

# Investment Views: 18th October 2021 to 22nd October 2021

18th October 2021

Markets | Weekly

## Domestic Macro Variables

GDP	5.0%
Inflation	16.6%
MPR	11.5%
Brent Crude	\$84.9/b
External Reserves	\$39.6bn

Source: CBN, Bloomberg, United Capital Research

### Macro Highlights and Outlook

In the last week, the National Bureau of Statistics released its inflation report for the month of September. According to the report, Inflation estimates came in at 16.63% which was 38bps lower than in the previous month, this represents the sixth(6th) consecutive month of disinflation. On a m/m basis, the broad CPI increased by 1.15%, faster than the 1.02% m/m increase in Aug-2021.

Also, in the previous week, the Organization of the Petroleum Exporting Countries (OPEC) showed that Nigeria's crude oil production averaged 1.451 million barrels per day (mbpd) in Sep-2021, this represented a 156kbpd increase from the previous month. However, production remains below the 1.86mbpd projected in the 2021 budget.

Following the President's proposal of the budget on the 7th of October, the House of Representatives in its second reading of the 2022 Appropriation has asked that the oil benchmark for the 2022 budget proposal should be set at US\$60 per barrel. This will be different from the US\$57 brought by the executive.

**In the coming week, we expect the news front to be quiet regarding economic data releases.**

### Global Market Review and Outlook

#### Strong start to corporate earnings season catalyses equity rebound

Last week, a decent entry of Q3-2021 earnings and strong economic data sent global equities higher, despite inflation concerns. Economic data from the US Labor Department showed that weekly jobless claims had fallen to 293,000, the lowest level since Mar-2020 when the pandemic initially hit economic activity. Also, the government reported that retail sales rose 13.9% y/y in Sep-2021. However, the surge in consumer prices continued in Sep-2021, as US inflation for the period rose 5.4% y/y, from 5.3% y/y in Aug-2021. Meanwhile, the International Monetary Fund trimmed its global growth forecast for 2021 to 5.9% from 6.0%. For the week, the DJIA, S&P 500 and NASDAQ rose by 1.6%, 1.8% and 2.2%, respectively, following strong

sentiments supported by impressive results from the big banks and economic data.

In Europe, strong corporate earnings also supported the week's outcome. The Pan-European STOXX 600 Index climbed 2.7% w/w, as major indexes ended higher: France's CAC 40 Index added 2.6% w/w, Germany's Xetra DAX Index added 2.5% w/w, and Italy's FTSE MIB Index rose by 1.7 w/w. Similarly, the UK FTSE 100 Index climbed 2.0% w/w.

Elsewhere, Asian markets were mixed. Japan's Nikkei 225 Index rose 3.6% w/w as the new PM Fumio Kishida retreated on plans to hike capital gains tax. In China, the Shanghai Composite dipped 0.6% amid the energy crisis and China's scramble for Coal and LNG supplies, and the evolving Evergrande property crisis which has seen additional property developer's default.

In the Crude oil market, the rally continued last week as the price of Brent Crude hit \$84.86/b amid higher demand expectations. Higher gas prices in Europe and Asia are expected to keep demand elevated as manufacturers forgo gas for oil.



**Looking forward, our positive outlook for equities remains unperturbed. However, higher volatility will likely feature in the weeks ahead amid the Fed's expected tapering and mixed economic data. Also, high earnings expectations may drive volatile trading.**

### Equity Market: : Bullish streak extended... ASI adds 1.4% w/w

Last week, the local bourse closed strongly in the green despite a false start. The NGXASI rose by 1.4% w/w to close at 41,438.2pts, amid sustained investor interest in FBNH (+29.6% w/w). The bourse' YTD return improved to 2.9%, as its market capitalisation rose N329.0bn w/w to close at N21.6tn. Activity levels also improved as the average volume and value traded rose 66.3% and 119.9% w/w to 567.7m units and N6.3bn, respectively.

