

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Soaring Inflation Levels Still A Front-Burner Ahead of the March MPC Meeting...

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MONEY MARKET: Rates Oscillate Upward for Long-dated Maturities on Strong Demand...

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 rise further given the rising inflationary pressure of 21.91% in February...

BOND MARKET: FGN Bond Yields Rise as Traders Sell Ahead of the Auction Next Week...

In the new week, T-bills worth N161.87 billion will be auctioned by CBN via the primary market; viz: 91-day bills worth N1.10 billion, 182-day bills worth N0.92 billion, and 364-day bills worth N159.85 billion. Cowry Research expects the stop rates of the 364-day to rise slightly....

EQUITIES MARKET: Sell Pressure in Blue-Chip Stocks Wipe N468bn From Investors' Pockets as ASI Sheds 1.54% w/w.....

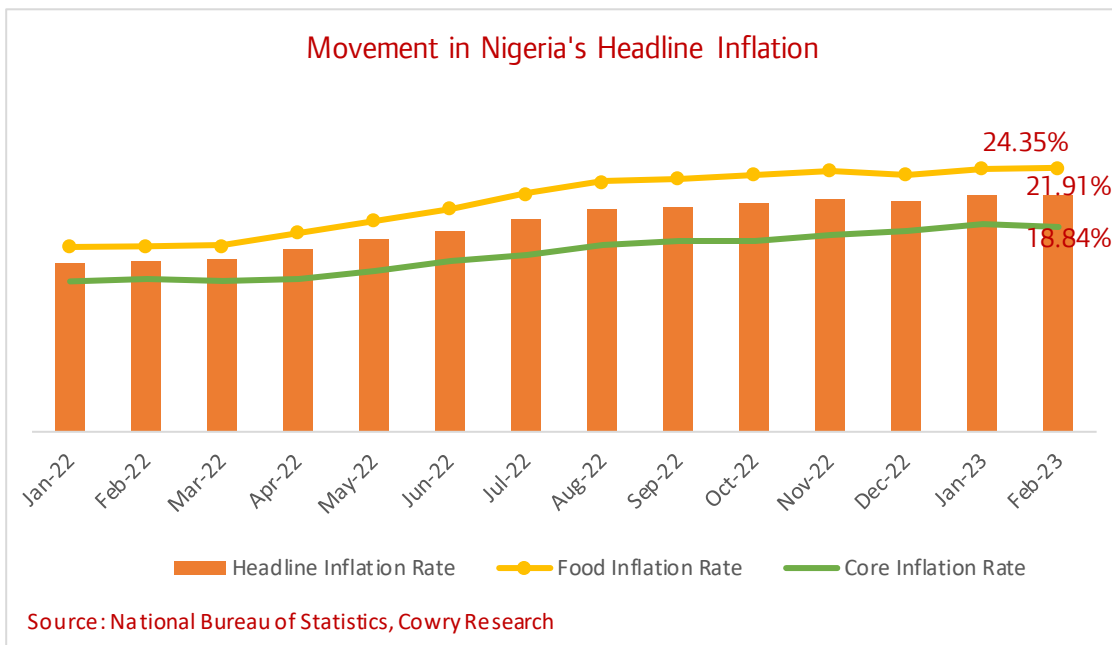
Next week, we expect to see a mixed trend of market activities as players digest recent macroeconomic data and rates from the last auction ahead of the CBN MPC meeting with more earnings scorecards in the midst of price markdowns for dividends from some companies.

ECONOMY: Soaring Inflation Levels Still A Front-Burner Ahead of the March MPC Meeting

The Monetary Policy Committee (CBN) will in the next week meet to decide on various monetary and economic indicators in the face of unabating trend in inflation. However, at its last meeting in January, the committee raised the policy rate by +100 basis points to 17.50% while keeping other parameters constant and citing the elevated inflation level as the driving force. This leaves economic players and investors with the guess on what tone the apex bank will conclude its next MPC meeting.

Recently, the National Bureau of Statistics published the latest consumer price inflation report and showing that Nigeria's headline inflation rate rose 0.09% points to 21.91% in February 2023 from 21.82% in January. This shows an acceleration of the headline index for the second month to a near seventeen and half-year high, above market expectations for a paltry 5 basis points above the 21.82% reported in January 2023.

