

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: NGX Bourse Bullish in August 2021 despite More Foreign Portfolio Investors Withdrawal...

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

In the new week, we expect Naira to stabilise against the USD as CBN has more firepower to defend the local currency given the increase in external reserves which touched USD36.41 billion as at September 28, 2021 ...

MONEY MARKET: Stop Rate for 364-day Bill Rises as Naira Depreciates Further at the I & E Fx Window...

In the new week, we expect activity in the money market to be muted in the absence of maturities, hence the direction of the true yield would be influenced by the auction result in the bond market...

BOND MARKET: FGN Bond Yields Fall for Most Maturities Tracked on Bullish Sentiment...

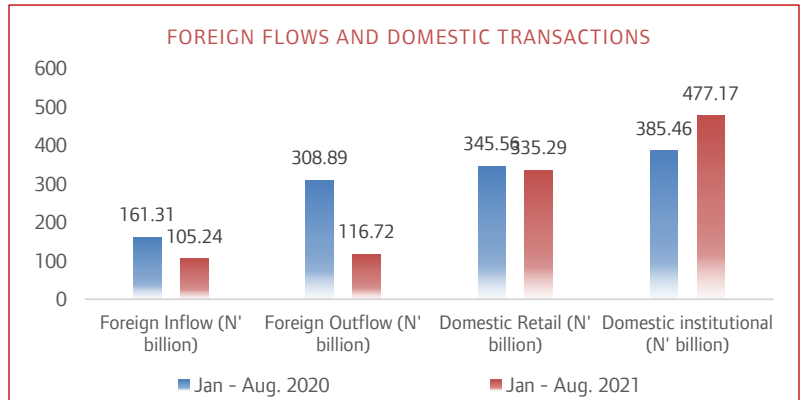
In the new week, we expect local OTC bond prices to moderate (and yields to rise) as traders stay on the sidelines given the recent increase in T-bills rate for 364-day by 30bps...

EQUITIES MARKET: Nigerian Stock Exchange Index Up 3.23% as Investors Make N655.89 billion Profit...

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ECONOMY: NGX Bourse Bullish in August 2021 despite More Foreign Portfolio Investors Withdrawal...

In the just concluded week, a fresh report released by the Nigerian Stock Exchange (NSE) on domestic and foreign portfolio participation in equities trading revealed that total equities market transactions declined marginally in August 2021 compared to the volume of transactions executed in July 2021 as foreign portfolio investors sold more than they bought, hence further moving out of the local equities market. However, the domestic institutional and retail investors gradually moved into the market to pick up the sold shares at cheaper prices. The local investors appeared to be bullish amid releases of corporates' half-year financial



	Jul-21	Jun-21	%age Δ	2020 Avg
World Oil Demand mb/d	98.8	98.5	2.35	92.30
World Oil Supply mb/d	97.4	96.1	1.39	94.23
World Rig Count	1,380	1,325	4.99	1,352

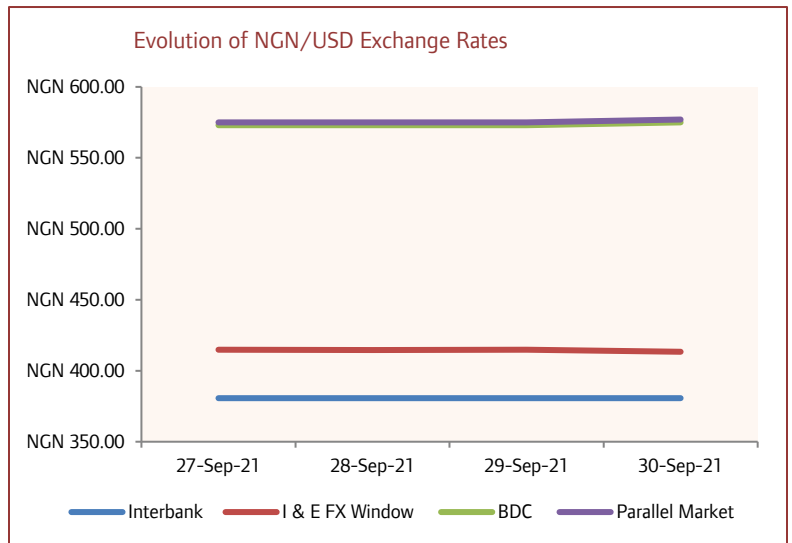
Source: National Bureau of Statistics, US EIA, Cowry Research

