

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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FOREX MARKET: Naira Gains N11 Against Dollar Despite Lingering Scarcity, Unrest

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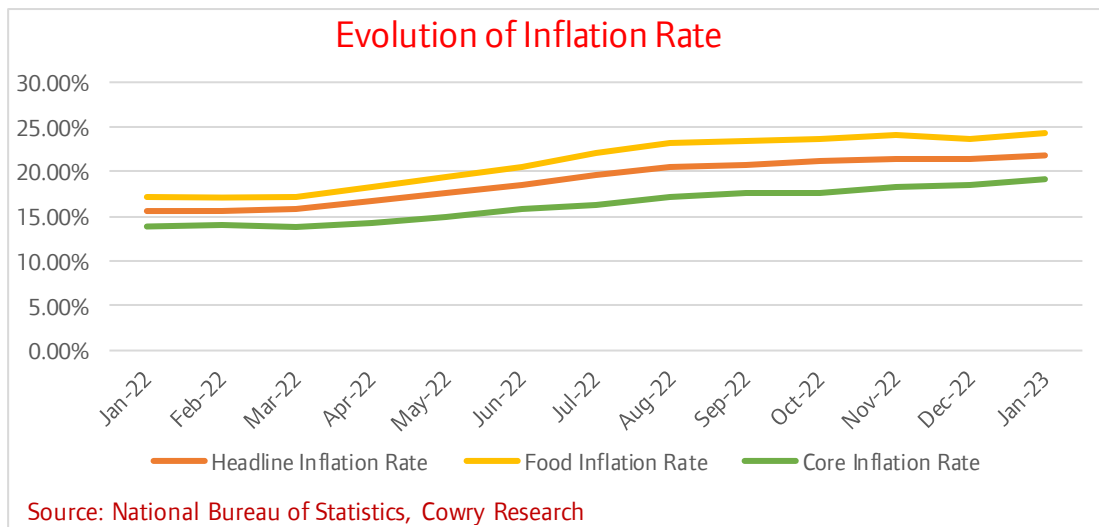
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Next week, all eyes will be on the early filers with their 2022 full-year scorecards to guide investor activities. This is particularly true for banking stocks and others with strong fundamentals and earnings that support a higher payout or dividend growth, even as the presidential and national assembly elections inch nearer.

ECONOMY: Post-Christmas Spending, Weak Naira Poke Headline Inflation Upward to 21.82% in January....

The latest headline inflation report from the National Bureau of Statistics (NBS) for January 2023 showed that there was an upward reversal in headline numbers to 21.82% year on year after the calm of 21.34% seen in December 2022. This increase poses the highest rise since September 2005, against market expectations for a further easing below 21%. Also, the January inflation trend signals an increase of 0.47% points from the December 2022 rate and 6.22% points higher than the 15.60% reported in January 2022.

According to the NBS, the general price level increase and post-Christmas experiences in January, which were offshoots of price increases in bread and cereal, which rose 21.67%, actual and imputed rent (7.74%), potatoes, yams, and tubers (6.06%), vegetables, and meat, which rose by 4.78%, were major drivers of the sudden increase in inflation. These components happen to be from the food inflation sub-index.



Though the market expected a continuation of the downward trend that began in December, rising food prices and a weaker currency have remained the driving forces behind the acceleration in the headline numbers. To simply put it in context, the prices of food, which happens to be the most relevant indicator in the CPI basket, recorded an upturn to 24.32% in January 2023 from 23.75% reported in the previous month. This was due to an upsurge in the prices of bread and cereals, oil and fat, potatoes, yams, and other tubers, fish, vegetables, fruits, meat, and food products.

For the core inflation, which excludes the prices of volatile agricultural produce, it printed at 19.16% in January 2023 on a year-on-year basis; and was spurred by increases recorded in the prices of gas, liquid fuel, passenger transport by air, vehicles' spare parts, fuels, and lubricants for personal transport equipment, solid fuel, etc.

Worthy of note is the fact that the wake of January 2023 was graced by an increase in PMS prices that came alongside fuel scarcity and a currency crunch resulting from the currency redesign of the CBN coupled with the FX shortage in the currency market, which has led to the Naira trading moderately above N700 for the greenback in the parallel market. Thus, in spite of the disinflation in the economy reported in December, pockets of Nigerians still get squeezed by reality.

