

Monday, March 22, 2021

The day in review

- Equities gained 0.9%
- Interbank rates remained in double-digits
- Quiet activity in the fixed income market
- Naira depreciated at the NAFEX window

Looking forward

- MPC Meeting - MPC
- FGN Bond Auction - DMO

Daily Insight

Pre-MPC: Will the MPC adjust the MPR?

The latest meeting of the monetary policy committee (MPC) will be concluded today 23rd March 2021. The MPC will consider, amongst other things, developments in the global and domestic economy to decide on the next policy action to take in its bid to spur Nigeria's economic recovery with an eye on the persistent inflationary pressures in the local economy. This meeting occurs against the backdrop of the committee's broadly accommodative policy stance which trailed the Covid-19 pandemic in 2020 and its decision to maintain its expansionary stance in January.

Since the MPC chose to hold monetary parameters constant in January, we have gained further insight into current economic realities. Nigeria exited recession in Q4-2020 with a 0.1% y/y growth, albeit by the narrowest of margins. The National Bureau of Statistics (NBS) revealed that unemployment rose to 33.3% from 27.1%. Furthermore, the headline inflation rate galloped to 17.3%, its highest level since March 2017. These factors, alongside the improvement in oil prices, rising fixed-income yields and FX concerns - to name a few - will guide the committees' decision.

Overall, we are of the opinion that the decision before the MPC is a choice between tightening policy measures in the face of runaway inflation and weak FX inflows as well as maintaining the status quo to sustain economic recovery. On a balance of factors, the MPC is likely to keep the benchmark rate constant to maintain the current level of borrowing costs, and gradual rebound in economic activities. Yet, we note that the committee would keep an eye on the runaway inflation and weak FX inflows and, as such, may advise the apex bank to continue the pace of aggressive liquidity mop-up which will spur a further uptick in yields.

Headline	Level	1 day	YTD
NSE ASI	38,722.9	▲ 0.9%	▼ -3.8%
Mkt. Cap (₦bn)	20,260.0	▲ 0.9%	▼ -3.8%
Mkt. Cap (\$'mn)	53,456.4	▲ 0.9%	▼ -3.8%
Value (N'mn)	3,053.3	▼ -24.0%	
Value (\$'mn)	8.1	▼ -24.0%	
Volume	277.2	▼ -4.6%	
Deals	4,299.0		
Market Breadth	3.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	2.26	1.65	▲ 0.61
6 months	4.44	4.45	▼ -0.01
12 months	4.29	0.00	▲ 4.29

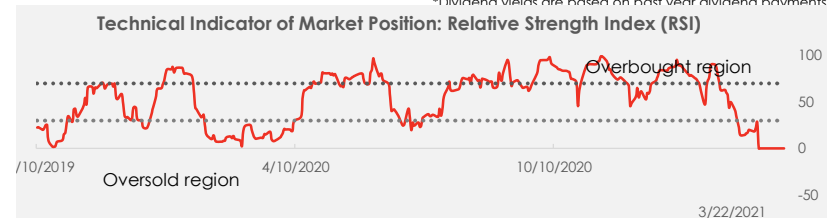
Bonds Yields	Current	Previous	% Δ
3 years	7.99	8.00	▼ -0.01
5 years	9.86	9.88	▼ -0.02
7 years	10.13	10.13	0.00
10 years	10.59	10.59	0.00

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	485.00	485.00	0.00%
NAFEX	410.13	409.75	▼ -0.09%

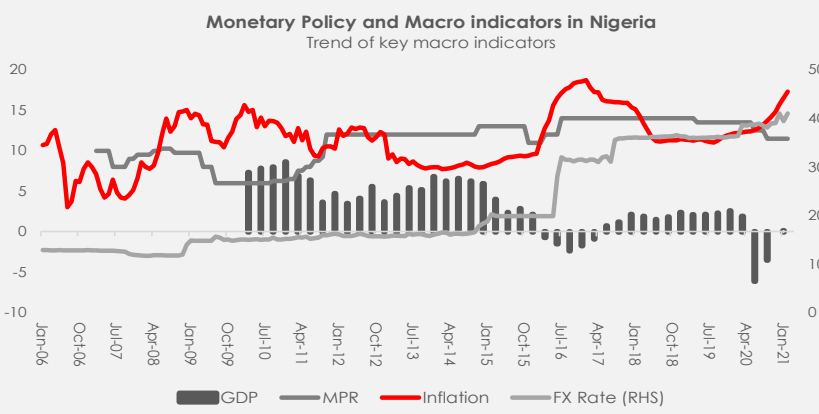
Other Key indices	Current	Previous	% Δ
OBB	14.5	25.0	▼ -10.50
OVN	14.8	25.5	▼ -10.75
Brent	64.6	64.5	▲ 0.14

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▲ -3.6%	0.0%	0.0	0.0%
Banks	▲ 2.8%	▼ -5.7%	-8.1%	3.5	9.8%
Consumer	▼ -0.2%	▼ -5.7%	-7.3%	1024.3	4.1%
Industrial	▲ 0.2%	▲ 3.2%	-4.5%	20.5	4.9%
Insurance	▼ -0.8%	▲ -3.2%	3.2%	4.2	2.7%
Oil & Gas	▲ -0.1%	▲ 0.2%	17.6%	na	5.4%
Mkt. Avg. P/E		14.4		Mkt. Avg. Div. Yid	4.8%

*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. Yid.
BRVM	141.7	▲ 0.3%	-4.0%	8.9	6.7%
Egypt	10,918.4	▼ -1.4%	0.7%	13.0	2.7%
Ghana	2,195.1	▲ -1.3%	13.2%	n/a	n/a
Kenya	166.9	▲ 1.3%	8.8%	12.4	2.3%
Mauritius	1,560.2	▼ -0.2%	-5.4%	n/a	1.0%
Morocco	307.0	▼ -0.8%	0.7%	24.4	3.4%
MSCI FM	551.1	▲ 0.7%	1.2%	12.8	3.0%
South Africa	65,911.3	▼ -0.9%	11.3%	25.4	2.7%
Tunisia	6,806.7	▼ -0.2%	-0.9%	18.7	0.6%
Zimbabwe	82,997.2	▲ 2.6%	79.2%	1.5	1.5%



Sources: NBS, CBN, FMDQ, 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