

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Power Sector Opens Room for Investment as Energy Supply Slips 1.7% in Q1:23...

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FOREX MARKET: Naira Slips Across fx Market Segments As Convergence Continues....

As the foreign exchange market remain volatile in the near term, we anticipate market to adjust in line with the prevailing forces of demand and supply to ascertain the fair exchange price levels within relative band, and, in the medium to long term. However, we expect the naira to trade in a calm position against the greenback.

MONEY MARKET: NIBOR, NITTY Crash for All Maturities amid Boost in Financial System Liquidity....

Looking ahead to the new week, T-bills worth N187.11 billion will mature via the primary market, which will equate to T-bills worth N187.11 billion to be auctioned by CBN via the primary market, viz: 91-day bills worth N1.75 billion, 182-day bills worth N17.16 billion, and 364-day bills worth N168.21 billion. Hence, we expect the stop rates of the issuances to decline amid demand pressure...

BOND MARKET: FGN Bond Yields Moderate on Demand Pressure...

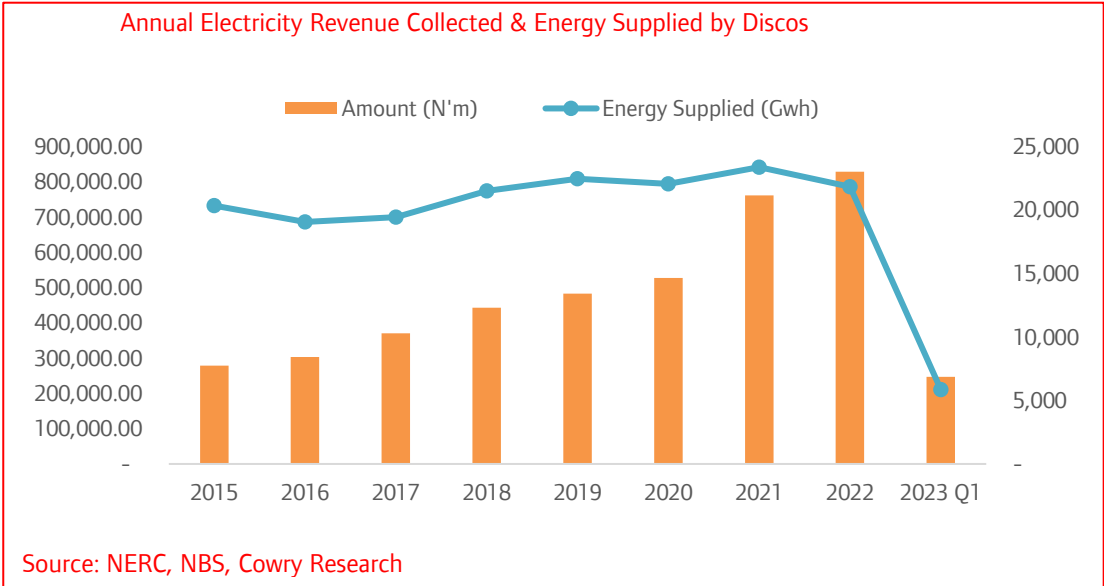
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ECONOMY: Nigeria’s Power Sector Opens Room for Investment as Energy Supply Slips 1.7% in Q1:23...

Nigeria's electricity sector is undergoing a period of significant development even though the Nigerian government has enacted a number of reforms aimed at improving the sector's efficiency, reliability and liquidity. Though, these reforms have brought about some level of improvement, the cost of electricity in Nigeria is still high and a significant portion of the population lacks access to power.

The recently published report on electricity generation, distribution and consumption by the National Bureau of Statistics (NBS) for the first quarter of 2023 put it that total revenue collected by distribution companies during the period stood at N247.33 billion. This indicates a 20.81% year-on-year increase from N204.74 billion during the corresponding period of 2022 and 6.46% higher than the N232.32 billion in Q4 2022.

A look at the reported revenue points to a significant increase by 1.9% in the number of electricity customers to 11.27 million from 11.06 million in Q4



2023 while the number rose by 6% year-on-year from 10.63 million. These customers include the 5.31 million metered customers and 5.96 million estimated customers accounting for 47.1% and 52.9% of total 11.27 million during the first quarter.

