

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### EQUITIES MARKET: Bullish Sentiment Pervades Equity Market with 3% Weekly Gains as ASI Beats 15-Year High ..

Looking ahead, we anticipate that the market sentiment will remain mixed due to ongoing portfolio realignments. This will be influenced by a combination of bargain hunting and uncertainty regarding future money market yields, particularly in light of the upcoming earnings reports from first-tier banks and the continuation of sectoral rotation.

### FOREX MARKET: Naira Emerges Stronger Against Dollar at Official fx Market as Crude Oil Price Rallies ....

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Looking ahead to the new week, the Apex bank will rollover maturing T-bills worth N214.74 billion via the primary market, viz: 91-day bills worth N1.03 billion, 182-day bills worth N10.55 billion, and 364-day bills worth N203.15 billion. Hence, we expect the stop rates of the issuances to decline amid ample liquidity pressure...

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## ECONOMY: Non-Oil Sector Rallies Expansion in Nigeria's GDP Growth to 2.51% in Q2'23....

Last week, Nigeria's National Bureau of Statistics published the Q2 GDP numbers to show that Nigeria's economy grew by 2.51% year-on-year in real terms to N17.72 trillion. This figure, while it is reflective of expansion, is notably lower than the robust 3.54% achieved in the corresponding quarter of the prior year, a difference that can be attributed to the prevailing formidable economic headwinds. However, it was a positive show of resilience when compared to the 2.31% growth during Q1'23 despite the palpable slowdown in economic activities and post-election jitters. In nominal terms, the aggregate GDP for Q2 2023 stands at an impressive N52.10 trillion and eclipses the parallel figure of N45 trillion from the second quarter of 2022, translating to a striking year-on-year nominal expansion of 15.77%. This figure bespeaks a significant surge in the nominal economic value during this interval, revealing a noteworthy upward trajectory.

Nigeria's Q2'23 GDP report as published by the NBS paints a nuanced picture as the standout performance of various economic sectors was central to this economic trajectory. Thus, the Services sector emerges as the principal growth catalyst during the second quarter, and exhibiting an impressive expansion of 4.42%. This sector's pivotal role is further emphasized by its contribution of 58.42% to the overall aggregate GDP.

Zooming further into the sectoral echelons that have driven growth of Nigeria's real output during the second quarter, alongside the services sector, the Agriculture sector, too, demonstrated resilience, notching a growth of 1.50%. This is a marked improvement from the lackluster 1.20% growth witnessed in the second quarter of 2022. Such progress is indicative of the sector's adaptive strategies amid evolving market dynamics. On the contrary, the Industry sector paints a contrasting picture as it experienced a contraction of -1.94% in the second quarter of 2023, albeit less severe than the -2.30% recorded in the corresponding period of the preceding year. While negative growth raises concerns, the mitigated decline signals a certain degree of stabilization within the sector.

A cursory analysis in the slices of the GDP pie that these sectors contributed, it becomes evident that both Agriculture and the Industry sectors have given up their grip on the aggregate GDP in the second quarter of 2023 when compared to the same timeframe in 2022. This shift in the economic landscape implies a recalibration where the Services sector ascends as the chief driver of growth and economic contribution. Elsewhere, the oil sector continues to experience retarded growth as it contributed 5.34% to the total real GDP in Q2 2023, down from the figure recorded in the corresponding period of 2022 and down from the preceding quarter, where it contributed 6.33% and 6.21% respectively. On a year over year analysis, the sector's real growth was on a negative of 13.43% in Q2'23 which indicates a decrease of 1.66% points relative to the rate recorded in the corresponding quarter of 2022 (-11.77%).

During the period, Nigeria's crude oil production averaged 1.22 million barrels per day. This was lower than the daily average production of 1.43mbpd recorded in Q2'22 by 0.22mbpd and lower than Q1'23 production volume of 1.51 mbpd by 0.29mbpd. This can be evident in the country's ability to grow its oil receipts owing to high subsidy payments that has remained a threat to government's revenues. The decrease can be attributed to low investment into the oil sector, pipeline vandalism and the menace of oil theft. Also, the 1.22mbpd in Q2'23 stands as the lowest since Q3'22. Meanwhile, on a quarter on quarter basis, the sector's contribution to the total real GDP printed at 5.34%, down from the 6.33% and 6.21% it contributed during the Q2'22 and Q1'23 respectively.

