

Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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In the meantime, the CBN is expected to proceed cautiously with rate hikes at the next MPC meeting, potentially increasing rates by 75 to 100 basis points as part of its ongoing efforts to tighten monetary policy and control all inflation indicators. Thus, we anticipate a further slow rise in headline inflation to around 34% in May 2024.

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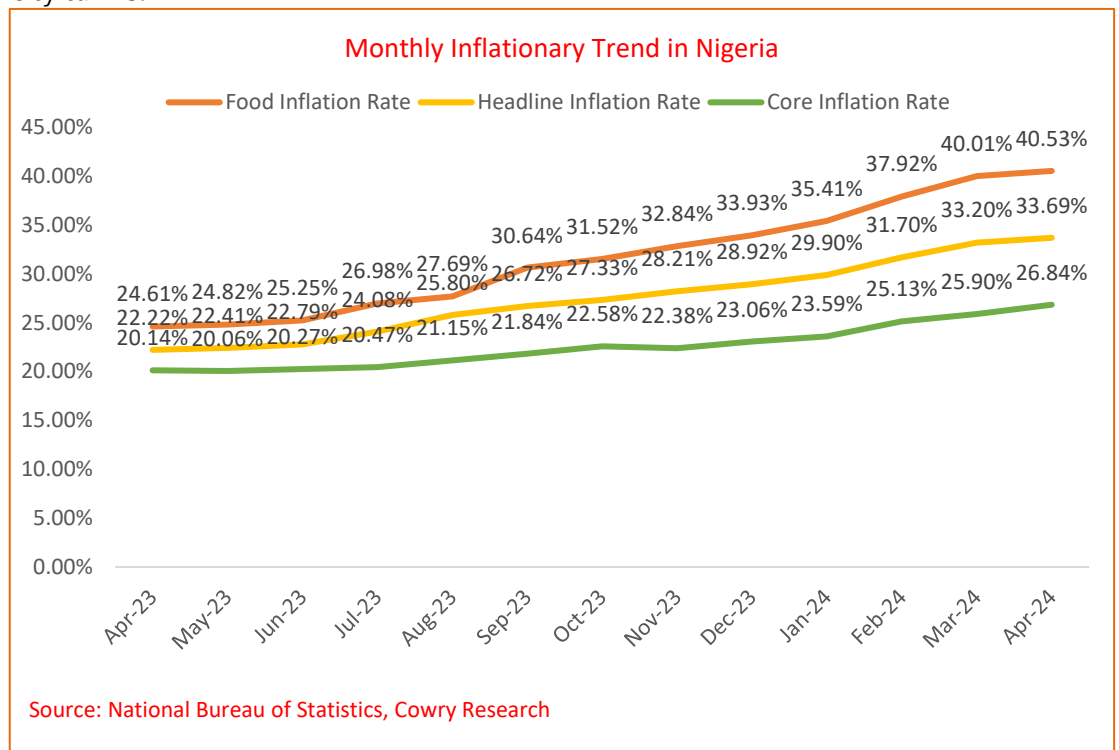
ECONOMY: CBN Sees Little Thicket for Rates Rise as CPI Surges to Fresh Levels of 33.69% in April...

The CBN Monetary Policy Committee may have little thicket for rate rise at the forthcoming MPC meeting as several economic indicators points towards further tightening or hold stance to further allow the impact of previous rate hikes permeate the economy following the latest consumer price inflation (CPI) reading at a fresh 28-year high for the month of April 2024.

At its last meeting in March, the committee raised the policy rate by +200bps to 24.75% from 22.75% in February, adjusted the asymmetric corridor around the MPR to +100/-300bps from +100/-700bps previously, while all other parameters were left constant. However, for merchant banks, the CRR was raised from 10% to 14% in a bid to improve on bank lending and discourage the reserves for idle cash within the banking system.

Meanwhile, the latest report published by the NBS showed that Nigeria’s consumer price inflation (CPI) continued its monthly acceleration for the sixteenth consecutive month, reaching a 28-year high of 33.69% in April 2024, up from 33.20% the previous month. This increase is partly attributed to the renewed weakness in the naira, the removal of fuel subsidies, and the hike in electricity tariffs.

