

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN on Soft Pedal with Less Aggressive Rate Hike by 25bps to 18.75%.....

From our perspective, the 25bps increase in interest rates shows the CBN's dedication to controlling inflation, boosting investor confidence, and maintaining price stability to safeguard consumer purchasing power. However, it's essential to be mindful of the potential drawbacks, as the rate hike could lead to challenges for businesses seeking to borrow money, potentially slowing output growth and raising the unemployment rate.

EQUITIES MARKET: Grip of the Bulls Gradually Fade-Off as Sell-offs Stoke Weak Sentiments....

Next week, we expect the bearish sentiment to continue as the market undergoes the short-term correction in the face of corporates releases while equity investors continue their portfolio positioning in defensive stocks and the hope tide of impressive half-year reports. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Naira Edges the Dollar at Official Market by N2.06 Amid Demand Pressure....

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MONEY MARKET: 364-day T-Bills Rate Climbs to 7.35% as CBN Hikes MPC to 18.75%...

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BOND MARKET: FGN Bonds Yields Rise for Most Maturities amid Renewed Sell-Pressure...

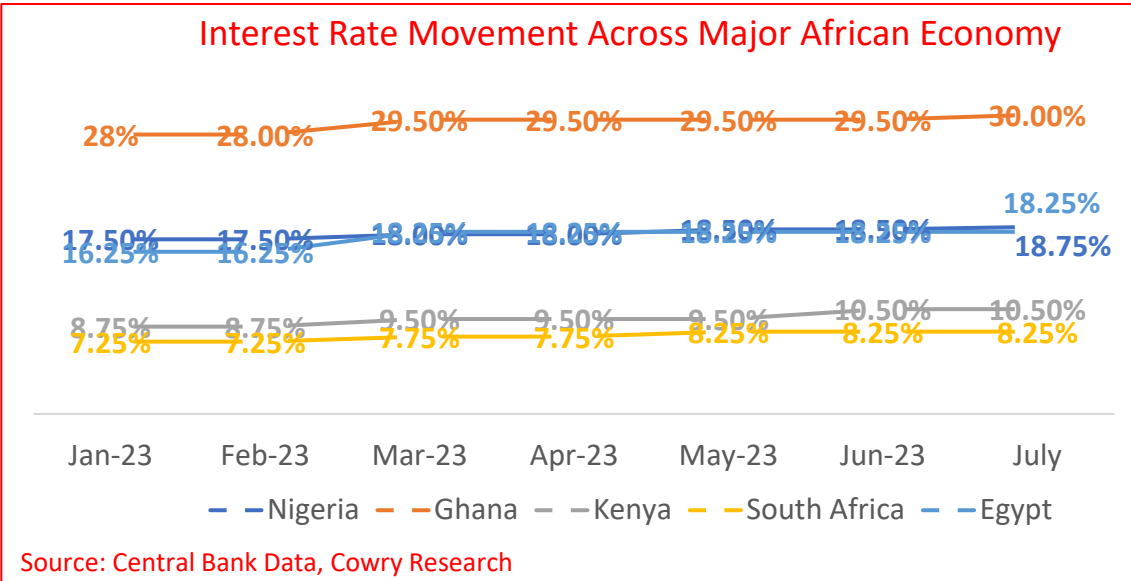
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ECONOMY: CBN on Soft Pedal with Less Aggressive Rate Hike by 25bps to 18.75%.....

The Monetary Policy Committee (MPC), in its first meeting since the suspension of Godwin Emefiele, the CBN Governor, took to a less aggressive tone in its rate, raising the MPR by 25 basis points to 18.75%. This move aligns with our earlier expectations and marks the eighth consecutive meeting since May 2022, during which the committee has adopted a hawkish stance to combat rising inflation.

It's worth noting that the decision for a slower tightening was not unanimous. Among the members, 4 voted for a 25bps hike, 2 preferred a 50bps increase, while 5 members advocated keeping rates unchanged. Our view had been in line with a 25bps increase to 18.75%, as a measure to curb inflation, despite recognizing that many inflationary pressures are beyond the scope of monetary policy. Nevertheless, the committee's choice to raise rates was influenced by ongoing global and domestic economic uncertainties, elevated general price levels, and the need to support economic growth.

