

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Flattering Unemployment Numbers at 4.1% in Q1'23; but 133m Nigerians in Multi-dimensional Poverty...

Interestingly, an analysis of the previously reported unemployment rate for Q4 '20, utilizing the stringent definition of the new NLFS based on a zero-hour work week, reveals a substantially higher figure of approximately 17.5%. This stands in stark contrast to the 4.1% rate for Q1 '23 and 5.3% for Q4 '22. This disparity raises concerns regarding the accuracy of these figures, particularly when considering that around two-thirds of Nigerians (133 million) live in multidimensional poverty. Additionally, Nigeria's ranking on the misery index is notably high. In light of the prevailing economic realities, the single-digit unemployment rate of 4.1% appears somewhat flattering. However, this largely stems from the altered methodology of the new NLFS.

EQUITIES MARKET: ASI Sustains Upward Rally by 1.29% w/w as Economic Output Improves Further by 2.51% in Q2..

Looking ahead, the prevailing trend of buoyant sentiment is expected to persist, supported by the ongoing digestion of robust economic data spotlighting Nigeria's commendable output performance and positive trajectory. Nevertheless, the continued market response to elevated T-bill rates, juxtaposed with renewed interest in bargain opportunities and portfolio realignments, remains a focal point. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Dollar Demand Pressure Resurfaces, Beats the Naira Across FX Segments....

In the coming week, Cowry Research anticipate the naira to trade in a relatively calm band at the various fx markets barring any distortions while the apex bank maintains its interventions to shore up the naira value. However, as market await the staggered inflow of fx from the \$3bn emergency crude-oil repayment loan from the Afrexibank into the market, we anticipate that demand pressure will persist across fx segments and causing further depreciation of the naira against the greenback.

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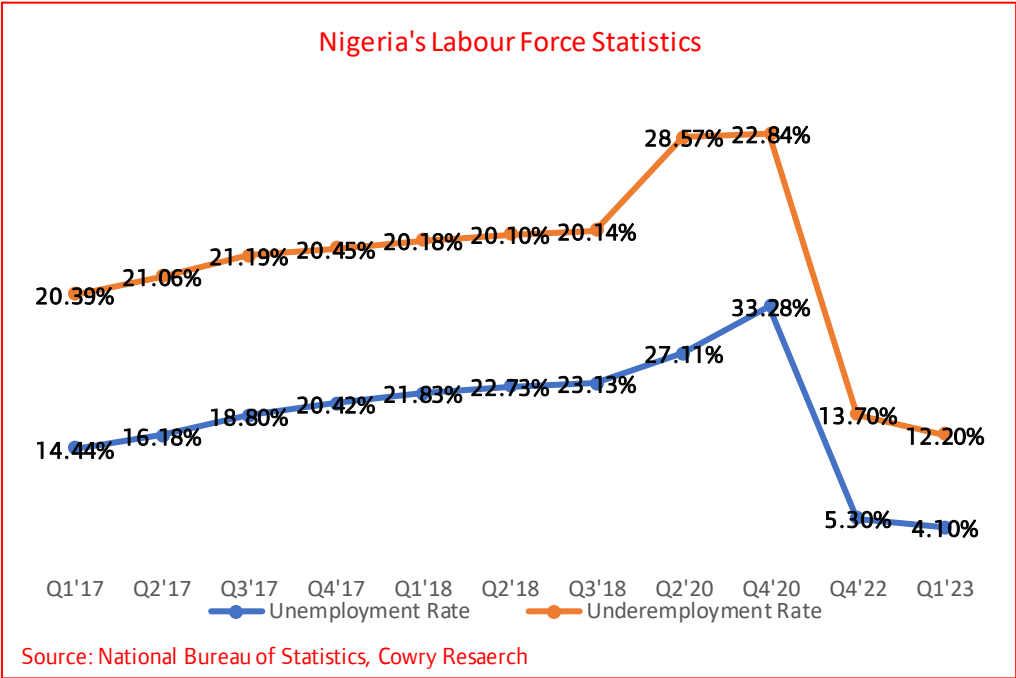
BOND MARKET: FGN Bond Yields Fall for Most Maturities amid Sustained Bearish Activity...

