

# Investment Views: 10th May 2021 to 14th May 2021

10th May 2021

Markets | Weekly

## Macro Highlights and Outlook

According to data from the Central Bank of Nigeria (CBN), Foreign Direct Investment (FDI) declined to c.\$60.0m in Jan-2021 from c.\$90.0m in Dec-2021. The decline in FDI reflects continued investor concern regarding the macroeconomic and business operating environment in Nigeria. This has been exacerbated by the growing state of insecurity in the country amid the recent spike in kidnappings, banditry and terrorism.

Amid FX challenges which has further exacerbated foreign investor apathy towards the Nigerian economy, the CBN announced the extension of the "Naira 4 Dollar Scheme" which was supposed to end on 8th May 2021 till further notice. This is part of a move to encourage inflows of remittances via official channels, which would help boost the country's reserves and improve FX liquidity.

Relatedly, the CBN revealed that Nigeria's external reserves lost \$359.0m in two weeks, falling to \$34.9bn on 29-Apr from a high of \$35.3bn as of 16-Apr. The huge decline in external reserves was as a result of the apex bank's intervention in the FX market to clear some of the backlog within the market.

A Non-Governmental Organization, BudgetIT, carried out an investigation on the Federal government's 2021 budget, revealing 316 duplicated projects valued at N39.6bn. Notably, 115 of the 316 duplicated projects were from the Federal Ministry of Health. This drives home the need for the government to implement significant budget reforms.

**This week, we expect the macroeconomic space to remain quiet with no major data scheduled to be released by the NBS in the coming week.**

## Global Market Review and Outlook

### Global stocks upbeat on economic recovery optimism

In the past week, the global equity market closed the week on a positive note despite a weak April jobs report in the US. The report showed a weaker-than-expected nonfarm payrolls (an expansion of 266,000 vs. 978,000 expected), indicating that jobs are not being created as quickly as anticipated and calming fears of economic overheating. This also fueled expectations that the Fed will maintain its accommodative posture, which bodes well for President Biden's economic stimulus agenda. Also, US Treasury

## Domestic Macro Variables

GDP	0.1%
Inflation	18.2%
MPR	11.5%
Brent Crude	\$68.3/b
External Reserves	\$34.7bn

Source: CBN, Bloomberg, United Capital Research

## This Week

- NTB Primary Market Auction — CBN

Source: CBN, NBS, Bloomberg, United Capital Research

yields slowed this week and finished largely unchanged, with 10-year yield briefly falling below 1.5%, a 2-month low. Notably, shares of some pharmaceutical companies fell after the United States declared that it could waive COVID-19 vaccine-related intellectual property rights. Thus, the Dow Jones Industrial Average (DJIA) and S&P 500 indices finished the week at record highs, rising 2.7% w/w and 1.2% w/w, respectively, while the Nasdaq fell for the third week in a row, dropping 1.5% w/w.

European equities also rose on the back of better-than-expected earnings and increasing optimism about economic recovery. The pan-European STOXX Europe 600 Index finished the week 1.7% higher. The German (XETRA DAX) and French (CAC) stock exchanges also increased by 1.7% and 1.9% w/w, respectively, as the FTSE 100 Index in the UK increased by 2.3% w/w.

The Japanese Nikkei 225 grew 1.9% w/w during the holiday-shortened week in Asia, as Japan extended a state of emergency in Tokyo and other prefectures until May 31 in a bid to stem surges in coronavirus cases. China's Shanghai Composite shed 0.8% as shares of select pharmaceutical names dipped after the US vaccine-related intellectual property waiver announcement. In the oil markets, Brent crude rallied closing at \$68.28/bbl on the back of positive sentiments emanating from US and Europe.

**We remain largely positive on global equities as we expect key monetary authorities to maintain a pro-growth stance and fiscal authorities to remain steadfast in their efforts to sustain global economic recovery, which is undoubtedly underway.**

### Equity Market: Profit taking halts bullish momentum

Last week, the domestic equities market erased all the gains from the prior week, primarily triggered by losses in large cap counters across the Industrial and Telecoms sector. The benchmark NSEASI shed 1.6% w/w to settle at 39,198.75 points as market capitalization fell to N20.5tn while YTD loss worsened to 2.7%. Activity level was mixed as total volume traded declined by 8.2% w/w, whilst total value traded was up 32.0% w/w.

