

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Improved Domestic Institutional Investors' Stake Sustains Gains in Equities Market in January...

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FOREX MARKET: Naira Strengthened Against the Greenback at the Parallel Market...

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MONEY MARKET: NIBOR Rose for all Maturities Tracked Despite Net Inflows Worth N34.81 billion...

In the new week, T-bills worth N164.50 billion will mature via the primary and secondary markets to more than offset the T-bills worth N84.50 billion which will be auctioned by CBN via the primary market; viz: 182-day bills worth N14.00 billion and 364-day bills worth N70.50 billion. We expect the stop rates of the new issuances to marginally increase...

BOND MARKET: FGN Bond Yields Moves in Mixed Directions across Maturities...

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EQUITIES MARKET: Local Stock Index Moderates by 1.18% as Equities Sell-Offs Persist...

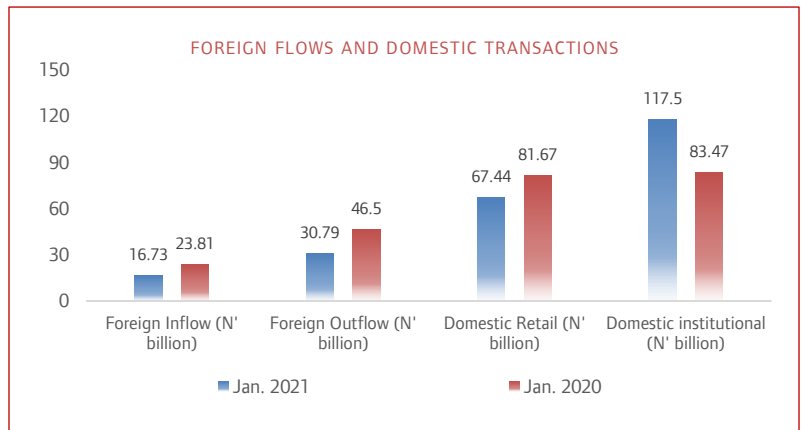
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The new tough orders issued to the security agencies suggests that the President is beginning to appreciate reality of the ravaging effects of the worsening insecurity in the country. The boycott of the South by food vendors in the North during the week further reflects the deteriorating relationship amongst the ethnic groups in the country as a result of insecurity...

ECONOMY: Improved Domestic Institutional Investors' Stake Sustains Gains in Equities Market in January...

Freshly released report by the Nigerian Stock Exchange (NSE) on domestic and foreign portfolio participation in equities trading showed that total equities market transactions decreased marginally in January 2021 compared to the volume of transactions done in January 2020. This was chiefly due to the dragging foreign portfolio investors' participation as Naira kept depreciating against the USD amid low interest rate environment – although, we are beginning to see upward movement in rates across maturities. Nevertheless, domestic institutional investors were able to lift the local equities market performance as they pursued relatively



	Jan-21	Dec-20	%age Δ	2020 Avg
World Oil Demand mb/d	93.9	96.2	-2.84	92.30
World Oil Supply mb/d	94.0	93.8	0.14	94.23
World Rig Count	1,183	1,104	7.16	1,352

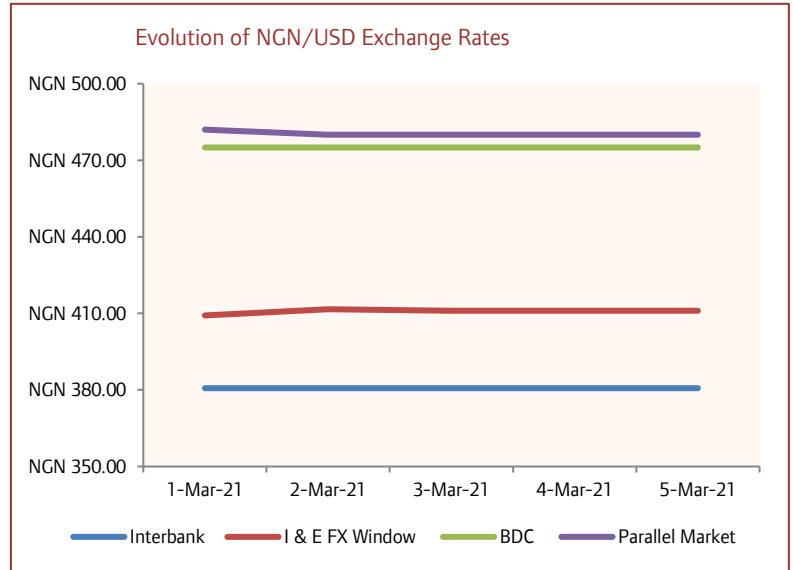
Source: Nigerian Stock Exchange, US EIA, Cowry Research

