

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Capital Flows to Nigeria Rebounds to 4-Year High of \$3.4bn in Q1'24 with Surprising Upside...

We note the rebound in total capital inflow into Nigeria to pre-pandemic levels as a positive sign, indicating an improvement in investor confidence. This necessitates vigilant monitoring and potential policy adjustments. Nigeria's economic growth prospects and market potential during the period played a crucial role in attracting investors seeking profitable opportunities and expansion amidst sound fiscal and monetary policies and regulatory reforms.

EQUITIES MARKET: : ASI Pares Gains by 0.04% w/w as Market Cap Loss N20.8bn from Tepid Activities...

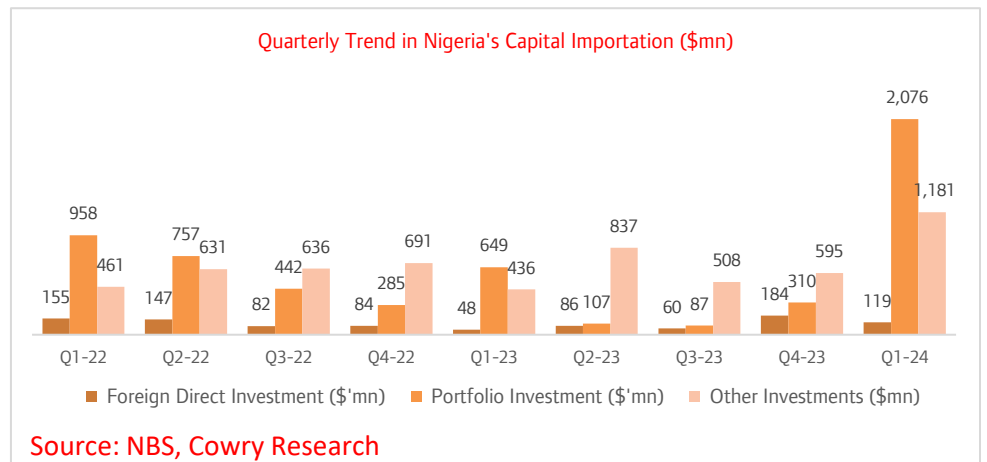
Looking ahead to the coming week, it is expected that the bulls will lead the charge as the half-year earnings reporting season approaches. Position-taking and sector rotation are anticipated to persist ahead of the new earnings season, bringing changes in liquidity, momentum, volume, and reactions to both positive earnings and disappointing numbers, driving volatility that creates wealth for market players. As the changing market structure and fundamentals persist, investors are advised to position themselves in stocks with sound fundamentals.

ECONOMY: Capital Flows to Nigeria Rebounds to 4-Year High of \$3.4bn in Q1'24 with Surprising Upside...

Capital importation into Nigeria saw a remarkable increase of 198.06% year on year, reaching \$3.38 billion in the first quarter of 2024, up from \$1.13 billion in the same period of 2023. This also indicates a 210.16% quarter on quarter rise from \$1.09 billion in the last quarter of 2023. This is the highest inflow recorded since the pandemic era (\$5.85 billion in Q1 2020) and can be attributed to improved investor sentiment and confidence, despite incoherent foreign exchange policies and the devaluation of the local currency.

Over the last sixteen quarters, capital inflows into Nigeria have struggled to return to the pre-pandemic quarterly average of \$5 billion, raising concerns and prompting a closer examination of the factors contributing to the downturn in foreign investment. Key issues include policies on foreign exchange liquidity and other macroeconomic challenges that continue to impede the sustainable inflow of investments.

In our analysis of the report from the National Bureau of Statistics, Portfolio Investment ranked highest with \$2.08 billion, accounting for 61.48% of the total capital inflow during the period. Investors took advantage of the high-interest rate environment, where money market instruments (\$1.61 billion) and bonds (\$420.8 million) became more attractive due to higher returns and a positive outlook for the fixed income market. Meanwhile, there was a 77.8% year on year decline in investment into equities, contrasting with a 355.7% quarter on quarter improvement to \$49.4 million.



