

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Nigeria's Growth Expectations Stay on Trajectory Amid Economic Headwinds.....

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### EQUITIES MARKET: NGX Exhibits Upside Potential with 0.22% Weekly Gains as Investors Rebalance Portfolios....

For the coming week, we expect to see positive outlook from the local bourse driven by portfolio rebalancing and opportunities to hedge against inflation. While certain sectors may face challenges, there are potential gains to be made in value-oriented sectors in the face of corporate actions and positive earnings announcements.

### FOREX MARKET: Naira Trades In The Mix Across Market Segments As Pressure Reinvigorates....

The Nigerian foreign exchange market continues to face challenges with the naira's depreciation against the greenback even as the oil market continues to show buoyancy with prices rising on global supply concerns. In the coming week, we anticipate the naira to trade in a relatively calm band across the fx markets barring any market distortions that may disrupt supply.

### MONEY MARKET: NITTY Rises for Most Maturities amid Muted Money Market Activity...

Looking ahead to the new week, the Apex bank will rollover maturing T-bills worth N153.99 billion via the primary market, viz: 91-day bills worth N4.52 billion, 182-day bills worth N1.31 billion, and 364-day bills worth N148.15 billion. We expect the stop rates of the issuances to rise following recent signals from the Apex Bank...

### BOND MARKET: FGN Bond Prices Moderate as Yields Remain Elevated for Most Maturities Tracked...

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## ECONOMY: Nigeria’s Growth Expectations Stay on Trajectory Amid Economic Headwinds.....

This week, we pen our view on the latest release of the July global economic outlook by the International Monetary Fund (IMF), as Nigeria's growth expectations appear to be holding steady, albeit not without challenges. Against a backdrop of a modestly improved global economic outlook with a 0.2 percentage point upgrade to 3% for 2023, Nigeria's growth trajectory remains cautiously positive.

The IMF has maintained its projection of 3.2% growth for Nigeria in 2023, consistent with its earlier forecasts from January and April. However, a slight deceleration is anticipated, with growth expected to dip to 3.0% in 2024. This projection comes in the midst of persistent economic headwinds that could potentially impede Nigeria's growth ambitions. Despite a commendable 3.10% year-on-year growth in 2022 and a continued positive trajectory with 2.31% year-on-year growth in Q1 of 2023, uncertainties loom large on the macroeconomic horizon. Several key factors contribute to this uncertainty:

1. Subsidy Removal: The recent removal of subsidies introduces an element of volatility, particularly impacting sectors sensitive to consumer demand.

2. FX Market Liberalization:

The liberalization of the foreign exchange market introduces an additional layer of complexity, potentially exposing the economy to exchange rate fluctuations and associated trade implications.

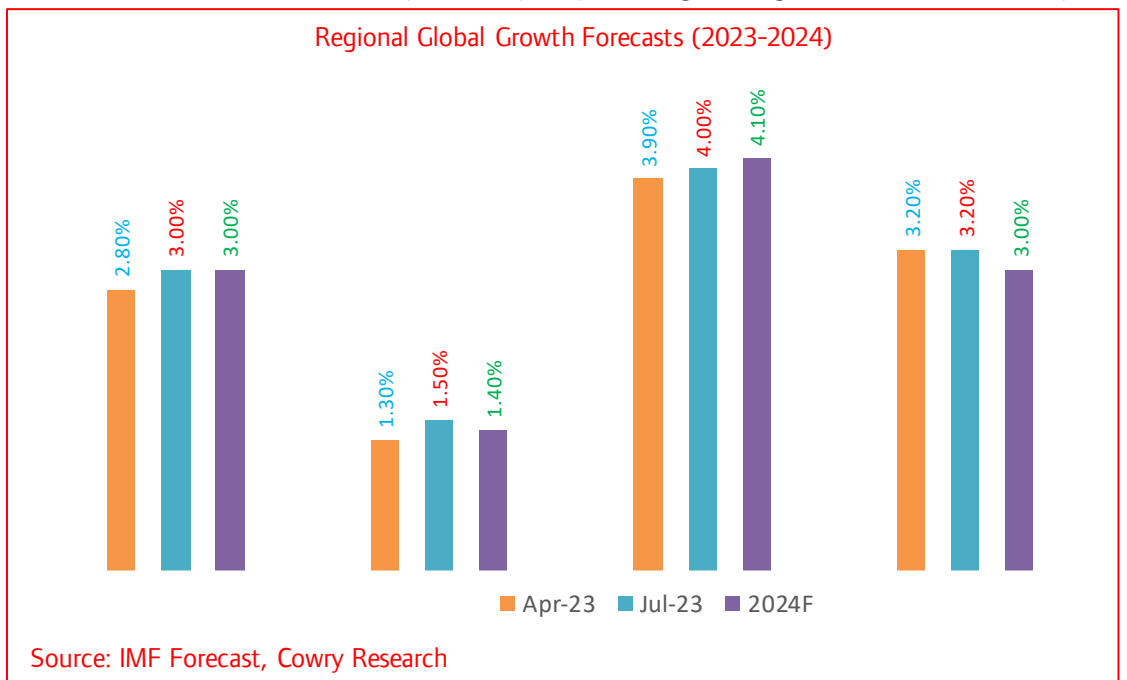
3. Insecurity Challenges: Persistent security challenges threaten to disrupt supply chains and deter investor confidence, exerting a drag on overall economic activities.

