

Investment Views: 15th March 2021 to 19th March 2021

15th March 2021

Markets | Weekly

Domestic Macro Variables

GDP	0.1%
Inflation	16.5%
MPR	11.5%
Brent Crude	\$69.2/b
External Reserves	\$34.7bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

In the previous week, the National Bureau of Statistics (NBS) released the Terms of trade report for FY-2020. The report showed that total trade in merchandise declined by 10.4% in FY-2020. The reduction in trade comes as no surprise considering supply and demand shocks that rocked global trade in the early parts of 2020. Overall, Nigeria's trade balance closed at a deficit of N7.3bn, its highest deficit since the last recession in 2016. Further analysis reveals that Nigeria's total import value rose by 17.9% in FY-2020, primarily due to a 6.5% rise in the value of manufacturing goods imported.

Meanwhile, Petroleum Products Pricing Regulatory Agency (PPPRA) released the PMS pricing template for March showing that the pump price for petrol should be between N209.61 per litre and N212.61 per litre. However, the Federal government has stated that no increment in PMS price has been approved. We consider this move antithetical to the government's earlier stance on removal of fuel subsidy as PMS is sold at filling stations for N162 per litre.

Elsewhere, the Nigerian Stock Exchange (NSE) has completed its demutualization process with SEC and CAC's approval. Under the demutualization plan, a new operating holding company, known as the Nigerian Exchange Group plc 'NGX Group' would exist as the parent company of the NSE going forward.

This week, we expect inflation data for February to be released and we forecast a 1.3% m/m increase in aggregate price level while we expect y/y inflation rate to print at 17.05%. In addition, the NBS stated it would release the latest unemployment numbers on Monday.

This Week

- Feb 2021 CPI —NBS
- Unemployment number — NBS

Source: NBS, Bloomberg, United Capital Research

Global Market Review and Outlook

Global Equities – U.S Stimulus buoys broad-based positive sentiment

Last week, the sentiment across the global equities market was bullish. In the U.S, the continued sharp upturn in the yield environment was ignored after yields for the 10-year treasury paper hit 1.6% again in the past week, as U.S President Joe Biden signed a stimulus bill worth \$1.9trn on Thursday (11/03/2021). Along with the stimulus package, economic data was positive, as unemployment claims fell in the U.S for the week ended March 6. Overall, in the U.S, markets reacted positively, as all major US market indices closed in the green. The DJIA, S&P 500, NASDAQ and NYSE closed higher by 4.1%, 2.6%, 3.1% and 3.0%, respectively, in the past week.

Optimism also trickled into European markets, as the FTSE (+2.1%) and the EU STOXX (+4.0%) closed in the green. Increased vaccine rollout continues to be a significant driver for European markets. Also, market optimism was further supported by a European Central Bank statement (ECB) statement. The ECB vowed to ramp up its bond-buying efforts significantly in the second quarter of 2021, in a direct response to rising yields across the continent.

In Asia, markets response to the rising yields in the U.S. and European markets was mixed as the Shanghai composite (-1.4% w/w) closed in the red, on the other hand, and Nikkei 225 (+3.0% w/ w) closed firmly in the green. Investors pulled back in the Chinese markets, as there remains palpable investor wariness regarding market volatility in the U.S markets. Oil markets remained strong w/w, supported by positive economic news; however, prices closed flat at \$69.36.

Looking forward, we expect that global markets will continue to respond to the signals sent out by monetary and fiscal bodies as the global economy continues to recover from last year's shock.

