

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Local Players Dominate Equities Market in 2021 amid Sustained FPIs' Weak Appetite...

Since the beginning of the new normal – as characterized by remote work, rollout of vaccines and the partial re-opening of world economies – not a few companies in the hospitality, banking, healthcare and telecommunication sectors have enjoyed increased sales and profitability. This is evident in the increased number of companies with impressive profit after tax in 9 months 2021, compared to their profitability in 9 months 2020...

FOREX MARKET: Naira Loses Value Against USD at Most FX Windows...

In the new week, we expect Naira to depreciate against the USD amid dimmer prospects of crude oil revenue against the backdrop of the force majeure recently declared by Shell on its forcados crude exports. Also, inflows to the I&E Market may slow as businesses close for the year, thus limiting foreign exchange supply...

MONEY MARKET: Stop Rate for 364-Day T-Bill Moderates to 4.90% on Demand Pressure...

In the new week, we expect activity in the money market to be slightly bullish as traders expect liquidity boost from the maturing N50.00 billion worth of OMO bills...

BOND MARKET: FGN Bonds Yields Close Flat for Most Maturities Tracked...

In the new week, we expect the value of FGN Bonds to rise (and yields to fall) amid financial system liquidity boost. We should see sustained appreciation of Nigerian Eurobonds as investors seek to hedge their assets against foreign exchange risk...

EQUITIES MARKET: NGX All-Share Index Rises by 1.07% as Equities Market Ends 2021 in Green...

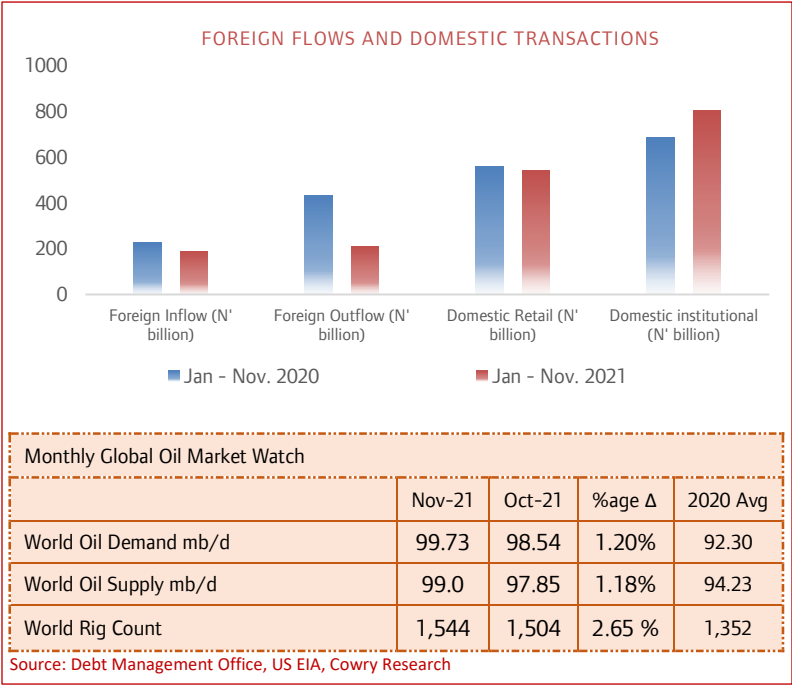
In the first of the new year, we expect the local bourse to remain elevated as investors position in readiness for dividend distributions in the first quarter of 2022...

ECONOMY: Local Players Dominate Equities Market in 2021 amid Sustained FPIs’ Weak Appetite...

