

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflation Targeting: CBN Maintains Hawkish Stance with Another 150bps Rate Hike.....

Cowry Research has noted the 150 basis points increase in the monetary policy rate as an aggressive move aimed at reining in inflation to a single-digit target band and ensuring domestic price stability. This hike, which exceeded market expectations of a 100 basis points increase, reflects the central bank's commitment to tackling inflation decisively. This implies that the fiscal authority is expected to implement policies to balance the monetary side for a concerted result. Despite the unexpectedly high rate hike to 26.25%, the effects of previous increases this year are already permeating the economy. This trend could encourage investors to further commit funds into Nigeria's economy, aligning with the goal of achieving a \$1 trillion economy by 2030. However, this focus on price stability has come at the expense of economic growth, particularly in the context of a weakening naira and high import costs. Given these circumstances, Cowry Research anticipates a potential pause in the rate hike cycle at the next committee meeting in July. This pause could provide a necessary breather to assess the cumulative impact of the previous hikes on the economy and to strike a balance between curbing inflation and fostering growth.

EQUITIES MARKET: : Local Stock Market Experiences Setback Amid Market Dynamics and Policy Changes.....

Looking ahead, the market is expected to maintain a weak sentiment as investors continue to digest the latest economic data from the statistics bureau, the recent interest rate hike by the monetary policy committee and their attendant impact on investments. The local bourse has continued to fluctuate amidst selling sentiment across major market sectors following a decline in the benchmark index.

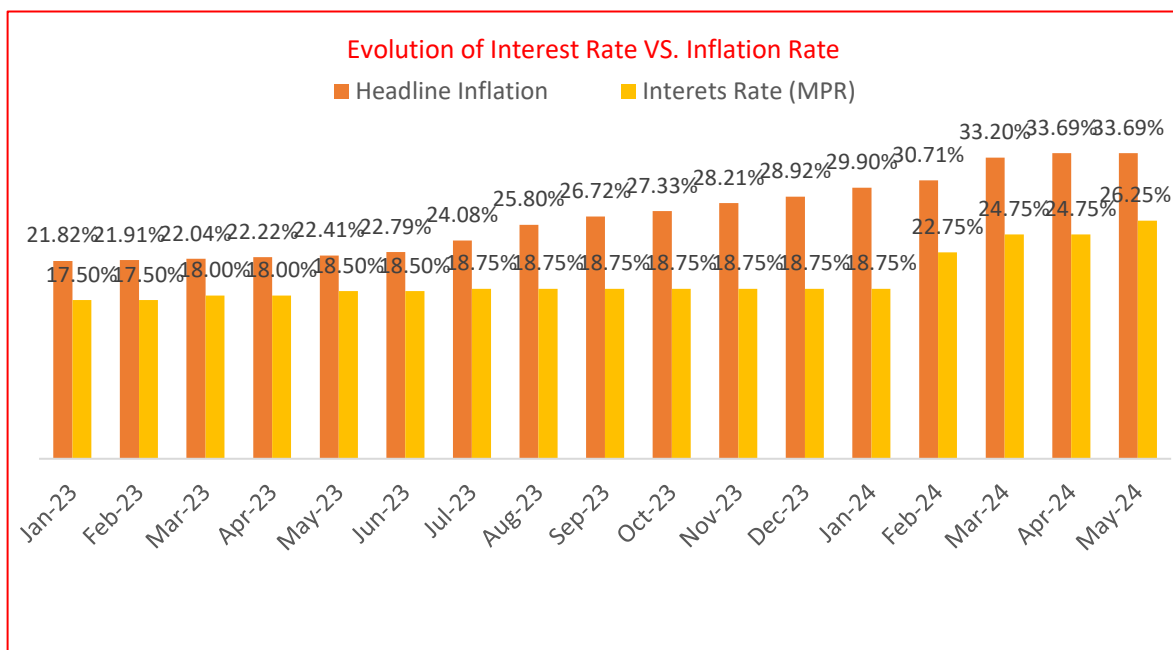
ECONOMY: Inflation Targeting: CBN Maintains Hawkish Stance with Another 150bps Rate Hike.....

