

# MONTHLY MARKET REVIEW AND FORECAST

## FOR MAY 2021

TRUSTFUND PENSIONS LTD RESEARCH

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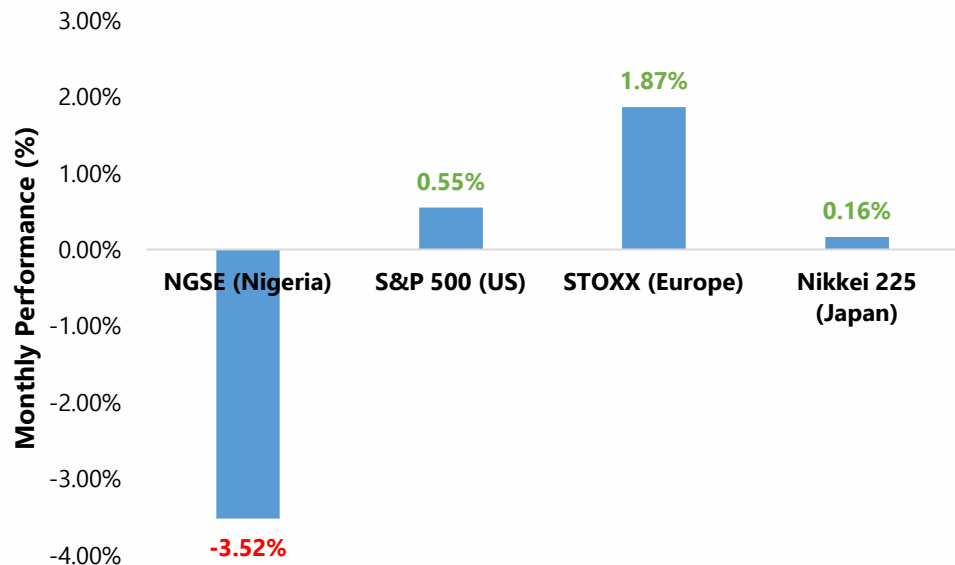
# Outline



<b>3.</b>	<b>Global Market Review</b>
<b>4.</b>	<b>Nigeria Macro Review</b>
<b>5.</b>	<b>Equity Market Review</b>
<b>6.</b>	<b>Fixed Income Market Review</b>
<b>7.</b>	<b>Market Outlook and Strategy</b>

# GLOBAL MARKET REVIEW

Global Equity Performance for the Month (% M/M)



\*NGSE – 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 MAY 2021

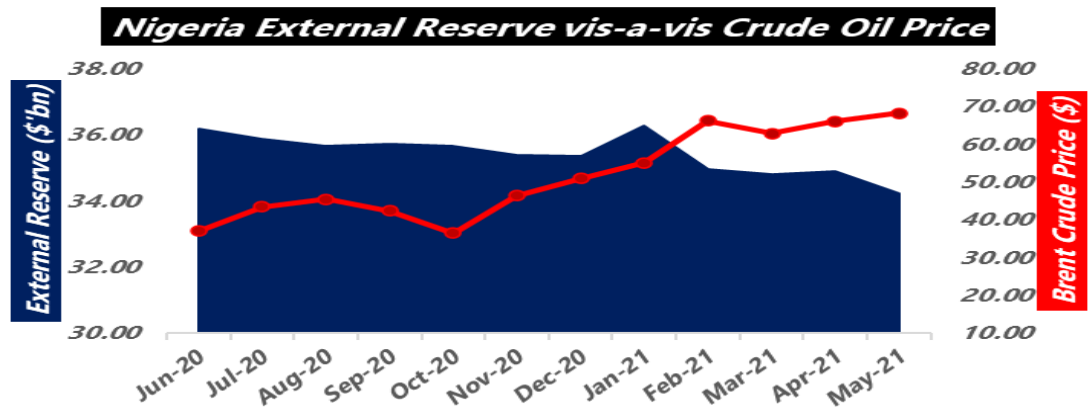
Equity Indexes	Forex	Sovereign Bonds	Commodities	Sovereign CDS
Portugal PSI 20 -2.48% ↑ 5053.38 d -128.57	Vietnam Dong -0.20% 23010 +46	Australia 2Y +4.0bp 0.039	Zinc SHF -2.60% ↓ 21530 d -575	Argentina CDS -503.66 bp ↓ 360.32
Austrian ATX -2.30% ↓ 3427.41 d -80.68	Vietnam Dong NDF -0.17% 23030.00 +39.23	United States 2Y +6.3bp ↓ 0.272	Soybean +3.01% ↓ +1290 <sup>1</sup> / <sub>2</sub> d +37 <sup>3</sup> / <sub>4</sub>	Morocco CDS -5.56 bp 79.95 c
Spain IBEX -2.08% ↓ 9005.00 d -190.90	Nigeria Naira NDF -0.30% 415.25 +1.25	Sweden 2Y +2.4bp ↑ -0.282	Copper SHF -1.55% ↓ 66780 d -1050	Thailand CDS -1.28 bp 38.84 c
U.K. FTSE 100 -1.72% ↓ 7030.49 d -122.94	Kazakhstan Tenge N... -0.41% 431.0021 +1.7766	Canada 2Y +4.2bp ↓ 0.420	Lean Hogs +1.91% ↑ 109,250 d +2,050	France CDS +0.60 bp ↑ 22.42
Belgium 20 -1.53% ↑ 4140.25 d -64.14	Norway Krone -1.20% ↑ 8.6631 +0.1031	Italy 5Y +6.8bp ↑ 0.140	Corn CBT +3.24% ↓ +549 <sup>3</sup> / <sub>4</sub> d +17 <sup>1</sup> / <sub>4</sub>	Qatar CDS -1.10 bp ↑ 40.14
Italy FTSE -1.66% ↓ 25287.66 d -425.94	Mexico Peso -1.07% ↓ 20.6805 +0.2186	Indonesia (USD) 30Y -7.6bp 3.251	U.K. Nat Gas +3.34% ↑ 71.180 d +2,300	Latvia CDS -0.77 bp 56.39 c

