

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflation Outlook Tests CBN's Policy Transmission Mechanism with Further Uptick...

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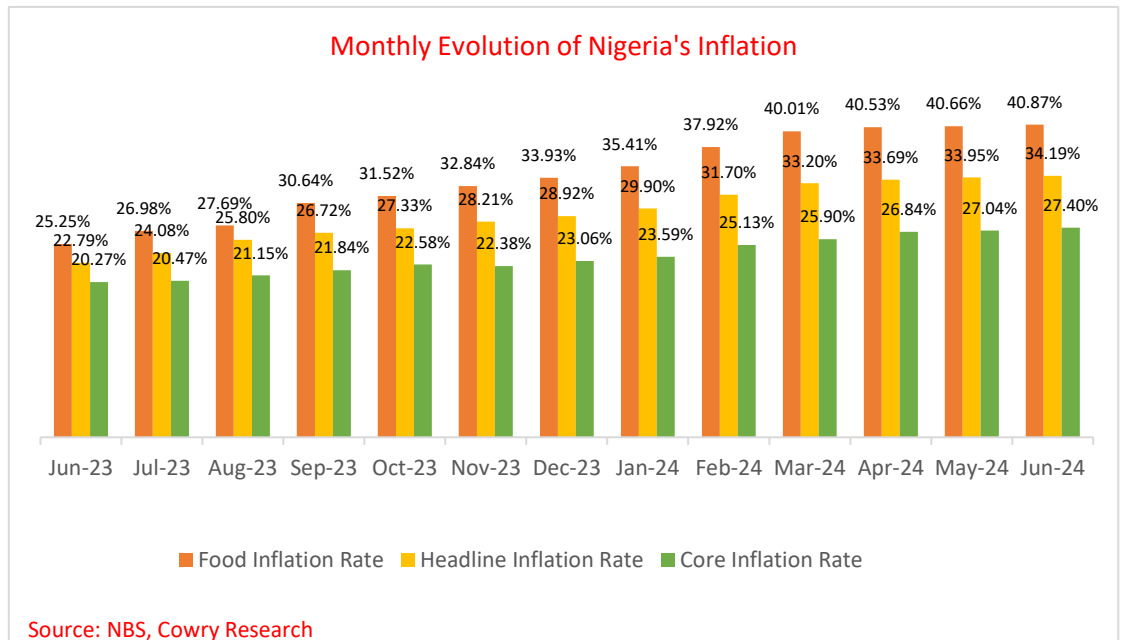
In the coming week, the anticipation of more earnings releases and attractive dividend declarations by corporates is expected to drive positive sentiment across counters. However, the outcome of the Monetary Policy Committee (MPC) meeting, along with other economic news, could stir mixed sentiments. Market players will be closely analysing these developments to understand their potential impact on investments.

ECONOMY: Inflation Outlook Tests CBN’s Policy Transmission Mechanism with Further Uptick...

In the coming week, the monetary policy committee of the CBN will meet to decide on various economic indicators while considering the current domestic and international economic outlook. However, the current inflationary pressure leaves the committee with little or no room for a rate tweak in favour of a loosening stance. This dilemma poses a question on whether the monetary authority has no firepower within its arsenal to tame rising inflation to its target band of 9%.

Over the years, inflationary pressures have continued to impact the economy, prompting the CBN to employ conventional monetary policy tool of interest rate hike to fight rising inflation. However, this inflation targeting model adopted has yielded little or no impact as the rate of headline inflation rises to new highs every month.

The latest report from the National Bureau of Statistics on Nigeria’s consumer price inflation shows another rise, albeit at a slower pace, with the headline index reaching 34.19% year-on-year in June 2024. This marks the eighteenth consecutive month of acceleration and the first time since March 1996 that the inflation rate has crossed 34%, falling slightly below Cowry Research’s expected 34.25% for June 2024. The inflation rate increased by 24 basis



points (bps) from 33.95% in May 2024 and is 11.40 percentage points higher than the 22.79% recorded in June 2023. The slow rate of increase is attributed to the gradual impact of tightening measures and concerted efforts by the monetary policy committee and fiscal authorities to stifle inflation, despite the removal of fuel subsidies, increases in electricity tariffs, higher PMS prices, and the pass-through effect of the weakening local currency.

