

# Investment Views: 6th December 2021 to 10th December 2021

6th December 2021

Markets | Weekly

## Domestic Macro Variables

|                   |           |
|-------------------|-----------|
| GDP               | 4.0%      |
| Inflation         | 16.0%     |
| MPR               | 11.5%     |
| Brent Crude       | \$69.88/b |
| External Reserves | \$41.2bn  |

Source: CBN, Bloomberg, United Capital Research

### Macro Highlights and Outlook

The Nigerian President, Muhammadu Buhari, has transmitted the 2021 finance bill to the National Assembly for consideration and passage to provide legal backing to proposals in the 2022 Appropriation Bill. The bill seeks to support the implementation of the '2022 Federal Budget of Economic Growth and Sustainability' by proposing key reforms to specific taxation, customs, excise, fiscal and other relevant laws.

The Nigerian Communication Commission (NCC) announced the qualification of MTN Nigeria Plc, Airtel Networks Limited and an anonymous player for the licensing process for the 3.5 gigahertz spectrum required for 5G deployment. Hence, Globacom and Emerging Markets Telecommunication Service Limited (9mobile) are set to miss out on the deployment of the 5G network for at least two years.

The Nigeria Centre for Disease Control (NCDC) has confirmed its first case of the Omicron variant of Covid-19 in Nigeria on Wednesday 1st December 2021. The agency revealed three persons with a history of travel to South Africa tested positive.

The Debt Management Office (DMO) disclosed in its Domestic Debt Service reports that a lump sum of N2.2tn was gulped by the Federal Government's capital market debt servicing for a total period of 10 months.

**In the coming week, the Nigerian Bureau of Statistics is expected to release the Capital Importation and Foreign Trade in Goods data for Q3-2021.**

### Global Markets: Omicron uncertainties drive further selloffs

Last week, global markets were weighed down by uncertainties surrounding the Omicron variant of Covid-19, as well as the US Federal Reserve hints toward faster-than-expected tightening. In the US, the first Omicron case was detected in California, even as the country tightened travel restrictions. In addition, the Federal Reserve announced that it is now considering a speedier tapering of its asset purchase program, signaling a shift to tighter monetary policy. The labor department showed nonfarm payrolls increased by 210,000 jobs in Nov-2021, slower than 546,000 (revised from 531,000) in

Oct-2021. Similarly, unemployment rate fell to 4.2% from 4.6% sustaining the theme of economic recovery. The Fed appears to be pivoting from concern about a speedier labor market recovery to concern about inflation, as the Fed Chair acknowledged that inflationary pressures are becoming more powerful and persistent. The three major U.S. stock averages, DJIA, S&P 500 and NASDAQ fell 0.9% w/w, 1.2% w/w and 2.6% w/w, respectively.

In Europe, inflation reached its highest level since the single currency was implemented in 1999. Consumer prices in the Eurozone increased at an annualized rate of 4.9% in Nov-2021 - from 4.1% in Oct-2021 - on the back of higher energy costs. Also, Eurostat data showed that retail sales in the Eurozone gained 0.2% m/m and 1.4% y/y in Oct-2021. Furthermore, the Eurozone manufacturing Purchasing Manager's Index (PMI) for November came in at 58.4, up from 58.3 in Oct-2021 2021 indicating sustained expansion in manufacturing activities. Meanwhile, Germany moved to tighten restrictions for people yet to be vaccinated against Covid-19. The major European stock indexes posted mixed performances. The pan-European STOXX Europe 600 Index and Germany's Xetra DAX Index lost 0.3% w/w and 0.6% w/w, respectively, while France's CAC 40 Index gained 0.4% w/w with the UK's FTSE 100 Index adding 1.1% w/w.

Elsewhere, Japan banned the entry of all foreign nationals amid the surge in Covid-19 cases globally and the threat from the Omicron variant. The Nikkei 225 Index registered a 2.5% w/w loss. Conversely, Chinese equities rose, with the Shanghai Composite Index adding 1.2% w/w. China's manufacturing PMI rose to 50.1 in Nov-2021 from 49.2 in Oct-2021 as signs of recovery resurface.

In the oil market, the OPEC+ group's meeting this week resulted in no adjustments to its plans to add an additional 400,000 barrels per day in Jan-2021. The bear market persisted as the uncertainty around interest rates, as well as the Omicron variant weakened sentiments. Brent crude shed 3.9% w/w to close at \$69.88/b.

