

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: PenCom Sets Nov 16 as Commencement Date for Implementation of RSA Transfer Window...

We feel that the implementation of the RSA transfer window would spur healthy competition amongst players in the industry with pensioners largely benefitting from it. Meanwhile, we expect the fiscal authority to do more at its end and complement CBN's efforts on the developmental front in order to achieve holistic results...

FOREX MARKET: Naira Closes Flat against the USD at I&E FXW as Crude Oil Prices Rise...

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MONEY MARKET: Stop Rates of Auctioned T-Bills Plunge Below 0.50% for all Maturities...

In the new week, treasury bills worth N281.45 billion will mature via OMO; hence, we expect interbank rates to further moderate amid anticipated boost in financial system liquidity...

BOND MARKET: FGN Bond Yields Rise for most Maturities Tracked amid Renewed Bearish Activity...

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EQUITIES MARKET: NSE ASI Gains 12.97% amid Sustained Bullish Momentum...

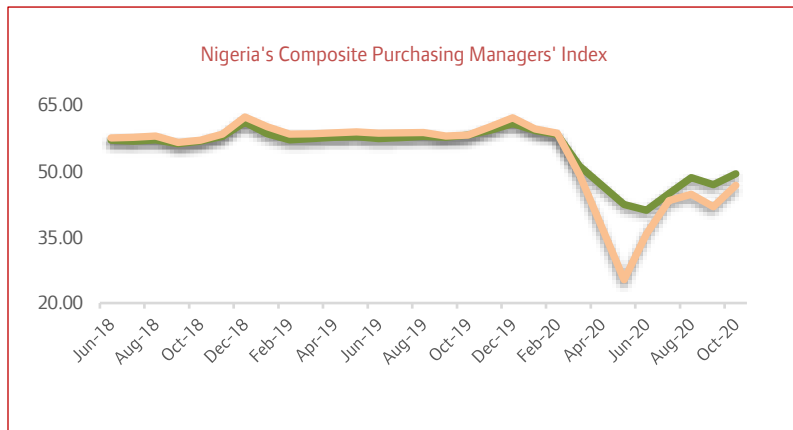
In the new week, we expect the NSE ASI to trade sideways as investors stay on the side lines in search of a better support level for re-entry given the recent price rally in the market and the possibility of profit taking. Hence, we advise investors to trade cautiously as market finds its balance between the bears and the bulls...

POLITICS: US-led Coalition to Assist Nigeria, Other West African Countries Combat Terrorism...

We feel that Nigeria needs all the help it can get to relieve itself of the burden of terrorism it has been carrying for a long while. The economic cost has been overwhelming, investors now move to safer regions or sometimes neighbouring countries to set up their green-field investments. Meanwhile, we expect the military to fully cooperate with the US-led coalition team, especially in the area of intelligence sharing, in order to effectively dislodge the terrorists...

ECONOMY: PenCom Sets Nov 16 as Commencement Date for Implementation of RSA Transfer Window...

In the just concluded week, the National Pensions Commission (PenCom) announced its plans to commence the implementation of the Retirement Savings Account (RSA) transfer window under the Contributory Pension Scheme (CPS) on Monday, November 16, 2020. Hence, pensioners who have not had opportunity to change their Pension Fund Adminsitrators (PFAs) as a result of lower returns on investment management or poor customer service delivery, now have the platform to move their RSA to other competing firms in the pension industry. However, the movement of the RSA can only be done once in a year. According to PenCom, the



Monthly Global Oil Market Watch				
	Sept-20	Aug-20	%age Δ	2019e
World Oil Demand mb/d	95	94	1.41	99.67
World Oil Supply mb/d	92	91	0.27	99.17
World Rig Count	1,019	1,050	-2.95	-

