

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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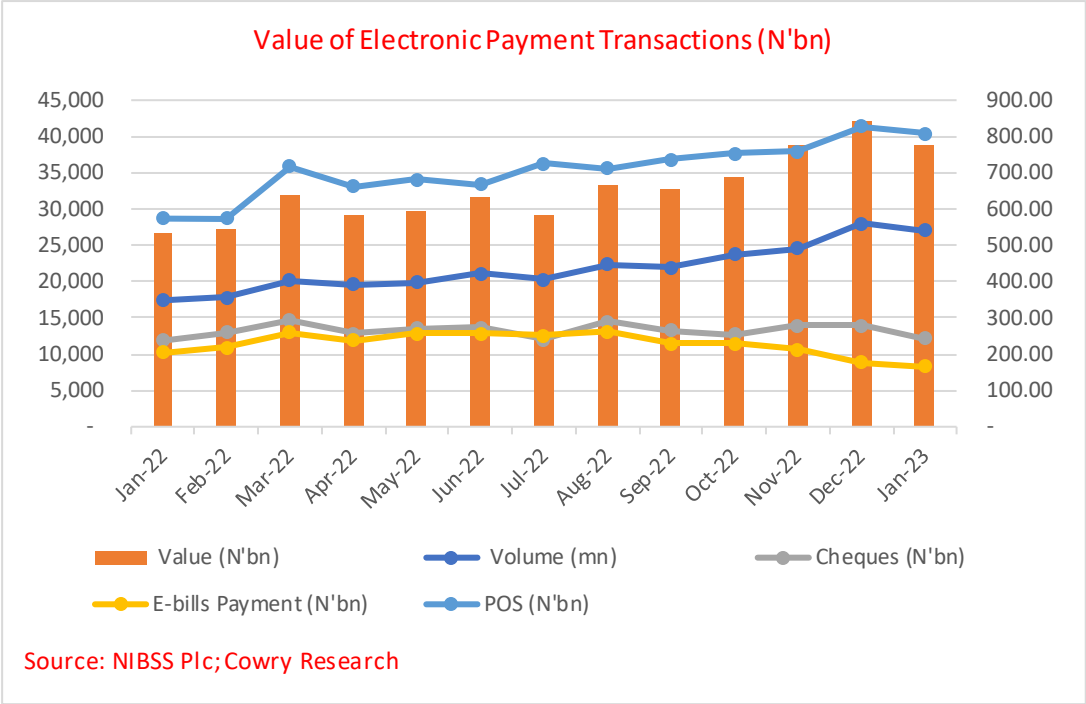
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ECONOMY: CBN’s Cash Swap, Naira Redesign Initiatives Drive Steady Growth in E-Payments to N38.7 trillion

Nigeria's gradual transition to a cashless economy following the Central Bank of Nigeria's (CBN) announcement of the Naira redesign has resulted in steady growth in the value of electronic payments. According to the latest data from the NIBSS Instant Payment System (NIP), point-of-sale transactions have risen almost 41% year on year to N807.2 billion at the close of January 2023 after hitting N573.72 billion in the same period last year, while the total NIP transactions surged 45.5% year on year between January 2022 and January 2023 to N38.77 trillion from N26.65 trillion.

The steady growth may have been bolstered by the current naira scarcity, limited cash withdrawal policy, rising tele-density rate, and increasing number of internet subscribers across the country. This positive contribution brings the total of cashless transactions in Nigeria to N39.58 trillion as of January 2023 and indicates a 45.4% year-on-year increase, according to the Nigeria Inter-Bank Settlement System's (NIBSS) reported data.



Quickly, we remembered that in October 2022, Nigeria’s central bank announced plans to redesign the Nigerian legal tender as one of several means to curb the rate of Naira counterfeiting, vote-buying, and fight terrorism. However, with over N3.2 trillion in circulation within the economy as of October 2022, according to CBN data, N500 billion was within the banking sector while N2.7 trillion was stashed in homes. However, the argument persists that, regardless of the imposition of withdrawal limits, the naira is likely to fall further across FX segments due to increased speculative activity, market panic, and the exclusion of the unbanked, the financially underserved, and informal traders from the inclusion plan.

