

Cowry Weekly Financial Markets Review & Outlook (CWR)

Segment Outlook:

ECONOMY: Domestic Institutional Investors Position in Equities Market Despite High Fixed Income Yield...

The relatively high inflation and interest rates, as well as the worsening insecurity would limit the potential GDP growth in 2021 – IMF's 2021 growth forecast was 2.5%. Meanwhile, we note that the unanimous decision of the Committee members to leave all key policy parameters unchanged was to allow further economic growth given the fragile GDP growth rate printed in Q1 2020. The local bourse index printed a 2.02% as domestic institutional investors participated more in the equities market despite the rising fixed income yield environment...

FOREX MARKET: Naira Strengthens against the USD at the Investors & Exporters Window...

In the new week, we expect Naira/USD to depreciate at most FX Windows despite the rising crude oil prices at the international market – the demand pressure on the greenback appears not to have fizzled out yet...

MONEY MARKET: NITTY Rises Further as Traders Demand for Higher Yield...

In the new week, T-bills worth N344.64 billion will mature via the primary and secondary markets to more than offset the T-bills worth N7.00 billion which will be auctioned by CBN via the primary market; viz: 90-day bills worth N2.00 billion, 182-day bills worth N2.00 billion and 364-day bills worth N3.00 billion. We expect the stop rates of the new issuances to moderate amid expected boost in financial system liquidity...

BOND MARKET: FGN Bond Yield Falls for Most Maturities Tracked amid Renewed Bullish Trend...

In the new week, we expect local OTC bond prices, especially at the longer end of the curve, to decrease (and yields to rise) as traders demand for higher rate amid expected boost in financial system liquidity...

EQUITIES MARKET: Equities Market Closes Positive as ASI Rises by 1.23% amid Renewed Bullish Activity...

In the new week, we expect the equities market index to trade northwards as investors position in high yielding dividend stocks, especially those corporates that pay interim dividend and have printed positive first quarter financial results. Hence, we feel the local bourse currently provides ample opportunity for capital gains...

POLITICS: INEC Introduces Online Voters' Registration, adopts AI Technology to Stop Underaged Voting...

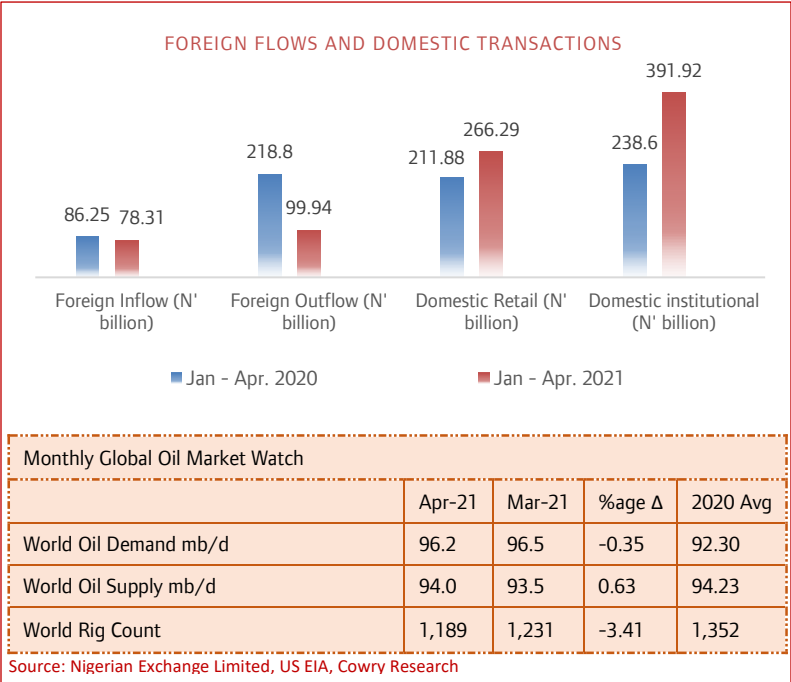
We expect the lawmakers to prioritize the passage of the amended electoral bill in order to consolidate the efforts of the electoral body in delivering credible elections which has a better chance to engender good governance going forward...

ECONOMY: Domestic Institutional Investors Position in Equities Market Despite High Fixed Income Yield...

