

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: CBN Sustains Tightening Measures with 50bps Hike in Anchor Rates to 26.75%.....

Our view on the moderate rate hike to 26.75% hinges on expected CBN activities following the persistent inflation spike in June. The 50bps increase is significant as it allows previous hikes to permeate the economy, aiming to stifle rising inflation. However, the further hike in the MPR may negatively affect real sector players, particularly regarding interest expenses on debt funding. Combined with other headwinds such as inflation pressure and FX volatilities, we expect real output growth to be under pressure for the rest of the year.

EQUITIES MARKET: Local Bourse Sees Red with 2.33% Loss as Downbeat Sentiments Weigh In...

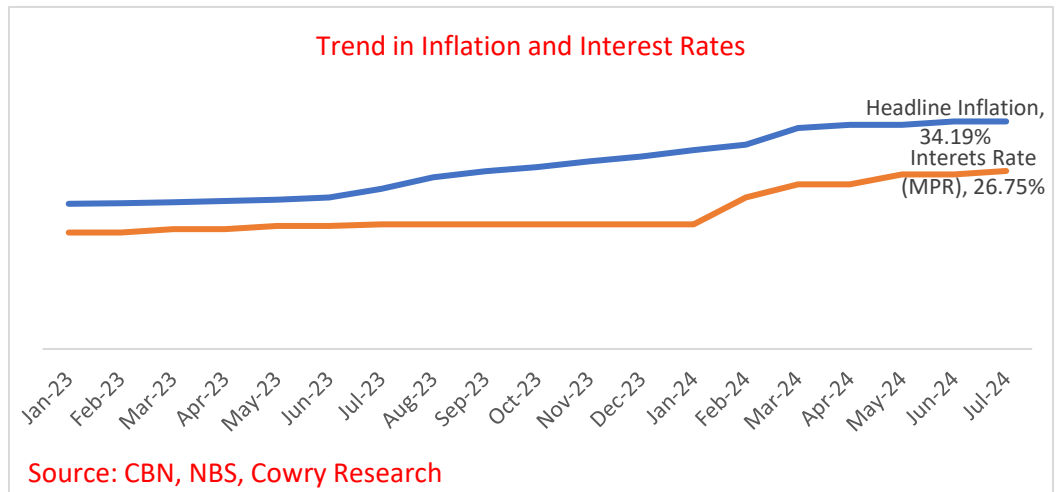
Looking ahead to the coming week, the bearish trend is expected to persist as market players continue to digest the outcome of the recently published economic data and the interest rate hike by the apex bank. Furthermore, the continued rise in yield levels within the fixed income and money market spaces is likely to maintain the unattractiveness of equities, as investors opt for the appealing yields. Nonetheless, a mildly positive performance is anticipated on the back of continued earnings releases and attractive dividend declarations by corporations in the coming week. As the market structure and fundamentals evolve, investors are advised to position themselves in stocks with sound fundamentals to navigate the prevailing conditions effectively.

ECONOMY: CBN Sustains Tightening Measures with 50bps Hike in Anchor Rates to 26.75%.....

The July 2024 Monetary Policy Committee (MPC) meeting concluded with members voting for a modest 50 basis point increase in the interest rate, raising it to 26.75%. This decision is part of ongoing efforts to control heightened inflationary pressures and aligns with our expectation of a 50bps increase following the 750bps hike earlier in 2024.

Alongside this rate increase, the committee sought to make deposit placements more attractive by adjusting the asymmetric corridor around the MPR to +500/-100 from +100/-300 basis points. This move aims to further tighten liquidity and discourage banks' reliance on CBN lending. The Cash Reserve Ratio for Deposit Money Banks remains at 45%, and for Merchant Banks at 14%, and the Liquidity Ratio stays unchanged at 30%.

The committee expressed concern about the impact of rising prices on households and businesses and reiterated its commitment to taking necessary measures to control inflation. Despite the June 2024 uptick in headline inflation, the committee remains optimistic that prices will moderate in the near term as monetary policy gains further traction and fiscal measures address food inflation.