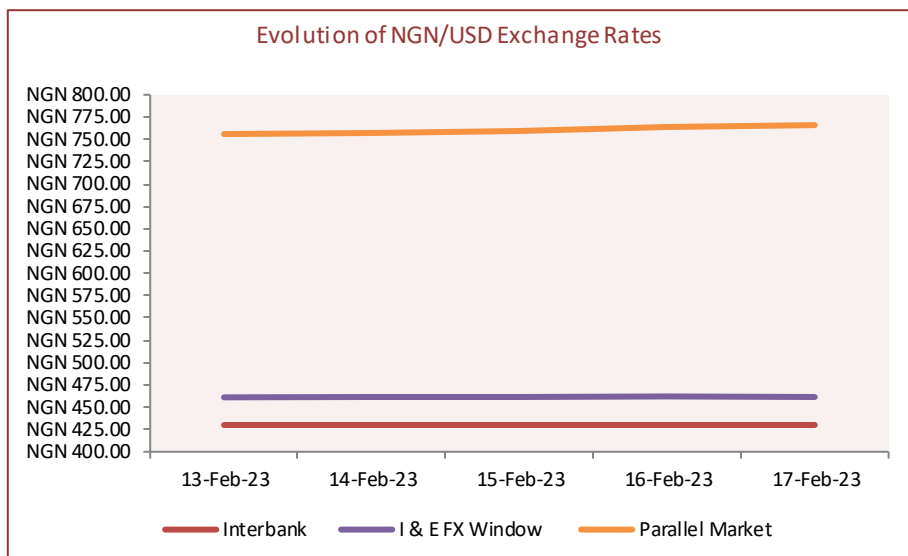
Taking into consideration the several comparisons to food and non-food items that may have yielded the headline index across states, we saw inflation rise highest in Bauchi (24.79%), Ondo (24.54%), and Anambra (24.51%) states while states such as Jigawa (19.09%), Borno (19.62%), and Sokoto (19.90%) recorded the slowest rise in headline year-on-year inflation. In another development, food inflation surged the most in Kwara (29.03%), Lagos (27.67%), and Ondo (27.38%) states, respectively, while Jigawa (19.22%), Sokoto (20.80%), and Yobe (21.32%) states recorded the slowest rise in year-on-year food inflation during the same period.

We note that at the moment, there is a case of fuel scarcity in some major states, which has created market inefficiencies and an opportunity for some petroleum marketers to profit from, especially now that we see the sharp rise in the price of diesel and PMS at above N800 and N189 respectively. However, the planting season and currency pressures from the Naira crunch due to the CBN's currency redesign policy on the transition to a cashless policy, coupled with other forms of election spending, are all likely to propel another cycle of price increase in February. In light of the above, we project a further uptrend in inflation to 22.15% in February 2023.

FOREX MARKET: Naira Gains N11 Against Dollar Despite Linger Scarcity, Unrest

Reactions have continued to trail the Naira redesign programme and rollouts into the economy by the central bank as demand and supply pressures in the currency market persisted for another week. During the just concluded week, Nigeria's President Muhammadu Buhari ordered the central bank to recirculate the old N200 into the banking system alongside the newly designed banknotes until April 10, 2023 when it will cease to be a legal tender. This move is aimed to curb activities of money-laundering, vote-buying, and ransom-taking by Kidnappers.

In the just concluded week at the open market, the local currency worsened in value against the United States dollar as it depreciated by N11 or 1.46% week on week to close at N766/USD from N755/USD in the previous week. On the other hand, at the investors' and exporters' FX window, the Naira appreciated by marginal 0.05% week on week to close at N461.25/USD from N461.50/USD despite the growing FX pressure on the naira and the newly redesigned currency circulation battle.



