

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Growth Potential in Positive Trajectory as Non-Oil Sector Gains Uphold Real GDP to 3.54% in Q4'22...

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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.

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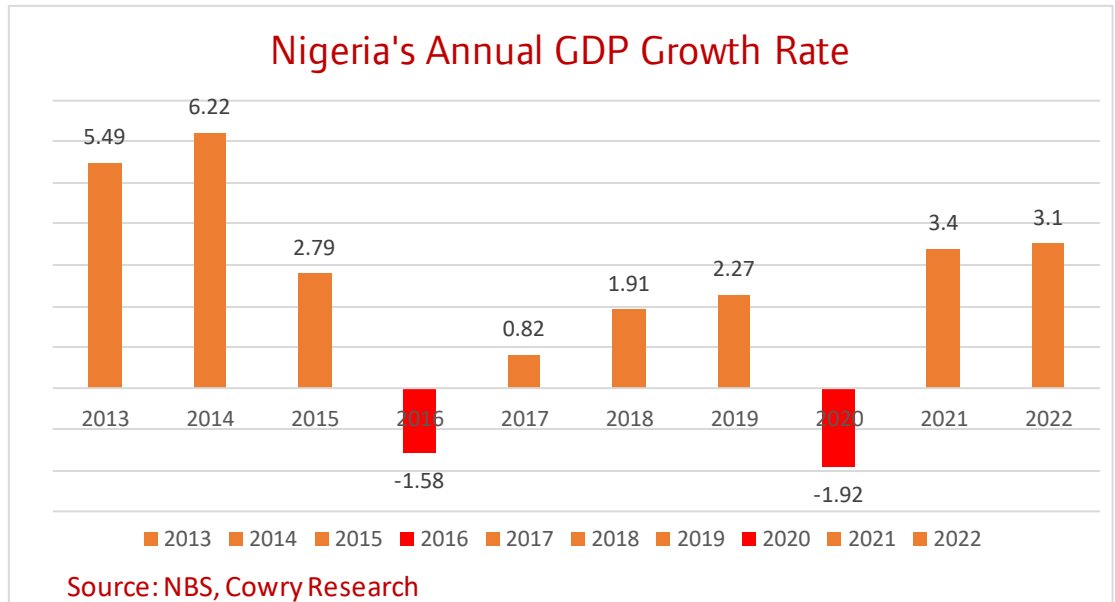
EQUITIES MARKET: Equity Market Stays Upbeat at a 16-Year High with N624 Billion Gains...

Going into the new week, we expect a mixed and positive sentiments to continue as market players digest Q4 GDP figure of 3.52% even as the results from the presidential and national assembly elections begin to fall in. Also, the recent uptick in rates seen in the fixed income market at the end of the last treasury bills auction in the midst of corporate earnings expectation, portfolio rebalancing and elections jittery are expected to drive sentiments in the market.

ECONOMY: Growth Potential in Positive Trajectory as Non-Oil Sector Gains Uphold Real GDP to 3.54% in Q4'22

This week, we explore the latest domestic output data which showed that Nigeria’s economy is on a growth trajectory for another quarter as the gross domestic product (GDP) grew 3.52% to N21.04 trillion in Q4’22, slightly weaker than the 3.98% delivered in the corresponding period of 2021 and higher by 1.27 percentage points from the 2.25% in the third quarter. This brings the overall growth level down to 3.1% from the 3.4% delivered in 2021. This is according to the GDP report published by the National Bureau of Statistics (NBS).

Marking the ninth consecutive quarters of positive growth, our expectation had been for a modest 2.0% growth in Q4 full-year growth of 2.9%, but the outperformance relative to our forecast was mainly because of a robust growth of 5.69% in the services sector, which contributed 56.27% to the aggregate GDP. Although the agriculture sector grew



by 2.05% in Q4’22, its performance was significantly fraught by severe incidences of flooding experienced across the country, accounting for lesser growth relative to the fourth quarter of 2021, which was 3.58%; then, the industry sector saw a retarded growth of 0.94%, contributing less to the total output as against the last quarter (-8.0%) and Q4’21 (-0.05%).