results, which have been generally positive, and the prospect for half-year dividend payments in the month of September. Notably, the relative downward trend in interest rates, especially for 364-day treasury bills, also contributed to the increased inflow transactions by local investors on the domestic bourse month-on-month (m-o-m). The stop rate for 364-day T-bill fell to 6.80% in August from 8.20% at the end of July 2021; as at the last auction on September 29, 2021, stop rate stood at 7.50%. Accordingly, domestic institutional investors transacted the most, followed by retail investors; while foreign portfolio investors' contribution was the least but with a larger increase in outflows. Hence, the ratio of total domestic transactions to total foreign transactions tilted lower to 72:28 in the month under review, from 83:17 in July 2021 – total domestic transactions declined by 13.71% while total foreign portfolio transactions increased by 63.30% - amid higher increase in outflows. Specifically, total transactions on the NGX moderated to N89.42 billion in August 2021 (from N89.77 billion printed in July 2021); of which total domestic transactions decreased month-on-month (m-o-m) to N64.06 billion (from N74.24 billion). The FPI transactions rose to N25.36 billion in August (from N15.53 billion printed in July). A further breakdown of the FPI transactions in August 2021 showed that foreign portfolio inflows jumped to N10.72 billion (from 7.50 billion); however, foreign portfolio outflows jumped to N14.64 billion in August from N8.03 billion in July. On the part of local investors, we saw increased stake in the equities market – their inflow transactions were N33.82 billion, higher than the N30.24 billion worth of outflows. Further breakdown showed that retail inflow transactions were N16.66 billion, higher than N15.23 billion outflows. The domestic institutional investors' inflow transactions were N17.16 billion, higher than the N15.01 billion worth of outflows from them. Given the bullish approach of the local investors, the NSE All Share Index (ASI) rose by 1.74% to 39,219.61 index points for the month of August 2021. In another development, the Central Bank of Nigeria (CBN) appears to be ready to go live with the e-Naira (local digital currency) tomorrow October 1, 2021 as scheduled even as the website, <https://enaira.com/>, for the digital currency went live in the course of the week. Some of the benefits that are expected to accrue from the introduction of the local digital currency tomorrow include: provision of secure, cheaper and increased speed of diaspora remittance option; and provision of financial inclusion by making financial services available to people or communities who do not have banking opportunities amongst others.

Cowry Research expects equities market to be bullish in the last quarter of the year amid improved corporates' half-year financial results churned out by most companies on the exchange. Specifically, we are positive on some of the tier-1 banking stocks, such as ZENITHBANK and UBA as they are likely to sustain or increase their dividend payout. Meanwhile, amid other benefits surrounding the digital currency, its operability would depend on its reach and availability of internet services, among other things.

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

In line with our expectations, Naira appreciated against the greenback by 0.37% to N413.38/USD at the Investors and Exporters FX window amid receipt of USD4 billion inflow from eurobonds. However, the Naira/USD exchange rate further rose (Naira depreciated) at the Bureau De Change and Parallel markets by 0.88% and 0.887% to close at N575.00/USD and N577.00/USD respectively. Meanwhile, NGN/USD rate closed flat at N380.69/USD at the Interbank Foreign Exchange market amid

