

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Inflation Reverses Trend to 33.40% in July After 29 Months; Are We Yet At The Inflection Point?..

Cowry Research has observed a positive trend reversal in both headline and food inflation, marking a significant development after nearly 30 months of continuous inflationary pressure. This moderation, the first since January 2022, is seen as a result of coordinated efforts by Nigeria's monetary and fiscal authorities.

EQUITIES MARKET: Bears Tighten Grip on NGX by 1.51% Amid Profit-Taking, CPI Deceleration, and Dividend Expectations...

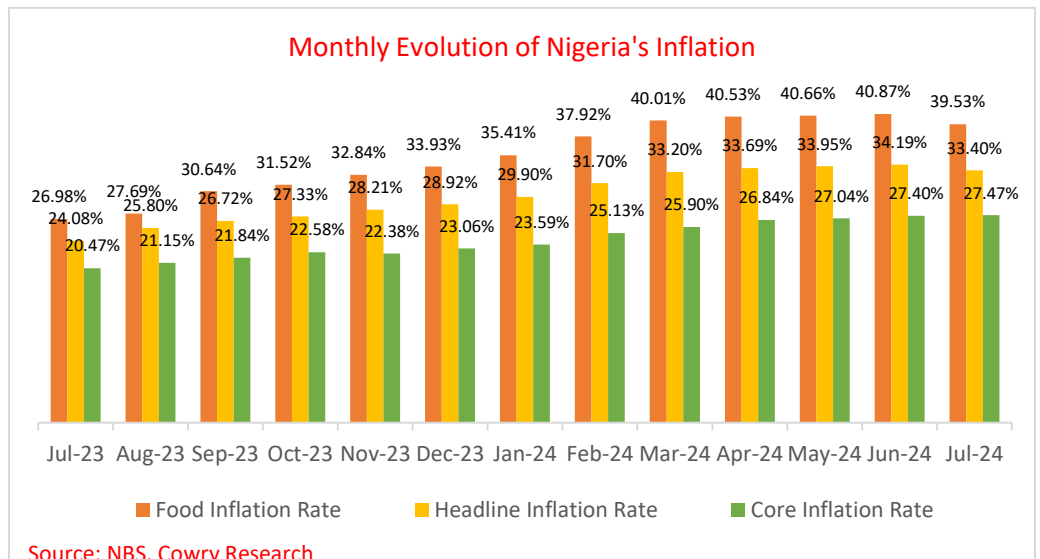
The market continues to trade within the value area, presenting entry opportunities for discerning investors and savvy traders. Transaction volume patterns and support levels are signalling further buying opportunities, even as market participants look ahead to the forthcoming release of the Q2 2024 GDP report, along with audited half-year earnings and interim dividend declarations. Consequently, Cowry Research anticipates a mixed performance in the coming week, driven by ongoing portfolio rebalancing and profit-taking activities. Nevertheless, we continue to advise investors to focus on fundamentally sound stocks.

ECONOMY: Inflation Reverses Trend to 33.40% in July After 29 Months; Are We Yet At The Inflection Point?..

This week, the National Bureau of Statistics (NBS) published the July CPI data which showed a trend reversal in the headline inflation to 33.40% year on year in July 2024, slowing from a 28-year high of 34.19% in June 2024, on the back of high base effect and the impact of the CBN’s interest rate hike by the CBN. The deceleration signals a drop by 0.8% points compared to June 2024. However, the rate was higher by 9.32% points compared to the 24.08% reported in July 2023.

The moderation in the headline index after 29 months of unabated acceleration since January 2022 (15.60%), reflects the impact of the inflation targeting model adopted by the CBN through its policy tightening initiative by raising interest rates to 26.75% at the last meeting, as well as efforts by the federal government to ease the high pressure which comes from rising food prices, increase in PMS prices due to subsidy removal, and further depreciation of the naira.

Furthermore, we note a moderation in the number of items contributing to the headline divisional levels such as food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, clothing and footwear, health services, recreation, and other services. In the same vein, the headline inflation rate in July 2024 was 2.28%, which was 0.03% lower than the rate recorded in June 2024 (2.31%). This means that in July 2024, the rate of increase in the average price level was lower than the rate of increase in the average price level in June 2024.



The food index, which is a major driver of the headline index came with a bright spot in July, easing to 39.53% year on year from 40.87% in June 2024. This deceleration can be attributed to the ambitious efforts by the federal government to focus on a six-month import duties suspension, VAT and other tariffs on staple food items, raw materials, and direct inputs for manufacturing with the aim to enhance domestic food production. We believe the move was aimed to provide much-needed relief from the current inflationary grip, potentially reviving hope among Nigerians. This is attributed to the decreases seen in the prices of food items and tubers, educational and health services, other cereals, oil, and fat.

