

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Participation by Foreign Portfolio Investors in Local Bourse Dwindles Further in January...

We note the gradual decline in equities participation by foreign portfolio investors from 2018 to date which is due to several reasons, the least not being foreign exchange rate risk. There is the additional challenge/threat of local investors actively seeking to build foreign portfolios for similar reasons in order to hedge their assets against probable further Naira depreciation amid weakening foreign exchange earnings of the country. We nevertheless note that local bourse would still provide bargain opportunities for the sophisticated investor...

FOREX MARKET: Naira Loses against USD at I&E FX Window Despite Rising Crude Oil Prices...

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MONEY MARKET: NITTY Moderates Further as CBN Still Signals Expansionary Stance...

In the new week, T-bills worth N204.00 billion will mature via the primary and secondary markets to exceed T-bills worth N94.00 billion which will mature via the primary market; viz: 91-day bills worth N1.55 billion, 182-day bills worth N11.88 billion and 364-day bills worth N80.57 billion. Hence, we expect the stop rate to marginally decline amid fresh liquidity boost from the maturing bills and the bias of CBN for an expansionary policy...

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

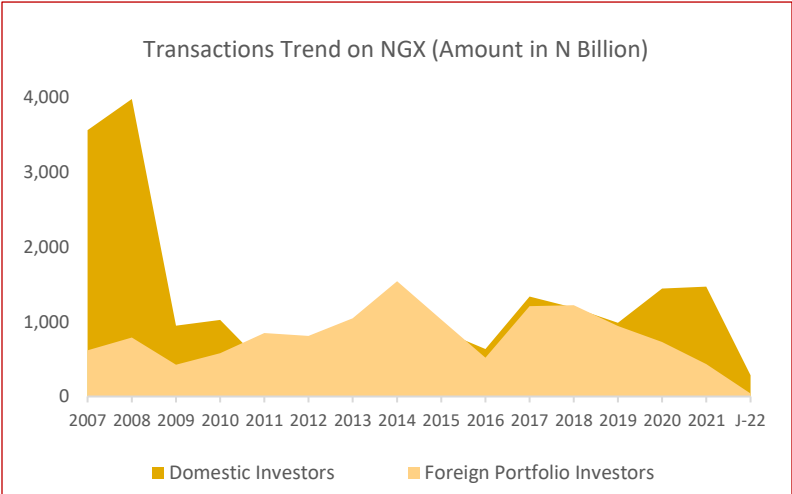
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EQUITIES MARKET: Gain on Seplat Fails to Lift Local Bourse as All-Share Index Falls by 0.13%...

In the new week, we expect a marginal bullish run in the equities market on the back of year-end corporate releases this month. Specifically, we feel that the NGX Oil & Gas index may witness sustained rise amid the conflict in Eastern Europe...

ECONOMY: Participation by Foreign Portfolio Investors in Local Bourse Dwindles Further in January...

The January edition of the Nigerian Exchange (NGX) report on domestic and foreign portfolio participation in equities trading showed that total equities market transactions increased Year-to-Date by 104% to N323.38 billion in January 2022. This was in line with our outlook for the first quarter of 2022 in which we anticipated increased bullish activity amid expectations 2021 full year financial results of corporates. Transactions also gushed by 39% when compared to January 2021, partly due to a low base occasioned by the global pandemic. Both local investors and foreign portfolio investors registered increased transaction sizes. Statistics showed that transactions by local investors surpassed those by foreign investors by an even wider margin at 87:13 in January 2022 compared to 78:22 in December 2021 (and 80:20 in January 2021) as the latter category remained on the side lines amid greater uncertainty over Nigeria’s foreign exchange rate outlook despite improved financial performance of quoted corporates. Further breakdown showed that domestic institutional investors generated the highest transaction value, followed by domestic retail investors; while foreign portfolio investors’ contribution remained the least.

