

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN Treads Lightly With 200bps Raise to 24.75% After Inflation-Served A' La Carte ...

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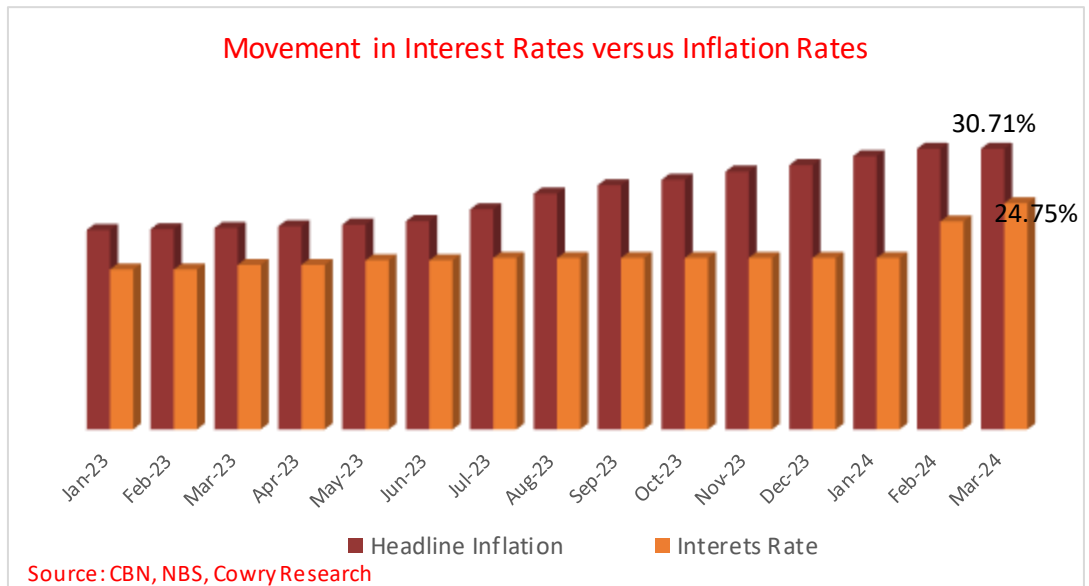
EQUITIES MARKET: : Local Bourse Takes a Dip by 8bps w/w into Choppy Waters Amid Inflation Fight.....

Looking ahead, Cowry Research sees optimism for the coming week and the subsequent quarter (Q2). This optimism is underpinned by several factors, including the commencement of the dividend earnings season in full swing, heightened expectations for impressive first-quarter earnings reports by corporates, and the continuation of window dressing activities by fund managers.

ECONOMY: CBN Treads Lightly With 200bps Raise to 24.75% After Inflation-Served A' La Carte ...

At the conclusion of the March 2024 edition of the Monetary Policy Committee (MPC) meeting, Yemi Cardoso, the Governor of the Central Bank of Nigeria (CBN), announced a measured increase in the benchmark interest rate in response to the prevailing inflationary environment. Despite the soft tone of the rate hike, the CBN continued its adoption of the inflation-targeting framework by raising the Monetary Policy Rate (MPR) by 200 basis points to 24.75% from 22.75%.

This decision was in line with earlier expectations for a 200 basis points increase in the benchmark interest rate at the March 2024 meeting, marking the tenth consecutive meeting since May 2022 in which the committee has maintained a hawkish stance to combat rising inflation. Also, the decision to raise the rates was based on expectations of liquidity injections into the economy from recent policy developments and their potential impact on inflation. Consequently, all committee members agreed to retain the parameters at unchanged levels, and adjusting the asymmetric corridor around the MPR remaining at +100/-300, while maintaining the Cash Reserve Ratio (CRR) at 45.00% and the Liquidity Ratio at 30%.



During the reading of the communique, the CBN chief noted that the committee deliberated on whether to further tighten or maintain the current stance, aiming to allow the effects of the last rate hike to permeate the economy while observing its impact. Nevertheless, the decision to hike rates in a less aggressive manner was intended to bolster investor confidence in the economy. The committee's choice to raise rates was influenced by ongoing global and domestic economic uncertainties, elevated general price levels, and the near-term inflation outlook. They also took into consideration key developments in the global economy, including inflationary trends in advanced economies and the monetary policy stance adopted by global central banks to moderate inflationary pressures. On the domestic front, the committee noted the pressures stemming from exchange rate depreciation and its significant pass-through effects on core components of Nigeria's inflation basket.

