

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Pension Administrators Mop Up FGN Bonds, Shun T-Bills as Fund Grows to 12.90 trillion...

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FOREX MARKET: CBN Devalues Naira Against the USD at the SMIS Window to N430/USD...

In the new week, we expect Naira to stabilise against the USD amid rising crude oil prices and external reserves even as investors further adjust to the recently Naira devaluation at the SMIS window...

MONEY MARKET: CBN Further Cut Rate for 364-day Bills to 6.99% Despite Huge Auctioned Volume...

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BOND MARKET: FGN Bond Yields Move in Mixed Directions as Investors Eye Attractive Maturities...

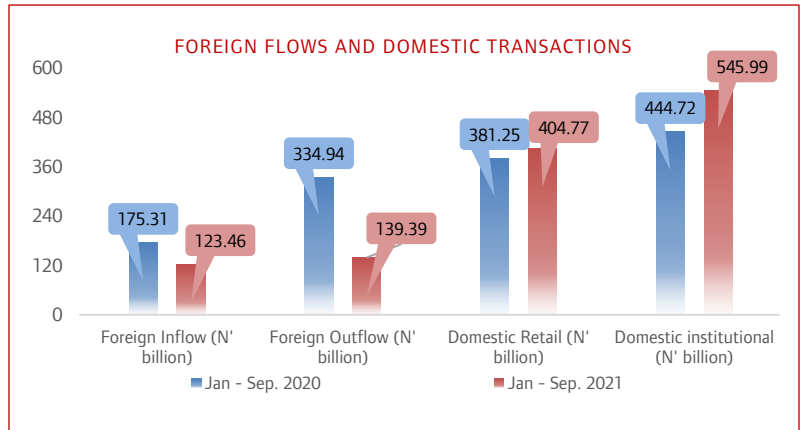
We note that traders sentiment would be shaped by the recent cut in T-bills rate for 364-day maturity to 6.99% (from 7.25%). Hence, Cowry Research expect the local OTC bond prices to increase (and yields to decrease) in the coming week...

EQUITIES MARKET: Investors Cash In N144.04 billion amid Sustained Bargain Hunting Activity...

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ECONOMY: Pension Administrators Mop Up FGN Bonds, Shun T-Bills as Fund Grows to 12.90 trillion...

Freshly released report on pension fund assets by National Pension Commission (NPC) showed that the total value of pension assets for the first eight months of the year rose by 4.83% to N12.90 trillion in August 2021. According to the report, most of the pension fund assets were invested in FGN bonds. Hence, share of FGN bonds to total assets climbed to 60.31% (or N7.78 trillion) in the period under review, from a 60.01% (or N7.38 trillion) it printed in December 2020. However, PFAs' investments in T-bills declined sharply year to date (YTD) by 34.61% to N410.81 billion as at August 2021 from N628.22 billion recorded in December



	Aug-21	Jul-21	%age Δ	2020 Avg
World Oil Demand mb/d	96.8	98.8	-0.73%	92.30
World Oil Supply mb/d	98.4	97.4	0.09%	94.23
World Rig Count	1434	1,380	3.91%	1,352

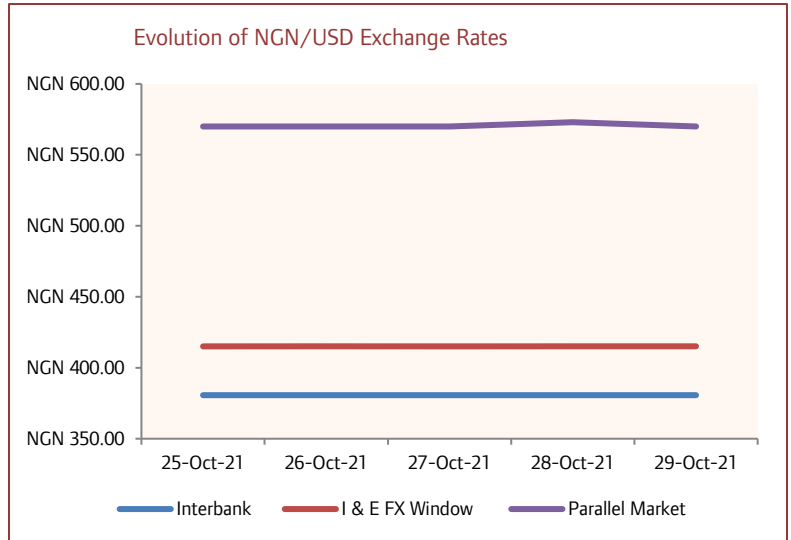
Source: Debt Management Office, US EIA, Cowry Research

