MONTHLY MARKET REVIEW AND FORECAST

FOR NOVEMBER 2021

TRUSTFUND PENSIONS LTD RESEARCH

DECEMBER 2021

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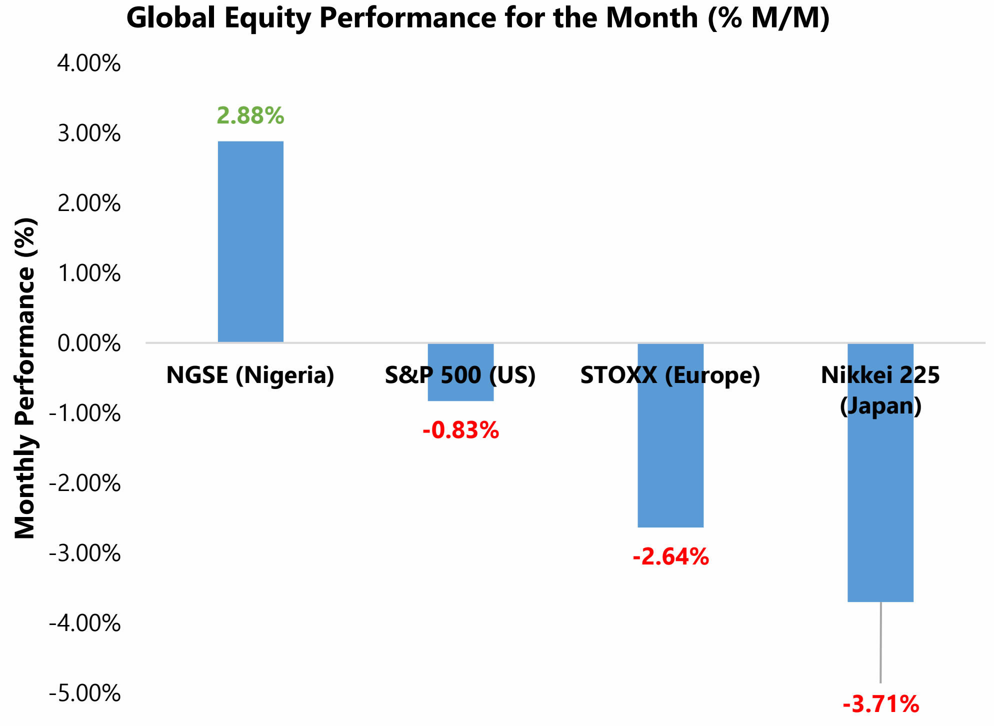
GLOBAL MARKET REVIEW



