

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Consumer Pockets Squeeze as Inflationary Pressure Heightens, Hits 22.41% in May.....

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EQUITIES MARKET: FX Unification Policy Buys Weekly Gains by 5.49% as ASI Trades at 15-Year High....

In the coming week, we anticipate the market to trade in the mix on upbeat sentiment as investors reassess the upside potentials of stocks while they digest the current consumer price index data. Furthermore, we anticipate that the Naira devaluation resulting from the unified exchange rate will attract foreign investors, as Nigerian stocks become relatively cheaper ahead of expected corrections.

FOREX MARKET: Significant Shift on FX Trading Policy Weighs in As Naira Trades at N663.04/\$1 Officially....

Following the decision of the monetary authority to impose a less restrictive foreign exchange policy to bring a convergence in rates across market, we opine that the foreign exchange market remain volatile in the near term as we begin to see market participants position themselves to determine the fair exchange price levels within the N600 band, and, in the medium to long term, ascertain the true value of the naira against the dollar in the market.....

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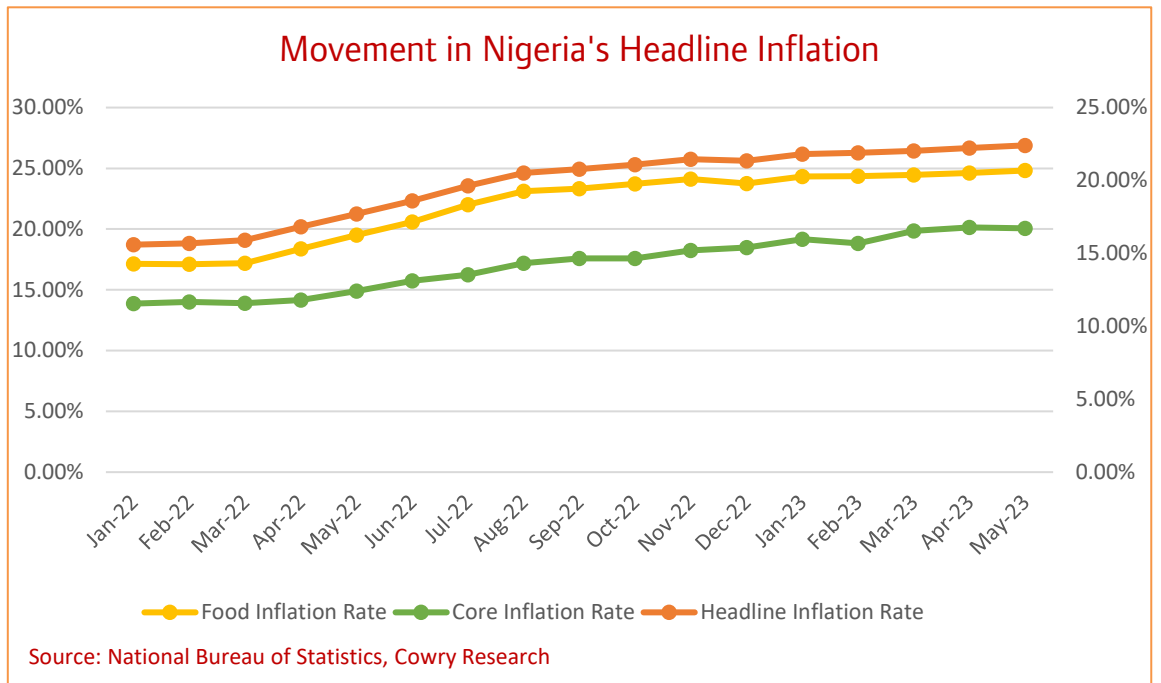
BOND MARKET: Sell Pressure Weighs in as FGN Bond Prices Fall Ahead of Next Week's PMA...

