

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: ECONOMY: Nigeria's Foreign trade Rose to N13.0trn in Q1 2022.....

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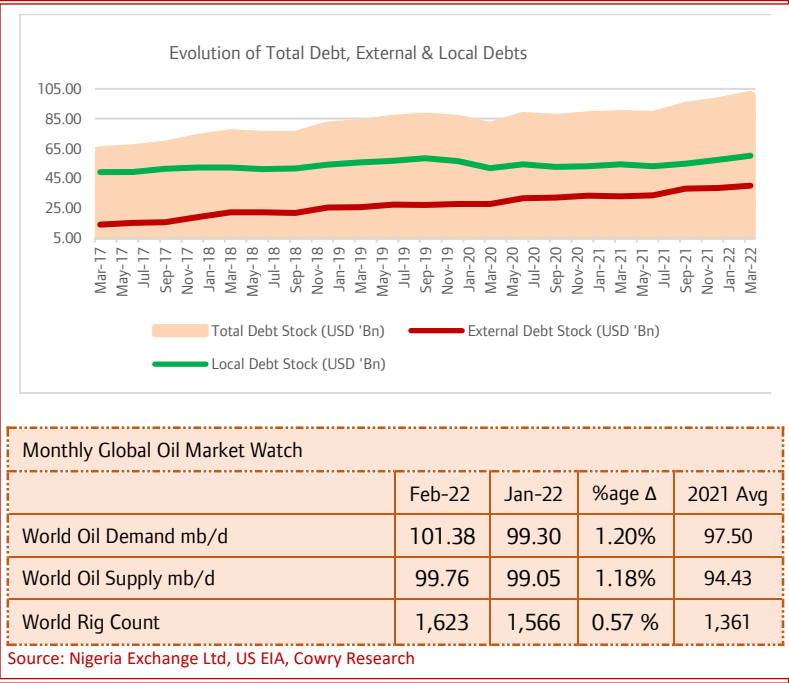
In the new week, we expect to see mixed reactions to the daily change of the local bourse. Meanwhile, with the expectations of Q2 numbers coming in over the next few weeks we continue to maintain positive sentiments in the market although profit-taking will likely set in as prices rise. Investors are advised to trade on companies' stocks with good fundamentals and a positive outlook so as to avoid falling into the bear trap.....

ECONOMY: Nigeria’s Foreign trade Rose to N13.0trn in Q1 2022.....

Recently released data from the National Bureau of Statistics (NBS) on foreign trade statistics showed that total merchandise trade rose by 11.41% to N13.00 trillion in Q1 2022 (from N11.71 trillion printed in Q4 2021). Given the higher export transactions which outweighed imports, Nigeria recorded a merchandise trade surplus of N1.19 trillion in Q1 2022. Specifically, the sharp increase in exports to the fact that the value of crude oil exports almost tripled to N5.6 trillion in Q1 of 2022 from N2.0 trillion in Q1 of 2021 and is substantially due to the rally in crude oil prices caused by the global supply shocks from the Russian-Ukraine war. However, with respect to imports, we note from the report that the total value of minerals and fuel imports grew 12% y/y to N1.9 trillion.

