

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: OPEC+ Production Outputs Increase in December to Boost Nigeria's Foreign Earnings...

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FOREX MARKET: Naira Appreciates Against USD at Most FX Windows...

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MONEY MARKET: NITTY Moderates for Most Maturities Tracked on Higher Demand...

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BOND MARKET: FGN Bond Yields Move in Mixed Directions across Maturities Tracked...

We note that traders sentiment would be shaped by the T-bills auction result in the course of the new week. Cowry Research anticipates the 364-day T-bills rate to moderate, hence we expect local OTC bond prices to increase (and yields to decrease) in the coming week...

EQUITIES MARKET: Investors Take Profit Following Two Weeks of Consecutive Gains...

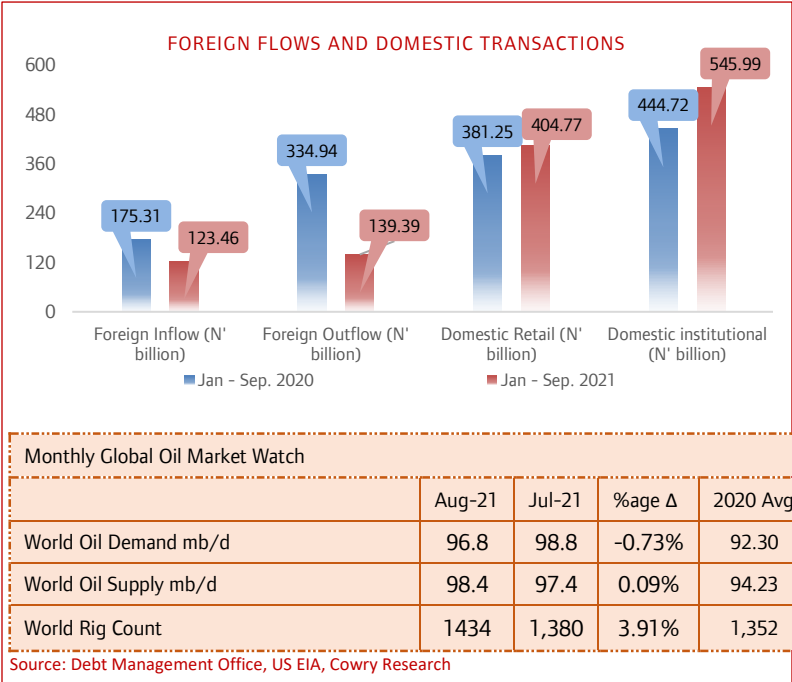
In the new week, Cowry Research expects the local bourse index to close northwards as investors respond positively to the proposed sale of 575 million units of MTN shares to institutional and retail investors. Also, we feel investors will also position in those companies that have printed higher profitability and are likely to pay good dividends in FY 2021 ...

ECONOMY: OPEC+ Production Outputs Increase in December to Boost Nigeria’s Foreign Earnings...

The Organisation of Petroleum Exporting Countries and its allies (OPEC+) on Thursday, November 4, 2021 adjusted upward the monthly production quota of members by 0.4 percent, with Nigeria’s quota rising to 1.67 million barrels per day (mbpd) for December 2021 (from 1.65 mbpd which it was previously pegged at). Nevertheless, while the Middle Eastern members of the cartel like Saudi Arabia, Iraq and the United Arab Emirates were increasing supplies in line with their schedule, their counterparts in Africa are struggling to achieve theirs. Hence, the decision by OPEC+ to slightly increase members output to bridge the

