

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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ECONOMY: PFAs Sustain Bet on FGN Papers, Equities as NAV Hits N15.58 Trillion in Q1:23 ...

The latest pension funds industry portfolio report from PenCom revealed that total Pension Fund assets under management stood at N15.58 trillion as at the end of Q1:2023 from N14.99 trillion in Q4:2022 and N13.88 trillion in the corresponding quarter of 2022. This indicates a 3.94% q/q growth and a 12.25% y/y increase in total asset values respectively. The recorded growth was fairly stable relative to the growth of N568.33 billion recorded in Q4:2022 and was mainly due to contributions received and positive investment performance during the period.

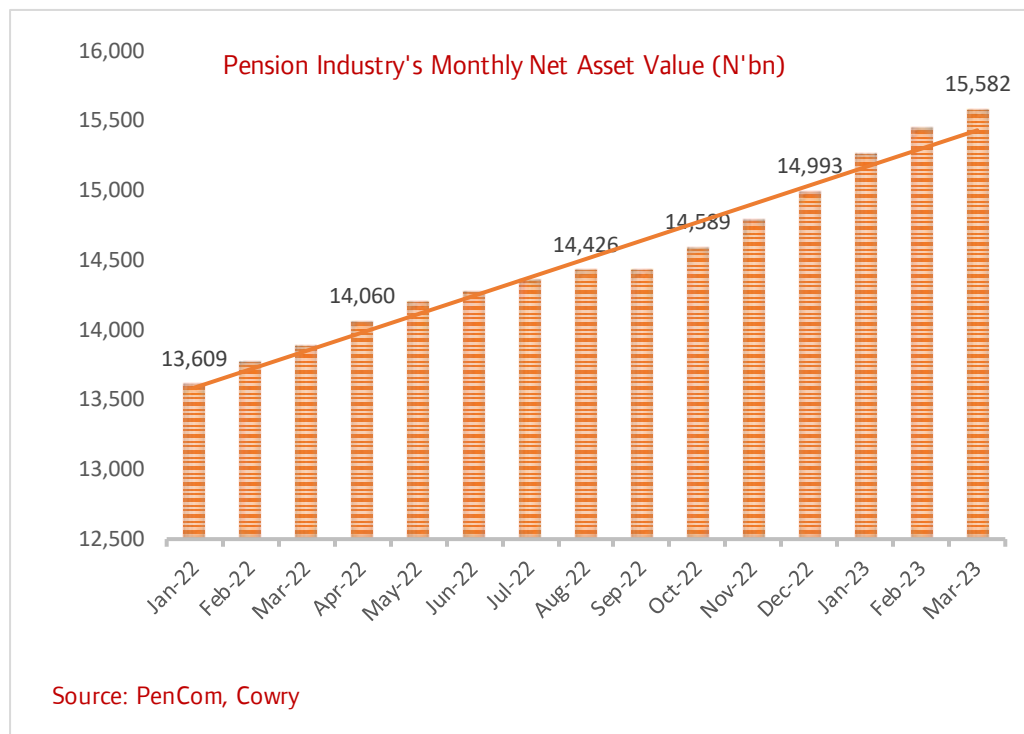
The Nigerian Pension industry has opened several opportunities in recent years but has seen its growth stalled by challenges it is faced with amidst the expectations for the industry to continue its steady growth momentum in the coming years. The growth in pension fund assets is a positive development for the Nigerian economy, as it will help to boost investment and economic growth. The pension industry is also playing an increasingly important role in providing retirement income security for Nigerians.

According to the quarterly industry statistics, the N15.58 trillion in total assets were primarily invested in FGN securities which accounted for 63.14% of the total assets and is comprised of FGN Bonds: 92.36%; Treasury Bills: 5.28%; and Agency Bonds, Sukuk and Green Bonds accounting for 2.36%. Furthermore, the total value of investments in FGN securities rose by N552.79 billion (5.73%) to N10.20 trillion as at 31 March 2023 from N9.64 trillion as of 31 December 2022. The increase in the value of investments in FGN Securities was majorly due to additional investments in this asset class during the quarter.

The value of investments in quoted ordinary shares (domestic and foreign) stood at N1.16 trillion (7.43% of total AuM) indicating a net increase of N141 billion (13.86%) compared to N1.02 trillion as at Dec.'22. The increase in the value of investments in domestic quoted equities was primarily due to the appreciation in the prices of some stocks during the reporting period.

