

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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DOMESTIC ECONOMY: CBN Pauses Rate Hikes with Cautious Approach as Inflation Declines to 24.48% in January...

This week, our economic analysis pan focus on the outcome of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) which concluded its first meeting of 2025 with a unanimous decision to hold the Monetary Policy Rate (MPR) steady at 27.50%, following the aggressive 875 basis points hike implemented in 2024. The committee also retained the asymmetric corridor at +500/-100 basis points, while the Cash Reserve Ratio (CRR) and liquidity ratio remained unchanged at 50% and 30%, respectively.

This decision aligns with expectations of a policy pause amid a sharp decline in inflation following the rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS). The rebased CPI indicated that headline inflation fell sharply to 24.48% in January 2025, down from 34.80% in December 2024. However, this decline does not suggest an actual reduction in price levels but rather reflects a statistical realignment of the inflation basket to better capture current consumption patterns.

Beyond inflation dynamics, the MPC acknowledged stability in the foreign exchange market, with the naira appreciating and official and parallel market rates converging. This improvement is supported by recent interventions from the CBN, including the launch of the Electronic Foreign Exchange Matching System (B-Match) and the Nigeria Foreign Exchange Code, both designed to enhance market transparency and liquidity.

Additionally, there has been a notable improvement in oil production, which rose to 1.54 million barrels per day

(mbpd) as of January 2025. This increase is expected to strengthen Nigeria’s Balance of Payments (BoP) position and boost external reserves. The committee remains optimistic that investor confidence will improve, leading to a rise in foreign direct investment (FDI), portfolio inflows, and diaspora remittances.

Elsewhere, the National Bureau of Statistics published the newly rebased CPI data where Nigeria’s headline inflation declined sharply to 24.48% in January 2025 from 34.80% in December 2024. However, this decline does not suggest an actual reduction in price levels but rather reflects a statistical realignment of the inflation basket to better capture current consumption patterns.

A closer analysis of the inflation basket shows notable changes in key components. The rebased food inflation rate stood at 26.08% year-on-year in January 2025, a significant drop from the 39.84% recorded in December 2024 under the previous methodology. This shift is attributed to price increases in categories such as alcoholic and non-alcoholic beverages, tobacco, and accommodation services, including student housing and internet services.

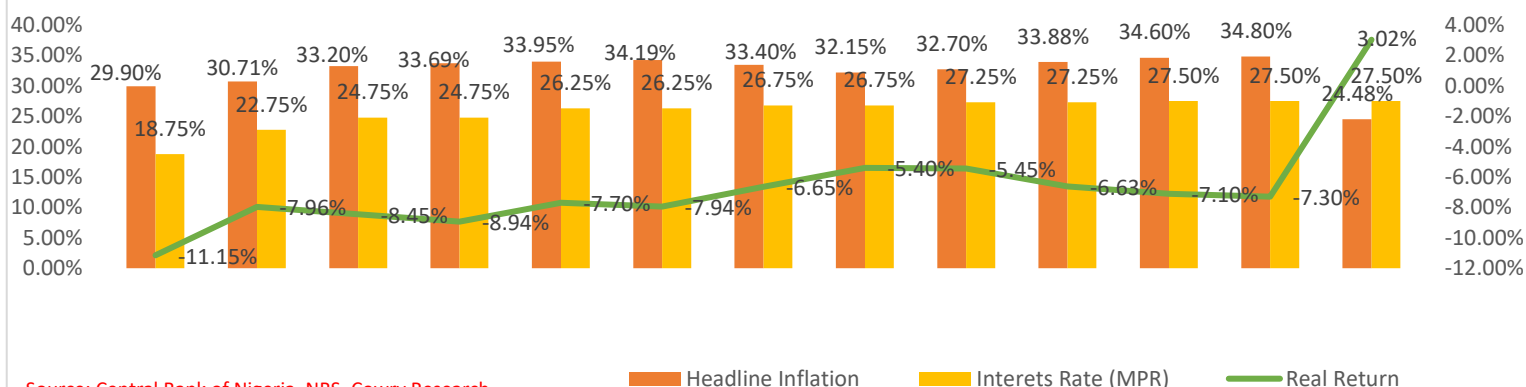
Meanwhile, the rebased core inflation, which excludes volatile agricultural and energy prices, was recorded at 22.59% in January, compared to 29.28% in December. The decline in core inflation highlights the lingering impact of rising costs in essential sectors such as housing, water supply, electricity, healthcare, household maintenance, and personal care services.

