

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN's Independence Sees Threat in Controversial 2007 Act Amendment.....

The proposed amendments to the Central Bank of Nigeria (CBN) Act of 2007 aim to enforce stricter financial discipline and improve coordination between fiscal and monetary policies. This includes capping the "ways and means" advances to 10% of the government's previous three years' revenue and establishing a Coordinating Committee for Monetary and Fiscal Policies chaired by the Minister of Finance. While these changes could lead to more cohesive economic strategies and better-targeted policies, they also risk undermining the CBN's independence and effectiveness. Historical examples from countries like Zimbabwe, Venezuela, Argentina, and Turkey demonstrate that political interference in central bank operations can lead to severe economic instability, inflation, and loss of market confidence.

EQUITIES MARKET: : Positive Sentiments in Energy, Financial Stocks Fuel Bullish Party on the NGX.....

Looking ahead, the current bullish trend is expected to persist, driven by profit-taking and portfolio rebalancing as the new trading month approaches. Market pullbacks are anticipated to enhance the index's upward potential, supported by the ongoing dividend earnings season. However, we continue to advise investors to trade on companies' stocks with sound fundamentals.

ECONOMY: CBN's Independence Sees Threat in Controversial 2007 Act Amendment.....

This week, we turn our attention to the recent news that has highlighted a significant move by Nigerian lawmakers to curtail the Central Bank of Nigeria's (CBN) ability to make independent and robust decisions. The proposed amendments to the CBN Act of 2007 aim to introduce stricter measures on interest rates and limit the "ways and means" advances to 10% of the government's average revenue from the previous three years, with a mandate for repayment within twelve months. The overarching goal of these changes is to enhance the CBN's ability to achieve its primary objectives of price stability and economic growth.

The proposed bill, titled 'A Bill for an Act to Amend the Central Bank of Nigeria Act No. 7 of 2007', seeks to overhaul Section 38 of the Principal Act by imposing stringent regulations on the temporary advances granted by the CBN to the Federal Government. According to the amendment, any person or group found breaching the provisions of this section would be guilty of an offence, liable to refund any amount exceeding the set limits, and face a minimum imprisonment of 21 years without the option of a fine.

In addition, lawmakers are advocating for the establishment of a Coordinating Committee for Monetary and Fiscal Policies, to be chaired by the Minister of Finance. This committee would effectively strip the CBN of its power to determine interest rates, thereby limiting the bank's ability to achieve its primary mandate of price stability using its monetary policy tools, tailored to prevailing economic conditions. This shift is likely to result in a politically influenced central bank, which could lead to suboptimal policy decisions. There is a significant risk that fiscal priorities might overshadow crucial aspects such as price and exchange rate stability and overall economic stability.

Historical precedents underscore the potential consequences of such a move. In Turkey, for example, the central bank's independence was compromised for political reasons, contrary to economic recommendations, resulting in inflation soaring above 65%, according to recent data. Similarly, in Argentina, political interference in the central bank's independence led to chronic inflation at a historic high in 2018, alongside steep currency devaluation and repeated economic crises.

The potential advantages of the proposed amendments include improved coordination between fiscal and monetary policies. By establishing a Coordinating Committee, the government may achieve a more unified economic strategy, enabling more effective targeting of policies to address specific economic challenges. Stricter financial discipline could also be a positive outcome, with the limitation on advances likely to reduce the risk of excessive government borrowing and inflation. The stringent penalties for breaches, including imprisonment without the option of a fine, could promote accountability and deter fiscal irresponsibility.

However, the disadvantages are considerable. The erosion of the CBN's independence poses a significant risk to its credibility and effectiveness. Independent central banks are often viewed as guarantors of economic stability, and political interference could undermine market confidence, leading to increased volatility and potential capital flight. The loss of independence may also result in imbalanced policies, with fiscal priorities potentially taking precedence over crucial monetary objectives like price and exchange rate stability.

