

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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## Segment Outlook:

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In the new week, the DMO will auction N150 billion worth of local bonds; viz: N75 billion a piece for the 12.50% FGN FEB 2026 and 13.00% FGN JAN 2042 Re-Openings. Hence, we expect the stop rates to moderate – given the huge maturing OMO bills even as DMO might mirror the declining trend in the money market stop rate...

### EQUITIES MARKET: Local Bourse Index Moderates by 0.16% as Profit Takers Dominate the Exchange...

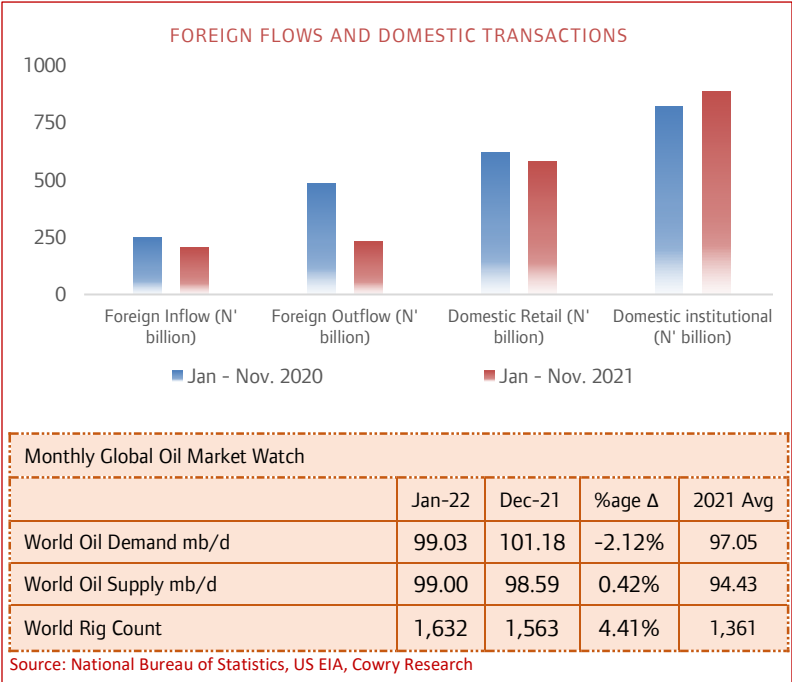
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ECONOMY: PFAs Shun Investment in T-Bills, Embraces Bank Placements as Fund Grew 9% in 2021 ...

Freshly released report on pension fund assets by National Pension Commission (NPC) revealed that the net value of pension assets rose by 9.09% to hit N13.42 trillion as at year-end 2021 from N12.31 trillion as at December 31, 2020. According to the report, a sizable chunk of the pension fund assets was invested in FGN securities even as we saw renewed interest in bank placements given the weak appetite of the fund managers in consolidating their positions in treasury bills securities. Specifically, share of FGN bonds to total assets increased to 62.01% (or N8.33 trillion) in the period under review, from 60.00% (or N7.38