Looking ahead to the new week, the DMO will auction N360 billion worth of local bonds, viz., N90 billion a piece for the reopening of the 10-year 14.55% FGN APR 2029 bond, as well as new issuances for the 12.40% FGN JUN 2033, FGN JUN 2038, and FGN JUN 2053 bonds. Hence, we expect the stop rates to fall, mirroring the moderation in the money market rate for 364-day bills to 8.24%.

ECONOMY: Consumer Pockets Squeeze as Inflationary Pressure Heightens, Hits 22.41% in May.....

Over time, the Nigerian government, through the monetary authority, has taken several measures to tame inflation, including raising interest rates, devaluing the naira, and subsidizing the prices of some essential goods. However, these measures have proved abortive and unsuccessful in bringing inflation under control. Amidst these efforts, the monthly report from the National Bureau of Statistics (NBS) showed that Nigeria's headline inflation rate rose for the fifth straight month to 22.41% in May 2023 from 22.22% in the previous month. This is the highest inflation rate in Nigeria since September 2005 and the third straight month of staying within the 22% band. Meanwhile, the current print of 22.41% showed an increase of 0.19% points when compared to April 2023 and 4.70% points higher compared to the rate recorded in May 2022, at 17.71%.

According to the report, the rise in inflation was driven by increases in the prices of food and non-alcoholic beverages (11.61% y/y), housing water, electricity, gas, and other fuel (3.75%), clothing and footwear (1.71%), and transport (1.46%). However, the index stayed below our expectation (22.5%) for the month when we consider the effects of the subsidy removal towards the close of the month, which led to a spike in the PMS price across the country, the continued rate of insecurity, and communal clashes across some of the food-producing areas, among others.



Elsewhere, the food index rose to 24.82% in May to reach a new high since October 2005 (24.60%) from 24.61% in April 2023. The rise in food prices was due to increases in the prices of staple foods such as oil and fat, yam and other tubers, bread and cereals, fish, potatoes, fruits, meat, vegetables, and spirits. The prices of these foods have been rising due to several factors, including the high cost of food importation, the ongoing conflict in Ukraine that is causing supply chain disruption, and the government's decision to remove fuel subsidies during the month.

while core inflation stood at 20.06% y/y in May 2023 decelerating from 20.14% in April 2023 but rose to 1.81% m/m during the review period. Drivers of this index were principally due to increases in prices of gas, passenger transport by air, liquid fuel, vehicle spare parts, fuels and lubricants for personal transport equipment, medical services, and passenger transport by road, among other drivers. The rise in transport prices was due to the high cost of crude oil and diesel. To buttress the point, the rise in housing prices can be attributed to increases in the prices of building materials and rent, which resulted from the high cost of imported cement and steel as well as the high demand for housing.

During the month, the inflation rate was highest in Ondo (25.84%), Kogi (25.70%), and Rivers (25.02%), while Taraba (19.55%), Sokoto (19.56%), and Plateau (19.89%) recorded the slowest rise on a year-on-year basis. Also, food inflation rose fastest in Ondo (30.26%), Kogi (29.83%), and Kwara (29.52%), while Sokoto (18.89%), Taraba (21.30%), and Kano (21.33%) reported the slowest rise on a year-on-year basis.

Cowry Research opines that inflationary pressure will continue to weigh on the economy notwithstanding the new administration's hint at the need for interest rate moderation in a bid to increase investment and consumer purchasing power. We note that this move will bring about a further spike in the inflationary pressure. Also, the recent CBN's decision to float the naira will bring about further depreciation of the naira, while we expect to see the effect of the current subsidy removal by the new administration on price pressure and economic activities. The resultant effect of this decision will be more expensive imports and upward inflation pressure. Meanwhile, we expect a further surge in the headline inflation index to 23.6% in June.

