



AXA MANSARD

# Monthly Markets Review And Outlook

Investment Team

Mar 5, 2018 – AXA Mansard



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# 1 Global Markets Update & Outlook

# Market Review and Outlook

## Global and Domestic Market Indices

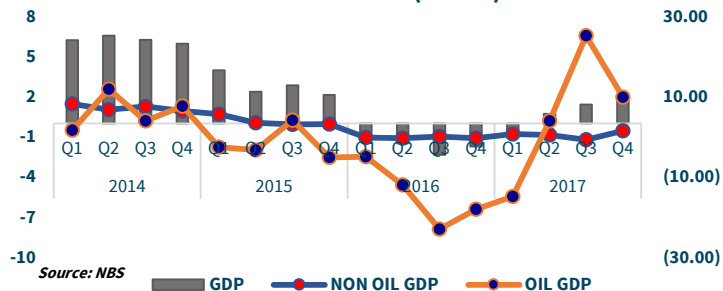
		WTD	MTD	QTD	YTD
<b>GLOBAL</b>	<b>MSCI World</b>	(2.38)	(4.30)	(0.64)	(0.64)
<b>MSCI</b>	<b>Emerging Markets</b>	(1.99)	(4.73)	2.92	2.92
	<b>Frontier Markets</b>	(0.36)	(2.96)	3.46	3.46
	<b>ASIA EX. Japan</b>	(1.14)	(5.04)	2.10	2.10
<b>USA</b>	<b>S&amp;P 500</b>	(2.36)	(3.89)	0.33	0.33
<b>EUROZONE</b>	<b>Eurozone (MSCI)</b>	(1.61)	(4.08)	(3.79)	(3.79)
	<b>France (CAC 40)</b>	(3.40)	(2.94)	(3.31)	(3.31)
	<b>U.K. (FTSE 100)</b>	(2.41)	(4.00)	(8.04)	(8.04)
	<b>Germany (DAX)</b>	(4.57)	(5.71)	(7.77)	(7.77)
<b>ASIA</b>	<b>Japan (NKY 225)</b>	(3.25)	(4.46)	(6.95)	(6.95)
	<b>China (SHG)</b>	(1.05)	(6.36)	(6.01)	(6.01)

- Volatility returned abruptly in February after 15 months of equity markets riding steadily higher
- Strong macro data played a key role in preventing a more sizeable correction
- February volatility demonstrates the sensitivity of investors to the prospects of a swifter pick up in inflation
- Politics played a minor role in market development through February even as the imminent Italian election remains key
- Broadly, risk assets fell across markets; DM: -3.53%; EM: -1.99%
- Global expansion expected to remain above-trend at 3.0% to 3.5% in an environment of synchronized growth and low but gently rising inflation.
- Expectation of further modest price gains in equities given the strength of the macro picture and healthy earnings momentum even as potential “trade war” may weigh on market sentiments

# Macro Update

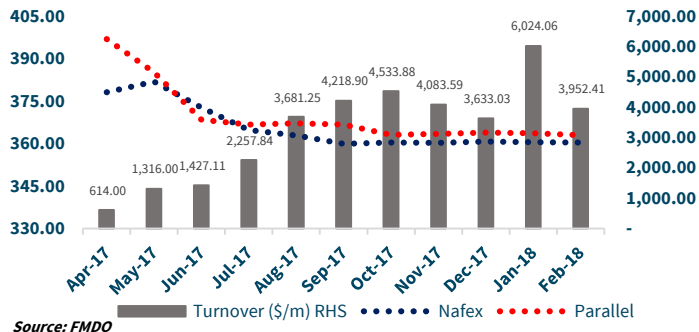
## Review and Outlook

### GDP Growth (YoY %)



- Stronger US dollar weighted on commodity prices; as crude oil price also fell by 5% to \$66/bbl.
- Q4 GDP at 1.9% YoY (vs. 1.40% in Q3 17) to put FY17 GDP at 0.8% (vs. -1.58% for FY16);
  - Agriculture rose by 4.2% y/y in Q4 17 and also the fastest pace since Q3'16.
  - Manufacturing and service sectors reported a 0.1% and 0.5% growth in Q417 although the service sector is still negative for FY17.

