

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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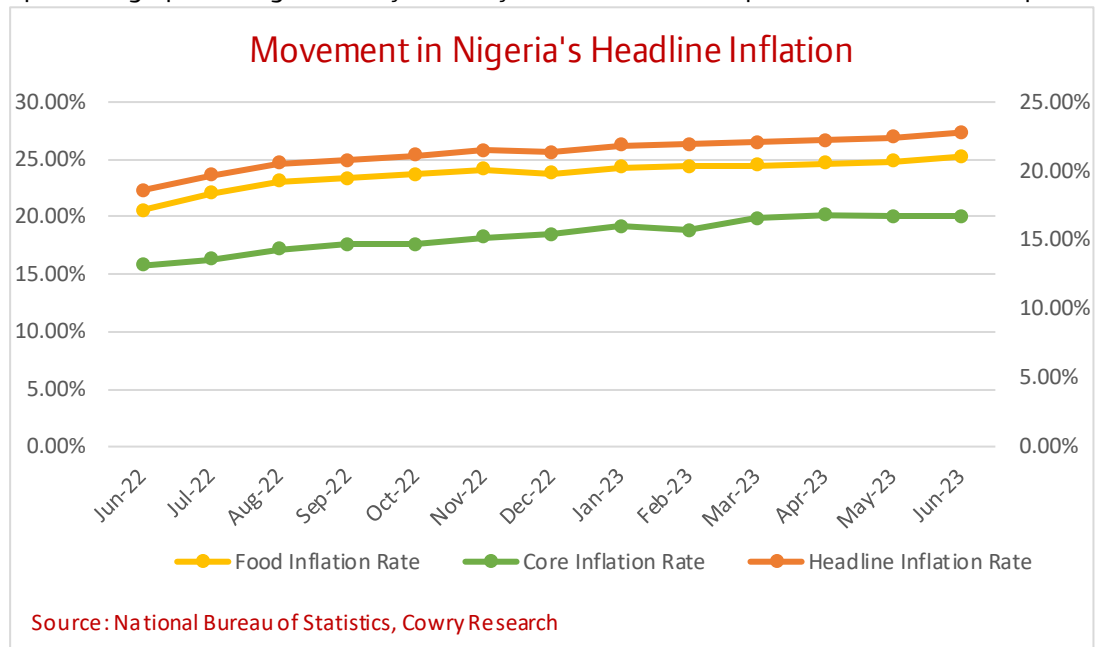
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ECONOMY: Rising Inflation Gives Little Thicket as CBN's Arsenal Looks Exhausted Ahead of Meeting....

The yet another climb in headline inflation to 22.79% in June may pose the narrative that the CBN may have exhausted its arsenal in the fight against soaring inflation ahead of its next meeting on Monday and Tuesday to decide on several economic indices amidst the market-wide expectations for interest rate moderation by 25 bps to 50 bps. However, the continued acceleration in the inflation numbers continues to render economic theory of aggressive policy tightening ineffective and presents to the monetary policy committee little thicket to tweak rates at its next meeting.

For Nigeria's inflation, the latest NBS report revealed that it rose by 0.38 percentage points to 22.79% in June 2023, relative to 22.41% in May 2023, and 4.19 percentage points higher on a year-on-year basis when compared to the 18.60% reported in June 2022. This indicates the sixth straight month in 2023 of the continued buildup of inflationary momentum in Nigeria (highest since March 2004) and can be attributed to the price increases in some of the divisional level items on the index. They are: food and non-alcoholic beverages (11.81%), housing, water, electricity, gas, and other fuel (3.81%), clothing, and footwear (1.74%), transport (1.48%), furnishings, household equipment, and maintenance (1.15%), amongst other items, which contributed a total of 2.80% to the increase in headline inflation.



