

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Inflation-Served A' La Carte' Leaves CBN In Aggressively Hawkish Mode; But Any Effect?

From the foregoing, we assert that the decision will, for the short-medium term, condense capital flights out of the economy and on the other end of the curve, drive a possible rise in dollar inflows. Also, the decision to raise interest rates to 15.50% is expected to fight inflationary pressures and give incentives to Nigerians to save.....

### FOREX MARKET: Naira Lost Strength Across FX Segment In Response to CBN Rates Hike...

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 weekly interventions in the FX market to save the Naira.

### MONEY MARKET: Investors Bearish on NITTY as MPC Raises Policy Rate at 15.50%...

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 Bond Yields Rise for Most Maturities Tracked amid Bearish Sentiment....

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.....

### EQUITIES MARKET: Price Gains In Oil & Gas, Industrial Stocks Forced Mild Market Reawakening ...

Going into the new week, we expect the market to sustain its current trend as investors adopt cautious trading styles at this critical support levels amidst low valuation and liquidity in the market.....

## ECONOMY: Inflation-served a' la carte' leaves CBN in aggressively hawkish mode; But Any Effect?

At a time when major central banks in the world are engaging in interest hikes, Nigeria's apex bank (CBN) maintained its hawkish roleplay for the third consecutive period this year following the bi-monthly assembly of its highest decision-making committee. This time, was for an unexpected 150bps hike in interest rates to 15.50% from 14% in a bid to quell accelerating inflation which has found comfort in Nigeria's economy and is now at a 17-year high of 20.52% since October 2005.

According to the CBN Governor, while announcing the committee's decision on Tuesday, the MPC deliberated on the impact of the widening margin between the current policy rate of 14% and the inflation rate of 20.52% which led to its stance that loosening would be gravely detrimental to reining-in inflation. And as such, the cash reserve ratio (CRR) was raised by 500 basis points to 32.5% from 27.5% while all other parameters stayed constant. Consequently, Nigeria's Central Bank's aggressive monetary policy tightening measures will see more liquidity crunch in the system as an additional regulatory requirement.

The committee justified its action and said there is the need to consolidate the effects of the previous two rate hikes; stating that it believes that an aggressive rate upsurge would reduce capital outflows, possibly attract capital inflows, and strengthen the naira. Meanwhile, at its last meeting which was held in July, committee members stressed the need to further tighten policy in order to stop the inflationary trend from continuing unabatedly. As such, committee members voted to raise the monetary policy rate by 100bps to 14.0%.

Also, there was the emphasis, by the committee, on the likely impact of lingering uncertainty from supply chain bottlenecks as a result of the Ukraine unrest and the detrimental effect the decision would have on global trade, sustained rise in inflation globally in the face of interest rate increases by central banks globally, as well as the likely attendant impact of another recession on majorly fragile economies and emerging markets who are still healing from recession.

What we can deduce from the hawkish stance of the central bank in the wake of its inflation-served a' la carte lies in the policy impact of a rate hike to arrest inflation in the short-term period, especially at the point when there exists a disconnect between the nominal anchor rates and the market rates. Nevertheless, it is not far-fetched to say that it is a fear that, obviously, high commodity prices in Nigeria are primarily driven by unresolved structural factors such as insecurity, exchange rate fluctuations, and high energy costs.

From the foregoing, we assert that the decision will, for the short-medium term, condense capital flights out of the economy and on the other end of the curve, drive a possible rise in dollar inflows. Also, the decision to raise interest rates to 15.50% is expected to fight inflationary pressures and give incentives to Nigerians to save.

On the contrary, a liquidity squeeze in the financial system is inevitable as the cost of borrowing to both the public and private sectors will see a surge which may bring about a slowdown in the rate of economic activities, a decline in aggregate spending and consumption which is likely to bring about a sluggish gross domestic product (GDP) growth.