Contrary to the broad market performance, sectorial performance was positive as three of the five sectors under our coverage closed in the green. The Oil and Gas index (+6.0% w/w) led the gainers driven by price appreciation in SEPLAT (+8.8% w/w), TOTAL (+4.5% w/w) and CONOIL (+10.0% w/w). The Banking (+0.6% w/w) and Consumer Goods (+0.6% w/w) indices trailed as buying interest in ACCESS (+11.6% w/w), UBN (+10.2% w/w), CADBURY (+7.7% w/w) and GUINNESS (+7.0% w/w) pushed the sectors

### Global Market Snapshot

Market	Index		w/w
US	S&P 500	▲	1.2%
US	DJIA	▲	2.7%
US	NASDAQ	▼	-1.5%
Germany	DAX	▲	1.7%
France	CAC	▲	1.9%
Europe	STOXX	▲	1.7%
UK	UK FTSE	▲	2.3%
Brazil	IBOV	▲	2.6%
Russia	RTSI	▲	6.2%
India	SENSEX	▲	0.9%
China	SCHOMP	▼	-0.8%
S/Africa	JALSH	▲	2.4%
Kenya	NSE	▲	1.1%
Ghana	GSE	▲	5.2%
Nigeria	NSEASI	▼	-1.6%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg		YTD Rtn		
NSEASI	39,198.8 ▼	-1.6%	▼	-1.1%	Mkt Cap (tr ' N)	20.4
Banking	354.3 ▲	0.6%	▼	-10.4%	Mkt Cap (m' \$)	49,756.1
Consumer Goods	561.8 ▲	0.6%	▼	-2.6%	P/E(x)	13.7
Industrial Goods	1,916.6 ▼	-1.6%	▼	-5.1%	P/BV(x)	1.8
Insurance	197.1 ▼	-2.2%	▲	6.3%	Div Yield	4.7%
Oil & Gas	285.2 ▲	5.3%	▲	19.7%	14-day RSI	69.3

Source: NSE, Bloomberg, United Capital Research

northwards. On the flipside, the Insurance sector (-2.2% w/w) led the laggards, following selloffs in LINKASSURE (-18.8% w/w) and NEM (-10.8% w/w), while the Industrial Goods sector (-1.6% w/w) followed, led by profit-taking in DANGCEM (-2.5% w/w) and WAPCO (-7.2% w/w).

Investor sentiment, as measured by market breadth remained unchanged at 0.9x as 31 stocks advanced compared to 37 decliners.

**In the coming week, we expect the overall theme of the market to tilt towards the bears, considering the anticipated NTB auction scheduled to hold later in the week. However, following profit-taking last week, we expect investors to pick up attractive stocks on the dip in the earlier trading sessions.**

### Money Market: Market liquidity remains tight

In the past week, the CBN conducted an OMO auction following a maturity of N20.0bn that hit the financial system. At the auction, the CBN sold N17.5bn worth of OMO bills with stop rates remaining unchanged from the previous auction. Market liquidity remained tight in the prior week, thus, despite the steep decline in interbank rates, they remained in double digit territory as the OBB and OVN rates closed at 14.75% and 15.25%, respectively.

In the NT-bills secondary market, yield movement was relatively flat as the average yield inched higher marginally by 1bps w/w to close at 4.9%. In the secondary OMO bills market, investor sell-off was more pronounced as the average yield on OMO bills rose by 30bps w/w to close at 8.4%.

**In the coming week, the CBN would conduct a Primary Market Auction (PMA) rolling over maturing bills worth N117.6bn. In tune with the recent trend, we expect to see an uptick in stop rate on the long tenor bill at the auction. Furthermore, we expect another quiet week in the secondary NT-bills market as investors focus on the PMA. Nevertheless, we believe bearish sentiments will prevail as uptick in stop rates at the PMA stoke sell pressures. We are also expecting some mop-up activity following an expected OMO maturity of N60.0bn this week**

## Domestic Financial Markets Review and Outlook

### Bond Market: Yields tick higher as bearish sentiment persists

The bearish sentiment in the secondary bond market continued unabated as we observed investor sell-offs across the yield curve. Following the selloffs, the average yield in the secondary bond market surged higher by 44bps w/w to close at 12.4% from 11.9% previously. In the Corporate Bond market, average yield increased by 46bps w/w to close at 13.1%.

