

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

---

### ECONOMY: Positive Uptick in Pension AUM to N14.9 Trillion in 2022 Amid Limited Investible Options....

For Cowry Research, we think that a significant factor hindering wider acceptance and rapid growth of the industry has been the unavailability of investible options, just as fund managers were prohibited from owing foreign securities by sourcing FX on their own.

### FOREX MARKET: Naira Gained Strength against Dollar by N0.25 At Official FX Market Despite Currency Crunch....

The cashless policy drive of the central bank may see more Nigerians in double-whammy as the ongoing currency and fuel scarcity fiasco may likely leave many in perilous times with some unorganized currency traders taking undue advantage over the situation despite the efforts to by the apex bank to meet the rising demand with its limited currency supply.

### MONEY MARKET: Money Market Yields Moderate Despite Muted Activity at the Primary Market...

In the new week, we expect activity in the money market to be bullish as the market expects a liquidity boost from the maturing N154.12 billion worth of Treasury and OMO bills...

### BOND MARKET: FGN Bond Yields Fall in Tandem with Primary Market Stop Rates...

In the new week, we expect local OTC bond prices to appreciate (and yields to moderate) amid an expected boost in financial system liquidity...

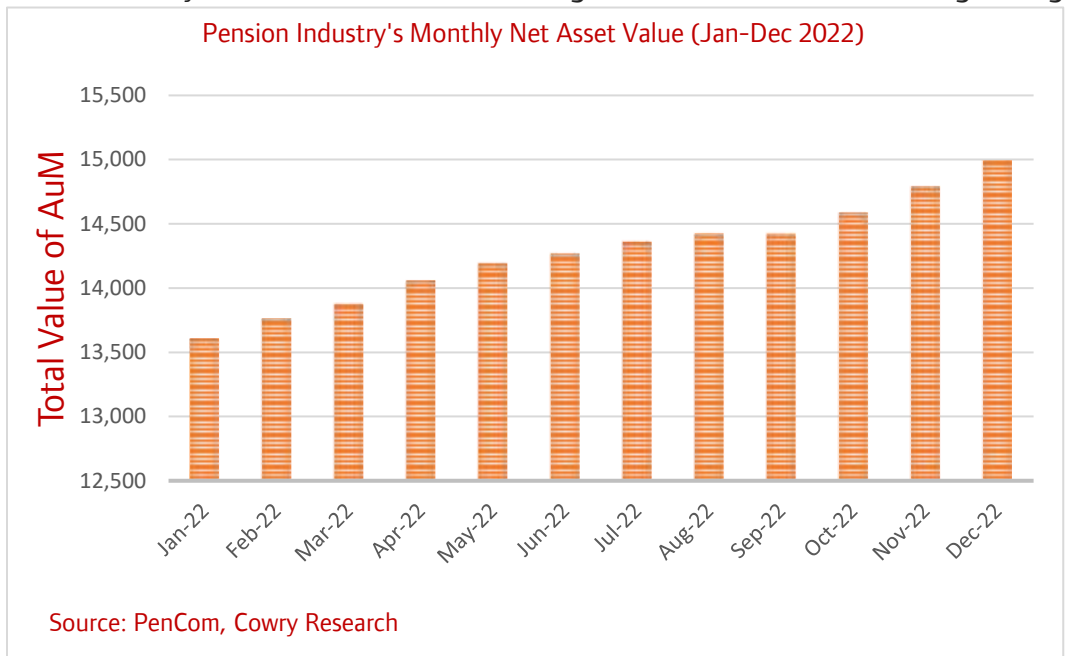
### EQUITIES MARKET: NGX-ASI Rise 2.95% w/w to 14-Year High; Buoyed by Dividends and Year-end Scorecards...

Looking ahead into the new week, we expect the current trend of positive sentiment to sustain its grip on the market on the back of more audited earnings expectations and election uncertainty.

## ECONOMY: Positive Uptick in Pension AUM to N14.9 Trillion in 2022 Amid Limited Investible Options

Total pension industry assets under management hit N14.9 trillion in December 2022 despite the limited investible options for pension fund managers in Nigeria, according to the latest data obtained from the National Pension Commission (PenCom). The industry's total assets under management have witnessed burgeoning growth of more than 11% in one year, from N13.4 trillion in December 2021.