**Looking ahead, we anticipate that events around the Omicron variant will continue to have an influence on markets, with significant volatility ahead. However, we believe that the robust level of vaccination in advanced economies will remain a great buffer against pandemic-related threats. On monetary policy, we expect the tapering of asset purchases to weigh on markets in the near term.**

| Global Market Snapshot |         |   |       |
|------------------------|---------|---|-------|
| Market                 | Index   |   | w/w   |
| US                     | S&P 500 | ▼ | -1.2% |
| US                     | DJIA    | ▼ | -0.9% |
| US                     | NASDAQ  | ▼ | -2.6% |
| Germany                | DAX     | ▼ | -0.6% |
| France                 | CAC     | ▲ | 0.4%  |
| Europe                 | STOXX   | ▼ | -0.3% |
| UK                     | UK FTSE | ▲ | 1.1%  |
| Brazil                 | IBOV    | ▲ | 2.8%  |
| Russia                 | RTSI    | ▲ | 5.0%  |
| India                  | SENSEX  | ▼ | -1.9% |
| China                  | SCHOMP  | ▲ | 1.2%  |
| S/Africa               | JALSH   | ▲ | 3.2%  |
| Kenya                  | NSE     | ▼ | -1.5% |
| Ghana                  | GSE     | ▼ | -0.6% |
| Nigeria                | NSEASI  | ▼ | -2.6% |
| Egypt                  | EGX30   | ▼ | -1.6% |

Source: Bloomberg, United Capital Research

| Index            | Equity Market Statistics |         |         |  | Market Indicators |          |
|------------------|--------------------------|---------|---------|--|-------------------|----------|
|                  | Close                    | w/w chg | YTD Rtn |  |                   |          |
| NSEASI           | 42,167.9                 | ▼ -2.6% | ▲ 4.7%  |  | Mkt Cap (tr ' N)  | 22.0     |
| Banking          | 381.6                    | ▼ -2.3% | ▼ -2.9% |  | Mkt Cap (m' \$)   | 53,138.8 |
| Consumer Goods   | 546.4                    | ▼ -0.6% | ▼ -4.7% |  | P/E(x)            | 10.1     |
| Industrial Goods | 2,192.1                  | ▼ -0.1% | ▲ 6.8%  |  | P/BV(x)           | 2.0      |
| Insurance        | 188.5                    | ▲ 3.0%  | ▼ -0.5% |  | Div Yield         | 4.8%     |
| Oil & Gas        | 348.2                    | ▼ -4.5% | ▲ 54.0% |  | 14-day RSI        | 41.1     |

Source: NSE, Bloomberg, United Capital Research

### Domestic Equities: Local bourse closes on a bearish note...ASI down by 2.6%

Last week, the local equities market reversed its bullish run due to strong selloffs and profit-taking activities in MTNN (-12.1% w/w) as investors decided to take profits off the bourse. As a result, the NGX All-Share Index (NGX-ASI) closed lower by 2.6% w/w printing at 42,167.9, bringing the YTD return to 4.7% and the total market capitalization lost N595.0bn to hit N22.0tn. For the week, activity level weakened as average volume and value fell by 40.7% and 32.2% to 181.0m units and N2.4bn respectively. Investor sentiment, as measured by market breadth weakened to 0.7x as 12 tickers appreciated while 17 depreciated.

Across sectors, w/w performance was mainly bearish as four of the sectors we cover closed red. The Oil and Gas (-4.5% w/w) sector was the biggest loser due to profit-taking activities in OANDO (-8.7% w/w) and SEPLAT (-6.5% w/w). This was followed by the Banking (-2.3% w/w) sector driven southwards by price depreciation in ZENITH (-3.5% w/w) and GTCO (-3.6% w/w). The Consumer Goods (-0.6% w/w) and Industrial Goods (-0.1%w/w) sectors depreciated on account of losses in HONYFLOUR (-11.6% w/w), DANGSUGAR (-2.7% w/w) and WAPCO (-1.4% w/w). Lastly, the Insurance (+3.0% w/w) emerged as the lone gainer on the back of buying interest in NEM (+18.4% w/w) LINKASSU (+9.8% w/w).

On corporate disclosure, MTN Group announced its public offering to retail investors for the sale of up to 575 million shares held in MTN Nigeria at N169.00 per share. The offer opened on the 1st of December 2021 at 8:00am and will close on 14th of December 2021 at 5:00pm. The Offer includes an incentive in the form of 1 free share for every 20 shares purchased, subject to a maximum of 250 free shares for investor.

