

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Debt-service payments are steadily rising; FG plans N6.55 trillion in domestic debt service by 2023...

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FOREX MARKET: Naira Skids Further at I&E FX Market on Demand Pressure, Year-End Activities ...

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MONEY MARKET: Stop Rates Drop Further on Sustained Demand Pressure...

OMO maturity bills worth N20.00 billion is expected to hit the system and keep liquidity afloat; nevertheless, we expect interbank rates to rise marginally given the relatively smaller amount of maturing bills...

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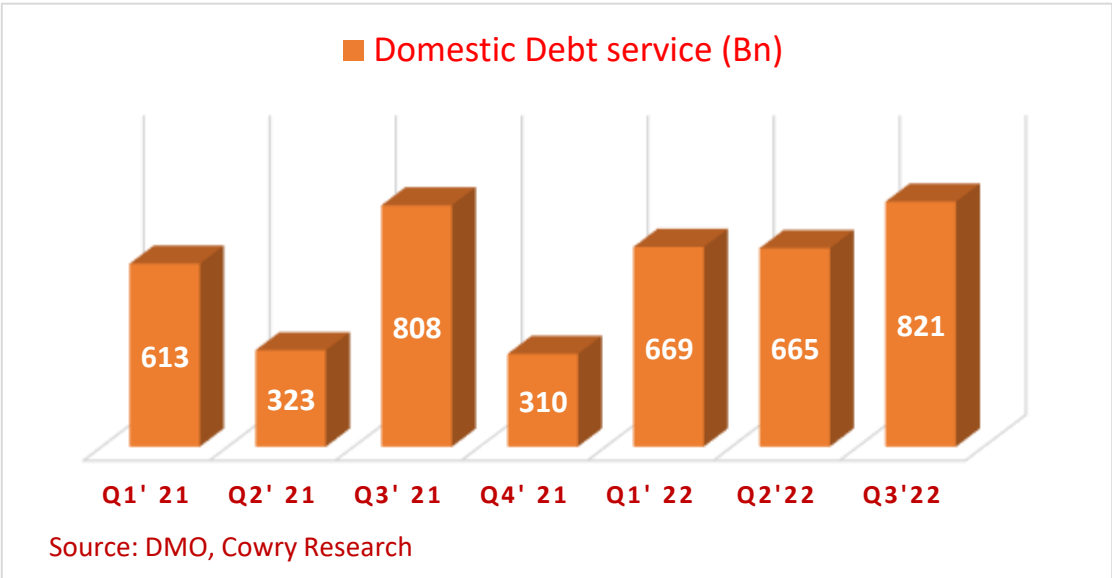
Looking ahead, the current trend is expected to continue on profit-taking and portfolio rebalancing ahead of the next earning season just as the market pullbacks add more strength to the upside potential of the index as we head into the new trading year. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

ECONOMY: Debt-service payments are steadily rising; FG plans N6.55 trillion in domestic debt service by 2023 ...

This week, we took a peek at the recently passed 2023 budget by Nigeria’s Senate and House of Representatives, on Wednesday, after they raised the planned fiscal spending for 2023 by a further 6.4%, or N1.32 trillion, to N21.82 trillion as presented by President Muhammadu Buhari and said fresh borrowings from the central bank will be used for project funding.

In the appropriation bill, Nigeria’s government plans to spend N6.55 trillion on the servicing of its debts. Thus, domestic debt service, which includes CBN's ways and means to the government, received N4.49 trillion, despite the president's request for N23.7 trillion in Ways and Means Advances. Also, foreign debt comprises N1.81 trillion, and then the sinking fund to retire maturing loans will swallow N247.72 billion. However, the passed 2023 budget implies a fiscal deficit of N12.10 trillion, compared to the initial N10.78 trillion earlier proposed.

It can be recalled that recently, the debt management office announced the federal government’s public debt stock at N44.06 trillion as of September 2022, rising by around 3% from N42.86 trillion in Q2. Though, the public debt burden has been steadily increasing by about 16% on a year-over-year basis, there are still concerns about Nigeria’s debt sustainability, particularly in light of underperforming revenues.