For the non-oil sector, it grew by 3.58% in real terms in Q2'23, up 0.81% q/q from Q1'23 and down by 1.19% y/y from Q2'22. The principal drivers of the non-oil sector were the telecommunication, financial institutions, trade, crop production, the food, beverage and tobacco, construction and real estate sectors. The contribution of the non-oil sector in real terms was 94.66% in Q2'23, higher than the share recorded in the second quarter of 2022 which was 93.67% and higher than the first quarter of 2023 recorded as 93.79%.



Nigeria's GDP growth has averaged 2.41% in 2023 on the back of the slowdown in economic activities. This, however, stays below the expectations for a considerable pace of at least 5% to 6% to achieve more inclusive growth and edge closer to its growth potential. Economic growth in the second quarter not only serves as a barometer of economic health but also highlights the sectoral dynamics at play during the period. Also, the Services sector's remarkable surge, coupled with the Agriculture sector's steady recovery and the Industry sector's tempered decline, together form a considerable tableau to help foster all-inclusive growth.

On the other hand, we maintain that the soaring inflation, particularly in view of commodity price shocks and imported food inflation due to the Russian-Ukraine conflict, fuel subsidy removal, floating of the naira by the CBN and tumbling daily oil production volumes may pose as a downside risk to growth this year. Thus, Cowry Research trims its 2023 GDP forecast to 3% from the earlier projection of 3.74%.

## EQUITIES MARKET: Bullish Sentiment Pervades Equity Market with 3% Weekly Gains as ASI Beats 15-Year High ..

After a positive 3.44% gain in August, the benchmark index of the local bourse gained for another week, registering a 3.00% increase week-on-week in a bull run that led to the ASI recording a new all-time high of 67,527.19 points in the midst of a weaker broader market gains and momentum, even as Nigeria's economic headwinds continue to weigh on businesses and the purchasing power of Nigerians. This bullish momentum has been primarily attributed to stronger investor sentiment, buying activities and strategic sectoral positioning.

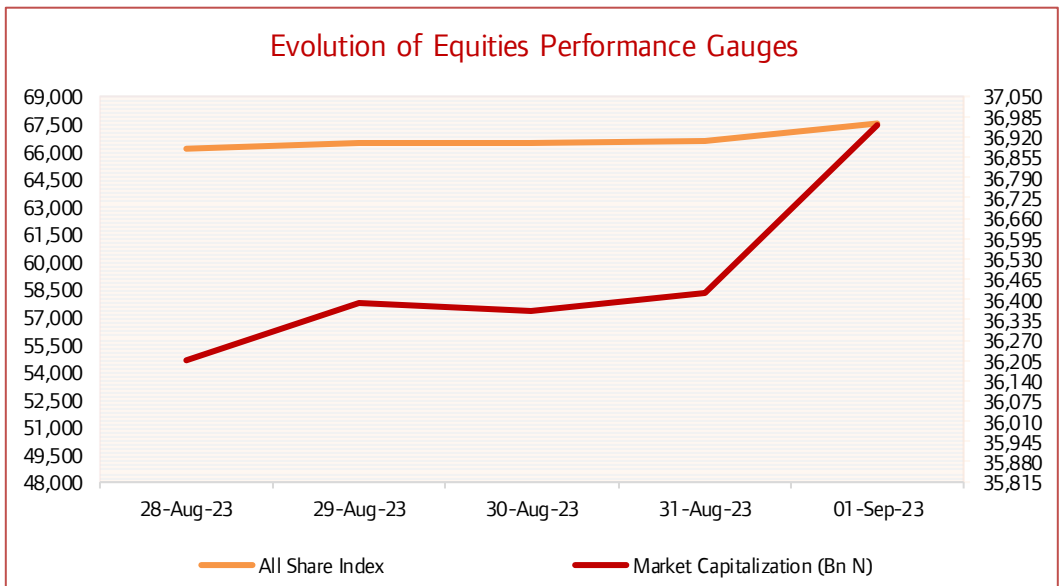
As a result of this encouraging momentum, the total market capitalization of listed equities also experienced a concurrent uptick of 3.00% week-on-week, reaching a noteworthy N36.95 trillion compared to the preceding week's value of N35.88 trillion. This ascent has translated into a substantial profit increment of N1.08 trillion for investors. It's noteworthy, however, that the year-to-date return of the All-Share Index (ASI) inched further to an impressive 31.76%, underscoring the Nigerian market's commendable resilience in the face of prevailing global uncertainties.

