



Cowry Monthly Market Report

February 2023

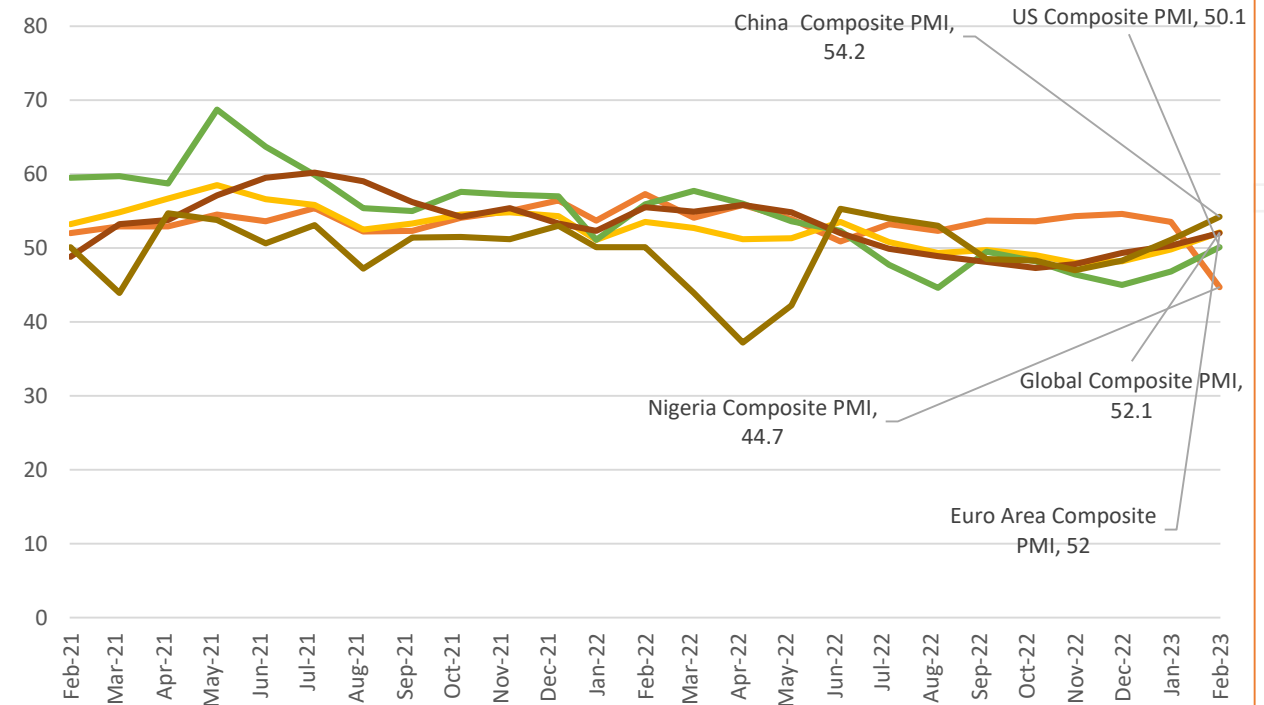


The Global Economy

Global Growth Accelerates to Eight-Month High in February

- ❑ Global PMI's headline output index expanded for the third consecutive month in February to 52.1 points in February. This was led by continuous expansion of the services sector. This expansion in Global PMI helped to further allay worries of an imminent global recession.
- ❑ The rise in February PMI was the largest recorded since last June and indicative of global gross domestic product rising at a quarterly annualized rate of approximately 2.5%.
- ❑ The Services sector led recovery was due to increased demand for services, incoming new businesses and new orders.
- ❑ Consumer-facing services reported particularly strong and accelerating demand growth, though there were also welcome signs of an improving trend in demand for financial services.
- ❑ Manufacturers reported rising demand for consumer goods and investment goods, such as machinery and equipment, destocking of manufactured inputs remained a drag on the overall order book.

Global PMI Headline Index as at February 2023

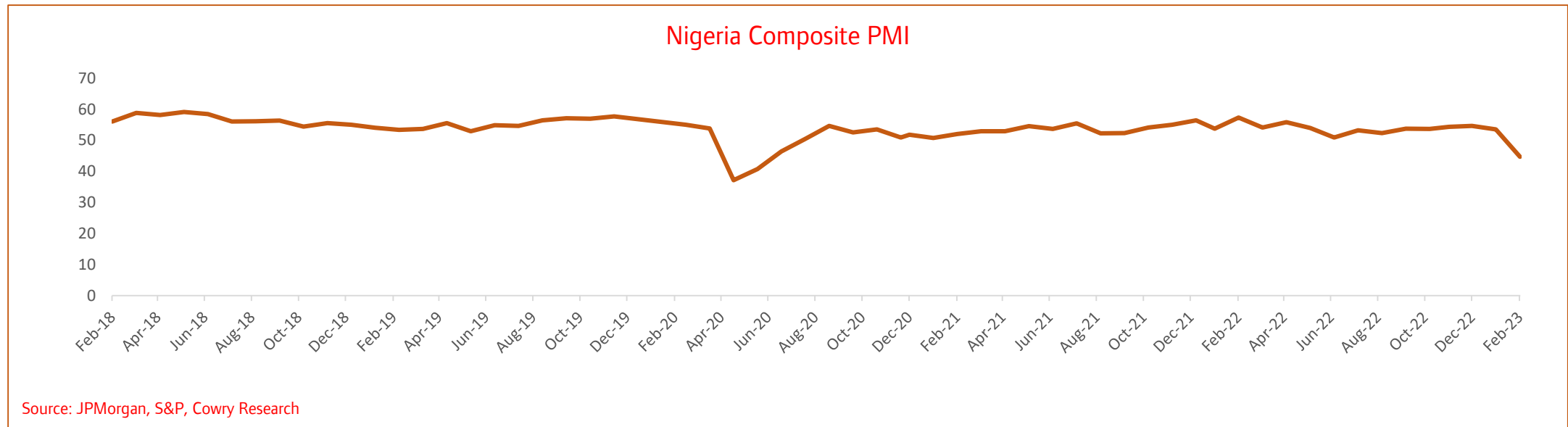


Source: JPMorgan, S&P, Cowry Research

The Global Economy

Major Emerging Economies' Output: Services sector driving recovery

- ❑ Across major economies such as in Europe and the United States, there were signs of resilience in economic performance despite the recent rate hikes and rising cost of living.
- ❑ Output rose marginally in February for the first time after seven months of decline in the US due to modest rally in the services sector, offsetting the manufacturing sector downturn.
- ❑ The eurozone recorded second consecutive increase in output, sustaining the slight gain seen in January to record the strongest growth since last June. This can be attributed to the faster services sector growth and a neutral performance by the manufacturing sector after eight months of contraction.

