorded in previous month. This was due to the increased intervention at the I & E window following full synchronization of various windows.

# EQUITY MARKET



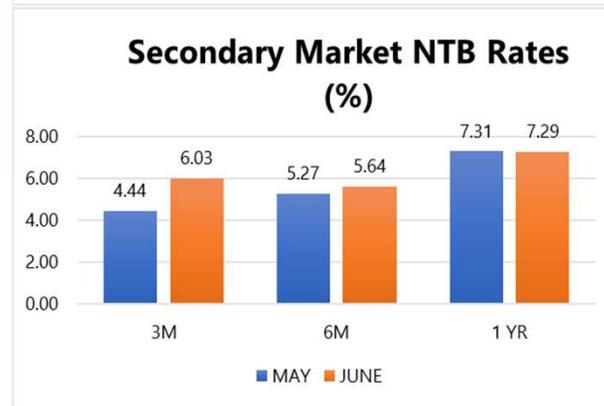
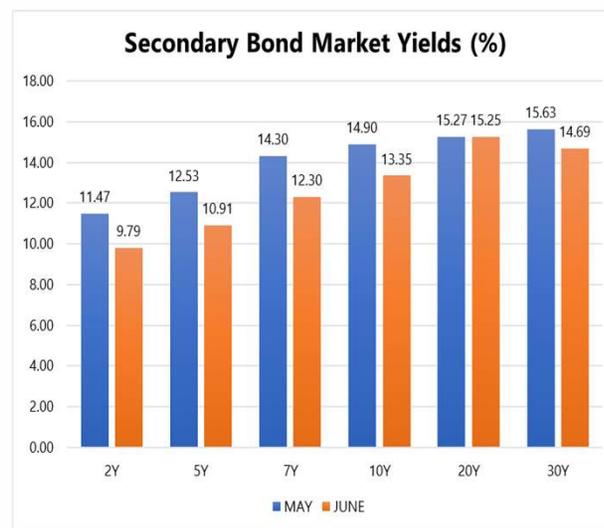
## ALSI SUSTAINS BULLISH RUN AS POSITIVE SENTIMENTS FROM THE NEW ADMINISTRATION TRAIL THE BOURSE

- ❖ The equities bourse sustained a bullish track as the new administration continues to dispense policies perceived to drive economic growth and stability, thus driving positive market sentiments.
- ❖ Consequently, the ALSI gained 9.32% from buy interests in AIRTELAFRI (+12.33%), MTNN (+8.92%), TRANSCOHOT (+162.04%), STANBIC (+35.00%), GTCO (+21.95%), ACCESSCORP (+34.96%), ZENITHBANK (+18.10%), SEPLAT (+16.65%), FBNH (+18.40%), and BUAFOODS (+4.50%).
- ❖ As such, YTD performance advanced to 18.96% from 8.82% at the end of May 2023.
- ❖ Furthermore, all sectors under our coverage closed in the green as the NGX Insurance index led the chart with a 32.55% gain, propelled by AIICO (+16.39%), MANSARD (+21.54%), NEM (+34.74%), CORNERST (+41.03%) and WAPIC (+80.43%).
- ❖ Furthermore, positive sentiments witnessed on ZENITHBANK (+18.10%), GTCO (+21.95%), STANBIC (+35.00%), FBNH (+18.40%), ACCESSCORP (+34.96%) and UBA (+23.74%) drove a 23.30% gain in the NGX Banking sector.
- ❖ Also, the NGX Consumer Goods sector gained 5.51% due to price appreciations on BUAFOODS (+4.50%), NB (+7.66%), DANGSUGAR (+21.95%).
- ❖ Lastly, the NGX Industrial goods index was lifted largely by WAPCO (+13.46%) and BUA (+0.27%).



# FIXED INCOME MARKET

- The fixed income market was generally bullish in June with a few bearish leaks observed across the curve.
- For instance, average bond yields shed 110bps to close at 13.16%. This bullish sentiment was spurred by the lingering high system liquidity from CRR refunds and FAAC inflows.
- In other news, up to N360.00bn worth of the 14.55% FGN APR 2029 (re-opining), 14.70% FGN JUN 2033 (new issue), 15.45% FGN JUN 2038 (new issue) and 15.70% FGN JUN 2053 (new issue), was offered to investors in an auction in June, with approximately, N427.16bn eventually sold at respective stop rates of 13.90%, 14.70%, 15.45% and 15.70%. Incidentally, subscription levels reached N635.12bn translating into a bid to offer ration of 1.76x.
- On the other hand, the NTB space closed on a bearish note, despite minimal activity within the space- majority of which were buy activities- as investors focused on the PMAs within the space. Nonetheless, average discounted rates within the space closed 37bps higher at 6.00%.
- At the PMAs, about N404.51 worth of the 91DTM, 182DTM and 364DTM bills was offered and sold to investors at respective average stop rates of 6.64%, 6.08% and 4.49%. Just like other auctions, this auction was up to 362% over subscribed, meaning a bid to offer ratio of 4.6x.



# FIXED INCOME MARKET



- Mixed sentiments are expected next month in the bond space as investors jostle to plug in excess liquidity on their positions and take advantage of higher yields within the space, thus driving yields lower in the short term, whilst significant FGN borrowings are expected to translate into an upward trend in bond yields as investors clamour for higher yields amid elevated supply. Meanwhile, T-bill yields are expected to narrow in the short term due to increased liquidity from bill maturities. However, we foresee an uptick in these yields in the medium term as system liquidity thins out. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

# MARKET OUTLOOK AND STRATEGY



According to the African Development Bank (AFDB, 2023), Nigeria's real GDP growth is expected to remain subdued, averaging 3.3% with inflation expected to remain elevated for the remainder of the year before declining in 2024 as a result of the apex bank's contractionary monetary policy. Also, the removal of subsidy on PMS and increased revenue is expected to shrink the fiscal deficit, which will be financed by government borrowing. Furthermore, a peaceful resolution of the court disputes from the 2023 presidential election would confirm the country's democratic maturity, thereby spurring investor confidence and boosting investments. However, insecurity remains a significant headwind to economic growth.

## E Q U I T Y

We expect bullish sentiments to persist in this space stemming from continuous positive economic policies by the Tinubu led administration. We also foresee reduced activity on dual listed stocks as FX liquidity improves. Furthermore, we anticipate foreign investor inflows in the medium to long term as the government continues to build market trust and confidence. 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 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.