

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Bonny Light Price Rises to USD75 Per Barrel as US Sets to Cut Iran's Exports in May...

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FOREX MARKET: Naira loses Marginally against US Dollar at Interbank, I&E FX Windows...

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MONEY MARKET: NITTY Moves in Mixed Directions across Maturities Tracked...

In the new week, CBN will rollover T-bills worth N109.71 billion, viz: 91-day bills worth N28.02 billion, 182-day bills worth N43.52 billion and 364-day bills worth N38.17 billion. We expect their stop rates to increase marginally, given the sharp increase in stop rates on Bonds issued for the month of April 2019.

BOND MARKET: FGN Bond Prices Decrease for Most Maturities Tracked amid Bearish Activity...

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EQUITIES MARKET: Nigerian Equities Market Falls by 1.15% amid Renewed Profit Taking...

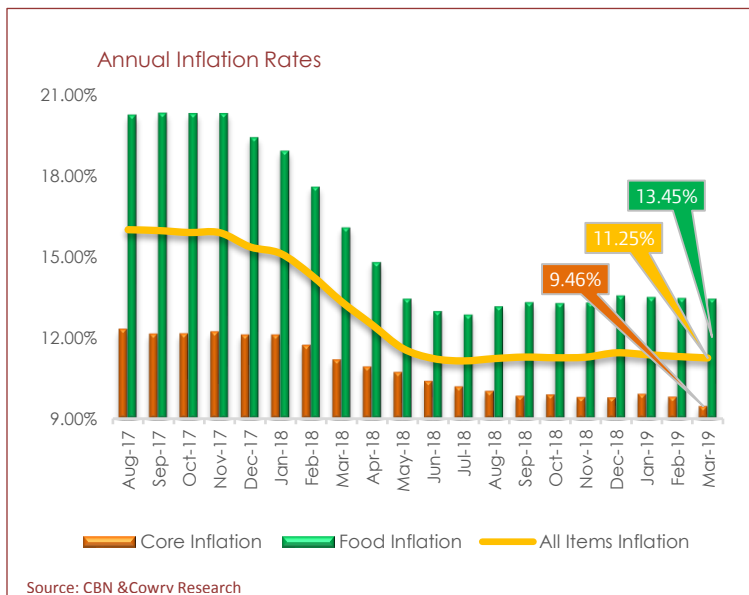
In the new week, we expect the NSE ASI to increase marginally as investors digest the "mixed-bag" Q1 2019 financial results released by corporates. Hence, we feel investors would take advantage of the low share prices to raise the local bourse upwards.

POLITICS: Nigerians Purchasing Power to Increase as Buhari Finally Signs New Minimum Wage Bill into Law...

We commend the Federal Government for finally approving the long-awaited implementation of the new minimum wage as this will further enhance the purchasing power of Nigerian workers and invariably increase the standard of living of the citizens.

ECONOMY: Bonny Light Price Rises to USD75 Per Barrel as US Sets to Cut Iran’s Exports in May...

In the just concluded week, the price of Bonny Light, Nigeria’s premium crude oil grade, rose month-on-month (m-o-m) by 11.09% to USD75.55 per barrel on Thursday, April 25, 2019, from USD68.01 per barrel on Monday, March 25, 2019. The increase in price was chiefly due to the repeated threat by US Government to intensify the crude oil embargo against Iran in 2019. The threat became more real on Monday, April 22, 2019, when the US said that it will not renew exemptions on waivers (which expires on May 2, 2019) to eight countries (Turkey, South Korea,

