

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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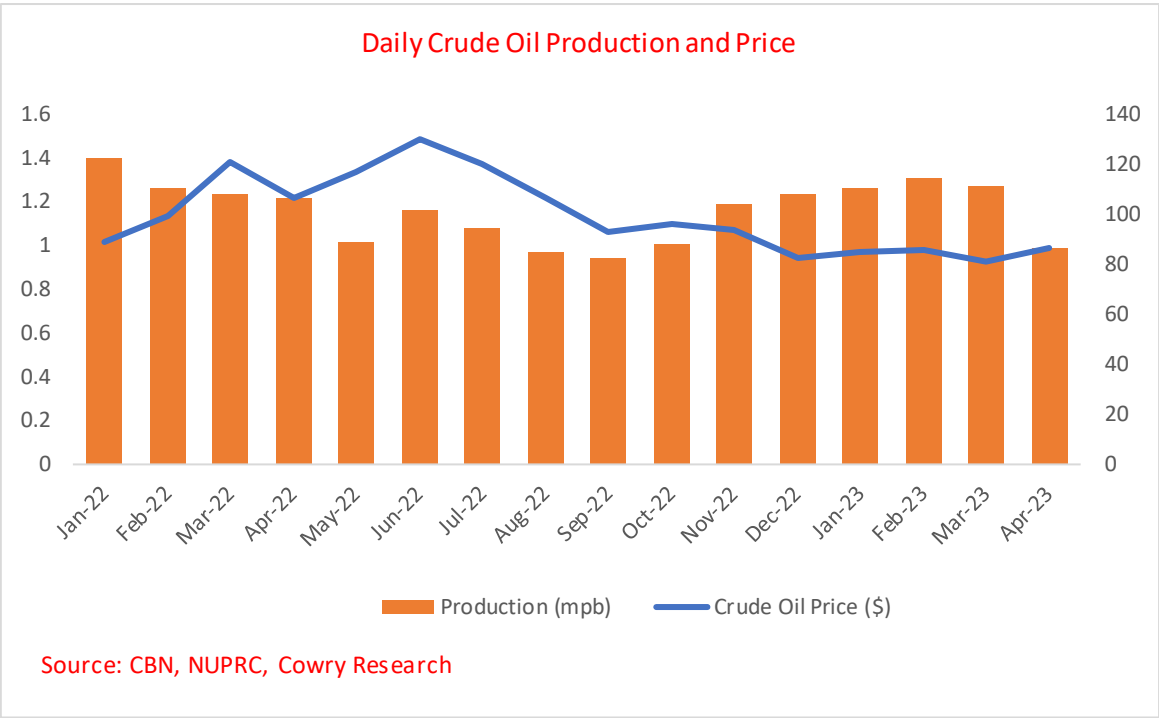
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ECONOMY: Nigeria’s Oil Production Sheds 21 % to 0.99m bpd in April; Lags from Daily Expectations

For the first time in 2023, Nigeria’s daily crude oil production stays lower than its technical allowable capacity of 2.5 million barrels per day by about 1 million barrels per day, signaling the most insufficient capacity since September 2022 (940,000 barrels). The decline in oil production is a major challenge for Nigeria’s economy, as crude oil remains the country’s main source of revenue and foreign exchange earnings. Meanwhile, it is pertinent to note that a decline in production will have a negative impact on the government's finances.

Nigeria’s daily crude oil production has averaged 1.21 million barrels per day (bpd) so far in 2023, despite the uncertainty and other forms of sabotage and vandalism that have befallen the sector. According to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Nigeria’s crude oil production declined 21.3% m/m to 998,602 daily barrels in April 2023, from 1.2 million barrels reported in March 2023.



The future of Nigeria’s oil industry looks uncertain as the country faces several challenges, including sabotage, pipeline vandalism, technical issues, and the shift to renewable energy, but it is possible that the daily crude oil production in Nigeria may have changed since my knowledge cutoff date. We should note that daily crude oil production can vary depending on various factors, such as maintenance schedules, pipeline disruptions, and production quotas set by organizations such as OPEC.