On the sectoral performance of the oil and non-oil sectors, it continues to be a major growth driver in line with broad expectations, as it delivered real growth of 4.44% in the quarter and was probably underpinned by an increase in consumer spending during the holiday season. This growth was lower by 0.29% percentage points relative to the Q4’21 figures and 0.18% percentage points higher than the prior quarter’s growth. This growth was spurred by the telecommunications (11.24%); trade (4.54%); crop production (2.41%); financial institutions (12.41%); food, beverage, and tobacco (4.94%); real estate (2.78%); and construction (3.80%) sectors.

In real terms, the non-oil sector contributed 95.66% to Nigeria’s GDP in the fourth quarter of 2022, higher than the share recorded in the fourth quarter of 2021 (94.81%) and higher than the third quarter of 2022, which delivered 94.34%. Moreover, on aggregate, 94.33% was contributed by the sector in 2022, higher than the 92.76% reported in 2021. On the other hand, for the oil sector, growth in real terms shrank by -13.38% year on year in the final quarter of 2022 and signals a decrease of 5.33% points compared to the same period of 2021, but rose 9.29% points as against -22.67% in Q3’22. This shows a marginal but significant improvement as the nation’s oil output stood at an average of 1.34 million daily barrels, up 0.14 million barrels from 1.20 million barrels in Q3’22. However, the figure is lower (0.16 mbpd) than the average daily oil production of 1.50 million barrels per day in the same quarter of 2021.

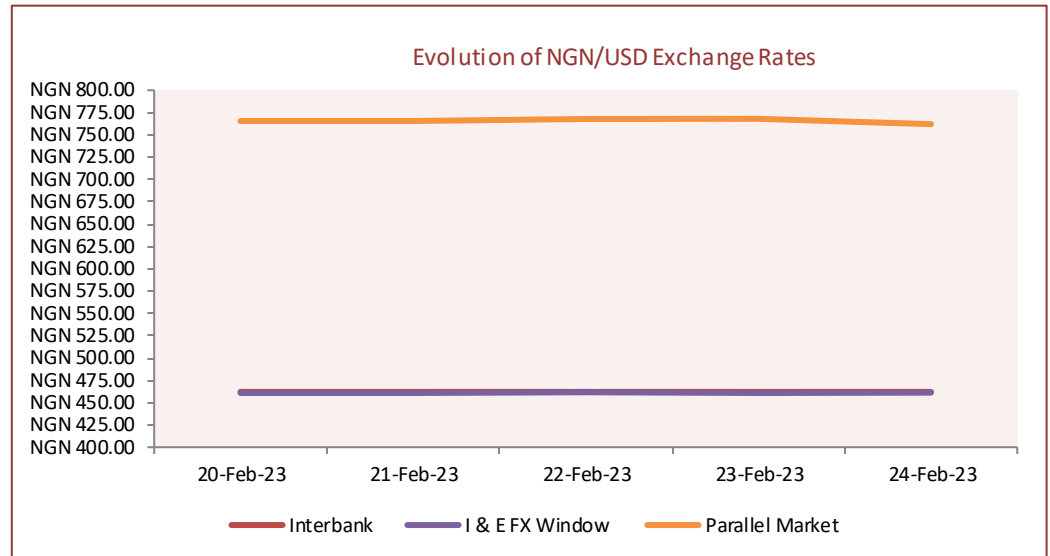
On a yearly basis, real growth stood at -19.22% as against the -8.30% recorded in 2021. However, the oil sector contributed 4.34% to the total real GDP in Q4 2022, down from the figures recorded in the corresponding period of 2021 and the preceding quarter (Q3’22), where it contributed 5.19% and 5.66%, respectively. The total annual contribution of oil to aggregate GDP in 2022 was 5.67%.

In 2022, growth momentum saw a knock to print below the 2021 overall average as weak macro fundamentals emanating from the effects of geopolitical (Russia-Ukraine) unrest, expanding inflation, other environmental factors such as floods, and intensified monetary policy tightening by the central bank took centre stage. Amidst these drags, Nigeria needs to achieve GDP growth of over 6% to achieve more inclusive growth and move closer to its long-run GDP potential. For Cowry Research, we forecast year 2023 growth of 3.74%, revised from our earlier projection of 2.9%, as base effects taper off.

