MONTHLY MARKET REVIEW AND FORECAST
FOR APRIL 2022

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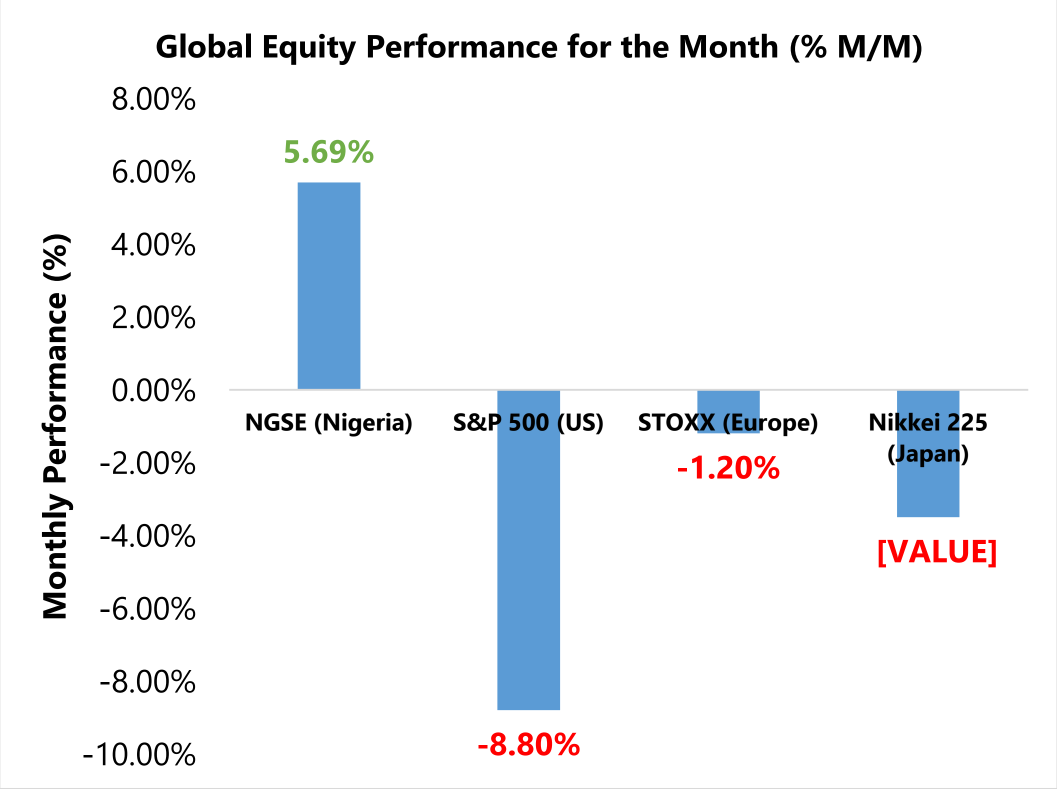
GLOBAL MARKET REVIEW



**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 APRIL 2022

Source: Bloomberg Terminal

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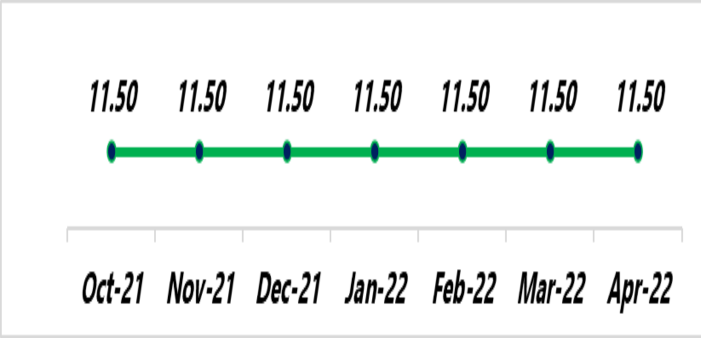
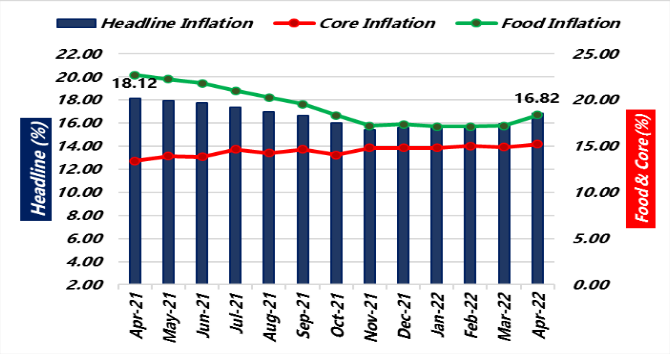
Nigerian Macro Review

