

## Cowry Weekly Financial Markets Review & Outlook (CWR)

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### Segment Outlook:

#### ECONOMY: Local Institutional Investors Lead as Domestic Bourse Transactions Rise by 31.13% in Sep...

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#### FOREX MARKET: Naira Stabilises Against the USD as External Reserves Hits USD40 billion...

In the new week, we expect Naira to stabilise against the USD amid rising crude oil prices and external reserves even as CBN continues its foreign exchange demand management policy amid scarce supply...

#### MONEY MARKET: NIBOR Rises as Banks Face Funding Pressure from Bond Auction...

In the new week, T-bills worth N241.05 billion will mature via the primary and secondary markets to exceed T-bills worth N150.05 billion which will be auctioned by CBN via the primary market; viz: 91-day bills worth N3.17 billion, 182-day bills worth N6.00 billion and 364-day bills worth N140.87 billion. Cowry Research expects the stop rates of the 364-day to moderate amid expected boost in financial system liquidity...

#### BOND MARKET: Stop Rates for 37s and 50s Rise Despite Huge Investors' Bids...

In the new week, we expect local OTC bond prices to decrease (and yields to increase) as traders react to higher rates in the primary market. However, we expect the price of 37s maturities to increase (and yields moderate) as we observed humped yield curve at that maturity...

#### EQUITIES MARKET: Investors Smile to the Bank as Market Capitalisation Adds N169.66 billion...

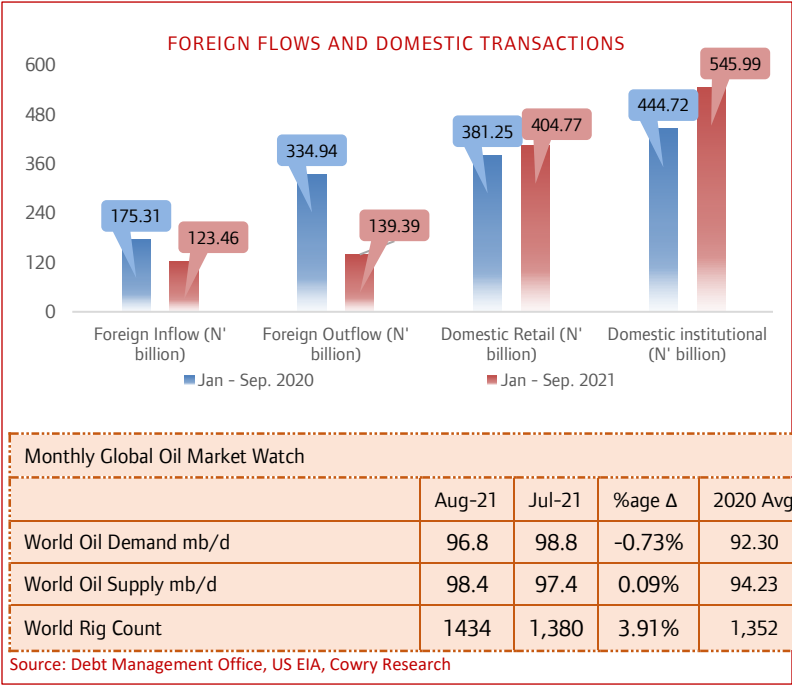
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ECONOMY: Local Institutional Investors Lead as Domestic Bourse Transactions Rise by 31.13% in Sep...

In the just concluded week, a fresh report released by the Nigerian Exchange (NGX) on domestic and foreign portfolio participation in equities trading showed that total equities market transactions increased significantly in September 2021 compared to the volume of transactions executed in August 2021. The jump in total transaction value was chiefly driven by domestic institutional investors as they moved to participate in the interim dividends declared by some companies, especially the Tier-1 banks which declared half-year dividends. Also, local investors appeared to have taken position in some fundamentally sound stocks ahead of the

