

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

12th November 2021

Markets | Weekly

Domestic Macro Variables

| | |
|-------------------|----------|
| GDP | 5.0% |
| Inflation | 16.6% |
| MPR | 11.5% |
| Brent Crude | \$82.1/b |
| External Reserves | \$41.8bn |

Source: CBN, Bloomberg, United Capital Research

Macro Highlight and Outlook

According to the Executive Vice Chairman of the National Communication Commission (NCC), Prof. Umar Danbatta, projected revenue of N632.39bn is expected in 2022 from the sale of 5G spectrum to telecommunications firms, among other revenue sources. Furthermore, he also assured Nigerians of the safety of their health with the proposed 5G Network.

S&P Platts survey showed a 1.4% drop in Nigeria's crude oil production from 1.39mbpd in September to 1.37mpbd in October, on the back of operational setbacks, as key pipelines faced persistent setbacks.

Early last week, the Federal Ministry of Agriculture and Rural Development disclosed the unfavourable balance of Wheat importation into Nigeria, according to the ministry, the value of Wheat importation exceeds local production by about 1042%.

Furthermore, the National Institute for Pharmaceutical Research and Development of Nigeria received a \$400,000 award from the African Export-Import Bank, to boost pharmaceutical production, nationally.

This week, we expect the Oct-2021 Inflation report to be released by the National Bureau of Statistics.

Global Markets: the US sees highest inflation in 3 decades

Last week, data from the US Bureau of Labour Statistics showed that the US consumer price index (CPI) surged 0.9% m/m in Oct-2021. The sharp increases brought the annual inflation rate to 6.2%, the highest since Nov-1990 and well above forecasts of 5.8%. Price pressures were felt across the board, with energy costs the primary victim (30.0% y/y). Also, producer prices, as measured by the Producer Price Index, increased 8.6% y/y. On a brighter note, the Labor Department revealed that weekly jobless claims fell to a pandemic-era low of 267,000. The inflation data shook investor sentiment as the major US equity indices retreated, snapping a 5-week winning streak. The DJIA, S&P 500 and NASDAQ indexes fell 0.6%, 0.3% and 0.7% w/w, respectively.

Elsewhere, European equity markets rose as optimism about economic growth helped assuage inflation and pandemic-related fears. The European Commission (EC) raised its FY-2021 growth forecast for the eurozone to 5.0% from 4.8%. The STOXX Europe 600 Index gained 0.7% as Germany's Xetra DAX and France's CAC 40 Index added 0.3% w/w and 0.7% w/w, respectively. Meanwhile, GDP growth in the UK slowed to 1.3% y/y in Q3-2021, from 5.5% y/y Q2-2021. The UK's FTSE 100 Index gained 0.6%.

In China, the property sector saga continued as Evergrande managed to avoid default at the last minute, fueling speculation about indirect interventions from the Chinese government. Meanwhile, the China producer price index (PPI) accelerated to 13.5% in Oct-2021, a 26-year high. The Shanghai Composite Index added 1.4% w/w.

In the crude oil market, Brent futures dropped 0.7% to \$82.17/b amid speculation that the US will release oil from the Strategic Petroleum Reserves to tame the surge in gasoline prices.

This week, economic data releases, including Retail sales data from the US will likely drive investor sentiment for equities. We remain optimistic about global equities as the economic recovery continues apace and monetary conditions remain favourable.

Domestic Equities: Telcos lift NGX-ASI by 3.0% w/w

Last week, the domestic equities market bounced back sharply, as investors turned their focus to telecommunications companies in the wake of the Central Bank of Nigeria (CBN) decision to grant MTNN (+8.8% w/w) and AIRTELAF (+11.8% w/w) approvals in principle towards Payments Service Bank (PSB) licenses. As a result, the NGX All-Share Index climbed 3.0% w/w to 43,253.0 pts. The total market capitalisation rose N646.3bn to close the week at N22.6tn as the YTD return grew to 7.4%. Activity also increased as average volume and value improved by 3.0% and 69.3% to 294.2m and N4.2bn respectively.