Examining the drivers of the headline inflation rate, upward pressure came from the prices of housing and utilities, which rose to 30.3% from 29.6%, and beverages and tobacco, which increased to 24.1% from 23.3%. In contrast, prices eased for clothing and footwear, dropping to 16.4% from 16.6%, and recreation and culture, which declined to 9.1% from 9.5%. Transport maintained the same rate of increase at 25.6%. On a month-on-month basis, the headline inflation rate in June 2024 was 2.31%, 0.17% higher than the 2.14% recorded in May 2024, indicating that the rate of increase in the average price level in June 2024 was higher than in May 2024

Food inflation, which constitutes a significant portion of Nigeria's inflation basket, surged to a record high of 40.87% in June 2024, compared to 40.66% in May 2024, marking the highest level since 2005. This surge is driven by rising prices of essential food items such as bread and cereals, tubers, fish, and oil, significantly hindered by supply-side shocks resulting from security challenges. In Nigeria, food prices have continued to soar due to factors like supply chain disruptions, currency depreciation, and the impact of climate change on agriculture. This has made basic staples like rice, beans, and vegetables increasingly unaffordable for the average Nigerian, stretching household budgets to their limits. On a month-on-month basis, food inflation in June 2024 was 2.55%, showing a 0.26% increase compared to the 2.28% recorded in May 2024.

Core inflation, which excludes the prices of volatile agricultural products and energy, stood at 27.40% year-on-year in June 2024, up by 7.34% from 20.06% in June 2023. The highest increases were recorded in the prices of items such as rents (actual and imputed rentals for housing), journeys by motorcycle and intercity bus (under the passenger transport by road category), accommodation services, medical consultation fees, laboratory services, X-ray photography, and pharmaceutical products. On a month-on-month basis, the core index rose by 0.05% to 2.06% in June 2024 from 2.01% in May 2024.

Looking at state profiles, the inflation rate was highest in Bauchi (43.95%), Kogi (39.91%), and Oyo (39.15%), while Borno (25.90%), Benue (27.52%), and Katsina (29.21%) recorded the slowest rise in headline inflation on a year-on-year basis. On a month-on-month basis, June 2024 recorded the highest increases in Yobe (3.79%), Abuja (3.45%), and Ondo (3.38%), while Nasarawa (0.71%), Osun (1.19%), and Kano (1.27%) recorded the slowest rise.

Food inflation on a year-on-year basis was highest in Edo (47.34%), Kogi (46.37%), and Cross River (45.28%), while Nasarawa (34.31%), Bauchi (34.78%), and Adamawa (35.96%) recorded the slowest rise in food inflation. On a month-on-month basis, June 2024 food inflation was highest in Yobe (4.75%), Adamawa (4.74%), and Taraba (4.12%), while Nasarawa (0.14%), Kano (0.96%), and Lagos (1.25%) recorded the slowest rise.

Cowry Research notes the slow acceleration in the headline inflation over the last four months, indicating that the impact of the CBN's tightening measures are permeating the economy even as we expect to see a moderation in Nigeria's inflation in the second half of the year, largely due to high base effects. However, some downside risks to this expectation exist, as consumer prices may face further pressure from ongoing higher minimum wage negotiations between the federal government and labour leaders, significant depreciation of the Naira, and high PMS prices due to ongoing fuel scarcity, which could negatively affect transportation costs.

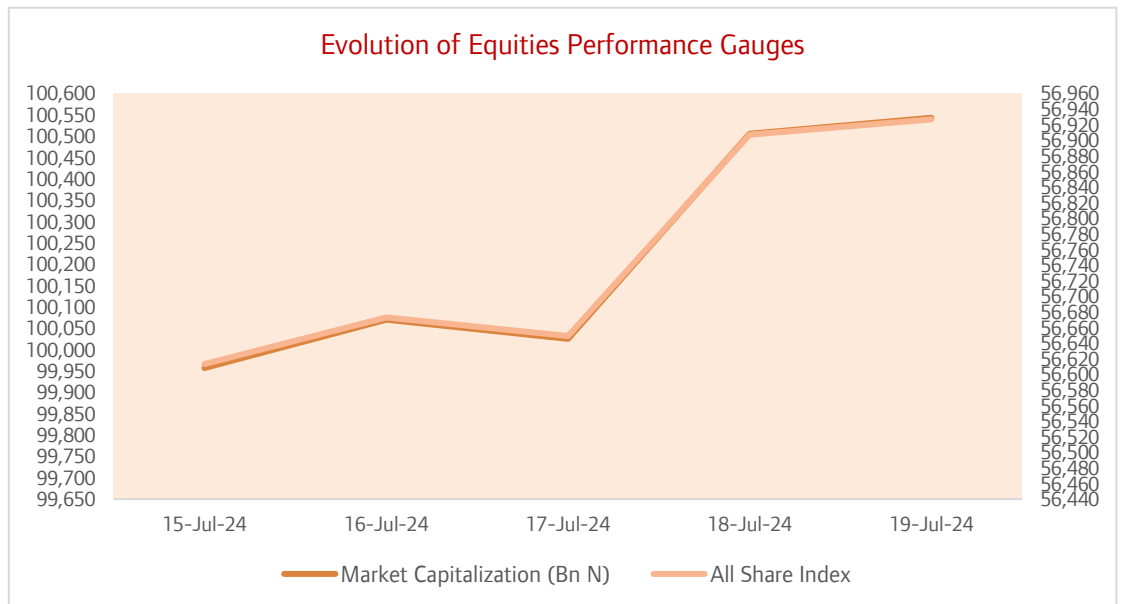
Looking ahead to the monetary policy committee of the CBN meeting to decide on various economic indicators while considering the current domestic and international economic outlook, we think the current inflationary pressure leaves the committee with little or no room for a rate tweak in favour of a loosening stance. Thus, a 25bps to 50bps hike in interest rates is anticipated.