Interestingly, Nigeria’s debt to GDP ratio is still within accommodative levels of 25.4% as of September 2022, below DMO’s public debt ceiling of 40%, and efforts by the debt office in the debt market have been lauded in the drive to fund the FG’s deficit through deficit financing. On the other hand, the aggressive momentum by the government to grow and diversify revenues remains a major priority to ensure the sustainability of the public debt.

But at this point, our consideration is on the debt service interest payments, which are also steadily on the rise in the face of dwindling government revenues. DMO’s data showed that domestic debt service levels rose to N820.6 billion in Q3, while FGN’s aggregate revenue in 2022 (8 months to August) was a trifling N4.6 trillion, which stands as a shortfall to its target in the 2022 budget of N9.97 trillion (N9.73 trillion in 2023). Meanwhile, the cost of debt service totaled N3.5 trillion during the 8-month period, and the debt service to revenue ratio stood at 83%.

Looking at CBN data, its ways and means advances to the government have risen to more than N23 trillion (N23.78 trillion) as of October, and if this is added to the stock of debt, then the debt-to-GDP ratio upticks to 39%. On the part of the federal government, it plans to securitize the debt through bonds with a 40-year tenor and an interest rate of 9% in a bid to address the increasing advances from CBN. This, however, has sparked reactions from analysts on how the apex bank breached its Fiscal Responsibility Act.

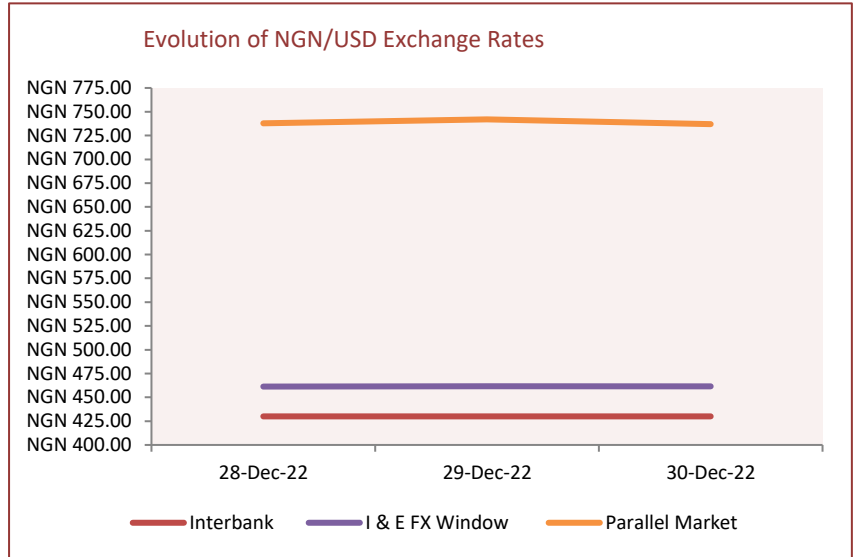
Notwithstanding, Nigeria’s low revenue collection has always looked weak if we consider the high debt-service to revenue ratio of above 80%. This is also reflected in the recent downgrade by Fitch Ratings of Nigeria's long-term foreign-currency issuer default rating (IDR) to "B-" from "B" and Moody’s downgrade to "B3" from "B2."

Cowry Research sees no respite in the total public debt stock when we consider the continued increase in loans from domestic and external sources to finance the 2022 and 2023 budget deficits. We note that if the current trend of borrowing sprees continues, Nigeria may get trapped in a debt cycle as it borrows to finance its recurrent expenditures without a corresponding increase in revenues. Meanwhile, the World Bank projected in a report that Nigeria is likely to expend over 100% of its revenues on debt servicing by 2026.

FOREX MARKET: Naira Skids Further at I&E FX Market on Demand Pressure, Year-End Activities...

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. Also, the continued demand for the greenback sustained its pressure on the local currency following Nigerian banks' resolve to ration FX spending limit for customers as well as the plan to halt useability of the domestic cards for international transactions beging December 31, 2022.