In the case of Nigeria, her oil infrastructure is under constant attack from saboteurs and pipeline vandals. In April, there were a number of attacks on oil pipelines, which resulted in a loss of production. For example, the Nembe Creek Trunk Line (NCTL) was attacked on April 1, 2023, and the Trans Niger Pipeline (TNP) was attacked on April 15, 2023. These attacks resulted in the loss of about 200,000 barrels per day of production.

Furthermore, a number of technical issues affected production in April, including problems with wells and equipment. For example, the Bonga field, which produces about 200,000 barrels per day, was shut down for maintenance in April. The global shift to renewable energy is also putting pressure on Nigeria's oil industry. As more and more countries move away from fossil fuels, demand for oil is declining. For example, the European Union has pledged to be carbon neutral by 2050, and this will likely lead to a decline in demand for Nigerian oil.

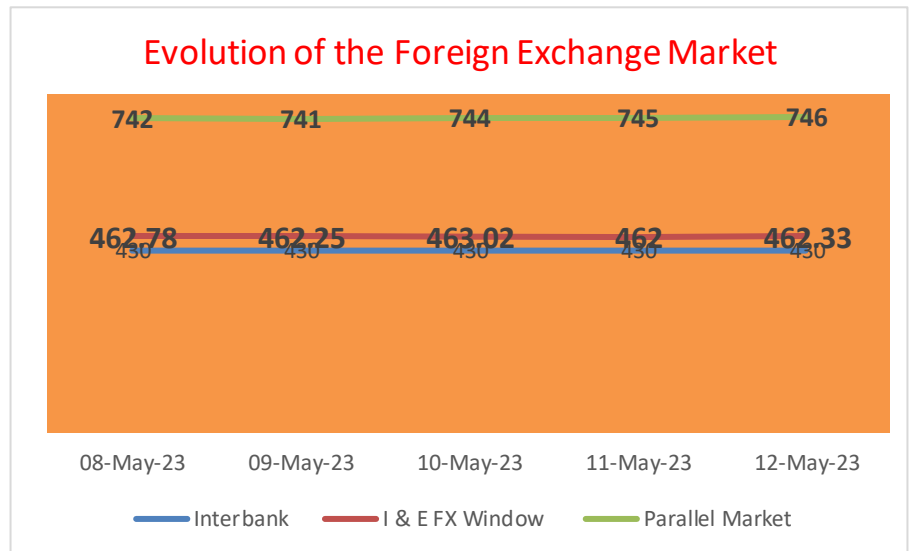
Oil price oscillation in the global oil market is subject to fluctuations and uncertainties, and various factors such as supply and demand, geopolitical tensions, and technological advancements have impacted oil production and prices. However, the Nigerian government is taking steps to address these challenges facing the oil industry, but it is unclear how successful these measures will be in a bid for Nigeria to maintain its position as a major oil producer.

Cowry Research believes that the geopolitical unrest in the Middle East and North Africa could bring about a disruption in global oil supplies and lead to higher prices, which is likely to benefit Nigeria on the back of rising oil demand. In the short term, the government is likely to focus on increasing security around oil installations and repairing damaged pipelines. In the long term, the government needs to diversify the economy and reduce its reliance on oil. This will be a difficult task, but it is essential if Nigeria is to avoid economic instability.

FOREX MARKET: Naira Trades Lacklustre Across FX Segments as Demand Pressure Lingers....

The naira at the parallel foreign exchange market depreciated by N1 or 0.13% week on week to close at N746/\$1 from N745/\$1 in the previous week on the back of increased dollar demand. Also, at the investors' and exporters' FX window, the Naira depreciated against the United States' dollar by N0.10 or 0.02% week on week to close at N462.33/\$1 from N462.23/\$1 the previous week as the hegemony of the dollar continues while players in the market kept bids between N461 and N467.

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. Consequently, the naira weakened by 0.95%, 2.68%, 4.32%, 3.14%, and 5.16% week on week to close at contract offer prices of N474.19/\$1, N498.43/\$1, N518.44/\$1, 557.64/\$1 and N597.61/\$1 for the 1-Month, 2-Month, 3-Month, 6-Month and 12-Month tenors respectively.

