

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Headline Inflation hits 6-year high at 18.60% in June; serves policymakers a la cart.....

Global macro-economic stability is now under threat from inflation which is no longer Nigeria's specific phenomenon. Thus, the policy changes in responding to it would have substantial repercussions across emerging and frontier market economies. However, we see the acceleration in the inflation numbers in June offering policymakers limited room to maneuver rates at the next Meeting on July 18 & 19, though a marginal rate tweak is inevitable. Thus, we project July inflation to further accelerate to 18.90%.....

FOREX MARKET: Naira Lost Strength by N2.33 w/w against USD at I&E FX Window on Rising Demand Pressure...

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

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BOND MARKET: FGN Eurobond Yields Rise amid Sell Pressure.....

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In the new week, we expect the market to trade in a mixed sentiment as its heads for a breather while investors continue their profit-taking activities ahead of the earnings season. Also, we continue to advise investors to trade on companies' stocks with sound fundamentals and a positive outlook...

ECONOMY: Nigeria’s Headline Inflation hits 6-year high at 18.60% in June; serves policymakers a la cart.....

Latest data from the National Bureau of Statistics (NBS) on Friday shows that the Consumer Price Index (CPI) which measures the average change in prices of goods and services consumed by households over time, accelerated for the eight straight month to 18.60% in June 2022 from 17.71% reported in May as there was increases in all the composite indices at the 12 Classification of Individual Consumption by Purpose (COICOP) functions and all-items levels that yielded the headline index.

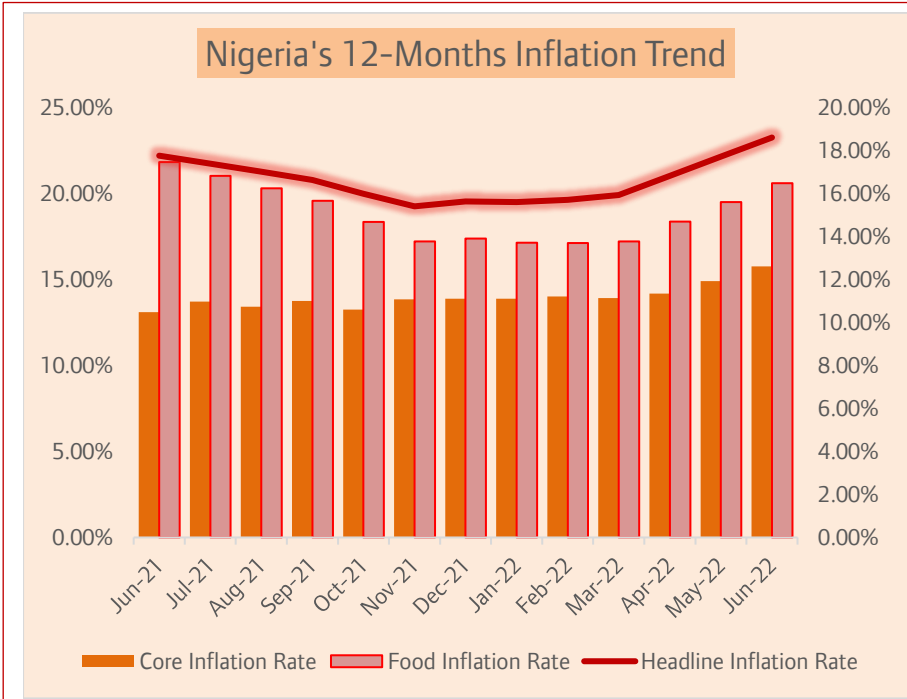
This increase exceeded our expectations (18.30%) and indicates the highest increase in 77 months (since January 2017) when the headline index hit 18.72%; and further indicates that the demand-supply mismatches which have exerted pressure on commodities prices since the start of the year has brought about the manifestation of a spiraling inflationary cycle. To this, the headline inflation increased to 1.82 percent in June 2022, this is 0.03 percent higher than the rate recorded in May 2022 (1.78 percent).

This huge expansion in inflation could be partly attributed knocks on the doors of Nigerians and businesses where price of diesel increased approximately 278% since January 2022 to around N810 per litre plus the adjustment in the PMS pump price above the N165 per litre. This recent development can be seen as many businesses depended on fuel or diesel for daily operation as well as trucks used to transport food items to various parts of the country.

