

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Total FX Inflow Surges To \$19.86bn in H1:22; Still Below Pre-COVID....

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FOREX MARKET: Dollar Muscles the Naira Across FX Markets On Demand Pressure, Speculative Activities

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ECONOMY: Total FX Inflow Surges To \$19.86bn in H1:22; Still Below Pre-COVID....

The recently published quarterly economic bulletin by the Central Bank of Nigeria showed that there was a 12.7 percent surge to \$19.86 billion in foreign exchange inflow into Nigeria’s economy at the end of the first half of 2022. This increase was precipitated by a rise in total receipts from crude oil, invisible purchases and non-oil sources during the period.

An analysis of the data on a year-on-year basis shows that the total foreign exchange inflow into the economy also rose 6 percent while the quarter-on-quarter increase is the first recorded after two consecutive quarters of declines. Consequently, this indicates that foreign exchange inflow through the apex bank is yet to recover from its pre-COVID levels.

For clarity, in some quarters right before the pandemic, foreign exchange inflow to the central bank averaged \$14.3 billion and highlights the degree of the foreign exchange liquidity contest that the bank must deal with at this point when the demand for the greenback is on a rising scale.

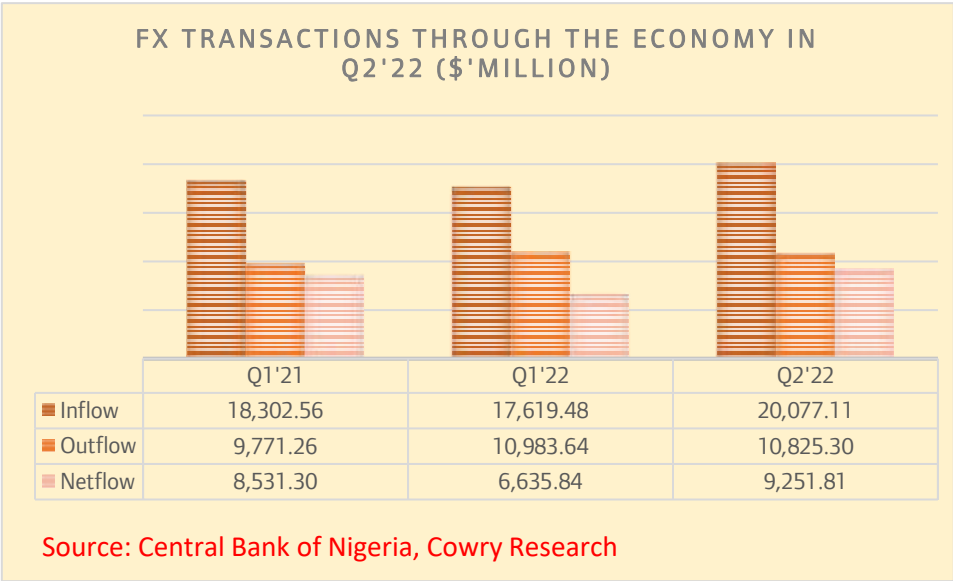
In recent times, Nigeria’s major sources of foreign exchange earnings such as crude oil, foreign direct investment, and diaspora remittances, among other sources, have witnessed setbacks due to some perennial issues clogging Nigeria’s investment pipeline. however, the efforts employed by the CBN to strengthen its FX management regime such as the implementation of the RT200 programme, and Naira4Dollar scheme, as strategies to create an enabling environment for the stability of the local currency in the FX market are yet to permeate the economy with a visible effect in the petrodollar earnings on foreign exchange holdings and gross external reserves.

On the sources of inflow, the report showed that there was a 14.9 percent and 11.1 percent increase in inflow through the CBN and the autonomous sources while the foreign exchange inflow through the Bank which printed \$8.77 billion at the close of June 2022, rose above the \$7.63 billion in the preceding quarter. Disaggregation shows that receipts from oil-related sources increased by 70.3 per cent to \$2.50 billion, relative to the value in the first quarter.