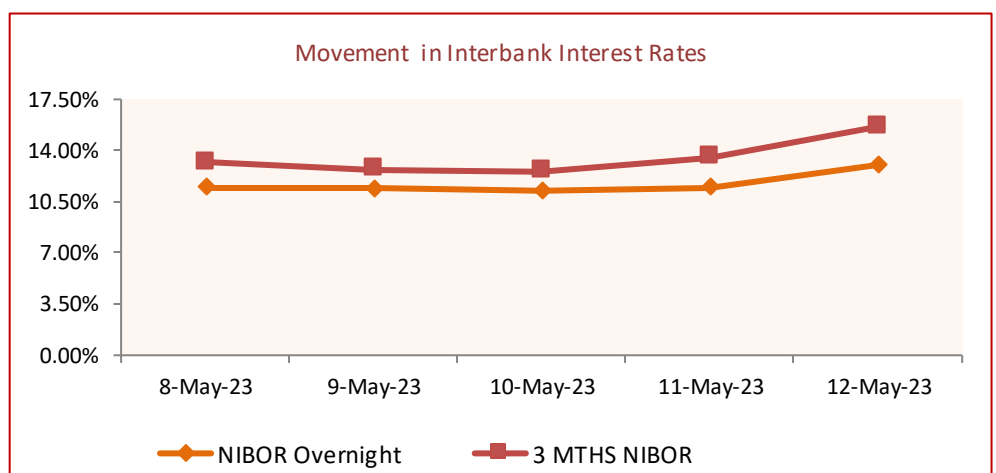


In the oil market this week, various market segments grapple with bearish sentiment which continues to build despite OPEC boosting its outlook for China oil demand and the announcement by Biden administration to begin refilling the SPR soon. Thus, Brent Crude trade at \$74.44 per barrel sliding southward over recession fears. However, on the home front, the Bonny Light crude price regained its positive weekly rally to gain 5.9% or (\$4.23) week on week, to close at \$76.22 per barrel from \$71.99 per barrel in the previous week as OPEC made a slight change to its annual oil demand forecast by 2.33 million bpd.

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: Stop Rates Moderate Further amid Sustained Demand Pressure...

In line with our expectation, CBN refinanced N143.98 billion in T-bills that matured via the primary market at lower rates for all maturities, reflective of the high level of liquidity in the system that chased short-term government securities. The bid-to-cover ratio for the auction was 5.70x, down from 6.23x at the previous auction. Specifically, marginal rates for



91-day, 182-day, and 364-day T-bills fell to 4.55% (from 5.30%), 6.44% (from 8.00%), and 8.99% (from 10.17%), respectively.

In tandem with the declining stop rate, NITTY declined for most maturities tracked amid demand pressure. Notably, NITTY for 1 month, 3 months, 6 months, and 12 months maturities moderated to 3.15% (from 4.62%), 4.45% (5.77%), 5.85% (from 6.76%), and 9.25% (from 10.49%), respectively. On the other hand, we witnessed upward pressure on interbank rates despite matured OMO bills worth N5.00 billion. Specifically, NIBOR for overnight funds, 1 month, 3 months, and 6 months rose to 13.02% (from 11.47%), 14.30% (from 11.48%), 15.63% (from 12.24%), and 16.17% (from 13.04%), respectively.

In the new week, treasury bills worth N10.00 billion will mature via OMO; nevertheless, we expect interbank rates to rise marginally given the relatively limited number of maturing T-bills...

BOND MARKET: FGN Eurobonds Move Southward on Buy Pressure...