At the investors and exporters' FX window the Naira skid for another week by N5 or 1.10% week on week to close the week at N461.50 against the greenback from N465.50/USD in the previous week's close after the rollout of banknotes by the CBN was graced by limited supply from banks to users who have plans in top gear heading into the new year and a possible currency stashing. On the other hand, the exchange rate between the Naira and Dollar stayed in the positive region for the Niara 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 N737/USD from N741/USD last week as traders wait on the sidelines on the next move following deposit money banks' move to FX spending limit. Thus, market participants maintained bids between N457/USD and N468/USD at the I&E segment while at the open market, bids ranged between N735/USD and N743/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 mixed trend across most tenor gauges for the Naira Forward Contracts against the greenback as we saw appreciation in the Naira Forward Index value across the 1 month and 6 month tenors by 0.2% and 1.51% week on week to close at contract offer prices of N468.02/USD, and N497.60/USD. Contrary, the 2 month, 3 month and 12 month forward contracts trended in a depreciating corner week on week by 0.82%, 0.96% and 0.30% to close at N476.11/USD, and N479.78/USD and N529.55/USD in that order.

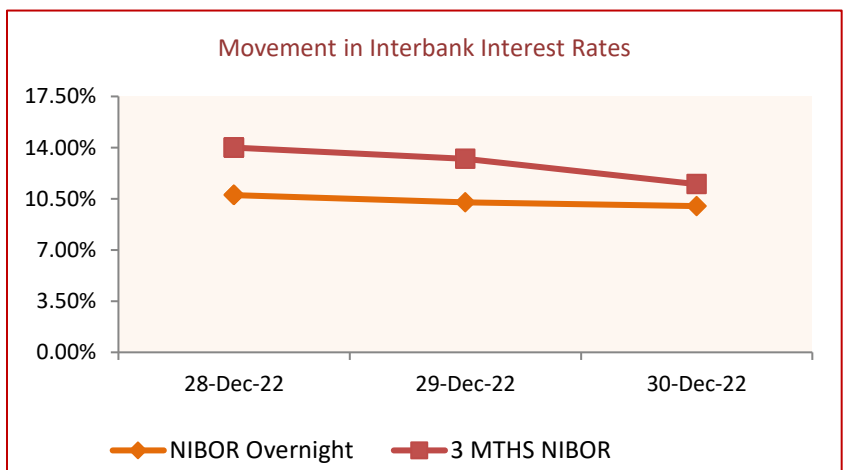
In the just concluded week, we saw the Bonny light crude price bounced back by 0.24% or (USD0.2) week on week to close the week at USD82.28 per barrel from USD82.08 per barrel in the previous week. Meanwhile, rising cases of covid from China is beginning to set the tone for overall sentiment for oil prices.

Next week, we expect to increasaed 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: : Stop Rates Drop Further on Sustained Demand Pressure...

In the just concluded week, CBN auctioned Treasury bills worth N67.44 billion via the primary market. In line with our expectation, stop rates for 90-day, 182-day, and 364-day bills moderated to 2.75% (from 5.50%), 7.15% (from 7.30%), and 8.49% (from 9.89%), respectively, amid investors' high demand for short term fixed income securities. We saw the 90-day, 182-day, and 364-day T-bills were oversubscribed with a bid-to-cover ratio of 10.36x, 1.19x, and 6.39x respectively.

Notably, the auctioned T-bill outflows exceeded the total inflows of N64.43 billion. In line with the direction of rates in the primary market, NITTY for 1 month, 3 months, 6 months, and 12 months maturities fell to 2.75% (from 5.13%), 3.94% (from 6.24%), 5.69% (from 8.83%), and 8.80% (from 10.60%), respectively. Meanwhile, NIBOR moved northwards (bearish) for the bulk of maturities tracked despite N30 billion worth of OMO bills maturing via the primary market.

