

Cowry Financial Markets Review, Outlook & Recommended Stocks

Segment Outlook:

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FOREX MARKET: Naira Gains against USD at I&E FX Window as Crude Oil Prices Stay High...

In the new week, we expect renewed pressure at the I&E FX Window as the markets react to strain in forex supply despite higher crude oil prices at the international market as Nigeria's crude oil output remains low...

MONEY MARKET: Stop Rates Moderate for All Maturities amid Financial System Liquidity Boost...

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BOND MARKET: FGN Bond Market Goes Bearish as Value of Most Maturities Tracked Fall...

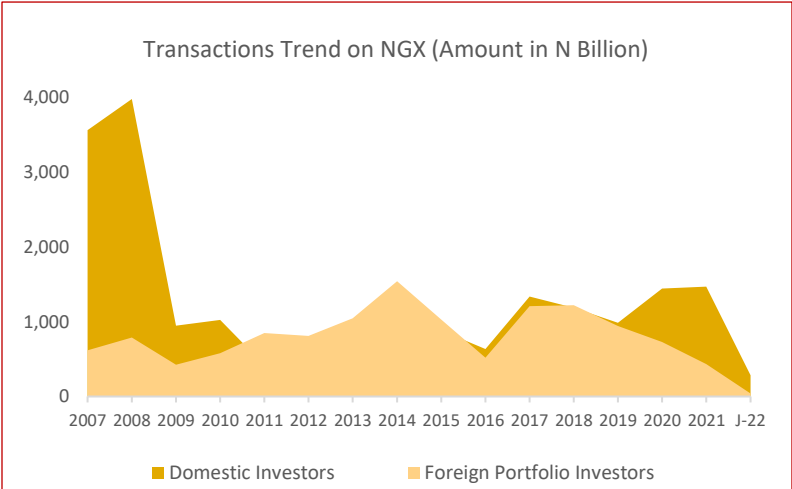
In the new week, we expect to see increased bearish activity in local FGN bonds space as FGN eurobonds yields appear to be relatively high...

EQUITIES MARKET: NGX All-Share Index Rebounds by 0.36% amid Gains on PRESCO, RTBISCOE Shares...

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ECONOMY: PFAs Increase Investment in Bank Placements; Pension Assets Hit N13.61 ‘trn in Jan 2022...

Freshly released report on pension fund assets by National Pension Commission (NPC) revealed that the net value of pension assets rose by 10.64% to hit N13.61 trillion as at January 31, 2022 from N12.30 trillion as at January 31, 2021. According to the report, a sizable chunk of the pension fund assets was invested in FGN securities even as we saw the fund managers increase their investments in bank placements amid low yielding treasury bills instrument. Specifically, share of FGN Securities to total assets moderated to 61.35% (or N8.35 trillion) in the period under review, from 65.92% (or N8.11 trillion) it printed in January 2021. Investment in Local Money Market Securities to total assets rose to 16.78% (N2.28 trillion) in January 2022, from 13.39% (N1.65 trillion) in January 2021. Notably, we observed that PFAs’ investments in T-bills shrank year on year (y-o-y) by 70.89% to N195.10 billion in 2022 from N670.34 billion recorded in 2021 as fund managers avoided low returns in that space. Hence, they turned to the deposit money banks to place their funds at relatively higher rates – amount of PFA funds in Bank Placements surged to N2.24 trillion in January 2022, from N1.48 trillion in January 2021. Corporate Debts Securities were also patronized by fund managers, but not as strong as that of placements, given the relatively marginal increase it printed year-on-year – it rose to N997.03 billion in January 2022, from N835.77 billion in January 2021.

