

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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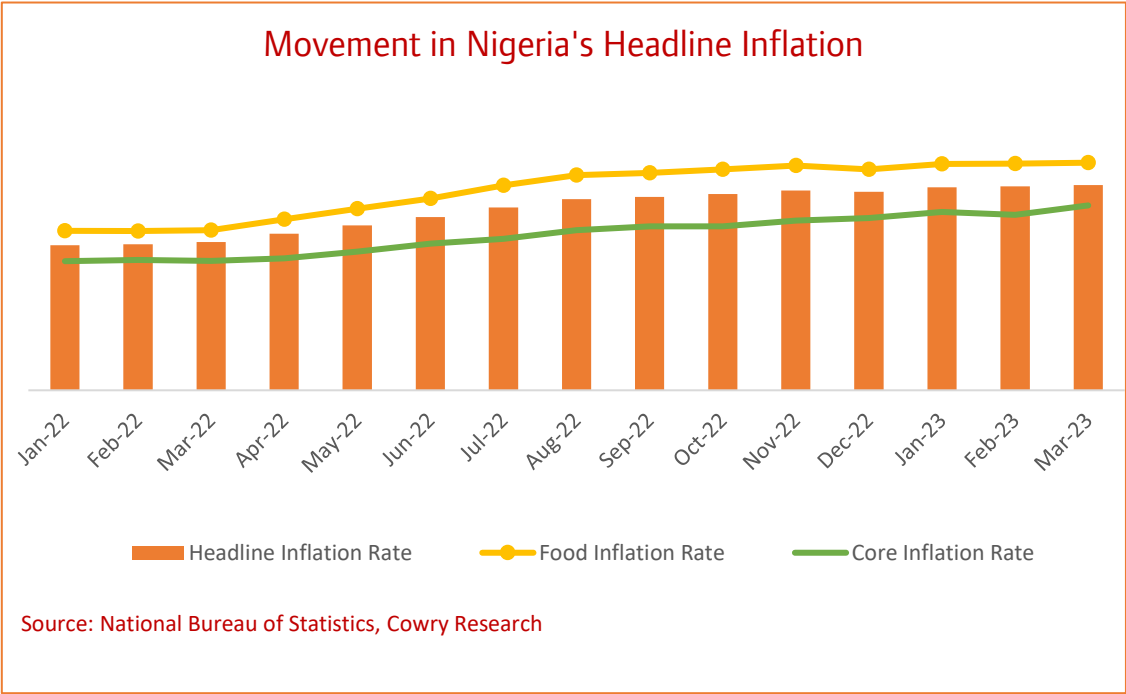
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ECONOMY: Inflation Trend Stays Unabating at 22.04% y/y; Any More Inflation Triggers?

The latest inflation reading from the National Bureau of Statistics (NBS) showed that Nigeria’s headline inflation rose 13 basis points for the third straight months to settle at 22.04% year on year in March up from 21.91% in February. This was 6 basis points below our expectation (22.10%) for March, amid the worsening cash crisis.

The report showed that the acceleration was primarily driven by the increases recorded in the prices of food and non-alcoholic beverages, which contributed 11.4% to the y/y increase of the CPI. Additionally, the increased cost of living, education and medical fees, recreation & culture, and communication costs recorded increases in cost, which further contributed to the acceleration in inflation numbers during the month. However, the rise in headline inflation rate was 6.13% points higher compared to the rate recorded in March 2022, which was 15.92%, showing that the headline inflation rate (year-on-year basis) increased in March 2023 compared to the same month in the preceding year (March 2022).



underpinning the accelerating trend in headline inflation is the food index, which rose to 24.45% year on year from 24.35% in February amid food shortages. This increase was caused by increases in the prices of oil and fat, bread and cereals, potatoes, yam, and other tubers, fish, fruits, meat, vegetables, and spirits. Elsewhere, on the month-on-month trend, the food index rose to 2.07% in March from 1.90% in the prior month due to upward cost pressure emanating from the prices of transportation (22.25%) and housing & utilities (18.19%) due to the unabating climbs in electricity tariffs and energy-diesel and petrol prices, as well as miscellaneous goods & services (20.01%).

