

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: A Positive Trend in Nigeria's Drive Toward Fiscal Sustainability; Total IGR Hits N2.43trn ...

For Cowry Research, we note that several challenges remain, nonetheless. The country's IGR growth is hindered by persistent issues such as tax evasion, regional disparities in economic activity, and the substantial size of the informal economy. To address these issues, reforms aimed at broadening the tax base and integrating informal sector participants are underway. Notably, we think the proposed Tax Identification Consolidation and Collaboration (TICC) framework is expected to improve tax compliance and significantly boost tax revenue, fostering more sustainable revenue growth across states. This initiative highlights the government's commitment to enhancing the revenue landscape, reducing reliance on oil, and strengthening fiscal resilience at all levels of government.

EQUITIES MARKET: ASI Takes Haircut by 2.03% w/w on Subdued Investor Sentiment.....

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ECONOMY: A Positive Trend in Nigeria’s Drive Toward Fiscal Sustainability; Total IGR Hits N2.43trn ...

The National Bureau of Statistics (NBS) recently released data detailing Nigeria's internally generated revenue (IGR) across its 36 states and the Federal Capital Territory (FCT) for 2023. The report reveals a significant 26.03% increase in total IGR, reaching N2.43 trillion compared to N1.93 trillion in 2022. This growth reflects intensified efforts to enhance revenue collection mechanisms and plug revenue leakages at both the state and federal levels. As a result, Nigeria’s tax revenue rose by N501.31 billion year-on-year, underscoring a renewed drive toward fiscal sustainability.

Despite the impressive year-on-year increase in IGR, the revenue's share relative to the national economy remains modest, accounting for just 1.08% of Nigeria’s Gross Domestic Product (GDP) in 2023. A closer analysis of the NBS figures reveals that tax revenue constituted approximately 80% of the total IGR, amounting to about N1.9 trillion. The remaining N478 billion originated from various state-level ministries, departments, and agencies (MDAs), showcasing the supplementary but significant role of non-tax revenue streams.

As in previous years, Lagos State led the pack, generating N816 billion in IGR, which represents a substantial 33% of the total revenue collected by all states and the FCT combined. The Federal Capital Territory (FCT) followed, moving into second place with a total of N211 billion, or 9% of total IGR, displacing Rivers State. Rivers, Ogun, and Delta completed the top five revenue-generating states, contributing 8.7% (N211 billion), 6.1% (N148 billion), and 4.7% (N115 billion) respectively. Altogether, these five states captured over 60% of the total IGR, underscoring a concentration of revenue in a few economically robust states.

Breaking down the tax revenue, the data shows that the Pay As You Earn (PAYE) system was the primary revenue contributor, accounting for 64% of total tax revenue and approximately 51% of the total IGR generated. This highlights the prominent role of formal-sector employment in sustaining state revenues. However, the reliance on PAYE also points to a core issue: a large portion of Nigeria's workforce operates within the informal economy, creating revenue collection challenges in many states. Consequently, most states continue to rely heavily on monthly disbursements from the Federation Account Allocation Committee (FAAC), which, even when supplemented by IGR, often falls short of covering operating expenses.

In the aftermath of the pandemic, Nigeria's IGR collection has shown a strong recovery, maintaining a positive trajectory in recent years. Following a sharp decline of 34% to N1.08 trillion in 2020 from the pre-pandemic level of N1.64 trillion, the IGR has steadily increased. This recovery aligns with Nigeria’s broader efforts to diversify revenue sources, particularly given the volatility in oil prices that affects federal allocations.

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Annual Total Internally Generated Revenue (N'mn)



