

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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In the new week, the DMO will auction N225 billion worth of bonds; viz: N75 billion (a piece) for the 14.55% FGN APR 2029, 12.50% FGN APR 2032, and 16.25% FGN SPR 2037 Re-Openings. Hence, we expect the stop rates to rise – mirroring the rise in the money market rate for 364-day bills....

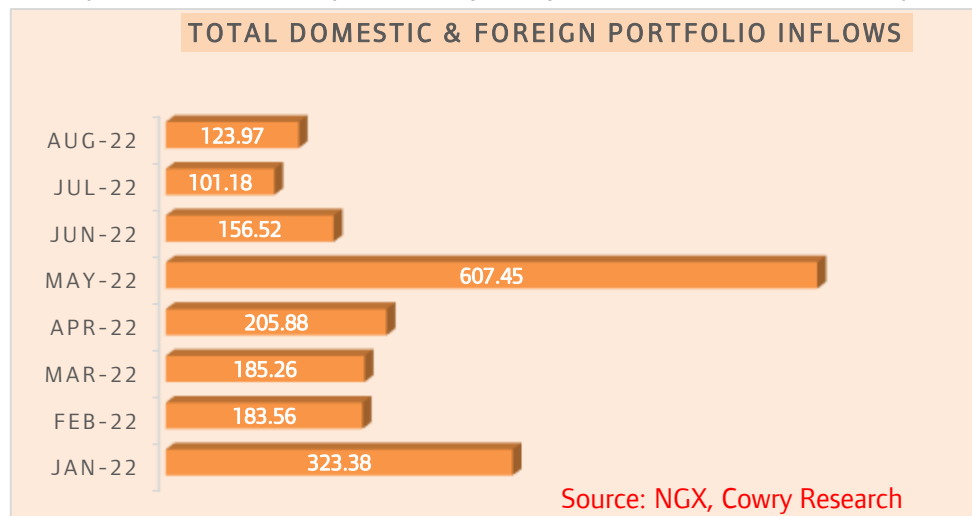
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ECONOMY: Domestic, Foreign Portfolio Investors Regains Confidence Amidst Downbeat Outlook....

This week, we turn our attention to Nigeria's bourse and the activities of foreign and domestic portfolio investors who together pooled a total of N123.97 billion in total portfolio investment inflows through equities trading. This figure, when compared, was an increase of 22.52% month on month from July 2022 which printed N101.18 billion. The NGX domestic and foreign portfolio inflow data also shows that in 8 months period (Year-to-date), a total of N1.89 trillion has been transacted by both investors, rising 55.50% year over year from N1.21 trillion in the comparable time period of 2021. Also, August 2022 performance outperformed the N89.42 billion reported in the same period last year by 38.64% on the back of improved earnings opportunity and relatively attractive Nigerian stocks.

Taking a snapshot of activities on the local bourse in August, performance was downbeat as the upward reversal of interest rates stayed aggressive and left equity investors on the edge through the month of August with panic sell-off of some of the mid-large cap equities. Thus, the benchmark index (NGX-ASI) dipped 1.1% at the close of August to 49,836.51 points.



Just like we asserted in our last report on domestic and foreign portfolio inflows report in July that local institutional investors may have more incentive to remain in the market despite the rates hike by the CBN and other central bank chiefs across the globe in July, our position was regardless of the expectations that listed corporates will continue to deliver strong profit growth. However, irrespective of the hawkish of central bank chiefs across the globe and the rising interest rates environment across the board, we still reckon that sustained upward pressure on interest rates will continue to create apathy towards risk assets like equities for investors, especially the risk-averse investors.

According to the trading figures polled by the exchange from market operators on their domestic and foreign portfolio inflows, the domestic portfolio investors attracted a total sum of N95.76 billion through equities transactions. This still shows the continued outperformance of the local investors compared to their foreign counterparts who during the period executed trades worth N28.21 billion.

Defying the notion that foreign investors have always exhibited apathy to Nigerian equities in times of a pre-election season, just like institutional investors threading the same path, the declining sentiment in the market has paved the way for some reconsiderations and portfolio rebalancing efforts by these investors who largely are seeking alpha. On a month-on-month analysis of the data provided by the exchange, the total transactions executed between the current and prior month (July 2022) revealed that total domestic transactions increased significantly by 33.93% from N71.50 billion in July to N95.76 billion in August 2022. However, total foreign transactions decrease by 4.95% from N29.68 billion to N28.21 billion between July 2022 and August 2022.