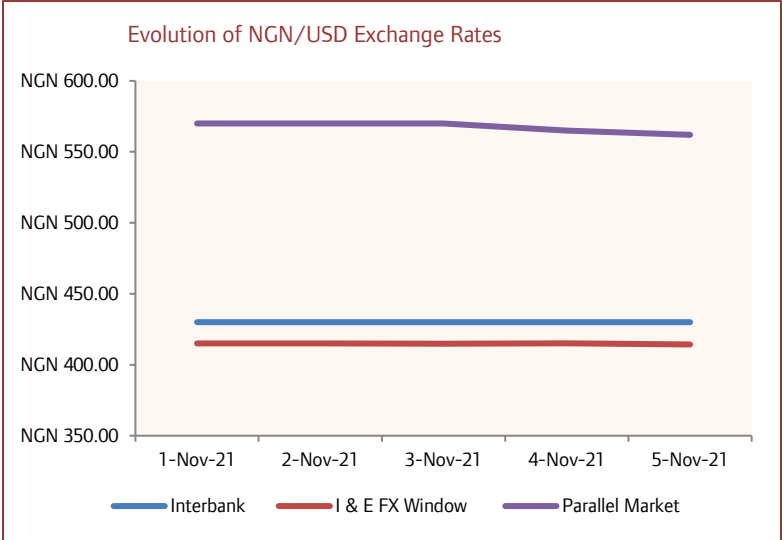
gap. Some African countries, especially Nigeria and Angola have under-performed in the last two months. Nigeria and Angola production outputs decreased by 60,000 bpd and 70,000 bpd to 1.44 mbpd and 1.11 mbpd respectively in the month of October 2021. For Angola, the country was reportedly plagued by investment constraints resulting in declining supply from deep water oil fields. In Nigeria, Royal Dutch Shell Plc invoked a clause suspending exports from its Bonny Oil Terminal after a pipeline halt. Meanwhile, the Bank of America predicted that Brent crude would hit USD120 a barrel by the end of June 2022 given the continued production output control by OPEC+ which is expected to balance crude oil supply amid demand recovery from the COVID-19 pandemic. The prediction of the Bank of America may be countered if OPEC+ succumbs to the pressure from US government to increase supply and reduce price – as the high crude oil prices continue to put pressure on energy costs. In another development, the Central Bank of Nigeria (CBN) released its depository corporations survey which showed a 1.26% month-on-month (m-o-m) moderation in Broad Money Supply (M3 money) to N40.41 trillion in September 2021. The marginal decline was due to a 29.14% rise in Net Foreign Assets (NFA) to N5.84 trillion although, we saw an increase of 5.77% in Net Domestic Assets (NDA) to N34.57 trillion which was insufficient to offset the sharp decline in NFA. On domestic asset creation, we saw Other Assets Net decrease sharply m-o-m by 23.96% to N3.89 trillion; however, Net Domestic Credit (NDC) rose m-o-m by 1.73% to N46.87 trillion in September 2021. Further breakdown of the NDC showed a 2.94% m-o-m rise in Credit to the Government to N13.03 trillion, as government borrowed more to finance budget deficit, and a 1.27% rise in Credit to the Private sector to N33.84 trillion in the review period – the increase in credit to private sector would partly boost economic growth as more people have access to loans at reasonable interest rates. On the liabilities side, the 1.26% m-o-m decrease in M3 Money was further deepened by the 99.86% rise in treasury bills to N193.71 billion, which was driven down by a 0.94% m-o-m decline in M2 Money to N40.41 trillion. The moderation in M2 was chiefly driven by a 2.92% drop in Narrow Money (M1) to N15.95 trillion (of which Demand Deposits plummeted by 3.81% to N13.58 trillion, however currency outside banks increased by 2.53% to N2.37 trillion) while Quasi Money (near maturing short term financial instruments) rose by 0.40% to N24.47 trillion. Reserve Money (Base Money) rose m-o-m by 0.30% to N12.91 trillion as currency in circulation rose by 2.10% to N2.84 trillion despite the Bank reserves which decreased m-o-m by 0.19% to N10.07 trillion.

Cowry Research notes that FG has to address issues around production output losses in order to meet up with its output quota, and benefit from the high crude oil prices which is very crucial for Nigeria’s exchange rate stability as foreign earnings increase. Meanwhile, given the further rise in credit to private sector and government, we expect some level of improved economic activities that would be beneficial to Nigerians.



FOREX MARKET: Naira Appreciates Against USD at Most FX Windows...

