

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: MPC Raise MPR to 13%, Retained Other Policy Parameters amid Sluggish Real Output Growth in Q1 2022....

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MONEY MARKET: NITTY Rises for All Tenor Buckets on Financial Liquidity Strain...

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BOND MARKET: FGN Bond Yields Rise for Most Maturities Tracked amid Sustained Bearish Trend...

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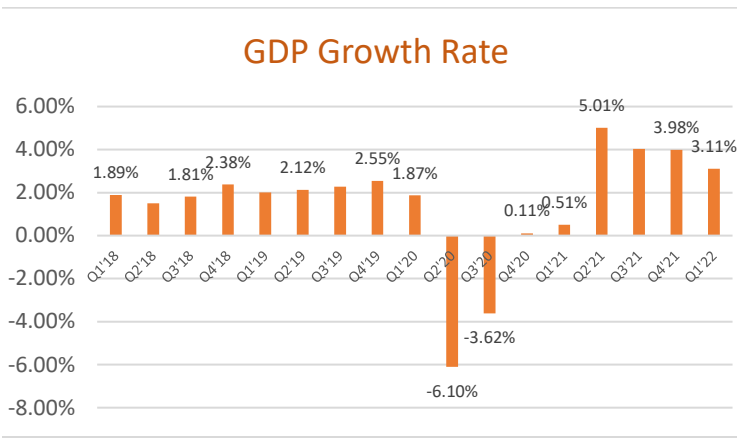
EQUITIES MARKET: The NGX All Share Index closed at 54,085.30 points, increasing the weekly gain by 2.09%.....

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ECONOMY: MPC Increased MPR to 13%, Retained Other Policy Parameters amid Sluggish Real Output Growth in Q1 2022....

In the first quarter of 2022, Nigeria recorded a year-on-year (y-o-y) real output growth rate of 3.11% to N17.35 trillion (or USD115.67 billion @ an average rate of N150.30/USD – 2010 based year) in Q1 2022 showing a sustained positive growth for the sixth consecutive quarter since the recession witnessed in 2020. However, The Q1 2022 growth rate fell by 0.88% points from the 3.98% recorded in Q4 2021 but was higher than the 0.51% recorded in Q1 2021. Specifically, the relatively slowing growth was driven chiefly by a 6.08% y-o-y growth in the non-oil sector, the rate was 5.28% points higher than the rate recorded in Q1 2021 and 1.34% higher than the rate recorded in Q4 2021; with Trade, Information & Communication, Agricultural, Manufacturing, and Financial Services sectors accounting

for positive growth rates of 6.54%, 5.60%, 3.16%, and 5.01% respectively when compared with Q1 2021. However, the oil & gas sector, saw a y-o-y decline of 23.83% points in real output as average daily crude oil production dwindled. We note that Nigeria may not benefit much from the increase in crude oil price, which has risen above USD90 per barrel, given its low crude oil production. On a quarterly basis, the oil sector recorded a growth rate of 9.11% in Q1 2022 as against 9.25 in Q4 2021; with the non-oil sector rising by 12.36%. On the flip side, Oil & Gas sector plunged by 17.99% q-o-q. Meanwhile, the Monetary Policy Committee (MPC) after its two-day meeting which ended on Tuesday, May 25, 2022, decided to increase MPR to 13% and hold other key policy parameters constant. The Monetary Policy Rate (MPR) which was formally at 11.50% and the asymmetric band was retained at +100 bps and – 700 bps around MPR. Cash Reserve Ratio was retained at 27.50% and the Liquidity Ratio left unchanged at 30%. Some of the Committee’s observations include: the conflict between and Ukraine which led to huge constraints in the supply chain and the resumption of Covid 19 pandemic in China, giving rise to upside risks to inflation and downside risks to growth. Other major factors the Committee focused on include, supply-chain bottlenecks, inflationary pressures, and policy normalization in developed countries. They pointed out that Inflation in advanced economies was unlikely to abate in the short to medium term. albeit, it noted that China’s growth has continued to weaken due to the resumption of the pandemic. Also, They noted that Growth in emerging and developing economies is expected to continue to slow down in 2022 due to a series of restrictions imposed by NATO countries and its allies against trade with Russia. The MPC noted that Inflation in Nigeria is currently at 16.82% well above the ceiling of the apex bank’s inflation target corridors as a result of the election, and insecurity. Hence, its willingness to arrest the current challenge of Stagflation – rising inflation combined with little growth in output – from the supply side.



