

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: A Gun-Blazing Appetite for FG with N3.5 Trillion from VAT, CIT in 9 Months on Increased Tax Compliance...

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

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ECONOMY: A Gun-Blazing Appetite for FG with N3.5 Trillion from VAT, CIT in 9 Months on Increased Tax Compliance...

The latest tax collection report collated and verified by the Federal Inland Revenue Service (FIRS) and published by the National Bureau of Statistics (NBS) showed that Nigeria’s federal government pooled a total N3.5 trillion in revenue from Value-added tax (VAT) and Company income tax (CIT) between January and September, 2022. This showed a 25% increase year on year from N2.77 trillion in the same period last year as the total CIT rose over 26% year on year to N1.7 trillion while the VAT printed at N1.8 trillion under 9 months this year.

Meanwhile, the recent report published on Tuesday, FG recorded N625.4 billion in total value added tax during the third quarter of 2022. This implies a 4.2% quarter on quarter increase from N600.2 billion in the prior quarter of 2022 and a 24.95% year on year rise from Q3 2021. Elsewhere, it reported N810.2 billion in Company Income Tax in the third quarter, as the collection increased 13.4% quarter on quarter from N714.40 billion in Q2 and 71.5% in Q3 last year.

The figure continues to be on the rise above its pre-pandemic levels of N520.9 billion reported in the Q3 of 2019 and results from the boost in business and economic activities in the economy which was triggered by stanching pressures from the Covid-19 pandemic.

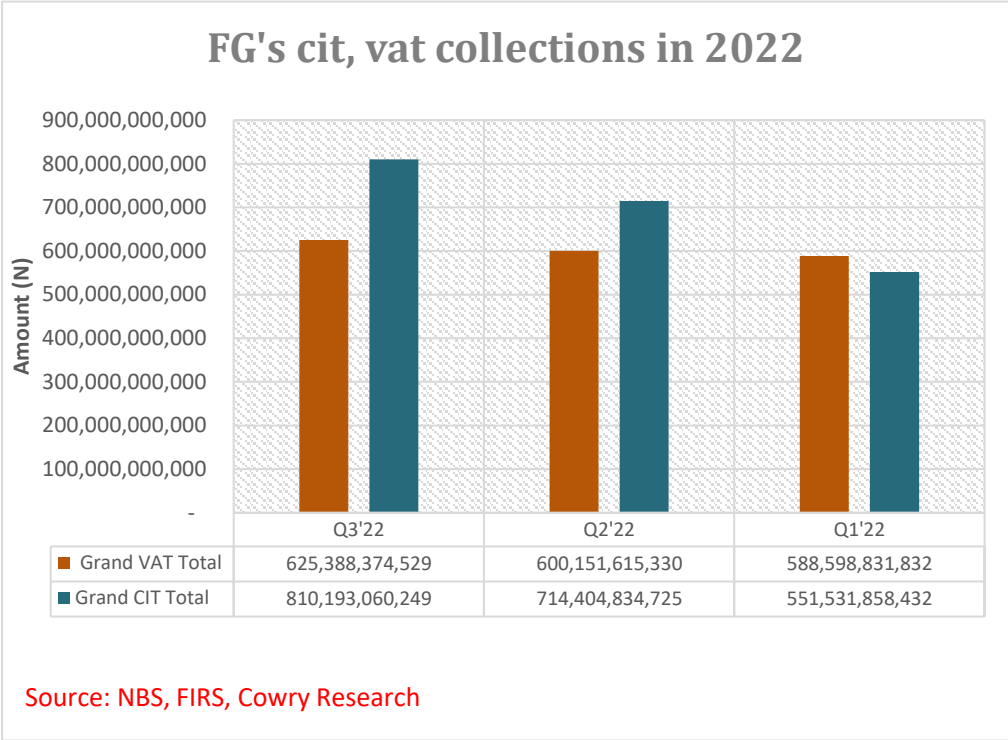
At the start of this year, the federal government of Nigeria began a new policy of tax which became effective January 1, 2022, through the implementation of the amended Finance Bill of 2021 and the mandate of the Act is in consonance with FG’s drive for domestic revenue mobilization for its deficit financing on the back of declining government revenues.