## FOREX MARKET: Naira Lost Strength Across FX Segment In Response to CBN Rates Hike...

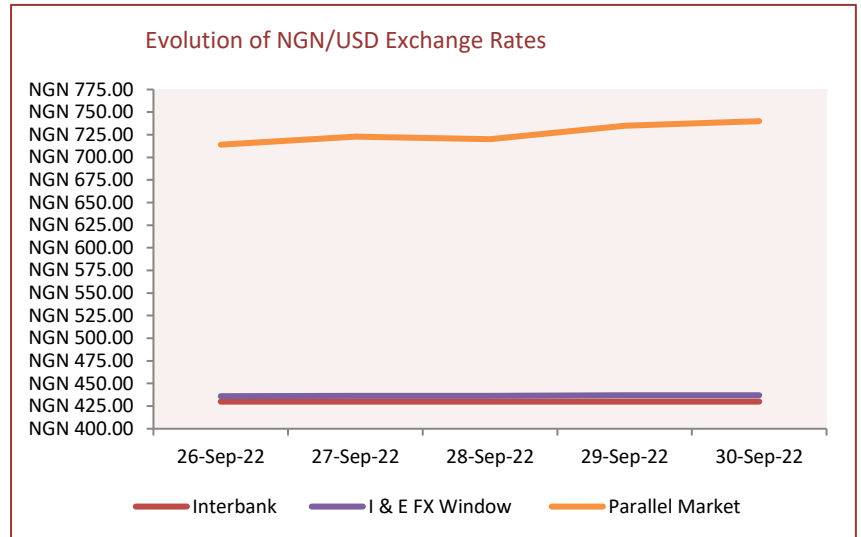
This week and just like every other weeks, the Naira continued its free fall across all market segments as it depreciated 0.16% week on week to N437.03/USD at the I&E FX Window from N436.33/USD last week while it hit another low of N740/USD at the parallel market, depreciating 3.93% w/w from N712/USD. This is due to the unbating demand and the need to hedge against naira depreciation following the recent interest rate hike by the CBN. Consequently, the difficulties experienced by the offshore communities in repatriating funds and further expectations for a fall in the local currency has spurred this continued depreciation.

As we draw closer to the election year and with the campaign activities by political parties taking full gear already, it is expected that the demand for the greenback will buoy further weakening of the legal tender. Thus, as we witnessed, market participants maintained bids between N430/USD and N455/USD at the I&E Market.

Further afield, at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate trade was quiet as it closed the week at N430/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, 3 months, 6 and 12 months forward contracts closing the week stronger from last week's close. Resultantly, the rates rose 1.7%, 1.5%, 2.0%, 2.3% and 2.3% respectively to close the week at N446.77/USD, N448.03/USD, N453.14/USD, N467.92/USD and N495.21/USD in that order.

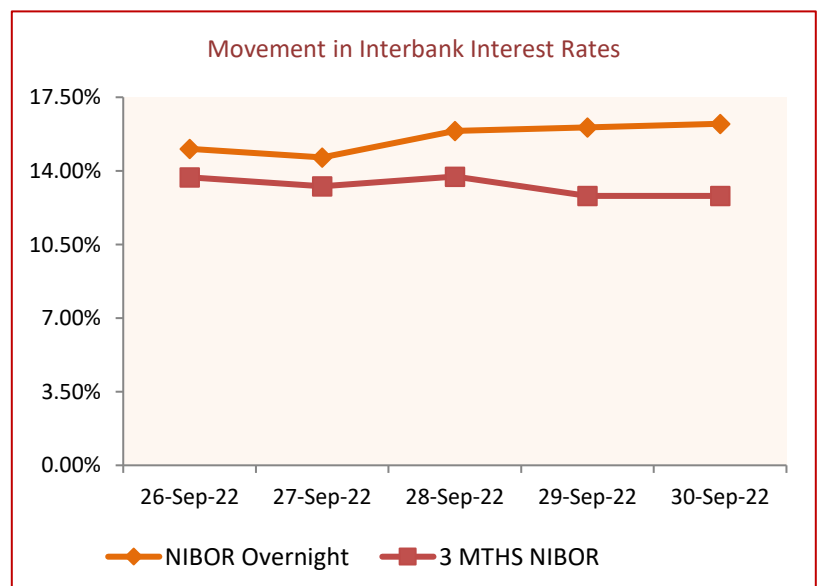
Elsewhere, the Bonny light crude price declined by \$0.65 (-0.70%) w/w to close the week (Sept.28) at USD90.2 per barrel from USD91.70 per barrel in the previous week on the back of low demand.

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 weekly intervention in the FX market to save the Naira.



