

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Rising Inflation Numbers at 22.22% Leaves CBN Slim Thicket for Rates Tweak...

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FOREX MARKET: Naira Weakens Further Across FX Segments as Buy-Pressure Heightens...

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MONEY MARKET: Investors Bearish on NITTY Ahead of Next Week's Auction, MPC Meeting...

In the new week, T-bills worth N180.45 billion will be auctioned by CBN via the primary market; viz: 91-day bills worth N9.96 billion, 182-day bills worth N1.82 billion, and 364-day bills worth N168.67 billion. Cowry Research expects the stop rates of the 364-day to rise slightly...

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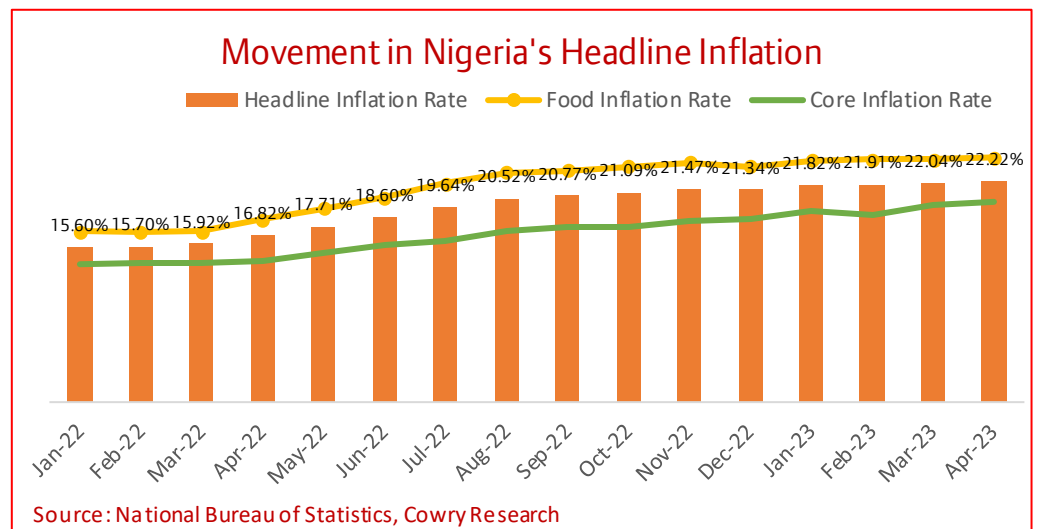
Going into the new week, we anticipate the current trend of buying interests in value stocks and profit taking to continue as dividends payments by companies support the liquidity levels in the market as core investors continue their portfolio rebalancing ahead of markdown dates, MPC meeting and Q1 GDP report expectations...

ECONOMY: Rising Inflation Numbers at 22.22% Leaves CBN Slim Thicket for Rates Tweak...

Ahead of the next Monetary Policy Committee meeting for May 2023, several indices including the battle against surging inflation have remain on the front burner for the committee as there appears a slim thicket for quantitative easing measure at the altar of growth. This is part of the expectations that the lingering FX pressures and various market dynamics will continue playing pivotal role in the policy direction of the committee. At the May 2022 MPC meeting, the CBN, in its quest to rein inflationary pressures, adopted the hawkish stand by 150bps rates hike. This became the ritual at the last 6 meetings where rates were on the rise by 650bps to 18.00% and keeping other parameters unchanged.

Notwithstanding the committee's resolve on price stability and other inflation-driving elements, the recent inflation printing and the forecast for the continued surge in inflation numbers in 2023 provides further room for rates tweak in line with major Central Banks to abet the avoidance of capital flights out of Nigeria. The recent report from the National Bureau of Statistics (NBS) showed there was an acceleration of the headline inflation for the fourth straight month in 2023 to 22.22% in April 2023 from 22.04% in the previous month. This indicates a 0.18 percent points increase m/m and the highest reading since September 2005 (24.3%).

We attribute this continued uptrend in the headline consumer price index to devalued Naira which has made imported goods more expensive; increasing cost of gas, as well as the cost of electricity generation and distribution (3.72%). Also, the contributions of items on the divisional level further precipitated the acceleration. Thus, food and non-alcoholic beverages (11.51%), clothing and footwear (1.70%), transportation cost (1.45%) and household furnishing and equipment (1.12%).



