

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Trade Surplus Improves to N1.88 trillion in Q3'23 Amid Gradual Widening in Import Bills...

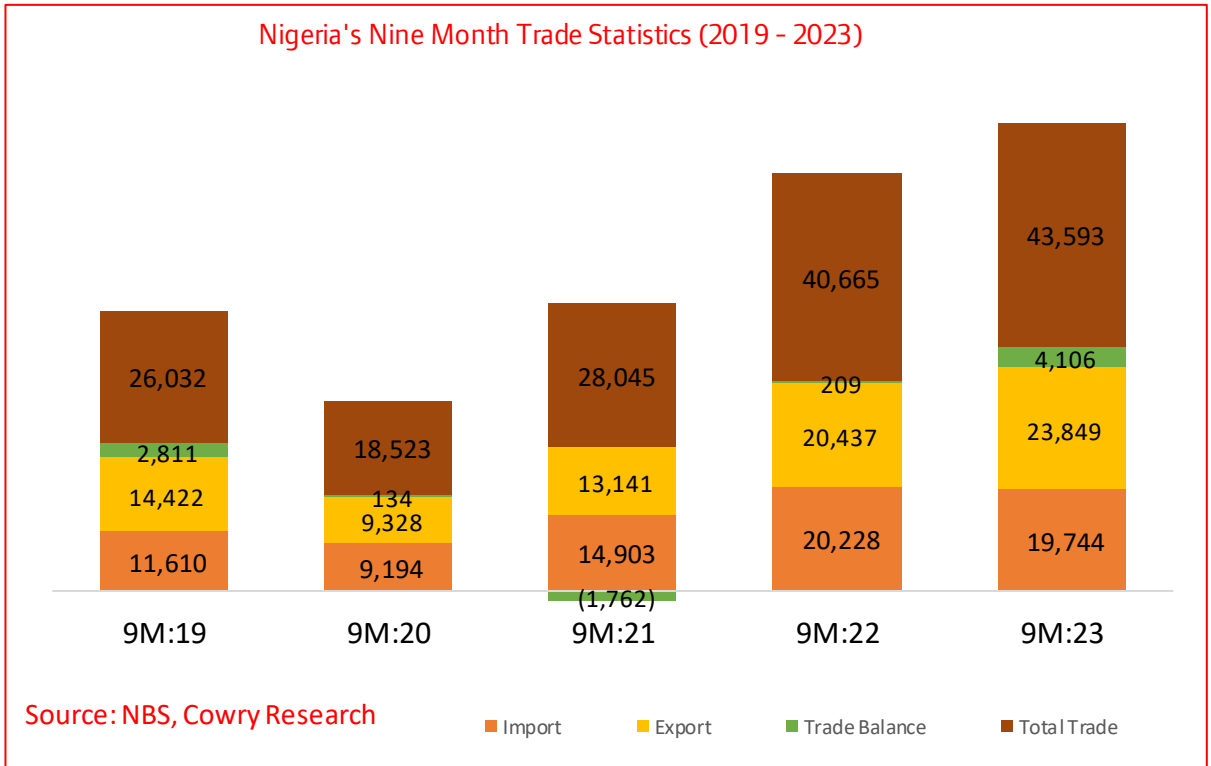
In the recently published Foreign Trade Statistics report by the National Bureau of Statistics, Nigeria's total merchandise trade value exhibited a notable growth, reaching N18.80 trillion in the third quarter of 2023. This indicates an increase of 54.6% quarter on quarter from the N12.16 trillion recorded in the prior quarter and a 53.16% y/y increase from the N12.28 trillion reached during the corresponding quarter of 2022.

| Export Category | 9M 2023 | 9M 2022 | % Change (Y-Y) |
|-------------------------------|-----------|-----------|----------------|
| Crude Oil (N' Bn) | 18,689.89 | 16,187.26 | 15.46% |
| Non-Crude Oil Exports (N' Bn) | 4,578.87 | 4,249.89 | 7.74% |
| Non-Oil exports (N' Bn) | 2,018.54 | 1,824.80 | 10.62% |

Within a nine months period, Nigeria's total merchandise trade value stood at N43.01 trillion as total exports continue to outperform the total import value at N23.27 trillion and N19.74 trillion to give a net trade balance of N3.52 trillion for the first time since 2018 (9M:N4.49 trillion). In the face of the surge in total merchandise trade during the period, trade surplus for the period recorded an improvement to N1.88 trillion for the first time since the second quarter of 2018 when Nigeria's trade surplus hit N2.08 trillion. This comes as export earnings outweigh the surging import bills to maintain the uptrend in the total trade balance for the fourth consecutive quarters since Q3:2022 after the N409.4 billion recorded in trade deficit at that time.

