

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: States' Internally Generated Revenue Rose 21% y/y to N1.90 Trillion; But Inadequate

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FOREX MARKET: Dollar Edges against The Naira Across FX Segment As Dollar Demand Intensifies...

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

MONEY MARKET: : NITTY Traded Bearish for All Tenor Buckets ahead of Next Week's Auction...

In the new week, we expect T-bills worth N145.11 billion to mature via the primary and secondary markets which will be auctioned by CBN via the primary market. Cowry Research expects the stop rates of the 364-day to slightly rise.

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EQUITIES MARKET: Pressured Sell-Offs in AIRTELAFRI, NB,MRS Wiped N1.73Trn From The NGX In 5 Days ...

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ECONOMY: States’ Internally Generated Revenue Rose 21% y/y to N1.90 Trillion; But Inadequate....

The recently published internally generated revenue figures for 2021 by the National Bureau of Statistics (NBS) revealed that a total of N1.90 trillion were generated by Nigeria at the state level, indicating a jump of 21.54% over the figure collected in 2020 at the state level, which totalled N1.56 trillion, resulting from the effect of the coronavirus pandemic.

An analysis of the data reported by the Abuja-based statistics office puts it that about 65% of the internally generated revenues by the 36 states of the federation, including the Federal Capital Territory, came from tax revenue during the period.

Nigeria's power to generate revenue has been hampered over the years by undiversified income sources, and as such, we believe that reforms to help the federal government stabilize its powers in certain states to aid revenue generation may be sacrosanct. This is beginning to brew some forms of uncertainty across the board on funding sources for the proposed N20.51 trillion N20.51 trillion planned expenditure in the FY2023 budget without considering the proposed borrowing plans from bilateral and multilateral sources.

TOP 5 STATES’ INTERNALLY GENERATED REVENUE IN 2021		
STATES	IGR (N'bn)	% SHARE
LAGOS	753.5	39.7%
FCT	131.9	6.96%
RIVERS	123.3	6.5%
DELTA	80.2	4.2%
OGUN	100.73	5.3%
TOTAL IGR	1,895.79	

Source: National Bureau of Statistics, Cowry Research

As noted in the report, the largest source of taxes is typically the personal income tax collected by state governments from residents in their states, with the balance being made up of other revenue generated by state ministries, departments, and agencies accordingly. Thus, the NBS report highlighted that Lagos led the chart for the state profiles as it outperformed its peers, grossing the highest internally generated revenue between 2019 and 2021, just as it has always done in past years.

Precisely, Lagos, in 2019, reported N646.61 billion in IGR, followed by Rivers with N169.60 billion. Again, in 2020, Lagos's revenue stood at the top with N659.99 billion, followed by Rivers' with N117.19 billion. Furthermore, Lagos and FCT recorded the highest collections in 2021, with N753.46 billion and N131.92 billion of the total revenue collected, respectively. For Lagos, its huge share of the total figure, at 39.65%, stands as an edge over its peers and can be attributed to its alias as Nigeria’s economic and commercial centre, with several businesses located in the state.

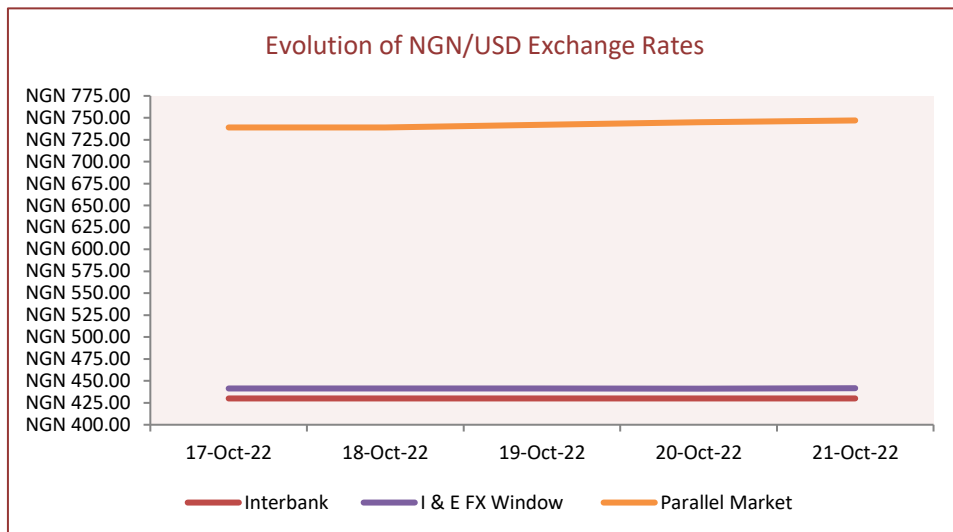
Furthermore, the FCT, emerging as the second highest with an IGR of N132 billion (7%) of the total, highlights its importance as one of the 37 sub-nationals and an economically viable state in Nigeria. Meanwhile, Rivers, Ogun, and Delta accounted for 6.5%, 5.3%, and 4.2% of the total, respectively. However, the average sum of N21 billion per state from the remaining 33 states signals the inadequacies in revenue generation for most state governments in the country.

