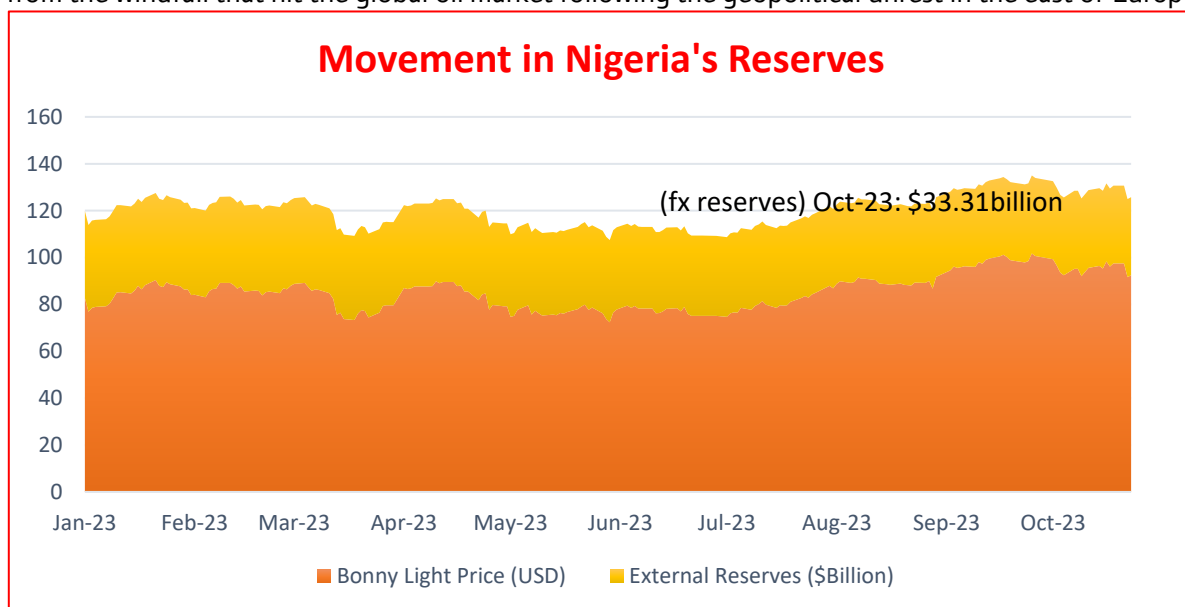


# Cowry Financial Markets Review, Outlook & Recommended Stocks

## ECONOMY: Nigeria's Foreign Exchange Reserves: A Yo-Yo of Fluctuations and Surprises in 2023.....

This week, we took an analysis of Nigeria's gross external reserves based on data obtained from the website of the Central Bank of Nigeria between January and October (Oct. 25) of 2023. According to the official data from the CBN, Nigeria's foreign exchange reserves, a once-robust bulwark against economic shocks, have dwindled by \$3.8 billion which is around 10.2% in recent months, like a mighty river running dry to \$33.31 bill. This is the lowest level for the reserve since July 2021 when it hit a low of \$33.09 billion.

Nigeria's inability to reap from the windfall that hit the global oil market following the geopolitical unrest in the east of Europe since February of 2022 has taken a tow on the economy as well as the lack of dollar liquidity within the central bank's vault to defend the naira. This, however, has led to the apex bank relying on the reserves for its continued defense of the local currency in the foreign exchange market. Thus, we can say that the steady decline in gross official reserves, coupled with fx liquidity constraints has resulted in a weakening of investor confidence and a general loss of appetite by the offshore community.



Notwithstanding, we can point fingers to a number of factors behind this decline. One is the rising cost of imports, driven by factors such as the war in Ukraine and supply chain disruptions. But a first glance at the total reserves as at mid-October 2023 portends that it can cover about 8 months of merchandise import on the basis of the balance of payments for the 12 months to Dec '22 and almost 7 months when we add services. Meanwhile, FMDQ's data shows that monthly transactions on the investors' and exporters' (I&E) fx window for 9M 2023 are currently running at an average of \$2.1 billion, compared with \$2.4 billion over the comparable period of 2022.

