

Investment Views: 4th October 2021 to 8th October 2021

4th October 2021

Markets | Weekly

Domestic Macro Variables

GDP	5.0%
Inflation	17.0%
MPR	11.5%
Brent Crude	\$78.5/b
External Reserves	\$36.6bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

Last week, the House of Representatives passed the 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) as presented by the President, Major General Muhammadu Buhari (retd.). This came a week after the Senate House had approved at its own sitting.

Major Oil Marketers Association of Nigeria (MOMAN) announced that the landing cost of petrol has risen to N278.0 just as the price of crude oil in the international market reached \$80.0 shortly Wednesday morning. According to latest data released by the Nigerian National Petroleum Corporation (NNPC), the corporation has spent a total of N905.3bn on petrol subsidy for the first eight months of the year despite increasing global oil prices.

The 2021 Annual Statistical Bulletin of the Organisation of Petroleum Exporting Countries (OPEC) released showed a drop of 543.0m barrels in the crude oil reserves of Nigeria. The bulletin indicated that Nigeria's oil reserves dropped from 37,453.0m barrels in 2016 to 36,910.0m barrels in 2020.

The Federal Government has declared its readiness to commence the implementation of the World Bank- assisted \$750.0m Nigeria Covid-19 Action Recovery and Economic Stimulus (NG-CARES) programme. The government had earlier sought the assistance of the World Bank in funding its people-centred Post Covid-19 Economic Sustainability Plan.

The Central Bank of Nigeria's e-Naira website has gone live ahead of its official launch on the 1st of October (www.enaira.com).

In the coming week, we expect the macroeconomic news environment to remain muted with regard to economic data releases.

Global Market Review and Outlook

Broad-based selloffs amid potential policy normalisation

Last week, global equities saw a pullback on the back of the hawkish tone struck by the US federal reserve in the prior week and a resultant rise in US treasury yields. Also weighing on investor sentiment were uncertainties in the fiscal environment. Notably, the US Treasury secretary, Janet Yellen, highlighted that the federal debt limit must be suspended or raised on or

before 18-Oct in order for the Treasury to meet debt obligations. For the week, the US Major Indices, Dow Jones Industrial Average, S&P 500 and NASDAQ lost 1.4%, 2.2%, and 3.2% w/w, respectively.

Elsewhere, European equities also fell sharply as slower growth and inflation worries lingered. In Germany, the center-left Social Democratic Party (SPD) won the tightly contested general election by a small margin. For the week, the pan-European STOXX 600 Index fell 2.2% w/w, as Germany's Xetra DAX Index lost 2.4% w/w, France's CAC 40 Index shed 1.8% w/w, and the UK's FTSE 100 Index tumbled 0.3% w/w.

In China, China Evergrande Group announced that it would offload c.20% of its stake in Shengjing Bank Co. to a state-owned enterprise for c.\$1.5bn to help reduce its debt load. Meanwhile the People's Bank of China reiterated its commitment to fixing the property market and protecting homebuyers. For the week, China's Shanghai Composite Index lost 1.2%. Japan's Nikkei 225 Index tumbled 4.9% w/w.

In the oil market, Brent crude gained for the sixth straight week, closing +2.6% w/w at \$79.28/b as expectations of future demand remain high.

Looking ahead, we maintain a positive bias for global equities. However, with policy normalization clearly in the horizon, we see significant volatility ahead.

Equity Market: Large-caps drag NGXASI up by 3.2% w/w

Last week, the domestic equity market closed well in positive territory amid broad-based gains, supported by large-cap names DANGCEM (+14.3% w/w) and ZENITH (+2.6% w/w). The main index NGXASI, rose sharply by 3.2% w/w to 40,221.2 points, trimming the YTD return to -0.1% and adding N655.9bn in market capitalisation to settle at N20.9tn. Trading activity also improved as the average volume and value traded rose 38.8% and 19.5% w/w to 355.7m units and N3.3bn, respectively.

Across sectors, performance was positive as 4 sector indices we cover closed positive and 1 negative. The Industrial and Consumer Goods indices led the charge, rising 6.7% w/w and 3.4% w/w respectively, due to buying interest in DANGCEM (+6.7% w/w), WAPCO (+2.2% w/w), NESTLE (+5.7% w/w), and FLOURMILL (+1.9% w/w). The Oil & Gas and Banking indices followed, as they gained 0.9% w/w and 0.6% w/w respectively on the back of buying in OANDO (+7.3% w/w), FBNH (+7.3% w/w), and ZENITH (+2.6% w/w). Against the run of play, the Insurance index shed a massive 7.6% w/w amid profit-taking on MANSARD (-29.5% w/w).