For us, we think that the inability of most state governments in Nigeria to generate revenue from taxes points to the fact that these states majorly rely on the monthly disbursement by the Federation Account Allocation Committee (FAAC), which, even combined with IGR, is still insufficient to cover their operating expenses. To that end, significant progress in tax revenue generation can be made through economic restructurings as well as policies aimed at easing up some sectors of the nation's economy where the FG still has unrestricted rights, which may significantly boost the economies of several states.

FOREX MARKET: Dollar Edges against The Naira Across FX Segment As Dollar Demand Intensifies...

In the just concluded week, the Naira lost by 0.07% (N0.29) week on week at the Investors and Exporters' FX window to close the week at N441.67/USD from N441.38/USD as the local currency continues to lose strength from pressured demand while some commercial banks are now placing restrictions on total FX accessible by users for PTA and BTA purposes. In the same vein, at the parallel market the pressure continues for another week as the local currency bowed to pressure and closing the week at N747/USD from N739/USD in the prior week.

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 N440/USD and N470/USD at the I&E Market and then the currency traders across the streets markets sold the greenback between N740 and N750 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 appreciated across all tenor contracts. Consequently, the 1 month tenor contract priced appreciated .21% week on week to close at N447.36/USD from N448.30/USD last week. Also, we saw the 2 months, 3 months, 6 months and 12 months Naira forward contracts appreciating by 0.19%, 0.25%, 0.34% and 0.20% in that order to close the week at N450.78/USD, N454.29/USD, N471.43/USD and N497.03/USD respectively.

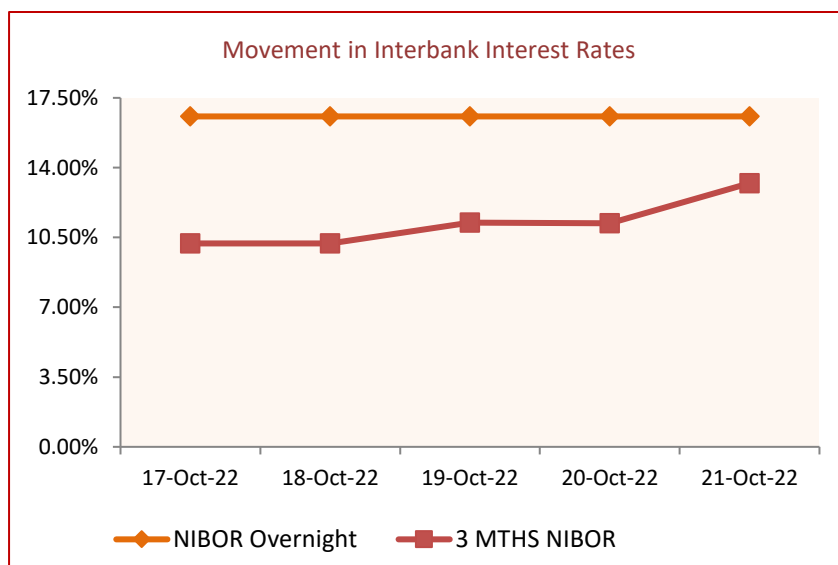
Elsewhere, the Bonny light crude price appreciated by \$5.43 (0.60%) w/w to close the week at USD93.62 per barrel as at October 20, from USD95.06 per barrel in the previous week.

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

MONEY MARKET: NITTY Traded Bearish for All Tenor Buckets ahead of Next Week's Auction...

