

Investment Views: 1st November 2021 to 5th November 2021

29th October 2021

Markets | Weekly

Domestic Macro Variables

GDP	5.0%
Inflation	16.6%
MPR	11.5%
Brent Crude	\$84.3/b
External Reserves	\$41.8bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

Last week, the Federal Executive Council (FEC) granted approval to the Nigerian National Petroleum Corporation (NNPC) to embark on a N621.2bn project for the reconstruction of federal roads across the six (6) geopolitical zones of the country.

Also, sometime last week, the Nigerian National Petroleum Corporation (NNPC) revealed fact that it spent N123.73bn on petrol subsidy in September. Furthermore, the World Bank's Country Director for Nigeria, Shubham Chaudhuri, condemned the Federal Government's (FG) sustained spending on petrol subsidy which is expected to hit N2.9tn by the end of the year.

The Major Oil Marketers Association of Nigeria disclosed that the landing cost of Automotive Gas Oil (Diesel) has increased to N336.45, stakeholders expect this increase to also reflect on the pump price of diesel in the near term.

This week, macroeconomic updates are expected to be sparse as the National Bureau of Statistics and other key economic data houses have a quiet calendar for the week. However, we continue to monitor key developments in the currency space, economic growth and inflation.

Global Market: Upbeat earnings push global markets higher

Global equity markets hit fresh highs last week, buoyed by Q3-2021 earnings, which helped to offset concerns about weaker growth and increased inflation. In the United States, the Commerce Department reported that the economy grew at an annualized pace of 2.0% in Q3-2021, down from 6.7% the previous quarter and below consensus projections of 2.7%. During earnings calls, supply chain difficulties were a recurring theme, with both Amazon and Apple cutting their growth estimates due to labour and input shortages. For the week, the Dow Jones Industrial Average, S&P 500 and NASDAQ added 0.4%, 1.3% and 2.7% w/w, respectively.

Elsewhere, the pan-European STOXX Europe 600 Index gained 0.8% w/w, possibly supported by the EuroStat preliminary Euro-area growth estimate of 2.2% for Q3-2021, in addition to solid corporate earnings. Also, the ECB maintained status quo on rates and indicated that it would continue its Pandemic Emergency Purchase Programme (PEPP) at the slower rate earlier

communicated in Sep-2021. Germany's Xetra DAX Index rose by 0.9% w/w, France's CAC 40 Index added 1.4% w/w, Italy's FTSE MIB Index gained 1.1% w/w. In the United Kingdom, the Office of Budget Responsibility (OBR) raised its GDP growth forecast for 2021 to 6.5% from 4.0%, as Finance Minister Rishi Sunak unveiled plans to boost infrastructure spending while lowering corporate tax rates for some industries hit hard by the pandemic.

In Asia, Japan's Nikkei 225 Index rose 0.3% w/w, as the Bank of Japan (BoJ) maintained interest rates and its asset purchase program at its monetary policy committee meeting, considering muted price pressures as well as a slower growth forecast of 3.4%, compared with July's projection of 3.8%. In China, the real estate sector remained troubled in the past week, as Evergrande made a delayed coupon payment, and another real estate developer, Modern Land, missed coupon payments. The Shanghai Composite Index lost 1.0% w/w.

In the oil market, Brent crude retreated 1.3% w/w to \$84.38/b, suffering its first weekly dip in ten weeks, amid speculation of increased Iranian supply and a bigger-than-expected increase in U.S. crude inventories, which rose by 4.3m barrels.

This week, the US Federal Reserve meeting which concludes on Wednesday is in sharp focus, as we expect the Fed to shed more light on its plan to begin tapering its asset purchase monetary stimulus program. Yet, we expect corporate earnings to continue to catalyse upbeat market performance in the near term.

Domestic Equities: 9M-2021 earnings sustain bullish momentum, NGXASI climbs 0.7% w/w

The NGXASI maintained its upward momentum last week, thanks to robust company earnings and bargain-hunting activity across sectors. The benchmark index rose 0.7% w/w to 42,038.6 index points at the end of the week. As a result, the YTD return increased to 4.4%, and the bourse's market capitalization increased by N144.0bn w/w to N21.9tn. The average volume and value traded also increased 12.5% and 3.6% w/w, respectively, to 440.2m units and N4.8bn. The NGXASI increased by 4.5% in October 2021.

All sector indexes in our coverage universe finished the week on a positive note. The **Insurance (+5.3% w/w)** and **Oil & Gas (4.0% w/w)** indices outperformed by wide margins, due to significant investor interest in ALLCO (+31.9%), TOTAL (+17.5% w/w), and ETERNA (+8.1% w/w). The **Banking** and **Consumer Goods** indices climbed 2.4% and 1.5% w/w respectively as ETI (+17.9% w/w), GUINNESS (+23.1% w/w), and CADBURY (+18.1% w/w)

