

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Aggregate Money Supply Rises in January amid Growing Demand, Time Deposits...

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FOREX MARKET: Naira Appreciates at I&E FX Window but Slides at the Parallel Market...

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MONEY MARKET: Stop Rate for 364-day Bill Moderates to 4.35% amid Strong Investor Demand ...

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BOND MARKET: FGN Bond Yields Decline as Investors Remain Bullish...

In the new week, we expect to see increased bullish activity against the backdrop of boost in financial system liquidity, especially around the belly of the curve. Albeit, we anticipate cautious play at the long end of the yield curve to avoid interest rate risk...

EQUITIES MARKET: Local Bourse Records Modest Gains amid Mildly Bullish Play...

In the new week, we expect the equities market to witness speculative buys ahead of year end corporate releases particular for companies which opted for 60-days filing option. Overall, we anticipate that the bourse will close in the bullish territory...

ECONOMY: Aggregate Money Supply Rises in January amid Growing Demand, Time Deposits...

Recently released Depository Corporations Survey by Central Bank of Nigeria showed that broad money supply, M3 Money, grew year-to-date by 1.70% to N44.56 trillion in January 2022. This was driven by a 1.46% increase in M2 to N44.46 trillion and an 11,711% spike in CBN bills to N107.38 billion (from N0.1 billion in the preceding month) amid efforts to rein in surplus liquidity. Growth in central bank bills also came with its own cost implications as well as increased indebtedness of the apex bank. Growth in Broad Money supply was on the back of increases in Quasi Money (consisting of time deposits, near-maturing securities, foreign currencies, etc) and Narrow Money or M1 Money (comprising demand deposits and currency outside banks) by 0.34% and 3.03% to N25.74 trillion and N18.72 trillion respectively.

Depository Corporations Survey (N 'Trn)	Date	Value	MTD % Δ	YTD % Δ
Currency outside banks	Jan, 2022	2.78	0.00	(5.52)
Bank reserves	Jan, 2022	10.32	0.00	3.51
Currency in circulation	Jan, 2022	3.29	0.00	(1.12)
Reserve money	Jan, 2022	13.61	0.00	2.36
Demand deposits	Jan, 2022	15.94	0.00	4.68
M1 Money	Jan, 2022	18.72	0.00	3.03
Quasi money	Jan, 2022	25.74	0.00	0.34
M2 Money	Jan, 2022	44.46	0.00	1.46
CBN Bills	Jan, 2022	0.11	0.001	11,711
M3 Money	Jan, 2022	44.56	0.00	1.70
Monetary Policy Rate (%)	Jan, 2022	11.50	0.00	0.00
Credit to the Government	Jan, 2022	14.28	0.00	7.13
Credit to the Private Sector	Jan, 2022	35.45	0.00	0.73
Net Domestic Credit	Jan, 2022	49.73	0.00	2.49
Net Foreign Assets	Jan, 2022	8.66	0.00	(1.79)

Source: Central Bank of Nigeria, Cowry Research

Monthly Global Oil Market Watch				
	Jan-22	Dec-21	%age Δ	2021 Avg
World Oil Demand mb/d	99.03	101.18	-2.12%	97.05
World Oil Supply mb/d	99.00	98.59	0.42%	94.43
World Rig Count	1,632	1,563	4.41 %	1,361

Source: National Bureau of Statistics, US EIA, Cowry Research

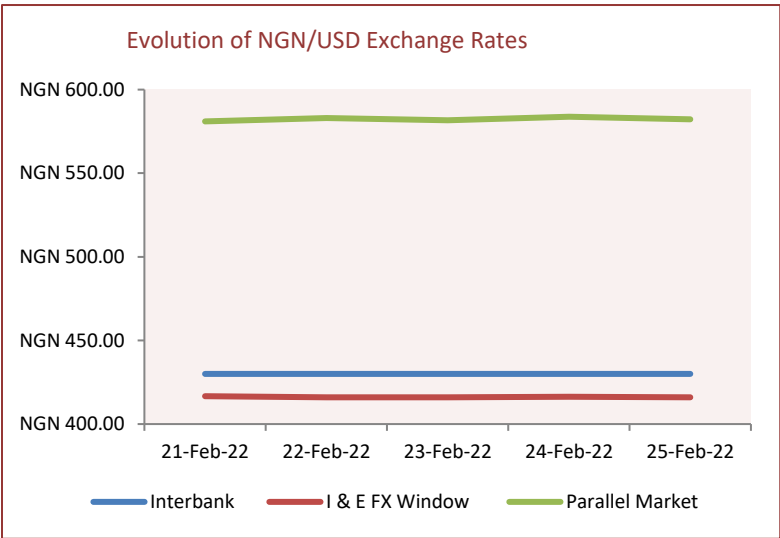
Increases in quasi money may not be unconnected to, among other things, growing appetite of pension funds administrators to place retirement savings with commercial banks at relatively attractive interest rates. As reported in the February 11, 2022 edition of our CWR, “we observed that money moved out 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).” Similarly, Reserve Money rose 2.36% to N13.61 trillion as bank reserves with the Central Bank increased by 3.51% to N10.32 trillion (partly in tandem with increased deposits at the banks), to partly offset by a 5.52% decline in currency outside banks to N2.78 trillion. On the asset side, Net Domestic Credit grew by 2.49% to N49.73 trillion as Credit to the Private Sector upped by 0.73% to N35.45 trillion while Credit to the Government increased by 7.13% to N14.28 trillion. However, Net Foreign Assets moderated by 1.79% amid pressures on Nigeria’s foreign sector.

