MONTHLY MARKET REVIEW AND FORECAST
FOR MAY 2023

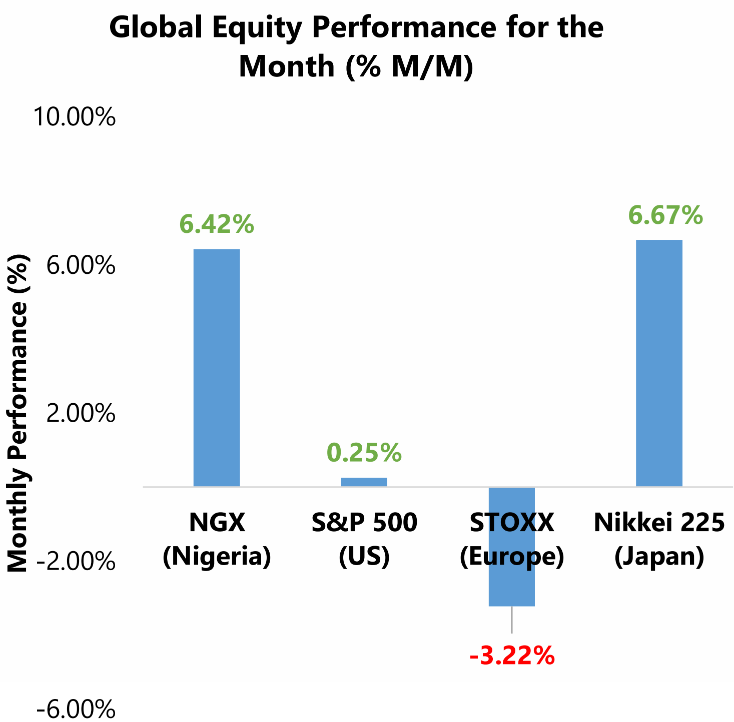
TRUSTFUND PENSIONS LTD RESEARCH

JUNE 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*

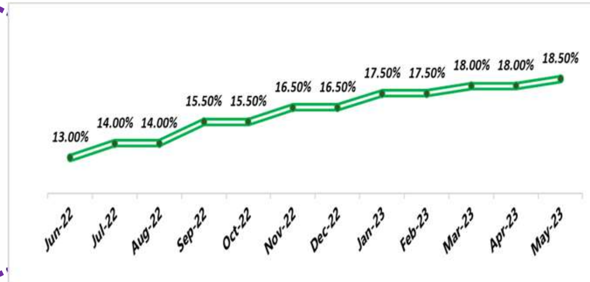
GLOBAL MACRO MOVERS FOR THE MONTH

- The U.S. market struggled to make any significant gains in May as the looming prospect of a government default spurred jitters within investors. This came in despite broadly supportive economic data.
- European shares were weaker in May despite a positive year so far. This can be adduced to the decelerated growth of the German economy over the winter following a -0.3% GDP decline in Q1’23 after a -0.5% GDP fall in Q4’22. Nonetheless, the Eurozone’s IT sector expressed positive sentiments buoyed by semi conductor stocks in the advent of higher-than-expected sales projections from some US chipmakers, which helped validate the growth potential from AI.
- In Japan, the market continued o its strong momentum and the Yen continued to weaken against the dollar, thus encouraging foreign investor patronage in favour of large cap growth, especially in semi conductor industry.
- In Nigeria, investor optimism increased ahead of the inauguration of the Tinubu led administration. This performance relied on the sentiments that the newly inaugurated government would spur foreign investor participation in the local bourse.

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

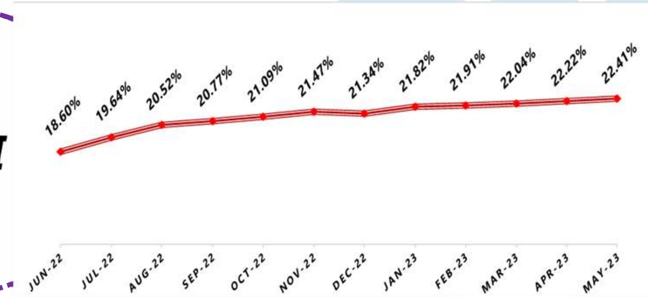
Nigerian Macro Review

MPR



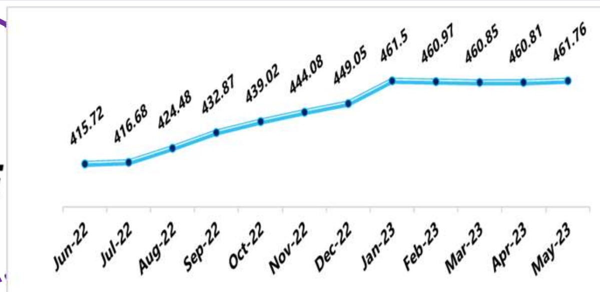
The Monetary Policy Committee maintained yet another rate hike in a bid to subdue rising inflation resulting from a continuous increase in the prices of food and energy, food insecurity, and exchange rate pressures. Consequently, the MPR was raised by 50bps to 18.50%

CPI



Headline Inflation sustained an expansionary path at 22.41% despite the unabating rate hikes by the CBN to temper the growing rate. Inflation figure This was caused by the continuous rise in prices food and energy.

