

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Nigeria's Debt Spikes to N40 Trillion on Rising External Borrowings...

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FOREX MARKET: Naira Stabilises against USD at I&E FX Window on Improved Supply...

In the new week, we expect some level of pressure on the Naira against USD as pre-election activities garner momentum even as the ruling APC holds its national convention...

MONEY MARKET: NIBOR Moderates for Most Tenor Buckets on Financial Liquidity Boost...

In the new week, T-bills worth N153.29 billion will mature via the primary and secondary markets to marginally exceed T-bills worth N143.29 billion which will mature via the primary market; viz: 91-day bills worth N2.49 billion, 182-day bills worth N2.09 billion and 364-day bills worth N138.71 billion...

BOND MARKET: FGN Bond Yields Rise for Most Maturities as FGN Eurobond Touches 10%...

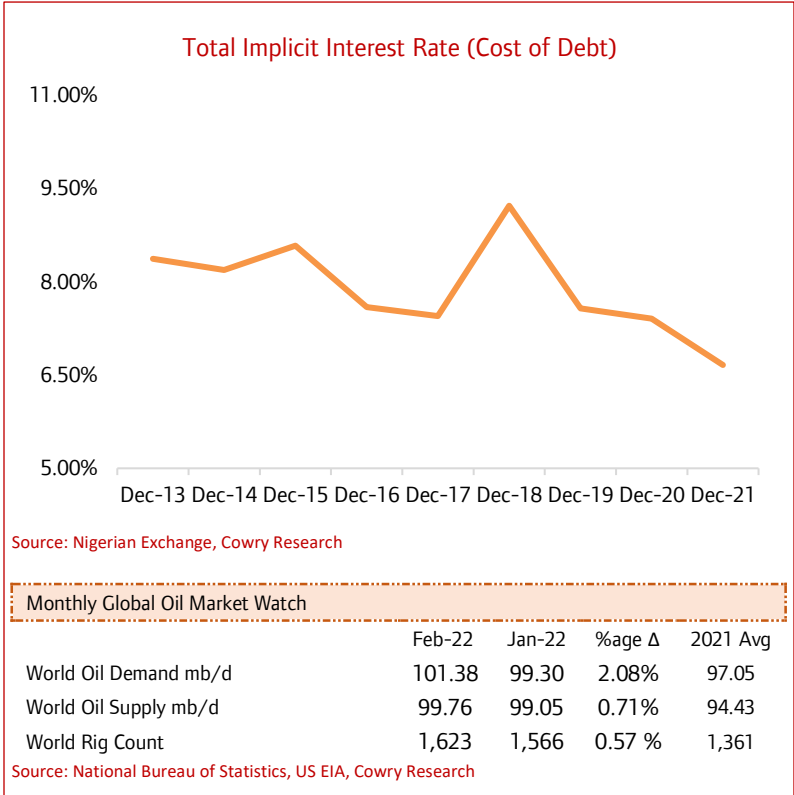
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EQUITIES MARKET: Shares of RTBRISCOE, UPDC & GTCO Drive Down NGX Index by 0.67%...

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ECONOMY: Nigeria’s Debt Spikes to N40 Trillion on Rising External Borrowings...