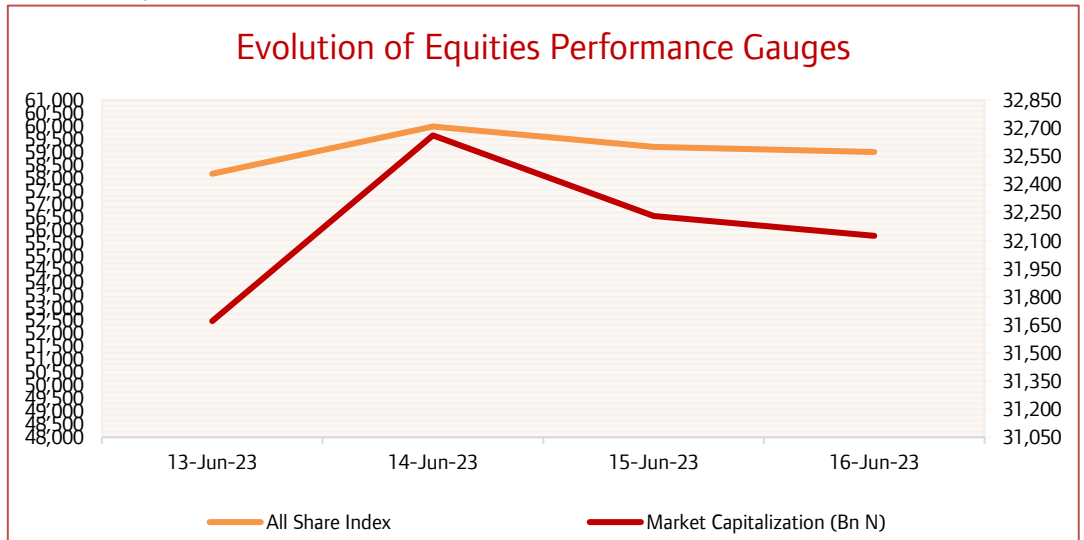
EQUITIES MARKET: FX Unification Policy Buoy Weekly Gains by 5.49% as ASI Trades at 15-Year High....

The bullish momentum on the Nigerian Exchange persisted this week by 5.45% w/w as the ASI traded at a 15-year historical high above the 59,000-index point for the first time since 2008 to close at 59,000.96 points, and driven by the central bank's implementation of a unified exchange rate, which aligned with President Bola Tinubu's policy statement in his inaugural speech. This move was in line with market expectations and bolstered investor sentiment and confidence with over N1.67 trillion profits in 2 of 4 sessions as the market cap advanced by 5.49% w/w to N32.13 trillion. Resultantly, year-to-date return of the index stood at 15.12%.

Across the market sectors, the performance was in the green except for the Industrial Goods sector which closed the week bearish (-1.63%). Leading the gainers' table was the banking index which gained +12.59% w/w on the back of CBN's directive for banks to trade fx on free float. Trailing were the oil & gas sector (+11.95%), insurance (+9.00%) and consumer goods (+4.16%) sectors on the back of strong bet by investors on their relative cheap and attractive stocks.

Elsewhere, market activities were upbeat in strong momentum on high traded volumes and deals brokerage as the total weekly deals advanced by 39.68% w/w to 44,216. Also, the average traded volume this week trended higher by 94.37% w/w to 4.27 billion units while the average weekly value surged northward by 35.06% w/w to N62.09 billion. At the end of the week, FTNCOCOA (+45%), UNITYBNK (+42%) and TRANSCOHOT (+37%) were the leading gainers for the week while JOHNSHOLT (-18%), ABCTrans (-13%) and ELLAHLAKES (-10%) led the laggards' chart for the week.

