

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Pension Fund's Net Asset Value Hits N13 Trillion in Q3 2021 as RSA Registrations Grow...

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FOREX MARKET: Naira Gains Against USD at the I&E FX Window...

In the new week, we expect Naira to strengthen slightly against the USD amid relatively high crude oil prices and external reserves...

MONEY MARKET: NITTY Moves in Mixed Directions amid Muted Primary Market Activity...

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BOND MARKET: FGN Bonds Yields Move in Mixed Directions Across Maturities Tracked...

In the new week, we expect the value of FGN Eurobonds to rise (and yields to decrease) as rates in this space appear very attractive at close to 9%...

EQUITIES MARKET: NGX All Share-Index Plunges by 2.63% as MTNN, GTCO Shed Value...

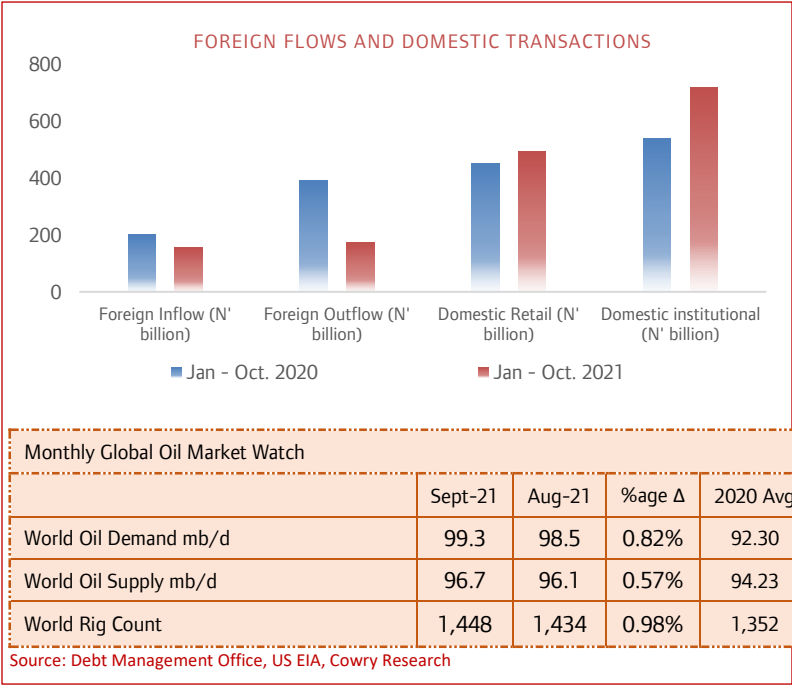
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ECONOMY: Pension Fund’s Net Asset Value Hits N13 Trillion in Q3 2021 as RSA Registrations Grow...

Freshly released report on pension fund assets by National Pension Commission (NPC) showed that the net value of pension assets rose by 2.72% to hit N13.00 trillion in in Q3 2021 from N12.66 trillion in June 2021. According to the report, higher proportion of the pension fund assets were still invested in FGN securities despite the significant decline in T-bills investments. Hence, share of FGN bonds to total assets decreased to 60.25% (or N7.83 trillion) in the period under review, from 61.74% (or N7.81 trillion) it printed in June 2021. However, PFAs’ investments in T-bills declined sharply quarter on quarter (q-o-q) by 48.21% to