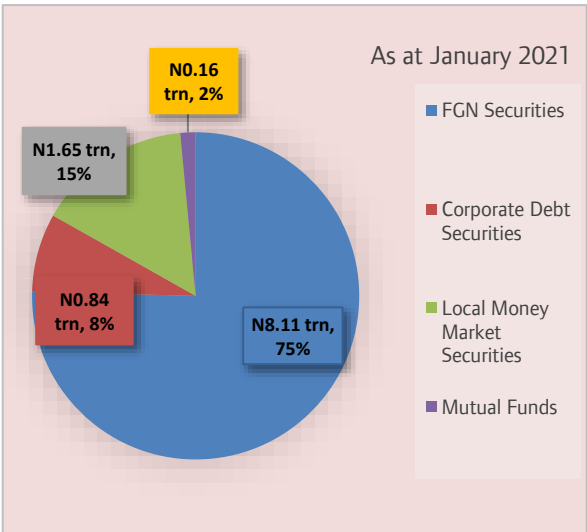
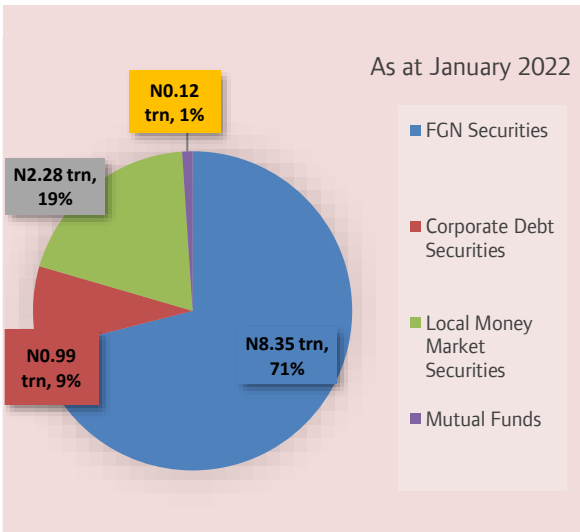


Source: Nigerian Exchange, Cowry Research

Monthly Global Oil Market Watch				
	Jan-22	Dec-21	%age Δ	2021 Avg
World Oil Demand mb/d	99.03	101.18	-2.12%	97.05
World Oil Supply mb/d	99.00	98.59	0.42%	94.43
World Rig Count	1,632	1,563	4.41 %	1,361

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

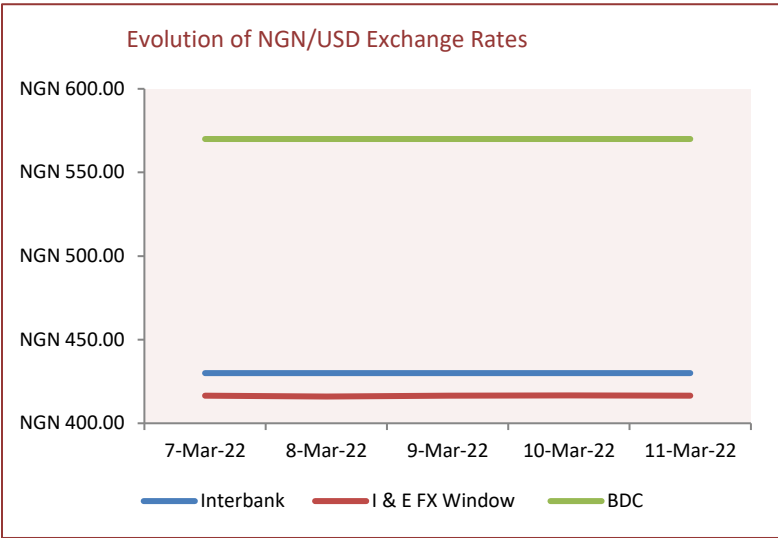
Allocation of Pension Funds in Different Assets Class in January (Amounts in N Trillion)



We note that the increased risk appetite of PFAs for Bank Placements was essentially to access better yields in the short-term as T-bills continue to trend downwards amid CBN’s strong support for economic growth. This is in addition to their increased participation in the equities market in 2022 as indicated in the graph above amid sustained economic recovery, although still considered fragile. Going forward, specifically in Q2 2022, we expect pension fund managers’ to stay invested in bank placements as equities market may, in the second quarter of the year, experience bearish momentum as share prices are marked-down for dividend payment.

FOREX MARKET: Naira Gains against USD at I&E FX Window as Crude Oil Prices Stay High...