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This week, the bulls reversed the previous week's losses, as upbeat momentum across the market generated mixed signals while market players placed significant bets ahead of the forthcoming Monetary Policy Committee meeting scheduled for next week. Investor sentiment was bolstered by the publication of half-year earnings reports and the declaration of juicy interim dividends by early filers.

Trading activity presented a mixed bag, with the benchmark NGX All-Share Index rebounding by 0.87% week-on-week to 100,539.40 points, effectively erasing the previous week's losses and signalling a return of strength to the market, albeit on low traded volume and negative market internals. Consequently, the market capitalisation of the exchange advanced by 0.86% week-on-week to N56.93 trillion from N56.44 trillion, giving investors N487.94 billion in gains. The year-to-date return of the index stood at 34.46%.

This positive movement occurred despite the delisting of three companies—Niger Insurance Plc, Resort Savings and Loans Plc, and RAK Unity Petroleum Plc—effective July 18, 2024. These delistings were in accordance with Clause 15 of the General Undertaking in the Rule Book of The Exchange, which allows delisting due to insufficient public interest, non-compliance with listing terms, or if the company becomes a subsidiary of another company.



Trading activity this week was notably mixed, with the total traded volume up by 2.22% week-on-week to 2.83 billion units and the total weekly deals rising by 8.54% week-on-week to 44,277 trades. However, the total traded value for the week decreased by 50.3% week-on-week to N42.37 billion. The market breadth was mildly positive, with 37 weekly gainers compared to 34 weekly losers.

Sectoral performance was weak, except for the NGX-Industrial Goods Index, which saw modest gains of 0.08%. The NGX-Insurance Index led the laggards, declining by 4.86% week-on-week, followed by the NGX-Consumer Goods, NGX Oil & Gas, and NGX-Banking indexes, which retreated by 0.20%, 0.10%, and 0.05%, respectively.

Notable performers at the close of the week included UCAP (+43%), AFRIPRUD (+34%), CUTIX (+30%), OANDO (+11%), and NAHCO (+9%), driven by positive activities that propelled their price movements. Conversely, negative investor sentiment led to sell-offs in LINKASSURE (-25%), VERITASKAP (-12%), VITAFOAM (-10%), CHELLARAM (-10%), and NGXGROUP (-9%), positioning these stocks as the top losers for the week.

In the coming week, the anticipation of more earnings releases and attractive dividend declarations by corporates is expected to drive positive sentiment across counters. However, the outcome of the Monetary Policy Committee (MPC) meeting, along with other economic news, could stir mixed sentiments. Market players will be closely analysing these developments to understand their potential impact on investments. As investors digest the outcomes of the MPC meeting and other economic indicators, their reactions could influence market trends in various directions. Therefore, while positive corporate earnings and dividends might

