

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

ECONOMY: Nigeria's External Reserves Approaching USD40bn From Oil Gains, Eurobond Issue After 6-Months Low.....

We believe the judicious execution of the CBN's 'RT200 FX Scheme' and the continued incentivization of international money transfer operators (IMTOs) through the 'Naira4Dollar Scheme' policy on FX repatriation will in the long run help attract inflows of foreign exchange into the economy.....

FOREX MARKET: Naira Lost Strength by N12.23 w/w against USD at I&E FX Window on Buy Pressure ...

In the new week, we expect the local currency to trade relatively calm against the greenback barring market distortions while the CBN continues its weekly FX market interventions.

MONEY MARKET: NITTY Rises for All Tenor Buckets on Sustained Financial Liquidity Strain...

In the new week, we expect activity in the money market to be slightly bullish as the financial system liquidity should be boosted by the maturing N20 billion worth of OMO bills – hence, we anticipate a fall in NIBOR for most tenor buckets.

BOND MARKET: FGN Eurobond Yields Rise amid Sell Pressure.....

In the new week, we expect the value of FGN Bonds, to increase (and yields to fall) amid increased demand due to the maturing bills in the money market....

EQUITIES MARKET: Sustained Sell-Offs On The NGX Drove a Loss of N138.7bn For Investors.....

In the new week, the anticipation of H1 results is expected to act as a catalyst to trigger more bullish sentiments. Also, we continue to maintain positive sentiments in the market while investors are advised to trade on companies' stocks with good fundamentals and a positive outlook so as to avoid falling into the bear trap.

ECONOMY: Nigeria’s External Reserves approaching \$40bn from oil gains, Eurobond issue after 6-months low...

According to the latest data obtained from the Central Bank of Nigeria’s website, Nigeria’s gross external reserves is on positive accretion back to USD40 billion after hitting more than 6 months low to around USD38 billion since the start of the year. Currently, the positive rally witnessed in the crude oil market since the start of 2022 is now beginning to permeate the economy to spur bullishness in the external reserves.

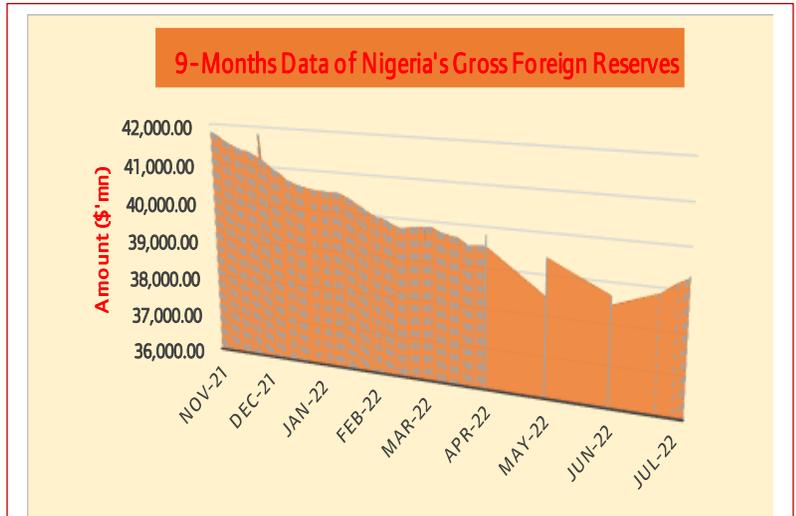
In a similar vein, we can attribute the positive accretion of the external reserves to the recent announcement by the debt management office (DMO) that proceeds from its recently listed USD1.25 billion FGN Eurobond issued in March 2022 on the NGX and FMDQ Exchanges respectively, were used to finance capital projects and contributed to the increase in Nigeria’s external reserves.

At the start of the year, Nigeria’s gross external reserves was at USD40.5 billion but entered into a free-fall, shedding USD1.2 billion in 2022 alone to USD39.34 billion in the first week of July after reaching a 2022 low so far at USD38.42 billion at the start of June despite the rise in oil price and Nigeria’s bonny light crude to above \$110 per barrel but the weak oil production capacity coupled with low investments into the sector are now exerting its negative impacts. Currently, Nigeria’s daily oil production has averaged 1.42 million barrels in May 2022 according to a Reuters report but OPEC announced a new target of 27,000 daily barrels higher than the approved quota in June after its upgrade of Nigeria’s daily production to 1.79 million barrels from the initial 1.77 million daily barrels.

As Nigeria’s major sources of foreign exchange – (oil exports, non-oil exports, foreign direct investments (FDI), and diaspora remittances) – continue to witness a decline in the face of growing pressure on the Naira in the FX market, the reserves which have depleted to almost 8 months below \$41 billion since November 2021 still limits the apex bank’s ability to defend the naira at the official window. Thus, data shows CBN has defended the local currency by more \$3 billion in about 3 months without any impact on the parallel market where the rate is rocketing to N650 per dollar.