In an effort to mitigate the policy's consequences, the central bank authorised deposit money banks to begin paying the redesigned Naira notes over the counter, subject to a daily payout limit of N20,000. This serves as an avenue to promote the use of electronic channels as a means of payment. From the NIBSS data, the use of electronic channels for transactions grew by 45.50% year on year, from 438.5 million times to 638 million times under the review period. Thus, there were 955,234 deployed PoS terminals in the country as of January 2022.

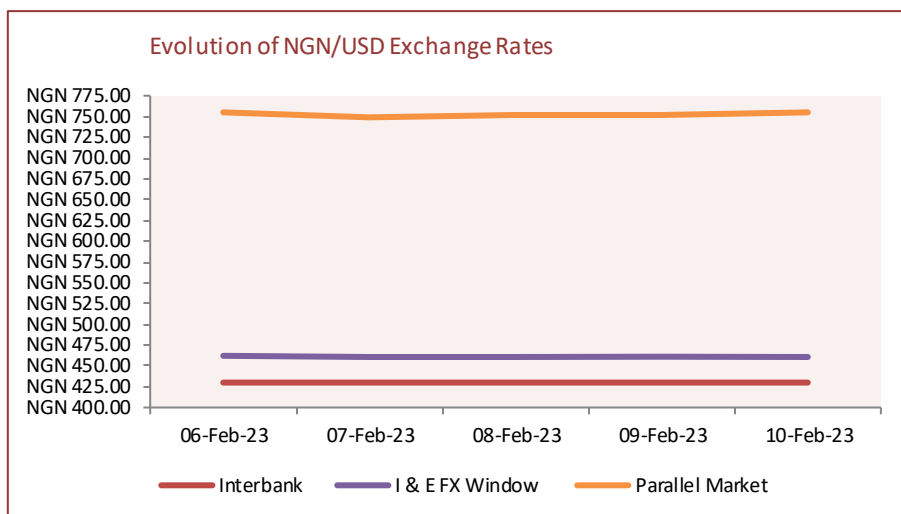
Meanwhile, cheque payments have fallen in popularity in recent years, falling by more than 8% year on year to nearly N300 billion, while E-billing channel usage has fallen by more than 20% year on year to N175 billion. However, transaction through the mobile scheme under the instant payment platform rose fast to N2.7 trillion, indicating an increase of more than 110% year on year.

Cowry Research opines that the transition to a cashless economy will be majorly driven by the naira redesign and cash swap initiatives of the central bank, as most Nigerians will adopt the use of electronic payment channels for business and personal transactions, which may further lead to a decline in presence in the banking halls.

## FOREX MARKET: The Naira Closed Quietly at I&E FX Window as Currency Crunch Hits Harder....

Naira scarcity and the level of cash crunch in the economy continue biting Nigerians harder as the deadline for the use of the old currency as a legal tender elapses on Friday; though, the extension for the return of old banknotes continues while the supreme court and the council of states, after it meetings has ordered the apex bank to keep in circulation, the old banknotes, in a bid to ease the hassles faced by Nigerians.

In the just concluded week at the investors' and exporters' FX window, the Naira traded in a quiet manner to close at N461.50/USD just as was 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 lost strength against the dollar at the parallel market as the naira value depreciated by 0.7% or N5 week on week to N755/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 N750/USD and N757/USD.



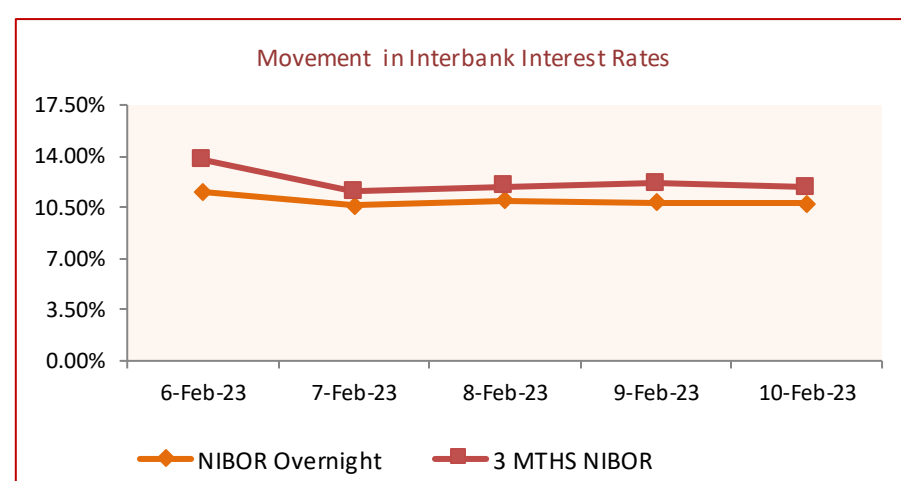
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged from the previous week as it closed the week at N445/USD from last week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, it was a mixed trend across all forward contracts as the 1-Month and 12-Month tenors depreciated by 1.11% and 8.66% to close at N488.77/USD and N529.62/USD. On the contrary, the 2-Month, 3-Month and 6-Month tenor contracts appreciated against the greenback by 1.16%, 0.6% and 0.34% week on week to close at contract offer prices of N481.72/USD, N486.65/USD and N504.45/USD respectively.

