

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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FOREX MARKET: Naira Slides Across FX Markets on Sustained Dollar Scarcity, Heightened Demand ...

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MONEY MARKET: NITTY Moderates for All Maturities amid Bullish Sentiment....

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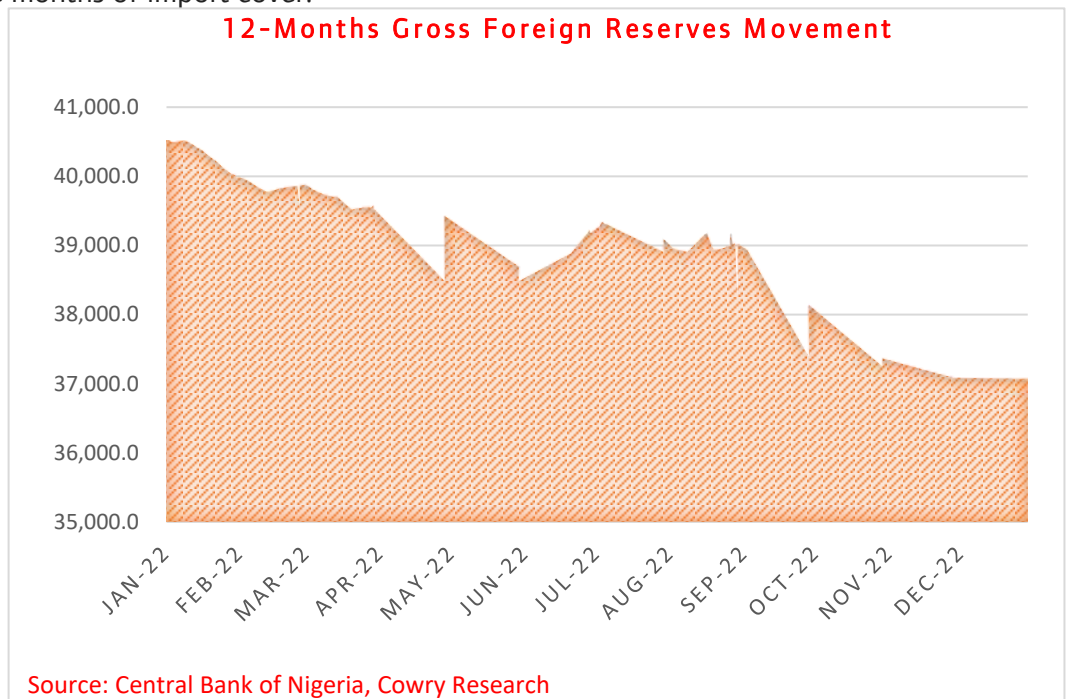
Looking ahead, we anticipate mixed trend on profit taking and positive sentiment to pervade the market in the coming days as bargain hunting activities continue ahead of the January effects and volatility just as the market pullbacks add more strength to the upside potential of the index.

ECONOMY: Official reserves lost \$3.45bn in 2022 Due to Swelling FX Pressures, Low Oil Receipts...

This week, we consider the latest data from the Central Bank of Nigeria, which showed that gross external reserves lost \$3.45 billion in 2022. This signals an 8.5% decline in 12 months, and the steep decline in the gross reserves trend can be principally attributed to increasing pressure from the foreign exchange market and the low receipts from crude oil.

Nigeria's official gross reserves kicked off the new year 2023 at \$37.07 billion and still stay below the \$40 billion mark in 12 months since early February 2022, when they printed \$40.01 billion, defying all odds of climbing back up the ladder despite the positive rally in crude oil prices on the back of the Russian invasion of Ukraine. Thus, the data showed that the total reserves as of December 2022 could cover on average 8.4 months of merchandise imports on a balance of payments basis and a bit over 6 months when services are included (goods and services). This is, however, more than the international standard of three months of import cover.