This strong position in trade earnings for Nigeria was largely driven by a considerable increase in trade activities within the period and comes as total export trade during the period was dominated by crude oil exports valued at N8.54 trillion which accounted for 82.5% of total exports while the non-crude oil exports was 1.81 trillion and then the non-oil export products contributed a 6.55% (N677.6 billion) to the total exports. On the other hand, the value of imports widened further to N8.46 trillion in the third quarter of 2023 and was primarily dominated by mineral fuels import amounting to N2.85 trillion (33.72% of total imports), trailed by machinery and transport equipment with N2.32 trillion (27.31% of total imports) and Chemicals & related products worth N1.07 trillion (12.65% of total imports).

Analysis by trading partners in Q3, 2023 by exports, shows that Spain recorded the highest exports from Nigeria with a value of N1.27 trillion or 12.31% of the country's total exports, this was followed by India with N1.02 billion or 9.81%, The Netherlands with N988.66 billion or 9.56%, Indonesia with N758.59 billion or 7.33%, France with N720.45 billion or 6.96% of total exports. In total, exports to the top five countries amounted to 45.98% of the total value of exports. However, analysis by traded products shows that the largest export value in the third quarter of 2023 remained Petroleum oils and oils obtained from bituminous minerals, crude with N8.54 trillion representing 82.50%. This was followed by Natural gas, liquefied with N1.02 trillion accounting for 9.82%, and Urea, whether or not in aqueous solution with N109.68 billion or 1.06% of total exports.



Elsewhere, data on trading partners by imports during the review period, highlights the top five partner countries of origin for imports to Nigeria was China (N1.97 trillion or 23.33%), this was followed by imports from Belgium with N996.65 billion or 11.78%, India with N802.07 billion or 9.48%, Malta with N561.37 billion or 6.64% and the United States of America with N502.92 billion or 5.95% of total imports. The values of imports from the top five countries amounted to N4.84 trillion representing a share of 57.18% of total imports. The commodities with the largest values of imported products were Motor Spirit Ordinary valued at N1.92 trillion or 22.71%, Gas oil with N736.66 billion or 8.71% and Durum wheat (not in seeds) with value amounting to N331.76 billion or 3.92% of total imports.

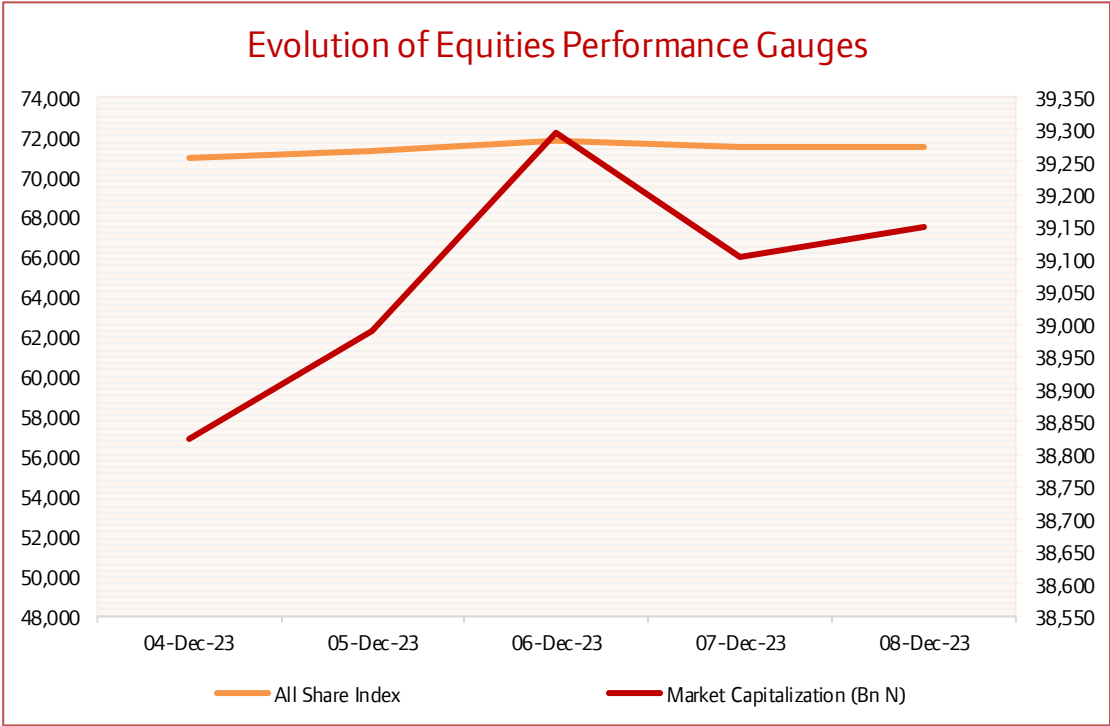
In our view, the Q3'23 trade numbers suggest a substantial upswing in trading activities, primarily propelled by a resilient export performance, notably in crude oil. This surge is buoyed by favourable global oil prices exceeding \$90 per barrel during the period, coupled with a slight increase in domestic and condensate production, reaching an average daily output of 1.45 million barrels per day. This production level surpasses the daily average observed in Q3'22 by 0.25 million barrels per day and exceeds Q2'23 figures. Contributing factors include a moderation in pipeline vandalism and oil theft, attributable to ongoing repairs and maintenance at crucial oil facilities, and the recent removal of fuel subsidies.