During the first quarter of 2024, the Central Bank of Nigeria's Monetary Policy Committee announced a measured increase in the benchmark interest rate by 600 basis points to 24.75% from 18.75% in 2023, in response to the prevailing inflationary environment. This decision was based on expectations for liquidity injections into the economy from policy developments and their potential impact on inflation. Consequently, the rising rates made fixed income and money market instruments more attractive to investors. Elsewhere, the equities market reached historic levels, gaining 39.8% due to robust corporate earnings, dividend declarations, government-led market reforms, and heightened interest from both domestic and foreign investors.

Furthermore, the "Other Investments" category ranked second among the broad categories with \$1.18 billion worth of inflows, accounting for 35% of the total inflow. This was due to an impressive 66,806% year on year improvement in other claims and a 165.3% year on year rise in total loans for the period to \$30.1 million. On the contrary, currency deposits for the period nosedived by 100% year on year from \$1.84 million, though there was a 98.6% increase from the prior quarter. Foreign direct investment during Q1 2024 saw a 150.4% year on year increase to \$119.2 million but declined by 35.2% due to the total investment into equity (\$119.17 million) and other capital (\$10,000).

The top source of capital inflows was the United Kingdom with \$1.81 billion, followed by South Africa (\$582.3 million), Cayman Islands (\$186.2 million), Mauritius (\$179.6 million), and the United Arab Emirates (\$101.8 million). Lagos remained the top destination for investment with \$2.78 billion or 82.4% of the total inflow into the state, followed by Abuja with \$593.6 million and Ekiti state with \$100,000, as investors continued to avoid other sub-nationals due to limited investment prospects.

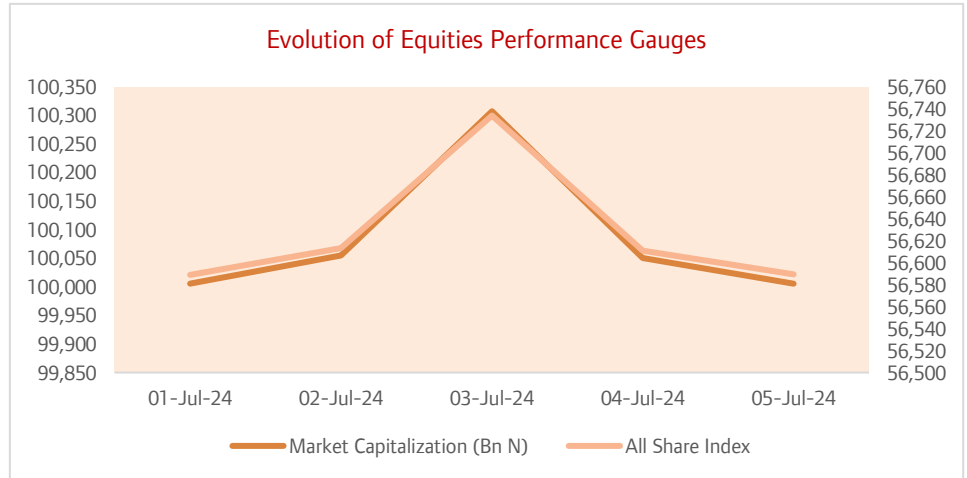
According to the Abuja-based statistics office, the Banking sector recorded the highest inflow with \$2.07 billion, representing 61.24% of total capital imported in Q1 2024. This was followed by the Trading sector, valued at \$494.93 million (14.66%), and the Production/Manufacturing sector with \$191.92 million (5.68%). Conversely, the oil and gas and drilling sectors saw little to no investment, while the marketing, consultancy, and construction sectors received inflows valued at \$60,000, \$300,000, and \$610,000 respectively.

We note the rebound in total capital inflow into Nigeria to pre-pandemic levels as a positive sign, indicating an improvement in investor confidence. This necessitates vigilant monitoring and potential policy adjustments. Nigeria's economic growth prospects and market potential during the period played a crucial role in attracting investors seeking profitable opportunities and expansion amidst sound fiscal and monetary policies and regulatory reforms.

EQUITIES MARKET: ASI Pares Gains by 0.04% w/w as Market Cap Loss N20.8bn from Tepid Activities...