Nigeria's inability to reap immensely from the oil price rally and other foreign exchange sources has contributed largely to the freefall of the gross reserves so far. The unrest in Eastern Europe brought about a significant rise in the price of oil in 2022 to a record \$120 per barrel; the development benefitted some major producers with huge oil export earnings. However, Nigeria's major foreign exchange sources have, over the years, become prone to exogenous fluxes in the face of global economic evolutions in recent times.



It can be recalled that in November 2022, Godwin Emefiele, the CBN Governor, said at the annual bankers' lecture held in Lagos that the huge decline in the external reserves still comes from Nigeria's struggles with the naira depreciation and the increased demand for foreign exchange. He also said Nigeria's foreign exchange receipts declined from \$3 billion monthly in 2014 to absolutely zero dollars in 2022 as a result of declining foreign exchange inflows from crude oil sales.

Still and all, the currency situation, which has seen the Naira reach an all-time low, and the low capital inflow from the international market owing to capital controls by some central banks, have also continued to choke the accumulation of foreign reserves over the years. This is evident with the rising debt levels across economies around the globe and the various policies to discourage capital flight in the wake of a looming recession.

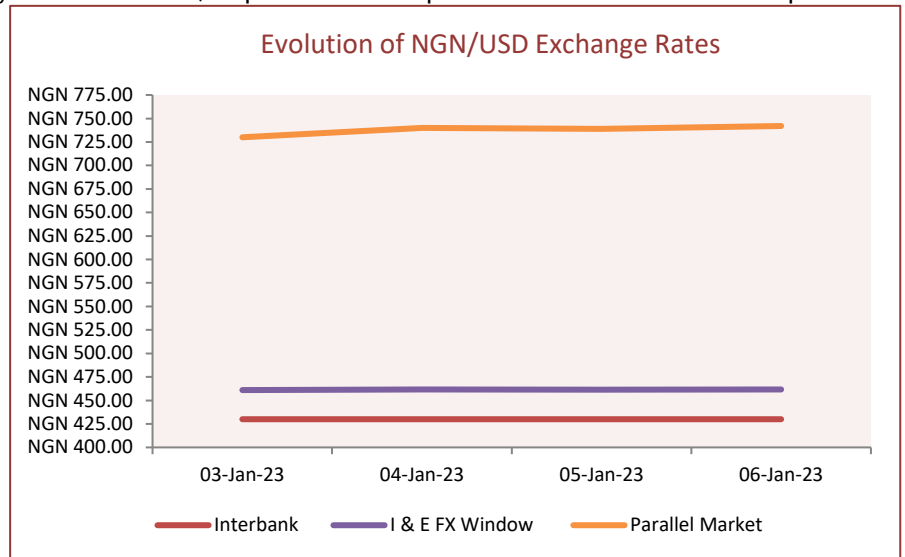
Also, we see that the continued demand and supply mismatch in the foreign exchange market still shows the monetary weakness of the apex bank in bringing to execution actionable frameworks to support the inflow of foreign exchange earned from exports as well as foreign direct investments. A good example of the above is the Naira4dollar scheme introduced in 2021 and the RT200 FX scheme to grow Nigeria's FX earnings above \$200 million within 3-5 years, amongst other initiatives by the CBN. According to the CBN helmsman, the introduction of several schemes to drive FX earnings through repatriation of export proceeds is likely to hit \$1 billion by January 2023, while almost \$2 billion was realized from the RT\$200 million in 2022.

Cowry Research thinks pressure on the gross official reserves will be on the increase, heading gradually into 2023, on the back of continued depreciation of the naira against the greenback. In 2022, the naira lost almost 9% of its value against the greenback despite the significant interest rate hikes by the US Federal Reserve. On the other hand, addressing the issues of crude oil theft and vandalism with efforts to increase production to a significant level (1.69 mbpd in the 2023 budget) can be a boost to petrodollar earnings for Nigeria and, in turn, improve its reserve levels.

FOREX MARKET: Naira Slides Across FX Markets on Sustained Dollar Scarcity, Heightened Demand....

