

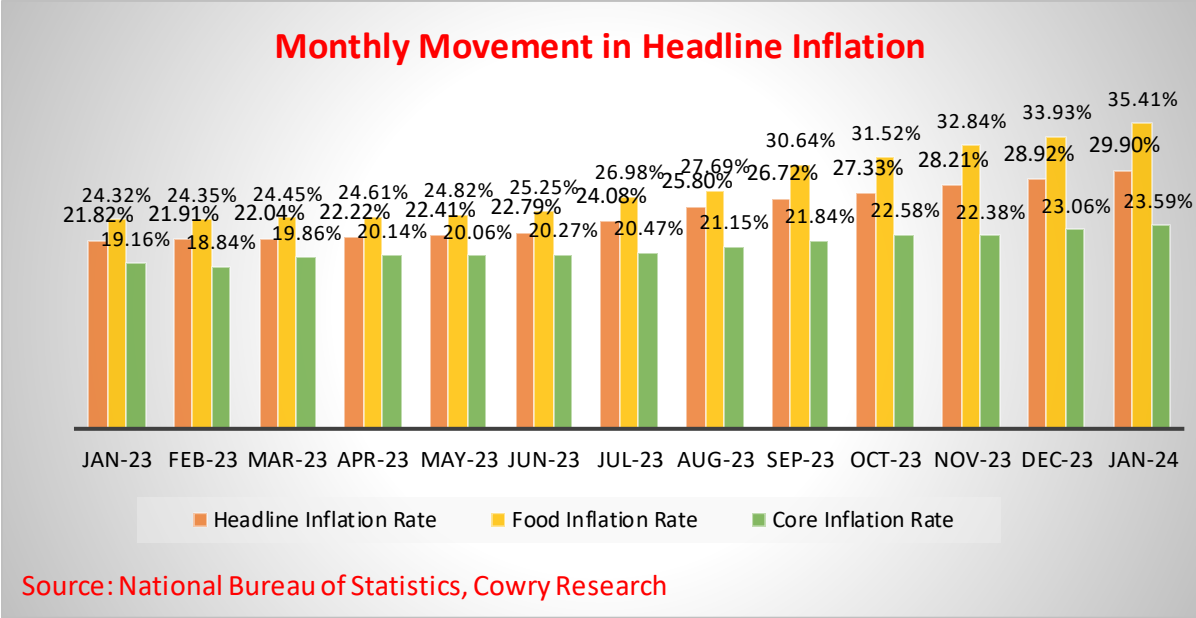
Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflation Kickstarts 2024 with Pangs; Routes to 29.90% at 28-Year High....

This week, the National Bureau of Statistics (NBS) published the latest monthly consumer price inflation data which indicates that the headline inflation rate increased for the thirteenth consecutive months to 29.90% in January 2024, reflecting an increase of 0.98% points when compared to the December 2023 headline inflation rate of 28.92%.

The current inflation rate in January 2024 represents a 28-year high, surpassing 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 costs of transportation, adverse impacts of climate change on food production, domestic security challenges, the Russia-Ukraine war and the prolonged depreciation of the Nigerian Naira against the US dollar in the foreign exchange market.

Major contributors to the acceleration in the headline index include food and non-alcoholic beverages, constituting over 51% of the total 29.90%. Other contributing factors include housing and utility items, clothing and footwear, transportation costs, educational and health amenities costs, accounting for 17%, 8%, 7%, 3.95%, and 3.0% respectively. Regardless, the continued depreciation of the local currency has continued to exert significant pressure on the core component of Nigeria's inflation basket due to the country's reliance on imported items.



Nigeria's headline inflation reading has maintained an upward trajectory since December 2022, partly due to structural challenges in the agricultural sector, which has resulted in supply constraints in the food sector. Meanwhile, food inflation continued to play a significant role, reaching 35.41% year-on-year in January 2024, which was 11.10% points higher compared to January 2023 rate of 24.32%. Factors driving food inflation included increases in the prices of bread and cereals, potatoes, yam and other tubers, oil and fat, fish, meat, fruit, coffee, tea and cocoa. Other contributing factors included 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 23.59% in January 2024 on a year-on-year basis, up by 4.71% points from the 18.88% recorded in January 2023. This increase was driven by higher prices in passenger transport by road and air, medical services, actual and imputed rentals for housing, pharmaceutical products, and accomodation service.

