

Investment Views: 8th November 2021 to 12th November 2021

5th November 2021

Markets | Weekly

Domestic Macro Variables

GDP	5.0%
Inflation	16.6%
MPR	11.5%
Brent Crude	\$82.7/b
External Reserves	\$41.7bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

The Nigerian National Petroleum Corporation (NNPC) released a report last week, to the Federation Account Allocation Committee, revealing that a total of N864.07bn was spent between January and September (nine months), for Premium Motor Spirit (PMS) subsidy.

The International Monetary Fund (IMF) revealed that the value of mobile transactions in Nigeria grew by 283% between 2019 and 2020, largely on the back of the COVID-19 pandemic incursion/era. This number is expected to rise following recent news of the CBN granting payment service bank licenses to major telecom operators.

The Nigerian Communications Commission has said it will auction the 3.5 Gigahertz spectrum for the deployment of Fifth Generation (5G) technology in Nigeria on December 13.

This week, macroeconomic updates are expected to be sparse as the National Bureau of Statistics and other key economic data houses have a quiet calendar for the week. However, we continue to monitor key developments in the currency space, economic growth and inflation.

Global: Non-hawkish monetary posture spurs weekly gains

Last week, a surprise-free Federal Reserve policy meeting outcome, positive economic data, and a strong close to the earnings season all served as tailwinds that resulted in weekly gains for global equities. The US Federal Reserve (the Fed) stated last week that it will begin to reduce its \$150.0bn monthly bond purchases by \$15.0bn per month starting Nov-2021. This suggests the Fed will complete the phasing out program by Jun-2022. Crucially, Fed Chair Powell reiterated the transitory outlook on inflation and that the Fed will be cautious in raising interest rates. Additionally, the US Labor Department Oct-2021 employment report showed the unemployment rate fell to 4.6% and 531,000 jobs were added, beating expectations. For the week, the major US equity indices – the Dow Jones Industrial Average, S&P 500 and NASDAQ Composite rose 1.4%, 2.0% and 3.1% w/w, respectively.

European equities similarly closed the week on a strong note as the European Central Bank (ECB) President Lagarde said a rate hike in 2022 is

“very unlikely”. Investor sentiment was also buttressed by strong earnings results. The pan-European STOXX Europe 600 Index rose 1.7% w/w. Germany's Xetra DAX Index, France's CAC 40 Index and Italy's FTSE MIB Index rallied 2.3%, 3.1% and 3.4%, respectively. In the UK, the Bank of England (BoE) unexpectedly kept interest rates unchanged. The UK's FTSE 100 Index advanced 1.3% w/w.

Elsewhere, Asian markets were divergent. In Japan, the ruling party Liberal Democratic Party (LDP) retained majority control of parliament, driving the Nikkei 225 2.5% higher w/w, due to bright prospects of political stability. In China, Shanghai Composite Index retreated 1.6% as Covid-19 resurgence sparked the renewal of restrictions and the manufacturing Purchasing Managers' Index (PMI) fell to 49.2 in Oct-2021 from 49.6 in Sep-2021.

In the oil market, Brent crude shed 1.9% w/w to close at \$82.74/b as US crude inventories increased. Meanwhile, OPEC+ maintained its position on output.

Looking forward, we maintain an optimistic outlook on global equities as corporate earnings continue to grow at a fast pace and monetary authorities keep financial conditions loose.

Domestic Equities: November starts off on a bearish footing

November started off on weak footing, with the domestic bourse recording its first negative weekly return in eight weeks. The NGX All-Share Index retreated 0.1% w/w to close at 42,014.5 points. Consequently, YTD return slid to 4.3% while the market capitalisation declined by N12.6bn w/w to N21.9tn. Market activity also tapered w/w as average volume and value traded declined 35.1% and 48.0% w/w to 228.6m units and N2.5bn, respectively.

