

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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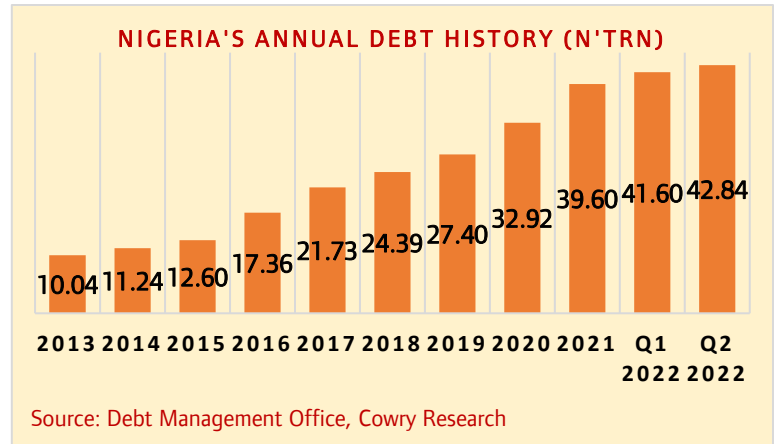
ECONOMY: Voracious Borrowings Stoke Total Debt Rise to N42.85trn; But When is The Overhang?

Let's talk about the fast rise in Nigeria's public debt stock as we dive into the growing constraints to revenue generation, urgent reforms which are required to restructure the FGN's finances and the most obvious of them would be subsidy reforms, which are now projected to make up more than half of the fiscal deficit for next year.

It is no news to you again at this moment after Nigeria's Debt Management Office (DMO) on Monday announced that Nigeria's total public debt stock rose 2.98% or N1.24 trillion to N42.85 trillion (USD103.3 billion) as at the end of Second quarter of 2022 from N41.60 trillion reported in the first quarter. The increase, as expected, was buoyed by the voracious borrowing spree by both the federal government and the sub-nationals for local financing.

A breakdown of the data obtained from the DMO website showed that total external debt stood at N16.62 trillion or USD40.06 billion at the end of the quarter and comprises

38.8% of the total stock. This sees FG's portion at N14.72 trillion (88.6%) while the States and FCT accounted for N1.89 trillion which is 11.4%. On the domestic front, total domestic debt printed N26.23 trillion (USD63.25 billion) of which FG accounted for 79.9% (N20.95 trillion) of the total and the sub-nationals grew their debt stock to N5.3 trillion.



Nigeria's inability to curtail its undesirable buildup of public debts and fiscal sustainability risks keeps it hanging on a fiscal cliff as the weakening local currency against the greenback and low or no earnings from crude oil rally occasioned by the Northern Europe impasse, continues to hamper its ability to service its debts. This comes in the face of fund paucity; and, for a truth, no respite for FG's debt levels as the trend of borrowing spree continues in the move to part-finance over N5 trillion deficit in the 2022 Appropriation Act as well as a new round of borrowings by State Governments and the FCT while we head into an electioneering year.

Consequently, the debt office further noted that more than 58% of the total external debt stock function as concessional and semi-concessional loans from multilateral lenders such as the World Bank (USD13 billion), International Monetary Fund (USD3.3 billion), Afrexim and African Development Bank (USD1.6 billion) and bilateral lenders including Germany, China, Japan, India and France amounting to USD4.7 billion.

Elsewhere, debt service is likely to eat a large chunk of government revenues going by the current numbers for FG's total revenues and planned expenses in its budgets for the year 2022 and the coming year which is an electioneering year. A positive look at the DMO's data showed that Nigeria's actual domestic debt service levels toned-down 0.6% to N664.73 billion in Q2 from N668.7 billion in Q1 and also, external debt service payment improved 13.8% to USD597.95 million from USD694.01 million in Q1. This translates to a marginal reduction in the interest rate payment for government debts.

