

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: FG Gun-Blazing on All Revenue Fronts with VAT, Tax Policy Reforms...

Cowry Research thinks the new move by the FG is step in the right direction and it is expected to expand FG's tax base with a proportionate increase in Nigeria's tax revenue. This can be achieved with robust compliance by households or businesses within the new base and in turn, improve Nigeria's image as viable investment destination.

EQUITIES MARKET: ASI Sustains Weekly Gains by 3.40% to 63,040.87 points as Investors Gain N1.13trn.

In the coming week, we look forward to a mixed outing and erratic profit taking, since factors that pushed the market to this level remain unchanged so far. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Naira Losses Strength Against the Dollar Across FX markets as Traders React to Reforms..

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 trade in a calm position against the greenback barring any further market distortions..

MONEY MARKET: NIBOR Moderates for Most Maturities amid Muted Money Market Activity...

Looking ahead to the upcoming week, CBN will rollover maturing T-bills worth N141.94 via the primary market, viz: 91-day bills worth N3.15 billion, 182-day bills worth N1.49 billion, and 364-day bills worth N137.30 billion. Hence, we expect the stop rates of the issuances to decline due to ample liquidity conditions.....

BOND MARKET: FGN Bond Prices Moderates Amid Renewed Sell Pressure...

In the new week, we expect local OTC bond prices to Increase (and yields to moderate) as prospective investors demand lower rates in line with rates in the primary market...

ECONOMY: FG Gun-Blazing on All Revenue Fronts with VAT, Tax Policy Reforms...

Recently, the Federal Government of Nigeria, through the Federal Inland Revenue Service, announced the VAT Direct Initiative, a scheme aimed towards enabling the government to collect Value Added Taxes from the informal sector and reduce multiple taxations in the informal economy. This initiative will see the partnership between the FIRS and the Market Traders Association of Nigeria to collect and remit VAT from its members, particularly those in the informal sector using a unified systems technology.

Though the move by the FG has raised mixed reactions from the public and stakeholders who are of the believe that it is a necessary step to boost Nigeria's tax revenue and to bring more people into the tax net. Others argue that it is a sign of weakness by criminals and other tax evaders while the initiative comes at a time Nigerian’s grapple with the brunt from the burden of fuel subsidy removal and

foreign exchange reforms. But for the government, it is to boost VAT revenue generation for the three tiers of government, to generate funds for infrastructure and social amenities.

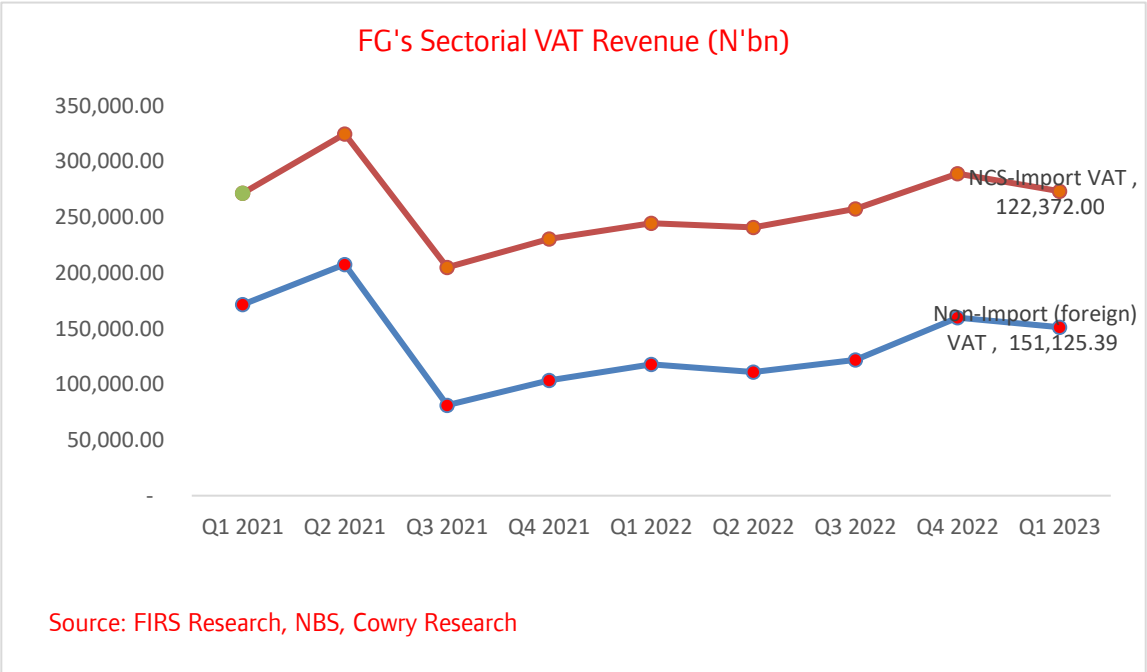
The new administration in Nigeria has, since taking over leadership of the country, introduced various revenue mobilization measures such as the removal of fuel subsidy which has given Nigeria an estimate of N400 billion in subsidy savings, proposed increase in electricity tariffs, and the implementation of VAT on diesel, among other initiatives to gradually improve on Nigeria’s revenue starting June 2023. But, the downward trend in the government’s gross revenue reflects the ongoing fiscal challenges faced by the Nigerian economy as well as the limited revenue sources including the decline in receipts from oil revenue.

