

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: NGX All-Share Index Closes in Green Despite Declining FPIs' Transactions in 2021 ...

In line with our expectations, the equities market was bullish in the first month of the year amid releases of the Unaudited FY 2021 financial results. This, was despite the dwindling level of participation by the foreign portfolio investors. Hence, we expect the positive momentum to be sustained, as domestic investors consolidate on their positions, up until March 2022 by which time most corporates would have released their audited FY 2021 financial results and declared dividends. Going forward from April 2022, the performance of the local bourse would chiefly depend on the perceived level of risk in the political space as well as the performance of companies in Q1 2022...

FOREX MARKET: Naira Depreciates Marginally against USD on I&E FXW...

In the new week, we expect Naira to remain relatively stable against the USD amid high crude oil prices at the international market; although, the lower than budgeted crude oil production remains worrisome as this would reduce the country's foreign currency proceeds...

MONEY MARKET: Investors Bullish at the Longer End of the Yield Curve ahead of Auction Next Week...

In the new week, T-bills worth N238.01 billion will mature via the primary and secondary markets to exceed T-bills worth N98.01 billion which will mature via the primary market; viz: 91-day bills worth N4.12 billion, 182-day bills worth N3.75 billion and 364-day bills worth N90.15 billion. Hence, we expect the stop rate to marginally increase as investors bid higher to compensate for the increased level of uncertainty...

BOND MARKET: FGN Bond Yields Increase for Most Maturities Tracked on Renewed Bearish Trend...

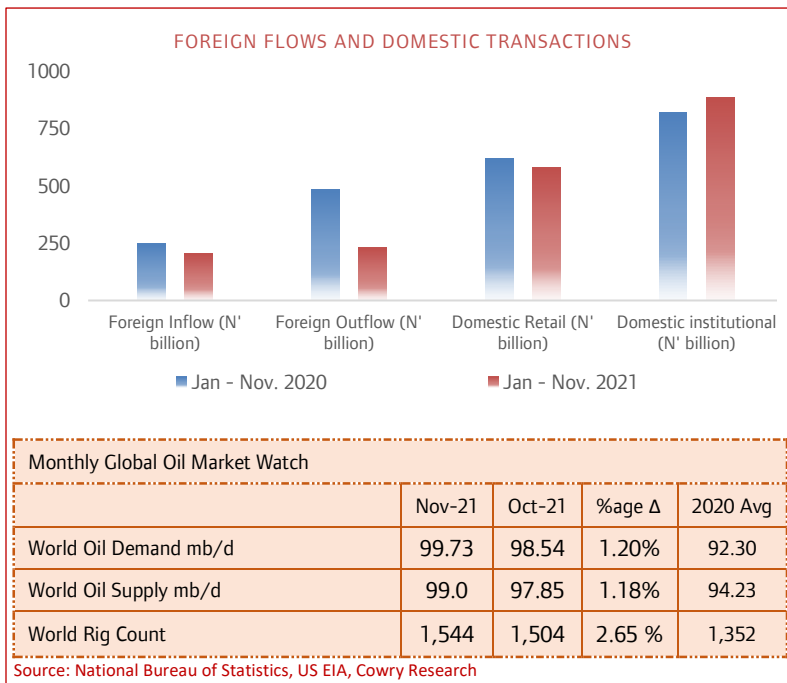
In the new week, we expect the value of FGN Bonds to mirror the trend in the money market amid plans by CBN to auction NTB in the week...

EQUITIES MARKET: ACADEMY, CONOIL, NGXGROUP Lift NGX Index by 2.33% in One Week...

In the new week, we expect the equities market to sustain its bullish momentum as investors anticipate the release of corporates' FY 2021 financial statements...

ECONOMY: NGX All-Share Index Closes in Green Despite Declining FPIs' Transactions in 2021...

