

## Segment Outlook:

# Cowry Financial Markets Review, Outlook & Recommended Stocks

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### ECONOMY: Nigeria's Rising Debt Stock Hits N142.3 Trillion in Q3'24; Sees No Respite....

Rising debt service obligations have also driven Nigeria's debt-service-to-revenue ratio to 58%, highlighting severe fiscal inflexibility as the bulk of government revenues are now channelled towards debt repayment rather than capital investments. Although some optimism exists around fiscal consolidation through exchange rate stabilisation and non-oil revenue expansion, the overarching concern remains the increasing reliance on borrowing to fund budget deficits, which could further strain government finances in the near term. Given these dynamics, Nigeria's fiscal position remains precarious, with heightened risks to economic stability unless structural reforms and revenue diversification efforts yield tangible results.

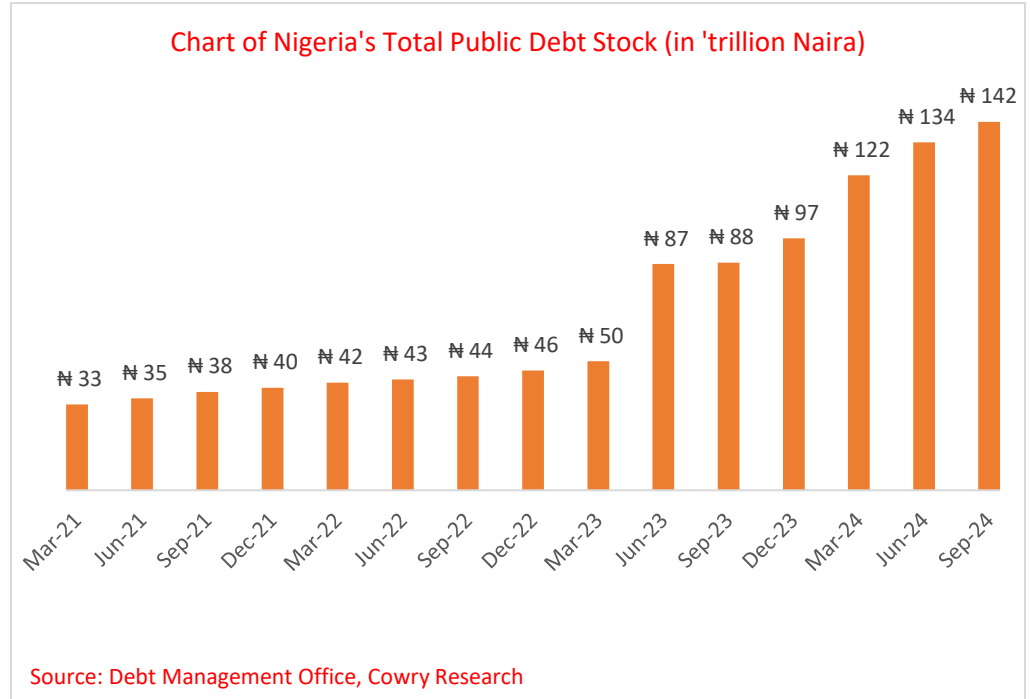
### EQUITIES MARKET: NGX Bulls Charge Ahead as Earnings Optimism Fuels Market Momentum by 0.87% Gain...

Looking ahead, the bullish momentum in the market is expected to persist as more companies release their corporate earnings, coupled with heightened investor anticipation for dividend announcements from early filers. The NGX currently finds itself in a "wait-and-see" phase, with increasing traded volumes signalling cautious optimism. Technical indicators such as candlestick formations and momentum tools offer mixed signals, presenting opportunities for astute traders who understand the art of buying low and selling high amid ongoing market volatility.

