

## Cowry Weekly Financial Markets Review & Outlook (CWR)

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### Segment Outlook:

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#### FOREX MARKET: Naira Gains Marginally against US Dollar at I&E FX Window...

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#### MONEY MARKET: NIBOR, NITTY Fall on Renewed Financial System Liquidity Ease...

In the new week, T-bills worth N46.25 billion will mature via the secondary market. However, with the Debt Management Office (DMO) expected to issue N100 billion worth of debts, we expect NIBOR to trend upwards.

#### BOND MARKET: FGN Bond Prices Decrease for Most Maturities Tracked amid Bearish Activity...

In the new week, Debt Management Office will issue bonds worth N100.00 billion, viz: 12.75% FGN APR 2023 (5-Yr Re-opening) worth N40 billion, FGN APR 2029 (10-Yr New Issue) worth N40 billion and FGN APR 2049 (30-Yr Re-opening) worth N20 billion respectively. We expect the bonds to be issued at lower stop rates amid demand pressure.

#### EQUITIES MARKET: Market Cap. Adds N197.51 billion Week-on-Week amid Bargain Hunting...

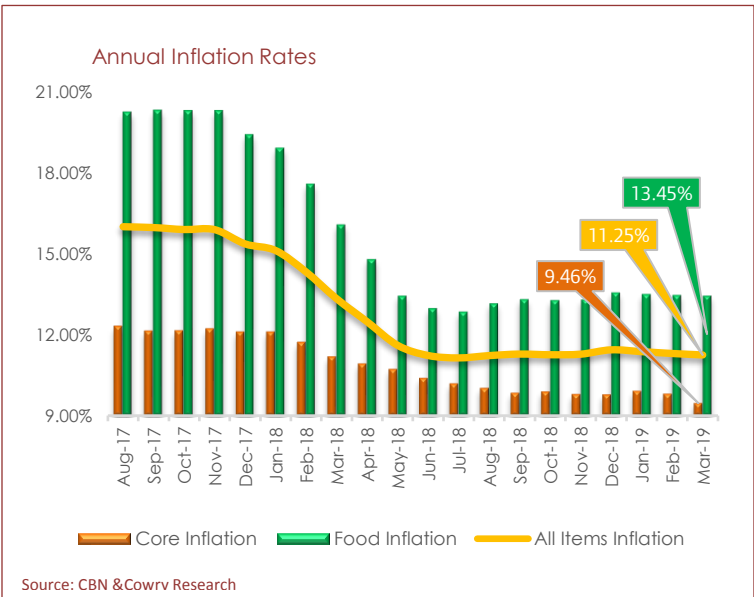
In the new week, we expect the Nigerian equities market to close in positive territory as more companies release their Q1 2019 financial results, which are expected to be fairly positive. Hence, we feel investors would take advantage of the low share prices to raise the local bourse upwards.

#### POLITICS: Main Opposition Party's (PDP) Candidate, Atiku, Tells Election Tribunal: Declare Me Winner!...

We commend the development in our political space, given the peaceful and lawful manner the ex-Vice President is challenging the incumbent President's victory at the law court. Also, the involvement of experts in verifying and substantiating the true status of the election data on INEC server is a welcome idea and an action that might further encourage the Country's acceptance of electronic voting going forward.

ECONOMY: March Inflation Rate Eases to 11.25%; Banks’ Loan Performance Improves in Q1 2019...

In line with our expectation, March headline inflation rate further moderated to 11.25% year-on-year (from 11.31% in February 2019), printing three consecutive months of decline. The sustained moderation in annual inflation rate was chiefly driven by consistent decrease in core inflation rate as it grew slower (on an annual basis, to 9.46% from 9.80% and a monthly basis, to 0.53% from 0.65%). This was partly driven by y-o-y fall in the costs of transport (-0.18%), clothing & footwear (-0.08%) and energy cost (-0.05%). Also, food inflation rate declined