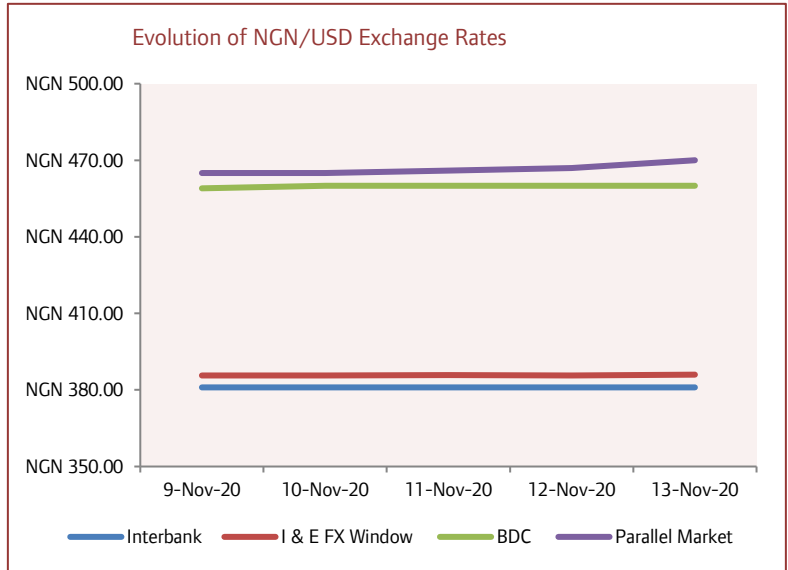
Source: National Bureau of Statistics, US EIA, Cowry Research

electronic migration platform which is in line with Section 11(2) of the Pension Reform Act 2004, that an employee reserves the right to migrate from one PFA to another without adducing reasons, would further boost stakeholders confidence in the scheme. In another development, the Central Bank of Nigeria (CBN), in line with its developmental mandate on Tuesday, November 10, 2020, unveiled guidelines for the operation of Private Sector-led Accelerated Agriculture Development Scheme (P-AADs) which is meant to facilitate increased private sector agricultural production of staple foods and industrial raw materials, as well as support food security, job creation and economic diversification. According to the apex bank, the agricultural commodities eligible for consideration under the scheme include: rice, maize, cassava, cotton, wheat, tomato, poultry, fish, sorghum, oil palm, cocoa and livestock. CBN pegged the maximum loan accessible per obligor at N2 billion while the interest rate was maintained at 5% per annum till February 2021 (it would increase to 9% from March 1, 2021). Going by the guideline, maximum tenor for loan repayment for annual crops is six years (with a moratorium of six months) while perennial crops have a maximum tenor of 10 years with a moratorium of one year. Similarly, efforts at growing the local economy also received a boost from the United Nations (UN) as it supported Nigeria's Economic Sustainability Plan with USD250 million. The United Nations Plus Offer for Social-Economic Recovery fund is meant to complement the COVID-19 economic recovery efforts by FG. Specifically, USD13.78 million would be used for development of health response system; USD53.3 million to protect people; USD30.7 million for macro-economic stability and economic recovery; and USD26.6 million for social protection to assist communities bounce back better, amongst other things. At the international market, crude oil prices continued to rally amid announcement by American company (Pfizer) and its German partner (BioNTech) of their breakthrough in COVID-19 vaccine development. The two companies had claimed that their vaccine was 90% effective in preventing COVID-19 infections. Hence, the West Texas Intermediate (WTI) crude price rose w-o-w by 6.69% to USD41.12 a barrel. Also, Brent price rose by 6.93% to USD43.53 a barrel as at Thursday, November 12, 2020; while, Bonny Light increased by 16.76% to USD43.47 a barrel. Nevertheless, we saw a 0.74% w-o-w decline in US crude oil input to refineries to 13.45 mb/d as at November 6, 2020 (also, It declined y-o-y by 15.52% from 15.92 mb/d as at November 8, 2019). Also, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 0.88% w-o-w to 488.71 million barrels as at November 6, 2020 (inventories have risen by 8.84% y-o-y from 449.00 million barrels as at November 8, 2019).

We feel that the implementation of the RSA transfer window would spur healthy competition amongst players in the industry with pensioners largely benefitting from it. Meanwhile, we expect the fiscal authority to do more at its end and complement CBN's efforts on the developmental front in order to achieve holistic results.

FOREX MARKET: Naira Closes Flat against the USD at I&E FXW as Crude Oil Prices Rise...

