

Investment Views: 21st March 2022 to 25th March 2022

21st March 2022

Markets | Weekly

Macro Highlights and Outlook

Last week, The National Bureau of Statistics (NBS) published the Consumer Price Index (CPI) report for Feb-22. The Bureau's headline inflation climbed 10bps to settle at 15.7% y/y, from January's 15.6%. On a m/m basis, CPI increased by 16bps to print at 1.6%, higher than the 1.5% increase in Jan-22.

Also, Nigeria's foreign trade statistics reported by the NBS revealed a 57.6% y/y growth in Nigeria's total trade in merchandise, from N25.2tn in FY-20 to N39.8tn in FY-21, with total imports and exports recording a 64.1% and 51.0% surge in FY-21, from N12.7tn and N12.5tn in FY-20 to N20.8tn and N18.9tn, respectively. The report also revealed that the trade deficit widened by 986.2% y/y to print at N1.9tn in FY-21, from N178.3bn trade deficit recorded in FY-20, on the back of faster growth in import bills.

Last week, the Central Bank of Nigeria issued new directives to Commercial Banks on extending the 5.0% interest payment on loans granted to companies impacted by Covid-19 for another year to foster further recovery.

The CBN's Monetary Policy Committee (MPC) meeting will be held from the 21st to the 22nd. Top-on the committee's agenda would be the increasingly hawkish stances adopted by major central banks. Also, we expect updates on the current situation regarding fuel scarcity and the implications of the ongoing Eastern-European conflict.

Global Markets: Stocks rally as Fed hikes interest rates

Last week, global stocks rallied as the US Fed and the Bank of England hiked (BoE) rates amid rising inflation and lingering geopolitical tensions. During the week, the Federal Open Market Committee (FOMC) held their March-22 meeting. In line with our expectations, the Fed voted unanimously to raise the interest rate by 25bps, shifting the FED funds rate range to 0.25% – 0.50%. As a result, all major US equity indices closed the week in the green, as the NASDAQ Composite, S&P 500, and DJIA climbed 8.2% w/w 6.2% w/w and 5.5% w/w, at the close of the week, respectively.

In Europe, similar sentiments prevailed, as Bank of England monetary policy committee, voted to hike rates by 25bps. Following the continued hawkish stance, European markets continued a northward trajectory as we observed broad-based pan-European STOXX 600 gained 5.4% w/w. On that note, all other stock performance across individual countries sustained bullish momentum with the German XETRA DAX (+5.8% w/w) and the French CAC 40

Domestic Macro Variables

GDP	4.0%
Inflation	15.7%
MPR	11.5%
Brent Crude	\$107.93/b
External Reserves	\$39.7bn

Source: CBN, Bloomberg, United Capital Research

(+5.8% w/w) leading the gainers. The UK FTSE (+3.5% w/w) also gained in the past week.

In Asia, similar bullish sentiments ruled thus momentarily diverting investor attention from the ruling uncertainty surrounding the geopolitical climate. As a result, Asian stocks across the Asian equities market closed northward, with Japan's NIKKEI 225 (+6.6% w/w) spearheading the advancement, followed by the Indian SENSEX (+4.2% w/w) and China's Shanghai Composite (+1.1% w/w).

In the crude oil market, Brent crude continued to rally above \$100.0/bbl amid the 2nd week of consecutive decline. However, after a volatile trading week in a tight market, oil prices settled higher at the close the week. Overall, Brent crude closed the week lower by 4.2% w/w to print at \$107.9/bbl.

Looking ahead, we believe that the renewed economic momentum and a sustained positive phase in the corporate profit cycle serve as the fundamental safety net for stocks. However, the increased aggressiveness and the potential impact of higher inflation in developed economies in the coming months will test the resilience of that safety net.

Domestic Equities: Local bourse reverses gains... ASI down 33bps w/w

Last week domestic equities reversed bearish largely sponsored by sell pressure in large-cap stocks, SEPLAT (-6.1% w/w). As a result, the benchmark NGX-All Share Index (NGX-ASI) lost 33bps w/w to print at 47,282.7 points. Consequently, YTD return moderated to settle at 10.7%, with market capitalisation printing at N25.6tn. Likewise, the activity level in the local bourse reflected the overall bearish trend as average volume and value traded declined by 48.0% w/w and 45.5% w/w to print at 599.5mn units and N3.8bn, respectively. Also, investor sentiment as measured by market breadth moderated to 1.1x from 0.45 as 21 tickers appreciated while 45 depreciated.

