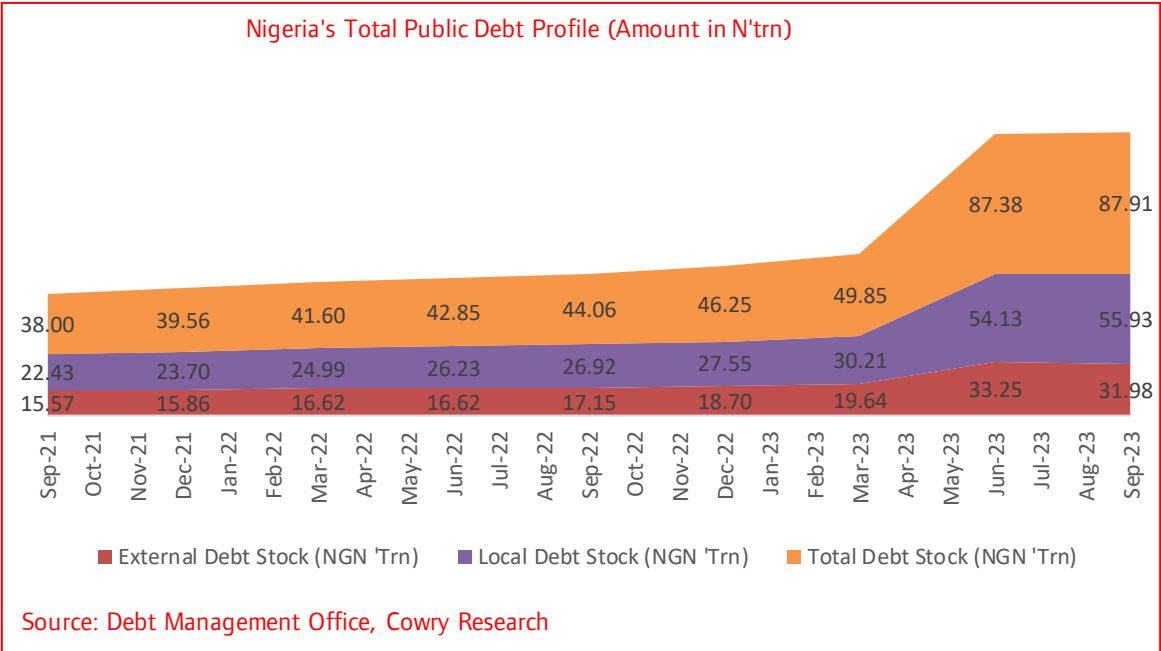


# Cowry Financial Markets Review, Outlook & Recommended Stocks

## ECONOMY: N87.9trn Debt: Trajectory of Debt Sustainability and the Prudent Management of Fiscal Resources...

This week, the Debt Management Office (DMO) published Nigeria’s public debt profile report which show that during the third quarter of 2023, Nigeria experienced a marginal increase of 0.61% in its total public debt, reaching N87.91 trillion. This substantial rise reflects a notable 99.5% year-on-year increase from the corresponding period in 2022 when the total debt stood at N44.06 trillion. This indicates that the total debt encompasses both domestic and foreign obligations of the federal government, the 36 state governments, and the federal capital territory.

The comprehensive breakdown of this colossal debt, amounting to N87.91 trillion (\$114.4 billion at an exchange rate of N768.76), encapsulates the combined financial obligations of the federal government, the 36 state governments, and the federal capital territory. Diving into the details, the debt composition is dichotomized into N31.98 trillion in external debt and N55.93 trillion in domestic debt. This demarcation is crucial as it sheds light on the intricate web of international and local financial commitments.



Zooming in on the domestic debt structure, it is noteworthy that the N50.19 trillion allocated to the federal government far surpasses the N5.74 trillion designated for the sub-national entities, including the federal capital territory. This delineation emphasizes the federal government's predominant role in domestic borrowing, a trend attributable to the multifaceted economic challenges faced by both federal and state governments.

The upswing in domestic debt is ascribed to concerted borrowing initiatives by the federal and state governments, particularly aimed at mitigating the economic reverberations of the Petroleum Motor Spirit (PMS) subsidy removal. This strategic borrowing, however, underscores a pertinent concern regarding the prioritization of recurrent expenditure over capital expenditure, a facet that warrants careful scrutiny for sustainable fiscal management.

Delving deeper into the debt capital market, the lion's share of the N50.19 trillion domestic debt is sourced from government borrowings, with FGN Bonds constituting a substantial 86%, amounting to N43.18 trillion. The remaining 14% is distributed among various instruments, with Treasury bills and FGN Sukuk leading the pack, indicating a robust demand from investors in recent monthly auctions.