Our analysis of the data obtained from the CBN website portends that the accretion of the external reserves will continue to be hampered by several factors such as exchange rate pressures if there is, perhaps, no timely and appropriate intervention by the apex bank to defend the naira across various FX windows and in the face of liquidity crunch which may force FX users to pay the premium for the greenback and in the long run increase the FX spread across markets.

We believe the judicious execution of the CBN’s ‘RT200 FX Scheme’ and the continued incentivization of international money transfer operators (IMTOs) through the ‘Naira4Dollar Scheme’ policy on FX repatriation will in the long run help attract inflows of foreign exchange into the economy.



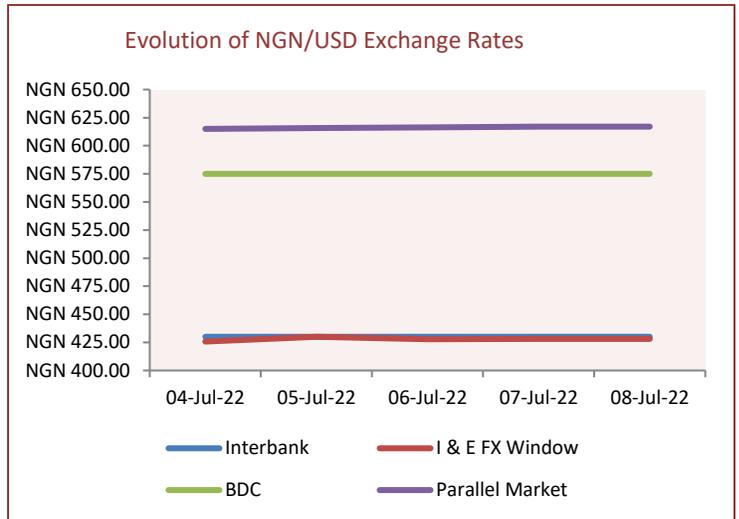
Monthly Global Oil Market Watch				
	June-22	May-22	%age Δ	2021 Avg
World Oil Demand mb/d	95	98.6	-3.65	96.92
World Oil Supply mb/d	98.19	98.75	-0.57	98.8
World Rig Count	1,706	1628	4.79	1470

Source: Central Bank of Nigeria, Cowry Research



FOREX MARKET: Naira Lost Strength by N12.23 w/w against USD at I&E FX Window on Buy Pressure...

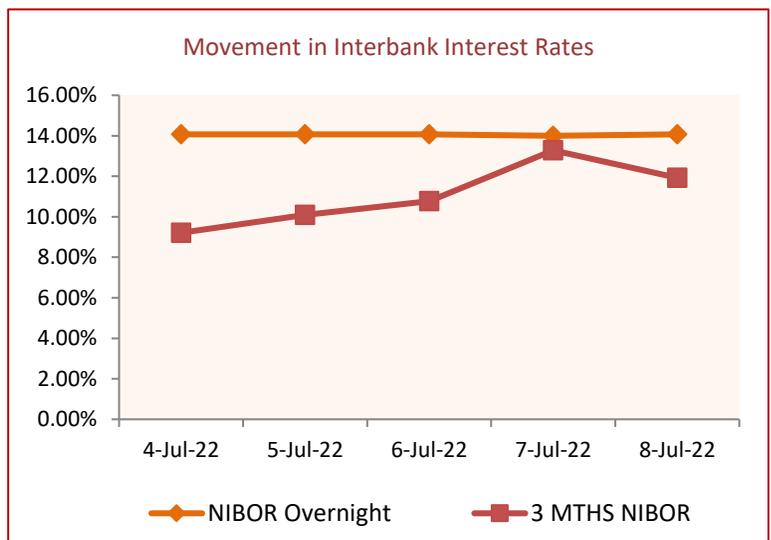
In the just concluded week, the Naira/USD exchange rate depreciated by N12.23 (2.94%) against the last week's price of N415.77/USD to close at N428/USD at the I&E FX Window due to intense demand by FX users. Also, Naira depreciated against the greenback at the Parallel market by N3 week on week to close at N617/USD from N614/USD in the prior week. 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 rose for all the foreign exchange forward contracts. Specifically, 1 month, 2 months, 3 months, 6 months and 12 months contracts gained 0.96%, 1.09%, 1.05%, 1.12% and 1.1% to close at N422.13/USD, N424.65/USD, N431.97/USD, N443.59/USD and N467.12/USD respectively. Elsewhere, the Bonny light price rose \$1.79 to close the week at USD120.31 from USD118.52 per barrel in the previous week.



