

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: FGN Papers Dominate PFAs' Asset Mix as Total Pension AuM Surges to N14.4trn...

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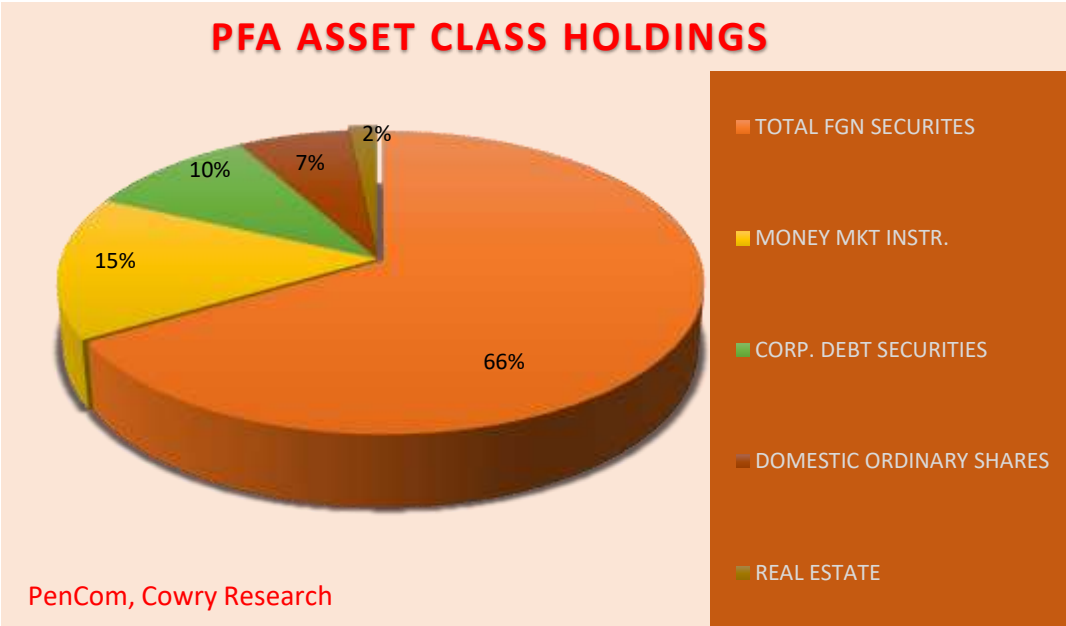
EQUITIES MARKET: Pressured Sell-Offs in DANGCEM, HONYFLOUR, Others Drag Market Further Into The Bears...

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ECONOMY: FGN Papers Dominate PFAs’ Asset Mix as Total Pension AuM Surges to N14.4trn....

The recent report from the National Pension Commission (PenCom) shows that the total assets under management (AuM) for the regulated pension fund industry rose 11.8% year on year to N14.43 trillion and 0.49% month on month between July and August 2022. The increase in the numbers shows the consistent rise in the industry’s assets over the years; however, room still exists to onboard more contributors.

An analysis of the data shows that federal government securities still dominate a larger chunk of the asset mix of pension fund administrators (PFAs), which accounts for more than 60 percent (63.8%) of the total asset mix and, in a manner, there is a modest exposure to equities and other assets. Furthermore, money market instruments account for 14.72 percent of the total industry’s asset class holdings as heavy investments were made into fixed deposit and bank acceptance with minimal holdings in commercial papers and foreign money market instruments.



For the total federal government securities, FGN bonds saw the most holdings by fund administrators, which printed at 61.14% as they held to maturity (HTM). This was followed by treasury bills, which had 1.24 percent holdings, and then agency bonds, sukuk bonds, and green bonds, which had 0.1 percent, 0.96%, and 0.40 percent, respectively. This small holding in FGN securities by fund managers may be a result of the prohibition by the CBN on those institutions that have access to its windows from taking part in bond and T-bill auctions.

Even though only a fraction of the total industry assets under management (of merely above 9 percent), pension funds' holdings of corporate debt increased by about N420 billion, or 44 percent year on year, to N1.4 trillion. In another context, government bond yields have risen significantly this year as a result of a combination of tight market liquidity and a significantly more hawkish stance by the Central Bank of Nigeria, with a higher supply of FGN paper on the primary market also playing a role.

