

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Rising Debt Levels, Slow Growth Pose Fiscal Pressure, Financial Instability for Sovereigns ...

Potentially, the discussion on financial stability harps on the reality that if an improvement in government's primary balance cannot be achieved to offset higher real rates and lower potential growth, sovereign debt will continue to grow. This will test the financial sector's health. At high debt levels, governments have less capacity to provide support for ailing banks, and if they do, sovereign borrowing costs may rise further.

### EQUITIES MARKET: : ASI Down 1.08% w/w on Negative Start to April on Downbeat Sentiments.....

Looking ahead, Cowry Research sees weak optimism for the coming week underpinned by actions of market players who continue to digest the recent policy pronouncements by the economic directors as well as the expectation for the March 2024 consumer price inflation report, and the continuation of window dressing activities by fund managers. We note that 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.

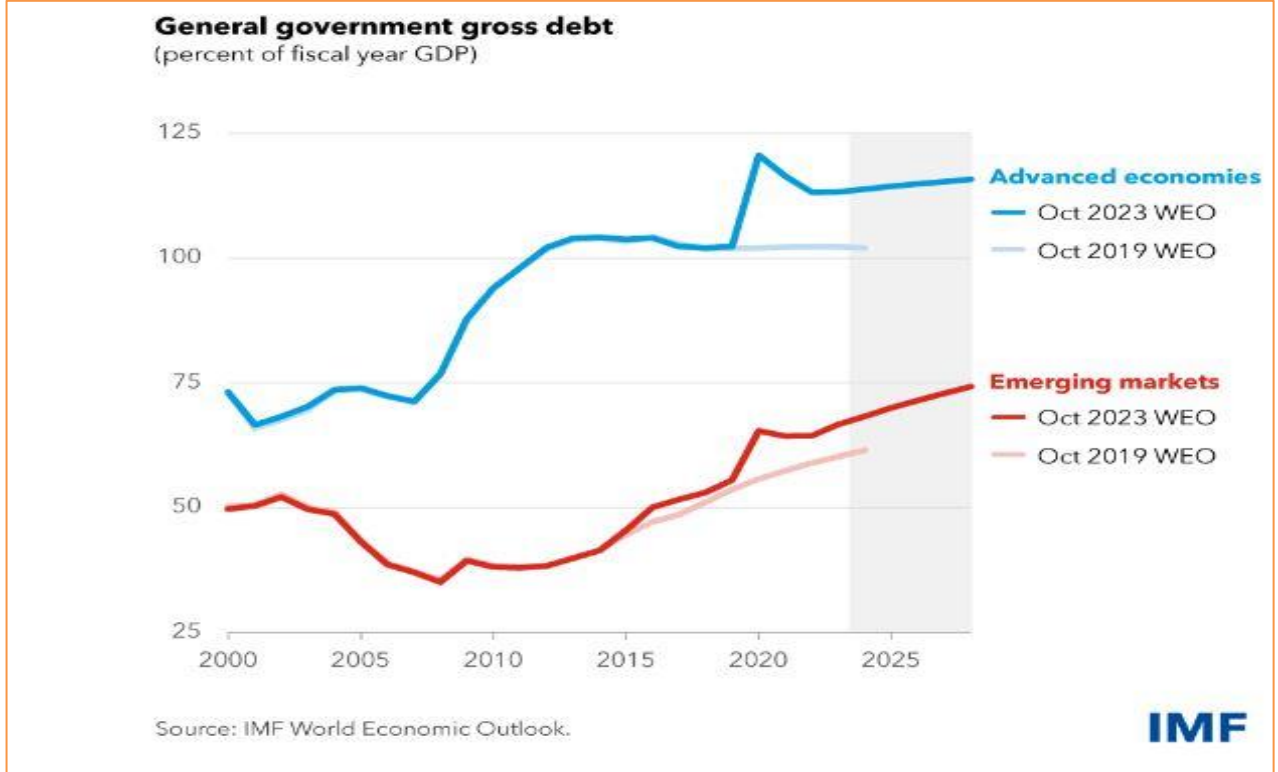
**ECONOMY: Rising Debt Levels, Slow Growth Pose Fiscal Pressure, Financial Instability for Sovereigns ...**

A look at the International Monetary Fund’s report on rising debt levels and debt sustainability reflects the reality that public debt as a fraction of gross domestic product has increased significantly in recent decades, across advanced as well as emerging and middle-income economies. With further projection to hit 120% by 2028 and 80% of GDP within the next 5 years.