In the month of June, the FG announced the official removal of subsidy on PMS or petrol, which was met with mixed reactions, while the government noted that its removal was necessary to reduce the government's fiscal deficit. An upshot from the move brought about the unexpected increase in transportation costs as a result of the increase in the pump price of fuel. Also, prices of food items in the markets skyrocketed by more than 70% as traders began factoring in the attendant cost from the subsidy removal.

A major driver of the increase in headline inflation was the food index, which printed at 25.25% to mark the highest level since 2005. The recent increase results from food staples such as: Oil and fat, bread and cereals, fish, potatoes, yam, and other tubers, fruits, meat, vegetables, milk, cheese, and eggs price increases. This reported increase comes as farmers in northern Nigeria are said to be paying taxes to armed bandits in order to avoid being attacked or kidnapped. The payments are being made in cash or in kind, such as livestock or grain, and are made in three tranches: before the planting season, during the growing season, and at harvest time. Also, the core inflation, which excludes food and energy prices, stood at 20.27% year-on-year in June 2023, the highest level since 2003, and suggests that inflationary pressures are broad-based. Meanwhile, the highest increases were recorded in prices of passenger transport by air, gas, vehicle spare parts, liquid fuel, fuels, and lubricants for personal transport equipment, medical services, passenger transport by road, etc.

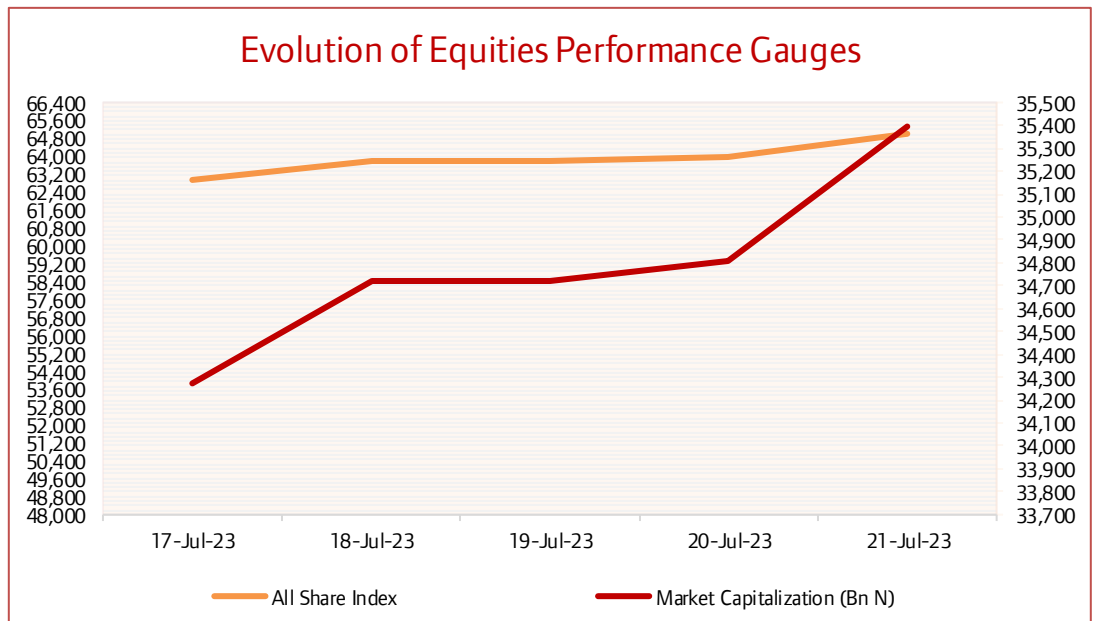
Across Nigerian states, the headline inflation rate was highest in Lagos (25.75%), Ondo (25.40%), and Kogi (25.23%), while the likes of Borno (20.44%), Zamfara (20.93%), and Ekiti (21.06%) recorded the slowest rise in headline inflation on a year-on-year basis. And then, on a month-on-month basis, Ogun (3.21%), Plateau (3.05%), and Jigawa (3.00%) reported the fastest increases but were slow in Zamfara (1.40%), Delta (1.42%), and Rivers (1.54%). For food inflation that drives the headline index, which continues to be the front burner across economies, Kwara (30.80%), Lagos (30.37%), and Kogi (29.71%) reported the fastest increases during the month of June 2023, while the slowest rise was reported in Zamfara (21.38%), Sokoto (21.60%), and Borno (21.75%) on a year-on-year basis. The monthly movement was seen highest in Kwara (3.82%), Abuja (3.64%), and Ogun (3.56%), while Rivers (0.75%), Zamfara (1.33%), and Adamawa (1.47%) were the top 3 states with the slowest increases.