On Tuesday, the CBN Monetary Policy Committee (MPC) concluded its two-day policy meeting, maintaining a hawkish policy stance for the third consecutive time this year by raising the monetary policy rate (MPR) by 1.50% to 26.25% from 24.75%. This decision followed a review of current economic and financial developments both locally and globally, and an assessment of the risks to the economic outlook. This rate hike exceeded expectations, which anticipated a more modest increase of 100 basis points, as the committee aims to combat rising inflation and uphold monetary and price stability in the economy.

At the meeting, the committee decided to continue its inflation-targeting approach to combat inflation. Consequently, the members voted to:

1. Raise the MPR by 150 basis points to 26.25% from 24.75%.
2. Retain the asymmetric corridor around the MPR at +100/-300 basis points.
3. Retain the Cash Reserve Ratio (CRR) for Deposit Money Banks at 45%.
4. Retain the Liquidity Ratio at 30%.

The committee’s primary focus remained on achieving price stability by effectively using the tools available to the monetary authority to curb inflation. The latest inflation data from the National Bureau of Statistics (NBS) showed that the headline inflation rate continued its upward trend in April, rising by 49 basis points to 33.69% year-on-year. This increase was driven by food inflation and core inflation, which rose by 0.52 percentage points and 0.94 percentage points to 40.53% year-on-year and 26.84% year-on-year, respectively.



However, the growth rate of headline inflation moderated for the second consecutive month, rising by a combined 1.99 percentage points between March and April, compared to an acceleration of 2.78 percentage points in January and February. This indicates a positive trend with a moderation in the month-on-month figures. Specifically, the

headline index moderated to 2.29% in April from 3.02% in March; the food inflation rate slowed to 2.50% month-on-month, down from 3.62% in March; and core inflation declined by 0.34 percentage points to 2.20% in April.

Committee members expressed concerns over the sustained contractionary stance, which could further shrink the real sector by discouraging investments and adversely affecting employment and growth rates. However, they also noted positively that the recent tight monetary policy stance of the Bank is beginning to yield the desired outcomes

Cowry Research has noted the 150 basis points increase in the monetary policy rate as an aggressive move aimed at reining in inflation to a single-digit target band and ensuring domestic price stability. This hike, which exceeded market expectations of a 100 basis points increase, reflects the central bank's commitment to tackling inflation decisively. This implies that the fiscal authority is expected to implement policies to balance the monetary side for a concerted result.

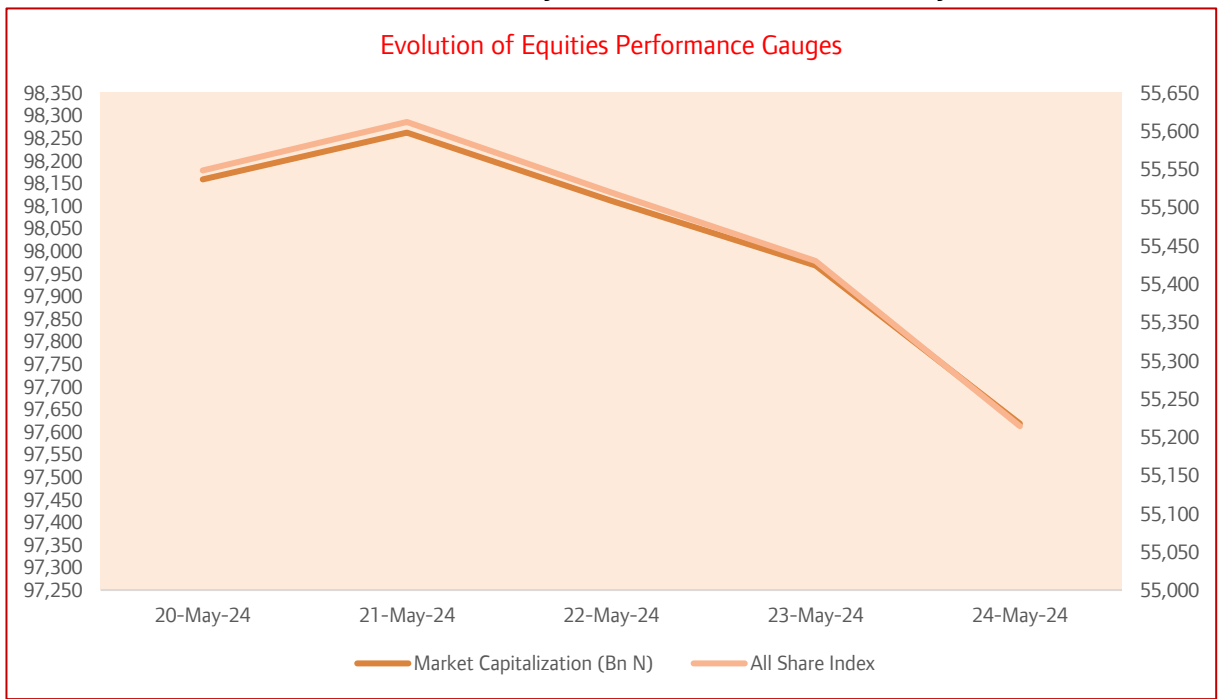
Despite the unexpectedly high rate hike to 26.25%, the effects of previous increases this year are already permeating the economy. This trend could encourage investors to further commit funds into Nigeria’s economy, aligning with the goal of achieving a \$1 trillion economy by 2030. However, this focus on price stability has come at the expense of economic growth, particularly in the context of a weakening naira and high import costs. Given these circumstances, Cowry Research anticipates a potential pause in the rate hike cycle at the next committee meeting in July. This pause could provide a necessary breather to assess the cumulative impact of the previous hikes on the economy and to strike a balance between curbing inflation and fostering growth.