The witnessed acceleration was partly a result of the persistent food shortages and the unprecedented Naira scarcity witnessed during the month as an upshot of the central bank's redesigned Naira policy. In our January report, we forecast a gradual acceleration in the headline index in February due to the currency crunch, fuel scarcity, and other forms of election spending that are likely to propel another cycle of price increases in the month. However, the NBS said the contributors to the rise in the headline index were prompted by increases in the prices of bread and cereal, actual and imputed rent, potatoes, yams, and other tubers, vegetables, and food.



Furthermore, the food index, which is the most relevant in the CPI basket, surged further to 24.35% from the jump of 24.32% in January amid food shortages. The rise in food inflation was caused by increases in the prices of oil and fat, bread and cereals, potatoes, yams, and other tubers, fish, fruits, vegetables, and food products. On the contrary, food inflation declined by 0.18% points to 1.90% in February from 2.08% in January as a result of the slow rise in food prices during the period.

For the core inflation, which excludes the prices of volatile agricultural produce, the print was 18.84% in February on a year-over-year basis, down from a 16-year high of 19.16% reported in January 2023. During the review period, the highest increases were recorded in the prices of gas, passenger transport by air, liquid fuel, fuels, and lubricants for personal transport equipment, vehicle spare parts, and solid fuel, among others. But on a month-on-month basis, it stood at 1.06% in February, down from 1.82% in January 2023.

Across the states during the month, headline inflation was highest in Bauchi (24.59%), Rivers (24.40%), and Ondo (24.27%), while Sokoto (18.90%), Borno (18.94%), and Cross River (19.62%) states were on a year-on-year trend. But January and February's comparison saw the highest increases in Edo (2.76%), Ogun (2.64%), and Yobe (2.36%), while Bayelsa (0.74%), Borno (0.95%), and Taraba (1.03%) recorded the slowest rise on month-on-month inflation.

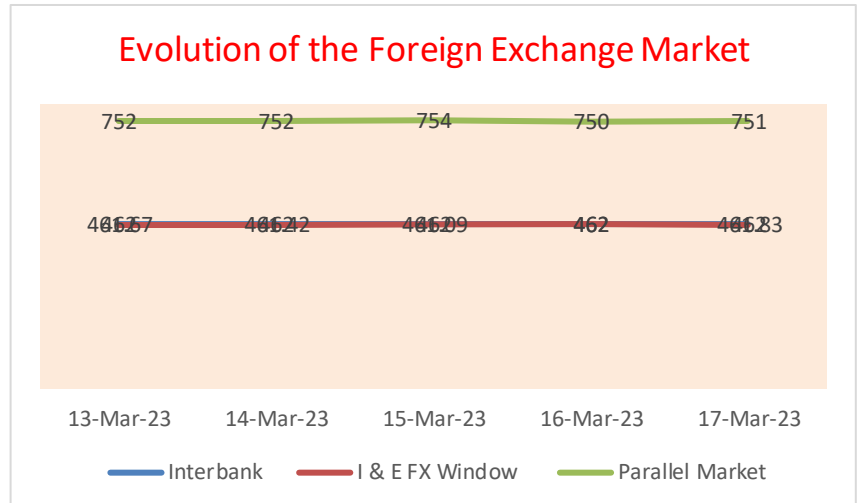
For the food inflation, it was recorded on a year-on-year basis in states like Kwara (29.51%), Imo (27.47%), and then Lagos (27.42%), while Sokoto (18.54%), Jigawa (19.67%), and Yobe (21.89%) recorded the slowest rise between February 2022 and February 2023. On a monthly comparison, food inflation was highest in Yobe (3.15%), Edo (3.03%), and Ogun (2.90%), while Rivers (0.75%), Sokoto (0.89%), and Nassarawa (0.90%) recorded the slowest rise.

