

Tuesday, August 3, 2021

The day in review

- Equity market gained 0.8%
- Interbank rates ticked higher
- Bullish activity in Bonds market
- Naira closed flat at NAFEX window

Looking forward

H1 Earning Season-NGX

Daily Insight

Earnings growth key for market sentiments

Thus far the H1-2021 season for larger blue-chip stocks have been positive, as we delve deeper into the earning season, we retain our broadly positive outlook for listed Nigerian companies, particularly in the real sector of the economy. The elevated inflationary environment has given consumer and industrial goods companies room to raise prices on their products.

Our positive stance is predicated on the economic rebound following the recession in 2020, we expect to see a resurgence in consumer demand although the average consumer continues to remain pressured. That said, we expect to see a significant rise in cost for these companies considering the global rebound in commodity prices, devaluation of the naira and the high inflationary environment. All in, we expect the impact of revenue growth on bottom line to outweigh the drag from increased costs. Thus, we project decent growth in profitability for FMCGs, Brewers, Food Processors and Cement companies. In addition, we have a similar sentiment for Telecoms companies as accelerating broadband penetration would continue to drive data revenue growth, while the resumption of SIM registration would further support subscriber base.

However, on the downside, we have a less optimistic outlook for banking earnings in H1-2021 and we maintain a lukewarm position for their earnings outlook. First, for interest income, we expect a decent improvement considering the fast-paced reversal in the fixed income environment. The tighter system liquidity is expected to weigh on their Cost of Funds, given the spike in fixed deposit rates. Thus, we expect to see pressure on the Net Interest Margin (NIMs) of banks stocks. As a result, growth in Net Interest Income can only be supported by loan book expansion. On Non-interest income, we expect it to be supported by trading income and continued growth in Fee & Commission income. Lastly, cost management in this high inflationary environment will be critical for profitability for banking stocks.

Headline	Level	1 day	YTD
NSE ASI	38,918.0	▲ 0.8%	▼ -3.4%
Mkt. Cap (₦bn)	20,276.8	▲ 0.8%	
Mkt. Cap (\$'mn)	49,275.4	▲ 0.8%	
Value (N'mn)	2,132.7	▲ 11.8%	
Value (\$'mn)	5.2	▲ 11.8%	
Volume	231.5	▼ -5.3%	
Deals	4,651.0		
Market Breadth	0.5x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.66	3.70	▼ -0.04
6 months	5.56	5.91	▼ -0.35
12 months	8.65	8.65	0.00

Bonds Yields	Current	Previous	% Δ
3 years	10.81	10.81	0.00
5 years	11.79	11.74	▲ 0.05
7 years	12.50	12.50	0.00
10 years	12.42	12.65	▼ -0.23

Currencies	Current	Previous	% Δ
Parallel	509.00	512.00	▲ 0.6%
NAFEX	411.50	411.50	0.0%

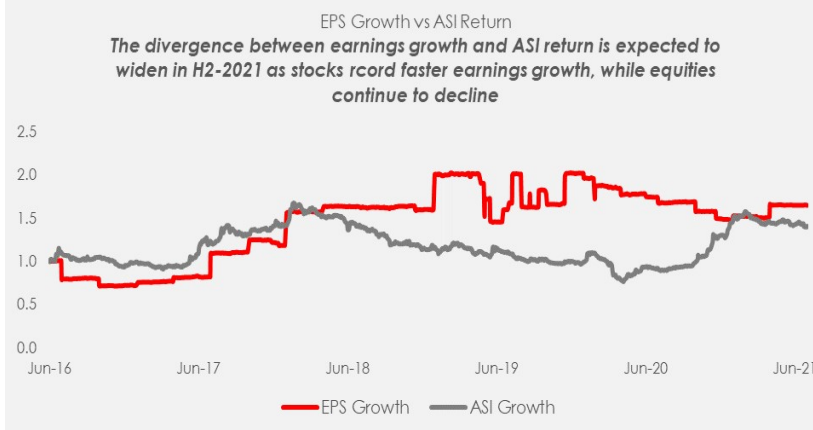
Other Key indices	Current	Previous	% Δ
OBB	7.5	5.3	▲ 2.25
OVN	8.0	5.8	▲ 2.25
Brent	72.3	72.9	▼ -0.75

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	na	na	na	na	na
Banks	▼ -0.8%	▼ -0.8%	▼ -0.8%	0.0	-0.8%
Consumer	▼ -0.3%	▼ -0.7%	▲ 3.5%	161.2	3.4%
Industrial	▲ 0.0%	▼ -0.3%	▼ -4.0%	16.4	4.7%
Insurance	▼ -1.0%	▲ -1.2%	▲ 3.1%	4.7	5.2%
Oil & Gas	▼ -0.2%	▲ -0.9%	▲ 65.2%	15.2	4.2%
Mkt. Avg. P/E		12.1		Mkt. Avg. Div. Yid	5.2%

*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	166.9	▼ -0.7%	▲ 14.8%	9.2	6.5%
Egypt	10,726.3	▼ -0.9%	▼ -1.1%	10.8	1.5%
Ghana	2,728.4	▲ 0.0%	▲ 40.7%	14.6	16005.8%
Kenya	175.2	▼ -0.6%	▲ 15.2%	12.5	5.8%
Mauritius	1,916.6	▲ 0.1%	▲ 16.3%	#N/A	N/A
Morocco	326.3	▲ 1.4%	▲ 7.0%	27.9	4.0%
MSCI FM	#NAME?	▲ 0.3%	▲ 12.7%	#NAME?	2.9%
South Africa	68,705.7	▼ -0.2%	▲ 15.6%	17.0	2.5%
Tunisia	7,289.3	▼ -0.1%	▲ 5.9%	24.0	2.2%
Zimbabwe	162,046.6	▼ -3.4%	▲ 249.8%	9.1	1.6%



Source: NGX, United Capital Research

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