

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Headline Inflation accelerates to 17.71%

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BOND MARKET: FGN Eurobond Yields Depreciated on renewed Bearish Sentiment.....

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ECONOMY: Nigeria’s Headline Inflation accelerates to 17.71%

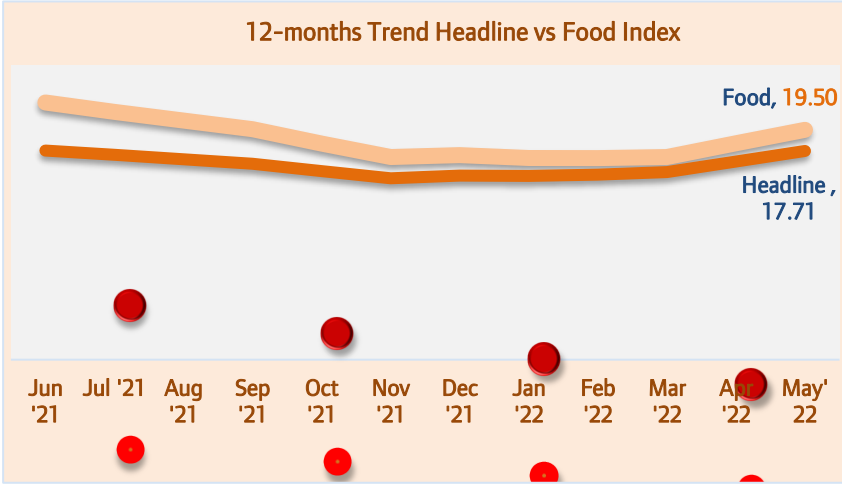
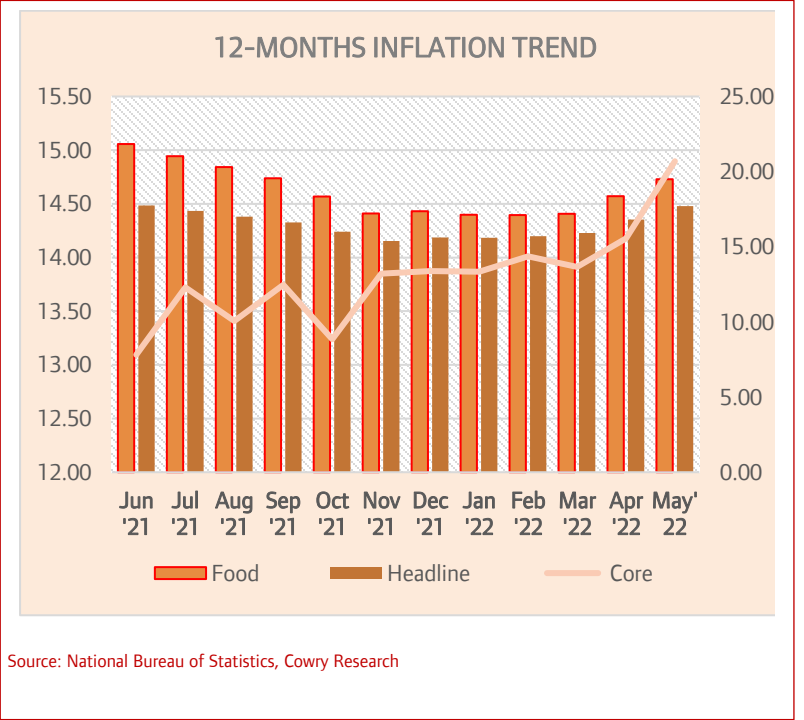
The latest Consumer Price Index (CPI) which measures the average change over time in the prices of goods and services consumed for daily living published by the National Bureau of Statistics (NBS) has shown that the headline inflation increased to 17.71% year-on-year in May 2022 from 17.93% reported in May last year and 16.82% reported in the previous month (April '22). Month-on-month, the index rose 1.78% in May 2022, indicating a 0.02% rate higher than the 1.76% in April.

For the fourth time this year, Nigeria’s headline inflation continued its acceleration above 17% to a 112-month high and in line with our expectations following the unorthodox policy rate hike by the central bank, unrelenting pressure experienced by the naira in the FX market, insecurity concerns which have extended its negative impact on the planting and harvesting season.

