

Wednesday, January 13, 2021

**The day in review**

- Equities market sustains gains
- Financial system liquidity remained robust
- Mixed performance in FI market
- Naira appreciated at the NAFEX window

**Looking forward**

- 271th MPC meeting

**Daily Insight**

**Nigeria Economy in 2021: Tough times, tough takes!**

Covid-19 took its toll on the Nigerian economy in 2020, after the FGN imposed widespread nationwide lockdowns in Q2-2020 to contain the virus. The oil market collapse wiped out export earnings and 50.0% of government revenue, even as domestic economic activities were ground to a halt in the country's largest commercial hubs. The CBN devalued the Naira on its official and I&E windows in the face of the pandemic, launched a series of intervention programs, slashed the monetary policy rate, and kept the system inundated with liquidity.

Despite the concerted efforts, the economy slipped into another recession as GDP contracted in Q2 and Q3-2020. Inflation galloped to a 33-month high of 14.89% y/y in Nov -2020, amid sharp food price increases and the currency market crisis. Also, the CBN imposed administrative measures to curb the depletion of the external reserves, which slid to \$35.4bn (down \$3.2bn YTD) in Dec-2020. As such, the parallel market rate crossed N500/\$ in Q4-2020 while foreign capital inflows hit rock bottom.

In 2021, we expect GDP growth to rebound by 1.7% to 2.0%, buoyed by increased economic activity and some improvements in the oil market. Although the reopening of the borders in Q4-2020 should ease pressures on food prices, other structural factors such as FX market illiquidity, potential increases in petrol price, etc. may keep general prices elevated. As a result, we expect the headline inflation rate to peak at around 16.0% before pulling back if no further policy adjustment is made. Finally, we expect that the CBN would begin to tighten its monetary policy stance at some point in Q2-Q3 2021.

Headline	Level	1 day	YTD
NSE ASI	40,341.1	▲ 0.1%	▲ 0.2%
Mkt. Cap (N'bn)	21,093.5	▼ -1.8%	▲ 0.2%
Mkt. Cap (\$'mn)	55,509.3	▼ -1.8%	▼ -0.1%
Value (N'mn)	6,963.4	▼ -12.6%	
Value (\$'mn)	18.3	▼ -12.9%	
Volume	468.1	▼ -59.9%	
Deals	5,592.0	▲ 0.0%	
Market Breadth	2.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.25	0.26	▼ -0.01
6 months	0.46	0.46	▲ 0.00
12 months	0.93	1.90	▼ -0.97

Bonds Yields	Current	Previous	% Δ
3 years	3.51	3.52	▼ -0.01
5 years	5.55	5.55	▲ 0.00
7 years	6.57	6.52	▲ 0.05
10 years	7.69	7.69	▲ 0.00

Currencies	Current	Previous	% Δ
Official	379.00	379.00	▲ 0.00%
Parallel	472.00	472.50	▲ 0.11%
NAFEX	393.33	394.00	▲ 0.17%

Other Key indices	Current	Previous	% Δ
OBB	1.5	3.0	▼ -1.50
OVN	2.0	3.5	▼ -1.50
Brent	56.5	56.6	▼ -0.11

