MONTHLY MARKET REVIEW AND FORECAST

FOR JANUARY 2021

TRUSTFUND PENSIONS LTD RESEARCH

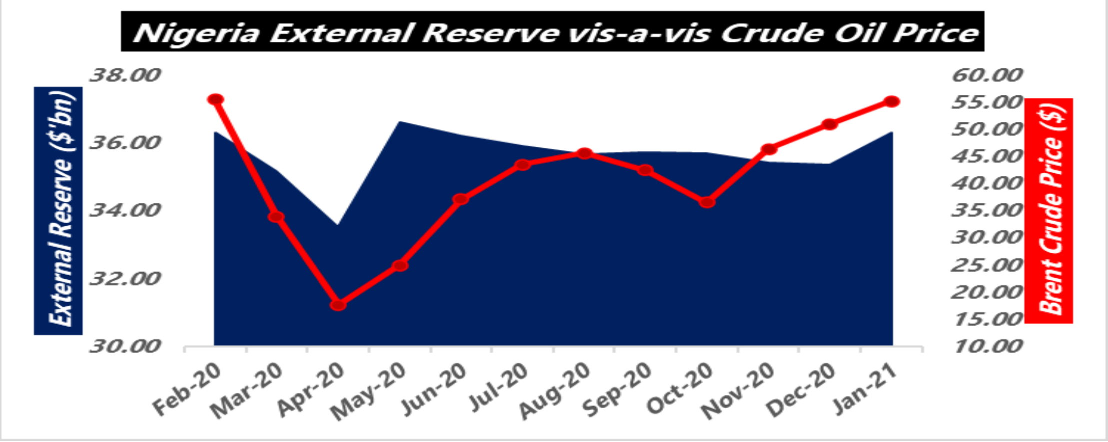
J A N U A R Y 2 0 2 1

Outline

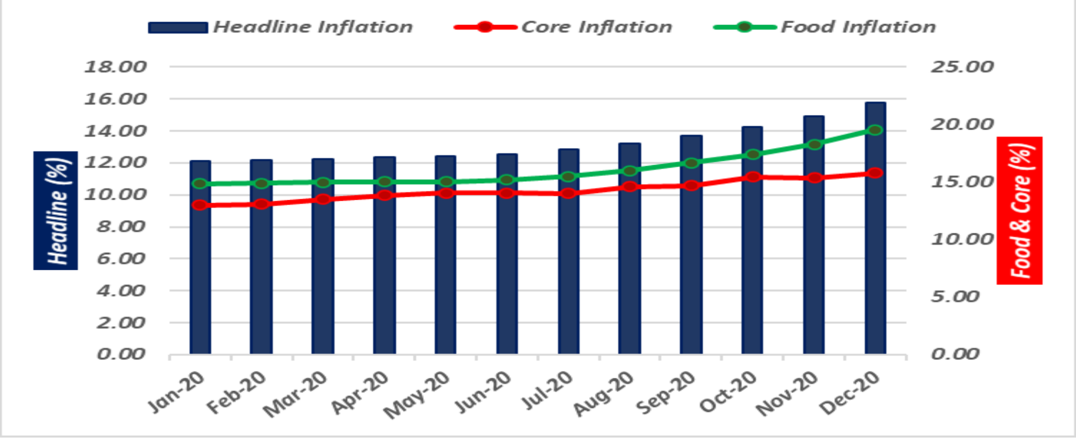
Nigeria Macro Review

Headline	PREVIOUS	CURRENT	%Change	Remark
Monetary Policy Rate (MPR)	11.50%	11.50%	0.00% ⬌	The Central Bank of Nigeria retain the Monetary Policy Rate at 11.50% at the first meeting of the year held on 25th January 2021. The Committee expressed concerns on persisting uptick in 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 advanced by 86bps to 15.75% from 14.89% recorded in November 2020. This was spurred by sustained upward trend in the prices of food and transportation within the period. Food & Core inflation increased by 126bps and 32bps MoM 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)	$35.36	$36.30	2.66% ⬆	The External Reserves advanced marginally by 2.66% to $36.30bn in January 2021 compared to $35.36bn recorded in the month December 2020. This was supported by increased in the price of Crude Oil on the back of tightening global supplies and positive signs of virus recovery.