2020 despite the improvement in treasury bills yields within the eight months of the year – T-bills rate rocketed to 6.8% at the end of August from 0.3% it printed in December 2020. Given the reduction in the weight of FGN Securities to the total assets (it fell to 64.27% in August 2021 from 66.07% in December 2020) as money flow to T-bills dropped, we saw Pension Fund Administrators (PFAs) investment preference drift towards Local Money Market Securities (LMMS) as total funds invested in this investment category rose by 25.84% to N2.12 trillion in September 2021 (lifting its share of the total assets to 16.46%), from N1.69 trillion in December 2020 (or 13.71% of total assets). Also, investment in LMMS showed that more pension fund assets were invested in Banks (which include Open Market Operations and DMBs fixed deposits) than in commercial papers. Total invested fund placed with banks as a percentage of total pension fund assets stood at 15.49% (or N1.99 trillion) in September 2021, rising from 12.44% (N1.53 trillion) in December 2020 while investment in commercial papers, constituting 0.97% of investment in LMMS, decreased to N0.13 trillion from N0.16 trillion (constituting 1.27%). Similarly, we saw Cash and Other Assets which constituted 1.01% (or N130 billion) of the total pension fund assets in August 2021 rise from 1.00% (or N122.79 billion) in December 2020. Similarly, funds invested in Real Estate Properties as a fraction of the total pension fund assets increased to 1.83% (or N235.91 billion) from 1.30% (or N159.70 billion) in the period under review. Investments in Sukuk and Green Bonds were relatively low as their respective shares of allocated pension assets stood at N73.80 billion and N11.50 billion in the month under review, rising from N93.55 billion and N13.81 billion respectively in December 2020. Meanwhile, pension fund assets investment in the domestic equities market moderated to N0.85 trillion in August 2021 from N0.86 trillion in December 2020; thus, reducing the weight of total pension funds in local equities market marginally to 6.56% from 6.98%. The equities market received lower “patronage” from “RSA FUND III” as its total invested funds reduced to N122.97 billion in August 2021, from N126.95 billion in December 2020. In another development, the Central Bank of Nigeria finally launched its e-Naira on Monday, October 25, 2021 – making its two applications eNaira Speed Wallet and eNaira Merchant Wallet downloadable on the Google Play Store and Apple Store. The President was more optimistic in his view that the launch of the eNaira would boost the country’s GDP to USD29 billion in the next 10 years as it boost remittances, improve financial inclusion, foster cross boarder trade.

We note that the increased investment by PFAs in Bank Placements and FGN Bonds was essentially to take advantage of the relatively high yields in OMO and bonds markets. Hence, we saw the demand pressure for T-bills spill over to the bonds market as CBN kept focus on expansionary monetary policy aimed at stimulating economic growth. In this last quarter, Cowry Research expect pension managers to increase their activities in the equities market as they buy stocks with good dividend yields, especially for RSA FUND II and III.

FOREX MARKET: CBN Devalues Naira Against the USD at the SMIS Window to N430/USD...

