

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Trade Value Improves to N12.05trn Despite Naira Depreciation, Scarcity...

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FOREX MARKET: Naira Hits Historic Low At I&E Window to N472.50 Amid Heightened Pressure....

We expect the naira to trade relatively around the N470 band across official market segment barring any market distortion and current market information driving demand. Also, as the CBN continues its weekly FX market intervention to defend the value of the naira at the retail FX Auction and Secondary Windows, we anticipate movement in rates in tandem with market realities.

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In the next session, we expect a mixed trend to linger in the absence of market catalyst and fundamental news to drive activities and to give market direction. However, we continue to advise investors to target fundamentally sound companies and defensive stocks to protect their portfolios post-dividend adjustments.

ECONOMY: Nigeria's Trade Value Improves to N12.05trn Despite Naira Depreciation, Scarcity...

Nigeria recorded a positive trade balance in Q1 2023, implying that there was less spending on imports than on exports during the period despite the distortions in the FX market. This may be linked to improved exports of domestically produced merchandises to improve foreign exchange earnings, encourage local manufacturers and to protect infant industries in Nigeria.

The latest trade statistics published by the NBS showed that Nigeria's total trade value declined by 17.5% y/y to N12.05 trillion in the first quarter of 2023 from N14.60 trillion in the corresponding quarter of 2022 but increased by 2.77% q/q from N11.72 trillion in the fourth quarter of 2022. This shows that total exports at N6.49 trillion exceeded the value of total imports at N5.56 trillion during the period to give a positive trade balance; driven by a number of factors, including the rise in global oil prices, the increase in demand for Nigerian exports from China and other Asian countries, and the depreciation of the naira despite the currency crunch crisis, which made Nigerian exports more competitive during the quarter.

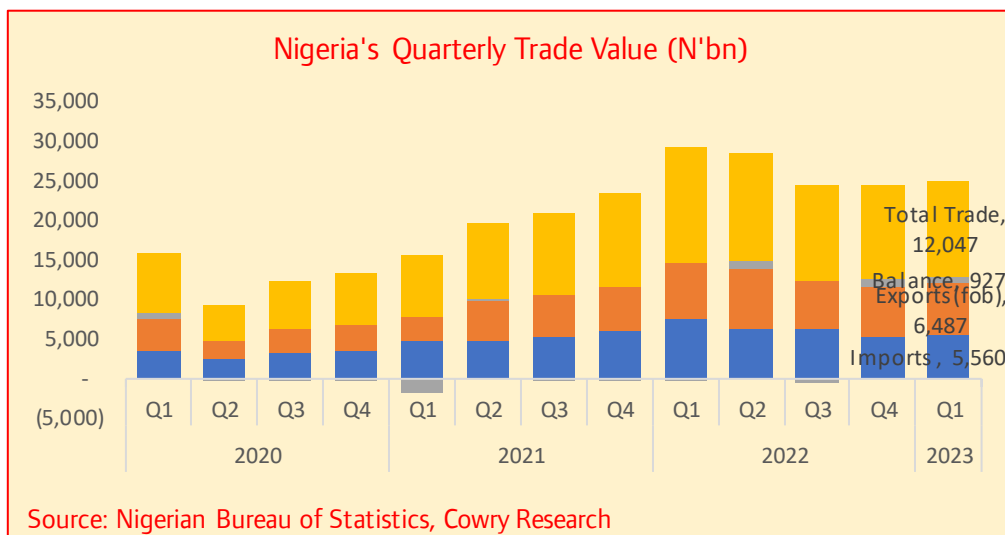
According to the report, total exports increased in Q1:23 by 2% q/q but declined by 8.66% y/y compared to the amounts recorded in Q4:2022 (N6.36 trillion) and Q1:2022 (N7.10 trillion), respectively. In the same vein, total imports increased by 3.67% q/q in Q1:2023 compared to the value recorded in Q4:2022 (N5.36 trillion), but then again declined by 25.83% y/y when compared to the value recorded in the corresponding quarter of 2022 (N7.49 trillion). We note that the foreign trade statistics for Q1 2023 are positive and signal economic recovery, and the positive trade balance, which increased by 335.58% y/y to N927.2 billion, is a welcome development compared to the trade deficit of N393.6 billion in Q1 2022. This was due to the increase in exports, which exceeded the increase in imports.

