

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Economy Upbeat as Q2'22 Real GDP grew 3.54% y/y Despite Retarded Economic Activity...

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BOND MARKET: FGN Eurobond Yields Falls amid Buy Pressure.....

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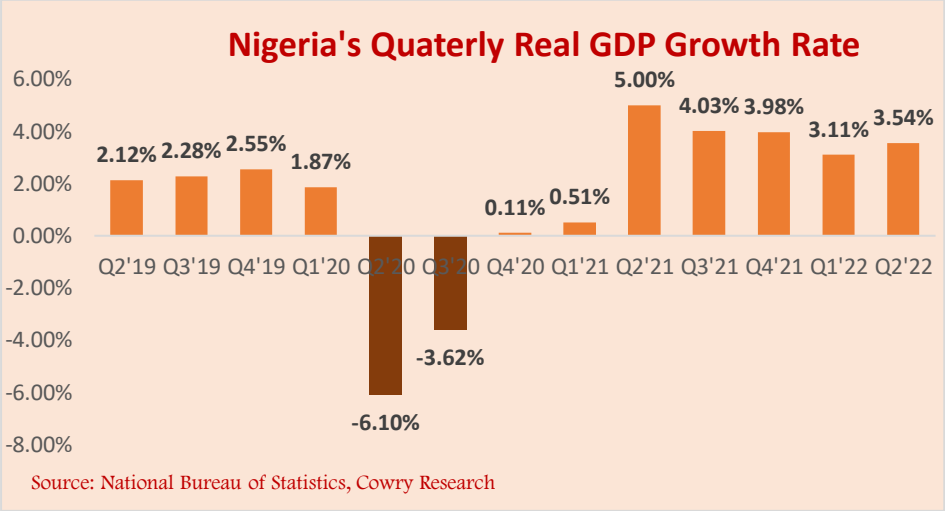
EQUITIES MARKET: The Bulls Return To The NGX With N168bn Profit After 2 Weeks of Bearish Run...

Going into the new week, earnings releases expectations from the banking heavyweights is expected to buoy trading activities as investors continue their bargain hunting activities in the market. Thus, we expect the market to trade in like manner as this week. However, we continue to advise investors to trade on companies' stocks with sound fundamentals and a positive outlook.

Nigeria’s Economy Upbeat as Q2’22 Real GDP grew 3.54% y/y Despite Retarded Economic Activity....

Today, the NBS published Nigeria’s Q2 GDP numbers where we saw that the Nigerian economy grew by 3.54% in real terms in Q2 2022 to N17.29 trillion, rising 0.44% points from 3.1% in Q1 2022 with growth driven by the non-oil sector. This shows a decline of 1.47% points from 5.01% in the corresponding period of 2021 when Nigeria recorded rapid growth following the impact of the COVID-19 pandemic.

The growth reflects the retarded economic activity during the quarter than was witnessed in the first quarter and was largely impacted by the recent increases in fuel, food, and other commodities during the period. In addition, power shortages, infrastructure challenges and insecurity, limited investment inflows, and business expansion further damped



Nigeria’s growth prospects, further heightened by inflationary pressure in 2022.

Now, Nigeria is not reaping from higher oil prices owing to high subsidy payments and lower crude oil production, which threaten government revenue and raise the need to borrow. Consequently, the NBS report revealed that Nigeria in Q2 2022 recorded an average daily oil production of 1.43 million barrels per day (mbpd), lower than the daily average production of 1.61mbpd recorded in the same quarter of 2021 by 0.18 mbpd and lower than the first quarter 2022 production volume of 1.49 mbpd by 0.06mbpd.

