

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN Accelerates Hawkish Position by 100bps to Clip Wings of Surging Inflation

We continue to see the downside risks to pressures from inflation as central bank's aggressive monetary policy tightening measures will largely depend on the path of inflation. In our December 2022 inflation statements, we noted that the moderate reversal in inflation will prompt members into voting for a further tightening stance to keep inflation at single digit.

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: Stop Rates Fall Further for All Maturities...

In the new week, we anticipate bearish money market activity in the coming week, as the financial system's liquidity may be low due to the limited maturing bills...

BOND MARKET: FGN Eurobond Yields on the Decline amid Sustained Bearish Sentiments....

In the new week, the DMO will auction N225 billion worth of local bonds; viz: N75 billion a piece for the 13.98% FGN FEB 2028, 12.50% FGN APR 2032, 16.25% FGN APR 2037 and 14.80% FGN APR 2049. Hence, we expect the stop rates to moderate, as DMO might mirror the declining trend in the money market stop rate...

EQUITIES MARKET: NGX-ASI Inched Further by 0.12% Despite Fixed Income Auctions, Policy Rate Hike...

Looking ahead into the new week, we expect mixed sentiment and portfolio rebalancing in the midst of divergence in fixed income rates and policy rate adjustment to 17.50%, in the face of Q4 earnings expectations and election uncertainty, as pullback at this point add more strength to upside potential. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

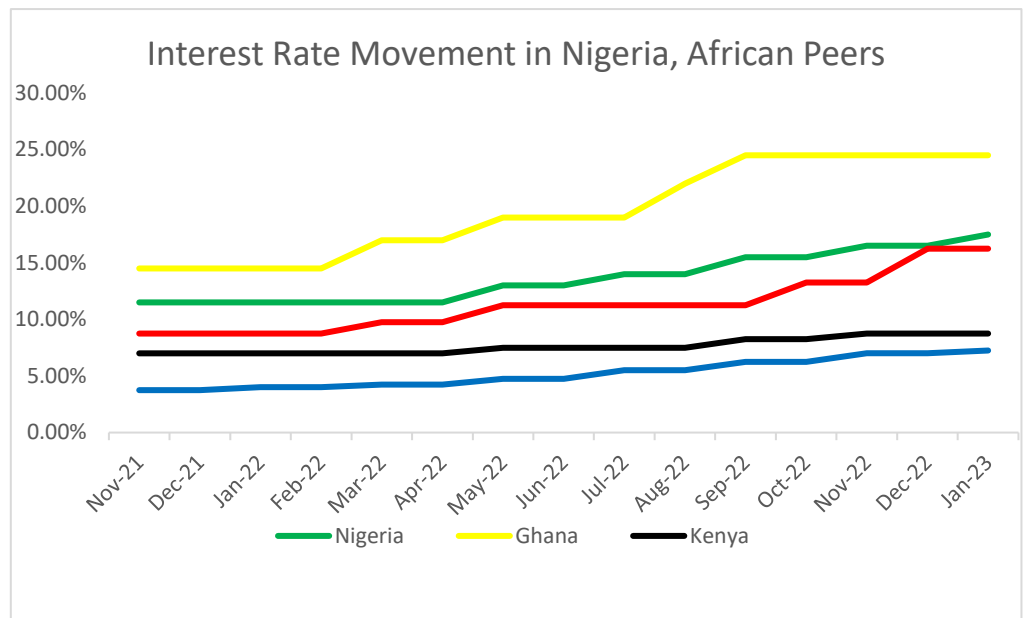
ECONOMY: CBN Accelerates Hawkish Position by 100bps to Clip Wings of Surging Inflation

At the end of the January Monetary Policy Committee (MPC) meeting, the apex bank resumes in its hawkish tone to clip the wings of inflation as most members unanimously voted to hike policy rate by another 100bps to 17.50%, while it retained the Asymmetric Corridor at +100bps / -700bps around the MPR; CRR at 32.50%; and the Liquidity Ratio at 30%. This is the fifth session under twelve months where policy rate has trended higher.

