

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Another Uptick in Inflation Reading for September at 26.72%.....

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EQUITIES MARKET: A Lackluster Outing For the ASI by 0.42% w/w on Profit-Taking Activities....

Looking ahead, as investors continue to book profits and market players await a significant catalyst to boost activity, mixed sentiments are expected to persist. The market may see fluctuations as early filers publish their Q3 earnings reports, with a combination of bargain hunting and portfolio repositioning influencing market dynamics. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

FOREX MARKET: Naira Sees Further Demand Pressure, Depreciates Across FX Segments...

Looking ahead, the Naira is expected to face continued pressure in the foreign exchange market due to the prevailing market conditions and volatility. Despite recent policy reversals aimed at enhancing liquidity, the Central Bank's capacity to defend the Naira against the US dollar appears limited. Speculative activities are on the rise, further boosting demand for the US dollar.

MONEY MARKET: Money Market Rates on Downtrend as Investors Seek Higher Returns.....

Looking ahead into the new week, we anticipate yields in the secondary market to stay relatively calm in the coming week as market participants trade cautiously in the market ahead of the forthcoming Treasury Bills Primary Market Auction where the CBN plans to rollover maturity Nigerian Treasury Bills worth N108.13 billion across the 91-day, 182-day and 364-day tenors.

BOND MARKET: DMO Auction Buoyant Performance for FGN Bonds...

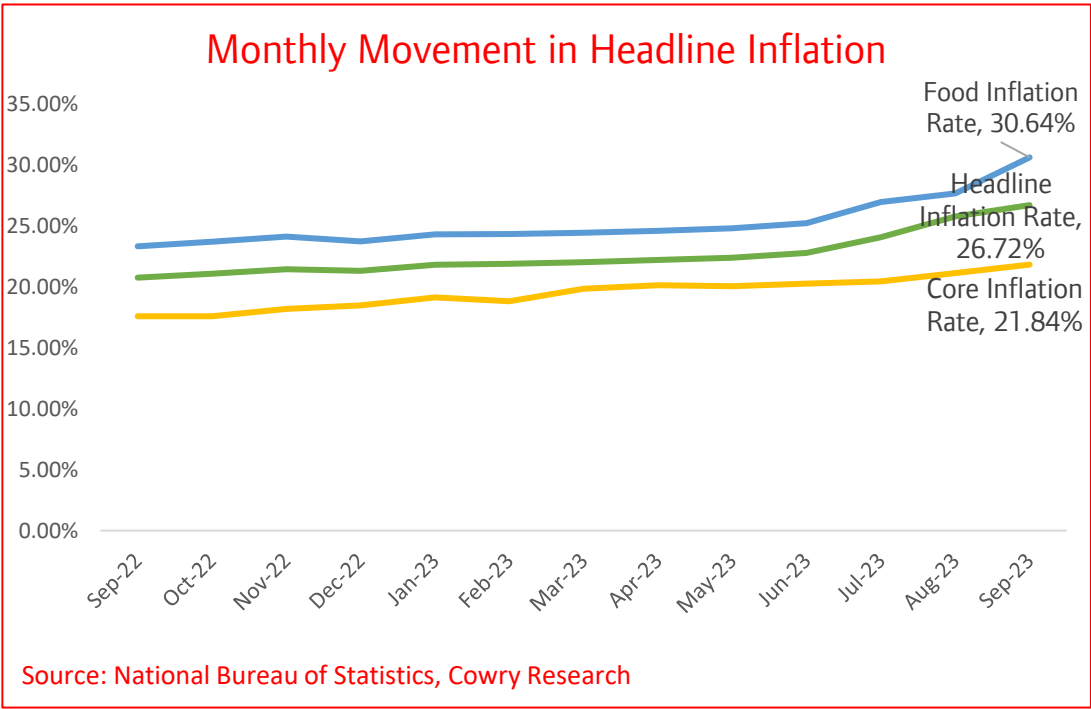
For the upcoming week, our outlook for the FGN Bonds market is one of relative stability, but with an anticipation of upward momentum in the average yields across all instruments. It's important to note that this stability may be a temporary reprieve, as we do not foresee a significant decrease in yields on FGN paper in the near term. This is due to the prevailing elevated interest rate environment, which is likely to continue impacting the fixed-income market..

ECONOMY: Another Uptick in Inflation Reading for September at 26.72%.....

