

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Another Improvement in CBN's Credit to Private Sector to N62.5trn in 2023; Signals Positive Trajectory

In our economic analysis this week, we delved into the latest money and credit statistics sourced from the Central Bank of Nigeria's website. The data for the year 2023 revealed a notable improvement in the total credit to the private sector, which stood at N62.52 trillion as of December 2023. This indicates a substantial year-on-year increase of 49.6% from the N41.74 trillion reported at the close of 2022. The data encompasses all lending sources, with particular attention to small and medium-sized businesses, including those facilitated by the CBN and state-owned development banks like the Bank of Industry, as well as smaller credit extensions by micro-finance and non-interest banks.

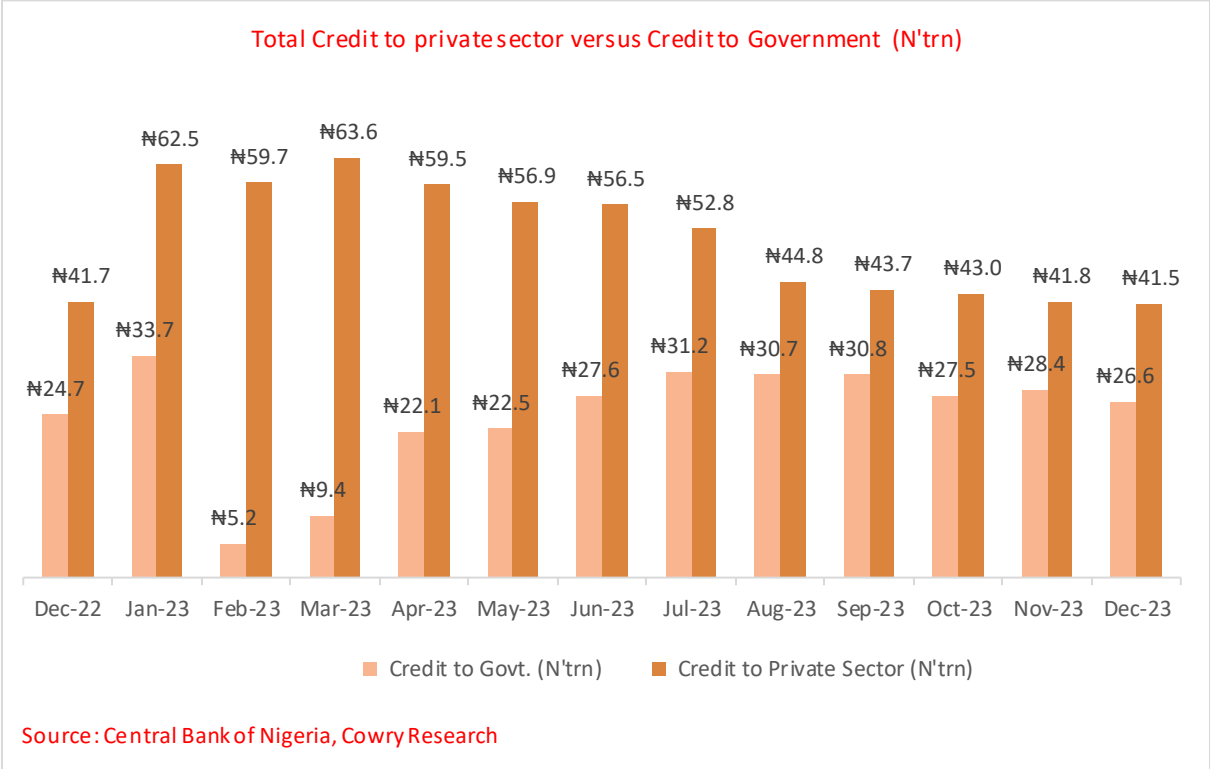
The CBN's credit to the private sector shows significant growth throughout 2023, peaking at an all-time high of N63.6 trillion by the end of October 2023 before stabilizing to N62.52 trillion by year-end. This growth can be attributed to several factors, including the improved level of economic activity post-COVID, signaling economic recovery and increased demand for credit by major businesses despite the prevailing high interest rate environment.

