

# Investment Views: 4th January 2021 to 7th January 2022

4th January 2021

Markets | Weekly

## Domestic Macro Variables

GDP	4.0%
Inflation	15.4%
MPR	11.5%
Brent Crude	\$77.78/b
External Reserves	\$40.5bn

Source: CBN, Bloomberg, United Capital Research

### Macro Highlights and Outlook

President Muhammadu Buhari has signed the 2022 Appropriation Bill with total expenditure size of N17.1tn into law. The budget was increased by N735.9bn from the proposed N16.4tn while oil benchmark was raised to \$62.0/bbl from \$57.0/bbl. Oil production was retained at 1.88m bbl p/d, while exchange rate, GDP and inflation rate were fixed at N410.15/\$, 4.2% and 13.0% respectively.

The Federal Government (FG) declared that it requires N348.1tn to achieve the target set out in the 2021-2025 National Development Plan. The plan aims to generate 21.0m full-time jobs and lift 35.0m people out of poverty by 2025, setting the stage to achieve the government's commitment of lifting 100.0m Nigerians out of poverty in 10 years.

According to the financial market department of the Central Bank of Nigeria (CBN), the total amount of money raised by the FG via bond issuances and allotment rose by N2.0tn in H1-2021 to N13.7tn, from the N11.7tn recorded in H1-2020.

The World Bank has announced a \$93.0bn replenishment package of the International Development Association (IDA) to help low-income countries (Nigeria inclusive) respond to the COVID-19 crisis and build a greener, more resilient, and inclusive future.

**Heading into the new week, we expect the macroeconomic discourse to be dominated by aftermath discussions on the 2022 budget.**

### Global Markets: Global equities end 2021 on a high note

Despite coronavirus infection rates reaching new highs, waning concerns over the hospitalization and death rate of the omicron variant improved investor sentiment as global equities finished the year on a high note. Weekly unemployment claims in the United States fell to near five-decade lows, while continuing claims decreased far more than predicted, reaching their lowest level since the pandemic began. The major stock market indices in the US, the DJIA (+1.1% w/w), S&P 500 (+0.9% w/w) & NASDAQ (-0.1%) closed mixed for the week, as trading activity stayed light.

In Europe, coronavirus infections reached new daily highs over the holidays in France, the United Kingdom, Italy, and Spain. Notably, France and Italy, among other countries increased security measures to prevent the virus from spreading during the New Year's Eve festivities. The pan-European STOXX Europe 600 Index ended the week with a 1.1% gain. Germany's XETRA DAX Index added 0.8% w/w, France's CAC 40 increased 0.9%, and Italy's FTSE MIB advanced 1.2%, while the UK's FTSE 100 Index was flattish.

In Asia, Japan's NIKKEI 225 rose by a muted 3bps in the holiday-shortened week while China's Shanghai Composite Index lost 0.1% w/w. Notably, according to Ministry of Economy, Trade, and Industry data, Japan's industrial production increased by a record 7.2% m/m in Nov-2021 (seasonally adjusted) amid easing supply-side pressures. Manufacturing and non-manufacturing Purchasing Managers' Index (PMI) readings in China printed at 52.2 (readings above 50.0 indicate expansion) in Dec-2021, the same as in Nov-2021.

In the oil market, Brent rose by 2.2% w/w to end the year at \$77.78/b, as Omicron fears continued to ease.

**This week, the Organization of Petroleum Exporting Countries (OPEC) and its allies, including Russia, will meet to assess the state of the market and discuss supply policies through 2022. For the equities market, we expect to see some rounds of profit-taking in the coming days, following the strong close to the year for global equities.**

### Domestic Equities: Dominant bulls pull ASI up 1.1% w/w

Last week, in a shortened trading week, the local equities market rallied on the final day of the year to close on a positive note as the bulls dominated the local bourse. Thus, the NGX All-Share Index (NGX-ASI) closed higher by 1.1% w/w to print at 42,716.4 points, bringing the YTD return to 6.1% while market capitalization gained N471.4bn to hit N22.3tn. For the week, activity level increased as average volume and value rose by 26.5% and 436.0% to 455.2m units and N3.5bn, respectively. The increased activity level was broadly supported by portfolio rebalancing efforts which saw significant transactions on large cap counters like NESTLE and MTNN. Investor sentiment, as measured by market breadth strengthened to 1.5x from 1.3x as 31 tickers appreciated while 21 depreciated.

