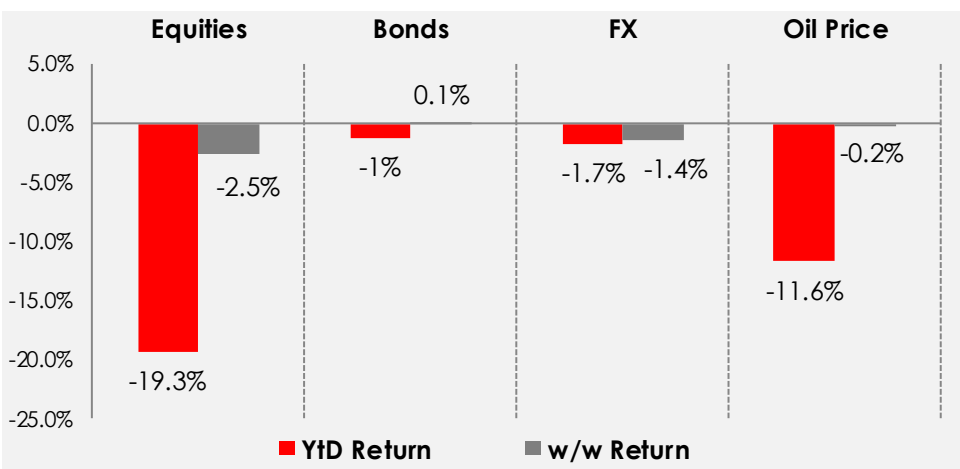


**Macro Highlights and Outlook**

In the week to 30th Nov-18, the National Bureau of Statistics (NBS) published its periodic Internally Generated Revenue (IGR) report at the State level for H1-18. According to the report, total States IGR (excluding FCT) grew by 19.9%y/y to N544.2bn. Not much changed in terms of revenue sources as FAAC inflows continued to account for more than c. 70% of the total revenue (FAAC + IGR) for most States with a notable exception in Lagos (23.3%) and Ogun (30.7%).

In other news, the Senate directed the federal government (FG) to suspend the implementation of the proposed 500% hike in excise tariff on alcoholic beverages and tobacco products, advising that the implementation of a new excise tariff rate should not be effected until all relevant stakeholders are carried along and a resolution has been reached to pave the way for consensus and implementation approach.

Elsewhere, we saw a raft of policy changes from the office of the Presidency as it announced its approval of an enhanced salary structure for the Nigeria Police Force (NPF) and gave some assurance that his administration will continue to pay attention to the welfare and operational needs of the force. Also, the Federal Executive Council (FEC) approved a downward revision to the cost of obtaining application forms for varying national examinations, starting from January 2019. **This week, a spree of economic data is expected to be published by the NBS with the most notable of them being the Q3-18 Capital importation data. Meanwhile, the outcome of the OPEC+ meeting, scheduled to hold on Thursday, is expected to dominate global headlines.**



Source: Bloomberg, Aboki FX (Parallel market rate), United Capital Research  
 Equities - NSE All Share Index; FX - NGN/USD Parallel Market Rate; Oil Price - Brent Crude oil price; Bond - S&P/FMDQ Nigeria Sovereign Bond Index (NGN)

**Global Equities:**

S&P 500:	+4.8%
NASDAQ:	+5.6%
DJIA:	+5.2%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,271.5
NSE Market Cap. (\$'mn):	30,874.2
YTD Return (%):	-19.3%
W-o-W Return (%):	-2.5%
P/E (x):	9.4x

**Fixed Income:**

Overnight:	17.4%
Open Buy-Back:	16.6%
<i>Treasury Bills Yield</i>	
90 days:	13.55%
180 days:	13.33%
360 days:	17.25%
<i>Bonds Yield</i>	
3-Year:	14.80%
10-Year:	15.89%

**Exchange Rate (NGN/USD):**

I & E FX window:	364.1
W-o-W Change:	-1.4%

**Global Market Review and Outlook**
**Global equities rebound as the Fed adorns a dovish cue**

Major global equity indices were catalysed by events in the monetary policy and trade front. US Fed chair - Powell - signalled a less aggressive stance on statements that rates were "just below neutral level". Although no specific indication was given as to the erasure of the much anticipated Dec-18 rate hike. On the trade front, the USMCA was officially signed by respective presidents; this buoyed hopes of a détente between the United States and China in the wake of the meeting between Xi and Trump at the G-20 over the weekend. Additionally, in a second estimate that matched the first, US Q3-18 GDP grew at an annualized rate of 3.5% while consumer spending rose 0.6% in Oct-18. Overall, the S&P 500 (+4.8%), DJIA (+5.2%) and NASDAQ (+5.6%) trended northwards w/w with the S&P lodging its best weekly gain since Dec-11.