Month-on-month, we note that all three measures of inflation rose sharply. Thus, the headline inflation rate climbed to 2.64% month-month, up from 2.29% m/m, food inflation rose to 3.21% month-on-month (vs. 2.72% month-on-month in December), while core inflation increased to 2.24% month-on-month from 1.82% in the prior month.

In January 2024, the year-on-year All Items inflation rate exhibited regional variations, with Kogi (35.79%), Oyo (34.58%), and Akwa Ibom (33.16%) experiencing the highest rates, while Borno (22.57%), Taraba (24.83%), and Benue (26.64%) recorded the slowest rise in Headline inflation. On a Month-on-Month basis for the same period, Ondo (3.79%), Osun (3.77%), and Jigawa (3.58%) saw the highest increases, contrasting with Bayelsa (0.45%), Yobe (1.10%), and Ogun (1.35%), which recorded the slowest rise in Month-on-Month inflation.

Regarding Food Inflation in January 2024, the Year-on-Year basis displayed disparities across regions. Kogi (44.18%), Kwara (40.87%), and Rivers (40.08%) reported the highest Food inflation rates, while Bauchi (28.83%), Adamawa (29.80%), and Kano (30.08%) recorded the slowest rise. On a Month-on-Month basis for Food Inflation, the highest increases were observed in Ondo (4.69%), Osun (4.59%), and Edo (4.58%), while Bayelsa (0.24%), Yobe (0.97%), and Ogun (1.44%) experienced the slowest rise in inflation.

The marked rise in headline inflation in January signals the expectation for continued elevated price levels partly due to structural challenges in the agricultural sector, which has resulted in supply constraints in the food sector. Recently, the federal government took immediate actions on the need to create a commodity board as a means to tackle inflation and food crisis. This move, may not yield the desired results on the economy considering previous attempts to mitigate rising costs. 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.

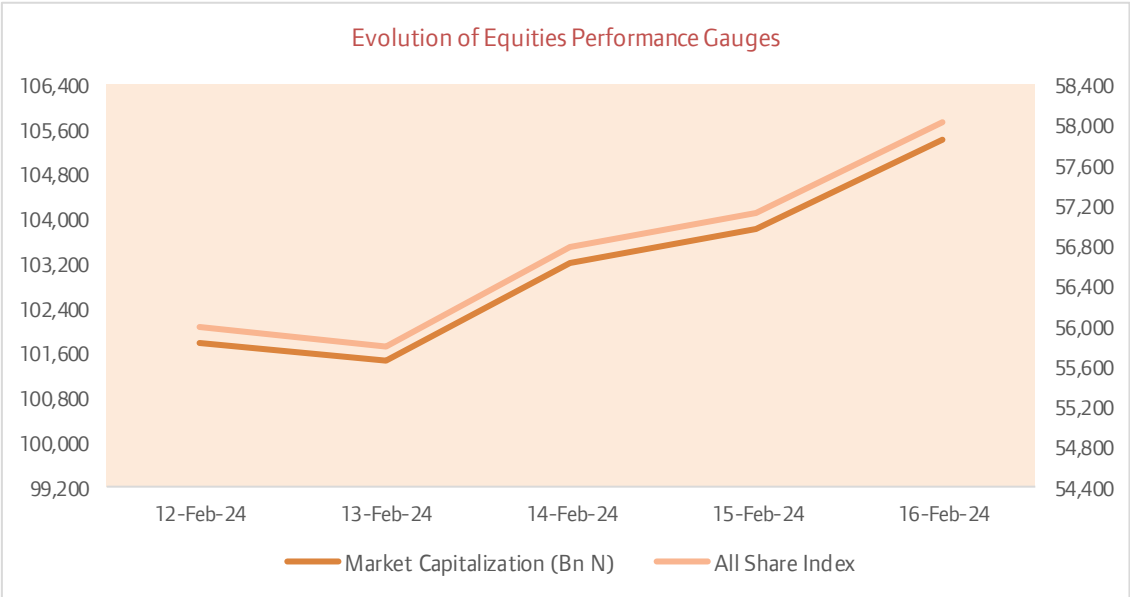
The MPC is set to meet later this month and given the unabating rise in inflationary trend, a tightening measure is expected to combat the high inflation by a modest 25-75bps. Regardless, Cowry Research foresee a continued rise in headline inflation in the month of February to 32%.