On a sectoral level, w/w performance mirrored bearish as four of the five sectors we cover closed in the red. Leading the losers was the Oil & Gas sector (-3.9% w/w) owing to sell pressure in SEPLAT (-6.1% w/w), OANDO (-5.3% w/w) and ETERNA (-6.3% w/w). Trailing behind were the Insurance (-2.9% w/w), Consumer goods (-0.4% w/w), and Banking (-0.2% w/w) sectors sponsored by investor profit-taking in NB (-3.8% w/w), UNILEVER (-3.6% w/w), ACCESS (-3.5% w/w), UBN (-2.4% w/w). However, the Industrial goods sector closed the week strong owing to increased bargain hunting backing gains in WAPCO (+2.1% w/w).

On corporate actions, Access Bank Plc declared a final dividend of N0.70k per share.

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▲	6.2%
US	DJIA	▲	5.5%
US	NASDAQ	▲	8.2%
Germany	DAX	▲	5.8%
France	CAC	▲	5.8%
Europe	STOXX	▲	5.4%
UK	UK FTSE	▲	3.5%
Brazil	IBOV	▲	3.2%
Russia	RTSI	▲	6.7%
India	SENSEX	▲	4.2%
China	SCHOMP	▲	1.1%
S/Africa	JALSH	▲	1.6%
Kenya	NSE	▼	-0.9%
Ghana	GSE	▼	-0.2%
Nigeria	NSEASI	▼	-0.3%
Egypt	EGX30	▼	-9.4%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg	YTD Rtn			
NSEASI	47,282.7	▼ -0.3%	▲ 10.7%		Mkt Cap (tr ' N)	25.5
Banking	443.7	▼ -0.2%	▲ 9.3%		Mkt Cap (m' \$)	61,256.7
Consumer Goods	570.8	▼ -0.4%	▼ -3.1%		P/E(x)	10.1
Industrial Goods	2,116.9	▲ 0.1%	▲ 5.4%		P/BV(x)	2.2
Insurance	188.2	▼ -2.9%	▼ -5.0%		Div Yield	4.2%
Oil & Gas	442.1	▼ -3.9%	▲ 28.1%		14-day RSI	62.7

Source: NSE, Bloomberg, United Capital Research

This week, we expect to see the last of Q1 rallies as investors will purchase stocks for remaining on the register for dividend payments. However, we expect the equity market to trade relatively sideways in the coming week.

Money market Review: Stop rates close lower for 364-day paper

Last week, system liquidity closed tighter, following the CBN conducting primary market activity in the NTB and OMO markets. Consequently, the OPR and OVN markets closed at 9.0% and 9.7%, 500bps and 570bps higher than the previous week.

In the NT-bills market, the CBN conducted a primary market auction to N58.0bn worth of maturing NT-bills. As expected, the auction was oversubscribed by investors, with total bids printing at N364.7bn, implying a bid-to-cover ratio of 6.3x. The CBN took advantage to oversell the auction, selling a total of N172.6bn, c.3.0x the initial offer. As a result of the strong demand, the CBN dropped the stop rate on the 91-day, 182-day and 364-day bills to 1.74% (prev. 1.75%), 3.0% (prev.3.28%) and 4.0% (prev. 4.1%). In the OMO market, the CBN held was somewhat more controlled, as it elected to sell only its offered N30bn, as expected stop rates for the 89, 182 and 365-day papers closed flat at 7%, 8.5% and 10.1%, respectively.

In the secondary market for NTBs, average rates moderated by 1bps to close at 3.3%, whilst rates in the OMO market declined by 30bps to close at 3.6% from 3.9% from the previous week.

In the coming week, we expect the market to remain relatively tight, and we expect funding rates to edge higher in the absence of additional maturities.

Bonds Market Review: Nigeria Returns to the ICM

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. Thus, investors took mild positions in the bonds space, driving average sovereign bond yields higher by 1bps w/w to close at 10.5%. In the corporate bond market, average yields flat at 10.3%.