The sluggish movement was anticipated as the incremental rise in April’s headline inflation rate showed a 0.49 percentage point increase from March 2024; beating our expected 34.65% and expectations of the market at above 34% but marking an 11.47 percentage point increase compared to April 2023’s rate of 22.22%. This increase in the headline index was driven by various items within the inflation basket, including food, housing, transportation, and miscellaneous categories



Food inflation remains a significant driver of the headline index, hitting 40.53% year-on-year in April. This surge is due to rising prices of essential food items such as millet flour, garri, bread, wheat flour, semovita, yam tuber, water yam, cocoyam, coconut oil, palm kernel oil, vegetable oil, dried fish, beef, frozen chicken, and various fruits and beverages. Despite this annual increase, food inflation moderated by 1.11 percentage points to 2.5% in April, down from 3.62% in March, due to the decreases seen in the rate of price increases for items like yam, water yam, Irish potatoes, beer, local beer, Milo, Bournvita, Nescafe, groundnut oil, palm oil, eggs, milk, soft drinks, spirits, and various fruits.

Elsewhere, the core inflation, which excludes the prices of volatile agricultural produce and energy, stood at 26.84% year-on-year in April 2024, up by 6.87 percentage points from 19.96% in April 2023. The highest increases in core inflation were observed in prices for housing rentals, motorcycle journeys, bus journeys within cities, medical consultation fees, X-ray services, and accommodation services. Meanwhile, on a month-on-month basis, the core Inflation rate was 2.20% in April 2024, printing at 2.54% in March 2024, and indicating a decrease of 0.34%.

Across the states, headline inflation was highest in Kogi (40.84%), Bauchi (39.91%), and Oyo (38.37%), while Borno (26.09%), Benue (27.53%), and Taraba (28.69%) recorded the slowest year-on-year rises. On a month-on-month basis, Lagos (4.52%), Ondo (3.35%), and Edo (3.27%) experienced the highest increases, whereas Kano (0.30%), Ebonyi (0.97%), and Adamawa (1.25%) had the slowest rises.

Also, for the food index, it was highest in highest in Kogi (48.62%), Kwara (46.73%), Ondo (45.87%), while Adamawa (33.61%), Bauchi (33.85%) and Nasarawa (34.03%), recorded the slowest rise on year-on-year basis. On a month-on-month basis, however, food inflation was highest in Lagos (4.74%), Edo (4.06%), and Yobe (3.99%), while Kano (0.47%), Adamawa (0.98%) and Zamfara (1.50%) recorded the slowest rise.

In our view, the persistent rise in food prices comes from ongoing security concerns in food-growing regions across the country, the logistics challenges of making these farm-produces available and infrastructure deficits. The pass-through effect of currency depreciation on domestic food prices also contributes significantly to the soaring food prices as consumer pockets continue to get squeezed.

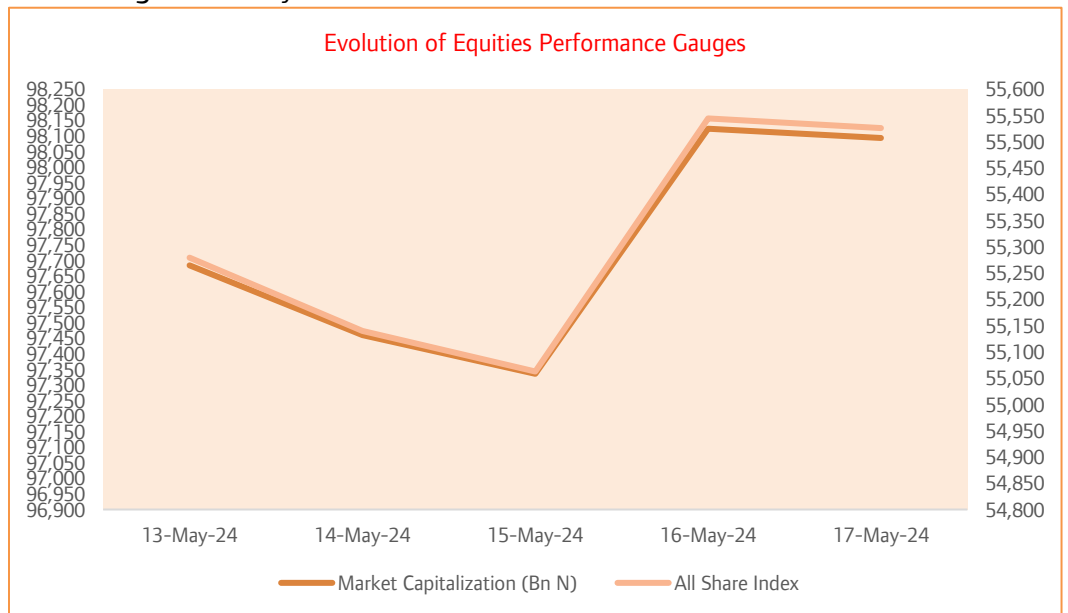
Next week, the Monetary Policy Committee (MPC) of the CBN will meet to discuss macroeconomic indicators and further measures to combat soaring inflation. At its last two meetings of 2024, the committee maintained a hawkish stance to address inflationary pressures and adjusted other policy parameters to tighten monetary conditions in the economy. However, the slow year-on-year increase in headline indicators within the last two months and the month-on-month trend reversal suggest that previous rate hikes and policy changes by the CBN are beginning to take effect on the economy.

