

# Investment Views: 22nd November 2021 to 26th November 2021

19th November 2021

Markets | Weekly

## Macro Highlight and Outlook

Last week, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) report for Oct-2021. The headline inflation rate came in well below expectations at 15.99% y/y, 64bps lower than the Sep-2021 estimates, which printed at 16.63%. This implies a faster-than-anticipated deceleration in the rate of change in prices. The disinflationary trend remains driven by the 2020 high base effect.

According to the NBS, real GDP grew by 4.0% y/y in Q3-2021, higher than the -3.6% y/y growth rate recorded in Q3-2020 by 7.7% and lower than 5.0% recorded in Q2-2021 by 0.9%. The economy expanded 11.1% q/q, indicative of continuous post-covid-19 output expansion.

The Minister of Finance, Budget and National Planning, Zainab Ahmed, has informed the National Economic Council (NEC) that the Central Bank of Nigeria (CBN) has started the processing of the N656.1bn Bridge Facility (a budget support facility for the 36 states). The approved Bridge facility will be disbursed in six tranches over six months to the states. Each of the 36 states is expected to receive a total loan amount of N18.2bn, with a 30-year tenor, and a 2-year moratorium at an interest rate of 9%.

The African Export-Import (Afreximbank) penned down a \$1.0bn deal with Nigerian National Petroleum Corporation (NNPC) Ltd reportedly for finance trade and for crude oil exploration activities.

**In the coming week, the Monetary Policy Committee (MPC) is scheduled to meet on the 22nd-23rd November. At the meeting, we expect the committee to maintain status quo and hold all policy rates on the back of continued expansion in output and moderating inflationary pressure.**

## Global Markets: Markets mixed as Covid-19 cases surge in Europe

Last week, US President Joe Biden officially signed the \$1.2tn bipartisan infrastructure bill. Meanwhile, we got a better look into the performance of the US economy via the Census Bureau report which showed that retail sales jumped 1.7% m/m in Oct-2021, the biggest gain since Mar-2021. Major indices were mixed in the US against a backdrop of positive economic data coupled

## Domestic Macro Variables

GDP	5.0%
Inflation	16.0%
MPR	11.5%
Brent Crude	\$78.3/b
External Reserves	\$41.5bn

Source: CBN, Bloomberg, United Capital Research

with inflation fears and a rise in Covid-19 cases. The S&P 500 (+0.3% w/w) and the NASDAQ (+1.2% w/w) posted decent gains. The Dow Jones Industrial Average, however, dropped 1.4% w/w.

In Europe, coronavirus cases continued to rise, with almost 2 million new cases reported last week, the highest since the onset of the pandemic, according to the World Health Organization. This weighed on financial markets, as Austria instituted a national lockdown, and Germany hinted at the same. The STOXX Europe 600 Index closed 0.1% lower, Germany's Xetra DAX Index gained 0.4%, France's CAC 40 Index gained 0.3%, and Italy's FTSE MIB Index shed 1.4%. Meanwhile, UK inflation surged 4.2% y/y in Oct-2021 (compared to 3.1% y/y in Sep-2021), the highest level in 10 years. The FTSE 100 Index dropped 1.7%.

In China, real estate sector struggles remained the major theme last week. Housing sales shrank 21.2% m/m in October-2021. China's state reserve bureau announced plans to release crude oil reserves. The People's Bank of China (PBOC) unveiled a RMB200.0bn targeted lending program aimed at the domestic coal sector. The Shanghai Composite Index added 0.5% w/w.

In the oil market, Brent futures (-4.0% w/w) slipped for the second week in a row to \$78.89/b amid concerns over renewed lockdowns in Europe coupled with heightened prospects of strategic crude reserves releases by the U.S. and China.

**This week, we expect a flurry of economic data including US Q3-2021 GDP, weekly unemployment claims, and more.**

### Domestic Equities: Sell-off pressure weighs on local bourse

Last week, the local equities market reversed its bullish run due to sell-offs and profit-taking activities as investors continue to book profits off Q3-earnings results. As a result, the All-Share Index (ASI) closed 0.1% lower w/w at 43,199.3pts, bringing the YTD return to 7.3% and the total market capitalization lost N28.0bn to hit N22.5tn. For the week, activity level weakened as average volume and value fell by 5.4% and 27.3% to 199.5m units and N3.3bn respectively. Investor sentiment, as measured by market breadth weakened to 0.3x as 15 tickers appreciated while 49 depreciated.

