

## Cowry Weekly Financial Markets Review & Outlook (CWR)

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### Segment Outlook:

#### ECONOMY: Nigeria Registers 47.05% Y-o-Y Increase in Foreign Trade Surplus in FY 2018...

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#### FOREX MARKET: Naira Stabilises Against the US Dollar at I&E FX, Interbank Windows...

In the new week, we expect stability in the Naira/USD rate in most market segments, especially at the BDC Segment, as CBN sustains its special interventions.

#### MONEY MARKET: NIBOR Rises for All Tenor Buckets Amid Liquidity Strain...

In the new week, CBN will auction T-bills worth N89.50 billion, viz: 91-day bills worth N5 billion, 182-day bills worth N14.0 billion and 364-day bills worth N70.50 billion. We expect their stop rates to moderate in accordance with recent trend which has seen the short term papers being highly sought for by investors especially as FAAC inflows are being anticipated coupled with maturing bills worth N215.86 which, we expect, will also drive down interbank rates.

#### BOND MARKET: FGN Bond Yields Rises for Most Maturities Tracked amid Renewed Bearish Activity...

In the new week, we expect FGN bond prices to increase (with corresponding fall in yields) at the OTC market amid expected ease in financial system liquidity.

#### EQUITIES MARKET: NSE ASI Rebounds Marginally by 0.31% amid Positive Corporate Results...

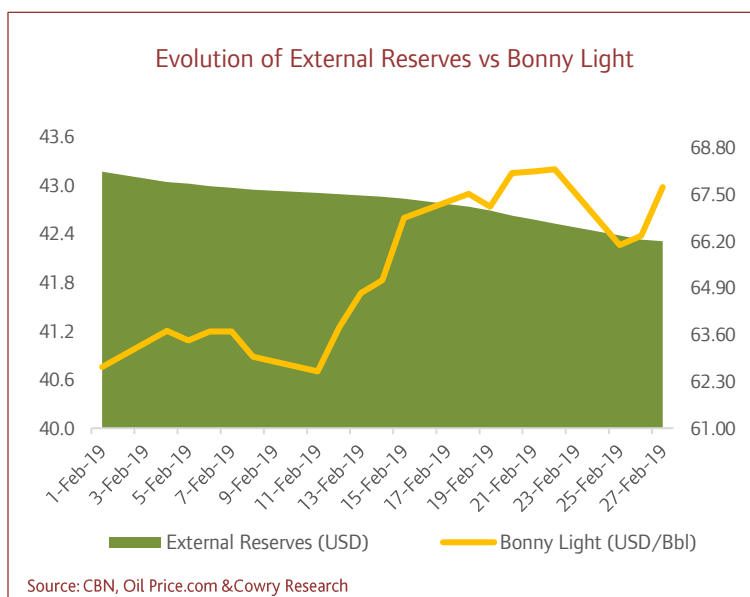
In the new week, we expect the Nigerian equities market to close in green territory as investors continue to take advantage of the low prices amid positive corporate results and increased dividend pay-out.

#### POLITICS: Governorship and Legislative Candidates Jostle for Positions This Weekend...

We hail the election petition tribunal for swiftly granting the PDP presidential candidate's request to inspect original copies of the election materials as this could douse tensions and tendencies for avoidable street protests which tend to often have undesirable outcomes.