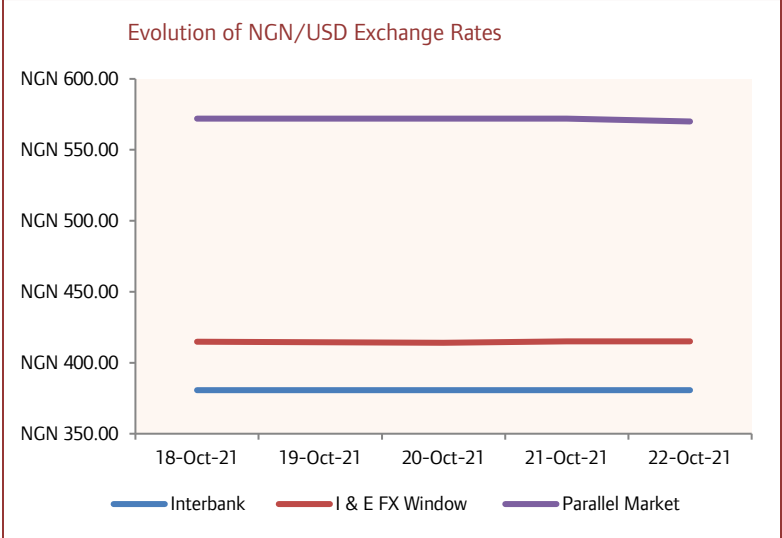
release of corporates’ 9 months financial results – which Cowry Research feels would largely be positive. Retail investors participation was relatively quiet compared to the level of transactions printed in August – we suspect that retail investors want the financial results of companies released before they take further action. However, foreign portfolio investors further moved out of the local equities market as they recorded net outflows in the month of September. Notably, domestic institutional investors’ gradual movement into the equities market to pick up the sold shares at cheaper prices was partly stimulated by the downward trend in money market rates within the just ended quarter (Q3 2021). Stop rate for 364-day T-bill fell to 7.50% in September from 8.20% at the end of July 2021; as at the last auction on October 13, 2021, stop rate has fallen further to 7.25%. Speaking to the figures, domestic institutional investors recorded the highest transactions, followed by retail investors; while foreign portfolio investors’ contribution remained the least with a larger increase in outflows. Hence, the ratio of total domestic transactions to total foreign transactions tilted lower to 79:21 in the month under review, from 72:28 in August 2021 – total domestic transactions increased by 46.43% while total foreign portfolio transactions moderated by 3.98% – amid sustained sell-offs. Specifically, total transactions on the NGX rocketed to N118.15 billion in September 2021 (from N89.42 billion printed in August 2021); of which total domestic transactions rose month-on-month (m-o-m) to N93.80 billion (from N64.06 billion). The FPI transactions declined to N24.35 billion in September (from N25.36 billion printed in August). A further breakdown of the FPI transactions in September 2021 showed that foreign portfolio inflows increased slightly to N11.93 billion (from 10.72 billion); also, foreign portfolio outflows mellowed to N12.42 billion in September from N14.64 billion in July. On the part of local investors, we saw increased stake in the equities market – their purchase transactions was N47.17 billion, higher than N46.63 billion worth of outflows. Further breakdown showed that retail inflow transactions was N14.52 billion, lower than N17.24 billion outflows. The domestic institutional investors’ inflow transactions were N32.65 billion, higher than the N29.39 billion worth of outflows from them. Given the bullish approach of the local institutional investors, the NSE All Share Index (ASI) rose by 2.55% to 40,221.17 index points for the month of September 2021.

Cowry Research expects the equities market to be bullish in the last quarter of the year as the market awaits 9 months financial results of companies which would largely be positive. More so, given the inability of FPIs to repatriate their funds amid shortage of US dollar supply, we anticipate a re-entry by the FPIs into the equities market ahead of final dividend payment, pending when CBN provides dollar liquidity. On stock picks, we are positive on some of the tier-1 banking stocks, such as ZENITHBANK and UBA as they are likely to sustain or increase their dividend payouts.



FOREX MARKET: Naira Stabilises Against the USD as External Reserves Hits USD40 billion...

