

Investment Views: 29th March 2021 to 2nd April 2021

29th March 2021

Markets | Weekly

Domestic Macro Variables

GDP	0.1%
Inflation	17.3%
MPR	11.5%
Brent Crude	\$64.6/b
External Reserves	\$34.6bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

In the previous week, the Monetary Policy Committee (MPC) held a 2-day meeting where committee members voted on potential policy changes. The MPC voted to maintain status quo on all its monetary policy tools, retaining the MPR at 11.5%, CRR at 27.5%, Liquidity ratio at 30.0% and the Asymmetric corridor of +100/-700 around the MPR. The decision to hold all policy parameters at current levels is intended to create a stable environment to allow for stronger economic recovery, as the recessionary pressures facing the country remain, as seen with the growing unemployment rate.

Elsewhere, according to data released by the NBS, there was an increase in credit creation as bank's credit to the economy rose by N75.0bn to N43.7trn as of the end of February from N42.9trn in January. The growth in banking credit remains fueled by the CBN's 65.0% minimum LDR requirement.

Furthermore, to combat the ongoing food insecurity in the country, the Central Bank of Nigeria (CBN) declared it has disbursed N1.5trn under its various agricultural programmes. Despite these fiat-backed interventionist policies, food security remains threatened, as the existence of several structural constraints particularly at the supply end of the value chain remain unresolved.

This week, we expect the macroeconomic space to be fairly quiet as the NBS calendar has limited macro data to be released this week. Thus, focus remains largely on events that shape the nation's snail-paced recovery from recession.

This Week

- NTB Primary Market Auction— CBN
- Nigerian Domestic and Foreign Debt Q4-2020—NBS

Source: CBN, NBS, Bloomberg, United Capital Research

Global Market Review and Outlook

Broad-based bullish market sentiment

In the past week, the mood around major global markets was largely bullish. U.S. stocks rallied towards the end of the week on hopes of economic recovery after the newest stimulus checks started being disbursed in the past week. As such, the DJIA (+1.4% w/w) and the S&P (+1.6% w/w) gained, while the Nasdaq (-0.6% w/w) was the laggard in the U.S. market. With regards to the bonds market, the 10-yr bond yield declined marginally by 7bps w/w to close at 1.7%, perhaps feeding improved buying interest.

In Europe, markets have been clouded by the fears of a third coronavirus wave. However, in the past week, European markets performed well, mainly due to a rally in oil and metal stocks as the Euro STOXX (+0.8 w/w) and the FTSE 100 (+0.5% w/w) closed in the green.

In China, the Shanghai composite index (+0.4% w/w) gained following weeks of declines as the market had been reacting to rising bond yields in China and the U.S. In Japan, the NIKKEI 225 (-2.0% w/w) saw a sharp drop in the past week as investors sold stocks to rebalance their portfolios toward the end of the fiscal year ending March. Lastly, after last week's 7.0% decline in the oil market, crude prices rebounded on the back of supply concerns after the blocking of the Suez Canal by a stuck ship. In the oil market, Brent price closed flat despite blockade on the Suez Canal which distorted trade flows; however, oil prices have gained 6.0% since Tuesday's (23/03/2021) closing price of \$60.8 per barrel.

Going forward, we expect the performance of global equities to be largely predicated on the pace of economic recovery, monetary and fiscal responses, and the developments in the treasury markets. For oil, we remain bullish in 2021. Our optimism hinges on robust vaccine rollouts and rising demand.