In the meantime, the CBN is expected to proceed cautiously with rate hikes at the next MPC meeting, potentially increasing rates by 75 to 100 basis points as part of its ongoing efforts to tighten monetary policy and control all inflation indicators. Thus, we anticipate a further slow rise in headline inflation to around 34% in May 2024.

EQUITIES MARKET: Local Bourse Faces Downbeat Sentiment Amid Economic Concern; Skids 0.11% w/w.....

The local stock market endured another challenging week, characterised by downbeat sentiment among investors who were reacting to the latest consumer price inflation report from the National Bureau of Statistics (NBS) and speculations surrounding the forthcoming Monetary Policy Committee (MPC) meeting. The benchmark index experienced a slight decline, falling by 0.11% week-on-week to 98,125.73 points. This downturn reflects ongoing portfolio rebalancing influenced by first-quarter earnings and the dividend payment season, set against a backdrop of evolving market dynamics and fundamentals.

Market capitalisation also dipped by 0.10%, decreasing to N55.51 trillion from N55.56 trillion in the previous week, resulting in a N54.11 billion loss for investors. Despite this week's losses, the year-to-date return for the benchmark index stands at 31.23%. However, given the inflation rate of 33.69% in April 2024, the real return remains negative.



Trading activity remained subdued, with a 15.8% decrease in the weekly traded volume, amounting to 1.65 billion units across 38,121 deals—a 24.5% drop from the prior week. The traded value also fell by 15.8% to N42.7 billion. The market breadth was negative, with 51 stocks declining compared to 28 gainers.

Across various sectors, most indices closed in negative territory. The NGX-Industrial index managed a slight gain of 0.01%, driven by positive price movements in JULIUS BERGER, UPDC, and CUTIX respectively. Conversely, the NGX-Banking index fell by 6.51%, influenced by declines in UBA and GTCO. The NGX-Oil & Gas index decreased by 6.49%, with SEPLAT leading the losses. The NGX-Insurance index dropped by 3.98%, affected by NEM, while the NGX-Consumer Goods index was down by 1.29%, with PZ, PRESCO and DANGOTE SUGAR contributing to the decline.

Among the top performers of the week, International Energy Insurance led with a 12% increase, followed by MCNICHOLS and CUSTODIAN, both rising by 10%. AIRTELAFRI and TANTALIZER also performed well, each registering a 9% increase. On the other hand, the worst performers included PZ Cussons, which saw its share price fall by 22%, NEM Insurance and ETERNA, both dropping by 18%, UBA decreasing by 17%, and The Initiates Plc losing 15%.

Looking ahead, the market is expected to maintain a weak sentiment as investors continue to digest the latest economic data from the statistics bureau. The anticipated outcome of the upcoming MPC meeting, likely to result in a modest 100 basis points rate hike, could further dampen market sentiment. Despite the current market weakness and mixed sector performance, the oversold conditions and mixed technical indicators suggest potential buying opportunities for value investors aiming to capitalise on low prices and valuations. Meanwhile, we continue to advise investors on taking positions in stocks with sound fundamentals.