EQUITIES MARKET: Local Stock Market Experiences Setback Amid Market Dynamics and Policy Changes.....

The local stock market faced a setback this week as market players reacted to various factors, including the recent policy rate hike by the Central Bank of Nigeria (CBN) and the latest macroeconomic data showing a slow but positive GDP growth of 2.98% for the first quarter of 2024. This was compounded by the outcome of the midweek Nigerian Treasury Bills auction, which negatively impacted the composite benchmark index, resulting in a 0.52% week-on-week decline to 97,612.51 points, breaking a previously range-bound market.

Market capitalisation also dipped by 0.52%, falling to N55.22 trillion from N55.51 trillion the previous week, leading to a loss of N290.1 billion in investors' wealth. The market recorded gains on only two out of the five trading sessions this week. Despite these losses, the year-to-date return for the benchmark index marginally decreased to 30.5%.

Trading activity this week showed mixed results. The weekly traded volume increased by 20.22% week-on-week, reaching 1.98 billion units across 38,487 deals, representing a slight 0.96% rise from the previous week. However, the traded value fell by 4.60% week-on-week to N40.72 billion. The market breadth remained negative, with 53 stocks declining compared to 25 gainers.



Across various sectors, most indices closed positively. The NGX-Oil and Gas, NGX-Consumer Goods, and NGX-Industrial indices reported gains of 0.72%, 0.31%, and 0.19%, respectively, driven by positive price movements in Julius Berger, UPDC, Nestle, and Lafarge. Conversely, the NGX-Banking index fell by 6.16%, influenced by declines in FBNH, ETI, and GTCO, while the NGX-Insurance index dropped by 3.50%, affected by losses in MBENEFIT.

Among the top performers of the week, Berger Paints led with a 21% week-on-week increase, followed by REGALINS with 19%, INTENEGINS with 12%, CUTIX with 10%, and both McNICHOLS and NESTLE rising by 10%. On the other hand, the worst performers included DEAPCAP, which saw its share price fall by 25%, FTN COCOA with a 17% decline, TRANSCORP with a 12% drop, and both UBA and UPDC underperforming with declines of 12% and 11%, respectively.

Looking ahead, the market is expected to maintain a weak sentiment as investors continue to digest the latest economic data from the statistics bureau, the recent interest rate hike by the monetary policy committee and their attendant impact on investments. The local bourse has continued to fluctuate amidst selling sentiment across major market sectors following a decline in the benchmark index. Despite the current market weakness and mixed sectoral performance, the oversold conditions and mixed technical indicators suggest potential buying opportunities for value investors aiming to capitalise on low prices and valuations. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, May 24, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	24-May-24	17-May-24	% Change	Symbol	24-May-24	17-May-24	% Change
BERGER	14.90	12.35	20.6%	DEAPCAP	0.40	0.53	-24.5%
REGALINS	0.37	0.31	19.4%	FTNCOCOA	1.20	1.44	-16.7%
INTENEGINS	1.65	1.48	11.5%	TRANSCORP	10.50	11.95	-12.1%
CUTIX	3.35	3.04	10.2%	UBA	19.20	21.85	-12.1%
MCNICHOLS	1.10	1.00	10.0%	UPDC	1.24	1.40	-11.4%
NESTLE	900.00	820.00	9.8%	FBNH	20.45	22.95	-10.9%
JBERGER	85.00	79.30	7.2%	MBENEFIT	0.52	0.58	-10.3%
UPL	2.30	2.15	7.0%	ETI	21.65	24.05	-10.0%
AFRIPRUD	6.95	6.55	6.1%	MULTIVERSE	12.40	13.75	-9.8%
WAPCO	35.00	33.50	4.5%	SKYAVN	20.70	22.95	-9.8%

