

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Inflation Rate Rises 10bps to 15.70% on Cost Pressures; MPC Decides Benchmark Rate...

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FOREX MARKET: Naira Stabilises against USD at I&E FX Window as FG Raises USD1.25 billion Eurobonds...

In the new week, we expect renewed pressure at the I&E FX Window as the markets react to the falling price of Bonny light – the Nigerian sweet crude fell to USD108/barrel from USD130/barrel in the previous week...

MONEY MARKET: Stop Rates Fall Further for All Maturities Reiterating CBN's Bias to Keep Rates Down...

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 N105 billion worth of OMO bills – hence, we anticipate a fall in NIBOR for most tenor buckets...

BOND MARKET: FGN Bond Yields Move in Mixed Directions Ahead of Auction in the New Week...

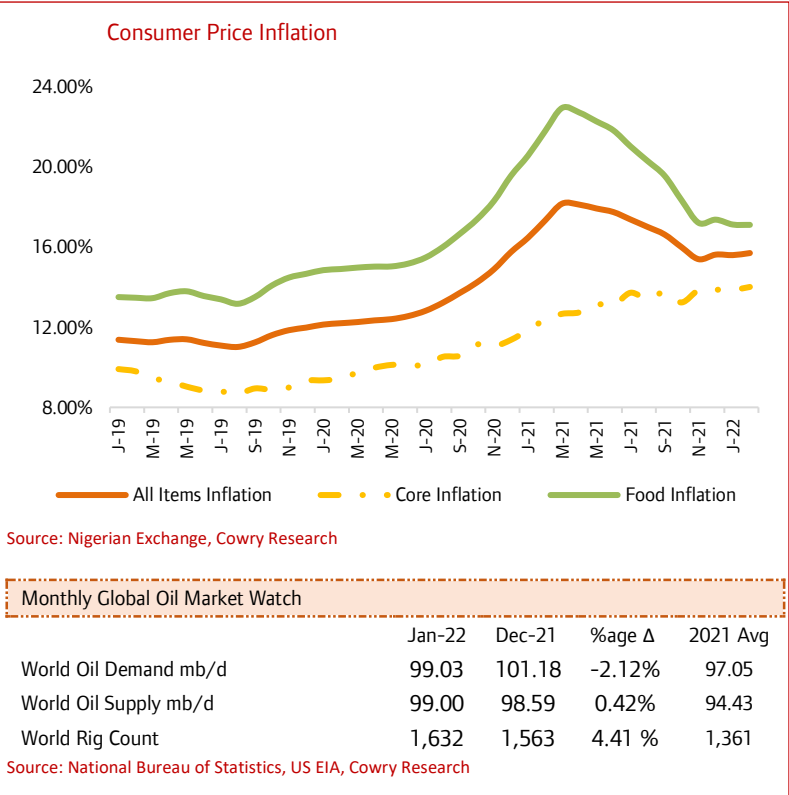
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EQUITIES MARKET: NGX All-Share Index Moderates by 0.33% on Renewed Profit Taking...

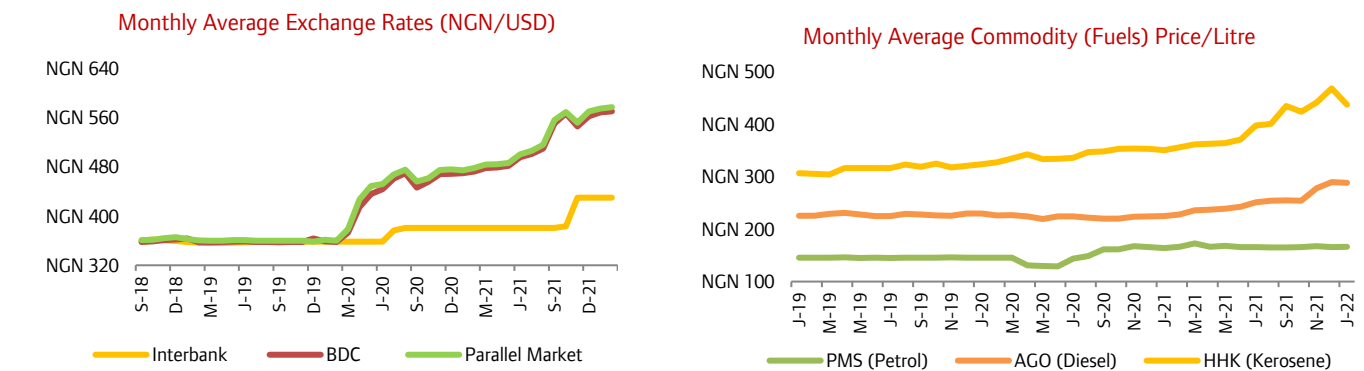
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ECONOMY: Inflation Rate Rises 10bps to 15.70% on Cost Pressures; MPC Decides Benchmark Rate...