Market performance was negative across the sectors we cover as 4 indices lost and 1 gained. The Insurance index (-2.2% w/w) and the Banking index (-1.7% w/w) saw the largest dips, on account of losses in CUSTODIAN (-9.5% w/w), REGALINS (-9.1% w/w), ZENITH (-2.4% w/w) and ACCESS (-1.6%). Similarly, the Oil & Gas index lost 0.7% due to steep selloffs in CONOIL (-14.9% w/w). The Industrial Goods index shed a muted 1bp as BERGER lost 9.5% w/w. Conversely, the lone positive was the Consumer Goods index, which rose

Global Market Snapshot

| Market | Index | | w/w |
|----------|---------|---|-------|
| US | S&P 500 | ▼ | -1.0% |
| US | DJIA | ▼ | -1.1% |
| US | NASDAQ | ▼ | -1.7% |
| Germany | DAX | ▲ | 0.2% |
| France | CAC | ▲ | 0.7% |
| Europe | STOXX | ▲ | 0.7% |
| UK | UK FTSE | ▲ | 0.6% |
| Brazil | IBOV | ▲ | 2.6% |
| Russia | RTSI | ▼ | -3.5% |
| India | SENSEX | ▼ | -0.2% |
| China | SCHOMP | ▲ | 0.2% |
| S/Africa | JALSH | ▲ | 3.1% |
| Kenya | NSE | ▲ | 0.9% |
| Ghana | GSE | ▲ | 1.3% |
| Nigeria | NSEASI | ▲ | 2.9% |
| Egypt | EGX30 | ▲ | 0.6% |

Source: Bloomberg, United Capital Research

Domestic Financial Markets Review and Outlook

| Index | Equity Market Statistics | | | | | Market Indicators | |
|------------------|--------------------------|---------|---|---------|------------------|-------------------|--|
| | Close | w/w chg | | YTD Rtn | | | |
| NSEASI | 43,253.0 | ▲ 2.9% | ▲ | 7.4% | Mkt Cap (tr ' N) | 22.6 | |
| Banking | 398.0 | ▼ -1.3% | ▲ | 1.3% | Mkt Cap (m' \$) | 54,377.8 | |
| Consumer Goods | 568.9 | ▲ 0.6% | ▼ | -0.8% | P/E(x) | N/A | |
| Industrial Goods | 2,196.5 | ▼ 0.0% | ▲ | 7.0% | P/BV(x) | 2.0 | |
| Insurance | 177.6 | ▼ -2.2% | ▼ | -6.3% | Div Yield | 4.6% | |
| Oil & Gas | 381.9 | ▼ -0.7% | ▲ | 68.8% | 14-day RSI | 85.8 | |

Source: NSE, Bloomberg, United Capital Research

0.6% w/w due to buying interest in UNILEVER (+9.4% w/w) and FLOURMILL (+3.5% w/w).

Investor sentiment strengthened, as market breadth improved to 0.8x from 0.5x recorded in the prior week. This week, we expect the NGX to trade sideways in the absence of bullish triggers.

Money Market Review: Stop rates on 364-day bills dip by 49bps

Last week, system liquidity eased on the back of c.400.0bn FAAC inflow and c. 350.0bn N-POWER (a Federal Government social intervention program) hitting the system. This pushed interbank rates low to a single-digit figure. However, mop-up activities conducted by the Central Bank via CRR debits, FX Retail and NTB auctions drove interbank rates northwards at the end of the week. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates rose by 250bps and 287bps w/w to close at 14.50% and 15.25% respectively.

At the primary market, the Central Bank of Nigeria (CBN) held an NT-bills primary market auction offering N150.8bn worth of treasury bills to the market. The CBN oversold the auction as expected, allotting N196.2bn worth of bids compared to a total subscription of N574.9bn. Investor's appetite for the bills remained strong, although most of the bids at the auction came in for the longer tenor paper, as the 91-day and 182-day bills posted subscription rates of 0.2x and 0.5x. However, demand for the long tenor bill continues to remain strong as it was oversubscribed by 4.1x. The strong subscription level was unsurprising considering the strong liquidity level within the banking system and investor standoffish position in the bond market. As a result, the stop rate on the 364-day bill dipped by 49bps to close at 6.5%. Meanwhile, Stop rates for the 91-day, and 182-day bills remained unchanged at 2.5% and 3.5% respectively.