Against the backdrop that FG needs revamped fiscal rules without endangering its public finances sustainability, the debt office said at 23.06% (from 23.27% in Q1'22), Nigeria's total external debt to GDP ratio stays within moderate levels of its self-imposed limit of 40%. Thus, we opine that building greater fiscal buffers will help avoid debt crisis that could have some destabilizing effects on the overall sustainable growth of the economy. Meanwhile, a downside is the debt service-to-revenue ratio which unabatingly has remained high in the face of FG's weak revenue generation power over the years. For sure, FG will continue the implementation of initiatives to drive revenue generation from both oil and non-oil sources respectively.

However, it is imperative to state that blocking revenue-leakages, promoting effective reforms and frameworks that are growth-driven and then revamping weak institutions to aid the enhancement of these reforms, are sacrosanct to achieving effect and sustainable public debt management.

In our opinion, FG should cut governance cost, expenditure and scale down size of government to accommodate effective fund utilization while it increases its revenue sources.

FOREX MARKET: Naira Lost N0.08 w/w Against The Dollar On Rising Demand Pressure, Falling Oil Price...

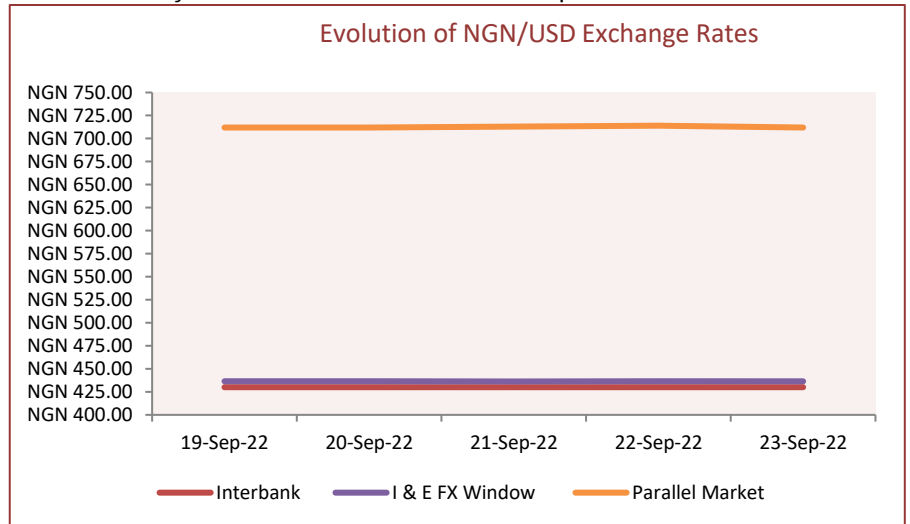
This week and just like every other weeks, FX rationing by currency traders is hitting a height as the FX mismatch between demand and supply of the greenback to the Naira remained elevated. Consequently, the Naira depreciated by a marginal N0.08 (-0.02%) week on week to N436.33/USD at the Investors and Exporters' FX segment from N436.25/USD the prior week. This weakening against the greenback was exacerbated by the continued declines in the price of crude oil for another straight week while Nigeria repatriates little or no profits from the oil market. Thus, market participants maintained bids between N420/USD and N440.21/USD.

At the parallel market, the Naira traded flat to close the week at N712/USD week on week as FX demand stayed persistent for another week in the face of declining reserves and low earnings from crude oil exports.

Further afield, at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate trade was quiet to close the week at N430.00/USD from last week's close. In the meantime, our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets appreciated at the short and long tenor contracts respectively where we saw the 1 month, 2 months and 3 months forward contracts closing the week weaker from last week's close. Thus, they depreciated 0.78%, 0.86% and 0.94% to close at N439.24/USD, N441.53/USD and N444.21/USD respectively. Also, the long (6 months and 12 months) tenor contracts further depreciated by 1.14% and 1.74% week on week to close at N457.57/USD and N484.03/USD respectively.

Elsewhere, the Bonny light crude price declined by \$0.65 (-0.70%) w/w to close the week (Sept.21) at USD91.70 per barrel from USD92.35 per barrel in the previous week on the back of low demand.