## MONEY MARKET: Investors Bearish on NITTY as MPC Raises Policy Rate at 15.50%....

In the just concluded week, CBN auctioned T-bills (worth N141.34 billion) despite the absence of maturing T-bills in the primary market. This, coupled with CBN's body language, continues to support contractionary policy. Given the recent monetary policy rate hike by 150 basis points to 15.50%, the stop rate for the 364-day bills rose to 12.00% (from 9.75%) despite investors' strong appetite. Similarly, the stop rate for 91-day bills and 182-day bills rose to 6.49% (from 5.50%) and 7.50% (from 6.00%). Investors in the secondary market traded in tandem with the bearish sentiment witnessed in the primary market. NITTY for 1 month, 3 months and 12-month maturities increased to 6.42% (from 6.01%), 7.29% (from 6.86%), 8.06% (from 7.80%) and 10.48% (from 9.86%), respectively.

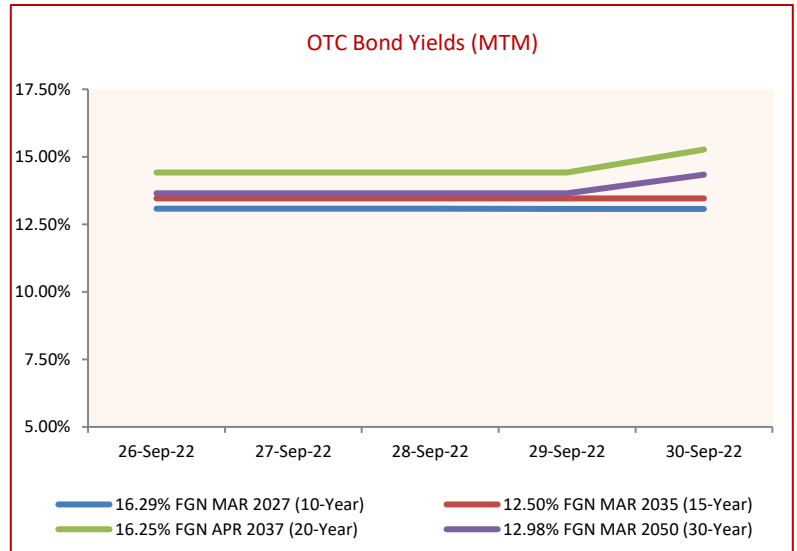


Meanwhile, activities in the money market were largely quiet as they were neither refinancing nor maturing bills, thereby lowering financial system liquidity and driving NIBOR higher across the board. Overnight funds', 1 month and 6-month tenor buckets increased to 16.24% (from 16.07%), 12.12% (from 9.77%), and 13.05% (from 9.77%), respectively - an indication of worsening liquidity in the banking institutions. However, the 6-month tenor bucket remained unchanged at 12.81%.

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 Bond Yields Rise for Most Maturities Tracked amid Bearish Sentiment....

In the just concluded week, sentiment turned negative in the market as bond prices got depressed while FGN yields expanded for most maturities tracked. Specifically, investors were mostly bearish on the back end of the curve as the 20-year, 16.25% FGN MAR 2037 and the 30-year, 12.98% FGN MAR 2050 instrument debt papers lost N5.20 and N4.50, respectively; their corresponding yields rose to 15.27% (from 14.44%) and 14.34% (from 13.65%) respectively. Meanwhile, the 10-year, 16.29% FGN MAR 2027 debt and the 15-year, 12.50% FGN MAR 2035 bond remained unchanged at 13.07% and 13.4%.