Overall, the 2023 outlook for inflation stays elevated and uncertain at this time, and our prognosis has it that factors such as the large budget deficit of the government, and the proposed or planned hike in electricity tariffs, planned increase in flour prices by flour millers, continued naira depreciation, among many other factors, could further put upward pressure on inflation. Elsewhere, the CBN, at its next MPC meeting, is likely to raise interest rates in an effort to contain inflation, but this could have a negative impact on businesses and consumers as against the expectations of the markets in line with the recent policy reforms by the new administration for interest rates moderation. Thus, we project the July inflation rate at 23.05%, while the monetary policy committee may tweak rates slightly in the upward direction by 25bps to 18.75%.

EQUITIES MARKET: Bullish Sentiments Pervade the Bourse, Fueled by Banking Index, N1.3trn Gains....

The bulls resurfaced this week on the NGX as the benchmark index soar higher by 3.89% w/w to 65,003.39 points on the back of strong buying interests of investors especially in banking stocks that fueled the weekly rally. The hope of impressive half-year scorecards by the early filers and market movers led to stock and sectoral repositioning by portfolio managers while others take bet on the possible outcome of next week's MPC meeting. Consequently, the year-to-date gain of the index printed at 26.83%, motivating the market capitalization in the northward trajectory, as it advanced by 3.89% week-on-week to hit N35.39 trillion as the market gained over N1.33 trillion in 4 out of 5 sessions.

The performance across sectors has predominantly been bullish, with the banking and insurance sectors fueling the life of bullish party with +15.81% and +5.65% w/w gains due to positive price movements in STERLING, SOVERINS, ETI, MANSARD, and FBNH. Also winning during the week, were the industrial goods (+2.80%), consumer goods (+1.67%) and oil & gas (+0.64%) sectors resulting from price appreciations in LIVESTOCK, UACN, UNILEVER, NB and ETERNA during the week.



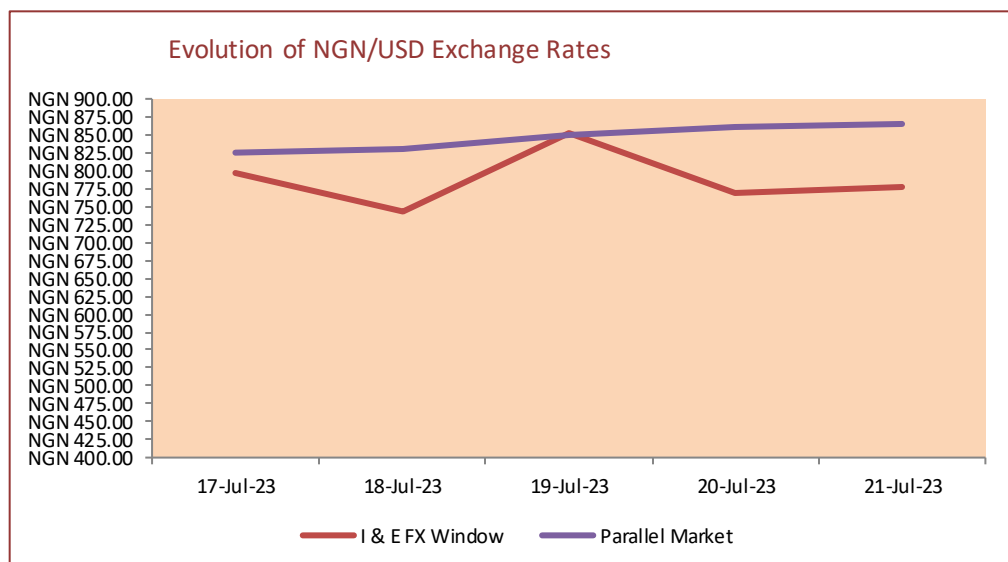
Market activity displayed a downbeat in momentum, evident in average traded volumes and value for the week. The number of weekly deals saw a negative movement by 23.92% week on week to reach 41,446 deals, indicating a downswing in sentiment within the trading environment. Moreover, the average traded volume experienced a southward movement by 57.46% week-on-week to 4.18 billion units. Additionally, the weekly average value contracted by 31.88% to N99.05 billion units, compared to N145.41 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. COURT (+33%), MORISON (+31%), and NASCON (+22%) were the leading gainers, showcasing remarkable growth rates. Conversely, CHAMPION (-32%), WEMABANK (-26%), and STERLINGNG (-25%) were among the stocks that experienced declines, leading the laggards' chart.

