

Cowry Financial Markets Review, Outlook & Recommended Stock

Segment Outlook:

ECONOMY: Nigeria's Trade Deficit Rises by 61.62% to N3.02 trillion as Imports Ballooned in Q3 2021 ...

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MONEY MARKET: Stop Rate for 364-Day and 182-Day Bills Moderate amid Strong Investor Appetite...

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BOND MARKET: FGN Bonds Yields Fall for Most Maturities Tracked...

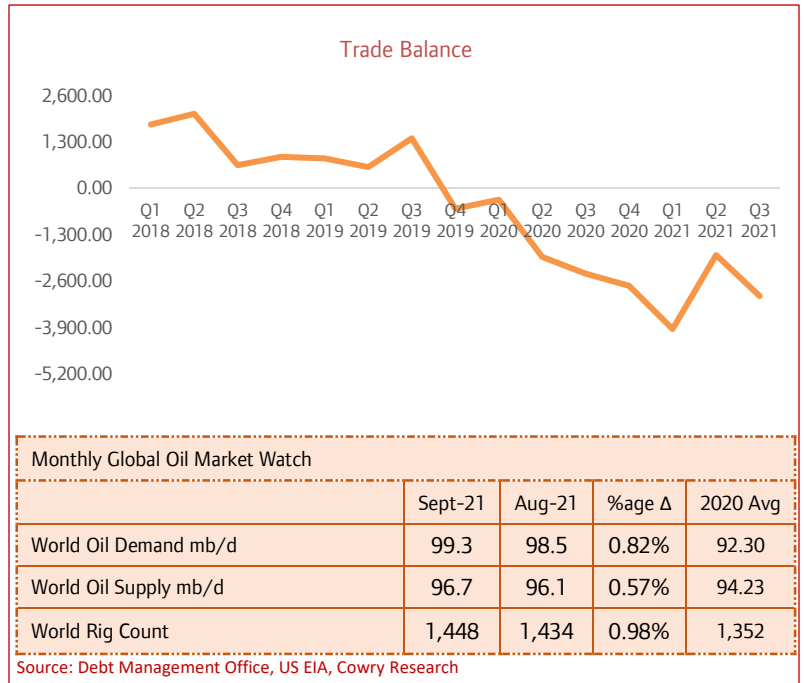
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EQUITIES MARKET: Local Bourse All-Share Index Moderates by 0.68% on DANGCEM Shares...

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ECONOMY: Nigeria’s Trade Deficit Rises by 61.62% to N3.02 trillion as Imports Ballooned in Q3 2021 ...

Freshly released data on foreign trade statistics by the National Bureau of Statistics (NBS) showed that total merchandise trade rose by 10.43% to N13.28 trillion in Q3 2021 (from N12.03 trillion printed in Q2 2021) as imports of food & live animals, petroleum products and machinery & appliances ballooned in the review period. Hence, given the rise in total merchandise imports which overshoot the marginal rise in merchandise exports, Nigeria’s merchandise trade deficit widened to N3.02 trillion in Q3 2021 from N1.87 trillion registered in Q2 2021 at the end of September 2021 from 9.15% it printed in June 2021. Specifically,



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

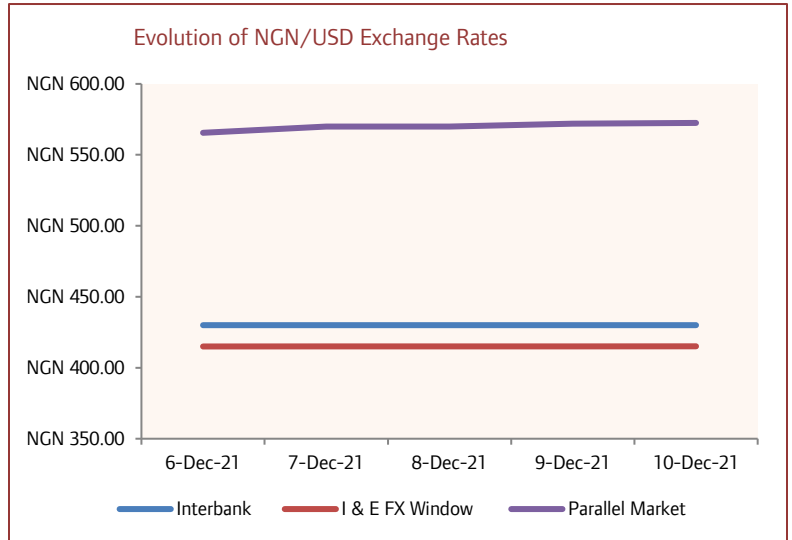
Source: Debt Management Office, US EIA, Cowry Research