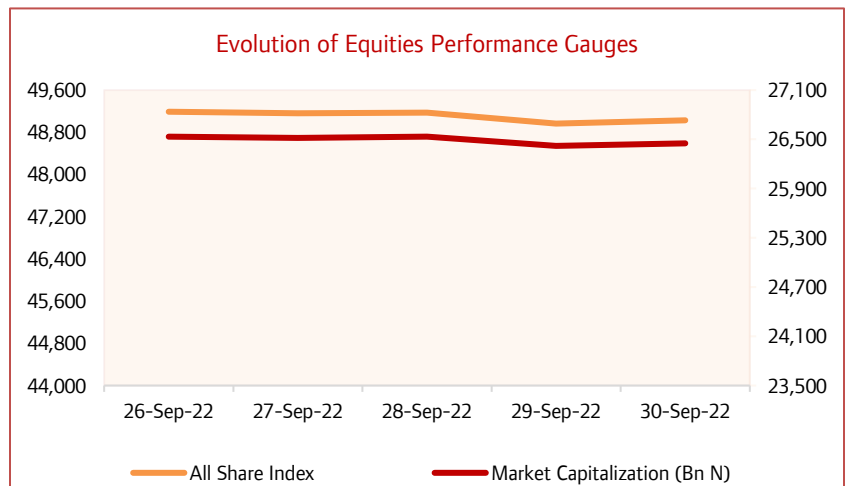
The value of FGN Eurobonds traded in the international capital market fell for all maturities as investors reacted to revised interest rates by the US Federal Reserve as well as uncertainties surrounding Nigeria's medium-term ability to grow its external reserves despite rising oil prices. The 10-year, 6.375%, July 12, 2023 bond, 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 0.88, USD 4.10, and USD 3.42, respectively, while their corresponding yields rose to 10.78% (from 9.47%), 14.54% (from 13.57%), and 14.12% (from 13.32%), 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.

## EQUITIES MARKET: Price Gains In Oil & Gass, Industrial Stocks Forced Mild Market Reawakening,....

Momentum in the domestic equities market this week closed quietly with the benchmark declining by a marginal 0.01% week on week to 49,024.16 points amid market reactions to the latest interest rate hike and Treasury Bills auction rates which jumped across board and leaving investors with a chance for portfolio realignment.

Conversely, the claws of the bulls buoyed the market capitalization by 0.03% week on week to N26.46 trillion as investors seeking alpha continue their positions in the fundamentally sound tickers. Resultantly, the market added N7.5 billion in gains to investors' pocket in a week as the market year to date (YTD) return moderated to 14.77%.



Following the impressive performance on the back of renewed positive sentiments, market gains were recorded from buying opportunities witnessed in tickers such as MULTIVERSE (+31%), NGXGROUP (+18%), JAIZBANK (+15%), BUACEMENT (+9%), and ETERNA (+10%) respectively, while the sectorial performance ended in a varied position as the Industrial Goods (+3.01%) and the Oil & Gas Index (+0.20%) emerged as the best performing indexes week on week, reversing last week's losses due to upticks in BUACEMENT, ETERNA and ARDOVA. Conversely, the NGX Consumer Goods Indexes (-3.37%) led the laggards, trailed by NGX Insurance and NGX Banking which declined by -3.25% and -0.89% week on week apiece. Elsewhere, the level of trading activities in the week cleared northward from last week as the total traded volume inched 78.5% w/w to 1.01 billion units while the total weekly traded value climbed upward by 17.6% w/w to N10.41 billion and then the total deals traded for the week advanced by 10.3% w/w to 17,654 from 16,013 deals last week.

Going into the new week, we expect the market to sustain its current trend as investors adopt cautious trading styles at this critical support levels amidst low valuation and liquidity in the market. 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 30, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	September 30 2022	September 23 2022	% Change	Symbol	September 30 2022	September 23 2022	% Change
MULTIVERSE	3.69	2.82	31%	NEIMETH	1.40	1.56	-10%
NGXGROUP	20.00	17.00	18%	NESTLE	1,215.00	1,350.00	-10%
JAIZBANK	0.90	0.78	15%	AFRIPRUD	5.00	5.55	-10%
CADBURY	13.60	11.85	15%	FIDSON	9.05	9.95	-9%
ETERNA	6.32	5.75	10%	NEM	4.91	5.39	-9%
BUACEMENT	52.00	47.85	9%	ACCESSCORP	8.05	8.80	-9%
UBN [BLS]	6.20	5.75	8%	LIVESTOCK	1.02	1.11	-8%
ARDOVA	13.75	12.80	7%	AIICO	0.52	0.56	-7%
CHAMS	0.29	0.27	7%	VITAFOAM	20.95	22.45	-7%
UPDC [BLS]	1.03	0.96	7%	UNILEVER	12.30	13.00	-5%