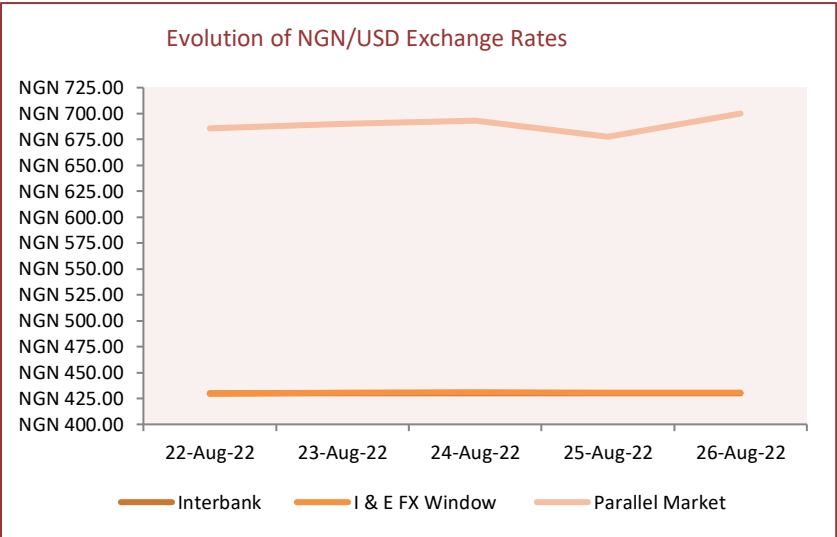
Given the decline in oil output in the second quarter of 2022 according to OPEC sources, the growth of the oil sector was negative mainly due to oil theft and limited investments in the oil and gas sector. Thus, the oil sector’s real growth grew 14.27% points (-11.77% y/y) during the quarter, signaling an increase from -26.04% in Q1 2022 and 0.89% points relative to the rate recorded in Q2 2021. Aggregately, the oil sector contributed 6.33% to the total real GDP in Q2 2022, down from the figures recorded in the corresponding period of 2021 and the preceding quarter, where it contributed 7.42% and 6.63% respectively.

Further into the non-oil sector, there was a growth of 4.77% in real terms. Though the growth was lower by 1.97% points relative to Q2 2021 and 1.31% points lower than the first quarter of 2022, key sectors such as Information and Communication; Trade; Financial and Insurance; Transportation; Agriculture, and Manufacturing accounted for positive output growth. In real terms, the non-oil sector contributed 93.67% to the nation’s GDP in the second quarter of 2022, higher than the share recorded in the second quarter of 2021 which was 92.58%, and higher than the first quarter of 2022 recorded as 93.37%.

From our analysis of the NBS data, Cowry believes that while the 3.54% year-on-year output growth rate is encouraging, the need for Nigeria to grow at a considerably greater pace of at least 5% to 6% is sacrosanct to achieve more inclusive growth and get closer to its growth potential. On the other hand, we opine that the soaring inflation, particularly in view of commodity price shocks and imported food inflation due to the Russian-Ukraine conflict, pending subsidy payments by the government, and tumbling daily oil production volumes may pose as a downside risk to growth this year.

FOREX MARKET: Naira Lost Strength Against The Greenback At All Market Segments On Supply Shortage...

Nigeria’s FX crisis continues to worsen, hampering economic activities and brewing bleak outlook for the currency as FX users continue to experience shortages within the market and forcing traders to reserve their greenback holdings for a future date as the CBN continue ignoring traders while it maintains its bi-weekly intervention in the market. To this, the Naira plunged further by (-2.04% w/w) N14 to N700/USD from N686/USD



