

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Debt Rising: Will Nigeria Fall Off the Fiscal Cliff as FG Gets Nod to Securitise N22.7trn?

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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: Yields Repricing Takes Centre Stage Ahead PMA Expectations....

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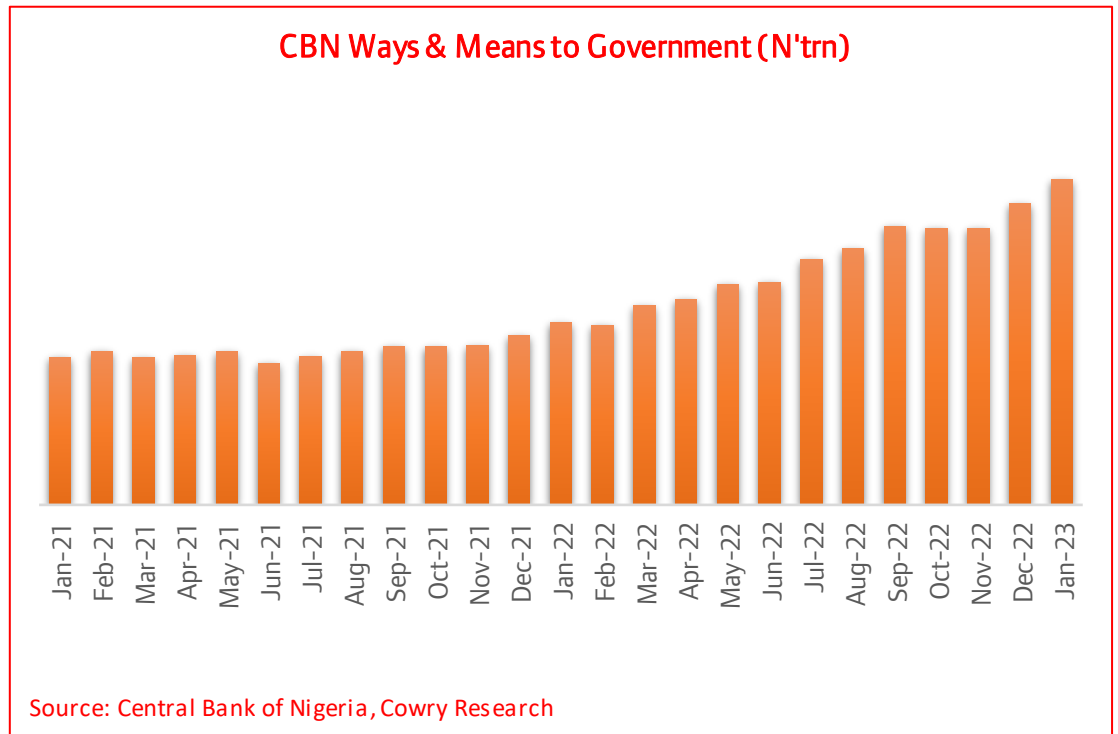
### EQUITIES MARKET: Market Sentiments Stay Positive as Banking, Oil & Gas Stocks Remain Investors' Toasts..

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## ECONOMY: Debt Rising: Will Nigeria Fall Off the Fiscal Cliff as FG Gets Nod to Securitise N22.7trn?

Nigeria's increasing debt levels are a cause for alarm and prompt questions about the country's fiscal sustainability. Nigeria's inability to diversify its revenue base coupled with the frail economic recovery due to the pandemic with slow growth momentum has continued to raise more concerns while her public debt levels continue to widen amidst the existence of a moderate risk of debt distress.

Recently, the Nigerian Senate gave its nod to the federal government to restructure the N22.7 trillion loans from the Central Bank of Nigeria (CBN) under its ways and means policy provisions. This provision, however, permits the government to obtain credit facilities from the apex bank in the wake of a significant revenue shortfall. Meanwhile, the restructuring will see the loan securitized in the form of bonds and treasury bills.