Bullish sentiments also filtered into European markets amid geopolitical worries. The week started off with cheery reports that the EU approved Theresa May's proposed BREXIT draft agreement. Yet, the future of BREXIT is hinged on the UK's parliament decision coming up next week. Also, the Italian government signalled the possibility of lowering its budget deficit target, even as the European Commission received support from member states for a potential sanction. Overall, the Pan-European STOXX (+1.0%), UK's FTSE (+0.4%) and Germany's DAX (+0.6%) all registered w/w accretions.

BRICS-classified emerging markets also benefited from the global equity euphoria as all indices tracked a w/w gain except South Africa's JALSH (-0.1%). Brazil's IBOV (+3.8%), Russia's RTSI (+1.1%), China's SCHOMP (+0.3%) and India's SENSEX (+3.5%) all rose w/w.

**Domestic Financial Markets Review and Outlook**
**Local bourse continues freefall, down 4.9% in Nov-18**

The Nigerian equity market recorded four consecutive daily declines during the week to 30th November 2018, but found relief on the last trading day. Resultantly, the NSEASI logged a 2.5% w/w decline - its sharpest in November as the index closed the month on a bearish note (-4.9%), bringing m/m declines to the fifth consecutive month. Also, market capitalization shed N293.7bn to settle at N11.3tn while YTD return landed at -19.3%. Similarly, activity level was downbeat as average volume and value traded plunged 25.2% and 50.6% to 239.7mn units and N2.9bn respectively.

**Top Stock Recommendations for the Week**

Sectors	12M TP (N)	Sho (bn'N)	Mkt Price (N)	Mcap (bn'N)	Up/Down-Side	Rating	EPS	BVPS	P/E	P/B	DPS	Div. Yield	RSI
DANGCEM	258.4	17.0	186.9	3184.9	↑ 38.3%	BUY	9.8	42.0	19.1x	4.5x	8.5	4.5%	59.4
FCMB	2.7	19.8	1.5	28.7	↑ 86.2%	BUY	0.6	8.9	2.4x	0.2x	0.1	6.9%	43.1
PRESCO	76.9	1.0	62.2	62.2	↑ 23.7%	BUY	23.8	78.6	2.6x	0.8x	2.0	3.2%	13.0
SEPLAT	867.7	0.6	589.5	346.9	↑ 47.2%	BUY	0.6	2.6	2.7x	0.6x	-	0.0%	41.8
ZENITHBANK	30.3	31.4	23.2	728.4	↑ 30.6%	BUY	5.9	22.9	4.0x	1.0x	2.7	11.6%	26.4

Source: United Capital Research

A sectoral glance at the performance on the exchange showed that three major sector indices of the five that we track, closed in red territory. The Oil & Gas (-5.1%), Industrial Goods (-3.4%) and Banking (-3.0%) sector indices bore the brunt of the sell-offs owing to declines in SEPLAT (-9.7%), FO (-6.3%), OANDO (-2.1%), WAPCO (-7.1%), DANGCEM (-4.2%), DIAMOND (-31.6%), UNITY (-18.8%), FBNH (-6.6%) and GUARANTY (-5.6%). On the flip side, the Insurance (+4.7%) and Consumer Goods (+0.1%) sector indices escaped the bear's wrath as buying interests in CONTINSURE (+33.3%), MANSARD (+6.3%), PZ (+7.0%) and UNILEVER (+1.0%) provided support.

Investors' sentiment remained underwhelming as market breadth closed at 0.6x; 24 stocks advanced and 40 declined. **In line with our expectation of a year-end "relief" rally, the depth of sell-off that we have seen in recent times, underscores this fact. Yet, any potential upside may be capped by sentiments around political uncertainties ahead of 2019 elections.**

### **Money Market: One-year T-bill crosses 17% as pressures on crude prices forces CBN to hike OMO rates**

The week to 30th November was a tight week in terms of system liquidity as the CBN issued fresh OMO bills worth N88.9bn (via two OMO auctions worth N532.6bn, against maturities of N443.8bn). Evidently, this resulted in a rise in average money market rates (Open Buy Back and Overnight rates) for the week to 16.2% from 8.1% in the preceding week. Interestingly, the CBN also hiked OMO rates; 91-day from 11.50% to 11.65%, 182-day from 13.00% to 13.20%, and 365-day from 14.50% to 14.75% - most likely predicated on the recent slide in crude oil prices, as the bank seeks to raise the returns on holding Nigerian assets in a bid to reduce dollar demand pressures.

