

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

---

### ECONOMY: CBN's Interest Rates Offering Triggers \$5.98bn Capital Inflows to Nigeria in H1: 2024.....

In the opinion of Cowry Research, the decline in total capital inflow into the Nigerian economy presents a worrying concern, as key sectors and regions, traditionally seen as drivers of economic growth, are experiencing an exodus of investors. While there has been a positive year-on-year increase in total capital imported during the first half of the year—primarily driven by the high-interest-rate environment—this momentum is at risk of reversal.

### EQUITIES MARKET: Bulls Tighten on Equities Market as ASI Rebounds by 0.09% in Weekly Gains.....

Cowry Research notes that the modest gains recorded in this trading week reflect investor confidence slowly returning to the market, with expectations of further rebounds supported by anticipated earnings releases and the impact of government reforms on economic growth. Thus, we anticipate the currently trend of mild gains to continue on the local bourse, buoyed by the release of Q3 earnings report by majorly the early filers. Meanwhile, we continue to advise investors to focus on fundamentally sound stocks.

**ECONOMY: CBN's Interest Rates Offering Triggers \$5.98bn Capital Inflows to Nigeria in H1: 2024 ....**

The latest data on capital importation from NBS shows that Nigeria attracted total capital inflow worth \$5.98 billion in H1 2024, indicating a 177% y/y increase from \$2.16 billion in H1 2023. This increase was driven by a 360% y/y growth in Portfolio investments into Nigeria to \$3.48 billion from \$756 million last year and 85% y/y surge in other investments to \$2.35 billion while foreign direct investments managed a 12% y/y increase to \$149 million under six months of 2024.

The recorded growth could be said to have been triggered by the elevated interest rates in Nigeria; rousing sentiments of foreign investors who prowl higher return of investments and return of investment. This happened despite incoherent foreign exchange policies and the devaluation of the local currency.

In H1 2024, Nigeria saw significant foreign portfolio participation in money market instruments, with around 77% (or \$2.68 billion) of foreign portfolio investments (FPIs) allocated to treasury bills, OMO bills, and commercial papers. During this period, we saw the Central Bank of Nigeria (CBN) offered yields as high as 22.5% on treasury bills primary market auctions, while OMO bills yielded 22%, making these instruments among the most attractive in the market.

Private companies also tapped into the favourable conditions, issuing commercial papers at even higher discount rates of 25%, 28%, and up to 30%.

This high return on debt instruments drew substantial foreign interest. Bonds, however, attracted \$599 million in FPIs during H1 2024, with \$420.8 million invested in Q1 alone. Compared to the previous year, FPIs into bonds grew by 55%, rising from \$386 million in H1 2023.

This strong performance in money market and debt instruments indicates the critical role elevated interest rates played in attracting foreign capital to Nigeria during the period, despite the challenges posed by exchange rate fluctuations and macroeconomic uncertainty.

A cursory analysis of the data unveils that Banking, Trading and Production sectors in Nigeria have maintained position as top investment sectors, gaining 53.4%, 17.8% and 13.7% shares of total \$5.98 billion imported capital during the first six months of 2024. This is particularly hinged on their continued contribution to national growth and expansion with the adoption of innovation.

Quarterly analysis of the data shows that in Q2 2024, Nigeria experienced a significant rise in capital importation, amounting to \$2.60 billion, a 152.81% increase from \$1.03 billion in Q2 2023. However, this represents a 22.85% decline from \$3.38 billion in Q1 2024. Over the past four years, capital inflows have struggled to regain the pre-pandemic quarterly average of \$5 billion, highlighting ongoing concerns about the factors affecting foreign investment, particularly around foreign exchange liquidity and broader macroeconomic challenges.

Portfolio Investments dominated the inflows, accounting for \$1.40 billion (53.93%), followed by Other Investments at \$1.17 billion (44.92%). In contrast, Foreign Direct Investment (FDI) contributed only \$29.83 million (1.15%) to the total capital importation in the quarter.

The Banking sector led with the highest inflows at \$1.12 billion (43.15% of total capital), followed by the Production/Manufacturing sector at \$624.71 million (23.99%) and the Trading sector with \$569.22 million (21.86%).

Geographically, the bulk of capital importation came from the United Kingdom with \$1.12 billion (43.01%), followed by the Netherlands at \$577.82 million (22.19%) and the Republic of South Africa at \$255.98 million (9.83%). Lagos State was the top destination for capital importation, receiving \$1.37 billion (52.52% of total), followed by Abuja (FCT) with \$1.24 billion (47.48%).