While the energy sector in Nigeria has been faced with liquidity challenge over the years despite the over N1 trillion in subsidy investment by the federal government into the sector between 2019 and 2021, he below capacity rate of electricity generation in Nigeria still shows how the nation grapples with capacity utilization as well as the rate of high losses which the transmission and distribution companies in Nigeria are faced with in recent time. To support the above, the NBS report avowed that electricity supply decreased by 1.74% year-on-year to 5,852Gwh in Q1 2023 from 5,956Gwh in Q1 2022.

In 2023, the Nigerian electricity sector is forecast to continue its growth significantly on the back of the recently signed electricity bill while the expected tariff hike effective July 1, 2023 is expected to contribute significantly to the total revenue across the sector’s value chain. However, this expectation may likely be constrained by a number of challenges, including the country's poor infrastructure, the high cost of electricity, and the lack of access to electricity for many Nigerians.

Despite these hurdles, there are a number of opportunities for investors in the Nigerian electricity sector. These opportunities include the development of renewable energy projects; the expansion of the national grid; the provision of electricity to off-grid communities. However, we believe the sector can further leverage on Nigeria’s growing population, economy, government reforms, rising households and business demands for electricity to drive growth in the near-to-intermediate term.

It is worth noting that the aggregate technical, commercial & collection (ATC&C) losses recorded by the sector was alarming at somewhere about 45.9%, higher than the 15% figure that is seen as best practice internationally, and the about 22% allowance as stated in the Multi-Year Tariff Order (MYTO). Moreover, a NERC report reveals a noticeable concentration of power generation among a few top plants, indicating the urgent need for diversification and utilization of multiple power sources, especially renewable energy, to enhance energy security.

The Nigerian electricity sector is a promising market with a number of opportunities for investors, but it will take time and investment to realize the full potential of the Nigerian electricity sector only if the government implement reforms aimed at improving the sector's efficiency and reliability; provide financial incentives to encourage the development of renewable energy projects, and work to expand the national grid and provide electricity to off-grid communities.

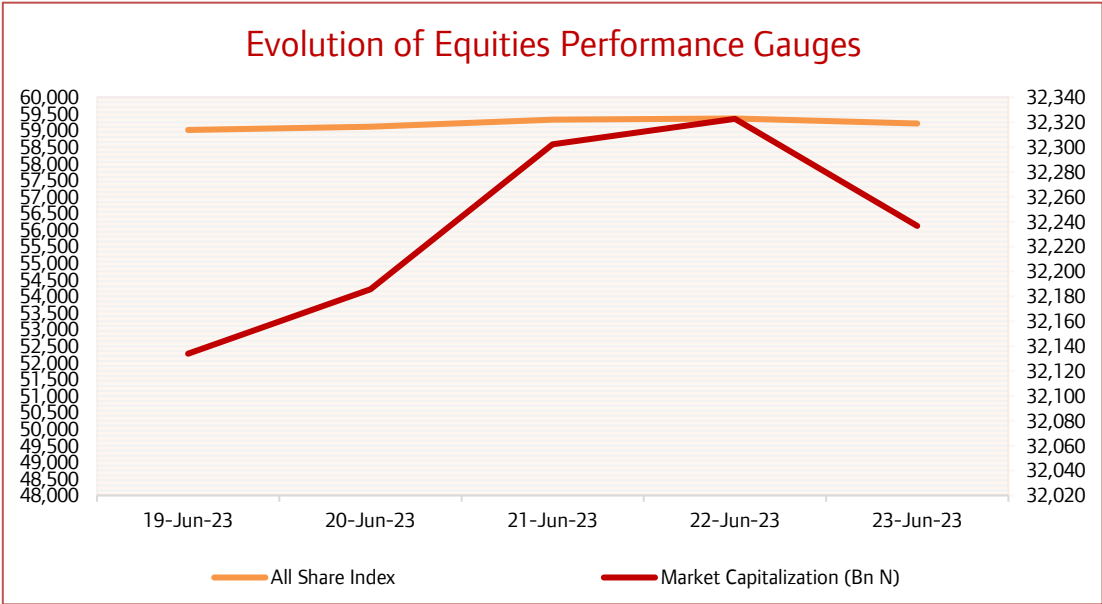
Cowry Research opines that while acknowledging the Nigerian electricity sector's challenges, it is crucial to recognize the growth prospects it offers. By addressing the sector's weaknesses and leveraging available opportunities, Nigeria can meet its increasing power demand, improve energy security, and unlock the full potential of its electricity market.

