United Capital
The Intelligent Choice

Tuesday, April 6, 2021

The day in review

- NSE-ASI closed negative
- Interbank rates remained in single-digits
- Bearish performance in bond market
- Naira depreciated at the NAFEX window

Looking forward

OMO Auction - CBN

Daily Insight

Slew of Multilateral debt: effective or a drag on long term growth?

The NBS recent release of the country's debt stock data for Q4-2020 reported that Nigeria's public debt stock rose 20.1% y/y to N32.9tn, while the FG's debt burden rose 23.4% y/y to N26.9tn at the end of 2020. The economic decline resulting from COVID-19 combined with the global fall in oil prices strained the Nigerian economy and fueled the surge in total debt.

Notably, Nigeria relied on a slew of multilateral borrowings to reflate the economy, in 2020 Nigeria accessed borrowings from the IMF ($3.5bn), World Bank ($1.4bn) and the AfDB ($0.3bn) which drove debt levels higher. Considering the snail pace recovery, the economy is witnessing, rising external debts could curtail the pace of growth in the long run, considering that the bulk of these borrowings were channeled into covid-19 intervention efforts rather than long term capital investments.

The long-term cost of external debt can be viewed in several ways: First, servicing external debt requires foreign currency which depletes the external reserves, limiting the fire power of the central bank. Yet, dollar crisis in Nigeria remains a huge concern. Recently, Fitch downgraded Nigeria's credit rating deeper into "junk" territory, rating it a "B" citing weaker valuation of the naira. Meanwhile, increase in Nigeria's debt stock also reflects the impact of devaluation of the Naira (from N306.0/$ to N379.0/$ at the official window). Finally, while Nigeria's debt-GDP ratio settled at 21.6% as of 2020 (from 18.8% in 2019), debt servicing accounted for 83% of total revenue in 2020. Clearly, this means that the government will be left with little or nothing in terms of its fiscal capability to prop up the economy without further borrowing thus clogging the pace of growth in the long run.

Headline	Level	1 day	YTD
NSE ASI	38,766.6	-0.4%	-3.7%
Mkt. Cap (₦'bn)	20,282.9	-0.4%	-3.7%
Mkt. Cap ($'mn)	53,516.9	-0.4%	-3.7%
Value (N'mn)	2,143.4	-7.4%	
Value ($'mn)	5.7	-7.4%	
Volume	224.6	-6.2%	
Deals	4,675.0		
Market Breadth	0.7x		

T-Bills Yields	Current	Previous	%Δ
3 months	2.42	2.43	-0.01
6 months	4.25	4.34	-0.09
12 months	6.26	6.64	-0.38

Bonds Yields	Current	Previous	% Δ
3 years	7.56	7.53	0.03
5 years	10.04	10.05	-0.01
7 years	10.95	10.61	0.34
10 years	11.17	10.95	0.22

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	485.00	481.50	-0.72%
NAFEX	410.50	409.30	-0.29%

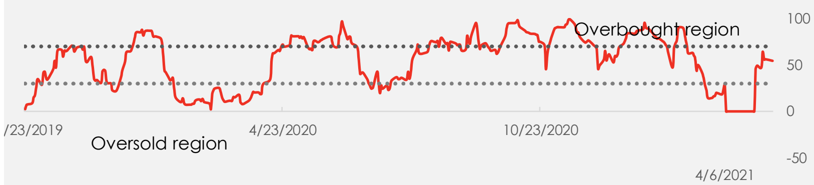
Other Key indices	Current	Previous	% Δ
OBB	13.5	30.0	-16.50
OVN	13.8	32.5	-18.75
Brent	63.6	64.9	-2.02

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture	0.0%	-5.5%	-3.8%	0.0	0.0%
Banks	0.5%	-5.5%	-7.9%	3.4	9.2%
Consumer	0.5%	-4.3%	-5.9%	57.2	4.1%
Industrial	0.1%	1.6%	-6.0%	19.4	4.8%
Insurance	-0.4%	-1.4%	5.2%	4.3	2.7%
Oil & Gas	-0.1%	0.7%	18.2%	na	5.4%
Mkt. Avg. P/E	13.9		Mkt. Avg. Div. Yld	4.6%	

*P/Es are based on the last twelve months trailing earnings

*Dividend yields are based on past year dividend payments

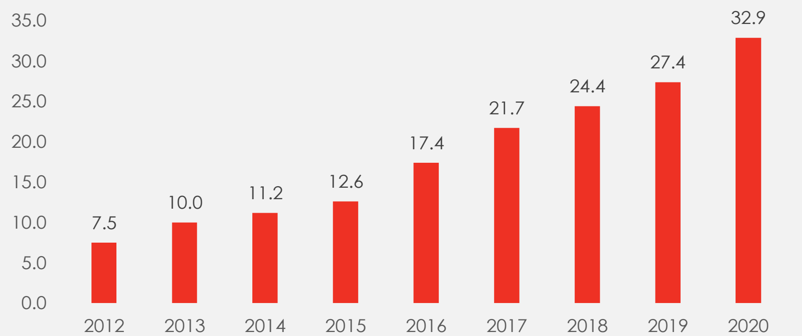
Technical Indicator of Market Position: Relative Strength Index (RSI)



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yld.
BRVM	139.6	0.0%	-4.0%	8.8	6.8%
Egypt	10,782.9	-0.8%	-0.6%	12.8	2.7%
Ghana	2,214.3	0.0%	14.2%	n/a	n/a
Kenya	166.5	-1.4%	9.4%	12.5	2.3%
Mauritius	1,605.3	-0.1%	-2.6%	n/a	1.0%
Morocco	306.8	-0.1%	0.6%	24.4	3.4%
MSCI FM	551.1	0.0%	0.0%	12.8	3.1%
South Africa	67,102.2	0.4%	12.5%	26.5	2.7%
Tunisia	7,101.8	0.3%	3.1%	19.6	0.6%
Zimbabwe	96,623.2	9.8%	108.6%	5.2	1.2%

Nigeria's public debt continues to rise
Total Public Debt (N'tn)



Sources: NBS, United Capital Research

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