

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN Policy Onslaught Against High Inflation; How Long Before We Hit the Peak? ...

Cowry Research thinks the 50 bps increase in the policy rate as a tool to tackle accelerating inflation could possibly lead to slower growth and further drive down the total money supply with the aim of achieving sustainable economic growth and price stability.....

FOREX MARKET: Naira Soars Ahead of the Dollar Across FX Market Segments Despite Lingering Currency Scarcity....

Next week, we expect the naira to trade in a relatively calm band across various market segment barring any market distortion in the face of the Naira scarcity and as the apex bank continues its weekly FX market intervention to defend the value of the naira.

MONEY MARKET: NIBOR Rises for All Tenor Buckets on Financial Liquidity Strain...

We note that traders' sentiment will be shaped by the T-bill auction result over the course of the new week. Cowry Research anticipates the 364-day T-bill rate to rise, hence we expect local OTC bond prices to decrease (and yields to increase) in the coming week...

BOND MARKET: FGN Bond Stop Rate Falls for most Maturities Offered.....

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: Downbeat Performance Drags NGX by 8bps Amid Window-Dressing, Portfolio Reshuffling...

We expect growth in dividends of some dividend-paying stocks and the increasing dividend yields to drive investors' sentiments in the coming weeks.

ECONOMY: CBN Policy Onslaught Against High Inflation; How Long Before We Hit the Peak?

It was yet another interest rate hike by the Monetary Policy Committee as the year on year headline inflation index maintains an uptrend above the 20% mark in recent months and noticeably remaining above the 6-9% target of the policy committee with the risks tilting towards the upside at current levels.

Last Tuesday, at the conclusion of the March 2023 MPC meeting, the CBN maintained its hawkish tone for the sixth consecutive time, by 50 basis points, to 18%. This is in line with expectations for slower tightening measures to stifle inflationary momentum, as all members voted unanimously to retain the asymmetric corridor at +100 bps and -700 bps around the MPR, the CRR at 32.50%, and the liquidity ratio at 30%. This is the sixth session in the past twelve months where the policy rate has trended higher and the apex bank has forgone growth to maintain price stability.

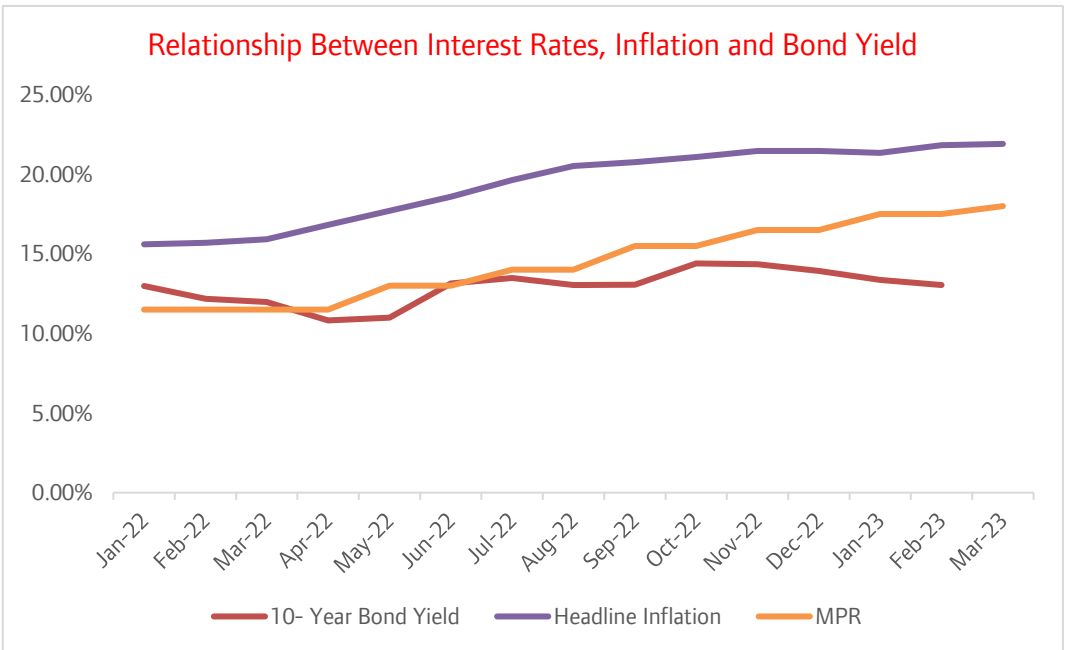
In line with market-wide expectations for aggressive policy tightening, the CBN hiked interest rates to 18% from 17.50% at its last meeting. The decision comes as the committee detects the upward risk of rising prices on the back of expectations surrounding the removal of the PMS subsidy; rising prices of other energy sources, continuing exchange rate pressure, and uncertain climatic conditions.

