

Monday, February 1, 2021

The day in review

- Equities market closed negative
- Financial system liquidity remained tight
- NTB market performance was largely flat
- Naira depreciated at the parallel market

Looking forward

- Q2-Q4 2020 Telecoms Data - NBS

Daily Insight

Nigeria Equity Market: Can the stock market rally be sustained?

2020 was an exciting year for stock markets around the world, as equities defied expectations and maintaining a high level of attractiveness for the most part of the year, even amid the coronavirus pandemic. In Nigeria, like most of the world, a key driver of the market's performance was the unprecedented accommodative monetary policy response from the Central Bank which gave rise to low interest rates.

Contrary to the prior two years where risk-free assets were the toast of local investors - to the detriment of equities - due to their attractive yields - appetite for equities improved as the local stock market printed a 50.0% YTD return, ending the year as the best performing exchange in the world. Yet, the 20.0% coronavirus-triggered market crash between March and April 2020 was clearly a landmark event for the year.

Following the monumental upsurge in the benchmark index in 2020, one of the toughest questions our clients are asking us is whether the market will crash soon, or rather, can the stock market rally be sustained? Our prognosis for the Nigerian stock market in 2021 is that domestic interest, fueled by dividend expectations is likely to sustain a market rally in Q1-2021. Thus far, the market has sustained uptrend, extending the rally by 5.3% in January 2021. We expect this to be sustained in the month of February. Yet, in the absence of foreign demand and a potential reversal in the yield environment, our analysis sees a short bear-market from Q2 to Q3-2021. Potentially, the return of foreign portfolio inflow in Q3/Q4-2021 if the currency market becomes active again, as well as renewed local demand may lift the market in Q4-2020.

Headline	Level	1 day	YTD
NSE ASI	42,357.9	▼ -0.1%	▲ 5.2%
Mkt. Cap (N'bn)	22,157.9	▲ 0.8%	▲ 5.2%
Mkt. Cap (\$'mn)	58,464.1	▲ 0.8%	▲ 5.2%
Value (N'mn)	6,024.0	▼ -8.6%	
Value (\$'mn)	15.9	▼ -8.6%	
Volume	586.8	▼ -12.4%	
Deals	7,611.0	▲ 14.2%	
Market Breadth	1.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.43	0.43	0.00
6 months	1.00	1.00	0.00
12 months	2.93	1.17	1.76

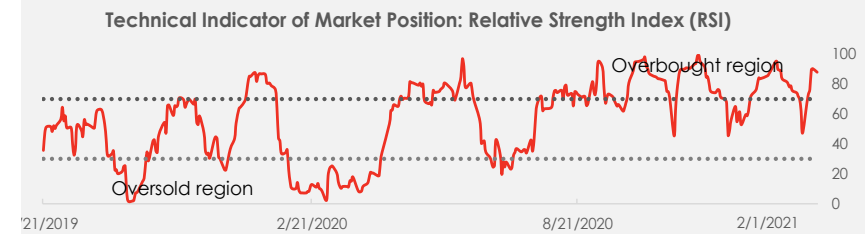
Bonds Yields	Current	Previous	% Δ
3 years	5.27	5.90	-0.63
5 years	7.40	7.01	0.39
7 years	8.50	8.50	0.00
10 years	8.98	9.08	-0.10

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	477.00	476.00	-0.21%
NAFEX	394.00	394.13	0.03%

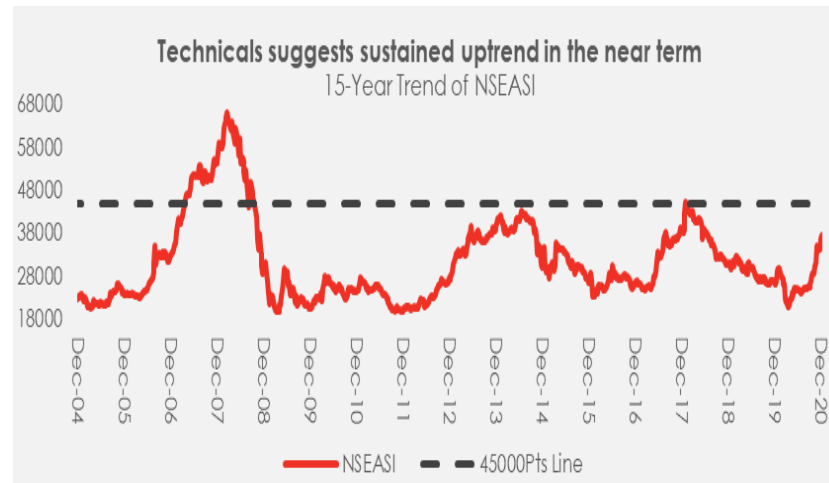
Other Key indices	Current	Previous	% Δ
OBB	10.0	10.5	-0.50
OVN	10.3	11.0	-0.75
Brent	56.2	55.9	0.64

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture	0.0%	3.5%	3.5%	0.0	0.0%
Banks	0.3%	5.1%	5.1%	4.3	8.3%
Consumer	0.2%	5.7%	5.7%	228.2	3.7%
Industrial	0.5%	1.3%	1.3%	23.1	4.5%
Insurance	1.5%	29.3%	29.3%	6.8	2.2%
Oil & Gas	-0.1%	13.7%	13.7%	97.7	5.6%
Mkt. Avg. P/E		16.1	Mkt. Avg. Div. Yld		4.4%

*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. Yld.	
BRVM	133.8	▼ -0.3%	-7.9%	8.4	7.0%	
Egypt	11,546.2	▼ -0.3%	6.5%	12.3	2.8%	
Ghana	2,027.1	0.0%	4.5%	n/a	4550.0%	
Kenya	155.6	▼ -0.6%	2.3%	11.3	4.3%	
Mauritius	1,638.0	▼ -0.2%	-0.6%	n/a	1.2%	
Morocco	312.5	▼ -0.5%	2.5%	31.4	3.4%	
MSCI FM	551.1	▲ 1.1%	0.3%	12.8	3.3%	
South Africa	62,472.1	▼ -1.2%	5.2%	28.5	2.5%	
Tunisia	6,657.8	▲ 0.1%	-3.3%	20.1	0.6%	
Zimbabwe	62,595.2	▲ 4.6%	35.1%	1.2	1.8%	



Sources: Bloomberg, United Capital Research

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