**ECONOMY: Nigeria Registers 47.05% Y-o-Y Increase in Foreign Trade Surplus in FY 2018...**

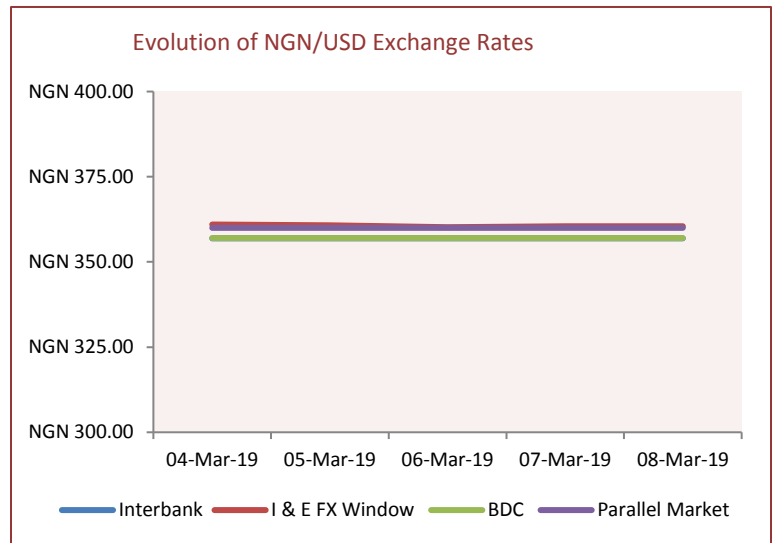
In the external sector, newly released foreign trade statistics report showed that merchandise goods worth N32.26 trillion were traded in FY 2018, 39.31% higher than N23.16 trillion recorded in FY 2017. Of the total goods traded, value of exports increased y-o-y by 40.46% to N19.10 trillion in FY 2018 while the value of imports also rose y-o-y by 37.67% to N13.17 trillion in FY 2017, resulting in a 47.05% y-o-y increase in trade surplus to N5.93 trillion in FY 2018. According to the report, crude oil exports which grew y-o-y by 42.60% to N15.72 trillion, constituted 82.33% of total export value in FY 2018. Non-crude oil exports, on the other hand, increased y-o-y by 31.27% to N3.38 trillion in FY 2018, constituting 17.67% of the total export value. Further breakdown of the non-crude oil exports showed that agricultural and manufactured goods registered a sharp rise of 796.51% and 178.28% to N302.28 billion and N645.74 billion respectively from N33.72 billion and N232.06 billion respectively in FY 2018. On the import side, fuels & lubricants constituted 29.16% of the total imports in FY 2018 (up from 27.44% in FY 2017) while capital goods (plants and machinery for the production of other goods), industrial supplies and food & beverages constituted 28.42% (up from 18.93%), 19.17% (down from 26.45%) and 10.63% (down from 15.23%) respectively in the same period under review. Europe and Asia dominated Nigeria’s export destinations as exports value to the two regions rose by 64.63% and 33.04% respectively to N8.39 trillion and N5.32 trillion in FY 2018, from N5.10 trillion and N3.99 trillion in FY 2017. On a quarterly basis, total trade rose by 42.89% to N8.61 trillion in Q4 2018, from N6.02 trillion in Q4 2017 (but moderated q-o-q by 5.08% from Q3 2018). Of the total goods traded, value of exports increased y-o-y by 28.46% (and q-o-q by 3.52%) to N5.02 trillion while the value of imports rose astronomically y-o-y by 69.59% (but fell q-o-q by 14.99%) to N3.58 trillion, resulting in a 19.85% y-o-y decrease (but a significant q-o-q rise of 125.54%) in trade surplus to N1.44 trillion in Q4 2018. In another development, Nigeria’s Nembe Creek Trunk Line (NCTL), a key oil pipeline to the Bonny terminal located in the Niger-Delta area was recently shut down. The 150,000 barrels of oil per day (bpd) capacity pipeline which Shell Petroleum Development Company of Nigeria uses in evacuating its Bonny Light crude grade to the Atlantic coast for export also witnessed an explosion at one of the wells feeding into its trunk line on Saturday, March 2, 2019. This might further elongate the re-opening of the closed pipeline by the operator, Aiteo Eastern Exploration & Production, and also have a negative impact on the total volume of crude export from Nigeria in the month of March. Meanwhile, according to the February 2019 edition of Opec’s *Monthly Oil Market Report*, Nigeria’s crude oil production increased month-on-month (m-o-m) by 2.99% to 1.79 mbpd in January 2019 from 1.74 mbpd in December 2018. However, Nigeria’s foreign exchange reserves decreased month-on-month (m-o-m) by 1.99% to USD42.31 billion as at Thursday, February 27, 2019, despite 6.65% m-o-m increase in bonny light crude oil price to USD67.70 per barrel as at February 27, 2019.



While we note the significant 47.05% increase in trade surplus to N5.93 trillion in FY 2018, given the rise in trade exports, the fact that crude oil exports constituted 82.33% of the total exports remained a concern. This, which further emphasizes the over-reliance of Nigerian economy on crude oil price, leaves Nigeria vulnerable to external shocks without adequate external buffers. Thus, an urgent need for the Federal Government to quickly facilitate the implementation of its Economic Recovery Growth Plan (ERGP) as its impact has not really been felt in the non-oil sector (Non-oil export only contributed 17.67% to the value of exports).

