

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Nigeria's Debt Hits N38 Trillion on External Debts; November Inflation Rate Slows to 15.40%...

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BOND MARKET: FGN Bonds Yields Remain Unchanged for Most Maturities Tracked...

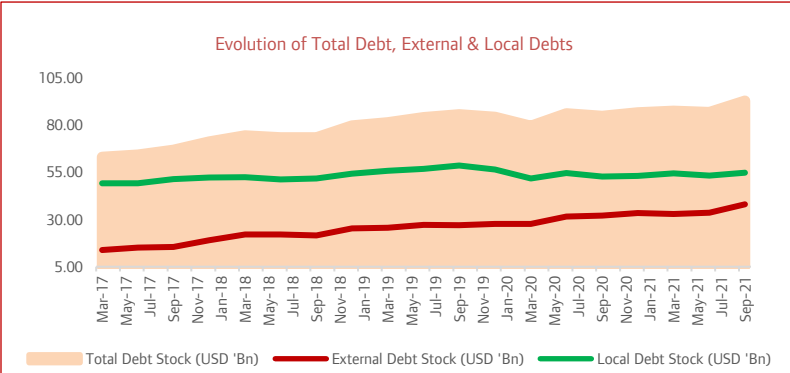
In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors subscribe to the higher yielding N250 billion worth of 10-year 12.80% Sukuk bonds...

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ECONOMY: Nigeria’s Debt Hits N38 Trillion on External Debts; November Inflation Rate Slows to 15.40%...

The Debt Management Office (DMO), in its recently released data, showed that Nigeria’s total public debt stock increased further quarter on quarter (q-o-q) by 7.16% to N38.00 trillion as at September 2021 (from N35.47 trillion as at June 2021). The q-o-q rise in the country’s total debt stock was chiefly from the rise in external debt (commercial category) credits. Specifically, external debt rose q-o-q by 13.58% to N15.57 trillion (or USD37.98 billion at N410.30/USD) as at September 2021 from N13.71 trillion (or USD33.47 billion at N409.66/USD) in June 2021. Within the quarter, Nigeria received additional USD4 billion worth of commercial



Monthly Global Oil Market Watch				
	Nov-21	Oct-21	%age Δ	2020 Avg
World Oil Demand mb/d	99.73	98.54	1.20%	92.30
World Oil Supply mb/d	99.0	97.85	1.18%	94.23
World Rig Count	1,544	1,504	2.65 %	1,352

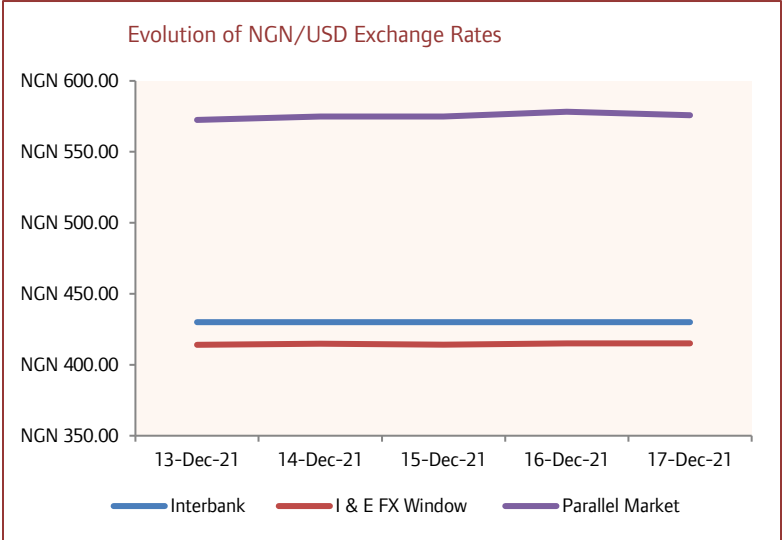
Source: Debt Management Office, US EIA, Cowry Research

