

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Inflation Eases to 32.15% as Disinflation Gains Traction....

Cowry Research notes a favorable downward shift in both headline and food inflation trends, signaling a significant change in the inflation trajectory. The moderation is driven by the CBN's aggressive monetary policy, with interest rates now elevated to 26.75%, coupled with government measures aimed at stabilizing food prices. Although challenges like the removal of fuel subsidies and continued naira depreciation have exerted inflationary pressure, strategic policy interventions have helped to mitigate some of the adverse effects. Looking ahead, inflation is projected to ease further in September to 30.95%, as increased food supply from the ongoing harvest season is expected to relieve some of the economic strain caused by rising prices.

At the next Monetary Policy Committee meeting next week, it is expected that given the progress of the recent efforts at taming inflation, the committee may adopt a wait-and-see approach, to monitor price developments closely and evaluate the full effect of previous rate hikes on the economy. This cautious stance will allow the committee to assess whether further tightening is necessary or if the current policy trajectory is sufficient to maintain price stability.

### EQUITIES MARKET: Bullish Sentiments Drive 0.81% W/W ASI Gains on Positive Upsides.....

With the market displaying resilience amid positive macro signals, we anticipate continued bullish sentiment in the coming week, driven by portfolio rebalancing and strategic positioning in value-driven stocks. The recent dip in inflation and favorable quarter-end activities suggest that investor optimism may persist, creating entry opportunities for those seeking fundamentally sound investments. However, we advise caution as market volatility remains a key factor. Investors should maintain a focus on quality stocks with strong growth prospects to navigate potential swings effectively.

## ECONOMY: Inflation Eases to 32.15% as Disinflation Gains Traction....

In August 2024, Nigeria's consumer price inflation (CPI) decelerated for the second consecutive month, settling at 32.15% year on year, down from 33.40% in July 2024, according to the latest data from the National Bureau of Statistics. This 1.25 percentage point decrease was primarily driven by the Central Bank of Nigeria's (CBN) recent interest rate hikes so far this year. However, the rate was higher by 6.35% points compared to 25.80% reported in August 2023.

The continued moderation in the headline inflation rate reflects the CBN's inflation-targeting measures through policy tightening, notably raising interest rates to 26.75% at its last Monetary Policy Committee (MPC) meeting. These efforts have been supported by fiscal measures aimed at mitigating the inflationary pressures brought about by rising food prices, the removal of petrol subsidies, and the depreciation of the naira.

On a month-on-month basis, headline inflation stood at 2.22% in August 2024, slightly lower than the 2.28% recorded in July 2024. This indicates that the pace of price increases slowed slightly compared to the previous month, offering some respite in the short-term inflationary trend.

Food inflation, the largest contributor to the headline figure, stood at 37.52% year-on-year, down from 39.53% in July 2024. This deceleration can be largely attributed to a decline in the prices of key items such as tobacco, tea, cocoa, coffee, groundnut oil, tubers, and milk. The improved agricultural output during the harvest season played a significant role in stabilizing food prices. Additionally, government initiatives, including a six-month suspension of import duties, VAT, and tariffs on staple food items and raw materials, have substantially contributed to easing food price pressures while also aiming to boost domestic food production.

However, data from the Central Bank of Nigeria (CBN) shows that imported food inflation, which continues to exert pressure on the overall inflation rate, has remained persistently high since September 2019. In the most recent reading, imported food inflation rose to 38.30% year on year in August, up from 36.91% in July. This surge in the cost of imported goods is largely driven by the negative pass-through effect on food prices due to the depreciation of the Naira against other foreign currencies. The weakened currency has made imported items significantly more expensive, further exacerbating inflationary pressures.

