

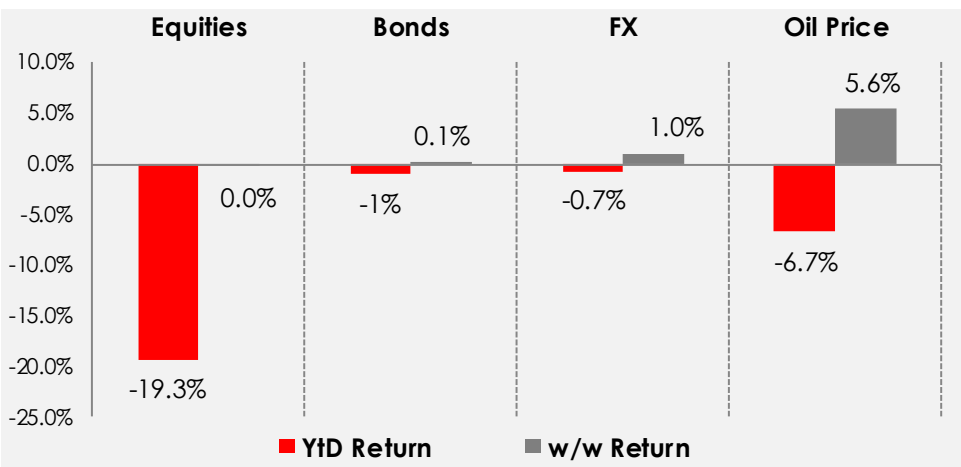
**Macro Highlights and Outlook**

The past week started off with the release of the Q3-18 selected banking sector data by the National Bureau of Statistics, which showed that total banking sector credit to the private sector saw a marginal uptick when viewed on a quarterly basis but weakened by 1.5% y/y. Further analysis also showed that the banking industry was exposed to high credit risk as asset quality [Non-Performing Loans (NPL) to Total Loans] deteriorated from 12.5% in Q2-18 to 14.2% in Q3-18.

The CBN also released its monthly Business Expectation Survey (BES) which showed that businesses surveyed across the country expressed their optimism on further recovery in the domestic economy. In other news, the Federal Government of Nigeria via the Debt Management Office opened a fresh tranche of its Sukuk bond series. The instrument, worth N100bn at a rental rate of 15.74% with a seven-year tenure, is targeted at the construction and rehabilitation of major road projects across the country.

**This week, we anticipate a barrage of key economic data from the Nigerian Bureau of Statistics. This ranges from the Q3-18 GDP numbers and Foreign Trade in Goods Statistics to Nov-18 Inflation, Selected Food Prices and Transport Fare Watch, among others.**

**Nigeria Asset Class Returns (YTD, W-o-W)**



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:	-4.6%
NASDAQ:	-4.5%
DJIA:	-4.9%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,268.8
NSE Market Cap. (\$'mn):	36,724.1
YTD Return (%):	-19.3%
W-o-W Return (%):	-0.02%
P/E (x):	9.4x

**Fixed Income:**

Overnight:	26.10%
Open Buy-Back:	24.33%
<i>Treasury Bills Yield</i>	
90 days:	15.11%
180 days:	14.52%
360 days:	17.41%
<i>Bonds Yield</i>	
3-Year:	15.01%
10-Year:	15.97%

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

I & E FX window:	365.3
W-o-W Change:	-0.3%

## Global Market Review and Outlook

### Global equities caught in a roller-coaster of geopolitical events

Global equities started the week on an upbeat note as investors basked in the euphoria of the US-China trade ceasefire agreed on the sidelines of the G20 summit. However, the early gains quickly dissipated amid fears of recessionary signals sent by the US bond market and murky details on the significance of the trade agreement that was earlier celebrated. Adding to the uncertainty, bearish sentiments were further exacerbated by geopolitical worries that trailed the arrest of a top executive in a renowned Chinese tech company, Huawei, at the behest of US authorities. In the US, geo-politics overhang overshadowed a relatively cheery job report that showed that unemployment still hovered at a 59-year low. Consequently, the S&P 500, DJIA and NASDAQ all shed 4.6%, 4.9% and 4.5% respectively in the holiday-shortened week.

Bearish sentiments also pervaded into European markets as the Pan European STOXX (-3.4%), France's CAC (-3.8%), and Germany's DAX (-4.2%) all trended southwards w/w. Sentiments in the EU also weighed in the fuel tax hike protests that rocked Paris and the run-off to BREXIT parliamentary vote. In the week ahead, we will be keeping tabs on the outcomes of BREXIT votes and the ECB monetary policy meeting.

