

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Another Expansion in Nigeria's Debt Service Cost as Finance Cost Escalates.....

Cowry Research foresees no immediate relief for Nigeria's debt levels and debt service costs. Financing costs are expected to continue consuming a larger portion of the Federal Government's revenues, while the local currency remains weak against the dollar and the interest rate environment remains tight, reflecting the Central Bank's monetary tightening measures. Given the government's activities in the domestic capital market so far in 2024, it is anticipated that approximately N3 trillion will be raised from subsequent FGN Bond issuances. This is part of an effort to meet its funding target of N6.06 trillion in domestic borrowing and N1.77 trillion in foreign borrowings, as outlined in the N28.77 trillion 2024 budget.

EQUITIES MARKET: ASI Rallies to 100K Threshold with 0.32% Gain Amidst Tepid Trading Levels...

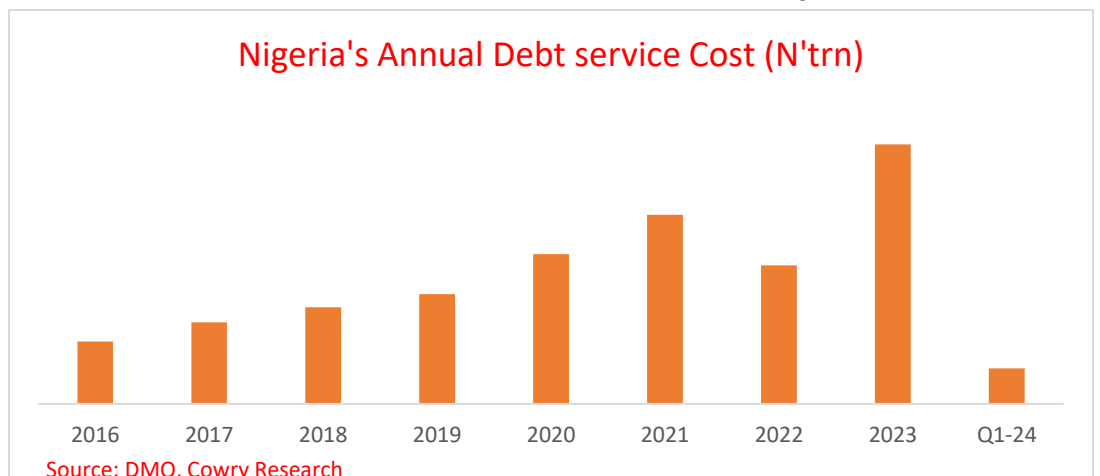
Looking ahead to the coming week, it is anticipated that the new trading quarter will commence strongly, albeit with mixed sentiment from market investors. The market will focus on the forthcoming earnings reporting season and interim dividends from the banking sector and a few other companies. The changing market structure on the NGX continues as bargain hunters take advantage of recent pullbacks and corrections to buy into value amidst ongoing portfolio repositioning ahead of Q2 numbers, ushering in the second half of the year. Investors are advised to seize opportunities in stocks with strong fundamentals.

ECONOMY: Another Expansion in Nigeria’s Debt Service Cost as Finance Cost Escalates...

Last week, the Debt Management Office (DMO) published a report detailing Nigeria’s escalating public debt levels within the first three months of 2024. The report indicated that the total debt had surged to N121.67 trillion from N97.34 trillion in the fourth quarter of 2023, reflecting an increase of N24.33 trillion. This substantial rise is attributed to the depreciation of the Naira and an aggressive borrowing spree by both federal and state governments.

Building on this foundation, this week, we delve into the expanding debt service costs, which amounted to \$1.12 billion by the end of the first quarter of 2024. This increase is driven by rising interest rates and the weakening of the local currency against the dollar. The primary concern is that interest payments on these debts will consume a larger portion of government revenues in 2024 and beyond, given the limited revenue streams and the continuous accumulation of debt.

