

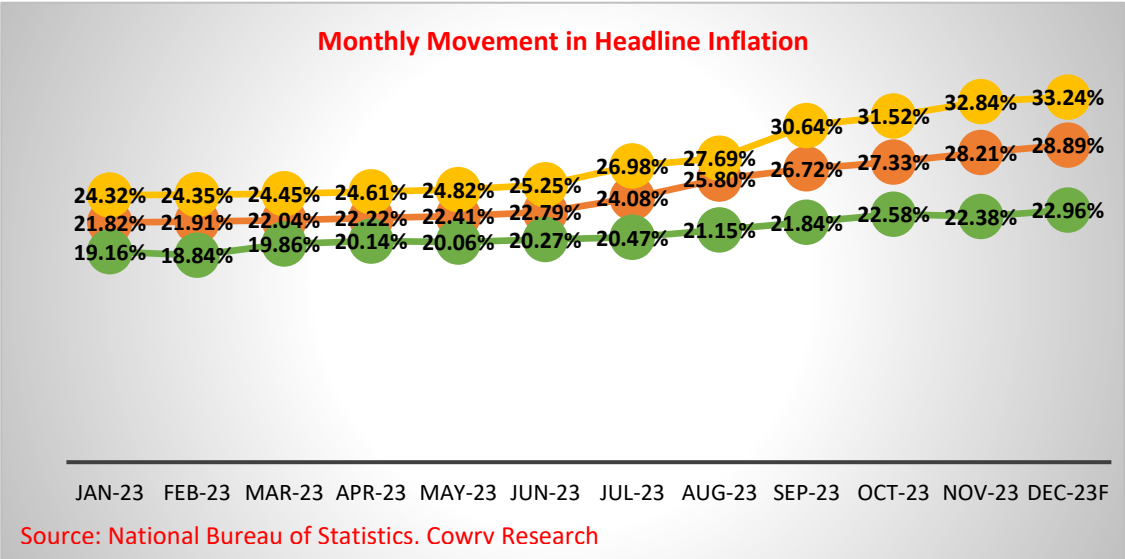
# Cowry Financial Markets Review, Outlook & Recommended Stocks

## ECONOMY: Drivers of Inflationary Pressure Still Rising as Nigerians Grapple Hounds of Inflation.....

This week, our analytical focus shifts towards the drivers of inflation in Nigeria, in anticipation of the forthcoming release of the December 2023 Consumer Price Inflation (CPI) report by the National Bureau of Statistics (NBS). From the last report, November 2023 witnessed Nigeria's headline inflation surging to an 18-year pinnacle at 28.20% year on year. This aligned closely with our projections (27.92%) and market expectations (27.90%) for a gradual acceleration in both November and December 2023 inflation figures.

The persistent surge in inflationary pressures manifests from diverse sources, encompassing escalated transportation costs, the adverse impacts of climate change on food production, domestic security challenges, and the prolonged depreciation of the Nigerian Naira against the US dollar in the foreign exchange market.

From the November report, we noted that the upward movement in inflation is discernible across various sectors, notably impacting food, clothing, housing, health, recreation, and restaurant categories. Also, our analysis of the recently published food price watch series by the NBS for November 2023, we saw key insights on the price trends of some key components within Nigeria's inflation basket and a major driving component of the headline index remains the food inflation which has remained elevated, printing 32.84% year on year increase of 132 basis points from October's 31.52%.



The food index constitutes over 51% of the inflation basket, and this escalation can be attributed to rising prices in fundamental food commodities, including bread, cereals, oil, and fat. Specifically, all 43 food items surveyed reported price increases on a year-on-year and month-on-month basis. An unweighted simple average, which does not account for consumption trends, shows that the average price of food items in the Bureau's designated basket increased 57.4% year-on-year and 19.5% month-on-month.

Beyond the food component, 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—an appreciable elevation from the 17.99% recorded in November 2022. Meanwhile, the NBS price watch series highlighted that the prices of deregulated fuels such as Automotive Gas Oil (diesel) and Household Kerosine recorded significant increases, rising by 31% year on year and 19% year on year to N1,055.6/litre and N1,083.6/litre, respectively. Similarly, Liquefied Petroleum Gas (LPG) prices revealed that the average cost of refilling a 12.5kg cylinder increased by 6% month on month and 10% year on year to N11,155.

