

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: FX Woes, Policy Mismatch Still Clogs Nigeria's Foreign Investment Pipelines.....

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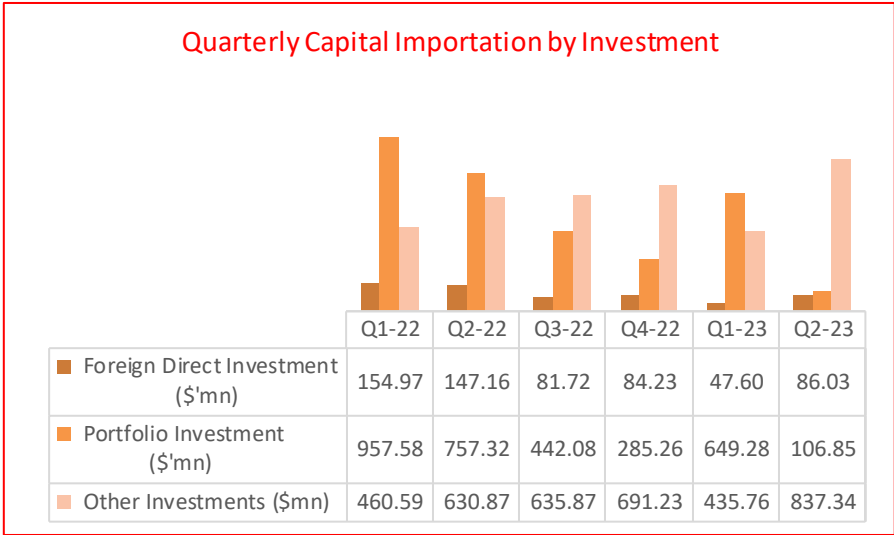
BOND MARKET: Bullish Performance for Nigeria's Sovereign Bond as Yields Retreat Across Board...

In the new week, we expect the FGN Bonds market to maintain a relatively stable outlook, and it's anticipated that bond yields will remain within their current range. Meanwhile at the next FGN Bond auction scheduled for Oct-16, 2023, where the Federal government aims to raise between N80 billion to N100 billion, we anticipate a decline in the average stop rates at the auction to help drive total subscription and as part of efforts to raise capital and manage its debt obligations during this period.

ECONOMY: FX Woes, Policy Mismatch Still Clogs Nigeria’s Foreign Investment Pipelines.....

This week, we take a cursory look at the latest capital importation report recently released by the National Bureau of Statistics (NBS) which showed a concerning trend in foreign investment within Nigeria. There has been a notable 32.90% year-on-year decline, with total capital importation dropping to \$1.03 billion, down from \$1.53 billion during the same period in 2022. Th is figure also fell short by 9.04% when compared to the previous quarter, which recorded \$1.13 billion in investments. This is a significant cause for concern as it represents the lowest level since Q1 of 2016, indicating systemic issues and a lack of coherent policies that are obstructing the inflow of investment into the country.

Capital importation encompasses various financial inflows, including credit, deposits, and physical capital, and is tracked through banking transactions and Customs data. From an economic perspective, foreign capital, remittances from workers abroad, and domestic savings are pivotal sources of capital essential for long-term economic growth. Moreover, capital importation serves as an important barometer for assessing how offshore investors perceive the economic landscape of a nation.



Overtime, Nigeria has long grappled with macroeconomic challenges such as a weakening local currency, rising unemployment, inflation, and inadequate infrastructure. These persistent issues have dampened t he enthusiasm of foreign investors and multinational corporations, discouraging them from making substantial investments across various sectors to drive economic growth.

Notwithstanding, a closer examination of the report reveals that the category of "Other Investment," which includes loans, trade credits, and other investments, accounted for the lion's share at 81.28% (\$837.34 million). This was largely influenced by a staggering 146,328% quarter-on-quarter increase in other claims, amounting to \$65.81 million, and a 77.82% quarter-on-quarter surge in total loans, reaching \$771.53 million. In contrast, trade credits and currency deposits saw minimal investment during this period.