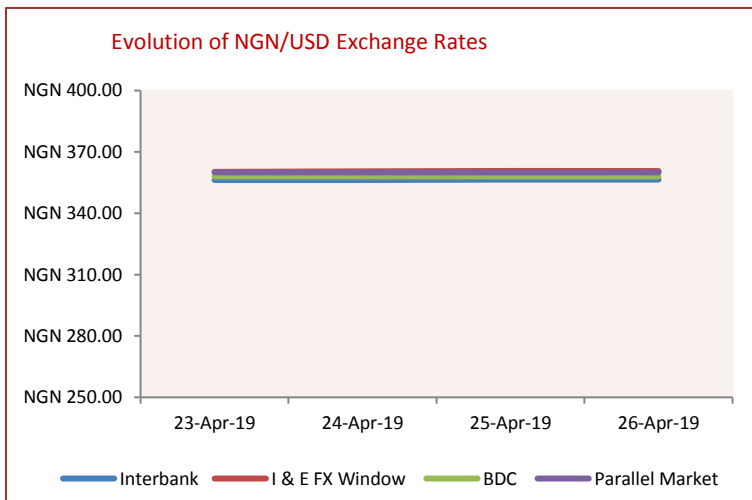


China, Indian, Japan, Greece, Italy and Taiwan) that had been allowed to import crude oil from Iran despite Washington’s sanctions that took effect in November 2018. Thus, any of these countries, mentioned above, risks US sanctions if they continue to buy crude oil from Iran after the stated date. Meanwhile, the European Union (EU) which did not align with the decision of the United States said that the move would undermine the 2015 nuclear agreement with Iran. According to the EU’s foreign policy spokesperson, Maja Kocijancic, the EU will continue to abide by the nuclear deal as long as Iran continues with full and effective implementation of the nuclear deal. EU’s response was not unconnected from the repeated threat by Iran to withdraw from the nuclear deal if US goes ahead with the decision to tighten its sanctions aimed at reducing Iran’s vital crude oil exports. The move to cut Iran’s crude oil exports was aside the sanction placed on Venezuela’s crude oil exports by US Government and the extension of supply cut by Organisation of Petroleum Exporting Countries (OPEC), which began at the inception of the year, is expected to keep crude oil prices higher at the international market. The global investment banking firm, Goldman Sachs, although, acknowledging a near-term upside risk of the crude oil price, maintained that crude oil price, especially Brent price would trade within the range of USD70 to USD75 in the second half of 2019. However, it projected a downward progression in price into the year 2020 amid better supplied market and high uncertainties around OPEC countries abiding by their agreement to curb output after June. In another development, the United Kingdom and Africa Enterprise Challenge Fund (AECF) approved a fresh round of funding worth GBP16 million to support the deployment of renewable energy, especially solar generated electricity, by small medium enterprises in Nigeria and four other African countries (Ethiopia, Ghana, Senegal and Somalia). The fund is expected to be deployed through AECF’s Renewable Energy and Adaptation to Climate Technology (REACT) household solar competition at zero percent interest rate. REACT would also provide technical support to private sector operators in the solar business. According to REACT’s Chief Executive Officer, the programme would further boost the supply of clean energy to rural markets at affordable costs in sub-Saharan Africa. He mentioned that REACT programme has contributed to the generation of 29.7 megawatts (MW) of clean electricity in countries it has so far supported which had reduced their carbon emission by over one million tonne of carbon dioxide equivalent.

Nigeria, the largest oil producing country in Africa, is expected to benefit from increased oil price, given the 2019 budget benchmark for crude oil price which was pegged at USD60 per barrel and production volume of 2.3 million barrels per day (bpd). According to OPEC’s Monthly Oil Market Report released for March 2019, Nigeria’s crude oil production averaged at 1,729 million bpd in Q1 2019, despite the inclusion of the oil rich country in the crude oil production cuts by OPEC. Thus, apart from the Excess Crude Oil Account (ECA) which is expected to rise, we also expect stability of the exchange rate amid accretion to external reserves, as well as reduced inflation risk, especially imported food inflation, and an indirect positive effect on interest rate.

FOREX MARKET: Naira loses Marginally against US Dollar at Interbank, I&E FX Windows...