An analysis of the data reveals that debt service costs for multilateral loans constitute 57% (\$634.3 million) of the total, followed by bilateral loans and commercial loans at 18% (\$197.4 million) and 26% (\$288.2 million) respectively. Furthermore, Nigeria’s total debt service payment to the International Monetary Fund (IMF) amounts to \$409.4 million, representing 37% of the total external debt service for the first quarter of 2024. Eurobond repayments account for another significant portion, 25% of the total external debt cost, equating to \$282.6 million. Payments to the Export and Import Bank of China and the International Development Association (IDA) account for 16% (\$180.6 million) and 18% (\$196.1 million) respectively.



This data underscores the fact that within the last 12 months, Nigeria has secured \$4.95 billion in loans from the World Bank, despite growing concerns about the increasing costs associated with servicing its external debt. The government anticipates additional loan approvals worth \$4.4 billion from the international lender and the African Development Bank over the next year. The World Bank has approved funding for six projects in Nigeria, including \$750 million for power sector financing, \$500 million for women's empowerment, \$700 million for girl child education, \$750 million for renewable energy solutions, \$750 million for resource mobilisation reforms, and \$1.5 billion for economic stabilisation reforms. These projects have significantly contributed to the country’s increasing debt levels.

On the domestic front, the Federal Government of Nigeria’s domestic debt service costs amounted to N989 billion during the review period, largely driven by the escalating debt stock, which reached N61.6 trillion. A key factor behind the increase in the federal government’s debt burden is the securitisation of the N22.7 trillion in ways and means advances provided by the central bank, alongside the N7.3 trillion approved by lawmakers during the fourth quarter of 2023.

Data from the DMO shows that interest payments on federal bonds rose to N797 billion, accounting for more than 80% of the total domestic debt service cost. Payments on Nigerian Treasury Bills (NTBs), the second most significant debt service component, increased to N97 billion during the first quarter of 2024. Additionally, the third most significant component of debt service was the principal repayments on the Federal Government’s promissory notes, which amounted to N87 billion. This increase is a result of the higher interest rate environment during the period, reflecting the Central Bank of Nigeria’s monetary tightening measures.

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EQUITIES MARKET: ASI Rallies to 100K Threshold with 0.32% Gain Amidst Tepid Trading Levels...

After closing June with a month-on-month increase of +0.76%, the all-share index rallied positively, reaching the 100,000 threshold for the first time since April 16, 2024 and was driven by buy sentiment from the window dressing activities of fund managers. This week's cash trading saw positive upsides, halting a bearish pattern and three consecutive sessions of a bear-run on low traded volume and positive market breadth.

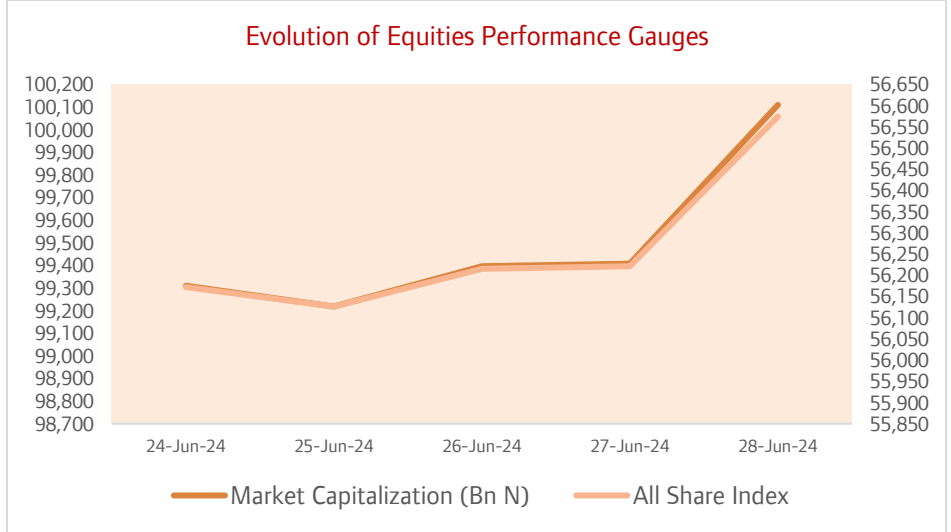
As a result, the benchmark index closed the week up by 0.32%, settling at 100,057.49 points for the first time since 16 April 2024, as investors positioned themselves in both small and large-cap corporates in anticipation of the half-year reporting season. Consequently, the market capitalisation of listed equities increased by 0.32% week on week to N56.60 trillion, despite tepid investor sentiment and waning market activity levels. Equity investors gained a total of N178.05 billion from two out of the five trading sessions this week, bringing the year-to-date return of the index to 33.81%.