Meanwhile, core inflation, which excludes the prices of volatile agricultural produce, rose to 19.86% in March 2023, up by 1.02 percentage points from 18.84% in February. 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. On a month-on-month basis, the core inflation rate was 1.84% in March 2023, up from 1.06% in February.

A look at the state profile showed that food inflation rose highest in Kwara (28.84%), Ondo (28.22%), and Lagos (27.92%) states, while Sokoto (18.99%), Zamfara (20.57%), and Plateau (21.38%) states all recorded the slowest rise in food inflation on a year-on-year basis. Also, core inflation rose fastest in Ondo (25.38%), Bayelsa (24.80%), and Lagos (24.66%), while Borno (19.18%), Cross River/Sokoto (19.24%), and Benue (20.01%) recorded the slowest rise in headline inflation on a year-on-year basis.

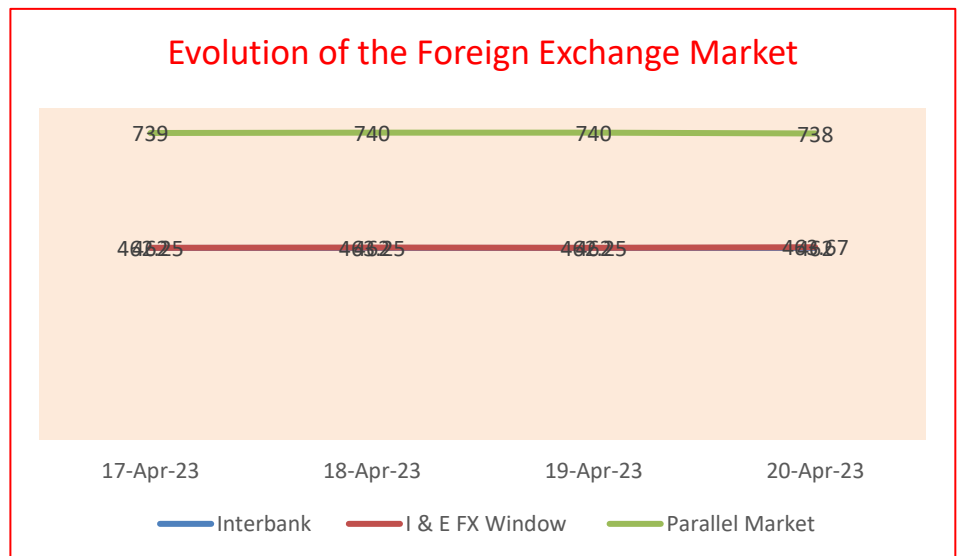
Meanwhile, the latest projections from the IMF indicate an overall slowdown in medium-term growth. But some of the more recent slowdown may also reflect more ominous forces: the scarring impact of the pandemic, a slower pace of structural reforms, as well as the rising and increasingly real threat of geo-economic fragmentation leading to more trade tensions, less direct investment, and a slower pace of innovation and technology adoption across fragmented ‘blocks.’

We opine that the trend in headline inflation will continue to be on an upward trajectory on the back of season-induced cost pressure from household commodities during the Easter and Ramadan celebrations witnessed in April. This is expected to trigger an acceleration in headline inflation to 22.6% in April. Also, we consider the plan by the federal government to implement the new pay structure of 40% salary increment for the public sector workers and the expected conditional cash transfer to vulnerable households to be among other driving factors. Looking ahead, we anticipate that higher inflation expectation over the near term should cause investors to reprice fixed income yields, specifically on the long-dated-tenor instruments, and also fuel the demand for higher rates at primary market auctions.

FOREX MARKET: Positive Outing For the Naira at the I&E As Oil Price Oscillation Retreats on Demand Concerns

At the parallel foreign exchange market in the just concluded week, the Naira traded on a quiet note as it held grounds from last week to close at N738/USD from N738/USD in the previous week. On the other hand, at the investors' and exporters' FX window, the Naira edged out the United States' dollar by N0.33 or 0.1% week on week to close at N463.67/USD from N464/USD the previous week traders maintained bids between N462 and N465 on the back of lower demand for the greenback.