The International Monetary Fund, in its May 2024 Article IV consultation on Nigeria, noted that "At present, the CBN lacks full operational independence and primacy of price stability. The lack of hierarchy among CBN objectives as well as government representatives on the Board of Directors and possibly the MPC as stated in the 2007 CBN Act hampers the effectiveness of monetary policy operation and makes accountability to the public ambiguous. The 2007 CBN Act needs to be modernized as recommended by the 2021 Safeguards Assessment, to enshrine the primacy of price stability, strengthen central bank autonomy and governance arrangements. There is heavy reliance on monetary financing of the fiscal deficit."

We align with the IMF's position that financial autonomy should be safeguarded through among others, clear and enforced statutory limits on, no securitization of, credit to government, enhancement of profit retention rules, and prohibition of quasi-fiscal operations, with the CBN' strict compliance with laws and regulations.

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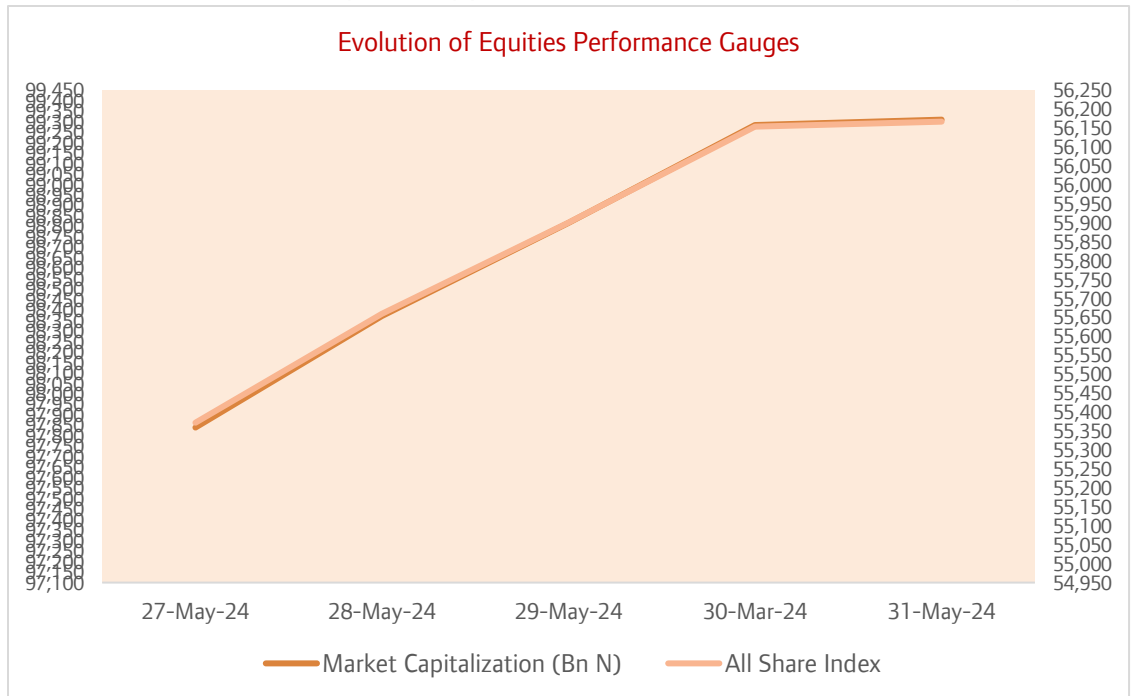
In our view, the overall impact of these amendments will depend on how the new authority exercises its power, balancing short-term political objectives with long-term economic health. The trade-off involves gaining greater governmental control and accountability at the potential cost of diminished market confidence and reduced monetary policy effectiveness.

EQUITIES MARKET: Positive Sentiments in Energy, Financial Stocks Fuel Bullish Party on the NGX.....