In the same way, receipts from non-oil sources rose to \$6.27 billion in June, compared with \$6.16 billion in the preceding three months; while foreign exchange inflow through independent sources also increased to \$11.09 billion from \$9.99 billion in the preceding period, driven mainly by the rise in non-oil export receipts and Invisibles purchases.

On the other hand, FX outflows through the nation’s economy surged 5.6 percent to \$11.6 billion at the end of the first half of 2022. Although, this is an improvement from the 5 per cent year-on-year decline in the same period last year as outflow through the bank printed at \$8.5 billion, increasing 2 basis points from \$8.43 billion in the first quarter of 2022. This increase was largely driven by increases in the public sector/direct payment and third-party MDA transfers. For the autonomous outflows, it rose 23.2 percent to \$3.14 billion resulting from the increase in invisible imports.

Total foreign exchange inflows into the economy are currently below the pre-COVID levels and efforts to drive the accretion will be hinged on a diversified economy where policies aimed at attracting FDIs, diaspora remittances and foreign exchange through oil and non-oil sources will stay sacrosanct to increasing the total foreign exchange inflow and in turn, bolster the rise in total forex reserves.



FOREX MARKET: Dollar Muscles the Naira Across FX Markets On Demand Pressure, Speculative Activities...

Naira hit its historical low of N860.25/USD at the open parallel market as politicians continue stashing up more of the greenback in exchange for the local currency for electioneering purpose. Thus, the local currency lost N90.25 (11.72%) week on week to the greenback from the previous week's close of N770/USD at the open market. This development comes on the back of the central bank announcement to redesign the Naira as a strategy to curb hoarding, round-tripping and consequently clip the wings of currency speculators who are fuelling rising demand for the dollar across all market segments.

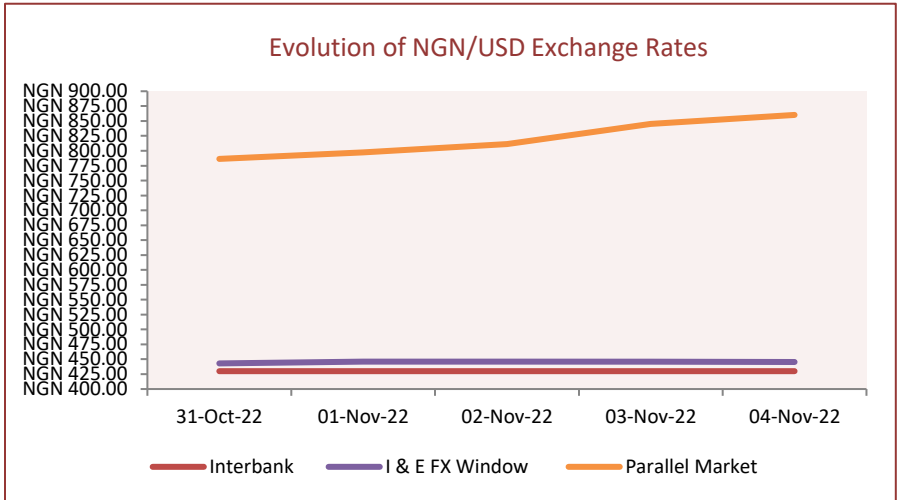
Nigeria's low or no dollar earnings from crude oil and rising import costs have continued to stay unabated, driving the pressured demand for the greenback and in turn leads to the loss value of the local currency in foreign exchange market. This leaves a spread above N400 while politicians and currency speculators willingly pay the premium for the greenback. Meanwhile, the CBN still keeps blind eyes on the depreciating currency whose attendant effect is seen in the elevating commodity prices across board.

Furthermore, at the the Investors and Exporters' FX window the Naira lost N0.75 or 0.17% week on week to close the week at N445.50/USD from N444.75/USD in the previous week's close as we begin to approach festivities coupled with the announcement from the CBN on redesigning the local currency. Thus, market participants maintained bids between N440/USD and N470/USD while at the open market, bids ranged between N845/USD and N887/USD.