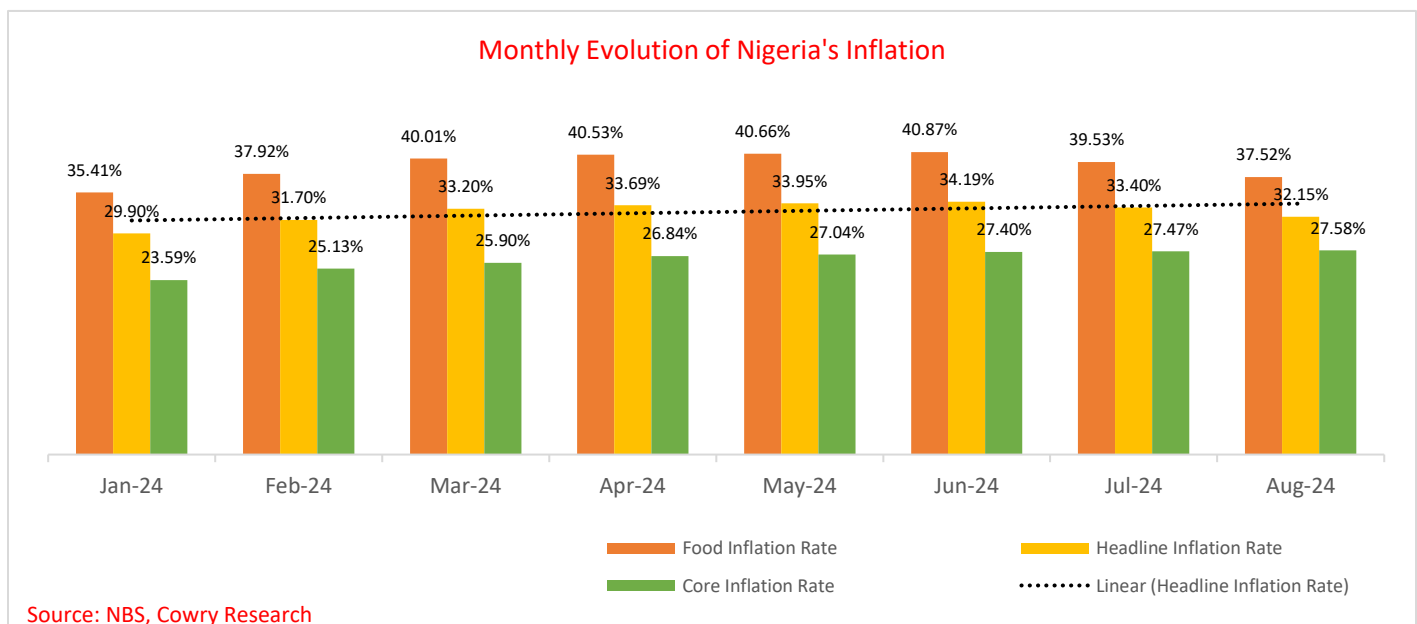
Amidst the disinflation trend, the core inflation index, which excludes the prices of volatile items like agricultural produces and energy, stood at 27.58% year-on-year, a marginal increase from 27.47% in July 2024. This rise was driven by higher prices in housing rents, transportation costs, accommodation services, and medical services. On a monthly basis, core inflation increased to 2.27% in August, up from 2.16% in July 2024.

In August 2024, the Year-on-Year All Items Inflation exhibited regional variations, with Bauchi (46.46%), Kebbi (37.51%), and Jigawa (37.43%) experiencing the highest rates, while Benue (25.13%), Delta (26.86%), and Imo (28.05%) recorded the slowest rise in Headline inflation. On a month-on-month basis for the same period, Kwara (4.45%), Bauchi (4.22%), and Adamawa (3.99%) saw the highest increases, contrasting with Ogun (0.21%), Abuja (0.92%), and Kogi (1.14%) which recorded the slowest rise on month-on-month inflation.

Regarding Food inflation, on a Year-on-Year basis, Sokoto (46.98%), Gombe (43.25%), and Yobe (43.21%) reported the highest food inflation rates. In contrast, Benue (32.23%), Rivers (33.01%), and Bayelsa (33.36%) recorded the slowest rise. On a month-on-month basis for Food Inflation, the highest increases were observed in Adamawa (5.46%), Kebbi (4.48%), and Borno (3.88%), whereas Ogun (0.08%), Akwa-Ibom (0.45%), and Sokoto (1.00%), experienced the slowest rise in Food inflation.

