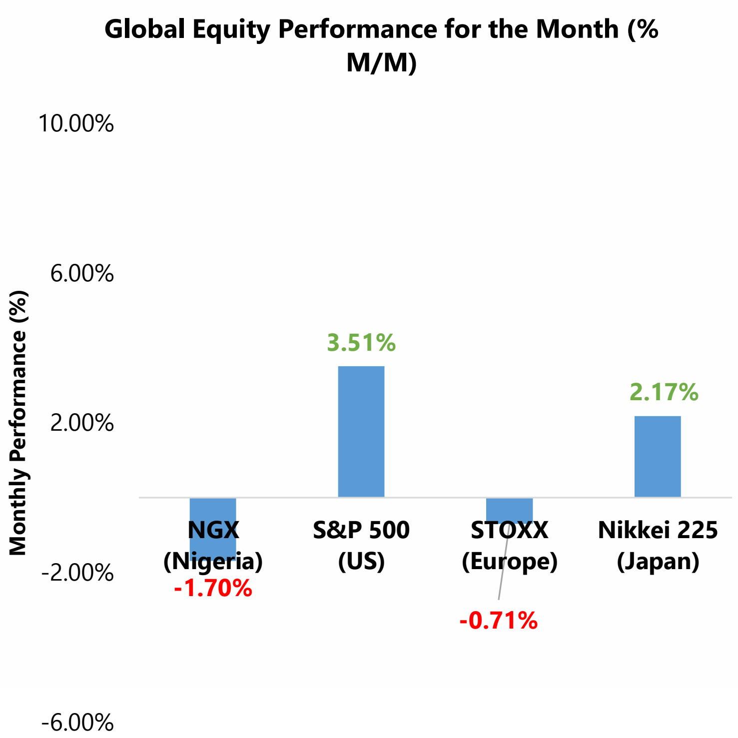
MONTHLY MARKET REVIEW AND FORECAST
FOR MARCH 2023

TRUSTFUND PENSIONS LTD RESEARCH

APRIL 2023

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*

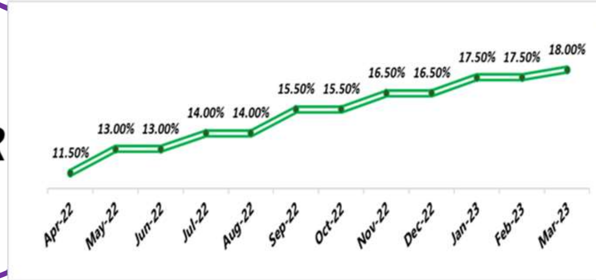
GLOBAL MACRO MOVERS FOR THE MONTH

- Despite the short-term turbulence in the US stock market after the Silicon Valley Bank (SVB) collapse, investors' optimism in the stock market remained quite strong, especially biased towards tech stocks. Furthermore, investors categorized the systemic risks surrounding the SVB collapse as minimal, thus the reinforced optimism.
- Nonetheless, the main drivers of this bullish momentum were certain suggestions from slowed inflation indicating that the rate hike cycle by the Fed was coming to an end.
- In Europe, volatility in the banking sector stemming from issues surrounding the SVB fall resulted in a turbulent month for stocks. Furthermore, the buy out of Credit Suisse by UBS just a week after SVB's collapse contributed to weak sentiments in the market.
- Similarly, the turmoil caused by the SVB and the Credit Suisse bailout by UBS weakened investor sentiments for Japanese stocks at the beginning of the month as they were drastically hit by concerns. However, this was short-lived as the market experienced a rebound towards the end of the month.
- In Nigeria, dividend markdowns following the earnings season dragged the overall ASI lower in March.

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

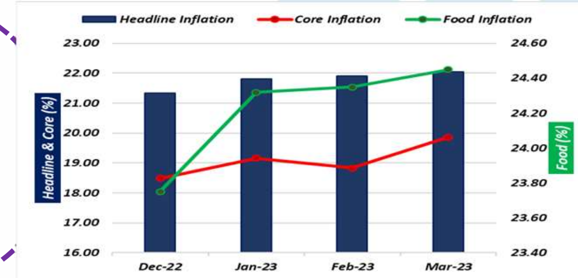
Nigerian Macro Review

MPR



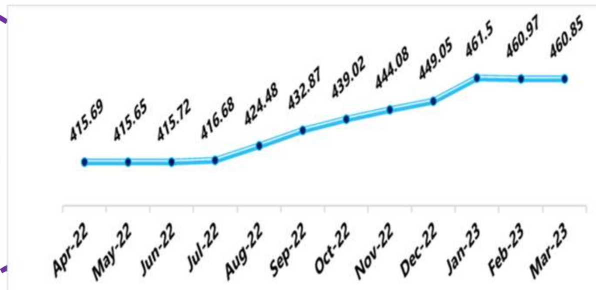
The benchmark rate was increased by 50bps to 18.00% as a fallout of the first MPC meeting of 2023. The committee cited this increase as a means to tackle the economic challenges posed by heightened inflation levels.

