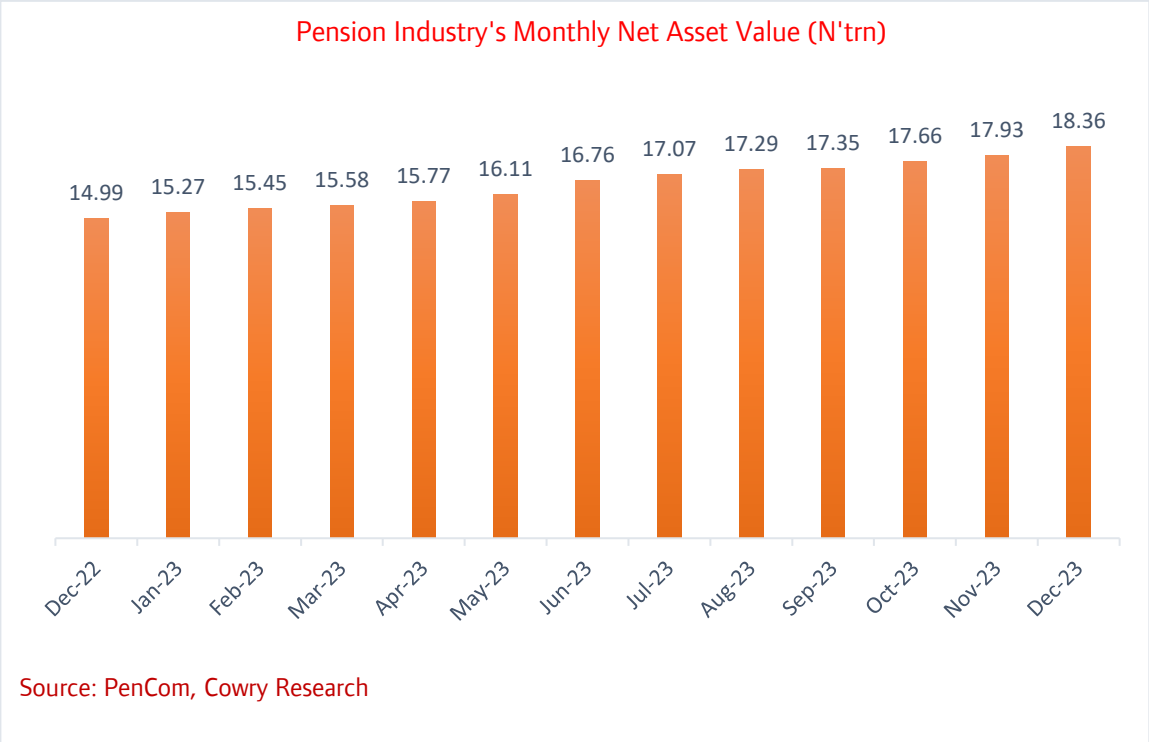


Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's Pension Industry Witnesses Impressive Growth in 2023; Industry AuM Hits N18.4trn....

This week, we analyzed the latest unaudited report from the National Pension Commission (PenCom). The report revealed that Nigeria's pension funds industry experienced substantial growth, with total assets under management (AUM) witnessing a remarkable 22.5% year-on-year increase. The AUM soared to N18.36 trillion by the end of December 2023, reflecting a 2.43% uptick from the figure recorded in November 2023 and showcasing the industry's robust trajectory.

Breaking down the AUM by asset class and fund type, the report highlights that a significant portion, 64.9%, is invested in Federal Government of Nigeria (FGN) securities. Corporate debt securities follow at 10.4%, with domestic ordinary shares making up 8.6% of the total AUM. Despite this growth, the industry is deemed underpenetrated, with its total AUM equivalent to only 9% of Nigeria's 2022 GDP—a notable disparity when compared to the global average of 29.4% in 2020, according to World Bank data.



Further analysis of Pencom's data underscores the dominance of FGN securities, constituting the largest asset class for pension funds. FGN bonds, in particular, make up 96% of total FGN securities and more than 60% of fund administrators' overall asset mix. The report reveals that investment in FGN securities reached N11.92 trillion in December 2023, marking a substantial 24% year-on-year growth. This surge is attributed to increased supply by the Debt Management Office (DMO) to meet the federal government's domestic funding targets and address the budget deficit in the N23 trillion budget for FY 2023.

Notably, despite a 225 basis points increase in the monetary policy rates to 18.75% by the Central Bank of Nigeria (CBN) in 2023, pension fund administrators (PFAs) continued to invest in FGN securities, driven by the relatively safe and stable returns and the prevailing yield environment.

