



Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's 2024 Budget: Striking a Balance Between Ambitious Growth Initiatives and Fiscal Caution...

On November 29, 2023, President Bola Tinubu of Nigeria unveiled the FY-2024 national budget, totaling N27.50 trillion, reflecting a 10.8% increase from the previous year. Aptly themed 'Budget of Renewed Hope,' the focus is squarely on economic growth, job creation, and infrastructure development. The budget's financial foundation relies on a mix of oil and non-oil sources, coupled with planned borrowings.

The planned expenditure for the coming year 2024 is on the backdrop of the prevailing global and domestic challenges. All things being equal, the success of the proposed budget is based on the assumptions that Nigeria's inflation rate will taper to 21.4% in 2024 and the real GDP growth rate will be at 3.76% on an exchange rate of N750/\$1 at the official FX window, barring any market distortion and a planned daily crude oil production of 1.78mbpd which will translate into an oil price benchmark at \$77.96 per barrel.

2024 BUDGET KEY ASSUMPTIONS & MACRO-FRAMEWORK			
Description	2023	2023 Revised Forecast (as at July 2023)	2024 Proposal
Oil Price Benchmark (US\$/b)	75	75	77.96
Oil Production (mbpd)	1.69	1.72	1.78
Exchange Rate (N/\$)	435.57	700	750
Inflation (%)	17.16	17.16	21.4
Non-Oil GDP (N'bn)	214,049.50	214,049.50	223,989.20
Oil GDP (N'bn)	11,457.80	11,457.80	12,316
Nominal GDP(N'bn)	225,507	225,507	236,305.20
GDP Growth Rate (%)	3.75	3.75	3.76
Imports	24,385.60	24,385.60	32,453.50
Nominal Consumption (N'bn)	121,933.10	121,933.10	163,227.80

Source: Budget Office, NNPC, BOF, NBS, Cowry Research

Looking back at the FY-2023 budget, inclusive of a recently approved supplementary budget, data reveals a 79.3% performance in gross oil and gas revenue, amounting to N5.58 trillion as of September 2023. Net oil and gas revenue faced a 20.7% shortfall, settling at N2.93 trillion, while net non-oil revenue exceeded expectations by N1.62 trillion, with only Customs revenue underperforming by 27%.

As of September 2023, the Federal Government of Nigeria (FGN) achieved a retained revenue of N8.65 trillion, surpassing the pro-rata target. Oil revenues constituted 84.7%, totaling N1.42 billion, and non-oil tax revenues reached N2.50 trillion, a remarkable 135% performance. Noteworthy were Corporate Income Tax (CIT) and Value Added Tax (VAT) collections, exceeding targets significantly at 221.4% and 111%, respectively. Customs collections, however, fell short at 73% of the target.

Aggregate expenditure for FY-2023, including the supplementary budget, was estimated at N24.82 trillion, with actual spending at N12.7 trillion. A considerable portion, N5.79 trillion, was allocated for debt service, and N3.78 trillion for personnel costs. Capital expenditure for Ministries, Departments, and Agencies (MDAs) reached only N1.47 trillion, attributed in part to the introduction of the "Bottom-up Cash Plan" arrangement. The fiscal deficit for FY-2023 was projected at N13.79 trillion, with an actual deficit of N4.05 trillion, primarily financed by domestic borrowing.

Looking ahead to FY-2024, the budget allocates N6.48 trillion to personnel and pension costs, representing 35.4% of projected aggregate revenues. The allocated amount for capital expenditures in 2024 is N8.70 trillion, surpassing the 2023 provision. The projected fiscal deficit for 2024 is N9.18 trillion, accounting for 50% of total FGN revenues and 3.88% of the estimated GDP.

Revenue projections for 2024 stand at N18.32 trillion, with N7.94 trillion (43.3%) from oil-related sources and N10.39 trillion from non-oil sources. The budget reflects a positive shift towards increased spending on education (8.00% or N2.18 trillion) and infrastructure development (5% or N1.32 trillion), addressing critical areas for economic growth.