A sector-wise analysis shows a bullish sectoral performance and was evidenced in the Consumer Goods sector which emerged as the leading gainer this week with +7.58% and was followed by the oil & gas, banking, industrial and Insurance Services sectors that have also been particularly pronounced gainers, showcasing respective week-on-week increments of +5.38%, +5.11%, +2.00%, and +0.80%. Key market players such as NAHCO, DANGSUGAR, SEPLAT, MBENEFIT, LASACO have significantly contributed to these sectoral gains.

Trading activity throughout the week has been characterized by heightened volumes and value. The weekly tally of deals registered a 30.72% increase, reaching a total of 40,736 deals. Moreover, the average traded volume witnessed a robust surge of 38.48%, settling at 2.51 billion units. Also, the weekly average value displayed a modest uptick of 12.01%, measuring N32.82 billion in contrast to the preceding week's figure of N29.29 billion.

As the week came to a close, several stocks demonstrated noteworthy positive rallies, effectively bolstering market sentiment. NAHCO, led the charge with a remarkable surge of 42%, closely trailed by ABCTRANS at 40%, and DANGSUGAR at 27%. These exceptional performances captured the discerning attention of astute investors. Conversely, MAYBAKER faced a downturn of 12%, while LINKASSURE and ELLAHLAKES experienced respective declines of 10% and 7% due to adverse price dynamics.

Looking ahead, we anticipate that the market sentiment will remain mixed due to ongoing portfolio realignments. This will be influenced by a combination of bargain hunting and uncertainty regarding future money market yields, particularly in light of the upcoming earnings reports from first-tier banks and the continuation of sectoral rotation. Despite this mixed sentiment, it's worth noting that pullbacks in the market are creating opportunities for investors and these opportunities coincide with the government's ongoing economic reforms. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

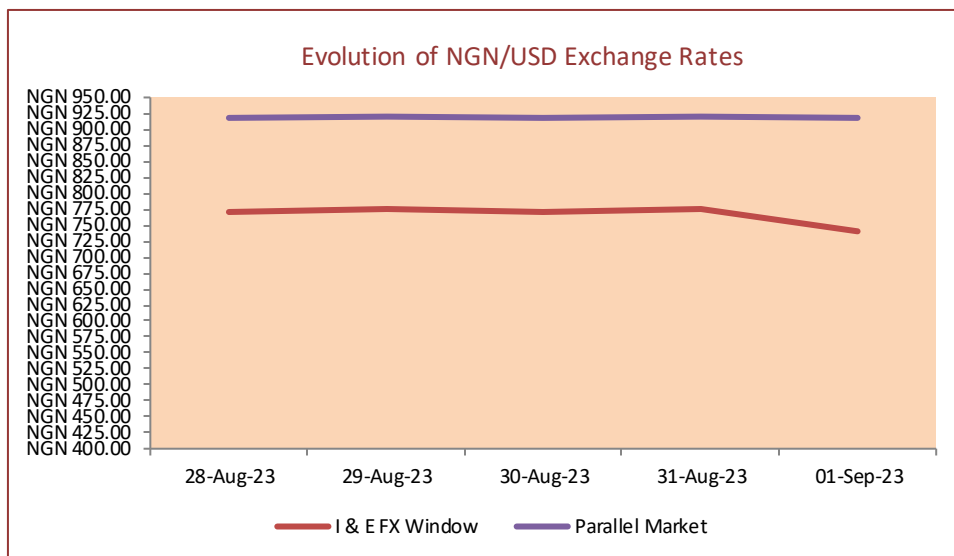


## FOREX MARKET: Naira Emerges Stronger Against Dollar at Official fx Market as Crude Oil Price Rallies ....

The Naira traded in the mixed bag across fx segments against the dollar as demand pressure resurfaced amidst lower fx supply to meet the unabating demand across the parallel market. At the close of the week, the naira appreciated by 4.89% at the official market to close at N740.38/\$1 and depreciated by 33bps to N918/\$1 at the parallel market. This upturn at the official market was driven by factors such as improved foreign exchange supply from the CBN via the Investors and Exporters (I&E)