The revolution of the Nigerian pension industry has transitioned from one with greater participation from the public sector to one that runs a defined contribution system for all public and private sector employees. This has been brought to reality by the robust regulation of the industry's regulation, which has remained an underpinning factor for the industry's expansion.



With a positive rise in the number of contributors to 9.86 million members at the end of December, the total number of contributions is expected to surpass the 10 million membership mark by the close of the first quarter of 2023 after the total pension assets projections to reach N14.8 trillion by the end of 2022 exceed expectations by around N1.57 trillion to N14.99 trillion from N13.42 trillion for the same period in 2021.

Based on the commission's report, the asset class composition of pension fund AUM has scarcely been altered over the years; but it notes that the share of corporate debt in the overall portfolio increased to 11.1% in December 2022, up from 7% the previous year. In terms of value, corporate debt increased by N717 billion to NGN1.7 trillion, representing an increase of 76% year on year. This sharp increase can be attributed to bond issuances by some large corporates, such as Dangote Industries and its cement company (N188 billion and N116 billion) and MTN Nigeria (N115 billion), among other firms, during the year.

According to the report, FGN bonds, which account for the largest share of pension funds' AUM, grew by 11% year on year to N9.2 trillion and accounted for around 61.5% of PFAs' funds under management. Investment in FGN Bonds increased by N894 billion during the year as a result of the high-interest rate environment in 2022, which fueled investor interest in fixed-income securities.

For the equities that delivered a strong return in 2022 at 19.98% from 6% in 2021, after the strong performance in the first half of the year, we saw a decline of 3.2% year on year in total equity (local and foreign) holdings by PFAs to N1.02 trillion. A major chunk of the decline was witnessed during the second half of 2022, which saw a steady market decline for equities stoked by rising yields in the fixed income market. Contrastingly, the value of pension AUM held in domestic equities decreased marginally by 1% year on year to almost N908 billion, taking its share to 6.1% from 6.8% in December 2021.

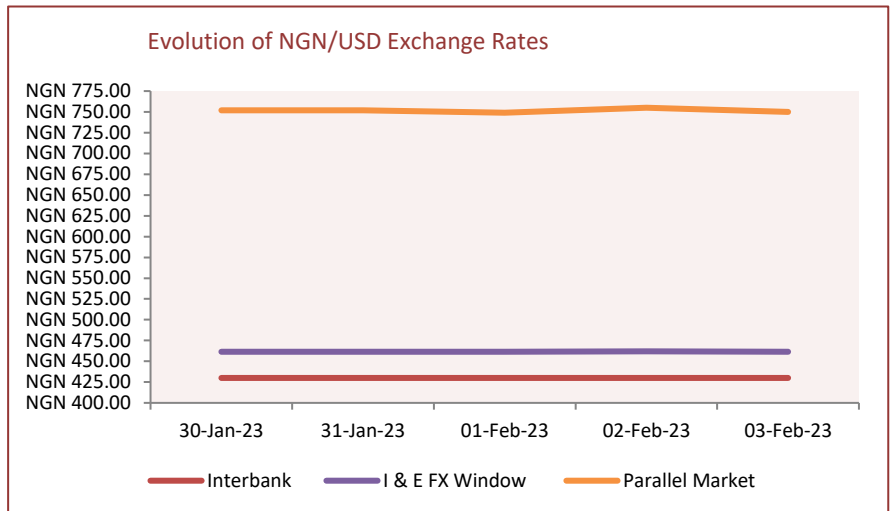
For Cowry Research, we think that a significant factor hindering wider acceptance and rapid growth of the industry has been the unavailability of investible options, just as fund managers were prohibited from owing foreign securities by sourcing FX on their own.

However, for the time being, we believe that the robust regulatory framework provided by the industry regulator (PenCom) will continue to underpin the growth and expansion of the industry, as evidenced by the legislative support provided by the Pension Reform Act (PRA) of 2004 coupled with the amendment in 2014, which effectively redefined retirement planning in Nigeria and led to a significant boost in the number of enrollees and the size of managed assets in the industry.