Excerpts from the meeting

In line with expectations for aggressive tightening, the CBN/MPC hiked interest rates by 100 basis points to 17.50% from 16.50% in November 2022 and in its drive to rein in inflationary pressure which have surpassed the 20% mark and have reached a 17-year high in line with international trends and the adoption of aggressive policy normalization tool.

Just as we have witnessed in 2022, most central banks in advanced economies raised their benchmark interest rates to stifle inflationary momentum. However, the recent inflation report from the NBS revealed that for the first time in 11 months, inflation cooled marginally by 13bps to 21.34% year on year as a result of base effects amongst other factors. Still, the CBN had asserted that there will be continued hawkish undertone by the committee should the spiraling inflation numbers stay unabated above its 7%-10% target.



The committee's considerations at the meeting include:

Although the MPC was delighted that inflation has started to moderate year on year, it was not convinced that the marginal 13bps dip in December inflation was enough to begin to celebrate. Therefore, it considers that a hold or loosening option was desirable. It was reluctant in considering a hold as it will signal MPC's quick adjustment of its policy stance to a one-time marginal decline in inflation and against its policy stance at stemming inflation. Therefore, it was unanimously agreed to tighten but a dilemma stays on if it was necessary to continue tightening aggressively or moderately. The CBN noted that inflation at a high above 20% was already a threat to growth and among the highest in the world. Therefore, aggressive tightening would signal confidence in its external monetary policy stance, rein in inflation and instill stability in the exchange rate.

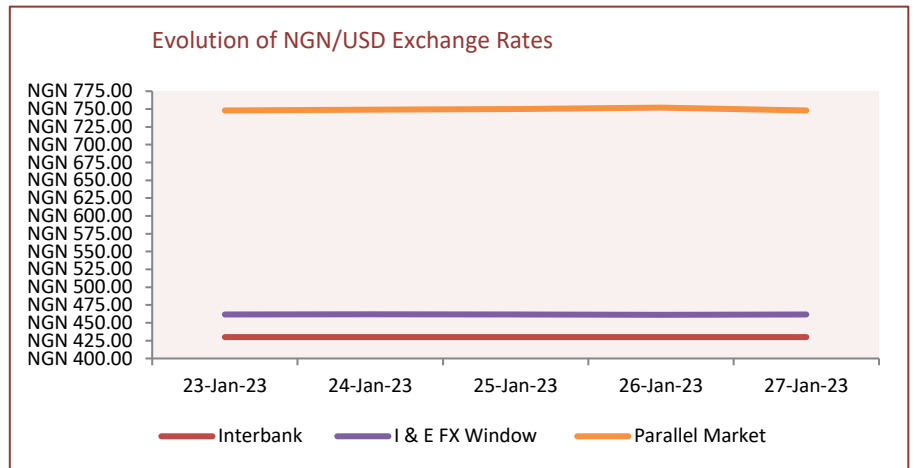
The impact of emerging price shocks on the back of supply chain disruptions from the international space such as the Russian-Ukraine crisis, wide-ranging scarcity of foreign capital flows, aggressive policy normalization by major central banks; the continued tightening of liquidity conditions in the economy and the impact from the resurgence of Covid-19 cases in China. Domestically, the continued upsurge in monetary aggregates; rising insecurity concerns; 2023 elections spending, upward movement in price levels; and the level of elevated global uncertainties associated with the wide expectations that the US Fed will raise policy rates in its next two meetings, drove committee's considerations.

For Cowry Research, we continue to see the downside risks to pressures from inflation as central bank's aggressive monetary policy tightening measures will largely depend on the path of inflation. In our December 2022 inflation statements, we noted that the moderate reversal in inflation will prompt members into voting for a further tightening stance to keep inflation at single digit. Having said that, we would note that loosening under a double-digit inflationary condition will be tantamount to the immediate reversal of the expected further downward trend in inflation.