**FOREX MARKET: Naira Stabilises Against the US Dollar at I&E FX, Interbank Windows...**

In the just concluded week, the local currency further appreciated at the Investors & Exporters Forex Window (I&E FXW) by 0.15% to close at N360.49. Also, the NGN/USD rate at the Interbank Foreign Exchange market fell marginally (i.e Naira gained) by 0.01% to N356.92/USD amid weekly injections of USD210 million by CBN into the foreign exchange market via the Secondary Market Intervention Sales (SMIS) of which: USD100 million was allocated to Wholesale SMIS, USD55 million was allocated to

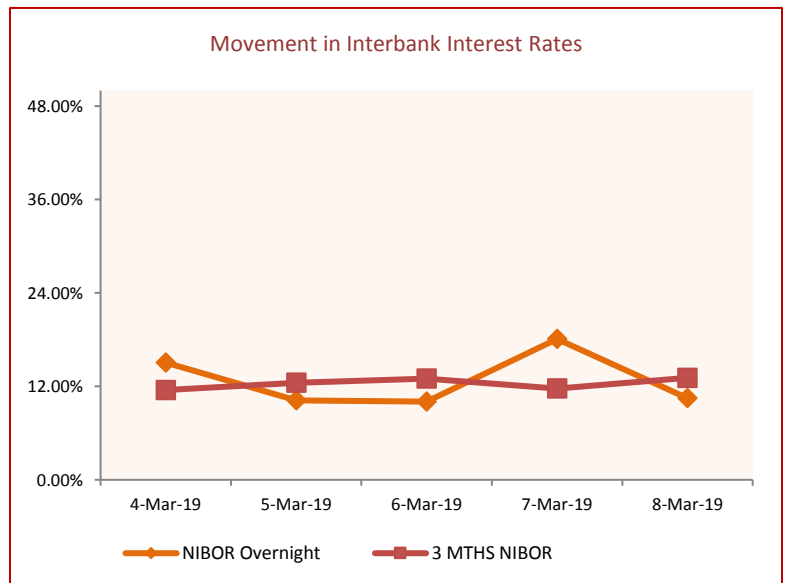


Small and Medium Scale Enterprises and USD55 million was sold for invisibles. However, at the parallel ('black') market and Bureau De Change (BDC) market segments, Naira remained stable against the USD to close at N360/USD and N357/USD respectively. Meanwhile, the Naira/USD exchange rate fell further (i.e. Naira sustained gains) for most of the foreign exchange forward contracts – 1 month, 2 months and 12 months rates moderated by 0.12%, 0.01% and 0.23% respectively to close at N362.95/USD, N366.02/USD and N404.06/USD respectively; however, the Naira/USD exchange rate rose (i.e. Naira lost) at the spot market and for 3 months forward contract by 0.02% and 0.17% to close at N306.90/USD and N369.66/USD respectively.

In the new week, we expect stability in the Naira/USD rate in most market segments, especially at the BDC Segment, as CBN sustains its special interventions.

**MONEY MARKET: NIBOR Rises for All Tenor Buckets Amid Liquidity Strain...**

In the just concluded week, interbank rates increased amid strain in financial system liquidity as CBN auctioned treasury bills worth N808.96 billion in Open Market Operations which more than offset maturing bills worth N229.60 billion. Hence NIBOR for 1 month, 3 months and 6 months tenure buckets increased to 11.09% (from 10.48%), 13.09% (from 11.71%) and 14.74% (from 14.12%) respectively. However overnight funds rate moderated to 10.50% (from 18.08%). Elsewhere, NITTY increased for most maturities

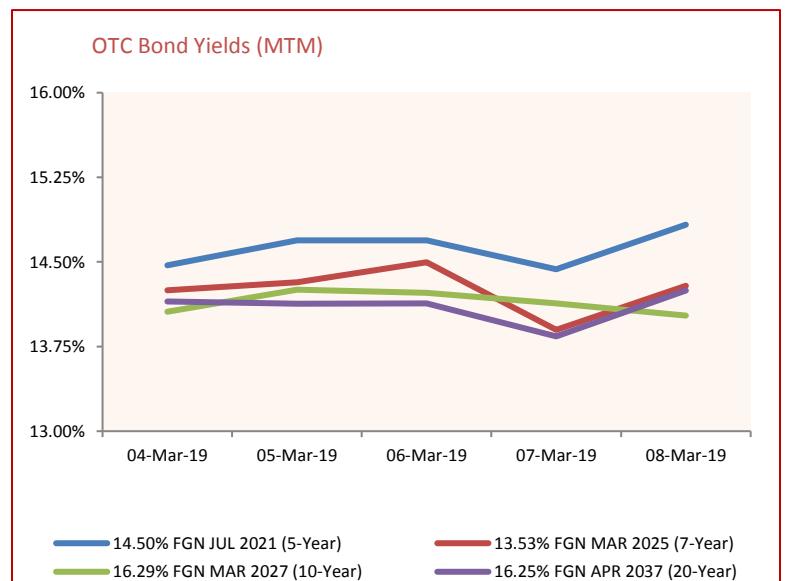


tracked amid renewed sell pressure – yields on 1 month, 3 months and 6 months maturities fell to 9.99% (from 9.06%), 12.29% (from 11.03%) and 14.24% (from 13.60%) respectively. However, 12 months NITTY was unchanged at 14.95%.

