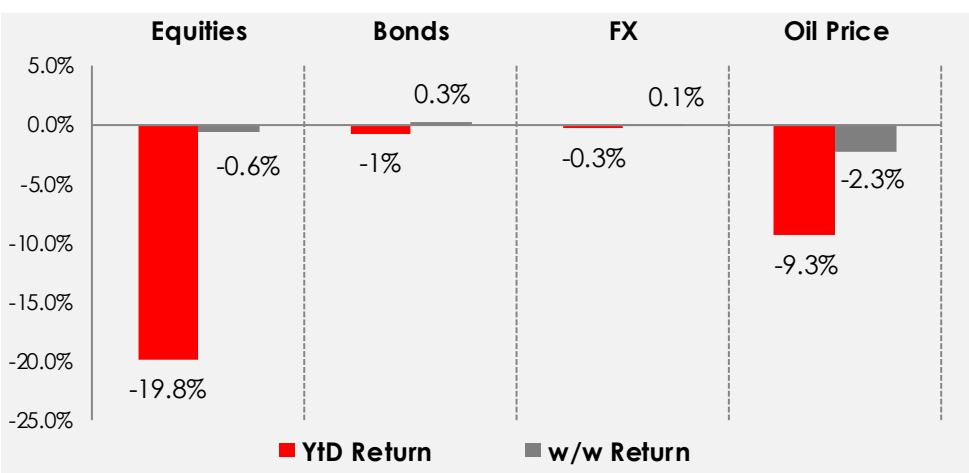


**Macro Highlights and Outlook**

The week to 14th of December 2018 witnessed an influx of key economic data from the National Bureau of Statistics (NBS). Firstly, the GDP growth for Q3-18 came in at 1.8%y/y (vs. 1.5%y/y in Q2-18 and 1.2%y/y in Q3-17). Also, Foreign Trade in Goods statistics for Q3-18 indicated that trade balance (exports minus imports) remained in a surplus position of N681.3bn, though tumbled 67.6% compared to Q2-18. This was underscored by the 73.8% q/q spike in imports which more than offset a 7.8% q/q decline in exports.

Similarly, total capital imported into Nigeria in Q3-18 faltered to its lowest level since Q2-17, after recording a 31.1% y/y decline to \$2.9bn. Meanwhile, the Nov-18 inflation report revealed that the headline Inflation rate inched higher by 2bps relative to the prior month to settle at 11.28% y/y.

Elsewhere, the Federal Government is proposing a N8.6tn Budget for the 2019 fiscal year according to the Minister of Budget and National Planning. What's more, Vice-Presidential aspirants' debates for the 2019 election was the highlight of Friday night as 5 candidates make cases to the Nigerian public in a bid to earn their votes. **This week, the NBS is scheduled to release its long-awaited job data report for Q4-17 and Q3-18.**



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:	-1.3%
NASDAQ:	-0.8%
DJIA:	-1.2%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,203.8
NSE Market Cap. (\$'mn):	30,672.8
YTD Return (%):	-19.8%
W-o-W Return (%):	-0.6%
P/E (x):	9.3x

**Fixed Income:**

Overnight:	27.2%
Open Buy-Back:	24.6%
<i>Treasury Bills Yield</i>	
90 days:	14.30%
180 days:	14.47%
360 days:	17.31%
<i>Bonds Yield</i>	
3-Year:	15.06%
10-Year:	15.81%

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

I & E FX window:	365.2
W-o-W Change:	+0.03%

**Global Market Review and Outlook**
**Mixed sentiments cloak global equities amid a conflux of economic and geopolitical headlines**

The past week culminated into mixed sentiments across major equity indices in the world. In the US market, we observed a barrage of economic data. This includes; A weaker Nov-18 inflation reading of 2.2% compared to 2.5% in October; a 0.2% m/m growth recorded in retail sales; and a sharp decline in weekly jobless claims to a 49-year low. However, the focus remains largely on geopolitics; trade jitters, President Trump's threat to shut down the government and concerns over slowing growth outside the US, which forestalls slowing global growth. Consequently, the S&P 500 (-1.3%), DJIA (-1.2%) and NASDAQ (-0.8%), all trended southwards w/w.

