

Investment Views: 31st January 2021 to 4th February 2022

31st January 2022

Markets | Weekly

Domestic Macro Variables

GDP	4.0%
Inflation	15.6%
MPR	11.5%
Brent Crude	\$90.56/b
External Reserves	\$40.2bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

Last week, the Monetary Policy Committee (MPC) concluded its first meeting for 2022, and it reached a unanimous decision to retain all policy tools. Thus, the MPC maintained the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR) and Liquidity Ratio (LR) at 11.5%, 27.5% and 30.0%, respectively, with Asymmetric corridor remaining at +100/-700bp around the MPR.

Also, last week, the Federal Government has approved a ₦3.0trn (\$7.2billion) request by the Nigeria National Petroleum Corporation (NNPC) to the Federal Executive Council (FEC) to maintain fuel subsidies in 2022, which represents a whopping 17.5% of 2022 FG spending plan. Following this, the Nigerian Labour Congress called off the pre-scheduled nationwide protest after the Federal Government, through the Minister of Finance, declared the suspension of the planned petrol subsidy removal till further notice. Thus, the FG planned to approach lawmakers to amend the 2022 budget to accommodate petrol subsidies within the stipulated delay period.

In its January World Economic Outlook Update released, the International Monetary Fund (IMF) retained its 2022 growth forecast for Nigeria at 2.7% and revised the 2023 projection by 0.1% to 2.7%.

In the coming week, we expect the macroenvironment to remain relatively muted on the news, as we don't expect any significant data releases.

Global Markets: Equities market remain bearish

Contrary to developments across the global equities market, the US market saw some respite towards the end of the week, with major indices closing higher. At the start of the week, comments from the Fed Chairman, Jerome Powell, reinforced the Federal Open Market Committee's (FOMC) hawkish policy bias. As a result, stocks sold off but rebounded towards the end of the week as stronger than expected GDP numbers which showed the US economy expanded at an annualised rate of 6.9%, bolstering investors sentiments. In addition, positive earnings from heavyweights such as Apple, Microsoft, Visa, IBM, and Johnson & Johnson supported the bullish close. That said, investors preferred to stay in value stocks rather than invest in growth stocks due to weak risk appetite. Overall, the DJIA (+1.3% w/w) and S&P 500

(+0.8% w/w) closed the week higher. However, the NASDAQ Composite closed the week flat.

The story was different in Europe as losses in European markets extended into the fourth consecutive week, for the first time since Mar-2020 during the heat of the pandemic. First, perceived ultra-hawkish monetary policy comments from the US Fed, which indicated the Fed could hike interest rates as many as five times (compared to three initially expected), spooked investors and drove an extended selloff across the market. In addition, steeper than expected contraction in the German economy outweighed better-than-expected economic growth outcomes in Spain and France. Lastly, a disappointing start to the earnings season compounded European markets' woes during the week. Overall, the European STOXX 600 index lost 1.9% w/w. Across individual countries, the German market led the decline, falling 1.8% w/w while the French market trailed, with the CAC 40 closing lower by 1.5% w/w. In addition, the UK FTSE 100 lost 0.4% w/w.

In Asia, bearish sentiments dominated as Asian markets recorded steeper selloffs. The Chinese market recorded strong selloffs from investors as Fed's hawkish monetary policy triggered capital flow reversals even as the Peoples Bank of China (PBOC) continues its path of monetary policy easing. As a result, the Shanghai Composite lost 4.6% w/w. India followed with the SENSEX closing southwards by 3.1% w/w due to selloffs from exiting foreign investors as the reality of tighter monetary policy in advanced economies hit. Lastly, in Japan, the NIKKEI 225 lost 2.9% w/w due to similar reasons as investors digested the policy direction of the FOMC.

Global oil prices continued to rally and closed above \$90.0/bbl for the first time in seven years. Brent closed the week at \$90.03/bbl., gaining 2.4% w/w. The sustained increase in oil price has been due to growing tensions between Russia, Ukraine, and the West. In addition, the inability of OPEC+ members to meet its production increase targets amid rising oil demand has left the market in short supply.

