

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: What Next for CBN MPC as Multi-Year High Inflation Ebbs to 21.34% in December 2022?

As the MPC meets to decide on various economic variable, the policy committee may be tempted to pedal softly on its tightening stance by a token hike of 25 basis points. We believe that a moderate reversal in the headline numbers will skew the voting pattern of the committee members in favour of maintaining a tightening stance. Regardless, the lag-effect from the policy tightening may take longer in reality as Nigeria has a weak policy transmission system....

### FOREX MARKET: Naira Regained Value Against Dollar at Official FX Market Despite Scarcity ...

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.

### MONEY MARKET: NITTY Rises for All Maturities amid Muted Money Market Activity.....

In the new week, TB worth N158.34 billion, and OMO worth N40 billion are expected to mature. We expect activity in the money market to be bullish as the market expects a liquidity boost from the maturing N198.34 billion worth of TB and OMO bills.....

### BOND MARKET: FGN Bond Yields Decline as Investors Remain Bullish...

In the new week, we expect OTC bond prices to appreciate (and yields to fall) due to the expected boost in financial system liquidity...

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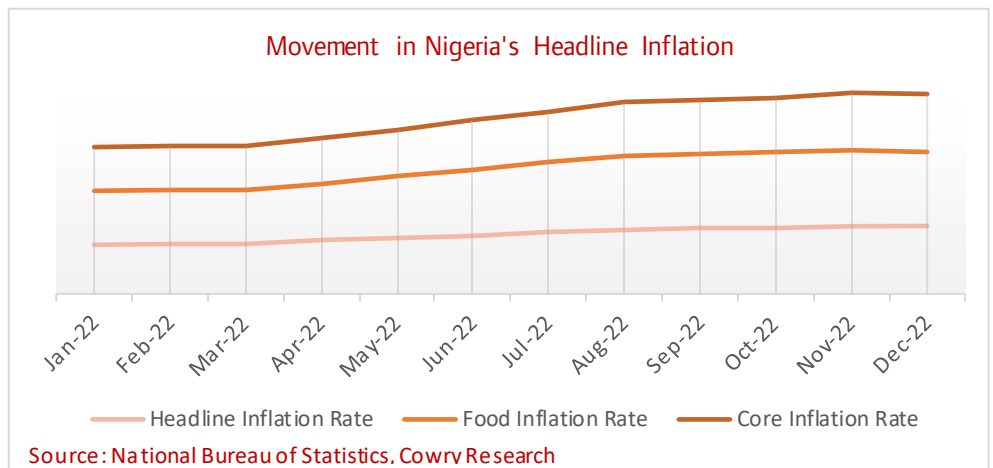
Looking ahead into the new week, the positive sentiment is expected to continue as investors seek a better position ahead of the MPC meeting as well as the churning out of fourth and full year earnings by listed corporates.

## ECONOMY: What Next for CBN MPC as Multi-Year High Inflation Ebbs to 21.34% in December 2022?

The Monetary Policy Committee (MPC) of the CBN will meet on Monday and Tuesday for its first assembly in 2023 to assess the existing guiding economic principles and indices aimed at growth, but a major point on the agenda for the committee is inflation, which in December 2022, decelerated to 21.34% year on year from 21.47% in November 2022, according to data from the National Bureau of Statistics.

The CBN MPC was on a hawkish tone in 2022, as containing inflation took precedence over stimulating growth, and as such, the policy committee decided to raise interest rates at the best opportunity after considering several factors that had influenced their decisions. Regardless of the fact that central banks across the globe have embraced a tighter monetary policy and higher interest rates, the Nigerian central bank appears to have no breathing space as it is faced with the challenge of striking a balance between supporting economic growth and curbing rising inflation.