From the latest consumer price inflation report from the NBS, annual headline inflation accelerated to 21.91% in February from January 2023 for the second month, reaching a near seventeen-and-a-half-year high, above market expectations for a paltry 5 basis points above the 21.82% reported in January 2023. The reported 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. 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.

Although the MPC was delighted that monthly inflation has been on the decline but has risen slowly year on year in recent time, it was not convinced that the slow acceleration in annual inflation was enough to begin to celebrate. Therefore, it considers that a hold or loosening option was not desirable as it focused attention not only on the inflationary trends in most major economies but also on the reported impact of policy rate hikes aimed at reining in inflation on financial system stability in the global financial system. Although it was debated whether to maintain the rate hike to dampen the rising inflation trajectory or hold to observe emerging developments and allow for the impact of the last five rate hikes to permeate the economy, it is believed that loosening would gravely undermine the gains achieved so far.

Also, the impact of the contagion emerging from the bank runs in some advanced economies was examined for its possibility of causing shocks to the Nigerian banking system, and it was discovered that the domestic financial system remains reasonably insulated from such likely contagion as there are in place stringent micro- and macro-prudential guidelines that have always ensured that individual banks and the banking industry in Nigeria have adequate buffers to ward-off global contagion.

Cowry Research thinks the 50 bps increase in the policy rate as a tool to tackle accelerating inflation could possibly lead to slower growth and further drive down the total money supply with the aim of achieving sustainable economic growth and price stability. However, rising inflation has continued to be a front burner in most economies across the globe, including Nigeria, and is 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. Similarly, we continue to see the downside risks of pressures from inflation as the central bank's aggressive monetary policy tightening measures will largely depend on the path of inflation.

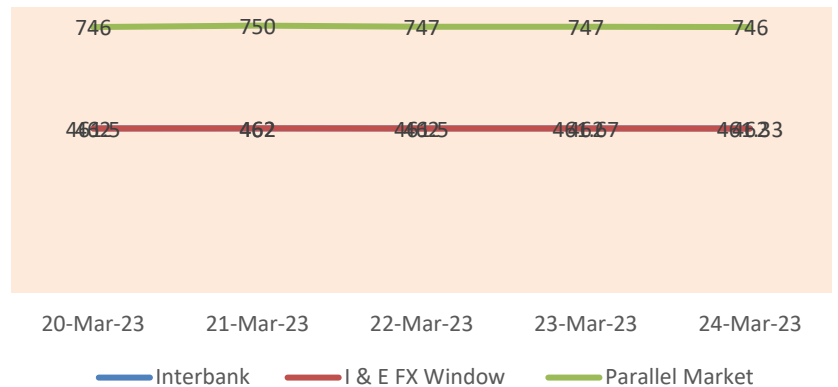


FOREX MARKET: Naira Soars Ahead of the Dollar Across FX Market Segments Despite Linger Currency Scarcity....

In the just concluded week at the open market, the local currency edged the United States dollar as it appreciated by N5 or 0.7% week on week to close at N746/USD from N751/USD in the previous week even as dollar demand took a calm in the face of scarcity crunch which continues to bite harder. Also, at the investors' and exporters' FX window, the Naira appreciated slightly by N0.50 or 0.11% week on week to close at N461.33/USD from N461.83/USD despite the growing FX demand 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 Dollar 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 Naira by +0.5%, +0.32%, +0.51%, +1.00% and +2.36% week on week to close at contract offer prices of N467.87/USD, N475.74/USD, N484.34/USD, N511.25/USD and N561.79/USD respectively.

