

Tuesday, January 19, 2021

The day in review

- Equities market closed negative
- Financial system liquidity remained robust
- Muted performance in NTB market
- Naira appreciated at the NAFEX window

Looking forward

- FGN Bond Auction - DMO

Daily Insight

Headline Inflation in 2021: Galloping on tough policy calls

Much in line with expectations, headline inflation in Nigeria maintained an uptrend throughout 2020, rising from 12.0% in Dec-2019 to hit a 37-Month high of 15.7% y/y in Dec-2020 amid domestic supply shortages, increased energy prices, exchange rate devaluation and monetary policy easing. Notably, price increases were observed across all components of the index with the cost of food being the major driver.

In 2021, our outlook for headline inflation rests on several factors which complicate projections or make estimating a pullback or expansion in the interim difficult. More so, given that some of the most critical factors driving inflation rate northwards are fiscal policy and reform driven, projections are likely to be distorted by policy backflip. This view is supported by the recent reopening of four key land borders after more than one year of closure as well as the N5/liter reduction in pump price of petrol after the sector was supposedly deregulated.

That said, recent policy calls such as petrol price deregulation, electricity tariff, sustained pressure on exchange rate, accommodative monetary policy stance are potentially inflationary if sustained in 2021. Clearly, a review of some of these policies, as observed recently, may have a calming impact on the rate of price increases, potentially allowing the headline rate to peak at about 17.0%. Yet, another round of electricity tariff hike, a spike in crude oil prices and softer than expected growth in domestic food output level, could drive the headline rate to a high of 19.0%.

Headline	Level	1 day	YTD
NSE ASI	41,051.6	▼ -0.1%	▲ 1.9%
Mkt. Cap (₦bn)	21,474.6	▼ -1.8%	▲ 2.0%
Mkt. Cap (\$mn)	56,661.1	▼ -1.8%	▲ 2.0%
Value (Nmn)	5,337.1	▲ 27.9%	
Value (\$mn)	14.1	▲ 27.9%	
Volume	525.0	▼ -28.9%	
Deals	5,965.0	▼ -19.3%	
Market Breadth	2.1x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.24	0.21	▲ 0.03
6 months	0.50	0.50	0.00
12 months	0.50	0.50	0.00

Bonds Yields	Current	Previous	% Δ
3 years	3.52	3.52	0.00
5 years	5.71	5.58	▲ 0.13
7 years	7.74	7.74	0.00
10 years	8.35	8.25	▲ 0.10

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	473.00	473.00	0.00%
NAFEX	393.35	393.83	▲ 0.12%

Other Key indices	Current	Previous	% Δ
OBB	0.4	0.5	▼ -0.12
OVN	0.5	0.8	▼ -0.33
Brent	55.9	55.0	▲ 1.75

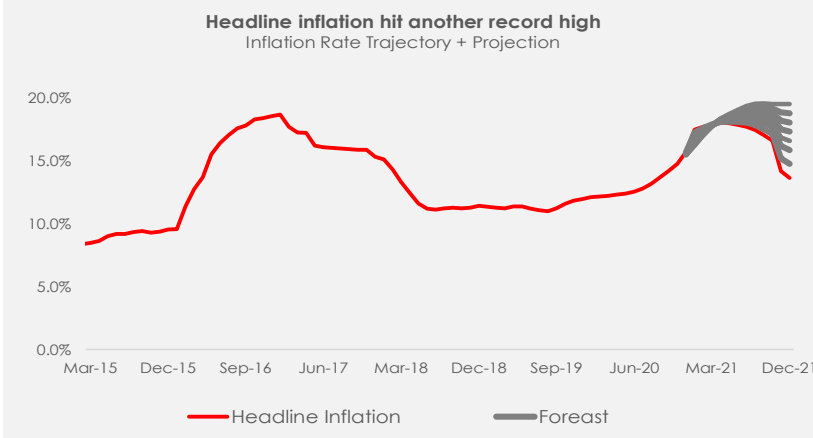
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	3.2%	3.2%	0.0	0.0%
Banks	0.0%	5.8%	5.8%	4.3	8.3%
Consumer	-0.6%	5.1%	5.1%	369.9	3.7%
Industrial	-0.4%	0.0%	0.0%	22.8	4.5%
Insurance	6.0%	36.3%	36.3%	7.2	2.1%
Oil & Gas	0.0%	21.4%	21.4%	104.1	5.2%
Mkt. Avg. P/E		15.7		Mkt. Avg. Div. Yid	4.5%

*P/E's 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	131.9	▼ -0.3%	-9.3%	8.3	7.2%
Egypt	11,450.5	▲ 0.0%	5.6%	12.2	2.8%
Ghana	1,967.2	▼ -0.1%	1.4%	n/a	4688.5%
Kenya	157.6	▼ -0.4%	3.6%	11.7	4.3%
Mauritius	1,650.9	▼ -0.1%	0.1%	n/a	1.2%
Morocco	307.4	▲ 0.9%	0.8%	30.9	3.4%
MSCI FM	551.1	▼ 0.0%	3.5%	12.8	3.2%
South Africa	63,713.9	▲ 0.3%	7.2%	29.1	2.4%
Tunisia	6,682.5	▼ -0.5%	-2.9%	20.2	0.6%
Zimbabwe	46,889.2	▲ 0.1%	1.2%	0.9	2.4%



Sources: NBS, United Capital Research

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