Portfolio Investment, encompassing equity investments and debt securities, comprised 10.37% (\$106.85 million) of the total, and it faced pressure due to a significant downturn in the money market (-89.6% q/q and -96.9% y/y) and bonds (-71.6% q/q and -73.5% y/y) investments, exacerbating the trend of hot money exiting the market. The equities market also suffered pessimism (-96.2% q/q and -33.0% y/y) and attracted only \$8.5 million. Foreign Direct Investment (FDI), accounting for 8.35% (\$86.03 million) of total investments, saw an 80.7% quarter-on-quarter improvement but remained insufficient to drive positive year-on-year growth. Consequently, FDI, comprising 8.4% of the total, plummeted by 41.5% year-on-year, with sub-components such as Equity (-39.5%) and Other Capital (-99.7%) displaying weakness.

Within sectors, Manufacturing/Production emerged as the top recipient, attracting \$605.4 million, which accounted for 58.7% of the total investment. This marked a significant increase compared to \$256.1 million and \$234.0 million in the first quarter o f 2023 and the second quarter of 2022, respectively. Apart from financial services, other sectors experiencing positive inflows included Agriculture (\$10.0 million), Trading (\$46.6 million), and Telecoms (\$25.8 million). Notably, non-financial activities represented 68.3% of the overall inflows, a substantial improvement from 54.8% in the first quarter and 37.1% in 2022. This indicates that financial flows may have been more severely impacted than physical capital importation amid the ongoing economic challenges.

Geographically, Ogun State witnessed an increase in capital inflows to \$24.0 million, up from \$2.1 million in the first quarter, and it recorded no inflows throughout 2022. Similarly, Akwa-Ibom enthralled with a 6.5x growth in capital imports, reaching \$33.9 million compared to the first quarter, accounting for 79.6% of its entire 2022 inflow. In contrast, Abuja experienced a 52.6% decline in flows, while Lagos saw a modest 10.4% boost. These two regions accounted for a significant 94.4% of the country's total in flow, underscoring the challenges faced by sub-national economies and emphasizing the need to enhance the appeal of other states. In the second quarter of 2023, only 5 out of the 36 states and the Federal Capital Territory (FCT) managed to attract foreign investment flows, a clear indication of the concentration of investments.

The pipeline for capital flows remains fragmented due to persistent challenges on both the external and internal fronts. In the broader context of emerging and frontier markets, the tightening of monetary policies is driving risk-averse capital movements from developing regions to more stable ones. Presently, the Nigerian economy confronts several hurdles, including high inflation, a depreciating currency, and rising unemployment, creating a hostile environment for businesses and deterring foreign investors from committing their capital to the country.

Our analysis at Cowry Research suggests that the deteriorating macroeconomic indicators have eroded the optimism of foreign investors in Nigeria. However, we believe that tangible and concerted efforts by the federal government to strengthen bilateral and multilateral business relationships, coupled with market reforms, could inspire confidence if external factors align favorably before reform fatigue sets in.

EQUITIES MARKET: Market Sustains Consolidation Range as ASI Advances 1.12% w/w....

The Nigerian Exchange saw a marginal increase in trading activities this week, with the benchmark index rising by 1.12% week-on-week to reach 67,200.69 points, sustaining the gains from the previous week. The market remained in a consolidation range with low trading volume and a positive market breadth. The positive trend was driven by increasing expectations for the Q3 earnings season, despite macroeconomic policy uncertainties and corporate announcements of closed periods.