window, slower demand for the dollar 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 0.13%, 0.22%, 0.30%, 0.55% and 1.12% respectively for the 1-month, 2-month, 3-month, 6-month and 12-month contract tenors, to close at N791.85/\$1, N801.94/\$1, N812.06/\$1, N842.73/\$1 and N907.97/\$1 as a result of sustained demand pressures across various tenors.

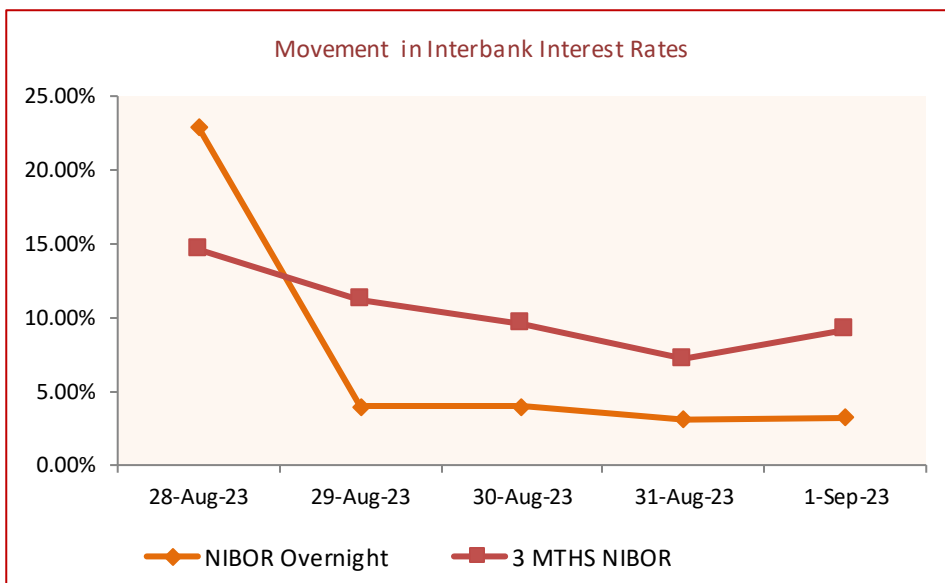


In the oil market this week, WTI crude oil hit a 2023 high at \$85 per barrel on Friday due to shrinking inventories, briefly surpassing this mark before settling at \$84.90. The last time it reached such levels was in November 2022. Simultaneously, Brent crude oil set a 2023 record at \$87.88 per barrel, up \$1.05. Falling U.S. inventories, down 10.6 million barrels are a major driver of this price surge. To this, the Brent Crude was up \$88.31 per barrel on Friday and was followed by the WTI which traded at \$85.34 per barrel. Elsewhere, the price of the Nigerian Bonny Light crude oil closed positive on Friday at \$91.80 from last week's \$88 per barrel despite the likelihood for Saudi Arabia and Russia to deepen production cuts.

In the coming week, Cowry Research anticipate the naira to trade in the positive band to show further appreciation at the various fx markets barring any distortions while the apex bank maintains its interventions to shore up the naira value.

#### MONEY MARKET: Investors Bullish on NITTY Ahead of New Week's Auction...

In the just-concluded week, activity in the money market was muted given the zero-maturity and auctioned Treasury and OMO bills. This created a buying sentiment in the secondary market as investors rushed to this space to mop up bills. NITTY for 1 month 3 months 6 months and 12 months maturities decreased to 3.08% (from 3.79%), 4.34% (from 5.47%), 7.21% (from 7.93%), and 11.54% (from 11.87%), respectively.



Meanwhile, NIBOR moderated for most tenor buckets as the financial system's liquidity was bolstered by inflows from the Federation Account Allocation Committee (FAAC) in the review week. Specifically, NIBOR for overnight, 1 month, 3 months, and 6 months tenor buckets moderated to 3.08% (from 25.85%), 7.83% (from 12.58%), 9.17% (from 13.89%), and 10.00% (from 14.55%), respectively.

