

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Peaceful Post-Election Atmosphere, Reduction in MPR Fail to Lift Local Bourse in 1Q 2019...

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FOREX MARKET: Naira Appreciates against US Dollar at I&E FXWindow...

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MONEY MARKET: Stop Rates for 182-day, 364-day T-bills Moderate amid High Investors' Demand...

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BOND MARKET: FGN Bond Prices Fall for Most Maturities Tracked amid Sell Pressure...

In the new week, Debt Management Office will issue bonds worth N100.00 billion, viz: 12.75% FGN APR 2023 (5-Yr Re-opening) worth N35 billion, FGN APR 2029 (10-Yr Re-opening) worth N35 billion and FGN APR 2049 (30-Yr Re-opening) worth N30 billion respectively. We expect the bonds to be issued at lower stop rates amid sustained demand pressure on fixed income assets.

EQUITIES MARKET: : Local Equities Market Rebounds by 8bps on MTNN's Listing...

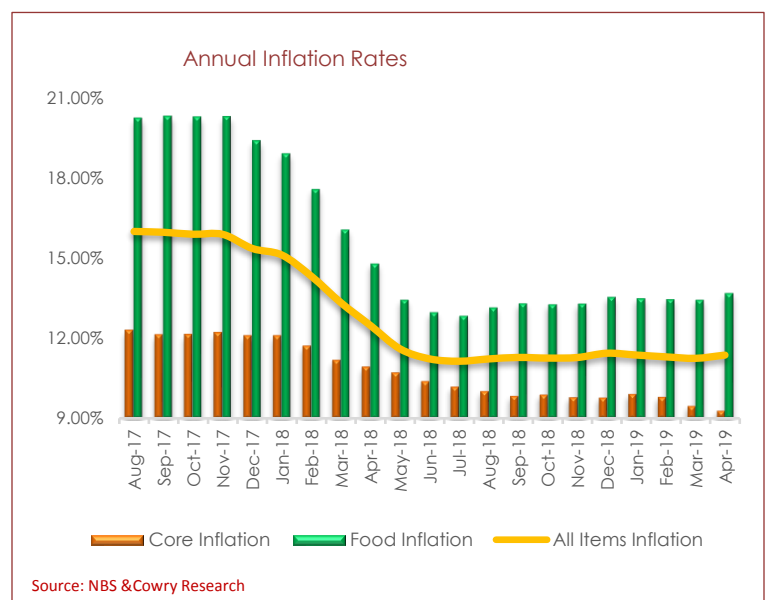
In the new week, we expect the local equities market to close marginally in green territory as the euphoria of the listing of the telecoms giant is likely to be sustained. More so, we expect investors to take advantage of the general low share prices in the market, especially in the banking sector, in order to maximize their returns.

POLITICS: Senate Passes Public Holiday Act Amendment Bill to Recognise June 12 as Democracy Day...

We expect that such substantive and symbolic measures to promote democracy will partly solidify Nigeria's democratic institutions, which appear threatened. More so, given the commendable harmony between the Executive and Legislature, we expect that the President's move to posthumously honour the icons of democracy by appointing a day to celebrate democracy should sober up politicians and renew their desire to preserve and strengthen democratic principles and institutions for the long-term benefit of the country.

ECONOMY: Peaceful Post-Election Atmosphere, Reduction in MPR Fail to Lift Local Bourse in 1Q 2019...

Recently released report by the Nigerian Stock Exchange (NSE) on domestic and foreign portfolio participation in equities trading for the first quarter in 2019, showed that equities market transactions significantly slowed when compared with the equities trades done in 1Q 2018. This was due to the negative sentiments of the retail, domestic institutional and the foreign portfolio investors (FPIs), even as implementation of the Multi Fund Pension Structure since 2018, relatively peaceful post-election atmosphere and reduction of the Monetary Policy Rate (MPR) to



