

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Headline Inflation Takes Faster Feet of Athleticism to 28.20% in November; Equals 18-Year Record...

This week, we took a cursory analysis of the recently published Consumer Price Inflation report by the National Bureau of Statistics which highlights a persistent trend in headline inflation, marking the eleventh consecutive month of escalation to 28.20% in November 2023 from October's 27.33%. This equals the 18-year high recorded in August 2005 (28.20) and exceeds both our anticipated rate of 27.92% and the market's expectation of 27.90% for November. The enduring acceleration in inflationary pressures is multifaceted, emanating from heightened transportation costs, the adverse effects of climate change on food production, security challenges within the nation, and the sustained depreciation of the Nigerian Naira against the US dollar in the foreign exchange market.

This upward trajectory is discernible across various sectors, notably impacting food, clothing, housing, health, recreation, and restaurant categories. On a monthly basis, consumer prices manifested a notable growth of 2.1% in November, following a 1.7% increment in October. The year-on-year headline inflation rate exhibited a considerable elevation, standing 6.73 percentage points higher than the corresponding period in November 2022, illustrating a discernible upward shift.

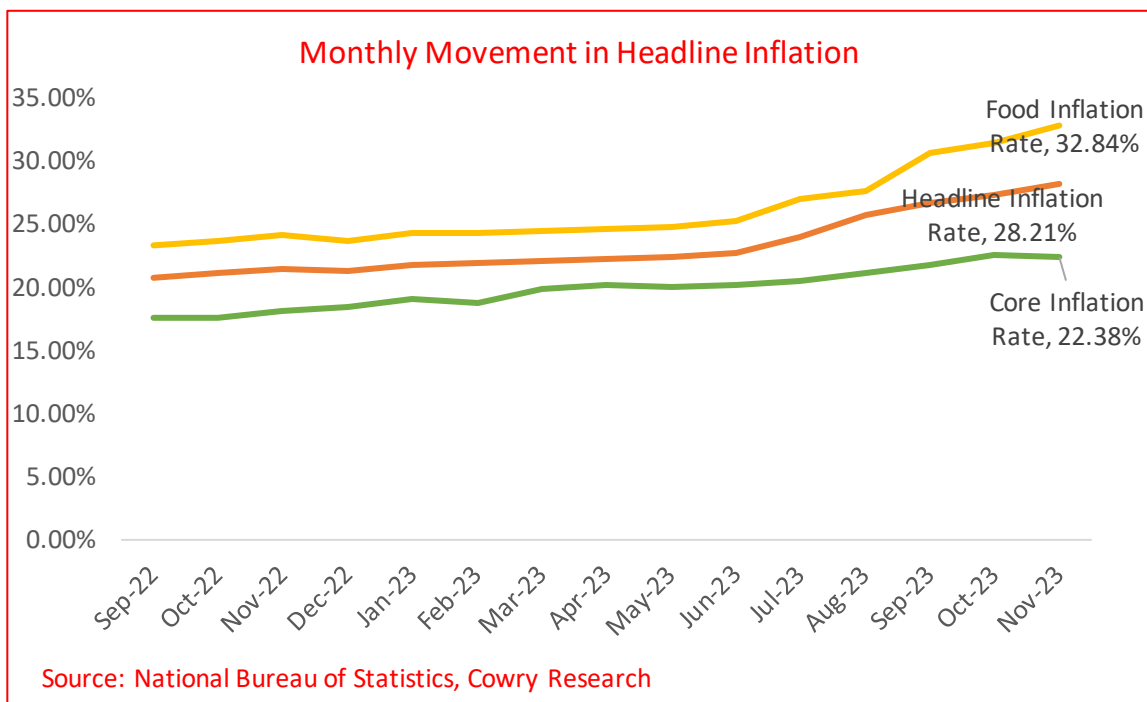
A pivotal factor contributing to this surge is the food index, constituting over

51% of the inflation basket, which witnessed a substantial year-on-year increase of 132 basis points to 32.84%, surpassing October's 31.52%. This escalation is attributed to rising prices in fundamental food commodities, including bread, cereals, oil, and fat. Concurrently, core inflation, which excludes the volatile components of agricultural produce and energy, registered at 22.38% on a year-on-year basis in November 2023—a marked elevation from the 17.99% recorded in November 2022. Key contributors to this surge include increases in the prices of passenger transport by road, medical services, passenger transport by air, actual and imputed rentals for housing, pharmaceutical products, and accommodation services.