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ECONOMY: Flattering Unemployment Numbers at 4.1% in Q1'23; but 133m Nigerians in Multi-dimensional Poverty...

According to recent labour force statistics released by Nigeria's National Bureau of Statistics, the country's employment rate saw a decline to 4.1% in the first quarter of 2023 from 5.3% in the preceding quarter of 2022. This quarterly contraction in the numbers primarily stemmed from the progressive expansion of the economy, thereby facilitating an escalated rate of employment amidst a deceleration in economic activities between Q4 '22 and Q1 '23. Notably, this prevailing rate remains higher in comparison to neighboring West African countries, except for Cameroon, where the employment rate aligns with Nigeria at 4.1%.

The issue of unemployment continues to be a pronounced phenomenon in Nigeria, as well as in other global regions, carrying adverse implications for the nation. To simplify, Nigeria reported a considerable unemployment rate of 33.3% in the final quarter of 2020 due to the economic disruptions brought about by the COVID-19 pandemic. The emergence of the novel virus catalyzed an increase in the unemployment rate, resulting in job losses, business closures, and hindered economic growth.



While Nigeria grappled with a modest yet positive economic growth of 3.54% and 2.31% for Q4 2022 and Q1 2023, respectively, amid a burgeoning population and an expanding workforce, the economy grappled with surging poverty levels, societal turmoil stemming from crime and various forms of violence, in addition to the persistent challenge of brain drain. The latter refers to the exodus of skilled and educated individuals seeking better prospects in more advanced economies.

As per the data collated by the NBS through the Nigeria Labor Force Survey (NLFS) in alignment with the International Labor Organization (ILO) guidelines, approximately 74% of working-age Nigerians were gainfully employed in Q4 '22, and nearly 77% of the same demographic secured employment during the initial three months of 2023. This signifies that the majority of individuals were engaged in various job roles for at least one hour per week, either for compensation or profit. Moreover, the proportion of employed individuals working less than 40 hours weekly was 36.4% in Q4 '22, dropping to 33.2% in the first quarter of 2023. This trend was particularly evident among women, those with lower educational attainment, young individuals, and rural residents.

The statistics agency further elucidated that a growing number of Nigerians are embracing self-employment or engaging in agricultural pursuits, constituting 73.1% and 75.4% of the total labor force, respectively. Similarly, 10.7% in Q4 2022 and 10.6% in Q1 2023 were contributing to household businesses without pecuniary gain. Furthermore, in Q4 '22, 2.6% were involved as apprentices or interns, while the corresponding figure for Q1 '23 stood at 2.2%. The rate of informal employment among employed Nigerians was 93.5% in Q4 '22, slightly receding to 92.6% in Q1 '23.

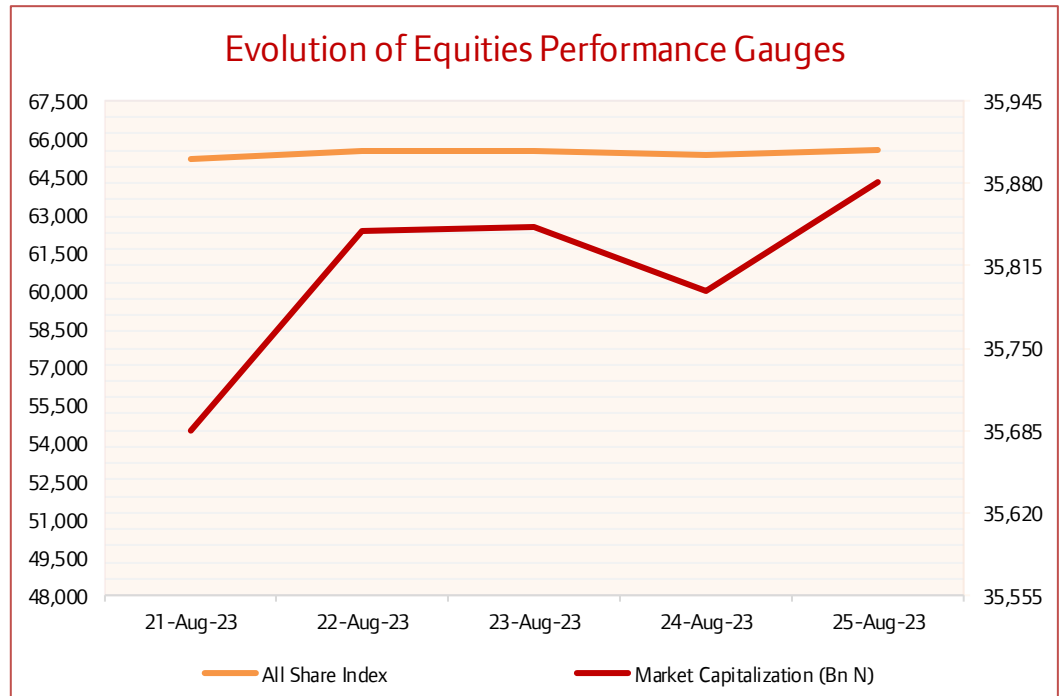
An additional facet to consider is the underemployment rate, denoting the proportion of employed individuals working less than 40 hours per week who express their willingness and availability to undertake more work. This metric recorded figures of 13.7% in Q4 '22 and 12.2% in Q1 '23. Moreover, the share of wage employment was 13.4% in Q4 '22, which diminished to 11.8% in Q1 '23. On a different note, 22.3% of the working-age populace remained outside the labor force in Q4 '22, with a decline to 20.1% in Q1 '23.