**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*

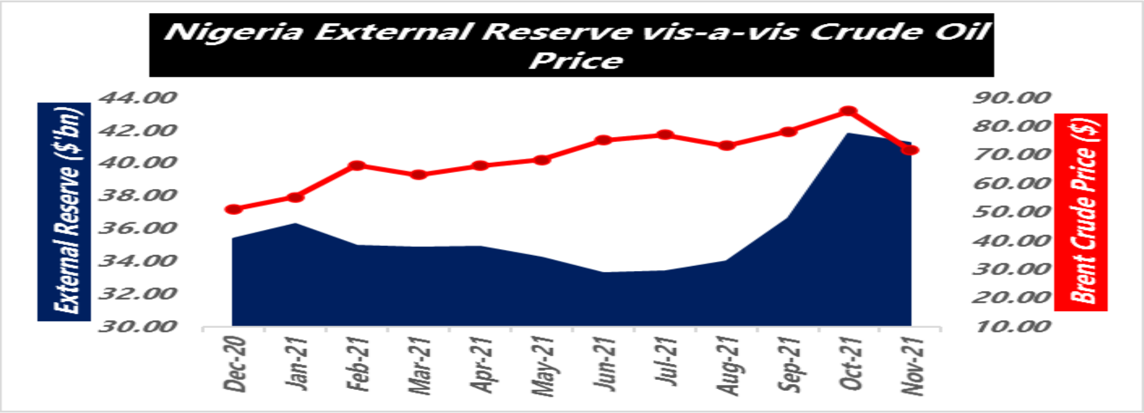
GLOBAL MACRO MOVERS FOR NOVEMBER 2021

Source: Bloomberg Terminal

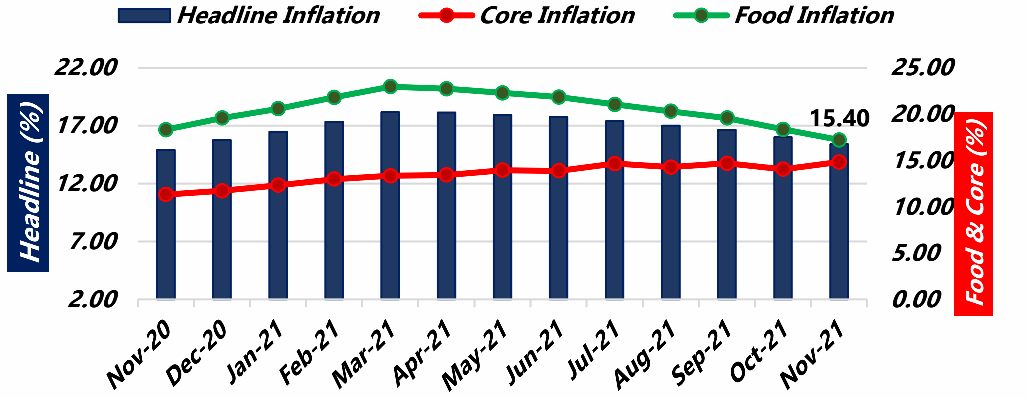
Nigerian Macro Review

HEADLINE	PREVIOUS	CURRENT	%Change	REMARK
	11.50%	11.50%	0.00% ⟷	***MONETARY POLICY RATE -*** The Central Bank of Nigeria left the Monetary Policy Rate unchanged at 11.50%. The Committee emphasized on the need to sustain policy measures that will drive inflation down faster as well as accelerate output growth to levels above population growth rate.
	15.99%	15.40%	-0.59% ↓	***INFLATION -*** The Consumer Price Index (CPI) for the month of November compacted by 59bps from 15.99% recorded in October 2021. This was largely supported by base effect of the preceding period. Food Inflation shed 123bps while Core Inflation slow down by 42bps MoM.
	₦411.09	₦410.66	-0.10% ↓	***EXCHANGE RATE –*** The CBN official exchange rate compressed slightly by 10bps from N411.09 printed in previous month. This is attributed to continued restriction of forex sale to BDC's which triggered increased participation at various auction windows.
	$41.79bn	$41.22bn	-1.36% ↓	***EXTERNAL RESERVE –*** The External Reserves relapsed marginally by 1.36% to $41.22bn to close the month of November 2021. This was largely driven by drop in the crude oil price.