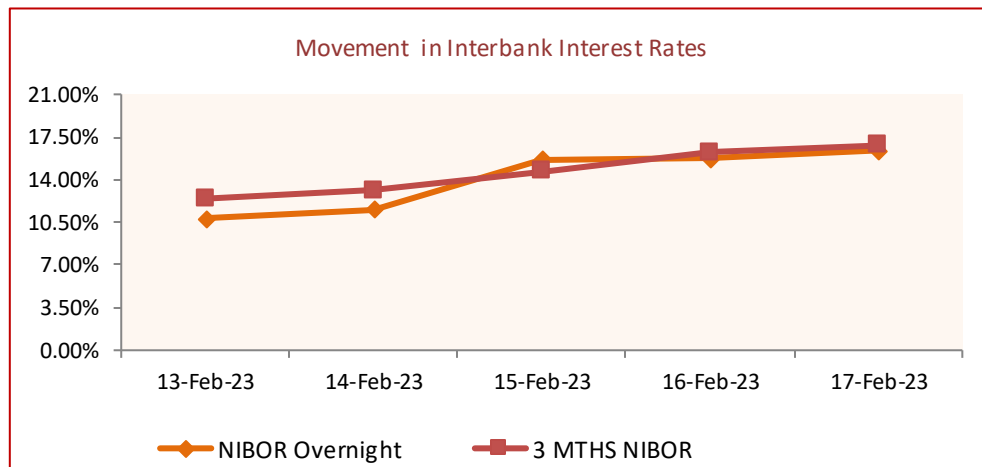
A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate moved further against the Naira by 3.82% to close at N462/USD from N445/USD from the previous week. Also, in our analysis of the Naira/USD exchange rate in the Naira FX Forward Contracts Markets, it was all green for the dollar index across all forward contracts except for the 1-Month tenor that appreciated by 0.39% to close at N486.88/USD. On the contrary, the 2-Month, 3-Month, 6-Month and 12-Month tenor contracts depreciated against the greenback by 0.9%, 1.50%, 5.82% and 16.82% week on week to close at contract offer prices of N485.88/USD, N493.97/USD, N533.80/USD and N618.70/USD respectively.

In the oil market this week, Oil price oscillation signaled negative close on Friday and was largely driven by the concerns that the Federal Reserve was not done with aggressive rate hikes which could counter the positive demand forecast from OPEC and IEA. On the home front, we saw the Bonny light crude price reacted to factors playing in the oil market as it declined by 2.33% or (USD2.09) week on week to close at USD87.46 per barrel from USD89.55 per barrel last week.

In our opinion, the Naira demand pressure is expected to stay unabating following the limited supply of the local currency ahead of the general elections and the extension of the deadline for the old notes deposition.

MONEY MARKET: : NITTY Rises ahead of Next Week Auction amid Trader's Bearish Expectations...

In the just-concluded week, OMO bills worth N60 billion matured, thus boosting financial system liquidity. However, the inflows were partly offset by the huge outflows from the FGN Bond purchases worth N771 billion, hence leading to a rise in Nigeria Interbank Offered Rates for all tenor buckets. Specifically, NIBOR for overnight funds, 1 month, 3 months, and 6 months climbed week-on-week to 16.40% (from 10.75%), 16.15% (from 10.75%), 16.80% (from 11.88%), and 17.00% (from 12.88%), respectively.