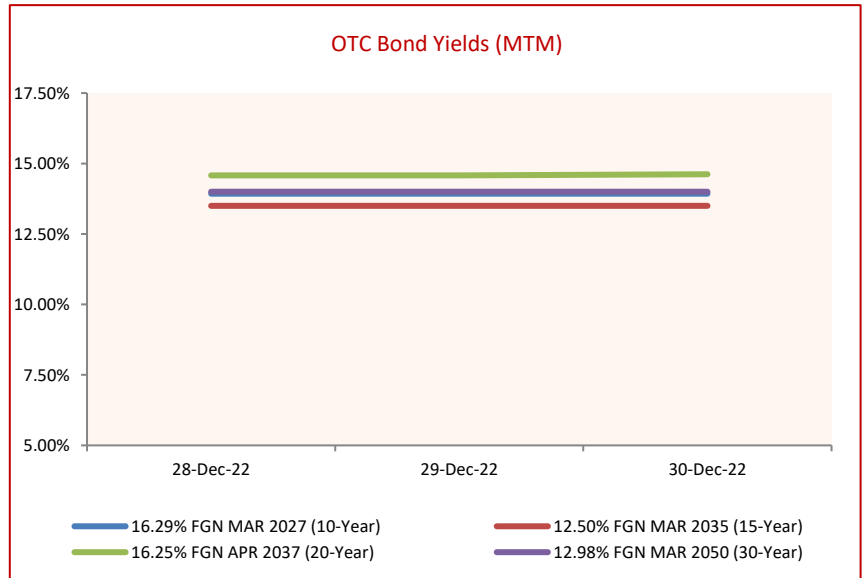


Specifically, NIBOR for Overnight fund, 3 months, and 6 months tenor buckets increased to 10.00% (from 9.73%), 13.06% (from 11.98%), and 13.94% (from 12.50%) respectively. However, NIBOR for 1 month stayed unchanged at 11.50% w-o-w.

OMO maturity bills worth N20.00 billion is expected to hit the system and keep liquidity afloat; nevertheless, we expect interbank rates to rise marginally given the relatively smaller amount of maturing bills...

BOND MARKET: FGN Bond Yields for Most Tracked Maturities Close Flat ...

In the just concluded week, the value of FGN bonds traded closed flat for most maturities for the second consecutive week as investors remained on the sidelines. Specifically, the yields of the 10-year 16.29% FGN MAR 2027 bond, the 15-year 12.50% FGN MAR 2035 debt, and the 30-year 12.98% FGN MAR 2050 instrument debt was flat at 13.94%, 13.50%, and 14.00%, respectively. On the flip side, the value of the 20-year 16.25% FGN MAR 2037 bond lost N0.66 as its corresponding yield rose to 14.62% (from 14.52%) amid sustained bearish sentiment. Meanwhile, the value of FGN Eurobonds



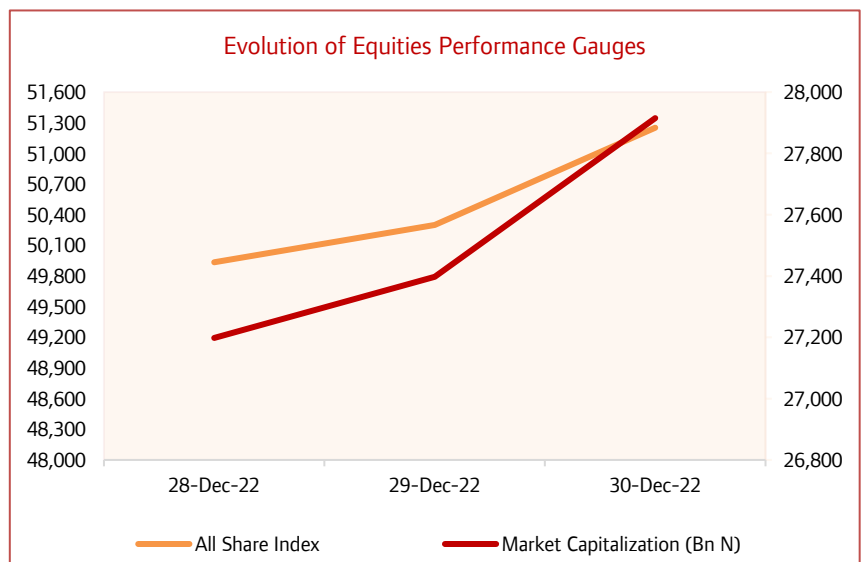
traded at the international capital market fell for most maturities tracked due to sustained sell pressure. As a result, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, both lost USD 0.55 and USD 0.71, while their corresponding yields rose to 12.48% (from 12.37%) and 12.29% (from 12.15%), respectively. On the positive side, the yield on the 10-year, 6.38% JUL 12, 2023, Eurobond fell to 9.06% (from 9.21%) as it gained USD 0.12.