However, there are several challenges that the pension industry faces at the moment, including (a) the low level of awareness of the pension scheme among Nigerians as there are only about 10% of the Nigerian workforce covered by the scheme, (b) the low rate of compliance with the pension laws by employers, (c) the high rate of withdrawals from the pension scheme by contributors and (d) the inadequate regulation which leaves the industry vulnerable to fraud and mismanagement.

There are, among many other key opportunities for the pension industry, the rapidly growing middle class, as it means that there is a growing pool of people who can afford to save for their retirement. Also, the rising informal sector of the Nigerian economy provides an opportunity for the pension industry, as it means that the industry can reach a wider range of people and then, a supportive government can pave the way for further growth and penetration means that the government can help to address some of the challenges facing the industry.

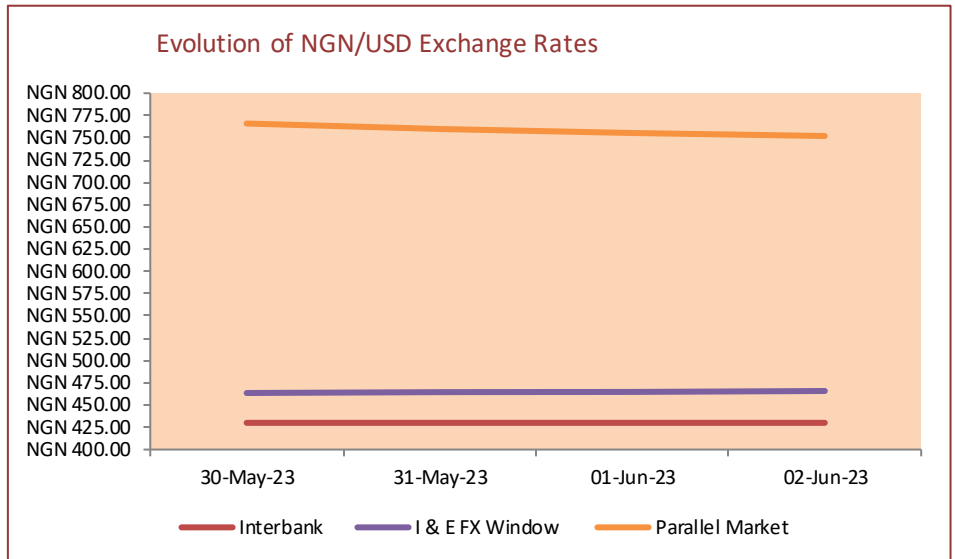


Overall, the Nigerian Pension industry is in a strong position. The industry has seen strong growth in assets under management, the number of active contributors, and the average monthly pension contribution. The industry's net investment income has also grown strongly. However, the industry's total expenses have also increased, which is putting pressure on the industry's profitability. The government and the pension industry stakeholders need to work together to address these challenges to ensure the long-term sustainability of the pension scheme.

FOREX MARKET: Naira Trades in the Mix Bag As Policy Directions from New Administration Drive Sentiments....

Following the policy statement by the new administration on plans to unify the exchange rate and also bring about a moderation in the interest rates as part of efforts geared towards increasing investment and consumer purchasing power in ways to sustain the economy at higher level, the demand level for the greenback eased marginally at the various FX segments. Consequently, the Naira traded in a bullish sentiment as it appreciated by N15 or 1.96% w/w to N752/\$1 from N767/\$1 at the parallel market. Also, at the investors' and exporters' FX window, the Naira depreciated marginally against the United States' dollar by N0.16 or 0.03% w/w to close at N464.67/\$1 from N464.51/\$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 dollar reigned with positive appreciations across all forward contracts against the Naira. Consequently, the dollar strengthened by +2.49%, +4.31%, +5.25%, +5.89% and +5.02% w/w to close at N482.48/\$1, N499.57/\$1, N511.30/\$1, N536.48/\$1 and N565.79/\$1 at all tenor contracts respectively.