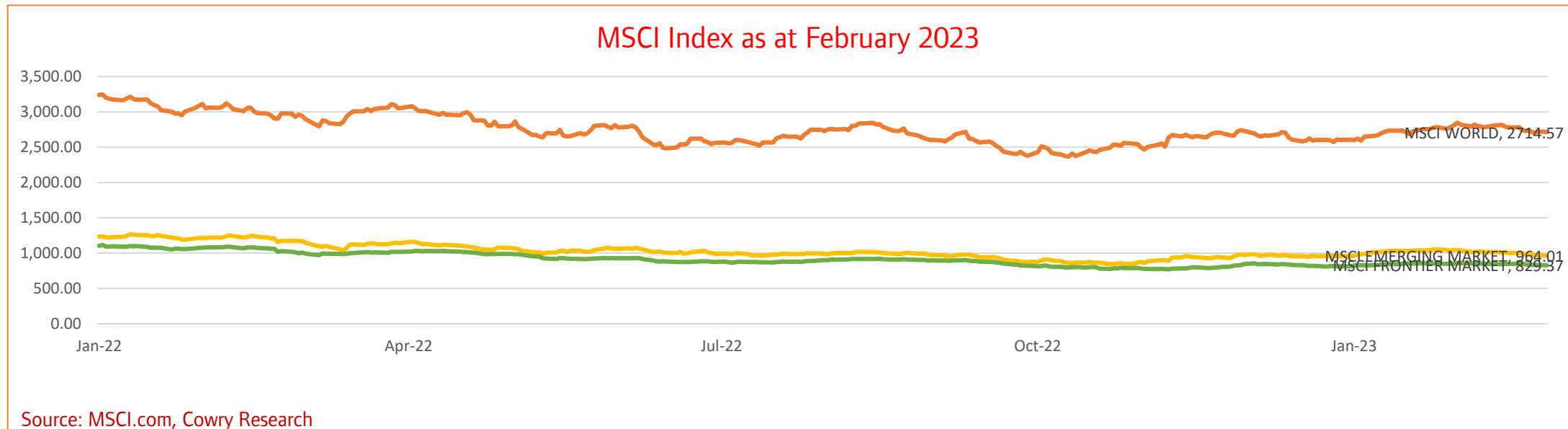


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The Global Economy

Major Emerging Economies, Output: Services sector driving recovery (Cont'd)

- ❑ In the United Kingdom, output grew stronger, scoring up the best performance since last June on the back of reviving growth in both manufacturing and services sectors.
- ❑ Also, in China, the services sector led the upturn even as the manufacturing sector surged back to life. Faster growth was also reported in mainland China, where business activities rose for a second successive month and at the steepest rate since last June.
- ❑ The upturn in February is linked to reviving activities and spending after the reopening of the China economy.
- ❑ Russia likewise saw output revived, with growth hitting a 20-month high despite exports continuous fall sharply due to sanctions.



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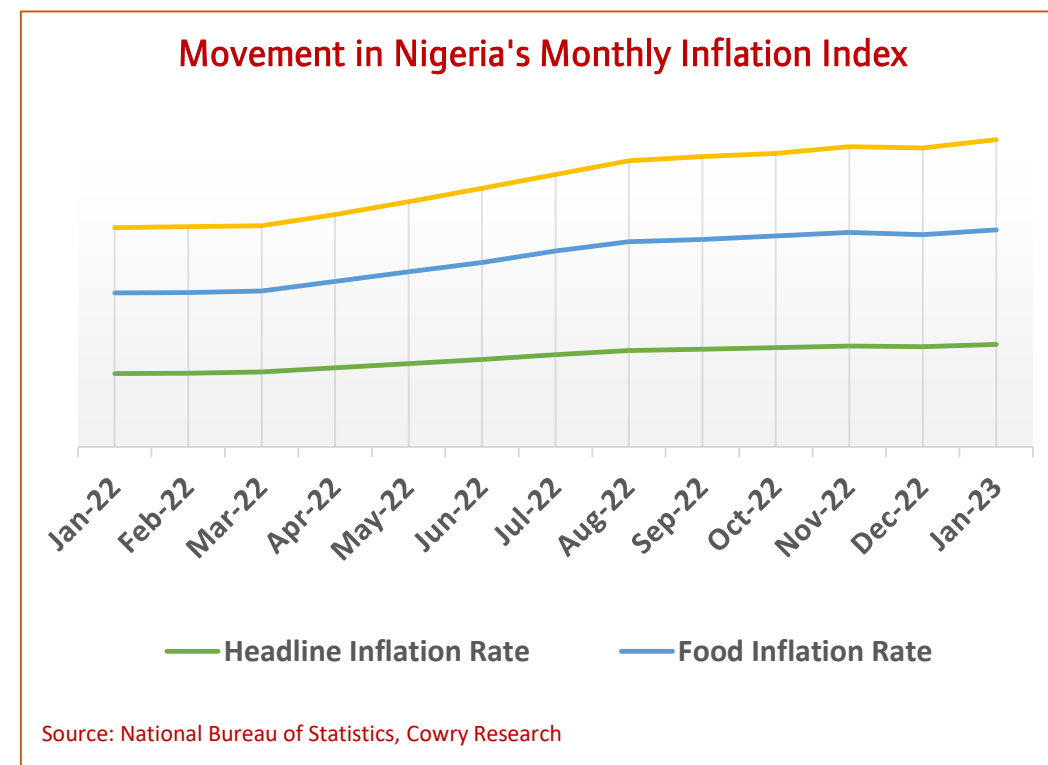


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The Domestic Economy

Inflation Pang still squeezing pockets of Nigerians

- ❑ January 2023 inflation report published by the NBS in February showed an upward trend in headline inflation at a 17-year high (Since September 2005) of 21.82% y/y. The increase reversal was a slight deceleration of -12bps from 21.34% y/y in December.
- ❑ The elevated headline rate was driven by sustained increases in food and core inflation which accelerated by 56bps and 66bps to 24.32% y/y and 19.16% y/y respectively.
- ❑ Drivers of the food index were price increases recorded in bread and cereal, which rose 21.67%, potatoes, yams, and tubers (6.06%), vegetables, and meat (4.78%).
- ❑ Rising food prices and a weaker currency have remained the driving forces behind the acceleration in the headline numbers. Thus, the prices of food, which happen to be the most relevant factor in the CPI basket, recorded an upturn to 24.32% in January 2023 from 23.75% reported in the previous month.

