

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### FOREX MARKET: Naira Slides Further Across FX Markets as Dollar, New Banknotes Scarcity Bites ...

Next week, we expect to increase demand for the greenback as well as the local banknotes as the deadline for deposition of old banknotes inch closer while we wait to see the multiplier effect of the policy across facets of the economy in the face of currency paucity and gradual transition to the cashless policy.

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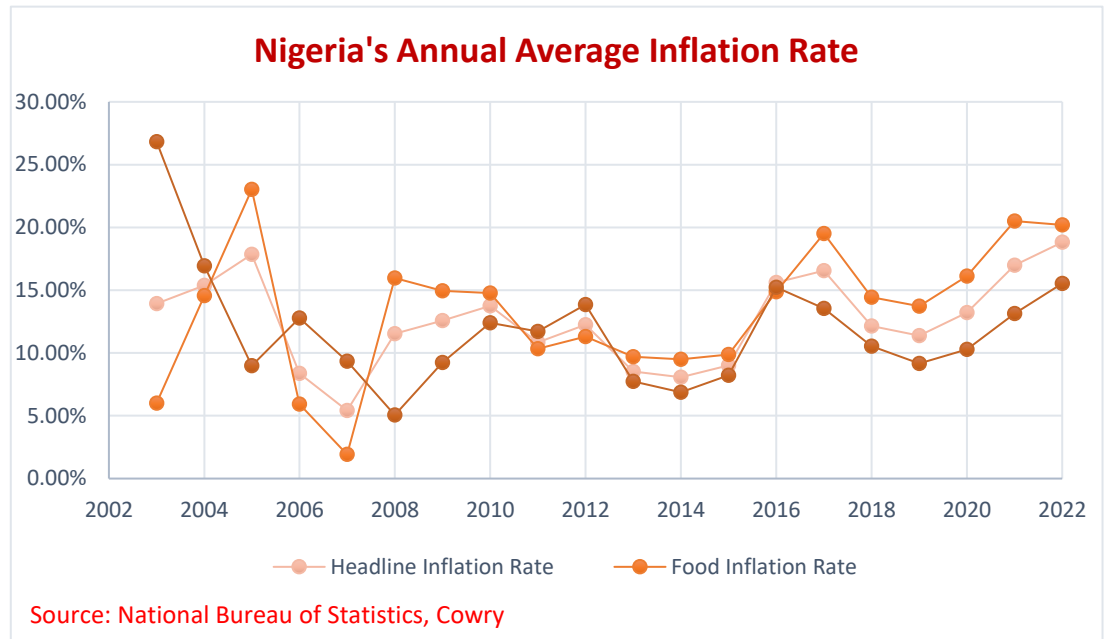
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## ECONOMY: Inflation Drivers Still on Sharp Rise Ahead of January MPC Meeting, December Inflation Report...

On Monday, the National Bureau of Statistics (NBS) will publish its December 2022 consumer price index (CPI) report as one of many other macroeconomic data that investors, policymakers and consumers, at large, look forward to seeing in the face of the forthcoming first monetary policy meeting which should drive their sentiment and investment direction for 2023 as we head into the 2023 general elections in approximately six weeks from now.

As we know before now, in November 2022, Nigeria's headline inflation was at a 17-year high of 21.47% year on year and in line with our expectations (21.50%) for a slow acceleration in November and also in December 2022 headline numbers. Also, the Abuja-based statistics office reported that core inflation climbed by 49 basis points to 18.24% year on year, much higher than the 16 basis points increase in October and then the food index rose 40 basis points to 24.13% year on year in November.



Nigerians are living on a shoestring as the hounds of inflation eat deeper into incomes and also erode the value of the purchasing power of consumers. Though, we opined in our outlook that inflation will remain elevated just as is seen globally and will be driven by the continued rise in energy prices. In this analysis, we flipped through the pages of the last report for the key drivers of inflation ahead of the forthcoming monetary policy meeting and release of inflation report.