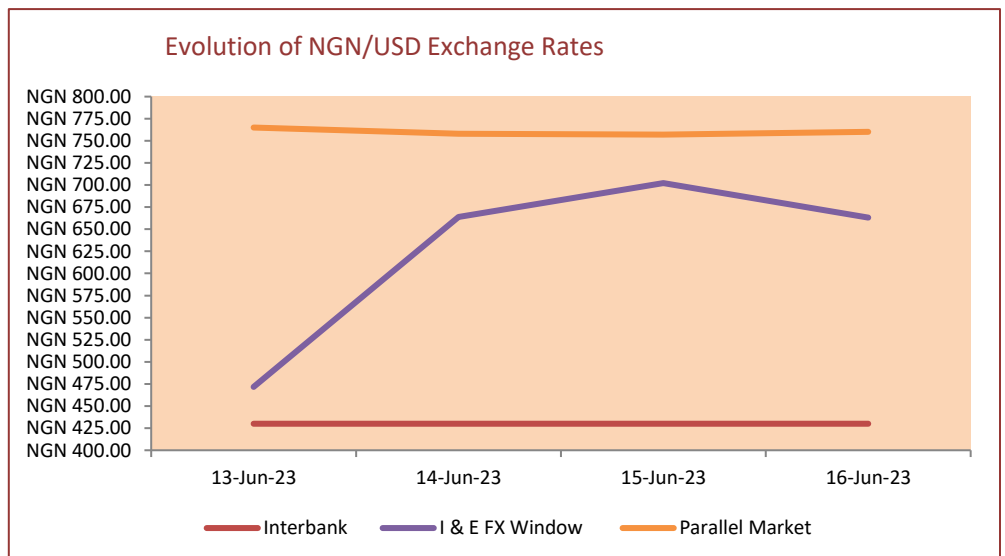
In the coming week, we anticipate the market to trade in the mix on upbeat sentiment as investors reassess the upside potentials of stocks while they digest the current consumer price index data. Furthermore, we anticipate that the Naira devaluation resulting from the unified exchange rate will attract foreign investors, as Nigerian stocks become relatively cheaper ahead of expected corrections. However, we continue to advise investors to target fundamentally sound companies and defensive stocks to protect their portfolios post-dividend adjustments.



FOREX MARKET: Significant Shift on FX Trading Policy Weighs in As Naira Trades at N663.04/\$1 Officially....

A significant shift to a less restrictive fx policy came into force on Wednesday as the CBN, under the recent administration, granted banks the autonomy to determine their foreign exchange trading rates. The decision to float the naira became effective with the collapsing of the existing market segments into the Investors and Exporters window, the reintroduction of the 'willing buyer, willing seller' model, 2-way based quotes with a bid-ask spread of N1, and an order book to ensure transparency of orders and seamless trade executions.

Following this development, the Naira appreciated by N6 or 0.78% w/w to N760/\$1 from N766/\$1 at the parallel market as fx users seek lower rates. Also, at the investors' and exporters' FX window, the Naira depreciated to historic low against the United States' dollar in reaction to the less restrictive fx policy by the apex bank as it tanked by N190.54 or 40.33% w/w to close at N663.04/\$1 from N472.50/\$1 in the last week. This comes as traders position themselves in a bid to ascertain the fair value of the naira.



At the Interbank Foreign Exchange Forward Contracts market, the spot exchange rate cleared higher by 37.63% w/w to close at N640/\$1 from N465/\$1. Also, following the latest development in the fx market this week, the Naira at the Forward

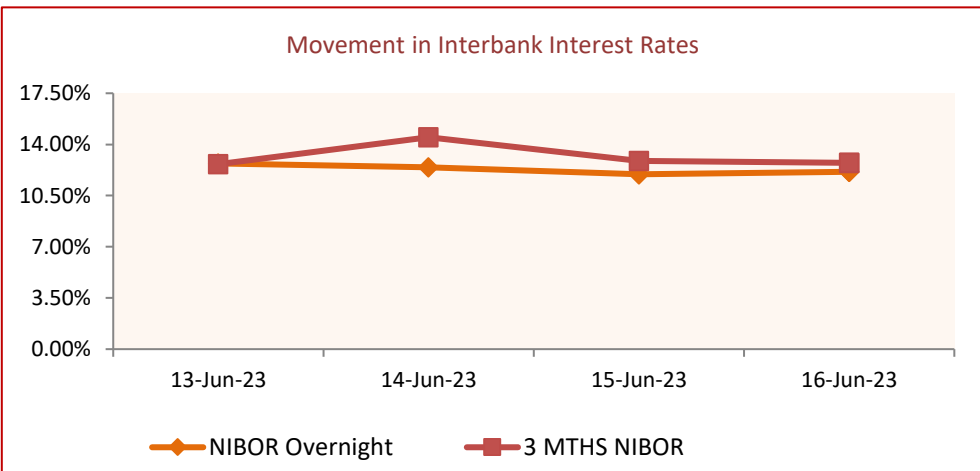
Contracts Markets, weakened across all forward contracts against the dollar. Consequently, the dollar edged the naira by +45.41%, +47.47%, +46.75%, +44.72% and +40.90% w/w to close at N698.21/\$1, N733.42/\$1, N743.69/\$1, N769.91/\$1 and N790.62/\$1 at all tenor contracts respectively.