In the NTB secondary market, performance was reflective of the outcome in the auction as demand from unmet bids trickled into the market and sovereign debt managers seek to drive rates lower. As a result, the average yield on NTB

Domestic Financial Markets Review and Outlook

decreased by 15bps to 5.18% from 5.33%. Similarly, activities in the secondary OMO market maintained a bullish sentiment as the average yield declined to 5.62%, down 47bps from last week's close.

Looking ahead, we expect to see continued buy-interest in the secondary market, following the moderation in rates in the secondary market. Also, we expect to see some mop-up activity on the back of N72.5bn worth of OMO maturities due to hit the system this week.

Bonds Market Review: DMO to conduct Nov-2021 bonds auction

In the secondary bonds market, performance was quiet as investors fixed their attention on the NTB market. As a result, average yield on sovereign bonds closed flat at 11.30%. On the other hand, the corporate segment turned bullish as the average yield decreased by 11bps w/w to 11.90% from 12.01%.

In the Eurobond market, proceedings from the secondary market closed marginally bearish as average yield climbed marginally by 4bps to close at 6.82%. On the flip side, the average yield fell by 54bps at the corporate Eurobond market to close at 2.38%.

In the coming week, the Debt Management Office (DMO) is scheduled to conduct its monthly bond auction, with N150.0bn worth of bonds on offer. At the bond auction, we expect stop rates to tick higher following investor stand-offish sentiment directly linked to the uncertain rate direction in the bond market.

Currency Market: Reported segmentation in the currency market

Last week, the naira closed bearish at the I&E window, settling at N415.10/\$1. However, in the last three weeks, the CBN has settled various segments of the market at varying rates. Meanwhile, In the parallel markets, we continue to find quotes in the region of N540/\$ - N545/\$.

Regarding activity levels at the I&E window, average turnover at the window fell 6.4% w/w to print at \$149.0m, compared to \$159.2m in the prior week. Lastly, gross external reserves closed flat at \$41.8bn.

Looking forward, we expect some form of stability in the currency markets over the next weeks, as it appears to have found some equilibrium, both in the parallel and I&E window. However, we are sure to keep an eye on the currency space, due to its unpredictability amid inflation concerns.