In addition, Airtel Africa announced the completion of the minority shareholding buyback of Airtel Networks Limited ('Airtel Nigeria'), a subsidiary of Airtel Africa Plc. The total consideration for the 8.22% minority shareholdings

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acquired under the buyback is N61.0bn. Airtel Africa now holds 99.96% ownership over its largest subsidiary.

**This week, we expect the equities market to remain sideways, with a bearish bias, as we do not expect any major catalyst to change the direction of the market. That said, we think sustained selloffs in the equities market could present buy opportunities for investors.**

### Money Market Review: Strong investor appetite in NT-Bills secondary market

Last week, system liquidity closed relatively tight, in the absence of major liquidity inflow from maturities, as interbank rates remained elevated within the double-digit terrain. Furthermore, the CBN conducted OMO auction offering to sell N40.0bn which further pressured system liquidity, driving interbank rates northwards at the close of last week. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates climbed 50bps w/w and 10bps w/w to close the week at 15.5% and 15.8% respectively.

At the primary market, the Central Bank conducted an OMO auction offering to sell N40.0bn worth of bills. Investors' appetite remained strong as expected as the auction was oversubscribed to the tune of c.N72.8bn, implying a bid-cover ratio of 1.8x. As a result, the stop rates on the 110-day, 180-day, and 355-day remained unchanged at 7.0%, 8.5% and 10.1%, respectively











In the NT-bills secondary market, investors' appetite for NT-Bills was largely strong as they sought to buy at the secondary market in anticipation of low-rates at this week's primary market auction. Thus, the average yield on NT-bills shed 34bps w/w to close the week at 4.5% (previously, 4.9%). However, activities in the secondary OMO market were muted as the average yield remained constant to close at 5.5%.

**Looking ahead, we expect to see continued buy-interest in the secondary NT-Bills market, as we look forward in anticipation to CBN's NT-bills primary market auction next week where the CBN would be rolling over N53.7bn worth of NT-bills. In line with prior auctions, we expect the stop rate to close lower on the 364-day bill with significant interest from investors.**

### Bonds Market Review: Sustained quiet trading session in bond space

The secondary bonds market sustained its "stand-offish" regime, as investors' appetite towards NT-Bills (short-term instruments) showed no respite, in a bid to avoid carrying significant interest rate risk as financial year ends. Overall,

## Fixed Income Market Statistics

| T-Bills | Yield | w/w chg   |
|---------|-------|---|
| OBB     | 15.5% |  0.5%  |
| O/N     | 15.8% |  0.1%  |
| 3m      | 2.5%  |  0.0%  |
| 6m      | 3.4%  |  0.0%  |
| 12m     | 5.6%  |  -0.9% |
| Bonds   | Yield | w/w chg   |
| 3yrs    | 9.3%  |  0.0%  |
| 5yrs    | 11.6% |  0.0%  |
| 7yrs    | 11.9% |  0.0%  |
| 10yrs   | 12.1% |  -0.2% |
| FX      | Close | w/w chg   |
| NAFEX   | 414.7 |  0.1%  |

Source: FMDQ, United Capital Research

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average yield at the secondary market was flattish, up by 1bp w/w to close at 11.4% (previously 11.4%). Similarly, the corporate segment closed bearish but with a greater magnitude as the average yield rose by 9bps w/w to settle at 12.0% (previously, 11.9%).

In the Eurobond market, proceedings from the secondary market closed on a bullish note as average yield shed 15bps w/w to close at 7.4% (previously 7.5%). On the flip side, the average yield trended bearish at the corporate Eurobond market as average yield climbed 33bps w/w to close the week at 2.4% (previously, 2.0%).

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

### **Currency Market: Naira appreciates at Investors & Exporters window**

Last week, the naira appreciated by 8bps to close at N414.73/ \$1 at the I&E window. In the parallel market, we continued to find quotes in the region of N560-N570/\$1 as dollar supply remained constrained.

Regarding activity levels at the I&E window, the average turnover at the window was down by a modest 3.3% w/w, printing at \$193.1m, compared to \$199.8m in the prior week. Lastly, external reserves remained flat at \$41.2bn.