Across sectors, w/w performance was mainly bullish as three of the sectors we cover closed in the green. The Consumer goods (+6.2% w/w) sector was the biggest gainer as buying interests in NESTLE (+10.0% w/w) and UNILEVER

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▲	0.9%
US	DJIA	▲	1.1%
US	NASDAQ	▼	-0.1%
Germany	DAX	▲	0.8%
France	CAC	▲	0.9%
Europe	STOXX	▲	1.1%
UK	UK FTSE	▲	0.2%
Brazil	IBOV	▼	-0.1%
Russia	RTSI	▲	0.7%
India	SENSEX	▲	1.6%
China	SCHOMP	▲	0.6%
S/Africa	JALSH	▲	3.0%
Kenya	NSE	▼	-3.1%
Ghana	GSE	▼	-0.8%
Nigeria	NSEASI	▲	1.1%
Egypt	EGX30	▲	3.5%

Source: Bloomberg, United Capital Research

Index	Close	w/w chg	YTD Rtn	Market Indicators
NSEASI	42,716.4	▲ 1.1%	▲ 6.1%	Mkt Cap (tr ' N) 21.8
Banking	406.1	▲ 2.6%	▲ 3.3%	Mkt Cap (m' \$) 4.0
Consumer Goods	589.3	▲ 6.2%	▲ 2.8%	P/E(x) 9.6
Industrial Goods	2,008.3	▼ -3.9%	▼ -2.1%	P/BV(x) 2.0
Insurance	198.1	▲ 1.9%	▲ 4.5%	Div Yield 4.7%
Oil & Gas	345.0	▼ -1.1%	▲ 52.5%	14-day RSI 57.0

Source: NSE, Bloomberg, United Capital Research

(+8.6% w/w) drove the sector northward. This was followed by the Banking sector (+2.6% w/w) on the back of price appreciation in ZENITH (+3.1% w/w) and ACCESS (+5.1% w/w). The Insurance sector gained 1.9% w/w as investors took positions in REGALINS (+18.6% w/w) and SOVRENIN (+15.4% w/w). On the flip side, the Industrial goods (-3.9% w/w) and Oil & Gas (-1.1% w/w) sectors lost on account of losses in BUACEMENT (-10.0% w/w), ETERNA (-4.7% w/w) and OANDO (-3.9% w/w).

**This week, we expect the market to open the year on a mild bearish note as investors take profits off the table. That said, we expect the January buying interest to resume in no distant time as investors begin to position for FY-2021 dividend announcements.**

### **Money Market Review: 364-day bill stop rate close lower at NT-bills auction**

Last week, financial system liquidity was broadly elevated as liquidity opened the week at N176.1bn long and was subsequently bolstered by OMO maturities worth N60.0bn with the CBN choosing not to rollover the maturities. The major drain on liquidity was the debit for the NT-bills auction worth N52.8bn which was net-off by NT-bills maturity, leaving no impact on financial system liquidity. As a result, interbank rates closed lower as the Open Buy Back (OBB) and Overnight (OVN) rates both shed 200bps w/w to close the week at 10.0% and 10.5% (previously 12.0% and 12.5%) respectively.

At the last NT-bills auction, the CBN offered to sell N52.8bn worth of NT-bills with the auction receiving a total bid of N82.3bn implying a bid-to-cover ratio of 1.6x. As expected, the 364-day bill received the strongest interest from investors. However, the CBN opted to sell the exact amount it had on offer. Due to the strong demand, the CBN was able to drop the rate on 364-day bill by 10bps to 4.9% while keeping the 91-day and 182-day constant at 2.49% and 3.45% respectively.

In the NT-bills secondary market, activities were relatively quiet with sustained

## Domestic Financial Markets Review and Outlook

investor interest towards long-tenor bills. Thus, the average yield on NT bills closed lower by 4bp w/w to 4.44% (previously, 4.48%), as unfulfilled demand for the 364-day bill from the previous NT-bills primary market auction trickled into the secondary market. On the other hand, activities in the secondary OMO market closed bearish as average yield rose 6bps to close at 5.50% (previously, 5.44%).

**Looking ahead, we expect the CBN to sustain its mop up activities as OMO maturities to the tune of N50.0bn is expected to hit the financial system during the week.**

### Bonds Market Review: Quiet week for bonds as Eurobonds see resurgence

Last week, the secondary bonds market was relatively quiet, investors played it calm in the final week of trading for the year. This is largely a pass-through impact of their unwillingness to carry interest rate risk into the new year, due to expectation of higher yields. Overall, average yield at the secondary market fell marginally by 1bp w/w to close at 11.55% (previously 11.56%). Similarly, the corporate bond segment was muted as average yield stayed constant to remain at 12.06%.

In the Eurobond market, proceedings at the secondary market closed bullish last week, as average yield fell 14bps w/w to settle at 7.20% (previously 7.34%). The Eurobonds market witnessed improved buying interest after weeks of selloffs as calm returned to markets on the mild severity of omicron. Similarly, the corporate Eurobond market witnessed bullish sentiments as average yield dropped 11bps w/w to close the week at 3.68% (previously, 3.79%).