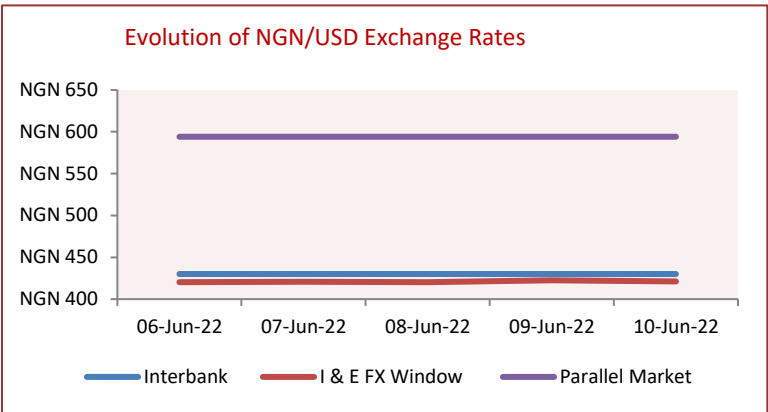
Of the sum, the motor spirit (which we assume to consist of mostly PMS or gasoline) amounted to N1.8 trillion, a 45% year-on-year increase. Even though we saw from the report that Nigeria recorded lots of positives during the Q1 of 2022, the country reported a decrease in re-exports during the quarter to N115.8 billion from N123.5 billion last year and N284.5 billion in the final three months of 2021. To this, her top five re-export destinations were Namibia, Cameroun, Ghana, Indonesia, and Malaysia. The most re-exported commodity groups were ‘Floating or submersible drilling or production platforms’ N89.93 billion followed by ‘Vessels and other floating structures for breaking up’ valued at N14.23 billion and ‘Helicopters of an unladen weight exceeding 2000kg’ amounting to N8.24 billion. Furthermore, Nigeria’s major import focus was on manufactured goods with a value of N2.97 trillion, trailed by other petroleum oil products which stood at N1.9 trillion, raw materials at N538.5 billion, Agricultural products and Solid minerals goods at N443.4 billion and N41.09 billion. The other side of the trade book saw Nigeria’s export of crude oil which is its major revenue driver in recent years and valued at N5.62 trillion and was trailed by other petroleum oil products (N764.27 billion), raw material goods which interestingly increased 504% to N259.48 billion, manufactured goods (N219.08 billion) and then agricultural goods at N201.59 billion. Meanwhile, top on the list of non-oil and gas-related exports was urea, which accounted for N208 billion from the previous N17 billion in Q1 of 2021 and the increase in urea exports can be linked to the start-up of operations at the Dangote Fertilizer facility. We note that Nigeria’s rising trade surplus comes from its continued drive on non-oil exports as an effort to achieve the economic diversification plan and increase receipts from oil and non-oil exports. This we attribute to efforts at implementing the import substitution strategy aimed at discouraging imports and encouraging exports just like can be found in the export of urea during the quarter. Also, receipts from crude oil exports were substantial to the recorded surplus and were driven by the rally in crude oil prices caused by global supply shocks from the Russian-Ukraine war. For a better context, CBN’s data on the price of Bonny Light, Nigeria’s benchmark blend, averaged \$107 per barrel during Q1’22 from the \$62 per barrel in Q1’21.

We note that if the current trend of borrowing spree continues, Nigeria may be trapped in a debt cycle as it borrows to finance its recurrent expenditure without a corresponding increase in revenues. Meanwhile, almost 97% of the country’s revenues are expended on debt servicing and then the domestic debt service cost is now at N668.9 billion as at March 31, 2022



FOREX MARKET: Naira Depreciated against USD at I&E FX Window on Buy Pressure...

In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.65% to N421.50/USD at the I&E FX Window however Bonny light price rose to USD129.18 per barrel. However, Naira depreciated against the greenback in the Parallel market by 20.18% to close at N609.00/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at

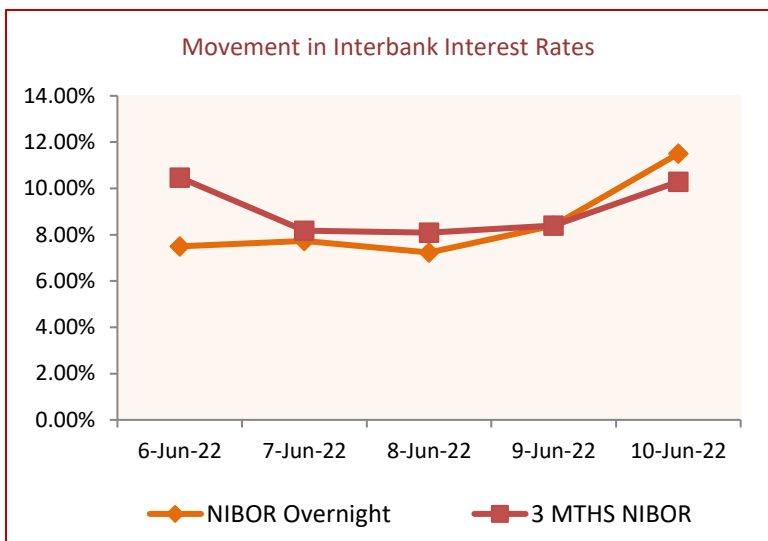


N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisible. Meanwhile, the Naira/USD exchange rate went in 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 the 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, In the just concluded week, CBN allotted T-bills worth N167.1 billion to refinance the N90.38 billion worth of matured treasury bills. Notably, given the almost 2x over-subscription level, the stop rate for 182-day bill and 364-day bill fell to 3.84% (from 3.89%) and 6.44% (from 6.49%) respectively. Stop rate for 91-Day bill was unchanged at 2.5%. Hence, the net sentiment eclipsed both the 3-month and 6

