

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: World Bank's Projection of Slower Diaspora Remittance to Nigeria, Negative for Exchange Rate...

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BOND MARKET: FGN Bond Yields Appreciate for all Maturities Tracked amid Demand Pressure...

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POLITICS: FG, ASUU Strike Lingers amid Disagreement on Three Key Issues...

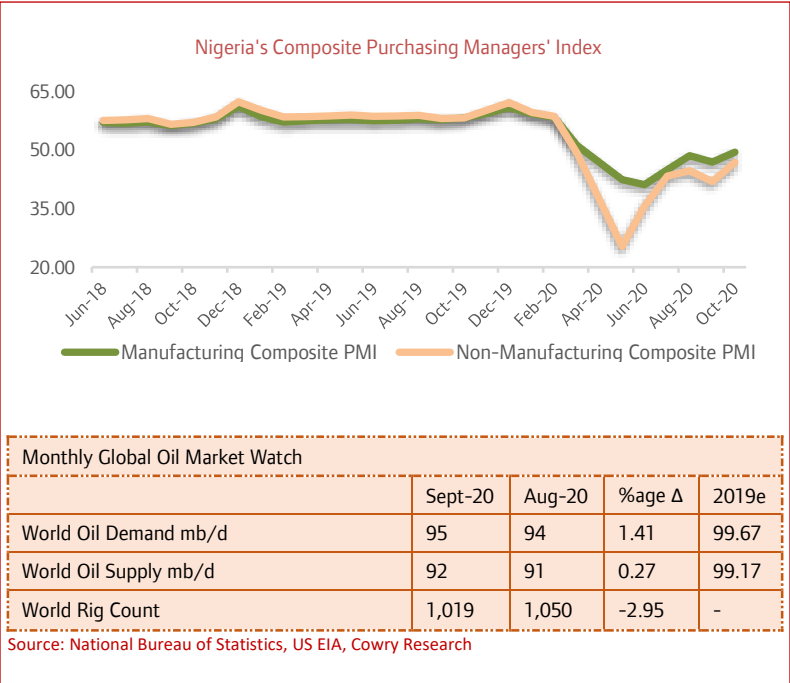
We feel that Nigeria's educational sector which is suppose to drive economic growth and development in the country is being burdened and overwhelmed by the inability of the two key-stakeholders to settle their rift. The strike, aside from truncating the academic calendar, also speaks to the years of neglect by past and current administrations – the budgetary allocation for education in 2020 was N671.07 billion constituting 6.7% for a sector which is meant to be invaluable for solving Nigeria's social-economic problems...

ECONOMY: World Bank’s Projection of Slower Diaspora Remittance to Nigeria, Negative for Exchange Rate...

In the just concluded week, the World Bank stated that it expects inflow of diaspora remittance to Nigeria to drop by USD2 billion to USD21.7 billion in 2020, from the USD23.8 billion it printed in 2019. According to the World Bank report, the decline in remittances from Nigerians living abroad was amid COVID-19 pandemic and the attendants economic crisis which negatively affected most foreign countries. Specifically, weak economic growth and employment levels in migrant-hosting countries as well as weak oil prices remained the major contributing factors. In the Washington-based institution report, titled “Migration and