The latest monthly economic report by the CBN highlighted that the gross federally collected revenue for distribution to the three tiers of government fell by 32% month on month to a little over N1 trillion in February 2023 as FG failed to meet the pro-rata monthly budget benchmark of approximately N1.6 trillion.

Through the years, crude oil has remained the major driver of FG’s total revenue which, at the moment, is on a downtrend with the main factor driving this decline was fall in revenues from petroleum profit tax and royalties. Also, revenue from non-oil sources has been relatively modest and has been underpinned by the gradual oscillation in company income tax (CIT), revenue from customs and excise duties and the collections from value-added-tax (VAT).

However, from the above analysis, we hope think that the VAT Direct Initiative (VDI) by the federal government is expected to simplify the VAT payment and remittance process for market traders, the revenue collection authorities, the government and to reduce multiple taxations in the informal sector while helping to boost VAT revenue generation for the three tiers of government.

Cowry Research thinks the new move by the FG is step in the right direction and it is expected to expand FG’s tax base with a proportionate increase in Nigeria’s tax revenue. This can be achieved with robust compliance by households or businesses within the new base and in turn, improve Nigeria’s image as viable investment destination. In another view, strict compliance to tax payment by those within the tax net will bring about a reduction in the level of tax burden on tax payers as more individuals will be captured in the tax net.



EQUITIES MARKET: ASI Sustains Weekly Gains by 3.40% to 63,040.87 points as Investors Gain N1.13trn.

This week, the NGX benchmark index's action was sustained in the bullish region for the seventh straight week with a 3.40% w/w gain to break the 62,000 strongholds to 63,040.87 points to trade above its 200-Day Simple Moving Average on the weekly chart in the face of ongoing market-focused and economic reforms. To this, the new trading quarter kick-started on a positive track as most stocks hit new 52-week highs as well as major sectors recording positive performances on strong buying interests among low, medium and high cap stocks, especially banking, consumer goods, telecom and others that pushed the index up.

As a result, the year-to-date gain stands at an impressive 23.00%, motivating investors and portfolio managers to engage in sectoral portfolio rebalancing ahead of the upcoming reporting and earning seasons. Also, the market capitalization mirrored the index's upward trajectory, expanding by 3.40% week-on-week to reach N34.33 trillion. This growth indicates that equity investors have been capitalizing on the positive market sentiment, resulting in profit-taking worth N1.13 trillion.