EQUITIES MARKET: Equity Investors Book Weekly Gains of N2.1 trillion Amidst Attractive Fixed Income Yields....

This week, the benchmark index reversed its loss from last week as it rebounded by a substantial 3.79% week-on-week to another new historic high of 105,722.78 index points, on mixed sentiment and low trade volumes despite positioning in the bellwether stocks which drove activity. Consequently, the year-to-date (YTD) return of the index settled at 41.39%, and further contributing to a 3.79% weekly rise in the market capitalization of listed equities to N57.85 trillion. This resulted in a total of over N2.1 trillion gain being added to the wealth of market investors.

In the just concluded week, the level of investor sentiment was shaky as market players digested the latest inflation figures which came at 29.90% in January coupled with the expectation for a continued increase in money market rates at the primary auctions which will render the equity markets as an unattractive investment option for investors.

Consequently, the level of trading activity this week was in a lull as investors' sentiment levels reflected negative market breadth. As a result, the weekly total traded volume decreased by 37.06% week on week to 1.56 billion units, with the number of trades nosediving by 22.62% week on week to 42,546 deals. In the same vein, the weekly traded value plunged by 23.74% to N36.50 billion.



Sectoral performance for the week exhibited a mixed trend, with two out of five sectors experiencing sharp downturns. The Banking and Industrial indexes bled with losses, declining by 1.34% and 1.83%, respectively. This was primarily driven by price drops in key stocks such as ACCESSCORP, GTCO, WAPCO, and RTBRISCOE. On the contrary, the Insurance, Oil & Gas, and Consumer Goods indexes, recorded gains of 2.66%, 10.96%, and 5.25% week-on-week, driven by strong demand and positive price movements in GEREGU, AIRTELAfri and SEPLAT.

Top-performing stocks at the close of the week included JULI (+46%), GEREGU (+33%), BUAFOODS (+21%), AIRTEL (+10%) and FBNH (+9.8%). On the flip side, stocks like MEYER (-19%), MORISON (-18%), DEAPCAP (-14%), FLOURMILL (-12%), and ACCESSCORP (-9%) experienced declines in their share prices, respectively.

In the upcoming week, Cowry Research anticipates a mixed trend of market activities as the recently published inflation data permeates the market with portfolio rebalancing by investors and fund managers seeking alpha in the market as well as the expectations from the fixed income market. 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 16, 2024

Top Ten Gainers				Bottom Ten Losers			
Company	Feb - 16 - 2024	Feb- 02-2024	% Change	Company	Feb - 16 - 2024	Feb- 02-2024	% Change
JULI	1.47	1.01	45.5%	MEYER	5.60	6.91	-19.0%
GEREGU	901.00	675.90	33.3%	MORISON	2.48	3.05	-18.7%
BUAFOODS	357.50	295.90	20.8%	DEAPCAP	0.60	0.70	-14.3%
ROYALEX	0.84	0.70	20.0%	FLOURMILL	35.10	40.00	-12.3%
DAARCOMM	0.81	0.69	17.4%	UNILEVER	16.50	18.50	-10.8%
MBENEFIT	0.70	0.61	14.8%	MECURE	9.72	10.80	-10.0%
CORNERST	2.50	2.23	12.1%	THOMASWY	2.25	2.50	-10.0%
AIRTELAFRI	2,200.00	2,000.00	10.0%	INFINITY	7.19	7.98	-9.9%
FBNH	28.00	25.50	9.8%	RTBRISCOE	0.59	0.65	-9.2%
SEPLAT	3,370.00	3,074.60	9.6%	ACCESSCORP	22.50	24.75	-9.1%