Analysis of the data reveals that the share of exports in total trade stood at 53.85%, as Nigeria's export trade in Q1:23 was dominated by crude oil exports valued at N5.15 trillion and accounting for 79.37% of total exports, while non-crude oil exports valued at N1.34 trillion, or 20.63% of total exports, of which non-oil products contributed a total of N652.29 billion, representing 10.06% of total exports. On the contrary, the value of total exports stood at N5.56 trillion in the same period, which indicates a 3.67% increase from the prior quarter (Q4). Imports' share of total trade in Q1 2023 accounted for 46.15% of total trade, bringing the trade balance to N927.2 billion in the period under review.

The increase in total trade in Q1 2023 is a positive sign for the Nigerian economy. It suggests that the country is becoming more integrated into the global economy and that businesses are becoming more confident in the economy. The increase in exports is also a positive sign, as it suggests that the country's manufacturing sector is growing. However, the increase in imports is a cause for concern, as it suggests that the country is still heavily reliant on imports. The positive trade balance is also a positive sign, but it is important to note that it was only positive due to the increase in crude oil and natural gas exports.

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According to the Abuja-based statistics agency, top export destinations in Q1:23 were the Netherlands (N837.65bn), USA (N579.35bn), Spain (N488.17bn), France (N487.34bn), and India (N456.69bn), while exports to the top five countries amounted to 43.92% of the total value of exports, with petroleum oils and oils obtained from bituminous minerals, crude (N5.15trn) emerging as the commodity with the largest export values in the period under review, followed by "natural gas, liquefied" (622.36bn) and 'Urea (N146.79bn). For the imports, the top import origins for Nigeria are China (N1.3trn), the Netherlands (N575.23bn), Belgium (N518.12bn), India (N427.40bn), and the USA (N283.94bn), while the commodities with the largest values of imported products were 'Motor Spirit Ordinary' (N1.49trn), Gas Oil (N472.40bn), 'Durum Wheat (not in seeds)' (N249.22bn), Cane Sugar (N75.79bn), and Kerosene type jet fuel (N70.16bn) accordingly.

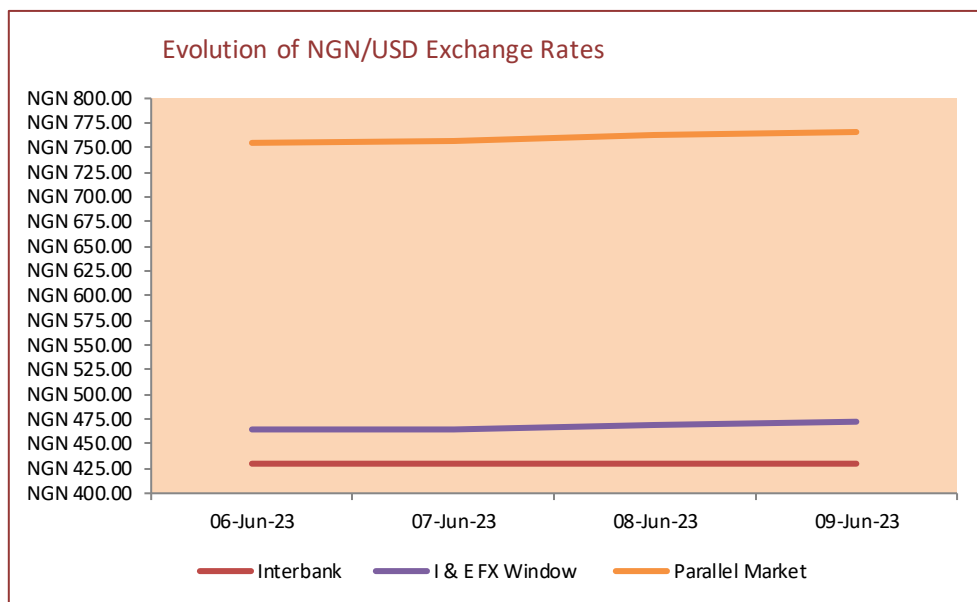


Cowry Research opines that the increase in Nigeria's foreign trade in Q1:23 is a positive development and indicates that Nigeria's economy is growing amidst the growing demand for Nigerian goods and services. However, it is important to note that the increase in trade was driven by the increase in crude oil exports and echoes the need to focus on diversifying the economy with non-oil exports and reducing reliance on oil exports. This will help make the economy more resilient to shocks in the oil market. Also, the government should invest in infrastructure and human capital, which will help attract foreign investment.