Equity Market: Local bourse snaps 7-week losing streak

Last week, in line with our expectation, the local bourse rebounded strongly as several large-cap counters released decent numbers as well as solid dividend yields. In addition, investors appeared to ignore the uptick in yields at the bond auction as the equities market presented attractive buying opportunities following weeks of severe selloffs. Overall, the benchmark All Share Index (ASI) closed the week higher by 2.2% w/w to settle at 39,216.20 points, pushing YTD loss lower to 2.6%. Similarly, Market capitalization rose by

Global Market Snapshot

Market	Index		w/w
US	S&P 500	▲	1.6%
US	DJIA	▲	1.4%
US	NASDAQ	▼	-0.6%
Germany	DAX	▲	0.9%
France	CAC	▼	-0.2%
Europe	STOXX	▲	0.8%
UK	UK FTSE	▲	0.5%
Brazil	IBOV	▼	-1.2%
Russia	RTSI	▼	-1.6%
India	SENSEX	▼	-1.7%
China	SCHOMP	▲	0.4%
S/Africa	JALSH	▲	1.4%
Kenya	NSE	▼	-0.3%
Ghana	GSE	▲	0.9%
Nigeria	NSEASI	▲	2.2%

Source: Bloomberg, United Capital Research

Index	Close	w/w chg	YTD Rtn	Market Indicators
NSEASI	39,216.7 ▲	2.2%	▼ -2.6%	Mkt Cap (tr ' N) 20.5
Banking	361.9 ▲	0.2%	▼ -7.9%	Mkt Cap (m' \$) 50,044.2
Consumer Goods	539.5 ▲	1.4%	▼ -5.9%	P/E(x) 13.9
Industrial Goods	1,928.2 ▲	2.9%	▼ -6.0%	P/BV(x) 1.7
Insurance	199.3 ▲	0.9%	▲ 5.2%	Div Yield 4.6%
Oil & Gas	267.3 ▲	0.7%	▲ 18.2%	14-day RSI 48.4

Source: NSE, Bloomberg, United Capital Research

N436.3bn to print at N20.5tn. Reminiscent of bargain hunting in large-cap counters, activity level was skewed towards higher-value trades, as average value traded improved by 10.6% w/w to N4.3bn while average volume traded fell 34.7% w/w to 306.0m units.

In line with the strong bullish performance, sector performance was bullish as all the five core sectors under our coverage closed northwards. The Industrial Goods and Consumer Goods indices led the gainers, closing higher by 2.9% w/w and 1.4% w/w. Bargain hunting in BUACEMENT (up 5.1% w/w), DANGCEM (up 2.3% w/w), GUINNESS (up 18.6% w/w) and INTBREW (up 11.8% w/w) drove the gains in those indices. The Insurance and Oil & Gas indices followed, gaining 0.9% w/w and 0.7% w/w respectively as buying interest in OANDO (up 8.2% w/w), LASACO (up 6.6% w/w) and SOVRENIN (up 4.3% w/w) drove them northwards. The Banking index closed higher by 0.2% w/w driven by gains in STANBIC (up 30.0% w/w) and STERLNBA (up 13.4% w/w).

Investor sentiment as measured by market breadth strengthened (for the 3rd consecutive week), to 2.7x from 1.3x the previous week as 48 stocks (vs. 33 stocks last week) closed in the green while 18 stocks (vs. 25 stocks last week) closed southwards. Last week, DANGCEM released its FY-2020 result as Revenue and Net income grew 16.0% y/y and 37.7% y/y to N1,034.2bn and N891.7bn. The cement giant declared a dividend payment of N16.0/s. Also, WAPCO released its FY-2020 scorecard, growing Revenue by 8.3% y/y to N230.6bn while Net income surged 98.8% to N30.8bn. WAPCO announced a dividend payment of N1.0/share. Furthermore, INTBREW released its numbers recording a 3.4% y/y growth in Revenue to N136.8bn in FY-2020 while Net Loss fell 55.5% y/y to N12.4bn in FY-2020. Lastly, Stanbic IBTC released decent numbers as Gross earnings and Net Income 0.3% y/y and 10.9% y/y respectively, to N234.4bn and N83.2bn, respectively. The group announced a dividend payment of N3.60/s as well as a bonus issue of 1 share for every 6 shares held.