In August 2023, JP Morgan, a significant player in managing Nigeria's external reserves, released a report that offered insights into the country's net reserve position. According to their estimations, Nigeria's net reserve position was approximately \$3.7 billion. This calculation was arrived at by adjusting the gross reserve figure at the end of 2022, which was \$37 billion, to account for several factors:

- JP Morgan estimated that outstanding off-balance sheet swaps amounted to \$21 billion. These swaps likely represent financial arrangements or agreements between the Central Bank of Nigeria (CBN) and various entities, which impact the actual net reserve position.
- An estimated \$7 billion in on-balance sheet FX forwards were considered in the calculation. These forward contracts may involve commitments to exchange currencies at specified future dates, affecting the overall reserve position.
- Securities lending obligations of \$5.5 billion were factored in. This suggests that the CBN may have engaged in securities lending activities, potentially impacting the reserve position.

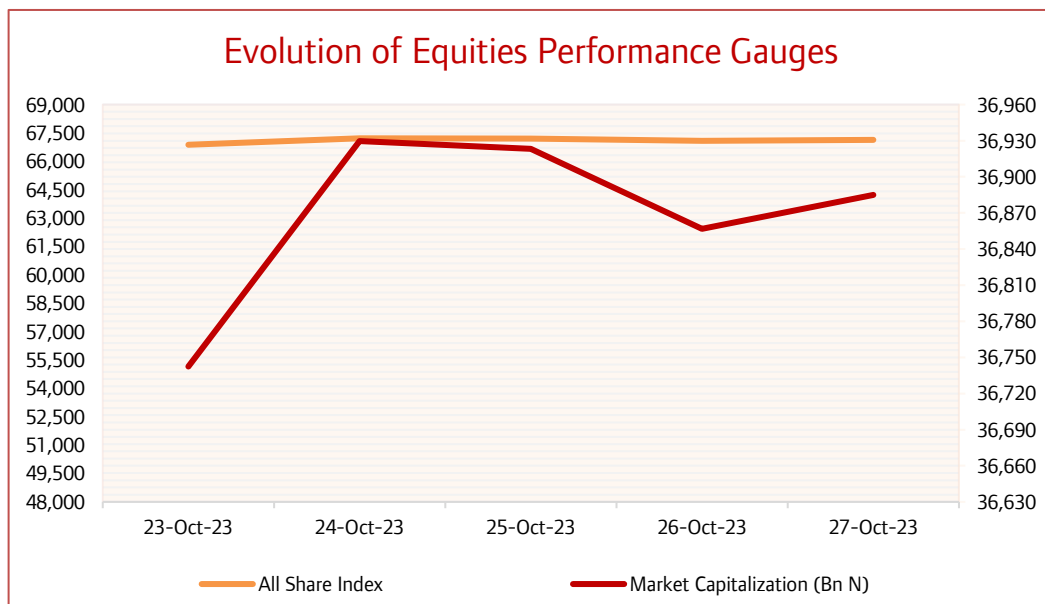
It is worth noting that the report also mentioned that the swap data was consistent with an estimated non-public figure for outstanding Open Market Operations (OMO) obligations issued by the CBN to Nigerian banks and other financial institutions. This figure was stated as N9.8 trillion, which is approximately \$21.2 billion when converted. These OMO obligations likely played a significant role in the adjustments made to the gross reserve numbers.

In Cowry Research's view, Nigeria's foreign exchange reserves, while not at the peak, have indeed sparked concerns regarding the nation's capacity to fulfill import requirements and meet its debt obligations. It's worth noting that despite the recent decline, Nigeria's foreign exchange reserves are still in a relatively robust position, equivalent to covering approximately 4.4 months of current external payments and Cowry Research thinks that it underscores the need for prudent management of these reserves to ensure the country's economic stability and its ability to meet liquidity demand and Naira defense.