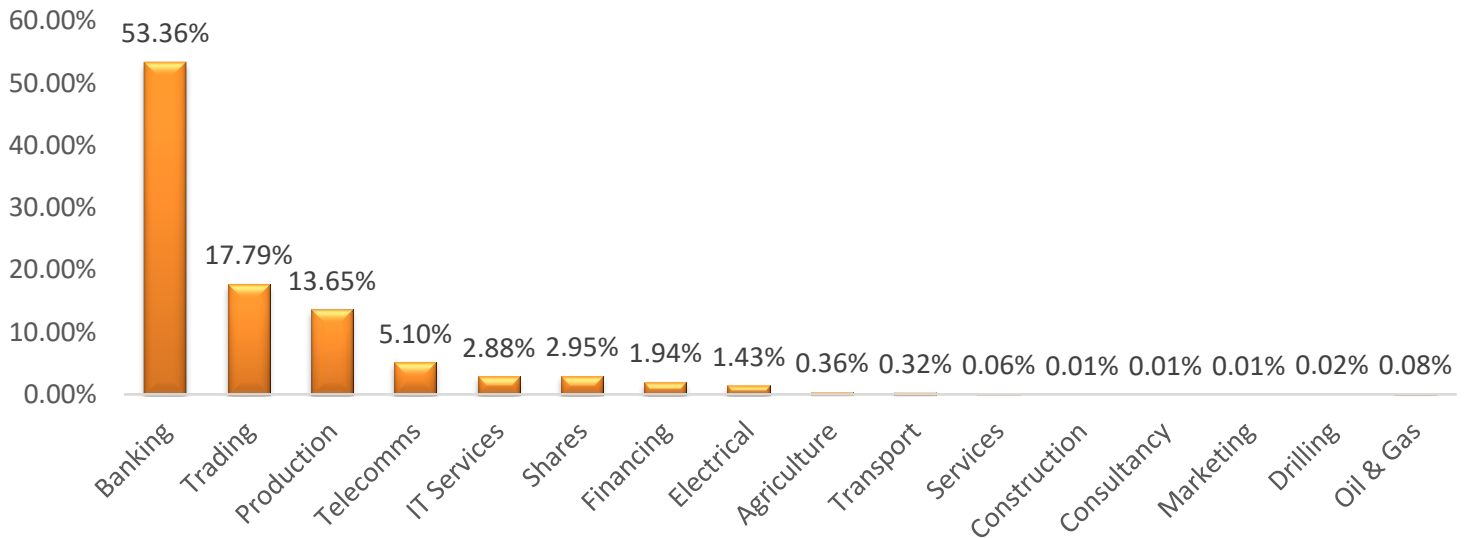
In terms of institutional inflows, Citibank Nigeria Limited attracted the highest capital with \$818.46 million (31.43%), followed by Standard Chartered Bank Nigeria Limited with \$654.79 million (25.14%) and Rand Merchant Bank Plc with \$488.59 million (18.76%). This trend underscores the crucial role that banking and financial services play in attracting foreign capital to Nigeria amidst prevailing economic challenges.

Total Capital Importation Schedule as at H1 2024 (\$'mn)		% share of total
Foreign Direct Investment		149.01
Equity		148.99
Other Capital		0.02
Portfolio Investment		3,480.29
Equity		199.30
Bonds		598.60
Money market instruments		2,682.39
Other Investment		2,351.22
Trade credits		-
Loans		2,305.14
Currency deposits		-
Other claims		46.08
Grand Total		5,980.51

In the opinion of Cowry Research, the decline in total capital inflow into the Nigerian economy presents a worrying concern, as key sectors and regions, traditionally seen as drivers of economic growth, are experiencing an exodus of investors. While there has been a positive year-on-year increase in total capital imported during the first half of the year—primarily driven by the high-interest-rate environment—this momentum is at risk of reversal.

The persistent foreign exchange challenges remain a significant barrier, obstructing the flow of investments into Nigeria. It is crucial for both monetary and fiscal authorities to implement targeted policies that resolve these foreign exchange issues. Furthermore, addressing the ease of doing business in Nigeria is imperative, as an improved business environment will attract both long-term and short-term investors, positioning Nigeria as a more competitive investment destination.