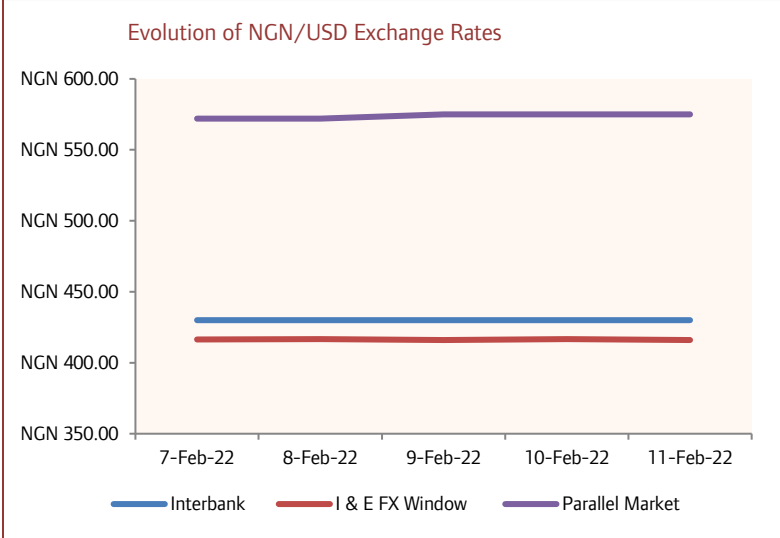
trillion) it printed in December 2020. However, PFAs’ investments in T-bills shrank year on year (y-o-y) by 59.30% to N255.70 billion in 2021 from N628.22 billion recorded in 2020 amid crystalizing interest rate risk – treasury bills rate for 364-day rocketed to 9.15% in June 2021 before settling at 4.9% in December 2021 from a very low of 1.21% printed in December 2020. As investment in treasury bills plunged, the share of FGN Securities to total assets moderated to 65.35% in 2021 from 66.07% recorded in 2020. Notably, we observed that money moved out of T-bills securities to Local Money Market Securities (LMMS), especially bank placements. Hence, total funds invested in this investment category rose by 20.04% to N2.03 trillion in December 2021 (lifting its share of the total assets to 15.09%), from N1.69 trillion in December 2020 (or 13.71% of total assets). Total invested fund placed with banks as a percentage of total pension fund assets stood at 14.64% (or N1.97 trillion) in 2021, rising from 12.44% (N1.53 trillion) in 2020 while investment in commercial papers, constituting 0.44% of investment in pension fund assets, decreased to N59.41 billion from N156.69 billion (constituting 1.27%). For corporates debt securities, the amount invested in this space increased by 12.93% to N943.34 billion in 2021 from N836.34 billion in 2020; also, its proportion to the total pension fund assets rose marginally to 7.03% from 6.80%. Similarly, investments in Sukuk and Green Bonds improved as their respective shares of allocated pension assets stood at N118.31 billion and N59.32 billion in the year under review, increasing from N93.55 billion and N13.81 billion respectively 2020. Cash and Other Assets which constituted 0.53% (or N71.37 billion) of the total pension fund assets in 2021 fell from 0.99% (or N122.80 billion) in 2020. Funds invested in Real Estate Properties as a fraction of the total pension fund assets decreased to 1.17% (or N156.79 billion) from 1.30% (or N159.70 billion) in the period under review. Meanwhile, pension fund assets investment in the domestic equities market rose to N915.31 billion in 2021 from N858.46 billion in 2020; albeit, the weight of total pension funds in local equities market decreased marginally to 6.82% from 6.98%. The equities market received better “patronage” from “RSA FUND II” and “RSA FUND III” as their total invested funds increased to N629.10 billion and N130.05 billion respectively in 2021, from N571.17 billion and N126.95 billion respectively in 2020.

We note that the increased risk appetite of PFAs for Bank Placements was essentially to access better yields in the short-term. This is in addition to their increased participation in the equities market in 2021 amid sustained economic recovery, although still considered fragile. Going forward, specifically in Q1 2022, we expect pension fund managers’ to stay invested in bank placements and equities market even as they renew their interest in T-bills as yields become better. We are however wary of PFAs’ increasing appetite for funding the banks’ balance sheets with retirement savings, thus exposing them to the possible whims of the banks and which might also be at risk in the event of an economic downturn which tends to result in higher non performing loans.



**FOREX MARKET: Naira Bounces Back against USD on I&E FXW as Bonny Light Price Nears USD100...**

In line with our expectations, the Naira/USD exchange rate fell (Naira appreciated) by 0.08% to close at N416.00/USD at the I&E FX Window as Bonny Light price – Nigeria’s crude variant – touched USD94.16 per barrel as at Thursday, February 10, 2022. On the weak side, Naira depreciated against the greenback by 0.38% to close at N575/USD at the Parallel market even as the external reserves fell w-o-w by 0.28% to USD39.87 billion as at Thursday, February 10, 2022. 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 fell (Naira gained) for most of the foreign exchange forward contracts. Specifically, 3 months, 6 months and 12 months contracts decreased by 0.12%, 0.02% and 0.04% to close at N424.26/USD, N434.01/USD and N448.61/USD respectively. However, 1 month and 2 months contracts increased (Naira depreciated) by 0.01% and 0.04% to close at N418.61/USD and N422.00/USD respectively.