In the just concluded week, the Treasury Bills primary market was quiet as there were no T-bills offered by the apex bank. Given the zero maturities, we saw NITTY rise for all maturities tracked ahead of the auction in the new week. Specifically, NITTY rose for the Overnight, 1 month, 3 months, 6 months, and 12 months maturities to 9.76% (from 6.42%), 11.13% (from 9.24%), 13.14% (from 10.52%) and 16.63% (from 15.60%) respectively.

Meanwhile, activities in the OMO space were muted in the absence of maturing bills thus driving NIBOR higher for most tenor buckets. 1 month, 3 month and 6 Months tenor buckets rose to 9.35% (from 9.23%), 13.22% (from 10.25%), and 12.98% (from 10.71%) respectively. However, the Overnight rates decreased by -0.03 ppts week on week due to improved liquidity in the system.



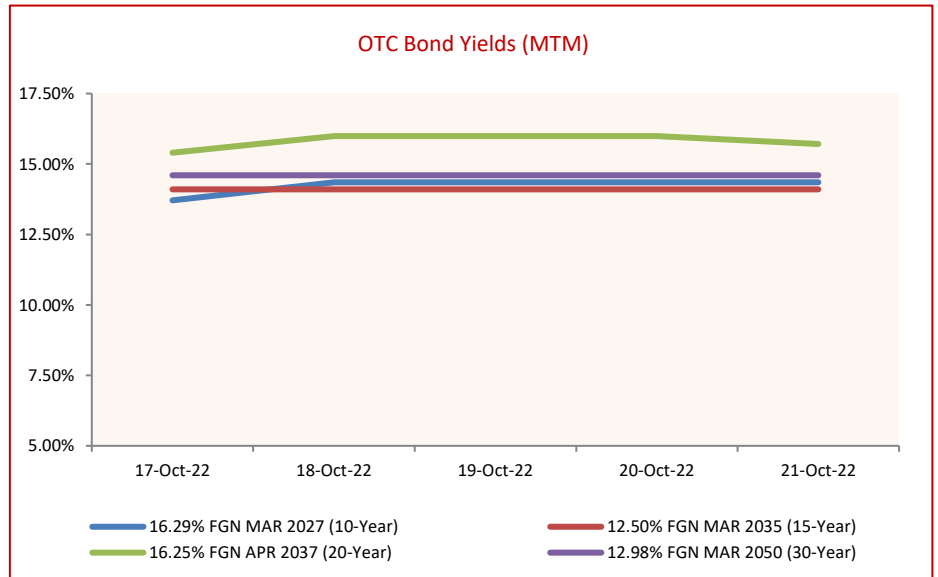
In the new week, we expect T-bills worth N145.11 billion to mature via the primary and secondary markets which will be auctioned by CBN via the primary market. Cowry Research expects the stop rates of the 364-day to slightly rise.

BOND MARKET FGN Bond Prices decrease amid Renewed Bearish Sentiment...

In the just concluded week, the Debt Management Office (DMO) sold N117.00 billion less than its offer of N225.00 billion – this came as a result of low subscription level from investors as CBN’s current Hawkish stance has imploded the current liquidity constraint in the financial system.

The DMO allotted N107.88 billion worth of bonds (Re-openings); viz., N3.13 billion for the 14.55% FGN APR 2029, N11.90 billion for the 12.50% FGN APR 2032, and N92.85 billion for the 16.25% FGN APR 2037. Stop rates for the 29s, 32s and 37s rose to 14.50%, 15.00% and 16.0%, respectively, from 13.53%, 13.85% and 14.50%.

Given the jump in stop rates, traders were bearish on most maturities tracked in the secondary market except for the 30-year



12.98% FGN MAR 2050 instrument debt, which remained unchanged at 14.60%. The 10-year, 16.29% FGN MAR 2027, the 15-year 12.50% FGN MAR 2035 bond, and the 20- year, 16.25% FGN MAR 2037 debt lost N2.17, N0.65, and N2.25, respectively; their corresponding yields rose to 14.35% (from 13.72%), 14.10% (from 13.98%) and 15.71% (from 15.33%), respectively.