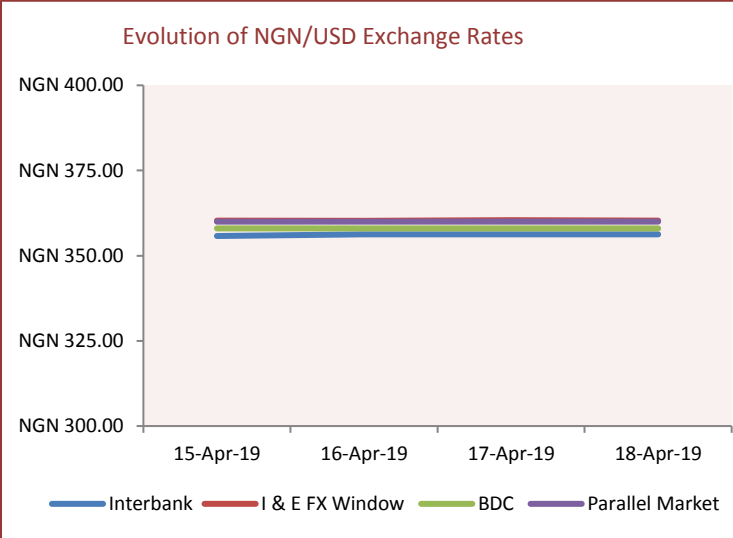


marginally to 13.45% y-o-y from 13.47% in February 2019. Food prices, especially in Ogun, Bauchi and Edo States moderated y-o-y to 11.55%, 11.82% and 12.08% in March 2019 respectively. However, the pressure on general price level of food rose month-on-month (m-o-m) to 0.88% (higher than 0.82% in February 2019), amid planting season which commenced in March. Also, change in consumer price index for imported food rose m-o-m by 1.22% to 298.06 points from 294.48 points in February 2019, despite monthly average appreciation of the Naira against USD in most forex market segments (FX rate fell m-o-m by 0.78% to N357.10/USD at the BDC market). In the same vein, Inflation rate in the urban area dropped y-o-y to 11.54% (from 11.59%) as well as in the rural area, to 10.99% (from 11.05%) in March 2019). In another development, the Central Bank of Nigeria’s (CBN) depository corporations survey, released recently, showed 3.22% m-o-m increase in Broad Money to N34.79 trillion in February 2019, from N33.72 trillion in January 2019. This resulted from a 11.80% m-o-m rise in Net Domestic Assets (NDA) to N17.77 trillion accompanied by a decrease of 4.44% m-o-m in Net Foreign Assets (NFA) to N17.02 trillion. On domestic asset creation, the increase in NDA resulted from a m-o-m rise of 6.57% in Net Domestic Credit (NDC) to N30.52 trillion, but was offset by a 0.04% m-o-m rise in Other Liabilities (net) to N12.74 trillion. Further breakdown of the NDC showed a 11.42% m-o-m increase in Credit to the Government to N6.35 trillion and an increase of 5.37% in Credit to the Private sector to N24.16 trillion. On the liabilities side, 3.22% m-o-m rise in Broad Money Supply was chiefly driven by 18.83% m-o-m increase in treasury bills held by money holding sector to N8.23 trillion but was offset by 0.98% m-o-m decrease in Narrow Money to N11.03 trillion (as Demand Deposits which fell by 2.22% to N9.19 trillion offset the effect of currency outside banks which rose by 5.70% to N1.84 trillion) and a 0.74% m-o-m moderation in Quasi Money (near maturing short term financial instruments) to N15.50 trillion. Reserve Money (Base Money) decreased m-o-m by 4.30% to N7.17 trillion as Bank reserves declined m-o-m by 8.47% to N4.58 trillion despite a 4.75% m-o-m rise in currency in circulation to N4.46 trillion. Meanwhile, analysis of the Q1 2019 Credit Conditions Survey released by CBN showed that availability of secured and unsecured credit to households as well as credit to corporate firms increased in Q1 2019 amid lenders’ optimism for better economy which boosted their risk appetite. This is expected to continue in Q2 2019. However, demand for secured households credit decreased in Q1 2019 as lenders tightened the credit scoring criteria. Nevertheless, lenders still reported increased demand for corporate credit from all firm sizes in the quarter under review, which was expected to continue into the next quarter, given the lower default rates printed by corporates in Q1 2019.

We note the 5.37% increase in credit to the private sector, which was fairly commendable. However, the higher rate of increase in credit to Government showed that despite the moderation in Monetary Policy Rate (MPR) to 13.50% and the declining interest rate environment, the private sector still experienced crowding out effect as Deposit Money Banks continued to play safe despite the recorded improvement in loan performance.

FOREX MARKET: Naira Gains Marginally against US Dollar at I&E FX Window...