**ECONOMY: Nigeria’s Rising Debt Stock Hits N142.3 Trillion in Q3’24; Sees No Respite.....**

For our economic update this week, we spotlight Nigeria’s escalating public debt profile, as recently published by the Debt Management Office (DMO), highlighting a persistent rise in debt stock with no signs of respite. As of Q3 2024, Nigeria’s total public debt surged by 6% quarter-on-quarter to N142.3 trillion, marking an increase of N8 trillion within just three months. This uptrend was primarily driven by a widening fiscal deficit stemming from the government’s budgetary shortfalls, alongside the continued depreciation of the naira, which saw the average exchange rate for external debt conversion weaken to N1,601.03/\$ from N1,470.19/\$ in Q2 2024. Additionally, domestic debt issuance by the DMO to finance fiscal gaps contributed significantly to the rising debt stock.

Year-to-date as of September 2024, Nigeria’s domestic debt stock expanded by 24.2% to N73.4 trillion, now representing 51.6% of total debt—in line with the DMO’s domestic-to-external debt mix cap of 70:30. Meanwhile, external debt rose sharply by 80.2% to N68.9 trillion, largely reflecting the naira’s sustained depreciation. Notably, in dollar terms, gross public debt declined marginally to \$88.9 billion from \$91.3 billion in Q2, underscoring the adverse exchange rate effects on external obligations. The debt composition also shifted slightly, with domestic and external debt now accounting for 52% and 48%, respectively, compared to 53% and 47% in Q2. This contrasts sharply with the 64% domestic and 36% external mix recorded in Q3 2023, signalling a growing reliance on foreign-denominated debt due to currency devaluation.



The cost of servicing Nigeria’s debt stock continues to mount, with total debt servicing rising to N3.6 trillion in Q3 2024, representing a 1.7% increase from the N3.5 trillion recorded in Q2. External debt servicing soared to \$1.3 billion (N2.1 trillion), up 29.7% and 19.4% in naira and dollar terms, respectively, from \$1.1 billion (N1.7 trillion) in Q2. However, domestic debt servicing declined significantly by 23.1% to N1.4 trillion from N1.9 trillion in Q2, likely reflecting lower coupon payments on maturing domestic instruments. Over the first nine months of 2024 (9M:2024), the Federal Government (FG) spent N9.6 trillion on debt servicing—an alarming 154.7% overshoot of the N6.2 trillion budgeted for the period and 75.2% of the pro-rata projected revenue of N12.7 trillion, further underscoring Nigeria’s worsening fiscal constraints.

The debt sustainability outlook remains a key concern, with Nigeria’s forecast debt-to-GDP ratio reaching 53%, exceeding the DMO’s self-imposed threshold of 40%. The outlook for revenue generation remains weak, with the FG’s projected N36.35 trillion revenue target for 2025 facing significant risks, particularly amid subdued oil earnings and constrained non-oil revenue growth. Consequently, the actual fiscal deficit could exceed the N13.39 trillion budgeted, further exacerbating Nigeria’s debt burden. While improvements in crude oil production—averaging 1.43mbpd in Q4 2024—are encouraging, this remains far below the 2.0mbpd+ baseline required to materially boost fiscal buffers and stabilise government finances.

Rising debt service obligations have also driven Nigeria’s debt-service-to-revenue ratio to 58%, highlighting severe fiscal inflexibility as the bulk of government revenues are now channelled towards debt repayment rather than capital investments. Although some optimism exists around fiscal consolidation through exchange rate stabilisation and non-oil revenue expansion, the overarching concern remains the increasing reliance on borrowing to fund budget deficits, which could further strain government finances in the near term. Given these dynamics, Nigeria’s fiscal position remains precarious, with heightened risks to economic stability unless structural reforms and revenue diversification efforts yield tangible results.