In the Eurobonds market, the average yield on sovereign Eurobonds fell by a marginal 3bps w/w to 5.8%, while corporate Eurobonds closed higher by 5bps w/w, to print at 3.7%. Stuttering momentum in US treasury yields as well as sturdy upticks in crude prices continue to make a strong case for Nigerian Eurobonds.

**We retain a bearish bias on the bonds market as investors retain the perspective that yields will continue to trend higher, fueling sell pressures in the bonds market.**

### Currency Market: Naira depreciates at I&E window

In line with expectations, the Naira closed flat at the CBN's official and SMIS windows, settling at N379.0/\$ and N380.7/\$, respectively. In the I&E window, the Naira depreciated w/w to N410.33/\$, from N410.00/\$ in the prior week. At the parallel market, the Naira appreciated w/w to close at N483/\$, from N485/\$ the prior week. Lastly, external reserves declined by 0.4% w/w to \$34.7bn, from \$34.9bn in the previous week.

**In the coming week, we expect the Naira to remain stable in the absence of any significant intervention by the Apex bank or negative economic news.**

### Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	14.8%	▼ -12.8%
O/N	15.3%	▼ -12.5%
3m	3.1%	▲ 0.0%
6m	5.0%	▲ 0.8%
12m	8.0%	▼ 0.0%
Bonds	Yield	w/w chg
3yrs	12.1%	▼ 1.1%
5yrs	12.4%	▲ 0.0%
7yrs	13.1%	▲ 0.7%
10yrs	13.3%	▲ 0.7%
FX	Close	w/w chg
NAFEX	410.3	▼ -0.1%
Parallel	483.0	▲ 0.4%
Official	379.0	▲ 0.0%

Source: FMDQ, United Capital Research

## Stock Recommendations for the Week

Sectors	Year-end TP (N)	Sho (bn'N)	Mkt Price (N)	Mcap (bn'N)	Up/Down-Side	Rating	Trailing 12M EPS	BVPS	P/E	P/B	DPS	Div. Yield	14 Day RSI
ACCESS	8.6	35.5	8.2	259.5	↑ 5.5%	HOLD	3.3	21.4	2.5x	0.4x	0.8	9.8%	39.3
FBNH	7.1	35.9	7.4	247.7	↓ -3.4%	SELL	1.9	21.1	3.9x	0.3x	0.5	6.1%	52.6
FCMB	3.0	19.8	3.0	55.4	↑ 0.7%	HOLD	0.9	8.7	3.3x	0.3x	0.2	5.0%	56.3
FIDELITYBK	2.7	29.0	2.2	64.9	↑ 19.2%	BUY	1.0	9.1	2.2x	0.2x	0.2	9.8%	44.1
GUARANTY	39.9	29.4	29.3	885.9	↑ 36.4%	BUY	7.1	27.1	4.1x	1.1x	3.0	10.3%	47.3
ZENITHBANK	30.4	31.4	22.2	698.6	↑ 36.9%	BUY	7.4	34.7	3.0x	0.6x	3.0	13.5%	46.4
STANBIC	51.9	11.1	47.0	555.3	↑ 10.4%	HOLD	7.5	33.4	6.3x	1.4x	4.0	8.5%	63.2
<b>Consumer Goods</b>													
DANGSUGAR	19.6	12.1	17.7	215.0	↑ 10.6%	HOLD	2.4	10.3	7.3x	1.7x	1.5	8.5%	59.7
INTBREW	5.9	26.9	5.3	139.7	↑ 10.9%	HOLD	(0.5)	5.6	NM	0.9x	0.0	0.0%	55.1
NESTLE	1,322.9	0.8	1,420.0	1,125.6	↓ -6.8%	SELL	49.5	37.0	28.7x	38.4x	70.0	4.9%	73.4
UNILEVER	11.5	5.7	12.4	73.8	↓ -7.6%	SELL	(0.7)	10.8	NM	1.1x	Field Not App		60.7
FLOURMILL	46.6	4.1	31.0	127.1	↑ 50.3%	BUY	NA	38.8	NM	0.8x	1.4	4.5%	70.0
NB	39.7	8.0	54.8	438.2	↓ -27.6%	SELL	0.9	20.1	59.4x	2.7x	0.9	1.7%	81.7
GUINNESS	18.4	2.2	29.0	59.4	↓ -36.6%	SELL	(6.5)	33.2	NM	0.9x	NA		45.3
PZ	UR	4.0	5.2	19.9	NA	UR	0.8	N/A N/	6.9x	NA	0.1	1.9%	59.2
UACN	UR	2.9	10.3	29.7	NA	UR	0.7	18.4	14.9x	0.6x	0.1	1.0%	59.2
<b>Industrial Goods</b>													
DANGCEM	253.7	17.0	211.6	3,697.8	↑ 19.9%	BUY	17.8	56.1	11.9x	3.8x	16.0	7.6%	48.4
WAPCO	27.7	16.1	20.6	356.8	↑ 34.8%	BUY	2.0	22.9	10.3x	0.9x	1.0	4.9%	34.7
BUACEMENT	42.2	33.9	77.9	2,638.0	↓ -45.8%	SELL	2.1	11.0	37.4x	7.1x	1.8	2.2%	85.7
<b>Agric</b>													
OKOMUOIL	91.3	1.0	103.0	95.4	↓ -11.4%	SELL	8.2	36.3	12.5x	2.8x	NA		89.9
PRESCO	80.6	1.0	72.0	72.0	↑ 11.9%	HOLD	5.3	31.1	13.7x	2.3x	2.0	2.8%	71.1
<b>Oil &amp; Gas</b>													
TOTAL	167.4	0.3	142.0	46.1	↑ 17.9%	BUY	6.6	NA	21.5x	NA	6.1	4.3%	1.3
SEPLAT	636.4	0.6	620.0	335.4	↑ 2.6%	HOLD	0.0	3.0	NA	208.1x	0.1	0.0%	86.6
OANDO	UR	12.4	3.1	39.0	NA	UR	2.3	16.8	1.3x	0.2x	0.0	0.0%	47.0
ARDOVA	17.6	1.3	14.8	19.2	↑ 19.5%	BUY	1.4	13.8	10.4x	1.1x	0.0	0.0%	51.4

