

## Cowry Financial Markets Review, Outlook & Recommended Stocks

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### Segment Outlook:

#### ECONOMY: January Inflation Rate Slows to 15.60%, Q4 2021 GDP Rises by 3.98% to N20.33 Trillion...

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#### MONEY MARKET: Overnight NIBOR Balloons as Financial Liquidity Dries up Towards Weekend...

In the new week, T-bills worth N345.28 billion will mature via the primary and secondary markets to exceed T-bills worth N115.28 billion which will mature via the primary market; viz: 91-day bills worth N20.44 billion, 182-day bills worth N22.86 billion and 364-day bills worth N90.38 billion. Hence, we expect the stop rates to marginally decline amid huge amount of maturing bills...

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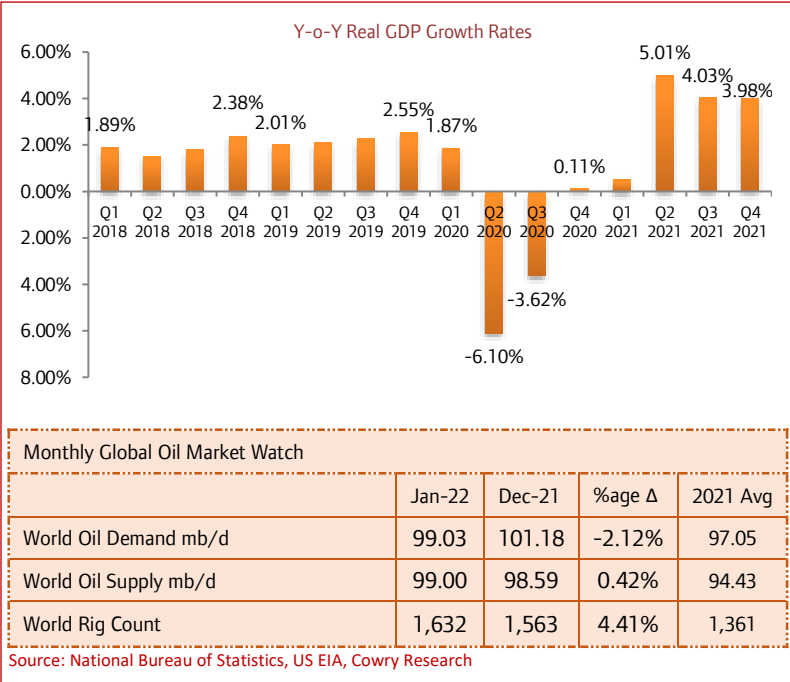
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ECONOMY: January Inflation Rate Slows to 15.60%, Q4 2021 GDP Rises by 3.98% to N20.33 Trillion...

Freshly released inflation report by National Bureau of Statistics (NBS) showed a reversal in the rising inflationary trend witnessed in December, as inflation rate moderated, albeit slightly, to 15.60% in January 2022 (from 15.63% recorded in December 2021) amid declining food prices in the review month compared to that of the festive period – although we still saw an element of high-base effect which had contributed to the declining food inflation. Sticky inflation rate was printed in urban areas at 16.17% but rural area inflation rate fell to 15.06% (from 15.11%) in January 2022. Given the usual associated high prices of