uplift the market, economic policies and news will play a critical role in shaping overall investor sentiment. 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 19, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	19-Jul-24	12-Jul-24	% Change	Symbol	19-Jul-24	12-Jul-24	% Change
UCAP	40.55	28.40	42.8%	LINKASSURE	0.86	1.14	-24.6%
AFRIPRUD	9.90	7.40	33.8%	VERITASKAP	1.06	1.20	-11.7%
CUTIX	5.99	4.62	29.7%	VITAFOAM	19.00	21.20	-10.4%
CHAMPION	3.43	3.06	12.1%	CHELLARAM	3.70	4.10	-9.8%
OANDO	18.25	16.40	11.3%	MCNICHOLS	1.01	1.11	-9.0%
NAHCO	39.40	36.00	9.4%	NGXGROUP	21.35	23.30	-8.4%
LEARNAFRCA	3.85	3.52	9.4%	CONHALLPLC	1.33	1.45	-8.3%
SUNUASSUR	1.35	1.24	8.9%	FTNCOCOA	1.61	1.72	-6.4%
UPL	3	2.31	8.7%	LIVESTOCK	2.20	2.35	-6.4%
TIP	2.15	2.00	7.5%	CORNERST	1.98	2.11	-6.2%

Weekly Stock Recommendations as at Friday, July 19, 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
STANBIC	3.45	4.14	42.02	1.27	15.50x	84.00	27.50	53.50	64.2	45.5	61.5	20.00	Buy
CADBURY	-3.90	-12.47	3.01	6.06	-4.68x	31.9	10.2	18.50	29.2	15.5	21.0	60.00	Buy
LAFARGE	0.32	0.45	27.33	1.34	113.2x	47.95	20.10	36.70	51.1	31.0	42.0	40.00	Buy
ETI	2.39	3.82	89.97	0.24	9.04x	28.8	9.5	21.60	34.6	18.4	24.8	60.00	Buy
GUINNESS	-28.15	-30.02	-2.16	-29.70	-2.28x	80.00	42.05	64.05	83.0	54.4	73.7	29.59	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 19, 2024

FGN Eurobonds	Issue Date	TTM (years)	19-Jul-24 Price (N)	Weekly USD Δ	19-Jul-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.34	99.36	-0.13	8.1%	0.12
6.50 NOV 28, 2027	28-Nov-17	3.36	92.24	0.02	9.2%	0.02
6.125 SEP 28, 2028	28-Sep-21	4.20	87.92	0.26	9.7%	-0.05
8.375 MAR 24, 2029	24-Mar-22	4.68	94.12	0.12	10.0%	-0.03
7.143 FEB 23, 2030	23-Feb-18	5.60	87.78	0.70	10.1%	-0.17
8.747 JAN 21, 2031	21-Nov-18	6.51	93.44	0.34	10.2%	-0.07
7.875 16-FEB-2032	16-Feb-17	7.58	87.48	0.28	10.3%	-0.05
7.375 SEP 28, 2033	28-Sep-21	9.20	82.32	-0.15	10.4%	0.04
7.696 FEB 23, 2038	23-Feb-18	13.61	78.72	0.36	10.7%	-0.06
7.625 NOV 28, 2047	28-Nov-17	23.38	73.67	0.28	10.7%	-0.05
9.248 JAN 21, 2049	21-Nov-18	24.53	88.20	-0.22	10.6%	0.03
8.25 SEP 28, 2051	28-Sep-21	27.21	77.43	-0.24	10.8%	0.03