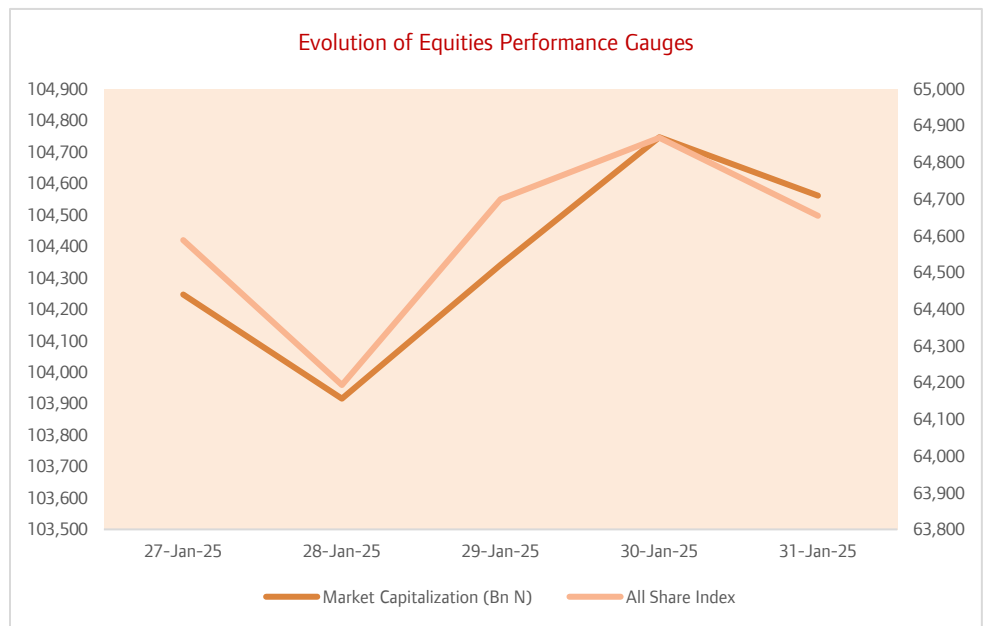
**EQUITIES MARKET: NGX Bulls Charge Ahead as Earnings Optimism Fuels Market Momentum by 0.87% Gain...**

After closing the month of January with a modest gain of 1.53%, the All-Share Index (ASI) climbed further by 0.87% week-on-week, settling at 104,496.12 points. Investors maintained their optimistic outlook, buoyed by the influx of corporate earnings reports that showcased impressive numbers and raised expectations for attractive dividend payouts. This positive momentum underscored the resilience of the local bourse, even as global markets navigated shifting trends, particularly with the ongoing surge in artificial intelligence (AI)-driven investments.

Market capitalisation also witnessed an impressive rise, appreciating by 1.67% to reach N64.71 trillion. The supplementary listings of ordinary shares by LASACO Assurance Plc and FCMB Group Plc provided additional support, driving a notable increase of N1.06 trillion in investor wealth. Consequently, the market’s year-to-date return remained firm at 1.53%, reflecting sustained confidence in Nigerian equities.

Several stocks emerged as standout performers, recording remarkable price gains. CHELLERAMS led the charge with an astonishing 60.4% surge, followed by VITAFOAM, which climbed 31.5% amid strong investor accumulation. BETAGLASS and NNFM each advanced by 21%, while SKYAVN soared by 20.7%, as market participants took strategic positions in anticipation of continued earnings growth.

Conversely, some stocks faced significant sell-offs. VERITASKAP plunged by 29.7%, making it the worst-performing stock of the week, while MRS suffered a 19% decline. NEIMETH shed 14.5%, LINKASSURE lost 13.8%, and NSLTECH dropped by 13.6%, as profit-taking and weakened investor confidence weighed on these tickers.



Trading activity during the week presented a mixed picture. While the total volume of shares traded advanced by 3.60% to 3.24 billion units, spread across 77,269 deals, the total transaction value dipped by 9.61% to N69.19 billion. However, overall market breadth remained robust, with 52 stocks recording gains against 44 decliners, driven by earnings reports and positive sentiment.