4. Commodity Price Volatility: Escalating commodity prices, a global phenomenon, have contributed to Nigeria's inflation reaching a multi-year high of 22.79% in June 2023. In response, the central bank has assumed a more hawkish stance, resorting to policy rate hikes to anchor inflation expectations.

The COVID-19 health crisis is officially over, and supply-chain disruptions have returned to pre-pandemic levels. Economic activity in the first quarter of the year proved resilient, despite the challenging environment, amid surprisingly strong labor markets. Energy and food prices have come down sharply from their war-induced peaks, allowing global inflation pressures to ease faster than expected. And financial instability following the March banking turmoil remains contained thanks to forceful action by the US and Swiss authorities.

Under the IMF's baseline forecast, growth is likely to slow to 3% in 2023 and 2024 from 3.5% as global inflation expectations slow to 6.8% in 2023 from 8.7% in 2022 and further deceleration in global inflation to 5.2% next year. Supporting the expected slowdown in inflation across the globe, growth in advanced economies is expected to ease to 1.5% in 2023 from 2.7% initially expected in 2022 and will likely remain in a subdued manner to 1.4% in 2024. To this assertion for the advanced economies, the Eurozone, though, still reeling from energy price shocks due to the previous year's geopolitical events, is poised for a significant deceleration, acting as a drag on overall advanced economy growth.

By contrast, growth in emerging markets and developing economies is still expected to pick-up with year-on-year growth accelerating from 3.1 percent in 2022 to 4.1 percent this year and next. (The corresponding annual growth, shown on the chart below, is 4 percent for 2022 and 2023 and 4.1% for 2024.). This average, however, masks significant differences between countries, with emerging and developing Asia growing strongly at 5.3 percent this year, while many commodity producers will suffer from a decline in export revenues.



For Cowry Research, it is evident that Nigeria's growth prospects are entangled in a complex web of internal and external challenges. Policymakers and economic stakeholders need to remain vigilant and proactive in addressing these headwinds to ensure the country's continued economic resilience and stability in the face of a volatile global economic landscape.

## EQUITIES MARKET: NGX Exhibits Upside Potential with 0.22% Weekly Gains as Investors Rebalance Portfolios....

The Nigerian Stock Exchange (NGX) had a positive week, with the benchmark index advancing by 22 basis points to 65,198.08 points. Despite facing sell pressure and relatively low average volume and value, market players engaged in portfolio rebalancing while keeping an eye on corporate quarterly scorecards. This performance aligns with our assessment, and we see potential for further upside.

The market capitalization also saw a modest increase of 0.22% week-on-week, reaching N35.48 trillion from N35.40 trillion last week, which provided investors with N77.1 billion in gains. Year-to-date, the All-Share Index (ASI) has recorded an impressive return of 27.21%, reflecting the resilience of the Nigerian market amidst global uncertainties.

