

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: IMF Revises Nigeria's 2021 Economic Growth Rate Upward to 2.5% from 1.5%...

We feel that the upward review of Nigeria's growth rate to 2.5% may appear optimistic given the country's associated structural challenges that are chiefly driving inflation rate higher and subjecting the Naira to further depreciation against the greenback. This is more so that the African oil-rich country still grapples with worsening insecurity which has continued to spread to other relatively peaceful regions. Against this background, we expect interest rate to stay relatively high in 2021, a position that would impact the country's growth rate negatively...

FOREX MARKET: Naira Appreciates Further at the Investors & Exporters FX Window...

In the new week, we expect Naira/USD to stabilise at most FX Windows as crude oil prices remain relatively high at the international market...

MONEY MARKET: NITTY for 12 Months Maturity Moves Higher ahead of Auctions Next Week...

In the new week, T-bills worth N89.56 billion will mature via the primary and secondary markets to more than offset the T-bills worth N69.56 billion which will be auctioned by CBN via the primary market; viz: 92-day bills worth 15.92 billion, 182-day bills worth N4.50 billion and 364-day bills worth N49.14 billion. We expect the stop rates of the new issuances to marginally increase...

BOND MARKET: FGN Bond Yields Rise For Most Maturities Tracked as Traders Sell-off...

In the new week, we expect local OTC bond prices to appreciate (and yields to decrease) amid expected boost in financial system liquidity...

EQUITIES MARKET: Equities Market ASI Moderates by 0.13% amid Sustained Bearish Activity...

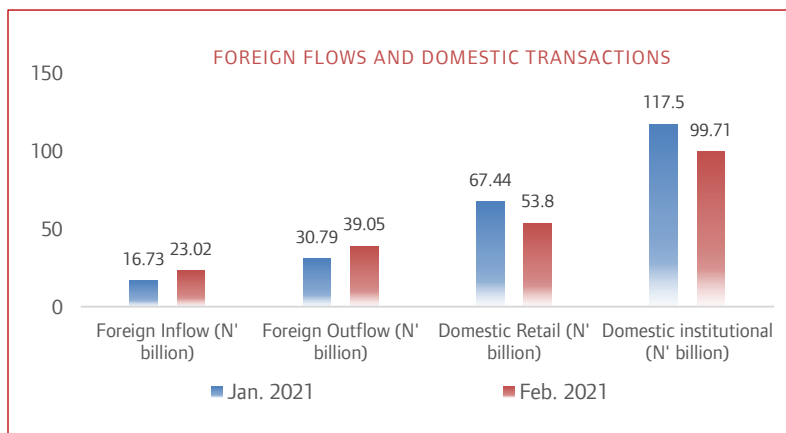
In the new week, we expect the domestic equities market to trade sideways as attractive yields in the fixed income space continue to entice investors. However, given the lower re-entry prices for few stocks in the banking sector, we expect short-term traders to use the opportunity to key in for possible short-term gains...

POLITICS: Buhari Finally Replaces IGP as Insecurity Hits Imo State Police Headquarters, NCoS Facility...

The need for holistic approach to apprehend the wide spread of insecurity in the country cannot be over emphasized as criminality appears to now take new form in different regions. We expect the attention of governments at all levels to also shift towards addressing the rate at which citizens plunge into poverty amid rising unemployment...

ECONOMY: IMF Revises Nigeria’s 2021 Economic Growth Rate Upward to 2.5% from 1.5%...

In the just concluded week, the International Monetary Fund (IMF) in its April 2021 World Economic Outlook (WEO) report titled “Managing Divergent Recoveries”, revised Nigeria’s economic growth rate upward, to 2.5% in 2021 from the 1.5% growth rate projection in its January 2021 WEO report. Also, the global economy is expected to improve in 2021 – global growth rate was pegged at 6% – amid ease in lock down and as economies continue to adapt to new ways of working. Specifically, the new improved global economic growth rate forecast in 2021, which improved by 0.8 percentage points than in the October 2020 projection, was



	Jan-21	Dec-20	%age Δ	2020 Avg
World Oil Demand mb/d	93.9	96.2	-2.84	92.30
World Oil Supply mb/d	94.0	93.8	0.14	94.23
World Rig Count	1,183	1,104	7.16	1,352

