MONTHLY MARKET REVIEW AND FORECAST
FOR JULY 2022

TRUSTFUND PENSIONS LTD RESEARCH

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AUGUST 2022

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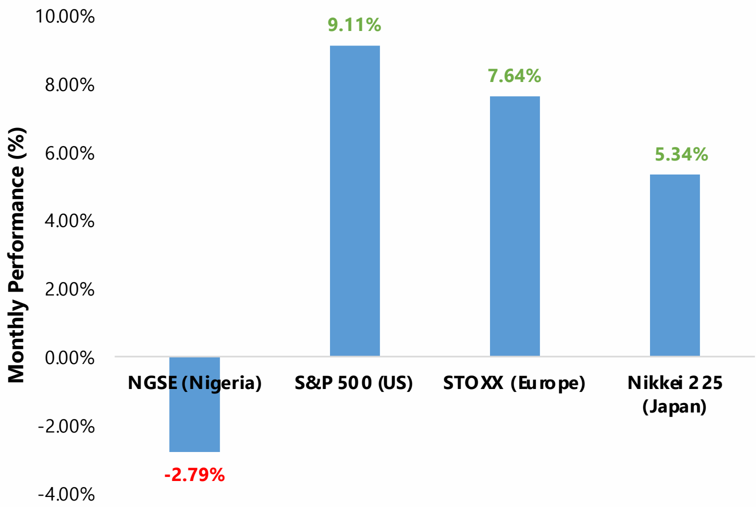
GLOBAL MARKET REVIEW

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



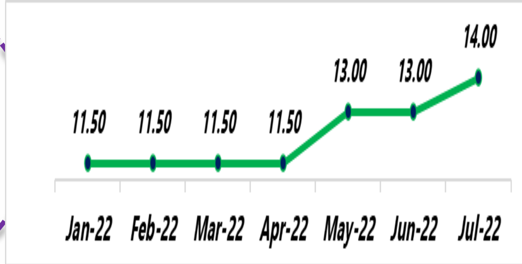
**NGSE – Nigerian Stock Exchange Mainboard Index*
**STOXX Europe 600 – Index that tracks top 600 companies across Europe*
**Nikkei 225 tracks top 225 large companies across sectors in Japan*
***S&P 500 tracks top 500 companies in USA*

GLOBAL MACRO MOVERS FOR JULY 2022

Source: Bloomberg Terminal

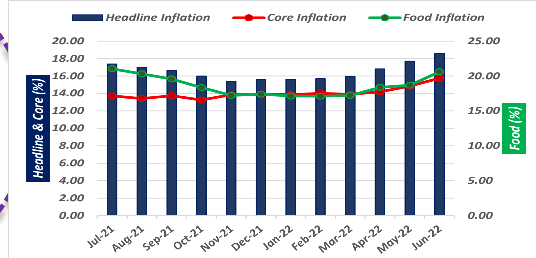
Nigerian Macro Review

MPR



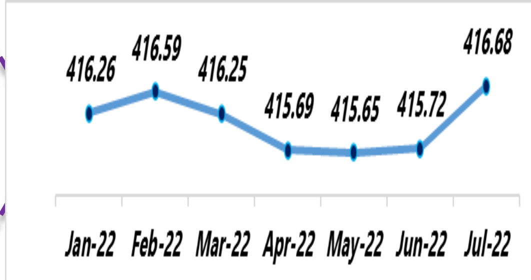
The MPC continued to respond to aggressive movement in inflation, even after rate hike at its last meeting. The Committee elevated the MPR by 100bps to 14.00% and expressed its unrelenting firmness to restore price stability to strengthen the fragile recovery.

CPI



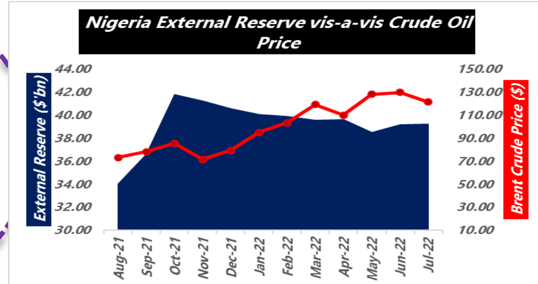
Headline inflation rate expanded by 104bps to finish the month of July 2022 at 19.64%. This was triggered by continuous increase in the prices of goods and cost of energy during the period. Food inflation surged by 1.60% while Core inflation increased by 0.51% to close at 22.20% and 16.26%.