As noted by the NBS report, the Premium Motor Spirit (PMS) price watch showed that the average price paid by consumers for PMS accelerated by 221% year-on-year to N648.9/litre. The higher year-on-year price increase relative to other liquid fuels is primarily due to the rise in the pump price of petrol following the elimination of fuel subsidies. Other 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.

The Nigerian populace finds itself grappling with the constricting effects of inflation, eroding incomes and diminishing the purchasing power of consumers. Our outlook posits that the trajectory of inflation in 2024 will hinge on the efficacy of governmental policies aimed at addressing structural challenges in agriculture, energy, and infrastructure. Stability in the exchange rate is deemed imperative to regulate import costs and alleviate inflationary pressures.

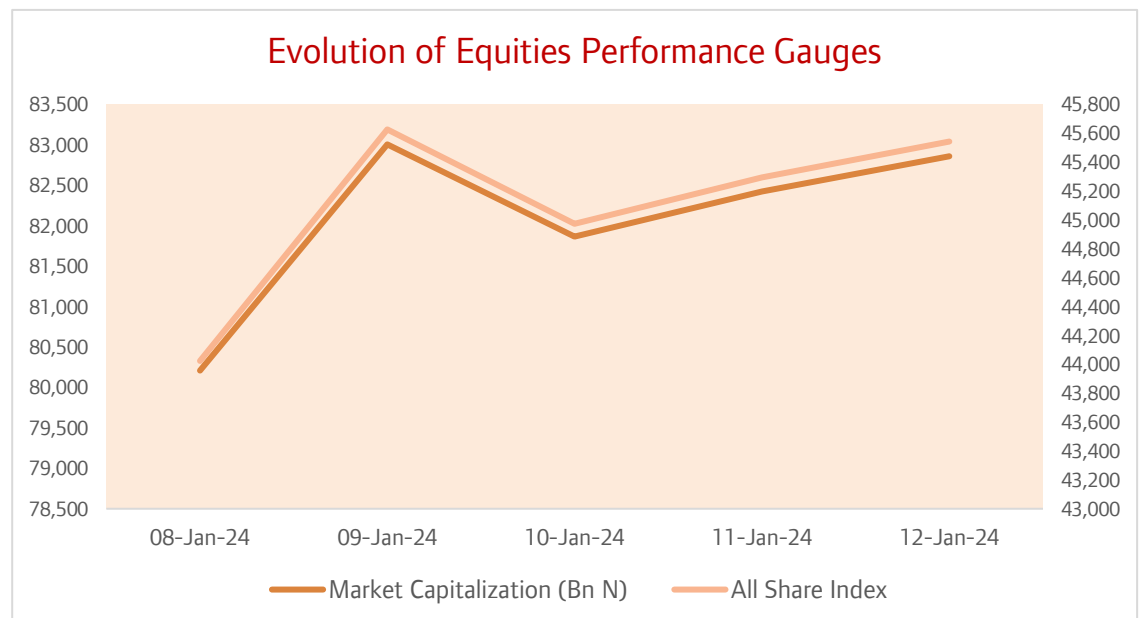
Across the globe, inflation movement posed a serious threat to growth expectations as central banks continue to hike rates as a means to combat rising inflation as a result of the emergence of unplanned external shocks such as the disruption caused by the war in Ukraine that has worsened structural bottlenecks. Nigeria is not left out of this fiasco as its inflation has risen sharply in recent months as we have seen surge in domestic food prices due to structural supply-side factors, which have continued to cause disruptions to food supplies across the country.

Notwithstanding efforts by the monetary authority to fight spiralling inflation that has stayed unabated so far, at the next monetary policy committee meeting, presents the apex bank with a formidable dilemma—whether to adopt a tightening stance or adopt a more cautious approach to monitor inflationary movements while deliberating on key economic indicators that will shape growth and recovery. We believe that a moderate uptick in the headline numbers will skew the voting pattern of the committee members in favour of maintaining a tightening stance by between 25 basis points and 50 basis points. Still, our projections estimate a headline inflation rate of 28.89% for December 2023, with an average annual inflation rate of 24.52% for 2023.