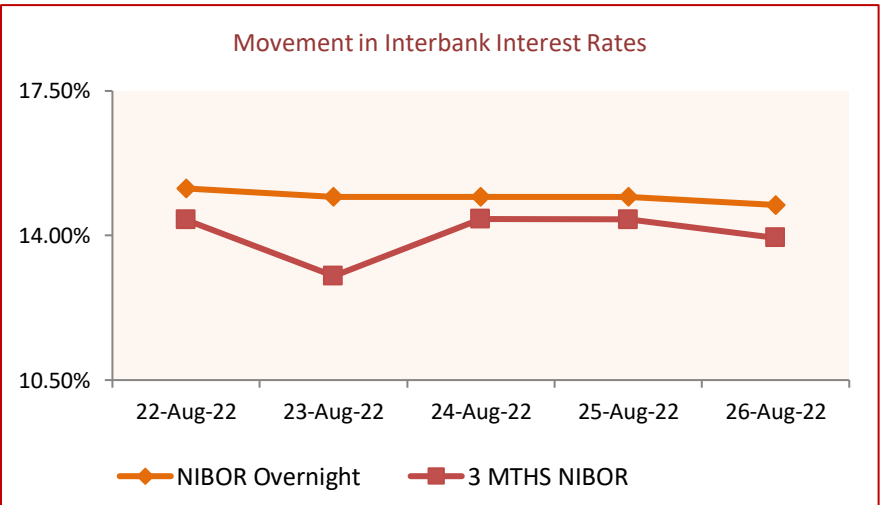
at the parallel market as the misery continues for the Naira against the greenback due to supply shortage. In the same vein, at the I&E Window, there was a depreciation by (-0.3% w/w) N1.28 to close the week at N430.33 from N429.05/USD in the previous week. Thus, most market participants maintained bids between N417/USD and N444/USD.

At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210 million where 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. In the meantime, the Naira/USD exchange rate traded in an appreciative mood as the Naira FX Forward Contracts gained strength across all tenors by 0.12% and 0.34%, 0.31%, 0.32% and 0.55% respectively to close the week’s offering at N429.02/USD, N432.52/USD, N436.15/USD, N451.35/USD and N478.51/USD. Elsewhere, the Bonny light crude price appreciated by \$3.38 (+3.33%) w/w to close the week at USD104.95 per barrel from USD101.57 per barrel in the previous week.

Next week, we expect the Naira to trade in a relatively calm manner band across all segments barring any significant market distortions as the CBN continues its weekly FX market interventions.

MONEY MARKET: NITTY Rises for All Tenor Buckets amid Sell Pressure...

In the just concluded week, CBN auctioned T-bills (worth N 295.52 billion) despite the absence of maturing T-bills in the primary market. Specifically, the 364-day bill was issued at a higher rate as investors’ bids were high. As a result, stop rates for 91-day bills, 182-day bills, and 364-day bills increased to 4.00% (from 3.50%), 5.00% (from 4.50%), and 8.50%



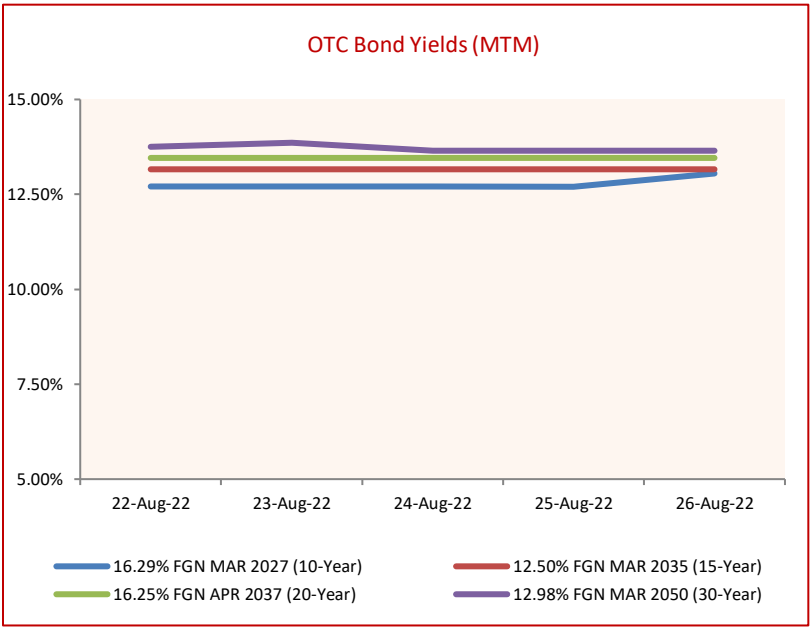
(from 7.45%), respectively, as the CBN signaled its preference for higher rates in order to combat rising inflation.NITTY for 1 month, 3 months, 6 months, and 12 months further increased to 8.23% (from 7.34%), 9.73% (from 8.65%), 10.62% (from 9.04%), and 8.81% (from 7.50%), respectively in tandem with the direction at the primary market. Meanwhile, NIBOR moved in different directions across tenor buckets tracked amid a net inflow of N39.50 billion as CBN only partly filled investors’ orders. Activities in the OMO space were muted in the absence of matured bills. However, we observed that deposit money banks went for REPO transactions (N204.23 billion) to shore up