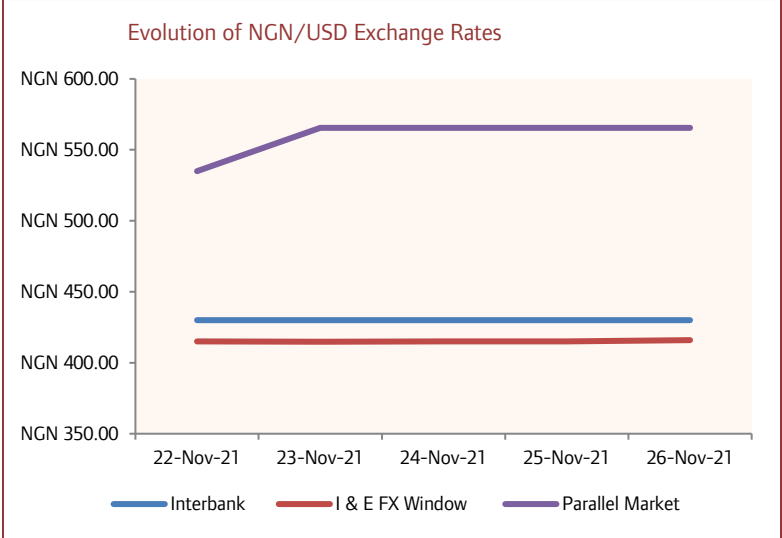
N283.88 billion in Q3 2021 from N548.13 billion recorded in June 2021 amid profit taking activity – treasury bills rate for 364-day moderated to 7.5% at the end of September 2021 from 9.15% it printed in June 2021. Given the reduction in the share of FGN Securities in the total assets (it fell to 63.25% in Q3 2021 from 66.96% in June 2021) as money moved out of T-bills securities, we saw Pension Fund Administrators (PFAs) investment preference drift towards Local Money Market Securities (LMMS). Hence, total funds invested in this investment category rose by 31.89% to N2.29 trillion in September 2021 (lifting its share of the total assets to 17.62%), from N1.74 trillion in June 2021 (or 13.72% of total assets). Also, investment in LMMS showed that more pension fund assets were invested in Banks (which include Open Market Operations and DMBs fixed deposits) than in commercial papers. Total invested fund placed with banks as a percentage of total pension fund assets stood at 17.10% (or N2.22 trillion) in September 2021, rising from 13.15% (N1.66 trillion) in June 2020 while investment in commercial papers, constituting 0.52% of investment in pension fund assets, decreased to N0.68 trillion from N0.72 trillion (constituting 0.57%). For corporates debts securities, the amount invested in this space increased by 1.82% to N0.97 trillion in Q3 2021 from N0.95 trillion in Q2 2021; albeit its proportion to the total pension fund assets fell marginally to 7.45% from 7.51%. Similarly, Cash and Other Assets which constituted 0.46% (or N59.79 billion) of the total pension fund assets in September 2021 fell from 0.59% (or N74.12 billion) in June 2021. Funds invested in Real Estate Properties as a fraction of the total pension fund assets decreased to 1.18% (or N153.44 billion) from 1.24% (or N156.88 billion) in the period under review. Investments in Sukuk and Green Bonds were relatively low as their respective shares of allocated pension assets stood at N79.78 billion and N11.99 billion in the month under review, falling from N86.09 billion and N12.88 billion respectively in June 2021. Meanwhile, pension fund assets investment in the domestic equities market rose to N873.49 billion in Q3 2021 from N843.19 billion in Q2 2021; thus, increasing the weight of total pension funds in local equities market marginally to 6.72% from 6.66%. The equities market received better “patronage” from “RSA FUND II” and “RSA FUND III” as their total invested funds increased to N593.37 billion and N125.87 billion respectively in September 2021, from N570.89 billion and N122.41 billion respectively in June 2021.

Cowry Research notes that the increased investment by PFAs in Bank Placements was essentially to take advantage of a relatively high yields in the short-term without much exposure to the risk inherent in the money market. Also, the pension managers’ increased activities in the equities market in Q3 2021, which was in line with our expectations, was on the back of improved performance by corporates as Nigerian economy recovers from COVID-19 pandemic. Going forward, specifically in Q4 2021 and Q1 2022, we expect pension managers’ to stay invested in bank placement, equities market and renew their interest in T-bills.



FOREX MARKET: Naira Gains Against USD at the I&E FX Window...

