

Investment Views: 14th March 2022 to 18th March 2022

11th March 2022

Markets | Weekly

Domestic Macro Variables

GDP	4.0%
Inflation	15.6%
MPR	11.5%
Brent Crude	\$111.31/b
External Reserves	\$39.8bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

Last week, the Bureau of Public Enterprises (BPE) disclosed the NNPC's interest in acquiring Federal Government-owned power plants in its bid to boost power generation and supply in the country. The NNPC had earlier stated that it had signed a contract with China Machinery Engineering Company (CME) and General Electric (GE) to provide 50MW of electricity to Maiduguri.

According to recently released CBN capital importation data, breakdown shows a drop in Nigeria's Foreign Portfolio Investments (FPI) to \$3.4bn from \$5.2bn the previous year. It represents two consecutive years of FPI decline, having dipped 68.5% in 2020 from \$16.4bn in 2019.

The President of Petroleum Products Retail Outlets Owners Association of Nigeria (PETROAN), Gillis-Harry disclosed a 2.0x multiple projection on the approved N3.0tn subsidy payment by the government for FY-2022 on the back of rallying crude oil price.

The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending announced the facilitation of the flow of over N146.0bn into Nigeria's agro-processing industry to date from various sources. It outlined the sources to include Deposit Money Banks, development financiers, private equity investment firms, and other financial institutions. Also, he stated that the move was to create a stronger linkage between segments of Nigeria's agricultural value chain and subsequent AVC-linkage to commercial bank finance.

According to media reports, the Federal Executive Council (FEC) approved a ban on foreigners and their representatives from purchasing Nigeria's agricultural produce at the farm gate. Hence, only licensed and duly registered local buying agents can buy produce directly from farmers.

In the coming week, we expect the National Bureau of Statistics will release the February inflation data which will show the impact of recent energy cost pressures. We also expect further updates on the implications of the ongoing Eastern-European conflict on Nigeria.

Global Markets: Mixed outing for global equities

Global stocks maintained the recent downward trend on the back of exacerbating geopolitical tensions which has now degenerated into a cold economic war. Last week, the US president disclosed further sanctions, officially banning the importation of Russian oil and other energy products into the US, which is poised to have a “double-edged” impact. On one end, it is intended to strip the Russian economy of oil revenue, creating war funding gaps, but on the other hand triggering further rally on gas prices, worsening inflationary pressure. As a response to western sanctions, the Russian government announced an import ban on more than 200 types of foreign-made products and equipment through 2022.













During the week, the Bureau of Labour Statistics released the consumer price index data for Feb-2022. In line with expectations, the data revealed US inflation numbers for Feb-22 rose significantly, setting a new 40-year high, to print at 7.9%. Overall, a volatile trading week saw further declines in all major US equity indices, with the NASDAQ Composite (-2.4% w/w), S&P 500 (-1.8% w/w), and DJIA (-1.0% w/w) closing the week lower (as of 7pm Nigerian time).

The European markets rebounded this week after last week’s plunge created attractive entry points for investors. Geo-political tensions and policy normalization risks remain the factors at the top of investors’ minds during the week. As a result, the broad-based pan-European STOXX 600 gained 2.2% w/w. Similarly, performance across individual countries was bullish with the German XETRA DAX (+4.1% w/w) leading the gainers. Also, the French CAC 40 rose 3.3% w/w while the UK FTSE 100 climbed 2.3% w/w.

In Asia, sentiments were mixed as investors continued to retain a risk-off approach to the equities market in view of the uncertain geo-