Weekly Gainers and Loser as at Friday, May 17, 2024

Top Ten Gainers				Bottom Ten Losers			
Symbol	17-May-24	10-May-24	% Change	Symbol	17-May-24	10-May-24	% Change
INTENEGINS	1.65	1.48	11.5%	PZ	21.60	27.75	-22.2%
MCNICHOLS	1.00	0.91	9.9%	NEM	8.45	10.35	-18.4%
CUSTODIAN	10.20	9.30	9.7%	ETERNA	11.15	13.65	-18.3%
JBERGER	79.30	72.40	9.5%	UBA	21.85	26.40	-17.2%
AIRTELAFRI	2,150.00	1,973.00	9.0%	TIP	1.95	2.30	-15.2%
TANTALIZER	0.50	0.46	8.7%	OMATEK	0.63	0.74	-14.9%
ELLAHLAKES	3.30	3.05	8.2%	UNITYBNK	1.60	1.83	-12.6%
SOVRENINS	0.41	0.38	7.9%	FCMB	7.00	7.90	-11.4%
LEARNAFRCA	3.50	3.30	6.1%	DANGSUGAR	40.00	45.00	-11.1%
MBENEFIT	0.58	0.55	5.5%	FTNCOCOA	1.44	1.62	-11.1%

Weekly Stock Recommendations as at Friday, May 17, 2024

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 WKs' High	52 WKs' Low	Current Price	Price Target	Short term Stop Loss	Short term Take Profit	Potential Upside	Recommendation
NESTLE	-100.9	-91	-98	-8.33	-8.1	1250	990	820.00	1045	697.0	943.0	27.4	Buy
GUINNESS	-28.15	-30.02	-2.16	-25.04	-1.92	80.0	42.05	53.00	72.0	45.1	61.0	35.8	Buy
TOTAL	338.68	1,083	174.0	1.85	0.95	385	197.	321.50	454.0	273.3	369.7	41.2	Buy
FBNH	2.05	2.18	47.35	0.48	11.2	84.0	27.50	22.95	29.0	19.5	26.4	26.3	Buy
ACCESSBANK	4.35	6.96	71.65	0.24	4.02	30.7	7.5	17.00	23.7	14.4	19.5	40.0	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, May 17, 2024

FGN Eurobonds	Issue Date	TTM (years)	17-May-24 Price (N)	Weekly USD Δ	17-May-24 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	1.52	99.90	0.35	7.7%	-0.24
6.50 NOV 28, 2027	28-Nov-17	3.53	93.04	-0.22	8.8%	0.08
6.125 SEP 28, 2028	28-Sep-21	4.37	88.99	-0.20	9.3%	0.07
8.375 MAR 24, 2029	24-Mar-22	4.85	95.38	-0.28	9.6%	0.07
7.143 FEB 23, 2030	23-Feb-18	5.78	88.61	-0.33	9.8%	0.09
8.747 JAN 21, 2031	21-Nov-18	6.68	94.69	-0.29	9.9%	0.07
7.875 16-FEB-2032	16-Feb-17	7.76	88.43	-0.26	10.1%	0.06
7.375 SEP 28, 2033	28-Sep-21	9.37	84.02	-0.40	10.1%	0.08
7.696 FEB 23, 2038	23-Feb-18	13.78	80.04	-0.28	10.5%	0.05
7.625 NOV 28, 2047	28-Nov-17	23.55	76.01	-0.36	10.4%	0.06
9.248 JAN 21, 2049	21-Nov-18	24.70	90.59	-0.17	10.3%	0.02
8.25 SEP 28, 2051	28-Sep-21	27.38	79.64	-0.15	10.5%	0.02