From the aggregate VAT collected for the period, the NBS report highlighted collections from local payments to print N367.9 billion, foreign payments at N121.9 billion while the import VAT contributed N135.6 billion during the period. Furthermore, it was seen that the growth in the aggregate VAT during the review quarter was a result of the increased aggregate collection from the manufacturing sector which contributed 31.08% of the aggregate VAT and was trailed by Also, the activities from the entertainment and recreation sector grew fastest and highest in total VAT with 61.09% while the activities of households; water supply; sewerage and waste management sectors recorded the slowest growth in the period as the sector dipped 56.4% and 32% in that order.

From the total income tax from companies, local CIT payments received stood at N483.2 billion while the foreign sources printed at N327 billion during the review period. Looking at the sectoral growth, the total income tax paid by companies in the arts, entertainment and recreation sector saw the highest growth during the period by 93.33% while the manufacturing sector emerged as the sector with the largest contributor to the income tax vault of the federal government. Other sectoral contributions saw the information and communication and the finance & insurance sectors contributed 27.3% and 8.8% in that order.

The federal government of Nigeria, though, gunning heavily on streams of revenue generation strategy, is now realizing the full potential of the finance act of 2021 which was signed into law earlier in the year. This suffices to say Nigeria’s revenue collection is now in full gear as the economy fully recovers from the pressures of the coronavirus and the omicron virus which may have been seen to hamper on government revenues collected through taxes.

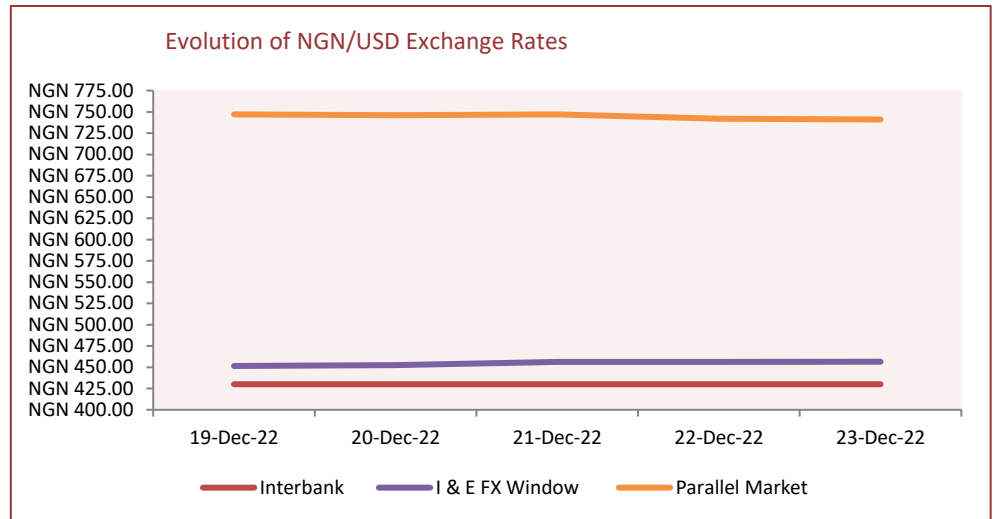
Though, FG’s revenues comprise more than 15% from value-added tax, the gun-blazing appetite to increase revenues from taxes will keep FG on track with a focus on a possible VAT rate hike. Thus, we see a further increase in the total VAT collection as economic activities accelerate while FG continues to widen its tax net, block revenue leakages and ensure utmost compliance by payers across all sectors.



