

Tuesday, March 2, 2021

The day in review

- Equities market closed in the red
- Financial system liquidity was fairly robust
- Quiet activity in Fixed Income market
- Naira depreciated at the NAFEX window

Looking forward

- Q4-2020 Capital Importation Report - NBS
- FY-2020 Earnings Publications - NSE

Daily Insight

Money out of nowhere!

In Feb-2021, the CBN's circular instructing banks to close any bank account operating on cryptocurrency exchanges or stop the facilitation of all transaction in relation to cryptos, coupled with the bitcoin (the most popular and widely accepted) rally, pushed the cryptocurrency conversation further into the mainstream. So, what exactly, is a cryptocurrency (or Crypto)? A cryptocurrency is a decentralized digital asset (or coin) designed to work as a peer-to-peer transaction version of electronic cash by allowing users to conduct transactions without the need of a third-party financial institution. Digital coins are enabled by Blockchain technology, a decentralized public ledger system in which all cryptocurrency transactions are publicly announced, with the help of cryptography, to ensure there is no need for third party financial institutions on the systems. The pioneer cryptocurrencies (coins) are Bitcoin, Ethereum, Litecoin and OTA.

In today's high-tech and fast-changing environment, blockchain and cryptocurrencies offer potential advantages that could improve our financial system, such as lower transaction fees and quicker transaction processing time. Also, because blockchain is a public ledger system, transactions are based on proof and not trust. Some start-ups in more developed markets have used Initial coin offerings to raise capital. Cryptocurrencies have also been adopted as a store of value against extreme inflationary pressures in some countries. However, regulatory risk remain the biggest concern for cryptocurrencies. Justifiably, digital coins pose legitimate concerns to regulators because; they could facilitate illicit transactions with ease due to their anonymity-feature (names do not show, just wallet IDs are revealed). Also, monetary policy autonomy of the apex banks is weakened as coins become increasingly accepted/used- a central bank could lose some control of money supply if citizens use less fiat currency.

Like most innovations, there are upsides and downsides; the optimal destination can only be achieved by constant stakeholder engagement between operators, regulators and customers to build a robust ecosystem.

Headline	Level	1 day	YTD
NSE ASI	39,697.6	▼ -0.6%	▼ -1.4%
Mkt. Cap (₦'bn)	20,770.0	▼ -0.6%	▼ -1.4%
Mkt. Cap (\$'mn)	54,802.1	▼ -0.6%	▼ -1.4%
Value (N'mn)	5,390.3	▲ 185.5%	
Value (\$'mn)	14.2	▲ 185.5%	
Volume	222.6	▼ -59.1%	
Deals	4,470.0		
Market Breadth	0.7x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.76	0.76	0.00
6 months	1.95	2.02	-0.07
12 months	2.03	2.07	-0.04

Bonds Yields	Current	Previous	% Δ
3 years	6.82	6.89	-0.07
5 years	9.97	9.91	0.06
7 years	10.33	10.33	0.00
10 years	10.40	10.62	-0.22

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	480.00	478.50	-0.31%
NAFEX	411.63	409.20	-0.59%

Other Key indices	Current	Previous	% Δ
OBB	4.3	6.0	-1.67
OVN	4.8	6.8	-1.92
Brent	64.7	66.7	-2.97

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	0.0%	0.0	0.0%
Banks	0.8%	-8.0%	-0.7%	3.9	8.8%
Consumer	-0.3%	-7.0%	-0.5%	304.3	3.9%
Industrial	0.2%	-8.6%	-7.3%	20.8	4.9%
Insurance	-1.9%	-16.1%	8.9%	5.2	2.6%
Oil & Gas	0.8%	4.3%	17.2%	111.1	5.4%
Mkt. Avg. P/E	15.2		Mkt. Avg. Div. Yid	4.6%	

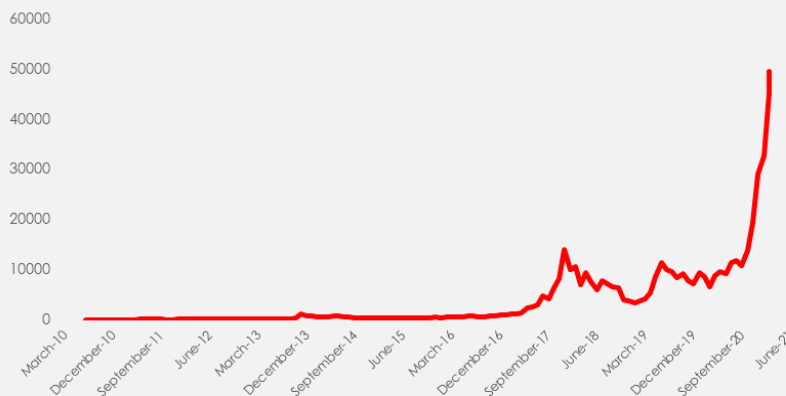
*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	133.0	▲ 0.9%	▼ -8.5%	8.3	7.1%
Egypt	11,416.7	▼ -1.2%	▲ 5.3%	13.0	2.6%
Ghana	2,177.4	0.0%	▲ 12.3%	n/a	n/a
Kenya	165.9	▲ 0.0%	▲ 9.1%	12.0	4.1%
Mauritius	1,606.2	▼ -0.2%	▼ -2.6%	n/a	1.1%
Morocco	305.4	▼ -0.3%	▲ 0.2%	24.3	3.5%
MSCI FM	551.1	▲ 0.1%	▲ 3.3%	12.8	3.2%
South Africa	65,921.6	▼ -2.1%	▲ 11.0%	26.0	2.3%
Tunisia	6,695.4	▼ 0.0%	▼ -2.8%	20.3	0.6%
Zimbabwe	82,833.7	0.0%	▲ 78.8%	1.7	1.3%

Bitcoin (BTC) price has risen rapidly in the last year
BTC price since inception in USD



Sources: Bloomberg, United Capital Research

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