The data also indicates an improvement and growth in the total banking system liquidity during 2023, providing more lending opportunities for banks. The CBN has implemented various initiatives aimed at boosting credit delivery to the private sector, including the loan-to-deposit (LDR) policy and targeted intervention programs for sectors like agriculture and manufacturing.

A closer examination of total credit to the private sector, as per the CBN's Quarterly Statistical Bulletin for Q3'23, revealed a total credit amount of N39.1 trillion as of the end of September 2023, reflecting a 39% year-on-year increase. The discrepancy of approximately N23 trillion between deposit money banks and private sector businesses can partly be attributed to a 3-month time lag. However, a significant portion of this difference is explained by the CBN's increasing credit interventions and lending by state-owned banks such as the Bank of Industry.

Regarding the sectoral utilization of credit, the CBN's quarterly economic report highlighted that the services sector received the largest share of total credit, accounting for over 52%, followed by the industry sector with over 43%. Conversely, the agriculture sector received the smallest allocation, around 5%, despite being a priority sector for the CBN, indicating ongoing challenges in providing adequate credit accessibility to this critical sector.

Furthermore, total credit extension to the government increased by 36.6% year on year to N33.67 trillion in 2023 from N24.66 trillion in the previous year, following a significant decrease of over 70% year on year in the preceding month to N5.16 trillion.

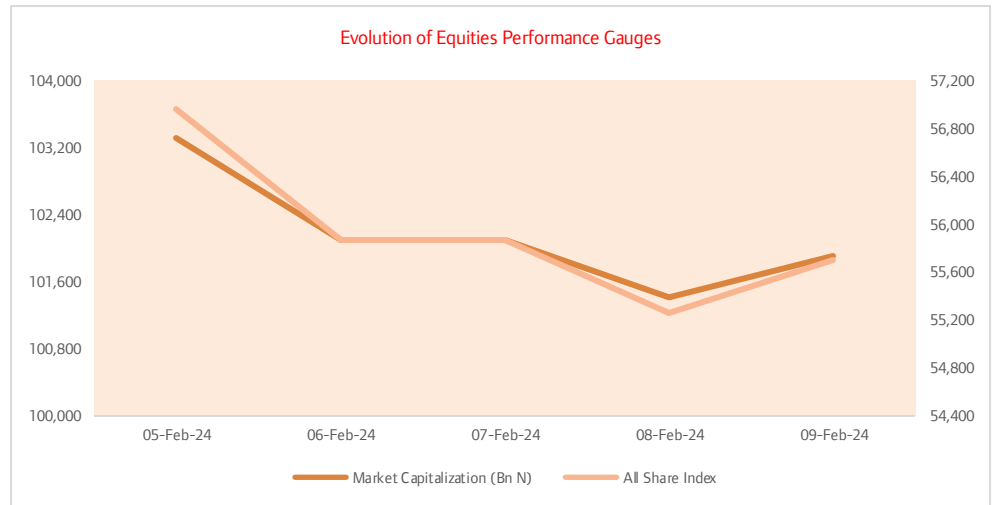


Cowry research opines that the growth to over N60 trillion in total credit to the private sector signifies a positive trajectory and speaks volume of instilled confidence by deposit money and microfinance banks in the resilience of the private sector to stimulate economic activity and job creation. However, it is imperative to ensure that credit is channeled to productive sectors and that borrowers can service their loans amidst high cost of funds. The CBN must continue its efforts to improve access to finance for underserved sectors like agriculture and small and medium-sized enterprises (SMEs).

EQUITIES MARKET: Negative Sentiments Wipe N1.4trn from Equity Market as Investors Seek Safe Haven....