Elsewhere, oil prices displayed an upward trajectory at the start of the week, fueled by optimistic investor sentiments surrounding an anticipated surge in demand by the latter half of the year. Resultantly, Brent crude, the global benchmark, witnessed gains to \$75.29 per barrel despite reports indicating a comparatively slower growth rate for China's economy in the second quarter when compared to the first quarter. Also, the Bonny Light crude price advanced with gains by 0.8% or (\$0.60) w/w, to close at \$76.28 per barrel on Wednesday from \$75.68 per barrel in the previous week.

Following the decision of the monetary authority to impose a less restrictive foreign exchange policy to bring a convergence in rates across market, we opine that the foreign exchange market remain volatile in the near term as we begin to see market participants position themselves to determine the fair exchange price levels within the N600 band, and, in the medium to long term, ascertain the true value of the naira against the dollar in the market.

MONEY MARKET: : Stop Rates Moderate for Most Maturities Despite Spiralling Inflation at 22.41%...

In the just concluded week, CBN refinanced N34.54 billion in T-bills that matured via the primary market at lower stop rates for most maturities as investors demanded longer-dated maturities. The bid-to-cover ratio for the auction was 5.70x, up from 6.23x at the previous auction. Specifically, stop rates for 182-day and 364-day bills moderated to 5.12% (from 6.00%) and 8.24% (from 9.45%), respectively. However, the rate on 91-day bills rose marginally to 4.89% (from 4.48%) due to lower subscription levels. Meanwhile, NITTY's performance in the secondary market was bullish, as yields on 1-month, 3-month, and 6-month maturities fell to 3.84% (from 3.98%), 4.52% (from 4.90%), and 5.85% (from 5.99%), respectively.

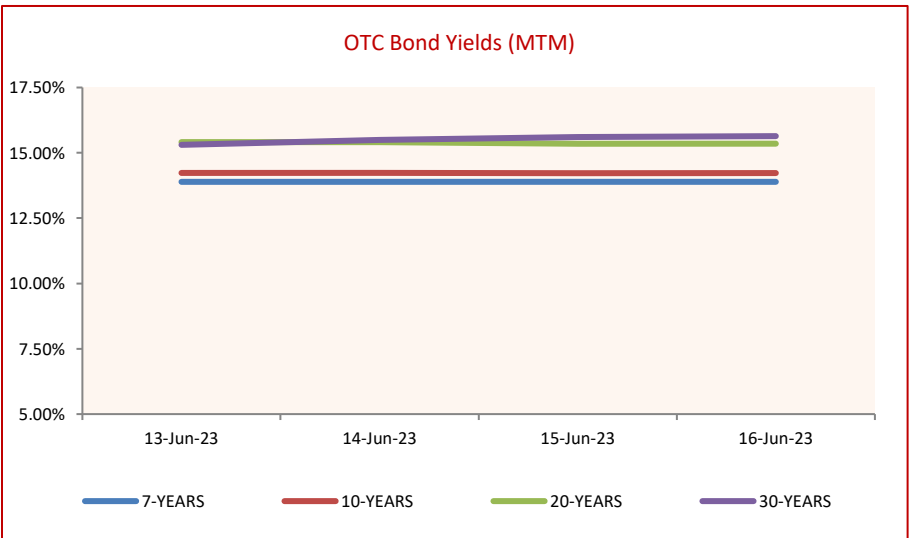


In the interbank space, activity in the OMO market was muted as there were no auctions or maturities; hence, NIBOR rose for most tenor buckets, as NIBOR for 1 month, and 6-month tenor buckets rose to 12.75% (from 12.70%), and 13.63% (from 13.47%), respectively. On the other hand, NIBOR for overnight funds fell to 12.13% (from 13.56%).respectively.