Meanwhile, the industry's regulatory body revealed in its report that a total of 9.75 million scheme memberships, implying an average portfolio of about N1.5 million, or an 8 percent year-on-year rise, But considering the continued bearish run of the local equity market in recent months, we expect to see some more yields expansion through the last quarter of the year while the debt management office continues its supply of federal government paper to the market.

FOREX MARKET: Naira Down Across FX Markets on CBN's Currency Redesign Announcement...

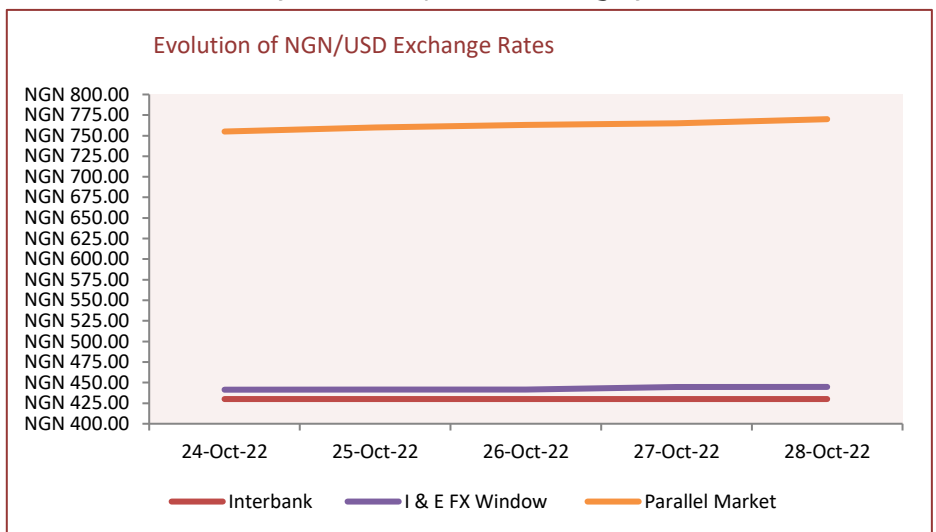
With the recent announcement by Nigerian apex bank to curb activities of currency speculators and illegal trading of the naira, it has opted for a redesign as a bid to salvage the image of the legal tender and prevent the rate at which the currency gets mutilated in the hands of individuals. To this, the Naira lost by 0.70% (N3.08) week on week against the greenback at the Investors and Exporters' FX window to close the week at N444.75/USD from N441.67/USD. In the same vein, at the parallel market the pressure continues for another week as the local currency bowed to pressure; losing by 3.1% week on week to close at N770/USD from N747/USD in the prior week as we begin to approach festivities coupled with the announcement from the CBN on redesigning the local currency.

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 N765 and N780 per dollar as market reacts to the news by the apex bank.

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. Consequently, the 1 month tenor contract declined 0.47% week on week to close at N449.45/USD from N447.36/USD last week. Also, we saw the 2 months, 3 months, 6 months and 12 months Naira forward contracts following the same trend by 0.45%, 0.98%, 1.08% and 0.81% in that order to close the week at N452.81/USD, N458.75/USD, N476.53/USD and N501.04/USD respectively.

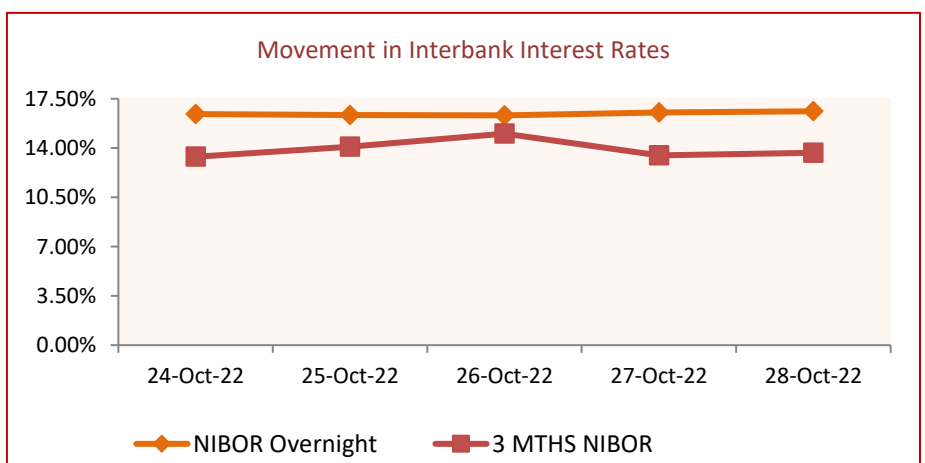
Elsewhere, the Bonny light crude price appreciated by \$2.61 (2.8%) w/w to close the week at USD96.23 per barrel as at October 27, from USD93.62 per barrel in the previous week.