Sectoral performance reflected the prevailing optimism, as four out of six tracked indices closed in positive territory. Leading the pack was the NGX Consumer Goods Index, which surged by 4.01% week-on-week, bolstered by renewed buying interest in key stocks such as VITAFOAM, NNFM, Nigerian Breweries, and NESTLE. The banking sector also saw a strong uptick, with the NGX Banking Index rising by 2.54%, while the NGX Commodity Index posted a 1.78% gain. The NGX Oil and Gas Index inched up by 0.97%, with OKOMUOIL, PRESCO, JAIZBANK, WEMABANK, ARADEL, and ETERNA attracting buy-side interest.

On the flip side, two sectors lagged behind as negative price movements dampened performance. The NGX Insurance Index retreated due to declines in VERITAS KAPITAL, LINKAGE ASSURANCE, and GUINEA INSURANCE, while the NGX Industrial Index was weighed down by losses in JOHNHOLT, CUTIX, and industry heavyweight DANGOTE CEMENT. Selling pressure in these stocks dragged the sectors into negative territory.

Looking ahead, the bullish momentum in the market is expected to persist as more companies release their corporate earnings, coupled with heightened investor anticipation for dividend announcements from early filers. The NGX currently finds itself in a “wait-and-see” phase, with increasing traded volumes signalling cautious optimism. Technical indicators such as candlestick formations and momentum tools offer mixed signals, presenting opportunities for astute traders who understand the art of buying low and selling high amid ongoing market volatility.

For Cowry Research, as earnings season progresses, investors are encouraged to maintain a strategic approach by focusing on fundamentally strong stocks. With the right positioning, they stand to capitalise on the market’s upward trajectory while navigating intermittent bouts of profit-taking.

Weekly Gainers and Loser as at Friday, January 31, 2025

Top Ten Gainers				Bottom Ten Losers			
Symbol	31-Jan-25	24-Jan-25	% Change	Symbol	31-Jan-25	24-Jan-25	% Change
CHELLARAM	6.53	4.07	60.4%	VERITASKAP	1.09	1.55	-29.7%
VITAFOAM	31.95	24.30	31.5%	MRS	162.90	201.00	-19.0%
BETAGLAS	71.50	59.10	21.0%	NEIMETH	2.65	3.10	-14.5%
NNFM	60.60	50.10	21.0%	LINKASSURE	1.38	1.60	-13.8%
SKYAVN	40.00	33.15	20.7%	NSLTECH	0.70	0.81	-13.6%
NB	35.80	31.00	15.5%	GUINEAINS	0.73	0.84	-13.1%
SUNUASSUR	5.75	5.01	14.8%	REGALINS	0.69	0.79	-12.7%
TIP	3.44	3.00	14.7%	LIVESTOCK	5.30	6.00	-11.7%
RTBRISCOE	2.85	2.52	13.1%	AIICO	1.62	1.80	-10.0%
UPL	5.60	5.00	12.0%	TRANSCOHOT	114.65	127.35	-10.0%

Weekly Stock Recommendations as at Friday, January 31, 2025

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
<b>FBN HOLDINGS</b>	20.40	17.34	70.72	0.41	1.43x	43.95	18.5	29.95	45.0	24.7	33.5	54.64	Buy
<b>ZENITH BANK</b>	26.34	21.07	111.76	0.45	1.92x	50.65	18.90	50.60	69.0	43.1	58.2	36.23	Buy
<b>TOTAL ENERGIES</b>	81.94	65.55	222.09	3.02	8.18x	319.8	178	670.00	859.0	569.5	770.5	28.21	Buy
<b>NIGERIAN BREWERIES</b>	-14.55	-15.52	-8	-3.92	-2.23x	48.85	28.8	35.80	44.7	29.3	39.7	29.57	Buy
<b>OKOMUOIL</b>	29.71	33.67	48.46	9.16	14.95x	488.4	243	488.40	617.4	415.1	561.7	26.41	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, January 31, 2025