FOREX MARKET: Naira Edged Dollar at Open FX Market Amid Redesigned Deadline Fiasco....

In the just concluded week, the availability of the new banknote fiasco took a different turn as banking institutions and businesses reject the old banknotes. This comes as the deadline day set by the apex bank draws closer amidst the demand and supply mismatch. Consequently, FX backlog continues to pile while manufacturers, importers and travelers turn attention to the open market in the search for the greenback.

At the investors' and exporters' FX window, the Naira skid by N0.25 or 0.05% week on week to close at N461.75/USD from N461.50/USD in the previous week despite the growing FX pressure on the naira and the newly redesigned currency circulation battle. On the other hand, the Naira gained strength against the dollar at the parallel market as the naira value appreciated by 0.27% or N2 week on week to N748/USD from N750/USD last week. Thus, market players 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.



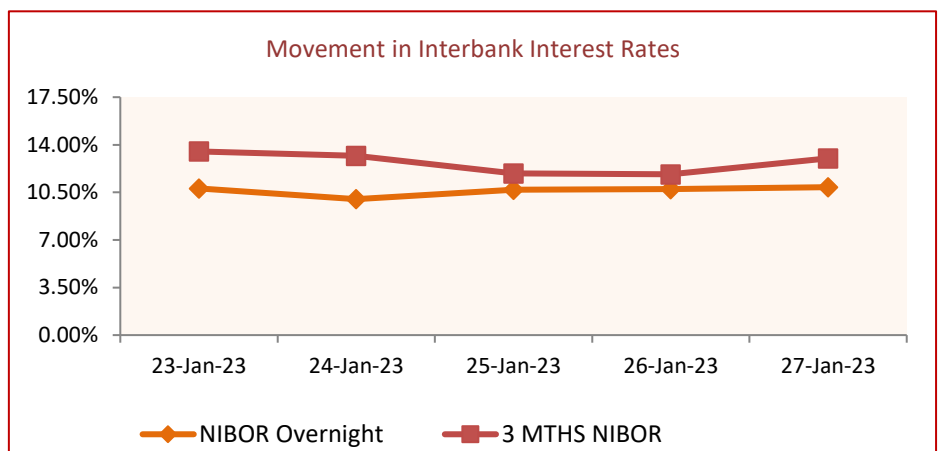
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged from the previous week as it closed the week at N445/USD from last week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, the trend across all forward contracts tenors depreciated by 0.03%, 0.48%, 0.47%, 1.21% and 0.23% week on week to close at contract offer prices of N479.76/USD, N487.37/USD, N488.83/USD, N506.47/USD and N532.70/USD respectively.

In the oil market this week, Oil price oscillation was nonstop as it traded at above \$88 per barrel as Russia and Ukraine war enters a new level in the midst of recovery in China economy and increasing recession fears and just as the geopolitical tension, high interest rate and inflation across the globe continue to threaten the world. On the home front, we saw the Bonny light crude price rally in the oil market by 1.41% or (USD1.22) week on week to close at USD87.69 per barrel from USD86.47 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: : Stop Rates Fall Further for All Maturities...

In the just concluded week, CBN allotted T-bills worth N220.53 billion to fully refinance the N198.34 billion worth of matured Treasury bills. Notably, given the strong demand (bid-to-cover ratio of 4.73x), the stop rate for all of the maturities declined. Specifically, 364-day bills fell further to 4.78% (from 7.30%). Also, 91-day bill and 182-day bill rates fell to 0.29% (from 2.00%) and 1.80% (from 4.33%), respectively.