Next week, we expect the Naira to trade in a relatively calm manner. However, the news on the redesigning of the legal tender is expected to drive activities across market segments as traders and users will look to offload their holdings for more of the greenback as means to hedge against further devaluations.



MONEY MARKET: Stop Rates Moderate Further for 364-day Bills...

In the just concluded week, CBN allotted N240.26 billion worth of T-bills (which outweighed the N145.11 bills that matured via the primary market) to investors at higher stop rates for all maturities – reflective of the low level of liquidity in the system that chased short-term government securities. Specifically, stop rates for 91-day, 182-day and 364-day bills rose to 6.50% (from 6.47%), 8.05% (from 7.90%) and 14.50% (from 13.00%) respectively.



However, given the relatively higher rate in the secondary market, NITTY rose for most maturities tracked: yields on 1-month, 3 months, and 6 months maturities increased to 16.61% (from 16.57%), 14.50% (from 9.35%) and 13.67% (from 13.22%) respectively. On the flip side, 12 months' maturity fell to 12.16% (from 0.82%).

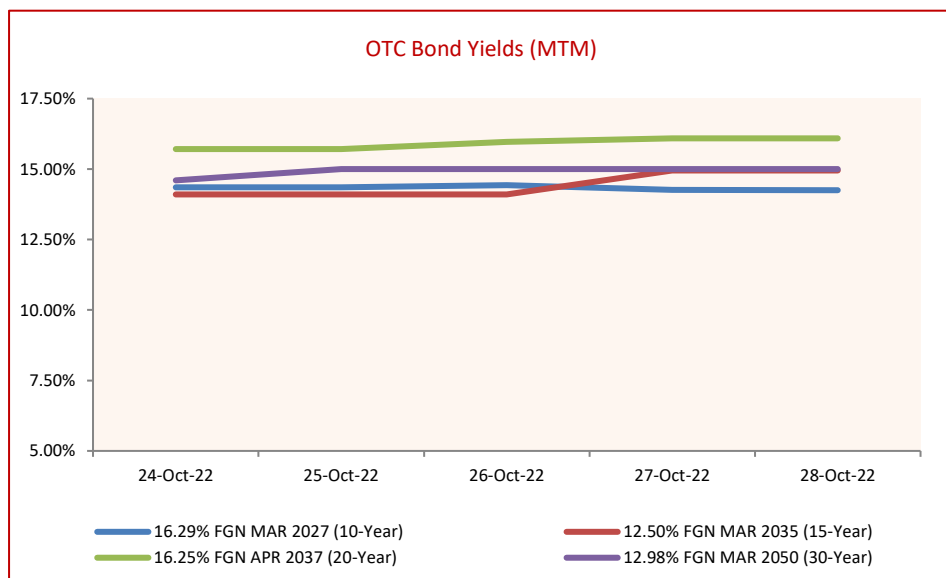
Despite that N30 billion matured via the Open Market Operation (OMO), we saw a strain in financial system liquidity and a resultant rise in NIBOR for Overnight funds, 3 months and 12 months rose to 2 to 9.84% (from 9.76%), 11.14% (from 11.13%) and 16.73% (from 16.63%), respectively. However, NIBOR 6 months fell to 16.73% (from 16.63%).

In the new week, treasury bills worth N20 billion will mature via OMO; hence, we expect interbank rates to further rise amid an anticipated squeeze in financial system liquidity...

BOND MARKET FGN Bond Yields Rise for Most Maturities Tracked on Bearish Sentiment...

In line with our expectations, activity in the secondary market was largely bearish for most maturities tracked given that traders anticipated higher rates in line with the recent rise in the 364-day T-bill stop rate. We saw bearish movement at the longer end of the curve than at the shorter end of the yield curve.