In the new week, we expect activity in the money market to be bearish amid limited maturing Treasury and OMO bills...

BOND MARKET: Sell Pressure Weighs in as FGN Bond Prices Fall Ahead of Next Week's PMA...

In the just preceding week, the fixed income market witnessed bearish sentiment, primarily driven by the issuance of 364-day Treasury bills at a lower rate of 8.24%, despite the depreciation of the Naira at the I&EX windows to N663.04/USD (from N472.50/USD w/w) and higher May 2023 inflation figures. Notably, the 10-year, 16.29% FGN MAR 2027 note, and the 30-year, 12.98% FGN MAR 2050 paper bonds lost N0.68 and N0.10, respectively; their corresponding yields rose to



12.30% (from 12.10%), and 15.64% (from 15.62%), respectively. However, the 15-year, 12.50% FGN MAR 2035 debt held steady w/w at 14.68%, while the 20-year, 16.25% FGN APR 2037 paper gained N0.35, yielding 15.35% (from 15.41%).

Elsewhere, FGN Eurobonds traded on the international market appreciated across most maturities, supported by a positive macroeconomic outlook for Nigeria, amid the removal of fuel subsidy payments and the free float of the Naira at the I&EX window. Additionally, the retracement of the US dollar and US Treasuries, influenced by the US Federal Reserve's monetary decision and mixed US economic reports, further bolstered market sentiment. 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 recorded gains of USD 0.40, USD 5.08, and USD 4.20, respectively, while their corresponding yields contracted to 14.35% (from 16.97%), 11.17% (from 12.09%), and 11.03% (from 11.73%), respectively

Looking ahead to the new week, the DMO will auction N360 billion worth of local bonds, viz., N90 billion a piece for the reopening of the 10-year 14.55% FGN APR 2029 bond, as well as new issuances for the 12.40% FGN JUN 2033, FGN JUN 2038, and FGN JUN 2053 bonds. Hence, we expect the stop rates to fall, mirroring the moderation in the money market rate for 364-day bills to 8.24%.

Weekly Gainers and Loser as at Friday, June 16, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	June 16 2023	June 09 2023	% Change	Symbol	June 16 2023	June 09 2023	% Change
FTNCOCOA	1.35	0.93	45%	ABCTRANS	0.34	0.39	-13%
UNITYBNK	1.02	0.72	42%	ELLAHLAKES	3.60	4.00	-10%
WAPIC	0.66	0.47	40%	MCNICHOLS	0.65	0.72	-10%
TRANSCOHOT	14.60	10.63	37%	CHAMS	0.42	0.46	-9%
ETRANZACT	5.35	3.94	36%	HONYFLOUR	3.25	3.50	-7%
JAIZBANK	1.74	1.33	31%	NEIMETH	1.55	1.66	-7%
STERLINGNG	2.95	2.28	29%	BUACEMENT	86.00	92.00	-7%
LASACO	2.30	1.80	28%	UPDC	1.13	1.20	-6%
SOVRENINS	0.51	0.40	28%	ARDOVA	16.90	17.80	-5%
ETI	15.40	12.60	22%	CAVERTON	1.25	1.30	-4%

Weekly Stock Recommendations as at Friday, June 16, 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
UBA	1.57	5.01	28.45	0.39	7.08	11.95	6.55	11.10	15.0	9.4	12.8	35.14	Buy
GUINNESS	11.32	18.11	42.43	1.83	6.87	87.90	54.45	77.70	97.0	66.0	89.4	24.84	Buy
STERLNGBNK	0.65	0.65	5	0.58	3.02	3.02	1.33	3.02	4.3	2.6	3.5	42.38	Buy
UCAP	0.41	1.30	4.45	3.13	34.29	15.6	9	13.95	18.0	11.9	16.0	29.03	Buy
ACCESS	2.02	6.45	39.28	0.36	7.07	17.25	7.5	14.25	21.0	12.1	16.4	47.37	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 16, 2023