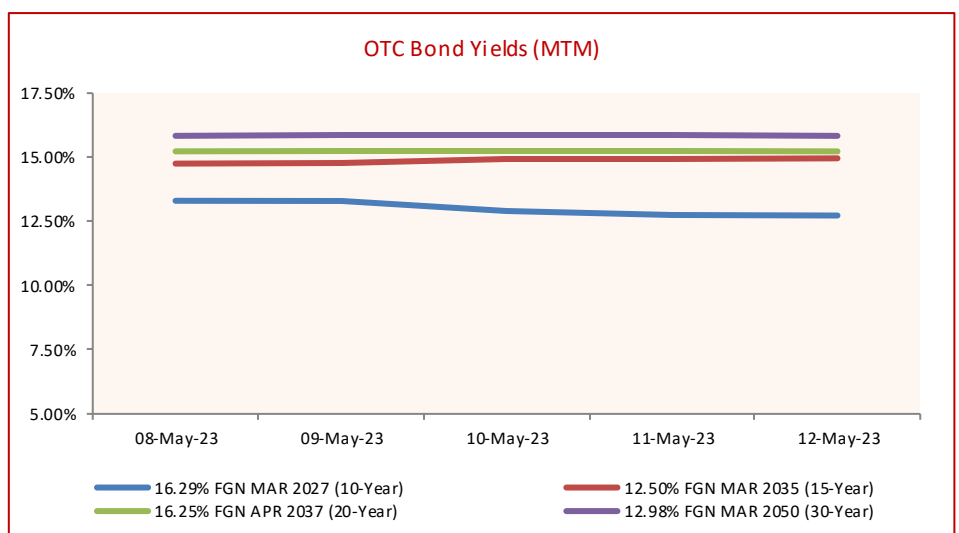
In the just concluded week, the values of FGN bonds traded at the secondary market were relatively flat for most maturities, The market was range-bound throughout the week, with investors trading cautiously ahead of Monday's NBS inflation report.

Notably, the yields of the 20-year 16.25% FGN MAR 2037 debt and 30-year 12.98% FGN MAR 2050 bonds were unchanged at 15.23% and 15.83%, respectively. On the flip side, the yield on the benchmark 10-

year 16.29% FGN MAR 2027 note dipped two basis points to 12.73% (from 12.84%). While the value of the 15 -year 12.50% FGN MAR 2035 paper, lost N1.02 as its corresponding yield climbed to 14.96% (from 14.75%).

Meanwhile, the value of FGN Eurobonds traded on the international capital market appreciated for most maturities tracked. This was a result of increased bets for a pause in US policy rate hikes, which outweighed the concerns of a stronger dollar (+0.5% w-o-w), an uptick in US treasury (US 12-month Treasury yield is 4.70% (+10 bps w-o-w)), and declining crude output. Notably, the 20-year 7.69% FEB 23 2038, and the 30-year 7.62% NOV 28 2047 rebounded by USD 0.15 and USD 0.32, while their corresponding yields contracted to 13.14% (from 13.17%), and 12.84% (from 12.90%), respectively. On the flip side, the 10-year, 6.375% JUL 12 2023, lost USD 0.05, as its yield closed higher w-o-w at 15.91% (from 14.56%).

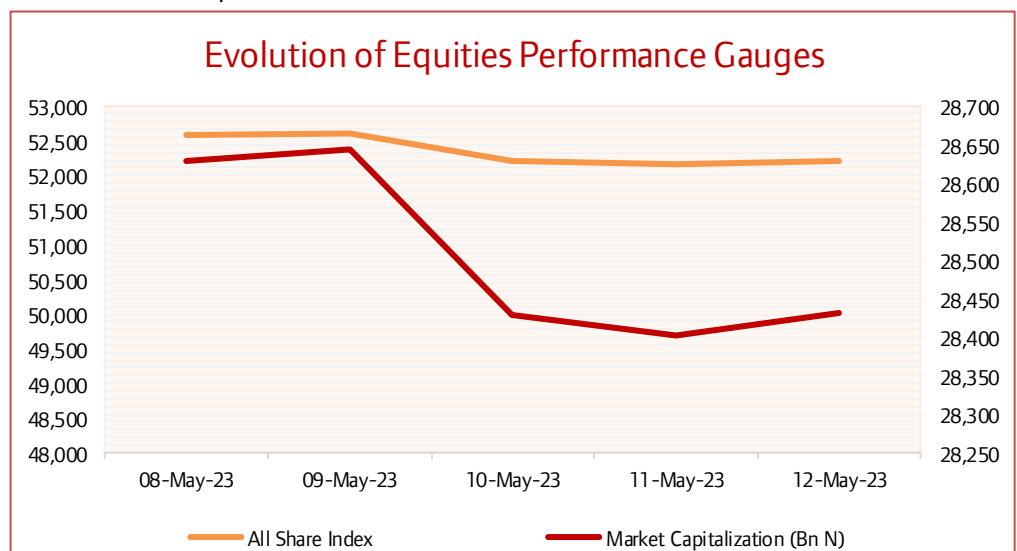
In the new week, the Debt Management Office (DMO) will auction N360 billion worth of bonds, viz., N90 billion (a piece) for the 13.98% FGN FEB 2028, 12.50% FGN APR 2032, 13.00% FGN JAN 2042, and 12.98% FGN APR 2050 re-openings. Hence, we expect the stop rates to moderate marginally, given the ample liquidity in the financial system...