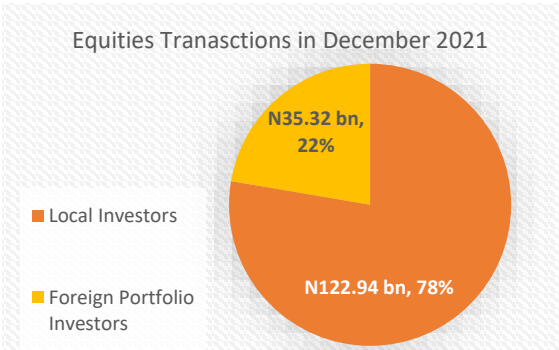
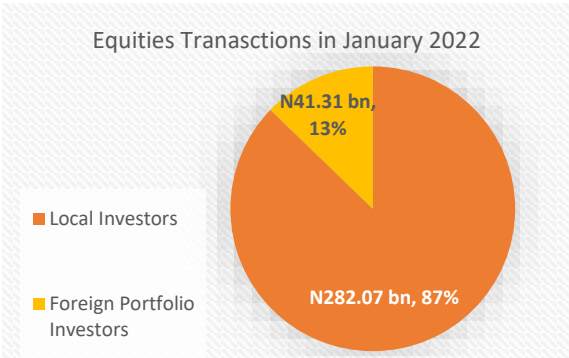
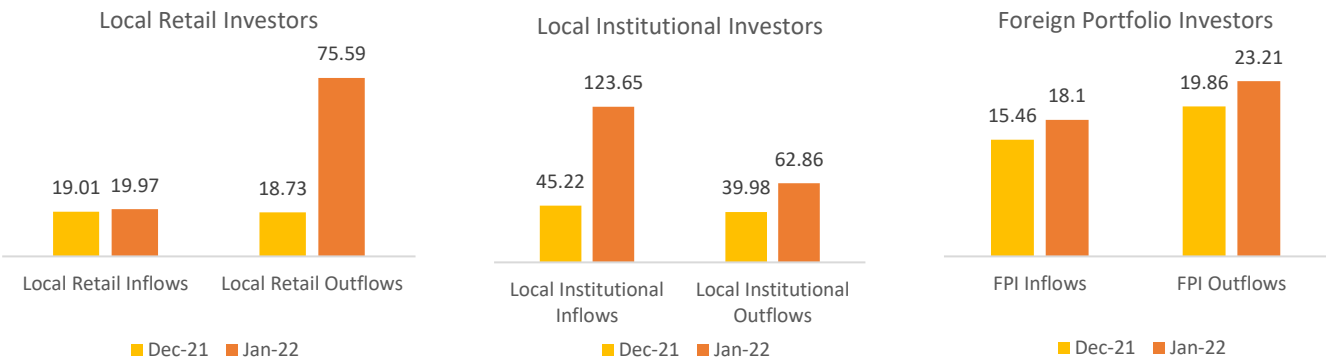


Source: Nigerian Exchange, Cowry Research

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

Foreign & Local Participation in the Nigerian Exchange in January (Amounts in N Billion)

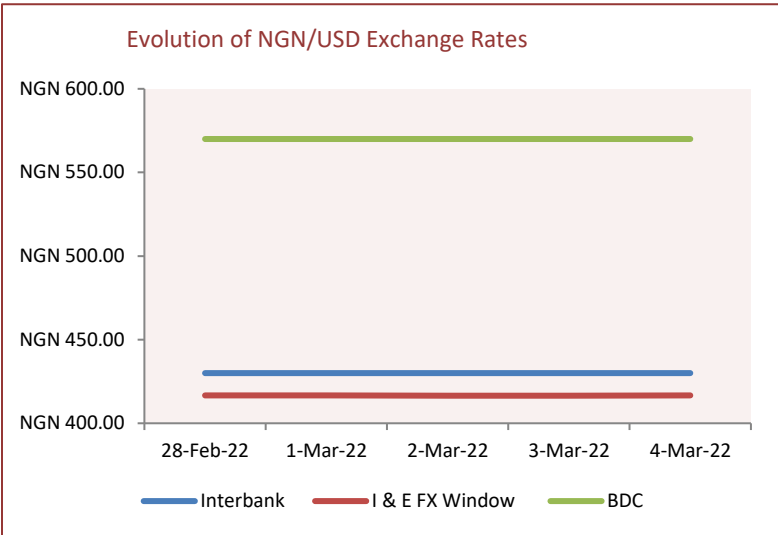


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We note the gradual decline in equities participation by foreign portfolio investors from 2018 to date which is due to several reasons, the least not being foreign exchange rate risk. There is the additional challenge/threat of local investors actively seeking to build foreign portfolios for similar reasons in order to hedge their assets against probable further Naira depreciation amid weakening foreign exchange earnings of the country. We nevertheless note that local bourse would still provide bargain opportunities for the sophisticated investor.

