

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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## Segment Outlook:

### ECONOMY: CBN Introduces E-Evaluator, E-Invoicing to Achieve Accurate Value for Import and Export Items...

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### FOREX MARKET: Naira Trades Flat Against USD at I&E FX Window...

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### BOND MARKET: FGN Bond Yields Move Southwards as N290 billion FGN 10-Year Bonds Mature...

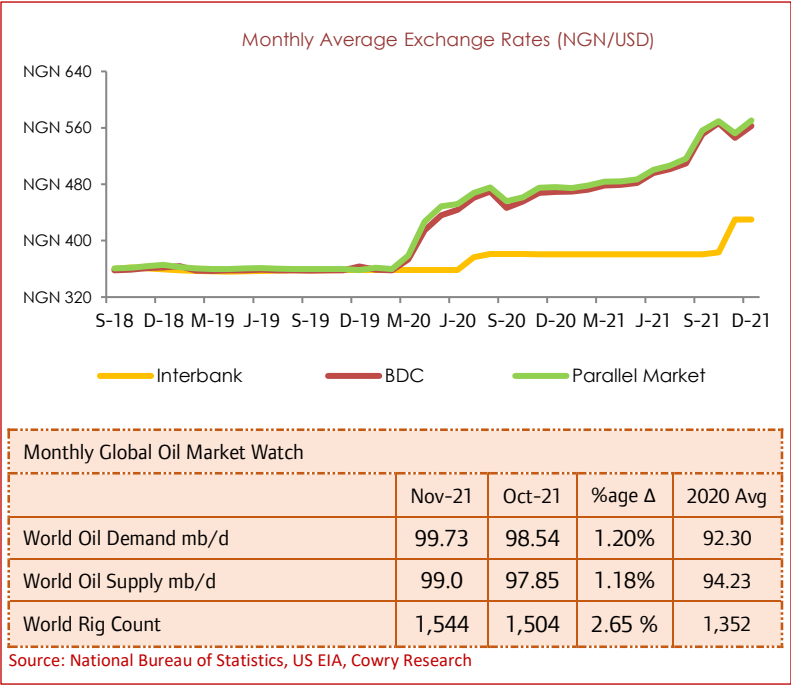
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### EQUITIES MARKET: NGX Index Rises by 0.54% as Corporates Release Unaudited FY 2021 Financials...

In the new week, we expect the equities market to sustain its bullish momentum as corporates continue to churn out their unaudited full year 2021 financial results...

ECONOMY: CBN Introduces E-Evaluator, E-Invoicing to Achieve Accurate Value for Import and Export Items

Recently, the Central Bank of Nigeria (CBN) finally introduced the Electronic Evaluator (E-Evaluator) and Electronic Invoicing (E-Invoicing) as part of the documentation required for all import and export transactions, a plan which has been in the pipeline since August 5, 2020, to replace the hard copy final invoice. Specifically, the apex bank noted that effective, from February 1, 2022 all import and export transactions will require the submission of an e-invoice authenticated by the Authorised Dealer Banks on the Nigeria Single Window portal – Trade Monitoring System (TRMS). According to the apex bank, the system would