FX RATE



The Naira remained relatively stable against the dollar at the I&E window, closing at $461.76 to a dollar, translating into a 21bps depreciation. This was due a persistent spike in the demand for dollars amid short supply due to dwindling revenue.

RESERVE

The External Reserve rose marginally by 1.71% to $35.09bn in May from $34.50bn recorded in April. This can be associated with reduced FX sales at the I&E window, and a possible increase in FX inflow from the diaspora.

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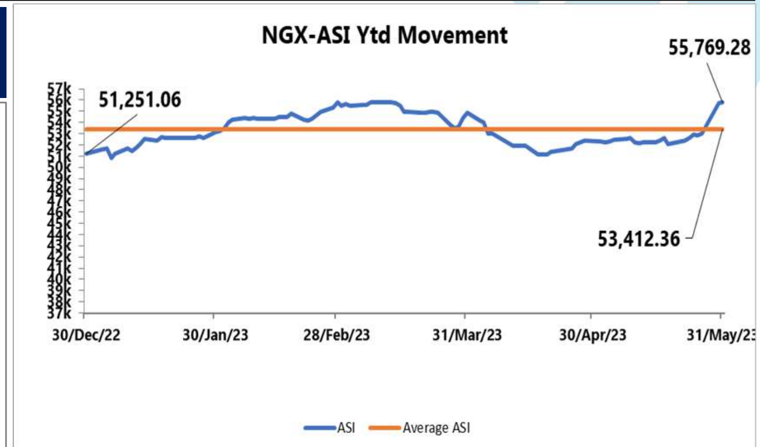
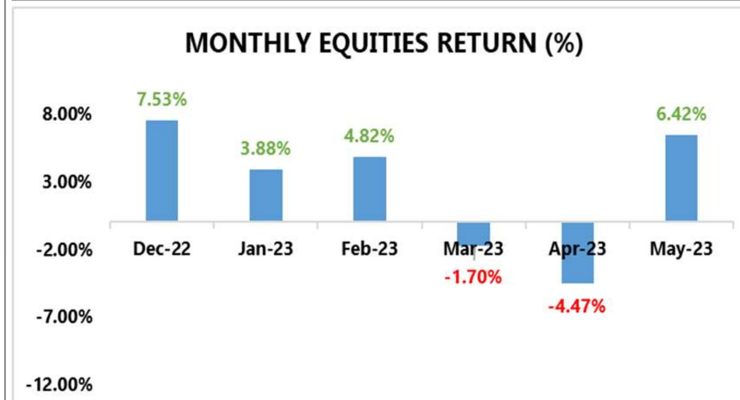
EQUITY MARKET

ALSI Sustains Bullish Run as Positive Sentiments Ahead of the Inauguration of the New Administration Trail the Bourse

- The equities market witnessed a bullish performance during the month as investors positioned ahead of inauguration of the new government. This performance relied on the sentiments that the newly inaugurated government would spur foreign investor participation in the local bourse.
- Consequently, the ALSI gained 6.42% from buy interests in MTNN (+9.75%), DANGCEM (+7.41%), BUAFOODS (+13.95%), ZENITHBANK (+27.19%), NESTLE (+19.75%), FBNH (+32.72%), GTCO (+15.49%), NB (+30.63%), UBA (+27.74%) and ACCESSCORP (+21.18%).
- As such, YTD performance advanced to 8.82% from 2.25% in April 2023.
- A sectoral performance review revealed that all sectors under our coverage closed in green terrain. For instance, the NGX Banking Index gained 19.49% due to renewed interests in ZENITHBANK (+27.19%), GTCO (+15.49%), STANBIC (+7.96%), FBNH (+32.72%), ACCESSCORP (+21.18%), UBA (+27.74%) and ETI (+12.61%).
- Furthermore, gains on SEPLAT (+7.59%), TOTAL (+25.06%), OANDO (+3.78%) and CONOIL (+44.88%) lifted NGX Oil & Gas index by 18.67%.
- Also, the NGX Consumer Goods sector sustained an upward trend with a MoM gain of 15.20% stemming from continued demand for BUAFOODS (+13.95%), NESTLE (+19.75%), NB (+30.63%), FLOURMILL (12.26%) and DANGSUGAR (+5.13%).
- Lastly, the Insurance and Industrial Goods sectors witnessed 13.37% and 1.67% gains propelled by AIICO (+12.96%), MANSARD (+37.13%) and DANGCEM (+7.41%).