Across sector indices, performance tilted bearish as 3 indices lost and 2 gained. The Banking index suffered the largest losses, retreating by 1.7% w/w due to sell-pressure on ETI (-5.1% w/w) and ZENITH (-2.6% w/w). The Oil & Gas (-1.6% w/w) and Consumer Goods (-0.7% w/w), closed in the red as traders/investors booked profits in ETERNA (-15.5% w/w), OANDO (-4.8% w/w), UNILEVER (-14.4% w/w), and CHAMPION (-6.7% w/w). On the flipside, the Insurance and Industrial Goods indices added 1.0% and 0.9% w/w, respectively, on account of gains in REGALINS (+18.9% w/w), AIICO (+4.8% w/w) and BUACEMENT (+3.5% w/w).

Investor sentiment, as measured by market breadth (advance/decline ratio), weakened to 0.5x from 1.9x last week as 23 stocks advanced and 43 depreciated.

Airtel Africa Plc (AIRTELAFR) announced on the exchange that its subsidiary, SMARTCASH Payment Service Bank Limited was granted an approval-in-principle from the CBN to operate a payment service bank (PSB) in Nigeria.

Global Market Snapshot

Market	Index		w/w
US	S&P 500	▲	2.0%
US	DJIA	▲	1.4%
US	NASDAQ	▲	3.1%
Germany	DAX	▲	2.3%
France	CAC	▲	3.1%
Europe	STOXX	▲	1.7%
UK	UK FTSE	▲	0.9%
Brazil	IBOV	▲	1.3%
Russia	RTSI	▲	0.2%
India	SENSEX	▲	1.3%
China	SCHOMP	▼	-0.6%
S/Africa	JALSH	▲	0.5%
Kenya	NSE	▼	-2.6%
Ghana	GSE	▲	2.3%
Nigeria	NSEASI	▼	-0.2%
Egypt	EGX30	▲	0.9%

Source: Bloomberg, United Capital Research

Domestic Financial Markets Review and Outlook

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	42,014.5	▼ -0.1%	▲ 4.3%		Mkt Cap (tr' N)	22.0
Banking	403.3	▼ -1.7%	▲ 2.6%		Mkt Cap (m' \$)	53,180.9
Consumer Goods	565.3	▼ -0.7%	▼ -1.4%		P/E(x)	N/A
Industrial Goods	2,196.6	▲ 0.9%	▲ 7.0%		P/BV(x)	2.0
Insurance	181.7	▲ 1.0%	▼ -4.1%		Div Yield	4.7%
Oil & Gas	384.5	▼ -1.6%	▲ 70.0%		14-day RSI	77.5

Source: NSE, Bloomberg, United Capital Research

Similarly, MTN Nigeria Limited (MTNN) announced the approval in principle for the proposed MoMo Payment Service Bank Limited. Final PSB approvals for both AIRTELAFR and MTNN are contingent on meeting conditions stipulated by the CBN.

The NGX announced the reclassification of Okomu Oil Palm Plc (OKOMUOIL) from the Medium-Priced Stock Group to the High-Priced Stock Group. Also, in the past week, the MTN Group has announced plans to sell down approximately 14% of its shareholdings, with a public offer for the sale of 575million shares in MTN Nigeria through the way of a bookbuild to institutional investors and Fixed price to retail investors.

This week, we expect the NGX to trade sideways in the absence of bullish triggers.

Money Market Review: Mild Buy interest in the NTB secondary market

Interbank rates trended lower on the back of N123.6bn worth of OMO maturities hitting the system. Following the inflow of liquidity, the CBN conducted an OMO mop-up to the tune of N25bn. Bringing net inflow for the week to N98.2bn. Consequently, the Open Buy Back (OBB) and Overnight (OVN) rates dropped by 600bps and 612bps w/w to close at 12.00% and 12.38% respectively.

At the primary market, Central Bank conducted an OMO auction offering to sell a total of N25.0bn worth of bills. Investors' appetite remained strong as the auction was oversubscribed by 4.0x receiving a total bid of N100.8bn with investor's interest fixed at the long end of the curve. The stop rates on the 138-day, 194-day and 355-day bills remained unchanged from the previous auction at 7.00%, 8.50% and 10.10%, respectively.