Also, on the domestic front in the month of August, the activities of institutional investors outperformed Retail Investors by 16% with the total domestic transactions rising 29.89% from N30.65 billion in July to N39.81 billion in August. In the same vein, the institutional composition of the domestic market increased by 36.94% from N40.85 billion in July 2022 to N55.95 billion in August 2022.

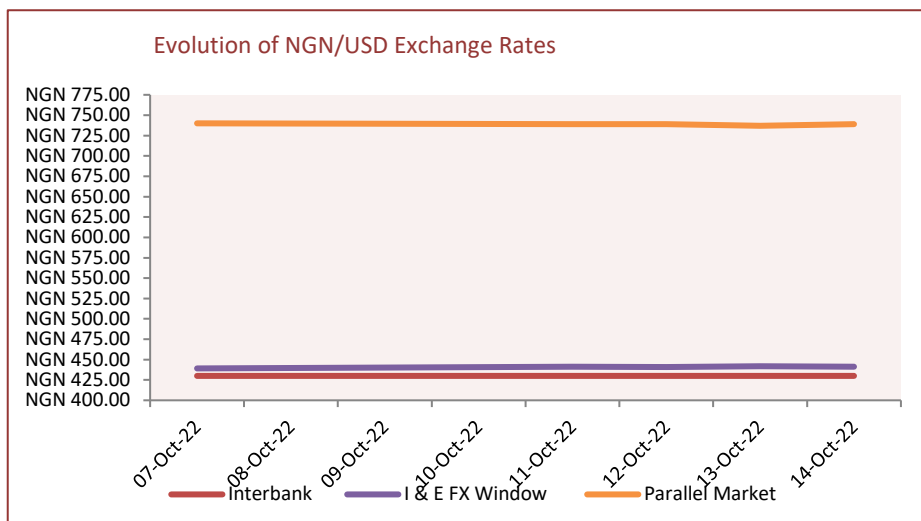
In our opinion, the outlook of the Nigerian equities market still looks gloomy on the back of upward interest rates reversals and a fast-climbing inflation rate above 20%. From the foregoing, we believe that equity investors will continue portfolio rebalancing in a cautious manner despite the current bearish trend with continued strong buying interests in some of the stocks with strong fundamentals regardless of the indication from the NGX-ASI's technical that downbeat pressure is still on the horizon.

FOREX MARKET: More Woes For The Naira Below Historical Low of N440/USD On Potential Recession Concerns...

In the just concluded week, the Naira lost by 0.5% (N2.21) week on week after it crossed the N440 mark in what is now as the historical low to close the week at N441.38/USD from N439.17/USD at the I&E FX Window as the local currency continues to lose strength amidst the concerns around the trends across newswires and markets about a potential global recession coupled with Nigeria's low crude oil earnings and depleting dollar reserves.

On the contrary, the Naira gained 0.14% week on week or N1 to close at N739/USD from 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 N439/USD and N470/USD at the I&E Market and then the currency traders across the streets markets sold the greenback between N738 and N741 per dollar.



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 depreciated across all tenor contracts except for the 2 months tenor which gained by 0.28% week on week against the greenback to close the week at N451.66/USD from N452.93/USD in the prior week. On the other hand, we saw the 1 month, 3 months, 6 and 12 months forward contracts closing the week weaker from last week's close. Resultantly, the rates dampened 0.53%, 0.75%, 1.28%, and 1.29% respectively to close the week at N448.30/USD, N455.41/USD, N473.04/USD, and N498.04/USD in that order.

Elsewhere, the Bonny light crude price appreciated by \$5.43 (0.60%) w/w to close the week at USD95.06 per barrel as at October 12, from USD95.63 per barrel in the previous week on the back of fears of a potential global recession-driven demand which has continued to hang over the market.