Freshly released report by the Nigerian Exchange (NGX) on domestic and foreign portfolio participation in equities trading showed that total equities market transactions decreased in April 2021 compared to the volume of transactions done in March 2021 despite increased participation by domestic institutional investors. The increased participation by the domestic institutional investors was in consonance with our expectation expressed in the *Cowry Weekly Financial Market Review* dated May 14, 2021, that “we should begin to see some strategic positioning in stocks with high dividend yield despite the rising fixed

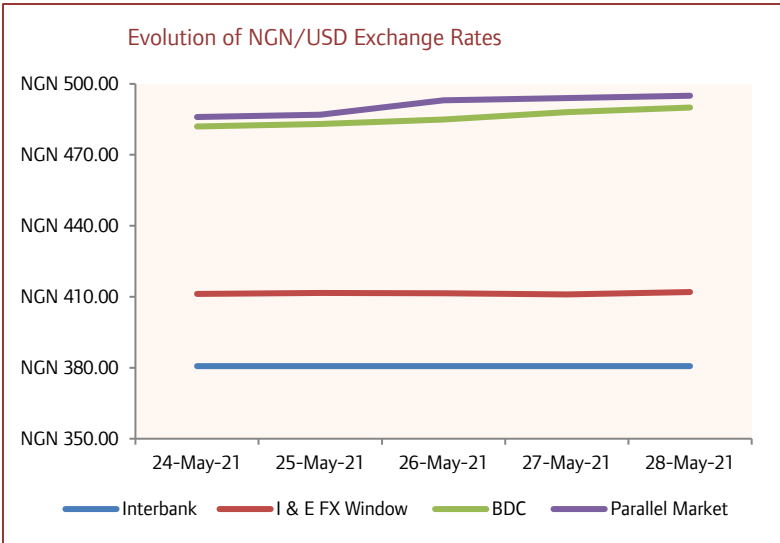
income yield environment”. Given the increased involvement of the domestic players on the Nigerian Exchange, especially the domestic institutional investors, the ratio of total domestic transactions to total foreign transactions tilted to 83:17 in the month under review, from 82:18 in March 2021 as total domestic transactions contracted by 29.78% while total foreign portfolio transactions contracted by 31.05%. Specifically, total transactions on the Lagos bourse moderated to N159.93 billion in April 2021 (from N228.49 billion printed in March 2021); of which total domestic transactions decreased to N131.91 billion (from N187.85 billion). Also, FPI transactions fell to N28.02 billion (from N40.64 billion). A breakdown of the FPI transactions in April 2021 showed that foreign portfolio inflows contracted by 10.61% to N18.20 billion; also, foreign portfolio outflows plummeted by 52.83% to N9.82 billion. Retail investors significantly reduced their stake in the equities market (transactions from this group dropped to N36.50 billion in the month under review from N108.55 billion in March 2021). However, domestic institutional transactions increased year on year by 20.32% to N95.41 billion in April 2021. Amid bargain hunting activities, chiefly by the domestic institutional investors, as well as the reduction in sell-offs from the foreign portfolio investors, the NSE All Share Index (ASI) gained 2.02% to 39,834.42 index points to close for the month of April 2021. In another development, the Organisation of the Petroleum Exporting Countries (OPEC) having concluded its 17th OPEC and Non-OPEC Ministerial Meeting in the course of the week projected that global demand for crude oil would improve going forward. The oil cartel consisting of 13 of the world’s major oil-exporting nations noted that the market fundamentals continued to strengthen amid economic recovery in more countries as vaccination programmes accelerate. Also, it mentioned that overall conformity to the production adjustments by the participating countries was 114% in April 2021. Given the positive outlook, the crude oil prices at the international market rallied. Particularly, the Brent crude price rose by 3.05% w-o-w to USD71.31 a barrel. Also, West Texas Intermediate (WTI) crude and Nigeria’s crude grade (Bonny Light) increased by 2.93% and 2.96% to USD68.81 and USD70.02 per barrel respectively as at June 3, 2021.

The local bourse index printed a 2.02% as domestic institutional investors participated more in the equities market despite the rising fixed income yield environment. Also boosting the domestic bourse index performance was the improved participation by foreign portfolio investors, and the significant reduction in foreign outflow. We note that more of the funds were expended on relatively high dividend yielding stocks, especially those in the banking sector. Going forward, we expect to see more funds flow into this space as corporates get ready to release their half year financial results, some of which would reward their shareholders interim cash dividends. Nevertheless, we advise investors to cherry-pick stocks that have consistently paid dividends and increased their profit after tax – particularly from their major income lines.