Note: TP=Year end Target Price, Sho= Share Outstanding, Mcap= Market Capitalization, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E =Price to Earnings Ratio, P/B= Price to Book Value Ratio, DPS=Dividend Per Share, Div Yield= Dividend Yield, Up/Down-side= potential return, Mkt Price= Current Market Price, UR = Under Review

Source: Company filings, NSE, United Capital Research, UR= "Under Review"  
**Prices as at Friday 7th May, 2021**

## Disclaimer

---

United Capital Plc Research (UCR) notes are prepared with due care and diligence based on publicly available information as well as analysts' knowledge and opinion on the markets and companies covered; albeit UCR neither guarantees its accuracy nor completeness as the sole investment guidance for the readership. Therefore, neither United Capital (UCAP) nor any of its associates or subsidiary companies and employees thereof can be held responsible for any loss suffered from the reliance on this report as it is not an offer to buy or sell securities herein discussed. Please note this report is a proprietary work of UCR and should not be reproduced (in any form) without the prior written consent of Management. UCAP is registered with the Securities and Exchange Commission and its subsidiary, UBA Securities Limited is a dealing member of the Nigerian Stock Exchange. For enquiries, contact United Capital Plc, 3rd Floor, Afriland Towers, 97/105 Broad Street, Lagos. ©United Capital Plc 2021.\*

## Contacts

---



### **United Capital**

#### **Securities Trading**

[securities@unitedcapitalplcgroup.com](mailto:securities@unitedcapitalplcgroup.com)

#### **Asset Management**

[Assetmanagement@unitedcapitalplcgroup.com](mailto:Assetmanagement@unitedcapitalplcgroup.com)

#### **Trustees**

[Trustees@unitedcapitalplcgroup.com](mailto:Trustees@unitedcapitalplcgroup.com)

#### **Investment Banking**

[InvestmentBanking@unitedcapitalplcgroup.com](mailto:InvestmentBanking@unitedcapitalplcgroup.com)

#### **Research**

[research@unitedcapitalplcgroup.com](mailto:research@unitedcapitalplcgroup.com)