In line with our expectations, Naira depreciated slightly against the greenback by 0.01% to close at N415.10/USD at the Investors and Exporters FX window as CBN devalued the local currency against the USD at the Secondary Market Intervention Sales (SMIS) window. Hence, NGN/USD rate rose (Naira depreciated) by 12.95% to close at N430.00/USD (from N380.69/USD) at the Interbank Foreign Exchange market despite its weekly injections of USD210 million: USD100 million was allocated

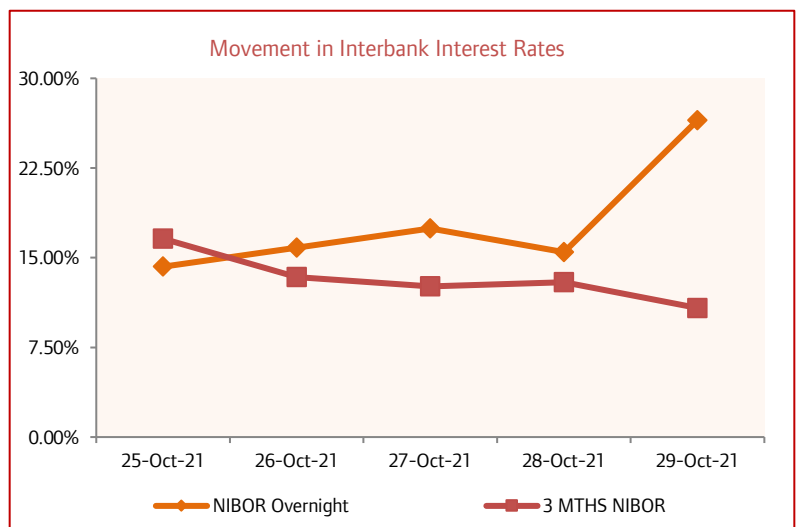


to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Also, the Naira/USD exchange rate was stable at the Parallel market to close at N570.00/USD. Elsewhere, the Naira/USD exchange rate rose for all of the foreign exchange forward contracts amid devaluation of the local currency at the SMIS window: 1 month, 2 months, 3 months, 6 months and 12 months contracts rose by 0.18%, 0.44%, 0.80%, 0.86% and 0.06% to close at N416.67/USD, N420.19/USD, N424.47/USD, N433.50/USD and N446.53/USD respectively.

In the new week, we expect Naira to stabilise against the USD amid rising crude oil prices and external reserves even as investors further adjust to the recently Naira devaluation at the SMIS window.

MONEY MARKET: CBN Further Cut Rate for 364-day Bills to 6.99% Despite Huge Auctioned Volume...

In the just concluded week, CBN sold T-bills worth N235.05 billion to mop up matured bills worth N150.05 billion. In line with our expectations, the 364-day bill was issued at lower rate despite the larger amount of bills sold. Hence, stop rate for 364-day bill moderated by 26bps to 6.99% from (7.25% which was also a drop from 7.50%). However, stop rates for 91-Day and 182-Day bills were left unchanged at 2.5% and 3.5% respectively. Also, CBN sold OMO bills worth N19 billion to