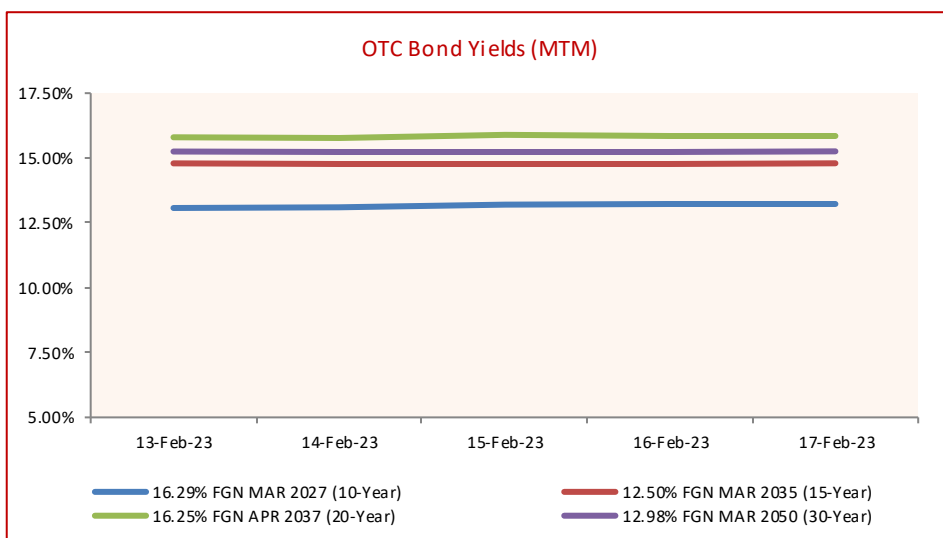


Elsewhere, we witnessed an upward repricing of yields at all maturities tracked ahead of next week's auction as traders expect rates to rise given the rising inflation rate as well as the short-term liquidity constraint of the FGN Bond auction outflow. Thus, traders believe the CBN has more legroom to raise stop rates further. Specifically, NITTY for 1 month, 3 months, 6 months, and 12 months rose to 1.40% (from 0.95%), 1.86% (from 1.23%), 2.40% (from 1.49%), and 3.88% (from 1.92%), respectively.

We anticipate slightly bullish money market activity in the coming week, as the financial system's liquidity should be boosted by the maturing N203.69 billion worth of T-bills and OMO bills; thus, we anticipate a fall in NIBOR and NITTY for most tenor buckets...

BOND MARKET: FGN Bond Stop Rates Rise for Most Maturities as Allotment Increases...

In the just concluded week, the DMO allotted N770.56 billion worth of bonds, viz., N257.41 billion for the 13.98% FGN FEB 2028, N51.12 billion for the 12.50% FGN APR 2032, N220.56 billion for the 16.25% FGN APR 2037, and N241.47 billion for the 14.80% FGN APR 2049 re-openings. Notably, stop rates rose for most maturities except for the 32s, which stood flat at 14.90%, and the 28s, which fell marginally to 13.99%. The 37s and 49s stop rates rose to 15.90% (from 15.80%) and 16.00% (from 15.90%), respectively.



The value of FGN bonds tracked in the secondary market traded mostly in line with the 37s and 49s as yields largely rose for most maturities. Specifically, the 10-year 16.29% FGN MAR 2027 and the 30-year 12.98% FGN MAR 2050 debts declined by N0.34 and N0.03, respectively; their corresponding yields expanded to 13.20% (from 13.10%), and 15.26% (from 15.25%), respectively. However, the yield on the 15-year 12.50% FGN MAR 2035 note stayed flat at 14.80%, while the 20-year 16.25% FGN APR 2037 paper, gained N0.07, with its corresponding yield contracting to 15.88% (from 15.89%).

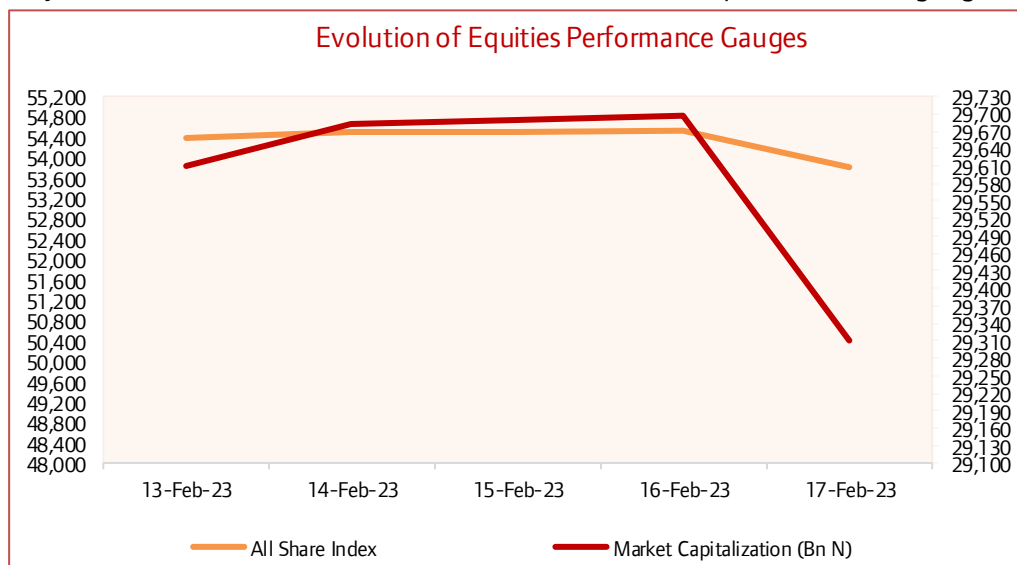
Elsewhere, the value of FGN Eurobonds traded on the international capital market depreciated for all maturities tracked due to sustained bearish activity. Specifically, the 10-year 6.38% JUL 12 2023, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047, lost USD 0.03, USD 0.15, and USD 0.20, while their corresponding yields rose to 11.76% (from 11.40%), 12.39% (from 12.35%), and 12.05% (from 12.01%), respectively.