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▼	-1.8%
US	DJIA	▼	-1.0%
US	NASDAQ	▼	-2.4%
Germany	DAX	▲	4.1%
France	CAC	▲	3.3%
Europe	STOXX	▲	2.2%
UK	UK FTSE	▲	2.3%
Brazil	IBOV	▼	-1.0%
Russia	RTSI	▼	-32.7%
India	SENSEX	▲	2.2%
China	SCHOMP	▼	-4.0%
S/Africa	JALSH	▼	-1.4%
Kenya	NSE	▼	-4.1%
Ghana	GSE	▲	0.5%
Nigeria	NSEASI	▲	0.4%
Egypt	EGX30	▼	-7.0%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	47,437.5 	0.4% 	11.1%		Mkt Cap (tr ' N)	25.6
Banking	444.5 	1.3% 	9.5%		Mkt Cap (m' \$)	61,383.5
Consumer Goods	573.2 	-0.5% 	-2.7%		P/E(x)	10.1
Industrial Goods	2,114.1 	-0.1% 	5.3%		P/BV(x)	2.2
Insurance	193.9 	2.7% 	-2.2%		Div Yield	4.2%
Oil & Gas	459.9 	-2.2% 	33.3%		14-day RSI	65.7

Source: NSE, Bloomberg, United Capital Research

political climate while policy normalization risks in developed economies continue to take investors' attention. As a result, China's Shanghai Composite (-4.0%), and Japan's NIKKEI 225 (-3.2% w/w) lost for the week. However, the Indian SENSEX (+2.2% w/w) gained for the week.

In the crude oil market, Brent crude continued in its bullish run at the start of the week to hit a 14-year high of \$139.1/bbl. However, comments from the UAE energy minister stating he would encourage OPEC+ to ramp up production to cover the Russia supply gap triggered downward movements. Overall, Brent crude closed the week lower by 5.5% w/w to print at \$111.6/bbl. (as at 7:30pm Nigerian time).

In the week ahead, we expect the global equities market to remain bearish propelled by weak sentiments resulting from the Russia-Ukraine tensions. In addition, we anticipate a hawkish tone at the next FOMC meeting, as members have indicated support for a 25bps hike in the Fed Funds Target rate.

Domestic Equities: Local bourse reverses its bearish trend ... ASI up 36bps w/w

Last week, the domestic equities market closed on a bullish note as investors took positions in insurance and banking stocks as they sought to position their portfolios for dividend payments. As a result, the benchmark NGX-All Share Index (NGX-ASI) gained 0.4% w/w to print at 47,437.5 points. Consequently, YTD return rose to 11.1%, and market capitalization printed N25.6tn. Activity level was broadly bullish as average volume and value traded closed higher by 106.3% w/w and 0.4% w/w to print at 557.3mn units and N4.8bn, respectively. In line with

the bullish trend, investor sentiment, as measured by market breadth strengthened to 1.1x from 0.4x as 34 tickers appreciated while 32 depreciated.

On a sectoral level, w/w performance was bearish as three of the five sectors we cover closed in the red. Leading the gainers was the Insurance sector (+2.7% w/w) as bargain hunting supported gains in NEM (+3.5% w/w) and WAPIC (+8.7% w/w). The Banking sector (+1.3% w/w) followed as investors attempted to position in banks that recently announced dividends, supporting buy interest in GTCO (+3.8% w/w), and UBA (+3.6% w/w). On the flip side, the Oil and Gas sector led the laggards (-2.2% w/w) following sell-off in SEPLAT (-4.3% w/w) as investors sold the stock on uncertainty around its acquisition of ExxonMobil's offshore assets. The Consumer goods and Industrial goods sector also lost 0.5% w/w and 0.1% w/w respectively on the back of selloffs in UNILEVER (-7.0% w/w), NB (-4.2% w/w), FLOURMIL (-1.0% w/w) and WAPCO (-2.1% w/w)

On corporate actions, SEPLAT released a statement debunking the news on the cancellation of the acquisition of ExxonMobil following the news on the NNPC exercising its pre-emptive rights on ExxonMobil's assets. Also, AIRTELAFR issued a statement confirming the completion of the early repayment of its \$505.0m 5.125% Guaranteed Senior Notes, originally due in Mar-2023, using cash balances available at the Group level. Lastly, PRESCO announced to the market that its board will meet on 23-Mar to approve its FY-2021 results as well as possible script issue and dividend payments. This news triggered renewed interest in the stock as it closed the week as the top gainer with 19.6% return.

