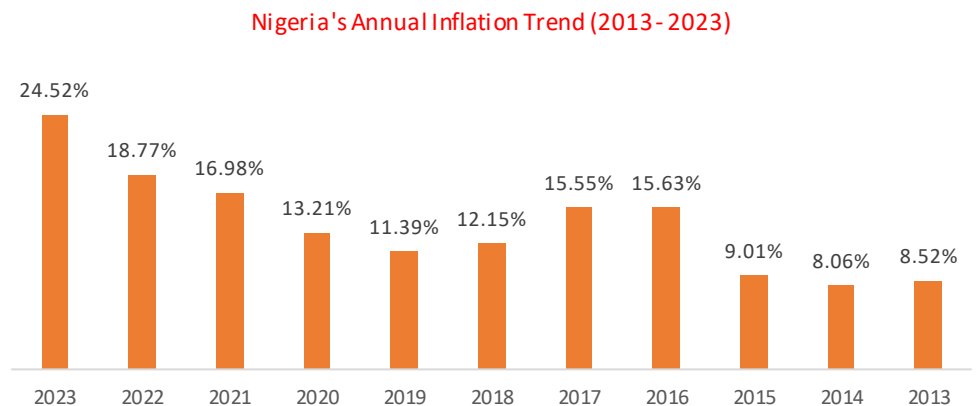


# Cowry Financial Markets Review, Outlook & Recommended Stocks

## ECONOMY: Inflation Pangs Hit Nigeria's Economy Harder with 28.92% in December 2023; Nears 3-Decades High....

This week, our analytical focus shifts towards the latest monthly inflation data published by the National Bureau of Statistics which indicates that Nigeria's inflation has been steadily increasing for twelve consecutive months, reaching 28.92% in December 2023. This marks a continuation of the upward trend from 28.20% in November and brings the annual average to 24.52%, aligning with expectations for a gradual acceleration. 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.

The current inflation rate in December 2023 represents a nearly 28-year high, approaching the 29.51% recorded in July 1996. This persistent surge remains above the Central Bank of Nigeria's target range of 6% to 9%, driven by anticipated price hikes following the removal of premium motor spirit (PMS) subsidies. The inflationary pressures stem from various sources, including escalated transportation costs, 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.



Source: CBN, NBS, Cowry Research

Major contributors to the acceleration in the headline index include food and non-alcoholic beverages, constituting 51.7% of the total 28.92%. Other contributing factors include housing and utility items, clothing and footwear, transportation costs, educational and health amenities costs, accounting for 17%, 7.6%, 6.50%, 3.94%, and 3.0% respectively. On a month-on-month basis, the headline inflation rate in December 2023 was 2.29%, slightly higher than the 2.09% recorded in November 2023, indicating an increased rate of price level growth.

Food inflation continued to play a significant role, reaching 33.93% year-on-year in December 2023 compared to December 2022 (23.75%). Factors driving food inflation included increases in the prices of bread and cereals, oil and fat, potatoes, yam and other tubers, fish, meat, fruit, milk, cheese, and eggs. Other contributing factors encompassed flooding, insecurity in agricultural areas, and disruptions in global food supply chains due to the ongoing war in Ukraine.

Core inflation, excluding volatile agricultural produces and energy, stood at 23.06% in December 2023 on a year-on-year basis, up by 4.85% from the 18.21% recorded in December 2022. This increase was driven by higher prices in housing, water, electricity, gas, clothing and footwear, household goods and services, and transport. The monthly core index was 1.82% in December 2023, up from 1.53% in November 2023.

In December 2023, the Year-on-Year All Items inflation rate exhibited regional variations, with Kogi (35.58%), Lagos (32.33%), and Rivers (32.16%) experiencing the highest rates, while Borno (23.27%), Taraba (24.92%), and Katsina (26.52%) recorded the slowest rise in Headline inflation. On a Month-on-Month basis for the same period, Bayelsa (3.66%), Bauchi (3.51%), and Oyo (3.45%) saw the highest increases, contrasting with Nasarawa (1.36%), Delta (1.49%), and Sokoto (1.58%), which recorded the slowest rise in Month-on-Month inflation.

