

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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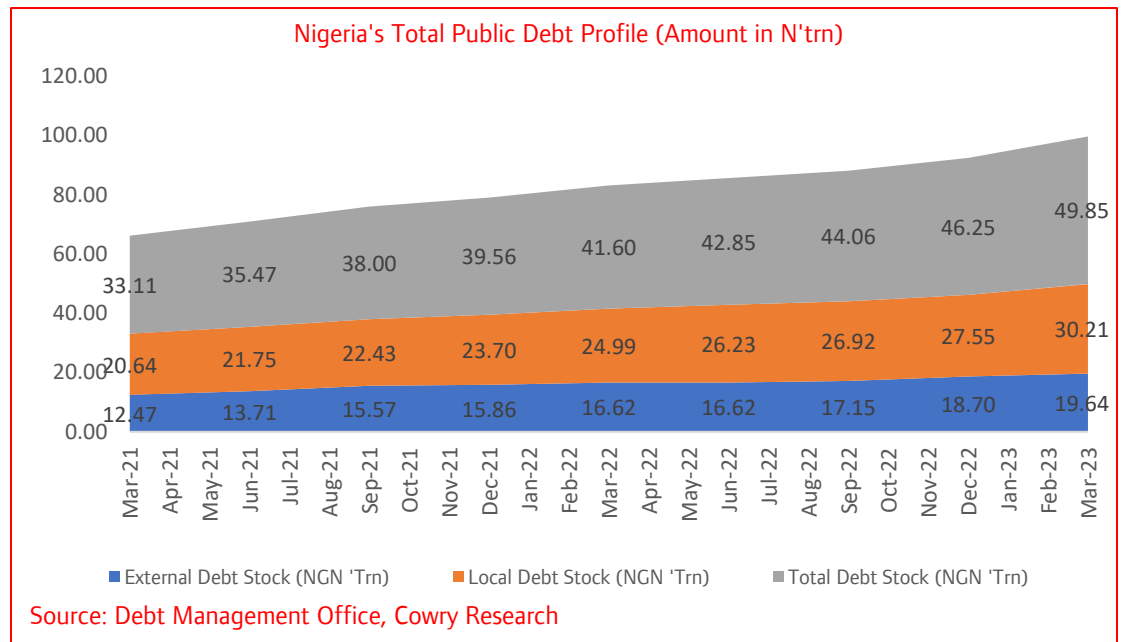
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ECONOMY: Nigeria's Total Public Debt Stock Rises 7.8% to N49.85 Trillion in Q1'23...

The latest report on Nigeria's public debt profile published by the Debt Management Office (DMO) showed that total public debt stood at N49.85 trillion (\$108.30 billion) as of March 31, 2023. This is an increase of 7.8% from N46.25 trillion at the end of December 2022 and 19.8% when compared to N41.60 trillion as of March 2022.

Of the increase in the total debt stock, DMO stated that Nigeria's external debt stood at N19.64 trillion (\$42.67 billion) as of March 31, 2023. This indicates an increase of 5.04% from the end of December 2022 while the domestic debt rose by 9.7% to stay at N30.21 trillion (\$65 billion) from N27.55 trillion at the end of December 2022. The domestic debt comprises the federal government (N24.73 trillion) and the 36 states and FCT (N5.48 trillion) debt portfolios.

The data further points out that the total debt includes new borrowing by FG to finance its budget deficit, disbursements from multilateral (\$20.66 billion), bilateral (\$5.16 billion) lenders and commercial loans which took into account the \$15.62 billion in Eurobond. Also, there was \$931.3 million in non-interest promissory notes issued to settle the arrears of the federal government to local contractors and a \$300 million syndicated loan that was arranged by the AFC.



Explicitly, the DMO said in Q1'23, Nigeria had outstanding multilateral loans which account for 48.41% of total debt outstanding to \$20.66 billion. This includes \$3.3 billion from the IMF, \$13.84 billion from the IDA, and \$488.5 million from the IBRD. Other loans include \$1.57 billion from the African Development Bank, African Development Fund (\$972.6 million), Islamic Development Fund (\$144 million) and the International Fund for Agricultural Development which stood at \$272 million among others.

