

Investment Views: 28th February 2021 to 4th March 2022

28th February 2022

Markets | Weekly

Domestic Macro Variables

| | |
|-------------------|-----------|
| GDP | 4.0% |
| Inflation | 15.6% |
| MPR | 11.5% |
| Brent Crude | \$97.93/b |
| External Reserves | \$39.8bn |

Source: CBN, Bloomberg, United Capital Research

Macro Highlights and Outlook

According to a recent report released by the Central Bank of Nigeria (CBN), Nigeria's money supply rose 17.8% y/y in Jan-22 vs +16.2% in Dec-21. Furthermore, credit to businesses and consumers rose 15.7% y/y vs +16.7% in Dec-21.

Last week, the Central Bank of Nigeria (CBN) disclosed an all-time high record of total Currency in Circulation (CIC) to a record N3.3tn in Dec-21, up by N418.0bn, from the previous all-time high of N2.9tn in Dec-20. According to the Governor, it reflects the continued dominance of cash in the economy, as higher denomination banknotes (N100 to N1,000 notes) accounted for 63.5% of volume and 98.1% of the total value of CIC.

Last week, the Statistician-General of the Federation disclosed that the National Bureau of Statistics (NBS) had begun the statistical processes for the rebasing of the Gross Domestic Product (GDP) and Consumer Price Index (CPI) by 2023. He stated that the National Business Sample Census (NBSC) had been completed. The National Agricultural Sample Consensus (NASC) and the Nigerian Living Standard Survey (NLSS) are underway. The NBSC and NASC determine the structure and dynamics of businesses and the status of growth of their respective sectors.

The Nigerian National Petroleum Company Limited (NNPC Ltd.) introduced a N500,000 Ship-to-Ship Coordination Charge for each shipment operation for Premium Motor Spirit as part of its recovery cost drive. Also, the Trade Union Congress (TUC) threatened to direct its members to stop going to work if the fuel scarcity challenge across the country persisted the next few days. This is despite assurances by The Nigerian National Petroleum Corporation Limited that the company had placed significant orders of over 2.1bn litres of methanol-free petroleum to ensure that the long queues of petroleum end in a few days.

In the coming week, we expect the Central Bank of Nigeria to release the YoY Private sector credit report for January 2022. For the most part, we expect updates on the current fuel scarcity and the implications of the ongoing Eastern-European conflict to dominate the macro/socio-economic space.

Global Markets: Investor shift to safe-haven assets

Last week, the global equities market sustained its bearish performance as investors' sentiments was spooked by Russia's move to invade Ukraine after President Putin ordered special military activities in the country. Following this move, the US and other EU allies imposed sanctions impacting oligarchs supposedly close to the Putin administration, the Central Bank of Russia Federation and the banking system. However, the sanctions stopped short of impacting Russia's oil & gas exports. Following this, the US market started the week on a bearish note with key indices closing deeper into correction territory. However, by the end of the week, the US market rallied after investors viewed the impact of the sanctions on Russia as having minimal effect for the US economy. As a result, the S&P 500 and NASDAQ gained 0.8 w/w and 1.0% w/w. On the other hand, the Dow Jones shed 0.1% w/w.

On the other hand, European markets were unable to recover from the negative sentiments caused by geo-political tensions and volatilities keeping investors' risk appetite in check, fueling demand for safe haven assets. As a result, European equities finished the week broadly lower with the pan-European STOXX 600 losing 1.6% w/w. Across countries, the German market lost the most as the XETRA DAX shed 3.2% w/w while the French CAC 40 lost 2.6% w/w. Also, the UK's FTSE 100 declined by 0.3% w/w.

The bearish sentiments across Europe extended into Asia as the Shanghai Stock Exchange (-1.1% w/w) and the NIKKEI 225 (-1.6% w/w) closed lower, following investor selloffs.

Last week, Brent futures rose by 4.7% w/w to close at \$97.93/bbl. Oil prices have inched upwards following an unveiling of U.S and EU sanctions on Russia.

Looking forward, in the coming week, we expect the uncertainty following geopolitical risks to be the significant driver in financial markets.