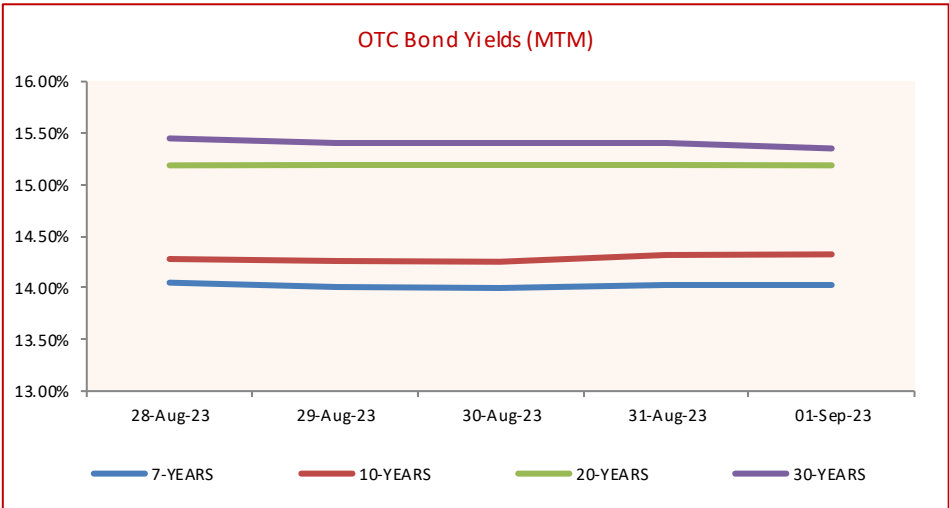
In Looking ahead to the new week, the Apex bank will rollover maturing T-bills worth N214.74 billion via the primary market, viz: 91-day bills worth N1.03 billion, 182-day bills worth N10.55 billion, and 364-day bills worth N203.15 billion. Hence, we expect the stop rates of the issuances to decline amid ample liquidity pressure...

#### BOND MARKET: FGN Bond Yields Close Flat for Most Maturities...

In the fixed-income space, investor sentiment was subdued as traders stayed on the sidelines for most of the tenors tracked. Specifically, yields for the 10-year 16.29% FGN MAR 2027 bond, the 15-year 12.50% FGN MAR 2035 paper, and the 20-year 16.25% FGN APR 2037 bond closed unchanged at 13.04%, 14.72%, and 15.19%, respectively. However, the 30-year,

12.98% FGN MAR 2050 debt gained by N0.53, while its corresponding yield fell to 15.35% (from 15.45%), amid increased buy interest.

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 0.54, USD 0.82, and USD 0.57, respectively, leading to expanded yields of 10.65% (up from 10.46%), 11.50% (up from 11.36%), and 11.31% (up from 11.21%).



We note that traders' sentiment will be shaped by the T-bills auction result in the course of the new week. Cowry Research anticipates the 364-day T-bill rate to moderate; hence, we expect local OTC bond prices to increase (and yields to decrease) in the coming week...

## Weekly Gainers and Loser as at Friday, September 01, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	September 01 2023	August 21 2023	% Change	Symbol	September 01 2023	August 21 2023	% Change
NAHCO	25.95	18.30	42%	MAYBAKER	4.85	5.50	-12%
ABCTRANS	0.95	0.68	40%	MCNICHOLS	0.57	0.64	-11%
DANGSUGAR	60.50	47.50	27%	LINKASSURE	0.90	1.00	-10%
NASCON	55.60	44.75	24%	MULTIVERSE	2.70	3.00	-10%
GLAXOSMITH	13.00	10.60	23%	RTBRISCOE	0.45	0.49	-8%
UPDC	1.25	1.02	23%	ELLAHLAKES	3.50	3.78	-7%
MBENEFIT	0.48	0.41	17%	JAPAULGOLD	0.88	0.94	-6%
NGXGROUP	26.40	22.95	15%	NEM	5.31	5.66	-6%
TRANSCORP	6.67	5.80	15%	NESTLE	1,100.00	1,170.00	-6%
LASACO	1.98	1.75	13%	CAVERTON	1.30	1.38	-6%