Elsewhere, the domestic debt stock by instrument comprises N18.42 trillion and N4.72 trillion in FGN Bonds and T-bills during the period accounting for 74.5% and 19.1% of the total N24.73 trillion while FGN Promissory notes (N753.58 billion), FGN Sukuk (N742.56 billion), Nigerian Treasury Bonds (N50.99 billion), the FGN Savings Bond (N27,83 billion) and the Green bond (N15.00 billion) all accounting for a paltry 3.38% of the total domestic debt.

As Nigeria's public debt profile maintains the increases reported so far, the external debt component of the country's public debt has increased at a slower pace than the domestic debt component while the debt-to-GDP ratio has increased slightly. However, it is important to note that Nigeria's public debt is still considered to be sustainable by most international standards such as 50% by the World Bank/IMF and slightly above the self-imposed 40% limit by the federal government.

According to the DMO, the implantation of the Debt Sustainability Analysis (DSA) echoes the need for more FG revenues to keep the public sustainable just as the 2022 report emphasizes the need to grow revenues. Nevertheless, with the recent policy directions and guidelines such as the removal of subsidies to manage expenditure and the focus on revenues through the appointment of a Special Adviser to the President on Revenue by the new administration, the debt office has opined that they are positive steps for public debt sustainability.

The government has said that it is committed to reducing the country's debt burden, but it is unclear how it will achieve this goal. However, the government needs to take steps to reduce the debt burden to avoid a debt crisis in the future. This warrants a sizeable reduction in the debt-to-GDP ratio to mitigate these risks or impending crises. This could include reducing the budget deficit, increasing revenue, and restructuring the debt.

Meanwhile, we think the increase in Nigeria's public debt can be attributed government's borrowing to finance the deficit, the naira depreciation, and the rise in interest rates to 18% during the period. Also, the increase is buoyed by the federal government's external debt stock (commercial loans) which rose due to the depreciation of the local currency.

EQUITIES MARKET: NGX-ASI Sustains Upbeat Momentum Above 60,000 with N5.1trn Gains in H1-23....

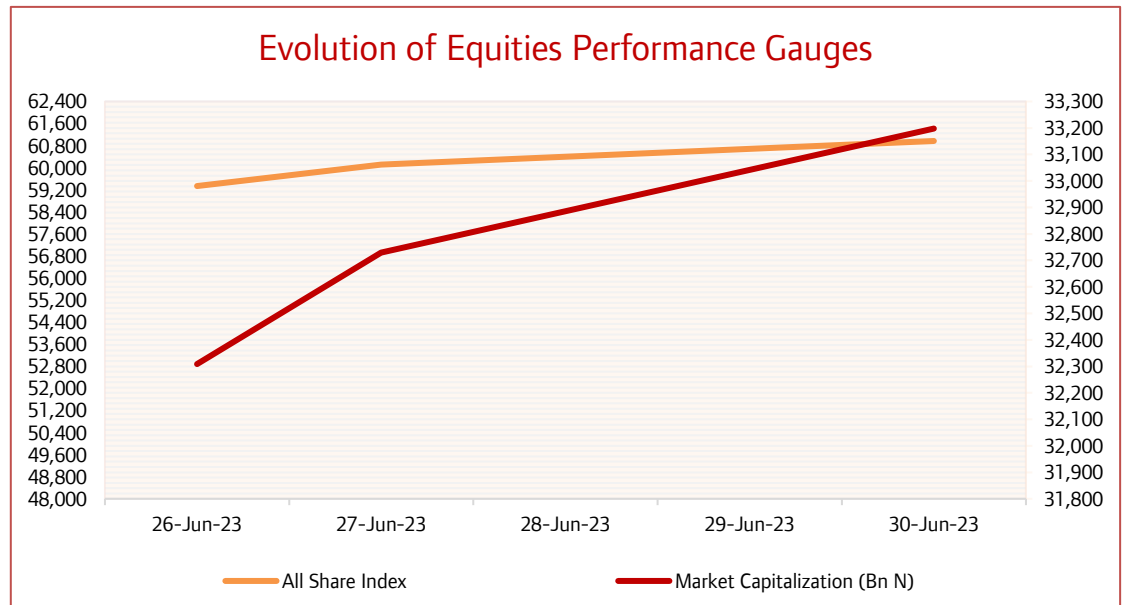
For the sixth straight week, the index remained above the 60,000 mark on increased buying sentiment with 2.98% weekly gains to reach 60,968.27 points on an above average traded volume of transactions as many stocks hit new 52-week highs on continued inflows of funds. This brings the monthly gain in June to 9.23% as the second quarter window dressing by portfolio managers comes to a close for the new reporting and earning season. Resultantly, the market cap advanced by 2.98% w/w to N33.20 trillion as equity investors took profit worth N961.10 billion and the year-to-date return of the index improved further to 18.96%.