The performance across sectors has predominantly been bullish, with the banking and oil & gas sectors emerging as the top gainers of the week. The

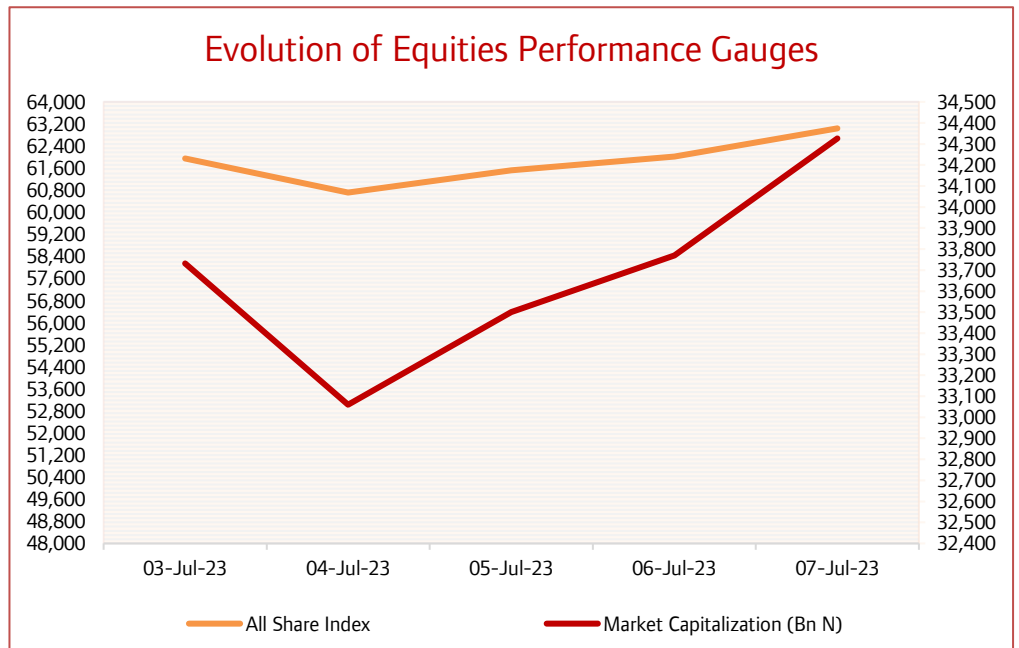
banking sector exhibited an impressive weekly gain of 9.82%, while the oil & gas sector followed closely with a notable 7.18% increase. The industrial goods sector also contributed positively to the overall market performance, closing the week with a 2.22% gain. The insurance sector experienced a marginal gain of 0.73%. However, the consumer goods sector emerged as the lone laggard, witnessing a slight decline of 0.22% after paring back its gains from the previous week.

Market activity displayed a robust and bullish momentum, evident in average traded volumes and deal brokerage. The number of weekly deals saw a significant improvement, surging by 93.91% week-on-week to reach 54,478, indicating an upswing in sentiment within the trading environment. Moreover, the average traded volume experienced a substantial advancement of 324.75% week-on-week, totaling 9.83 billion units. Additionally, the weekly average value expanded by 249.98% to N145.41 billion units, compared to N41.55 billion in the previous week.

Looking at the performance of specific stocks, several individual stocks stood out in terms of their performance during the week. JAPAU LGOLD (+59%), CHAMS (+57%), and ETRANZACT (+46%) were the leading gainers, showcasing remarkable growth rates. Conversely, WAPIC (-27%), LASACO (-17%), and CHAMPION (-14%) were among the stocks that experienced declines, leading the laggards' chart.

The index's impressive gains, surpassing the 63,000 level, have not only propelled investor sentiment but also led to positive performances in major sectors such as banking and oil & gas. As we enter the new reporting and earning seasons, investors and portfolio managers are expected to engage in sectoral portfolio rebalancing. The market's overall resilience and growth potential make it an attractive investment destination, with opportunities for both short-term gains and long-term capital appreciation.

As a result of the above, we look forward to a mixed outing and erratic profit taking, since factors that pushed the market to this level remain unchanged so far. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.



FOREX MARKET: Naira Losses Strength Against the Dollar Across FX markets as Traders React to Reforms.

The first trading week in July began in the foreign exchange market in bearish for the Naira as it depreciated by N19.20 or 2.48% w/w to N792.20/\$1 from N773/\$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 lost strength against the United States' dollar despite funds inflow by N7.65 or 0.99% w/w to close at N792.20/\$1 from N773/\$1 in the last week. This comes as traders continue to position themselves in a bid to ascertain the fair value of the naira.

