MONTHLY MARKET REVIEW AND FORECAST
FOR DECEMBER 2021

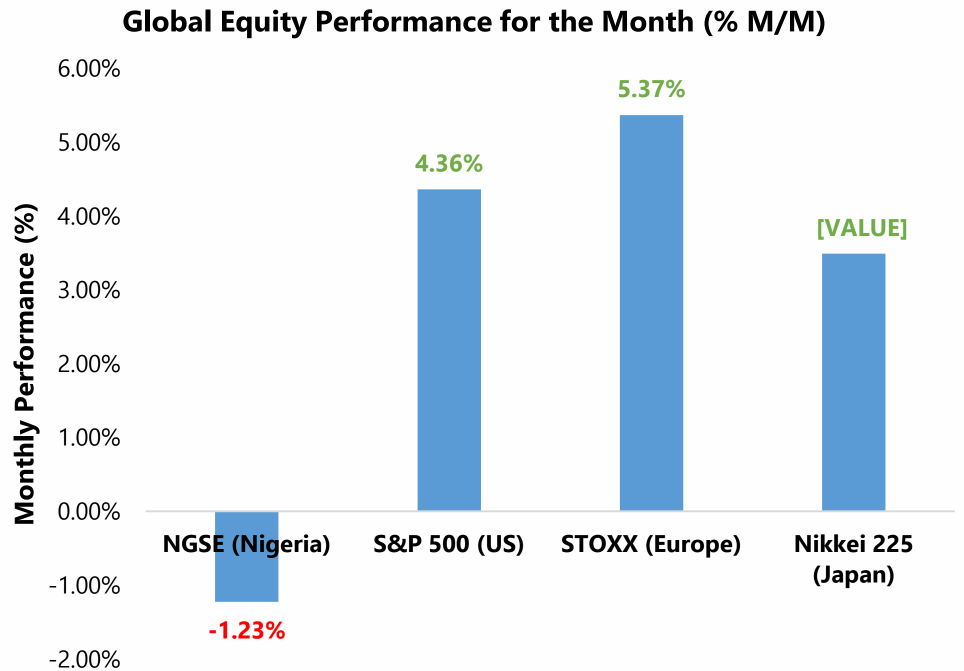
TRUSTFUND PENSIONS LTD RESEARCH

JANUARY 2022

INVESTMENT RESEARCH

TRUSTFUND PENSIONS LIMITED

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*

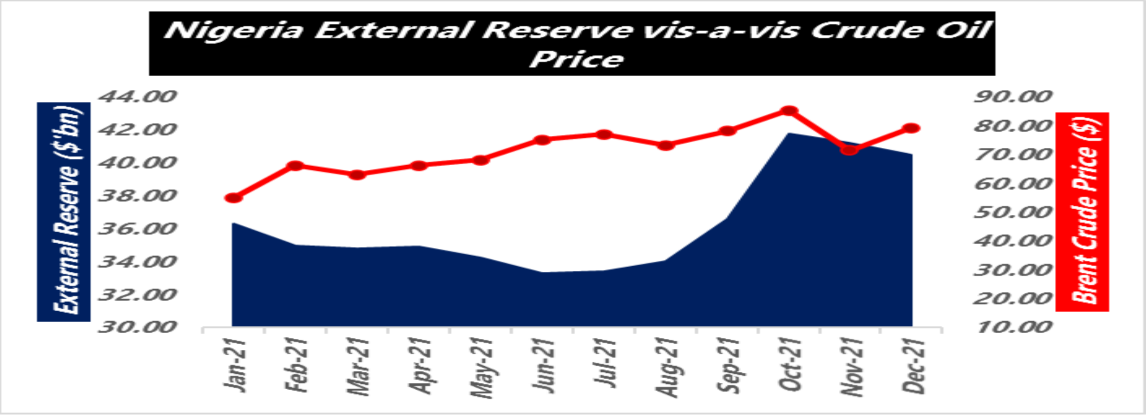
GLOBAL MACRO MOVERS FOR DECEMBER 2021

Source: Bloomberg Terminal

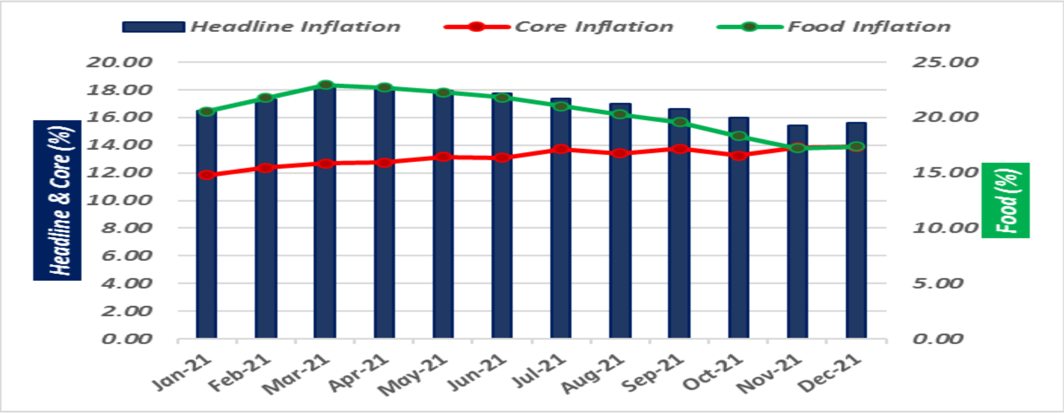
Nigerian Macro Review

HEADLINE	PREVIOUS	CURRENT	%Change	REMARK
	11.50%	11.50%	0.00% ⬌	***MONETARY POLICY RATE*** **-** The Central Bank of Nigeria retained the Monetary Policy Rate at 11.50%. The Committee emphasized the need to sustain policy measures that will continuously lower inflation levels as well as accelerate output growth to levels above population growth rate.
	15.40%	15.63%	0.23% ↑	***INFLATION*** **-** The inflation figure for December 2021 increased by 23bps to 15.63%. This was spurred by a slight acceleration in major components of the food basket, which rose 16pbs to 17.37% due to increased demand during the yuletide celebration. Meanwhile, core inflation inched up by 2bps to 13.87%.
	₦410.66	₦412.99	0.57% ↑	***EXCHANGE RATE*** **–** The CBN official exchange rate inched up by 0.57% to N412.99 to close the year. The increase is attributed to continued restriction of forex sale to BDC's, which triggered increased participation at various auction windows.
	$41.22bn	$40.52bn	-1.70% ↓	***EXTERNAL RESERVE*** **–** The External Reserve relapsed marginally by 1.70% to $40.52bn to close the year 2021. This was largely driven by high FX demand from Deposit Money Banks following sale restrictions to BDCs.