Following a ten-month upward trend in headline inflation, Nigeria's headline inflation unexpectedly eased by 0.13% month on month to 21.34% in December 2022, indicating 5.72% points higher year on year from 15.63% and bringing the annual inflation rate to 18.77%, compared to the overall average of 16.98% in 2021. The disinflation trend reported in December was driven by favourable base effects, a sharp increase in demand usually experienced during the festive season, and an increase in the cost of production, e.g., an increase in energy costs, transportation costs, and exchange rate depreciation, etc.



Away from expectations for a rapid acceleration in the headline index, this indicates that the All Item Consumer Prices Index rose at a faster pace in December (1.71%), owing to the festivities, where prices rose without looking back, as well as the currency market's ongoing FX pressure on the naira and the country's insecurity situation. The increases were recorded especially in the food and non-alcoholic beverages, transportation, and miscellaneous goods and services spaces.

Our analysis of the report showed that the other two measures of inflation, food and core inflation, also picked up year on year. Thus, the food inflation rate is printed at 23.75% year on year, rising 6.38% from 17.37% in December 2021. The rise in food inflation was caused by increases in the prices of bread and cereals, oil and fat, potatoes, yams, and other tubers, fish, and other food products. On a month-on-month analysis, food inflation was 0.49% higher than the November rate of 1.40% and was driven by increases in the prices of some food items like oil and fat, fish, potatoes and tubers, bread and cereals, and fruits, etc.

On the other hand, the core inflation rate, which excludes the prices of volatile agricultural produce, stood at 18.49% in December 2022 on a year-on-year basis, up by 4.62% when compared to the 13.87% recorded in December 2021. On a month-on-month basis, the core inflation rate was 1.33% in December 2022. It stood at 1.67% in November 2022, down by 0.34%. Thus, the highest increases were recorded in: gas, liquid fuel, passenger transport by air, vehicle spare parts, fuels and lubricants for personal transport equipment, solid fuel prices, etc.

Cowry Research notes that the slight deceleration comes in line with the trend globally as inflation has hit multi-year highs in many advanced and developing countries; but more concerning is the fact that month on month reading continues to rise, as pockets of consumers are being squeezed.

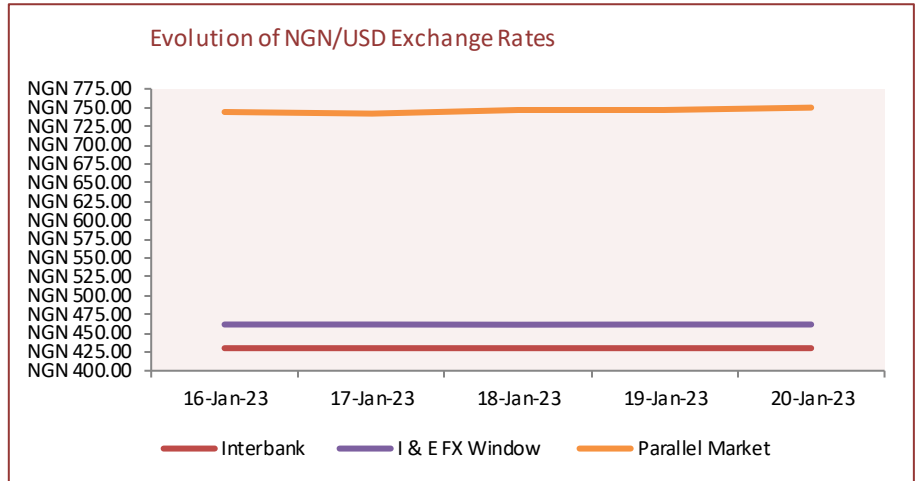
As the MPC meets to decide on various economic variable, the policy committee may be tempted to pedal softly on its tightening stance by a token hike of 25 basis points or keep parameters constant. We believe that a moderate reversal in the headline numbers will skew the voting pattern of the committee members in favour of maintaining a slight tightening or hold stance. Regardless, the lag-effect from the policy tightening may take longer in reality as Nigeria has a weak policy transmission system.