EQUITIES MARKET: Market Momentum Up 0.35% w/w on Bearish Divergence, Q2 Window Dressing....

The bullish momentum on the Nigerian Exchange persisted for the fifth consecutive week by 0.35% w/w on bearish divergence as the benchmark index stayed above the 59,000-index point to close at 59,206.63 points with gains in 3 out of 5 sessions ahead of the second quarter window dressing by portfolio managers. Resultantly, the market cap advanced by 0.35% w/w to N32.24 trillion as equity investors took profit worth N110.42 billion and the year-to-date return of the index stood at 15.52%.

Across the market sectors, the performance was widely bullish and was led by gains in the Insurance sector which closed the week by 3.22% and was trailed by the oil & gas sector (+2.97%), industrial goods (+2.56%) banking (+1.13%) and consumer goods (+4.16%) sectors accordingly.

Elsewhere, market activities were downbeat in lacklustre momentum on averagely low traded volumes and deals brokerage as the total weekly deals slipped by 10.07% w/w to 39,764. Also, the average traded volume reversed last week's gains by 21.09% w/w to 3.37 billion units while the average weekly value plunged by 32.38% w/w to N41.99 billion. At the end of the week, FTNCOCOA (+41%), CHAMS (+36%) and JAPAU LGOLD (+33%) were the leading gainers for the week while JAIZBANK (-19%), STERLINGNG (-13%) and ELLAHLAKES (-10%) led the laggards' chart for the week.



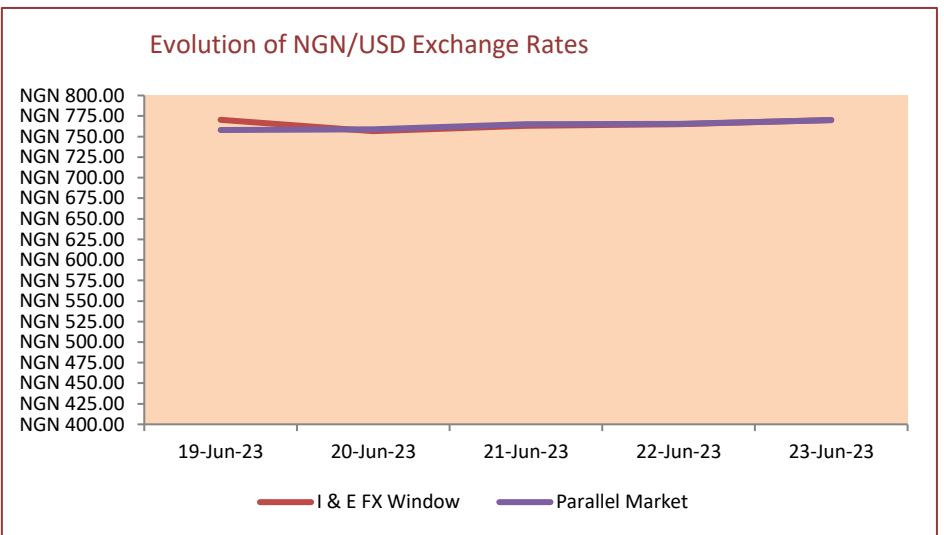
In the coming week, we anticipate the market to maintain its mix sentiment on continued profit taking as investors reshuffling their portfolio ahead of the Q2 window activities and reporting season. However, we continue to advise investors to target fundamentally sound companies and defensive stocks to protect their portfolios post-dividend adjustments.

FOREX MARKET: Naira Slips Across fx Market Segments As Convergence Continues....

As the fx market react to the latest development that has played out within the last few days, the Naira depreciated by N10 or 1.32% w/w to N770/\$1 from N760/\$1 at the parallel market as fx market and traders continue reacting to the forces of demand and supply. Also, at the investors' and exporters' FX window, the Naira depreciated to another low against the United States' dollar in reaction to the less restrictive fx policy by the apex bank as it tanked by N107.13 or 16.2% w/w to close at N770.17/\$1 from N663.04/\$1 in the last week. This comes as traders continue to position themselves in a bid to ascertain the fair value of the naira.

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 for another week. Consequently, the dollar edged the naira by +9.48%, +5.61%, +5.51%, +5.88% and +11.15% w/w to close at N764.42/\$1, N774.58/\$1, N784.68/\$1, N815.20/\$1 and N878.74/\$1 at all tenor contracts respectively.