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 at the weekly Naira FX Forward Contracts Markets, it was the dollar reign across major forward contracts with depreciations reported for the Naira at the 2-Month, 3-Month and the 6-Month Contracts by -0.14%, -0.82%, and -0.61% respectively to close at offer prices of N479.11/USD, N489.86/USD and N516.33/USD week on week. On the other hand, the Naira gained by 0.11% and 0.30% week on week for the 1-Month and 12-Month contracts to close at contract offer prices of N468.68/USD and N560.79/USD.

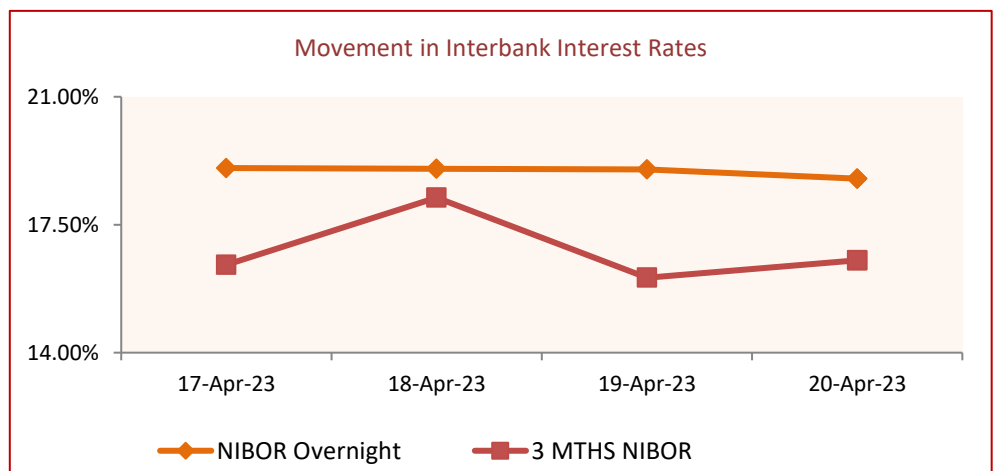


In the oil market this week Oil price movement continued its retreat motion during the week to trade at \$80 per barrel on demand concerns which have outweigh the supply-side concerns as was majorly reinforced by the heightened expectations for further rate hikes by the Fed. However, on the home front, data from the CBN data bank showed that the Bonny Light crude price surged by 0.32% or (USD0.28) week on week, to close at USD88.15 per barrel from USD87.87 per barrel in the previous week amidst the tightening supply, expected Fed rates hike, persistent worries on oil demand and the market volatility due to price oscillations.

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

MONEY MARKET: NITTY Rises Ahead of Next Week's Auction Amid Traders Bearish Expectations....

In the just concluded week, we witnessed an upward repricing of yields, particularly at the shorter end of the curve, amid investors' sell pressure given the short-term liquidity constraints, coupled with the rising inflation rate, traders believe CBN has more legroom to raise rates further. Hence, NITTY for 1 month, 2 months, and 6 months climbed to 5.82% (from 5.25%), 7.07% (from 6.86%), and 9.06% (from 8.81%), respectively. On the other hand, NITTY for 12 months fell to 13.79% (from 14.50%) on buy interest.



Meanwhile, despite the muted activity in the primary market and huge outflows from the FGN Bond auction, NIBOR moderated for most maturities tracked as system liquidity was boosted by Federation Account Allocation Committee (FAAC) inflows worth N715 billion. Specifically, NIBOR for overnight funding, 1 month and 6 months fell to 18.76% (from 19.13%), 15.75% (from 16.25%), and 16.69% (from 17.44%), respectively. On the flipside, NIBOR for 3 months rose to 16.53% (from 15.75%)..

In the new week, T-bills worth N131.46 billion will be auctioned by CBN via the primary market, viz., 91-day bills worth N1.74 billion, 182-day bills worth N10.12 billion, and 364-day bills worth N119.61 billion. Cowry Research expects the stop rates of the 364-day to rise slightly...

BOND MARKET: Stop Rate for FGN32 Rises to 14.80% to Incentivize Investors Despite Low DMO Auction...

In the just concluded week, the DMO allotted N368.67 billion worth of bonds across 13.98% FGN FEB 2028, 12.50% FGN APR 2032, 13.00% FGN JAN 2042, and 12.98% FGN APR 2050 bond re-openings. Notably, the total subscription amounted to N444.03 billion (its lowest since November 2022), while the auction's bid-to-cover ratio, a gauge of demand, fell to 1.20x from 1.43x at the last auction in March.