External Reserve Upward Trajectory Halt by Drop in Crude Oil Price



Inflation Continue to Slow Down on Base Effect Comparism

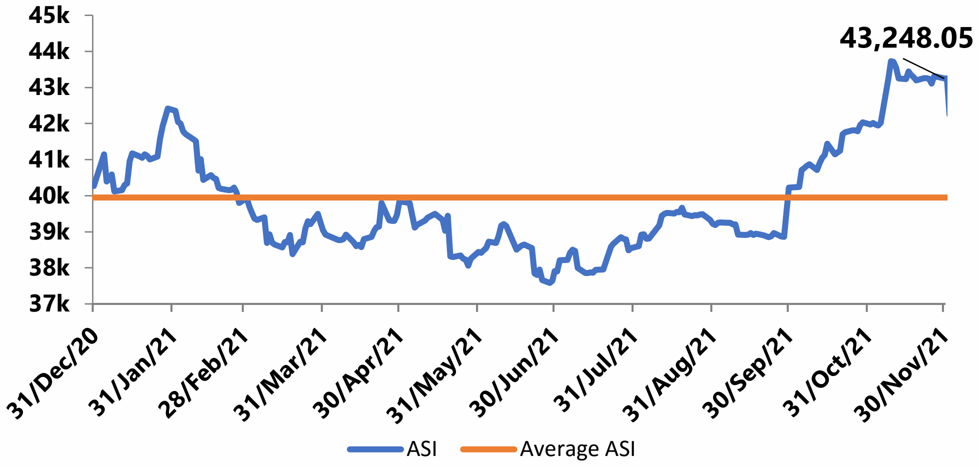


EQUITY MARKET

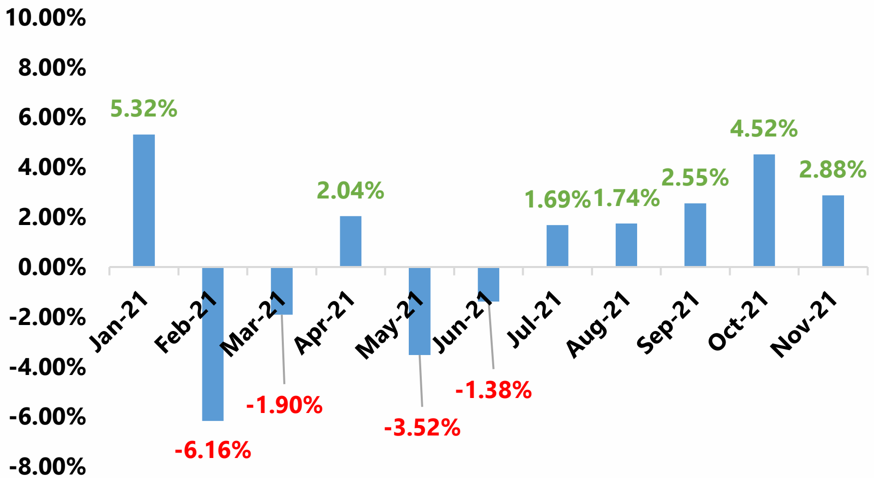
NGX ASI Maintains An Upward Trajectory for 5 Consecutive Months

- ✓ The Nigerian Exchange (NGX) continued to ride on the positive path for the fifth time since the beginning of H2 2021. The All-Share Index surged by 2.88% to close the month at 43,248.05 index point. This was supported by price appreciations in AIRTELAFRI (+21.79%), MTNN (+8.20%), BUACEMENT (+3.47%), FBNH (+8.14%) and OKOMUOIL (+5.19%). Consequently, YTD return improved to 7.39% from 4.39% recorded in previous month.
- ✓ On the sectorial front, two sectors closed in the green while three sectors finished in the negative region. To illustrate, the NGX Insurance sector closed at 4.28%, largely supported by gains on MANSARD (+2.12%), NEM (+1.90%) and AIICO (+0.83%) while the NGX Industrial Goods index inched up by 0.42%, solely on the back of a 3.47% appreciation on BUACEMENT.
- ✓ Meanwhile, the NGX Oil & Gas sector led the losers chart shedding 7.56% on the sell off witnessed on SEPLAT (-4.99%), TOTAL (-9.97%), OANDO (-4.95%) and ARDOVA (-6.85%). Weak sentiments on GTCO (-14.14%), ZENITHBANK (-5.15%), STANBIC (-2.56%), and UBA (-6.40%) saw NGX Banking to close at -4.78% while NGX Consumer Goods was down 3.92% triggered by losses on NESTLE (-0.36%), NB (-12.26%), DANGSUGAR (-4.41%) and INTBREW (-8.57%).

NGSE-ASI Ytd Movement



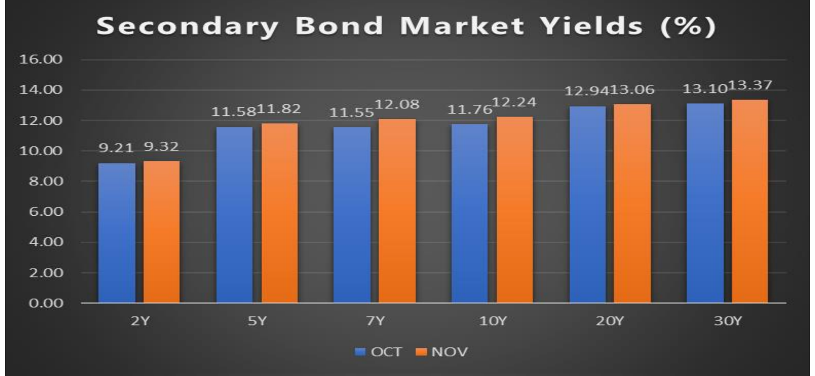
MONTHLY EQUITIES RETURN 2021 (%)