FOREX MARKET: Naira Loses against USD at I&E FX Window Despite Rising Crude Oil Prices...

In the just concluded week, the Naira/USD exchange rate rose (Naira depreciated) by 0.16% to close at N416.67/USD at the I&E FX Window despite the rising crude oil prices which crossed the USD100 per barrel line amid Russia–Ukraine crisis. However, Naira appreciated against the greenback at the Parallel market by 0.74% to close at N578/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210

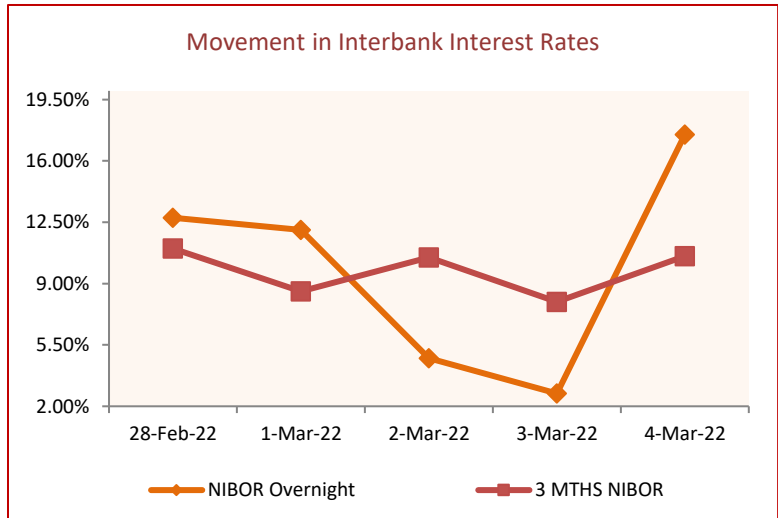


million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate fell (Naira gained) for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts gained 0.05%, 0.10%, 0.17%, 0.35% and 1.32% to close at N418.30/USD, N421.34/USD, N424.34/USD, N433.42/USD and N449.35/USD respectively.

In the new week, we expect sustained pressure at the I&E FXWindow as the markets react to strain in forex supply despite higher crude oil prices at the international market as production output remains low.

MONEY MARKET: NITTY Moderates Further as CBN Still Signals Expansionary Stance...

In the just concluded week, given the muted activity in the treasury bills primary market, coupled with CBN’s body language to continue to support expansionary policy, we saw NITTY moderate for all maturities tracked: NITTY for 1 month, 3 months, 6 months and 12 months maturities fell to 2.51% (from 2.78%), 3.26% (from 3.34%), 3.67% (from 3.98%) and 4.43% (from 4.82%) respectively. Meanwhile, CBN sold OMO bills worth N40 billion, lower than the N70 billion worth of matured bills in the review week.