FOREX MARKET: Naira Hits Historic Low At I&E Window to N472.50 Amid Heightened Pressure....

As market traders position cautiously in the market in the lookout for the expected convergence in the exchange rate market, the Naira traded in south ward as it depreciated by N14 or 1.86% w/w to N766/\$1 from N752/\$1 at the parallel market. Also, at the investors' and exporters' FX window, the Naira depreciated to historic low against the United States' dollar by N7.83 or 1.69% w/w to close at N472.50/\$1 from N464.67/\$1 in the previous week as the hegemony of the dollar continues while players in the market kept bids between N468 and N475.

At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate cleared higher to close at N465/\$1, down 0.65% w/w from N462/\$1. Also, in our analysis of the Naira/USD exchange rate at the weekly Naira FX Forward Contracts Markets, the Nigerian naira reigned with positive appreciations across all forward contracts against the dollar. Consequently, the naira strengthened by +0.48%, +0.45%, +0.89%, +0.83% and +0.83% w/w to close at N480.18/\$1, N497.34/\$1, N506.77/\$1, N532.01/\$1 and N561.12/\$1 at all tenor contracts respectively.

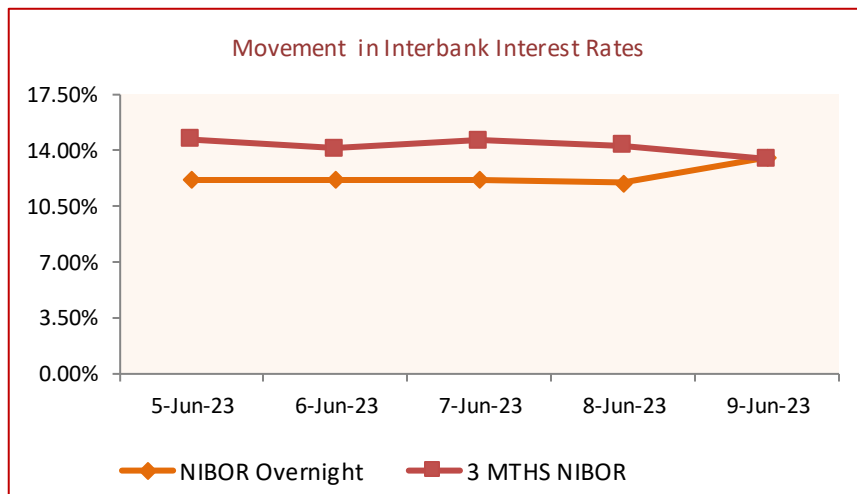


In the oil market this week, Oil prices took a recourse on Friday for weekly loss despite efforts by Saudi Arabia to bolster oil prices in the market with the announcement for a further production cut and the forecast for tighter supply amidst economic concerns in the US, China and Europe. Resultantly, the Brent Crude traded at \$75.92 per barrel at the close of the week. However, on the home front, the Bonny Light crude price advanced with gains by 1.38% or (\$1.03) w/w, to close at \$75.68 per barrel from \$74.65 per barrel in the previous week.

We expect the naira to trade relatively around the N470 band across official market segment barring any market distortion and current market information driving demand. Also, as the CBN continues its weekly FX market intervention to defend the value of the naira at the retail FX Auction and Secondary Windows, we anticipate movement in rates in tandem with market realities.

MONEY MARKET: : NITTY Rises for Most Maturities as Stop Rate for 364-Day Approaches 10%...

In the just concluded week, the CBN sold T-bills worth N182.86 billion to mop up all matured treasury bills, with stop rates rising for all tenor buckets. The bid-to-cover ratio for the auction was 4.54x, up from 4.50x at the previous auction. Specifically, stop rates for 91-day, 182-day, and 365-day bills rose to 4.48% (from 2.29%), 6.00% (from 4.99%), and 9.45% (from 7.99%), respectively, as investors bid higher in tandem with the increase in rates, while the yields in the secondary market turned northwards for all maturities tracked. Notably, NITTY for 1 month, 3 months, and 6 months maturities leaped to 3.98% (from 2.97%), 4.90% (from 3.97%), and 5.99% (from 5.32%), respectively, as traders demanded higher yields. However, NITTY for 12 months fell to 8.35% (from 8.37%).

