

The day in review

- Equity market lost 0.3%
- Interbank rates ficked 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-to-peer 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% |
| Mkt. Cap (N'bn) | 20,248.6 | ▼ -0.3% | |
| Mkt. Cap (\$'mn) | 48,811.8 | ▼ -0.3% | |
| Value (N'mn) | 1,712.6 | ▼ -73.4% | |
| Value (\$'mn) | 4.1 | ▼ -73.4% | |
| Volume | 139.5 | ▼ -78.0% | |
| Deals | 3,539.0 | | |
| Market Breadth | 1.7x | | |

| T-Bills Yields | Current | Previous | %Δ |
|----------------|---------|----------|-------|
| 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 |
|--------------|---------|----------|---------|
| 3 years | 8.84 | 9.15 | ▼ -0.31 |
| 5 years | 9.97 | 10.31 | ▼ -0.34 |
| 7 years | 11.22 | 11.60 | ▼ -0.38 |
| 10 years | 11.96 | 12.02 | ▼ -0.06 |

| Currencies | Current | Previous | % Δ |
|------------|---------|----------|--------|
| NAFEX | 414.83 | 414.90 | ▲ 0.0% |

| Other Key indices | Current | Previous | % Δ |
|-------------------|---------|----------|---------|
| OBB | 15.3 | 16.0 | ▼ -0.67 |
| OVN | 16.0 | 17.3 | ▼ -1.25 |
| Brent | 79.6 | 78.1 | ▲ 1.90 |

| | 1 day | MTD | YTD | P/E (x) | Div. Yid. |
|----------------------|-------------|---------------------------|-------------|---------|-----------|
| Agriculture | 0.0% | ▼ -3.4% | ▲ 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% | ▲ 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
*Dividend yields are based on past year dividend payments



| Pan African Market Monitor as at today | | | | | |
|--|-----------|---------|----------|---------|-----------|
| Equities | Level | 1 day | YTD | P/E (x) | Div. Yid. |
| BRVM | 182.7 | ▼ -0.5% | ▲ 25.7% | 9.5 | 5.9% |
| Egypt | 10,496.0 | ▼ -1.4% | ▼ -3.2% | 9.2 | 1.6% |
| Kenya | 178.1 | ▲ 0.1% | ▲ 16.9% | 13.3 | 3.4% |
| Mauritius | 1,978.8 | ▼ -0.3% | ▲ 20.0% | na | 2.0% |
| Morocco | 345.2 | ▲ 0.5% | ▲ 13.2% | 27.3 | 3.3% |
| MSCI FM | 662.5 | ▼ -0.1% | ▲ 15.9% | 15.3 | 2.6% |
| South Africa | 64,197.4 | ▲ 0.2% | ▲ 7.8% | 11.8 | 4.4% |
| Tunisia | 7,285.0 | ▲ 0.4% | ▲ 5.8% | 22.6 | 2.2% |
| Zimbabwe | 205,337.6 | ▲ 11.4% | ▲ 343.2% | 11.5 | 1.3% |

14 countries are currently piloting CBDCs
Countries piloting CBDCs



Source: Atlantic Council, United Capital Research

Contact us

Research | +234-1-631-7898
research@unitedcapitalplcgroup.com

Trustees | +234-1-631-7877
trustees@unitedcapitalplcgroup.com

Securities Trading | +234-1-631-7891
securities@unitedcapitalplcgroup.com

Investment Banking | +234-1-631-7883
investmentbanking@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876
assetmanagement@unitedcapitalplcgroup.com