Across the globe, inflation climbed high in 2022 as a result of the emergence of unplanned external shocks such as the disruption caused by the war in Ukraine that has worsened structural bottlenecks. Nigeria is not left out of this fiasco as its inflation has risen sharply in recent months and is driven by core and food inflation rising trends. We note major triggers of inflation to include insecurity, rampaging floods, high import costs as well as the depreciation in the foreign exchange value.

Consequently, imported food inflation was up by 15 basis points to 18.23% year on year; while the ongoing war between Russia and Ukraine has triggered the rise in prices of food and commodities globally, as seen in elevated inflation rates for many countries around the world. NBS data revealed that in November, the average retail price paid by consumers for diesel increased by 191.1% year on year to N808.87 per litre.

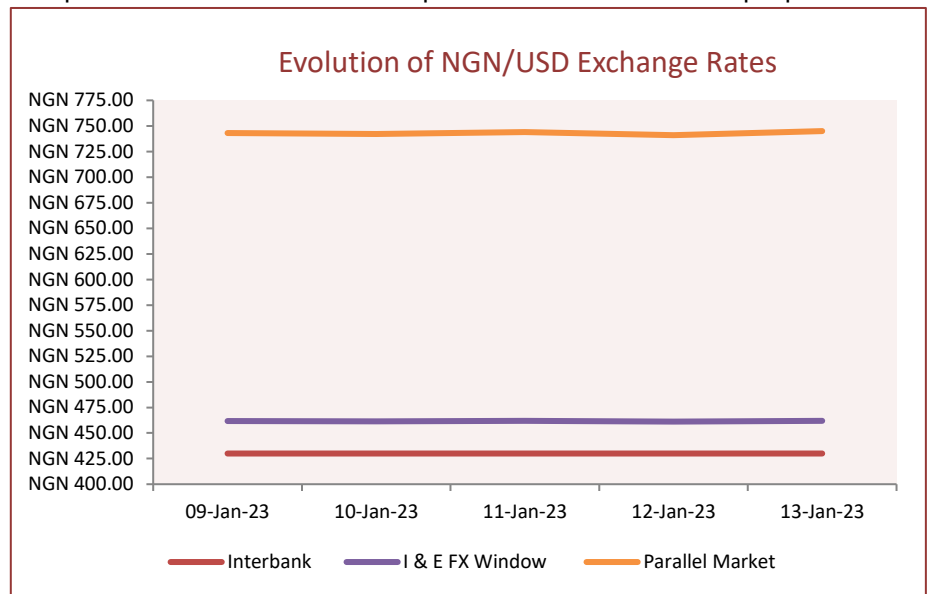
Given that the price of PMS is largely subsidized by the government, its price increase was modest compared with other liquid fuels. As such, the Premium Motor Spirit (PMS) price watch data shows that the average price paid by consumers for PMS increased by 20.8% year on year and 3.7% month on month to N202.48 per litre in November. Though there was scarcity at retail outlets across the country and price increases during the yuletide and into 2023, this may be on the rise for another month.

Notwithstanding efforts by the monetary authority to fight spiralling inflation that has stayed unabated so far, at the next convention next week, the apex bank is faced with the dilemma of tightening or holding rates to monitor inflationary movement as it decides on several economic indicators that will help spur growth and recovery. We believe that a moderate uptick in the headline numbers will skew the voting pattern of the committee members in favour of maintaining a tightening stance by between 50 basis points and 75 basis points. Still, our December 2022 inflation expectation still prints at 21.98% while the average annual inflation prints 18.82% for 2022.

## FOREX MARKET: Naira Slides Further Across FX Markets as Dollar, New Banknotes Scarcity Bites....

As the deadline for the phaseout of the old Naira notes by the Central Bank of Nigeria inch closer, the unavailability of the new banknotes gives speculators and traders a call for concern over the drive to cashless dispensation. Just like we noted last week, the new year was graced with currency scarcity across market segments as dollar scarcity comes on renewed demand for the greenback by manufacturers, exporters and importers alike who are on the prowl for FX for business purposes.

At the investors' and exporters' FX window, the Naira slip for another week by N0.23 or 0.05% week on week to close at N461.90/USD from N461.67/USD in the previous week's as the fx pressure continue on growing demand in the absence of the local currency. 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 0.4% or N3 week on week to N745/USD from N732/USD last week. Thus, market participants maintained bids between N460/USD and N465/USD at the I&E segment while in the open market, bids ranged between N740/USD and N747/USD.