On Monday, the National Bureau of Statistics published the monthly inflation report which showed that Nigeria's annual inflation rate has continued to surge, reaching an over 18-year high of 26.72% in September 2023, up from August's 25.8%. This marks the ninth consecutive month of inflationary increases and indicates that headline inflation has risen by 5.94% points on a year-on-year basis compared to the 20.77% recorded in September of the previous year. This suggests a gradual increase in the inflation rate over the past twelve months.

This protracted inflationary period is largely attributed to policy decisions, notably the removal of subsidies by the current administration, which has reverberated throughout the economy, most acutely impacting the most vulnerable segments of the Nigerian population. The soaring inflation is rendering the affordability of essential commodities, such as food, housing, and healthcare, an increasingly challenging prospect.

The National Bureau of Statistics (NBS) report, released details of how various factors contributed to the headline inflation's acceleration at the divisional level. Key drivers include food and non-alcoholic beverages, which experienced an uptick from 13.36% in August to 13.84%. Housing and utilities also saw a slight increase from 4.32% to 4.47% in August 2023. Health inched up by 2 basis points to 0.8% from the previous month's 0.78%, while transport and restaurants and hotels exhibited similar



patterns of acceleration, standing at 1.74% and 0.32% respectively. Additionally, clothing and footwear experienced a minor increase from 1.97% to 2.04%, and miscellaneous goods and services rose from 0.43% in August to 0.44% in September 2023.

Of particular note is the substantial influence of the food index, which has been the primary driver of the mounting pressure on headline inflation. It recorded a slower increase, with a 130-basis point rise to 30.64% year-on-year in September, compared to a 2.35%-point increase to 29.34% year-on-year the preceding month. Imported food inflation, another significant contributor, surged by 1.55% points to 21.72% year-on-year, surpassing the prior month's rise of 23 basis points to 20.17% year-on-year. This spike is attributed to elevated prices for items like oil and fat, bread and cereals, potatoes, yam, fish, fruit, meat, vegetables, milk, cheese, and eggs.

The annual core inflation rate, which excludes farm produce, further intensified to 22.1% in September, quickening from 21.2% in August. This acceleration underscores the continued build-up of underlying inflationary pressures in the Nigerian economy. The surge can be linked to the swifter pace of inflation in clothing and footwear, as well as price increases in passenger transport by road, passenger transport by air, medical services, and the repair and maintenance of personal transport equipment.

Analyzing the state profiles, the report revealed that Kogi, Rivers, and Lagos registered the highest year-on-year inflation rates across all items. Conversely, Borno, Jigawa, and Benue experienced the slowest rise in headline inflation on a year-on-year basis. The same pattern extended to food inflation, with Kogi, Rivers, and Lagos recording the highest rates, and Jigawa, Borno, and Sokoto reporting the slowest rise in food inflation on a year-on-year basis.

Cowry Research anticipates that inflation will continue to rise in the coming months, albeit at a slower rate, driven by the pass-through effects of the foreign exchange liberalization efforts introduced by the central bank in mid-June 2023 and the impact of subsidy removal, which has resulted to a spike in petrol and transport prices, leaving the average Nigerian to grapple with inflationary pressures and erosion of the purchasing power of the naira. Accordingly, we forecast that inflation may accelerate to 27.25% in October 2023.

EQUITIES MARKET: A Lackluster Outing For the ASI by 0.42% w/w on Profit-Taking Activities....

The domestic bourse experienced a negative performance this week, with a notable decline in the All-Share Index (ASI) by 0.42% week-on-week, closing at 66,915.41 points. Market participants reacted to the latest macroeconomic data release, eagerly awaiting more corporate earnings reports, which will offer insights into the upcoming Q3 GDP figures and the full-year results of listed companies, with the potential for higher payouts based on their performance.