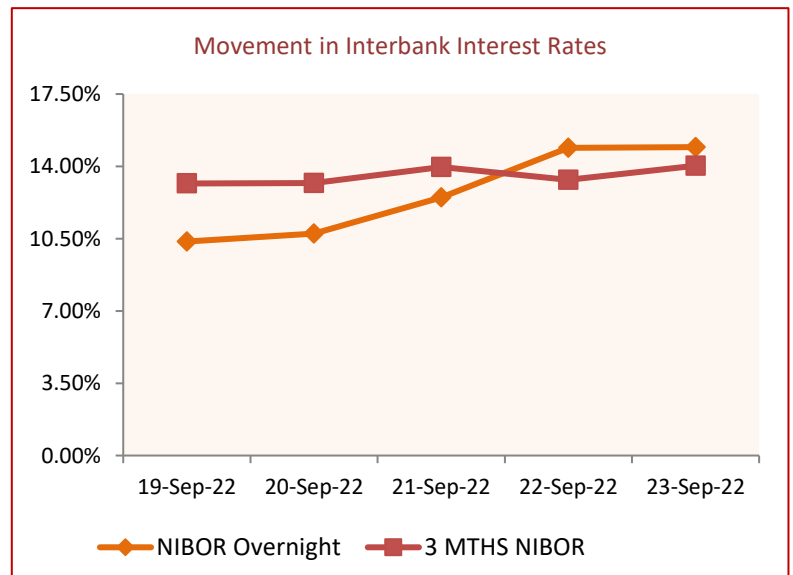
Next week, we expect the Naira to trade relatively calm across all segments of the FX market in the face of growing dollar demand pressure for BTA and PTA respectively while the CBN continues its bi-weekly intervention in the FX market to save the Naira.



MONEY MARKET: Investors Bullish on NITTY ahead of MPC Meeting in the New Week...

In the just concluded week, the Treasury Bills primary market was quiet as there were no T-bill offers from the apex bank. Hence, investors scrambled for T-bills in the secondary market, thus depressing yields amid demand pressure. NITTY was found to be moderate across all maturities studied. Specifically, NITTY fell for 1 month, 3 months, 6 months, and 12months maturities and moderated to 6.06% (from 6.48%), 7.08% (from 7.61%), 7.11% (from 7.40%), and 8.39% (from 8.61%).

Meanwhile, the OMO market was dry as well, with no refinancing or maturing bills, lowering financial system liquidity and driving NIBOR higher across the board. Overnight funds' 1 month, 3 months, and 6 months tenor buckets increased to 14.93% (from 9.65%), 10.81% (from 10.36%), 14.03% (from 12.18%), and 11.28% (from 8.34%), respectively.

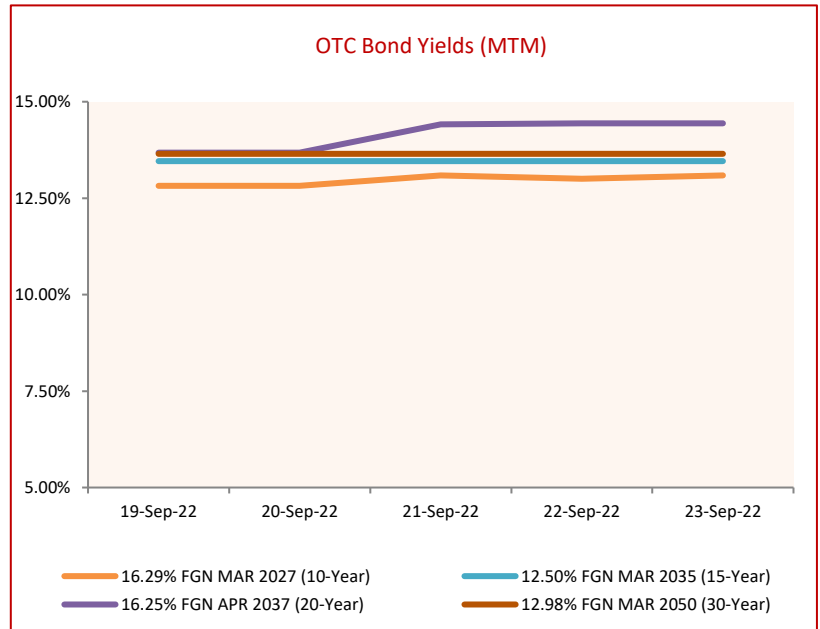


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BOND MARKET: FGN Bond Yields Moderate as Bullish Sentiment Dominates...