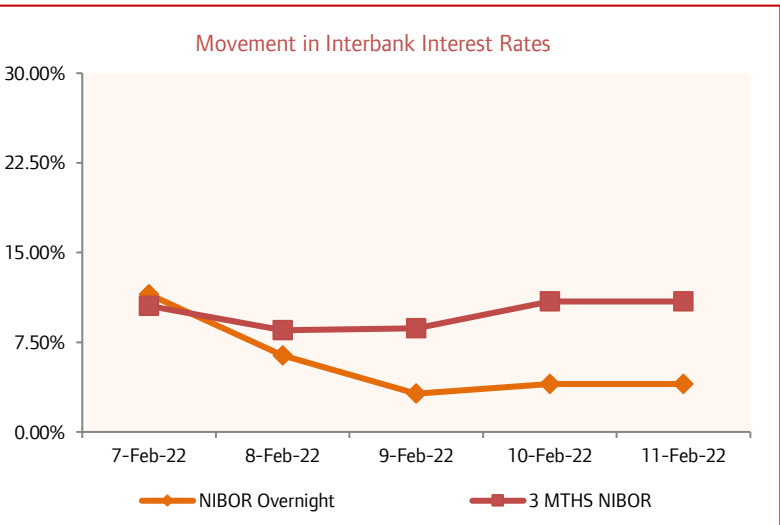


In the new week, we expect Naira depreciate against the USD, despite the high crude oil prices at the international market, amid declining external reserves.

**MONEY MARKET: Stop Rate for 364-day Bill Moderates to 5.2% amid 2x Over-Subscription...**

In the just concluded week, CBN allotted T-bills worth N214.96 billion to refinance the N98.01 billion worth of matured treasury bills. Notably, given the 2x over-subscription level, the stop rate for 364-day bill fell further to 5.20% (from 5.39%) despite the huge sale of N441.52 billion. Stop rates for 91-Day bill and 182-day bill were unchanged at 2.48% and 3.30% respectively. Despite the bullish mood in the primary market, NITTY moved northward for most maturities tracked. Hence, NITTY for 3 month, 6 months and 12 months maturities increased to 3.47% (from 3.45%), 4.37% (from 4.36%) and 5.77% (from 5.62%) respectively. However, NITTY for 1 months maturities decreased to 2.71% (from 2.89%) as investors played at the shorter end of the curve. Meanwhile, given the boost in financial system liquidity amid inflow of N139.14 billion, as against outflow of N80.00 billion, NIBOR for most tenor buckets closed southward. Specifically, NIBOR for Overnight, 1 month and 3 months tenor buckets plunged to 4.00% (from 23.00%), 9.59% (from 9.58%) and 10.91% (from 10.93%) respectively. However, 6 Months rate rose to 11.38% (from 11.05%).

In the new week, we expect activity in the money market to be slightly bullish as the financial system liquidity should be boosted by the maturing N140 billion worth of OMO bills – hence, we anticipate a fall in NIBOR for most tenor buckets.