Equity Market: Banking sector lull weighs on broader market

Last week, in line with our expectations, a slew of uninspiring corporate actions sustained bearish sentiments on Nigerian equities. In addition, the PMA calendar was released and thus the CBN conducted a PMA which saw stop rate on the 364-day bill close higher by 100bps to 6.5%. As a result, investors continued to sell down Nigerian equities as the benchmark All Share Index (ASI) shed 1.7% w/w to close at 38,648.48 points while N357.4bn was shaved off market capitalization during the week, printing at N20.2tn. Accordingly, YTD loss worsened to 4.0%. Activity level tapered during the

Global Market Snapshot

Market	Index		w/w
US	S&P 500	▲	2.6%
US	DJIA	▲	4.1%
US	NASDAQ	▲	3.1%
Germany	DAX	▲	4.2%
France	CAC	▲	4.6%
Europe	STOXX	▲	3.5%
UK	UK FTSE	▲	2.0%
Brazil	IBOV	▼	-0.9%
Russia	RTSI	▲	5.0%
India	SENSEX	▲	0.8%
China	SCHOMP	▼	-1.4%
S/Africa	JALSH	▼	-0.1%
Kenya	NSE	▲	0.3%
Ghana	GSE	▲	0.3%
Nigeria	NSEASI	▼	-1.7%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	38,648.5	▼ -1.7%	▼ -4.0%	Mkt Cap (tr ' N)	20.2	
Banking	353.8	▼ -5.8%	▼ -4.5%	Mkt Cap (m' \$)	49,199.7	
Consumer Goods	539.9	▲ 2.2%	▼ -7.9%	P/E(x)	14.6	
Industrial Goods	1,923.6	▼ -0.1%	▼ -6.2%	P/BV(x)	1.7	
Insurance	197.5	▲ 2.8%	▲ 1.3%	Div Yield	4.8%	
Oil & Gas	261.2	▲ 0.6%	▲ 14.8%	14-day RSI	28.3	

Source: NSE, Bloomberg, United Capital Research

week as average volume and value traded fell 24.8% w/w and 31.8% w/w to print at 314.7m units and N4.1bn, respectively.

Contrary to the broad-based negative performance, sector performance was mildly bullish as three of the five sectors we track closed in the green. The Insurance index (+2.8% w/w) led the winners as buying interest in LINKASSURE (+10.0% w/w) and NEM (+7.4% w/w) supported the bullish performance. The Consumer goods index (+2.2% w/w) trailed as buying interest in FLOURMILL (+10.0% w/w) and CHAMPION (+45.2% w/w) drove the index higher. The Oil & Gas index (+0.6% w/w) rounded up the weekly sector gainers as price appreciation in OANDO (+11.3% w/w) pushed the index slightly higher for the week. The Banking index (-5.8% w/w) led the laggards as sell-offs in UBA (-10.1% w/w) due to surprise reduction in dividend payment and ZENITH (-15.6% w/w), following ex-div price markdown, pulled the index southwards. The Industrial goods index (-0.1% w/w) closed lower as losses in VANLEER (-9.5% w/w) and JBERGER (-7.6% w/w) weighed.

Investor sentiment as measured by market breadth strengthened to 0.9x from 0.2x the previous week as 35 stocks closed in the green while 38 stocks closed southwards. Last week, UBA released its FY-2020 result as Gross earnings and Net income grew 10.8% y/y and 27.7% to N620.4bn and N113.8bn. However, the bank cut its dividend payment to N0.35/s resulting into significant selloffs by investors..

In the coming week, we expect the market to receive some respite as sellers take a breather. With RSI of the All Share Index (ASI) at 28.3, the bourse is poised for a temporary rebound. That said, we note that the Nigerian equities market is in a mid-term lull as the ASI remains below its 50-day MA and the 20-day MA remains firmly below the 50-day MA, two strong bearish indicators.

Money Market: Average NTB yields surges by 130bps to 2.83%

The previous week saw some notable activities in the money market environment. The Apex bank sold N108.8bn worth of NTbills, greater than the

Domestic Financial Markets Review and Outlook

N88.9bn on offer at the Primary Market Auction on Wednesday. Notably, the offer was significantly oversubscribed by 2.2x with the 364-day paper attracting the highest demand. Interestingly, the CBN kept rates unchanged on both the 91-day (2.00%) and 182-day (3.50%) tenors. The 364-day note, however, was allotted at 6.50%, a 100bps increase from the previous auction, as the CBN caved to investor demand for higher rates.

