Monday, April 12, 2021

United Capital
The Intelligent Choice

The day in review
- NSE-ASI down 0.4%
- Interbank rates remained in single-digits
- Bearish performance in NTB market
- Naira depreciated at the NAFEX window

Looking forward
NTB Primary Auction - CBN

Daily Insight

Between the devil and the deep blue sea

In Mar-2020, the FG announced a reduction in PMS price to N125/litre in a move suggesting the deregulation of the downstream oil & gas sector. At this point, crude prices had plummeted drastically, implying that the landing cost of PMS had also declined significantly. This presented a good opportunity to finally deregulate the sector. In subsequent months, the PPPRA continued to guide petrol price in line with developments in the crude oil market.

Following a rise in oil prices to above $60/bbl in March 2021, a supposedly leaked PMS pricing template from the PPPRA guided that the PMS should be sold at N212.61/litre. However, it was met with severe backlash from Nigerians in light of prevalent macroeconomic struggles. This forced the government to retract, issuing a statement confirming that there will be no hike in fuel prices. Accordingly, President Buhari assured consumers that the Federal Government would continue to subsidize Premium Motor Spirit (PMS) for the next six months, even though the deferred subsidy removal could cost the country a whopping N720.0bn.

Clearly, the government is reverting to a subsidized PMS regime as the landing cost exceeds N180/litre while PMS continues to sell for N162.00/litre. While we recognize that the government is walking a tight rope, as raising PMS price would elicit significant public backlash, failure to increase the price piles further financial burden on the government. For us, the government has clearly chosen the path of retaining the public's goodwill. This, however, could come at a cost of N720.0bn, which is needed to subsidize PMS for the next six months. Sympathetically, the government is trapped between the devil and the deep blue sea. However, we believe the government is justified in deferring fuel price increases until substantial economic recovery is recorded.

Headline	Level	1 day	YTD
NSE ASI	38,712.6	-0.4%	-3.9%
Mkt. Cap (₦'bn)	20,260.1	-0.4%	-3.8%
Mkt. Cap ($'mn)	53,456.6	-0.4%	-3.8%
Value (N'mn)	1,364.1	6.5%	
Value ($'mn)	3.6	6.5%	
Volume	194.0	20.8%	
Deals	4,290.0		
Market Breadth	0.8x		

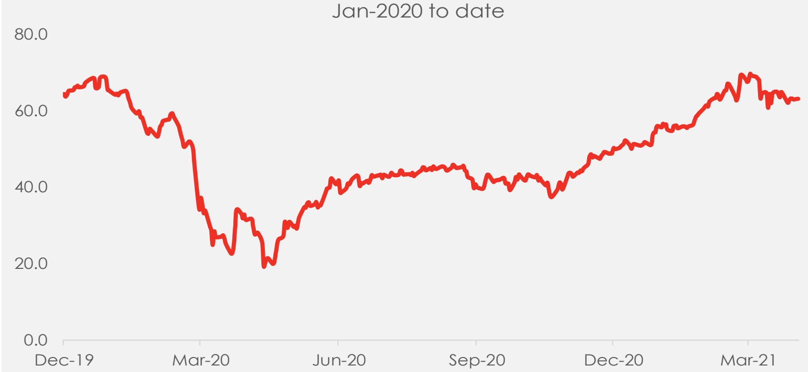
T-Bills Yields	Current	Previous	%Δ
3 months	2.42	2.43	-0.01
6 months	3.51	3.57	-0.06
12 months	7.40	7.98	-0.58

Bonds Yields	Current	Previous	% Δ
3 years	7.21	7.22	-0.01
5 years	10.49	10.49	0.00
7 years	10.94	10.95	-0.01
10 years	11.69	11.51	0.18

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	482.00	485.00	0.62%
NAFEX	409.75	409.00	-0.18%

Other Key indices	Current	Previous	% Δ
OBB	12.0	12.3	-0.25
OVN	12.3	12.5	-0.25
Brent	63.2	63.0	0.46

Brent crude historical price movement
Jan-2020 to date

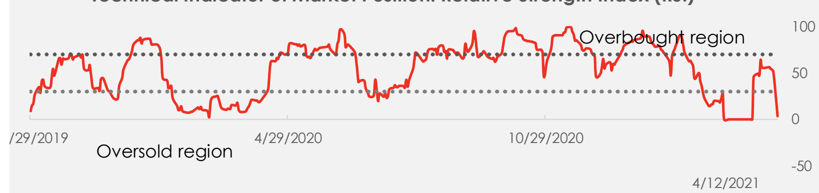


Source: Bloomberg

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture	0.0%	-5.6%	-3.8%	0.0	0.0%
Banks	0.5%	-5.5%	-7.9%	3.4	9.2%
Consumer	0.5%	-4.3%	-5.9%	57.2	4.1%
Industrial	0.1%	1.6%	-6.0%	19.4	4.8%
Insurance	-0.4%	-1.4%	5.2%	4.3	2.7%
Oil & Gas	-0.1%	0.7%	18.2%	na	5.4%
Mkt. Avg. P/E	13.9		Mkt. Avg. Div. Yld	4.6%	

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments

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



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yld.
BRVM	139.6	0.0%	-4.0%	8.8	6.8%
Egypt	10,782.9	-0.8%	-0.6%	12.8	2.7%
Ghana	2,214.3	0.0%	14.2%	n/a	n/a
Kenya	166.5	-1.4%	9.4%	12.5	2.3%
Mauritius	1,605.3	-0.1%	-2.6%	n/a	1.0%
Morocco	306.8	-0.1%	0.6%	24.4	3.4%
MSCI FM	551.1	0.0%	0.0%	12.8	3.1%
South Africa	67,102.2	0.4%	12.5%	26.5	2.7%
Tunisia	7,101.8	0.3%	3.1%	19.6	0.6%
Zimbabwe	96,623.2	9.8%	108.6%	5.2	1.2%

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