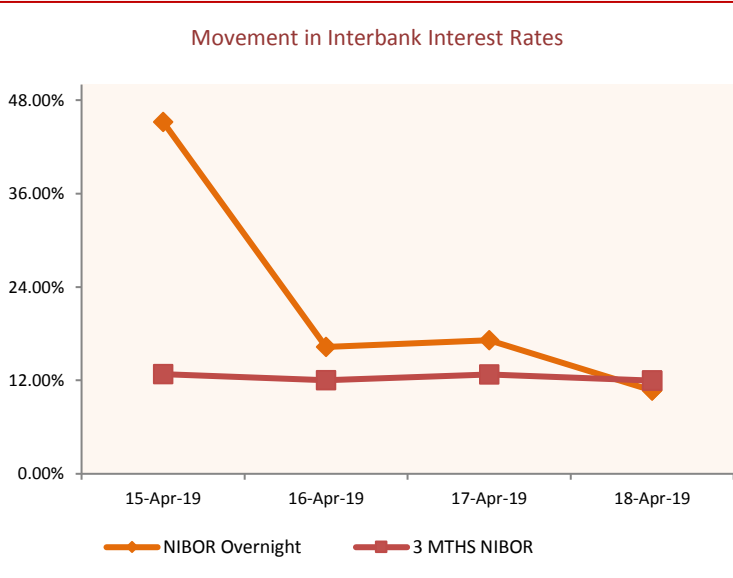
In the just concluded week, the local currency appreciated marginally at the Investors & Exporters Forex Window (I&E FXW) by 0.01% to close at N360.29. However, at the Interbank Foreign Exchange market NGN/USD rate depreciated by 0.13% to close at N356.26/USD amid weekly injections of USD210 million by CBN into the foreign exchange market via the Secondary Market Intervention Sales (SMIS) of which: USD100 million was allocated to Wholesale SMIS, USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Naira was flattish against US dollar at both the Bureau De Change (BDC) and the parallel ('black') market segments at N358/USD and N360/USD respectively. Meanwhile, the Naira/USD exchange rate appreciated for most of the foreign exchange forward contracts – Spot rate, 1 month, 2 months, 3 months and 12 months rates fell (i.e. Naira gained) by 0.02%, 0.02%, 0.06%, 0.11% and 0.26% to close at N306.95/USD, N363.03/USD, N365.78/USD, N368.54/USD and N402.84/USD respectively. On the flip side, 6 months rate rose (i.e. Naira lost) by 0.05% to close at N381.19/USD.



In the new week, we expect stability in the Naira/USD rate in most market segments, especially at the BDC Segment, as CBN sustains its special interventions.

MONEY MARKET: NIBOR, NITTY Fall on Renewed Financial System Liquidity Ease...

In the just concluded week, the CBN auctioned Treasury Bills via Primary Market worth N58.49 billion. In line with our expectation, stop rates for the 90-day, 182-day and 364-day bills moderated to 10.15% (from 10.29%), 12.50% (from 12.60%) and 12.75% (from 12.85%) respectively amid investors' high demand for fixed income securities. Hence, the total outflows worth N58.49 billion partly offset the matured bills worth N165.91 billion. Amid renewed financial system liquidity, NIBOR fell for most tenure buckets; specifically, NIBOR for overnight funds rate, 1 month and 3 months tenure buckets moderated to 10.7% (from 19.4%), 11.81% (from 11.95%) and 11.97% (from 12.42%) respectively. However, NIBOR for 6 months increased to 14.59% (from 14.45%). Elsewhere, NITTY moderated for all maturities tracked amid renewed buy pressure – yields on 1 month, 3 months, 6 months and 12 months maturities fell to 10.75% (from 10.84%), 10.69% (from 11.46%), 13.56% (from 13.74%) and 14.29% (from 14.71%) respectively.