In the just concluded week, the Naira remained unchanged at the Investors and Exporters Window at N386/USD as oil prices rallied at the international market. Similarly, NGN/USD closed flat at N381/USD at the Interbank Foreign Exchange market amid weekly injections of USD210 million by CBN into the forex 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. However, Naira weakened against the

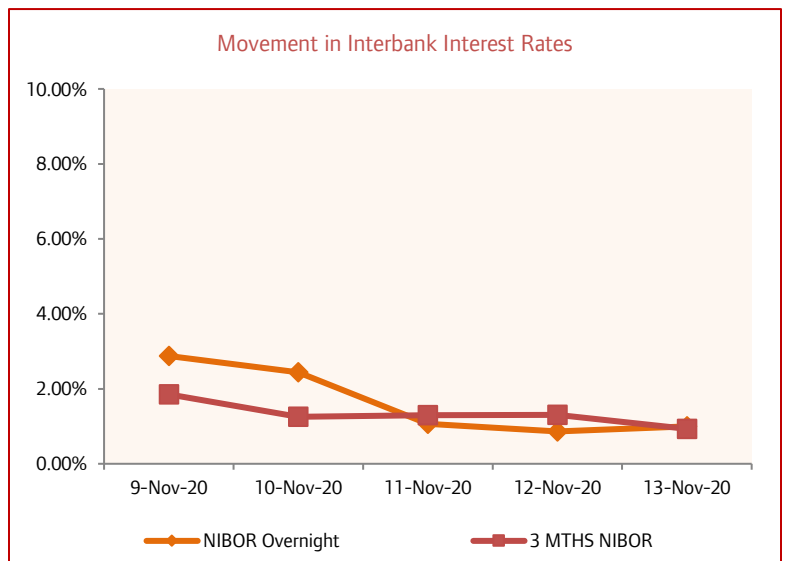


USD at the Bureau De Change (BDC) and parallel (“black”) markets by 0.44% and 1.29% respectively to close at N460/USD and N470/USD respectively. Elsewhere, the Naira/USD exchange rate appreciated for most of the foreign exchange forward contracts: 1 month, 2 months, 3 months and 6 months rates fell by 0.06%, 0.12%, 0.18% 0.40% and 0.64% respectively to close at N386.11/USD, N386.34/USD, N386.67/USD, 386.87/USD and N387.33/USD respectively. However, the spot rate closed flat at N381.00/USD.

In the new week, we expect Naira/USD to remain stable at the Bureau De Change market amid sustained intervention by CBN. We also expect appreciation at the Investors and Exporters FX Window (I&E FXW) given the recent rally in crude oil prices at the international market.

MONEY MARKET: Stop Rates of Auctioned T-Bills Plunge Below 0.50% for all Maturities...

In line with our expectations, CBN refinanced N167.81 billion worth of T-bills via the primary market at lower stop rates which settled well below 0.5% for all maturities – suggestive of the increased liquidity in the system that continued to chase short-term government securities. Specifically, stop rates for 91-day, 182-day and 364-day bills crashed to 0.04% (from 0.34%), 0.15% (from 0.50%) and 0.30% (from 0.98%) respectively. Given the N226.82 billion matured bills as against the N70 billion auctioned bills via

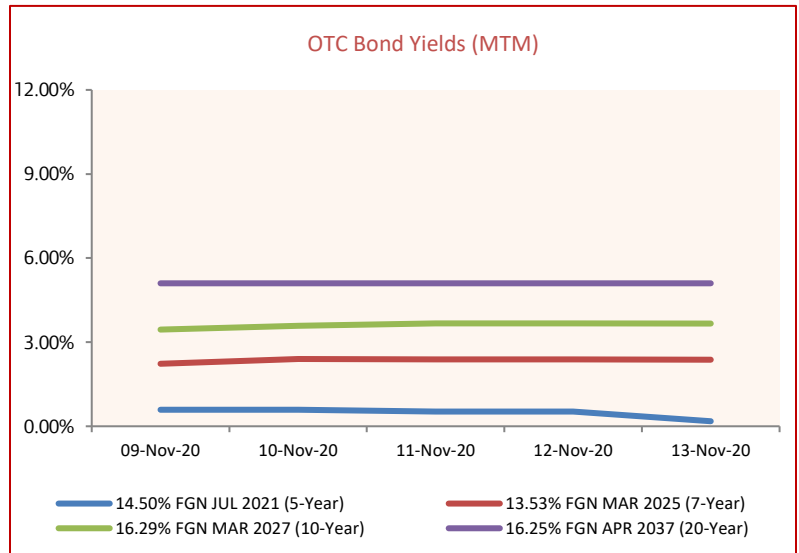


Open Market Operations (OMO), we saw a boost in the financial system liquidity and a resultant drop in NIBOR for all tenor buckets. NIBOR for overnight funds crashed to 1.0% (from 1.25%). Also, NIBOR for 1 month, 3 months and 6 months plummeted to 0.50% (from 1.12%), 0.93% (from 1.15%) and 1.71% (from 1.54%) respectively. Elsewhere, NITTY further moved northward for most maturities tracked, especially yields for 1 month, 3 months and 6 months maturities which increased to 0.21% (from 0.19%), 0.49% (from 0.22%) and 0.38% (from 0.36%) respectively. However, yield on 12 months maturity fell to 0.24% (from 0.41%).