Regarding Food Inflation in December 2023, the Year-on-Year basis displayed disparities across regions. Kogi (44.73%), Kwara (41.33%), and Imo (39.54%) reported the highest Food inflation rates, while Bauchi (27.49%), Jigawa (27.98%), and Sokoto (28.72%) recorded the slowest rise. On a Month-on-Month basis for Food Inflation, the highest increases were observed in Bayelsa (4.42%), Ogun (4.11%), and Enugu (4.03%), whereas Nasarawa (1.48%), Delta (1.65%), and Niger (1.67%) experienced the slowest rise in inflation.

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. The high inflation rate has had a significant negative impact on the Nigerian economy and the lives of ordinary Nigerians; eroded purchasing power, led to increased poverty, and dampened economic growth.

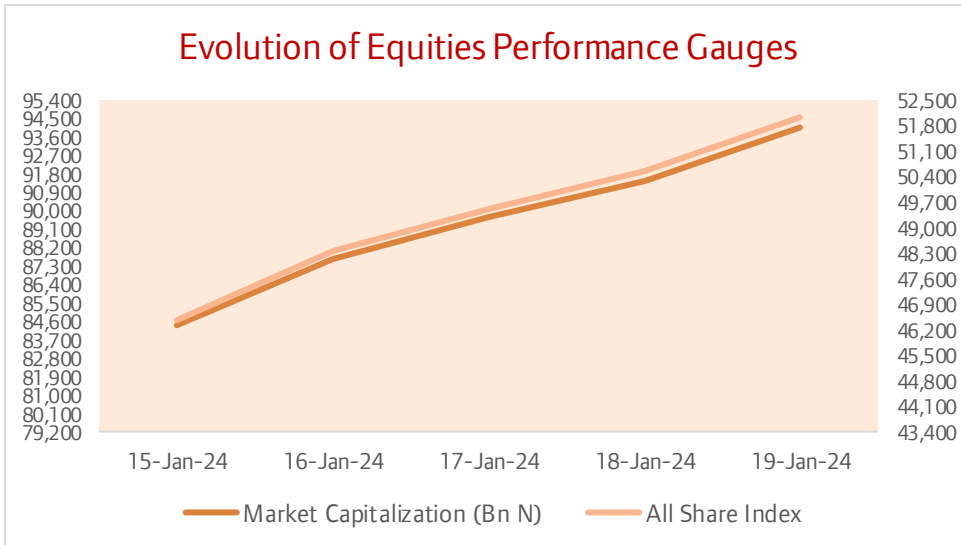
Cowry Research presents a wide spectrum of predictions, with a best-case scenario forecasting 22% year-on-year inflation in 2024, a moderate case projecting 27%, and a worst-case scenario envisioning 34%. The broad range reflects the uncertainty surrounding Nigeria's economic outlook, emphasizing the pivotal role of government policies in addressing underlying structural issues to shape the inflation trajectory. Regardless, we foresee a gradual moderation in headline inflation in the month of January 2024 to 28.82%.

**EQUITIES MARKET: Local Bourse Extends Weekly Gains by N6trn as ASI Nudges by 13.8% Closer to 95,000pts...**

This week, the local stock market exhibited robust bullish momentum, fueled by heightened buying interest in bellwether stocks and those with strong fundamentals. The benchmark index recorded a substantial 13.84% week-on-week gain, closing at 94,538.12 points. This remarkable surge was underpinned by continued funds inflow, reflecting portfolio repositioning in response to recent macroeconomic data indicating nearly a three-decade high in consumer price inflation. Despite below-average traded volumes, several tickers reached new 52-week highs.

The year-to-date return strengthened to 26.43%, up from 11.06% the previous week, and the total market capitalization crossed the N50 trillion mark, reaching N51.74 trillion. Capitalizing on the positive momentum, equity investors accumulated a substantial N6.29 trillion over the five trading sessions.