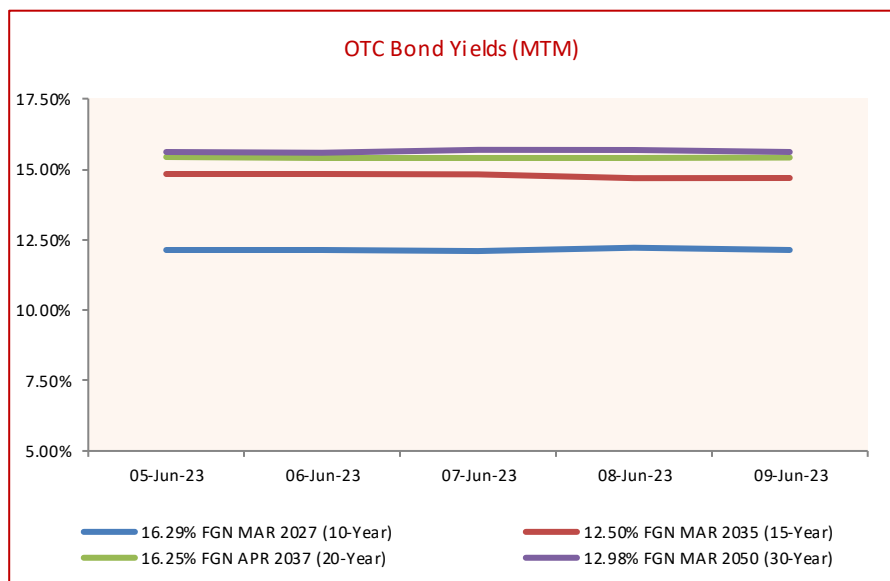


There were no auctions or maturing bills in the OMO space; however, activity in the OMO area was bearish as NIBOR rose across the board for all tenor buckets. NIBOR for overnight, 3 months, 6 months, and 12 months increased to 13.56% (from 12.18%), 12.70% (from 11.25%), 13.47% (from 11.85%), and 13.91% (from 12.62%), respectively.

In the new week, we expect activity in the money market to be bearish as the financial system's liquidity may rather come in low given the small maturing N34.54 billion worth of T-bills...

BOND MARKET: FGN Bonds Yields Fall for Most Maturities amid Buy-Pressure...

In the just concluded week, the value of FGN bonds was bullish for most maturities we tracked in the secondary market amid buy-pressure. The 10-year, 16.29% FGN MAR 2027 note, the 20-year, 16.25% FGN APR 2037 paper, and the 30-year, 12.98% FGN MAR 2050 paper bonds gained N0.34, N0.06, and N0.34, respectively; their corresponding yields rose to 12.10% (from 12.21%), 15.41% (from 15.42%), and 15.62% (from 15.68%), respectively. However, the 15-year, 12.50% FGN MAR 2035 debt remained unchanged at 14.68% and 14.81%, respectively, as traders adopted a cautious stance.