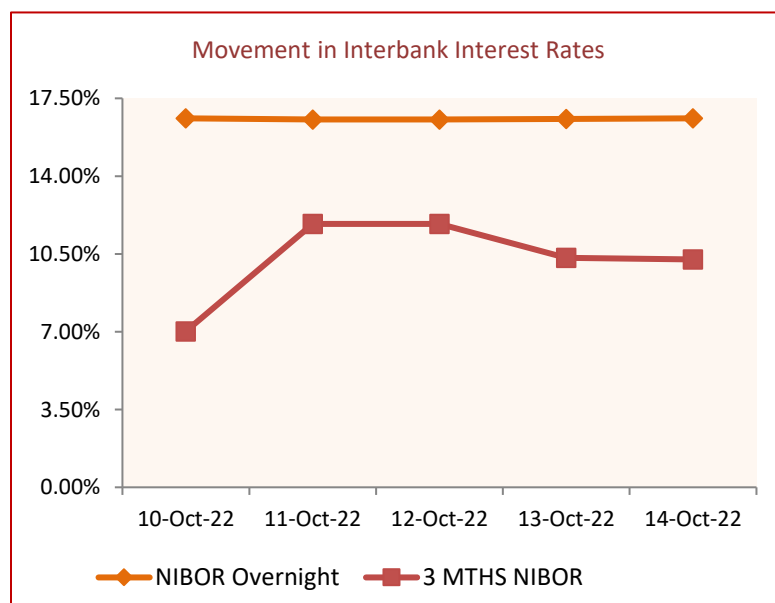
Next week, we expect the Naira to trade relatively calm across all segments of the FX market as the recent decision by OPEC+ gradually permeate the global oil market and tickle down on Nigeria's reserves with positive effect on the local currency.

MONEY MARKET: Stop Rate for 364-day Bill Rises as the Naira Depreciates Further at the I & E FX Window...

In the just concluded week, CBN auctioned T-bills (worth N190.89 billion) despite the absence of maturing T-bills in the primary market. Stop rates further rose at the longest end of the curve given the low demand amount worth N107.67 billion. In line with our expectations, the stop rate for the 365-Day bill rose to 13.00% (from 12.00%).

In tandem with the rising rate, NITTY for 3 months, 6 months, and 12 months rose to 9.24% (from 8.25%), 10.52% (from 9.36%), and 15.60% (from 14.13%), respectively. However, NITTY for 1 month fell to 6.42% (from 6.85%).

Meanwhile, given the relatively low value of maturing OMO bills worth N10.00 billion, NIBOR for 1 month, 3 months, and 6 months dropped to 9.23% (from 6.20%), 10.25% (from 7.02%), and 10.71% (from 7.75%). On the flip side, NIBOR was unchanged for overnight funding at 16.60%. However, the overnight tenor bucket rose to 16.60% (from 16.24%).



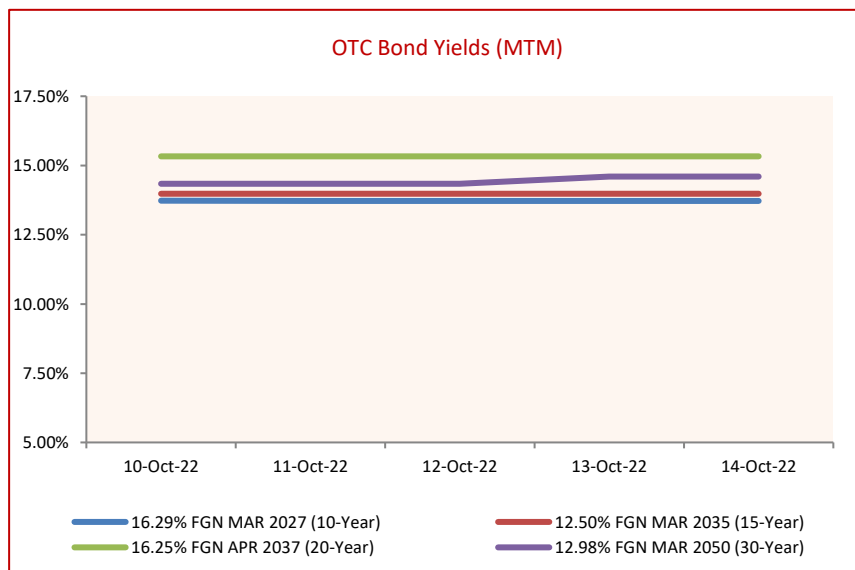
In the new week, we expect activity in the money market to be muted in the absence of maturities, hence the direction of the true yield would be influenced by the auction result in the bond market...

BOND MARKET: FGN Eurobond Yields Cleared higher on Rising Rates.....

In the just concluded week, the value of FGN bonds traded quietly in the secondary market as investors took a stand-off approach to observe maturities with attractive yields. The 10-year 16.29% FGN MAR 2027 bond and the 15-year 12.50% FGN MAR 2035 bond, with current yields at 13.72% and 13.98%, respectively, all traded flat.