FOREX MARKET: Naira Appreciates Across FX Markets Ahead Elections, Edges Dollar Strength....

Demand and supply pressures in the currency market persisted for another week but the value of the naira strengthened week across the board in the face of the lingering currency crunch in the economy ahead of the presidential and national assembly elections. In the just concluded week at the open market, the local currency edged the United States dollar as it appreciated by N4.00 or 0.52% week on week to close at N762/USD from N766/USD in the previous week even dollar demand spook exchange rates across various FX segments ahead of the elections. Also, at the investors' and exporters' FX window, the Naira appreciated by marginal 0.02% week on week to close at N461.17/USD from N461.25/USD despite the growing FX pressure on the naira.

A look at activities at the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged closed at N462/USD. Also, in our analysis of the Naira/USD exchange rate in the weekly Naira FX Forward Contracts Markets, it was all green for the Nigerian naira index across all forward contracts with appreciations reported for the 1-Month, 2-Month, 3-Month, 6-Month and 12-Month tenor contracts against the greenback by +0.29%, +0.44%, +0.46%, +1.51% and +7.56% week on week to close at contract offer prices of N485.47/USD, N483.74/USD, N491.72/USD, N525.72/USD and N571.95/USD respectively.

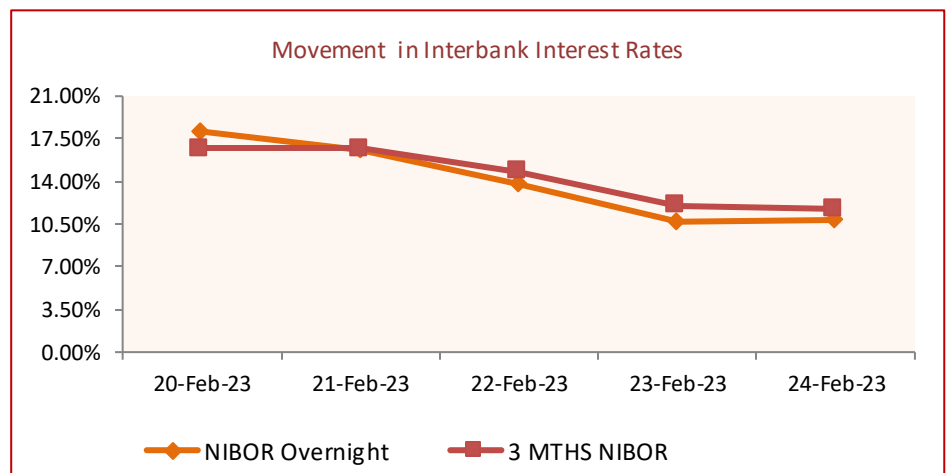


In the oil market this week, Oil price oscillation signaled positive close on Friday and was largely boosted by the projections by rising inventories in the United States and concerns over global economic activity plus the prospects of lower Russian exports even as the world marks 12-months of the Ukraine invasion by Russia in 2022. 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 USD84.09 per barrel to USD87.46 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: Rates Oscillates Upward for Long-dated Maturities on Strong Demand...

In the just-concluded week, the CBN refinanced matured T-bills worth N133.69 billion via the primary market at higher rates for all maturities; the stop rate for the 91-day bill rose to 3.00% (from 0.10%), the 182-day bill increased to 3.24% (from 0.30%), and the 364-day bill jumped to 9.90% (from 2.24%), respectively. Also, N70 billion worth of Treasury bills matured via OMO, which, combined with the primary market maturities, resulted in total inflows worth N203.69 billion. Given the huge inflows of N380.22 billion as well as FAAC allocations for January worth N750.17 billion, NIBOR moderated for all tenor buckets tracked amid the financial liquidity boost: NIBOR for overnight funds, 1-month, 3-month, and 6-month tenor buckets sank to 10.90% (from 16.40%), 10.95% (from 16.15%), 11.75% (from 16.80%), and 12.40% (from 17.00%), respectively.