This week, we expect the global equities market to remain volatile. Investors remain on edge and continue to feel uncomfortable holding risk assets. We believe the outcome of the earnings season will broadly shape investors' decisions in the coming week. Thus, we advise investors to take decisions on a case-by-case basis but broadly remain underweight to global risk assets amid heavy volatility.

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▼	-1.3%
US	DJIA	▼	-0.3%
US	NASDAQ	▼	-1.8%
Germany	DAX	▼	-2.1%
France	CAC	▼	-1.9%
Europe	STOXX	▼	-2.2%
UK	UK FTSE	▼	-0.6%
Brazil	IBOV	▲	2.9%
Russia	RTSI	▲	0.4%
India	SENSEX	▼	-3.8%
China	SCHOMP	▼	-4.6%
S/Africa	JALSH	▼	-1.8%
Kenya	NSE	▼	-2.8%
Ghana	GSE	▼	-0.8%
Nigeria	NSEASI	▲	0.5%
Egypt	EGX30	▲	1.0%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg		YTD Rtn		
NSEASI	46,205.1	▲ 0.5%	▲	8.2%	Mkt Cap (tr ' N)	24.9
Banking	439.4	▲ 4.8%	▲	8.2%	Mkt Cap (m' \$)	59,851.5
Consumer Goods	576.0	▲ 2.0%	▼	-2.3%	P/E(x)	10.2
Industrial Goods	2,066.6	▼ -5.1%	▲	2.9%	P/BV(x)	2.1
Insurance	186.7	▼ -3.1%	▼	-5.8%	Div Yield	4.3%
Oil & Gas	392.6	▲ 3.5%	▲	13.8%	14-day RSI	73.0

Source: NSE, Bloomberg, United Capital Research

Domestic Equities: Sustained bull market ... ASI up 0.5% w/w

Last week, local equities ended trading positively, sustaining their 3-week bullish momentum. Buying interest in AIRTELEAF (+10.0% w/w) and SEPLAT (+9.7%) drove the local bourse northwards. As a result, the NGX All-Share Index (NGX-ASI) closed higher by 0.5% w/w printing at 46,205.0, bringing the YTD return to 8.1%, and the total market capitalisation gained N900.0bn w/w to hit N24.9tn. The activity level improved significantly for the week as average volume and value traded rose 11.3% and 109.2% to print at 313.4m units and ₦5.0bn, respectively. Investor sentiment, as measured by market breadth, strengthened to 5.4x from 1.3x as 38 tickers appreciated while 7 depreciated.

On a sectoral level, w/w performance was bullish as three of the sectors we cover closed green. The Banking (+4.8% w/w) sector led the pack as investors took positions in UBA (+3.0% w/w) and ACCESS (+0.5% w/w). The Oil and Gas (+3.5% w/w) sector followed due to buying interest in SEPLAT (+9.7% w/w) and TOTAL (+8.6% w/w). The Consumer goods sector gained 2.0% w/w as price appreciation in INTBREW (+18.0% w/w) and GUINNESS (+14.0% w/w) drove the sector northward. On the flip side, the Industrial (-5.1%) fell, after investors took profits on DANGCEM(-8.6%) and Whilst the Insurance sectors(-3.1%) on the back of losses in CUTIX (-4.0% w/w) and LINKAGE (-10.5% w/w).

Unaudited earnings for stocks begin to trickle in regarding corporate actions, as Guinness Nigeria Plc, Flour Mills Nigeria Plc, Okumu, Total and Unilever Nigeria released their earnings reports. Unilever Nigeria posted a 35.1% increase in Revenue to N70.5bn. Total Energies PLC grew its topline by 66.7% to N341.7bn in the period under review. Okumu also reported growth in topline by 60.0% to N34.7bn in the period under review. Presco also reported a 97.7% and 258.6% growth in Revenue and PAT to N47.7bn and N18.8bn, respectively.

Guinness Nigeria Plc released its H1-2021/22 unaudited result with Revenue growing by 50.8% to N109.8bn in the period under review. Meanwhile, Flour Mills Nigeria PLC released its 9M 2021/2022 earnings posting a 48.1% increase in Revenue to N824.9bn, and PAT also grew by 9.4% in the period under review to

Domestic Financial Markets Review and Outlook

17.0bn.