Interestingly, an analysis of the previously reported unemployment rate for Q4 '20, utilizing the stringent definition of the new NLFS based on a zero-hour work week, reveals a substantially higher figure of approximately 17.5%. This stands in stark contrast to the 4.1% rate for Q1 '23 and 5.3% for Q4 '22. This disparity raises concerns regarding the accuracy of these figures, particularly when considering that around two-thirds of Nigerians (133 million) live in multidimensional poverty. Additionally, Nigeria's ranking on the misery index is notably high. In light of the prevailing economic realities, the single-digit unemployment rate of 4.1% appears somewhat flattering. However, this largely stems from the altered methodology of the new NLFS. Therefore, it becomes imperative for policymakers under the current administration to establish mechanisms ensuring the accurate reflection of the actual realities behind these published statistics.

EQUITIES MARKET: ASI Sustains Upward Rally by 1.29% w/w as Economic Output Improves Further by 2.51% in Q2..

In a consecutive two-week period, the benchmark index has demonstrated a consistent upward trajectory, registering a 1.29% increase week-on-week and culminating at a closing figure of 65,558.91 points. This bullish momentum has been primarily attributed to heightened buying activities and strategic positioning within the consumer goods and insurance services equities. The resurgence of positive market sentiment can be attributed to market participants assimilating the recently published unemployment rate of 4.10% and Q2 gross domestic product (GDP) data, which revealed a growth rate of 2.51%. These indicators are being closely evaluated for their potential impact on the broader spectrum of market instruments.

As a result of this encouraging momentum, the total market capitalization of listed equities also experienced a concurrent uptick of 1.29% week-on-week, reaching a noteworthy N35.88 trillion compared to the preceding week's value of N35.42 trillion. This ascent has translated into a substantial profit increment of N458.6 billion for investors. It's noteworthy, however, that the year-to-date return of the All-Share Index (ASI) remains an impressive 27.92%, underscoring the Nigerian market's commendable resilience in the face of prevailing global uncertainties.



A sector-wise analysis reveals that

the Consumer Goods and Insurance Services sectors have been particularly pronounced gainers, showcasing respective week-on-week increments of 11.58% and 1.22%. Key market players such as TRANSCORP, DANGSUGAR, and CORNERST have significantly contributed to these sectoral gains. Conversely, the Banking, Oil & Gas, and Industrial Goods sectors have encountered declines of 3.57%, 2.40%, and 0.04% correspondingly. This dip can be attributed to cautious investor sentiments and divestments observed in select mid and high-cap stocks such as FBNH, JAIZBANK, CONOIL, and ETERNA. These strategic moves reflect investors' meticulous evaluation of the intricate interplay between market dynamics and prevailing economic conditions.

Trading activity throughout the week has been characterized by heightened volumes and a mixed undertone. The weekly tally of deals registered a 5.72% increase, reaching a total of 31,163 deals. Moreover, the average traded volume witnessed a robust surge of 7.30%, settling at 1.81 billion units. On the contrary, the weekly average value displayed a marginal decline of 0.37%, measuring N29.3 billion in contrast to the preceding week's figure of N29.41 billion.

