

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: FG's N47.9trn Expenditure for 2025 Signals Urgent Fiscal Discipline Amidst Weak Revenue Leg .....

Cowry Research views the 2025 budget as ambitious but risky. The sustained increase in recurrent expenditure over capital spending, with a ratio of 1.04x, raises concerns about inefficient allocation and inflationary pressures, particularly with inflation currently exceeding 30% (approximately 33.88%). The government's inflation projection of 15.75% appears overly optimistic given the current trends. Moreover, the aggressive revenue targets seem overly ambitious, particularly given Nigeria's historical challenges with revenue underperformance. Between January and August 2024, aggregate revenue was N12.7 trillion, raising doubts about achieving the projected N34.82 trillion for 2025.

### EQUITIES MARKET: Market Sustains Bullish Trend by 0.11% w/w Amidst Banking Sector Drag.....

Looking ahead, Cowry Research thinks the market is likely to trade in mixed directions as investors react to the anticipated decisions from the MPC, which will shape interest rate expectations and broader investment strategies. Additionally, as November trading winds down, the market could see positioning for December's traditional window-dressing activities by fund managers. This presents opportunities for discerning investors to take strategic positions in fundamentally sound and resilient stocks. Meanwhile, we continue to recommend that investors focus on equities with strong fundamentals and robust growth prospects to navigate the prevailing macroeconomic uncertainties.

**ECONOMY: FG's N47.9trn Expenditure for 2025 Signals Urgent Fiscal Discipline Amidst Weak Revenue Leg...**

This week's economic bulletin focuses on Nigeria's fiscal landscape, spotlighting the Federal Government's approval of the 2025-2027 Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). The framework for economic planning showed the 2025 budget proposals by the federal government with total expenditure pegged at N47.90 trillion, higher than the N28.7 trillion initially approved 2024 budget which was later increased due to supplementary approval to N35.06 trillion and extending a trend of rising government's spending plans amidst dwindling revenues.

The current planned expenditure represents an increase by 36.62% year on year from the 2024 expenditure. This comprise of N14.21 trillion in non-debt recurrent expenditure (N11.27 trillion: 2024 amended) and N13.61 trillion in capital expenditure (N13.77 trillion: 2024 amended). This is a 1.16% year on year decline in capital expenditure while the non-debt recurrent expenditure increased by 26.09% from last year. Also, debt service plans rose by 86% to N15.38 trillion from N8.27 trillion in 2024 (amended).

For the revenue leg, the federal government is projecting N34.82 trillion for 2025, an increase by 34.54% from the 2024 amended N25.88 trillion. the 2025 revenues include the revenues from government-owned enterprises (GOEs). Notably, revenue from oil sources is pegged at N19.6 trillion as it accounts for 56.3% of the total projected revenue and implies a 139% increase from the N8.18 trillion in 2024 projected revenues. Also, the non-oil revenue projection of N15.22 trillion for 2025 will come from FGN share of non-oil tax revenues of N5.71 trillion (N3.52 in 2024), while the share of Minerals and Mining revenues is N15.49 billion in 2025 from N4.56 billion in 2024. The projection for independent revenue is projected at N3.47 trillion, up from N2.69 trillion, while the projection for Grants and Donor funded projects is N711.11 billion.

Highlights from MTEF and Proposed Budget		
2024		2025
<b>N35.06 trn</b>	<b>Aggregate Expenditure</b>	<b>N47.90 trn</b>
<b>N25.9 trn</b>	<b>Total Revenue</b>	<b>N34.82 trn</b>
<b>N9.18 trn</b>	<b>Fiscal Deficit</b>	<b>N13.08 trn</b>
<b>\$77.96</b>	<b>Crude Oil Price Benchmark(\$/bbl)</b>	<b>\$75.00</b>
<b>N800</b>	<b>Proposed Exchange Rate (N/\$1)</b>	<b>N1,400</b>
<b>3.80%</b>	<b>GDP Growth Rate</b>	<b>4.60%</b>
<b>1.78</b>	<b>Crude Oil Production (mbpd)</b>	<b>2,06</b>
<b>21.40%</b>	<b>Annual Inflation</b>	<b>15.75%</b>
<b>Source: Ministry of Budget &amp; Economic Planning, Cowry Research</b>		

Meanwhile, FG's revenue expectation is built on certain benchmarks and expectations such as crude oil price of \$75 per barrel, down from \$78 per barrel in 2024; crude oil production of 2.06 million barrels per day (1.78 mbpd), exchange rate of N1,400/\$1, annual inflation rate of 15.75% and a 4.6% projected growth rate that is higher than 3.8% for 2024. The principal drivers are increased investments in infrastructure, agriculture, and social services. While the economy is still largely consumption-driven, most of the growth in real GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, and employment, with the bulk of projected growth coming from the non-oil sector.

