

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Easing the Squeeze: Analyzing FG's Roadmap to Turning Inflationary Tide in 2024.....

For Cowry Research, we opine that while the government's plans are ambitious, they aim to provide much-needed relief from the grip of inflation. These measures hold the potential to revive the hope of the average Nigerian and create a marketplace buzzing with prosperity and optimism once again. However, time will tell how effectively these initiatives will translate into tangible benefits for the populace. Nonetheless, the commitment to combating inflation represents a hopeful step towards economic stability and growth.

EQUITIES MARKET: : NGX-ASI Snaps Sharp Decline by 8bps w/w from Sell-Offs in Bluechip Stocks

Looking ahead to the next week, a mixed trend is expected, driven by profit-taking activities, the publication of third-quarter earnings forecasts by corporates, and portfolio rebalancing. Market pullbacks are anticipated to enhance the index's upward potential, supported by the ongoing dividend earnings season. Investors and traders are expected to also position themselves for expected macroeconomic data, such as the Consumer Price Index for May.

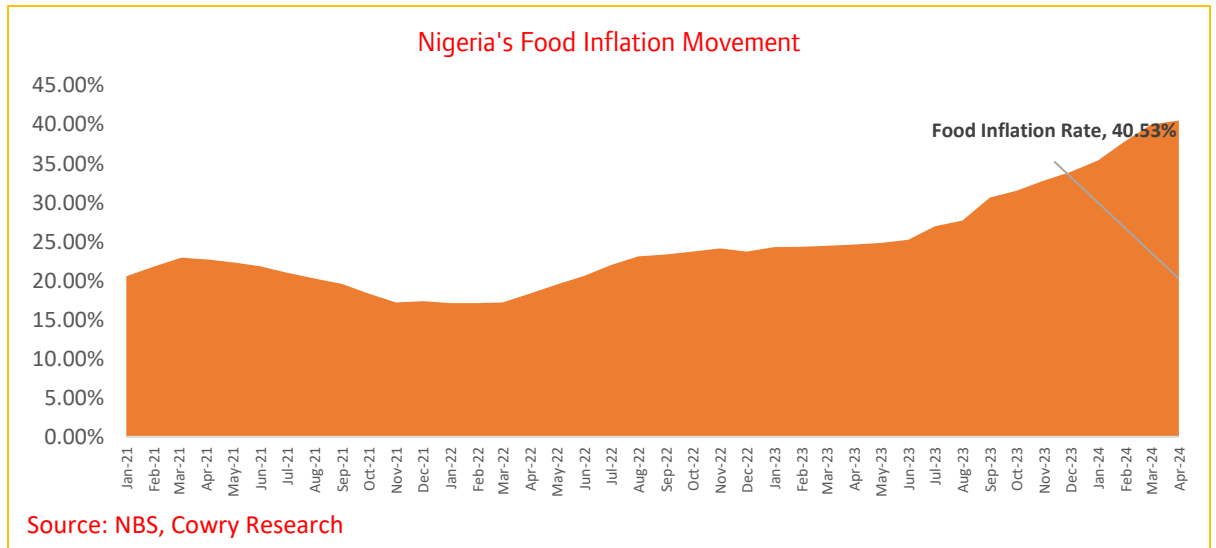
ECONOMY: Easing the Squeeze: Analyzing FG’s Roadmap to Turning Inflationary Tide in 2024

The past week has been abuzz with news from the federal government of Nigeria, bringing a glimmer of hope for Nigerians with the development of the ‘Inflation Reduction and Price Stability Order’ framework. This initiative focuses on dry-season farming and irrigation clusters across major farming regions to facilitate year-round harvests. Although the document is yet to be signed, it holds significant promise for the country's agricultural sector.

Over the past year, food prices in Nigeria have soared, driven by factors such as supply chain disruptions, currency depreciation, and the impact of climate change on agriculture. This has led to basic staples like rice, beans, and vegetables becoming increasingly unaffordable for the average Nigerian, stretching household budgets to their limits.

According to the National Bureau of Statistics, food inflation remains a significant driver of the headline inflation index, reaching 40.53% year-on-year in April 2024, the highest level in almost two decades. This surge is attributed to rising prices of essential food items. We believe that the persistent rise in food prices stems from ongoing security concerns in food-growing regions across the country, logistical challenges in making farm produce available, and infrastructure deficits. The pass-through effect of currency depreciation on domestic food prices also significantly contributes to the soaring costs, further squeezing consumer pockets in the face of rising prices.