## EQUITIES MARKET: Strong Persimissm Continues Amidst Upbeat Sentiment as ASI Gains 4.24% w/w....

In a week marked by robust market activity, the local bourse demonstrated resilience, closing with a notable 4.24% gain, propelling the benchmark index to 83,042.96 points. Investor sentiment soared on an above-average traded volume, reflecting a positive market breadth and a surge in buying sentiment. This surge is indicative of strategic positioning amidst the ongoing portfolio repositioning for both dividend income and capital gains. The market's year-to-date (YTD) return strengthened to 11.06%, with the total market capitalization of listed equities climbing by 4.24% week on week to an impressive N45.44 trillion. Aligning with this positive momentum, equity investors capitalized on the prevailing optimism, accumulating a substantial N1.85 trillion throughout four out of five trading sessions.

Across various sectors, a bullish trend prevailed, with the financial services sector taking the lead. Consumer goods, insurance, and banking stocks emerged as the frontrunners, registering increases of 9.60%, 7.63%, and 5.10%, respectively. This uptick was driven by notable price appreciations in key institutions such as CADBURY, VERITASKAP, LINKASSURE, and MCNICHOLS. Similarly, the industrial goods sector recorded a 4.80% increase, propelled by heightened buying interest in JBERGER, RTBRISCOE, and WAPCO. However, the oil and gas index lagged behind due to sell sentiment witnessed in TOTAL.



Market activity throughout the week reflected a positive level of participation, mirroring the prior week's trends. Total traded volume surged by 72.25%, reaching a substantial 5.72 billion units. The number of trades marked a notable uptick of 70.37%, totaling 80,064 deals. Additionally, the weekly traded value witnessed an exceptional week-on-week rise of 112.74%, closing at a notable N88.83 billion.

Among the top-performing stocks at the week's close were CADBURY (42%), VERITASKAP (39%), JBERGER (33%), JAIZBANK (31%), and LINKASSURE (28%). In contrast, DAARCOMM, TOTAL, NEM, MAYBAKER, and FIDELITYBK faced declines in their share prices on a week-on-week basis, shedding 30%, 10%, 9%, 8%, and 6%, respectively.

Looking ahead, we think the market promises a nuanced market environment, appearing poised for a potential pullback in the short term. Expectations include mixed sentiment, profit-taking, and the persistence of bargain hunters amidst anticipation of unaudited Q4 2023 financial results. Additionally, market participants will brace for volatility in light of the expected December Consumer Price Index (CPI) release and the impending Monetary Policy Committee (MPC) meeting in January. 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, while taking advantage of the price corrections in the market.

Weekly Gainers and Loser as at Friday, January 12, 2023

Top Ten Gainers				Bottom Ten Losers			
Symbol	Jan -12 – 24	Jan - 5 - 24	% Change	Symbol	Jan -12 - 24	Jan - 5 – 24	% Change
CADBURY	24.05	16.90	42%	DAARCOMM	0.90	1.29	-30%
VERITASKAP	0.53	0.38	39%	TOTAL	346.50	385.00	-10%
JBERGER	56.50	42.50	33%	NEM	5.75	6.35	-9%
TIP	1.84	1.40	31%	CWG	8.10	8.93	-9%
JAIZBANK	3.02	2.30	31%	MAYBAKER	5.49	5.95	-8%
GUINEAINS	0.48	0.37	30%	FIDSON	17.80	19.20	-7%
LINKASSURE	1.47	1.15	28%	CAVERTON	2.05	2.20	-7%
UNIVINSURE	0.37	0.30	23%	CUSTODIAN	10.15	10.85	-6%
CILEASING	4.12	3.38	22%	THOMASWY	2.50	2.67	-6%
ROYALEX	0.98	0.81	21%	FIDELITYBK	13.40	14.20	-6%