FGN Eurobonds	Issue Date	TTM (years)	16-Jun-23	Weekly	16-Jun-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.07	99.52	0.40	14.4%	(2.62)
7.625 21-NOV-2025	21-Nov-18	2.44	95.87	1.35	9.6%	(0.65)
6.50 NOV 28, 2027	28-Nov-17	4.45	95.87	1.35	9.6%	(0.65)
6.125 SEP 28, 2028	28-Sep-21	5.29	83.64	3.42	10.2%	(0.96)
8.375 MAR 24, 2029	24-Mar-22	5.78	90.37	4.87	10.7%	(1.26)
7.143 FEB 23, 2030	23-Feb-18	6.70	83.62	4.21	10.6%	(1.02)
8.747 JAN 21, 2031	21-Nov-18	7.61	89.24	4.47	10.9%	(0.98)
7.875 16-FEB-2032	16-Feb-17	8.68	83.70	4.77	10.8%	(1.00)
7.375 SEP 28, 2033	28-Sep-21	10.29	78.91	4.50	10.8%	(0.89)
7.696 FEB 23, 2038	23-Feb-18	14.70	75.19	5.08	11.2%	(0.92)
7.625 NOV 28, 2047	28-Nov-17	24.47	71.37	4.20	11.0%	(0.70)
9.248 JAN 21, 2049	21-Nov-18	25.62	83.03	5.30	11.3%	(0.80)
8.25 SEP 28, 2051	28-Sep-21	28.30	74.92	4.86	11.2%	(0.78)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 16, 2023