In the new week, we expect FGN bond prices to decrease (with a corresponding rise in yields) at the OTC market amid the expected strain on financial system liquidity...

EQUITIES MARKET: Equities Market Strong Recovery on Santa Claus Rally, Profit-Taking Worth N5.62 trillion in 12 months....

The Santa Claus rally extended to the last trading day of the year on a positive sentiment and buying interest in the final trading sessions despite profit taking activities, and as demand for blue-chip stocks, especially medium cap and other large caps, supported the gain. Thus, the benchmark index rallied for another seven consecutive weeks and broke the 49,000 resistance levels to 51,000 psychological mark to close the year.

At the close of the week, the benchmark index trended northward by 3.11% week on week to 51,251.06 points and closing the year with a positive index return of 19.98% year to date and a month to date gain of 7.5% in December. Similarly, the market capitalisation of listed equities rose N841.5 billion across the three sessions this week to N27.92 trillion from N27.07 trillion in the prior week's close and from N22.29 trillion at the start of the year. This amounted to N5,618 billion profit for equities investors as the last seven weeks of 2022 saw the bull trend staying strong to aid the market's recovery mode heading into another trading year.



The bulls took dominance of activities and buoyed by strong buying interests and positive price moments which prompted gains in GEREGU (+29%), WEMABANK (+21%), CHAMPION (+17%), PRESCO (+14%), AIRTELAFRI (+10%). Across the sectoral gauges

under our coverage, the performance was largely bullish across the major indices tracked except for the Banking sector which traded southward this and dragged by price declines in FBNH, FIDELITYBNK, and ZENITHBANK. However, price appreciation in AIRTELAFRI, GEREGU, PRESCO drove the northward movement in the NGX Consumer Goods Sector by 4.85% week on week and was followed by NGX Insurance sector which gained 3.65% due to buying interest in CORNERST and AIICO. In the vein, the Oil and Gas Sector advanced 2.39% week on week while the NGX Industrial Goods sector rose 0.14% week on week.

Meanwhile, the level of trading activities in the week came in strong as the total traded volume inched further by 118.4% week on week to 1.88 billion and the total traded value cleared higher by 94.04% week on week to N18.99 billion. However, the total deals traded for the week plummeted again by 17.01% week on week to 12,035 trades for the week.

Looking ahead, the current trend is expected to continue on profit-taking and portfolio rebalancing ahead of the next earning season just as the market pullbacks add more strength to the upside potential of the index as we head into the new trading year. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, December 30, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	December 30, 2022	December 23, 2022	% Change	Symbol	December 30, 2022	December 23, 2022	% Change
GEREGU	149.00	115.50	29%	LIVESTOCK	1.09	1.19	-8%
WEMABANK	3.90	3.22	21%	FBNH	10.90	11.80	-8%
CORNERST	0.60	0.50	20%	FIDELITYBK	4.35	4.65	-6%
CHAMPION	5.50	4.70	17%	VITAFOAM	20.45	21.75	-6%
PRESCO	137.50	120.50	14%	COURTVILLE	0.46	0.48	-4%
NESTLE	1,100.00	980.00	12%	FIDSON	9.00	9.35	-4%
FCMB	3.85	3.50	10%	RTBRISCOE	0.26	0.27	-4%
UNITYBNK	0.55	0.50	10%	ETI	10.60	11.00	-4%
CAVERTON	0.99	0.90	10%	WAPIC	0.40	0.41	-2%
AIRTELAFRI	1,635.00	1,488.00	10%	ZENITHBANK	24.00	24.55	-2%