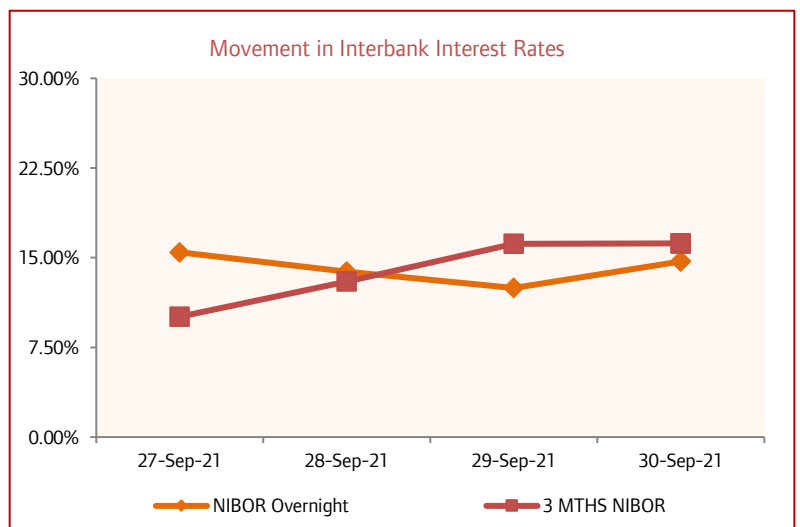


weekly injections of USD210 million by CBN into the forex market: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate moderated (Naira appreciated) for most of the foreign exchange forward contracts: 1 month, 2 months, 3 months, 6 months and 12 months contracts fell by 0.15%, 0.35%, 0.47%, 0.79% and 1.52% to close at N415.45/USD, N417.67/USD, N420.22/USD, N428.06/USD and N443.78/USD respectively. However, spot rate was flat at N380.69/USD.

In the new week, we expect Naira to stabilise against the USD as CBN has more firepower to defend the local currency given the increase in external reserves which touched USD36.41 billion as at September 28, 2021.

MONEY MARKET: Stop Rate for 364-day Bill Rises as Naira Depreciates Further at the I & E Fx Window...

In the just concluded week, CBN sold T-bills worth N115.42 billion to mop up the matured N111.87 billion bills. The issuance of 364-day bill at a higher stop rate was amid further depreciation of the Naira against the USD despite the USD4 billion inflow from eurobonds. Specifically, stop rates for 91-Day, 182-Day bills were unchanged at 2.5% and 3.5% respectively. However, stop rate for 364-day bill rose by 30bps to 7.50% from (7.20%). Notably, the hike in rate by CBN was against

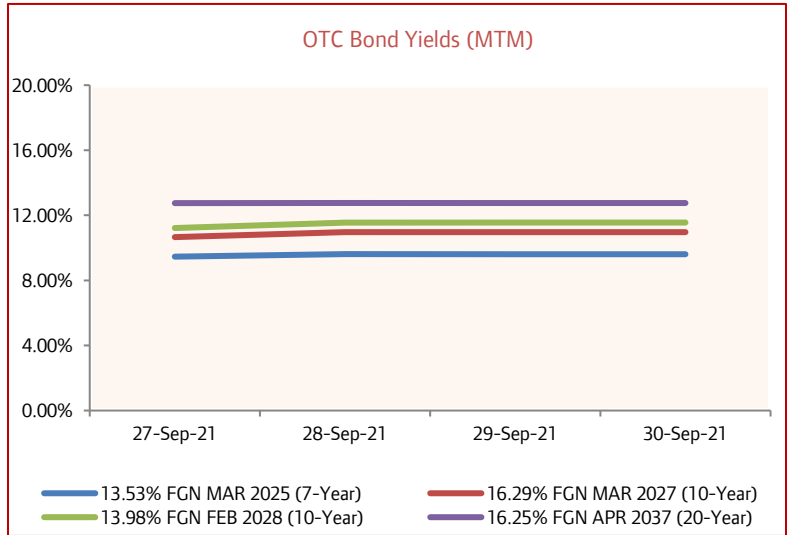


market expectations, hence the reason for the lower yield across all maturities tracked. NITTY for 1 month, 3 months, 6 months and 12 months moderated to 3.26% (from 3.47%), 3.90% (from 4.15%), 4.86% (from 5.08%) and 7.46% (from 8.01%) respectively. Elsewhere, given the strain in the financial system liquidity and in spite of the matured OMO bills worth N101.61 billion, we saw banks borrow as much N416.15 billion from CBN as lending facility outweighed standing deposit facility worth N39.25 billion. Also, the N152.35 billion worth of Repo transactions further emphasis cash pressure for some banks. Hence, NIBOR rose for most tenor buckets: 1 month, 3 months and 6 months jumped to 15.03% (from 9.47%), 16.20% (from 10.17%), and 16.83% (from 10.83%) respectively. Overnight rate however fell to 14.70% (from 19.65%).

