MONTHLY MARKET REVIEW AND FORECAST
FOR DECEMBER 2020

TRUSTFUND PENSIONS LTD RESEARCH

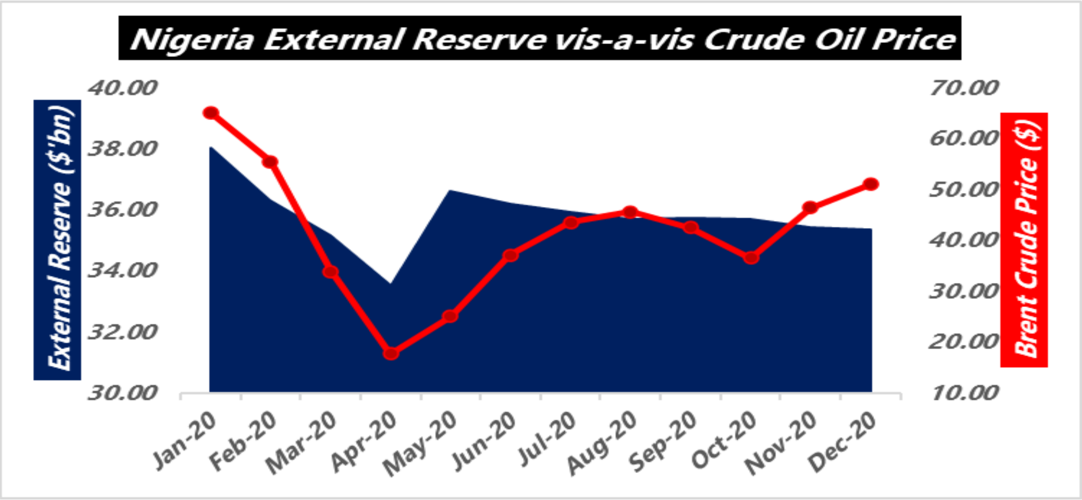
DECEMBER 2020

Outline

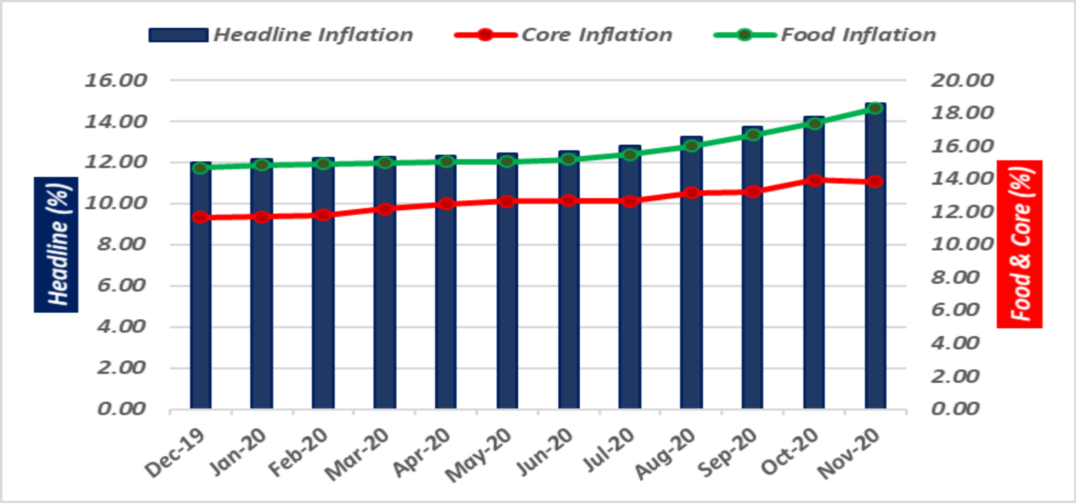
Nigeria Macro Review

Headlines	PREVIOUS	CURRENT	%Change	Remarks
Monetary Policy Rate (MPR)	11.50%	11.50%	0.00% ⬌	The Central Bank of Nigeria maintained the Monetary Policy Rate at 11.50% at the last meeting held on the 23rd of November 2020. It emphasized on the need to expand credit to the real sector of the economy despite being troubled by rising inflationary pressure triggered by insecurity, hike in electricity tariff and pump price of PMS.
Inflation	14.89%	15.75%	5.78%⬆	Inflation rate for the month of December 2020 accelerated by 86bps to close at 15.75% YoY. This was caused by continuous increase in food prices. Both Food & Core inflation advanced by 218bps & 23bps to 19.56% and 11.37% respectively.
Exchange Rate (NGN/USD)	₦379.00	₦379.00	0.00% ⬌	The Central Bank of Nigeria maintained stable flow of greenback at various FX window at N379.00 a dollar. This was presumed as part of effort to unify various exchange rates in the nation and enhance stability.
External Reserves (USD'bn)	$35.41	$35.36	-0.14%⬇	The External Reserves depreciated marginally by 14bps to $35.36bn in the month of December 2020 compared to $35.41bn recorded in previous month. This was on the back of increased intervention of forex sales at various FX market in the country.

