

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Pension Industry AuM Breaches N20 trillion Mark; Still Low Penetration.....

For Cowry Research, we see the pension industry's positive growth trajectory playing a pivotal role in Nigeria's economic development in the mid to longer term. Also, the sustained interest of pension managers in bond securities can be attributed to the MPC's hawkish posture and the DMO's increased issuance of FGN paper. This is expected to continue with more allocations to federal government securities and will be driven by higher yields due to the elevated interest rate environment, sustained by the MPC's recent modest hike rate hike of 50bps. Thus, the performance of the equities market and fixed income market is anticipated to contribute significantly to the growth of total AUM.

### EQUITIES MARKET: Tepid Trading on the Bourse Amidst Earnings; ASI Skids 0.46% w/w...

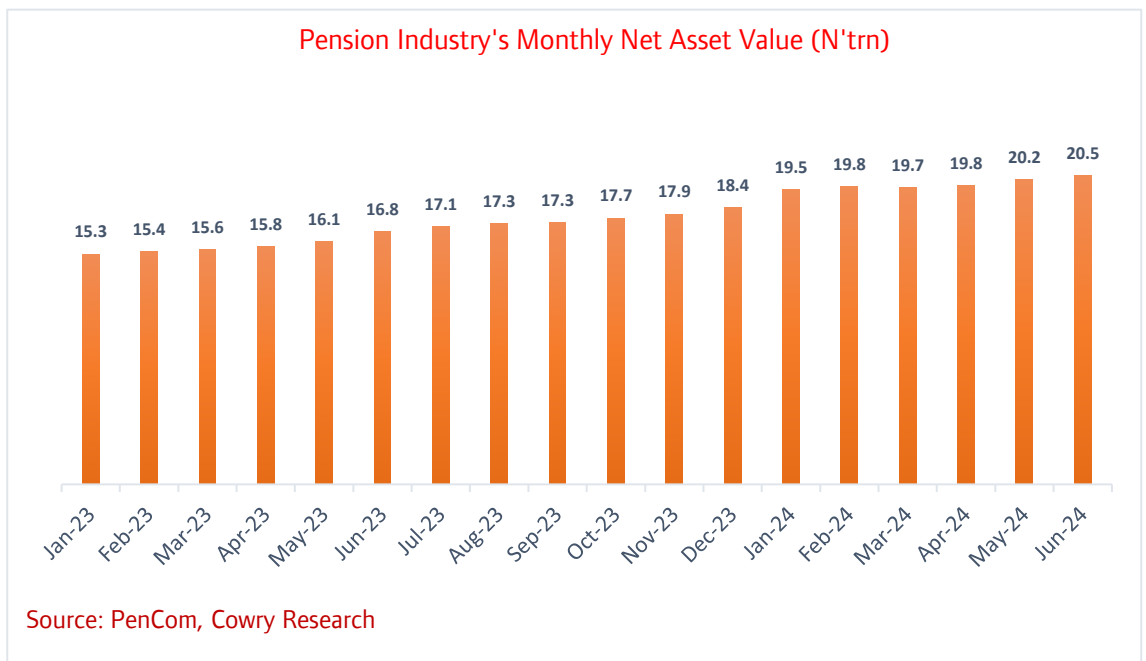
Looking ahead, we foresee a mixed trend with a possibility of profit-taking. Investors are likely to engage in sectoral rotation, capitalizing on stocks that experience pullbacks to position themselves strategically. This rotation strategy is expected to create buying opportunities, especially in anticipation of upcoming releases and dividend announcements from major banking institutions in the corporate reporting season. 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: Pension Industry AuM Breaches N20 trillion Mark; Still Low Penetration.....**

This week, we analyzed the latest report from the National Pension Commission (PenCom). The report revealed that Nigeria's pension funds industry experienced substantial year on year growth, with total assets under management (AUM) witnessing a remarkable 22.21% year-on-year increase and a 1.27% month on month growth. The AUM soared to N20.48 trillion by the end of June 2024, reflecting a 4.14% uptick from the figure recorded in December 2023 and showcasing the industry's robust trajectory.

