

The day in review

- Equities market extended losses
- Financial system liquidity remained tight
- Bearish activity in FI market
- Naira strengthens at the NAFEX window

Looking forward

FY-20 Earnings Publications - NSE

Daily Insight

Oil price sustains rally: Potentially a double-edged sword for Nigeria

The crude oil market's resurgence was sustained in yesterday's session as Brent crude, and WTI crude gapped higher to close at \$61.47/bbl. and \$58.68/bbl. respectively, extending gains into the longest run in 2 years. While crude oil had started to rally last week, investors' sentiments were bolstered by data from the American Petroleum Institute (API), which showed that US inventories fell by 3.5m barrels previous week (for the 8th time in 9 weeks) as against a forecast build of 985,000 barrels. While concerns continue to linger on stricter restrictions to curb the spread of developing Covid-19 variants, markets have found solace in the decent improvement in vaccination levels.

Bringing the story home, we reflect on this rally as a strong positive for the Nigerian economy. First, the rally in crude price bodes well for the country's FX reserves even as production is expected to remain in a lull. We expect the better pricing to improve crude oil receipts and consequently bolster CBN's FX inflows. As a result, we expect this would have a positive knock-on effect on improved I&E window intervention by the CBN and consequently, exchange rate stability. Furthermore, we believe this is positive for the Federal government's revenue projections. With the 2021 budget built on an oil price benchmark of \$40/bbl., the recent rally boosts the government coffers and its ability to meet its oil revenue target.

On the downside, we note that prolonged high crude prices would ultimately feed into a climb in petrol's landing cost. Thus, with the Federal government likely to insist on deregulating the downstream oil & gas sector, the price of petrol paid by Nigerian consumers is expected to surge. Consequently, this would weaken consumer purchasing power while aiding further surge in inflation rate.

Headline	Level	1 day	YTD
NSE ASI	40,696.0	▼ -2.0%	▲ 1.1%
Mkt. Cap (₦'bn)	21,289.9	▲ 0.3%	▲ 1.1%
Mkt. Cap (\$'mn)	56,173.9	▲ 0.3%	▲ 1.1%
Value (N'mn)	5,482.6	▲ 38.7%	
Value (\$'mn)	14.5	▲ 38.7%	
Volume	366.9	▲ 19.9%	
Deals	5,718.0	▲ 15.1%	
Market Breadth	0.4x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.40	0.40	0.00
6 months	0.90	0.90	0.00
12 months	2.04	2.04	0.00

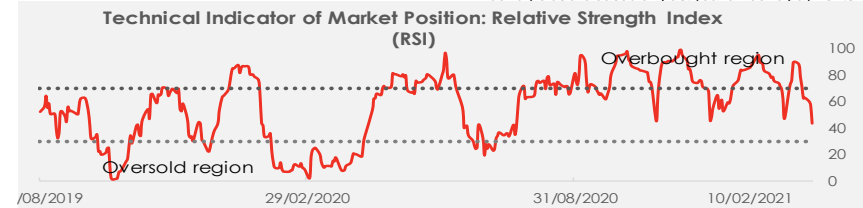
Bonds Yields	Current	Previous	% Δ
3 years	7.49	6.09	▲ 1.40
5 years	8.40	8.40	0.00
7 years	10.00	10.00	0.00
10 years	10.36	10.25	▲ 0.11

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	478.00	480.00	▲ 0.42%
NAFEX	400.00	401.00	▲ 0.25%

Other Key indices	Current	Previous	% Δ
OBB	5.0	8.5	▼ -3.50
OVN	5.3	8.8	▼ -3.50
Brent	61.5	61.1	▲ 0.62

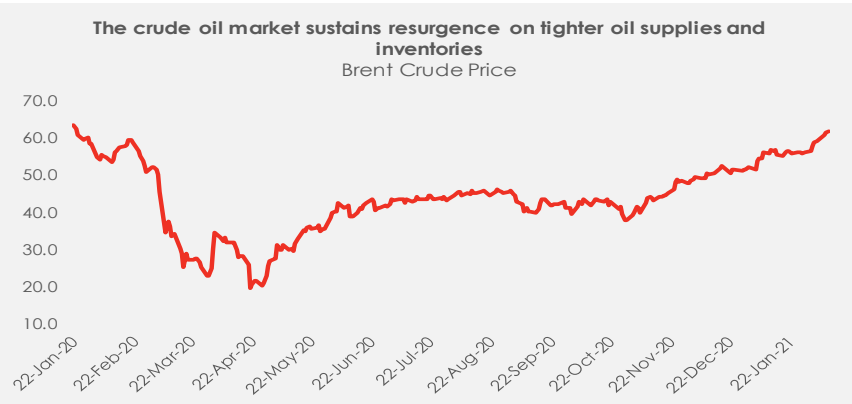
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▼ -2.3%	▲ 1.0%	0.0	0.0%
Banks	▼ -3.4%	▼ -8.6%	▼ -1.3%	4.0	8.9%
Consumer	▼ -0.4%	▼ -4.1%	▲ 2.7%	216.3	3.8%
Industrial	▼ -3.7%	▼ -5.7%	▼ -4.3%	21.5	4.7%
Insurance	▼ -1.1%	▼ -9.5%	▲ 17.5%	5.8	2.4%
Oil & Gas	0.0%	▼ -0.4%	▲ 12.0%	106.9	5.7%
Mkt. Avg. P/E		15.4		Mkt. Avg. Div. Yid	4.5%

*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	133.5	▼ -0.9%	▼ -8.2%	8.4	7.1%
Egypt	11,545.0	▲ 0.8%	▲ 6.5%	12.9	2.5%
Ghana	2,093.0	▲ 0.7%	▲ 7.9%	n/a	4406.8%
Kenya	158.6	▼ -0.1%	▲ 4.3%	11.5	4.3%
Mauritius	1,626.3	▲ 0.1%	▼ -1.3%	n/a	1.1%
Morocco	310.1	▼ -0.7%	▲ 1.7%	31.1	3.4%
MSCI FM	551.1	▼ -0.2%	▲ 1.7%	12.8	3.3%
South Africa	66,150.8	▲ 1.5%	▲ 11.3%	30.2	2.3%
Tunisia	6,649.5	▲ 0.4%	▼ -3.4%	20.2	0.6%
Zimbabwe	87,742.0	▲ 2.7%	▲ 89.4%	1.7	1.3%



Sources: Bloomberg, United Capital Research

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