High Demand for FX Pressured External Reserve



Inflation Continue to Slow Down on Base Effect Comparism



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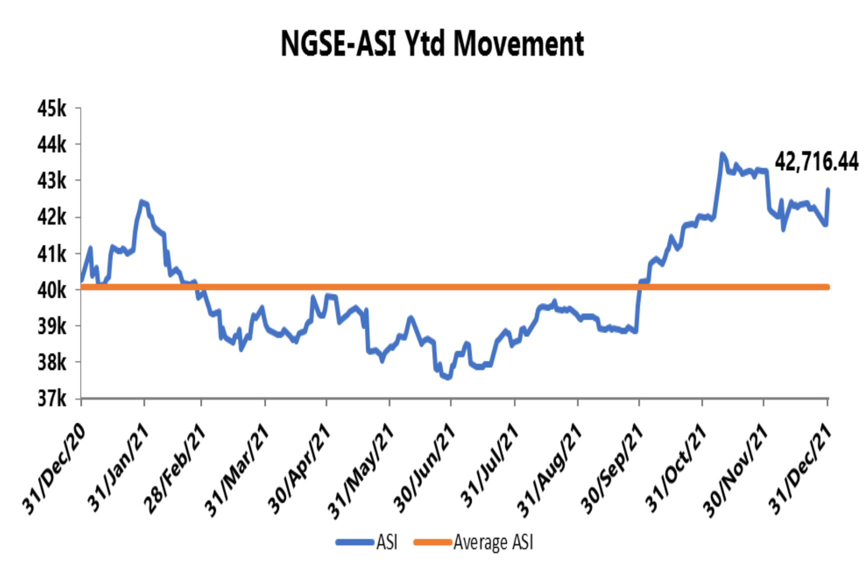
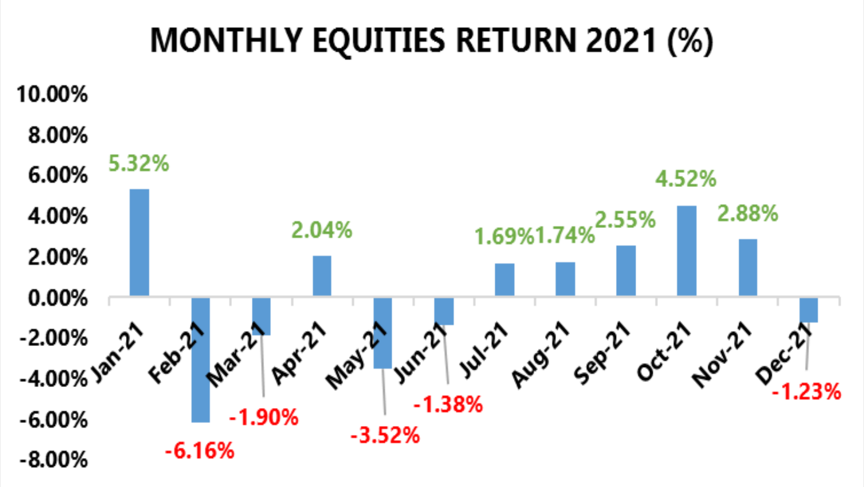
EQUITY MARKET

Back-to-Back; NGX ASI Finished the Year in Green

- ✓ The equities market closed the year steadily on a positive note at 6.07% and recorded YTD gain for the second consecutive year in a roll. Even though the benchmark Index relapsed by 1.23% in the month of December 2021 caused by sell pressure on DANGCEM (-8.21%), BUACEMENT (-10.00%) and SEPLAT (-6.47%). The gain recorded by the NGX ASI Index was largely supported by the YoY appreciation in the prices of AIRTELAFRI (+12.12%), MTNN (+15.95%), DANGCEM (+4.94%), FBNH (+59.44%) and SEPLAT (+61.57%).
- ✓ X-raying the sector performance, all the sectors under coverage posted YoY gains except the NGX Industrial Goods which closed in the red at 2.15% solely triggered by 13.32% YoY loss on BUACEMENT. NGX Oil & Gas led the gainers chart returning 52.52% on the back of renewed interest in SEPLAT (+61.57%), TOTAL (+70.69%) and OANDO (+19.46%).
- ✓ The NGX Insurance returned 4.04% largely supported by gains on MANSARD (+120.95%), NEM (+151.40%) and WAPIC (+40.00%) while NGX Banking inched up by 3.32% buoyed by gains booked by ZENITHBANK (+1.41%), FBNH (+59.44%) and ACCESS (+10.06%). Positive sentiments on NESTLE (+3.42%) and FLOURMILL (+9.04%) drove NGX Consumer Goods to close the year at 2.78%.