The food index has continued to be a driver of the headline index. The index rose to 24.61% y/y in April 2023 as a result of increases in prices of Oil and fat, Bread and cereals, Fish, Potatoes, Yam and other tubers, Fruits, Meat, Vegetable, and Spirits. The April figure increased from 24.45% in March 2023 due to rises recorded in electricity tariffs, energy-diesel and petrol prices, and miscellaneous goods & services in the month.

These, we linked to the ongoing conflict in Ukraine have disrupted the global supply of food, which has led to higher prices, the devaluation of the Naira has made imported food more expensive, and the government's decision to ban the importation of some food items has also contributed to the rising cost of food.

The core inflation, which excludes the prices of volatile agricultural produce stood at 20.14% in April 2023 y/y. the highest increases were recorded in prices of Gas, Passenger transport by Air, Liquid fuel, Vehicle spare parts, Fuels, and lubricants for personal transport equipment, Medical services, Passenger transport by road, etc.

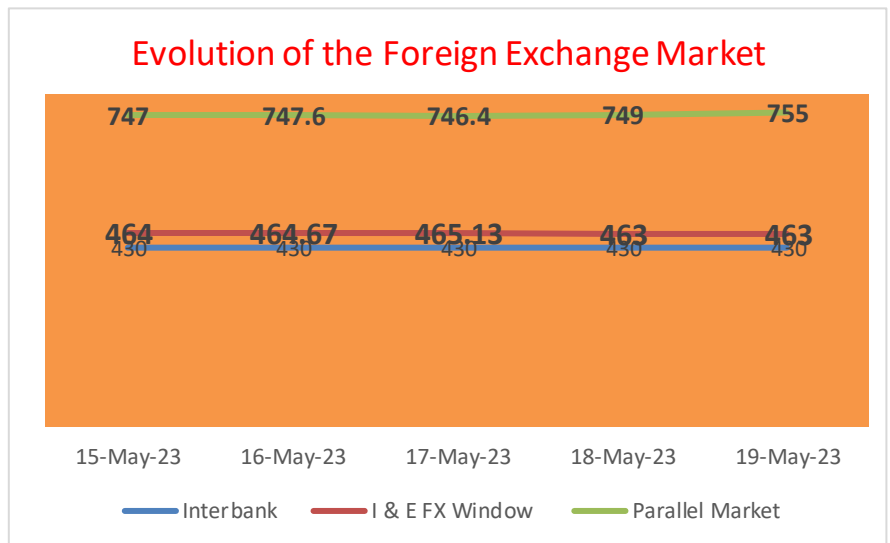
On the state profiles, all items inflation rate was recorded highest in Bayelsa (26.14%), Kogi (25.57%), Rivers (24.95%), while Borno (19.06%), Taraba (19.64%) and Sokoto (19.90%) recorded the slowest rise in headline inflation on a y/y basis in April 2023. Meanwhile, the food inflation basket saw Kogi (29.50%), Kwara (29.48%), and Bayelsa (29.38%) emerging as states with the highest while Sokoto (19.55%), Taraba (20.20%) and Jigawa (20.68%) recorded the slowest rise in April.

Cowry Research sees rising inflation on an upward trajectory in 2023, giving further room to policy tightening measures by the CBN at the May 2023 MPC meeting in its the continued battle against stubborn inflation. We note that the rising inflation rate is eroding the purchasing power of Nigerians and making it more difficult for them to afford basic necessities. As such, the Central Bank of Nigeria is keeping the Monetary Policy Rate (MPR) high and selling foreign exchange to banks at a higher rate. For May 2023, we project a slower acceleration in headline inflation to 22.5%. Also, we project a possible 50bps increase in the interest rate in its May-2023 meeting.

FOREX MARKET: Naira Weakens Further Across FX Segments as Buy-Pressure Heightens....

The naira at the parallel foreign exchange market depreciated by N9 or 1.21% week on week to close at N755/\$1 from N746/\$1 in the previous week on the back of increased pressure from dollar demand. Also, at the investors' and exporters' FX window, the Naira depreciated against the United States' dollar by N0.67 or 0.15% week on week to close at N463/\$1 from N462.33/\$1 the previous week as the hegemony of the dollar continues while players in the market kept bids between N462 and N469.

