

Monday, February 15, 2021

The day in review

- Equities market closed positive
- Financial system liquidity was fairly robust
- Mixed activity in Fixed Income market
- Naira depreciated at the NAFEX window

Looking forward

CPI and Inflation Report Jan-2021 - NBS
FGN Bond Auction - DMO

Daily Insight

Equity market: Is the party over?

The Nigerian equities market appears to have lost momentum, despite picking up from where it left off in 2020 (+50.0%) by rallying strongly in the first month of the year (+5.3%). The NSEASI experienced its largest w/w decline so far in 2021 last week, shedding 3.0%, extending the 1.7% decline from the previous week. The domestic market is still up by 0.4% YTD but the near-term outlook is under threat from surging fixed-income yields.

It has become increasingly clear with each primary auction that the much dreaded, yet anticipated rate reversal is in play. Yields on fixed income instruments which were depressed last year (due to the central bank's dovish monetary policy amid the pandemic) have been on an upward trajectory in 2021 amidst strong local demand for higher yields and the need to attract foreign interest in Nigerian securities amid a dollar shortage. Notably, the recent Bond, NTB and OMO auctions have seen yields track higher and we expect this trend to continue.

In the near term, we expect equities to continue on the downtrend as yields tick higher. However, the stock market may gain some respite in the form of strong corporate earnings from large caps and tier-one banks, and some support from ample market liquidity and buy interest from bargain and dividend yield-seeking investors. But that may be short-lived; full-year earnings have not been particularly exciting so far and liquidity is expected to taper off in Q2-2021 (N0.3tn of OMO maturities are expected, in contrast to N1.6tn in Q1-2021). In all, the party may be over for stocks as investors gear up for the return of high-yielding debt papers.

Headline	Level	1 day	YTD
NSE ASI	40,571.7	▲ 0.3%	▲ 0.7%
Mkt. Cap (₦bn)	21,224.9	▲ 0.3%	▲ 0.8%
Mkt. Cap (\$mn)	56,002.2	▲ 0.3%	▲ 0.8%
Value (N'mn)	2,163.7	▼ -58.3%	
Value (\$mn)	5.7	▼ -58.3%	
Volume	206.2	▼ -47.9%	
Deals	4,264.0	▼ -19.9%	
Market Breadth	2.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.76	0.76	0.00
6 months	1.94	1.94	0.00
12 months	2.02	2.03	-0.01

Bonds Yields	Current	Previous	% Δ
3 years	7.49	7.50	-0.01
5 years	8.39	8.40	-0.01
7 years	9.89	9.90	-0.01
10 years	10.46	10.43	0.03

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	479.00	479.00	0.00%
NAFEX	409.67	404.67	-1.24%

Other Key indices	Current	Previous	% Δ
OBB	4.0	4.5	-0.50
OVN	4.3	4.8	-0.50
Brent	63.2	62.4	1.22

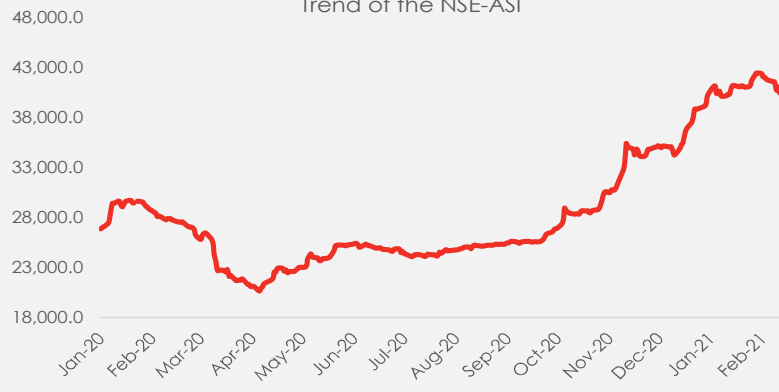
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.3%	3.8%	0.0	0.0%
Banks	1.8%	-9.2%	-2.1%	4.0	9.0%
Consumer	-0.3%	-4.4%	2.3%	216.2	3.8%
Industrial	2.6%	-3.3%	-1.9%	21.1	4.8%
Insurance	-2.9%	-12.1%	14.0%	5.4	2.5%
Oil & Gas	-0.9%	-1.3%	10.9%	112.2	5.4%
Mkt. Avg. P/E		15.7		Mkt. Avg. Div. Yid	4.4%

*P/E's 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	135.8	▼ -0.3%	-6.6%	8.5	6.9%
Egypt	11,523.1	▼ -0.7%	6.2%	12.8	2.5%
Ghana	2,055.0	0.0%	5.8%	n/a	4488.2%
Kenya	157.1	0.0%	4.1%	11.4	4.3%
Mauritius	1,631.5	▼ 0.0%	-1.0%	n/a	1.1%
Morocco	314.2	▼ -0.4%	3.1%	31.5	3.4%
MSCI FM	551.1	▲ 0.4%	2.5%	12.8	3.3%
South Africa	65,059.2	▲ 1.2%	7.9%	29.7	2.4%
Tunisia	6,609.7	▼ -0.2%	-4.0%	20.0	0.6%
Zimbabwe	87,150.0	▲ 5.3%	88.1%	1.8	1.2%

Nigerian equities appear to have lost momentum
Trend of the NSE-ASI



Sources: NSE, Bloomberg

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