In line with our expectations, Naira appreciated against the greenback by 0.19% to close at N414.30/USD at the Investors and Exporters FX window as external reserves climbed further to USD41.73 billion as at Thursday, November 4, 2021. Also, the Naira/USD exchange rate fell (Naira appreciated) at the Parallel market to close at N562.00/USD. However, NGN/USD closed flat at N430.00/USD at the Interbank Foreign Exchange market despite its weekly injections of USD210 million: USD100 million

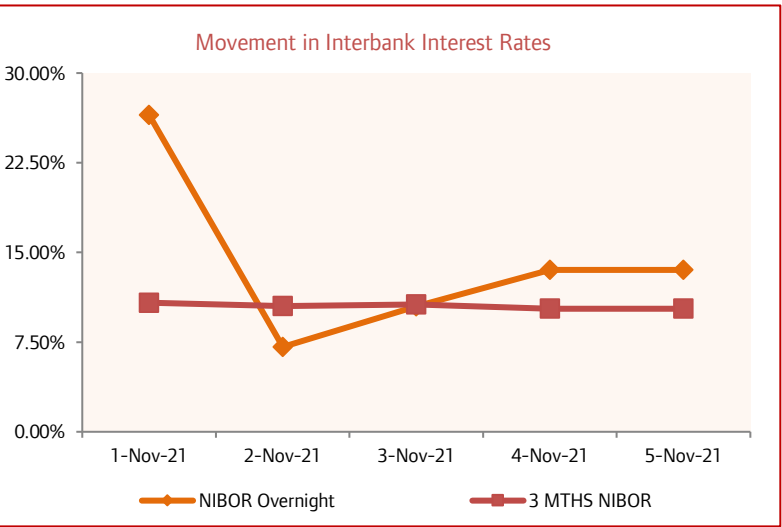


was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate moderated (Naira appreciated) for most of the foreign exchange forward contracts following the recent devaluation of the local currency at the SMIS window: 1 month, 2 months, 3 months, 6 months contracts fell by 0.14%, 0.25%, 0.53% and 0.47% to close at N416.07/USD, N419.14/USD, N422.22/USD and N431.48/USD respectively. However, 12 months contract rose (Naira depreciated) by 0.94% to close at N450.72/USD.

In the new week, we expect Naira to remain stable against the USD as OPEC+ remain committed to moderating global production output for crude oil. More so, the increase in Nigeria’s production quota would further boost the country’s foreign earnings.

MONEY MARKET: NITTY Moderates for Most Maturities Tracked on Higher Demand...

In the just concluded week, activities in the money market was largely quiet as CBN only sold N25 billion worth of OMO bills to mop up liquidity. Despite the zero maturities which led to a net outflow worth N25 billion from OMO space, NIBOR fell for all tenor buckets tracked mainly due to FAAC inflows worth N740 billion. Notably, overnight, 1 month, 3 months and 6 months NIBOR moderated to 13.53% (from 26.50%), 9.48% (from 9.65%), 10.29% (from 10.79%) and 11.09% (from 11.40%) respectively.

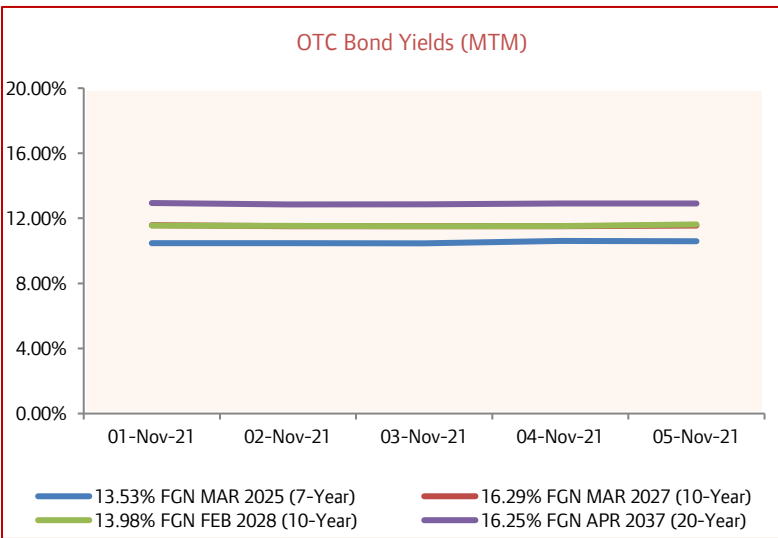


Meanwhile, NITTY fell for most maturities tracked amid renewed demand - NITTY for 1 month, 3 months and 12 months fell to 3.21% (from 3.16%), 3.81% (from 3.92%) and 7.44% (from 7.60%) respectively. However, NITTY for 6 months rose marginally to 5.07% (from 5.05%).