This week witnessed a notable correction in the local bourse, marking the first downturn in 16 weeks, propelled by sell sentiments particularly from institutional investors. The motive behind this shift in sentiment appears to be portfolio rebalancing for safety. This adjustment precedes the expectations set for the Monetary Policy Committee (MPC) meeting this month and follows the recent surge in treasury rates to a nearly 7-year high. This portends that the Central Bank of Nigeria (CBN) is signaling a return to orthodox monetary policy tools to curb inflation and the move to entice foreign investors back into Nigeria's economy adds to the backdrop.

This week, the benchmark index plummeted by a substantial 2.45% week-on-week to 101,858.37 index points, as profit-taking activities dominated the market amidst weak breadth and elevated volatility. Consequently, the year-to-date (YTD) return of the index settled at 36.22%, contributing to a 2.59% weekly decline in the market capitalization of listed equities to N55.74 trillion coupled with the recent delisting of GlaxoSmithKline's shares from the daily official list of the NGX. This resulted in a total of N1.42 trillion being wiped off from the market as investor sentiment waned across the board.



The level of trading activity this week was in a lacluster as investors' sentiment levels reflected negative market breadth. As a result, the weekly total traded volume decreased by 36.34% week on week to 2.48 billion units, with the number of trades nosediving by 20.45% week on week to 54,982 deals. In the same vein, the weekly traded value plunged by 49.70% to N47.86 billion.

Sectoral performance for the week exhibited a negative trend, with all five sectors experiencing sharp downturns. The Banking and Industrial indexes led the losses, declining by 6.86% and 4.16%, respectively. This was primarily driven by price drops in key stocks such as FBNH, GTCO, ZENITH, WAPCO, and JULIUS BERGER. Following closely were the Insurance, Oil & Gas, and Consumer Goods indexes, recording gains of 1.48%, 0.40%, and 0.14% week-on-week losses, driven by negative price movements and sell interest in SUNUASSUR, NB, FLOURMILL, OANDO, ETERNA, AIICO, and MTNN.

Top-performing stocks at the close of the week included MEYER (+61%), JULI (+44%), GEREGU (+19%), MRS (+7%), and BUAFOODS (+4%). On the flip side, stocks like ETERNA (-19%), ABBEYBDS (-18%), MBENEFIT (-18%), STERLINGNG (-16%), and FIDELITY (-15%) experienced declines in their share prices, respectively.

In the upcoming week, Cowry Research anticipates the current bearish trend to persist as investors seek refuge in fixed-income instruments due to the high yields as seen recently amid dividend expectations and high market volatility ahead of the January Consumer Price Index (CPI) data from the NBS and the impending Monetary Policy Committee meeting this February. However, a pullback at this juncture is expected to strengthen upside potential. 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, February 9, 2024

Top Ten Gainers				Bottom Ten Losers			
Company	Feb - 09 - 2024	Feb- 02-2024	% Change	Company	Feb - 09 - 2024	Jan- 02-2024	% Change
MEYER	6.91	4.30	60.7%	ETERNA	17.95	22.10	-18.8%
JULI	1.01	0.70	44.3%	ABBEBDS	2.44	2.99	-18.4%
GEREGU	675.90	568.00	19.0%	UNITYBNK	2.31	2.81	-17.8%
CORNERST	2.23	1.90	17.4%	MBENEFIT	0.61	0.74	-17.6%
MAYBAKER	7.04	6.30	11.7%	STERLINGNG	5.58	6.60	-15.5%
CADBURY	21.90	20.00	9.5%	PZ	30.90	36.40	-15.1%
MRS	135.00	126.00	7.1%	JAIZBANK	2.48	2.90	-14.5%
REDSTAREX	3.85	3.60	6.9%	FIDELITYBK	10.95	12.80	-14.5%
DEAPCAP	0.70	0.67	4.5%	NEIMETH	1.80	2.09	-13.9%
BUAFOODS	295.90	285.00	3.8%	CHAMS	2.50	2.90	-13.8%