In the just concluded week, the DMO allotted N225.00 billion worth of bonds; viz., N75.00 billion for the 13.53% FGN MAR 2025, N75.00 billion for the 12.50% FGN APR 2032, and N75.00 billion for the 16.25% FGN APR 2037. Stop rates for the 32s and 37s rose to 13.85% and 14.50%, respectively, from 12.50% and 13.00%. However, the 42s stop rate fell to 13.50% from 13.53%. Given the jump in stop rates, traders were bearish on most maturities tracked except for the 15-year 12.50% FGN MAR 2035 bond, which appreciated by N1.29 while its yield nosedived to 13.46% (from 13.69%), and the 30-year 12.98% FGN MAR 2050 instrument debt, which remained unchanged at 13.65%. The 10-year, 16.29% FGN MAR 2027 debt depreciated by N0.95, and the 20-year, 16.25% FGN MAR 2037 debt depreciated by N5.16, respectively; their corresponding yields increased to 13.09% (from 12.83%) and 14.44% (from 13.68%), respectively.

On the other hand, the value of FGN Eurobonds traded in the international capital market depreciated for all maturities tracked on sustained bearish sentiment. The 20-year, 7.69% paper due on February 23, 2038, and the 30-year, 7.62% debt due on November 28, 2047, lost USD 1.91 and USD 1.61, respectively, while their corresponding yields rose to 13.57% (from 13.15%) and 13.32% (from 12.97%), respectively. The 10-year, 6.375% JUL 12, 2023 bond, on the other hand, gained USD 0.04 as its corresponding yield fell to 9.47%. The bearish sentiment was backed by the slump in oil prices in the global market.

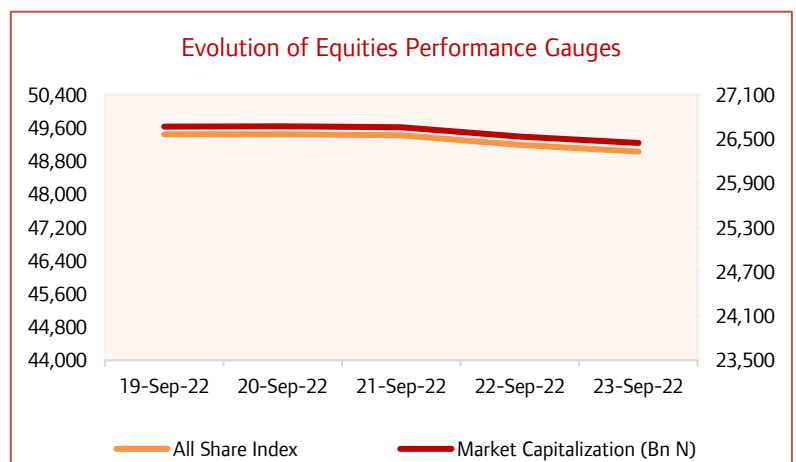


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EQUITIES MARKET: The Bears On Rampage All-Week As The NGX Lost N241.6bn From Investors' Apathy....

The bears were on rampage in the domestic equities market this week as investors' sentiments remained dampened for another week, and in line with our expectations, except for Tuesday which performed mildly. The claws of the bears in the just-concluded week dragged the NGX-ASI and market capitalization by 0.71% week on week to 49,190.34 points and N26.44 trillion respectively as investors seeking alpha exhibited apathy for Nigerian stocks. Resultantly, the market wiped N241.61 billion in losses from investors' pocket in a week as the market year to date (YTD) return moderated to 15.16%.