Across the market sectors, the banking and oil & gas sectors emerged as the top gainers, experiencing substantial weekly gains of 7.78% and 4.56% respectively. Additionally, the insurance sector closed the week with a 1.90% increase, followed by the consumer goods and industrial goods indices, which closed at 1.12% and 0.63% respectively, compared to the previous week's close.

Elsewhere, market activities exhibited a lacklustre momentum on below-average traded volumes and deals brokerage. The weekly deals declined by 29.35% w/w to 28,095, indicating a relatively subdued trading environment. Moreover, the average traded volume experienced a significant decline of 31.29% w/w, amounting to 2.32 billion units.

Looking at the performance of specific stocks, TRANSCOHOT (+33%), ETERNA (+32%), and STERLINGNG (+31%) were the leading gainers for the week. Conversely, SOVRENINS (-11%), REDSTAREX (-10%), and CORNERST (-10%) were among the stocks that experienced declines, leading the laggards' chart.

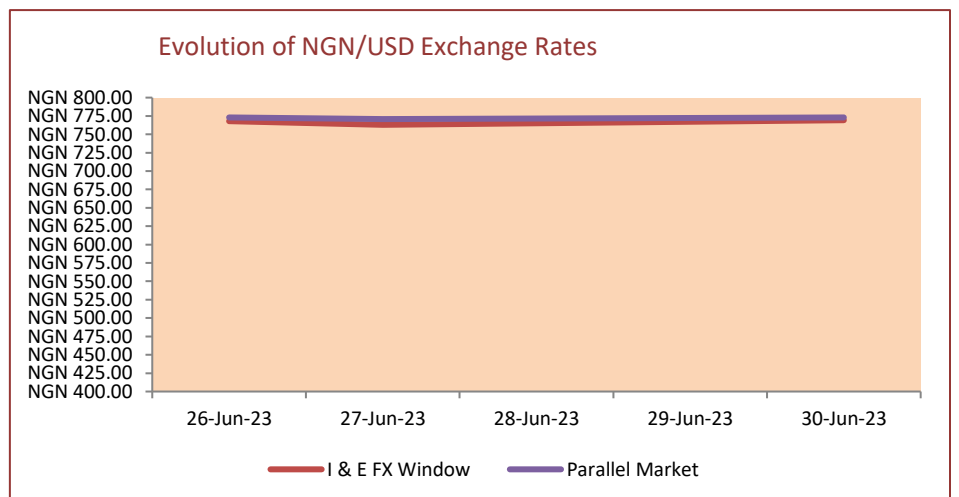
In the coming week, we anticipate the market to maintain its bullish trend on continued bullish sentiment into a new quarter while window dressing activities by fund managers continues. This is expected to be driven by the approach to the Q2 reporting and earning season as investors position for stocks with attractive fundamentals.



FOREX MARKET: Naira Trades Mixed Across fx Market Segments As Demand-Supply Mix-match Lingers.

As the fx market react to the latest development that has played out in the month of June, the Naira depreciated by N3 or 0.39% w/w to N773/\$1 from N770/\$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 edged the United States' dollar as more funds inflow hit the system with a gain in the naira N0.92 or 0.12% w/w to close at N769.25/\$1 from N770.17/\$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, the Naira at the Forward Contracts Market weakened across all forward contracts against the dollar for another week except for the 12-months Forward Contract which gained against the dollar by 5bps to close at N878.26/\$1. Contrarily, the dollar edged the naira by +75bps, +7bps, 6bps, and +23bps w/w to close at N764/\$1, N775.12/\$1, N785.13/\$1, and N815.39/\$1 at the 1-month, 2-months, 3-months and 6-months tenor contracts respectively.