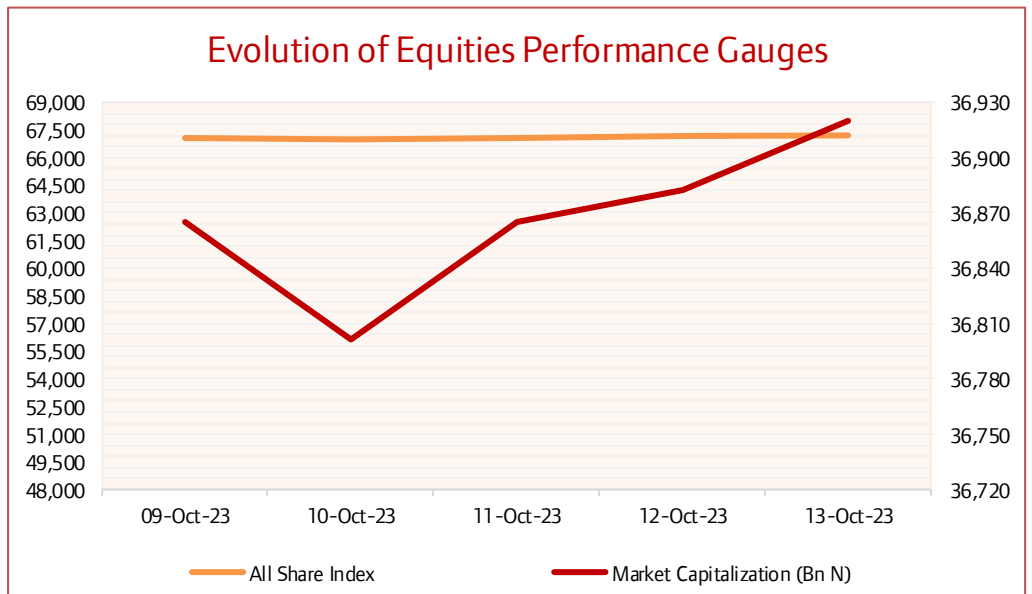
The total market capitalization of listed equities also increased by 1.12% week-on-week, reaching N36.92 trillion, and the year-to-date return of the All-Share Index (ASI) rose to 31.12%. Four out of five sessions this week were in a bullish trend, resulting in N409.9 billion in weekly profits, primarily driven by positive price movements in the Industrial goods index.

Sectoral performance was mostly positive, with four out of five indexes closing in the green, except for the banking index, which ended in negative territory. The Industrial and Consumer goods sectors led the weekly gainers, with gains of 5.03% and 1.39% week-on-week, respectively. The Insurance and Oil & Gas sectors also saw gains of 0.92% and 0.33%. However, the Banking sector was the lone decliner, with a 0.78% decrease.

Throughout the week, trading activity was positive but characterized by low trading volume and a positive market breadth. The weekly tally of deals increased by 6.15% week-on-week to 29,683 deals. The average traded volume, on the other hand, decreased by 39.02%, settling at 1.47 billion units. The weekly average value rose by 10.47% week-on-week, reaching a value of N24.43 billion.

Some stocks displayed exceptional performance, with strong investor interest. BUACEMENT, CHIPLC, NB, and DANGSUGAR were the top performers, with their share prices rising by +13%, +13%, +9%, and +7%, respectively. On the downside, PRESTIGE, PRESCO, ETI, and STERLINGNG were the laggards of the week, with their prices declining by -10%, -10%, -5%, and -5%, week-on-week, respectively.

Cowry Research anticipate a mixed market sentiment in the coming days, to be driven by both bargain hunting and portfolio repositioning. However, equity investors are likely to keep a close watch on the September Consumer Price Index (CPI) from the NBS by Monday and the release of Q3 corporate earnings reports. This mix of sentiments may also be influenced by ongoing sectoral rotation. Also, we anticipate foreign portfolio investors to digest and positively react to the new foreign exchange policy by the CBN and this direction will play a crucial role in shaping market dynamics as investors seek clarity on the broader economic landscape. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.



