

Investment Views: 12th April 2021 to 16th April 2021

12th April 2021

Markets | Weekly

Domestic Macro Variables

GDP	0.1%
Inflation	17.3%
MPR	11.5%
Brent Crude	\$63.2/b
External Reserves	\$35.0bn

Source: CBN, Bloomberg, United Capital Research

This Week

- NTB Auction—CBN

Source: CBN, NBS, Bloomberg, United Capital Research

Macro Highlights and Outlook

The macroeconomic landscape in the prior week was broadly quiet. The IMF in its latest World Economic Outlook Report, April 2021 Edition, revised its growth forecast for Nigeria upwards. The new projection is 100bps higher (now 2.5%) from the prior 1.5% projection in January 2021. According to the IMF, the revised projection is prompted by a more optimistic economic prospect for the Nigerian economy in the aftermath of Covid-19 devastation in 2020.

Meanwhile, the Debt Management Office (DMO) announced that Nigeria is working on issuing Eurobonds and plans to pick advisers through an open bid process. The director-general of the DMO disclosed that the FGN would be looking to borrow around N2.34tn from the foreign debt market in 2021. If successful, the dollar borrowing will help prop-up Nigeria's dollar reserves, thus enhancing the CBN's fire power to stabilise the exchange rate market. On the other hand, additional external borrowing will increase Nigerian worrisome debt profile in the face of faltering government revenue. Relatedly, the NNPC signed a \$1.5bn deal for the privatisation of the Port-Harcourt refinery. The signing of the contract for the repairs of the 210,000 barrels per-day-refinery is part of the FGN drive to address Nigeria's demand vs. local supply gap in the downstream energy sector. By the NNPC's recent performance report for Sep-2020, Nigeria has a petroleum product deficit of about 650,00 barrels per day, all of which it covers through imports, with the NNPC as the sole importer.

This week, we expect the NBS to release CPI and Inflation Report for March 2021. We maintain our upward bias for headline inflation, which will continue to be primarily driven by galloping food prices. Food prices continue to be plagued by sustained FX shortages, supply-side constraints, and insecurity in the country's food basket.

Global Market Review and Outlook

Vaccination gives hope for speedy economic recovery

In the previous week, economic data around the developed economies was largely positive. Notably, ISM's non-manufacturing PMI in the US climbed to 63.7pts in March, up significantly from 55.3pts in February. Also, the U.S. job openings rose to a two-year high in February and hiring improved as increased Covid-19 vaccinations and additional pandemic aid from the

government bolstered domestic demand . Following positive economic data in the US economy, the Dow Jones (+2.0% w/w), S&P (+2.7% w/w) and Nasdaq (+3.1% w/w) all closed in the green in the past week. The positive sentiment in the US also spilled into European markets, as sentiment was also bullish, with the FTSE 100 (+2.7% w/w) and Euro Stoxx 500 (+0.8% w/w) closing in the green.

In the Asian market, China Shanghai composite index (-0.45% w/w) closed in the red amid concerns of a rate hike and fiscal tightening. Elsewhere in Japan, the Nikkei 245 (+1.3% w/w) closed in the green.

In the crude oil market, crude prices dipped by 3.0% w/w following released data which showed an unexpected surge in the US gasoline stocks, raising concerns over waning demand.

Looking forward, we expect overall sentiments in developed equity markets to remain optimistic following rebounds in economic activities and demand. General equity market sentiment would continue to take a cue from monetary and fiscal stances adopted by major central banks.

Equity Market: Nigerian equities close the week lower

Last week, the domestic equity market closed lower on a week-on- week basis. Dragged by Banking sector names, the benchmark index, NSE All-Share index, dipped 0.2% w/w, settling at 38,866.4pts as the YTD loss fell to -3.5% and market capitalisation declined to N20.3tn.

