

Investment Views: 4th April 2022 to 8th April 2022

4th April 2022

Markets | Weekly

Domestic Macro Variables

GDP	4.0%
Inflation	15.7%
MPR	11.5%
Brent Crude	\$104.39/b
External Reserves	\$39.5bn

Source: CBN, Bloomberg, United Capital Research

Macro Highlight and Outlook

Last week, data obtained from the Nigerian National Petroleum Company (NNPC) Limited, revealed 116.5 million litres of Premium Motor Spirit (PMS), valued at N18.9bn, was stolen in 2021. This implies that huge volumes of petrol imported into Nigeria by the national oil company did not get to their targeted destinations.

In a report titled, 'How soaring shipping costs raise prices around the world,' the International Monetary Fund highlighted that, rising shipping costs due to the ongoing war between Russia and Ukraine may worsen inflation in Nigeria and other nations in the world.

Also, marketers of Liquefied Petroleum Gas (LPG), popularly called cooking gas, have lamented over the weekly price increase. The uptick in cooking gas is primarily due to the depreciation in the naira and higher dollar cost of gas as Nigeria continues to rely on importation of LPG.

According to the Central Bank of Nigeria's (CBN) balance of payments data, Nigerians spent \$39.7bn on foreign education (\$28.7bn) and healthcare-related services (\$11.0bn) between 2010 and 2020.

In the coming week, we expect the National Bureau of Statistics (NBS) will release the Oil and Gas report on Selected Petroleum Products for 2021. We also expect the bureau to release the Q4-2021 Nigerian Domestic and Foreign Debt Report showing the nation's external debt and domestic debt data for the 36 states of the Federation as of December 2021.

Global Markets: Global equities show bullish momentum

Last week, the global equities market continued on a mixed note, as peace talks between Russia and Ukraine dominated investors' thoughts at the start of the week. The talks appeared to progress on a positive note which fed early gains at the beginning of the week. However, by mid-week, Russia appeared to refute the alleged progress in peace talks. In addition, employment reports showed decent jobs growth as over 400,000 new jobs were added to the US economy and unemployment rate fell to 3.6%. The positive jobs numbers fed sentiments that the US Fed may become more aggressive in its policy normalisation drive. As a result, US equities shed some of the early week gains towards the end of the week. Overall, the NASDAQ Composite and S&P 500 gained 0.7% w/w and 0.1% w/w. However, the DJIA declined 0.1% w/w

evidencing pressure in value stocks during the week.

European markets nudged higher to start the second quarter in the green despite lack of clarity on the outcome of peace talks between Russia and Ukraine, a key driver of investor sentiment. However, it is important to note that the blend of lingering Russia-related risks, high energy prices, and Fed-ECB policy divergence still point to a weaker, rather than stronger EUR/USD, leaving investors worried about market outlook. Nevertheless, the broad-based pan-European STOXX 600 climbed 1.1% w/w, as all other stock market performance across individual countries sustained equal bullish momentum. The German XETRA DAX (+1.0% w/w) and the French CAC 40 (+2.0% w/w) leading the gainers, with the UK FTSE 100 climbing 0.7% w/w.

In Asia, equities headed broadly northwards underpinned by different drivers across countries. In India, the SENSEX gained 3.3% w/w after Maharashtra (home to the city of Mumbai, India's financial capital) announced it would be lifting mask mandates following a steep decline in covid cases and deaths. In China, a report suggesting China's consideration towards sharing key information with the US which would in essence allow Asian equities continue to trade publicly in the US. This positive outweighed the impact of Covid-induced lockdowns as the Shanghai Composite (+2.2% w/w) eked out a marginal gain. However, Japan's NIKKEI 225 (-1.7% w/w) closed in red after new reports emerged stating Japan's economic growth is likely to be slower than previously forecasted.

In the crude oil market, Brent crude started the week in a bullish mood, but soon turned bearish after China's financial hub, Shanghai, launched a lockdown to curb a surge in Covid-19 infections, prompting renewed fears of demand destruction. At close of the week, the US confirmed plans for the largest ever release of crude oil from its emergency reserves in a bid to tame surging prices. That said, Brent crude closed the week lower by 13.5% w/w to print at \$104.4/bbl.