better dividend yields. Hence, the ratio of total domestic transactions to total foreign transactions tilted to 80:20 in the month under review, from 70:30 in January 2020, given the 11.99% increase in total domestic transactions as compared with the 32.42% decline in total foreign portfolio transactions. Specifically, total transactions on the Lagos bourse increased to N232.46 billion in January 2021 (from N235.46 billion printed in January 2020); of which total domestic transactions increased to N184.94 billion (from N165.14 billion). However, FPI transactions decreased to N47.52 billion (from N70.32 billion). A breakdown of the FPI transactions in January 2021 showed that foreign portfolio inflows contracted by 29.76% to N16.73 billion; also, foreign portfolio outflows fell by 33.78% to N30.79 billion. Retail investors reduced their stake in the equities market as they cashed out before dividend payment announcements (transactions from this group plummeted to N67.44 billion in the month under review from N81.67 billion in January 2020). However, domestic institutional transactions spiked year on year by 40.77% to N117.50 billion in January 2021 to lift the local bourse index. Amid bargain hunting activities, chiefly by the domestic institutional investors, the NSE All Share Index (ASI) rose by 5.32% to 42,412.66 index points to close for the month of January 2021. In another development, the Governor of the Central Bank of Nigeria, Mr. Godwin Emefiele, stated that Nigeria would sell crude oil to Dangote Refinery in Naira in order to strengthen the local currency against the greenback, hence reducing the demand for USD, even as the refined crude oil would be sold to Nigerians in Naira. Meanwhile, crude oil prices continue to soar amid an OPEC+ decision to hold off on production increase. Hence, the West Texas Intermediate (WTI) crude price rose by 3.71% w-o-w to USD65.83 a barrel given the 4.66% w-o-w rise in U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) to 484.61 million barrels. Also, Bonny Light and Brent Crude prices increased by 0.90% and 4.42% to USD66.12 and USD69.03 per barrel respectively as at March 4, 2021. There has been a continuous decline in the US crude oil input to refineries as it fell by 19.03% w-o-w to 9.90 mb/d as at February 26, 2021 (It also dropped y-o-y by 42.07% from 15.69 mb/d as at February 28, 2020).

We refer to our *Cowry Weekly Financial Markets Review and Outlook Report* dated February 5, 2021, where we expressly stated that the rally in the equities market would mellow in the months of February and March 2021 amid rising fixed income yields. In line with our expectations, the equities market lost all the gains (5.32%) in January 2021, and sharply moved into negative territory (6.16%) in February amid investors' sell-offs. Given our expectations in January, detailed in our *Outlook and Investment Strategies in 2021* that interest rate would move northwards, we saw stop rates for 90-day, 182-day and 364-day rise sharply to 2%, 3.5% and 5.5% respectively in February 2021 from 0.035%, 0.5% and 1% respectively as at December 30, 2020. Hence, we expect the local stock market index to remain in red zone in March 2021 as fixed income space becomes more attractive.

FOREX MARKET: Naira Strenghtens Against the Greenback at the Parallel Market...