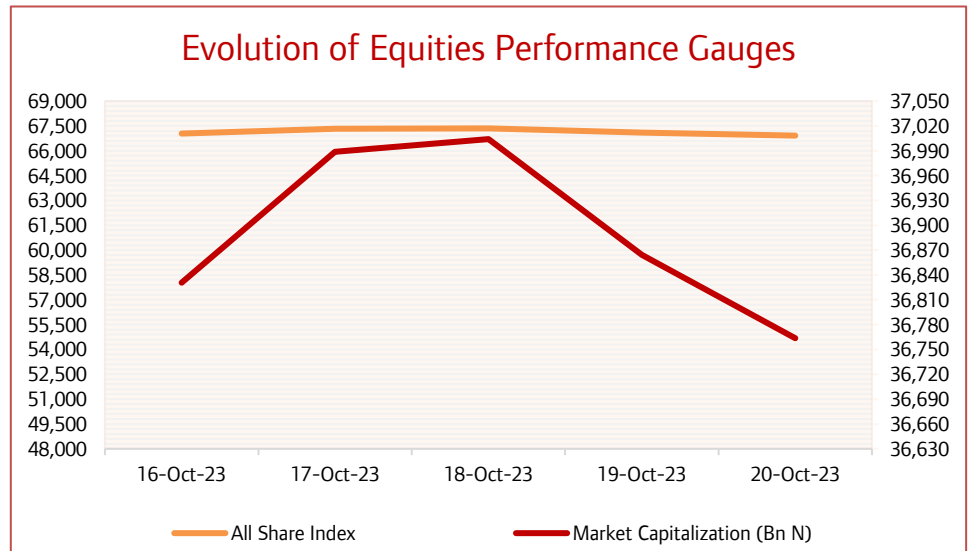
The total market capitalization of listed equities also dropped by 0.42% week-on-week to N36.76 trillion, and the year-to-date return of the All-Share Index stood at 30.56%. Investors saw a total of N156.34 billion wiped out from their portfolios due to profit-taking and sectoral rotation.

Sectoral performance for the week was predominantly negative, as bearish trend prevailed in four out of five trading sessions this week, driven by profit-taking activities and selling sentiment. The banking sector was the exception, posting a 3.52% weekly gain. The Insurance, Consumer goods, Industrial Goods, and Oil & Gas sectors all recorded losses of 0.96%, 0.46%, 0.07%, and 0.02%, respectively.

Trading activity concluded on a subdued note, with the weekly deal count decreasing by 1.30% week-on-week to 29,298 deals. However, the average traded volume increased by 1.80%, reaching 1.50 billion units, while the weekly average value dipped significantly by 26.72% week-on-week to N17.90 billion.

Throughout the week, investors showed keen interest in stocks like THOMASWY, DAARCOMM, JBERGER, UBA, and DANGSUGAR, with share prices increasing by +30%, +10%, +9%, +8%, and +5%, respectively, despite market volatility. On the downside, SOVRENINS, CADBURY, STANBIC, FLOURMILL, and OKOMUOIL were the week's laggards, with share prices declining by -18%, -16%, -13%, -12%, and -10%, week-on-week, respectively.

Looking ahead, as investors continue to book profits and market players await a significant catalyst to boost activity, mixed sentiments are expected to persist. The market may see fluctuations as early filers publish their Q3 earnings reports, with a combination of bargain hunting and portfolio repositioning influencing market dynamics. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

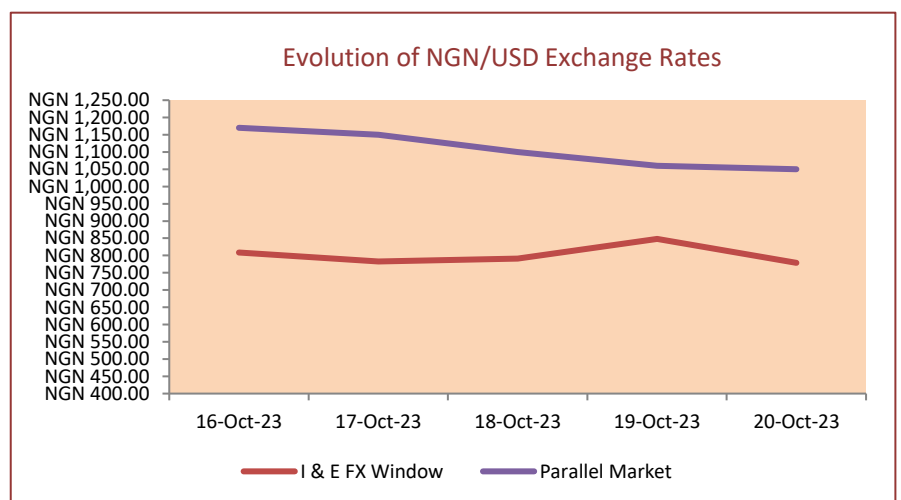


FOREX MARKET: Naira Sees Further Demand Pressure, Depreciates Across FX Segments.....