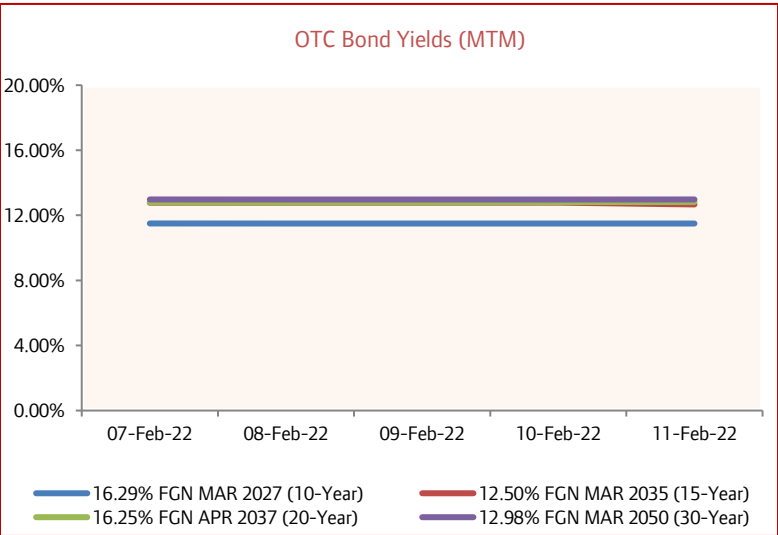


BOND MARKET: FGN Bond Yields Decline as Investors Remain Bullish ahead of Auction in the New Week...

In the just concluded week, investors were mostly bullish in the secondary market as the value of FGN bonds traded increased for most maturities tracked amid increased demand for 27s and 35s. Specifically, the yields of 10-year, 16.29% FGN MAR 2027 paper and 15-year 12.50% FGN MAR 2035 bond gained N0.55 and N0.70; their corresponding yields moderated to 11.50% (from 11.64%) and 12.67% (from 12.78%) respectively. On the flip side, 20-year 16.25% FGN MAR 2037 debt lost

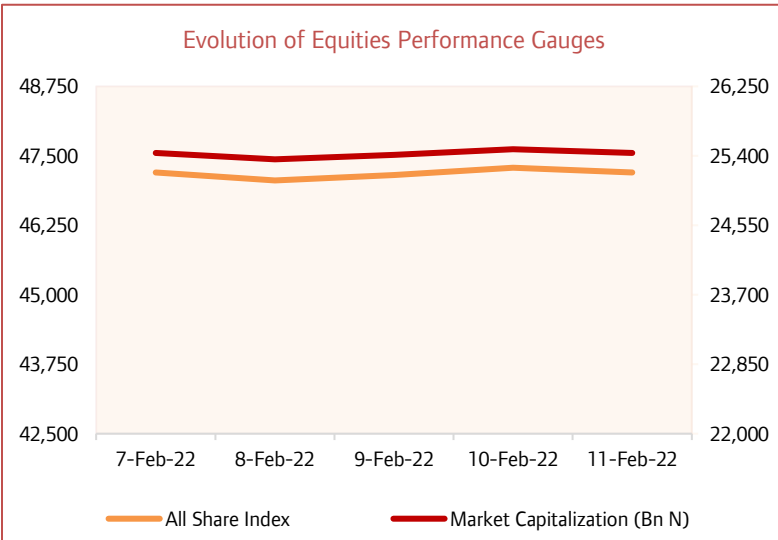
N0.29; its corresponding yield rose to 12.82% (from 12.79%) while the 30-year 12.98% FGN MAR 2050 instrument was flat at 12.97%. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on sustained bearish sentiment; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.32, USD1.60 and USD1.92 respectively; their corresponding yields increased to 3.70% (from 3.51%), 8.96% (from 8.96%) and 8.98% (from 8.83%) respectively.

In the new week, the DMO will auction N150 billion worth of local bonds; viz: N75 billion a piece for the 12.50% FGN FEB 2026 and 13.00% FGN JAN 2042 Re-Openings. Hence, we expect the stop rates to moderate – given the huge maturing OMO bills even as DMO might mirror the declining trend in the money market stop rate.



EQUITIES MARKET: Local Bourse Index Moderates by 0.16% as Profit Takers Dominate the Exchange...

