United Capital Research | Daily Market Commentary

Wednesday, January 13, 2021



The Intelligent Choice

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 (₦'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		

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

Bonds Yields	Current	Previous	% △
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	% △
Official	379.00	379.00 💳	0.00%
Parallel	472.00	472.50 📤	0.11%
NAFEX	393.33	394.00 📤	0.17%

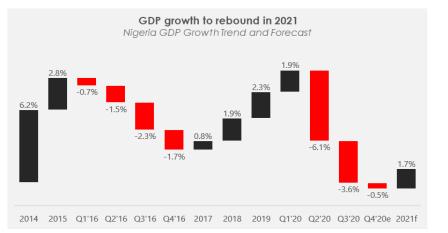
Other Key indices	Current	Previous	% ∆
OBB	1.5	3.0 🔻	-1.50
OVN	2.0	3.5	-1.50
Brent	56.5	56.6 🔻	-0.11

		1 day		MTD	YTD	P/E (x)	Div. Yid.
Agriculture	=	0.0% =		0.0% 💳	0.0%	0.0	0.0%
Bank	s 📤	0.1% 4		2.8% 📤	2.8%	4.2	8.5%
Consume	r 📤	0.1% 🚄	<u> </u>	3.5% 📤	3.5%	364.4	3.8%
Industria	I 📤	0.1%	_	1.3% 🔻	-1.3%	22.5	4.6%
Insurance		4.1% 4	1.	7.3% 📤	17.3%	6.2	2.4%
Oil & Ga	s 📤	1.7% 🚄	10	6.1% 📤	16.1%	98.9	5.5%
	Mkt.	Avg. P/E	15.5		Mkt.	Avg. Div. Yid	4.5%

*P/Es are based on the last twelve months trailing earnings

*Dividend vields are based on past year dividend payments Technical Indicator of Market Position: Relative Strenath Index (RSI)

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%	



31/2019

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Sources: NBS, United Capital Research

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12 months	0.93	1.90 🔻	-0.97

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Bank	s 📤	3.7% 📤	3.	7% 📤	3.7%	4.2	8.5%
Consume	r 📤	1.4% 📤	1.	4% 📤	1.4%	863.6	3.8%
Industria		4.7% 📤	4.	7% 📤	4.7%	22.3	0.0%
Insurance		4.4% 📤	4.	4% 📤	4.4%	3.0	2.3%
Oil & Ga	S	0.1% 📤	0.	1% 📤	0.1%	83.1	6.1%
	Mkt.	Avg. P/E	15.5		Mkt.	Avg. Div. Yid	4.5%

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20.6

0.9

0.6%

2.4%

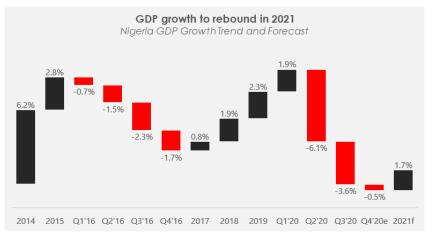
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0.0% =



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Zimbabwe

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