However, the central bank has contravened its CBN Act of 2007 section 38(2) which stipulated that all advances made pursuant to this section shall be repaid as soon as possible and shall, in any event, be repayable by the end of the Federal Government financial year in which they are granted and if such advances remain unpaid at the end of the year, the power of the Bank to grant such further advances in any subsequent years shall not be exercisable, unless the outstanding advances have been repaid. On the contrary, the FGN's new borrowing from the apex bank has continually exceeded that limit in recent years and reached around 80% of the FGN's revenues.

Data obtained from the CBN website showed that total loan facilities from the apex bank to the government printed at N26.65 trillion in January 2023 after attaining N22.65 trillion (approximately N22.7 trillion) as of October 2022. This indicates that it increased by 17.7% within 4 months (October 2022 and January 2023) but surged 120.4% between January 2021 (N12.09 trillion) and January 2023 (N26.65 trillion) while GDP growth averaged 3.2% between 2021 and 2022.

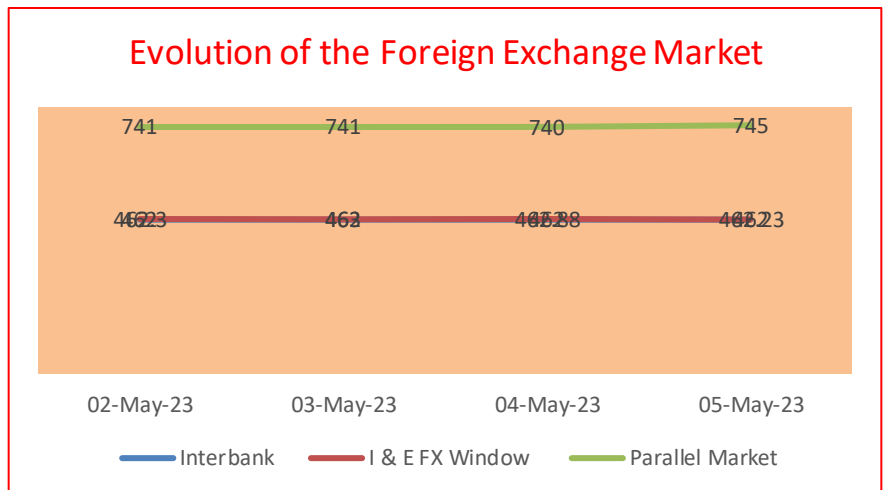
Meanwhile, between 2014 and 2020, the year 2015 saw the highest increase, of 197%, in the stock of the apex bank lending to the government from N0.59 trillion to N1.75 trillion, when GDP growth was at 2.65% year-on-year. This was followed by 2019, which saw a 67% increase from N5.40 trillion to N9.04 trillion, as the economy grew by 2.27%. But at the close of 2020, the historical stock of accumulated CBN overdrafts, or its way & means lending, to FG stood at N11.9 trillion which is equivalent to 7.81% of 2020's total nominal GDP, while the total domestic debt servicing for 2020 (apart from CBN Ways and Means lending) was N1.85 trillion. Yet, the accumulated way and means borrowing is not added up in the stock of government debt of N46.25 trillion, reported by the debt management office (DMO).

In our opinion from the above, the financing is costly for the FGN at interest rates of Monetary Policy Rate (MPR) at +300bps as this form of lending has several macroeconomic implications. Such could be the impact on prices which causes an acceleration of money supply growth and also aggravates inflation (Mar'23: 22.04%). Also, timely securitization of this large exposure will help the CBN improve its asset quality to the benefit of its shareholders and then provides room for the federal government to scale down the cost of governance, expand the tax base, and instill efficiency in revenue-generating agencies of the government to reduced recourse to CBN Ways & Means support.

## FOREX MARKET: Naira Sustains Strength Against the Dollar at Official Market by N0.77 Amid Demand Pressure....

The naira at the parallel foreign exchange market depreciated by N6 or 0.81% week on week to close at N745/\$1 from N739/\$1 in the previous week on the back of increased dollar demand. However, at the investors' and exporters' FX window, the Naira appreciated against the United States' dollar by N0.77 or 0.17% week on week to close at N462.23/\$1 from N463/\$1 the previous week as the hegemony of the dollar continues to weaken in the global currency market while players in the market kept bids between N461 and N467 on the back of a weakening dollar against peer currencies.