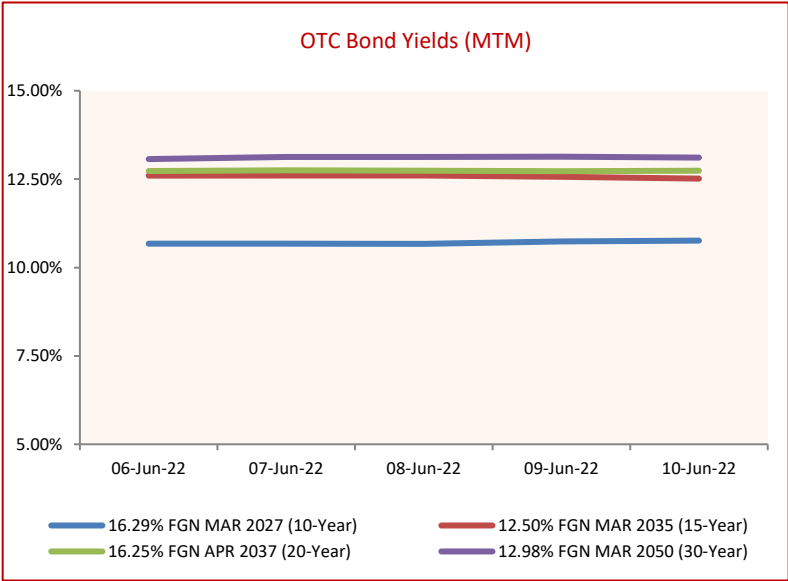


months tenor buc inflow worth N76.72 billion resulted in a boost in financial system liquidity – given the absence of sales of secondary market instruments. Meanwhile, NIBOR for Overnight, 3 month and 6 months maturities increased to 11.50% (from 7.50%), 10.29% (from 10.03) and 11.48% (from 11.08%) respectively, while the 3 months maturieies decreased to 0.15% from 9.36%. NITTY closed southward. Specifically NITTY for 1 month, 3 months, 6 months and 12 months tenor decreased to 3.19% (from 3.43%), 3.67% (from 3.74%), 4.27% (from 4.30%) and 6.32% (from 6.49%).

In the new week, OMO worth N20 billion will mature via the secondary market also NTB worth of N12.66 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 Yields Depreciated on renewed Bearish Sentiment.....

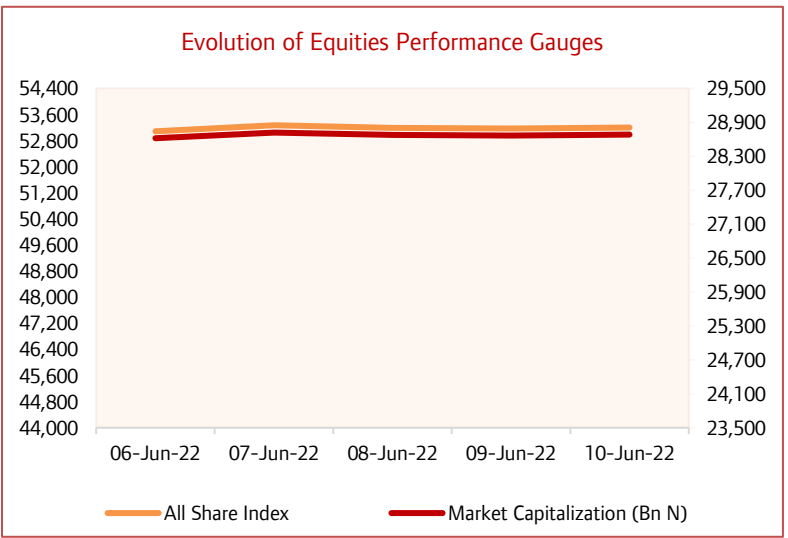
In the just concluded week, investors were mostly bullish on maturities tracked in the secondary market as the value of FGN bonds traded went in a mismag direction for the maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027 instrument and 30-year 12.98% FGN MAR 2050 bond fell by N0.32 to N120.15 from N120.47 and N0.34 to N98.96 from N99.30 while their yields increase to 10.76% (from 10.70%) and 13.11% (from 13.07%) respectively. On the other hand, the 15-year 12.50% FGN MAR 2035 and the 20-year 16.25% FGN APR 2037 debt instrument rose by N0.53 to N99.86 (from N99.33) and N0.11 to N123.08 (from N122.97) while their corresponding yields declined to 12.51% (from 12.60%) and 12.74% (from 12.76%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all the maturities tracked on renewed 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 USD 0.18 , USD 4.56 and USD 4.53 respectively; while their corresponding yields rose to 7.60% (from 7.40%), 12.17% (from 11.33%) and 11.80% (from 11.04%) respectively.