In line with our expectations, Naira stabilised against the greenback as the pair closed flat at N415.07/USD at the Investors and Exporters FX window as additional USD1.34 billion, within one week, increased the external reserves balance to USD40.96 billion as at Thursday, October 21, 2021. Also, the Naira/USD exchange rate fell (Naira appreciated) by 0.35% at the Parallel market to close at N570.00/USD. Meanwhile, NGN/USD rate remained flat at N380.69/USD at the Interbank Foreign

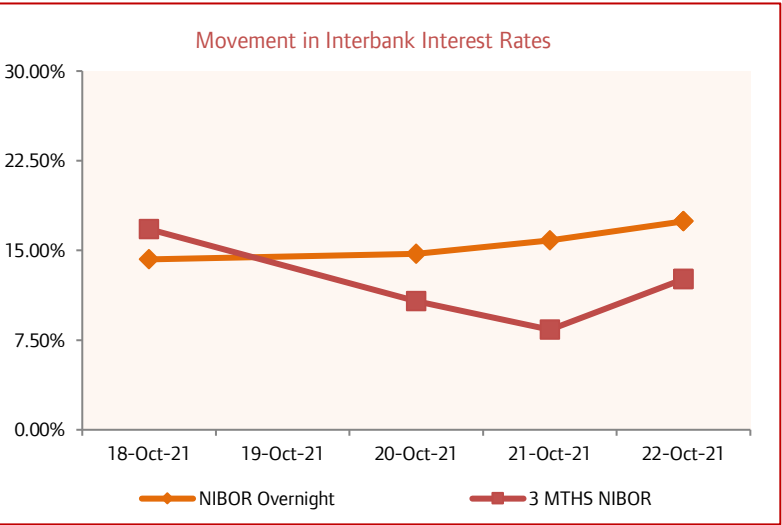


Exchange market amid weekly injections of USD210 million by CBN into the forex market: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate fell (Naira appreciated) for most of the foreign exchange forward contracts: 1 month, 2 months, 3 months, 6 months and 12 months contracts fell by 0.04%, 0.19%, 0.27%, 0.38% and 0.96% to close at N415.91/USD, N418.36/USD, N421.10/USD, N429.82/USD and N446.28/USD respectively. However, spot rate was flat at N380.69/USD.

In the new week, we expect Naira to stabilise against the USD amid rising crude oil prices and external reserves even as CBN continues its foreign exchange demand management policy amid scarce supply.

MONEY MARKET: NIBOR Rises as Banks Face Funding Pressure from Bond Auction...

In the just concluded week, CBN sold OMO bills worth N30 billion to mop up financial system liquidity despite absence of maturing bills. This further put pressure on the liquidity as the deposit money banks were already faced with funding pressure from bond auction. Hence, NIBOR rose for all tenor buckets tracked: overnight rate, 1 month, 3 months and months NIBOR rose to 17.43% (from 17.17%), 11.47% (from 10.44%), 12.60% (from 11.31%) and 13.65% (from 12.32%) respectively.



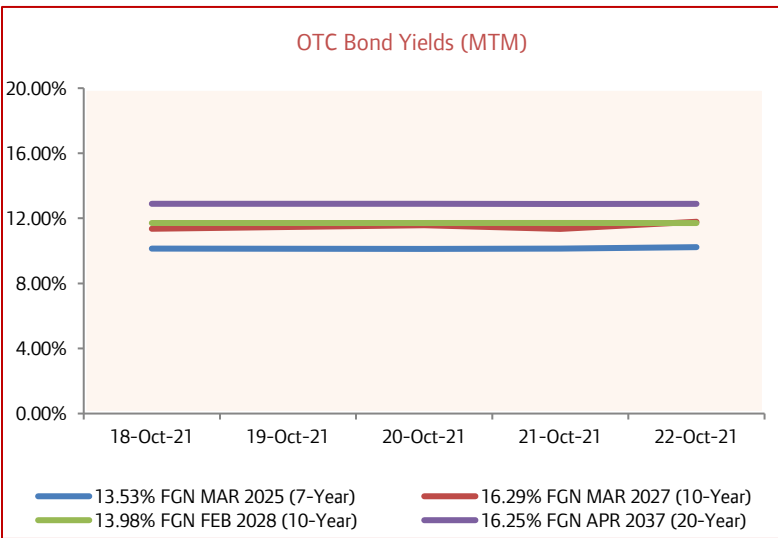
Meanwhile, given the general rise in money market rates amid funding pressure on banks, NITTY trended upward for most maturities as investors were mostly quiet on bids. Hence, NITTY for 1 month, 3 months and 6 months increased to 3.16% (from 3.09%), 3.92% (from 3.79%), 5.02% (from 4.84%) respectively. However, NITTY for 12 months fell to 7.60% (from 7.62%).