Next week, we expect the bullish sentiment to continue as corporates continue to churn out their half-year scorecards, while equity investors continue taking bets on the market based on the possible outcome of the next monetary policy meeting in the face of portfolio repositioning and the hope tide of impressive H1:2022 corporate earnings. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Naira Trades Mixed Across FX Markets As Dollar Weakened at the I & E....

This week in the foreign exchange market, naira traded mixed across various segment of the market as the demand for the United States dollar continues while the fx backlog stay on the rise. Thus, the naira depreciated by N50.30 or 6.17% w/w to N865/\$1 from N814.70/\$1 at the parallel market as users continue their prowl ease of dollar access and availability. On the contrary, at the investors' and exporters' FX window, the Naira edged the United States' dollar by N26.08 or -3.24% w/w to close at N777.82/\$1 from N803.90/\$1 in the last week despite the growing demand for the greenback. This comes as traders continue to position themselves in a bid to ascertain the fair value of the naira.



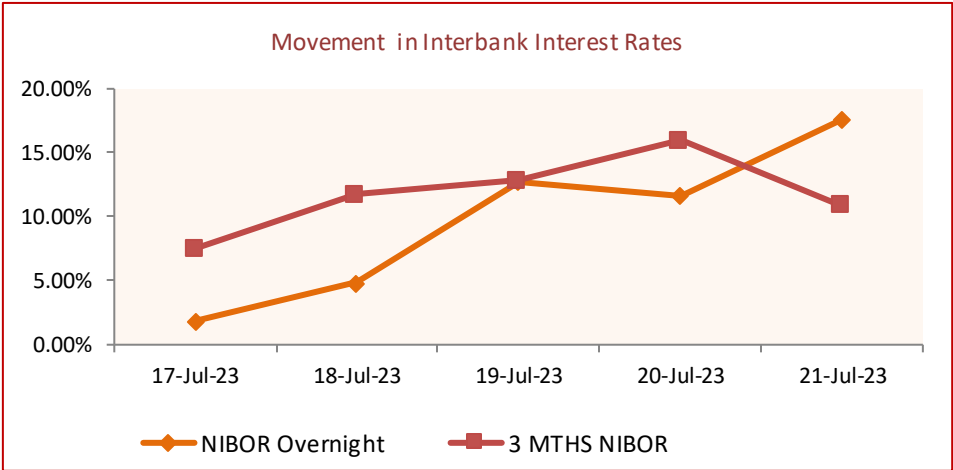
Analysis of the activities of the Naira at the Forward Contracts Market this week, the local currency edged the United States' dollar across the short end of the forward contract market by +0.39%, +0.16%, +1.07% to close at N781.61/\$1, N789.88/\$1, and N798.14/\$1 at the 1-month, 2-months, and 3-month forward contracts. On the other hand, the dollar ruled the week as it appreciated against the naira by +0.29% and +0.66% w/w to close at N822.93/\$1 and N872.51/\$1 at the, 6-months and 12-months tenor contracts respectively.