In the new week, we expect the local currency to trade relatively calm against the greenback barring market distortions while the CBN continues its weekly FX market interventions.

MONEY MARKET: NIBOR Rises for All Tenor Buckets on Sustained Financial Liquidity Strain...

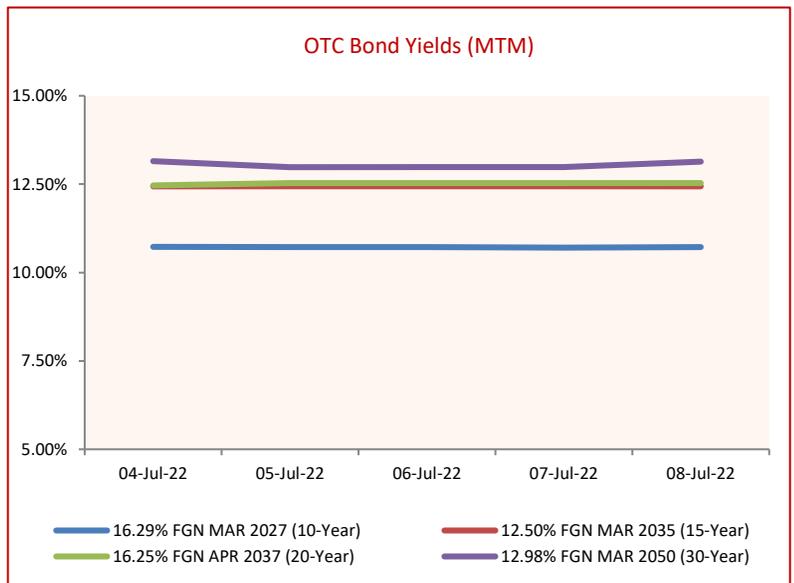
In the just concluded week, treasury bills worth N20 billion matured via the Open Market Operation (OMO). Notably, DMO also issued a N250 billion Sovereign Sukuk bond - given the strong demand (about N865 billion worth of oversubscription) we saw a strain in financial system liquidity. Given the liquidity squeeze, NIBOR for all maturities rose. Specifically, NIBOR for overnight, 1 month, 3 months and 6 months increased to 14.07% (from 13.73%), 12.00% (from 7.29%), 11.92% (from 9.89%) and 10.71% (from 9.68%) respectively Elsewhere, NITTY further moved northward for most maturities tracked, especially yields for 3 month, 6 months and 12 months maturities which increased to 4.88% (from 4.79%), 6.30% (from 5.40%) and 6.88% (from 6.55%) respectively. However, the yield on 1 months maturity fell slightly to 4.15% (from 4.16%).



T-bills market was quiet in the just concluded week as there was no maturing of T-Bills which led to liquidity strain. However, we expect the pressure to ease as there will be NTB worth N81.25 billion that would be maturing in the coming week. Hence, we expect interest rates to moderate slightly in the coming week.

BOND MARKET: FGN Eurobond Yields Rise amid Sell Pressure.....

In the just concluded week, investors were mostly neutral on maturities tracked in the secondary market as the value of FGN bonds traded remained flat for most of the maturities tracked. Specifically, the 10-year, 16.29% FGN MAR 2027 instrument, and the 15-year 12.50% FGN MAR 2035 remained flat at N120.08 and N100.35 respectively while their yield declined to 10.72% (from 10.73%) and flat at 12.44% respectively. However, the 20-year 16.25% FGN APR 2037 debt instrument declined by N0.53 to N124.70 (from N125.24)

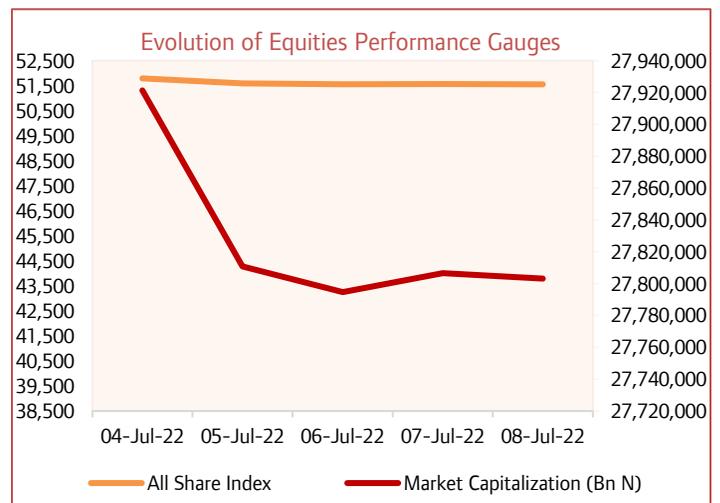


and the yield rose 12.53% (from 12.46%) while the 30-year 12.98% FGN MAR 2050 bond rose by N0.11 to N98.80 from N98.69, while it yields declined to 13.14% (from 13.15%). Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all the maturities tracked on renewed bearish sentiment. 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 USD 0.03 , USD 0.54 and USD 0.54 respectively; while their corresponding yields rose to 8.93% (from 8.85%), 13.66% (from 13.54%) and 13.11% (from 12.99%) respectively.