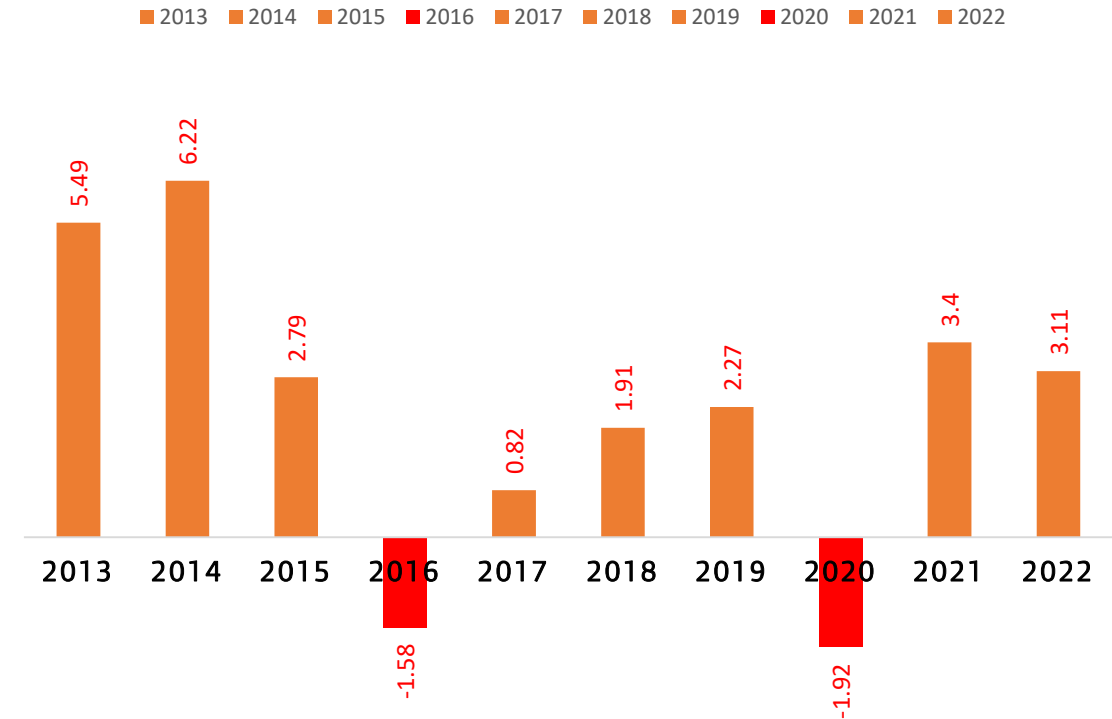


- ❑ For the core inflation, which excludes the prices of volatile agricultural produce, it printed at 19.16% in January 2023 on a year-on-year basis; and was spurred by increases recorded in the prices of gas, liquid fuel, passenger transport by air, vehicles' spare parts, fuels, and lubricants for personal transport equipment, solid fuel, etc.
- ❑ January 2023 CPI basket was impacted by increase in PMS prices that came alongside fuel scarcity and a currency crunch resulting from the currency redesign of the CBN coupled with FX shortage in the currency market.
- ❑ Across states profiles, inflation rose highest in Bauchi (24.79%), Ondo (24.54%), and Anambra (24.51%) states and lowest in Jigawa (19.09%), Borno (19.62%), and Sokoto (19.90%) states.
- ❑ Also, 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, respectively recorded lowest increases.

Non-Oil Sector Gains Uphold Real GDP to 3.11% in 2022

- ❑ Nigeria's economic growth momentum saw a mild slowdown in 2022 when compared to 2021 performance partly due to the impact of geopolitical (Russia-Ukraine) unrest, high inflation, and other domestic factors such as floods, and intensified monetary policy tightening by the central bank.
- ❑ The NBS report revealed that Nigeria's economy grew 3.11% y/y in 2022 (3.4% y/y in 2021) and 3.52% in the fourth quarter of 2022. The Q4 2022 performance was mainly attributed to a robust growth of 5.69% in the services sector, which contributed 56.27% to the aggregate GDP.
- ❑ The non-oil sector continues to be a major growth driver as it delivered real growth of 4.44% in the fourth quarter.

