

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: FG's Lower Fiscal Deficit Continues as Oil Receipt Maintains Downtrend....

Cowry Research observes that the expansion in the government's fiscal deficit is driven by weak revenue performance and rising expenditure levels. Given this scenario, we believe that the government can enhance its revenue performance through increased crude oil production, a more efficient tax revenue system, and by mobilising the public to capture more individuals and corporations within the nation's tax net.

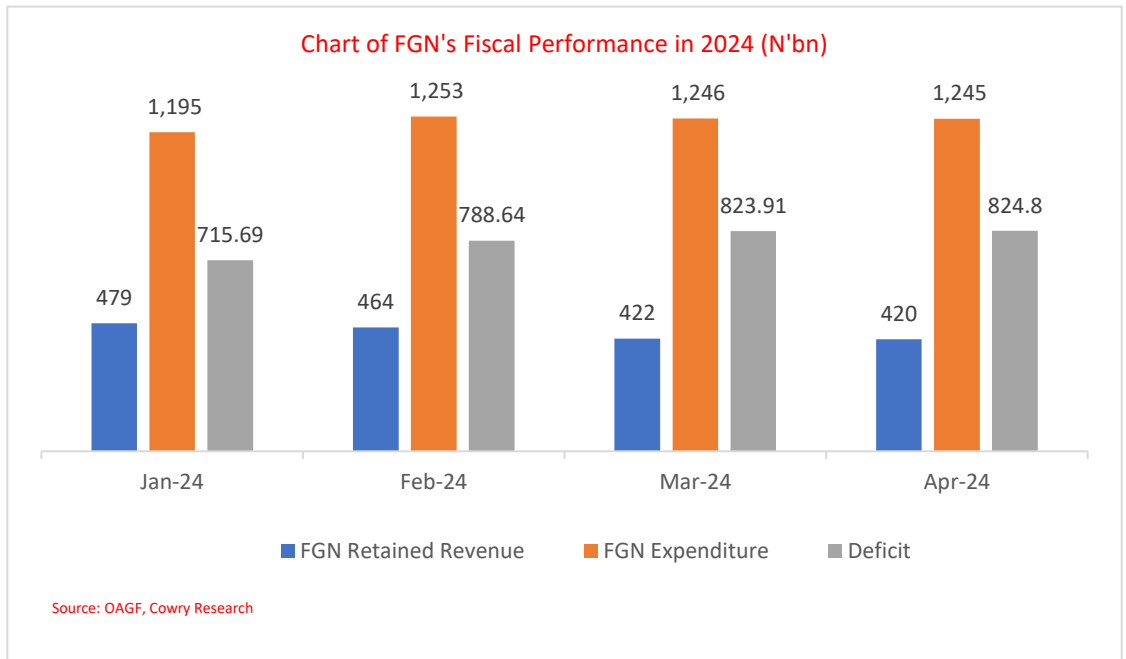
EQUITIES MARKET: Profit-Taking, Tepid Activities Ground Local Bourse to N2.45bn Loss ...

The NGX index's current position below the T-line, along with the 50-day Exponential Moving Average (EMA) and 50-day Simple Moving Average (SMA), signals underlying weakness in the market. This alignment of technical indicators reflects a broader caution, suggesting that the market is struggling amid evolving fundamentals and technical conditions. The breach of these key moving averages often points to a potential downtrend, indicating that market sentiment remains bearish for the time being.

ECONOMY: FG's Lower Fiscal Deficit Continues as Oil Receipt Maintains Downtrend....

This week's economic analysis delves deeply into the fiscal landscape of the Federal Government, with a particular focus on its earnings and expenditure, offering a thorough comparison with the budgeted figures for 2024 thus far. Drawing upon data from the Central Bank of Nigeria's (CBN) monthly economic report, it is evident that the Federal Government's fiscal deficit experienced a marked expansion, rising to N824.8 billion in April 2024 from N823.9 billion in the preceding month. This represents a 0.11% month-on-month increase, placing the deficit almost N60 billion above the budgeted figure.

The expansion in the deficit is largely attributed to a decline in government revenue from oil receipts during the period, coupled with an increase in expenditure. Provisional data reveals that the Federal Government's retained revenue, at N419.91 billion, decreased by 0.55% compared to March 2024 and fell significantly short of the monthly benchmark by 74.29%. On the expenditure side, the total



outlay amounted to N1.24 trillion, which, although 0.12% lower than the previous month, was still 48.10% below the projected spending of N2.39 trillion. This decline in expenditure is mainly due to a reduction in capital outlay during the review period. A closer examination reveals that recurrent expenditure accounted for 84.5% of total spending, capital expenditure for 6.30%, and transfer payments constituted 9.2%.