This week, trading activity was subdued, as evidenced by the total volume and value of trades, despite positive market breadth with 48 weekly gainers compared to 35 weekly losers. The total traded volume dropped by 19.69% week on week to 2.65 billion units, while the total weekly traded value decreased slightly by 5.98% week on week to N49.98 billion. However, reversing the prior week's performance, the total number of trades for the week improved by 51.11% week on week to 41,610 deals.

Sectoral performance was largely positive this week, except for the NGX-Consumer Goods and NGX-Industrial Goods sectors, which trended downward by 0.56% and 0.33% week on week, respectively, due to negative price movements in BETAGLASS and WAPCO. Conversely, the NGX-Oil & Gas and NGX-Insurance indices led the gainers' chart with increases of 5.71% and 3.33%, respectively, while the NGX-Banking index also reported gains of 1.14% week on week. Stocks contributing to these gains included UCAP, MBENEFIT, SEPLAT, FBNH, and FIDELITYBK.

At the close of the week, notable performers such as CWG (+45%), FTNCOCOA (+22%), UCAP (+22%), JOHNSHOLT (+20%), and MBENEFIT (+20%) emerged as the best performing securities, driven by positive activities that propelled their price movements. Conversely, negative investor sentiment led to sell-offs in JAIZBANK (-11%), DAARCOMM (-11%), CHAMPION (-11%), UPL (-9%), and BETAGLASS (-9%), positioning these stocks as the top losers for the week.

Looking ahead to the coming week, it is anticipated that the new trading quarter will commence strongly, albeit with mixed sentiment from market investors. The market will focus on the forthcoming earnings reporting season and interim dividends from the banking sector and a few other companies. The changing market structure on the NGX continues as bargain hunters take advantage of recent pullbacks and corrections to buy into value amidst ongoing portfolio repositioning ahead of Q2 numbers, ushering in the second half of the year. Investors are advised to seize opportunities in stocks with strong fundamentals.



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

Top Ten Gainers				Bottom Ten Losers			
Symbol	28-Jun-24	21-Jun-24	% Change	Symbol	28-Jun-24	21-Jun-24	% Change
CWG	7.95	5.50	44.5%	JAIZBANK	1.95	2.20	-11.4%
FTNCOCOA	1.64	1.34	22.4%	DAARCOMM	0.51	0.57	-10.5%
UCAP	26.50	21.75	21.8%	CHAMPION	3.50	3.91	-10.5%
JOHNSHOLT	3.14	2.61	20.3%	UPL	2.50	2.75	-9.1%
MBENEFIT	0.67	0.56	19.6%	BETAGLAS	53.00	58.00	-8.6%
LASACO	2.55	2.16	18.1%	DANGSUGAR	43.00	47.00	-8.5%
NSLTECH	0.59	0.50	18.0%	ACADEMY	1.84	2.00	-8.0%
AFRIPRUD	8.20	6.95	18.0%	CAVERTON	1.30	1.41	-7.8%
THOMASWY	2	2.10	14.3%	WAPCO	34.05	36.80	-7.5%
CILEASING	3.20	2.83	13.1%	DEAPCAP	0.52	0.56	-7.1%