Weekly Stock Recommendations as at Friday, February 16, 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	0.48	0.51	596	3.69	4557.8	2200	1175	2,200	3000.0	1,870	2,530	36.36	Buy
BUA FOODS	6.20	6.20	15	22.37	52.4	357.50	133	357.50	400.0	276.3	373.8	23.08	Buy
FLOUR MILLS	0.06	0.10	52.85	0.74	648.05	47.4	27	35.10	62.4	33.2	44.9	60.00	Buy
OKOMUOIL	22.19	23.58	41.37	6.53	12.17	270	157	270	325.0	229.5	310.5	20.37	Buy
TOTAL	5.99	6.39	158.98	2.18	57.87	385.00	197.00	346.50	415.0	294.5	398.5	19.77	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, February 16, 2024

FGN Eurobonds	Issue Date	TTM (years)	16-Feb-24 Price (N)	Weekly USD Δ	16-Feb-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.76	98.50	0.07	8.6%	-0.04
6.50 NOV 28, 2027	28-Nov-17	3.78	91.80	0.20	9.1%	-0.06
6.125 SEP 28, 2028	28-Sep-21	4.62	88.76	0.48	9.2%	-0.13
8.375 MAR 24, 2029	24-Mar-22	5.10	95.68	0.61	9.5%	-0.15
7.143 FEB 23, 2030	23-Feb-18	6.02	89.27	0.66	9.5%	-0.15
8.747 JAN 21, 2031	21-Nov-18	6.93	94.88	0.65	9.8%	-0.13
7.875 16-FEB-2032	16-Feb-17	8.01	88.94	0.59	9.9%	-0.12
7.375 SEP 28, 2033	28-Sep-21	9.62	84.86	0.60	9.9%	-0.10
7.696 FEB 23, 2038	23-Feb-18	14.03	81.28	0.59	10.2%	-0.09
7.625 NOV 28, 2047	28-Nov-17	23.80	78.28	0.74	10.0%	-0.10
9.248 JAN 21, 2049	21-Nov-18	24.95	91.37	1.08	10.2%	-0.13
8.25 SEP 28, 2051	28-Sep-21	27.63	82.18	0.84	10.2%	-0.11

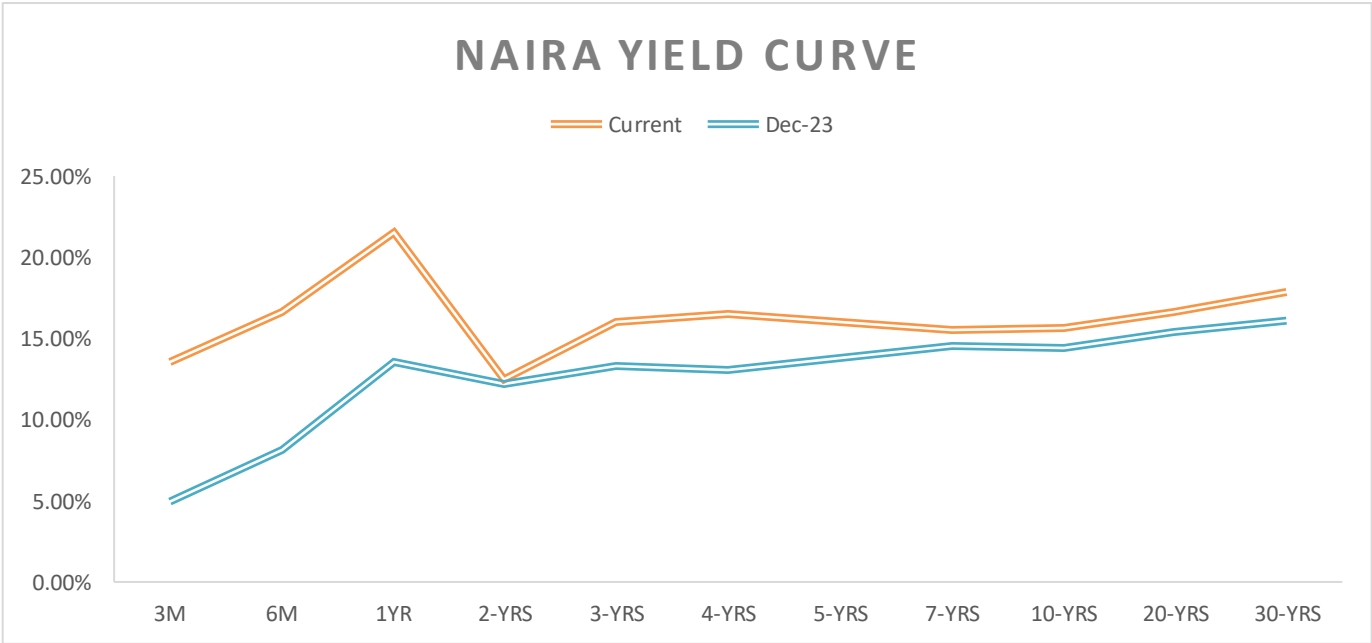
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 16, 2024