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 moderated Year-to-Date (YTD) in November 2021 compared to the value of transactions executed YTD in November 2020. The decline in total transaction was chiefly due to the weak appetite of foreign portfolio investors (FPIs) amid fears of foreign exchange volatility eroding their returns on investment. However, we saw local investors dominate the equities market as they accumulated more shares to take position in

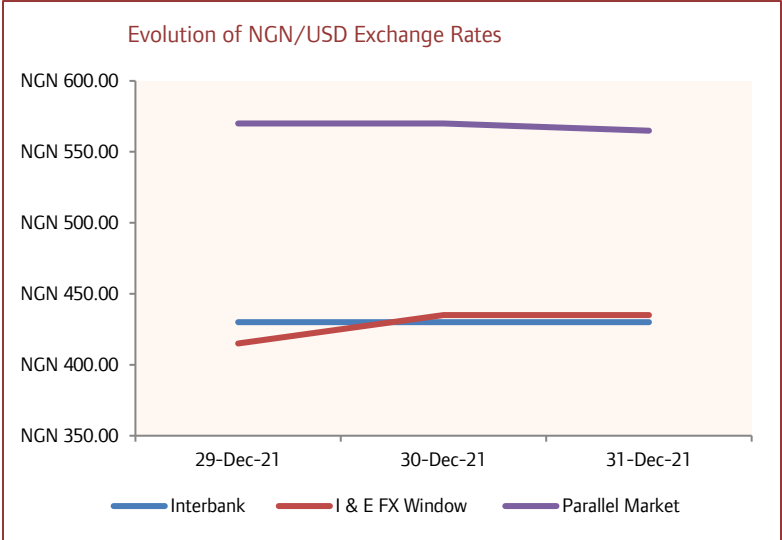
some fundamentally sound stocks following the release of corporates’ 9 months financial results which were largely positive. Local players participation in the equities market increased in the second half of the year than that of the first – as fixed income securities yields, especially treasury bills yield, slid southward in H2 2021 contrary to it northward direction in H1 2021. Further breakdown showed that domestic institutional investors generated the highest transaction value, followed by retail investors; while foreign portfolio investors’ contribution remained the least with a 9.69% net increase in outflows. Hence, the ratio of total domestic transactions to total foreign transactions tilted higher to 77:23 year-on-year (y-o-y) in November 2021, from 65:35 in November 2020 – total domestic transactions increased by 8.24% while total foreign portfolio transactions plummeted by 39.45% - as foreign investors outflows improved. As depicted by the numbers, total transactions on the NGX mellowed to N1.74 trillion YTD in November 2021 (from N1.89 trillion YTD in November 2020); of which total domestic transactions rose (y-o-y) to N1.34 trillion (from N1.24 trillion). However, the FPI transactions decreased significantly to N399.18 billion in the review period (from N659.28 billion in November 2020). A further breakdown of the FPI transactions YTD in November 2021 showed that foreign portfolio inflows moderated to N189.42 billion (from N226.13 billion); also, foreign portfolio outflows decreased to N209.76 billion YTD in November 2021 from N433.15 billion YTD in November 2020. On the part of local investors, we saw increased stake in the equities market – their purchase transactions were N679.29 billion, higher than N662.45 billion worth of outflows. Further breakdown showed that retail inflow transactions was N264.95 billion, lower than N275.34 billion outflows as they largely sold off than they bought. The domestic institutional investors’ inflow transactions were N414.24 billion, higher than the N387.17 billion worth of outflows from them. Hence, as the local institutional investors threw their weight behind equities market chiefly in H2 2021 (even as stop rate for 364-day T-bills moderated to 5.89% in November 2021 from 9.15% in June 2021), the NSE All Share Index (ASI) rocketed by 7.39% to 42,262.85 index points YTD in November 2021.

Since the beginning of the new normal – as characterized by remote work, rollout of vaccines and the partial re-opening of world economies – not a few companies companies in the hospitality, banking, healthcare and telecommunication sectors have enjoyed increased sales and profitability. This is evident in the increased number of companies with impressive profit after tax in 9 months 2021, compared to their profitability in 9 months 2020. Hence, the NGX closed in the green this year even as we anticipate a northward run of share prices on the local bourse in the first quarter of 2022 as that period marks the corporate action season when shareholders would be receiving a share of companies’ earnings due to from those corporates that choose to pay dividend for the year ended 2021.