Across the sectoral front, it was largely bullish across all front. However, the banking index retreated by 0.12% week-on-week due to price declines in FBNH, GTCO, and STANBIC. In contrast, the Industrial index outperformed, gaining 46.88% week-on-week, driven by price increases and buy interest in DANGCEM, BUACEMENT, and LAFARGE. Additionally, the Insurance, Oil & Gas, and Consumer Goods Indexes closed the week on a bullish note, rising by 14.94%, 8.82%, and 8.18%, respectively, propelled by positive price movements in NEM, HONYFLOUR, MAYBAKER, ETERNA, and SEPLAT.



Despite the market's positive performance, participation levels weakened compared to the previous week. Total traded volume declined by 9.44% to 5.18 billion units, while the number of trades dipped by 1.31% to 79,012 deals. The weekly traded value also showed lackluster movement, dropping by 12.42% to N77.80 billion. Top-performing stocks at the week's close included The Initiates (60%), DANGCEM (54%), HONYFLOUR (51%), MAYBAKER (51%), and BUACEMENT (46%). Conversely, ROYALEX, MORISON, IKEJAHOTEL, FBNH, and GTCO faced declines in their share prices, shedding 22%, 17%, 11%, 5%, and 5%, respectively.

The ASI's current movement pattern indicates that the market is persistently in the overbought region according to the RSI, with stock valuations and prices significantly exceeding intrinsic values. This signals a potential imminent pullback, suggesting the market requires a correction in the short term. Anticipated market dynamics for the upcoming week include a mix of sentiments, profit-taking activities, and the ongoing presence of bargain hunters, all unfolding against the backdrop of expectations for unaudited Q4 2023 financial results. Furthermore, market participants are gearing up for heightened volatility, especially with the Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC) deferring its January meeting until February 2024. Investors will closely monitor these factors for potential shifts in market conditions. Amidst all these, we continue to advise investors to take position in stocks with consistent track records of dividend payments and strong fundamentals and growth prospect to support earnings growth.

**Weekly Gainers and Loser as at Friday, January 19, 2023**

Top Ten Gainers				Bottom Ten Losers			
Company	Jan - 19 - 2024	Jan - 5-2024	% Change	Company	Jan - 19 - 2024	Jan - 5- 2024	% Change
TIP	2.94	1.84	59.8%	ROYALEX	0.76	0.98	-22%
DANGCEM	538.80	350.00	53.9%	MORISON	2.80	3.38	-17%
HONYFLOUR	5.85	3.88	50.8%	IKEJAHOTEL	7.70	8.61	-11%
MAYBAKER	8.26	5.49	50.5%	LINKASSURE	1.35	1.47	-8%
MCNICHOLS	1.80	1.23	46.3%	MULTIVERSE	17.00	18.20	-7%
BUACEMENT	148.50	101.85	45.8%	UCAP	23.90	25.50	-6%
VERITASKAP	0.77	0.53	45.3%	FBNH	26.60	28.00	-5%
CHAMS	3.28	2.30	42.6%	CUSTODIAN	9.65	10.15	-5%
UNITYBNK	3.50	2.47	41.7%	GTCO	44.10	46.30	-5%
NEM	8.00	5.75	39.1%	STANBIC	65.00	68.00	-4%

Weekly Stock Recommendations as at Friday, January 19, 2023

Stock	Curren t 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
TRANSCORP	0.09	0.10	4.43	4.34	208.62	19.29	0.98	18.65	25.0	16.3	22.1	30.21	Buy
ETERNAOIL	1.00	1.07	6.41	3.26	20.82	32.35	13.3	22.95	27.0	17.8	24.0	29.19	Buy
BUA FOODS	5.87	6.26	14	16.90	40.9	240	133	240.00	287.0	204.0	276.0	19.58	Buy
LAFARGE	0.24	0.27	26.27	1.75	193.66	47.95	20.10	47.00	59.0	39.1	52.9	28.26	Buy
CONOIL	3.51	3.74	48.57	2.31	31.9	112.2	23.9	112.20	130.0	95.2	128.8	16.07	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 19, 2023