Noteworthy in the report is the surge in fuel prices, particularly premium motor spirit, which witnessed a substantial year-on-year increase of 222% to NGN631 per liter. Deregulated fuels such as automotive gas oil (diesel) and household kerosene also experienced year-on-year increases of 26% and 25% to NGN1,005 per liter and NGN1,303 per liter, respectively. Liquefied Petroleum Gas (LPG) prices revealed a monthly rise of 14% and a year-on-year increase of 5%, reaching an average cost of NGN10,546 for refilling a 12.5kg cylinder.

Analyzing the state profiles, headline inflation saw the fastest rise in Kogi (33.28%), Lagos (32.30%), and Rivers (32.25%) during November 2023. Conversely, Borno (22.47%), Katsina (24.91%), and Plateau (25.53%) recorded the slowest year-on-year increases. On a month-on-month basis, Kano (3.55%), Kebbi (3.34%), and Borno (3.24%) experienced the highest increases, while Taraba (0.74%), Anambra (1.00%), and Enugu (1.18%) recorded the slowest month-on-month inflation rises.

Examining food inflation, Kogi (41.29%), Kwara (40.72%), and Rivers (40.22%) recorded the highest year-on-year increases in November 2023, while Bauchi (26.14%), Borno (27.34%), and Jigawa (27.63%) registered the slowest growth. On a month-on-month basis, Cross River (4.37%), Edo (3.95%), and Rivers (3.91%) observed the highest Food inflation, while Anambra (0.63%), Oyo (0.91%), and Bauchi (1.00%) recorded the slowest month-on-month inflation increases.



As we anticipate the festive season, heightened price surges are expected, driven by increased demand and exacerbated by seasonal factors such as the post-harvest season. The prevailing currency scarcity within the financial system and the continued effects of subsidy removal are additional factors likely to amplify inflationary pressures across various sectors. Also, the core inflation basket faces added pressure due to the substantial depreciation of the Naira across various foreign exchange markets and the elevated prices of premium motor spirit (PMS) and diesel amid the surge in crude oil prices.

Effectively addressing the escalating inflation rates necessitates a comprehensive approach encompassing both demand and supply-side strategies from fiscal and monetary authorities. The newly appointed Central Bank of Nigeria (CBN) management team is expected to deploy a robust liquidity management strategy just as seen from the recent CRR debits and auctions in a bid to mop-up excess liquidity in the system and tame inflationary pressures. Concurrently, the fiscal authority should prioritize value-creating projects and capital spending over recurrent expenses. Looking ahead, our projections estimate a headline inflation rate of 28.89% for December, with an average annual inflation rate of 24.52% for 2023.

EQUITIES MARKET: Bargain Hunting Sets Stage for Santa Clause Rally as Investors Gain N464 Billion....

The NGX-All Share Index concluded the trading week with a commendable 1.18% week-on-week increase, marking a notable display of resilience in the face of comparatively low traded volumes and a rather stagnant market breadth. The positive momentum propelled the All-Share Index above the psychologically significant 72,000 mark, culminating in a closing figure of 72,389.23 points. This noteworthy ascent was underpinned by robust rallies observed across key sectors, namely banking, consumer goods, telecoms, energy, and industrials.