The report also highlights the significant growth in pension fund investments in domestic ordinary shares, experiencing a remarkable 70% year-on-year increase to N1.57 trillion. This surge is attributed to the robust performance of the Nigerian Stock Exchange (NGX) in 2023, where the all-share index reached an unprecedented 74,000 index points—a milestone not seen in 15 years since March 2008. The market's resilience is attributed to various factors, including robust corporate earnings, dividend declarations, government-led market reforms, and increased interest from both domestic and foreign investors. Foreign transactions on the NGX increased by an impressive 113.94% in November 2023, reaching N71.37 billion, indicating positive investor sentiment. The domestic investor segment outperformed foreign investors by approximately 52%, showcasing a robust performance in the local market.

While real estate and private equity have seen year-on-year growth, they remain a small portion of the overall portfolio. Other alternative investment classes, such as foreign ordinary shares, infrastructure funds, mutual funds, and real estate, have not gained significant traction in the Nigerian market.

Examining fund types, the report indicates steady growth in Retirement Savings Account (RSA) funds, as more Nigerians participate in the Contributory Pension Scheme. However, the Retiree Fund accounts for the largest share, representing 58.02% of total AUM, followed by RSA Funds at 30.59%, and Closed Pension Fund Administrators (CPFAs) at 1.39%.

Looking ahead, we see the pension industry's positive growth trajectory playing a pivotal role in Nigeria's economic development in the mid to longer term. The strong performance of the equities market is anticipated to contribute significantly to the growth of total AUM. Additionally, expectations for the Central Bank of Nigeria (CBN) to adopt a dovish stance in 2024 and beyond could lead to a tapering of interest rates, encouraging investments in government securities such as bonds and other money market instruments. This may particularly benefit fund administrators with longer investment horizons. We also anticipate more attractive opportunities for increased penetration into the pension fund space, thereby promoting higher pension savings in Nigeria above the current level.

EQUITIES MARKET: Positive Sentiment Lingers with N4.30trn Gains as ASI Crosses 102,000 Mark on Buy-Momentum....

This week in the local stock market, buying momentum hit some stocks as investors eager sought for dividend paying stocks took a bolstrous turn across major sectors of the market in anticipation for the earnings scorecard. Consequently, the market performance was positive for another week as the all-share index rose by 8.32% week on week, surpassing the 100,000 mark to a historic high of 102,401.88 points on positive market breadth and low traded volumes. This comes as discerning investors took due advantage of the upside potential and price movements in DANGCEM, SEPLAT, BUACEM, BUAFOODS and ETERNA respectively that have witnessed immense investor sentiment.

This remarkable surge in the benchmark index was underpinned by continued funds inflow, reflecting the repositioning by market players on fundamentally sound stocks as a result of the last Nigerian Treasury Bills auction results where the stop rates trended higher and presents the equities market as a more attractive investment option. Similarly, the total market capitalisation of listed equities improved further by 8.32% week on week to close at N56.04 trillion as the year-to-date return strengthened to 36.95% and equity investors accumulated a substantial N4.30 trillion over the five trading sessions.