**Our outlook for the naira remains centered on stability in the I&E window, although we hold the position that the CBN may need to further devalue the Naira to see increased activity. Meanwhile, in the absence of any CBN intervention, our short-term outlook for the parallel market remains dim.**

## 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       | 8.9           | 316.4       | ↓ -3.4%      | SELL   | 3.6              | 22.5 | 2.5x  | 0.4x   | 0.9  | 9.6%       | 43.0       |
| FBNH                    | 7.1             | 35.9       | 11.8          | 423.6       | ↓ -39.8%     | SELL   | 2.1              | 21.2 | 5.5x  | 0.6x   | 0.5  | 3.8%       | 57.7       |
| FCMB                    | 3.0             | 19.8       | 3.0           | 59.4        | ↑ 0.7%       | HOLD   | NM               | NM   | NM    | NM     | 0.2  | 5.0%       | 42.4       |
| FIDELITYBK              | 2.7             | 29.0       | 2.5           | 72.4        | ↑ 6.8%       | HOLD   | 1.1              | 9.8  | 2.2x  | 0.3x   | 0.2  | 8.8%       | 37.6       |
| GTCO                    | 39.9            | 29.4       | 24.1          | 709.3       | ↑ 65.6%      | BUY    | 6.6              | 26.5 | 3.6x  | 0.9x   | 3.0  | 12.4%      | 14.3       |
| ZENITHBANK              | 30.4            | 31.4       | 23.5          | 737.8       | ↑ 29.4%      | BUY    | 7.4              | 37.8 | 3.2x  | 0.6x   | 3.0  | 12.8%      | 32.3       |
| STANBIC                 | 51.9            | 13.0       | 37.0          | 479.4       | ↑ 40.3%      | BUY    | 4.3              | 27.2 | 8.5x  | 1.4x   | 4.1  | 11.0%      | 18.5       |
| <b>Consumer Goods</b>   |                 |            |               |             |              |        |                  |      |       |        |      |            |            |
| DANGSUGAR               | 19.6            | 12.1       | 16.0          | 194.4       | ↑ 22.5%      | BUY    | NA               | 10.2 | NA    | 1.6x   | 1.5  | 9.4%       | 27.3       |
| INTBREW                 | 5.9             | 26.9       | 4.9           | 131.6       | ↑ 20.0%      | BUY    | (0.6)            | 5.3  | NM    | 0.9x   | 0.0  | 0.0%       | 32.1       |
| NESTLE                  | 1,322.9         | 0.8        | 1,395.0       | 1,105.8     | ↓ -5.2%      | SELL   | 51.5             | 43.8 | 27.1x | 31.8x  | 60.5 | 4.3%       | 34.3       |
| UNILEVER                | 16.0            | 5.7        | 13.8          | 79.0        | ↑ 16.1%      | BUY    | (0.2)            | 11.1 | NM    | 1.2x   | NM   |            | 43.1       |
| FLOURMILL               | 46.6            | 4.1        | 29.0          | 118.7       | ↑ 61.0%      | BUY    | NA               | 41.8 | NM    | 0.7x   | 1.7  | 5.7%       | 41.8       |
| NB                      | 39.7            | 8.0        | 47.0          | 375.5       | ↓ -15.4%     | SELL   | 1.1              | 20.7 | 43.3x | 2.3x   | 1.1  | 2.3%       | 26.1       |
| GUINNESS                | 18.4            | 2.2        | 36.3          | 79.5        | ↓ -49.3%     | SELL   | 2.8              | 36.2 | 12.9x | 1.0x   | NA   |            | 58.8       |
| PZ                      | UR              | 4.0        | 6.0           | 23.6        | NA           | UR     | 0.8              | NM   | 7.9x  | NA     | NM   |            | 46.1       |
| UACN                    | UR              | 2.9        | 10.0          | 28.8        | NA           | UR     | 0.5              | 15.6 | 18.2x | 0.6x   | 0.7  | 6.5%       | 47.6       |
| <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       | 24.7          | 397.1       | ↑ 26.6%      | BUY    | 2.7              | 23.8 | 9.2x  | 1.0x   | 1.0  | 4.1%       | 43.5       |
| 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%     | 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       |
| <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        | 650.0         | 382.5       | ↑ 18.5%      | BUY    | 0.1              | 2.9  | NA    | 223.9x | 0.1  | 0.0%       | 3.1        |
| OANDO                   | UR              | 12.4       | 4.6           | 57.2        | NA           | UR     | 2.3              | 16.8 | 2.0x  | 0.3x   | 0.0  | 0.0%       | 34.8       |
| ARDOVA                  | 23.4            | 1.3        | 13.6          | 17.7        | ↑ 72.1%      | BUY    | NA               | 14.5 | NA    | 0.9x   | 0.0  | 0.0%       | 42.3       |

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 3rd December, 2021**

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