Despite this annual increase, food inflation moderated by 1.11 percentage points to 2.5% in April, down from 3.62% in March, due to decreases in the rate of price increases for items such as yam, water yam, Irish potatoes, beer, local beer, Milo, Bournvita, Nescafe, groundnut oil, palm oil, eggs, milk, soft drinks, spirits, and various fruits.



In response to these challenges, the Nigerian government has unveiled a comprehensive plan to tackle inflationary pressures in 2024. Central to this strategy is the planned six-month suspension of import duties, Value Added Tax (VAT), and other tariffs on staple food items, raw materials and other direct inputs used for manufacturing, agricultural production inputs including fertilisers, seedlings, and chemicals, pharmaceutical products, poultry feeds, flour, and grains. Additionally, rice millers will be authorised to import paddy rice at zero duty and VAT for an initial six-month period to improve local supply and capacity utilisation.

This ambitious agricultural reform programme aims to boost domestic food production. Complementing this effort from the monetary side, the Central Bank of Nigeria (CBN) has implemented monetary policy tightening to control money supply and curb excessive inflation. By adjusting interest rates to 26.25% and enforcing stricter lending regulations, the CBN hopes to temper the rapid price increases seen in 2023 and so far in 2024.

Globally, inflation remains a pressing issue for governments and central banks. We commend the Nigerian government's efforts as part of broader measures to improve food security and availability while controlling inflation. The government is investing in modern farming techniques, providing subsidies for fertilisers and seeds, and improving rural infrastructure to ensure farmers can bring their produce to market more efficiently. Also, urban farming and agricultural innovations such as soilless and vertical farming will be promoted and incentivised. State and Local Government Councils are encouraged to invest in agriculture and support cooperative societies or similar association structures across the value chain while these cooperatives provide subsidised inputs, equipment, capacity development, and items such as seedlings, chemicals, CKD, and SKD for tractors.

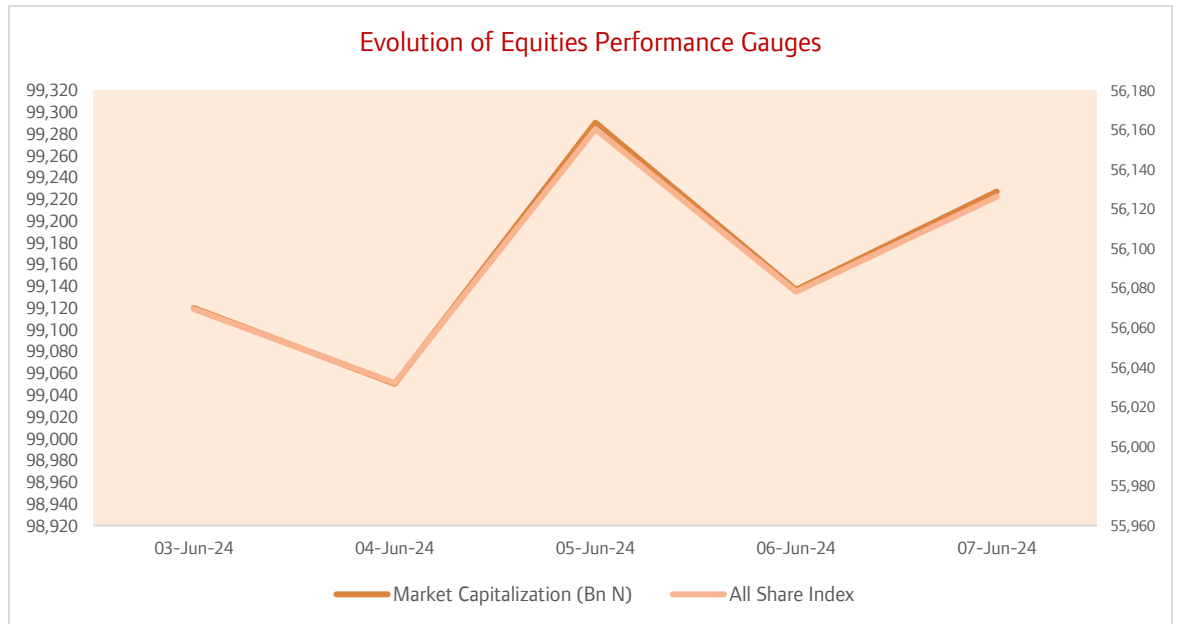
For Cowry Research, we opine that while the government's plans are ambitious, they aim to provide much-needed relief from the grip of inflation. These measures hold the potential to revive the hope of the average Nigerian and create a marketplace buzzing with prosperity and optimism once again. However, time will tell how effectively these initiatives will translate into tangible benefits for the populace. Nonetheless, the commitment to combating inflation represents a hopeful step towards economic stability and growth.