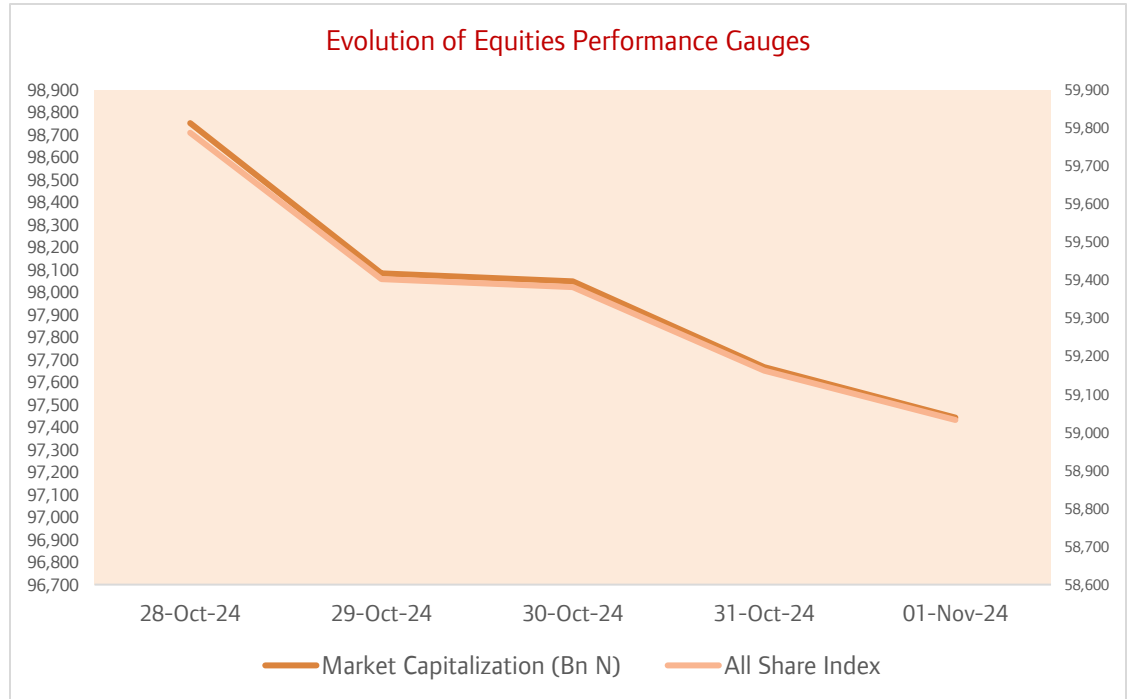
Source: National Bureau of Statistics, States IRS, Cowry Research

EQUITIES MARKET: ASI Takes Haircut by 2.03% w/w to 97,432.02 on Subdued Investor Sentiment.....

In the just-concluded week, the All-Share Index (ASI) took a sharp 2.03% week-on-week haircut, closing at 97,432.02 points as investor sentiment remained subdued, leading to significant sell-offs across key sectors, particularly in Industrial, Insurance, and Consumer Goods. This decline reflects cautious trading behaviour amid ongoing portfolio rebalancing, with investors grappling with economic uncertainties and the latest macroeconomic data releases.

The market capitalisation dropped in tandem by 2.03% week-on-week to settle at N59.04 trillion, wiping out N1.22 trillion in gains from prior weeks. As a result, the year-to-date return of the index now stands at 30.30%, with more stocks declining than advancing, as 45 stocks lost ground compared to 39 gainers.

Sectoral performance over the week reflected widespread losses. The NGX-Industrial Goods sector was notably impacted, declining by 3.70% week-on-week, driven by significant drops in stocks like BUA CEMENT, UPDC, and CAVERTON. Both the Consumer Goods and Insurance sectors also recorded declines, with losses of 0.22% and 0.40%, respectively, as stocks such as REGALINS, ROYALEX, CADBURY, HONYFLOUR, and MCNICHOLS saw reduced trading activity and price depreciation.



In contrast, the NGX-Oil & Gas sector emerged as the primary gainer, up by 1.15% week-on-week despite continued sell pressure on ARADEL. The positive performance in this sector was largely buoyed by robust sentiment surrounding CONOIL and ETERNA. Additionally, the NGX-Banking index posted modest gains of 0.19% week-on-week, thanks to upward price movements in GTCO, ZENITH, and FIDELITYBNK.

Market trading activity indicated a mix of high and low momentum across stocks of all capitalisations, with rebalancing activities intensifying sell-off pressure. The number of trades increased by 13.7% from the previous week, reaching 46,848 deals. However, the weekly trade value fell sharply by 36.4% to N54.63 billion, while the traded volume rose by 26.9% week-on-week to 2.72 billion shares.

Among the top weekly advancers were EUNISELL (+61%), JOHNHOLT (+20%), UPL (+18%), LIVESTOCK (+12%), and NNFM (+12%), which drew strong investor interest. Conversely, the top decliners included ARADEL (-26%), CAVERTON (-20%), ELLAHLAKES (-13%), REGALINS (-13%), and ROYALEX (-11%).

The ASI's decline underscores continued caution among investors, many of whom are taking a risk-off stance amidst fluctuating economic indicators, uncertain earnings outlooks, and ongoing corporate actions. Persistent liquidity concerns and inflationary pressures appear to have dampened investor enthusiasm, with many awaiting clearer signals on monetary policy and potential fiscal measures before making fresh commitments.

Looking ahead, the market is likely to remain volatile in the near term considering the cautious sentiments of investors. However, positive developments, such as improved corporate earnings or stabilising macroeconomic conditions, could help bolster investor confidence and drive a recovery.

