

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: A sustained increase in FG's VAT collection to N588.59bn in 3 months.....

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

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 new week, T-Bills worth N174.01 billion are expected to mature. We expect activity in the money market to be slightly bullish as the market expects a liquidity boost from the maturing N174.01 billion worth of T-bills.....

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

In the new week, we expect to see increased bearish activity in the 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 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: A sustained increase in FG’s VAT collection to N588.59bn in 3 months.....

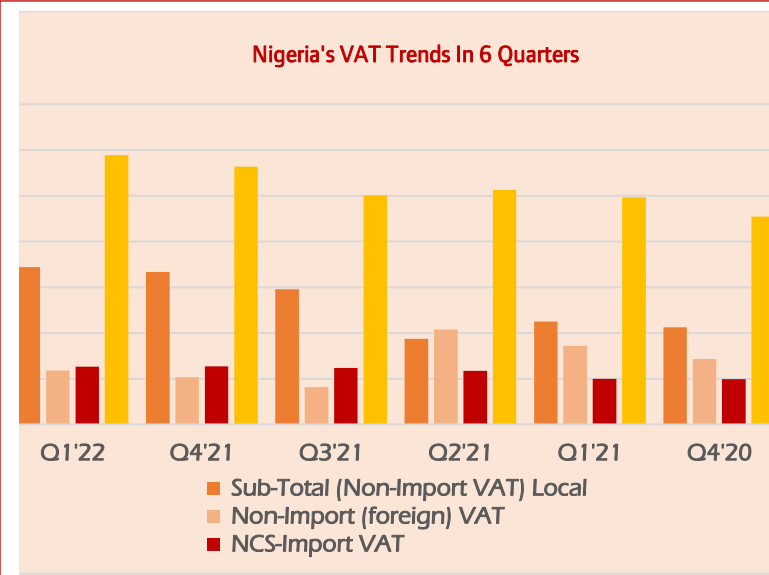
According to the latest report from the National Bureau of Statistics (NBS), Nigeria reported a 4.41% quarter-on-quarter growth in the aggregate VAT collected to N588.59 billion in the first quarter of 2022 from N563.72 billion recorded in the final quarter of 2021. This also indicates an 18.58% year-on-year surge from N496.39 billion in the corresponding period of 2021.

The growth in the sectoral VAT during the review quarter was a result of the increased aggregate collection from the manufacturing sector which contributed 32.84% of the aggregate, Information and Communication at 17.10%, and then Mining and Quarrying sectors respectively. Similarly, there was an increase, during the quarter, in the total VAT from local payments which rose 3.23% quarter on quarter to N344.04 billion while total payments from the foreign non-import VAT contributed a total of N117.99 billion which is about 14% quarter on quarter growth and then import VAT was at N126.57 billion.

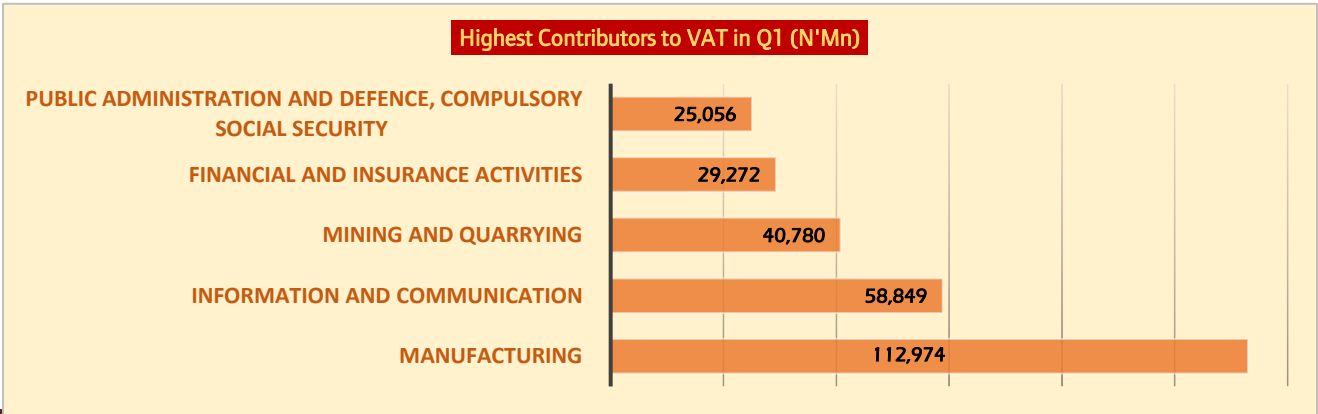
Quarter-on-quarter analysis shows that the activities of extraterritorial organizations and bodies recorded the highest growth rate with 469.32%, trailed by Water supply, sewerage, waste management, and remediation activities with 47.62%. On the flip side, the agriculture sector, forestry, and fishing sectors had the lowest growth rate and declined by 31.04%, followed by Real estate activities which also dipped by 18.74%.