In the NTB secondary market, bullish sentiment drove yield rates southwards as investor's remain cautious ahead of the Primary Market Auction (PMA). Thus, the average yield on NTB decreased by 15bps to 5.33% from 5.48%. Similarly, activities were on a bullish bias in the secondary OMO market as the average yield declined to 6.09%, down 28bps from last week's close.

Looking ahead, the Central Bank of Nigeria (CBN) is expected to conduct an

Domestic Financial Markets Review and Outlook

NTB auction on Wednesday offering a total of N150.8 worth of bills. At the auction, we expect the stop rates to trend lower. Our outlook is predicated on the recent standoffish sentiment in the bond market.

Bonds Market Review: Quiet trading session in the secondary bonds market

In the secondary bonds market, performance was relatively quiet, although we observed some marginal buying interest across the curve. As the average yield on sovereign bonds rose by 2bps w/w to 11.30% from 11.28%. In the same vein, the corporate segment closed marginally bearish as the average yield increased by 22bps w/w to 12.05% from 11.83%.

In the Eurobond market, proceedings from the secondary market remained bearish as the average yield climbed by 21bps to close at 6.78%. On the flip side, the average yield fell by 45bps at the corporate Eurobond market to close at 2.92%.

The Debt Management Office (DMO) in a statement disclosed its readiness to issue another N200bn – N250bn worth of sovereign Sukuk this year, to facilitate the financing of critical road projects across the country.

In the coming week, we expect a 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: Stability in the currency market

Last week, the naira closed flat, gaining \$1 at the I&E window, to settle at N414.3/\$1. In the parallel markets, we continue to find quotes in the region of N565/\$ - N570/\$.

Regarding activity levels at the I&E window, average turnover at the window fell 23.2% w/w to print at \$122.3m, compared to \$159.2m in the prior week. The CBN reserves closed flat at N41.7bn.

Looking forward, we expect to see continued stability in the I&E window as reserves continued to be boosted by the improving oil receipts and the proceeds of the recent Eurobond issuance.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	12.0%	▼ -0.5%
O/N	12.4%	▼ -0.6%
3m	4.0%	▼ -0.2%
6m	4.8%	▲ 0.0%
12m	7.2%	▲ 0.0%
Bonds	Yield	w/w chg
3yrs	10.6%	▼ 0.1%
5yrs	11.6%	▼ 0.0%
7yrs	11.7%	▲ 0.1%
10yrs	11.9%	▲ 0.1%
FX	Close	w/w chg
NAFEX	414.3	▲ 0.2%
Official	430.0	▲ 0.0%