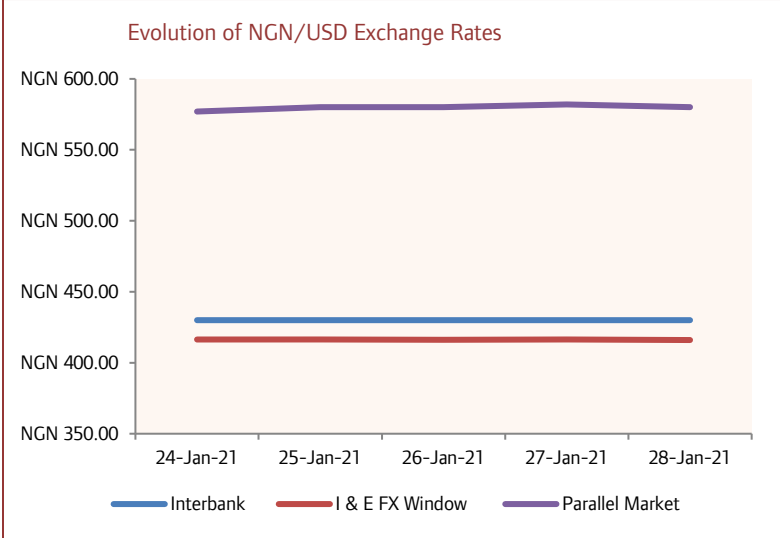


operate on a Global Price Verification Mechanism guided by a benchmark price – which is the actual spot market price obtainable at the time of consummation of invoicing in the market where the specific goods are traded. Based on this model, CBN noted that import and export unit prices that are more than 2.5 per cent of the verified global checkmate prices would be queried and not be allowed for successful completion of either form M or Form NXP. However, certain categories of import and export operations were exempted from the submission of e-invoices, such transactions include the following: All individual invoices with a value of less than USD10,000 (or its equivalent in another currency), except where suppliers have an annual accumulative invoicing value equal to or above USD500,000 (or its equivalent in another currency); Import and export transactions made by all security agencies in the country; Supplies to diplomatic and consular missions and supplies to international agencies dependent on the United Nations; Donations made by foreign governments or international organisations to foundations, charities and recognised humanitarian organisations; And goods directly supplied by foreign government. In another development, CBN released its depository corporations survey which showed a 13.77% year on year (Y-o-Y) rise in Broad Money Supply (M3 money) to N43.95 trillion in December 2021. The relatively significant rise was due to a 15.58% rise in Net Domestic Assets (NDA) to N36.17 trillion, also we saw a 6.06% increase in Net Foreign Assets (NFA) to N7.78 trillion. For Net Domestic Credit (NDC), it rose year-to-date by 16.23% to N49.46 trillion in December 2021. Further breakdown of the NDC showed an 18.50% Y-o-Y rise in Credit to the Private sector to N35.73 trillion – as individual and corporate relatively got easier access to funding as CBN moved to cushion the effect of COVID-19 pandemic on the economy. Also, government borrowings increased in the review period as the gap between government revenue and expenditure widens, hence Credit to the Government rose by 10.70% to N13.73 trillion. On the liabilities side, the 13.77% y-o-y increase in M3 Money was further strengthened by the 16.55% rise in M2 Money to N43.95 trillion, albeit funding by treasury bills moderated y-o-y to N880.91 billion in December 2021. The increase in M2 was chiefly driven by a 18.67% rise in Quasi Money (near maturing short term financial instruments) to N25.79 trillion. Narrow Money (M1) rose by 13.67% y-o-y to N18.16 trillion (of which Demand Deposits rose by 12.87% to N15.22 trillion, while currency outside banks barely rose by 1.27% to N2.95 trillion). Reserve Money (Base Money) increased marginally y-o-y by 1.47% to N13.30 trillion as currency in circulation rose by 14.33% to N3.33 trillion although Bank reserves decreased by 2.20% to N9.77 trillion.

We commend the CBN for deploying technology to manage the country’s scarce foreign resources. The newly adopted payment system would eliminate spurious demand, unnecessary hike in product prices, and also enhance effective and efficient allocation of Nigeria’s foreign currency even to the sectors that genuinely need forex.

FOREX MARKET: Naira Trades Flat Against USD at I&E FX Window...

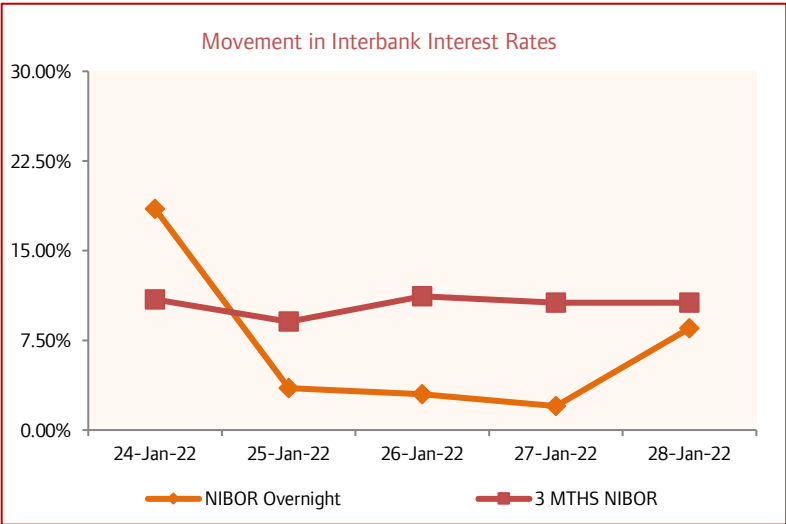
In the just concluded week, the Naira/USD exchange rate traded flat to close at N416.00/USD at the I&E FX Window even as MPC appears to have prioritised economic growth over attractive interest rate. However, Naira depreciated against the greenback by 0.52% to close at N580.00/USD at the Parallel market. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s 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 rose for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts increased by 0.44%, 0.63%, 0.63%, 0.74% and 1.25% to close at N418.92/USD, N422.33/USD, N425.57/USD, N434.99/USD and N449.81/USD respectively.



In the new week, we expect Naira to stabilise against the USD amid rising crude oil prices at the international market, even as CBN begins implementation of e-invoicing and e-evaluation for import and export payments.