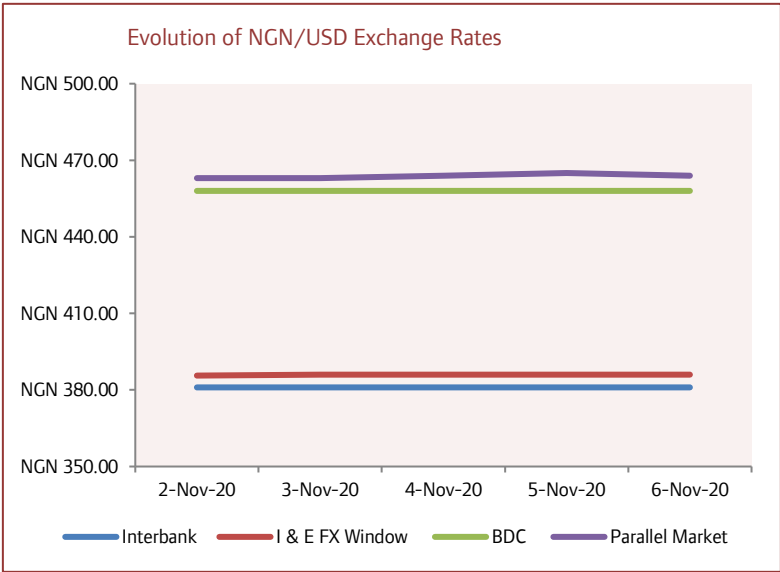
Development Brief 33”, the steepest drop in diaspora remittances is expected in Europe (by 16%) and Central Asia (8%), followed by East Asia, the Pacific and the Middle East amongst others. Despite the anticipated decline in remittances, World Bank noted that it will still serve as an important source of external financing for Low and Middle-Income Countries (LMICs) given the quantum of inflow in 2019. Remittance flows to LMICs was USD548 billion in 2019, higher than foreign direct investment inflows (FDI) worth USD534 billion. Nigeria was the seventh largest recipients amongst LMICs in 2019. In another development, data from the Central Bank of Nigeria (CBN) depository corporations survey showed a 0.01% month-on-month (m-o-m) marginal fall in Broad Money Supply (M3 money) to N37.18 trillion in September 2020. This resulted from a 0.88% decrease in Net Domestic Asset (NDA) to N28.27 trillion; however Net Foreign Assets (NFA) increased m-o-m by 2.87% to N8.91 trillion. The decrease in NDA was driven by a 11.09% m-o-m rise in other assets net to N3.87 trillion, although we saw a 1.81% m-o-m rise in Net Domestic Credit (NDC) to N39.39 trillion in September 2020. Further breakdown of the NDC showed a 13.15% m-o-m increase in Credit to the Government to N9.68 trillion; however, Credit to the Private sector declined by 1.41% to N29.71 trillion. On the liabilities side, the marginal 0.01% m-o-m moderation in M3 Money was chiefly driven by a 23.84% fall in treasury bills held by money holding sector to N2.26 trillion, but was partly offset by the 2.06% m-o-m increase in M2 Money to N34.93 trillion. The increase in M2 was propelled by a 3.02% rise in Narrow Money (M1) to N13.53 trillion (of which Demand Deposits increased by 3.15% to N11.52 trillion, and currency outside banks rose by 2.30% to N2.02 trillion), as well as a 1.46% increase in Quasi Money (near maturing short term financial instruments) to N21.39 trillion. Reserve Money (Base Money) fell marginally m-o-m by 0.84% to N13.58 trillion as Bank reserves decreased m-o-m by 4.32% to N10.83 trillion, however currency in circulation increased by 2.38% to N2.43 trillion. Elsewhere, crude oil prices at the international oil market increased, especially the West Texas Intermediate (WTI), given a 1.22% w-o-w rise in US crude oil input to refineries to 13.55 mb/d as at October 30, 2020 (albeit, It declined y-o-y by 14.02% from 15.76 mb/d as at November 1, 2019). Also, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 1.62% w-o-w to 484.43 million barrels as at October 30, 2020 (inventories have risen by 8.43% y-o-y from 446.78 million barrels as at November 1, 2019). Hence, WTI crude price rose w-o-w by 5.77% to USD38.54 a barrel. Also, Brent price rose by 6.38% to USD40.71 a barrel as at Thursday, November 5, 2020; while, Bonny Light increased by 11.42% to USD37.23 a barrel.

We note that the projected decline in diaspora remittance is negative for the country’s currency pairs against others, particularly Naira/USD. Meanwhile, we expect the low-yield environment to be sustained despite the recent increase in credit to government as excess liquidity continues to dominate the financial system.



FOREX MARKET: Naira Loses against the USD at the Bureau De Change & Parallel (“black”) Markets...