loans (Eurobonds). More so, the depreciation of the Naira against the greenback increased external debt; q-o-q, Naira depreciated further against the USD by 0.16% to close at N410.30/USD as at September 2021. Amid rising foreign loans, particularly the commercial category, external debt service payments rose to N143.18 billion (or USD348.96 million) in Q3 2021 from N84.50 billion (or USD206.26 million) in Q2 2021. Notably, Nigeria paid down part of its Multilateral (USD110.45 million) and Bilateral (USD61.38 million) principal which amounted to USD171.83 million. Further breakdown of the total external debt stock in Q3 2021 showed that Multilateral loans accounted for 48.17% (USD18.28 billion) of which loans from International Development Association (IDA) was USD11.57 billion, loan from IMF was USD3.47 billion while others stood at USD3.24 billion. Bilateral loan accounted for 11.59% (USD4.39 billion) of which loan from China (Exim Bank of China) was USD3.59 billion and loan from France was USD0.52 billion in Q3 2021. Commercial loans accounted for 38.65% (USD14.67 billion) of which Eurobonds was USD14.37 billion while Diaspora bond was USD0.30 billion. Promissory notes accounted for 1.59% (USD0.60 billion). Meanwhile, local debt stock increased by 5.41% to N22.43 trillion in Q3 2021 (from N21.75 trillion in Q2 2021). Breakdown of the domestic debt figure showed that FG’s domestic debt stock rose to N18.23 trillion in Q3 2021 (from N17.63 trillion in Q2 2021). Hence, local debt service payment skyrocketed by 69.45% to N678.59 billion in Q3 2021 from N322.75 billion printed in Q2 2021. In another development, freshly released inflation report by NBS showed sustained ease in headline inflation for the eighth consecutive time to 15.40% in November (from 15.99% recorded in October). This was principally driven by food disinflation. Slower inflation rates were also printed in both urban and rural areas at 15.92% (from 16.52%) and 14.89% (from 15.48%) respectively in November; also based on moderation in food inflation. Given the sustained high-base effect, the food Index rose at a slower pace, by 17.21% in November (compared to 18.34% recorded in October). However, core inflation rate rose to 13.85% (from 13.27% in October). Meanwhile, imported food index rose by 17.28% (as against 17.24% in October) as Naira further depreciated against the greenback at the interbank window. Two months moving average foreign exchange rate at the interbank window rose m-o-m by 6.45% to N406.64/USD in November 2021. On a month-on-month basis, headline inflation declined in October to 1.08% (from 0.98%) on renewed increase in prices of both core and food items; while core inflation rate rose to 1.26% from 0.80%, food inflation rate leaped to 1.07% from 0.91%.

We note that FG needs to reduce its actual recurrent expenditure and increase its actual revenue in order to stem the tide of rising actual deficit and the resultant borrowing spree. Also, there is a need for policy document that would tie all borrowings, going forward, to a particular capital project as exhibited with Sukkuk and China loans which have been more effective in delivering infrastructure such as the Lagos-Ibadan railway.

FOREX MARKET: Naira Appreciates Against USD at the I&E FX Window on Positive Market Conditions...

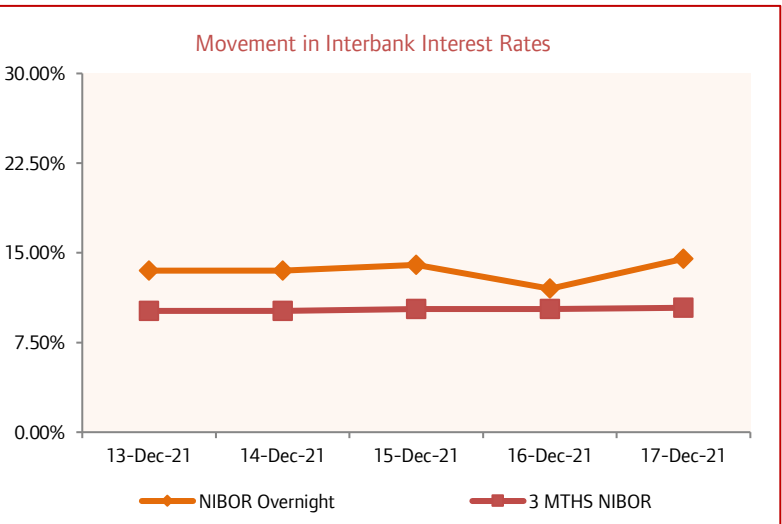
In the just concluded week, the Naira/USD exchange rate fell marginally (Naira appreciated) by 0.01% at the Investors and Exporters FX window to close at N415.07/USD amid positive market conditions. However, Naira depreciated against the greenback by 0.56% to close at N575.70/USD at the Parallel market. Notably, 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 appreciated for all foreign exchange forward contract maturities. Specifically, 1 month, 3 months, 6 months and 12 months contracts moderated by 0.03%, 0.06%, 0.18%, 0.20% and 0.12% to close at N415.96/USD, N418.46/USD, N420.55/USD, N429.51/USD and N447.37/USD respectively.



In the new week, we expect Naira to strengthen slightly against the USD as the threat of new COVID-19 variant (Omicron) softens.

MONEY MARKET: Stop Rate for 364-Day Bills Moderates Further amid 11.5x Oversubscription...