MTN Nigeria also released its Audited FY-2020 earnings noted, With Revenue growing by 23.3% to N1.6tn, Profit after tax (PAT) also increased by 45.5% to N298.7bn. The company proposed a final dividend of N8.57 kobo per share, bringing the total dividend paid to N13.12 per share. Lastly, Fidelity announced a 21.7% growth in Gross earnings to N249.4bn, Whilst PAT grew by 43.1% to N38.1bn.

This week, we expect the market to maintain its bullish momentum as investors continue to take positions in anticipation of the forthcoming end-of-year releases.

Money Market Review: Excess Liquidity sees stop rate reverse lower

Last week, system liquidity closed lower following inflows from FAAC, Bond coupon payments. Following excess liquidity in the system, the CBN conducted mop-up activity, also following a scheduled CBN auction. As a result of inflows, Open Buy Back (OBB) and Overnight Rate (OVN) closed downwards for the week at 1.0% and 1.3% (previously 15.0% and 15.3%), respectively.

In the primary market, the Central Bank of Nigeria (CBN) conducted a Primary Market Auction (PMA), offering to sell c.N129.3bn of NT bills. The bid to cover ratio reflected the excess system liquidity as the offer was oversubscribed by 3.7x. The CBN oversold the auction by 1.7X, selling c277.7bn vs cN129.3 on offer. Consequently, the stop rate on the 91, 181 and 364-day bill declined by 2bps, 34bps and 10bps to close at 3.3%, 2.5% and 5.4%, respectively. Also, in the Primary OMO market, the CBN held an auction offering N40bn. The offer was oversubscribed by 6.9x, with stop rates at 7.0%, 8.5% and 10.5%, for the 96, 180 and 362-day paper, respectively.

In the NT-bills secondary market, system liquidity level and demand from unmeet bids pushed rates downwards. The average yield on NT-bills fell marginally by 2bps w/w to close at 4.38%. Similarly, in the OMO market, the average yield in the space shed 10bps w/w to close at 5.5%.

Looking ahead, we expect continued mop-up activities from the CBN as OMO maturities to the tune of N30.0bn hit the financial system during the week.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	1.0%	▼ -14.0%
O/N	1.3%	▼ -14.0%
3m	4.0%	▲ 1.1%
6m	4.4%	▲ 0.0%
12m	5.2%	▼ 0.0%
Bonds	Yield	w/w chg
3yrs	8.8%	▼ -0.3%
5yrs	11.0%	▼ -0.5%
7yrs	11.8%	▼ -0.4%
10yrs	12.1%	▼ -0.5%
FX	Close	w/w chg
NAFEX	416.0	▲ 0.0%

Source: FMDQ, United Capital Research

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Bonds Market Review: Increased BUY Sentiment for bonds

Last week, in the bonds space, we experienced strong buy sentiment following excess system liquidity, as we observed BUY interest across all tenors of the yield curve. As a result, the average yield for bonds closed declined by 25bps to close at 11.5%. Similarly, the corporate bonds market displayed bullish sentiment as the average yield dropped by 41bps to 13.1%.

In the Eurobonds market, we observed buy sentiment in sovereign Eurobond bond market, following the CBN's decision to continue with the HOLD stance on the back of hawkish rate adoptions in other developed and emerging markets, as the average yield on sovereign Eurobonds declined 20bps w/w to print at 6.7%.

In the coming week, we expect a muted activity in the bond space, as the CBN will look to mop-up excess liquidity in the market following inflows from the prior week.

Currency Market: Naira closed flat at I&E window

Last week, the Naira closed flat at the investors & exporters (I&E) window to remain at N416.0/\$. At the parallel market, we continue to find quotes in the region of N565.0/\$- N575.0/\$ across all levels as dollar supply remain constrained. Nigeria's external reserves declined by 0.5% w/w to close at USD\$40.1bn.

