

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Ease in October Inflation Rate to 15.99%, GDP Growth of 4.03% Good Omen for Nigeria...

Recently, we have seen Naira appreciate against other foreign currencies, especially the greenback hence, easing the foreign exchange volatility the country experienced couple of months ago. Also, the increase in food supply on account of the ongoing harvest season would as well ease inflation in the month of November. However, we might see upward pressures in annual inflation rate in December amid retail price increases associated with consumer spending in the yultide season...

FOREX MARKET: Naira Gains Against USD for Most FX Forward Contracts on High Crude Prices...

In the new week, we expect Naira to remain stable against the USD as external reserves continue to grow amid rising crude oil prices at the international market...

MONEY MARKET: Money Market Yields Moderate Despite Muted Activity at the Primary Market...

In the new week, T-bills worth N151.73 billion will mature via the primary and secondary markets to exceed T-bills worth N118.73 billion which will be auctioned by CBN via the primary market; viz: 91-day bills worth N3.54 billion, 182-day bills worth N4.12 billion and 364-day bills worth N111.07 billion. Cowry Research expects the stop rates of the 364-day to moderate amid expected boost in financial system liquidity...

BOND MARKET: Investors Demand Higher Yields as DMO Increases Rate for 50s Maturities...

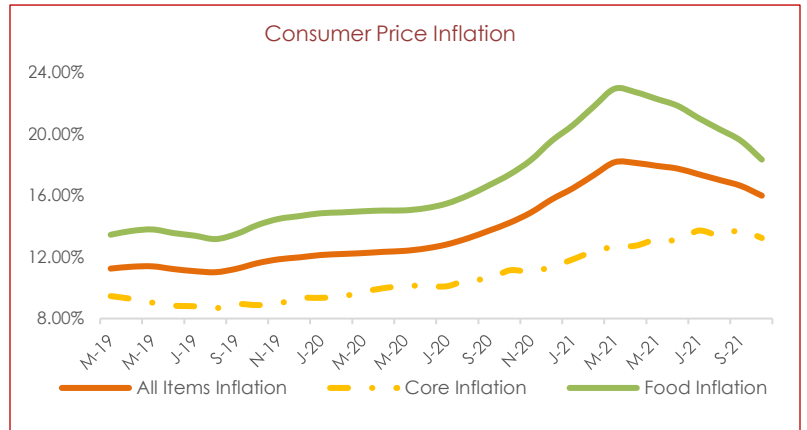
In the new week, we expect local OTC bond prices to decrease (and yields to increase) as traders react to higher rates, especially for the 50s maturities. Hence, we note that the rise in rate for 50s in the primary market provides buy opportunities going forward...

EQUITIES MARKET: Investors Loses N28.05 billion as All-Share Index Falls by 0.12%...

In the new week, Cowry Research expects the local bourse index to close positively as investors respond to the newly released positive economic numbers such as good growth in GDP rate and declining inflation rate. Also, we feel investors will continue to position in those companies that have sound fundamentals...

ECONOMY: Ease in October Inflation Rate to 15.99%, GDP Growth of 4.03% Good Omen for Nigeria...

October inflation report by NBS showed sustained ease in headline inflation, the seventh consecutive disinflation, to 15.99% in October (from 16.63% recorded in September). This was chiefly driven by slower increase in food Inflation. Slower inflation rates were also registered in both urban and rural areas at 16.52% (from 17.19%) and 15.48% (from 16.08%) respectively in October; also based on moderation in food inflation. Against the backdrop of the harvest season coupled with sustained high-base effect, the food Index rose at a slower pace, by 18.34% in October (compared to 19.57% recorded in September)



| Monthly Global Oil Market Watch | | | | |
|---------------------------------|---------|--------|--------|----------|
| | Sept-21 | Aug-21 | %age Δ | 2020 Avg |
| World Oil Demand mb/d | 99.3 | 98.5 | 0.82% | 92.30 |
| World Oil Supply mb/d | 96.7 | 96.1 | 0.57% | 94.23 |
| World Rig Count | 1,448 | 1,434 | 0.98% | 1,352 |