At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate cleared upward as it closed the week at N445/USD from N430/USD last week. Further afield, our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets traded in a mixed bag across all tenor contracts. Consequently, the 1 month, 3 month and 6 month tenor contracts gained strength marginally by 0.09%,0.08% and 0.01% week on week to close at N449.03/USD, N458.39/USD and N476.49/USD in that order from last week. On the contrary, we saw the 2 months and 12 months Naira forward contracts bowing to pressure against the greenback by 0.11% and 0.29% in that order to close the week at N453.30/USD and N502.47/USD respectively.

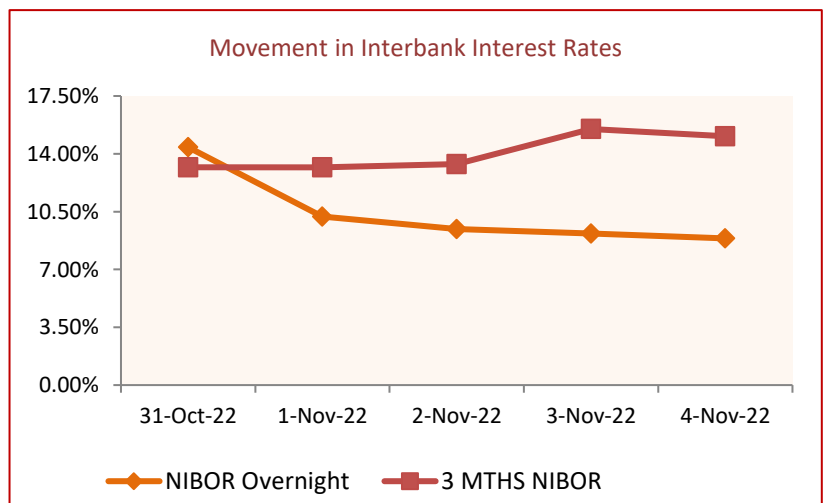
Elsewhere, the Bonny light crude price declined marginally by \$0.10 (0.18%) w/w to close the week at USD96.13 per barrel as at November 3, from USD96.23 per barrel in the previous week. This is despite the rise in the global oil price on the back of weaker dollar and COVID limit rumours emanating from China.

In the coming week, we see the current pressure on the local currency continuing across board as speculative activities take center stage. This demand pressure is expected to bring about an elevation in the FX backlog further above the current levels as the demand level continues to outweigh the supply levels as we head into the festive season and election campaign activities throttle in full force.



MONEY MARKET: NITTY Moves in Mixed Directions Across Maturities ahead of Next Week's Auction...

In the just concluded week, the market witnessed mixed feelings amongst traders as yields were repriced in different directions across maturities tracked. Ahead of next week's T-Bills auction, traders demanded more 3 months and 6 months maturities, leading to declines in their respective yields to 10.79% (from 11.14%) and 11.58% (from 11.68%). However, NITTY for 1 month and 12



months rose to 10.86% (from 9.84%) and 16.95% (from 16.73%) respectively amid supply pressure.

On the other hand, NIBOR rose for most tenor buckets tracked despite that N20 billion maturing via the Open Market Operation (OMO). We saw a strain in financial system liquidity and a resultant rise in NIBOR for, 3 months, and 6 months to 15.06% (from 13.67%), and 16.25% (from 12.16%), respectively. However, NIBOR for Overnight funds fell to 7.73% (from 16.61%) while NIBOR for 1 month remained unchanged w-o-w at 14.50%.