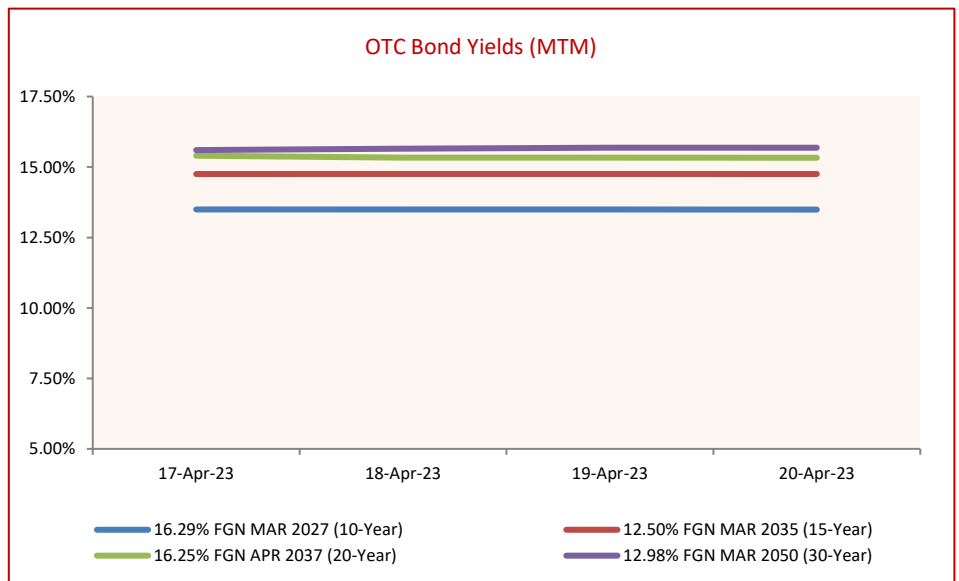
The non-competitive allotment was N29.00 billion for the 13.98% FGN FEB 2028 bond, N94.50 billion for the 12.50% FGN APR 2032

paper, and N60.30 billion for the 13.00% FGN JAN 2042 debt, bringing the total sales to N552.47 billion (implied bid-to-cover ratio: 0.80x). Total bids stood at 228, while 173 were successfully allotted at stop rates ranging from 14.00% to 15.80%. Notably, marginal rates for the 28s remained unchanged at 14.00%, but rates for the 32s expanded to 14.80% (from 14.75%). The newly re-issued 42s and 50s were sold at 15.40% and 15.80%, respectively.

Elsewhere, the values of FGN bonds traded at the secondary market moved in line with 28s in the primary market as most maturities traded flat, especially at the front tail of the curve. Specifically, the 16.29% FGN MAR 2027 and the 15-year 12.50% FGN MAR 2035 debt yields remained unchanged at 13.49% and 14.75%, respectively. The 30-year 12.98% FGN MAR 2050 bonds lost N0.45 while their yield contracted to 15.69% (15.60%) as investors sold to mitigate interest rate risks. The 20-year, 16.25% FGN APR 2037 paper yield fell to 15.33% (from 15.40%) amid demand pressure.

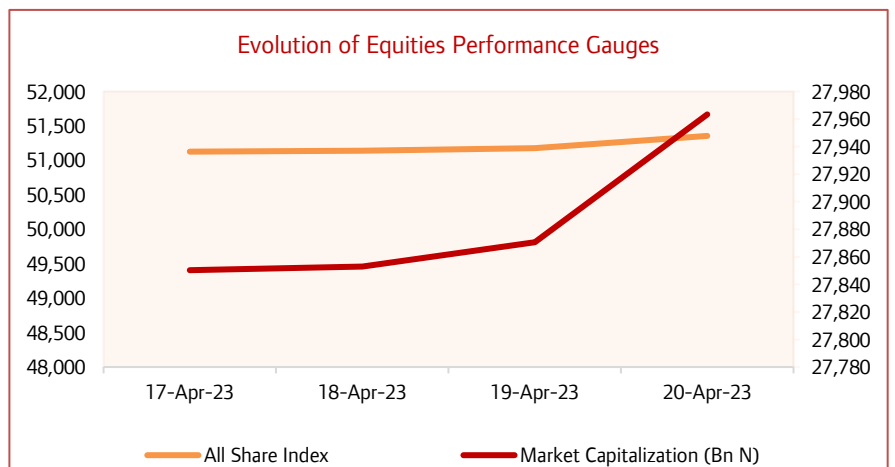
Meanwhile, the value of FGN Eurobonds traded on the international capital market depreciated for most maturities tracked due to sustained bearish sentiment. Specifically, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047 repriced lower by USD 1.10, and USD 0.95, while their corresponding yields expanded to 13.57% (from 13.14%), and 13.07% (from 12.87%), respectively.