Heightened demand for the dollar sustained its pressure on the Naira following Nigerian banks' resolve to ration FX spending limit for customers as well as the unavailability of new banknotes following the rollouts of the newly redesigned naira by the apex bank. However, the new year was graced with currency scarcity across market segments as dollar scarcity come on renewed demand for the greenback by manufacturers, exporters and importers alike who are on the prowl for FX for business purpose.

At the investors and exporters' FX window the Naira slip for another week by N0.17 or 0.04% week on week to close at N461.67/USD from N461.50/USD in the previous week's after the rollout of banknotes by the CBN was graced by limited supply from banks to Nigerians. Also, the exchange rate fiasco between the Naira and Dollar continued for another week at the open parallel market window as the rate tanked by 0.68% or N5 week on week to N742/USD from N737/USD last week. Thus, market participants maintained bids between N465/USD and N470/USD at the I&E segment while at the open market, bids ranged between N736/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 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 2 month, 3 month and 6 month tenors by 21bps, 5bps and 4bps week on week to close at contract offer prices of N475.11/USD,, N479.54/USD and N497.58/USD. Contrary, the 1 month and 12 month forward contracts trended in a depreciating corner week on week by 0.49% and 0.21% to close at N470.35/USD and N530.67/USD respectively.

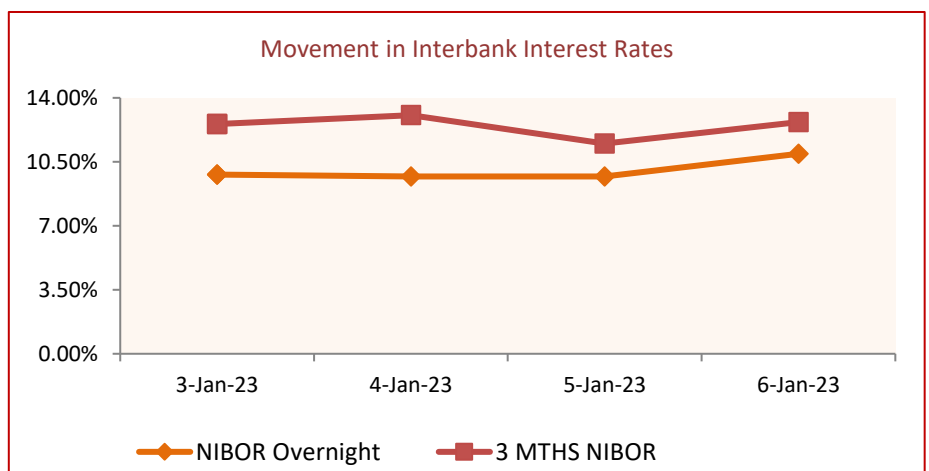
In the just concluded week, we saw the Bonny light crude price skid in the oil market by 4.1% or (USD3.35) week on week to close the week at USD78.93 per barrel (Jan.5) from USD82.28 per barrel as we saw the 2022 oil price rally begin to fizzle out and demand concerns shove oil benchmarks down.

Next week, we expect to incresaed demand for the greenback as well as the local banknotes as the deadline for deposition of old banknotes draws closer. 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 All Maturities amid Bullish Sentiment...

In the just concluded week, N10 billion worth of Treasury bills matured via OMO without refinancing from the CBN. Despite the net inflow, NIBOR moved in mixed directions across the maturities tracked. Specifically, NIBOR for overnight funds and 1 month rose to 10.94% (from 10.00%) and 11.93% (from 11.50%), respectively. In contrast, NIBOR for 3 months and 6 months tenor buckets declined to 28.68% (from 13.06%) and 13.19% (from 13.94%), respectively.