Following the broad-base bearish performance which was buoyed by sustained sell-pressure witnessed in tickers such as NGXGROUP (-14%), CADBURY (-14%), BUACEMENT (-10%), TOTAL (-10%), and ETERNA (-9%) respectively, the sectorial performance ended in a lackluster as indexes under our purview cleared lower except for the Banking index. Thus, NGX Banking (+2.27%) reversed its losses of last week owing to price appreciation in FIDELITYBK (+11%), ACCESSCORP (+6%). On the contrary, the Oil & Gas Index (-4.68%) led the line for the worst performing index week on week, trailed by NGX Industrial index, the NGX Insurance and NGX Consumer Goods Indexes which depreciated by -3.92%, -2.08% and -0.16% week on week apiece.



Elsewhere, the level of trading activities in the week was in variation from last week as the total traded volume dipped 21.76% w/w to 562.9 million units while the total weekly traded value went the opposite direction by 10.4% w/w to N8.85 billion and then the total deals traded for the week bowl-shaped by 8.2% w/w to 16,013 deals from 17,447 deals last week.

Going into the new week, we expect the market to sustain its bearish run as we head into the political campaign season and in the absence of a major catalyst to trigger bullish momentum as investors seeking alpha rebalance their portfolios in anticipation of the direction of the MPC next week. However, we continue to advise investors to trade on companies' stocks with sound fundamentals and a positive outlook amid the macro-dynamics which remains a headwind.

Weekly Gainers and Loser as at Friday, September 23, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	September 23 2022	September 16 2022	% Change	Symbol	September 23 2022	September 16 2022	% Change
VITAFOAM	22.45	20.00	12%	NGXGROUP	17.00	19.75	-14%
FIDELITYBK	3.78	3.41	11%	CADBURY	11.85	13.75	-14%
UNITYBNK	0.44	0.40	10%	BUACEMENT	47.85	53.40	-10%
ETRANZACT	3.20	2.91	10%	ABCTRANS	0.27	0.30	-10%
RTBRISCOE	0.35	0.32	9%	CHAMS	0.27	0.30	-10%
INTBREW [BLS]	5.10	4.80	6%	TOTAL	211.10	234.50	-10%
ACCESSCORP	8.80	8.30	6%	BERGER	5.95	6.60	-10%
REGALINS	0.26	0.25	4%	LEARNAFRCA	1.86	2.06	-10%
AIICO	0.56	0.54	4%	UPL	1.63	1.80	-9%
UBA	7.30	7.10	3%	ETERNA	5.75	6.30	-9%

Weekly Stock Recommendations as at Friday, September 23, 2022

Stock	Adjusted Forecast FY PAT (N'm)	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	Potential Upside	Recommendation
UBA	112,534	1.98	4.11	20.32	0.35	3.59	8.85	6.70	7.30	12.64	6.21	8.40	73.15	Buy
FIDELITY	308,896	80.00	13.33	11.33	0.30	0.04	4.05	2.23	3.78	5.87	3.21	4.35	55.29	Buy
PRESCO	16,203	13.47	35.64	43.26	3.30	10.59	200.00	73.00	142.60	203.91	121.21	163.99	42.99	Buy
DANG CEM	275,366.4	10.10	20.20	45.53	5.52	24.26	300.00	241.00	245.00	258.27	208.25	281.75	5.42	Buy
GUINNESS	14,113.3	7.15	8.05	38.17	2.30	12.29	110.00	29.05	83.00	123.54	70.55	95.45	48.84	Buy
MTN	290,606.4	8.92	17.85	13.24	15.11	22.42	270.00	167.00	200.10	246.06	170.09	230.12	22.97	Buy
TRANSCORP	19,218.8	14.40	0.59	3.87	0.42	0.07	1.52	0.90	19.95	26.26	16.96	22.94	31.63	Buy
ZENITH	178,260.8	3.55	7.10	4.86	0.45	5.56	27.40	18.90	7.30	12.64	6.21	8.40	38.58	Buy
FCMB	21,860.34	1.4	1	13.56	0.24	2.38	3.88	2.71	3.24	4.49	2.75	3.73	62.62	Buy
ETI	123,700.37	8.8	8.43	58.26	0.19	1.26	13.2	5.1	11.05	17.97	9.39	12.71	73.15	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, September 23, 2022