A juxtaposition of the domestic and external debt scenarios reveals a noteworthy trend. While the domestic debt increased by N1.80 trillion between June and September 2023, the external debt profile exhibited a positive movement, contracting to \$41.59 billion in September 2023. This reduction, totaling \$1.57 billion or 3.64%, stems from a strategic \$500 million Eurobond redemption and a \$413.86 million repayment to the International Monetary Fund (IMF). This repayment marks the initiation of the principal payment on the \$3.4 billion loan obtained from the IMF during the tumultuous COVID-19 pandemic in 2020.

For context on the Eurobond repayment, we note the move by the DMO as a positive development for Nigeria’s Eurobond market and speaks volume or demonstrates the debt office’s commitment to debt service obligations by redeeming a \$500 million Eurobond borrowed in 2013. This redemption, along with previous ones at the start of the year, brings the total securities redeemed by Nigeria in the International Capital Market to \$1.8 billion. The successful redemption showcases Nigeria's strong debt management operations and planning, reinforcing investor confidence in the country's financial stability.

The redemption of the Eurobond is perceived as a positive development for Nigeria's Eurobond market, demonstrating the Debt Management Office's commitment to meeting debt service obligations. This move reinforces investor confidence in the country's financial stability. The total securities redeemed by Nigeria in the International Capital Market, including this Eurobond redemption, amount to \$1.8 billion.

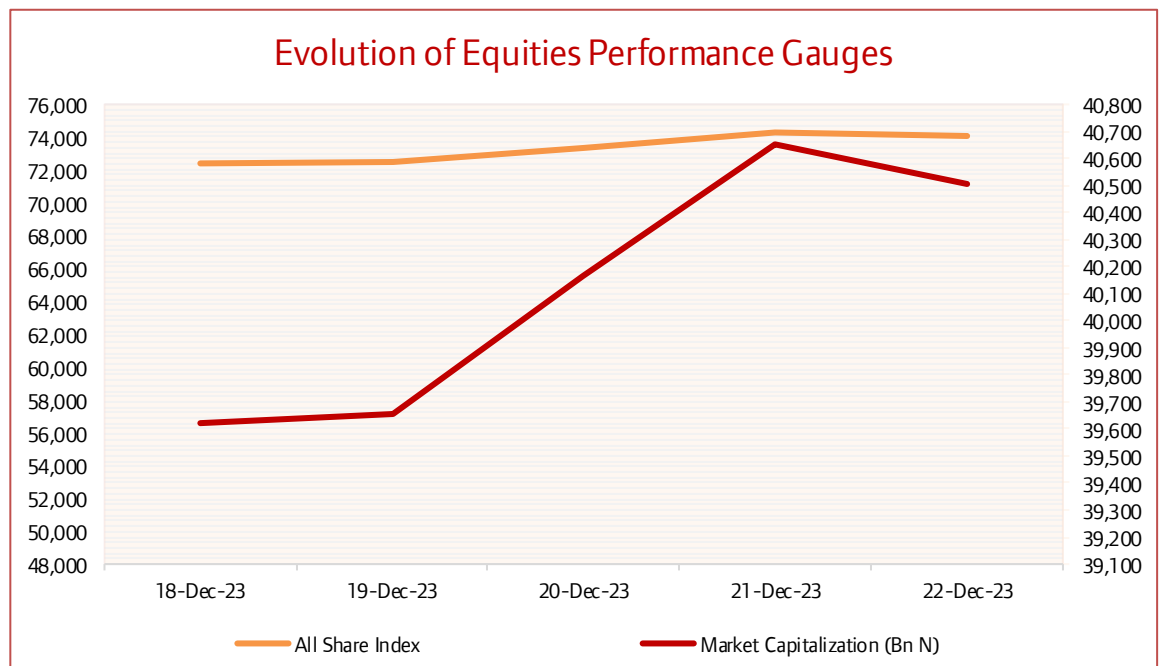
Cowry Research observes a positive albeit gradual increase in Nigeria's total debt stock, particularly in the external debt component during the reviewed period. However, this upward trajectory underscores a continued reliance on borrowing by the government to address budget deficits and fulfill various financial obligations. The concentration of this debt within the domestic sphere raises concerns about potential vulnerabilities in local financial markets. Notably, the disparity in debt levels among individual states is pronounced, with Lagos and Delta carrying the highest burdens and Jigawa and Kebbi having comparably lower debt levels.