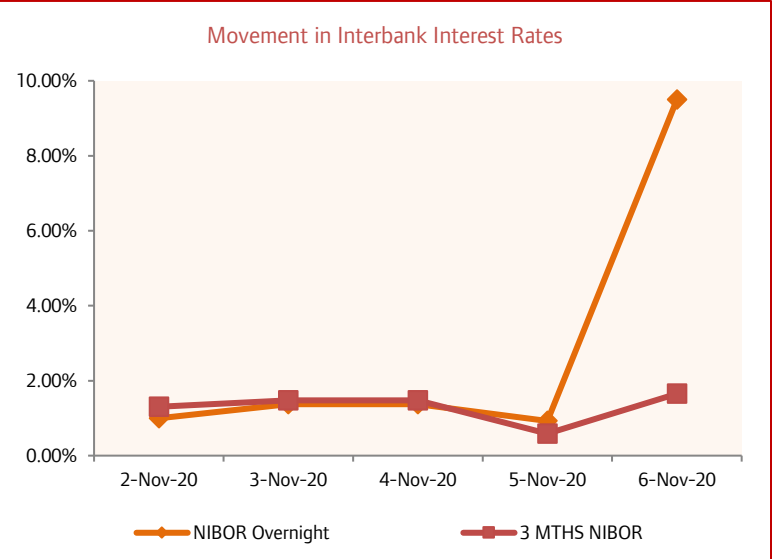
In the just concluded week, Naira depreciated against the USD at the Bureau De Change (BDC) and parallel (“black”) markets by 0.22% and 0.43% respectively to close at N458/USD and N464/USD respectively. However, Naira remained unchanged at the Investors and Exporters Window at N386/USD as crude oil prices of most variants at the international market recovered from last week losses. On the other hand, NGN/USD closed flat at N381/USD at the Interbank Foreign Exchange market amid weekly injections of USD210 million by CBN into the forex market: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate depreciated for most of the foreign exchange forward contracts: 1 month, 2 months, 3 months and 6 months rates rose by 0.03%, 0.08%, 0.18% and 0.02% respectively to close at N386.35/USD, N386.80/USD, N387.37/USD and N388.41/USD respectively. However, the 12 months rates declined by 0.75% to N389.81/USD while the spot rate closed flat at N381.00/USD.



In the new week, we expect Naira/USD to remain stable at the Bureau De Change market amid sustained intervention by CBN. We also expect appreciation at the Investors and Exporters FX Window (I&E FXW) given the relative stability in crude oil prices at the international market.

MONEY MARKET: NIBOR Falls for Most Maturities amid Financial System Liquidity Boost...

In the just concluded week, treasury bills worth N224.45 billion which matured via the Open Market Operation (OMO) resulted in a boost in financial system liquidity – in the absence of sales of money market instruments. Despite the liquidity boost, NIBOR for all maturities rose: NIBOR for overnight, 1 months, 3 months and 6 months increased to 9.50% (from 1.40%), 1.23% (from 0.94%), 1.65% (from 0.95%) and 1.52% (from 1.47%) respectively. Elsewhere, NITTY further moved northward for most maturities tracked, especially yields for 1 month, 3 months and 6 months maturities which increased to 0.26% (from 0.22%), 0.57% (from 0.25%) and 0.52% (from 0.29%) respectively. However, yield on 12 months maturity fell to 0.59% (from 0.62%).

