

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Headline Inflation Rate Rise to 16.82% in April 2022 April Ahead of MPC Meeting...

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

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

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BOND MARKET: FGN Eurobond Price Decline as Investors Remain Bullish...

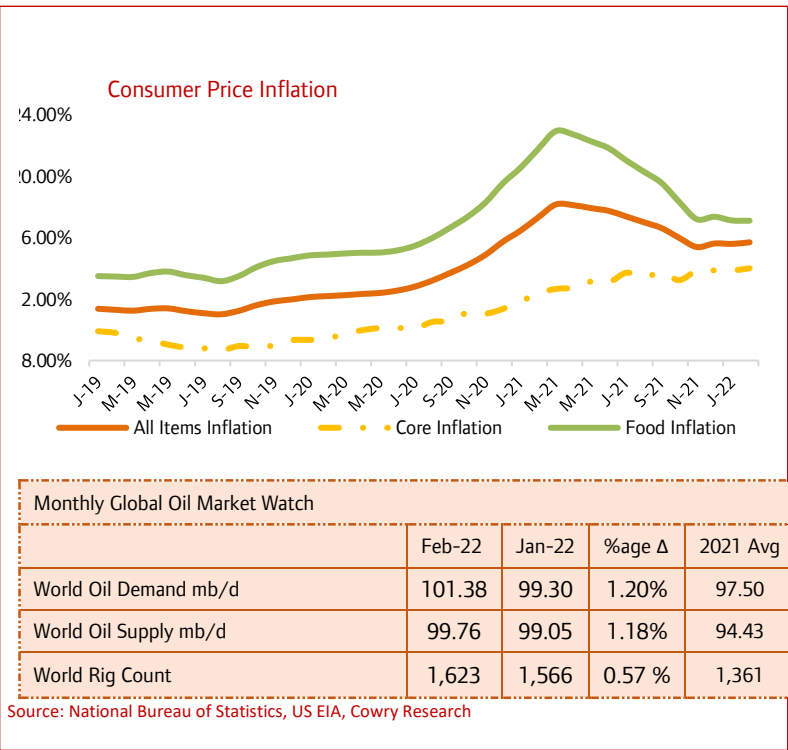
In the new week, we expect the value of FGN Bonds, especially for 42s to increase (and yields to fall) amid increased demand due to the N55.94 billion maturing bills in the money market.

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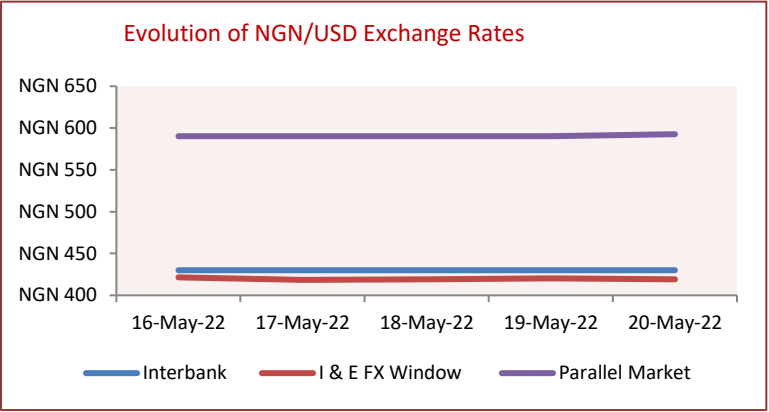
The freshly released April Inflation report from the National Bureau of Statistics (NBS) showed the continuous rise in headline inflation as the inflation rate trended upward to 16.82% in April (from 15.92% recorded in March), making it a three-month consecutive rise. Faster inflation rates were also printed in both urban and rural areas at 17.35% (from 16.44%) and 16.32% (from 15.42%) respectively in April; driven principally by food inflation in April 2022 and a moderating gallop in the food index to 18.37% (from 17.20% in March). We saw a rise in the prices of bread, tea & cocoa, milk, bread, cereals, meat, fat, and vegetables amongst others. Also, the core inflation rate rose to 14.18% (from 13.91% in March) on the back of a higher y-o-y rise in prices of clothing & footwear, Housing, water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance. Specifically, we saw weaker y-o-y increases in prices of Bread and cereals, Potatoes, yam, and other tubers, Oils and fats, and fruit. Also, the core inflation rate rose to 14.18% y-o-y in April (from 13.91% in March) amid higher prices of Alcoholic beverages, Tobacco & Kola, Housing Water, Electricity, Gas & Other Fuel as well as Clothing & Footwear. Meanwhile, the imported food index rose by 17.48% (as against 17.40% in March 2022) 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 April 2022. On a month-on-month basis, headline inflation rose to 1.76% in April (from 1.74% in March) on the back of monthly increases in the cost of all items, especially Food, transportation costs & Non-Alcoholic Beverages. The food inflation rate rose to 2.00% in April from 1.99% in March while the core inflation rate rose to 1.22% from 0.98%. Meanwhile, the Monetary Policy Committee (MPC) would, in the new week, decide on the direction of the benchmark rate, having considered the macroeconomic variables. In the last meeting, the major concerns of the Committee include, but are not limited to, the unabated rising trend of domestic prices and the need for monetary and fiscal policies to push down prices via financing productive ventures, which are expected to boost aggregate supply; as well as its continued innovative effort to maintain exchange rate stability, especially the incentives to attract diaspora remittances into the country. The Committee also felt that the lifting of restrictions associated with the COVID19 pandemic, and the strong recovery of aggregate demand have continued to pose a strong upside risk to inflation, as supply bottlenecks persist. It has been further aggravated by sanctions imposed on trade with Russia and other blockages associated with supplies from Ukraine. Against this backdrop, we note that the final decision of the Committee from its upcoming 285th meeting would chiefly be driven by the major challenges of taming the rising inflation, maintaining exchange rate stability, and sustaining growth recovery in the economy while focusing on the downside risks associated with the injection of more funds.