External Reserve Bows to Demand Pressure by FPIs



Continuous Increase in Food Prices Drive CPI Higher



Equity Market Review

The NGSE ALSI Hits Best Yearly Performance Over a Decade Amidst Economy Recession

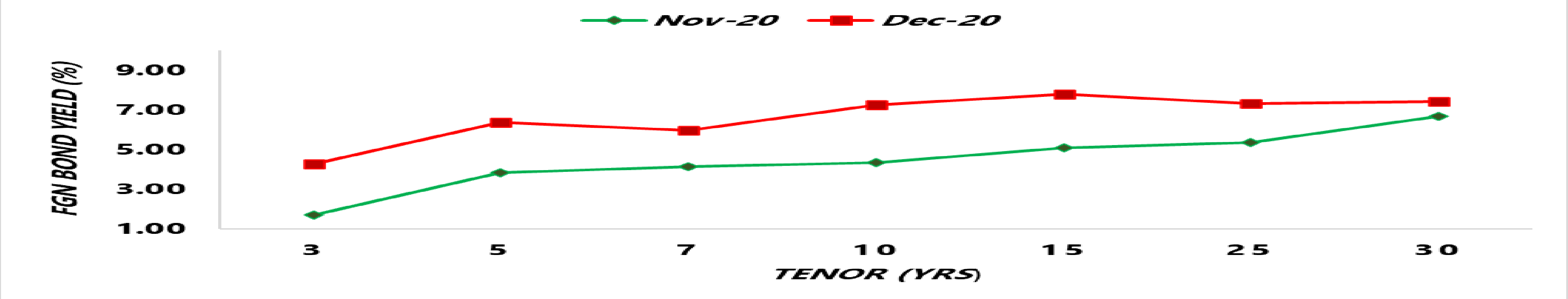
- Looking back at how global economic activities were unprecedentedly disrupted by the wide spread of the deadly corona virus (covid-19) in H1 2020 which induced many economies to slipped into recession and how Nigeria economy like every other economies was not spared with GDP contracting by 6.10% and 3.62% in Q2 and Q3 2020 respectively, one would have expected NGSE ALSI to close the year in red. Defying all odds, the NGSE ALSI closed the year in green by gaining 50% YoY, best performance over a decade.
- Dissecting the month’s event, the benchmark index advanced by 14.92% MoM to close at 40,270.72 points, breaking the 40,000 point which was last witnessed 7 years ago (2013 – 41,329.19 points). The performance can be attributed to part execution of the long-awaited Share Buy-Back Programme announced December 2019 by the cement giant, DANGCEM which saw the ticker to finish 19.46% ahead of last month’s closing and consolidated with gains on AIRTELAFRI – 44.74%, MTNN – 9.47% and BUACEMENT – 40.64%.
- From the sector front, out of the 5 sectors under coverage, three sectors (NGSE Industrial Goods – 24.69%, NGSE Insurance – 19.97% and NGSE Oil & Gas – 4.42%) finished the month in the green while NGSE Banking and NGSE Consumer Goods shed 23bps and 112bps respectively.

Fixed Income Market Review

.........Year End Profit Taking Triggers Improvement in Yield Environment

- Events during the year was characterized by a continuous fall in yields occasioned by increased system liquidity from OMO bills maturities which locals were restricted from reinvesting. This limit the numbers of investment outlet available to locals thereby triggering increased participation in the secondary market which further drove yields lower.
- As a result, Corporates took advantage of the low yield environment to raise funds at cheaper rates. The fixed income market witnessed an increase in the issuance of Commercial Papers and Corporate Bonds during the year from the likes of DANGOTE, FLOURMILL, BUACEMENT, MTNN, NIGERIAN BREWERIES, CARDINAL STONE, UNION BANK OF NIGERA PLC and UNITED CAPITAL PLC amongst others.
- During the month of December 2020, the DMO offered N60bn worth of bonds across 2 tenors, 12.50% FGN MAR 2035 and 9.80% FGN JUL 2045 nomenclature. As expected, subscriptions for the 2 tenors were N90.89bn and N43.17bn respectively which were 3.03x and 1.43x amount offered. Nevertheless, the DMO in its determined effort to reduce debt servicing significantly, allotted N20bn and N10bn across tenor at the marginal rates of 6.95% and 7.00% respectively.
- The benchmark yield at the secondary market accelerated to 6.12% during the month from 3.88% printed in the month of November 2020. This was instigated by aggressive profit taking across maturities.
- Similarly, at the Treasury Bills space, secondary market benchmark rate improved to 0.49% and 0.58% for both NTB and OMO bills.

SECONDARY MARKET YIELD CURVE (%)



Source: Trustfund Pensions Ltd Research; fmdqotc

MARKET OUTLOOK AND STRATEGY

Positive GDP growth is expected in 2021 which will be supported by increased economic activities and mild recovery in the oil market. Notwithstanding, we expect rates in the fixed income space to remain at the current level owing to CBN's dovish stance to improve participation in real sector of the economy couple with the DMO's intention to source for fund via issuance of Eurobond, should the market be favorable which will limit the size of local issuance. This will no doubt increase participation in the equities space in 2021.

EQUITY

Market valuation remains attractive at the current levels (P/E ratio at 15.41x & Dividend Yield at 5.63%).

Our focus will remain on defensive stocks with adequate free float and potential for attractive dividends to buffer our portfolio position.

FIXED INCOME

Bond – We will continue to monitor exposure to government securities while seeking opportunity for bond portfolio rebalancing.

Corporate Bonds – We will be on the look out for "A" rated corporate bonds with attractive coupon, as current yield level proffers the opportunity for Private Issuers to return to the debt market.

Treasury Bills – we expect yields to continue to hover between 0.30% to 0.70% owning to paucity of attractive investible outlets.

Money Market – We will continue to deal at best market rates to sustain our liquidity laddering strategy.

We will be available to exploit any investible outlets with attractive yields to boost returns as the year turns to the end

THANK YOU

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