

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflation Pangs Nigeria's Economy with a Slow Rise to 21.47% in November on Rising Cost...

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MONEY MARKET: Stop Rates Moderate for All Maturities on Sustained Demand Pressure...

In the new week, Treasury bills worth N35 billion will mature via OMO; hence, we expect interbank rates to move in mixed directions amid a marginal inflow of matured OMO bills...

BOND MARKET: FGN Bond Yields Moderate for Most Maturities amid Sell Pressure...

In the new week, we expect local OTC bond prices to appreciate (and yields to moderate) amid bullish activity in the fixed-income space...

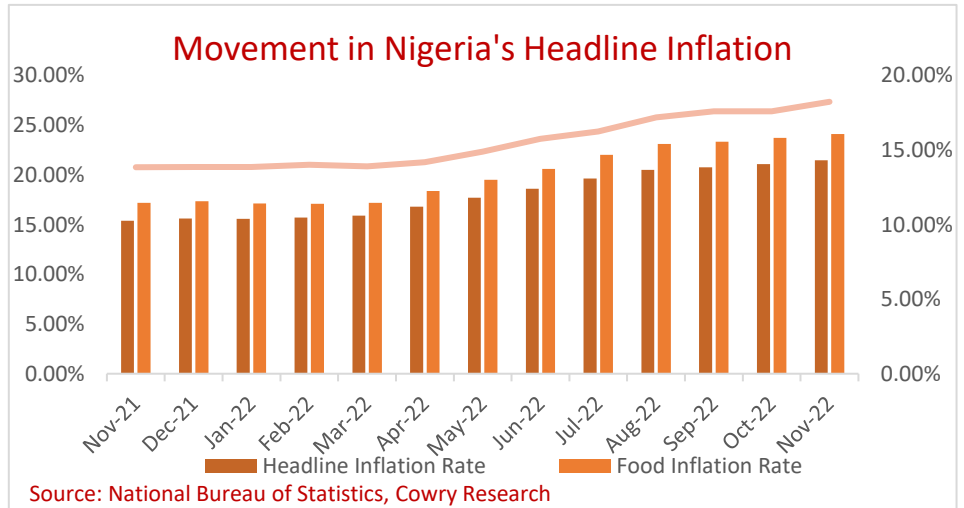
EQUITIES MARKET: Market Performance In High Momentum From Bullish Industrial, Banking Gains...

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ECONOMY: Inflation Pangs Nigeria's Economy with a Slow Rise to 21.47% in November on Rising Costs...

On Thursday, the National Bureau of Statistics (NBS) published its monthly inflation report, which showed that Nigeria's annual inflation rose for the tenth consecutive month to 21.47% year on year in November from 21.09% in the previous month on the back of rising import costs as a result of Naira depreciation, disruptions in the food supply chain, and the continued rise in the cost of production for companies. This is in line with our expectation for a slower acceleration in headline inflation in November 2022, at 21.5%, and marks a 17-year high since December 2005.

Our analyses of the report showed that the acceleration was a 6.07% increase from the 15.40% recorded in November 2021 and indicates that the general price levels were relatively higher by 6.07% this period compared to the same period last year. Major drivers of the headline number come from the food index, which printed at 24.13% year on year and was caused by increases in the prices of bread and cereals, oil and fat, potatoes, yams, and other tubers, and food products such as fish.



On the other hand, October 2022 saw inflation printed at 21.09%, which indicates a sustained increase from the prior year and was largely driven by increases in the major components of food and core inflation. Thus, food inflation rose 39 basis points to 23.7%, which resulted in a surge in food prices and comes from the already known challenges emanating from post-harvest losses and rising insecurity coupled with flooding from other parts of the country. But month on month, food inflation rose 17 bps higher to 1.40% in November, resulting from increases in the prices of some food items like oil and fat, fruits, fish, and tubers.

Although, our inflation outlook still remains elevated when we take into account the recent flooding that affected many food-producing states; the rise in energy costs, which is reflective of the increases in fuel prices (diesel and kerosene), coupled with the depreciating Naira and rising airfare prices; it is expected that the inflation numbers will gradually moderate within the first six months of 2023 following efforts by the apex bank through several monetary policy tools to quell inflation. However, the battle with inflation in Nigeria has posed a downside to its growth prospects as of late.