Global Market Snapshot

Market	Index		w/w
US	S&P 500		-2.2%
US	DJIA		-1.4%
US	NASDAQ		-3.2%
Germany	DAX		-2.4%
France	CAC		-1.8%
Europe	STOXX		-2.2%
UK	UK FTSE		-0.3%
Brazil	IBOV		-0.3%
Russia	RTSI		0.8%
India	SENSEX		-2.1%
China	SCHOMP		-1.2%
S/Africa	JALSH		-0.8%
Kenya	NSE		0.3%
Ghana	GSE		6.6%
Nigeria	NSEASI		3.2%

Source: Bloomberg, United Capital Research

Equity Market Statistics							
Index	Close	w/w chg	YTD Rtn	Market Indicators			
NSEASI	40,221.2	▲ 3.2%	▼ -0.1%	Mkt Cap (tr ' N)	21.0		
Banking	370.9	▲ 0.6%	▼ -5.6%	Mkt Cap (m' \$)	50,924.7		
Consumer Goods	567.2	▲ 3.4%	▼ -1.1%	P/E(x)	10.8		
Industrial Goods	2,089.4	▲ 6.7%	▲ 1.8%	P/BV(x)	1.8		
Insurance	173.0	▼ -7.6%	▼ -8.7%	Div Yield	5.2%		
Oil & Gas	367.3	▲ 0.9%	▲ 62.4%	14-day RSI	78.9		

Source: NSE, Bloomberg, United Capital Research

Investor sentiment as measured by market breadth (advance/decline) strengthened to 1.4x from 1.2x as 36 stocks gained and 25 lost.

This week, we expect some profit taking on the bourse amid last week's rally.

Money Market: Stop rates on 364-day bill rose by 30bps to 7.50%

Last week, system liquidity remained tight, as the Open Buy Back (OBB) and Overnight (OVN) rates dropped by 100bps w/w and 150bps w/w to close at 15.00% and 15.75% respectively. This was amid debits from the NTB primary auction conducted by the Central Bank, N105.0bn worth of OMO maturities and c.300.0bn CRR debits.

Last week, the Central Bank of Nigeria (CBN) conducted NTB primary market auction selling a total of N115.4bn worth of bills as against N109.6bn on offer. As usual, investors' appetite across the offerings were healthy as the 91-day and 364-day bills recorded subscription rates of 2.4x and 1.6x respectively. On the other hand, the 182-day bill was undersubscribed at 0.9x. Overall, the auction was subscribed by 1.5x receiving a total bid of N174.7bn. The stop rates on the 91-day and 182-day-day bills remained unchanged from the previous auction at 2.5% and 3.5%. Interestingly, the stop rate on the 364-day bill rose by 30bps to 7.50%.

In the NTB secondary market, performance was reflective of the outcome of the auction as we saw selloffs at the end of the curve. Thus, average yield dropped by 32bps w/w to close at 5.29% from 5.61% at the close of last week. Similarly, we saw bullish sentiments in the secondary OMO market as the average yield closed higher at 6.32%, 11bps w/w down last week's close.

Looking ahead, we expect to the NTB secondary market to continue its bullish trend as investors seek to fill unmet demands from the auction.

Domestic Financial Markets Review and Outlook

Bond Market: Marginal-buying interest at the secondary bonds market

Last week, in the secondary bonds market, activities were majorly quiet as investors' attention was fixed on the NTB auction. As a result, we saw marginal buying-interest while performance remained bullish. Thus, average yield on sovereign bonds declined marginally by 3bps w/w to 11.20% from 11.23%, across the curve. In the same vein, the corporate segment closed on a bullish sentiment as the average yield fell by 26bps w/w to 11.46% from 11.72%.

Access Bank (ACCESS) notified the NGX and the public of the successful completion of its US\$500 million 144A/Reg S Additional Tier 1 Eurobond. The bond was priced at 9.125% coupon and recorded over 2x over-subscription.

In the Eurobond market, proceedings from the secondary market were bearish average yield climbed by 9bps to close at 6.16%. Similarly, average yield rose marginally by 4bps at the corporate Eurobond market to close at 2.64%.

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

Currency Market: I&E window closes lower in the past week

Last week, the naira appreciated by 0.5% to close at N413.4/\$1 at the I&E FX window. In the parallel market, we continued to find quotes in the region of N570-N580/\$1 as dollar-naira levels remained elevated.

Regarding activity levels at the I&E window, the average turnover at the window was up by 18.1% w/w to print at \$213.1m, compared to \$180.4m in the prior week. Lastly, external reserves rose by 1.4% w/w to close at \$36.6bn.