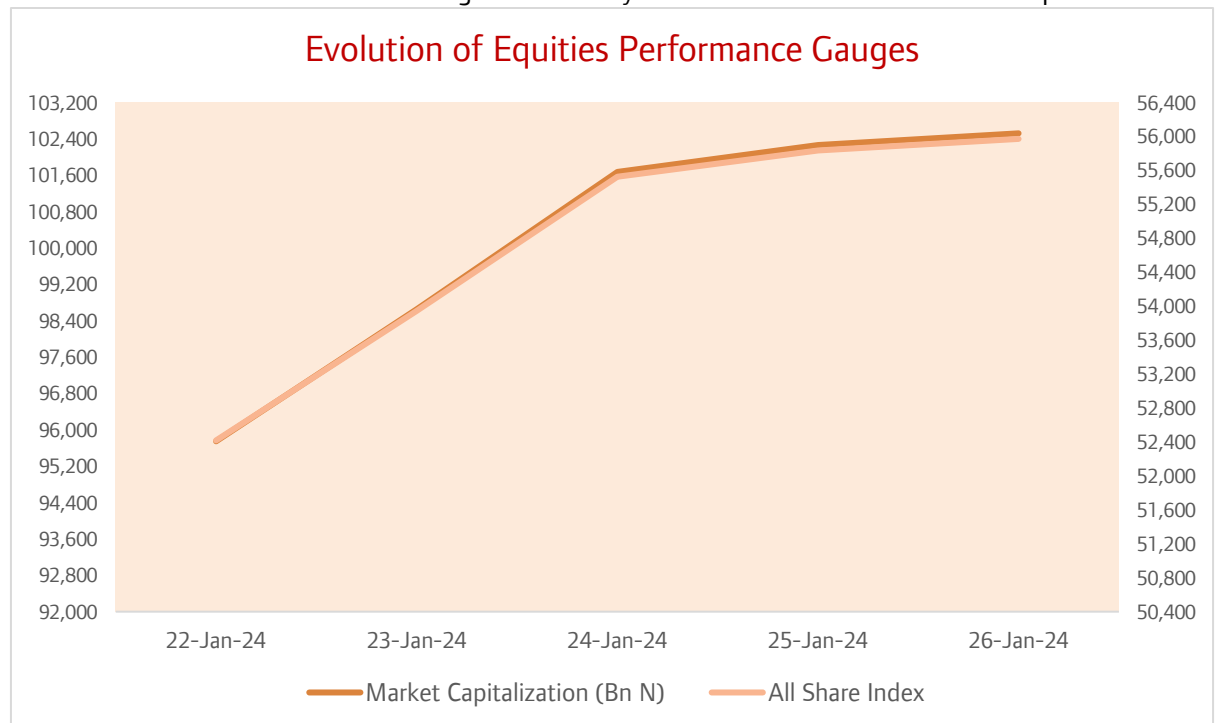
Across the sectoral front, it was largely

bullish as three out of the five sectors under our purview closed northward. The banking and insurance indexes retreated by 1.63% and 4.10% week-on-week due to price declines in WEMABANK, GTCO, ROYALEX and CONHALLPLC. In contrast, the Industrial index outperformed, gaining 23.20% week-on-week, driven by price increases and buy interest in DANGCEM and BUACEM. This was trailed by the positive performances of the Oil & Gas, and Consumer Goods Indexes which closed the week on a bullish note, rising by 11.57% and 5.29% respectively, fueled by positive price movements in SEPLAT, JAPAU LGOLD, ETERNA, BUAFOODS, NASCON and GEREGU.

Despite the overall positive performance, the market participation levels waned, mirroring the trend seen in the previous week. Total traded volume declined by 42.44% to 2.98 billion units, while the number of trades dipped by 13.99% to 67,962 deals. The weekly traded value also showed lackluster movement, dropping by 25.61% to N57.87 billion. This comes on the back of waning sentiments triggered by expectation for a temporary pull back in the market.

At the close of the week, the top-performing stocks included TRIPPLE GEE (+32%), DANGCEM (+29%), SUNUASSUR (+25%), JAPAU LGOLD (+23%), and SEPLAT (+21%). On the flip side, stocks such as VERITASKAP (-23%) ROYALEX (-22%), TIP (-22%), CADBURY (-21%) and DEAPCAP (-19%) faced declines in their share prices, respectively.

Looking ahead to the coming week, we anticipate the continuation of positive sentiments in the local stock market. The optimism is expected to persist as the market eagerly awaits more corporate earnings releases, which are poised to act as catalysts driving market activities. However, we foresee a mixed trend with a possibility of profit-taking. Investors are likely to engage in sectoral rotation, capitalizing on stocks that experience pullbacks to position themselves strategically. This rotation strategy is expected to create buying opportunities, especially in anticipation of upcoming releases from early filers in the corporate reporting season. 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 26, 2023

Top Ten Gainers				Bottom Ten Losers			
Company	Jan - 26 - 2024	Jan- 19-2024	% Change	Company	Jan - 26 - 2024	Jan- 19-2024	% Change
TRIPPLEG	2.83	2.14	32.2%	VERITASKAP	0.59	0.77	-23.4%
DANGCEM	694.10	538.80	28.8%	ROYALEX	0.76	0.98	-22.4%
SUNUASSUR	2.25	1.80	25.0%	TIP	2.30	2.94	-21.8%
JAPAUFGOLD	3.08	2.50	23.2%	CADBURY	22.95	29.00	-20.9%
SEPLAT	3,074.60	2,541.00	21.0%	DEAPCAP	0.80	0.99	-19.2%
BUACEMENT	179.65	148.50	21.0%	MCNICHOLS	1.48	1.80	-17.8%
MORISON	3.38	2.80	20.7%	UNITYBNK	2.92	3.50	-16.6%
ETERNA	27.45	22.95	19.6%	AFRIPRUD	8.35	10.00	-16.5%
BUAFOODS	271.80	240.00	13.3%	HONYFLOUR	4.91	5.85	-16.1%
CUTIX	3.00	2.70	11.1%	CONHALLPLC	1.63	1.93	-15.5%