## Weekly Stock Recommendations as at Friday, September 30, 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	7.00	12.64	5.95	8.05	80.57	Buy
FIDELITY	308,896	80.00	13.33	11.33	0.30	0.04	4.05	2.23	3.68	5.87	3.13	4.23	59.51	Buy
PRESCO	16,203	13.47	35.64	43.26	3.30	10.59	200.00	73.00	142.6	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	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	82.90	123.54	70.47	95.34	49.02	Buy
MTN	290,606.4	8.92	17.85	13.24	15.11	22.42	270.00	167.00	199.8	246.06	169.83	229.77	23.15	Buy
TRANSCORP	19,218.8	14.40	0.59	3.87	0.42	0.07	1.52	0.90	1.10	1.48	0.94	1.27	34.55	Buy
ZENITH	178,260.8	3.55	7.10	4.86	0.45	5.56	27.40	18.90	20.00	26.26	17.00	23.00	31.30	Buy
FCMB	21,860.34	1.4	1	13.56	0.24	2.38	3.88	2.71	3.29	4.49	2.80	3.78	36.47	Buy
ETI	123,700.37	8.8	8.43	58.26	0.19	1.26	13.2	5.1	11.25	17.97	9.56	12.94	59.73	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, September 30, 2022

FGN Eurobonds	Issue Date	TTM (years)	30-Sep-22 Price (N)	Weekly USD Δ	30-Sep-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.78	96.80	-0.88	10.8%	1.31
7.625 21-NOV-2025	21-Nov-18	3.15	86.27	(2.92)	13.1%	1.27
6.50 NOV 28, 2027	28-Nov-17	5.16	86.27	(2.92)	13.1%	1.27
6.125 SEP 28, 2028	28-Sep-21	6.00	66.06	(5.69)	14.9%	1.83
8.375 MAR 24, 2029	24-Mar-22	6.48	71.40	(5.37)	15.5%	1.61
7.143 FEB 23, 2030	23-Feb-18	7.41	64.84	(5.63)	15.2%	1.64
8.747 JAN 21, 2031	21-Nov-18	8.32	69.82	(5.78)	15.3%	1.52
7.875 16-FEB-2032	16-Feb-17	9.39	64.03	(5.80)	15.2%	1.52
7.375 SEP 28, 2033	28-Sep-21	11.00	60.11	(5.47)	14.9%	1.39
7.696 FEB 23, 2038	23-Feb-18	15.41	58.32	(4.10)	14.5%	0.97
7.625 NOV 28, 2047	28-Nov-17	25.18	55.47	(3.42)	14.1%	0.80
9.248 JAN 21, 2049	21-Nov-18	26.33	64.08	(4.33)	14.6%	0.92
8.25 SEP 28, 2051	28-Sep-21	29.01	56.23	(4.56)	14.9%	1.09

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

MAJOR	30-Sep-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9813	0.9836	-0.23%	1.25%	-2.33%	-15.41%
GBPUSD	1.1167	1.1188	-0.19%	2.87%	-3.78%	-17.60%
USDCHF	0.9810	0.9755	0.57%	-0.04%	0.42%	5.49%
USD RUB	59.5000	56.0000	6.25%	4.62%	0.85%	-18.02%
USD NGN	431.8700	431.5248	0.08%	0.42%	2.49%	5.39%
USD ZAR	17.9754	18.0259	-0.28%	0.43%	5.02%	20.83%
USD EGP	19.4900	19.4997	-0.05%	0.15%	1.46%	24.22%
USD CAD	1.37	1.3677	0.32%	0.93%	4.48%	8.53%
USD MXN	20.07	20.1605	-0.47%	-0.55%	-0.33%	-1.79%
USD BRL	5.40	5.3965	0.04%	2.57%	4.08%	0.59%
AUDUSD	0.6447	0.6516	-1.06%	-1.26%	-5.60%	-11.03%
NZDUSD	0.5667	-0.0600	-0.99%	-1.37%	-7.41%	-18.38%
USD JPY	144.6190	144.3592	0.18%	0.86%	3.85%	30.34%
USD CNY	7.1281	7.0968	0.44%	-0.06%	3.23%	10.81%
USD INR	81.3460	81.4600	-0.14%	0.12%	2.33%	9.73%