In the new week, T-bills worth N155.12 billion will mature via the primary and secondary markets to marginally exceed T-bills worth N150.82 billion which will be auctioned by CBN via the primary market; viz: 91-day bills worth N4.80 billion, 182-day bills worth N7.98 billion and 364-day bills worth N138.03 billion. Cowry Research expects the stop rates of the 364-day to moderate amid expected boost in financial system liquidity.

BOND MARKET: FGN Bond Yields Move in Mixed Directions across Maturities Tracked...

In the just concluded week, the value of FGN bonds moved in mixed directions in the secondary market as investors cherry picked maturities with attractive yields. Particularly, the 10-year 16.29% FGN MAR 2027 bond and the 20-year 16.25% FGN MAR 2037 paper gained N0.05 and N0.26 respectively; their corresponding yields moderated to 11.56% (from 11.58%) and 12.91% (from 12.94%) respectively. On the flip side, the 5-year, 13.53% FGN APR 2025 paper and the 10-year

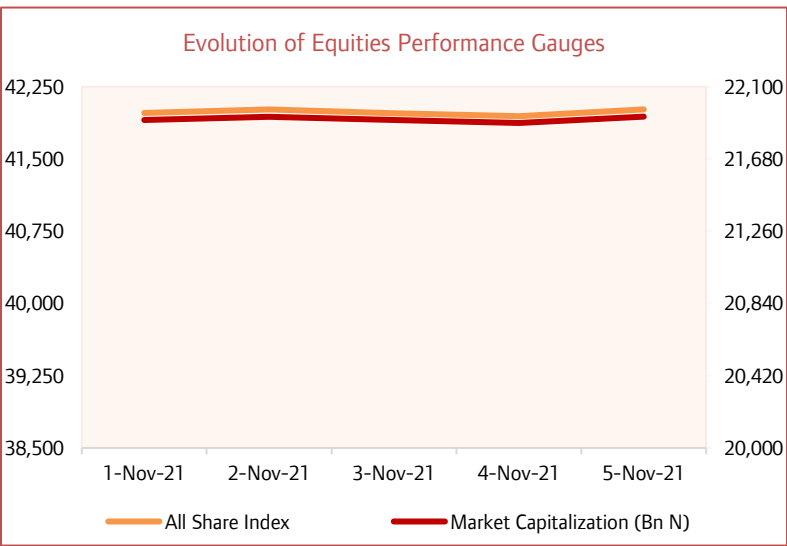


13.98% FGN MAR 2028 debt lost N0.38 and N0.31 respectively; their corresponding yields rose to 10.59% (from 10.48%) and 11.62% (from 11.56%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for most maturities tracked; the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.23 and USD0.28 respectively; their corresponding yields fell to 8.08% (from 8.11%) and 8.21% (from 8.24%) respectively. However, the 10-year, 6.375% JUL 12, 2023 bond lost USD0.27, its corresponding yield rose to 4.06% (from 3.93%).

We note that traders sentiment would be shaped by the T-bills auction result in the course of the new week. Cowry Research anticipates the 364-day T-bills rate to moderate, hence we expect local OTC bond prices to increase (and yields to decrease) in the coming week.

EQUITIES MARKET: Investors Take Profit Following Two Weeks of Consecutive Gains...

