

The day in review

- Equity market rose by 2bps
- Interbank rates closed higher
- Flat activity in bonds market
- Naira closed flat at the NAFEX window

Looking forward

FY-2021 Earnings Season - NGX

Daily Insight

The Eastern European conflict and its impact on the domestic Oil and Gas sector

Following the ongoing conflict between Ukraine and Eastern Europe, western countries and international companies have responded with severe sanctions on Russia, which has begun to shrink their economy and negatively impact the global economy. Sanctions imposed includes freezing Russian central bank assets and major state-owned banks assets abroad, partial access restriction to the international payments system SWIFT, hold on Germany-Russian gas pipeline project, and a ban on Russian oil and non-oil products in the U.S market, among others. We review the potential impact of these actions on the Nigerian Oil and Gas sector.

Although production constraints will remain a significant concern for the Oil and Gas sector, increased prices will continue to bolster margins and Gross Profits, especially for firms listed in the upstream Oil and Gas. The potential acquisition of other NNPC JVs also means that the potential sale of assets and take over effects also boosts the valuation of our upstream listed companies. The U.S. has recently banned Russian oil and gas products. The U.K. has recently announced plans to phase out Russian oil and gas products by the end of this year. This leaves potential production gaps for OPEC countries to fulfil.

For the downstream segment of the Oil and Gas sector, the continuance of fuel subsidies, and higher crude prices provides the FGN with a net loss. Our PMS price model currently estimates true retail pump price of PMS to be around N361 per litre, using the I & E window exchange rate and the most recent publicly available PPPRA template. This essentially indicates an N200 subsidy per litre charged to the government. These costs continue to burn a massive hole in the FGN's finances at the current crude price. As the increased cost of crude translates into higher landing cost of crude which was not then transferred to the pump price of PMS, due to the ongoing subsidy program. Data from the NNPC shows that the NOC has spent N1.6trn on subsidising the shortfall in PMS vs N545.bn remittance to the federation account in the last thirteen (13) months.

Headline	Level	1 day	YTD
NGX ASI	47,163.9	0.0% ▲	10.4%
Mkt. Cap (N'bn)	25,418.8	0.0% ▲	
Mkt. Cap (\$'mn)	61,250.3	0.0% ▲	
Value (N'mn)	3,215.8	-17.6% ▼	
Value (\$'mn)	7.7	-17.6% ▼	
Volume	267.5	-11.9% ▼	
Deals	4,099.0	-11.2% ▼	
Market Breadth	1.0x		

T-Bills Yields	Current	Previous	%Δ
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	% Δ
3 years	8.78	8.78	0.00
5 years	10.17	10.17	0.00
7 years	10.37	10.37	0.00
10 years	10.76	10.76	0.00

Currencies	Current	Previous	% Δ
NAFEX	417.00	417.00	0.0%

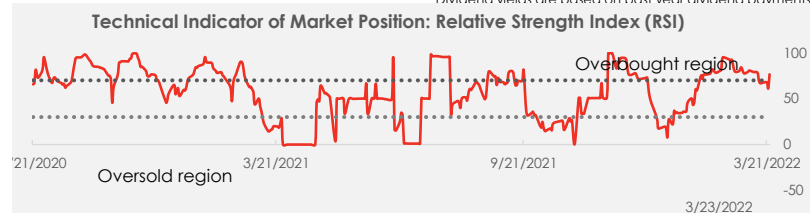
Other Key indices	Current	Previous	% Δ
OBB	12.3	11.0	1.33
OVN	12.7	11.7	1.00
Brent	122.2	115.5	5.77

Dollar price per metric tonne (3/14/2022)	MT	In Litres	\$ price per litre	Official exchange rate
962	1	1356.44	0.71	416
Other additions to the pricing template				NGN
Price per litre				295.03
Jetty throughout charge				2.58
Marine Transport				0.15
Finance cost				44.25
Insurance cost				0.44
NPA charges				
Nim asa				
Admin Charge				1.23
Transporters Allowance				3.89
Retailer Margin				6.19
Brigding fund				7.51
Estimated pump price				361.28
Landing cost				342.46

Source: PPPRA, United Capital Research and Bloomberg

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0% ▲	16.9% ▲	25.9%	na	na
Banks	0.2% ▼	-3.2% ▲	8.1%	2.4	8.6%
Consumer	0.0% ▼	-4.0% ▼	-4.2%	22.1	4.0%
Industrial	0.1% ▼	-0.9% ▲	5.4%	16.9	3.6%
Insurance	-0.2% ▼	-3.7% ▼	-7.2%	3.2	3.1%
Oil & Gas	0.1% ▲	3.3% ▲	27.0%	8.2	3.6%
Mkt. Avg. P/E		10.0		Mkt. Avg. Div. Yid	4.3%

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



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	216.9	0.0% ▲	7.2%	8.8	4.9%
Egypt	11,743.9	0.7% ▼	-1.7%	8.6	1.5%
Kenya	160.1	-0.5% ▼	-3.8%	9.6	4.1%
Mauritius	2,149.9	0.4% ▲	2.5%	na	3.1%
Morocco	327.5	-0.3% ▼	-5.8%	21.3	2.9%
MSCI FM	607.7	0.2% ▼	-8.7%	12.2	3.3%
South Africa	74,871.2	-1.2% ▲	1.6%	11.4	3.8%
Tunisia	7,094.2	-0.1% ▲	0.7%	23.3	2.3%
Zimbabwe	471,113.9	0.2% ▲	59.6%	26.4	0.7%

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