As the week came to a close, several stocks demonstrated noteworthy positive rallies, effectively bolstering market sentiment. ABCTTRANS led the charge with a remarkable surge of 42%, closely trailed by TRANSCORP at 39%, and DANGSUGAR at 36%. These exceptional performances captured the discerning attention of astute investors. Conversely, REDSTAREX faced a downturn of 17%, while JAIZBANK and FBNH experienced respective declines of 14% and 12% due to adverse price dynamics.

Looking ahead, the prevailing trend of buoyant sentiment is expected to persist, supported by the ongoing digestion of robust economic data spotlighting Nigeria's commendable output performance and positive trajectory. Nevertheless, the continued market response to elevated T-bill rates, juxtaposed with renewed interest in bargain opportunities and portfolio realignments, remains a focal point. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

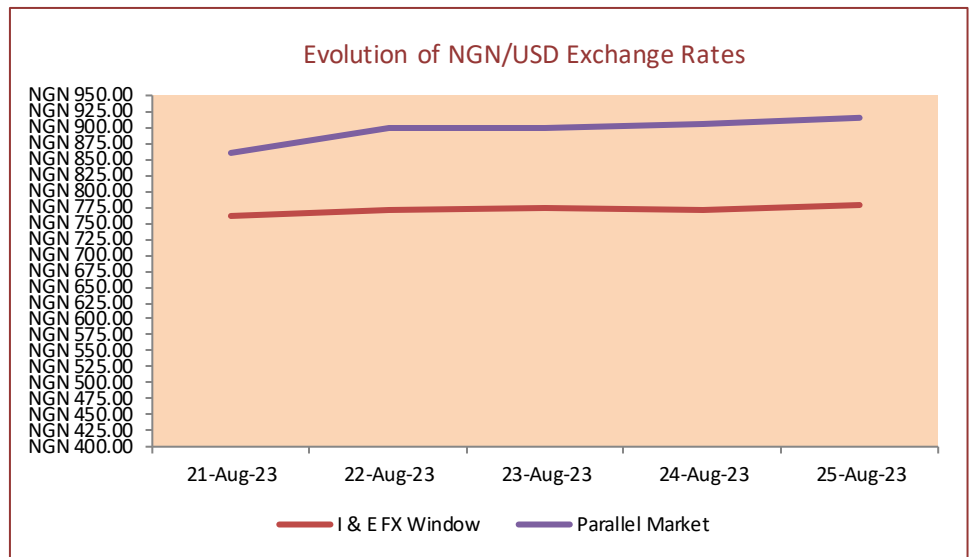
FOREX MARKET: Dollar Demand Pressure Resurfaces, Beats the Naira Across FX Segments....

The Naira skid across fx segments against the dollar as demand pressure resurfaced amidst lower fx supply to meet the unabating demand across the official and parallel markets. This comes even as speculative activities take center stage as the apex bank continue to show weak firepower to defend the local currency while market players anticipate the inflow of fx from the \$3 billion emergency crude-oil fund from the NNPC Limited.

At the close of the week, the naira depreciated by 5.26% and 7.65% against the US dollar respectively, with official and parallel market rates closing at N778.42 and N915/\$1 respectively. This upturn was driven by factors such as limited foreign

exchange supply from the CBN via the Investors and Exporters (I&E) window, heightened demand for the dollar which saw limited supply at the official market, leading to increased pressure at the parallel market and speculation about potential CBN-led Naira devaluation.

Elsewhere at the FMDQ Securities Exchange (SE) FX Futures Contract Market, the local currency was downbeat against the US dollar across contract tenors. Notably, forward rates depreciated marginally by 0.94%, 0.86%, 0.85%, 0.76% and 0.84% respectively for the SEPT-2023, OCT-2023, NOV-2023 FEB-2024 and the AUG-2024 contract tenors, reaching to close at N790.80/\$1, N800.21/\$1, N809.63/\$1, N838.09/\$1 and N897.57/\$1 as a result of sustained demand pressures across various tenors.