In the just concluded week, the Naira/USD exchange rate moderated (Naira appreciated) by 0.29% at the Investors and Exporters FX window to close at N414.73/USD amid increased supply of the greenback. However, Naira depreciated against the greenback by 0.01% to close at N565.55/USD at the Parallel market. 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

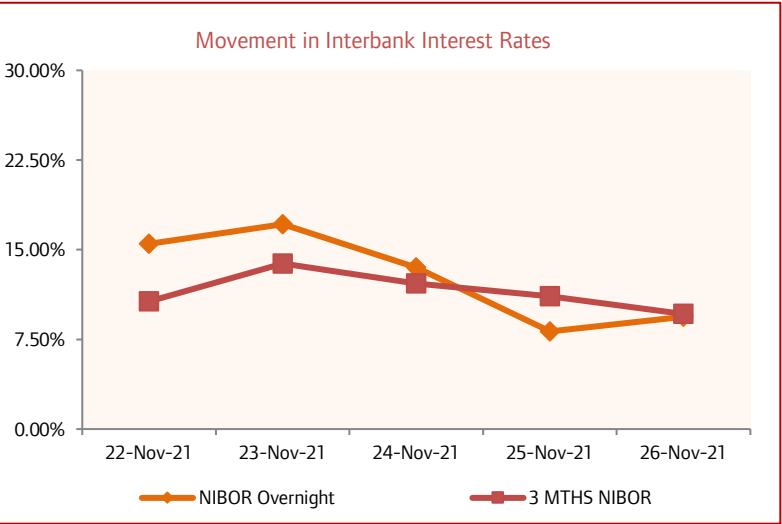


to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate further rose (Naira depreciated further) for most of the foreign exchange forward contract. Hence, 1 month, 3 months, 6 months and 12 months contracts increased by 0.03%, 0.03%, 0.03% and 0.03% to close at N416.07/USD, N421.33/USD, N430.47/USD and N448.13/USD respectively. However, 2 months contract appreciated by 0.01% to close at N418.46/USD.

In the new week, we expect Naira to strengthen slightly against the USD amid relatively high crude oil prices and external reserves.

MONEY MARKET: NITTY Moves in Mixed Directions amid Muted Primary Market Activity...

In the just concluded week, activity in the primary market was muted as CBN did not offer treasury bills for sale. Thus, this led to a mixed bag performance across the maturities tracked in the secondary market. Hence, NITTY for 1 month and 3 months fell to 3.06% (from 3.10%) and 3.43% (from 3.50%) respectively. On the flip side, True Yields for 6 months and 12 months rose to 4.70% (from 4.53%) and 6.09% (from 6.04%) respectively. Meanwhile, there was a repayment of N37.00 billion out of

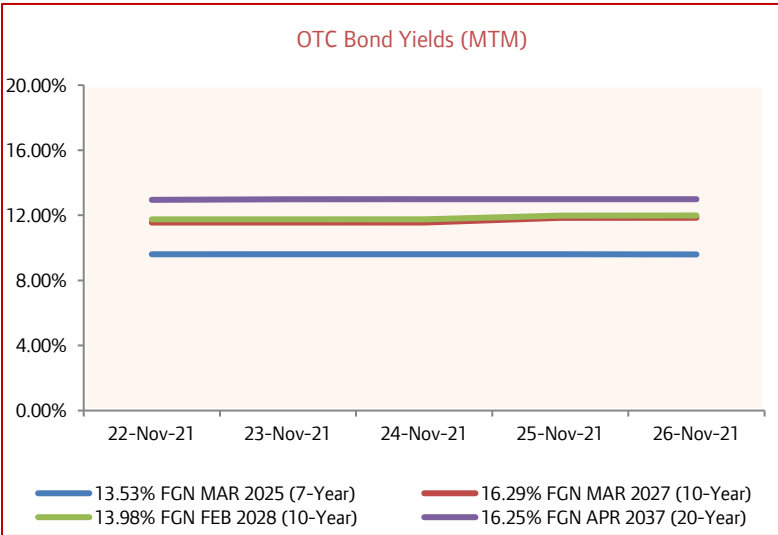


N54.30 billion OMO bills which matured in the course of the week. Despite the net inflow worth N17.30 billion, NIBOR rose for all of the tenor tracked. Specifically, overnight, 1 month, 3 months and 6 months NIBOR rose to 14.10% (from 9.40%), 11.35% (from 9.36%), 11.82% (from 9.62%) and 12.42% (from 10.39%) respectively.