Weekly Stock Recommendations as at Friday, January 12, 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
AIRTELAFRI	27.62	41.43	596	3.36	72.4	2040	1,175	2,000	3,000	1,700	2,300	50.00	Buy
ETERNAOIL	1.00	1.07	6.41	2.48	15.84	32.35	13.3	16.60	21.0	13.5	18.3	32.08	Buy
BUA FOODS	5.87	6.26	14	15.49	37.5	227.50	133	227.50	265.0	187.0	253.0	20.45	Buy
DANG CEM	5.81	6.19	80.16	4.37	60.28	370.00	220	350	420.0	297.5	402.5	20.00	Buy
ETI	0.23	0.26	73.01	0.34	107.6	28.8	9.5	25.00	31.0	21.3	28.8	24.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 12, 2023

FGN Eurobonds	Issue Date	TTM (years)	12-Jan-24	Weekly	12-Jan-24	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.86	98.10	0.91	8.8%	-0.54
6.50 NOV 28, 2027	28-Nov-17	3.88	90.41	1.98	9.5%	-0.66
6.125 SEP 28, 2028	28-Sep-21	4.72	87.18	1.80	9.6%	-0.52
8.375 MAR 24, 2029	24-Mar-22	5.20	94.38	2.28	9.8%	-0.59
7.143 FEB 23, 2030	23-Feb-18	6.12	88.45	2.57	9.7%	-0.62
8.747 JAN 21, 2031	21-Nov-18	7.03	93.97	2.53	10.0%	-0.54
7.875 16-FEB-2032	16-Feb-17	8.10	88.22	3.01	10.0%	-0.60
7.375 SEP 28, 2033	28-Sep-21	9.72	83.64	2.84	10.1%	-0.53
7.696 FEB 23, 2038	23-Feb-18	14.13	80.32	3.07	10.4%	-0.50
7.625 NOV 28, 2047	28-Nov-17	23.89	77.50	3.44	10.1%	-0.50
9.248 JAN 21, 2049	21-Nov-18	25.04	88.46	3.42	10.6%	-0.45
8.25 SEP 28, 2051	28-Sep-21	27.73	80.65	3.38	10.4%	-0.46