On another note, the bank conducted its bi-monthly NTB auction, wherein it successfully re-financed N150.6bn. Demand was modest as bids of 1.8x the offer turned up, though markedly lower than the 3.1x recorded in the preceding auction. The CBN was able to roll over the auction at relatively lower stop rates (91-day (10.90% vs. 10.95% at the last auction), 182-day (13.10% vs. 13.16% at the last auction) and 364-day (14.45% vs. 14.45% at the last auction).

In the secondary market, NTB yields tracked higher by an average of 68bps to close at 14.7%, as yields repriced, following the hike in OMO rates: 91-day (up 23bps to 13.5%), 182-day (up 41bps to 14.9%) and 364-day (up 56bps to 17.3%). **Entering December, we expect to see more of OMO auctions, following the directive by the DMO that NTB's of N78.05bn for 13th and 20th Dec-18 would be fully redeemed. This week, system maturities to the tune of N684.8bn – made entirely of OMO maturities. We expect the tempo of this event to guide trading sentiments.**

### **Bond Market: Bond bears rule the roost amid CBN OMO hike**

A sell-side theme guided sentiment in the bonds market following the CBN's OMO rate hike. Consequently, FGN bond yields inched higher by 8bps on average to close at 15.6%. Similarly, average yield for FGN Eurobond also edged higher from 8.0% to 8.2% while average yield in corporate Eurobonds increased to 11.2% from 10.1%. **Generally speaking, there is a better balance of risk for the market as some of the factors that were pain-points for Emerging and Frontier Market investors during the year seems to be abating. What's more, The DMO is well-armed to meeting its domestic financing target within the 2018 budget, underscored by its passive stance in the last bond auction and its willingness to redeem NTB's for December. These factors, coupled with expectations of an output cut by OPEC (which may predicate a rise in crude prices), clearly portends a bullish outlook for the fixed income market in the nearest term.**

**Foreign Exchange: Naira depreciates at the Parallel market; FX reserves inch higher**

In the Foreign exchange market, the local currency weakened against the dollar at the parallel market, down by 1.4% w/w to average N367.5/\$1 at the close of the week. The naira also depreciated mildly by 2bps at the official market to N306.8/\$1 while rates at the Investors & Exporters (I & E) market appreciated to N364.1/\$1, up 16bps w/w as the CBN maintained its weekly FX intervention in the wholesale and retail FX market in a bid to support the naira.

Also, FX reserves closed November on a high, up 1.0% w/w and 0.2% m/m to \$42.0bn as at Friday. Meanwhile, benchmark Brent price dipped further during the week, trading below \$60.0/b at the end of the week as Saudi Arabia and other OPEC+ member signaled an output cut in their upcoming meeting, in a bid to support prices.

**Looking ahead, we expect the sustained weekly FX intervention by the CBN to continue to support the local unit at N360-N365/1\$, especially at the I&E window. In the meantime, we believe the resulting upside volatility in global crude oil prices as a result of the OPEC+ potential output cut is positive for reserves.**