Given the decisions of the committee to hike policy rates at its different assemblies in 2022 on the back of related economic disruptions and uncertainties that are beclouding the monetary space in Nigeria, the MPC is likely to turn its gaze back to price stability in 2023 as multiple objectives on the CBN's table will test monetary policy effectiveness.

## FOREX MARKET: Naira Regained Value Against Dollar at Official FX Market Despite Scarcity....

The unavailability of the new banknotes to meet rising currency demand and the move to limit local cash withdrawals across channels such as credit and prepaid cards by banks has created further concerns around the CBN currency redesign project. Consequently, FX backlog continues to pile while manufacturers, importers and travelers turn attention to the open market in the search for the greenback following banks' directive for a 30-60-day application for FX for BTA or PTA purposes.

At the investors' and exporters' FX window, the Naira edged the dollar by N0.40 or 0.09% week on week to close at N461.50/USD from N461.90/USD in the previous week despite the growing FX pressure on the naira and the newly redesigned currency circulation fiasco. On the other hand, the Naira lost strength against the dollar at the parallel market as the naira value dipped by 0.7% or N5 week on week to N750/USD from N745/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 N745/USD and N752/USD.



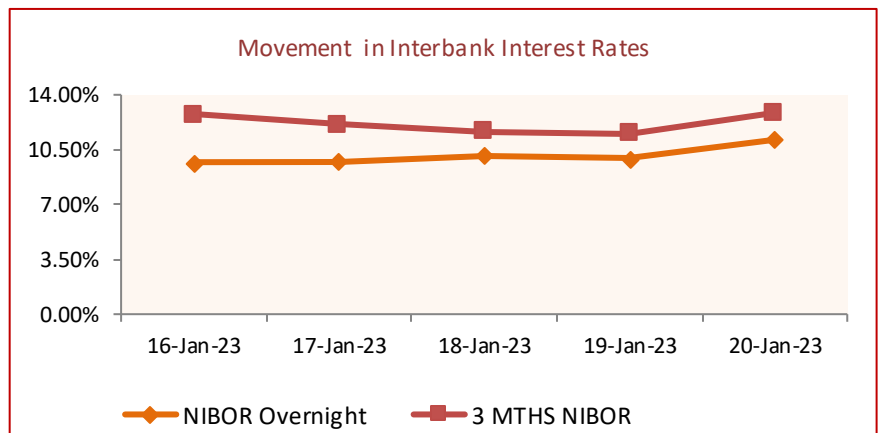
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchained from the previous week as it closed the week at N445/USD from last week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, the trend across most tenors closed negative. Thus, the 6-month Forward Contract was the lone gainer against the dollar as it rose 1.83% week on week to N500.42 per dollar. Meanwhile the 1-month, 2-month, 3 month and 12-month contracts all skid by 0.63%, 0.87%, 0.88% and 1.38% week on week to close at contract offer prices of N479.62/USD, N485.03/USD, N486.55/USD and N531.47/USD respectively.

In the oil market this week, brewing optimism stays on course regarding China's oil demand. This development has seen a bull trend for oil markets this week so far with the WTI breaking the USD80 per barrel mark and the Brent Crude trend upward to USD86 per barrel. On the home front, we saw the Bonny light crude price rally in the oil market by 2.6% or (USD2.16) week on week to close at USD86.47 per barrel from USD84.31 per barrel.

As the deadline for deposition of old banknotes inch closer, demand pressure is expected to stay unabating following the limited supply of the local currency as we transcend gradually into the cashless economy while we stay on the look for the multiplier effect of the cashless policy across all facets of the economy.

## MONEY MARKET: : NITTY Rises for All Maturities amid Muted Money Market Activity...

In the just concluded week, activity in the money market was muted given the zero matured and auctioned Treasury and OMO bills. Hence, this created a buying sentiment in the secondary market as investors scrambled to mop up bills ahead of next week's T-Bills auction. Hence, NITTY fell for all maturities amid bullish pressure. Specifically, NITTY for 1 month, 3 months, 6 months, and 12 months moderated to 1.79% (from 1.80%), 2.53% (from 2.54%), 3.50% (from 3.57%), and 6.05% (from 6.24%), respectively.



