

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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ECONOMY: Nigeria Budgets N20.15 Trillion For FY’23; But Revenue Underperformance Threatens....

In this week’s economic review, we took a sneak peek into the 2023 fiscal budget of N20.15 trillion which Nigeria’s President Muhammadu Buhari, on Friday, presented to the joint session of the National Assembly in Abuja. The budget, which is tagged ‘Budget of Fiscal Sustainability and Transition’ houses distributable revenue of N11.09 trillion plus N10.8 trillion deficits in the 2023 fiscal year.

Taking a retrospect of the 2022 fiscal year so far. The President noted that as of July 2022, the federal government had spent a total of N8.29 trillion as a total expenditure from the N17.23 trillion budgeted. This was regardless of the fact that Nigeria has always encountered revenue

challenges. At the same time, it grapples with current economic realities on ways to settle its debt service obligations as well as the underperformance of revenue from the oil sector. However, its total retained revenue printed at N3.6 trillion so far in 2022 excluding revenues from Government-owned Enterprises (GOEs). This figure was 63% of the target which resulted from oil and gas revenue underperformance; and then a total of N1.48 trillion was spent as capital expenditure for ministries, departments and agencies (MDAs). The sum of N1.59 trillion was used up for subsidy payments.

The 2022 fiscal budget, as revised, was based on the 2022-2024 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) which was in line with the Government’s National Development Plan 2021-2025. It comes on the assumptions of a 13% inflation rate; N410.15/\$1 in exchange rate, and a budget oil benchmark at \$73 per barrel with the nation producing an average of 1.60 million barrels of crude oil daily.

On the contrary, with the brazen rise in pipeline vandalism, crude oil theft and lack of investment into the oil sector, Nigeria reported daily crude oil production at 1.03 million barrels daily as of June 2022 despite the positive rally in the global oil market which saw crude oil price peak above the budget benchmark as, it is currently, after hitting a peak of \$123.23 per barrel at the start of June. As a result of revenue shortfalls which still remain a major threat to the fiscal purse plus a high-interest rate environment, FG borrowed N4.3 trillion from the domestic front to finance its deficit. This does not include the over N20 trillion already in Ways and Means financing from the CBN, but, takes account of the efforts by the DMO in the debt market to raise funds while selling government securities at a premium to investors.

The N20.15 trillion budget estimates presented by the president on Friday assume that Nigeria will produce 1.69 million barrels of crude oil daily and without interruptions from vandals, to realize a total of N1.92 trillion in revenue from oil. Also, it is expected that revenue from non-oil sources will be at N2.43 trillion, FGN independent revenue at N2.21 trillion.

On the expenditure side, it is expected that FG’s recurrent costs will stay at N8.27 trillion in 2023, personnel costs at N4.99 trillion, Capital expenditure at N5.53 trillion, overheads are expected to gulp N1.1 trillion and then debt service will eat up N6.31 trillion while the sum of N247.73 billion will be set aside as sinking fund to retire about 30 maturing bonds. From the expenditure framework, the sum of N8.80 trillion has been estimated to come from borrowings. Also, financing the 2023 election year budget may not really be possible without moving a leg to approach international financial institutions in the wake of a squeaky bum. Thus, FG will seek N1.77 trillion as drawdowns from bilateral and multilateral lenders as well as N266.1 billion for grants/donor-funded projects.

Nigeria requires a huge outlay of financial resources to drive all-inclusive growth which is sustainable as one of many ways to implement major economic reforms. That said, FG may be unable to provide for treasury-funded capital projects next year, especially with dwindling revenue and payment of subsidies on PMS which it has projected in the MTEF to gulp N6.7 trillion, and constitutes a major threat to the country’s revenue growth targets.

Key Macroeconomic Assumptions to Nigeria's FY'23 Budget		
Description	2022 (Revised)	2023e
Oil Price Benchmark (\$/b	73	70
Oil Production (mbpd)	1.6	1.69
Exchange Rate (N/\$)	410.15	435.57
Inflation (%)	16.11	17.16
Non-Oil GDP (N'bn)	188,278.10	214,049.50
Oil GDP (N'bn)	10,652.00	11,457.80
Nominal GDP (N'bn)	198,930.00	225,507
GDP Growth Rate (%)	3.55	3.75
Imports	23,145.30	24,385.60
Nominal Consumption (N'bn)	120,172.60	121,933.10
Source: BudgetOffice, Cowry Research		

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FOREX MARKET: Naira Trending further Low in the Face of OPEC+ Supply Cut Announcement...