This week, the local bourse witnessed tepid trading activity, driven by weak volumes and values despite positive market internals. The all-share index pared last week's gains, nosediving marginally by 0.04% week-on-week and settling at 100,022.03 points. It remained above the T-line after breaking it to retrace upwards, thereby halting last week's bullish transition. Investors continued their portfolio realignment across major market sectors ahead of the new earnings season. Consequently, the market capitalisation of listed equities exhibited a bearish movement, declining by 0.04% week-on-week to N56.58 trillion. This was due to tepid investor sentiment and waning market activity levels. Equity investors incurred a total loss of N20.75 billion over three out of five trading sessions this week, bringing the year-to-date return of the index to 33.77%.

Trading activity was notably weak this week, as evidenced by the total volume and value of trades. The market breadth was also weak, with 37 weekly gainers compared to 45 weekly losers. As a result, the total traded volume dropped by 14.8% week-on-week to 2.26 billion units, while the total weekly traded value decreased by 37.6% week-on-week to N31.17 billion. Despite this, the total number of trades for the week improved marginally by 2.98% week-on-week to 42,851 deals.



Despite the tepid performance of the benchmark index, sectoral performance was largely positive this week, with the exception of the NGX-Consumer Goods sector, which declined by 0.69% week-on-week due to negative price movements in MAYBAKER, DANGSUGAR, and INTBREW. Conversely, the NGX-Banking and NGX-Oil & Gas indices led the gainers' chart, with increases of 3.87% and 3.01% respectively. The NGX-Insurance and NGX Industrial indices also reported gains of 2.26% and 0.22% week-on-week. Stocks contributing to these gains included CONOIL, JAIZBANK, CORONATION, AIICO, OANDO, WAPCO, UBA, FBNH, and RTBRISCOE.

At the close of the week, notable performers such as VERITASKAP (+25%), CONOIL (+21%), JAIZBANK (+20%), CORONATION (+18%), and AIICO (+13%) emerged as the best-performing securities, driven by positive activities that propelled their price movements. Conversely, negative investor sentiment led to sell-offs in UPDCREIT (-17%), IKEJAHOTEL (-12%), LASACO (-10%), JULIUS BERGER (-10%), and MUTUAL BENEFIT (-9%), positioning these stocks as the top losers for the week.

Looking ahead to the coming week, it is expected that the bulls will lead the charge as the half-year earnings reporting season approaches. Position-taking and sector rotation are anticipated to persist ahead of the new earnings season, bringing changes in liquidity, momentum, volume, and reactions to both positive earnings and disappointing numbers, driving volatility that creates wealth for market players. As the changing market structure and fundamentals persist, investors are advised to position themselves in stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, July 5, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	05-Jul-24	28-Jun-24	% Change	Symbol	05-Jul-24	28-Jun-24	% Change
VERITASKAP	1.15	0.92	25.0%	UPDCREIT	4.50	5.45	-17.4%
CONOIL	126.50	105.00	20.5%	IKEJAHOTEL	6.95	7.90	-12.0%
JAIZBANK	2.33	1.95	19.5%	LASACO	2.30	2.55	-9.8%
WAPIC	0.79	0.67	17.9%	JBERGER	88.60	98.00	-9.6%
AIICO	1.10	0.97	13.4%	MBENEFIT	0.61	0.67	-9.0%
OANDO	17.00	15.00	13.3%	CONHALLPLC	1.51	1.65	-8.5%
TIP	2.05	1.82	12.6%	UPL	2.29	2.50	-8.4%
REGALINS	0.45	0.40	12.5%	UPDC	1.28	1.39	-7.9%
AFRIPRUD	9	8.20	9.8%	CUSTODIAN	9.50	10.20	-6.9%
IMG	13.00	11.90	9.2%	MAYBAKER	5.51	5.90	-6.6%