So far, prices have trended upward in 2022 across all categories captured in the CPI basket, especially since the start of the Russian-Ukrainian war. When we consider the weight of the basket, the movement of prices in the food and non-alcoholic beverage sectors has also played an important role. Overall, food inflation has continued to be the principal driver of inflation, including in November.

Further afield, the core inflation rate, which excludes the prices of volatile agricultural produce, stood at 18.24% in November 2022 on a year-on-year basis, up by 4.39% when compared to the 13.85% recorded in November 2021. The majority of the increases were seen in the prices of gas, liquid fuel, passenger transport by air, solid fuel, and spare parts for vehicles. The month-on-month analysis pointed out that the inflation rate was up 0.74% to 1.67% in November from 0.93% in October. This brings the annual core inflation rate to 15.69% for a 12-month period, higher by 2.73% from 12.96% in November last year.

Meanwhile, states with the fastest rise in headline inflation were Ebonyi (26.11%), Kogi (25.84%), and Rivers (24.45%), while Kaduna (18.87%), Sokoto (19.02%), and Cross River (19.17%) recorded the slowest rise in headline year-on-year inflation. For food inflation, Kwara (29.74%), Kogi (29.51%), and Ebonyi (28.25%) led the charts, while Kaduna (19.30%), Sokoto (19.48%), and Jigawa (20.55%) recorded the slowest rise in year-on-year food inflation.

Cowry Research expects prices to remain elevated in 2023 as the lag effects of the current fuel scarcity, the impact of the flooding experienced so far in 2022, low productivity from both oil and the agricultural sector, and the foreign exchange scarcity in the face of Naira depreciation begin to rear their heads in the scheme of things and further drive moderate acceleration in the headline index. For December, the expectations for a price surge ahead of the festive celebrations in the face of an awaited seasonal boost to food supplies from the post-harvest season coupled with the anticipation of higher spending as the election campaign season enters 2023 are expected to push up prices across the board. That said, we project headline inflation at 21.98% for December, while the average annual inflation prints 18.82% for 2022.

FOREX MARKET: Naira Skids Further on Demand Pressure Amidst Expectations of New CBN Banknotes...

This week, the foreign exchange market players were in high anticipation for the rollout of the newly redesigned banknotes as announced by the CBN which is expected to be in circulation effective December 15 but, several lawmakers have called for an extension of the January 31, 2023 deadline set by the apex bank to enable the depositions by all. However, irrespective of the recent development, there was a minimal rate of calm across FX segments.

At the investors and exporters' FX window the Naira skid for another week by N5.12 or 1.2% week on week to close the week at N451.50 from N446.50/USD in the previous week's close amidst the high expectation for the rollout of the newly redesigned CBN banknotes as currency users renew their demand ahead of the festivities. On the other hand, the exchange rate between the Naira and

Dollar stayed in the positive region for the Naira from the previous week's close at the open parallel market window to close with a 0.27% or N2 gain to N745/USD from N747/USD last week as traders wait on the sidelines on the next move following CBN's policy on naira withdrawal limit last week. Thus, market participants maintained bids between N442/USD and N455/USD at the I&E segment while at the open market, bids ranged between N743/USD and N753/USD.

A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchained from the previous week as it closed the week at N445/USD from last week. Also, our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, there was a bearish trend across tenors for the Naira Forward Contracts against the greenback as we saw depreciation in the Naira index value across all tenors by 1.10%, 1.09%, 0.25%, 1.98% and 2.95% week on week to close at offer prices of N465.10/USD, N470.67/USD, N471.04/USD, N499.04/USD and N536.84/USD in that order.

