

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Nigeria's Private Sector Weakens as Cost Pressures, Weak Demand Bite.....

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

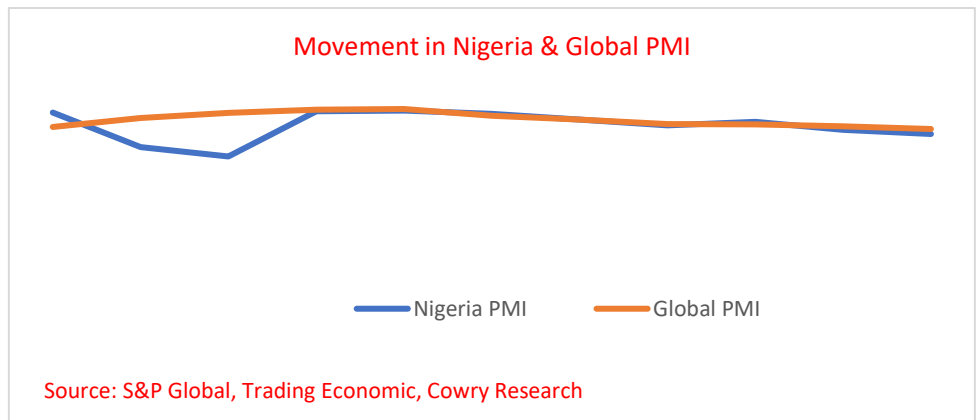
Looking ahead to the coming week, we expect the current upward trend in the bourse to persist, supported by improving market fundamentals and continued buying sentiment. The ongoing dividend earning season is likely to sustain positive sentiment among market players. As we await the half-year earnings reports from major banks in the coming weeks, investors are expected to continue repositioning for value, taking advantage of any market pullbacks. Nevertheless, we continue to advise investors to focus on fundamentally sound stocks.

**ECONOMY: Nigeria’s Private Sector Weakens as Cost Pressures, Weak Demand Bite.....**

This week, we take analyse the performance of Nigeria's private sector in July, with rising cost pressures and a weakening economy taking a toll. According to the latest Purchasing Managers’ Index (PMI) report from Stanbic IBTC Bank, the headline PMI fell to 49.2 points in July from 50.1 in June. This drop signifies a slight downturn in business conditions, as the index slipped below the 50.0 threshold for the first time in eight months, indicating a contraction in the Nigerian private sector. The decline is largely attributed to high price pressures that have dampened demand, leading to reduced business activity and fewer new orders.

The data highlights the renewed challenges facing the private sector, where sharp price increases have stifled customer demand, making clients hesitant to embark on new projects. Of the four sectors surveyed, only the manufacturing sector reported an increase in production, while the others experienced a decline in business activity. Selling prices surged at the beginning of the third quarter as companies passed on higher input costs to their customers. However, inflation moderated slightly as businesses sought to stimulate sales by reducing their charges.

July saw a significant increase in both purchase prices and staff costs. Purchase price inflation reached a four-month high, driven by currency depreciation and rising raw material costs. At the same time, employee expenses continued to rise as



companies supported their workers with higher wages, particularly to offset increased transportation costs. Despite these challenges, the reduction in demand for inputs and the timeliness of payments helped to shorten suppliers' delivery times, leading to an increase in stocks of inputs. Employment levels also saw a slight uptick, with job creation reaching its highest pace in 2024 so far, and backlogs of work were cleared for the second consecutive month. Despite a general decline in business confidence, firms remain optimistic about future growth, as reflected in their ongoing expansion plans.

On the global stage, economic expansion slowed for the second consecutive month, as reported in the J.P. Morgan Global Composite PMI for July 2024. Despite this slowdown, the current reading remains among the strongest seen over the past year. Job growth continued for the third straight month, yet business confidence plummeted to its lowest level since November, due to heightened geopolitical uncertainty and slower growth in new business. The PMI Output Index dropped to 52.5 points in July, down from May's 12-month high of 53.7 points, marking the first decline in nine months of growth and the index's lowest level since April 2024.