In the week ahead, we expect the global equities market to remain broadly volatile in light of several uncertainties that continue to trail risk assets, possibly fueling flight to haven assets.

Domestic Equities: Bearish sentiment persists..... ASI down 26bps w/w

Last week, the domestic equities market closed with bearish sentiments as traders were broadly unimpressed with a slew of corporate actions that hit the market. While here were a few surprises, the broad mix was filled with negative surprises, further dampening already weak investor appetite for equities. As a result, the benchmark NGX-All Share Index (NGX-ASI) lost 26bps

Global Market Snapshot			
Market	Index		w/w
US	S&P 500	▲	0.1%
US	DJIA	▼	-0.1%
US	NASDAQ	▲	0.7%
Germany	DAX	▲	1.0%
France	CAC	▲	2.0%
Europe	STOXX	▲	1.1%
UK	UK FTSE	▲	0.7%
Brazil	IBOV	▲	2.1%
Russia	RTSI	▼	-4.6%
India	SENSEX	▲	3.3%
China	SCHOMP	▲	2.2%
S/Africa	JALSH	▲	2.1%
Kenya	NSE	▼	-2.9%
Ghana	GSE	▲	0.0%
Nigeria	NSEASI	▼	-0.3%
Egypt	EGX30	▼	-2.3%

Source: Bloomberg, United Capital Research

Index	Equity Market Statistics				Market Indicators	
	Close	w/w chg		YTD Rtn		
NSEASI	46,842.9	▼ -0.3%	▲	9.7%	Mkt Cap (tr ' N)	25.5
Banking	409.4	▼ -7.1%	▲	0.9%	Mkt Cap (m' \$)	61,168.5
Consumer Goods	554.1	▼ -1.8%	▼	-6.0%	P/E(x)	9.9
Industrial Goods	2,115.1	▼ -0.1%	▲	5.4%	P/BV(x)	2.1
Insurance	185.0	▼ -0.3%	▼	-6.4%	Div Yield	4.3%
Oil & Gas	426.9	▼ -3.4%	▲	27.7%	14-day RSI	46.1

Source: NSE, Bloomberg, United Capital Research

w/w to print at 46,842.9 points. Consequently, YTD return fell to 9.7%, and market capitalization printed N25.3tn. Activity level was mixed but it mainly evidenced the weak appetite from investors. For context, while average volume traded rose 9.6% w/w to 257.8m units, average value traded fell 17.9% w/w to N2.7bn. Investor sentiment weakened for the week as market breadth fell to 0.4x (from 0.5x the previous week) with 20 equities gaining while 50 equities declined.

The bearish market performance was reflected in sectoral performance as all five sectors we cover closed bearish. The Banking sector (-7.1% w/w) led the laggards following dividend markdown and sell pressure in ZENITH (-16.7% w/w). The Oil and Gas Sector (-3.4% w/w) followed as sell pressures in TOTAL (-10.0% w/w, due to disappointing corporate actions), and OANDO (-3.6% w/w) weighed on the index. Similarly, the Consumer Goods sector (-1.8% w/w) and Insurance sector (-0.3% w/w) also closed in the red following sell pressures in NB (-9.1% w/w), CADBURY (-11.1% w/w), ALLCO (-8.6% w/w) and NEM (-1.7% w/w). Lastly, the Industrial sector (-0.1% w/w) closed lower on the back of marginal losses in WAPCO (-0.6% w/w).