A critical metric, the debt-to-GDP ratio, stands at approximately 42% as of the third quarter, signaling a level considered high in comparison to international benchmarks. Moreover, this ratio surpasses recommended thresholds for emerging economies. The elevated debt-to-GDP ratio raises apprehensions about the sustainability of the debt burden and its potential repercussions on future economic growth. Of significant note is the challenge posed by the scarcity of funds and revenue sources for the federal government. A substantial portion of government revenue is allocated to debt servicing, limiting the financial resources available for crucial infrastructure projects and social programs. This financial constraint, in turn, necessitates further borrowing to fulfill funding obligations.

### EQUITIES MARKET: Equity Investors Gain N894bn in Christmas Rally on Financial Services, Blue-Chip Stocks....

The local bourse extended its bullish trend, advancing by 2.26% week on week to close at 74,023.27 index points. The impetus behind this positive trajectory was the heightened demand for financial services and blue-chip stocks, creating an environment conducive to the ongoing Santa Claus rally as the festive season approached. The robust interest, particularly in high-priced equities, played a pivotal role in propelling the NGX All-Share index, characterized by substantial traded volumes and a positive market breadth.

The bullish sentiment was a manifestation of the markup phase and a sustained bull run, a scenario heightened by the prevailing seasonality and the ongoing portfolio rebalancing ahead of the anticipated 2024 earnings reporting and dividend season. This positive momentum coincided with shifts in market fundamentals and liquidity levels, indicating a dynamic landscape.



The equity market not only achieved remarkable highs but also surpassed historical thresholds throughout the week. The bullish trajectory persisted amid nuanced market sentiments, with select stocks hitting new 52-week highs in the lead-up to the Christmas week. Correspondingly, the market capitalization mirrored this upward trend, experiencing a 2.26% week-on-week increase to surpass the N40 trillion mark, closing at N40.51 trillion. Notably, equity investors capitalized on gains, accumulating a total of N894.17 billion over four out of the five trading sessions.

The bullish trend was reflected across sectors, with notable advancements in the financial services sector. Banking and Insurance stocks led gainers by 3.35% and 1.70%, respectively. This surge was attributed to price appreciations in banking institutions such as FIDELITY, STERLINGNG, UBA, ACCESS, and FBNH, along with insurance firms like NEM, MANSARD, and CONHALLPLC. Additionally, the Industrial and Oil & Gas indexes recorded appreciations of 0.33% and 0.09%, driven by a surge in buying interest in select counters like MULTIVERSE, IMG, WAPCO, ETERNA, and OANDO. However, the Consumer Goods index faced a minor setback of 0.70%, driven by notable price declines in ELLAHLAKES, GUINNESS, MCNICHOLS, NB, and NESTLE.

Despite a 31.49% decrease in total traded volume, reflecting a week of high activity and positive market breadth, the number of trades rose by 8.56% to 35,848 deals. Notably, the weekly traded value experienced a significant advancement of 70.05% week-on-week, closing at N53.79 billion.

At the week's close, top gaining stocks included INFINITY, DAARCOMM, MULTIVERSE, TRANSCOHOT, and TRANSCORP, securing gains of 61%, 50%, 41%, 36%, and 26%, respectively. Conversely, ETRANZACT, THOMASWY, PRESTIGE, and GUINNESS faced declines in their share prices on a week-on-week basis, shedding 12%, 10%, 10%, and 9%, respectively.

Looking ahead to the coming week, Cowry Research anticipate the positive market trend to continue, investors are expected to engage in profit-taking and bargain hunting for dividend-paying stocks, driven by sector rotation and portfolio rebalancing. The market sentiment is expected to be buoyed by high expectations for robust full-year corporate financial results and the attractiveness of high yields, especially in a low-interest-rate environment. The strategic reallocation of funds among sectors and adjustments in portfolios to align with changing market conditions are likely to shape trading activities, reflecting investors' pursuit of optimal risk-return profiles and capitalizing on emerging opportunities. 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. 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 22, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec -22 – 23	Dec - 15 - 23	% Change	Symbol	Dec -22 - 23	Dec - 15 – 23	% Change
INFINITY	4.53	2.82	61%	ABCTTRANS	0.76	0.91	-16%
DAARCOMM	0.69	0.46	50%	OMATEK	0.64	0.73	-12%
MULTIVERSE	13.97	9.89	41%	ETRANZACT	6.05	6.90	-12%
TRANSCOHOT	63.80	46.90	36%	SOVRENINS	0.35	0.39	-10%
TRANSCORP	8.80	6.96	26%	THOMASWY	2.65	2.95	-10%
UCAP	23.00	19.10	20%	ELLAHLAKES	2.90	3.22	-10%
ABBEYBDS	1.84	1.54	19%	TRIPPLEG	2.15	2.38	-10%
IMG	10.15	8.50	19%	PRESTIGE	0.47	0.52	-10%
NNFM	45.50	38.75	17%	JULI	0.59	0.65	-9%
CUSTODIAN	8.90	7.65	16%	GUINNESS	62.00	67.90	-9%