From a policy standpoint, the rebased inflation figures present a new challenge for Nigeria’s monetary authorities. Cowry Research observes that the adjusted CPI framework has had a marked impact on real rates of return, potentially improving market sentiment in the short term. However, the sustainability of this inflation trajectory remains uncertain, particularly as upcoming policy shifts, such as the recently approved 50% increase in telecom tariffs, could exert renewed price pressures.

Cowry Research notes that while the sharp decline in the rebased CPI figures might have warranted a rate cut, the MPC opted for a cautious hold to fully assess the trajectory of inflationary pressures, particularly from food prices. Given that global inflation remains a key concern for central banks, the committee highlighted the importance of fiscal discipline, exchange rate stability, and structural reforms to boost domestic production and address supply-side constraints.

In terms of implications, the pause in rate hikes is expected to result in lower yields in the fixed-income market, driven by market expectations of possible rate cuts in the upcoming MPC meeting. Post-MPC decision, the secondary market was predominantly bullish on Thursday, with the average yields of treasury bills and bonds declining to 20.21% and 19.79%, respectively, from pre-meeting yields of 21.96% and 19.92%.

Trend in Inflation, Interest Rates and Real Returns

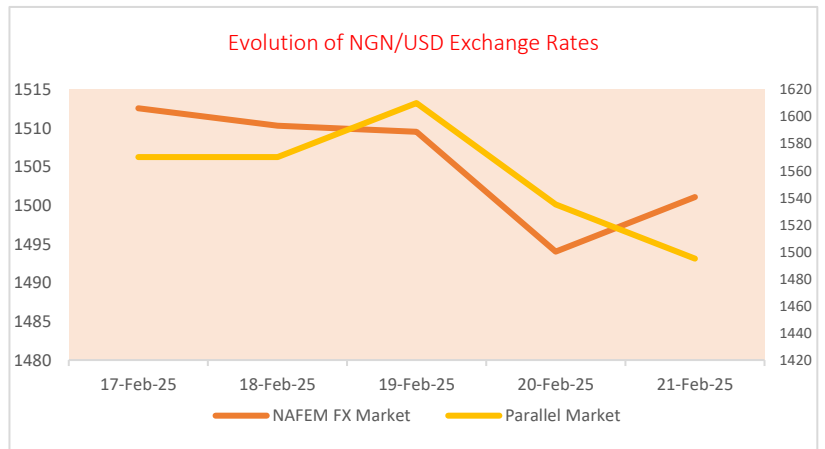


Source: Central Bank of Nigeria, NBS, Cowry Research

FOREX MARKET: Naira Gains Slightly as CBN's FX Interventions Steady Market; Oil Prices Rise on Improved Demand ...

The naira posted a moderate appreciation against the US dollar this week, gaining N8.62 or 0.01% week-on-week to close at N1,501.08 per dollar in the official market. This improvement was supported by the Central Bank of Nigeria's (CBN) foreign exchange sales to banks, which totalled \$181.25 million during the week.

Similarly, in the parallel market, the naira strengthened by 0.04% week-on-week, trading at an average of N1,495 per dollar. This reflects the impact of the CBN's recent FX policies and interventions aimed at stabilising the currency.