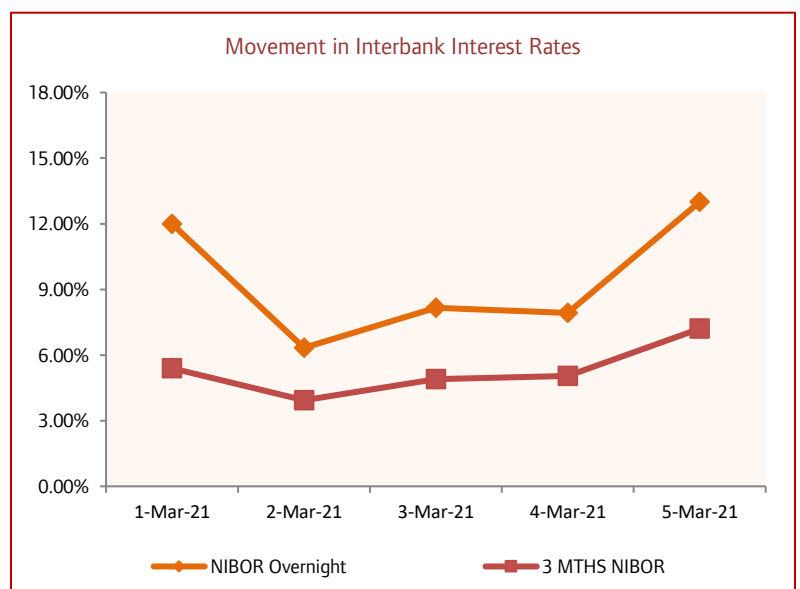
In the just concluded week, Naira appreciated against the USD at the parallel ('black') market by 0.41% to close at N480.00/USD. However, Naira weakened against the greenback at the Investors & Exporters window by 0.18% to close at N411.00/USD as the external reserves moderated by 0.63% w-o-w to settle at N34.87 billion as at March 4, 2021. Meanwhile, NGN/USD exchange rate closed flat at N380.69/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. Meanwhile, Naira closed flat against the USD at the Bureau De Change at N475.00/USD. Elsewhere, the Naira/USD exchange rate appreciated for all of the foreign exchange forward contracts: 1 month, 2 months, 3 months, 6 months and 12 months rates rose by 0.30%, 0.23%, 0.20%, 0.24% and 0.79% respectively to close at N413.76/USD, N417.33/USD, N420.33/USD, N428.77/USD and N440.01/USD. However, the spot rate remained flattish at N379.00/USD.



In the new week, we expect Naira/USD to stabilise at the I&E FX Window as crude oil prices sustain the bullish momentum.

MONEY MARKET: NIBOR Rose for all Maturities Tracked Despite Net Inflows Worth N34.81 billion...

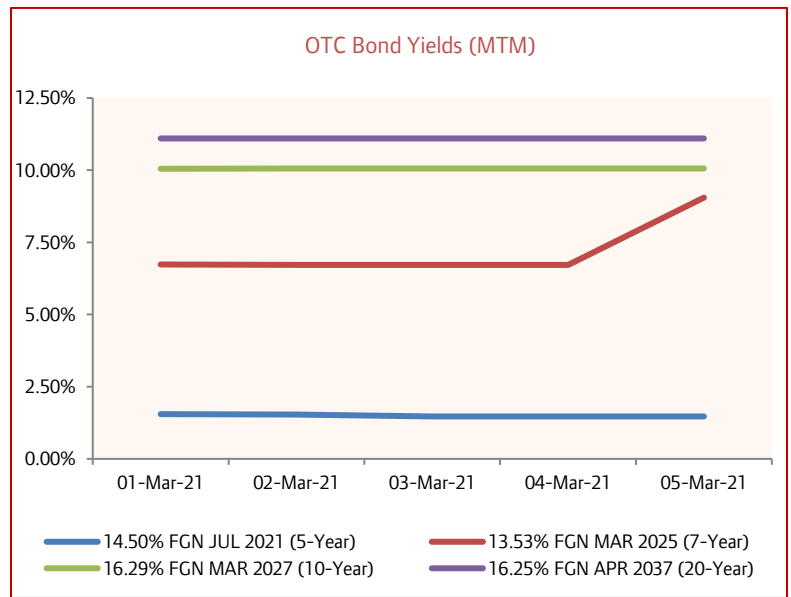
In the just concluded week, CBN issued a total of N90.00 billion at the OMO auction to partly drain sytem liquidity given the maturing OMO bills worth N124.81 billion. Despite the net inflows worth N34.81 billion, NIBOR rose for all tenor buckets. Specifically, NIBOR for overnight funds, 1 month, 3 months and 6 months rose to 13.00%(from 8.50%), 4.38% (from 2.41%), 7.21%(from 5.12%) and 8.82% (from 6.16%) respectively. Meanwhile, NITTY moved in mixed directions across all maturities tracked. Yields for 3 months and 6 months maturities fell to 1.274%(from 1.275%) and 2.11%(from 2.15%) respectively. However, yields for 1 month and 12 months rose to 0.88%(from 0.74%) and 3.29%(from 3.27%) respectively.