The Debt Management Office (DMO), in its recently released data, showed that Nigeria’s total public debt stock increased year on year (y-o-y) by 20.17% to N39.56 trillion as at December 2021 (from N32.92 trillion as at December 2020). The y-o-y rise in the country’s total debt stock was chiefly due to the increase in external debt (especially, commercial credit). Specifically, external debt rose y-o-y by 24.79% to N15.86 trillion (or USD38.39 billion at N412.99/USD) as at December 2021 from N12.71 trillion (or USD33.35 billion at N381.00/USD) in December 2020. Within the year, Nigeria took additional USD4 billion worth of commercial loans (Eurobonds) while about USD0.5 billion was paid. More so, the depreciation of the Naira against the greenback had negative impact on external debt – hence increasing foreign loans; y-o-y, Naira depreciated further against the USD by 8.40% to close at N412.99/USD as at December 2021. Despite the significant rise in foreign loans, external debt service payments rose marginally to N580.43 billion (or USD1.44 billion) in FY 2021 from N560.36 billion (or USD1.51 billion) in FY 2020 – we observed that most of the amount raised in the review period was done at a relatively lower coupon and almost at the close of the year. Thus, we expect to see higher external debt service in Q2 2022 as interest payment falls due. Further breakdown of the total external debt stock in FY 2021 showed that Multilateral loans accounted for 48.60% (USD18.67 billion) of which loans from International Development Association (IDA) was USD11.97 billion, loan from IMF was USD3.44 billion while others stood at USD3.26 billion. Bilateral loan accounted for 11.63% (USD4.47 billion) of which loan from China (Exim Bank of China) was USD3.63 billion and loan from France was USD0.56 billion in FY 2021. Commercial loans accounted for 38.21% (USD14.67 billion) of which Eurobonds was USD14.37 billion while Diaspora bond was USD0.30 billion. Promissory notes accounted for 1.59% (USD0.60 billion).

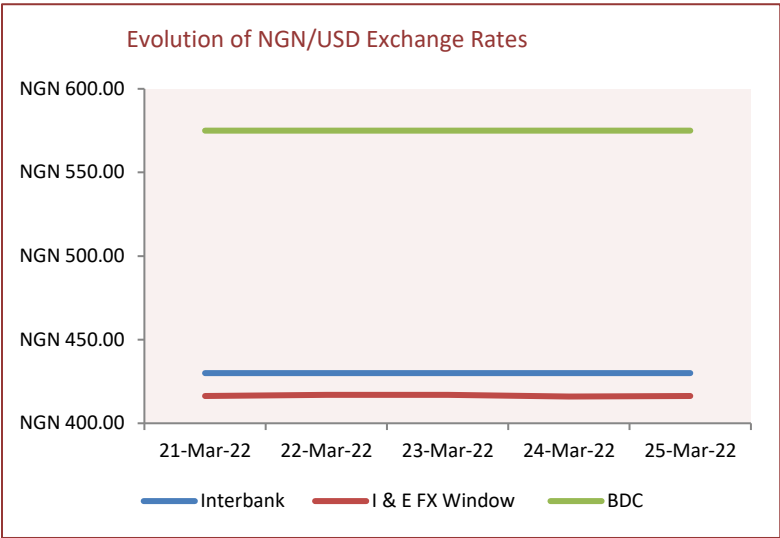


Source: National Bureau of Statistics, Cowry Research

Cowry Research feels that the federal government is not likely to reduce its borrowing spree because of the need for cash amid subsidy payment, especially in this time of higher energy costs, which will continue to mount pressure on budget deficit as FG finds ways and means to fund it. For us, the need to tie capital projects to new borrowings and also develop right policies that would enhance revenue generation appears imperative now.

FOREX MARKET: Naira Stabilises against USD at I&E FX Window on Improved Supply...

In the just concluded week, the Naira/USD exchange rate appreciated against the greenback at N416.33/USD at the I&E FX Window as Bonny light price rose to USD119 per barrel which possibly improved the supply side of the forex market. However, Naira lost further against the greenback at the Parallel market by 0.49% to close at N585.85/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210 million:

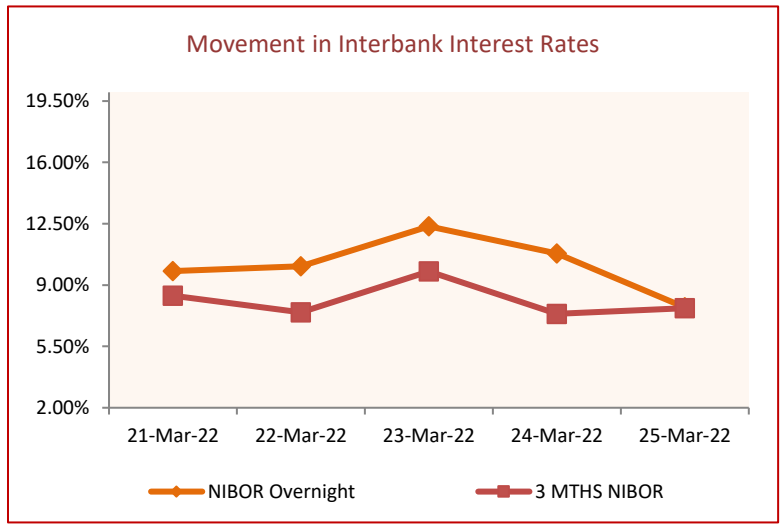


USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate appreciated for all of the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts gained 0.01%, 0.01%, 0.05%, 0.04% and 0.06% to close at N418.19/USD, N421.06/USD, N423.98/USD, N432.94/USD and N448.75/USD respectively.

In the new week, we expect some level of pressure on the Naira against USD as pre-election activities garner momentum even as the ruling APC holds its national convention.

MONEY MARKET: NIBOR Moderates for Most Tenor Buckets on Financial Liquidity Boost...

In the just concluded week, given the muted activity in the treasury bills primary market which led to strong demand in the secondary market, as investors scrambled for T-bills, we saw NITTY moderate for most maturities tracked. Specifically, NITTY fell for 1 month, 3 months and 6 months maturities to 2.33% (from 2.52%), 2.71% (from 3.03%) and 3.22% (from 3.35%) respectively. However, NITTY for 12 months maturity rose to 4.24% (from 4.14%). Meanwhile, the OMO space was dry as well as

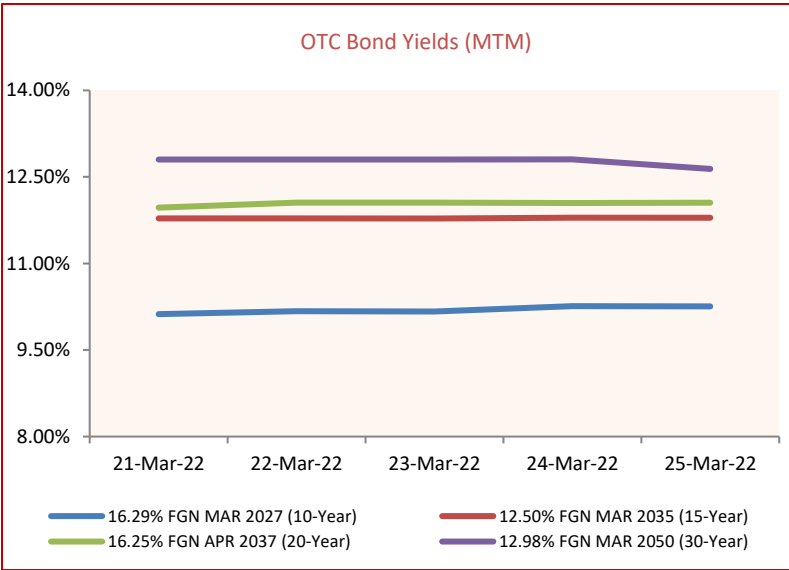


CBN failed to refinance the matured OMO bills worth N42 billion hence, increasing the financial system liquidity which drove NIBOR lower for most tenor buckets. Overnight funds, 1 month and 6 Months tenor buckets fell to 7.73% (from 8.57%), 7.53% (from 7.54%) and 8.19% (from 8.45%) respectively. However, 3 months tenor bucket rose to 7.68% (from 6.95%).