**H1'24 Capital Importation by Sectors (% Share by sector)**



Source: NBS, Cowry Research

**EQUITIES MARKET: Bulls Tighten on Equities Market as ASI Rebounds by 0.09% in Weekly Gains.....**

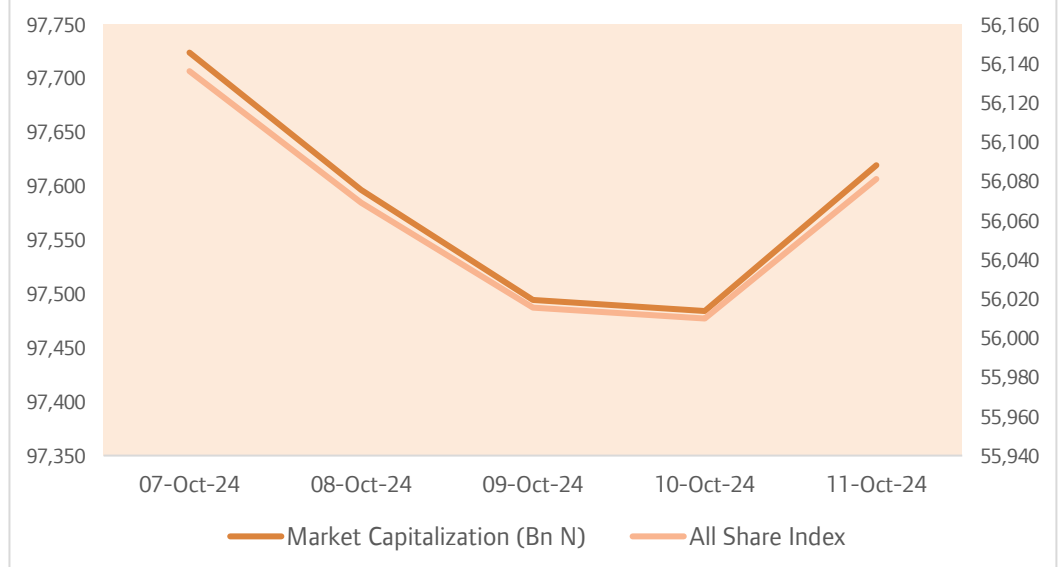
The Nigerian equities market saw a modest recovery this week as the All-Share Index (ASI) posted a weekly gain of 0.09% to close at 97,606.63 points, signalling a renewed bullish sentiment after previous week’s profit-taking activities. The market rebound was driven by selective buying across sectors, as investors responded to attractive entry points in key mid and large-cap stocks. In the same manner, the market capitalisation posted marginal increase by 0.09% week on week to N56.09 trillion resulting in a N49.53 billion weekly gain for equity investors even as the year-to-date return of the index advanced to 30.54%.

Market momentum was relatively weak in the face of higher traded volumes this week, fuelled by rebalancing activities across small, mid, and large-cap stocks. As a result, the weekly trade value nosedived by 76.24% week-on-week to N31.51 billion, while the traded volumes this week reversed last week’s decline by 3.92% week on week to 2.97 billion shares, all executed in 42,482 deals—a 7.5% increase from the previous week.

Sectoral performance was mixed during the week as 3 of 5 sectors under our purview posted weekly gains. Thus, the week closed with gains in sectors such as Banking Insurance and Oil & Gas respectively.

However, overall trading activity remained subdued, reflecting cautious sentiment ahead of key macroeconomic reports, including the September 2024 inflation figures. Contextually, the Oil & Gas index led the gainers’ chart this week by 1.57% week on week on the back of gains seeing in SEPLAT. The Banking and Insurance indices followed with 0.47% and 0.08% weekly gains which was propelled by rally in FBNH, LASACO (following the lifting of suspension on the trading of the shares) and PRESTIGE. On the other hand, the Consumer Goods and Industrial Goods indices

**Evolution of Equities Performance Gauges**



recorded losses by 1.25% and 0.13% week on week which were propelled by adverse price movement in TRIPPLEG, TANTALIZER, UPDC, GUINNESS, INTBREW and HONEYFLOUR respectively.

Looking at the top advancers and decliners for the week, MECURE (20%), UPL (18%), LASACO (17%), FIDELITYBK (13%), and PZ CUSSONS (12%) as they emerged the top spot of attraction for equity investors while stocks such as TRIPPLE G (60%), DAARCOMM (25%), AFRIPRUD (13%), REGALINS (12%) and TANTALIZER (10%) in that manner.

Cowry Research notes that the modest gains recorded in this trading week reflect investor confidence slowly returning to the market, with expectations of further rebounds supported by anticipated earnings releases and the impact of government reforms on economic growth. Thus, we anticipate the currently trend of mild gains to continue on the local bourse, buoyed by the release of Q3 earnings report by majorly the early filers. Meanwhile, we continue to advise investors to focus on fundamentally sound stocks.