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 12, 2023

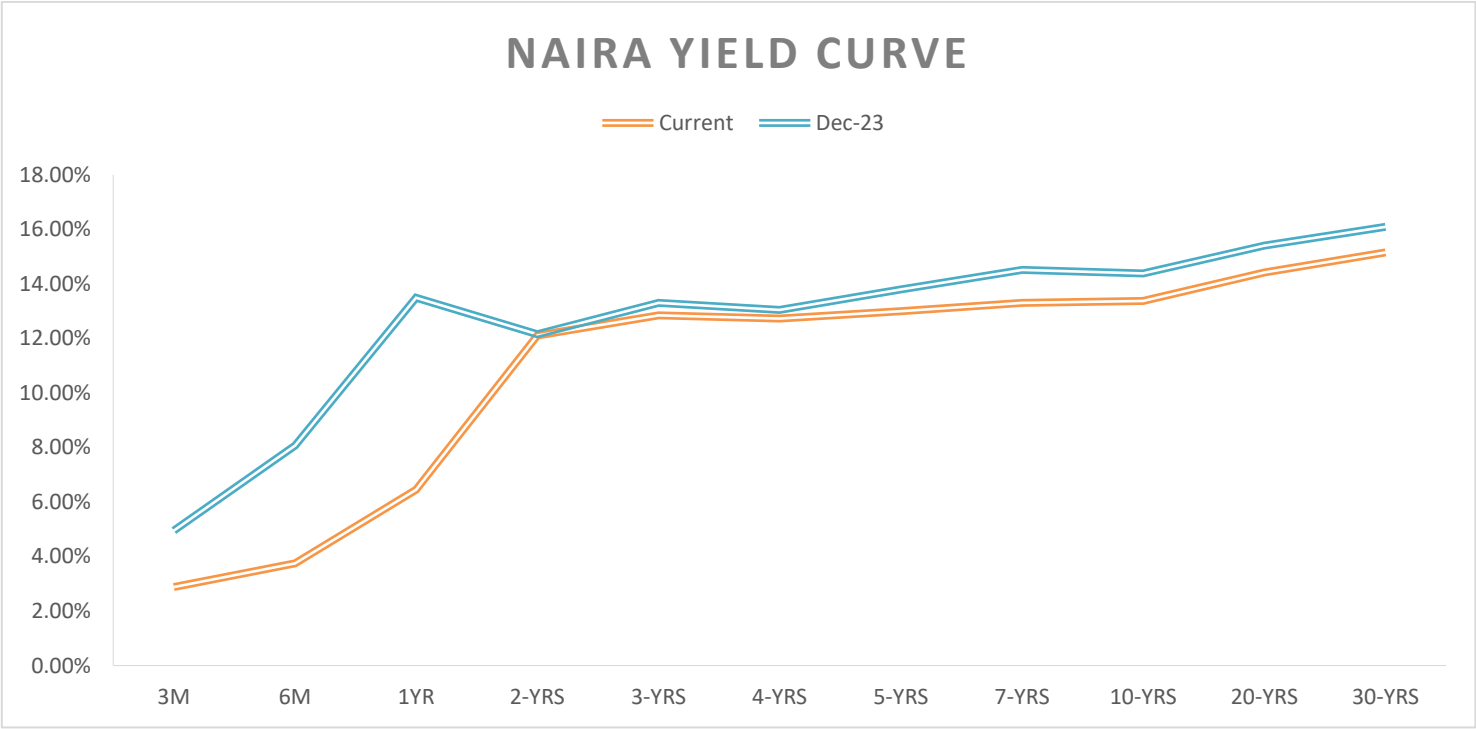
MAJOR	12-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0959	1.0970	-0.10%.	0.13%	0.75%	1.17%
GBPUSD	1.2752	1.2760	-0.06%.	0.25%	1.03%	4.27%
USDCHF	0.8521	0.8518	0.03%	0.30%	-2.19%.	-8.00%.
USDRUB	88.1110	88.4915	-0.43%.	-3.09%.	-1.38%.	35.55%
USDNGN	957.0500	957.0500	0.00%	4.82%	19.33%	111.69%
USDZAR	18.6078	18.6358	-0.15%.	-0.35%.	-0.36%.	10.85%
USDEGP	30.8976	30.8513	0.15%	0.48%	0.15%	4.74%
USDCAD	1.34	1.3392	-0.27%.	0.00%	-1.15%.	-0.25%.
USDMXN	16.87	16.9103	-0.23%.	0.03%	-2.11%.	-10.03%.
USDBRL	4.85	4.8698	-0.46%.	-0.54%.	-1.45%.	-4.86%.
AUDUSD	0.6705	0.6687	0.27%	-0.14%.	0.69%	-3.90%.
NZDUSD	0.6255	-0.0600	0.36%	0.22%	1.29%	-2.07%.
USDJPY	144.8230	145.2733	-0.31%.	0.12%	1.36%	13.25%
USDCNY	7.1810	7.1739	0.10%	0.21%	0.62%	7.06%
USDINR	82.8110	83.0602	-0.30%.	-0.36%.	-0.65%.	1.88%



Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 12, 2023

Commodity		12-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	73.8	72.0	2.48%	0.04%	5.90%	-8.05%.
BRENT	USD/Bbl	79.5	77.4	2.76%	0.96%	6.72%	-7.05%.
NATURAL GAS	USD/MMBtu	3.3	9.8	7.44%	14.59%	44.64%	4.75%
GASOLINE	USD/Gal	2.2	2.1	2.22%	2.42%	5.76%	-15.08%.
COAL	USD/T	130.8	133.5	-2.06%.	-0.11%.	-10.45%.	-65.32%.
GOLD	USD/t.oz	2,055.6	2,028.0	1.36%	0.48%	1.36%	7.04%
SILVER	USD/t.oz	23.3	22.8	2.41%	0.49%	-1.99%.	-4.02%.
WHEAT	USD/Bu	610.8	603.8	1.17%	-0.84%.	0.92%	-17.87%.
PALM-OIL	MYR/T	3,856.0	3,794.2	1.63%	4.73%	5.07%	0.39%
COCOA	USD/T	4,332.0	4,273.9	1.36%	3.12%	-1.37%.	63.52%

FGN Bonds Yield Curve, Friday, January 12, 2023



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