

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: OPEC+ Production Outputs Decreased in April, While PMI Increased...

Cowry Research notes that FG has to address issues around production output losses in order to meet up with its output quota, and benefit from the high crude oil prices which is very crucial for Nigeria's exchange rate stability as foreign earnings increase. Meanwhile, given the further rise in credit to private sector and government, we expect some level of improved economic activities.....

FOREX MARKET: Naira Loses against USD at I&E FX Window on Demand Pressure...

In the new week, we expect some level of pressure on the Naira against USD due anticipated pressure on foreign exchange amid electioneering activity coupled with weak petrodollar earnings....

MONEY MARKET: NIBOR Rises for Most Tenor Buckets on Financial Liquidity Strain...

In the new week, TB worth N20.27 billion and OMO worth N4 billion is expected to mature. we expect activity in the money market to be slightly bullish as the market expects liquidity boost from the maturing N24.27 billion worth of TB and OMO bills....

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

In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors scramble for short term fixed income securities. Nevertheless, we expect investors to demand for Nigerian Eurobonds as yields appear attractive.

EQUITIES MARKET: The NGX All Share Index closed at 53,098.46 points, raising the weekly gain by 4.24%...

In the new week, we expect equities to trade higher as positive Q1 2022 financial results keeps rolling out and also the continuous crash in the US equities market will as well spur bullish sentiment on the Local bourse.

ECONOMY: OPEC+ Production Outputs Decreased in April, While PMI Increased...

The Organisation of Petroleum Exporting Countries and its allies (OPEC+) on Thursday, May 12, 2022 revealed that Nigeria’s private sector has continued to gain momentum this year. The purchasing managers’ index (PMI) rose to 55.8 in April from 54.1 in March, which

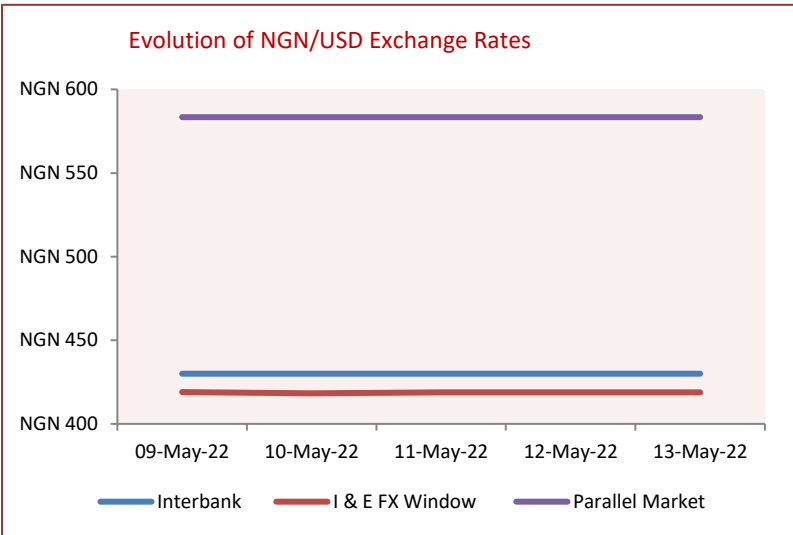
Monthly Global Oil Market Watch				
	Feb-22	Jan-22	%age Δ	2021 Avg
World Oil Demand mb/d	101.38	99.30	1.20%	97.50
World Oil Supply mb/d	99.76	99.05	1.18%	94.43