The emergence of a net trade surplus in Q3'23 is a noteworthy deviation from previous quarters, underscoring Nigeria's trade resilience amid global economic shifts. This positive development is intricately linked to the impact of recent currency devaluation, strategically employed to enhance the competitiveness of the country's exports. The weakened domestic currency, in tandem with robust global oil prices, has positioned Nigeria favorably, potentially stimulating export volumes as a response to escalating import costs. In essence, the Q3'23 trade landscape reflects a convergence of factors, including resilient crude oil exports, improved global oil prices, increased production, and strategic economic measures, collectively shaping Nigeria's adaptive response to the intricate dynamics of the global economic landscape.

EQUITIES MARKET: ASI Surges 0.17% w/w as Investors Thread Cautiously, Anticipate Santa Rally

The first full trading week of December unfolded on a positive note, with investors and fund managers engaging in year-end seasonality activities and strategic portfolio rebalancing. The benchmark index demonstrated resilience, posting a 0.17% week-on-week advancement and reaching a new high of 71,808.64 points, despite instances of profit-taking. The week concluded with the index settling at 71,541.74 points on the backdrop of reactions and sentiments regarding the ongoing stress test of the capital adequacy ratio (CAR) of Nigerian banks with international operations, which triggered sell-offs on Thursday while market gained in three of the five sessions this week.

As the year gradually winds down, paving the way for the forthcoming earnings reporting and dividend season in Q1 2024, the equities market exhibited a nuanced trend. Investors treaded cautiously across sectors, diligently seeking fundamentally strong yet attractively priced stocks. The index's retracement to its consolidation range, coupled with the formation of a reversal pattern, hinted at a potential bearish sentiment following a recent correction.



The market capitalization experienced a reversal in its trajectory, registering a 0.17% week-on-week upswing to reach N39.15 trillion. This reversal was attributed to strategic moves by investors in the banking and consumer goods sectors, setting the stage for the anticipated Santa Claus rally. The year-to-date return for the index reached an impressive 39.59%.

Despite the overall mildly positive market performance, sectoral dynamics revealed a mixed bag. The Industrial, Insurance, and Oil & Gas indexes faced minor setbacks, witnessing declines of 3.03%, 1.44%, and 0.58%, respectively. Pressured sell-offs across counters such as OANDO, MRS, JULI, BUACEMENT, MANSARD, and MBENEFIT contributed to these declines. Conversely, the Banking and Consumer Goods indexes recorded gains of 6.08% and 0.21%, respectively. This upward trajectory was fueled by notable price increases in ETI, ACCESSCORP, FBNH, JAIZBANK, PZ, NNFM, and INTBREW.

In terms of trading activity, the week witnessed a varied outing, marked by a 4.74% decrease in total traded volume to 2.42 billion units. The number of trades followed suit, declining by 3.97% to 34,704. However, the weekly traded value experienced an uptick of 16.63% week-on-week, reaching N45.07 billion.