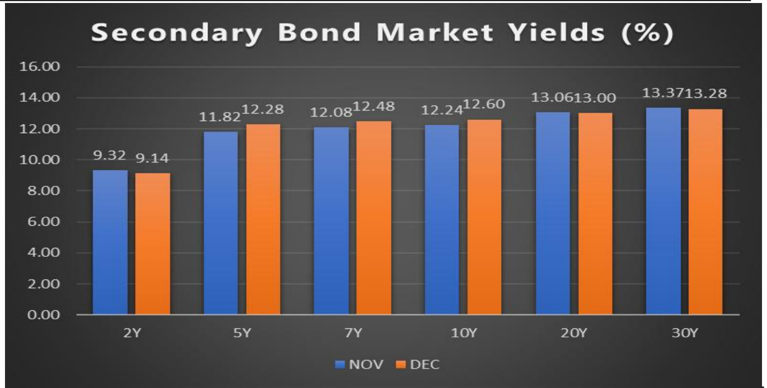


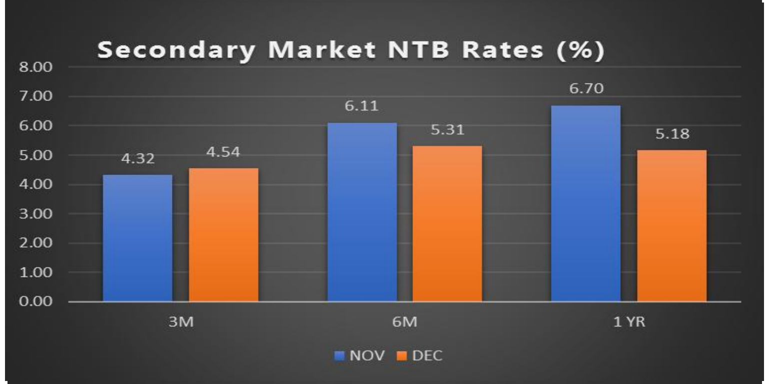


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- This month, the fixed income market traded with mixed sentiments with a bearish bias as some segments recorded yield advancements, while others posted yield declines.
- To illustrate, average bond yields gained 14bps to settle at 11.55%. This can be attributed to investors' efforts to match the higher stop rates at the December bond auction.
- At the auction, the DMO offered instruments worth NGN100.00 billion to investors through re-openings of the 12.5000% FGN JAN 2026 (Stop rate: unchanged at 11.65%) and 16.2499% FGN APR 2037 (Stop rate: 15bps higher at 13.10%) bonds. Despite the significant level of demand (subscription: NGN132.61 billion), the DMO eventually allotted instruments worth NGN98.8 billion.
- In addition, the NTBs space broadly expressed bullish sentiments as market participants jostled to recover lost bids from the auctions conducted during the month. For instance, average discounted rates on NTBs shed 23bps to close at 4.43%, while average discounted rates on OMO bills gained 8bps to settle at 5.50%
- In December, the DMO sold a total of N58.62bn worth of the 91 DTM (N3.45bn, avg. stop rate: 2.49%), 182 DTM (N3.26bn, avg. stop rate: 3.45%) and 364 DTM (N51.91bn, avg stop rate: 4.95%).





FIXED INCOME MARKET

- We anticipate higher yield levels this year in line with the 2022 FGN budget as the government estimates total expenditure for the year at N17.1trn with an approximated deficit of up to N6.31trn. As such, the government is expected to target its borrowings from the domestic bourse, while maintaining attractive yield levels in a bid to attract and retain foreign investors amid political uncertainty and policy ambiguity that may arise from the expected 2023 election fever.
- Furthermore, we foresee the adoption of a hawkish stance by the apex bank as the year goes on in order to curtail inflationary pressures. This supports our expectation of higher yields this year. Nonetheless, these expectations are barring any radical global/ local macroeconomic shocks to the market in addition to any apex bank interventions.

MARKET OUTLOOK AND STRATEGY

We expect the first quarter of the year to remain tepid as investors continue to monitor market developments. However, we foresee a bearish year ahead in the fixed and variable income spaces owing to pre-election year activities where the government would aim to maintain high yield levels to attract foreign and domestic lenders amid rising political uncertainty. Also, oil price volatility, rising food prices, exchange rate instability and continued restrictions on foreign currency remain major concerns.

EQUITY

At the beginning of the year, we expect a rally in the bourse as investors react to corporate action announcements. However, this rally is expected to wane towards the end of Q1'22 due to sentiments from expected political uncertainty surrounding the upcoming 2023 elections, as well as the foreseen elevated fixed income yields during the year. Notwithstanding, we will continue to take profit on rallied tickers and cherry-pick attractive stocks when suitable opportunities are identified.

FIXED INCOME

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. 12.1%), 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 4.4% 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.