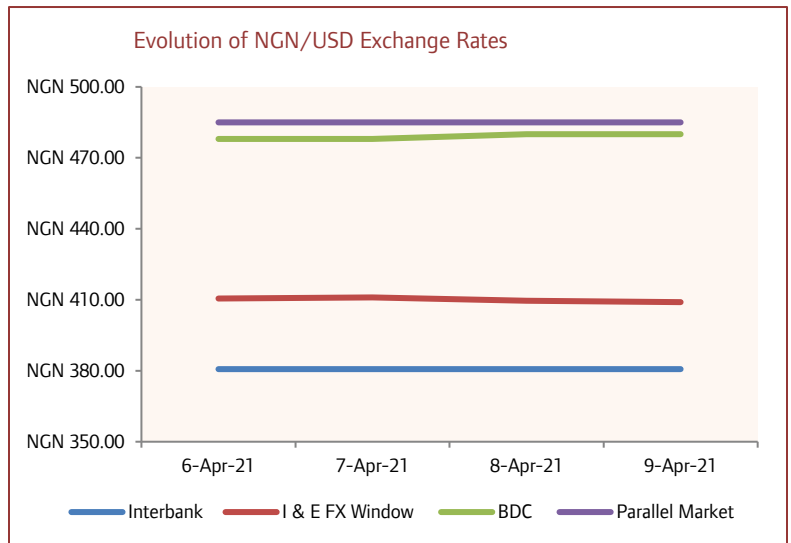
Source: Debts Management Office, US EIA, Cowrv Research

reflective of the fiscal support in few large economies and the anticipated vaccine-powered recovery in the second half of 2020. On the flip side, the IMF expects global growth rate over the medium term to mellow to 3.3% from 4.4% in 2022 amid projected damage to supply potential and other forces that predate the pandemic, including aging-related slower labor force growth in advanced economies and some emerging market economies. According to the report, financial conditions in low-income countries generally did not respond as much as conditions in emerging markets did to monetary policy surprises by the Federal Reserve or ECB, or to news about US economic activity or COVID-19 vaccines. However it pointed Nigeria and some other countries as exceptions. First, positive vaccine news in 2020 lifted 10-year government bond yields, on average, in Nigeria, and the other four low-income countries (Ghana, Kenya, Uganda and Vietnam). Second, positive ECB monetary policy surprises also lifted six-month government bond yields, on average, in the three low-income countries (Nigeria, Rwanda and Zambia). Lastly, the currencies of low-income countries depreciated by about 1.2 percent, on average, vis-à-vis the US dollar for each 100 basis points of surprise tightening by the Federal Reserve, similar to the response of emerging markets. Also, the IMF stated in its report that the increasing intervention funds received by the developing countries to cushion the effects of COVID-19 pandemic would have consequences on their economy as the huge debt service costs arising from the interventions would hinder recipients’ capacity to address social needs. In another development, the Federal Government hinted on its plan to issue Eurobonds in 2021. According to the Director General of the Debt Management Office (DMO), Patience Oniha, the amount to be raised would be within the USD6.14 billion (N2.34 trillion) foreign borrowing plans for 2021. According to approved budget for 2021, FG is looking to fund its N5.60 trillion budget deficit from foreign and local sources. FG may have eventually turned to the commercial centre to issue foreign bonds as the USD1.5 billion loan it seeks from the World Bank suffered setback amid concerns over reforms to exchange rate. Going by Nigeria’s total debt stock as at FY 2020, FG appears to still be within its target of domestic to foreign debt ratio of 70 max : 30 min; albeit, the rate at which the foreign loan is growing – a 20.48% year-on-year rise to USD33.35 billion in 2020 from 27.68 billion in 2019 – is quite alarming, when compared to the corresponding growth in exports proceeds despite the rise in crude oil prices at the international market in 2020.

We feel that the upward review of Nigeria’s growth rate to 2.5% may appear optimistic given the country’s associated structural challenges that are chiefly driving inflation rate higher and subjecting the Naira to further depreciation against the greenback. This is more so that the African oil-rich country still grapples with worsening insecurity which has continued to spread to other relatively peaceful regions. Against this background, we expect interest rate to stay relatively high in 2021, a position that would impact the country’s growth rate negatively.

