

The day in review

- Equity market climbed 1.3%
- Interbank rates closed flat
- Bullish activity in Bonds market
- Naira appreciated at the NAFEX window

Looking forward

Jan 2022 CPI Inflation Report - NBS

Daily Insight

FG extends fuel subsidy program by 18 months

The Federal Government (FG) yesterday proposed an 18-month extension on the period for the implementation of the removal of subsidy on Premium Motor Spirit (PMS), following concerns from stakeholders and the possibility of industrial action from the Nigerian Labour Congress (NLC). The Petroleum Industry Act (PIA) passed in July 2021 offered deregulation some hope for the price liberalisation of the downstream petroleum sector. However, the Government's decision to continue its subsidy program comes as no surprise following the potential socio-economic effects, especially as we near an election cycle.

Firstly, the announcements from the minister are worrisome, as the U-turn brings the integrity of the PIA into question. Clause 122 aimed at cost-reflective prices in the sector as a potential sweetener to attract investment. Following the government's recent announcement, we expect new investments in the sector to remain flat. It remains largely unprofitable for significant oil marketers to import PMS by sourcing FX in the parallel market regarding downstream oil and gas firms. Lastly, the ongoing FGN's energy subsidy programs continue to create a gaping hole in the FGN finances. The government spent c1.4tn on its under-recovery program to keep the price of petrol fixed in the first 11 months of 2021.

Going forward, given the current rally in oil markets, we expect the NNPC shortfalls to continue to grow in the short term, increasing the burden on the FG's finances. Thus, we will see the government continue to rely on its increased debt financing program. However, the recent announcement that the Dangote refinery will come on board in Q3-2022 will ease the dependence on importers in the midterm.

Headline	Level	1 day	YTD
NGX ASI	46,530.0	▲ 1.3%	▲ 8.9%
Mkt. Cap (N'bn)	25,073.3	▲ 1.3%	
Mkt. Cap (\$'mn)	60,236.2	▲ 1.3%	
Value (N'mn)	4,817.4	▲ 34.7%	
Value (\$'mn)	11.6	▲ 34.7%	
Volume	329.0	▲ 32.8%	
Deals	4,219.0		
Market Breadth	1.0x		

T-Bills Yields	Current	Previous	%Δ
3 months	2.99	2.99	0.00
6 months	4.39	4.39	0.00
12 months	5.22	5.22	0.00

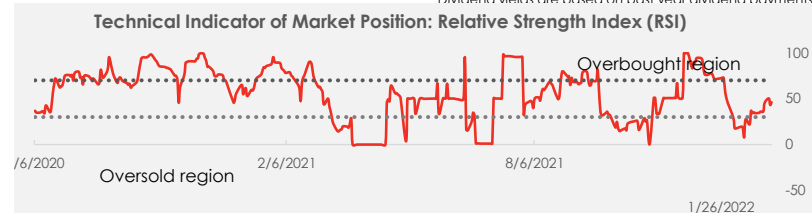
Bonds Yields	Current	Previous	% Δ
3 years	8.49	9.01	-0.52
5 years	10.81	11.03	-0.22
7 years	11.90	11.90	0.00
10 years	12.16	12.16	0.00

Currencies	Current	Previous	% Δ
NAFEX	416.25	416.33	▲ 0.0%

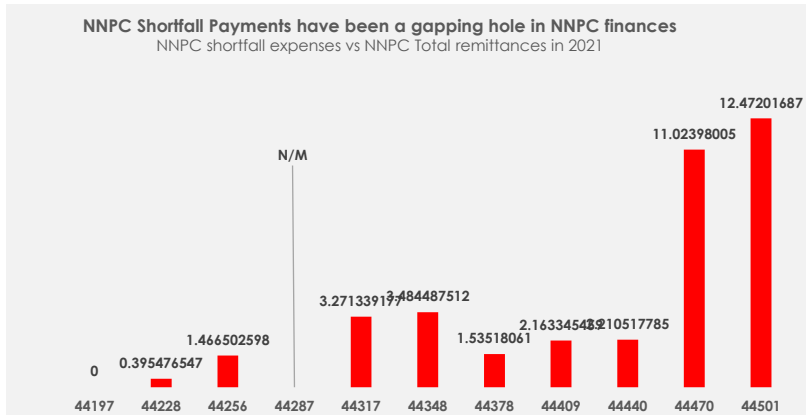
Other Key indices	Current	Previous	% Δ
OBB	1.5	1.5	0.00
OVN	1.9	1.9	0.00
Brent	88.6	88.2	▲ 0.48

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	0.0%	na	na
Banks	▲ 1.3%	▲ 4.7%	▲ 4.7%	2.5	8.1%
Consumer	▼ -0.4%	▼ -4.7%	▼ -4.7%	26.1	3.8%
Industrial	▼ -1.9%	▲ 6.4%	▲ 6.4%	17.9	3.5%
Insurance	▼ -0.6%	▼ -5.6%	▼ -5.6%	2.0	3.1%
Oil & Gas	▼ -0.6%	▲ 11.8%	▲ 11.8%	10.5	4.1%
Mkt. Avg. P/E		10.3		Mkt. Avg. Div. Yid	4.2%

*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	200.2	▲ 0.3%	▼ -1.0%	9.1	5.3%
Egypt	11,499.9	▼ -0.4%	▼ -3.8%	8.7	1.5%
Kenya	162.0	▼ -1.3%	▼ -2.7%	11.3	3.6%
Mauritius	2,129.3	▼ -0.1%	▲ 1.5%	na	3.0%
Morocco	352.6	▼ -0.3%	▲ 1.4%	23.5	2.7%
MSCI FM	639.6	▲ 1.0%	▼ -3.9%	14.0	2.8%
South Africa	73,797.3	▲ 2.1%	▲ 0.1%	12.4	4.2%
Tunisia	7,114.8	▲ 0.3%	▲ 1.0%	23.5	2.3%
Zimbabwe	300,781.0	▲ 1.3%	▲ 1.9%	19.2	1.1%



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