# United Capital Research | Daily Market Commentary

Tuesday, March 29, 2022



The Intelligent Choice

# The day in review

- Equity market declined by 11bps
- Interbank rates closed lower
- Bullish activity in bonds market
- Naira depreciated at the NAFEX window

# **Looking forward**

FY-2021 Earnings Season - NGX

### **Daily Insight**

### Nigeria's growing unattractiveness to foreign investors

The National Bureau of Statistics (NBS) recently released Nigeria's Capital Importation report for FY-2021. On a positive note, total capital imported rose 26.4% q/q and 109.3% y/y to \$2.2bn in Q4-2021, from \$1.7bn and \$1.0bn in Q3-2021 and Q4-2020, surpassing \$875.6mn in Q2-2021 and \$1.9bn in Q1-2021. However, viewing the numbers from the lens of FY-2021 showed that total capital imported fell 30.6% y/y to \$6.7bn, from \$9.7bn in FY-2020. A deeper dive into the data showed the Foreign Portfolio Investment (FPI) inflows, which accounted for 50.5% of total capital imported, declined by 34.1% y/y to print at \$3.4bn in FY-2021. Similarly, Foreign Direct Investment (FDI) inflows declined by 32.0% y/y to print at \$698.8mn in FY-2021 with inflows from Other investments category following in tandem, down 25.1% y/y to print at \$2.6bn.

FDI inflows remained broadly underwhelming, in what represents a new low since NBS began to record the data. The country's hostile business environment evidenced by FX liquidity concerns, insecurity, policy flip-flop, weaker consumer pockets, and lack of infrastructure continue to discourage long-term capital commitments in the country. Decline in FPI inflows was largely due to investors' lack of interest in Nigeria's artificially low fixed income instruments given availability of alternatives across emerging markets. Interesting to highlight, the increase in capital imported in Q4-2021 can be accredited to the increase in FX liquidity in Q4-2021 following the hike in oil prices and FG Eurobond issuance.

Looking forward, we expect capital imported into Nigeria to remain broadly underwhelming. Lack of improvement in business conditions will continue to keep long term capital inflows out of the country. In addition, Nigeria's extended FX crunch will continue to deter foreign investors interest in the Nigerian capital market, raising concerns for FPI inflows. More importantly, we expect foreign investors to remain broadly cautious with another general election less than a year away. That said, factors such as higher fixed income yields, possible policy tightening and further Naira devaluation, most of which are more probable than certain, could serve as tailwinds for capital importation.

Headline	Level	1 day	YTD
NGX ASI	46,843.1	-0.1% 📤	9.7%
Mkt. Cap (₦'bn)	25,245.9	-0.1%	
Mkt. Cap (\$'mn)	60,680.0	-0.1%	
Value (N'mn)	1,790.3	-31.4%	
Value (\$'mn)	4.3	-31.5%	
Volume	214.3 🔻	-40.4%	
Deals	4,125.0	-20.1%	
Market Breadth	0.9x		

T-Bills Yields	Current	Previous	%∆
3 months	1.88	1.88 -	0.00
6 months	3.04	3.04 =	0.00
12 months	4.02	4.02 =	0.00

Bonds Yields	Current	Previous	% △
3 years	9.06	9.08 🔻	-0.02
5 years	10.26	10.26 -	0.00
7 years	10.58	10.59 🔻	-0.01
10 years	10.90	10.90 —	0.00

Current

			/ -
NAFEX	417.00	416.50 🔻	-0.1%
Other Key indices	Current	Previous	% △
OBB	4.5	4.5 -	0.00
OVN	4.8	5.0 🔻	-0.17
Brent	105.9	108.7 🔻	-2.56

		1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture		0.0% 📤	16.9% 📥	25.9%	na	na
Banks	•	-4.4% 🔻	-7.1% 📤	3.8%	2.3	9.0%
Consumer		0.2% 🔻	-3.8% 🔻	-4.0%	22.2	4.0%
Industrial		0.1% 🔻	-0.8% 📤	5.4%	16.9	3.6%
Insurance		-0.3% 🔻	-3.2% 🔻	-6.6%	2.9	3.1%
Oil & Gas	_	-0.1% 📤	4.0% 📤	28.0%	8.2	3.6%
	Mkt.	Avg. P/E	9.9	Mkt. A	Avg. Div. Yid	4.3%

\*P/Es are based on the last twelve months trailing earnings

\*Dividend vields are based on past vear dividend payment



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	218.2 🔻	-0.8% 📤	7.9%	8.9	4.9%
Egypt	11,240.8	-2.6% 🔻	-5.9%	8.3	1.5%
Kenya	159.0 🔻	-0.9% 🔻	-4.5%	9.5	4.1%
Mauritius	2,155.3	0.3% 📤	2.7%	na	3.1%
Morocco	321.9	0.6% 🔻	-7.4%	20.9	3.0%
MSCI FM	604.1	0.1% 🔻	-9.2%	12.1	3.2%
South Africa	74,328.3	0.0% 📥	0.8%	11.3	3.8%
Tunisia	7,070.3 🔻	-0.9% 📤	0.3%	23.2	2.3%
7imbabwe	462.106.1	-0 3% ▲	56.6%	25.9	0.6%

# Nigeria's Capital Importation continues to decline in Covid-19 aftermath... 5-Yr Capital Importation trend 23,990.05 16,812.47 12,228.57 9,656.13 6,700.51 2017 2018 2019 2020 2021 Total Capital Importation Portfolio Investment

Previous

% Δ

### Source: NBS and United Capital Research

Currencies

### 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

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 and 4th Floor, Afriland Towers, 97/105 Broad Street, Lagos. @ United Capital Plc 2020.\*