is higher than the long-run series. This pointed the sharp improvement in business conditions that have been building up for the past 22 months. Meanwhile, the strong recovery in the hydrocarbons sector might further bolster the economic recovery. Yet the rising insecurity, domestic supply chain disruptions, localized food shortages and inflationary pressures – driven by both local and global factors – might still pose challenges and weigh on economic activity. According to secondary sources, total OPEC-13 crude oil production averaged 28.65 mb/d in April 2022, higher by 153 tb/d m-o-m. Crude oil output increased mainly in Saudi Arabia, Iraq and the UAE, while production in Libya declined. Nigeria production decreased by 17 to 1,322 in April from 1,340 in March, Libya and Gabon production decreased by 161 to 913 in April from 1,074 in March and 15 to 194 in April from 209 in March respectively. The United Arab Emirates (UAE) recent S&P Global UAE PMI stood at 54.8 in March 2022, unchanged from a month earlier, yet the reading pointed the 16th straight month of non-oil private-sector expansion. On the policy front, the Central Bank of the United Arab Emirates (CBUAE) increased the base rate of the overnight deposit facility by 50bps to 2.25%, tracking the increase in the federal funds rate. The Non-OPEC liquids production (including OPEC NGLs) is estimated to have decreased in April by 0.92 mb/d m-o-m to average 70.1 mb/d, but higher by 1.69 mb/d y-o-y. Preliminary estimated decreases in production during April were mainly driven by Russia and Kazakhstan by 1.2 mb/d, while the US and Norway are expected to have grown in liquids output of 0.3 mb/d. The share of OPEC crude oil in total global production increased by 0.4 pp to 29.0% in April compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources. In the rig count Nigeria lost 4 counts to close at 70 in April from 74 in March, while, Libya, Iraq and Algeria lost by 8, 1, and 2 count to close at 7 from 15, 46 from 47 and 28 from 30 count respectively. Elsewhere, the US dollar (USD) continued its strong performance, advancing for the fourth consecutive month. The index increased by 2.3% m-o-m supported by an increasingly hawkish US Federal Reserve (Fed) and divergences in monetary policies. The USD rally is particularly stronger against developed market (DM) currencies. The USD increased by 2.9% against the Euro and by another 2.9% against the Yen in the same period. Both increases are mainly driven by a divergence in monetary policies as both the European Central Bank and the Bank of Japan continue to keep interest rates low while the Fed is aggressively hiking its policy rates in an attempt to curb inflationary pressure. Meanwhile, the USD increased against the British pound by 2.9% m-o-m; despite the Bank of England’s tighter monetary policies, inflation continues to erode the purchasing power of the pound against the USD similar to Nigeria situation. Meanwhile, the USD declined against the Brazilian real; Brazil increased interest rates to almost 12% last month and has continued to signal rate increases amid inflationary pressure. The strengthening of the USD amid higher interest rates continues to ease inflationary pressure on the ORB. Inflation (nominal price minus real price) fell for the second consecutive month, declining by 0.9% m-o-m. In nominal terms, accounting for inflation, the price of the ORB went from \$113.48/b in March 2022 to \$105.64/b in April 2022, a 6.9% decline m-o-m. In real terms (excluding inflation), the ORB went from \$111.35/b in March 2022 to \$103.53/b in April 2022, a 7.0% decline m-o-m.

Cowry Research notes that FG has to address issues around production output losses in order to meet up with its output quota, and benefit from the high crude oil prices which is very crucial for Nigeria’s exchange rate stability as foreign earnings increase. Meanwhile, given the further rise in credit to private sector and government, we expect some level of improved economic activities that would be beneficial to Nigerians.

FOREX MARKET: Naira Loses against USD at I&E FX Window on Demand Pressure...

In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.3% to N420/USD at the I&E FX Window as Bonny light price rised to USD111.15 per barrel. However, Naira depreciated against the greenback at the Parallel market by 19.20% to close at N597.00/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

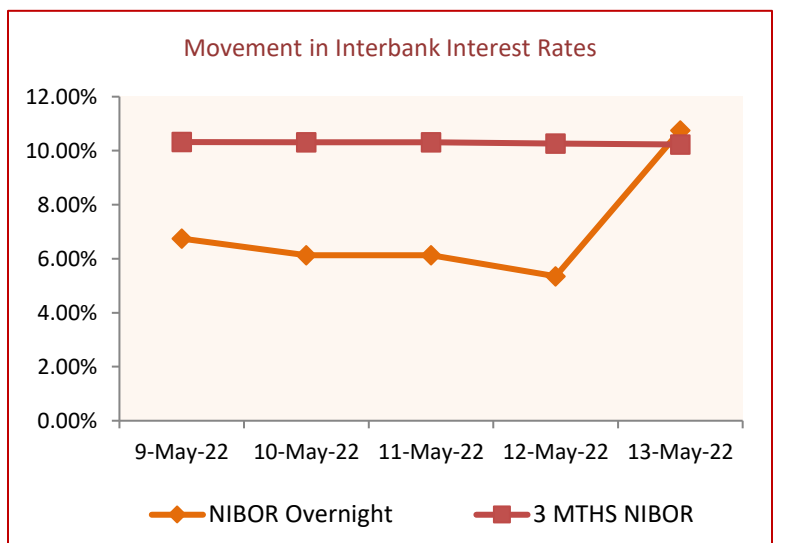


allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate went in mixed directions across the foreign exchange forward contracts. Specifically, 2 month, 3 months and 12 months contracts gained 0.05%, 0.05% and 0.18% to close at N420.92/USD, N423.80/USD and N448.02/USD respectively. However, 1 months and 6 months contracts lost 0.11% and 0.01% to close at N418.46/USD and N432.66/USD respectively.