## EQUITIES MARKET: Bullish Week for Domestic Bourse: All-Share Index Climbs 0.33% Amid Earnings Joy.

In a week marked by optimism and strong corporate earnings reports, the Nigerian domestic stock market displayed a bullish performance. The All-Share Index (ASI) climbed 0.33% week-on-week, ultimately closing at 67,136.58 points as investors reacted positively to the impressive third-quarter corporate earnings, even as fixed income market yields saw an upward trajectory following the Central Bank of Nigeria's Treasury Bills primary market auction. This resulted in gains totaling N121.51 billion, contributing to an increase in the market capitalization by 0.33% to reach N36.88 trillion. The year-to-date return for the market reached 30.99%. While mixed sentiments prevailed, the market's broader upward trend remained intact despite ongoing volatility and shifts in the index.

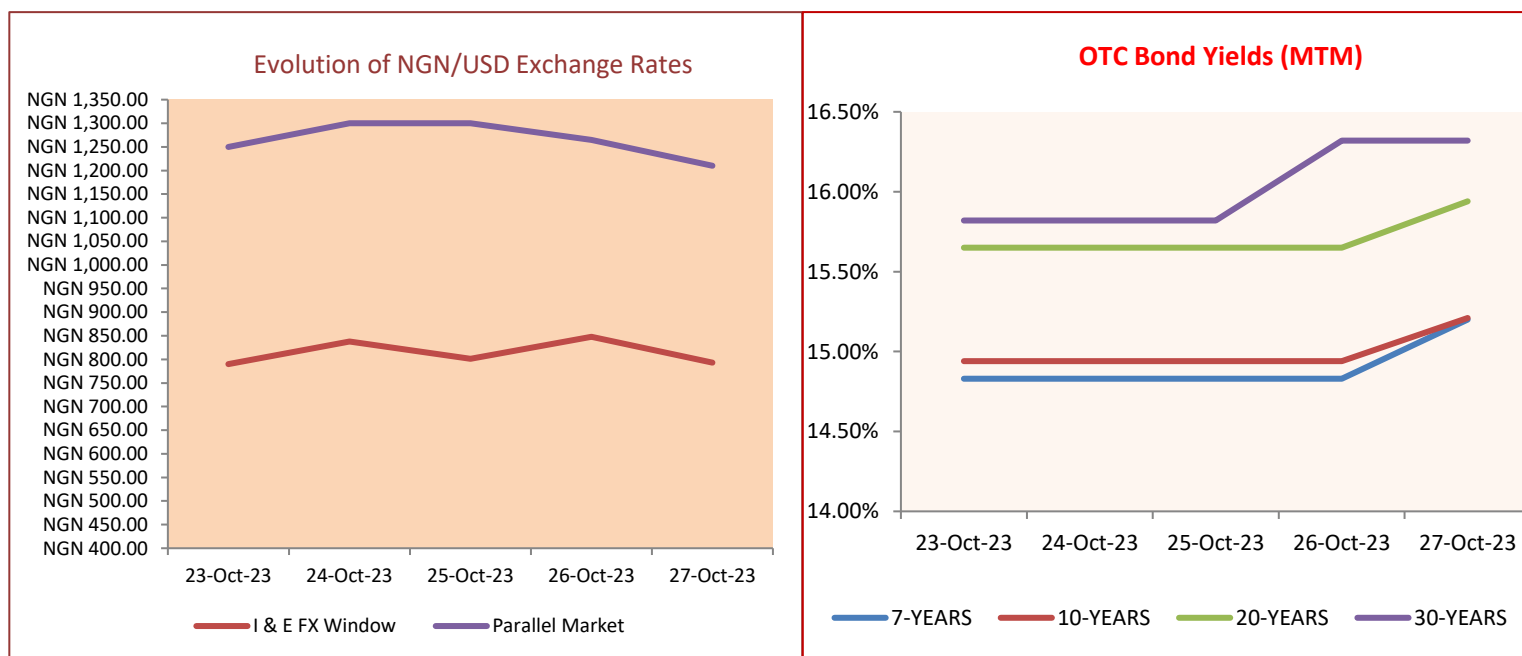
Sectoral performance for the week was varied. Three out of five tracked sectors saw declines, largely due to profit-taking activities and selling sentiment. Notably, the Insurance, Industrial, and Consumer Goods indexes declined by 1.12%, 0.15%, and 0.04% week-on-week, respectively. However, the Oil & Gas and Banking indexes recorded gains, thanks to positive investor sentiment in various stocks, including CHAMS, JAPAUFGOLD, JAIZBANK, SEPLAT, ACCESSCORP, and FBNH.