Elsewhere, bullish sentiment was sustained in the oil market with the WTI and Brent Crude up on course for a fourth straight week of gains on improved sentiments from China's plan to bolster economy. Thus, oil price closed on a weekly high on Friday at \$80.79 per barrel. Also, the Bonny Light crude price exhibited an upward trend by 12bps w/w, to close at \$81.78 per barrel from \$81.88 per barrel in the previous week.

In the coming week, we anticipate the naira to depreciate further on demand concerns barring any market distortions while market adjusts itself in line with the prevailing forces of demand and supply.

MONEY MARKET: NIBOR Rises as Banks Face Funding Pressure from Bond Auction...

In the past week, T-bills and OMO activities remained subdued due to the absence of matured or refinanced bills. Consequently, the liquidity conditions in the market tightened as deposit money banks faced funding pressure stemming from Monday's FGN bond auctions. This was despite the significant N907 billion Federation Account Allocation Committee (FAAC) disbursement to the FG, States, and LGAs for June.

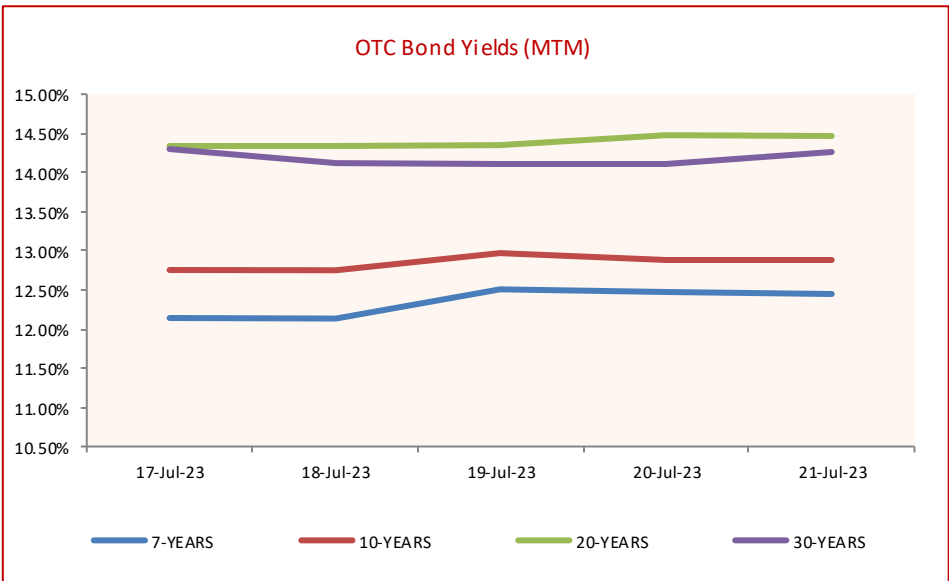


Hence, NIBOR experienced an upward surge across all tenor buckets tracked. Specifically, the overnight, 1-month, 3-month, and 6-month rates jumped to 17.60%, 10.64%, 10.90%, and 11.38% respectively, reflecting the elevated borrowing costs for banks. Despite the rise in money market rates, investors' sentiment remained positive, and T-bill yields moved lower for most maturities tracked. NITTY for 1 month 3 months and 6 months maturities moderated to 1.49% (from 2.14%), 2.25% (from 2.87%), and 3.38% (from 3.86%) respectively. However, NITTY for 12 months maturity rose to 6.30% (from 6.27%).