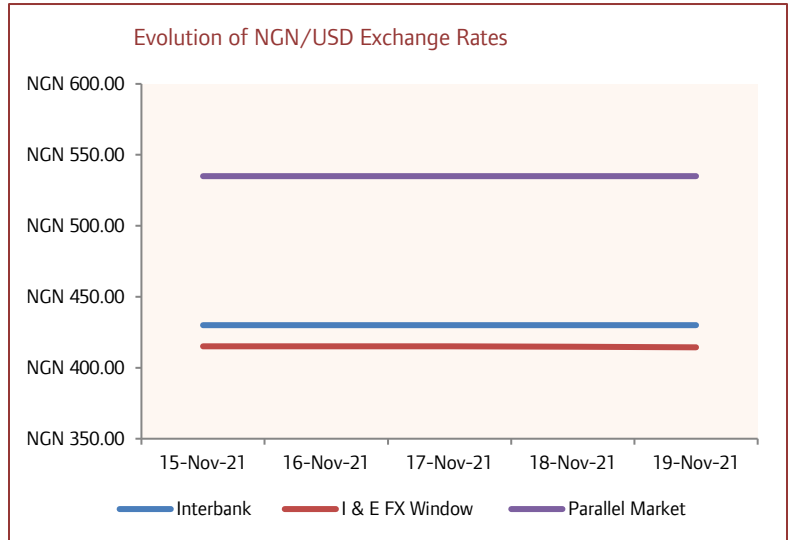
Source: Debt Management Office, US EIA, Cowry Research

as there were weaker y-o-y increases in prices of oils & fats, bread & cereals, fish, coffee, tea & cocoa, tubers, dairy and egg. Similarly, core inflation rate eased to 13.27% (from 13.74% in September) on the back of slower y-o-y rise in prices of clothing & footwear, Housing water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance. Meanwhile, imported food index rose by 17.24% (as against 17.19% in September) as Naira further depreciated against the greenback at the Parallel market and the interbank window. Two months moving average foreign exchange rate at the Parallel market rose m-o-m by 4.94% to N562.80/USD in October 2021. On a month-on-month basis, headline inflation declined in October to 0.98% (from 1.15%) amid sustained moderation in prices of food items (food inflation rate fell to 0.91% from 1.26%) even as core inflation rate moderated to 0.80% (from 1.24%). In another development, Nigeria recorded a year-on-year (y-o-y) real output growth rate of 4.03% to N18.54 trillion (or USD123.38 billion) in the third quarter of 2021 to sustain its recovery from last year's recession. Recently, the Central Bank of Nigeria (CBN) Governor, Mr. Godwin Emefiele, reportedly stated that about N3 trillion had been disbursed to households, small and medium scale enterprises, smallholder farmers and pharmaceutical companies amongst others to cushion the negative impact of COVID-19 on the local economy. Specifically, the rapid growth was driven essentially by a 5.44% growth in non-oil sector; with Trade, Information & Communication, Manufacturing and Agricultural sectors recording the largest growth rates of 11.90%, 9.66%, 4.29% and 1.22% respectively. Financial services also witnessed a strong growth of 23.23% (from a decline of 2.48% in Q2). In the oil & gas sector, however, we saw a 10.73% y-o-y drop in real output to N1.39 trillion (or USD9.24 billion) as average daily oil production fell y-o-y by 7.79% to 1.35 million barrels per day (mbpd). We note that the increase in crude oil price to USD85 per barrel appeared insufficient to compensate for the reduction in Nigeria's crude oil production. On a quarterly basis, real GDP increased by 11.07% to N18.54 trillion (or USD123.38 billion) from N16.69 trillion (or USD111.08 billion) in Q2 2021; with the non-oil sector rising by 10.99% to N17.15 trillion (or USD114.13 billion). Agriculture, the largest contributor to real GDP at 29.94%, rose q-o-q by 39.83%. Also, the oil & gas sector increased by 12.05% to N1.39 trillion (or USD9.24 billion).

Recently, we have seen Naira appreciate against other foreign currencies, especially the greenback hence, easing the foreign exchange volatility the country experienced couple of months ago. Also, the increase in food supply on account of the ongoing harvest season would as well ease inflation in the month of November. However, we might see upward pressures in annual inflation rate in December amid retail price increases associated with consumer spending in the yuletide season. Meanwhile, Cowry Research notes that the increase in output would also drive inflation rate lower, especially in the agricultural sector which grew 39.83% in a quarter.

FOREX MARKET: Naira Gains Against USD for Most FX Forward Contracts on High Crude Prices...

