

The day in review

- Equities market closed positive
- Financial system liquidity remained robust
- Muted performance in NTB market
- Naira appreciated at the NAFEX window

Looking forward

- NTB Primary Market Auction - CBN
- Q2-Q4 2020 Telecoms Data - NBS

Daily Insight

The yield environment in 2021

The yield on fixed income securities in Nigeria tumbled to record lows across all maturities in 2020, despite elevated macroeconomic fragilities aided by the global spread of Covid-19. This was amid unprecedented levels of market volatility, which triggered a flight-to-safety by FPIs and local investors. For context, average yields contracted by 485bps to 5.1% (with 90-day NTB yield crashing to a low of 0.10%) as of 31 Dec- 2020 from 10.0% in 31 Dec-2019. Contrary to the last recession in 2016, where the CBN took a hawkish stance, the Apex Bank adopted a dovish approach in 2020 in a bid to salvage the economy.

Thus, the record low yield environment triggered by the CBN's earlier decision to bar locals from the OMO market was amplified by elevated system liquidity (driven by huge net OMO inflows) as well as policy rate cuts in response to the unavoidable economic recession. Consequently, Nigerian sovereign bonds outperformed EM peers, with the S&P/FMDQ Sovereign Bond Index returning a record 39.3% as of 31 Dec- 2020 compared to 3.5% on the JPM EM Government Bond Index.

In 2021, market fundamentals indicate that yields are much likely to move upwards from 2020 lows. That said, the yield environment will be largely shaped by a horde of factors, including system liquidity dynamics, monetary policy guidance, and FG's 2021 borrowing program. However, considering the MPC's decision to hold all monetary parameters constant in the first meeting of the year, we do not anticipate a sharp reversal in the near term. We expect demand for short term bills to persist while investors continue to systematically exit long dated bonds.

Headline	Level	1 day	YTD
NSE ASI	41,584.9	▲ 1.2%	▲ 3.3%
Mkt. Cap (₦bn)	21,753.5	▲ 1.2%	▲ 3.3%
Mkt. Cap (\$mn)	57,397.2	▲ 1.2%	▲ 3.3%
Value (N'mn)	5,565.8	▲ 110.8%	
Value (\$mn)	14.7	▲ 110.8%	
Volume	467.9	▲ 40.5%	
Deals	5,990.0	▲ 6.2%	
Market Breadth	1.8x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.20	0.20	0.00
6 months	0.45	0.45	0.00
12 months	1.17	1.17	0.00

Bonds Yields	Current	Previous	% Δ
3 years	3.45	3.46	-0.01
5 years	7.02	6.16	0.86
7 years	7.95	7.95	0.00
10 years	8.34	8.38	-0.04

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	476.00	474.50	-0.32%
NAFEX	394.00	394.50	0.13%

Other Key indices	Current	Previous	% Δ
OBB	4.5	5.5	-1.00
OVN	5.3	6.5	-1.25
Brent	55.9	55.9	0.05

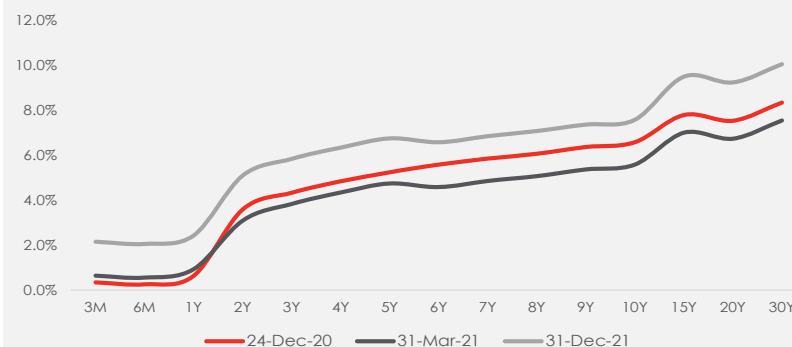
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	3.2%	3.2%	0.0	0.0%
Banks	0.0%	5.8%	5.8%	4.3	8.3%
Consumer	-0.6%	5.1%	5.1%	369.9	3.7%
Industrial	-0.4%	0.0%	0.0%	22.8	4.5%
Insurance	6.0%	36.3%	36.3%	7.2	2.1%
Oil & Gas	0.0%	21.4%	21.4%	104.1	5.2%
Mkt. Avg. P/E		15.7		Mkt. Avg. Div. Yid	4.5%

*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	131.9	▼ -0.3%	▼ -9.3%	8.3	7.2%
Egypt	11,450.5	▲ 0.0%	▲ 5.6%	12.2	2.8%
Ghana	1,967.2	▼ -0.1%	▲ 1.4%	n/a	4688.5%
Kenya	157.6	▼ -0.4%	▲ 3.6%	11.7	4.3%
Mauritius	1,650.9	▼ -0.1%	▲ 0.1%	n/a	1.2%
Morocco	307.4	▲ 0.9%	▲ 0.8%	30.9	3.4%
MSCI FM	551.1	▼ 0.0%	▲ 3.5%	12.8	3.2%
South Africa	63,713.9	▲ 0.3%	▲ 7.2%	29.1	2.4%
Tunisia	6,682.5	▼ -0.5%	▼ -2.9%	20.2	0.6%
Zimbabwe	46,889.2	▲ 0.1%	▲ 1.2%	0.9	2.4%

We forecast the yield curve to compress further by 57bps across maturities in Q1 2021, expand 200bps by the end of 2021
FGN Yield Curve



Sources: FMDQ, United Capital Research

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