This week, we expect to see investors continue to book profits on positions that have appreciated significantly in the past weeks. Also, the outcome of corporate releases, similar to dividend announcements from banks and PRESCO's corporate action will be a significant determinant of investors' sentiment in the coming week.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OPR	4.5%	-8.8%
O/N	5.0%	-8.8%
3m	3.3%	0.1%
6m	3.5%	0.0%
12m	4.0%	0.0%
Bonds	Yield	w/w chg
3yrs	7.3%	-0.2%
5yrs	10.1%	0.2%
7yrs	10.1%	-0.2%
10yrs	10.4%	-0.3%
FX	Close	w/w chg
NAFEX	416.5	0.0%

Source: FMDQ, United Capital Research

Money Market Review: Buy Interest in NTB auction drives stop rates lower

Last week, system liquidity opened the week at N73.1bn but began to trend higher following OMO maturities worth over c.N106.2bn. However, towards the close of the week, debits for the NT-bills auction and FX retail sales placed pressure on system liquidity. Nevertheless, average funding rates closed lower w/w, as Open Repo (OPR) and Overnight Rate (OVN) closed the week at 5.2% and 5.9%, down by 2.5ppts and 5.0ppts (previously at 7.7% and 10.9%, respectively)

In the primary market, the CBN conducted an auction to roll over N94.0bn worth of NT-bills. Unsurprisingly, the auction was met with decent interest, as it was oversubscribed by 5.1x, with total bid printing at N482.9bn. However, the CBN sold N236.5bn worth of bills, 60.3% more than the offer. Furthermore, buying interest drove stop-rate on the 91-day, 182-day, and 364-day lower by 49bps, 2bps, and 25bps to settle at 1.75%, 3.28%, and 4.1% respectively.

Moving to the NT-bills secondary market, the market was relatively flat. Thus, the average yield remained at 3.4%. However, the OMO bills segment saw a bearish investor appetite, as the average yield in the space rose by 60bps w/w to close at 3.9% (previously, 3.3%).

Going into the week, we expect increased buy interest, following the expected influx of liquidity into the financial system, as N58.0bn worth of NT-bills maturities and N105.0bn worth of OMO maturities are scheduled to hit the market. The CBN is expected to conduct a PMA to rollover maturing NT-bills.

Bonds Market Review: Sustained buy interest drives bond yields lower

Last week, the bonds market was relatively quiet at the start of the week as investors took a breather from buying longer-tenor debt instruments. However, buying resumed at the mid to tail end of the week on the back of a fairly significant liquidity inflow during the week. Thus, investors took mild positions in the bonds space, driving average sovereign bond yields lower by 18bps w/w to close at 10.4%.

Also, the corporate bonds market was met with similar bullish sentiment as average yield declined 12bps w/w to 10.3%.

On the other hand, the Eurobonds market saw a rebound from its bearish trajectory, as investors displayed buy interest across emerging market assets despite geopolitical tensions, rising inflation in developed economies, and affirmation of policy normalisation. Consequently, the average yield on sovereign Eurobonds fell 23bps w/w to print at 8.2%.

In the coming week, we expect mild investor activity in the sovereign bond market as coupon payments begin to trickle in. However, in the Eurobond market, the outcome lies heavily on the Fed's FOMC meeting scheduled to hold on March 15th and 16th. Considering the expected impact of rising food and fuel prices as well as recent 40-year high inflation number, there is a chance that the Fed might begin its rate hiking cycle in the coming week.

Currency Market: Naira appreciates marginally at I&E window

Last week, the Naira appreciated marginally at the Investors & Exporters (I&E) window, gaining 4bps w/w to close at N416.5/\$. At the parallel market, we continue to find quotes in the N574.0 – 578.0/\$ region. In the I&E window, average FX turnover rose 25.4% w/w to \$137.7mn. However, Nigeria's external reserves fell \$105.0mn to close at \$39.8bn, reversing the 0.2% gains made over the preceding two weeks.

This week, we expect the I&E window to continue trading around current levels. More so, we continue to hold the position that the CBN needs to further devalue the naira to see increased FX activity, particularly from FPIs at the official window.

