

The day in review

- Equity market declined 10bps
- Interbank rates ticked downwards
- Bullish activity in T-Bills market
- Naira closed flat at the NAFEX window

Looking forward

Q3 GDP Report - NBS

Daily Insight

Inflation cools further as high base effect becomes more pronounced

Yesterday, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) report for Oct-2021. The headline inflation rate came in well below expectations at 15.99% y/y, lower than our forecast of 16.25%, and 64bps lower than the Sep-2021 print (16.63%). This implies a faster-than-anticipated deceleration in the rate of change in prices. On a m/m basis, the broad CPI increased by 0.98%, slower than the 1.15% m/m increase in Sep-2021. The slower increase likely reflects easing FX pressures due to improved supply as well as some supply chain normalisation. Nevertheless, the 2020 high base effect remains the key driver of disinflation.

Looking at the key sub-components, food inflation printed at 18.34% y/y in Oct-2021 compared to 19.57% y/y in Sep-2021. On a m/m basis, the Food sub-index increased by 0.91% in Oct-2021, down 35bps from 1.26% in Sep-2021, reflecting some positive impact from the seasonal harvest. Meanwhile, core inflation printed at 13.24% y/y in Oct-2021, from 13.74% y/y in Sep-2021. On a m/m basis, core inflation rose 0.80% m/m in Oct-2021, down 44bps when compared with 1.24% recorded in Sep-2021. The core inflation uptrend remains largely due to pressure on price of gas, fuels & lubricants, transportation, as well as imported items (vehicle spare parts & clothing materials), in line with the global energy and car parts shortage.

While price pressures like relatively low harvest volumes, chronic supply chain bottlenecks, and limited access to FX through official channels remain significant, we expect disinflation to persist in the short term, as the high base effect on inflation will likely become more prominent in the closing months of 2021. As a result, we forecast the headline inflation rate to print at 15.25% y/y in Nov-2021, 74bps lower than the Oct-2021 print. We believe this weakens the case for tighter monetary policy at the forthcoming MPC meeting, given our assumption of continued disinflation.

Headline	Level	1 day	YTD
NGX ASI	43,230.3	-0.1%	7.3%
Mkt. Cap (N'bn)	22,560.4	-0.1%	
Mkt. Cap (\$'mn)	54,349.3	-0.1%	
Value (N'mn)	4,289.3	-7.7%	
Value (\$'mn)	10.3	-7.7%	
Volume	293.4	-6.8%	
Deals	4,239.0		
Market Breadth	1.0x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.04	4.04	0.00
6 months	5.12	5.13	-0.01
12 months	6.83	6.84	-0.01

Bonds Yields	Current	Previous	% Δ
3 years	9.63	9.63	0.00
5 years	11.58	11.59	-0.01
7 years	11.75	11.75	0.00
10 years	11.98	11.92	0.06

Currencies	Current	Previous	% Δ
NAFEX	415.10	415.10	0.0%

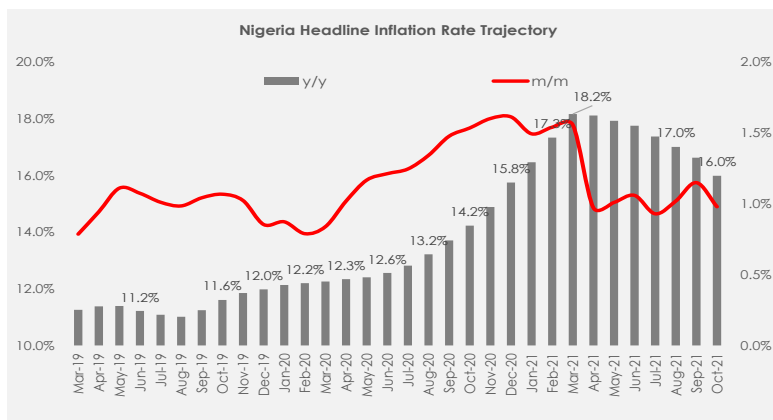
Other Key indices	Current	Previous	% Δ
OBB	13.8	14.5	-0.75
OVN	13.3	15.3	-2.00
Brent	81.2	82.2	-1.18

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	3.1%	43.9%	na	na
Banks	-0.4%	-3.4%	0.9%	3.1	8.7%
Consumer	0.1%	-0.1%	-0.7%	41.3	3.6%
Industrial	0.0%	0.9%	7.0%	17.9	3.6%
Insurance	0.1%	-1.2%	-6.2%	2.5	3.1%
Oil & Gas	0.1%	-2.2%	69.0%	9.2	3.9%
Mkt. Avg. P/E	#N/A	N/A	Mkt. Avg. Div. Yid	4.7%	

*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	191.2	0.0%	31.5%	9.9	5.6%
Egypt	11,496.6	-1.4%	6.0%	9.5	1.4%
Kenya	170.8	-0.4%	12.3%	13.3	3.4%
Mauritius	2,134.8	1.5%	29.5%	na	1.9%
Morocco	348.1	-0.4%	14.2%	25.8	3.3%
MSCI FM	682.7	-0.1%	19.4%	14.6	2.5%
South Africa	69,993.7	0.1%	17.8%	12.3	4.3%
Tunisia	7,038.2	-0.1%	2.2%	22.0	2.3%
Zimbabwe	319,136.9	-1.7%	588.9%	2.6	1.0%



Source: National Bureau of Statistics, 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