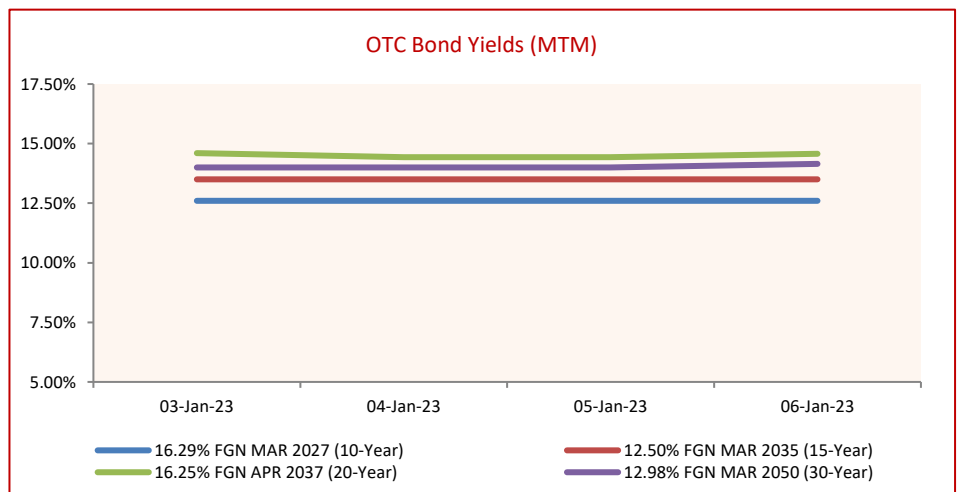
Elsewhere, NITTY tanked for all maturities tracked as investors continued to demand fixed-income securities, especially treasury bills: yields on 1-month, 3-month, 6-month, and 12-month maturities moderated to 2.74% (from 2.75%), 3.23% (from 3.94%), 3.63% (from 5.69%), and 6.05% (from 8.88%), respectively.



In the new week, we expect CBN to refinance T-bills worth N56.91 billion that will mature via the primary market; viz: 90-day bills worth N1.55 billion, 182-day bills worth N1.46 billion, and 364-day bills worth N53.90 billion. We expect the stop rates of the new issuances to moderate as a result of a likely increase in demand...

BOND MARKET: OTC FGN Bond Yields Rise for Most Maturities on Bullish Activity...

In the just concluded week, values of FGN bonds traded at the over-the-counter (OTC) segment appreciated for most maturities tracked amid renewed demand pressure. Notably, the 10-year, 16.29% FGN MAR 2027 paper, and the 20-year, 16.25% FGN APR 2037 paper, gained N4.41, and N0.34 as their corresponding yields fell to 12.60% (from 13.93%), and 14.57% (from 14.62%), respectively. However, the 30-year, 12.98%



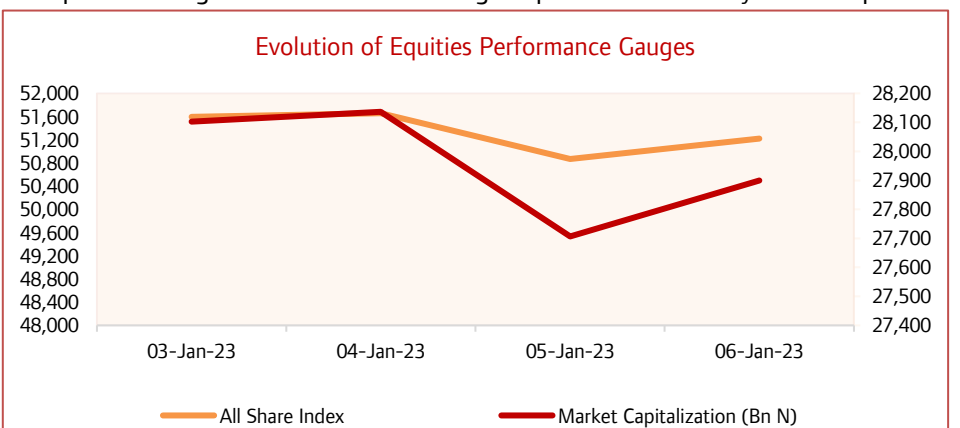
FGN MAR 2040 bond lost \$0.99; its corresponding yield rose to 14.15% (from 14.00%), while the yield of the 15-year, 12.50% FGN MAR 2035 note remained unchanged at 13.50% w-o-w.