The rise in the Narrow money without a faster rise in GDP may result in higher inflation in 2022. In 2021, the velocity of Narrow money moderated to 10.16 times from 11.49 times in the preceding year even though Narrow Money rose by 14% over the period. Hence, the productivity of the country needs a lot of improvement going forward

The rise in the Narrow money without a faster rise in GDP may result in higher inflation in 2022. In 2021, the velocity of Narrow money moderated to 10.16 times from 11.49 times in the preceding year even though Narrow Money rose by 14% over the period. Hence, the productivity of the country needs a lot of improvement going forward. Meanwhile, in the wake of the Russian Invasion of Ukraine, we are concerned that Nigeria would not optimally benefit from any ensuing rise in crude oil prices due to its suboptimal crude oil production. This would increase pressure on the external reserves as well as exchange rates as oil dollar revenues, its primary foreign currency earner, would struggle to meet higher cost of imported refined products in addition to other imports.

FOREX MARKET: Naira Appreciates at I&E FX Window but Slides at the Parallel Market...

In the just concluded week, the Naira/USD exchange rate fell (Naira appreciated) by 0.18% to close at N416.00/USD at the I&E FX Window as Bonny Light price. However, Naira depreciated against the greenback at the Parallel market by 1.09% to close at N582.30/USD. 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

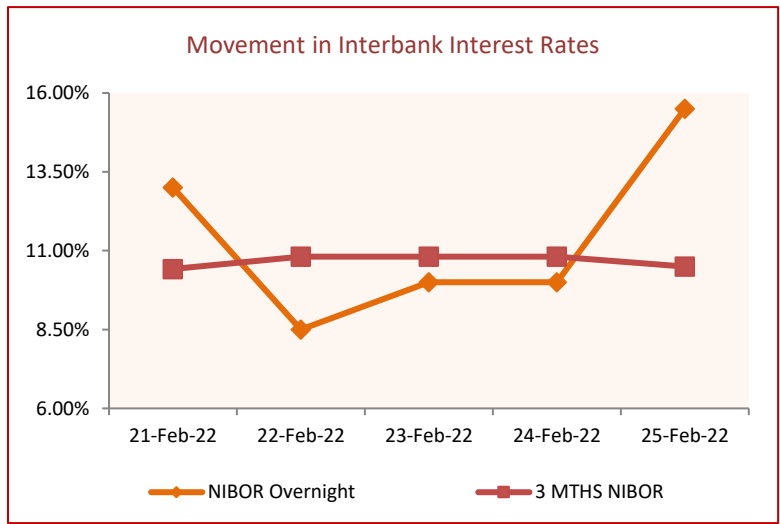


Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate rose (Naira lost) for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts rose by 0.04%, 0.10%, 0.22%, 0.35% and 1.63% to close at N418.51/USD, N421.78/USD, N425.07/USD, N434.96/USD and N455.35/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 4.35% amid Strong Investor Demand...