Elsewhere, the 2025 expected fiscal deficit stands at N13.08 trillion as against the N9.18 trillion in 2024. This gap is expected to be bridged by privatization proceeds (N312 billion), multi-lateral and bi-lateral tied loans (N3.55 trillion) and borrowings of N9.22 trillion which the federal government plans to raise from domestic debt market (N7.37 trillion) and from foreign sources (N1.84 trillion). The deficit represents about 38% of total revenues and 3.87% of the estimated GDP and s due to the increased new minimum wage, pension obligation, other consequential adjustments, and increased debt service expenses.

Cowry Research views the 2025 budget as ambitious but risky. The sustained increase in recurrent expenditure over capital spending, with a ratio of 1.04x, raises concerns about inefficient allocation and inflationary pressures, particularly with inflation currently exceeding 30% (approximately 33.88%). The government's inflation projection of 15.75% appears overly optimistic given the current trends.

Moreover, the aggressive revenue targets seem overly ambitious, particularly given Nigeria's historical challenges with revenue underperformance. Between January and August 2024, aggregate revenue was N12.7 trillion, raising doubts about achieving the projected N34.82 trillion for 2025.

The assumptions underpinning oil production and pricing also carry risks. While the \$75 per barrel benchmark appears reasonable, downside risks include weak demand from China, rising global supply from the U.S., Canada, and Brazil, and the potential easing of OPEC+ production cuts. Similarly, the oil production target of 2.06 mbpd seems overly optimistic, as current production levels hover around 1.3 mbpd (excluding condensates), according to official data.

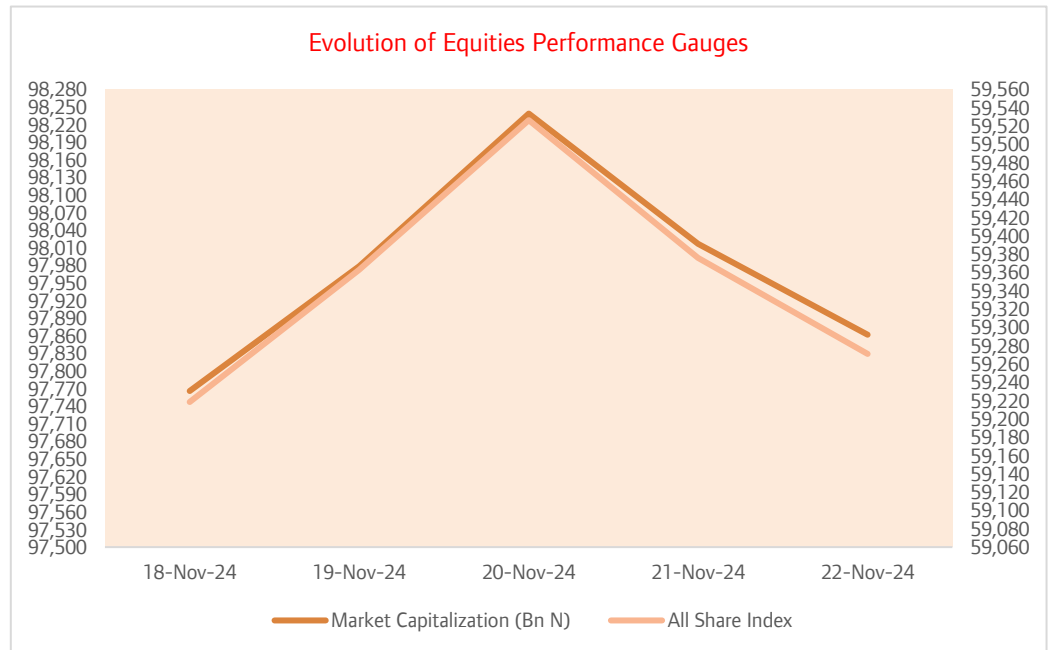
Finally, while the timely passage of the budget within the January–December fiscal cycle is commendable, the framework underscores the need for fiscal discipline and more realistic assumptions. Without addressing the structural inefficiencies that drive recurrent spending and limit revenue generation, achieving the ambitious targets in the 2025 budget will remain a significant challenge.