Sectoral performance reflected the strong bullish sentiments as all indices we cover appreciated for the week. The Banking index led the gainers, adding 2.6% w/w due to appreciation in FBNH (+29.6% w/w), ETI (+9.5% w/w), and GTCO (+3.5% w/w). Trailing, the Insurance and Industrial Goods indices tacked on 1.6% and 1.0% w/w, respectively, on the back of gains in ROYALEX (+12.3% w/w) and WAPCO (+3.2% w/w). The Oil & Gas and Consumer Goods indices also advanced 0.6% and 0.5% w/w, respectively, as SEPLAT (+1.4% w/w) and INTBREW (+9.9% w/w) rose.

### Global Market Snapshot

Market	Index		w/w
US	S&P 500		1.8%
US	DJIA		1.6%
US	NASDAQ		2.2%
Germany	DAX		2.5%
France	CAC		2.6%
Europe	STOXX		2.6%
UK	UK FTSE		2.0%
Brazil	IBOV		1.6%
Russia	RTSI		1.6%
India	SENSEX		2.1%
China	SCHOMP		-0.9%
S/Africa	JALSH		1.4%
Kenya	NSE		0.7%
Ghana	GSE		-0.8%
Nigeria	NSEASI		0.6%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics					Market Indicators	
	Close	w/w chg	YTD Rtn				
NSEASI	41,438.2	▲ 1.4%	▲ 2.9%			Mkt Cap (tr ' N)	21.6
Banking	397.9	▲ 2.6%	▲ 1.2%			Mkt Cap (m' \$)	52,312.1
Consumer Goods	567.0	▲ 0.5%	▼ -1.1%			P/E(x)	11.1
Industrial Goods	2,112.1	▲ 1.0%	▲ 2.9%			P/BV(x)	1.8
Insurance	173.2	▲ 1.6%	▼ -8.6%			Div Yield	5.0%
Oil & Gas	370.5	▲ 0.6%	▲ 63.8%			14-day RSI	82.3

Source: NSE, Bloomberg, United Capital Research

Also last week, the Nigerian Exchange Group Plc has successfully listed 1.97m shares by introduction on the main board of the Nigerian Exchange Limited (NGX). The stocks were listed on the exchange on Friday by introduction at a unit price of N17.75.

Investor sentiment strengthened significantly as market breadth (advance/decline ratio) closed at 3.2x, as 41 stocks gained while 13 lost.

**Going forward, we expect the recent rally to be sustained as market participants anticipate a strong Q3-2021 earnings season.**

### Money Market: Stop rates dropped by 25bps at NTB PMA

Last week, system liquidity trended higher despite N112.0bn worth of OMO maturities, interbank rates remained elevated after the CBN conducted primary market activities via NTB and OMO auctions. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates both rose by 550bps w/w to close at 19.50% and 20.00% respectively.

At the primary market auction last week, the Central Bank sold a total of N187.2bn worth of bills as against N121.7bn on offer. Investors' appetite was strong as the auction was oversubscribed by 4.1x receiving a total bid of N493.0bn. The stop rates on 91-day and 182-day bills remained unchanged from the previous auction at 2.50% and 3.50%, respectively. Interestingly, the stop rate on the 365-day bill dropped by 25bps to 7.25% (previously 7.50%). Also, the Central Bank conducted an OMO auction selling offering to sell a total of N50.0bn worth of bills as against. Overall, the auction was subscribed by 2.0x as stop rates across all tenors remained unchanged.

In the NTB secondary market, performance was reflective of the outcome of the primary market, as demand from unmet bids trickled in the secondary as the average moderated by 7bps w/w to close at 5.20%. On the other hand, activities were flattish in the secondary OMO market as the average yield retained its value at 6.47% from last week's close.

## Domestic Financial Markets Review and Outlook

Looking ahead, we expect to see continued buy-interest in the secondary market, following the moderation in rates in the secondary market. We also expect some mop-up activity following OMO maturities worth N85.0bn hitting the system this week.

### Bond Market: Quiet trading session at the secondary bonds market

Last week, in the secondary bonds market, performance was quiet as investors' attention was fixed on the results of the NTB auction. As a result, we saw some marginal buying interest and the average yield on sovereign bonds fall marginally by 1bps w/w to 11.33% from 11.34%. On the other hand, the corporate segment closed slightly bearish as the average yield increased by 3bps w/w to 11.72% from 11.67%.

In the Eurobond market, proceedings from the secondary market turned bullish as average yield declined by 12bps to close at 6.38%. On the flip side, the average yield rose by 8bps at the corporate Eurobond market to close at 3.15%.