In the Eurobond market, the Debt Management Office announced that the

FGN has successfully issued a new Eurobond tranche, raising \$1.25bn in the process at 8.375% for seven years. The Eurobond offer was oversubscribed by 2.9x, showing strong investor interest in the Nigerian capital market.

We observed mild bullish sentiment in the secondary Eurobonds market as yields moderated by 1bps to close at 8.1%, despite the US Fed and BoE hiking rates in the past week.

The DMO is scheduled to hold its monthly bond auction for March in the coming week. The DMO will offer N160bn across the 2026s and 2042s. At the upcoming auction, we expect marginal rates to close relatively flattish.











Currency Market: Naira remains flat at I&E Window

Last week, the naira closed flat at the Investors & Exporters (I&E) window to remain at N416.50/\$ w/w. We continue to find offer quotes in the N575.0/\$ region at the parallel market while bid quotes are close to the N580/\$ level. In the I&E window, average FX turnover declined 10.1% w/w to \$109.7m.

However, Nigeria's external reserves dropped to close at \$39.7bn, down by 10bps w/w.

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

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OBB	9.0%	 4.5%
O/N	9.7%	 4.7%
3m	1.9%	 -1.4%
6m	3.1%	 -0.5%
12m	4.0%	 0.0%
Bonds	Yield	w/w chg
3yrs	7.2%	 -0.1%
5yrs	10.2%	 0.1%
7yrs	10.4%	 0.3%
10yrs	10.8%	 0.3%
FX	Close	w/w chg
NAFEX	416.5	 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	9.8	348.3	↓ -12.2%	SELL	4.6	29.7	2.1x	0.3x	1.0	10.2%	59.2
FBNH	7.1	35.9	11.9	427.2	↓ -40.3%	SELL	1.7	20.7	7.0x	0.6x	0.5	3.8%	63.6
FCMB	3.0	19.8	3.4	67.5	↓ -11.4%	SELL	NM	NM	NM	NM	0.2	4.4%	59.1
FIDELITYBK	2.7	29.0	3.0	86.9	↓ -11.0%	SELL	1.3	10.4	2.3x	0.3x	0.2	7.3%	57.7
GTCO	39.9	29.4	26.2	771.1	↑ 52.3%	BUY	6.2	29.4	4.3x	0.9x	3.0	11.5%	46.7
ZENITHBANK	30.4	31.4	26.7	836.7	↑ 14.1%	BUY	7.8	40.7	3.4x	0.7x	3.1	11.6%	45.6
STANBIC	51.9	13.0	34.8	450.9	↑ 49.1%	BUY	4.5	28.4	7.8x	1.2x	4.1	11.7%	45.5
Consumer Goods													
DANGSUGAR	19.6	12.1	15.8	191.9	↑ 24.1%	BUY	NA	10.6	NA	1.5x	1.0	6.3%	29.1
INTBREW	5.9	26.9	5.1	135.7	↑ 16.4%	BUY	(0.6)	5.3	NM	1.0x	0.0	0.0%	47.1
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	13.5	77.6	↑ 18.3%	BUY	0.5	11.5	29.9x	1.2x	NM		44.0
FLOURMILL	46.6	4.1	32.0	131.2	↑ 45.6%	BUY	NA	43.4	NM	0.7x	1.7	5.2%	54.5
NB	39.7	8.0	44.5	355.9	↓ -10.8%	SELL	1.6	21.5	27.9x	2.1x	1.6	3.6%	25.1
PZ	UR	4.0	8.6	34.1	NA	UR	0.8	NM	11.5x	NA	NM		73.7
UACN	UR	2.9	12.2	35.2	NA	UR	0.8	16.2	14.7x	0.8x	0.7	5.3%	80.6
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	24.0	386.6	↑ 30.0%	BUY	2.7	23.8	9.0x	1.0x	2.0	8.3%	35.6
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	143.5	133.5	↓ -36.4%	SELL	14.7	44.4	9.7x	3.2x	NA		84.1
PRESCO	80.6	1.0	133.0	125.0	↓ -39.4%	SELL	NM	46.9	NM	2.8x	1.0	0.8%	92.7
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
OANDO	UR	12.4	5.0	62.4	NA	UR	2.3	16.8	2.2x	0.3x	0.0	0.0%	57.8

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 18th March, 2022

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