Recently released inflation report by National Bureau of Statistics (NBS) showed a reversal of the slowing inflationary pace witnessed in January, as inflation rate upped to 15.70% in February 2022 (from 15.60% in the preceding month) amid rising cost of non-food items in the review month. In February, the country also witnessed rise in fuel prices occasioned by supply shortages caused by importation of unsafe fuel. Food inflation moderated for the second consecutive month in February (after a brief hike in December due to the yuletide spending) amid a combination of high base effect and the seasonal increase in supply typical of the harvest season. The food Index rose at a slower pace, by 17.11% y-o-y in February (compared to 17.13% January). Specifically, we saw weaker y-o-y increases in prices of Bread and cereals, Potatoes, yam and other tuber, Oils and fats and fruit. On the flip side, core inflation rate overcame inertia having risen to 14.01% y-o-y in February (from 13.87% in January) amid higher prices of Alcoholic Beverage, Tobacco & Kola, Housing Water, Electricity, Gas & Other Fuel as well as Clothing & Footwear. Meanwhile, imported food index rose by 17.48% (as against 17.40% in January 2021) as Naira depreciated against the greenback at the parallel market. Two months moving average foreign exchange rate at this market rose m-o-m by 0.59% to N579.16/USD in February 2022. On a month-on-month basis, headline inflation rose to 1.63% in February (from 1.47% in January) on the back of monthly increases in the cost of all items, especially Food & Non-Alcoholic Beverages and transportation costs. Food inflation rate rose to 1.87% from 1.62% while core inflation rate rose to 1.31% from 1.26%. In another development, the Monetary Policy Committee would be holding its 284th meeting in the coming week to determine the direction of the Monetary Policy Rate, which currently stands at 11.50%, and other policy variables. Meanwhile, in the concluded week Bank of England raised its key interest rate to 0.75%, the third consecutive increase.



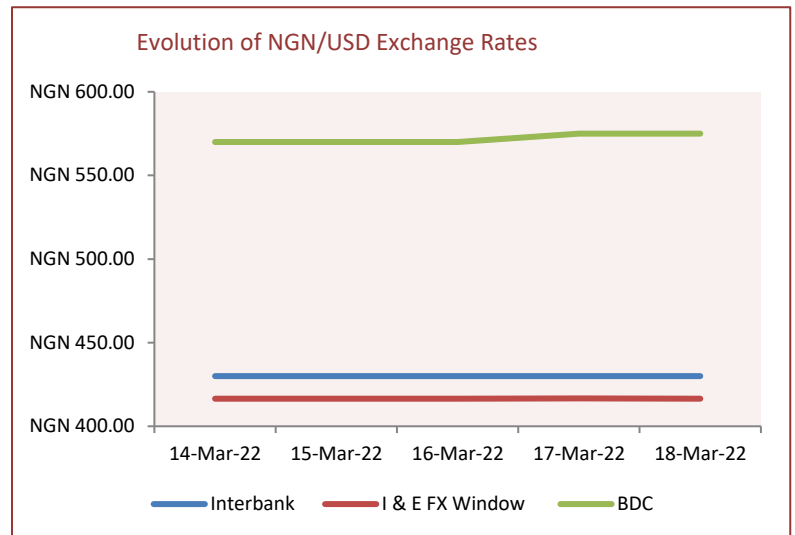
Evolution of Monthly Average Exchange Rates & Monthly Average Commodities



Cowry Research expects to see increased inflationary pressure in the coming months as external inflationary pressures on commodities, arising from the geopolitical conflict between Russia and Ukraine, find expression in prices of local goods and services through the rising cost of imported soft commodities. Elsewhere, we expect MPC to retain benchmark rate at 11.50% in order not to worsen the burden cost-induced inflation rate.