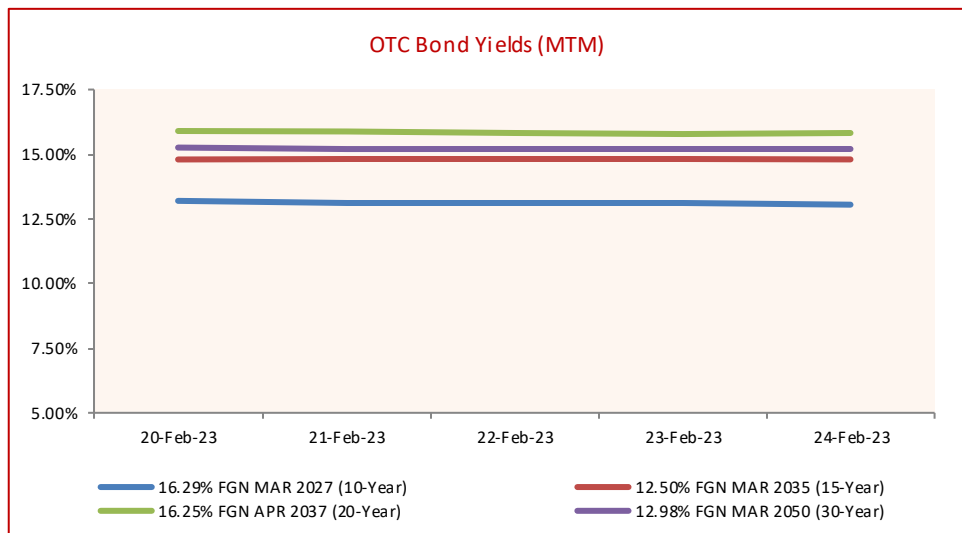


However, NITTY rose for most maturities tracked as investors demanded higher yields despite the financial liquidity ease: yields on 1-month, 3-month, 6-month, and 12-month tenor buckets rose to 2.77% (from 1.44%), 3.46% (from 1.86%), 4.19% (from 2.40%), and 5.88% (from 3.88%), respectively.

In the new week, Treasury bills worth N5.00 billion will mature via OMO; hence, we expect interbank rates to rise amid an anticipated strain in financial system liquidity...

BOND MARKET: OTC FGN Bond Yields depreciated for Most Maturities Tracked...

In the just-concluded week, the values of FGN bonds traded at the over-the-counter (OTC) segment appreciated for all maturities tracked amid buy pressure: the 10-year 16.29% FGN MAR 2027, while the 20-year 16.25% FGN APR 2037 paper and the 30-year 12.98% FGN MAR 2050 debt rose by N0.47, N0.41, and N0.33, respectively; their corresponding yields contracted to 13.05% (from 13.20%), 15.81% (from 15.88%), and 15.20% (from 15.26%), respectively. However, the yield on the 15-year 12.50% FGN MAR 2035 note stayed unchanged at 14.80%.