In terms of activity levels, average volumes and value traded declined 38.6% and 51.7% to 221.8m units and N2.3bn, respectively. Across sectors, performance was mostly bearish, with four (4) indices closing lower w/w. The Banking index (-2.5% w/w) led the laggards, as GUARANTY (-3.5%) and STERLNBA (-15.7%) saw selloffs. The Insurance, Industrial Goods and Oil & Gas indices fell by 1.5%, 0.7% and 0.4% respectively on the back of MBENEFIT (-15.2%), WAPCO (-3.0%), and BUACEMEN (-1.1%). The lone positive was the Consumer Goods index which rose 1.1% w/w due to some buying activity in NESTLE (+3.3%) and FLOURMIL (+6.9%).

Investor sentiment as measured by market breadth weakened to 0.4x from the 2.0x recorded in the previous week as 17 equities appreciated during the week, lower than 42 in the previous week and 40 depreciated higher than 22 during the last week.

This week, we expect further selloffs in the equities market as we expect rates at the long end of the curve to tick higher at the CBN's NTB Primary Market Auction on Wednesday.

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▲	2.7%
US	DJIA	▲	2.0%
US	NASDAQ	▲	3.1%
Germany	DAX	▲	0.8%
France	CAC	▲	1.1%
Europe	STOXX	▲	1.2%
UK	UK FTSE	▲	2.6%
Brazil	IBOV	▲	2.1%
Russia	RTSI	▼	-2.7%
India	SENSEX	▼	-0.9%
China	SCHOMP	▼	-0.5%
S/Africa	JALSH	▼	-0.3%
Kenya	NSE	▼	-1.8%
Ghana	GSE	▲	3.8%
Nigeria	NSEASI	▼	-0.1%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg		YTD Rtn		
NSEASI	38,866.4 ▼	-0.2% ▼		-2.6%	Mkt Cap (tr ' N)	20.4
Banking	348.3 ▼	-2.5% ▼		-7.9%	Mkt Cap (m' \$)	49,747.0
Consumer Goods	556.0 ▲	1.1% ▼		-5.9%	P/E(x)	13.9
Industrial Goods	1,875.5 ▼	-0.7% ▼		-6.0%	P/BV(x)	1.7
Insurance	201.9 ▼	-1.5% ▲		5.2%	Div Yield	4.6%
Oil & Gas	265.6 ▼	-0.3% ▲		18.2%	14-day RSI	48.4

Source: NSE, Bloomberg, United Capital Research

Money Market: System liquidity improves, OBB & OVN rates still double digit

Last week, financial system liquidity improved as net OMO inflows of N14.0bn (N34.0bn OMO maturity vs N20.0bn OMO sales) hit the system while there were no other notable auctions to strain liquidity. As a result, OBB and OVN rates fell to 12.25% and 12.50%, respectively, from 30.00% and 32.50% in the prior week. At the OMO auction, the CBN sold N5.0bn, N5.0bn and N10.0bn worth of OMO bills across the 96-day, 173-day and 341-day bills with the stop rates unchanged.

At the secondary T-Bills market, investor sentiments remained bearish as selloffs persisted, with average yield climbing higher by 27bps w/w to close at 4.4%. Similarly, bearish sentiments dominated the secondary OMO bills market as yields closed higher by 33bps w/w to print at 6.7%.

This week, the CBN would be conducting a Primary Market Auction (PMA) to roll over maturing T-bills worth N69.6bn worth of bills. We note the recent trend of the CBN overselling at the long end while underselling at the short end. Thus, we expect rates at the long end of the curve to tick higher should the CBN decide to sell more than it intends to offer. We also expect OMO maturities worth N20.0bn, which could see the CBN sustain its OMO mop-up actions. We look forward to a quiet week in the T-bills market as market participants wait for the outcome of the PMA.

Bond Market: Average bond yield crosses 10% mark

At the sovereign bonds market, yields continued to tick higher at the secondary market as the average yield closed the week higher by 46bps w/w to print at 10.4%. The bearish sentiments were observed mainly at the long end of the bonds market as investors continue to reduce high duration bond exposures in expectation of higher bond yields. At the corporate bond segment, sentiments were also bearish as the average yield closed the week higher by 10bps w/w to settle at 10.5%.

Domestic Financial Markets Review and Outlook

In the Eurobond market, the recent bearish sentiment simmered as stability in US bond yields reduced sell pressures while investors ignored the weakness in the crude oil market. As a result, the average yield on Nigerian Eurobonds closed the week lower by 21bps w/w, settling at 6.0%. On the other hand, corporate Eurobonds saw average yield climb higher by 5bps w/w to close at 3.4%.