The service sector saw a slight increase in activity in July, while manufacturing growth nearly stagnated, reflecting divergent trends in new business. Service providers enjoyed increased new work for the ninth consecutive month, whereas the manufacturing sector experienced a decline in new orders for the first time since January. Among the 13 countries surveyed, all but Germany, France, and Australia recorded expansions in output. India, Brazil, and the United States led in output growth, with the UK, Brazil, and Kazakhstan showing faster rates of increase. Meanwhile, Japan and Russia returned to expansion, though growth in the euro area significantly slowed.

Job creation maintained its momentum for the third month, matching June's 12-month high, with staffing levels rising in almost all countries except Germany. This growth was primarily driven by the strong performance of the service sector, while employment in manufacturing remained stable. However, business optimism for the year ahead fell to an eight-month low, remaining below the long-term survey average for the second consecutive month. Developed markets generally exhibited more optimism than emerging ones. Input price inflation reached a ten-month high, with service sector costs rising at the fastest rate since March, outpacing manufacturing costs for the 27th consecutive month. Although some of these increased costs were passed on to clients, the rate of selling price inflation was the lowest since October 2020. The rate of increase in global manufacturing continued to lag behind that of the service sector.

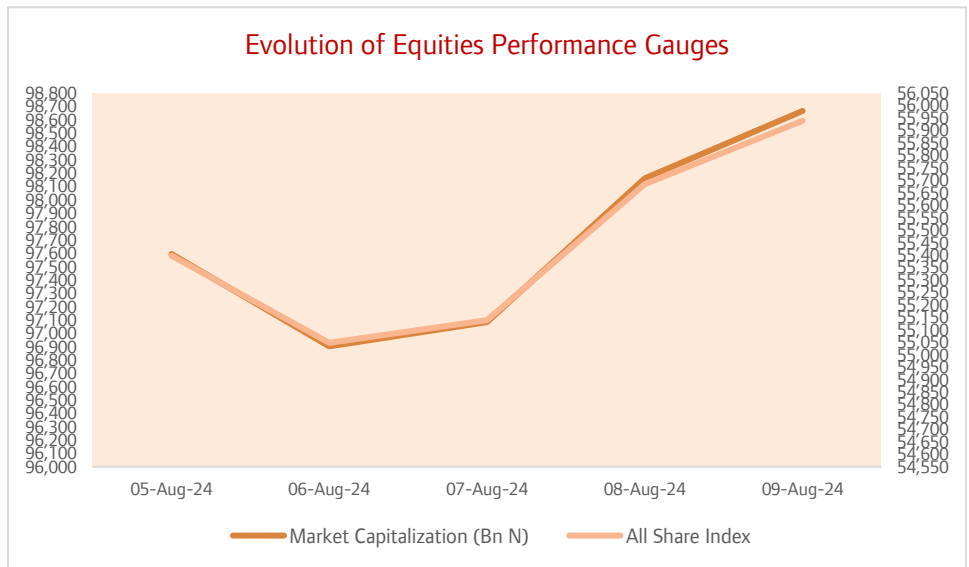
For Cowry Research, we think that while Nigeria’s private sector is currently facing significant challenges, strategic adjustments in cost management, pricing, innovation, and customer engagement can help businesses navigate the current environment. The long-term prospects remain promising, with opportunities for growth as the economy stabilises and companies adapt to new market dynamics.

**EQUITIES MARKET: Positive Optimism Returns with 0.87% w/w Following Global Slump at Week-Start...**

This week, strong optimism returned to the local bourse, driven by a rebound in global equities amidst fears of a recession. Increased buying interest across major market sectors bolstered performance, as market participants digested recent corporate earnings and developments in the fixed income market. The composite NGX All-Share Index closed higher, once again breaking through the 98,000-point psychological barrier, thereby extending the markup phase. This occurred amid above-average trading volumes and positive market internals, reflecting strategic position-taking in high-value stocks and blue-chip companies, underpinned by their robust quarterly earnings and future earnings potential, which support price growth and dividend payouts.