Across sectors, w/w performance was mainly bearish as all the sectors we cover closed in the red, further bolstering the position of the market. The Oil and Gas (-3.6% w/w) sector was the biggest loser due to profit-taking activities in TOTAL (-10.0% w/w) AND ARDOVA (-5.4% w/w). This was followed by the Consumer Goods (-1.4% w/w) sector-driven southwards by the price depreciation in UNILEVER (-7.5% w/w) and CHAMPIONS (-6.8% w/w). The Insurance (-0.5% w/w)

### Global Market Snapshot

Market	Index		w/w
US	S&P 500	▼	-0.7%
US	DJIA	▼	-0.5%
US	NASDAQ	▼	-1.0%
Germany	DAX	▲	0.4%
France	CAC	▲	0.3%
Europe	STOXX	▼	-0.1%
UK	UK FTSE	▼	-1.7%
Brazil	IBOV	▲	1.2%
Russia	RTSI	▼	-3.4%
India	SENSEX	■	0.0%
China	SCHOMP	▼	-0.2%
S/Africa	JALSH	▲	0.7%
Kenya	NSE	▼	-1.1%
Ghana	GSE	▼	-1.7%
Nigeria	NSEASI	▼	-0.1%
Egypt	EGX30	▼	-1.5%

Source: Bloomberg, United Capital Research

## Domestic Financial Markets Review and Outlook

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	43,199.3	▼ -0.1%	▲ 7.3%		Mkt Cap (tr ' N)	22.5
Banking	391.6	▼ -1.6%	▼ -0.4%		Mkt Cap (m' \$)	54,310.3
Consumer Goods	560.9	▼ -1.4%	▼ -2.2%		P/E(x)	N/A
Industrial Goods	2,194.4	▼ -0.1%	▲ 6.9%		P/BV(x)	2.0
Insurance	176.8	▼ -0.5%	▼ -6.7%		Div Yield	4.7%
Oil & Gas	368.0	▼ -3.6%	▲ 62.7%		14-day RSI	71.6

Source: NSE, Bloomberg, United Capital Research

and Banking sectors (-0.4% w/w) depreciated on account of losses in PRESTIGE (-8.9% w/w), GTCO (-7.5% w/w) and UNITYBNK (-6.8% w/w). Lastly, the Industrial Goods sector (-0.1% w/w) on the back of selloffs in WAPCO (-2.0% w/w). Regarding corporate actions, Arдова Plc. (ARDOVA) announced the successful completion of the acquisition of 100.0% equity stake in ENYO Retail and Supply Limited.

**This week, we expect a sideways market, with a bias towards the bias, as we expect continued investor profit-taking on gains from the 9M earnings season. Additionally, market participants will be watching the fixed income space.**

### Money Market Review: System liquidity tightened

Last week, system liquidity tightened further on the back of the Bond auction settlement of N225bn and OMO mop-up activity was conducted by the CBN to the tune of N25bn, despite N72.5bn worth of OMO maturities hitting the system. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates rose by 450bps and 475bps w/w to close at 19.00% and 20.00% respectively.

At the primary market, Central Bank conducted an OMO auction offering to sell a total of N25.0bn worth of bonds. Investors' appetite remained strong as the auction was oversubscribed to the tune of c.N95.1bn, N70.1bn more than the volume on offer. The stop rates on the 124-day, 194-day, and 341-day remained unchanged to close at 7.0%, 8.5% and 10.1%, respectively.

In the NTB secondary market, bullish sentiment drove yield rates southwards as the average yield on NTB decreased by 7bps to 5.11% from 5.18%. Similarly, activities in the secondary OMO market maintained a bullish sentiment as the average yield declined to 5.48%, down 14bps from last week's close.

**Looking ahead, the Central Bank of Nigeria (CBN) is expected to conduct an NTB auction, where it is expected to roll over N118.7bn worth of maturity bills. At the auction, we expect the stop rates to trend lower, considering the recent investor trend in the treasury bills, and continued investor cautious stance towards bonds.**

## Domestic Financial Markets Review and Outlook

### Bonds Market Review: Marginal rates for 2050s tick upwards

In the past week, saw the DMO oversell to the tune of c.N225.25bn i.e., c.N75.25bn more than the volume on offer N150bn. The 2026s and 2037s were unchanged from the last auction, closing at 11.65% and 12.95% respectively, while for the third consecutive auction, the 2050s continued to upward trajectory, rising by c.10bps to close at 13.30%. At the auction, investor demand for the longer end paper remained strong, as the 2050s was oversubscribed by 4.1x, whilst the 2026 and 2037s closed at 1.0X and 0.9X. Furthermore, ARDOVA announced the successful issuance of a tranche A and tranche B Series I bond worth up to N25.3b cumulatively. The issuance is part of the company's newly established N60.0b bond issuance program.

In the secondary bonds market, performed bearish as rates spiked on the back of cold investor sentiment toward the bond space, which drove average yield at the secondary market higher by 7bps to close at 11.4% (previously 11.30%). Similarly, the corporate segment closed flattish, as average yield decreased by 6bps w/w to 11.84% from 11.90%.