MONEY MARKET: Investors Bullish on NITTY as MPC Holds Policy Rate at 11.50%...

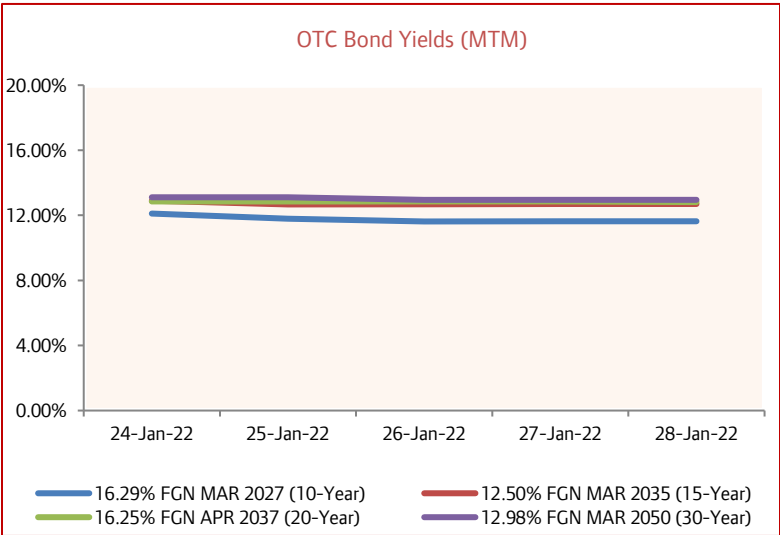
In the just concluded week, CBN allotted T-bills worth N223.75 billion to fully refinance the N129.33 billion worth of matured treasury bills. Notably, the stop rate for 364-day bill fell to 5.39% (from 5.50%) despite the huge sales of N217.53 billion. Stop rates for 91-Day bill and 182-day bill fell marginally to 2.48% (from 2.50%) and 3.30% (from 3.44%) respectively. In tandem with the mood in the primary market even as MPC retained the policy rate at 11.50%, NITTY for all maturities tracked moderated. Specifically, NITTY for 1 month, 3 months, 6 months and 12 months maturities fell to 2.50% (from 2.83%), 3.19% (from 3.40%), 4.22% (from 4.31%) and 5.96% (from 5.98%) respectively. Meanwhile, as more funds left the financial system, given the net outflow of N24.42 billion, NIBOR rose for most tenor buckets tracked. NIBOR for 1 month, 3 months and 6 months tenor buckets rose to 9.35% (from 7.15%), 10.65% (from 8.89%) and 11.30% (from 9.02%) respectively. However, Overnight rate fell to 8.50% (from 19.67%).



In the new week, we expect activity in the money market to be slightly bearish as the financial system liquidity may rather come in low given the small maturing N29 billion worth of OMO bills.

**BOND MARKET: FGN Bond Yields Move Southwards as N290 billion FGN 10-Year Bonds Mature...**

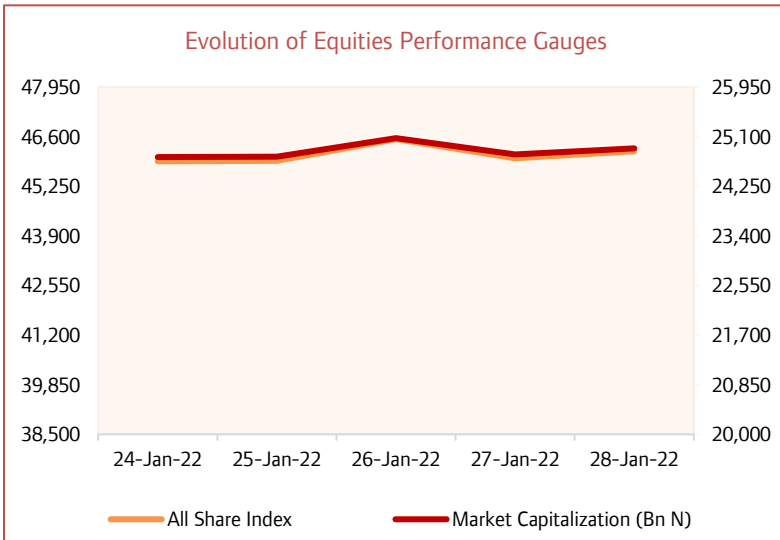
In the just concluded week, investors were strongly bullish in the secondary market as the value of FGN bonds traded sustained upward momentum for most maturities tracked amid N290 billion worth of bonds matured. Specifically, the yields of 10-year, 16.29% FGN MAR 2027 paper, 20-year 16.25% FGN MAR 2037 debt, 15-year 12.50% FGN MAR 2035 bond and the 30-year 12.98% FGN MAR 2050 instrument gained N1.93, N1.24, N0.27 and N1.19; their corresponding yield fell to 11.64% (from 12.11%), 12.70% (from 12.90%), 12.81% (from 12.85%) and 12.95% (from 13.11%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated further for all 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 USD0.39, USD0.04 and USD0.17 respectively; their corresponding yields decreased to 3.63% (from 3.93%), 8.87% (from 8.88%) and 8.83% (from 8.85%) respectively.