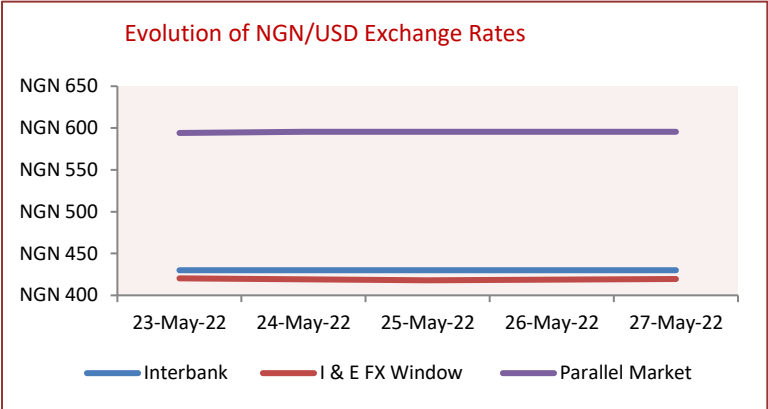
Monthly Global Oil Market Watch				
	Feb-22	Jan-22	%age Δ	2021 Avg
World Oil Demand mb/d	101.38	99.30	1.20%	97.50
World Oil Supply mb/d	99.76	99.05	1.18%	94.43
World Rig Count	1,623	1,566	0.57 %	1,361

Source: National Bureau of Statistics, US EIA, Cowry Research

We note that the unanimous decision of the Committee members to increase MPR to 13% and leave other key policy parameters unchanged was to allow further economic growth given the fragile GDP growth rate printed in Q1 2022. However, we feel that the harmonization of the exchange rate at the official and Investors & Exporters windows, high cost of borrowing, worsening insecurity, and market reflective electricity tariff, may in the medium-term assert pressure on the inflation rate and negatively impact growth.

FOREX MARKET: Naira Appreciated against USD at I&E FX Window on Sell Pressure...

In the just concluded week, the Naira/USD exchange rate appreciated against the greenback by 0.47% to N418.33/USD at the I&E FX Window as Bonny light price raised to USD111.15 per barrel. However, Naira depreciated against the greenback in the Parallel market by 19.24% to close at N600.00/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at

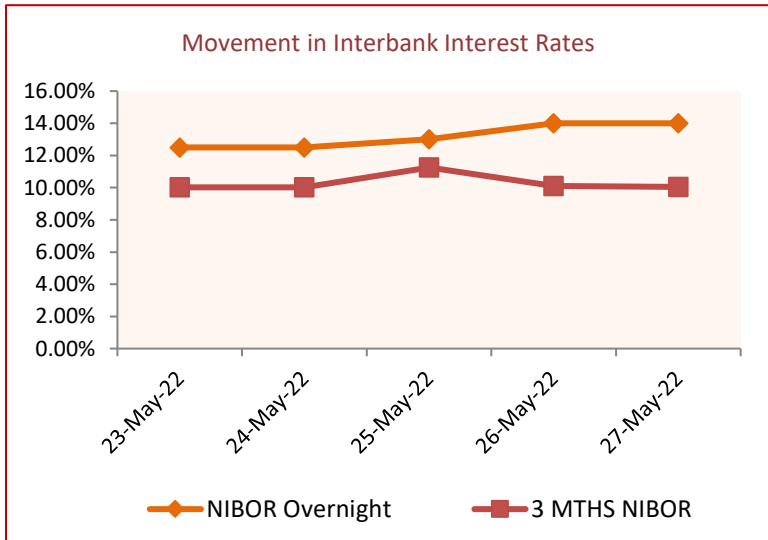


N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for Invisibles. Meanwhile, the Naira/USD exchange rate went in mixed directions across the foreign exchange forward contracts. Specifically, 2 months, 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-month 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 to anticipated pressure on foreign exchange amid electioneering activity coupled with weak petrodollar earnings.

MONEY MARKET: NITTY Rises for All Tenor Buckets on Financial Liquidity Strain...