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

This week in the foreign exchange market, it was a mixed bargain of activities for currency traders and speculators ahead of the year-end seasonality after the central bank made a policy amendment on the earlier imposed withdrawal limits and charges for corporates and individuals to N500,000 and N5 million from N100,000 and N500,000 weekly limits respectively. Thus, reactions have trailed the move by the apex bank citing the move to be politically motivated.

At the investors and exporters' FX window the Naira skid for another week by N5 or 1.11% week on week to close the week at N456.50 against the greenback from N451.50/USD in the previous week's close after the rollout of banknotes by the CBN was graced by limited supply from banks to users ahead of year-end seasonality. 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 0.54% or N4 week on week gain to N741/USD from N745/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 N450/USD and N460/USD at the I&E segment while at the open market, bids ranged between N738/USD and N745/USD.

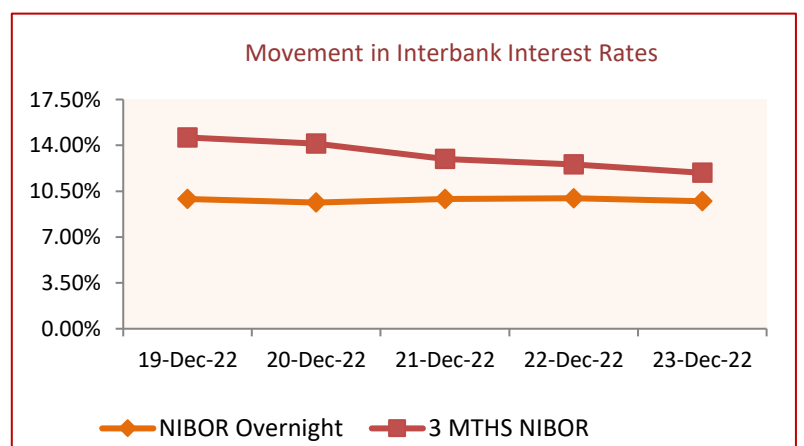
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchained from the previous week as it closed the week at N445/USD from last week. Also, our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, there was a bearish trend across most tenor gauges for the Naira Forward Contracts against the greenback as we saw depreciation in the Naira index value across the 1 month, 2 month, 3 month and 6 months tenors by 0.83%, 0.34%, 0.89%, and 1.24% respectively to close at offer prices of N468.95/USD, N472.26/USD, N475.22USD, and N4505.22/US. However, the long tenor contract with 1 year maturity gained by 1.65% week on week to close at N527/USD.

In the just concluded week, we saw the Bonny light crude price bounced back by 3.04% or (USD2.6) week on week to close the week at USD82.08 per barrel from USD84.65 per barrel in the previous week. Meanwhile, oil benchmarks' recent positive rally now looks dented by sentiments on potential rate tightening by the Fed and rising cases of covid from China.

Next week, we expect to increasaded demand for the greenback as well as the local banknotes for the year-end seasonal activities. However, the jury is out to watch as we begin to see the multiplier effect of the policy across facets of the economy.

MONEY MARKET: : NITTY Moderates for Most Maturities Tracked on Higher Demand....

In the just concluded week, activities in the primary market remained quiet as CBN did not offer T-bills for sale to refinance the maturing N44.84 billion worth of T-bills, thus giving the net inflow yields moderated as traders maintained a bullish stance. Hence, NITTY for 1 month, 3 months, and 12 months fell to 5.13% (from 5.56%), 6.24% (from 6.60%), and 10.60% (from 13.25%), respectively. However, the 6 months NIBOR rose to 8.83% (from 7.96%).