The National Bureau of Statistics (NBS) reported that headline inflation rose for the eighteenth consecutive month to 34.19% in June 2024. This slow rate of increase is attributed to the gradual impact of tightening measures and efforts by the MPC and fiscal authorities, despite the removal of fuel subsidies, increased electricity tariffs, higher PMS prices, and the weakening local currency. Drivers of headline inflation included increased 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%. Conversely, 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%.

Food inflation, a significant component of Nigeria's inflation basket, surged to a record high of 40.87% in June 2024, up from 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, cereals, tubers, fish, and oil, exacerbated by supply-side shocks resulting from security challenges. Core inflation, which excludes volatile agricultural products and energy prices, stood at 27.40% year-on-year in June 2024, up from 20.06% in June 2023. The highest increases were recorded in rents, transportation costs, accommodation services, medical consultation fees, laboratory services, X-ray photography, and pharmaceutical products.

The committee emphasised the urgency of addressing inflationary pressures, particularly persistent food inflation, which undermines price stability. While monetary policy has moderated aggregate demand, rising food and energy costs continue to drive price increases. Insecurity in food-producing areas and high transportation costs for farm produce also contribute to inflation.

To address rising food prices, the committee suggested measures to curb smuggling activities and reduce the food supply deficit in the Nigerian market. The MPC resolved to sustain collaboration with fiscal authorities to subdue inflationary pressures. Recent measures by the Federal Government, such as a 150-day duty-free import window for essential food commodities, aim to moderate domestic food prices without causing further inflation. While these measures are a welcome development and may prove effective in the short term, it is crucial to implement them with a defined exit strategy to avoid reversing recent gains in domestic food production. To support these initiatives, the Bank is engaging with Development Finance institutions like the Bank of Industry (BOI) to ensure adequate support for industries, focusing on Small and Medium Scale Enterprises (SMEs).

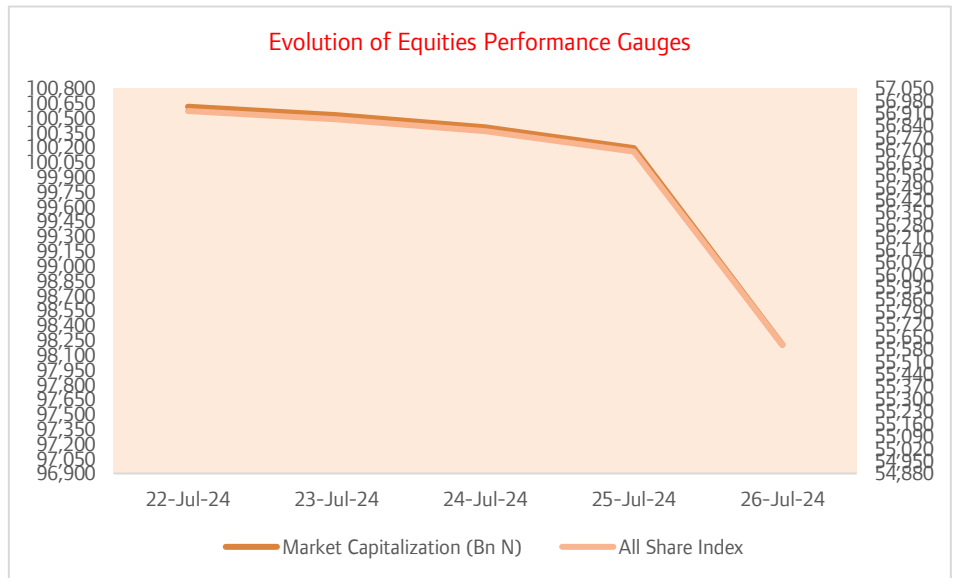
Our view on the moderate rate hike to 26.75% hinges on expected CBN activities following the persistent inflation spike in June. The 50bps increase is significant as it allows previous hikes to permeate the economy, aiming to stifle rising inflation. However, the further hike in the MPR may negatively affect real sector players, particularly regarding interest expenses on debt funding. Combined with other headwinds such as inflation pressure and FX volatilities, we expect real output growth to be under pressure for the rest of the year.

EQUITIES MARKET: Local Bourse Sees Red with 2.33% Loss as Downbeat Sentiments Weigh In...