In the new week, T-bills worth N65.03 billion will mature via the primary and secondary markets to exceed T-bills worth N15.03 billion which will mature via the primary market; viz: 91-day bills worth N4.94 billion and 182-day bills worth N10.09 billion. Cowry Research does not expect CBN to refinance the maturing bills in the primary market in line with its usual tradition of limited auction in the month of December. Hence, we expect marginal boost in the financial liquidity system to ease interbank offered rate in the new week.

BOND MARKET: FGN Bonds Yields Move in Mixed Directions Across Maturities Tracked...

In the just concluded week, the value of FGN bonds moved in mixed directions across maturities tracked. Specifically, the 10-year 13.98% FGN MAR 2028 debt and the 10-year 16.29% FGN MAR 2027 bond gained N0.32 and N0.54 respectively; their corresponding yields fell to 11.76% (from 11.85%) and 11.86% (from 11.98%) respectively amid buy pressure. However, the 5-year, 13.53% FGN APR 2025 paper and the 20-year 16.25% FGN MAR 2037 paper moderated by N3.01 and N0.58; their corresponding yields rose to 10.61% (from 9.60%) and 13.06% (from 12.99%) amid sell-offs.

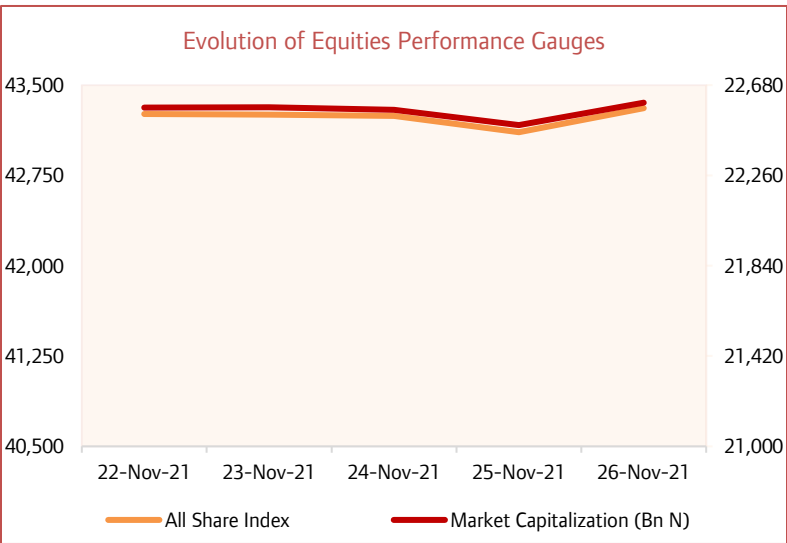


Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for all maturities tracked on renewed buy interest; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.03, USD1.37 and USD1.86 respectively; their corresponding yields rose to 4.61% (from 4.65%), 8.70% (from 8.87%) and 8.76% (from 8.96%) respectively.

In the new week, we expect the value of FGN Eurobonds to rise (and yields to decrease) as rates in this space appear very attractive at close to 9%.

EQUITIES MARKET: NGX All Share-Index Plunges by 2.63% as MTNN, GTCO Shed Value...