We noticed an increasing trend in prices of commodities at a faster pace for food items than for non-food baskets as we saw that the surge in the headline inflation index was chiefly driven by the increase in the food index to 19.50% in May. This was caused by increases in prices of bread and cereals, food products, potatoes, yam, and other tubers, wine, fish, meat, and oils. Consequently, the price increases can be attributed to cost-push influences elevated by causative factors which are both domestic and exogenous to Nigeria. We also note that the increases in the food and its sub-index echo the collective effects of seasonality, war-induced global supply chain interruptions, and output shocks which have precipitated an unprecedented but expected hike in commodity prices.

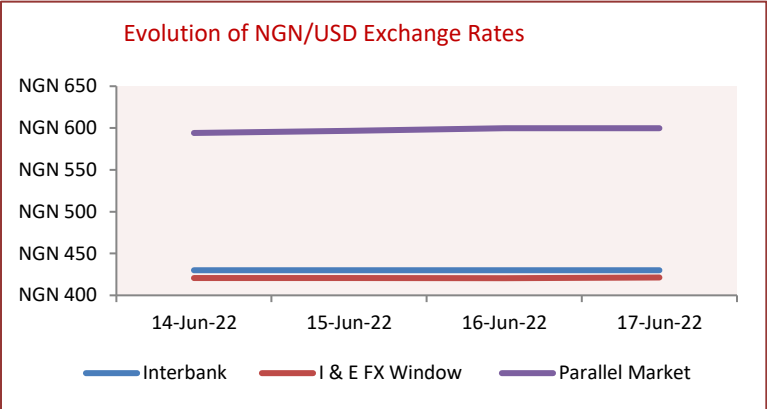
Furthermore, the core inflation which excludes the prices of volatile agricultural produce stood at 14.90% in May 2022 on a year-on-year basis, up by 1.75% when compared to 13.15% recorded in May 2021. On a monthly basis, the core subindex increased to 1.87% in May 2022. This is up by 0.65% when compared to 1.22% recorded in April 2022. We saw from the report that the increases were recorded in prices of gas, liquid fuel, garment, solid fuel, cleaning, repair and hire of clothing and passenger transport by road. In the meantime, the imported food index inched up 9bps to 17.75% reflecting the rising inflationary pressure on domestic food prices as Naira depreciated against the greenback at the parallel market.

Given the majorly supply-side inflationary pressure, we note that the electioneering campaigns, which are in full gear following the conclusions of party primaries; the insecurity concerns in the country, which will likely disrupt the forthcoming harvest season; and the war-induced global supply shocks are likely to further exacerbate rising prices. We see the headline index accelerating to 18.30% in June 2022.



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

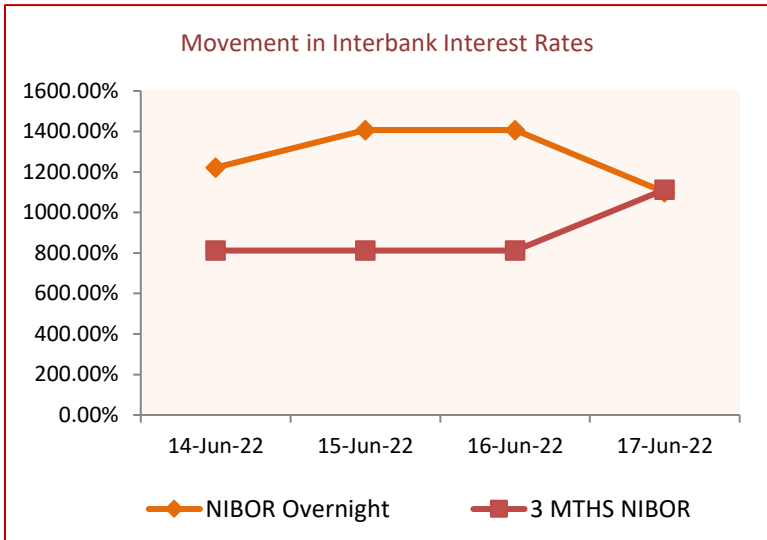
In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.02% to N421.33/USD at the I&E FX Window, nevertheless, Bonny light price rose to USD123.02 per barrel. However, Naira depreciated against the greenback at the Parallel market by 20.18% to close at N609.00/USD. 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 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 the USD due to anticipated pressure on foreign exchange amid electioneering activity coupled with weak petrodollar earnings.