## Weekly Stock Recommendations as at Friday, September 1, 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
UBA	1.57	2.51	28.45	0.52	9.51	14.95	11.30	14.90	19.0	12.7	17.1	35.71	Buy
DANGSUGAR	-2.30	-2.76	10.62	5.18	-19.8	60.50	23.50	60.50	72.6	51.4	69.6	32.00	Buy
BUA FOODS	5.29	6.88	18	9.93	34.0	184	133	180.00	234.0	153.0	207.0	30.00	Buy
NAHCO	1.20	0.84	4.63	5.60	21.6	25.95	14	25.95	32.0	22.1	29.8	22.88	Buy
LAFARGE	2.20	2.86	26.03	1.14	13.51	30.50	20.10	29.75	38.7	25.3	34.2	30.00	Buy

## FGN Eurobonds Trading Above 8% Yield as at Friday, September 1, 2023

FGN Eurobonds	Issue Date	TTM (years)	01-Sep-23	Weekly	01-Sep-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.22	95.35	0.22	10.0%	(0.10)
6.50 NOV 28, 2027	28-Nov-17	4.24	86.13	(0.54)	10.7%	0.19
6.125 SEP 28, 2028	28-Sep-21	5.08	82.98	(0.48)	10.6%	0.16
8.375 MAR 24, 2029	24-Mar-22	5.56	88.61	(0.44)	11.2%	0.12
7.143 FEB 23, 2030	23-Feb-18	6.48	81.95	(0.45)	11.1%	0.12
8.747 JAN 21, 2031	21-Nov-18	7.39	87.66	(0.73)	11.3%	0.16
7.875 16-FEB-2032	16-Feb-17	8.47	81.94	(0.66)	11.2%	0.14
7.375 SEP 28, 2033	28-Sep-21	10.08	77.08	(0.73)	11.2%	0.15
7.696 FEB 23, 2038	23-Feb-18	14.49	73.45	(0.82)	11.5%	0.14
7.625 NOV 28, 2047	28-Nov-17	24.26	69.67	(0.57)	11.3%	0.10
9.248 JAN 21, 2049	21-Nov-18	25.41	80.84	(0.84)	11.6%	0.12
8.25 SEP 28, 2051	28-Sep-21	28.09	71.88	(0.96)	11.7%	0.15

