

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflationary Pressures Remain Front Burner Amid CBN, FG's Ambitious Strategy ...

meeting approaches, the CBN faces a dilemma: whether to continue tightening monetary policy or adopt a more cautious approach to monitor inflationary trends and key economic indicators. We anticipate that a moderate increase in headline inflation will likely lead committee members to favour maintaining a tightening stance, potentially raising rates by 25 to 50 basis points. Our projections estimate a headline inflation rate of 34.25% for June 2024.

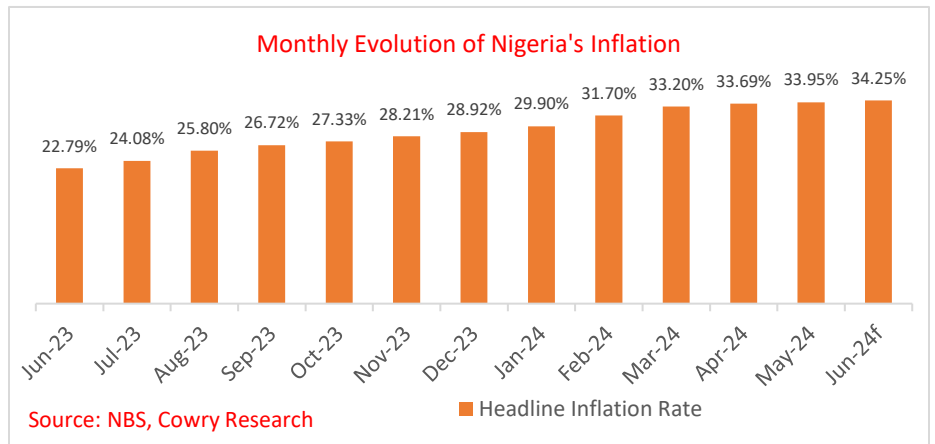
EQUITIES MARKET: : Bargain Hunting Activities Rule the Bourse as Investors Lose N139 Billion...

Looking ahead to the upcoming week, Cowry Research thinks market momentum is expected to continue with ongoing bargain hunting and portfolio adjustments in anticipation of the June Consumer Price Index and half-year corporate earnings reports. These upcoming economic indicators are likely to influence investor decisions and market trends in the face of weak sentiments. As the changing market structure and fundamentals persist, investors are advised to position themselves in stocks with sound fundamentals.

ECONOMY: Inflationary Pressures Remain Front Burner Amid CBN, FG's Ambitious Strategy ...

This week, our analytical focus shifts towards the determinants of inflation in Nigeria, as economic agents anticipate the release of the June 2024 Consumer Price Inflation (CPI) report by Nigeria's Bureau of Statistics (NBS). In May 2024, Nigeria's headline inflation hit a fresh 28-year high, rising by 26bps to the 17th straight month of 33.95% y/y, representing a modest increase compared to the 49bps rise to 33.69% y/y recorded in the previous month. May's slower inflation reading marks the third consecutive month of moderation in headline inflation. The latest figures came amid a further rise in fuel prices following the government's removal of subsidies on PMS, an increase in electricity tariffs, and currency weakness. So far in 2024, headline inflation has averaged 32.49%, compared to 22.20% in the first five months of 2023 and 24.52% for the entire year 2023.

Food inflation remains a significant driver of the headline inflation index, reaching 40.66% year-on-year in May 2024, the highest level in almost two decades. This surge is attributed to rising prices of essential food items, which continue to be significantly hindered by supply-side shocks arising from security challenges. On a month-on-month basis, food inflation decreased by 0.22%, from 2.50% in April 2024 to 2.28% in May 2024.



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. The food index constitutes over 51% of the inflation basket, and this escalation can be attributed to rising prices in fundamental food commodities, including bread, cereals, oil, and fat. Specifically, all 43 food items surveyed reported price increases on a year-on-year and month-on-month basis between April and May 2024. An unweighted simple average, which does not account for consumption trends, shows that the average price of food items in the Bureau's designated basket increased by 137.3% year-on-year and 13.4% month-on-month.