The CBN also held an OMO auction of N60.0bn which was well-received by the market. The 96-day, 180-day and 362-day instruments were oversubscribed by 3.7x, 4.1x and 6.5x at marginal rates of 7.0%, 8.5% and 10.1% respectively, unchanged from the previous auctions.

At the secondary NTB market, activity was driven by the result of the primary market auction as expected. The rise in the 364-day stop rate elicited knee-jerk reactions from market participants. We observed selloffs at the middle to long end of the curve. Week-on-week, average benchmark yield surged by 130bps to 2.83%.

Financial system liquidity remained tight through the week despite a N50.00bn OMO maturity which supported the market earlier in the week. The CBN's bi-weekly PMA and the OMO mop-up activity on Thursday pressured liquidity. Thus, the Open Buy Back and Overnight funding rates closed the week at 13.3% and 14.2%, respectively.

This week, we expect system liquidity to be bolstered by OMO maturities worth N143.4bn. We also anticipate some mop-up activity from the CBN in the OMO market. The sharp rise in yields should also encourage improved demand from investors particularly at the long end of the NTbills market.

Bond Market: Bullish activity in bond market

The secondary market saw some bullish, albeit relatively quiet activity this week, with the average yield falling 10bps w/w to 9.27% from 9.37%. Investors showed interest in mid to long-tenor bonds as yields moderated at that end of the curve in contrast to short-tenor bonds.

The FGN Eurobond market was largely stable this week, on the back of a mid-week moderation in the 10-year US treasury yield and the strengthening of oil prices. However, the Friday rebound in the 10-year treasury yield dampened performance. Average benchmark yield dropped marginally w/w by 1bp to 5.79%, down from 5.80%.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	13.3%	-2.0%
O/N	14.2%	-2.1%
3m	3.4%	2.7%
6m	3.6%	1.7%
12m	4.2%	2.1%
Bonds	Yield	w/w chg
3yrs	6.8%	-0.2%
5yrs	8.7%	-1.3%
7yrs	10.1%	0.0%
10yrs	10.3%	-0.1%
FX	Close	w/w chg
NAFEX	410.0	0.2%
Parallel	481.0	-0.2%
Official	379.0	0.0%

Source: FMDQ, United Capital Research

Domestic Financial Markets Review and Outlook

This week, we expect increased participation in the FGN bond market as a N149bn coupon payment hits the market. The course of the Eurobond market would be heavily dependent on US Treasury yields and crude oil prices

Currency Market: Naira sustains strength in I&E window

The CBN continued to ensure stability in the FX market by sustaining its weekly FX sales via the SMIS window, injecting US\$100.0m into the different segments of the market. The Naira appreciated by 0.2% w/w at the CBN's I&E window printing at N410/\$1 last week. The CBN continued to tease FPIs with roll-overs, as the Apex bank held another OMO auction in the last week, leaving stop rates unchanged for the fourth week running. As expected, the CBN official window rate was left unchanged at N379/\$1. However, the Naira depreciated in the parallel market to close at N485/\$1, shedding 0.6% w/w from the previous week. The CBN's external reserves fell marginally by 0.7% w/w to \$34.7bn from \$34.9bn in the previous week.

In the coming week, we expect the exchange rate to continue trading within current tight range as no major shock is expected to change the current dynamics.