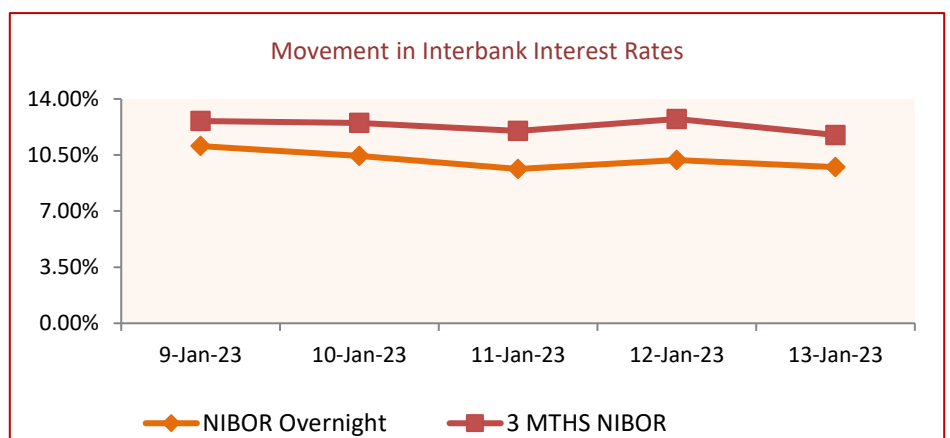
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchained from the previous week as it closed the week at N445/USD from last week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, the trend across most tenors closed negative. Thus, the 12-month Forward Contract was the lone gainer against the dollar as it rose 1.22% week on week to N524.22 per dollar. Meanwhile the 1-month, 2-month, 3 month and 6-month contracts all skid by 1.33%, 1.21%, 0.58% and 2.45% week on week to close at contract offer prices of N476.61/USD, N480.84/USD, N482.30/USD and N509.77/USD respectively.

In the oil market this week, brewing uncertainty regarding the timing of China's demand recovery gradually takes the stage due to the zero-Covid policy in the country. Regardless of the abstruseness, the global oil price is witnessing a favourable movement buoyed by the US inflation numbers. On the home front, we saw the Bonny light crude price rally in the oil market by 6.82% or (USD5.38) week on week to close at USD84.31 per barrel (Jan12) from USD78.93 per barrel.

Next week, we expect to increased demand for the greenback as well as the local banknotes as the deadline for deposition of old banknotes inch closer while we wait to see the multiplier effect of the policy across facets of the economy in the face of currency paucity and gradual transition to the cashless policy.

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

In the just concluded week, the CBN auctioned T-bills worth N56.93 billion via the primary market at lower rates for all maturities; the stop rate for the 91-day bill fell to 2.00% (from 4.33%), the 182-day bill decreased to 4.33% (from 7.15%), and the 364-day bill dropped to 7.30% (from 8.49%). Notably, the average PMA stop rate fell to 4.54% (from 6.13% at the previous auction) amid strong demand for Treasury securities as the bid-to-cover ratio was 6.83x, with total subscriptions amounting to N389.04 billion.