In other news, the value of FGN Eurobonds traded on the international capital market increased across all maturities due to renewed buy interest. Specifically, the 10-year, 6.38% JUL 12, 2023, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, all gained USD 0.44, USD 1.95, and USD 2.25, while their corresponding yields fell to 8.23% (from 9.06%), 12.22% (from 12.48%), and 11.87% (from 12.29%), respectively.

In the new week, we expect the value of FGN Bonds to fall (and yields to rise) as investors scramble for short-term fixed-income securities...

EQUITIES MARKET: NGX Halts 7-week gains on Waning Sentiments, Negative Price Movement....

After the positive close of 2022 in the spirit of a Santa Claus rally, the Lagos bourse opened for trading in 2023 on Tuesday with a positive close. However, it closed the week southward to halt the seven consecutive weeks of bullish transition occasioned by the pullback experienced mid-week due to sell-offs and profit-taking in some of the mid-large cap stocks. It is likely that the positive rally may linger for a long-time as listed companies continue notifying the exchange of their closed periods and planned board meetings.



At the close of the week, the benchmark index declined by a marginal 6 basis points week on week to 51,222.34 points and a negative index return of 0.056%. Similarly, the market

capitalisation of listed equities tanked N15.64 billion across four sessions this week to N27.89 trillion from N27.91 trillion in the prior week's close. Notwithstanding, as the year begin to take shape, the January effect in the equities that has always been positive in the past years will likely drive the ongoing volatility for a longer period as investors are keeping an open eye on various macroeconomic data and the forthcoming MPC meeting in January as well as the churn out of the Q4 and full-year financials.

Across the sectoral gauges under our coverage, the performance was largely bullish across the most of the indices tracked except for the Industrial sector which trended southward (-0.58%). On the contrary, the Consumer Goods index led the gainers' chart this week after closing +6.44% from last week and was followed by Banking (+4.27%), Insurance (+2.68%) and Oil and Gas indices

which also gained by +0.06%. Topping the chart for the week saw NAHCO (+16%), NB (+15%) and BUAFOODS (+15%) emerged as top gainers while the laggards were CHAMPION (-16%), AIRTELAFRI (-5%) and NESTLE (-2%).

Meanwhile, the level of trading activities declined as the total traded volume slumped by 50.96% week on week to 921.86 million and the total traded value plummeted also by 19.12% week on week to N15.36 billion. However, the total deals traded for the week surged by 29.63% week on week to 15,601 trades for the week.

Looking ahead, we anticipate mixed trend on profit taking and positive sentiment to pervade the market in the coming days as bargain hunting activities continues ahead of the January effects and volatility just 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, January 06, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	January 06 2023	December 30 2022	% Change	Symbol	January 06 2023	December 30 2022	% Change
NAHCO	7.40	6.40	16%	CHAMPION	4.64	5.50	-16%
NB	47.00	41.00	15%	UPL	1.76	1.90	-7%
BUAFOODS	74.50	65.00	15%	JAIZBANK	0.87	0.92	-5%
FIDELITYBK	4.75	4.35	9%	AIRTELAFRI	1,550.00	1,635.00	-5%
FIDSON	9.79	9.00	9%	NASCON	10.55	11.10	-5%
UBN	6.95	6.40	9%	FCMB	3.70	3.85	-4%
AIICO	0.64	0.59	8%	FTNCOCOA	0.28	0.29	-3%
NEIMETH	1.55	1.43	8%	PZ	11.00	11.35	-3%
RTBRISCOE	0.28	0.26	8%	ARDOVA	18.00	18.40	-2%
ETERNA	7.20	6.69	8%	NESTLE	1,080.00	1,100.00	-2%