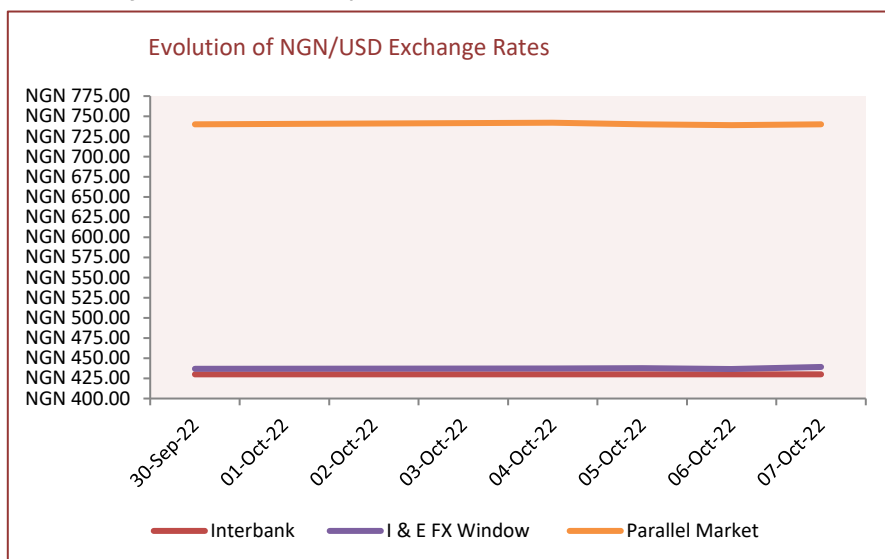
In the just concluded week, the Naira depreciated by 0.44% (N2.14) week on week to N439.17/USD from N437.03/USD at the I&E FX Window as the local currency move gradually to another record low of N440/USD while the need to hedge against naira depreciation following the recent interest rate hike by the CBN plus Nigeria's low crude oil earnings. The Naira closed flat at N740/USD at the parallel market w/w due to relatively calm in demand pressure.

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 N435/USD and N450/USD at the I&E Market.

At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate traded quietly 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 across all tenor contracts except for the 2 months tenor which cleared higher by 1.09% week on week to N452.93/USD. On the other hand, we saw the 1 month, 3 months, 6 and 12 months forward contracts closing the week stronger from last week's close. Resultantly, the rates rose 0.19%, 0.25%, 0.18%, and 0.71% respectively to close the week at N445.94/USD, N452.02/USD, N467.08/USD, and N491.70/USD in that order.

Elsewhere, the Bonny light crude price appreciated by \$5.43 (0.60%) w/w to close the week at USD95.63 per barrel from USD90.2 per barrel in the previous week on the back of the decision from OPEC+ to cut global supply by 2 million barrels from November.

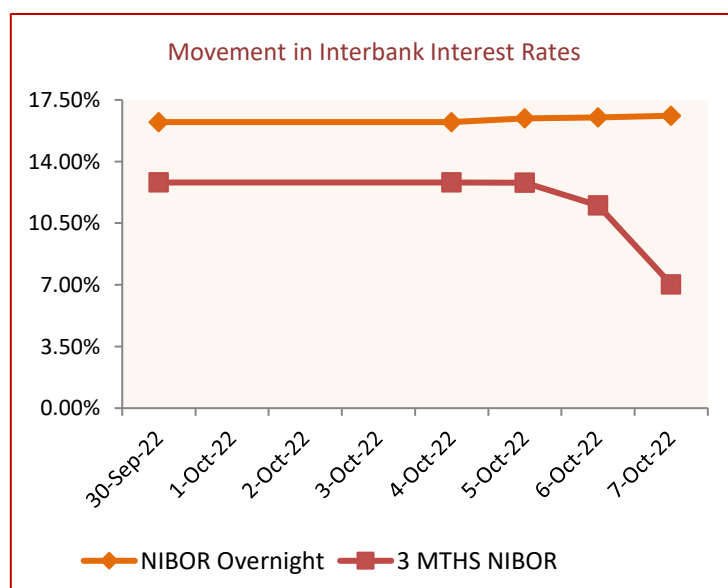
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MONEY MARKET: NIBOR Rises for Most Tenor Buckets on Financial Liquidity Strain...