Weekly Stock Recommendations as at Friday, February 9, 2024

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
OKOMUOIL	22.19	23.58	41.37	6.53	12.17	270	157	270	325.0	229.5	310.5	20.37	Buy
NESTLE	8.72	9.30	-53	-20.92	126.1	1350	963.9	1,100	1300.0	935.0	1265.0	18.18	Buy
GTCO	2.92	3.12	43.25	0.92	13.67	48.80	22.05	40.00	49.0	34.0	45.9	22.65	Buy
SEPLAT	2.98	3.17	2,278	1.35	1033.1	3075	1050	3074	3600.0	2612.9	3535.1	17.11	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, February 9, 2024

FGN Eurobonds	Issue Date	TTM (years)	09-Feb-24 Price (N)	Weekly USD Δ	09-Feb-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.78	98.43	0.45	8.6%	-0.27
6.50 NOV 28, 2027	28-Nov-17	3.80	91.60	0.65	9.2%	-0.20
6.125 SEP 28, 2028	28-Sep-21	4.64	88.28	0.52	9.3%	-0.14
8.375 MAR 24, 2029	24-Mar-22	5.12	95.07	0.39	9.6%	-0.10
7.143 FEB 23, 2030	23-Feb-18	6.04	88.61	0.45	9.7%	-0.10
8.747 JAN 21, 2031	21-Nov-18	6.95	94.23	0.51	9.9%	-0.11
7.875 16-FEB-2032	16-Feb-17	8.02	88.35	0.39	10.0%	-0.07
7.375 SEP 28, 2033	28-Sep-21	9.64	84.26	0.59	10.0%	-0.11
7.696 FEB 23, 2038	23-Feb-18	14.05	80.69	0.40	10.3%	-0.06
7.625 NOV 28, 2047	28-Nov-17	23.82	77.54	0.22	10.1%	-0.03
9.248 JAN 21, 2049	21-Nov-18	24.97	90.29	0.63	10.3%	-0.08
8.25 SEP 28, 2051	28-Sep-21	27.65	81.34	0.55	10.3%	-0.07

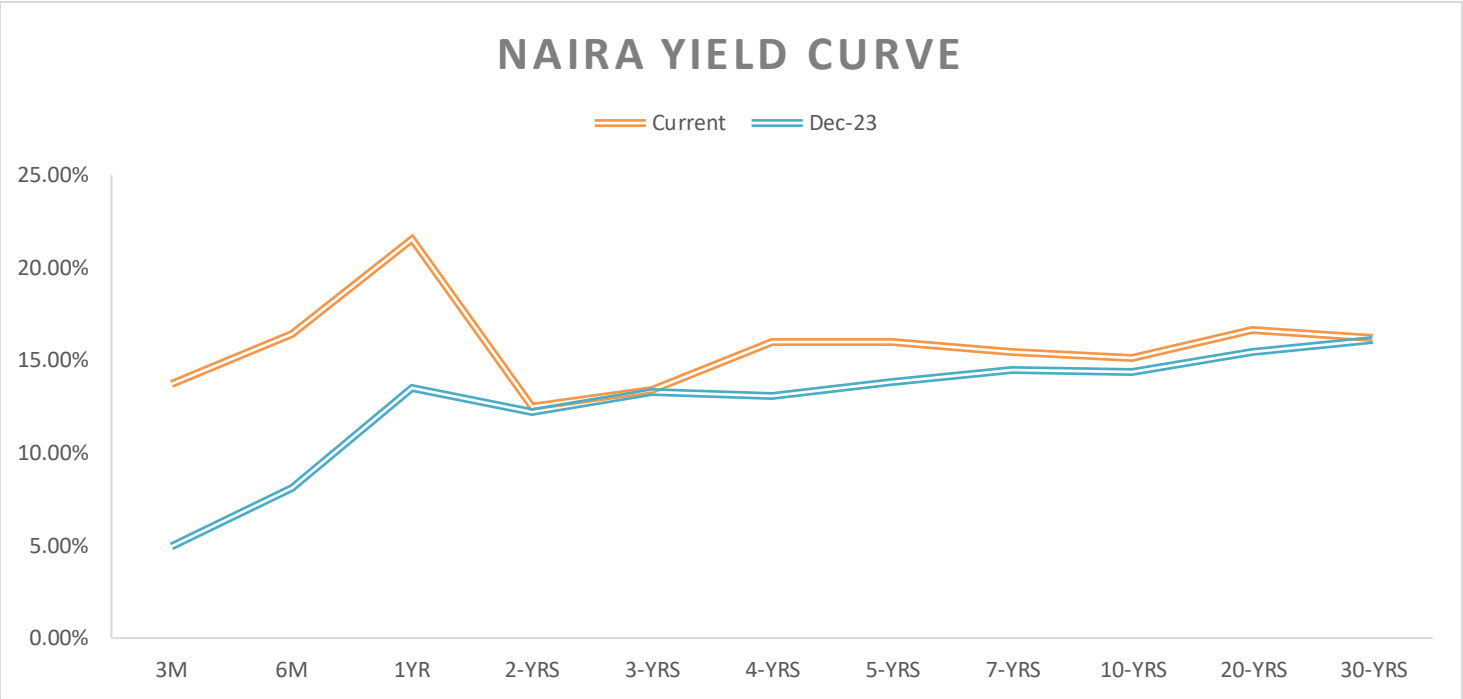
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 9, 2024