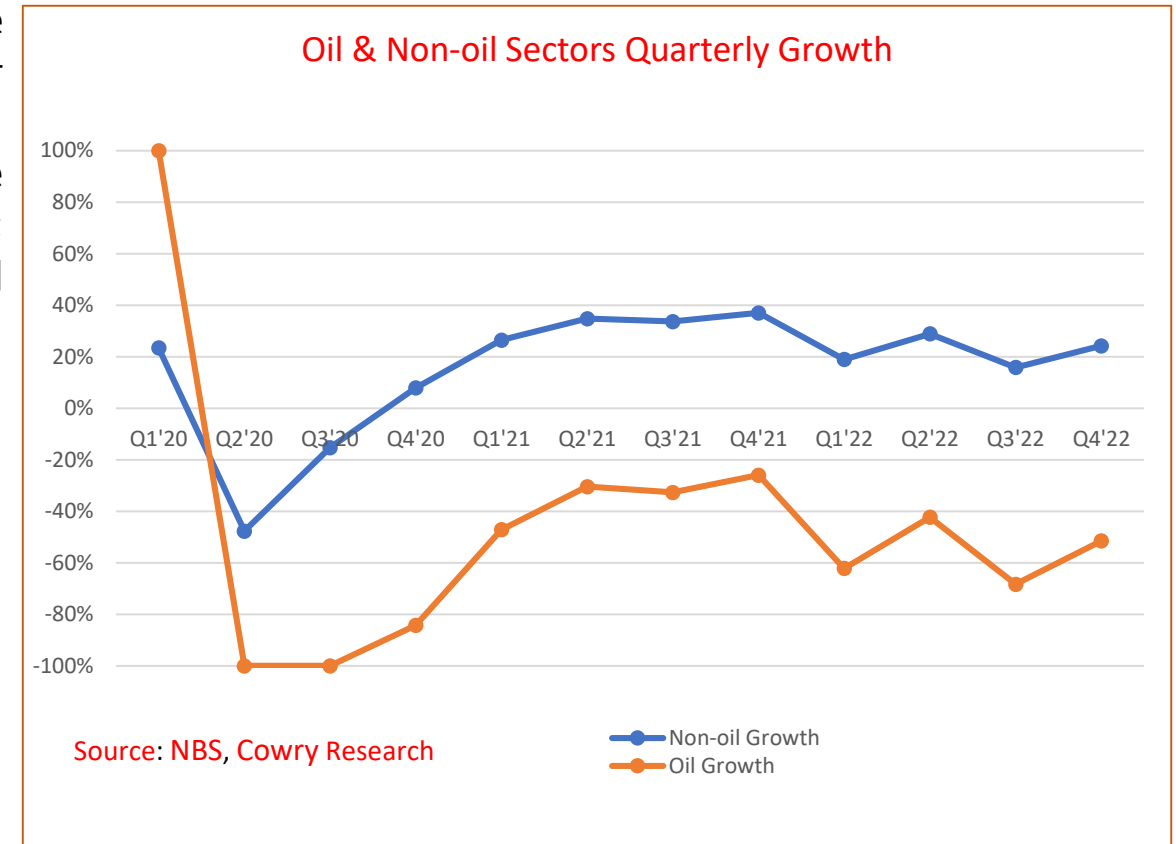
Nigeria's Annual GDP Growth Rate



Source: NBS, Cowry Research

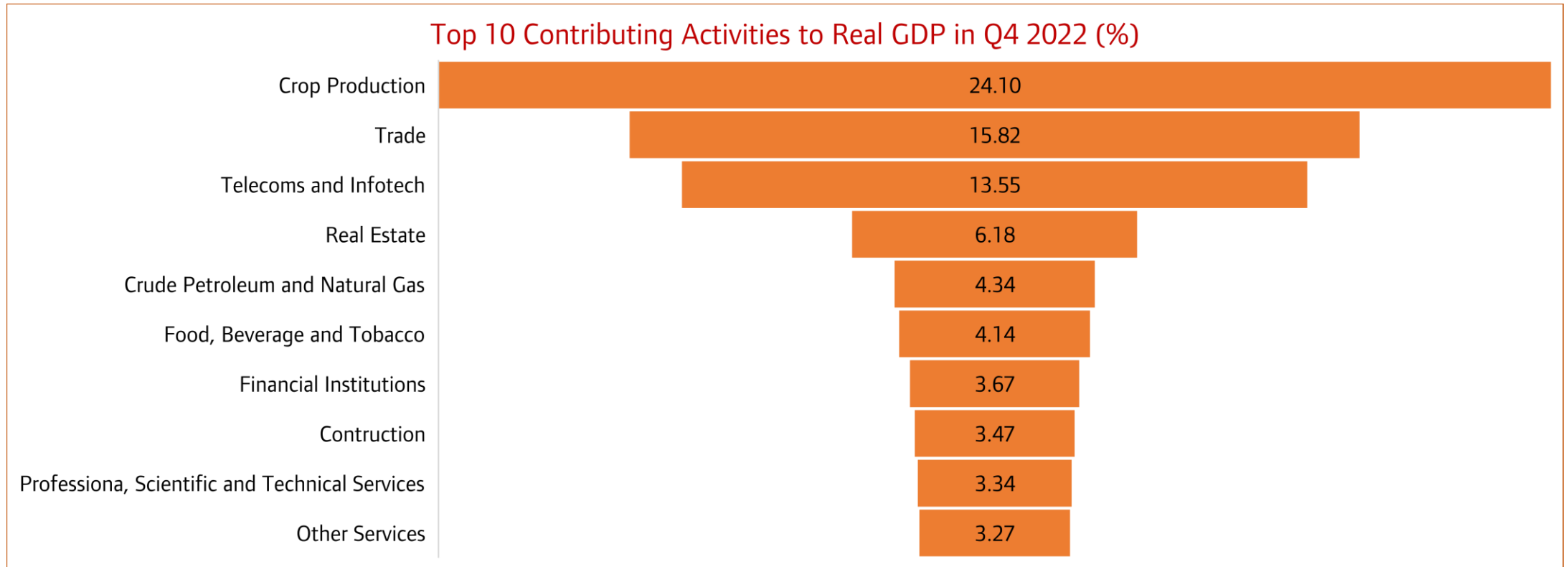
Non-Oil Sector Gains Uphold Real GDP to 3.11% in 2022

- ❑ Non-oil sector growth was lower by 0.29% percentage points relative to the Q4'21 figure and 0.18% percentage points higher than the prior quarter's growth.
- ❑ The 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 respectively.
- ❑ The real term growth of the oil sector decelerated by -13.38% y/ y in the final quarter of 2022 and indicates a decrease of 5.33% points compared to the same period of 2021, but an increase of 9.29% points compare with -22.67% in Q3'22.
- ❑ This is a marginal 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.



Non-Oil Sector Gains Uphold Real GDP to 3.11% in 2022

- On an annual basis, the real growth of the oil sector printed at -19.22% as against the -8.30% recorded in 2021. 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%.



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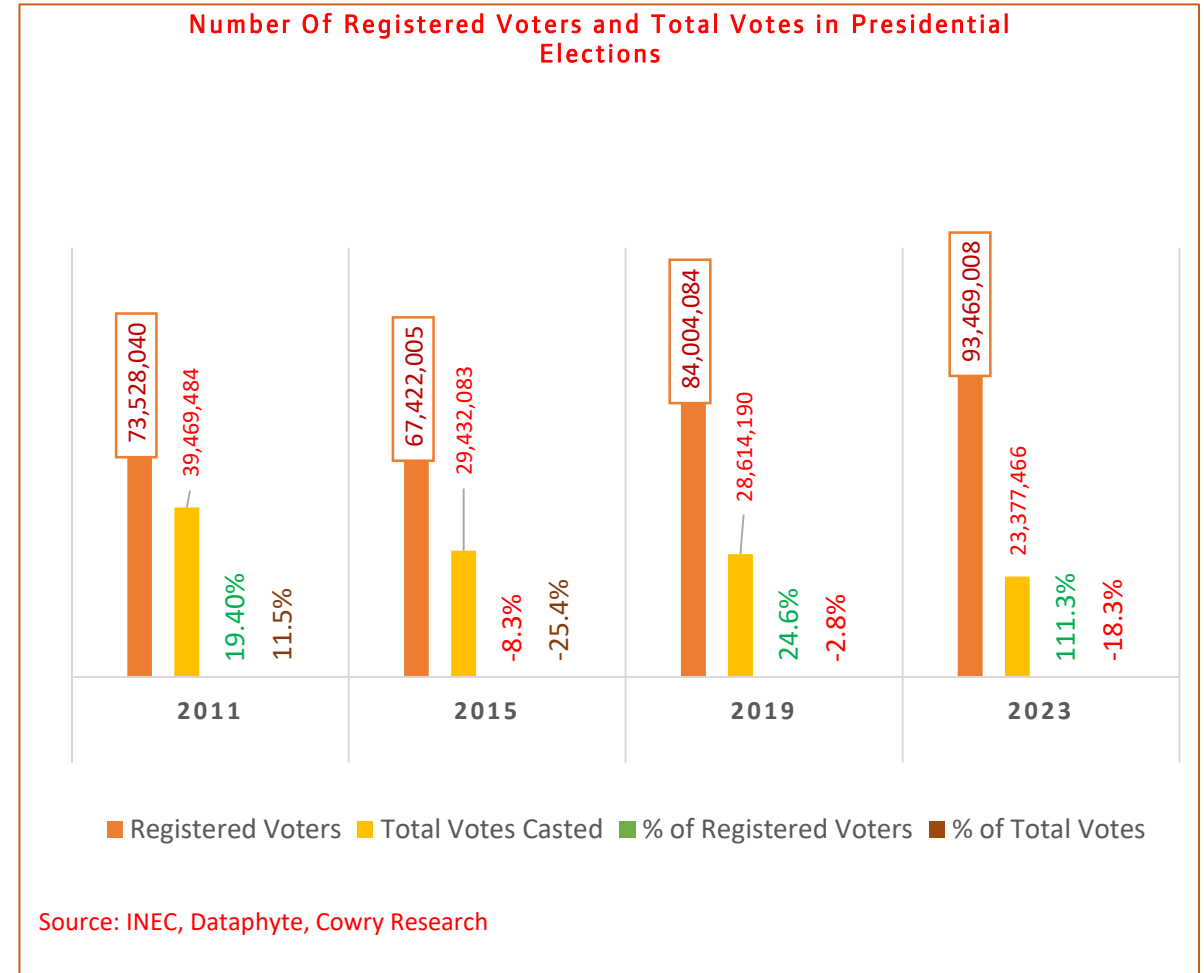
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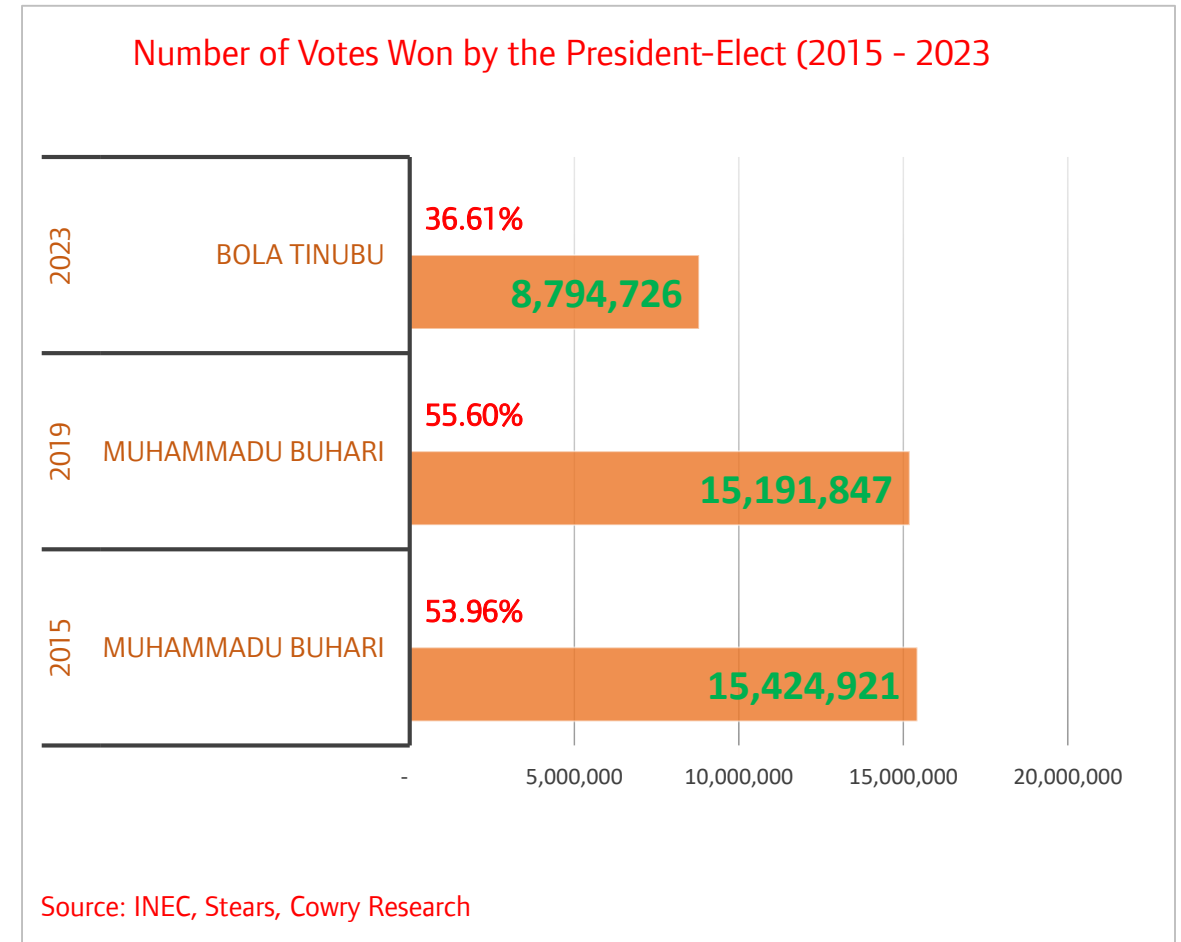
Highly Contested 2023 Elections and data integrity in Nigeria