A principal driver of this acceleration in the headline index, as we noticed, was the surge in food inflation which printed at 20.6% in June 2022 from 19.50% in the prior month and was caused by higher foods prices volatility caused by COVID 19. Consequently, the acceleration in food inflation was caused by increases in prices of bread and cereals, food products, potatoes, yam, and other tubers, wine, fish, meat, and oils. From our analysis, this rise can be attributed to cost-push impacts raised by connective factors which are both domestic and exogenous to Nigeria. Meanwhile, 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.

Analyzing price movements across states during the review month, food inflation was recorded highest in Kwara (25.62%), Kogi (24.81%), and River (24.34%), while Jigawa (16.01%), Sokoto (16.24%) and Kaduna (17.75%) states recorded the slowest rise on a year on year basis. Month-on-month, food inflation was highest in Ebonyi (3.52%), Bayelsa (3.27%), and Ondo (3.25%), while Sokoto (0.11%), Taraba (0.94%) and Adamawa (1.22%) recorded the slowest rise.

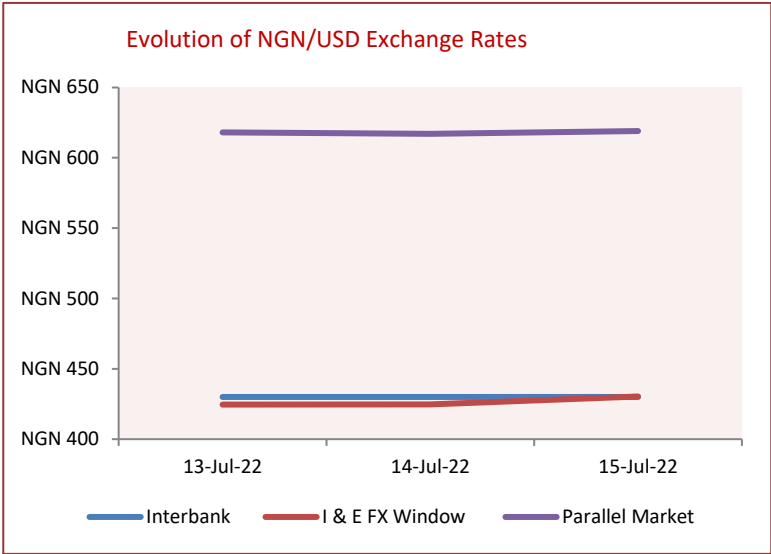
Global macro-economic stability is now under threats from inflation which is no longer Nigeria’s specific phenomenon. Thus, the policy changes in responding to it would have substantial repercussions across emerging and frontier market economies. However, we see the acceleration in the inflation numbers in June offering policymakers limited room to maneuver rates at the next Meeting on July 18 & 19, though a marginal rate tweak is inevitable. Thus, we project July inflation to further accelerate to 18.90%.



Source: National Bureau of Statistics, Cowry Research

FOREX MARKET: Naira Lost Strength by N2.33 against USD at I&E FX Window on Rising Demand Pressure...

In the just concluded week, the Naira depreciated by N2.33 (0.54%) against the dollar from last week’s price of N428/USD to close the week at N430.33/USD at the I&E FX Window due to demand pressure by FX users. Also,

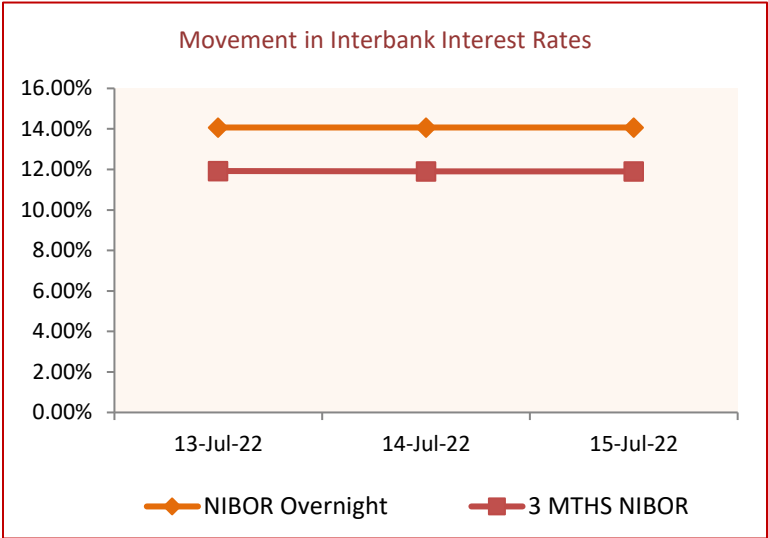


Naira depreciated again st the greenback at the Parallel market by N2 week on week to close at N619/USD from N617/USD in the prior week. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated to Wholesale 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 rose for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts gained 1.24%, 1.76% 0.74%, 1.34% and 1.22% to close at N427.37/USD, N432.12/USD, N435.17/USD, N449.55/USD and N472.81/USD in that order. Elsewhere, the Bonny light price declined by \$4.22 to close the week at USD116.09 from USD120.31per barrel in the previous week.