In the new week, we expect yields to rise as local OTC bond prices decrease. However, traders may be cautious to bid higher if they sense any bullish turn in the issuance of T-bills by CBN in the new week...



EQUITIES MARKET: Domestic Sustains Bearish Run For The Sixth-Straight Week on Mixed Sentiments...

Sell-sentiments in some of the mid and large tickers continued for the sixth straight weeks of negative performance on the domestic equities market as the benchmark index tanked by 1.04% week on week to 51,355.74 points despite the rekindled buying interest of investors with increased bargain hunting activities as well as more position-takings ahead of more Q1 corporate earnings inflow witnessed recently in the local bourse. Also, the market volatility remains at the extreme majorly driven by mixed sentiments while investors continue to seek safer investment haven as hedge against inflation in the face of attractive fixed income yields.



As a result, the market capitalisation of listed equities plunged 1.08% week on week to N27.96 trillion as it shed N304.49 billion in losses.

Across the sectors this week, performance was largely on a mixed trend across the indices under our purview except for the Insurance and Consumer Goods sectors which appreciated by 1.14% and 0.17% week on week on the back of renewed buying interests in TRANSCORP, MANSARD. On the other hand, Banking (-2.54%), Oil & Gas (-1.43%) and the Industrial Goods (0.17%) indices emerged as the decliners this week as a result of sell-pressure in ZENITHBANK and COURTVILLE.

At the close of the week, the level of market trading activities was positive as we saw the total number of deals surged to 16,856 by 7.47% week on week as market players recorded higher traded volumes by 38.83% for the week to 3.92 billion units that was valued at N15.62 billion, which is a increased by 74.72% week on week on increased buying interest. Meanwhile, the top-gaining securities for the week were TRANSCORP (+45%), FIDELITYBK (+14%), and ACCESSCORP (+12%), while the laggards this week were ZENITHBNK (-12%), CHAMPION (-10%), and UBA (-8%).

In the week to come, we expect the current trend to linger if the selling sentiment among the highly priced stocks moderates and liquidity in the market improve further on dividend payment as more and more companies hold their AGM for shareholders to approve payment. However, we continue to advise investors to trade on companies' stocks with sound fundamentals and a positive outlook.

Weekly Gainers and Loser as at Thursday, April 20, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	April 20 2023	April 14 2023	% Change	Symbol	April 20 2023	April 14 2023	% Change
TRANSCORP	2.45	1.69	45%	ZENITHBANK	21.95	25.00	-12%
FIDELITYBK	5.80	5.09	14%	CHAMPION	4.43	4.93	-10%
RTBRISCOE	0.25	0.22	14%	AFRIPRUD	5.40	6.00	-10%
ACCESSCORP	9.90	8.85	12%	VITAFOAM	16.90	18.50	-9%
JAPAUFGOLD	0.30	0.27	11%	UBA	7.85	8.50	-8%
NAHCO	11.70	10.60	10%	AIICO	0.55	0.59	-7%
MANSARD	2.40	2.20	9%	COURTVILLE	0.42	0.45	-7%
ABCTRANS	0.37	0.34	9%	MTNN	224.00	240.00	-7%
NGXGROUP	26.60	24.50	9%	LINKASSURE	0.45	0.48	-6%
PZ	11.90	11.00	8%	MBENEFIT	0.32	0.34	-6%