FOREX MARKET: Naira Stabilises against USD at I&E FX Window as FG Raises USD1.25 billion Eurobonds...

In the just concluded week, the Naira/USD exchange rate closed flat against the greenback at N416.50/USD at the I&E FX Window as Bonny light price remained above USD100 per barrel. Also some level of stability was induced by the new inflow of USD1.25 billion worth of eurobonds raised by FG. However, Naira lost against the greenback at the Parallel market by 0.31% to close at N583.00/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN's weekly

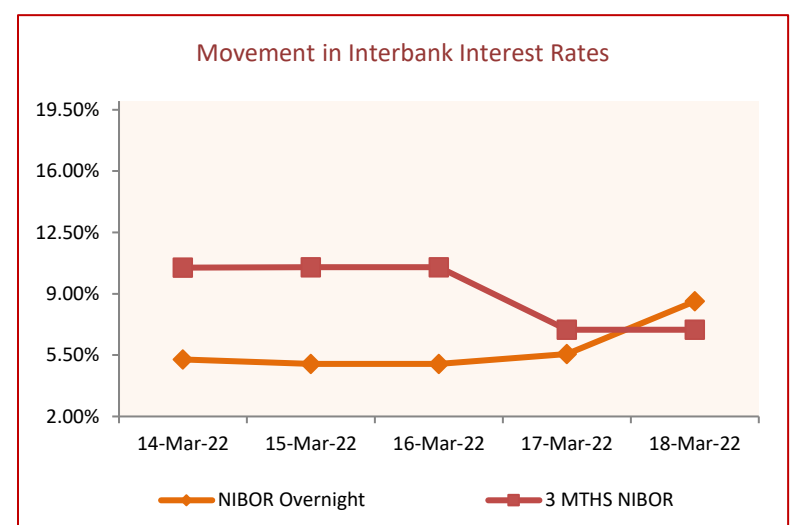


injections of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate appreciated for most of the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months and 6 months contracts gained 0.06%, 0.07%, 0.08% and 0.05% to close at N418.23/USD, N421.07/USD, N424.18/USD and N433.10/USD respectively. However, the 12 months contracts lost 0.04% to close at N449.02/USD.

In the new week, we expect renewed pressure at the I&E FX Window as the markets react to the falling price of Bonny light – the Nigerian sweet crude fell to USD108/barrel from USD130/barrel in the previous week.

MONEY MARKET: Stop Rates Fall Further for All Maturities Reiterating CBN's Bias to Keep Rates Down...

In the just concluded week, CBN allotted T-bills worth N172.61 billion to refinance the N108.74 billion worth of matured treasury bills. Notably, given the strong demand (about N364.65 billion worth of subscription), the stop rate for all of the maturities declined. Specifically, 364-day bill fell further to 4.00% (from 4.10%). Also, 91-Day bill and 182-day bill rates fell to 1.74% (from 1.75%) and to 3.00% (from 3.28%) respectively. Despite the southward direction of rates in the primary market, NITTY rose for most