### Weekly Gainers and Loser as at Friday, October 11, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	11-Oct-24	04-Oct-24	% Change	Symbol	11-Oct-24	04-Oct-24	% Change
MECURE	10.10	8.45	19.5%	TRIPPLEG	2.01	4.97	-59.6%
UPL	2.55	2.17	17.5%	DAARCOMM	0.57	0.76	-25.0%
LASACO	2.70	2.30	17.4%	AFRIPRUD	9.25	10.65	-13.1%
FIDELITYBK	14.70	13.00	13.1%	REGALINS	0.72	0.82	-12.2%
PZ	19.70	17.65	11.6%	TANTALIZER	0.60	0.67	-10.4%
JBERGER	164.00	150.00	9.3%	UPDC	1.51	1.68	-10.1%
ROYALEX	0.73	0.67	9.0%	SCOA	1.71	1.90	-10.0%
GOLDBREW	3.40	3.15	7.9%	BERGER	19.00	21.10	-10.0%
REDSTAREX	4.10	3.80	7.9%	NEM	7.90	8.75	-9.7%
ABCTRANS	1.32	1.23	7.3%	ETERNA	24.70	27.00	-8.5%

### Weekly Stock Recommendations as at Friday, October 11, 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
ZENITHBANK	18.41	22.09	101.7	0.37	2.04x	47.35	18.90	37.45	51.0	31.9	43.1	36.00	Buy
MTNN	-24.72	-34.61	27.52	-6.92	-7.70x	319.8	178	191.00	266.4	161.8	218.8	40.00	Buy
FIDELITYBNK	4.99	7.49	19.67	0.73	2.88x	14.90	2.87	14.70	21.6	12.2	16.6	50.00	Buy
GUINNESS PLC	-28.15	-30.02	-2.16	30.14	-2.31x	80.00	42.05	65.00	87.0	55.3	74.8	33.85	Buy
LAFARGE AFRICA	1.82	2.55	26.93	1.34	19.87x	47.95	20.10	36.25	50.7	30.8	41.6	40.00	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, October 11, 2024

FGN Eurobonds	Issue Date	TTM (years)	11-Oct-24 Price (N)	Weekly USD Δ	11-Oct-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.11	99.85	-0.02	7.8%	0.02
6.50 NOV 28, 2027	28-Nov-17	3.13	94.15	0.42	8.7%	-0.15
6.125 SEP 28, 2028	28-Sep-21	3.97	90.64	0.10	9.0%	-0.03
8.375 MAR 24, 2029	24-Mar-22	4.45	96.97	0.33	9.2%	-0.09
7.143 FEB 23, 2030	23-Feb-18	5.37	90.74	0.24	9.4%	-0.05
8.747 JAN 21, 2031	21-Nov-18	6.28	96.09	0.38	9.6%	-0.08
7.875 16-FEB-2032	16-Feb-17	7.35	90.28	0.49	9.8%	-0.11
7.375 SEP 28, 2033	28-Sep-21	8.97	85.05	0.59	9.9%	-0.11
7.696 FEB 23, 2038	23-Feb-18	13.38	81.59	0.40	10.3%	-0.07
7.625 NOV 28, 2047	28-Nov-17	23.15	76.50	0.53	10.3%	-0.07
9.248 JAN 21, 2049	21-Nov-18	24.30	90.55	0.48	10.3%	-0.06
8.25 SEP 28, 2051	28-Sep-21	26.98	79.98	0.67	10.5%	-0.09