However, the 20-year 16.25% FGN MAR 2037 bond rose by N0.03 with its corresponding yield falling to 15.33%. The 30-year 12.98% FGN MAR 2050 debt instrument fell by N1.60, with its corresponding yield rising to 14.60% (from 14.34%).

The value of FGN Eurobonds traded in the international capital market depreciated 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, lost USD 1.23, USD 2.86, and USD 3.16, respectively, while their corresponding yields rose to 10.26% (from 8.41%), 14.17% (from 13.51%), and 13.78% (from 13.07%), respectively.



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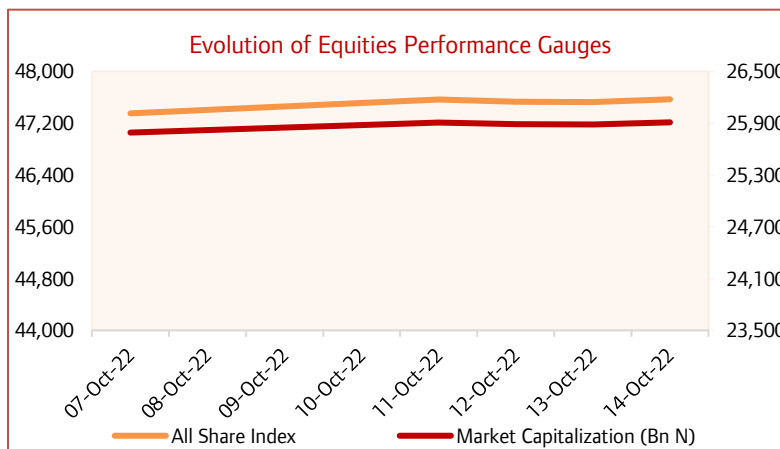
Momentum in the domestic equities market was bullish as buying interest and profit taking activities drove market rally positive after more than 4 weeks of bearish outing with the benchmark index climbing by 0.46% week on week to 47,569.04 points. This comes as investors continue scaling down their exposures to equities amidst the continued uptick in fixed income yields.

Equally, the grip of the bulls held the market capitalization by 0.46% week on week to N25.91 trillion as investors took position in the fundamentally sound stocks. Resultantly, the market gained by N118.52 billion as the market year to date (YTD) return rose to 11.36%.

Following the upbeat in momentum on the back of rising investors' sentiments, gains were recorded from strong demand as witnessed in tickers such as MAYBAKER

(+14%), NEIMETH (+10%), BUACEMENT (+9%), GTCO (+5%), and ACCESSCORP(+5%) respectively, while the sectorial performance ended in the mix during the week as the NGX Industrial Goods Index (3.17%) led the gainers' chart and trailed by NGX Banking and NGX Insurance Indices which closed by 1.93% and 1.72% apiece from the prior week. On the contrary, the NGX Oil/Gas (-2.13%), NGX Consumer Goods (-0.74%) were the losers in the week under review.

Further afield, the level of trading activities in the week closed mixed week on week as the total traded volume dashed 16.21% w/w to 491.82 million units while the total weekly traded value improved by 34.91% w/w to N11.92 billion and then the total deals traded for the week lagged by 16.49% w/w to 14,350 deals from 17,183 trades last week.



Going into the new week, we anticipate a sustained bullish trend as investors adopt cautious trading styles and continue scaling down on exposures to equities. 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 14, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	October 14 2022	October 07 2022	% Change	Symbol	October 14 2022	October 07 2022	% Change
MAYBAKER	4.20	3.69	14%	UACN	9.00	10.25	-12%
NEIMETH	1.38	1.26	10%	FTNCOCOA	0.27	0.30	-10%
WAPIC	0.35	0.32	9%	GEREGU [BLS]	110.00	120.90	-9%
HONYFLOUR	2.34	2.15	9%	RTBRISCOE	0.31	0.34	-9%
BUACEMENT	56.50	52.00	9%	UPL	1.50	1.64	-9%
AFRIPRUD	5.40	5.00	8%	CUTIX	2.00	2.16	-7%
SOVRENINS	0.28	0.26	8%	CADBURY	11.40	12.25	-7%
GTCO	17.90	17.00	5%	LASACO	0.84	0.90	-7%
ACCESSCORP	8.00	7.60	5%	CAVERTON	0.95	1.01	-6%
UNITYBNK	0.43	0.41	5%	INTBREW	4.50	4.75	-5%

