

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

ECONOMY: Capital Importation Plunges by 30.61% to USD6.7 Bn in 2021 amid Worsening Insecurity...

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FOREX MARKET: Naira Depreciates against USD at I&E FX Window as Political Activity Gets Intense...

In the new week, we expect some level of pressure on the Naira against USD as investors convert their assets to dollar denominated assets amid heightened uncertainty...

MONEY MARKET: Stop Rate for 364-day Bill Rises to 4.45% as Investors Bidded High...

In the new week, we expect activity in the money market to be bearish amid limited maturing treasury and OMO bills. Investors who won the auctions are expected to dispose them amid anticipation of rising rates in a fortnight...

BOND MARKET: FGN Bond Yields Move in Mixed Directions Across Maturities Tracked...

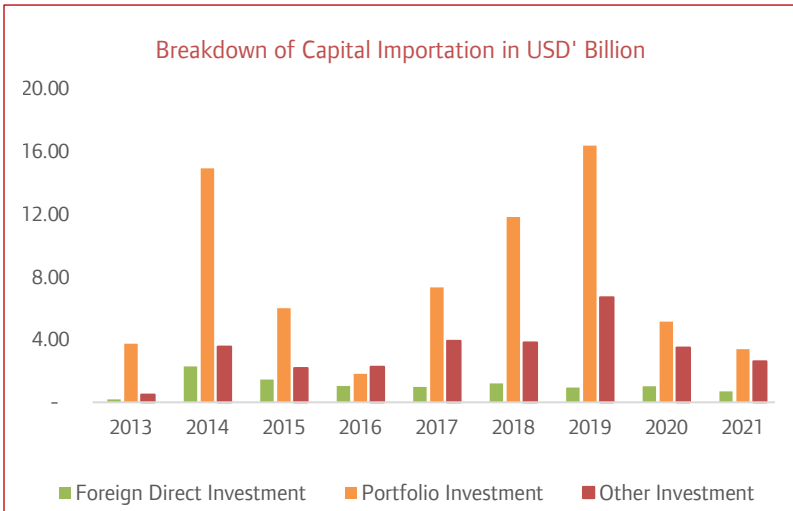
In the new week, we expect to see bearish activity in the FGN bond space amid rising yields in the money market – the 364-day NTB auction was done at 45bps higher from the previous stop rate of 4.00%...

EQUITIES MARKET: Mark-Down on Zenith Shares for Dividend Drags NGX All-Share Index by 0.26%...

In the new week, we expect the domestic equities market index to close in negative territory as more companies share prices are marked-down for dividend qualification. However, we feel that investors would use this opportunity to accumulate stock with strong fundamentals...

ECONOMY: Capital Importation Plunges by 30.61% to USD6.7 Bn in 2021 amid Worsening Insecurity...

Recently released data from the National Bureau of Statistics (NBS) showed that Nigeria’s capital importation plunged by 30.61%, year-on-year, to USD6.7 billion in 2021 from USD9.66 billion in 2020. Capital inflow into Nigeria in 2020 still outweighed what was recorded in 2021 despite the sit-at-home order enforced in 2020 by governments of most countries which disrupted the free flow of investments. A breakdown of the FY 2021 capital imports showed that Foreign Portfolio Investments (FPI), which accounted for 50.53% of the total inflow, declined y-o-y by 34.10% to USD3.39 billion. Similarly, Foreign Direct Investments (FDIs), which constituted 10.43%, registered a y-o-y decrease of 32.00% to USD698.78 million amid investor apathy due to the worsening insecurity – the recent attack by bandits on the newly constructed Kaduna – Abuja railway line could further constraint investment inflows, especially that of FDIs. Other investments (mainly comprised of Foreign Loans and other claims), which constituted 39.04%, tanked y-o-y by 39.04% to USD2.62 billion in 2021 from USD3.49 billion in 2020. A more detailed analysis of FPIs’ investment in Nigeria revealed that more funds went into the money market space as it accounted for 77.24%; while investments in bonds and shares accounted for 16.66% and 6.10% respectively. Notably, capital inflows from Equities FPIs nosedived by 72.65% y-o-y to USD206.54 million in 2021. FPIs investment in Money market instruments tumbled by 37.00% y-o-y to USD2.61 billion while investment inflows by FPIs in Bonds rocketed by 143.97% y-o-y to USD564.11 million in 2021. Meanwhile, Foreign Loans (the largest component of other investments) fell by -6.94% y-o-y to USD2.38 billion in 2021. Notably, Banking (21.80%), Shares (16.33%), Production (13.94%) and Financing (11.70%) sectors were the largest recipients of the foreign capital injection from United Kingdom (USD2.29 billion) and South Africa (USD1.05 billion).