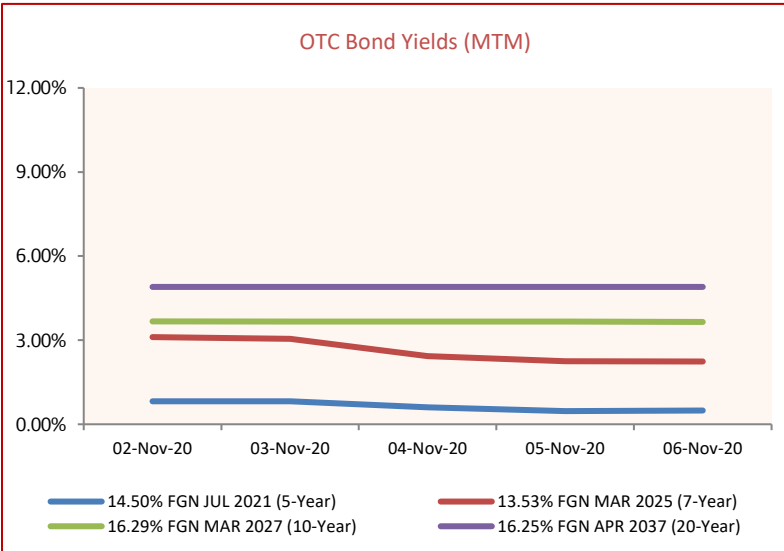


In the new week, T-bills worth N167.81 billion will mature via the primary which will equate T-bills worth N167.81 billion to be auctioned by CBN via the primary market; viz: 91-day bills worth N19.78 billion, 182-day bills worth N40.09 billion and 364-day bills worth N107.93 billion. Hence, we expect the stop rates of the issuances to decline amid demand pressure.

BOND MARKET: FGN Bond Yields Appreciate for all Maturities Tracked amid Demand Pressure...

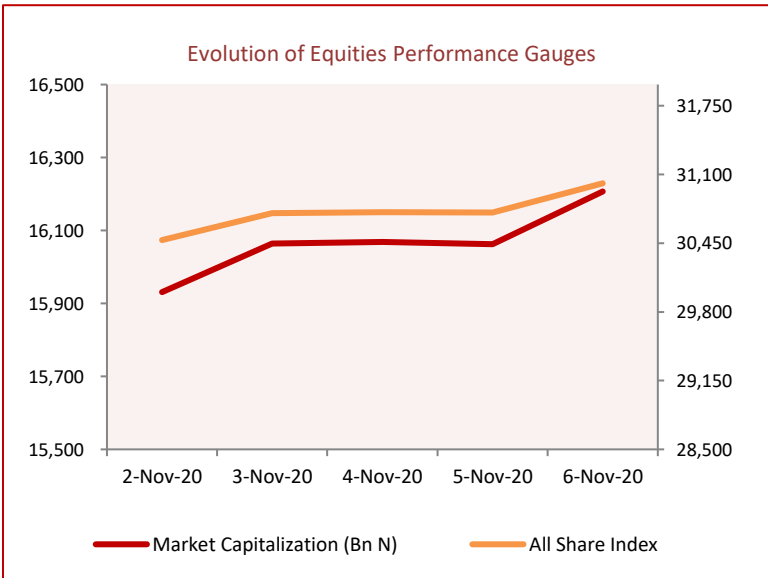
In line with our expectations, the values of FGN bonds traded at the over-the-counter (OTC) segment increased for all maturities tracked. Specifically, the 5-year, 14.50% FGN JUL 2021 bond, the 7-year, 13.53% FGN MAR 2025 note and the 10-year, 16.29% FGN MAR 2027 debt gained N0.04, N4.04 and N0.01 respectively; their corresponding yields fell to 0.89% (from 3.26%), 2.24% (from 3.06%) and 3.65% (from 3.68%) respectively. However, the 20-year, 16.25% FGN APR 2037 paper was flattish at 4.90%. Meanwhile, the value of FGN Eurobonds traded at the international capital market appreciated for all maturities tracked on renewed bullish activity. The 10-year, 6.75% JAN 28, 2021 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.14, USD5.02 and USD5.28 respectively; while their corresponding yields fell to 3.35% (from 4.19%), 8.02% (from 8.59%) and 7.95% (from 8.47%) respectively.

In the new week, we expect local OTC bond prices to appreciate (and yields to moderate), as prices in the secondary market continues to track those at the primary market.



EQUITIES MARKET: NSE ASI Appreciates by 1.59% amid Sustained Bullish Momentum...

In line with our expectation, sentiments in the domestic equities market remain positive amid bargain hunting activities. Specifically, the NSE All share Index gained 1.59% week-on-week to close at 31,016.17 points. Similarly, sectoral performance was positive as three out of the five indices tracked closed in green; the NSE Banking, NSE Consumer Goods and the NSE Industrial gauges advanced by 2.17%, 0.57% and 2.87% to 380.70 points, 549.19 points and 1,366.10 points respectively. On the flip side, the NSE Insurance and the NSE Oil/Gas indices moderated by 1.32% and 0.77% to 143.20 points and 213.67 points respectively. Meanwhile, market activity was mixed as total deals and volume climbed by 6.82%, and 8.24% to 31,016.17 deals and 2.06 billion shares. However, total value of stocks traded moderated by 4.13% to N22.63 billion.