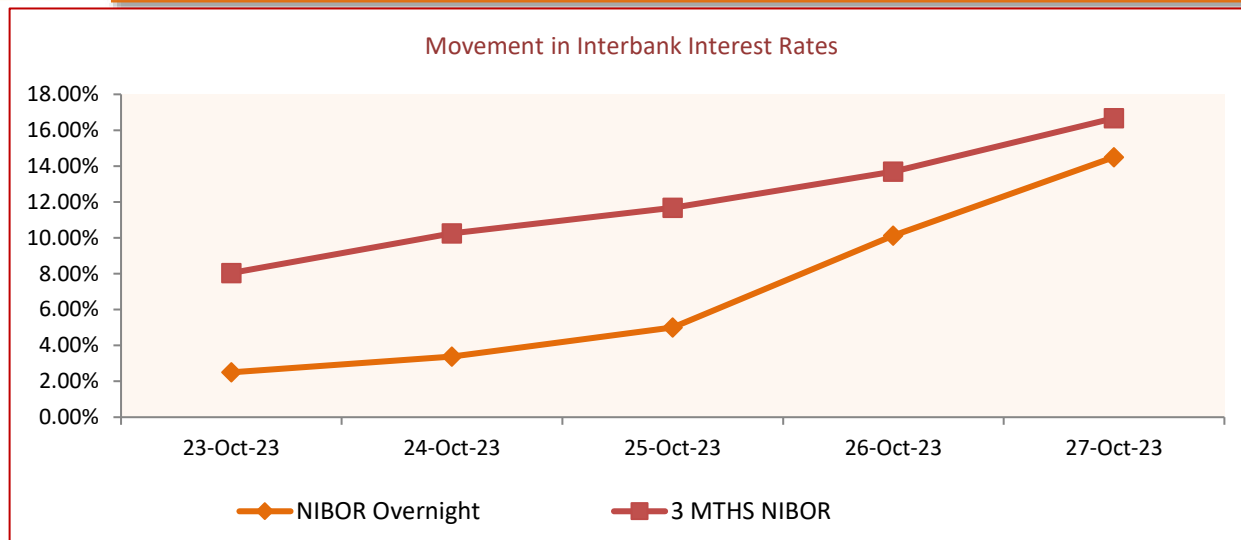


Trading activity revealed a mixed picture. While the weekly deal count decreased by 1.25% week-on-week to 28,933 deals, the average traded volume decreased by 3.36%, reaching 1.45 billion units. On the contrary, the weekly average value witnessed a substantial increase of 41.98% week-on-week, amounting to N25.42 billion.

Key performers during the week included CHAMS, GEREGU, MULTIVERSE, UACN, and TANTALIZER, with their share prices posting remarkable gains despite the market's volatility. In contrast, CHIPLC, SUNUASSUR, NSLTECH, MCNICHOLS, and PRESTIGE experienced declines in their share prices.

Looking ahead, Cowry Research expect mixed sentiments as investors and bargain hunters continue to digest the earnings scorecard released so far ahead of more Q3 earnings reports in the face of sector rotation. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.