Evolution of the Foreign Exchange Market



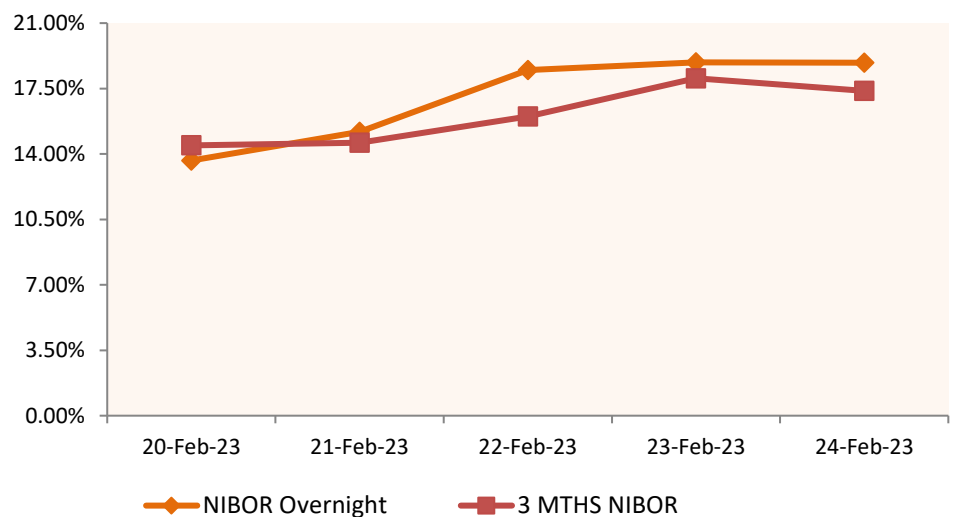
In the oil market this week, oil price oscillation signaled positive trade at USD74 per barrel on the back of US build-up of oil inventory and the mixed economic outlook and recovery in China. However, on the home front, we saw the Bonny Light crude price react positively to factors playing in the oil market as it plummeted by 4.8% or (USD3.72) week on week, to close at USD73.96 per barrel (23/03) from USD77.68 per barrel last week.

Next week, we expect the naira to trade in a relatively calm band across various market segment barring any market distortion in the face of the Naira scarcity and as the apex bank continues its weekly FX market intervention to defend the value of the naira.

MONEY MARKET: NIBOR Rises for All Tenor Buckets on Financial Liquidity Strain...

In the just concluded week, given the muted activity in the Treasury Bill primary market, which led to strong demand in the secondary market, investors scrambled for T-bills, particularly longer-dated tenor buckets. Specifically, NITTY fell for 6-month and 12-month maturities to 6.48% (from 6.79%), and 9.67% (from 9.87%), respectively. The central bank's hawkish stance on monetary policy, evident in the recent hike in the monetary policy rate to 18.00%, was reflected in the rise of NIBOR for 1-month and 3-month maturities as their corresponding yields rose to 3.76% (from 3.62%) and 4.82% (from 4.70%), respectively.