FOREX MARKET: Naira Strengthens against the USD at the Investors & Exporters Window...

In the just concluded week, Naira appreciated against the USD at the Investors & Exporters window by 0.30% to close at N410.75/USD as crude oil prices appreciated in the international market – Bonny Light hit USD70 per barrel. However, Naira continued to lose grip at the Bureau De Change Window and Parallel “black” markets where Naira depreciated further against the greenback by 1.43% and 1.41% to close at N497.00/USD and N502.00/USD respectively. Meanwhile, NGN/USD exchange rate closed flat

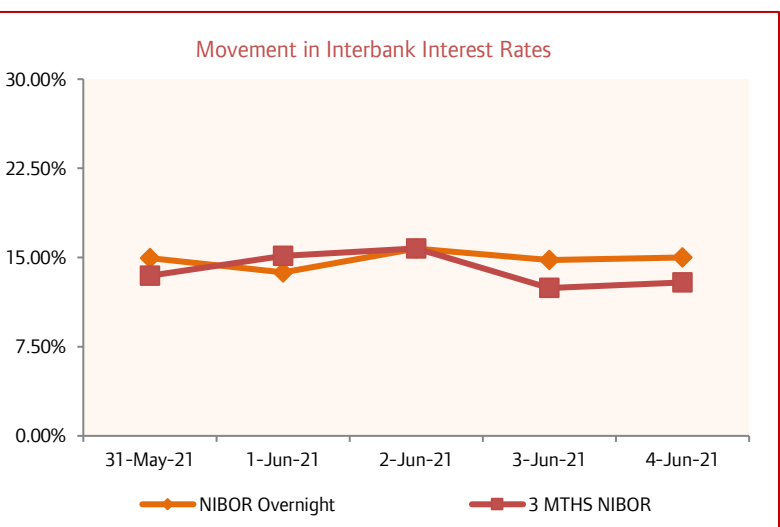


at N380.69/USD at the Interbank Foreign Exchange market amid weekly injections of USD210 million by CBN into the forex market: USD100 million was allocated to Wholesale Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Elsewhere, the Naira/USD exchange rate appreciated for all of the foreign exchange forward contracts: 1 month, 2 months, 3 months and 6 months exchange rates fell by 0.04%, 0.02%, 0.02% and 0.01% to close at N413.54/USD, N417.33/USD, N420.30/USD and N429.34/USD respectively. Meanwhile, the spot rate remained flat at N379.00/USD while the 12 months rate rose by 0.10% to N448.02/USD.

In the new week, we expect Naira/USD to depreciate at most FX Windows despite the rising crude oil prices at the international market – the demand pressure on the greenback appears not to have fizzled out yet.

MONEY MARKET: NITTY Rises Further as Traders Demand for Higher Yield...

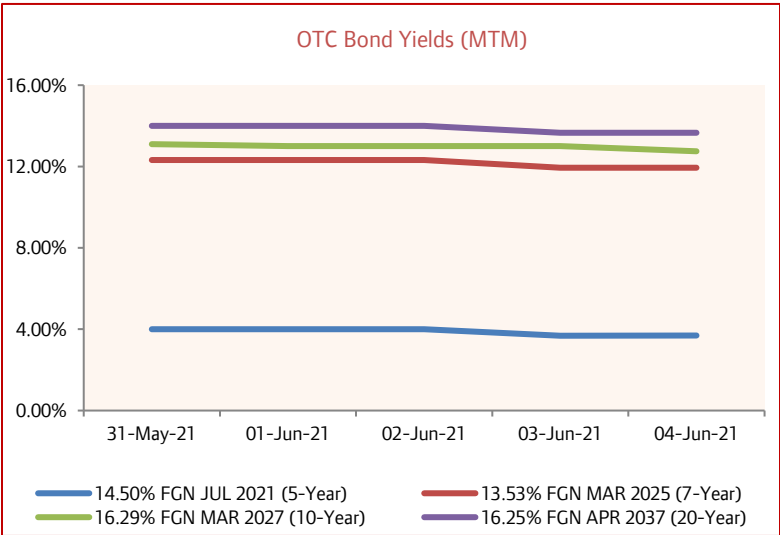
In the just concluded week, NITTY rose for all maturities tracked as traders demanded for higher yields despite CBN’s attempts to stabilize exchange rate. Accordingly, NITTY for 1 month, 3 months, 6 months and 12 months maturities rose further to 3.26% (from 2.37%), 3.57% (3.43%), 6.06% (from 4.92%) and 9.63% (from 9.36%) respectively. Elsewhere, CBN issued a total of N18.30 billion at the OMO auction to partly drain sytem liquidity as OMO bills worth N55.46 billion matured. Given the net inflows worth N37.16billion, NIBOR for 1 month, 3 months and 6 months moderated to 11.70% (from 11.18%), 12.90% (from 12.27%) and 14.60% (from 13.29%) respectively. However, NIBOR for overnight funds rose to 15.01% (from 18.37%).