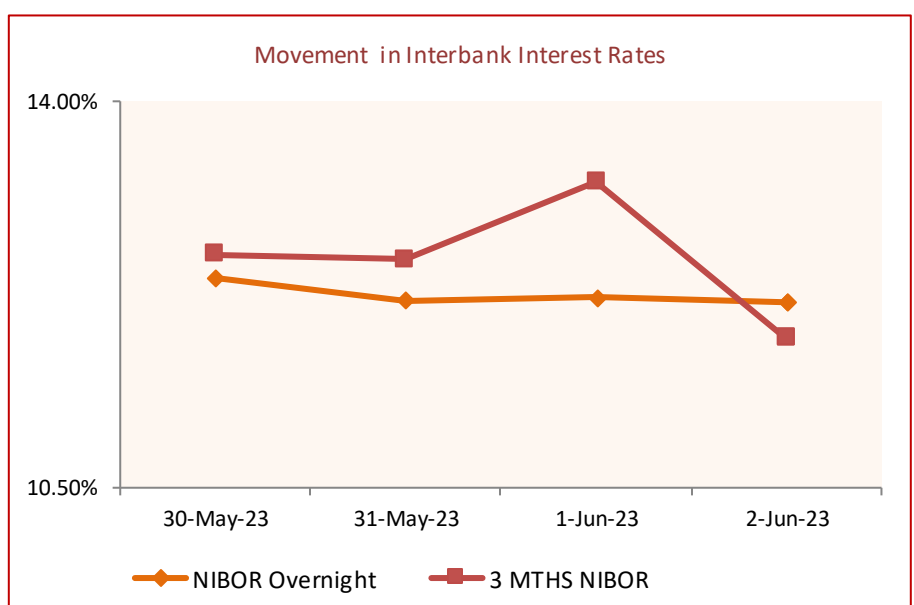
In the oil market this week, Oil prices were climbing on Friday following the recent United States' debt ceiling Bill passed by the US Senates to bring to a vanish the risk of default and ahead the forthcoming OPEC+ meeting. The Brent Crude traded at \$76.81 per barrel on the back of positive US debt ceiling talks. However, on the home front, the Bonny Light crude price lost its gains of last week by 7.61% or (\$6.15) w/w, to close at \$74.65 per barrel from \$80.80 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: : NIBOR Falls for All Tenor Buckets Despite Muted Activity at the Primary Market...

In the past week, there was muted activity in the Treasury Bills primary market. However, in the secondary market, investors liquidated T-bill holdings as we saw NITTY fall for all maturities tracked. Specifically, NITTY rose for 1 month, 3 months, 6 months, and 12 month maturities to 2.97% (from 2.36%), 3.97% (from 3.87%), 5.32% (from 4.92%), and 8.37% (from 8.30%), respectively.

Meanwhile, in the interbank space, we saw a bit of a liquidity boost amid N20 billion worth of OMO bills maturing without refinancing from the Apex Bank. Hence, NIBOR moderated for all tenor buckets tracked. Notably, overnight, 1 month, 3 months, and 6 months NIBOR fell to 12.18% (from 13.10%), 11.25% (from 12.41%), 11.85% (from 13.63%), and 12.62% (from 14.24%), respectively.