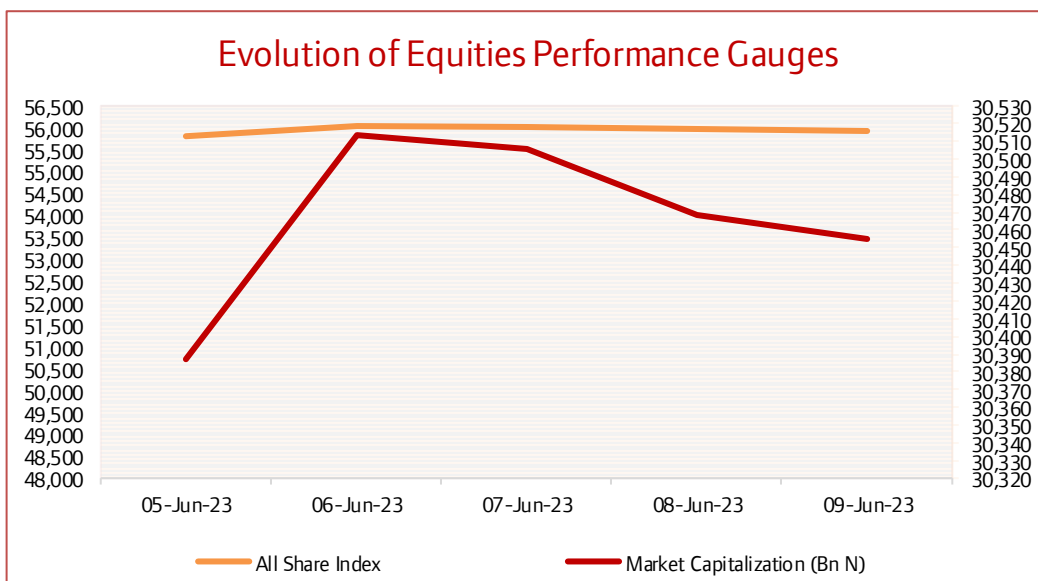
Elsewhere, FGN Eurobonds traded on the international capital market witnessed appreciation across most maturities tracked, amid sustained bullish sentiment. Notably, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047 recorded gains of USD 0.19, and USD 0.31, respectively, while their corresponding yields contracted to 12.09% (from 12.12%), and 11.73% (from 11.78%), respectively. Conversely, the 10-year, 6.375% JUL 12 2023 held steady at 16.97%.

In the new week, we expect local OTC bond prices to fall (and yields to rise) as traders react to higher rates, especially for the 364-day T-bills...

EQUITIES MARKET: Mild Investor Sentiment Sustains Bullish Close Despite Pressured Sell-offs by 2bps....

The equities market closed mildly positive this week as the benchmark index advanced 0.20% w/w to 55,930.97 points despite sell-offs from some highly priced stocks while discerning investors seeking alpha continue their portfolio reshuffling as they take positions in defensive stocks. Consequently, the market cap of listed equities rose 0.20% to N30.45 trillion as equities investors gained N60.11 billion from the 5 sessions this week while the year-to-date to 9.13%.

Across the market sectors, the performance closed in the green and can be attributed to positive price movements. To this, the insurance sector led the gainers' chart with 13.91% w/w and followed by oil & gas sector (+3.39%), Banking (+1.10%) and Consumer Goods sector which also gained +0.14% and the Industrial Goods closed southward by 1.32% this week.



Elsewhere, market activities stayed downbeat in momentum as the level of trading activities this week weakened as the total weekly deals tanked by 9.87% w/w to 31,655. Also, the average traded volume this week trended lower by 15.06% to 2.19 billion units while the average weekly value moved in the direction by 1.44% w/w to N45.97 billion. At the end of the week, ETERNA (+45%), UNITYBNK (+44%) and FTNCOCOA (+41%) were the leading gainers for the week while RTBRISCOE (-11%), COURTVILLE (-10%) and MULTIVERSE (-10%) led the laggards' chart for the week.

In the next session, we expect a mixed trend to linger in the absence of market catalyst and fundamental news to drive activities and to give market direction. However, we continue to advise investors to target fundamentally sound companies and defensive stocks to protect their portfolios post-dividend adjustments.

Weekly Gainers and Loser as at Friday, June 09, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	June 09 2023	June 02 2023	% Change	Symbol	June 09 2023	June 02 2023	% Change
ETERNA	13.45	9.25	45%	RTBRISCOE	0.34	0.38	-11%
UNITYBNK	0.72	0.50	44%	COURTVILLE	0.46	0.51	-10%
FTNCOCOA	0.93	0.66	41%	MULTIVERSE	3.70	4.09	-10%
CORNERST	1.14	0.83	37%	ABCTrans	0.39	0.43	-9%
MANSARD	4.00	3.19	25%	UPL	2.20	2.37	-7%
JAPAULGOLD	0.48	0.39	23%	GLAXOSMITH	7.15	7.55	-5%
NEM	6.05	5.00	21%	OANDO	5.62	5.90	-5%
MRS	59.60	49.30	21%	UACN	9.15	9.60	-5%
TRANSCOHOT	10.63	8.93	19%	CAP	18.05	18.90	-4%
UPDC	1.20	1.02	18%	FLOURMILL	33.10	34.55	-4%