At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate remained unchanged closed at N462/\$1. Also, in our analysis of the Naira/USD exchange rate at the weekly Naira FX Forward Contracts Markets, it was the dollar reign across all forward contracts with depreciations reported for the Naira across various contract tenor gauges except of the 1-month contract which closed flat from last week at N469.74/\$1. However, the dollar gained by 0.15%, 0.15%, 2.74%, and 0.54% week on week to close at contract offer prices of N485.40/\$1, N496.97/\$1, 540.64/\$1 and N568.29/\$1.

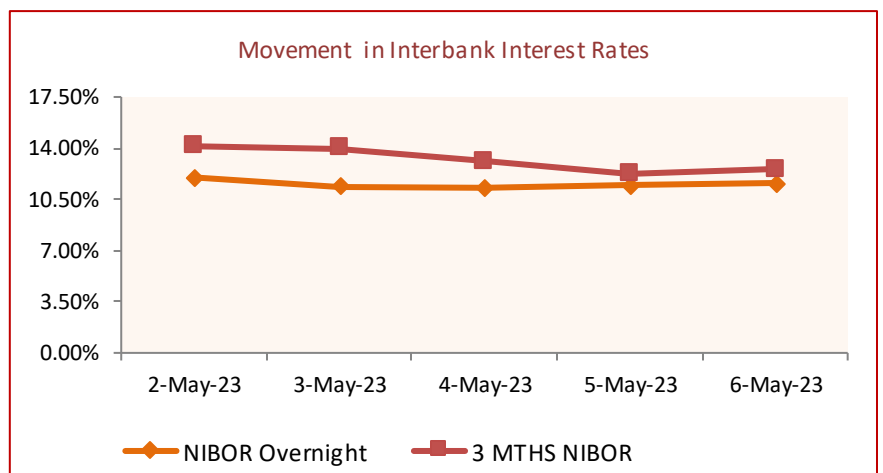


In the oil market this week Oil price movement rebounded in early trading on Friday but somewhat on course for another week of price decline as it traded at \$74.75 per barrel on Friday in the midst of renewed banking fears in the United States and the surprise contraction in China's manufacturing activities. However, on the home front, the Bonny Light crude price plunged for another straight week by 15.02% or (\$12.72) week on week, to close at \$71.99 per barrel from \$84.71 per barrel (April 26) in the previous week amidst the persistent worries on oil demand and the market volatility due to price declines.

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: Yields Repricing Takes Centre Stage Ahead PMA Expectations...

In the just concluded week, the N50.00 billion treasury bills which matured via OMO partly accounted for the sustained financial system liquidity ease. Hence, in line with our expectations, NIBOR moderated for most tenor buckets tracked amid sustained financial liquidity ease: NIBOR for Overnight funds, 1-month, and 3-month tenor buckets moderated to 11.47% (from 11.55%), 11.48% (from 11.84%) and 12.24% (from 12.51%) respectively. However, NIBOR for 6 months rose to 13.04% (from 12.51%).



Elsewhere, we witnessed an upward repricing of yields as investors sold off short-term fixed-income securities amid negative real returns. NITTY for 1 month, 3 months, 6 months, and 12 months expanded to 4.62% (from 4.34%), 5.77% (from 5.76%), 6.76% (from 6.72%), and 10.49% (from 10.15%) respectively.

In the new week, T-bills worth N131.46 billion will mature and be refinanced 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 N143.98 billion. Cowry Research expects the stop rates of the 364-day to moderate amid the improved liquidity conditions...