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 a mixed trade as the dollar reign across short-tenor forward contracts and the Naira reported appreciation at mid-long tenor forward contracts. Consequently, the naira weakened by 0.74%, 0.39% w/w to close at N477.70/\$1 and N500.38/\$1 at the 1-month and 2-month tenors. On the contrary, the naira gained strength by 0.09%, 0.01%, and 3.83% week on week to close at contract offer prices of N517.99/\$1, 557.61/\$1 and N574.74/\$1 for the 3-Month, 6-Month and 12-Month tenors respectively.

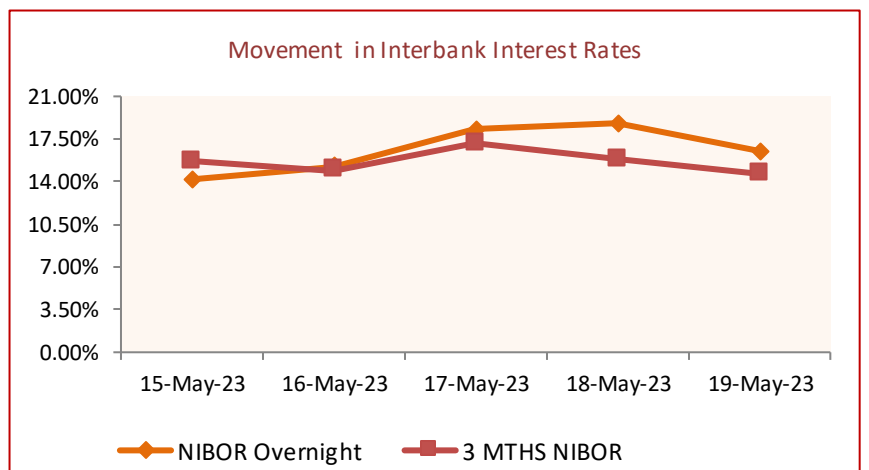


In the oil market this week, prices are already on course to another weekly gains amid signs that the U.S will avoid a default on its debt while market sentiment is now beginning to shift gradually into the bullish region. Thus, Brent Crude trade at \$74.44 per barrel sliding southward over recession fears. However, on the home front, the Bonny Light crude price regained its positive weekly rally to gain 1.89% or (\$1.42) week on week, to close at \$76.66 per barrel from \$75.24 per barrel in the previous week.

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: Investors Bearish on NITTY Ahead of Next Week's Auction, MPC Meeting...

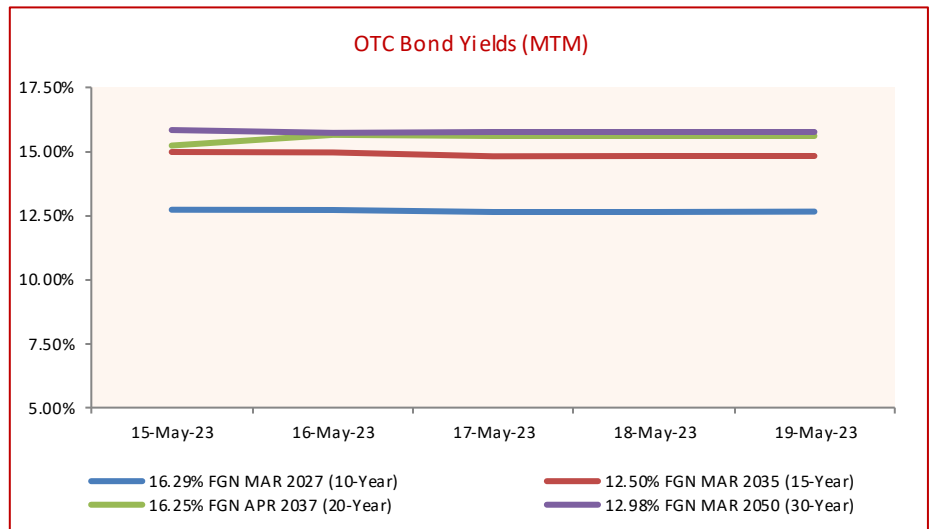
In the just concluded week, activity in the primary market was muted as CBN did not offer Treasury bills. We witnessed an upward repricing of yields at the shorter end of the curve amid investors' sell-off given the bond auction funding pressure on banks and traders' expectations for higher rates given the strong depreciation of the Naira against the USD, as well as the rising inflation rate, hence, traders believe CBN has more legroom to hike policy rates further. NITTY, for 1 month, 3 months, 6 months, and 12 months, expanded to 4.25% (from 3.15%), 5.76% (from 4.45%), 7.04% (from 5.85%), and 9.62% (from 9.25%), respectively. Meanwhile, the OMO space was dry as well, as CBN failed to refinance the matured OMO bills worth N10 billion, thereby increasing the financial system's liquidity, which drove NIBOR lower for most tenor buckets. NIBOR for the 1-month, 3-month, and 6-month tenor buckets fell to 13.83% (from 14.30%), 14.64% (from 15.63%), and 15.17% (from 16.17%), respectively. However, overnight funds rose to 16.45% (from 13.02%).