Cowry Research notes a favorable downward shift in both headline and food inflation trends, signaling a significant change in the inflation trajectory. The moderation is driven by the CBN's aggressive monetary policy, with interest rates now elevated to 26.75%, coupled with government measures aimed at stabilizing food prices. Although challenges like the removal of fuel subsidies and continued naira depreciation have exerted inflationary pressure, strategic policy interventions have helped to mitigate some of the adverse effects. Looking ahead, inflation is projected to ease further in September to 30.95%, as increased food supply from the ongoing harvest season is expected to relieve some of the economic strain caused by rising prices.

At the next Monetary Policy Committee meeting next week, it is expected that given the progress of the recent efforts at taming inflation, the committee may adopt a wait-and-see approach, to monitor price developments closely and evaluate the full effect of previous rate hikes on the economy. This cautious stance will allow the committee to assess whether further tightening is necessary or if the current policy trajectory is sufficient to maintain price stability.

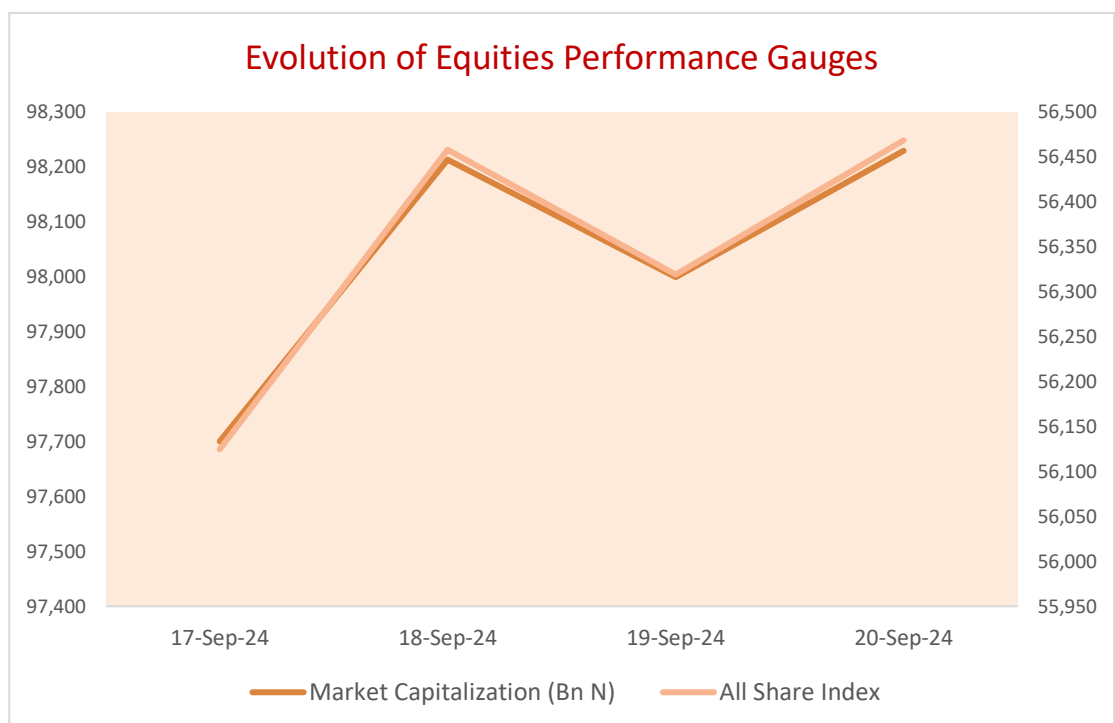


**EQUITIES MARKET: Bullish Sentiments Drive 0.81% W/W ASI Gains on Positive Upsides....**

The Nigerian equities market sustained its upward momentum this week, buoyed by consistent buy sentiment as investors reacted favorably to the latest inflation data, which moderated for the second consecutive month to 32.15%. Additionally, quarter-end window dressing activities contributed to the bullish outlook, propelling the NGX All-Share Index (ASI) by 0.81% week-on-week, from 97,456.62 points to 98,247.99 points, elevating the market's year-to-date return to 31.39%.

