

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Equities Transactions in October Rise on Higher Stake by Local Investors...

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FOREX MARKET: Naira Loses Against USD for Most FX Forward Contracts...

In the new week, we expect Naira weaken slightly against the USD as external reserves threatens to breach its current level of USD41.33 billion...

MONEY MARKET: Rate for 364-day Bill Moderates on Demand Pressure...

In the new week, we expect activity in the money market to be slightly bullish as the market expects liquidity boost from the maturing N54.30 billion worth of OMO bills...

BOND MARKET: FGN Bonds Yields Rise for Most Maturities amid Renewed Sell-Pressure...

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EQUITIES MARKET: NGXGroup Index Rebounds by 0.25% as MTNN Announces 575 Million Shares Offer...

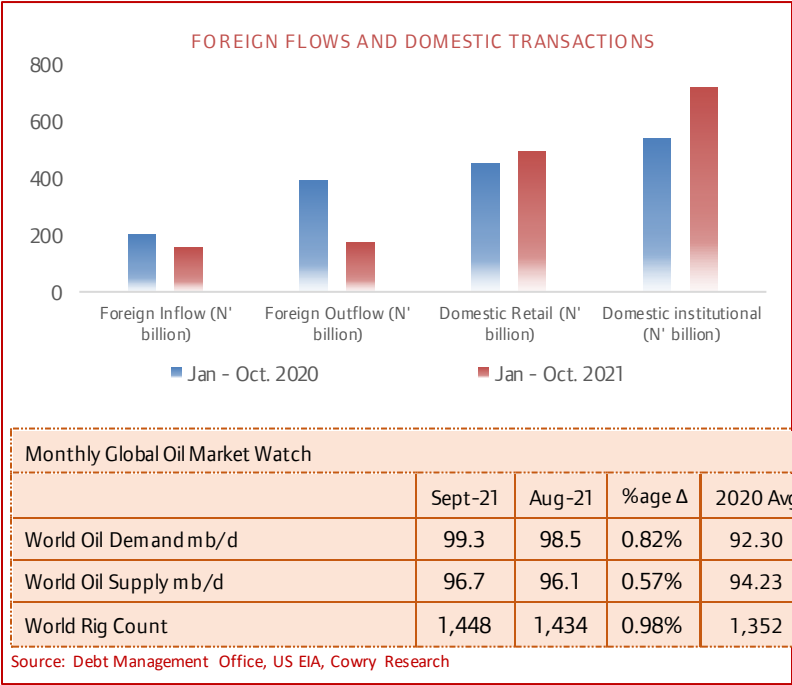
In the new week, Cowry Research expects the local bourse index to trade sideways as investors wait on the sidelines to take advantage of declining stock prices. We expect more sales from retail investors than the institutional investors as yuletide season beckons...

ECONOMY: Equities Transactions in October Rise on Higher Stake by Local Investors...

In the just concluded week, the newly released report by the Nigerian Exchange (NGX) on domestic and foreign portfolio participation in equities trading showed that total equities market transactions rose sharply in October 2021 compared to the value of transactions executed in September 2021. The significant increase in total transaction continued to be driven by domestic institutional investors as they accumulated more shares to take position in some fundamentally sound stocks given the release of corporates’ 9 months financial results which were largely positive. We saw increased participation on the side of the retail investors