In the just concluded week, we saw N190.89 maturing treasury bills in the primary market without any refinancing from the Apex Bank. In the secondary market, investors liquidated T-bill holdings as we saw NITTY rise for all maturities tracked. Specifically, NITTY rose for 1 month, 3 months, 6 months and 12-month maturities to 6.85% (from 6.42%), 8.25% (from 7.29%), 9.36% (from 8.06%) and 14.13% (from 10.48%), respectively.

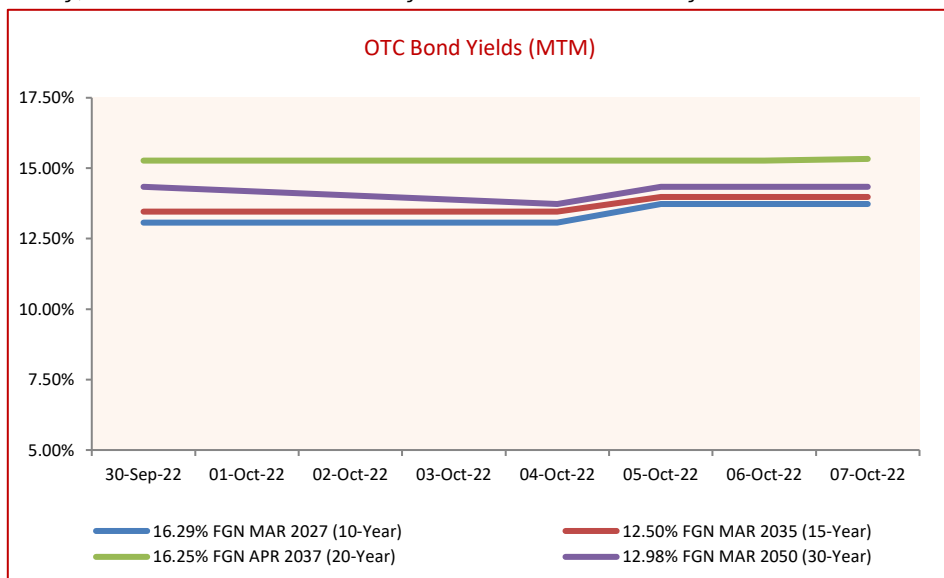
Meanwhile, in the OMO market, we also saw N60 billion bills worth maturing without refinancing. Meanwhile, given the new inflow, NIBOR closed in a bullish direction for most of the tenor buckets, as 1-month, 3-month, and 6-month tenor buckets fell to 6.20% (from 12.12%), 7.02% (from 12.81%), and 7.75% (from 13.05%), respectively. However, the overnight tenor bucket rose to 16.60% (from 16.24%).



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BOND MARKET FGN Bond Yields Increase for Most Maturities Tracked on Sustained Bearish Trend.....

In the just concluded week, sentiment remained negative in the market as bond prices got depressed while FGN yields expanded for most maturities tracked. Specifically, investors in the secondary market were relatively more bearish at the shorter end of the curve than at the longer end. The 10-year, 16.29% FGN MAR 2027 debt, the 15-year, 12.50% FGN MAR 2035 bond, and the 20-year, 16.25% FGN MAR 2037 debt papers lost N2.31, N2.90, and N0.38, respectively; their corresponding yields rose to 13.73% (from 13.07%), 13.98% (from 13.46%), and 15.33% (from 15.27%), respectively. The 30-year, 12.98% FGN MAR 2050 instrument debt remained unchanged.



The value of FGN Eurobonds traded in the international capital market appreciated for most maturities tracked; the 10-year, 6.375%, July 12, 2023 bonds, the 20-year, 7.69% paper due on February 23, 2038, and the 30-year, 7.62% debt due on November 28, 2047, gained USD 1.73, USD 4.41, and USD 4.58, respectively, while their corresponding yields fell to 8.41% (from 10.78%), 13.51% (from 14.54%), and 13.07% (from 14.12%), respectively. .