We expect the I&E window to continue trading around current levels this week. However, we hold that the CBN may need to devalue the Naira further to see increased activity, particularly from FPIs at the official 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	9.9	348.3	↓ -12.7%	SELL	3.6	22.5	2.8x	0.4x	0.9	8.6%	74.6
FBNH	7.1	35.9	12.0	430.7	↓ -40.6%	SELL	1.7	20.7	7.0x	0.6x	0.5	3.8%	57.9
FCMB	3.0	19.8	3.0	58.4	↓ -0.7%	SELL	NM	NM	NM	NM	0.2	4.9%	44.0
FIDELITYBK	2.7	29.0	2.7	77.1	↓ -1.8%	SELL	1.1	9.8	2.4x	0.3x	0.2	8.1%	70.9
GTCO	39.9	29.4	25.7	759.3	↑ 55.6%	BUY	6.6	26.5	3.9x	1.0x	3.0	11.7%	46.9
ZENITHBANK	30.4	31.4	25.8	811.6	↑ 18.1%	BUY	7.4	37.8	3.5x	0.7x	3.0	11.7%	72.5
STANBIC	51.9	13.0	35.8	466.5	↑ 45.2%	BUY	4.3	27.2	8.2x	1.3x	4.1	11.4%	34.0
Consumer Goods													
DANGSUGAR	19.6	12.1	17.5	215.6	↑ 12.3%	HOLD	NA	10.2	NA	1.7x	1.5	8.6%	62.4
INTBREW	5.9	26.9	5.9	134.3	↓ -0.3%	SELL	(0.6)	5.3	NM	1.1x	0.0	0.0%	53.5
NESTLE	1,322.9	0.8	1,435.0	1,137.5	↓ -7.8%	SELL	51.5	43.8	27.8x	32.8x	60.5	4.2%	44.9
UNILEVER	16.0	5.7	14.0	75.8	↑ 14.1%	BUY	(0.2)	11.1	NM	1.3x	NM		37.9
FLOURMILL	46.6	4.1	28.6	117.1	↑ 63.2%	BUY	NA	41.8	NM	0.7x	1.7	5.8%	42.3
NB	39.7	8.0	48.5	378.3	↓ -18.1%	SELL	1.1	20.7	44.7x	2.3x	1.1	2.2%	47.8
GUINNESS	18.4	2.2	48.1	92.4	↓ -61.7%	SELL	2.8	36.2	17.1x	1.3x	NA		94.9
PZ	UR	4.0	7.0	27.8	NA	UR	0.8	NM	9.3x	NA	NM		68.7
UACN	UR	2.9	9.0	26.4	NA	UR	0.5	15.6	16.4x	0.6x	0.7	7.2%	40.4
Industrial Goods													
DANGCEM	270.3	17.0	260.6	4,854.8	↑ 3.7%	HOLD	20.1	52.1	13.0x	5.0x	16.0	6.1%	73.3
WAPCO	31.2	16.1	25.6	409.1	↑ 21.9%	BUY	2.7	23.8	9.6x	1.1x	1.0	3.9%	56.6
BUACEMENT	48.0	33.9	70.0	2,417.9	↓ -31.4%	SELL	2.1	11.0	33.6x	6.3x	NM		52.6
Agric													
OKOMUOIL	91.3	1.0	142.0	135.5	↓ -35.7%	SELL	14.7	41.8	9.7x	3.4x	NA		97.2
PRESCO	80.6	1.0	87.8	87.8	↓ -8.2%	SELL	NM	42.8	NM	2.1x	1.0	1.1%	46.0
Oil & Gas													
TOTAL	250.4	0.3	241.0	75.3	↑ 3.9%	HOLD	44.0	NA	5.5x	NA	4.0	1.7%	63.9
SEPLAT	770.4	0.6	790.0	423.7	↓ -2.5%	SELL	0.1	2.9	NA	272.1x	0.1	0.0%	84.1
OANDO	UR	12.4	4.6	59.2	NA	UR	2.3	16.8	2.0x	0.3x	0.0	0.0%	53.5
ARDOVA	23.4	1.3	12.9	17.1	↑ 81.4%	BUY	NA	14.5	NA	0.9x	0.0	0.0%	44.6

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 28th January, 2022

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