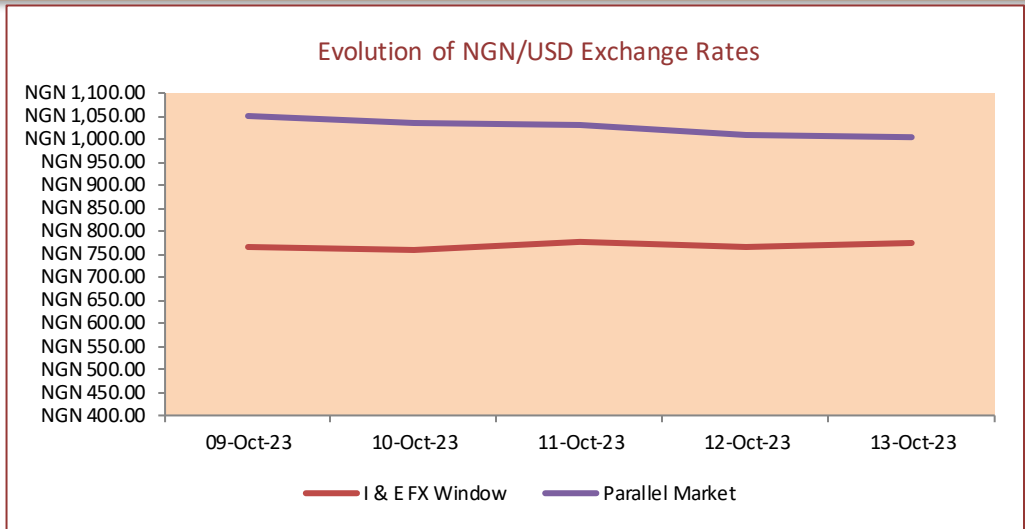
FOREX MARKET: Pressure Mounts Further Against Naira Across FX Markets Despite CBN's New Policy Step.....

This week, the CBN announced that it is taking measures to maintain price stability and enhance the functioning of the Nigerian Foreign Exchange Market. To achieve this, the CBN plans to inject liquidity into the market with a gradual reduction in interventions as market conditions improve. Notably, importers of the 43 items previously restricted in 2015 are now allowed to purchase foreign exchange as the bank find ways to address the forex backlog and work towards establishing a unified FX market through consultations with various stakeholders.

At the close of the week, the naira depreciated against the dollar by 3.10% week-on-week at the official market, closing at N764.86/\$1. Also, at the parallel market, the naira weakened by 5.00% week-on-week to a new low of 1,050/\$1.

Meanwhile, at the FMDQ Securities Exchange (SE) FX Futures Contract Market, the dollar gained across the mid to long end of the curve against the local currency. Notably, forward rates appreciated in favour of the dollar by 0.39%, 0.30%, 0.37% and 0.07% accordingly while at the 1-month, 2-month, 3-month and 6-month forward contracts to close at N789.34/\$1, N799.26/\$1, N807.82/\$1 and N837.95/\$1 in that order. However, the dollar skidded by 0.42% week on week to close at N899.7/\$1 at the 12-month forward contract.

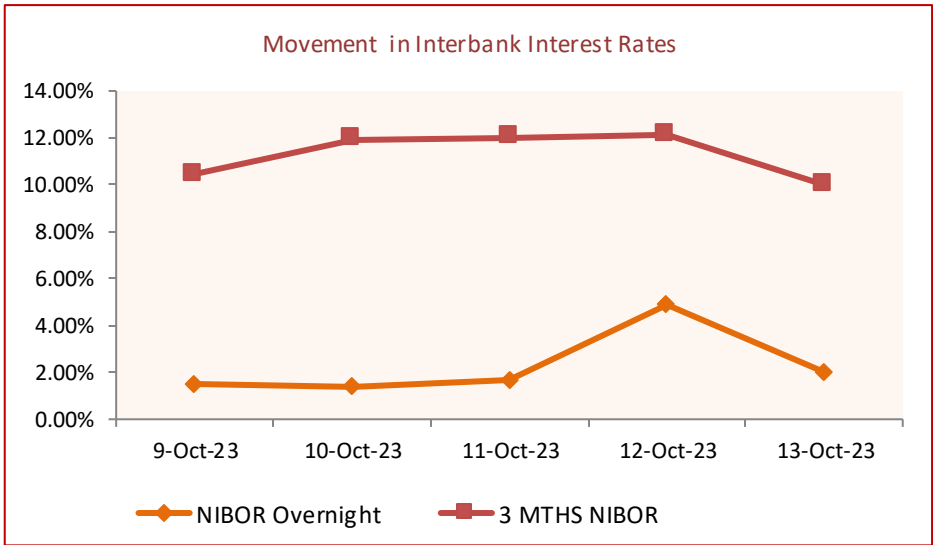
Oil prices surged by nearly 4% on Friday following the United States' adoption of a more stringent approach to Western sanctions against Russia. This development added to the mounting concerns about oil supply disruptions, particularly in light of escalating tensions in the Hamas-Israel conflict. The combination of these factors contributed to the substantial increase in oil prices. Additionally, the price of Nigerian Bonny Light crude oil closed positively at \$95.59 per barrel from \$93.26 per barrel.