Across emerging markets, the South African JALSH (+0.7%) rode on the waves of cheery GDP reports, where the African nation expanded 2.2% in Q3-18, hence, exiting a technical recession. Russia's RTSI (+2.8%) and China's SCHOMP (+0.7%) indices also escaped the global bear's wrath. Meanwhile, Brazil's IBOV (-1.6%) and India's SENSEX (-1.4%) trailed the bearish path. Beyond the BRICS-classified emerging markets, Turkey's Nov-18 inflation fell from the 15-year high recorded in Oct-18 to 21.6% while Mexico welcomed the swearing in of a new president.

The past week was an eventful one for the oil market. The week kicked off with a surprise announcement from Qatar to divorce OPEC. The island nation made the move to exit the cartel, after almost 60 years of membership, to focus on consolidating its leadership in gas production. Beyond Qatar's exit, Alberta's unexpected but timely announcement to cut crude and bitumen production by 325,000 barrels a day from next year also boosted sentiments. The major highlights of the past week for the oil market was wrapped off by the outcome of OPEC+'s meeting. Despite initial reports of an impasse, the cartel and its allies agreed to cut production by 1.2mbpd from the beginning of 2019. This buoyed crude prices to a 5.0% w/w gain to settle at \$61.7/b.

## Domestic Market Financial Review and Outlook

### A tepid end to an otherwise great week

In what seemed like a tussle between the bulls and the bears, the domestic market closed the week barely bearish upon a 2bps decline w/w. Although the market started the week on a bearish footing, a trend of mixed performance was observed mid-week as the market closed in green territory on three of five trading days. Market capitalization faltered N2.7bn w/w to settle at N11.3tn while YTD return stood at -19.3% as at close of the week.

### 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
PRESKO	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
ZENITHBANK	30.3	31.4	23.6	739.4	↑ 28.7%	BUY	5.9	22.9	4.0x	1.0x	2.7	11.5%	26.4
OKOMUOIL	99.8	1.0	72.0	68.7	↑ 38.6%	BUY	9.3	28.9	7.8x	2.5x	3.0	4.2%	27.1
FIDELITYBK	2.8	29.0	1.9	55.6	↑ 45.8%	BUY	1.3	6.2	1.5x	0.3x	0.1	5.7%	32.6
GUARANTY	40.6	29.4	34.9	1027.1	↑ 16.3%	BUY	6.5	16.5	5.3x	2.1x	2.4	6.9%	36.6

Source: United Capital Research

Across sectors, the Insurance (-3.1%), Agriculture (-2.4%) and Industrial Goods (-2.1%) indices were the laggards as declines in CONTINSURE (-12.5%), OKOMUOIL (-4.6%), DANGCEM (-1.6%) and WAPCO (-3.9%) weighed. On the other hand, the Oil & Gas (+0.2%), Banking (+0.9%) and Consumer Goods (+0.6%) indices trended northwards w/w owing to price appreciation in OANDO (+9.6%), SEPLAT (+1.6%), DIAMOND (+56.9%), WEMA (+7.8%), NESTLE (+4.3%) and DANGSUGAR (+4.3%). In the corporate information front, Lafarge (WAPCO)'s shareholders reached a resolution for the firm to raise N89.1bn via a Rights Issue. The transaction would be done by issuing six new shares for every seven shares. Notably, NESTLE, NB and TOTAL's Q3-18 interim dividend would be paid this week, specifically on the 10<sup>th</sup> of December. The interim dividends are N20.0, N0.6 and N3.0 respectively. Additionally, towards the end of the week, Fitch ratings downgraded DIAMOND from B- (Highly Speculative) to CCC (Substantial credit risk). This reflected the rating organization fears on the bank's solvency and liquidity position, as well as the perceived onerous execution of the sale of its London subsidiary that could hamper the banks successful transition to a national bank.

Investors' sentiment remained underwater as market breadth closed at 0.8x; 30 stocks advanced while 37 declined. **As the domestic bourse hovers in an oversold region, we reiterate our expectations of a Santa Claus rally this month as year-end portfolio repositioning and bargain hunting provides support. Yet, the possibility of an unprecedented rally could be capped by the overhang of jitters in the polity.**

**Money Market: CBN plays hard ball with four OMO auctions**

In the week to 7<sup>th</sup> December, the CBN was a “ball of fire”, conducting a total of five OMO auctions (four regular and one special) worth N892.8bn in a bid to curbing system liquidity from maturing OMO bills (N684.8bn) and FAAC payments. Interestingly, stop rates on the 183-day and 351-day maturities were maintained at 13.50% and 15.00% respectively, while the 92-day bill increased by 25bps to end at 11.90%. Overall, average money market rates (Open Buy Back and Overnight rates) for the week settled at 12.5% from 16.2% in the preceding week.