Domestic Financial Markets Review and Outlook

Last week, the benchmark ASI crossed above its 20-day MA, crossing the 39,000 points psychological mark in the process. This represents a significant signal that the short term rebound may be extended for a few more weeks if the index manages to hold above this point. However, we struggle to see sentiments keep the index above this key point as most large-cap counters have released their numbers exhausting possibilities of positive earnings drivers. In addition, we expect the pace of reversal in the yield environment to continue as more auctions are conducted. That said, we perceive investors may look to sell into the strength of the market particularly as stocks go ex-div leaving the market in a sideways pattern.

Money Market: Yield reversal intensifies, average T-bills yield up 78bps

Last week, inflows from OMO maturities (N50.0bn) and FAAC allocations improved system liquidity. However, outflows from Wednesday's FGN bond auction, ensured the Open Buyback (OBB) remained in double digits. The OBB and O/N rates closed the week at 10.5% (previously 25.0%) and 10.8% (previously 25.5%), respectively.

The CBN continued its weekly OMO mop-up auction with a N40.0bn offering on Thursday. The 89, 173, and 355-day instruments' stop rates were unchanged from the previous auction, at 7.0%, 8.5%, and 10.1%, respectively.

At the secondary NTB market, after a quiet start to the week, activity turned bearish in response to the direction of rates at the FGN bond auction. Consequently, the average T-bills yield closed at 4.22%, up 78bps w/w from 3.44%.

This week, we expect the CBN to conduct a PMA to rollover maturing T-bills worth N95.7bn worth of T-bills. We see a further uptrend in rates, and we expect the outcome to drive activity in the secondary market. In addition, N180.8 billion in OMO maturities will enter the system, as such, we expect the CBN to sustain its OMO mop-up auctions.

Bond Market: FGN bond rates hit 9-month high

The Bond market started the week on a relatively quiet note as market participants remained on the sidelines amid uncertainty around the outcome of the MPC meeting and the Debt Management Office (DMO) bond auction.

At the bond auction, the DMO sold N262.1bn worth of naira bonds against N150.0bn offered at its bond auction as the DMO took advantage of the

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	10.5%	▼ -14.5%
O/N	10.8%	▼ -14.8%
3m	2.3%	▲ 0.7%
6m	4.6%	▲ 0.2%
12m	6.7%	▲ 2.4%
Bonds	Yield	w/w chg
3yrs	7.5%	▼ -0.5%
5yrs	9.9%	▼ 0.0%
7yrs	10.5%	▲ 0.4%
10yrs	10.7%	▲ 0.1%
FX	Close	w/w chg
NAFEX	410.0	▲ 0.0%
Parallel	482.5	▲ 0.0%
Official	379.0	▲ 0.0%

Source: FMDQ, United Capital Research

Domestic Financial Markets Review and Outlook

huge bids (the bid to cover ratio was 1.27x) possibly to cover up shortfalls from prior auctions. The 10-year, 15-year & 25-year bonds were allotted at 10.5% (up 25bps from the last auction), 11.5% (up 25bps from the last auction), & 12.0% (up 20bps from the last auction) respectively.

Activity level remained relatively weak in the secondary market post-auction despite FAAC allocations and coupon payments as investors reacted to the oversell at the auction with caution. The average benchmark yield rose by 31bps to 9.8% on Friday from 9.5% in the previous week.

In the Eurobond market, performance was bearish amid the weaker trend in oil prices, rising inflation and rising US yields. Average benchmark yields climbed 20bps to 6.0%.

This week, we expect improved, albeit bearish activity in the bond market. We expect the Eurobond market to continue trading sideways in the absence of any major trigger.

Currency Market: Naira sustains strength in I&E window

In the previous week, the Naira closed flat at N410/\$ in the I&E window. In the CBN official window, the rate was also left unchanged at N379/\$1. Also, in the parallel market, the Naira closed flat at N482.5/\$. Lastly, external reserves rose marginally by 0.4% to \$34.6bn from \$34.5bn in the previous week.

In the coming week, we expect the Naira to remain stable in the absence of any significant intervention by the Apex bank or economic uproar. In addition, we expect the improvement in external reserves to be sustained, fuelled by higher crude oil receipts.

