

## Cowry Weekly Financial Markets Review & Outlook (CWR)

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### Segment Outlook:

#### ECONOMY: CBN Introduces Measures to Cushion Effect of COVID-19; Feb. Inflation Rate Hits 12.20%...

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#### FOREX MARKET: Naira Depreciates against USD at Most FX Windows...

In the new week, we expect depreciation of the Naira against the USD across the market segments against the backdrop of further decline in crude oil prices.

#### MONEY MARKET: Stop Rates Moderate for All Maturities on Demand Pressure...

In the new week, treasury bills worth N76.22 billion will mature via OMO; hence, we expect interbank rates to moderate amid anticipated boost in financial system liquidity.

#### BOND MARKET: OTC FGN Bond Yields Fall for Most Maturities on Bullish Activity...

In the new week, Debt Management Office will issue bonds worth N140.00 billion, viz: 12.75% FGN APR 2023 (5-Yr Re-opening) worth N15 billion, FGN APR 2029 (10-Yr Re-opening) worth N15 billion and FGN APR 2049 (30-Yr Re-opening) worth N20 billion respectively. We expect the bonds stop rates to moderate on high demand.

#### EQUITIES MARKET: Local Equities Market Plunges by 2.36% amid Sustained Sell-Off...

In the new week, we expect the local bourse to close in red amid negative impact of COVID-19 pandemic. Notwithstanding, we expect investors to take advantage of the lower share prices as possible further decline in crude oil prices could further depress share prices.

#### POLITICS: Finally, FG Places Travel Ban on U.S, UK, Others as COVID-19 Cases Rise in Nigeria...

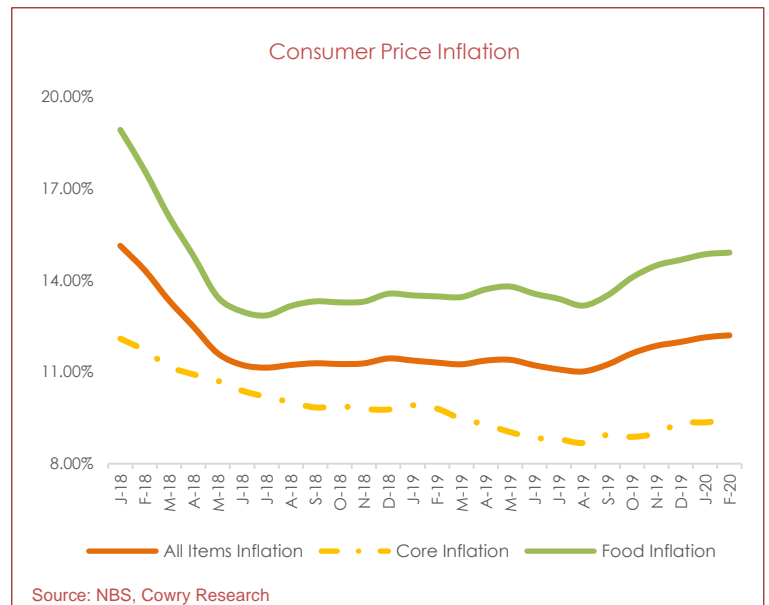
We note that the travel ban by FG on the 13 countries was a step in the right direction as this should curb the rate at which number of cases increase. Nevertheless, we expected the after-thought decision to have cut across all countries in order to forestall fresh import cases. Hence, we note that Nigeria Centre for Disease Control and other agencies of government should deploy more efforts in preventing the spread of the novel disease by intensifying public awareness programs as the country's facilities could easily be stretched should the virus spreads rapidly...

## ECONOMY: CBN Introduces Measures to Cushion Effect of COVID-19; Feb. Inflation Rate Hits 12.20%...

In the just concluded week, the Central Bank of Nigeria (CBN) on Monday, March 16, 2020, published some policy measures to combat the adverse impacts of the coronavirus disease (COVID-19) on the economy. The apex bank's expansionary policy initiatives include: extension of moratorium on all intervention loans currently under moratorium for additional period of one year; reduction of interest rate on all CBN intervention facilities to 5% from 9% per annum, effective from March 1, 2020; creation of a N50 billion targeted credit facility for households and