Weekly Stock Recommendations as at Friday, October 14, 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	124,678	3.67	3.65	27.27	0.25	1.88	8.85	6.70	6.90	12.64	5.87	7.94	83.19	Buy
FIDELITY	328,202	1.45	11.33	11.23	0.31	2.38	4.05	2.23	3.45	5.87	2.93	3.97	70.14	Buy
PRESCO	30,293	22.21	30.29	43.26	3.30	5.78	200.00	73.00	128.35	203.91	109.10	147.6	58.87	Buy
DANG CEM	292,577	20.11	17.17	45.53	5.52	12.18	300.00	241.00	245	258.27	208.25	281.75	5.42	Buy
GUINNESS	7,498	7.15	3.42	38.17	2.30	11.59	110.00	29.05	82.90	123.54	70.47	95.34	49.02	Buy
MTN	308,769	16.65	15.17	13.24	15.11	11.95	270.00	167.00	199	246.06	169.15	228.85	23.65	Buy
TRANSCORP	20,420	0.41	0.50	3.87	0.42	2.56	1.52	0.90	1.05	1.48	0.89	1.21	40.95	Buy
ZENITH	189,402	7.95	6.03	48.57	0.45	2.52	27.40	18.90	20.00	29	17.00	23.00	45.00	Buy



FGN Eurobonds Trading Above 8% Yield as at Friday, October 14, 2022

FGN Eurobonds	Issue Date	TTM (years)	14-Oct-22 Price (N)	Weekly USD Δ	14-Oct-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.74	97.30	(1.23)	10.3%	1.85
7.625 21-NOV-2025	21-Nov-18	3.11	87.38	(2.47)	12.7%	1.08
6.50 NOV 28, 2027	28-Nov-17	5.13	87.38	(2.47)	12.7%	1.08
6.125 SEP 28, 2028	28-Sep-21	5.96	67.12	(2.53)	14.6%	0.83
8.375 MAR 24, 2029	24-Mar-22	6.45	73.10	(3.04)	15.0%	0.91
7.143 FEB 23, 2030	23-Feb-18	7.37	66.08	(2.28)	14.9%	0.67
8.747 JAN 21, 2031	21-Nov-18	8.28	70.92	(2.95)	15.0%	0.78
7.875 16-FEB-2032	16-Feb-17	9.35	64.69	(3.00)	15.0%	0.80
7.375 SEP 28, 2033	28-Sep-21	10.96	61.24	(2.68)	14.6%	0.69
7.696 FEB 23, 2038	23-Feb-18	15.37	59.87	(2.86)	14.2%	0.66
7.625 NOV 28, 2047	28-Nov-17	25.14	56.89	(3.16)	13.8%	0.71
9.248 JAN 21, 2049	21-Nov-18	26.29	65.65	(3.33)	14.3%	0.68
8.25 SEP 28, 2051	28-Sep-21	28.98	58.15	(3.06)	14.4%	0.70