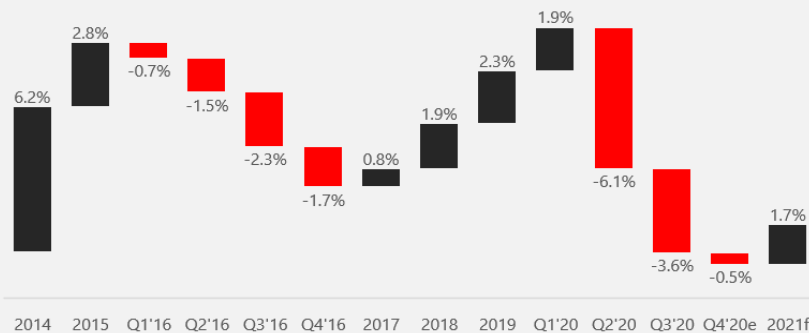
	1 day	MTD	YTD	P/E (x)	Div. Yid.
<b>Agriculture</b>	0.0%	0.0%	0.0%	0.0	0.0%
<b>Banks</b>	0.1%	2.8%	2.8%	4.2	8.5%
<b>Consumer</b>	0.1%	3.5%	3.5%	364.4	3.8%
<b>Industrial</b>	0.1%	-1.3%	-1.3%	22.5	4.6%
<b>Insurance</b>	4.1%	17.3%	17.3%	6.2	2.4%
<b>Oil &amp; Gas</b>	1.7%	16.1%	16.1%	98.9	5.5%
<b>Mkt. Avg. P/E</b>	<b>15.5</b>	<b>Mkt. Avg. Div. Yid</b>	<b>4.5%</b>		

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



Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	141.6	▼ -2.6%	▼ -2.6%	8.7	6.7%
Egypt	10,813.8	▼ -0.3%	▼ -0.3%	11.6	2.9%
Ghana	1,941.6	▲ 0.1%	▲ 0.1%	n/a	4750.4%
Kenya	152.0	▼ 0.0%	▼ 0.0%	11.3	4.4%
Mauritius	1,644.1	▼ -0.3%	▼ -0.3%	n/a	2.3%
Morocco	304.9	▲ 0.8%	▲ 0.0%	30.6	3.1%
MSCI FM	551.1	▲ 0.0%	▲ 0.0%	12.8	3.4%
South Africa	60,479.4	▲ 1.8%	▲ 1.8%	27.6	2.6%
Tunisia	6,808.1	▼ -1.1%	▼ -1.1%	20.6	0.6%
Zimbabwe	46,327.4	▲ 0.0%	▲ 0.0%	0.9	2.4%

**GDP growth to rebound in 2021**  
Nigeria GDP Growth Trend and Forecast



Sources: NBS, 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

Wednesday, January 13, 2021

**The day in review**

- Equities market sustains gains
- Financial system liquidity remained robust
- Mixed performance in FI market
- Naira appreciated at the NAFEX window

**Looking forward**

- PMA Auction - 14th Jan

**Daily Insight**

**Nigeria Economy in 2021: Tough times, tough takes!**

Covid-19 took its toll on the Nigerian economy in 2020, after the FGN imposed widespread nationwide lockdowns in Q2-2020 to contain the virus. The oil market collapse wiped out export earnings and 50.0% of government revenue, even as domestic economic activities were ground to a halt in the country's largest commercial hubs. The CBN devalued the Naira on its official and I&E windows in the face of the pandemic, launched a series of intervention programs, slashed the monetary policy rate, and kept the system inundated with liquidity.

Despite the concerted efforts, the economy slipped into another recession as GDP contracted in Q2 and Q3-2020. Inflation galloped to a 33-month high of 14.89% y/y in Nov -2020, amid sharp food price increases and the currency market crisis. Also, the CBN imposed administrative measures to curb the depletion of the external reserves, which slid to \$35.4bn (down \$3.2bn YTD) in Dec-2020. As such, the parallel market rate crossed N500/\$ in Q4-2020 while foreign capital inflows hit rock bottom.

In 2021, we expect GDP growth to rebound by 1.7% to 2.0%, buoyed by increased economic activity and some improvements in the oil market. Although the reopening of the borders in Q4-2020 should ease pressures on food prices, other structural factors such as FX market illiquidity, potential increases in petrol price, etc. may keep general prices elevated. As a result, we expect the headline inflation rate to peak at around 16.0% before pulling back if no further policy adjustment is made. Finally, we expect that the CBN would begin to tighten its monetary policy stance at some point in Q2-Q3 2021.