Movement in Interbank Interest Rates

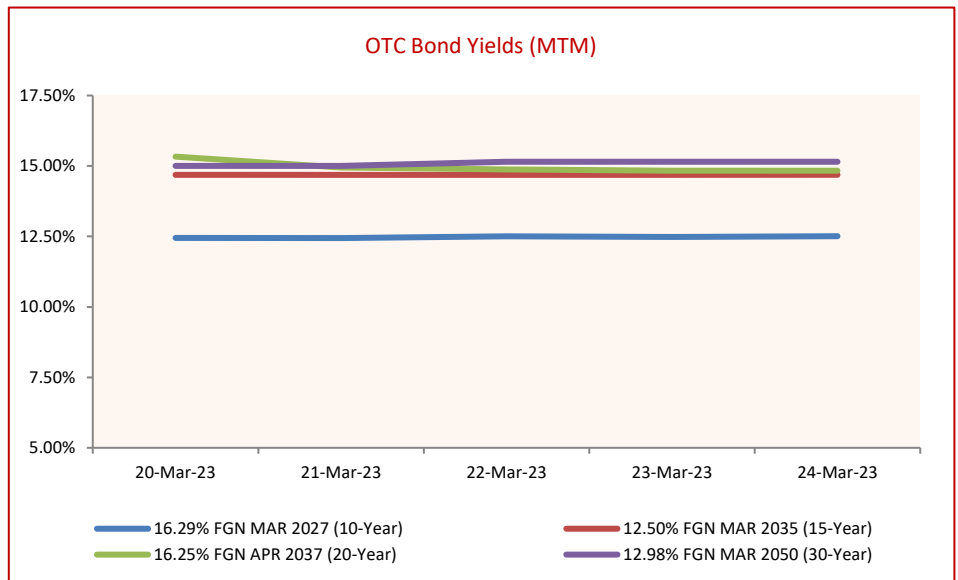


Meanwhile, the OMO space was dry as well, as there were no refinanced or maturing bills from the Apex bank. Notably, allocations from the Federation Account Allocation Committee (FAAC) totalled N722.68 billion, which bolstered liquidity but was offset in part by outflows from the FGN Bond Auction totalling N563 billion. As borrowing costs rose, NIBOR for overnight funds, 1 month, 3 months, and 6 months ballooned to 18.88% (from 11.11%), 16.88% (from 11.23%), 17.38% (from 11.98%), and 17.38% (from 12.95%), respectively.

In the new week, CBN will auction T-bills worth N145.46 billion through the primary market, viz: 91-day bills worth N2.16 billion, 182-day bills worth N3.34 billion, and 364-day bills worth N139.96 billion. Cowry Research anticipates a slight decrease in 364-day stop rates...

BOND MARKET: FGN Bond Stop Rate Falls for most Maturities Offered...

In the just concluded week, the Debt Management Office offered and allotted, respectively, N360 billion (90 apiece) and N563.36 billion worth of bonds across 13.98% FGN FEB 2028, 12.50% FGN APR 2032, 16.25% FGN APR 2037, and 14.80% FGN APR 2049 re-openings. The marginal rates for the 32s, 37s, and 49s contracted to 14.75% (from 14.90%), 15.20% (from 15.90%), and 15.75% (from 16.00%), respectively, while the marginal rate for the 28s expanded to 14.00% (from 13.99%).



Notably, the bid-to-cover ratios for the 37s (3.95x) and 49s (3.88x) were significantly higher than those for the 28s (0.81x) and 32s (0.34x), indicating stronger demand for the longer-term bonds. Overall, demand increased compared to the last auction, as implied by the 1.43x bid-to-cover ratio (from 1.29x), notwithstanding a decrease in allotments and subscriptions. Despite the lower stop rates, the values of FGN bonds traded on the secondary market moderated as yields increased for most maturities tracked. Specifically, the 10-year 16.29% FGN MAR 2027 and the 30-year 12.98% FGN MAR 2050 notes fell by N0.24 and N0.83, respectively; their corresponding yields expanded to 12.1% (from 12.45%) and 15.15% (from 15.00%), respectively. On the other hand, the yield on the 15-year 12.50% FGN MAR 2035 remained unchanged at 14.69%, while the 20-year 16.25% FGN APR 2037 increased by N3.44 as its corresponding yield contracted to 14.83% (from 15.40%).