financial liquidity even as they also queued to borrow from CBN (standing lending facility – N272.23 billion) more than they deposited (standing deposit facility – N4.15 billion). Given the liquidity from borrowings and REPO, NIBOR for most tenor buckets crashed: Specifically, the NIBOR for the overnight rate and 6 month tenor buckets fell to 14.74% (down from 15.05%) and 11.64% (down from 13.15%), respectively. However, 1 month and 3 month tenor buckets rose to 12.41% (from 12.40%) and 13.95% (from 9.82%), respectively..

In the new week, We anticipate bearish money market action as financial sector liquidity may come under increased strain due to the limited maturing treasury and OMO bills.

BOND MARKET: FGN Eurobond Yields Falls amid Buy Pressure...

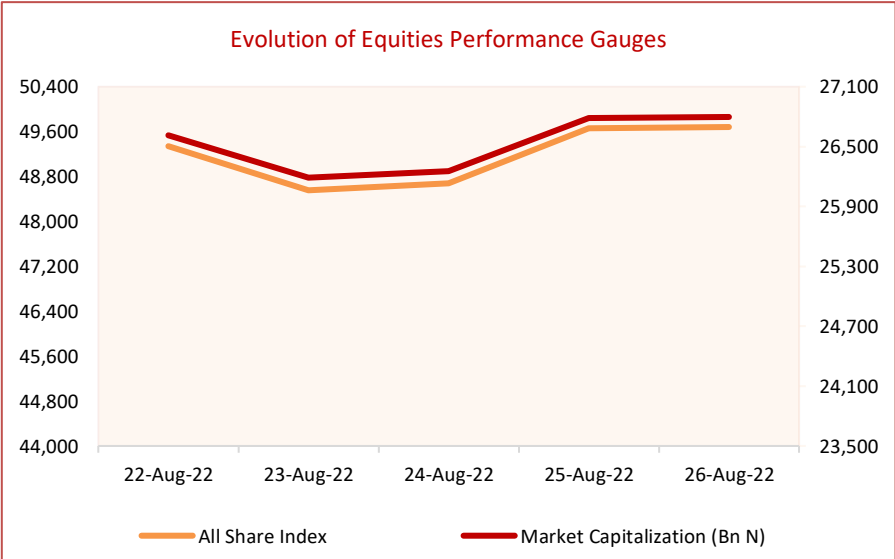
In the just concluded week, the value of FGN bonds fluctuated in the secondary market as investors cherry-picked maturities with attractive yields. The 10-year 16.29% FGN MAR 2027 bond paper, in particular, lost N1.27 as its yield jumped to 13.05% (from 12.71%); the 30-year 12.98% FGN MAR 2050 instrument gained N0.73 while its yield declined to 13.65% (from 13.75%). The yields on the 15-year 12.50% FGN MAR 2035 bond and the 20-year 16.25% FGN MAR 2037 bond stayed constant, and closing the week at 13.16% and 13.46%, respectively. Elsewhere, For all maturities tracked, the value of FGN Eurobonds traded in the international capital market increased; 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 each gained USD 0.48, USD 1.42, and USD 2.26, respectively; their corresponding yields decreased to 9.10% (from 9.63%), 12.48% (from 12.77%), and 12.07% (from 12.50%).