In the new week, treasury bills worth N281.45 billion will mature via OMO; hence, we expect interbank rates to further moderate amid anticipated boost in financial system liquidity.

BOND MARKET: FGN Bond Yields Rise for most Maturities Tracked amid Renewed Bearish Activity...

In line with our expectations, the values of FGN bonds traded at the over-the-counter (OTC) segment moderated for most maturities tracked. Specifically, the 7-year, 13.53% FGN MAR 2025 note, the 10-year, 16.29% FGN MAR 2027 debt and the 20-year, 16.25% FGN APR 2037 paper lost N0.93, N0.28 and N4.15 respectively; their corresponding yields rose to 2.38% (from 2.24%) and 3.66% (from 3.65%) and 5.10% (from 4.90%) respectively. However, the 5-year, 14.50% FGN JUL 2021 bond appreciated by

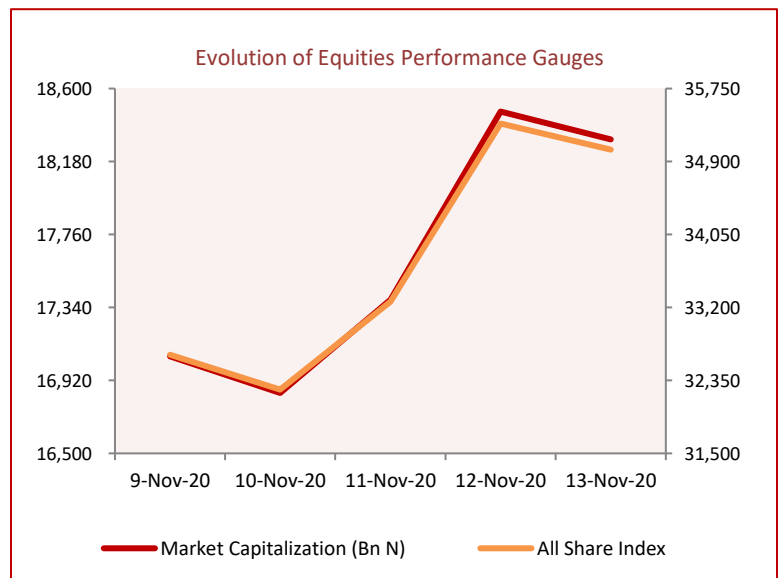


N0.04; its corresponding yield fell to 0.18% (from 0.49%). Meanwhile, the value of FGN Eurobonds traded at the international capital market appreciated for most maturities tracked on sustained bullish activity. The 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD2.92 and USD2.37 respectively; while their corresponding yields fell to 7.70% (from 8.02%) and 7.74% (from 7.95%) respectively. However, the 10-year, 6.75% JAN 28, 2021 bond lost USD0.09; its corresponding yield rose to 3.47% (from 3.35%).

In the new week, Debt Management Office will issue bonds worth N30 billion, viz: 12.50% FGN APR 2035 (15-Yr re-opening) worth N40 billion and 9.80% FGN JUL 2045 (25-Yr re-opening) worth N40 billion respectively. We expect the bonds stop rates to moderate further amid relatively low volume of bonds issuance.

EQUITIES MARKET: NSE ASI Gains 12.97% amid Sustained Bullish Momentum...