MAJOR	16-Feb-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0762	1.0771	-0.08%	-0.17%	-1.08%	0.65%
GBPUSD	1.2576	1.2600	-0.19%	-0.32%	-0.74%	4.51%
USDCHF	0.8813	0.8799	0.15%	0.79%	1.99%	-4.66%
USDRUB	91.8860	92.2735	-0.42%	1.26%	3.97%	24.52%
USDNGN	1492.7300	1516.2316	-1.55%	1.30%	73.98%	224.48%
USDZAR	18.8854	18.9403	-0.29%	-0.58%	-0.74%	4.79%
USDEGP	30.8952	30.8489	0.15%	0.15%	0.15%	1.23%
USDCAD	1.35	1.3463	0.15%	0.20%	-0.15%	0.11%
USDMXN	17.05	17.0398	0.07%	-0.11%	-0.80%	-7.05%
USDBRL	4.97	4.9730	-0.15%	0.32%	0.66%	-3.87%
AUDUSD	0.6518	0.6524	-0.10%	-0.09%	-0.50%	-5.26%
NZDUSD	0.6106	-0.0600	0.00%	-0.72%	-0.23%	-2.28%
USDJPY	150.3550	149.9053	0.30%	0.69%	1.47%	12.06%
USDCNY	7.2156	7.2170	-0.02%	-0.04%	-0.09%	5.00%
USDINR	82.9900	82.9900	0.00%	0.02%	-0.20%	0.32%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 16, 2024

Commodity		16-Feb-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	78.5	78.0	0.60%	2.18%	8.32%	2.36%
BRENT	USD/Bbl	83.2	82.9	0.39%	1.20%	6.80%	0.61%
NATURAL GAS	USD/MMBtu	1.6	9.8	2.31%	-12.65%	-35.36%	-35.36%
GASOLINE	USD/Gal	2.3	2.3	-1.07%	-2.03%	6.19%	-12.28%
COAL	USD/T	119.3	119.8	-0.42%	-0.63%	-7.56%	-44.28%
GOLD	USD/t.oz	2,004.4	2,004.1	0.01%	-1.04%	-0.13%	8.77%
SILVER	USD/t.oz	23.1	22.9	0.77%	1.96%	2.31%	6.09%
WHEAT	USD/Bu	567.3	567.0	0.05%	-4.85%	-2.52%	-26.85%
PALM-OIL	MYR/T	3,809.0	3,874.9	-1.70%	-1.93%	-0.16%	-7.79%
COCOA	USD/T	5,770.0	5,960.7	-3.20%	-2.11%	29.59%	111.76%

FGN Bonds Yield Curve, Friday, February 16, 2024



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