## Weekly Gainers and Loser as at Friday, October 27, 2023

| Top Ten Gainers |           |           |          | Bottom Ten Losers |           |             |          |
|-----------------|-----------|-----------|----------|-------------------|-----------|-------------|----------|
| Symbol          | 27-Oct-23 | 20-Oct-23 | % Change | Symbol            | 27-Oct-23 | 20-Oct-2023 | % Change |
| CHAMS           | 1.90      | 1.49      | 28%      | VFDGROUP          | 218.20    | 269.30      | -19%     |
| GEREGU          | 380.00    | 315.00    | 21%      | CHIPLC            | 1.03      | 1.15        | -10%     |
| MULTIVERSE      | 3.20      | 2.67      | 20%      | SUNUASSUR         | 0.99      | 1.10        | -10%     |
| UACN            | 13.10     | 11.00     | 19%      | NSLTECH           | 0.27      | 0.30        | -10%     |
| TANTALIZER      | 0.34      | 0.29      | 17%      | MCNICHOLS         | 0.56      | 0.62        | -10%     |
| REDSTAREX       | 3.30      | 2.95      | 12%      | PRESTIGE          | 0.41      | 0.45        | -9%      |
| THOMASWY        | 4.03      | 3.63      | 11%      | DAARCOMM          | 0.21      | 0.23        | -9%      |
| NEIMETH         | 1.72      | 1.55      | 11%      | INTBREW           | 4.20      | 4.60        | -9%      |
| BERGER          | 13.20     | 12.00     | 10%      | ETRANZACT         | 7.70      | 8.40        | -8%      |
| IKEJAHOTEL      | 3.42      | 3.15      | 9%       | ABCTRANS          | 0.74      | 0.80        | -8%      |

## Weekly Stock Recommendations as at Friday, October 27, 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 | Poten tial Upsid e | Reco mme ndati on |
|-------------|-------------|--------------|-------|-----------|-----------|--------------|-------------|---------------|--------------|----------------------|------------------------|--------------------|-------------------|
| FBNH        | 5.19        | 7.79         | 38.40 | 0.42      | 3.1       | 20.30        | 9           | 15.90         | 24.2         | 13.7                 | 18.5                   | 50.00              | Buy               |
| TRANSCORP   | 0.09        | 0.06         | 4.43  | 1.43      | 69.00     | 7.35         | 0.98        | 6.20          | 9.0          | 5.4                  | 7.3                    | 41.73              | Buy               |
| DANG CEMENT | 5.81        | 5.81         | 80.16 | 3.87      | 53.41     | 370          | 220         | 310.10        | 370.0        | 263.6                | 356.6                  | 19.32              | Buy               |
| MRS         | 3.30        | 3.30         | 64.18 | 1.71      | 33.3      | 110          | 10.55       | 109.95        | 130.0        | 93.5                 | 126.4                  | 18.24              | Buy               |
| BUA FOODS   | 5.29        | 6.88         | 18    | 11.19     | 38.3      | 202.80       | 133         | 202.80        | 263.6        | 172.4                | 233.2                  | 30.00              | Buy               |

## FGN Eurobonds Trading Above 8% Yield as at Friday, October 27, 2023

| FGN Eurobonds      | Issue Date | TTM (years) | 27-Oct-23<br>Price (N) | Weekly<br>USD Δ | 27-Oct-23<br>Yield | Weekly<br>PPT Δ |
|--------------------|------------|-------------|------------------------|-----------------|--------------------|-----------------|
| 7.625 21-NOV-2025  | 21-Nov-18  | 2.07        | 95.96                  | 2.23            | 9.8%               | -1.24           |
| 6.50 NOV 28, 2027  | 28-Nov-17  | 4.09        | 83.62                  | 2.43            | 11.7%              | -0.84           |
| 6.125 SEP 28, 2028 | 28-Sep-21  | 4.93        | 79.62                  | 2.66            | 11.7%              | -0.84           |
| 8.375 MAR 24, 2029 | 24-Mar-22  | 5.41        | 84.89                  | 2.88            | 12.3%              | -0.83           |
| 7.143 FEB 23, 2030 | 23-Feb-18  | 6.33        | 78.05                  | 3.16            | 12.2%              | -0.86           |
| 8.747 JAN 21, 2031 | 21-Nov-18  | 7.24        | 83.41                  | 2.99            | 12.3%              | -0.72           |
| 7.875 16-FEB-2032  | 16-Feb-17  | 8.31        | 77.62                  | 3.04            | 12.2%              | -0.71           |
| 7.375 SEP 28, 2033 | 28-Sep-21  | 9.93        | 72.91                  | 3.33            | 12.2%              | -0.74           |
| 7.696 FEB 23, 2038 | 23-Feb-18  | 14.34       | 68.71                  | 3.44            | 12.4%              | -0.71           |
| 7.625 NOV 28, 2047 | 28-Nov-17  | 24.10       | 65.00                  | 3.57            | 12.1%              | -0.69           |
| 9.248 JAN 21, 2049 | 21-Nov-18  | 25.25       | 75.18                  | 3.76            | 12.5%              | -0.66           |
| 8.25 SEP 28, 2051  | 28-Sep-21  | 27.94       | 67.75                  | 3.51            | 12.4%              | -0.67           |
|                    |            |             |                        |                 | 11.98%             |                 |

