# United Capital Research | Daily Market Commentary

Wednesday, September 1, 2021



# The Intelligent Choice

### The day in review

- Equity market dropped 0.1%
- · Interbank rates ticked lower
- · Muted activity in T-bills market
- Naira depreciated at NAFEX window

## **Looking forward**

H1-2021 Earnings Season - NGX

#### Daily Insight

#### **Evaluating BDC s creative FX supply sources**

Following the Central Bank of Nigeria's (CBN) decision to halt sale of Foreign Exchange (FX) to Bureau De Change (BDCs) operators, many of them have suffered for volumes and had to seek alternative sources to get FX supply. Survey of anecdotal sources revealed that BDCs do not solely depend on the CBN but have sourced for FX through the peer-to-peer transactions to fund their supplies. The recent ban has forced them to amplify their reliance on sourcing FX via these sources. For example, BDCs take advantage of the limit on domiciliary account balances as well as transfer limits to facilitate international cash receipts and payments. Also, many of them have moved to solidify relationships with high volume customers which has required them to raise their bid quotes as they compete for these volumes. This has forced them to raise their offer quotes. Unsurprisingly, on Tuesday, the parallel market rate jumped to N527/\$1, the highest in four years.

However, a more interesting loophole has been identified with BDCs relying on using customers to buy Personal Travel Allowance (PTA) and Business Travel Allowance (BTA) from their banks. The customers use fake visas in conjunction with already purchased travel tickets to buy FX from banks before going on to cancel the tickets. The dollars are then sold to the BDCs at cheaper rates giving them the opportunity to sustain exorbitant margins earned on their FX transactions. In response, the Central bank has directed all commercial banks to publish on their websites the names and Bank Verification Numbers (BVN) of customers who are engaged in this act.

Clearly, the CBN continues to struggle to block the loopholes in the FX market while its ability to supply the needed FX for the entire economy remains very limited. The move to restrict supply for certain import needs as well as other rationing & restrictive policies have only created further loopholes. Overall, we think the way forward is the creation of a freer FX market which will encourage improved FX supplies as well as allow all parties within the ecosystem operate with greater transparency.

Headline	Level	1 day	YTD
NSE ASI	39,184.2 🔻	-0.1% 🔻	-2.7%
Mkt. Cap (₦'bn)	20,415.6	-0.1%	
Mkt. Cap (\$'mn)	49,612.6	-0.1%	
Value (N'mn)	1,424.3 🔻	-27.6%	
Value (\$'mn)	3.5 🔻	-27.7%	
Volume	169.3 🔻	-60.2%	
Deals	3,449.0		
Market Breadth	0.6x		

T-Bills Yields	Current	Previous	%∆
3 months	3.30	3.30 💳	0.00
6 months	4.34	4.34 💳	0.00
12 months	6.68	6.68 💳	0.00
Ronds Yields	Current	Previous	% A

9.92

10.03

526.00

411.08

-0.11

-0.4%

-0.1%

Currencies	Current	Previous	% ∆	
10 years	11.64	11.64 💳	0.00	
7 years	11.39	11.40 🔻	-0.01	
5 years	10.57	10.61 🔻	-0.04	

528.00

411.50

3 years

Parallel

NAFEX

Other Key indices	Current	Previous	% △
OBB	4.5	6.0 🔻	-1.50
OVN	5.0	6.5	-1.50
Brent	71.2	73.0 🔻	-2.48

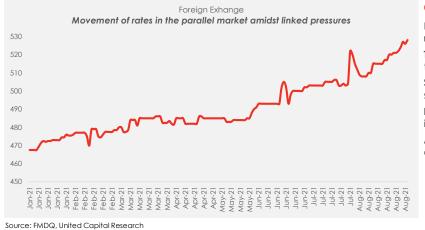
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	<b>17.1%</b>	na	na
Banks	-0.2%	-0.2%	-4.3%	na	na
Consumer	-0.6%	-0.6%	-4.3%	na	na
Industrial	- 0.0%	0.0%	-5.1%	na	na
Insurance	-0.2%	-0.2%	<b>0.6%</b>	na	na
Oil & Gas	-0.1%	-0.1%	<b>62.7%</b>	na	na
	Mkt. Avg. P/E	12.1	Mkt.	Avg. Div. Yid	5.3%

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

\*Dividend vields 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	176.1 🔻	-0.1% 📤	21.2%	9.7	6.2%
Egypt	11,283.7	1.3% 📤	4.0%	10.1	1.4%
Ghana	2,750.9 📥	0.0% 📤	41.9%	15.2	4159.3%
Kenya	182.3 🔻	-1.8% 📤	19.9%	13.8	3.3%
Mauritius	1,955.4 📥	0.1% 📤	18.6%	na	2.0%
Morocco	332.1 🔻	-0.9% 📤	9.0%	28.4	3.8%
MSCI FM	656.8 🔻	-0.5% 📤	14.9%	15.4	2.7%
South Africa	66,976.1	-0.7% 📤	12.7%	13.8	3.2%
Tunisia	7,347.1	-0.1% 📤	6.7%	24.2	2.1%
Zimbabwe	144,866.2 🔻	-1.6% 📤	212.7%	7.5	2.0%



### 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 Bankina | +234-1-631-7883

investmentbanking@unitedcapitalplcgroup.com

**Asset Management** | +234-1-631-7876

assetmanagement@unitedcapitalplcgroup.com

United Capital Plc Research (UCR) notes are prepared with due care and diligence based on publicly available information as well as analysts' knowledge and opinion on the markets and companies covered; albeit UCR neither guarantees its accuracy nor completeness as the sole investment guidance for the readership. Therefore, neither United Capital (UCAP) nor any of its associates or subsidiary companies and employees thereof can be held responsible for any loss suffered from the reliance on this report as it is not an offer to buy or sell securifies herein discussed. Please note this report is a proprietary work of UCR and should not be reproduced (in any form) without the prior written consent of Management. UCAP is registered with the Securities and Exchange Commission and its subsidiary, UBA Securifies Limited is a dealing member of the Nigerian Stock Exchange. For enquiries, contact United Capital Plc, 3rd and 4th Floor, Afriland Towers, 97/105 Broad Street, Lagos. © United Capital Plc 202.\*