United Capital Research | Daily Market Commentary

Monday, September 27, 2021

The day in review

- Equity market lost 0.3%
- Interbank rates ticked lower
- Bullish activity in Bonds market
- Naira appreciated at NAFEX window

Looking forward

NT-Bills Primary Market Auction - CBN

Daily Insight

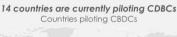
CBN e-Naira Series 3: Implications for financial intermediation

In the concluding part of our series, we will be considering the impact of the launch of the Central Bank Digital Currency, e-Naira, on the banking industry. The e-Naira is set to help the Central Bank of Nigeria (CBN) achieve its goal of a cashless economy and financial inclusion for both the banked and unbanked. This would be accomplished through swift and easy transactions, underpinned by the low-cost policy for digital currency payments. As a result, customers would likely transact more businesses through the e-wallet, pay bills and transfer money peer-topeer therein. That said, we struggle to see how this would help improve financial inclusion considering the e-Naira would still rely heavily on internet and use of smartphones which automatically excludes many of the unbanked population.

On the part of the banking industry, revenue generated from service charges may be hampered as customers gravitate to a less expensive means of transacting businesses. However, the Central Bank has come out to refute common perceptions of a "thrust in the flesh" for the banks. They noted that the e-Naira would neither stifle nor compete with banking activities, since the main focus of the apex bank is to increase financial inclusion, drive efficient money transfers and reduce cost of handling cash. The banks have also been tasked with promoting and marketing the e-Naira as a viable alternative to existing and potential customers.

As we countdown to the launch of the e-Naira, we highlight in our opinion that the digital currency should disrupt the traditional banking business models and may redefine the role of the banks as financial intermediaries. However, we note that the CBN, as part of measures designed to reduce the risk of financial disintermediation for banks, introduced transaction limits on e-Naira usage. This is hoped to help in preserving the role of traditional financial institutions regarding financial intermediation. We expect the transaction limits to discourage widespread adoption particularly among corporates and high-net worth individuals who transact in significant volumes.

Headline	Level	1 day	YTD	
NGX ASI	38,864.3 🔻	-0.3% 🔻	-3.5%	Agricult
Mkt. Cap (Ħ'bn)	20,248.6 🔻	-0.3%		Bai
Mkt. Cap (\$'mn)	48,811.8 🔻	-0.3%		Consun
Value (N'mn)	1,712.6 🔻	-73.4%		Indust
Value (\$'mn)	4.1 🔻	-73.4%		Insuran
Volume	139.5 🔻	-78.0%		Oil & G
Deals	3,539.0			
Market Breadth	1.7x			
T-Bills Yields	Current	Previous	%Δ	Tec
3 months	4.15	4.15 💻	0.00	
6 months	5.20	5.20 💻	0.00	···· / ··· /
12 months	8.29	8.30 🔻	-0.01	
Bonds Yields	Current	Previous	%Δ	15/2020
3 years	8.84	9.15 🔻	-0.31	0v
5 years	9.97	10.31 🔻	-0.34	
7 years	11.22	11.60 🔻	-0.38	
10 years	11.96	12.02 🔻	-0.06	Equities
				BRVM
Currencies	Current	Previous	%Δ	Egypt
				Kenya
NAFEX	414.83	414.90 📥	0.0%	Mauritius
				Morocco
Other Key indices	Current	Previous	%Δ	MSCI FM
OBB	15.3	16.0 🔻	-0.67	South Africo
OVN	16.0	17.3 🔻	-1.25	Tunisia
Brent	79.6	78.1 📥	1.90	Zimbabwe





Source: Atlantic Council, United Capital Research

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The Intelligent Choice

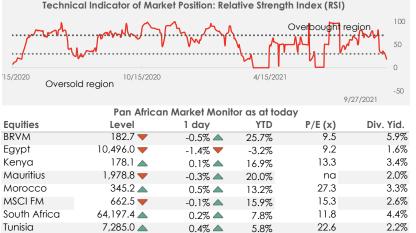
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	— 0.0% [•]	-3.4%	a 13.5%	na	na
Banks	▲ 0.4% [*]	-2.2%	-6.2%	3.0	9.3%
Consumer	▲ 0.2% [*]	-0.6%	-4.3%	70.0	3.7%
Industrial	-1.1%	a 0.5%	-4.5%	16.6	4.8%
Insurance	-2.3%	-2.0%	-1.2%	9.5	3.0%
Oil & Gas	▲ 1.2% [*]	-1.2%	▲ 60.9%	10.7	4.1%
	Mkt. Avg. P/E	10.4	Mkt.	Avg. Div. Yid	5.4%

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

11.5

1.3%

*Dividend vields are based on past year dividend payments



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