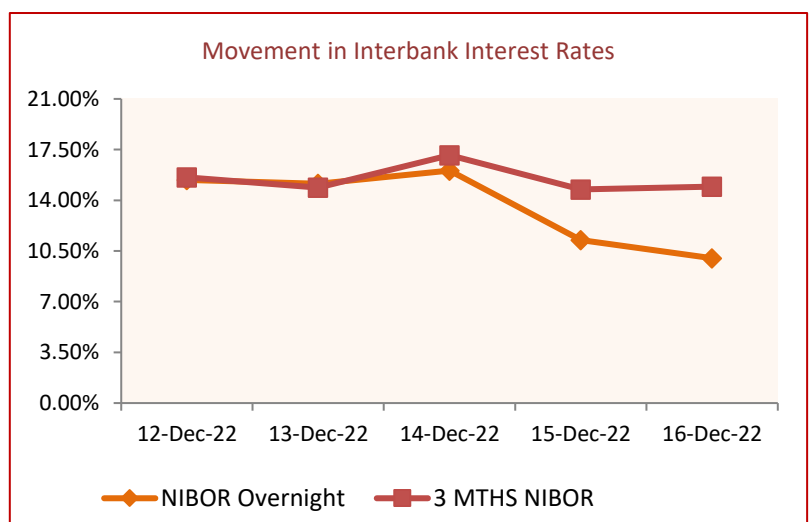
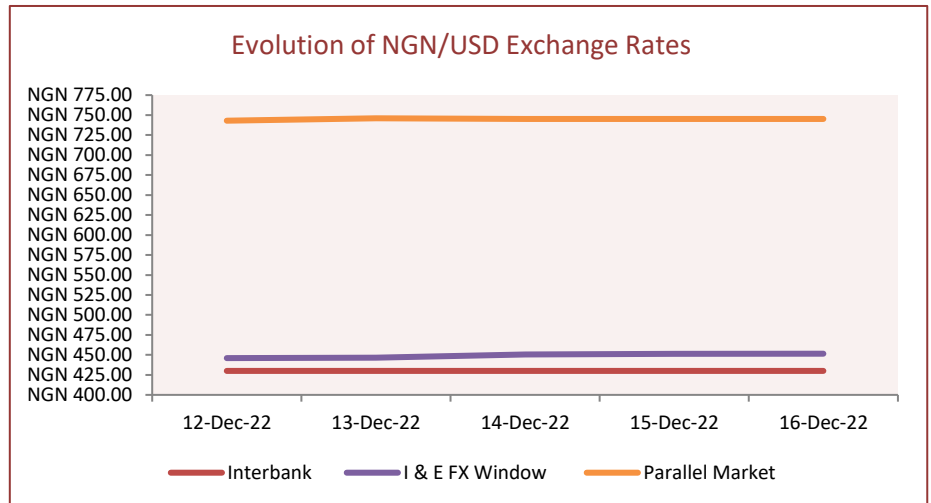
The oil market now looks set to another time of weekly gains since October in the face policy rate hikes by major central banks and the supply disruption concerns plus the recovery hopes from China's oil demand. In the just concluded week, we saw the Bonny light crude price bounced back by 12.75% or (USD9.57) week on week to close the week at USD84.65 per barrel from USD75.08 per barrel in the previous week. Meanwhile, oil benchmarks' positive rally has been buoyed by sentiments on potential tightenings which is expected to drive growth even in the coming year.

Next week, we expect the newly redesigned banknotes to gradually hit the system ahead of the festive preparations while the naira will witness demand pressure across all FX segment. The jury is out to watch as we begin to see the multiplier effect of the policy across facets of the economy.

MONEY MARKET: : Stop Rate for 364-day Bill Moderates to 13.05% amid Strong Investor Demand...

In the just concluded week, CBN allotted T-bills worth N13.58 billion to refinance N16.25 billion worth of matured Treasury bills. The 364-day bill, in particular, was issued at a lower rate due to the massive subscription level, given the auction's high bid-to-cover ratio of 32.84x. Consequently, the stop rate for the 364-day bill fell from 13.05% to 9.89%. Likewise, stop rates for the 91-day bill and 182-day bill were cut to 5.50% (from 6.50%) and 7.30% (from 8.00%), respectively. In tandem with the downturn in primary market rates, secondary market yields declined for the majority of the maturities tracked.