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 Bulls Return To The NGX With N168bn Profit After 2 Weeks of Bearish Run...

After 2 consecutive weeks of lacklustre performance, the equities market was upbeat as the benchmark Index inched upward by a marginal 0.63% w/w driven by persistent bargain hunting activities in some of the fundamentally attractive stocks in reaction to the upbeat performance of Nigeria's economic output. As a result, the NGX market capitalisation cleared higher by 0.63% w/w to N26.8 trillion from N26.63 trillion in the prior week to give investors N168.02 billion in profits 3 out of 5 sessions while the market YTD return rose to 16.31%.



The positive performance in the just concluded week was buoyed by price appreciations in NEM (+31%), JAPAULGOLD (+17%), HONYFLOUR (+12%), STANBIC (+9%), and AIRTELAFRI (+7%). Across the sectorial front, it was a tepid performance as four out of five indexes under our purview lost save the Insurance Index which saw overwhelming appreciation. Resultantly, the NGX Insurance (3.88%) was the lone gainer of the week due to gains in NEM and MBENEFITs. On the other hand, the NGX Industrial Goods (-0.87%) led the laggards and closed the week negative while the NGX Consumer Goods (-1.73%), NGX Banking (-0.69%) and NGX Oil and Gas (-4.08%) Indexes recorded weekly losses from sell-offs.

Meanwhile, the level of trading activities in the week was upbeat as the total traded volume advanced 15.32% w/w to 914.44 million units while the total weekly traded value rose by 1.75% w/w to N12.08 billion and then the total deals for the week inched (6.88%) to 18,021 from 16,861 last week.

Going into the new week, earnings releases expectations from the banking heavyweights is expected to buoy trading activities as investors continue their bargain hunting activities in the market. Thus, we expect the market to trade in like manner as this week. However, we continue to advise investors to trade on companies’ stocks with sound fundamentals and a positive outlook.

Weekly Gainers and Loser as at Friday, August 26, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	August 26 2022	August 19 2022	% Change	Symbol	August 26 2022	August 19 2022	% Change
NEM	5.00	3.82	31%	NNFM	7.50	8.60	-13%
JAPAULGOLD	0.34	0.29	17%	FTNCOCOA [RST]	0.29	0.33	-12%
MULTIVERSE	2.39	2.10	14%	ELLAHLAKES	3.60	4.00	-10%
HONYFLOUR	2.72	2.42	12%	FIDSON	9.11	10.10	-10%
UPL	1.89	1.72	10%	VITAFOAM	20.30	22.50	-10%
LEARNAFRCA	2.47	2.25	10%	NPFMCRFBK	1.50	1.65	-9%
CAVERTON	1.15	1.05	10%	SEPLAT	1,300.00	1,419.90	-8%
COURTVILLE	0.48	0.44	9%	ETERNA	6.05	6.60	-8%
STANBIC	30.50	28.00	9%	LASACO	0.96	1.04	-8%
AIRTELAFRI	2,040.00	1,905.40	7%	WAPIC [MRF]	0.38	0.41	-7%



Stock	Last Qtr Result	Adjusted Forecast FY PAT	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 Weeks' High	52 Weeks' Low	Current Price	FY Price Target	Short term Stop Loss	Short term Take Profit	Upside Potential (%)	Recommendation
UBA	Q1 2022	111,570.13	3.33	4.08	20.32	0.34	2.10	8.80	4.40	7.15	30.31	6.08	8.22	323.97	Buy
Zenith Bank	Q1 2022	171,300.27	7.34	6.82	35.56	0.60	2.91	26.89	22.01	21.95	52.76	18.66	25.24	140.35	Buy
ETI	Q2 2022	62,381.69	7.97	4.25	56.9	5.3	1.33	13.20	5.00	10.80	31.59	9.18	12.42	192.49	Buy
Dangote Cement	Q2 2022	275,366.40	21.39	20.20	45.5	5.82	12.39	300	237.6	245	335.13	208.25	281.75	36.79	Buy
MTN Nigeria	Q2 2022	290,606.40	14.67	17.85	13.24	14.8	13.36	270	167	200	246.06	170	230	23.03	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 26, 2022