In the just concluded week, there was no auction in the primary market. NIBOR fell for most of the tenor Bucket being tracked. Specifically, NIBOR for 1 month, 3 months and 6 months maturities decreased to 9.33% (from 10.53%), 11.05%(from 11.31%) and 11.10% (from 11.92%) respectively. However, the Overnite tenor bucket rose by 1.42% to close at 14.00%. Also, NITTY rose for all of the tenor buckets tracked as we saw



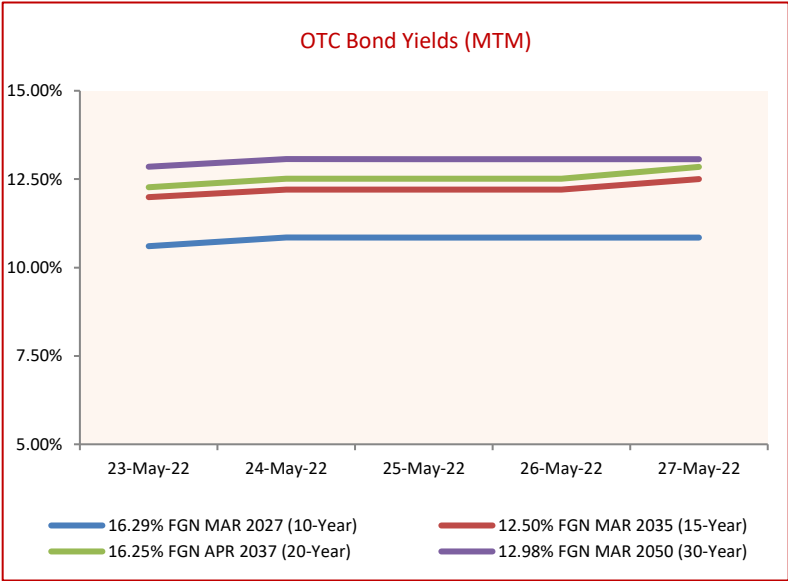
NTB of about 25.94 billion matured in the week. Specifically, 1 month 3 months, 6 months and 12 months tenor increased to 3.34%(from 3.11%), 3.80%(from 3.51%), 4.46%(from 3.95%) and 6.04%(from 4.93%).

In the new week, OMO worth N60 billion will mature via the secondary market. Hence, hence, we expect interbank rates to move in mixed directions amid a marginal inflow of matured OMO.

BOND MARKET: FGN Bond Yields Rise for Most Maturities Tracked amid Sustained Bearish Trend...

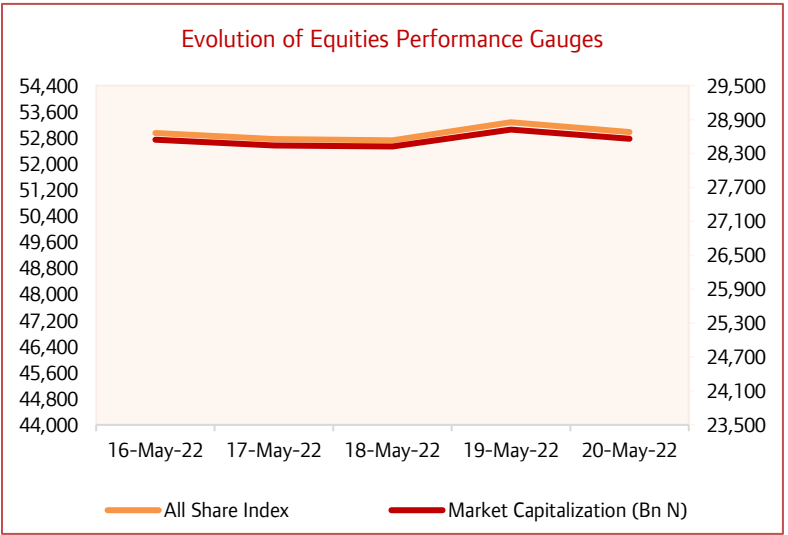
In the just concluded week, sentiment remained bearish in the market which may be due to the Monetary policy rate increase to 13% and the CBN’s effort in harmonizing the Naira to address the exchange rate issues. Notably, FGN Yields rose for most maturities tracked and we saw the 20-year tenor rise as high as 14.06% during the week. Specifically, the 15-year, 12.50% FGN MAR 2035 bond, the 20-year 16.29% FGN MAR 2037 bond and the 30-year, 12.98% FGN MAR 2050 lost N1.11, N2.65 and N1.55 respectively; their corresponding yields increased to 12.50% (from 12.33%), 12.85% (from 12.51%) and 13.07% (from 12.86%) respectively. However, the 10-year 16.29% FGN MAR 2027 paper gained N0.19 while its corresponding yield fell to 10.84% (from 10.90%). Also, the value of FGN Eurobonds traded at the international capital market rose for all maturities tracked; 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 rose by USD2.11, USD6.95 and USD6.70 respectively; their corresponding yields fell to 7.16% (from 9.16%), 10.99% (from 12.23%) and 10.80% (from 11.90) respectively.