Additionally, the committee emphasized that addressing concerns regarding food security would be pivotal in curbing inflation levels. Measures such as providing palliatives to farmers, releasing grains from grain reserves, distributing fertilizers ahead of the planting season, and supplying farming implements to farmers were highlighted as strategies to ensure food security and mitigate rising food inflation, which is a major driver of the headline inflation index.

In February 2024, the National Bureau of Statistics reported that Nigeria's headline inflation continued its upward trajectory to 31.70% year-on-year from 29.90% in the previous month. This increase was driven by upticks in both food and core inflation readings to 37.92% year-on-year and 25.13% year-on-year, respectively. Notably, the month-on-month growth rate for two of the three inflation measures accelerated, with the headline reading increasing by 3.12% month-on-month from 2.64% in January, and food inflation expanding by 3.79% month-on-month from 3.21% in January.

The decision to raise the benchmark rate to 24.75% underscores the Monetary Policy Committee's (MPC) commitment to addressing the prevailing economic challenges, particularly in curbing inflationary pressures. By doing so, the MPC seeks to curb the expansion of the broad money supply (M3) and consequently mitigate inflation levels, thereby narrowing the existing negative real-interest rate gap.

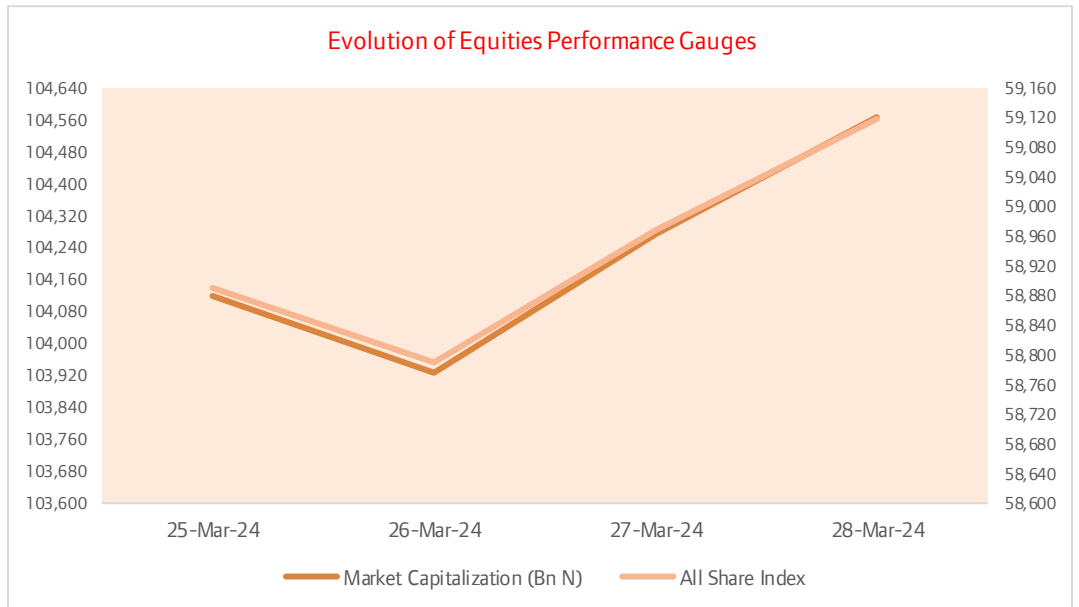
The decision made by the committee was primarily influenced by the escalating inflationary pressures and the anticipation of continued tight global financial conditions throughout 2024. This decision to increase the benchmark rate by 200 basis points was not only in accordance with Cowry and Market expectations but also deemed necessary to address the sustained growth in monetary aggregates, which has been a contributing factor to the rising inflation levels. Additionally, recent foreign exchange (FX) reforms implemented by the Central Bank of Nigeria (CBN) aimed at

improving FX liquidity and bolstering the local currency have yielded positive outcomes, thus fostering increased investor confidence.