FGN Eurobonds	Issue Date	TTM (years)	31-Jan-25 Price (N)	Weekly USD Δ	31-Jan-25 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.81	100.22	0.12	7.3%	-0.16
6.50 NOV 28, 2027	28-Nov-17	2.82	95.87	0.33	8.2%	-0.13
6.125 SEP 28, 2028	28-Sep-21	3.66	91.93	0.28	8.7%	-0.08
8.375 MAR 24, 2029	24-Mar-22	4.15	97.67	0.49	9.1%	-0.14
7.143 FEB 23, 2030	23-Feb-18	5.07	91.75	0.55	9.2%	-0.14
8.747 JAN 21, 2031	21-Nov-18	5.98	97.56	0.63	9.3%	-0.14
7.875 16-FEB-2032	16-Feb-17	7.05	91.51	0.45	9.6%	-0.09
7.375 SEP 28, 2033	28-Sep-21	8.66	86.64	0.35	9.7%	-0.06
7.696 FEB 23, 2038	23-Feb-18	13.07	82.81	0.59	10.1%	-0.09
7.625 NOV 28, 2047	28-Nov-17	22.84	77.65	0.72	10.2%	-0.10
9.248 JAN 21, 2049	21-Nov-18	23.99	91.86	0.42	10.2%	-0.05
8.25 SEP 28, 2051	28-Sep-21	26.67	81.15	0.58	10.3%	-0.08

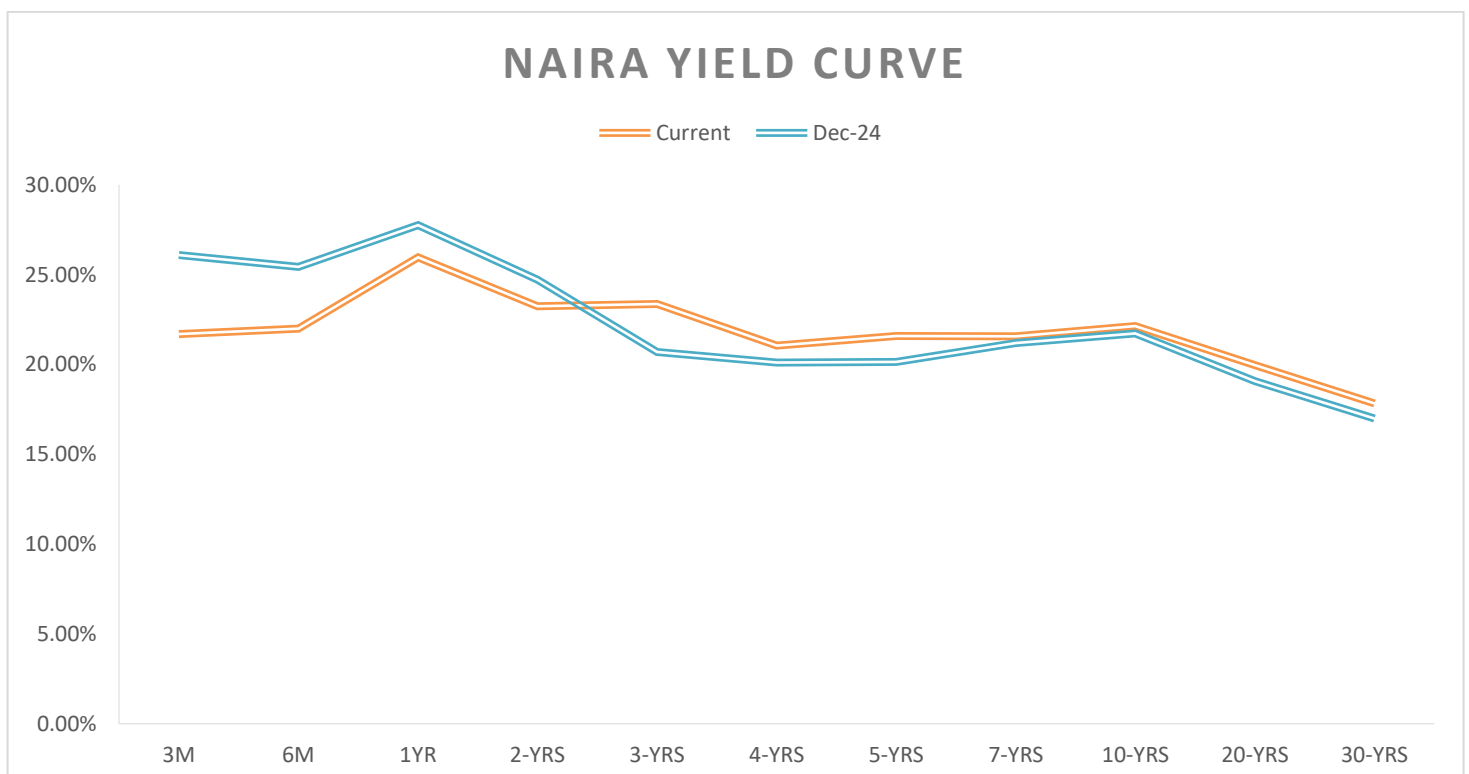
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, January 31, 2025