In the crude oil market, data from the CBN signalled an uptick in demand for Bonny Light crude, pushing prices higher by 1.56% week-on-week to \$78.24 per barrel on Friday, compared to \$77.04 per barrel in the previous week. Meanwhile, Nigeria's foreign exchange reserves experienced a slight depletion, declining by 0.78% week-on-week to \$38.73 billion as of February 20, down from \$39.04 billion a week earlier..

In the coming week, the naira is expected to trade within a relatively stable range, provided there are no significant market distortions. Market dynamics will continue to shape the supply and demand for the dollar, influencing the local currency's performance across various exchange segments.

MONEY MARKET: Liquidity Tightens as NIBOR Rises; T-Bills Yields Decline Amid Inflation Drop and Rate Pause.....

This week, the Overnight Nigerian Interbank Offered Rate (NIBOR) inched up by 0.04 percentage points week-on-week to 32.92%, reflecting tighter liquidity conditions in the banking system. Increased participation in the Central Bank of Nigeria's (CBN) Standing Lending Facility (SLF) window contributed to the liquidity squeeze, pushing the system into a net deficit position. Meanwhile, NIBOR rates for longer tenors trended downward, with the 1-month, 3-month, and 6-month rates settling at 26.89%, 27.72%, and 28.84%, respectively.

Similarly, the Nigerian Treasury Bills Yield (NITTY) declined across all maturities, driven by the sharp drop in inflation to 24.48%, expectations of a rate cut by the CBN, and the marginal decline in stop rates at the recent primary market auction. The N1.29 trillion in T-bill maturities further influenced yields, with the 1-month, 3-month, 6-month, and 12-month tenors settling at 19.49%, 18.76%, 19.65%, and 21.83%, respectively.

The treasury bills secondary market witnessed persistent buying interest across short, mid, and long tenors, causing the average market yield to decline sharply by 189 basis points to 20.20% from 22.08% in the prior week. Meanwhile, the CBN conducted a Nigerian Treasury Bills (NTB) primary market auction (PMA) on Wednesday, offering instruments worth N700 billion across 91-day, 182-day, and 364-day tenors.

Investor demand was strong, with total subscriptions reaching N2.41 trillion, reflecting a bid-to-cover ratio of 3.11x. In response, the CBN allotted N774.13 billion in total sales. Stop rates declined across the three maturities, with the 91-day, 182-day, and 364-day papers settling at 17.00%, 18.00%, and 18.43%, respectively, down from 18.00%, 18.50%, and 20.32% at the last auction.

Looking ahead, we anticipate a bullish money market in the coming week, with higher activity levels as investors seek to lock in attractive yields in the secondary market following the CBN's decision to pause interest rate hikes.

BOND MARKET: Bullish Sentiment Persists in FGN Bonds as Investors Lock in Attractive Yields Ahead of Auction.....

The FGN Bonds secondary market sustained a bullish run this week, with yields contracting across various maturities amid strong investor confidence. The high-yield environment and expectations of attractive rates at the upcoming FGN Bonds auction fuelled demand, particularly for short- and mid-term instruments. Investors sought to capitalise on positive real returns, driving buying interest in the 2035s, 2027s, 2039s, and JUL-30 bonds. As a result, the average yield declined by 78 basis points to settle at 19.47%.

Meanwhile, Nigeria's Eurobond market closed on a positive note, with secondary market yields dipping by 14 basis points to 8.93%. Renewed investor interest in sovereign Eurobonds, especially in the SEPT-28, NOV-25, and NOV-27 maturities, contributed to the rally despite the broader risk-off sentiment in emerging markets.

Looking ahead, we anticipate a relatively positive trajectory in the fixed-income market, with attractive yields sustaining investor participation in the secondary market. However, attention will shift to the Debt Management Office (DMO), which plans to offer N350 billion at the upcoming FGN Bonds auction. The issuance includes N200 billion for the April-2029 maturity and N150 billion for the February-2031 maturity.