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	8.4	296.8	↑ 25.7%	BUY	3.1	19.3	2.7x	0.4x	0.7	7.8%	58.4
FBNH	7.4	35.9	7.3	262.0	↑ 1.5%	HOLD	1.8	20.8	4.1x	0.4x	0.4	5.2%	53.4
FCMB	3.0	19.8	3.0	59.0	↑ 1.3%	HOLD	1.0	53.6	3.0x	0.1x	0.1	4.7%	50.0
FIDELITYBK	2.7	29.0	2.3	67.2	↑ 15.1%	HOLD	0.9	9.4	2.5x	0.2x	0.2	8.6%	48.7
GUARANTY	39.9	29.4	31.6	928.6	↑ 26.5%	BUY	7.1	27.1	4.4x	1.2x	3.0	9.5%	55.3
ZENITHBANK	30.4	31.4	22.0	690.7	↑ 38.2%	BUY	7.3	35.6	3.0x	0.6x	3.0	13.6%	39.3
STANBIC	50.1	11.1	52.0	577.5	↓ -3.7%	SELL	7.5	33.4	6.9x	1.6x	4.0	7.7%	85.4
Consumer Goods													
DANGSUGAR	27.0	12.1	16.4	199.2	↑ 64.6%	BUY	2.4	10.3	6.7x	1.6x	1.5	9.1%	29.0
INTBREW	4.8	26.9	5.7	153.1	↓ -16.7%	SELL	(0.5)	5.6	NM	1.0x	0.0	0.0%	56.0
NESTLE	1,322.9	0.8	1,375.0	1,089.9	↓ -3.8%	HOLD	49.5	37.0	27.8x	37.2x	70.0	5.1%	27.3
UNILEVER	15.0	5.7	13.8	79.0	↑ 9.1%	BUY	(0.3)	11.3	NM	1.2x	bid Not App		65.3
FLOURMILL	46.6	4.1	28.8	118.1	↑ 61.8%	BUY	NA	38.8	NM	0.7x	1.4	4.9%	47.6
NB	39.7	8.0	48.5	387.8	↓ -18.1%	SELL	0.9	20.1	52.6x	2.4x	0.9	1.9%	30.6
GUINNESS	18.4	2.2	30.0	65.7	↓ -38.7%	HOLD	(6.5)	33.2	NM	0.9x	NA		90.8
PZ	9.9	4.0	5.0	19.9	↑ 98.0%	BUY	0.8	8.2	6.7x	0.6x	0.1	2.0%	46.4
UACN	UR	2.9	8.7	25.1	NA	UR	0.7	18.4	12.6x	0.5x	0.1	1.1%	72.9
Industrial Goods													
DANGCEM	261.5	17.0	225.0	3,834.1	↑ 16.2%	BUY	16.1	51.4	13.9x	4.4x	16.0	7.1%	53.6
WAPCO	32.5	16.1	21.5	346.3	↑ 51.2%	BUY	1.9	22.3	11.2x	1.0x	1.0	4.7%	42.4
BUACEMENT	59.1	33.9	73.5	2,489.0	↓ -19.6%	SELL	2.1	11.0	35.3x	6.7x	1.8	2.4%	46.5
Agric													
OKOMUOIL	91.3	1.0	90.0	85.9	↑ 1.4%	HOLD	8.2	36.3	10.9x	2.5x	NA		4.9
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	NA	21.5x	NA	6.1	4.3%	75.9
SEPLAT	571.5	0.6	550.0	323.6	↑ 3.9%	HOLD	(0.2)	2.9	NM	188.4x	0.1	0.0%	60.7
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	3.3	41.0	NA	UR	2.3	16.8	1.4x	0.2x	0.0	0.0%	56.3
ARDOVA	17.6	1.3	15.2	19.8	↑ 16.0%	HOLD	1.4	13.8	10.7x	1.1x	0.0	0.0%	41.9

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, UR = Under Review

Source: Company filings, NSE, United Capital Research, UR= "Under Review"
Prices as at Friday 26th March, 2021

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