At a time when the world is confronted with higher debt levels, the macro environment has now become less favourable even as short-term growth rates are seen to further dip on the back of mediocre growth in productivity, feeble investments and continued scarring from the pandemic. Meanwhile the fund posits that higher long-term real interest rates, lower growth, and higher debt will put pressure on medium-term fiscal trends and financial stability.

From the report, the IMF stated that higher interest rates by central banks across the globe have led to increase in the

cost of debt services, thus adding further fiscal pressure and posing risks to economic and financial stability. However, a decisive and credible fiscal action that gradually brings global debt levels to more sustainable levels can help mitigate these dynamics.



However, debt sustainability is dependent on four components which are primary balances, real growth, real interest rates, and debt levels. The Fund noted that higher primary balances (the excess of government revenues over expenditures excluding interest payments) and growth could help to achieve debt sustainability, whereas higher interest rates and debt levels make it more challenging. For long, the dynamics of debt have stayed benign as real interest rates were significantly below growth rates. This reduced the pressure for fiscal consolidation and allowed public deficits and public debt to drift upwards. Then, during the pandemic, debt increased even more as governments rolled out large emergency support packages.

As annotated by the IMF, borrowers in the United States and the rest of the world may face a new normal with significantly higher funding costs than in the past decade amid low equilibrium rates. These are premised on the fact that (1) real rates will stay volatile for the time being even as central banks continue to contemplate on easing their policy stance in the continued inflation fight; (2) the balance sheet normalization that major central banks have started, may also contribute to higher real term premia by increasing the supply of longer dated securities that need to be absorbed by the market; and (3) the rise in interest rates may also likely reflects expansionary fiscal policy and longer-term fiscal concerns, at least in some countries.

In addressing the above with keen interest on its potential impact will require countries to rebuild fiscal buffers and ensure the long-term sustainability of their sovereign debt. Also, structural reforms should not be postponed. By enhancing future growth, they are the best way to help stabilize debt dynamics and then stress tests should adequately account for the impacts on banks and non-banks of higher sovereign interest rates and potential bouts of market illiquidity in order to preserve financial stability.

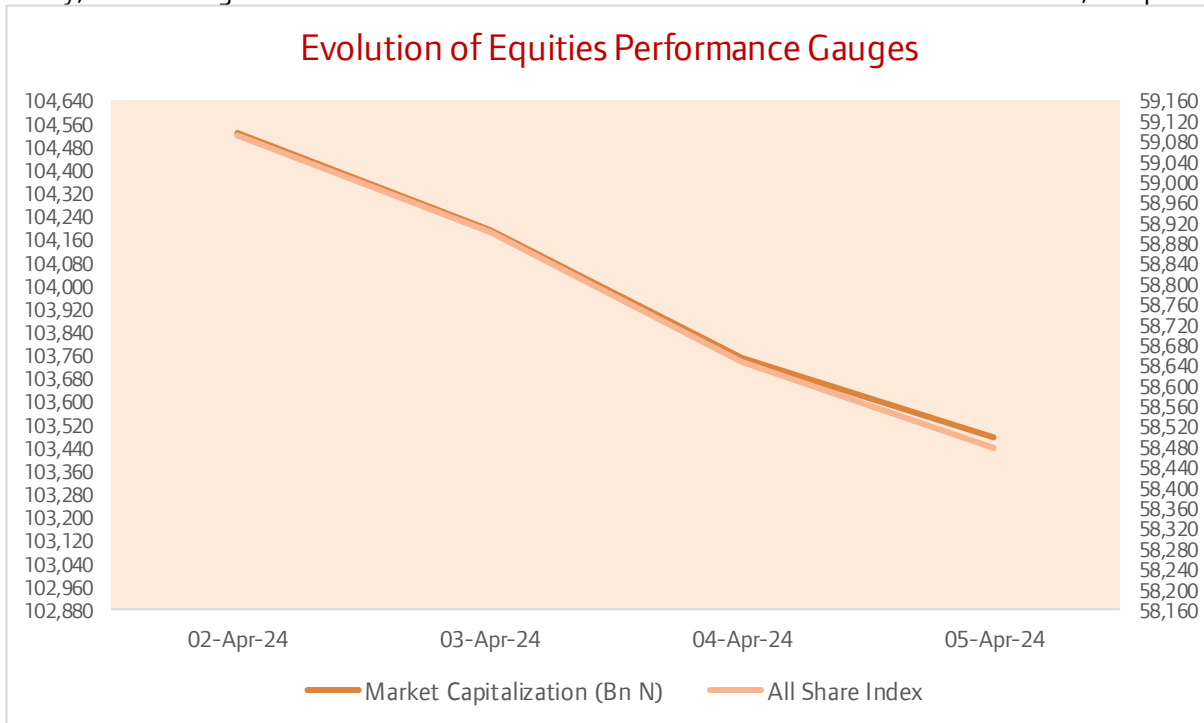
Potentially, the discuss on financial stability harps on the reality that if an improvement in government’s primary balance cannot be achieved to offset higher real rates and lower potential growth, sovereign debt will continue to grow. This will test the financial sector’s health. At high debt levels, governments have less capacity to provide support for ailing banks, and if they do, sovereign borrowing costs may rise further.