exports which constituted 38.62% of the total trade barely rose q-o-q by 1.00% to N5.13 trillion in Q3 2021. Imports which accounted for 61.38% of the total trade rose by 17.32% to N8.15 trillion. Further breakdown of the total exports showed that sale of crude oil accounted for 78.48% (N4.03 trillion), maintaining a flattish change from N4.08trn recorded in Q2 2021 – chiefly due to the sustained high crude oil prices at above quarterly average of USD80 per barrel despite the quarterly average volume of crude oil sales per day moderating to 1.36 million barrels in Q3 2021, from 1.42 million barrels printed in Q2 2021. Non-crude oil exports which represented 21.52% (N1.10 trillion) of the total export grew q-o-q by 10.28%. Notably, imports into the country increased q-o-q by 17.32% to N8.15trn in Q3 2021. The rise was chiefly driven by higher food and live animals import (+18.22%), solid minerals import (+35.25%), chemicals & related products import (+11.30%) and manufactured goods import (+10.34%) respectively. Major suppliers of goods to Nigeria include China, United States and India respectively as their respective share of total imports stood at 29.95%, 7.35% and 8.71% in Q3 2021. In the quarter under review, Nigeria’s exported goods to Economic Community of West African States and other African countries increased to N668.22 billion, higher than the value of N584.10 billion printed in Q2 2021. In another development, the Central Bank of Nigeria (CBN) revealed in its recently released monthly economic report for August 2021 that foreign capital inflow into Nigeria fell m-o-m by 29% to USD44 million in August 2021 compared with the USD62 million printed in July 2021. Further breakdown of capital inflow by type of investment showed that USD24 million went into money market instruments, constituting 53.8% of the total inflow. About USD16 million went into loans (accounting for 36.9%) while just USD4 million was foreign direct investment (constituting the balance of 9.3%). Most of the capital came in from the United Kingdom (UK), followed by the United State of America (USA) and United Arab Emirates as their respective share of the inflow stood at 41.5% and 20.6% and 17.1% respectively. On the flip side, capital outflow decreased by 26.5% to USD44 million in August from USD60 million it recorded in July 2021. The decline in outflow, compensated for the moderation in inflow in the review period, hence reducing the pressure on external reserves. Also boosting the external reserves in August to USD36.13 billion from USD33.49 billion in July, was the eventual disbursement of Special Drawing Rights (SDRs) by the International Monetary Fund to member countries which Nigeria got too

Cowry Research notes that the widened trade deficit amid rising petroleum products and manufactured goods imports partly triggered the pressure on the Naira against USD and the resultant devaluation of the local currency at the SMIS Winodw by Central Bank of Nigeria in Q3 2021. Also, the sticky rise in exports value speaks to the need for FG to further create an enabling business environment that would promote exports of other products outside crude oil.

FOREX MARKET: Naira Loses Against USD at the I&E FX Window amid Demand Pressure...