Headline	Level	1 day	YTD
NSE ASI	40,341.1	▲ 0.1%	▲ 0.2%
Mkt. Cap (N'bn)	21,093.5	▼ -1.8%	▲ 0.2%
Mkt. Cap (\$'mn)	55,509.3	▼ -1.8%	▼ -0.1%
Value (N'mn)	6,963.4	▼ -12.6%	
Value (\$'mn)	18.3	▼ -12.9%	
Volume	468.1	▼ -59.9%	
Deals	5,592.0	▲ 0.0%	
Market Breadth	2.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.25	0.26 ▼	-0.01
6 months	0.46	0.46	0.00
12 months	0.93	1.90 ▼	-0.97

Bonds Yields	Current	Previous	% Δ
3 years	3.51	3.52 ▼	-0.01
5 years	5.55	5.55	0.00
7 years	6.57	6.52 ▲	0.05
10 years	7.69	7.69	0.00

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	472.00	472.50 ▲	0.11%
NAFEX	393.33	394.00 ▲	0.17%

Other Key indices	Current	Previous	% Δ
OBB	1.5	3.0 ▼	-1.50
OVN	2.0	3.5 ▼	-1.50
Brent	56.5	56.6 ▼	-0.11

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	0.0%	0.0	0.0%
Banks	3.7%	3.7%	3.7%	4.2	8.5%
Consumer	1.4%	1.4%	1.4%	863.6	3.8%
Industrial	4.7%	4.7%	4.7%	22.3	0.0%
Insurance	4.4%	4.4%	4.4%	3.0	2.3%
Oil & Gas	0.1%	0.1%	0.1%	83.1	6.1%
<b>Mkt. Avg. P/E</b>	<b>15.5</b>		<b>Mkt. Avg. Div. Yid</b>	<b>4.5%</b>	

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

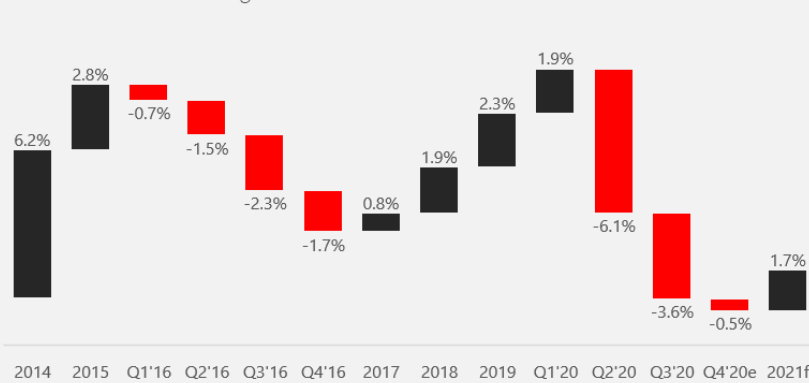


Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	141.6	▼ -2.6%	▼ -2.6%	8.7	6.7%
Egypt	10,813.8	▼ -0.3%	▼ -0.3%	11.6	2.9%
Ghana	1,941.6	▲ 0.1%	▲ 0.1%	n/a	4750.4%
Kenya	152.0	▼ 0.0%	▼ 0.0%	11.3	4.4%
Mauritius	1,644.1	▼ -0.3%	▼ -0.3%	n/a	2.3%
Morocco	304.9	▲ 0.8%	▲ 0.0%	30.6	3.1%
MSCI FM	551.1	▲ 0.0%	▲ 0.0%	12.8	3.4%
South Africa	60,479.4	▲ 1.8%	▲ 1.8%	27.6	2.6%
Tunisia	6,808.1	▼ -1.1%	▼ -1.1%	20.6	0.6%
Zimbabwe	46,327.4	▲ 0.0%	▲ 0.0%	0.9	2.4%

**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

**GDP growth to rebound in 2021**  
Nigeria GDP Growth Trend and Forecast



Sources: NBS, United Capital Research