Global Market Snapshot

Market	Index		w/w
US	S&P 500	▲	1.3%
US	DJIA	▲	0.4%
US	NASDAQ	▲	2.7%
Germany	DAX	▲	0.9%
France	CAC	▲	1.4%
Europe	STOXX	▲	0.8%
UK	UK FTSE	▲	0.5%
Brazil	IBOV	▼	-2.6%
Russia	RTSI	▼	-1.8%
India	SENSEX	▼	-2.5%
China	SCHOMP	▼	-1.0%
S/Africa	JALSH	▲	0.7%
Kenya	NSE	▼	-0.4%
Ghana	GSE	▲	0.6%
Nigeria	NSEASI	▲	0.7%

Source: Bloomberg, United Capital Research

Domestic Financial Markets Review and Outlook

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	42,038.6	0.7%		4.4%	Mkt Cap (tr ' N)	22.0
Banking	410.4	2.4%		4.4%	Mkt Cap (m' \$)	53,006.0
Consumer Goods	569.5	1.5%		-0.7%	P/E(x)	4.0
Industrial Goods	2,177.4	0.5%		6.1%	P/BV(x)	2.0
Insurance	179.9	5.3%		-5.1%	Div Yield	5.0%
Oil & Gas	390.9	4.0%		72.8%	14-day RSI	81.3

Source: NSE, Bloomberg, United Capital Research

appreciated. The Industrial Goods Index (+0.5% w/w) saw modest gains, largely driven by WAPCO (+8.0% w/w).

Market breadth (advance/decline ratio), a gauge of investor sentiment, improved to 1.9x w/w from 1.0x recorded last week as 47 stocks advanced, and 25 stocks declined.

Last week saw a flurry of 9M-2021 earnings releases. In the Tier-1 Banking space, the numbers were mixed. ACCESS reported a 17.0% and a 19.0% y/y increase in Gross Earnings and Profit After Tax (PAT) to N693.1bn and N121.9bn, respectively. ZENITH reported a 1.9% y/y and a 0.8% y/y increase in Gross Earnings and Profit After Tax to N518.7bn and N160.6bn, respectively. GTCO reported a -3.5% y/y and a -9.1% y/y decline in Gross Earnings and Profit After Tax to N318.5bn and N129.4bn, respectively.

In the Industrial Goods sector, the cement players sustained impressive growth. DANGCEM reported 34.2% and 33.3% y/y growth in Revenue and PAT to N1.0tn and N278.3bn, respectively, in 9M-2021. WAPCO saw a 21.9% y/y growth in Revenue to N219.2bn and 43.3% growth in PAT to N40.4bn. BUACEMENT grew revenues by 19.4% y/y to N186.9bn during the 9M-2021 period and PAT by 23.2% y/y to N65.9bn.

In the Consumer Goods sector, NESTLE reported a 23.0% and a 5.0% y/y increase in Revenue and PAT to N261.6bn and N33.6bn, respectively. NB reported a 32.1% y/y and an 18.4% y/y increase in Revenue and PAT to N309.3bn and N8.2bn, respectively.

Telecoms players MTNN and AIRTELAFR also reported their latest numbers. MTNN grew 9M-2021 Revenue by 23.6% y/y to N1.2tn and PAT by 52.7% y/y to N220.3bn. Similarly, AIRTELAFR H1-2022 Revenue increased by 25.2% to \$2.3bn, as PAT surged 131.6% y/y to \$335.0m.

Looking ahead, we expect sustained bullish performance this week in reaction to the strong earnings turnout and sustained domestic interest in the equity market.

Domestic Financial Markets Review and Outlook

Money Market Review: Stop rates dropped for the second consecutive PMA

System liquidity remained elevated, despite N110.bn worth of maturities hitting the system, as the CBN conducted an OMO and an NTB primary auction in the previous week. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates both dropped by 150bps w/w to close at 18.00% and 18.50% respectively.

At the primary market, the Central Bank conducted an NTB Primary Market Auction (PMA) selling a total of N235.0bn as against N150.0bn worth of bills on offer. Investors' appetite was strong at the short and long-end of the curve as the 91-day and 364-day bills were oversubscribed by 1.3x and 3.0x respectively. However, investors interest in the medium-tenured bills remained depressed as the 182-day bill was undersubscribed by 0.6x. Overall, the auction was oversubscribed by 1.8x receiving bids totalling N431.1bn. 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 364-day bill, for the second consecutive auction, dropped by c.25bps to 6.99% (previously 7.25%).

At the OMO auction, the CBN sold offered N19.0bn worth of bills to the party. Investors' appetite was strong as the auction was oversubscribed by 2.6x receiving a total bid of N50.0bn with attention fixed at the long-tenured bills. The stop rates on the 96-day, 187-day and 341-day bills remained unchanged from the previous auction at 7.00%, 8.50% and 10.10%, respectively.

In the NTB secondary market, the average yield on NTB increased by 10bps to 5.48% from 5.38%. On the other hand, activities were on a bullish bias in the secondary OMO market as the average yield declined to 6.37%, down 7bps from last week's close.

Looking ahead, we expect to see continued buy-interest in the secondary market, following the moderation of rates in the market. Also, we expect some mop-up activity following OMO maturities worth N103.8bn due to hit the system this week.