In the new week, we expect the positive performance of the local bourse to be sustained amid positive 9 months results. Nevertheless, investors are advised to trade cautiously as gainers may decide to take profit soon.

POLITICS: FG, ASUU Strike Lingers amid Disagreement on Three Key Issues...

In the just concluded week, the Academic Staff Union of Universities (ASUU), after another meeting with the Federal Government (FG) on Wednesday, November 6 2020, reiterated that it is not ready to call off its over seven months old strike action anytime soon given the refusal of the FG to succumb to its demand. This was as the Union stated that FG's seizure of its members' salaries amid their refusal to migrate to the contentious Integrated Payroll and Personal Information System (IPPIS) – one of the three key issues – was a hunger weapon against it. According to the Union, the IPPIS – which should serve as the new platform to process salaries of academic staff in place of the ASUU's University Transparency and Accountability Solution (UTAS) –, when implemented, would strip the Governing Councils of Universities of their powers and their responsibilities and lay it in the hands of the Accountant General of the Federation (AGF). It mentioned that budgetary control by the Governing Council is critical to the survival of universities as institutions for intellectual freedom and development of Nigeria. Other issues on the front burner are, the refusal of FG to commit itself to the first tranche worth N110 billion out of the agreed N1.3 trillion (for the revitalization of universities) demanded by ASUU and the payment of arrears of Earned Academic Allowance (EAA). According to the Minister of labour and employment, Chris Ngige, FG has offered ASUU N20 billion (based on the MoU the two parties entered into in 2013) as revitalization fund. He mentioned that the fund was lower than what the Union demanded because FG's revenue was negatively impacted by COVID-19 pandemic. Coupled with the N20 billion, the Labour Minister said another N30 billion (as against N40 billion demanded by the Union) was offered to the Union to take care of the EAA, making a total of N50 billion.

We feel that Nigeria's educational sector which is suppose to drive economic growth and development in the country is being burdened and overwhelmed by the inability of the two key-stakeholders to settle their rift. The strike, aside from truncating the academic calendar, also speaks to the years of neglect by past and current administrations – the budgetary allocation for education in 2020 was N671.07 billion constituting 6.7% for a sector which is meant to be invaluable for solving Nigeria's social-economic problems.



Weekly Stock Recommendations as at Friday, November 6, 2020

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
CAP	Q2 2020	1,032.46	2.49	1.47	4.25	5.41	9.24	27.50	15.40	23.00	28.35	19.55	26.45	23.26	Buy
FCMB	Q2 2020	19,401.49	0.88	0.98	10.38	0.29	3.48	3.05	1.41	3.05	4.86	2.59	3.51	59.33	Buy
GLAXOSMITH	Q2 2020	609.08	0.77	0.51	7.65	0.76	7.56	8.60	3.45	5.80	7.00	4.93	6.67	20.69	Buy
May & Baker	Q2 2020	877.77	0.42	0.51	3.43	0.93	7.71	3.39	1.79	3.20	4.31	2.72	3.68	34.69	Buy
UBA	Q2 2020	84,418.90	2.30	2.47	17.49	0.46	3.52	9.25	4.40	8.10	12.24	6.89	9.32	51.15	Buy
Zenith Bank	Q2 2020	186,886.80	6.65	5.95	30.00	0.74	3.33	23.00	10.70	22.15	29.52	18.83	25.47	33.29	Buy
CAP	Q2 2020	1,032.46	2.49	1.47	4.25	5.41	9.24	27.50	15.40	23.00	28.35	19.55	26.45	23.26	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, November 6, 2020

Description	Issue Date	TTM (Years)	Yield (%)	Closing Price
9.248 JAN 21, 2049	21-Nov-18	28.23	8.56	107.24
7.696 FEB 23, 2038	28-Nov-17	17.31	8.02	97.01
7.625 NOV 28, 2047	23-Feb-18	27.08	7.95	96.35
7.875 16-FEB-2032	16-Feb-17	11.28	7.65	101.67
8.747 JAN 21, 2031	21-Nov-18	10.21	7.61	107.94

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