FGN Eurobonds	Issue Date	TTM (years)	19-Jan-24 Price (N)	Weekly USD Δ	19-Jan-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.84	97.98	-0.12	8.8%	0.08
6.50 NOV 28, 2027	28-Nov-17	3.86	90.38	-0.03	9.5%	0.02
6.125 SEP 28, 2028	28-Sep-21	4.70	87.11	-0.07	9.6%	0.03
8.375 MAR 24, 2029	24-Mar-22	5.18	94.18	-0.20	9.8%	0.05
7.143 FEB 23, 2030	23-Feb-18	6.10	87.87	-0.58	9.8%	0.15
8.747 JAN 21, 2031	21-Nov-18	7.01	93.45	-0.52	10.1%	0.11
7.875 16-FEB-2032	16-Feb-17	8.08	87.92	-0.30	10.1%	0.06
7.375 SEP 28, 2033	28-Sep-21	9.70	83.23	-0.41	10.1%	0.08
7.696 FEB 23, 2038	23-Feb-18	14.11	79.52	-0.80	10.5%	0.13
7.625 NOV 28, 2047	28-Nov-17	23.87	76.52	-0.98	10.3%	0.14
9.248 JAN 21, 2049	21-Nov-18	25.02	87.94	-0.52	10.6%	0.06
8.25 SEP 28, 2051	28-Sep-21	27.71	79.97	-0.68	10.5%	0.09

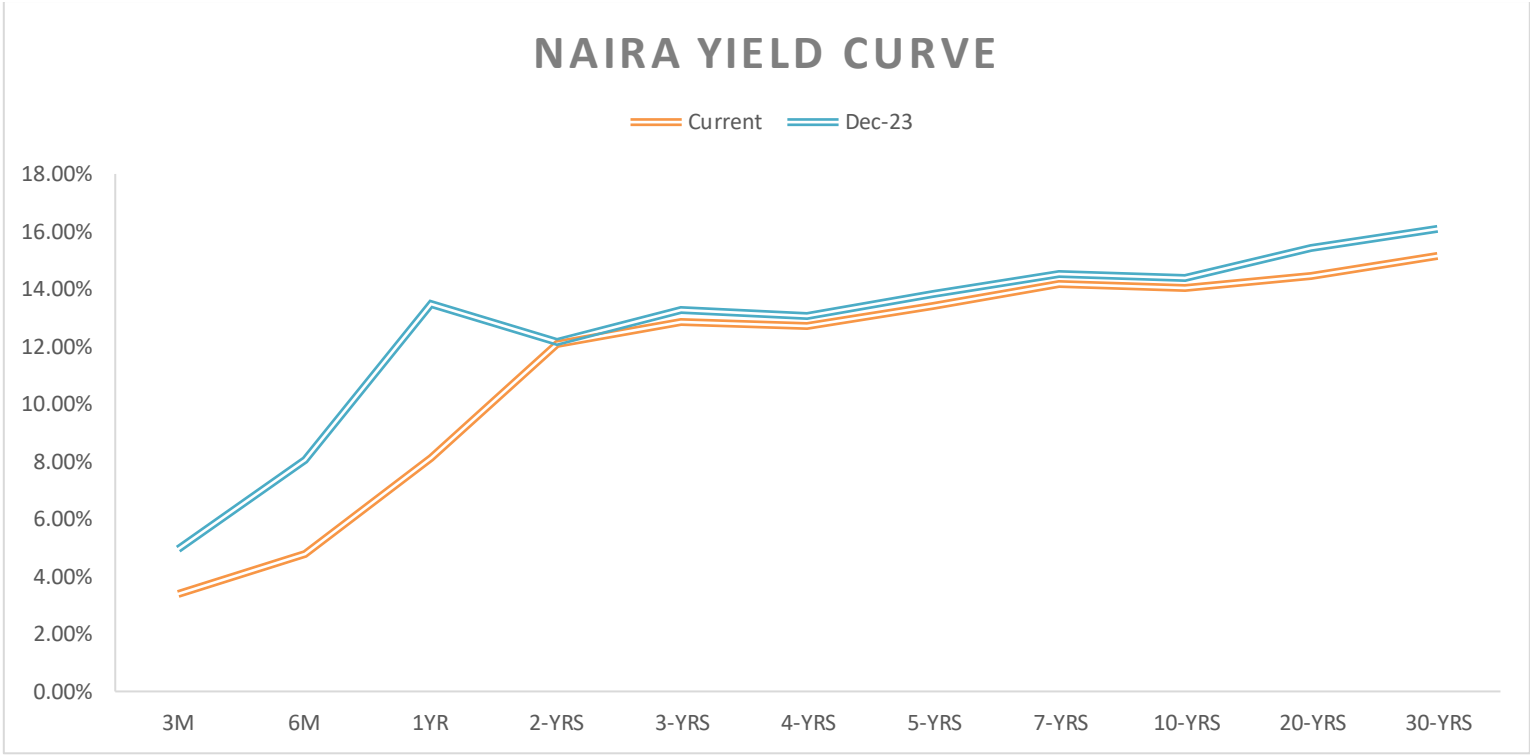
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 19, 2023