**3rd December 2018**
**Stock Recommendations for the Week**

Sectors	12M TP (N)	Sho (bn'N)	Mkt Price (N)	Mcap (bn'N)	Up/Down-Side	Rating	EPS	BVPS	P/E	P/B	DPS	Div. Yield	RSI
<b>Banking</b>													
ACCESS	10.6	28.9	7.8	224.2	↑ 36.8%	BUY	2.0	15.8	3.8x	0.5x	0.7	8.4%	19.3
FBNH	10.7	35.9	7.1	254.9	↑ 50.7%	BUY	1.5	18.5	4.7x	0.4x	0.2	2.8%	44.2
FCMB	2.7	19.8	1.5	28.7	↑ 86.2%	BUY	0.6	8.9	2.4x	0.2x	0.1	6.9%	43.1
FIDELITYBK	2.8	29.0	2.0	57.4	↑ 41.4%	BUY	1.3	6.2	1.6x	0.3x	0.1	5.6%	32.6
GUARANTY	40.6	29.4	34.4	1011.0	↑ 18.2%	BUY	6.5	16.5	5.3x	2.1x	2.4	7.0%	36.6
ZENITHBANK	30.3	31.4	23.2	728.4	↑ 30.6%	BUY	5.9	22.9	4.0x	1.0x	2.7	11.6%	26.4
DIAMONDBNK	2.1	23.2	0.7	15.1	↑ 223.1%	BUY	(0.9)	9.6	-0.8x	0.1x	-	-	36.5
STANBIC	46.2	10.1	48.0	485.5	↓ -3.8%	SELL	6.5	20.6	7.4x	2.3x	-	0.0%	46.8
<b>Consumer Goods</b>													
DANGSUGAR	21.7	12.0	13.0	155.4	↑ 67.6%	BUY	3.0	8.3	4.4x	1.6x	1.3	9.7%	29.9
INTBREW	35.0	8.6	30.8	264.3	↑ 13.8%	BUY	1.0	4.2	32.2x	7.3x	-	0.0%	38.0
NESTLE	1,506.5	0.8	1485.0	1177.1	↑ 1.4%	HOLD	48.7	56.2	30.5x	26.4x	25.0	1.7%	43.2
UNILEVER	56.3	5.7	39.9	229.2	↑ 41.1%	BUY	1.8	13.7	22.1x	2.9x	0.5	1.3%	48.9
FLOURMILL	33.7	4.1	20.0	82.0	↑ 68.3%	BUY	4.1	36.3	4.9x	0.6x	1.0	5.0%	29.2
NB	103.0	8.0	82.6	660.5	↑ 24.7%	BUY	3.5	21.4	23.7x	3.9x	3.6	4.3%	33.0
GUINNESS	99.8	2.2	74.0	162.1	↑ 34.9%	BUY	5.3	39.2	14.1x	1.9x	0.5	0.7%	34.9
PZ	20.6	4.0	11.4	45.3	↑ 80.7%	BUY	1.1	10.4	10.8x	1.1x	0.5	4.4%	27.0
UACN	UR	2.9	10.0	28.8	NA	UR	0.6	23.3	17.8x	0.4x	1.0	10.0%	40.0
<b>Industrial Goods</b>													
DANGCEM	258.4	17.0	186.9	3184.9	↑ 38.3%	BUY	9.8	42.0	19.1x	4.5x	8.5	4.5%	59.4
WAPCO	UR	8.7	13.0	112.8	NA	UR	(9.0)	16.1	-1.4x	0.8x	1.5	11.5%	26.6
<b>Agric</b>													
OKOMUOIL	99.8	1.0	75.5	72.0	↑ 32.2%	BUY	9.3	28.9	8.1x	2.6x	3.0	4.0%	27.1
PRESCO	76.9	1.0	62.2	62.2	↑ 23.7%	BUY	23.8	78.6	2.6x	0.8x	2.0	3.2%	13.0
<b>Oil &amp; Gas</b>													
TOTAL	211.2	0.3	198.0	67.2	↑ 6.7%	HOLD	26.8	85.9	7.4x	2.3x	17.0	8.6%	32.2
SEPLAT	867.7	0.6	589.5	346.9	↑ 47.2%	BUY	0.6	2.6	2.7x	0.6x	-	0.0%	41.8
MOBIL	184.5	0.4	175.0	63.1	↑ 5.4%	HOLD	29.1	83.0	6.0x	2.1x	8.0	4.6%	52.3
OANDO	UR	12.4	4.7	58.4	NA	UR	1.1	14.9	4.1x	0.3x	-	-	42.8
FO	UR	1.3	18.0	23.4	NA	UR	(2.6)	13.0	-6.9x	1.4x	-	-	33.8

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

Source: Company filings, NSE, United Capital Research, UR= "Under Review"  
**Prices as at Friday 30th November 2018**

### Investment Rating Criteria and Disclosure

United Capital Research adopts a 3-tier recommendation system for assets under our coverage: Buy, Hold and Sell. These generic ratings are defined below:

**Buy:** Based on our valuation and subjective view (if any), the total return upside on the stock's current price is greater than our estimated cost of equity.

**Hold:** Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the cost of equity, however, the expected total return on the stock is greater than or equal to the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 500bps; i.e 10%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity.

**Sell:** Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 200bps; i.e. 10%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity, especially as we consider the average 4.5% total transaction cost for an average retail investor.

**NR\*:** Please note that in addition to our three rating heads, we indicate stocks that we do not rate with NR; meaning Not-Rated. We may not rate a stock due to investment banking relationships, other sources of conflict of interests and other reasons which may from time to time prevent us from issuing a rating on the shares (or other instruments) of a company.