FGN Eurobonds	Issue Date	TTM (years)	23-Sep-22 Price (N)	Weekly USD Δ	23-Sep-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.80	97.68	0.04	9.5%	0.03
7.625 21-NOV-2025	21-Nov-18	3.16	89.19	(0.43)	11.8%	0.20
6.50 NOV 28, 2027	28-Nov-17	5.18	89.19	(0.43)	11.8%	0.20
6.125 SEP 28, 2028	28-Sep-21	6.02	71.75	(1.69)	13.1%	0.52
8.375 MAR 24, 2029	24-Mar-22	6.50	76.77	(1.65)	13.9%	0.48
7.143 FEB 23, 2030	23-Feb-18	7.42	70.47	(2.10)	13.6%	0.58
8.747 JAN 21, 2031	21-Nov-18	8.33	75.60	(1.82)	13.8%	0.46
7.875 16-FEB-2032	16-Feb-17	9.41	69.83	(1.91)	13.7%	0.46
7.375 SEP 28, 2033	28-Sep-21	11.02	65.58	(1.97)	13.5%	0.47
7.696 FEB 23, 2038	23-Feb-18	15.43	62.42	(1.91)	13.6%	0.42
7.625 NOV 28, 2047	28-Nov-17	25.20	58.89	(1.61)	13.3%	0.35
9.248 JAN 21, 2049	21-Nov-18	26.35	68.41	(1.98)	13.7%	0.38
8.25 SEP 28, 2051	28-Sep-21	29.03	60.79	(1.75)	13.8%	0.38