In line with our expectations, the Naira/USD exchange rate fell further (Naira appreciated) for most of the foreign exchange forward contracts amid rising external reserves: 1 month, 2 months, 3 months, 6 months and 12 months contracts fell by 0.07%, 0.15%, 0.20%, 0.22% and 0.14% to close at N415.57/USD, N418.22/USD, N421.02/USD, N430.06/USD and N447.00/USD respectively. Also, the Naira/USD exchange rate moderated by 0.17% at the Investors and Exporters FX window to

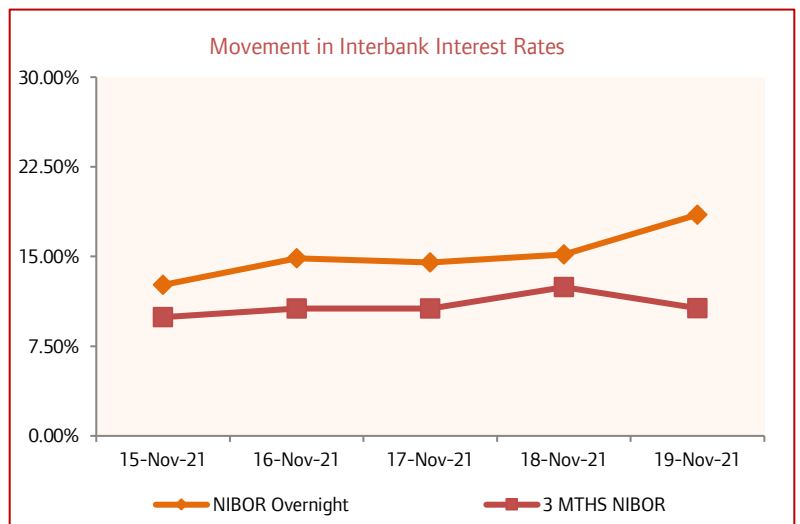


close at N414.40/USD. However, Naira was flattish against the greenback at N535/USD at the Parallel market. Elsewhere, the NGN/USD closed flat at N430.00/USD at the Interbank Foreign Exchange market despite its weekly injections of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles.

In the new week, we expect Naira to remain stable against the USD as external reserves continue to grow amid rising crude oil prices at the international market.

MONEY MARKET: Money Market Yields Moderate Despite Muted Activity at the Primary Market...

In the just concluded week, activities in the primary market remained quiet as CBN did not offer t-bills. In line with our expectations most of the yields moderated as traders maintained bullish stance. Hence, NITTY for 3 months, 6 months and 12 months fell to 3.61% (from 3.79%), 4.63% (from 4.80%) and 6.66% (from 6.87%) respectively. However, 1 month rose to 3.02% (from 2.92%). Meanwhile, given the net inflow of N45.50 billion in OMO bills we saw liquidity boost in the interbank space, hence

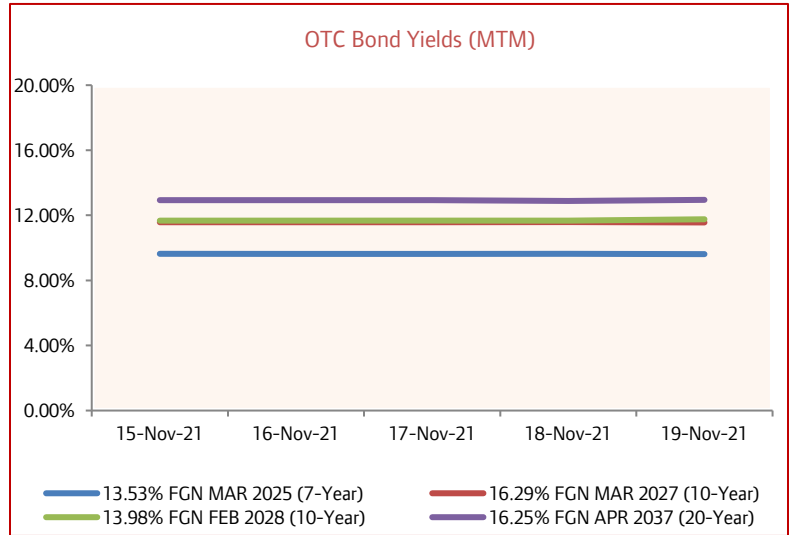


NIBOR fell for most of the tenor buckets tracked. Notably, 1 month, 3 months and 6 months NIBOR moderated to 9.66% (from 9.67%), 10.67% (from 11.02%) and 11.30% (from 11.86%) respectively. However, overnight rate rose to 18.50% (from 17.17%).

In the new week, T-bills worth N151.73 billion will mature via the primary and secondary markets to exceed T-bills worth N118.73 billion which will be auctioned by CBN via the primary market; viz: 91-day bills worth N3.54 billion, 182-day bills worth N4.12 billion and 364-day bills worth N111.07 billion. Cowry Research expects the stop rates of the 364-day to moderate amid expected boost in financial system liquidity.