## FOREX MARKET: Naira Gained Strength against Dollar by N0.25 At Official FX Market Despite Currency Crunch....

Just few days to the earlier scheduled deadline by the Central Bank of Nigeria for the disbursement and return of the old local currency, the apex bank announced a 10-day extension following the approval by the presidency. This development has met with several reactions which trailed the drive to cashless policy as Nigerians face a double whammy of naira notes scarcity and fuel scarcity. Consequently, many currency traders have resorted to arbitrage trade opportunity by somewhere around 8% to 10% per transaction which, the CBN, on Friday, said will get stopped.

In the just concluded week at the investors' and exporters' FX window, the Naira edged out the dollar by N0.25 or 0.05% week on week to close at N461.50/USD from N461.75/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 depreciated by 0.27% or N2 week on week to N750/USD from N748/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.



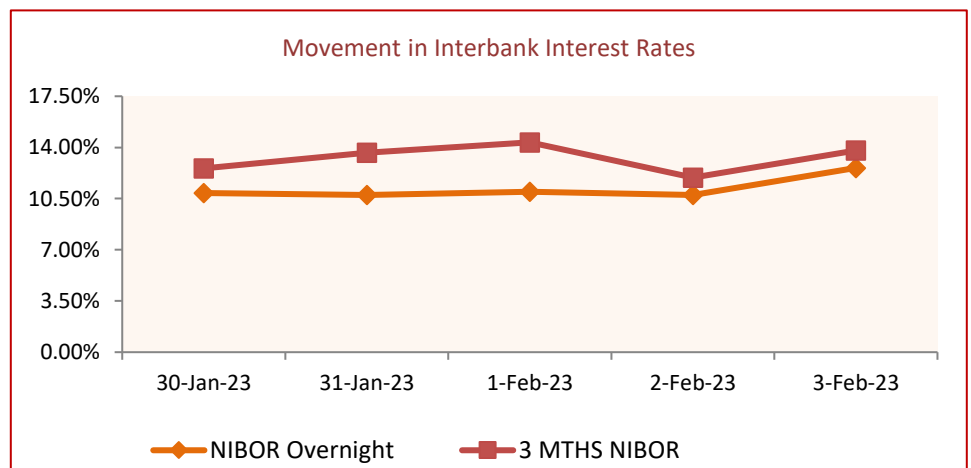
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged from the previous week as it closed the week at N445/USD from last week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, it was a mixed trend across all forward contracts as the short-dated tenors depreciated by 0.8% and 0.16% for the 1-month and 3-month tenors which closed at N483.43/USD and N489.61/USD. On the contrary, the long-date tenor contracts appreciated against the greenback by 0.06% and 8.50% week on week to close at contract offer prices of N506.18/USD and N487.41/USD respectively. The 2-month forward contract was mute at N487.39/USD.

In the oil market this week, Oil price oscillation was nonstop as it traded at above \$80 per barrel despite the outcome from the January 2023 Fed meeting where it hiked interest rates by 25 basis points from 50bps in December. On the home front, we saw the Bonny light crude price reacted to factors playing in the oil market by 6.4% or (USD5.6) week on week to close at USD82.12 per barrel from USD87.69 per barrel.

The cashless policy drive of the central bank may see more Nigerians in double-whammy as the ongoing currency and fuel scarcity fiasco may likely leave many in perilous times with some unorganized currency traders taking undue advantage over the situation despite the efforts to by the apex bank to meet the rising demand with its limited currency supply. 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: Money Market Yields Moderate Despite Muted Activity at the Primary Market...

In the just concluded week, activity in the primary market was quiet given the zero matured and auctioned Treasury bills. This created a buying sentiment in the secondary market as investors rushed to this space to mop up bills ahead of next week's auction. Hence, NITTY fell for most maturities. Specifically, NITTY for 3 months, 6 months, and 12 months moderated to 1.66% (from 1.93%), 2.33% (from 2.95%), and 3.11% (from 4.14%), respectively. However, NITTY for 1 month rose to 1.28% (from 1.00%).