MAJOR	09-Feb-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0785	1.0776	0.08%	-0.01%.	-1.72%.	1.01%
GBPUSD	1.2634	1.2616	0.14%	0.00%	-0.85%.	4.74%
USDCHF	0.8744	0.8736	0.09%	0.93%	2.79%	-5.32%.
USDRUB	91.0205	91.1664	-0.16%.	0.03%	1.84%	24.51%
USDNGN	1450.5000	1444.0020	0.45%	2.65%	52.61%	216.02%
USDZAR	19.0164	18.9557	0.32%	0.61%	1.81%	6.11%
USDEGP	30.8919	30.8487	0.14%	0.14%	0.14%	1.45%
USDCAD	1.34	1.3455	-0.17%.	-0.17%.	0.44%	0.70%
USDMXN	17.09	17.1402	-0.30%.	-0.10%.	0.86%	-8.31%.
USDBRL	4.97	4.9921	-0.41%.	0.11%	1.73%	-4.59%.
AUDUSD	0.6525	0.6491	0.52%	0.14%	-2.64%.	-5.71%.
NZDUSD	0.6144	-0.0600	0.80%	1.25%	-1.41%.	-2.56%.
USDJPY	149.3170	149.3170	0.00%	0.66%	2.49%	13.66%
USDCNY	7.2179	7.2143	0.05%	0.05%	0.50%	5.80%
USDINR	82.9910	82.9744	0.02%	0.01%	-0.02%.	0.60%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 9, 2024

Commodity		09-Feb-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	77.3	76.2	1.42%	6.96%	8.33%	-3.41%.
BRENT	USD/Bbl	82.4	81.6	0.89%	6.56%	7.30%	-4.17%.
NATURAL GAS	USD/MMBtu	1.9	9.8	-2.58%.	-10.07%.	-27.02%.	-28.28%.
GASOLINE	USD/Gal	2.4	2.3	0.70%	9.80%	12.62%	-12.73%.
COAL	USD/T	120.0	120.5	-0.41%.	3.45%	-10.78%.	-46.78%.
GOLD	USD/t.oz	2,023.7	2,033.2	-0.47%.	-0.72%.	0.03%	8.54%
SILVER	USD/t.oz	22.5	22.6	-0.15%.	-0.60%.	-1.40%.	2.47%
WHEAT	USD/Bu	604.1	588.5	2.65%	0.52%	-1.29%.	-24.24%.
PALM-OIL	MYR/T	3,884.0	3,873.9	0.26%	3.19%	3.38%	-1.20%.
COCOA	USD/T	5,699.0	5,805.2	-1.83%.	14.49%	36.35%	123.67%

FGN Bonds Yield Curve, Friday, February 9, 2024



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