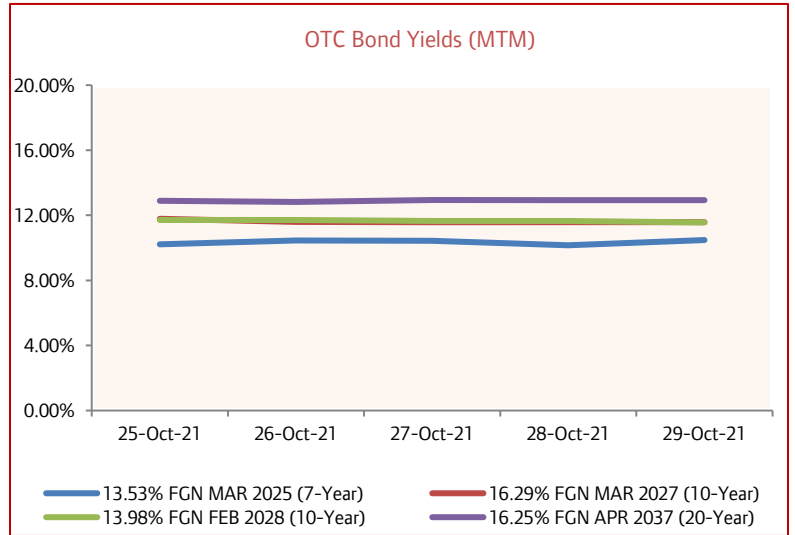


partly mop up liquidity amid N93 billion worth of maturing bills. Given the net inflow from OMO space, NIBOR fell for most tenor buckets tracked: 1 month, 3 months and 6 months NIBOR rose to 9.65% (from 11.47%), 10.79% (from 12.60%) and 11.40% (from 13.65%) respectively. Nevertheless, we saw liquidity pressure at the shorter end of the curve as overnight rate shot up to 26.50% (from 17.43%). Despite the decline in rate for 364-day t-bills, NITTY trended upward for most maturities tracked - NITTY for 1 month, 6 months and 12 months increased to 3.22% (from 3.16%), 5.05% (from 5.02%), 7.61% (from 7.60%) respectively. However, NITTY for 3 months fell to 3.89% (from 3.92%).

In the new week, we expect NIBOR to moderate for most maturities tracked as the N103.80 billion worth of OMO bills bolster financial system liquidity ease.

BOND MARKET: FGN Bond Yields Move in Mixed Directions as Investors Eye Attractive Maturities...

In the just concluded week, the value of FGN bonds moved in mixed directions in the secondary market as investors eye maturities with attractive yields. Specifically, the 10-year 16.29% FGN MAR 2027 bond and the 10-year 13.98% FGN MAR 2028 debt gained N0.86 and N0.66 respectively; their corresponding yields moderated to 11.58% (from 11.79%) and 11.56% (from 11.71%) respectively. On the flip side, the 5-year, 13.53% FGN APR 2025 paper and the 20-year 16.25% FGN MAR 2037 paper

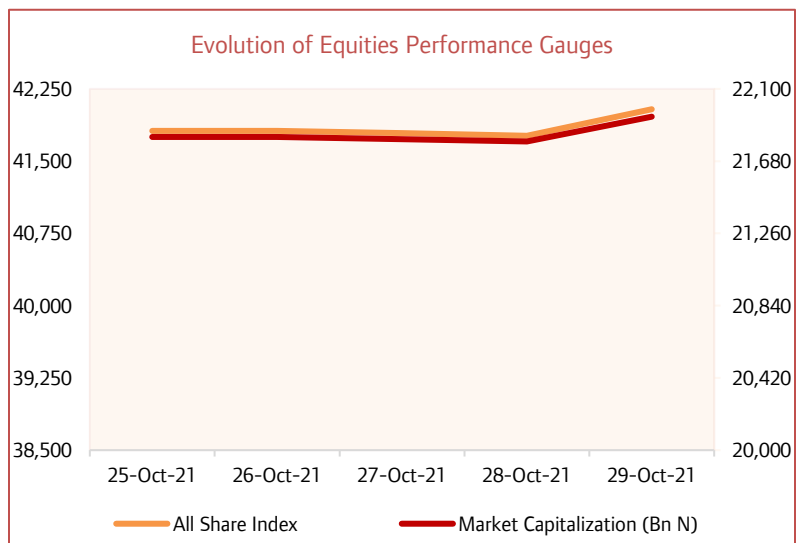


lost N0.78 and N0.43 respectively; their corresponding yields rose to 10.48% (from 10.23%) and 12.94% (from 12.89%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.24, USD0.04 and USD0.53 respectively; their corresponding yields rose to 3.93% (from 3.81%), 8.12% (from 8.11%) and 8.24% (from 8.19%) respectively.

We note that traders sentiment would be shaped by the recent cut in T-bills rate for 364-day maturity to 6.99% (from 7.25%). Hence, Cowry Research expect the local OTC bond prices to increase (and yields to decrease) in the coming week.

EQUITIES MARKET: Investors Cash In N144.04 billion amid Sustained Bargain Hunting Activity...