FOREX MARKET: Naira Appreciates Further at the Investors & Exporters FX Window...

In the just concluded week, Naira strengthened against the USD at the Investors & Exporters (I&E) window by 0.07% to close at N409.00/USD. However, Naira depreciated against the greenback at the Bureau De Change market by 0.42% to close at N480.00/USD. Meanwhile, NGN/USD exchange rate closed flat at N380.69/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

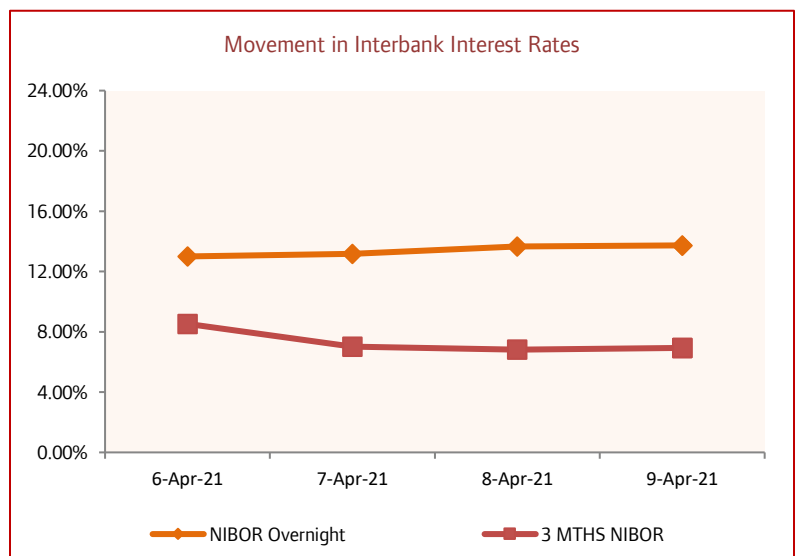


Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Also, Naira was flattish against the USD at the parallel market to close at N485/USD. Elsewhere, the Naira/USD exchange rate appreciated for all the foreign exchange forward contracts: 1 month, 2 months, 3 months, 6 months and 12 months exchange rates fell by 0.23%, 0.63%, 0.88%, 1.57% and 2.60% respectively to close at N411.88/USD, N413.32/USD, N415.27/USD, N420.53/USD and N433.85/USD. However, the spot rate remained flat at N379.00/USD.

In the new week, we expect Naira/USD to stabilise at most FX Windows as crude oil prices remain relatively high at the international market.

MONEY MARKET: NITTY for 12 Months Maturity Moves Higher ahead of Auctions Next Week...

In the just concluded week, CBN issued a total of N20.00 billion at the OMO auction for 96-day (N5 billion at 7%), 173-day (N5 billion at 8.50%) and 341-day (N10 billion at 10.10%) to partly drain system liquidity given the maturing OMO bills worth N34 billion. Nevertheless, NIBOR moved in mixed directions across tenor buckets. While overnight funds and NIBOR for 1 month rose to 13.73% (from 11.67%) and 5.45% (from 5.44%), respectively, NIBOR for 3 months and 6 months tenor buckets fell to 6.93% (from 6.94%) and 8.31%(from 8.51%)

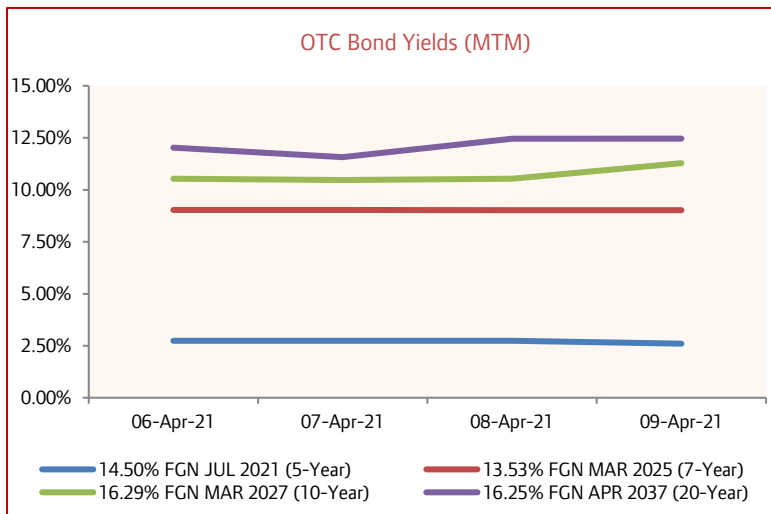


respectively. Elsewhere, NITTY continued to move northwards for most maturities amid traders' sell-offs. NITTY for 3 months, 6 months and 12 months maturities rose to 2.22% (from 2.21%), 3.78% (from 3.69%) and 7.01% (from 6.01%) respectively. However, NITTY for 1 month fell to 1.82% (from 1.93%).