- ❑ Nigerians on February 25, 2023 went to the polls to decide the leadership of their country in a Presidential and National Assembly elections.
- ❑ The 2023 election was the sixth presidential election under the new electoral laws of 2022 which made provision for the electoral body to adopt technology (BVAS- a semi-digital gadget) for the accreditation of voters and transmission of results. However, the high hopes on the BVAS ability to transmit results from the Polling Units was betrayed due to what INEC claimed was technological glitches.
- ❑ The election itself was marred by violence, thuggery and ballot box snatching. It turned out to be the election with the lowest voter turnout (26.07%) since the return to civil rule in 1999.
- ❑ Most local and foreign observers believe that the electoral process fell short of expectations of Nigerians and that the result is highly contestable.



Highly Contested 2023 Elections and data integrity in Nigeria

- ❑ Asiwaju Bola Ahmed Tinubu, the candidate of the ruling All Progressive Party (APC), one of the four leading candidates was declared the winner by the Electoral umpire. Two of the other three top contenders Mr. Peter Obi of Labour Party, Alhaji Atiku Abubakar of PDP are however contesting the outcome of the election.
- ❑ Mr. Tinubu was declared winner with 8.79 million votes out of 24.96 million votes cast while PDP's Atiku came in second with 6.98 million votes and Labour party's Obi came in third with 6.10 million votes.
- ❑ Nigeria's youths, known to be passive about the electoral process, were keen on translating their social media frenzy to actual votes on election day but met a different outcome both on the election day and in the result declared by the electoral body.



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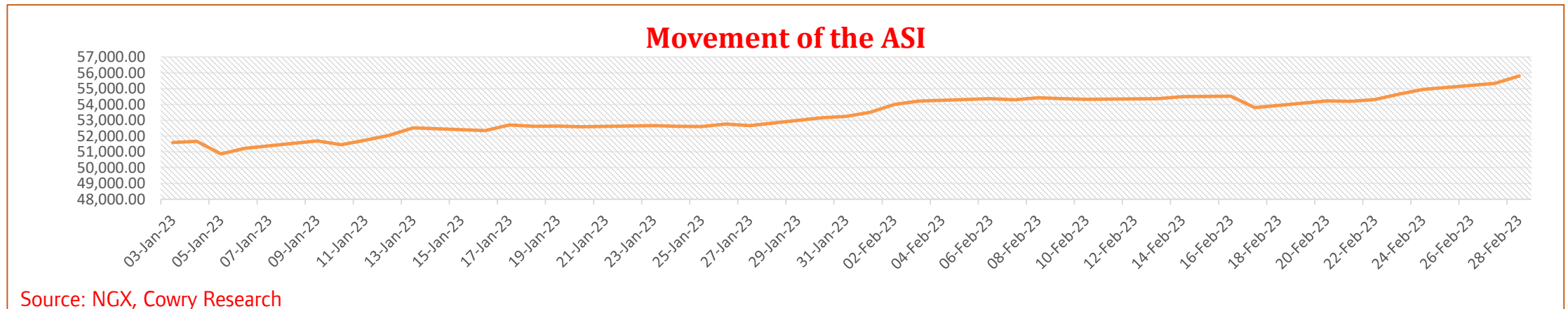
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Nigeria's Equity Market Review in February 2023

Local Bourse in the Green Zone Despite Election Jitters; Hits 16-Year High Above 55,000 points