In the just concluded week, the bullish activities in the domestic equities market witnessed a halt as profit takers took over the Exchange to make real their paper gains. Investors appeared to be unsatisfied with the recently released OKOMUOIL’s unaudited Q4 2021 financial results – which showed a marginal decline in profit after tax. Thus, we saw a 10% w-o-w decline in its share price to N127.80 per share. In line with the bearish trend, the All-Share Index moderated w-o-w by 0.16% to close at



47,202.30 points while the market capitalization shed N41.82 billion w-o-w to close at N25.43 trillion. Other stocks leading on the bearish table include, GUINEAINS, PZ, FTNCOCOA, CUTIX and UNILEVER. Their share prices closed lower by 9%, 7%, 5%, 5% and 4% respectively. Surprisingly, all sub-sector gauges tracked closed in green; the NGX Banking, NGX Insurance index, NGX Consumer Goods NGX Oil/Gas and the NGX Industrial indices rose by 2.34%, 1.51%, 1.35%, 0.29% and 0.06% respectively to close at 453.45 points, 185.85 points, 579.00 points, 423.93 points and 2,138.30 points respectively. Meanwhile, market activity improved as value of stocks traded rose by 15.74% to N22.70 billion. However, deals and volume fell by 13.60% and 25.44% respectively, to 24,039.00 and 1.33 billion units respectively.

In the new week, we expect the equities market to mellow as corporates that opted for 60-days filing option may release their audited FY 2021 results in the next two weeks; hence, we feel the new week will largely be quiet.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Feb 11 2022	Feb 4 2022	%Change	Symbol	Feb 11 2022	Feb 4 2022	% Change
SCOA	1.78	1.25	42%	OKOMUOIL	127.80	142.00	-10%
RTBRISCOE	0.39	0.28	39%	GUINEAINS	0.20	0.22	-9%
SUNUASSUR	0.39	0.30	30%	PZ	6.45	6.95	-7%
GUINNESS	60.50	48.55	25%	FTNCOCOA [RST]	0.36	0.38	-5%
FLOURMILL	32.30	29.20	11%	CUTIX	2.31	2.42	-5%
PRESCO	104.00	94.50	10%	UNILEVER	13.15	13.75	-4%
CHAMS	0.22	0.20	10%	VERITASKAP	0.22	0.23	-4%
NCR	3.30	3.00	10%	SOVRENINS	0.23	0.24	-4%
TOTAL	264.90	241.00	10%	CHAMPION [BLS]	2.11	2.20	-4%
ACADEMY	1.36	1.24	10%	BUAFOODS [BLS]	61.80	64.40	-4%



Weekly Stock Recommendations as at Friday, February 11, 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	0.31	3.18	3.99	1.40	2.93	3.28	2.49	3.37	12.11	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.13	7.96	5.18	1.79	4.45	6.09	3.78	5.12	36.85	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.43	2.62	9.25	4.40	8.70	9.50	7.40	10.01	9.20	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.20	13.97	27.00	8.95	26.75	30.00	22.74	30.76	12.15	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.76	3.66	29.52	10.70	26.90	32.14	22.87	30.94	19.46	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, February 11, 2022

FGN Eurobonds	Issue Date	TTM (years)	11-February-22 Price (N)	Weekly Naira Δ	11-February-22 Yield	Weekly PPT Δ
6.125 SEP 28, 2028	28-Sep-21	6.63	95.07	(1.35)	7.1%	0.27
7.143 FEB 23, 2030	23-Feb-18	8.04	96.49	(0.82)	7.7%	0.14
8.747 JAN 21, 2031	21-Nov-18	8.95	101.67	(1.39)	8.5%	0.22
7.875 16-FEB-2032	16-Feb-17	10.02	95.83	(1.46)	8.5%	0.23
7.375 SEP 28, 2033	28-Sep-21	11.64	91.78	(1.45)	8.5%	0.21
7.696 FEB 23, 2038	23-Feb-18	16.04	87.77	(1.60)	9.2%	0.21
7.625 NOV 28, 2047	28-Nov-17	25.81	84.52	(1.92)	9.2%	0.22
9.248 JAN 21, 2049	21-Nov-18	26.96	96.59	(2.03)	9.6%	0.21
8.25 SEP 28, 2051	28-Sep-21	29.65	88.59	(1.72)	9.4%	0.19

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