Weekly Stock Recommendations as at Friday, December 15, 2023

Stock	Curre nt 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
MTNN	7.02	7.49	14.73	17.63	37.01	290	185	250	320.0	220.8	298.8	23.17	Buy
ACCESS	3.18	3.40	46.15	0.50	7.32	23.75	7.5	23.20	30.0	19.8	26.8	28.76	Buy
ZENITH	13.82	14.74	61.15	0.63	2.80	38.85	18.90	37.90	49.6	32.9	44.4	28.23	Buy
TRANSCORP	0.09	0.10	4.43	1.91	92.03	9.30	0.98	8.80	12.0	7.2	9.7	41.68	Buy
JBERGER	1.41	1.50	53.71	0.64	24.45	42.5	21.15	36.20	43.0	29.2	39.6	25.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, December 22, 2023

FGN Eurobonds	Issue Date	TTM (years)	22-Dec-23	Weekly	22-Dec-23	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.92	98.60	0.32	8.4%	-0.18
6.50 NOV 28, 2027	28-Nov-17	3.94	91.10	0.78	9.3%	-0.24
6.125 SEP 28, 2028	28-Sep-21	4.77	88.46	1.03	9.2%	-0.28
8.375 MAR 24, 2029	24-Mar-22	5.26	95.51	0.93	9.5%	-0.23
7.143 FEB 23, 2030	23-Feb-18	6.18	89.68	1.23	9.4%	-0.28
8.747 JAN 21, 2031	21-Nov-18	7.09	94.79	1.53	9.8%	-0.32
7.875 16-FEB-2032	16-Feb-17	8.16	89.46	1.42	9.8%	-0.27
7.375 SEP 28, 2033	28-Sep-21	9.78	84.76	1.39	9.8%	-0.25
7.696 FEB 23, 2038	23-Feb-18	14.18	81.67	1.99	10.2%	-0.32
7.625 NOV 28, 2047	28-Nov-17	23.95	78.83	1.93	10.0%	-0.26
9.248 JAN 21, 2049	21-Nov-18	25.10	89.51	2.03	10.4%	-0.26
8.25 SEP 28, 2051	28-Sep-21	27.79	81.59	1.68	10.3%	-0.22
					9.66%	



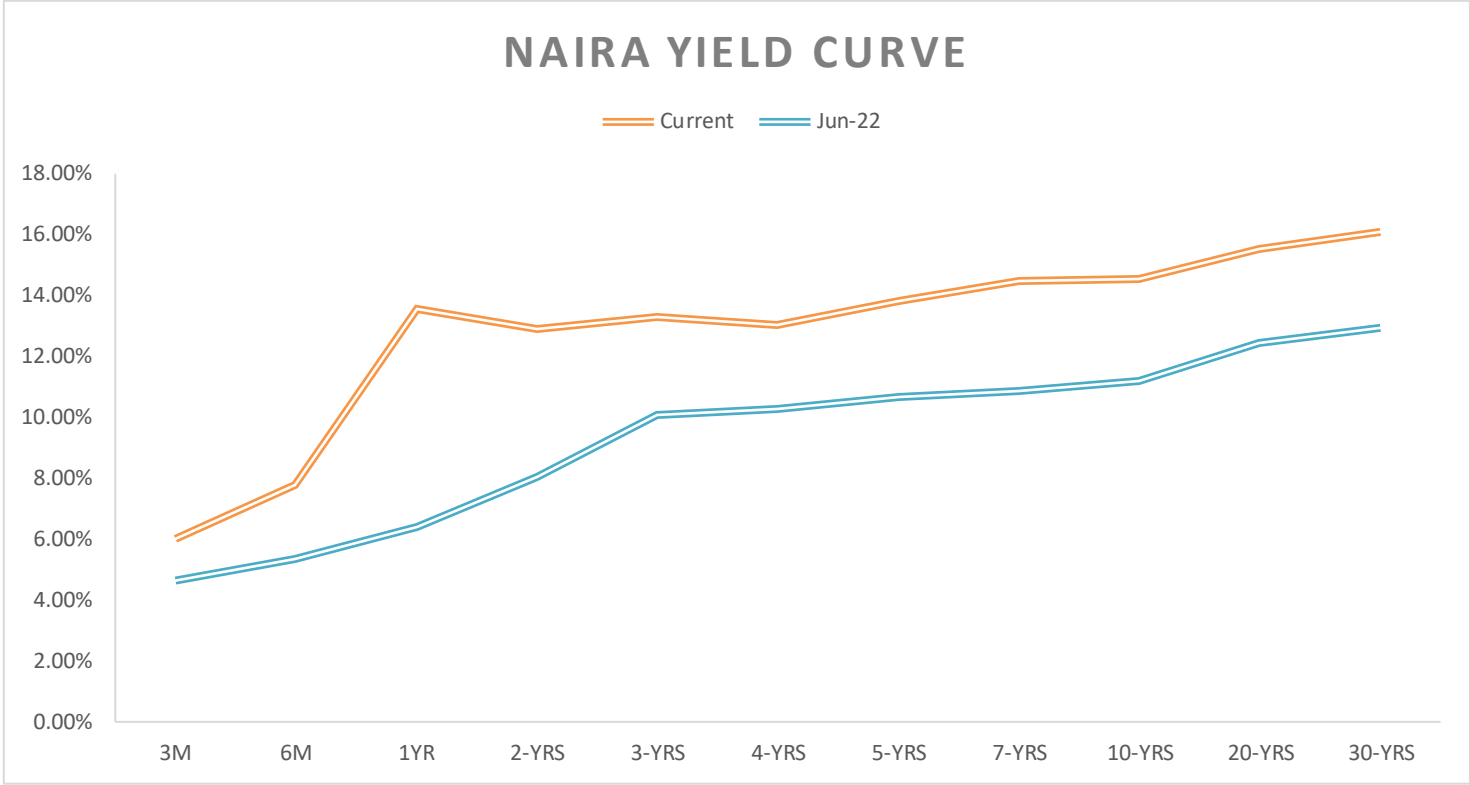
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, December 22, 2023