In the just concluded week, the Naira/USD exchange rate rose (Naira depreciated) by 0.09% at the Investors and Exporters FX window to close at N415.10/USD amid increased demand for USD. Also, Naira depreciated against the greenback by 1.23% to close at N572.50/USD at the Parallel market. However, NGN/USD closed flat at N430.00/USD at the Interbank Foreign Exchange market amid its weekly injections of USD210 million: USD100 million was allocated to Wholesale Secondary

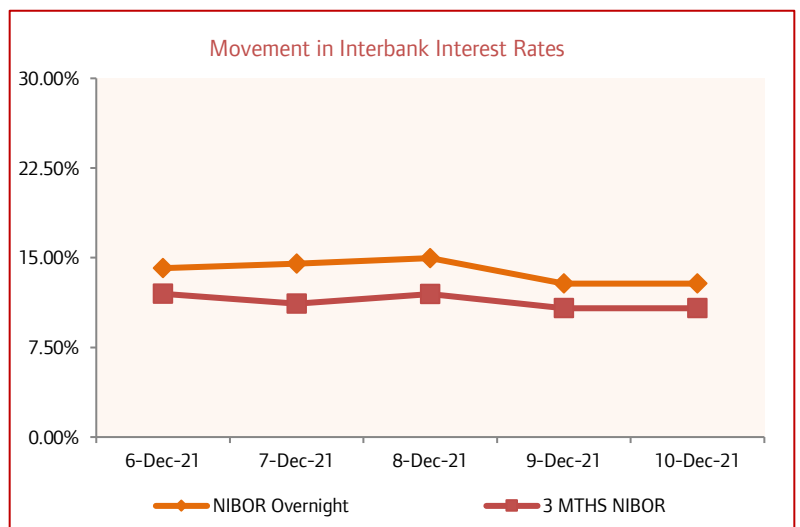


Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate moved in different directions across foreign exchange forward contract maturities. Specifically, spot rate, 1 month and 3 months contracts were flattish at N430/USD, N416.08/USD and N421.31/USD respectively. However, 6 months and 12 months contracts decreased (Naira appreciated) by 0.02% and 0.05% to close at N430.39/USD and N447.92/USD respectively while 2 months contract depreciated by 0.06% to close at N418.70/USD.

In the new week, we expect Naira to weaken slightly against the USD as crude oil price may fall slightly amid threat of lockdown due to the new COVID-19 variant (Omicron).

MONEY MARKET: Stop Rate for 364-Day and 182-Day Bills Moderate amid Strong Investor Appetite...

In the just concluded week, CBN sold T-bills worth N53.73 billion to completely mop up the same amount of matured treasury bills. Notably, the 364-day bill was issued at lower rate amid strong investor appetite. Hence, stop rate for 364-day bill moderated further to 5.34% from (5.89%). Surprisingly, we saw marginal decline in stop rate for 182-Day bill to 3.45% from 3.50% while the stop rates for 91-Day bill was unchanged at 2.5%. Activities in the secondary market was largely bullish as