In the new week, T-bills worth N241.05 billion will mature via the primary and secondary markets to exceed T-bills worth N150.05 billion which will be auctioned by CBN via the primary market; viz: 91-day bills worth N3.17 billion, 182-day bills worth N6.00 billion and 364-day bills worth N140.87 billion. Cowry Research expects the stop rates of the 364-day to moderate amid expected boost in financial system liquidity.

**BOND MARKET: Stop Rates for 37s and 50s Rise Despite Huge Investors’ Bids...**

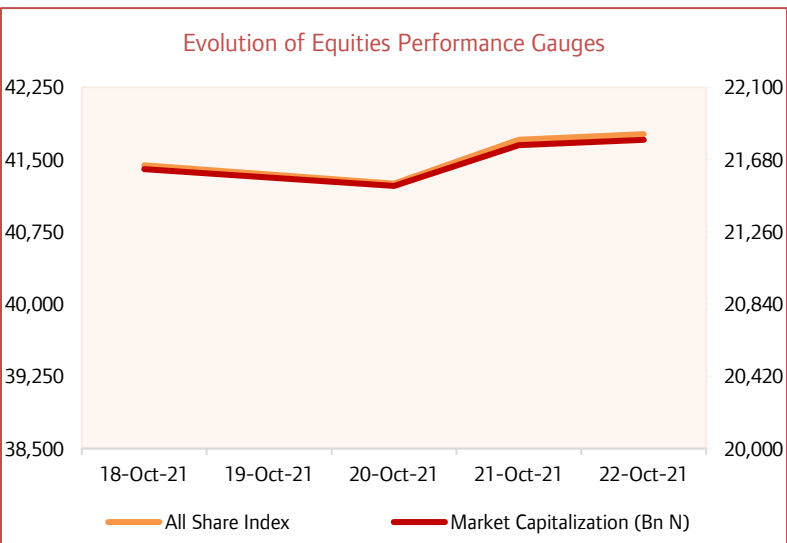
In the just concluded week, the DMO allotted N192.76 billion worth of bonds; viz N44.80 billion for the 12.50% FGN JAN 2026, N52.72 billion for the 16.25% FGN APR 2037 and N95.24 billion for the 12.98% FGN MAR 2050. Stop rates for 26s and 50s rose to 11.95% (from 6.00%) and 13.20% (from 13.00%) respectively. However, stop rate 37s moderated to 12.95% (from 16.25%). Also, secondary market yields moved largely in the direction of rates in the primary market. Specifically, the 5-year, 13.53% FGN APR 2025 paper, the 10-year 16.29% FGN MAR 2027 bond and the 20-year 16.25% FGN MAR 2037 paper lost N0.32, N1.99 and N0.07 respectively; their corresponding yields increased to 10.23% (from 10.14%), 11.79% (from 11.35%) and 12.89% (from 12.88%) respectively. However, 10-year 13.98% FGN MAR 2028 debt was flat, while its corresponding yield stood at 11.71%. 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 USD0.35, 1.21% and USD1.46 respectively; their corresponding yields rose to 3.81% (from 3.63%), 8.11% (from 7.97%) and 8.19% (from 8.05%) respectively.

In the new week, we expect local OTC bond prices to decrease (and yields to increase) as traders react to higher rates in the primary market. However, we expect the price of 37s maturities to increase (and yields moderate) as we observed humped yield curve at that maturity.