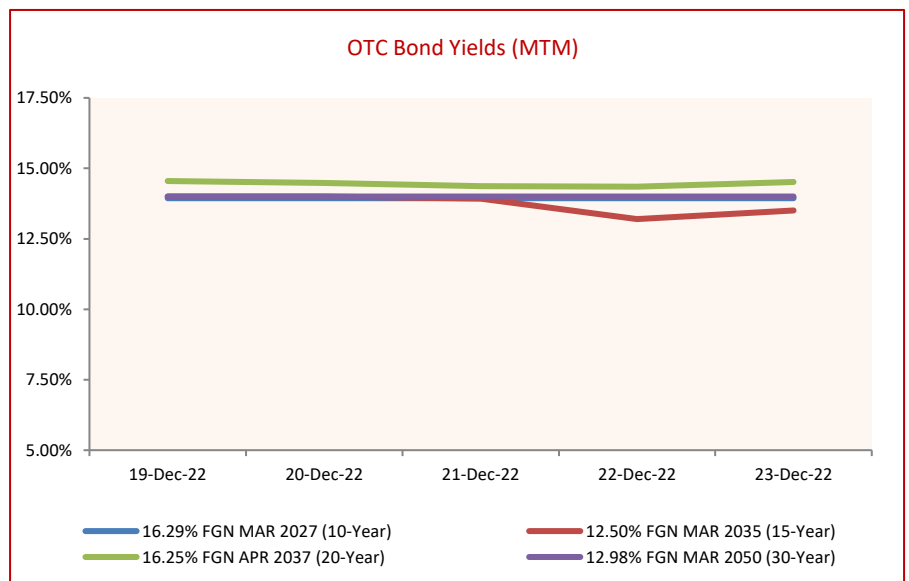


Meanwhile, given the net inflow of N5.5 billion in OMO bills without refinancing as well as FAAC inflows worth N440 billion, we saw a liquidity boost in the interbank space, hence NIBOR fell for all of the tenor buckets tracked. Notably, NIBOR for overnight funds, 1 month, 3 months, and 6 months moderated to 9.73% (from 10.00%), 11.50% (from 13.75%), 11.98% (from 14.94%), and 12.50% (from 16.56%), respectively.

In the new week, OMO worth N30 billion will mature via the secondary market, and NTB worth N44.11 billion will mature as well to help keep system liquidity afloat. Hence, we expect activity in the money market to be slightly bullish...

BOND MARKET: Average FGN Bond Yield Stay Muted Despite Oversubscription at DMO Auction...

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



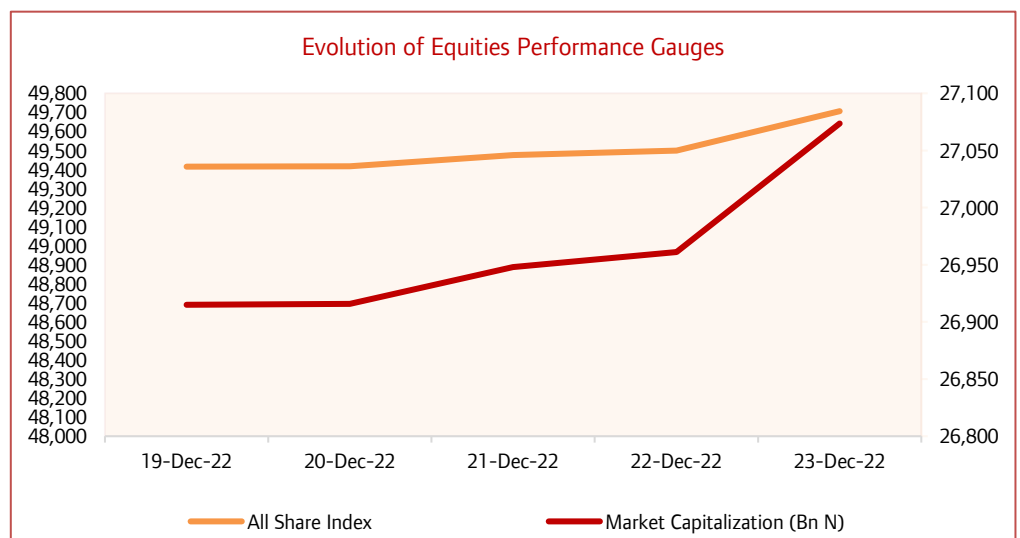
the decline in stop rates, traders were bullish on most maturities tracked in the secondary market except for the 10-year, 16.29% FGN MAR 2027 debt, which stayed flat at 13.94%. The 15-year 12.50% FGN MAR 2035 bond, the 20-year 16.25% FGN MAR 2037 bond and the 30-year 12.98% FGN MAR 2050 bond gained 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 the value of FGN Bonds to rise (and yields to fall) amid a financial system liquidity boost from the rise in market activities in the secondary market...