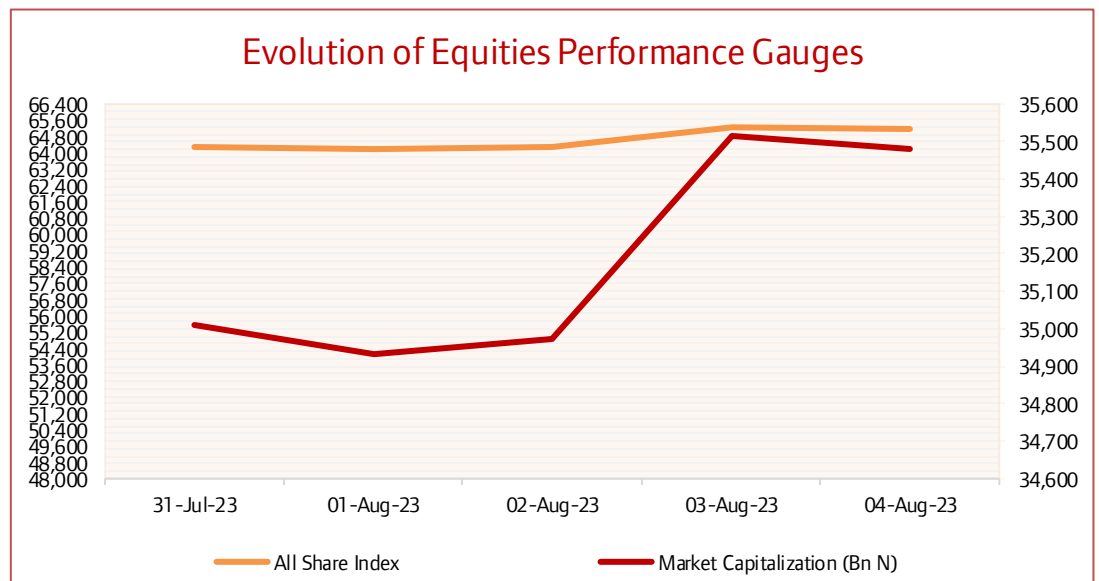
Our analysis indicates that investors have been focusing on value-oriented sector rotation, favouring blue-chip and low-cap stocks. During the week, some companies posted surprising results, while others fell short of market expectations, leading to notable price movements. Additionally, with the recent rate hike making fixed income instruments attractive, cautious investors are considering potential inflation hedging strategies within the equity space.

Sectoral performance was mixed, with the insurance sector leading the gainers with a remarkable 5.88% increase. The consumer goods and industrial goods sectors also showed strength, gaining 2.27% and 0.23%, respectively, driven by strong sentiment in mid and high cap stocks. However, the banking and oil & gas sectors faced challenges, declining by 2.13% and 0.68%, respectively, as investors cautiously assessed the impact of the rate hike and rising fixed income yields.

Market activity remained subdued, consistent with our observations. Average traded volumes and values saw declines during the week, with the number of weekly deals down by 9.21% to 37,713 deals. The average traded volume also decreased by 9.79% to 2.57 billion units, and the weekly average value contracted by 32.18% to N21.90 billion, compared to N32.3 billion in the previous week.

Some specific stocks exhibited noteworthy performances. DANGSUGAR (+25%), GLAXOSMITH (+20%), and LINKASSURE (+20%) displayed impressive gains, drawing attention from investors. Conversely, ETERNA (-27%), UPL (-18%), and GUINNESS (-17%) faced declines during the week.

For the coming week, we expect to see positive outlook from the local bourse driven by portfolio rebalancing and opportunities to hedge against inflation. While certain sectors may face challenges, there are potential gains to be made in value-oriented sectors in the face of corporate actions and positive earnings announcements. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