FOREX MARKET: Naira Loses Value Against USD at Most FX Windows...

In the just concluded week, the Naira/USD exchange rate rose (Naira depreciated) by 4.79% to close at N435.00/USD at the Investors and Exporters FX window – following the force majeure recently declared by Shell on its forcados crude exports. Also, Naira depreciated against the greenback by 0.16% to close at N564.90/USD at the Parallel market. However, 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 depreciated for all foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts rose by 0.97%, 1.44%, 1.46%, 2.20% and 0.95% to close at N418.88/USD, N423.30/USD, N426.36/USD, N437.71/USD and N448.48/USD respectively.

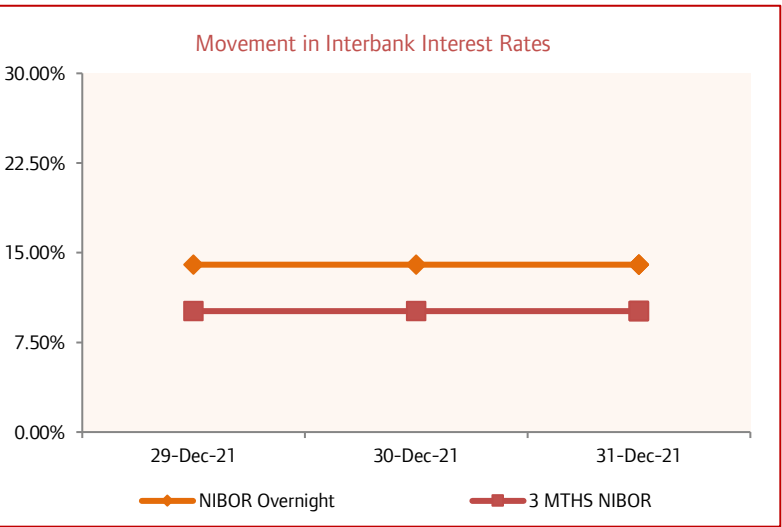


In the new week, we expect Naira to depreciate against the USD amid dimmer prospects of crude oil revenue against the backdrop of the force majeure recently declared by Shell on its forcados crude exports. Also, inflows to the I&E Market may slow as businesses close for the year, thus limiting foreign exchange supply.

MONEY MARKET: Stop Rate for 364-Day T-Bill Moderates to 4.90% on Demand Pressure...

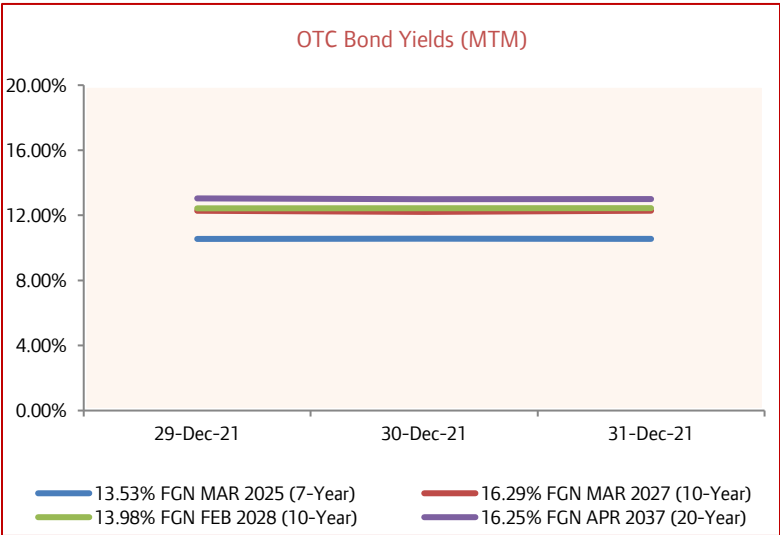
In the just concluded week, CBN sold T-bills worth N52.76 billion to completely mop up matured treasury bills. In line with our expectations, the 364-day bill was issued at lower rate amid strong investor appetite. Hence, stop rate for 364-day bill moderated further to 4.90% from (5.34%). However, stop rates for 91-Day and 182-Day bills were unchanged at 2.50% and 3.45% respectively. In the secondary market, investor sentiment was positive as yields went southwards for most maturities tracked. NITTY for 1 month 3 months and 6 months maturities moderated to 2.64% (from 2.77%), 3.13% (from 3.19%) and 3.83% (from 4.09%) respectively. However, NITTY for 12 months maturity rose to 5.53% (from 5.37%). Meanwhile, given the absence of OMO bills sales by the apex bank despite the inflow of matured OMO bills worth N60.00 billion, NIBOR fell for most tenor buckets tracked amid financial system liquidity ease. NIBOR for 1 month, 3 months and 6 months tenor buckets moderated to 9.63% (from 9.79%), 10.11% (from 10.23%) and 10.84% (from 11.05%) respectively. However, Overnight rate rose to 14.00% (from 13.50%)