EQUITIES MARKET: Bulls Sustain Dominance Ahead Year-End Seasonality, Window Dressing....

The local bourse sustained its weekly bull dominance ahead of the festive holidays just as we saw the persistence of bargain hunting activities among investors and traders who are looking to take position in value stocks at their current prices. Regardless of the profit-taking activities by speculators, the bourse's bull trend stays strong and is expected to be sustained the recovery mode heading into another trading year.

At the close of the week, the benchmark index trended northward by 0.79% week on week in the face of strong momentum and buying sentiment from players ahead of the year-end window dressing by traders and investors who want to close the year higher than was earned at the end of the year coupled with the changing yield environment in the fixed income space as was seen from



the recent Nigerian Treasury Bills PMA where the rates and yield suffered decline across tenor gauges. Also, the market capitalization of listed equities rose 0.79% week on week to N27.07 trillion for the first time since August 10, 2022 as investors booked profit worth N212.3 billion in 5 days while the market year to date return inched further to 16.36%.

Consequently, the bull dominance buoyed by positive sentiment from equity investors prompted gains from price appreciation in tickers such as CHAMPION (+15%), ARDOVA (+13%), JBERGER (+10%), FIDELITYBK (+9%) and STANBIC (+9%) respectively. Across the sectorial front, the performance was largely bullish in the week with all sectors under our watchlist closing northward and was spearheaded by the Banking Index which gained 1.97% week on week. Similarly, the Consumer Goods sector performed positively by 0.98, and was followed by NGX Oil & Gas, NGX Insurance and NGX Industrial Goods Indices which closed the week by +0.91%, +0.32% and +0.04% in that order from the prior week.

Meanwhile, the level of trading activities in the week came in strong as the total traded volume and value reversed last week's declines by 5.75% and 1.02% week on week to 860.93 million units valued at N9.79 billion. However, the total deals traded for the week plummeted by 6.37% week on week to 14,502 trades for the week.

Looking ahead, the current trend is expected to continue on profit-taking and bargain hunting activities ahead of the holidays as the market pullbacks add more strength to the upside potential of the index. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, December 23, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	December 23 2022	December 16 2022	% Change	Symbol	December 23 2022	December 16 2022	% Change
CHAMPION	4.70	4.10	15%	UPDC	0.91	0.99	-8%
ARDOVA	18.80	16.70	13%	PZ	11.40	12.40	-8%
CUSTODIAN	5.95	5.35	11%	MBENEFIT	0.27	0.29	-7%
JBERGER	23.30	21.20	10%	NEIMETH	1.35	1.45	-7%
UPL	1.90	1.73	10%	RTBRISCOE	0.27	0.29	-7%
FIDELITYBK	4.65	4.25	9%	FTNCOCOA	0.29	0.31	-6%
GEREGU [BLS]	115.50	106.00	9%	LASACO	0.85	0.90	-6%
HONYFLOUR	2.31	2.12	9%	CHAMS	0.22	0.23	-4%
STANBIC	33.45	30.80	9%	CORNERST	0.50	0.52	-4%
FBNH	11.80	10.90	8%	WEMABANK	3.22	3.30	-2%