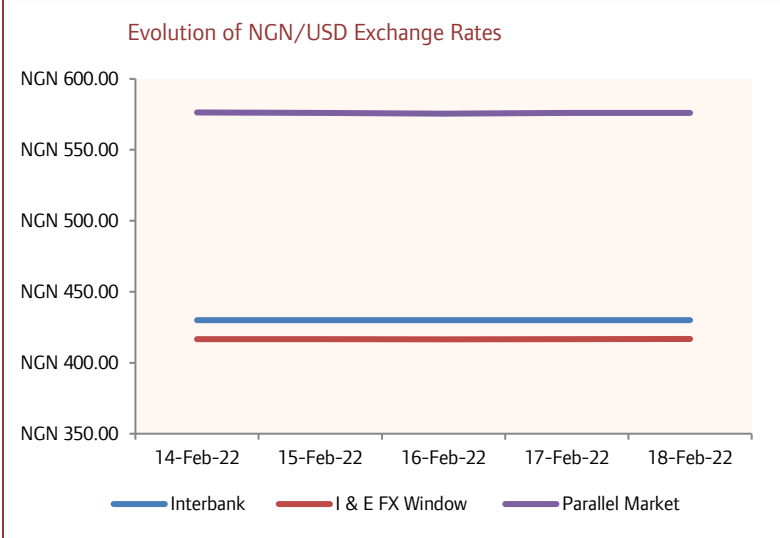
food in the yuletide season and the high-base effect, the food Index rose at a slower pace, by 17.13% in January 2022 (compared to 17.37% recorded in December 2021). Specifically, we saw weaker y-o-y increases in prices of oils & fats, bread & cereals, fish, coffee, tea & cocoa, tubers, dairy and egg. On the flip side, core inflation rate was flat at 13.87% y-o-y in January 2022 despite higher y-o-y rise in prices of clothing & footwear, Housing water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance. Meanwhile, imported food index rose by 17.40% (as against 17.34% in December 2021) as Naira depreciated marginally against the greenback at the parallel market. Two months moving average foreign exchange rate at this market rose m-o-m by 2.06% to N527.80/USD in January 2022. On a month-on-month basis, headline inflation declined sharply in January to 1.47% (from 1.82% in December 2021) on renewed drop in prices of food items. Hence, food inflation rate plunged to 1.62% from 2.19%. On the other hand, core inflation rate jumped to 1.25% from 1.12%. Meanwhile, Nigeria recorded a year-on-year real output growth rate of 3.98% to N20.33 trillion (or USD135.26 billion @ an average rate of N150.30/USD – 2010 based year) in Q4 2021 to stay on the recovery path from last year’s recession. Interestingly, the special intervention by the Central Bank of Nigeria (CBN), as about N3 trillion had been disbursed to households, small and medium scale enterprises, smallholder farmers and pharmaceutical companies amongst others, has had a lot of positive impact on the local economy – especially in cushioning the negative impact of COVID-19. Specifically, the relatively slowing growth was driven chiefly by a 4.73% y-o-y growth in non-oil sector; with Trade, Information & Communication, Agricultural and Financial Services sectors leading the largest growth rates of 5.34%, 5.03%, 3.58% and 24.14% respectively. However, the oil & gas sector, still in recession, saw a y-o-y decline of 8.06% in real output to N1.05 trillion (or USD7.02 billion) as average daily crude oil production dwindled. We note that Nigeria may not benefit much from the increase in crude oil price, which has risen above USD90 per barrel, given its low crude oil production. On a quarterly basis, real GDP increased by 9.63% to N20.33 trillion (or USD135.26 billion) from N18.54 trillion (or USD123.38 billion) in Q3 2021; with the non-oil sector rising by 12.36% to N19.27 trillion (or USD128.24 billion). On the flip side, Oil & Gas sector plunged by 24.06% q-o-q to N1.05 trillion (USD7.02 billion).

Cowry Research notes that the decline in food inflation rate in January was not out of place, given the reversal in food prices from the usual surge in the month of December 2021. Hence, the moderation in the m-o-m food inflation rate. Going forward, inflation rate is expected to increase amid fuel scarcity – as a result of the lingering adulterated fuel issue. Meanwhile, the declining growth for the three consecutive quarters in 2021 – from 5.01% in Q2 2021 down to 3.98% in Q4 2021 is suggestive of the need for the fiscal and the monetary authorities to keep supporting the fragile economic growth.



FOREX MARKET: Naira Loses Against USD at I&E FX Window Despite Gains on Forward Contracts...