Weekly Stock Recommendations as at Friday, June 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
FBNH	5.76	8.76	47.35	0.46	3.81	43.95	15.75	21.90	33.40	18.7	25.2	52.00	Buy
OKOMUOIL	15.81	23.40	56.56	5.15	18.44	291.5	157	291.50	431.4	247.8	335.2	48.00	Buy
STANBIC IBTC	3.45	4.14	42.02	1.24	15.07	84.00	27.50	52.00	62.4	44.2	59.8	20.00	Buy
TOTAL	338.68	514.79	174.03	2.23	1.15	390.00	197.00	388.90	591.1	330.6	447.2	52.00	Buy
LAFARGE	0.32	0.58	27.33	1.25	105.62	47.95	20.10	34.05	61.3	28.9	39.2	80.00	Buy
ACCESSCORP	4.35	6.09	71.65	0.27	4.37	30.7	7.5	18.95	26.6	16.2	21.9	40.00	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	28-Jun-24 Price (N)	Weekly USD Δ	28-Jun-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.40	100.08	-0.21	7.6%	0.16
6.50 NOV 28, 2027	28-Nov-17	3.42	92.32	0.19	9.2%	-0.06
6.125 SEP 28, 2028	28-Sep-21	4.25	87.46	0.17	9.8%	-0.04
8.375 MAR 24, 2029	24-Mar-22	4.74	93.50	0.36	10.1%	-0.10
7.143 FEB 23, 2030	23-Feb-18	5.66	86.52	0.63	10.4%	-0.16
8.747 JAN 21, 2031	21-Nov-18	6.57	92.20	0.49	10.4%	-0.10
7.875 16-FEB-2032	16-Feb-17	7.64	86.18	0.46	10.6%	-0.09
7.375 SEP 28, 2033	28-Sep-21	9.26	81.42	0.74	10.6%	-0.14
7.696 FEB 23, 2038	23-Feb-18	13.67	77.09	0.89	11.0%	-0.15
7.625 NOV 28, 2047	28-Nov-17	23.43	72.12	0.77	11.0%	-0.12
9.248 JAN 21, 2049	21-Nov-18	24.58	87.23	0.83	10.7%	-0.11
8.25 SEP 28, 2051	28-Sep-21	27.27	76.24	0.78	11.0%	-0.12

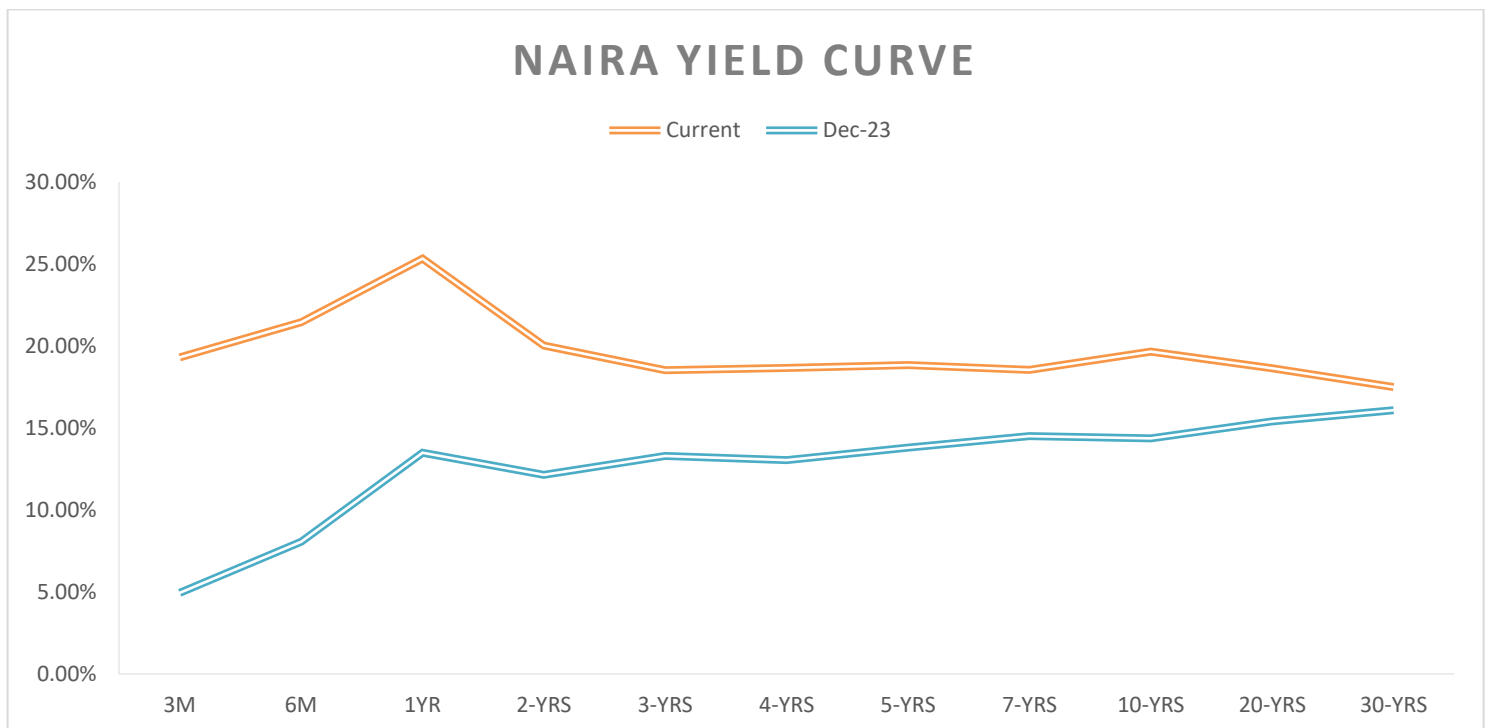
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, June 28, 2024