Beyond the food component, the core inflation rate, which excludes farm produce and energy, surged by 20bps to 27.04% y/y in May. The higher core inflation reading was due to increased prices for items such as passenger transport by road, housing rentals, X-ray photography, pharmaceutical products, accommodation, and medical services. Meanwhile, the NBS price watch series highlighted that the prices of deregulated fuels such as Automotive Gas Oil (diesel) and Household Kerosene recorded significant increases, rising by 66.3% year on year and 20.3% year on year to N844.24/litre and N1,450.35/litre, respectively. Similarly, Liquefied Petroleum Gas (LPG) prices revealed that the average cost of refilling a 12.5kg cylinder decreased by 7bps month on month but rose by 63.85% year on year to N15,627 in May. As noted by the NBS report, the Premium Motor Spirit (PMS) price watch showed that the average price paid by consumers for PMS accelerated by 223% year-on-year to N769.62/litre. The higher year-on-year price increase relative to other liquid fuels is primarily due to the rise in the pump price of petrol following the elimination of fuel subsidies.

In response to the ongoing inflationary pressures, the Nigerian government has unveiled a comprehensive plan for 2024, focusing on the six-month suspension of import duties, Value Added Tax (VAT), and other tariffs on staple food items, raw materials, and direct inputs for manufacturing. This includes agricultural production inputs such as fertilisers, seedlings, and chemicals, as well as 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 boost local supply and capacity utilisation. This ambitious agricultural reform programme aims to enhance domestic food production.

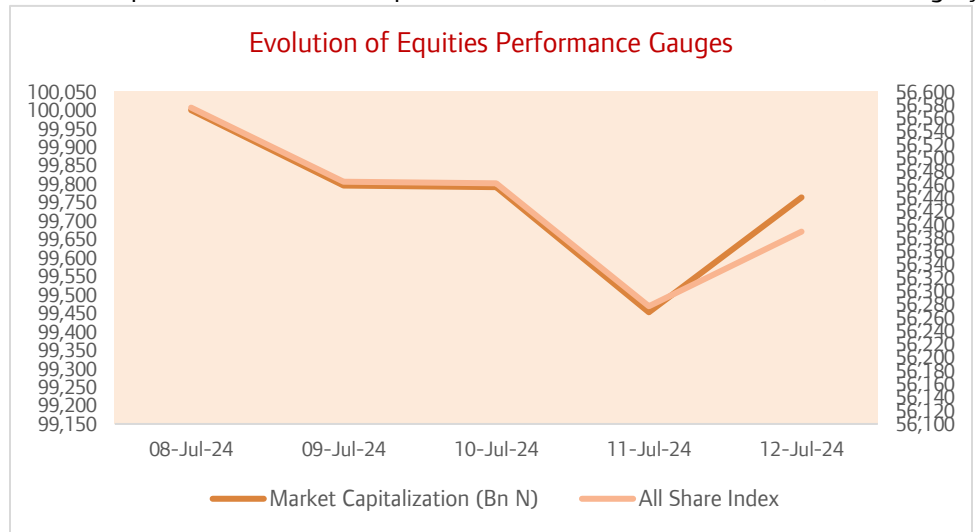
Cowry Research believes that these government measures, while ambitious, aim to provide much-needed relief from the current inflationary grip, potentially reviving hope among Nigerians and fostering a more prosperous and optimistic marketplace. However, the effectiveness of these initiatives in delivering tangible benefits remains to be seen. As the next monetary policy committee meeting approaches, the CBN faces a dilemma: whether to continue tightening monetary policy or adopt a more cautious approach to monitor inflationary trends and key economic indicators. We anticipate that a moderate increase in headline inflation will likely

lead committee members to favour maintaining a tightening stance, potentially raising rates by 25 to 50 basis points. Our projections estimate a headline inflation rate of 34.25% for June 2024.

EQUITIES MARKET: Bargain Hunting Activities Rule the Bourse as Investors Lose N139 Billion...