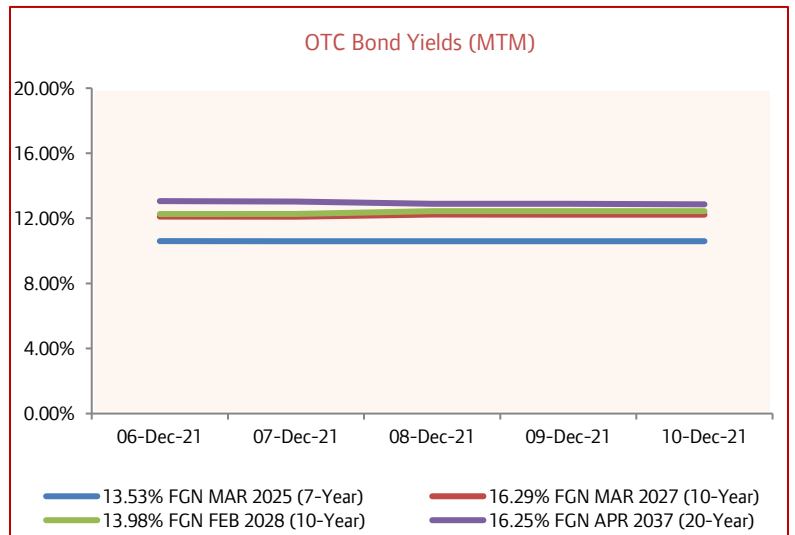


traders moved in the direction of the 364-day and 182-day bill rates. Hence, NITTY for 6 months and 12 months fell to 4.47% (from 4.70%) and 5.89% (from 6.09%) respectively. On the flip side, yield for 3 months rose to 3.55% (from 3.43%) while yield on 1 month was flat at 3.06%. Meanwhile, amid auction of N30.00 billion and OMO bills worth N50.00 billion, we saw a net inflow of N20.00 billion in the course of the week. Hence, NIBOR fell for all of the tenor tracked. Overnight, 1 month, 3 months and 6 months NIBOR moderated to 12.83% (from 14.10%), 10.07% (from 11.35%), 10.77% (from 11.82%) and 11.73% (from 12.42%) respectively.

In the new week, T-bills worth N45.86 billion will mature via the primary and secondary markets to exceed T-bills worth N5.86 billion which will mature via the primary market; viz: 91-day bills worth N0.96 billion and 182-day bills worth N1.10 billion and 364-day bill worth N3.80 billion. Hence, we expect the relatively small amount of T-bills to be refinanced at lower rates amid expected high demand.

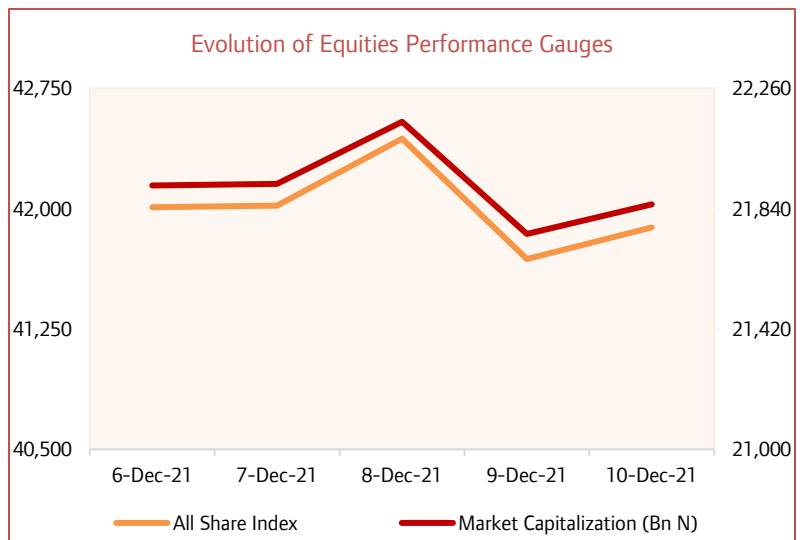
BOND MARKET: FGN Bonds Yields Fall for Most Maturities Tracked...

In the just concluded week, the value of FGN bonds moderated for most maturities tracked. Specifically, the 10-year 13.98% FGN MAR 2028 debt and the 10-year 16.29% FGN MAR 2027 bond lost N2.04 and N2.63 respectively; their corresponding yields rose to 12.23% (from 11.76%) and 12.44% (from 11.86%) respectively amid renewed sell pressure. However, the 5-year, 13.53% FGN APR 2025 paper and the 20-year 16.25% FGN MAR 2037 debt gained N0.02 and N1.53; their corresponding yields fell to 10.59% (from 10.61%) and 12.86% (from 13.06%) amid renewed buy sentiment. Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for all maturities tracked on sustained buy interest; 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 gained USD0.33, USD1.54 and USD1.48 respectively; their corresponding yields fell to 4.38% (from 4.61%), 8.51% (from 8.70%) and 8.60% (from 8.76%) respectively. In the new week, we expect the value of FGN Eurobonds to further rise (and yields to decrease) as rates remain attractive at upper band of 8%.



EQUITIES MARKET: Local Bourse All-Share Index Moderates by 0.68% on DANGCEM Shares...

