

Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

## ECONOMY: Improvement in FAAC Revenue to Government to N2.3trn m/m Amidst Fiscal Challenges...

For Cowry Research, it is evident that the ongoing fiscal challenges faced by state governments in Nigeria are concerning. The lower revenue distributions experienced relative to their total expenditure underscore the inadequacy of available funds, especially amidst efforts to mitigate the effects of the country's rising cost of living and fiscal pressure. This pressure is primarily driven by the relentless growth in expenditure profiles and the weighty burden of servicing existing debts. These factors collectively contribute to the challenging fiscal landscape facing Nigeria's governmental entities.

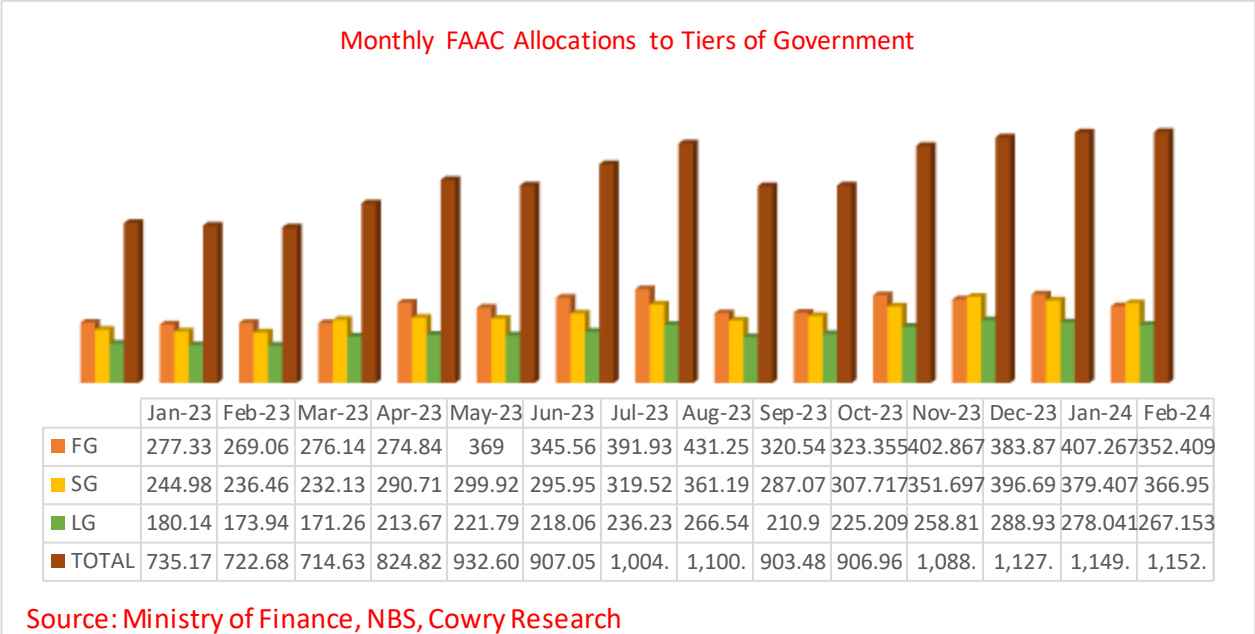
## EQUITIES MARKET: ASI Sees Beating by 0.42% as Investors Stay Cautious Ahead of MPC; Market Dynamics....

Looking ahead to the coming week, we anticipate a mixed outing in the equities market following the outcome of the monetary policy committee meeting. Expectations for upward movement in interest rates may influence market sentiment. However, we anticipate continued portfolio rebalancing activities as we approach the end of the first quarter of 2024. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

## ECONOMY: Improvement in FAAC Revenue to Government to N2.3trn m/m Amidst Fiscal Challenges...

This week, we switch our attention to the latest FAAC report from the Office of the Accountant General of the Federation which showed a continued rise in the total monthly distribution by the Federation Allocation Committee (FAAC) to the three tiers of the government. The data highlighted that the total revenue available to the tiers of government rose by 38.9% month on month in February 2024 to N2.33 trillion from N1.67 trillion in January 2024 and underscores improved earnings from oil amidst evolving global and domestic dynamics.