Weekly Gainers and Loser as at Friday, November 1, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	01-Nov-24	25-Oct-24	% Change	Symbol	01-Nov-24	25-Oct-24	% Change
EUNISELL	5.62	3.50	60.6%	ARADEL	445.60	600.10	-25.7%
JOHNHOLT	3.30	2.75	20.0%	CAVERTON	2.00	2.50	-20.0%
UPL	3.30	2.79	18.3%	ELLAHLAKES	3.54	4.05	-12.6%
LIVESTOCK	3.83	3.41	12.3%	REGALINS	0.49	0.56	-12.5%
NNFM	38.00	34.00	11.8%	ROYALEX	0.63	0.71	-11.3%
SKYAVN	27.50	25.00	10.0%	VERITASKAP	1.42	1.60	-11.3%
VITAFOAM	22.00	20.00	10.0%	BUACEMENT	97.80	110.00	-11.1%
SUNUASSUR	2.09	1.90	10.0%	LASACO	2.55	2.86	-10.8%
CONOIL	189.30	173.45	9.1%	GUINEAINS	0.45	0.50	-10.0%
TIP	2.30	2.14	7.5%	CADBURY	16.40	18.20	-9.9%

Weekly Stock Recommendations as at Friday, November 1, 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	12.40	14.05	92.87	0.24	1.78x	30.7	7.5	22.10	29.0	18.7	25.4	31.52	Buy
SEPLAT ENERGIES	98.37	103.62	4,754	1.20	57.94x	5700	2350	5,700	7,351	4,845	6,555	28.96	Buy
FIDELITY BANK	7.02	7.02	21.51	0.66	2.04x	14.90	2.87	14.40	21.0	12.2	16.4	46.85	Buy
OKOMUOIL	29.71	33.67	48.46	6.98	11.38x	417.7	240	338.10	462.0	287.4	388.8	36.65	Buy
GTCO PLC	38.41	43.53	94.00	0.57	1.40x	57.00	33.00	55.30	74.9	45.6	61.8	39.48	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, November 1, 2024

FGN Eurobonds	Issue Date	TTM (years)	01-Nov-24 Price (N)	Weekly USD Δ	01-Nov-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.05	99.62	-0.19	8.0%	0.19
6.50 NOV 28, 2027	28-Nov-17	3.07	94.42	-0.12	8.6%	0.05
6.125 SEP 28, 2028	28-Sep-21	3.91	90.39	-0.06	9.1%	0.02
8.375 MAR 24, 2029	24-Mar-22	4.39	96.35	-0.14	9.4%	0.05
7.143 FEB 23, 2030	23-Feb-18	5.32	90.21	-0.27	9.5%	0.07
8.747 JAN 21, 2031	21-Nov-18	6.22	95.76	-0.29	9.7%	0.07
7.875 16-FEB-2032	16-Feb-17	7.30	89.92	-0.23	9.8%	0.05
7.375 SEP 28, 2033	28-Sep-21	8.91	84.74	-0.32	10.0%	0.06
7.696 FEB 23, 2038	23-Feb-18	13.32	81.25	-0.24	10.3%	0.04
7.625 NOV 28, 2047	28-Nov-17	23.09	76.31	-0.20	10.3%	0.03
9.248 JAN 21, 2049	21-Nov-18	24.24	90.65	-0.11	10.3%	0.01
8.25 SEP 28, 2051	28-Sep-21	26.92	79.83	-0.39	10.5%	0.05