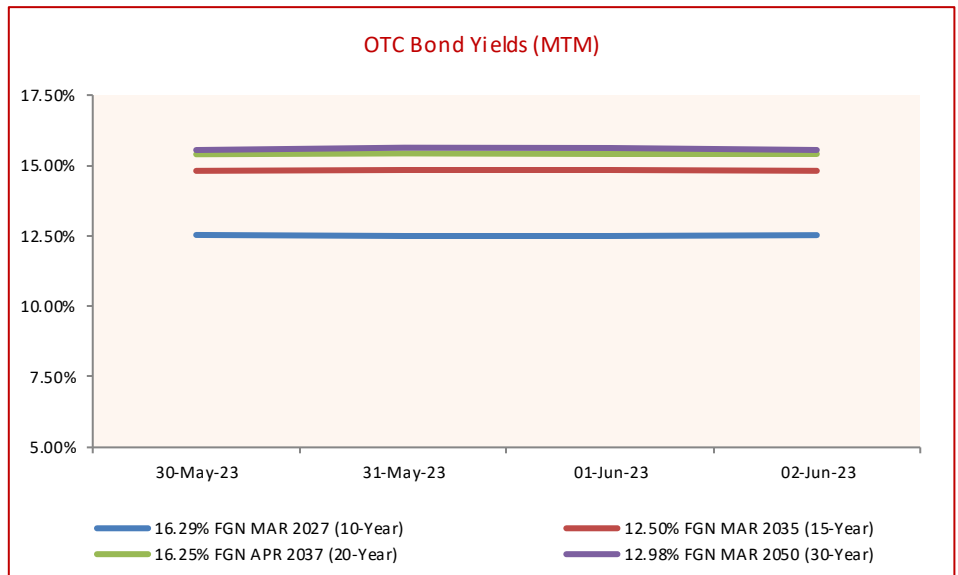


The T-bills market was quiet in the just concluded week as there were no maturing T-bills, which led to bearish sentiments. However, we expect the pressure to ease as there will be an NTB worth N182.86 billion will be maturing in the coming week. Hence, we expect interest rates to moderate in the coming week...

BOND MARKET: Investors Cherry-Pick FGN Bonds as Yields Move in Mixed Directions...

In the just completed week, the value of FGN bonds moved in varied directions in the secondary market, prompting investors to selectively choose maturities with attractive yields. The borrowing costs for the 10-year, 16.29% FGN MAR 2027, and the 15-year, 12.50% FGN MAR 2035 bonds remained unchanged at 12.53% and 14.81%, respectively, as traders adopted a cautious stance.

Conversely, the longer end of the yield curve experienced bullish activity following



the release of a revised bond calendar for Q2 2023 by the Debt Management Office (DMO). Notably, the previously offered bonds (28s, 32s, 42s, and 50s) were replaced by the 29s, 33s, 42s, and 53s. In particular, the 30-year, 12.98% FGN MAR 2050 paper bonds (the 50s bond that was replaced) gained N0.42, while yielding 15.58% (from 15.66%). Similarly, the 20-year, 16.25% FGN APR 2037 bond appreciated by N0.87, accompanied by a decline in its corresponding yield to 15.43% (from 15.58%).

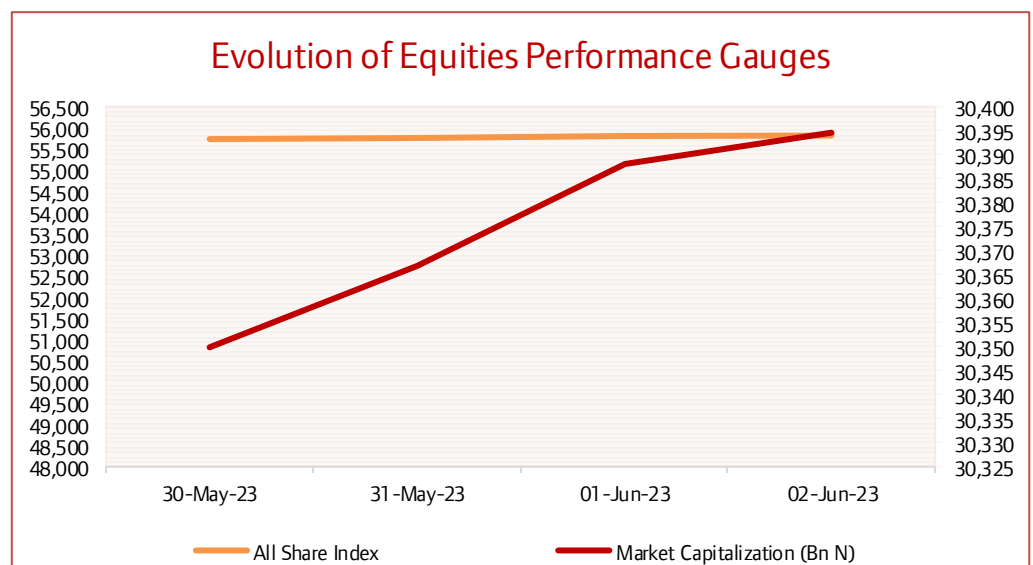
Furthermore, FGN Eurobonds traded on the international capital market witnessed appreciation across all maturities, driven by President Bola Ahmed Tinubu's commitment to removing fuel subsidies and unifying the multiple exchange rates. Specifically, the 10-year, 6.375% JUL 12 2023, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047 recorded gains of USD 0.16, USD 3.41, and USD 3.29, respectively, while their corresponding yields contracted to 12.55% (from 13.06%), 11.94% (from 12.61%), and 11.67% (from 12.27%), respectively.