In the new week, we expect FGN bond prices to increase (with a corresponding fall in yields) at the OTC market amid the expected boost in financial system liquidity....

EQUITIES MARKET: NGX Plunges 0.96% as Investors React to Economic Data, Election Concerns...

The domestic equities market closed the week with a lacklustre performance as profit-taking activities continued with waning sentiments, leading to sell-offs in some of the blue-chip companies. This comes amidst rising inflation numbers, which printed 21.82% for January, and declining rates and yields in the fixed income market as investors reshuffle their portfolios to hedge against expanding inflation.

Following a six-week bullish trend, market sentiment was negative with the benchmark index falling by 0.96% week on week to 53,804.46 points and the market cap falling by 0.96% week on week from N280.45 billion to N29.31 trillion. Also, the ASI's year-to-date return decreased to 4.98% owing to decreased buy-power and momentum across some of the large and mid-cap names.



Across the sectors this week, performance was largely upbeat for most of the indices that saw support from an increased inflow of funds into the equity space and continued buying sentiments, except for the banking index that was hit with profit-taking, which dragged the index into the negative region by 1.34% week on week. On the contrary, positive price movement was seen in the Insurance (+1.18%), Oil & Gas (+0.91%), Consumer Goods (+0.67%), and Industrial Goods (+0.06%) indexes through the week as investors posed their expectations for the early filers from these sectors to start hitting the market with their 2022 full-year scorecards even as the presidential and national assembly elections draw closer.

At the close of the week, the level of market trading activities was varied as we saw the total number of deals decrease by 14.8% week on week to 15,822 as stockbrokers recorded a 20.13% decline in trade volumes to 751.9 million units valued at N13.21 billion,

indicating an increase of 147.84% week on week. Meanwhile, the top-gaining securities for the week were CHAMS (+16%), CONOIL (+10%), and MRS (+8%), while the week's losers were FIDELITYBNK (-15%), NGXGROUP (-9%), and TRANSCORP (-7%).

Next week, all eyes will be on the early filers with their 2022 full-year scorecards to guide investor activities. This is particularly true for banking stocks and others with strong fundamentals and earnings that support a higher payout or dividend growth, even as the presidential and national assembly elections inch nearer.

However, a breakout of this oscillating bullish run is expected to be reinforced on the back of corporate actions, increased inflow funds in the equity space, and during the post-earnings season before the governorship election or after, due to a price adjustment for the dividend declared. 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 17, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	February 17 2023	February 10 2023	% Change	Symbol	February 17 2023	February 10 2023	% Change
CHAMS	0.29	0.25	16%	FIDELITYBK	4.76	5.58	-15%
CONOIL	35.25	32.05	10%	NGXGROUP	25.95	28.40	-9%
MRS	23.00	21.25	8%	TRANSCORP	1.20	1.29	-7%
GUINNESS	67.50	63.00	7%	FCMB	4.28	4.60	-7%
LINKASSURE	0.45	0.42	7%	SOVRENINS	0.28	0.30	-7%
GLAXOSMITH	6.85	6.40	7%	AIRTELAFRI	1,560.00	1,660.00	-6%
GEREGU [BLS]	224.00	209.70	7%	UPDCREIT	3.10	3.25	-5%
LASACO	1.02	0.96	6%	LIVESTOCK	1.05	1.10	-5%
CHAMPION	4.78	4.50	6%	UNITYBNK	0.51	0.53	-4%
CADBURY	12.00	11.45	5%	ETERNA	6.80	7.00	-3%