Across the globe, rising inflation has continued to be a front burner in most economies, including Nigeria, and escalating the price stability plans far from the hands of the monetary authority; an economic growth trade-off that may further drive the central bank's position for an extended contractionary stance. At the next monetary policy committee meeting next week, we will opine for a hold stance from the committee following the slow rise in February inflation numbers against the backdrop of the gradual adoption of the cashless policy and limited currency in circulation. However, we project the headline inflation to be 22.1% in March 2023.

FOREX MARKET: Demand Pressure, Scarcity Drags Naira in the Mix-Bag Across FX Segments....

The demand for the dollar in the FX market is now abating as Nigerians reel from the effects of the currency crunch experienced as a result of the Naira redesign policy of the CBN since October 2022. On March 13, 2023, the CBN finally acted to have bowed to the supreme court order, stating that the old banknotes remain legal tender until December 31, 2023. In another development, FX scarcity continued across the board following the signal that Nigerian deposit money banks are set to cut PTA and BTA by 50% as the dollar crunch persists.

In the just-concluded week at the open market, the local currency edged the United States dollar as it appreciated by N1.00 or 0.13%, week on week to close at N751/USD from 752/USD in the previous week even as dollar demand took a calm and was supported by the Naira scarcity. On the other hand, at the investors' and exporters' FX window, the naira depreciated slightly by 0.07% or N0.13 week on week to close at N461.83/USD as against the N461.50/USD in the prior week amid the growing FX demand pressure on the naira following the announcement on the use of the old banknotes.



At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged at N462/USD. Also, in our analysis of the Naira/USD exchange rate in the weekly Naira FX Forward Contracts Markets, it was a mixed bag for the Naira index across all forward contracts, with appreciations reported for the 1-Month, 3-Month, and 6-Month, 6-Month tenor contracts against the greenback by +0.23%, +0.05%, and +0.54% week on week to close at contract offer prices of N465.63/USD, N481.90/USD, and N506.17/USD. Meanwhile the dollar hegemony was strong on the 2-Month and 12-Month contracts as it appreciated against the Naira by +0.05% and +1.11% to close the week at N474.20/USD, and N548.84/USD in that manner.

In the oil market this week, the up and down movement of the oil price continued to drive volatility across markets as it rebounded a little to trade at \$74.69 per barrel on the fear of recession in the midst of bank failures, soaring inflation across the globe, and tightened supply due to the Russia-Ukraine war that entered its first-year last week. However, on the home front, we saw the Bonny Light crude price react positively to factors playing in the oil market as it plummeted by 6.9% or (USD5.72), week on week, to close at USD77.68 per barrel on Thursday, down from USD83.40 per barrel last week.

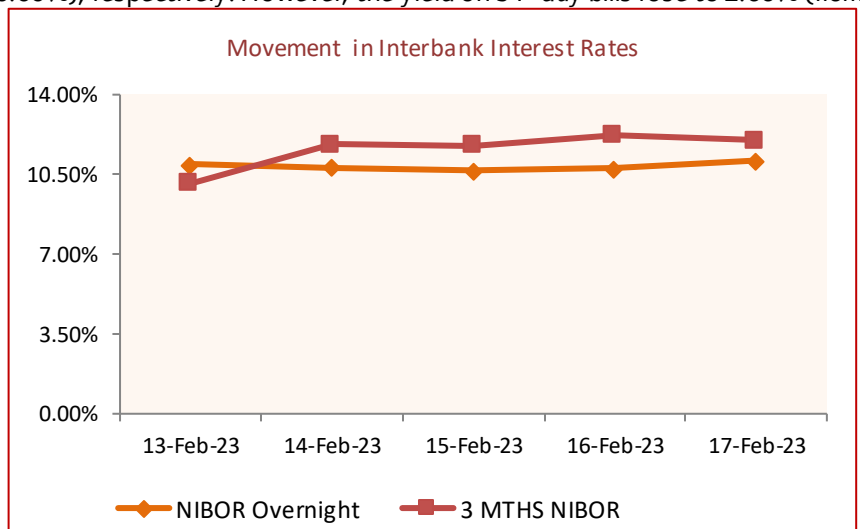
Next week, we expect the naira to trade in a relatively calm band across various market segment in the face of the Naira scarcity and as the Central Bank continue its weekly intervention in the foreign exchange market to shore up the value of the Naira.