Breaking down the AUM by asset class and fund type as at June 2024, the report highlights that a significant portion, 63.3%, was invested in Federal Government of Nigeria (FGN) securities. Corporate debt securities followed at 10.8%, with domestic ordinary shares making up 9.6% and money market instruments eating 9.3% of the total AUM. Despite this growth, the industry is deemed underpenetrated, with its total AUM equivalent to only 8.9% of Nigeria's FY 2023 GDP—a notable disparity when compared to the global average of 29.4% in 2020, according to World Bank data.

Further analysis of Pencom's data underscores the dominance of FGN securities, constituting the largest asset class for pension funds. FGN bonds, in particular, makes up to 96% of total FGN securities and more than 60% of fund administrators' overall asset mix. The report reveals that investment in FGN securities reached N12.96 trillion in June 2024, marking a substantial 19.4% year-on-year growth from the N10.86 trillion in



June 2023. This surge is attributed to the rising yields and high interest rates environment as well as the increased supply of FGN papers by the Debt Management Office (DMO) to meet the federal government's domestic funding targets amounting to N6.12 trillion FY 2024 budget. Notably, despite a 750 basis points increase in the monetary policy rates to 26.25% in May 2024, by the Central Bank of Nigeria (CBN), pension fund administrators (PFAs) continued to invest in FGN securities, driven by the relatively safe and stable returns and the prevailing attractive yield environment.

The report also highlights the high growth in pension fund investments in domestic ordinary shares, experiencing a 55% year-on-year increase to N1.91 trillion. This surge is attributed to the robust performance of the Nigerian Stock Exchange (NGX), however, hampered by the negative market internals that have continued to buoy weaker investors' sentiment. During the first six months of 2024, the local bourse performed well with the ASI accelerating up 33.81% year-to-date, amid second-quarter-end window dressing which resulted in N15.68 trillion worth of gains for equity investors.

On a monthly analysis, the major asset categories such as treasury bills registered the highest gain in June, rising by 8% m/m to roughly N400 billion. Treasury instruments have benefited from the prevailing elevated yield environment due to the CBN's restrictive monetary stance and tight market liquidity. Also, pension fund holdings in domestic equities continue to rise. In absolute terms, the total value of domestic equities increased by 4% m/m to N1.9 trillion, while FGN bonds, which make up more than half (60%) of overall pension assets, amounted to N12.2 trillion in June, implying an increase of almost N141 billion relative to the previous month.

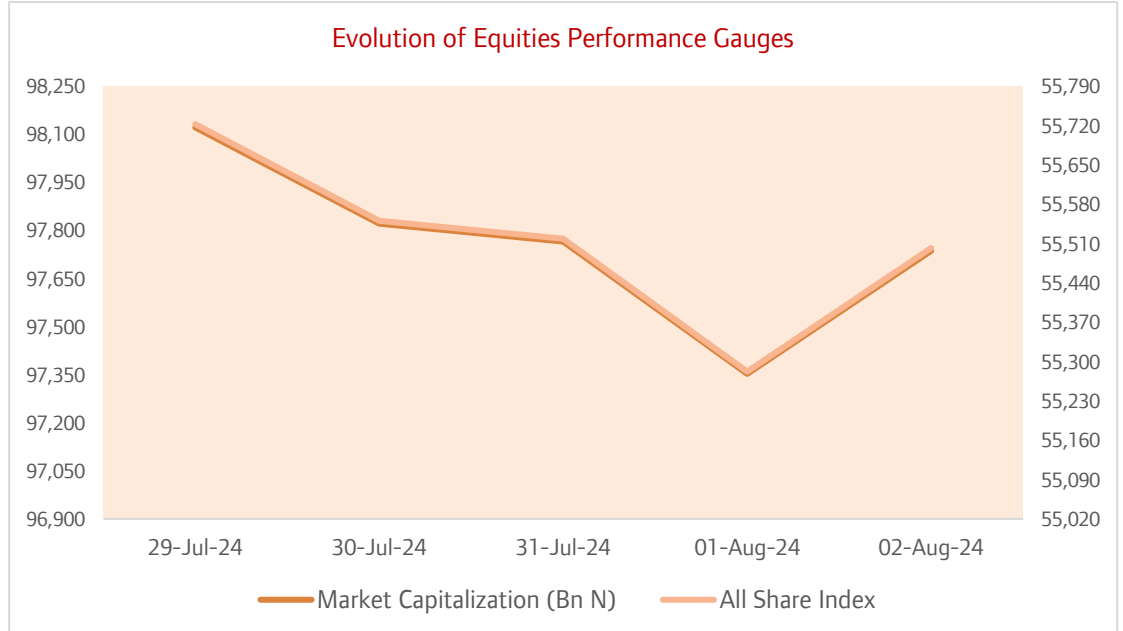
For Cowry Research, we see the pension industry's positive growth trajectory playing a pivotal role in Nigeria's economic development in the mid to longer term. Also, the sustained interest of pension managers in bond securities can be attributed to the MPC's hawkish posture and the DMO's increased issuance of FGN paper. This is expected to continue with more allocations to federal government securities and will be driven by higher yields due to the elevated interest rate environment, sustained by the MPC's recent modest hike rate hike of 50bps. Thus, the performance of the equities market and fixed income market is anticipated to contribute significantly to the growth of total AUM.