For Cowry Research, we think that the 2024 budget for Nigeria signals a commendable commitment to economic growth, job creation, and infrastructure development, aligning with the administration's strategic priorities. A pivotal aspect of the budget is the substantial increase in education spending, constituting almost 8.00% or N2.18 trillion of the total budget. This focused investment acknowledges the pressing need to address the educational requirements of Nigeria's burgeoning youth population, aiming to enhance the quality of education and broaden access across the nation. Furthermore, the allocation of 5% or N1.32 trillion for infrastructure development is a crucial step toward alleviating the longstanding infrastructure deficit, with the anticipated improvements in roads, bridges, and power infrastructure expected to enhance the overall business environment and attract foreign investment.

However, a noteworthy concern emerges from the substantial allocation of N8.25 trillion to debt servicing, surpassing the allocation for education. This prioritization raises questions about the opportunity cost of diverting a significant portion of government revenue away from productive sectors of the economy. Another point of economic scrutiny is the ambitious non-oil revenue projection of N10.39 trillion for 2024, marking a considerable increase from the current year's projection of N8.73 trillion as we think that the feasibility of achieving this growth, particularly in the context of existing economic challenges and security issues, remains unclear.

Additionally, the allocation ratio between the health sector (5% or N1.33 trillion) and the defense and security sector (12% or N3.25 trillion) raises questions about the prioritization of these critical sectors while taking cognizance of the security situation across the country; just in the bid to attract foreign investments and as well, drive growth.

EQUITIES MARKET: ASI Sustains Bull-Run as Investors Cherry-Pick on Value Stocks....

This week, the benchmark notched 0.27% week on week to close at 71,419.87 points after testing a new level of 71,566.58 basis points on the strength of highly priced stocks and low cap companies hitting new 52-week highs in the face of increasing macroeconomic headwinds, weak economic growth and impressive corporate earnings that had supported prices and buoyed investor confidence in the equity space.

After a volatile trading month of November which recorded a 3.08% M-o-M gains, December kickstarted on a high note with trading activities on the Nigerian stock market staying positive for another week, signaling upbeat momentum in investor's optimism as they continue taking a bet on Nigerian stocks amidst improved buying interest.

However, the market cap declined by 0.23% week on week to N39.08 trillion due to the delisting of UNION BANK PLC from the daily

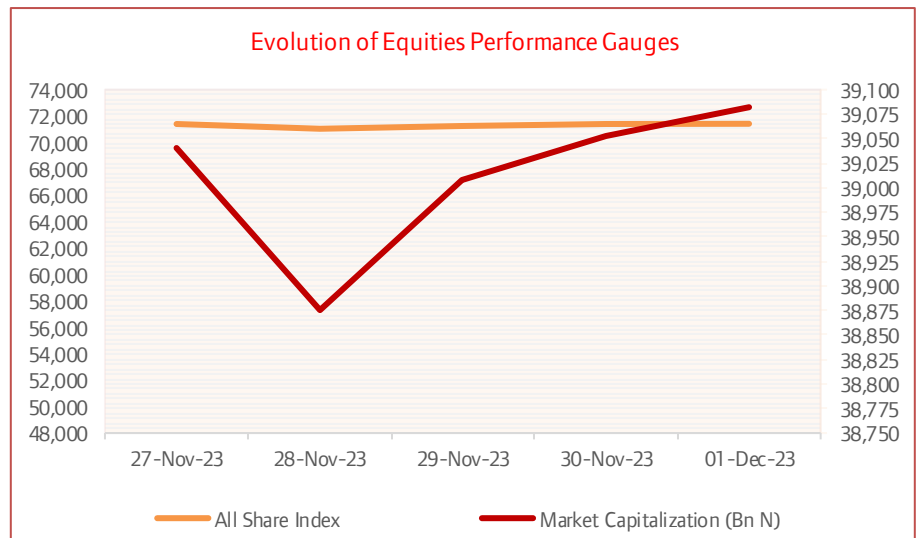
list of the exchange which resulted in a loss of N90.4 billion as we observed strategic moves by investors who saw opportunities in low-priced equities on the strength of better than expected numbers from these companies and market sentiments with high anticipation of the forthcoming dividend season, and the potential impact of the Santa-Claus rally. Meanwhile, the year-to-date return of the index inched to an impressive 39.35%.

