

Weekly roundup and stock recommendations

CardinalStone Research
research@cardinalstone.com

Equities

The Nigerian equities market relapsed to close the week on a bearish note. The benchmark index declined by **1.5% WoW** to print at 97,100.31 points, while market capitalization settled at N55.13 trillion, respectively. Consequently, YtD return moderated to 29.86%.

The market's bearish performance largely stemmed from selloffs in the Industrial Goods giant— BUACEMENT (-14.82% WoW), alongside OANDO (-11.70% WoW) and FBNH (-6.89% WoW). Expectedly, market sentiments weakened as market breadth printed at 0.80x (vs 1.32x in prior week) with 37 gainers being outpaced by 46 laggards. RTBRISCOE (+33.86% WoW) emerged as the best performing counter, while CUTIX (-17.50% WoW) was the worst performing counter in the week.

Money market and fixed income

Interbank rates—OPR and O/N—contracted by 109bps and 99bps to close at 32.30% and 32.98%, respectively. System liquidity was robust during the week primarily driven by inflow from OMO maturities (N20.5 billion).

The NTB secondary market turned bullish this week, following notable buying interests in mid-dated (-24bps) and long-dated (-183bps) papers. Consequently, the average yield across all instruments contracted by 97bps to 25.3%.

Similarly, in the FGN bond secondary market, bullish sentiment was prevalent as investors sought to lock in rates at current levels, following the lowered offer size for the August FGN bond PMA to N190.00 billion (previously: N300.00 billion). Accordingly, the average yield contracted by 35bps to settle at 19.70%.

Macros – July Inflation print

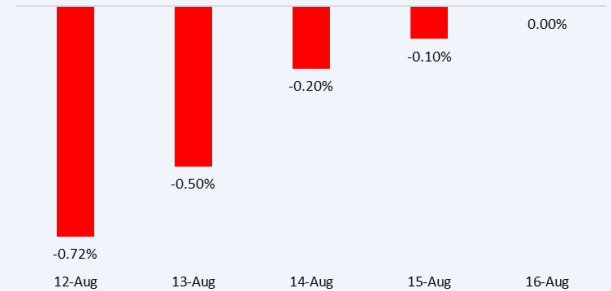
In line with our expectations, headline inflation slowed to 33.40% in July 2024 (80bps lower than in the previous month and 30bps short of our forecast of 33.70%). The reading also represented the first inflation slowdown since December 2022. The moderation in the headline reading was primarily driven by the food basket, which printed 134bps lower at 39.53% YoY, buoyed by the commencement of a new harvest season. According to FEWSNET, there were early green harvests of maize and yam in the southern parts of the country, which improved food supply and moderated related pressures.

Outlook

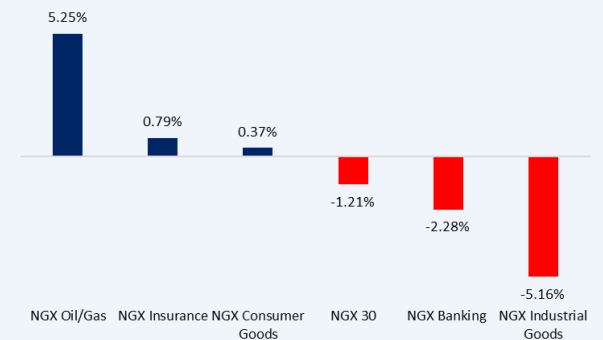
This week, we expect bearish sentiments to persist as investors remain cautious in the equities market. However, the release of H1'24 earnings results and other corporate disclosures (particularly for the banking names) could revitalize the market. Also, we expect interbank rates to remain elevated as settlements for the FGN bond and NTB auctions pressures system liquidity. For NTB and FGN bonds, we expect the outcome of the auctions to dictate the direction of yields in the secondary market.

For Inflation, we expect further moderation in August 2024, following the continued impact of the high base effect, good harvests, and the recent suspension of levies and duties of select food imports.