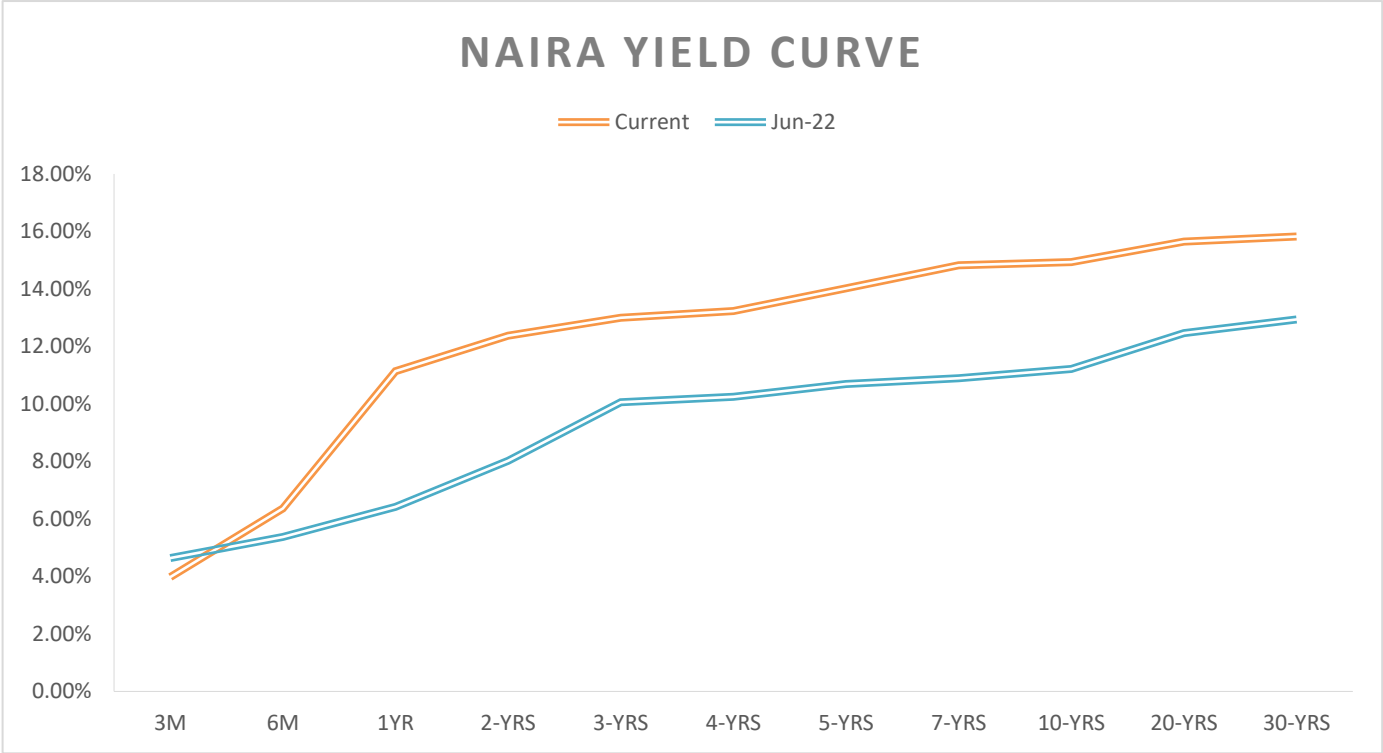
## U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 20, 2023