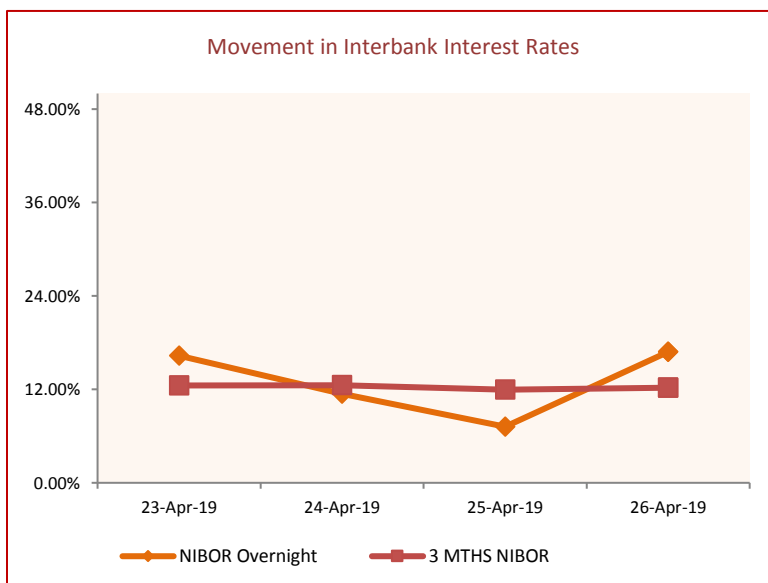
In the just concluded week, the local currency depreciated marginally at the Investors & Exporters Forex Window (I&E FXW) by 0.10% to close at N360.64. Also, at the Interbank Foreign Exchange market, NGN/USD rate marginally depreciated by 0.06% to close at N356.46/USD despite the weekly injections of USD210 million by CBN into the foreign exchange market via the Secondary Market Intervention Sales (SMIS), of which: USD100 million was allocated to Wholesale SMIS, USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. However, Naira remained unchanged against the US dollar at both the Bureau De Change (BDC) and the parallel ('black') market segments at N358/USD and N360/USD respectively. Meanwhile, the Naira/USD exchange rate rose for most of the foreign exchange forward contracts – 1 month, 2 months, 3 months, 6 months and 12 months rates rose (i.e. Naira depreciated) by 0.11%, 0.13%, 0.16%, 0.04% and 0.19% to close at N363.44/USD, N366.26/USD, N369.13/USD, N381.33/USD and N403.59/USD respectively. On the flip side, spot rate fell (i.e. Naira gained) by 0.02% to close at N306.90/USD.



In the new week, we expect appreciation of the Naira against the USD in most market segments, especially at the I&E FX Window as CBN sustains its special interventions amid sustained accretion to external reserves.

MONEY MARKET: NITTY Moves in Mixed Directions across Maturities Tracked...

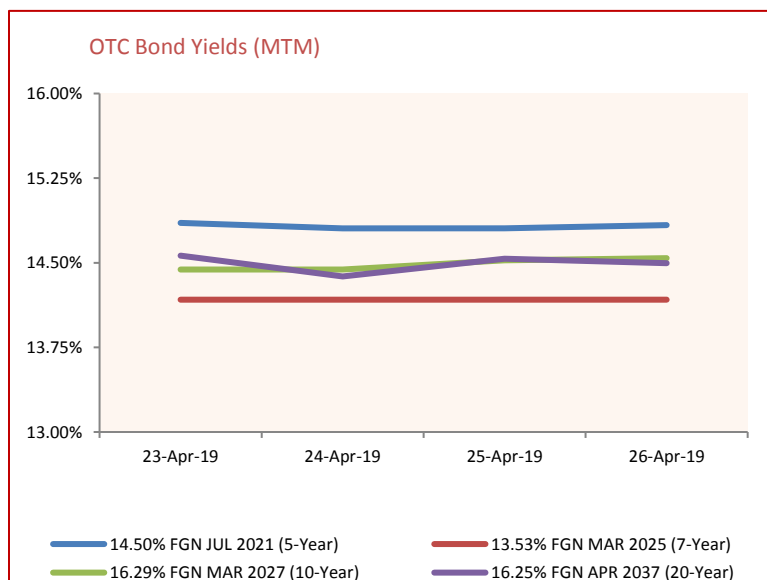
In the just concluded week, CBN auctioned Treasury Bills worth N166.58 billion through Open Market Operation (OMO) which offset the matured bills worth N46.25 billion. Hence, NIBOR for 6 months tenure bucket moderated to 14.43% (from 14.59%). However, despite the net inflows and general ease in financial system liquidity (Standing Lending Facility fell w-o-w by 52% to N292.08 billion and Standing Deposit Facility rose by 516% to N379.25 billion), NIBOR for overnight funds rate, 1 month and 3 months tenure buckets increased to 16.81% (from 10.7%), 11.97% (from 11.81%) and 12.22% (from 11.97%) respectively. Meanwhile, NITTY moved in different directions across maturities tracked – yields on 1 month and 3 months rose to 11.09% (from 10.75%) and 11.16% (from 10.69%) respectively; however, 6 months and 12 months maturities fell to 13.42% (from 13.56%) and 14.20% (from 14.29%) respectively.