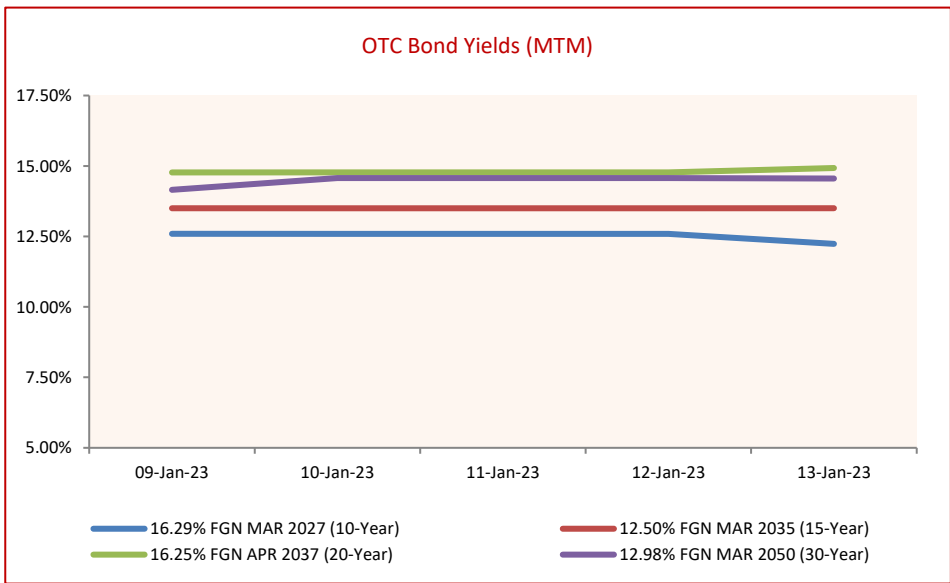
However, NITTY moved in mixed directions (w-o-w) in the secondary market despite falling primary market stop rates. Specifically, NITTY for 1 month and 3 months fell to 1.83% (from 2.74%) and 2.71% (from 3.23%), respectively, while NITTY for 6 months and 12 months maturities rose to 3.81% (from 3.63%), and 6.37% (from 6.05%), respectively.

Meanwhile, given the N10 billion in matured bills as opposed to the zero auctioned bills via Open Market Operations (OMO), NIBOR closed southward (bullish) for most tenor buckets tracked. Specifically, NIBOR for Overnight Funds, 1-month, 3-month, and 6-month maturities declined to 9.75% (from 10.94%), 10.75% (11.93%), 11.75% (from 12.68%), and 12.50% (from 13.19%), respectively.

In the new week, we expect activity in the money market to be bearish amid limited maturing Treasury and OMO bills...

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

In the just concluded week, the values of FGN bonds traded at the over-the-counter (OTC) segment depreciated for most maturities tracked amid sustained bearish activity. Specifically, the 20-year, 16.25% FGN APR 2037 paper and the 30-year, 12.98% FGN MAR 2040 bond, lost N2.30, and N2.46 as their corresponding yields rose to 14.93% (from 14.57%) and 14.55% (from 14.15%), respectively. However, the 10-year, 16.29% FGN MAR 2027 paper, gained N1.21 as its corresponding yield fell to 12.24% (from 12.60%), while the yield of the 15-year, 12.50% FGN MAR 2035 note remained unchanged at 13.50% w-o-w.



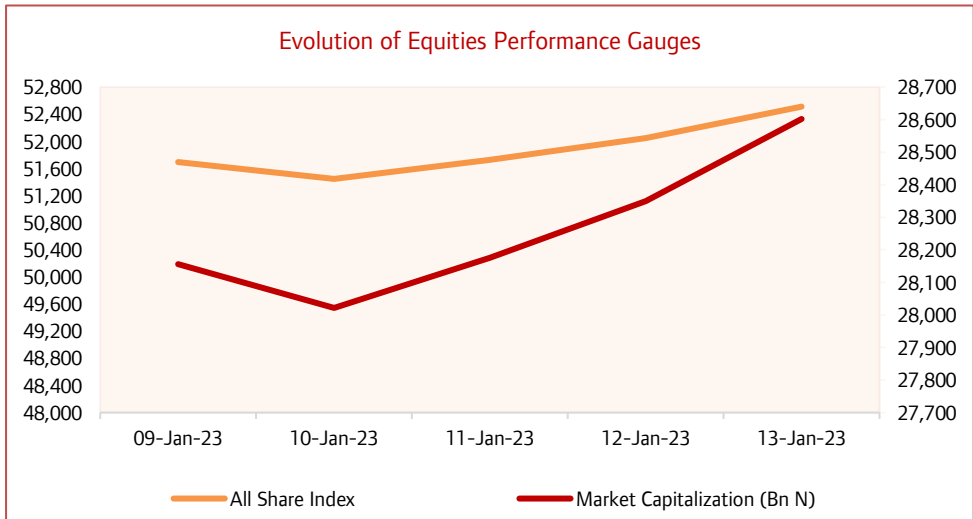
Elsewhere, the value of FGN Eurobonds traded on the international capital market appreciated for all maturities tracked amid renewed demand pressure. Specifically, the 10-year, 6.38% JUL 12, 2023, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, all gained USD 0.41, USD 5.81, and USD 6.67, while their corresponding yields fell to 7.41% (from 8.23%), 11.07% (from 12.11%), and 10.77% (from 11.87%), respectively. Notably, wide expectations for a slowdown in the pace of the US Fed's fund rate hike could lead to the US dollar and treasuries decreasing while boosting demand for sub-Saharan Africa (SSA) sovereign bonds.