This week witnessed a see-saw movement in the local bourse, characterised by a reversal in the trend. Negative sentiments permeated across sectors as market participants digested the recent interest rate hike by the Central Bank of Nigeria (CBN) and the continued positive outlook of the fixed income and money market space. The recent primary market auctions saw investors locking in for long-dated federal government papers due to rising rates, further impacting market dynamics.

As a result, the benchmark index shed the gains from the previous week, experiencing a 2.33% week-on-week decline, which brought it below the 100,000 mark to settle at 98,201.49 points. Investor sentiment waned amidst the publication of half-year earnings reports and the declaration of lucrative interim dividends by early filers. Consequently, the market capitalisation of the exchange retreated by 2.33% week-on-week to N55.61 trillion, with investors incurring a total loss of N1.32 trillion. This adjustment led the year-to-date return of the index to moderate to 31.33%.

Trading activity this week, however, displayed a positive trend. The total traded volume rose by 25.85% week-on-week to 3.56 billion units. In contrast, the total number of weekly deals declined by 3.18% week-on-week to 42,871 trades. Nevertheless, the total traded value for the week increased by 11.46% week-on-week to N47.22 billion. Market breadth was negative, with 47 weekly losers compared to 25 weekly advancers, indicating a predominance of declining stocks.



Sectoral performance throughout the week was notably weak. The NGX-Industrial Goods Index led the decline, registering losses of 5.89%. This was followed by the NGX-Banking Index, which declined by 2.94%. Additionally, the NGX-Insurance, NGX-Oil & Gas, and NGX-Insurance Indexes fell by 0.73%, 0.54%, and 0.27% week-on-week, respectively, driven by sell pressure across these sectors.

Among the notable performers at the close of the week were SOVRENINS, which appreciated by 14%, WAPIC and NEIMETH, both rising by 13%, OANDO, which increased by 12%, and JBERGER, which saw an 11% uptick. These gains were driven by positive activities that propelled their price movements. Conversely, negative investor sentiment led to sell-offs in NSLTECH, which plummeted by 26%, OMATEK, which declined by 15%, CUTIX, which fell by 14%, UPL, which dropped by 12%, and ETERNA, which decreased by 10%. These stocks emerged as the top losers for the week.

Looking ahead to the coming week, the bearish trend is expected to persist as market players continue to digest the outcome of the recently published economic data and the interest rate hike by the apex bank. Furthermore, the continued rise in yield levels within the fixed income and money market spaces is likely to maintain the unattractiveness of equities, as investors opt for the appealing yields. Nonetheless, a mildly positive performance is anticipated on the back of continued earnings releases and attractive dividend declarations by corporations in the coming week. As the market structure and fundamentals evolve, investors are advised to position themselves in stocks with sound fundamentals to navigate the prevailing conditions effectively.

Weekly Gainers and Loser as at Friday, July 26, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	26-Jul-24	19-Jul-24	% Change	Symbol	26-Jul-24	19-Jul-24	% Change
SOVRENINS	0.56	0.49	14.3%	NSLTECH	0.42	0.57	-26.3%
WAPIC	0.86	0.76	13.2%	OMATEK	0.63	0.74	-14.9%
NEIMETH	1.96	1.74	12.6%	CUTIX	5.15	5.99	-14.0%
OANDO	20.35	18.25	11.5%	UPL	2.20	2.51	-12.4%
JBERGER	97.00	87.50	10.9%	ETERNA	16.20	18.00	-10.0%
LIVESTOCK	2.39	2.20	8.6%	DANGCEM	591.10	656.70	-10.0%
MCNICHOLS	1.08	1.01	6.9%	JOHNHOLT	2.83	3.14	-9.9%
INTBREW	4.07	3.85	5.7%	ROYALEX	0.65	0.72	-9.7%
UACN	16	15.15	4.3%	DAARCOMM	0.47	0.52	-9.6%
CONHALLPLC	1.38	1.33	3.8%	MECURE	9.05	10.00	-9.5%