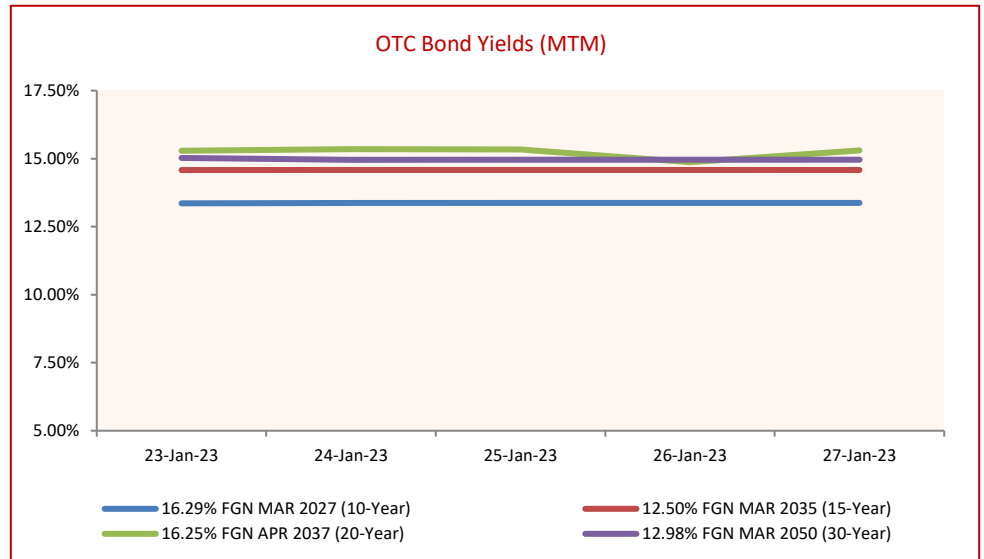
In tandem with the mood in the primary market, despite the MPC raising the policy rate to 17.50% (from 16.50%), NITTY for all maturities tracked moderated. Specifically, NITTY for 1 month, 3 months, 6 months, and 12 months maturities fell to 1.00% (from 1.79%), 1.93% (from 2.53%), 2.95% (from 3.50%), and 4.14% (from 6.05%), respectively.

Meanwhile, the OMO space was a bit busy as CBN auctioned N14 billion worth of bills, less than the matured OMO bills worth N40 billion. Despite the N26 billion net inflow, NIBOR rose for most tenor buckets, while overnight funds declined to 10.88% (from 11.13%) and NIBOR for 1 month, 3 months, and 6 months climbed to 12.50% (from 12.13%), 13.00% (from 12.85%), and 13.81% (from 13.55%), respectively.

In We anticipate bearish money market activity in the coming week, as the financial system's liquidity may be low due to the limited maturing bills...

BOND MARKET: FGN Eurobond Yields on the Decline amid Sustained Bearish Sentiments.

In the just concluded week, investors were mostly bullish on maturities tracked in the secondary market as the value of FGN bonds traded increased for most maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027 instrument and the 30-year, 12.98% FGN MAR 2050, rose, respectively, by N 1.70 to N 109.00, and N 0.39 to N 86.99. However, the 20-year 16.25% FGN APR 2037 debt instrument lost N0.05 as its corresponding yield rose to 15.30% (from 15.29%), while the 15-year



12.50% FGN MAR 2035 remained relatively unchanged week on week as its corresponding yield stayed steady at 14.58%.

