

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 ₦527/\$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	%Δ
3 months	3.30	3.30	0.00
6 months	4.34	4.34	0.00
12 months	6.68	6.68	0.00

Bonds Yields	Current	Previous	% Δ
3 years	9.92	10.03	▼ -0.11
5 years	10.57	10.61	▼ -0.04
7 years	11.39	11.40	▼ -0.01
10 years	11.64	11.64	0.00

Currencies	Current	Previous	% Δ
Parallel	528.00	526.00	▼ -0.4%
NAFEX	411.50	411.08	▼ -0.1%

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

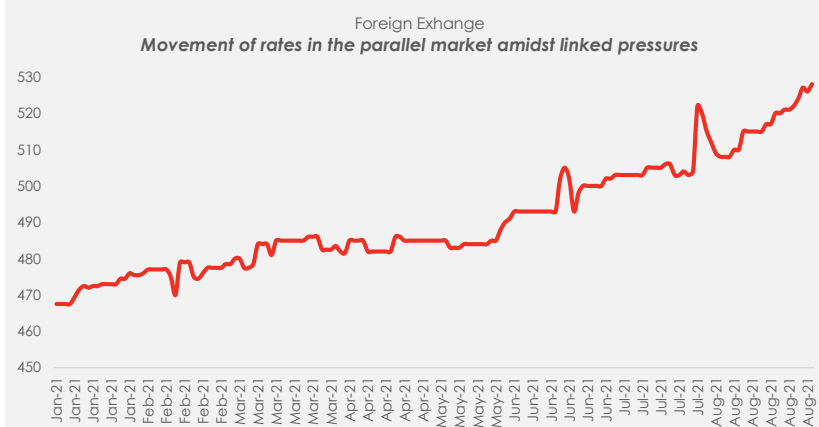
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	17.1%	na	na
Banks	▼ -0.2%	▼ -0.2%	▼ -4.3%	na	na
Consumer	▼ -0.6%	▼ -0.6%	▼ -4.3%	na	na
Industrial	0.0%	0.0%	▼ -5.1%	na	na
Insurance	▼ -0.2%	▼ -0.2%	0.6%	na	na
Oil & Gas	▼ -0.1%	▲ -0.1%	62.7%	na	na
Mkt. Avg. P/E	12.1		Mkt. Avg. Div. Yid	5.3%	

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



Source: FMDQ, 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