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In the just concluded week, the equities market exhibited a lackluster performance, resonating with the broader sentiment among market participants. This sentiment was largely influenced by the outcome of the monetary policy committee meeting, where policy rates were raised to 24.75% as a strategic move to combat the persistently high inflation levels plaguing Nigeria's economy. Moreover, there were anticipations for increased yields in the fixed income market, adding another layer of cautiousness among investors.

Despite these headwinds, the activities in the equities market managed to retain a semblance of positivity, particularly as the week drew to a close ahead of the Easter holiday. However, this positivity was insufficient to offset the downward pressure, resulting in a marginal decline of 0.08% week-on-week for the benchmark index, settling at 104,562.06 points. Similarly, the total market capitalization of listed equities experienced a commensurate decrease of 0.08% week-on-week, reaching N59.12 trillion. This downward trajectory led to a collective wealth depletion of N48.23 billion in two of the four sessions throughout the week, reflecting the prevailing cautious sentiment.



Trading activity, albeit mildly bullish, witnessed an uptick in both weekly traded volume and value by 3.97% and 6.74% week-on-week, respectively, culminating in 1.80 billion units traded and a total value of N52.04 billion. However, this positive momentum was juxtaposed with a decline in total weekly deals, which decreased by 14.78% week-on-week to 38,549 deals. This decline can be attributed to the prominence of window dressing activities by fund managers as the second trading quarter of the year approached, coupled with the prevailing upbeat expectations.

Sectoral performance during the week depicted a mixed picture, with most sectors exhibiting bullish tendencies, barring the Consumer Goods index, which recorded a modest loss of 0.97% week-on-week, mirroring the previous week's performance. Adverse price movements in key stocks such as INTBREW, DANGSUGAR, FTNCOCOA, and TRANSCORP contributed to this downturn. Conversely, the Banking, Insurance, and Industrial Goods sectors closed bullish from the previous week's close by 1.93%, 3.19%, and 0.21%, respectively. This bullish trajectory can be attributed to the upward pricing of key stocks such as CONHALLPLC, ZENITHBANK, JBERGER, UNIVINSURE, GTCO, and WAPCO. Meanwhile, the Oil & Gas sector closed the week on a relatively muted note compared to the previous week.

At the close of the week, individual stock performances leaned towards the positive spectrum, with 39 weekly gainers overshadowing the 31 weekly decliners. Notable gainers included CWG, JULI, SUNUASSUR, ELLAHLAKES, ZENITHBANK, and JBERGER, with significant share price advancements ranging from 11% to 105%. Conversely, INTBREW, DANGSUGAR, FTNCOCOA, CHAMS, and FBNH emerged as major losers, experiencing notable price declines week-on-week.

Looking ahead, Cowry Research sees optimism for the coming week and the subsequent quarter (Q2). This optimism is underpinned by several factors, including the commencement of the dividend earnings season in full swing, heightened expectations for impressive first-quarter earnings reports by corporates, and the continuation of window dressing activities by fund managers. Following an impressive March, where the ASI returned +4.58% month-on-month for equities investors, anticipation for a positive start to April is palpable. Market participants will remain vigilant in digesting Nigeria's economic data and macroeconomic indicators to navigate the evolving landscape effectively. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, March 28, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	28-Mar-24	22-Mar-24	% Change	Symbol	28-Mar-24	22-Mar-24	% Change
CWG	7.50	5.95	26.1%	INTBREW	4.45	5.19	-14.3%
MORISON	1.76	1.41	24.8%	DANGSUGAR	52.00	59.00	-11.9%
JULI	9.49	7.86	20.7%	GUINEAINS	0.35	0.39	-10.3%
SUNUASSUR	1.36	1.16	17.2%	NNFM	48.30	53.65	-10.0%
CONHALLPLC	1.63	1.40	16.4%	FTNCOCOA	1.60	1.76	-9.1%
NSLTECH	0.64	0.55	16.4%	CHAMS	1.92	2.10	-8.6%
TANTALIZER	0.42	0.37	13.5%	CUTIX	2.60	2.84	-8.5%
CAVERTON	1.80	1.60	12.5%	TRANSCORP	14.20	15.45	-8.1%
ELLAHLAKES	3.70	3.30	12.1%	FBNH	35.55	38.65	-8.0%
ZENITHBANK	44.50	39.95	11.4%	NGXGROUP	21.40	23.00	-7.0%