In the just concluded week, the Naira/USD exchange rate rose (Naira appreciated) by 0.04% to close at N416.50/USD at the I&E FX Window as crude oil prices remained above USD100 per barrel. However, Naira lost against the greenback at the Parallel market by 0.55% to close at N581.17/USD. 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

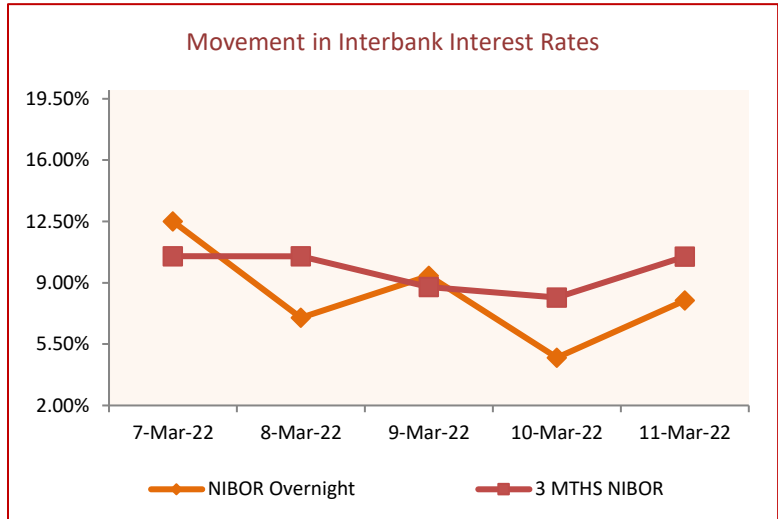


Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate went in mixed directions across the foreign exchange forward contracts. Specifically, 1 month and 3 months contracts lost 0.05% and 0.04% to close at N418.50/USD and N424.52/USD respectively. However, 6 months and 12 months contracts gained 0.03% and 0.11% to close at N433.31/USD and N448.86/USD respectively while 2 months contract was flat at N421.35/USD.

In the new week, we expect renewed pressure at the I&E FXWindow as the markets react to strain in forex supply despite higher crude oil prices at the international market as Nigeria’s crude oil output remains low.

MONEY MARKET: Stop Rates Moderate for All Maturities amid Financial System Liquidity Boost...

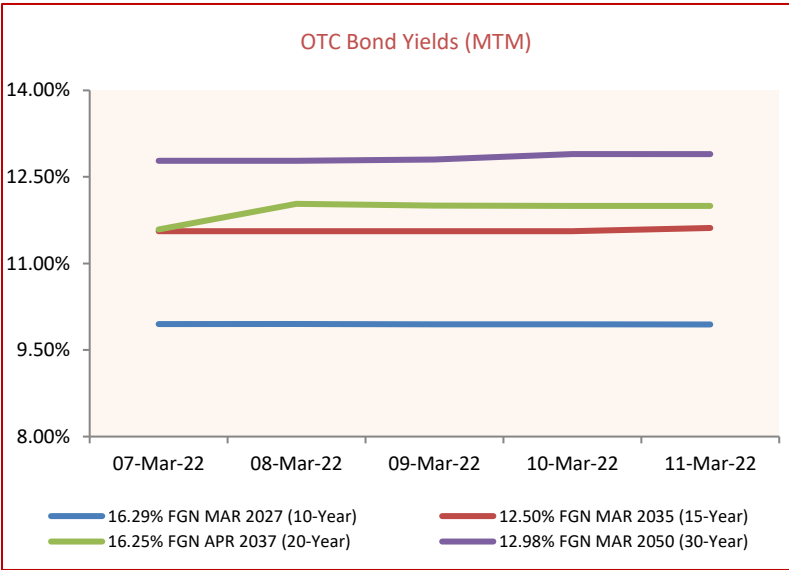
In the just concluded week, CBN allotted T-bills worth N236.53 billion to refinance the N94.00 billion worth of matured treasury bills. Notably, given the strong demand amid financial system liquidity boost, the stop rate for all of the maturities declined. Notably, 364-day bill fell further to 4.10% (from 4.35%). Also, 91-Day bill and 182-day bill rates fell to 1.75% (from 2.24%) and to 3.28% (from 3.30%) respectively. In line with the direction of rates in the primary market, NITTY for 1 month, 3 months, 6 months and 12 months maturities fell to 2.39% (from 2.51%), 2.90% (from 3.26%), 3.50% (from 3.67%) and 4.14% (from 4.43%) respectively. Meanwhile, CBN sold OMO bills worth N40 billion, lower than the N106.22 billion worth of matured bills in the review week. Given the net inflow, NIBOR closed southward for most tenor buckets as Overnight, 1 month and 3 months tenor buckets increased to 8.00% (from 15.50%), 9.56% (from 9.60%) and 10.50% (from 10.56%) respectively. However, 6 Months tenor bucket rose to 10.83% (from 10.80%).