MONEY MARKET: NITTY Fell for All Tenor Buckets on Financial Liquidity Ease...

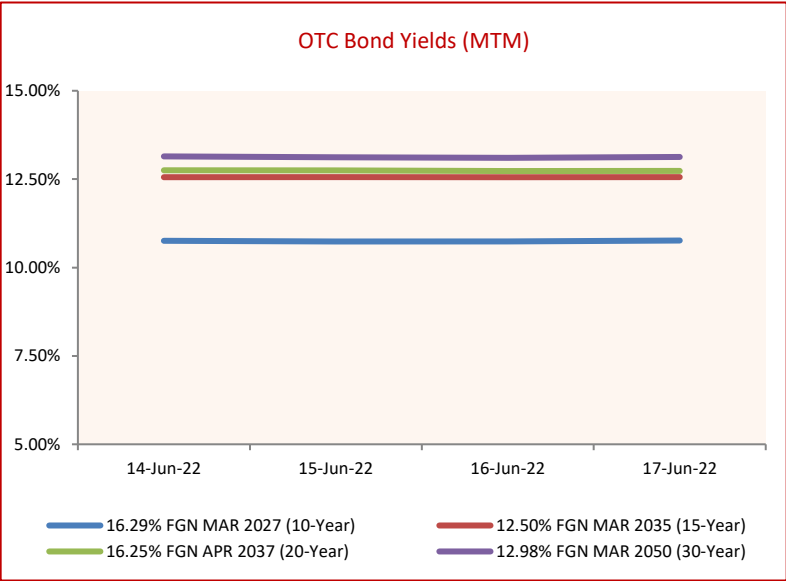
In the just concluded week, CBN allotted T-bills worth N34.88 billion to refinance the N12.60 billion worth of matured treasury bills. Notably, given the strong demand (about N178.47 billion worth of subscription), the stop rate for all of the maturities declined. Specifically, 364-day bill fell further to 6.07% (from 6.44%). Also, 91-Day bill and 182-day bill rates fell to 2.49% (from 2.50%) and to 3.79% (from 3.84%) respectively. Given the southward direction of rates in the primary market, NITTY fell for all maturities tracked. NITTY for 1 month, 3 months, 6 months and 12 months maturities moderated to 3.15% (from 3.43%), 3.55% (from 3.74%), 4.07% (from 4.30%) and 5.85% (from 6.49%) respectively. Meanwhile, in the OMO market, we saw N20 billion bills worth matured without refinancing. Hence, NIBOR for Overnight and 6 months maturities decreased to 11.00% (from 11.50%) and 11.40% (from 11.48%) respectively, while the 1 month and 3 months maturities increased to 0.15% (from 9.43%) and 11.13% (from 10.29%) respectively.



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 limited maturing treasury and OMO bills

BOND MARKET: FGN Eurobond Yields Depreciated on renewed Bearish Sentiment.....