In the new week, we expect the local currency to trade relatively calm against the greenback barring market distortions while the CBN continues its weekly FX market interventions.

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

In the just concluded week, CBN allotted T-bills worth N143 billion to refinance the N143.27 billion worth of matured treasury bills. Notably, amid investors weak appetite which triggered increase in cost of fund for CBN, the stop rate for 364-day bill rose to 7.00% (from 6.07%). Also, Stop rates for 91-day bill and 182-day bill increased relatively at 2.75% (from 2.40%) and 4.00% (from 3.79%) respectively. Investors in the secondary market traded in tandem with the bearish sentiment



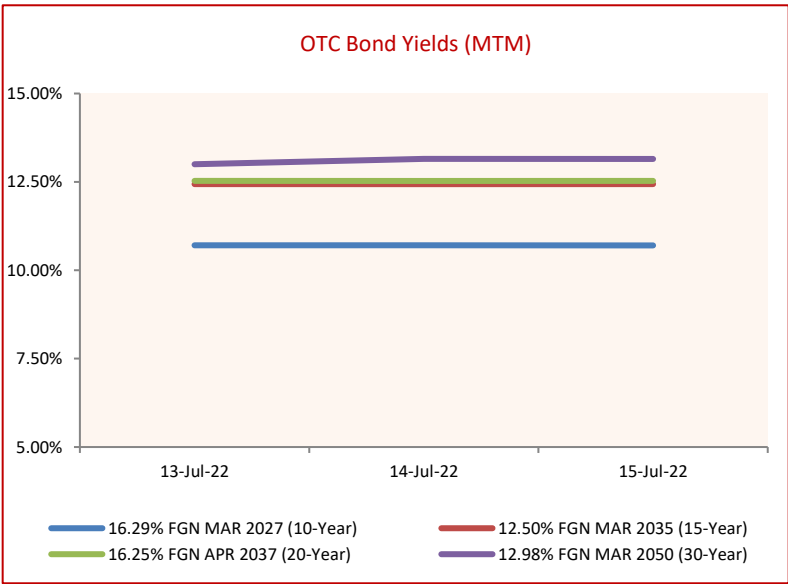
witnessed in the primary market. Hence, NITTY rose for most maturities tracked, especially for the longer maturity. Specifically, NITTY rose for 1 months, 3 months and 6 months maturities to 9.37% (from 4.15%), 8.66% (from 4.88%) and 8.06% (from 6.30%) respectively. However, NITTY for 12 months maturity fell to 6.85% (from 6.88%). Meanwhile, in the OMO space there was neither maturity nor refinancing hence, reducing financial system liquidity which drove NIBOR higher for most tenor buckets. 3 months and 6 Months tenor buckets rose to 12.72% (from 12.00%) and 11.16% (from 10.71%) respectively, while the 3 months tenor buckets fell to

11.90% (from 11.92%). The Overnight funds remained flat. 6.88% (from 6.55%) respectively. However, the yield on 1 months maturity fell slightly to 4.15% (from 4.16%).

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 little to no maturing bills..

BOND MARKET: FGN Eurobond Yields Rise amid Sell Pressure.....

In the just concluded week, investors were mostly neutral on maturities tracked in the secondary market as the value of FGN bonds traded remained flat 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 20-year 16.25% FGN APR 2037 debt instrument remained flat at N120.08, N100.35 and N124.70 respectively while their yield declined to 10.70% (from 10.72%) and flat at 12.44% and 12,53% respectively. However, the 30-year 12.98%



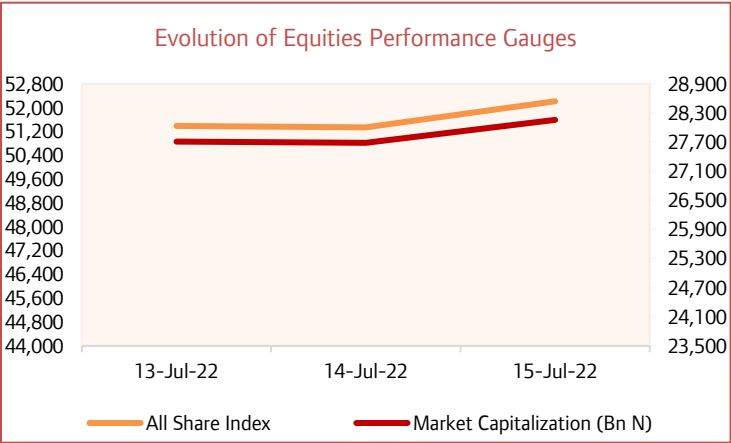
FGN MAR 2050 bond fell by N0.10 to N98.70 from N98.80, while it yields rose to 13.15% (from 13.14%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all the maturities tracked on renewed bearish sentiment. The 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD 1.53 , USD 6.77 and USD 7.58 respectively; while their corresponding yields rose to 10.69% (from 8.93%), 15.35% (from 13.66%) and 14.95% (from 13.11%) respectively.