In the new week, T-bills worth N153.29 billion will mature via the primary and secondary markets to marginally exceed T-bills worth N143.29 billion which will mature via the primary market; viz: 91-day bills worth N2.49 billion, 182-day bills worth N2.09 billion and 364-day bills worth N138.71 billion. Hence, we expect the stop rates to marginally decline amid fresh liquidity boost from the maturing bills and the bias of CBN for an expansionary policy - the Monetary Policy Committee (MPC) at the end of Monday, March 21, 2022, meeting still signalled the need to continue to support the fiscal authority to grow the economy – having decided to hold key rate at 11.50%.

BOND MARKET: FGN Bond Yields Rise for Most Maturities as FGN Eurobond Touches 10%...

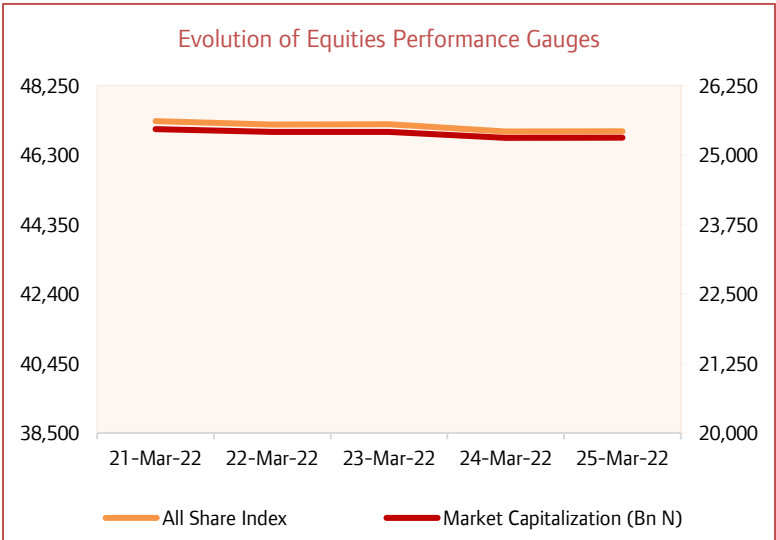
In the just concluded week, the DMO allotted N296.37 billion worth of bonds; viz N127.00 billion for the 12.50% FGN JAN 2026 and N169.37 billion for the 13.00% FGN JAN 2042. Stop rates for 26s plunged to 10.15% from 10.95% while 42s stop rate fell to 12.70% from 13.00%. Despite the moderation in stop rates, traders were still bearish on most maturities tracked except for the 30-year 12.98% FGN MAR 2050 instrument which appreciated by N1.25 while its yield nosedived to 12.60% (from 12.80%). The 10-year, 16.29% FGN MAR 2027 paper, the 15-year 12.50% FGN MAR 2035 bond and the 20-year 16.25% FGN MAR 2037 debt depreciated by N0.53, N0.08 and N0.73 respectively; their corresponding yields increased to 10.26% (from 10.16%), 11.79% (from 11.78%) and 12.05% (from 11.97%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on renewed bearish 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 lost USD0.62, USD3.10 and N3.68 respectively; their corresponding yields rose to 5.29% (from 4.82%), 9.73% (from 9.30%) and 9.76% (from 9.30%) respectively.



In the new week, we expect to see bearish activity in the FGN bond space as investors look the way of high-yielding Eurobonds which crossed 10% level.

EQUITIES MARKET: Shares of RTBRISCOE, UPDC & GTCO Drive Down NGX Index by 0.67%...

In the just concluded week, the local stock market sustained its profit taking activity as investors sold their shares ahead of corporate financial releases. Particularly, investors took profit on shares of RTBRISCOE (18.00%), UPDC (12.00%) and GTCO (12.00%) – even as the Tier-1’s share price was marked-down for dividend payment. Given the bearish sentiment, the All-Share Index and Market Capitalization each fell by 67bps to close at 46,964.23 points and N25.31 trillion respectively. In the same vein, all sector gauges closed in negative territory amid profit taking activity. The NGX Banking index, NGX Insurance index, NGX Consumer Goods index, NGX Oil/Gas index and the NGX Industrial Goods index decreased by 0.66%, 1.40%, 1.10%, 0.02% and 0.02% respectively to close at 440.79 points, 185.53 points, 564.50 points, 442.02 points and 2,116.52 points respectively. Meanwhile, market activity remained weak as volume and value of stocks traded plunged by 51.96% and 19.62% to 1.18 billion units and N16.60 billion respectively – as investors traded more on high-cap stocks. However, deals rose by 1.50% to 21,076.