In the just concluded week, CBN sold T-bills worth N258.01 billion as well as OMO bills worth N100 billion, in excess of the N115.28 billion worth of matured treasury bills. Notably, the stop rate for the 364-day bills tumbled to 4.35% (from 5.20%) given an almost 2x subscription level compared to a sale amount of N241.61 billion. Similarly, stop rate for 91-Day bill moderated to 2.24% (from 2.48%). However, stop rate for the 182-day bill was unchanged at 3.30%. Meanwhile, NITTY moved in mixed

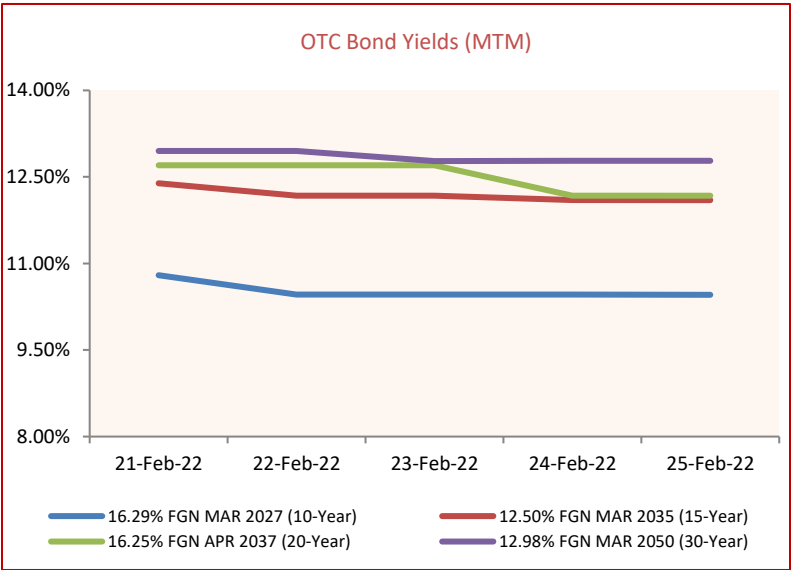


directions: while NITTY for 1 month and 3 months maturities rose to 2.78% (from 2.66%) and 3.34% (from 3.32%) respectively, NITTY for 6 months and 12 months maturities fell to 3.98% (from 4.03%) and 4.82% (from 5.21%) respectively. Also in the week, FAAC disbursed N574.67 billion and given the boost in financial system liquidity, NIBOR closed southward. Specifically, NIBOR for Overnight, 1 month, 3 months and 6 Months tenor buckets moderated to 15.50% (from 17.50%), 9.60% (from 9.63%), 10.50% (from 10.83%) and 10.83% (from 11.35%) respectively.

In the new week, we expect bullish sentiment to remain in the T-Bills space against the backdrop of the recent inflows (FAAC plus matured bills) and as investors play at the short end of the yield curve in order to mitigate interest rate risk. We also expect moderation in NIBOR for most tenor buckets amid boost in liquidity.

BOND MARKET: FGN Bond Yields Decline as Investors Remain Bullish...

In the just concluded week, investors generally bullish in the secondary market as the value of FGN bonds traded increased for most maturities tracked. This was amid boost in financial system liquidity. Specifically, the 10-year, 16.29% FGN MAR 2027 paper, 15-year 12.50% FGN MAR 2035 bond, 20-year 16.25% FGN MAR 2037 debt and the 30-year 12.98% FGN MAR 2050 instrument appreciated by N1.89, N2.33, N4.27 and N1.30 respectively while their corresponding yields fell to 10.46%, 12.10%, 12.18% and 12.78% respectively.

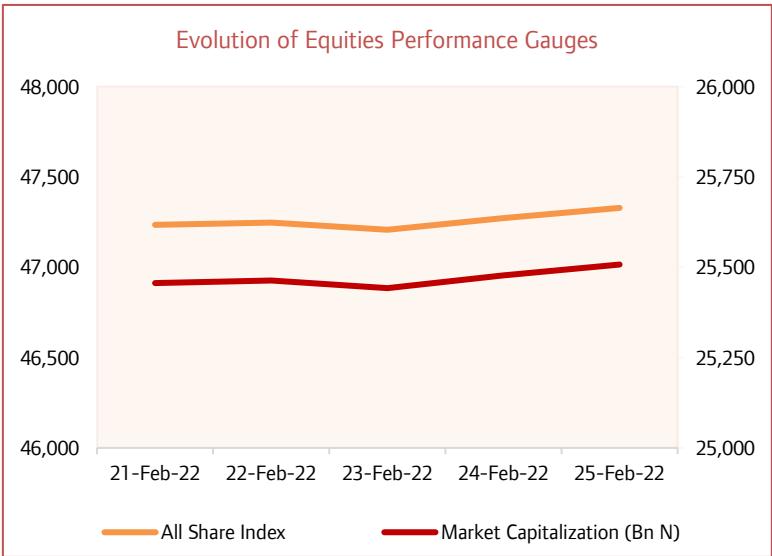


Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on sustained bearish sentiment; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.63, USD1.51 and USD1.64 respectively; their corresponding yields increased to 4.19% (from 3.76%), 9.43% (from 9.22%) and 9.48% (from 9.28%) respectively.