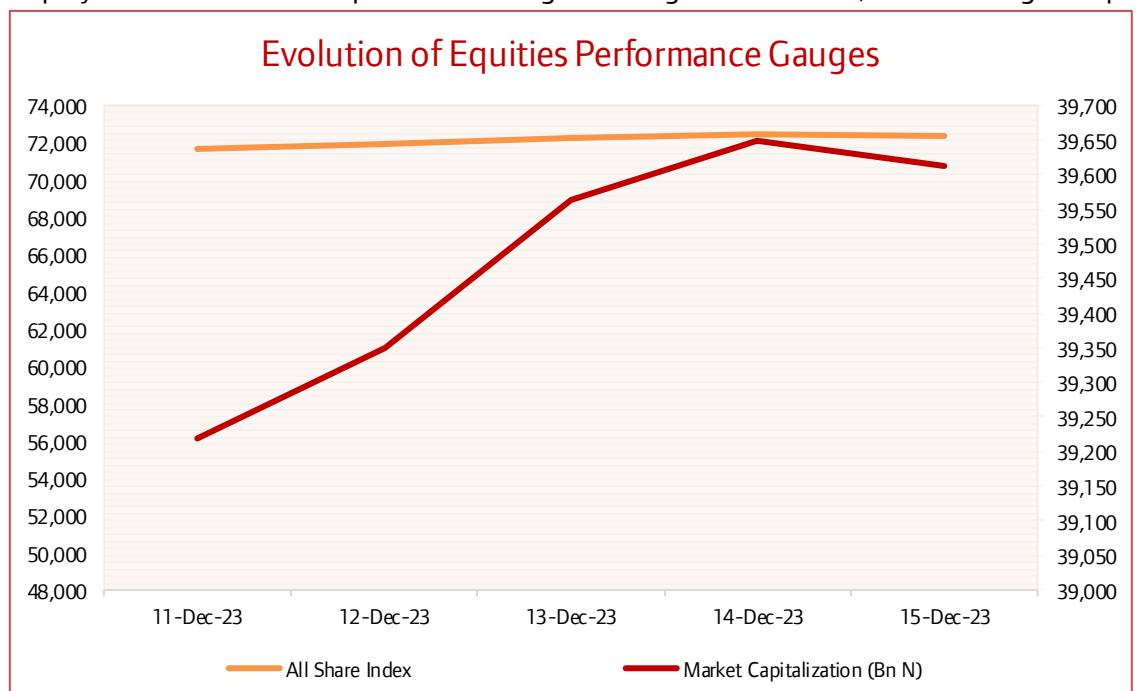
Of particular significance, the equity market achieved unprecedented highs throughout the week, surmounting multiple historical thresholds. The bullish trajectory was observed amid a nuanced market sentiment, where certain stocks marked new 52-week highs, coinciding with the prevailing discourse around anticipated recapitalization within the banking sector and the broader economic headwinds.

In tandem with the impressive index performance, the market capitalization exhibited a northward trajectory,

recording a 1.18% week-on-week increase to reach N39.61 trillion. Notably, equity investors capitalized on gains totaling N464 billion over four out of the five trading sessions, setting the stage for the anticipated "Santa Claus rally" as market participants gear up for the festive season.

Noteworthy advancements were witnessed in the Banking, Consumer Goods, and Industrial indexes, registering appreciations of 7.01%, 0.22%, and 0.24%, respectively. These upward movements were attributed to a surge in buying interest observed in select counters such as INFINITY, STERLINGNG, CADBURY, ACCESSCORP, ETI, and TANTALIZER, contributing to positive price movements. On the flip side, the Insurance and Oil & Gas indexes faced minor setbacks of 0.96% and 0.27%, respectively, driven by notable price decreases in ETERNA, NEM, SUNUASSUR, and CONOIL.

Despite the market's overall positive performance, trading activity during the week exhibited a degree of lethargy, marked by a 22.32% decrease in total traded volume, which settled at 1.88 billion units. The number of trades mirrored this



sentiment, declining by 4.85% to 33,020 deals, while the weekly traded value experienced a notable downturn of 29.82% week-on-week, closing at N31.63 billion.

Highlighting specific equity movements, the top gaining stocks for the week included INFINITY, SCOA, STERLINGNG, CADBURY, and ACCESSCORP, each securing impressive gains of 59%, 29%, 10%, 10%, and 10%, respectively, compared to their previous week's close. Conversely, stocks such as ETERNA (12%), THOMASWY (11%), NEM (9%), and MECURE (8%) faced declines in their share prices on a week-on-week basis.

Looking ahead to the coming week, Cowry Research anticipates a continuation of positive sentiment and profit-taking, driven by bargain hunting for dividend-paying stocks. Market players are expected to digest the recently published Consumer Price Inflation (CPI) report and its potential impact on the financial market, amidst sector rotation and portfolio rebalancing spurred by the high expectation for full-year corporate numbers and high yields. 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 15, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec -15 – 23	Dec - 08 - 23	% Change	Symbol	Dec -15 - 23	Dec - 08 – 23	% Change
INFINITY	2.82	1.77	59%	NSLTECH	0.63	0.75	-16%
SCOA	1.74	1.35	29%	ETERNA	11.55	13.10	-12%
DAARCOMM	0.46	0.36	28%	THOMASWY	2.95	3.32	-11%
JOHNHOLT	2.23	1.85	21%	JULI	0.65	0.72	-10%
DEAPCAP	0.70	0.61	15%	NEM	5.35	5.90	-9%
STERLINGNG	4.18	3.80	10%	UPDCREIT	4.55	5.00	-9%
SFSREIT	101.35	92.15	10%	OMATEK	0.73	0.80	-9%
CADBURY	16.05	14.60	10%	SUNUASSUR	1.16	1.26	-8%
ACCESSCORP	22.20	20.25	10%	MECURE	12.00	13.00	-8%
ETI	22.70	20.75	9%	UNIVINSURE	0.26	0.28	-7%