**EQUITIES MARKET: Investors Smile to the Bank as Market Capitalisation Adds N169.66 billion...**

In the just concluded week, the domestic equities market sustained positive momentum as local investors continue to pump in more funds as corporates get set to release their 9 months financial results in the coming week. Specifically, stronger interests were noted on shares of NGXGROUP, CUTIX and UNILEVER as their respective prices rose by 24%, 21% and 10% w-o-w. Given the positive sentiment, the NSE ASI rose further w-o-w by 0.78% to close at 41,763.26 points. Most sector gauges moved up north, particularly the Industrial sector as its index rocketed by 2.59% to close at 2,166.78 points. Also, NSE Oil/Gas and the NSE Banking indexes rose by 1.40% and 0.69% respectively to close at 400.64 points and 375.71 points respectively. However, the NSE Insurance and the NSE Consumer Goods indexes fell by 1.31% and 1.05% to close at 170.89 points and 561.00 points respectively. Meanwhile, market activity was relatively weak despite the positive market sentiment – this was mainly due to the decline in volume of transactions on FBNH w-o-w. Hence, volume and the value of stocks traded plummeted by 44.88% and 41.92% to 1.56 billion units and N18.38 billion respectively.



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Top Ten Gainers				Bottom Ten Losers			
Symbol	22-Oct-21	15-Oct-21	%Change	Symbol	22-Oct-21	15-Oct-21	% Change
NGXGROUP	22.00	17.75	24%	ROYALEX	0.53	0.64	-17%
CUTIX	6.05	5.00	21%	UNIVINSURE	0.20	0.22	-9%
UNILEVER	14.50	13.20	10%	ACADEMY	0.33	0.36	-8%
CUSTODIAN	8.00	7.30	10%	MAYBAKER	4.36	4.74	-8%
ETI	7.55	6.90	9%	MBENEFIT	0.28	0.30	-7%
PZ [MRF]	5.90	5.40	9%	UCAP	9.20	9.85	-7%
GLAXOSMITH	7.00	6.50	8%	JAPAULGOLD	0.44	0.47	-6%
NB	51.45	47.90	7%	CADBURY	8.00	8.50	-6%
BUACEMENT	72.00	67.50	7%	NASCON	14.65	15.50	-5%
ABCTrans	0.34	0.32	6%	NPFMCRCFBK	1.75	1.85	-5%



Weekly Stock Recommendations as at Friday, October 22, 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	Q2 2021	1,018.22	1.55	1.29	3.53	5.55	12.63	27.50	15.40	19.60	25.00	16.66	22.54	27.55	Buy
Fidelity Bank	Q2 2021	19,180.00	0.92	0.66	9.44	0.29	2.93	3.99	1.40	2.70	3.28	2.30	3.11	21.65	Buy
May & Baker	Q2 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	Q2 2021	3,627.68	0.51	0.36	1.94	0.99	3.79	2.69	0.98	1.92	2.39	1.63	2.21	24.48	Buy
UBA	Q2 2021	115,103.90	3.33	3.37	20.32	0.41	2.53	9.25	4.40	8.40	9.50	7.14	9.66	13.10	Buy
WAPCO	Q2 2021	48,148.40	1.91	2.99	22.33	1.12	13.06	25.30	8.95	25.00	30.00	21.25	28.75	20.00	Buy
Zenith Bank	Q2 2021	191,014.20	7.34	6.08	35.56	0.70	3.40	29.52	10.70	25.00	30.18	21.25	28.75	20.71	Buy

FGN Eurobonds Trading Above 6% Yield as at Friday, October 22, 2021

FGN Eurobonds	Issue Date	TTM (years)	22-October-21 Price (N)	Weekly Naira Δ	22-October-21 Yield	Weekly PPT Δ
6.50 NOV 28, 2027	28-Nov-17	6.10	102.36	(0.43)	6.0%	0.08
7.143 FEB 23, 2030	23-Feb-18	8.35	101.40	(0.54)	6.9%	0.08
8.747 JAN 21, 2031	21-Nov-18	9.25	108.12	(0.77)	7.5%	0.11
7.875 16-FEB-2032	16-Feb-17	10.33	102.68	(0.79)	7.5%	0.11
7.696 FEB 23, 2038	23-Feb-18	16.35	96.30	(1.21)	8.1%	0.14
7.625 NOV 28, 2047	28-Nov-17	26.12	93.96	(1.46)	8.2%	0.14

Disclaimer

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