The 2024 Approved Budget is based on a total expenditure of N28.78 trillion and a revenue projection of N19.60 trillion, sourced from both oil and non-oil revenues. This budget includes provisions for Debt Service and Sinking Fund payments of N8.27 trillion, Recurrent (Non-Debt) Expenditure of N8.77 trillion, and Capital Expenditure of N10 trillion, excluding the recently passed supplementary budget. Presently, the fiscal deficit stands at N9.18 trillion, which represents approximately 50% of the Federal Government's expected revenue and 3.88% of the projected Gross Domestic Product (GDP).

On a more positive note, data from the Central Bank of Nigeria as of Q1 2024 indicates a reduction in the Federal Government's fiscal deficit to N2.8 trillion, compared to N3.3 trillion in Q4 2023 and N4.0 trillion in Q1 2023. This reduction is attributed to a combination of improved revenue performance and reduced government spending during the quarter.

The quarterly report by the apex bank for the first three months of 2024 shows that the Federal Government's retained revenue increased by 5% quarter-on-quarter and by 34% year-on-year, reaching approximately N1.8 trillion in Q1 2024. This represents the highest revenue received by the Federal Government since Q3 2023 and was bolstered by improved receipts from oil sources and exchange rate gains resulting from the depreciation of the Naira.

Cowry Research observes that the expansion in the government's fiscal deficit is driven by weak revenue performance and rising expenditure levels. Given this scenario, we believe that the government can enhance its revenue performance through increased crude oil production, a more efficient tax revenue system, and by mobilising the public to capture more individuals and corporations within the nation's tax net.

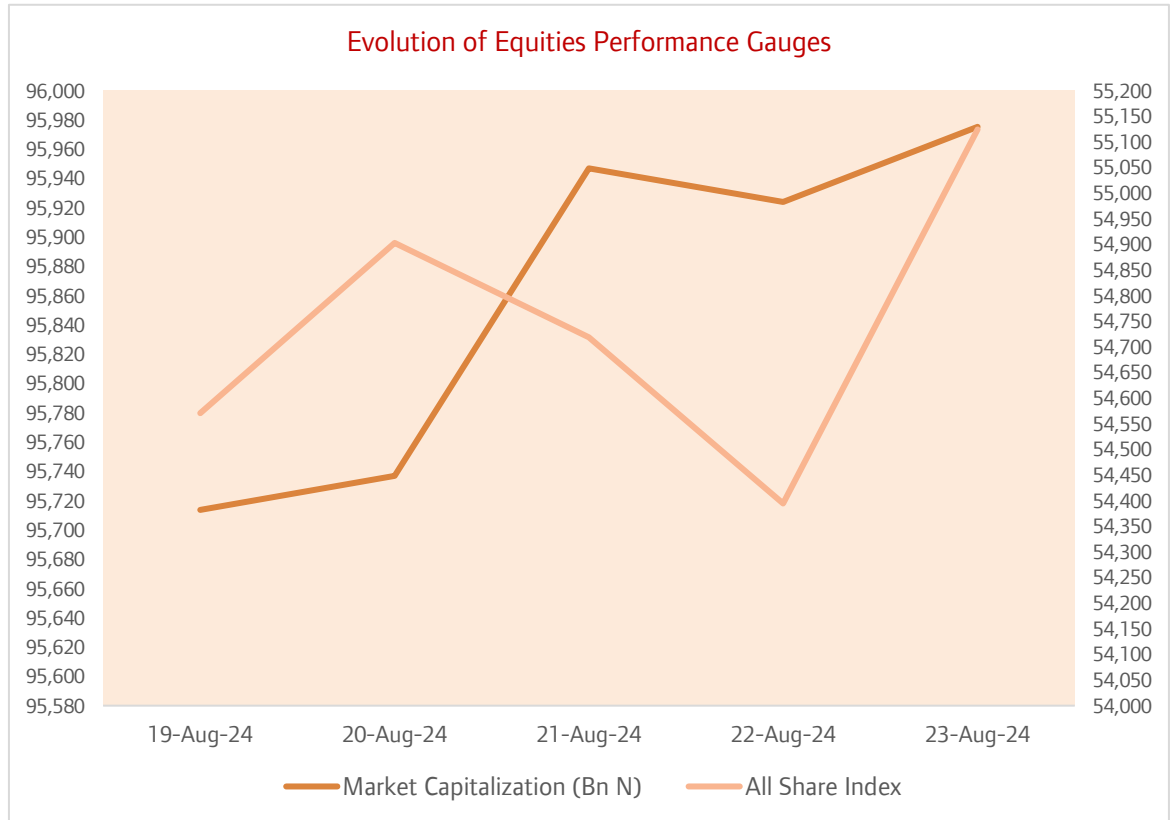
Furthermore, we foresee a positive improvement in the Federal Government's revenue, considering plans to tax 70% of banks' windfall profits from 2023, which resulted from the government's foreign exchange revaluation. This measure could potentially strengthen the Federal Government's revenues significantly.