In the new week, CBN will rollover T-bills worth N109.71 billion, viz: 91-day bills worth N28.02 billion, 182-day bills worth N43.52 billion and 364-day bills worth N38.17 billion. We expect their stop rates to increase marginally, given the sharp increase in stop rates on Bonds issued for the month of April 2019. Amid the N172.51 billion T-bills maturing, we expect yields to increase given the expected rise in stop rates.

BOND MARKET: FGN Bond Prices Decrease for Most Maturities Tracked amid Bearish Activity...

In the just concluded week, Debt Management Office (DMO) sold bonds worth N97.40 billion, viz: 12.75% FGN APR 2023 (5-Yr Re-opening) worth N6.81 billion, 14.55% FGN APR 2029 (10-Yr New Issue) worth N37.43 billion and 14.80% FGN APR 2049 (30-Yr New Issue) worth N53.16 billion respectively. The 5-year bond was auctioned at higher stop rates of 14.50% (from 13.50%) while the new issued 10-year and 30-year bonds were done at 14.55% and 14.80% respectively. However, the value of FGN bonds traded at the over-the-counter (OTC) segment

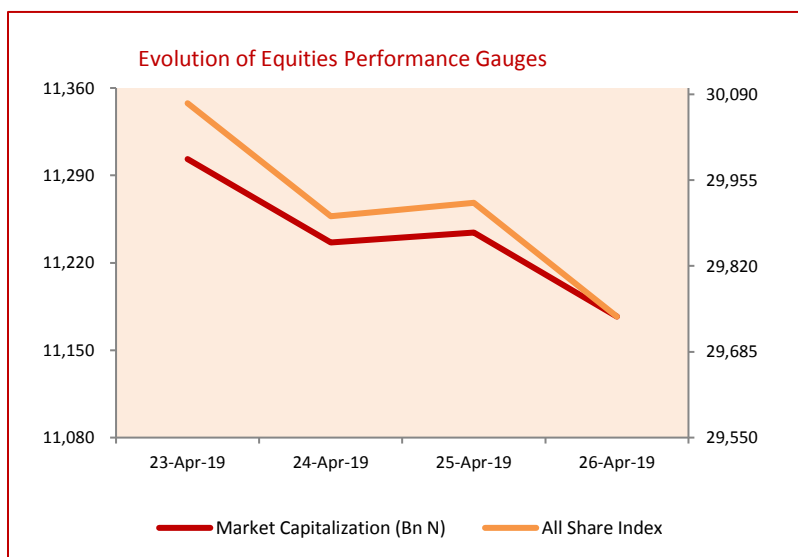


appreciated (and yields fell) for most maturities tracked amid renewed bullish activity: the 5-year, 14.50% FGN JUL 2021 paper, 7-year, 13.53% FGN MAR 2025 note and the 20-year, 16.25% FGN APR 2037 bond rose by N0.20, N0.30 and N0.44 respectively; their corresponding yields decreased to 14.83% (from 14.94%), 14.17% (from 14.25%) and 14.50% (from 14.56%) respectively. Elsewhere, the value of the FGN Eurobonds traded at the international capital market depreciated for all maturities tracked amid profit taking activity – the 10-year, 6.75% JAN 28, 2021 paper, the 20-year, 7.69% FEB 23, 2038 and 30-year, 7.62% NOV 28, 2047 bonds lost USD0.04, USD0.31 and USD0.78 respectively; their corresponding yields fell to 4.92% (from 4.91%), 7.82% (from 7.79%) and 7.97% (from 7.90%) respectively.

In the new week, we expect FGN bond prices to increase (with corresponding fall in yields) at the OTC market amid expected ease in financial system liquidity.

EQUITIES MARKET: Nigerian Equities Market Falls by 1.15% amid Renewed Profit Taking...