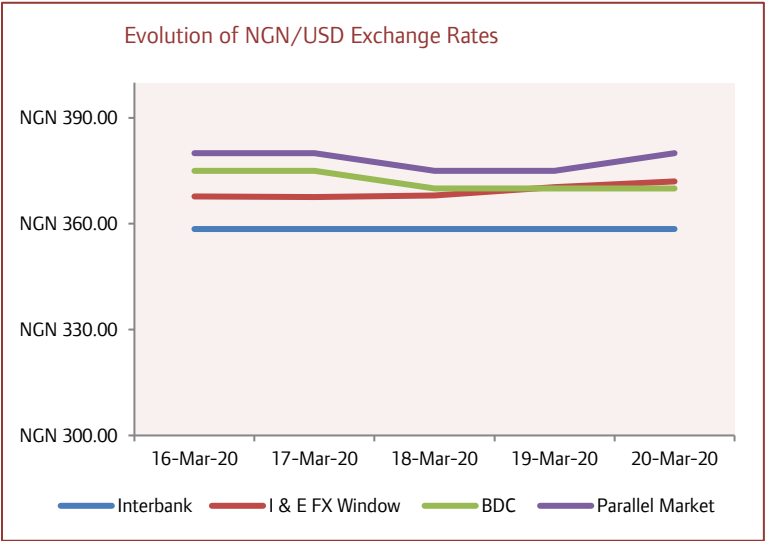
micro, small & medium enterprises (MSMEs) that have been hard hit by COVID-19; provision of credit support for healthcare industry, including pharmaceutical companies intending to open their drug manufacturing plants in Nigeria; the strengthening of its loan to deposit ratio policy; and granting of all deposit money banks leave to consider temporary and time-limited restructuring of the tenor and loan terms to customers. The lender of last resort, amid possible financial difficulty by the Federal Government, hinted on its readiness to provide liquidity backstop as it announced a N1.1 trillion intervention fund to support critical sectors of the economy. Out of the N1.1 trillion, N100 billion would be used to support the health authorities to ensure laboratories, researchers and innovators work with global scientists to patent and produce vaccines and test kits in Nigeria. As part of measures to respond to COVID-19, the fiscal authority slashed 2020 budget by N1.5 trillion (N457 billion to be gotten from PMS under-recovery) and reduced the crude oil benchmark to USD30 per barrel. It also reduced price of petrol to N125 from N145 as crude oil price dwindled. In another development, the National Bureau of Statistics (NBS) reported a 12.20% rise in annual inflation rate for the month of February; higher than 12.13% recorded in January in line with our expectations. The increase in inflation rate was caused by an increase in average imported food prices. Imported food index rose by 16.40% (higher than 16.10% in January) amid depreciation of the Naira against the USD at the interbank window where two months moving average foreign exchange rate rose y-o-y by 0.28% to N358.51/USD in February 2020. Similarly, food inflation rose by 14.90% (higher than 14.85% in January); while core inflation rate also increased by 9.43% (from 9.35% in January). The rise in food inflation was caused by increases in prices of bread & cereals, meat, fish and vegetables among other things. On the other hand, core inflation was driven by increases in prices of pharmaceutical products, passenger transport by air, hospital services and vehicle spare parts. On a monthly basis, annual inflation rate softens to 0.79% in February (from 0.87% in January), amid moderation in both food and core inflation to 0.87% and 0.73% (from 0.99% and 0.82% in January) respectively. However, imported food inflation rate was unchanged at 1.26%. Meanwhile, rural and urban inflation rates rose by 11.61% and 12.85% (higher than 11.54% and 12.78%) respectively.

We commend CBN for its proactiveness as the policy measures are expected to stimulate consumer demand and increase production outputs, especially for food items and pharmaceutical products. Nevertheless, we do not rule out the possibility of recession despite the expansionary drive policies which may, in addition to the planting season, further increase inflation rate going forward. Hence, despite the expected rise in inflation figure, increase in FG borrowings and Naira devaluation fears, we expect interest rates to remain low, especially treasury bills rates, as long as CBN keeps to its policy of excluding local corporates and individual from investing in OMO bills. Meanwhile, investors in the equities space may have found reasons to invest more of their hard earned funds in banking stocks, especially the tier-1 banks that recorded lower non performing loans (NPLs) ratios in FY 2019, as regulatory forbearance granted to banks by CBN should ease their provisioning in year 2020.



FOREX MARKET: Naira Depreciates against USD at Most FX Windows...