Bonds Market Review: Bullish sentiment in the secondary bonds market

In the secondary bonds market, performance was majorly bullish as investor's remained cautious as they looked forward to the outcome of the NTB primary market auction. As a result, the average yield on sovereign bonds declined by 10bps w/w to 11.28% from 11.38%. On the other hand, the corporate segment closed marginally bearish as the average yield increased by 4bps

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	18.0%	▼ -1.0%
O/N	18.5%	▼ -0.8%
3m	4.2%	▼ -0.1%
6m	5.2%	▼ -0.5%
12m	7.2%	▲ 0.3%
Bonds	Yield	w/w chg
3yrs	10.5%	▼ 0.3%
5yrs	11.6%	▼ -0.2%
7yrs	11.6%	▼ -0.3%
10yrs	11.8%	▼ -0.3%
FX	Close	w/w chg
NAFEX	415.1	▼ 0.0%
Official	430.0	▼ -11.6%

Source: FMDQ, United Capital Research

Domestic Financial Markets Review and Outlook

w/w to 11.83% from 11.79%.

In the Eurobond market, proceedings from the secondary market turned bearish as the average yield climbed by 8bps to close at 6.57%. Similarly, the average yield rose by 27bps at the corporate Eurobond market to close at 3.37%.

In the coming week, we expect a quiet trading session in the secondary sovereign bonds market.

Currency Market: Stability in the currency market

Last week, the naira closed flat at the I&E window, settling at N415.10/\$1. In the parallel markets, we continue to find quotes in the region of N565/\$ - N580/\$.

Regarding activity levels at the I&E window, average turnover at the window fell 23.1% w/w to print at \$159.2m, compared to \$206.9m in the prior week. Lastly, gross external reserves rose by 2.2% w/w to close at c.\$41.8bn.

Looking forward, we expect to see continued stability in the I&E window as reserves continued to be boosted by the improving oil receipts and the proceeds of the recent Eurobond issuance.

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	9.5	337.7	↓ -9.5%	SELL	3.7	22.0	2.5x	0.4x	0.9	8.9%	53.4
FBNH	7.1	35.9	11.1	396.6	↓ -35.7%	HOLD	2.1	21.2	5.2x	0.5x	0.5	4.1%	64.5
FCMB	3.0	19.8	3.2	63.2	↓ -5.3%	HOLD	NM	NM	NM	NM	0.2	4.7%	65.1
FIDELITYBK	2.7	29.0	2.8	80.5	↓ -4.0%	SELL	1.2	9.4	2.4x	0.3x	0.2	7.9%	67.7
GTCO	39.9	29.4	28.7	843.2	↑ 39.3%	BUY	6.6	26.5	4.3x	1.1x	3.0	10.5%	52.3
ZENITHBANK	30.4	31.4	25.3	792.8	↑ 20.4%	BUY	7.4	36.4	3.4x	0.7x	3.0	11.9%	68.2
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	17.0	206.5	↑ 15.3%	HOLD	2.6	11.0	6.6x	1.6x	1.5	8.8%	66.5
INTBREW	5.9	26.9	5.3	141.0	↑ 12.0%	HOLD	(0.6)	5.3	NM	1.0x	0.0	0.0%	63.4
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	15.6	89.6	↑ 2.4%	HOLD	(0.2)	11.1	NM	1.4x	NM		90.3
FLOURMILL	46.6	4.1	29.4	120.6	↑ 58.5%	BUY	NA	42.2	NM	0.7x	1.7	5.6%	53.5
NB	39.7	8.0	53.0	423.8	↓ -25.1%	SELL	1.1	21.1	48.9x	2.5x	1.1	2.1%	72.1
GUINNESS	18.4	2.2	36.3	79.5	↓ -49.3%	SELL	2.8	36.2	12.9x	1.0x	NA		89.0
PZ	UR	4.0	6.4	25.4	NA	UR	0.8	NM	8.5x	NA	NM		77.1
UACN	UR	2.9	11.3	32.6	NA	UR	0.5	17.1	20.6x	0.7x	0.7	5.8%	75.3
Industrial Goods													
DANGCEM	270.3	17.0	280.0	4,771.3	↓ -3.5%	SELL	20.1	46.2	13.9x	6.1x	16.0	5.7%	95.3
WAPCO	31.2	16.1	27.0	434.9	↑ 15.6%	BUY	2.7	23.1	10.1x	1.2x	1.0	3.7%	69.3
BUACEMENT	48.0	33.9	72.0	2,438.2	↓ -33.3%	SELL	2.1	11.0	34.6x	6.5x	NM		80.4
Agric													
OKOMUOIL	91.3	1.0	135.0	128.8	↓ -32.4%	HOLD	13.5	39.7	10.0x	3.4x	NA		90.3
PRESCO	80.6	1.0	89.0	89.0	↓ -9.4%	SELL	NM	41.2	NM	2.2x	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%	94.0
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	5.1	62.8	NA	UR	2.3	16.8	2.2x	0.3x	0.0	0.0%	54.9
ARDOVA	23.4	1.3	14.6	19.0	↑ 60.3%	BUY	1.7	14.4	8.6x	1.0x	0.0	0.0%	8.0

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=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 29th October, 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