In the just concluded week, the equities market printed a significant weekly gain amid sustained appetite for risky asset, driven by the ridiculously low-yield environment, increased liquidity in the financial system and the positive news on COVID-19 vaccine produced by Pfizer during the week. The bullish momentum was so strong on Thursday that it triggered, for the first time since 2016, the NSE positive circuit breaker even as investors' appetite for bellwether stocks strengthened. Consequently, the All share index ballooned by 12.97% week-on-week to close at 35,037.46



points. Notably, sectoral performance for the week was generally positive as all of the sub-indices tracked closed in green; the NSE Banking, NSE Insurance, NSE Consumer Goods, NSE Oil/Gas and the NSE Industrial indices gained 14.37%, 7.67%, 11.35%, 5.34% and 16.97% to 435.40 points, 154.18 points, 611.54 points, 225.07 points and 1,597.86 points respectively. Meanwhile, market activity was upbeat as total deals, volume and value expanded by 87.16%, 118.18% and 159.47% to 47,140 deals, 4.50 billion shares and N58.73 billion respectively.

In the new week, we expect the NSE ASI to trade sideways as investors stay on the side lines in search of a better support level for re-entry given the recent price rally in the market and the possibility of profit taking. Hence, we advise investors to trade cautiously as market finds its balance between the bears and the bulls.

POLITICS: US-led Coalition to Assist Nigeria, Other West African Countries Combat Terrorism...

In the just concluded week, the United States-led coalition committed itself to help Nigeria and other West African countries to combat terrorism in their countries. The global coalition led by US stated that lessons learned from the fight against Islamic State of Iraq and al-sham (ISIS) would be very useful and applicable in the battle against Boko Haram in Nigeria and other factions of terror groups in West Africa. According to the US Secretary of State, Mr. Mike Pompeo, the United States is ready to deploy all the tools at its disposal to dislodge Boko Haram in Nigeria. Notably, Washington's readiness to combat Boko Haram in the oil-rich African country and other West African countries was amid its determination to outrightly defeat ISIS's global branches and affiliates. Also, in the bid to further strengthen the war against Boko Haram and record more wins in the North-Eastern part of the country, the Nigerian Army on Wednesday, November 11, 2020 declared 86 Boko Haram leaders and fighters wanted, and also absorbed some civilian Joint Task Force (JTF), hunters and vigilantes into its Super Camp operations. According to the Chief of Army Staff, Lt. Gen. Tukur Buratai, the induction of the Civilian JTF was necessary because of the key role they have played over-time. He mentioned that their knowledge of the terrain and their ability to identify the members of the Boko Haram were impactful in winning the war against the insurgents. Meanwhile, the Senate opposed the Federal Government's strategy of reintegrating reformed Boko Haram into the society. Instead, the members of the Upper Chamber wanted repented terrorists and their sponsors to be prosecuted. It also called for increased budgetary allocations for the military given the need for them to procure sophisticated equipment, arms and ammunition as well as have an improved welfare.

We feel that Nigeria needs all the help it can get to relieve itself of the burden of terrorism it has been carrying for a long while. The economic cost has been overwhelming, investors now move to safer regions or sometimes neighbouring countries to set up their green-field investments. Meanwhile, we expect the military to fully cooperate with the US-led coalition team, especially in the area of intelligence sharing, in order to effectively dislodge the terrorists.

Weekly Stock Recommendations as at Friday, November 13, 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 2020	1,032.46	2.49	1.47	4.25	5.21	8.90	27.50	15.40	22.15	28.35	18.83	25.47	27.99	Buy
FCMB	Q2 2020	19,401.49	0.88	0.98	10.38	0.33	3.91	3.91	1.41	3.42	4.86	2.91	3.93	42.09	Buy
May & Baker	Q3 2020	877.77	0.42	0.51	3.43	1.02	8.43	3.50	1.79	3.50	4.31	2.98	4.03	23.14	Buy
UBA	Q2 2020	84,418.90	2.30	2.47	17.49	0.53	4.00	9.25	4.40	9.20	12.24	7.82	10.58	33.08	Buy
Zenith Bank	Q2 2020	186,886.80	6.65	5.95	30.00	0.91	4.08	29.52	10.70	27.15	29.52	23.08	31.22	8.75	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, November 13, 2020

Description	Issue Date	TTM (Years)	Yield (%)	Closing Price
9.248 JAN 21, 2049	21-Nov-18	28.21	8.39	109.23
7.625 NOV 28, 2047	28-Nov-17	27.06	7.74	98.72
7.696 FEB 23, 2038	23-Feb-18	17.29	7.70	99.93
8.747 JAN 21, 2031	16-Feb-17	10.19	7.36	109.78
7.875 16-FEB-2032	21-Nov-18	11.27	7.31	104.27

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