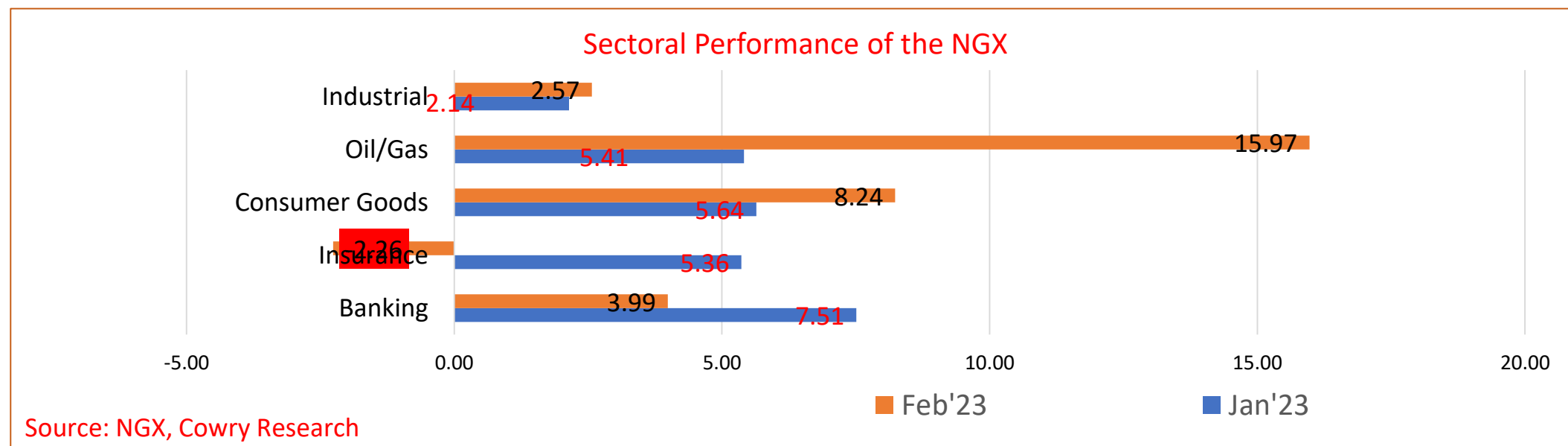
- ❑ The local bourse closed the month of February in the green zone despite election jitters; gaining 4.82% to close at 55,806.26 points from 53,238.67 points in January 2023 as YTD return of the ASI printed at 8.89% from 3.88% in January.
- ❑ Trading activities was positive in the month as the market capitalization rose 4.83% m/m to N30.40 trillion from N29 trillion in January with gains of N1.4 trillion for equity investors.
- ❑ The positive sentiment during the period was attributed to change in the holding structure of the market since foreign investors left the market on the grounds of Covid-19 and local investors dominated with increased buying interest due to the better than expected corporate earnings post-Covid and higher dividend payouts.
- ❑ The market continued its positive momentum and recovery ahead of more corporate earnings releases and dividend announcements by listed companies. Market breadth stayed positive at 1.38x as 55 stocks gained, 62 stocks remained unchanged, and 40 lost.
- ❑ The gains recorded in February were driven by price rally and strong buying interests in MTNN, BUAFOODS, DANGCEM and SEPLAT.

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Nigeria's Equity Market Review in February 2023

Local Bourse in the Green Zone Despite Election Jitters; Hits 16-Year High Above 55,000 points

- ❑ In February, the NGX was driven by influx of funds into the market due to low treasury bill rates at 3%, 3.24% and 9.9% for the 91-day, 182-day and 364-day maturities, which were even the highest rates recorded at the last February primary market auction.
- ❑ The level of market activities was upbeat in the month as the average volume traded increased by 40.20% to 310.89 million units from 221.74 million units in January while the average value of trades in the month advanced by 1.94% to N4.73 billion from N4.64 billion.
- ❑ Sectoral performance was bullish for 5 of the 6 indices under our purview. The Oil & Gas and Consumer Goods indices led the chart with +15.97% and +8.24% respectively due to gains in MRS, CONOIL, GEREGU and BUAFOODS.
- ❑ Banking and Industrial Goods further gained in February by +3.99% and +2.57% respectively due to gains in GTCO, STANB19C, DANGCEM and MTN. On the other hand, the Insurance sector was the only laggard in the month; down -2.26% from losses recorded in MBENEFITS.



The Domestic Equity Market

Top 20 Performing Stocks in February 2023

Top 20 Lagging Stocks in February 2023

Advancers				Decliners			
Symbol	February 28 2023	February 01 2023	% Change	Symbol	February 28 2023	February 01 2023	% Change
TRIPPLEG	2.62	0.96	173%	MBENEFIT	0.33	0.39	-15%
MRS	36.85	16.00	130%	JAPAULGOLD	0.28	0.33	-15%
CONOIL	46.85	26.50	77%	FIDELITYBK	5.10	5.80	-12%
INTENEGINS	1.19	0.82	45%	MULTIVERSE	3.96	4.40	-10%
NNFM	11.00	8.10	36%	CAPHOTEL	2.50	2.76	-9%
JOHNHOLT	1.76	1.33	32%	VITAFOAM	19.40	21.20	-8%
GEREGU	275.50	210.00	31%	UACN	9.00	9.80	-8%
OANDO	4.80	3.84	25%	NEIMETH	1.45	1.56	-7%
STANBIC	41.70	34.30	22%	REGALINS	0.28	0.30	-7%
BUAFOODS	90.00	74.50	21%	LINKASSURE	0.45	0.48	-6%
REDSTAREX	2.77	2.30	20%	MAYBAKER	4.55	4.85	-6%
CORNERST	0.65	0.55	18%	PZ	10.20	10.75	-5%
CILEASING	3.98	3.43	16%	AIICO	0.60	0.63	-5%
IKEJAHOTEL	1.26	1.10	15%	VERITASKAP	0.20	0.21	-5%
ROYALEX	0.80	0.71	13%	RTBRISCOE	0.27	0.28	-4%
NPFMCRCFBK	1.89	1.70	11%	STERLNBANK	1.52	1.57	-3%
GUINNESS	70.00	63.00	11%	CHIPLC	0.66	0.68	-3%
WAPCO	27.40	25.00	10%	CUSTODIAN	5.95	6.10	-2%
SEPLAT	1,325	1,210	10%	AIRTELAFRI	1,620	1,660	-2%
TRANSCORP	1.34	1.23	9%	TOTAL	218.80	224	-2%