Source: National Bureau of Statistics, Cowry Research

Monthly Global Oil Market Watch				
	Feb-22	Jan-22	%age Δ	2021 Avg
World Oil Demand mb/d	101.38	99.30	2.08%	97.05
World Oil Supply mb/d	99.76	99.05	0.71%	94.43
World Rig Count	1,623	1,566	0.57 %	1,361

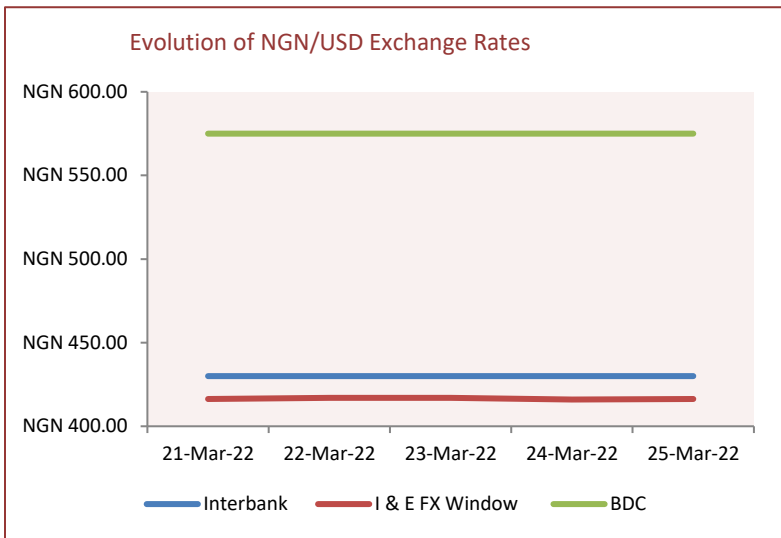
Source: National Bureau of Statistics, US EIA, Cowry Research



Cowry Research notes that insecurity, exchange rate volatility and high cost of doing business in Nigeria have done major disservice to foreign investment into the country, hence the continuing decline in capital importation. Importantly, there is need for the fiscal authority to live up to its responsibility to restore investors’ confidence by finding lasting solution to the current issue of insecurity in the country. Hence, we note that any effort by the monetary authority to use the benchmark rate to drive foreign investment inflow would end up in futility as potential investors see worsening insecurity and depreciation of the Naira/USD as major challenges.

FOREX MARKET: Naira Depreciates against USD at I&E FX Window as Political Activity Gets Intense...

In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.07% to close at N416.63/USD at the I&E FX Window. Also, Naira lost further against the greenback at the Parallel market by 0.20% to close at N587.00/USD as political activity becomes more intense – we have seen more aspirants spring up in various political parties even as zoning the presidency becomes more debatable. At the Interbank Foreign Exchange market, NGN/USD closed flat at