In the new week, T-bills worth N164.50 billion will mature via the primary and secondary markets to more than offset the T-bills worth N84.50 billion which will be auctioned by CBN via the primary market; viz: 182-day bills worth N14.00 billion and 364-day bills worth N70.50 billion. We expect the stop rates of the new issuances to marginally increase.

BOND MARKET: FGN Bond Yields Moves in Mixed Directions across Maturities...

In the just concluded week, the values of FGN bonds traded at the secondary market moved in mixed directions across maturities tracked. Specifically, investors were bearish at the short end of the curve. Hence, we saw the value of 5-year, 14.50% FGN JUL 2021 and the 7-year, 13.53% FGN APR 2025 paper lose N0.20 and N8.91 respectively; their corresponding yields rose further to 1.58% (from 1.47%) and 9.05% (from 6.74%) respectively. However, the 10-year 16.29% FGN MAR 2027 debt gained N0.16; its corresponding yield fell to 10.06% (from 10.10%) while the 20-year, 16.25% FGN MAR 2037 remained flat; corresponding yield stood at 11.10%.

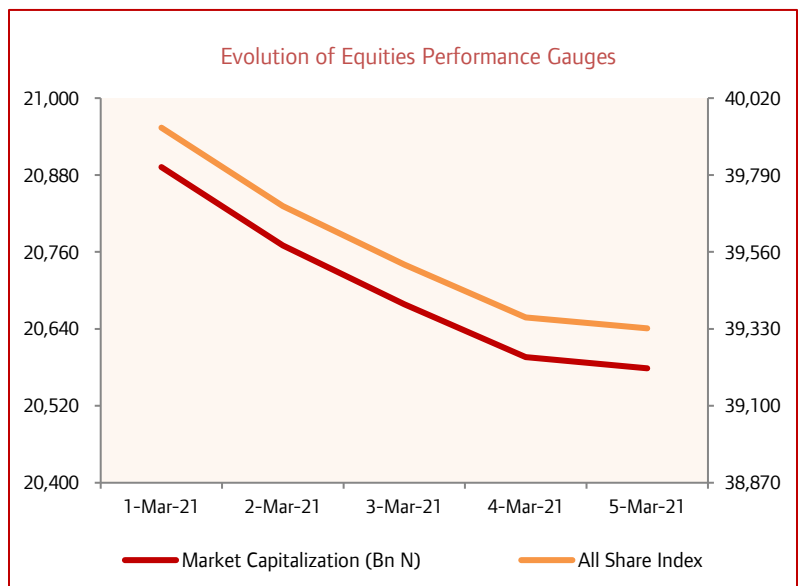


Meanwhile, the value of FGN Eurobonds traded at the international capital market lost for all maturities tracked amid global rise in yields. The 10-year, 6.375% JUL 12, 2023 paper, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.24, USD0.38 and USD0.54 respectively, while their yields rose to 2.80% (from 2.73%), 7.46% (from 7.42%) and 7.49% (from 7.44%) respectively.

In the new week, we expect the FGN Eurobond prices to appreciate (and yields to decrease) as investors hunt for bargains amid rising crude oil prices and accretion to Nigeria’s external reserves.

EQUITIES MARKET: Local Stock Index Moderates by 1.18% as Equities Sell-Offs Persist...

For the fifth consecutive week, the equities market continued its downward spiral amid investors’ apathy in the market given the rising yields in the fixed income space. Despite the positive FY 2020 earnings and dividend announcement by corporates, bearish sentiment still dominated the market as the benchmark index fell four times out of the five-trading session. Reflective of the lack of investors’ interest, the All-Share Index contracted by 1.18% week-on-week to 39,331.61 points. Sectoral performance was



also weak as four out of the five indices tracked closed in red; the NSE Banking, NSE Insurance, NSE Consumer Goods and the NSE Oil/Gas indices dwindled by 1.94%, 4.99%, 6.30% and 2.16% to close at 375.35 points, 192.00 points, 528.32 points and 259.65 points respectively. On the positive side, the NSE Industrial index increased by 1.39% to 1,924.58 points. Meanwhile, trading activity was mixed as total volume and value of stocks traded rose by 8.38% and 44% to 2.09 billion shares and N29.74 billion respectively. However, the total deals traded fell by 1.82% to 24,238 deals.