Weekly Stock Recommendations as at Friday, March 28, 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
ETI	0.23	0.26	73.01	0.34	105.53	28.8	9.5	24.50	30.0	20.8	28.2	22.45	Buy
MAYBAKER	0.02	0.02	4.89	1.12	341.7	7.51	3.35	5.50	8.0	4.7	6.3	45.45	Buy
NIGERIAN BREWERIES	-0.93	-1.00	11	2.68	-31.4	48.85	28.8	29.35	40.0	24.9	33.8	36.29	Buy
FTNCOCOA	-0.02	-0.03	-0.42	-3.79	-70	2.9	0.25	1.60	2.4	1.4	1.8	50.00	Buy
ZENITH	13.82	14.74	61.15	0.73	3.22	47.35	18.90	44.50	57.0	37.8	51.2	28.09	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, March 28, 2024

FGN Eurobonds	Issue Date	TTM (years)	28-Mar-24 Price (N)	Weekly USD Δ	28-Mar-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.65	99.63	0.06	7.9%	-0.04
6.50 NOV 28, 2027	28-Nov-17	3.67	93.89	0.28	8.5%	-0.09
6.125 SEP 28, 2028	28-Sep-21	4.51	90.30	0.35	8.8%	-0.09
8.375 MAR 24, 2029	24-Mar-22	4.99	97.33	0.74	9.1%	-0.19
7.143 FEB 23, 2030	23-Feb-18	5.91	90.63	0.44	9.2%	-0.10
8.747 JAN 21, 2031	21-Nov-18	6.82	96.44	0.44	9.5%	-0.09
7.875 16-FEB-2032	16-Feb-17	7.89	90.38	0.28	9.6%	-0.06
7.375 SEP 28, 2033	28-Sep-21	9.51	85.48	0.36	9.8%	-0.06
7.696 FEB 23, 2038	23-Feb-18	13.92	82.19	0.19	10.1%	-0.03
7.625 NOV 28, 2047	28-Nov-17	23.68	77.47	-0.15	10.2%	0.02
9.248 JAN 21, 2049	21-Nov-18	24.84	91.44	0.26	10.2%	-0.03
8.25 SEP 28, 2051	28-Sep-21	27.52	81.72	0.07	10.3%	-0.01

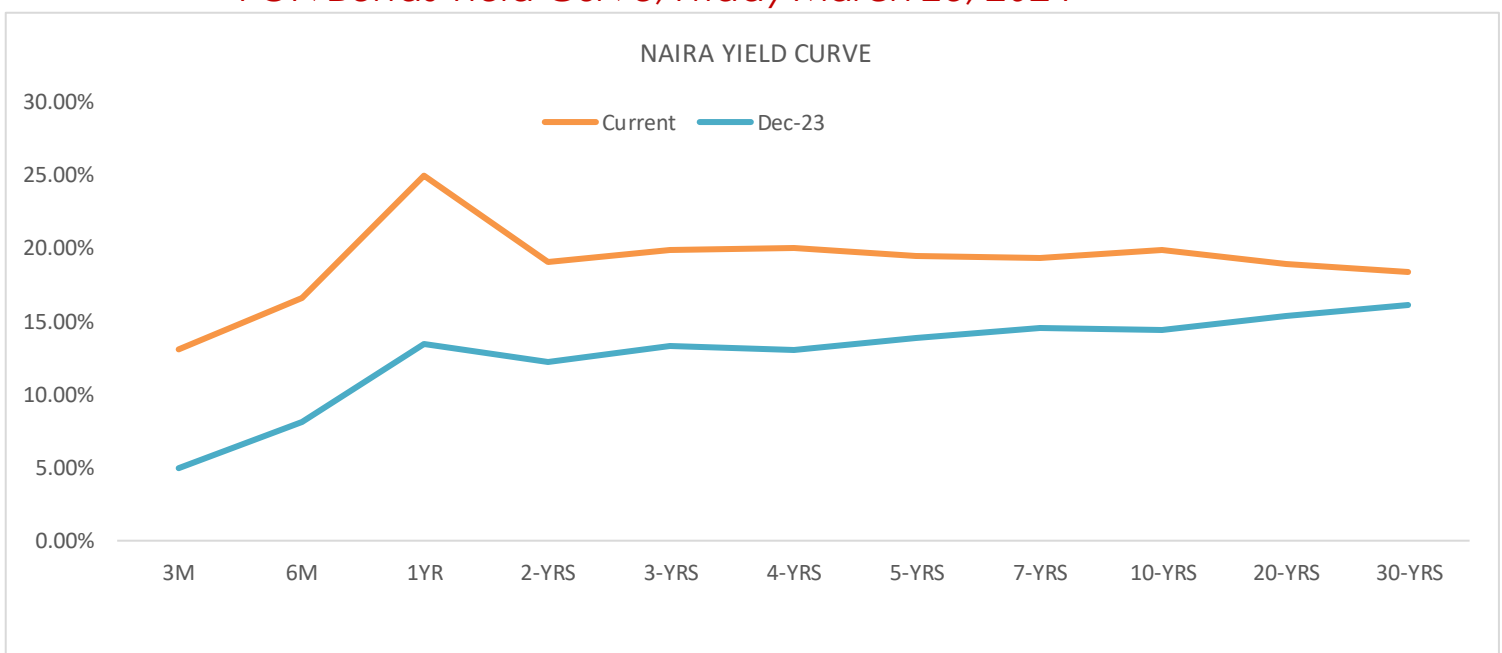
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, March 28,2024