The Nigerian Naira faced continued depreciation this week, reaching new lows, underscoring the challenges the Central Bank of Nigeria faces in defending the currency. This depreciation against the US dollar amounted to 5.68% week-on-week at the official market, closing at N808.27/\$1, primarily due to a low supply of the US dollar. In the parallel market, the demand remained high, pushing the Naira further into historic all-time lows. By the end of the week, the Naira weakened by 11.43% week-on-week to a historic low of 1,170/\$1, largely attributed to speculative activities, resulting in a market premium of N361.73.

Additionally, at the FMDQ Securities Exchange (SE) FX Futures Contract Market, the US dollar gained strength across various contract tenures against the Naira, appreciating by 2.10%, 2.15%, 2.03%, 1.76%, and 2.22% at the 1-month, 2-month, 3-month, 6-month, and 12-month forward contracts, closing at N805.92/\$1, N816.47/\$1, N824.20/\$1, N852.67/\$1, and N919.65/\$1, respectively.

Meanwhile, crude oil prices hovered around \$90 per barrel, with potential for further gains after a week of relative stability around \$89 per barrel for Brent crude. Notable developments included the US-Venezuela deal, allowing US oil companies to resume operations in Venezuela, which could impact global oil production. Additionally, OPEC's



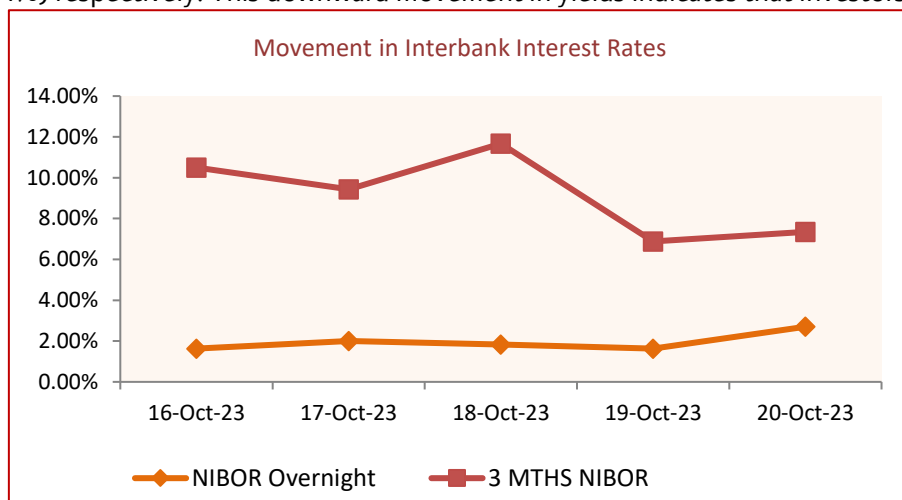
silence on calls for a Russian oil embargo amid rising tensions in the Middle East raised concerns of increased production, which might exert downward pressure on oil prices. Nigerian Bonny Light crude oil, however, saw a weekly gain, closing at \$98.26 per barrel, up from \$95.59 per barrel, indicating a 2.79% gain for Nigeria in the oil market.

Looking ahead, the Naira is expected to face continued pressure in the foreign exchange market due to the prevailing market conditions and volatility. Despite recent policy reversals aimed at enhancing liquidity, the Central Bank's capacity to defend the Naira against the US dollar appears limited. Speculative activities are on the rise, further boosting demand for the US dollar.

MONEY MARKET: Money Market Rates on Downtrend as Investors Seek Higher Returns.....

During the past week, yields in the secondary market experienced a decline for most maturities. Notably, the 1-month, 3-month, and 6-month NITTY (Nigerian Treasury Bills) maturities saw significant reductions to 2.71% (from 2.83%), 3.98% (down from 4.46%), and 6.36% (compared to 7.14%) respectively. This downward movement in yields indicates that investors are seeking higher returns on their investments to compensate for the perceived increased risk associated with money market instruments.