MPR



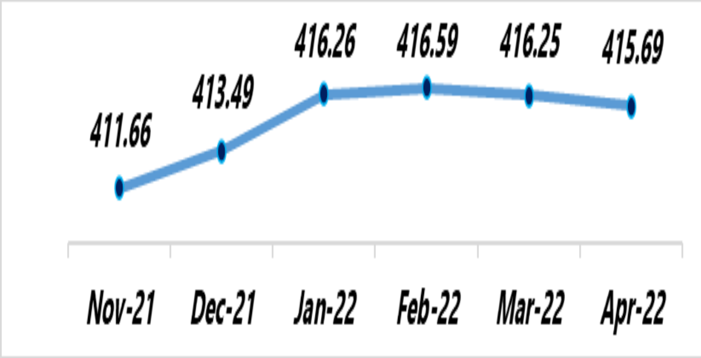
CPI

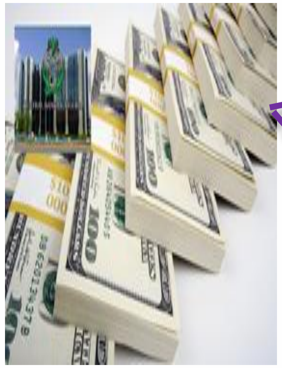


The Central Bank of Nigeria left the Monetary Policy Rate unchanged at 11.50%. The Committee emphasized on need to sustain policy measures that will drive inflation down faster as well as accelerate output growth to levels above population growth rate.

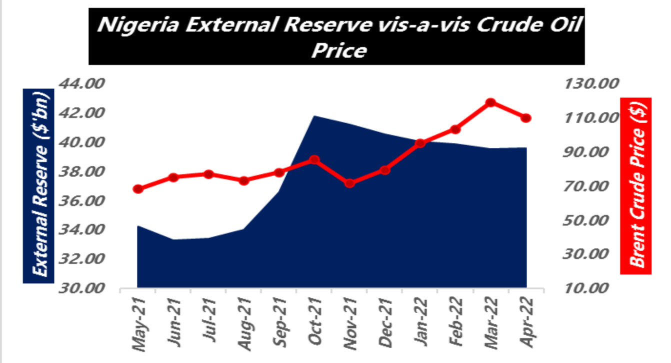
Headline inflation rate jumped by 90bps to 16.82% in April 2022. The 117bps upward swing in food inflation to 18.37% and 27bps climb in core inflation to 14.18% during the month triggered the headline inflation leap.

FX RATE





RESERVE



The CBN official exchange rate sustained a slight decrease by 0.13% to N415.69 in the month under review. This was due to increased dollar supply in the official window during the period which stem participation in various auction window.

The External Reserves increased marginally by 8bps to $39.58bn during the month despite insignificant drop in crude oil price. This is adduced to increased crude oil production volume compared to prior month output.