In line with our expectations, the local equities market extended its positive momentum as investors cashed in N144.04 billion as corporates rounded up on filing their 9 months financial results on the Exchange. Hence, the NSE ASI increased w-o-w by 0.66% to close above 42,000 points. Specifically, stronger interests were noted on shares of UPL, AIICO, GUINNESS, CADBURY, ETI and TOTAL as their respective prices rose by 45%, 32%, 23%, 18%, 18% and 18% w-o-w. Similarly, most



sector gauges closed in green territory, particularly the Insurance sector as its index ballooned by 5.28% to close at 179.92 points. Also, NSE Oil/Gas, NSE Banking, NSE Consumer Goods and the NSE Industrial indexes rose by 4.04%, 2.43%, 1.52% and 0.49% respectively to close at 390.90 points, 410.39 points, 569.51 points and 2,177.38 points respectively. Meanwhile, market activity was relatively stronger chiefly due to the significant transaction on ETERNA shares worth N10.79 billion today Hence, deals, volume and the value of stocks traded rocketed by 23.11%, 88.69% and 95.87% to 26,617deals, 2.95 billion units and N36.01 billion respectively.

In the new week, Cowry Research expects the local bourse index to further increase as investors digest the 9Months financial results released so far, and position in those companies that have printed higher profitability and are likely to pay good dividend.

Top Ten Gainers				Bottom Ten Losers			
Symbol	29-Oct-21	22-Oct-21	%Change	Symbol	29-Oct-21	22-Oct-21	% Change
UPL	2.17	1.50	45%	GLAXOSMITH	6.10	7.00	-13%
AIICO	1.24	0.94	32%	FTNCOCOA [RST]	0.44	0.49	-10%
GUINNESS	36.30	29.50	23%	FBNH	11.05	12.25	-10%
CADBURY	9.45	8.00	18%	REGALINS	0.37	0.41	-10%
ETI	8.90	7.55	18%	NGXGROUP	20.00	22.00	-9%
TOTAL	240.80	204.90	18%	ABCTRANS	0.31	0.34	-9%
NPFMCRFBK	1.95	1.75	11%	SOVRENINS	0.22	0.24	-8%
NEIMETH	1.94	1.76	10%	AFRIPRUD	6.35	6.80	-7%
COURTVILLE	0.44	0.40	10%	ROYALEX	0.50	0.53	-6%
UNIVINSURE	0.22	0.20	10%	DANGSUGAR	17.00	18.00	-6%

Weekly Stock Recommendations as at Friday, October 29, 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 2021	1,018.22	1.55	1.29	3.53	5.52	12.57	27.50	15.40	19.50	25.00	16.58	22.43	28.21	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.29	3.02	3.99	1.40	2.78	3.28	2.36	3.20	18.15	Buy
May & Baker	Q3 2021	1,110.54	0.56	0.64	3.93	1.11	7.80	5.18	1.79	4.36	6.09	3.71	5.01	39.68	Buy
NEM	Q3 2021	3,627.68	0.51	0.36	1.94	1.03	3.95	2.69	0.98	2.00	2.39	1.70	2.30	19.50	Buy
UBA	Q3 2021	115,103.90	3.33	3.37	20.32	0.42	2.59	9.25	4.40	8.60	9.50	7.31	9.89	10.47	Buy
WAPCO	Q3 2021	48,148.40	1.91	2.99	22.33	1.21	14.10	27.00	8.95	27.00	30.00	22.95	31.05	11.11	Buy
Zenith Bank	Q3 2021	191,014.20	7.34	6.08	35.56	0.71	3.44	29.52	10.70	25.25	30.18	21.46	29.04	19.51	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, October 29, 2021

FGN Eurobonds	Issue Date	TTM (years)	29-October-21 Price (N)	Weekly Naira Δ	29-October-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.33	100.75	(0.65)	7.0%	0.10
8.747 JAN 21, 2031	21-Nov-18	9.24	107.51	(0.61)	7.6%	0.09
7.875 16-FEB-2032	16-Feb-17	10.31	101.94	(0.75)	7.6%	0.10
7.696 FEB 23, 2038	23-Feb-18	16.33	96.27	(0.04)	8.1%	0.00
7.625 NOV 28, 2047	28-Nov-17	26.10	93.43	(0.53)	8.2%	0.05
9.248 JAN 21, 2049	21-Nov-18	27.25	106.10	(0.38)	8.7%	0.03

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