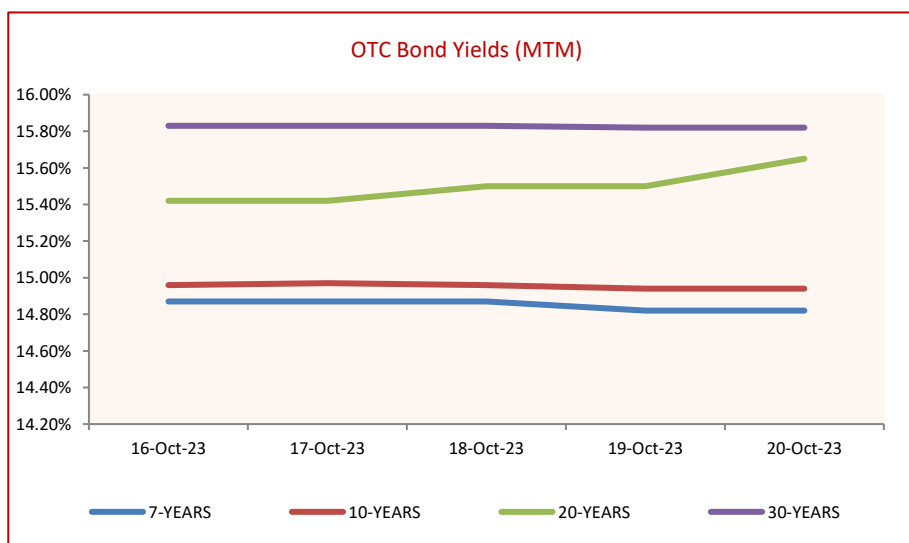
Additionally, the weekly NIBOR (Nigerian Interbank Offered Rate) exhibited a downward trend across the 1-month, 3-month, and 6-month NIBOR rates. However, the Overnight NIBOR witnessed a 0.70% week-on-week increase, closing at 2.70%. This increase in the Overnight NIBOR is attributed to illiquidity in the financial system, as banks sought funds at higher rates to meet their funding obligations.



Looking ahead into the new week, we anticipate yields in the secondary market to stay relatively calm in the coming week as market participants trade cautiously in the market ahead of the forthcoming Treasury Bills Primary Market Auction where the CBN plans to rollover maturity Nigerian Treasury Bills worth N108.13 billion across the 91-day, 182-day and 364-day tenors.

BOND MARKET: DMO Auction Buoy's Bullish Performance for FGN Bonds...

In the FGN bond market, there was a predominantly bullish sentiment. Yields on various maturities demonstrated a downward trajectory. Notably, the 10-year, 15-year, and 20-year instruments saw their yields decline by 2 basis points (bps), 3 bps, and 5 bps, respectively. This suggests a strong demand for these bonds, which in turn drove prices higher and pushed yields lower. Conversely, the 30-year instrument exhibited relative stability, with yields remaining flat from the prior week. Overall, investor sentiment in the long-dated debt instruments was notably positive, resulting in closing yields of 13.23%, 14.93%, 15.36%, and 15.83% for the respective maturities.



In contrast, the Eurobond market experienced a bearish sentiment, leading to sell-offs across various maturities. This bearish sentiment resulted in an average yield increase of 77 basis points. The shift in sentiment appears to have influenced the market's performance negatively.

Total subscriptions amounted to N383 billion, representing a bid-to-cover ratio of 1.1x, slightly below the 1.2x recorded at the previous auction. Yields moved upwards compared to the previous auction, indicating a conventional yield curve across

the four available bond instruments. The marginal rates for the 5-year (April 2029), 9-year (June 2033), 14-year (June 2038), and 29-year (June 2053) bonds closed at 14.9%, 15.75%, 15.8%, and 16.6%, respectively, marking an average increase of 33 basis points relative to the previous auction. Similar to the September 2023 auction, investor demand was strongest for the longest tenor on offer, the 29-year June 2053 maturity, which was oversubscribed with a sales-to-offer ratio of 2.63x. This data reflects investor sentiment and demand for government bonds in the Nigerian market.

For the upcoming week, our outlook for the FGN Bonds market is one of relative stability, but with an anticipation of upward momentum in the average yields across all instruments. It's important to note that this stability may be a temporary reprieve, as we do not foresee a significant decrease in yields on FGN paper in the near term. This is due to the prevailing elevated interest rate environment, which is likely to continue impacting the fixed-income market.