Freshly released report by the Nigerian Exchange (NGX) on domestic and foreign portfolio participation in equities trading showed that total equities market transactions plummeted in the year 2021 compared to the value of transactions executed in the corresponding year of 2020. The decrease in total transaction was chiefly due to the very weak appetite of foreign portfolio investors (FPIs) amid sustained fear of foreign exchange volatility eroding their returns on investment. Foreign investors appeared to have their reservations about the Naira not being fairly priced against the greenback. Nevertheless,

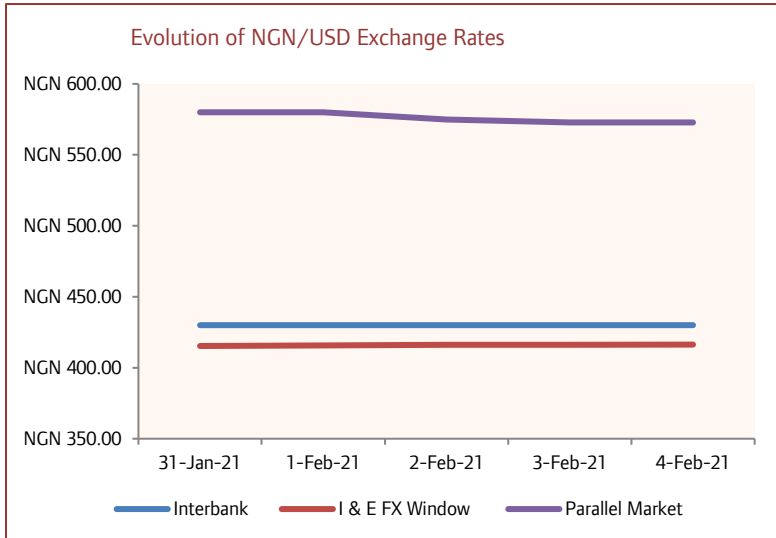


local investors, especially the institutional players, dominated the equities market as they accumulated more shares to take position in some fundamentally sound stocks as they await the release of the full year 2021 financial results of corporates. With the recent releases of companies' unaudited FY 2021 financial statements, domestic investors appear to be set for a rewarding dividend pay-out – as their returns are not as prone to exchange rate risk. Notably, we saw local players participation in the equities market increase in the second half of the year than in the first – as fixed income securities yields, especially treasury bills yield, nosedived in H2 2021 contrary to its northward direction in H1 2021. Further breakdown showed that domestic institutional investors generated the highest transaction value, followed by retail investors; while foreign portfolio investors' contribution remained the least with N24.74 billion net outflows. Hence, the ratio of total domestic transactions to total foreign transactions tilted higher to 77:23 to end the year 2021, from 66:34 in the year 2020 – total domestic transactions increased by 1.84% while total foreign portfolio transactions plummeted by 40.41% - amid net foreign investors outflows. As depicted by the numbers, total transactions on the NGX mellowed to N1.89 trillion in 2021 (from N2.17 trillion in 2020); of which total domestic transactions rose marginally (y-o-y) to N1.46 trillion (from N1.43 trillion). However, the FPI transactions decreased significantly to N434.50 billion in the review period (from N729.20 billion in 2020). A further breakdown of the FPI transactions YTD in 2021 showed that foreign portfolio inflows moderated to N204.88 billion (from N247.27 billion); also, foreign portfolio outflows decreased to N229.62 billion in 2021 from N481.93 billion YTD in 2020. On the part of local investors, we saw increased stake in the equities market – their purchase transactions were N743.52 billion, higher than N721.16 billion worth of outflows. Further breakdown showed that retail inflow transactions was N283.96 billion, lower than N294.07 billion outflows as they largely sold off more than they accumulated. Domestic institutional investors' inflow transactions were N459.46 billion, higher than the N427.15 billion worth of outflows from them. Hence, as local institutional investors threw their weight behind equities market chiefly in H2 2021 (during which stop rate for 364-day T-bills moderated to 4.90% in December 2021 from 9.15% in June 2021), the NSE All Share Index (ASI) rocketed by 6.07% to 42,716.44 index points to end the market session in 2021.