In line with our expectations, Naira depreciated further at the Investors and Exporters FX Window (I&E FXW) by 0.96% to close at N372.00/USD as crude oil price dropped further to USD24.67 per barrel on Friday, March 20, 2020 from USD31.73 per barrel it traded on Friday, March 13, 2020. Similarly, Naira depreciated against USD at the Bureau De Change and the parallel (“black”) markets by 3.35% and 5.56% respectively to close at N370/USD and N380.00/USD respectively. However, NGN/USD closed flat at

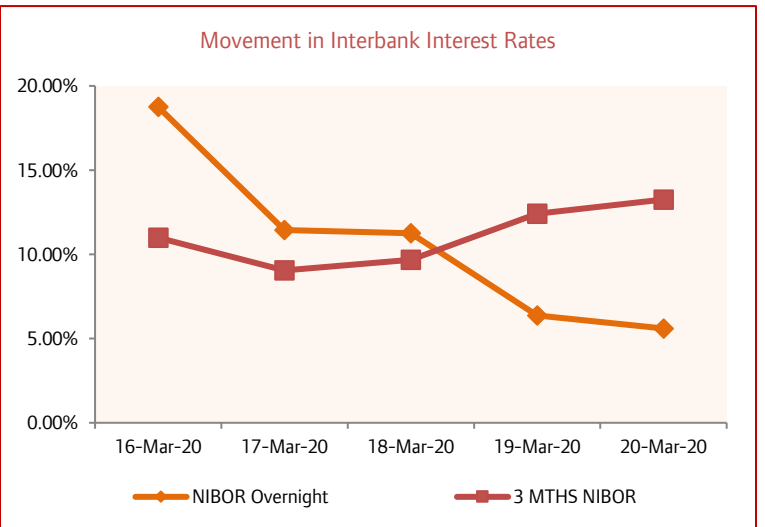


the Interbank Foreign Exchange market, at N358.51/USD amid weekly injections of USD210 million by CBN into the foreign exchange market: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate rose (i.e Naira depreciated) for most of the foreign exchange forward contracts: spot rate, 1 month, 2 months, 3 months, 6 months and 12 months rates depreciated by 0.02%, 1.12%, 1.22%, 1.28, 1.70% and 2.75% respectively to close at N307.00/USD, N375.73/USD, N379.39/USD, N383.01/USD, N396.45/USD and N431.01/USD respectively.

In the new week, we expect depreciation of the Naira against the USD across the market segements against the backdrop of further decline in crude oil prices.

MONEY MARKET: Stop Rates Moderate for All Maturities on Demand Pressure...

In the just concluded wek, the CBN refinanced matured T-bills worth N65.56 billion via Primary market at lower rates for all maturities; stop rate for the 91-day bill fell to 2.30% (from 2.49%), the 182-day bill decreased to 3.40% (from 3.78%) and the 364-day bill fell to 4.60% (from 5.30%) respectively. N344.50 billion worth of treasury bills matured via OMO which, combined with the primary market maturities (N65.56 billion), resulted in total inflows worth N410.12 billion. Hence, due to the net inflows, NIBOR



declined further for overnight funds, to 5.60% (from 10.42%). However, NIBOR rose for other tenor buckets: 1 month, 3 months and 6 months tenor buckets increased to 13.14% (from 10.96%), 13.26% (from 11.44%) and 14.39% (from 12.55%) respectively. Elsewhere, in line with our expectation, NITTY tanked for all maturities tracked amid moderation in stop rates for all maturities at the primary market: yields on 1 month, 3 months and 6 months and 12 months maturities moderated to 2.33% (from 2.86%), 2.58% (from 2.72%), 3.17% (from 3.54%) and 4.53% (from 5.09%) respectively.

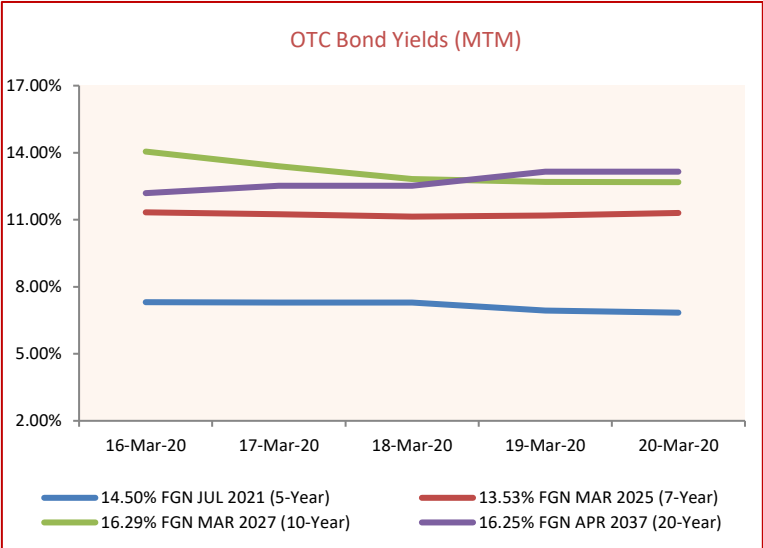
In the new week, treasury bills worth N76.22 billion will mature via OMO; hence, we expect interbank rates to moderate amid anticipated boost in financial system liquidity.