Domestic Equities: Local bourse resumes bullish run ... ASI up 40bps w/w

Last week, the domestic equities market closed with bullish sentiments as the benchmark NGX-All Share Index (NGX-ASI) gained 40bps w/w to print at 47,328.7points. As a result, YTD return rose to 10.8%. Activity level was broadly downbeat as volume and value traded closed lower by -40.4% w/w and -56.9% w/w to print at 253.3m units and N2.8bn, respectively. However, as measured by market breadth, investor sentiment remained strong at 1.5x,

| Global Market Snapshot | | | |
|------------------------|---------|---|--------|
| Market | Index | | w/w |
| US | S&P 500 | ▲ | 0.8% |
| US | DJIA | ▼ | -0.1% |
| US | NASDAQ | ▲ | 1.1% |
| Germany | DAX | ▼ | -3.2% |
| France | CAC | ▼ | -2.6% |
| Europe | STOXX | ▼ | -1.6% |
| UK | UK FTSE | ▼ | -0.3% |
| Brazil | IBOV | ▲ | 0.2% |
| Russia | RTSI | ▼ | -32.7% |
| India | SENSEX | ▼ | -3.4% |
| China | SCHOMP | ▼ | -1.1% |
| S/Africa | JALSH | ▼ | -2.8% |
| Kenya | NSE | ▼ | -5.6% |
| Ghana | GSE | ▲ | 0.1% |
| Nigeria | NSEASI | ▲ | 0.4% |
| Egypt | EGX30 | ▼ | -5.4% |

Source: Bloomberg, United Capital Research

| Index | Equity Market Statistics | | | | Market Indicators | |
|------------------|--------------------------|---------|---|---------|-------------------|----------|
| | Close | w/w chg | | YTD Rtn | | |
| NSEASI | 47,328.4 | ▲ 0.4% | ▲ | 10.8% | Mkt Cap (tr 'N) | 25.5 |
| Banking | 451.0 | ▲ 0.2% | ▲ | 11.1% | Mkt Cap (m' \$) | 61,316.0 |
| Consumer Goods | 586.3 | ▼ -1.1% | ▼ | -0.5% | P/E(x) | 10.3 |
| Industrial Goods | 2,131.1 | ▼ 0.0% | ▲ | 6.1% | P/BV(x) | 2.3 |
| Insurance | 189.2 | ▲ 0.7% | ▼ | -4.5% | Div Yield | 4.2% |
| Oil & Gas | 425.3 | ▲ 3.9% | ▲ | 23.3% | 14-day RSI | 72.0 |

Source: NSE, Bloomberg, United Capital Research

albeit stronger than the 1.1x from the prior week, as 44 tickers appreciated, while 22 depreciated.

The bullish market performance reflected sectorial performance as three of the five sectors we track closed the week higher. Leading the gainers was the Oil & Gas index (+3.9% w/w), gained due to buying interest in SEPLAT (+7.5% w/w). The Insurance sector (+0.7% w/w) and the banking sector (+0.2% w/w) were the other gainers as buy pressures in UBA (+0.2% w/w), ZENITH (+0.2% w/w), and CORNEST (+0.1% w/w) weighed. The Consumer goods sector (-1.1% w/w) and Industrial goods sector (-0.01% w/w) emerged as the laggards for the week following sell interest in FLOURMIL (-3.1% w/w), DANSUGA (-1.3% w/w), and WAPCO (-0.1% w/w).

Regarding corporate actions, Airtel entered into a memorandum of understanding agreements for the potential sale of its tower assets in Chad and Gabon to Helios Towers plc ('Helios Towers'), a leading independent telecommunications infrastructure company in Africa. Also, Seplat stated its intention to acquire Mobil Producing Nigeria Unlimited (MPNU).

This week, we expect to see investors continue to book profits on positions that have appreciated significantly in the past weeks. We expect the profit-taking to extend to the mid-cap and small-cap outperformers from the large-cap stocks.