MONEY MARKET: NITTY Moves Upward in Tandem with Stop Rates for 364-Day Maturity...

In the just-concluded week, CBN refinanced N161.87 billion of T-bills that matured via the primary market at lower rates for most maturities as investors continued to demand short-term government debt. Specifically, stop rates for 182-day and 364-day bills moderated to 5.00% (from 6.00%) and 9.49% (from 10.00%), respectively. However, the yield on 91-day bills rose to 2.66% (from 1.40%). Overall, demand improved from the last auction, as implied by a bid-to-cover ratio of 6.28x, as total subscriptions rose to 1.03 trillion (from 0.91 trillion at the last auction).

Elsewhere, Nigerian interbank Treasury bills' true yields rose in the secondary markets. NITTY for 1 month, 3 months, 6 months, and 12 months rose w-o-w to 3.62% (from 2.8%), 4.7% (from 3.55%), 6.79% (from 4.35%), and 9.87% (from 5.87%), respectively.

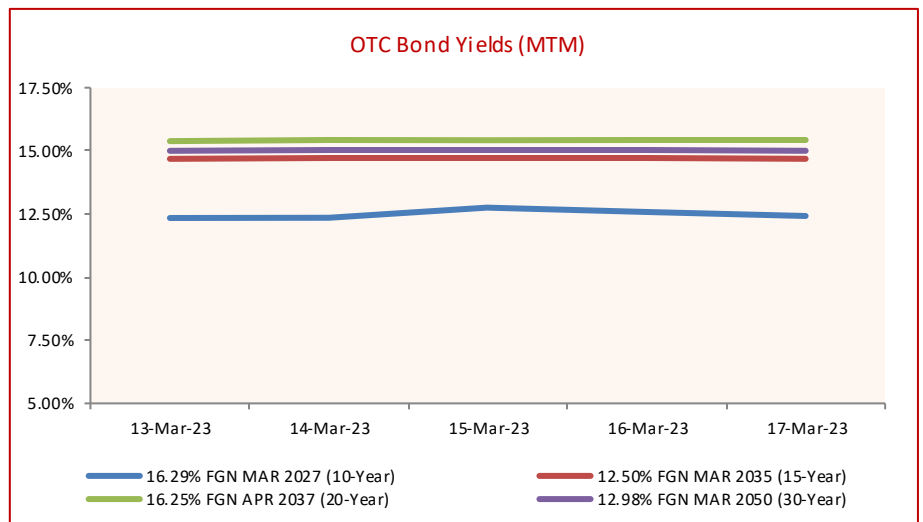
Meanwhile, despite the relatively low value of matured OMO bills, NIBOR for overnight funds, 1 month, 3 months, and 6 months dropped to 11.11% (from 11.63%), 11.23% (from 11.38%), 11.98% (from 12.00%), and 12.95% (from 13.38%), respectively.



In the coming week, we anticipate bearish money market activity as the financial system's liquidity may be low due to the limited maturing bills...

BOND MARKET: FGN Bond Yields Rise as Traders Sell Ahead of the Auction Next Week...

In the just-concluded week, bearish sentiment dominated the bond market as traders sold off in anticipation of higher stop rates. Hence, the values of FGN bonds traded at the secondary market moderated as yields rose for most maturities tracked. Specifically, the 10-year 16.29% FGN MAR 2027 and the 20-year 16.25% FGN APR 2037 notes fell by N0.35 and N0.29, respectively; their corresponding yields expanded to 12.45% (from 12.36%) and 15.40% (from 15.00%), respectively. However, the yield on the 15-year 12.50% FGN MAR 2035 and the 30-year 12.98% FGN MAR 2050 stayed unchanged at 14.68% and 15.00%, respectively.