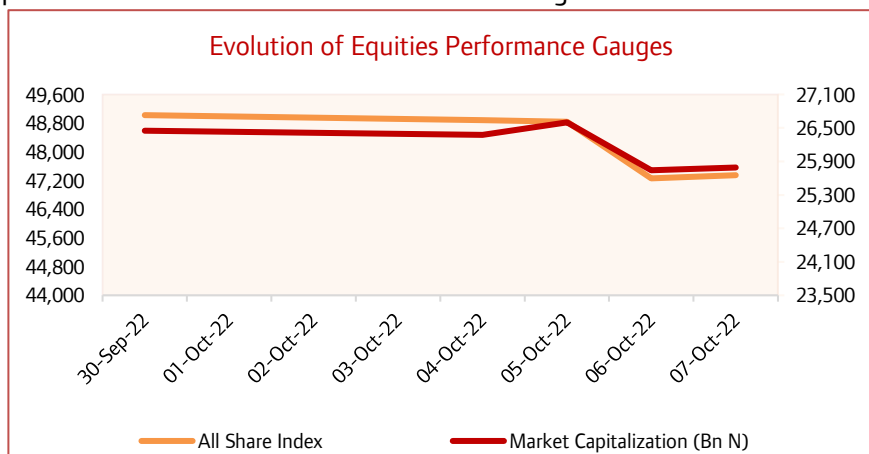
In the new week, we expect the value of FGN Bonds to increase (and yields to fall) amid increased demand due to the maturing bills in the money market....

EQUITIES MARKET: NGX Closed The Week In A Lackluster As Investors Lost N660bn From Pressured Sell-offs....

Momentum in the domestic equities market remained downbeat as panic sell-offs and bargain hunting activities drove market rally further into the bearish zone despite Friday's positive close with the benchmark index declining by 3.41% week on week and for the fourth consecutive week to 47,351.43 points. This comes as investors continue to digest the latest interest rate hike with a chance for portfolio realignment.

Equally, the grip of the bears held the market capitalization by 2.50% week on week to N25.79 trillion as investors take to shed down their holdings in some relatively volatile stocks. Resultantly, the market wiped N660.95 billion out of investors' pocket in a week as the market year to date (YTD) return moderated to 10.85%.

Following the lackluster performance on the back



of waning investors' sentiments, losses were recorded from panic sell-offs witnessed in tickers such as NASCON (-14%), CORNERST (-11%), AIRTELAFRI (-10%), PRESKO (-10%), and OKOMUOIL (-10%) respectively, while the sectorial performance ended jaded as the NGX Banking (-3.37%) led the losers' chart and trailed by NGX Insurance (-1.16%), NGX Oil/Gas (-1.02%), NGX Consumer Goods (-0.56%) and the NGX Industrial Index also fell by 0.33% week on week.

Further afield, the level of trading activities in the week cleared further south week on week as the total traded volume dished 41.57% w/w to 586.94 million units while the total weekly traded value hollow-shaped by 15.08% w/w to N8.84 billion and then the total deals traded for the week lagged by 2.67% w/w to 17,183 trades from 17,654 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, October 07, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	October 07 2022	September 30 2022	% Change	Symbol	October 07 2022	September 30 2022	% Change
MULTIVERSE	4.50	3.69	22%	NASCON	9.50	11.00	-14%
GEREGU [BLS]	120.90	100.00	21%	UPDCREIT	2.80	3.20	-13%
LIVESTOCK	1.14	1.02	12%	CORNERST	0.50	0.56	-11%
CUTIX	2.16	2.04	6%	AIRTELAFRI	1,800.00	2,000.00	-10%
AIICO	0.55	0.52	6%	MAYBAKER	3.69	4.10	-10%
NGXGROUP	21.00	20.00	5%	NEIMETH	1.26	1.40	-10%
FTNCOCOA	0.30	0.29	3%	PRESCO	128.35	142.60	-10%
NPFMCRFBK	1.53	1.52	1%	OKOMUOIL	169.50	188.30	-10%
UPL	1.64	1.63	1%	CADBURY	12.25	13.60	-10%
ABCTTRANS	0.28	0.28	0%	NNFM	6.80	7.50	-9%