Amidst these dynamics, the benchmark index appreciated by 0.87% on a week-on-week basis, closing at 98,592.12 points, driven by renewed buying interest in financial and consumer goods stocks, with positive market internals fuelling sentiment. Additionally, the total market capitalisation of listed equities surged by 0.87% week-on-week to N55.98 trillion, with the exchange recording 46 advancers this week compared to 38 decliners. Consequently, the year-to-date return of the index stood at 31.9%, while the wealth of equity investors appreciated by N480.83 billion during the week.

A sectoral analysis of the week’s performance revealed a generally positive trend, with most sectors seeing gains, except for the NGX-Industrial Index, which retreated by 3.67% on the back of price declines in BUACEMENT, BERGER PAINTS, and JOHNSHOLT. In contrast, the NGX-Banking Index led the gainers’ chart this week, appreciating by 5.14% week-on-week, buoyed by positive news of the Central Bank of Nigeria’s approval for the merger between troubled Unity Bank and Providus Bank, as well as the reintroduction of the retail Dutch auction system (rDAS) in the foreign exchange market to authorised dealer banks. This was followed by gains in the NGX-Consumer Goods, NGX-Insurance, and marginal gains in the NGX-Oil & Gas indices, which rose by 2.35%, 1.79%, and 0.97% respectively. These gains were driven by strong buying sentiment in stocks such as UBA, FBNH, OKOMUOIL, NIGERIAN BREWERIES, SOVRENINS, VERITASKAP, OANDO, and ETERNA.



However, despite the positive market breadth, overall market trading activity was somewhat negative this week. There was a 5.9% week-on-week increase in the total number of weekly deals, which rose to 47,451 trades. Nonetheless, weekly traded volumes declined by 21.04% to 2.68 billion units, while the weekly value of trades also decreased by 6.3% to N49.02 billion.

As the week drew to a close, several stocks outperformed their peers, becoming the favourites among investors. OANDO (+61%), RTBRISCOE (+51%), JAPAUFGOLD (+36%), ACADEMY (+35%), and UNITED CAPITAL (+31%) emerged as the top gainers of the week. Conversely, CHAMPION (-15%), BUACEMENT (-10%), UPL (-10%), UNIONDICON (-10%), and DEAP CAPITAL (-10%) were the week’s laggards.

Looking ahead to the coming week, we expect the current upward trend in the bourse to persist, supported by improving market fundamentals and continued buying sentiment. The ongoing dividend earning season is likely to sustain positive sentiment among market players. As we await the half-year earnings reports from major banks in the coming weeks, investors are expected to continue repositioning for value, taking advantage of any market pullbacks. Nevertheless, we continue to advise investors to focus on fundamentally sound stocks.

**Weekly Gainers and Loser as at Friday, August 9, 2024**

Top Ten Gainers				Bottom Ten Losers			
Symbol	09-Aug-24	02-Aug-24	% Change	Symbol	09-Aug-24	02-Aug-24	% Change
OANDO	40.60	25.30	60.5%	CHAMPION	2.77	3.26	-15.0%
RTBRISCOE	1.27	0.84	51.2%	BUACEMENT	128.90	143.20	-10.0%
JAPAUFGOLD	2.39	1.76	35.8%	UPL	2.18	2.42	-9.9%
ACADEMY	2.88	2.14	34.6%	UNIONDICON	7.30	8.10	-9.9%
UCAP	15.95	12.15	31.3%	DEAPCAP	0.47	0.52	-9.6%
IMG	20.50	15.70	30.6%	IKEJAHOTEL	6.80	7.35	-7.5%
SKYAVN	25.80	20.40	26.5%	MANSARD	5.03	5.40	-6.9%
VERITASKAP	1.18	0.95	24.2%	FIDSON	13.75	14.75	-6.8%
NB	31	26.00	19.2%	SUNUASSUR	1.26	1.35	-6.7%
MECURE	8.52	7.35	15.9%	THOMASWY	1.65	1.76	-6.3%