### BOND MARKET: OTC FGN Bond Yields Fall for Most Maturities on Bullish Activity...

In the just concluded week, values of FGN bonds traded at the over-the-counter (OTC) segment appreciated for most maturities tracked amid renewed bullish activity: the 5-year, 14.50% FGN JUL 2021 paper, the 7-year, 13.53% FGN MAR 2025 note and the 10-year, 16.29% FGN MAR 2027 debt gained N0.56, N0.12 and N6.62 respectively; their corresponding yields fell to 6.84% (from 7.35%), 11.30% (from 11.34%), and 12.68% (from 14.05%) respectively. However, the 20-year, 16.25% FGN APR 2037

bond lost N8.10; its corresponding yield rose to 13.15% (from 12.18%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated further for all maturities tracked amid sustained sell pressure. The 10-year, 6.75% JAN 28, 2021 bond, 20-year, 7.69% FEB 23, 2038 paper and 30-year, 7.62% NOV 28, 2047 debt shed USD4.35, USD9.78 and USD10.09 while their corresponding yields rose to 17.49% (from 11.46%), 13.05% (from 11.23%) and 12.48% (from 10.75%) respectively.

In the new week, Debt Management Office will issue bonds worth N140.00 billion, viz: 12.75% FGN APR 2023 (5-Yr Re-opening) worth N15 billion, FGN APR 2029 (10-Yr Re-opening) worth N15 billion and FGN APR 2049 (30-Yr Re-opening) worth N20 billion respectively. We expect the bonds stop rates to moderate on high demand.

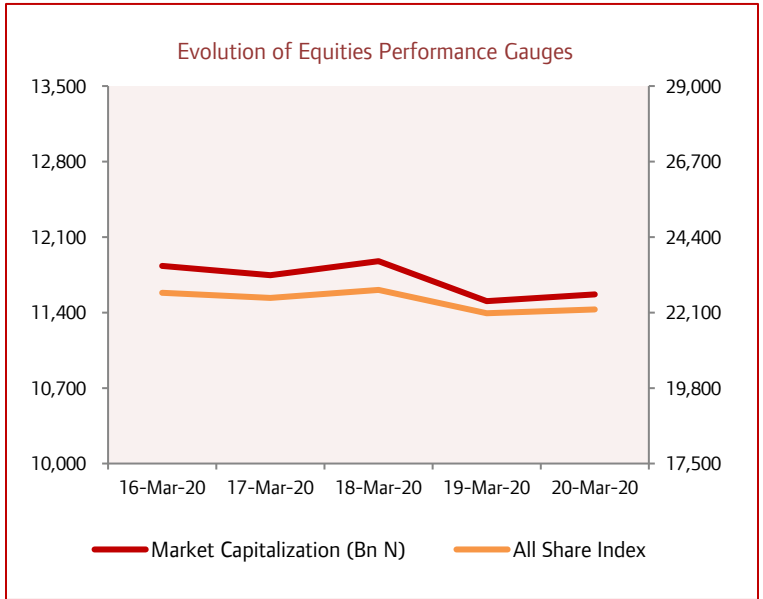


### EQUITIES MARKET: Local Equities Market Plunges by 2.36% amid Sustained Sell-Off...

In the just concluded week, amid sustained bearish sentiments given the further drop in crude oil prices to USD24.67 per barrel on Friday, March 20, 2020 from USD31.73 per barrel on Friday, March 13, 2020, the local equities market nosedived by 2.36% week-on-week, resulting in southwards movement of the NSE ASI to 22,198.43 points. Despite the bearish activity, most of the indices closed in green, the NSE Banking index, NSE Insurance index and NSE Oil/Gas index rose by 0.29%, 2.80% and 0.22% to 242.49 points, 114.37 points and 216.29

points respectively. However, the NSE Consumer goods and the NSE Industrial indices nosedived by 3.20% and 4.85% to 355.66 points and 1,046.50 points respectively. Given the crash in prices, market activities weakened as investors stayed on the sidelines to reinvest at convenient prices. Hence, transaction volumes and Naira votes moderated by 29.25% and 25.50% to 2.80 billion shares and N32.56 billion respectively. However, total deals rose by 21.73% to 31,715 deals.

