

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Uncertainties Beckon on Economic Growth as Nigeria Transitions to New Administration...

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FOREX MARKET: Naira Skids Across FX Segments as Dollar Scarcity Bites Harder....

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MONEY MARKET: CBN's 50bps Interest Rates Hike Leaves T-bills Stop Rates Spookish...

In the new week, we expect activity in the money market to be slightly bullish given the maturing of N20 billion worth of OMO bills...

BOND MARKET: Yields on FGN Securities In a Mixed Directions Ahead Transition to New Government...

In the new week, we expect OTC bond prices to appreciate (and yields to moderate) against the backdrop of an expected boost in financial system liquidity...

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ECONOMY: Uncertainties Beckon on Economic Growth as Nigeria Transitions to New Administration...

As Nigeria transitions into a new administration at the start of the second half of 2023, the economic landscape seems clouded with uncertainties, presenting various challenges to the incoming administration, including a large budget deficit, a high debt burden, and a weak infrastructure. The road ahead for the new administration appears arduous and turbulent as it strives to achieve key economic objectives. These objectives encompass attracting significant investments to vital sectors of the economy, reviewing the existing exchange rate system to ensure stability of the Naira, reducing the number of unemployed Nigerians to a minimum of 12 million by 2026, and achieving sustainable real GDP growth averaging 10%.

Regarding GDP growth, it is anticipated that the pace will decelerate in 2023 as Nigeria's GDP is projected by the IMF to expand by 2.7% in 2023, a decrease from the 3.4% growth experienced in 2022. Meanwhile, Nigeria's economy grew positively by 2.31% y/y in real terms to N17.75 trillion during the first quarter of 2023. This indicates another positive acceleration in real GDP for the tenth straight quarters but was slower than the 3.11% y/y real growth reported in Q1 2022 and 3.54% y/y experienced in Q4 2022. This was according to the recent report from the National Bureau of Statistics.

We attribute the deceleration in growth to have stemmed from the impact of the Naira scarcity on aggregate demand, uncertainties about the new administration and existing structural problems. Also, the ongoing fuel shortages experienced at the start of the year that brought about disruptions in economic activities and led to higher prices of goods and services; the war in Ukraine which disrupted global trade and the attendant impact of the COVID-19 pandemic which brought about higher unemployment are said to be the driving factors to this slowdown.



Though, the outlook for the Nigerian economy looks uncertain and filled with less optimism when we consider the anticipated low-impacts from global monetary tightening and soaring inflation as against the experience in 2022. With the incoming of a new government, it is expected that market friendly reforms and policies will be implemented. However, if the government can address some of the challenges that it is facing, there is potential for growth to pick up in the coming quarters.

The drivers of growth in Q1 2023 comes from the non-oil sector (2.77% in real term) and were the services sector, which grew by 4.35%, and the manufacturing sector, which grew by 0.31%. The services sector is the largest contributor to Nigeria's GDP, accounting for about 57.3% of total output and was driven by the continued expansion of the telecommunications, financial, and real estate sectors. Also, the industries sector is the second-largest contributor to Nigeria's GDP, accounting for about 21.05% of total output during the quarter. The growth in the manufacturing sector was driven by the continued expansion of the food and beverage, cement, and automobile sectors.

On the contrary, the draggers on growth in Q1 2023 was the oil sector, which contracted by 4.21%, and the agriculture sector, which grew negatively by just 0.9%. The oil and gas sector are the largest export earner for Nigeria, accounting for about 90% of total exports. However, the contraction in the oil and gas sector was driven by the continued decline in oil prices. During the period under review, Nigeria reported an average daily crude oil production of 1.51 million barrels, higher than the daily average production of 1.49mbpd recorded in the same quarter of 2022 by 0.01mbpd and higher than the fourth quarter of 2022 production volume of 1.34 mbpd by 0.17mbpd.