EQUITIES MARKET: Bullish Sentiments Prevail Amid Policy Shift; ASI Up 0.41% w/w as Investors See N95.93bn...

The domestic equities market experienced a bullish performance this week, with the benchmark NGX All-Share Index (ASI) rising by 0.41% week-on-week to close at 108,497.40 points. This movement was driven by investors taking positions for portfolio rebalancing, prompted by pressured sell-offs across various counters and shaped by expectations and outcomes of the newly rebased CPI report and MPC decisions, where the policy committee unanimously decided to pause rate hikes.

Similarly, the total market capitalisation of listed equities increased by 0.29% week-on-week to N67.61 trillion, despite the cancellation of 166.95 million units of ordinary shares of DANGOTE CEMENT Plc during the week. Strong bargain hunting played a key role in this rise, as equity investors gained N95.93 billion across two of the five trading sessions this week. Consequently, the year-to-date return of the index climbed to 5.41%, although market breadth remained weak at 2.15x, with 58 decliners against 27 advancers.

Despite the benchmark index's positive performance, trading activity remained weak, mirroring the trend from the previous week. Market internals reflected negative sentiment, with the total weekly traded volume declining by 17.12% to 2.0 billion units, transacted across 70,853 deals. The total weekly trade value fell by 10.9% to N49.89 billion, indicating reduced investor participation.

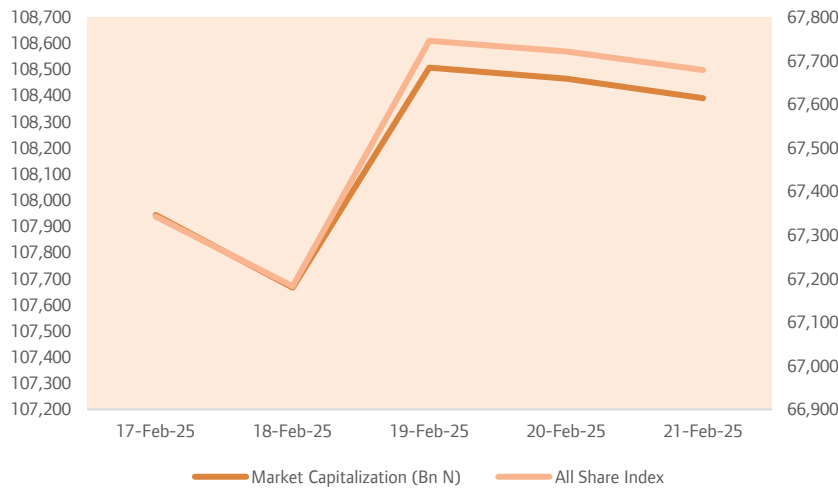
Across the sectoral front, market performance was mixed, with three sectors closing in positive territory while three ended in the red. The NGX-Consumer Goods Index emerged as the top gainer, surging by 6.55% week-on-week, followed by the NGX-Insurance Index, which rose by 1.47%, and the NGX-Industrial Index, which edged up by 0.05%. The notable gainers in these sectors included DANGOTE SUGAR, BUAFOODS, SOVRENINS, WAPIC, BETAGLASS, RT BRISCOE, and NIGERIAN BREWERIES.

Conversely, the NGX-Banking Index led the laggards, declining by 3.22% week-on-week, followed by the NGX-Oil & Gas Index, which dropped by 2.87%, and the NGX-Commodity Index, which fell by 0.50%. These losses were driven by selloffs in Aradel Holdings, Zenith Bank, ETERNA OIL, ACCESSCORP, FIDELITYBNK, and CONOIL as investors engaged in portfolio rebalancing.