In the new week, T-bills worth N190.41 billion will mature via the primary and secondary markets to exceed T-bills worth N47.06 billion which will mature via the primary market; viz: 91-day bills worth N1.55 billion, 182-day bills worth N8.39 billion and 364-day bills worth N37.18 billion. Hence, we expect the stop rate to marginally decline as huge amounts of maturing OMO bills boost liquidity.

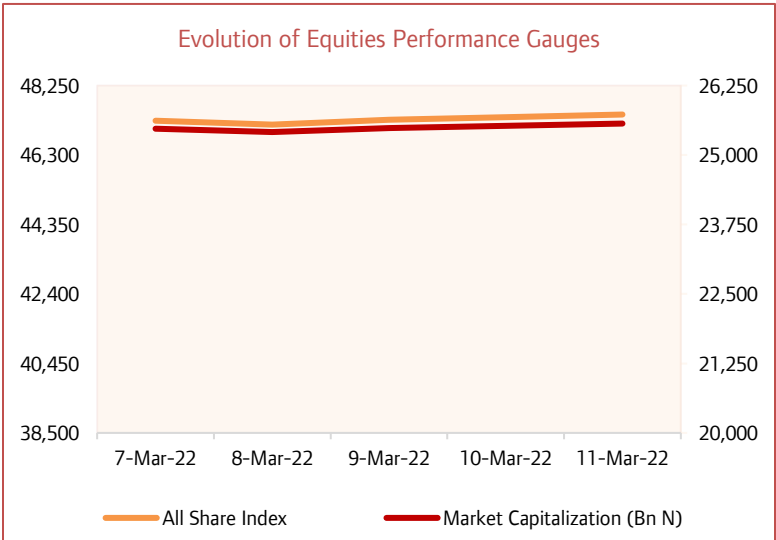
BOND MARKET: FGN Bond Market Goes Bearish as Value of Most Maturities Tracked Fall...

In the just concluded week, investors were mostly bearish on maturities tracked in the secondary market as the value of FGN bonds traded decreased for most maturities tracked. This move which was partly due to the rising eurobond yields, appears logical, amid preference to earning increased foreign currency. Specifically, the 15-year 12.50% FGN MAR 2035 bond and the 30-year 12.98% FGN MAR 2050 instrument depreciated by N0.38 and N0.87 respectively; their corresponding yields increased to 11.62% (from 11.56%) and 12.90% (from 12.78%) respectively. However, the 20-year 16.25% FGN MAR 2037 debt gained N1.45; its corresponding yield fell to 12.00% (from 12.17%) while the 10-year, 16.29% FGN MAR 2027 paper was flat at 9.94%. Elsewhere, the value of FGN Eurobonds traded at the international capital market appreciated for most maturities tracked on renewed bullish sentiment; albeit the yields remained high at above 9% for longer duration. The 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD2.50, USD3.16 respectively; their corresponding yields fell to 9.52% (from 9.88%) and 9.52% (from 9.93%) respectively. However, 10-year, 6.375% JUL 12, 2023 bond lost by N0.27, its corresponding yield rose to 4.98% (from 4.80%). In the new week, we expect to see increased bearish activity in local FGN bonds space as FGN eurobonds yields appear to be relatively high.