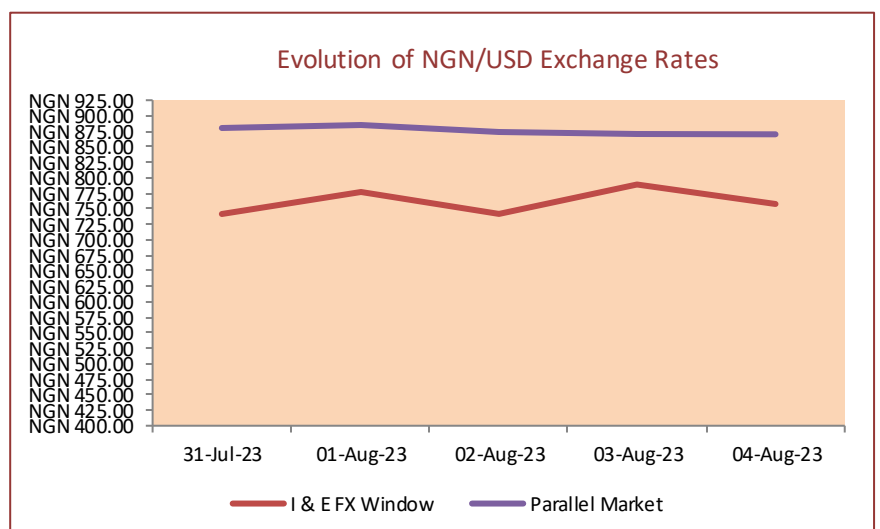


## FOREX MARKET: Naira Trades In The Mix Across Market Segments As Pressure Reinigorates....

During the past week in the foreign exchange market, the Nigerian naira experienced depreciation against the US dollar at the parallel market, sliding by N14 or 1.61% week-on-week to N881/\$1 from N867/\$1. This decline was attributed to the persistent dollar shortage and speculative activities, while manufacturers and importers continued to seek easier access and availability of dollars.

In contrast, at the investors' and exporters' FX window, the naira strengthened against the US dollar for the third consecutive week, gaining N32.60 or -4.2% week-on-week to close at N743.07/\$1 from N775.94/\$1 in the previous week. Despite the growing demand for the dollar, the naira showed resilience in this segment.

At the FMDQ Securities Exchange (SE) FX Futures Contract Market, the naira weakened against the US dollar across all forward contract tenors. The rates declined by -2.88%, -3.10%, -3.40%, -4.07%, and -1.84% for the 1-month, 2-months, 3-



month, 6-month, and 12-month contracts, respectively. The demand pressure persisted across the market, leading to these changes.

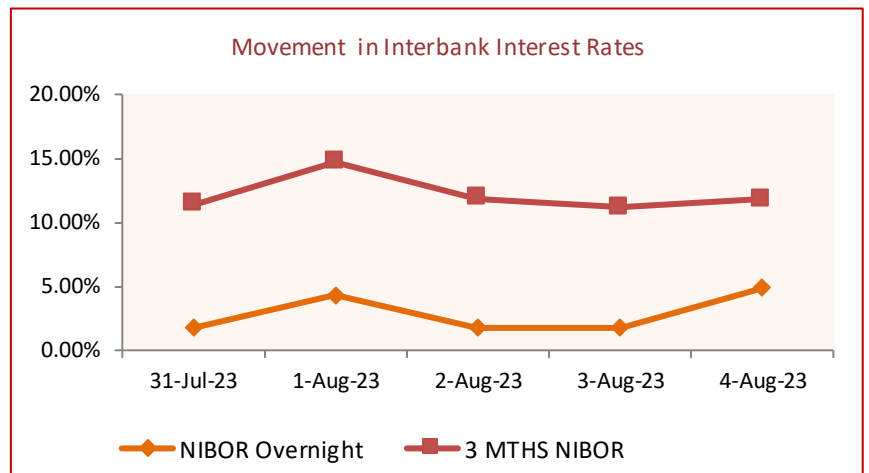
In the oil market, oil futures prices rose during the week due to concerns about tight global supplies and disruptions in oil production in Libya. Oil prices closed at a weekly high of \$86.24 per barrel, the highest level since June 2022. Similarly, the price of Bonny Light crude exhibited an upward trend, increasing by 1.13% week-on-week to close at \$89.71 per barrel from \$88.71 per barrel in the previous week.

The Nigerian foreign exchange market continues to face challenges with the naira's depreciation against the greenback even as the oil market continues to show buoyancy with prices rising on global supply concerns. In the coming week, we anticipate the naira to trade in a relatively calm band across the fx markets barring any market distortions that may disrupt supply.

### MONEY MARKET: NITTY Rises for Most Maturities amid Muted Money Market Activity...

In the just concluded week, activity in the money market was muted given the zero matured and auctioned Treasury and OMO bills. As anticipated, most of the yields rose as traders remained bearish given the further upward repricing of yields at all maturities tracked amid supply pressure. Consequently, NITTY for 1 month, 3 months, and 12 months rose to 3.62% (from 3.50%), 4.91% (from 4.88%), and 10.19% (from 10.08%), respectively. On the other hand, traders demanded more of NITTY for 6 months, leading to a decline in its yield to 6.47% (from 6.90%).

Meanwhile, given the limited maturing OMO bills, NIBOR rose for all maturities tracked. Specifically, NIBOR for Overnight funding, 1 month, 3 months, and 6 months climbed to 4.85% (from 2.25%), 10.17% (from 5.75%), 11.80% (from 7.00%), and 12.36% (from 8.25%) respectively.