Last week, a flurry of FY-2021 numbers hit the equities market with FIDELITY delivering a positive surprise after the bank declared dividend payment of N0.35/s. This was on the back of a 21.6% y/y growth in Gross Earnings while Profit after Tax rose 33.5% w/w to N35.6bn. In the industrial sector, BUACEMENT reported revenue and profit growth of 22.9% and 24.5%, while it announced dividend payment of N2.60/s, higher than the N2.06/s paid in 2020. In the consumer goods space, UACN delivered a 24.6% y/y growth in Revenue to N101.4bn but saw profit dip 25.9% y/y to N2.6bn. As a result, the company cut dividend payment to N0.65/s, from N1.20/s in the prior year. In the agriculture sector, OKOMU declared a 59.7% y/y growth in Revenue with Profits accelerating 292.2% y/y. The company declared dividend payment of N8.0/s. In the oil & gas sector, TOTAL published its audited FY-2021 numbers showing revenue and profit growth of 66.7% y/y and 717.2%. The company announced dividend payment of N18.20/s.

Looking forward, we expect the equities market to remain relatively lull as investors continue to take profits off the table especially in the absence of any expected positive trigger. However, we note that the market is approaching oversold territory which could spark some short-term bargain hunting. We retain a preference for investors to continue to seek selling opportunities to reduce exposure to the domestic equities market.

Money Market Review: PMA stop rates trend higher

Last week, system liquidity opened the week on a strong note with an opening balance of N349.6bn as FAAC inflows that came in late on Friday as well as bond coupon payments bolstered system liquidity. During the week, NT-bills maturities worth N143.3bn further boosted system liquidity. However, by the end of the week, debits for the oversold NT-bills auction as well as OMO auction sales of N50.0bn drained the liquidity. Consequently, funding closed the week higher, up 4.5ppts w/w a piece, with the Open Repo (OPR) and Overnight Rate (OVN) closing the week at 10.2% and 10.7%, respectively. Nevertheless, average interbank rates were lower than the prior week's average as the financial system was broadly liquid until the end of the week, evidenced by the lower average OPR and OVN rates of 5.7% and 6.2% (compared 10.1% and 10.5%).











The CBN conducted PMA offering to sell a total of N143.3bn worth of NT-Bills. Unsurprisingly, the auction was oversubscribed to the tune of N247.6bn, implying a bid-to-cover ratio of 1.7x. However, the CBN resolved to sell a total of N174.2bn worth of NT-Bills, 21.6% higher than initial offer. Stop rates across the 91-day and 364-day bills climbed 1bp and 45bps to settle at 1.75% and 4.45%. On the other hand, the 182-day bill stayed flat at 3.0%.

In the NT-bills secondary market, NT-bills traded actively as investors sold of bills, consequently repricing them to reflect the PMA result. As a result, the average yield on NT-bills climbed by 3bps w/w to close at 3.3%. However, the OMO bills segment saw muted activities, as average yield recorded no change, to remain at 3.6%.

Looking ahead, OMO maturity worth N10.0bn is expected to hit the financial system. Clearly, the financial system would be mostly tight in the coming week which would trigger selloffs on short-term instruments and higher funding rates for banks.

Bonds Market Review: Quiet week in the bonds market

In the past week, the bonds market was broadly quiet as investors appeared

T-Bills	Yield	w/w chg
OBB	10.2%	 4.5%
O/N	10.7%	 4.5%
3m	2.5%	 0.6%
6m	3.0%	 0.0%
12m	4.5%	 0.5%
Bonds	Yield	w/w chg
3yrs	8.9%	 -0.2%
5yrs	10.3%	 0.1%
7yrs	10.6%	 0.0%
10yrs	10.9%	 0.0%
FX	Close	w/w chg
NAFEX	416.6	 -0.1%

Source: FMDQ, United Capital Research

to take a standoffish approach to the market. Sellers were reluctant to sell at lower prices, while buyers were unwillingly to buy given expectations of higher yields. As a result, average bond yield across sovereign bonds fell marginally by 2bps w/w to print at 10.7%. Similarly, corporate bonds closed flat at 10.5%.

In the Eurobonds market, bullish sentiments returned to the market as average yield on sovereign Eurobonds fell 38bps w/w to print at 8.1%.

In the coming week, we expect sentiments in the bonds market to remain bearish as short-term traders continue to seek to sell bond positions as yields reverse higher. As a result, we expect to see higher bond yields in the coming week.

