United Capital Research | Daily Market Commentary

Wednesday, January 26, 2022



The Intelligent Choice

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 Uturn 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 c1.4th 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 (₦'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	%∆
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	% △
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

Current

NAFEX	416.25	416.33 📤	0.0%
Other Key indices	Current	Previous	% ∆
ОВВ	1.5	1.5 💳	0.00
OVN	1.9	1.9 💳	0.00
Brent	88.6	88.2 📥	0.48

Currencies

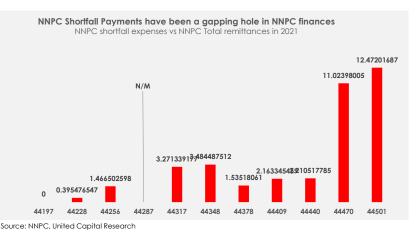
		1 day	MTD		YTD	P/E (x)	Div. Yid.
Agriculture		0.0% —	0.0%		0.0%	na	na
Banks		1.3% 📤	4.7%		4.7%	2.5	8.1%
Consumer	•	-0.4% 🔻	-4.7%	_	-4.7%	26.1	3.8%
Industria	-	-1.9% 📤	6.4%		6.4%	17.9	3.5%
Insurance	•	-0.6% 🔻	-5.6%	_	-5.6%	2.0	3.1%
Oil & Gas	•	-0.6% 📤	11.8%		11.8%	10.5	4.1%
	Mkt.	Avg. P/E	10.3		Mkt.	Avg.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

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payment:

Technical Indicator of Market Position: Relative Strength Index (RSI)



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%	



Previous

% Δ

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

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 securities 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 Securities 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.2020.*