## EQUITIES MARKET: Market Sustains Bullish Trend by 0.11% w/w Amidst Banking Sector Drag.....

The Nigerian stock market maintained its bullish trend this week, with the NGX All-Share Index (ASI) edging up by 0.11% week-on-week to close at 97,829.02 points. This marginal gain was achieved despite a significant pullback in the banking sector, driven by notable price declines in major banking stocks. The positive performance was underpinned by robust gains in large-cap stocks across the insurance, consumer goods, and industrial sectors, which offset profit-taking activities in banking equities.

The market capitalisation also expanded by 0.13% week-on-week to N59.29 trillion, primarily boosted by the addition of 3.12 billion ordinary shares of Haldane McCall to the main board of the exchange through a listing by introduction. This added over N12 trillion to the market cap, translating into a week-on-week gain of N76.9 billion for investors. As a result, the year-to-date (YTD) return for the market climbed to 30.83%. Market breadth was positive, with a ratio of 1.55x, as 51 stocks advanced compared to 33 decliners.

Investor sentiment reflected a mix of optimism and caution, shaped by the proposed 2025 budget of N47.90 trillion and anticipation of the Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) meeting, where interest rate direction is a focal point. Trading activity saw declines in both the number of deals and trading volume, which fell by 7.74% and 24.08% week-on-week to 44,795 deals and 1.48 billion shares, respectively. However, the value of transactions increased by 8.4% week-on-week to N38.88 billion, indicating selective but higher-value trading.



The week's gains were broad-based across most indices except for the NGX Banking Index, which shed 2.57% week-on-week due to persistent sell-offs in key banking stocks, including FBN Holdings (FBNH), Access Holdings (ACCESSCORP), Sterling Financial (STERLING), United Bank for Africa (UBA), and Guaranty Trust Holding Company (GTCO). Conversely, the NGX Insurance Index led the sectoral performance with a 4.54% week-on-week gain, followed by the NGX Consumer Goods Index (1.93%), NGX Industrial Index (1.75%), and NGX Oil & Gas Index (0.18%). These gains were buoyed by significant price increases in stocks like EUNISELL, Tantalizer, Guinea Insurance, Dangote Sugar, Mansard Insurance, Lafarge Africa, and Japaul Gold.

At the close of the week, EUNISELL (61%), Tantalizer (57%), John Holt (43%), Austin Laz (34%), and Lafarge Africa (29%) emerged as the top-performing stocks for the week, benefiting from strong buying interest. On the flip side, MECURE (-19%), Multiverse (-18%), PZ Cussons (-12%), University Press (-12%), and Northern Nigeria Flour Mills (NNFM) (-10%) recorded the most significant losses, reflecting profit-taking and weaker investor sentiment in these counters.

Looking ahead, Cowry Research thinks the market is likely to trade in mixed directions as investors react to the anticipated decisions from the MPC, which will shape interest rate expectations and broader investment strategies. Additionally, as November trading winds down, the market could see positioning for December's traditional window-dressing activities by fund managers. This presents opportunities for discerning investors to take strategic positions in fundamentally sound and resilient stocks. Meanwhile, we continue to recommend that investors focus on equities with strong fundamentals and robust growth prospects to navigate the prevailing macroeconomic uncertainties.

Weekly Gainers and Loser as at Friday, November 22, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	22-Nov-24	15-Nov-24	% Change	Symbol	22-Nov-24	15-Nov-24	% Change
EUNISELL	19.27	11.99	60.7%	MECURE	10.55	12.95	-18.5%
TANTALIZER	1.18	0.75	57.3%	MULTIVERSE	6.55	7.95	-17.6%
JOHNHOLT	11.00	7.72	42.5%	PZ	22.05	24.95	-11.6%
AUSTINLAZ	2.66	1.98	34.3%	UPL	3.50	3.96	-11.6%
WAPCO	54.00	42.00	28.6%	TIP	2.25	2.53	-11.1%
CADBURY	21.30	17.40	22.4%	NNFM	33.75	37.50	-10.0%
GUINEAINS	0.55	0.45	22.2%	RTBRISCOE	2.70	2.98	-9.4%
UNILEVER	29.60	24.50	20.8%	FBNH	25.40	27.60	-8.0%
SCOA	2.06	1.71	20.5%	BERGER	17.35	18.80	-7.7%
PRESTIGE	0.76	0.64	18.8%	ACCESSCORP	22.90	24.75	-7.5%