In the new week, CBN will auction T-bills worth N89.50 billion, viz: 91-day bills worth N5 billion, 182-day bills worth N14.0 billion and 364-day bills worth N70.50 billion. We expect their stop rates to moderate in accordance with recent trend which has seen the short term papers being highly sought for by investors especially as FAAC inflows are being anticipated coupled with maturing bills worth N215.86 which, we expect, will also drive down interbank rates.

**BOND MARKET: FGN Bond Yields Rises for Most Maturities Tracked amid Renewed Bearish Activity...**

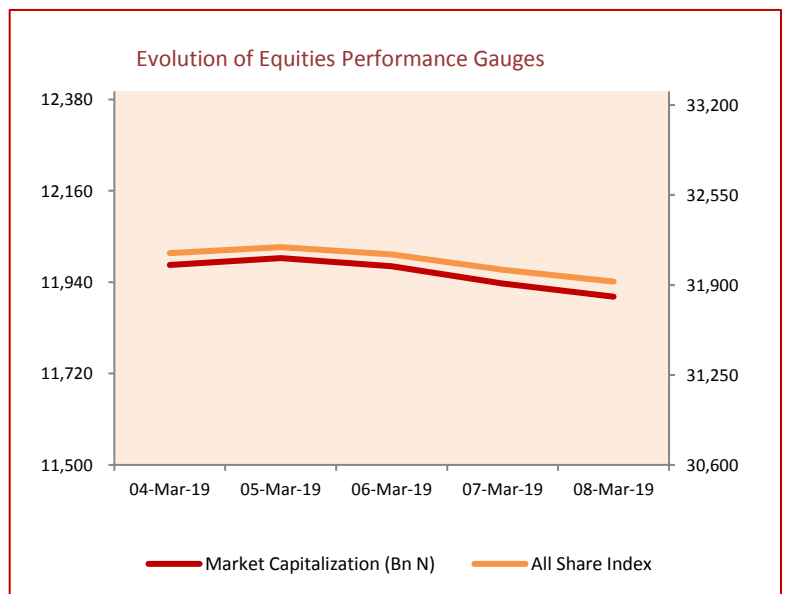
In the just concluded week, the value of FGN bonds traded at the over-the-counter (OTC) segment depreciated for most maturities tracked amid renewed sell pressure: the 5-year, 14.50% FGN JUL 2021 paper, the 7-year, 13.53% FGN MAR 2025 note and the 20-year, 16.25% FGN APR 2037 bond moderated by N0.77, N1.52 and N2.97; their corresponding yields rose to 14.83% (from 14.44%), 14.29% (from 13.90%) and 14.25% (from 13.84%) respectively. However, the 10-year, 16.29% FGN MAR 2027 debt appreciated by N0.55 while its corresponding yield fell to 14.02% (from 14.13%). Elsewhere, the value of the FGN Eurobonds traded at the international capital market depreciated for all maturities tracked amid renewed sell pressure – the 10-year, 6.75% JAN 28, 2021 paper, the 20-year, 7.69% FEB 23, 2038 note and 30-year, 7.62% NOV 28, 2047 bond fell by USD0.21, USD2.62 and USD3.24 respectively; their corresponding yields moderated to 4.95% (from 4.85%), 8.14% (from 7.86%) and 8.23% (from 7.93%) respectively.



In the new week, we expect FGN bond prices to increase (with corresponding fall in yields) at the OTC market amid expected ease in financial system liquidity.

**EQUITIES MARKET: NSE ASI Rebounds Marginally by 0.31% amid Positive Corporate Results...**

In the just concluded week, the local equities market reversed its southwards trend amid renewed bargain hunting activity as investors took advantage of the cheap prices. The rise in overall market performance was driven partly by the positive results and increased dividend pay-out by Stanbic IBTC and Guaranty Trust Bank Plc. Hence, the main market index, NSE ASI, rose to 31,924.51 points, having gained 0.31% w-o-w. Amongst the five sector-gauges, only the Banking sector closed in the positive territory, increased by 3.37% to 426.64 points.