Meanwhile, we saw a bit of liquidity squeeze in the interbank space, hence NIBOR rose for all tenor buckets tracked. Notably, overnight, 1 month, 3 months, and 6 months NIBOR rose to 12.60% (from 10.88%), 13.15% (from 12.50%), 13.80% (from 13.00%), and 14.30% (from 13.81%), respectively.

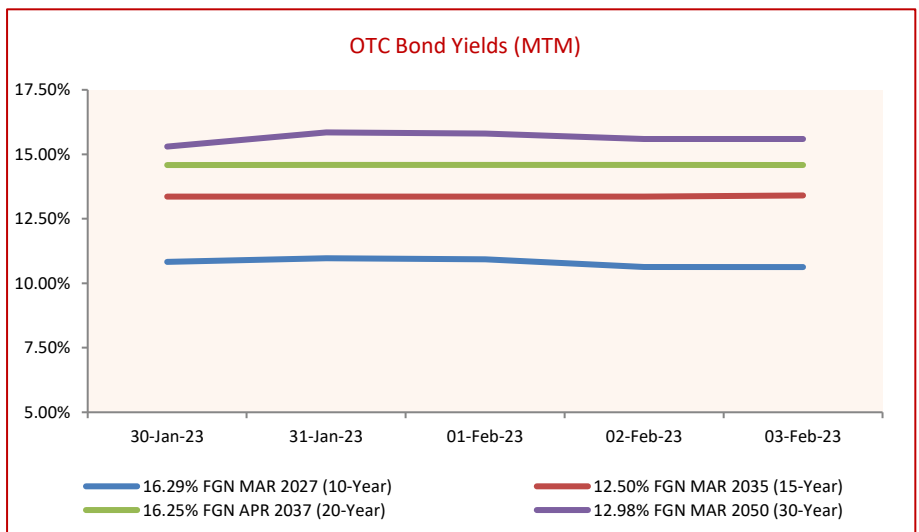
In the new week, we expect activity in the money market to be bullish as the market expects a liquidity boost from the maturing N154.12 billion worth of Treasury and OMO bills...

### BOND MARKET: FGN Bond Yields Fall in Tandem with Primary Market Stop Rates...

In the just concluded week, the Debt Management Office (DMO) sold N662.62 billion in bonds (N302.62 billion more than its offer), via N144.533 billion for the 13.98% FGN FEB 2028, N65.044 billion for the 12.50% FGN APR 2032, N232.446 billion for the 16.25% FGN APR 2037, and N220.574 billion for the 14.80% FGN APR 2049. Given the huge subscription, stop rates for the 28s, 32s, 37s, and 49s fell to 14.00%, 14.90%, 15.80%, and 15.90%, respectively, from 14.60%, 14.75%, 15.80%, and 15.80%.

Also, the value of FGN bonds traded in the secondary market moderated further in tandem with the stop rates. Notably, the 10-year, 16.29% FGN MAR 2027 instrument, the 20-year, 16.25% FGN APR 2037 debt, and the 30-year, 12.98% FGN MAR 2050, rose, respectively, and lost N0.15, N1.74, and N0.81; their corresponding yields rose to 13.41% (from 13.37%), 15.60% (from 15.30%), and 15.10% (from 14.96%). However, the 15-year 12.50% FGN MAR 2035 remained relatively unchanged week on week, as its corresponding yield stayed steady at 14.58%.

In the new week, we expect local OTC bond prices to appreciate (and yields to moderate) amid an expected boost in financial system liquidity...