CPI



The March headline inflation figure printed at 22.04%, indicating a 13bps increase from the previous month. This was pinned by the continuous price rises in consumer goods and services. Also, food inflation increased to 24.45%, whilst core inflation increased by 102bps to 19.86%.

FX RATE



The Naira witnessed a relatively stable movement against the dollar at the I&E window. It closed at $460.85 to a dollar, indicating a 3bps rise. This was pinned by increased demand for dollars amid short supply resulting from dwindling revenue.

RESERVE

The External Reserve sustained a downward trend due to dwindling Crude Oil prices. The Reserve declined by 3.22% to $35.50bn March 2023 from $36.68bn recorded in February 2023.

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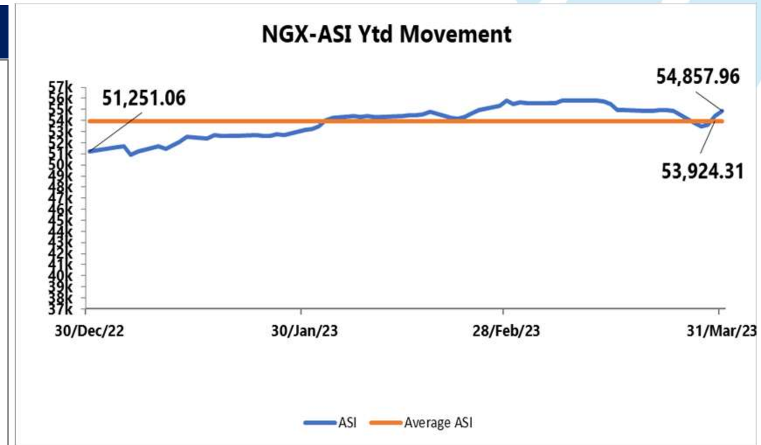
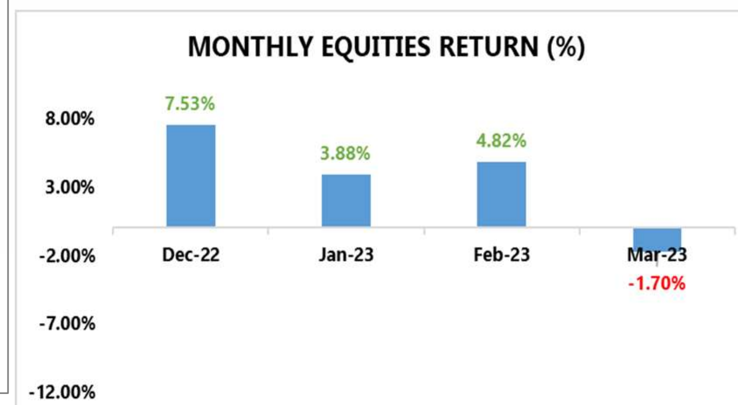
EQUITY MARKET

NGX ALSI DEFIES CONTINUOUS MPR HIKES

- The NGX ASI declined by 1.70% in March 2023. This was triggered by both profit taking activities and dividend mark downs on some bellwether names.
- To illustrate, investors booked profits on AIRTEL (-1.64%), SEPLAT (-0.30%), BUACEMENT (-0.18%) and GTCO (-0.11%) while dividend mark downs were witnessed on MTNN (-0.34%) and DANGCEM (+0.35%)
- Examining the performance of the sectors under covering, only one sector finished in green while the remaining 4 closed in red.
- NGX Consumer Goods, being the only sector that closed positive at 4.36% was lifted largely from gains witnessed on BUAFOODS (+13.33%).
- NGX Insurance was down by 1.14% owing to profit taking on by AIICO (-3.33%) and MANSARD (-5.00%).
- The NGX Banking and Industrial shed 2.95% and 2.44% on the back of profit taking on ZENITHBANK (-2.45%), GTCO (-4.32%), STANBIC (-9.83%), FBNH (-4.72%), UBA (-4.02%), ACCESSCORP (-5.76%), DANGCEM (-2.88%), BUACEMENT (-1.61%) and WAPCO (-5.11%).
- NGX Oil and Gas tanked by 9.65% resulting from weak sentiments on SEPLAT (-13.21%) and CONOIL (-18.89%).