Weekly Stock Recommendations as at Friday, August 9, 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
ACCESSCORP	4.35	6.09	71.65	0.27	4.37x	30.7	7.5	19.60	26.6	16.2	21.9	40.00	Buy
OKOMUOIL	21.17	25.41	47.92	7.37	16.69x	353.3	157	345.30	459.3	300.3	406.3	30.00	Buy
MTNN	-24.72	-34.61	-27.52	-7.20	-8.01x	319.8	178	199.80	277.2	168.3	227.7	40.00	Buy
ZENITH	8.22	11.84	90.70	0.42	4.62x	47.35	18.90	38.85	54.7	32.3	43.7	44.00	Buy
JBERGER	7.17	8.60	100.48	1.00	13.95x	47.95	20.10	110.00	51.5	31.3	42.3	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 9, 2024

FGN Eurobonds	Issue Date	TTM (years)	09-Aug-24 Price (N)	Weekly USD Δ	09-Aug-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.28	98.92	-0.21	8.5%	0.19
6.50 NOV 28, 2027	28-Nov-17	3.30	90.80	-0.44	9.8%	0.18
6.125 SEP 28, 2028	28-Sep-21	4.14	87.13	0.21	10.0%	-0.05
8.375 MAR 24, 2029	24-Mar-22	4.62	92.97	0.06	10.3%	-0.01
7.143 FEB 23, 2030	23-Feb-18	5.55	86.49	0.18	10.4%	-0.03
8.747 JAN 21, 2031	21-Nov-18	6.45	91.73	0.04	10.6%	0.00
7.875 16-FEB-2032	16-Feb-17	7.53	85.14	-0.23	10.8%	0.05
7.375 SEP 28, 2033	28-Sep-21	9.14	80.07	-0.01	10.9%	0.01
7.696 FEB 23, 2038	23-Feb-18	13.55	76.10	-0.10	11.2%	0.02
7.625 NOV 28, 2047	28-Nov-17	23.32	71.07	-0.19	11.1%	0.03
9.248 JAN 21, 2049	21-Nov-18	24.47	85.00	-0.29	11.0%	0.04
8.25 SEP 28, 2051	28-Sep-21	27.15	74.78	-0.34	11.2%	0.05

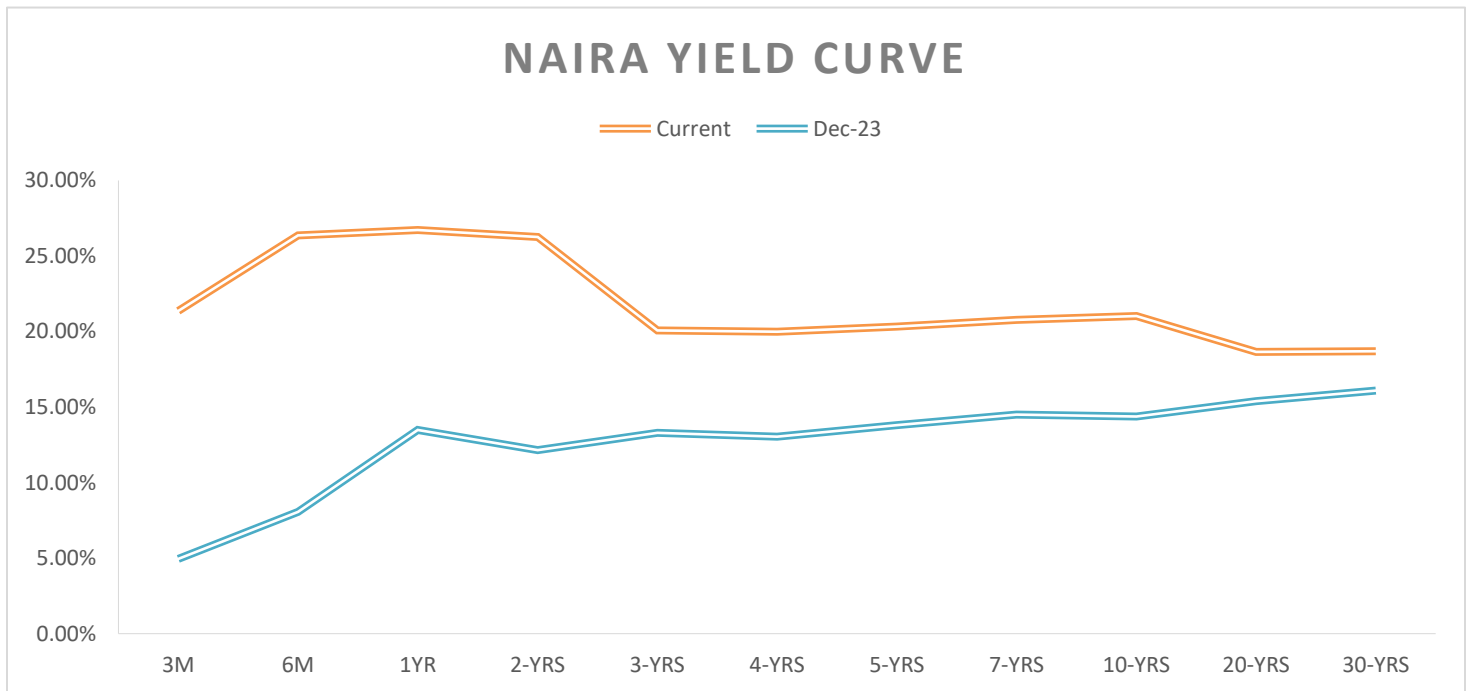
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 9, 2024