Weekly Stock Recommendations as at Friday, June 09, 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
ETERNA	0.84	2.69	10.91	1.23	15.99	13.45	5.40	13.45	18.0	11.4	15.5	33.83	Buy
STERLINGBNK	0.65	0.65	5	0.43	3.5	2.25	1.33	2.28	3.2	1.9	2.6	42.22	Buy
UBA	4.98	4.98	23.64	0.42	2.00	10.20	6.55	9.95	12.0	8.5	11.4	20.60	Buy
LAFARGE	0.93	2.97	26.76	0.96	27.72	31.75	21.50	25.80	32.0	21.8	29.6	24.51	Buy
CADBURY	1.84	5.88	9	1.91	9.2	17.85	7.75	17.30	22.0	14.5	19.6	29.41	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 09, 2023

FGN Eurobonds	Issue Date	TTM (years)	09-Jun-23	Weekly	09-Jun-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.09	99.12	(0.24)	17.0%	4.42
7.625 21-NOV-2025	21-Nov-18	2.45	94.52	(1.45)	10.2%	0.72
6.50 NOV 28, 2027	28-Nov-17	4.47	94.52	(1.45)	10.2%	0.72
6.125 SEP 28, 2028	28-Sep-21	5.31	80.22	(1.18)	11.2%	0.35
8.375 MAR 24, 2029	24-Mar-22	5.79	85.50	(1.84)	11.9%	0.50
7.143 FEB 23, 2030	23-Feb-18	6.72	79.41	(0.90)	11.7%	0.23
8.747 JAN 21, 2031	21-Nov-18	7.62	84.77	(0.47)	11.8%	0.12
7.875 16-FEB-2032	16-Feb-17	8.70	78.93	(0.70)	11.8%	0.16
7.375 SEP 28, 2033	28-Sep-21	10.31	74.41	(0.54)	11.7%	0.11
7.696 FEB 23, 2038	23-Feb-18	14.72	70.11	(0.76)	12.1%	0.15
7.625 NOV 28, 2047	28-Nov-17	24.49	67.17	(0.32)	11.7%	0.06
9.248 JAN 21, 2049	21-Nov-18	25.64	77.73	0.04	12.1%	0.00
8.25 SEP 28, 2051	28-Sep-21	28.32	70.06	0.53	12.0%	(0.09)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 09, 2023