Market capitalization saw a corresponding increase of 0.81%, reaching N56.47 trillion and yielding a weekly investor gain of N454.86 billion. However, despite the positive market performance, breadth was slightly negative, with 41 gainers against 40 losers. Trading activity declined, with average traded volume falling by 28.02% to 1.86 billion units, the traded value dropping by 24.92% to N38.44 billion, and total deals decreasing by 20.56% to 40,211 trades for the week.

Sectoral analysis revealed resilience, particularly in the Banking, Insurance, and Oil & Gas sectors. The Banking Index led sectoral gains, rising by 1.26% week-on-week, driven by strong investor demand. The Insurance sector followed with a 0.86% increase, while the Oil & Gas sector posted a marginal 0.02%



gain. Conversely, the Consumer Goods and Industrial Goods sectors experienced setbacks, with declines of 0.77% and 0.13%, respectively.

On the stock level, CAVERTON (+45.3%), FIDELITYBK (+24.2%), FIDSON (+21.8%), VITAFOAM (+21.5%), and MEYER (+20.9%) emerged as the top gainers for the week, reflecting robust price appreciation. Meanwhile, NNFM (-19.0%), MECURE (-18.2%), TANTALIZER (-14.1%), RTBRISCOE (-12.9%), and NIDF (-9.9%) were among the key laggards, as investors rebalanced their portfolios in response to market dynamics.

With the market displaying resilience amid positive macro signals, we anticipate continued bullish sentiment in the coming week, driven by portfolio rebalancing and strategic positioning in value-driven stocks. The recent dip in inflation and favorable quarter-end activities suggest that investor optimism may persist, creating entry opportunities for those seeking fundamentally sound investments. However, we advise caution as market volatility remains a key factor. Investors should maintain a focus on quality stocks with strong growth prospects to navigate potential swings effectively.

### Weekly Gainers and Losers as at Friday, September 20, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	20-Sep-24	13-Sep-24	% Change	Symbol	20-Sep-24	13-Sep-24	% Change
CAVERTON	3.69	2.54	45.3%	NNFM	35.25	43.50	-19.0%
FIDELITYBK	13.60	10.95	24.2%	MECURE	7.65	9.35	-18.2%
FIDSON	15.95	13.10	21.8%	TANTALIZER	0.61	0.71	-14.1%
VITAFOAM	22.00	18.10	21.5%	RTBRISCOE	3.18	3.65	-12.9%
MEYER	7.05	5.83	20.9%	NIDF	101.60	112.80	-9.9%
MCNICHOLS	1.70	1.41	20.6%	ABBEYBDS	2.28	2.53	-9.9%
ACADEMY	3.17	2.63	20.5%	JOHNHOLT	2.78	3.08	-9.7%
THOMASWY	1.98	1.70	16.5%	SOVRENINS	0.58	0.64	-9.4%
DAARCOMM	1.00	0.65	15.4%	FLOURMILL	50.45	54.50	-7.4%
GEREGU	1,150.00	1,000.00	15.0%	OANDO	82.50	89.05	-7.4%

### Weekly Stock Recommendations as at Friday, September 20, 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	4.51x	30.7	7.5	19.60	27.4	16.7	22.5	40.00	Buy
FIDELITY	0.98	1.57	14.60	0.73	10.84x	14.15	2.87	12.40	19.8	10.5	14.3	60.00	Buy
MTNN	-24.72	-34.61	-27.52	-6.98	-7.77x	319.8	178	192.00	268.8	163.2	220.8	40.00	Buy
OKOMUOIL	21.17	27.52	47.92	8.72	19.73x	417.7	157	417.70	543	355	480.4	30.00	Buy
SEPLAT	94.46	132.25	4,446	0.84	39.49x	3,794	1050	3,730.1	5,222.1	3,170	4,289	40.00	Buy
UBA	3.96	5.55	76.37	0.32	6.22x	33.50	12.85	24.65	34.5	21.0	28.3	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, September 20, 2024