In line with our expectations, the equities market was bullish in the first month of the year amid releases of the Unaudited FY 2021 financial results. This, was despite the dwindling level of participation by the foreign portfolio investors. Hence, we expect the positive momentum to be sustained, as domestic investors consolidate on their positions, up until March 2022 by which time most corporates would have released their audited FY 2021 financial results and declared dividends. Going forward from April 2022, the performance of the local bourse would chiefly depend on the perceived level of risk in the political space as well as the performance of companies in Q1 2022.

FOREX MARKET: Naira Depreciates Marginally against USD on I&E FXW...

In the just concluded week, the Naira/USD exchange rate rose (Naira depreciated) by 0.08% to close at N416.33/USD at the I&E FX Window despite the crude oil price hitting USD91.30 per barrel as at Thursday, February 3, 2022. However, Naira appreciated against the greenback by 1.24% to close at N572.83/USD at the Parallel market. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated

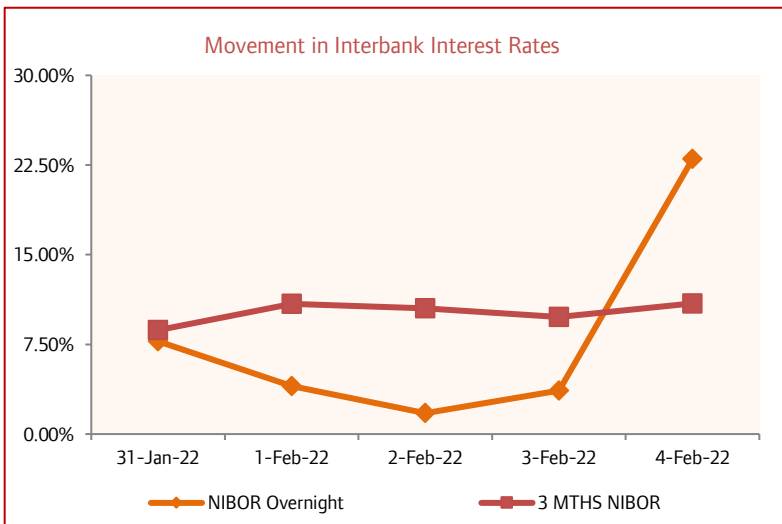


to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate strengthened (Naira gained) for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts decreased by 0.09%, 0.12%, 0.19%, 0.21% and 0.23% to close at N418.55/USD, N421.82/USD, N424.77/USD, N434.08/USD and N448.78/USD respectively.

In the new week, we expect Naira to remain relatively stable against the USD amid high crude oil prices at the international market; although, the lower than budgeted crude oil production remains worrisome as this would reduce the country’s foreign currency proceeds.

MONEY MARKET: Investors Bullish at the Longer End of the Yield Curve ahead of Auction Next Week...

In the just concluded week, given the muted activity in the primary market, investors swooped down on the 12 months maturities in the secondary market. Hence, NITTY for 12 months maturities decreased to 5.62% (from 5.96%) ahead of auction in the new week. However, NITTY for 1 month, 3 months and 6 months maturities increased to 2.89% (from 2.50%), 3.45% (from 3.19%) and 4.36% (from 4.22%) respectively. Meanwhile, despite the financial system liquidity, amid inflow of