BOND MARKET: Investors Demand Higher Yields as DMO Increases Rate for 50s Maturities...

In the just concluded week, the DMO allotted N225.25 billion worth of bonds; viz N37.15 billion for the 12.50% FGN JAN 2026, N32.19 billion for the 16.25% FGN APR 2037 and N155.91 billion for the 12.98% FGN MAR 2050. Stop rates for 26s and 37s stood flattish at 11.95% and 12.95% respectively. However, stop rate for 50s marginally rose to 13.30% (from 13.20%). Also, the value of FGN bonds was bearish for most maturities we tracked in the secondary market as investors reacted to

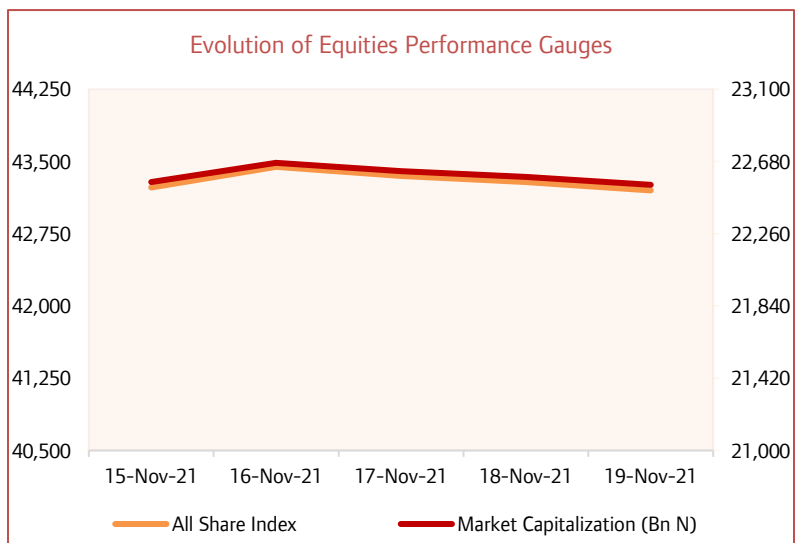


the marginal increase in 50s maturity. Particularly, the 10-year 16.29% FGN MAR 2027 bond and the 20-year 16.25% FGN MAR 2037 paper lost N0.38 and N0.54 respectively; their corresponding yields rose to 11.76% (from 11.68%) and 12.95% (from 12.88%) respectively. On the flip side, the 10-year 13.98% FGN MAR 2028 debt gained N0.05; its corresponding yield fell to 11.56% (from 11.59%). However, the 5-year, 13.53% FGN APR 2025 paper stood flattish at 9.63%. 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 USD0.14, USD2.04 and USD2.13 respectively; their corresponding yields rose to 4.22% (from 4.16%), 8.37% (from 8.13%) and 8.45% (from 8.24%) respectively.

In the new week, we expect local OTC bond prices to decrease (and yields to increase) as traders react to higher rates, especially for the 50s maturities. Hence, we note that the rise in rate for 50s in the primary market provides buy opportunities going forward.

EQUITIES MARKET: Investors Loses N28.05 billion as All-Share Index Falls by 0.12%...

In the just concluded week, the local stock market closed in negative territory on renewed sell-offs, especially on banking stocks such as GTCO and ZENITHBANK. Hence, the NSE ASI plummeted w-o-w by 0.12% to close at 43,199.27 points. Also, the sub-sector gauges mirrored the benchmark index as all of the indices closed southwards. The NSE Banking, NSE Insurance, NSE Consumer Goods, NSE Oil/Gas and the NSE Industrial indices plummeted by 1.60%, 0.47%, 1.41%, 3.63%



and 0.10% to close at 391.61 points, 176.79 points, 560.85 points, 368.03 points and 2,194.36 points respectively. Meanwhile, market activity came in mixed as deals and volume of stocks traded decreased by 2.06% and 5.37% to 19,990 deals and 1.39 billion units respectively. However, the value of stock traded increased by 33.17% to 27.89 billion.