In the past week, the Nigerian government, through the Debt Management Office (DMO), announced it had started moves to raise finance from the international debt market with the timing and amount of the issue dependent on legislative approvals and investor demand.

Looking ahead, yield movements in the US will remain a critical driver of yields on Eurobond instruments in Nigeria, while movements in oil prices could be a supporting cast. For the bonds market, we retain our broad-based bearish outlook.

Currency Market: External reserves up 0.29%

The Naira closed flat at the CBN's official window, printing at N379.00/\$1 at the close of the week. In the I&E window, the Naira depreciated marginally to N409.65/\$1 from N409.30/\$1 in the previous week. The CBN's foreign reserves were up marginally by 0.29%. At the parallel market, the Naira remained flat at N485.0/\$1.

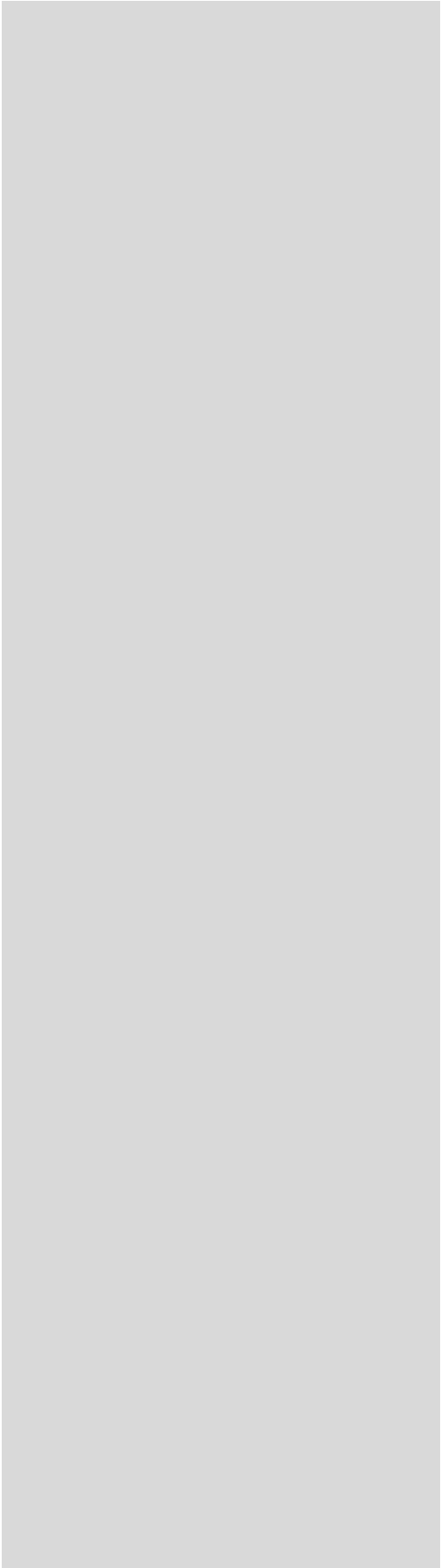
In the coming week, we expect the Naira to remain stable in the absence of any significant intervention by the Apex bank or negative economic news.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	12.3%	▼ -17.8%
O/N	12.5%	▼ -20.0%
3m	2.4%	▲ 0.0%
6m	3.6%	▼ -0.8%
12m	8.0%	▲ 1.3%
Bonds	Yield	w/w chg
3yrs	7.2%	▼ -0.3%
5yrs	10.5%	▲ 0.4%
7yrs	11.0%	▲ 0.3%
10yrs	11.5%	▲ 0.6%
FX	Close	w/w chg
NAFEX	409.0	▲ 0.1%
Parallel	482.5	▼ -0.2%
Official	379.0	▲ 0.0%