In the new week, we expect local OTC bond prices, especially at the longer end of the curve, to increase (and yields to moderate) as yields remain relatively attractive.



EQUITIES MARKET: The NGX All Share Index closed at 54,085.30 points, increasing the weekly gain by 2.09%..

In the just concluded week, the local bourse witnessed bullish sentiment amid profit-taking on some stocks. Notably, we saw the share prices of CUTIX, AIRTELAFRI, WEMABANK, ARDOVA, and FBNH rose by 9.96%, 9.89%, 8.63%, 7.09%, and 56.98% respectively – hence, increasing the All-Share Index and Market Capitalization each by 209bps to close at 54,085.30 points and N29.16 trillion. However, all the sector gauges closed negative even as we saw bullish sentiment on the overall All share Index. Notably, The NGX Insurance Index, NGX Oil and Gas Index, NGX Consumer Goods Index, NGX Banking Index, and NGX Industrial Index decreased by 6.27%, 0.86%, 3.94%, 0.76%, and 0.67% respectively to close at 180.28 points, 551.49 points, 664.23% points, 427.47% points, and 2,278.71 points respectively. Meanwhile, market activity was mix-bagged as volume decreased by 38% to 1.84 billion units, meanwhile, the value rose by 0.02% billion to N27.3 billion. However, deals for the week under review close at 27,273 as against 29,252 recorded for the comparative week.



In the new week, we expect to see a mixed reaction to the daily change of the local bourse. This we believe will be as a result of no upcoming company’s financial release for the new week. However, Investors are advised to trade on companies’ stocks with good fundamentals and positive outlook so as to avoid falling into the bear trap.

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 27 2022	May 20 2022	% Change	Symbol	May 27 2022	May 20 2022	% Change
MRS	16.40	13.60	21%	UACN	10.50	14.40	-27%
AIRTELAFRI	1,767.00	1,470.00	20%	ROYALEX [MRF]	0.98	1.14	-14%
CONOIL	34.25	31.15	10%	RTBRISCOE [MRF]	0.56	0.65	-14%
FTNCOCOA [RST]	0.35	0.32	9%	JAIZBANK	0.78	0.90	-13%
JAPAUFGOLD	0.32	0.30	7%	NEM	3.82	4.39	-13%
CORNERST	0.61	0.58	5%	PZ	11.45	13.00	-12%
STERLNBANK	1.60	1.56	3%	GUINNESS	87.10	98.00	-11%
NGXGROUP	23.00	22.55	2%	SOVRENINS	0.25	0.28	-11%
CAP	21.40	21.00	2%	AIICO	0.70	0.78	-10%
NAHCO	6.47	6.40	1%	MANSARD	2.03	2.26	-10%



Weekly Stock Recommendations as at Friday, May 27, 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	21.40	25.00	16.83	22.77	16.82	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	4.34	6.09	3.74	5.06	40.32	Buy
UBA	Q1 2022	122,019.00	3.57	4.85	26.03	0.32	2.30	8.80	4.40	7.95	13.49	9.43	9.43	69.69	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	28.95	57.33	19.64	42.00	103.66	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	23.90	30.25	28.75	28.75	26.57	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 27, 2022

FGN Eurobonds	Issue Date	TTM (years)	27-May-22 Price (N)	Weekly Naira Δ	27-May-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.75	82.56	6.46	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.66	87.27	7.00	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.73	81.29	7.07	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.35	79.71	7.03	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.76	75.57	6.95	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.52	72.64	6.70	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.67	81.58	7.22	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.36	75.13	6.12	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.75	82.56	6.46	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.66	87.27	7.00	8.8%	0.00

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