The gross monthly FAAC distribution, essential for understanding fiscal dynamics, portrayed a marginal uptick of 0.26% to N1.15 trillion in February, signifying a slight improvement from the preceding



month's N1.14 trillion. This distribution was distributed among the federal and subnational governments, with the Federal Government receiving N352.409 billion, State Governments securing N366.950 billion, and Local Government Councils obtaining N267.153 billion. Moreover, derivation revenue worth N166.244 billion, constituting 13% of mineral revenue, was allocated to benefiting states.

The surge in revenue can be primarily attributed to two key drivers: a substantial increase in exchange gain revenue, which surged by N328 billion to reach N607.44 billion, and a noteworthy boost in Value Added Tax (VAT) revenue, rising to N428 billion. These increments were propelled by improvements in the tax collection system and favourable foreign exchange rate differences, underlining the significance of policy interventions and economic dynamics in revenue generation.

Examining the components of the total distributable revenue, as elucidated in the FAAC communiqué, reveals a diversified revenue stream. Distributable statutory revenue amounted to N101.35 billion, distributable VAT revenue stood at N428.81 billion, Electronic Money Transfer Levy (EMTL) revenue totaled N15.16 billion, and Exchange Difference revenue reached N607.4 billion. Notably, the gross statutory revenue for February 2024 surpassed January's figure by N40.62 billion, reaching N1.19 trillion.

A breakdown of distributable statutory revenue allocation showcases the Federal Government's receipt of N7.35 billion, State Governments' allocation of N3.73 billion, and Local Government Councils' share of N2.9 billion. Additionally, N87.39 billion was allocated to benefiting states as derivation revenue, emphasizing the government's commitment to fostering equitable resource distribution and regional development.

Further dissecting distributable VAT revenue, the Federal Government received N64.321 billion, State Governments obtained N214.403 billion, and Local Government Councils were allocated N150.082 billion. Additionally, revenue from the electronic money transfer levy amounted to N15.16 billion, with the Federal Government receiving N2.27 billion, State Governments obtaining N7.58 billion, and Local Government Councils securing N5.31 billion.

Moreover, the Federal Government received N278.46 billion from the N 607.44 billion Exchange Difference revenue. The State Governments received N141.24 billion and the Local Government Councils received N108.9 billion. The sum of N78.9 billion (13% of mineral revenue) was shared to the benefiting States as derivation revenue. Also, total deduction for cost of collection was N66.46 billion; total transfers, interventions and refunds was N856.94 billion and savings was N250 billion.

In terms of revenue sources, February 2024 witnessed significant increases in Petroleum Profit Tax (PPT), Import Duty, Excise Duty, Value Added Tax (VAT), and CET Levies, while Oil and Gas Royalties observed a marginal increase. Conversely, Companies Income Tax (CIT) and Electronic Money Transfer Levy (EMTL) experienced considerable decreases, reflecting dynamic revenue streams amid evolving economic conditions.

For Cowry Research, it is evident that the ongoing fiscal challenges faced by state governments in Nigeria are concerning. The lower revenue distributions experienced relative to their total expenditure underscore the inadequacy of available funds, especially amidst efforts to mitigate the effects of the country's rising cost of living and fiscal pressure. This pressure is primarily driven by the relentless growth in expenditure profiles and the weighty burden of servicing existing debts. These factors collectively contribute to the challenging fiscal landscape facing Nigeria's governmental entities.

Looking ahead, there's a possibility of an increase in gross federally collected revenue, denominated in naira. This potential boost is expected to stem from the continued depreciation of the naira. However, despite this anticipated rise in nominal revenue, both the Federal Government and state governments are likely to continue grappling with significant fiscal pressure.

EQUITIES MARKET: ASI Sees Beating by 0.42% as Investors Stay Cautious Ahead of MPC; Market Dynamics....

In the just concluded week, the equities market demonstrated a lackluster performance, with market participants focusing on the audited accounts of banks ahead of the impending monetary policy committee meeting. This led to cautious positioning amidst low traded volumes and a mildly positive market breadth.

The benchmark index experienced a decline of 0.42% week-on-week to 104,647.37 points despite a strong interest in financial stocks, driven by recent developments regarding the apex bank's efforts to clear FX backlogs worth 47 billion. This initiative aimed to attract foreign investors and ensure the stability of the local currency, resulting in notable accretion in the Naira. However, the total market capitalization of listed equities also saw a decrease by 0.42% week-on-week, reaching N59.17 trillion. Consequently, investors witnessed a significant year-to-date return of 39.95%, leading to a collective wealth depletion of N247.6 billion.