FX RATE



The CBN official exchange rate sustained upward trend to close at N416.68 from N415.72 recorded in June. This was due increase demand for dollars amid short supply resulting from dwindling revenue occasioned by global economic headwinds.

RESERVE



The External Reserves increased slightly by 0.18% to $39.22bn in July from $39.15bn recorded in the previous month. This could be adduced to increased crude oil production amid price depreciation during the period.

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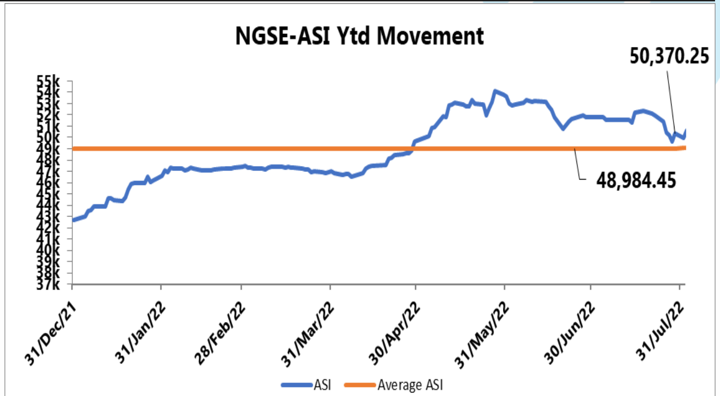
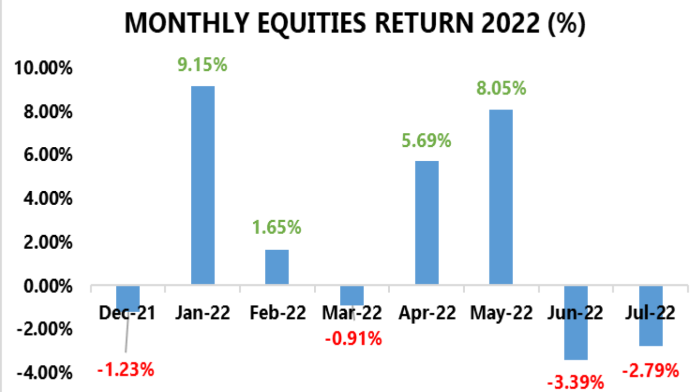
EQUITY MARKET

NGX ALSI Bows to MPR Hike as Sell Pressures Drag Performance

- ✓ The market sustained aggressive sell-offs, propelled by a further 100bps hike in the MPR to 14.00% by the MPC during the month following a 150bps increase in June. Subsequently, the benchmark index decreased by 2.79% in the month under review.
- ✓ YTD return moderated to 17.92%.
- ✓ In sectoral terms, all sectors under our coverage closed in the red as follows; the NGX Consumer Goods sector tanked by 8.13% due to sell-offs witnessed on NESTLE (-9.84%), BUAFOODS (-7.64%) and NB (-18.88%). Also, the NGX Banking index was down by 4.92% following aggressive disposals of STANBIC (-15.35%), GTCO (-4.61%), ZENITHBANK (-3.17%), ACCESSCORP (-2.70%), FBNH (-5.17%) and UBA (-3.36%) shares. Furthermore, profit taking on DANGCEM (-3.64%), BUACEMENT (-3.62%) and WAPCO (-11.36%) dragged the NGX Industrial sector by 4.18%. Similarly, the NGX Insurance and Oil & Gas indices were depressed by 6.33% and 0.41% resulting from low investor appetite for AIICO (-10.94%), MANSARD (-14.00%), NEM (-10.53%), OANDO (-0.70%) and CONOIL (-9.29%).