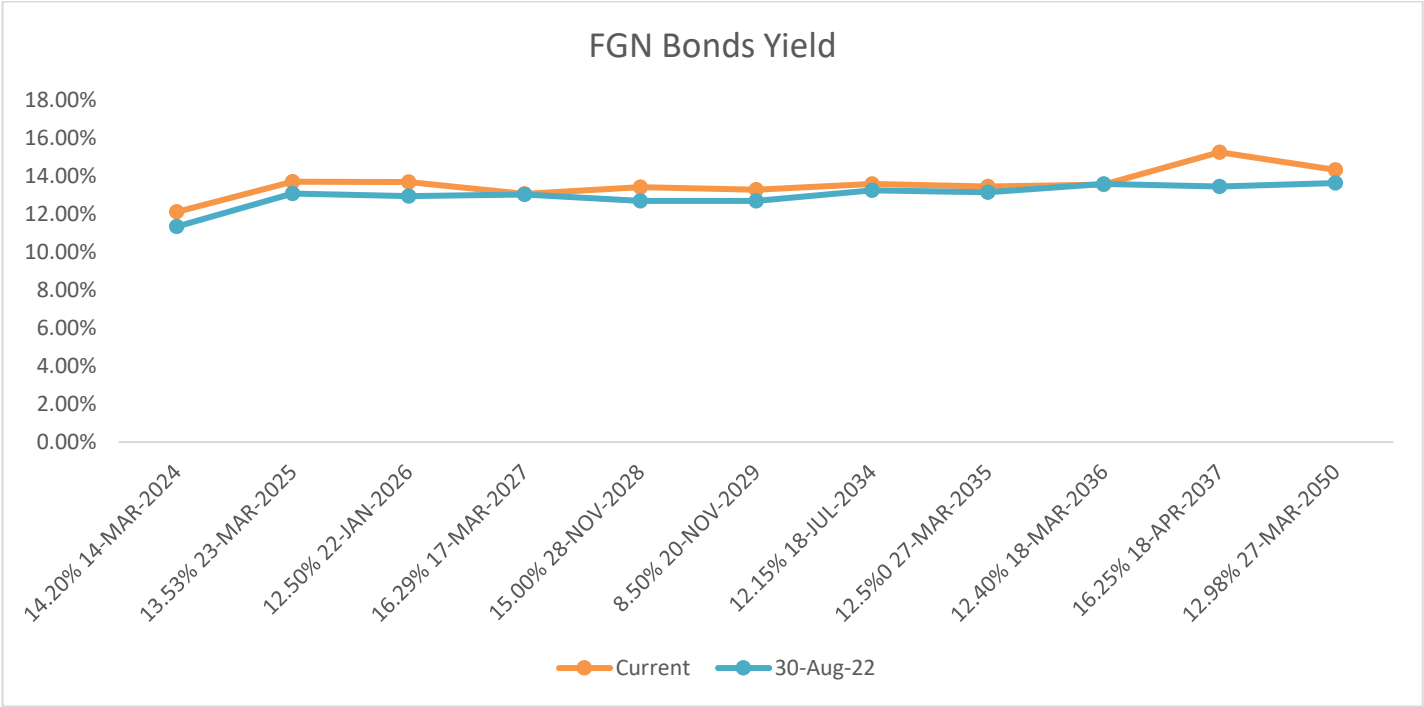




Global Commodity Prices as at 4:00 PM GMT+1, Friday, September 30,

Commodity		30-Sep-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	80.7500	81.2293	-0.59%.	2.16%	-9.65%.	6.01%
BRENT	USD/Bbl	88.1300	88.4928	-0.41%.	2.24%	-7.90%.	11.10%
NATURAL GAS	USD/MMBtu	6.9810	9.8151	1.56%	-0.27%.	-24.12%.	24.10%
GASOLINE	USD/Gal	2.4878	2.5076	-0.79%.	4.13%	2.08%	10.28%
COAL	USD/T	435.7500	436.0116	-0.06%.	0.02%	5.11%	99.89%
GOLD	USD/t.oz	1674.4500	1660.3371	0.85%	1.84%	-2.18%.	-4.94%.
SILVER	USD/t.oz	19.2790	18.8143	2.47%	2.11%	7.05%	-14.58%.
WHEAT	USD/Bu	911.8300	896.2355	1.74%	3.44%	9.53%	20.59%
PALM-OIL	MYR/T	3416.0000	3342.1387	2.21%	-8.57%.	-14.47%.	-24.17%.
COCOA	USD/T	2367.0000	2326.9760	1.72%	5.39%	-2.43%.	-12.62%.

FGN Bonds Yield Curve, Friday, September 30, 2022



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