In the new week, we expect the value of FGN Bonds, to increase (and yields to fall) amid increased demand due to the maturing bills in the money market....

EQUITIES MARKET: Sustained Sell-Offs On The NGX Drove a loss of N138.7bn For Investors

In line with our expectations from the just concluded week, the NGX sang on a bearish note from the prior week in four out of five trading sections due to continued sell-off in some tickers by investors who are beginning to position for the earning season. Notably, we saw declines in the prices of RTBRISCOE (-23%), INTBREW (-14%) UBN (-10%), FBNH (-9%) and FCMB (-8%) in that order, prompting the waning in the All-Share Index and Market Capitalization by 0.53% and 0.50%



w/w to close at 51,557,41 points and N27.80 trillion respectively. Consequently, the sectorial gauges tracked closed southward as was seen in the NGX Banking (0.31%), trailed by NGX Insurance (2.53%), NGX Oil/Gas (0.41%), while the NGX Consumer Goods Index and NGX Industrial Index tanked by 1.42%, 0.15% on a w/w comparison. Just as seen in the NGX-ASI, the bearish sentiments pervaded the market as the level of trading activity during the week as total traded volume and value decreased by 38.98% and 57.67% w/w to 822.40 million units valued at N10.37 billion. Elsewhere, deals for the week under review close at 20,643 as against 22,155 recorded in the prior week.

In the new week, the anticipation of H1 results is expected to act as catalyst to trigger more bullish sentiments. Also, we continue to maintain positive sentiments in the market while investors are advised to trade on companies' stocks with good fundamentals and a positive outlook so as to avoid falling into the bear trap.

Top Ten Gainers				Bottom Ten Losers			
Symbol	July 01 2022	July 08 2022	% Change	Symbol	July 01 2022	July 08 2022	% Change
UPDC [BLS]	1.03	1.24	20%	RTBRISCOE [MRF]	0.44	0.34	-23%
LEARNAFRCA	2.25	2.50	11%	INTBREW [BLS]	6.30	5.40	-14%
CAVERTON	1.11	1.22	10%	MRS	16.25	14.45	-11%
NEIMETH	1.49	1.63	9%	CONOIL	28.80	25.95	-10%
UNITYBNK	0.45	0.49	9%	UBN	6.15	5.55	-10%
LIVESTOCK	1.28	1.38	8%	NEM	3.80	3.45	-9%
NAHCO	8.00	8.62	8%	UPL	2.58	2.35	-9%
HONYFLOUR	2.76	2.97	8%	FBNH [MRF]	11.60	10.60	-9%
FIDSON	11.20	12.00	7%	CORNERST	0.75	0.69	-8%
FTNCOCOA [RST]	0.33	0.35	6%	FCMB	3.46	3.20	-8%

Weekly Stock Recommendations as at Friday, July 8, 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
ETI	Q1 2022	229,596.00	5.92	6.20	42.29	0.28	1.89	12.10	3.90	10.60	24.40	9.40	23.56	130.16	Buy
May & Baker	Q4 2021	1,176.57	0.56	0.68	3.93	1.12	7.87	5.18	1.79	4.00	6.09	3.74	5.06	53.40	Buy
UBA	Q1 2022	122,019.00	3.57	4.85	26.03	0.32	2.30	8.80	4.40	7.55	13.49	7.00	9.43	78.68	Buy
WAPCO	Q1 2022	87,174.72	3.91	15.64	72.15	0.44	8.12	31.79	21.87	26.00	57.33	19.64	42.00	120.50	Buy
Zenith Bank	Q1 2022	389,400.00	8.00	7.61	47.98	0.51	3.06	26.89	22.01	22.00	30.25	20.00	28.75	37.50	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, July 08, 2022

FGN Eurobonds	Issue Date	TTM (years)	08-July-22 Price (N)	Weekly Naira Δ	01-July-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.64	69.86	-1.07	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.55	74.10	3.28	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.62	68.86	-6.14	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.23	64.34	-5.66	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.64	61.86	-3.91	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.41	59.83	-2.57	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.56	67.41	7.04	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.24	61.47	-6.87	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.64	69.86	-1.07	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.55	74.10	3.28	8.8%	0.00

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