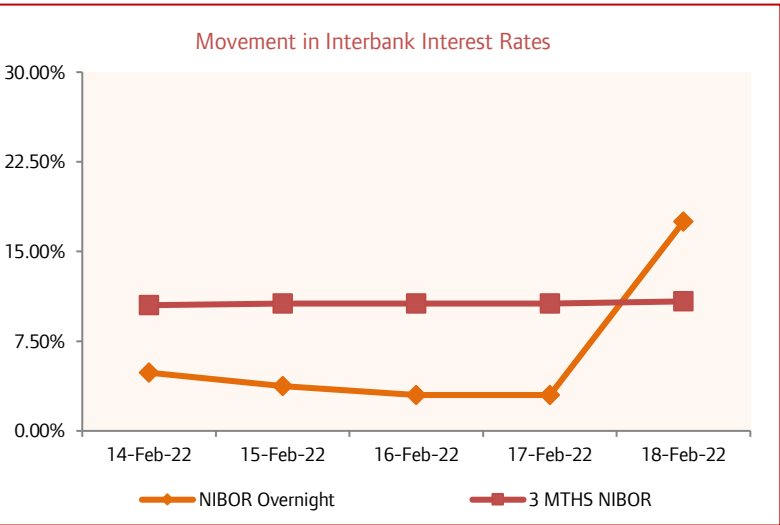
In line with our expectations, the Naira/USD exchange rate rose (Naira depreciated) by 0.18% to close at N416.75/USD at the I&E FX Window as external reserves dwindled further to USD39.77 billion as at Tuesday, February 15, 2022. Also, Naira depreciated against the greenback by 0.17% to close at N576/USD at the Parallel market. However, 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 all of the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts decreased by 0.06%, 0.16%, 0.03%, 0.13% and 0.12% to close at N418.34/USD, N421.34/USD, N424.15/USD, N433.45/USD and N448.06/USD respectively.



In the new week, we expect Naira to depreciate against the USD amid dwindling foreign exchange reserves even as the GDP report showed that the country’s oil & gas sector remained in recession.

MONEY MARKET: Overnight NIBOR Balloons as Financial Liquidity Dries up Towards Weekend...

In the just concluded week, the Treasury Bills primary market was quiet as there were no T-bills offer from the apex bank. Hence, investors scrambled for T-bills at the secondary market thus, depressing yields amid demand pressure. Specifically, NITTY for 1 month, 3 month, 6 months and 12 months maturities moderated to 2.66% (from 2.71%), 3.32% (from 3.47%), 4.03% (from 4.37%) and 5.21% (from 5.77%) respectively. Meanwhile, there was relatively higher sales at the OMO market as CBN sold N60.00 billion bills, howbeit, lower than the N135.90 billion worth of OMO bills which matured – hence, leading to a net inflow of N75.90 billion. Notably, NIBOR for 3 months and 6 Months tenor buckets fell to 10.83% (from 10.91%) and 11.35% (from 11.38%) respectively. However, as liquidity dried up towards the end of the week Overnight and 1 month rates rose to 17.50% (from 4.00%) and 9.63% (from 9.59%) respectively.



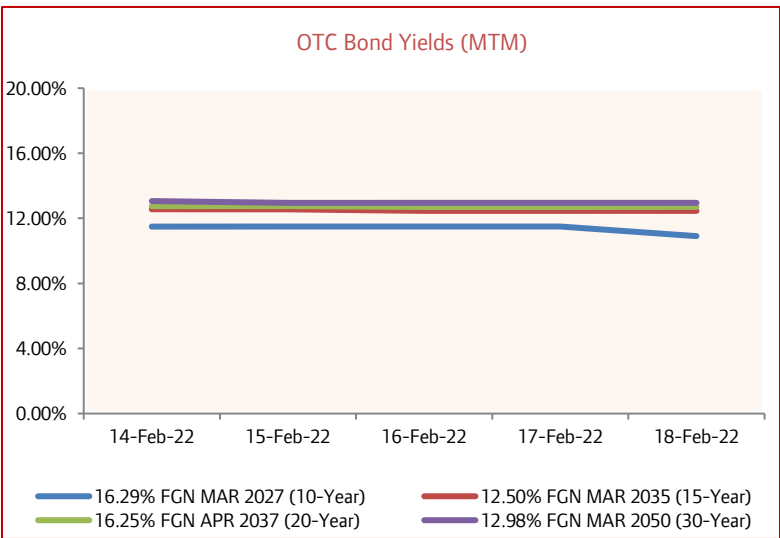
In the new week, T-bills worth N345.28 billion will mature via the primary and secondary markets to exceed T-bills worth N115.28 billion which will mature via the primary market; viz: 91-day bills worth N20.44 billion, 182-day bills worth N22.86 billion and 364-day bills worth N90.38 billion. Hence, we expect the stop rates to marginally decline amid huge amount of maturing bills.