The weekly bullish trend continued in the local bourse, with the benchmark index rising by 1.73% week-on-week to close at 99,300.38 points, nearing the significant 100,000 mark. This upward movement was driven by high trade volumes, positive market internals, and strong buying sentiments, particularly in blue-chip companies within the mid and medium cap categories. As a result, the benchmark index experienced gains throughout the week, ending May with a 1.09% increase and achieving a year-to-date gain of 32.80%.

Similarly, the market capitalization of listed equities increased by 1.73% over the week, rising from N55.22 trillion to N56.17 trillion. This growth translated into a N954.9 billion profit for equity investors, indicating a robust bull trend that supports the market’s recovery as it approaches the end of the first half of the year.

The bulls took dominance of activities and buoyed by strong buying interests and positive price moments which prompted gains in FIDELITY (+23%), BERGER PAINTS (+21%), DANGSUGAR (+21%), NASCON (+20%), and FCMB (+18%). On the other hand, negative sentiments from investors led to the sell down in UHOMREIT (-59%), UNILEVER (-46%), CILEASING (-14%), NPFMCRFBK (-11%) and FTN COCOA (-8%) as adjusted their portfolios in anticipation of the new trading month.



Across the sectoral gauges, performance was predominantly bullish, except for the Industrial Goods sector, which experienced a slight loss of 0.13% due to declines in UHOMREIT, CILEASING, and WAPCO. The NGX Oil & Gas index saw a notable increase of 9.08%, driven by gains in SEPLAT, OANDO, ETERNA, and CONOIL, especially following the SEPLAT and EXXONMOBIL asset purchase deal announced by the NNPC over the week.

The NGX Banking Sector rose by 8.72%, spurred by increased investor interest in FIDELITY, FCMB, UBA, and FBNH. The NGX Insurance sector gained 3.88%, bolstered by CHIPLC, INTENEGINS, MANSARD, and NEM, thanks to strong FY-23 financial results and attractive dividend payouts. The Consumer Goods Sector also advanced by 2.04%, with contributions from DANGSUGAR, NASCON, NB, and TRANSCORP.

Meanwhile, the level of trading activities in the week was robust with positive market breadth evidenced in total activities that produced 45 advancers as against the 27 decliners. Thus, the total traded volume inched further by 10.24% week on week to 2.19 billion units while the total weekly traded value cleared lower by 23.12% week on week to N31.30 billion. However, the total deals traded for the week increased by 2.27% week on week to 39,362 trades for the week.

Looking ahead, the current bullish trend is expected to persist, driven by profit-taking and portfolio rebalancing as the new trading month approaches. Market pullbacks are anticipated to enhance the index's upward potential, supported by the ongoing dividend earnings season. However, we continue to advise investors to trade on companies’ stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, May 31, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	31-May-24	24-May-24	% Change	Symbol	31-May-24	24-May-24	% Change
FIDELITYBK	10.20	8.30	22.9%	UHOMEIT	15.05	36.60	-58.9%
BERGER	14.90	12.35	20.6%	UNILEVER	8.10	15.00	-46.0%
DANGSUGAR	47.00	39.00	20.5%	CILEASING	2.97	3.44	-13.7%
NASCON	40.85	34.00	20.1%	NPFMCRFBK	1.60	1.80	-11.1%
FCMB	8.00	6.80	17.6%	FTNCOCOA	1.10	1.20	-8.3%
UBA	22.20	19.20	15.6%	LEARNAFRCA	3.30	3.52	-6.3%
FBNH	23.45	20.45	14.7%	FIDSON	14.90	15.75	-5.4%
CONHALLPLC	1.44	1.26	14.3%	WAPCO	33.80	35.00	-3.4%
SEPLAT	3,410	3,000	13.7%	GUINEAINS	0.30	0.31	-3.2%
OANDO	11.80	10.55	11.8%	ABCTANS	0.63	0.65	-3.1%