NITTY maturities of 1 month, 3 months, and 6 months decreased to 5.56% (from 6.07%), 6.60% (from 7.10%), and 13.25% (from 12.54%), respectively. However, NITTY for 12 months increased to 13.25% (from 12.54%). Meanwhile, due to the low value of maturing OMO bills worth N14.00 billion,

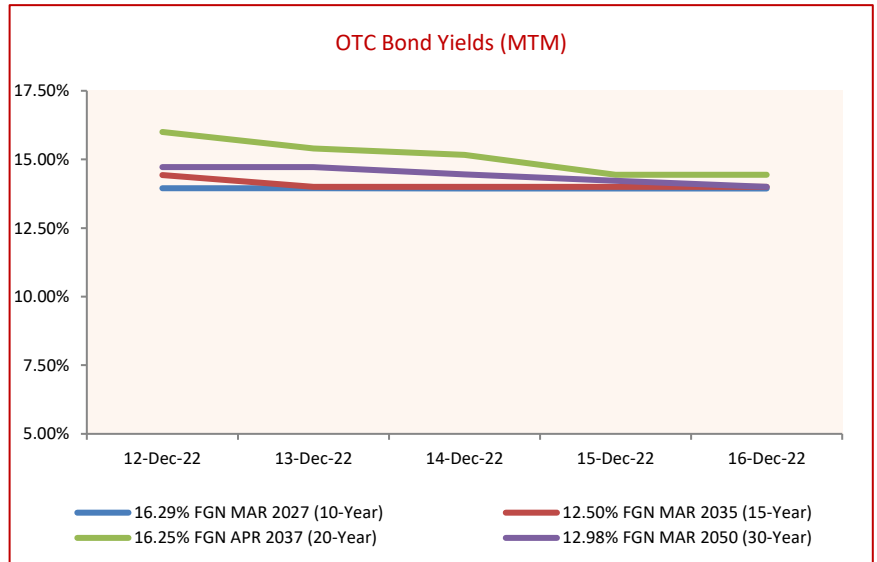


NIBOR for one month, three months, and six months increased to 13.75% (from 13.20%), 14.94% (from 13.50%), and 16.56% (from 14.25%), respectively. On the other hand, NIBOR for overnight funds declined to 10.00% (down from 15.50%).

In the new week, Treasury bills worth N35 billion will mature via OMO; hence, we expect interbank rates to move in mixed directions amid a marginal inflow of matured OMO bills...

BOND MARKET: FGN Eurobond Yields on the Decline as Bearish Sentiments Resurface...

In the just concluded week, the Debt Management Office (DMO) sold N264.52 billion (N39.52 billion more than its offer). The DMO allotted N264.52 billion worth of bonds (re-openings); viz., N45.448 billion for the 14.55% FGN APR 2029, N40.420 billion for the 12.50% FGN APR 2032, and N178.647 billion for the 16.25% FGN APR 2037. Given the 2x subscription, especially for longer maturities, stop rates for the 29s, 32s, and 37s fell to 14.50%, 15.00%, and 16.0%, respectively, from 14.50%, 15.00%, and 16.00%. Despite the decline in stop rates, traders were bullish on most maturities



tracked in the secondary market except for the 10-year, 16.29% FGN MAR 2027 debt, which stayed flat at 13.94%. The 15-year 12.50% FGN MAR 2035 bond, the 20-year 16.25% FGN MAR 2037 bond and the 30-year 12.98% FGN MAR 2050 bond gained N2.27, N9.41, and N4.49, respectively; their corresponding yields fell to 14.00% (from 14.43%), 14.44% (from 16.00%), and 14.00% (from 14.72%), respectively.

The value of FGN Eurobonds traded in the international capital market depreciated for most maturities tracked as investors weighed the impact of the US Federal Reserve's decision to hike benchmark rates by 50 bps. Hence, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, lost USD 0.28 and USD 0.29, respectively, while their corresponding yields rose to 12.26% (from 12.20%), and 12.09% (from 12.04%), respectively. The 10-year, 6.38% JUL 12, 2023 bond gained \$0.08, although its yield declined to 9.21% (from 9.25%).