In the new week, we expect the value of FGN Bonds to fall (and yields to increase) amid relatively weak financial system liquidity, given the low maturing bills.

**EQUITIES MARKET: NGX Index Rises by 0.54% as Corporates Release Unaudited FY 2021 Financials...**

In line with our expectations, the local bourse sustained its bargain hunting activity as investors showed positive sentiment towards retention of Monetary Policy Rate at 11.50% by Monetary Policy Committee (MPC). Also, the relatively positive corporates' unaudited financial results stimulated investor's interest. Thus, the All-Share Index rose w-o-w by 0.54% to close at 46,205.05 points while the market capitalization rose w-o-w by 0.55% to close at N24.76 trillion as investors bagged N137.26 billion in the trading week. Specifically, ETI share price closed 45% higher at N13.10 amid impressive financial performance. Also, share prices of ACADEMY, COURTVILLE, INTBREW, GUINNESS and NPFM increased by 42%, 30%, 18%, 14% and 13% respectively. Sub-sector wise, the NGX Banking, NGX Oil/Gas, and the NGX Consumer Goods indices rose by 4.84%, 3.53% and 2.04% respectively to close at 439.44 points, 392.55 points and 575.99 points respectively. On the flip side, the NGX Industrial index and the NGX Insurance index lost 5.12% and 3.12% to close at 2,066.63 points and 186.69 points respectively. Meanwhile, market activity was weak as volume and value of stocks traded declined by 22.02% and 59.81%, to 1.45 billion units and N19.08 billion respectively. However, deals increased by 8.24% to 22,557 times.



In the new week, we expect the equities market to sustain its bullish momentum as corporates continue to churn out their unaudited full year 2021 financial results.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Jan 28 2022	Jan 21 2022	%Change	Symbol	Jan 28 2022	Jan 21 2022	% Change
ETI	13.10	9.05	45%	CILEASING	3.78	4.20	-10%
ACADEMY	0.94	0.66	42%	UPL	2.65	2.94	-10%
COURTVILLE	0.60	0.46	30%	PRESTIGE [BLS]	0.46	0.51	-10%
INTBREW [BLS]	5.90	5.00	18%	LINKASSURE	0.51	0.56	-9%
GUINNESS	48.10	42.20	14%	DANGCEM	260.60	284.90	-9%
NPFMCRFBK	2.20	1.94	13%	CADBURY	8.70	9.50	-8%
VITAFOAM	24.40	22.00	11%	AIICO	0.76	0.82	-7%
ROYALEX	0.83	0.75	11%	NEIMETH	1.85	1.98	-7%
JBERGER	25.20	22.80	11%	SUNUASSUR	0.30	0.32	-6%
AIRTELAFRI	1,271.00	1,155.50	10%	NEM	3.49	3.70	-6%



Weekly Stock Recommendations as at Friday, January 28, 2022

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	3.94	12.57	27.50	15.40	19.50	25.00	16.58	22.43	28.21	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.29	2.96	3.99	1.40	2.72	3.28	2.31	3.13	20.76	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.16	8.17	5.18	1.79	4.57	6.09	3.88	5.26	33.26	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.42	2.54	9.25	4.40	8.45	9.50	7.18	9.72	12.43	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.15	13.37	27.00	8.95	25.60	30.00	21.76	29.44	17.19	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.72	3.51	29.52	10.70	25.75	32.14	21.89	29.61	24.80	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, January 28, 2022

FGN Eurobonds	Issue Date	TTM (years)	28-January-22 Price (N)	Weekly Naira Δ	28-January-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.08	97.20	0.57	7.6%	(0.10)
8.747 JAN 21, 2031	21-Nov-18	8.99	102.42	0.07	8.4%	(0.01)
7.875 16-FEB-2032	16-Feb-17	10.06	96.94	0.97	8.3%	(0.15)
7.375 SEP 28, 2033	28-Sep-21	11.67	92.83	0.13	8.3%	(0.01)
7.696 FEB 23, 2038	23-Feb-18	16.08	89.99	0.04	8.9%	(0.00)
7.625 NOV 28, 2047	28-Nov-17	25.85	87.78	0.16	8.8%	(0.02)
9.248 JAN 21, 2049	21-Nov-18	27.00	99.40	0.10	9.3%	(0.01)
8.25 SEP 28, 2051	28-Sep-21	29.68	91.35	(0.39)	9.1%	0.05

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