

MONTHLY MARKET REVIEW AND FORECAST

FOR JUNE 2021

TRUSTFUND PENSIONS LTD RESEARCH

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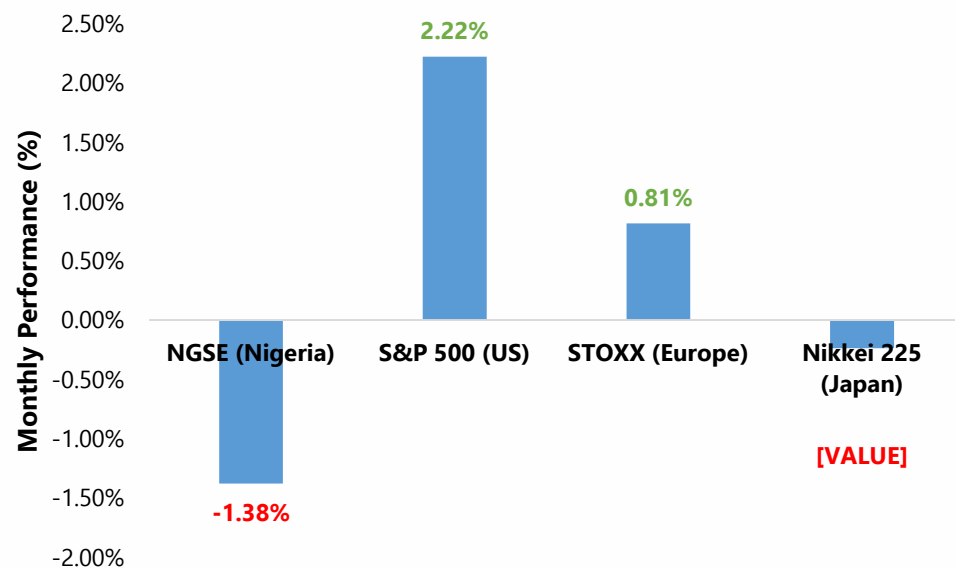
Outline



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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 JUNE 2021

Most Up

Equity Indexes

S&P 500	+1.01 %	4411.79 c	+44.31
Canada SPTSX	+0.45 %	20188.43 c	+90.91
Nigeria SE	+0.21 %	38667.90 c	+82.38

Forex

Nigeria Naira	+0.15 %	410.67	-0.61
Canada Dollar	+0.05 %	1.2558	-0.0006

Sovereign Bonds

United States 30Y	-3.8 bp	1.877
Canada 2Y	+0.0 bp	0.452 c

Commodities

Cocoa NYB	+0.60 %	↓ 2335 d	+14
Nat Gas NYM	+0.32 %	4.073 d	+0.013

Sovereign CDS

Canada CDS	-0.72 bp	18.40 c
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Most Down

Equity Indexes

Nigeria Naira NDF	-0.30 %	418.01	+1.24
BBG USD Index	-0.08 %	↑ 1147.82	-0.96

Sovereign Bonds





Canada 10Y	+0.0 bp	1.203 c
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Commodities

WTI Crude	-1.43 %	↑ 71.04 d	-1.03
KC Wheat CBT	-1.43 %	+636 ³ / ₄ d	-9 ³ / ₄
Brent Crude	-1.23 %	↑ 73.19 d	-0.91
Wheat MGE	-1.39 %	+871 ¹ / ₂ d	-12 ¹ / ₂
Heating Oil NYM	-1.06 %	211.13 d	-2.26