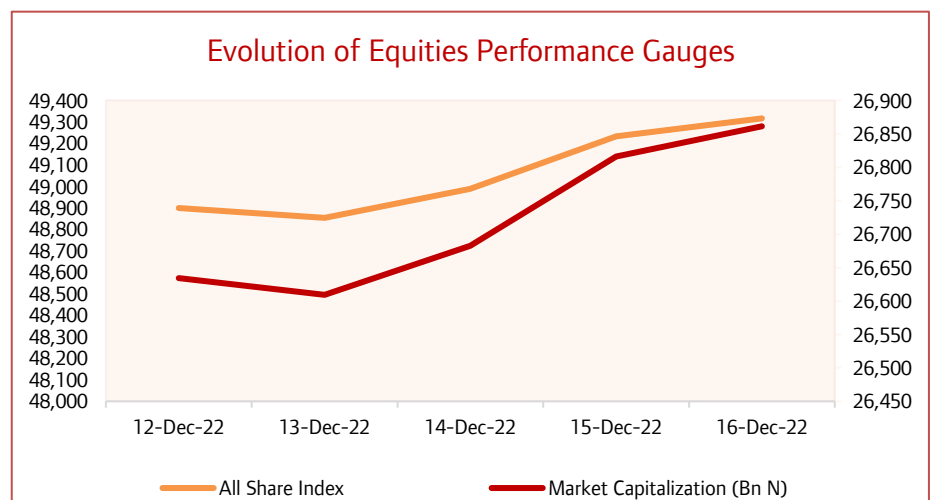
In the new week, we expect local OTC bond prices to appreciate (and yields to moderate) amid bullish activity in the fixed-income space...

EQUITIES MARKET: Market Performance In High Momentum From Bullish Industrial, Banking Gains...

For another week, the domestic bourse maintained its bull transition driven by strong buying interest and price appreciation in the large – mid cap stocks and portfolio reshuffling by investors seeking alpha ahead of the year-end seasonalities as players digest the recent macroeconomic data ahead of the earning season. As a result, the benchmark index closed northward by 0.9% week on week to 49,316.29 points while the market capitalisation appreciated in value by 0.9% week on week to N26.86 trillion as the bulls and bears fight for market dominance in the week.

During the week, we noticed that position taking in some of the major sectors of the market continued, especially in industrial goods and banking stocks which saw investors take profit worth N236.6 billion from 4 of the 5 sessions as the market year-to-date gain uptrend further to 15.45% while the market cap returns printed 20.5%.

Consequently, the positive sentiment and the persistent market volatility presented huge



profit-taking activities to investors from some of the major sectors and as a result, we saw gains from price appreciation in tickers such as LEARNAFRCA (+28%), CORNERST (+13%), PZ (+10%), ARDOVA (+10%) and ZENITHBANK (+9%) respectively. Across the sectorial front, the performance was largely bullish in the week with 4 out of 5 sectors closing northward and was spearheaded by the Industrial Goods sector for another week, emerging as the leading advancer (+3.44%) for the week and followed by NGX Banking, Consumer, NGX Insurance and NGX Oil/Gas Index which closed positive by +2.87%, +0.47% and +0.36% in that order. On the flip side, the NGX Consumer Goods sectors closed the week as the lone decliner by -0.2% week on week. Meanwhile, the level of trading activities in the week varied as the total traded volume and value nosedived by 33.54% and 36.45% week on week to 814 million units valued at N9.69 billion. However, the total deals traded for the week surged by 1.12% week on week to 15,488 trades for the week.

Going into the new week, we expect the current trend of bullish trend to persist as investors continue on profit booking and portfolio rebalancing ahead of the year-end seasonality amid election uncertainty. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, December 16, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	December 16 2022	December 12 2022	% Change	Symbol	December 16 2022	December 12 2022	% Change
LEARNAFRCA	2.12	1.65	28%	MCNICHOLS	0.54	0.61	-11%
CORNERST	0.52	0.46	13%	MULTIVERSE	3.98	4.35	-9%
WAPIC	0.41	0.37	11%	MANSARD	1.83	1.99	-8%
PZ	12.40	11.30	10%	LINKASSURE	0.40	0.43	-7%
REDSTAREX	2.26	2.06	10%	ETERNA	6.07	6.44	-6%
ARDOVA	16.70	15.25	10%	UPL	1.73	1.83	-5%
CHAMPION	4.10	3.75	9%	GEREGU [BLS]	106.00	111.00	-5%
ZENITHBANK	24.10	22.10	9%	DANGSUGAR	15.50	16.20	-4%
UPDC	0.99	0.92	8%	HONYFLOUR	2.12	2.20	-4%
MBENEFIT	0.29	0.27	7%	TRANSCORP	1.14	1.17	-3%