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

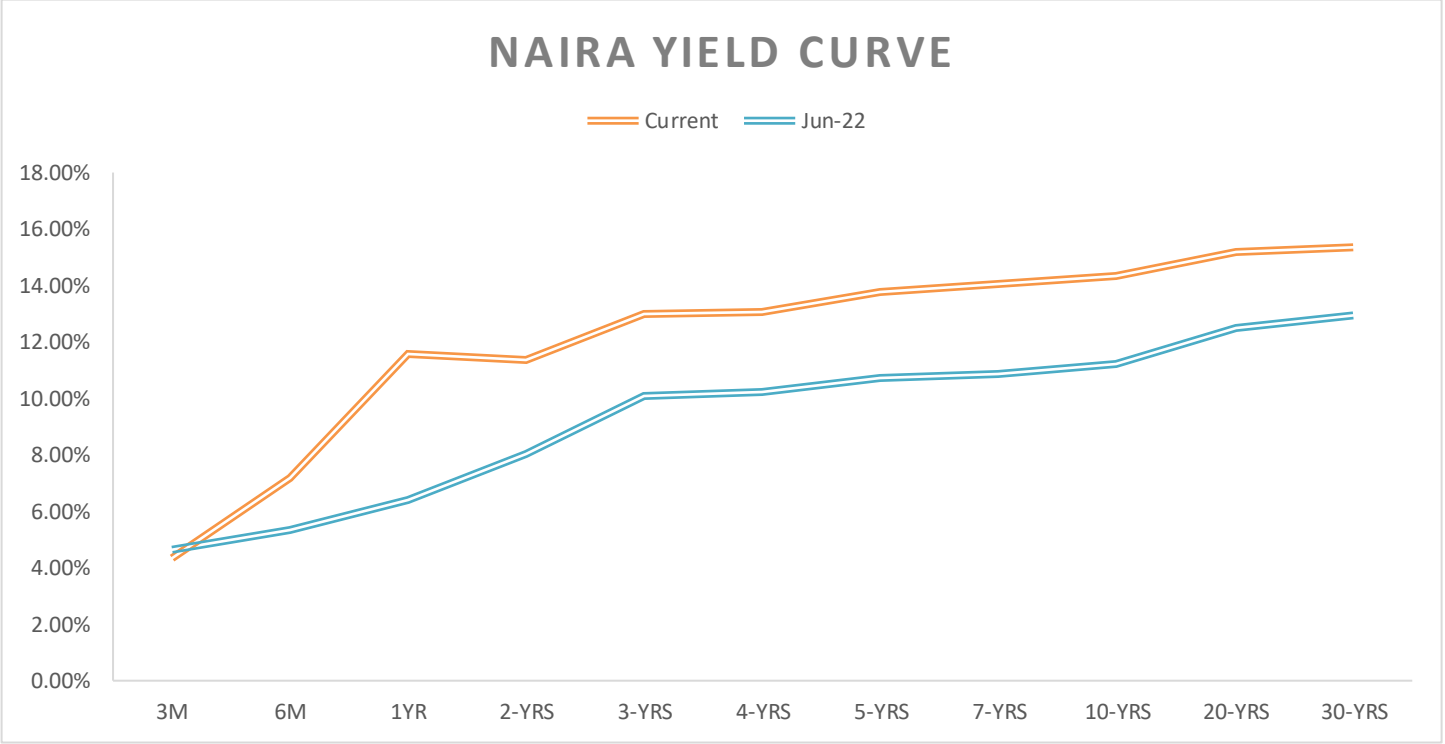
MAJOR	01-Sep-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0814	1.0842	-0.25%	0.11%	-1.14%	8.65%
GBPUSD	1.2621	1.2673	-0.41%	0.33%	-0.71%	9.66%
USDCHE	0.8844	0.8831	0.15%	0.03%	0.81%	-9.76%
USDRUB	95.2050	94.8729	0.35%	0.22%	2.03%	58.02%
USDNGN	756.5200	772.9846	-2.13%	-1.86%	-2.64%	78.88%
USDZAR	18.7790	18.8715	-0.49%	0.92%	1.79%	8.60%
USDEGP	30.8953	30.8490	0.15%	0.15%	0.15%	60.68%
USDCAD	1.36	1.3507	0.53%	-0.15%	1.75%	3.42%
USDMXN	17.08	17.0272	0.31%	2.18%	0.47%	-14.26%
USDBRL	4.93	4.9542	-0.48%	1.28%	2.52%	-4.54%
AUDUSD	0.6460	0.6483	-0.36%	0.88%	-1.25%	-5.16%
NZDUSD	0.5959	-0.0600	-0.08%	0.90%	-1.99%	-2.31%
USDJPY	145.9530	145.5310	0.29%	-0.30%	1.85%	4.11%
USDCNY	7.2647	7.2777	-0.18%	-0.37%	0.86%	5.02%
USDINR	82.6706	82.7037	-0.04%	0.04%	-0.08%	3.70%



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

Commodity		01-Sep-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	84.9	83.6	1.54%	6.39%	7.33%	-1.79%.
BRENT	USD/Bbl	88.2	86.8	1.55%	5.07%	6.52%	-3.92%.
NATURAL GAS	USD/MMBtu	2.8	9.8	2.92%	7.24%	10.18%	-67.80%.
GASOLINE	USD/Gal	2.6	2.6	0.77%	-2.28%	1.92%	7.43%
COAL	USD/T	156.0	156.0	0.00%	4.70%	15.56%	-63.50%.
GOLD	USD/t.oz	1,936.5	1,939.8	-0.17%	1.17%	0.18%	13.18%
SILVER	USD/t.oz	24.2	24.4	-0.88%	0.06%	2.08%	34.47%
WHEAT	USD/Bu	581.6	573.0	1.49%	-1.93%	-9.09%	-28.26%.
PALM-OIL	MYR/T	4,040.0	4,009.9	0.75%	1.97%	3.19%	3.19%
COCOA	USD/T	3,624.0	3,633.1	-0.25%	5.44%	1.74%	50.75%

FGN Bonds Yield Curve, Friday September 1, 2023



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