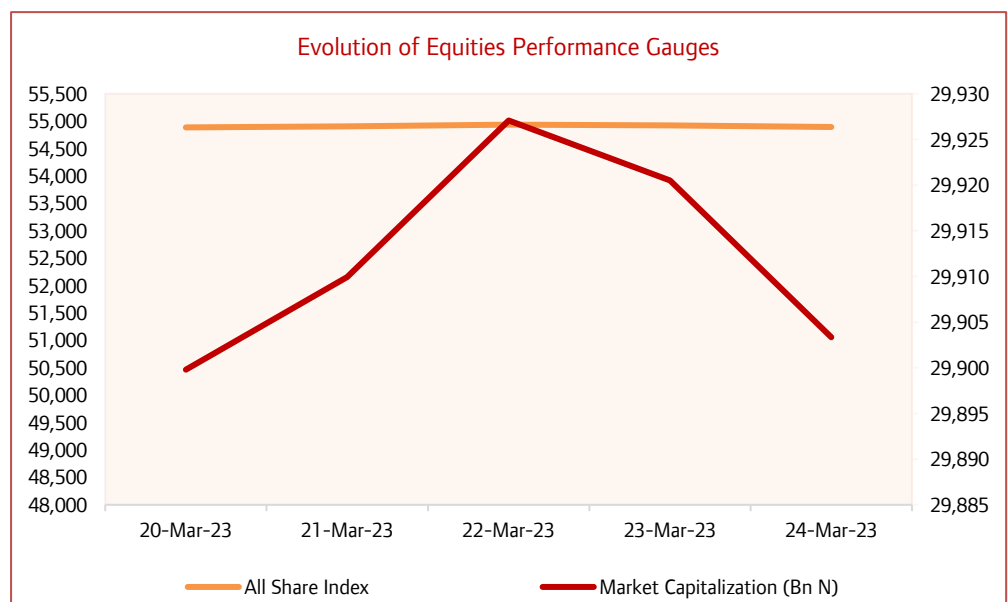
Meanwhile, the value of FGN Eurobonds traded on the international capital market appreciated for all maturities tracked due to renewed bullish sentiment. Specifically, the 10-year 6.38% JUL 12 2023, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047 gained USD 0.18, USD 0.36, and USD 0.03, while their corresponding yields decreased to 14.26% (from 14.41%), 13.64% (from 13.72%), and 13.20% (from 13.21%), respectively..

In the new week, we expect local OTC bond prices to rise (and yields to decrease) as prospective investors demand lower rates in tandem with rates in the primary market...

EQUITIES MARKET: Downbeat Performance Drags NGX by 8bps Amid Window-Dressing, Portfolio Reshuffling

Portfolio rebalancing activities continued for another week in the face of Q1 window dressing actions by traders and the ranging trend on the local bourse in expectations for more corporate earnings inflow and dividend declarations. This comes as investors continue to digest the outcome of the MPC meeting earlier in the week and its probable impact on the economy and markets.

The NGX-ASI posted a lackluster performance by 0.08% week on week to 54,892.53 points due to position-taking in some defensive stocks with strong fundamentals. In the same manner, the market capitalization shed 0.08% week on week to N29.90 trillion as it wiped N23.24 billion in losses from investors' pockets while the year-to-date return tanked to 7.11% from 8.87% last week.



Across the sectors this week, performance was largely on a bearish trend across the indices under our purview except for the Banking sector which gained 0.93% week on week from positive price appreciations; and the Oil/Gas

index which closed flat from last week's close. On the contrary, the Consumer Goods, Insurance and Industrial Goods sectors were in the bear zone to close the week by -1.01%, -0.53% and -0.49% from the previous week.

At the close of the week, the level of market trading activities was positive as we saw the total number of deals decrease by 24.40% week on week to 14,019 as stockbrokers recorded a 97.85% surge in traded volumes for the week to 1.69 billion units valued at N11.07 billion, indicating a massive rise of 607.15% week on week. Meanwhile, the top-gaining securities for the week were NPFMCRBK (+7%), GEREGU (+6%), and TRANSCOHOT (+6%), while the week's losers were UCAP (-17%), LINKASSURE (-11%), and ETI (-10%).

Notwithstanding the ongoing extreme volatility in the equities market, we expect growth in dividends of some dividend-paying stocks and the increasing dividend yields to drive investors' sentiments in the coming weeks. 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, March 24, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	March 24 2023	March 17 2023	% Change	Symbol	March 24 2023	March 17 2023	% Change
NPFMCRFBK	1.85	1.73	7%	UCAP	12.20	14.65	-17%
GEREGU [BLS]	323.00	304.00	6%	LINKASSURE	0.41	0.46	-11%
TRANSCOHOT	6.90	6.50	6%	ETI	10.80	12.00	-10%
ABCTRANS	0.37	0.35	6%	NPFMCRFBK	1.73	1.89	-8%
CUSTODIAN	6.10	5.80	5%	ACCESSCORP	8.40	9.15	-8%
CORNERST	0.68	0.65	5%	NEIMETH	1.46	1.58	-8%
CUTIX	2.20	2.11	4%	GLAXOSMITH	6.20	6.70	-7%
CHAMPION	4.90	4.70	4%	RTBRISCOE	0.25	0.27	-7%
CHAMS	0.25	0.24	4%	OANDO	4.10	4.42	-7%
RTBRISCOE	0.26	0.25	4%	GTCO	24.60	26.50	-7%