Hence the 15-year 12.50% FGN MAR 2035 bond, the 20-year, 16.25% FGN MAR 2037 debt, and the 30-year 12.98% FGN MAR 2050 instrument debt, lost N4.39, N2.65, and N2.37, respectively; their corresponding yields rose to 14.95% (from 14.10%), 16.09% (from 15.71%) and 15.00% (from 14.60%), respectively. On the flip side, the 10-year, 16.29% FGN MAR 2027, gained N0.29, and its corresponding yield fell to 14.25% (from 14.35%).

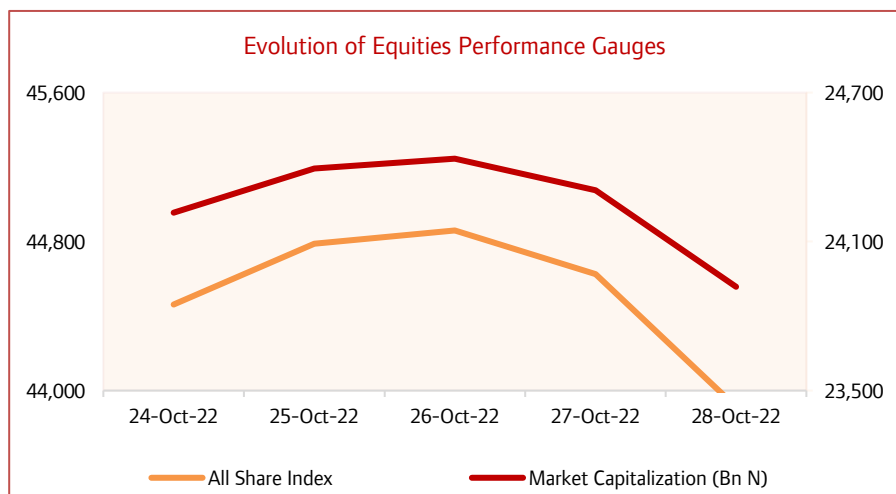


The value of FGN Eurobonds traded in the international capital market depreciated for all maturities tracked; the 10-year, 6.375% JUL 12, 2023, bonds; the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, lost USD 1.05, USD 4.01, and USD 5.03, respectively, while their corresponding yields rose to 12.08% (from 13.58%), 14.59% (from 15.65%), and 13.87% (from 15.18%), respectively.

In the new week, we expect the value of FGN Bonds to fall (and yields to increase) amid relatively weak financial system liquidity, given the low maturing bills...

EQUITIES MARKET: Pressured Sell-Offs in DANGCEM, HONYFLOUR, Others Drag Market Further Into The Bears....

Bearish momentum returned to the domestic equities market this week as investors resort to bargain hunting and profit taking activities in reaction to the churning of results by some of the large cap, mid and small cap companies. As was witnessed, the outpour of earnings releases drove negative sentiments with the benchmark index declining by 1.06% week on week below to 43,912.64 points. 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 1.06% week on week to N23.92 trillion and was driven largely by sell-offs in DANGCEM, NEM and HONEYFLOUR. 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.

On the back of waning investors' sentiments in the week, losses were recorded from the sell-pressure witnessed in tickers such as NEM (-15%), HONYFLOUR (-11%), DANGCEM (-10%), UNILEVER (-10%), and STERLINBANK (-8%) respectively, while the sectorial performance closed the week in the mix as the NGX Industrial Goods Index (0.34%) led the gainers' chart just like the previous week and followed by NGX Banking which also gained by 0.07% week on week. On the contrary, the NGX Insurance (-2.38%) led the laggards for the week and trailed by NGX Oil/Gas (-0.24%), and the NGX Consumer Goods (-0.36%) in that manner during the week.

Elsewhere, the level of trading activities in the week was downbeat as the total traded volume declined 36.16% w/w to 598.82 million units while the total weekly traded value also went down by 14.77% week on week to N14.23 billion and then the total deals traded for the week climbed the ladder upwardly to 15,859 from the prior week of 15,700 deals.