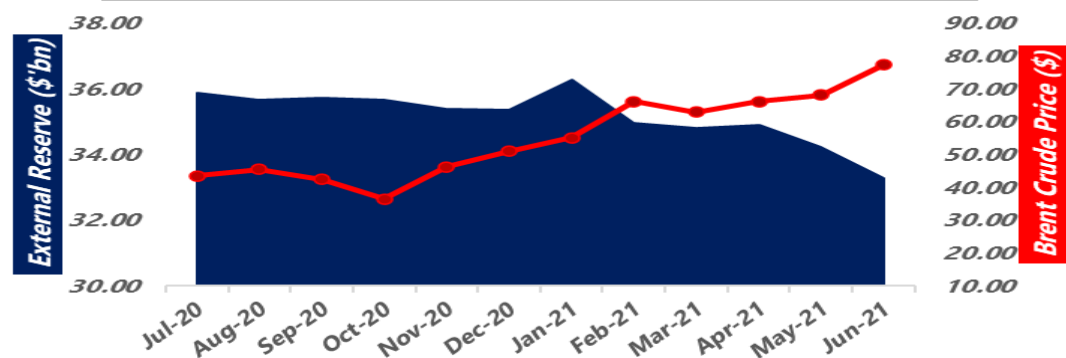
Source: Bloomberg Terminal

Nigerian Macro Review

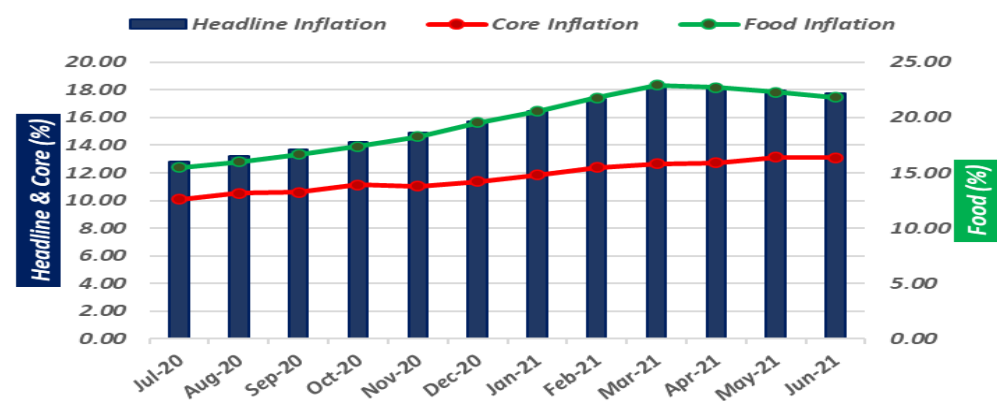
HEADLINE	PREVIOUS	CURRENT	%Change	REMARK
	11.50%	11.50%	0.00% ↔	<i>MONETARY POLICY RATE</i> - The Central Bank of Nigeria left the Monetary Policy Rate unchanged at 11.50%. The Committee noted with concerns on persistence uptick in inflationary pressure triggered by insecurity, hike in electricity tariff and pump price of PMS. It also emphasized on need to improve credit to drive investment and reduce rising unemployment.
	17.93%	17.75%	-0.01% ↓	<i>INFLATION</i> - The Consumer Price Index (CPI) for the month of June 2021 compressed slightly by 18bps to 17.75% from 17.93% recorded in May 2021. This was largely supported by slim drop in the prices of agricultural produce within the period. Food Inflation shed 45bps while Core Inflation dipped by 6bps MoM.
	₦409.50	₦409.66	0.04% ↑	<i>EXCHANGE RATE</i> - The CBN official exchange rate rose by 4bps to ₦409.66 in June 2021 from ₦409.50 printed in May 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.
	\$34.23bn	\$33.28bn	-2.78% ↓	<i>EXTERNAL RESERVE</i> - Despite the continuous uptick in Brent price, External Reserves sustained a downward path. It fell by 278bps to \$33.28bn in June 2021 from \$34.23bn recorded in May 2021. This can be attributed to continuous intervention by CBN at various auction points to stabilize exchange rate and encourage Foreign Portfolio Investors into the system.