In the coming week, the Debt Management Office (DMO) is scheduled its monthly bond auction, with N150bn on offer. The DMO's direction rate direction remains unclear, however, we expect the auction to close flattish, with a slight basis towards the bears.

### Currency Market: I&E window closes lower in the past week

Last week, the naira depreciated by 0.1% to close at N415.7/\$1 at the I&E FX window. However, it should be noted that the NAFEX closed as high as N422/\$1 the previous Thursday, before setting at M415/\$1 on Friday. In the parallel market, we continued to find quotes in the region of N570-N580/\$1 as dollar-naira levels remained elevated. Regarding activity levels at the I&E window, the average turnover at the window was down 20.9% w/w to print at \$213.4m.

External reserves continue to accrete on the back of higher oil prices, as the CBN FX reserves rose by 2.9% w/w to close at \$39.2bn. The recent pressures observed at the parallel market continue to be driven by FX supply scarcity as BDCs become more competitive for dollar flows.

In the absence of any CBN intervention, our short-term overview for the parallel market remains dim. However, our outlook for the naira remains

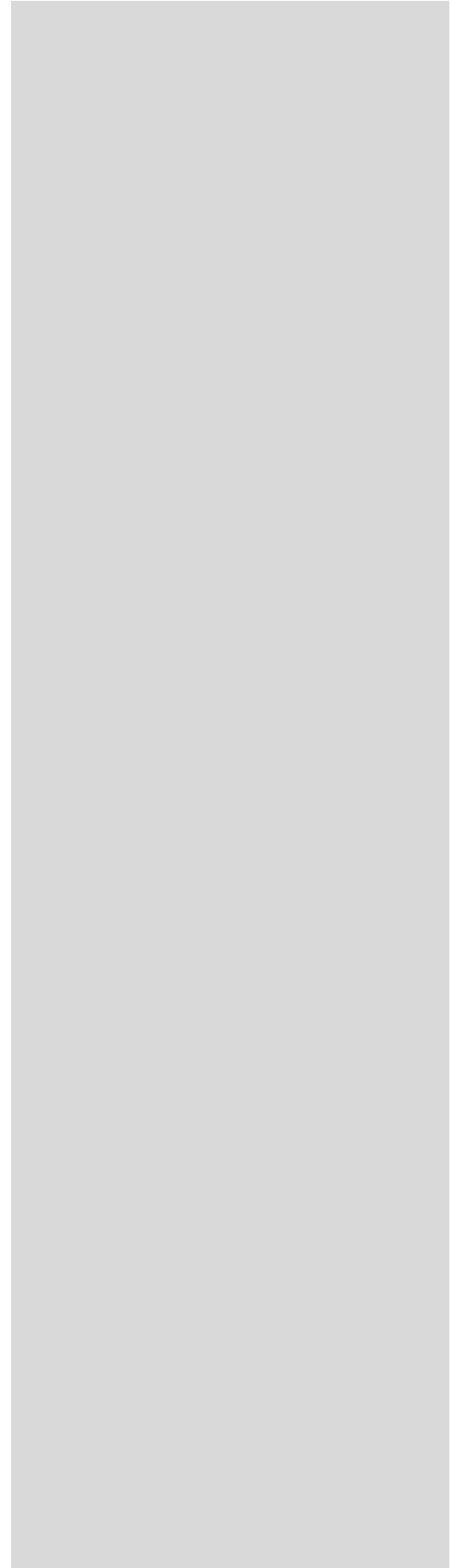
## Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	19.5%	▲ 5.5%
O/N	20.0%	▲ 5.5%
3m	3.8%	▲ 0.4%
6m	4.4%	▲ 0.3%
12m	7.4%	▲ 0.4%
Bonds	Yield	w/w chg
3yrs	9.2%	▼ 0.0%
5yrs	10.9%	▲ 0.2%
7yrs	11.7%	▼ 0.0%
10yrs	12.0%	▼ 0.0%
FX	Close	w/w chg
NAFEX	415.1	▼ -0.2%

Source: FMDQ, United Capital Research

### Domestic Financial Markets Review and Outlook

remains bright for the official window although we hold our position that the CBN may need to further devalue the naira in the official window to see increased activity in that window.