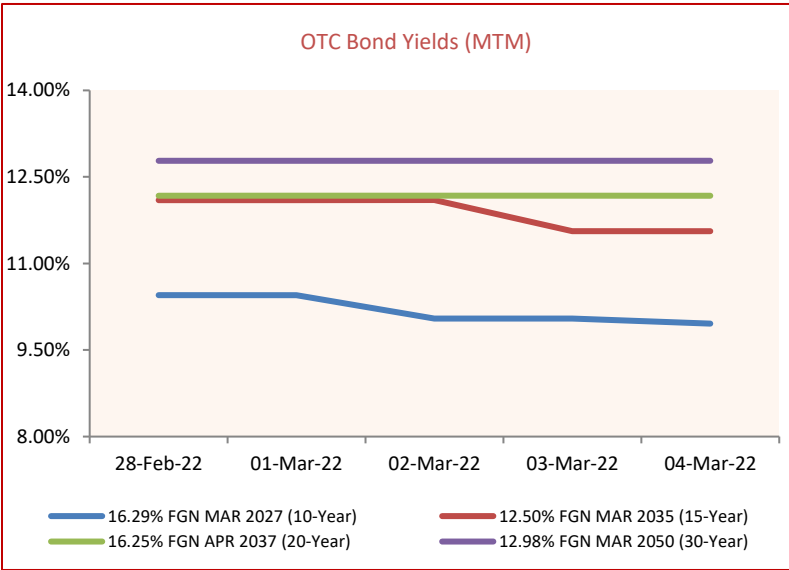


Despite the net inflow, NIBOR closed northward for most tenor buckets as Overnight and 3 months tenor buckets increased to 17.50% (from 15.50%) and 10.56% (from 10.50%) respectively. However, 1 month tenor bucket was flat at 9.60% while 6 Months tenor bucket fell to 10.80% (from 10.83%).

In the new week, T-bills worth N204.00 billion will mature via the primary and secondary markets to exceed T-bills worth N94.00 billion which will mature via the primary market; viz: 91-day bills worth N1.55 billion, 182-day bills worth N11.88 billion and 364-day bills worth N80.57 billion. Hence, we expect the stop rate to marginally decline amid fresh liquidity boost from the maturing bills and the bias of CBN for an expansionary policy.

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

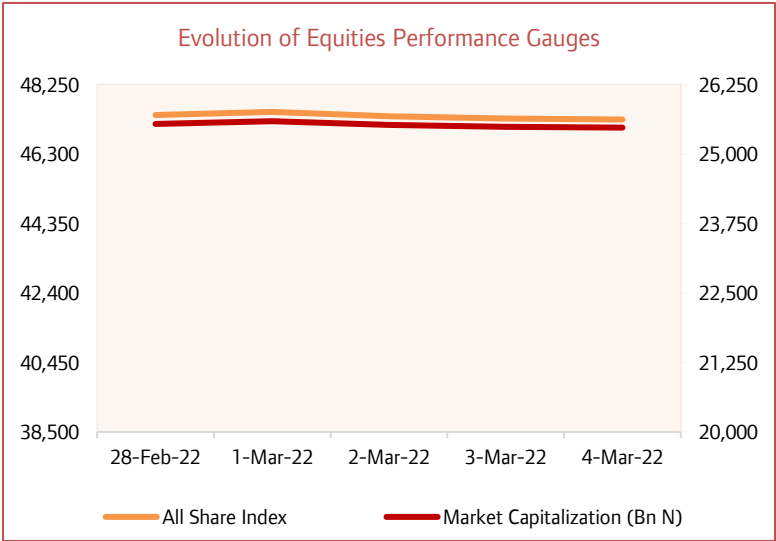
In the just concluded week, investors were generally bullish in the secondary market as the value of FGN bonds traded increased for most maturities tracked. This could also be linked to boost in financial system liquidity. Specifically, the 10-year, 16.29% FGN MAR 2027 paper and 15-year 12.50% FGN MAR 2035 bond appreciated by N2.16 and N3.67 respectively; their corresponding yields fell further to 9.96% (from 10.46%) and 11.56% (from 12.10%) respectively. The 20-year 16.25% FGN MAR 2037 debt and the 30-year 12.98% FGN MAR 2050 instrument were flat at 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 despite the rise in crude oil prices which suggest improved earnings for FG. 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 USD0.84, USD3.18 and USD3.49 respectively; their corresponding yields increased to 4.80% (from 4.19%), 9.88% (from 9.43%) and 9.93% (from 9.48%) respectively.



In the new week, we expect to see increased bullish activity against the backdrop of boost in financial system liquidity. Albeit, we advise a cautious play in FGN bonds as FGN eurobonds now return up to 10%.

EQUITIES MARKET: Gain on Seplat Fails to Lift Local Bourse as All-Share Index Falls by 0.13%...