**In the coming week, we expect continuous quiet trading session in the secondary bonds market as investors are expected to remain on the sidelines until clarity on the DMO's bond auction programme is gotten. In addition, investors will likely wait until the results of the first bond auction in order to have clarity on the direction of yield movement.**

### Currency Market: Sharp decline at I&E window as CBN devalues Naira

Last week, the Naira depreciated sharply against the US Dollar by c.5.0% to N435.00/\$ at the Investors and Exporters (I&E) Window. The decision by the CBN to devalue the Naira was not unexpected as we had projected a

## Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	10.0%	▼ -2.0%
O/N	10.5%	▼ -2.0%
3m	3.8%	▲ 0.6%
6m	3.7%	▲ 0.0%
12m	5.2%	▲ 0.0%
Bonds	Yield	w/w chg
3yrs	9.1%	▼ 0.0%
5yrs	11.3%	▼ 0.0%
7yrs	12.5%	▲ 0.0%
10yrs	12.6%	▲ 0.0%
FX	Close	w/w chg
NAFEX	435.0	▼ -4.6%

Source: FMDQ, United Capital Research

### **Domestic Financial Markets Review and Outlook**

further devaluation to N440.0/\$ - N450.0/\$ range. In the parallel market, we found quotes in the region of N565 - N575/\$1 as dollar supply remains constrained and demand rises amid the yuletide/holiday season consumption.

Regarding activity levels at the I&E window, the average turnover at the window fell by 29.7% w/w, printing at \$165.7m, compared to \$235.7m in the prior week. Lastly, external reserves dropped 12bps to \$40.5bn from \$40.6bn.

**This week, we expect to see the parallel market adjust higher following the devaluation of the naira as players seek to protect their spreads.**

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	9.3	330.6	↓ -7.5%	SELL	3.6	22.5	2.6x	0.4x	0.9	9.1%	58.8
FBNH	7.1	35.9	11.4	398.4	↓ -37.7%	SELL	1.7	20.7	6.7x	0.6x	0.5	3.9%	41.3
FCMB	3.0	19.8	3.0	56.2	↑ 1.0%	HOLD	NM	NM	NM	NM	0.2	5.0%	50.1
FIDELITYBK	2.7	29.0	2.6	73.9	↑ 4.7%	HOLD	1.1	9.8	2.3x	0.3x	0.2	8.6%	51.0
GTCO	39.9	29.4	26.0	762.3	↑ 53.5%	BUY	6.6	26.5	3.9x	1.0x	3.0	11.5%	53.1
ZENITHBANK	30.4	31.4	25.2	791.2	↑ 20.9%	BUY	7.4	37.8	3.4x	0.7x	3.0	11.9%	61.3
STANBIC	51.9	13.0	36.0	492.4	↑ 44.2%	BUY	4.3	27.2	8.3x	1.3x	4.1	11.3%	11.3
<b>Consumer Goods</b>													
DANGSUGAR	19.6	12.1	17.4	211.4	↑ 12.6%	HOLD	NA	10.2	NA	1.7x	1.5	8.6%	63.6
INTBREW	5.9	26.9	5.0	133.0	↑ 18.8%	BUY	(0.6)	5.3	NM	0.9x	0.0	0.0%	52.5
NESTLE	1,322.9	0.8	1,556.5	1,233.8	↓ -15.0%	SELL	51.5	43.8	30.2x	35.5x	60.5	3.9%	98.1
UNILEVER	16.0	5.7	14.5	83.3	↑ 10.1%	HOLD	(0.2)	11.1	NM	1.3x	NM		76.5
FLOURMILL	46.6	4.1	28.4	119.7	↑ 64.4%	BUY	NA	41.8	NM	0.7x	1.7	5.8%	37.0
NB	39.7	8.0	50.0	399.8	↓ -20.6%	SELL	1.1	20.7	46.1x	2.4x	1.1	2.2%	71.6
GUINNESS	18.4	2.2	39.0	85.4	↓ -52.8%	SELL	2.8	36.2	13.9x	1.1x	NA		81.3
PZ	UR	4.0	6.1	24.2	NA	UR	0.8	NM	8.1x	NA	NM		49.7
UACN	UR	2.9	9.5	27.2	NA	UR	0.5	15.6	17.3x	0.6x	0.7	6.8%	44.0
<b>Industrial Goods</b>													
DANGCEM	270.3	17.0	257.0	4,379.4	↑ 5.2%	HOLD	20.1	52.1	12.8x	4.9x	16.0	6.2%	28.2
WAPCO	31.2	16.1	24.0	385.8	↑ 30.3%	BUY	2.7	23.8	9.0x	1.0x	1.0	4.2%	47.3
BUACEMENT	48.0	33.9	67.1	2,436.5	↓ -28.4%	SELL	2.1	11.0	32.2x	6.1x	NM		4.4
<b>Agric</b>													
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	83.0	↓ -8.2%	SELL	NM	42.8	NM	2.1x	1.0	1.1%	46.0
<b>Oil &amp; Gas</b>													
TOTAL	250.4	0.3	221.9	75.3	↑ 12.8%	BUY	44.0	NA	5.0x	NA	4.0	1.8%	63.9
SEPLAT	770.4	0.6	650.0	382.5	↑ 18.5%	BUY	0.1	2.9	NA	223.9x	0.1	0.0%	32.4
OANDO	UR	12.4	4.4	54.9	NA	UR	2.3	16.8	1.9x	0.3x	0.0	0.0%	39.2
ARDOVA	23.4	1.3	13.0	15.2	↑ 80.0%	BUY	NA	14.5	NA	0.9x	0.0	0.0%	19.9

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 31st December, 2021**

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