Weekly Stock Recommendations as at Friday, February 17, 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
ACCESS	3.85	4.88	29.11	0.32	2.40	10.6	7.5	9.20	11.7	7.9	10.6	26.67	Buy
UBA	3.39	4.07	23.64	0.36	2.48	8.85	6.550	8.35	10.1	7.1	9.7	20.00	Buy
GUINNESS	1.84	3.31	42.43	1.59	36.73	110	54.45	67.50	89.8	57.4	77.6	33.04	Buy
MRS	1.86	1.67	54.26	0.42	12.4	23	10.55	23	29.8	19.6	26.5	29.57	Buy
MTNN	17.63	16.93	0.02	15.72	13.92	270	167	245.50	263.0	207.3	280.5	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, February 17, 2023

FGN Eurobonds	Issue Date	TTM (years)	17-Feb-23 Price (N)	Weekly USD Δ	17-Feb-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.40	97.97	(0.17)	11.8%	0.92
7.625 21-NOV-2025	21-Nov-18	2.76	90.10	(1.37)	12.0%	0.69
6.50 NOV 28, 2027	28-Nov-17	4.78	90.10	(1.37)	12.0%	0.69
6.125 SEP 28, 2028	28-Sep-21	5.62	77.41	0.61	11.7%	(0.16)
8.375 MAR 24, 2029	24-Mar-22	6.10	81.43	0.24	12.9%	(0.05)
7.143 FEB 23, 2030	23-Feb-18	7.02	74.33	0.37	12.8%	(0.09)
8.747 JAN 21, 2031	21-Nov-18	7.93	79.76	0.38	12.9%	(0.08)
7.875 16-FEB-2032	16-Feb-17	9.00	74.34	0.38	12.8%	(0.08)
7.375 SEP 28, 2033	28-Sep-21	10.62	70.69	0.38	12.4%	(0.07)
7.696 FEB 23, 2038	23-Feb-18	15.03	68.37	(0.15)	12.4%	0.04
7.625 NOV 28, 2047	28-Nov-17	24.79	65.29	(0.20)	12.1%	0.04
9.248 JAN 21, 2049	21-Nov-18	25.95	75.38	0.20	12.5%	(0.04)
8.25 SEP 28, 2051	28-Sep-21	28.63	67.72	0.18	12.4%	(0.03)

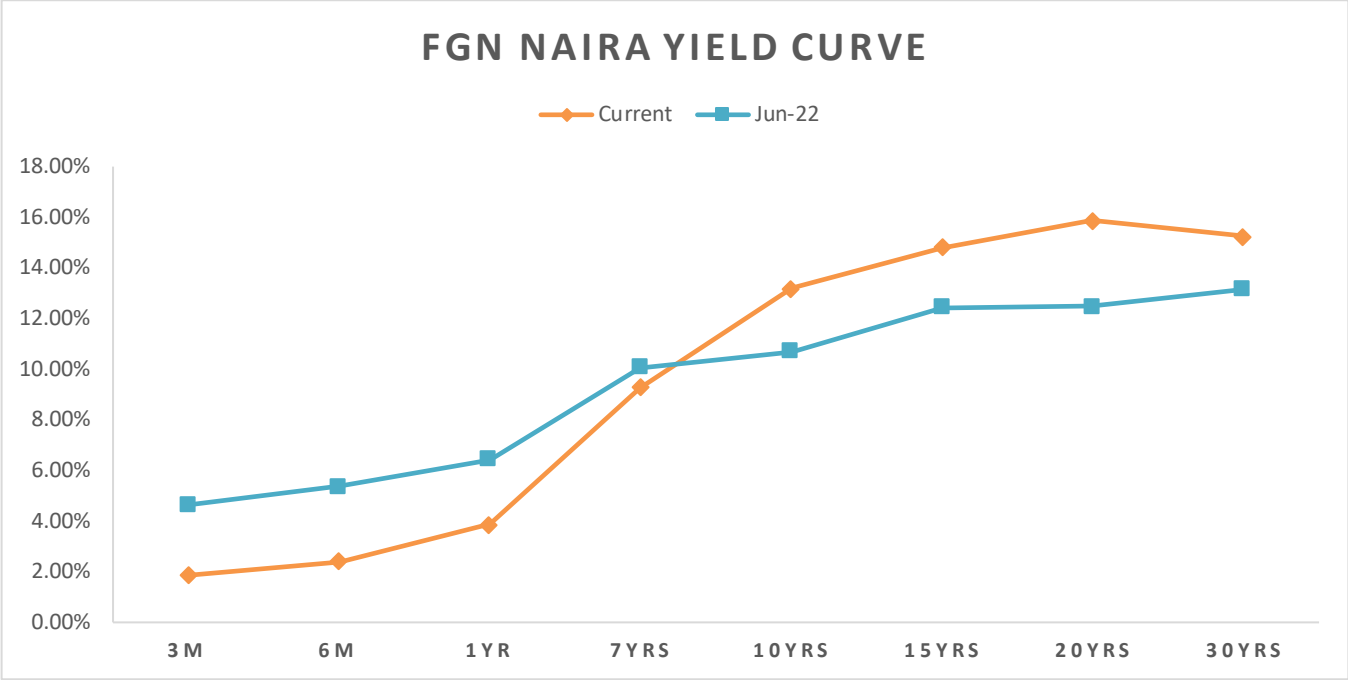
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 17, 2023