We note that traders' sentiment will be influenced by the T-bills auction result in the course of the new week. Cowry Research anticipates a moderation in the 364-day T-bill rate, leading to an increase in local OTC (over-the-counter) bond prices and a decrease in yields during the forthcoming week...

EQUITIES MARKET: Upbeat Sentiments Rule as Equities Investors Act on Policy Guidelines... ASI Up 5.37% w/w.

After closing the month of May positive for the fourth consecutive year to defy the "sell in May and come back in October" mantra among stockbrokers, upbeat momentum ruled trading activities in the local bourse this week to kickstart the new trading month on the back of market expectations for further policy guideline and direction from the new administration after the successful transition of power to President Bola Tinubu. Consequently, the benchmark index advanced 5.37% w/w to 55,820.50 points after breaking out the strong resistance levels of 53,000 points and 55,800 points to trade above its 50-Day Simple Moving Average and 100DMA after the golden cross on the daily and weekly charts.

In the same vein, the market cap of listed equities inched further by 5.37% w/w to N30.39 trillion on the back of higher dividend payouts and relatively improved liquidity as fixed incomes yields were not stable in the face of heightening inflation which supported buying interests in the market and flow of funds into the equity space. Resultantly, investors saw profit of N1.55 trillion in 4 out of 5 sessions while the market year-to-date return rose to 8.92%.



Also, the performance index across sectors was green and can be attributed to price appreciation after adjustment for dividend and position taking by insiders or majority shareholders. To this, the Oil & gas sector led the gains by +10.48% w/w and followed by Consumer goods sector (+8.52%) Industrial goods (+5.83%), while the Banking (+4.89%) and Insurance (+1.21%) also closed northward this week.

Meanwhile investors sentiment was upbeat in momentum as the level of trading activities this week stayed positive with a 13.93% w/w increase in total weekly deals to 35,122. Also, the average traded volume this week trended in the positive territory by 31.70% to 2.59 billion units while the average weekly value moved northward by 37.59% w/w to N46.64 billion. At the end of the week, CONOIL (+48%), ETERNA (+32%) and MRS (+21%) were the leading gainers for the week while NPFMCRCFBK (-9%), CHAMPION (-7%) and WAPIC (-6%) led the laggards' chart for the week.

In the next session, we expect a mixed trend of activity in the midst of profit taking and cautious trading as portfolio reshuffling persists even as the market expects more policy guideline of the new government. However, we continue to advise investors to target fundamentally sound companies and defensive stocks to protect their portfolios post-dividend adjustments. Any pullback at this point may add more strength to upside potentials.

Weekly Gainers and Loser as at Friday, June 02, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	May 26 2023	May 19 2023	% Change	Symbol	May 26 2023	May 19 2023	% Change
CONOIL	69.90	47.95	46%	NPFMCRCFBK	1.75	1.92	-9%
ETERNA	9.25	7.00	32%	CHAMPION	3.87	4.18	-7%
JAIZBANK	1.30	1.00	30%	WAPIC	0.46	0.49	-6%
MRS	49.30	40.80	21%	CUTIX	2.35	2.50	-6%
NEIMETH	1.67	1.39	20%	CAP	18.90	20.00	-6%
TRANSCOHOT	8.93	7.50	19%	MCNICHOLS	0.69	0.73	-5%
OKOMUOIL	199.00	171.50	16%	TRANSCORP	2.92	3.07	-5%
STERLINGNG	2.08	1.80	16%	FTNCOCOA	0.66	0.68	-3%
TOTAL	278.30	249.00	12%	UBN	7.20	7.40	-3%
STANBIC	44.00	39.55	11%	ABCTRANS	0.43	0.44	-2%

Weekly Stock Recommendations as at Friday, June 02, 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
GTCO	1.98	6.32	33.15	0.87	14.67	29.45	16.80	28.35	35.0	24.1	32.6	23.46	Buy
PRESCO	21.47	21.47	39.06	3.30	7.45	200	73.00	160.80	215.0	136.0	184.0	34.38	Buy
STERLNGBNK	0.65	0.65	5	0.43	3.5	2.25	1.33	2.08	3.2	1.8	2.4	53.85	Buy
MRS	4.30	13.77	58.25	0.77	10.4	50.0	10.55	49.30	59	41.9	56.7	19.68	Buy
LAFARGE	0.93	2.97	26.76	0.97	28.04	31.75	21.50	26.80	32.0	22.1	29.9	23.08	Buy
OKOMU OIL	17.02	17.02	40.55	4.91	11.70	216.90	104	199	240.00	169.2	228.9	20.60	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 02, 2023