Weekly Stock Recommendations as at Friday, March 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
FBNH	2.54	3.22	25	0.44	4.3	12.4	8.20	10.90	13.8	9.3	12.6	26.67	Buy
CONOIL	8.97	8.07	37.86	1.00	4.2	46.05	22.65	38	47	32.3	43.7	23.68	Buy
STANBIC	6.24	5.80	31.46	1.20	6.03	41.70	27.50	37.60	45.0	32.0	42.3	22.45	Buy
TRANSCORP	0.47	0.56	3.98	0.34	2.78	1.52	0.90	1.34	1.6	1.1	1.5	23.26	Buy
LAFARGE	2.79	3.46	25.29	1.03	9.31	31.75	21.50	25.95	32.2	22.1	29.8	24.00	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	24-Mar-23	Weekly	24-Mar-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.30	97.76	(0.02)	14.3%	0.95
7.625 21-NOV-2025	21-Nov-18	2.67	86.79	(1.81)	13.7%	0.97
6.50 NOV 28, 2027	28-Nov-17	4.68	86.79	(1.81)	13.7%	0.97
6.125 SEP 28, 2028	28-Sep-21	5.52	74.25	(3.62)	12.8%	1.13
8.375 MAR 24, 2029	24-Mar-22	6.01	77.91	(4.23)	13.9%	1.23
7.143 FEB 23, 2030	23-Feb-18	6.93	71.30	(4.51)	13.7%	1.25
8.747 JAN 21, 2031	21-Nov-18	7.84	75.52	(4.89)	14.0%	1.23
7.875 16-FEB-2032	16-Feb-17	8.91	70.75	(4.63)	13.7%	1.12
7.375 SEP 28, 2033	28-Sep-21	10.52	66.75	(4.62)	13.4%	1.06
7.696 FEB 23, 2038	23-Feb-18	14.93	62.52	(5.27)	13.6%	1.13
7.625 NOV 28, 2047	28-Nov-17	24.70	59.50	(5.46)	13.2%	1.10
9.248 JAN 21, 2049	21-Nov-18	25.85	68.72	(6.06)	13.7%	1.11
8.25 SEP 28, 2051	28-Sep-21	28.53	62.05	(5.64)	13.5%	1.12

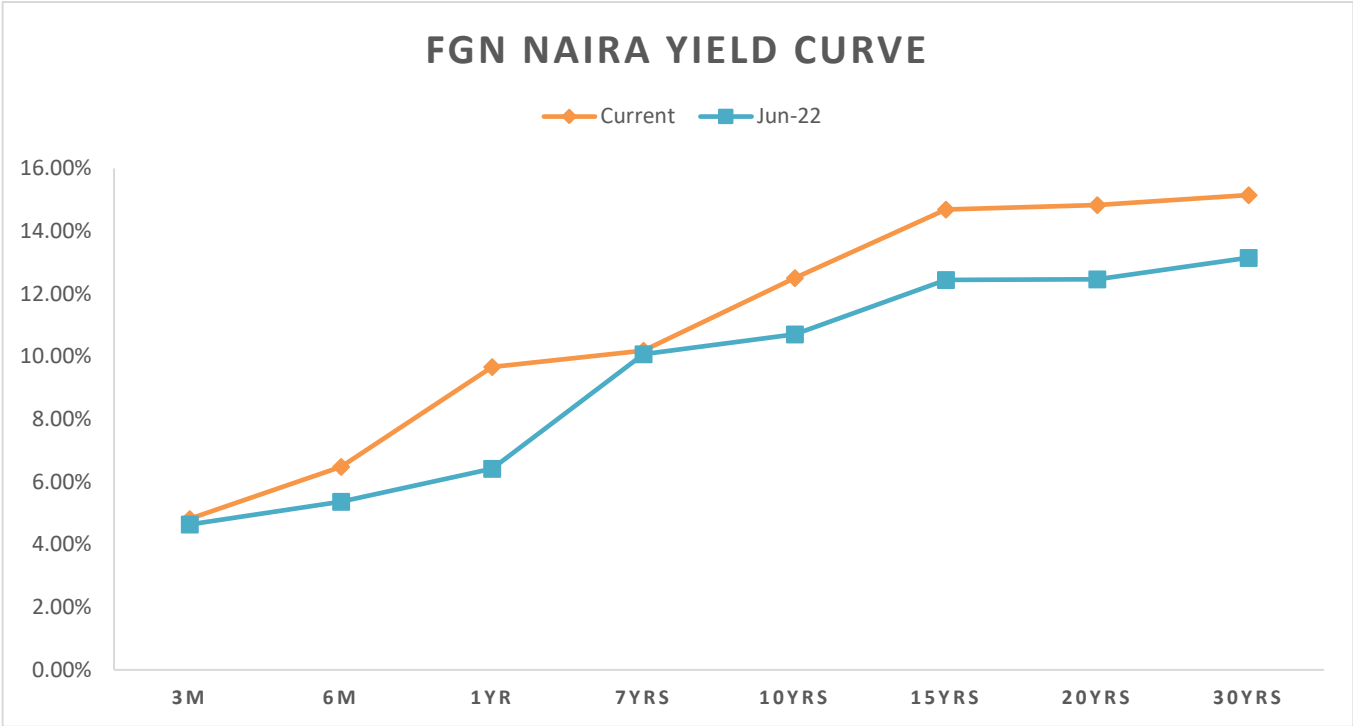
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, March 24, 2023

