WEEKLY FINANCIAL MARKET REVIEW, OUTLOOK

&

RECOMMENDED STOCKS

COWRY RESEARCH

WEEKLY REPORT

Research@cowryasset.com www.cowryasset.com

COWRY ASSET MANAGEMENT LIMITED

SEGMENT OUTLOOK:

Economy: **N22.4tn FAAC Allocations Boost Government Liquidity in 2025 Despite Persistent Fiscal Risks……**

Looking ahead, government revenues are expected to strengthen further, supported by the mandatory fiscalisation of tax processes, the continued rollout of digital revenue administration systems, and efforts to broaden the tax base. These measures should enhance compliance, reduce leakages, and improve transparency over time.

Equities Market: **NGX Extends Bullish Run as ASI Gains 3.84% WoW on Strong Investor Participation ……**

In the near term, we expect the Nigerian equities market to maintain a positive bias, supported by sustained investor interest in fundamentally strong stocks and improving market breadth. Elevated trading activity and broad-based sectoral gains suggest that sentiment remains constructive, particularly in sectors benefiting from earnings releases and valuation-driven accumulation.

Foreign Exchange Market: **FX Market Improves as Naira Gains, While Crude Prices Record Weekly Decline ……**

We expect the naira to remain relatively supported in the near term, underpinned by improving external reserves, sustained oil receipts, and stronger non-oil inflows. However, movements in global oil prices and evolving foreign portfolio investor sentiment will remain key drivers of FX market direction. In the oil market, crude prices may stay under mild pressure in the short term as geopolitical risks ease, though any supply disruptions or shifts in OPEC+ policy could quickly alter price dynamics. Overall, FX stability is likely to persist, albeit with potential volatility driven by external factors.

Fixed Income Market: **Nigerian Bond Market Gains as Yields Fall; Eurobonds Remain Flat……**

The Nigerian secondary bond market is likely to maintain a supportive trajectory in the near term, driven by sustained domestic investor demand and confidence in government securities. Yields may continue to trend lower if market liquidity remains ample and investor appetite persists.

Conversely, the sovereign Eurobond market may remain subdued, with limited price movements expected, unless external investor sentiment improves or global risk factors shift, prompting renewed interest in Nigerian Eurobonds.

Money Market: **Liquidity Expansion Drives Broad Yield Compression ……**

Looking ahead, funding conditions are likely to remain soft in the near term. Expected OMO maturities exceeding N900 billion should sustain positive system liquidity, particularly if sterilization efforts remain measured. Under this scenario, overnight and short-dated rates may drift closer to the lower bound of the policy corridor, while Treasury bill yields, especially in the six- to twelve-month segment, could remain under downward pressure….

Economy: N22.4tn FAAC Allocations Boost Government Liquidity in 2025 Despite Persistent Fiscal Risks…

The latest data from the Office of the Accountant General of the Federation show that FAAC disbursed a total of N22.44 trillion to the three tiers of government in 2025, marking a substantial expansion in public sector liquidity and fiscal capacity. Allocations to the Federal Government, State Governments, and Local Governments rose strongly year on year, with increases of 55.73%, 42.21%, and 43.09% respectively. Overall FAAC inflows grew by 44.26%, while 13% derivation payments increased at a more moderate pace of 14.15%, indicating that the broader revenue gains were not driven solely by oil-producing allocations.

The expansion in FAAC allocations improved liquidity conditions across all tiers of government, providing support for public spending, salary payments, and infrastructure outlays. At the same time, stronger inflows can encourage growth in recurrent expenditure, reinforcing the need for disciplined fiscal management and a sustained focus on capital efficiency.

Monthly disbursements showed a generally upward trend through most of the year, climbing from N1.70 trillion in January to a peak of N2.23 trillion in August before easing slightly toward year-end. The second half of the year was particularly supportive, reflecting stronger statutory inflows and resilient tax collections. The August peak was largely linked to elevated statutory revenues alongside stable VAT receipts, suggesting firmer fiscal momentum during that period.

By revenue source, the Statutory Account remained the dominant contributor, totaling N13.22 trillion in 2025, a sharp 141.8% increase from the prior year. This reflects stronger federally collected revenues, supported by improved oil earnings, exchange rate adjustments, and better non-oil revenue performance. In contrast, exchange gains declined significantly to N699 billion, down 88.4% year on year, indicating a normalization from the unusually large currency-related windfalls recorded in 2024.