In contrast to some advanced economies experiencing a downward trajectory in inflation, Nigeria's headline inflation remained stubbornly high at 22.79% in June 2023 for the sixth consecutive month. This reflects a sustained build-up of inflationary momentum, with price increases observed in various divisions, including food and non-alcoholic beverages, housing, transportation, and others.



The decision to implement a token rate hike indicates the committee's commitment to addressing inflation concerns amid the heightened outlook. By adopting a moderate tightening stance, the committee aims to demonstrate that the current policy is effectively curbing rising inflation, discouraging excessive aggregate demand in the face of declining output growth, and narrowing the negative real interest rate gap.

Furthermore, the decision was based on expectations of liquidity injections into the economy from recent policy developments and their potential impact on inflation. The committee applied a cautious thread to encourage investments and foster output growth recovery. Consequently, all members agreed to narrow the asymmetric corridor around the MPR from +100/-700 to +100/-300 basis points while maintaining the Cash Reserve Ratio (CRR) and Liquidity Ratio at 32.5% and 30%, respectively.

Several factors continue to pose downside risks to output growth and present significant challenges to the policy environment. These include the uncertain overall outlook for domestic and global economic recovery, geopolitical tensions such as the war in Ukraine, slow recovery of the Chinese economy, and ongoing uncertainties in trade flows due to the bricsification process. Additionally, insecurity in farming communities, high prices of petroleum and other energy products, as well as foreign exchange market pressures, add to the complexity of the current economic situation.

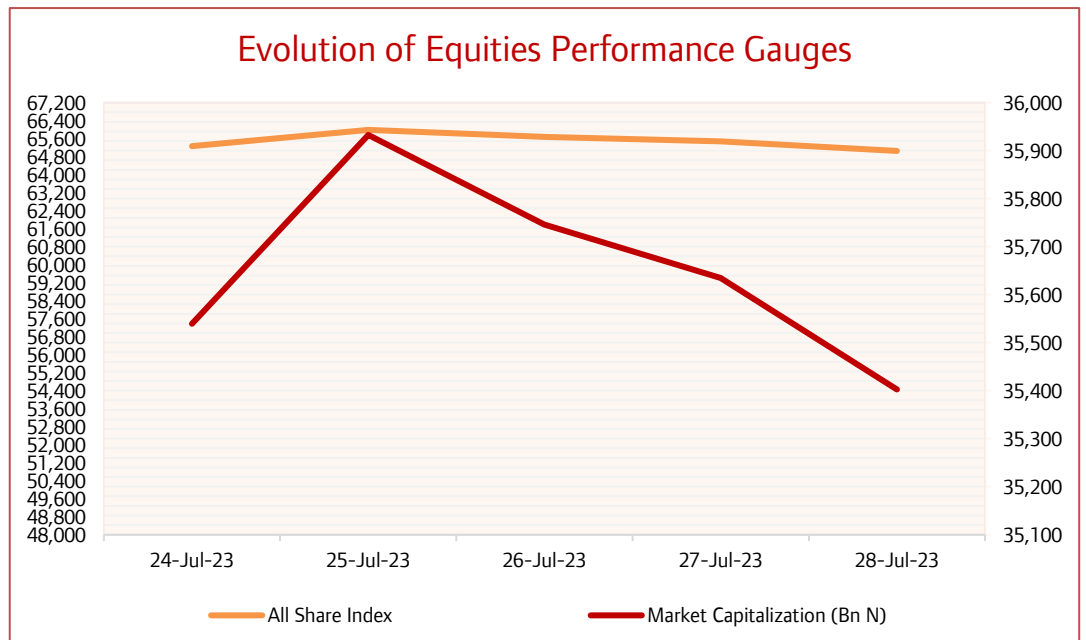
From our perspective, the 25bps increase in interest rates shows the CBN's dedication to controlling inflation, boosting investor confidence, and maintaining price stability to safeguard consumer purchasing power. However, it's essential to be mindful of the potential drawbacks, as the rate hike could lead to challenges for businesses seeking to borrow money, potentially slowing output growth and raising the unemployment rate.