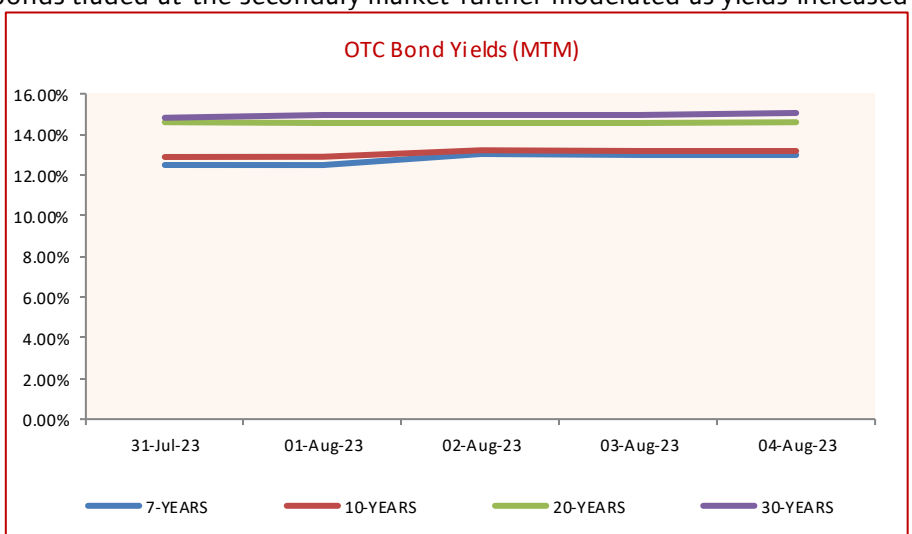


Looking ahead to the new week, the Apex bank will rollover maturing T-bills worth N153.99 billion via the primary market, viz: 91-day bills worth N4.52 billion, 182-day bills worth N1.31 billion, and 364-day bills worth N148.15 billion. We expect the stop rates of the issuances to rise following recent signals from the Apex Bank...

### BOND MARKET: FGN Bond Prices Fall as Yields Remain Elevated for Most Maturities Tracked...

In the just concluded week, the values of FGN bonds traded at the secondary market further moderated as yields increased for most maturities tracked. Specifically, we saw investors sell-offs at the longer end of the curve given the bearish proceedings in the money market.

Particularly, the 15-year, 12.50% FGN MAR 2035 and the 30-year, 12.98% FGN MAR 2050 papers lost N2.42, and N0.94, respectively; their corresponding yields rose to 14.00% (from 13.55%), and 15.05% (from 14.89%), respectively. Meanwhile, the 10-year, 16.29% FGN MAR 2027 bond, and the 20-year, 16.25% FGN APR 2037 bonds held steady at 12.54% and 14.60%, respectively.



On the international front, FGN Eurobonds also traded lower across all maturities, reflecting sustained negative 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 0.81, USD 0.28, and USD 0.76, respectively, while their corresponding yields expanded to 9.21% (from 8.80%), 10.84% (from 10.79%), and 10.87% (from 10.75%), respectively.

In the new week, we expect local OTC bond prices to depreciate (and yields to increase) as the direction of rates at the Primary market turns northwards...

Weekly Gainers and Loser as at Friday, August 04, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	August 04 2023	July 28 2023	% Change	Symbol	August 04 2023	July 28 2023	% Change
DANGSUGAR	37.50	30.00	25%	SOVRENINS	0.50	0.70	-29%
GLAXOSMITH	8.90	7.40	20%	ETERNA	21.10	28.80	-27%
LINKASSURE	0.84	0.70	20%	UPL	2.26	2.76	-18%
MULTIVERSE	3.50	2.98	17%	GUINNESS	55.00	66.60	-17%
MANSARD	3.98	3.40	17%	RTBRISCOE	0.48	0.56	-14%
NB	42.50	36.50	16%	MEYER	2.66	2.95	-10%
NASCON	41.00	36.00	14%	MCNICHOLS	0.68	0.75	-9%
CADBURY	13.95	12.45	12%	NAHCO	18.25	19.90	-8%
INTBREW	4.70	4.25	11%	ETI	15.65	17.00	-8%
BETAGLAS	38.50	35.00	10%	NGXGROUP	24.50	26.50	-8%