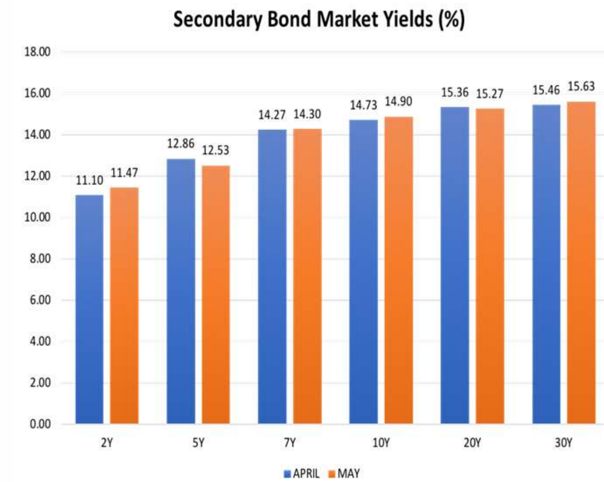


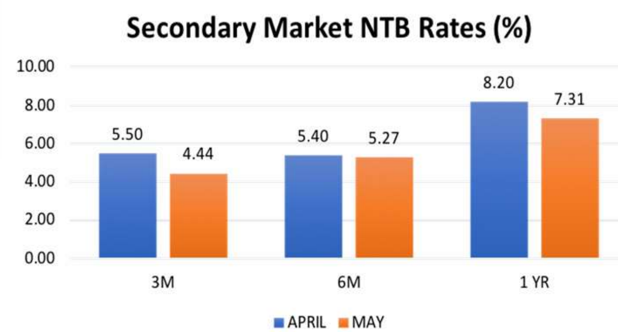


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Market sentiments were quite mixed with a bullish bias in the fixed income pace last month and both bearish and bullish outcomes were recorded in different segments of the market.
- To illustrate, average bond yields inched 4bps higher to settle at 14.26% as the value of sell offs on mid dated instruments outweighed the demand volume for instruments on the short end of the curve.
- On the other hand, the NTBs space closed on a largely positive note as average discounted rates closed 288bps lower at 5.62% as positive sentiments from the month's PMAs cascaded into the secondary space.
- There were two NTB auctions held within the month, which saw up to N324.43bn worth of the 91DTM, 182DTM and 364DTM bills were offered and sold to investors at respective average stop rates of 3.40% (prev. 5.65%), 5.72% (prev. 8.00%) and 8.49% (prev. 12.46%). Notably, stop rates dwindled from April's results due to increased demand stemming from higher system liquidity levels.
- Furthermore, It can be agreed that the liquidity inflows from coupon repayments, FAAC allocations and CRR refunds among others drove demand in the fixed income space, thus yielding the largely positive trading outcome during the month.





FIXED INCOME MARKET

- In other news, the DMO conducted a bond auction wherein up to N360.00bn worth of the 13.98% FGN FEB 2028, 12.5000% FGN APR 2032, 13.00% FGN JAN 2042 and 12.9% FGN MAR 2050 instruments was split equally and offered to investors. Subsequently, approximately N368.16bn was sold at respective stop rates of 14.10% (prev. 14.00%), 14.90% (prev. 14.80%), 15.69% (prev. 15.40%) and 15.80% (prev. nil). Notably, subscription levels reached N478.92bn, translating into a bid to cover ratio of 1.3x.
- In addition, the DMO released a revised bonds issuance calendar for Q2'2023 and NTBs issuance calendar Q3'2023 towards the end of May. In the revised bond issuance calendar, it was observed that three new instruments were introduced, including the JUNE 2033, JUNE 2038, and JUNE 2053 maturities- in addition to the re-opening of the April 2029 instrument. Also, the issuance calendar for NTBs from June to August 2023 highlighted the sum of N1.27trn worth of issuances, which equals the amount maturing for the period.
- As investors continue to play at the short end of the curve following fiscal uncertainties accompanied by a newly sworn in administration, we expect the direction of yields to be influenced by the absence of coupon repayments and bond maturities for the period, as well as continuous CRR debits. On this, we anticipate a mid term upward trend in yields due to significant FGN borrowings as investors clamour for higher yields amid elevated supply. 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 continue to foresee higher inflation levels , particularly from the removal of petrol subsidy by the new administration in June, the impacts of the 40% wage increment for FGN workers and continuous pressures on food prices. In addition, the $800mn funding secured from the World Bank towards a National Social Safety Net Programme aimed at providing post-petroleum subsidy palliatives to 50 million of the most Nigerian vulnerable citizens poses as a contributor to upward inflation movement. With these in mind, we expect some adjustments in monetary policy as the new administration implements its growth agenda for the country. These policies are expected to place Nigerian economic activity on a “slow> growth> optimum” trajectory.

EQUITY

With the unravelling of pro market policies by the newly sworn in administration, we anticipate a sustained bullish momentum in June. We also foresee increased foreign investor participation as the potential for FX repatriation sparks their interests in the Nigerian equities space. In addition, we believe that elevated yields in the fixed income space would pose little impacts to the performance of the equities bourse as the FGN’s initiatives would yield a greater influence on the market. Nonetheless, these expectations are barring any radical global

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.