Weekly Stock Recommendations as at Friday, May 31, 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
FBNH	5.76	10.09	47.35	0.50	4.1	43.7	10.3	23.45	41.0	19.9	27.0	75.00	Buy
FIDELITY	0.98	1.18	14.60	0.68	10.08	14.15	2.87	10.20	14.9	8.4	12.4	40.00	Buy
TOTAL	338.68	1,083.76	174.03	1.85	0.95	385.00	197.00	321.50	454.0	273.3	369.7	41.21	Buy
LAFARGE	0.32	1.10	27.33	1.24	104.84	47.95	20.10	33.80	47.3	28.7	38.9	40.00	Buy
UBA	3.96	5.55	76.37	0.30	5.70	33.50	12.85	22.20	31.6	19.2	26.0	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 31, 2024

FGN Eurobonds	Issue Date	TTM (years)	31-May-24 Price (N)	Weekly USD Δ	31-May-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.48	100.04	0.22	7.6%	-0.15
6.50 NOV 28, 2027	28-Nov-17	3.50	93.05	0.64	8.9%	-0.22
6.125 SEP 28, 2028	28-Sep-21	4.33	88.58	0.44	9.4%	-0.13
8.375 MAR 24, 2029	24-Mar-22	4.82	95.03	0.52	9.7%	-0.14
7.143 FEB 23, 2030	23-Feb-18	5.74	87.85	0.46	10.0%	-0.11
8.747 JAN 21, 2031	21-Nov-18	6.65	93.91	0.40	10.0%	-0.09
7.875 16-FEB-2032	16-Feb-17	7.72	87.91	0.79	10.2%	-0.16
7.375 SEP 28, 2033	28-Sep-21	9.33	83.13	0.57	10.2%	-0.11
7.696 FEB 23, 2038	23-Feb-18	13.74	78.84	0.32	10.7%	-0.05
7.625 NOV 28, 2047	28-Nov-17	23.51	74.69	0.44	10.6%	-0.06
9.248 JAN 21, 2049	21-Nov-18	24.66	89.59	0.58	10.4%	-0.07
8.25 SEP 28, 2051	28-Sep-21	27.35	78.56	0.47	10.7%	-0.06

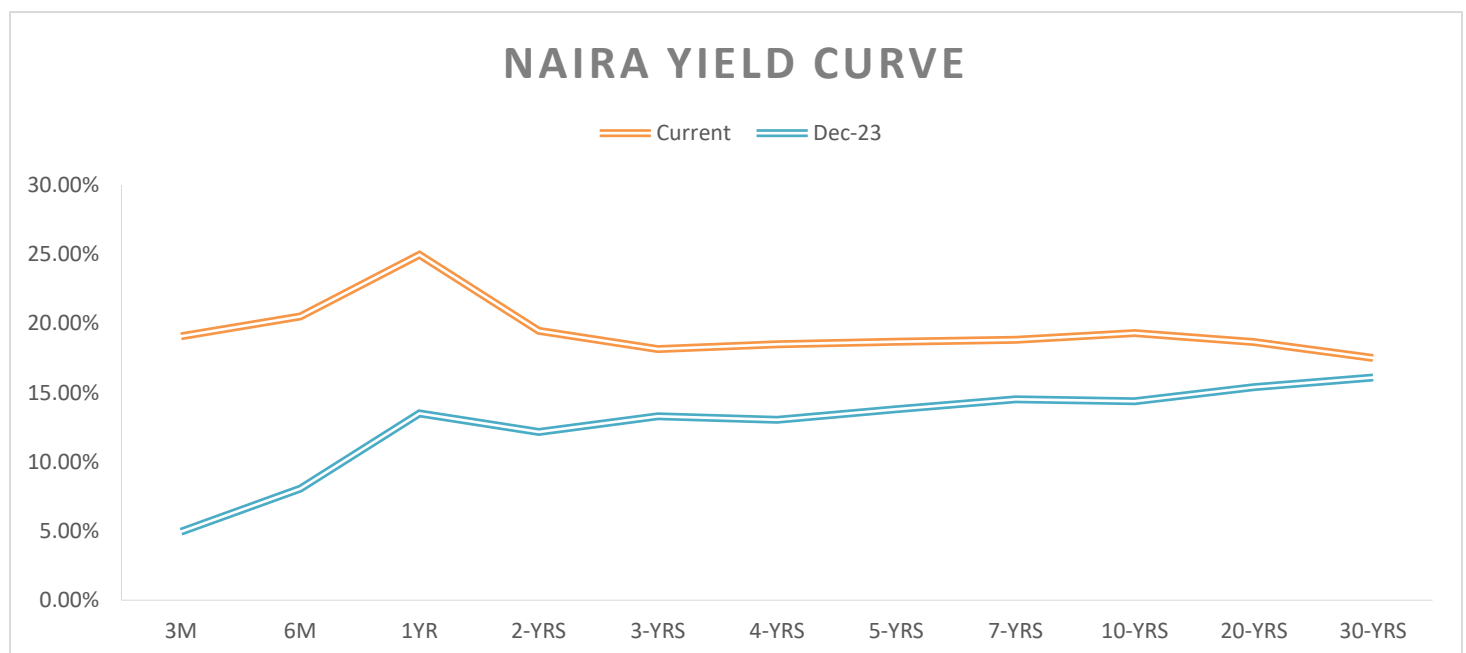
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 31, 2024