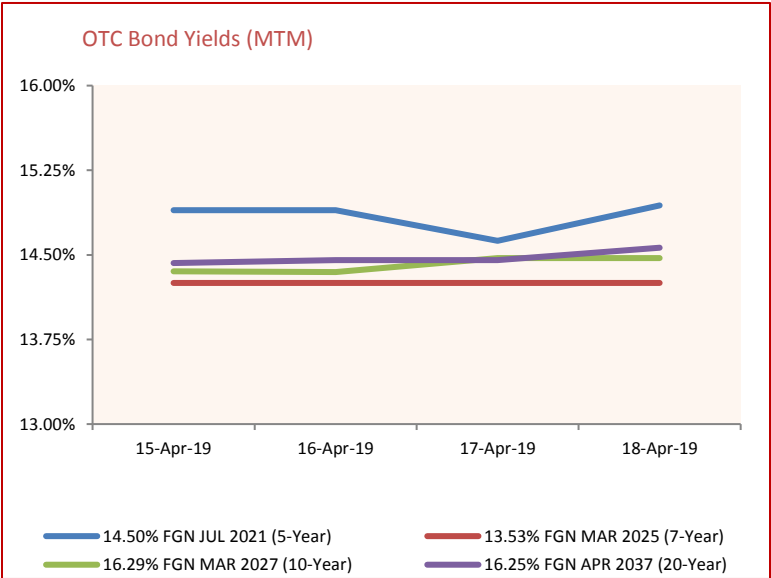


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**BOND MARKET: FGN Bond Prices Decrease for Most Maturities Tracked amid Bearish Activity...**

In the just concluded week, the value of FGN bonds traded at the over-the-counter (OTC) segment depreciated (and yields increased) for most maturities tracked amid sustained bearish activity: the 5-year, 14.50% FGN JUL 2021 paper and the 20-year, 16.25% FGN APR 2037 bond tanked by N0.07 and N0.77 respectively; their corresponding yields increased to 14.94% (from 14.90%) and 14.56% (from 14.45%) respectively; however, the 10-year, 16.29% FGN MAR 2027 debt rose by N1.04, and its corresponding yield fell to 14.47% (from 14.49%) while 7-year, 13.53% FGN MAR 2025 note was flattish, and its corresponding yield stood at 14.25%. Elsewhere, the value of the FGN Eurobonds traded at the international capital market appreciated for all maturities tracked amid bargain hunting activity – the 10-year, 6.75% JAN 28, 2021 paper, the 20-year, 7.69% FEB 23, 2038 and 30-year, 7.62% NOV 28, 2047 bonds gained USD0.04, USD0.80 and USD0.88 respectively; their corresponding yields fell to 4.92% (from 4.96%), 7.79% (from 7.87%) and 7.90% (from 7.98%) respectively.

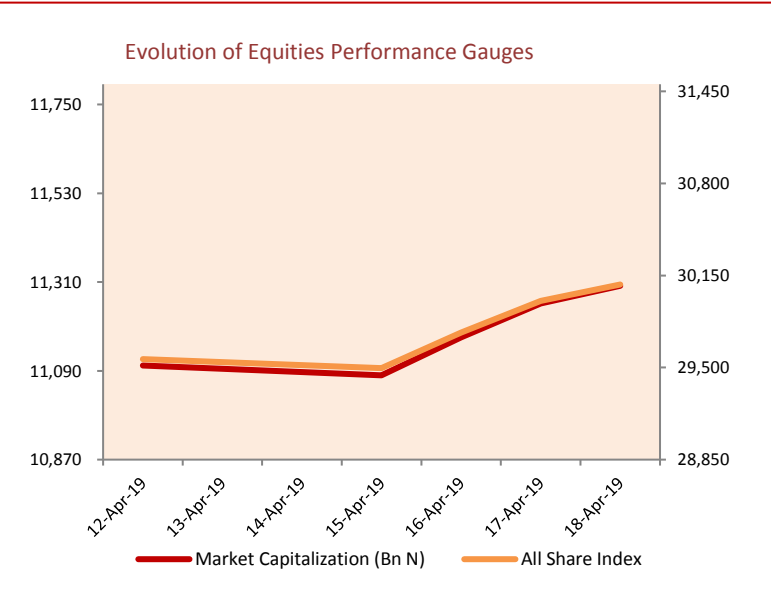
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**EQUITIES MARKET: Market Cap. Adds N197.51 billion Week-on-Week amid Bargain Hunting...**

In the just concluded week, NSE ASI closed in green territory amid renewed bargain hunting activity in line with our expectation. The overall market performance measure, NSE ASI, closed higher at 30,086.31 points, having gained 1.78% w-o-w. Shares of Access and NB gained 15.13% and 7.97% respectively to lift their respective sectored guages. Amid investors' positive sentiments, most of the indices closed in positive territory; NSE Banking, NSE Insurance, NSE Consumer Goods and NSE Industrial indices rose by 2.07%, 2.44%, 5.70% and 0.46% to 386.23 points, 120.26 points, 690.82 points and 1,156.66 points respectively; however, NSE Oil/Gas dipped by 2.12% to 278.43 points, dragged by Seplat's shares which fell w-o-w to N570 from N590. Meanwhile, market activities slowed as total deals, transaction volumes and Naira votes nosedived by 20.08%, 44.12% and 24.83% to 13,578 deals, 0.99 billion shares and N11.41 billion respectively.