External Reserve Inch Up as Crude Oil Price Rally



Inflation Maintain Upward Trend as Insecurity Persists



The NGSE ALSI Kick Start The Year on an Upward Trajectory

- The Nigeria Stock Exchange commence the year 2021 on a positive path despite cautious trading activities in the month of January 2020. The NGSE ALSI advanced by 5.32% to close the month at 42,412.66 points from 40,270.72 points recorded in previous month. Sustained demand for the bellwether tickers improved broad market performance.
- For Specifics, GUARANTY, ZENITHBANK, ACCESS, UBA & STANBIC advanced by 6.65%, 9.68%, 10.06%, 4.62% and 2.16% respectively under the banking sector. On the consumer goods counter, FLOURMILL inched up by 33.46%, DANGSUGAR accelerated by 20.74% while NB gained 12.50%. Also, SEPLAT and TOTAL progressed by 21.80% and 10.00% apiece under the Oil & Gas space while expansion in the prices of MTNN – 6.53% and AIRTELAFRI – 9.18% compounded overall performance of the benchmark index.
- From the sector front, all the 5 sectors under coverage closed the month in the green with NGSE Insurance leading the table by 29.77% on the strength gains amassed by MANSARD – 33.33%, WAPIC – 35.00%, LINKASSURE – 73.08% and NEM – 35.20%. NGSE Oil & Gas recorded a gain of 12.43% while NGSE Banking and NGSE Consumer Goods surged by 7.89% and 7.04% respectively.
- NGSE Industrial Goods finished at 1.41% owing to gains from WAPCO – 42.52% and BUACEMENT – 2.13% respectively.

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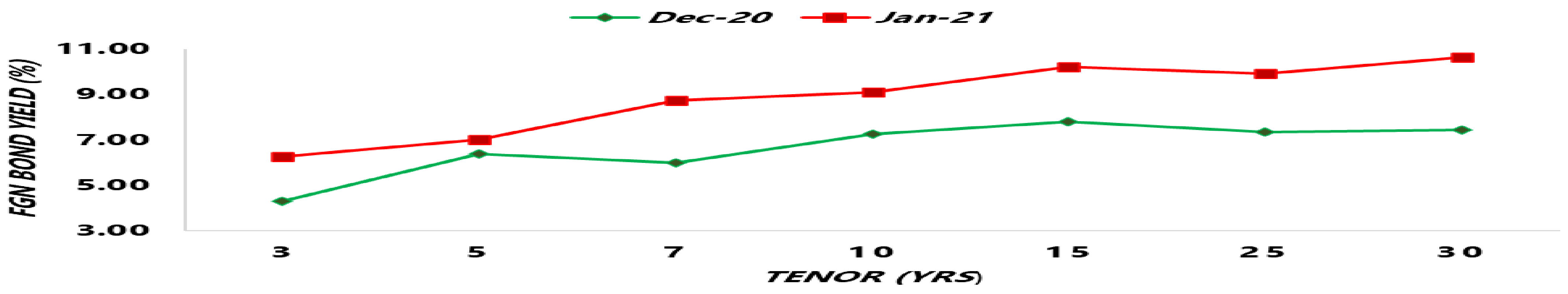
Fixed Income Market Review

………Yield Sustained Momentum as Auction Stop Rate Continue to Soar

- Sentiment in the fixed income market was largely bearish during the month as most investors were skeptical about the direction of the Central Bank of Nigeria (CBN) and Debt Management Office (DMO) as regards funding of the 2021 budget. Despite c.N1.30bn received from NTB & OMO maturities and coupon payments by investors, buying interest was very weak and few participants that played in the market stayed at the short end of the curve.
- At the bond auction conducted by the DMO during the month, it offered N150bn worth of bonds across 3 tenors (16.2884% FGN MAR 2027, 12.50% FGN MAR 2035 and 9.80% FGN JUL 2045). Subscription for the 2027 and 2035 was oversubscribed by 1.84x and 2.13x respectively, while the 2045 was undersubscribed by N9.93bn. The DMO made a total sale of N122.36bn (2027 – N49.40bn, 2035 – N93.15bn and 2045 – N15.03bn) at a stop rate of 7.98%, 8.74% and 8.95% accordingly.
- Consequently, secondary market benchmark rate adjusted upward by 195bps to close at 8.07% from 6.12% recorded in the previous month.
- At the NTB auction administered in the month, offer was N187.29bn across 3 tenors (91days – N7.50bn, 182days – N54.59bn and 364days – N125.20bn). Subscriptions beat offer by N12.68bn, N1.39bn and N88.25bn across the 3 tenors, final sales made by DMO was N11.39bn, N47.48bn and N123.11bn at stop rates of 0.55%, 1.30% and 2.00% accordingly.
- The benchmark rates for NTB and OMO were repriced to 1.04% and 1.62% from 0.46% and 0.58% reported in previous month.

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 0.50% to 1.20% 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