Weekly Stock Recommendations as at Friday, November 22, 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
DANGSUGAR	-15.18	-13.15	8.74	4.01	-2.31x	80.2	28	35.00	47.0	29.8	40.3	34.29	Buy
FIDELITY BNK	7.02	7.02	21.51	0.75	2.29x	16.75	8.50	16.00	21.0	13.6	18.4	31.25	Buy
CAP PLC	3.24	2.81	11.47	3.27	11.58x	38.5	19.3	37.50	48.0	31.9	43.1	28.00	Buy
LAFARGE AFRICA	3.73	3.93	28.84	1.87	14.48x	47.95	20.10	54.00	67.0	45.9	62.1	24.07	Buy
GTCO PLC	38.41	43.53	94.00	0.58	1.42x	57.00	32.35	54.60	74.9	46.4	62.8	37.18	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, November 22, 2024

FGN Eurobonds	Issue Date	TTM (years)	22-Nov-24 Price (N)	Weekly USD Δ	22-Nov-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.00	99.57	0.02	8.1%	-0.01
6.50 NOV 28, 2027	28-Nov-17	3.02	94.61	0.12	8.6%	-0.03
6.125 SEP 28, 2028	28-Sep-21	3.85	90.65	0.26	9.1%	-0.07
8.375 MAR 24, 2029	24-Mar-22	4.34	96.43	0.06	9.4%	-0.02
7.143 FEB 23, 2030	23-Feb-18	5.26	90.18	-0.09	9.6%	0.03
8.747 JAN 21, 2031	21-Nov-18	6.17	95.47	-0.35	9.7%	0.08
7.875 16-FEB-2032	16-Feb-17	7.24	89.64	-0.31	9.9%	0.07
7.375 SEP 28, 2033	28-Sep-21	8.85	84.13	-0.56	10.1%	0.11
7.696 FEB 23, 2038	23-Feb-18	13.26	80.47	-0.43	10.5%	0.07
7.625 NOV 28, 2047	28-Nov-17	23.03	75.74	-0.74	10.4%	0.10
9.248 JAN 21, 2049	21-Nov-18	24.18	89.83	-0.75	10.4%	0.09
8.25 SEP 28, 2051	28-Sep-21	26.87	78.64	-0.79	10.7%	0.11