Meanwhile, despite FAAC inflows totalling N990 billion, NIBOR rose across all tenor buckets, amid tight financial system liquidity conditions. NBOR for overnight funds, 1 month, 3 months, and 6 months tenor buckets climbed to 11.13% (from 9.93%), 12.13% (from 10.93%), 12.85% (from 11.50%), and 13.55% (from 12.27%), respectively.

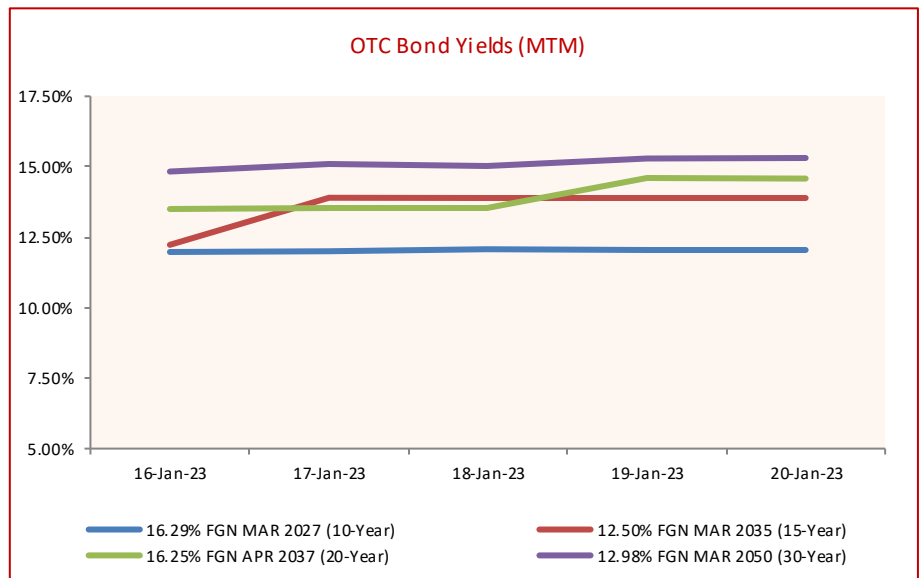
In the new week, TB worth N158.34 billion, and OMO worth N40 billion are expected to mature. We expect activity in the money market to be bullish as the market expects a liquidity boost from the maturing N198.34 billion worth of TB and OMO bills...

## BOND MARKET: FGN Bond Yields Decline as Investors Remain Bullish...

In the just concluded week, investors were bearish in the secondary market as the value of FGN bonds traded decreased for all maturities tracked amid sustained sell pressure. Specifically, the price of 10-year, 16.29% FGN MAR 2027 paper fell by N5.59, 15-year 12.50% FGN MAR 2035 bond lost N5.79, 20-year 16.25% FGN MAR 2037 debt decreased by N2.23 and 30-year 12.98% FGN MAR 2050 instrument declined by N2.80, while their corresponding yield rose to 13.90% (from 12.24%), 14.58% (from 13.50%), 15.29 (from 14.93) and 15.03% (from 14.55%).

Elsewhere, the value of FGN Eurobonds traded on the international capital market depreciated for all maturities tracked amid renewed bearish sentiment. 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, lost USD 0.13, USD 0.39, and USD 1.05, while their corresponding yields rose to 7.73% (from 7.41%), 11.14% (from 11.07%), and 10.93% (from 10.77%), respectively.

In the new week, we expect OTC bond prices to appreciate (and yields to fall) due to the expected boost in financial system liquidity...