MAJOR	24-Mar-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0759	1.0830	-0.66%	0.88%	1.44%	-2.02%
GBPUSD	1.2228	1.2285	-0.46%	0.43%	1.37%	-7.28%
USDCHF	0.9185	0.9164	0.23%	-0.79%	-1.83%	-1.27%
USDRUB	75.9500	75.9956	-0.06%	-1.31%	1.37%	-21.30%
USDNGN	459.9700	459.9700	0.00%	0.01%	0.00%	10.77%
USDZAR	18.1809	18.0886	0.51%	-1.57%	-1.23%	24.88%
USDEGP	30.8960	30.9486	-0.17%	0.47%	1.03%	68.51%
USDCAD	1.38	1.3713	0.48%	0.37%	1.50%	10.45%
USDMXN	18.57	18.5544	0.11%	-1.59%	1.27%	-7.22%
USDBRL	5.29	5.2972	-0.21%	0.11%	1.59%	11.42%
AUDUSD	0.6648	0.6683	-0.53%	-0.71%	-1.28%	-11.51%
NZDUSD	0.6206	-0.0600	-0.67%	-0.84%	0.64%	-10.80%
USDJPY	130.4340	130.8134	-0.29%	-1.03%	-4.23%	6.86%
USDCNY	6.8672	6.8289	0.56%	-0.32%	-1.32%	7.57%
USDINR	82.3900	82.2338	0.19%	-0.16%	-0.30%	8.01%

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

Commodity		24-Mar-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	68.6	70.0	-1.99%	2.49%	-9.52%	-38.24%
BRENT	USD/Bbl	74.2	75.9	-2.23%	1.76%	-9.49%	-34.62%
NATURAL GAS	USD/MMBtu	2.2	9.8	2.47%	-5.55%	-19.14%	-60.92%
GASOLINE	USD/Gal	2.7	2.7	0.19%	0.45%	-3.91%	-23.69%
COAL	USD/T	176.7	176.5	0.06%	1.52%	-15.56%	-45.92%
GOLD	USD/t.oz	1,996.3	1,993.5	0.14%	0.44%	9.87%	2.00%
SILVER	USD/t.oz	23.4	23.1	1.06%	3.50%	13.37%	-8.35%
WHEAT	USD/Bu	689.8	662.0	4.20%	-3.09%	-3.02%	-36.98%
PALM-OIL	MYR/T	3,512.0	3,569.1	-1.60%	-10.41%	-16.88%	-41.73%
COCOA	USD/T	2,855.0	2,867.9	-0.45%	4.38%	5.27%	11.55%

FGN Bonds Yield Curve, Friday March 24, 2023



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