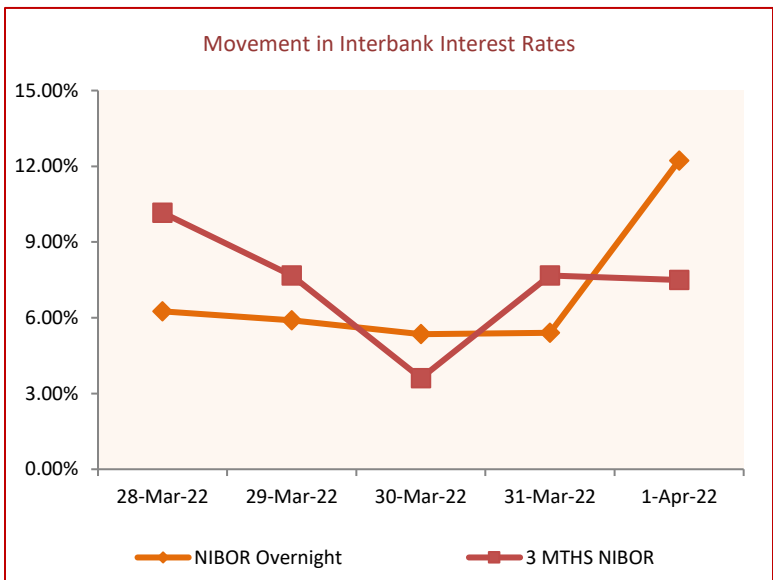


N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate appreciated for most of the foreign exchange forward contracts. Specifically, 1 month, 2 months and 12 months contracts gained 0.01%, 0.02% and 0.13% to close at N418.13/USD, N420.99/USD and N448.18/USD respectively. However, 3 months, 6 months contracts lost 0.02% each to close at N424.08/USD and N433.03/USD respectively.

In the new week, we expect some level of pressure on the Naira against USD as investors convert their assets to dollar denominated assets amid heightened uncertainty.

MONEY MARKET: Stop Rate for 364-day Bill Rises to 4.45% as Investors Bidded High...

In the just concluded week, CBN allotted T-bills worth N175.19 billion to refinance the N143.29 billion worth of matured treasury bills. Notably, amid investors weak appetite which triggered increase in cost of fund for CBN, the stop rate for 364-day bill rose to 4.45% (from 4.00%). Stop rates for 91-day bill and 182-day bill were relatively flattish at 1.75% and 3.00% respectively. Investors in the secondary market traded in tandem with the bearish sentiment witnessed in the primary market. Hence, NITTY rose for most maturities tracked,

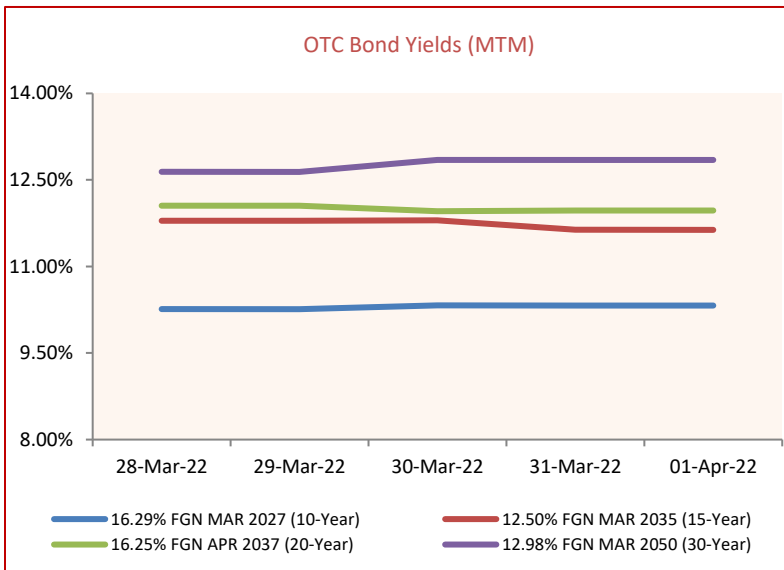


especially for the longer maturity. Specifically, NITTY rose for 3 months, 6 months and 12 months maturities to 2.76% (from 2.71%), 3.36% (from 3.22%) and 4.43% (from 4.24%) respectively. However, NITTY for 1 month maturity fell to 2.23% (from 2.33%). Meanwhile, the OMO space was a bit busy as CBN auctioned N50 billion worth of bills more than the matured OMO bills worth N42 billion. Despite the N10 billion net inflow NIBOR moved in mixed directions – while Overnight funds and 6 Months tenor buckets rose to 12.23% (from 7.73%) and 8.22% (from 8.19%) respectively, 1 month and 3 months tenor buckets fell to 7.51% (from 7.53%) and 7.50% (from 7.68%) respectively.