Weekly Stock Recommendations as at Friday, October 07, 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	6.75	12.64	5.74	7.76	87.26	Buy
FIDELITY	308,896	80.00	13.33	11.33	0.30	0.04	4.05	2.23	3.50	5.87	2.98	4.03	67.71	Buy
PRESCO	16,203	13.47	35.64	43.26	3.30	10.59	200.00	73.00	128.35	203.91	109.10	147.6	58.87	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	246.06	169.15	228.85	23.65	Buy
TRANSCORP	19,218.8	14.40	0.59	3.87	0.42	0.07	1.52	0.90	1.05	1.48	0.89	1.21	40.95	Buy
ZENITH	178,260.8	3.55	7.10	4.86	0.45	5.56	27.40	18.90	19.55	26.26	16.62	22.48	34.32	Buy
FCMB	21,860.34	1.4	1	13.56	0.24	2.38	3.88	2.71	3.2	4.49	2.72	3.68	40.31	Buy
ETI	123,700.37	8.8	8.43	58.26	0.19	1.26	13.2	5.1	11.1	17.97	9.44	12.77	61.89	Buy



FGN Eurobonds Trading Above 8% Yield as at Friday, October 07, 2022

FGN Eurobonds	Issue Date	TTM (years)	07-Oct-22 Price (N)	Weekly USD Δ	07-Oct-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.76	98.53	1.73	8.4%	(2.37)
7.625 21-NOV-2025	21-Nov-18	3.13	89.85	3.58	11.6%	(1.50)
6.50 NOV 28, 2027	28-Nov-17	5.15	89.85	3.58	11.6%	(1.50)
6.125 SEP 28, 2028	28-Sep-21	5.98	69.65	3.59	13.8%	(1.14)
8.375 MAR 24, 2029	24-Mar-22	6.47	76.14	4.74	14.1%	(1.41)
7.143 FEB 23, 2030	23-Feb-18	7.39	68.36	3.52	14.2%	(1.02)
8.747 JAN 21, 2031	21-Nov-18	8.30	73.87	4.05	14.2%	(1.07)
7.875 16-FEB-2032	16-Feb-17	9.37	67.69	3.66	14.2%	(0.96)
7.375 SEP 28, 2033	28-Sep-21	10.98	63.92	3.81	13.9%	(0.98)
7.696 FEB 23, 2038	23-Feb-18	15.39	62.73	4.41	13.5%	(1.03)
7.625 NOV 28, 2047	28-Nov-17	25.16	60.05	4.58	13.1%	(1.05)
9.248 JAN 21, 2049	21-Nov-18	26.31	68.98	4.90	13.6%	(1.03)
8.25 SEP 28, 2051	28-Sep-21	28.99	61.21	4.98	13.7%	(1.18)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 07, 2022