Aggressive Intervention at Auction Points Drag External Reserve

Nigeria External Reserve vis-a-vis Crude Oil Price



Inflation Maintain Upward Trend as Insecurity Persists

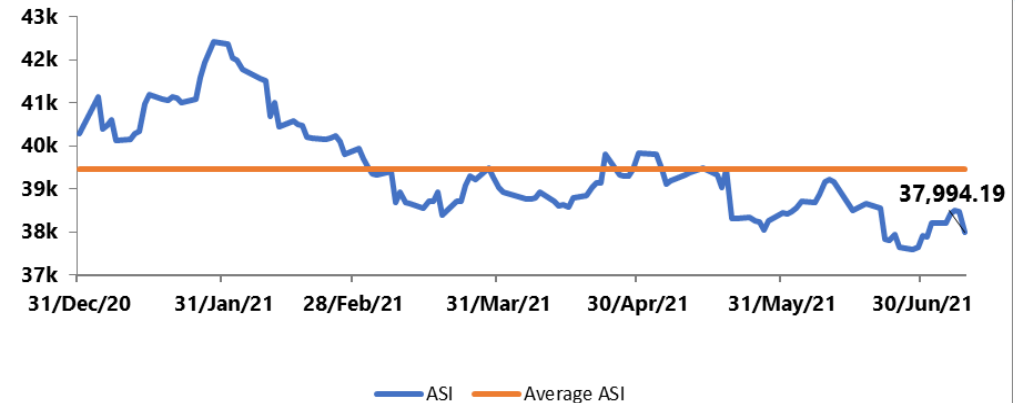




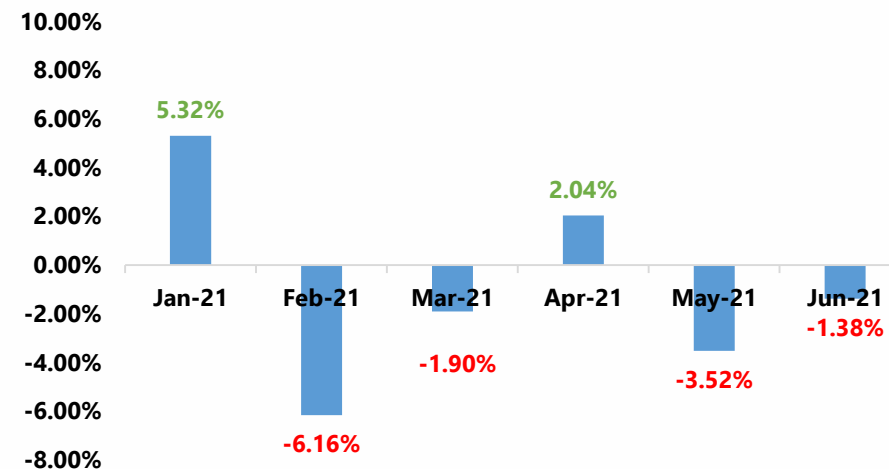
Bears Sustain Dominance in the Equities Market

- ✓ Trading activities on the local bourse continue to trend on a bearish path as appetite for risky assets remained weak resulting from comfort derived from short end of the yield curve by many investors. The NGXASI retreated by 138bps to close the month of June 2021 at 37,907.28 points from 38,437.88 points printed in May 2021.
- ✓ The negative performance was largely spurred by sell pressure on AIRTELAFRI (-20.23), BUACEMENT (-3.38%) and STANBIC (-12.50%). Consequently, YTD position of the main index relapsed to 5.87% from 4.55% recorded at the end preceding month.
- ✓ On the sectoral front, the NGX Banking (+2.77%) was lifted by gains recorded in GTCO (+5.28%), ZENITHBANK (+3.26%), ACCESS (+3.08%) and FBNH (+2.80%), appreciation on NESTLE (+10.00%), NB (+2.56%) and DANGSUGAR (+9.65%) elevated the NGX Consumer Goods by 6.94%.
- ✓ Also, the positive performance witnessed on NGX Industrial Goods (+0.43%) was solely supported by renewed sentiments on the cement giant, DANGCEM (+4.00%), NGX Oil & Gas (+1.49%) rode on gains from SEPLAT (+0.29%), OANDO (+9.67%) and CONOIL (+6.95%).
- ✓ Elsewhere, NGX Insurance was down by 0.26% occasioned by profit taking on AIICO (-13.33%) and NEM (-7.25%).