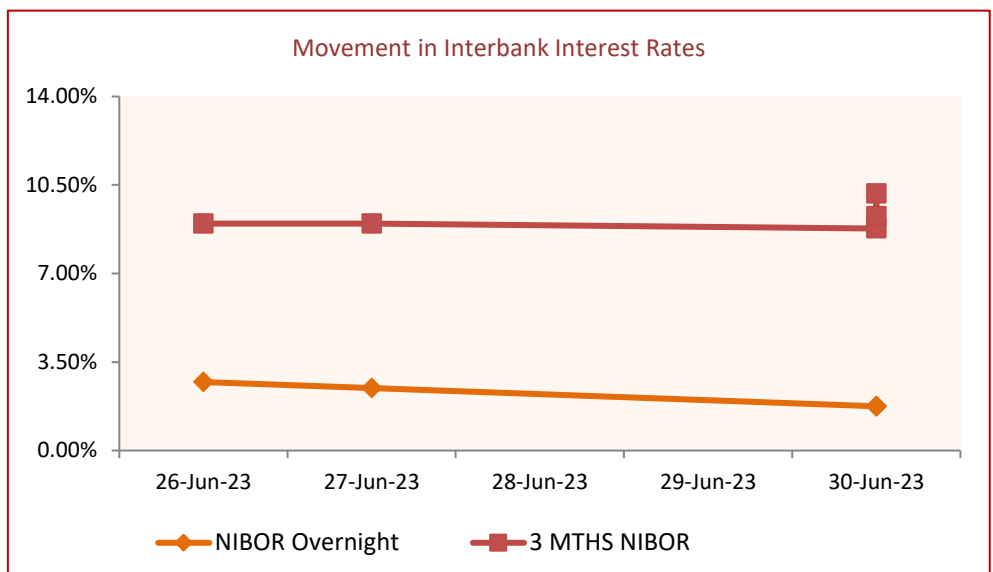
Elsewhere, Oil futures were higher on Friday due to supply constraints outweighing demand concerns, spurred by a lower-than-expected US crude inventory (actual: -9.6 million, consensus: -1.8 million) and anticipation of Saudi Arabia's 1 million barrels per day output cut in July. Also, the Bonny Light crude price took a reversal by 2.20% or (\$1.65) w/w, to close at \$73.45 per barrel on Wednesday from \$75.10 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 trade in a calm position against the greenback barring any further market distortions.

MONEY MARKET: Rate for 364-day Bill Moderates on Demand Pressure...

In the just-concluded week, CBN refinanced N187.11 billion in T-bills that matured at a lower cost of funds for the Apex Bank. Notably, stop rates for the 91-day bill, 182-day bill, and 365-day bill moderated to 2.87% (from 4.89%), 4.37% (from 5.12%), and 6.23% (from 8.24%), respectively.

Investors in the secondary market traded in tandem with the bullish sentiment witnessed in the primary market. Hence, NITTY declined for all tenor buckets tracked. Specifically, NITTY fell for 1-month, 3-month, 6-month, and 12-month maturities to 2.21% (from 2.88%), 2.99% (from 3.86%), 4.27% (from 4.94%), and 6.96% (from 8.26%), respectively.