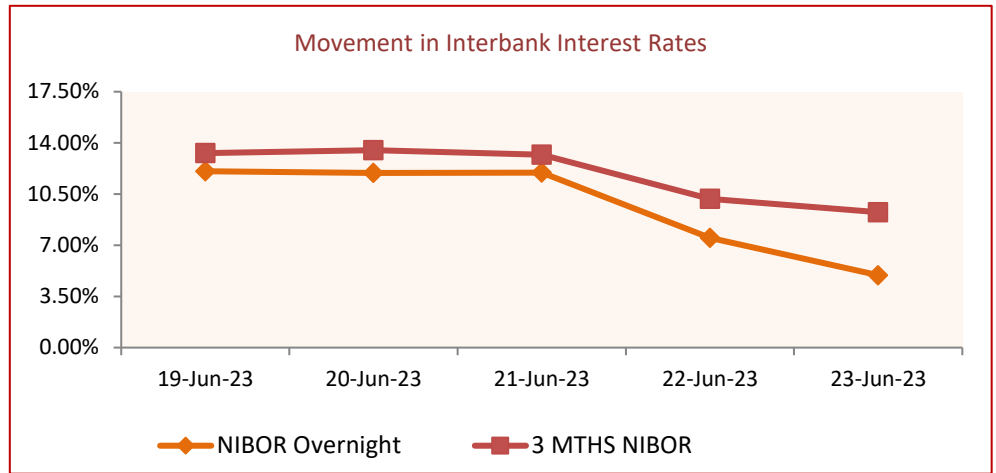
Elsewhere, oil prices reversed the gains of last week, fueled by the bigger-than-expected rates hike by the Bank of England which has raised concerns about demand. Resultantly, Brent crude, the global benchmark traded at \$73.63 per barrel at press time on Friday. Also, the Bonny Light crude price took a reversal by 1.55% or (\$1.18) w/w, to close at \$75.10 per barrel on Wednesday from \$76.28 per barrel in the previous week.



As the foreign exchange market remain volatile in the near term, we anticipate market to adjsut in line with the prevailing forces of demand and supply to ascertain the fair exchange price levels within relative band, and, in the medium to long term. However, we expect the naira to trade in a calm position against the greenback.

MONEY MARKET: NIBOR, NITTY Crash for All Maturities amid Boost in Financial System Liquidity...

In the just concluded week, the primary market displayed subdued activity in both interbank and T-bills, with no matured or refinanced bills from the Apex Bank. However, we observed improved liquidity conditions as the Federation Account Allocation Committee (FAAC) disbursed N786.16 billion among the FG, States, and LGAs for June, despite funding pressure on banks from FGN Bond auctions. Hence, given the financial system, liquidity boosts, NIBOR for overnight funds, 1 month, 3 months, and 6 months crashed to 4.95% (from 11.75%), 8.61% (from 12.13%), 9.26% (from 12.75%), and 9.80% (from 13.63%), respectively.