We saw that the top 5 largest contributors to the aggregate VAT pool in Q1 2022 were the manufacturing sector with a total of N112.97 billion; trailed by Information and Communication (N58.85 billion), Mining and Quarrying (N40.78 billion), then finance and insurance activities and public administration and defense contributed N29.27 billion and N25.06 billion respectively. Conversely, the activities of households as employers, undifferentiated goods- and services-producing activities of households for own use recorded the least share of the contribution with N154.12 million, followed by the activities of extraterritorial organizations and bodies which printed N287.06 million, Water supply, sewerage, waste management, and remediation activities with N541.46 million while human health, social work services, and arts, entertainment, and recreations recorded N652.51 million and N679.47 million in that order.

We believe that Nigeria’s move to raise VAT by 50% to 7.50% as defined in the 2019 Finance Act has witnessed immense compliance in recent times just like can be seen in the quarterly increase in aggregate VAT collection. Though, FG’s revenues comprise more than 15% from value-added tax, the gun-blazing appetite to increase revenues from taxes will keep FG on track with a focus on a possible VAT rate hike. Thus, we see a further increase in the total VAT collection as economic activities accelerate while FG continues to widen its tax net, block revenue leakages and ensure utmost compliance by payers across all sectors.

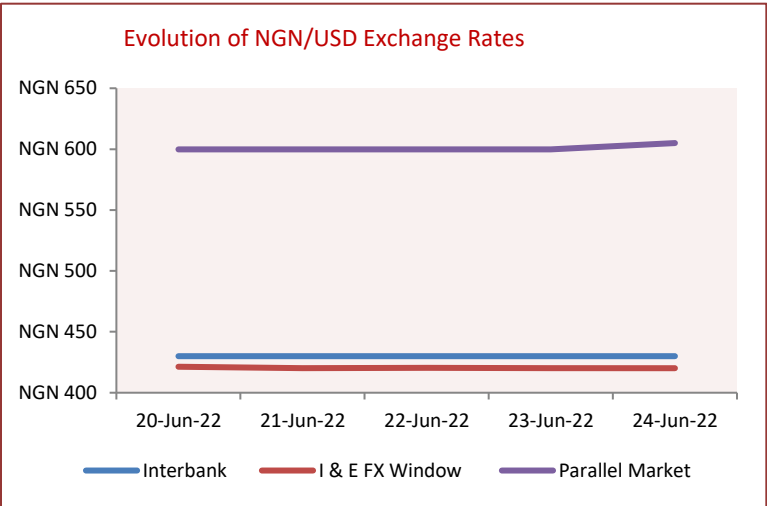


Source: National Bureau of Statistics, Cowry Research



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

In the just concluded week, the Naira/USD exchange rate appreciated against the last week price of N421.33/USD to close at N420.13/USD at the I&E FX Window however Bonny light price declined to USD115.4 from USD123.02 per barrel. However, Naira appreciated against the greenback at the Parallel market by 19.98% to close at N605.00/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections



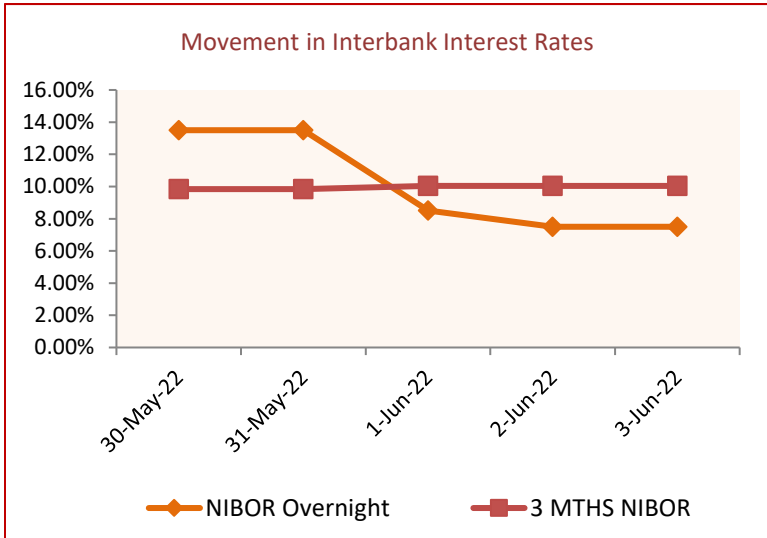
of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate went in mixed directions across the foreign exchange 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 Rises for All Tenor Buckets on Financial Liquidity Strain...

In the just concluded week, the Treasury Bills

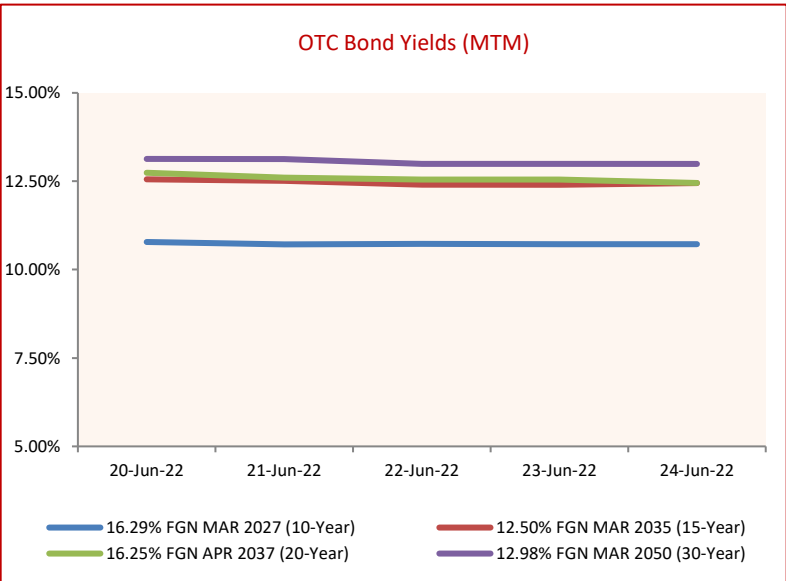
primary market was quiet as there were no T-bills offer from the apex bank. Despite the zero maturities, we saw NITTY rise for all maturities tracked. Specifically, NITTY rose for Overnight, 1 month, 3 months, 6 months and 12months maturities to 3.73% (from 3.15%), 4.26% (from 3.55%), 4.97% (from 4.07%) and 6.49% (from 5.85%) respectively. Meanwhile, in the OMO space there was neither maturity nor refinancing hence, reducing financial system liquidity which drove NIBOR higher for most tenor buckets. 1 month, 3 months, 6 Months and 12 Months tenor buckets rose to 14.20% (from 11.00%), 11.12% (from 9.43%), 12.33% (from 11.13%) and 13.16% (from 11.40%) respectively.



In the new week, T-Bills worth N174.01 billion are expected to mature. We expect activity in the money market to be slightly bullish as the market expects a liquidity boost from the maturing N174.01 billion worth of T-bills.