In the new week, T-bills worth N180.45 billion will be auctioned by CBN via the primary market; viz: 91-day bills worth N9.96 billion, 182-day bills worth N1.82 billion, and 364-day bills worth N168.67 billion. Cowry Research expects the stop rates of the 364-day to rise slightly...

BOND MARKET: FGN Bond Yields Closed Southward for Most Maturities Tracked...

In the just concluded week, DMO sold FGN bond reopenings worth N368.16 billion (N545.26 billion inclusive of non-competitive allotments) at the primary market auction, viz: 10-year, 13.98% FGN FEB 2028 note worth N61.91 billion (N149.51 billion inclusive of non-competitive allotments), 10-year, 12.50% FGN MAR 2032 paper worth N9.39 billion (N98.89 billion inclusive of non-competitive allotments), 20-year, 13.00% FGN JAN 2042 debt worth N53.16 billion, and 30-year, 12.98% FGN MAR 2050 debt worth N243.69 billion.



The subscription stood at N478.92 billion, which, although slightly higher than the previous auction, was still lower than the Q1 2023 average of N868.55 billion, despite existing ample liquidity conditions. Demand improved from the prior auction, as evidenced by a bid-to-cover ratio of 1.30x (0.88x inclusive of non-competitive allotments) compared to April's 1.20x (0.80x inclusive of non-competitive allotments). Total bids stood at 304, while 228 were successfully allotted at stop rates ranging from 14.10% to 15.80%. Stop rates for the 28s, 32s, and 42s were issued higher at 14.10% (from 14.00%), 14.90% (14.80%), and 15.69% (from 15.40%), respectively, amid lower subscription levels. The 50s attracted healthy demand, as it was oversubscribed, hence, its marginal rates were left unchanged at 15.80%.

However, the values of FGN bonds traded in the secondary market increased as yields fell for most maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027, 15-year, 12.50% FGN MAR 2035, and 30-year, 12.98% FGN MAR 2050 papers gained N0.21, N0.74, and N0.33, respectively; their corresponding yields fell to 12.65% (from 12.73%), 14.81% (from 14.96%), and 15.77% (from 15.83%), respectively. However, the 20-year, 16.25% FGN APR 2037 bond lost N2.08; its corresponding yield rose to 15.58% (from 15.23%).

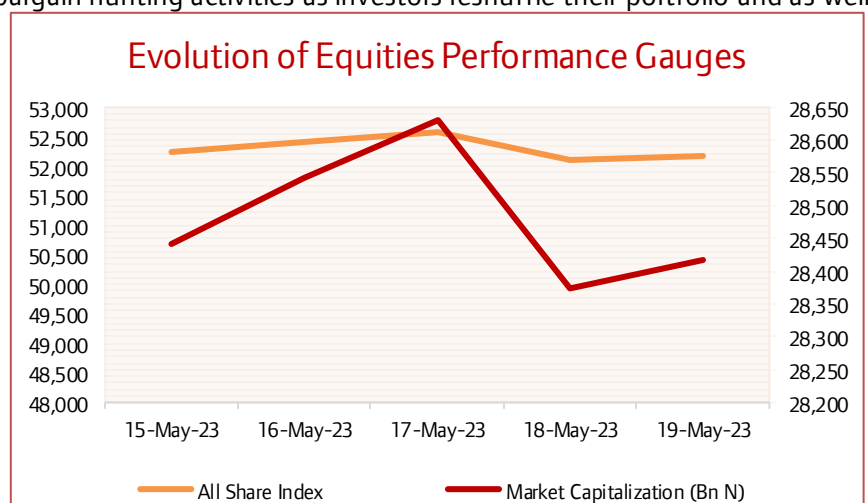
Meanwhile, the value of FGN Eurobonds traded on the international capital market appreciated for all maturities. Notably, the 10-year, 6.375% JUL 12 2023, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047 gained by USD 0.42, USD 1.38, and USD 1.79, respectively, while their corresponding yields contracted to 14.16% (from 15.91%), 12.85% (from 13.14%), and 12.48% (from 12.84%), respectively.