EQUITIES MARKET: NGX-ASI Snaps Sharp Decline by 8bps w/w from Sell-Offs in Blue-chip Stocks

In the just-concluded week, the local bourse snapped a sharp decline, exhibiting shades of bearishness and weakness in market activities. This reversal undid last week's pocket of gains, despite impressive dividend payments and signals of fund inflow into the market. Consequently, the all-share index dipped by 0.08% week-on-week to 99,222.33 points as blue-chip and bellwether stocks witnessed sell-offs by investors.

Similarly, the market capitalisation of listed equities reversed last week's gains by 0.08% over the week, falling from N56.17 trillion to N56.13 trillion. This marginal decline translated into a N43.6 billion loss wiped off from the wealth of equity investors, even as the exchange recorded 33 weekly gainers against 37 weekly decliners on the back of weak market sentiment which prompted the bears to hold firm on the benchmark index, resulting in a year-to-date return of 32.7%.

By the close of the first trading week in June, the equities market booked gains in two out of five sessions. Top gainers for the week included RTBRISCOE (+25%), OANDO (+24%), ETERNA (+22%), DEAPCAP (+20%), and ETI (+12%). Conversely, negative investor sentiment led



to sell-offs in UNITYBNK (-22%), SOVRENINS (-14%), TRANSCORP (-11%), SUNUASSUR (-11%), and PRESTIGE (-11%), as investors adjusted their portfolios for sectoral rotation.

Sectoral performance was mixed, with the NGX-Insurance index leading the gainers with a 0.84% increase due to gains in CUSTODIAN, NEM, LASACO, and REGALINS. The NGX-Consumer Goods index followed, rising by 0.33% due to positive price movements in PRESCO, HONYFLOUR, INTBEW, and NIGERIAN BREWERIES. In contrast, the NGX-Banking and NGX-Oil & Gas indices saw notable week-on-week decreases of 0.62% and 0.18%, driven by losses in UNITYBNK, FIDELITYBNK, UBA, SEPLAT, OANDO, and JAPAUFGOLD, respectively. Meanwhile, the NGX-Industrial Goods index closed the week flat.

Elsewhere, trading activities were downbeat on all front, with negative market breadth evidenced by a decline in total volume and deals activities. The total traded volume fell by 22.21% week-on-week to 1.70 billion units, while the total weekly traded value decreased by 2.58% to N30.49 billion. Additionally, the total number of trades for the week plunged by 4.06% to 37,765.

Looking ahead to the next week, a mixed trend is expected, driven by profit-taking activities, the publication of third-quarter earnings forecasts by corporates, and portfolio rebalancing. Market pullbacks are anticipated to enhance the index's upward potential, supported by the ongoing dividend earnings season. Investors and traders are expected to also position themselves for expected macroeconomic data, such as the Consumer Price Index for May. However, investors are advised to trade in stocks of companies with sound fundamentals.

Weekly Gainers and Loser as at Friday, June 7, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	07-Jun-24	31-May-24	% Change	Symbol	07-Jun-24	31-May-24	% Change
RTBRISCOE	0.60	0.48	25.0%	UNITYBNK	1.20	1.53	-21.6%
OANDO	14.60	11.80	23.7%	SOVRENINS	0.38	0.44	-13.6%
ETERNA	15.00	12.25	22.4%	TRANSCORP	10.30	11.60	-11.2%
DEAPCAP	0.48	0.40	20.0%	SUNUASSUR	1.15	1.29	-10.9%
REDSTAREX	3.90	3.37	15.7%	PRESTIGE	0.50	0.56	-10.7%
ETI	23.85	21.30	12.0%	MAYBAKER	6.03	6.70	-10.0%
CUSTODIAN	10.50	9.50	10.5%	ETRANZACT	5.05	5.60	-9.8%
PRESCO	293.90	267.20	10.0%	FIDELITYBK	9.20	10.20	-9.8%
INTBREW	4	4	9.6%	UPDC	1.21	1.34	-9.7%
NEM	8.70	8.00	8.7%	INTENEGINS	1.53	1.69	-9.5%