**EQUITIES MARKET: Tepid Trading on the Bourse Amidst Earnings; ASI Skids 0.46% w/w...**

This week, the local bourse experienced another downturn as we saw position taking and sell-offs despite the ongoing half-year earnings reporting season following the influx of corporate numbers coming in impressive, mixed and disappointing folds for equity investors. The negative close serves as a reflection of the impact of government policies and weakening economy even as the benchmark index retreated amidst negative internals, lower traded volumes and low valuations.

Resultantly, the ASI nosedived by 0.46% week on week to 97,745.73 points while the market capitalisation of the NGX moved southward by 0.19% week on week to N55.49 trillion as investors continue their sectoral realignment heading into a new trading month of August following the negative close of 2.28% in July on the back of weak market fundamentals. This movement was underpinned by waning investors sentiment across sectors which led to the loss of N107.7 billion in four of the five sessions this week while the year-to-date return of the index printed at 30.7%.

Across the sectoral front, it was a mixed outing as three out of the five sectors under our purview closed southward. The NGX-Consumer Goods index led the laggards this week by 3.33% week on week and was followed by the NGX-Banking and NGX-Industrial indexes which retreated by 0.48% and 0.01% week-on-week due to price declines in MECURE, NASCON, BERGER, UBA, and FBNH. In contrast, the NGX-Oil & Gas and NGX-Insurance indexes performed positively, gaining 4.27% and 1.59% week-on-week, driven by price increases and buy interest in OANDO, ETERNA, MANSARD, and CONERSTONE respectively.



In addition to the downbeat market performance, the market participation levels waned, mirroring the trend seen in the previous week. Total traded volume declined by 4.63% to 3.39 billion units. However, the number of trades soared by 4.53% week on week to 44,814 deals as the weekly traded value also showed upbeat movement, rising by 10.77% week on week to N52.30 billion. This comes on the back of mixed sentiments triggered by expectation for a further pull back in the market.

At the close of the week, the top-performing stocks included RTBRISCOE (+25%), OANDO (+24%), IMG (+21%), CUSTODIAN (+20%), and MAYBAKER (+19%). On the flip side, stocks such as UNITED CAPITAL (-69%) MECURE (-19%), THOMASWY (-29%), CHELLARAM (-18%) and NASCON (-13%) faced declines in their share prices, respectively.

Looking ahead, we foresee a mixed trend with a possibility of profit-taking. Investors are likely to engage in sectoral rotation, capitalizing on stocks that experience pullbacks to position themselves strategically. This rotation strategy is expected to create buying opportunities, especially in anticipation of upcoming releases and dividend announcements from major banking institutions in the corporate reporting season. 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, August 2, 2024**

Top Ten Gainers				Bottom Ten Losers			
Symbol	02-Aug-24	26-Jul-24	% Change	Symbol	02-Aug-24	26-Jul-24	% Change
RTBRISCOE	0.84	0.67	25.4%	UCAP	12.15	38.95	-68.8%
OANDO	25.30	20.35	24.3%	MECURE	7.35	9.05	-18.8%
IMG	15.70	13.00	20.8%	THOMASWY	1.76	2.16	-18.5%
CUSTODIAN	12.20	10.20	19.6%	CHELLARAM	3.03	3.70	-18.1%
MAYBAKER	7.04	5.90	19.3%	NASCON	29.50	34.00	-13.2%
ETERNA	19.00	16.20	17.3%	NB	26.00	29.80	-12.8%
MANSARD	5.40	4.66	15.9%	SOVRENINS	0.50	0.56	-10.7%
PRESCO	441.00	383.00	15.1%	NAHCO	35.10	39.20	-10.5%
CUTIX	6	5.15	14.4%	BERGER	13.50	15.00	-10.0%
HONYFLOUR	3.49	3.10	12.6%	NESTLE	830.00	920.00	-9.8%