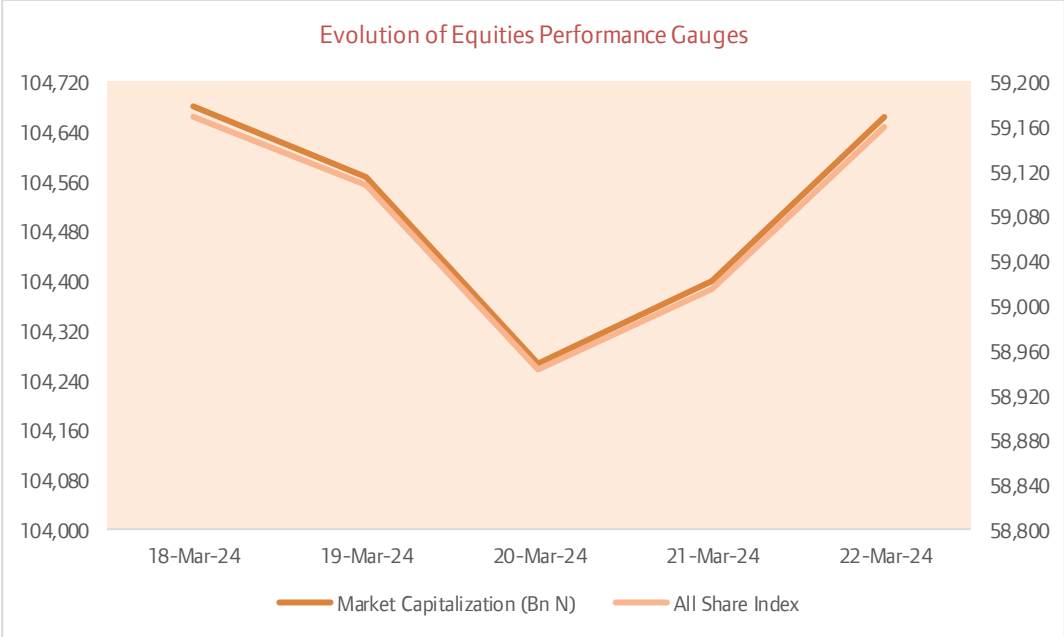
Trading activity remained subdued throughout the week, with weekly traded volume and value declining by 2.14% and 7.78% week-on-week to 1.74 billion units and N48.76 billion, respectively. However, total weekly deals increased by 1.17% week-on-week to 45,237 deals.

Sectoral performance for the week was mostly positive, except for the CONSUMER GOODS index, which recorded a modest loss of 0.37% week-on-week.

This was attributed to adverse price movements in PZ CUSSONS following disapproval from the SEC regarding their plan to buy out minority shareholders. Conversely, the BANKING, INSURANCE, INDUSTRIAL, and OIL & GAS sectors experienced gains, driven by upward movements in the prices of key stocks.

Individual stock performances varied, with JULI, NEM, INTENEGINS, JAIZBANK, and INTBREW leading the gainers with notable share price advances. On the other hand, JBERGER, DAARCOMM, DEAPCAP, MTNN, and PZ CUSSONS emerged as major losers, contributing to notable price declines week-on-week.

Looking ahead to the coming week, we anticipate a mixed outing in the equities market following the outcome of the monetary policy committee meeting. Expectations for upward movement in interest rates may influence market sentiment. However, we anticipate continued portfolio rebalancing activities as we approach the end of the first quarter of 2024. Fund managers are likely to engage in window dressing activities ahead of Q1 corporate releases and dividend earning seasons. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.