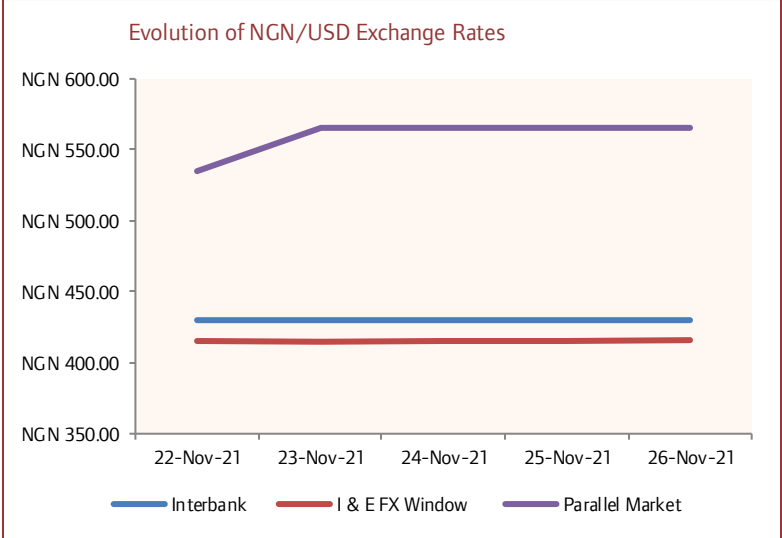
too, but it was more of sell-offs than bargain hunting activity – we suspect that some retail investors decided to take short term profit as share prices appreciated in response to the positive financial results of companies released in the month of October. On the part of foreign portfolio investors, it was a mixed bag situation as the difference between their outflows and inflows were marginal amid higher transactions recorded in the month of October. Specifically, domestic institutional investors generated the highest transaction value, followed by retail investors as they largely sold off than they bought; while foreign portfolio investors’ contribution remained the least with a marginal net increase in outflows. Hence, the ratio of total domestic transactions to total foreign transactions further tilted lower to 80:20 in the month under review, from 79:21 in September 2021 – total domestic transactions increased by 81.93% while total foreign portfolio transactions rose by 74.21% - as foreign investors inflows improved. Directly speaking to the numbers, total transactions on the NGX ballooned to N213.07 billion in October 2021 (from N118.15 billion in September 2021); of which total domestic transactions rose month-on-month (m-o-m) to N170.65 billion (from N93.80 billion). Also, the FPI transactions grew to N42.42 billion in October (from N24.35 billion in September). A further breakdown of the FPI transactions in October 2021 showed that foreign portfolio inflows increased significantly to N20.91 billion (from 11.93 billion); also, foreign portfolio outflows increased to N21.51 billion in October from N12.42 billion in September. On the part of local investors, we saw increased stake in the equities market – their purchase transactions were N85.97 billion, higher than N84.68 billion worth of outflows. Further breakdown showed that retail inflow transactions was N23.66 billion, lower than N34.68 billion outflows. The domestic institutional investors’ inflow transactions were N62.31 billion, higher than the N50.00 billion worth of outflows from them. Hence, as the local institutional investors threw their weight behind equities market (given the sharp decline in stop rate for 364-day T-bill to 6.99% in October from 7.50% in September 2021), coupled with the encouraging inflows from the foreign investors, the NSE All Share Index (ASI) rocketed by 4.52% to 42,038.60 index points for the month of October 2021.

Cowry Research expects the local equities market index to trade marginally northwards on the back of declining inflation rate and relatively high GDP growth rate. Also, investors who target appreciative dividend yield would begin to position in the stock market, especially in the banking sector which has recently suffered a pull back in share prices. Meanwhile, the significant increase in FPI inflows in the month of October was in line with our expectations in our weekly report dated Friday, October 22, 2021 that the inability of FPIs to repatriate their funds amid shortage of US dollar supply, would re-activate their gradual re-entry into the equities market ahead of final dividend payment, pending when CBN provides dollar liquidity.



FOREX MARKET: Naira Loses Against USD for Most FX Forward Contracts...

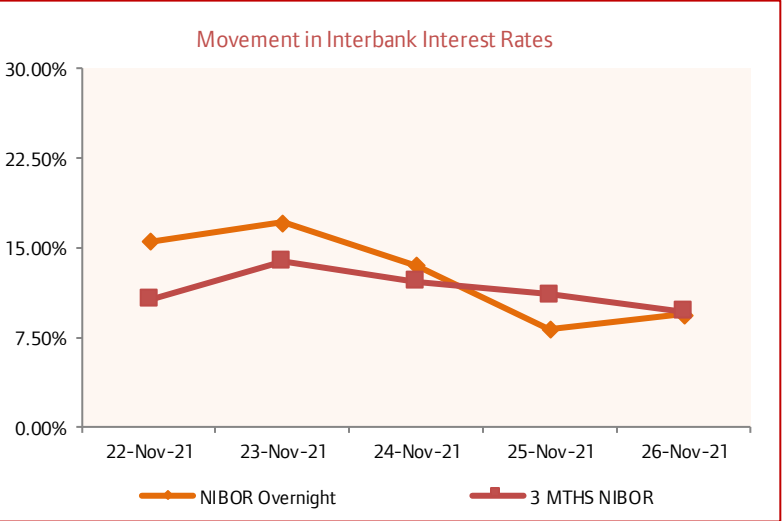
In line with our expectations, the Naira/USD exchange rate rose (Naira depreciated) for most of the foreign exchange forward contract as external reserves dropped by 0.22% to USD41.33 billion as at Wednesday, November 24, 2021. Hence, 1 month, 2 months, 3 months, 6 months and 12 months contracts increased by 0.09%, 0.06%, 0.05%, 0.07% and 0.23% to close at N415.94/USD, N418.49/USD, N421.22/USD, N430.36/USD and N448.01/USD respectively. Also, Naira/USD exchange rate rose by 0.37% at the Investors and Exporters FX window to close at N415.94/USD. In the same vein, Naira depreciated against the greenback by 5.70% to close at N565.50/USD at the Parallel market. Elsewhere, the NGN/USD closed flat at N430.00/USD at the Interbank Foreign Exchange market amid 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.