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	7.8	277.3	↑ 34.6%	BUY	3.1	19.3	2.5x	0.4x	0.7	8.3%	37.7
FBNH	7.4	35.9	7.1	254.9	↑ 4.4%	HOLD	1.8	20.8	4.0x	0.3x	0.4	5.4%	43.3
FCMB	3.0	19.8	2.9	57.4	↑ 4.1%	HOLD	1.1	53.6	2.8x	0.1x	0.1	4.8%	36.8
FIDELITYBK	2.7	29.0	2.3	66.6	↑ 16.1%	HOLD	0.9	9.4	2.5x	0.2x	0.2	8.7%	45.3
GUARANTY	39.9	29.4	30.8	905.0	↑ 29.8%	BUY	6.9	25.2	4.5x	1.2x	2.8	9.1%	41.9
ZENITHBANK	30.4	31.4	21.4	670.3	↑ 42.4%	BUY	7.3	35.6	2.9x	0.6x	3.0	14.1%	23.1
STANBIC	50.1	11.1	40.0	444.2	↑ 25.3%	BUY	7.5	33.4	5.3x	1.2x	2.4	6.0%	26.3
Consumer Goods													
DANGSUGAR	27.0	12.1	18.0	218.0	↑ 50.4%	BUY	2.4	10.3	7.4x	1.7x	1.5	8.4%	45.1
INTBREW	4.8	26.9	5.3	142.4	↓ -10.4%	SELL	(1.7)	5.6	NM	0.9x	0.0	0.0%	39.9
NESTLE	1,363.3	0.8	1,375.0	1,089.9	↓ -0.9%	HOLD	49.5	37.0	27.8x	37.2x	70.0	5.1%	27.3
UNILEVER	15.0	5.7	13.3	76.1	↑ 13.2%	BUY	(0.3)	11.3	NM	1.2x	old Not App		38.2
FLOURMILL	46.6	4.1	29.7	121.8	↑ 56.9%	BUY	NA	38.8	NM	0.8x	1.4	4.7%	56.7
NB	45.3	8.0	49.7	397.0	↓ -8.8%	SELL	0.9	20.1	53.8x	2.5x	0.9	1.9%	17.8
GUINNESS	18.4	2.2	23.5	51.5	↓ -21.7%	HOLD	(6.5)	33.2	NM	0.7x	NA		78.5
PZ	9.9	4.0	5.0	19.9	↑ 98.0%	BUY	0.8	8.2	6.7x	0.6x	0.1	2.0%	37.8
UACN	UR	2.9	7.2	20.6	NA	UR	0.7	18.4	10.3x	0.4x	0.1	1.4%	33.9
Industrial Goods													
DANGCEM	261.5	17.0	220.0	3,748.9	↑ 18.9%	BUY	14.9	47.3	14.7x	4.6x	16.0	7.3%	44.8
WAPCO	32.5	16.1	22.0	354.4	↑ 47.7%	BUY	1.4	22.2	15.3x	1.0x	1.0	4.5%	43.6
BUACEMENT	59.1	33.9	74.8	2,531.4	↓ -20.9%	SELL	2.1	11.0	35.9x	6.8x	1.8	2.3%	53.3
Agric													
OKOMUOIL	91.3	1.0	93.0	88.7	↓ -1.8%	HOLD	8.2	36.3	11.3x	2.6x	old Not App		88.7
PRESCO	80.6	1.0	69.0	69.0	↑ 16.8%	BUY	7.0	30.9	9.8x	2.2x	2.0	2.9%	32.3
Oil & Gas													
TOTAL	142.3	0.3	142.0	48.2	↑ 0.2%	HOLD	6.6	N/A N/	21.5x	#VALUE!	6.7	4.7%	75.9
SEPLAT	571.5	0.6	540.0	317.8	↑ 5.8%	HOLD	(0.2)	2.9	NM	185.0x	0.1	0.0%	55.7
MOBIL	242.0	0.4	228.0	82.2	↑ 6.1%	HOLD	18.4	121.5	12.4x	1.9x	0.0	0.0%	35.5
OANDO	UR	12.4	3.0	36.7	NA	UR	2.3	16.8	1.3x	0.2x	0.0	0.0%	45.4
ARDOVA	18.9	1.3	14.9	19.3	↑ 27.3%	HOLD	1.4	13.8	10.5x	1.1x	0.0	0.0%	36.9

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

Source: Company filings, NSE, United Capital Research, UR= "Under Review"
Prices as at Friday 12th March, 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

Asset Management

Assetmanagement@unitedcapitalplcgroup.com

Trustees

Trustees@unitedcapitalplcgroup.com

Investment Banking

InvestmentBanking@unitedcapitalplcgroup.com

Research

research@unitedcapitalplcgroup.com