Weekly Stock Recommendations as at Friday, August 04, 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
GTCO	1.98	3.00	33.15	1.10	18.37	38.90	16.80	36.40	55.2	30.9	41.7	52.00	Buy
ZENITH	2.07	4.97	45.91	0.73	16.23	35.50	18.90	34.10	52.4	28.6	38.6	56.00	Buy
Dang Sugar	(2.30)	(3.23)	10.62	3.38	(15.58)	38	15	37.50	43.1	30.5	41.3	29.87	Buy
LAFARGE	2.20	2.86	26.03	1.07	12.62	30.50	20.10	28.00	36.1	23.6	32.0	35.32	Buy
TRANSCORP	27.20	0.33	4.34	0.88	0.14	4.20	0.98	3.75	5.2	3.2	4.4	36.84	Buy

## FGN Eurobonds Trading Above 8% Yield as at Friday, August 04, 2023

FGN Eurobonds	Issue Date	TTM (years)	04-Aug-23	Weekly	04-Aug-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.30	96.77	(0.81)	9.2%	0.41
6.50 NOV 28, 2027	28-Nov-17	4.32	96.77	(0.81)	9.2%	0.41
6.125 SEP 28, 2028	28-Sep-21	5.16	84.81	(0.80)	10.0%	0.24
8.375 MAR 24, 2029	24-Mar-22	5.64	91.91	(0.83)	10.3%	0.21
7.143 FEB 23, 2030	23-Feb-18	6.56	85.19	(0.99)	10.3%	0.24
8.747 JAN 21, 2031	21-Nov-18	7.47	91.28	(1.04)	10.5%	0.22
7.875 16-FEB-2032	16-Feb-17	8.54	85.54	(0.86)	10.5%	0.17
7.375 SEP 28, 2033	28-Sep-21	10.16	80.73	(0.76)	10.5%	0.15
7.696 FEB 23, 2038	23-Feb-18	14.57	77.25	(0.28)	10.8%	0.05
7.625 NOV 28, 2047	28-Nov-17	24.33	72.41	(0.76)	10.9%	0.12
9.248 JAN 21, 2049	21-Nov-18	25.48	84.73	(0.71)	11.1%	0.09
8.25 SEP 28, 2051	28-Sep-21	28.17	75.93	(1.04)	11.0%	0.15

## U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 04, 2023

MAJOR	04-Aug-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1041	1.0944	0.88%	0.20%	1.72%	8.41%
GBPUSD	1.2767	1.2712	0.43%	-0.66%	0.48%	5.75%
USDCHF	0.8715	0.8741	-0.30%	0.24%	-2.99%	-9.29%
USDRUB	94.9750	93.4977	1.58%	4.30%	5.76%	56.98%
USDNGN	765.9500	776.9832	-1.42%	-1.08%	-0.78%	83.65%
USDZAR	18.4157	18.6848	-1.44%	4.67%	-1.89%	9.88%
USDEGP	30.9373	30.9497	-0.04%	0.28%	0.28%	61.71%
USDCAD	1.34	1.3350	0.03%	0.78%	0.59%	3.29%
USDMXN	17.02	17.3231	-1.74%	2.09%	0.12%	-16.61%
USDBRL	4.85	4.9171	-1.43%	2.42%	0.01%	-6.13%
AUDUSD	0.6596	0.6552	0.67%	-0.82%	-0.89%	-4.55%
NZDUSD	0.6120	-0.0600	0.71%	-0.76%	-0.97%	-1.73%
USDJPY	141.7940	142.5352	-0.52%	0.50%	-1.93%	5.10%
USDCNY	7.1830	7.1816	0.02%	0.46%	-1.06%	6.17%
USDINR	82.6730	82.7475	-0.09%	0.54%	0.34%	4.17%