Weekly Stock Recommendations as at Friday, January 26, 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
AIRTELAFRI	27.62	41.43	596	3.36	72.4	2040	1175	2,000	3000.0	1,700	2,300	50.00	Buy
ETI	0.23	0.26	73.01	0.36	114.15	28.8	9.5	26.5	34.0	22.5	30.5	28.30	Buy
MAYBAKER	0.02	0.02	4.89	1.49	453	7.51	3.35	7.50	10.0	6.2	8.4	36.99	Buy
UBA	1.94	2.07	51.99	0.58	15.6	33.50	12.85	30.50	37.0	25.8	34.8	22.11	Buy
TOTAL	5.99	6.39	158.98	2.18	57.8	385	197	346.50	415.0	294.5	398.5	19.77	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 26, 2023

FGN Eurobonds	Issue Date	TTM (years)	26-Jan-24	Weekly	26-Jan-24	Weekly
			Price (N)	USD Δ	Yield	PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.82	98.08	0.10	8.8%	-0.05
6.50 NOV 28, 2027	28-Nov-17	3.84	90.53	0.15	9.5%	-0.04
6.125 SEP 28, 2028	28-Sep-21	4.68	86.91	-0.20	9.7%	0.08
8.375 MAR 24, 2029	24-Mar-22	5.16	93.68	-0.50	10.0%	0.14
7.143 FEB 23, 2030	23-Feb-18	6.08	87.30	-0.57	10.0%	0.14
8.747 JAN 21, 2031	21-Nov-18	6.99	93.04	-0.41	10.2%	0.09
7.875 16-FEB-2032	16-Feb-17	8.06	87.15	-0.77	10.3%	0.16
7.375 SEP 28, 2033	28-Sep-21	9.68	82.52	-0.71	10.3%	0.14
7.696 FEB 23, 2038	23-Feb-18	14.09	78.94	-0.58	10.6%	0.10
7.625 NOV 28, 2047	28-Nov-17	23.85	75.62	-0.90	10.4%	0.13
9.248 JAN 21, 2049	21-Nov-18	25.01	87.69	-0.25	10.7%	0.04
8.25 SEP 28, 2051	28-Sep-21	27.69	79.54	-0.43	10.5%	0.06

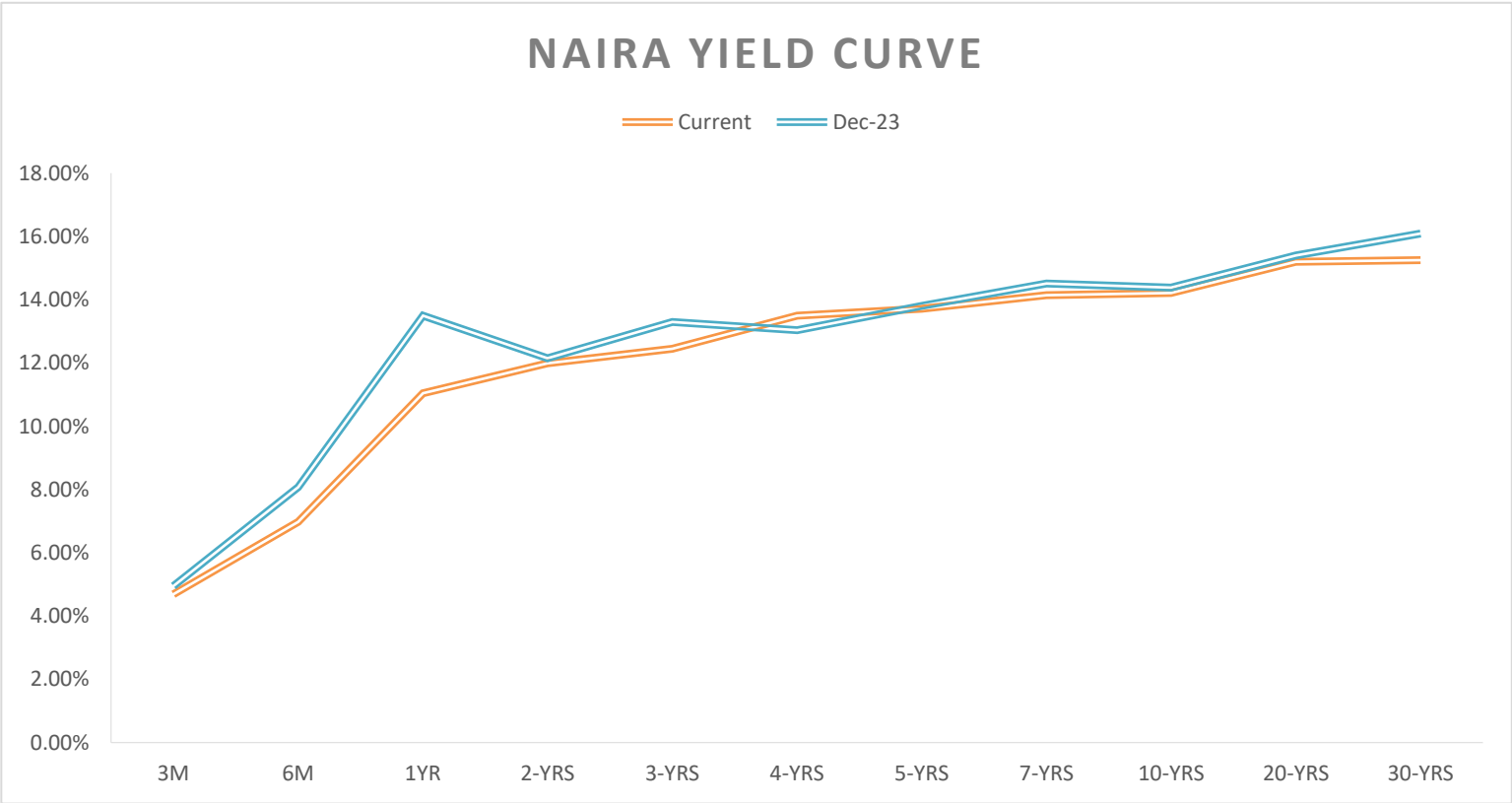
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 26, 2023