Looking ahead to the new week, the Apex bank will rollover maturing T-bills worth N261.53 billion mature via the primary market, viz: 91-day bills worth N1.74 billion, 182-day bills worth N1.26 billion, and 364-day bills worth N258.53 billion. Hence, we expect the stop rates of the issuances to decline amid demand pressure...

BOND MARKET: FGN Stop Rates Further Move Southwards Amid Huge Investors' Bids ...

In the recently concluded week, DMO successfully sold FGN bonds worth N657.84 billion, including non-competitive allotments at the primary market auction, viz reopening's: 10-year, 14.55% FGN APR 2029 worth N53.62 billion (+ N1.1 billion non-competitive allotments), 10-year, 14.70% FGN JUN 2033 paper worth N39.86 billion, 15-year, 15.45% FGN JUN 2038 bond worth N146.49 billion and 30-year, 15.70% FGN JUN 2053 debt worth N417.77 billion. Amidst robust demand (bid-to-cover ratio: 1.44x, up from the previous 1.34x), the stop rates for all maturities declined. Specifically, the stop rates for the 29s, 33s, 38s, and 53s bonds fell to 12.50% (from 13.90%), 13.60% (from 14.70%), 14.10% (from 15.45%) and 14.30% (from 15.70%) respectively.



In the secondary market, yields predominantly followed the trend observed

in the primary market. Notably, the 15-year, 12.50% FGN MAR 2035, and the 30-year, 12.98% FGN MAR 2050 bonds recorded gains, resulting in moderated yields of 13.55% (from 13.70%) and 14.25% (from 14.30%), respectively. However, the 20-year, 16.25% FGN APR 2037 bond experienced a decrease in price, leading to an increase in its corresponding yield to 14.48% (from 1.35%). Meanwhile, the 10-year, 16.29% FGN MAR 2027 bond remained stable, maintaining a yield of 11.84%.

On the international front, FGN Eurobonds traded lower across all maturities, driven by sustained bullish sentiment. Specifically, the 10-year, 6.50% NOV 28, 2027, the 20-year, 7.69% FEB 23 2038, and the 30-year, 7.62% NOV 28 2047, recorded losses of USD 0.52, USD 1.33, and USD 1.64, respectively, while their corresponding yields expanded to 9.06% (from 8.79%), 11.13% (from 10.90%), and 11.06% (from 10.81%), respectively.

For the upcoming week, we anticipate local OTC bond prices to rise, leading to decreased yields, as market participants react to the lower rates observed in the primary market....

Weekly Gainers and Loser as at Friday, July 21, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	July 21 2023	July 14 2023	% Change	Symbol	July 21 2023	July 14 2023	% Change
STERLINGNG	3.96	3.11	27%	FTNCOCOA	2.00	2.82	-29%
ETI	16.15	12.70	27%	COURTVILLE	0.64	0.89	-28%
SOVRENINS	0.58	0.46	26%	LINKASSURE	0.64	0.80	-20%
FBNH	19.85	15.80	26%	JAPAULGOLD	0.84	0.99	-15%
LIVESTOCK	1.98	1.58	25%	RTBRISCOE	0.51	0.59	-14%
FCMB	6.80	5.50	24%	LASACO	1.60	1.84	-13%
ACCESSCORP	18.35	14.95	23%	NNFM	12.45	13.80	-10%
ELLAHLAKES	4.36	3.56	22%	GUINNESS	73.00	80.00	-9%
UACN	11.00	9.00	22%	BERGER	10.10	10.70	-6%
WEMABANK	4.95	4.05	22%	CORNERST	0.96	1.01	-5%

Weekly Stock Recommendations as at Friday, July 21, 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
ACCESSCORP	2.02	2.42	39.28	0.43	8.28	18.90	7.5	18.35	25.00	14.2	21.2	37.72	Buy
TOTAL	47.47	26.70	141.49	2.62	7.79	370.00	197.00	370	498.0	314.5	425.5	34.59	Buy
DANGCEM	6.4	9.00	69.17	5.09	54.78	355.00	220.00	352	492.8	299.2	404.8	40.00	Buy
UCAP	0.78	1.02	4.45	3.27	18.62	17.1	9	14.95	20.0	12.4	16.7	37.46	Buy
FBNH	5.21	6.26	38.40	0.47	3.5	20.3	9	19.85	28.0	17.3	21.8	44.04	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 21, 2023