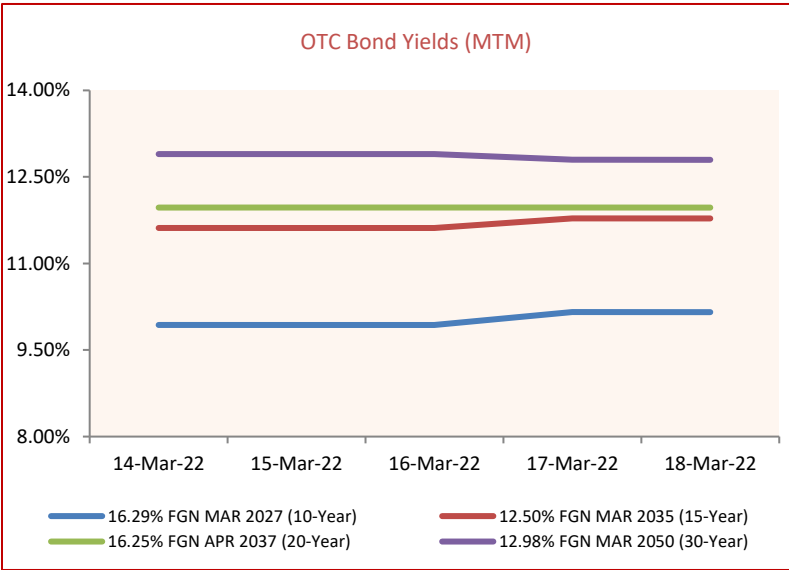


maturities tracked. NITTY for 1 month and 3 months maturities rose to 2.52% (from 2.39%) and 3.03% (from 2.90%) respectively. However, NITTY for 6 months maturity moderated 3.35% (from 3.50%) while that of 12 months maturity was flat at 4.14%. Meanwhile, CBN sold OMO bills worth N50 billion, less than N99.30 billion worth of matured bills in the review week; resulting in a net inflow of N49.30 billion. Hence, the financial system liquidity increased and NIBOR closed southward for most tenor buckets. 1 month, 3 months and 6 Months tenor buckets fell to 7.54% (from 9.56%), 6.95% (from 10.50%) and 8.45% (from 10.83%) respectively. However, Overnight funds rate rose to 8.57% (from 8.00%).

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 N105 billion worth of OMO bills – hence, we anticipate a fall in NIBOR for most tenor buckets.

BOND MARKET: FGN Bond Yields Move in Mixed Directions Ahead of Auction in the New Week...

In the just concluded week, investors were picky with respect to maturities in the secondary market as the value of FGN bonds traded moved in mixed directions across maturities tracked. Traders were relatively cautious in their dealings as they wait to see the direction of rates at the upcoming bond auction in the new week . Specifically, the 10-year, 16.29% FGN MAR 2027 paper and the 15-year 12.50% FGN MAR 2035 bond depreciated by N1.01 and N1.13 respectively; their corresponding yields increased to 10.16%

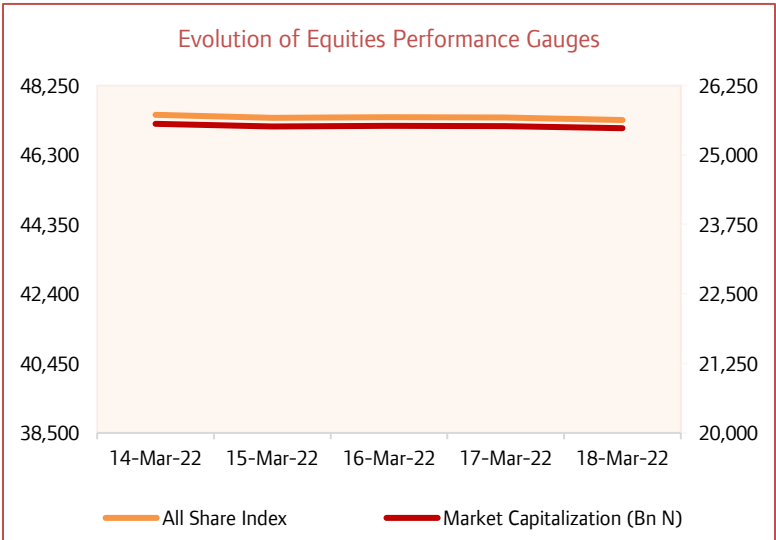


(from 9.94%) and 11.78% (from 11.62%) respectively. However, the 20-year 16.25% FGN MAR 2037 debt and the 30-year 12.98% FGN MAR 2050 instrument gained N0.26 and N0.74 respectively; their corresponding yields fell to 11.97% (from 12.00%) and 12.80% (from 12.90%). Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for all maturities tracked on sustained bullish sentiment. The 10-year, 6.375% JUL 12, 2023 bond, 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.18, USD1.61 and N1.82 respectively; their corresponding yields fell to 4.82% (from 4.98%), 9.30% (from 9.52%) and 9.30% (from 9.52%) respectively.

In the new week, we expect to see increased bullish activity in FGN Eurobond space as investors respond to the new inflow of USD1.25 billion.

EQUITIES MARKET: NGX All-Share Index Moderates by 0.33% on Renewed Profit Taking...