In the new week, we expect the local equities market to further trade southwards as investors stay on the sidelines to target new support levels, especially in ZENITHBANK share price that will be marked down by N2.70k.

POLITICS: President Buhari Tackles Insecurity, Directs NIS to Increase Border Surveillance...

In the just concluded week, President Muhammadu Buhari, at the inauguration of the Nigerian Immigration Service Technology Building, directed the Nigerian Immigration Service (NIS) to increase the country's border surveillance in order to stop criminals from making further entry into Nigeria to cause havoc. According to the Minister of Interior, Mr. Rauf Aregbesola, the recently completed facility, which will serve as the command and the control centre of the NIS, as well as the repository of personal data of Nigerians and expatriates in the country, would ensure control of illegal migration. Also, the President ordered the security agents to shoot anyone found with illegal possession of ammunition such as AK-47 rifles, as they also clampdown on bandits who refused to surrender. The new orders by the President were amid the worsening insecurity in the country, especially with the recent operations of bandits and kidnappers in the Northern region of the country which already spreading to the South. On Tuesday, March 2, 2021, the Federal Government declared Zamfara State a no-fly zone, following intelligence reports that arms were being transported to the bandits with private jets which they also used to cart away gold from the state to Dubai. In another development, Nigeria finally took delivery of the first tranche of 3.94 Million doses (out of the 16 Million doses expected from COVAX Facility) of COVID-19 AstraZeneca/Oxford vaccine, manufactured by the Serum Institute of India. COVAX Facility is the partnership between CEPI, Gavi, UNICEF and WHO. Its mission is to ensure delivery of at least 2 billion doses of COVID-19 Vaccines globally by the end of 2021. Hence, Nigeria officially commenced its vaccination campaign on Friday, March 5, 2021, three days after its arrival, as three doctors and a nurse received the COVID-19 vaccine.

The new tough orders issued to the security agencies suggests that the President is beginning to appreciate reality of the ravaging effects of the worsening insecurity in the country. The boycott of the South by food vendors in the North during the week further reflects the deteriorating relationship amongst the ethnic groups in the country as a result of insecurity. Hence, we expect the new orders to be backed by the political will needed to win the war against the bandits and other criminal elements in the country even as government continues to deploy modern technology to tackle the menace. Meanwhile, we note that the delivery of the free COVID-19 vaccine should further bring relieve to Nigeria in its effort to curb the pandemic.

Weekly Stock Recommendations as at Friday, March 5, 2021

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	1,051.17	2.49	1.50	4.93	4.06	8.04	27.50	15.40	20.00	28.35	17.00	23.00	41.75	Buy
FCMB	Q3 2020	18,537.56	0.88	0.94	10.83	0.27	3.32	3.91	1.41	2.91	4.64	2.47	3.35	59.56	Buy
May & Baker	Q3 2020	908.97	0.42	0.53	3.55	1.06	9.03	4.65	1.79	3.75	4.31	3.19	4.31	14.93	Buy
UBA	Q3 2020	97,700.53	2.30	2.86	18.38	0.43	3.46	9.25	4.40	7.95	14.17	6.76	9.14	78.23	Buy
Zenith Bank	Q4 2020	191,178.00	7.34	7.20	32.94	0.77	3.80	29.52	10.70	25.30	30.20	21.51	29.10	19.38	Buy

FGN Eurobonds Trading Above 6% Yield as at Friday, March 5, 2021

FGN Eurobonds	Issue Date	TTM (years)	5-Mar-21 Price (N)	Weekly Naira Δ	5-Mar-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.98	105.34	(0.40)	6.4%	0.06
8.747 JAN 21, 2031	21-Nov-18	9.89	114.65	(0.49)	6.7%	0.06
7.875 16-FEB-2032	16-Feb-17	10.96	107.33	(0.26)	6.9%	0.03
7.696 FEB 23, 2038	23-Feb-18	16.98	102.26	(0.38)	7.5%	0.04
7.625 NOV 28, 2047	28-Nov-17	26.75	101.52	(0.54)	7.5%	0.05
9.248 JAN 21, 2049	21-Nov-18	27.90	113.85	(0.54)	8.0%	0.04

Disclaimer

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