In the new week, we expect activity in the money market to be bearish amid limited maturing treasury and OMO bills. Investors who won the auctions are expected to dispose them amid anticipation of rising rates in a fortnight.

BOND MARKET: FGN Bond Yields Move in Mixed Directions Across Maturities Tracked...

In the just concluded week, sentiment in the secondary market was a mixed-bag as the value of FGN bonds traded moved in mixed directions across maturities tracked and traders cherry-picked bonds maturities. Specifically, the 10-year, 16.29% FGN MAR 2027 paper and the 30-year 12.98% FGN MAR 2050 instrument depreciated by N0.35 and N1.61 while their yields rose to 10.32% (from 10.26%) and 12.85% (from 12.64%) respectively. On the flip side, the 15-year 12.50% FGN MAR 2035 bond and the 20-year

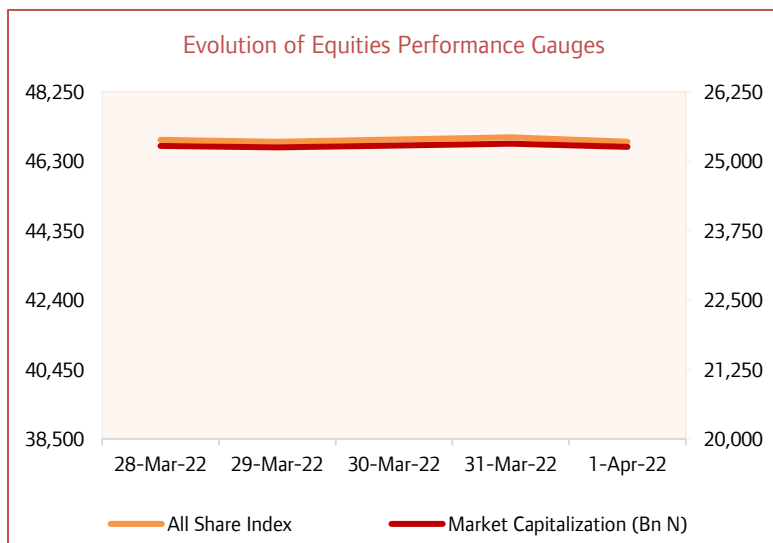


16.25% FGN MAR 2037 debt appreciated by N1.08 and N0.69 respectively; their corresponding yields decreased to 11.63% (from 11.79%) and 11.97% (from 12.05%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for all maturities tracked on renewed bullish sentiment. The 10-year, 6.375% JUL 12, 2023 bond, 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD0.59, USD2.49 and N2.15 respectively; their corresponding yields moderated to 4.80% (from 5.29%), 9.39% (from 9.73%) and 9.49% (from 9.76%) respectively.

In the new week, we expect to see bearish activity in the FGN bond space amid rising yields in the money market – the 364-day NTB auction was done at 45bps higher from the previous stop rate of 4.00%.

EQUITIES MARKET: Mark-Down on Zenith Shares for Dividend Drags NGX All-Share Index by 0.26%...

