United Capital Research | Daily Market Commentary

Tuesday, February 2, 2021



The Intelligent Choice

The day in review
 Equities market selloff persisted
Eingnoigl system liquidity remained tight

- Financial system liquidity remained tight
- NTB market performance was largely flat
 Naira depreciated at the NAFEX window
- Naira depreciated at the NAFEX windo

Looking forward

FY-20 Earnings Publications - NSE

Daily Insight

Banking remains resilent

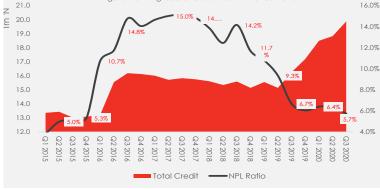
The Nigerian banking sector dynamics continued to change in 2020. By the NBS's estimates, the financial services sector came through as one of the best performing sectors in the economy despite the recession. The sector printed a 6.89% growth in Q3-2020 (Vs. -3.1% expansion for the broader economy). Notably, total assets for banks saw double-digit growth, thanks to massive expansion in cash & cash equivalents, amid increased system liquidity and exchange rate devaluation.

With pressure from the CBN on banks to lend, Nigerian banks expanded their loan books by a massive N4.0tm while interest rates on lending and deposits fell to record levels. While previous episodes of aggressive increase in loan growth appear to have been associated with a surge in Non-Performing loans ratios, it is interesting to note that industry NPLs sustained a downtrend so far in 2020, sliding from 9.3% in Q2-2019 to 5.7% as at Q3-2020, despite the threat of Covid-19 pandemic on asset quality across the sector. Notably, this number was partly moderated by the CBN's stance for banks to grant a forbearance period to customers at the start of the pandemic.

Going forward, we imagine that banks will be compelled to sustain credit expansion to the real sector with the main beneficiary being the Manufacturing, General Commerce, Agric and Forestry, Construction and ICT sectors considering the CBN's increased efforts to reduce credit expansion to the oil & gas sector while expanding credit to other sectors. Nevertheless, we think asset quality concerns in the sector would possibily worsen as the loan book continues to expand. As such, NPL ratios are likely to retrace northwards.

Headline	Level	1 day	YTD	
NSE ASI	42,043.8 🔻	-0.7% 🔺	4.4%	Agricultur
Mkt. Cap (₦'bn)	21,993.6 🔺	0.8% 🔺	4.4%	Bank
Mkt. Cap (\$'mn)	58,030.5 🔺	0.8% 🔺	4.4%	Consume
Value (N'mn)	4,785.4 🔻	-20.6%		Industrie
Value (\$'mn)	12.6 🔻	-20.6%		Insuranc
Volume	556.0 🔻	-5.2%		Oil & Go
Deals	7,110.0 🔻	-6.6%		
Market Breadth	0.2x			
T-Bills Yields	Current	Previous	%∆	Tech
3 months	0.43	0.43 🛑	0.00	
6 months	1.00	1.00 💳	0.00	
12 months	2.93	2.93 💻	0.00	Ash
Bonds Yields	Current	Previous	%Δ	The second
3 years	5.93	5.27 🔺	0.66	Qye
5 years	7.50	7.40 🔺	0.10	22/2019
7 years	8.44	8.50 🔻	-0.06	
10 years	9.00	8.98 🔺	0.02	Equities
,				BRVM
Currencies	Current	Previous	%Δ	Egypt
Official	379.00	379.00 💳	0.00%	Ghana
Parallel	477.00	477.00 💻	0.00%	Kenya
NAFEX	395.00	394.00 🔻	-0.25%	Mauritius
				Morocco
Other Key indices	Current	Previous	%Δ	MSCI FM
OBB	9.5	10.0 🔻	-0.50	South Africa
OVN	9.7	10.3 🔻	-0.58	Tunisia
Brent	57.5	56.4 📥	2.04	Zimbabwe

Industry NPLs sustained a downtrend so far in 2020 Nigeria Banking Sector Credit vs. NPL Ratios Trend



Sources: CBN, NBS, United Capital Research

1 day MTD YTD P/E(x)Div. Yid. 0.0% 🔺 3.5% 🔺 3.5% 0.0 0.0% Agriculture = 8.3% Banks 📥 0.3% 🔺 5.1% 🔺 5.1% 4.3 0.2% 5.7% 🔺 5.7% 228.2 3.7% Consumer 🔺 Industrial 🔺 0.5% 🔺 1.3% 🔺 1.3% 23.1 4.5% Insurance 🔺 1.5% 🔺 29.3% 🔺 29.3% 6.8 2.2% -0.1% 🔺 97.7 Oil & Gas 🔻 13.7% 🔺 13.7% 5.6% Mkt. Avg. P/E 16.1 Mkt. Avg. Div. Yid 4.4%

*P/Es are based on the last twelve months trailing earnings

*Dividend vields are based on past year dividend payments

Technical Indicator of Market Position: Relative Strength Index (RSI)



155.0 🔶	-0.6% 📥	2.3%	11.5	4.576
1,638.0 🔫	-0.2% 🔻	-0.6%	n/a	1.2%
312.5 🔫	-0.5% 🔺	2.5%	31.4	3.4%
551.1 🔺	1.1% 🔺	0.3%	12.8	3.3%
62,472.1 🔫	-1.2% 🔺	5.2%	28.5	2.5%
6,657.8 🔺	0.1% 🔻	-3.3%	20.1	0.6%
62,595.2 🔺	4.6% 🔺	35.1%	1.2	1.8%

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