**BOND MARKET: FGN Bond Yields Rises; 26s Sold at Lower Stop Rate Despite Huge Demand...**

In the just concluded week, the DMO allotted N297.39 billion worth of bonds; viz N103.47 billion for the 12.50% FGN JAN 2026 and N193.92 billion for the 13.00% FGN JAN 2042. Stop rates for 26s fell further to 10.95% from 11.50% while 42s, was done at a flat stop rate of 13.00%. Given the moderation in stop rate for 26s, investors went bullish in the secondary market, leading to increase in the value of FGN bonds traded for all maturities tracked. Interestingly, the 10-year, 16.29% FGN MAR

2027 paper and 15-year 12.50% FGN MAR 2035 bond gained N2.48 and N1.34; their corresponding yields moderated to 10.90% (from 11.50%) and 12.46% (from 12.67%) respectively. Also, the value of 20-year 16.25% FGN MAR 2037 debt and that of the 30-year 12.98% FGN MAR 2050 instrument increased by N0.94 and N0.19; their corresponding yields fell to 12.70% (from 12.82%) and 12.95% (from 12.97%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on 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 USD0.14, USD0.42 and USD0.68 respectively; their corresponding yields rose to 3.76% (from 3.70%), 9.22% (from 9.17%) and 9.28% (from 9.20%) respectively.

In the new week, we expect the value of FGN Bonds, especially for 42s to increase (and yields to fall) amid increased demand due to the N345.26 billion maturing bills in the money market.

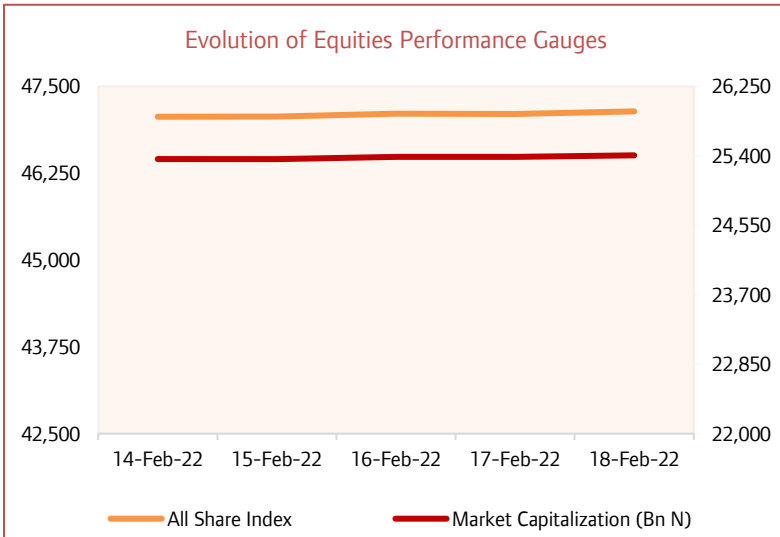


**EQUITIES MARKET: NGX Index Moderates by 0.13% amid Sustained Profit Taking Activity...**

In line with our expectations, the bearish activities in the domestic equities market was sustained as investors continued to make their profits a reality. Investors were mostly pessimistic early into the week; however, we saw a bit of positive momentum towards the end of the week as few companies released their audited financial report for the year ended 2021. Hence, the All-Share Index fell marginally w-o-w by 0.13% to close at 47,140.48 points while the market capitalization shed N29.46