Weekly Stock Recommendations as at Friday, June 7, 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	0.48	3.9	43.7	10.3	23.00	39.8	19.3	26.2	75.00	Buy
PRESCO	24.06	33.68	81.22	3.62	12.22	293.90	110.00	293.90	411.5	249.8	338.0	40.00	Buy
SEPLAT	-2.67	-3.20	4,269	0.79	-1261.4	3370	1050	3,366	4,038.6	2860.7	3870.3	20.00	Buy
FLOUR MILLS	0.86	0.94	56.98	0.67	43.96	47.40	27.00	38.00	49.4	32.3	43.7	30.00	Buy
UBA	3.96	5.55	76.37	0.27	5.30	33.50	12.85	21.00	29.4	17.9	24.2	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, June 7, 2024

FGN Eurobonds	Issue Date	TTM (years)	07-Jun-24 Price (N)	Weekly USD Δ	07-Jun-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.46	100.07	0.03	7.6%	-0.03
6.50 NOV 28, 2027	28-Nov-17	3.48	92.99	-0.06	8.9%	0.03
6.125 SEP 28, 2028	28-Sep-21	4.31	88.39	-0.19	9.5%	0.07
8.375 MAR 24, 2029	24-Mar-22	4.80	94.75	-0.28	9.8%	0.08
7.143 FEB 23, 2030	23-Feb-18	5.72	87.63	-0.22	10.0%	0.06
8.747 JAN 21, 2031	21-Nov-18	6.63	93.61	-0.30	10.1%	0.07
7.875 16-FEB-2032	16-Feb-17	7.70	87.72	-0.19	10.2%	0.05
7.375 SEP 28, 2033	28-Sep-21	9.32	82.90	-0.23	10.3%	0.05
7.696 FEB 23, 2038	23-Feb-18	13.72	78.65	-0.19	10.7%	0.04
7.625 NOV 28, 2047	28-Nov-17	23.49	74.19	-0.50	10.6%	0.07
9.248 JAN 21, 2049	21-Nov-18	24.64	89.35	-0.24	10.5%	0.03
8.25 SEP 28, 2051	28-Sep-21	27.33	78.18	-0.38	10.7%	0.05
					9.90%	

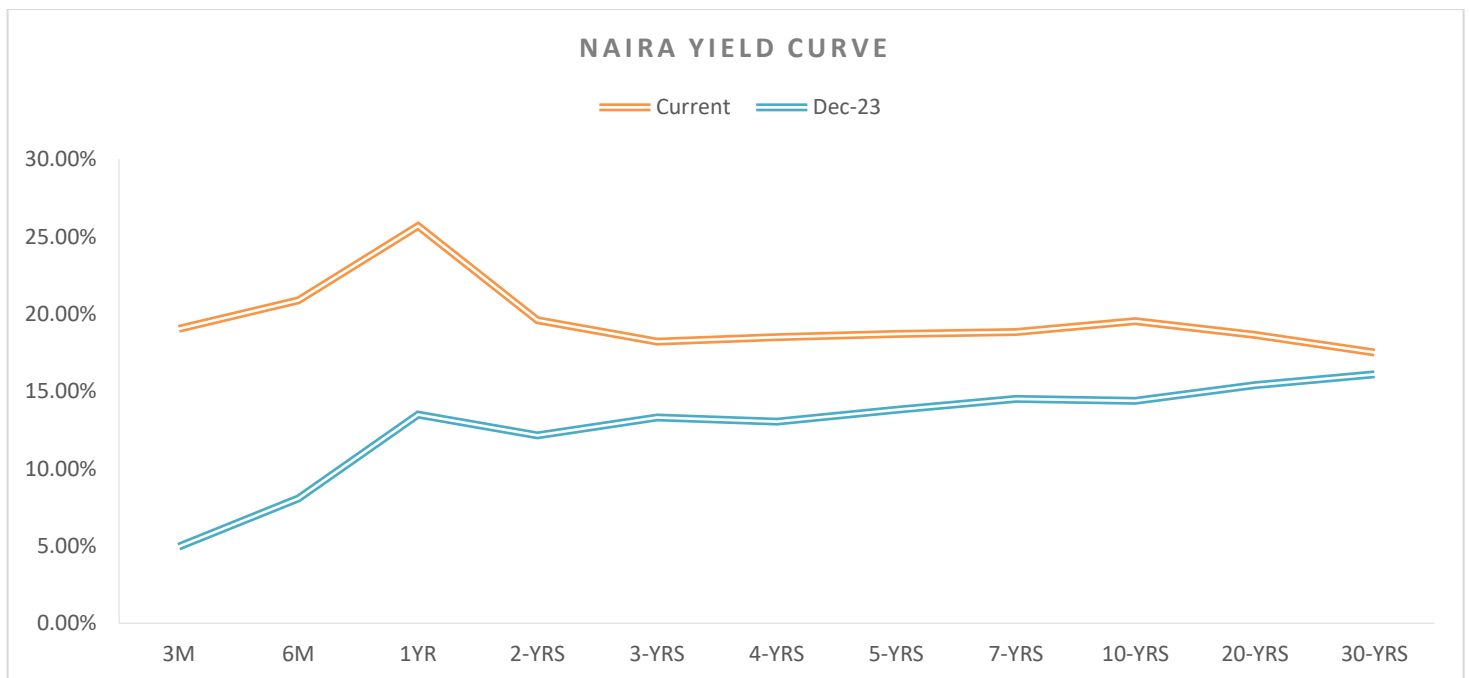
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 7, 2024