Weekly Stock Recommendations as at Thursday, April 20, 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	4.30	5.11	34.64	0.29	2.30	10.60	7.50	9.90	11.8	8.4	11.4	23.75	Buy
NAHCO	1.37	1.63	4.34	2.70	8.5	11.90	4.51	11.70	13.9	9.9	13.5	18.75	Buy
OKOMUOIL	17.02	20.21	40.55	4.52	10.78	216.90	104	183.50	217.9	156.0	211.0	18.75	Buy
TRANSCORP	0.41	0.49	3.98	0.62	5.91	2.45	0.98	2.45	2.9	2.1	2.8	27.75	Buy
FLOUR MILL	2.44	3.87	48.39	0.61	12.16	41.45	27	29.70	47.0	25.2	34.2	58.33	Buy

FGN Eurobonds Trading Above 8% Yield as at Thursday, April 20, 2023

FGN Eurobonds	Issue Date	TTM (years)	20-Apr-23	Weekly	20-Apr-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.22	98.44	0.02	13.6%	0.43
7.625 21-NOV-2025	21-Nov-18	2.59	89.78	(0.78)	12.4%	0.41
6.50 NOV 28, 2027	28-Nov-17	4.61	89.78	(0.78)	12.4%	0.41
6.125 SEP 28, 2028	28-Sep-21	5.44	74.86	(1.27)	12.7%	0.41
8.375 MAR 24, 2029	24-Mar-22	5.93	79.58	(0.96)	13.5%	0.28
7.143 FEB 23, 2030	23-Feb-18	6.85	72.89	(1.19)	13.3%	0.34
8.747 JAN 21, 2031	21-Nov-18	7.76	77.51	(0.49)	13.5%	0.13
7.875 16-FEB-2032	16-Feb-17	8.83	72.30	(1.13)	13.3%	0.28
7.375 SEP 28, 2033	28-Sep-21	10.45	67.39	(1.28)	13.2%	0.31
7.696 FEB 23, 2038	23-Feb-18	14.85	63.64	(1.10)	13.4%	0.25
7.625 NOV 28, 2047	28-Nov-17	24.62	60.16	(0.95)	13.1%	0.20
9.248 JAN 21, 2049	21-Nov-18	25.77	69.40	(0.26)	13.5%	0.05
8.25 SEP 28, 2051	28-Sep-21	28.46	62.56	(0.92)	13.4%	0.19