**Please note that we sometimes give concessional rating on stocks, which may be informed by technical factors and market sentiments.**

### Current Stock Rating Dispersion and Relationship

**Conflict of Interest:** It is the policy of United Capital Plc and all its subsidiaries/affiliates (hereafter collectively referred to as "UCAP") that research analysts may not be involved in activities that suggest that they are representing the interests of UCAP in a way likely to appear to be inconsistent with providing independent investment research. In addition, research analysts' reporting lines are structured so as to avoid any conflict of interests. Precisely, research analysts are not subject to the supervision or control of anyone in UCAP's Investment Banking or Sales and Trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those Sales and Trading departments may conflict with your interests as clients. Overall, the Group protects clients from probable conflicts of interest that may arise in the course of its business relationships.

### Risk Rating

Our Risk rating assesses the likelihood of market price deviating significantly from valuation fair prices. Risk factors limit gravitation of market prices towards target prices or result in significant decline in current price and thus swing buy/sell rating from positive to negative or vice versa. Risk factors are broadly grouped into systematic and unsystematic risk. Systematic risk (also called market risk or un-diversifiable risk) captures uncertainties or volatilities inherent to the entire market. This also includes macroeconomic shocks emanating from government actions or inactions, unanticipated policy pronouncements, external shocks and socio-political tensions which may swing market prices significantly away from targets. Unsystematic risk (specific risk, diversifiable risk or residual risk) on the other hand captures company or sector specific uncertainties which can mostly be reduced by diversification. These include labour union/industrial actions, corporate governance/management inefficiency, litigation, possible liquidation/winding-down of operation, internal labour unrest, government action, policy missteps as well as disruptions resulting from innovation, technology and technical progress etc.

United Capital Research adopts a 3-tier risk rating for assets under our coverage: High, Medium and Low. The rating scale is ordinal and captures the diverse risks that we deem applicable the company of focus. The ratings are defined below:

**High:** High probability of an imminent systematic risk or/and unsystematic risk

**Medium:** Slightly high (but lower compared to 'High') probability of an imminent systematic risk or/and unsystematic risk

**Low:** Low probability of an imminent systematic risk or/and unsystematic risk

### Analyst Certification

The research analysts who prepared this report certify as follows:

- That all of the views expressed in this report articulate the research analyst(s) independent views/opinions regarding the companies, securities, industries or markets discussed in this report.
- That the research analyst(s) compensation or remuneration is in no way connected (either directly or indirectly) to the specific recommendations, estimates or opinions expressed in this report.

### Other Disclosures

United Capital Plc or any of its affiliates (hereafter collectively referred to as "UCAP") may have financial or beneficial interest in securities or related investments discussed in this report, potentially giving rise to a conflict of interest which could affect the objectivity of this report. Material interests which UCAP may have in companies or securities discussed in this report are disclosed:

- UCAP may own shares of the company/subject covered in this research report.
- UCAP does or may seek to do business with the company/subject of this research report
- UCAP may be or may seek to be a market maker for the company which is the subject of this research report
- UCAP or any of its officers may be or may seek to be a director in the company(ies) covered in this research report
- UCAP may be likely recipient of financial or other material benefits from the company/subject of this research report

Company	Disclosure
Dangote Cement Plc	h
Dangote Flour Plc	h
Dangote Sugar Plc	h
Diamond Bank Plc	h
FirstBank Holdings Nigeria Plc	h
Guaranty Trust Bank Plc	h
Guinness Nigeria Plc	h
PZ Nigeria Plc	h
Transnational Corporation of Nigeria Plc	g, h
United Bank for Africa Plc	h

### Disclosure keys

- The analyst holds personal positions (directly or indirectly) in one or more of the stocks covered in this report
- The analyst(s) responsible for this report (whose name(s) appear(s) on the front page of this report is a Board member, Officer or Director of the Company or has influence on the company's operating decision directly or through proxy arrangements
- UCAP is a market maker in the publicly traded equities of the Company
- UCAP has been lead arranger or co-lead arranger over the past 12 months of any offer of securities of the Company
- UCAP beneficially own 1% or more of the equity securities of the Company
- UCAP holds a major interest in the debt of the Company
- UCAP has received compensation for investment banking activities from the Company within the last 12 months
- UCAP intends to seek, or anticipates compensation for investment banking services from the Company in the next 6 months
- The content of this research report has been communicated with the Company, following which this research report has been materially amended before its distribution
- The Company is a client of UCAP
- The Company owns more than 5% of the issued share capital of UCAP

### 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, United Capital Securities Limited is a dealing member of the Nigerian Stock Exchange. For enquiries, contact United Capital Plc, 12th Floor, UBA House, 57 Marina, Lagos. ©United Capital Plc 2016.\*