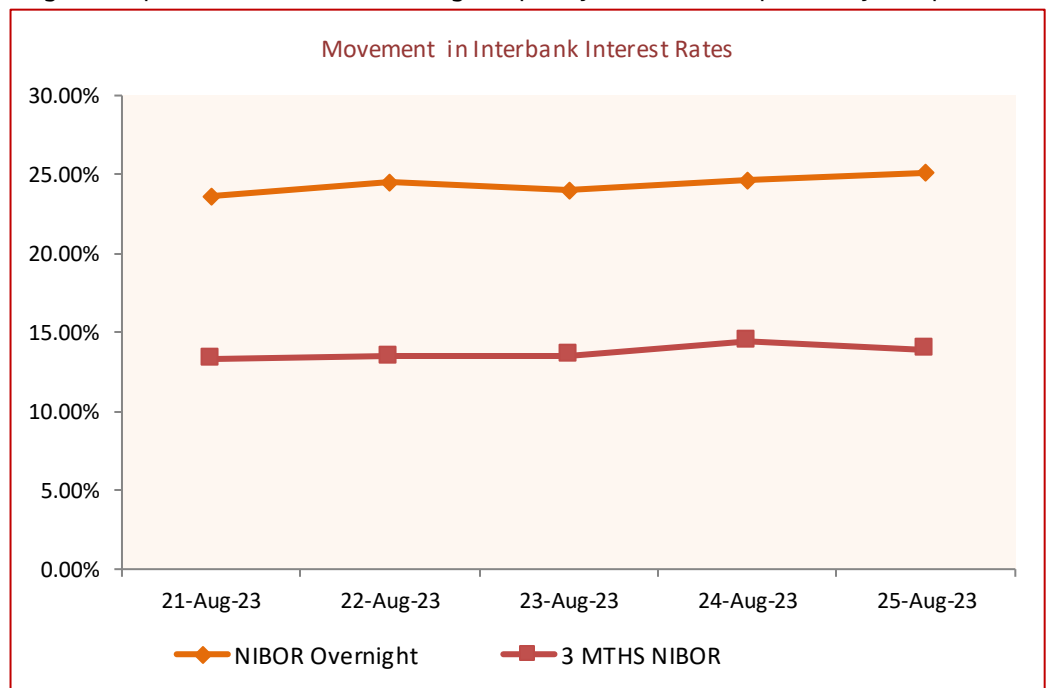
This week, oil price dynamics took the center stage and was headed for a weekly loss on the back of new oil flows entering the market, but bullish fundamentals came to rescue, helping to stop any significant drop. To this, the Brent Crude was up \$84.40 per barrel on Friday and was followed by the WTI which traded at the \$80 band per barrel. Elsewhere, the price of the Nigerian Bonny Light crude oil closed positive on Friday at \$88 per barrel on the back of tight global supply concerns and the Fed rate hikes expectation.

In the coming week, Cowry Research anticipate the naira to trade in a relatively calm band at the various fx markets barring any distortions while the apex bank maintains its interventions to shore up the naira value. However, as market await the staggered inflow of fx from the \$3bn emergency crude-oil repayment loan from the Afrexibank into the market, we anticipate that demand pressure will persist across fx segments and causing further depreciation of the naira against the greenback.

MONEY MARKET: NITTY Rises for All Maturities as the 364-day T-Bill Rate Increases by 417 bps...

In the just concluded week, CBN sold T-bills worth N303.22 billion to completely mop up the same amount of matured treasury bills via the primary market at higher stop rates, reflective of the tight liquidity conditions. Specifically, stop rates for 91-day, 182-day, and 364-day bills climbed to 5.19% (from 5.00%), 8.00% (from 5.90%), and 13.97% (from 9.80%), respectively.

Activities in the secondary market were largely bearish as traders moved in the direction of the primary market. Consequently, NITTY moved northward for all maturities tracked, as yields for 1-month, 3 months, 6 months, and 12 months maturities jumped to 3.79% (from 3.58%), 5.47% (from 5.17%), 7.93% (from 7.12%), and 11.87% (from 11.38%), respectively.