In the new week, we expect OTC bond prices to depreciate (and yields to rise) due to the expected strain on financial system liquidity...

### EQUITIES MARKET: NGX Rebounds 2.32% w/w on Strong Buy Power, Earnings Expectations....

The unpredictability of the domestic bourse stayed again this week as the composite NGX All-Share index bounce back to close higher in the midst of increasing buy power and strong momentum, in spite of the seeming profit-taking activities in some medium and low stocks at the close of last week. The rebound was driven by position-taking in dividend-paying companies as fourth-quarter and full-year earnings begin to take centre-stage this January in the face of positive sentiment and market breadth. These are expected to come alongside the December consumer price index in the week to give direction and influence the flow of liquidity in the economy.

After the deterioration reported last week, the benchmark index rose this week by 2.52% week on week to 52,512.48 points on the back of strong demand across the banking, industrial and oil and gas sectors. This comes as investors continue to bet on the equities in wait for the outcome of the next monetary



policy meeting next week. Resultantly, investors gained N702.71 billion from 4 trading sessions as the market year-to-date return printed at 2.46%. Thus, the market cap rose 2.52% week on week to N28.60 trillion.

It was a bullish close for most of the sectors under our purview except for the Insurance index which closed bearish and declined by 1.64% week on week. On the other hand, positive price movements and pressured demand in GTCO, ZENITH BANK, ACCESS CORP and FIDELITYBNK drove the banking index by 3.48% gain week on week and was followed by the Industrial Goods index which gained 3.34% due to demand strong buys in DANGCEM, WAPCO and BUACEM this week. Also, renewed buying triggers in TOTAL, ARDOVA and CONOIL drove gains in Oil and Gas by 3.19% and then the Consumer Goods Index gained 0.68% week on week and was buoyed by price appreciations in MTNN, PZ AND UNILEVER.

The buying pressure stayed strong across the board and supported the benchmark index's trading above the 200-Day Moving Average on a daily and weekly time frame due to positive sentiments. Resultantly, market activities were on the bull trend as the total deals for the week jumped 27.02% to 19,816 this week as stockbrokers recorded a 39.45% increase in trade volumes to 1.29 billion and valued at N29.63 billion indicating an increase of 93% week on week.

On the outlook, we expect the positive sentiment to continue in the new week as investors continue to position ahead of the December consumer price index from the NBS and the releases of the fourth quarter earnings by corporates. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

## Weekly Gainers and Loser as at Friday, January 13, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	January 06 2023	December 30 2022	% Change	Symbol	January 06 2023	December 30 2022	% Change
CHAMS	0.27	0.23	17%	NEM	4.05	4.50	-10%
ABCTTRANS	0.29	0.25	16%	CORNERST	0.55	0.60	-8%
LIVESTOCK	1.30	1.13	15%	UBN	6.45	6.95	-7%
MBENEFIT	0.32	0.28	14%	MANSARD	2.00	2.13	-6%
REGALINS	0.28	0.25	12%	NAHCO	7.00	7.40	-5%
UPDC	1.04	0.93	12%	CAVERTON	0.96	1.01	-5%
STERLNBANK	1.55	1.40	11%	FIDSON	9.34	9.79	-5%
TOTAL	212.30	193.00	10%	STANBIC	32.00	33.45	-4%
BERGER	6.60	6.00	10%	PZ	10.55	11.00	-4%
ELLAHLAKES	3.96	3.60	10%	MULTIVERSE	3.85	3.98	-3%