In the just concluded week, the local bourse witnessed bearish activity as investors turned their paper profit to cash in order to avoid a dividend trap. Hence, the All-Share Index and Market Capitalization each moderated by 13bps to close at 47,268.61 points and N25.48 trillion. Notwithstanding, the bulls saw the bearish sentiment as an opportunity to position in some fundamentally-sound stocks – hence, positively impacting market activity as value of stocks traded rose by 22.10% to N23.79 billion with a 10.89% increase in deals to 28,809. However, volume of stocks traded fell by 17.62% to 1.37 billion units. Most sector gauges closed in red territory except for the NGX Oil/Gas which rose by 10.61% as Seplat shares gained 20% in the week under review. The NGX Banking index, NGX Insurance index, NGX Consumer Goods index and the NGX Industrial Goods index fell by 2.71%, 0.17%, 1.71% and 0.67% to 438.81 points, 188.84 points, 576.24 points and 2,116.84 points respectively.



In the new week, we expect a marginal bullish run in the equities market on the back of year-end corporate releases this month. Specifically, we feel that the NGX Oil & Gas index may witness sustained rise amid the conflict in Eastern Europe.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Mar 4 2022	Feb 28 2022	%Change	Symbol	Mar 4 2022	Feb 28 2022	% Change
SEPLAT	1,034.00	859.90	20%	RTBRISCOE	0.63	0.85	-26%
FCMB	3.41	3.10	10%	LEARNAFRCA	1.98	2.61	-24%
ABCTrans	0.35	0.32	9%	NIGERINS	0.23	0.30	-23%
COURTVILLE	0.60	0.55	9%	NGXGROUP	20.80	25.05	-17%
JOHNHOLT	0.86	0.79	9%	CUTIX	2.30	2.70	-15%
GLAXOSMITH	6.40	6.05	6%	LIVESTOCK	1.70	1.99	-15%
JAIZBANK	0.77	0.73	5%	INTBREW [BLS]	5.00	5.75	-13%
LINKASSURE	0.58	0.55	5%	UPDC [BLS]	0.92	1.05	-12%
MULTIVERSE	0.24	0.23	4%	TRANSCORP [MRF]	1.08	1.23	-12%
NEM	3.95	3.80	4%	WAPCO	24.00	26.95	-11%



Weekly Stock Recommendations as at Friday, March 4, 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	3.55	11.31	27.50	15.40	17.55	25.00	14.92	20.18	42.45	Buy
Fidelity Bank	Q2 2021	19,180.00	0.92	0.66	9.44	0.31	3.16	3.99	1.40	2.91	3.28	2.47	3.35	12.88	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	0.41	2.48	9.25	4.40	8.25	9.50	7.01	9.49	15.15	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.07	12.53	27.00	8.95	24.00	30.00	20.40	27.60	25.00	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.74	3.60	29.52	10.70	26.45	32.14	22.48	30.42	21.50	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, March 4, 2022

FGN Eurobonds	Issue Date	TTM (years)	25-February-22 Price (N)	Weekly Naira Δ	25-February-22 Yield	Weekly PPT Δ
6.125 SEP 28, 2028	28-Sep-21	6.58	90.40	(2.20)	8.0%	0.47
7.143 FEB 23, 2030	23-Feb-18	7.98	92.30	(2.36)	8.5%	0.43
8.747 JAN 21, 2031	21-Nov-18	8.89	96.48	(2.15)	9.3%	0.37
7.875 16-FEB-2032	16-Feb-17	9.96	90.36	(2.64)	9.4%	0.44
7.375 SEP 28, 2033	28-Sep-21	11.58	87.17	(2.98)	9.2%	0.46
7.696 FEB 23, 2038	23-Feb-18	15.99	82.66	(3.18)	9.9%	0.45
7.625 NOV 28, 2047	28-Nov-17	25.75	78.71	(3.49)	9.9%	0.45
9.248 JAN 21, 2049	21-Nov-18	26.90	91.30	(3.50)	10.2%	0.40
8.25 SEP 28, 2051	28-Sep-21	29.59	83.17	(3.81)	10.0%	0.46

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