EQUITIES MARKET: Bears Hold Sway as Investors Book Profit on Banking Stocks....

The benchmark index of the local equities market nosedived this week on bargain hunting activities as investors stood to book profit on the back of sell-offs in some highly priced stocks and blue-chip companies and lower traded volumes and values despite the releases of corporate actions and dividend payments. As a result, the ASI shed 0.48% w/w to 52,214.62 points while the market cap lost 136.4 billion in market capitalisation to N28.43 trillion.

Just as dividend payments provide more money for investors who are reshuffling their portfolios, to reposition in value stocks amid the continued oscillations in rates and yields in the fixed income space especially at the National Treasury Bills Primary Market Auction where all tenors' rates suffered declines to close at 4.5%, 6.44% and 8.99% for the 91, 182 and 364-day tenors, the market still trades above the 20-day simple moving average. Thus, market year-to-date return skid to 1.88%.



Sectoral performance this week was a mixed bag as the Oil & Gas index emerged as the top performing index this week with 5.20% gain w/w and was trailed by the Insurance and Consumer Goods indices with 1.20% and 0.89% gains. On the contrary, the Industrial and Banking indices were the laggards for the week, losing 3.36% w/w and 0.99% w/w due to sell-off on the index.

The level of trading activities this week stayed bullish with positive uptrend in the total weekly deals by 16.9% w/w to 27,801 trades. In the same manner, the traded volumes advanced 21.14% w/w to 3.60 billion units while the total traded valued inched further by 33.58% to N30.49 billion. At the end of the week, ARDOVA (38%), TRANSCORP (34%) and MULTIVERSE (33%) were the leading gainers for the week while CILEASING (20%), ACCESSCORP (12%) and BUACEMENT (8%) led the laggards' chart for the week.

Going into the new week, we anticipate a varied investor sentiment to linger on profit-taking and payments for dividend to support buying interest, just as investors react to corporate earnings ahead of markdown dates, April inflation report, MPC meeting and continued outstanding. 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 12, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 12 2023	May 05 2023	% Change	Symbol	May 12 2023	May 05 2023	% Change
ARDOVA	26.40	19.20	38%	CILEASING	3.20	3.98	-20%
TRANSCORP	2.59	1.94	34%	ACCESSCORP	9.90	11.25	-12%
MULTIVERSE	4.12	3.10	33%	BUACEMENT	90.00	97.85	-8%
SOVRENINS	0.42	0.33	27%	UNITYBNK	0.50	0.54	-7%
MRS	33.75	27.95	21%	COURTVILLE	0.43	0.46	-7%
REDSTAREX	2.90	2.41	20%	NPFMCRFBK	1.61	1.70	-5%
ABCTRANS	0.40	0.34	18%	WEMABANK	4.20	4.43	-5%
MCNICHOLS	0.75	0.65	15%	CUSTODIAN	5.95	6.25	-5%
GLAXOSMITH	6.55	5.75	14%	NB	32.10	33.70	-5%
FTNCOCOA	0.32	0.29	10%	LINKASSURE	0.50	0.52	-4%

Weekly Stock Recommendations as at Friday, May 12, 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
MRS	4.30	13.77	58.25	0.58	7.8	36.85	10.55	33.75	39.0	28.7	38.8	27.04	Buy
FBNH	4.21	5.61	25	0.48	2.9	12.40	8.20	12.05	16.1	10.2	13.9	33.33	Buy
CONOIL	9.0	8.97	37.86	1.28	5.4	53.2	23.9	48.40	60	41.1	55.7	25.97	Buy
TRANSCORP	0.41	0.41	3.98	0.65	6.25	3.12	0.90	2.59	3.0	2.2	3.0	27.12	Buy
UBA	4.98	4.98	23.64	0.35	1.66	8.85	6.55	8.25	9.8	7.0	9.5	20.99	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 12, 2023