In the oil market this week, Oil price oscillation was nonstop as it traded at above \$86 per barrel as OPEC+ remained unfazed by Russia's surprising output cut of 500,000 barrels daily for March, which the cartel said does not change the course of its production targets. On the home front, we saw the Bonny light crude price reacted to factors playing in the oil market as it rose by 9.05% or (USD7.43) week on week to close at USD89.55 per barrel from USD82.12 per barrel.

In our opinion, the Naira demand pressure is expected to stay unabating following the limited supply of the local currency. This further exposes the inability of the central bank to meet supply of the local currency as we transcend gradually into the cashless policy regime.

## MONEY MARKET: Stop Rate for 364-day Bill Slips to 2.24% amid High Demand...

In the just concluded week, CBN auctioned more T-bills (worth N217.06 billion) than the matured T-bills worth N113.12 billion in the primary market. Notably, stop rates for all tenor buckets moderated further given the high demand, particularly at the longest end of the curve (as implied by a 2.53x bid-to-cover ratio). Specifically, stop rates for the 364-day bills fell further to 2.24% (from 4.78%). Also, 91-day bill and 182-day bill rates fell to 0.10% (from 0.29%) and 0.30% (from 1.80%), respectively. In line with the direction of rates in the primary market, NITTY for 1-month, 3-month, 6-month, and 12-month maturities decreased to 0.95% (from 1.28%), 1.23% (from 1.66%), 1.49% (from 2.33%) and 1.92 (from 3.11%).

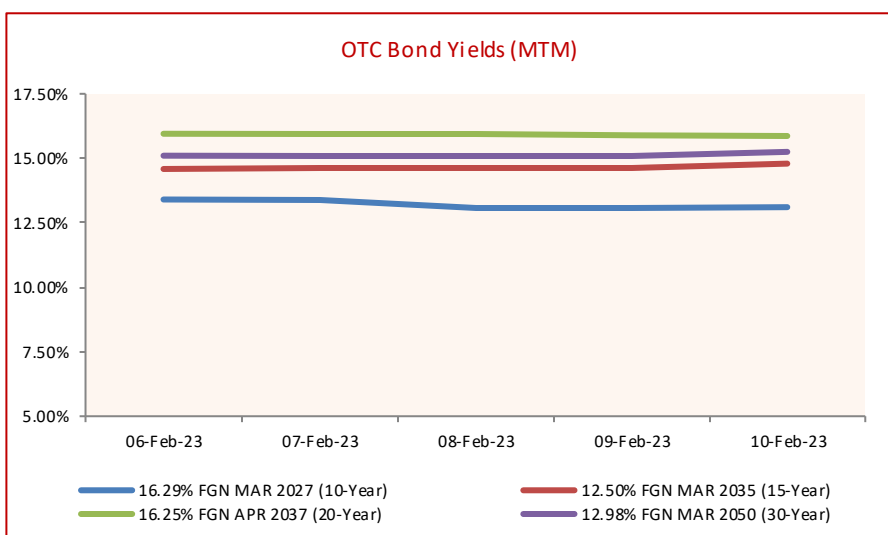


Elsewhere, given the matured OMO bills worth N40.00 billion, NIBOR fell for all tenor buckets amid financial system liquidity ease. Specifically, NIBOR for Overnight Funds, 1-month, 3-month, and 6-months moderated to 10.75% (from 12.60%), 10.75% (from 13.15%), 11.80% (from 13.80%) and 12.88 (from 14.30%), respectively

In the new week, treasury bills worth N60.00 billion will mature via OMO; hence, we expect interbank rates to move in mixed directions amid a marginal inflow of matured bills...