This week, the local bourse saw a mixed outing as the benchmark index took a beating for the second straight week and driven by bargain hunting activities and portfolio repositioning. Thus, the all-share index nosedived by 0.35% week-on-week and settling below the 100k mark at 99,671.28 points as 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 0.35% week-on-week to N56.44 trillion. This was due to tepid investor sentiment as equity investors incurred a total loss of N139.9 billion over three out of five trading sessions this week, bringing the year-to-date return of the index to 33.30%.

Trading activity was notably mixed this week, as evidenced by the total volume and value of trades. The market breadth was relative flat, with 38 weekly gainers compared to 39 weekly losers. As a result, the total traded volume was up by 22.4% week-on-week to 2.77 billion units, as well as the total weekly traded value rising by 173.5% week-on-week to N85.23 billion. Despite this, the total number of trades for the week decreased marginally by 4.80% week-on-week to 40,794 deals.



Despite the tepid performance of the benchmark index, sectoral performance was weak this week as we saw the NGX-Banking lead the laggards by 2.08% week on week and was followed by NGX-Insurance and NGX-Consumer Goods sectors, which declined by 0.36% and 0.09% week-on-week due to negative price movements in UBA, GTCO, SOVRENINS, CHIPLC, PZ CUSSONS, and TANTALIZER. Conversely, the NGX-Oil & Gas and NGX Industrial indices reported gains of 1.38% and 0.05% week-on-week. Stocks contributing to these gains included ETERNA, COINOIL, LAFARGE and UPDCREIT.

At the close of the week, notable performers such as LIVESTOCK (+27%), VERITASKAP (+25%), ABCTRANS (+20%), ETERNA (+18%), and VITAFOAM (+18%) emerged as the best-performing securities, driven by positive activities that propelled their price movements. Conversely, negative investor sentiment led to sell-offs in AFRIPRUD (-18%), PZ (-10%), THOMASWY (-10%), CWG (-10%), and TANTALIZER (-10%), positioning these stocks as the top losers for the week.

Looking ahead to the upcoming week, Cowry Research thinks market momentum is expected to continue with ongoing bargain hunting and portfolio adjustments in anticipation of the June Consumer Price Index and half-year corporate earnings reports. These upcoming economic indicators are likely to influence investor decisions and market trends in the face of weak sentiments. 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 12, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	12-Jul-24	05-Jul-24	% Change	Symbol	12-Jul-24	05-Jul-24	% Change
LIVESTOCK	2.35	1.85	27.0%	AFRIPRUD	7.40	9.00	-17.8%
VERITASKAP	1.15	0.92	25.0%	PZ	19.80	22.00	-10.0%
ABCTRANS	0.77	0.64	20.3%	THOMASWY	2.16	2.40	-10.0%
ETERNA	18.00	15.20	18.4%	CWG	6.90	7.65	-9.8%
WAPIC	0.79	0.67	17.9%	TANTALIZER	0.47	0.52	-9.6%
VITAFOAM	21.20	18.00	17.8%	TRANSCORP	11.70	12.85	-8.9%
CAVERTON	1.58	1.35	17.0%	CHAMS	2.17	2.38	-8.8%
CUTIX	4.62	4.20	10.0%	IKEJAHOTEL	6.35	6.95	-8.6%
LEARNAFRCA	4	3.20	10.0%	GUINNESS	65.00	70.00	-7.1%
CADBURY	18.25	16.60	9.9%	CHAMPION	3.06	3.29	-7.0%

Weekly Stock Recommendations as at Friday, July 12, 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	3.9x	43.95	15.75	22.25	39.6	19.2	26.0	75.00	Buy
STANBIC	3.45	4.14	42.02	1.29	15.7x	84.00	27.50	54.30	65.2	46.2	62.4	20.00	Buy
TOTAL	338.68	514.79	174.03	2.23	1.2x	390.00	197.00	388.90	591.1	330.6	447.2	52.00	Buy
LAFARGE	0.32	0.45	27.33	1.35	114.5x	47.95	20.10	36.30	51.7	31.4	42.4	40.00	Buy
UBA	3.96	5.55	76.37	0.30	5.8x	33.50	12.85	22.75	32.2	19.6	26.5	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 12, 2024