FGN Eurobonds	Issue Date	TTM (years)	14-Jul-23	Weekly	14-Jul-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.36	97.04	(0.52)	9.1%	0.27
6.50 NOV 28, 2027	28-Nov-17	4.38	97.04	(0.52)	9.1%	0.27
6.125 SEP 28, 2028	28-Sep-21	5.21	84.20	(0.68)	10.1%	0.20
8.375 MAR 24, 2029	24-Mar-22	5.70	91.23	(0.48)	10.5%	0.13
7.143 FEB 23, 2030	23-Feb-18	6.62	84.41	(1.03)	10.5%	0.25
8.747 JAN 21, 2031	21-Nov-18	7.53	90.36	(0.93)	10.7%	0.20
7.875 16-FEB-2032	16-Feb-17	8.60	84.47	(1.06)	10.7%	0.22
7.375 SEP 28, 2033	28-Sep-21	10.22	79.45	(1.08)	10.7%	0.21
7.696 FEB 23, 2038	23-Feb-18	14.62	75.49	(1.33)	11.1%	0.23
7.625 NOV 28, 2047	28-Nov-17	24.39	71.15	(1.64)	11.1%	0.25
9.248 JAN 21, 2049	21-Nov-18	25.54	83.18	(1.47)	11.3%	0.21
8.25 SEP 28, 2051	28-Sep-21	28.23	74.92	(1.36)	11.2%	0.20