Weekly Stock Recommendations as at Friday, July 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
FBNH	5.76	10.09	47.35	0.51	4.2	43.95	15.75	23.05	41.9	20.4	27.5	75.00	Buy
OKOMUOIL	15.81	18.97	56.56	5.15	18.44	291.5	157	291.50	376.0	247.8	335.2	28.99	Buy
Nig. Breweries	-5.07	-6.08	1	26.20	-5.7	48.85	28.8	29.10	41.0	24.7	33.5	40.89	Buy
ETI	2.39	3.82	89.97	0.24	9.21	28.8	9.5	22.00	31.0	18.7	25.3	40.91	Buy
GTCO	16.24	19.49	71.59	0.66	2.91	48.80	22.05	47.35	60.0	40.1	54.3	27.12	Buy

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

FGN Eurobonds	Issue Date	TTM (years)	05-Jul-24 Price (N)	Weekly USD Δ	05-Jul-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.38	99.49	-0.59	8.0%	0.45
6.50 NOV 28, 2027	28-Nov-17	3.40	92.22	-0.10	9.2%	0.05
6.125 SEP 28, 2028	28-Sep-21	4.24	87.66	0.20	9.8%	-0.05
8.375 MAR 24, 2029	24-Mar-22	4.72	94.00	0.50	10.0%	-0.13
7.143 FEB 23, 2030	23-Feb-18	5.64	87.08	0.56	10.2%	-0.13
8.747 JAN 21, 2031	21-Nov-18	6.55	93.10	0.90	10.2%	-0.20
7.875 16-FEB-2032	16-Feb-17	7.62	87.20	1.02	10.3%	-0.22
7.375 SEP 28, 2033	28-Sep-21	9.24	82.47	1.05	10.4%	-0.20
7.696 FEB 23, 2038	23-Feb-18	13.65	78.36	1.27	10.8%	-0.21
7.625 NOV 28, 2047	28-Nov-17	23.41	73.39	1.27	10.8%	-0.19
9.248 JAN 21, 2049	21-Nov-18	24.56	88.42	1.19	10.6%	-0.15
8.25 SEP 28, 2051	28-Sep-21	27.25	77.67	1.43	10.8%	-0.20

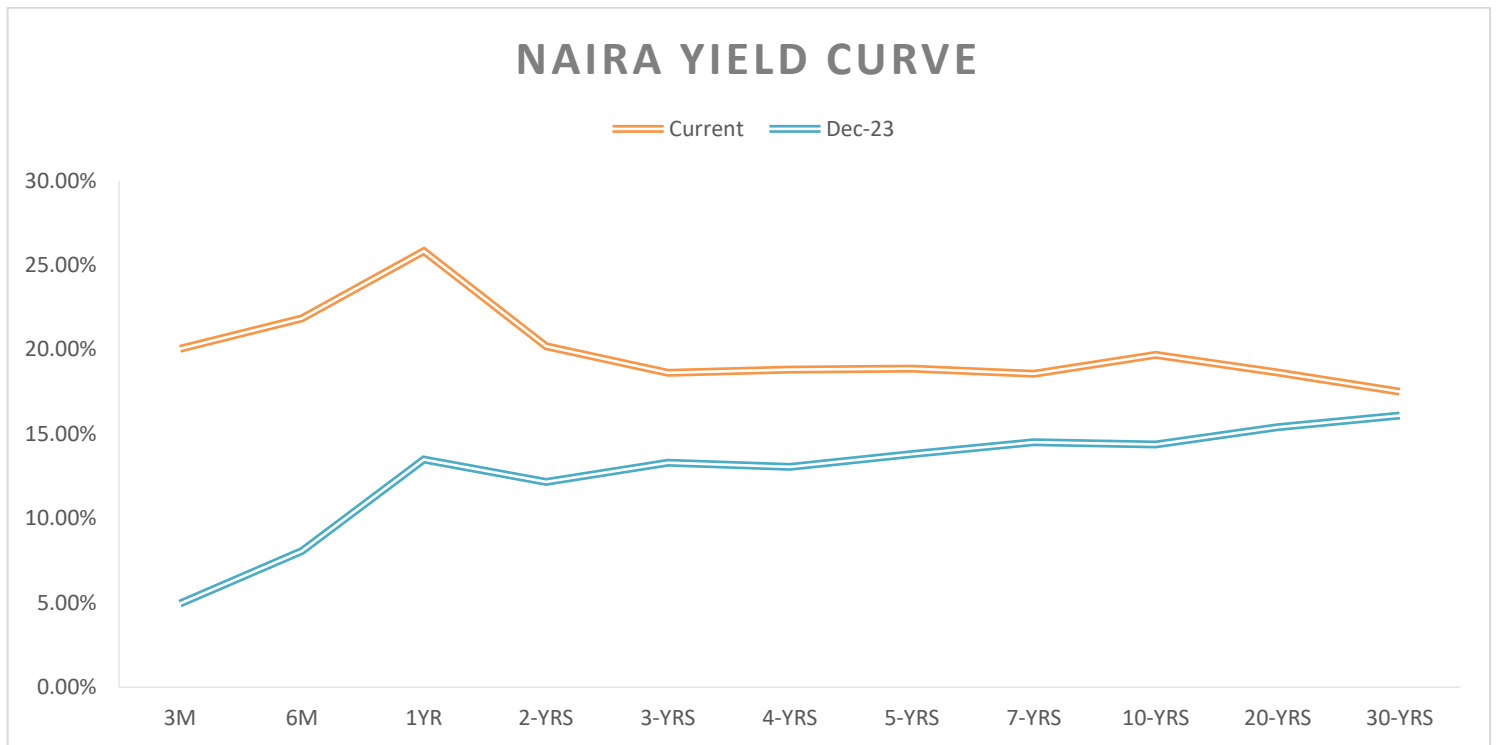
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 5, 2024