## Weekly Stock Recommendations as at Friday, January 13, 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
OKOMUOIL	18.92	22.46	40.55	4.07	8.72	216.90	104	165	195.80	140.3	189.8	18.93	Buy
UBA	3.39	4.07	23.64	0.35	2.46	8.85	6.55	8.35	10.0	7.1	9.6	20.00	Buy
AIRTELAFRI	40	78.46	426	3.64	38.3	2,040	858	1,550	3,007	1,318	1,783	94.00	Buy
DANG. CEM	12.51	16.01	49.19	5.49	21.59	300	220	270	345.6	229.5	310.5	28.00	Buy

## FGN Eurobonds Trading Above 8% Yield as at Friday, January 13, 2023

FGN Eurobonds	Issue Date	TTM (years)	13-Jan-23 Price (N)	Weekly USD Δ	13-Jan-23 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.86	96.25	2.99	9.1%	(1.25)
6.50 NOV 28, 2027	28-Nov-17	4.88	96.25	2.99	9.1%	(1.25)
6.125 SEP 28, 2028	28-Sep-21	5.71	83.23	4.65	10.1%	(1.25)
8.375 MAR 24, 2029	24-Mar-22	6.20	88.64	4.52	10.9%	(1.13)
7.143 FEB 23, 2030	23-Feb-18	7.12	82.91	5.45	10.6%	(1.29)
8.747 JAN 21, 2031	21-Nov-18	8.03	88.54	5.60	10.9%	(1.20)
7.875 16-FEB-2032	16-Feb-17	9.10	82.83	6.29	10.9%	(1.31)
7.375 SEP 28, 2033	28-Sep-21	10.72	78.93	6.33	10.7%	(1.25)
7.696 FEB 23, 2038	23-Feb-18	15.12	75.52	5.81	11.1%	(1.04)
7.625 NOV 28, 2047	28-Nov-17	24.89	72.92	6.67	10.8%	(1.10)
9.248 JAN 21, 2049	21-Nov-18	26.04	82.98	6.45	11.3%	(0.97)
8.25 SEP 28, 2051	28-Sep-21	28.73	74.68	6.47	11.2%	(1.07)

## U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 13, 2023

MAJOR	13-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0803	1.0846	-0.39%	1.48%	1.12%	-5.37%
GBPUSD	1.2177	1.2200	-0.19%	0.70%	-1.97%	-10.95%
USDCHF	0.9304	0.9275	0.31%	0.35%	0.66%	1.83%
USDRUB	68.3380	67.7687	0.84%	-5.73%	7.20%	-10.29%
USDNGN	451.6300	451.6300	0.00%	0.46%	1.50%	9.14%
USDZAR	16.8699	16.7693	0.60%	-1.52%	-1.72%	9.69%
USDEGP	29.5000	29.6512	-0.51%	8.66%	19.77%	88.62%
USDCAD	1.34	1.3362	0.50%	-0.06%	-0.85%	7.03%
USDMXN	18.88	18.8268	0.30%	-1.26%	-3.67%	-6.96%
USDBRL	5.11	5.1080	0.06%	-2.15%	-3.14%	-7.61%
AUDUSD	0.6935	0.6972	-0.53%	0.83%	1.01%	-3.80%
NZDUSD	0.6349	-0.0600	-0.70%	-0.03%	-1.67%	-6.69%
USDJPY	128.1000	129.2243	-0.87%	-2.97%	-5.41%	12.21%
USDCNY	6.7286	6.7252	0.05%	-1.46%	-3.06%	5.87%
USDINR	81.3800	81.0962	0.35%	-1.08%	-1.33%	9.75%