The decision by the CBN to lift FX restrictions on the banned 43 items is seen as a positive development for Nigeria's economy and the FX market and it is expected to help stabilize the Naira by reducing demand pressure across markets. However, a key challenge to this change is the availability of FX supply. Foreign investors have been interested in the Nigerian market, but they've faced difficulties repatriating income and dividends due to FX policy inconsistencies and a lack of sufficient greenbacks in the market. In the coming week, Cowry Research anticipates the naira to trade in a relatively calm and positively band barring any further market distortion following the latest development.

MONEY MARKET: Money Market Rates Close in Mix-bag as Banks Seek Liquidity for Funding Obligations....

In the just concluded week, we saw yields in the secondary market moved in varied direction for most maturities tracked. Notably, NITTY for 1 month, 3-months and 12 months maturities crashed further to 2.83% (from 3.16%), 4.46% (from 4.92%), and 10.77% (from 12.56%) respectively. On the other hand, the weekly NIBOR moved in an upward direction on the back of illiquidity in the financial system as banks seek funds at available high rate for their funding obligations. Consequently, the Overnight NIBOR trended upward from the prior week by 0.67% points, while the 1-month NIBOR rose by 0.55% points except for the 6-months which cleared lower by 0.61% points and the 3-month tenor stayed flat from the past week.



At the recent NTB primary market auction on Wednesday, the Central Bank of Nigeria (CBN) successfully sold N36.56 billion worth of instruments across three maturities - 91-day, 182-day, and 364-day. The amount sold matched the amount offered. Notably, there was a significant decrease in yields compared to the previous auction: the 91-day and 182-day maturities had yields of 3.67% and 5.11%, down from 4.99% and 6.55%, respectively, while the 364-day maturity saw a substantial decrease to 9.25% from 11.37% previously. This drop in yields suggests increased demand for the securities. The total subscriptions amounted to N321 billion, indicating a bid-to-cover ratio of 8.79x across all three maturities. Demand was particularly strong for the 364-day maturity, reflecting investor confidence in longer-term securities. This outcome indicates robust interest in Nigerian Treasury Bills, possibly due to the attractive yields offered in this auction.

Looking ahead into the new week, we anticipate yields in the secondary market to stay relatively downbeat in the coming week as market participants digest the current economic data and development within the foreign exchange market in line with the level of liquidity conditions in the financial system.

BOND MARKET: Bullish Performance for Nigeria’s Sovereign Bond as Yields Retreat Across Board...