In the new week, T-bills worth N89.56 billion will mature via the primary and secondary markets to more than offset the T-bills worth N69.56 billion which will be auctioned by CBN via the primary market; viz: 92-day bills worth 15.92 billion, 182-day bills worth N4.50 billion and 364-day bills worth N49.14 billion. We expect the stop rates of the new issuances to marginally increase.

BOND MARKET: FGN Bond Yields Rise For Most Maturities Tracked as Traders Sell-off...

In the just concluded week, bearish sentiment continued to dominate the bond market as the values of FGN bond traded at the secondary market depreciated as yields expanded for all maturities tracked. Specifically, the 20-year, 16.25% FGN MAR 2037 lost N8.41; its corresponding yield rose to 12.46% (from 11.50%) as investors continue to sell-off on long dated bonds to mitigate interest rate risk. Similarly, the 5-year, 14.50% FGN JUL 2021, 7-year 13.53% FGN APR 2025 and 10-year

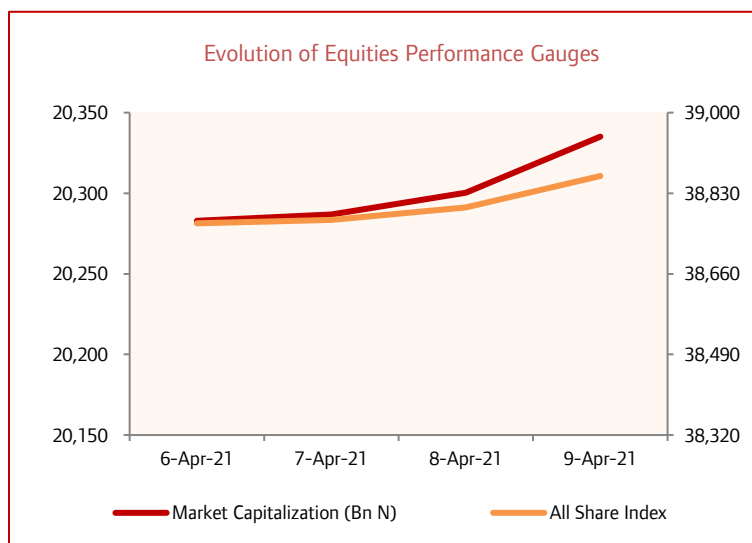


16.29% FGN MAR 2027 lost N0.22, N0.45 and N4.03 respectively; their corresponding yield rose to 2.60% (from 2.56%), 9.02% (from 8.92%) and 11.28% (from 10.48%) respectively. Meanwhile, the value of FGN Eurobonds traded at the international capital market rose for all maturities tracked; the 10-year, 6.375% JUL 12, 2023 paper, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.24, USD2.49 and USD2.48 respectively; their corresponding yields decreased to 3.02% (from 3.15%), 7.63% (from 7.90%) and 7.67% (from 7.89%) respectively.

In the new week, we expect local OTC bond prices to appreciate (and yields to decrease) amid expected boost in financial system liquidity.

EQUITIES MARKET: Equities Market ASI Moderates by 0.13% amid Sustained Bearish Activity...

In the just concluded week, the equities market moderated week-on week by 0.13% to close at 38,866.39 points despite the index rising three out of the four trading sessions. Notably, the bearish undertone was more pronounced on Tier-1 banking stocks such as ZENITHBANK and GUARANTY as short-term traders booked profit. Losses were broad based as four out of the five sub-indices tracked closed in red territory; the NSE Banking Index fell the most by 2.25% to 348.28 points, followed by the NSE



Insurance, NSE Industrial and the NSE Oil/Gas indices by 1.49%, 0.66% and 0.31% to 201.88 points, 1,875.49 points and 265.64 points respectively. On the positive side, the NSE Consumer Goods index rose by 1.12% to 556.03 points. Meanwhile, trading activity was mixed as total volume and value of stocks traded fell by 38.61% and 51.71% to 0.88 billion units and N9.19 billion respectively. However, total deals traded rose by 2.51% to 17,837 deals.