Weekly Stock Recommendations as at Friday, December 15, 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	16.63	34.91	290	185	245	292.0	208.3	281.8	19.2	Buy
ACCESS	3.18	3.40	46.15	0.49	7.16	22	7.5	22.20	30.0	18.9	25.5	35.14	Buy
UBA	1.94	2.07	51.99	0.47	12.66	25	12.85	24.15	30.0	20.5	27.8	24.22	Buy
TRANSCORP	0.09	0.10	4.43	1.57	75.41	7.35	0.98	6.96	9.0	5.9	8.0	29.31	Buy
CADBURY	2.29	2.44	2	9.55	6.4	18.80	10.20	16.05	20.0	13.6	18.5	24.61	Buy
LAFARGE	0.24	0.27	26.27	1.13	125.2	30.50	20.10	29.75	36.2	25.3	34.2	21.51	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, December 15, 2023

FGN Eurobonds	Issue Date	TTM (years)	15-Dec-23 Price (N)	Weekly USD Δ	15-Dec-23 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.94	98.28	0.68	8.6%	-0.39
6.50 NOV 28, 2027	28-Nov-17	3.96	90.32	1.61	9.5%	-0.52
6.125 SEP 28, 2028	28-Sep-21	4.79	87.43	2.13	9.5%	-0.61
8.375 MAR 24, 2029	24-Mar-22	5.28	94.58	2.16	9.7%	-0.55
7.143 FEB 23, 2030	23-Feb-18	6.20	88.45	2.45	9.7%	-0.58
8.747 JAN 21, 2031	21-Nov-18	7.11	93.26	2.75	10.1%	-0.58
7.875 16-FEB-2032	16-Feb-17	8.18	88.04	2.80	10.1%	-0.57
7.375 SEP 28, 2033	28-Sep-21	9.79	83.37	3.17	10.1%	-0.59
7.696 FEB 23, 2038	23-Feb-18	14.20	79.68	3.21	10.5%	-0.53
7.625 NOV 28, 2047	28-Nov-17	23.97	76.90	3.73	10.2%	-0.55
9.248 JAN 21, 2049	21-Nov-18	25.12	87.48	4.11	10.7%	-0.55
8.25 SEP 28, 2051	28-Sep-21	27.81	79.91	3.71	10.5%	-0.53



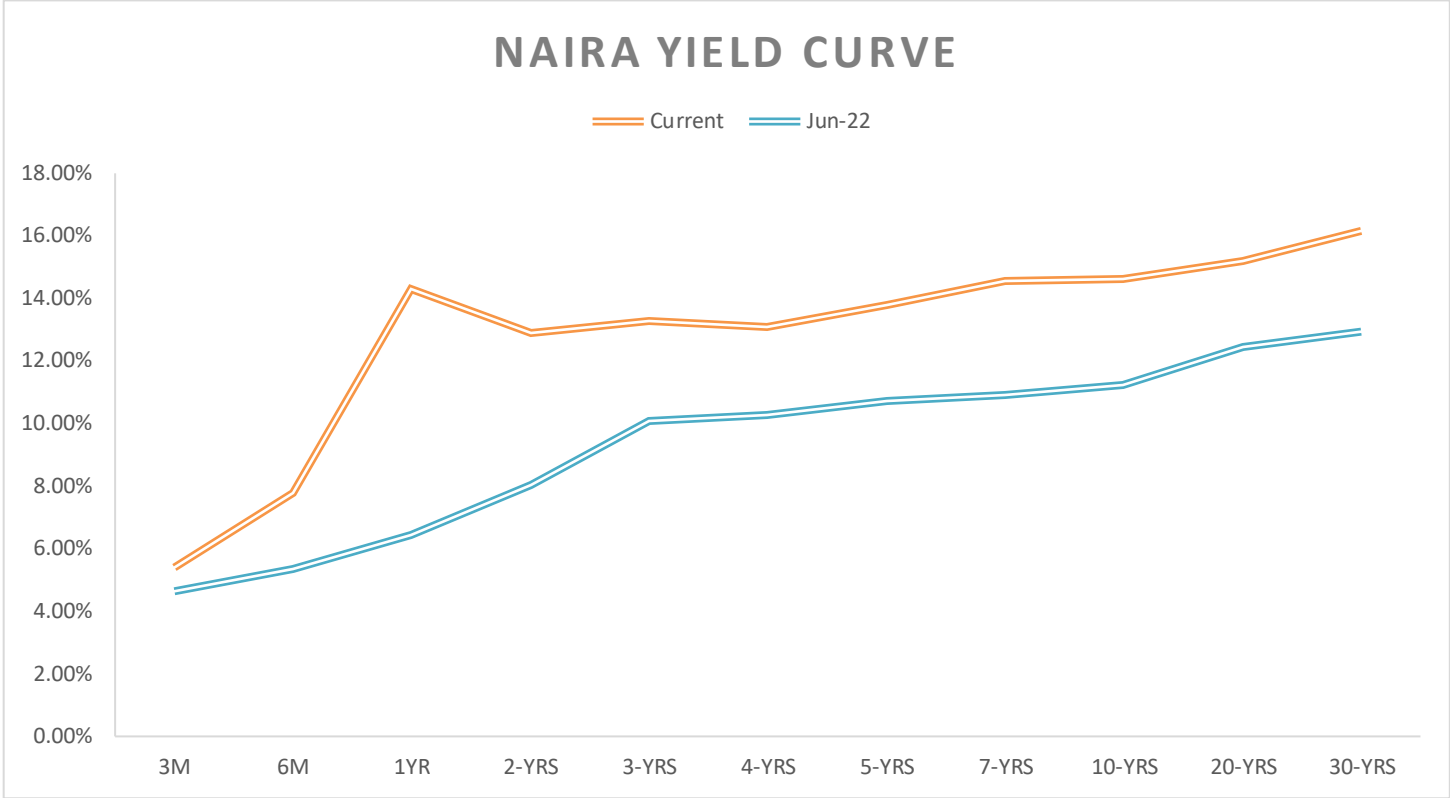
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 15, 2023