Money Market Review: Stop rates on 91-day and 364-day moderate

Last week, the financial system liquidity closed tight after a relatively healthy opening of N140.7bn and an influx of OMO maturities to the tune of N230.bn. System liquidity closed lower after the CBN conducted primary market activity with an OMO and an NT-bills auction. Thus, funding rates closed higher, as Open Repo (OPR) and Overnight Rate (OVN) closed the week at 14.75% and 15.00% (previously 13.00% and 14.00%), up by 1.75ppts w/w and 100bps w/w, respectively.

Last week, The Central Bank of Nigeria (CBN) conducted a Primary Market Auction (PMA) to roll over N115.3bn worth of NT Bills. Unsurprisingly, the auction was met with strong investor interest, as it was oversubscribed by 5.2x. Furthermore, buying interest drove stop-rate on the 91-day and 364-day lower by 24bps and 85bps to settle at 2.24% and 4.35%, as stop-rate on 182-day bill remained constant at 3.30%. However, the CBN oversold the auction by 123.8%, an initial N125.3bn on offer.

Interest from unmet bids trickled into the secondary market, resulting in buying interest, driving the average yield on NT-bills southward by 57bps w/w to close at 3.60% (previously, 4.17%). Similarly, the OMO bills segment saw corresponding bullish investor appetite, as average yield in the space declined 67bps w/w to close at 4.61% (previously, 5.28%).

We expect the NTB market to remain bullish towards increased system liquidity in the coming week. We expect some mop-up activity, following the maturity of N70.0bn OMO bills due to hit the system.

Bonds Market Review: Sovereign bonds market sees improved buy-interest

Last week, the bonds space was met with equivalent buy interest from investors. Consequently, the average sovereign bond yields shed 12bps w/w to close at 11.11% (previously, 11.23%). Also, the corporate bonds market was met with similar sentiment as the average yield declined 20bps w/w to 10.99% from 11.19% in previous week.











However, the Eurobonds market closed on a slightly bullish note, as investors looked at reinvesting Eurobond coupon payments estimated at \$118.1m. Interestingly, the market remained unperturbed by geopolitical pressures, rising interest rates globally and lingering investors' fears of policy normalisation in advanced economies. Consequently, the average yield on sovereign Eurobonds declined 47bps w/w to print at 7.9% (previously, 7.5%).

In the coming week, we expect the sovereign bonds secondary market to be quiet as investors keep calm given the uncertainty with the yield/interest rate environment.

Currency Market: Naira records marginal appreciation at the I&E window

Last week, the Naira appreciated at the Investors & Exporters (I&E) window to close at N416.00/\$, gaining 18bps w/w, from N416.75/\$ in previous week. At

Fixed Income Market Statistics

| T-Bills | Yield | w/w chg |
|----------------|--------------|---|
| OBB | 14.8% |  1.8% |
| O/N | 15.0% |  1.0% |
| 3m | 3.2% |  0.1% |
| 6m | 3.6% |  -1.1% |
| 12m | 5.1% |  0.6% |
| Bonds | Yield | w/w chg |
| 3yrs | 8.2% |  -0.1% |
| 5yrs | 10.1% |  -0.4% |
| 7yrs | 11.2% |  -0.1% |
| 10yrs | 12.3% |  0.7% |
| FX | Close | w/w chg |
| NAFEX | 416.0 |  0.2% |

Source: FMDQ, United Capital Research

the parallel market, we continue to find offer quotes in the region of N571.0/\$ - N574.0/\$. In the I&E window, average FX turnover grew 13.0% w/w to \$110.7m. Similarly, Nigeria's external reserves grew marginally by \$40.7m to close at \$39.8bn, on an upward trend that began on Feb-15.

This week, we expect the I&E window to continue trading around current levels, following the increased market segmentation by the CBN. In the coming week, we expect parallel market rates to remain at current levels barring any macroeconomic surprises.