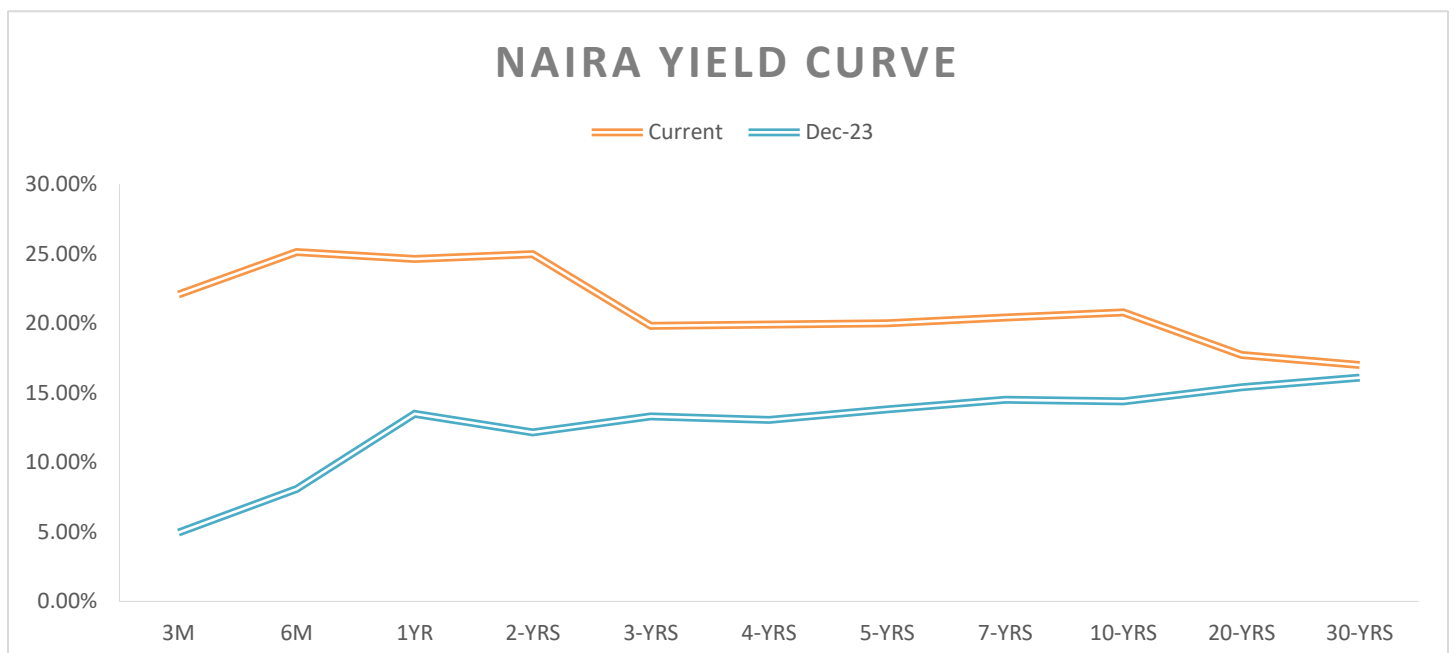
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, November 1, 2024

MAJOR	01-Nov-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0861	1.0858	0.02%	0.33%	-1.86%	2.75%
GBPUSD	1.2913	1.2958	-0.35%	-0.50%	-2.77%	6.23%
USDCHF	0.8659	0.8665	-0.07%	-0.06%	2.27%	-4.66%
USDRUB	97.2500	97.0268	0.23%	1.04%	1.46%	5.03%
USDNGN	17.6566	17.6531	0.02%	-0.14%	-1.50%	108.80%
USDZAR	17.6566	17.6531	0.02%	0.04%	1.56%	-4.55%
USDEGP	48.9320	48.6886	0.50%	0.40%	1.55%	58.59%
USDCAD	20.09	20.1599	-0.36%	0.38%	3.05%	0.37%
USDMXN	20.09	20.1599	-0.36%	1.28%	2.30%	13.03%
USDBRL	5.78	5.7629	0.22%	2.03%	6.55%	16.70%
AUDUSD	0.5955	0.5971	-0.27%	-1.25%	-4.76%	2.50%
NZDUSD	0.5955	-0.0600	-0.27%	-0.91%	-5.24%	1.84%
USDJPY	7.1279	7.1264	0.02%	0.66%	6.31%	1.22%
USDCNY	7.1279	7.1264	0.02%	0.01%	1.36%	-2.84%
USDINR	84.0995	84.0911	0.01%	0.04%	0.29%	1.06%

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

Commodity		01-Nov-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	69.5	68.6	1.29%	-1.00%	-0.49%	-13.25%
BRENT	USD/Bbl	72.9	72.2	1.07%	-1.89%	-0.80%	-13.18%
NATURAL GAS	USD/MMBtu	2.8	9.8	-3.07%	-8.69%	-4.85%	-26.58%
GASOLINE	USD/Gal	2.0	2.0	0.64%	-2.56%	-0.30%	-9.39%
COAL	USD/T	145.0	145.2	-0.17%	0.00%	1.65%	17.41%
GOLD	USD/t.oz	2,750.4	2,785.4	-1.26%	0.65%	3.43%	38.82%
SILVER	USD/t.oz	32.8	33.7	-2.66%	-2.46%	4.70%	42.84%
WHEAT	USD/Bu	567.2	573.2	-1.05%	-2.32%	-5.17%	-3.64%
PALM-OIL	MYR/T	4,702.0	4,695.0	0.15%	2.17%	17.29%	27.62%
COCOA	USD/T	7,343.7	7,349.5	-0.08%	9.28%	3.70%	93.91%

FGN Bonds Yield Curve, Friday November 1, 2024





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