MAJOR	31-Jan-25	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0382	1.0391	-0.09%	-1.12%	1.13%	-4.51%
GBPUSD	1.2413	1.2415	-0.02%	-0.55%	0.28%	-2.57%
USDCHF	0.9099	0.9099	0.00%	0.41%	-0.27%	6.12%
USDRUB	98.4981	98.4981	0.00%	0.72%	-13.22%	8.94%
USDNGN	18.6592	18.5682	0.49%	-2.76%	-1.71%	11.69%
USDZAR	18.6592	18.5682	0.49%	1.42%	-0.62%	0.30%
USDEGP	50.2327	50.1775	0.11%	-0.02%	-1.10%	62.83%
USDCAD	20.64	20.7309	-0.46%	0.95%	0.57%	8.22%
USDMXN	20.64	20.7309	-0.46%	1.78%	0.14%	20.81%
USDBRL	5.81	5.8739	-1.13%	-1.72%	-6.60%	18.24%
AUDUSD	0.5639	0.5651	-0.22%	-1.49%	0.30%	-5.31%
NZDUSD	0.5639	-0.0600	-0.22%	-1.06%	0.93%	-8.08%
USDJPY	7.2955	7.2933	0.03%	-0.78%	-1.73%	5.70%
USDCNY	7.2955	7.2933	0.03%	0.70%	-0.62%	1.50%
USDINR	86.5830	86.6697	-0.10%	0.45%	0.72%	4.37%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, January 31, 2025

Commodity		31-Jan-25	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	72.8	72.7	0.06%	-2.40%	-0.36%	-1.25%
BRENT	USD/Bbl	75.9	75.9	0.03%	-3.20%	0.07%	-3.09%
NATURAL GAS	USD/MMBtu	3.0	9.8	-1.68%	-13.14%	-16.77%	45.18%
GASOLINE	USD/Gal	2.1	2.1	-0.51%	1.26%	2.59%	-14.54%
COAL	USD/T	116.9	114.8	1.83%	0.34%	-6.67%	0.34%
GOLD	USD/t.oz	2,805.8	2,796.3	0.34%	1.25%	5.51%	36.50%
SILVER	USD/t.oz	31.6	31.6	-0.21%	3.37%	7.00%	36.50%
WHEAT	USD/Bu	554.2	566.5	-2.16%	1.88%	1.56%	-9.07%
PALM-OIL	MYR/T	4,320.0	4,281.9	0.89%	2.54%	-2.79%	14.77%
COCOA	USD/T	10,603.8	11,093.0	-4.41%	-8.85%	-8.23%	113.78%

FGN Bonds Yield Curve, Friday January 31, 2025





#### Disclaimer

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