MAJOR	19-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0877	1.0874	0.03%	-0.66%.	-0.56%.	0.20%
GBPUSD	1.2668	1.2705	-0.29%.	-0.65%.	0.24%	2.22%
USDCHF	0.8694	0.8680	0.16%	2.04%	0.81%	-5.52%.
USD RUB	87.9750	89.4237	-1.62%.	0.02%	-1.87%.	28.91%
USDNGN	910.5000	894.4887	1.79%	-4.86%.	10.50%	100.30%
USDZAR	19.0464	18.9272	0.63%	2.35%	3.96%	11.32%
USDEGP	30.8915	30.8514	0.13%	0.13%	0.13%	3.70%
USDCAD	1.35	1.3485	-0.10%.	0.51%	0.82%	0.72%
USDMXN	17.15	17.1453	0.00%	1.67%	0.00%	-9.08%.
USDBRL	4.93	4.9268	0.02%	1.51%	0.22%	-5.38%.
AUDUSD	0.6583	0.6570	0.20%	-1.52%.	-2.17%.	-5.50%.
NZDUSD	0.6105	-0.0600	-0.15%.	-2.21%.	-2.25%.	-5.68%.
USDJPY	148.3260	148.1482	0.12%	2.38%	3.34%	14.49%
USDCNY	7.2072	7.2152	-0.11%.	0.25%	0.81%	6.28%
USDINR	83.0875	83.1623	-0.09%.	0.27%	-0.07%.	2.60%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 19, 2023

Commodity		19-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	74.5	73.9	0.69%	2.45%	0.32%	-9.07%.
BRENT	USD/Bbl	79.7	79.1	0.72%	1.84%	0.08%	-8.89%.
NATURAL GAS	USD/MMBtu	2.6	9.8	-3.64%.	-21.55%.	10.74%	-14.22%.
GASOLINE	USD/Gal	2.2	2.2	0.32%	3.44%	-0.63%.	-21.66%.
COAL	USD/T	128.9	129.5	-0.46%.	-1.41%.	-11.26%.	-64.54%.
GOLD	USD/t.oz	2,028.9	2,022.6	0.31%	-0.91%.	0.04%	5.37%
SILVER	USD/t.oz	22.6	22.7	-0.50%.	-2.23%.	-6.13%.	-5.41%.
WHEAT	USD/Bu	595.6	585.5	1.73%	-0.24%.	-2.53%.	-19.81%.
PALM-OIL	MYR/T	3,939.0	3,895.0	1.13%	2.15%	4.26%	1.21%
COCOA	USD/T	4,595.0	4,458.1	3.07%	6.43%	6.78%	79.10%

FGN Bonds Yield Curve, Friday, January 19, 2023



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