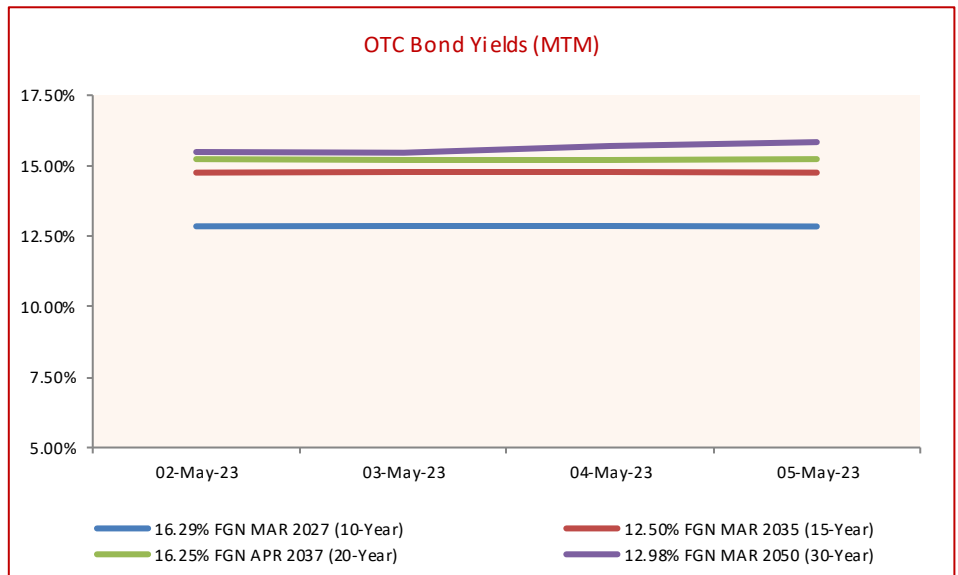
## BOND MARKET: Secondary Market Bond Yields Trade Quietly As Traders Stay on Sideline...

In the just concluded week, remained range-bound w-o-w, as traders stayed on the sideline. Specifically, the yields of the 10-year 16.29% FGN MAR 2027 note, the 15-year 12.50% FGN MAR 2035 paper, and the 20-year 16.25% FGN MAR 2037 debt was flat at 12.84%, 14.75%, and 15.23%, respectively. On the flip side, the value of 30-year 12.98% FGN MAR 2050 lost N1.99 as its corresponding yield rose to 15.84% (from 15.46%) amid sell pressure.

Meanwhile, the value of FGN Eurobonds

traded on the international capital market depreciated for most maturities tracked as traders reacted to the recent rate hikes by the US Fed reserves and the ECB. Notably, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047 repriced lower by USD 1.22 and USD 1.58, while their corresponding yields contracted to 13.17% (from 12.91%), and 12.90% (from 12.58%), respectively. On the flip side, the 10-year, 6.375% JUL 12 2023, gained USD 0.23, as its yield closed lower w-o-w at 14.56% (from 14.98%).