MAJOR	28-Mar-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0800	1.0826	-0.24%	-0.54%	-0.02%	-0.39%
GBPUSD	1.2634	1.2638	-0.03%	-0.17%	0.09%	2.63%
USDCHF	0.9015	0.9037	-0.25%	0.46%	1.95%	-1.83%
USDRUB	92.4180	92.4457	-0.03%	0.60%	1.01%	21.08%
USDNGN	1415.1300	1415.1300	0.00%	0.37%	-12.46%	207.76%
USDZAR	18.9697	18.8960	0.39%	0.84%	-1.23%	4.80%
USDEGP	47.3609	47.2004	0.34%	1.63%	53.52%	54.02%
USDCAD	1.35	1.3567	-0.13%	0.15%	-0.19%	-0.04%
USDMXN	16.59	16.5232	0.42%	-0.89%	-2.71%	-8.28%
USDBRL	4.99	4.9866	0.03%	0.15%	0.28%	-2.92%
AUDUSD	0.6520	0.6533	-0.20%	-0.75%	0.38%	-2.44%
NZDUSD	0.5982	-0.0600	-0.35%	-0.98%	-1.73%	-3.87%
USDJPY	151.2230	151.3138	-0.06%	-0.26%	0.82%	13.83%
USDCNY	7.2593	7.2534	0.08%	0.54%	0.74%	5.29%
USDINR	83.3510	83.2927	0.07%	0.22%	0.55%	1.43%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, March 28, 2024

Commodity		28-Mar-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	82.6	81.3	1.58%	1.93%	6.69%	13.01%
BRENT	USD/Bbl	86.6	85.4	1.42%	1.59%	6.67%	11.61%
NATURAL GAS	USD/MMBtu	1.7	9.8	0.30%	-5.90%	-14.20%	-21.11%
GASOLINE	USD/Gal	2.7	2.7	1.48%	0.02%	5.51%	2.86%
COAL	USD/T	129.0	128.9	0.08%	0.08%	-1.53%	-26.91%
GOLD	USD/t.oz	2,214.0	2,194.1	0.91%	1.53%	8.37%	12.74%
SILVER	USD/t.oz	24.8	24.7	0.65%	0.18%	9.45%	6.25%
WHEAT	USD/Bu	548.0	547.5	0.10%	-0.13%	-5.25%	-22.52%
PALM-OIL	MYR/T	4,208.0	4,296.9	-2.07%	-1.50%	7.70%	14.13%
COCOA	USD/T	9,722.0	9,843.1	-1.23%	13.83%	50.68%	238.30%

FGN Bonds Yield Curve, Friday March 28, 2024





Disclaimer

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