Regarding implications for the financial sector, we anticipate banks to benefit from the high-interest rate environment, leading to improved net interest margins due to higher asset yields. On the other hand, we may also witness an increase in credit impairments and a deceleration in loan growth as banks tighten their risk management frameworks. Furthermore, investors holding assets sensitive to interest rate variations, such as treasury bills and bonds, will likely experience increased yields based on the liquidity conditions in the system.

EQUITIES MARKET: Grip of the Bulls Gradually Fade-Off as Sell-offs Stoke Weak Sentiments....

The local bourse gained marginally by 8bps as the grip of the bulls fade off gradually and the benchmark index advanced week on week to 65,056.39 points in the face of sell-offs and profit-taking in highly priced stocks. This has prompted investors to position in defensive stocks to protect their portfolios. This comes as investors digest the outcome of the recently held MPC meeting and the impressive half-year scorecards by corporates. Consequently, the year-to-date gain of the index printed at 26.94%, while the market capitalization rose marginally by 0.02% week-on-week to hit N35.40 trillion.

The performance across sectors has predominantly been bearish except for the oil & gas index which emerged as the only gainer for the week by +9.28% due to positive gains recorded in SEPLAT, and JAPAU LGOLD. On the contrary, the banking (-2.21%), consumer goods (-2.36%), insurance (-1.60%) and industrial (-0.31%) sectors lost due to negative investor sentiments across the indexes on the back of sell-offs in CADBURY, NB, STERLINGNG and CUTIX.



Just as last week, the level of market activity displayed a downbeat in momentum, evident in average traded volumes and value for the week. Though, the number of weekly deals saw an upward movement by 22bps week on week to reach 41,539 deals, the average traded volume experienced a southward movement by 31.75% week-on-week to 2.85 billion units. Additionally, the weekly average value contracted by 67.39% week on week to N32.29 billion, compared to N99.05 billion in the previous week.

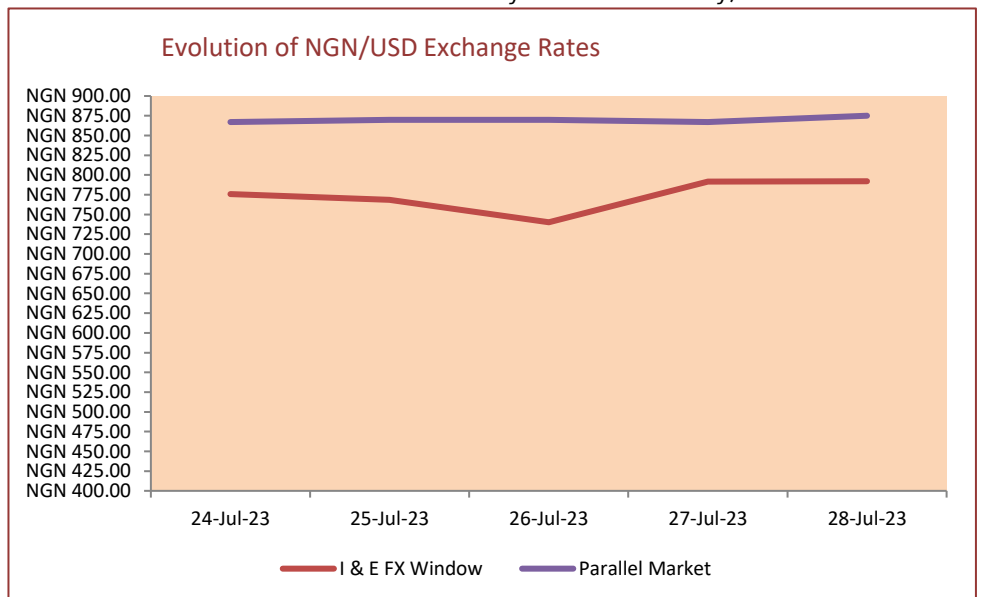
Looking at the performance of specific stocks, several individual stocks stood out in terms of their performance during the week, LASACO (+27%), NASCON (+24%) and FTNCOCOA (+24%) were the leading gainers, showcasing remarkable growth rates. Conversely, CADBURY (-27%), MULTIVERSE (-20%), and NB (-16%) were among the stocks that experienced declines, leading the laggards' chart.

Next week, we expect the bearish sentiment to continue as the market undergoes the short-term correction in the face of corporates releases while equity investors continue their portfolio positioning in defensive stocks and the hope tide of impressive half-year reports. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Naira Edges the Dollar at Official Market by N2.06 Amid Demand Pressure....