**EQUITIES MARKET: ASI Down 1.08% w/w on Negative Start to April on Downbeat Sentiments .....**

In the just concluded week, the equities market took another beating and kickstarting April on a negative note, resonating with the broader sentiment among market participants. The witnessed sentiment was influenced by actions of market players who continue to digest the corporate earnings released so far as well as portfolio rebalancing efforts on the strength of expected earnings for Q1-2024.

Despite these headwinds, the activities in the equities market managed to retain a semblance of positivity in trading activities. However, this positivity was insufficient to offset the sell pressure, resulting in a weekly decline of 1.08% week-on-week for the benchmark index, settling at 103,437.67 points. Similarly, the total market capitalization of listed equities experienced a commensurate decrease of 1.08% week-on-week, reaching N58.49 trillion. This downward trajectory led to a collective wealth depletion of N622.93 billion in 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 103.98% and 11.24% week-on-week, respectively, culminating in 3.68 billion units traded and a total value of N57.89 billion. However, this positive momentum was reflected with an advancement in the total weekly deals, which rising by 5.64% week-on-week to 40,724 deals. This upward movement can be attributed to the prominence of window dressing activities by fund managers on the strength of expectations for the first quarter scorecards.



Sectoral performance during the week depicted a weak picture, with most sectors exhibiting negative tendencies, barring the Consumer Goods index, which recorded a modest gain of 0.94% week-on-week, mirroring the previous week's performance. Adverse price movements in key stocks such as MAYBAKER, DANGSUGAR, and IKEJAHOTEL contributed to this positive run. Conversely, the Banking index was lackluster this week by 6.73% week on week and was dragged by the adverse price movements in the Bellwether banking stocks; also, Insurance, and Industrial Goods sectors closed negative from the previous week's close by 0.85%, and 0.27%, respectively. This downbeat trajectory can be attributed to the downward pricing of key stocks such as FBNH, STERLINGNG, JBERGER, GTCO, PRESTIGE, LAFARGE, TRANCORP, and MTNN. 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 negative spectrum, with 31 weekly gainers overpowered by the 43 weekly decliners. Notable gainers included CUTIX, MORISON, MAYBAKER, CHAMS, IKEJAHOTEL, and DANGSUGAR, with significant share price advancements by 23%, 21%, 19%, 16%, 14%, and 14%. Conversely, FBNH, STERLINGNG, JBERGER, CWG, and HONYFLOUR emerged as major losers, experiencing notable price declines week-on-week.

Looking ahead, Cowry Research sees weak optimism for the coming week underpinned by actions of market players who continue to digest the recent policy pronouncements by the economic directors as well as the expectation for the March 2024 consumer price inflation report, and the continuation of window dressing activities by fund managers. We note that 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 Losers as at Friday, April 5, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	05-Apr-24	28-Mar-24	% Change	Symbol	05-Apr-24	28-Mar-24	% Change
CUTIX	3.19	2.60	22.7%	FBNH	30.50	35.55	-14.2%
MORISON	2.12	1.76	20.5%	STERLINGNG	4.70	5.40	-13.0%
MAYBAKER	6.55	5.50	19.1%	JBERGER	58.50	66.00	-11.4%
CHAMS	2.22	1.92	15.6%	CWG	6.75	7.50	-10.0%
ABBEYBDS	2.77	2.42	14.5%	CILEASING	3.70	4.10	-9.8%
IKEJAHOTEL	7.30	6.43	13.5%	THOMASWY	1.97	2.18	-9.6%
DANGSUGAR	59.00	52.00	13.5%	TANTALIZER	0.38	0.42	-9.5%
NGXGROUP	24.00	21.40	12.1%	NSLTECH	0.58	0.64	-9.4%
UPL	2.68	2.44	9.8%	HONYFLOUR	3.54	3.90	-9.2%
SCOA	2.15	1.96	9.7%	ABCTrans	0.70	0.77	-9.1%