Source: FMDQ, United Capital Research

Domestic Financial Markets Review and Outlook



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
Banking													
ACCESS	10.5	35.5	8.1	286.1	↑ 30.4%	BUY	3.0	21.4	2.7x	0.4x	0.8	9.9%	47.3
FBNH	7.4	35.9	7.3	260.2	↑ 2.2%	HOLD	2.1	21.1	3.5x	0.3x	0.5	6.2%	50.2
FCMB	3.0	19.8	2.9	57.8	↑ 3.4%	HOLD	1.0	N/A N/	3.0x	#VALUE!	0.2	5.1%	47.7
FIDELITYBK	2.7	29.0	2.5	71.9	↑ 7.7%	HOLD	0.9	9.4	2.8x	0.3x	0.2	8.1%	55.4
GUARANTY	39.9	29.4	28.9	850.6	↑ 38.1%	BUY	7.1	27.1	4.1x	1.1x	3.0	10.4%	40.1
ZENITHBANK	30.4	31.4	22.0	689.2	↑ 38.5%	BUY	7.3	35.6	3.0x	0.6x	3.0	13.7%	44.0
STANBIC	51.9	11.1	48.3	536.4	↑ 7.5%	BUY	7.5	33.4	6.4x	1.4x	4.0	8.3%	56.8
Consumer Goods													
DANGSUGAR	27.0	12.1	17.0	205.9	↑ 59.3%	BUY	2.4	10.3	6.9x	1.7x	1.5	8.8%	41.9
INTBREW	4.8	26.9	5.7	153.1	↓ -16.7%	SELL	(0.5)	5.6	NM	1.0x	0.0	0.0%	53.9
NESTLE	1,322.9	0.8	1,420.0	1,125.6	↓ -6.8%	HOLD	49.5	37.0	28.7x	38.4x	70.0	4.9%	73.4
UNILEVER	15.0	5.7	13.3	76.4	↑ 12.8%	BUY	(0.3)	11.3	NM	1.2x	old Not App		41.5
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	51.0	407.8	↓ -22.2%	SELL	0.9	20.1	55.3x	2.5x	0.9	1.8%	55.5
GUINNESS	18.4	2.2	29.7	65.1	↓ -38.0%	HOLD	(6.5)	33.2	NM	0.9x	NA		56.7
PZ	9.9	4.0	4.9	19.3	↑ 104.1%	BUY	0.8	N/A N/	6.5x	#VALUE!	0.1	2.1%	38.1
UACN	UR	2.9	9.3	26.8	NA	UR	0.7	18.4	13.4x	0.5x	0.1	1.1%	66.1
Industrial Goods													
DANGCEM	253.7	17.0	215.0	3,663.7	↑ 18.0%	BUY	16.1	51.4	13.3x	4.2x	16.0	7.4%	37.4
WAPCO	27.7	16.1	21.0	338.3	↑ 31.9%	BUY	1.9	22.3	11.0x	0.9x	1.0	4.8%	39.7
BUACEMENT	59.1	33.9	72.7	2,461.9	↓ -18.7%	SELL	2.1	11.0	34.9x	6.6x	1.8	2.4%	40.6
Agric													
OKOMUOIL	91.3	1.0	93.0	88.7	↓ -1.8%	HOLD	8.2	36.3	11.3x	2.6x	NA		71.2
PRESCO	80.6	1.0	72.0	72.0	↑ 11.9%	BUY	5.3	31.1	13.7x	2.3x	2.0	2.8%	71.1
Oil & Gas													
TOTAL	142.3	0.3	142.0	48.2	↑ 0.2%	HOLD	6.6	NA	21.5x	NA	6.1	4.3%	75.9
SEPLAT	571.5	0.6	550.0	323.6	↑ 3.9%	HOLD	(0.2)	2.9	NM	188.4x	0.1	0.0%	60.7
MOBIL	242.0	0.4	228.0	82.2	↑ 6.1%	HOLD	8.2	110.0	27.9x	2.1x	0.0	0.0%	35.5
OANDO	UR	12.4	3.2	39.2	NA	UR	2.3	16.8	1.4x	0.2x	0.0	0.0%	50.4
ARDOVA	17.6	1.3	14.2	18.4	↑ 24.6%	BUY	1.4	13.8	10.0x	1.0x	0.0	0.0%	29.0

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 9th April, 2021

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