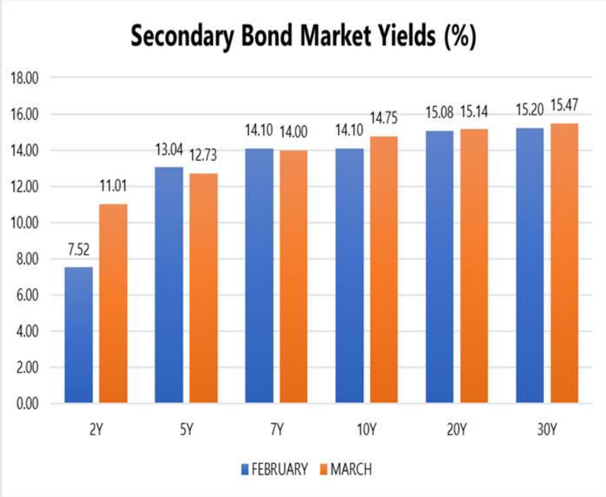


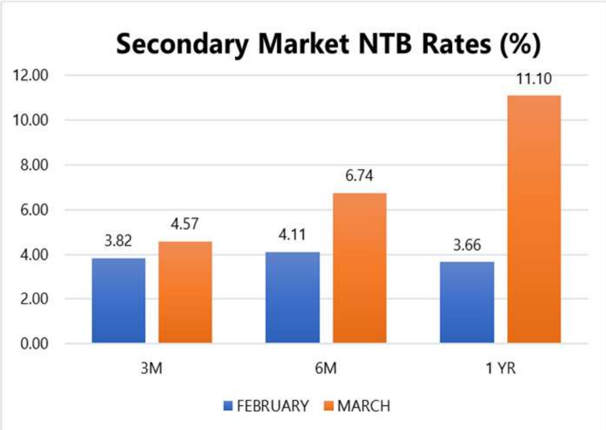


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- There was a bearish momentum sustained in the fixed income market this month as investors repriced yields higher at the secondary space and significant selloffs on the short end of the curve amidst tightened liquidity levels. Resultantly, average bond yields gained 58bps to settle at 14.17%, whilst average discounted rates on NTBs and OMO bills rose 338bps and 100bps each to close the month at 7.55% and 4.00% respectively.
- At the March bond auction, the DMO sold up to N563.36bn worth of the 13.98% FGN FEB 2028 (N70.85), 12.5000% FGN APR 2032 (N21.76bn), 16.2499% FGN JAN 2037 (N144.24bn) and 14.80% FGN APR 2049 (N326.51bn) instruments. Furthermore, the bid to cover ratio at this auction closed at 2.25x. 51bps lower than the last auction (2.76x). Additionally, demand was skewed to the longer dated papers with the bid to cover ratio on those instruments (2037 and 2049) closing at 3.95x and 3.88x respectively. Nonetheless, stop rates closed at 14.00% (prev. 13.99%), 14.75% (14.90%), 15.20% (15.90%), 15.75% (16.00%).
- In other news, the DMO published the Q2'23 bond issuance calendar, which indicates that the FG plans to borrow between N960bn- N1,200bn worth of the 13.98% FGN FEB 2028, 14.55% FGN APR 2029, 12.50% FGN APR 2032, 13.00% FGN JAN 2042, 12.98% FGN MAR 2050 instruments through re-openings. However, the FG is expected to raise more than planned in the next quarter given the need to finance its budget deficit. In addition, the market expects up to N735.96bn in bond maturities in April.





FIXED INCOME MARKET

- Similarly, there were three NTB auctions conducted in March wherein approximately N531.84bn (same amount of NTBs that matured in March) was offered on the 91DTM, 182DTM and 364DTM papers by the DMO and about N100.00bn over the offer amount (N631.84) was allotted to investors. Average Stop rates were seen to have closed higher than the previous month at 3.33% (prev. 1.55%), 6.33% (prev. 1.77%) and 11.41% (prev. 6.04%) respectively.
- With up to 1,278.92bn expected to flow into the system this month from coupon repayments (N261.86bn), bond maturities (N735.96bn) and NTB maturities (N281.10bn), we expect a moderation in fixed income yields stemming from excess system liquidity. Moreover, the lower auction amounts compared to the maturities expected further support this opinion. Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

MARKET OUTLOOK AND STRATEGY

The significance and urgency of post election policy reforms to economic growth cannot be overemphasized as this is paramount in dictating the direction of markets. Also, economic growth is expected to pick up in the near-term owing to the validity extension of the old naira notes as legal tender by the CBN. Furthermore, we expect the CBN to hike policy rates at a slower pace as the positive effects of the previous rate hikes begin to feed through, whilst inflation is still expected to remain elevated due to the impacts of the 2022 floods on food supply.

EQUITY

We 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.