Going into the new week, we expect the market to trade in a calm manner and boosted by the corporate releases 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 28, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	October 28 2022	October 21 2022	% Change	Symbol	October 28 2022	October 21 2022	% Change
RTBRISCOE	0.33	0.28	18%	NEM	3.75	4.42	-15%
BUACEMENT	70.00	62.00	13%	HONYFLOUR	2.13	2.40	-11%
FTNCOCOA	0.30	0.27	11%	UNILEVER	10.75	12.00	-10%
JAPAUFGOLD	0.31	0.28	11%	DANGCEM	220.50	245.00	-10%
UPL	1.79	1.64	9%	LEARNAFRCA	1.68	1.86	-10%
NEIMETH	1.50	1.38	9%	LINKASSURE	0.39	0.43	-9%
REDSTAREX	2.37	2.19	8%	STERLNBANK	1.46	1.58	-8%
FIDELITYBK	4.10	3.80	8%	CUTIX	2.01	2.16	-7%
SOVRENINS	0.28	0.26	8%	MAYBAKER	3.92	4.20	-7%
ELLAHLAKES	3.85	3.60	7%	NGXGROUP	20.55	21.50	-4%

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
UBA	139,250	3.39	4.07	27.27	0.26	1.95	8.85	6.55	7.10	12.64	6.04	8.17	78.03	Buy
ETI	139,163	4.8	7.58	58.26	0.19	2.31	13.2	5.1	11	17.97	9.35	12.7	63.36	Buy
FIDELITY	347,508	1.45	11.99	11.23	0.34	2.60	4.05	2.23	4.10	5.87	3.49	4.72	43.17	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	197	246.06	167.45	227	24.90	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 28, 2022

FGN Eurobonds	Issue Date	TTM (years)	28-Oct-22 Price (N)	Weekly USD Δ	28-Oct-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.70	96.27	1.05	12.1%	(1.50)
7.625 21-NOV-2025	21-Nov-18	3.07	85.49	2.00	13.6%	(0.88)
6.50 NOV 28, 2027	28-Nov-17	5.09	85.49	2.00	13.6%	(0.88)
6.125 SEP 28, 2028	28-Sep-21	5.92	65.48	2.66	15.2%	(0.92)
8.375 MAR 24, 2029	24-Mar-22	6.41	71.93	3.64	15.4%	(1.16)
7.143 FEB 23, 2030	23-Feb-18	7.33	65.07	4.08	15.2%	(1.29)
8.747 JAN 21, 2031	21-Nov-18	8.24	70.19	4.05	15.2%	(1.16)
7.875 16-FEB-2032	16-Feb-17	9.31	64.09	4.84	15.2%	(1.41)
7.375 SEP 28, 2033	28-Sep-21	10.93	59.94	4.11	14.9%	(1.16)
7.696 FEB 23, 2038	23-Feb-18	15.33	58.19	4.01	14.6%	(1.06)
7.625 NOV 28, 2047	28-Nov-17	25.10	56.50	5.03	13.9%	(1.31)
9.248 JAN 21, 2049	21-Nov-18	26.25	64.72	5.55	14.5%	(1.33)
8.25 SEP 28, 2051	28-Sep-21	28.94	57.53	4.83	14.5%	(1.31)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 28, 2022