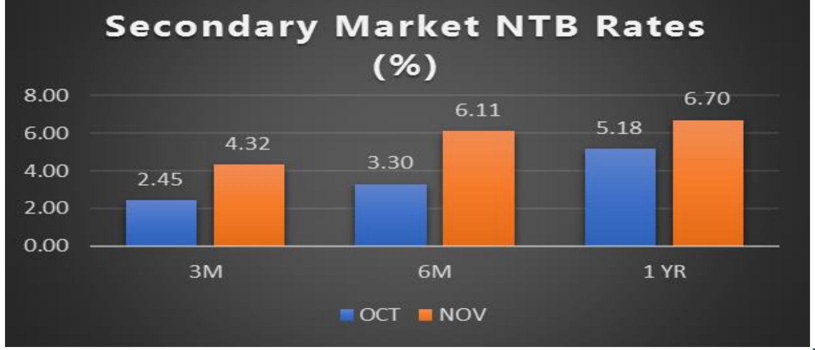


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- This month, the fixed income market traded with mixed sentiments with a bullish bias as some segments recorded yield advancements, while others posted yield declines.
- To illustrate, average bond yields gained 13bps to settle at 11.41%. This can be attributed to investors' efforts to match the higher stop rates at the November bond auction.
- At the auction, the DMO offered instruments worth NGN150.00 billion to investors through re-openings of the 12.5000% FGN JAN 2026 (Stop rate: unchanged at 11.65%), 16.2499% FGN APR 2037 (Stop rate: unchanged at 12.95%) and 12.9800% FGN MAR 2050 (Stop rate: 13.30%, previously: 13.20%) bonds. Following the significant level of demand (subscription: NGN267.15 billion;), the DMO eventually over-allotted instruments worth NGN225.25 billion.
- On the other hand, the T-bills space expressed bullish sentiments as market participants jostled to recover lost bids from the NTB auctions conducted during the month. For instance, average discounted rates on OMO bills and NTBs respectively shed 83bps and 62bps to close at 5.42% and 4.67%.
- In November, the DMO sold a total of N411.91bn worth of the 91 DTM (N6.16bn, avg. stop rate: 2.50%), 182 DTM (N6.79bn, avg. stop rate: 3.50%) and 364 DTM (N398.96bn, avg stop rate: 6.20%). Notably, both auctions attracted a total subscription level of N991.15bn, thus translating to a bid to cover ratio of 2.41x.





FIXED INCOME MARKET

- For the remainder of the year, the DMO plans to raise N100.00- N120.00 billion through bond issuances. We expect these auctions to be oversubscribed just as the other auctions held during the year have been, as well as the estimated N110.00bn maturity profile of the rest of the year , which would bolster system liquidity and further drive demand and investments in the fixed income space. Notwithstanding, we do not expect any drastic movements in yields except in the event of a major shock to the market

MARKET OUTLOOK AND STRATEGY

We continue to expect improved economic activity owing to reduced OPEC production cuts, increased COVID-19 vaccine rollout and further easing of lockdown restrictions which is expected to further support output. Nonetheless, portfolio inflow is expected to remain depressed as exchange rate shortages and capital controls will continue to deter much needed investment in critical sectors of the economy. Also, oil price volatility, rising food prices and continued restrictions on foreign currency remain major concerns.

E Q U I T Y

We expect a decent amount of profit taking activities as investors book gains from last month's bullish run. Nonetheless, we anticipate bullish sentiments to prevail overall this month as the economy continues to recover from the impacts of the pandemic, as well as the "Santa rally" often witnessed at this time of the year, where investors make efforts to close their books on a positive note . Hence, we will continue to take profit on rallied tickers and cherry-pick attractive stocks when suitable opportunities are identified.

F I X E D I N C O M E

Bond – We will maintain our position in FGN Bonds and continue to seek opportunities to optimize portfolio return.

Corporate Issuances – At current yield level (avg. 11.4%), we anticipate more corporate issuances at attractive yields, hence, we will take position in investment grade instruments.

Treasury Bills – we expect yields to continue to hover around 4.7% as high inflation rate continues to spur negative sentiment .

Money Market – We will max out positions on the short end of the curve with rates expected at 12.0% avg.

We will continue to take advantage of market opportunities with focus on corporate issuances and infrastructure instruments to improve investment returns. As such, asset exposure may vary over time.