NGSE-ASI Ytd Movement



MONTHLY EQUITIES RETURN 2021 (%)

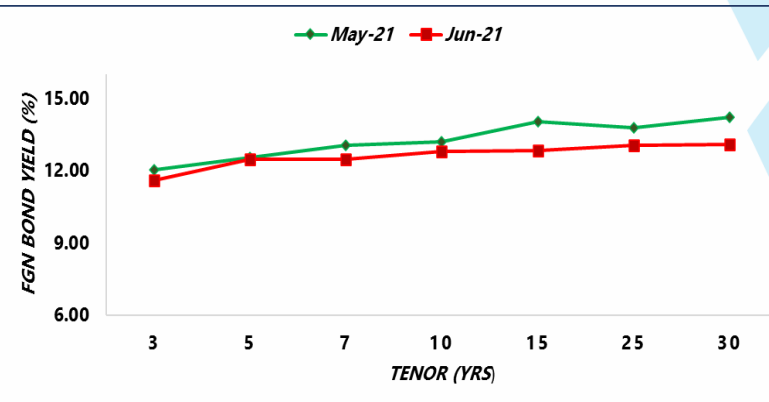


FIXED INCOME MARKET

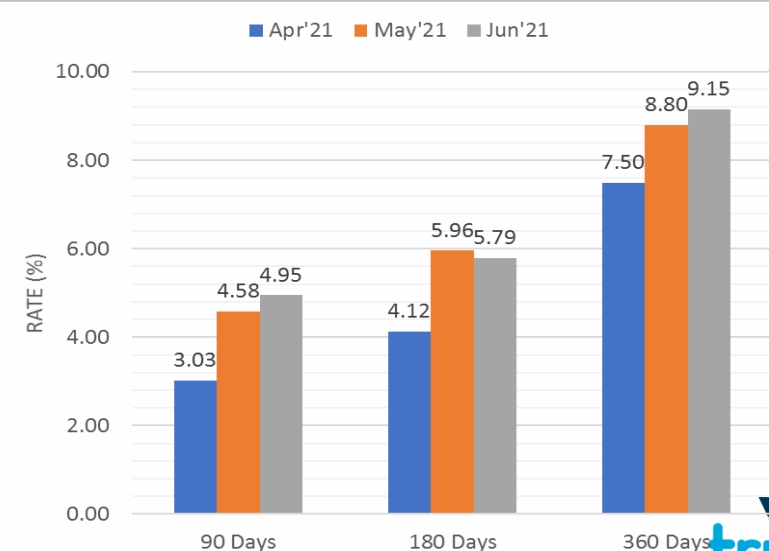
Could This Be an End To The Bearish Run?

- ✧ The fixed income market witnessed a bullish run for the first time in the year 2021, halting a 5 month bearish reign. This could be attributed to a deceleration of stop rates by the Central Bank of Nigeria (CBN) and the Debt Management Office (DMO) during the monthly auction program.
- ✧ During the bond auction conducted by the DMO, 3 nomenclatures (16.2884% FGN MAR 2027, 12.50% FGN MAR 2035 and 12.98% FGN MAR 2050) worth N150bn were offered. Subscription levels exceeded amount on offer by N16.21bn, N77.45bn and N173.82bn across all maturities. Nevertheless, the DMO allotted N50.81bn, N103.90bn and N171.09bn across the three nomenclatures at marginal rates of 12.74%, 13.50% and 13.70% from 13.10%, 14.00% and 14.20%. As a result, average yield in the secondary market compressed by 66bps to close at 11.82% from 12.48% recorded in May 2021.
- ✧ The NTB auction followed the same path as the CBN offered treasury bills worth N14.84bn across 3 tenors (91Day – N2.88bn, 182Day – N20.00bn and 364Day – N58.86bn). The Apex bank left the stop rates for the 91day and 182day tenors unchanged and reduced the stop rate for the 364-Day tenor by 50bps to 9.15% from 9.65% recorded at the end of May 2021. Consequently, benchmark rate at secondary market inched up by 43ps to 6.30% from 5.87% recorded in prior month.

SECONDARY BOND MARKET YIELD CURVE (%)



Secondary Market NTB Rates (%)



MARKET OUTLOOK AND STRATEGY



Despite the decent corporate earnings results released in Q1-21, we believe investors will monitor the market for its sustainability in the H1-21 earnings season. As a result, we expect mixed trading in the equities space as investors scout for dividend paying stocks accompanied by a level of profit taking activity. In the fixed income space, we see bullish trading as investors take advantage of the increased market supply of instruments as well as position themselves ahead of the maturing JUL 2021 bond. 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. As the unimpressive macro story remains a significant headwind for corporate earnings.

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.



THANK YOU