The Domestic Equity Market

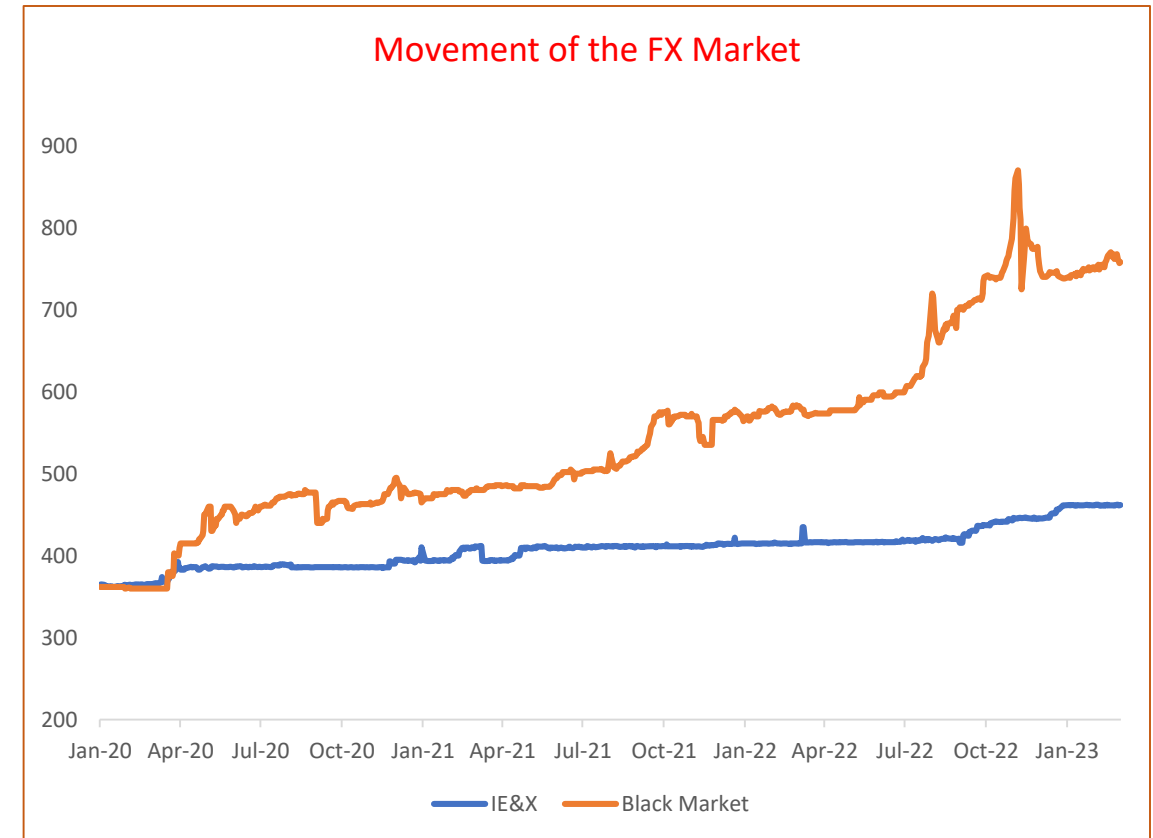
Corporate Actions from Listed Companies so far in 2023

COMPANY	INTERIM/FINAL DIVIDENDS	PERIOD	DPS (N)	PRICE (N)	DIVIDEND YIELD (%)	BONUS	CLOSURE DATE	PAYMENT DATE
Geregu Power Plc	Final	FY 2022	8	325	2.46%	NIL	28-Feb-23	29-Mar-23
MTN Nigeria Comms	Final	FY 2022	10	248.3	4.03%	NIL	28-Mar-23	20-Apr-23
BUA Cement Plc	Final	FY 2022	2.8	99.45	2.82%	NIL	12-Jul-23	20-Jul-23
Dangote Sugar Plc	Final	FY 2022	1.5	19.15	7.83%	NIL	27-Mar-23	15-Apr-23
Seplat Energies	Final	FY 2022	2.5 cents and 0.5 cents	1,200	N/A	NIL	19-Apr-23	10-May-23
Nestle Nigeria	Final	FY 2022	36.5	1,080.30	3.38%	NIL	24-Apr-23	18-May-23
Nigerian Breweries	Final	FY 2022	1.03	40.85	2.52%	NIL	17-Mar-23	26-Apr-23
Dangote Cement	Final	FY 2022	20	288	6.94%	Nil	31-Mar-23	14-Apr-23
Lafarge Cement	Final	FY 2022	2	26.40	7.58%	Nil	11-Apr-23	28-Apr-23
United Capital	Final	FY 2022	1.5	14.65	10.24%	NIL	15-Mar-23	28-Mar-23
Nascon Plc	Final	FY 2022	1	12.2	8.20%	NIL	02-May-23	26-May-23
Vitafoam Nigeria Plc	Interim	Q1 2023	1.52	19.4	7.84%	NIL	17th Feb-23	02-Mar-23
Nigerian Enamelware Plc	Bonus	Q3 2022	N/A	16.2	N/A	3 for 2	14th Mar-23	N/A
Transcorp Hotels Plc	Final	FY 2022	0.13	6.5	2.00%	NIL	20-Mar-23	03-Apr-23
African Prudential Plc	Final	FY 2022	0.5	5.9	8.47%	NIL	17-Apr-23	02-May-23
PZ Cussons Plc	Interim	Q2 2023	1.01	10.75	9.40%	NIL	13th Jan-23	26th Jan-2023

Foreign Exchange Market

Naira Strength Waned Across Markets From Currency Crunch, Election Jitters

- ❑ In the month of February, the demand pressure on the naira persisted across the official and other market segments. This demand pressure spooked exchange rates across markets ahead of the presidential and National Assembly elections.
- ❑ At the Investors' and Exporters' window, the Naira depreciated 0.11% or N0.50 to N462/\$1 in February from N461.50/\$1 at the start of the month.
- ❑ The dollar hegemony continued at the parallel market against the Naira as the later lost 1.74% m/m or N13 to N762/\$1 from N749/\$1.
- ❑ Naira lost grounds against the greenback across markets despite naira scarcity in the economy.
- ❑ Furthermore, Nigeria's foreign reserves was down 0.8% m/m in February 2023 to close at \$36.7 billion as Brent crude price plunged by 2.4% m/m to \$83.45 per barrel despite rising demand in China and falling exports in Russia.



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Risk Level: High
Potential Returns: High



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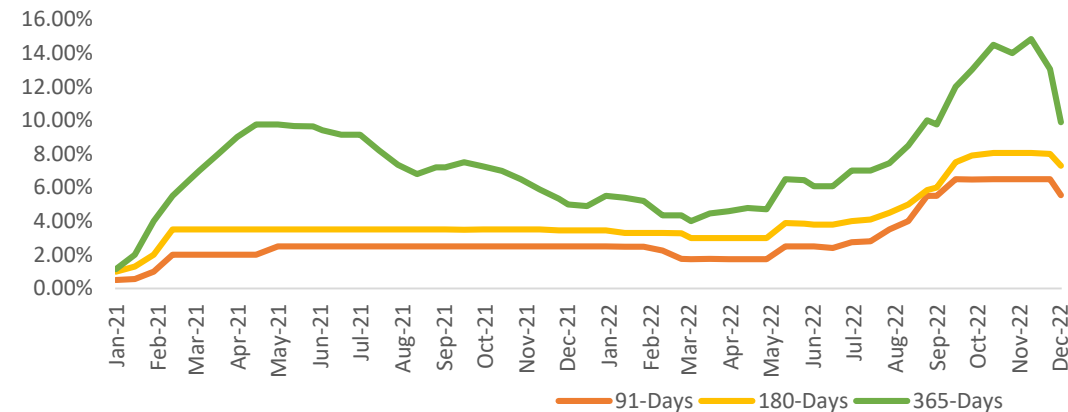
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Treasury Bills Market