FGN Eurobonds	Issue Date	TTM (years)	20-Sep-24 Price (N)	Weekly USD Δ	20-Sep-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.17	99.96	0.21	7.7%	-0.18
6.50 NOV 28, 2027	28-Nov-17	3.19	93.65	1.04	8.8%	-0.38
6.125 SEP 28, 2028	28-Sep-21	4.02	90.27	1.42	9.1%	-0.45
8.375 MAR 24, 2029	24-Mar-22	4.51	96.81	1.22	9.3%	-0.34
7.143 FEB 23, 2030	23-Feb-18	5.43	90.79	1.55	9.4%	-0.39
8.747 JAN 21, 2031	21-Nov-18	6.34	95.96	1.65	9.6%	-0.36
7.875 16-FEB-2032	16-Feb-17	7.41	89.61	2.09	9.9%	-0.43
7.375 SEP 28, 2033	28-Sep-21	9.03	84.55	2.22	10.0%	-0.42
7.696 FEB 23, 2038	23-Feb-18	13.44	81.35	2.41	10.3%	-0.39
7.625 NOV 28, 2047	28-Nov-17	23.20	76.37	2.20	10.3%	-0.32
9.248 JAN 21, 2049	21-Nov-18	24.35	90.26	2.25	10.4%	-0.28
8.25 SEP 28, 2051	28-Sep-21	27.04	79.69	2.38	10.5%	-0.33

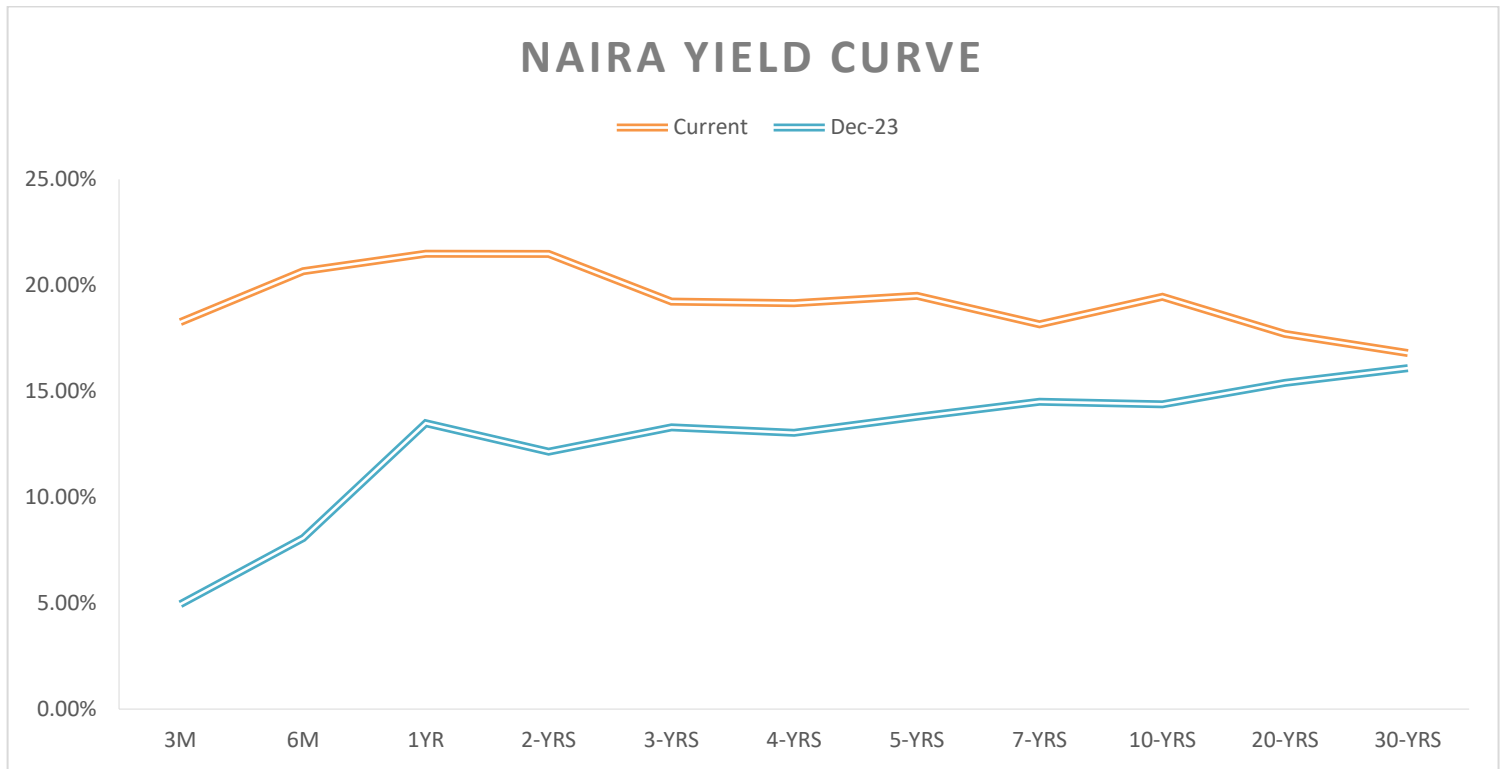
U.S.-dollar foreign-exchange rates as at 4:00 PM GMT+1, Friday, September 20, 2024