In the just concluded week, the domestic equities market witnessed fresh profit taking activity as investors waited on the side lines to reposition in fundamentally-sound companies. Notably, we saw the share price of Cornerstone Insurance (Ticker: CORNEST), which grew by 16% in the previous week, fall by 22% in the just concluded week. Also, share prices of SCOA, MRS, IKEJAHOTEL and REDSTAREX decreased by 16%, 10%, 10% and 10% respectively, shrinking the All-Share Index and Market



Capitalization each by 33bps to close at 47,282.67 points and N25.48 trillion. Amid renewed bearish sentiment, most sector gauges closed negative except for the NGX Industrial Goods indices which rose by 0.14% to close at 2,116.94 points. The NGX Banking index, NGX Insurance index, NGX Consumer Goods and the NGX Oil/Gas indices moderated by 0.17%, 2.93%, 0.43% and 3.87% to 443.72 points, 188.17 points, 570.78 points and 442.11 points respectively. Meanwhile, market activity was largely weak as deals, volume and value of stocks traded decreased by 9.60%, 12.49% and 13.44% to 22,764, 2.45 billion units and N20.65 billion respectively.

In the new week, we expect a bullish run in the equities market amid further releases of year-end corporate financials and dividend declarations. However, we note that investors should trade cautiously by investing in stocks with sound fundamentals in order to enjoy favorable return on investment.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Mar 18 2022	Mar 11 2022	%Change	Symbol	Mar 18 2022	Mar 11 2022	% Change
PZ	8.60	7.35	17%	CORNERST	0.58	0.74	-22%
UACN	12.20	10.65	15%	SCOA	2.38	2.83	-16%
NPFMCRFBK	2.31	2.10	10%	MRS	12.20	13.55	-10%
RTBRISCOE	0.80	0.73	10%	IKEJAHOTEL	1.37	1.52	-10%
ETI	11.90	11.00	8%	REDSTAREX	3.00	3.32	-10%
NGXGROUP	23.40	21.80	7%	IMG	8.60	9.50	-9%
PRESCO	133.00	125.00	6%	FTNCOCOA [RST]	0.32	0.35	-9%
FIDELITYBK	3.00	2.85	5%	LASACO	1.00	1.09	-8%
TRANSCORP [MRF]	1.14	1.10	4%	LIVESTOCK	1.60	1.74	-8%
FBNH [MRF]	11.90	11.55	3%	AFRIPRUD	6.00	6.50	-8%



Weekly Stock Recommendations as at Friday, March 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	3.64	11.60	27.50	15.40	18.00	25.00	15.30	20.70	38.89	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.32	3.26	3.99	1.40	3.00	3.28	2.55	3.45	9.49	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.15	8.05	5.18	1.79	4.50	6.09	3.83	5.18	35.33	Buy
UBA	Q4 2021	132,489.53	3.33	3.87	20.32	0.43	2.60	9.25	4.40	8.65	9.50	7.35	9.95	9.83	Buy
WAPCO	Q4 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	Q4 2021	203,419.07	7.34	6.48	35.56	0.75	3.63	29.52	10.70	26.65	32.14	22.65	30.65	20.59	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	18-March-22 Price (N)	Weekly Naira Δ	18-March-22 Yield	Weekly PPT Δ
6.50 NOV 28, 2027	28-Nov-17	5.70	95.07	0.09	7.6%	(0.02)
6.125 SEP 28, 2028	28-Sep-21	6.54	91.55	0.12	7.8%	(0.02)
7.143 FEB 23, 2030	23-Feb-18	7.94	93.93	0.06	8.2%	(0.01)
8.747 JAN 21, 2031	21-Nov-18	8.85	99.86	0.94	8.8%	(0.16)
7.875 16-FEB-2032	16-Feb-17	9.92	94.37	1.14	8.7%	(0.18)
7.375 SEP 28, 2033	28-Sep-21	11.54	90.39	0.44	8.7%	(0.06)
7.696 FEB 23, 2038	23-Feb-18	15.95	86.77	1.61	9.3%	(0.22)
7.625 NOV 28, 2047	28-Nov-17	25.72	83.68	1.82	9.3%	(0.22)
9.248 JAN 21, 2049	21-Nov-18	26.87	95.60	1.81	9.7%	(0.20)

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