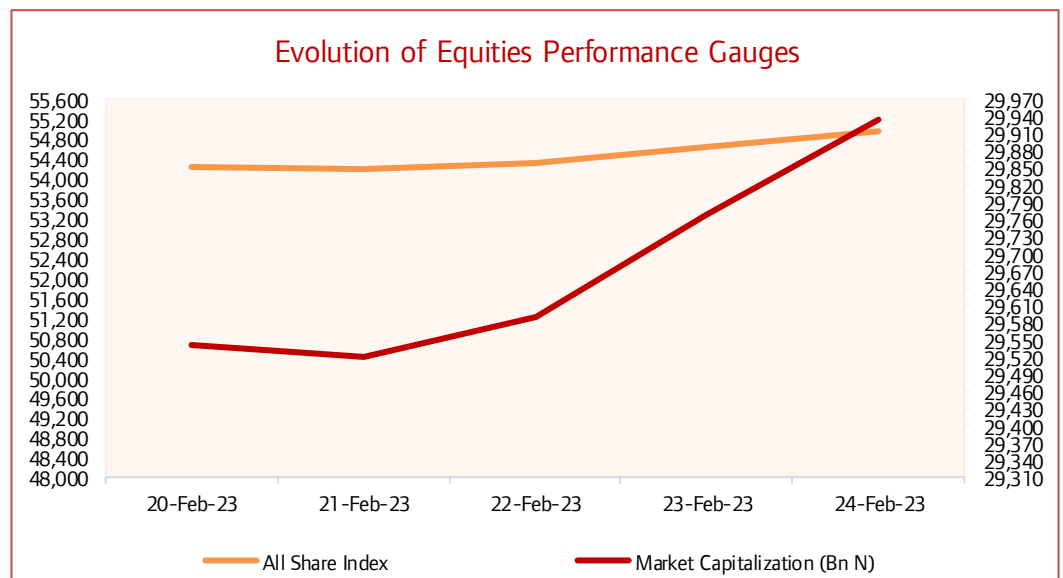
Elsewhere, the value of FGN Eurobonds traded on the international capital market appreciated for all maturities tracked due to renewed bullish activity. Specifically, the 10-year 6.38% JUL 12 2023, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047, gained USD 0.15, USD 1.33, and USD 1.31, while their corresponding yields fell to 11.55% (from 11.76%), 12.13% (from 12.39%), and 11.81% (from 12.05%), respectively.

In the new week, we expect OTC bond prices to depreciate (and yields to rise) in tandem with the expected strain on the financial system's liquidity...

EQUITIES MARKET: Equity Market Stays Upbeat at a 16-Year High with N624 Billion Gains...

The NGX remains upbeat during the 2023 election season in Nigeria and signals a complete change of patterns in the history of Nigeria's stock market as the positive sentiment and buying interest witnessed across all classes of stocks with a history of dividend payment had supported the uptrend. Thus, the NGX All-Share index rebounded from last week's losses to close higher this week by 2.13% week on week to 54,949.21 on a less than average traded volume and positive breadth. In the same manner, the market capitalization rose 2.13% week on week to N29.934 trillion to give investors N624 billion in profits while the year-to-date return inched further to 7.2% from 4.9% last week.

As equity market investors digest the latest macroeconomic data on Nigeria's economic performance in 2022 and the lingering cash crunch around the economy, the domestic bourse at the close of the week and ahead of the Saturday presidential and governorship elections, trades at a 16-year high, breaking out the recent resistance levels of 54,290.84 points on buying pressure in the midst of the uptick noticed in the fixed income market rates and yields.



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 insurance index that closed the week in a quiet mode. Meanwhile, positive price movement was seen in the Consumer Goods (+6.30%), Oil & Gas (+2.73%), Banking (+2.217%), and Industrial Goods (+0.34%) 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 further by 10.3% week on week to 14,194 as stockbrokers recorded a 6.36% surge in trade volumes to 799.85 million units valued at N8.01 billion, indicating a decrease by 39.4% week on week. Meanwhile, the top-gaining securities for the week were MRS (+33%), CONOIL (+21%), and BUAFOODS (+16%), while the week's losers were CAPHOTEL (-9%), VITAFOAM (-7%), and NEIMETH (-6%).

Going into the new week, we expect a mixed and positive sentiments to continue as market players digest Q4 GDP figure of 3.52% even as the results from the presidential and national assembly elections begin to fall in. Also, the recent uptick in rates seen in the fixed income market at the end of the last treasury bills auction in the midst of corporate earnings expectation, portfolio rebalancing and elections jittery are expected to drive sentiments in the market. 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 24, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	February 24 2023	February 17 2023	% Change	Symbol	February 24 2023	February 17 2023	% Change
MRS	30.55	23.00	33%	CAPHOTEL [BLS]	2.50	2.76	-9%
CONOIL	42.60	35.25	21%	VITAFOAM	19.40	20.90	-7%
BUAFOODS	86.00	74.40	16%	NEIMETH	1.45	1.55	-6%
GEREGU [BLS]	255.00	224.00	14%	COURTVILLE	0.46	0.49	-6%
CAVERTON	1.06	0.97	9%	CILEASING	3.30	3.43	-4%
ABCTRANS	0.38	0.35	9%	CHAMS	0.28	0.29	-3%
TRANSCORP	1.30	1.20	8%	REGALINS	0.28	0.29	-3%
MCNICHOLS	0.66	0.61	8%	JAPAUFGOLD	0.29	0.30	-3%
FIDELITYBK	5.05	4.76	6%	CUTIX	2.05	2.10	-2%
ETI	13.00	12.35	5%	WAPIC	0.44	0.45	-2%