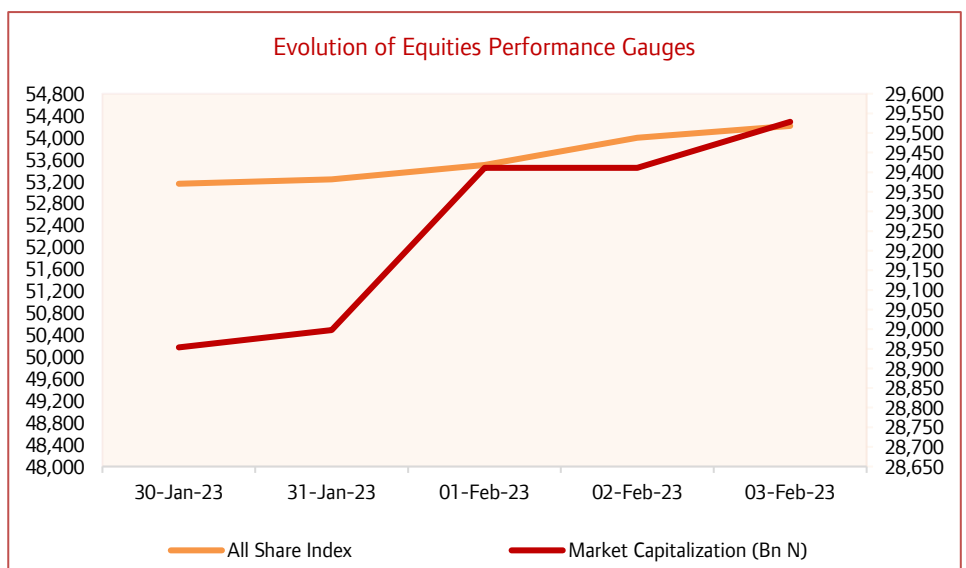


### EQUITIES MARKET: NGX-ASI Rise 2.95% w/w to 14-Year High; Buoyed by Dividends and Year-end Scorecards...

The benchmark index extended its bull transition to break another strong psychological resistance of 53,000 for the first time since May 2022 and a 14-year high since July 2008 above the 54,000 mark with upbeat sentiment, which drove the accumulation of major tickers following the positive releases of 2022 scorecards by listed companies. The upbeat market and increasing flow of funds into the equity space, as revealed by the money flow index and buying pressure at this moment, show the importance of price, value, and timing in stock investing or trading.

Furthermore, dividend announcements from high-priced stocks provided market participants with insight into the expectations for this earnings season, despite rising volatility and the likelihood of profit-taking at any time given the year's uptrend.

Through the week, market activity was upbeat in all sessions this week on the back of impressive earnings so far. Thus, the benchmark index rose 2.95% week on week to 54,213.09 points, while the market cap increased from N847 billion to N28.68 trillion. Also, the ASI's year-to-date return was 5.78% owing to increased buy-power and momentum across some of the large and mid-cap names.



Across the sectors this week, sentiment was largely positive for most of the indices, except for the Consumer Goods index, which lost 0.42% week on week. On the other hand, price appreciation from buying momentum was witnessed in the banking index, which gained by 2.49% week on week, alongside the oil and gas index, which rose the most this week by 9.16% due to impressive earnings from MRS. Also, the insurance and industrial goods indexes rose by 0.27% and 0.13%, respectively. Meanwhile, the top gaining securities for the week were GEREGU (+37%), MRS (+21%), and SEPLAT (+20%), while the week's losers were CHAMS (-17%), GUINNESS (-10%), and ARDOVA (-8%).

The level of trading activity in the equity market continued with strong momentum for another week, with the total deals for the week inching northward by 11.43% week on week to 20,333 as stockbrokers recorded a massive 400.7% surge in trade volumes to 3.79 billion and valued at N21.62 billion, indicating an increase of 119.32% week on week.

Looking ahead into the new week, we expect the current trend of positive sentiment to sustain its grip on the market on the back of more audited earnings expectations and election uncertainty. However, we advise investors to trade companies with sound fundamentals and, as such, should take advantage of price corrections in line with domestic and global trends.