### FX Rates and Turnover



- Headline inflation continued downward trend as Jan reading printed at 15.13%.
- FX rate was stable at the I&E window and the parallel markets, albeit a lower turnover. USDNGN closed the month at N360.41 and N363.00 at the I&E and parallel market respectively.



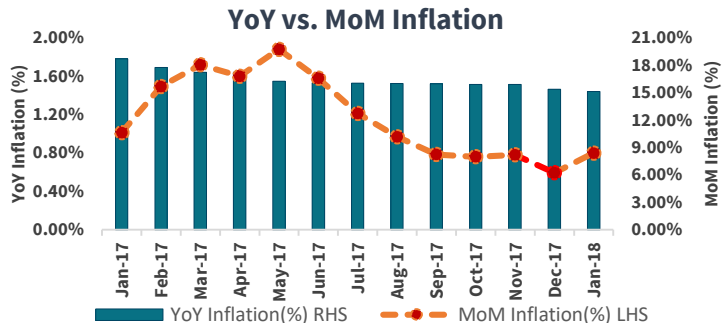
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# Domestic Macro & Market Review



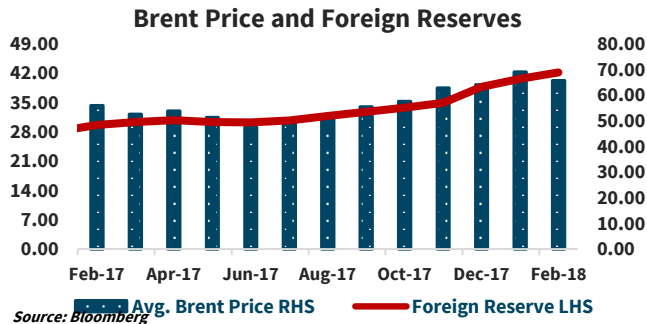
# Macro Update

## Review and Outlook



Source: NBS

- Headline inflation declined further in January - prints at 15.13% YoY (relative to 15.37% in Dec 2017);
- Renewed month-on-month pressure for headline inflation on the back of rising transport cost and implication for the food sub-index.
- Pressure points for headline inflation to remain especially the implication of the farmer-herdsmen crisis on food production, pre-election spending and transport costs.



- Expect reserves and production to keep rising in the immediate term on the back of stable crude production and prices. The recent Eurobond issuance is also expected to augment reserves.
- Total capital importation was \$12.2b in FY; representing a 138.7% increase from FY 2016. This was driven by portfolio investments following the introduction of the I&E window.

Source: Bloomberg

Source: NBS

# Market Review and Outlook

## Global and Domestic Market Indices

		WTD	MTD	QTD	YTD
GLOBAL	MSCI World	(2.38)	(4.30)	(0.64)	(0.64)
	NSEASI	0.72	(2.28)	12.11	12.11
AFRICA	Kenya (NSE KN)	(0.97)	0.65	1.52	1.52
	South Africa (JALSH)	(1.65)	(1.98)	(2.96)	(2.96)
	Egypt (HERMES)	1.15	2.12	6.20	6.20
NSE SECTORS	NSE 30	0.33	(2.89)	11.16	11.16
	Banking 10	(0.59)	(1.81)	20.63	20.63
	Oil & Gas 5	1.64	(6.16)	7.16	7.16
	Food & Bev.	0.89	(2.82)	0.63	0.63
	Insurance 10	1.50	0.06	13.73	13.73
	Industrials	1.25	(1.41)	17.24	17.24