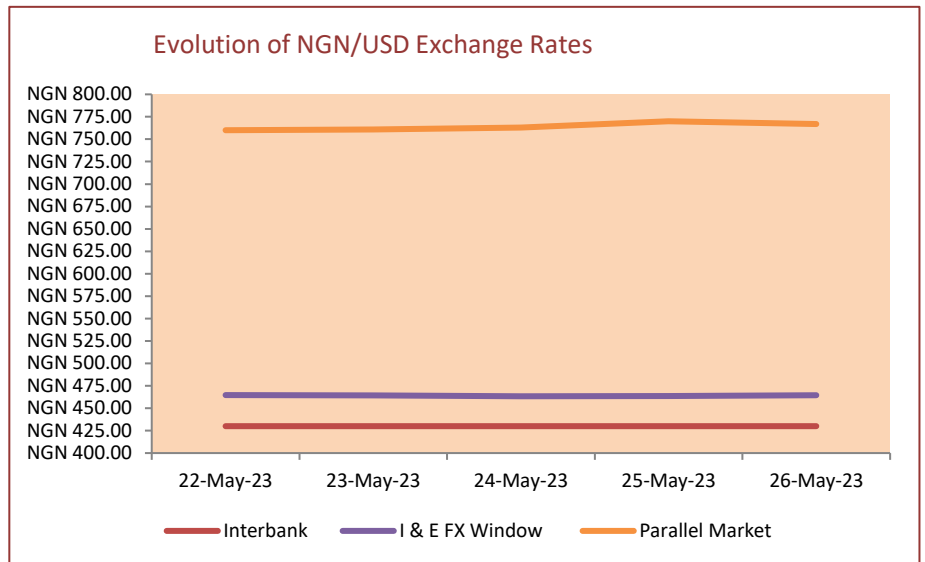
Meanwhile, the agriculture sector is the largest employer in Nigeria, accounting for about 70% of total employment; but the slow growth in the agriculture sector was driven by the impact of the COVID-19 pandemic and the ongoing fuel shortages which has caused disruption in the agricultural value chain as well as the movement of food supplies from producing regions to other parts of the country.

Nigeria's growth remains subdued over the years with an average real GDP growth of 1.45% within the last eight years and majorly dragged by the bane of insecurity and terrorism, low capital inflow and increasing capital flight, corruption, currency devaluations, intensified monetary policy tightening by central banks and unfavourable ease of doing business brought about some of levels of disruptions in economic activities. Amid these negative headwinds, Nigeria needs to achieve GDP growth of over 6% to achieve more inclusive growth and move closer to its long-run GDP potential. The government will need to take steps to address these challenges in order to improve the economy and create jobs.

FOREX MARKET: Naira Skids Across FX Segments as Dollar Scarcity Bites Harder....

Demand pressure in the foreign exchange market is on an upward trajectory as FX users such as manufacturers, importers, students and travellers begin their prowl for alternative sources as traders continue hoarding the dollar while some deposit money banks also stifle the availability of the Naira to Nigerians. Consequently, the Naira traded in a weakened sentiment as it depreciated by N12 or 1.59% w/w to N767/\$1 from N755/\$1 at the parallel market due to lingering scarcity of the greenback. Also, at the investors' and exporters' FX window, the Naira depreciated further against the United States' dollar by N1.51 or 0.33% week on week to close at N464.51/\$1 from N463/\$1 in the previous week as the hegemony of the dollar continues while players in the market kept bids between N463 and N470.

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, the Naira reigned with positive appreciations across all forward contracts tenor. Consequently, the naira strengthened by +1.45%, +4.29%, +6.22%, +9.15% and +6.27% w/w to close at N470.76/\$1, N478.91/\$1, N485.78/\$1, N506.61/\$1 and N538.72/\$1 at all tenor contracts respectively.