Rates on the Rise due to Waning Sentiments

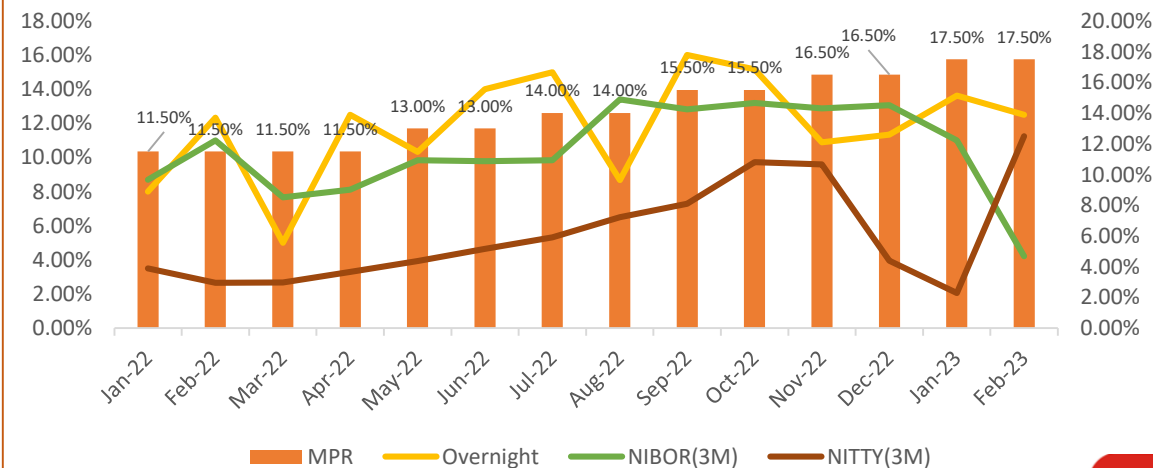
- ❑ In February, CBN offered and sold N480.57 billion and N680.57 billion worth of T-bills, respectively, via primary market auctions.
- ❑ At the last auction, the market saw rate reversals in response to demands from investors for higher interest rates amid rising inflation and depreciation in the exchange rates. Specifically, stop rates for the 91-day bills, 182-day bills, and 364-day bills increased to 3.00% (from 0.29% in January), 3.24% (from 1.80% in January), and 9.90% (from 4.78% in January), respectively.
- ❑ The rise in the stop rates could be attributed to the declining demand for government securities, as implied by the moderating bid-to-offer ratio of 1.13x (from 4.73x in January).
- ❑ The primary market's buying pressure pushed true yields in the secondary market northward (bearish) for all maturities tracked. Specifically, NITTY for 1 month, 3 months, 6 months, and 12 months tenor buckets rose to 3.11% (from 1.24%), 4.21% (from 2.07%), 5.07% (from 2.77%), and 6.66% (from 3.89%), in that order.

Nigerian Treasury Bill Stop Rates



Source: CBN, FMDQ, Cowry

Movement of Money Market Rates



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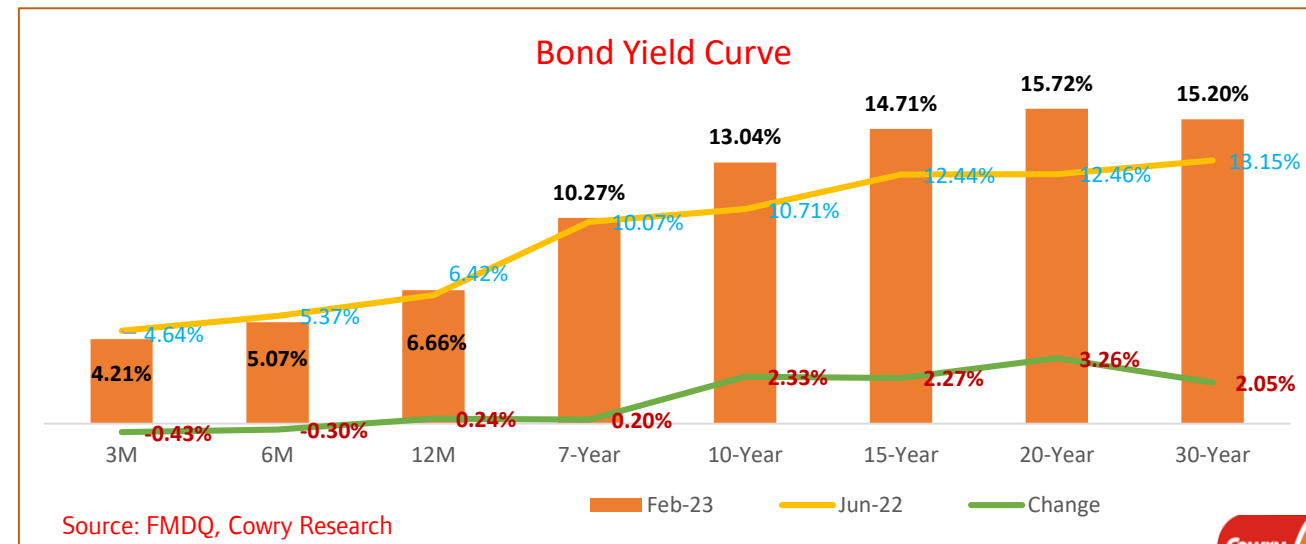
Bonds Market

- ❑ In February, factors such as credit rating downgrades, rising policy rate expectations from Fed, declining global oil prices, and political uncertainty surrounding the 2023 presidential election weighed on the Nigeria Sovereign Eurobond market, leading to a rise in the average secondary market yield of 2 basis points to 11.82%.
- ❑ In the local Bonds Space, the Debt Management Office (DMO) offered and sold FGN bonds worth N360 billion and N770.56 billion, respectively, at the primary market auction via re-openings of the 13.98% FEB 2028, 12.50% APR 2032, 16.25% APR 2037 and 14.80% APR 2049.
- ❑ The FGN bonds were auctioned at higher stop rates for the 37s and 39s maturities, at 15.90% (from 15.80% in January) and 16.00% (from 15.90%), respectively, while stop rates for the 32s stood flat at 14.90%, while the 28s, declined marginally to 13.99%.
- ❑ In the secondary market, we saw bearish sentiment prevail as the average secondary yield rose to 13.27% (from 13.24%), mainly due to bearish sentiment across long-dated maturities.

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OMO Bills Market

- ❑ The cost of borrowing overnight funds at the interbank market moderated month-on-month as financial system liquidity improved.
- ❑ This was boosted by an inflow of N416.81 billion worth of matured Treasury and Open Market Operation (OMO) bills, coupled with a FAAC disbursement worth N750.17 billion.
- ❑ Consequently, NIBOR moderated for most tenor buckets tracked as NIBOR for overnight, 1 month, 3 months, and 6 months tenor buckets declined to 10.69% (from 10.97%), 10.68% (from 13.35%), 11.25% (from 14.35%), and 12.00% (from 14.90%) respectively.



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Risk Level: Low
Potential Returns: Low - Average



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IMPORTANT DISCLOSURES:

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