Source: Bloomberg Terminal

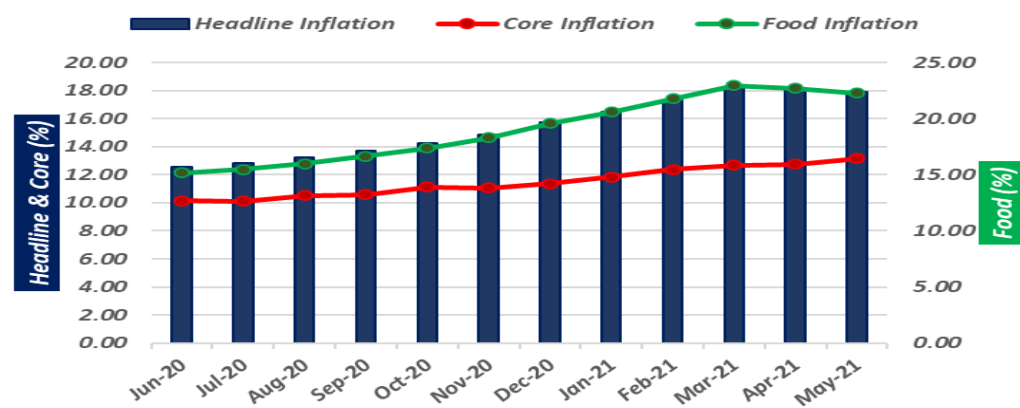
# Nigeria Macro Review

HEADLINES	PREVIOUS	CURRENT	%Change	REMARKS
	11.50%	11.50%	0.00% ↔	<b>MONETARY POLICY RATE</b> - The Central Bank of Nigeria left the Monetary Policy Rate unchanged at 11.50%. The Committee noted with concerns on persistence uptick in inflationary pressure triggered by insecurity, hike in electricity tariff and pump price of PMS. It also emphasized on need to improve credit to drive investment and reduce rising unemployment.
	18.12%	17.93%	-1.05% ↓	<b>INFLATION</b> - The Consumer Price Index (CPI) for the month of May 2021 dipped marginally by 19bps to 17.93% from 18.12% recorded in April 2021. This was largely supported slight drop in the prices of agricultural produce within the period. Food Inflation shed 44bps to settle at 22.28% while Core Inflation inched up by 41bps to close at 13.15% MoM.
	₦379.00	₦409.50	8.05% ↔	<b>EXCHANGE RATE</b> - The CBN increased the official exchange to ₦409.50 in May 2021 from ₦379.00 printed in March 2021. This was precipitated by the adoption of the I&E window rate which was presumed as part of effort to unify various exchange rates in the nation.
	\$34.91bn	\$34.23bn	-1.95% ↓	<b>EXTERNAL RESERVE</b> - Despite the increase in Brent price, External Reserves dipped by 1.95% to closed the month of May 2021 at \$34.23bn from \$34.91 recorded in April 2021. This can be attributed to continuous CBN intervention at various auction points to stabilize exchange rate in the economy and encourage Foreign Portfolio Investors into the system.