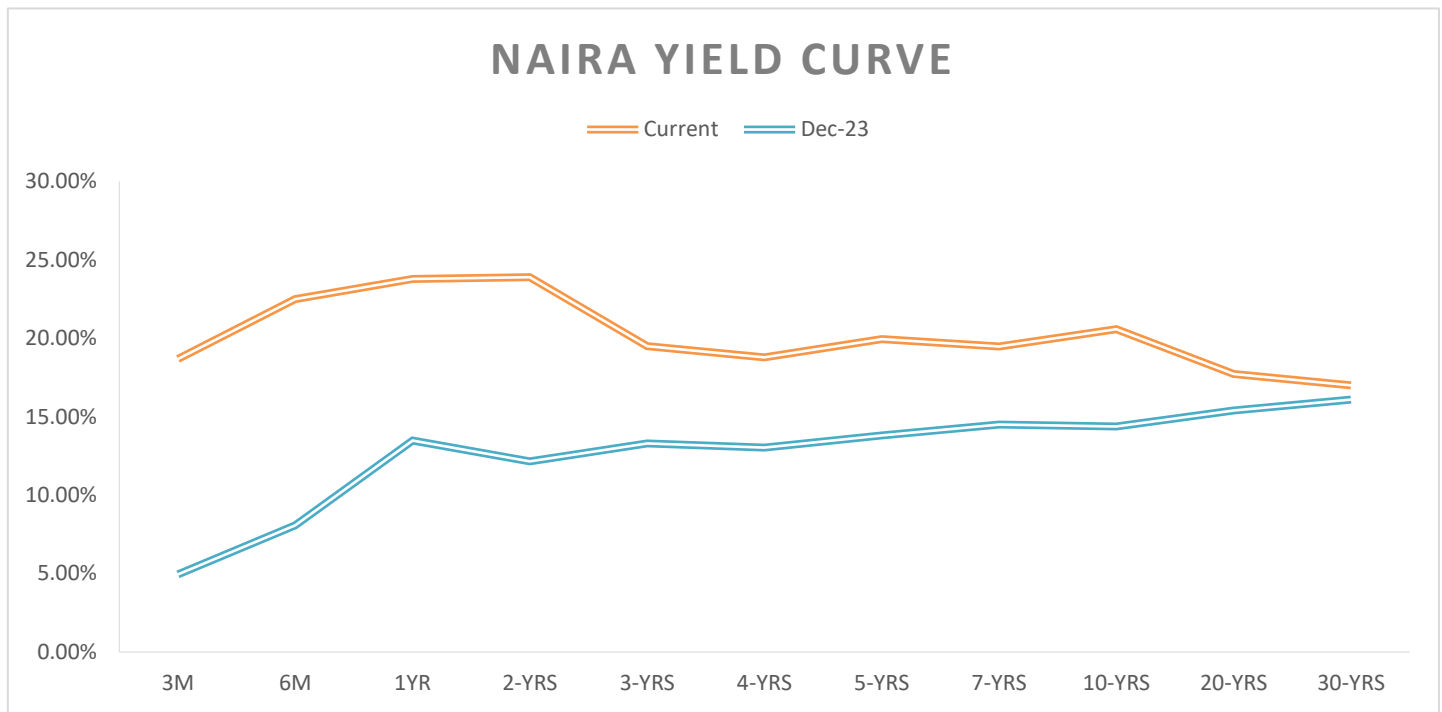
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, October 11, 2024

MAJOR	11-Oct-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0946	1.0934	0.11%	-0.28%	-1.21%	3.98%
GBPUSD	1.3077	1.3061	0.12%	-0.31%	-0.42%	7.43%
USDCHF	0.8573	0.8567	0.07%	-0.09%	0.88%	-5.60%
USDRUB	96.1013	96.6036	-0.52%	1.17%	7.74%	-1.66%
USDNGN	17.4382	17.5258	-0.50%	-1.05%	-2.11%	111.00%
USDZAR	17.4382	17.5258	-0.50%	-0.33%	-1.88%	-8.30%
USDEGP	48.5756	48.5805	-0.01%	0.58%	0.38%	57.45%
USDCAD	19.46	19.4501	0.03%	1.35%	1.35%	0.50%
USDMXN	19.46	19.4501	0.03%	1.08%	-0.27%	8.40%
USDBRL	5.63	5.5833	0.86%	3.16%	0.02%	11.53%
AUDUSD	0.6100	0.6095	0.08%	-0.69%	0.29%	6.83%
NZDUSD	0.6100	-0.0600	0.08%	-0.95%	-1.43%	2.90%
USDJPY	7.0735	7.0834	-0.14%	0.40%	5.48%	-0.36%
USDCNY	7.0735	7.0834	-0.14%	-0.33%	-0.62%	-3.25%
USDINR	84.1060	83.9465	0.19%	0.08%	0.21%	0.97%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, October 11, 2024

Commodity		11-Oct-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	75.6	75.8	-0.34%	1.65%	9.62%	-6.35%
BRENT	USD/Bbl	79.2	79.4	-0.21%	1.48%	10.05%	-6.61%
NATURAL GAS	USD/MMBtu	2.7	9.8	-0.46%	-7.05%	12.55%	-27.10%
GASOLINE	USD/Gal	2.2	2.1	0.41%	2.81%	11.05%	0.02%
COAL	USD/T	150.3	147.0	2.21%	5.36%	8.09%	6.18%
GOLD	USD/t.oz	2,652.1	2,633.2	0.72%	0.04%	3.73%	42.02%
SILVER	USD/t.oz	31.5	31.2	1.08%	-2.06%	5.35%	44.32%
WHEAT	USD/Bu	608.4	603.7	0.77%	3.50%	5.51%	6.80%
PALM-OIL	MYR/T	4,352.0	4,235.1	2.76%	1.09%	13.10%	19.63%
COCOA	USD/T	7,731.9	7,504.5	3.03%	9.61%	2.58%	121.59%

FGN Bonds Yield Curve, Friday October 11, 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.