## 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	9.6	341.2	↓ -10.4%	SELL	3.7	22.0	2.6x	0.4x	0.9	8.9%	60.7
FBNH	7.1	35.9	12.7	455.9	↓ -44.1%	HOLD	2.1	21.2	5.9x	0.6x	0.5	3.5%	93.8
FCMB	3.0	19.8	3.1	60.6	↓ -1.3%	HOLD	NM	NM	NM	NM	0.2	4.9%	56.8
FIDELITYBK	2.7	29.0	2.7	79.4	↓ -2.6%	SELL	1.2	9.4	2.4x	0.3x	0.2	8.0%	73.5
GTCO	39.9	29.4	29.6	871.2	↑ 34.8%	BUY	6.6	26.5	4.5x	1.1x	3.0	10.1%	70.8
ZENITHBANK	30.4	31.4	24.7	775.5	↑ 23.1%	BUY	7.4	36.4	3.3x	0.7x	3.0	12.1%	66.3
STANBIC	51.9	13.0	39.0	505.3	↑ 33.1%	BUY	4.6	30.5	8.4x	1.3x	4.1	10.5%	48.1
<b>Consumer Goods</b>													
DANGSUGAR	19.6	12.1	17.7	214.4	↑ 11.0%	HOLD	2.6	11.0	6.8x	1.6x	1.5	8.5%	56.3
INTBREW	5.9	26.9	5.0	134.3	↑ 17.6%	BUY	(0.6)	5.3	NM	0.9x	0.0	0.0%	64.7
NESTLE	1,322.9	0.8	1,480.0	1,173.1	↓ -10.6%	HOLD	49.3	28.8	30.0x	51.4x	60.5	4.1%	79.1
UNILEVER	16.0	5.7	13.2	75.8	↑ 21.0%	HOLD	(0.5)	10.9	NM	1.2x	NM		35.8
FLOURMILL	46.6	4.1	29.3	120.1	↑ 59.0%	BUY	NA	42.2	NM	0.7x	1.7	5.6%	49.9
NB	39.7	8.0	47.9	383.1	↓ -17.1%	SELL	1.2	21.1	40.2x	2.3x	0.9	2.0%	39.8
GUINNESS	18.4	2.2	29.1	63.6	↓ -36.7%	SELL	0.6	33.9	50.3x	0.9x	NA		6.9
PZ	UR	4.0	5.4	21.4	NA	UR	0.8	NM	7.2x	NA	NM		27.2
UACN	UR	2.9	11.0	31.7	NA	UR	1.0	17.1	11.5x	0.6x	0.7	5.9%	67.7
<b>Industrial Goods</b>													
DANGCEM	270.3	17.0	280.0	4,771.3	↓ -3.5%	SELL	19.9	46.2	14.1x	6.1x	16.0	5.7%	95.3
WAPCO	31.2	16.1	24.1	388.2	↑ 29.5%	BUY	2.2	23.1	10.8x	1.0x	1.0	4.1%	59.9
BUACEMENT	48.0	33.9	67.5	2,285.8	↓ -28.9%	SELL	2.1	11.0	32.4x	6.1x	NM		58.7
<b>Agric</b>													
OKOMUOIL	91.3	1.0	125.0	119.2	↓ -27.0%	HOLD	13.5	39.7	9.2x	3.2x	NA		90.0
PRESCO	80.6	1.0	89.0	89.0	↓ -9.4%	SELL	NM	41.2	NM	2.2x	2.0	2.2%	82.3
<b>Oil &amp; Gas</b>													
TOTAL	250.4	0.3	193.0	65.5	↑ 29.7%	BUY	31.4	NA	6.1x	NA	4.0	2.1%	36.9
SEPLAT	770.4	0.6	720.0	423.7	↑ 7.0%	HOLD	0.1	2.9	NA	247.5x	0.1	0.0%	47.4
OANDO	UR	12.4	5.2	64.4	NA	UR	2.3	16.8	2.2x	0.3x	0.0	0.0%	58.6
ARDOVA	23.4	1.3	15.1	19.7	↑ 55.0%	BUY	1.7	14.4	8.9x	1.0x	0.0	0.0%	13.8

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 15th October, 2021**

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