billion w-o-w to close at N25.41 trillion. Profit taking was noticed on shares of BERGER, NGXGROUP, LASACO, CHIPLC and VITAFOAM. Their share prices closed lower by 10%, 8%, 6%, 6% and 6% respectively. Of the five sub-sector gauges tracked, three closed in red; the NGX Banking, NGX Oil/Gas and the NGX Industrial indices fell by 0.74%, 3.45% and 0.32% respectively to close at 450.09 points, 409.32 points and 2,131.36 points respectively. However, NGX Insurance index and NGX Consumer Goods index rose by 1.05% and 2.35% to 187.80 points and 592.59 points respectively. Meanwhile, we saw improvements in market activity as deals, volume and value of stocks traded rose by 3.03%, 28.74% and 35.52% to 24,767, 1.71 billion units and N30.76 billion respectively.

In the new week, we expect the equities market to be bullish as corporates that opted for 60-days filing option have started releasing their audited FY 2021 results with stimulating dividend payouts.



Top Ten Gainers				Bottom Ten Losers			
Symbol	Feb 18 2022	Feb 11 2022	%Change	Symbol	Feb 18 2022	Feb 11 2022	% Change
RTBRISCOE	0.60	0.39	54%	BERGER	7.55	8.35	-10%
LEARNAFRCA	2.20	1.50	47%	NGXGROUP	24.25	26.50	-8%
SCOA	2.35	1.78	32%	LASACO	1.05	1.12	-6%
ACADEMY	1.79	1.36	32%	CHIPLC	0.61	0.65	-6%
NCR	3.99	3.30	21%	VITAFOAM	22.95	24.45	-6%
NEM	4.01	3.32	21%	MANSARD	2.35	2.50	-6%
MULTIVERSE	0.25	0.21	19%	SEPLAT	800.00	850.00	-6%
GUINNESS	70.00	60.50	16%	STERLNBANK	1.63	1.73	-6%
ROYALEX	0.96	0.83	16%	CUSTODIAN	7.45	7.90	-6%
HONYFLOUR	4.02	3.50	15%	MAYBAKER	4.21	4.45	-5%



Weekly Stock Recommendations as at Friday, February 18, 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	0.32	3.28	3.99	1.40	3.02	3.28	2.57	3.47	8.76	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.07	7.53	5.18	1.79	4.21	6.09	3.58	4.84	44.66	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.42	2.57	9.25	4.40	8.55	9.50	7.27	9.83	11.11	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.18	13.79	27.00	8.95	26.40	30.00	22.44	30.36	13.64	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.75	3.65	29.52	10.70	26.80	32.14	22.78	30.82	19.91	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, February 18, 2022

FGN Eurobonds	Issue Date	TTM (years)	18-February-22 Price (N)	Weekly Naira Δ	18-February-22 Yield	Weekly PPT Δ
6.125 SEP 28, 2028	28-Sep-21	6.61	94.60	(0.47)	7.2%	0.10
7.143 FEB 23, 2030	23-Feb-18	8.02	96.22	(0.26)	7.8%	0.05
8.747 JAN 21, 2031	21-Nov-18	8.93	101.18	(0.49)	8.6%	0.08
7.875 16-FEB-2032	16-Feb-17	10.00	95.26	(0.58)	8.6%	0.09
7.375 SEP 28, 2033	28-Sep-21	11.62	91.18	(0.59)	8.6%	0.09
7.696 FEB 23, 2038	23-Feb-18	16.02	87.35	(0.42)	9.2%	0.06
7.625 NOV 28, 2047	28-Nov-17	25.79	83.84	(0.68)	9.3%	0.08
9.248 JAN 21, 2049	21-Nov-18	26.94	96.13	(0.46)	9.7%	0.05
8.25 SEP 28, 2051	28-Sep-21	29.63	88.13	(0.46)	9.4%	0.05

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