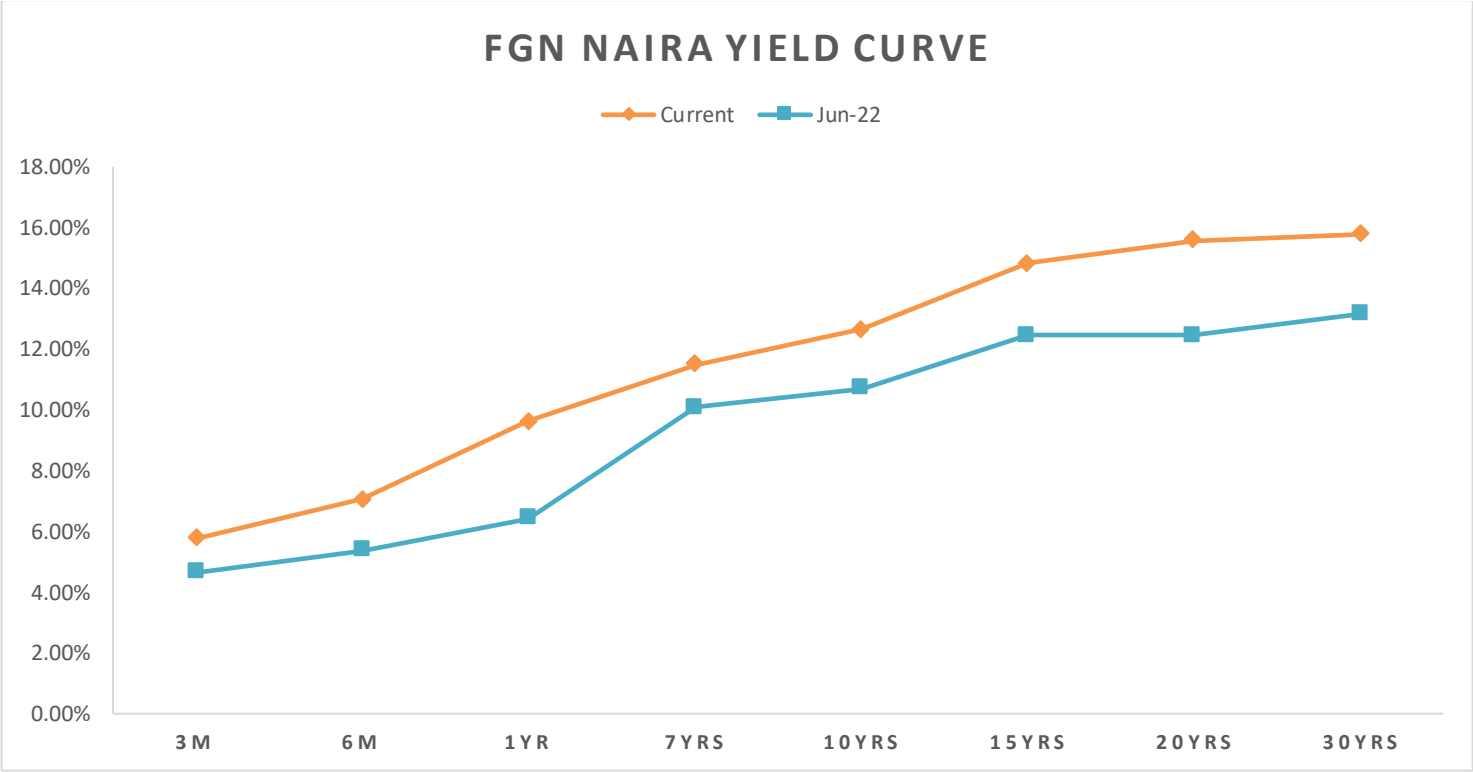
MAJOR	09-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0772	1.0781	-0.09%	0.60%	-1.91%	2.43%
GBPUSD	1.2584	1.2552	0.25%	1.09%	-0.32%	2.19%
USDCHF	0.9018	0.8984	0.38%	-0.76%	1.39%	-8.62%
USDRUB	81.6025	81.9961	-0.48%	1.00%	7.23%	46.37%
USDNGN	461.7200	461.6738	0.01%	0.17%	0.36%	11.36%
USDZAR	18.7234	18.8345	-0.59%	-3.96%	-0.78%	18.27%
USDEGP	30.9418	30.9511	-0.03%	0.30%	0.30%	65.39%
USDCAD	1.33	1.3351	-0.23%	-0.77%	-0.38%	4.21%
USDMXN	17.31	17.3647	-0.29%	-1.30%	-1.33%	-13.24%
USDBRL	4.89	4.9236	-0.66%	-1.29%	-0.99%	-1.87%
AUDUSD	0.6745	0.6715	0.45%	2.02%	-0.49%	-4.35%
NZDUSD	0.6131	-0.0600	0.62%	1.15%	-3.70%	-3.76%
USDJPY	139.4420	138.9141	0.38%	-0.34%	3.82%	3.76%
USDCNY	7.1383	7.1184	0.28%	0.41%	2.90%	6.06%
USDINR	82.4163	82.4905	-0.09%	0.01%	0.62%	5.49%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, June 09, 2023

Commodity		09-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.4	71.3	0.21%	-0.54%	-1.67%	-38.14%
BRENT	USD/Bbl	76.2	76.0	0.34%	0.00%	-0.36%	-36.03%
NATURAL GAS	USD/MMBtu	2.3	9.8	-2.44%	5.28%	4.36%	-74.21%
GASOLINE	USD/Gal	2.6	2.6	-0.47%	3.82%	4.06%	-35.05%
COAL	USD/T	136.3	136.0	0.18%	4.69%	-19.38%	-65.59%
GOLD	USD/t.oz	1,964.2	1,967.7	-0.18%	0.84%	-3.23%	4.97%
SILVER	USD/t.oz	24.4	24.2	0.57%	3.35%	-4.10%	11.46%
WHEAT	USD/Bu	623.6	626.3	-0.43%	1.04%	-2.46%	-42.34%
PALM-OIL	MYR/T	3,367.0	3,263.9	3.16%	-0.41%	-9.22%	-43.13%
COCOA	USD/T	3,159.0	3,148.9	0.32%	4.40%	-3.28%	32.45%

FGN Bonds Yield Curve, Friday June 09, 2023



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