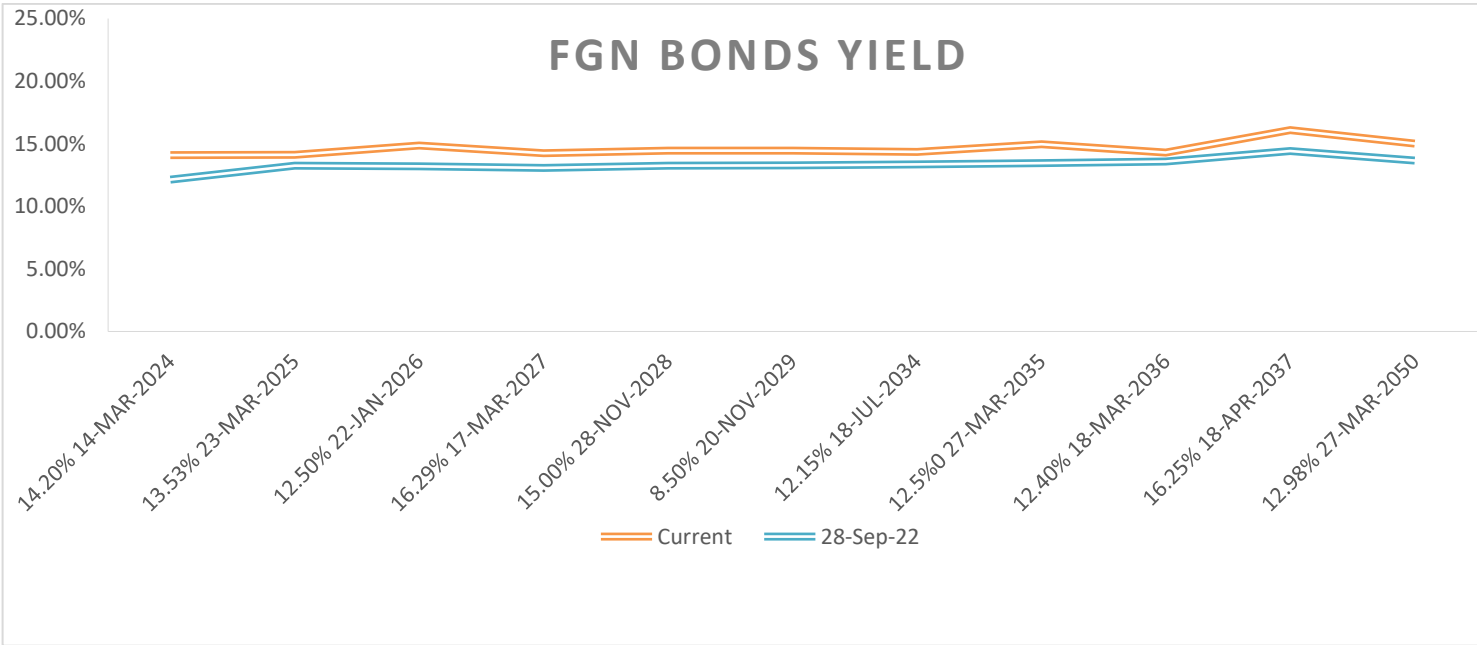
MAJOR	28-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	0.9942	0.9971	-0.29%.	0.87%	1.10%	-13.99%.
GBPUSD	1.1592	1.1571	0.18%	2.64%	3.63%	-15.32%.
USDCHF	0.9967	0.9906	0.61%	-0.10%.	2.17%	8.90%
USD RUB	61.5000	61.2977	0.33%	1.40%	9.82%	-13.21%.
USDNGN	437.5000	437.1503	0.08%	0.32%	1.38%	6.69%
USDZAR	18.1559	17.9761	1.00%	0.29%	0.75%	19.45%
USDEGP	23.1000	19.6696	17.44%	18.34%	18.46%	47.51%
USDCAD	1.36	1.3563	0.47%	-0.06%.	-0.35%.	10.11%
USDMXN	19.83	19.8243	0.05%	-0.38%.	-1.63%.	-3.44%.
USDBRL	5.33	5.3447	-0.19%.	3.35%	-1.17%.	-5.39%.
AUDUSD	0.6396	0.6454	-0.89%.	0.20%	-1.83%.	-14.94%.
NZDUSD	0.5795	-0.0600	-0.52%.	0.80%	1.24%	-19.15%.
USDJPY	147.5430	146.2559	0.88%	0.01%	2.19%	29.42%
USDCNY	7.2771	7.2496	0.38%	0.68%	2.54%	13.61%
USDINR	82.3350	82.3679	-0.04%.	-0.24%.	1.07%	9.90%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, October 28, 2022

Commodity		28-Oct-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	87.6	89.1	-1.64%	2.93%	8.86%	7.05%
BRENT	USD/Bbl	95.6	97.0	-1.45%	2.02%	9.42%	13.94%
NATURAL GAS	USD/MMBtu	5.6	9.8	-5.49%	1.54%	-22.20%	2.40%
GASOLINE	USD/Gal	2.8	3.0	-7.58%	4.44%	15.71%	17.32%
COAL	USD/T	385.6	386.5	-0.23%	-1.62%	-11.56%	72.37%
GOLD	USD/t.oz	1,640.1	1,662.9	-1.37%	-0.98%	-1.19%	-7.98%
SILVER	USD/t.oz	19.1	19.6	-2.62%	-1.73%	1.32%	-20.07%
WHEAT	USD/Bu	825.9	838.5	-1.51%	-2.93%	-7.86%	6.87%
PALM-OIL	MYR/T	3,989.0	4,147.0	-3.81%	-2.73%	19.36%	-20.63%
COCOA	USD/T	2,290.0	2,314.1	-1.04%	-0.74%	-1.63%	-10.02%

FGN Bonds Yield Curve, Friday, October 28, 2022



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