Weekly Stock Recommendations as at Friday, December 23, 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	4.42	27.40	18.90	24.55	31.4	20.9	28.2	28.00	Buy
TRANSCORP	0.47	0.56	3.98	0.42	2.43	1.52	0.90	1.14	1.4	1.0	1.3	18.93	Buy
UBA	3.39	4.07	23.64	0.32	2.21	8.85	6.55	7.50	9.0	6.4	8.6	20.00	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	0.41	3.85	4.65	2.23	4.65	6.0	4.0	5.3	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, December 23, 2022

FGN Eurobonds	Issue Date	TTM (years)	23-Dec-22	Weekly	23-Dec-22	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.55	98.54	0.06	9.2%	(0.00)
7.625 21-NOV-2025	21-Nov-18	2.92	92.08	(0.22)	10.9%	0.12
6.50 NOV 28, 2027	28-Nov-17	4.93	92.08	(0.22)	10.9%	0.12
6.125 SEP 28, 2028	28-Sep-21	5.77	77.29	(0.22)	11.6%	0.08
8.375 MAR 24, 2029	24-Mar-22	6.25	82.81	(0.78)	12.4%	0.22
7.143 FEB 23, 2030	23-Feb-18	7.18	76.56	(0.66)	12.1%	0.18
8.747 JAN 21, 2031	21-Nov-18	8.08	81.73	(0.90)	12.4%	0.21
7.875 16-FEB-2032	16-Feb-17	9.16	75.43	(0.53)	12.4%	0.13
7.375 SEP 28, 2033	28-Sep-21	10.77	71.34	(0.81)	12.2%	0.18
7.696 FEB 23, 2038	23-Feb-18	15.18	68.30	(0.56)	12.4%	0.11
7.625 NOV 28, 2047	28-Nov-17	24.95	64.70	(0.33)	12.2%	0.06
9.248 JAN 21, 2049	21-Nov-18	26.10	75.04	(0.36)	12.5%	0.06
8.25 SEP 28, 2051	28-Sep-21	28.78	66.70	(0.78)	12.6%	0.15

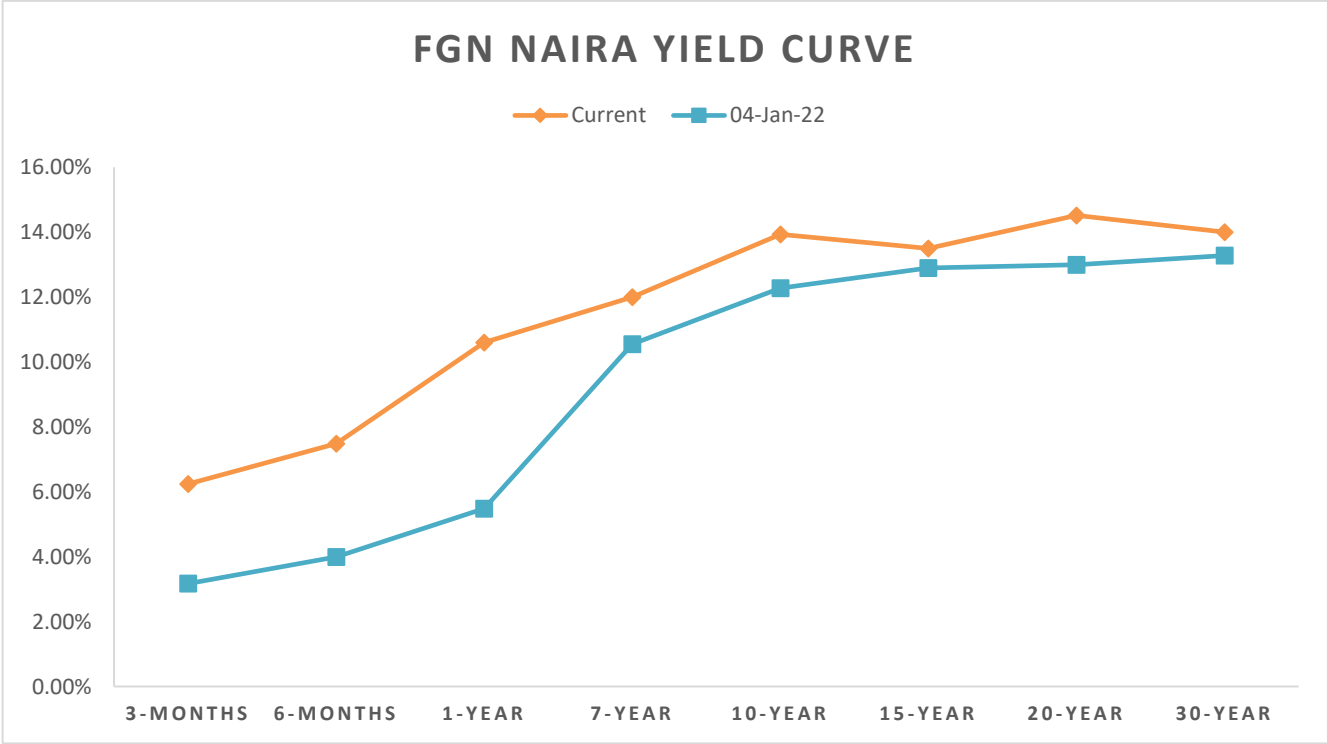
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 23,2022