While the overall market performance was positive, our detailed analysis indicates a minor setback in the Consumer Goods, Industrial and Insurance indexes as they declined by 0.47%, 1.23% and 2.03% respectively pressured sell-offs across counters such as OMATEK, GUINEAINS, NEIMETH, HONEYFLOUR and RTBRISCOE. Conversely, the Banking and the Oil & Gas indexes recorded gains of 1.92% and 5.97%, respectively, propelled by notable price increases in FBNH, SEPLAT, ETI, ACCESSCORP, OANDO and ZENITH.

Elsewhere, the level of trading activity witnessed an uptick in the face of slightly positive market breadth as there was a 4.88% increase in total traded volume, reaching 2.54 billion units in weekly deals, with the number of trades advancing by 8.75% to 36,138. Also, the weekly traded value experienced an uptick of 70.50%, totaling N38.64 billion.

Top performers for the week, included MECURE, NNFM, FBNH, SEPLAT and NESTLE, with each securing impressive gain of 41%, 25%, 11%, 10% and 10%, respectively from their previous week's close. Conversely, stocks like DAARCOMM, UNITYBNK, and UBA faced declines in their share prices, experiencing price decreases of -21%, -16%, and -15%, respectively, on a week-on-week basis.

For Cowry Research, the upcoming weeks promise a dynamic and multifaceted landscape for investors to navigate as we anticipate profit-taking and corrections after the recent market surge, potentially fortifying future upside potential. This is expected as investors assess global events, fixed income yields, and CBN policies. Earnings reports will be closely watched, acting as barometers for economic health and sector-specific performance. Economic data, encompassing inflation, employment, and GDP growth, will significantly influence market sentiment and stability. The CBN's policy decisions on interest rates are poised to be key determinants in shaping market dynamics. Global geopolitical factors and trade relations will play a crucial role in investors' risk assessments and decision-making. Portfolio adjustments are likely as market participants strategically position themselves amid December trends and potential financial market resets. Amidst all these, we maintain our advice to investors on taking positions in stocks with sound fundamentals and whose earnings yield and earnings per share support higher payout ratio.



Weekly Gainers and Loser as at Friday, December 01, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec -01 - 23	Nov - 24 - 23	% Change	Symbol	Dec -01 - 23	Nov - 24 - 23	% Change
MECURE	12.99	9.21	41%	OMATEK	0.78	0.99	-21%
NNFM	36.00	28.85	25%	GUINEAINS	0.27	0.34	-21%
THOMASWY	2.50	2.08	20%	DAARCOMM	0.31	0.39	-21%
NSLTECH	0.64	0.55	16%	UNITYBNK	1.54	1.84	-16%
CHIPLC	1.26	1.09	16%	NEIMETH	1.87	2.23	-16%
SUNUASSUR	1.26	1.13	12%	DEAPCAP	0.62	0.73	-15%
FBNH	22.15	20.00	11%	UACN	15.25	17.90	-15%
SEPLAT	2,310.10	2,100.10	10%	UBA	15.25	17.90	-15%
MEYER	3.59	3.27	10%	SOVRENINS	0.36	0.42	-14%
NESTLE	1,150.00	1,050.00	10%	WAPIC	0.65	0.74	-12%

