

The day in review

- Equity market declined marginally by 1bp
- Interbank rates ticked downwards
- Muted activity in T-bills market
- Naira depreciated at the NAFEX window

Looking forward

T-Bills Auction - CBN

Daily Insight

Post MPC – MPC holds rates but hints at imminent hiking

In line with our expectations, the Monetary Policy Committee (MPC) met yesterday and voted unanimously to keep all policy variables unchanged. Notably, the committee hinted at a rate hike in the near future, noting the US and other advanced economies' impending hawkish tilt and the potential impact on capital flows into the country and other emerging markets. The committee, however, expressed confidence in current policies for sustaining Nigeria's output rebound and indicated a strong preference for keeping the status quo.

While there appear to be valid arguments for raising the MPR, such as sustained economic growth (as evidenced by Q3-2021 GDP growth of 4.0% y/y and 11.1% q/q), and the fact that despite sustained disinflation, headline inflation (Oct-2021, 16.0%) remains much higher than the CBN's target band (6.0%-9.0%), the decision to maintain the status quo suggests that policy considerations remain weighted towards stimulating growth. The CBN governor's statements indicate that the MPC is comfortable with the pace of disinflation, which undermines the case for tightening.

In our view, keeping policy parameters on hold is necessary to sustain Nigeria's economic recovery, amid high inflationary pressures, unemployment and FX liquidity challenges. Furthermore, there are stronger incentives for rates to be kept low, as the government's debt servicing costs remain high, and the medium-term expenditure framework signals even more reliance on the debt market. However, going forward, we anticipate a gradual shift towards monetary tightening, as other emerging economies have begun to hike rates, including regional peers South Africa (+25bps) and Ghana (+100bps).

Headline	Level	1 day	YTD
NGX ASI	43,255.1	0.0% ▲	7.4%
Mkt. Cap (N'bn)	22,576.6	0.0%	
Mkt. Cap (\$'mn)	54,296.7	0.0%	
Value (N'mn)	2,907.5	-82.3%	
Value (\$'mn)	7.0	-82.4%	
Volume	218.0	-90.9%	
Deals	4,158.0		
Market Breadth	1.2x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.20	4.20	0.00
6 months	5.29	5.29	0.00
12 months	6.56	6.56	0.00

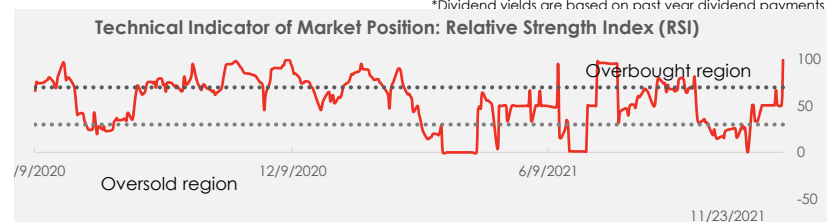
Bonds Yields	Current	Previous	% Δ
3 years	9.60	9.61	-0.01
5 years	11.56	11.56	0.00
7 years	11.91	11.91	0.00
10 years	12.17	12.15	0.02

Currencies	Current	Previous	% Δ
NAFEX	415.80	415.07	-0.2%

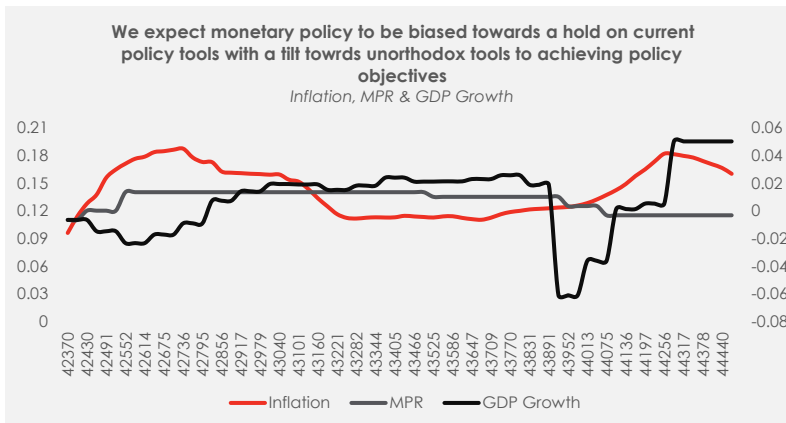
Other Key indices	Current	Previous	% Δ
OBB	15.0	16.3	-1.33
OVN	16.0	17.0	-0.98
Brent	81.6	79.7	2.36

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0% ▲	3.1% ▲	43.9%	na	na
Banks	0.8% ▼	-3.9% ▲	0.4%	3.1	8.7%
Consumer	0.0% ▼	-1.5% ▼	-2.2%	40.7	3.7%
Industrial	-0.1% ▲	0.6% ▲	6.8%	17.8	3.6%
Insurance	0.9% ▼	-0.9% ▼	-5.9%	2.7	3.1%
Oil & Gas	1.3% ▼	-4.7% ▲	64.8%	8.9	4.0%
Mkt. Avg. P/E	N/A	Mkt. Avg. Div. Yid	4.7%		

*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	193.3	0.0% ▲	32.9%	10.0	5.6%
Egypt	11,369.2	0.1% ▲	4.5%	8.5	1.4%
Kenya	163.8	-0.4% ▲	11.4%	12.2	3.6%
Mauritius	2,112.3	0.1% ▲	30.0%	na	2.8%
Morocco	348.7	0.1% ▲	14.4%	25.9	3.3%
MSCI FM	665.2	-0.1% ▲	18.5%	14.2	2.7%
South Africa	71,015.4	0.1% ▲	19.1%	11.8	4.2%
Tunisia	7,055.3	0.3% ▲	2.1%	22.1	2.3%
Zimbabwe	273,737.7	-2.2% ▲	490.9%	2.0	1.2%



Source: CBN Statistical Bulletin, United Capital Research

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