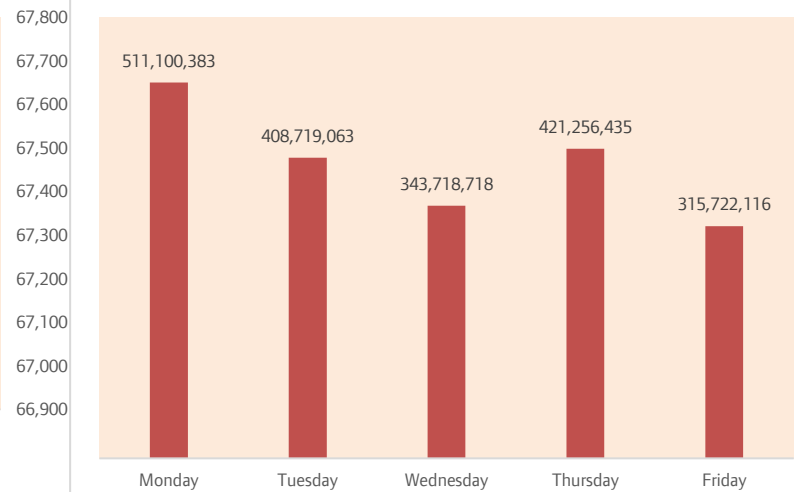
Among the top-performing stocks of the week, ABBEYBDS and DANGOTE SUGAR led the chart, appreciating by 16.1% and 15.0%, respectively. BUAFOODS followed with an 11.9% gain, driven by strong buying interest, while Sovereign Trust Assurance and Champion Breweries advanced by 11.9% and 9.9%, respectively. On the flip side, UNION DICON Salts was the worst-performing stock, declining by 25.0%, followed by IKEJA HOTEL, which fell by 21.4%, UPDC by 18.0%, ACADEMY PRESS by 16.50%, and OANDO by 15.7%.

Looking ahead, we anticipate mixed market sentiment in the coming week as investors await further corporate earnings releases and dividend declarations. Additionally, market participants will closely analyse the recently published macroeconomic data on the rebased CPI and the rate hike pause by the CBN to assess their impact on investment portfolios. However, we expect a flow of funds into the equities space as investors seek better investment opportunities, particularly in the near term. Investors are advised to remain vigilant, focusing on stocks with strong fundamentals to make informed investment decisions.

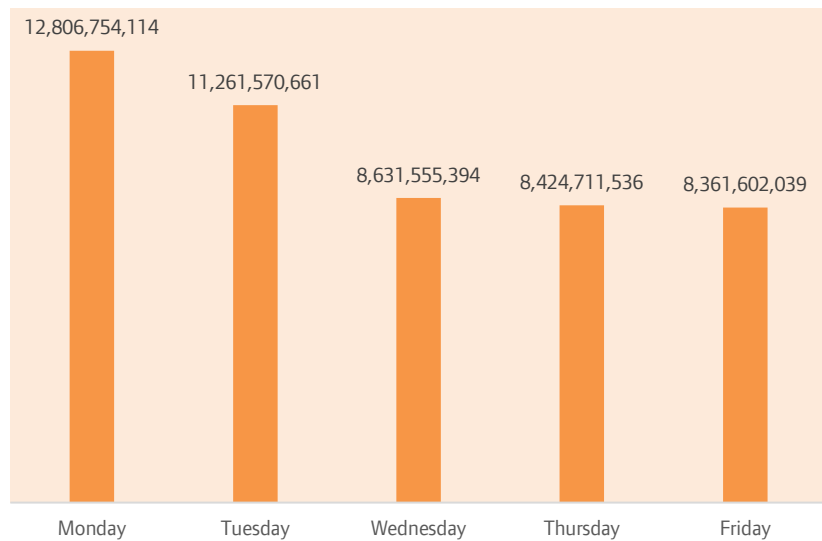
Evolution of Equities Performance Gauges