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 14, 2022

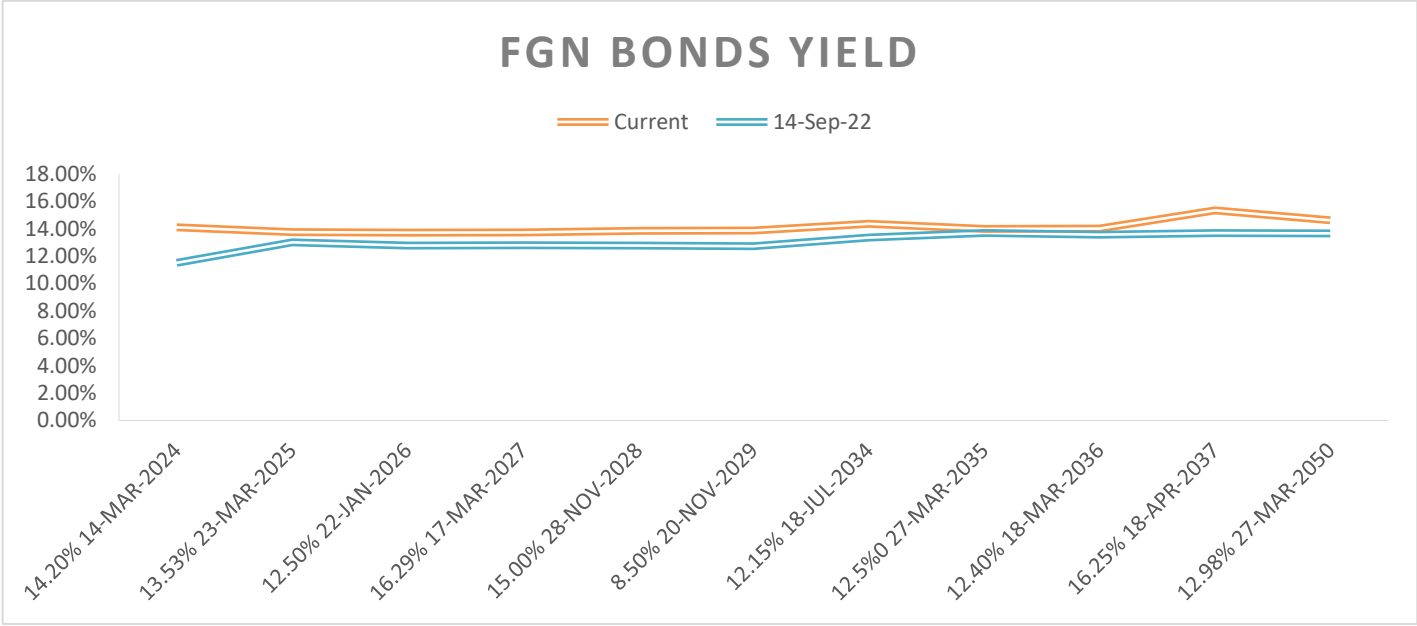
MAJOR	14-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9744	0.9771	-0.27%	0.04%	-2.44%	-16.00%
GBPUSD	1.1207	1.1309	-0.90%	0.89%	-2.26%	-18.55%
USDCHF	1.0032	1.0005	0.27%	0.93%	4.36%	8.78%
USD RUB	62.5020	62.9997	-0.79%	2.97%	4.87%	-11.76%
USDNGN	434.6800	434.6800	0.00%	0.34%	1.53%	6.04%
USDZAR	18.2113	18.2643	-0.29%	0.50%	3.80%	24.80%
USDEGP	19.6100	19.6591	-0.25%	0.10%	1.50%	25.06%
USDCAD	1.39	1.3750	0.90%	0.97%	4.86%	12.08%
USDMXN	20.06	19.9689	0.45%	0.20%	0.00%	-1.40%
USDBRL	5.30	5.2626	0.67%	1.90%	0.98%	-2.98%
AUDUSD	0.6237	0.6299	-0.99%	-2.04%	-6.80%	-15.91%
NZDUSD	0.5579	-0.0600	-0.93%	-0.54%	-6.46%	-21.07%
USDJPY	148.4120	147.2926	0.76%	2.09%	3.51%	29.89%
USDCNY	7.2103	7.1744	0.50%	1.13%	2.84%	12.08%
USDINR	82.2660	82.1756	0.11%	-0.67%	3.04%	9.67%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, October 14, 2022

Commodity		14-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	86.1740	89.1148	-3.30%.	-6.91%.	1.88%	6.62%
BRENT	USD/Bbl	91.7150	94.5710	-3.02%.	-6.15%.	2.55%	8.30%
NATURAL GAS	USD/MMBtu	6.4905	9.8151	-3.72%.	-3.90%.	-22.55%.	19.86%
GASOLINE	USD/Gal	2.5942	2.7034	-4.04%.	-5.03%.	8.90%	4.45%
COAL	USD/T	397.0000	405.0194	-1.98%.	-0.75%.	-10.63%.	62.04%
GOLD	USD/t.oz	1649.5500	1665.8756	-0.98%.	-2.62%.	-0.82%.	-6.63%.
SILVER	USD/t.oz	18.4670	18.8670	-2.12%.	-8.16%.	-3.60%.	-20.67%.
WHEAT	USD/Bu	873.9100	892.2912	-2.06%.	-0.72%.	3.42%	19.06%
PALM-OIL	MYR/T	3833.0000	3665.1367	4.58%	-0.10%.	2.93%	-22.74%.
COCOA	USD/T	2382.0000	2385.1006	-0.13%.	-0.58%.	-1.24%.	-8.63%.

FGN Bonds Yield Curve, Friday, October 14, 2022



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