## EQUITIES MARKET: NGX-ASI Inched Further by 0.16% w/w Despite Profit-Booking Ahead of MPC, Earning Season...

For the second consecutive week on the domestic bourse, the benchmark All-Share Index inched higher by 0.16% week on week to 52,594.68 points despite the oscillating movement of the market, which echoed the profit booking activities of some equity investors, as momentum behind the uptrend and recovery remained strong on the back of swelling buying power ahead of 2022 corporate earnings and actions.

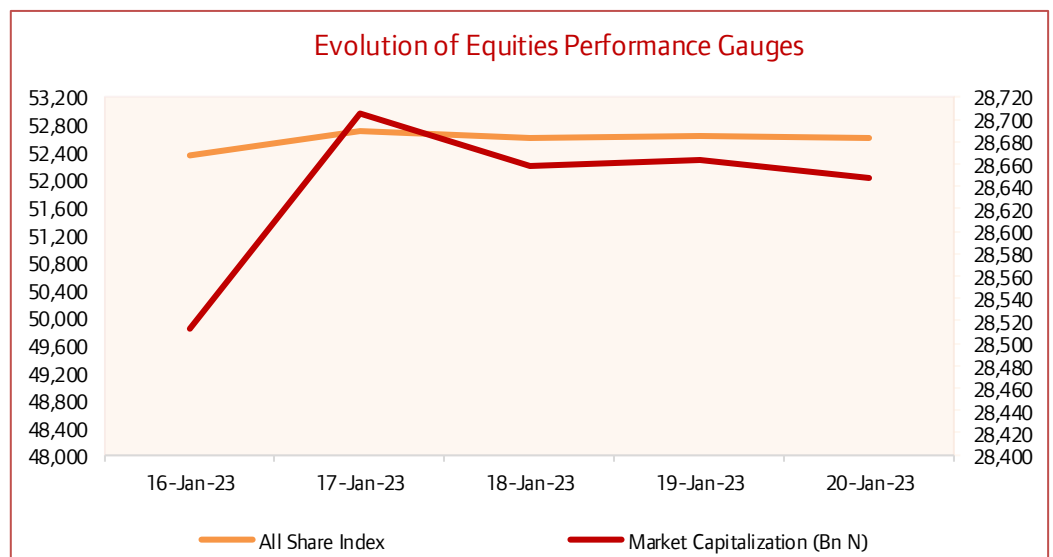
However, investors continue to place bets on the possible outcome of the monetary policy committee meeting scheduled for Monday and Tuesday. The ASI's year-to-date return was 2.62%, and investors gained N45 billion in two of the five sessions this week, owing to increased buy-power and momentum across some of the large and mid-cap names.

With the exception of the insurance and oil and gas indexes, which gained 1.78% and 0.35%, respectively, week on week, sentiments were mixed

across the board from the previous two sessions. On the other hand, price declines and pressured sell-offs were witnessed in the banking index, which nosedived by 2.60% week on week and was followed by the industrial goods index (-1.06%) and consumer goods index (-0.40%) in that order. Meanwhile, the top gaining securities for the week were MRS (+13%), PRESCO (+10%), and CORNERST (+9%) while the week's losers were LIVESTOCK (-14%), CILEASING (-10%) and GEREGU (-7%).

The level of trading activity in the equity market was downbeat this week, as total deals for the week fell 6.34% week on week to 18,560 as stockbrokers recorded a marginal 3.5% drop in trade volumes to 1.24 billion and valued at N15.67 billion, indicating a decrease of 47.13% week on week.

Looking ahead into the new week, the positive sentiment is expected to continue as investors seek a better position ahead of the MPC meeting as well as the churning out of fourth and full year earnings by listed corporates. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.