Commodity		26-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.1	77.4	-1.69%.	3.80%	2.60%	-4.91%.
BRENT	USD/Bbl	81.4	82.4	-1.28%.	3.52%	2.25%	-5.48%.
NATURAL GAS	USD/MMBtu	2.6	9.8	-0.82%.	1.12%	4.52%	-11.50%.
GASOLINE	USD/Gal	2.2	2.3	-1.46%.	3.07%	3.11%	-19.24%.
COAL	USD/T	126.8	127.2	-0.31%.	-1.63%.	-12.85%.	-64.34%.
GOLD	USD/t.oz	2,018.0	2,019.8	-0.09%.	-0.52%.	-2.82%.	4.73%
SILVER	USD/t.oz	22.8	22.9	-0.58%.	0.89%	-6.05%.	-3.32%.
WHEAT	USD/Bu	595.7	612.3	-2.71%.	0.32%	-4.47%.	-20.64%.
PALM-OIL	MYR/T	4,017.0	3,993.8	0.58%	1.98%	6.55%	2.95%
COCOA	USD/T	4,684.0	4,624.8	1.28%	2.16%	9.39%	78.23%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 26, 2023

MAJOR	26-Jan-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0866	1.0846	0.18%	-0.27%	-2.12%	0.00%
GBPUSD	1.2713	1.2707	0.04%	0.12%	-0.61%	2.57%
USDCHF	0.8638	0.8667	-0.34%	-0.56%	2.46%	-6.19%
USD RUB	89.7955	89.0210	0.87%	1.84%	-1.99%	29.10%
USDNGN	898.2000	886.4107	1.33%	0.92%	1.61%	95.35%
USDZAR	18.7650	18.8574	-0.49%	-1.31%	2.07%	9.14%
USDEGP	30.8978	30.8515	0.15%	0.15%	0.48%	3.54%
USDCAD	1.35	1.3474	-0.10%	0.23%	1.92%	1.14%
USDMXN	17.14	17.1893	-0.29%	0.35%	1.30%	-8.65%
USDBRL	4.91	4.9167	-0.11%	-0.40%	1.75%	-3.87%
AUDUSD	0.6584	0.6581	0.05%	-0.18%	-3.77%	-7.29%
NZDUSD	0.6100	-0.0600	-0.16%	-0.14%	-3.75%	-6.03%
USDJPY	147.9470	147.6517	0.20%	-0.15%	4.30%	13.92%
USDCNY	7.1840	7.1797	0.06%	-0.25%	0.45%	6.33%
USDINR	83.1100	83.1433	-0.04%	0.03%	-0.18%	1.96%

FGN Bonds Yield Curve, Friday, January 26, 2023



Disclaimer

This report is produced by the **Research Desk** of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.