## BOND MARKET: FGN Bond Prices Decrease for Most Maturities Tracked amid Bearish Activity...

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%.

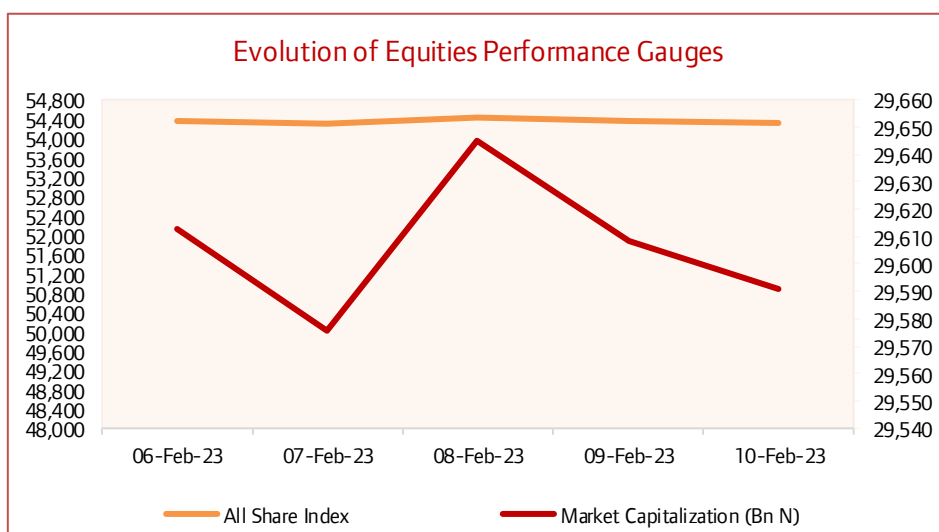
Elsewhere, the value of FGN Eurobonds traded on the international capital market depreciated further for all maturities tracked amid sustained bearish sentiment. Specifically, the 10-year, 6.38% JUL 12, 2023, the 20-year, 7.69% paper FEB 23, 2038, and the 30-year, 7.62% NOV 28, 2047, lost USD 1.00, USD 3.67, and USD 2.79, while their corresponding yields rose to 10.84% (from 8.34%), 12.17% (from 11.49%), and 11.87% (from 11.39%), respectively.

In the new week, the DMO will auction N360 billion worth of bonds; viz: N90 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 re-openings. Hence, we expect the stop rates to moderate – mirroring the drop in the money market rate for the 364-day bill...

## EQUITIES MARKET: Positive Outing for Equities by 0.21% as Fixed Income Rates Skids Further...

Profit taking activities continued on the equities market in the midst of buying interests in Dangote Cement which weighed on the composite All-Share index of the Lagos bourse to close higher on a low traded volume and negative market breadth. This comes as there exists a disconnect between the recent policy rate hike by the central bank to 17.50% in January 2023 and the falling rates in the fixed income space continue, especially the Treasury Bill primary auction rates that had declined for five consecutive offers in the face of high inflation to make the stock market more attractive in the short-term.

Through the week, market sentiment was mixed as the benchmark index rose 0.21% week on week to 54,327.30 points, while the market cap inched northward by 0.21% week on week by N62.21 billion to N29.59 trillion. Also, the ASI's year-to-date return was up 6% owing to increased buy-power and momentum across some of the large and mid-cap names.



Across the sectors this week, sentiment was largely downbeat for most of the indices as we saw the Insurance, Banking and Consumer Goods indexes lost 3.32%, 0.9% and 0.63% week on week. On the other hand, price appreciation from buying momentum was witnessed in the oil & gas index and the industrial index which gained by 0.63% and 0.65% week on week in that order due to impressive gains recorded in Dangote Cement, Conoil. Meanwhile, the top gaining securities for the week were CONOIL (+21%), MRS (+10%), and NNFM (+10%), while the week's losers were FTNCOCOA (-15%), JAPAU LGOLD (-12%), and MBENEFIT (-11%).

At the close of the week, it was a lacklustre trail of market activities as the level of trading activity closed southward for the trade deals by 8.71% week on week to 18,563 as stockbrokers recorded a 75.15% decline in trade volumes to 941.5 million and valued at N5.33 billion, indicating a decrease of 75.4% week on week.