In the just concluded week, the local equities market closed in red territory amid renewed bearish activity despite speculative demand for shares of DANGFLOUR on the back of acquisition moves by Olam Nigeria Limited. The overall market performance measure, NSE ASI, closed lower at 29,740.41 points, having lost 1.15% w-o-w. Amid investors’ negative sentiments, most of the indices closed in negative territory: NSE Banking, NSE Insurance, NSE Consumer Goods and NSE



Industrial indices moderated by 0.09%, 0.90%, 2.58% and 0.71% to 385.87 points, 119.18 points, 673.00 points and 1,148.47 points respectively; however, NSE Oil/Gas rose by 0.43% to 279.64 points. Meanwhile, market activities was upbeat as total deals, transaction volumes and Naira votes increased by 12.95%, 44.93% and 32.24% to 15,337 deals, 1.43 billion shares and N15.09 billion respectively; suggestive that investors took advantage of the lower share prices in line with our expectation. Market capitalisation received a boost with the listing of 1.35 billion ordinary shares of Skyway Aviation Handling Company Plc (SAHCOL Plc), priced at N4.65 a share. The shares were listed by introduction on the Main Board on Tuesday, April 23, 2019, following its recent Initial Public Offering (IPO).

In the new week, we expect the NSE ASI to increase marginally as investors digest the “mixed-bag” Q1 2019 financial results released by corporates. Hence, we feel investors would take advantage of the low share prices to raise the local bourse upwards.

POLITICS: Nigerian Purchasing Power to Increase as Buhari Finally Signs New Minimum Wage Bill into Law...

President Muhammadu Buhari finally signed the N30,000 minimum wage bill into law on Thursday, April 18, 2019, and urged all employers and state governments to comply. At the Federal level, the President stated that the implementation of the minimum wage would commence immediately; essentially, Nigerian workers will now earn 67.66% higher than the N18,000 they previously earned since 2011. The good news for Nigerian workers came some weeks after the Bismarck Rewane–Led Technical Advisory Committee submitted its report to the Federal Government, which was expected to have proffered solutions to the following major terms of reference: to develop, and advise government on how to successfully bring about a smooth implementation of impending wage increases; and to identify new revenue sources, as well as areas of existing expenditure from where some savings could be made in order to fund the wage increases without adversely impacting the nation’s development goals as set out in the Economic Recovery and Growth Plan. At the state level, several states might have difficulty in complying with the increased minimum wage, given their degree of dependency on FAAC allocations having considered their recurrent expenses which comprises mainly staff costs. We recall that some of the State Governors at the January 17, 2019 National Economic Council meeting in Abuja, rejected the proposed N30,000 and opted for N22,500 being what they had capacity to pay their workers. In finding a soft landing for the Governors, the National Assembly called for a review of the Revenue Sharing Formula to give the states more financial muscle to foot the new wage bill.

We commend the Federal Government for finally approving the long-awaited implementation of the new minimum wage as this will further enhance the purchasing power of Nigerian workers and invariably increase the standard of living of the citizens. Although we see inflation rate trending up in the short run, we feel in the long run, increased spending will act as a catalyst for economic growth which would further increase the non-oil revenue, especially tax revenue from corporates (Company Income Tax) and employees (Pay As You Earn), for government, as businesses are stimulated to increase output and create more jobs.

Weekly Stock Recommendations as at Friday, April 26, 2019.

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
Eterna	Q4 2018	1,109.90	0.77	0.85	9.87	0.44	5.37	7.26	3.70	4.35	4.57	3.70	5.22	5.06	Buy
ETI	Q4 2018	96,824.00	5.55	5.28	35.97	0.30	1.94	22.15	15.50	10.80	26.17	9.18	12.96	142.33	Buy
FCMB	Q4 2018	14,223.40	0.76	0.72	9.26	0.19	2.38	3.61	1.06	1.80	3.56	1.53	2.16	97.92	Buy
Seplat Petroleum	Q4 2018	40,380.30	79.63	71.67	872.26	0.65	7.13	785.00	490.00	568.00	829.42	482.80	681.60	45.20	Buy
UBA	Q4 2018	78,607.00	2.30	2.30	14.70	0.47	2.98	13.00	7.05	6.85	11.40	5.82	8.22	66.43	Buy
Zenith Bank	Q4 2018	193,424.00	6.16	6.16	25.98	0.82	3.47	33.51	19.60	21.35	30.56	18.15	25.62	43.12	Buy



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