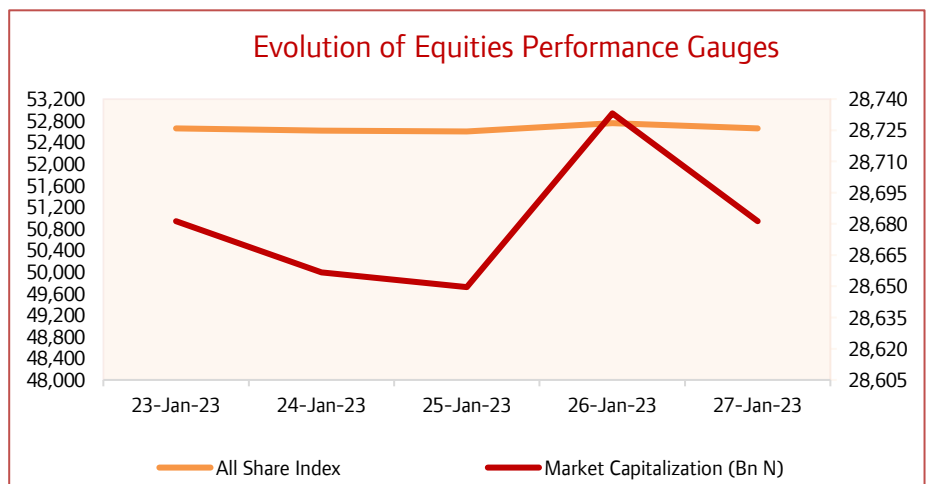
Elsewhere, the value of FGN Eurobonds traded on the international capital market depreciated further for all maturities tracked amid sustained bearish sentiment. Specifically, the 10-year, 6.38% JUL 12, 2023, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, lost USD 0.24, USD 2.01, and USD 2.83, while their corresponding yields rose to 8.34% (from 7.73%), 11.49% (from 11.14%), and 11.39% (from 10.93%), respectively.

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EQUITIES MARKET: NGX-ASI Inched Further by 0.12% Despite Fixed Income Auctions, Policy Rate Hike...

Equity trading this week started on a downside with mixed signals from technical indicators as investors reactions to full-year corporate earnings stood loud despite the excess liquidity in the fixed income space as exposed by the oversubscriptions recorded across tenor gauges of the Nigerian Treasury Bills on offers at the Wednesday PMA despite the low rates.

To this, the increased buying interest and mixed sentiment across some major sectors of the market despite the apparently ranging position of the index action may continue to give a clear direction as more companies release their scorecards. Thus, benchmark index closed 0.12% week on week as it inched northward to 52,657.88 points as the market gained further by 0.12% to N28.68 trillion. Also, the ASI's year-to-date return was 2.75%, and investors gained N34 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.



Across the sectors this week, sentiments were largely positive for most of the indices except for the Consumer Goods index that lost 1.09% week on week. On the other hand, price appreciation from buying momentum were witnessed in the banking index, which gained by 1.65% week on week alongside the oil and gas index (1.73%), insurance and industrial goods indexes which also rose by 0.77% and 0.37% in that order. Meanwhile, the top gaining securities for the week were MBENEFIT (+23%), UNILEVER (+16%), and GEREGU (+15%) while the week's losers were NB (-10%), UNITYBNK (-5%) and CADBURY (-5%).

The level of trading activity in the equity market was downbeat for another week with the total deals for the week falling by 1.68% week on week to 18,248 as stockbrokers recorded a 39.02% drop in trade volumes to 756.77 million and valued at N9.86 billion, indicating a decrease by 37.1% week on week.

Looking ahead into the new week, we expect mixed sentiment and portfolio rebalancing in the midst of divergence in fixed income rates and policy rate adjustment to 17.50%, in the face of Q4 earnings expectations and election uncertainty, as

pullback at this point add more strength to upside potential. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, January 27, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	January 27 2023	January 20 2023	% Change	Symbol	January 27 2023	January 20 2023	% Change
MBENEFIT	0.37	0.30	23%	NB	41.95	46.45	-10%
ABCTRANS	0.34	0.29	17%	COURTVILLE	0.47	0.50	-6%
UNILEVER	13.25	11.40	16%	UNITYBNK	0.55	0.58	-5%
CHAMS	0.30	0.26	15%	CADBURY	11.55	12.10	-5%
GEREGU [BLS]	160.00	138.80	15%	CHAMPION	4.80	5.00	-4%
JAPAUFGOLD	0.34	0.30	13%	LIVESTOCK	1.08	1.12	-4%
CAP	19.55	17.80	10%	RTBRISCOE	0.30	0.31	-3%
OKOMUOIL	181.10	165.00	10%	NGXGROUP	26.15	27.00	-3%
NNFM	6.75	6.15	10%	AIICO	0.63	0.65	-3%
FIDELITYBK	5.40	5.00	8%	REDSTAREX	2.30	2.36	-3%