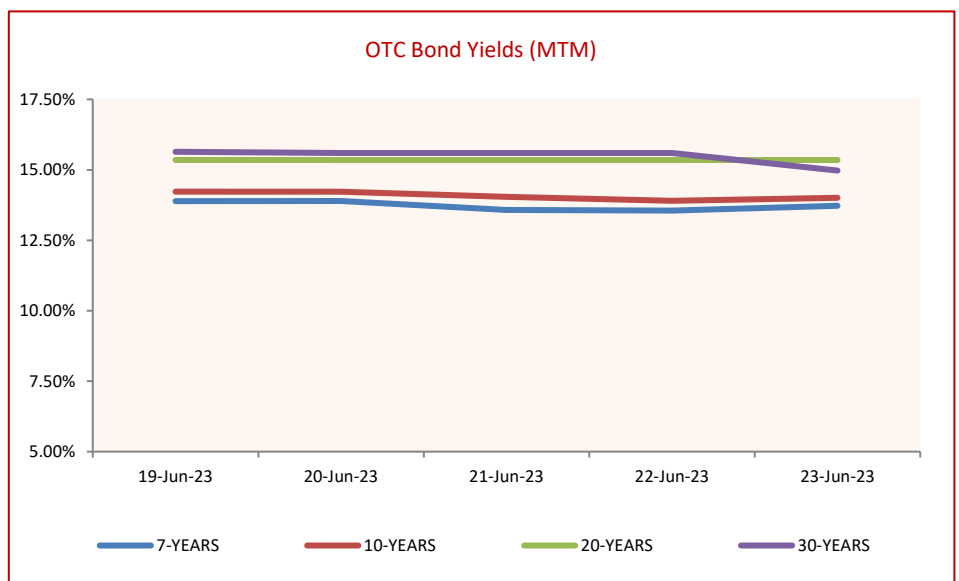


Meanwhile, in treasuries, there was a downward repricing of yields across the curve towards the end of the week, reflecting the ample liquidity conditions that drove demand for short-term government securities. Consequently, NITTY moderated for all maturities tracked, with yields on 1-month, 3-month, 6-month, and 12-month tenor buckets decreasing to 2.88% (from 3.84%), 3.86% (from 4.53%), 4.94% (from 5.85%), and 8.26% (from 8.66%), respectively.

Looking ahead to the new week, T-bills worth N187.11 billion will mature via the primary market, which will equate to T-bills worth N187.11 billion to be auctioned by CBN via the primary market, viz: 91-day bills worth N1.75 billion, 182-day bills worth N17.16 billion, and 364-day bills worth N168.21 billion. Hence, we expect the stop rates of the issuances to decline amid demand pressure...

BOND MARKET: FGN Bonds Yield Moderate on Demand Pressure...

In the just preceding week, DMO sold FGN bonds worth N473.16 billion (inclusive of non-competitive allotments) at the primary market auction, viz: 10-year, 14.55% FGN APR 2029 worth N87.38 billion (inclusive of non-competitive allotments), 10-year, 14.70% FGN JUN 2033 paper (New Issue) worth N63.57 billion (inclusive of non-competitive allotments), 15-year, 15.45% FGN JUN 2038 paper (New Issue) worth N100.64 billion, and 30-year, 15.70% FGN JUN 2053 debt (New Issue) worth N221.56



billion. The stop rate for the re-opened 29s fell to 13.90% (from 14.60%), while the new Issues were done at their coupon rates of 14.70%, 15.45%, and 15.70%, respectively. Total subscription stood at N635.12 billion, as demand improved from the previous auction as indicated by a bid-to-cover ratio of 1.48x (1.34x inclusive of non-competitive allotments) compared to May's 1.30x (0.88x inclusive of non-competitive allotments).

Activity in the secondary market was bullish for all maturities tracked in the secondary market amid buying pressure. Particularly, the 10-year, 16.29% FGN MAR 2027, the 15-year, 12.50% FGN MAR 2035, and the 30-year, 12.98% FGN MAR 2050 paper bonds gained N2.86, N1.44, and N3.67, respectively, while their corresponding yields fell to 11.30% (from 12.30%), 14.40% (from 14.68%), and 14.97% (from 15.64%), respectively. However, 20-year, 16.25% FGN APR 2037 debt held steady w/w at 15.35%.

Elsewhere, FGN Eurobonds traded on the international market depreciated across most maturities, spurred by lower oil prices and global de-risking resulting from the hawkish stance of major central banks in advanced economies. 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 losses of USD 0.16,

USD 0.90, and USD 1.00, respectively, while their corresponding yields expanded to 21.25% (from 14.35%), 11.33% (from 11.17%), and 11.19% (from 11.03%), respectively.

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

Weekly Gainers and Loser as at Friday, June 23, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	June 23 2023	June 16 2023	% Change	Symbol	June 23 2023	June 16 2023	% Change
FTNCOCOA	1.90	1.35	41%	JAIZBANK	1.41	1.74	-19%
CHAMS	0.57	0.42	36%	STERLINGNG	2.57	2.95	-13%
JAPAUFGOLD	0.65	0.49	33%	ELLAHLAKES	3.24	3.60	-10%
RTBRISCOE	0.44	0.34	29%	ETI	14.00	15.40	-9%
WAPIC	0.85	0.66	29%	CADBURY	17.10	18.80	-9%
TRANSCOHOT	17.60	14.60	21%	TRANSCORP	3.21	3.50	-8%
ABCTRANS	0.40	0.34	18%	AIICO	0.68	0.74	-8%
NEIMETH	1.80	1.55	16%	MANSARD	3.78	4.10	-8%
MRS	79.00	68.75	15%	NNFM	13.00	13.90	-6%
ETERNA	15.85	13.80	15%	CAVERTON	1.18	1.25	-6%