Weekly Stock Recommendations as at Friday, August 2, 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
<b>CAP</b>	2.20	2.86	10.43	3.45	16.34x	37	16.2	<b>35.95</b>	46.7	30.6	41.3	30.00	Buy
<b>OKOMUOIL</b>	15.81	18.97	56.56	5.16	18.47x	292	157	<b>321.20</b>	385.4	273.0	369.4	20.00	Buy
<b>MAYBAKER</b>	0.38	1.29	5.47	1.17	16.86x	7.51	3.35	<b>7.04</b>	12.7	6.0	8.1	80.00	Buy
<b>ZENITH</b>	8.22	11.84	90.70	0.39	4.26x	47.35	18.90	<b>36.00</b>	51.8	30.6	41.4	44.00	Buy
<b>LAFARGE</b>	1.82	2.55	26.93	1.37	20.20x	47.95	20.10	<b>36.80</b>	51.5	31.3	42.3	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 2, 2024

FGN Eurobonds	Issue Date	TTM (years)	02-Aug-24 Price (N)	Weekly USD Δ	02-Aug-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.30	99.13	-0.35	8.3%	0.20
6.50 NOV 28, 2027	28-Nov-17	3.32	91.24	-0.66	9.7%	0.41
6.125 SEP 28, 2028	28-Sep-21	4.16	86.92	-0.71	10.1%	0.35
8.375 MAR 24, 2029	24-Mar-22	4.64	92.91	-0.97	10.3%	0.36
7.143 FEB 23, 2030	23-Feb-18	5.56	86.31	-1.22	10.5%	0.40
8.747 JAN 21, 2031	21-Nov-18	6.47	91.69	-1.31	10.6%	0.40
7.875 16-FEB-2032	16-Feb-17	7.55	85.37	-1.58	10.8%	0.47
7.375 SEP 28, 2033	28-Sep-21	9.16	80.08	-1.95	10.9%	0.45
7.696 FEB 23, 2038	23-Feb-18	13.57	76.20	-1.95	11.1%	0.44
7.625 NOV 28, 2047	28-Nov-17	23.34	71.26	-1.97	11.1%	0.38
9.248 JAN 21, 2049	21-Nov-18	24.49	85.29	-1.88	11.0%	0.38
8.25 SEP 28, 2051	28-Sep-21	27.17	75.12	-2.08	11.2%	0.34