In the new week, we expect the Nigerian equities market to close in positive territory as more companies release their Q1 2019 financial results, which are expected to be fairly positive. Hence, we feel investors would take advantage of the low share prices to raise the local bourse upwards.



POLITICS: Main Opposition Party’s (PDP) Candidate, Atiku, Tells Election Tribunal: Declare Me Winner!...

In the just concluded week, Alhaji Atiku Abubakar, the Presidential Candidate of the People’s Democratic Party (PDP), asked the Presidential Election Tribunal to declare him the winner of the February 23, 2019 Presidential Election. He maintained that the declaration of the All Progressives Congress (APC) Presidential Candidate, President Muhammadu Buhari, by the Independent National Electoral Commission (INEC), as the winner of the presidential poll was illegal and unconstitutional, alleging that information on the Commission’s server showed that he won the election. According to the main opposition party’s candidate, INEC Chairman, Professor Mahmoud Yakubu, who was also the returning officer for the Presidential Election, committed error in the final collation exercise. Alhaji Atiku reportedly said that data from the INEC’s server (stating the servers unique MAC address as 94-57-A5-DC-64-B9) showed that he defeated the incumbent President, Muhammadu Buhari, by over 1.6 million votes; he claimed to have polled a total of 18,356,732 votes, which was higher than the total votes of 16,741,430 polled by the incumbent President, to defeat him. Given the disagreement between Atiku and INEC’s Director of Information and Communications Technology, Mr. Chidi Nwafor, over the server results, the ex-Vice President called for invitation of experts from Microsoft, International Business Machines (IBM) and Oracle to serve as witnesses to give details of the Commission’s server at the Election Tribunal. Meanwhile, the Upper Chamber of the National Assembly on Wednesday, April 17, 2019, passed the Petroleum Industry Governance Bill (PIGB) and six other bills earlier rejected by the President after its Technical Committee on “Declined Assent to Bills”, reviewed and redrafted the President’s observations. President Buhari had earlier rejected the earlier version of the PIGB due to some provisions made in the Bill such as the provisions permitting the Petroleum Regulatory Commission (PRC) to retain as high as 10% of the revenue generated and to expand the functions of the Petroleum Equalization Fund. In the new PIG Bill, ready to be transmitted to the Executive for assent, PRC’s revenue was reduced to 5% by the Senators.

We commend the development in our political space, given the peaceful and lawful manner the ex-Vice President is challenging the incumbent President’s victory at the law court. Also, the involvement of experts in verifying and substantiating the true status of the election data on INEC server is a welcome idea and an action that might further encourage the Country’s acceptance of electronic voting going forward. Nevertheless, it is quite obvious that the controversies over the 2019 Presidential election continues to weigh on Nigeria’s capital market, especially equities market, as investors wait on the sidelines to hear the final decision of the Election Tribunal and observe the body language of the two major parties (APC and PDP) given the ex-Vice President’s request and weighty claims tendered at the law court.

Weekly Stock Recommendations as at Thursday, April 18, 2019.

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
Eterna	Q4 2018	1,109.90	0.77	0.85	9.87	0.44	5.37	7.26	3.70	4.30	4.57	3.66	5.16	6.28	Buy
ETI	Q4 2018	96,824.00	5.55	5.28	35.97	0.30	1.94	22.15	15.50	10.75	26.17	9.14	12.90	143.46	Buy
FCMB	Q4 2018	14,223.40	0.76	0.72	9.26	0.21	2.51	3.61	1.06	1.90	3.56	1.62	2.28	87.50	Buy
Seplat Petroleum	Q4 2018	40,380.30	79.63	71.67	872.26	0.65	7.16	785.00	490.00	570.00	829.42	484.50	684.00	45.15	Buy
UBA	Q4 2018	78,607.00	2.30	2.30	14.70	0.45	2.89	13.00	7.05	6.65	11.40	5.65	7.98	71.44	Buy
Unilever	Q4 2018	10,045.37	1.59	1.75	14.41	2.36	82.71	64.60	36.00	34.00	72.31	28.90	40.80	112.68	Buy
Zenith Bank	Q4 2018	193,424.00	6.16	6.16	25.98	0.80	3.39	33.51	19.60	20.90	30.56	17.77	25.08	46.21	Buy

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