FGN Eurobonds	Issue Date	TTM (years)	12-Jul-24 Price (N)	Weekly USD Δ	12-Jul-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.36	99.56	0.07	8.0%	-0.05
6.50 NOV 28, 2027	28-Nov-17	3.38	93.03	0.81	8.9%	-0.29
6.125 SEP 28, 2028	28-Sep-21	4.22	88.94	1.28	9.4%	-0.39
8.375 MAR 24, 2029	24-Mar-22	4.70	95.49	1.49	9.6%	-0.42
7.143 FEB 23, 2030	23-Feb-18	5.62	89.12	2.04	9.7%	-0.52
8.747 JAN 21, 2031	21-Nov-18	6.53	94.95	1.85	9.8%	-0.41
7.875 16-FEB-2032	16-Feb-17	7.60	89.12	1.92	10.0%	-0.39
7.375 SEP 28, 2033	28-Sep-21	9.22	84.26	1.79	10.0%	-0.34
7.696 FEB 23, 2038	23-Feb-18	13.63	80.18	1.82	10.5%	-0.30
7.625 NOV 28, 2047	28-Nov-17	23.39	75.60	2.21	10.4%	-0.33
9.248 JAN 21, 2049	21-Nov-18	24.55	90.30	1.88	10.3%	-0.24
8.25 SEP 28, 2051	28-Sep-21	27.23	79.71	2.04	10.5%	-0.29

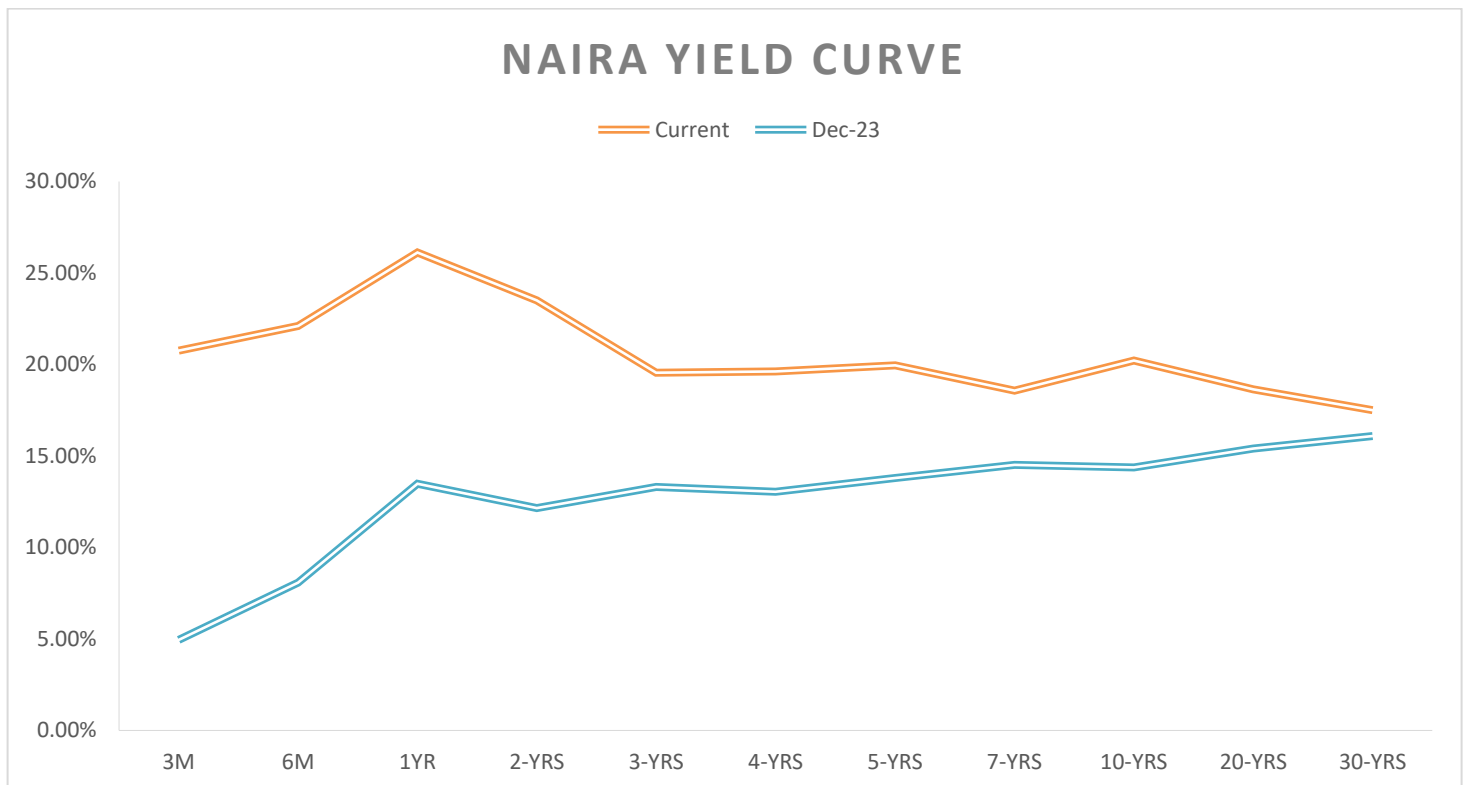
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 12, 2024