In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors scramble for short-term fixed income securities. Nevertheless, we expect investors to demand for Nigerian Eurobonds as yields appear attractive.....

EQUITIES MARKET: The Bulls Resurface on the Bourse with N354.26bn Gains for Investors on Profit-taking.....

In the just concluded week, the NGX closed on a bullish note from the prior week in just three sessions despite the increased profit-taking activities by investors. Notably, we saw appreciations in the prices of CAVERTON (+12%), AIRTELAFRI (+10%) RTBRRISCOE (+9%), INTBREW (+7%) and FBNH (+3%) in that order, prompting a N354.26 billion gains for investors plus increases in the All-Share Index and Market Capitalization by 1.28% and

1.27% w/w to close at 52,215.12 points and N28.16 trillion respectively.



Meanwhile the year to date return rose to 22.24%. Consequently, the performance of the sectorial gauges tracked ended bearish except for the NGX Oil and Gas Index which gained 0.02% week on week. On the flipside, there were declines in the NGX Banking (0.52%), trailed by NGX Insurance (1.89%) while the NGX Consumer Goods Index and NGX Industrial Index reported loses by 0.30% and 3.38% on a w/w comparison. Elsewhere, bearish sentiments pervaded the level of trading activity during the week as total traded volume and value decreased by 38.68% and 27.48% w/w to 504.42 million units valued at N7.52 billion. Elsewhere, deals for the week under review close at12,393 from 20,643 in the prior week.

In the new week, we expect the market to trade in a mixed sentiment as its heads for a breather while investors continue their profit-taking activities ahead of the earning season. Also, we continue to advise investors to trade on companies’ stocks with sound fundamentals and a positive outlook.

Top Ten Gainers				Bottom Ten Losers			
Symbol	July 15 2022	July 08 2022	% Change	Symbol	July 15 2022	July 08 2022	% Change
CAVERTON	1.37	1.22	12%	FIDSON	9.41	12.00	-22%
AIRTELAFRI	1,905.40	1,732.20	10%	CORNERST	0.57	0.69	-17%
RTBRISCOE	0.37	0.34	9%	MULTIVERSE	1.82	2.10	-13%
REGALINS	0.27	0.25	8%	NNFM	8.60	9.55	-10%
INTBREW [BLS]	5.80	5.40	7%	LINKASSURE	0.53	0.58	-9%
FBNH	10.90	10.60	3%	UNITYBNK	0.45	0.49	-8%
GTCO	20.95	20.40	3%	HONYFLOUR	2.75	2.97	-7%
FLOURMILL	33.20	32.50	2%	CUTIX	2.25	2.40	-6%
LASACO	1.05	1.03	2%	FCMB	3.00	3.20	-6%
NEIMETH	1.66	1.63	2%	STANBIC	31.55	33.55	-6%

Weekly Stock Recommendations as at Friday, July 15, 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	10.60	24.40	9.40	23.56	130.16	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	7.40	13.49	7.00	9.43	82.30	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	25.85	57.33	19.64	42.00	121.78	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	22.20	30.25	20.00	28.75	36.26	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 15, 2022

FGN Eurobonds	Issue Date	TTM (years)	15-July-22 Price (N)	Weekly Naira Δ	08-July-22 Yield	Weekly PPT Δ
8.375 MAR 24, 2029	24-Mar-22	6.70	70.07	0.00	8.4%	-7.40
7.143 FEB 23, 2030	23-Feb-18	7.62	64.83	-5.03	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.53	67.66	-6.44	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.60	62.87	-5.99	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.21	58.51	-5.83	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.62	55.09	-6.77	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.39	52.25	-7.58	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.54	59.89	-7.52	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.22	53.95	-7.52	9.7%	0.00
8.375 MAR 24, 2029	24-Mar-22	6.70	70.07	0.00	8.4%	-7.40

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