This week in the foreign exchange market, the naira depreciated by N2 or 0.23% w/w to N867/\$1 from N865/\$1 at the parallel market as users continue their prowl for ease of dollar access and availability. On the contrary, at the investors' and exporters' FX window, the Naira edged the United States' dollar in another week by N2.06 or -0.26% w/w to close at N775.76/\$1 from N777.82/\$1 in the last week despite the growing demand for the dollar.

Analysis of the activities of the Naira at the Forward Contracts Market this week, the local currency edged the United States' dollar across all tenors of the forward contract market by +1.02%, +1.55%, +1.66%, +1.93% and +1.48% to close at N773.68/\$1, N777.67/\$1,



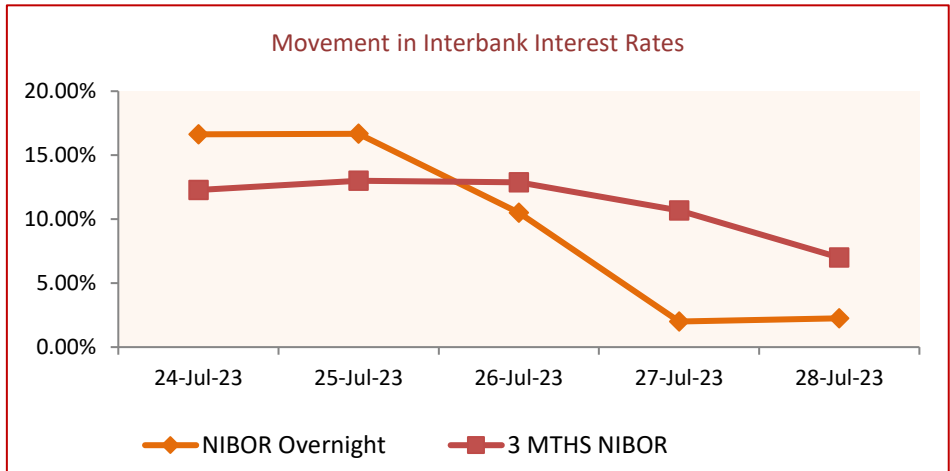
and N784.86/\$1, N807.08/\$1, N859.61/\$1 at the 1-month, 2-months, 3-month, 6-month and 12-month forward contracts.

Elsewhere, Oil futures were higher on Friday, as optimism surrounding global energy demand coupled with expectations of further supply cuts weighed on the market. Thus, oil price closed on a weekly high on Friday at \$83 per barrel. Also, the Bonny Light crude price exhibited an upward trend by 8.47% w/w, to close at \$88.71 per barrel from \$81.78 per barrel in the previous week.

In the coming week, we anticipate the naira to trade in a calm band across the fx markets on demand concerns barring any market distortions while market adjusts itself in line with the prevailing forces of demand and supply.

MONEY MARKET: 364-day T-Bills Rate Climbs to 7.35% as CBN Hikes MPC to 18.75%...

In the previous week, the Central Bank of Nigeria (CBN) successfully refinanced N264.33 billion worth of T-bills, fully offsetting the matured treasury bills. Specifically, stop rates for 91-day, 182-day, and 364-day bills rose to 6% (from 2.86%), 8% (from 3.50%), and 12.15% (from 5.94%), respectively. This rate adjustment aligns with the apex bank's aim to curtail inflation by maintaining high-interest rates, as reflected in the recent 25 basis point hike in the Monetary Policy Rate (MPR).