In the new week, we expect the NGX All-share index to close in green territory amid further releases of year-end corporate financial results and dividend declarations. However, we expect some share prices to be marked down in the coming week, a move that could dent the bullish sentiment in the equities market.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Mar 25 2022	Mar 18 2022	%Change	Symbol	Mar 25 2022	Mar 18 2022	% Change
CAP	19.80	18.00	10%	RTBRISCOE	0.66	0.80	-18%
FIDELITYBK	3.30	3.00	10%	UPDC [BLS]	0.88	1.00	-12%
LEARNAFRCA	2.17	1.98	10%	GTCO	23.15	26.20	-12%
VERITASKAP	0.23	0.21	10%	UBA	7.65	8.65	-12%
FTNCOCOA [RST]	0.35	0.32	9%	BERGER	7.50	8.30	-10%
NPFMCRFBK	2.51	2.31	9%	IKEJAHOTEL	1.25	1.37	-9%
PZ	9.30	8.60	8%	NNFM	10.00	10.85	-8%
GUINNESS	70.00	65.00	8%	JAIZBANK	0.66	0.71	-7%
UBN [BMF]	6.45	6.10	6%	MANSARD	2.15	2.30	-7%
CUSTODIAN	7.50	7.10	6%	ABCTrans	0.30	0.32	-6%



Weekly Stock Recommendations as at Friday, March 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	4.00	12.76	27.50	15.40	19.80	25.00	16.83	22.77	26.26	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.35	3.59	3.99	1.40	3.30	3.28	2.81	3.80	-0.46	Hold
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	4.40	6.09	3.74	5.06	38.41	Buy
UBA	Q4 2021	132,489.53	3.33	3.87	20.32	0.38	2.30	9.25	4.40	7.65	9.50	6.50	8.80	24.18	Buy
WAPCO	Q4 2021	48,473.52	1.91	3.01	22.33	1.07	12.46	27.00	8.95	23.85	30.00	20.27	27.43	25.79	Buy
Zenith Bank	Q4 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 8% Yield as at Friday, March 25, 2022

FGN Eurobonds	Issue Date	TTM (years)	25-March-22 Price (N)	Weekly Naira Δ	25-March-22 Yield	Weekly PPT Δ
6.50 NOV 28, 2027	28-Nov-17	5.68	93.41	(1.66)	8.0%	0.39
6.125 SEP 28, 2028	28-Sep-21	6.52	89.75	(1.80)	8.2%	0.39
7.143 FEB 23, 2030	23-Feb-18	7.92	91.50	(2.43)	8.6%	0.45
8.747 JAN 21, 2031	21-Nov-18	8.83	97.48	(2.38)	9.2%	0.40
7.875 16-FEB-2032	16-Feb-17	9.90	91.74	(2.62)	9.2%	0.43
7.375 SEP 28, 2033	28-Sep-21	11.52	87.62	(2.77)	9.1%	0.42
7.696 FEB 23, 2038	23-Feb-18	15.93	83.67	(3.10)	9.7%	0.43
7.625 NOV 28, 2047	28-Nov-17	25.70	80.00	(3.68)	9.8%	0.46
9.248 JAN 21, 2049	21-Nov-18	26.85	91.75	(3.85)	10.1%	0.44
8.25 SEP 28, 2051	28-Sep-21	29.53	83.61	(4.22)	10.0%	0.50

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