### Key Movers

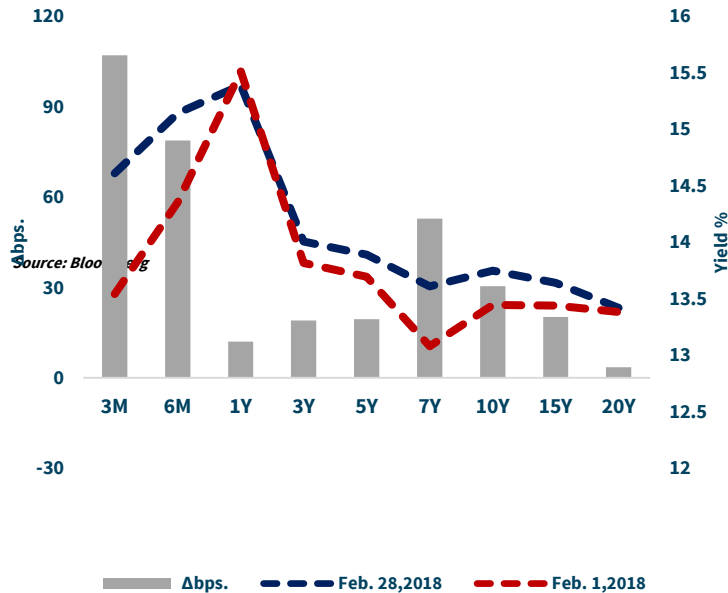
Security	% Chg.	Price (N)	Security	% Chg.	Price
UNILEVER NL	15.84	51.20	NB NL	-9.40	135.90
ZENITH NL	2.90	31.90	FBNH NL	-18.09	11.55
STANBIC NL	3.26	47.50	INTBREW NL	-10.94	57.00
ETI NL	1.75	20.35	UBN NL	-20.73	6.50
DANGSUGA NL	2.38	21.55	FIDELITY NL	-21.32	2.99

- Relatively quiet trading session in February
  - January rally dissipated in February. ASI declined 2.28% MoM; YTD moderate to 11.46%
  - Profit taking and a slow down in foreign demand dictated market activities.
  - All sub-sectors closed negative even as the oil and gas sub-sector recorded the most losses.
- Further out, we anticipate mixed market performance in March on the back of earnings releases and impact of global market events.
- The pace of economic growth picked up in Q4 2017 to register 1.9% YoY
  - Non-oil GDP bucked the trend to lead expansion (+1.5% YoY) in the quarter from a contraction of 1.9% YoY
  - Drivers of growth which deviated from consensus expectation of an oil-led growth points to some positive on economic diversification and improvement in productive sectors

# Market Update

## Review and Outlook

### February Yield Curve



Source: Bloomberg

Economic briefing 5th March, 2018

- Tight system liquidity, following mop up activities conducted by the CBN saw yields rise on average of 38bps across the curve.
- The DMO sold N27b and N52bn of the benchmark 5yr and new 10yr bond at 13.70% and 13.98% respectively.
- DMO also issued another \$2.5b in Eurobond - \$1.25bn @ 7.143% maturing in 2030 and \$1.25bn @ 7.696% maturing in 2038.
- Profit taking in the equity market and also tracking global risk-off trading ahead of concerns for US Fed rate hikes.
- The earnings releases in the month of March to set the tone for the equity market in the short term even as we expect investors to trade cautiously.





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# 3 Client Advise

# What should we be advising our clients?

	EQUITY	FIXED INCOME
<b>SHORT TERM</b>	<ul style="list-style-type: none"> <li>• Take advantage of current market conditions and the earnings season to book profits</li> </ul>	<ul style="list-style-type: none"> <li>• Take position in Money Market Fund</li> </ul>
<b>MEDIUM TERM</b>	<ul style="list-style-type: none"> <li>• Invest in the AXA Mansard Equity Income Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Buy one year treasury bill at yield of 15-15.5%</li> <li>• Take positions in 180-170 days CP</li> </ul>
<b>LONG TERM</b>	<ul style="list-style-type: none"> <li>• Invest in the AXA Mansard Equity Income Fund</li> <li>• Buy the Vetiva Banking ETF and Vetiva 30 ETF</li> </ul>	<ul style="list-style-type: none"> <li>• Stay underweight bonds</li> </ul>

Projected Average Monthly Money Market Fund Yields

Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
15.30%	14.80%	14.30%	14.00%	13.70%	13.40%	13.10%	12.80%	12.50%	12.20%