| MAJOR  | 27-Oct-23 | Previous | Δ from Last | Weekly | Monthly | Yearly |
|--------|-----------|----------|-------------|--------|---------|--------|
| EURUSD | 1.0575    | 1.0560   | 0.14%       | -0.20% | 0.12%   | 6.11%  |
| GBPUSD | 1.2143    | 1.2126   | 0.14%       | -0.19% | -0.49%  | 4.54%  |
| USDCHF | 0.9017    | 0.8986   | 0.34%       | 1.17%  | -1.39%  | -9.43% |
| USDRUB | 92.9210   | 93.6420  | -0.77%      | -2.77% | -3.58%  | 50.89% |
| USDNGN | 790.0000  | 802.1933 | -1.52%      | -8.06% | 1.59%   | 80.57% |
| USDZAR | 18.7634   | 18.9568  | -1.02%      | -1.02% | -1.02%  | 3.77%  |
| USDEGP | 30.8997   | 30.8503  | 0.16%       | 0.16%  | 0.16%   | 33.76% |
| USDCAD | 1.39      | 1.3831   | 0.14%       | 1.01%  | 2.73%   | 1.87%  |
| USDMXN | 18.05     | 18.1494  | -0.54%      | -0.81% | 3.05%   | -8.64% |
| USDBRL | 4.94      | 4.9859   | -0.96%      | -1.76% | -1.79%  | -6.65% |
| AUDUSD | 0.6360    | 0.6321   | 0.62%       | 0.63%  | -1.11%  | -0.93% |
| NZDUSD | 0.5836    | -0.0600  | 0.29%       | -0.01% | -2.37%  | 0.25%  |
| USDJPY | 149.6470  | 150.3839 | -0.49%      | -0.03% | 0.34%   | 1.59%  |
| USDCNY | 7.3308    | 7.3235   | 0.10%       | 0.10%  | 0.54%   | 0.87%  |
| USDINR | 83.2354   | 83.2437  | -0.01%      | 0.08%  | 0.08%   | 1.16%  |

## Global Commodity Prices as at 3:30 PM GMT+1, Friday, October 27, 2023

| Commodity   |           | 27-Oct-23 | Previous | Δ from Last | Weekly | Monthly | Yearly  |
|-------------|-----------|-----------|----------|-------------|--------|---------|---------|
| CRUDE OIL   | USD/Bbl   | 83.5      | 83.2     | 0.35%       | -5.16% | -6.76%  | -3.55%  |
| BRENT       | USD/Bbl   | 88.5      | 87.9     | 0.70%       | -3.98% | -4.95%  | -3.66%  |
| NATURAL GAS | USD/MMBtu | 3.6       | 9.8      | 2.40%       | 9.18%  | 6.50%   | -40.25% |
| GASOLINE    | USD/Gal   | 2.3       | 2.3      | 0.73%       | -4.34% | -7.94%  | -8.85%  |
| COAL        | USD/T     | 135.7     | 133.5    | 1.65%       | -0.59% | -15.37% | -64.81% |
| GOLD        | USD/t.oz  | 1,985.3   | 1,984.9  | 0.02%       | 0.14%  | 6.39%   | 20.83%  |
| SILVER      | USD/t.oz  | 22.9      | 22.8     | 0.27%       | -2.07% | 1.18%   | 18.94%  |
| WHEAT       | USD/Bu    | 580.3     | 579.5    | 0.13%       | -1.11% | 0.13%   | -30.12% |
| PALM-OIL    | MYR/T     | 3,775.0   | 3,761.8  | 0.35%       | 0.11%  | 0.21%   | -5.36%  |
| COCOA       | USD/T     | 3,826.0   | 3,810.0  | 0.42%       | 3.60%  | 10.64%  | 66.25%  |

FGN Bonds Yield Curve, Friday, October 27, 2023



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