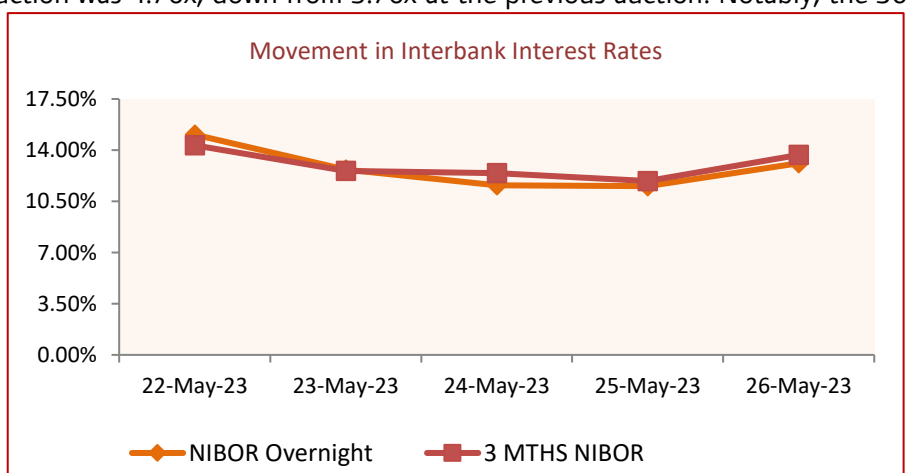
In the oil market this week, Oil prices embarked on a retreat on Friday following comments from the two biggest members of OPEC+ after it jumped earlier in the week from the announcement by the Saudi Energy Minister on probable cut in production. Thus, Brent Crude traded at \$76.81 per barrel on the back of positive US debt ceiling talks. However, on the home front, the Bonny Light crude price regained its positive weekly gains by 5.40% or (\$4.14) w/w, to close at \$80.80 per barrel from \$76.66 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: CBN's 50bps Interest Rates Hike Leaves T-bills Stop Rates Spookish...

In the just concluded week, CBN allotted T-bills worth N180.45 billion to completely refinance the same amount of matured Treasury bills. The bid-to-cover ratio for the auction was 4.70x, down from 5.70x at the previous auction. Notably, the 364-day bill was issued at a lower rate amid strong investor appetite. Hence, the stop rate for 364-day bills moderated further to 7.99% from (8.99%). There was a decline in the marginal rate for the 91-day and 182-day bills to 2.29% (from 4.55%) and 4.99% (from 6.44%), respectively.

Activities in the secondary market were largely bullish as traders moved in the direction of the 364-day bill rate, despite the MPC raising the policy rate by 50 basis points to 18.50%. Hence, NITTY for 1 month, 3 months, 6 months, and 12 months fell to 2.36% (from 4.25%), 3.87% (from 5.76%), 4.92% (from 7.04%), and 8.30% (from 9.62%), respectively.



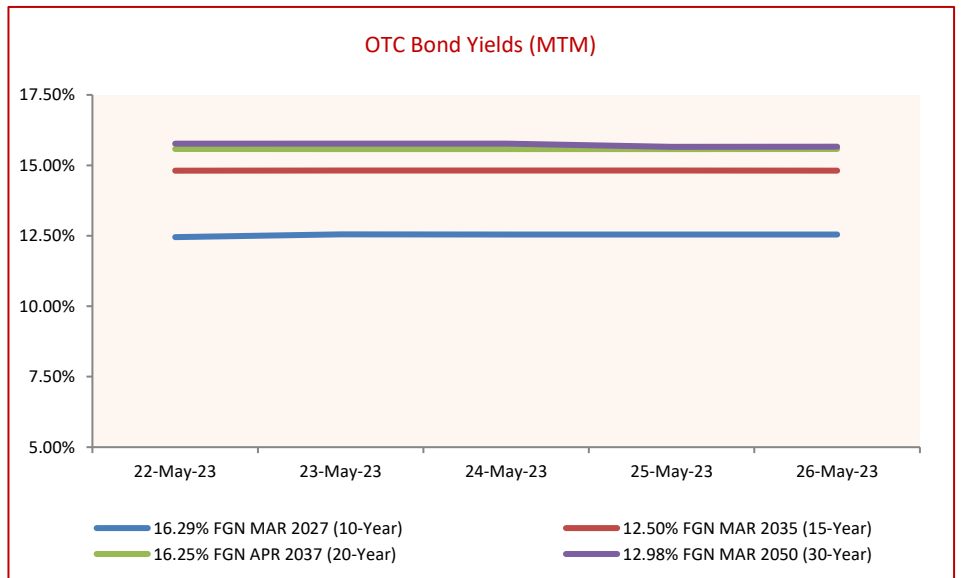
Meanwhile, NIBOR moderated for all of the tenors tracked amid a FAAC inflow, which boosted financial system liquidity, despite the absence of maturing T-bills in the OMO space. Notably, overnight, 1 month, 3 months, and 6 months NIBOR fell to 2.36% (from 4.25%), 3.87% (from 5.76%), 4.92% (from 7.04%), and 8.30% (from 9.62%), respectively.