Weekly Stock Recommendations as at Friday, June 23, 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
FBHN	1.40	1.95	27.87	0.60	12.0	15.95	8.20	17.30	23.4	14.2	19.2	46.01	Buy
GUINNESS	11.32	14.71	42.43	1.89	7.07	87.90	54.45	80.00	104.0	68.0	92.0	30.00	Buy
CHAMS PLC	0.07	0.10	2.08	0.25	7.54	0.58	0.21	0.57	0.7	0.4	0.6	39.99	Buy
CADBURY	1.84	2.57	9	1.92	9.3	18.80	10.20	17.10	23.9	14.5	19.7	40.00	Buy
ACCESS	2.02	2.42	39.28	0.38	7.39	17.25	7.5	14.95	17.9	12.7	17.1	51.37	Buy



FGN Eurobonds Trading Above 8% Yield as at Friday, June 23, 2023

FGN Eurobonds	Issue Date	TTM (years)	23-Jun-23	Weekly	23-Jun-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.05	99.36	(0.16)	21.3%	6.90
7.625 21-NOV-2025	21-Nov-18	2.42	95.07	(0.80)	10.0%	0.41
6.50 NOV 28, 2027	28-Nov-17	4.44	95.07	(0.80)	10.0%	0.41
6.125 SEP 28, 2028	28-Sep-21	5.27	82.98	(0.66)	10.4%	0.20
8.375 MAR 24, 2029	24-Mar-22	5.76	89.54	(0.83)	10.9%	0.21
7.143 FEB 23, 2030	23-Feb-18	6.68	82.91	(0.71)	10.8%	0.18
8.747 JAN 21, 2031	21-Nov-18	7.59	88.77	(0.47)	11.0%	0.11
7.875 16-FEB-2032	16-Feb-17	8.66	83.09	(0.61)	11.0%	0.13
7.375 SEP 28, 2033	28-Sep-21	10.27	78.07	(0.84)	11.0%	0.17
7.696 FEB 23, 2038	23-Feb-18	14.68	74.29	(0.90)	11.3%	0.16
7.625 NOV 28, 2047	28-Nov-17	24.45	70.37	(1.00)	11.2%	0.16
9.248 JAN 21, 2049	21-Nov-18	25.60	82.14	(0.89)	11.4%	0.13
8.25 SEP 28, 2051	28-Sep-21	28.28	74.21	(0.71)	11.3%	0.11

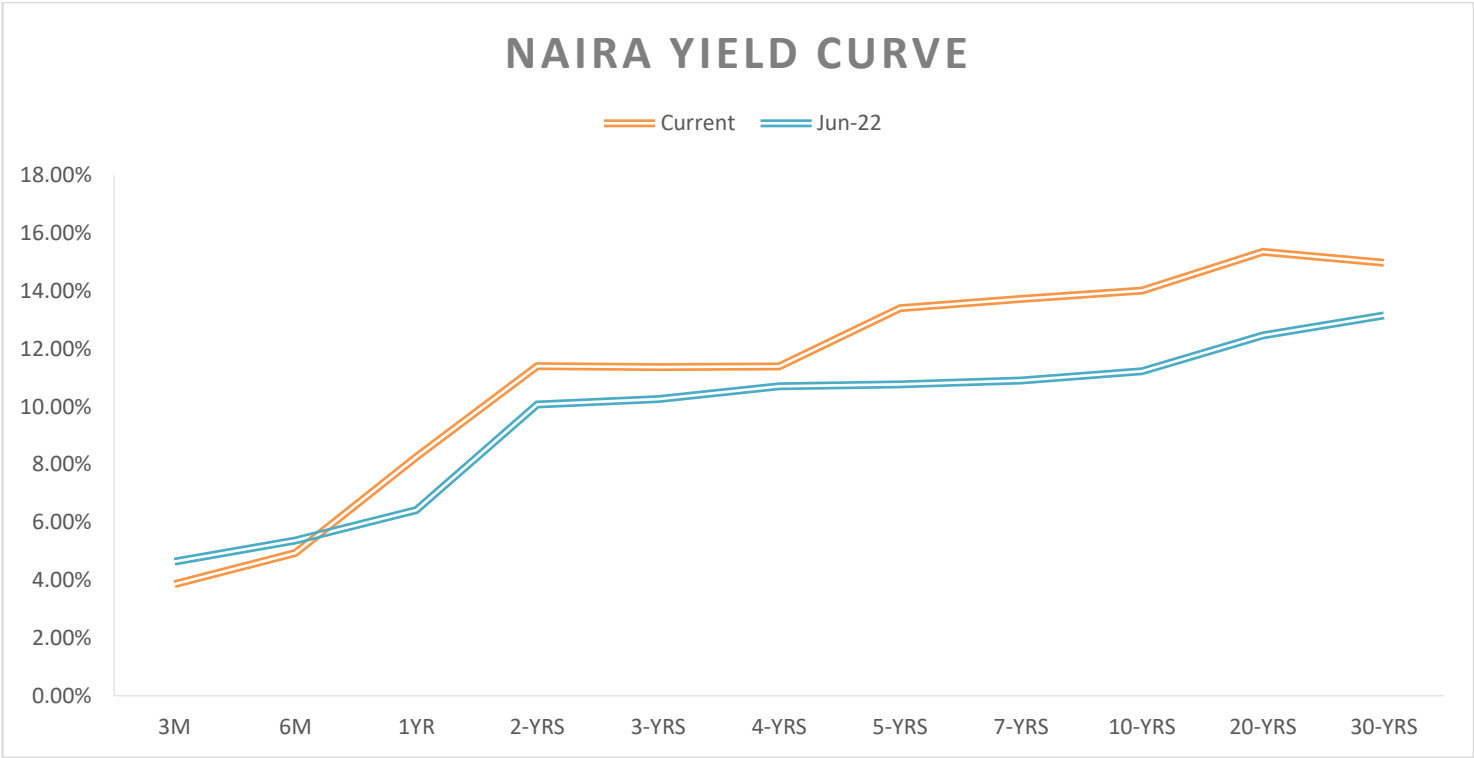
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 23, 2023