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 | 10.4 | 367.9 | ↓ -16.9% | SELL | 3.6 | 22.5 | 2.9x | 0.5x | 0.9 | 8.2% | 60.4 |
| 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 | 3.1 | 60.4 | ↓ -1.0% | SELL | NM | NM | NM | NM | 0.2 | 4.9% | 53.6 |
| FIDELITYBK | 2.7 | 29.0 | 3.1 | 88.7 | ↓ -12.7% | SELL | 1.3 | 10.4 | 2.3x | 0.3x | 0.2 | 7.2% | 75.2 |
| GTCO | 39.9 | 29.4 | 26.9 | 791.7 | ↑ 48.3% | BUY | 6.6 | 26.5 | 4.1x | 1.0x | 3.0 | 11.2% | 56.4 |
| ZENITHBANK | 30.4 | 31.4 | 27.0 | 846.1 | ↑ 12.8% | HOLD | 7.4 | 37.8 | 3.7x | 0.7x | 3.0 | 11.1% | 59.8 |
| STANBIC | 51.9 | 13.0 | 34.9 | 451.6 | ↑ 48.9% | BUY | 4.5 | 28.4 | 7.8x | 1.2x | 4.1 | 11.7% | 42.8 |
| Consumer Goods | | | | | | | | | | | | | |
| DANGSUGAR | 19.6 | 12.1 | 17.0 | 206.5 | ↑ 15.3% | BUY | NA | 10.2 | NA | 1.7x | 1.5 | 8.8% | 37.3 |
| INTBREW | 5.9 | 26.9 | 5.5 | 147.7 | ↑ 6.9% | HOLD | (0.6) | 5.3 | NM | 1.0x | 0.0 | 0.0% | 54.9 |
| NESTLE | 1,322.9 | 0.8 | 1,435.0 | 1,137.5 | ↓ -7.8% | SELL | 51.5 | 43.8 | 27.8x | 32.8x | 60.5 | 4.2% | 44.9 |
| UNILEVER | 16.0 | 5.7 | 14.1 | 80.7 | ↑ 13.7% | HOLD | 0.5 | 11.5 | 31.2x | 1.2x | NM | | 62.9 |
| FLOURMILL | 46.6 | 4.1 | 32.0 | 131.2 | ↑ 45.6% | BUY | NA | 43.4 | NM | 0.7x | 1.7 | 5.2% | 53.4 |
| NB | 39.7 | 8.0 | 48.0 | 383.9 | ↓ -17.3% | SELL | 1.6 | 21.5 | 30.1x | 2.2x | 1.6 | 3.3% | 52.9 |
| GUINNESS | 18.4 | 2.2 | 68.0 | 148.9 | ↓ -72.9% | SELL | 4.7 | 38.2 | 14.3x | 1.8x | NA | | 73.3 |
| PZ | UR | 4.0 | 7.0 | 27.8 | NA | UR | 0.8 | NM | 9.3x | NA | NM | | 60.1 |
| UACN | UR | 2.9 | 10.0 | 28.8 | NA | UR | 0.8 | 16.2 | 12.0x | 0.6x | 0.7 | 6.5% | 67.6 |
| Industrial Goods | | | | | | | | | | | | | |
| DANGCEM | 270.3 | 17.0 | 273.5 | 4,660.6 | ↓ -1.2% | SELL | 20.1 | 52.1 | 13.6x | 5.3x | 16.0 | 5.9% | 54.3 |
| WAPCO | 31.2 | 16.1 | 26.3 | 423.6 | ↑ 18.6% | BUY | 2.7 | 23.8 | 9.8x | 1.1x | 1.0 | 3.8% | 55.0 |
| 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 | 127.8 | 121.9 | ↓ -28.6% | SELL | 14.7 | 44.4 | 8.7x | 2.9x | NA | | 1.2 |
| PRESCO | 80.6 | 1.0 | 104.0 | 104.0 | ↓ -22.5% | SELL | NM | 46.9 | NM | 2.2x | 1.0 | 1.0% | 69.0 |
| 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 | 859.9 | 506.0 | ↓ -10.4% | SELL | 0.1 | 2.9 | NA | 296.2x | 0.1 | 0.0% | 68.9 |
| OANDO | UR | 12.4 | 4.9 | 60.3 | NA | UR | 2.3 | 16.8 | 2.1x | 0.3x | 0.0 | 0.0% | 49.1 |
| ARDOVA | 23.4 | 1.3 | 13.0 | 16.9 | ↑ 80.0% | BUY | NA | 14.5 | NA | 0.9x | 0.0 | 0.0% | 51.2 |

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 25th February, 2022

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