MAJOR	22-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1035	1.1007	0.25%	1.31%	1.22%	3.98%
GBPUSD	1.2740	1.2688	0.41%	0.54%	1.68%	5.68%
USDCHF	0.8515	0.8561	-0.54%.	-2.09%.	-3.64%.	-8.71%.
USDRUB	91.8590	92.8713	-1.09%.	1.34%	3.71%	32.65%
USDNGN	902.0000	902.0000	0.00%	14.32%	12.20%	102.18%
USDZAR	18.4018	18.3486	0.29%	0.29%	-2.14%.	7.98%
USDEGP	30.9050	30.8495	0.18%	0.02%	0.18%	24.87%
USDCAD	1.33	1.3280	-0.17%.	-0.88%.	-3.14%.	-2.47%.
USDMXN	16.96	17.0223	-0.37%.	-1.31%.	-1.28%.	-12.33%.
USDBRL	4.86	4.8843	-0.41%.	-1.47%.	-0.80%.	-5.82%.
AUDUSD	0.6815	0.6801	0.20%	1.79%	3.95%	1.47%
NZDUSD	0.6307	-0.0600	0.24%	1.68%	4.35%	0.34%
USDJPY	141.9680	142.0959	-0.09%.	-0.15%.	-5.10%.	6.89%
USDCNY	7.1428	7.1414	0.02%	0.10%	-0.10%.	1.96%
USDINR	83.0902	83.2150	-0.15%.	0.08%	-0.26%.	0.38%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, December 22, 2023

Commodity		22-Dec-23	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	74.4	73.9	0.72%	3.65%	-1.80%.	-6.58%.
BRENT	USD/Bbl	79.9	79.4	0.69%	4.38%	-1.66%.	-5.26%.
NATURAL GAS	USD/MMBtu	2.6	9.8	-0.77%.	2.48%	-12.64%.	-42.23%.
GASOLINE	USD/Gal	2.2	2.2	1.59%	2.46%	2.48%	-8.62%.
COAL	USD/T	145.3	144.3	0.69%	-0.17%.	18.91%	-63.75%.
GOLD	USD/t.oz	2,068.2	2,045.5	1.11%	2.46%	3.81%	15.01%
SILVER	USD/t.oz	24.5	24.4	0.62%	2.87%	3.60%	3.42%
WHEAT	USD/Bu	615.3	612.5	0.45%	-2.22%.	10.24%	-20.71%.
PALM-OIL	MYR/T	3,738.0	3,741.0	-0.08%.	1.25%	-5.39%.	-2.40%.
COCOA	USD/T	4,287.0	4,287.9	-0.02%.	0.99%	0.99%	63.09%

FGN Bonds Yield Curve, Friday, December 22, 2023



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