Weekly Stock Recommendations as at Friday, January 06, 2023

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	1.17	1.4	1.0	1.3	18.93	Buy
UBA	3.39	4.07	23.64	0.32	2.36	8.85	6.55	8.00	9.6	6.8	9.2	20.00	Buy
AIRTELAFRI	40	78.46	426	3.64	38.3	2040	858	1,550	3,007	1,318	1,783	94.00	Buy
DANG. CEM	12.51	16.01	49.19	5.33	20.95	300	220	262	335.4	222.7	301.3	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 06, 2023

FGN Eurobonds	Issue Date	TTM (years)	06-Jan-23	Weekly	06-Jan-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.51	99.10	0.44	8.2%	(0.83)
7.625 21-NOV-2025	21-Nov-18	2.88	93.26	1.27	10.4%	(0.54)
6.50 NOV 28, 2027	28-Nov-17	4.90	93.26	1.27	10.4%	(0.54)
6.125 SEP 28, 2028	28-Sep-21	5.73	78.58	1.46	11.3%	(0.40)
8.375 MAR 24, 2029	24-Mar-22	6.22	84.13	1.57	12.1%	(0.41)
7.143 FEB 23, 2030	23-Feb-18	7.14	77.46	1.14	11.9%	(0.28)
8.747 JAN 21, 2031	21-Nov-18	8.05	82.94	1.52	12.1%	(0.34)
7.875 16-FEB-2032	16-Feb-17	9.12	76.54	1.54	12.2%	(0.34)
7.375 SEP 28, 2033	28-Sep-21	10.73	72.60	1.71	12.0%	(0.36)
7.696 FEB 23, 2038	23-Feb-18	15.14	69.71	1.95	12.1%	(0.38)
7.625 NOV 28, 2047	28-Nov-17	24.91	66.25	2.25	11.9%	(0.42)
9.248 JAN 21, 2049	21-Nov-18	26.06	76.54	2.01	12.3%	(0.33)
8.25 SEP 28, 2051	28-Sep-21	28.75	68.21	1.97	12.3%	(0.36)

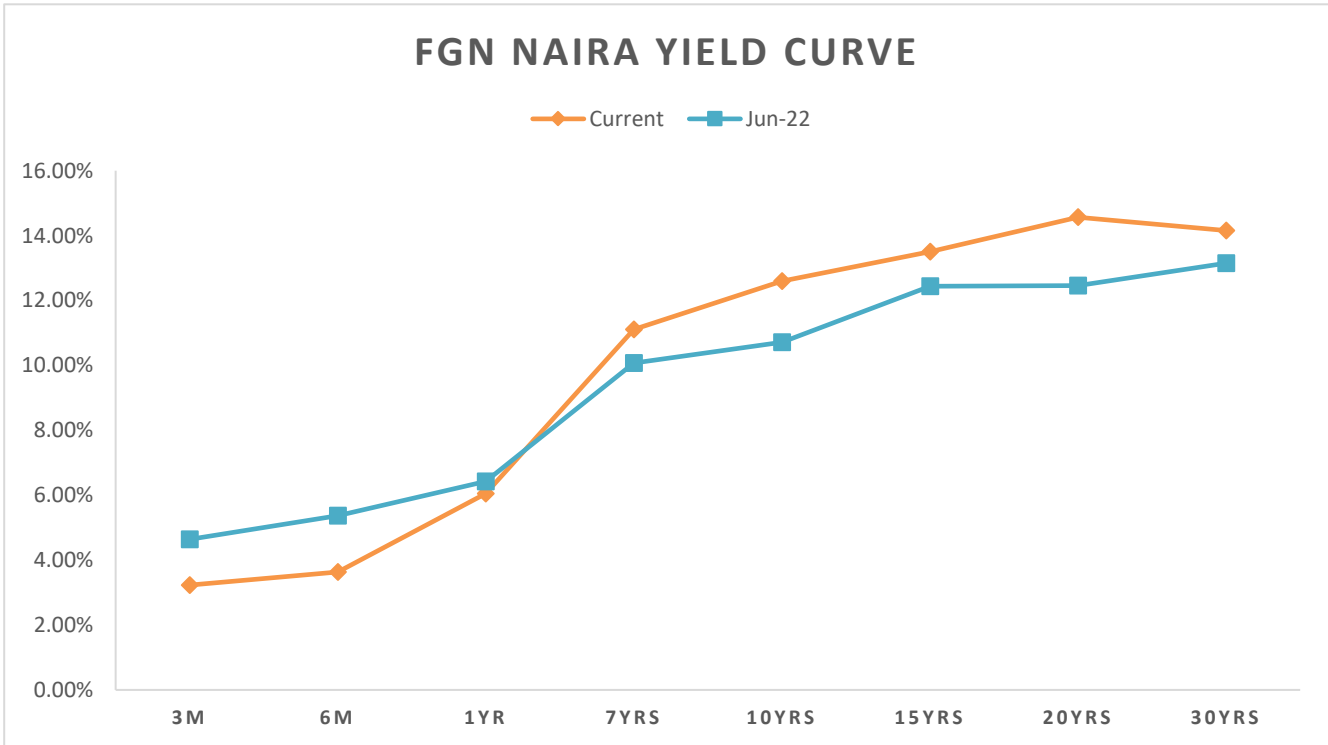
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 06, 2023