Analysis of the activities of the Naira at the Forward Contracts Market this week, the local currency weakened across all forward contracts against the dollar by 4.74%, 4.59%, 4.47%, 4.14% and 3.64% w/w to close at N801.22/\$1, N810.72/\$1, N820.24/\$1, N849.13 and N910.26/\$1 at the 1-month, 2-months, 3-months, 6-months and 12-months tenor contracts respectively.

Elsewhere, Oil futures closed higher on Friday as the Brent Crude hit \$78.50 per barrel, at the time of writing, as supply concerns begin to seep through on supply concerns following decisions by Saudi Arabia and Russia to cut production and export quotas. Also, the Bonny Light crude price took a reversal by 3.33% or (\$2.54) w/w, to close at \$78.76 per barrel from \$76.22 per barrel in the previous week.

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 trade in a calm position against the greenback barring any further market distortions.

MONEY MARKET: NIBOR Moderates for Most Maturities amid Muted Money Market Activity...

In line with our expectations, activities in the primary market remained quiet as CBN did not offer T-bills; hence, NITTY rose for all tenor buckets amid sell pressure. Notably, NITTY rates for 1 month, 3 months, and 6 months climbed to 2.54% (from 2.21%), 3.37% (from 2.99%), and 4.66% (from 4.57%), respectively. On the flip side, 12 months fell to 6.59% (from 6.96%).

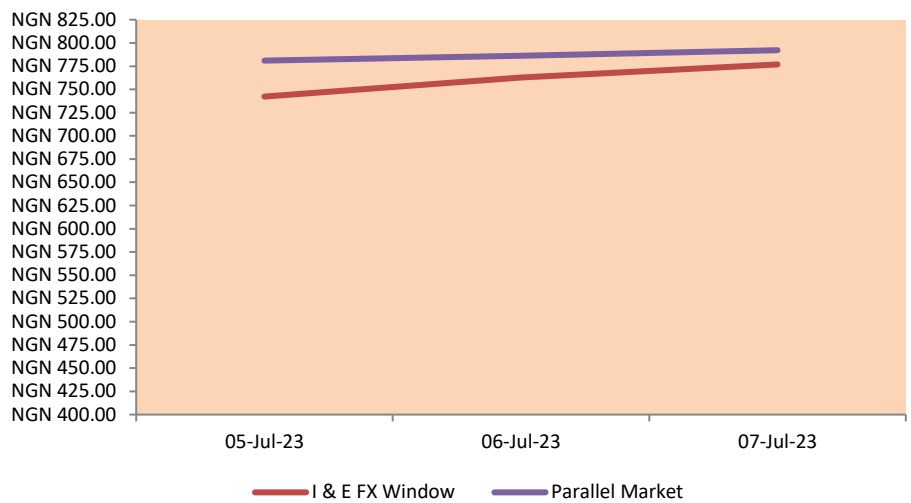
Conversely, the interbank space observed a liquidity boost of N5.00 billion from the net inflow of maturing OMO bills. Consequently, NIBOR fell for most of the tenor buckets tracked. Overnight funds, 3 months, and 6 months NIBOR moderated to 1.62% (from 1.75%), 8.65% (from 8.78%), and 9.41% (from 9.85%), respectively. However, the 1-month NIBOR rate rose to 7.24% (from 6.65%).

Looking ahead to the upcoming week, CBN will rollover maturing T-bills worth N141.94 via the primary market, viz: 91-day bills worth N3.15 billion, 182-day bills worth N1.49 billion, and 364-day bills worth N137.30 billion. Hence, we expect the stop rates of the issuances to decline due to ample liquidity conditions...