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

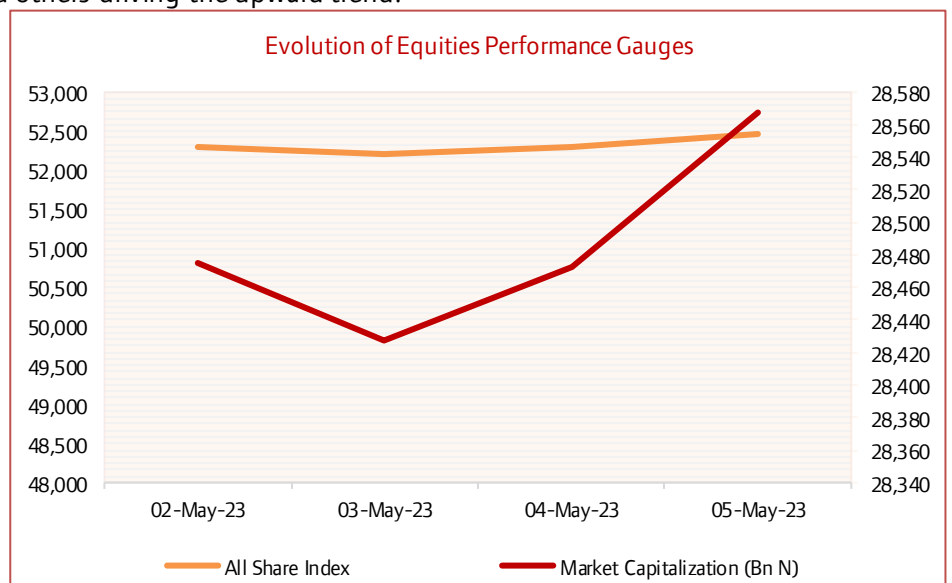


## EQUITIES MARKET: Market Sentiments Stay Positive as Banking, Oil & Gas Stocks Remain Investors' Toasts..

Positive market sentiment prevailed this week as investors continued to focus on fundamentally sound stocks and positive economic indicators, including impressive Q1 results and dividend payments. As a result, the benchmark index advanced further into the positive territory at 0.12% week on week to 52,465.31 points, trading above the 20-day simple moving average, with demand for financial stocks and others driving the upward trend.

Also, the market cap sustained its uptrend to close the week at N28.57 trillion as it inched higher by 12 basis points to give investors N33.65 billion in weekly gains as market volatility remains on the extreme on positive sentiment.

Across the sectors this week, performance was bullish with the Banking (+5.23%) and the Oil & Gas (+5.08%) Indices leading the chart with gains. Thanks to showings from ZENITHBNK, GTCO, ARDOVA and CONOIL respectively. Further afield, there was upbeat in investor sentiments in the Insurance (+3.08%), Industrial Goods (+0.09%) and Consumer Goods (+0.02%) on the back of positive price movements across the sectors.



However, the level of market trading activities was subdued as the total number of deals plunged to 23,765 by 1.16% week on week as market players recorded decreases in traded volumes by 78.81% for the week to 2.97 billion units that was valued at N22.83 billion, which is a decrease by 61.3% week on week despite increased buying interest in 3 of 4 sessions this week. Meanwhile, the top-gaining securities for the week were CADBURY (+34%), CHAMS (+29%), and WEMABANK (+20%), while the laggards this week were TRANSCORP (-21%), REDSTAREX (-14%) and GEREGU (-10%).

In the week to come, we expect to see mixed sentiment on profit taking and reaction to dividend earning season, as more Q1 earnings hit the market while investors target sound defensive stocks to protect their portfolios post-markdown dates. However, we continue to advise investors to trade on companies’ stocks with sound fundamentals and a positive outlook.

Weekly Gainers and Loser as at Friday, May 05, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 05 2023	April 28 2023	% Change	Symbol	May 05 2023	April 28 2023	% Change
CADBURY	13.70	10.20	34%	TRANSCORP	1.94	2.45	-21%
HONYFLOUR	3.00	2.32	29%	MCNICHOLS	0.65	0.79	-18%
CHAMS	0.31	0.24	29%	REDSTAREX	2.41	2.80	-14%
MULTIVERSE	3.10	2.50	24%	GEREGU	290.70	323.00	-10%
WEMABANK	4.43	3.70	20%	GLAXOSMITH	5.75	6.30	-9%
LINKASSURE	0.52	0.45	16%	ABCTRANS	0.34	0.37	-8%
ARDOVA	19.20	16.75	15%	NB	33.70	36.15	-7%
SOVRENINS	0.33	0.29	14%	OKOMUOIL	171.50	183.50	-7%
ACCESSCORP	11.25	9.90	14%	INTBREW	4.40	4.70	-6%
CUTIX	2.50	2.20	14%	NPFMCRFBK	1.70	1.80	-6%

Weekly Stock Recommendations as at Friday, May 05, 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	2.06	7.66	39.28	0.27	5.19	11.15	7.5	11.25	13.0	9.1	12.3	21.50	Buy
ZENITH	7.13	7.13	41.68	0.58	3.37	27.40	18.90	24.05	32.0	20.4	27.6	33.33	Buy
CONOIL	9.0	8.97	37.86	1.16	4.9	46.85	23.90	44	53	37.4	50.6	20.45	Buy
GTCO	1.98	6.32	33.15	0.72	12.14	28.05	16.80	24.05	31	20.4	27.6	29.17	Buy
SEPLAT	45.38	143.70	1,425	0.78	24.6	1430.50	615	1,175	1300	948.0	1282.6	16.56	Buy