Weekly Stock Recommendations as at Friday, July 26, 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
CAP	2.20	2.86	10.43	3.45	16.37x	29	16.2	35.95	46.8	30.6	41.4	30.00	Buy
OKOMUOIL	15.81	18.97	56.56	5.16	18.47x	292	157	292.00	350.4	248.2	335.8	20.00	Buy
TRANSCORP	0.81	0.97	5.52	2.12	14.43x	19.29	4.00	11.90	14.8	9.9	13.5	26.41	Buy
ETI	2.39	3.82	89.97	0.24	9.21x	28.8	9.5	22.00	31.0	18.7	25.3	40.91	Buy
TOTAL	338.68	514.79	174.03	2.23	1.15x	390.0	197.00	388.90	591.1	330.6	447.2	52.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 26, 2024

FGN Eurobonds	Issue Date	TTM (years)	26-Jul-24 Price (N)	Weekly USD Δ	26-Jul-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.32	99.48	0.12	8.1%	0.00
6.50 NOV 28, 2027	28-Nov-17	3.34	91.90	-0.34	9.2%	0.00
6.125 SEP 28, 2028	28-Sep-21	4.18	87.63	-0.29	9.7%	0.00
8.375 MAR 24, 2029	24-Mar-22	4.66	93.88	-0.24	10.0%	0.00
7.143 FEB 23, 2030	23-Feb-18	5.58	87.53	-0.25	10.1%	0.00
8.747 JAN 21, 2031	21-Nov-18	6.49	93.00	-0.44	10.2%	0.00
7.875 16-FEB-2032	16-Feb-17	7.56	86.95	-0.53	10.3%	0.00
7.375 SEP 28, 2033	28-Sep-21	9.18	82.03	-0.29	10.4%	0.00
7.696 FEB 23, 2038	23-Feb-18	13.59	78.15	-0.57	10.7%	0.00
7.625 NOV 28, 2047	28-Nov-17	23.36	73.23	-0.44	10.7%	0.00
9.248 JAN 21, 2049	21-Nov-18	24.51	87.17	-1.03	10.6%	0.00
8.25 SEP 28, 2051	28-Sep-21	27.19	77.20	-0.23	10.8%	0.00

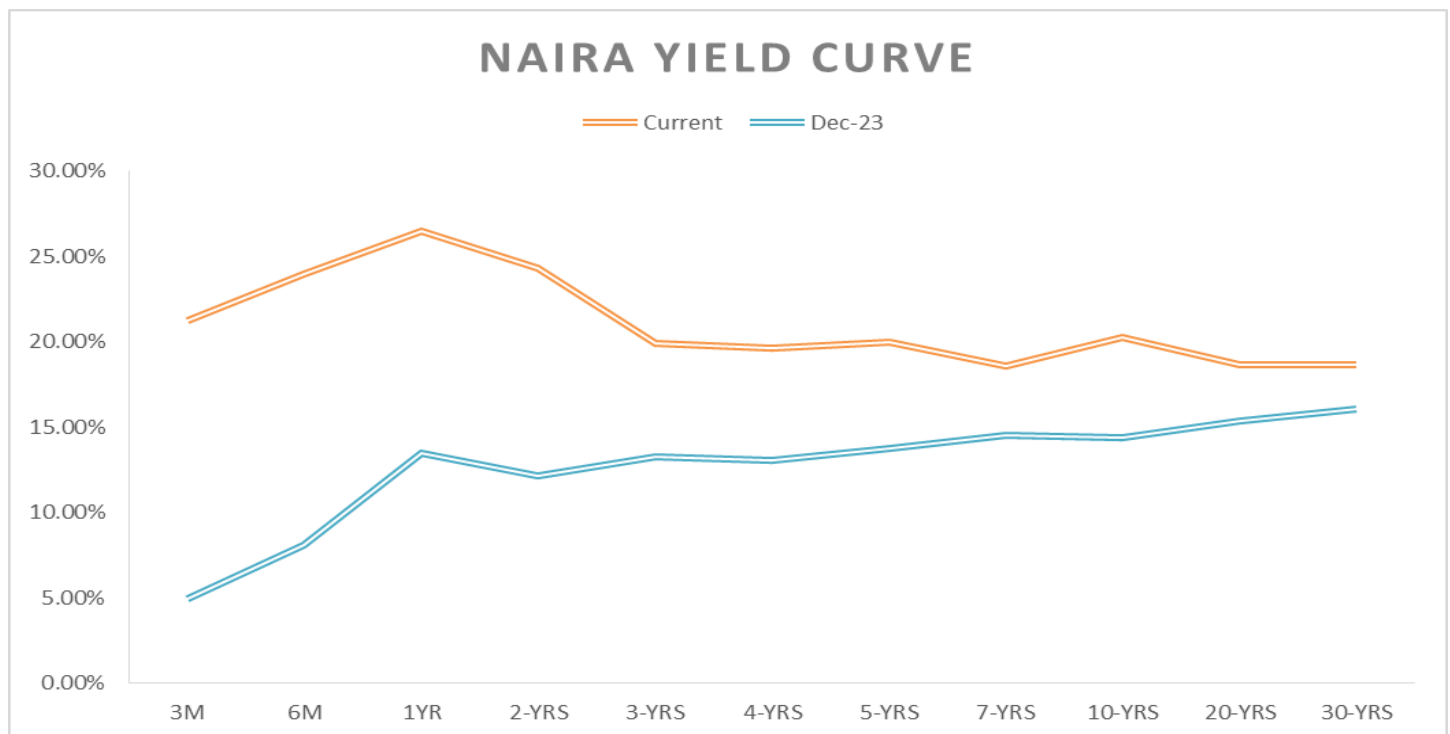
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, July 26, 2024