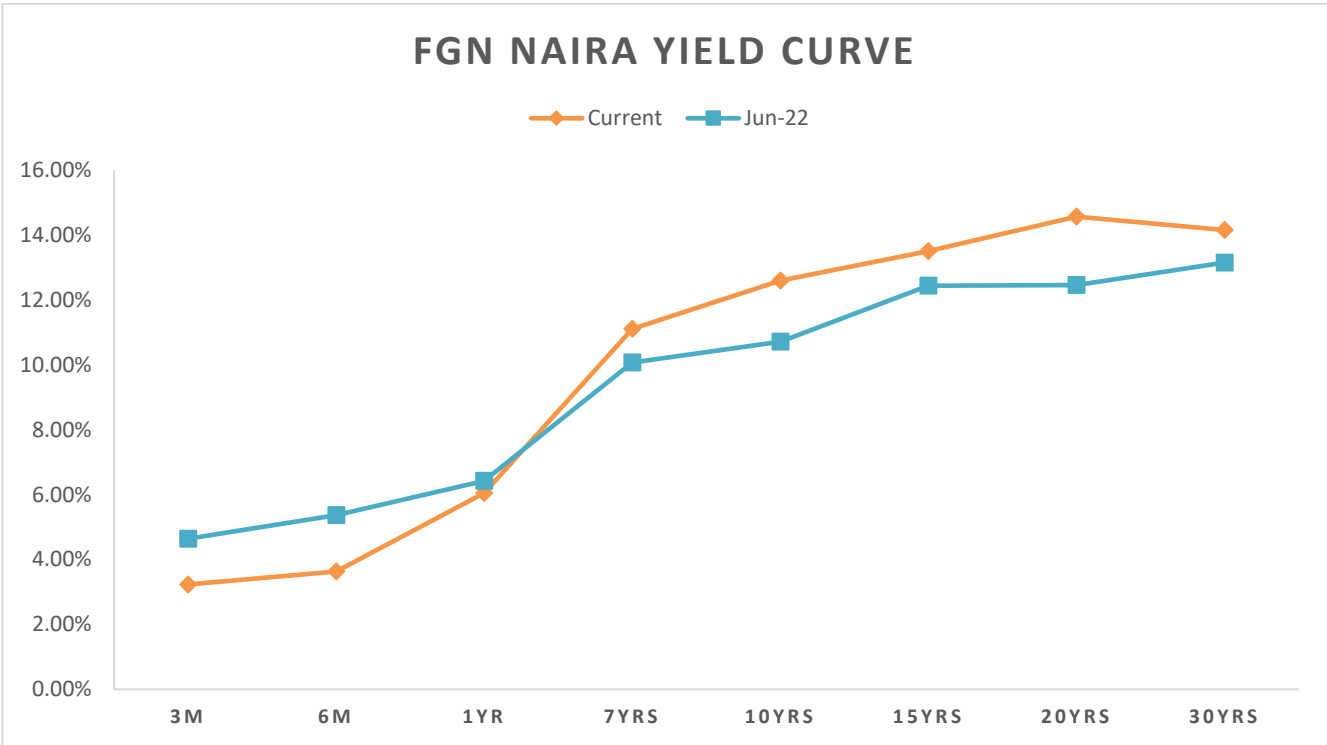




Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 13, 2023

Commodity		13-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	79.2	78.4	1.05%	7.47%	2.55%	-3.81%.
BRENT	USD/Bbl	84.7	84.0	0.76%	7.86%	2.41%	-0.71%.
NATURAL GAS	USD/MMBtu	3.6	9.8	-3.41%.	-4.31%.	-42.92%.	-11.40%.
GASOLINE	USD/Gal	2.5	2.5	0.14%	10.40%	9.96%	2.24%
COAL	USD/T	377.0	380.0	-0.79%.	-5.16%.	-6.91%.	79.95%
GOLD	USD/t.oz	1,902.4	1,896.9	0.29%	1.94%	5.23%	4.66%
SILVER	USD/t.oz	23.8	23.8	0.05%	-0.12%.	-0.47%.	3.64%
WHEAT	USD/Bu	741.4	742.8	-0.19%.	-0.15%.	-0.91%.	0.12%
PALM-OIL	MYR/T	3,841.0	3,911.0	-1.79%.	-5.21%.	-2.76%.	-25.02%.
COCOA	USD/T	2,642.0	2,639.9	0.08%	1.46%	6.83%	-0.60%.

FGN Bonds Yield Curve, Friday, January 13, 2023



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