Fixed Income Market Statistics

| T-Bills | Yield | w/w chg |
|----------|-------|---------|
| OBB | 14.5% | ▲ 2.5% |
| O/N | 15.3% | ▲ 2.9% |
| 3m | 4.0% | ▲ 0.0% |
| 6m | 5.1% | ▲ 0.3% |
| 12m | 6.8% | ▼ -0.3% |
| Bonds | Yield | w/w chg |
| 3yrs | 9.6% | ▼ -1.0% |
| 5yrs | 11.6% | ▲ 0.0% |
| 7yrs | 11.8% | ▲ 0.1% |
| 10yrs | 11.9% | ▲ 0.0% |
| FX | Close | w/w chg |
| NAFEX | 415.1 | ▼ -0.4% |
| Official | 430.0 | ▲ 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 | 9.4 | 332.3 | ↓ -8.0% | SELL | 3.6 | 22.5 | 2.6x | 0.4x | 0.9 | 9.1% | 47.8 |
| FBNH | 7.1 | 35.9 | 12.0 | 430.7 | ↓ -40.8% | HOLD | 2.1 | 21.2 | 5.6x | 0.6x | 0.5 | 3.8% | 59.6 |
| FCMB | 3.0 | 19.8 | 3.1 | 61.2 | ↓ -2.3% | HOLD | NM | NM | NM | NM | 0.2 | 4.9% | 49.8 |
| FIDELITYBK | 2.7 | 29.0 | 2.7 | 77.1 | ↑ 0.4% | HOLD | 1.2 | 9.4 | 2.3x | 0.3x | 0.2 | 8.3% | 50.3 |
| GTCO | 39.9 | 29.4 | 27.5 | 807.9 | ↑ 45.4% | BUY | 6.6 | 26.5 | 4.2x | 1.0x | 3.0 | 10.9% | 34.9 |
| ZENITHBANK | 30.4 | 31.4 | 24.0 | 753.5 | ↑ 26.7% | BUY | 7.4 | 37.8 | 3.3x | 0.6x | 3.0 | 12.5% | 37.0 |
| STANBIC | 51.9 | 13.0 | 39.0 | 505.3 | ↑ 33.1% | BUY | 4.3 | 27.2 | 9.0x | 1.4x | 4.1 | 10.5% | 47.2 |
| Consumer Goods | | | | | | | | | | | | | |
| DANGSUGAR | 19.6 | 12.1 | 17.1 | 207.7 | ↑ 14.6% | HOLD | 2.6 | 11.0 | 6.6x | 1.6x | 1.5 | 8.8% | 45.4 |
| INTBREW | 5.9 | 26.9 | 5.6 | 149.1 | ↑ 5.9% | HOLD | (0.6) | 5.3 | NM | 1.0x | 0.0 | 0.0% | 67.2 |
| NESTLE | 1,322.9 | 0.8 | 1,400.0 | 1,109.7 | ↓ -5.5% | HOLD | 51.5 | 43.8 | 27.2x | 32.0x | 60.5 | 4.3% | 28.6 |
| UNILEVER | 16.0 | 5.7 | 14.6 | 83.9 | ↑ 9.4% | HOLD | (0.2) | 11.1 | NM | 1.3x | NM | | 53.3 |
| FLOURMILL | 46.6 | 4.1 | 29.6 | 121.4 | ↑ 57.4% | BUY | NA | 41.8 | NM | 0.7x | 1.7 | 5.6% | 48.8 |
| NB | 39.7 | 8.0 | 52.5 | 419.8 | ↓ -24.4% | SELL | 1.1 | 20.7 | 48.4x | 2.5x | 1.1 | 2.1% | 61.2 |
| GUINNESS | 18.4 | 2.2 | 37.5 | 82.1 | ↓ -50.9% | SELL | 2.8 | 36.2 | 13.4x | 1.0x | NA | | 72.2 |
| PZ | UR | 4.0 | 6.1 | 24.2 | NA | UR | 0.8 | NM | 8.1x | NA | NM | | 57.5 |
| UACN | UR | 2.9 | 11.0 | 31.7 | NA | UR | 0.5 | 15.6 | 20.0x | 0.7x | 0.7 | 5.9% | 65.7 |
| Industrial Goods | | | | | | | | | | | | | |
| DANGCEM | 270.3 | 17.0 | 280.0 | 4,771.3 | ↓ -3.5% | SELL | 20.1 | 52.1 | 13.9x | 5.4x | 16.0 | 5.7% | 95.3 |
| WAPCO | 31.2 | 16.1 | 25.5 | 410.7 | ↑ 22.4% | BUY | 2.7 | 23.8 | 9.5x | 1.1x | 1.0 | 3.9% | 52.7 |
| BUACEMENT | 48.0 | 33.9 | 74.5 | 2,522.9 | ↓ -35.6% | SELL | 2.1 | 11.0 | 35.8x | 6.7x | NM | | 87.2 |
| Agric | | | | | | | | | | | | | |
| OKOMUOIL | 91.3 | 1.0 | 142.0 | 135.5 | ↓ -35.7% | HOLD | 14.7 | 41.8 | 9.7x | 3.4x | NA | | 97.2 |
| PRESCO | 80.6 | 1.0 | 89.0 | 89.0 | ↓ -9.4% | SELL | NM | 42.8 | NM | 2.1x | 1.0 | 1.1% | 82.3 |
| Oil & Gas | | | | | | | | | | | | | |
| TOTAL | 250.4 | 0.3 | 240.8 | 81.8 | ↑ 4.0% | HOLD | 44.0 | NA | 5.5x | NA | 4.0 | 1.7% | 96.8 |
| SEPLAT | 770.4 | 0.6 | 731.5 | 430.4 | ↑ 5.3% | HOLD | 0.1 | 2.9 | NA | 251.9x | 0.1 | 0.0% | 69.8 |
| OANDO | UR | 12.4 | 4.9 | 60.3 | NA | UR | 2.3 | 16.8 | 2.1x | 0.3x | 0.0 | 0.0% | 47.2 |
| ARDOVA | 23.4 | 1.3 | 14.0 | 18.2 | ↑ 67.7% | BUY | #N/A/N/A | 14.5 | #VALUE! | 1.0x | 0.0 | 0.0% | 39.3 |

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=Div idend Per Share, Div Yield= Div idend 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 12th November, 2021

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