In the new week, we expect some level of pressure on the Naira against USD due anticipated pressure on foreign exchange amid electioneering activity coupled with weak petrodollar earnings.

MONEY MARKET: NIBOR Rises for Most Tenor Buckets on Financial Liquidity Strain...

In the just concluded week, CBN allotted T-bills worth N137.86billion to refinance the N97.94 billion worth of matured treasury bills. Specifically, the 364-day bill was issued at a lower rate as investors subscription were three times higher than offer. Hence, stop rate for 364-day bill decreased to 4.70% from (4.74%). However, the stop rate for 91-Day and 182- Day bill remain flat at 1.47% and 3% respectively. NIBOR moved in mixed directions for the tenor buckets tracked amid a

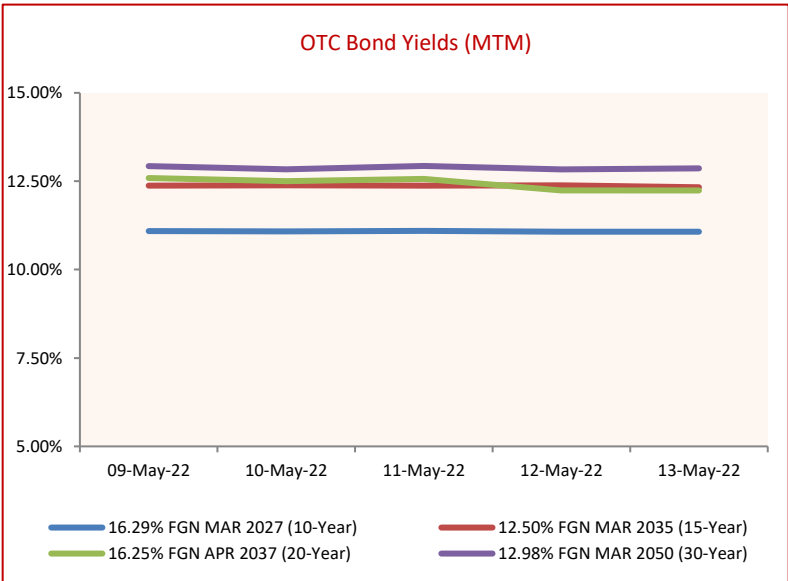


net inflow of N39.50 billion as CBN only partly filled investors orders. Specifically, NIBOR for Overnight rate and 1 month tenor buckets rose to 10.57% (from 9.25%) and 9.33% (from 9.25%) respectively. However, 3 months and 6 months tenor buckets fell to 10.235% (from 10.33%) and 10.44% (from 10.55%) respectively. Also, NITTY rose for most maturities tracked amid liquidity strain. Specifically NITTY for 1 month, 3 month and 6 month rose by 0.14 to 3.07% (from 2.93%), 0.28 to 3.57% (from 3.29%) and 0.09 to 3.88% (from 3.79%) respectively. NITTY for 12 month maturities however, fell by 0.20 to 4.84% (from 5.04%) respectively. However, Overnight tenor bucket fell to 9.25% (from 9.40%).

In the new week, we expect activity in the money market to be slightly bearish as the financial system liquidity may rather come in low given the little to no maturing bills...

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

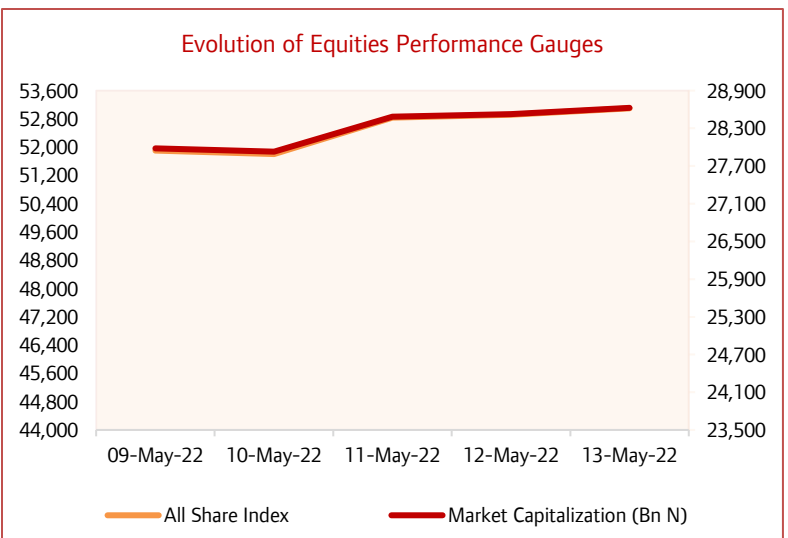
In the just concluded week, investors were mostly bullish in the secondary market as the value of FGN bonds traded increased for all maturities tracked amid increased demand. Specifically, the yields of 10-year, 16.29% FGN MAR 2027 paper rose by N0.03, 15-year 12.50% FGN MAR 2035 bond gained N0.28, 20-year 16.25% FGN MAR 2037 debt increased by N2.63 and 30-year 12.98% FGN MAR 2050 instrument rose by N0.52.while their corresponding yield fell to 11.07% (from 11.10%), 12.33% (from 12.37%), 12.24 (from 12.57) and 12.86% (from 12.93%). 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 USD0.93, USD3.26 and USD1.61 respectively; their corresponding yields increased to 8.160% (from 7.28%), 12.11% (from 11.52%) and 11.76% (from 11.48%) respectively.