In the new week, we expect activity in the money market to be muted in the absence of maturities, hence the direction of the true yield would be influenced by the auction result in the bond market.

BOND MARKET: FGN Bond Yields Fall for Most Maturities Tracked on Bullish Sentiment...

In the just concluded week, activity in the secondary market was relatively bullish at the shorter end of the curve than at the longer end. Hence, the 5-year, 13.53% FGN APR 2025 paper, 10-year 16.29% FGN MAR 2027 bond and 10-year 13.98% FGN MAR 2028 debt gained N0.50, N0.18 and N0.20 respectively; their corresponding yields moderated to 9.61% (from 9.79%), 10.96% (from 11.02%) and 11.55% (from 11.60%) respectively in line with our expectations. However, the 20-year

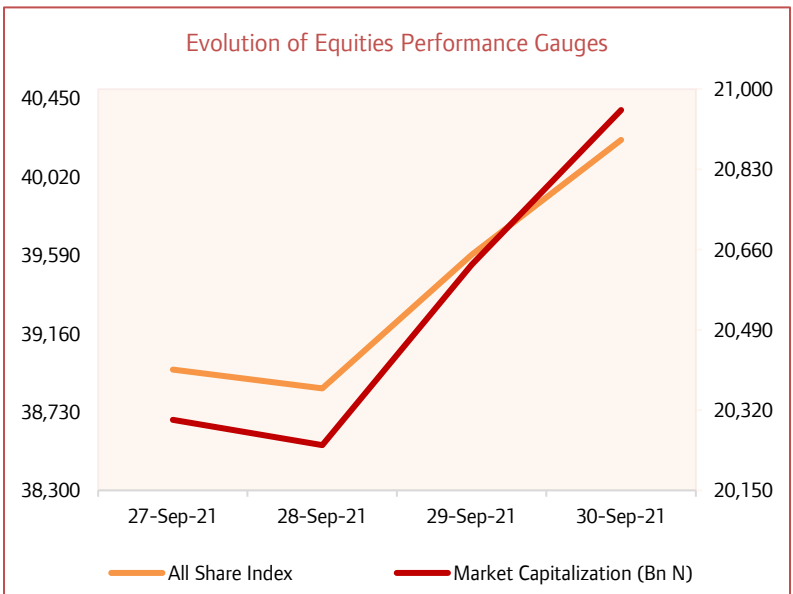


16.25% FGN MAR 2037 paper lost by N0.86, its corresponding yield rose to 12.76% (from 12.65%). Meanwhile, the value of FGN Eurobonds traded at the international capital market further fell for most maturities tracked; the 10-year, 6.375% JUL 12, 2023 was flat at 2.86%, 20-year, 7.69% FEB 23, 2038 paper and 30-year, 7.62% NOV 28, 2047 debt lost USD0.25, USD0.58 and USD0.31 respectively; their corresponding yields rose to 3.19% (from 3.08%), 7.82% (from 7.76%) and 7.95% (from 7.79%) respectively.

In the new week, we expect local OTC bond prices to moderate (and yields to rise) as traders stay on the sidelines given the recent increase in T-bills rate for 364-day by 30bps.

EQUITIES MARKET: Nigerian Stock Exchange Index Up 3.23% as Investors Make N655.89 billion Profit...