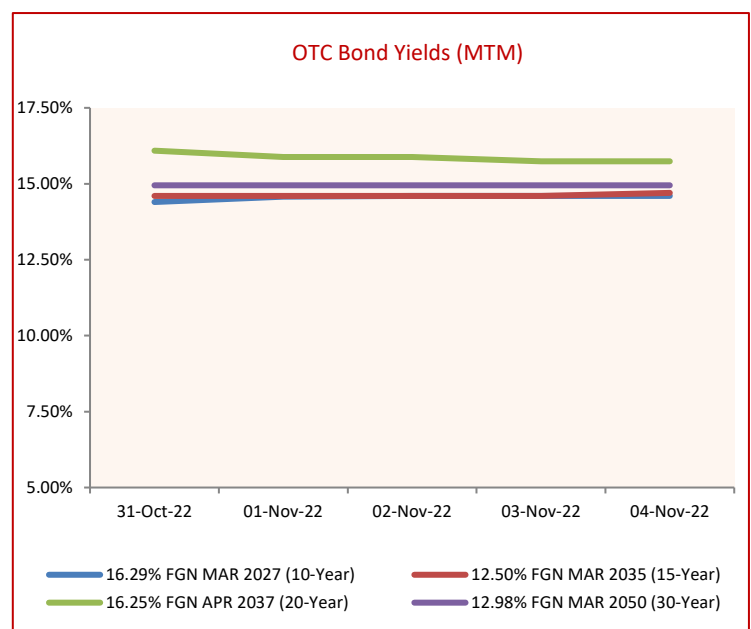
In the new week, T-bills worth N298.04 billion will mature via the primary and secondary markets to exceed T-bills worth N193.04 billion which will be auctioned via the primary market; viz: 91-day bills worth N21.15 billion, 182-day bills worth N32.83 billion and 364-day bills worth N139.06 billion. Hence, we expect the stop rates to marginally rise amid the bias of CBN for a contractionary policy.

BOND MARKET FGN Bond Yields Fall for Most Maturities Tracked on Bullish Sentiment...

In the just concluded week, activity in the secondary market was relatively bullish at the back end of the curve than at the front end. 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, gained N1.26, N1.94, and N0.30, respectively; their corresponding yields fell to 14.70% (from 14.95%), 15.74% (from 16.09%) and 14.95% (from 15.00%), respectively. On the flip side, the 10-year, 16.29% FGN MAR 2027, lost N1.16, and its corresponding yield rose to 14.60% (from 14.25%).

The value of FGN Eurobonds traded in the international capital market appreciated 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, gained USD 0.94, USD 2.30, and USD 2.33, respectively, while their corresponding yields fell to 10.72% (from 12.08%), 14.03% (from 14.59%), and 13.34% (from 13.87%), respectively.

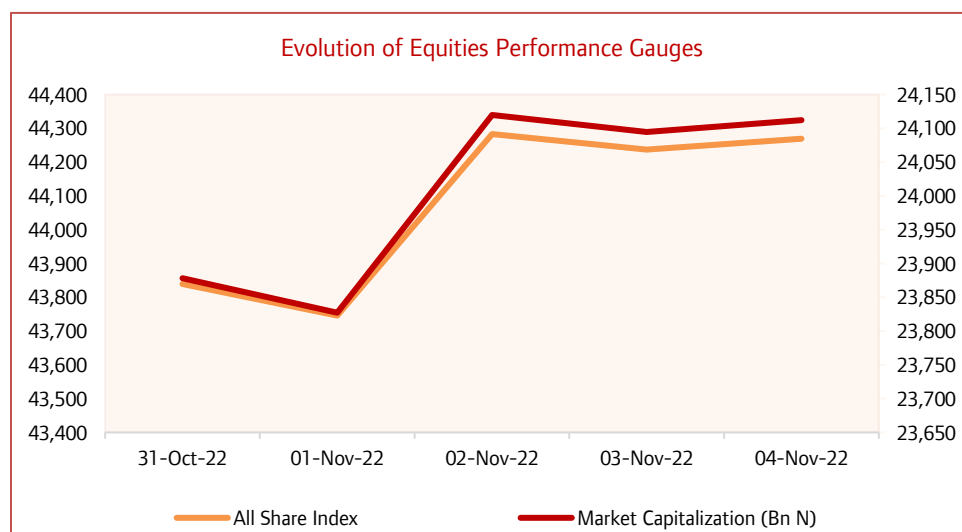
In the new week, we expect yields to further moderate as local OTC bond prices increase on the back of bargain-hunting activities amid the expected boost in financial system liquidity.



EQUITIES MARKET: Bullish Sentiments Drove NGX-ASI Up by 0.81% w/w As Investors Gained N194.20bn In 1-Week.