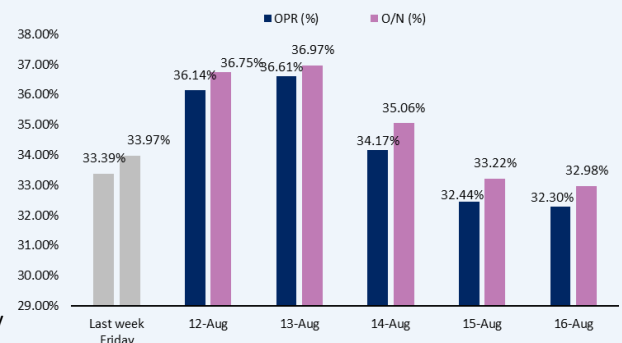
ASI performance : August 12 – August 16



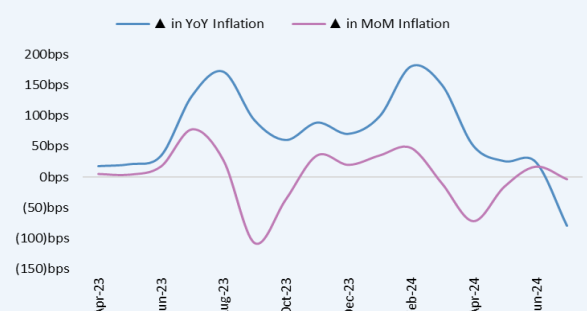
Mixed sectoral performance



Interbank rates closed lower WoW



Inflation is expected to moderate further in August



Stocks	Rating	Current Price	Target Price	Upside/ downside	Dividend yield	Total Return	Link to Reports
BANKS							
ACCESSCORP	BUY	19.15	42.93	124.2%	12.0%	136.2%	Click here
ETI	BUY	20.50	38.59	88.2%	2.5%	90.7%	Click here
FBNH	BUY	20.95	31.75	51.6%	2.4%	53.9%	Click here
FCMB	BUY	7.55	11.49	52.2%	3.3%	55.5%	Click here
FIDELITYBK	BUY	10.10	14.80	46.5%	5.0%	51.5%	Click here
GTCO	BUY	46.00	69.31	50.7%	6.7%	57.4%	Click here
STANBIC	BUY	53.40	69.36	29.9%	6.6%	36.4%	Click here
UBA	BUY	22.45	42.18	87.9%	4.9%	92.8%	Click here
ZENITHBANK	BUY	38.00	65.47	72.3%	8.4%	80.7%	Click here
CONSUMER GOODS							
DANGSUGAR	HOLD	40.65	38.30	-5.8%	3.7%	-2.1%	Click here
FLOURMILL	HOLD	44.80	49.85	11.3%	5.0%	16.3%	Click here
GUINNESS	BUY	63.50	85.69	34.9%	0.0%	34.9%	Click here
NESTLE	BUY	805.00	1084.40	34.7%	0.0%	34.7%	Click here
NB	BUY	29.00	47.85	65.0%	3.6%	68.6%	Click here
UACN	BUY	17.05	21.68	27.2%	1.3%	28.4%	Click here
UNILEVER	BUY	19.00	29.60	55.8%	3.9%	59.7%	Click here
BUAFOODS	HOLD	379.90	314.16	-17.3%	1.2%	-16.1%	Click here
INDUSTRIAL GOODS							
DANGCEM	HOLD	591.10	552.42	-6.5%	5.1%	-1.5%	Click here
WAPCO	HOLD	37.10	42.24	13.9%	5.1%	19.0%	Click here
BUACEMENT	HOLD	109.80	74.02	-32.6%	1.8%	-30.8%	Click here
TELCO & UTILITIES							
MTNN	HOLD	199.80	240.28	20.3%	0.0%	20.3%	Click here
AIRTELAFRI	BUY	2200.00	3,223.82	46.5%	0.7%	47.2%	Click here
TRANSCORP	BUY	10.75	32.59	203.2%	4.7%	207.8%	Click here
TRANSPower	HOLD	372.40	323.64	-13.1%	0.8%	-12.3%	Click here
AGRICULTURE							
OKOMUOIL	HOLD	345.30	381.20	10.4%	2.3%	12.7%	Click here
PRESCO	BUY	477.00	537.27	12.6%	5.5%	18.1%	Click here
OIL & GAS							
SEPLAT	BUY	3682.90	4187.20	13.7%	0.0%	13.7%	Click here
TOTAL	HOLD	511.90	587.50	14.8%	4.9%	19.7%	Click here

Disclosure

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Investment Ratings

CardinalStone employs a 3-step rating system for equities under coverage: Buy, Hold, and Sell.

Buy $\geq +15.00\%$ expected share price performance

Hold $+0.00\%$ to $+14.99\%$ expected share price performance

Sell $< 0.00\%$ expected share price performance with weak fundamentals

A BUY rating is given to equities with strong fundamentals, which have the potential to rise by at least $+15.00\%$ between the current price and the analyst’s target price

An HOLD rating is given to equities with good fundamentals, which have upside potential within a range of $+0.00\%$ and $+14.99\%$,

A SELL rating is given to equities that are highly overvalued or have weak fundamentals, where potential returns of less than 0.00% are expected between the current prices and the analyst’s target prices. However, for equities with potential returns of less than 0.00% , HOLD ratings may be assigned if they have recent histories of strong earnings and/or their outlooks are favourable for the next 12 months, even if they appear to be currently overvalued by the market.

A NEGATIVE WATCH is given to equities whose fundamentals may deteriorate significantly over the next six (6) months, in our view.

A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	58%	21%	21%	0%
% with investment banking relationships	0%	0%	0%	0%

CardinalStone Research distribution of ratings/Investment banking relationships as of August 19, 2024

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any security recommended herein. You can contact the analyst named on the front of this note for further details.

Frequency of Next Update: An update of our view on the company (ies) would be provided when next there are substantial developments/ financial news on the company.

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