## Weekly Gainers and Loser as at Friday, February 03, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	January 27 2023	January 20 2023	% Change	Symbol	January 27 2023	January 20 2023	% Change
NNFM	9.75	6.75	44%	CHAMS	0.25	0.30	-17%
GEREGU [BLS]	219.00	160.00	37%	GUINNESS	63.00	70.00	-10%
MRS	19.35	16.00	21%	ARDOVA	17.65	19.10	-8%
SEPLAT	1,325.00	1,100.00	20%	ETERNA	7.00	7.50	-7%
FCMB	4.90	4.15	18%	RTBRISCOE	0.28	0.30	-7%
SOVRENINS	0.30	0.26	15%	LINKASSURE	0.45	0.48	-6%
NAHCO	8.90	7.80	14%	UPDC	0.95	1.01	-6%
FIDELITYBK	6.00	5.40	11%	CAVERTON	0.98	1.03	-5%
NGXGROUP	29.00	26.15	11%	WAPIC	0.43	0.45	-4%
FTNCOCOA	0.33	0.30	10%	HONYFLOUR	2.23	2.33	-4%

## Weekly Stock Recommendations as at Friday, February 03, 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	1.63	1.56	11.23	0.53	3.69	6.03	2.83	6	8.5	5.1	6.9	40.83	Buy
ZENITH	5.55	7.11	41.68	0.45	4.54	27.40	18.90	25.20	32.3	21.4	29.0	28.00	Buy
UNILEVER	1.04	0.92	11	1.24	13.0	17	12	13.55	16.0	16.0	11.5	56.00	Buy
GTCO	4.43	5.73	29.66	0.85	5.69	28.05	16.80	25.20	32.6	21.4	29.0	29.33	Buy
MTNN	17.63	16.93	0.02	15.72	13.49	270	167	237.90	263.0	202.2	273.6	28.00	Buy

## FGN Eurobonds Trading Above 8% Yield as at Friday, February 03, 2023

FGN Eurobonds	Issue Date	TTM (years)	03-Feb-23 Price (N)	Weekly USD Δ	03-Feb-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.44	98.14	(1.00)	10.8%	2.50
7.625 21-NOV-2025	21-Nov-18	2.80	91.47	(4.18)	11.3%	1.84
6.50 NOV 28, 2027	28-Nov-17	4.82	91.47	(4.18)	11.3%	1.84
6.125 SEP 28, 2028	28-Sep-21	5.65	77.44	(4.59)	11.7%	1.29
8.375 MAR 24, 2029	24-Mar-22	6.14	82.54	(5.49)	12.5%	1.42
7.143 FEB 23, 2030	23-Feb-18	7.06	75.63	(5.48)	12.4%	1.36
8.747 JAN 21, 2031	21-Nov-18	7.97	81.28	(4.99)	12.5%	1.12
7.875 16-FEB-2032	16-Feb-17	9.04	75.42	(4.93)	12.5%	1.08
7.375 SEP 28, 2033	28-Sep-21	10.66	71.87	(4.44)	12.2%	0.91
7.696 FEB 23, 2038	23-Feb-18	15.07	69.45	(3.67)	12.2%	0.68
7.625 NOV 28, 2047	28-Nov-17	24.83	66.26	(2.79)	11.9%	0.48
9.248 JAN 21, 2049	21-Nov-18	25.98	76.41	(3.77)	12.3%	0.59
8.25 SEP 28, 2051	28-Sep-21	28.67	67.95	(3.37)	12.3%	0.58