In the Eurobond market, proceedings from the secondary market closed bearish as the average yield climbed by 21bps to close at 7.03%. On the flip side, the average yield fell by 35bps at the corporate Eurobond market to close at 2.03%.

**In the coming week, we expect a quiet trading session in the secondary sovereign bonds market as investors will continue to sit on the sidelines awaiting any signals of the yield direction.**

### Currency Market: Naira appreciates at the I&E window

Last week, the naira appreciated by 0.2% at the I&E window, settling at N414.40/\$1. 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 12.2% w/w to print at \$131.9m, compared to \$150.2m in the prior week. Gross external reserves closed 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 express our concerns regarding the reported segmentation in the I&E window. We will continue 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	19.0%	▲ 4.5%
O/N	20.0%	▲ 4.8%
3m	4.2%	▲ 0.2%
6m	5.1%	▼ 0.0%
12m	6.6%	▼ -0.3%
Bonds	Yield	w/w chg
3yrs	9.6%	▼ 0.0%
5yrs	11.6%	▼ 0.0%
7yrs	11.9%	▲ 0.2%
10yrs	12.2%	▲ 0.2%
FX	Close	w/w chg
NAFEX	414.4	▲ 0.2%
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	9.0	319.9	↓ -4.4%	SELL	3.6	22.5	2.5x	0.4x	0.9	9.4%	37.4
FBNH	7.1	35.9	11.6	414.6	↓ -38.5%	HOLD	2.1	21.2	5.4x	0.5x	0.5	3.9%	53.8
FCMB	3.0	19.8	3.0	59.4	↑ 0.7%	HOLD	NM	NM	NM	NM	0.2	5.0%	44.4
FIDELITYBK	2.7	29.0	2.6	74.5	↑ 3.9%	HOLD	1.1	9.8	2.3x	0.3x	0.2	8.6%	35.7
GTCO	39.9	29.4	25.4	747.6	↑ 57.1%	BUY	6.6	26.5	3.8x	1.0x	3.0	11.8%	22.9
ZENITHBANK	30.4	31.4	23.9	750.4	↑ 27.2%	BUY	7.4	37.8	3.2x	0.6x	3.0	12.6%	40.6
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
<b>Consumer Goods</b>													
DANGSUGAR	19.6	12.1	16.8	204.1	↑ 16.7%	HOLD	2.6	11.0	6.5x	1.5x	1.5	8.9%	37.2
INTBREW	5.9	26.9	5.5	147.7	↑ 6.9%	HOLD	(0.6)	5.3	NM	1.0x	0.0	0.0%	61.5
NESTLE	1,322.9	0.8	1,390.0	1,101.8	↓ -4.8%	HOLD	51.5	43.8	27.0x	31.7x	60.5	4.4%	21.4
UNILEVER	16.0	5.7	13.5	77.6	↑ 18.3%	HOLD	(0.2)	11.1	NM	1.2x	NM		37.9
FLOURMILL	46.6	4.1	29.3	119.9	↑ 59.3%	BUY	NA	41.8	NM	0.7x	1.7	5.6%	58.7
NB	39.7	8.0	51.0	407.8	↓ -22.2%	SELL	1.1	20.7	47.0x	2.5x	1.1	2.1%	61.2
GUINNESS	18.4	2.2	36.5	79.9	↓ -49.6%	SELL	2.8	36.2	13.0x	1.0x	NA		62.7
PZ	UR	4.0	6.0	23.8	NA	UR	0.8	NM	8.0x	NA	NM		53.0
UACN	UR	2.9	10.7	30.8	NA	UR	0.5	15.6	19.5x	0.7x	0.7	6.1%	56.7
<b>Industrial Goods</b>													
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	25.0	402.7	↑ 24.8%	BUY	2.7	23.8	9.3x	1.0x	1.0	4.0%	47.7
BUACEMENT	48.0	33.9	74.5	2,522.9	↓ -35.6%	SELL	2.1	11.0	35.8x	6.7x	NM		87.2
<b>Agric</b>													
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	88.9	88.9	↓ -9.3%	SELL	NM	42.8	NM	2.1x	1.0	1.1%	79.7
<b>Oil &amp; Gas</b>													
TOTAL	250.4	0.3	216.8	73.6	↑ 15.5%	BUY	44.0	NA	4.9x	NA	4.0	1.8%	41.6
SEPLAT	770.4	0.6	721.2	424.4	↑ 6.8%	HOLD	0.1	2.9	NA	248.4x	0.1	0.0%	29.8
OANDO	UR	12.4	4.9	60.4	NA	UR	2.3	16.8	2.1x	0.3x	0.0	0.0%	47.2
ARDOVA	23.4	1.3	13.2	17.2	↑ 77.3%	BUY	#N/A/N/A	14.5	#VALUE!	0.9x	0.0	0.0%	30.1

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= 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 19th November, 2021**

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