Currency Market: Naira depreciates at I&E Window

Last week, the Naira depreciated at the Investors & Exporters (I&E) window losing 30bps to settle at N416.6/\$. At the parallel market, demand pressures remained as we found offer quotes in the N580.0/\$ region while bid quotes were close to N585.0/\$ - N590.0/\$ level. In the I&E window, average FX turnover rose 24.0% w/w to \$153.3m. Also, Nigeria's external reserves increased by \$0.1m to close at \$39.6bn

We expect the naira to continue trading around current levels at the I&E window this week. However, we hold the view that the CBN may need to devalue the naira coupled with hawkish monetary policy 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
FBNH	7.1	35.9	12.2	437.9	↓ -41.8%	SELL	1.7	20.7	7.2x	0.6x	0.5	3.7%	66.2
FCMB	3.0	19.8	3.3	65.3	↓ -8.5%	SELL	NM	NM	NM	NM	0.2	6.1%	52.0
FIDELITYBK	2.7	29.0	3.4	99.4	↓ -22.2%	SELL	1.3	10.4	2.6x	0.3x	0.4	10.2%	71.4
GTCO	39.9	29.4	21.5	632.8	↑ 85.6%	BUY	6.2	29.4	3.5x	0.7x	3.0	14.0%	20.2
ZENITHBANK	30.4	31.4	22.4	703.3	↑ 35.7%	BUY	7.8	40.7	2.9x	0.6x	3.1	13.8%	18.7
STANBIC	51.9	13.0	34.2	442.5	↑ 52.0%	BUY	4.5	28.4	7.7x	1.2x	1.4	4.1%	31.2
Consumer Goods													
DANGSUGAR	19.6	12.1	15.8	191.9	↑ 24.1%	BUY	NA	10.6	NA	1.5x	1.0	6.3%	31.3
INTBREW	5.9	26.9	4.6	122.2	↑ 29.2%	BUY	(0.6)	5.3	NM	0.9x	0.0	0.0%	29.3
NESTLE	1,322.9	0.8	1,395.0	1,105.8	↓ -5.2%	SELL	51.5	43.8	27.1x	31.8x	50.5	3.6%	27.0
UNILEVER	16.0	5.7	13.3	76.4	↑ 20.1%	BUY	0.5	11.5	29.5x	1.2x	NM		39.7
FLOURMILL	46.6	4.1	31.1	127.3	↑ 50.1%	BUY	NA	43.4	NM	0.7x	1.7	5.3%	42.4
NB	39.7	8.0	40.5	323.5	↓ -1.9%	SELL	1.6	21.5	25.4x	1.9x	1.6	4.0%	9.7
GUINNESS	18.4	2.2	71.0	155.5	↓ -74.1%	SELL	4.7	38.2	15.0x	1.9x	NA		74.1
PZ	UR	4.0	10.6	41.9	NA	UR	0.8	NM	14.1x	NA	NM		79.0
UACN	UR	2.9	11.7	33.7	NA	UR	0.8	16.2	14.1x	0.7x	0.7	5.6%	64.8
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	23.6	380.1	↑ 32.2%	BUY	2.7	23.8	8.8x	1.0x	2.0	8.5%	33.9
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	142.0	135.5	↓ -35.7%	SELL	14.7	44.4	9.6x	3.2x	NA		92.6
PRESCO	80.6	1.0	133.0	133.0	↓ -39.4%	SELL	NM	46.9	NM	2.8x	1.0	0.8%	92.7
Oil & Gas													
TOTAL	250.4	0.3	238.5	81.0	↑ 5.0%	HOLD	49.3	NA	4.8x	NA	18.2	7.6%	99.1
OANDO	UR	12.4	4.7	58.4	NA	UR	2.3	16.8	2.0x	0.3x	0.0	0.0%	45.4
ARDOVA	23.4	1.3	11.7	15.2	↑ 100.9%	BUY	NA	12.3	NA	0.9x	0.0	0.0%	46.1

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 1st April, 2022

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