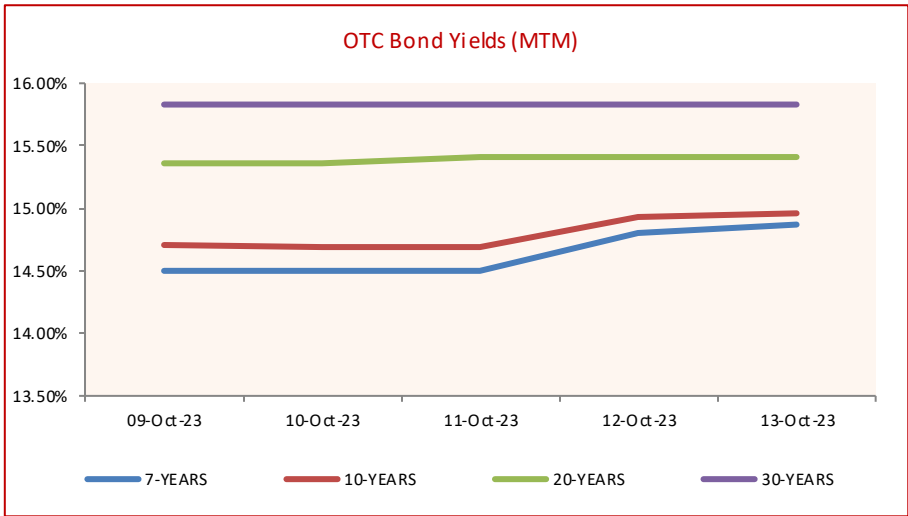
This week, the yields on FGN bonds traded largely bearish at the secondary market as sell sentiment across the short to mid end of the curve pushed the average yields higher by a basis point week-on-week. Meanwhile, the increase in yield in the long dated debt instruments saw their corresponding yields closing the week at 14.96%, 15.41% and 15.83% respectively as investors expressed wanning sentiment.

On the contrary, the Eurobond market saw bullish sentiment pervading the level of market activities. Thus, strong buy sentiments through the week pushed the average yield lower by a basis point as result of strong interest seen in NOV-27, SEP-28 and MAR-29 Nigerian sovereigns respectively as their value improved.

Meanwhile, the Debt Management Office (DMO) has released its bond issuance calendar for the final quarter of the year, outlining its intention to raise funds ranging from N960 billion to N1.2 trillion between October and December. These funds will primarily be raised through the re-issuance of bonds with maturities spanning from 10 to 30 years.

Specifically, the DMO plans to reopen four bond offerings: the 14.55% FGN APR 2029, the 14.70% FGN JUN 2033, the 15.45% FGN JUN 2038, and the 15.70% FGN JUN 2053.

In the new week, we expect the FGN Bonds market to maintain a relatively stable outlook, and it's anticipated that bond yields will remain within their current range. Meanwhile at the next FGN Bond auction scheduled for Oct-16, 2023, where the Federal government aims to raise between N80 billion to N100 billion, we anticipate a decline in the average stop rates at the auction to help drive total subscription and as part of efforts to raise capital and manage its debt obligations during this period.



Weekly Gainers and Loser as at Friday, October 13, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	13-Oct-23	06-Oct-23	% Change	Symbol	13- Oct -23	06-Oct-23	% Change
THOMASWY	2.80	2.14	31%	PRESTIGE	0.45	0.50	-10%
ABCTRANS	0.80	0.65	23%	ROYALEX	0.47	0.52	-10%
CHIPLC	1.15	1.02	13%	PRESCO	182.00	201.20	-10%
BUACEMENT	105.80	94.00	13%	FTNCOCOA	1.64	1.80	-9%
MCNICHOLS	0.66	0.60	10%	DAARCOMM	0.21	0.23	-9%
UPL	2.36	2.15	10%	REGALINS	0.34	0.37	-8%
ELLAHLAKES	4.35	3.97	10%	CUSTODIAN	7.20	7.65	-6%
COURTVILLE	0.60	0.55	9%	ETI	15.15	16.00	-5%
NB	42.00	38.50	9%	STERLINGNG	3.32	3.50	-5%
DANGSUGAR	60.70	56.50	7%	ETRANZACT	9.00	9.40	-4%