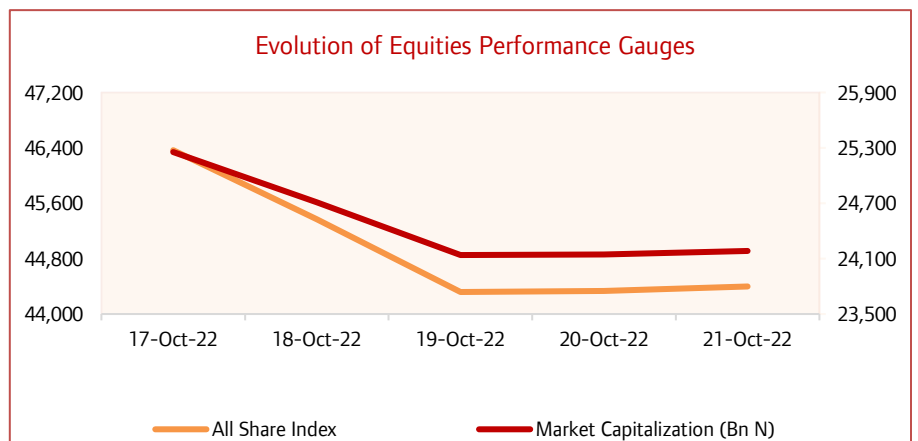
The value of FGN Eurobonds traded in the international capital market depreciated for all maturities tracked; the 10-year, 6.375% JUL 12, 2023, bonds; the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, lost USD 2.08, USD 5.69, and USD 5.42, respectively, while their corresponding yields rose to 13.58% (from 10.26%), 15.65% (from 14.17%), and 15.18% (from 13.78%), respectively. We suspect that the sustained rise in Eurobond yields may be on the back of expectations of a negative foreign exchange outlook, and the prospects of further rate hikes from Global central banks.

In the new week, we expect yields to further rise as local OTC bond prices decrease. However, traders may be cautious to bid higher if they sense any bullish turn in the issuance of T-bills by CBN in the new week...

EQUITIES MARKET: Pressured Sell-Offs in AIRTELAFRI, NB,MRS Wiped N1.73Trn From The NGX In 5 Days....

Momentum in the domestic equities market this week was downbeat as investors seeking alpha resort to bargain hunting as profit taking activities drove negative sentiments with the benchmark index moving downhill by 6.67% week on week below the 45,000 psychological mark to 44,396.73 points for the first time since January 2022. This comes as investors take into sectoral rotation as year-end seasonalities draw closer.

Equally, the grip of the bears held the market capitalization by 6.67% week on week to N24.2 trillion as investors scale down their holdings in AIRTELAFRI, UACN, NB from their portfolio mix. Resultantly, the market lost by N1.73 trillion as the market year to date (YTD) return took a steep decline to 3.93% from 11.36% last week.



Following the lacklustre performance on the back of waning investors’ sentiments, losses were recorded from the sell-pressure witnessed in tickers such as AIRTELAFRI (-27%), RTBRISCOE (-18%), UACN (-16%), NB (-13%), and NEM (-10%) respectively, while the sectorial performance closed the week in the mix as the NGX Industrial Goods Index (3.22%) led the

gainers’ chart just like the previous week due to price appreciation in BUACEMENT (+19%) and followed by NGX Banking which also gained by 1.15% week on week following strong buying interest in FIDELITYBK (+9%), GTCO (+9%) and UNITYBNK (+12%). On the contrary, the NGX Insurance (-3.72%) led the laggards for the week due to sell-offs seen in NEM (-10%), and trailed by NGX Oil/Gas (-1.45%), and the NGX Consumer Goods (-0.88%) in that manner during the week. Elsewhere, the level of trading activities in the week closed strong week on week as the total traded volume advanced 90.73% w/w to 938.02 million units while the total weekly traded value also improved by 40.09% week on week to N16.70 billion and then the total deals traded for the week climbed the ladder upwardly from the prior week to 15,700 from 14,350 deals last week.

Going into the new week, while profit-taking activities continue, we anticipate cautious trading to keep market muted as investors seek opportunity to hedge against the bear market and the inflationary environment in their search for value. 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 21, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	October 21 2022	October 14 2022	% Change	Symbol	October 21 2022	October 14 2022	% Change
BUACEMENT	62.00	52.00	19%	AIRTELAFRI	1,312.20	1,800.00	-27%
MAYBAKER	4.20	3.69	14%	RTBRISCOE	0.28	0.34	-18%
UCAP	12.50	11.00	14%	UACN	8.60	10.25	-16%
UNITYBNK	0.46	0.41	12%	NB	42.00	48.40	-13%
HONYFLOUR	2.40	2.15	12%	FTNCOCOA	0.27	0.30	-10%
NEIMETH	1.38	1.26	10%	NEM	4.42	4.91	-10%
PZ	9.20	8.40	10%	BETAGLAS	41.50	46.10	-10%
UPDCREIT	3.05	2.80	9%	MRS	12.95	14.35	-10%
GTCO	18.50	17.00	9%	MORISON	1.98	2.19	-10%
FIDELITYBK	3.80	3.50	9%	NNFM	6.15	6.80	-10%