On the contrary, the core inflation index stood at 27.47%, rising by 0.07% points from 27.40% from the prior month as we saw increases in the cost air tickets and road transport prices, actual and imputed rents, accommodation services, health and laboratory services and passenger transportation cost. Furthermore, we believe the uptick in the core index comes on the back of elevated energy costs and higher electricity tariffs during the month.

The July 2024 inflation report reveals significant regional disparities in Nigeria's inflation rates. Year-on-year, Bauchi (46.04%), Jigawa (40.77%), and Kebbi (37.47%) recorded the highest All Items inflation rates, indicating severe inflationary pressures in these states. Conversely, Benue (27.28%), Delta (28.06%), and Borno (28.33%) experienced the slowest increases in headline inflation, suggesting relatively more stable price levels compared to other regions. Month-on-month, Abuja (3.91%), Borno (3.84%), and Enugu (3.76%) saw the highest inflationary increases, while Taraba (0.17%), Kwara (0.62%), and Ondo (0.91%) recorded the smallest month-on-month rises.

Focusing on food inflation, Sokoto (46.26%), Jigawa (46.05%), and Enugu (44.06%) had the highest year-on-year increases, highlighting the persistent challenges in food price stability in these regions. In contrast, Adamawa (33.48%), Bauchi (35.10%), and Benue (36.41%) reported the slowest year-on-year food inflation rates. On a month-on-month basis, Borno (5.07%), Sokoto (4.99%), and Enugu (4.17%) experienced the highest increases in food inflation, whereas Kwara (0.51%), Taraba (0.56%), and Ondo (0.68%) had the smallest increases, indicating some variability in food price dynamics across the country.

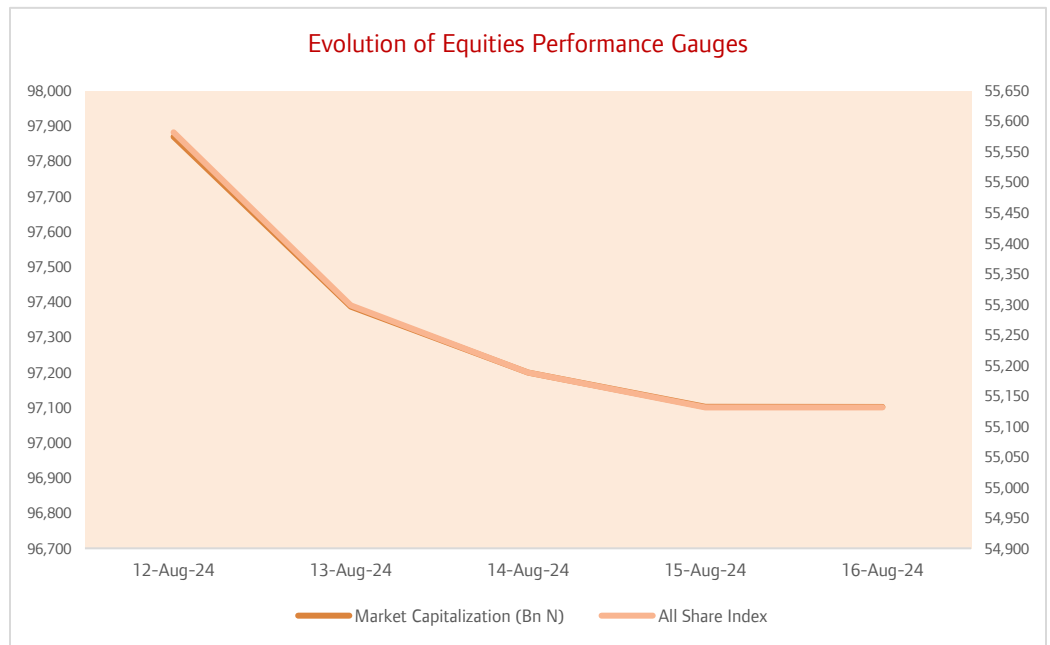
Cowry Research has observed a positive trend reversal in both headline and food inflation, marking a significant development after nearly 30 months of continuous inflationary pressure. This moderation, the first since January 2022, is seen as a result of coordinated efforts by Nigeria's monetary and fiscal authorities.