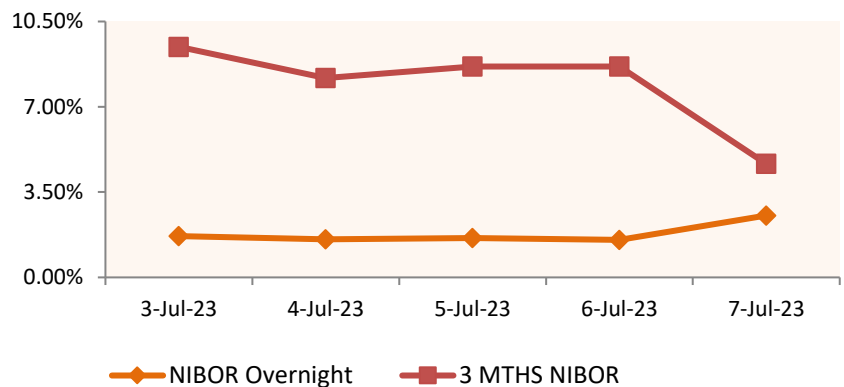
BOND MARKET: FGN Bond Prices Moderates Amid Renewed Sell Pressure...

In the Fixed Income market, investor sentiment turned bearish, leading to increased selling pressure on FGN bonds, as investors offered higher yields. Notably, the 10-year, 16.29% FGN MAR 2027, and 20-year, 16.25% FGN APR 2037 bonds lost N3.76 and N0.32, respectively, while their corresponding yields climbed to 12.06% (from 10.91%) and 14.30% (from 14.25%), respectively. On the flip side, the 15-year, 12.50% FGN MAR 2035 debt held steady w/w

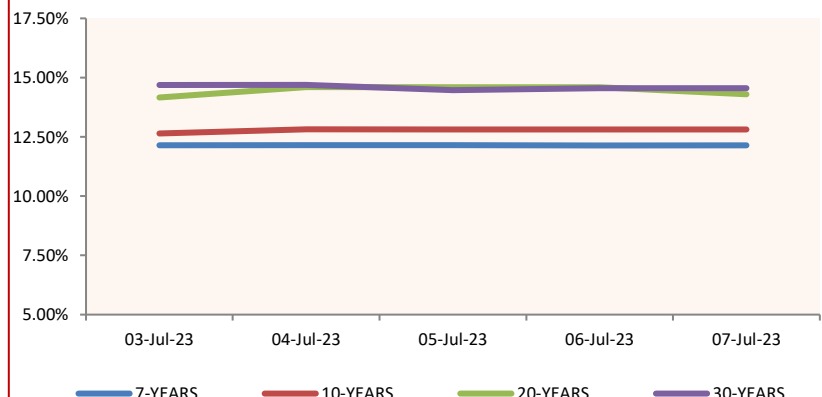
Evolution of NGN/USD Exchange Rates



Movement in Interbank Interest Rates



OTC Bond Yields (MTM)



at 14.40%, while the 30-year, 12.98% FGN MAR 2050 paper was repriced higher, yielding 14.55% (from 14.69%).

In the new week, we expect local OTC bond prices to Increase (and yields to moderate) as prospective investors demand lower rates in line with rates in the primary market.

Weekly Gainers and Loser as at Friday, July 07, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	July 07 2023	June 30 2023	% Change	Symbol	July 07 2023	June 30 2023	% Change
JAPAULGOLD	1.11	0.70	59%	WAPIC	0.61	0.83	-27%
CHAMS	1.16	0.74	57%	LASACO	2.16	2.60	-17%
ETRAZACT	9.41	6.45	46%	CHAMPION	4.60	5.38	-14%
TRANSCOHOT	32.65	23.40	40%	MULTIVERSE	3.38	3.75	-10%
UNITYBNK	1.62	1.18	37%	NGXGROUP	27.60	29.30	-6%
ETERNA	28.40	21.00	35%	NEM	6.10	6.40	-5%
FTNCOCOA	3.19	2.39	33%	NPFMCRCFBK	1.90	1.98	-4%
FCMB	6.65	5.10	30%	NESTLE	1,200.00	1,250.00	-4%
FIDELITYBK	8.93	7.00	28%	JBERGER	30.00	31.00	-3%
MRS	99.50	79.00	26%	NB	43.70	45.00	-3%