MAJOR	20-Sep-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1151	1.1160	-0.08%	0.72%	0.00%	4.66%
GBPUSD	1.3290	1.3280	0.07%	1.31%	1.54%	8.14%
USDCHF	0.850	0.848	0.23%	0.08%	-0.16%	-6.03%
USDRUB	92.639	92.178	0.50%	2.94%	1.25%	-1.65%
USDNGN	1639.450	1640.270	-0.05%	0.02%	4.01%	113.63%
USDZAR	17.496	17.514	-0.10%	-1.56%	-2.04%	-7.72%
USDEGP	48.529	48.481	0.10%	0.30%	-0.42%	57.32%
USDCAD	1.357	1.356	0.08%	-0.13%	-0.12%	0.63%
USDMXN	19.331	19.282	0.25%	0.65%	0.24%	12.19%
USDBRL	5.491	5.426	1.20%	-1.39%	0.07%	11.20%
AUDUSD	0.680	0.681	-0.18%	1.42%	0.73%	5.95%
NZDUSD	0.622	-0.060	-0.25%	1.11%	1.02%	4.95%
USDJPY	144.175	142.875	0.91%	2.36%	-0.67%	-2.32%
USDCNY	7.053	7.072	-0.27%	-0.65%	-1.11%	-3.59%
USDINR	83.504	83.612	-0.13%	-0.45%	-0.46%	0.48%

Global Commodity Prices as at 4:00 PM GMT+1, Friday, September 20, 2024

Commodity		20-Sep-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	70.9	71.2	-0.41%	3.26%	-1.45%	-19.74%
BRENT	USD/Bbl	74.6	74.9	-0.40%	4.07%	-2.00%	-18.18%
NATURAL GAS	USD/MMBtu	2.4	9.8	0.68%	2.30%	8.31%	-27.82%
GASOLINE	USD/Gal	2.0	2.1	-0.90%	5.17%	-7.32%	-18.49%
COAL	USD/T	139.5	139.0	0.36%	0.98%	-4.45%	-13.22%
GOLD	USD/t.oz	2,614.0	2,587.3	1.03%	1.39%	4.04%	36.19%
SILVER	USD/t.oz	31.1	30.8	0.99%	1.45%	5.24%	33.25%
WHEAT	USD/Bu	569.1	565.5	0.64%	-4.18%	9.64%	-1.02%
PALM-OIL	MYR/T	3,948.0	3,879.0	1.78%	3.54%	5.17%	7.34%
COCOA	USD/T	7,652.0	7,738.6	-1.12%	-0.25%	-20.24%	112.81%

FGN Bonds Yield Curve, Friday September 20, 2024



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