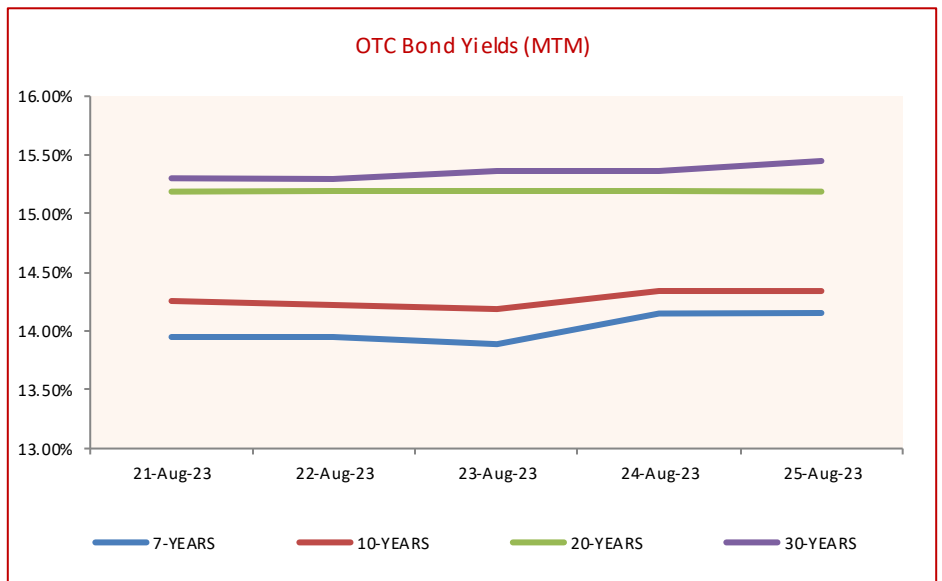


Given the thin liquidity conditions in the financial system coupled with muted OMO maturities, NIBOR trended higher further week-on-week for all maturities, despite a liquidity boost emanating towards the week's end from FAAC inflows worth N966.11 billion. Specifically, NIBOR rates for overnight funds, 1 month, 3 months, and 6 months climbed to 25.10%, 12.58%, 13.89%, and 14.55%, respectively, from their preceding levels of 21.83%, 11.50%, 12.42%, and 13.08%.

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 Fall for Most Maturities amid Sustained Bearish Activity...

In the fixed-income space, investor sentiment remained bearish in the secondary market as yields increased for most maturities tracked. Specifically, we saw traders' profit-taking activity at the longer end of the curve as yield, especially for the 30-year, 12.98% FGN MAR 2050 debt, which lost N0.80 as yields rose to 15.45% (from 15.30%). Also, the 15-year, 12.50% FGN MAR 2035 paper incurred losses of N3.65, resulting in an elevated yield of 14.72% (from 14.00%). Meanwhile, the 10-year, 16.29% FGN MAR 2027 bond and the 20-year, 16.25% FGN APR 2037 note held steady at 13.05% and 15.19%, respectively. Meanwhile, the value of FGN Eurobonds traded on the international capital market depreciated for all maturities tracked.



Notably, 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 bonds experienced losses of USD 1.49, USD 1.21, and USD 1.38, respectively, leading to expanded yields of 10.46% (up from 10.93%), 11.36% (up from 11.57%), and 11.21% (up from 11.44%).

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, August 25, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	August 25 2023	August 18 2023	% Change	Symbol	August 25 2023	August 18 2023	% Change
ABCTTRANS	0.68	0.48	42%	REDSTAREX	2.89	3.50	-17%
TRANSCORP	5.80	4.16	39%	JAIZBANK	1.44	1.67	-14%
DANGSUGAR	47.50	35.00	36%	FBNH	16.55	18.80	-12%
NASCON	44.75	35.00	28%	NNFM	11.05	12.40	-11%
BUAFOODS	165.00	139.90	18%	NB	37.90	42.50	-11%
RTBRISCOE	0.49	0.43	14%	SOVRENINS	0.42	0.47	-11%
NEIMETH	1.66	1.51	10%	REGALINS	0.36	0.40	-10%
GLAXOSMITH	10.60	9.70	9%	CONOIL	99.00	110.00	-10%
CORNERST	1.42	1.30	9%	LEARNAFRCA	3.65	4.05	-10%
TRANSCOHOT	40.00	36.70	9%	ETERNA	16.30	17.85	-9%