MAJOR	09-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0926	1.0915	0.10%	0.16%	0.87%	-0.47%
GBPUSD	1.2756	1.2746	0.08%	-0.33%	-0.75%	0.65%
USDCHF	0.8633	0.8669	-0.42%	0.71%	-3.98%	-1.51%
USDRUB	88.5071	86.7462	2.03%	3.54%	0.18%	-8.12%
USDNGN	1595.9700	1599.0081	-0.19%	-1.48%	1.12%	107.87%
USDZAR	18.3130	18.3552	-0.23%	0.21%	1.13%	-2.80%
USDEGP	49.2589	49.2491	0.02%	1.30%	2.72%	59.65%
USDCAD	1.37	1.3736	-0.07%	-1.04%	0.80%	2.10%
USDMXN	18.84	18.8555	-0.08%	-1.51%	5.59%	9.95%
USDBRL	5.50	5.5475	-0.83%	-3.98%	1.58%	12.45%
AUDUSD	0.6583	0.6591	-0.13%	1.10%	-2.53%	1.05%
NZDUSD	0.6017	-0.0600	0.19%	1.01%	-1.17%	-0.08%
USDJPY	146.3300	147.6887	-0.92%	-0.13%	-9.46%	1.09%
USDCNY	7.1666	7.1860	-0.27%	0.09%	-1.70%	-1.03%
USDINR	83.9455	83.9875	-0.05%	0.19%	0.55%	1.62%

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

Commodity		09-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.4	76.2	0.28%	3.93%	-6.94%	-6.59%
BRENT	USD/Bbl	79.3	79.2	0.24%	3.26%	-6.78%	-7.60%
NATURAL GAS	USD/MMBtu	2.1	9.8	0.04%	8.07%	-8.72%	-25.93%
GASOLINE	USD/Gal	2.4	2.4	-0.28%	2.47%	-4.93%	-10.32%
COAL	USD/T	145.5	145.0	0.34%	2.07%	7.58%	2.11%
GOLD	USD/t.oz	2,434.2	2,424.5	0.40%	-0.47%	2.46%	27.15%
SILVER	USD/t.oz	27.6	27.5	0.20%	-3.66%	-10.81%	21.34%
WHEAT	USD/Bu	543.5	537.5	1.11%	0.88%	-3.17%	-18.08%
PALM-OIL	MYR/T	3,746.0	3,701.9	1.19%	-4.37%	-4.39%	0.48%
COCOA	USD/T	8,871.2	8,468.9	4.75%	17.31%	9.27%	169.26%

FGN Bonds Yield Curve, Friday August 9, 2024



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