Weekly Stock Recommendations as at Friday, December 16, 2022

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 Weeks' High	52 Weeks' Low	Current Price	Price Target	Short term Stop Loss	Short term Take Profit	Potential Upside	Recommendation
ZENITH	5.55	7.11	41.68	0.45	4.34	27.40	18.90	24.10	30.8	20.5	27.7	28.00	Buy
ETI	4.21	7.92	44.86	0.25	2.66	13.2	5.1	11.20	21.1	9.5	12.9	88.00	Buy
BUA CEM	2.19	2.74	11	8.09	42.0	74.5	47	91.70	114.9	77.9	105.5	25.33	Buy
MTN	13.22	16.92	11.96	15.72	16.19	270	167	214	273.9	181.9	246.1	28.00	Buy
FIDELITY	1.21	1.54	11.23	0.38	3.52	4.28	2.23	4.25	5.4	3.6	4.9	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, December 16, 2022

FGN Eurobonds	Issue Date	TTM (years)	16-Dec-22 Price (N)	Weekly USD Δ	16-Dec-22 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.57	98.48	0.08	9.2%	(0.04)
7.625 21-NOV-2025	21-Nov-18	2.93	92.30	0.01	10.8%	0.01
6.50 NOV 28, 2027	28-Nov-17	4.95	92.30	0.01	10.8%	0.01
6.125 SEP 28, 2028	28-Sep-21	5.79	77.50	(0.11)	11.6%	0.04
8.375 MAR 24, 2029	24-Mar-22	6.27	83.60	0.16	12.2%	(0.03)
7.143 FEB 23, 2030	23-Feb-18	7.19	77.22	(0.06)	12.0%	0.03
8.747 JAN 21, 2031	21-Nov-18	8.10	82.64	(0.40)	12.2%	0.10
7.875 16-FEB-2032	16-Feb-17	9.18	75.96	(0.63)	12.3%	0.14
7.375 SEP 28, 2033	28-Sep-21	10.79	72.15	(0.36)	12.1%	0.08
7.696 FEB 23, 2038	23-Feb-18	15.20	68.86	(0.28)	12.3%	0.06
7.625 NOV 28, 2047	28-Nov-17	24.97	65.03	(0.29)	12.1%	0.05
9.248 JAN 21, 2049	21-Nov-18	26.12	75.39	(0.37)	12.4%	0.07
8.25 SEP 28, 2051	28-Sep-21	28.80	67.49	0.02	12.4%	0.00

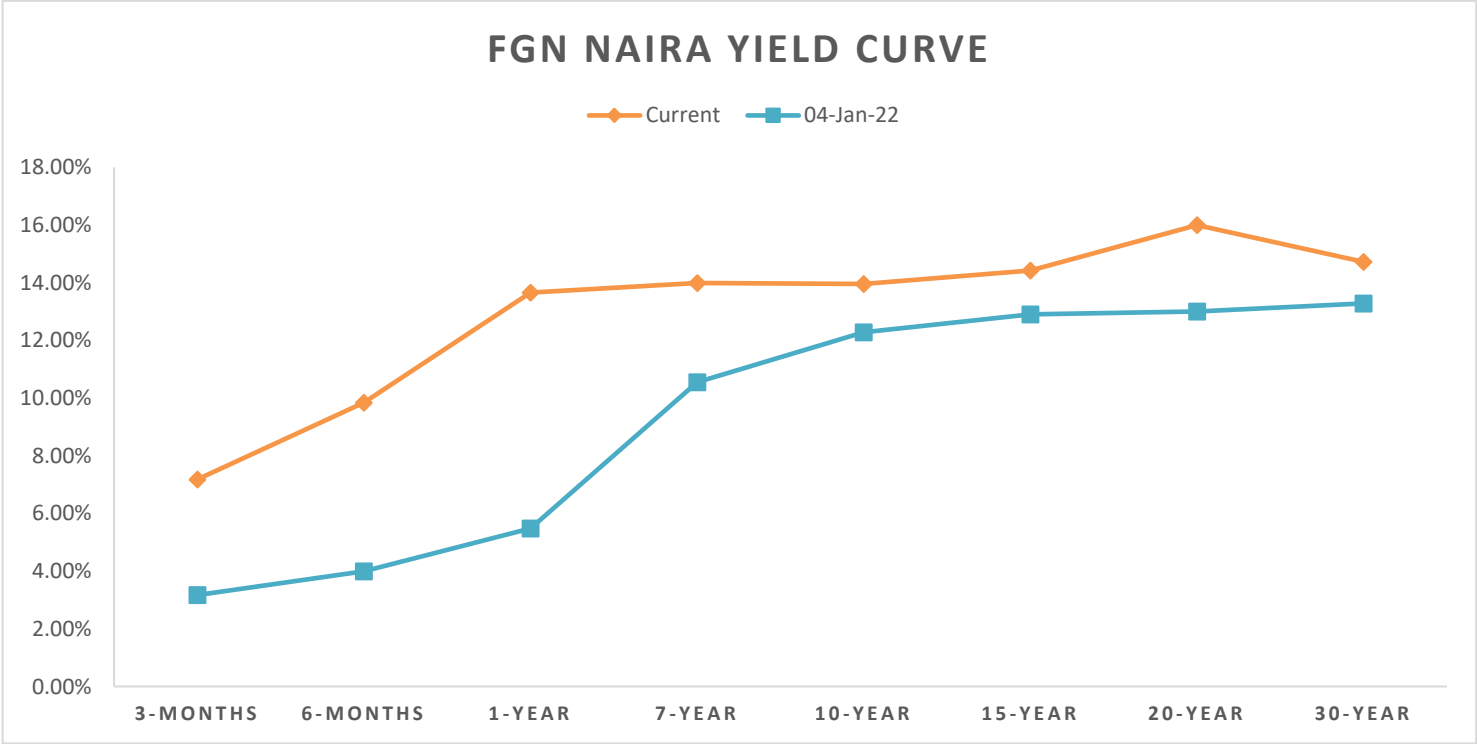
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 16,2022