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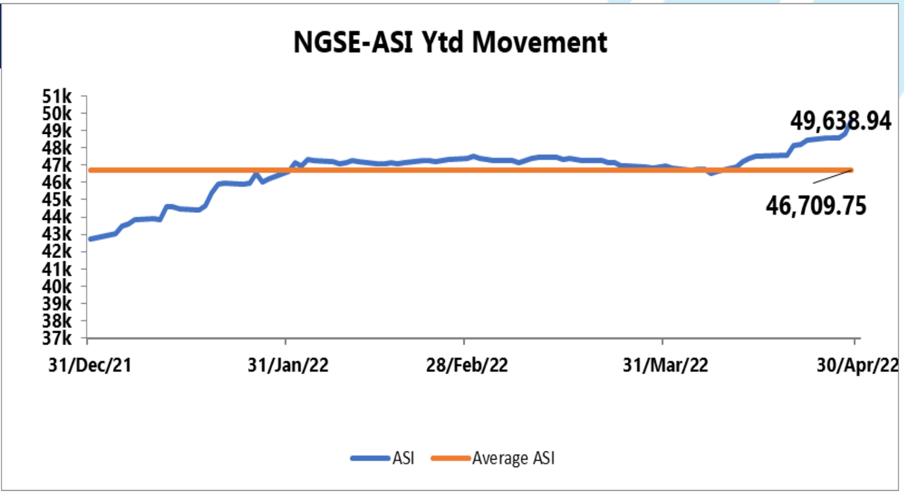
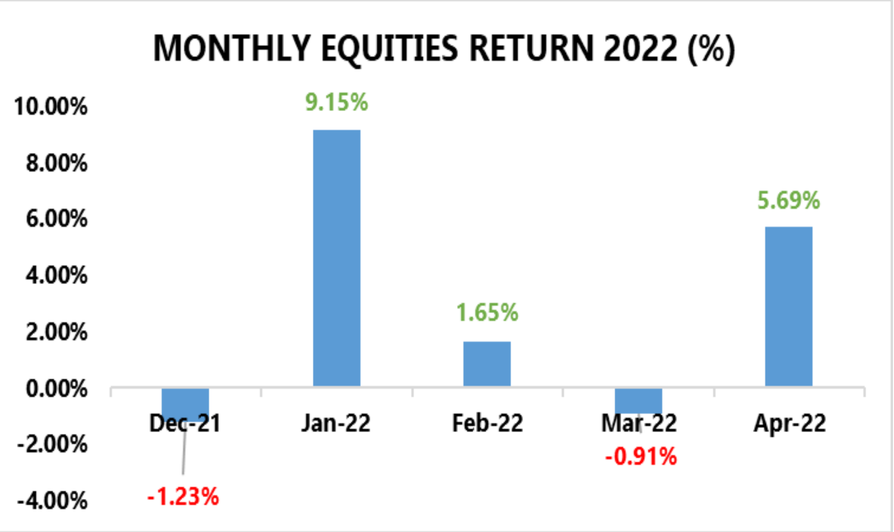
EQUITY MARKET

NGX ALSI Hits 49k Point on Continuous Demand for AIRTELAFRI and SEPLAT

- ✓ The equities market witnessed a bullish sentiment in the month April 2022 making it the third time since the beginning of the year. The NGX ALSI hit the 49,000 mark, making it the second time since May 2007.
- ✓ The benchmark index advanced by 5.69% to close the month at 49,638.94 points, spurred by continuous demand on AIRTELAFRI (+9.97%) and SEPLAT (+29.03%) by the offshore investors due to dual listing, while locals were seen taking position in some bellwether names like DANGCEM, NESTLE, ZENITHBANK and GTCO resulting from impressive Q1 2022 results. YTD finished at 16.21%.
- ✓ Dissecting the sector performance, all the sectors under coverage closed positive with NGX Oil & Gas leading the chart with a gain of 19.06% on the back of buying interest witnessed on SEPLAT (+29.03%) and OANDO (+30.71%). The NGX Consumer Goods accelerated by 11.54% stimulated by price accretion on NESTLE (+3.23%) and NB (+41.16%).
- ✓ The 6.24% uptick printed on NGX Banking was supported by ZENITHBANK (+9.38%), GTCO (+7.14%), STANBIC (+3.95%) and UBA (+7.14%). Appreciation in the prices of DANGCEM (+6.91%), WAPCO (+13.92%), AIICO (+17.91%), MANSARD (+2.95%) and NEM (+10.83%) pulled up NGX Industrial Goods and NGX Insurance by 3.25% and 3.71%.