MAJOR	26-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0856	1.0851	0.04%	-0.22%	1.39%	-1.06%
GBPUSD	1.2854	1.2855	-0.01%	-0.45%	1.64%	0.46%
USDCHF	0.8831	0.8807	0.27%	-0.66%	-1.74%	1.64%
USDRUB	86.1103	84.9968	1.31%	-1.82%	1.30%	-5.07%
USDNGN	1595.9900	1595.9900	0.00%	-0.59%	4.21%	106.20%
USDZAR	18.2650	18.3549	-0.49%	-0.01%	-1.01%	2.48%
USDEGP	48.3382	48.2899	0.10%	0.29%	0.75%	56.69%
USDCAD	1.38	1.3819	0.15%	0.81%	1.02%	4.64%
USDMXN	18.46	18.4472	0.08%	2.41%	0.26%	9.58%
USDBRL	5.65	5.6450	0.09%	1.05%	2.77%	19.23%
AUDUSD	0.6556	0.6540	0.25%	-1.96%	-1.45%	-2.28%
NZDUSD	0.5893	-0.0600	0.06%	-1.96%	-3.17%	-4.73%
USDJPY	153.5310	153.7001	-0.11%	-2.53%	-4.48%	10.09%
USDCNY	7.2578	7.2397	0.25%	-0.37%	-0.64%	1.22%
USDINR	83.7285	83.7452	-0.02%	0.00%	0.33%	1.92%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, July 26, 2024

Commodity		26-Jul-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.3	78.3	-2.48%	-2.76%	-6.45%	-3.97%
BRENT	USD/Bbl	80.4	82.4	-2.35%	-2.54%	-5.54%	-3.33%
NATURAL GAS	USD/MMBtu	2.0	9.8	-0.37%	-4.63%	-24.41%	-25.22%
GASOLINE	USD/Gal	2.4	2.5	-1.45%	-0.50%	-4.27%	-6.04%
COAL	USD/T	138.4	134.7	2.71%	2.52%	4.06%	3.28%
GOLD	USD/t.oz	2,381.4	2,363.9	0.74%	-0.52%	2.36%	22.49%
SILVER	USD/t.oz	27.7	27.8	-0.58%	-5.25%	-4.55%	14.71%
WHEAT	USD/Bu	534.8	537.7	-0.55%	-1.47%	-7.72%	-24.97%
PALM-OIL	MYR/T	3,970.0	3,917.9	1.33%	0.25%	1.93%	-1.39%
COCOA	USD/T	8,015.4	7,856.7	2.02%	3.01%	10.09%	125.82%

FGN Bonds Yield Curve, Friday July 26, 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.