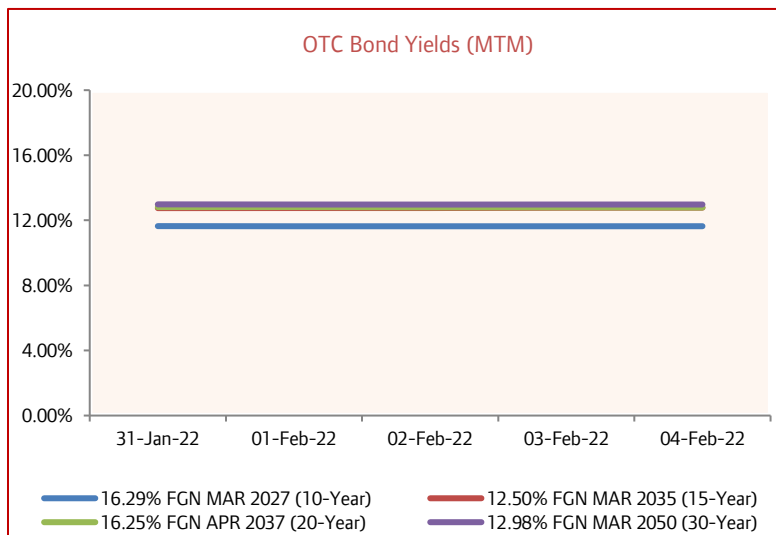


N102.23 billion, most tenor buckets still closed northward. Specifically, NIBOR for Overnight, 1 month and 3 months tenor buckets rose to 23.00% (from 8.50%), 9.59% (from 9.35%) and 10.93% (from 10.65%) respectively. However, 6 Months rate fell to 11.05% (from 11.30%).

In the new week, T-bills worth N238.01 billion will mature via the primary and secondary markets to exceed T-bills worth N98.01 billion which will mature via the primary market; viz: 91-day bills worth N4.12 billion, 182-day bills worth N3.75 billion and 364-day bills worth N90.15 billion. Hence, we expect the stop rate to marginally increase as investors bid higher to compensate for the increased level of uncertainty.

BOND MARKET: FGN Bond Yields Increase for Most Maturities Tracked on Renewed Bearish Trend...

In the just concluded week, investors were bearish in the secondary market as the value of FGN bonds traded decreased for most maturities tracked amid demand for higher yields. Specifically, the yields of 10-year, 16.29% FGN MAR 2027 paper, 15-year 12.50% FGN MAR 2035 bond and the 30-year 12.98% FGN MAR 2050 instrument lost N0.05, N0.50 and N0.18; their corresponding yield increased to 11.65% (from 11.64%), 12.78% (from 12.70%) and 12.97% (from 12.95%) respectively.

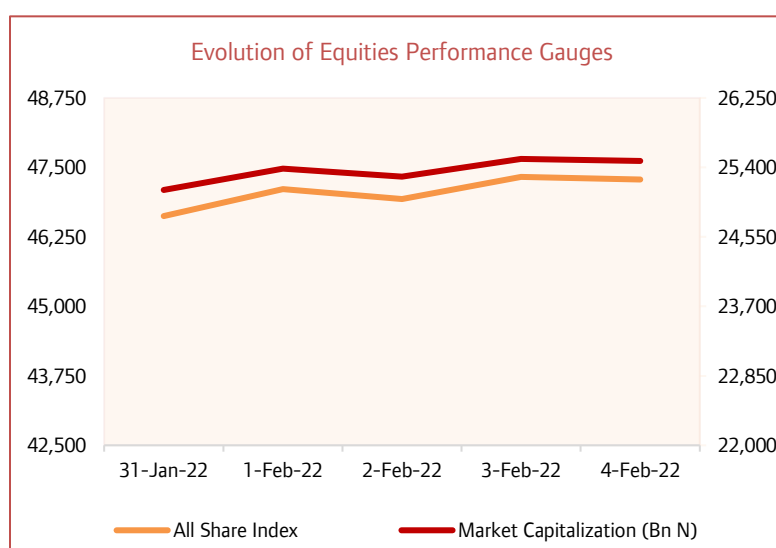


On the flip side, 20-year 16.25% FGN MAR 2037 debt gained N0.20; its corresponding yield fell to 12.79% (from 12.81%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for most maturities tracked on renewed bearish sentiment; the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.62 and USD1.34 respectively; their corresponding yields increased to 8.96% (from 8.88%) and 8.98% (from 8.83%) respectively. However, the 10-year, 6.375% JUL 12, 2023 bond gained N0.11 and its corresponding yield fell further to 3.51% (from 3.63%).

In the new week, we expect the value of FGN Bonds to mirror the trend in the money market amid plans by CBN to auction NTB in the week.

EQUITIES MARKET: ACADEMY, CONOIL, NGXGROUP Lift NGX Index by 2.33% in One Week...