## FGN Eurobonds Trading Above 8% Yield as at Friday, May 05, 2023

FGN Eurobonds	Issue Date	TTM (years)	05-May-23	Weekly	05-May-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.19	98.55	0.23	14.6%	(0.42)
7.625 21-NOV-2025	21-Nov-18	2.55	90.19	(0.32)	12.2%	0.19
6.50 NOV 28, 2027	28-Nov-17	4.57	90.19	(0.32)	12.2%	0.19
6.125 SEP 28, 2028	28-Sep-21	5.41	75.26	(0.97)	12.6%	0.32
8.375 MAR 24, 2029	24-Mar-22	5.89	80.70	(0.55)	13.2%	0.17
7.143 FEB 23, 2030	23-Feb-18	6.81	73.76	(0.79)	13.1%	0.23
8.747 JAN 21, 2031	21-Nov-18	7.72	78.25	(0.97)	13.4%	0.25
7.875 16-FEB-2032	16-Feb-17	8.79	73.47	(0.87)	13.0%	0.21
7.375 SEP 28, 2033	28-Sep-21	10.41	68.04	(1.11)	13.1%	0.26
7.696 FEB 23, 2038	23-Feb-18	14.82	64.72	(1.22)	13.2%	0.26
7.625 NOV 28, 2047	28-Nov-17	24.58	60.98	(1.58)	12.9%	0.32
9.248 JAN 21, 2049	21-Nov-18	25.73	71.07	(1.41)	13.2%	0.26
8.25 SEP 28, 2051	28-Sep-21	28.42	63.49	(1.36)	13.2%	0.28

## U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 05, 2023

MAJOR	05-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0990	1.1011	-0.19%.	-0.29%.	0.63%	4.15%
GBPUSD	1.2598	1.2573	0.20%	0.20%	1.27%	2.11%
USDCHF	0.8944	0.8856	0.99%	0.04%	-1.13%.	-9.51%.
USDRUB	77.0215	78.4972	-1.88%.	-3.66%.	-4.56%.	15.10%
USDNGN	459.8400	459.8400	0.00%	-0.03%.	0.00%	10.89%
USDZAR	18.4669	18.2786	1.03%	1.08%	1.22%	15.35%
USDEGP	30.9400	30.9493	-0.03%.	0.29%	0.29%	67.46%
USDCAD	1.35	1.3536	-0.63%.	-0.73%.	-0.30%.	4.20%
USDMXN	17.82	17.9021	-0.47%.	-0.92%.	-2.25%.	-11.54%.
USDBRL	4.97	4.9821	-0.30%.	-0.38%.	-1.77%.	-2.16%.
AUDUSD	0.6730	0.6693	0.55%	1.86%	0.89%	-4.90%.
NZDUSD	0.6283	-0.0600	0.07%	1.60%	0.80%	-1.93%.
USDJPY	134.8100	134.2729	0.40%	-1.06%.	2.33%	3.27%
USDCNY	6.9265	6.9147	0.17%	0.00%	0.64%	3.11%
USDINR	81.7270	81.7107	0.02%	0.01%	-0.11%.	6.20%