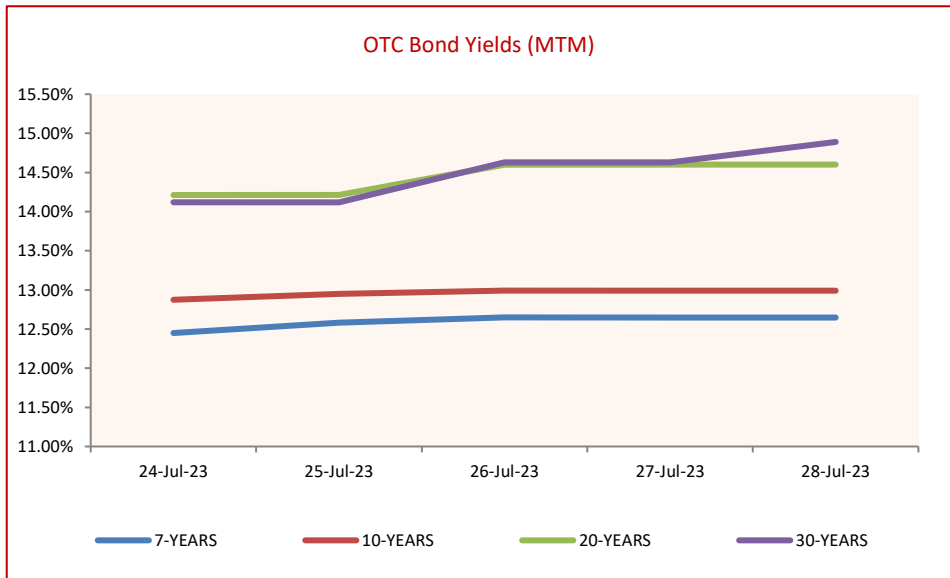
Consequently, the secondary market saw bearish activity as traders followed the direction of the primary market rates. Hence, NITTY for 1 month, 3 months, 6 months, and 12 months rose to 3.50% (from 1.49%), 4.88% (from 2.25%), 6.90% (3.3%), and 10.08% (from 6.66%), respectively.

Meanwhile, activities in the OMO space were muted amid zero maturing or refinanced bills. However, inflows from the Federation Account Allocation Committee (FAAC) contributed to a decrease in Nigeria Interbank Offered Rates (NIBOR) for all tenor buckets. Specifically, NIBOR for Overnight funds, 1 month, 3 months, and 6 months crashed week-on-week to 2.25% (from 17.60%), 5.75% (from 10.64%), 7.00% (from 10.90%), and 8.25% (from 11.38%), respectively.

Looking ahead to the new week, the money market is expected to exhibit a slightly bearish trend due to limited maturing Treasury and OMO bills...

BOND MARKET: FGN Bonds Yields Rise for Most Maturities amid Renewed Sell-Pressure...

In the week that concluded, the value of FGN bonds in the secondary market experienced a bearish trend, primarily due to renewed sell pressure. Particularly, the 10-year, 16.29% FGN MAR 2027 bond, the 20-year, 16.25% FGN APR 2037 paper, and the 30-year, 12.98% FGN MAR 2050 debts lost N2.30, N0.79, and N3.86, respectively; their corresponding yields fell to 12.55% (from 11.82%), 14.60% (from 14.48%), and 14.89% (from 14.25%), respectively. Meanwhile, the 15-year, 12.50% FGN MAR 2035, remained stable, maintaining a yield of 13.55%.



On the international front, FGN Eurobonds also traded lower across all maturities, reflecting 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 gains of USD 0.54, USD 2.04, and USD 2.02, respectively, while their corresponding yields expanded to 8.80% (from 9.06%), 10.79% (from 11.13%), and 10.75% (from 11.06%), respectively.



In the upcoming week, local OTC bond prices are expected to depreciate, leading to higher yields, driven by an anticipated liquidity squeeze in the financial system...

Weekly Gainers and Loser as at Friday, July 28, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	July 28 2023	July 21 2023	% Change	Symbol	July 28 2023	July 21 2023	% Change
LASACO	2.03	1.60	27%	CADBURY	12.45	17.00	-27%
NASCON	36.00	29.00	24%	MULTIVERSE	2.98	3.71	-20%
FTNCOCOA	2.47	2.00	24%	NB	36.50	43.65	-16%
JAPAULGOLD	1.02	0.84	21%	MAYBAKER	4.92	5.85	-16%
SEPLAT	1,693.60	1,399.80	21%	UNITYBNK	1.39	1.65	-16%
SOVRENINS	0.70	0.58	21%	INTBREW	4.25	4.85	-12%
STANBIC	69.50	62.70	11%	STERLINGNG	3.50	3.96	-12%
NAHCO	19.90	18.00	11%	UNILEVER	15.50	17.45	-11%
CAP	22.00	20.00	10%	AFRIPRUD	6.00	6.75	-11%
RTBRISCOE	0.56	0.51	10%	CUTIX	2.50	2.78	-10%