Weekly Stock Recommendations as at Friday, October 21, 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
ETI	139,163	4.8	7.58	58.26	0.19	2.31	13.2	5.1	11.15	17.97	9.48	12.82	61.17	Buy
FIDELITY	347,508	1.45	11.99	11.23	0.34	2.60	4.05	2.23	3.80	5.87	3.23	4.37	54.47	Buy
GUINNESS	7,939	7.15	3.62	38.17	2.30	11.59	110	29.05	82.90	123.54	70.47	95.34	69.90	Buy
MTN	326,932	16.65	16.06	13.24	15.11	11.71	270	167	195	246.06	165.75	224.25	26.18	Buy
SEPLAT	63,801	123.5	108.4	1,245	0.96	9.7	1430	615	1200	1,239	1,020	1,380	3.32	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, October 21, 2022

FGN Eurobonds	Issue Date	TTM (years)	21-Oct-22 Price (N)	Weekly USD Δ	21-Oct-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.72	95.22	(2.08)	13.6%	3.32
7.625 21-NOV-2025	21-Nov-18	3.09	83.49	(3.89)	14.5%	1.78
6.50 NOV 28, 2027	28-Nov-17	5.11	83.49	(3.89)	14.5%	1.78
6.125 SEP 28, 2028	28-Sep-21	5.94	62.82	(4.30)	16.1%	1.51
8.375 MAR 24, 2029	24-Mar-22	6.43	68.29	(4.81)	16.6%	1.55
7.143 FEB 23, 2030	23-Feb-18	7.35	60.99	(5.09)	16.5%	1.63
8.747 JAN 21, 2031	21-Nov-18	8.26	66.14	(4.78)	16.4%	1.38
7.875 16-FEB-2032	16-Feb-17	9.33	59.25	(5.44)	16.6%	1.59
7.375 SEP 28, 2033	28-Sep-21	10.95	55.83	(5.41)	16.1%	1.52
7.696 FEB 23, 2038	23-Feb-18	15.35	54.18	(5.69)	15.7%	1.48
7.625 NOV 28, 2047	28-Nov-17	25.12	51.47	(5.42)	15.2%	1.40
9.248 JAN 21, 2049	21-Nov-18	26.27	59.17	(6.48)	15.8%	1.54
8.25 SEP 28, 2051	28-Sep-21	28.96	52.70	(5.45)	15.8%	1.46