## Aggressive Intervention at Auction Points Drag the External Reserve



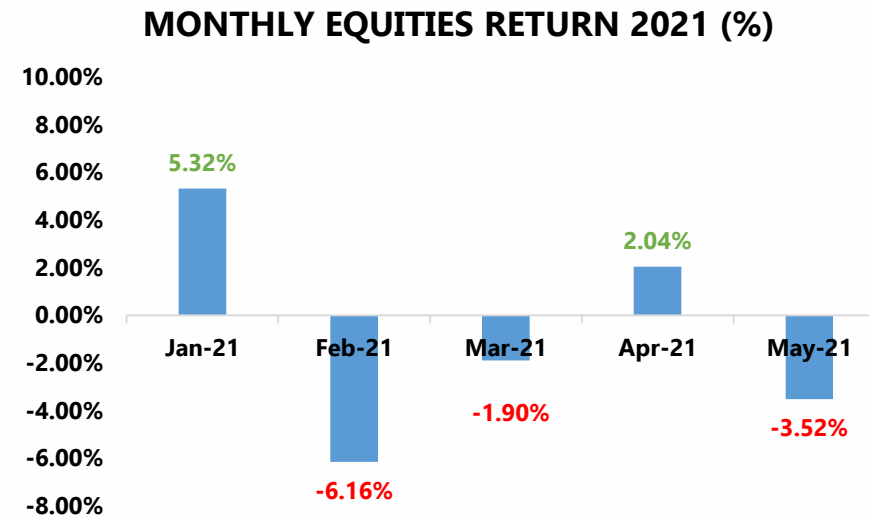
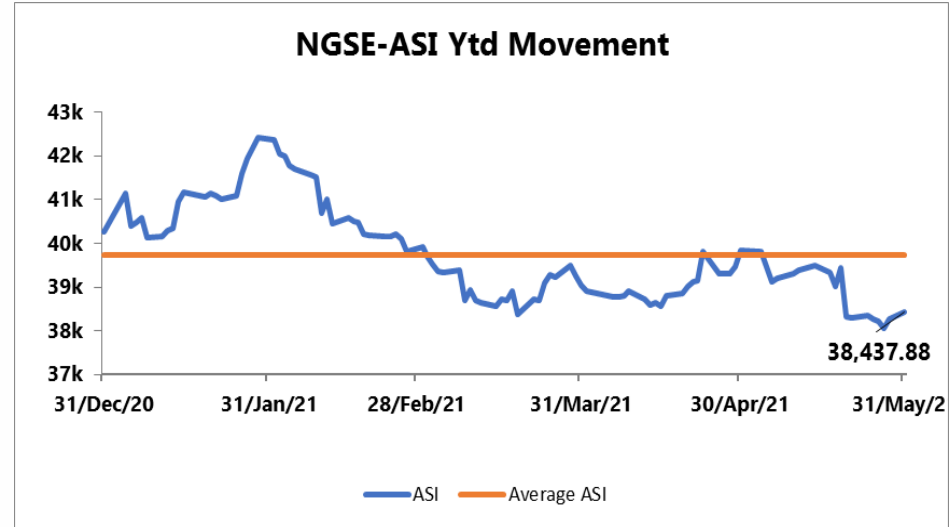
## Inflation to Maintain an Upward Trend as Insecurity Persists





## Bears Resurface After a Month 's Bull Run

- ✓ The equities market slid into a bearish stance in May 2021, halting a month of bullish dominance. The benchmark index relapsed by 3.52% to close at 38,437.88 points from 39,045.13 points listed in preceding month. The continuous rise in yields on fixed income instruments has been a major factor for low participation and bearish trend that has been expressed in the local bourse.
- ✓ The negative performance was largely triggered by sell pressures on AIRTELAFRI (-10.00), MTNN (-7.09%), BUACEMENT (-5.01%), DANGCEM (-2.07%), GUARANTY (-5.65%) and NESTLE (-1.41%). Consequently, the YTD position of the broad index slacked to -4.55%.
- ✓ On the sectoral fronts, the NSE Banking index (+1.24%) was lifted by gains recorded in ZENITHBANK (+3.37%), ACCESS (+12.33%) and FBNH (+3.62%). Where as, price appreciations on NB (+6.75%) and GUINNESS (+7.01%) elevated the NSE Consumer Goods (+0.63%) index. Furthermore, the NSE Oil & Gas sector(+14.91%) rode on gains from SEPLAT (+20.70%), CONOIL (+10.00%) and TOTAL (+6.70%), whilst the NSE Insurance index (+1.44%) was supported by NEM (+1.97%), CORNERSTONE (+1.89%) and PRESTIGE (+10.87%). Conversely, the NSE Industrial Goods sector was down by 3.47% anchored by tail offs from DANGCEM (-2.07%) and BUACEMENT (-5.01%).