There was upbeat in momentum in the local equities this week and was buoyed by the outpour of company releases into the market to aid investment decisions and creating entry opportunities for equities traders. Through the week, we saw demand pressure in industrial goods sector and driven by price appreciation and demand pressure seen in some of the large and mid-cap companies within the sector such as DangCem, NAHCO, which drove positive sentiments in the benchmark index by 0.81% week on week to 44,269.18 points.

Equally, the grip of the bulls held the market capitalization by 0.81% week on week to N24.11 trillion. Resultantly, the market gained by N194.20 billion as the market year to date (YTD) return moderated to 3.64%.



On the back of bullish investors' sentiments in the week, gains were recorded from the price appreciation witnessed in tickers such as FTNCOCOA (+13%), NAHCO (+10%), DANGCEM (+9%), COURTVILLE (+9%), and REGALINS (+8%) respectively, while the sectorial performance was downbeat with 4 out of 5 sectors tracked closing the week in the bearish region save for the NGX Industrial Goods Index (5.35%) which emerged as the lone gainer like the previous week. On the contrary, the other 4 indexes declined with the NGX Oil/Gas index leading the laggards with a 5.37% decline and trailed by NGX Consumer Goods (-2.32%), NGX Banking (-1.87%) and NGX Insurance (-1.35%) week on week.

Elsewhere, the level of trading activities in the week was varied as the total traded volume advanced 19.35% w/w to 1.41 billion units while the total weekly traded value also went down by 23.31% week on week to N10.92 billion and then the total deals traded for the week climbed the ladder upwardly by 19.35% to 18,928 deals from 15,859 deals in the previous week.

Going into the new week, we expect the market to trade in like manner as this week in the absence of a major trigger that is likely to drive activities in the market for investors seeking alpha. 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, November 04, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	November 04 2022	October 28 2022	% Change	Symbol	November 04 2022	October 28 2022	% Change
FTNCOCOA	0.34	0.30	13%	CHAMS	0.23	0.27	-15%
NAHCO	5.70	5.16	10%	CORNERST	0.44	0.50	-12%
DANGCEM	240.00	220.50	9%	SOVRENINS	0.25	0.28	-11%
COURTVILLE	0.50	0.46	9%	LIVESTOCK	1.01	1.13	-11%
REGALINS	0.26	0.24	8%	CAVERTON	0.87	0.97	-10%
NEM	4.00	3.75	7%	INTBREW	4.15	4.60	-10%
CHAMPION	3.45	3.30	5%	MRS	11.70	12.95	-10%
GEREGU [BLS]	120.00	115.00	4%	JBERGER	23.45	25.90	-9%
LASACO	0.87	0.84	4%	CUSTODIAN	5.90	6.50	-9%
HONYFLOUR	2.20	2.13	3%	ETI	10.00	11.00	-9%

Weekly Stock Recommendations as at Friday, November 04, 2022

Stock	Adjusted Forecast FY PAT (N'm)	Current EPS	Foreca st 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	Potenti al Upside	Reco mme ndati on
UBA	139,250	3.39	4.07	27.27	0.26	1.95	8.85	6.55	7.00	12.64	5.95	8.05	80.57	Buy
ETI	139,163	4.8	7.58	58.26	0.19	2.31	13.2	5.1	10	17.97	8.50	11.5	79.70	Buy
FIDELITY	41,950	1.21	1.45	11.23	0.36	3.40	41,95	1.21	4.10	5.87	3.49	4.72	43.17	Buy
GUINNES S	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	322,847	13.22	15.86	11.96	15.11	14.83	270	167	196	246.1	166.6	225	25.54	Buy
SEPLAT	63,801	123.5	108.4	1,245	0.96	9.7	1430	615	1100	1,239	935	1265	12.71	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, November 4, 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	0.68	97.21	0.94	10.7%	(1.36)
7.625 21-NOV-2025	21-Nov-18	3.05	86.73	1.24	13.1%	(0.53)
6.50 NOV 28, 2027	28-Nov-17	5.07	86.73	1.24	13.1%	(0.53)
6.125 SEP 28, 2028	28-Sep-21	5.90	66.71	1.23	14.8%	(0.39)
8.375 MAR 24, 2029	24-Mar-22	6.39	73.36	1.43	15.0%	(0.43)
7.143 FEB 23, 2030	23-Feb-18	7.31	67.01	1.94	14.7%	(0.57)
8.747 JAN 21, 2031	21-Nov-18	8.22	72.51	2.32	14.6%	(0.61)
7.875 16-FEB-2032	16-Feb-17	9.29	66.73	2.64	14.5%	(0.70)
7.375 SEP 28, 2033	28-Sep-21	10.91	62.43	2.49	14.3%	(0.65)
7.696 FEB 23, 2038	23-Feb-18	15.32	60.49	2.30	14.0%	(0.56)
7.625 NOV 28, 2047	28-Nov-17	25.08	58.83	2.33	13.3%	(0.53)
9.248 JAN 21, 2049	21-Nov-18	26.23	67.34	2.62	13.9%	(0.56)
8.25 SEP 28, 2051	28-Sep-21	28.92	60.08	2.55	13.9%	(0.60)