The Central Bank of Nigeria's (CBN) recent monetary policy tightening, including raising interest rates to 26.75%, has been instrumental in this deceleration. Additionally, government interventions aimed at easing the impact of rising food prices, such as subsidies and policy adjustments, have contributed to this shift. These measures have helped to counterbalance the inflationary effects of the removal of petrol subsidies and the continued depreciation of the naira, offering some relief to the economic pressures faced by Nigerians. Thus, we anticipate further deceleration in the headline inflation to 32.86% in August, due to harvest season effect.

EQUITIES MARKET: Bears Tighten Grip on NGX by 1.51% Amid Profit-Taking, CPI Deceleration, and Dividend Expectations...

This week, the Nigerian stock market experienced notable profit-taking activities and sell-offs, particularly across some mid and large-cap stocks. This downturn further depressed the benchmark index, with low trading volumes and negative market internals highlighting both the market's weakness and potential opportunities for astute investors. This trend unfolded as market participants digested the recently released July 2024 Consumer Price Index (CPI) data, which indicated a deceleration in Nigeria's headline inflation to 33.40%. This period also coincided with expectations surrounding interim dividend declarations.

By the end of the trading week, bearish sentiment had firmly gripped the All-Share Index (ASI), which fell by 1.51% on a week-on-week basis, closing at 97,100.31 points. This decline was primarily driven by pressured sell-offs in the banking and industrial goods sectors, a reflection of the ongoing interplay of market dynamics amidst heightened volatility. Additionally, the market capitalisation saw a corresponding decrease of 1.51% week-on-week, dropping to N55.13 trillion, with a total of N846.53 billion being wiped off from the market. As a result, the year-to-date (YTD) return for the market now stands at 29.86%.



Trading activities throughout the week were notably subdued, with a lacklustre market sentiment prevailing. The weekly traded volume dropped by 25.8% week-on-week to 1.99 billion units, while the weekly traded value declined by 17.9% to N40.19 billion. Furthermore, the number of weekly deals fell by 7.24%, amounting to 44,017 trades. This downturn was exacerbated by negative market breadth, as evidenced by the fact that the number of gainers (38) was outstripped by the number of losers (46).

In terms of sectoral performance, the picture was largely positive, with the exception of the NGX-Industrial Goods and NGX-Banking sectors, which retreated by 5.16% and 2.28% week-on-week respectively, as profit-taking exerted downward pressure on these sectors in the context of ongoing portfolio realignments. In contrast, the market pullbacks witnessed during the week provided strong buying opportunities that buoyed investor sentiment. This positive sentiment was reflected in the performance of certain stocks, leading to gains in the NGX-Oil & Gas (5.25%), NGX-Insurance (0.79%), and NGX-Consumer Goods (0.37%) indexes.

As the week drew to a close, specific stocks stood out as top gainers. RTBRISCOE led the chart with a 33.9% increase, followed by TOTAL (20%), JBERGER (18%), GUINEAINS (18%), and UPL (12%), all benefiting from positive price movements during the week. Conversely, stocks such as CUTIX (-18%), BUACEMENT (-15%), OANDO (-12%), LEARNAFRICA (-11%), and CHAMS (-10%) were among the top losers, primarily due to sell-offs by investors.

The market continues to trade within the value area, presenting entry opportunities for discerning investors and savvy traders. Transaction volume patterns and support levels are signalling further buying opportunities, even as market participants look ahead to the forthcoming release of the Q2 2024 GDP report, along with audited half-year earnings and interim dividend declarations. Consequently, Cowry Research anticipates a mixed performance in the coming week, driven by ongoing portfolio rebalancing and profit-taking activities. Nevertheless, we continue to advise investors to focus on fundamentally sound stocks.

Weekly Gainers and Loser as at Friday, August 16, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	16-Aug-24	09-Aug-24	% Change	Symbol	16-Aug-24	09-Aug-24	% Change
RTBRISCOE	1.70	1.27	33.9%	CUTIX	4.95	6.00	-17.5%
TOTAL	511.90	427.70	19.7%	BUACEMENT	109.80	128.90	-14.8%
JBERGER	130.00	110.00	18.2%	OANDO	35.85	40.60	-11.7%
GUINEAINS	0.40	0.34	17.6%	LEARNAFRCA	3.52	3.95	-10.9%
UPL	2.45	2.18	12.4%	CHAMS	2.02	2.25	-10.2%
NASCON	35.15	31.50	11.6%	CADBURY	18.10	20.10	-10.0%
ETERNA	22.00	19.80	11.1%	ACADEMY	2.62	2.88	-9.0%
DANGSUGAR	40.65	36.70	10.8%	CWG	5.75	6.30	-8.7%
SFSREIT	112	101.40	10.0%	DEAPCAP	0.43	0.47	-8.5%
CHAMPION	3.04	2.77	9.7%	JAPAUFGOLD	2.20	2.39	-7.9%