Top gaining stocks for the week included MULTIVERSE, THOMASWY, ETI, NSLTECH, and ACCESSCORP, each securing impressive gains of 57%, 33%, 21%, 17%, and 12%, respectively, from their previous week's close. Conversely, stocks such as OANDO (12%), MRS (10%), UNITYBNK (9%), and BUACEMENT (7%) faced declines in their share prices on a week-on-week basis.

Looking ahead to the coming week, our expectations include further profit-taking activities and potential market corrections following the recent surge. Investors are likely to continue rebalancing their portfolios in anticipation of the reporting and dividend earnings season. Additionally, caution may prevail in the market as stakeholders await the planned stress test of the capital adequacy ratio of Nigerian banks with international operations. Cowry Research is of the view that this cautious sentiment is underscored by prevailing global risks, including high inflation and FX volatility, prompting investors to tread cautiously as they await the anticipated Santa Claus rally. 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 8, 2023

| Top Ten Gainers | | | | Bottom Ten Losers | | | |
|-----------------|--------------|---------------|----------|-------------------|--------------|---------------|----------|
| Symbol | Dec -01 - 23 | Nov - 24 - 23 | % Change | Symbol | Dec -01 - 23 | Nov - 24 - 23 | % Change |
| MULTIVERSE | 9.39 | 5.98 | 57% | OANDO | 10.35 | 11.80 | -12% |
| THOMASWY | 3.32 | 2.50 | 33% | ABBEYBDS | 1.54 | 1.72 | -10% |
| ETI | 20.75 | 17.10 | 21% | MRS | 99.00 | 109.95 | -10% |
| NSLTECH | 0.75 | 0.64 | 17% | TANTALIZER | 0.47 | 0.52 | -10% |
| DAARCOMM | 0.36 | 0.31 | 16% | UNITYBNK | 1.40 | 1.54 | -9% |
| CAVERTON | 1.60 | 1.41 | 13% | JULI | 0.72 | 0.79 | -9% |
| UPDCREIT | 5.00 | 4.45 | 12% | ETRANZACT | 6.50 | 7.10 | -8% |
| ACCESSCORP | 20.25 | 18.05 | 12% | MCNICHOLS | 0.69 | 0.75 | -8% |
| PZ | 25.60 | 22.90 | 12% | BUACEMENT | 96.50 | 104.00 | -7% |
| GUINEAINS | 0.30 | 0.27 | 11% | FIDSON | 15.95 | 17.00 | -6% |

Weekly Stock Recommendations as at Friday, December 8, 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 |
|-----------|-------------|--------------|-------|-----------|-----------|--------------|-------------|---------------|--------------|----------------------|------------------------|------------------|----------------|
| MTNN | 7.02 | 7.49 | 14.73 | 16.36 | 34.34 | 290 | 185 | 238.60 | 289.0 | 202.3 | 273.7 | 21.43 | Buy |
| ETI | 0.23 | 0.25 | 73.01 | 0.62 | 89.38 | 20.75 | 9.5 | 20.75 | 26.3 | 16.1 | 23.9 | 39.10 | Buy |
| TRANSCORP | 0.09 | 0.10 | 4.43 | 1.58 | 75.84 | 7.35 | 0.98 | 6.82 | 9.0 | 5.8 | 7.8 | 31.96 | Buy |
| NAHCO | 1.35 | 1.44 | 5.98 | 4.18 | 18.6 | 26.7 | 14 | 25.00 | 32.0 | 21.3 | 28.8 | 28.00 | Buy |
| ZENITH | 13.82 | 14.74 | 61.15 | 0.57 | 2.53 | 38.00 | 18.90 | 35.00 | 43.9 | 30.0 | 40.5 | 24.65 | Buy |