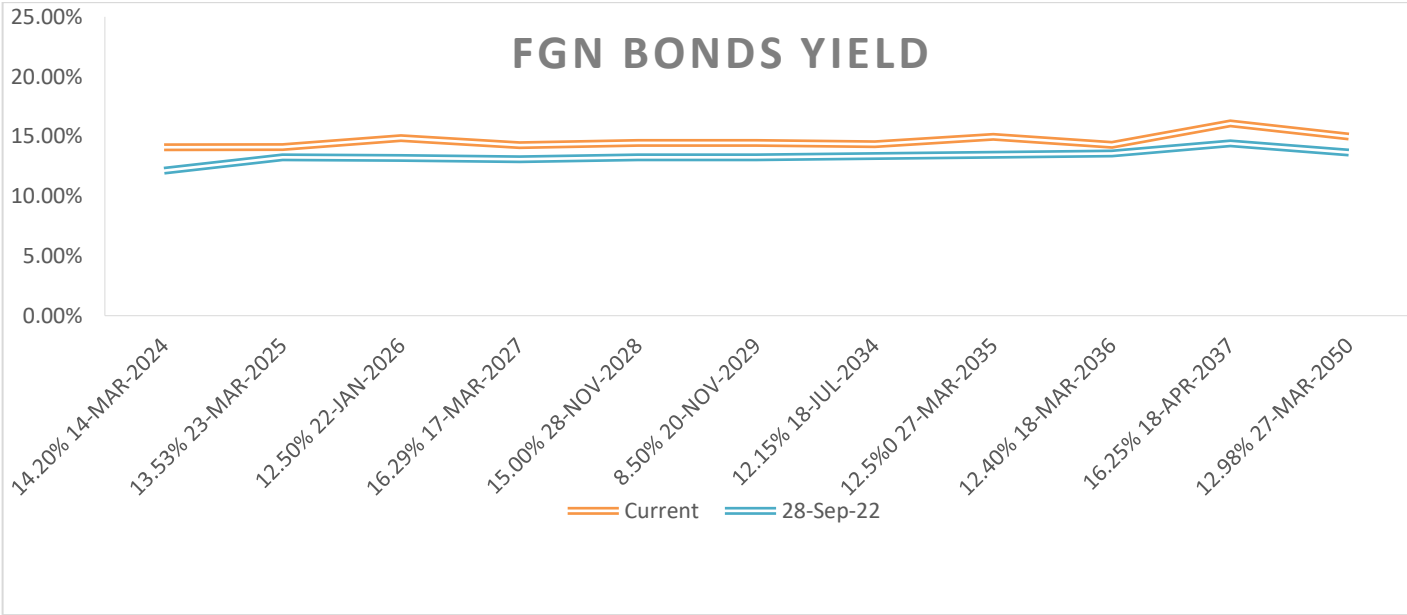
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, November 4, 2022

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, November 4, 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, November 4, 2022



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