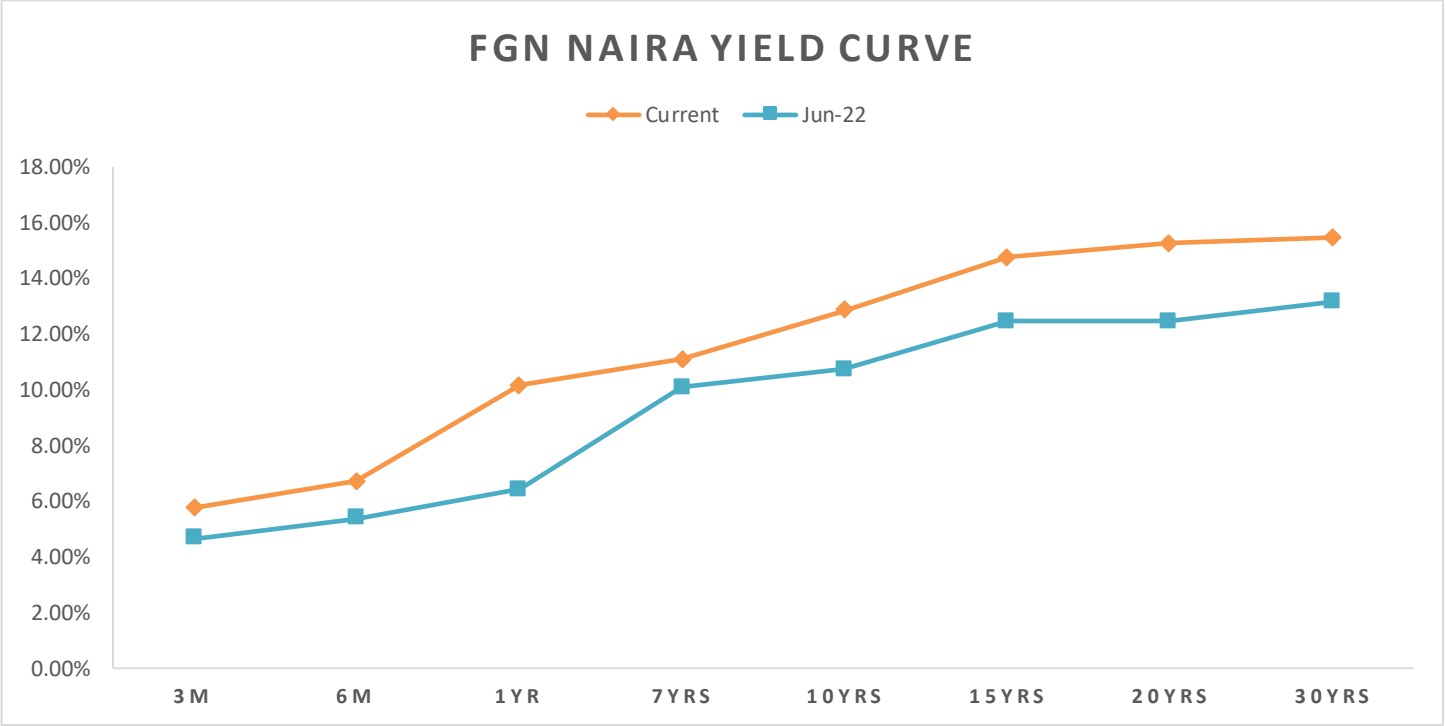




Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 05, 2023

Commodity		05-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.7	68.6	4.59%	-6.55%	-11.07%	-33.77%
BRENT	USD/Bbl	75.4	72.5	4.01%	-6.06%	-11.35%	-31.92%
NATURAL GAS	USD/MMBtu	2.2	9.8	2.37%	-10.76%	6.95%	-73.26%
GASOLINE	USD/Gal	2.4	2.3	3.25%	-5.06%	-14.62%	-34.39%
COAL	USD/T	178.2	180.6	-1.33%	-6.19%	-10.00%	-52.40%
GOLD	USD/t.oz	2,003.3	2,051.1	-2.33%	0.65%	-0.27%	6.35%
SILVER	USD/t.oz	25.2	26.1	-3.18%	0.82%	0.94%	12.99%
WHEAT	USD/Bu	642.2	629.5	2.02%	3.67%	-4.89%	-42.04%
PALM-OIL	MYR/T	3,601.0	3,425.0	5.14%	7.88%	-5.81%	-43.73%
COCOA	USD/T	3,052.0	3,014.0	1.26%	-3.75%	5.13%	21.16%

FGN Bonds Yield Curve, Friday May 05, 2023



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