In line with our expectations, the local bourse witnessed yet another bullish momentum in the just concluded week as bargain hunters continued to show preference for companies with increased profitability year-on-year. Also, investors' appetite appeared to be stimulated by the not-too-long-to-be-announced dividend payments by corporates. Hence, the All-Share Index rose strongly w-o-w by 2.33% to close at 47,279.92points while the market capitalization added N579.21 billion w-o-w to close at N25.48 trillion.



Notably, ACADEMY share price closed 32% higher at N1.24 amid impressive financial performance. Also, share prices of CONOIL, SCOA, NGXGROUP, OANDO and CUSTODIAN increased by 21%, 20%, 15%, 11% and 11% respectively. Sub-sector wise, the NGX Banking, NGX Oil/Gas, and the NGX Industrial indices rose by 0.83%, 7.69% and 3.41% respectively to close at 443.10 points, 422.72 points and 2,137.00 points respectively. On the flip side, the NGX Insurance index and the NGX Consumer Goods index lost 1.93% and 0.81% to close at 183.09 points and 571.31 points respectively. Meanwhile, market activity boomed as deals, volume and value of stocks traded increased by 23.34%, 23.23% and 2.80% respectively, to 27,822.00, 1.78 billion units and N19.61 billion respectively.

In the new week, we expect the equities market to sustain its bullish momentum as investors anticipate the release of corporates' FY 2021 financial statements.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Feb 4 2022	Jan 28 2022	%Change	Symbol	Feb 4 2022	Jan 28 2022	% Change
ACADEMY	1.24	0.94	32%	ABCTRANS	0.33	1.04	-68%
CONOIL	26.50	21.95	21%	COURTVILLE	0.53	0.60	-12%
SCOA	1.25	1.04	20%	CAVERTON	1.55	1.75	-11%
NGXGROUP	24.25	21.15	15%	INTBREW [BLS]	5.30	5.90	-10%
OANDO [MRF]	5.16	4.63	11%	JAPAULGOLD	0.37	0.41	-10%
CUSTODIAN	7.90	7.10	11%	ETERNA	5.45	6.01	-9%
SEPLAT	870.00	790.00	10%	PRESTIGE [BLS]	0.42	0.46	-9%
PRESCO	94.50	87.80	8%	ETI	12.10	13.10	-8%
GTCO	27.50	25.65	7%	MBENEFIT	0.26	0.28	-7%
FIDSON	8.11	7.60	7%	FBNH [MRF]	11.10	11.95	-7%

Weekly Stock Recommendations as at Friday, February 4, 2022

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	Q2 2021	19,180.00	0.92	0.66	9.44	0.30	3.10	3.99	1.40	2.85	3.28	2.42	3.28	15.25	Buy
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.09	7.69	5.18	1.79	4.30	6.09	3.66	4.95	41.63	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.42	2.57	9.25	4.40	8.55	9.50	7.27	9.83	11.11	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	1.19	13.84	27.00	8.95	26.50	30.00	22.53	30.48	13.21	Buy

FGN Eurobonds Trading Above 7% Yield as at Friday, February 4, 2022

FGN Eurobonds	Issue Date	TTM (years)	4-February-22 Price (N)	Weekly Naira Δ	4-February-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.06	97.30	0.10	7.6%	(0.02)
8.747 JAN 21, 2031	21-Nov-18	8.97	103.06	0.64	8.3%	(0.10)
7.875 16-FEB-2032	16-Feb-17	10.04	97.30	0.36	8.3%	(0.05)
7.375 SEP 28, 2033	28-Sep-21	11.65	93.22	0.40	8.3%	(0.06)
7.696 FEB 23, 2038	23-Feb-18	16.06	89.37	(0.62)	9.0%	0.08
7.625 NOV 28, 2047	28-Nov-17	25.83	86.44	(1.34)	9.0%	0.15
9.248 JAN 21, 2049	21-Nov-18	26.98	98.62	(0.78)	9.4%	0.08
8.25 SEP 28, 2051	28-Sep-21	29.67	90.31	(1.04)	9.2%	0.11

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