In the new week, we expect activity in the money market to be slightly bullish as traders expects liquidity boost from the maturing N50.00 billion worth of OMO bills.



BOND MARKET: FGN Bonds Yields Close Flat for Most Maturities Tracked...

In the just concluded week, the value of FGN bonds traded closed flat for most maturities. Specifically, the yields of 5-year, 13.53% FGN APR 2025 paper, the 10-year 13.98% FGN MAR 2028 bond and the 20-year 16.25% FGN MAR 2037 debt were flattish at 10.55%, 12.43% and 13.00% respectively. However, the value of the 10-year 16.29% FGN MAR 2027 debt lost N0.32; its corresponding yield rose to 12.28% (from 12.21%). Elsewhere, the value of FGN Eurobonds traded at the international

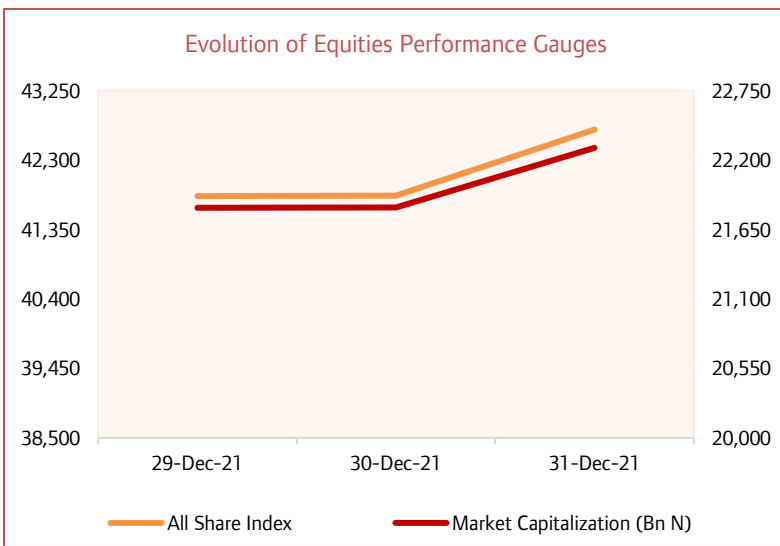


capital market appreciated for most maturities tracked on sustained bullish sentiment; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.22, USD0.64 and USD0.70 respectively; their corresponding yields moderated to 4.25% (from 4.42%), 8.59% (from 8.67%) and 8.66% (from 8.74%) respectively.

In the new week, we expect the value of FGN Bonds to rise (and yields to fall) amid financial system liquidity boost. We should see sustained appreciation of Nigerian Eurobonds as investors seek to hedge their assets against foreign exchange risk.

EQUITIES MARKET: NGX All-Share Index Rises by 1.07% as Equities Market Ends 2021 in Green...