Weekly Stock Recommendations as at Friday, January 27, 2023

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 Wks' High	52 Wks' Low	Current Price	Price Target	Short term Stop Loss	Short term Take Profit	Potential Upside	Recommendation
FIDELITY	1.21	1.54	11.23	0.48	4.48	5.85	2.52	5.40	6.9	6.9	4.6	6.2	Buy
ZENITH	5.55	7.11	41.68	0.45	4.48	27.40	18.90	24.90	31.9	21.2	28.6	28.00	Buy
UNILEVER	0.33	0.58	11	1.22	39.9	17	12	13.25	23.3	11.3	15.2	76.00	Buy
OKOMUOIL	18.92	22.46	40.55	4.47	9.57	216.90	104	181.1	214.91	153.9	208.3	21.00	Buy
MTNN	13.22	16.92	11.96	15.72	17.02	270	167	225	288	191.3	258.8	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 27, 2023

FGN Eurobonds	Issue Date	TTM (years)	27-Jan-23 Price (N)	Weekly USD Δ	27-Jan-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.45	99.14	(0.24)	8.3%	0.61
7.625 21-NOV-2025	21-Nov-18	2.82	95.65	(1.47)	9.4%	0.62
6.50 NOV 28, 2027	28-Nov-17	4.84	95.65	(1.47)	9.4%	0.62
6.125 SEP 28, 2028	28-Sep-21	5.67	82.03	(1.39)	10.4%	0.38
8.375 MAR 24, 2029	24-Mar-22	6.16	88.04	(1.88)	11.1%	0.47
7.143 FEB 23, 2030	23-Feb-18	7.08	81.11	(1.90)	11.1%	0.45
8.747 JAN 21, 2031	21-Nov-18	7.99	86.27	(2.66)	11.4%	0.56
7.875 16-FEB-2032	16-Feb-17	9.06	80.35	(2.51)	11.4%	0.52
7.375 SEP 28, 2033	28-Sep-21	10.68	76.32	(1.92)	11.2%	0.37
7.696 FEB 23, 2038	23-Feb-18	15.08	73.12	(2.01)	11.5%	0.35
7.625 NOV 28, 2047	28-Nov-17	24.85	69.05	(2.83)	11.4%	0.46
9.248 JAN 21, 2049	21-Nov-18	26.00	80.18	(2.71)	11.7%	0.39