The recent pressures observed at the parallel market continue to be driven by FX supply scarcity as BDCs become more competitive for dollar flows. In the absence of any CBN intervention, our short-term overview for the parallel market remains dim. However, our outlook for the naira remains bright for the official window although we hold our position that the CBN may need to further devalue the Naira in the official window to see increased activity in that window.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	15.0%	▼ -1.0%
O/N	15.8%	▼ -1.5%
3m	4.1%	▼ 0.0%
6m	4.1%	▼ -1.1%
12m	7.5%	▼ -0.8%
Bonds	Yield	w/w chg
3yrs	8.8%	▼ -0.3%
5yrs	10.3%	▼ -0.1%
7yrs	11.6%	▼ -0.1%
10yrs	12.0%	▲ 0.0%
FX	Close	w/w chg
NAFEX	413.4	▼ -0.5%

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	9.2	325.2	↓ -6.0%	SELL	3.7	22.0	2.5x	0.4x	0.9	9.3%	52.3
FBNH	7.1	35.9	8.1	289.0	↓ -11.8%	HOLD	2.1	21.2	3.8x	0.4x	0.5	5.6%	83.1
FCMB	3.0	19.8	2.9	57.2	↑ 4.5%	HOLD	NM	NM	NM	NM	0.2	5.2%	37.7
FIDELITYBK	2.7	29.0	2.5	71.6	↑ 8.1%	HOLD	1.2	9.4	2.1x	0.3x	0.2	8.9%	60.6
GTCO	39.9	29.4	28.1	825.5	↑ 42.2%	BUY	6.6	26.5	4.3x	1.1x	3.0	10.7%	57.3
ZENITHBANK	30.4	31.4	23.5	736.2	↑ 29.6%	BUY	7.4	36.4	3.2x	0.6x	3.0	12.8%	44.9
STANBIC	51.9	13.0	39.0	505.3	↑ 33.1%	BUY	4.6	30.5	8.4x	1.3x	4.1	10.5%	22.1
Consumer Goods													
DANGSUGAR	19.6	12.1	17.4	211.4	↑ 12.6%	HOLD	2.6	11.0	6.7x	1.6x	1.5	8.6%	47.7
INTBREW	5.9	26.9	4.8	128.9	↑ 22.5%	BUY	(0.6)	5.6	NM	0.9x	0.0	0.0%	45.3
NESTLE	1,322.9	0.8	1,480.0	1,173.1	↓ -10.6%	HOLD	49.3	28.8	30.0x	51.4x	60.5	4.1%	79.1
UNILEVER	16.0	5.7	13.2	75.8	↑ 21.0%	HOLD	(0.5)	10.9	NM	1.2x	NM		35.8
FLOURMILL	46.6	4.1	29.9	122.6	↑ 55.9%	BUY	NA	42.2	NM	0.7x	1.7	5.5%	63.2
NB	39.7	8.0	49.5	395.8	↓ -19.8%	SELL	1.2	21.1	41.5x	2.3x	0.9	1.9%	43.6
GUINNESS	18.4	2.2	29.6	64.8	↓ -37.8%	SELL	0.6	33.9	51.3x	0.9x	NA		12.6
PZ	UR	4.0	5.8	22.8	NA	UR	0.8	NM	7.7x	NA	NM		48.2
UACN	UR	2.9	10.3	29.5	NA	UR	1.0	17.1	10.7x	0.6x	0.7	6.3%	50.3
Industrial Goods													
DANGCEM	270.3	17.0	280.0	4,771.3	↓ -3.5%	SELL	19.9	46.2	14.1x	6.1x	16.0	5.7%	95.3
WAPCO	31.2	16.1	22.9	368.9	↑ 36.2%	BUY	2.2	23.1	10.3x	1.0x	1.0	4.4%	62.2
BUACEMENT	48.0	33.9	66.0	2,235.0	↓ -27.3%	SELL	2.1	11.0	31.7x	6.0x	NM		2.5
Agric													
OKOMUOIL	91.3	1.0	112.8	107.6	↓ -19.1%	HOLD	13.5	39.7	8.3x	2.8x	NA		70.2
PRESCO	80.6	1.0	80.3	80.3	↑ 0.4%	HOLD	NM	41.2	NM	1.9x	2.0	2.5%	62.9
Oil & Gas													
TOTAL	250.4	0.3	192.0	65.2	↑ 30.4%	BUY	31.4	NA	6.1x	NA	4.0	2.1%	17.9
SEPLAT	770.4	0.6	710.0	417.8	↑ 8.5%	HOLD	0.1	2.9	NA	244.0x	0.1	0.0%	4.9
OANDO	UR	12.4	5.2	64.3	NA	UR	2.3	16.8	2.2x	0.3x	0.0	0.0%	66.4
ARDOVA	23.4	1.3	15.5	20.2	↑ 51.0%	BUY	1.7	14.4	9.1x	1.1x	0.0	0.0%	44.7

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 Thursday 30th September, 2021

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