

The day in review

- Equities market extended losses
- Financial system liquidity remained tight
- Mixed activity in FI market
- Naira depreciated at the NAFEX window

Looking forward

FY-20 Earnings Publications - NSE

Daily Insight

FPI inflow vanished in 2020, what to expect in 2021

The National Bureau of Statistics (NBS) recently released the capital importation data for Q4-2020 which showed that total inflows into the country fell by 59.6% y/y in 2020 to \$9.6bn, its lowest total since 2016. On a q/q basis, capital inflow fell 26.8% q/q to \$1.1bn in Q4 2020. The slump in oil prices – Nigeria’s main USD flow source – discouraged FPIs from bringing in new funds. This was further exacerbated by the fact that most FPIs had to resort to unorthodox means to repatriate their funds while many were stuck.

That said, we beam our focus on FPI flows in 2020 considering it constitutes a bulk of Nigeria’s FX inflows. Unsurprisingly, FPI flows across each instrument slumped to record lows as flows into Money market (down 69.1% y/y), Equities (down 60.1% y/y) and Bonds (down 77.4% y/y) all tanked. The synchronized decline was largely linked to the move by the CBN to limit its intervention in the I&E window in order to forestall the onslaught on foreign exchange reserves in the face of weakened FX inflows. However, this move reduced the attractiveness of the Nigerian market to FPIs. In addition, despite the CBN maintaining its stance to segment the money market to allow FPIs have access to juicer yields in the OMO window, lower yields in the OMO market amidst galloping inflation ensured FPIs were disinterested in Nigerian bills. Furthermore, the rally in the equities market was inadequate to lure foreign investors to return to the market.

In 2021, we expect the CBN will exhaust all tools in its arsenal to attract FPI flows before conceding to an exchange rate devaluation. This was obvious in the move by the CBN to raise stop rates at the last OMO auction by 475bps on average. We think, gradual rise in rates (which would reduce the negative real return) would attract more FPI flows particularly considering major developed economies continue to maintain an accommodative monetary policy stance in keeping with the global recovery narrative.

Headline	Level	1 day	YTD
NSE ASI	41,564.3	▼ -0.3%	▲ 3.2%
Mkt. Cap (₦bn)	21,744.2	▲ 0.3%	▲ 3.3%
Mkt. Cap (\$mn)	57,372.4	▲ 0.3%	▲ 3.3%
Value (N'mn)	2,640.4	▼ -52.7%	
Value (\$mn)	7.0	▼ -52.7%	
Volume	340.3	▼ -29.4%	
Deals	5,251.0	▼ -12.5%	
Market Breadth	1.5x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.40	0.40	0.00
6 months	0.90	0.90	0.00
12 months	2.04	2.04	0.00

Bonds Yields	Current	Previous	% Δ
3 years	6.09	6.11	▼ -0.02
5 years	7.50	7.50	0.00
7 years	8.36	8.37	▼ -0.01
10 years	10.19	8.87	▲ 1.32

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	480.00	477.00	▼ -0.62%
NAFEX	398.50	395.50	▼ -0.76%

Other Key indices	Current	Previous	% Δ
OBB	14.0	11.3	▲ 2.75
OVN	14.3	11.5	▲ 2.80
Brent	60.4	58.5	▲ 3.27

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▲ 0.3%	▲ 3.8%	0.0	0.0%
Banks	▼ -2.7%	▲ -3.6%	▲ 4.0%	4.2	8.5%
Consumer	▼ -0.3%	▲ -2.3%	▲ 4.6%	220.4	3.8%
Industrial	▲ 0.1%	▼ -1.8%	▼ -0.4%	22.4	4.5%
Insurance	▼ -0.8%	▼ -5.0%	▲ 23.2%	6.0	2.4%
Oil & Gas	▼ 0.0%	▲ 0.0%	▲ 12.4%	107.4	5.6%
Mkt. Avg. P/E	15.7	Mkt. Avg. Div. Yid	4.4%		

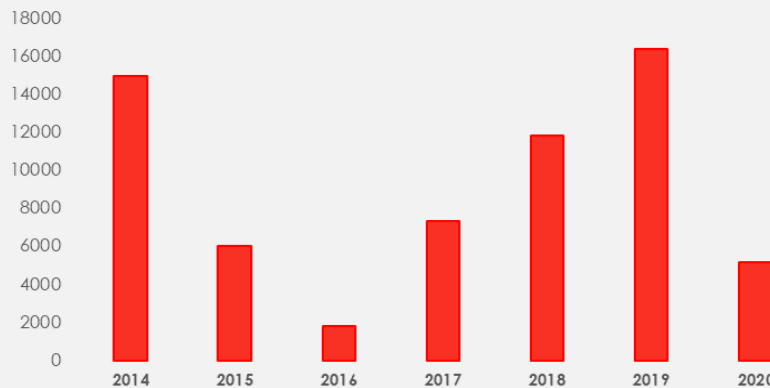
*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	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%

FPI inflow reached lowest levels since 2016
FPI inflows into Nigeria in bn USD



Sources: NSE, NBS

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