MAJOR	07-Jun-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0817	1.0891	-0.68%	-0.27%	0.65%	0.33%
GBPUSD	1.2729	1.2792	-0.49%	-0.10%	1.89%	1.41%
USDCHF	0.8971	0.8897	0.83%	-0.57%	-1.19%	-0.15%
USDRUB	89.2815	88.8373	0.50%	-0.95%	-2.94%	8.84%
USDNGN	1471.2200	1496.2067	-1.67%	-1.06%	4.53%	218.67%
USDZAR	18.8488	18.9664	-0.62%	0.39%	1.58%	0.19%
USDEGP	47.5238	47.5143	0.02%	0.66%	0.07%	53.58%
USDCAD	1.37	1.3669	0.43%	0.74%	0.00%	2.82%
USDMXN	18.12	17.8843	1.34%	6.28%	6.76%	4.01%
USDBRL	5.27	5.2591	0.21%	0.40%	3.47%	6.98%
AUDUSD	0.6596	0.6669	-1.10%	-0.94%	0.20%	-1.85%
NZDUSD	0.6122	-0.0600	-1.20%	-0.40%	1.91%	0.42%
USDJPY	156.8280	155.6760	0.74%	-0.24%	0.99%	12.95%
USDCNY	7.2629	7.2607	0.03%	0.02%	0.49%	2.03%
USDINR	83.4892	83.4642	0.03%	0.05%	0.02%	1.21%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, June 7, 2024

Commodity		07-Jun-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.1	75.5	0.75%	-1.02%	-3.53%	6.86%
BRENT	USD/Bbl	80.2	79.9	0.45%	-0.95%	-3.87%	5.94%
NATURAL GAS	USD/MMBtu	2.9	9.8	2.64%	12.16%	32.67%	19.21%
GASOLINE	USD/Gal	2.4	2.4	-0.18%	-0.83%	-5.55%	-4.59%
COAL	USD/T	135.9	137.0	-0.80%	-5.10%	-7.30%	-0.07%
GOLD	USD/t.oz	2,318.0	2,376.9	-2.48%	-0.45%	0.33%	17.72%
SILVER	USD/t.oz	29.7	31.3	-5.22%	-2.34%	8.73%	22.52%
WHEAT	USD/Bu	624.9	639.5	-2.28%	-7.75%	-1.27%	-2.04%
PALM-OIL	MYR/T	4,026.0	3,961.0	1.64%	-1.30%	4.06%	23.35%
COCOA	USD/T	9,884.1	9,879.2	0.05%	6.25%	17.22%	213.69%

FGN Bonds Yield Curve, Friday June 7, 2024





Disclaimer

This report is produced by the *Research Desk* of Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.