MAJOR	05-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0822	1.0810	0.11%	1.03%	-0.64%	-0.60%
GBPUSD	1.2798	1.2755	0.34%	1.21%	0.04%	0.45%
USDCHF	0.8981	0.9002	-0.23%	-0.05%	0.94%	0.34%
USDRUB	88.3541	89.0038	-0.73%	3.03%	-0.56%	-3.18%
USDNGN	1523.7500	1526.1919	-0.16%	-0.76%	1.84%	96.87%
USDZAR	18.2397	18.2671	-0.15%	0.15%	-3.90%	-4.67%
USDEGP	47.9898	47.9419	0.10%	-0.06%	1.13%	55.58%
USDCAD	1.36	1.3614	0.17%	-0.31%	-0.24%	2.01%
USDMXN	18.16	18.0919	0.36%	-0.76%	1.53%	5.40%
USDBRL	5.49	5.4895	-0.04%	-1.88%	4.37%	11.58%
AUDUSD	0.6735	0.6725	0.16%	1.01%	1.01%	1.69%
NZDUSD	0.6129	-0.0600	0.27%	0.66%	-1.05%	-0.39%
USDJPY	160.9640	161.3512	-0.24%	0.05%	3.37%	11.71%
USDCNY	7.2918	7.2933	-0.02%	-0.12%	0.42%	0.50%
USDINR	83.5045	83.4962	0.01%	0.15%	0.05%	0.90%

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

Commodity		05-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	84.1	84.0	0.15%	3.20%	11.38%	17.21%
BRENT	USD/Bbl	87.7	87.4	0.31%	3.16%	9.79%	15.05%
NATURAL GAS	USD/MMBtu	2.4	9.8	0.02%	-8.92%	-16.02%	-8.85%
GASOLINE	USD/Gal	2.6	2.6	0.99%	4.07%	8.79%	6.19%
COAL	USD/T	136.5	135.0	1.11%	2.94%	-0.37%	-5.73%
GOLD	USD/t.oz	2,380.6	2,356.7	1.01%	2.30%	0.13%	24.55%
SILVER	USD/t.oz	31.1	30.4	2.31%	6.49%	-1.00%	36.43%
WHEAT	USD/Bu	570.3	574.0	-0.65%	-0.30%	-10.59%	-13.10%
PALM-OIL	MYR/T	4,040.0	4,066.8	-0.66%	3.17%	1.99%	3.30%
COCOA	USD/T	7,693.7	7,802.9	-1.40%	1.96%	-22.38%	133.99%

FGN Bonds Yield Curve, Friday July 5, 2024



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