Cowry Research notes that traders' sentiment will be shaped by the T-bill auction result over the course of the new week. We anticipate 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..

EQUITIES MARKET: NGX Performance in Lacklustre Mood... ASI Down 5bps w/w....

This week's trading on the Nigerian Stock Exchange was subdued as the All-Share Index of the bourse closed mildly bearish by 5bps week-on-week to 52,187.93 points due to bargain hunting activities as investors reshuffle their portfolio and as well book profit. Despite the profit booking and recent accumulation in some value stocks, core investors are, however, reinvesting their dividends into the market to support the liquidity flow index. In the same vein, the market cap of traded equities nosedived 0.05% w/w to N28.42 trillion while the year-to-date return of the market stood at 1.83% as equity investors lost N14.5 billion.

A look at the sectoral performance despite the lacklustre performance of the ASI, was bullish this week as the Oil & Gas index emerged as the worst performing index this week with 1.67% loss w/w due to dividend mark down and price adjustments



in Seplat Energy and was trailed by the Industrial Goods index with 3bps w/w decline. On the contrary, the Insurance index was the leading gainer this week with 5.20% w/w gain as some deep-pocketers renewed buying interests in the sector while the Banking and Consumer Goods indices recorded weekly gains of 2.88% and 1.86% from the prior week respectively.

Meanwhile market investors sentiment was bearish as the level of trading activities this week declined. Thus, the average traded volume this week plunged into a negative territory by 15.90% to 3.03 billion units while the average weekly value tanked 42.49% w/w to N17.54 billion with positive uptrend in the total weekly deals by 6.13% w/w to 29,505 trades. At the end of the week, FTNCOCA (38%), MRS (21%) and NB (18%) were the leading gainers for the week while ARDOVA (-24%), MAYBAKER (-10%) and HONYFLOUR (-10%) led the laggards' chart for the week.

Going into the new week, we anticipate the current trend of buying interests in value stocks and profit taking to continue as dividends payments by companies support the liquidity levels in the market as core investors continue their portfolio rebalancing ahead of markdown dates, MPC meeting and Q1 GDP report expectations. 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 19, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 19 2023	May 12 2023	% Change	Symbol	May 19 2023	May 12 2023	% Change
FTNCOCA	0.44	0.32	38%	ARDOVA	20.15	26.40	-24%
PZ	16.00	12.50	28%	MAYBAKER	4.00	4.45	-10%
LIVESTOCK	1.30	1.02	27%	HONYFLOUR	2.71	3.00	-10%
CORNERST	0.80	0.65	23%	MCNICHOLS	0.68	0.75	-9%
CADBURY	16.50	13.60	21%	FIDELITYBK	5.50	5.88	-6%
MRS	40.80	33.75	21%	CHAMPION	3.93	4.20	-6%
NB	38.00	32.10	18%	AIRTELAfri	1,175.00	1,250.00	-6%
MANSARD	2.94	2.51	17%	WEMABANK	4.00	4.20	-5%
COURTVILLE	0.50	0.43	16%	NAHCO	12.70	13.30	-5%
ETERNA	7.15	6.50	10%	NASCON	14.00	14.60	-4%