Weekly Gainers and Loser as at Friday, March 22, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	22-Mar-24	15-Mar-24	% Change	Company	22-Mar-24	15-Mar-24	% Change
JULI	7.86	5.38	46.1%	JBERGER	60.15	72.60	-17.1%
NEM	9.65	6.65	45.1%	DAARCOMM	0.67	0.78	-14.1%
INTENEGINS	1.50	1.22	23.0%	UPDCREIT	4.80	5.50	-12.7%
JAIZBANK	2.42	2.01	20.4%	DEAPCAP	0.63	0.72	-12.5%
THOMASWY	2.18	1.82	19.8%	MTNN	235.00	267.00	-12.0%
INTBREW	5.19	4.39	18.2%	ROYALEX	0.71	0.79	-10.1%
CILEASING	3.99	3.40	17.4%	IKEJAHOTEL	6.48	7.20	-10.0%
LIVESTOCK	1.79	1.55	15.5%	PZ	36.00	40.00	-10.0%
UNITYBNK	2.11	1.83	15.3%	TOURIST	2.56	2.84	-9.9%
UCAP	24.10	21.00	14.8%	ABBEYBDS	2.20	2.44	-9.8%

Weekly Stock Recommendations as at Friday, March 22, 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
ACCESSCORP	3.18	3.40	46.15	0.51	7.34	30.7	7.5	24.00	29.0	20.1	27.1	27.12	Buy
FBNH	2.05	2.05	47.35	0.80	18.5	43.7	10.3	38.65	49.0	32.1	43.5	29.63	Buy
OKOMUOIL	22.19	23.58	41.37	5.87	10.95	270	157	243.00	287.0	206.6	279.5	18.11	Buy
BUA CEMENT	2.05	2.18	11	12.59	69.8	180	47	143.20	177.0	121.7	164.7	23.60	Buy
GTCO	2.92	3.12	43.25	1.09	16.15	48.80	22.05	48.75	57.0	40.1	54.3	20.76	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, March 22, 2024

FGN Eurobonds	Issue Date	TTM (years)	22-Mar-24 Price (N)	Weekly USD Δ	22-Mar-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.67	99.57	1.21	7.9%	-0.79
6.50 NOV 28, 2027	28-Nov-17	3.69	93.61	2.69	8.6%	-0.90
6.125 SEP 28, 2028	28-Sep-21	4.52	89.95	2.54	8.9%	-0.74
8.375 MAR 24, 2029	24-Mar-22	5.01	96.59	2.77	9.2%	-0.73
7.143 FEB 23, 2030	23-Feb-18	5.93	90.19	2.80	9.3%	-0.67
8.747 JAN 21, 2031	21-Nov-18	6.84	96.00	3.05	9.6%	-0.65
7.875 16-FEB-2032	16-Feb-17	7.91	90.10	2.93	9.7%	-0.58
7.375 SEP 28, 2033	28-Sep-21	9.53	85.12	2.77	9.8%	-0.51
7.696 FEB 23, 2038	23-Feb-18	13.93	82.00	2.70	10.1%	-0.43
7.625 NOV 28, 2047	28-Nov-17	23.70	77.62	2.69	10.1%	-0.38
9.248 JAN 21, 2049	21-Nov-18	24.85	91.18	3.06	10.2%	-0.38
8.25 SEP 28, 2051	28-Sep-21	27.54	81.65	2.93	10.3%	-0.39