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 21, 2023

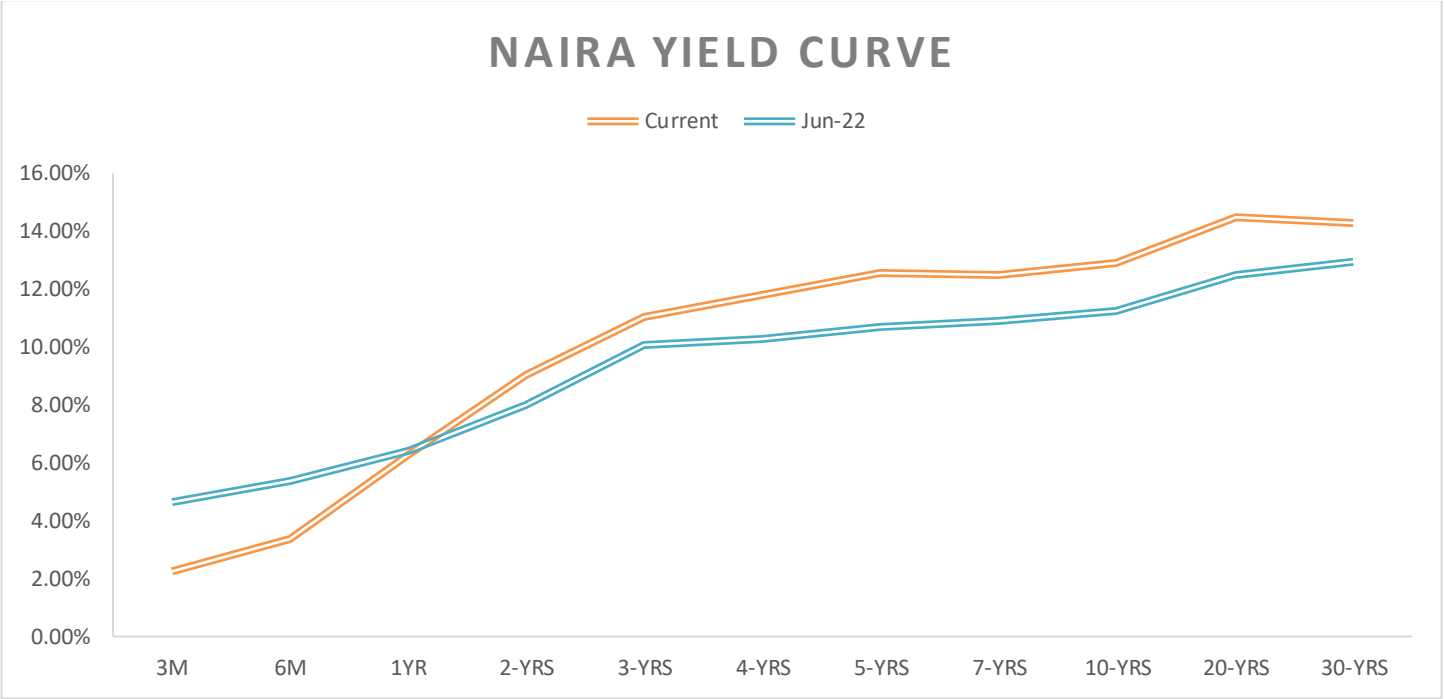
MAJOR	21-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1112	1.1128	-0.15%.	-1.03%.	1.42%	8.83%
GBPUSD	1.2839	1.2866	-0.21%.	-1.90%.	0.72%	6.97%
USDCHF	0.8659	0.8667	-0.10%.	0.50%	-3.22%.	-9.92%.
USDRUB	89.8500	89.4030	0.50%	-0.44%.	10.96%	61.53%
USDNGN	774.5000	789.5005	-1.90%.	-0.06%.	3.96%	86.98%
USDZAR	17.9386	17.8974	0.23%	-0.78%.	-3.12%.	6.58%
USDEGP	30.8015	30.7492	0.17%	-0.16%.	-0.25%.	62.80%
USDCAD	1.32	1.3172	0.34%	-0.02%.	0.50%	2.32%
USDMXN	16.91	16.8723	0.22%	1.00%	-1.52%.	-17.65%.
USDBRL	4.77	4.7982	-0.49%.	-0.28%.	0.14%	-13.12%.
AUDUSD	0.6727	0.6779	-0.77%.	-1.62%.	-0.42%.	-2.87%.
NZDUSD	0.6172	-0.0600	-1.01%.	-3.08%.	-0.09%.	-1.28%.
USDJPY	141.6230	140.0682	1.11%	2.11%	-1.01%.	4.13%
USDCNY	7.1894	7.1736	0.22%	0.47%	-0.07%.	6.40%
USDINR	82.0090	82.0664	-0.07%.	-0.02%.	0.10%	2.76%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 21, 2023

Commodity		21-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.5	75.7	1.13%	1.53%	9.82%	-17.27%.
BRENT	USD/Bbl	80.3	79.6	0.87%	0.51%	7.97%	-16.32%.
NATURAL GAS	USD/MMBtu	2.7	9.8	-1.11%.	7.25%	0.71%	-66.77%.
GASOLINE	USD/Gal	2.8	2.7	1.34%	4.97%	12.28%	0.39%
COAL	USD/T	132.0	131.0	0.76%	3.13%	6.32%	-67.28%.
GOLD	USD/t.oz	1,962.4	1,969.7	-0.37%.	0.40%	2.57%	13.68%
SILVER	USD/t.oz	24.7	24.7	-0.22%.	-0.97%.	11.02%	32.82%
WHEAT	USD/Bu	702.6	727.0	-3.36%.	6.14%	-6.73%.	-7.50%.
PALM-OIL	MYR/T	4,035.0	4,045.9	-0.27%.	3.97%	13.28%	8.94%
COCOA	USD/T	3,400.0	3,388.1	0.35%	2.75%	8.29%	47.93%

FGN Bonds Yield Curve, Friday July 21, 2023



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