FGN Eurobonds	Issue Date	TTM (years)	02-Jun-23	Weekly	02-Jun-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.11	99.36	0.16	12.6%	(0.51)
7.625 21-NOV-2025	21-Nov-18	2.47	95.97	1.78	9.5%	(0.85)
6.50 NOV 28, 2027	28-Nov-17	4.49	95.97	1.78	9.5%	(0.85)
6.125 SEP 28, 2028	28-Sep-21	5.33	81.40	2.71	10.8%	(0.77)
8.375 MAR 24, 2029	24-Mar-22	5.81	87.34	2.81	11.4%	(0.75)
7.143 FEB 23, 2030	23-Feb-18	6.73	80.31	2.70	11.4%	(0.67)
8.747 JAN 21, 2031	21-Nov-18	7.64	85.24	3.38	11.7%	(0.77)
7.875 16-FEB-2032	16-Feb-17	8.72	79.63	3.05	11.7%	(0.67)
7.375 SEP 28, 2033	28-Sep-21	10.33	74.95	3.43	11.6%	(0.72)
7.696 FEB 23, 2038	23-Feb-18	14.74	70.87	3.41	11.9%	(0.67)
7.625 NOV 28, 2047	28-Nov-17	24.51	67.49	3.29	11.7%	(0.60)
9.248 JAN 21, 2049	21-Nov-18	25.66	77.69	3.46	12.1%	(0.57)
8.25 SEP 28, 2051	28-Sep-21	28.34	69.53	3.27	12.1%	(0.59)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 02, 2023

MAJOR	02-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0729	1.0761	-0.30%.	0.03%	-3.00%.	0.09%
GBPUSD	1.2503	1.2525	-0.18%.	1.27%	-0.51%.	0.12%
USDCHF	0.9084	0.9053	0.34%	0.36%	2.81%	-5.61%.
USDRUB	81.1460	80.9921	0.19%	2.55%	3.20%	33.11%
USDNGN	2.2756	2.2726	0.13%	0.50%	1.28%	5.04%
USDZAR	0.0000	0.0000	0.00%	0.00%	0.00%	0.00%
USDEGP	Price	#VALUE!	%	Weekly	Monthly	YoY
USDCAD	1.34	1.3450	-0.10%.	-1.30%.	-1.32%.	6.69%
USDMXN	17.47	17.5478	-0.42%.	-0.77%.	-2.46%.	-10.62%.
USDBRL	4.96	5.0140	-1.06%.	-0.65%.	-0.67%.	3.94%
AUDUSD	0.6619	0.6570	0.74%	1.53%	-0.78%.	-8.18%.
NZDUSD	0.6076	-0.0600	0.11%	0.46%	-2.41%.	-6.60%.
USDJPY	139.5650	138.7878	0.56%	-0.74%.	3.64%	6.66%
USDCNY	7.0977	7.1034	-0.08%.	0.37%	2.56%	6.69%
USDINR	82.3696	82.2627	0.13%	-0.24%.	0.75%	6.16%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, June 02, 2023

Commodity		02-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.7	70.1	2.23%	-1.39%	4.46%	-38.35%
BRENT	USD/Bbl	76.0	74.3	2.38%	-1.14%	5.18%	-35.00%
NATURAL GAS	USD/MMBtu	2.2	9.8	2.89%	-8.06%	2.41%	-73.89%
GASOLINE	USD/Gal	2.5	2.4	2.42%	-3.91%	7.23%	-38.18%
COAL	USD/T	130.2	138.0	-5.69%	-18.66%	-30.61%	-68.45%
GOLD	USD/t.oz	1,963.0	1,977.9	-0.75%	0.88%	-3.71%	6.09%
SILVER	USD/t.oz	23.7	23.9	-0.86%	1.66%	-7.42%	8.15%
WHEAT	USD/Bu	602.8	610.8	-1.31%	-2.16%	-3.66%	-42.70%
PALM-OIL	MYR/T	3,381.0	3,279.0	3.11%	-5.00%	-1.28%	-47.61%
COCOA	USD/T	3,012.0	3,008.1	0.13%	0.74%	-0.03%	22.03%

FGN Bonds Yield Curve, Friday June 02, 2023