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, September 23, 2022

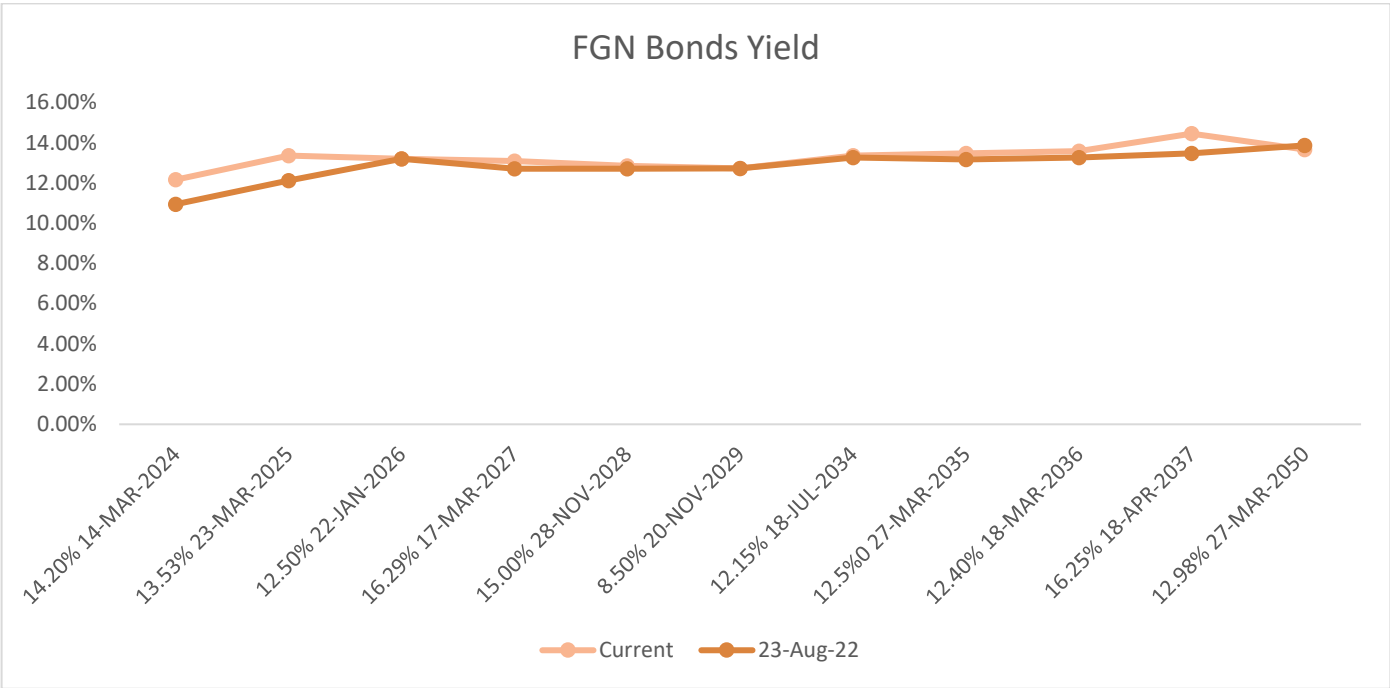
MAJOR	23-Sep-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9708	0.9838	-1.32%	-3.03%	-2.57%	-17.16%
GBPUSD	1.0916	1.1261	-3.06%	-4.54%	-7.60%	-20.24%
USDCHF	0.9814	0.9767	0.48%	1.73%	1.56%	6.07%
USDRUB	57.0330	58.9001	-3.17%	-4.15%	-4.63%	-21.44%
USDNGN	430.0900	429.7033	0.09%	0.40%	2.14%	4.64%
USDZAR	17.9065	17.5830	1.84%	1.73%	5.76%	19.82%
USDEGP	19.4600	19.4600	0.00%	0.31%	1.41%	24.35%
USDCAD	1.36	1.3486	0.66%	2.39%	4.72%	7.25%
USDMXN	20.14	19.9308	1.07%	0.60%	1.33%	0.42%
USDBRL	5.24	5.1165	2.36%	-0.31%	2.46%	-1.83%
AUDUSD	0.6540	0.6645	-1.57%	-2.68%	-5.29%	-9.85%
NZDUSD	0.5763	-0.0600	-1.44%	-3.87%	-6.82%	-17.71%
USDJPY	143.2290	142.3465	0.62%	0.20%	4.45%	29.33%
USDCNY	7.1425	7.0795	0.89%	2.04%	3.88%	10.50%
USDINR	81.1860	81.0482	0.17%	1.83%	1.71%	9.94%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, September 23,

Commodity		23-Sep-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	78.5190	83.4864	-5.95%.	-7.40%.	-16.86%.	6.09%
BRENT	USD/Bbl	85.7980	90.4565	-5.15%.	-6.07%.	-14.49%.	9.88%
NATURAL GAS	USD/MMBtu	6.8214	9.8151	-3.77%.	-12.00%.	-26.77%.	32.93%
GASOLINE	USD/Gal	2.3616	2.5158	-6.13%.	-2.17%.	-10.72%.	8.04%
COAL	USD/T	435.6500	440.0061	-0.99%.	-2.21%.	4.32%	134.35%
GOLD	USD/t.oz	1643.0800	1670.4758	-1.64%.	-1.90%.	-6.16%.	-6.10%.
SILVER	USD/t.oz	18.7890	19.6497	-4.38%.	-3.88%.	-1.88%.	-16.13%.
WHEAT	USD/Bu	882.7800	910.7397	-3.07%.	2.68%	8.55%	21.97%
PALM-OIL	MYR/T	3736.0000	3825.9089	-2.35%.	0.97%	-13.28%.	-15.87%.
COCOA	USD/T	2252.0000	2320.9317	-2.97%.	-4.53%.	-6.20%.	-13.05%.

FGN Bonds Yield Curve, Friday, September 23, 2022



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