Looking ahead into the new week, we expect the current trend of positive sentiment to take grip of market activities in the face of portfolio rebalancing and profit taking activities and on the back of the outcome from the recent T-bills auction as rates inched lower further in the fixed income space. 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 10, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	February 10 2023	February 03 2023	% Change	Symbol	February 10 2023	February 03 2023	% Change
CONOIL	32.05	26.50	21%	FTNCOCOA	0.28	0.33	-15%
MRS	21.25	19.35	10%	JAPAUFGOLD	0.30	0.34	-12%
NNFM	10.70	9.75	10%	MBENEFIT	0.32	0.36	-11%
REDSTAREX	2.77	2.53	9%	MCNICHOLS	0.61	0.67	-9%
UPDC	0.99	0.95	4%	CHAMPION	4.50	4.90	-8%
NPFMCRFBK	1.80	1.74	3%	STERLNBANK	1.51	1.63	-7%
NASCON	11.20	10.90	3%	FIDELITYBK	5.58	6.00	-7%
UCAP	15.20	14.80	3%	CADBURY	11.45	12.30	-7%
MANSARD	2.00	1.96	2%	LINKASSURE	0.42	0.45	-7%
MTNN	241.90	237.90	2%	CORNERST	0.59	0.63	-6%

### Weekly Stock Recommendations as at Friday, February 10, 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
DANGCEM	12.51	16.01	49.19	5.49	21.59	300	220	270	345.6	229.5	310.5	38.00	Buy
UBA	3.39	4.07	23.64	0.35	2.46	8.85	6.550	8.35	10.0	7.1	9.6	20.00	Buy
OKOMU	18.92	22.46	40.55	4.47	9.58	216.9	104	181.20	215.02	154.0	208.4	26.00	Buy
GTCO	4.43	5.73	29.66	0.85	5.67	28.05	16.80	25.20	32.5	21.3	28.9	29.33	Buy
MTNN	17.63	16.93	0.02	15.72	13.83	270	167	241.90	263.0	207.3	280.5	28.00	Buy

### FGN Eurobonds Trading Above 8% Yield as at Friday, February 10, 2023

FGN Eurobonds	Issue Date	TTM (years)	10-Feb-23 Price (N)	Weekly USD Δ	10-Feb-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.44	98.00	(0.14)	11.4%	0.56
7.625 21-NOV-2025	21-Nov-18	2.80	89.92	(1.55)	12.0%	0.74
6.50 NOV 28, 2027	28-Nov-17	4.82	89.92	(1.55)	12.0%	0.74
6.125 SEP 28, 2028	28-Sep-21	5.65	76.80	(0.64)	11.9%	0.21
8.375 MAR 24, 2029	24-Mar-22	6.14	81.19	(1.35)	12.9%	0.38
7.143 FEB 23, 2030	23-Feb-18	7.06	73.96	(1.67)	12.9%	0.46
8.747 JAN 21, 2031	21-Nov-18	7.97	79.38	(1.90)	13.0%	0.45
7.875 16-FEB-2032	16-Feb-17	9.04	73.96	(1.46)	12.8%	0.35
7.375 SEP 28, 2033	28-Sep-21	10.66	70.31	(1.56)	12.5%	0.34
7.696 FEB 23, 2038	23-Feb-18	15.07	68.52	(0.93)	12.4%	0.18
7.625 NOV 28, 2047	28-Nov-17	24.83	65.49	(0.77)	12.0%	0.14
9.248 JAN 21, 2049	21-Nov-18	25.98	75.18	(1.23)	12.5%	0.21
8.25 SEP 28, 2051	28-Sep-21	28.67	67.54	(0.41)	12.4%	0.08