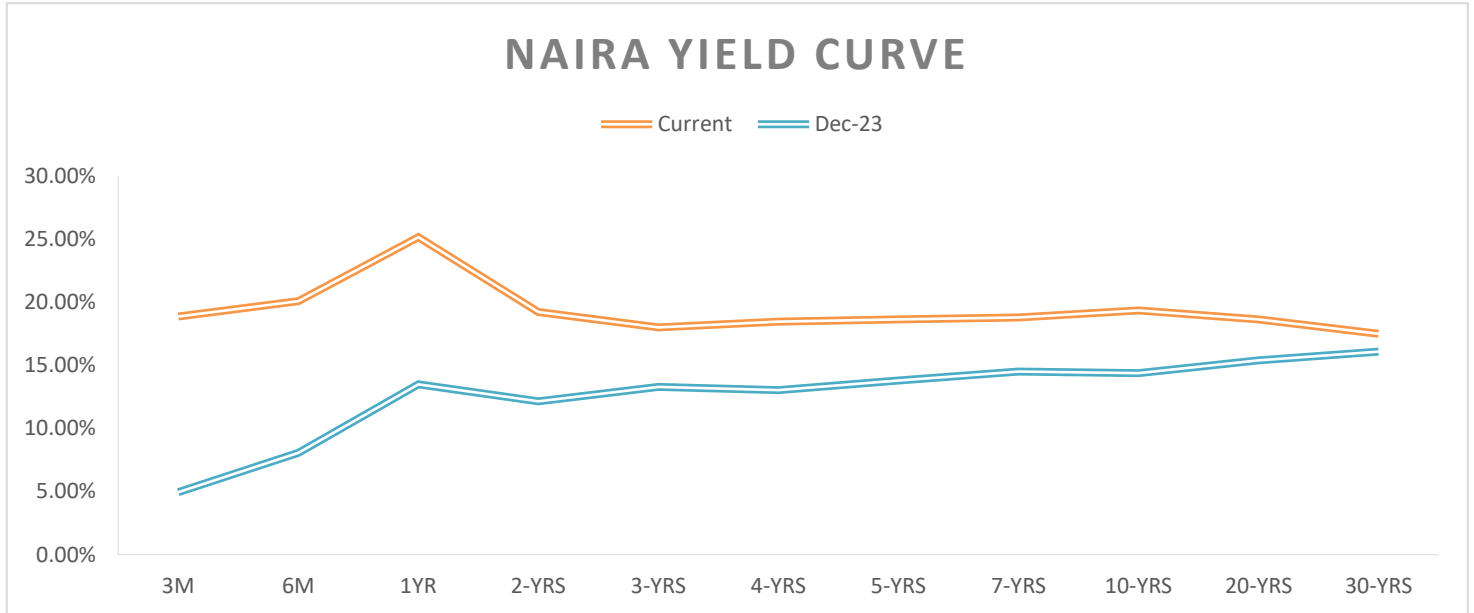
U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Friday, May 17, 2024

MAJOR	17-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.0766	1.0781	-0.14%	0.05%	0.39%	-1.34%
GBPUSD	1.2508	1.2525	-0.13%	-0.27%	-0.34%	0.02%
USDCHF	0.9081	0.9059	0.25%	0.32%	-0.21%	1.52%
USDRUB	92.3070	91.9484	0.39%	0.77%	-1.03%	19.89%
USDNGN	1424.9000	1419.5059	0.38%	3.07%	14.75%	209.71%
USDZAR	18.4723	18.4668	0.03%	-0.18%	-1.32%	-3.78%
USDEGP	47.4029	47.4029	0.00%	-1.09%	-0.30%	53.65%
USDCAD	1.37	1.3677	-0.04%	-0.14%	-0.15%	1.30%
USDMXN	16.76	16.7911	-0.16%	-1.22%	1.95%	-4.62%
USDBRL	5.15	5.1424	0.13%	1.45%	1.07%	4.40%
AUDUSD	0.6597	0.6617	-0.31%	-0.13%	0.92%	-1.50%
NZDUSD	0.6010	-0.0600	-0.42%	0.04%	0.18%	-4.54%
USDJPY	155.8250	155.3899	0.28%	1.85%	1.73%	15.83%
USDCNY	7.2319	7.2210	0.15%	0.57%	-0.31%	3.91%
USDINR	83.5444	83.4609	0.10%	0.19%	0.23%	1.77%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, May 17, 2024

Commodity		17-May-24	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	79.4	79.3	0.12%	1.62%	-6.64%	12.26%
BRENT	USD/Bbl	83.9	83.9	0.06%	1.21%	-6.44%	11.98%
NATURAL GAS	USD/MMBtu	2.3	9.8	-0.49%	6.90%	14.49%	4.56%
GASOLINE	USD/Gal	2.5	2.5	-0.40%	-0.38%	-8.44%	3.35%
COAL	USD/T	144.0	146.1	-1.47%	-2.57%	12.46%	-13.78%
GOLD	USD/t.oz	2,361.8	2,346.6	0.65%	2.66%	0.78%	17.22%
SILVER	USD/t.oz	28.2	28.3	-0.67%	6.22%	-0.96%	16.64%
WHEAT	USD/Bu	649.6	637.5	1.90%	4.28%	17.65%	3.49%
PALM-OIL	MYR/T	3,810.0	3,829.9	-0.52%	-0.83%	-10.96%	5.75%
COCOA	USD/T	8,401.7	8,302.1	1.20%	3.04%	-19.20%	159.06%

FGN Bonds Yield Curve, Friday May 17, 2024



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