

The day in review

- Equity market lost 0.1%
- Interbank rates ticked lower
- Muted activity in T-bills market
- Naira depreciated at NAFEX window

Looking forward

Sep-2021 FGN Bond Auction - DMO

Daily Insight

Policy normalisation and potential impacts on emerging markets

Since the initial foreign capital flight triggered by the pandemic in early 2020, Emerging Markets (EMs) have benefitted from the knock-on effects of accommodative monetary policy, which prompted investors to seek higher yields. However, with inflation rising across developed economies and decent economic rebound from last year's covid-induced slump, higher interest rates are on the horizon. In EMs, monetary tightening is afoot, as the most-recent policy decisions made by key EM central banks (Russia, Turkey, and Brazil) were rate hikes. In developed markets, policymakers have recently indicated a shift to tightening, albeit softer, with the US Federal Reserve (US Fed) and the European Central Bank signaling imminent tapering of asset purchases as early as Dec-2021.

Still, the prevailing sentiment is that pressures on inflation will be short-lived, allowing the US Fed to conduct a smooth and contained normalisation of its balance sheet, and pushing any interest rate hikes further into the future. Recent inflation prints from the US bolster this position and indicate that rates will remain low for the foreseeable future. Until then, global liquidity and financing conditions will remain supportive of fund flows to EMs.

Regardless, fund flows to EMs will be idiosyncratic. On the one hand, we expect to see more EM debt issuances as governments and corporations look to take advantage of low rates while they still can. In that vein, the upcoming issuance of Eurobonds by Nigeria in Oct-2021 is well-timed and should be priced favourably. On the other hand, EM equities will likely continue to struggle as slow vaccination progress, as well as increased regulatory crackdowns by Chinese regulators weakened sentiments. Notably, The MSCI EM Index is down 0.9% YTD, compared with the MSCI World Index (+15.1% YTD) and the MSCI EAFE (+9.4% YTD). For Nigeria, we expect FX illiquidity to remain the elephant in the room until Foreign Portfolio Investors see a marked increase in oil production or another Naira devaluation.

Headline	Level	1 day	YTD
NGX ASI	38,906.4	▼ -0.1%	▼ -3.4%
Mkt. Cap (₦'bn)	20,270.5	▼ -0.1%	
Mkt. Cap (\$'mn)	49,000.5	▼ -0.1%	
Value (N'mn)	2,353.1	▲ 20.9%	
Value (\$'mn)	5.7	▲ 20.7%	
Volume	191.0	▲ 23.1%	
Deals	3,462.0		
Market Breadth	1.0x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.15	4.15	0.00
6 months	5.21	5.21	0.00
12 months	8.31	8.31	0.00

Bonds Yields	Current	Previous	% Δ
3 years	9.26	9.27	-0.01
5 years	10.71	10.72	-0.01
7 years	11.60	11.60	0.00
10 years	11.94	11.94	0.00

Currencies	Current	Previous	% Δ
NAFEX	413.68	412.88	-0.2%

Other Key indices	Current	Previous	% Δ
OBB	14.5	16.5	-2.00
OVN	15.3	17.8	-2.50
Brent	74.3	75.3	-1.38

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture	0.0%	-3.0%	13.3%	na	na
Banks	-0.3%	-2.1%	-6.1%	3.0	9.3%
Consumer	-0.2%	-0.7%	-4.4%	72.7	3.7%
Industrial	0.1%	0.4%	-4.6%	16.6	4.8%
Insurance	-0.7%	-4.3%	-3.6%	9.2	3.0%
Oil & Gas	0.1%	-2.5%	58.8%	10.6	4.2%
Mkt. Avg. P/E		10.4	Mkt. Avg. Div. Yld		5.3%

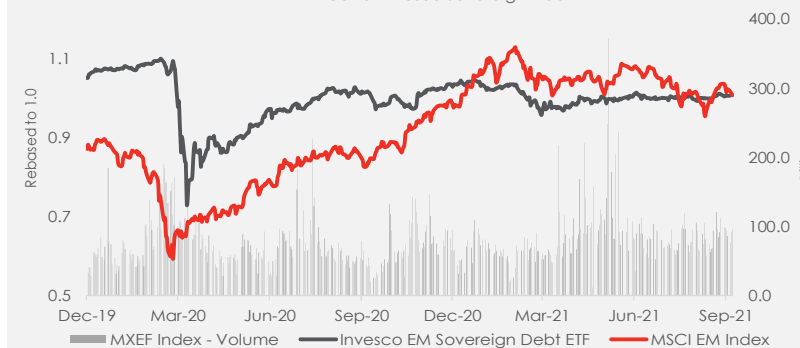
*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on next year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yld.
BRVM	180.4	▲ 0.5%	24.1%	9.9	6.0%
Egypt	10,710.6	▼ -1.6%	-1.2%	9.5	1.5%
Ghana	2,804.7	▲ 0.2%	44.6%	5.7	4079.5%
Kenya	182.8	▲ 1.2%	20.1%	13.6	3.3%
Mauritius	1,963.4	▲ 0.0%	19.1%	na	2.0%
Morocco	340.7	▲ 0.8%	11.8%	29.1	3.4%
MSCI FM	665.6	▼ -0.1%	16.4%	15.5	2.6%
South Africa	61,453.4	▼ -2.2%	3.4%	11.4	4.3%
Tunisia	7,262.0	▲ 0.1%	5.5%	22.9	2.2%
Zimbabwe	160,442.3	▲ 0.4%	246.3%	8.3	1.8%

Fund flows to EMs have remained resilient amid the low yield environment
MXEF EM Index & Invesco Sovereign Debt ETF



Source: Bloomberg, United Capital Research

Contact us

Research | +234-1-631-7898
research@unitedcapitalplcgroup.com

Trustees | +234-1-631-7877
trustees@unitedcapitalplcgroup.com

Securities Trading | +234-1-631-7891
securities@unitedcapitalplcgroup.com

Investment Banking | +234-1-631-7883
investmentbanking@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876
assetmanagement@unitedcapitalplcgroup.com