Non-oil revenue streams continued to gain traction. VAT collections rose to N7.97 trillion, up 30.6% year on year, supported by improved consumption activity and ongoing enhancements in tax administration. EMTL receipts remained broadly stable at N452 billion, underscoring consistent contributions from telecom-related activity. The steady growth in VAT and other domestic taxes points to gradual progress in diversifying revenue sources away from volatile exchange-related gains.

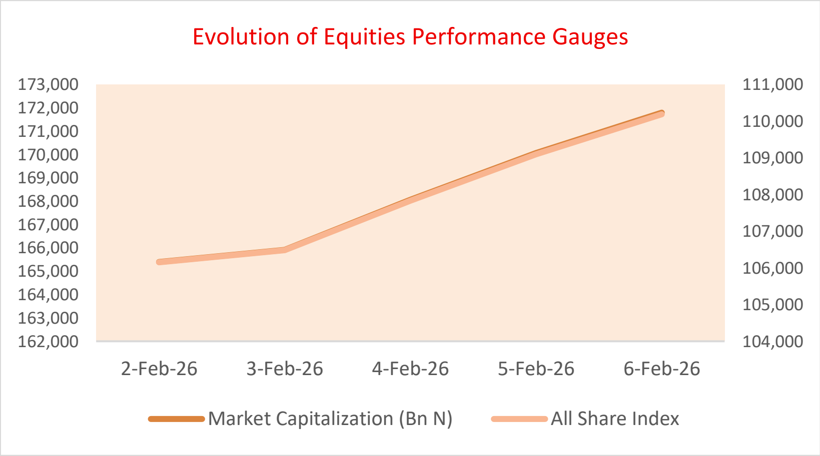
We think the improved FAAC disbursements in 2025 reflected strong fiscal inflows, improved tax performance, and reduced dependence on exchange rate windfalls. Sustaining this trajectory will depend on continued structural reforms, stable energy revenues, and careful expenditure management as fiscal authorities navigate an evolving domestic and global environment.

In the coming months, government revenues are expected to strengthen further, supported by the mandatory fiscalisation of tax processes, the continued rollout of digital revenue administration systems, and efforts to broaden the tax base. These measures should enhance compliance, reduce leakages, and improve transparency over time. However, fiscal risks remain elevated.

The large budget deficit, estimated at around N25.3 trillion, continues to pose challenges for borrowing requirements and debt sustainability. In addition, geopolitical tensions and potential supply disruptions in global energy markets present upside risks to crude oil prices. While higher oil prices could temporarily bolster FAAC inflows, associated volatility highlights the importance of accelerating non-oil revenue reforms and maintaining prudent fiscal policy.

EQUITIES MARKET: NGX Extends Bullish Run as ASI Gains 3.84% WoW on Strong Investor Participation …

The Nigerian equities market closed the week on a bullish note, extending its winning streak as investor sentiment strengthened amid heightened trading activity. The NGX All-Share Index (ASI) settled at 171,727.49 points, posting a week-on-week gain of 3.84% and underscoring sustained market confidence. In line with the rise in the benchmark index, market capitalization advanced by 3.84% to N110.23 trillion from N106.15 trillion in the previous week, translating to an approximate N4.08 trillion increase in market value. Consequently, the year-to-date return improved to 10.93%.



Market breadth remained strongly positive at 2.06x, with 70 gainers outweighing 34 decliners, reflecting broad-based investor participation. Trading activity was robust, as total deals, traded volume, and traded value rose by 8.23%, 25.08%, and 58.12%, respectively, week-on-week. By the close of the week, investors exchanged a total of 3.86 billion shares valued at N128.99 billion across 240,364 deals, highlighting heightened confidence in the equities market.

Sectoral performance for the week reflected a broadly positive market tone, with most indices closing in the green despite pockets of profit-taking. The Oil and Gas sector led overall gains, rising 10.88% week on week, followed by the Commodities sector with 6.30%, supported by strong price appreciation in key counters such as Aradel and Seplat. The Consumer Goods and Industrial Goods sectors also delivered solid performances, advancing 4.40% and 4.36% respectively. Consumer names benefited from price stability and selective accumulation, particularly in Union Dicon and Nascon, while the industrial space saw bargain-hunting in stocks such as Austinlaz, Berger, and Prempaints.