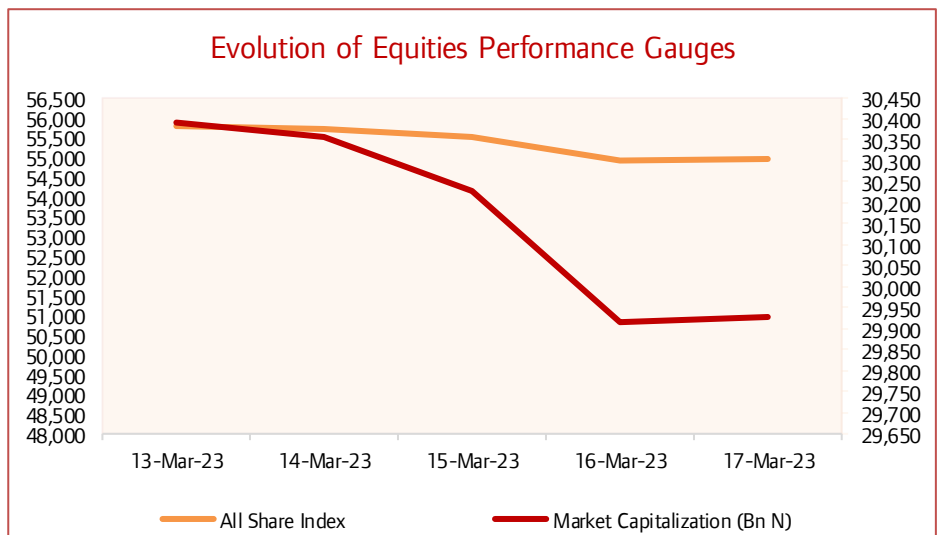
Meanwhile, the value of FGN Eurobonds traded at the international capital market declined for all maturities tracked due to sustained selling pressure. Specifically, the 10-year 6.38% JUL 12 2023, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047 lost USD0.20, USD5.63, and USD5.49, while their corresponding yields increased to 14.41% (from 13.31%), 13.72% (from 12.51%), and 13.21% (from 12.11%), 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 rise further given the rising inflationary pressure of 21.91% in February...

EQUITIES MARKET: Sell Pressure in Blue-Chip Stocks Wipe N468bn From Investors' Pockets as ASI Sheds 1.54% w/w

This week, sell-side pressure and volatility surfaced on the local bourse, with the bears tightening their grip following the news of the contagion from the failure of some US banks. To this end, the market pulled back to trade below the 55,000 psychological level on sell-offs in some of the highly priced stocks and some blue-chip companies even as equity investors continued to digest the recently published inflation data ahead of the forthcoming monetary policy meeting next week.

The market's performance was lackluster this week as the NGX-ASI shed 1.54% week on week to 54,935.20 points due to profit-taking activities in some blue-chip and high-priced stocks. In the same manner, the market capitalization nosedived by 1.54% week on week to N29.93 trillion as the sum of N468.12 billion was wiped from investors' pockets, while the year-to-date return inched further to 7.19% from 8.87% last week.



Across the sectors this week, performance was largely bearish across the indices under our purview. Thus, there were declines in the Banking (-4.59%), Insurance (-2.45%), and Industrial Goods (-0.27%) sectors from the prior week. On the contrary, the Consumer Goods index was the lone gainer by 1.39% this week as we saw positive price movement through the sessions while the oil and gas index remained flat from the last week's close.

At the close of the week, the level of market trading activities was downbeat as the total number of deals decreased by 0.6% week on week to 18,543 even as stockbrokers recorded a 16.57% week on week decline in traded volumes for the week to 853.75 million units valued at N1.56 billion, indicating a decline of 92.26% week on week. Meanwhile, the top -gaining securities for the week were UPL (+9%), FTNCOCOA (+8%), and BUAFOODS (+4%), while the week's losers were UCAP (-17%), LINKASSURE (-11%), and ETI (-10%).