MAJOR	12-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0901	1.0874	0.25%	0.59%	1.53%	-2.87%
GBPUSD	1.2987	1.2924	0.49%	1.34%	1.83%	-1.11%
USDCHF	0.8949	0.8961	-0.14%	-0.10%	0.09%	4.22%
USDRUB	88.0214	86.9949	1.18%	0.03%	0.16%	-2.33%
USDNGN	1619.9100	1587.5245	2.04%	6.05%	7.64%	108.75%
USDZAR	17.9872	17.9872	0.00%	-1.05%	-2.42%	0.39%
USDEGP	47.9996	47.9516	0.10%	0.11%	0.70%	55.57%
USDCAD	1.36	1.3625	0.02%	-0.11%	-0.86%	3.94%
USDMXN	17.69	17.7570	-0.39%	-2.26%	-3.95%	5.04%
USDBRL	5.45	5.4400	0.14%	-0.15%	1.61%	13.62%
AUDUSD	0.6785	0.6770	0.23%	0.55%	2.33%	-1.47%
NZDUSD	0.6122	-0.0600	0.44%	-0.35%	-0.58%	-4.19%
USDJPY	157.8510	158.2784	-0.27%	-1.81%	0.45%	14.35%
USDCNY	7.2688	7.2623	0.09%	-0.28%	-0.03%	1.65%
USDINR	83.5008	83.5259	-0.03%	0.04%	-0.04%	1.78%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 12, 2024

Commodity		12-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	83.3	82.6	0.80%	0.07%	5.85%	8.83%
BRENT	USD/Bbl	85.8	85.4	0.50%	-0.87%	3.67%	5.92%
NATURAL GAS	USD/MMBtu	2.3	9.8	2.35%	-0.32%	-21.88%	-8.78%
GASOLINE	USD/Gal	2.5	2.5	-0.17%	-2.03%	4.66%	-3.51%
COAL	USD/T	133.8	133.8	0.00%	-2.01%	-1.26%	3.64%
GOLD	USD/t.oz	2,408.0	2,416.0	-0.33%	0.73%	4.60%	22.86%
SILVER	USD/t.oz	30.8	31.4	-1.80%	-1.20%	6.66%	24.04%
WHEAT	USD/Bu	559.7	571.2	-2.02%	-5.17%	-9.68%	-12.47%
PALM-OIL	MYR/T	3,991.0	3,935.1	1.42%	-1.21%	1.27%	3.26%
COCOA	USD/T	8,297.8	8,537.7	-2.81%	6.22%	-15.78%	157.18%

FGN Bonds Yield Curve, Friday July 12, 2024



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