Weekly Stock Recommendations as at Friday, May 19, 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	0.70	9.5	43	10.55	40.8	53.0	34.7	46.9	29.90	Buy
STANBIC IBTC	6.24	6.24	31.46	1.19	6.01	41.70	27.50	37.50	47.0	31.9	43.1	25.33	Buy
CONOIL	9.0	8.97	37.86	1.28	5.4	53.2	23.9	48.4	57	41.1	55.7	24.77	Buy
JBERGER	4.95	4.95	35.66	0.87	6.27	34	21.15	31	41.0	26.4	35.7	32.26	Buy
GTCO	1.98	6.32	33.15	0.79	13.26	28.05	16.80	26.60	32.5	22.3	30.1	24.05	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 19, 2023

FGN Eurobonds	Issue Date	TTM (years)	19-May-23	Weekly	19-May-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.15	98.92	0.42	14.2%	(1.75)
7.625 21-NOV-2025	21-Nov-18	2.51	91.86	1.54	11.5%	(0.74)
6.50 NOV 28, 2027	28-Nov-17	4.53	91.86	1.54	11.5%	(0.74)
6.125 SEP 28, 2028	28-Sep-21	5.37	76.55	1.33	12.2%	(0.39)
8.375 MAR 24, 2029	24-Mar-22	5.85	82.14	1.57	12.8%	(0.43)
7.143 FEB 23, 2030	23-Feb-18	6.77	75.23	1.68	12.7%	(0.45)
8.747 JAN 21, 2031	21-Nov-18	7.68	80.13	1.74	12.9%	(0.42)
7.875 16-FEB-2032	16-Feb-17	8.75	74.92	1.57	12.7%	(0.36)
7.375 SEP 28, 2033	28-Sep-21	10.37	69.77	1.62	12.7%	(0.37)
7.696 FEB 23, 2038	23-Feb-18	14.78	66.25	1.38	12.9%	(0.29)
7.625 NOV 28, 2047	28-Nov-17	24.55	63.09	1.79	12.5%	(0.36)
9.248 JAN 21, 2049	21-Nov-18	25.70	73.19	1.68	12.8%	(0.30)
8.25 SEP 28, 2051	28-Sep-21	28.38	65.20	1.73	12.9%	(0.35)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 19, 2023