However, NSE Insurance Index, NSE Consumer Goods Index, NSE Oil/Gas Index and NSE Industrial Index closed in negative territory as they plummeted by 1.30%, 1.02%, 2.56% and 1.72% to 130.95 points, 723.46 points, 291.84 points and 1,254.54 points respectively. Market activity in the equities market slowed as total deals, transaction volumes and Naira votes plunged by 22.30%, 27.76% and 26.90% to 17,341 deals, 1.27 billion shares and N14.39 billion respectively.

In the new week, we expect the Nigerian equities market to close in green territory as investors continue to take advantage of the low prices amid positive corporate results and increased dividend pay-out.

**POLITICS: Governorship and Legislative Candidates Jostle for Positions This Weekend...**

In the just concluded week, the Independent National Electoral Commission (INEC) insisted on the use of smart card readers (SCRs) at all polling units, where 29 Gubernatorial candidates and 991 States Houses of Assembly Candidates would be jostling for positions on Saturday, March 9, 2019. The Commission’s reassurance of the use of the SCRs was reportedly due to the allegations against the Commission of being selective in the deployment and use of SCRs in the recently concluded Presidential and National Assembly elections which resulted into inconclusive elections in some parts of the country. According to the National Commissioner and Chairman, Information and Voter Education, Festus Okoye, the allegations which have led to speculations that INEC would be forced to dump the use of the SCRs were false as “the Commission is not reconsidering the use of the SCRs given the great improvement in the previous elections credibility that has been largely associated with the use of the card readers”. Meanwhile, the PDP Candidate, Alhaji Atiku Abubakar, who resorted to challenging the victory of APC’s Candidate, President Muhammadu Buhari, in court following reports of violence, ballot box snatching and voter suppression, might be making a headway as the Presidential Election Petitions Tribunal on Wednesday, March 6, 2019, granted his request to be allowed to inspect the electoral materials used for the conduct of the February 23, presidential elections. However, the three-man panel led by Justice Abdul Aboki, unanimously rejected the applicants’ other requests of permitting him to, among others, photocopy and scan of the electoral documents, conduct of forensic examination and forensic analysis of the materials, as well as to assess the card reader data and information contained in the SCRs, cloud and electronic storage used for the polls.

We hail the election petition tribunal for swiftly granting the PDP presidential candidate’s request to inspect original copies of the election materials as this could douse tensions and tendencies for avoidable street protests which tend to often have undesirable outcomes. We however note that the tribunal’s subsequent denial of Alhaji Atiku the right to access the SCRs and other electronically stored information as well as the authority to carry out forensic audit and analysis of the election materials would limit his ability to substantiate his claims and challenge the apparent victory of the incumbent in accordance with the law.

**Weekly Stock Recommendations as at Friday, March 08, 2019.**

Stock	Last Qtr Result	Adjusted Forecast FY PAT	Current EPS	Forecast EPS	BV/S	P/B Ratio	PE Ratio	52 Weeks' High	52 Weeks' Low	Current Price	FY Price Target	Short term Stop Loss	Short term Take Profit	Upside Potential (%)	Recommendation
Eterna	Q3 2018	1,724.04	1.54	1.32	10.02	0.44	5.37	7.26	3.70	<b>4.40</b>	7.10	3.74	5.28	61.34	Buy
ETI	Q3 2018	95,908.97	2.97	5.23	28.85	0.49	4.71	22.15	15.50	<b>14.00</b>	25.92	11.90	16.80	85.18	Buy
FCMB	Q3 2018	14,365.27	0.48	0.73	8.91	0.24	4.46	3.61	1.06	<b>2.12</b>	3.60	1.80	2.54	69.72	Buy
Seplat Petroleum	Q4 2018	40,380.30	79.63	71.67	872.26	0.68	7.50	785.00	490.00	<b>596.90</b>	829.42	507.37	716.28	38.95	Buy
UBA	Q3 2018	82,264.00	2.30	2.41	14.89	0.51	3.33	13.00	7.05	<b>7.65</b>	11.93	6.50	9.18	55.96	Buy
Unilever	Q3 2018	14,029.00	1.30	2.44	23.06	1.68	82.71	64.60	36.00	<b>38.70</b>	100.99	32.90	46.44	160.95	Buy
Zenith Bank	Q4 2018	193,424.00	6.16	6.16	25.98	0.96	4.05	33.51	19.60	<b>24.95</b>	30.56	21.21	29.94	22.47	Buy

#### Disclaimer

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