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BOND MARKET: FGN Bond Yield Falls for Most Maturities Tracked amid Renewed Bullish Trend...

In the just concluded week, sentiment was positive in the market as bond prices increased while the FGN Yields fell for most maturities tracked. Specifically, the 7-year 13.53% FGN APR 2025 bond, the 10-year 16.29% FGN MAR 2027 bond and the 20-year, 16.25% FGN MAR 2037 bond gained N1.50, N1.46 and N2.82 respectively; their corresponding yields decreased to 12.43% (from 11.94%), 12.75% (from 13.10%) and 14.06% (from 13.66%) respectively. However, the 5-year, 14.50% FGN

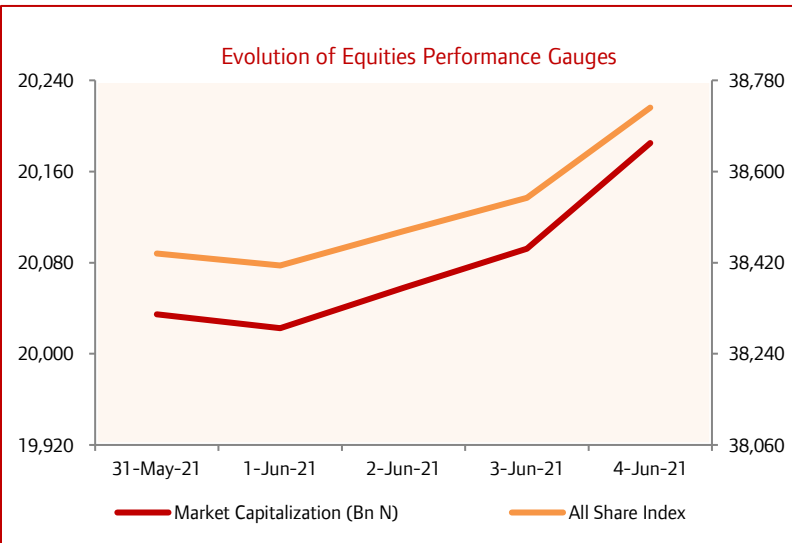


JUL 2021 bond lost N0.16, while its corresponding yield rose to 4.00% (from 3.80%), Meanwhile, the value of FGN Eurobonds traded at the international capital market rose for most maturities tracked; the 10-year, 6.375% JUL 12, 2023 bond, the 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt gained USD3.61, USD0.85 and USD0.53 respectively; their corresponding yields fell to 2.79% (from 2.82%), 7.29% (from 7.38%) and 7.51% (from 7.56%) respectively.

In the new week, we expect local OTC bond prices, especially at the longer end of the curve, to decrease (and yields to rise) as traders demand for higher rate amid expected boost in financial system liquidity.

EQUITIES MARKET: Equities Market Closes Positive as ASI Rises by 1.23% amid Renewed Bullish Activity...