Weekly Stock Recommendations as at Friday, April 5, 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
CAP	3.05	2.44	9.60	2.50	7.9	24	16.2	24.00	30.0	20.4	27.6	25.00	Buy
ETI	0.23	0.26	73.01	0.36	111.9	28.8	9.5	26.00	34.8	22.1	29.9	33.85	Buy
OKOMUOIL	22.19	23.58	41.37	5.87	10.95	270	157	247.00	287.0	206.6	279.5	18.11	Buy
GUINNESS	-2.39	-4.78	23.60	2.10	-20.76	87.90	54.45	49.60	65.0	42.2	57.0	31.05	Buy
MAYBAKER	0.63	0.67	4.89	1.34	10.4	7.51	3.35	6.55	9.0	5.6	7.5	37.40	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, April 5, 2024

FGN Eurobonds	Issue Date	TTM (years)	05-Apr-24 Price (N)	Weekly USD Δ	05-Apr-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.63	99.48	-0.15	8.0%	0.11
6.50 NOV 28, 2027	28-Nov-17	3.65	93.60	-0.29	8.6%	0.11
6.125 SEP 28, 2028	28-Sep-21	4.48	89.48	-0.82	9.0%	0.25
8.375 MAR 24, 2029	24-Mar-22	4.97	96.69	-0.64	9.2%	0.17
7.143 FEB 23, 2030	23-Feb-18	5.89	89.96	-0.67	9.4%	0.16
8.747 JAN 21, 2031	21-Nov-18	6.80	95.76	-0.68	9.6%	0.15
7.875 16-FEB-2032	16-Feb-17	7.87	89.44	-0.94	9.8%	0.19
7.375 SEP 28, 2033	28-Sep-21	9.49	84.57	-0.91	9.9%	0.16
7.696 FEB 23, 2038	23-Feb-18	13.90	80.95	-1.24	10.3%	0.19
7.625 NOV 28, 2047	28-Nov-17	23.66	76.45	-1.02	10.3%	0.15
9.248 JAN 21, 2049	21-Nov-18	24.81	90.34	-1.10	10.3%	0.13
8.25 SEP 28, 2051	28-Sep-21	27.50	80.41	-1.31	10.4%	0.17