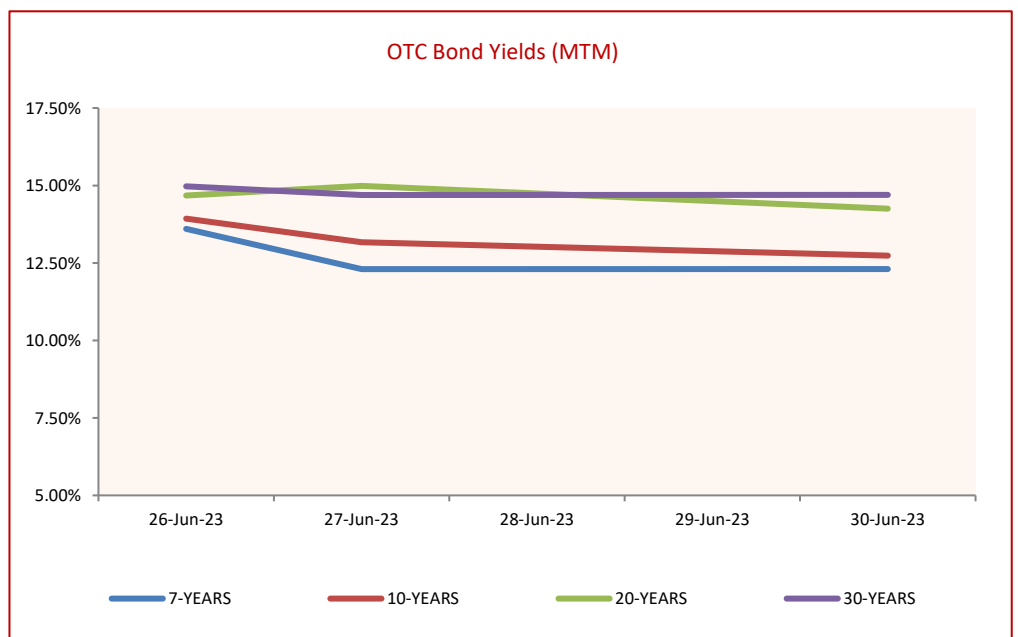


In the interbank space, activity in the OMO market was muted as there were no auctions or maturities; however, NIBOR fell for most tenor buckets, as NIBOR for Overnight funds, 1-month, and 3-month tenor buckets moderated to 1.75% (from 4.95%), 6.65% (from 8.61%), and 8.78% (from 9.26%), respectively. On the other hand, NIBOR for 6 months rose to 9.85% (from 9.80%), respectively.

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

BOND MARKET: FGN Bond Yields Moderate as Bullish Sentiment Dominates...

In the just concluded week, the values of FGN Bonds increased as traders' bids were filled at lower yields for most of the maturities tracked. Particularly, the 10-year, 16.29% FGN MAR 2027, 20-year, 16.25% FGN APR 2037, and 30-year, 12.98% FGN MAR 2050 paper bonds gained N1.52, N6.81, and N1.64, respectively, while their corresponding yields fell to 10.91% (from 11.39%), 14.25% (from 15.35%), and 14.69% (from 14.97%), respectively. However, the 15-year, 12.50% FGN MAR 2035, held steady w/w at 14.40%.



Elsewhere, FGN Eurobonds traded on the international market appreciated across all maturities, driven by increased global risk appetite. Notably, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047 recorded gains of USD 0.29 and USD 0.47, respectively, while their corresponding yields contracted to 11.28% (from 11.33%) and 11.11% (from 11.19%), respectively...

In the new week, we expect local OTC bond prices to depreciate (and yields to rise) amid an expected strain in financial system liquidity...

Weekly Gainers and Loser as at Friday, June 30, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	June 30 2023	June 23 2023	% Change	Symbol	June 30 2023	June 23 2023	% Change
TRANSCOHOT	23.40	17.60	33%	SOVRENINS	0.49	0.55	-11%
ETERNA	21.00	15.85	32%	REDSTAREX	3.15	3.50	-10%
STERLINGNG	3.36	2.57	31%	CORNERST	1.10	1.22	-10%
CHAMS	0.74	0.57	30%	BERGER	10.00	10.45	-4%
RTBRISCOE	0.57	0.44	30%	MAYBAKER	5.28	5.45	-3%
FTNCOCOA	2.39	1.90	26%	HONYFLOUR	3.30	3.40	-3%
NAHCO	18.25	15.00	22%	WAPIC	0.83	0.85	-2%
CHAMPION	5.38	4.46	21%	CUTIX	2.70	2.75	-2%
LEARNAFRCA	3.21	2.67	20%	FBNH	17.05	17.30	-1%
CAVERTON	1.40	1.18	19%	FLOURMILL	34.10	34.50	-1%