Weekly Stock Recommendations as at Friday, May 24, 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
ETERNAOIL	-3.12	-4.99	-0.43	-25.88	-3.58	32.35	11.15	11.15	17.8	9.5	12.8	60.00	Buy
MTNN	-18.61	-22.33	-20.82	-11.07	-12.39	319.8	220	230.50	276.6	195.9	265.1	20.00	Buy
TOTAL	338.68	1,083.76	174.03	1.85	0.95	385.0	197.00	321.50	454.0	273.3	369.7	41.21	Buy
JBERGER	6.28	10.05	92.62	0.92	13.53	85	21.15	85.00	136.0	72.3	97.8	60.00	Buy
UBA	3.96	5.55	76.37	0.26	5.05	33.50	12.85	19.20	28.0	17.0	23.0	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 24, 2024

FGN Eurobonds	Issue Date	TTM (years)	24-May-24 Price (N)	Weekly USD Δ	24-May-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.50	99.82	-0.08	7.8%	0.05
6.50 NOV 28, 2027	28-Nov-17	3.52	92.41	-0.63	9.1%	0.24
6.125 SEP 28, 2028	28-Sep-21	4.35	88.14	-0.85	9.5%	0.28
8.375 MAR 24, 2029	24-Mar-22	4.84	94.51	-0.87	9.8%	0.25
7.143 FEB 23, 2030	23-Feb-18	5.76	87.39	-1.22	10.1%	0.32
8.747 JAN 21, 2031	21-Nov-18	6.67	93.51	-1.18	10.1%	0.26
7.875 16-FEB-2032	16-Feb-17	7.74	87.12	-1.31	10.3%	0.27
7.375 SEP 28, 2033	28-Sep-21	9.35	82.56	-1.46	10.3%	0.28
7.696 FEB 23, 2038	23-Feb-18	13.76	78.52	-1.52	10.7%	0.25
7.625 NOV 28, 2047	28-Nov-17	23.53	74.25	-1.76	10.6%	0.25
9.248 JAN 21, 2049	21-Nov-18	24.68	89.01	-1.58	10.5%	0.20
8.25 SEP 28, 2051	28-Sep-21	27.36	78.09	-1.55	10.7%	0.21