13.50% from 14.00% failed to lift the market in the quarter under review. Hence, the NSE All Share Index (ASI) plunged by 1.24% to 31,041.42 index points in March 29, 2019 (from 31,430.50 index points in December 31, 2018). All the sectorised gauges also plummeted: the Industrial, Oil & Gas, Consumer Goods, Insurance and Banking indices nosedived by 14.07%, 13.55%, 13.54%, 9.67% and 9.30% respectively to 1,063.71 points, 261.28 points, 647.45 points, 114.25 points and 361.35 points respectively in 1Q 2019. Further analysis showed that total transactions on the nation's bourse decreased to N420.26 billion in 1Q 2019 (from N878.97 billion in 1Q 2018); of which FPI transactions declined to N221.87 billion (from N381.82 billion) while domestic transactions moderated to N198.39 billion (from N497.15 billion). Breakdown of the FPI transactions in 1Q 2019, showed that foreign portfolio outflows which fell by 29.19% to N124.24 billion, outstripped the foreign portfolio inflows which also fell by 52.69% to N97.63 billion by 27.26%. Similarly, on a yearly basis, domestic institutional transactions declined by 65.29% to N100.29 billion in 1Q 2019 from N288.91 billion in 1Q 2018 while the retail transactions dipped by 52.89% to N98.10 billion from N208.24 billion. Elsewhere, in line with our expectation, as documented in our inflation update of March 2019, April headline inflation rate rose to 11.37% year-on-year (from 11.25% in March 2019), to halt the three consecutive months of decline. The renewed upward movement in annual inflation rate was chiefly driven by consistent rise in food inflation rate as it grew further to 13.70% y-o-y from 13.45% in March 2019. Food prices, especially in Kaduna, Kebbi, Kwara and Zamfara States inflated y-o-y to 16.77%, 16.75%, 16.34% and 16.24% in April 2019 respectively. Also, the pressure on general price level of food rose m-o-m to 1.14% (higher than 0.88% in March 2019), above the 1% mark it last printed in September 2018. Change in consumer price index for imported food rose m-o-m by 1.24% to 301.76 points from 298.06 points in March 2019, amid monthly average depreciation of the Naira against USD in most forex market segments (FX rate rose m-o-m by 0.25% to N358.00/USD at the BDC market). On the flip side, core inflation rate grew slower on an annual basis, to 9.28% from 9.46%. This was partly driven by 3.60% y-o-y fall in the average costs of Premium Motor Spirit (PMS). However, we saw other energy prices, for kerosene and diesel, rise y-o-y by 13.57% and 12.88% respectively. Meanwhile, Inflation rate in the urban and the rural areas also rose y-o-y to 11.70% (from 11.54%) and to 11.08% (from 10.99%).

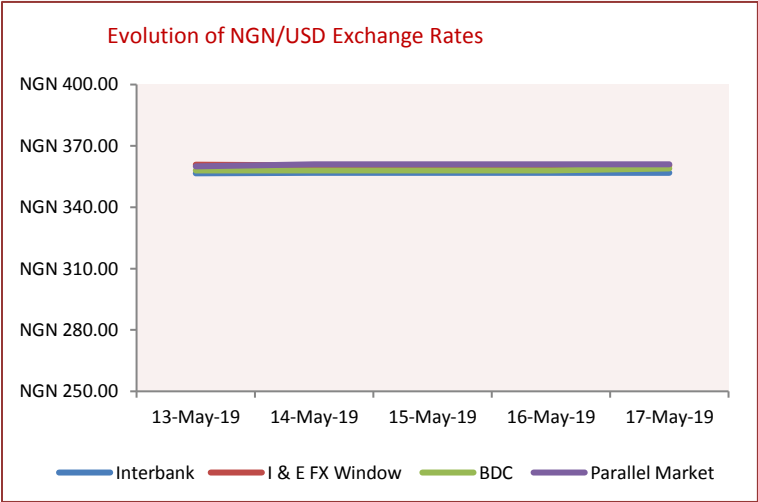
We expect inflation rate to further move upwards in the months of May and June amid Ramadan festivities and the recent signing of the new minimum wage bill. Meanwhile, we feel the ongoing court case challenging the outcome of the recently conducted presidential elections, would keep equity investors on the side lines as it tends to create political uncertainty. However, we expect the local bourse to rebound after President Buhari's inauguration and nomination of members of his cabinet, especially if the appointed ministers are perceived by investors to be market friendly.

FOREX MARKET: Naira Appreciates against US Dollar at I&E FXWindow...