Banking stocks extended their positive momentum, with the sector gaining 3.57% over the week. Renewed buying interest in FirstHoldco and Stanbic supported the advance, reflecting continued investor focus on fundamentally resilient financial names. In contrast, the Insurance sector was the lone laggard, declining 2.33% as profit-taking persisted in Cornerstone and Sunu Assurances.,

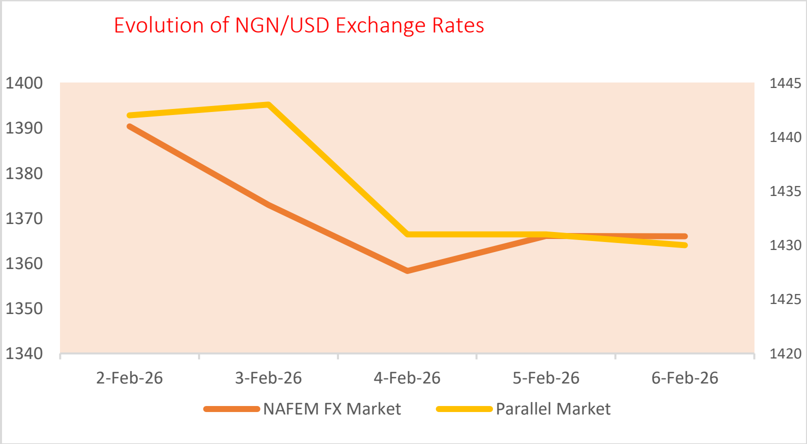
On a stock-specific basis, RTBRISCOE topped the gainers' chart with a 60.7% appreciation, followed by ZICHIS (+60.4%), ABBEYBDS (+59.0%), UNIONDICON (+49.1%), and AUSTINLAZ (+38.5%), largely driven by strong accumulation interest. On the downside, DEAPCAP (-27.4%), UHOMREIT (-27.0%), REDSTAREX (-17.5%), UPDCREIT (-12.3%), and CORNEST (-12.2%) recorded the steepest losses, reflecting sustained selling pressure in these stocks.

In the near term, we expect the Nigerian equities market to maintain a positive bias, supported by sustained investor interest in fundamentally strong stocks and improving market breadth. Elevated trading activity and broad-based sectoral gains suggest that sentiment remains constructive, particularly in sectors benefiting from earnings releases and valuation-driven accumulation.

FOREX MARKET: FX Market Improves as Naira Gains, While Crude Prices Record Weekly Decline…

The naira recorded gains against the U.S. dollar this week, appreciating by 1.49% at the official window to N1,366.20 and by 0.99% in the parallel market to N1,430.

Nigeria's external reserves also increased modestly by 1.52% to $46.81 billion, supported by steady oil receipts, improved non-oil inflows, and a favourable trade balance.



In the oil market, crude prices were poised for their first weekly decline since the start of the year, following a de-escalation in geopolitical tensions between the United States and Iran. At the time of writing, Brent crude traded at $68.09 per barrel, while WTI stood at $63.95 per barrel—both slightly higher than Thursday's close but lower than levels seen earlier in the week. Similarly, Bonny Light crude declined by 2.71% to $71.92 per barrel.

We expect the naira to remain relatively supported in the near term, underpinned by improving external reserves, sustained oil receipts, and stronger non-oil inflows. However, movements in global oil prices and evolving foreign portfolio investor sentiment will remain key drivers of FX market direction. In the oil market, crude prices may stay under mild pressure in the short term as geopolitical risks ease, though any supply disruptions or shifts in OPEC+ policy could quickly alter price dynamics. Overall, FX stability is likely to persist, albeit with potential volatility driven by external factors.

BONDS MARKET: Nigerian Bond Market Gains as Yields Fall; Eurobonds Remain Flat…

The Nigerian secondary bond market ended the week on a bullish note, supported by strong demand across most maturities. Trading activity remained robust, reflecting positive investor sentiment and a heightened appetite for local fixed-income assets amid prevailing market uncertainties. As a result, yields declined, with the average yield falling 31 basis points to 16.17%, highlighting strong confidence in government securities.