Weekly Gainers and Loser as at Friday, October 20, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	20-Oct-23	13-Oct-23	% Change	Symbol	20-Oct-23	13-Oct-2023	% Change
THOMASWY	3.63	2.80	30%	SOVRENINS	0.33	0.40	-18%
DAARCOMM	0.23	0.21	10%	CADBURY	12.60	15.00	-16%
JBERGER	36.00	33.00	9%	STANBIC	69.55	80.00	-13%
UBA	19.00	17.55	8%	FLOURMILL	28.20	32.00	-12%
LEARNAFRCA	3.30	3.10	6%	OKOMUOIL	236.80	263.00	-10%
CHAMS	1.49	1.40	6%	NB	38.00	42.00	-10%
ROYALEX	0.50	0.47	6%	MULTIVERSE	2.67	2.95	-9%
SUNUASSUR	1.10	1.04	6%	RTBRISCOE	0.52	0.57	-9%
CAP	21.20	20.15	5%	CORNERST	1.42	1.55	-8%
DANGSUGAR	63.50	60.70	5%	ELLAHLAKES	4.00	4.35	-8%

Weekly Stock Recommendations as at Friday, October 20, 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	0.38	1.70	19.00	12.85	19.00	23.0	16.0	21.6	22.34	Buy
AIRTELAFR	-27	-47.83	689	2.03	-51.2	2,040	1175	1,400	2450.0	1,190	1,610	75.00	Buy
DANG SUGAR	-2.30	-2.76	10.62	6.12	-28.21	71	23.5	63.50	78.0	55.3	74.8	20.00	Buy
GTCO	9.53	11.05	40.79	0.88	3.75	40.00	16.80	35.50	41.4	30.3	41.1	16.00	Buy
JULIUS BERGER	4.22	5.49	53.40	0.62	7.82	42.50	21.15	36.00	42.9	28.1	38.0	30.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, October 20, 2023

FGN Eurobonds	Issue Date	TTM (years)	20-Oct-23 Price (N)	Weekly USD Δ	20-Oct-23 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	2.09	93.73	-1.59	11.1%	0.93
6.50 NOV 28, 2027	28-Nov-17	4.11	81.19	-2.25	12.5%	0.82
6.125 SEP 28, 2028	28-Sep-21	4.95	76.96	-2.34	12.5%	0.77
8.375 MAR 24, 2029	24-Mar-22	5.43	82.01	-2.95	13.1%	0.87
7.143 FEB 23, 2030	23-Feb-18	6.35	74.89	-2.62	13.1%	0.74
8.747 JAN 21, 2031	21-Nov-18	7.26	80.42	-2.88	13.0%	0.71
7.875 16-FEB-2032	16-Feb-17	8.33	74.58	-3.27	13.0%	0.77
7.375 SEP 28, 2033	28-Sep-21	9.95	69.58	-3.06	12.9%	0.70
7.696 FEB 23, 2038	23-Feb-18	14.36	65.27	-3.42	13.1%	0.71
7.625 NOV 28, 2047	28-Nov-17	24.12	61.43	-3.82	12.8%	0.74
9.248 JAN 21, 2049	21-Nov-18	25.27	71.42	-4.12	13.2%	0.72
8.25 SEP 28, 2051	28-Sep-21	27.96	64.24	-3.64	13.1%	0.70