In the new week, we expect Naira weaken slightly against the USD as external reserves threatens to breach its current level of USD41.33 billion.

MONEY MARKET: Rate for 364-day Bill Moderates on Demand Pressure...

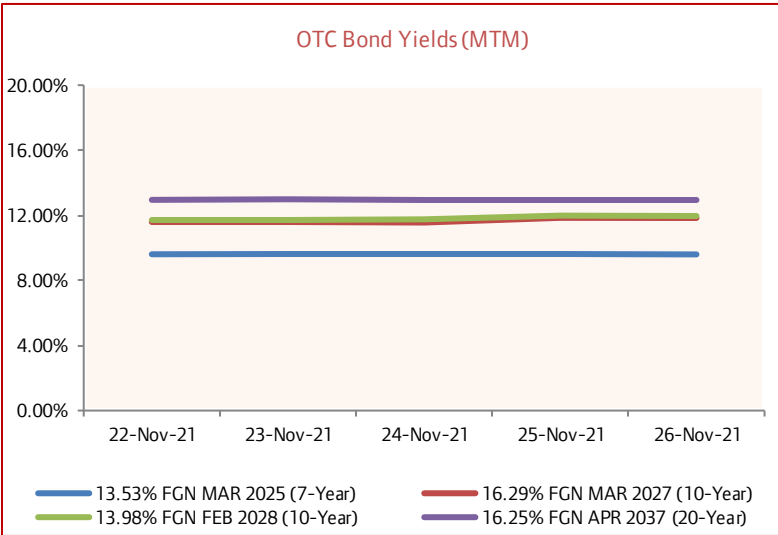
In the just concluded week, CBN sold T-bills worth N215.17 billion which moped up matured bills worth N118.73 billion. In line with our expectations, the 364-day bill was issued at lower rate amid demand pressure. Hence, stop rate for 364-day bill moderated to 5.89% from (6.50%). However, stop rates for 91-Day and 182-Day bills were unchanged at 2.5% and 3.5% respectively. Activities in the secondary market was largely bullish as traders moved in the direction of the 364-day bill rate. Hence, NITTY for 3 months, 6 months and 12 months fell to 3.50% (from 3.61%), 4.53% (from 4.63%) and 6.04% (from 6.66%) respectively. However, NITTY for 1 month rose slightly to 3.10% (from 3.02%). Meanwhile, given the net repayment of N30.20 billion OMO bills we saw liquidity boost in the interbank space, hence NIBOR plunged for all of the tenor tracked. Notably, overnight, 1 month, 3 months and 6 months NIBOR moderated to 9.40% (from 18.50%), 9.36% (from 9.66%), 9.62% (from 10.67%) and 10.39% (from 11.30%) respectively.



In the new week, we expect activity in the money market to be slightly bullish as the market expects liquidity boost from the maturing N54.30 billion worth of OMO bills.

BOND MARKET: FGN Bonds Yields Rise for Most Maturities amid Renewed Sell-Pressure...