In contrast, the Nigerian sovereign Eurobond market recorded a flat performance over the week, with average yields remaining unchanged at 7.07% due to subdued investor activity.

The Nigerian secondary bond market is likely to maintain a supportive trajectory in the near term, driven by sustained domestic investor demand and confidence in government securities. Yields may continue to trend lower if market liquidity remains ample and investor appetite persists.

Conversely, the sovereign Eurobond market may remain subdued, with limited price movements expected, unless external investor sentiment improves or global risk factors shift, prompting renewed interest in Nigerian Eurobonds.

FGN Eurobonds Trading Yields as at Friday, February 6, 2026

FGN Eurobonds	Issue Date	TTM (years)	06-Dec-24 Price (N)	Weekly USD Δ	06-Dec-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.96	99.62	0.08	8.1%	-0.07
6.50 NOV 28, 2027	28-Nov-17	2.98	95.83	1.05	8.1%	-0.40
6.125 SEP 28, 2028	28-Sep-21	3.81	92.32	1.52	8.5%	-0.48
8.375 MAR 24, 2029	24-Mar-22	4.30	98.78	1.99	8.7%	-0.57
7.143 FEB 23, 2030	23-Feb-18	5.22	92.40	1.99	9.0%	-0.51
8.747 JAN 21, 2031	21-Nov-18	6.13	98.30	2.62	9.1%	-0.58
7.875 16-FEB-2032	16-Feb-17	7.20	92.61	2.58	9.3%	-0.53
7.375 SEP 28, 2033	28-Sep-21	8.82	87.94	3.47	9.4%	-0.65
7.696 FEB 23, 2038	23-Feb-18	13.22	84.32	3.35	9.8%	-0.53
7.625 NOV 28, 2047	28-Nov-17	22.99	79.18	3.39	9.9%	-0.48
9.248 JAN 21, 2049	21-Nov-18	24.14	93.39	3.31	10.0%	-0.39
8.25 SEP 28, 2051	28-Sep-21	26.83	82.40	3.45	10.2%	-0.46

MONEY MARKET: Liquidity Expansion Drives Broad Yield Compression…

System liquidity conditions improved markedly during the week, shaping a strongly bullish tone across the money market and Treasury bills space. Aggregate system liquidity closed at N2.62 trillion, representing a 37.1% week-on-week increase from N1.91 trillion. The expansion was primarily driven by significant autonomous inflows, notably OMO bill maturities estimated at roughly N1.03 trillion alongside FAAC disbursements totaling N1.97 trillion for the December allocation cycle. These inflows materially exceeded routine funding pressures and left the banking system structurally long cash through the period.

The impact on funding markets was immediate and pronounced. Interbank rates compressed sharply as excess reserves suppressed the marginal cost of funds. Overnight NIBOR declined by 152 basis points to close at 22.84%, while the one-month, three-month, and six-month tenors fell by 132 basis points, 112 basis points, and 95 basis points respectively. Policy corridor indicators mirrored this trend, with OPR and OVN declining by 357 basis points and 355 basis points to 22.50% and 22.81%. Balance sheet behavior indicated that banks preferred to warehouse surplus liquidity at CBN deposit windows amid subdued funding demand, reinforcing downward pressure on short-end rates.

The week's rate movement therefore reflects a liquidity overhang rather than a structural shift in monetary stance.
Activity in the Treasury bills market aligned with the easing in funding conditions. Yields on the NITTY curve trended lower across all key maturities as investors positioned ahead of the primary auction and sought to deploy surplus liquidity into risk-free instruments. The most pronounced repricing occurred at the longer end of the curve, underscoring duration preference in a temporarily cash-rich environment. Secondary market trading maintained a bullish bias, with selective demand concentrated along the belly of the curve. Average NTB yields declined by 65 basis points week on week to close at 17.62%, supported largely by bank balance sheet flows rather than structural asset reallocation.

The primary market auction reinforced the strength of demand. The CBN offered N1.15 trillion across the standard 91-day, 182-day, and 364-day tenors, an amount above the N668.86 billion of maturing bills during the same period. Total subscriptions reached N4.59 trillion, significantly higher than the prior auction, with approximately 96% of bids directed toward the 364-day instrument. The CBN allotted N952.6 billion, below the offer size, producing a bid-to-cover ratio of 4.81 times and a sales-to-offer ratio of 0.83 times. Stop rates on the 91-day and 182-day bills were held steady at 15.84% and 15.65%, while the 364-day stop rate declined sharply by 137 basis points to 16.99%. This outcome highlights the dominance of liquidity-driven duration demand, while the partial allotment suggests continued rate discipline by the monetary authority.