In the new week, we expect activity in the money market to be slightly bullish given the maturing of N20 billion worth of OMO bills...

BOND MARKET: Yields on FGN Securities In a Mixed Directions Ahead Transition to New Government...

In the just concluded week, the values of FGN bonds traded on the secondary market moved in different directions across maturities tracked.

Specifically, the 10-year, 16.29% FGN MAR 2027 note, and the 30-year, 12.98% FGN MAR 2050 paper gained N0.29 and N0.57, respectively; their corresponding yields fell to 12.55% (from 12.65%) and 15.66% (from 15.77%), respectively. However, yields on the 15-year, 12.50% FGN MAR 2035, and the 20-year, 16.25% FGN APR 2037 bonds were unchanged at 14.81% and 15.58% as traders stayed on the sidelines.

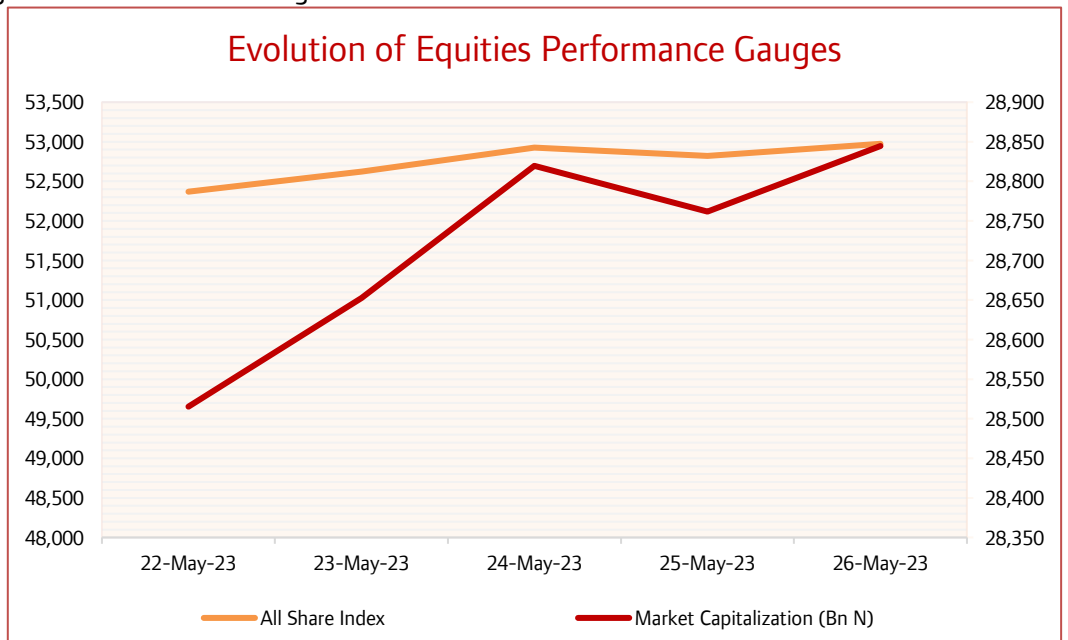


Meanwhile, the value of FGN Eurobonds traded on the international capital market appreciated for all maturities on sustained bullish activity. Notably, the 10-year, 6.375% JUL 12 2023, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047 gained by USD 0.28, USD 1.21, and USD 1.11, respectively, while their corresponding yields contracted to 13.06% (from 14.16%), 12.61% (from 12.85%), and 12.27% (from 12.48%), respectively.