Weekly Stock Recommendations as at Friday, July 28, 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	0.44	8.61	18.90	7.5	17.50	25.0	14.7	20.0	44.09	Buy
ECOBANK	5.73	4.01	72.70	0.23	2.96	17.50	9.50	17	26.0	14.5	19.6	52.94	Buy
MRS	6.74	4.72	60.69	1.80	16.2	110	10.55	109.45	138.0	93.0	125.9	26.08	Buy
NASCON	0.62	0.87	7.81	4.28	53.85	34.00	9.50	36.00	46.8	28.4	38.4	40.00	Buy
OKOMUOIL	10.67	12.80	59.80	4.43	24.84	265	157	265	318.0	225.3	304.8	20.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 28, 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	97.58	0.54	8.8%	(0.26)
6.50 NOV 28, 2027	28-Nov-17	4.38	97.58	0.54	8.8%	(0.26)
6.125 SEP 28, 2028	28-Sep-21	5.21	85.61	1.41	9.7%	(0.39)
8.375 MAR 24, 2029	24-Mar-22	5.70	92.74	1.51	10.1%	(0.37)
7.143 FEB 23, 2030	23-Feb-18	6.62	86.18	1.77	10.1%	(0.41)
8.747 JAN 21, 2031	21-Nov-18	7.53	92.32	1.96	10.2%	(0.41)
7.875 16-FEB-2032	16-Feb-17	8.60	86.40	1.93	10.3%	(0.38)
7.375 SEP 28, 2033	28-Sep-21	10.22	81.49	2.04	10.4%	(0.38)
7.696 FEB 23, 2038	23-Feb-18	14.62	77.53	2.04	10.8%	(0.34)
7.625 NOV 28, 2047	28-Nov-17	24.39	73.17	2.02	10.8%	(0.31)
9.248 JAN 21, 2049	21-Nov-18	25.54	85.44	2.26	11.0%	(0.31)
8.25 SEP 28, 2051	28-Sep-21	28.23	76.97	2.05	10.9%	(0.30)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 28, 2023