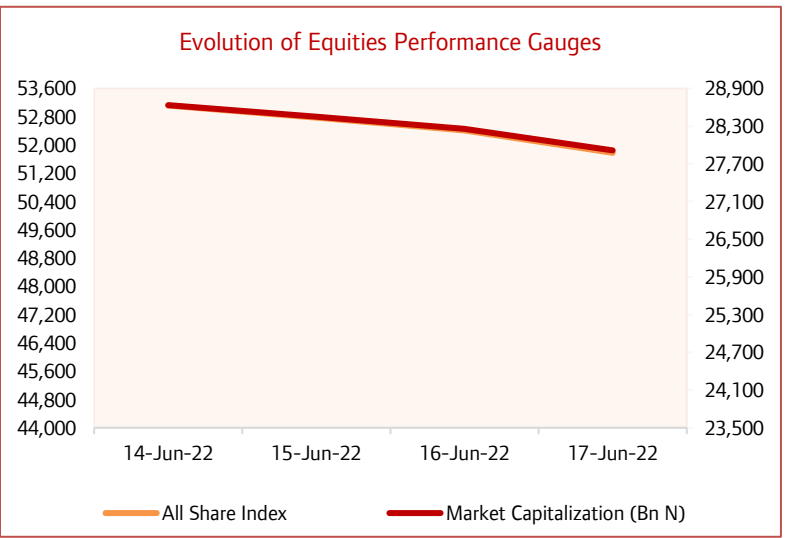
In the just concluded week, investors were mostly bullish on maturities tracked in the secondary market as the value the FGN bonds traded decreased for most of the maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027 instrument, the 15-year 12.50% FGN MAR 2035 and the 30-year 12.98% FGN MAR 2050 bond instruments fell by N0.07 to N120.08 from N120.15, N0.25 to N99.61 (from N99.86) and N0.13 to N98.83 from N98.96 while their yields rose to 10.76% (from 10.70%), 12.56% (from 12.51%) and 13.13% (from 13.11%) respectively. On the other hand, the 20-year 16.25% FGN APR 2037 debt instrument rose by N0.06 to N123.14 (from N123.08) and while the corresponding yields declined to and 12.73% (from 12.74%). 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 0.75 , USD 5.34 and USD 4.35 respectively; while their corresponding yields rose to 8.39% (from 7.60%), 13.25% (from 12.17%) and 12.62% (from 11.80%) respectively.



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In the just concluded week, the local bourse witnessed bearish sentiment on five consecutive trading days as investors continue to take profit. Notably, we saw the share prices of MCNICHOLS, ARDOVA, LIVESTOCKS, INTERBREW and COURTVILLE declined by 9.76%, 9.70%, 9.52%, 9.42% and 9.26% respectively – hence, reducing the All-Share Index and Market Capitalization each by 268ps to close at 51,778.08 points and N27.91 trillion. However, most of the sector gauges tracked closed negative. Notably all the sector gauges tracked were on the reds, The NGX Consumer Goods Index, NGX Banking Index, NGX Insurance Index and NGX OIL/GAS Index decreased by 2.98%, 5.20%, 1.21% and 1.80% respectively to close at 639.38 points, 393.72 points, 176.88 points and 542.80 points respectively. We also saw a decline in market activity as volume and value decreased by 34% and 30% to 1.2 billion units and N14 billion respectively. However, deals for the week under review close at 24,661 as against 26,969 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 17 2022	June 10 2022	% Change	Symbol	June 17 2022	June 10 2022	% Change
BETAGLAS	62.55	51.20	22%	LEARNAFRCA	2.16	2.50	-14%
LIVESTOCK	1.60	1.33	20%	UACN	11.00	11.50	-4%
INTBREW [BLS]	7.35	6.25	18%	FIDELITYBK	3.28	3.37	-3%
CUTIX	2.70	2.41	12%	STERLNBANK	1.52	1.55	-2%
CONOIL	32.00	28.80	11%	CORNERST	0.61	0.62	-2%
ETRANZACT	2.71	2.44	11%	NB	63.00	63.50	-1%
CAP	20.15	18.15	11%	UNILEVER	14.90	15.00	-1%
ARDOVA [MRF]	14.95	13.50	11%	ABCTRANS	0.31	0.31	0%
ETI	11.10	10.10	10%	BERGER	6.85	6.85	0%
FBNH [MRF]	10.55	9.70	9%	BUACEMENT	74.25	74.25	0%

Weekly Stock Recommendations as at Friday, June 17, 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	18.50	25.00	16.83	22.77	37.74	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	3.98	6.09	3.74	5.06	53.02	Buy
UBA	Q1 2022	122,019.00	3.57	4.85	26.03	0.32	2.30	8.80	4.40	7.50	13.49	9.43	9.43	79.87	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	27.90	57.33	19.64	42.00	105.48	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	21.40	30.25	28.75	28.75	41.36	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 17, 2022

FGN Eurobonds	Issue Date	TTM (years)	17-June-22 Price (N)	Weekly Naira Δ	10-June-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.69	72.54	-5.10	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.60	76.33	-4.80	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.67	71.32	-4.31	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.29	67.40	-6.06	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.70	63.65	-5.34	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.47	62.18	-4.35	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.62	70.49	-4.82	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.30	64.61	-4.60	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.69	72.54	-5.10	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.60	76.33	-4.80	8.8%	0.00

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