Weekly Stock Recommendations as at Friday, August 16, 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	4.39x	30.7	7.5	19.15	26.7	16.2	22.0	40.00	Buy
FLOUR MILLS	1.70	7.40	58.68	0.76	26.33x	47.4	27	44.80	63.0	38.1	51.5	40.63	Buy
ETERNA	-3.71	-4.82	-1.02	-21.50	-5.93x	32.35	11.15	22.00	28.6	18.7	25.3	30.00	Buy
ZENITH	8.22	11.84	90.70	0.42	4.60x	47.35	18.90	38.00	54.5	32.2	43.5	44.00	Buy
JBERGER	7.17	8.60	100.4	1.29	18.13x	130	21.15	130.00	156.0	110.5	149.5	20.00	Buy
UBA	3.96	5.55	76.37	0.29	5.68x	33.50	12.85	22.45	31.5	19.1	25.9	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 16, 2024

FGN Eurobonds	Issue Date	TTM (years)	16-Aug-24 Price (N)	Weekly USD Δ	16-Aug-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.27	99.09	0.17	8.4%	-0.13
6.50 NOV 28, 2027	28-Nov-17	3.28	91.15	0.35	9.7%	-0.12
6.125 SEP 28, 2028	28-Sep-21	4.12	87.63	0.50	9.9%	-0.14
8.375 MAR 24, 2029	24-Mar-22	4.61	93.82	0.85	10.1%	-0.24
7.143 FEB 23, 2030	23-Feb-18	5.53	87.28	0.79	10.2%	-0.20
8.747 JAN 21, 2031	21-Nov-18	6.44	92.52	0.79	10.4%	-0.18
7.875 16-FEB-2032	16-Feb-17	7.51	85.94	0.80	10.7%	-0.16
7.375 SEP 28, 2033	28-Sep-21	9.12	80.99	0.92	10.7%	-0.18
7.696 FEB 23, 2038	23-Feb-18	13.53	76.99	0.89	11.0%	-0.15
7.625 NOV 28, 2047	28-Nov-17	23.30	72.11	1.04	11.0%	-0.16
9.248 JAN 21, 2049	21-Nov-18	24.45	85.83	0.83	10.9%	-0.11
8.25 SEP 28, 2051	28-Sep-21	27.13	75.64	0.86	11.1%	-0.12

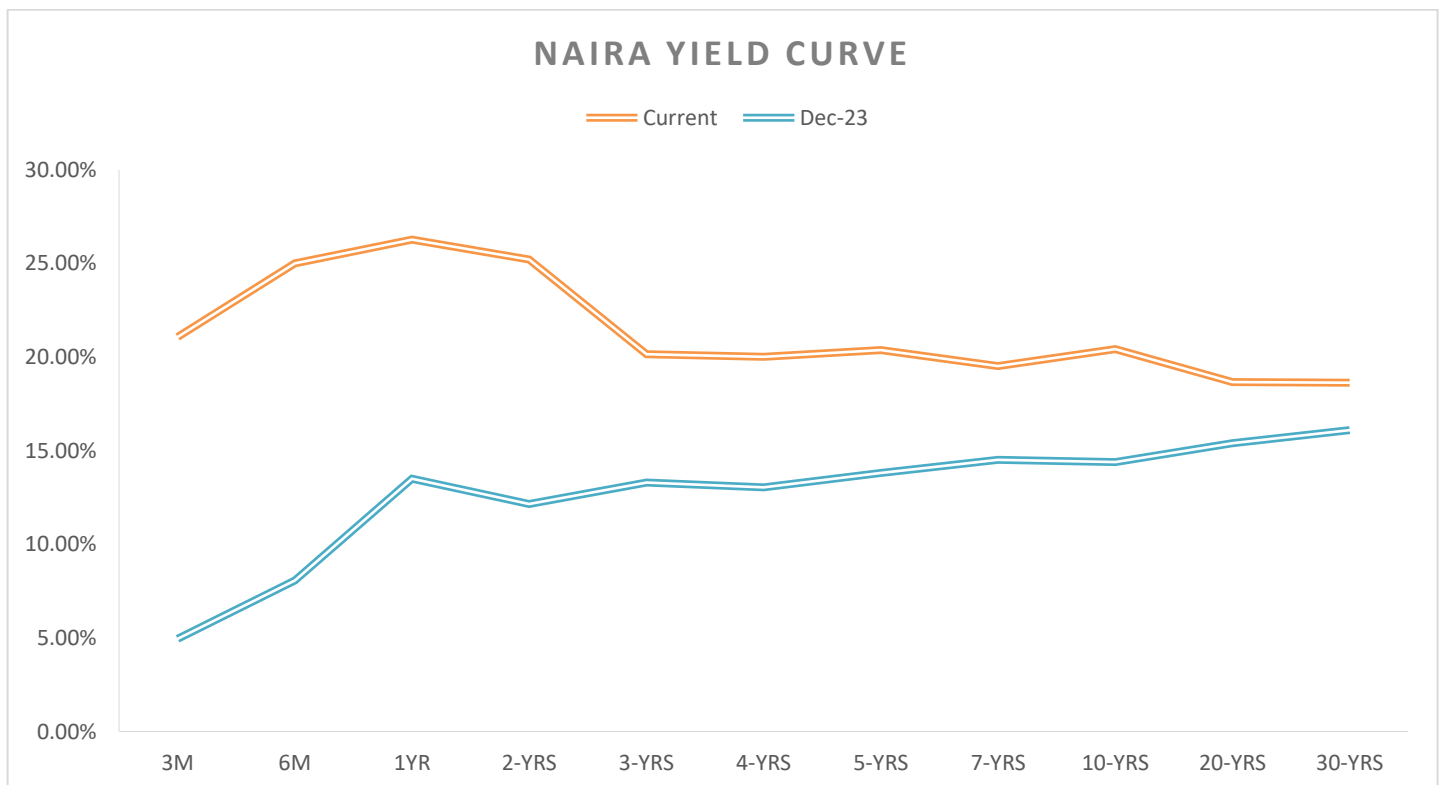
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 16, 2024