Weekly Stock Recommendations as at Friday, July 07, 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	1.95	27.87	0.73	14.5	10.39	20.30	9	20.30	28.4	17.3	23.3	50.00	Buy
ETERNA	1.18	10.91	2.60	33.76	30.73	28.4	5.4	28.40	39.8	24.1	32.7	40.00	Buy
DANG SUGAR	1.26	15.15	1.82	26.09	25.62	28	15	27.50	33.0	23.4	31.6	37.99	Buy
TOTAL ENERGIES	47.47	26.70	141.49	2.62	7.79	370.00	197.00	370	498.0	314.5	425.5	34.59	Buy
ACCESS	2.02	2.42	39.28	0.48	9.38	18.9	7.5	18.90	22.7	16.1	21.7	37.37	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 07, 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	99.17	(0.21)	298.6%	261.00
7.625 21-NOV-2025	21-Nov-18	2.40	94.91	(0.51)	10.1%	0.26
6.50 NOV 28, 2027	28-Nov-17	4.42	94.91	(0.51)	10.1%	0.26
6.125 SEP 28, 2028	28-Sep-21	5.25	81.34	(1.73)	10.9%	0.51
8.375 MAR 24, 2029	24-Mar-22	5.74	87.87	(1.84)	11.3%	0.48
7.143 FEB 23, 2030	23-Feb-18	6.66	81.32	(2.20)	11.2%	0.54
8.747 JAN 21, 2031	21-Nov-18	7.57	86.82	(2.43)	11.4%	0.53
7.875 16-FEB-2032	16-Feb-17	8.64	81.27	(2.29)	11.3%	0.48
7.375 SEP 28, 2033	28-Sep-21	10.25	75.99	(2.52)	11.4%	0.50
7.696 FEB 23, 2038	23-Feb-18	14.66	71.94	(2.64)	11.8%	0.48
7.625 NOV 28, 2047	28-Nov-17	24.43	67.88	(2.96)	11.6%	0.49
9.248 JAN 21, 2049	21-Nov-18	25.58	79.39	(3.05)	11.8%	0.45
8.25 SEP 28, 2051	28-Sep-21	28.27	71.31	(3.16)	11.8%	0.50