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

| FGN Eurobonds | Issue Date | TTM (years) | 08-Dec-23 Price (N) | Weekly USD Δ | 08-Dec-23 Yield | Weekly PPT Δ |
|--------------------|------------|-------------|------------------------|-----------------|--------------------|-----------------|
| 7.625 21-NOV-2025 | 21-Nov-18 | 1.96 | 97.60 | 0.26 | 9.0% | -0.14 |
| 6.50 NOV 28, 2027 | 28-Nov-17 | 3.98 | 88.71 | 0.53 | 10.0% | -0.16 |
| 6.125 SEP 28, 2028 | 28-Sep-21 | 4.81 | 85.30 | 0.65 | 10.1% | -0.18 |
| 8.375 MAR 24, 2029 | 24-Mar-22 | 5.30 | 92.42 | 0.64 | 10.3% | -0.17 |
| 7.143 FEB 23, 2030 | 23-Feb-18 | 6.22 | 86.00 | 0.88 | 10.3% | -0.20 |
| 8.747 JAN 21, 2031 | 21-Nov-18 | 7.13 | 90.51 | 0.58 | 10.7% | -0.13 |
| 7.875 16-FEB-2032 | 16-Feb-17 | 8.20 | 85.24 | 0.94 | 10.6% | -0.19 |
| 7.375 SEP 28, 2033 | 28-Sep-21 | 9.81 | 80.20 | 1.11 | 10.7% | -0.21 |
| 7.696 FEB 23, 2038 | 23-Feb-18 | 14.22 | 76.47 | 0.83 | 11.0% | -0.14 |
| 7.625 NOV 28, 2047 | 28-Nov-17 | 23.99 | 73.17 | 0.94 | 10.8% | -0.14 |
| 9.248 JAN 21, 2049 | 21-Nov-18 | 25.14 | 83.37 | 1.03 | 11.2% | -0.15 |
| 8.25 SEP 28, 2051 | 28-Sep-21 | 27.82 | 76.20 | 0.89 | 11.0% | -0.13 |

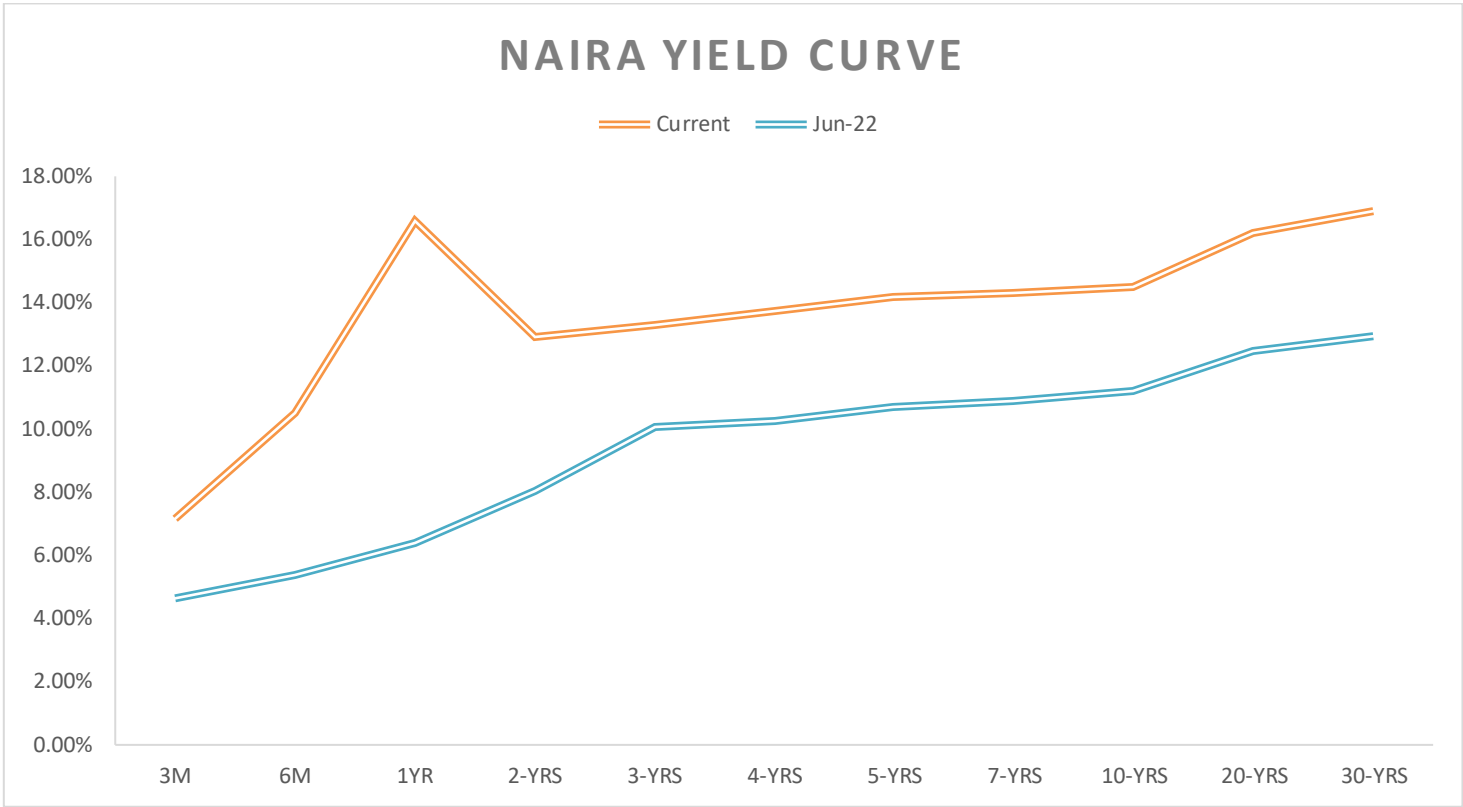
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 8, 2023