Weekly Stock Recommendations as at Friday, October 13, 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	11.06	13.27	50.07	0.35	1.58	17.85	12.85	17.55	20.0	14.9	20.1	24.29	Buy
AIRTELAFR	-27	-47.83	689	2.03	-51.2	2,040	1175	1,400	2450.0	1,190	1,610	75.00	Buy
FIDELITYBNK	1.84	2.21	13.27	0.62	4.49	9.82	2.87	8.25	10.7	7.0	9.5	30.00	Buy
BUA CEMENT	1.88	2.63	14	7.55	56.3	105.8	47	105.80	148.1	89.9	121.7	40.00	Buy
JULIUS BERGER	4.22	5.49	53.40	0.62	7.82	42.50	21.15	33.00	42.9	28.1	38.0	30.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, October 13, 2023

FGN Eurobonds	Issue Date	TTM (years)	13-Oct-23 Price (N)	Weekly USD Δ	13-Oct-23 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.11	95.32	0.91	10.2%	-0.49
6.50 NOV 28, 2027	28-Nov-17	4.13	83.44	2.53	11.7%	-0.88
6.125 SEP 28, 2028	28-Sep-21	4.96	79.30	2.55	11.8%	-0.80
8.375 MAR 24, 2029	24-Mar-22	5.45	84.96	2.41	12.2%	-0.69
7.143 FEB 23, 2030	23-Feb-18	6.37	77.51	2.04	12.4%	-0.56
8.747 JAN 21, 2031	21-Nov-18	7.28	83.30	2.50	12.3%	-0.60
7.875 16-FEB-2032	16-Feb-17	8.35	77.85	2.85	12.2%	-0.66
7.375 SEP 28, 2033	28-Sep-21	9.97	72.64	2.75	12.2%	-0.62
7.696 FEB 23, 2038	23-Feb-18	14.38	68.69	2.65	12.4%	-0.54
7.625 NOV 28, 2047	28-Nov-17	24.14	65.25	2.64	12.1%	-0.50
9.248 JAN 21, 2049	21-Nov-18	25.29	75.54	2.76	12.4%	-0.47
8.25 SEP 28, 2051	28-Sep-21	27.98	67.88	2.86	12.4%	-0.54