Weekly Stock Recommendations as at Friday, June 30, 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	0.61	12.2	17.10	8.20	17.05	23.8	14.5	19.6	40.00	Buy
ETERNA	0.84	1.18	10.91	1.82	23.66	21.00	5.16	21.00	27.9	16.9	22.9	40.00	Buy
DANG SUGAR	1.05	1.26	15.15	1.65	23.72	25.3	15	25.00	30.0	21.3	28.8	29.99	Buy
LAFARGE	0.93	1.30	26.76	1.12	32.25	30.50	20.10	29.50	41.9	25.4	34.4	40.00	Buy
ACCESS	2.02	2.42	39.28	0.40	7.84	17.25	7.5	16.60	19.0	13.4	18.2	37.37	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 30, 2023

FGN Eurobonds	Issue Date	TTM (years)	30-Jun-23	Weekly	30-Jun-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
6.375 JUL 12, 2023	12-Jul-13	0.03	99.38	0.02	37.6%	16.30
7.625 21-NOV-2025	21-Nov-18	2.40	95.42	0.35	9.8%	(0.15)
6.50 NOV 28, 2027	28-Nov-17	4.42	95.42	0.35	9.8%	(0.15)
6.125 SEP 28, 2028	28-Sep-21	5.25	83.07	0.09	10.4%	(0.01)
8.375 MAR 24, 2029	24-Mar-22	5.74	89.71	0.17	10.8%	(0.03)
7.143 FEB 23, 2030	23-Feb-18	6.66	83.52	0.61	10.7%	(0.14)
8.747 JAN 21, 2031	21-Nov-18	7.57	89.25	0.48	10.9%	(0.10)
7.875 16-FEB-2032	16-Feb-17	8.64	83.56	0.47	10.9%	(0.09)
7.375 SEP 28, 2033	28-Sep-21	10.25	78.51	0.44	10.9%	(0.08)
7.696 FEB 23, 2038	23-Feb-18	14.66	74.58	0.29	11.3%	(0.05)
7.625 NOV 28, 2047	28-Nov-17	24.43	70.84	0.47	11.1%	(0.08)
9.248 JAN 21, 2049	21-Nov-18	25.58	82.44	0.30	11.4%	(0.04)
8.25 SEP 28, 2051	28-Sep-21	28.27	74.47	0.26	11.3%	(0.04)