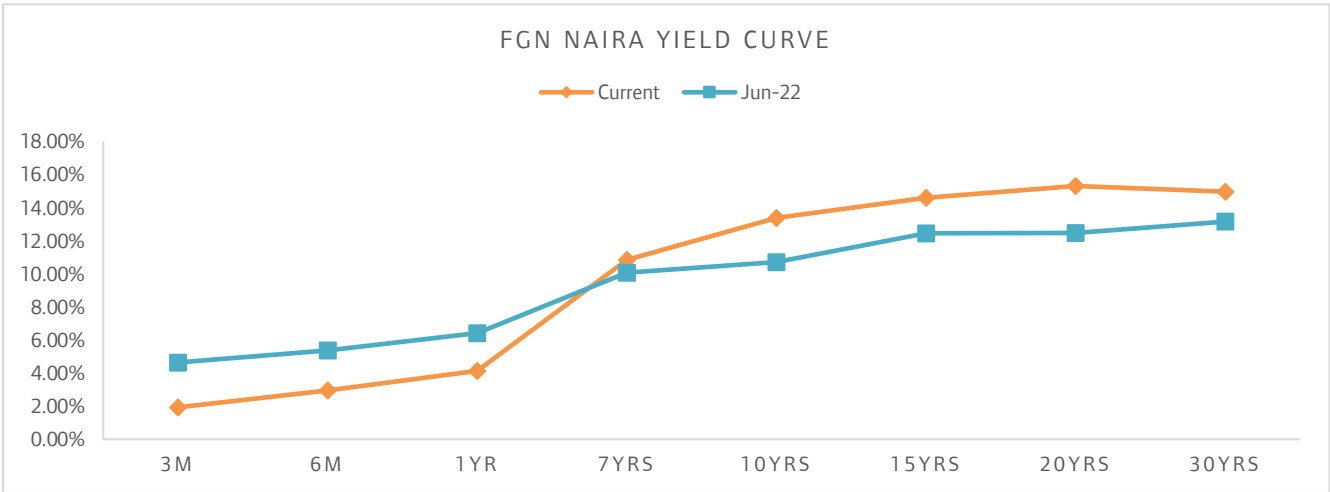
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 27, 2023

MAJOR	27-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0860	1.0889	-0.26%.	-0.08%.	2.25%	-2.66%.
GBPUSD	1.2366	1.2406	-0.32%.	-0.29%.	2.87%	-7.81%.
USDCHF	0.9228	0.9202	0.29%	0.32%	-0.58%.	-0.83%.
USDRUB	69.5865	69.6492	-0.09%.	0.55%	-4.36%.	-12.11%.
USDNGN	459.8000	459.8000	0.00%	1.15%	3.06%	10.75%
USDZAR	17.2105	17.1830	0.16%	0.64%	0.65%	10.50%
USDEGP	29.8905	29.8398	0.17%	0.34%	20.67%	90.14%
USDCAD	1.33	1.3321	0.05%	-0.33%.	-2.00%.	4.46%
USDMXN	18.74	18.7898	-0.25%.	-0.59%.	-3.48%.	-9.83%.
USDBRL	5.07	5.0658	0.07%	-2.58%.	-3.69%.	-5.49%.
AUDUSD	0.7106	0.7114	-0.11%.	1.97%	5.45%	1.67%
NZDUSD	0.6483	-0.0600	-0.06%.	0.12%	2.71%	-0.94%.
USDJPY	129.9550	130.2154	-0.20%.	0.36%	-3.29%.	12.84%
USDCNY	6.7652	6.7343	0.46%	-0.23%.	-3.27%.	6.20%
USDINR	81.6030	81.4157	0.23%	0.78%	-1.36%.	8.76%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 27, 2023

Commodity		27-Jan-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	81.7	81.0	0.81%	0.15%	3.39%	-4.30%.
BRENT	USD/Bbl	88.2	87.5	0.84%	0.76%	5.13%	-0.25%.
NATURAL GAS	USD/MMBtu	2.8	9.8	-0.81%.	-7.02%.	-32.69%.	-36.89%.
GASOLINE	USD/Gal	2.6	2.6	0.51%	-0.55%.	10.91%	3.66%
COAL	USD/T	355.6	354.0	0.45%	-2.17%.	-11.21%.	56.24%
GOLD	USD/t.oz	1,923.4	1,929.0	-0.29%.	-0.16%.	6.61%	7.39%
SILVER	USD/t.oz	23.5	23.9	-1.50%.	-1.66%.	0.19%	5.06%
WHEAT	USD/Bu	751.5	752.5	-0.13%.	1.21%	-4.46%.	-4.03%.
PALM-OIL	MYR/T	3,902.0	3,781.0	3.20%	0.26%	-4.53%.	-30.67%.
COCOA	USD/T	2,615.0	2,628.9	-0.53%.	1.95%	-0.08%.	5.01%

FGN Bonds Yield Curve, Friday, January 27, 2023



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