Weekly Stock Recommendations as at Friday, December 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
GTCO	2.92	3.12	43.25	0.90	13.35	40.00	16.80	39.10	49.0	33.2	44.9	25.64	Buy
MTNN	7.02	7.49	14.73	16.36	34.34	290	185	238	289.0	202.3	273.7	21.43	Buy
ETI	0.23	0.25	73.01	0.23	73.23	17.5	9.5	17.10	23.0	14.5	19.6	35.29	Buy
TRANSCORP	0.09	0.10	4.43	1.58	75.84	7.35	0.98	6.76	9.0	5.9	8.0	28.94	Buy
MECURE	0.65	0.65	2.33	5.15	18.40	12.1	3.25	12.99	15.00	10.20	13.80	25.00	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	01-Dec-23 Price (N)	Weekly USD Δ	01-Dec-23 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.98	97.34	0.15	9.1%	-0.07
6.50 NOV 28, 2027	28-Nov-17	3.99	88.18	0.63	10.2%	-0.20
6.125 SEP 28, 2028	28-Sep-21	4.83	84.65	0.74	10.2%	-0.20
8.375 MAR 24, 2029	24-Mar-22	5.32	91.78	1.07	10.4%	-0.27
7.143 FEB 23, 2030	23-Feb-18	6.24	85.12	1.15	10.5%	-0.28
8.747 JAN 21, 2031	21-Nov-18	7.15	89.93	1.18	10.8%	-0.25
7.875 16-FEB-2032	16-Feb-17	8.22	84.30	1.08	10.8%	-0.22
7.375 SEP 28, 2033	28-Sep-21	9.83	79.09	1.10	10.9%	-0.22
7.696 FEB 23, 2038	23-Feb-18	14.24	75.64	1.29	11.2%	-0.22
7.625 NOV 28, 2047	28-Nov-17	24.01	72.23	1.21	10.9%	-0.19
9.248 JAN 21, 2049	21-Nov-18	25.16	82.34	1.17	11.4%	-0.17
8.25 SEP 28, 2051	28-Sep-21	27.84	75.31	1.15	11.1%	-0.17
						10.63%

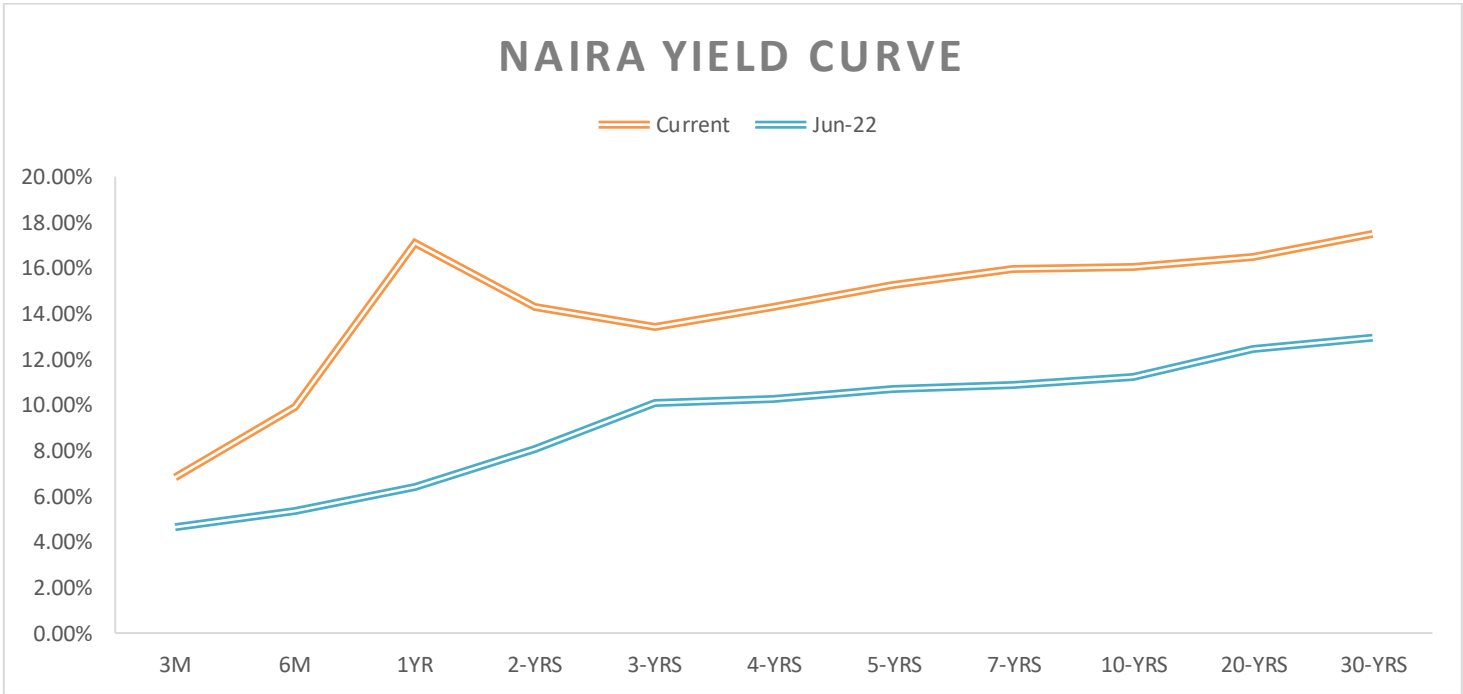
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 1, 2023