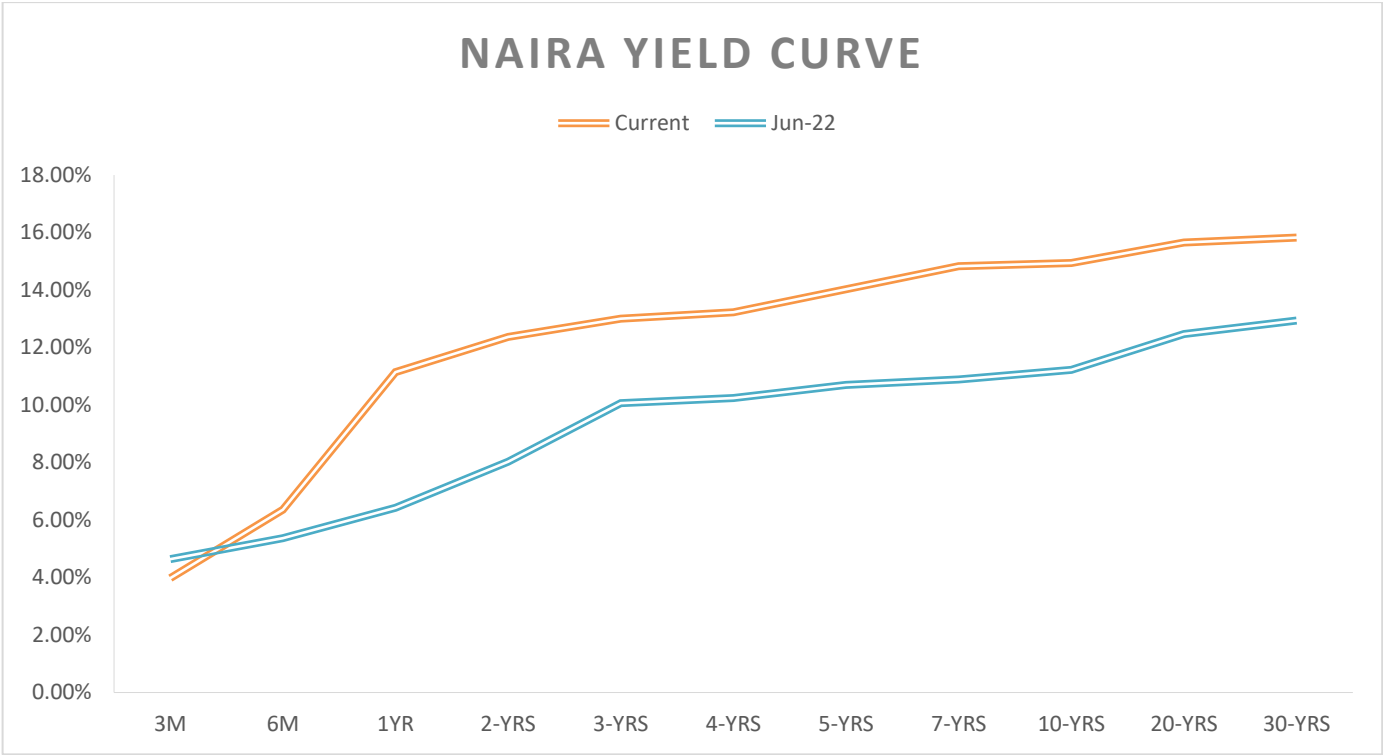
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 20, 2023

MAJOR	20-Oct-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0584	1.0579	0.05%	0.74%	-0.67%	7.37%
GBPUSD	1.2145	1.2143	0.02%	0.00%	-1.24%	7.42%
USDCHF	0.8923	0.8912	0.13%	-1.08%	-1.33%	-10.56%
USDRUB	95.5370	96.1717	-0.66%	-2.33%	1.30%	57.33%
USDNGN	764.0000	774.4551	-1.35%	-0.52%	-0.81%	75.19%
USDZAR	18.9822	19.0145	-0.17%	-0.07%	0.13%	4.73%
USDEGP	30.8912	30.8511	0.13%	0.13%	0.13%	58.25%
USDCAD	1.37	1.3718	-0.29%	0.17%	1.47%	0.31%
USDMXN	18.29	18.3124	-0.14%	1.27%	6.19%	-8.13%
USDBRL	5.05	5.0647	-0.25%	-0.59%	2.33%	-2.14%
AUDUSD	0.6316	0.6328	-0.19%	0.43%	-1.55%	-0.93%
NZDUSD	0.5828	-0.0600	-0.32%	-0.88%	-1.67%	1.46%
USDJPY	149.9200	149.7852	0.09%	0.25%	1.58%	1.54%
USDCNY	7.3240	7.3358	-0.16%	0.16%	0.12%	1.31%
USDINR	83.1120	83.0954	0.02%	-0.20%	-0.01%	0.68%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, October 20, 2023

Commodity		20-Oct-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	89.1	88.4	0.78%	3.18%	0.88%	6.13%
BRENT	USD/Bbl	93.2	92.4	0.86%	2.59%	1.07%	4.24%
NATURAL GAS	USD/MMBtu	2.9	9.8	-2.33%	-10.49%	1.99%	-49.66%
GASOLINE	USD/Gal	2.4	2.4	0.60%	4.97%	-7.41%	-1.30%
COAL	USD/T	136.5	139.5	-2.15%	-4.31%	-15.09%	-65.17%
GOLD	USD/t.oz	1,984.9	1,973.8	0.56%	3.07%	3.72%	20.18%
SILVER	USD/t.oz	23.5	23.0	1.91%	3.88%	0.86%	21.55%
WHEAT	USD/Bu	597.6	594.0	0.60%	2.93%	3.65%	-29.86%
PALM-OIL	MYR/T	3,771.0	3,757.8	0.35%	0.91%	2.53%	-8.05%
COCOA	USD/T	3,670.0	3,648.1	0.60%	4.86%	2.06%	59.11%

FGN Bonds Yield Curve, Friday, October 20, 2023



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