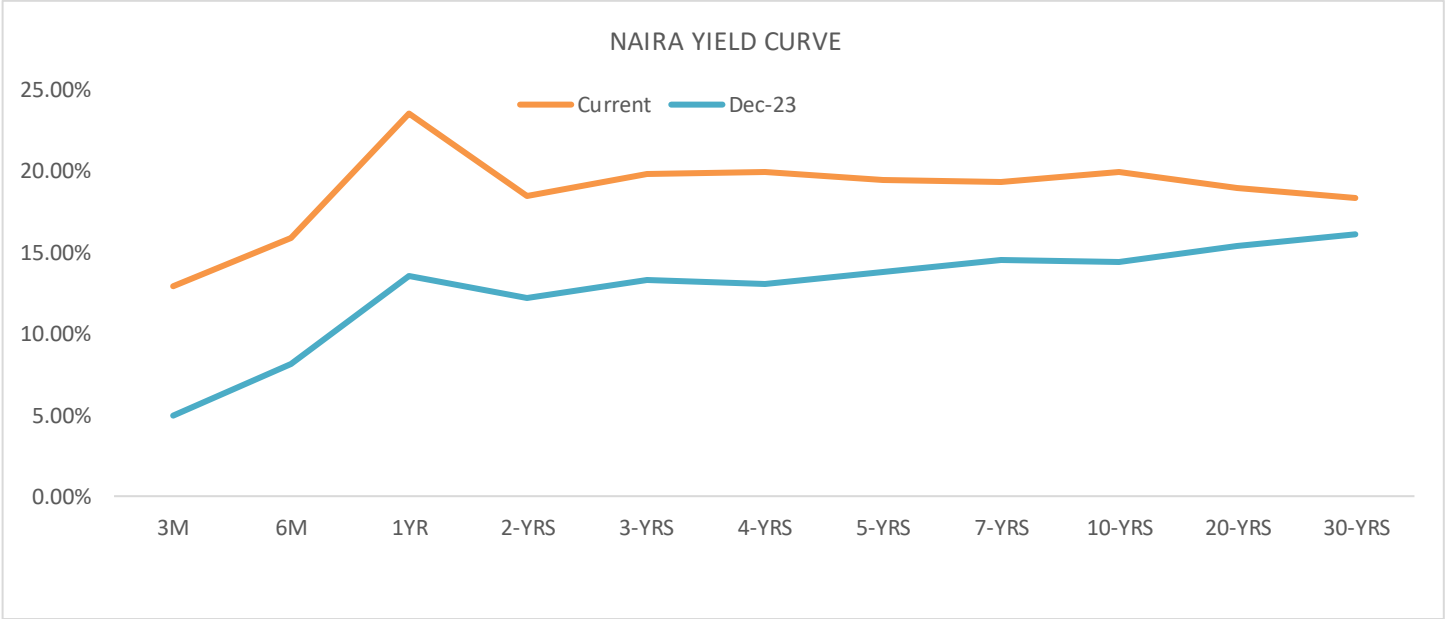
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, March 22,2024

MAJOR	22-Mar-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0819	1.0860	-0.38%.	-0.64%.	0.00%	-0.12%.
GBPUSD	1.2602	1.2656	-0.43%.	-1.08%.	-0.61%.	2.58%
USDCHF	0.8982	0.8975	0.07%	1.66%	1.93%	-1.99%.
USDRUB	92.1460	91.8704	0.30%	-0.40%.	-1.58%.	21.25%
USDNGN	1447.8900	1409.9620	2.69%	-10.05%.	-2.72%.	214.77%
USDZAR	18.9652	18.8110	0.82%	1.25%	-1.74%.	4.87%
USDEGP	46.7251	46.5993	0.27%	-2.15%.	51.46%	50.97%
USDCAD	1.36	1.3529	0.35%	0.25%	0.52%	-1.00%.
USDMXN	16.72	16.7353	-0.10%.	0.11%	-2.31%.	-9.93%.
USDBRL	4.99	4.9781	0.18%	-0.23%.	-0.23%.	-5.92%.
AUDUSD	0.6525	0.6569	-0.67%.	-0.56%.	-0.56%.	-2.39%.
NZDUSD	0.6007	-0.0600	-0.57%.	-1.21%.	-3.01%.	-3.86%.
USDJPY	151.1900	151.6145	-0.28%.	1.49%	0.49%	15.61%
USDCNY	7.2687	7.2203	0.67%	0.90%	0.92%	6.46%
USDINR	83.4750	83.1756	0.36%	0.72%	0.75%	1.51%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, March 22, 2024

Commodity		22-Mar-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	80.9	81.1	-0.18%.	0.60%	6.55%	15.61%
BRENT	USD/Bbl	85.6	85.8	-0.21%.	0.46%	6.10%	13.55%
NATURAL GAS	USD/MMBtu	1.7	9.8	-1.53%.	0.14%	-2.45%.	-27.41%.
GASOLINE	USD/Gal	2.7	2.7	0.56%	0.79%	9.29%	6.83%
COAL	USD/T	128.3	128.9	-0.50%.	-2.47%.	7.41%	-27.36%.
GOLD	USD/t.oz	2,175.1	2,180.7	-0.26%.	0.92%	6.86%	9.12%
SILVER	USD/t.oz	24.8	24.8	0.01%	-1.57%.	7.95%	7.12%
WHEAT	USD/Bu	542.0	546.7	-0.87%.	2.46%	-4.83%.	-18.20%.
PALM-OIL	MYR/T	4,188.0	4,249.2	-1.44%.	-2.31%.	8.69%	17.34%
COCOA	USD/T	8,757.0	8,559.3	2.31%	9.20%	33.43%	205.30%

FGN Bonds Yield Curve, Friday March 22, 2024





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