EQUITIES MARKET: Profit-Taking, Tepid Activities Ground Local Bourse to N2.45bn Loss ...

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 high trading volumes and negative market internals highlighting both the market's weakness. This trend unfolded as market participants continue to react to the positive outcome of the last treasury bills and FGN bonds auctions which recorded healthy investors' subscription.

By the end of the trading week, bearish sentiment firmly held its grip on the All-Share Index (ASI), which fell by 1.16% on a week-on-week basis, closing at 95,973.45 points. This decline was primarily driven by pressured sell-offs in the consumer goods and industrial goods sectors, a reflection of the ongoing interplay of market dynamics amidst heightened volatility. Additionally, the market capitalisation saw a corresponding decreased marginally week-on-week, dropping to N55.13 trillion, with a total of N2.45 billion being wiped off from the market. As a result, the year-to-date (YTD) return for the market now stands at 28.35%.

Trading activities throughout the week were notably mixed, with a lacklustre market sentiment prevailing. The weekly traded volume advanced by 183.6% week-on-week to 5.64 billion units, while the weekly traded value declined by 17.78% to N33.05 billion and then the number of weekly deals fell by 4.60%, amounting to 4,993 trades. This downturn was exacerbated by portfolio realignment in the face of positive market breadth, as evidenced by the fact that the number of gainers (43) was outstripped by the number of losers (36).



In terms of sectoral performance, the picture was largely positive, with the exception of the NGX-Industrial Goods and NGX-Consumer goods sectors, which retreated by 4.94% and 1.42% 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 (3.54%), NGX-Insurance (1.90%), and NGX-Banking (0.37%) indexes.

As the week drew to a close, specific stocks stood out as top gainers. RTBRISCOE led the chart with a 59% increase, followed by TANTALIZER (55%), OANDO (34%), DEAPCAP (30%), and UCAP (27%), all benefiting from positive price movements during the week. Conversely, stocks such as CUTIX (-37%), DANGCEMENT (-10%), TIP (-10%), THOMASWY (-10%), and BETAGLASS (-19%) were among the top losers, primarily due to sell-offs by investors.

The NGX index's current position below the T-line, along with the 50-day Exponential Moving Average (EMA) and 50-day Simple Moving Average (SMA), signals underlying weakness in the market. This alignment of technical indicators reflects a broader caution, suggesting that the market is struggling amid evolving fundamentals and technical conditions. The breach of these key moving averages often points to a potential downtrend, indicating that market sentiment remains bearish for the time being. Meanwhile, 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 23, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	23-Aug-24	16-Aug-24	% Change	Symbol	23-Aug-24	16-Aug-24	% Change
RTBRISCOE	2.71	1.70	59.4%	CUTIX	3.10	4.95	-37.4%
TANTALIZER	0.68	0.44	54.5%	DANGCEM	532.00	591.10	-10.0%
OANDO	47.85	35.85	33.5%	TIP	2.03	2.25	-9.8%
DEAPCAP	0.56	0.43	30.2%	THOMASWY	1.58	1.75	-9.7%
UCAP	19.75	15.60	26.6%	BETAGLAS	48.00	53.00	-9.4%
SOVRENINS	0.56	0.50	12.0%	UPDCREIT	4.60	4.95	-7.1%
TRANSCORP	12.00	10.75	11.6%	OMATEK	0.66	0.71	-7.0%
CORNERST	2.32	2.10	10.5%	TRANSCOHOT	90.00	96.00	-6.3%
SFSREIT	123	111.50	10.0%	INTBREW	4.30	4.55	-5.5%
SKYAVN	26.40	24.00	10.0%	MAYBAKER	7.00	7.40	-5.4%