MAJOR	17-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0651	1.0668	-0.16%.	-0.21%.	-1.30%.	-5.91%.
GBPUSD	1.1988	1.1993	-0.04%.	-0.57%.	-2.89%.	-11.78%.
USDCHF	0.9295	0.9252	0.46%	0.61%	1.45%	0.87%
USDRUB	74.2955	74.6989	-0.54%.	1.27%	7.53%	-4.06%.
USDNGN	460.0500	460.0500	0.00%	0.23%	1.54%	10.76%
USDZAR	18.0704	18.1521	-0.45%.	0.80%	5.58%	19.81%
USDEGP	30.5549	30.5213	0.11%	0.34%	3.23%	94.49%
USDCAD	1.35	1.3456	0.22%	1.06%	-0.04%.	5.76%
USDMXN	18.54	18.5118	0.14%	-0.61%.	-1.82%.	-8.65%.
USDBRL	5.21	5.2180	-0.20%.	-0.13%.	0.43%	1.36%
AUDUSD	0.6843	0.6876	-0.48%.	-1.04%.	-1.40%.	-4.59%.
NZDUSD	0.6222	-0.0600	-0.52%.	-1.22%.	-3.39%.	-7.00%.
USDJPY	134.5770	133.9341	0.48%	2.39%	4.40%	17.00%
USDCNY	6.8829	6.8677	0.22%	0.87%	1.68%	8.81%
USDINR	82.7370	82.7122	0.03%	0.27%	1.58%	10.79%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 17, 2023

Commodity		17-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	75.6	78.5	-3.62%.	-5.07%.	-5.17%.	-14.59%.
BRENT	USD/Bbl	82.3	85.1	-3.30%.	-4.68%.	-3.41%.	-11.97%.
NATURAL GAS	USD/MMBtu	2.3	9.8	-3.66%.	-8.27%.	-25.87%.	-47.31%.
GASOLINE	USD/Gal	2.4	2.4	-3.04%.	-5.75%.	-6.87%.	-15.38%.
COAL	USD/T	214.0	219.9	-2.68%.	-5.10%.	-42.04%.	-8.74%.
GOLD	USD/t.oz	1,827.9	1,837.4	-0.52%.	-1.97%.	-3.98%.	-3.69%.
SILVER	USD/t.oz	21.3	21.6	-1.36%.	-3.05%.	-8.98%.	-11.01%.
WHEAT	USD/Bu	763.8	765.0	-0.15%.	-2.82%.	2.87%	-4.61%.
PALM-OIL	MYR/T	4,131.0	4,069.1	1.52%	5.09%	6.83%	-25.42%.
COCOA	USD/T	21.6	21.4	0.56%	-0.05%.	8.83%	18.52%

FGN Bonds Yield Curve, Friday, February 17, 2023



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