Weekly Gainers and Loser as at Friday, January 20, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	January 20 2023	January 13 2023	% Change	Symbol	January 20 2023	January 13 2023	% Change
MRS	16.00	14.10	13%	LIVESTOCK	1.12	1.30	-14%
NAHCO	7.90	7.00	13%	CILEASING	3.15	3.50	-10%
PRESCO	150.80	137.50	10%	UPDC	0.94	1.04	-10%
CAVERTON	1.05	0.96	9%	SOVRENINS	0.26	0.28	-7%
CORNERST	0.60	0.55	9%	INTBREW	4.65	5.00	-7%
WAPIC	0.45	0.42	7%	GEREGU [BLS]	138.80	149.00	-7%
MCNICHOLS	0.61	0.57	7%	MBENEFIT	0.30	0.32	-6%
RTBRISCOE	0.31	0.29	7%	ZENITHBANK	24.45	25.55	-4%
LINKASSURE	0.47	0.44	7%	PZ	10.10	10.55	-4%
REDSTAREX	2.36	2.26	4%	OANDO	3.92	4.09	-4%

Weekly Stock Recommendations as at Friday, January 20, 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 tem Take Profit	Potential Upside	Recommendation
UBA	3.39	4.07	23.64	0.34	2.39	8.85	6.55	8.10	9.7	6.9	9.3	20.00	Buy
DANCEM	12.51	16.01	49.19	5.49	21.59	300	220	265	339.2	225.3	304.8	28.00	Buy
MTNN	13.22	16.92	11.96	15.72	17.39	270	167	229.90	294.3	195.4	264.4	28.00	Buy
OKOMU OIL	18.92	22.46	40.55	4.07	8.72	216.90	104	165	195.80	140.3	189.8	18.67	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 20, 2023

			20-Jan-23	Weekly	20-Jan-23	Weekly
FGN Eurobonds	Issue Date	TTM (years)	Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.84	97.12	0.87	8.8%	(0.35)
6.50 NOV 28, 2027	28-Nov-17	4.86	97.12	0.87	8.8%	(0.35)
6.125 SEP 28, 2028	28-Sep-21	5.69	83.43	0.20	10.0%	(0.04)
8.375 MAR 24, 2029	24-Mar-22	6.18	89.92	1.28	10.6%	(0.30)
7.143 FEB 23, 2030	23-Feb-18	7.10	83.00	0.09	10.6%	(0.01)
8.747 JAN 21, 2031	21-Nov-18	8.01	88.93	0.40	10.9%	(0.08)
7.875 16-FEB-2032	16-Feb-17	9.08	82.86	0.03	10.9%	(0.00)
7.375 SEP 28, 2033	28-Sep-21	10.70	78.24	(0.69)	10.9%	0.13
7.696 FEB 23, 2038	23-Feb-18	15.10	75.13	(0.39)	11.1%	0.07
7.625 NOV 28, 2047	28-Nov-17	24.87	71.87	(1.05)	10.9%	0.16
9.248 JAN 21, 2049	21-Nov-18	26.02	82.90	(0.08)	11.3%	0.01
8.25 SEP 28, 2051	28-Sep-21	28.71	74.10	(0.58)	11.3%	0.09