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 07, 2023

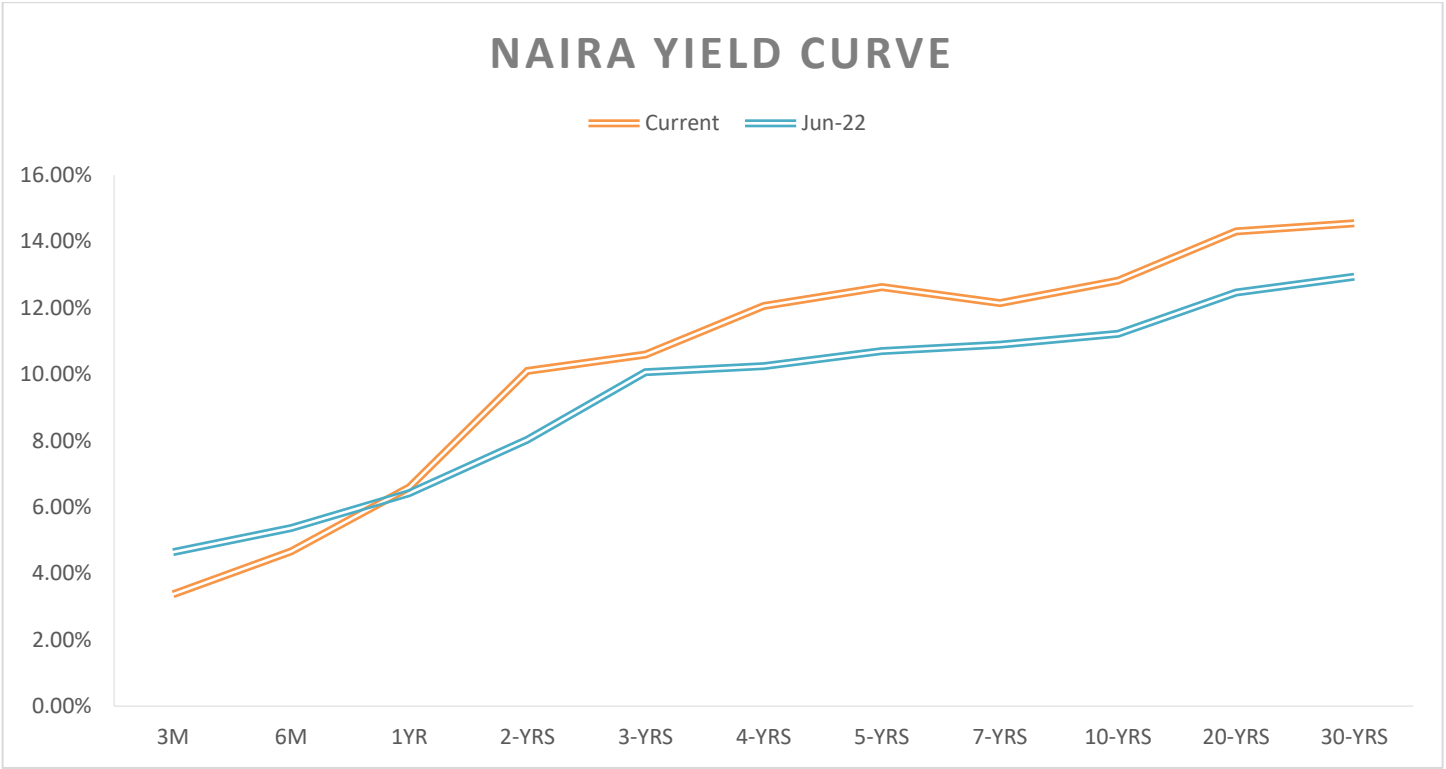
MAJOR	07-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0950	1.0887	0.58%	0.36%	1.56%	7.52%
GBPUSD	1.2835	1.2740	0.75%	1.02%	2.23%	6.71%
USDCHF	0.8897	0.8950	-0.59%	-0.59%	-0.93%	-8.83%
USDRUB	90.4250	91.2462	-0.90%	4.00%	10.27%	44.91%
USDNGN	767.0000	773.9657	-0.90%	1.08%	66.14%	84.90%
USDZAR	18.8235	19.1199	-1.55%	0.03%	-0.01%	11.68%
USDEGP	30.8922	30.8490	0.14%	0.14%	-0.19%	63.78%
USDCAD	1.33	1.3366	-0.53%	0.46%	-0.40%	2.70%
USDMXN	17.11	17.2267	-0.69%	-0.01%	-1.46%	-16.29%
USDBRL	4.86	4.9191	-1.11%	1.63%	-1.21%	-7.42%
AUDUSD	0.6683	0.6625	0.87%	0.22%	-0.51%	-2.56%
NZDUSD	0.6209	-0.0600	0.87%	1.35%	1.87%	0.24%
USDJPY	142.2400	144.0551	-1.26%	-1.44%	2.40%	4.53%
USDCNY	7.2280	7.2541	-0.36%	-0.53%	1.55%	8.15%
USDINR	82.6000	82.7572	-0.19%	0.62%	0.14%	4.21%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 07, 2023

Commodity		07-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	72.9	71.8	1.58%	3.21%	2.06%	-28.19%.
BRENT	USD/Bbl	77.8	76.5	1.63%	3.12%	2.53%	-24.84%.
NATURAL GAS	USD/MMBtu	2.6	9.8	0.66%	-6.08%.	7.97%	-55.96%.
GASOLINE	USD/Gal	2.6	2.5	1.54%	1.43%	2.64%	-21.36%.
COAL	USD/T	139.7	144.8	-3.56%.	9.19%	2.68%	-65.94%.
GOLD	USD/t.oz	1,930.4	1,910.9	1.02%	0.57%	-1.90%.	10.83%
SILVER	USD/t.oz	23.1	22.7	1.55%	1.50%	-4.74%.	19.65%
WHEAT	USD/Bu	647.9	647.0	0.14%	1.83%	3.45%	-27.33%.
PALM-OIL	MYR/T	3,834.0	3,911.0	-1.97%.	1.19%	17.46%	-7.77%.
COCOA	USD/T	3,290.0	3,276.9	0.40%	1.14%	6.03%	42.73%

FGN Bonds Yield Curve, Friday July 07, 2023



Disclaimer

This report is produced by the *Research Desk* of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.