FGN Eurobonds	Issue Date	TTM (years)	26-Aug-22 Price (N)	Weekly USD Δ	26-Aug-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.88	97.76	0.48	9.1%	(0.53)
7.625 21-NOV-2025	21-Nov-18	3.24	90.20	1.11	11.3%	(0.43)
6.50 NOV 28, 2027	28-Nov-17	5.26	90.20	1.11	11.3%	(0.43)
6.125 SEP 28, 2028	28-Sep-21	6.10	74.86	(0.50)	12.1%	0.16
8.375 MAR 24, 2029	24-Mar-22	6.58	82.06	(0.09)	12.5%	0.03
7.143 FEB 23, 2030	23-Feb-18	7.50	76.03	(0.26)	12.1%	0.07
8.747 JAN 21, 2031	21-Nov-18	8.41	80.93	0.45	12.5%	(0.10)
7.875 16-FEB-2032	16-Feb-17	9.48	75.52	0.53	12.3%	(0.11)
7.375 SEP 28, 2033	28-Sep-21	11.10	70.37	1.31	12.4%	(0.28)
7.696 FEB 23, 2038	23-Feb-18	15.51	67.54	1.42	12.5%	(0.29)
7.625 NOV 28, 2047	28-Nov-17	25.27	65.04	2.26	12.1%	(0.43)
9.248 JAN 21, 2049	21-Nov-18	26.42	73.93	1.86	12.7%	(0.32)
8.25 SEP 28, 2051	28-Sep-21	29.11	67.18	1.85	12.5%	(0.35)



U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 26, 2022

MAJOR	26-Aug-22	Previous	Δ from Last	Δ YTD
EURUSD	1.0022	0.9972	0.50%	-15.58%.
GBPUSD	1.1796	1.1829	-0.28%.	-15.08%.
USDRUB	59.65	59.38	0.46%	-20.19%.
USDCHF	0.96	0.96	-0.04%.	6.46%
USDNGN	421.39	421.39	0.00%	2.52%
USDZAR	16.86	16.76	0.61%	11.41%
USDEGP	19.17	19.19	-0.10%.	22.49%
USDCAD	1.30	1.29	0.51%	2.91%
USDMXN	19.95	19.92	0.16%	0.36%
USDBRL	5.08	5.11	-0.54%.	-3.88%.
AUDUSD	0.6938	0.6972	-0.48%.	-5.74%.
NZDUSD	0.6174	-0.0600	-0.93%.	-11.61%.
USDJPY	137.26	136.57	0.50%	25.72%
USDCNY	0.96	0.97	-0.70%.	-85.10%.
USDINR	79.83	79.87	-0.04%.	7.39%

Global Commodity Prices as at 4:30 PM GMT+1, Friday, August 26, 2022

Commodity		26-Aug-22	Previous	Δ from Last	Δ YTD
CRUDE OIL	USD/Bbl.	91.9120	92.5040	-0.64%.	37.97%
BRENT	USD/Bbl.	98.7660	99.3422	-0.58%.	35.49%
NATURAL GAS	USD/MMBtu	9.4726	9.8151	1.04%	142.70%
GASOLINE	USD/Gal	2.7519	2.8118	-2.13%.	20.60%
COAL	USD/T	417.5000	412.5902	1.19%	159.39%
GOLD	USD/t.oz	1741.93	1758.64	-0.95%.	-3.78%.
SILVER	USD/t.oz	19.08	19.28	-1.04%.	-24.69%.
WHEAT	USD/Bu	774.84	769.99	0.63%	6.96%
PALM-OIL	MYR/T	4172.00	4258.01	-2.02%.	1.26%
COCOA	USD/T	2408.00	2402.00	0.25%	1.69%

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