Weekly Stock Recommendations as at Friday, August 25, 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	1.09	18.22	36.90	16.80	36.10	54.7	30.6	41.4	52.00	Buy
DANGSUGAR	-2.30	-2.76	10.62	4.14	-19.10	48.10	15	47.50	55.90	39.4	53.6	39.00	Buy
JBERGER	4.22	5.49	53.40	0.54	6.87	31.75	21.15	29.00	37.7	24.7	33.4	30.00	Buy
TRANSCORP	0.40	0.33	4.34	1.22	13.33	5.80	0.98	5.80	6.90	4.5	6.40	31.89	Buy
OKOMUOIL	16.98	22.08	40.66	6.15	14.72	265	157	250	325.0	212.5	287.5	30.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 25, 2023

FGN Eurobonds	Issue Date	TTM (years)	25-Aug-23	Weekly	25-Aug-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.25	95.13	0.89	10.1%	(0.45)
6.50 NOV 28, 2027	28-Nov-17	4.27	86.67	1.49	10.5%	(0.47)
6.125 SEP 28, 2028	28-Sep-21	5.11	83.46	1.50	10.4%	(0.43)
8.375 MAR 24, 2029	24-Mar-22	5.59	89.05	0.82	11.1%	(0.21)
7.143 FEB 23, 2030	23-Feb-18	6.52	82.40	1.09	11.0%	(0.27)
8.747 JAN 21, 2031	21-Nov-18	7.42	88.39	1.10	11.1%	(0.23)
7.875 16-FEB-2032	16-Feb-17	8.50	82.60	1.13	11.1%	(0.23)
7.375 SEP 28, 2033	28-Sep-21	10.11	77.81	1.32	11.1%	(0.26)
7.696 FEB 23, 2038	23-Feb-18	14.52	74.27	1.21	11.4%	(0.21)
7.625 NOV 28, 2047	28-Nov-17	24.29	70.24	1.38	11.2%	(0.23)
9.248 JAN 21, 2049	21-Nov-18	25.44	81.68	1.23	11.5%	(0.18)
8.25 SEP 28, 2051	28-Sep-21	28.12	72.84	1.06	11.5%	(0.17)