MAJOR	23-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0612	1.0593	0.18%	0.30%	1.98%	-6.21%
GBPUSD	1.2066	1.2043	0.19%	-0.57%	-0.33%	-9.82%
USDCHF	0.9326	0.9310	0.18%	-0.06%	-1.07%	1.46%
USDRUB	68.4500	67.0027	2.16%	7.16%	13.42%	-7.01%
USDNGN	445.0000	446.1153	-0.25%	0.01%	0.46%	8.29%
USDZAR	17.0146	17.1449	-0.76%	-3.60%	-0.06%	9.27%
USDEGP	24.7499	24.7202	0.12%	0.41%	0.73%	58.05%
USDCAD	1.36	1.3646	-0.40%	-0.79%	1.91%	6.13%
USDMXN	19.43	19.5379	-0.56%	-1.65%	0.39%	-5.62%
USDBRL	5.13	5.1664	-0.71%	-3.49%	-3.62%	-9.63%
AUDUSD	0.6699	0.6666	0.49%	0.25%	-0.92%	-7.23%
NZDUSD	0.6287	-0.0600	0.80%	-1.37%	0.37%	-7.76%
USDJPY	132.8580	132.3287	0.40%	-2.81%	-4.15%	16.12%
USDCNY	7.0017	7.0087	-0.10%	0.34%	-2.34%	9.87%
USDINR	82.7800	82.9625	-0.22%	0.09%	1.43%	10.41%

Global Commodity Prices as at 4:00 PM GMT+1, Friday, December 23, 2022

Commodity		23-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	79.9	77.5	3.10%	7.20%	2.22%	6.17%
BRENT	USD/Bbl	83.8	81.0	3.48%	5.95%	-1.76%	11.25%
NATURAL GAS	USD/MMBtu	5.2	9.8	3.08%	-21.75%	-28.04%	31.02%
GASOLINE	USD/Gal	2.3	2.2	4.34%	9.90%	-4.23%	5.99%
COAL	USD/T	400.7	401.4	-0.19%	-0.58%	15.64%	136.51%
GOLD	USD/t.oz	1,800.1	1,792.5	0.42%	0.43%	2.57%	-0.45%
SILVER	USD/t.oz	23.7	23.6	0.58%	2.16%	10.24%	3.37%
WHEAT	USD/Bu	776.0	762.2	1.81%	2.99%	-2.14%	-3.48%
PALM-OIL	MYR/T	3,830.0	3,897.8	-1.74%	-2.25%	-5.20%	-17.62%
COCOA	USD/T	2,647.0	2,606.1	1.57%	6.91%	10.76%	7.52%

FGN Bonds Yield Curve, Friday, December 23, 2022



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