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Thursday, April 20, 2023

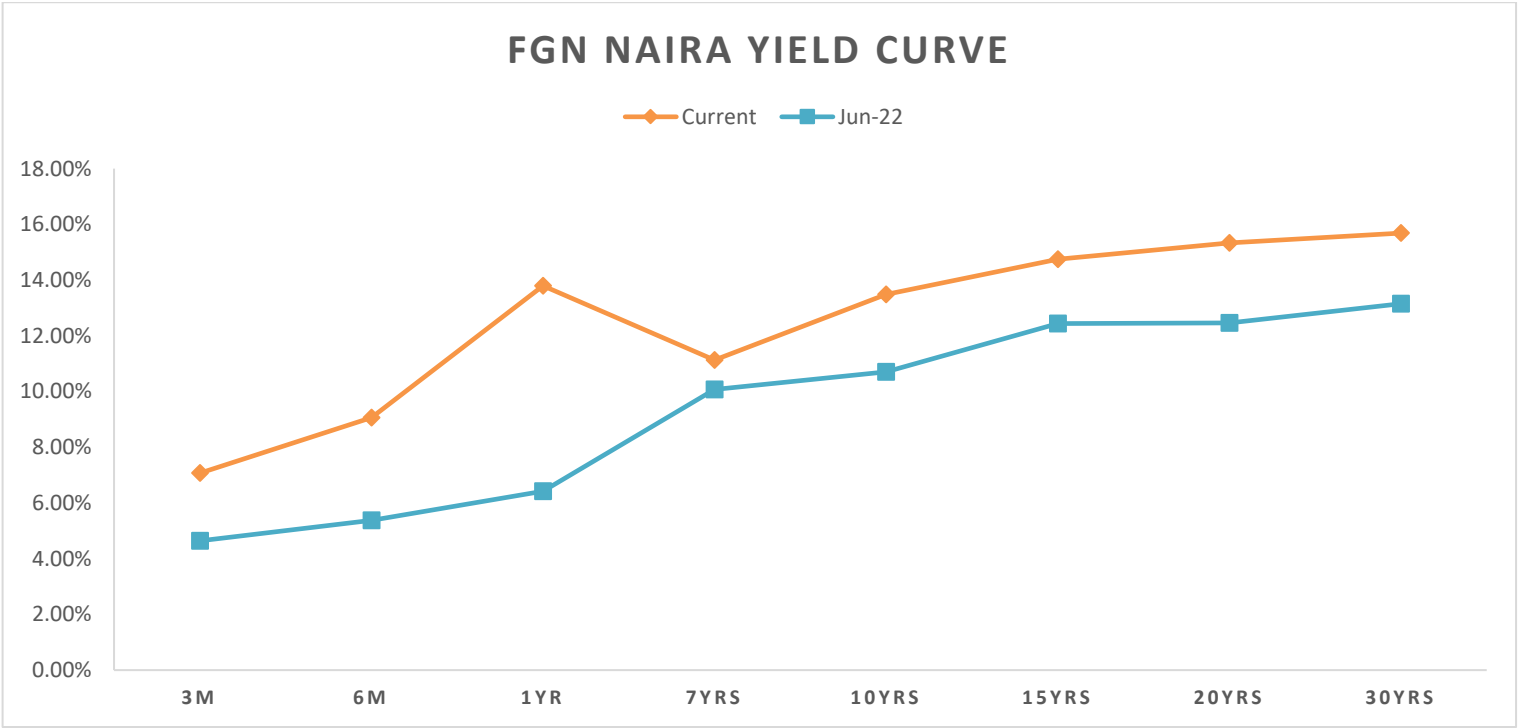
MAJOR	20-Apr-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0983	1.0954	0.27%	-0.55%	2.00%	1.35%
GBPUSD	1.2462	1.2438	0.19%	-0.47%	2.02%	-4.35%
USDCHF	0.8929	0.8974	-0.51%	0.35%	-3.22%	-6.37%
USDRUB	81.3705	81.6973	-0.40%	-1.17%	4.53%	3.02%
USDNGN	460.0300	460.0300	0.00%	0.02%	0.02%	10.83%
USDZAR	18.0405	18.1842	-0.79%	-0.02%	-2.79%	17.21%
USDEGP	30.8989	30.8495	0.16%	0.16%	0.16%	66.21%
USDCAD	1.35	1.3459	-0.02%	0.93%	-1.86%	6.94%
USDMXN	18.05	18.0332	0.12%	0.31%	-2.87%	-10.60%
USDBRL	5.05	5.0751	-0.55%	2.42%	-3.75%	9.18%
AUDUSD	0.6766	0.6713	0.79%	-0.23%	1.46%	-8.21%
NZDUSD	0.6200	-0.0600	0.03%	-1.51%	0.09%	-7.93%
USDJPY	134.1340	134.6862	-0.41%	1.19%	1.24%	4.48%
USDCNY	6.8762	6.8942	-0.26%	0.08%	0.01%	6.12%
USDINR	82.0550	82.2689	-0.26%	0.50%	-0.75%	7.63%



Global Commodity Prices as at 3:30 PM GMT+1, Thursday, April 20, 2023

Commodity		20-Apr-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	77.3	79.2	-2.47%.	-5.77%.	10.80%	-24.91%.
BRENT	USD/Bbl	81.3	83.1	-2.15%.	-5.48%.	8.46%	-23.78%.
NATURAL GAS	USD/MMBtu	2.2	9.8	-0.59%.	10.01%	-11.15%.	-68.89%.
GASOLINE	USD/Gal	2.6	2.6	-3.04%.	-9.36%.	2.41%	-21.38%.
COAL	USD/T	192.5	188.3	2.23%	-1.08%.	11.27%	-41.01%.
GOLD	USD/t.oz	2,006.0	1,993.2	0.64%	-1.63%.	3.42%	2.81%
SILVER	USD/t.oz	25.4	25.3	0.43%	-1.66%.	13.38%	2.98%
WHEAT	USD/Bu	675.8	681.8	-0.88%.	1.31%	-1.10%.	-37.23%.
PALM-OIL	MYR/T	3,705.0	3,734.9	-0.80%.	-0.22%.	-2.09%.	-41.31%.
COCOA	USD/T	24.8	24.4	1.64%	3.16%	19.23%	24.81%

FGN Bonds Yield Curve, Thursday April 20, 2023



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