EQUITIES MARKET: NGX All-Share Index Rebounds by 0.36% amid Gains on PRESCO, RTBISCOE Shares...

In line with our expectations, the local bourse witnessed bullish momentum as investors bought shares of undervalued companies with sound fundamentals. Notably, we saw the share prices of PRESCO, RTBISCOE, CORNERST and UACN rise by 20%, 16%, 16% and 15% respectively – hence, lifting the All-Share Index and Market Capitalization each by 36bps to close at 47,437.48 points and N25.57 trillion. Notwithstanding, most sector gauges still closed in red territory except for the NGX Banking index and the NGX Insurance index which rose by 1.29% and 2.65% to 444.46 points and 193.85 points respectively. The NGX Oil/Gas, NGX Consumer Goods and the NGX Industrial Goods indices fell by 0.52%, 2.22% and 0.13% to 573.23 points, 459.92 points and 2,114.06 points respectively. Meanwhile, market activity was largely positive as volume and value of stocks traded rose by 103.65% and 0.31% to 2.79 billion units and N23.86 billion respectively. However, number of deals declined by 20.27% to 22,970 units.



In the new week, we expect the bullish run in the equities market to continue amid year-end corporate financial releases and dividend declarations. However, we note that investors should trade cautiously in order to avoid dividend trap.

Top Ten Gainers				Bottom Ten Losers			
Symbol	Mar 11 2022	Mar 4 2022	%Change	Symbol	Mar 11 2022	Mar 4 2022	% Change
PRESCO	125.00	104.50	20%	ABCTRANS	0.32	1.04	-69%
RTBRISCOE	0.73	0.63	16%	ELLAHLAKES	3.12	3.83	-19%
CORNERST	0.74	0.64	16%	MAYBAKER	4.45	5.45	-18%
UACN	10.65	9.30	15%	UPL	2.49	2.91	-14%
CHIPLC	0.65	0.59	10%	ROYALEX	1.21	1.35	-10%
WAPIC	0.50	0.46	9%	LINKASSURE	0.52	0.58	-10%
UPDC [BLS]	0.99	0.92	8%	UCAP	12.55	13.90	-10%
LASACO	1.09	1.03	6%	CAVERTON	1.30	1.43	-9%
NGXGROUP	21.80	20.80	5%	REGALINS	0.39	0.42	-7%
CHAMS	0.22	0.21	5%	UNILEVER	13.20	14.20	-7%



Weekly Stock Recommendations as at Friday, March 11, 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	Q3 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	1.13	7.96	5.18	1.79	4.45	6.09	3.78	5.12	36.85	Buy
UBA	Q4 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	Q4 2021	48,473.52	1.91	3.01	22.33	1.05	12.27	27.00	8.95	23.50	30.00	19.98	27.03	27.66	Buy
Zenith Bank	Q4 2021	203,419.07	7.34	6.48	35.56	0.76	3.68	29.52	10.70	27.00	32.14	22.95	31.05	19.02	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, March 11, 2022

FGN Eurobonds	Issue Date	TTM (years)	11-March-22 Price (N)	Weekly Naira Δ	11-March-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.96	93.87	1.58	8.2%	(0.29)
8.747 JAN 21, 2031	21-Nov-18	8.87	98.92	2.44	8.9%	(0.41)
7.875 16-FEB-2032	16-Feb-17	9.94	93.23	2.87	8.9%	(0.47)
7.375 SEP 28, 2033	28-Sep-21	11.56	89.95	2.77	8.8%	(0.42)
7.696 FEB 23, 2038	23-Feb-18	15.97	85.16	2.50	9.5%	(0.35)
7.625 NOV 28, 2047	28-Nov-17	25.73	81.86	3.16	9.5%	(0.40)
9.248 JAN 21, 2049	21-Nov-18	26.88	93.79	2.50	9.9%	(0.29)
8.25 SEP 28, 2051	28-Sep-21	29.57	86.05	2.87	9.7%	(0.35)

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