| MAJOR | 08-Dec-23 | Previous | Δ from Last | Weekly | Monthly | Yearly |
|--------|-----------|----------|-------------|---------|---------|----------|
| EURUSD | 1.0746 | 1.0792 | -0.43%. | -1.24%. | 0.75% | 2.06% |
| GBPUSD | 1.2520 | 1.2590 | -0.56%. | -1.41%. | 2.46% | 2.17% |
| USDCHF | 0.8798 | 0.8749 | 0.56% | 1.24% | -2.51%. | -5.80%. |
| USDRUB | 91.7455 | 92.4202 | -0.73%. | 0.58% | 0.08% | 46.79% |
| USDNGN | 789.0000 | 800.0406 | -1.38%. | 0.13% | -1.62%. | 77.51% |
| USDZAR | 18.9061 | 18.7561 | 0.80% | 1.54% | 1.43% | 9.12% |
| USDEGP | 30.8860 | 30.8490 | 0.12% | 0.12% | 0.12% | 25.81% |
| USDCAD | 1.36 | 1.3593 | 0.01% | 0.74% | -1.51%. | -0.38%. |
| USDMXN | 17.35 | 17.4538 | -0.58%. | 1.06% | -2.56%. | -12.20%. |
| USDBRL | 4.92 | 4.9113 | 0.12% | 0.84% | -0.27%. | -6.09%. |
| AUDUSD | 0.6575 | 0.6601 | -0.39%. | -1.55%. | 3.20% | -3.33%. |
| NZDUSD | 0.6119 | -0.0600 | -0.81%. | -1.50%. | 3.77% | -4.57%. |
| USDJPY | 144.3580 | 144.1130 | 0.17% | -1.65%. | -4.59%. | 5.73% |
| USDCNY | 7.1811 | 7.1632 | 0.25% | 0.87% | -1.55%. | 3.05% |
| USDINR | 83.4307 | 83.3390 | 0.11% | 0.21% | 0.15% | 1.25% |

Global Commodity Prices as at 3:30 PM GMT+1, Friday, December 8, 2023

| Commodity | | 08-Dec-23 | Previous | Δ from Last | Weekly | Monthly | Yearly |
|-------------|-----------|-----------|----------|-------------|---------|----------|----------|
| CRUDE OIL | USD/Bbl | 70.6 | 69.3 | 1.86% | -4.40%. | -6.52%. | -0.86%. |
| BRENT | USD/Bbl | 75.4 | 74.0 | 1.89% | -4.17%. | -5.32%. | -1.32%. |
| NATURAL GAS | USD/MMBtu | 2.6 | 9.8 | -1.28%. | -9.18%. | -23.32%. | -57.98%. |
| GASOLINE | USD/Gal | 2.0 | 2.0 | 1.71% | -3.78%. | -4.48%. | -1.27%. |
| COAL | USD/T | 148.8 | 140.4 | 5.91% | 12.56% | 21.43% | -62.39%. |
| GOLD | USD/t.oz | 2,009.7 | 2,028.4 | -0.92%. | -2.98%. | 2.60% | 11.83% |
| SILVER | USD/t.oz | 23.4 | 23.8 | -1.77%. | -8.17%. | 3.20% | -0.53%. |
| WHEAT | USD/Bu | 621.8 | 622.7 | -0.16%. | 7.40% | 6.71% | -15.60%. |
| PALM-OIL | MYR/T | 3,740.0 | 3,701.9 | 1.03% | -3.46%. | -0.08%. | -6.38%. |
| COCOA | USD/T | 4,230.0 | 4,240.2 | -0.24%. | -4.26%. | 8.94% | 69.74% |

FGN Bonds Yield Curve, Friday, December 8, 2023



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