Looking ahead, funding conditions are likely to remain soft in the near term. Expected OMO maturities exceeding N900 billion should sustain positive system liquidity, particularly if sterilization efforts remain measured. Under this scenario, overnight and short-dated rates may drift closer to the lower bound of the policy corridor, while Treasury bill yields, especially in the six- to twelve-month segment, could remain under downward pressure. Nonetheless, the current yield compression should be interpreted as cyclical and liquidity-induced rather than indicative of a policy easing cycle. A reversal would likely require sizable OMO issuance, FX-related sterilization, or liquidity absorption.

Weekly Stock Recommendations as at Friday, February 6, 2026

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 wks.' High	52 wks.' Low	Current Price	FY Price Target	Short term Stop Loss	Short term Take Profit	Upside Potential (%)	Recommendations
ARADEL HOLDINGS	92.34	115.31	800.5	1.12	9.75x	869	448	**900**	**1123.9**	765	1035	24.87	BUY
GTCO PLC	20.16	25.47	98.60	1.02	4.97x	103.20	43.20	**100.25**	**126.7**	85.2	115.3	26.35	BUY
HONEYWELL FLOUR	0.78	0.99	5.50	4.07	28.63x	30.20	3.97	**22.40**	**28.3**	19.0	25.8	26.25	BUY
MTN NIGERIA	35.73	47.16	13.96	44	17.35x	610.0	169	**620.10**	**818.5**	527.1	713.1	32.00	BUY
WEMA BANK PLC	7.08	8.76	22.79	1.10	3.53x	25.9	10.1	**25.00**	**30.9**	21.3	28.8	23.73	BUY

Weekly Top Gainers and Losers as at Friday, February 6, 2026

Top Ten Gainers				Bottom Ten Losers			
Symbol	**6-Feb-26**	**28-Jan-26**	**% Change**	**Symbol**	**6-Feb-26**	**28-Jan-26**	**% Change**
RTBRISCOE	12.63	7.86	60.7%	DEAPCAP	6.82	9.39	-27.4%
ZICHIS	6.72	4.19	60.4%	UHOMREIT	69.25	94.85	-27.0%
ABBEYBDS	14.95	9.40	59.0%	REDSTAREX	17.15	20.80	-17.5%
UNIONDICON	13.05	8.75	49.1%	UPDCREIT	7.85	8.95	-12.3%
AUSTINLAZ	5.40	3.90	38.5%	CORNERST	5.45	6.21	-12.2%
DAARCOMM	1.90	1.41	34.8%	OMATEK	2.64	3	-12.0%
TIP	19.45	14.95	30.1%	SUNUASSUR	4.52	5.13	-11.9%
LIVINGTRUST	5.14	4.05	26.9%	MANSARD	14.30	15.89	-10.0%
JBERGER	230.80	182.00	26.8%	CHAMS	4.59	5.00	-8.2%
UNIVINSURE	1.51	1.20	25.8%	LASACO	2.26	2.45	-7.8%

CONTACT US

COWRY ASSET MANAGEMENT LIMITED
Plot 1319, Karimu Kotun Street,
Victoria Island
Lagos
Website: www.cowryasset.com
Email: info@cowryasset.com

COWRY ASSET MANAGEMENT LIMITED
Statement Suites Hotel D03 (3rd Floor),
Plot 1002, 1st Avenue, Off Ahmadu Bello Way
Central Business District, Abuja
Website: www.cowryasset.com
Email: info@cowryasset.com

COWRY ASSET MANAGEMENT LIMITED
UPDC Complex 26 Aba Road
Port-Harcourt
River State
Website: www.cowryasset.com
Email: info@cowryasset.com

RESEARCH TEAM

CHARLES ABUEDE
Cabuede@cowryasset.com

TAIWO LUPO
Tlupo@cowryasset.com

TOMIWA JIMOH
Tjimoh@cowryasset.com

www.cowryasset.com www.twitter.com/cowryassetmgt www.facebook.com/cowryasset

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