In the new week, Cowry Research expects the local bourse index to close positively as investors respond to the newly released positive economic numbers such as good growth in GDP rate and declining inflation rate. Also, we feel investors will continue to position in those companies that have sound fundamentals.

| Top Ten Gainers | | | | Bottom Ten Losers | | | |
|-----------------|-----------|-----------|---------|-------------------|-----------|-----------|----------|
| Symbol | 19-Nov-21 | 12-Nov-21 | %change | Symbol | 19-Nov-21 | 12-Nov-21 | % Change |
| VITAFOAM | 21.90 | 18.70 | 17.11% | CUTIX | 3.21 | 5.60 | -42.68% |
| PRESTIGE [BLS] | 0.47 | 0.43 | 9.30% | NGXGROUP | 15.95 | 18.10 | -11.88% |
| CORNERST | 0.56 | 0.52 | 7.69% | TOTAL | 216.80 | 240.80 | -9.97% |
| UPL | 2.30 | 2.18 | 5.50% | NEIMETH | 1.80 | 1.98 | -9.09% |
| AIRTELAFRI | 915.00 | 871.70 | 4.97% | ETERNA | 6.65 | 7.31 | -9.03% |
| MANSARD | 2.35 | 2.28 | 3.07% | LINKASSURE | 0.51 | 0.56 | -8.93% |
| LIVESTOCK | 2.06 | 2.00 | 3.00% | VERITASKAP | 0.21 | 0.23 | -8.70% |
| JAIZBANK | 0.65 | 0.64 | 1.56% | CHAMS | 0.22 | 0.24 | -8.33% |
| CUSTODIAN | 7.75 | 7.65 | 1.31% | ROYALEX | 0.49 | 0.53 | -7.55% |
| NAHCO | 3.53 | 3.50 | 0.86% | UNILEVER | 13.50 | 14.60 | -7.53% |

Weekly Stock Recommendations as at Friday, November 19, 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 | 818.52 | 1.55 | 1.04 | 4.95 | 3.94 | 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 | 0.28 | 2.89 | 3.99 | 1.40 | 2.57 | 3.28 | 2.26 | 3.06 | 23.48 | Buy |
| May & Baker | Q3 2021 | 1,176.57 | 0.56 | 0.68 | 3.93 | 1.14 | 8.03 | 5.18 | 1.79 | 4.49 | 6.09 | 3.82 | 5.16 | 35.63 | Buy |
| NEM | Q3 2021 | 2,478.90 | 0.51 | 0.25 | 1.94 | 0.99 | 3.81 | 2.69 | 0.98 | 1.90 | 2.39 | 1.64 | 2.22 | 23.83 | Buy |
| UBA | Q3 2021 | 132,489.53 | 3.33 | 3.87 | 20.32 | 0.42 | 2.54 | 9.25 | 4.40 | 8.20 | 9.50 | 7.18 | 9.72 | 12.43 | Buy |
| WAPCO | Q3 2021 | 48,473.52 | 1.91 | 3.01 | 22.33 | 1.14 | 13.32 | 27.00 | 8.95 | 25.00 | 30.00 | 21.68 | 29.33 | 17.65 | Buy |
| Zenith Bank | Q3 2021 | 203,419.07 | 7.34 | 6.48 | 35.56 | 0.67 | 3.27 | 29.52 | 10.70 | 23.90 | 32.14 | 20.40 | 27.60 | 33.90 | Buy |

FGN Eurobonds Trading Above 7% Yield as at Friday, November 19, 2021

| FGN Eurobonds | Issue Date | TTM (years) | 19-November-21 Price (N) | Weekly Naira Δ | 19-November-21 Yield | Weekly PPT Δ |
|--------------------|------------|-------------|--------------------------|----------------|----------------------|--------------|
| 7.143 FEB 23, 2030 | 23-Feb-18 | 8.29 | 100.29 | (0.31) | 7.35% | 0.05 |
| 8.747 JAN 21, 2031 | 21-Nov-18 | 9.20 | 107.43 | 0.05 | 7.85% | (0.00) |
| 7.875 16-FEB-2032 | 16-Feb-17 | 10.27 | 102.02 | 0.06 | 7.88% | (0.00) |
| 7.375 SEP 28, 2033 | 28-Sep-21 | 11.88 | 98.35 | (0.80) | 7.87% | 0.11 |
| 7.696 FEB 23, 2038 | 23-Feb-18 | 16.29 | 96.12 | (0.38) | 8.37% | 0.05 |
| 7.625 NOV 28, 2047 | 28-Nov-17 | 26.06 | 93.46 | (0.25) | 8.45% | 0.03 |
| 9.248 JAN 21, 2049 | 21-Nov-18 | 27.21 | 106.25 | (0.28) | 8.86% | 0.03 |
| 8.25 SEP 28, 2051 | 28-Sep-21 | 29.90 | 98.19 | (0.37) | 8.65% | 0.04 |

Disclaimer

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