We expect to see further increased inflationary pressure in the coming months due to the ongoing rainy season and the lingering effects of structural bottlenecks and insecurity. Other factors include probable upward adjustment to electricity tariffs, the effect of higher crude oil prices on transportation costs as well a likely increase in imported food due to upward pressures on the exchange rate. Meanwhile, we expect the Monetary Policy Committee (MPC) to at least hold Monetary Policy Rate (MPR) constant. Nevertheless, we do not rule out the possibility of the Committee increasing the MPR in order to further consolidate its move to stabilize the depreciating exchange rate.

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

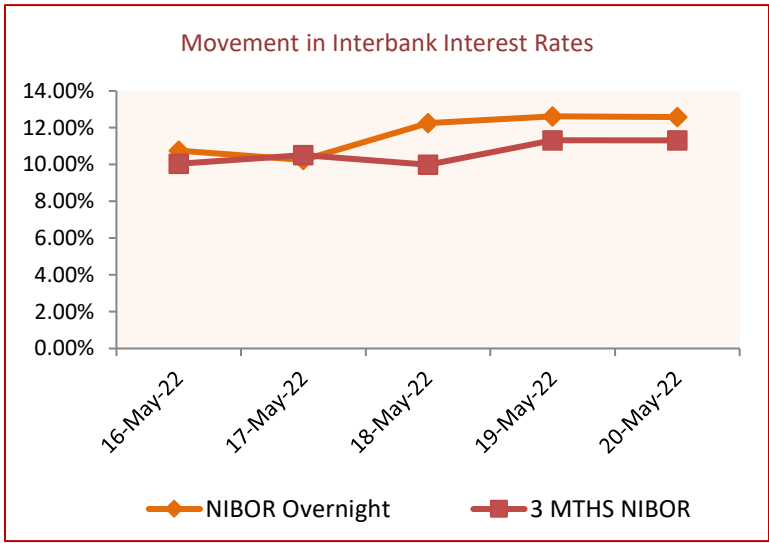
In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.001% to N420.33/USD at the I&E FX Window as Bonny light price rised to USD111.15 per barrel. However, Naira depreciated against the greenback at the Parallel market by 19.24% to close at N600.00/USD. At the 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...