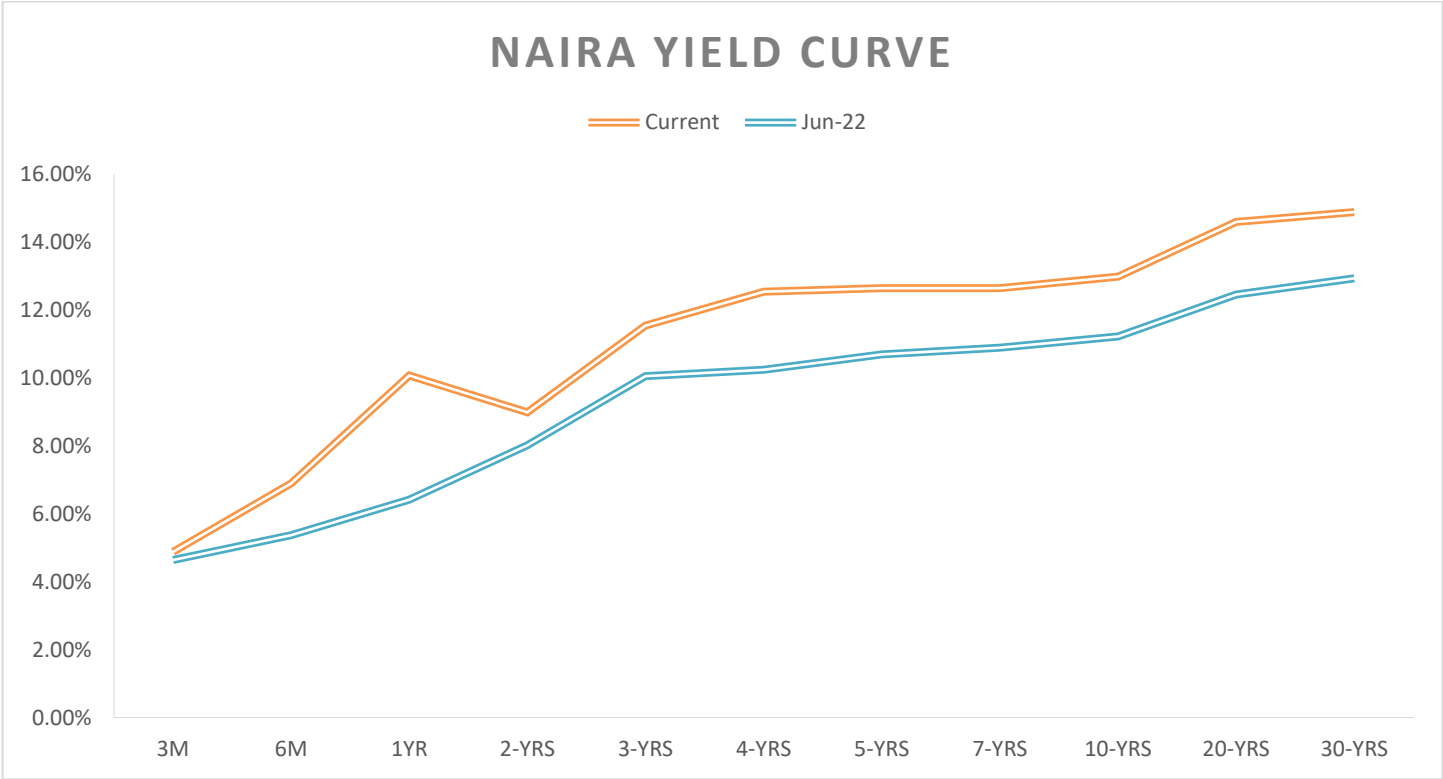
MAJOR	27-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1039	1.0973	0.60%	-0.76%	1.60%	8.03%
GBPUSD	1.2875	1.2793	0.64%	0.13%	2.06%	5.80%
USDCHF	0.8668	0.8687	-0.22%	0.15%	-3.59%	-8.87%
USDRUB	91.2620	90.6997	0.62%	1.97%	5.07%	52.74%
USDNGN	774.2800	773.9704	0.04%	-0.03%	2.83%	86.41%
USDZAR	17.6361	17.8305	-1.09%	-1.62%	-5.95%	6.01%
USDEGP	30.8978	30.8515	0.15%	0.48%	0.15%	63.27%
USDCAD	1.32	1.3225	0.01%	0.05%	-0.15%	3.41%
USDMXN	16.64	16.8605	-1.28%	-1.98%	-2.82%	-18.23%
USDBRL	4.72	4.7424	-0.45%	-1.25%	-2.79%	-8.77%
AUDUSD	0.6668	0.6706	-0.57%	-0.90%	0.80%	-4.56%
NZDUSD	0.6166	-0.0600	-0.28%	-0.06%	1.57%	-1.98%
USDJPY	140.3220	139.4435	0.63%	-1.01%	-3.04%	5.38%
USDCNY	7.1529	7.1701	-0.24%	-0.47%	-1.57%	5.97%
USDINR	82.2295	82.1474	0.10%	0.31%	0.16%	3.65%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 28, 2023

Commodity		28-Jul-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	80.2	80.1	0.17%	4.14%	14.63%	-17.04%.
BRENT	USD/Bbl	84.1	84.2	-0.20%.	3.80%	12.94%	-17.04%.
NATURAL GAS	USD/MMBtu	2.6	9.8	1.83%	-2.30%.	-1.72%.	-67.86%.
GASOLINE	USD/Gal	3.0	3.0	1.25%	6.63%	19.34%	4.27%
COAL	USD/T	134.0	134.0	0.00%	1.52%	4.77%	-67.43%.
GOLD	USD/t.oz	1,959.5	1,944.9	0.75%	-0.11%.	2.61%	10.92%
SILVER	USD/t.oz	24.3	24.1	0.77%	-1.14%.	7.74%	19.56%
WHEAT	USD/Bu	696.3	712.8	-2.32%.	-0.19%.	4.29%	-13.82%.
PALM-OIL	MYR/T	4,006.0	4,026.1	-0.50%.	-0.72%.	5.73%	-6.60%.
COCOA	USD/T	3,525.0	3,528.9	-0.11%.	3.22%	8.36%	51.74%

FGN Bonds Yield Curve, Friday July 28, 2023



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