MAJOR	31-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0865	1.0832	0.31%	0.18%	1.40%	0.98%
GBPUSD	1.2754	1.2729	0.19%	0.13%	1.73%	1.83%
USDCHF	0.9016	0.9034	-0.20%	-1.46%	-1.65%	-0.45%
USDRUB	90.0735	89.8489	0.25%	0.63%	-1.91%	11.23%
USDNGN	1334.5400	1336.5448	-0.15%	-9.12%	-4.30%	189.64%
USDZAR	18.7293	18.7256	0.02%	1.63%	0.84%	-4.61%
USDEGP	47.2689	47.1981	0.15%	0.27%	-1.25%	53.22%
USDCAD	1.36	1.3683	-0.29%	-0.16%	-0.60%	1.43%
USDMXN	17.02	17.0120	0.05%	1.90%	0.36%	-3.07%
USDBRL	5.25	5.2037	0.81%	1.49%	0.99%	4.62%
AUDUSD	0.6657	0.6630	0.42%	0.45%	1.96%	1.33%
NZDUSD	0.6154	-0.0600	0.63%	0.54%	3.79%	1.37%
USDJPY	156.7220	156.9889	-0.17%	-0.13%	0.63%	12.91%
USDCNY	7.2621	7.2505	0.16%	0.01%	0.36%	2.23%
USDINR	83.4286	83.3203	0.13%	0.46%	0.04%	1.43%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 31, 2024

Commodity		31-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	77.5	77.9	-0.51%	-0.14%	-1.76%	10.56%
BRENT	USD/Bbl	81.7	81.9	-0.27%	-0.42%	-2.00%	10.19%
NATURAL GAS	USD/MMBtu	2.6	9.8	0.49%	-6.83%	33.73%	13.66%
GASOLINE	USD/Gal	2.4	2.4	1.02%	-2.82%	-5.90%	1.87%
COAL	USD/T	143.2	142.1	0.77%	-1.17%	-2.59%	3.77%
GOLD	USD/t.oz	2,341.8	2,343.9	-0.09%	0.37%	0.79%	18.42%
SILVER	USD/t.oz	31.2	31.2	0.20%	2.80%	16.77%	30.49%
WHEAT	USD/Bu	682.0	681.0	0.15%	-2.18%	13.82%	9.26%
PALM-OIL	MYR/T	4,087.0	3,993.9	2.33%	4.39%	7.16%	24.64%
COCOA	USD/T	9,206.8	9,207.7	-0.01%	13.20%	12.97%	205.70%

FGN Bonds Yield Curve, Friday May 31, 2024





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