Weekly Stock Recommendations as at Friday, February 24, 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
UBA	3.39	4.07	23.64	0.36	2.48	8.85	6.550	8.50	10.1	7.1	9.7	20.00	Buy
MRS	1.86	1.67	54.26	0.51	16.42	27.80	10.55	30.55	35.00	27.6	33.0	29.57	Buy
TRANSCORP	0.47	0.56	3.98	0.42	2.67	1.52	0.90	1.30	1.6	1.1	1.4	27.20	Buy
LAFARGE	2.79	3.46	25.29	0.96	9.26	31.75	21.50	25.60	32.0	21.9	29.7	24.00	Buy
ZENITHBANK	5.55	7.11	41.68	0.45	4.57	27.40	18.90	25.75	32.4	21.5	29.2	28.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, February 24, 2023

FGN Eurobonds	Issue Date	TTM (years)	24-Feb-23 Price (N)	Weekly USD Δ	24-Feb-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.38	98.12	0.15	11.6%	(0.21)
7.625 21-NOV-2025	21-Nov-18	2.74	90.20	0.10	11.9%	(0.03)
6.50 NOV 28, 2027	28-Nov-17	4.76	90.20	0.10	11.9%	(0.03)
6.125 SEP 28, 2028	28-Sep-21	5.60	78.91	1.50	11.3%	(0.42)
8.375 MAR 24, 2029	24-Mar-22	6.08	83.35	1.92	12.4%	(0.51)
7.143 FEB 23, 2030	23-Feb-18	7.00	76.34	2.01	12.3%	(0.51)
8.747 JAN 21, 2031	21-Nov-18	7.91	81.66	1.90	12.5%	(0.44)
7.875 16-FEB-2032	16-Feb-17	8.98	75.89	1.55	12.4%	(0.35)
7.375 SEP 28, 2033	28-Sep-21	10.60	72.48	1.79	12.0%	(0.38)
7.696 FEB 23, 2038	23-Feb-18	15.01	69.70	1.33	12.1%	(0.26)
7.625 NOV 28, 2047	28-Nov-17	24.78	66.60	1.31	11.8%	(0.24)
9.248 JAN 21, 2049	21-Nov-18	25.93	76.69	1.31	12.2%	(0.21)
8.25 SEP 28, 2051	28-Sep-21	28.61	69.26	1.54	12.1%	(0.28)