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

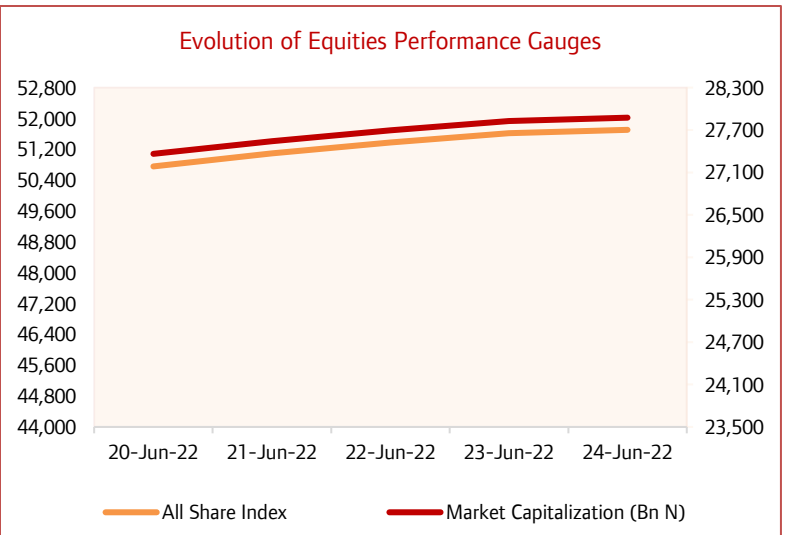
In the just concluded week, investors were mostly bullish on maturities tracked in the secondary market as the value of FGN bonds traded increased for all the maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027 instrument, the 15-year 12.50% FGN MAR 2035, the 20-year 16.25% FGN APR 2037 debt instrument and the 30-year 12.98% FGN MAR 2050 bond rose by N0.12 to N120.20 from N120.08, N0.66 to N100.27 (from N99.61), N2.22 to N125.36 (from N123.14) and N1.05 to N99.88 from N98.83 while their yields declined to 10.72% (from 10.76%), 12.45% (from 12.56%), 12.45% (from 12.73%) and 12.99% (from 13.13%) respectively. 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 0.07 , USD 0.75 and USD 1.07 respectively; while their corresponding yields rose to 8.50% (from 8.39%), 13.42% (from 13.25%) and 12.84% (from 12.62%) 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 51,705.61 points, Decreasing the weekly loss by 0.14%.**

In the just concluded week, we saw bullish run of the local bourse on three consecutive days but the overall impact was not enough to completely cancel out the week-on-week loss recorded in the previous week. Notably, we saw the share prices of LIVESTOCK, REDSTAREX, UNITYBNK, COURTVILLE and FCMB declined by 9.1%, 8.6%, 8.2%, 6.0% and 5.7% respectively – hence, reducing the All-Share Index and Market Capitalization each by 14ps to close at 51,705.61 points and N27.9 trillion. However, most of the sector gauges tracked closed negative. Notably the sector gauges such as, The NGX Consumer Goods Index, NGX Insurance Index and NGX Industrial Index decreased by 2.02%, 1.36%, and 11.89% respectively to close at 626.45 points, 174.27 points, and 2,155.90 points respectively. We also saw a decline in market activity as volume and value decreased by 6.6% and 2.1% to 1.12 billion units and N14 billion respectively. However, deals for the week under review close at 242,349 as against 24,661 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 24 2022	June 17 2022	% Change	Symbol	June 24 2022	June 17 2022	% Change
NAHCO	7.60	8.4	11%	GLAXOSMITH	7.05	6.1	-13%
CHAMPION [BLS]	3.40	3.74	10%	LEARNAFRCA	2.50	2.25	-10%
MRS	14.80	16.25	10%	NNFM	10.60	9.55	-10%
FBNH [MRF]	9.70	10.55	9%	ETRANZACT	2.44	2.2	-10%
ROYALEX [MRF]	0.91	0.97	7%	MEYER	2.79	2.52	-10%
LIVESTOCK	1.33	1.4	5%	REDSTAREX	3.01	2.75	-9%
MTNN	221.00	230.1	4%	NASCON	12.85	11.75	-9%
WAPIC [MRF]	0.40	0.41	2%	NPFMCRFBK	1.80	1.65	-8%
ACCESSCORP	9.30	9.5	2%	SOVRENINS	0.27	0.25	-7%
JAIZBANK	0.94	0.96	2%	FLOURMILL	35.00	32.5	-7%

Weekly Stock Recommendations as at Friday, June 24, 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
ETI	Q1 2022	229,596.00	5.92	6.20	42.29	0.28	1.89	12.10	3.90	9.70	24.40	9.40	23.56	151.51	Buy
May & Baker	Q4 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	53.40	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	81.07	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	27.00	57.33	19.64	42.00	112.33	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	21.65	30.25	28.75	28.75	39.72	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 24, 2022

FGN Eurobonds	Issue Date	TTM (years)	24-June-22 Price (N)	Weekly Naira Δ	17-June-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.67	71.52	-1.02	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.58	75.50	-0.83	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.65	70.02	-1.30	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.27	66.34	-1.06	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.68	62.90	-0.75	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.45	61.11	-1.07	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.60	69.37	-1.12	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.28	63.78	-0.83	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.67	71.52	-1.02	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.58	75.50	-0.83	8.8%	0.00

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