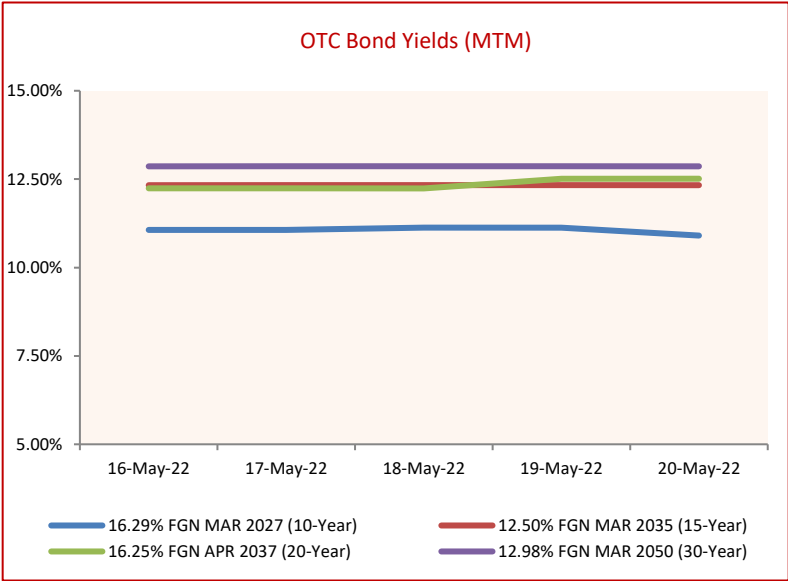
In the just concluded week, there was auction in the market which resulted in the bullish run on a week on week comparision amid buy pressure. Generally, NIBOR for Overnight, 1 month, 3 months and 6 months maturities increased to 12.58% (from 10.75%), 10.53% (from 9.33%), 11.31%(from 10.23%) and 11.92% (from 10.44%) respectively On the flip side, NITTY rose for most tenor bucket tracked. Specifically, 1 month, 6 months and 12 months tenor increased to 3.11%(from 3.07%), 3.95%(from 3.88%) and 4.93%(from 4.84%). Meanwhile, in the OMO market, we saw maturity worth N35 billion for the week under review without refinancing.



In the new week, OMO worth N30 billion will mature via the secondary market also NTB worth of N25.94 billion will mature in the coming week. Hence, hence, we expect interbank rates to move in mixed directions amid marginal inflow of matured bills.

BOND MARKET: FGN Eurobond Price Decline as Investors Remain Bullish...

In the just concluded week, DMO offered via auction N225.00 billion worth of bonds; viz N75 billion (apiece) for the 13.53% FGN MAR 2025, 12.50% FGN APR 2032 and 13.00% FGN JAN 2042 re-openings but sold N345.26 billion across the three maturities on offer. Stop rates for 13.00% FGN JAN 2042 maturity tracked rose to 13.00% (from 12.90%). Meanwhile, the values of FGN bonds traded in the secondary market went in mixmag as well as the yields for the maturities tracked. Specifically, the 10-year 16.29% FGN MAR

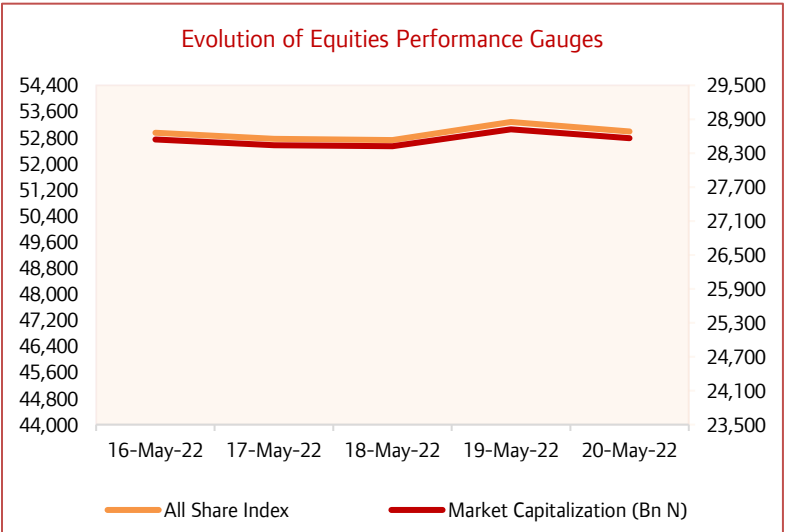


2027 papers gained N0.64, their corresponding yields fell to 10.90% (from 11.07%). However, the 20-year, 16.25% FGN APR 2037 bond lost N2.22; its corresponding yield rose to 12.51% (from 12.24%). the 15-year 12.50% FGN MAR 2035 bond and the 30-year 12.98% FGN MAR 2050 instrument remain flatish for the week. 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 USD1.01, USD0.59 and USD0.82 respectively; their corresponding yields increased further to 9.16% (from 8.16%), 12.23% (from 12.11%) and 11.90% (from 11.76) respectively.