In the just concluded week, the value of FGN bonds was bearish for most maturities we tracked in the secondary market amid renewed sell-pressure. Particularly, the 10-year 13.98% FGN MAR 2028 debt, 10-year 16.29% FGN MAR 2027 bond and the 20-year 16.25% FGN MAR 2037 paper lost N1.28, N1.05 and N0.28 respectively; their corresponding yields rose to 11.85% (from 11.56%), 11.98% (from 11.76%) and 12.99% (from 12.95%) respectively. However, the 5-year, 13.53% FGN APR 2025

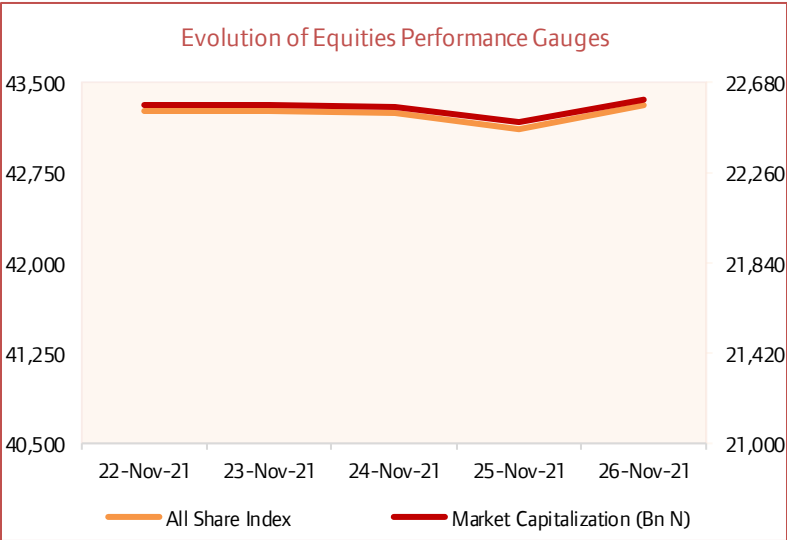


paper increased by N0.02 and its corresponding yield fell to 9.60% (from 9.62%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.71, USD4.12 and USD4.74 respectively; their corresponding yields rose to 4.65% (from 4.22%), 8.87% (from 8.37%) and 8.96% (from 8.45%) respectively.

In the new week, we expect local OTC bond prices to rise (and yields to decrease) as traders react to lower rates, especially for the 364-day T-bills.

EQUITIES MARKET: NGXGroup Index Rebounds by 0.25% as MTNN Announces 575 Million Shares Offer...

In the just concluded week, the Nigerian equities market closed positive amid renewed buy sentiment, especially on Telecoms stocks even as MTN International Mauritius offered for sale up to 575 million shares of its shareholding in MTN Nigeria Communications Plc to high net worth investors in Nigeria. Hence, the NSE ASI rose w-o-w by 0.25% to close at 43,308.29 points. Reflective of non-broad-based performance of the benchmark index most sector gauges closed in red. The



NSE Banking, NSE Consumer Goods, NSE Oil/Gas and the NSE Industrial indices plummeted by 0.29%, 2.00%, 0.87% and 0.03% to close at 390.48 points, 549.62 points, 364.84 points and 2,193.80 points respectively. However, the NSE Insurance rose by 3.56% to close at 183.058 points. Meanwhile, market activity came in mixed as deals and volume of stocks traded decreased by 2.06% and 5.37% to 19,990 deals and 1.39 billion units respectively. However, the value of stock traded increased by 33.17% to 27.89 billion.

In the new week, Cowry Research expects the local bourse index to trade sideways as investors wait on the sidelines to take advantage of declining stock prices. We expect more sales from retail investors than the institutional investors as yuletide season beckons.