Weekly Stock Recommendations as at Friday, August 23, 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
GTCO	16.24	31.18	71.59	0.64	2.81x	48.80	22.05	45.60	74.0	38.7	52.4	62.46	Buy
TRANSCORP	0.81	0.97	5.52	2.08	14.18x	19.29	4.00	12.00	14.8	9.8	13.2	28.61	Buy
ETERNA	-3.71	-4.82	-1.02	-19.45	-5.37x	32.35	11.15	21.00	29.00	19.9	27.9	30.00	Buy
PRESCO	38.88	53.65	71.74	6.77	12.49x	485.1	110.00	485.40	669.9	412.6	558.2	38.00	Buy
UNITED CAPITAL	2.58	2.06	20.06	0.91	7.07x	39.9	11.2	19.75	26.0	15.5	21.0	42.47	Buy
UBA	3.96	5.55	76.37	0.29	5.63x	33.50	12.85	22.40	31.2	19.0	25.6	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, August 23, 2024

FGN Eurobonds	Issue Date	TTM (years)	23-Aug-24 Price (N)	Weekly USD Δ	23-Aug-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.25	99.38	0.29	8.1%	-0.25
6.50 NOV 28, 2027	28-Nov-17	3.27	91.67	0.52	9.5%	-0.18
6.125 SEP 28, 2028	28-Sep-21	4.10	88.43	0.80	9.6%	-0.25
8.375 MAR 24, 2029	24-Mar-22	4.59	94.86	1.04	9.8%	-0.29
7.143 FEB 23, 2030	23-Feb-18	5.51	88.17	0.89	10.0%	-0.23
8.747 JAN 21, 2031	21-Nov-18	6.42	93.42	0.90	10.2%	-0.20
7.875 16-FEB-2032	16-Feb-17	7.49	86.96	1.02	10.4%	-0.22
7.375 SEP 28, 2033	28-Sep-21	9.10	81.81	0.82	10.5%	-0.16
7.696 FEB 23, 2038	23-Feb-18	13.51	78.25	1.26	10.8%	-0.22
7.625 NOV 28, 2047	28-Nov-17	23.28	73.26	1.15	10.8%	-0.18
9.248 JAN 21, 2049	21-Nov-18	24.43	86.98	1.15	10.8%	-0.16
8.25 SEP 28, 2051	28-Sep-21	27.12	76.52	0.88	11.0%	-0.13

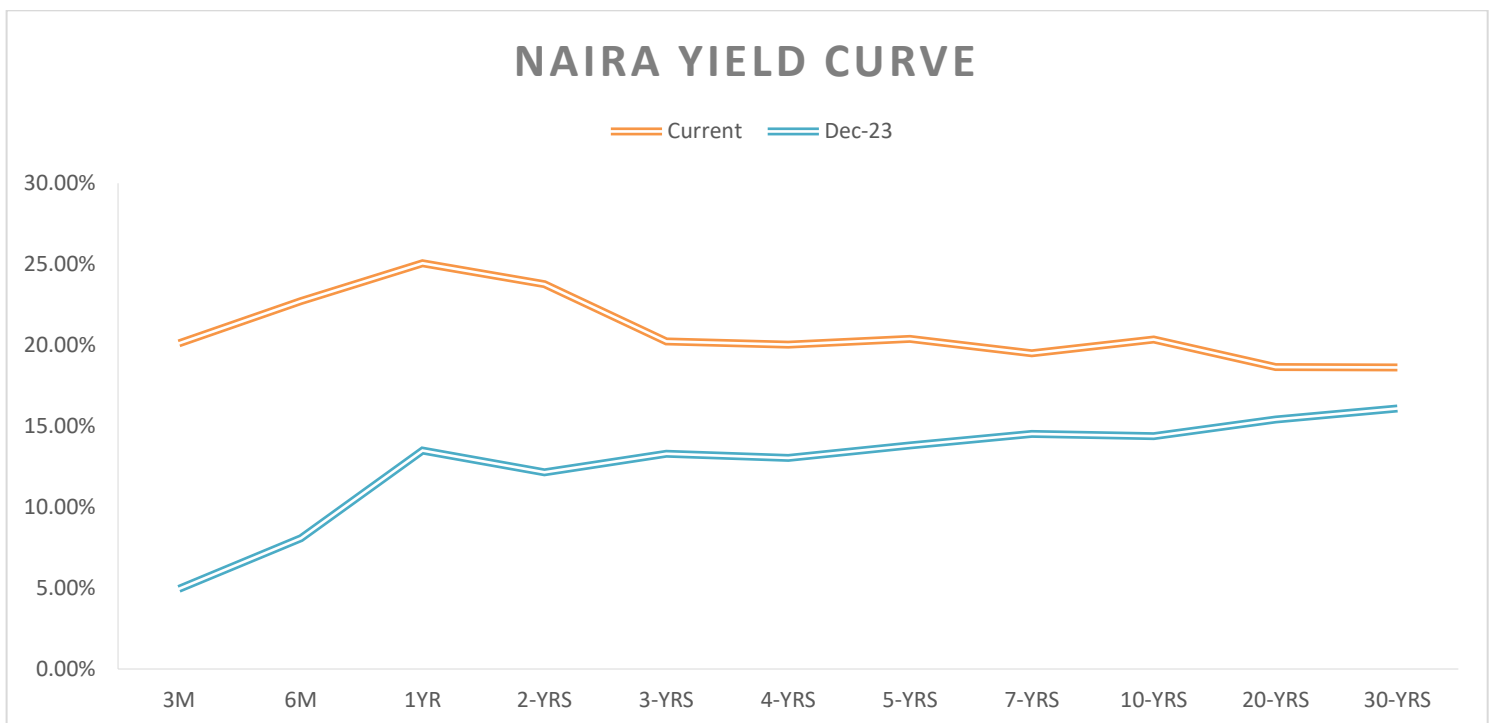
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, August 23, 2024