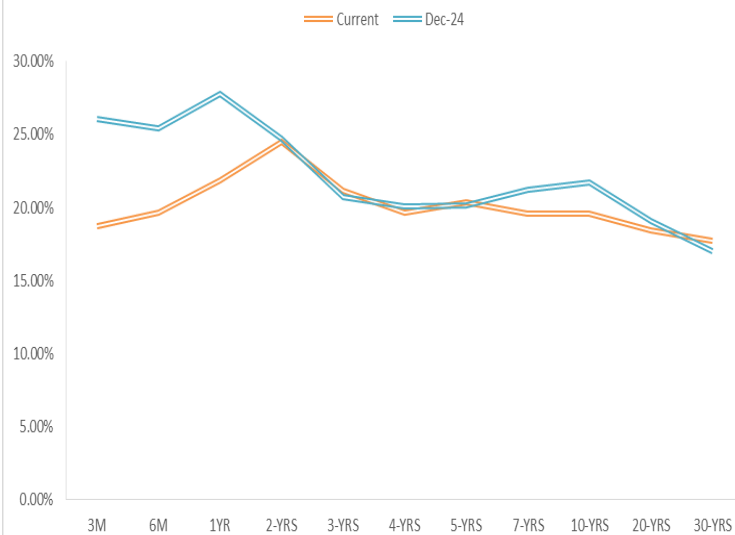
Daily Traded Volume



Daily Traded Value



NAIRA YIELD CURVE



Weekly Top Gainers and Top Losers as at Friday, February 21, 2025

Top Ten Gainers				Bottom Ten Losers			
Symbol	21-Feb-25	14-Feb-25	% Change	Symbol	21-Feb-25	14-Feb-25	% Change
ABBEYBDS	3.60	3.10	16.1%	UNIONDICON	6.00	8.00	-25.0%
DANGSUGAR	41.40	36.00	15.0%	IKEJAHOTEL	11.00	14.00	-21.4%
BUAFOODS	418.00	373.50	11.9%	UPDC	3.10	3.78	-18.0%
SOVRENINS	1.32	1.18	11.9%	ACADEMY	2.78	3.33	-16.5%
CHAMPION	4.12	3.75	9.9%	OANDO	59.00	70.00	-15.7%
ENAMELWA	23.20	21.20	9.4%	ROYALEX	0.84	0.99	-15.2%
WAPIC	2.68	2.45	9.4%	ELLAHLAKES	3.21	3.74	-14.2%
REDSTAREX	6.40	6.00	6.7%	ETERNA	40.60	45.00	-9.8%
NASCON	44.50	41.85	6.3%	VFDGROUP	52.40	58.00	-9.7%
INTENEGINS	2.36	2.23	5.8%	UPDCREIT	6.75	7.40	-8.8%

FGN Eurobonds Trading Above 7% Yield as at Friday, February 21, 2025

FGN Eurobonds	Issue Date	TTM (years)	21-Feb-25 Price (N)	Weekly USD Δ	21-Feb-25 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.75	100.50	0.10	6.9%	-0.15
6.50 NOV 28, 2027	28-Nov-17	2.77	97.37	0.57	7.6%	-0.23
6.125 SEP 28, 2028	28-Sep-21	3.60	93.34	0.67	8.3%	-0.22
8.375 MAR 24, 2029	24-Mar-22	4.09	99.43	0.61	8.5%	-0.18
7.143 FEB 23, 2030	23-Feb-18	5.01	93.55	0.59	8.8%	-0.14
8.747 JAN 21, 2031	21-Nov-18	5.92	99.21	0.63	8.9%	-0.14
7.875 16-FEB-2032	16-Feb-17	6.99	93.27	0.57	9.2%	-0.12
7.375 SEP 28, 2033	28-Sep-21	8.61	88.58	0.57	9.3%	-0.11
7.696 FEB 23, 2038	23-Feb-18	13.01	84.74	0.52	9.8%	-0.08
7.625 NOV 28, 2047	28-Nov-17	22.78	79.82	0.81	9.9%	-0.11
9.248 JAN 21, 2049	21-Nov-18	23.93	93.85	0.80	9.9%	-0.10
8.25 SEP 28, 2051	28-Sep-21	26.62	83.69	1.05	10.0%	-0.14