FGN Eurobonds	Issue Date	TTM (years)	12-May-23	Weekly	12-May-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.17	98.50	(0.05)	15.9%	1.35
7.625 21-NOV-2025	21-Nov-18	2.53	90.32	0.13	12.2%	(0.03)
6.50 NOV 28, 2027	28-Nov-17	4.55	90.32	0.13	12.2%	(0.03)
6.125 SEP 28, 2028	28-Sep-21	5.39	75.22	(0.04)	12.6%	0.03
8.375 MAR 24, 2029	24-Mar-22	5.87	80.57	(0.13)	13.2%	0.05
7.143 FEB 23, 2030	23-Feb-18	6.79	73.55	(0.21)	13.2%	0.07
8.747 JAN 21, 2031	21-Nov-18	7.70	78.39	0.14	13.3%	(0.03)
7.875 16-FEB-2032	16-Feb-17	8.77	73.35	(0.12)	13.1%	0.04
7.375 SEP 28, 2033	28-Sep-21	10.39	68.15	0.11	13.1%	(0.01)
7.696 FEB 23, 2038	23-Feb-18	14.80	64.87	0.15	13.1%	(0.03)
7.625 NOV 28, 2047	28-Nov-17	24.56	61.30	0.32	12.8%	(0.06)
9.248 JAN 21, 2049	21-Nov-18	25.72	71.51	0.44	13.1%	(0.08)
8.25 SEP 28, 2051	28-Sep-21	28.40	63.47	(0.02)	13.2%	0.00