In the just concluded week, the local bourse closed in red territory amid renewed sell-offs, especially the bellwether stocks such as MTNN, ZENITHBANK, GTCO and UBA. MTNN share price still fell to N167.00 despite the company’s offer of its shares to retail investors at N169.00 per share. Amid the negative sentiment which trailed the equities market, the NGX ASI nosedived w-o-w by 2.63% to close at 42,167.91 points. Similarly, we saw negative performance across all sub-indices tracked.



The NGX Banking, NGX Insurance, NGX Consumer Goods, NGX Oil/Gas and the NGX Industrial indices plummeted by 1.23%, 0.29%, 0.01%, 3.51% and 0.08% to close at 381.55 points, 188.52 points, 546.38 points, 348.24 points and 2,192.12 points respectively. Meanwhile, market activity was weak as investors stood on the side lines. Hence, volume and value of stocks traded decreased by 59.15% and 36.57% to 1.28 billion units and N17.34 billion respectively. However, deals rose by 26.43% to 19,990 deals.

In the new week, Cowry Research expects the local stock market index to trade sideways as investors turn some of their shareholdings to cash ahead of the yuletide season. Nevertheless, we feel this move would create ample opportunity for medium to long-term investors to buy cheaply.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec 3 2021	Nov 26 2021	%Change	Symbol	Dec 3 2021	Nov 26 2021	% Change
NEM	2.25	1.90	18%	UPDC [BLS]	0.99	1.31	-24%
LINKASSURE	0.56	0.51	10%	CHIPLC	0.44	0.55	-20%
PRESTIGE [BLS]	0.51	0.47	9%	UPDCREIT	4.10	5.05	-19%
AIICO	0.74	0.70	6%	FTNCOCOA [RST]	0.35	0.40	-13%
CUTIX	2.89	2.76	5%	MTNN	167.00	190.00	-12%
SOVRENINS	0.24	0.23	4%	HONYFLOUR	3.50	3.96	-12%
NGXGROUP	17.00	16.30	4%	BOCGAS	9.45	10.50	-10%
ABCTrans	0.34	0.33	3%	IKEJAHOTEL	1.22	1.35	-10%
JAPAULGOLD	0.40	0.39	3%	TRANSEXPR	0.81	0.89	-9%
TRANSCORP	0.98	0.96	2%	OANDO [MRF]	4.60	5.04	-9%



Weekly Stock Recommendations as at Friday, December 3, 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	0.26	2.72	3.99	1.40	2.50	3.28	2.13	2.88	31.39	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	1.16	4.44	2.69	0.98	2.25	2.39	1.91	2.59	6.22	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.39	2.37	9.25	4.40	7.90	9.50	6.72	9.09	20.25	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.10	12.85	27.00	8.95	24.60	30.00	20.91	28.29	21.95	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.66	3.20	29.52	10.70	23.50	32.14	19.98	27.03	36.75	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, December 3, 2021

FGN Eurobonds	Issue Date	TTM (years)	3-December-21 Price (N)	Weekly Naira Δ	3-December-21 Yield	Weekly PPT Δ
6.125 SEP 28, 2028	28-Sep-21	6.82	95.27	0.68	7.0%	(0.13)
7.143 FEB 23, 2030	23-Feb-18	8.23	96.58	0.62	7.7%	(0.11)
8.747 JAN 21, 2031	21-Nov-18	9.14	103.01	0.79	8.3%	(0.12)
7.875 16-FEB-2032	16-Feb-17	10.21	97.15	0.78	8.3%	(0.12)
7.375 SEP 28, 2033	28-Sep-21	11.83	93.72	1.43	8.2%	(0.20)
7.696 FEB 23, 2038	23-Feb-18	16.24	91.33	1.37	8.7%	(0.17)
7.625 NOV 28, 2047	28-Nov-17	26.00	88.45	1.86	8.8%	(0.20)
9.248 JAN 21, 2049	21-Nov-18	27.15	100.64	1.94	9.2%	(0.20)
8.25 SEP 28, 2051	28-Sep-21	29.84	92.82	1.98	8.9%	(0.21)

Disclaimer

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