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 13, 2023

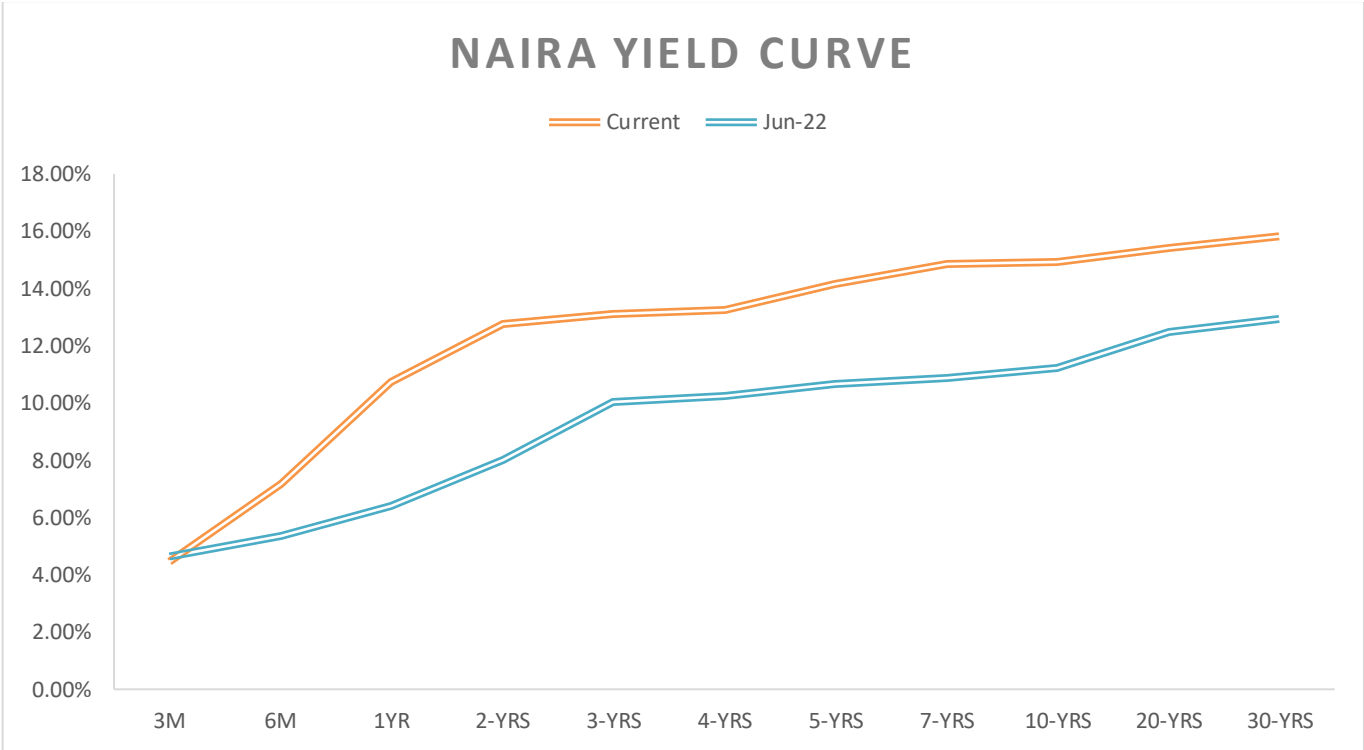
MAJOR	13-Oct-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0509	1.0526	-0.16%	-0.75%	-1.27%	8.10%
GBPUSD	1.2155	1.2173	-0.15%	-0.73%	-2.10%	8.76%
USDCHF	0.9053	0.9082	-0.32%	-0.48%	1.12%	-9.91%
USDRUB	96.8750	97.7252	-0.87%	-4.08%	1.71%	57.14%
USDNGN	769.5100	767.9741	0.20%	-0.26%	-1.72%	77.03%
USDZAR	18.9603	19.0154	-0.29%	-1.65%	-0.21%	3.40%
USDEGP	30.8925	30.8493	0.14%	0.46%	-0.19%	57.53%
USDCAD	1.37	1.3689	-0.26%	0.03%	1.16%	-1.55%
USDMXN	17.96	17.9662	-0.06%	-1.15%	4.98%	-10.54%
USDBRL	5.06	5.0458	0.33%	-1.69%	3.95%	-5.00%
AUDUSD	0.6309	0.6314	-0.09%	-1.18%	-2.04%	1.80%
NZDUSD	0.5898	-0.0600	-0.49%	-1.48%	-0.18%	6.03%
USDJPY	149.6690	149.8038	-0.09%	0.22%	1.48%	0.61%
USDCNY	7.3130	7.3094	0.05%	0.07%	0.33%	1.34%
USDINR	83.2451	83.2867	-0.05%	0.15%	0.28%	1.10%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, October 13, 2023

Commodity		13-Oct-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	86.0	82.9	3.69%	3.96%	-3.95%	3.02%
BRENT	USD/Bbl	89.3	86.0	3.78%	5.47%	-4.02%	-1.05%
NATURAL GAS	USD/MMBtu	3.2	9.8	-3.27%	-3.06%	8.47%	-52.60%
GASOLINE	USD/Gal	2.3	2.2	4.18%	2.92%	-15.79%	-8.06%
COAL	USD/T	142.7	141.5	0.81%	1.89%	-12.08%	-64.07%
GOLD	USD/t.oz	1,914.0	1,868.6	2.43%	4.57%	0.29%	16.70%
SILVER	USD/t.oz	22.5	21.8	3.25%	4.87%	0.05%	24.02%
WHEAT	USD/Bu	577.7	571.5	1.08%	2.10%	-2.28%	-32.51%
PALM-OIL	MYR/T	3,737.0	3,638.0	2.72%	3.81%	-0.64%	-2.50%
COCOA	USD/T	3,475.0	3,490.0	-0.43%	0.67%	-9.78%	46.23%

FGN Bonds Yield Curve, Friday, October 13, 2023



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