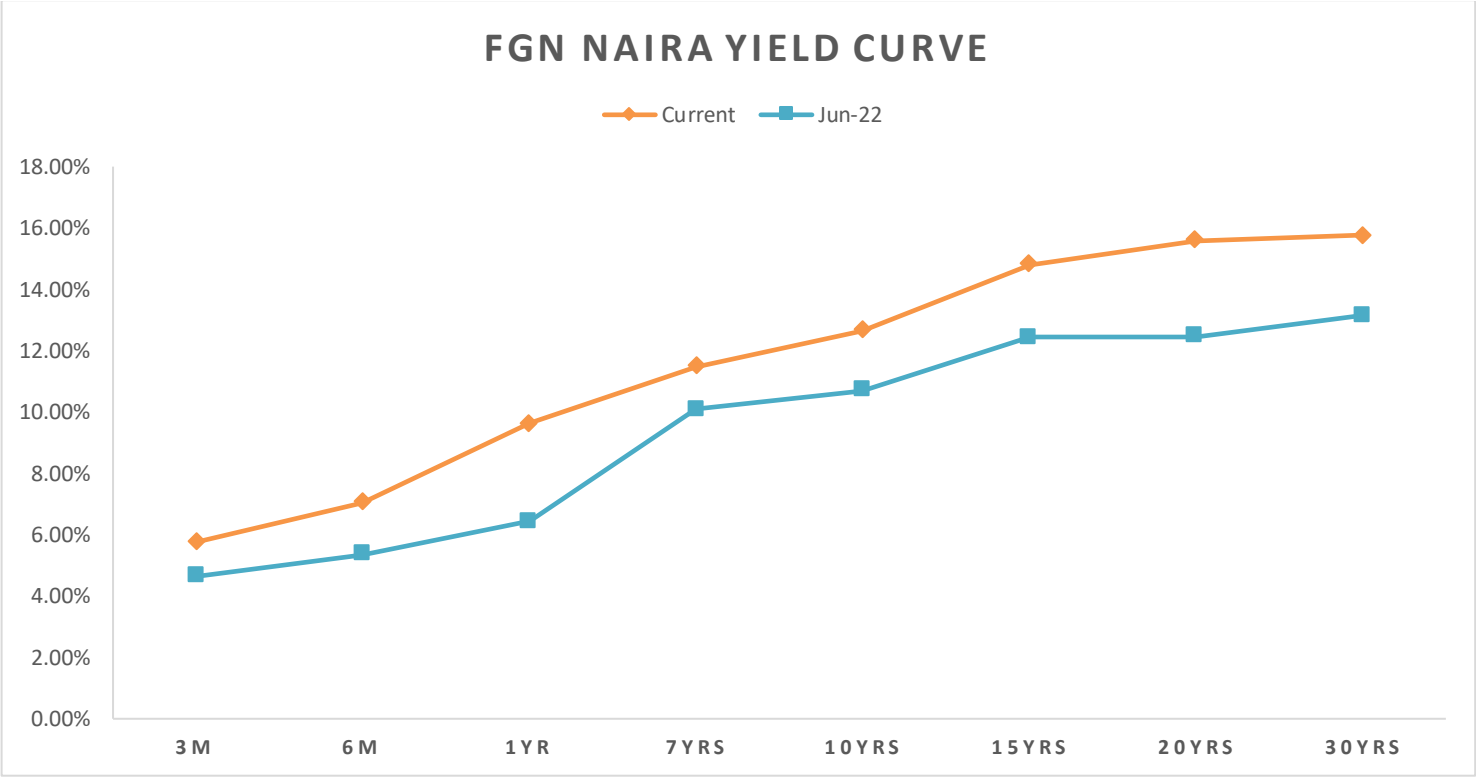
MAJOR	19-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0793	1.0769	0.22%	-0.52%	-1.60%	2.20%
GBPUSD	1.2427	1.2408	0.15%	-0.23%	-0.12%	-0.47%
USDCHF	0.9020	0.9054	-0.37%	0.45%	1.12%	-7.44%
USDRUB	79.8715	80.3941	-0.65%	4.02%	-1.70%	33.50%
USDNGN	460.4000	460.3540	0.01%	0.08%	0.08%	11.04%
USDZAR	19.4740	19.3367	0.71%	0.74%	7.98%	22.97%
USDEGP	30.9028	30.8504	0.17%	0.17%	0.17%	69.07%
USDCAD	1.35	1.3500	0.04%	-0.34%	0.21%	5.19%
USDMXN	17.69	17.7022	-0.06%	0.63%	-1.64%	-10.88%
USDBRL	4.99	4.9652	0.53%	1.48%	-1.11%	2.33%
AUDUSD	0.6659	0.6617	0.63%	0.23%	-1.17%	-5.29%
NZDUSD	0.6282	-0.0600	0.90%	1.50%	1.81%	-1.94%
USDJPY	138.5390	138.7054	-0.12%	2.08%	3.21%	8.36%
USDCNY	7.0303	7.0493	-0.27%	0.83%	2.11%	4.99%
USDINR	82.8126	82.7216	0.11%	0.77%	0.84%	6.37%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 19, 2023

Commodity		19-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	72.2	71.9	0.41%	2.94%	-6.81%	-32.73%
BRENT	USD/Bbl	76.3	75.9	0.62%	2.85%	-5.94%	-28.92%
NATURAL GAS	USD/MMBtu	2.6	9.8	1.99%	16.56%	17.44%	-67.67%
GASOLINE	USD/Gal	2.6	2.6	0.30%	5.93%	-0.46%	-26.99%
COAL	USD/T	159.4	165.2	-3.57%	-2.24%	-17.22%	-61.33%
GOLD	USD/t.oz	1,960.7	1,958.0	0.14%	-2.54%	-2.21%	6.20%
SILVER	USD/t.oz	23.6	23.5	0.66%	-1.17%	-6.56%	8.64%
WHEAT	USD/Bu	618.7	611.7	1.14%	-2.71%	-7.48%	-47.14%
PALM-OIL	MYR/T	3,481.0	3,392.1	2.62%	-4.58%	-6.05%	-43.02%
COCOA	USD/T	3,050.0	2,991.1	1.97%	-6.52%	-1.04%	25.77%

FGN Bonds Yield Curve, Friday May 19, 2023



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