In the new week, we expect OTC bond prices to appreciate (and yields to moderate) against the backdrop of an expected boost in financial system liquidity...

EQUITIES MARKET: Equities Market Rebounds by 1.51% w/w As Optimism Grow Ahead May 29....

The bulls took dominance of the local bourse this week, edging higher by 1.51% w/w to 52,973.88 points as growing optimism among market players waxed stronger ahead of the Swearing-in of the new administration while the current level of market volatility provides entry opportunity for core investors. This is despite the recently published Q1 2023 economic performance, interest rate hike by the CBN and rates decline at the latest Nigerian Treasury Bills auction. Also, the market cap of listed equities advanced by 1.51% w/w to N28.84 trillion while the year-to-date return of the market rose at 3.36% as equity investors amassed N428 billion in 4 out of 5 sessions.



Across all sectors, it was a bullish outing this week as the industrial Goods index emerged as the worst performing index this week with 0.70% loss w/w due to negative price movements in BUACEMENT and MULTIVERSE. On the positive side, the Banking index was the leading gainer this week with 5.63% w/w gain as some company-related parties and deep-pocketers sustained their buying interests in the sector; this was trailed by the Insurance (+3.59%), Oil & Gas (+3.24%) and the Consumer Goods (+3.10%) sectors respectively which reported positive price movements across the small, mid and large cap counters.

Meanwhile market investors sentiment was largely bullish as the level of trading activities this week inched 4.5% w/w to 30,827 deals. Also, the average traded volume this week plunged further into a negative territory by 35.2% to 1.96 billion units while the average weekly value moved northward by 93.30% w/w to N33.89 billion. At the end of the week, FTNCOCOA



(+55%), RTBRISCOE (+41%) and CHAMS (+37%) were the leading gainers for the week while SOVRENINS (-20%), ARDOVA (-14%) and BUACEMENT (-2%) led the laggards’ chart for the week.

Going into next week, Cowry Research anticipates the current bull trend to be sustained on profit taking and portfolio rebalancing even as investors digest the latest macroeconomic data and recent CBN’s interest rates decision even as Nigeria transitions into a new administration. Also, we expect the current level of market liquidity to be supported by dividend reinvestments by core investors in the midst of markdown dates and expected March year end audited accounts.

Weekly Gainers and Loser as at Friday, May 26, 2022

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 26 2023	May 19 2023	% Change	Symbol	May 26 2023	May 19 2023	% Change
FTNCOCOA	0.68	0.44	55%	SOVRENINS	0.36	0.45	-20%
RTBRISCOE	0.38	0.27	41%	ARDOVA	17.35	20.15	-14%
CHAMS	0.41	0.30	37%	NEIMETH	1.39	1.50	-7%
UPL	2.25	1.87	20%	OANDO	5.60	5.90	-5%
GLAXOSMITH	7.60	6.40	19%	UPDCREIT	3.20	3.35	-4%
TRANSCORP	3.07	2.64	16%	ETI	12.00	12.30	-2%
UACN	9.70	8.40	15%	BUACEMENT	88.00	90.00	-2%
LASACO	1.47	1.28	15%	ETERNA	7.00	7.15	-2%
TOTAL	249.00	217.50	14%	CADBURY	16.30	16.50	-1%
CAVERTON	1.31	1.15	14%	MULTIVERSE	4.09	4.14	-1%

Weekly Stock Recommendations as at Friday, May 26, 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
DANG SUGAR	1.05	3.79	15.15	1.28	18.97	20.95	15	20	25.0	17.0	23.0	25	Buy
ACCESS BANK	2.02	6.45	39.28	0.29	5.66	11.50	7.50	11.40	15.0	9.7	13.1	31.58	Buy
CONOIL	4.34	17.35	40.38	1.19	11.1	48.40	23.9	47.95	60	40.8	55.1	25.13	Buy
LAFARGE	0.93	2.97	26.76	0.95	27.29	31.75	21.50	25.30	32.0	21.5	29.1	26.48	Buy
OKOMU OIL	17.02	17.02	40.55	4.23	10.08	216.90	104	171.50	211.00	145.8	197.2	23.03	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 26, 2023