In line with our expectations, the domestic bourse closed in positive territory to end the trading session for the year in the green. Leading the ten top gainers for the week was REGALINS as its share price rose by 19.00% in the last three days of trading session this week. Similarly, shares prices of fellow insurance stocks, SOVRENINS, WAPIC, ROYALEX and CHIPLC rose by 15%, 14%, 14% and 13% respectively. We also saw renewed interest in NESTLE shares as its share price rose by 10%



today. As the local bourse closed the year on a bullish note, All-Share Index rose w-o-w by 1.07%, with a +6.07% gain in 2021, to close at 42,262.85 points. Also, market capitalization rose w-o-w by 1.07% to close at N22.30 trillion. Similarly, the sector gauges mirrored the benchmark index as three of the five sub-indices tracked closed in green. Specifically, the NGX Consumer Goods index rose by 6.24% to close at 589.28 points as N4.81 billion worth of NESTLE shares exchanged hands today. Also, the NGX Banking and the NGX Insurance indices gained 2.61% and 1.88% to close at 406.07 points and 198.11 points respectively. However, the NGX Oil/Gas and the NGX Industrial indices fell by 1.09% and 3.91% to close at 345.01 points and 2,008.30 points respectively. Meanwhile, market activity was upbeat as volume and value of stocks traded increased by 3.14% and 6.05% to 0.99 billion units and N13.21 billion respectively. However, number of deals fell by 30.66% to 10,264.

In the first of the new year, we expect the local bourse to remain elevated as investors position in readiness for dividend distributions in the first quarter of 2022.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec 31 2021	Dec 24 2021	%Change	Symbol	Dec 31 2021	Dec 24 2021	% Change
REGALINS	0.51	0.43	19%	MAYBAKER	4.02	4.51	-11%
SOVRENINS	0.30	0.26	15%	BUACEMENT	67.05	74.50	-10%
WAPIC	0.56	0.49	14%	JAIZBANK	0.56	0.62	-10%
ROYALEX	0.88	0.77	14%	PZ	6.10	6.70	-9%
CHIPLC	0.79	0.70	13%	WEMABANK	0.72	0.77	-6%
UNITYBNK	0.54	0.48	13%	ETERNA	5.05	5.30	-5%
UPDCREIT	4.45	4.00	11%	OANDO	4.42	4.60	-4%
NAHCO	3.74	3.40	10%	CHAMPION	2.35	2.44	-4%
NESTLE	1,556.50	1,415.00	10%	TRANSCORP	0.96	0.99	-3%
UNILEVER	14.50	13.35	9%	ARDOVA	13.00	13.40	-3%



Weekly Stock Recommendations as at Friday, December 31, 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	3.93	12.53	27.50	15.40	19.45	25.00	16.53	22.37	28.53	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	1.02	7.19	5.18	1.79	4.02	6.09	3.42	4.62	51.49	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.40	2.42	9.25	4.40	8.05	9.50	6.84	9.26	18.01	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.07	12.51	27.00	8.95	23.95	30.00	20.36	27.54	25.26	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.71	3.42	29.52	10.70	25.15	32.14	21.38	28.92	27.78	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, December 31, 2021

FGN Eurobonds	Issue Date	TTM (years)	31-December-21 Price (N)	Weekly Naira Δ	31-December-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.15	98.13	0.84	7.5%	(0.14)
8.747 JAN 21, 2031	21-Nov-18	9.06	104.60	0.99	8.0%	(0.15)
7.875 16-FEB-2032	16-Feb-17	10.13	98.35	0.81	8.1%	(0.12)
7.375 SEP 28, 2033	28-Sep-21	11.75	95.14	0.39	8.0%	(0.05)
7.696 FEB 23, 2038	23-Feb-18	16.16	92.26	0.63	8.6%	(0.08)
7.625 NOV 28, 2047	28-Nov-17	25.93	89.32	0.69	8.7%	(0.08)
9.248 JAN 21, 2049	21-Nov-18	27.08	101.44	0.81	9.1%	(0.08)
8.25 SEP 28, 2051	28-Sep-21	29.76	93.43	0.99	8.9%	(0.10)

Disclaimer

This report is produced by the **Research Desk** of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.