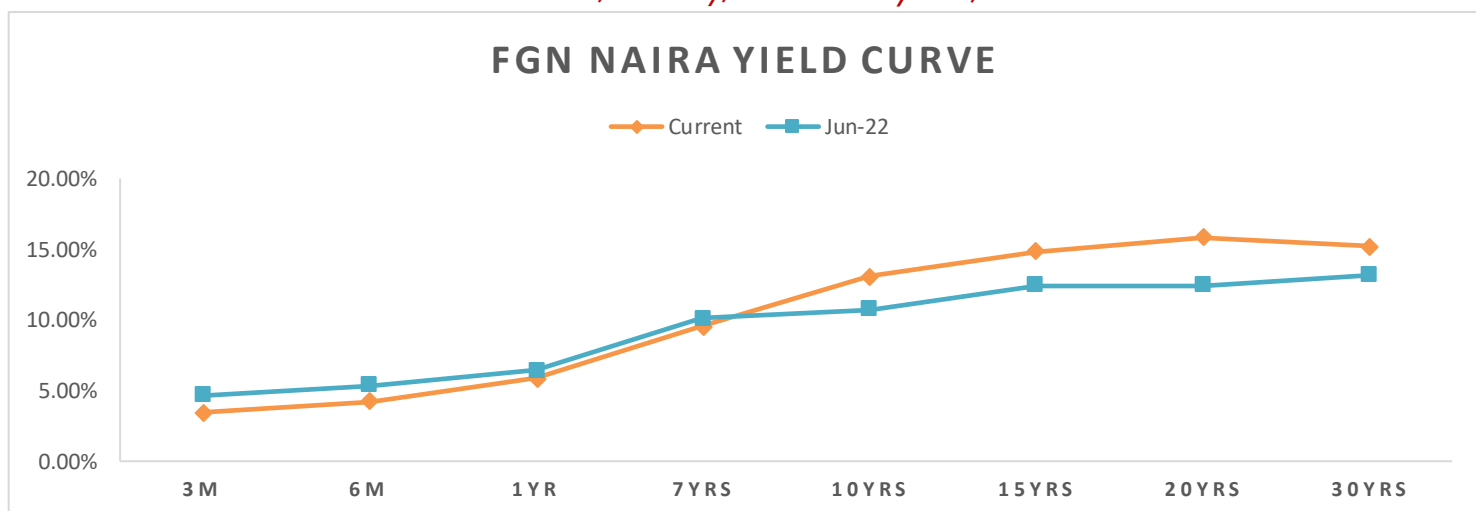
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 24, 2023

MAJOR	24-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0553	1.0595	-0.40%	-1.35%	-3.34%	-6.36%
GBPUSD	1.1951	1.2013	-0.52%	-0.78%	-3.70%	-10.92%
USDCHF	0.9380	0.9338	0.45%	1.50%	2.24%	1.39%
USDRUB	76.0000	75.7198	0.37%	2.71%	9.79%	-9.41%
USDNGN	459.9400	459.9400	0.00%	-0.02%	0.10%	10.72%
USDZAR	18.4245	18.2168	1.14%	2.09%	7.73%	21.69%
USDEGP	30.6310	30.5790	0.17%	0.36%	2.65%	94.73%
USDCAD	1.36	1.3547	0.68%	1.32%	1.91%	7.46%
USDMXN	18.44	18.3593	0.43%	0.49%	-1.78%	-9.31%
USDBRL	5.19	5.1374	1.06%	0.45%	2.31%	0.54%
AUDUSD	0.6734	0.6807	-1.08%	-2.17%	-5.24%	-6.95%
NZDUSD	0.6162	-0.0600	-1.02%	-1.38%	-4.91%	-8.67%
USDJPY	136.2560	134.6936	1.16%	1.67%	5.25%	18.02%
USDCNY	6.9727	6.9174	0.80%	1.51%	3.02%	10.56%
USDINR	82.8180	82.5868	0.28%	0.11%	1.66%	10.37%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 24, 2023

Commodity		24-Feb-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	74.5	75.4	-1.21%.	-2.52%.	-7.24%.	-16.99%.
BRENT	USD/Bbl	81.4	82.2	-1.01%.	-1.82%.	-5.46%.	-11.21%.
NATURAL GAS	USD/MMBtu	2.5	9.8	3.20%	6.89%	-14.11%.	-43.76%.
GASOLINE	USD/Gal	2.3	2.4	-2.01%.	-3.03%.	-10.10%.	-18.00%.
COAL	USD/T	210.1	209.7	0.21%	-1.82%.	-41.57%.	-12.18%.
GOLD	USD/t.oz	1,813.3	1,822.6	-0.51%.	-1.52%.	-6.80%.	-3.91%.
SILVER	USD/t.oz	21.0	21.3	-1.24%.	-3.23%.	-12.03%.	-13.09%.
WHEAT	USD/Bu	720.6	738.3	-2.39%.	-5.63%.	-2.55%.	-15.02%.
PALM-OIL	MYR/T	4,202.0	4,235.0	-0.78%.	1.72%	11.96%	-29.57%.
COCOA	USD/T	2,740.0	2,738.1	0.07%	1.48%	6.00%	6.28%

FGN Bonds Yield Curve, Friday, February 24, 2023



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