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 21, 2022

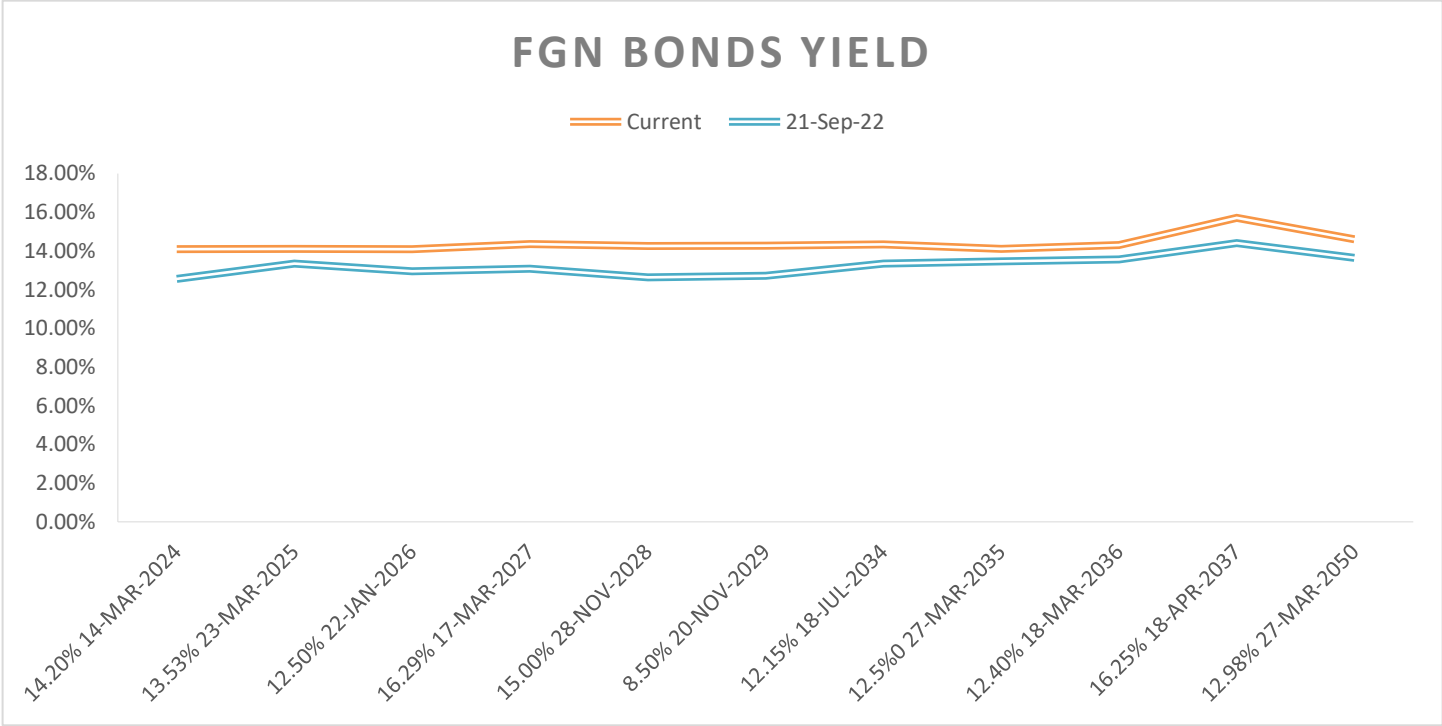
MAJOR	20-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9782	0.9777	0.05%	0.46%	-0.71%	-16.11%
GBPUSD	1.1150	1.1218	-0.61%	-0.32%	-1.04%	-19.00%
USDCHF	1.0082	1.0034	0.48%	0.39%	3.31%	10.16%
USDZAR	61.1700	60.6484	0.86%	-0.78%	3.85%	-12.98%
USDNGN	436.2800	436.1056	0.04%	0.37%	1.53%	6.43%
USDZAR	18.2902	18.2337	0.31%	-0.26%	4.11%	23.55%
USDEGP	19.5199	19.6496	-0.66%	-0.46%	0.31%	24.73%
USDCAD	1.38	1.3764	-0.06%	-0.81%	2.08%	11.32%
USDMXN	19.99	20.0268	-0.18%	-0.33%	0.37%	-0.85%
USDBRL	5.21	5.2146	-0.06%	-2.02%	1.97%	-7.61%
AUDUSD	0.6296	0.6273	0.37%	1.28%	-5.43%	-15.84%
NZDUSD	0.5689	-0.0600	0.16%	2.20%	-2.77%	-20.54%
USDJPY	150.9750	150.1791	0.53%	1.93%	6.51%	33.59%
USDCNY	7.2524	7.2560	-0.05%	0.56%	2.50%	13.69%
USDINR	82.8400	82.8234	0.02%	0.61%	2.21%	10.46%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, October 21, 2022

Commodity		20-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	84.2	84.5	-0.32%	-0.56%	1.38%	2.03%
BRENT	USD/Bbl	92.7	92.4	0.30%	1.10%	3.47%	8.31%
NATURAL GAS	USD/MMBtu	5.0	9.8	-6.46%	-22.44%	-30.42%	-5.21%
GASOLINE	USD/Gal	2.7	2.6	0.20%	0.70%	8.95%	6.73%
COAL	USD/T	392.0	391.0	0.24%	-1.27%	-10.92%	71.53%
GOLD	USD/t.oz	1,637.7	1,627.6	0.62%	-0.28%	-2.00%	-8.67%
SILVER	USD/t.oz	18.7	18.7	0.34%	2.49%	-4.77%	-23.03%
WHEAT	USD/Bu	839.8	849.3	-1.11%	-2.25%	-7.72%	11.16%
PALM-OIL	MYR/T	4,101.0	4,096.1	0.12%	6.99%	7.19%	-16.71%
COCOA	USD/T	2,304.0	2,328.0	-1.03%	-2.86%	-0.52%	-10.61%

FGN Bonds Yield Curve, Friday, October 21, 2022



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