Next week, we expect to see a mixed trend of market activities as players digest recent macroeconomic data and rates from the last auction ahead of the CBN MPC meeting with more earnings scorecards in the midst of price markdowns for dividends from some

companies. Also, it is expected that income investors will target dividend-paying and defensive stocks to defend their portfolios ahead of the governorship and state assembly elections. Meanwhile, 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, March 17, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	March 17 2023	March 10 2023	% Change	Symbol	March 17 2023	March 10 2023	% Change
UPL	1.99	1.82	9%	UCAP	12.20	14.65	-17%
FTNCOCOA	0.28	0.26	8%	LINKASSURE	0.41	0.46	-11%
LIVESTOCK	1.09	1.04	5%	ETI	10.80	12.00	-10%
BUAFOODS	99.00	95.00	4%	NPFMCRFBK	1.73	1.89	-8%
UACN	9.55	9.20	4%	ACCESSCORP	8.40	9.15	-8%
UNILEVER	14.00	13.50	4%	NEIMETH	1.46	1.58	-8%
JAPAUFGOLD	0.29	0.28	4%	GLAXOSMITH	6.20	6.70	-7%
REGALINS	0.30	0.29	3%	RTBRISCOE	0.25	0.27	-7%
HONYFLOUR	2.25	2.20	2%	OANDO	4.10	4.42	-7%
CHAMPION	4.70	4.60	2%	GTCO	24.60	26.50	-7%

Weekly Stock Recommendations as at Friday, March 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
STERLING	0.65	0.73	5	0.29	2.4	1.75	1.33	1.51	1.7	1.3	1.8	19.00	Buy
NIGERIAN BREWERIES	1.44	1.72	18	2.28	28.5	62.80	28.8	39.80	49.0	34.7	47.0	20.00	Buy
ZENITH	5.55	7.11	41.68	0.59	4.40	27.40	18.90	24.60	31.3	20.8	28.1	28.00	Buy
TRANSCORP	0.47	0.56	3.98	0.32	2.75	1.52	0.90	1.29	1.6	1.1	1.5	23.26	Buy
LAFARGE	2.79	3.46	25.29	0.99	8.97	31.75	21.50	25.10	31.0	21.3	28.8	24.00	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	17-Mar-23 Price (N)	Weekly USD Δ	17-Mar-23 Yield	Weekly PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.32	97.58	(0.20)	14.4%	1.10
7.625 21-NOV-2025	21-Nov-18	2.68	86.50	(2.10)	13.8%	1.08
6.50 NOV 28, 2027	28-Nov-17	4.70	86.50	(2.10)	13.8%	1.08
6.125 SEP 28, 2028	28-Sep-21	5.54	73.79	(4.08)	12.9%	1.25
8.375 MAR 24, 2029	24-Mar-22	6.02	77.71	(4.43)	14.0%	1.28
7.143 FEB 23, 2030	23-Feb-18	6.95	71.44	(4.37)	13.7%	1.20
8.747 JAN 21, 2031	21-Nov-18	7.85	75.69	(4.72)	13.9%	1.18
7.875 16-FEB-2032	16-Feb-17	8.93	70.37	(5.01)	13.7%	1.21
7.375 SEP 28, 2033	28-Sep-21	10.54	66.21	(5.16)	13.5%	1.19
7.696 FEB 23, 2038	23-Feb-18	14.95	62.16	(5.63)	13.7%	1.21
7.625 NOV 28, 2047	28-Nov-17	24.72	59.47	(5.49)	13.2%	1.10
9.248 JAN 21, 2049	21-Nov-18	25.87	68.98	(5.80)	13.6%	1.06
8.25 SEP 28, 2051	28-Sep-21	28.55	62.45	(5.24)	13.4%	1.03