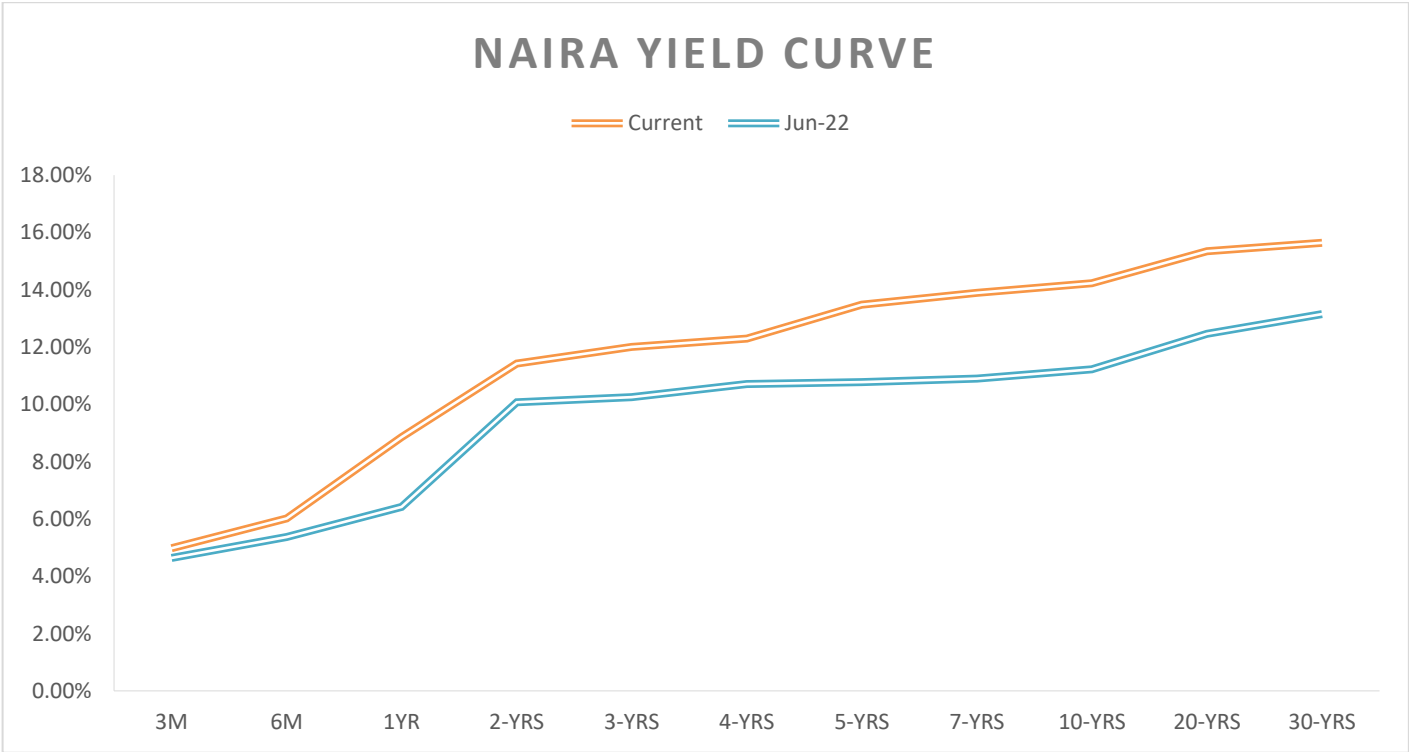
MAJOR	16-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0944	1.0945	-0.01%	1.81%	0.95%	4.23%
GBPUSD	1.2817	1.2781	0.28%	2.00%	2.68%	4.88%
USDCHF	0.8934	0.8918	0.18%	-1.14%	-0.58%	-7.86%
USDRUB	84.0515	83.4672	0.70%	1.18%	4.24%	54.99%
USDNGN	656.0000	610.5165	7.45%	42.02%	42.55%	58.12%
USDZAR	18.2103	18.2176	-0.04%	-2.77%	-5.41%	13.97%
USDEGP	30.9003	30.8509	0.16%	-0.16%	0.16%	64.87%
USDCAD	1.32	1.3222	-0.12%	-1.02%	-1.83%	1.37%
USDMXN	17.11	17.1047	0.04%	-0.96%	-2.70%	-15.83%
USDBRL	4.82	4.8100	0.28%	-1.14%	-2.35%	-6.37%
AUDUSD	0.6864	0.6885	-0.31%	1.86%	3.08%	-0.95%
NZDUSD	0.6214	-0.0600	-0.26%	1.45%	-0.55%	-1.43%
USDJPY	141.5440	140.2676	0.91%	1.55%	2.78%	4.84%
USDCNY	7.1352	7.1202	0.21%	-0.15%	1.77%	6.32%
USDINR	81.8991	81.8991	0.00%	-0.69%	-0.64%	5.06%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, June 16, 2023

Commodity		16-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	70.9	70.6	0.46%	1.08%	-2.61%	-32.95%
BRENT	USD/Bbl	76.1	75.7	0.60%	1.77%	-1.10%	-31.05%
NATURAL GAS	USD/MMBtu	2.6	9.8	0.96%	13.45%	8.12%	-62.73%
GASOLINE	USD/Gal	2.7	2.6	0.41%	2.37%	3.32%	-24.66%
COAL	USD/T	136.0	132.0	2.99%	-0.22%	-17.00%	-65.58%
GOLD	USD/t.oz	1,957.4	1,957.6	-0.01%	-0.12%	-1.19%	6.46%
SILVER	USD/t.oz	24.0	23.9	0.52%	-1.19%	1.07%	10.76%
WHEAT	USD/Bu	687.1	661.5	3.88%	8.75%	9.58%	-34.52%
PALM-OIL	MYR/T	3,743.0	3,520.8	6.31%	11.17%	9.00%	-31.37%
COCOA	USD/T	3,179.0	3,226.1	-1.46%	-0.13%	5.87%	33.05%

FGN Bonds Yield Curve, Friday June 16, 2023



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