In the secondary market, OMO activities of the week fueled sell-offs as yields tracked higher by an average of 82bps to close at 15.6% [91-day (up 156bps to 15.1%), 182-day (up 130bps to 16.2%) and 364-day (up 64bps to 17.4%)]. **Looking into the new week, we expect to see more of OMO auctions, following OMO maturities worth N498.7bn, as well as the directive by the DMO that NTB's of N78.0bn for both 13<sup>th</sup> and 20<sup>th</sup> Dec-18 would be fully redeemed. We expect the tempo of all these events to guide trading sentiments in the secondary market.**

**Bond Market: Lull theme characterizes sentiments**

In the bonds space, The DMO issued an offer circular for its N100bn 7-year Sukuk issue priced at 15.743%. In other news, a lull theme characterized trading activities in the primary market, as FGN bond traded sideways to close at 15.6%. Similarly, average yield for FGN Eurobond edged higher fractionally from 8.3% to 8.2% while average yield in corporate Eurobonds increased to 10.7% from 11.2%. **There is a better balance of risk for the market as some of the factors that predicated Emerging & Frontier Market fund flows during the year seems to be abating. These factors coupled with the 1.2mn barrels per day output cut by OPEC+ (which portends a firming up for oil prices) should spur a bullish theme in the near term.**

**Foreign Exchange: Naira appreciates at the Parallel market**

In the Foreign exchange market, the local currency strengthened against the dollar at the parallel market, up by 1.0% w/w to average N364.0/\$1 at the close of the week. On the flip side, the naira traded sideways in the official market to settle at N306.9/\$1 while rates at the Investors & Exporters (I & E) market depreciated to N365.3/\$1, down 34bps w/w. **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.**

10th 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	7.5	215.5	↑ 42.3%	BUY	2.0	15.8	3.7x	0.5x	0.7	8.7%	19.3
FBNH	10.7	35.9	7.6	272.8	↑ 40.8%	BUY	1.5	18.5	5.0x	0.4x	0.2	2.6%	44.2
FCMB	2.7	19.8	1.5	29.9	↑ 78.8%	BUY	0.6	8.9	2.5x	0.2x	0.1	6.6%	43.1
FIDELITYBK	2.8	29.0	1.9	55.6	↑ 45.8%	BUY	1.3	6.2	1.5x	0.3x	0.1	5.7%	32.6
GUARANTY	40.6	29.4	34.9	1027.1	↑ 16.3%	BUY	6.5	16.5	5.3x	2.1x	2.4	6.9%	36.6
ZENITHBANK	30.3	31.4	23.6	739.4	↑ 28.7%	BUY	5.9	22.9	4.0x	1.0x	2.7	11.5%	26.4
DIAMONDBNK	2.1	23.2	1.0	23.6	↑ 105.9%	BUY	(0.9)	9.6	-1.2x	0.1x	-	-	36.5
STANBIC	46.2	10.1	46.5	470.3	↓ -0.6%	SELL	6.5	20.6	7.2x	2.3x	-	0.0%	46.8
<b>Consumer Goods</b>													
DANGSUGAR	21.7	12.0	13.5	162.0	↑ 60.7%	BUY	3.0	8.3	4.6x	1.6x	1.3	9.3%	29.9
INTBREW	35.0	8.6	29.5	253.1	↑ 18.8%	BUY	1.0	4.2	30.8x	7.0x	-	0.0%	38.0
NESTLE	1,506.5	0.8	1549.0	1227.8	↓ -2.7%	SELL	48.7	56.2	31.8x	27.6x	25.0	1.6%	43.2
UNILEVER	56.3	5.7	38.9	223.5	↑ 44.7%	BUY	1.8	13.7	21.5x	2.8x	0.5	1.3%	48.9
FLOURMILL	33.7	4.1	20.2	82.8	↑ 66.6%	BUY	4.1	36.3	5.0x	0.6x	1.0	5.0%	29.2
NB	103.0	8.0	80.0	639.8	↑ 28.8%	BUY	3.5	21.4	23.0x	3.7x	3.6	4.5%	33.0
GUINNESS	99.8	2.2	73.0	159.9	↑ 36.7%	BUY	5.3	39.2	13.9x	1.9x	0.5	0.7%	34.9
PZ	20.6	4.0	10.9	43.3	↑ 89.0%	BUY	1.1	10.4	10.3x	1.1x	0.5	4.6%	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	184.0	3135.5	↑ 40.4%	BUY	9.8	42.0	18.8x	4.4x	8.5	4.6%	59.4
WAPCO	UR	8.7	12.5	108.4	NA	UR	(9.0)	16.1	-1.4x	0.8x	1.5	12.0%	26.6
<b>Agric</b>													
OKOMUOIL	99.8	1.0	72.0	68.7	↑ 38.6%	BUY	9.3	28.9	7.8x	2.5x	3.0	4.2%	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	598.9	352.4	↑ 44.9%	BUY	0.6	2.6	2.8x	0.6x	-	0.0%	41.8
MOBIL	184.5	0.4	174.8	63.0	↑ 5.5%	HOLD	29.1	83.0	6.0x	2.1x	8.0	4.6%	52.3
OANDO	UR	12.4	5.2	64.0	NA	UR	1.1	14.9	4.5x	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 7th December 2018**

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