In the just concluded week, the local currency appreciated by 0.11% at the Investors & Exporters Forex Window (I&E FXW) to close N360.50. However, at the Interbank Foreign Exchange market, NGN/USD rose (i.e. Naira depreciated) by 0.06% to close at N356.60/USD despite the sustained weekly injections of USD210 million by CBN into the foreign exchange market via the Secondary Market Intervention Sales (SMIS), of which: USD100 million was allocated to Wholesale SMIS, USD55

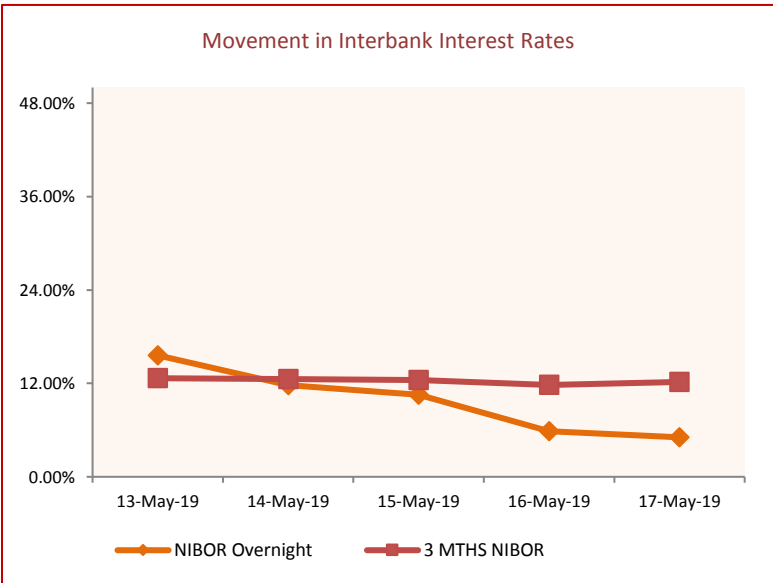
million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Also, Naira lost against the US dollar by 0.28% each at both the Bureau De Change (BDC) and the parallel ('black') market segments to close at N359/USD and N361/USD respectively. Meanwhile, the Naira/USD exchange rate fell (i.e. Naira gained) for all of the foreign exchange forward contracts – spot rate, 1 month, 2 months, 3 months, 6 months and 12 months rates fell by 0.02%, 0.08%, 0.12%, 0.23%, 0.21% and 0.34% to close at N306.95/USD, N363.36/USD, N366.19/USD, N369.01/USD, N380.69/USD and N402.90/USD respectively.

In the new week, we expect appreciation of the Naira against the USD in most market segments, especially at the I&E FXWindow, as CBN sustains its special interventions.



MONEY MARKET: Stop Rates for 182-day, 364-day T-bills Moderate amid High Investors' Demand...

In the just concluded week, CBN auctioned Treasury Bills worth N33.84 billion via the Primary market. In line with our expectation, stop rates for 182-day and 364-day bills moderated to 12.30% (from 12.49%) and 12.49% (from 12.77%) respectively amid investors' high demand for short term fixed income securities. 182-day and 364-day T-bills were over subscribed by 202.25% and 875.41% respectively. However, stop rate for 90-day bills was flattish at 10.00%. The total outflows worth N33.84 billion partly offset the total matured