MAJOR	28-Jun-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0698	1.0707	-0.09%	0.07%	-0.94%	-1.51%
GBPUSD	1.2626	1.2644	-0.14%	-0.09%	-0.53%	0.15%
USDCHF	0.9000	0.8986	0.15%	0.59%	-1.50%	0.02%
USDRUB	86.0044	85.0014	1.18%	-3.46%	-3.93%	-0.99%
USDNGN	1535.4200	1531.4383	0.26%	2.43%	9.64%	103.92%
USDZAR	18.2246	18.4572	-1.26%	1.39%	-1.33%	-2.87%
USDEGP	48.0329	48.0329	0.00%	0.79%	1.67%	55.71%
USDCAD	1.37	1.3700	0.05%	0.11%	-0.09%	3.44%
USDMXN	18.30	18.4289	-0.70%	1.06%	7.47%	6.83%
USDBRL	5.57	5.5020	1.26%	2.50%	6.99%	14.68%
AUDUSD	0.6671	0.6650	0.31%	0.47%	0.88%	0.87%
NZDUSD	0.6094	-0.0600	0.16%	-0.41%	-0.33%	0.41%
USDJPY	160.4850	160.7100	-0.14%	0.44%	1.80%	10.84%
USDCNY	7.2989	7.3040	-0.07%	0.13%	0.37%	0.43%
USDINR	83.3530	83.4531	-0.12%	-0.26%	-0.02%	1.53%

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

Commodity		28-Jun-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	81.1	81.7	-0.73%	0.55%	2.45%	15.93%
BRENT	USD/Bbl	84.7	85.3	-0.65%	-0.60%	1.56%	13.77%
NATURAL GAS	USD/MMBtu	2.6	9.8	-1.69%	-6.82%	-0.87%	-1.79%
GASOLINE	USD/Gal	2.5	2.5	-1.32%	0.16%	2.25%	3.94%
COAL	USD/T	132.6	133.0	-0.30%	-1.60%	-6.62%	3.67%
GOLD	USD/t.oz	2,328.9	2,327.7	0.05%	0.37%	-0.34%	22.13%
SILVER	USD/t.oz	29.3	29.0	1.15%	-0.68%	-8.36%	30.13%
WHEAT	USD/Bu	557.3	579.5	-3.84%	-3.12%	-19.49%	-16.44%
PALM-OIL	MYR/T	3,932.0	3,895.0	0.95%	0.44%	-2.90%	3.35%
COCOA	USD/T	7,540.0	7,238.8	4.16%	-12.38%	-18.91%	130.97%

FGN Bonds Yield Curve, Friday June 28, 2024



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