In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors scramble for short term fixed income securities. Nevertheless, we expect investors to demand for Nigerian Eurobonds as yields appear attractive.

EQUITIES MARKET: The NGX All Share Index closed at 53,098.46 points, raising the weekly gain by 4.24%...

In the just concluded week, the local bourse witnessed bullish momentum as investors bought shares of tickers companies with sound fundamentals. Notably, we saw the share prices of NNFM, MCNICHOLS, NEIMETH, TRANSCOHOT and ROYALEX rise by 9.94%, 9.84%, 9.71%, 9.66% and 9.29% respectively – hence, lifting the All-Share Index and Market Capitalization each by 424bps to close at 53,098.46 points and N28.63 trillion. Also, most of the sector gauges closed in positive territory amid sustained buy pressure. Notably, The NGX Consumer Goods index, NGX Industrial Goods, NGX30 index and NGX Oil and Gas Index increased by 5.38%, 2.33%, 5.72% and 7.02% respectively to close at 698.32 points, 2,308.32 points, 2,060.70 points and 554.62 points respectively. Meanwhile, market activity was bullish as volume and value rose by 56% & 73% to 1.8 billion units and N29 billion. However, deals for the week under review close at 36,289 as against 21,012 recorded for the comparative full week.



In the new week, we expect equities to trade higher as positive Q1 2022 financial results keeps rolling out and also the continuous crash in the US equities market will as well spur bullish sentiment on the Local bourse.

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 13 2022	May 06 2022	% Change	Symbol	May 13 2022	May 06 2022	% Change
ROYALEX	1.53	1.01	51%	GUINNESS	98.00	110.00	-11%
CHAMPION [BLS]	4.37	3.34	31%	CAVERTON	1.20	1.32	-9%
INTBREW [BMF]	8.80	6.75	30%	CHAMS	0.22	0.24	-8%
OKOMUOIL	215.00	170.00	26%	WAPIC	0.42	0.45	-7%
GLAXOSMITH	7.90	6.25	26%	BERGER	7.20	7.70	-6%
FLOURMILL	41.45	34.50	20%	AIICO	0.75	0.80	-6%
FIDSON	12.05	10.03	20%	NIGERINS	0.20	0.21	-5%
PRESCO	200.00	170.00	18%	MBENEFIT	0.25	0.26	-4%
CADBURY	15.90	13.55	17%	STANBIC	33.00	34.20	-4%
NEIMETH	1.92	1.64	17%	REGALINS	0.29	0.30	-3%



Weekly Stock Recommendations as at Friday, May 13, 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	21.90	25.00	16.83	22.77	14.16	Buy
Fidelity Bank	Q2 2021	19,180.00	0.92	0.66	9.44	0.41	4.18	3.99	1.40	3.70	3.28	3.27	4.43	-11.22	Hold
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	5.05	6.09	3.74	5.06	20.59	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.40	2.47	9.25	4.40	8.00	9.50	6.97	9.43	18.75	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	31.40	57.33	19.64	42.00	82.58	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.70	3.40	29.52	10.70	24.50	32.14	21.25	28.75	31.17	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 13, 2022

FGN Eurobonds	Issue Date	TTM (years)	13-May-22 Price (N)	Weekly Naira Δ	06-May-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.79	77.91	-4.16	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.70	82.17	-4.18	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.77	76.79	-3.81	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.39	74.28	-2.85	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.79	69.21	-3.26	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.56	66.76	-1.61	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.71	75.22	-4.95	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.40	70.37	-2.86	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.79	77.91	-4.16	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.70	82.17	-4.18	8.8%	0.00

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