Weekly Stock Recommendations as at Friday, December 30, 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
PRESCO	15.88	19.05	39.06	3.30	8.66	200	73.00	137.5	165.0	116.9	158.1	20.00	Buy
TRANSCORP	0.47	0.56	3.98	0.42	2.43	1.52	0.90	1.13	1.3	1.0	1.3	18.93	Buy
UBA	3.39	4.07	23.64	0.32	2.21	8.85	6.55	7.60	9.1	6.5	8.7	20.00	Buy
AIRTELAFRI	40	78.46	426	3.83	40.4	2040	858	1,635	3,172	1,390	1,880	94.00	Buy
FIDELITY	1.21	1.54	11.23	0.41	3.85	4.65	2.23	4.35	5.6	3.7	5.0	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, December 30, 2022

FGN Eurobonds	Issue Date	TTM (years)	30-Dec-22	Weekly	30-Dec-22	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.53	98.66	0.12	9.1%	(0.15)
7.625 21-NOV-2025	21-Nov-18	2.90	91.99	(0.09)	10.9%	0.05
6.50 NOV 28, 2027	28-Nov-17	4.92	91.99	(0.09)	10.9%	0.05
6.125 SEP 28, 2028	28-Sep-21	5.75	77.12	(0.17)	11.7%	0.06
8.375 MAR 24, 2029	24-Mar-22	6.24	82.56	(0.26)	12.5%	0.08
7.143 FEB 23, 2030	23-Feb-18	7.16	76.32	(0.23)	12.2%	0.07
8.747 JAN 21, 2031	21-Nov-18	8.07	81.41	(0.32)	12.5%	0.08
7.875 16-FEB-2032	16-Feb-17	9.14	75.00	(0.43)	12.6%	0.10
7.375 SEP 28, 2033	28-Sep-21	10.75	70.90	(0.44)	12.3%	0.10
7.696 FEB 23, 2038	23-Feb-18	15.16	67.76	(0.55)	12.5%	0.11
7.625 NOV 28, 2047	28-Nov-17	24.93	64.00	(0.71)	12.3%	0.13
9.248 JAN 21, 2049	21-Nov-18	26.08	74.52	(0.51)	12.6%	0.09
8.25 SEP 28, 2051	28-Sep-21	28.76	66.24	(0.46)	12.6%	0.09