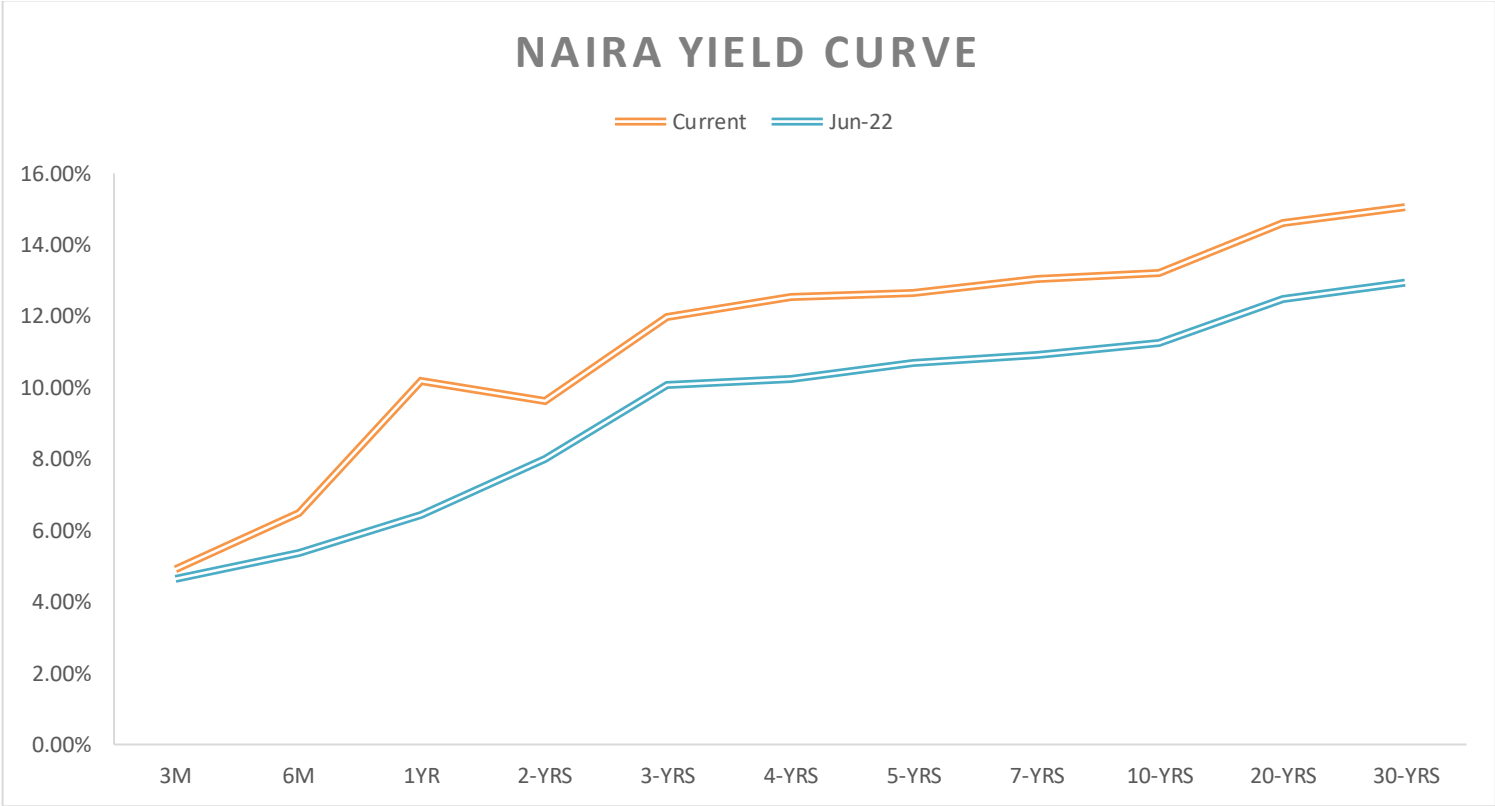




Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 04, 2023

Commodity		04-Aug-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	82.3	81.5	0.87%	2.06%	14.41%	-6.63%.
BRENT	USD/Bbl	86.0	85.1	0.97%	1.79%	12.45%	-7.79%.
NATURAL GAS	USD/MMBtu	2.6	9.8	0.27%	-2.54%.	-2.73%.	-68.12%.
GASOLINE	USD/Gal	2.8	2.8	0.21%	-4.11%.	13.20%	6.38%
COAL	USD/T	136.0	136.8	-0.62%.	1.15%	-6.08%.	-62.33%.
GOLD	USD/t.oz	1,940.8	1,933.7	0.37%	-0.90%.	1.26%	9.43%
SILVER	USD/t.oz	23.6	23.6	0.12%	-3.01%.	2.13%	18.73%
WHEAT	USD/Bu	633.5	627.0	1.04%	-10.32%.	-6.33%.	-20.58%.
PALM-OIL	MYR/T	3,859.0	3,823.8	0.92%	-3.67%.	-0.08%.	-0.49%.
COCOA	USD/T	3,536.0	3,491.0	1.29%	0.31%	6.06%	53.41%

FGN Bonds Yield Curve, Friday August 04, 2023



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