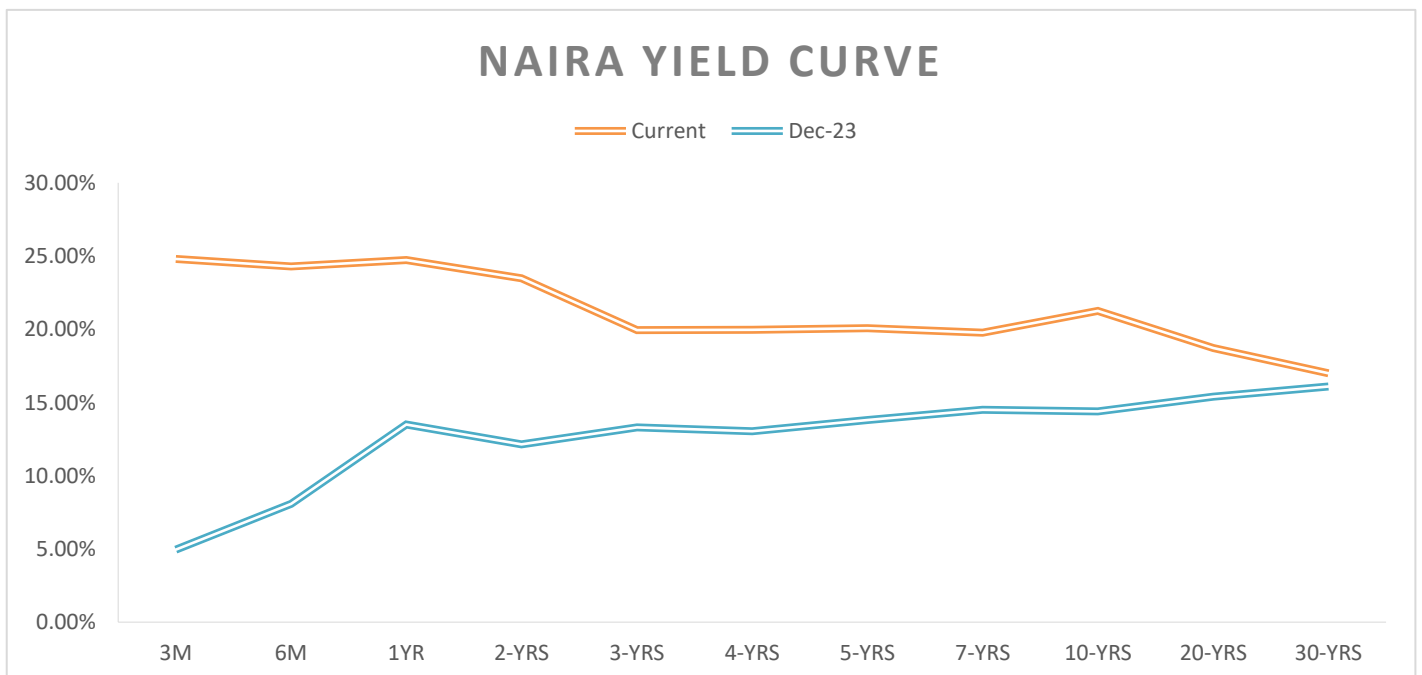
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, November 22, 2024

MAJOR	22-Nov-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0402	1.0469	-0.64%	-1.34%	-3.55%	-4.64%
GBPUSD	1.2520	1.2585	-0.52%	-0.80%	-3.10%	-0.14%
USDCHF	0.8944	0.8869	0.85%	0.73%	3.22%	1.18%
USDRUB	103.3550	101.2986	2.03%	3.35%	7.73%	16.68%
USDNGN	18.1114	18.1078	0.02%	1.61%	3.06%	110.65%
USDZAR	18.1114	18.1078	0.02%	-0.44%	1.80%	-3.67%
USDEGP	49.6664	49.6217	0.09%	0.72%	1.96%	60.99%
USDCAD	20.48	20.4409	0.20%	-0.71%	1.07%	2.15%
USDMXN	20.48	20.4409	0.20%	0.68%	3.28%	19.25%
USDBRL	5.81	5.8148	-0.08%	0.15%	2.04%	18.37%
AUDUSD	0.5826	0.5857	-0.52%	0.53%	-2.13%	-0.98%
NZDUSD	0.5826	-0.0600	-0.52%	-0.60%	-3.01%	-3.68%
USDJPY	7.2596	7.2546	0.07%	0.28%	1.28%	3.45%
USDCNY	7.2596	7.2546	0.07%	0.33%	1.75%	1.56%
USDINR	84.4575	84.4913	-0.04%	0.02%	0.46%	1.38%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, November 22, 2024

Commodity		22-Nov-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	70.9	70.1	1.13%	5.94%	0.17%	-6.44%
BRENT	USD/Bbl	75.0	74.2	1.02%	5.46%	-0.06%	-7.57%
NATURAL GAS	USD/MMBtu	3.1	9.8	-6.46%	10.08%	32.69%	6.35%
GASOLINE	USD/Gal	2.1	2.0	0.66%	5.85%	0.66%	-3.74%
COAL	USD/T	141.5	141.5	0.00%	0.00%	-1.74%	15.84%
GOLD	USD/t.oz	2,704.9	2,669.1	1.34%	5.59%	-0.57%	35.84%
SILVER	USD/t.oz	31.2	30.7	1.54%	3.30%	-7.64%	32.02%
WHEAT	USD/Bu	544.5	548.8	-0.77%	1.54%	-5.83%	-2.39%
PALM-OIL	MYR/T	4,764.0	4,768.8	-0.10%	-6.26%	6.20%	20.58%
COCOA	USD/T	8,823.7	8,496.6	3.85%	2.49%	26.67%	108.01%

FGN Bonds Yield Curve, Friday November 22, 2024





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