In the new week, we expect the domestic equities market to trade sideways as attractive yields in the fixed income space continue to entice investors. However, given the lower re-entry prices for few stocks in the banking sector, we expect short-term traders to use the opportunity to key in for possible short-term gains.

POLITICS: Buhari Finally Replaces IGP as Insecurity Hits Imo State Police Headquarters, NCoS Facility...

In the just concluded week, the tenure of the former Inspector General of Police (IGP), Muhammed Adamu, abruptly came to an end as President Muhammadu Buhari replaced him with former Deputy Inspector General of Police (DIG), Usman Alkali Baba amid dramatic attacks on the Headquarters of the Nigerian Correctional Service facility (NCoS) in Owerri and the Imo State Police Command Headquarters by unknown gunmen. The attack on the NCoS reportedly led to the jail-break of about 1,800 inmates which invariably could worsen heightened insecurity the country is already experiencing in all its regions. The sudden attacks on the country's facilities may have necessitated the immediate termination of the three months tenure extension in office – expected to expire by the end of April 2021 – which was granted to the former IGP when his tenure in office earlier expired on February 1, 2021. Meanwhile, the former Head of State and Chairman of the National Peace Committee (NPC), Gen. Abdulsalami Abubakar expressed concern over the proliferation of dangerous weapons in the country which was estimated at six million in circulation. He noted that proliferation of weapons has been one of the major reasons for the worsening insecurity in the country. The Chairman of the National Peace Committee believes that few of the solution to the menace include recruitment of more men, getting the military sophisticated weapons and other equipment, as well as adequate funding.

The need for holistic approach to apprehend the wide spread of insecurity in the country cannot be over emphasized as criminality appears to now take new form in different regions. We expect the attention of governments at all levels to also shift towards addressing the rate at which citizens plunge into poverty amid rising unemployment. Hence government would have to prioritize the welfare of both the civilians and the security forces, while they also use the military might against the insurgents and other criminal elements, before any meaningful impact can be felt in the area of insecurity which has dealt heavy blow to the economic growth.

Weekly Stock Recommendations as at Friday, April 9, 2021

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	Q4 2020	1,051.17	2.49	1.50	4.93	4.85	9.60	27.50	15.40	23.90	28.35	20.32	27.49	18.62	Buy
FCMB	Q4 2020	18,537.56	0.88	0.94	10.83	0.27	3.34	3.91	1.41	2.92	4.64	2.48	3.36	59.01	Buy
May & Baker	Q4 2020	908.97	0.42	0.53	3.55	1.18	10.11	4.65	1.79	4.20	4.31	3.57	4.83	2.62	Buy
UBA	Q4 2020	97,700.53	2.30	2.86	18.38	0.38	3.05	9.25	4.40	7.00	14.17	5.95	8.05	102.42	Buy
Zenith Bank	Q4 2020	191,178.00	7.30	7.20	32.94	0.67	3.30	29.52	10.70	21.95	30.20	18.66	25.24	37.60	Buy

FGN Eurobonds Trading Above 6% Yield as at Friday, April 9, 2021

FGN Eurobonds	Issue Date	TTM (years)	9-Apr-21 Price (N)	Weekly Naira Δ	9-Apr-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.88	103.71	1.64	6.6%	(0.25)
8.747 JAN 21, 2031	21-Nov-18	9.79	111.95	1.87	7.0%	(0.26)
7.875 16-FEB-2032	16-Feb-17	10.86	105.30	2.12	7.2%	(0.28)
7.696 FEB 23, 2038	23-Feb-18	16.89	100.63	2.49	7.6%	(0.27)
7.625 NOV 28, 2047	28-Nov-17	26.65	99.51	2.48	7.7%	(0.22)
9.248 JAN 21, 2049	21-Nov-18	27.81	113.02	3.12	8.1%	(0.27)

Disclaimer

This report is produced by the **Research Desk** of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.