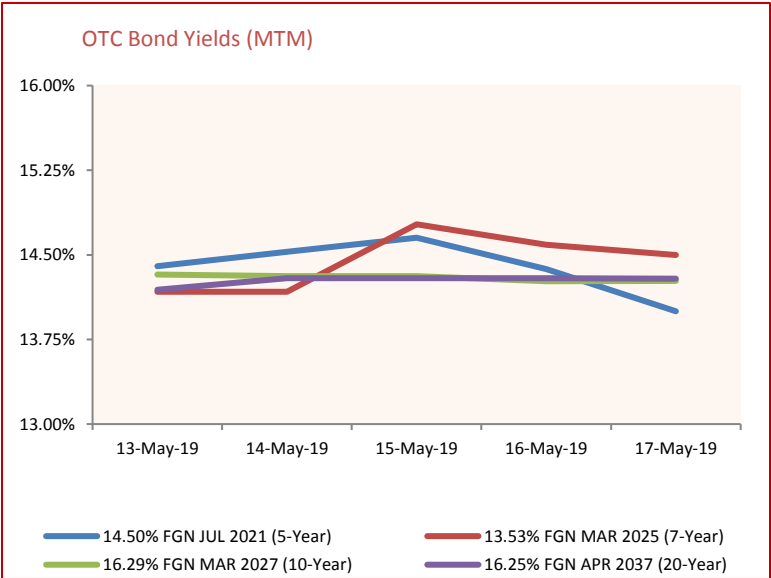


bills worth N140.95 billion, hence, the financial system was awash with liquidity ease. Consequently, NIBOR fell for most tenure buckets: NIBOR for overnight funds rate, 3 months and 6 months tenure buckets moderated to 5.07% (from 9.17%), 12.19% (from 12.72%) and 14.09% (from 14.36%) respectively; however, NIBOR for 1 month rose to 12.13% (from 11.83%). Meanwhile, NITTY fell for most maturities tracked as rates fall in the primary market – yields on 3 months, 6 months and 12 months contracted to 10.60% (from 11.51%), 12.49% (from 13.31%) and 13.71% (from 14.16%) respectively; however, yields on 1 month maturity rose to 11.13% (from 10.25%).

In the new week, CBN will settle T-bills worth N106.92 billion, however, we expect interbank interest rates to rise on anticipated strain on financial system liquidity on the back of expected debt auctions worth N100 billion.

BOND MARKET: FGN Bond Prices Fall for Most Maturities Tracked amid Sell Pressure...

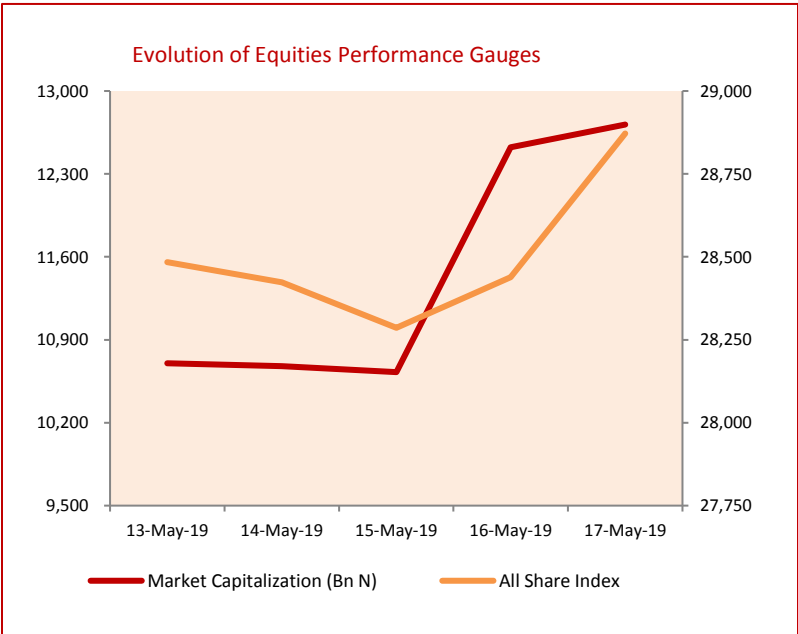
In the just concluded week, the value of FGN bonds traded at the over-the-counter (OTC) segment depreciated (and yields rose) for most maturities tracked amid renewed sell pressure: 7-year, 13.53% FGN MAR 2025 note, the 10-year, 16.29% FGN MAR 2027 debt and the 20-year, 16.25% FGN APR 2037 bond fell by N1.22, N0.06 and N0.74 respectively; their corresponding yields rose to 14.50% (from 14.17%), 14.27% (from 14.26%) and 14.29% (from 14.19%) respectively. However, 5-year, 14.50% FGN JUL 2021 paper gained N0.80; its corresponding yield declined to 14.00% (from 14.44%). Elsewhere, the value of the FGN Eurobonds traded at the international capital market further depreciated for all maturities tracked amid sustained profit taking activity – the 10-year, 6.75% JAN 28, 2021 paper, the 20-year, 7.69% FEB 23, 2038 and the 30-year, 7.62% NOV 28, 2047 bonds lost N0.03, USD0.25 and USD0.26 respectively; their corresponding yields increased to 4.93% (from 4.92%), 8.01% (from 7.98%) and 8.22% (from 8.20%) respectively.



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EQUITIES MARKET: Local Equities Market Rebounds by 8bps on MTNN’s Listing...