In the just concluded week, the domestic equities market returned to red zone as investors took profit. Hence, the NSE ASI mellowed w-o-w by 0.06% to close at 42,014.50 points. Notably, sell-off was most seen on ETERNAL, UNILEVER, COURTVILLE, NGXGROUP and CUTIX shares as their respective prices plummeted by 15%, 14%, 11%, 11% and 10% w-o-w. Similarly, sector-gauges mirrored the bearish sentiment as three (out of five indexes tracked) closed in red



territory. The NSE Banking, NSE Oil/Gas and the NSE Consumer Goods indices nosedived by 1.73%, 1.63% and 0.74% to close at 403.27 points, 384.54 points and 565.30 points respectively. However, the NSE Insurance and the NSE Industrial indexes rose by 0.99% and 0.88% to close at 181.70 points and 2,196.62 points respectively. Meanwhile, market activity was weak as deals, volume and the value of stocks traded decreased by 9.88%, 51.63% and 65.64% to 23,987 deals, 1.43 billion units and N12.37 billion respectively.

In the new week, Cowry Research expects the local bourse index to close northwards as investors respond positively to the proposed sale of 575 million units of MTN shares to institutional and retail investors. Also, we feel investors will also position in those companies that have printed higher profitability and are likely to pay good dividends in FY 2021.

Top Ten Gainers				Bottom Ten Losers			
Symbol	5-Nov-21	29-Oct-21	%Change	Symbol	5-Nov-21	29-Oct-21	% Change
REGALINS	0.44	0.37	19%	ETERNA	7.31	8.65	-15%
MULTIVERSE	0.22	0.20	10%	UNILEVER	13.35	15.60	-14%
WEMABANK	0.88	0.81	9%	COURTVILLE	0.39	0.44	-11%
FIDSON	6.54	6.15	6%	NGXGROUP	17.75	20.00	-11%
UPL	2.30	2.17	6%	CUTIX	5.65	6.30	-10%
INTBREW [BLS]	5.55	5.25	6%	PHARMDEKO	2.34	2.60	-10%
OKOMUOIL	142.00	135.00	5%	UPDC [BLS]	1.62	1.80	-10%
GLAXOSMITH	6.40	6.10	5%	NEIMETH	1.76	1.94	-9%
AIICO	1.30	1.24	5%	FTNCOCOA [RST]	0.40	0.44	-9%
SOVRENINS	0.23	0.22	5%	REDSTAREX	3.12	3.40	-8%



Weekly Stock Recommendations as at Friday, November 5, 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	Q3 2021	818.52	1.55	1.04	4.95	3.94	12.57	27.50	15.40	19.50	25.00	16.58	22.43	28.21	Buy
Fidelity Bank	Q2 2021	19,180.00	0.92	0.66	9.44	0.29	2.93	3.99	1.40	2.70	3.28	2.30	3.11	21.65	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.15	8.05	5.18	1.79	4.50	6.09	3.83	5.18	35.33	Buy
NEM	Q3 2021	2,478.90	0.51	0.25	1.94	1.03	3.95	2.69	0.98	2.00	2.39	1.70	2.30	19.50	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.42	2.54	9.25	4.40	8.45	9.50	7.18	9.72	12.43	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.14	13.32	27.00	8.95	25.50	30.00	21.68	29.33	17.65	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.69	3.35	29.52	10.70	24.60	32.14	20.91	28.29	30.63	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, November 5, 2021

FGN Eurobonds	Issue Date	TTM (years)	05-November-21	Weekly	05-November-21	Weekly
			Price (N)	Naira Δ	Yield	PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.31	100.61	(0.14)	7.0%	0.02
8.747 JAN 21, 2031	21-Nov-18	9.22	107.38	(0.13)	7.6%	0.02
7.875 16-FEB-2032	16-Feb-17	10.29	101.96	0.03	7.6%	(0.00)
7.375 SEP 28, 2033	28-Sep-21	11.90	99.15	0.00	7.5%	0.00
7.696 FEB 23, 2038	23-Feb-18	16.31	96.50	0.23	8.1%	(0.03)
7.625 NOV 28, 2047	28-Nov-17	26.08	93.71	0.28	8.2%	(0.03)
9.248 JAN 21, 2049	21-Nov-18	27.23	106.53	0.43	8.6%	(0.04)
8.25 SEP 28, 2051	28-Sep-21	29.92	98.56	0.00	8.4%	0.00

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