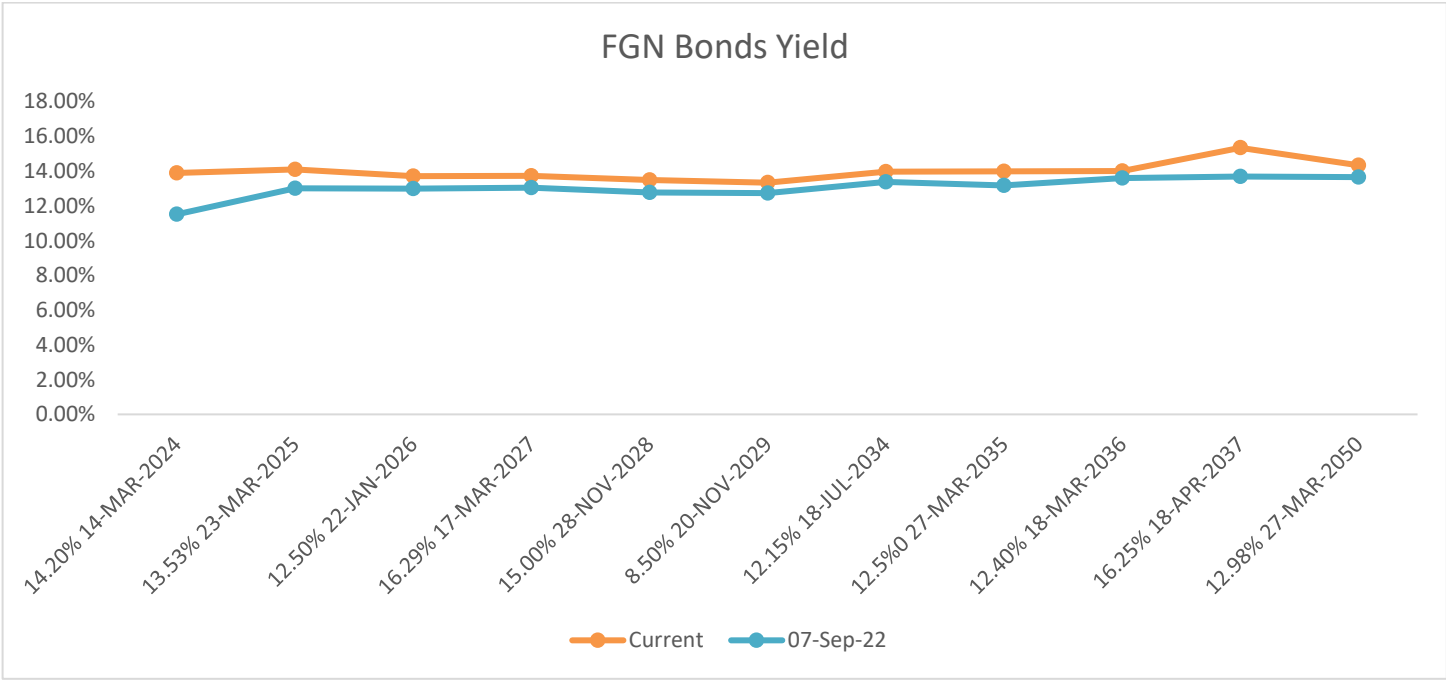
MAJOR	07-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9780	0.9792	-0.13%	-0.23%	-2.30%	-15.48%
GBPUSD	1.1117	1.1157	-0.36%	-0.44%	-3.50%	-18.33%
USDCHF	0.9926	0.9905	0.21%	0.60%	2.24%	7.10%
USD RUB	61.7670	60.5025	2.09%	4.34%	2.09%	-13.94%
USDNGN	433.2200	432.9170	0.07%	0.31%	1.59%	5.71%
USDZAR	18.0844	17.9730	0.62%	-0.33%	3.32%	20.95%
USDEGP	19.6300	19.5908	0.20%	0.72%	1.66%	25.43%
USDCAD	1.37	1.3747	-0.41%	-0.98%	4.58%	9.79%
USDMXN	20.05	20.1059	-0.29%	-0.47%	0.46%	-3.15%
USDBRL	5.22	5.2215	-0.04%	-3.57%	0.15%	-5.20%
AUDUSD	0.6398	0.6409	-0.17%	-0.02%	-5.39%	-12.42%
NZDUSD	0.5637	-0.0600	-0.34%	0.75%	-6.89%	-18.69%
USDJPY	145.1420	145.0260	0.08%	0.28%	0.92%	29.33%
USDCNY	7.1192	7.0838	0.50%	-0.31%	2.28%	10.45%
USDINR	82.5460	82.0618	0.59%	1.27%	3.61%	9.89%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, October 07, 2022

Commodity		07-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	91.7750	88.4493	3.76%	15.13%	10.17%	15.33%
BRENT	USD/Bbl	97.2140	94.4192	2.96%	13.94%	9.92%	17.74%
NATURAL GAS	USD/MMBtu	6.7476	9.8151	-3.22%	-0.16%	-15.25%	21.39%
SGASOLINE	USD/Gal	2.7283	2.6814	1.75%	14.90%	17.99%	15.07%
COAL	USD/T	385.0000	400.0000	-3.75%	-11.23%	-12.50%	61.36%
GOLD	USD/t.oz	1701.2200	1710.8005	-0.56%	2.48%	-0.38%	-3.18%
SILVER	USD/t.oz	20.2550	20.6494	-1.91%	6.33%	8.79%	-10.85%
WHEAT	USD/Bu	875.9800	878.9685	-0.34%	-4.50%	6.15%	19.89%
PALM-OIL	MYR/T	3837.0000	3700.0964	3.70%	12.32%	8.36%	-22.73%
COCOA	USD/T	2395.0000	2372.9317	0.93%	1.91%	4.94%	-12.76%

FGN Bonds Yield Curve, Friday, October 07, 2022



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