FGN Eurobonds	Issue Date	TTM (years)	26-May-23	Weekly	26-May-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.13	99.20	0.28	13.1%	(1.10)
7.625 21-NOV-2025	21-Nov-18	2.49	94.19	2.33	10.4%	(1.12)
6.50 NOV 28, 2027	28-Nov-17	4.51	94.19	2.33	10.4%	(1.12)
6.125 SEP 28, 2028	28-Sep-21	5.35	78.69	2.14	11.6%	(0.63)
8.375 MAR 24, 2029	24-Mar-22	5.83	84.53	2.39	12.2%	(0.65)
7.143 FEB 23, 2030	23-Feb-18	6.75	77.61	2.38	12.1%	(0.62)
8.747 JAN 21, 2031	21-Nov-18	7.66	81.86	1.73	12.5%	(0.41)
7.875 16-FEB-2032	16-Feb-17	8.73	76.58	1.66	12.3%	(0.38)
7.375 SEP 28, 2033	28-Sep-21	10.35	71.52	1.75	12.3%	(0.38)
7.696 FEB 23, 2038	23-Feb-18	14.76	67.46	1.21	12.6%	(0.24)
7.625 NOV 28, 2047	28-Nov-17	24.53	64.20	1.11	12.3%	(0.21)
9.248 JAN 21, 2049	21-Nov-18	25.68	74.23	1.04	12.7%	(0.18)
8.25 SEP 28, 2051	28-Sep-21	28.36	66.26	1.06	12.7%	(0.20)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 26, 2023