In the just concluded week, the domestic bourse halted the downtrend as bullish sentiment dominated trading activity; hence, the NSE ASI advanced week-on-week by 1.23% to close at 38,726.10 points while the YTD loss of the local bourse index moderated to -3.84%. Performance across sub-sector gauges was positive as three out of the five indices tracked closed in green zone; the NSE Banking, NSE Insurance and the NSE Industrial indices rose by 0.04%, 1.25% and 2.60% to close at 355.45 points, 207.99 points 1,907.99 respectively. On the flip side, the NSE Consumer Goods and the NSE Oil/Gas indices fell by 0.37% and 0.79% to 561.00 points and 306.75 points respectively. Meanwhile, trading activity was upbeat as total deals, volume and value of stocks traded rose by 2.03%, 4.35% and 0.81% to 17,933 deals, 1.08 billion units and N9.54 billion respectively.



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POLITICS: INEC Introduces Online Voters’ Registration, adopts AI Technology to Stop Underaged Voting...

In the just concluded week, the Independent National Electoral Commission (INEC) unveiled new processes for the registration of voters and transmission of results from ward level to the declaration of the final result. According to the Commission, artificial intelligence technology would be deployed to detect underaged voters as voters’ faces will now be captured during the new online registration exercise scheduled to commence on Monday, June 28, 2021. Nigerians are to begin their registration online before proceeding to the allocated INEC physical office for finger print and facial capture. With the new registration process which is meant to ensure that new biometrics of all prospective voters are captured, voters will automatically be disqualified if the fingerprint and the facial print do not match at the point of voting. The INEC Chairman, Prof. Mahmood Yakubu said that the new electronic voting gadgets would no longer malfunction due to network failure as the devices were built on latest technology. Also, he noted that the Commission is now fully ready to transmit the 2023 election results electronically. However, the INEC boss mentioned that all the innovative steps may be stalled if the National Assembly failed to pass the amended electoral bill. Meanwhile, the Federal Government may have to renew its efforts to curb insecurity in the country amid recent trend of killings by unknown gunmen; including a recent high-profile case involving Hon. Ahmed Gulak, who was reportedly shot dead by unknown gunmen in Imo State. The Adamawa State politician, had served the country in several capacities – he was a political adviser to former President Goodluck Jonathan and the former speaker of Adamawa State House of Assembly. Another victim was Mr. Christopher Dega, the Senior Special Assistant (SSA) on Security to the Benue State Governor, Dr. Samuel Ortom who was also shot dead by unknown gunmen in Plateau State.

We expect the lawmakers to prioritize the passage of the amended electoral bill in order to consolidate the efforts of the electoral body in delivering credible elections which has a better chance to engender good governance going forward.



Weekly Stock Recommendations as at Friday, June 4, 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	Q1 2021	691.49	1.75	0.99	5.35	3.73	11.42	27.50	15.40	19.95	28.35	16.96	22.94	42.11	Buy
Fidelity Bank	Q1 2021	38,360.00	0.92	1.32	9.44	0.24	2.46	3.99	1.40	2.26	6.57	1.92	2.60	190.68	Buy
May & Baker	Q1 2021	989.48	0.56	0.57	3.91	1.02	7.15	4.65	1.79	4.00	4.31	3.40	4.60	7.75	Buy
NEM	Q1 2021	3,931.16	0.51	0.39	1.41	1.48	4.10	2.69	0.98	2.08	2.39	1.77	2.39	14.90	Buy
UBA	Q1 2021	144,989.00	3.33	4.24	20.32	0.35	2.15	9.25	4.40	7.15	21.03	6.08	8.22	194.10	Buy
Zenith Bank	Q1 2021	191,016.00	7.34	6.08	35.56	0.65	3.13	29.52	10.70	23.00	30.18	19.55	26.45	31.20	Buy

FGN Eurobonds Trading Above 6% Yield as at Friday, June 4, 2021

FGN Eurobonds	Issue Date	TTM (years)	4-June-21 Price (N)	Weekly Naira Δ	4-June-21 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	8.73	106.66	0.38	6.1%	(0.06)
8.747 JAN 21, 2031	21-Nov-18	9.64	114.79	0.52	6.6%	(0.07)
7.875 16-FEB-2032	16-Feb-17	10.71	109.04	0.70	6.7%	(0.09)
7.696 FEB 23, 2038	23-Feb-18	16.73	103.82	0.85	7.3%	(0.09)
7.625 NOV 28, 2047	28-Nov-17	26.50	101.31	0.53	7.5%	(0.05)
9.248 JAN 21, 2049	21-Nov-18	27.65	115.51	0.65	7.9%	(0.05)

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