In the new week, we expect the value of FGN Bonds, especially for 42s to increase (and yields to fall) amid increased demand due to the N55.94 billion maturing bills in the money market.

EQUITIES MARKET: The NGX All Share Index closed at 52,979.96 points, decreasing the weekly gain by 0.22%.....

In the just concluded week, the local bourse witnessed bearish sentiment amid profit taking on some stocks. Notably, we saw the share prices of LEARNAFRCA, GSPECPLC, ACADEMY, ROYALEX and FTNCOCOA drop by 10.00%, 9.79%, 9.56%, 9.52% and 8.57% respectively – hence, decreasing the All-Share Index and Market Capitalization each by 22bps to close at 52,979.96 points and N28.72 trillion. Also, most of the sector gauges closed in positive territory amid sustained buy pressure. Notably, The, NGX Insurance Index, and NGX Oil and Gas Index increased by 2.28% and 0.30% respectively to close at 192.34 points and 556.29 points respectively. Meanwhile, market activity was bullish as volume and value rose by 99% & 0.3% to 3.0 billion units and N27 billion. However, deals for the week under review close at 29,252 as against 29,267 recorded for the comparative full week.



In the new week, we expect the domestic equities market to trade sideways as investors rebalance their portfolio in favor of high dividend paying stocks with good fundamentals.



Top Ten Gainers				Bottom Ten Losers			
Symbol	May 20 2022	May 13 2022	% Change	Symbol	May 20 2022	May 13 2022	% Change
TRANSCOHOT [BLS]	5.89	4.88	21%	ROYALEX [MRF]	1.14	1.53	-25%
NNFM	12.00	9.95	21%	FTNCOCOA [RST]	0.32	0.38	-16%
PZ	13.00	11.60	12%	MAYBAKER	4.31	5.05	-15%
CADBURY	17.70	15.90	11%	GLAXOSMITH	6.95	7.90	-12%
NEM	4.39	3.95	11%	NPFMCRFBK	1.87	2.12	-12%
BETAGLAS	62.55	57.00	10%	CHAMPION [BLS]	3.90	4.37	-11%
MRS	13.60	12.40	10%	FLOURMILL	37.00	41.45	-11%
SOVRENINS	0.28	0.26	8%	LEARNAFRCA	2.25	2.50	-10%
REGALINS	0.31	0.29	7%	FIDSON	11.00	12.05	-9%
AIRTELAFRI	1,470.00	1,400.00	5%	NEIMETH	1.76	1.92	-8%



Weekly Stock Recommendations as at Friday, May 20, 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	21.85	25.00	16.83	22.77	14.426	Buy
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	Q1 2022	122,019.00	3.57	4.85	26.03	0.32	2.30	8.80	4.40	7.90	13.49	9.43	9.43	70.76	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	31.75	57.33	19.64	42.00	82.57	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	24.40	30.25	28.75	28.75	23.98	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 20, 2022

FGN Eurobonds	Issue Date	TTM (years)	20-May-22 Price (N)	Weekly Naira Δ	20-May-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.77	76.10	-1.81	8.3%	0.59
8.747 JAN 21, 2031	21-Nov-18	8.68	80.27	-1.90	8.8%	0.85
7.875 16-FEB-2032	16-Feb-17	9.75	74.22	-2.57	8.8%	0.47
7.375 SEP 28, 2033	28-Sep-21	11.37	72.68	-1.60	8.8%	0.02
7.696 FEB 23, 2038	23-Feb-18	15.78	68.62	-0.59	9.4%	0.60
7.625 NOV 28, 2047	28-Nov-17	25.54	65.94	-0.82	9.5%	0.72
9.248 JAN 21, 2049	21-Nov-18	26.69	74.36	-0.86	9.9%	0.48
8.25 SEP 28, 2051	28-Sep-21	29.38	69.01	-1.36	9.7%	0.19
7.143 FEB 23, 2030	23-Feb-18	7.77	76.10	-1.81	8.3%	0.59
8.747 JAN 21, 2031	21-Nov-18	8.68	80.27	-1.90	8.8%	0.85

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