In the just concluded week, the local equities market witnessed yet another sell-off amid investors’ bearish sentiment. Notably, the bearish trend was aggravated by the mark-down on ZENITH shares for dividend qualification on Monday, March 28, 2022. Also, we saw profit taking on shares of BERGER (18.00%), REGALINS (16.00%), REDSTAREX (14.00%), UPDC (14.00%) and LEARNAFRICA (13.00%). Given the bearish momentum, the All-Share Index fell by 0.26% to close at 46,842.86 points



while Market Capitalization moderated by 23bps to close at N25.25 trillion. In the same vein, all sector gauges closed in negative territory amid sustained profit taking activity. The NGX Banking index, NGX Insurance index, NGX Consumer Goods index, NGX Oil/Gas index and the NGX Industrial Goods index plunged by 7.13%, 0.27%, 1.83%, 3.41% and 0.07% respectively to close at 409.38 points, 185.03 points, 554.16 points, 426.94 points and 2,115.10 points respectively. Meanwhile, market activity was a mixed bag - as value of stocks traded plunged by 18.40% to N13.55 billion while deals and volume of stock traded increased by 4.94% and 9.57% to 22,118 and 1.29 million units respectively.

In the new week, we expect the domestic equities market index to close in negative territory as more companies share prices are marked-down for dividend qualification. However, we feel that investors would use this opportunity to accumulate stock with strong fundamentals.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Apr 1 2022	Mar 25 2022	%Change	Symbol	Apr 1 2022	Mar 25 2022	% Change
MEYER	0.72	0.55	31%	BERGER	6.15	7.50	-18%
CORNERST	0.66	0.58	14%	ZENITHBANK	22.40	26.90	-17%
PZ	10.55	9.30	13%	REGALINS	0.31	0.37	-16%
MANSARD	2.40	2.15	12%	REDSTAREX	2.70	3.15	-14%
BETAGLAS	58.20	52.95	10%	UPDC [BLS]	0.76	0.88	-14%
NAHCO	4.29	4.00	7%	LEARNAFRCA	1.88	2.17	-13%
JAIZBANK	0.70	0.66	6%	CUSTODIAN	6.50	7.50	-13%
ETI	12.00	11.40	5%	FTNCOCOA [RST]	0.31	0.35	-11%
MTNN	214.00	204.00	5%	CADBURY	8.00	9.00	-11%
SOVRENINS	0.25	0.24	4%	CUTIX	2.05	2.30	-11%

Weekly Stock Recommendations as at Friday, April 1, 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	3.64	11.60	27.50	15.40	18.00	25.00	15.30	20.70	38.89	Buy
Fidelity Bank	Q4 2021	19,180.00	0.92	0.66	9.44	0.36	3.73	3.99	1.40	3.43	3.28	2.92	3.94	-4.24	Buy
May & Baker	Q4 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	4.40	6.09	3.74	5.06	38.41	Buy
UBA	Q4 2021	132,489.53	3.33	3.87	20.32	0.38	2.31	9.25	4.40	7.70	9.50	6.55	8.86	23.38	Buy
WAPCO	Q4 2021	48,473.52	1.91	3.01	22.33	1.06	12.33	27.00	8.95	23.60	30.00	20.06	27.14	27.12	Buy
Zenith Bank	Q4 2021	203,419.07	7.34	6.48	35.56	0.63	3.05	29.52	10.70	22.40	32.14	19.04	25.76	43.46	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, April 1, 2022

FGN Eurobonds	Issue Date	TTM (years)	25-March-22 Price (N)	Weekly Naira Δ	25-March-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.90	93.29	1.79	8.3%	(0.33)
8.747 JAN 21, 2031	21-Nov-18	8.81	99.95	2.47	8.8%	(0.41)
7.875 16-FEB-2032	16-Feb-17	9.88	94.02	2.28	8.8%	(0.37)
7.375 SEP 28, 2033	28-Sep-21	11.50	90.02	2.40	8.8%	(0.37)
7.696 FEB 23, 2038	23-Feb-18	15.91	86.16	2.49	9.4%	(0.35)
7.625 NOV 28, 2047	28-Nov-17	25.68	82.15	2.15	9.5%	(0.27)
9.248 JAN 21, 2049	21-Nov-18	26.83	94.15	2.40	9.9%	(0.28)
8.25 SEP 28, 2051	28-Sep-21	29.51	86.15	2.54	9.7%	(0.31)

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