

The day in review

- Equity market rose 1.1%
- Interbank rates ticked downwards
- Flatfish activity in Bonds market
- Naira depreciated at the NAFEX window

Looking forward

Oct Inflation Report - NBS

Daily Insight

Payment Service Banks (PSB) Series 2 – Potential Impact on Banking profitability

In continuing with our conversation on Payment Service Banks (PSBs), today's series looks to examine the impact of CBN's recent approval-in-principle for major telecoms (MTNN and Airtel) to establish subsidiaries to conduct PSB operations on banks' profitability. Since the CBN granted approvals in principle to major telecoms, there have been murmurs regarding the potential impact on the earnings of more traditional and orthodox banks. There appears to be a general perception that these new entrants could potentially shrink the pie and halt the growth in banks' non-interest digital/electronic fees.

Contrary to popular opinion, the rise of Payment Services Banks, digital services, and agency banking across the country, especially in less accessible areas, will continue to support the non-interest income for banks in 2022 and beyond. Going forward, we expect non-interest income will be supported by increased partnerships between banks and other fintech and telecommunication operators, with banks benefiting from the increased reach of fintech and PSBs relying on mobile operators. This is because the regulatory framework for product offerings for PSBs plays in the hands of banks, as the CBN limits the scale of activities in which PSBs can offer. This implies that banks should benefit in the long run as these customers move up the financial ladder and demand more sophisticated products. That said, while we expect current traditional bank customers to include use of PSB platforms into their financial transactions, we expect the overall benefits to outweigh the costs for traditional banks.

Furthermore, evidence gathered by a 2019 GSMA report seems to support our stance, showing balanced flows between mobile money and banks in select SSA countries. The value of bank account-to-mobile money transactions accounted for 10.5% of outgoing transactions in 2019 due to increased interoperability between mobile money services and banks, from circa 5.0% in 2017. These findings suggest that mobile money complements the formal banking sector while also meeting the needs of entirely new customer segments, including traditionally underserved and cash-reliant customers.

Headline	Level	1 day	YTD
NGX ASI	43,730.6	▲ 1.1%	▲ 8.6%
Mkt. Cap (N'bn)	22,821.5	▲ 1.1%	
Mkt. Cap (\$'mn)	54,982.2	▲ 1.1%	
Value (N'mn)	3,476.0	▼ -31.1%	
Value (\$'mn)	8.4	▼ -31.2%	
Volume	280.7	▼ -36.7%	
Deals	4,342.0		
Market Breadth	1.0x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.04	4.04	0.00
6 months	5.55	5.55	0.00
12 months	7.14	7.14	0.00

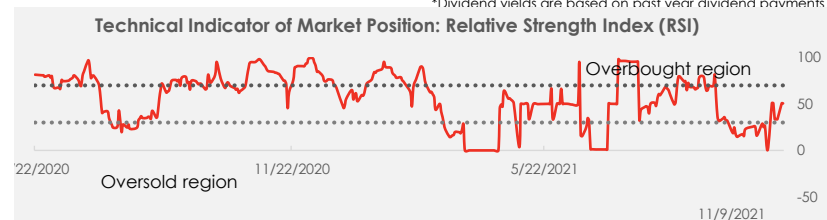
Bonds Yields	Current	Previous	% Δ
3 years	10.58	10.58	0.00
5 years	11.56	11.56	0.00
7 years	11.67	11.68	-0.01
10 years	11.90	11.90	0.00

Currencies	Current	Previous	% Δ
NAFEX	415.07	414.55	-0.1%

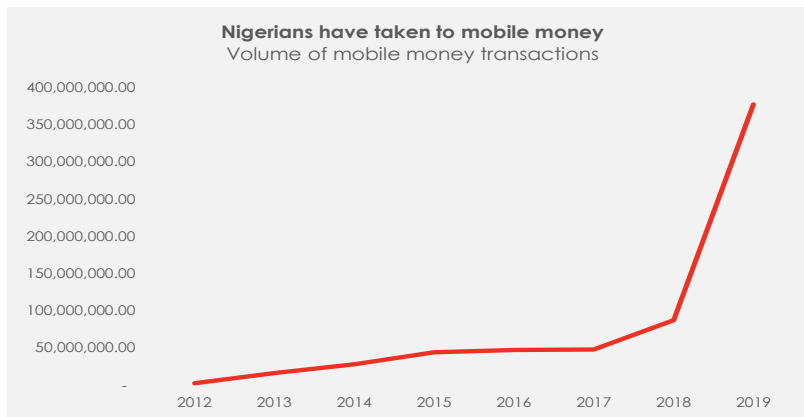
Other Key indices	Current	Previous	% Δ
OBB	2.7	4.8	-2.08
OVN	3.3	5.3	-1.92
Brent	83.8	83.4	0.38

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	3.1%	43.9%	na	na
Banks	0.1%	-1.8%	2.6%	3.2	8.5%
Consumer	0.2%	-0.3%	-1.0%	41.2	3.6%
Industrial	0.2%	1.2%	7.4%	17.9	3.4%
Insurance	-0.3%	-0.7%	-5.8%	2.5	3.1%
Oil & Gas	0.1%	-2.1%	69.2%	9.2	3.9%
Mkt. Avg. P/E	N/A	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	189.6	▼ -0.5%	▲ 30.4%	9.9	5.7%
Egypt	11,588.4	▲ 0.8%	▲ 6.9%	10.1	1.4%
Kenya	171.0	▲ 0.4%	▲ 12.4%	13.4	3.4%
Mauritius	2,120.0	▲ 0.0%	▲ 28.6%	na	1.9%
Morocco	351.6	▲ 0.3%	▲ 15.3%	26.1	3.3%
MSCI FM	687.6	▲ 0.5%	▲ 20.3%	15.1	2.5%
South Africa	67,983.2	▼ -0.1%	▲ 14.4%	12.2	4.4%
Tunisia	7,022.5	▲ 0.3%	▲ 2.0%	22.0	2.3%
Zimbabwe	287,574.3	▲ 1.0%	▲ 520.7%	2.2	1.1%



Source: CBN Statistical Bulletin, 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