In the just concluded week, the domestic equities market index sustained its bullish sentiment as investors went home with over N655.89 billion in just one week. Specifically, investors in UPL, DANGCEM, PRESCO and COURTVILLE shares went home smiling at the end of the week given the appreciable increases in their respective share prices. Hence, given the bullish sentiment in the equities space, the NSE ASI rose w-o-w by 3.23% to settle at 40,221.17 points. Consequently, the YTD loss of the domestic



bourse melted to 0.12%. Sectoral performance was also positive as four of the five indices tracked closed northwards. The NSE Banking, NSE Consumer Goods, NSE Oil/Gas and the NSE Industrial indexes rose by 0.60%, 3.35%, 0.92% and 6.65% respectively to close at 370.85points, 567.17points, 367.27points and 2,089.38points respectively. On the flip side, the NSE Insurance index fell by 7.58% to 173.04points. Meanwhile, market activity came in stronger as high net worth investors sustained their investment in the equities market given the volume of trades in DANGCEM, NESTLE and FBNH. Hence the volume and value of stocks traded ballooned by 69.46% and 16.25% respectively to 2.19 billion units and N16.18 billion respectively. However, deals fell to 14,373 deals.

In the new week, we expect the equities market index to close in positive territory as investors take position ahead of companies' nine months financial results releases.

Top Ten Gainers				Bottom Ten Losers			
Symbol	30-Sep-21	24-Sep-21	%Change	Symbol	30-Sep-21	24-Sep-21	% Change
UPL	1.23	1.02	21%	JBERGER	24.30	27.00	-10%
DANGCEM	280.00	245.00	14%	CHAMS	0.21	0.23	-9%
PRESCO	80.25	73.00	10%	JAPAUFGOLD	0.44	0.48	-8%
SKYAVN	4.45	4.05	10%	TRIPPLEG	0.90	0.96	-6%
TRANSCOHOT [BLS]	5.43	4.95	10%	NEM	1.91	2.00	-5%
COURTVILLE	0.35	0.32	9%	SOVRENINS	0.24	0.25	-4%
MAYBAKER	4.88	4.47	9%	WAPIC	0.48	0.50	-4%
FBNH	8.05	7.50	7%	AFRIPRUD	6.15	6.40	-4%
NNFM	8.55	8.00	7%	UNITYBNK	0.53	0.55	-4%
CUTIX	4.95	4.65	6%	BUACEMENT	66.00	68.00	-3%

Weekly Stock Recommendations as at Thursday, September 30, 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	Q2 2021	865.49	1.75	1.24	3.98	4.93	11.22	27.50	15.40	19.60	28.35	16.66	22.54	44.64	Buy
Fidelity Bank	Q1 2021	38,360.00	0.92	1.32	9.44	0.26	2.68	3.99	1.40	2.47	6.57	2.10	2.84	165.97	Buy
May & Baker	Q2 2021	1,110.54	0.56	0.64	3.93	1.24	8.73	5.18	1.79	4.88	6.09	4.15	5.61	24.80	Buy
NEM	Q2 2021	3,627.68	0.51	0.36	1.94	0.99	3.77	2.69	0.98	1.91	2.39	1.62	2.20	25.13	Buy
UBA	Q2 2021	115,103.90	3.33	3.37	20.32	0.37	2.27	9.25	4.40	7.55	9.50	6.42	8.68	25.83	Buy
Zenith Bank	Q2 2021	191,014.20	7.34	6.08	35.56	0.66	3.19	29.52	10.70	23.45	30.18	19.93	26.97	28.68	Buy

FGN Eurobonds Trading Above 6% Yield as at Thursday, September 30, 2021

FGN Eurobonds	Issue Date	TTM (years)	30-September-21 Price (N)	Weekly Naira Δ	30-September-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.41	101.96	(0.97)	6.8%	0.15
8.747 JAN 21, 2031	21-Nov-18	9.32	109.65	(0.46)	7.3%	0.06
7.875 16-FEB-2032	16-Feb-17	10.39	104.03	(0.37)	7.3%	0.05
7.696 FEB 23, 2038	23-Feb-18	16.41	98.85	(0.58)	7.8%	0.06
7.625 NOV 28, 2047	28-Nov-17	26.18	96.47	(0.31)	7.9%	0.03
9.248 JAN 21, 2049	21-Nov-18	27.33	108.69	(0.71)	8.4%	0.06

Disclaimer

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