MAJOR	23-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1171	1.1116	0.49%	1.27%	3.05%	3.33%
GBPUSD	1.3197	1.3097	0.76%	1.98%	2.34%	4.77%
USDCHF	0.8496	0.8518	-0.26%	-1.89%	-4.01%	-3.93%
USDRUB	91.4906	91.4997	-0.01%	2.31%	6.11%	-2.12%
USDNGN	1575.2500	1575.5651	-0.02%	-0.93%	-0.57%	108.86%
USDZAR	17.7835	18.0141	-1.28%	-0.50%	-3.18%	-5.49%
USDEGP	48.7722	48.7673	0.01%	-0.24%	1.04%	58.15%
USDCAD	1.35	1.3604	-0.66%	-1.18%	-2.14%	-0.46%
USDMXN	19.08	19.4990	-2.16%	2.42%	3.95%	13.53%
USDBRL	5.51	5.5930	-1.56%	0.74%	-2.50%	12.97%
AUDUSD	0.6777	0.6707	1.05%	1.55%	3.05%	5.53%
NZDUSD	0.6205	-0.0600	1.04%	2.53%	4.74%	4.84%
USDJPY	145.3060	146.1978	-0.61%	-1.56%	-5.61%	-0.40%
USDCNY	7.1261	7.1454	-0.27%	-0.54%	-2.02%	-2.17%
USDINR	83.8563	83.9402	-0.10%	-0.03%	0.13%	1.54%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 23, 2024

Commodity		23-Aug-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	74.6	73.0	2.17%	-1.25%	-3.86%	-5.17%
BRENT	USD/Bbl	78.6	77.2	1.77%	-1.45%	-3.90%	-4.90%
NATURAL GAS	USD/MMBtu	2.0	9.8	-1.13%	-4.15%	-3.88%	-34.21%
GASOLINE	USD/Gal	2.3	2.2	1.11%	-1.92%	-7.20%	-8.31%
COAL	USD/T	146.8	145.9	0.58%	-2.17%	8.95%	-2.17%
GOLD	USD/t.oz	2,514.2	2,487.6	1.07%	0.25%	4.81%	31.12%
SILVER	USD/t.oz	29.6	29.0	2.08%	2.53%	3.03%	23.33%
WHEAT	USD/Bu	510.3	512.0	-0.35%	-3.68%	-6.67%	-19.19%
PALM-OIL	MYR/T	3,880.0	3,826.1	1.41%	5.43%	-1.17%	-0.03%
COCOA	USD/T	9,754.9	9,731.5	0.24%	9.67%	17.94%	188.54%

FGN Bonds Yield Curve, Friday August 23, 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.