MAJOR	23-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0890	1.0956	-0.61%.	-0.38%.	1.33%	3.19%
GBPUSD	1.2711	1.2746	-0.27%.	-0.84%.	2.80%	3.65%
USDCHF	0.8973	0.8948	0.28%	0.38%	-0.82%.	-6.33%.
USDRUB	84.6705	80.9779	4.56%	2.63%	6.89%	66.35%
USDNGN	750.0000	745.0084	0.67%	14.50%	62.94%	80.95%
USDZAR	18.7334	18.5149	1.18%	3.01%	-2.63%.	18.56%
USDEGP	30.9014	30.8798	0.07%	0.17%	0.17%	64.61%
USDCAD	1.32	1.3148	0.38%	-0.01%.	-2.91%.	2.36%
USDMXN	17.16	17.1646	0.00%	0.57%	-3.57%.	-13.56%.
USDBRL	4.79	4.7688	0.47%	-0.60%.	-3.45%.	-8.60%.
AUDUSD	0.6677	0.6755	-1.16%.	-2.92%.	2.04%	-3.91%.
NZDUSD	0.6129	-0.0600	-0.77%.	-1.66%.	0.32%	-2.92%.
USDJPY	143.6620	143.1039	0.39%	1.30%	3.01%	6.28%
USDCNY	7.2136	7.1942	0.27%	1.21%	2.12%	7.94%
USDINR	82.0216	81.9478	0.09%	0.13%	-0.79%.	4.84%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, June 23, 2023

Commodity		23-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	68.4	69.5	-1.53%	-4.97%	-7.99%	-34.56%
BRENT	USD/Bbl	72.9	74.1	-1.66%	-4.87%	-7.00%	-31.31%
NATURAL GAS	USD/MMBtu	2.6	9.8	-2.01%	-3.02%	-0.53%	-59.21%
GASOLINE	USD/Gal	2.5	2.6	-2.40%	-7.15%	-8.54%	-30.96%
COAL	USD/T	125.8	124.1	1.29%	-7.50%	-21.41%	-68.16%
GOLD	USD/t.oz	1,926.6	1,913.6	0.68%	-1.54%	-1.53%	5.53%
SILVER	USD/t.oz	22.4	22.2	0.88%	-7.12%	-2.86%	6.23%
WHEAT	USD/Bu	727.6	739.0	-1.54%	5.68%	19.94%	-22.36%
PALM-OIL	MYR/T	3,620.0	3,561.9	1.63%	-3.29%	6.25%	-22.38%
COCOA	USD/T	3,127.0	3,138.0	-0.35%	-1.91%	3.89%	30.45%

FGN Bonds Yield Curve, Friday June 23, 2023



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