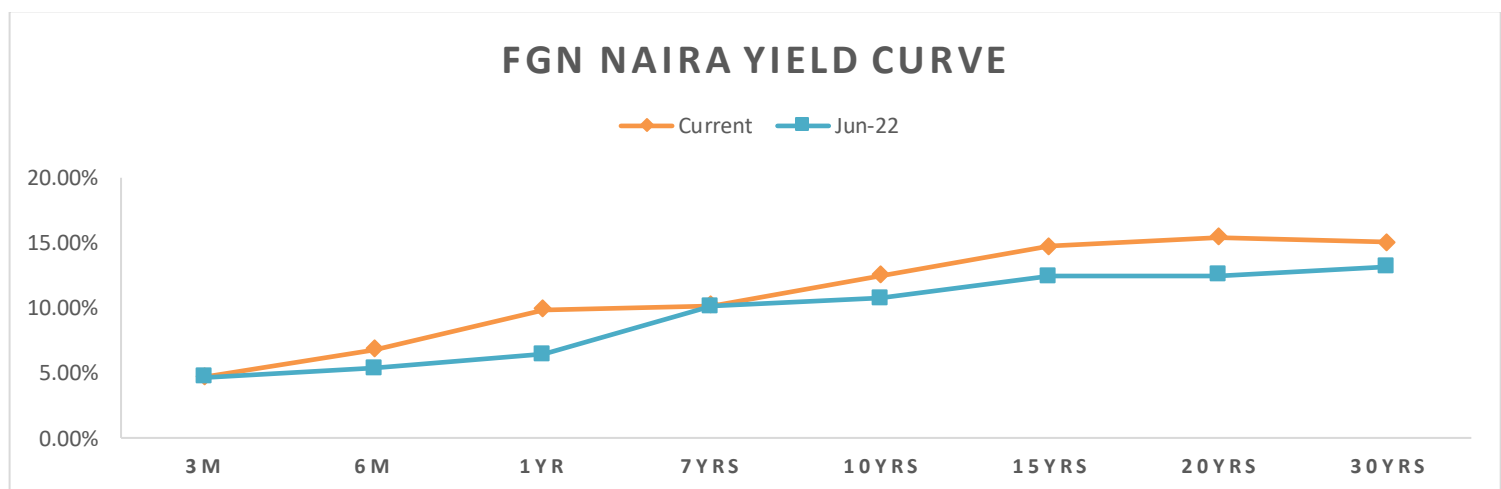
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, March 17, 2023

MAJOR	17-Mar-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0637	1.0605	0.30%	-0.08%	-0.45%	-3.81%
GBPUSD	1.2156	1.2107	0.40%	1.05%	0.97%	-7.78%
USDCHF	0.9276	0.9291	-0.16%	0.73%	0.49%	-0.41%
USDRUB	76.5100	77.5492	-1.34%	0.99%	5.77%	-22.27%
USDNGN	459.9400	459.9400	0.00%	-0.02%	-0.02%	10.72%
USDZAR	18.3645	18.3884	-0.13%	0.39%	1.45%	22.75%
USDEGP	30.8033	30.7510	0.17%	-0.15%	0.93%	95.95%
USDCAD	1.37	1.3719	0.10%	-0.66%	2.11%	8.99%
USDMXN	18.79	18.7024	0.49%	1.71%	2.32%	-7.65%
USDBRL	5.26	5.2286	0.69%	0.97%	1.93%	4.86%
AUDUSD	0.6695	0.6654	0.61%	1.77%	-3.06%	-9.73%
NZDUSD	0.6253	-0.0600	0.93%	1.85%	0.01%	-9.49%
USDJPY	132.2270	133.7247	-1.12%	-2.05%	-1.50%	10.94%
USDCNY	6.8804	6.8948	-0.21%	-0.82%	0.34%	8.17%
USDINR	82.5390	82.6216	-0.10%	0.72%	-0.17%	8.55%

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

Commodity		17-Mar-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	66.6	68.3	-2.51%	-13.24%	-13.87%	-33.90%
BRENT	USD/Bbl	72.6	74.7	-2.86%	-12.42%	-13.47%	-31.00%
NATURAL GAS	USD/MMBtu	2.4	9.8	-5.58%	-2.27%	6.10%	-51.98%
GASOLINE	USD/Gal	2.5	2.5	-1.05%	-6.46%	1.14%	-22.80%
COAL	USD/T	174.0	175.0	-0.57%	-3.33%	-16.89%	-48.41%
GOLD	USD/t.oz	1,952.5	1,919.1	1.74%	4.50%	6.01%	1.60%
SILVER	USD/t.oz	22.1	21.7	1.85%	7.79%	1.69%	-11.39%
WHEAT	USD/Bu	710.9	699.0	1.70%	4.48%	-6.96%	-32.07%
PALM-OIL	MYR/T	3,920.0	3,933.0	-0.33%	-4.23%	-5.93%	-30.36%
COCOA	USD/T	2,739.0	2,657.9	3.05%	2.43%	0.26%	7.96%

FGN Bonds Yield Curve, Friday March 17, 2023



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