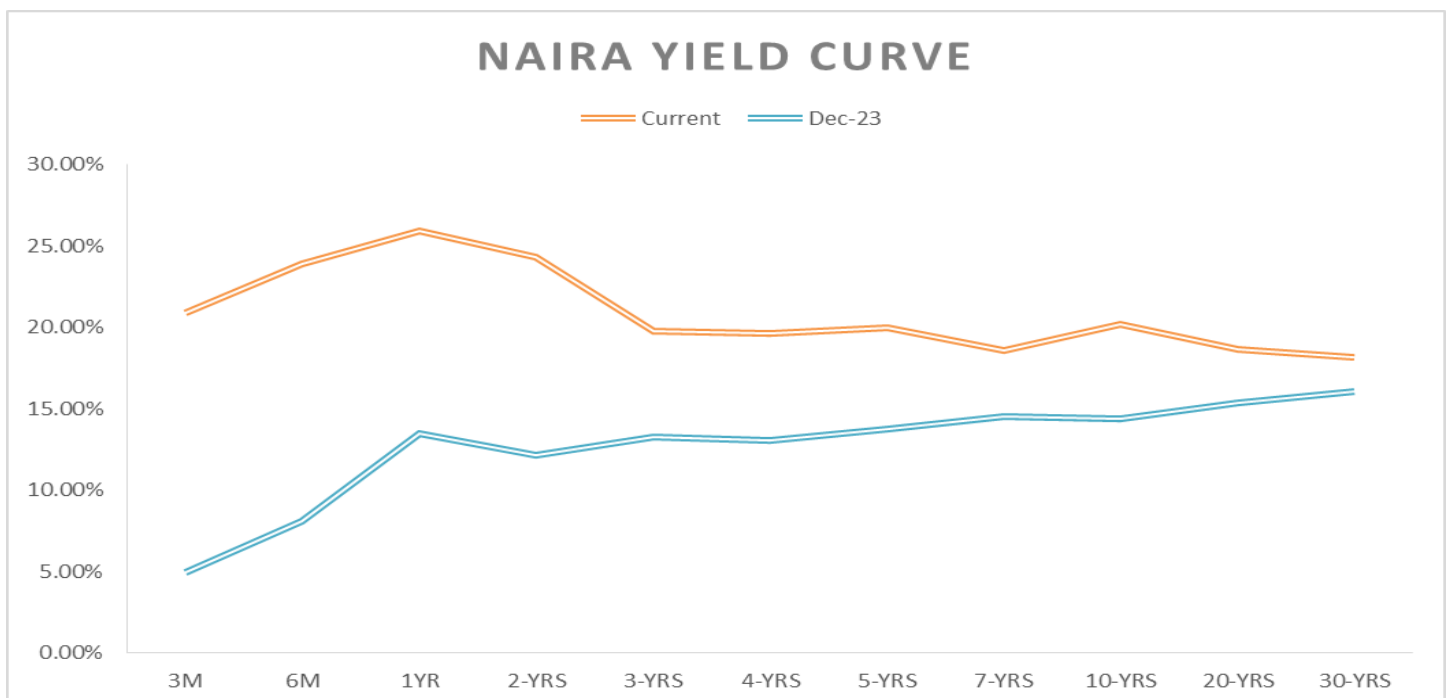
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 19, 2024

MAJOR	19-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0888	1.0900	-0.11%	-0.17%	1.70%	-2.16%
GBPUSD	1.2922	1.2948	-0.20%	-0.50%	2.07%	0.45%
USDCHF	0.8890	0.8875	0.17%	-0.58%	-0.28%	2.57%
USDRUB	87.4798	88.3813	-1.02%	-0.45%	0.27%	-2.14%
USDNGN	1629.8400	1627.3989	0.15%	1.85%	9.46%	106.44%
USDZAR	18.2741	18.2504	0.13%	1.79%	1.66%	2.10%
USDEGP	48.2416	48.1982	0.09%	0.62%	1.23%	56.90%
USDCAD	1.37	1.3704	0.12%	0.64%	0.27%	4.17%
USDMXN	17.87	17.9655	-0.55%	1.48%	-2.59%	5.95%
USDBRL	5.54	5.5448	-0.05%	2.11%	1.64%	15.54%
AUDUSD	0.6693	0.6703	-0.15%	-1.35%	0.48%	-1.28%
NZDUSD	0.6021	-0.0600	-0.35%	-1.59%	-1.66%	-3.45%
USDJPY	157.3810	157.1767	0.13%	-0.29%	-0.96%	12.38%
USDCNY	7.2841	7.2783	0.08%	0.19%	-0.10%	1.54%
USDINR	83.7173	83.6922	0.03%	0.24%	0.10%	2.01%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 19, 2024

Commodity		19-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	82.2	82.8	-0.73%	0.04%	1.17%	9.03%
BRENT	USD/Bbl	84.6	85.1	-0.59%	-0.55%	-1.34%	6.34%
NATURAL GAS	USD/MMBtu	2.1	9.8	-2.05%	-10.62%	-24.06%	-26.26%
GASOLINE	USD/Gal	2.5	2.5	-0.22%	-0.40%	0.14%	-7.28%
COAL	USD/T	135.0	134.7	0.19%	0.93%	-0.74%	3.05%
GOLD	USD/t.oz	2,401.2	2,441.2	-1.64%	-0.39%	1.73%	21.94%
SILVER	USD/t.oz	29.1	29.7	-1.95%	-5.24%	-5.19%	17.88%
WHEAT	USD/Bu	554.3	535.3	3.55%	0.64%	-5.41%	-23.76%
PALM-OIL	MYR/T	3,960.0	3,937.9	0.56%	1.18%	0.08%	-2.13%
COCOA	USD/T	8,099.3	8,088.0	0.14%	-3.25%	-8.17%	138.57%

FGN Bonds Yield Curve, Friday July 19, 2024





Disclaimer

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