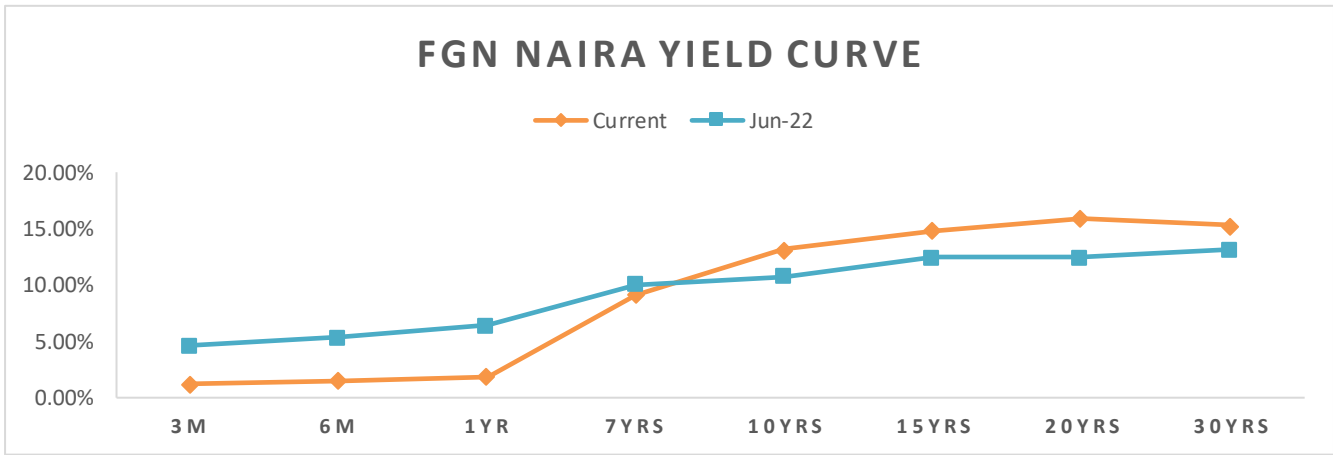
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 10, 2023

MAJOR	10-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0691	1.0736	-0.42%.	-0.92%.	-0.57%.	-5.77%.
GBPUSD	1.2110	1.2122	-0.10%.	0.51%	-0.24%.	-10.67%.
USDCHF	0.9232	0.9222	0.11%	-0.29%.	-0.83%.	-0.15%.
USDRUB	73.2455	73.0483	0.27%	3.21%	6.76%	-5.40%.
USDNGN	459.9700	459.9700	0.00%	-0.02%.	1.97%	10.43%
USDZAR	17.8379	17.7509	0.49%	2.14%	5.54%	17.34%
USDEGP	30.5035	30.4487	0.18%	0.90%	2.88%	94.79%
USDCAD	1.34	1.3451	-0.65%.	-0.24%.	-0.43%.	4.85%
USDMXN	18.72	18.7711	-0.29%.	-1.27%.	-1.03%.	-8.93%.
USDBRL	5.23	5.2912	-1.08%.	1.45%	1.30%	-0.49%.
AUDUSD	0.6944	0.6935	0.12%	0.37%	0.66%	-2.67%.
NZDUSD	0.6334	-0.0600	0.16%	0.04%	-0.43%.	-4.63%.
USDJPY	130.7560	131.5585	-0.61%.	-0.38%.	-1.36%.	13.22%
USDCNY	6.8139	6.7949	0.28%	0.11%	0.71%	7.02%
USDINR	82.4680	82.5093	-0.05%.	0.32%	1.01%	9.49%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 10, 2023

Commodity		10-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	78.7	78.1	0.83%	7.39%	1.46%	-12.13%.
BRENT	USD/Bbl	85.6	84.5	1.30%	7.20%	3.42%	-9.26%.
NATURAL GAS	USD/MMBtu	2.4	9.8	0.81%	2.02%	-26.52%.	-37.52%.
GASOLINE	USD/Gal	2.5	2.4	0.63%	6.29%	1.14%	-9.92%.
COAL	USD/T	218.0	225.5	-3.33%.	-7.63%.	-42.63%.	-11.02%.
GOLD	USD/t.oz	1,867.6	1,861.4	0.33%	0.13%	-0.45%.	0.43%
SILVER	USD/t.oz	22.2	22.0	0.98%	-0.69%.	-5.22%.	-5.82%.
WHEAT	USD/Bu	767.5	757.2	1.35%	1.41%	3.71%	-3.89%.
PALM-OIL	MYR/T	3,931.0	3,973.1	-1.06%.	2.08%	0.51%	-29.46%.
COCOA	USD/T	2,545.0	2,578.0	-1.28%.	-1.01%.	-3.42%.	-8.06%.

FGN Bonds Yield Curve, Friday, February 10, 2023



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