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

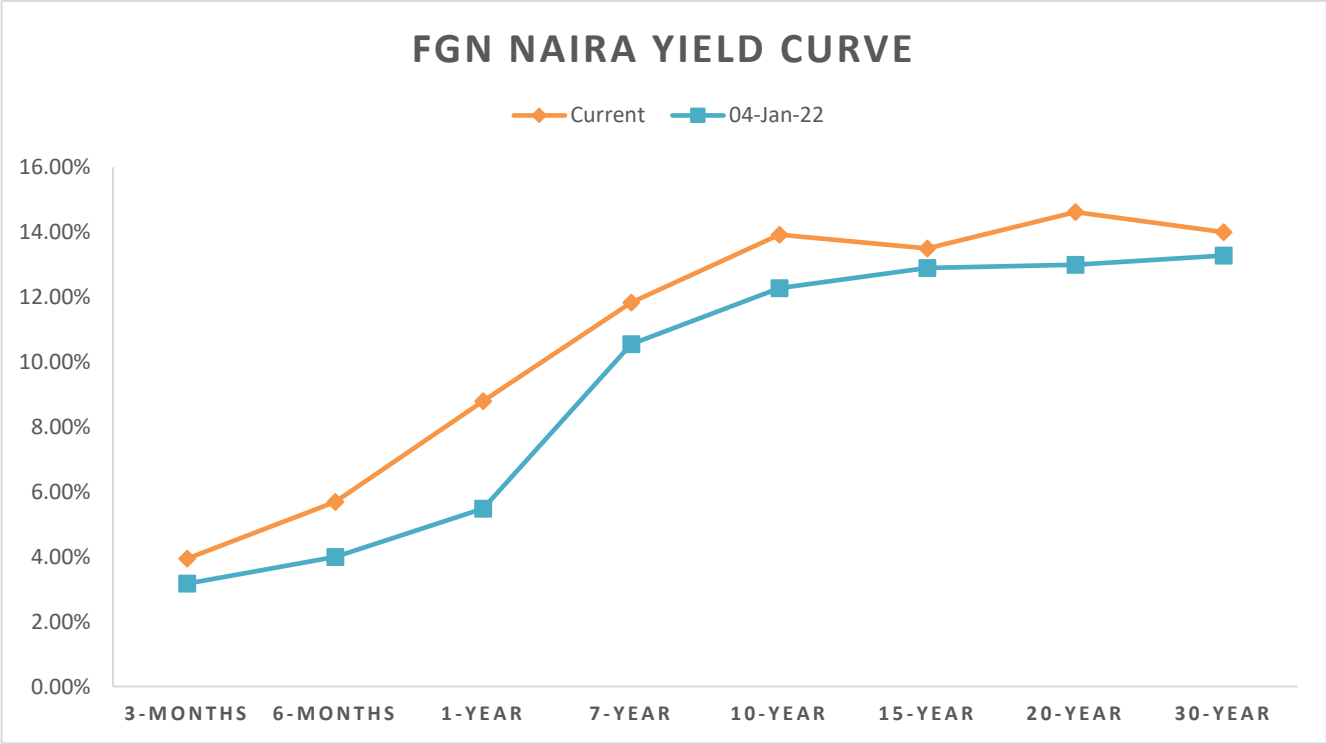
MAJOR	30-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0700	1.0661	0.37%	0.58%	1.46%	-6.09%
GBPUSD	1.2107	1.2052	0.45%	0.22%	-1.37%	-10.67%
USDCHF	0.9201	0.9230	-0.32%	-1.21%	-1.59%	1.10%
USD RUB	72.5000	72.0032	0.69%	5.05%	18.86%	-2.44%
USDNGN	447.0800	447.0800	0.00%	0.21%	0.82%	8.59%
USDZAR	16.9345	16.9616	-0.16%	-0.46%	-3.86%	6.04%
USDEGP	24.7400	24.7697	-0.12%	-0.04%	0.98%	57.98%
USDCAD	1.35	1.3546	-0.10%	-0.39%	0.84%	7.29%
USDMXN	19.46	19.4458	0.08%	0.65%	1.80%	-5.03%
USDBRL	5.29	5.2676	0.35%	2.31%	1.95%	-5.12%
AUDUSD	0.6809	0.6778	0.45%	1.12%	-0.25%	-6.44%
NZDUSD	0.6371	-0.0600	0.37%	1.14%	-0.12%	-6.49%
USDJPY	131.5200	133.0097	-1.12%	-0.79%	-2.61%	14.48%
USDCNY	6.9051	6.9727	-0.97%	-1.38%	-1.85%	8.55%
USDINR	82.6110	82.7600	-0.18%	-0.20%	1.84%	10.94%



Global Commodity Prices as at 4:00 PM GMT+1, Friday, December 30, 2022

Commodity		30-Dec-22	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	78.9	78.4	0.67%	-1.63%	-3.54%	4.52%
BRENT	USD/Bbl	84.0	83.5	0.68%	-1.23%	-3.86%	7.90%
NATURAL GAS	USD/MMBtu	4.4	9.8	-2.89%	-11.17%	-33.29%	18.60%
GASOLINE	USD/Gal	2.4	2.4	1.73%	0.67%	2.81%	8.03%
COAL	USD/T	404.2	402.5	0.41%	0.87%	1.80%	137.60%
GOLD	USD/t.oz	1,820.5	1,814.8	0.31%	1.19%	0.91%	-0.50%
SILVER	USD/t.oz	23.7	23.9	-0.61%	0.44%	4.57%	2.31%
WHEAT	USD/Bu	794.1	774.0	2.60%	-0.31%	-1.20%	0.37%
PALM-OIL	MYR/T	4,174.0	4,090.2	2.05%	8.98%	2.35%	-11.13%
COCOA	USD/T	2,573.0	2,577.9	-0.19%	-1.67%	4.53%	2.54%

FGN Bonds Yield Curve, Friday, December 30, 2022



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