MAJOR	01-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0863	1.0886	-0.21%.	-0.69%.	2.29%	3.09%
GBPUSD	1.2627	1.2621	0.04%	0.18%	3.48%	2.76%
USDCHF	0.8757	0.8751	0.07%	-0.78%.	-3.37%.	-6.53%.
USDRUB	90.1300	89.9681	0.18%	0.93%	-3.37%.	46.55%
USDNGN	789.0000	790.0270	-0.13%.	-1.87%.	0.25%	77.83%
USDZAR	18.6853	18.8531	-0.89%.	-0.73%.	1.44%	6.67%
USDEGP	30.8945	30.8513	0.14%	0.14%	0.14%	25.95%
USDCAD	1.35	1.3562	-0.34%.	-0.86%.	-1.60%.	0.37%
USDMXN	17.28	17.3780	-0.59%.	1.04%	-1.33%.	-10.82%.
USDBRL	4.93	4.9204	0.13%	0.51%	-0.54%.	-5.59%.
AUDUSD	0.6615	0.6605	0.15%	0.58%	2.89%	-2.49%.
NZDUSD	0.6159	-0.0600	0.10%	1.51%	4.51%	-3.82%.
USDJPY	148.1020	148.1909	-0.06%.	-0.90%.	-1.55%.	10.28%
USDCNY	7.1523	7.1431	0.13%	0.03%	-2.41%.	1.89%
USDINR	83.3077	83.3577	-0.06%.	-0.03%.	0.09%	2.34%

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

Commodity		01-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.1	76.0	0.19%	0.74%	-7.37%.	-4.93%.
BRENT	USD/Bbl	81.0	80.9	0.12%	0.62%	-6.11%.	-5.35%.
NATURAL GAS	USD/MMBtu	2.8	9.8	-1.48%.	-7.88%.	-26.33%.	-55.21%.
GASOLINE	USD/Gal	2.2	2.2	0.17%	1.98%	-2.73%.	-4.73%.
COAL	USD/T	132.2	129.0	2.44%	8.19%	7.00%	-65.68%.
GOLD	USD/t.oz	2,040.9	2,035.8	0.25%	1.93%	2.77%	13.50%
SILVER	USD/t.oz	25.3	25.2	0.24%	4.09%	11.18%	9.37%
WHEAT	USD/Bu	569.0	570.3	-0.22%.	3.35%	0.29%	-25.47%.
PALM-OIL	MYR/T	3,874.0	3,895.0	-0.54%.	-0.41%.	2.38%	-1.97%.
COCOA	USD/T	4,399.0	4,457.8	-1.32%.	3.65%	15.25%	77.95%

FGN Bonds Yield Curve, Friday, December 1, 2023





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