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	9.3	337.7	↓ -7.0%	SELL	3.6	22.5	2.6x	0.4x	0.9	9.2%	55.5
FBNH	7.1	35.9	10.8	398.4	↓ -34.0%	HOLD	2.1	21.2	5.0x	0.5x	0.5	4.2%	56.0
FCMB	3.0	19.8	3.1	60.4	↓ -1.0%	HOLD	NM	NM	NM	NM	0.2	4.9%	46.9
FIDELITYBK	2.7	29.0	2.7	78.2	↓ -1.1%	SELL	1.2	9.4	2.3x	0.3x	0.2	8.1%	56.4
GTCO	39.9	29.4	28.2	830.0	↑ 41.5%	BUY	6.6	26.5	4.3x	1.1x	3.0	10.6%	46.8
ZENITHBANK	30.4	31.4	24.5	772.4	↑ 24.1%	BUY	7.4	37.8	3.3x	0.6x	3.0	12.2%	50.6
STANBIC	51.9	13.0	39.0	505.3	↑ 33.1%	BUY	4.3	27.2	9.0x	1.4x	4.1	10.5%	47.2
Consumer Goods													
DANGSUGAR	19.6	12.1	16.7	202.9	↑ 17.4%	HOLD	2.6	11.0	6.4x	1.5x	1.5	9.0%	31.9
INTBREW	5.9	26.9	5.7	149.1	↑ 3.2%	HOLD	(0.6)	5.3	NM	1.1x	0.0	0.0%	67.2
NESTLE	1,322.9	0.8	1,400.0	1,109.7	↓ -5.5%	HOLD	51.5	43.8	27.2x	32.0x	60.5	4.3%	28.6
UNILEVER	16.0	5.7	14.3	76.7	↑ 12.1%	HOLD	(0.2)	11.1	NM	1.3x	NM		35.6
FLOURMILL	46.6	4.1	29.2	117.3	↑ 59.6%	BUY	NA	41.8	NM	0.7x	1.7	5.7%	28.9
NB	39.7	8.0	52.5	419.8	↓ -24.4%	SELL	1.1	20.7	48.4x	2.5x	1.1	2.1%	61.2
GUINNESS	18.4	2.2	37.0	80.8	↓ -50.3%	SELL	2.8	36.2	13.2x	1.0x	NA		70.4
PZ	UR	4.0	6.0	23.8	NA	UR	0.8	NM	8.0x	NA	NM		52.4
UACN	UR	2.9	10.2	31.7	NA	UR	0.5	15.6	18.6x	0.7x	0.7	6.4%	55.5
Industrial Goods													
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	25.6	410.7	↑ 21.9%	BUY	2.7	23.8	9.6x	1.1x	1.0	3.9%	56.0
BUACEMENT	48.0	33.9	74.5	2,522.9	↓ -35.6%	SELL	2.1	11.0	35.8x	6.7x	NM		87.2
Agric													
OKOMUOIL	91.3	1.0	142.0	135.5	↓ -35.7%	HOLD	14.7	41.8	9.7x	3.4x	NA		97.2
PRESCO	80.6	1.0	89.0	89.0	↓ -9.4%	SELL	NM	42.8	NM	2.1x	1.0	1.1%	82.3
Oil & Gas													
TOTAL	250.4	0.3	240.8	81.8	↑ 4.0%	HOLD	44.0	NA	5.5x	NA	4.0	1.7%	96.8
SEPLAT	770.4	0.6	731.5	430.4	↑ 5.3%	HOLD	0.1	2.9	NA	251.9x	0.1	0.0%	69.8
OANDO	UR	12.4	4.8	59.8	NA	UR	2.3	16.8	2.1x	0.3x	0.0	0.0%	45.8
ARDOVA	23.4	1.3	13.5	18.3	↑ 73.3%	BUY	#N/A/N/A	14.5	#VALUE!	0.9x	0.0	0.0%	29.2

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 29th October, 2021

Disclaimer

United Capital Plc Research (UCR) notes are prepared with due care and diligence based on publicly available information as well as analysts' knowledge and opinion on the markets and companies covered; albeit UCR neither guarantees its accuracy nor completeness as the sole investment guidance for the readership. Therefore, neither United Capital (UCAP) nor any of its associates or subsidiary companies and employees thereof can be held responsible for any loss suffered from the reliance on this report as it is not an offer to buy or sell securities herein discussed. Please note this report is a proprietary work of UCR and should not be reproduced (in any form) without the prior written consent of Management. UCAP is registered with the Securities and Exchange Commission and its subsidiary, UBA Securities Limited is a dealing member of the Nigerian Stock Exchange. For enquiries, contact United Capital Plc, 3rd Floor, Afriland Towers, 97/105 Broad Street, Lagos. ©United Capital Plc 2021.*

Contacts



United Capital

Securities Trading

securities@unitedcapitalplcgroup.com

Asset Management

Assetmanagement@unitedcapitalplcgroup.com

Trustees

Trustees@unitedcapitalplcgroup.com

Investment Banking

InvestmentBanking@unitedcapitalplcgroup.com

Research

research@unitedcapitalplcgroup.com