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 12, 2023

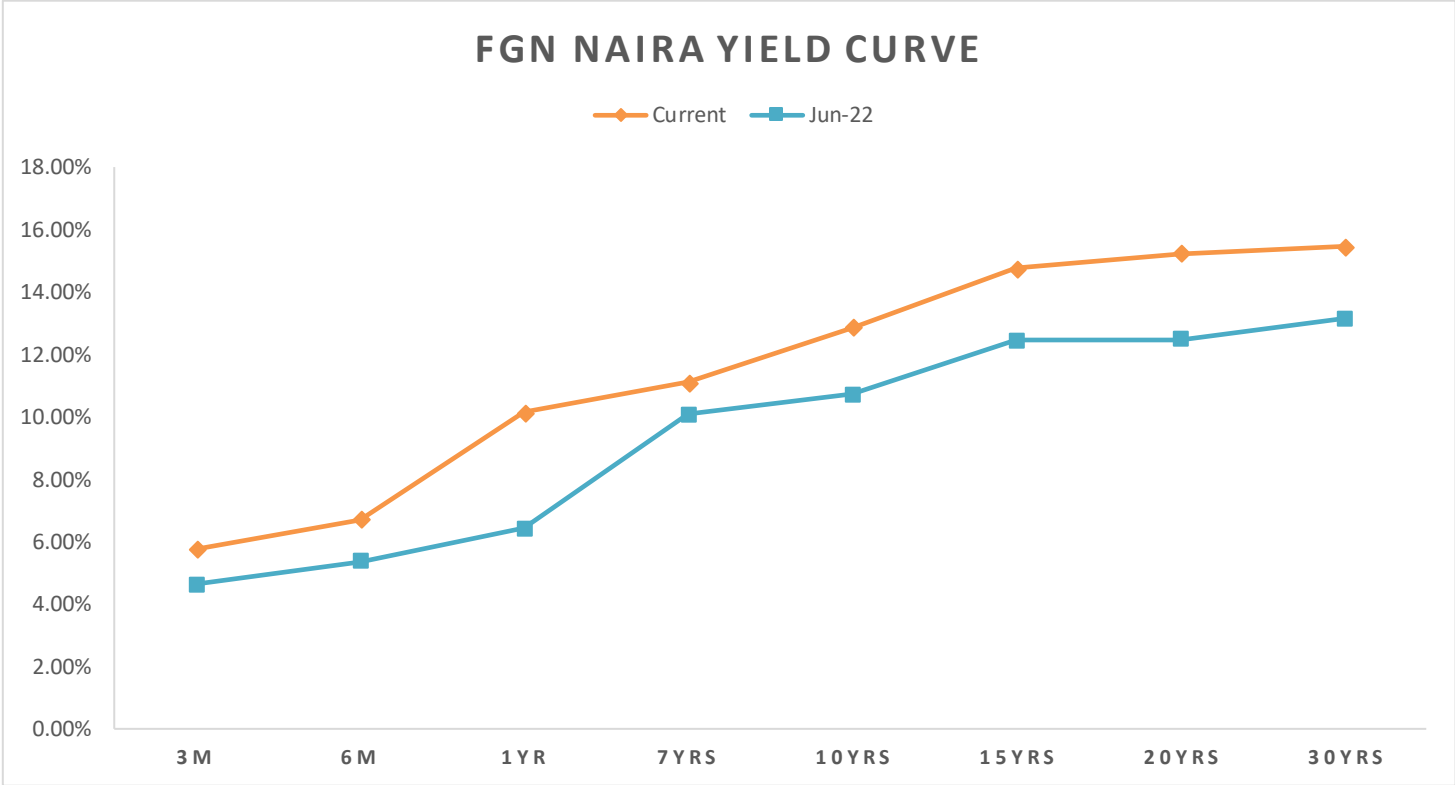
MAJOR	12-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0881	1.0914	-0.30%.	-1.23%.	-1.48%.	4.51%
GBPUSD	1.2496	1.2509	-0.10%.	-1.12%.	-0.17%.	1.94%
USDCHF	0.8954	0.8943	0.12%	0.49%	0.68%	-10.66%.
USDRUB	77.4785	76.9934	0.63%	-0.42%.	-5.16%.	21.06%
USDNGN	460.0300	460.0760	-0.01%.	0.03%	0.02%	10.91%
USDZAR	19.2366	19.1963	0.21%	4.53%	6.66%	19.14%
USDEGP	30.8997	30.8503	0.16%	0.49%	0.16%	68.70%
USDCAD	1.35	1.3491	0.17%	1.03%	1.33%	4.72%
USDMXN	17.58	17.5734	0.01%	-0.95%.	-2.35%.	-12.57%.
USDBRL	4.92	4.9296	-0.27%.	-0.71%.	-0.21%.	-2.83%.
AUDUSD	0.6666	0.6701	-0.52%.	-1.20%.	-1.68%.	-3.92%.
NZDUSD	0.6208	-0.0600	-1.43%.	-1.35%.	-1.36%.	-1.31%.
USDJPY	135.0320	134.5342	0.37%	0.10%	1.81%	4.47%
USDCNY	6.9689	6.9598	0.13%	0.70%	1.42%	2.52%
USDINR	82.1356	82.0863	0.06%	0.53%	0.59%	6.02%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 12, 2023

Commodity		12-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.3	70.9	0.66%	0.00%	-13.04%	-32.87%
BRENT	USD/Bbl	75.7	75.0	0.90%	0.57%	-12.04%	-31.00%
NATURAL GAS	USD/MMBtu	2.2	9.8	1.14%	3.79%	10.51%	-71.06%
GASOLINE	USD/Gal	2.5	2.5	0.43%	3.75%	-12.84%	-34.79%
COAL	USD/T	166.5	163.0	2.15%	-1.86%	-12.71%	-57.63%
GOLD	USD/t.oz	2,013.6	2,015.6	-0.10%	-0.16%	-1.30%	11.16%
SILVER	USD/t.oz	24.0	24.2	-0.71%	-6.46%	-6.99%	13.87%
WHEAT	USD/Bu	640.6	627.2	2.13%	-0.99%	-3.95%	-45.59%
PALM-OIL	MYR/T	3,648.0	3,603.0	1.25%	1.31%	-1.75%	-42.72%
COCOA	USD/T	3,268.0	3,242.1	0.80%	5.11%	8.86%	31.62%

FGN Bonds Yield Curve, Friday May 12, 2023



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