MAJOR	16-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0988	1.0973	0.14%	0.66%	0.44%	1.08%
GBPUSD	1.2885	1.2859	0.20%	0.99%	-0.95%	1.10%
USDCHF	0.8696	0.8725	-0.34%	0.51%	-1.43%	-0.98%
USDRUB	89.3008	88.9450	0.40%	2.76%	0.79%	-3.98%
USDNGN	1590.1000	1592.6482	-0.16%	-1.85%	-1.53%	107.46%
USDZAR	17.9211	17.9931	-0.40%	-2.23%	-1.60%	-5.98%
USDEGP	48.9041	48.9188	-0.03%	-0.71%	1.55%	58.50%
USDCAD	1.37	1.3734	-0.07%	-0.04%	0.33%	1.32%
USDMXN	18.66	18.6471	0.05%	-0.88%	5.13%	9.12%
USDBRL	5.47	5.4840	-0.25%	-0.68%	-0.35%	9.96%
AUDUSD	0.6629	0.6612	0.25%	0.86%	-1.52%	3.52%
NZDUSD	0.6016	-0.0600	0.61%	0.33%	-1.04%	1.59%
USDJPY	148.2350	149.2349	-0.67%	1.09%	-4.81%	1.61%
USDCNY	7.1735	7.1821	-0.12%	0.00%	-1.29%	-1.76%
USDINR	83.9061	83.9481	-0.05%	-0.05%	0.40%	0.94%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 16, 2024

Commodity		16-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	76.3	78.2	-2.38%	-0.63%	-6.25%	-3.97%
BRENT	USD/Bbl	79.3	81.0	-2.19%	-0.36%	-6.71%	-5.14%
NATURAL GAS	USD/MMBtu	2.1	9.8	-2.50%	-0.05%	5.26%	-33.95%
GASOLINE	USD/Gal	2.3	2.4	-1.51%	-3.31%	-7.69%	-11.04%
COAL	USD/T	150.0	145.7	2.92%	3.09%	11.61%	1.69%
GOLD	USD/t.oz	2,479.8	2,457.4	0.91%	2.09%	0.82%	31.37%
SILVER	USD/t.oz	28.3	28.4	-0.24%	3.18%	-6.80%	24.82%
WHEAT	USD/Bu	527.7	528.3	-0.10%	-2.67%	-2.08%	-14.18%
PALM-OIL	MYR/T	3,680.0	3,754.0	-1.97%	-1.76%	-6.46%	-6.19%
COCOA	USD/T	8,605.9	8,449.6	1.85%	-5.35%	10.78%	152.02%

FGN Bonds Yield Curve, Friday August 16, 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.