MAJOR	06-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0533	1.0520	0.12%	-1.63%	0.22%	-7.32%
GBPUSD	1.1921	1.1906	0.12%	-1.54%	-2.37%	-12.33%
USDCHF	0.9364	0.9361	0.03%	1.33%	-0.41%	2.00%
USDRUB	72.9415	71.1486	2.52%	0.02%	18.88%	-3.85%
USDNGN	449.0300	449.0300	0.00%	0.32%	1.06%	8.73%
USDZAR	17.2403	17.1596	0.47%	1.39%	0.39%	10.60%
USDEGP	27.1500	26.4002	2.84%	9.74%	10.59%	73.26%
USDCAD	1.35	1.3569	-0.35%	-0.18%	-0.93%	6.97%
USDMXN	19.20	19.3098	-0.57%	-1.40%	-2.31%	-5.72%
USDBRL	5.28	5.3511	-1.28%	-0.09%	1.46%	-6.29%
AUDUSD	0.6780	0.6749	0.45%	-0.57%	0.80%	-5.62%
NZDUSD	0.6260	-0.0600	0.51%	-1.41%	-1.46%	-7.60%
USDJPY	133.5820	133.3952	0.14%	1.95%	-2.15%	15.68%
USDCNY	6.8535	6.8907	-0.54%	-0.98%	-1.52%	7.41%
USDINR	82.5750	82.5667	0.01%	-0.17%	0.45%	11.18%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 06, 2023

Commodity		06-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	74.7	73.7	1.42%	-6.73%	3.57%	-4.57%
BRENT	USD/Bbl	80.1	78.7	1.79%	-6.60%	3.41%	-1.02%
NATURAL GAS	USD/MMBtu	3.7	9.8	-0.70%	-17.41%	-34.20%	-5.62%
GASOLINE	USD/Gal	2.3	2.3	1.37%	-7.14%	10.18%	-0.20%
COAL	USD/T	400.0	397.5	0.63%	-1.03%	-1.23%	105.13%
GOLD	USD/t.oz	1,847.2	1,833.3	0.76%	1.33%	3.49%	2.95%
SILVER	USD/t.oz	23.6	23.2	1.78%	-1.25%	4.14%	6.12%
WHEAT	USD/Bu	754.2	746.7	1.00%	-4.52%	0.89%	-0.30%
PALM-OIL	MYR/T	4,052.0	4,090.0	-0.93%	-2.92%	2.09%	-18.85%
COCOA	USD/T	2,597.0	2,616.9	-0.76%	-0.15%	4.17%	2.98%

FGN Bonds Yield Curve, Friday, January 06, 2023



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