In the new week, we expect to see increased bullish activity against the backdrop of boost in financial system liquidity, especially around the belly of the curve. Albeit, we anticipate cautious play at the long end of the yield curve to avoid interest rate risk.

EQUITIES MARKET: Local Bourse Records Modest Gains amid Mildly Bullish Play...

In the just concluded week, the Nigerian Exchange witnessed moderate bullish activity as the All Share Index and Market Capitalization each rose by 40bps to close at 47,328.42 points and N25.51 trillion. Investors stayed on the sidelines as market activity was generally lower given that volume and value of stocks traded fell by 2.63% and 36.68% to 1.67 billion shares and N19.48 billion respectively; in spite of a 4.89% increase in today deals to 25,979. Most sector gauges closed in the green: the NGX Banking index, NGX Insurance index and NGX Oil/Gas index increased by 0.21%, 0.73% and 3.89% to 451.04 points, 189.17 points and 425.25 points respectively. However, NGX Consumer Goods index and NGX Industrial Goods index declined by 1.08% and 0.01% to 586.29 points and 2,131.12 points respectively.



In the new week, we expect the equities market to witness speculative buys ahead of year end corporate releases particular for companies which opted for 60-days filing option. Overall, we anticipate that the bourse will close in the bullish territory.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Feb 25 2022	Feb 18 2022	%Change	Symbol	Feb 25 2022	Feb 18 2022	%Change
RTBRISCOE	0.94	0.60	56.67%	ELLAHLAKES	3.83	4.25	-9.88%
ETRANZACT	2.66	2.00	33.00%	FLOURMILL	32.00	35.10	-8.83%
ROYALEX	1.25	0.96	30.21%	VERITASKAP	0.22	0.24	-8.33%
MAYBAKER	5.45	4.21	29.45%	MULTIVERSE	0.23	0.25	-8.00%
SCOA	2.83	2.35	20.43%	HONYFLOUR	3.73	4.02	-7.21%
LEARNAFRCA	2.61	2.20	18.64%	DANGSUGAR	17.00	18.30	-7.10%
CORNERST	0.70	0.60	16.67%	ETI	11.35	12.00	-5.42%
UCAP	14.00	12.00	16.67%	NEM	3.80	4.01	-5.24%
BERGER	8.30	7.55	9.93%	JAPAULGOLD	0.37	0.39	-5.13%
ACADEMY	1.96	1.79	9.50%	NEIMETH	1.81	1.90	-4.74%



Weekly Stock Recommendations as at Friday, February 25, 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	Q2 2021	19,180.00	0.92	0.66	9.44	0.32	3.33	3.99	1.40	3.06	3.28	2.60	3.52	7.34	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.39	9.75	5.45	1.79	5.45	6.09	4.63	6.27	11.74	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	1.18	13.74	27.00	8.95	26.30	30.00	22.36	30.25	14.07	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.76	3.67	29.52	10.70	26.95	32.14	22.91	30.99	19.24	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, February 25, 2022

FGN Eurobonds	Issue Date	TTM (years)	25-February-22 Price (N)	Weekly Naira Δ	25-February-22 Yield	Weekly PPT Δ
6.50 NOV 28, 2027	28-Nov-17	5.76	96.24	(2.13)	7.3%	0.47
6.125 SEP 28, 2028	28-Sep-21	6.59	92.60	(2.00)	7.6%	0.40
7.143 FEB 23, 2030	23-Feb-18	8.00	94.66	(1.56)	8.1%	0.27
8.747 JAN 21, 2031	21-Nov-18	8.91	98.63	(2.55)	9.0%	0.42
7.875 16-FEB-2032	16-Feb-17	9.98	93.00	(2.26)	9.0%	0.36
7.375 SEP 28, 2033	28-Sep-21	11.60	90.15	(1.03)	8.7%	0.15
7.696 FEB 23, 2038	23-Feb-18	16.01	85.84	(1.51)	9.4%	0.21
7.625 NOV 28, 2047	28-Nov-17	25.77	82.20	(1.64)	9.5%	0.20
9.248 JAN 21, 2049	21-Nov-18	26.92	94.80	(1.33)	9.8%	0.15
8.25 SEP 28, 2051	28-Sep-21	29.61	86.98	(1.15)	9.6%	0.13

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