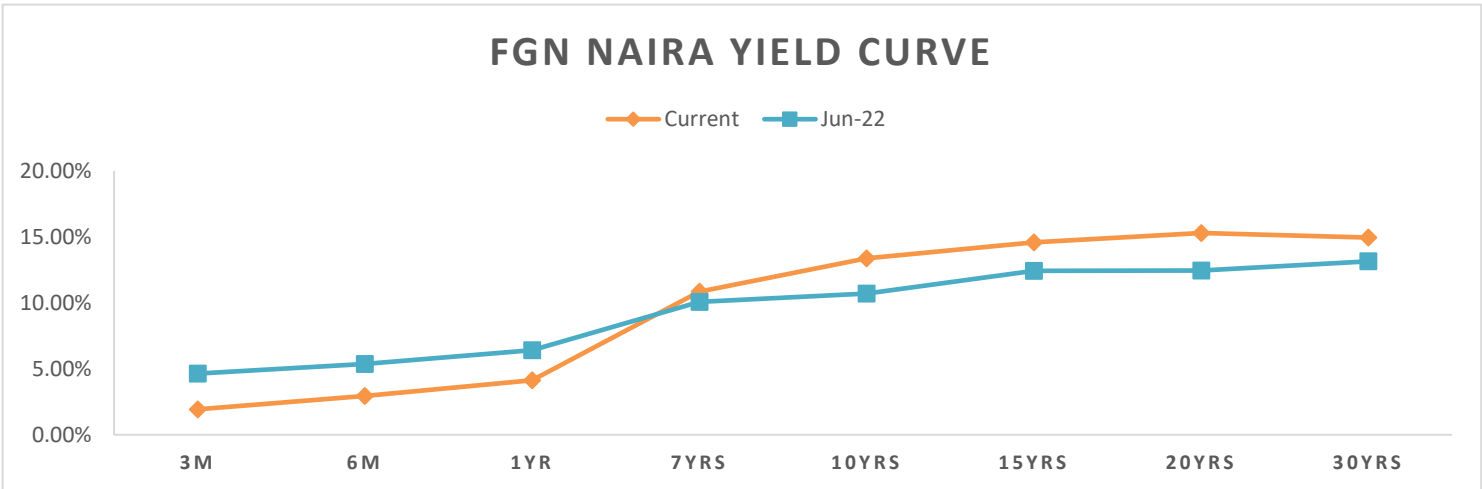
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 03, 2023

MAJOR	03-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0858	1.0910	-0.47%.	-0.04%.	2.49%	-5.10%.
GBPUSD	1.2131	1.2223	-0.75%.	-2.14%.	0.65%	-10.33%.
USDCHF	0.9236	0.9129	1.17%	0.31%	-0.64%.	-0.22%.
USDRUB	70.5730	70.0476	0.75%	1.76%	-1.01%.	-6.36%.
USDNGN	460.0400	460.0400	0.00%	0.06%	2.57%	10.67%
USDZAR	17.3199	17.0623	1.51%	0.74%	2.58%	11.84%
USDEGP	30.2872	30.2298	0.19%	1.50%	14.72%	92.79%
USDCAD	1.34	1.3315	0.59%	0.66%	-0.58%.	4.96%
USDMXN	18.86	18.6446	1.13%	0.50%	-2.64%.	-8.80%.
USDBRL	5.10	5.0505	0.92%	-0.21%.	-6.13%.	-4.32%.
AUDUSD	0.6979	0.7076	-1.37%.	-1.70%.	2.20%	-1.32%.
NZDUSD	0.6396	-0.0600	-1.24%.	-1.48%.	1.63%	-3.26%.
USDJPY	130.2690	128.6480	1.26%	0.33%	-1.76%.	13.09%
USDCNY	6.7741	6.7384	0.53%	0.25%	-1.84%.	6.46%
USDINR	82.0730	82.0402	0.04%	0.70%	-0.68%.	9.97%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 03, 2023

Commodity		03-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	77.2	75.9	1.78%	-3.38%.	5.32%	-14.77%.
BRENT	USD/Bbl	83.3	82.2	1.32%	-3.89%.	6.45%	-10.97%.
NATURAL GAS	USD/MMBtu	2.4	9.8	-2.37%.	-16.36%.	-36.96%.	-46.95%.
GASOLINE	USD/Gal	2.4	2.5	-0.62%.	-6.29%.	7.36%	-9.27%.
COAL	USD/T	245.0	247.0	-0.81%.	-31.10%.	-37.67%.	10.86%
GOLD	USD/t. oz	1,881.4	1,912.4	-1.62%.	-2.43%.	1.42%	4.04%
SILVER	USD/t. oz	22.7	23.5	-3.22%.	-3.86%.	-4.55%.	0.78%
WHEAT	USD/Bu	769.8	761.0	1.16%	2.40%	3.02%	0.82%
PALM-OIL	MYR/T	3,851.0	3,750.9	2.67%	-1.31%.	-7.63%.	-31.44%.
COCOA	USD/T	2,558.0	2,583.1	-0.97%.	-2.66%.	-1.77%.	-4.16%.

FGN Bonds Yield Curve, Friday, February 03, 2023



Disclaimer

This report is produced by the **Research Desk** of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.