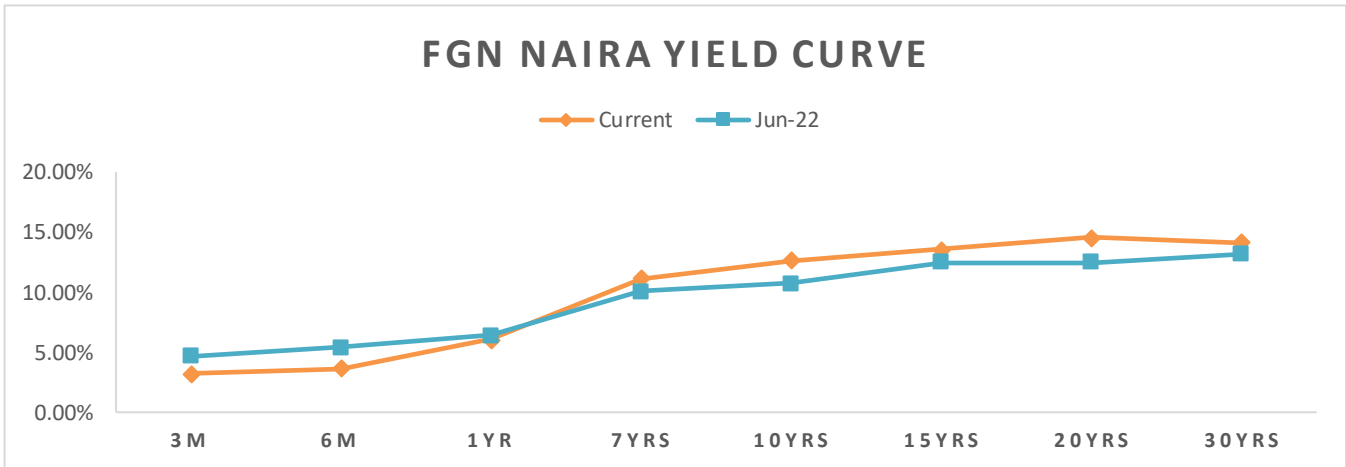
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 20, 2023

MAJOR	20-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0809	1.0828	-0.17%.	-0.15%.	1.97%	-4.66%.
GBPUSD	1.2340	1.2389	-0.39%.	0.99%	2.18%	-8.91%.
USDCHF	0.9233	0.9162	0.77%	-0.36%.	-0.37%.	1.35%
USDRUB	68.8955	69.3951	-0.72%.	4.46%	-4.94%.	-12.26%.
USDNGN	453.0800	453.0800	0.00%	0.22%	1.71%	9.32%
USDZAR	17.1987	17.2678	-0.40%.	2.45%	-0.02%.	13.94%
USDEGP	29.8432	29.7896	0.18%	1.16%	20.72%	90.45%
USDCAD	1.35	1.3460	0.08%	0.55%	-1.03%.	7.07%
USDMXN	18.96	18.9741	-0.10%.	1.08%	-3.50%.	-7.37%.
USDBRL	5.22	5.1743	0.93%	2.50%	0.42%	-4.31%.
AUDUSD	0.6928	0.6909	0.27%	-0.69%.	3.31%	-3.55%.
NZDUSD	0.6417	-0.0600	0.38%	0.51%	1.99%	-4.30%.
USDJPY	130.4510	128.4219	1.58%	2.01%	-1.52%.	14.75%
USDCNY	6.7860	6.7704	0.23%	1.17%	-2.86%.	7.02%
USDINR	81.1380	81.2436	-0.13%.	-0.17%.	-2.10%.	9.08%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 20, 2023

Commodity		20-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	80.8	80.6	0.27%	1.04%	3.45%	-3.80%.
BRENT	USD/Bbl	86.4	86.2	0.23%	1.24%	4.55%	-0.85%.
NATURAL GAS	USD/MMBtu	3.3	9.8	1.93%	-2.71%.	-36.49%.	-11.20%.
GASOLINE	USD/Gal	2.6	2.6	1.13%	3.67%	15.94%	7.32%
COAL	USD/T	363.5	368.0	-1.22%.	-3.58%.	-9.14%.	60.84%
GOLD	USD/t.oz	1,923.8	1,931.3	-0.39%.	0.19%	6.05%	4.94%
SILVER	USD/t.oz	23.9	23.8	0.21%	-1.48%.	-0.32%.	-1.40%.
WHEAT	USD/Bu	733.2	734.5	-0.17%.	-1.41%.	-4.50%.	-5.30%.
PALM-OIL	MYR/T	3,892.0	3,888.9	0.08%	1.33%	-1.72%.	-26.87%.
COCOA	USD/T	2,510.0	2,569.9	-2.33%.	-5.36%.	-0.79%.	-2.60%.

FGN Bonds Yield Curve, Friday, January 20, 2023



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