In line with our expectations, the domestic stock market closed southward amid sustained weak sentiment, especially on the cement giant shares, DANGCEM, which depreciated 10% to N252 per share this week. Amid sustained profit taking activity on the local bourse, the All-Share Index fell w-o-w by 0.68% to close at 41,882.97 points. On the positive side, the equities market appeared to be recovering from the bearish turn as most sub-indices tracked closed strongly in green.



The NGX Banking, NGX Insurance, NGX Consumer Goods and NGX Oil/Gas indices gained 5.55%, 1.24%, 0.11% and 1.27% to close at 402.71 points, 190.86 points, 546.96 points and 352.67 points respectively. However, the NGX Industrial index fell by 5.42% to close at and 2,073.32 points. Meanwhile, market activity came in strong as investors demanded for banking shares. Hence, volume and value of stocks traded jumped by 105.70% and 55.13% to 2.63 billion units and N26.90 billion respectively. However, deals fell by 0.97% to 20,848 deals.

In the new week, Cowry Research expects the local stock market to be bullish amid renewed interest in banking shares. Hence, we feel this would spread across other real sector companies too as evident in the share price of Guinness among others.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Dec 10 2021	Dec 3 2021	%Change	Symbol	Dec 10 2021	Dec 3 2021	% Change
CHIPLC	0.55	0.44	25%	UNITYBNK	0.43	0.51	-16%
ACADEMY	0.47	0.39	21%	DANGCEM	252.00	280.00	-10%
UPDC [BLS]	1.18	0.99	19%	LINKASSURE	0.51	0.56	-9%
ROYALEX	0.60	0.53	13%	ABCTRANS	0.31	0.34	-9%
ETI	9.05	8.00	13%	MAYBAKER	4.10	4.49	-9%
CHAMPION [BLS]	2.71	2.40	13%	CUTIX	2.65	2.89	-8%
GTCO	26.50	24.10	10%	AIICO	0.68	0.74	-8%
ZENITHBANK	25.50	23.50	9%	UACN	9.20	10.00	-8%
GUINNESS	39.00	36.30	7%	CUSTODIAN	7.10	7.70	-8%
UPDCREIT	4.40	4.10	7%	NEIMETH	1.63	1.75	-7%

Weekly Stock Recommendations as at Friday, December 10, 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	3.90	12.44	27.50	15.40	19.30	25.00	16.41	22.20	29.53	Buy
Fidelity Bank	Q3 2021	19,180.00	0.92	0.66	9.44	0.27	2.76	3.99	1.40	2.54	3.28	2.16	2.92	29.32	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.04	7.33	5.18	1.79	4.10	6.09	3.49	4.72	48.54	Buy
NEM	Q3 2021	2,478.90	0.51	0.25	1.94	1.16	4.44	2.69	0.98	2.25	2.39	1.91	2.59	6.22	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.40	2.42	9.25	4.40	8.05	9.50	6.84	9.26	18.01	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.11	12.98	27.00	8.95	24.85	30.00	21.12	28.58	20.72	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.72	3.47	29.52	10.70	25.50	32.14	21.68	29.33	26.02	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, December 10, 2021

FGN Eurobonds	Issue Date	TTM (years)	10-December-21 Price (N)	Weekly Naira Δ	10-December-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.21	98.31	1.73	7.4%	(0.29)
8.747 JAN 21, 2031	21-Nov-18	9.12	104.57	1.56	8.0%	(0.24)
7.875 16-FEB-2032	16-Feb-17	10.19	98.72	1.57	8.1%	(0.23)
7.375 SEP 28, 2033	28-Sep-21	11.81	95.64	1.92	8.0%	(0.26)
7.696 FEB 23, 2038	23-Feb-18	16.22	92.87	1.54	8.5%	(0.19)
7.625 NOV 28, 2047	28-Nov-17	25.98	89.93	1.48	8.6%	(0.16)
9.248 JAN 21, 2049	21-Nov-18	27.13	101.98	1.34	9.1%	(0.13)
8.25 SEP 28, 2051	28-Sep-21	29.82	94.24	1.42	8.8%	(0.14)

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