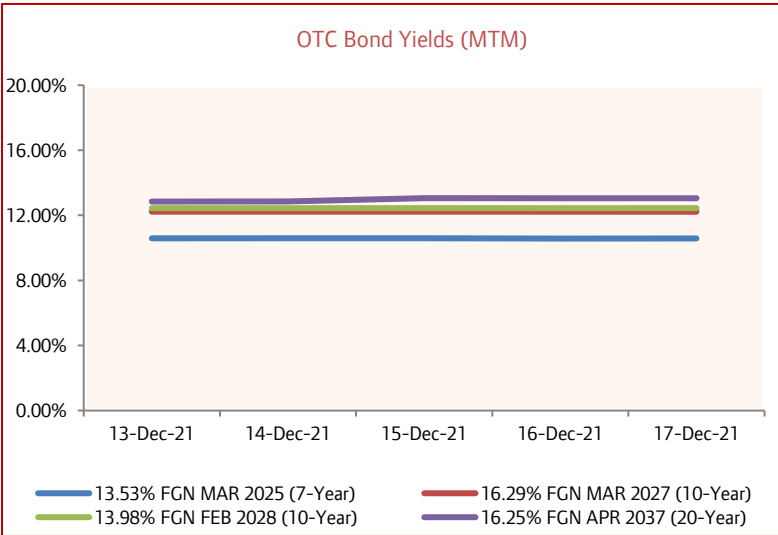
In the just concluded week, CBN allotted T-bills worth N5.86 billion to completely refinance the same amount of matured treasury bills. Specifically, the 364-day bill was issued at lower rate amid an 11.5x oversubscription. Hence, stop rate for 364-day bill moderated further to 5.00% from (5.34%). There was marginal decline in stop rate for 91-Day bill to 2.49% from 2.50% while the stop rates for 182-Day bill was flat at 3.45%. In tandem with declining rate, yields in the secondary market fell amid buy sentiment. Hence, NITTY for 1 month, 3 months, 6 months and 12 months moderated to 2.83% (from 3.06%), 3.28% (from 3.55%), 4.08% (from 4.47%) and 5.66% (from 5.89%) respectively. Meanwhile, given the inflow of matured OMO bills worth N40.00 billion, NIBOR fell for most tenor bucket tracked. 1 month, 3 months and 6 months NIBOR moderated to 9.63% (from 10.07%), 10.40% (from 10.77%) and 10.55% (from 11.73%) respectively. However, overnight tenor bucket 14.50% (from 12.83%).



In the new week, we expect activity in the money market to be slightly bullish as the market expects liquidity boost from the maturing N45.00 billion worth of OMO bills.

BOND MARKET: FGN Bonds Yields Remain Unchanged for Most Maturities Tracked...

In the just concluded week, the DMO allotted N100.00 billion worth of bonds; viz N14.18 billion for the 12.50% FGN JAN 2026 and N84.61 billion for the 16.25% FGN APR 2037. Stop rates for 26s stood flattish at 11.95% while 37s stop rate rose to 13.10% from 12.95%. The value of FGN bonds traded mostly in line with 26s maturities as yields largely remain unchanged. Specifically, the 5-year, 13.53% FGN APR 2025 paper, the 10-year 13.98% FGN MAR 2028 debt and the 10-year

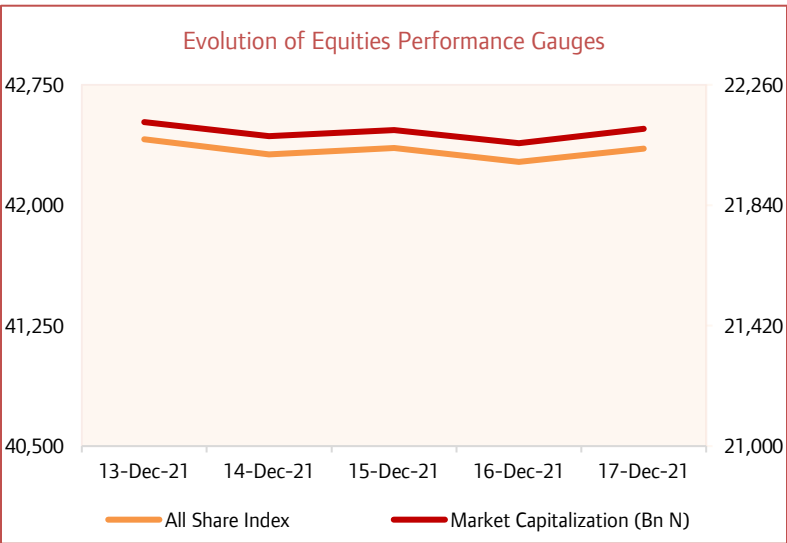


16.29% FGN MAR 2027 bond yields were flattish at 10.59%, 12.23% and 12.44% respectively. However, the 20-year 16.25% FGN MAR 2037 debt lost N1.52; its corresponding yield rose to 13.05% (from 12.86%) amid renewed sell sentiment. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on sustained bearish sentiment; 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 USD0.08, USD1.51 and USD1.51 respectively; their corresponding yields rose to 4.41% (from 4.38%), 8.70% (from 8.51%) and 8.76% (from 8.60%) respectively.