MAJOR	15-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0918	1.0991	-0.66%.	1.43%	0.60%	3.15%
GBPUSD	1.2712	1.2767	-0.43%.	1.29%	2.43%	4.68%
USDCHF	0.8677	0.8674	0.04%	-1.34%.	-2.33%.	-7.04%.
USDRUB	90.8955	89.5169	1.54%	-1.87%.	1.21%	41.57%
USDNGN	789.0000	790.0270	-0.13%.	-0.13%.	-4.58%.	77.32%
USDZAR	18.3134	18.3299	-0.09%.	-3.28%.	-0.13%.	3.97%
USDEGP	30.9222	30.9006	0.07%	0.23%	0.07%	25.45%
USDCAD	1.34	1.3406	-0.14%.	-1.49%.	-2.69%.	-2.30%.
USDMXN	17.24	17.1860	0.32%	-0.66%.	0.05%	-12.83%.
USDBRL	4.93	4.9157	0.29%	-0.02%.	1.39%	-7.21%.
AUDUSD	0.6684	0.6697	-0.20%.	1.67%	3.36%	0.05%
NZDUSD	0.6203	-0.0600	-0.04%.	1.32%	3.87%	-2.70%.
USDJPY	141.8490	141.8632	-0.01%.	-2.20%.	-5.96%.	3.69%
USDCNY	7.1352	7.1238	0.16%	-0.71%.	-1.54%.	2.25%
USDINR	83.0994	83.3077	-0.25%.	-0.40%.	-0.07%.	0.46%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, December 15, 2023

Commodity		15-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.3	71.6	-0.44%.	-0.02%.	-2.56%.	-4.46%.
BRENT	USD/Bbl	76.5	76.6	-0.20%.	0.77%	-1.40%.	-3.85%.
NATURAL GAS	USD/MMBtu	2.5	9.8	3.94%	-3.52%.	-23.12%.	-55.55%.
GASOLINE	USD/Gal	2.1	2.1	-0.08%.	3.35%	2.05%	-1.87%.
COAL	USD/T	145.5	146.2	-0.51%.	-2.18%.	18.05%	-63.90%.
GOLD	USD/t.oz	2,034.1	2,035.6	-0.07%.	1.48%	2.63%	13.43%
SILVER	USD/t.oz	24.0	24.1	-0.66%.	4.38%	1.06%	3.29%
WHEAT	USD/Bu	621.1	615.8	0.87%	-1.71%.	6.87%	-17.59%.
PALM-OIL	MYR/T	3,692.0	3,687.9	0.11%	-1.28%.	-7.65%.	-5.77%.
COCOA	USD/T	4,261.0	4,267.0	-0.14%.	-2.92%.	6.22%	71.84%

FGN Bonds Yield Curve, Friday, December 15, 2023



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