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	10.2	360.8	↓ -15.3%	SELL	3.6	22.5	2.8x	0.5x	0.9	8.4%	49.8
FBNH	7.1	35.9	11.6	414.6	↓ -38.5%	SELL	1.7	20.7	6.8x	0.6x	0.5	3.9%	52.6
FCMB	3.0	19.8	3.5	69.3	↓ -13.7%	SELL	NM	NM	NM	NM	0.2	4.3%	69.7
FIDELITYBK	2.7	29.0	2.9	82.6	↓ -6.3%	SELL	1.3	10.4	2.2x	0.3x	0.2	7.7%	49.4
GTCO	39.9	29.4	27.0	794.6	↑ 47.8%	BUY	6.1	NM	4.4x	NM	3.0	11.1%	42.1
ZENITHBANK	30.4	31.4	27.0	847.7	↑ 12.6%	HOLD	7.8	40.7	3.5x	0.7x	3.1	11.5%	51.2
STANBIC	51.9	13.0	34.5	447.0	↑ 50.4%	BUY	4.5	28.4	7.8x	1.2x	4.1	11.8%	34.4
Consumer Goods													
DANGSUGAR	19.6	12.1	16.0	194.4	↑ 22.5%	BUY	NA	10.6	NA	1.5x	1.0	6.3%	32.6
INTBREW	5.9	26.9	5.2	139.7	↑ 13.1%	HOLD	(0.6)	5.3	NM	1.0x	0.0	0.0%	46.7
NESTLE	1,322.9	0.8	1,435.0	1,137.5	↓ -7.8%	SELL	51.5	43.8	27.8x	32.8x	50.5	3.5%	51.0
UNILEVER	16.0	5.7	13.2	75.8	↑ 21.0%	BUY	0.5	11.5	29.3x	1.2x	NM		53.0
FLOURMILL	46.6	4.1	31.5	129.2	↑ 47.9%	BUY	NA	43.4	NM	0.7x	1.7	5.2%	40.7
NB	39.7	8.0	46.0	367.9	↓ -13.7%	SELL	1.6	21.5	28.9x	2.1x	1.6	3.5%	35.6
GUINNESS	18.4	2.2	65.0	142.4	↓ -71.7%	SELL	4.7	38.2	13.7x	1.7x	NA		62.2
PZ	UR	4.0	7.4	29.2	NA	UR	0.8	NM	9.8x	NA	NM		73.9
UACN	UR	2.9	10.7	30.7	NA	UR	0.8	16.2	12.8x	0.7x	0.7	6.1%	60.5
Industrial Goods													
DANGCEM	270.3	17.0	273.5	4,660.6	↓ -1.2%	SELL	21.2	56.7	12.9x	4.8x	20.0	7.3%	54.3
WAPCO	31.2	16.1	23.5	378.5	↑ 32.8%	BUY	2.7	23.8	8.8x	1.0x	2.0	8.5%	25.3
BUACEMENT	48.0	33.9	70.8	2,395.9	↓ -32.2%	SELL	2.1	11.0	34.0x	6.4x	NM		50.1
Agric													
OKOMUOIL	91.3	1.0	140.0	133.5	↓ -34.8%	SELL	14.7	44.4	9.5x	3.2x	NA		77.4
PRESCO	80.6	1.0	125.0	125.0	↓ -35.5%	SELL	NM	46.9	NM	2.7x	1.0	0.8%	89.7
Oil & Gas													
TOTAL	250.4	0.3	264.9	89.9	↓ -5.5%	SELL	49.3	NA	5.4x	NA	4.0	1.5%	99.1
SEPLAT	770.4	0.6	990.0	582.6	↓ -22.2%	SELL	0.3	3.0	NA	327.4x	0.1	0.0%	73.2
OANDO	UR	12.4	5.1	63.0	NA	UR	2.3	16.8	2.2x	0.3x	0.0	0.0%	68.3
ARDOVA	23.4	1.3	12.0	15.6	↑ 95.8%	BUY	NA	12.3	NA	1.0x	0.0	0.0%	19.0

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=Div idend 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 11th March, 2022

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