| Top Ten Gainers | | | | Bottom Ten Losers | | | |
|------------------|-----------|-----------|---------|-------------------|-----------|-----------|----------|
| Symbol | 26-Nov-21 | 19-Nov-21 | %Change | Symbol | 26-Nov-21 | 19-Nov-21 | % Change |
| UPL | 2.94 | 2.30 | 28% | AIICO | 0.70 | 1.26 | -44% |
| IKEJAHOTEL | 1.35 | 1.15 | 17% | UPDC[BLS] | 1.31 | 1.54 | -15% |
| HONYFLOUR | 3.96 | 3.39 | 17% | CUTIX | 2.76 | 3.21 | -14% |
| ROYALEX | 0.55 | 0.49 | 12% | MRS | 13.70 | 15.20 | -10% |
| ABCTRANS | 0.33 | 0.30 | 10% | UPDCREIT | 5.05 | 5.60 | -10% |
| LIVINGTRUST[BLS] | 0.88 | 0.80 | 10% | INTBREW[BLS] | 5.00 | 5.50 | -9% |
| REGALINS | 0.42 | 0.39 | 8% | FTNCOCOA[RST] | 0.40 | 0.44 | -9% |
| GLAXOSMITH | 6.35 | 6.05 | 5% | ETERNA | 6.05 | 6.65 | -9% |
| SOVRENINS | 0.23 | 0.22 | 5% | NB | 46.50 | 51.00 | -9% |
| WAPIC | 0.50 | 0.48 | 4% | CORNERST | 0.52 | 0.56 | -7% |



Weekly Stock Recommendations as at Friday, November 26, 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 | 3.90 | 12.44 | 27.50 | 15.40 | 19.30 | 25.00 | 16.41 | 22.20 | 29.53 | Buy |
| Fidelity Bank | Q3 2021 | 19,180.00 | 0.92 | 0.66 | 9.44 | 0.27 | 2.77 | 3.99 | 1.40 | 2.55 | 3.28 | 2.17 | 2.93 | 28.81 | Buy |
| May & Baker | Q3 2021 | 1,176.57 | 0.56 | 0.68 | 3.93 | 1.14 | 8.03 | 5.18 | 1.79 | 4.49 | 6.09 | 3.82 | 5.16 | 35.63 | Buy |
| NEM | Q3 2021 | 2,478.90 | 0.51 | 0.25 | 1.94 | 0.98 | 3.75 | 2.69 | 0.98 | 1.90 | 2.39 | 1.62 | 2.19 | 25.79 | Buy |
| UBA | Q3 2021 | 132,489.53 | 3.33 | 3.87 | 20.32 | 0.40 | 2.43 | 9.25 | 4.40 | 8.10 | 9.50 | 6.89 | 9.32 | 17.28 | Buy |
| WAPCO | Q3 2021 | 48,473.52 | 1.91 | 3.01 | 22.33 | 1.12 | 13.06 | 27.00 | 8.95 | 25.00 | 30.00 | 21.25 | 28.75 | 20.00 | Buy |
| Zenith Bank | Q3 2021 | 203,419.07 | 7.34 | 6.48 | 35.56 | 0.68 | 3.32 | 29.52 | 10.70 | 24.35 | 32.14 | 20.70 | 28.00 | 31.98 | Buy |

FGN Eurobonds Trading Above 7% Yield as at Friday, November 26, 2021

| FGN Eurobonds | Issue Date | TTM (years) | 26-November-21 Price (N) | Weekly Naira Δ | 26-November-21 Yield | Weekly PPT Δ |
|--------------------|------------|-------------|-----------------------------|-------------------|-------------------------|-----------------|
| 6.125 SEP 28, 2028 | 28-Sep-21 | 6.84 | 94.59 | (2.89) | 7.1% | 0.55 |
| 7.143 FEB 23, 2030 | 23-Feb-18 | 8.25 | 95.96 | (2.73) | 7.8% | 0.47 |
| 8.747 JAN 21, 2031 | 21-Nov-18 | 9.16 | 102.22 | (3.54) | 8.4% | 0.54 |
| 7.875 16-FEB-2032 | 16-Feb-17 | 10.23 | 96.37 | (3.56) | 8.4% | 0.53 |
| 7.375 SEP 28, 2033 | 28-Sep-21 | 11.85 | 92.29 | (3.92) | 8.4% | 0.54 |
| 7.696 FEB 23, 2038 | 23-Feb-18 | 16.25 | 89.96 | (4.12) | 8.9% | 0.50 |
| 7.625 NOV 28, 2047 | 28-Nov-17 | 26.02 | 86.59 | (4.74) | 9.0% | 0.51 |
| 9.248 JAN 21, 2049 | 21-Nov-18 | 27.17 | 98.70 | (5.28) | 9.4% | 0.52 |
| 8.25 SEP 28, 2051 | 28-Sep-21 | 29.86 | 90.84 | (4.91) | 9.2% | 0.50 |

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