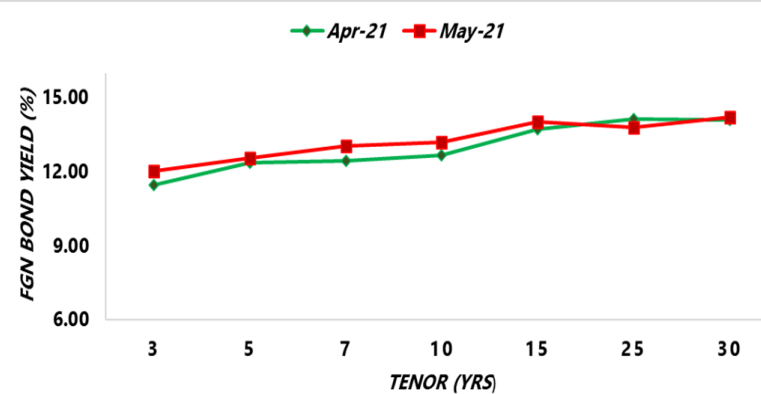


# FIXED INCOME MARKET

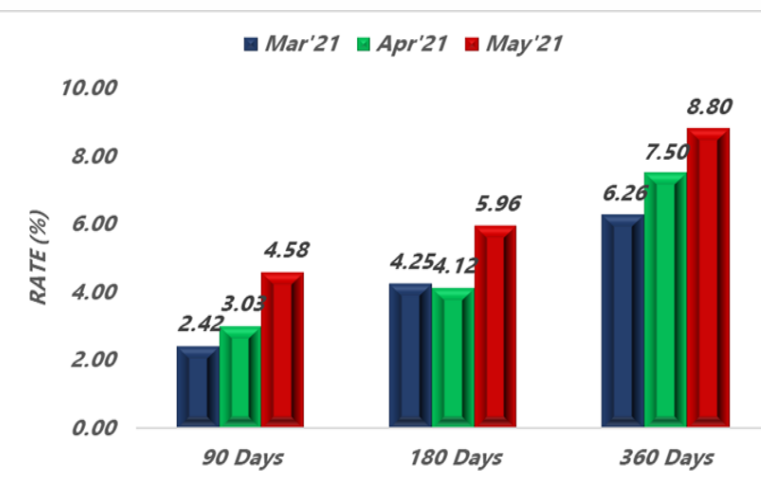
## *Yields Sustain Upward Trajectory As Stop Rates Remain on the Rise*

- ✧ The fixed income market witnessed bearish trend as yields continue to spike on the back of upward movement of auction stop rates by both the Central Bank of Nigeria (CBN) and Debt Management Office (DMO).
- ✧ At the bond auction organized by the DMO, N150bn worth of Treasury instruments were offered across 3 maturities (16.2884% FGN MAR 2027, 12.50% FGN MAR 2035 and 14.80% FGN APR 2049). The 2035 and 2049 papers were oversubscribed by N7.35bn and N137.38bn while the 2027 paper was undersubscribed by N12.76bn. The DMO allotted N20.14bn, N41.15bnbn and N113.95bn across the three nomenclatures at marginal rates of 13.10%, 14.00% and 14.20%. As a result, average yield in the secondary market advanced by 55bps to close at 12.48% from 11.93% recorded in April 2021.
- ✧ The result of the last NTB auction came as a surprise to many investors as stop rate on the long end of the curve closed 10bps below the previous stop rate, albeit stop rates on 91-day and 182-day closed flat. Consequently, trading activities in the secondary market was staged at the long end of the curve as investors that missed out in the primary market revert to fill up lost bids. This saw the benchmark accelerated by 129bps to 5.87% from 4.57% recorded in prior month.

## SECONDARY BOND MARKET YIELD CURVE (%)



## Secondary Market NTB Rates (%)



# MARKET OUTLOOK AND STRATEGY



We foresee continued bearish sentiments in the equities space as increased yield levels in the fixed income market is expected to sway investors away from the equities market and towards the fixed income space. Furthermore, we continue to anticipate higher rates in the fixed income space as the apex bank seeks to attract and retain foreign investors. However, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/interventions by the apex bank.

## E Q U I T Y

Market valuation remains attractive at the current levels (P/E ratio at 8.2x & Dividend Yield at 5.57%).

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

## F I X E D I N C O M E

**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 secondary market yields to continue to hover around 5% owing to higher stop rates in the primary market.

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

We will continue to take position in bellwether stocks with dividend payment history, while scanning for attractive yields in the fixed income space – especially government and corporate bonds.



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THANK YOU

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