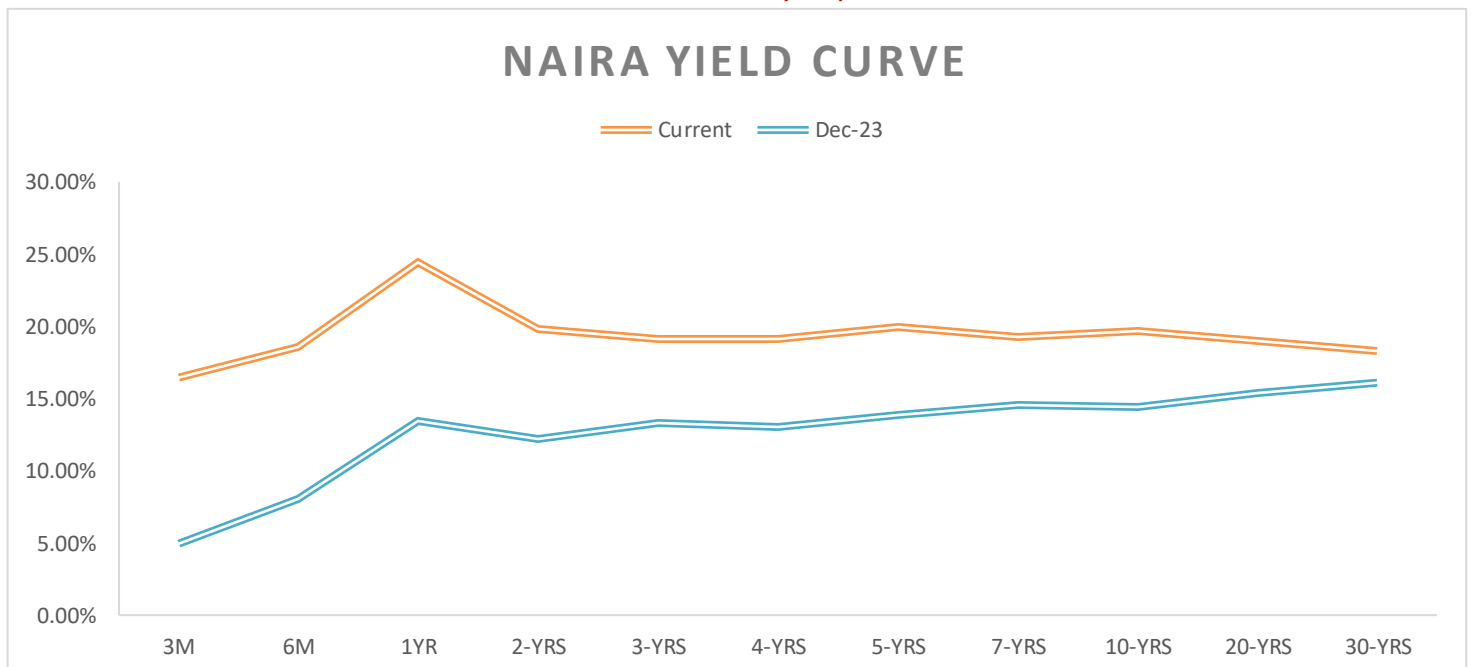
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, April 5, 2024

MAJOR	05-Apr-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0821	1.0838	-0.16%	0.28%	-0.68%	-0.89%
GBPUSD	1.2614	1.2642	-0.22%	-0.05%	-0.89%	1.42%
USDCHF	0.9016	0.9013	0.03%	0.01%	2.24%	-0.33%
USDRUB	92.4776	92.2378	0.26%	-0.11%	1.90%	15.30%
USDNGN	1250.0000	1250.0000	0.00%	-11.67%	-19.87%	171.82%
USDZAR	18.6753	18.7353	-0.32%	-1.34%	-0.83%	2.33%
USDEGP	47.3790	47.2986	0.17%	0.06%	-4.28%	53.58%
USDCAD	1.36	1.3554	0.48%	0.58%	0.76%	0.92%
USDMXN	16.47	16.6043	-0.82%	-0.40%	-2.44%	-9.65%
USDBRL	5.05	5.0583	-0.26%	0.61%	2.04%	-0.22%
AUDUSD	0.6571	0.6589	-0.27%	0.82%	0.18%	-1.45%
NZDUSD	0.6009	-0.0600	-0.18%	0.58%	-1.90%	-3.54%
USDJPY	151.5050	151.2630	0.16%	0.12%	1.42%	14.97%
USDCNY	7.2522	7.2507	0.02%	-0.06%	0.58%	5.37%
USDINR	83.3130	83.4716	-0.19%	-0.04%	0.64%	1.82%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, April 5, 2024

Commodity		05-Apr-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	86.8	86.6	0.22%	4.58%	10.87%	7.75%
BRENT	USD/Bbl	91.0	90.7	0.34%	4.73%	10.84%	7.01%
NATURAL GAS	USD/MMBtu	1.8	9.8	1.37%	2.41%	-13.41%	-10.79%
GASOLINE	USD/Gal	2.8	2.8	-0.37%	2.84%	9.96%	-0.54%
COAL	USD/T	128.2	129.7	-1.12%	-0.70%	-6.73%	-35.25%
GOLD	USD/t.oz	2,323.3	2,290.6	1.43%	3.18%	8.09%	15.64%
SILVER	USD/t.oz	27.2	26.8	1.49%	8.45%	12.72%	8.92%
WHEAT	USD/Bu	570.6	556.2	2.60%	1.97%	7.84%	-15.23%
PALM-OIL	MYR/T	4,423.0	4,477.2	-1.21%	3.68%	8.38%	15.69%
COCOA	USD/T	9,566.0	9,603.5	-0.39%	-3.17%	33.33%	227.51%

FGN Bonds Yield Curve, Friday April 5, 2024





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