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 25, 2023

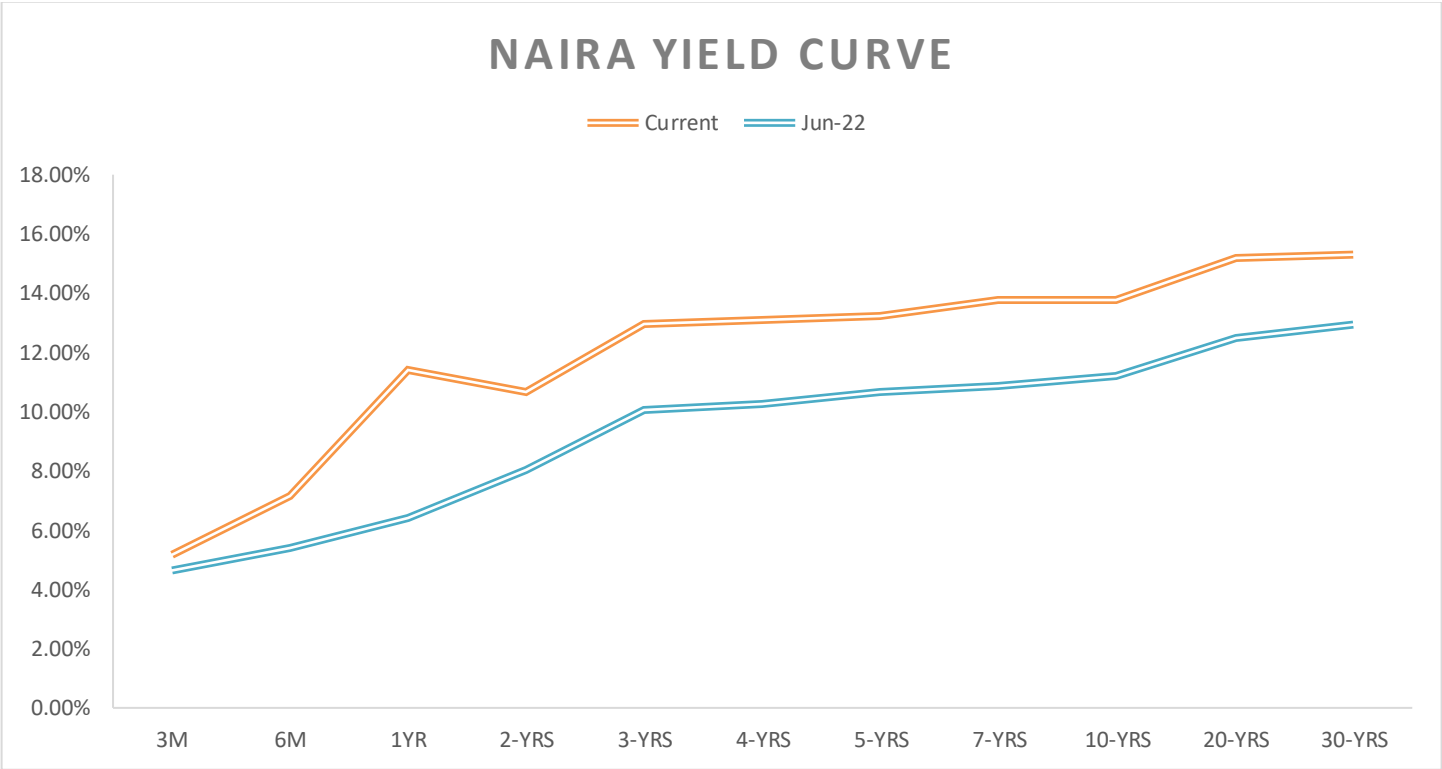
MAJOR	25-Aug-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0830	1.0809	0.20%	-0.52%	-2.48%	8.51%
GBPUSD	1.2634	1.2599	0.27%	-0.93%	-2.53%	7.36%
USDCHF	0.8832	0.8844	-0.14%	0.32%	2.76%	-8.48%
USDRUB	94.8250	93.4973	1.42%	0.66%	5.37%	59.91%
USDNGN	770.8400	754.1728	2.21%	3.48%	-2.17%	82.79%
USDZAR	18.5773	18.8067	-1.22%	-1.88%	5.73%	10.32%
USDEGP	30.8885	30.8515	0.12%	0.12%	0.12%	60.96%
USDCAD	1.36	1.3579	0.00%	0.40%	3.02%	4.39%
USDMXN	16.76	16.8137	-0.32%	-1.47%	-0.29%	-16.14%
USDBRL	4.87	4.8801	-0.25%	-1.65%	3.18%	-3.42%
AUDUSD	0.6434	0.6419	0.23%	0.20%	-5.05%	-6.90%
NZDUSD	0.5935	-0.0600	0.25%	-0.05%	-4.68%	-3.50%
USDJPY	145.8730	145.8730	0.00%	0.46%	4.16%	6.20%
USDCNY	7.2932	7.2830	0.14%	-0.17%	2.02%	5.80%
USDINR	82.5444	82.5774	-0.04%	-0.63%	0.81%	3.32%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 25, 2023

Commodity		25-Aug-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	80.1	79.1	1.33%	-0.36%	2.51%	-13.01%
BRENT	USD/Bbl	84.2	83.4	0.97%	-0.51%	2.19%	-13.33%
NATURAL GAS	USD/MMBtu	2.5	9.8	-1.39%	-2.63%	-7.76%	-73.38%
GASOLINE	USD/Gal	2.8	2.8	0.44%	-0.81%	-1.40%	7.57%
COAL	USD/T	149.0	150.0	-0.67%	1.36%	11.19%	-64.31%
GOLD	USD/t.oz	1,918.3	1,917.5	0.04%	1.81%	-2.52%	10.68%
SILVER	USD/t.oz	24.3	24.1	0.50%	7.20%	-2.32%	28.91%
WHEAT	USD/Bu	602.5	604.0	-0.24%	-1.75%	-16.31%	-25.17%
PALM-OIL	MYR/T	3,962.0	3,880.9	2.09%	2.35%	-2.46%	-5.03%
COCOA	USD/T	3,440.0	3,363.0	2.29%	2.20%	-3.15%	42.50%

FGN Bonds Yield Curve, Friday August 25, 2023



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