In the just concluded week, the Nigerian stock market rebounded following the listing by introduction of 20.4 billion shares of MTN Nigeria shares at N90 a share and a par value N0.02. Also, within two trading sessions, its share price gained 20% to lift the local bourse marginally out of red territory. The overall market performance measure, NSE ASI, closed northwards at 28,871.93 points, having gained 153 basis points w-o-w. Despite MTNN lifting the domestic bourse’s main gauge, all of the five sub-indices closed in negative territory: NSE Banking, NSE



Insurance, NSE Consumer Goods, NSE Oil/Gas and NSE Industrial indices fell by 4.31%, 3.35%, 4.13%, 2.32% and 3.88% to 354.30 points, 114.66 points, 641.87 points, 258.76 points and 1,054.20 points respectively. Meanwhile, market activities remained weak as total deals and transaction volumes plunged by 11.85% and 21.52% to 18,277 deals and 1.16 billion shares respectively; however, Naira votes increased by 62.46% to N17.67 billion partly due to transactions on MTNN shares and other high caps.

In the new week, we expect the local equities market to close marginally in green territory as the euphoria of the listing of the telecoms giant is likely to be sustained. More so, we expect investors to take advantage of the general low share prices in the market, especially in the banking sector, in order to maximize their returns.

POLITICS: Senate Passes Public Holiday Act Amendment Bill to Recognise June 12 as Democracy Day...

In the just concluded week, the Senate finally passed the Public Holiday Act Amendment Bill, in alignment with the President and the members of the House of Representatives to move Democracy Day from May 29, to June 12. President Muhammadu Buhari, in June 2018, directed that Democracy Day, hitherto observed yearly on May 29 since 1999, would henceforth be celebrated annually on June 12 while May 29 would remain the handover date for outgoing Presidents. According to the President, the decision to replace May 29 with June 12 was premised on the need to posthumously honour the late Chief Moshood Abiola Kashimawo (MKO), the Presidential Candidate and winner of the 1993 Presidential elections on the platform of the Social Democratic Party (SDP), with the highest national honour, the Grand Commander of the Federal Republic (GCFR), while his Vice Presidential candidate, Alhaji Babagana Kingibe, as well as the late Chief Gani Fawehinmi, SAN, who spearheaded the battle for the actualization of June 12 mandate, were also conferred with Grand Commander of the Order of the Niger. The new date, although arguably tinted with political expediency, drew historical significance from June 12, 1993 when the Presidential electoral victory of Late Chief Moshood Abiola was annulled by the military government in power at the time, to the chagrin of the international community, even though the elections were considered to be the freest, fairest and most peaceful since Nigeria’s independence. Elsewhere, the activities of bandits and kidnappers in the North West region of Nigeria grew more worrisome as farmers in the region revealed that bandits and kidnappers now taxed them before they were allowed access to their farms. According to All Farmers Association of Nigeria’s (AFAN) Secretary in Kebbi State, Muhammad Idris, over 350 farmers, mostly rice cultivators, had abandoned their farms due to lack of security.

We expect that such substantive and symbolic measures to promote democracy will partly solidify Nigeria’s democratic institutions, which appear threatened. More so, given the commendable harmony between the Executive and Legislature, we expect that the President’s move to posthumously honour the icons of democracy by appointing a day to celebrate democracy should sober up politicians and renew their desire to preserve and strengthen democratic principles and institutions for the long term benefit of the country.

Weekly Stock Recommendations as at Friday, May 17, 2019.

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 2019	116,231.12	4.13	4.70	26.33	0.38	2.42	22.15	15.50	10.00	23.31	8.50	12.00	133.12	Buy
FCMB	Q1 2019	13,749.09	0.76	0.69	9.49	0.16	2.05	3.61	1.06	1.55	3.44	1.32	1.86	122.18	Buy
Seplat Petroleum	Q1 2019	36,079.20	78.92	63.46	883.43	0.59	6.59	785.00	490.00	520.00	829.42	442.00	624.00	59.50	Buy
UBA	Q1 2019	114,660.00	2.30	3.35	15.88	0.38	2.61	13.00	7.05	6.00	16.63	5.10	7.20	177.16	Buy
Zenith Bank	Q1 2019	200,936.00	6.16	6.40	24.87	0.79	3.18	33.51	19.60	19.60	31.74	16.66	23.52	61.96	Buy

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