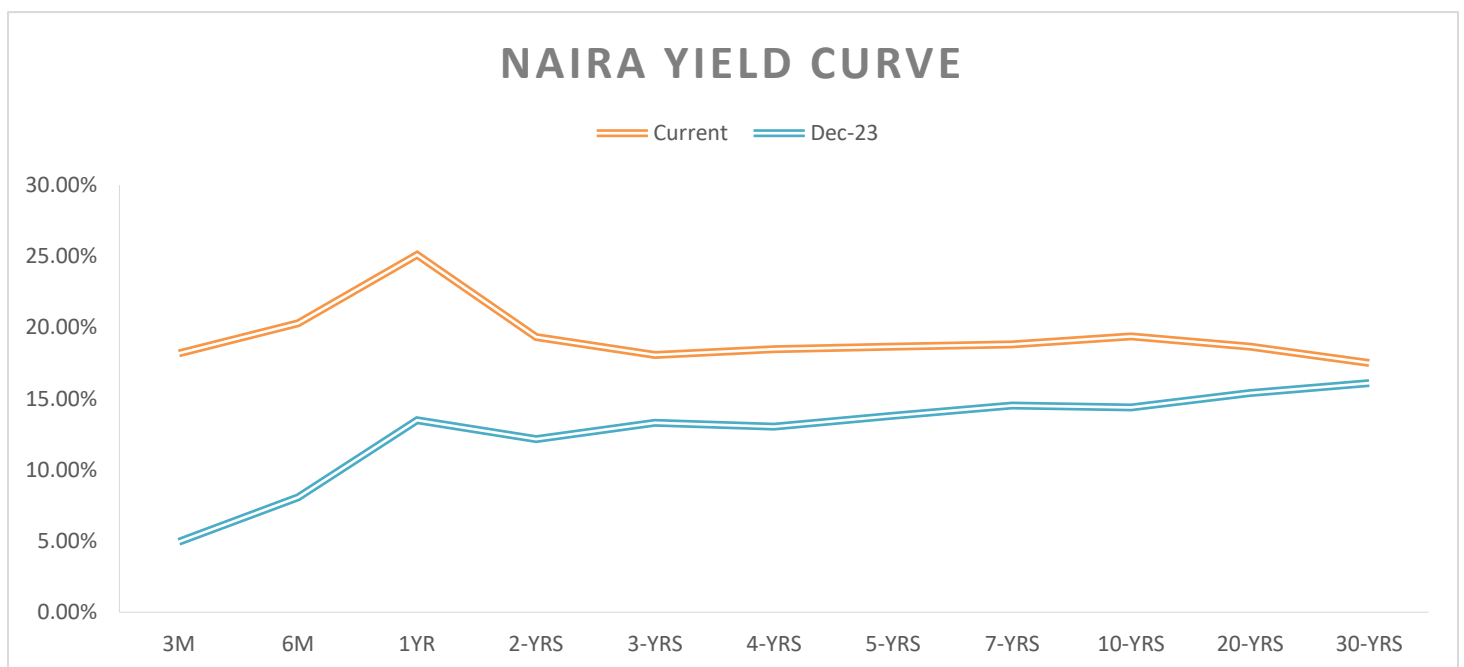
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 24,2024

MAJOR	24-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0853	1.0811	0.39%	-0.14%	1.19%	1.26%
GBPUSD	1.2747	1.2693	0.42%	0.39%	1.95%	3.49%
USDCHF	0.9139	0.9145	-0.06%	0.53%	0.13%	0.93%
USDRUB	89.4600	90.0181	-0.62%	-1.65%	-2.71%	11.78%
USDNGN	1473.5000	1444.0416	2.04%	0.24%	14.94%	220.11%
USDZAR	18.4246	18.4726	-0.26%	1.44%	-3.18%	-6.94%
USDEGP	47.1518	47.1000	0.11%	0.50%	-1.57%	52.83%
USDCAD	1.37	1.3733	-0.53%	0.36%	0.01%	0.17%
USDMXN	16.71	16.7326	-0.13%	0.63%	-2.86%	-6.37%
USDBRL	5.15	5.1448	0.07%	0.87%	-0.22%	2.25%
AUDUSD	0.6631	0.6600	0.46%	-0.90%	1.70%	1.95%
NZDUSD	0.6122	-0.0600	0.43%	-0.17%	2.79%	1.01%
USDJPY	156.9270	156.9898	-0.04%	0.84%	0.83%	12.04%
USDCNY	7.2620	7.2576	0.06%	0.41%	0.08%	2.41%
USDINR	83.0631	83.2880	-0.27%	-0.28%	-0.28%	0.40%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 24, 2024

Commodity		24-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	77.5	76.9	0.80%	-2.74%	-7.59%	7.60%
BRENT	USD/Bbl	81.9	81.4	0.69%	-2.49%	-6.70%	7.88%
NATURAL GAS	USD/MMBtu	2.6	9.8	-2.85%	-1.55%	30.18%	1.03%
GASOLINE	USD/Gal	2.5	2.5	0.51%	-3.59%	-10.23%	0.16%
COAL	USD/T	144.9	143.0	1.36%	0.80%	6.94%	-9.58%
GOLD	USD/t.oz	2,333.2	2,332.0	0.05%	-3.31%	0.17%	20.31%
SILVER	USD/t.oz	30.3	30.2	0.39%	-3.51%	11.09%	33.46%
WHEAT	USD/Bu	695.5	698.0	-0.36%	6.30%	11.57%	14.57%
PALM-OIL	MYR/T	3,886.0	3,891.8	-0.15%	-0.10%	0.31%	11.25%
COCOA	USD/T	8,234.2	8,219.4	0.18%	10.22%	-25.87%	166.09%

FGN Bonds Yield Curve, Friday May 24, 2024





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