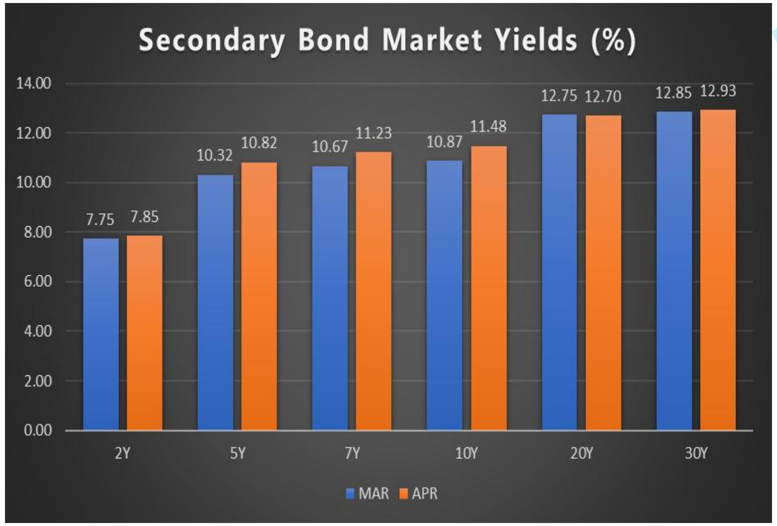


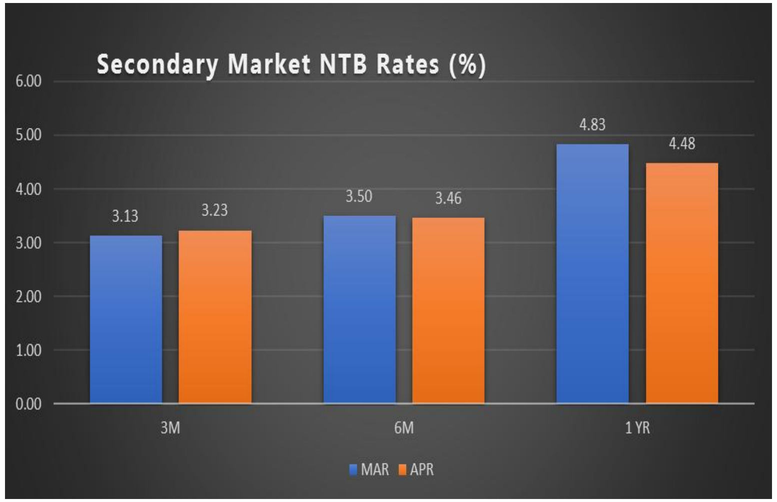


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- In April, the local course reversed its bullish run as yield advancements were recorded in all segments of the market. It can be agreed that this rise in yields was as a result of thin system liquidity amidst increased FGN borrowing levels.
- To illustrate, the DMO conducted a bond auction, where in up to N225.00bn was offered to investors through re-openings of the 13.53% FGN MAR 2025 and 13.00% FGN JAN 2042 bonds and a new issue of the 12.50% FGN APR 2032 instrument. Subsequently, the auction was oversubscribed by N184.41bn (total subscription: N409.41), with the DMO eventually allotting a total of N219.88bn for competitive bids and N128.70bn for non-competitive bids. Stop rates for the 2025, 2032 and 2042 instruments printed at 10.00%, 12.50% and 12.90% respectively
- Also, the DMO conducted two NTB auctions last month where a total of N190.02bn worth of the 91DTM, 182DTM and 364DTM bills was offered and sold to investors at average stop rates of 1.89% (previously 1.75%), 2.62% (previously 3.14%) and 3.92% (previously 4.05%) respectively.
- As such, average bond yields appreciated by 43bps to 11.53%, while average discounted rates on NTBs climbed 40bps higher to settle at 3.63%





FIXED INCOME MARKET

- In other news, the DMO published the Q2-22 bond issuance calendar, which showed that the organization plans a borrowing range of N630.00bn-N720.00bn in the second quarter of the year by issuing the 13.53% FGN MAR 2025 (re-opening), 12.50 27-APR-2032 (new issue & subsequent re-opening) and 13.00% FGN JAN 2042 instruments.
- We foresee yields an extension of the higher yields in May 2022 given the thin level of system liquidity coupled with the FGN's increased borrowing plans . Nonetheless, these expectations are barring any radical global macroeconomic shifts/ liquidity shocks to the system/ apex bank interventions.

MARKET OUTLOOK AND STRATEGY

The IMF has upwardly reviewed Nigeria's economic growth to 3.4% as opposed to 2.7% earlier projected, citing the increase in crude oil prices. However, it is important to note that the Russian war on Ukraine still poses great risks to economic growth as was induced commodity price increases and expanding price pressures are likely to overturn any probable silver linings from the expected boost in oil revenue. In addition, global and domestic inflation levels are expected to remain elevated as influenced by the ongoing Russia-Ukraine war.

E Q U I T Y

In the coming month, we foresee a bullish bourse as global equity markets remain depressed. This bullish momentum is expected to stem from foreign investor patronage of relatively affordable Nigerian stocks amidst unimpressive global market performances. As such, we aim 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 levels (avg. 12.6%), 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 3.7% 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 6.0% 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.