MAJOR	16-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0622	1.0626	-0.04%	0.86%	2.52%	-5.50%
GBPUSD	1.2184	1.2176	0.07%	-0.61%	2.69%	-8.01%
USDCHF	0.9314	0.9281	0.35%	-0.34%	-2.14%	0.77%
USDRUB	63.8250	63.6531	0.27%	3.40%	8.65%	-12.71%
USDNGN	444.9700	444.9700	0.00%	0.11%	0.71%	8.55%
USDZAR	17.6129	17.4887	0.71%	1.62%	1.32%	10.95%
USDEGP	24.6500	24.7093	-0.24%	0.41%	0.57%	56.81%
USDCAD	1.37	1.3658	0.25%	0.30%	2.73%	6.22%
USDMXN	19.81	19.7478	0.33%	0.26%	2.10%	-4.79%
USDBRL	5.28	5.3131	-0.66%	0.67%	-2.73%	-7.39%
AUDUSD	0.6682	0.6701	-0.28%	-1.67%	0.00%	-6.21%
NZDUSD	0.6359	-0.0600	0.24%	-0.77%	3.78%	-5.63%
USDJPY	137.2410	137.7645	-0.38%	0.48%	-2.11%	20.72%
USDCNY	6.9834	6.9904	-0.10%	0.21%	-2.23%	9.37%
USDINR	82.6850	82.8424	-0.19%	0.34%	1.45%	8.82%

Global Commodity Prices as at 4:00 PM GMT+1, Friday, December 16, 2022

Commodity		16-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	73.7	76.1	-3.19%.	3.48%	-9.72%.	4.46%
BRENT	USD/Bbl	78.7	81.2	-3.12%.	3.12%	-11.65%.	6.74%
NATURAL GAS	USD/MMBtu	6.5	9.8	-7.15%.	3.41%	-4.24%.	77.47%
GASOLINE	USD/Gal	2.1	2.2	-2.46%.	2.49%	-12.11%.	-0.36%.
COAL	USD/T	405.0	403.0	0.50%	0.62%	21.04%	141.07%
GOLD	USD/t.oz	1,784.0	1,776.7	0.41%	-0.74%.	1.28%	-0.79%.
SILVER	USD/t.oz	23.0	23.0	-0.29%.	-2.10%.	9.68%	2.82%
WHEAT	USD/Bu	758.9	757.2	0.22%	3.02%	-8.31%.	-2.40%.
PALM-OIL	MYR/T	3,918.0	3,878.1	1.03%	-1.93%.	1.77%	-11.12%.
COCOA	USD/T	2,482.0	2,517.0	-1.39%.	1.14%	2.22%	-0.60%.

FGN Bonds Yield Curve, Friday, December 16, 2022



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