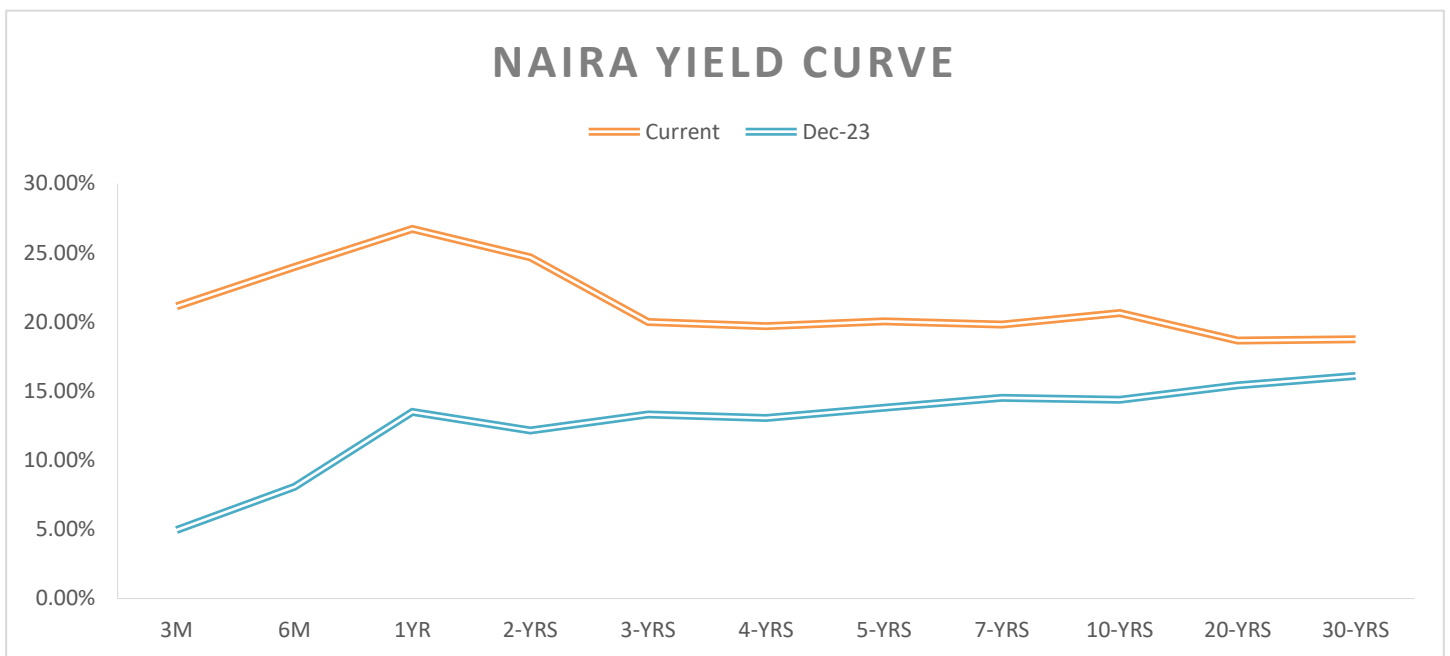
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 2, 2024

MAJOR	02-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0911	1.0786	1.16%	0.53%	1.13%	-0.29%
GBPUSD	1.2821	1.2728	0.73%	-0.29%	0.62%	0.89%
USDCHF	0.8614	0.8730	-1.32%	-2.54%	-4.40%	-1.48%
USDRUB	85.4500	85.5013	-0.06%	-0.76%	-2.73%	-8.61%
USDNGN	1632.9700	1661.0416	-1.69%	2.96%	6.99%	110.16%
USDZAR	18.1717	18.2943	-0.67%	-0.63%	-1.41%	-2.77%
USDEGP	48.6725	48.6385	0.07%	0.78%	1.20%	57.25%
USDCAD	1.38	1.3881	-0.25%	0.04%	1.51%	3.67%
USDMXN	19.01	18.9309	0.44%	2.94%	4.57%	9.67%
USDBRL	5.72	5.7536	-0.59%	1.15%	2.95%	16.35%
AUDUSD	0.6527	0.6494	0.52%	-0.25%	-2.70%	-0.33%
NZDUSD	0.5978	-0.0600	0.72%	1.59%	-2.06%	-1.57%
USDJPY	146.9040	149.2017	-1.54%	-4.36%	-9.01%	3.14%
USDCNY	7.1609	7.2478	-1.20%	-1.37%	-1.92%	-0.26%
USDINR	83.8007	83.7421	0.07%	0.08%	0.36%	1.25%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 2, 2024

Commodity		02-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	73.6	76.3	-3.57%	-4.55%	-11.48%	-9.16%
BRENT	USD/Bbl	76.9	79.5	-3.24%	-5.05%	-11.08%	-9.04%
NATURAL GAS	USD/MMBtu	2.0	9.8	1.53%	-0.35%	-18.18%	-25.13%
GASOLINE	USD/Gal	2.3	2.4	-3.64%	-5.24%	-10.35%	-8.43%
COAL	USD/T	142.6	140.1	1.75%	3.00%	7.79%	6.38%
GOLD	USD/t.oz	2,464.7	2,445.7	0.78%	3.39%	4.60%	27.59%
SILVER	USD/t.oz	28.7	28.5	0.85%	3.18%	-5.60%	22.34%
WHEAT	USD/Bu	533.3	532.0	0.24%	2.15%	-6.84%	-18.36%
PALM-OIL	MYR/T	3,933.0	3,860.0	1.89%	-0.20%	-3.65%	2.85%
COCOA	USD/T	7,525.7	7,546.0	-0.27%	-6.36%	-3.21%	115.68%

FGN Bonds Yield Curve, Friday August 2, 2024



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