In the new week, we expect to see increased bearish activity in local FGN bonds space as FGN eurobonds yields appear to be relatively high...

EQUITIES MARKET: The NGX All Share Index closed at 53,170.73 points, Increasing the weekly gain by 0.5%...

In the just concluded week, the local bourse witnessed bullish sentiment as investors’ confidence was restored. Notably, we saw the share prices of FIDSON, FTNCOCOA, COURTVILLE, JAIZBANK and FCMB rose by 9.59%, 9.09%, 8.51%, 7.78% and 7.69% respectively – hence, increasing the All-Share Index and Market Capitalization each by 5bps to close at 53,201.38 points and N28.68 trillion. However, most of the sector gauges tracked closed negative. Notably, The NGX Consumer Goods Index, NGX Banking Index and NGX Consumer Index decreased by 0.10%, 2.12%, and 1.61% respectively to close at 640.90 points, 415.33 points, and 178.85 points respectively. Meanwhile, market activity falls as volume and value decreased by 999% and 999% to 28.67 billion units and N24.4 billion respectively. However, deals for the week under review close at 26.969 as against 28,567 recorded for the comparative full week.



In the new week, we expect to see mixed reactions to the daily change of the local bourse. Meanwhile, with the expectations of Q2 numbers coming in over the next few weeks we continue to maintain positive sentiments in the market although profit-taking will likely set in as prices rise. Investors are advised to trade on companies’ stocks with good fundamentals and a positive outlook so as to avoid falling into the bear trap.

Top Ten Gainers				Bottom Ten Losers			
Symbol	June 10 2022	June 03 2022	% Change	Symbol	June 10 2022	June 03 2022	% Change
ETI	12.50	11.10	13%	CONOIL	29.10	32.00	-9%
MRS	16.40	14.80	11%	FIDSON	10.95	12.00	-9%
ETRANZACT	3.00	2.71	11%	UPL	2.65	2.90	-9%
NEM	4.20	3.85	9%	TRANSCORP	1.27	1.38	-8%
CUTIX	2.90	2.70	7%	JAIZBANK	0.90	0.97	-7%
ABCTRANS	0.33	0.31	6%	FCMB	3.27	3.50	-7%
CHAMPION [BLS]	3.89	3.67	6%	FTNCOCOA [RST]	0.34	0.36	-6%
COURTVILLE	0.54	0.51	6%	MANSARD	2.04	2.13	-4%
WAPIC [MRF]	0.42	0.40	5%	MTNN	230.00	239.90	-4%
FBNH [MRF]	11.00	10.55	4%	CHAMS	0.24	0.25	-4%

Weekly Stock Recommendations as at Friday, June 10, 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	20.15	25.00	16.83	22.77	12.07	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	4.00	6.09	3.74	5.06	52.25	Buy
UBA	Q1 2022	122,019.00	3.57	4.85	26.03	0.32	2.30	8.80	4.40	7.70	13.49	9.43	9.43	75.19	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	28.00	57.33	19.64	42.00	104.75	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	22.85	30.25	28.75	28.75	32.39	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 10, 2022

FGN Eurobonds	Issue Date	TTM (years)	10-June-22 Price (N)	Weekly Naira Δ	03-June-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.71	77.64	-3.95	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.62	81.13	-4.76	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.69	75.63	-4.84	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.31	73.45	-3.77	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.72	68.99	-4.56	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.48	66.53	-4.53	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.64	75.31	-5.13	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.32	69.21	-4.45	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.71	77.64	-3.95	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.62	81.13	-4.76	8.8%	0.00

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