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

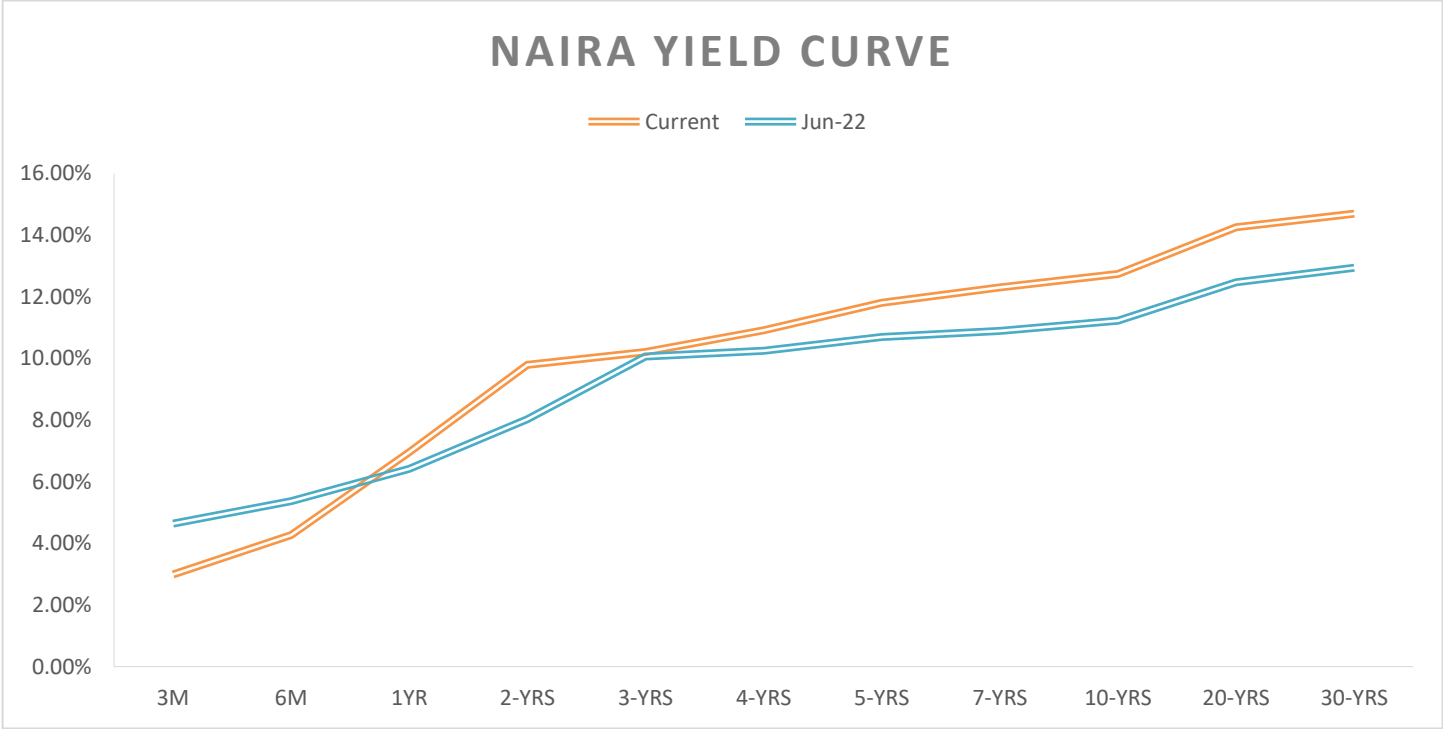
MAJOR	30-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0931	1.0864	0.61%	0.38%	2.27%	4.82%
GBPUSD	1.2719	1.2612	0.85%	0.06%	2.26%	5.16%
USDCHF	0.8939	0.8993	-0.60%	-0.37%	-1.82%	-6.81%
USDRUB	88.6062	86.8518	2.02%	5.93%	8.66%	72.05%
USDNGN	758.7800	752.9073	0.78%	-0.16%	64.74%	82.94%
USDZAR	18.8269	18.7538	0.39%	0.71%	-4.55%	14.83%
USDEGP	30.8957	30.8494	0.15%	0.15%	0.15%	64.34%
USDCAD	1.32	1.3249	-0.24%	0.26%	-2.62%	2.58%
USDMXN	17.09	17.1224	-0.21%	-0.39%	-3.35%	-15.61%
USDBRL	4.82	4.8555	-0.83%	0.60%	-4.79%	-9.67%
AUDUSD	0.6664	0.6614	0.75%	-0.24%	2.48%	-2.24%
NZDUSD	0.6137	-0.0600	1.14%	-0.08%	1.90%	-1.14%
USDJPY	144.2690	144.7757	-0.35%	0.44%	3.57%	6.75%
USDCNY	7.2672	7.2672	0.00%	0.72%	2.10%	8.52%
USDINR	82.0000	82.0985	-0.12%	0.02%	-0.82%	3.89%



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

Commodity		30-Jun-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	70.6	69.9	1.10%	2.35%	3.73%	-32.84%
BRENT	USD/Bbl	75.4	74.5	1.21%	2.05%	4.19%	-29.94%
NATURAL GAS	USD/MMBtu	2.7	9.8	1.52%	-3.46%	16.39%	-51.95%
GASOLINE	USD/Gal	2.5	2.5	0.17%	3.02%	5.67%	-28.91%
COAL	USD/T	127.9	127.9	0.00%	1.71%	-5.33%	-66.86%
GOLD	USD/t.oz	1,917.9	1,908.2	0.51%	-0.18%	-2.26%	5.95%
SILVER	USD/t.oz	22.7	22.6	0.78%	1.39%	-3.20%	14.37%
WHEAT	USD/Bu	654.9	653.0	0.28%	-10.69%	10.20%	-22.59%
PALM-OIL	MYR/T	3,789.0	3,754.8	0.91%	4.67%	18.37%	-19.52%
COCOA	USD/T	3,253.0	3,257.9	-0.15%	3.66%	8.25%	41.99%

FGN Bonds Yield Curve, Friday June 30, 2023



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