Weekly Stock Recommendations as at Friday, February 21, 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
FIRST HOLDCO	20.40	22.95	70.72	0.44	1.52x	43.95	18.5	30.70	43.0	26.3	35.6	38.93	Buy
AIRTEL AFRICA	101.10	126.37	1,014	2.13	21.34x	2200	1887	2,156.9	3200.0	1,833	2,480	48.36	Buy
NESTLE NIGERIA	-232.5	-217	-141	-6.90	-4.19x	990	795.3	975.00	1250.0	828.8	1121.3	28.21	Buy
DANGOTE SUGAR	-15.18	-14.17	8.74	4.74	-2.73x	76.7	28.55	41.40	55.0	35.2	47.6	32.85	Buy
FCMB GROUP	2.73	3.07	18.24	0.59	3.98x	12.9	6.15	10.65	14.0	9.2	12.5	29.03	Buy
OKOMUOIL	35.93	38.17	53.06	10.10	14.92x	537.2	243	536.00	712.0	455.6	616.4	32.84	Buy

U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, February 21, 2025

MAJOR	21-Feb-25	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0476	1.0502	-0.25%	-0.15%	0.63%	-3.22%
GBPUSD	1.2651	1.2669	-0.14%	0.53%	2.75%	-0.05%
USDCHF	0.8991	0.8979	0.13%	-0.09%	-0.85%	2.18%
USDRUB	89.0004	88.6723	0.37%	-2.33%	-10.33%	-4.35%
USDNGN	18.3168	18.3406	-0.13%	-0.86%	-3.85%	0.58%
USDZAR	18.3168	18.3406	-0.13%	0.04%	-0.69%	-4.20%
USDEGP	50.5679	50.5831	-0.03%	-0.02%	0.62%	63.92%
USDCAD	20.31	20.3200	-0.04%	0.01%	-1.34%	5.22%
USDMXN	20.31	20.3200	-0.04%	0.05%	-0.87%	18.84%
USDBRL	5.70	5.7042	-0.03%	0.01%	-4.01%	15.01%
AUDUSD	0.5765	0.5762	0.06%	0.49%	1.74%	-2.61%
NZDUSD	0.5765	-0.0600	0.06%	0.48%	1.57%	-7.05%
USDJPY	7.2459	7.2358	0.14%	-1.47%	-4.03%	-0.21%
USDCNY	7.2459	7.2358	0.14%	-0.22%	-0.50%	0.62%
USDINR	86.5670	86.4719	0.11%	-0.13%	0.10%	4.49%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, February 21, 2025

Commodity		21-Feb-25	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	71.3	72.5	-1.59%	0.93%	-5.40%	-8.42%
BRENT	USD/Bbl	75.4	76.5	-1.36%	0.97%	-4.47%	-7.96%
NATURAL GAS	USD/MMBtu	4.3	9.8	4.45%	16.00%	9.12%	119.12%
GASOLINE	USD/Gal	2.1	2.1	-1.07%	-0.89%	0.36%	-19.38%
COAL	USD/T	103.5	103.5	0.00%	-0.77%	-12.10%	-10.00%
GOLD	USD/t.oz	2,937.2	2,941.3	-0.14%	1.82%	6.46%	44.91%
SILVER	USD/t.oz	32.9	32.9	0.00%	2.16%	6.69%	44.27%
WHEAT	USD/Bu	586.8	585.5	0.23%	-2.12%	6.01%	1.39%
PALM-OIL	MYR/T	4,720.0	4,646.1	1.59%	4.84%	12.17%	22.95%
COCOA	USD/T	9,151.9	10,065.9	-9.08%	-8.61%	-20.14%	50.99%

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