In the new week, we expect the local bourse to close in red amid negative impact of COVID-19 pandemic. Notwithstanding, we expect investors to take advantage of the lower share prices as possible further decline in crude oil prices could further depress share prices.



## POLITICS: Finally, FG Places Travel Ban on U.S, UK, Others as COVID-19 Cases Rise in Nigeria...

In the just concluded week, the Federal Government (FG) finally restricted travel from U.S, UK and other nations such as, Japan, South Korea, Italy, Iran and Spain amongst others and temporarily suspended the issuance of visa on arrival policy as recorded cases of COVID-19 increase in Nigeria. With the fresh cases, Nigeria now has 12 incidents of the pandemic, and about 1,300 contacts to be traced in Lagos State. In other to curb further spread of the pandemic, FG and some State Governments have put different measures in place. While the governors suspended gathering of over 50 people and shut down schools, FG shut down three international airports – Mallam Aminu Kano International Airport, Kano; Akanu Ibiam International Airport Enugu; and the Port Harcourt International. The National Assembly and the Nigerian Medical Association (NMA) appeared not satisfied with FG’s response, stated that the President should shut down all borders as against limiting it to the high-risk 13 countries. It noted that over 730 people from high-risk countries of COVID-19 come into Nigeria on a daily basis. According to the Senate Committee Chairman on Health, Ibrahim Oloriegbe, Nigeria only has five testing centres for the deadly disease which has to be increased and improved upon. He stated that FG should give support to the state governments in order to increase testing capacity all over the country. In a similar view, the World Health Organisation’s Director General, Tedros Adhanom Ghebreyesus said that Africa must brace up for the worse as the coronavirus spreads locally. He noted that in just two days, number of cases nearly doubled to 116 in South Africa. Meanwhile, the Federal Government suspended the issuance of its USD3.3 billion Eurobond due to the negative effect of the coronavirus pandemic on the global economy. The USD3.3 billion was meant to partly fund the 2020 budget deficit and refinance an existing USD500 million Eurobond which is due on January 2021.

We note that the travel ban by FG on the 13 countries was a step in the right direction as this should curb the rate at which number of cases increase. Nevertheless, we expected the after-thought decision to have cut across all countries in order to forestall fresh import cases. Hence, we note that Nigeria Centre for Disease Control and other agencies of government should deploy more efforts in preventing the spread of the novel disease by intensifying public awareness programs as the country’s facilities could easily be stretched should the virus spreads rapidly.

## Weekly Stock Recommendations as at Friday, March 20, 2020.

Stock	Last Qtr Result	Adjusted Forecast FY PAT	Current EPS	Forecast EPS	BV/S	P/B Ratio	PE Ratio	52 Weeks' High	52 Weeks' Low	Current Price	FY Price Target	Short term Stop Loss	Short term Take Profit	Upside Potential (%)	Recommendation
CAP	Q3 2019	1,637.57	2.90	2.34	2.87	6.80	6.73	40.00	18.00	19.50	28.35	16.58	23.40	45.38	Buy
Conoil	Q3 2019	2,266.96	3.32	3.27	26.82	0.54	4.40	23.80	16.80	14.60	29.47	12.41	17.52	101.82	Buy
Dangote Cement	Q4 2019	200,521.00	22.83	11.77	52.69	2.46	5.68	278.00	129.00	129.70	206.16	110.25	155.64	58.95	Buy
ETI	Q3 2019	98,083.07	4.13	3.97	26.70	0.18	1.19	22.15	4.40	4.90	19.67	4.17	5.88	301.47	Buy
FCMB	Q4 2019	8,040.06	0.85	0.41	9.49	0.16	1.82	3.61	1.32	1.55	2.01	1.32	1.86	29.92	Buy
Guaranty	Q4 2019	212,615.28	6.28	7.22	23.35	0.80	2.96	54.71	18.10	18.60	35.83	15.81	22.32	92.64	Buy
Seplat Petroleum	Q3 2019	66,532.80	78.92	117.03	953.68	0.57	6.90	785.00	397.70	544.50	829.42	462.83	653.40	52.33	Buy
UBA	Q4 2019	89,089.00	2.30	2.60	17.49	0.29	2.18	13.00	5.00	5.00	12.92	4.25	6.00	158.41	Buy
Zenith Bank	Q4 2019	208,843.00	6.16	6.65	30.00	0.40	1.92	33.51	10.85	11.85	32.99	10.07	14.22	178.42	Buy



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