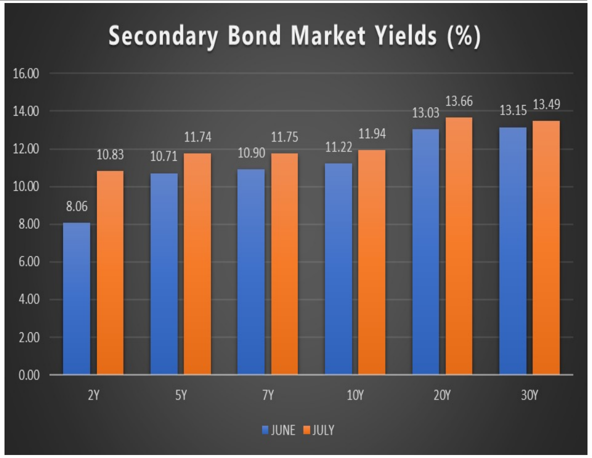


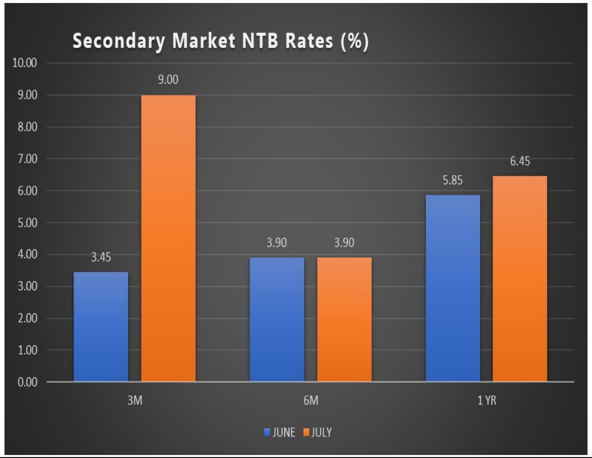


Source: Bloomberg/ TFP Research

FIXED INCOME MARKET

- Last month, the market expressed bearish sentiments across various segments as a fallout of the MPR hike by the CBN MPC to 14.00% from 13.00%. The CBN governor highlighted that the increase was driven by the need to curb inflationary pressures as evidenced in the headline inflation figure for June 2022, which printed at 18.60%. As such, average bond yields gained an additional 73bps MoM to close at 12.27%.
- In addition, it can be agreed that the higher stop rates at July's bond auction further spurred the bearish trend in the market.
- At the auction, the DMO offered instruments worth NGN225.00 billion through re-openings of the 13.53% FGN MAR 2025, 12.5000% FGN APR 2032 and 13.0000% FGN JAN 2042 bonds. Eventually, approximately N123.84bn was sold to investors at respective stop rates of 11.00% (Prev. 10.10%), 13.00% (Prev. 13.50%) and 13.75% (Prev. 12.50%).
- Notably, the auction was undersubscribed mainly due to the MPC meeting that was underway as at the time of the auction, where investors anticipated an increase in interest rates. In addition, the efforts by the CBN to tighten system liquidity levels further dampened investors' demand for FGN bonds.





FIXED INCOME MARKET

- Also, the DMO conducted two NTB auctions last month where a total of N407.55bn worth of the 91DTM, 182DTM and 364DTM bills was offered to investors with approximately N409.74bn being sold at average stop rates of 2.78%(prev. 2.45%), 4.05%(prev. 3.30%) and 7.00%(prev.6.26%) respectively.
- In the coming months, yields are expected to remain elevated, bill maturities and coupon repayments are expected to drive demand in the fixed income space, thus yields in the space are expected to slightly dwindle.

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MARKET OUTLOOK AND STRATEGY

The IMF maintained its growth projection for Nigeria at 3.4% for 2022 but raised its 2023 forecast to 3.2%, echoing the elevated oil price environment. Furthermore, improved harvest, sustained growth in select sectors and electioneering activities support the economy's growth potential. However, the impacts of the Russia-Ukraine crisis still pose risks to economic growth. Also, fuel subsidy and low oil production levels could hamper the benefits of higher oil prices. Moreover, the price surges in deregulated petroleum products (diesel, kerosene, aviation fuel) and agricultural commodities including wheat have increased operational costs for businesses and pressured consumer spending power. This could slow economic activity and further hinder economic growth.

EQUITY

We foresee a bearish market in the coming month as investors continue to sell off their equity positions and deploy the proceeds into the fixed income market in search of relatively higher returns. We also expect market players to continue to patronize stocks with dual listings 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 levels (avg. 13.48%), 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 7.49% as the expected increase in system liquidity should spur buy sentiments.

Money Market – We will max out positions on the short end of the curve with rates expected at 15.00% 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.