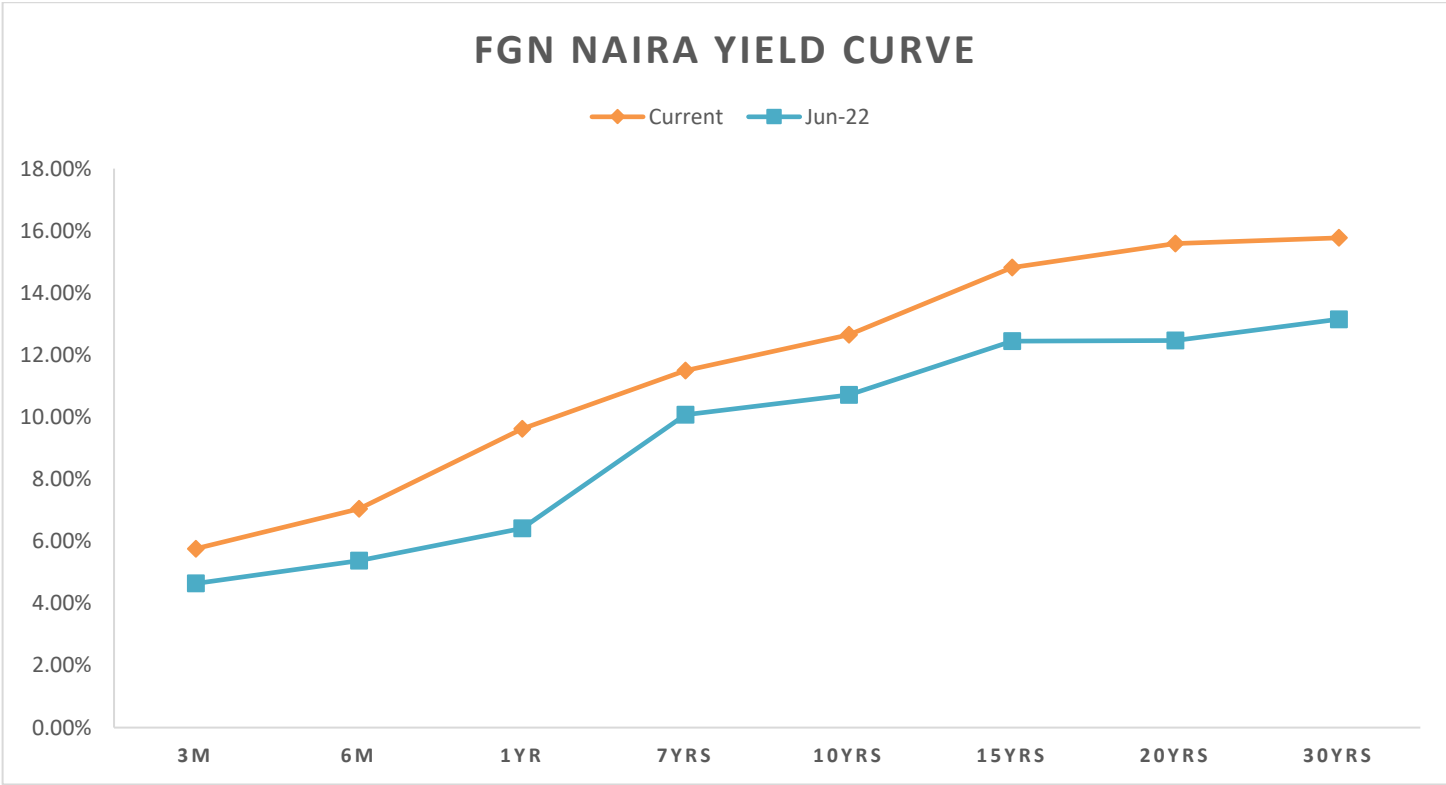
MAJOR	26-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0718	1.0719	-0.01%	-0.77%	-2.80%	-0.08%
GBPUSD	1.2337	1.2320	0.13%	-0.86%	-1.20%	-2.21%
USDCHF	0.9054	0.9055	-0.01%	0.63%	1.25%	-5.42%
USDRUB	80.0695	80.0215	0.06%	1.23%	-1.87%	25.11%
USDNGN	460.3000	460.3000	0.00%	-0.01%	0.07%	10.99%
USDZAR	19.5987	19.8047	-1.04%	0.90%	7.23%	25.88%
USDEGP	30.9002	30.8508	0.16%	0.16%	0.16%	66.12%
USDCAD	1.36	1.3637	-0.09%	0.93%	0.24%	7.11%
USDMXN	17.68	17.8472	-0.93%	-0.51%	-1.92%	-9.68%
USDBRL	5.01	5.0358	-0.56%	0.20%	0.62%	5.89%
AUDUSD	0.6514	0.6506	0.12%	-2.01%	-1.70%	-8.99%
NZDUSD	0.6053	-0.0600	-0.15%	-3.67%	-1.52%	-7.38%
USDJPY	140.2500	140.0539	0.14%	1.67%	4.71%	10.34%
USDCNY	7.0717	7.0908	-0.27%	0.68%	2.04%	5.31%
USDINR	82.5700	82.7355	-0.20%	-0.37%	1.07%	6.41%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 26, 2023

Commodity		26-May-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	72.6	71.8	1.12%	1.28%	-2.88%	-35.31%
BRENT	USD/Bbl	77.0	76.3	1.03%	1.91%	-1.53%	-31.66%
NATURAL GAS	USD/MMBtu	2.4	9.8	-2.84%	-6.70%	2.42%	-72.32%
GASOLINE	USD/Gal	2.7	2.7	1.18%	4.96%	8.47%	-28.01%
COAL	USD/T	160.0	160.3	-0.16%	0.41%	-15.86%	-60.30%
GOLD	USD/t.oz	1,942.1	1,940.3	0.09%	-1.65%	-2.21%	4.93%
SILVER	USD/t.oz	23.1	22.8	1.51%	-2.96%	-7.35%	4.62%
WHEAT	USD/Bu	612.3	604.3	1.33%	1.34%	-0.26%	-47.03%
PALM-OIL	MYR/T	3,559.0	3,493.0	1.89%	2.24%	3.01%	-43.98%
COCOA	USD/T	3,011.0	3,017.0	-0.20%	-1.83%	-5.01%	22.34%

FGN Bonds Yield Curve, Friday May 26, 2023



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