In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors subscribe to the higher yielding N250 billion worth of 10-year 12.80% Sukuk bonds.

EQUITIES MARKET: NGX All-Share Index Rebounds by 1.12% amid Renewed Investors Interests...

In line with our expectations, the domestic stock market closed northward amid renewed investor interest. We saw buying interest in tickers such as MEYER, ROYALEX, FTNCOCOA and PHARMDEKO as their respective share prices rose by 27%, 15%, 14% and 10% respectively. Amid bargain hunting activity on the domestic bourse, the All-Share Index rose w-o-w by 1.12% to close at 42,353.31 points. Also, most of the sub-indices tracked closed in green. The NGX Insurance, NGX Consumer



Goods and the NGX Industrial indices gained 0.04%, 0.63% and 0.38% to close at 190.93 points, 550.41 points and 2,081.14 points respectively. However, the NGX Banking and the NGX Oil/Gas indices fell by 1.82% and 0.57% to close at 395.38 points and 350.65 points respectively. Meanwhile, market activity was weak despite the positive performance. Hence, deals, volume and value of stocks traded plummeted by 12.26%, 49.92% and 43.01% to 18,292 deals, 1.32 billion units and N15.33 billion respectively.

In the new week, Cowry Research expects the local stock market to be bullish ahead of the usual Santa Clause rally and corporate actions.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec 17 2021	Dec 10 2021	%Change	Symbol	Dec 17 2021	Dec 10 2021	% Change
MEYER	0.42	0.33	27%	CHAMPION [BLS]	2.34	2.71	-14%
ROYALEX	0.69	0.60	15%	UPDC [BLS]	1.06	1.18	-10%
FTNCOCOA [RST]	0.42	0.37	14%	ETRANZACT	1.89	2.09	-10%
PHARMDEKO	2.20	2.00	10%	CUTIX	2.40	2.65	-9%
CUSTODIAN	7.80	7.10	10%	UPDCREIT	4.10	4.40	-7%
REDSTAREX	3.40	3.15	8%	LIVESTOCK	1.90	2.03	-6%
MTNN	187.00	174.50	7%	NASCON	13.20	14.00	-6%
NGXGROUP	18.20	17.00	7%	CAP	18.20	19.30	-6%
DANGSUGAR	17.00	15.95	7%	HONYFLOUR	3.40	3.60	-6%
AFRIPRUD	6.35	6.00	6%	UBN [BLS]	4.60	4.85	-5%



Weekly Stock Recommendations as at Friday, December 17, 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	3.68	11.73	27.50	15.40	18.20	25.00	15.47	20.93	37.36	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.27	2.74	3.99	1.40	2.52	3.28	2.14	2.90	30.34	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.04	7.33	5.18	1.79	4.10	6.09	3.49	4.72	48.54	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	2.40	9.25	4.40	8.00	9.50	6.80	9.20	18.75	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.07	12.53	27.00	8.95	24.00	30.00	20.40	27.60	25.00	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.70	3.38	29.52	10.70	24.80	32.14	21.08	28.52	29.58	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, December 17, 2021

FGN Eurobonds	Issue Date	TTM (years)	17-December-21 Price (N)	Weekly Naira Δ	17-December-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.19	97.41	(0.90)	7.6%	0.15
8.747 JAN 21, 2031	21-Nov-18	9.10	103.59	(0.98)	8.2%	0.15
7.875 16-FEB-2032	16-Feb-17	10.17	97.57	(1.15)	8.2%	0.17
7.375 SEP 28, 2033	28-Sep-21	11.79	94.31	(1.33)	8.1%	0.18
7.696 FEB 23, 2038	23-Feb-18	16.20	91.36	(1.51)	8.7%	0.19
7.625 NOV 28, 2047	28-Nov-17	25.96	88.43	(1.50)	8.8%	0.16
9.248 JAN 21, 2049	21-Nov-18	27.12	100.34	(1.64)	9.2%	0.16
8.25 SEP 28, 2051	28-Sep-21	29.80	92.58	(1.66)	9.0%	0.17

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