Meanwhile, European markets closed bullish despite unsettling headlines across the region. On one hand was British PM's (Theresa May) survival of 'a vote of no confidence' that could have tipped the country into further turmoil, on the other, was Italy's signaling of a lower budget deficit from 2.4% to 2.0% of GDP. What's more, the ECB kept policy rates unchanged but highlighted that policy rates will only be maintained at least through the summer of 2019, as its asset purchase program will be wrapped off in Dec-18. Additionally, France's Emmanuel Macron promised to raise the country's minimum wage and possibly cut taxes. Nonetheless, EU's parliament ratification of the Economic Partnership Agreement with Japan was well received by the market. Consequently, Pan European STOXX (+0.5%), France's CAC (+0.8%), Germany's DAX (+0.7%) and UK's FTSE (+1.0%) all rose w/w.

Mixed sentiments seeped into emerging markets as concerns over a further slowdown in China prevailed. Chinese Nov-18 Retail Sales rose 8.1% (its slowest pace since 2003), while industrial output data added 5.4% (its slowest in almost three years). Consequently, only two of the five BRICS-classified markets closed in green territory; South Africa's JALSH (+1.0%) and India's SENSEX (+0.8%). Russia's RTSI (-3.6%), Brazil's IBOV (-0.8%) and China's SCHOMP (-0.5%) stood as the laggards within the classification. Notably, India welcomed a new Central Bank Chief after the surprise resignation of the previous Governor. Relatedly, the Russian Central Bank hiked policy rate to 7.75% from 7.5%.

**This week, the markets will be keeping tabs on the spate of monetary policy decisions including the US Fed, Bank of England and Bank of Japan, among others.**

**Domestic Market Financial Review and Outlook :**
**Local equities dip further, down 0.6% w/w**

The past week saw the domestic equity benchmark index weave in and out of bullish and bearish dominance amid a deluge of economic data. The market opened the week on a bearish note and recorded losses intermittently on three of five trading days. Thus, in an extension of the previous week's bearish run, the NSEASI shed 0.6% w/w to settle at 30,672.8 points. Investors' parted with N64.9bn as market capitalization closed at N11.2tn while YTD return sank to -19.8%. Meanwhile, activity level trended northwards as average volume and value traded rose 5.6% and 31.9% to 233.7mn 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
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
DANGCEM	258.4	17.0	185.0	3152.5	↑ 39.7%	BUY	9.8	42.0	18.9x	4.4x	8.5	4.6%	59.4
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
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
ZENITHBANK	30.3	31.4	23.0	722.1	↑ 31.7%	BUY	5.9	22.9	3.9x	1.0x	2.7	11.7%	26.4

Source: United Capital Research

In spite the general bearish theme that cloaked the market, four of the six sector indices we track trended northwards w/w. The Industrial Goods (+0.8%), Agricultural (+0.7%), Banking (+0.2%) and Insurance (+0.2%) indices bucked the trend as bargain hunting in DANGCEM (+0.7%), OKOMUOIL (+1.4%), UBN (+14.0%), FCMB (+7.9%), WEMA (+7.3%), NIGERINS (+10.0%) and CONTINSURE (+5.7%) buoyed the indices. On the flipside, the Consumer Goods (-2.8%) and Oil & Gas (-0.8%) indices stood as the week's laggards consequent on declines in NESTLE (-6.4%), DANGSUGAR (-1.5%), MOBIL (-10.4%) and OANDO (-3.9%).

Investors' sentiment was positive as market breadth closed at 1.1x; 33 stocks advanced while 31 declined. **This week, we expect sentiment to remain mixed as the market Relative Strength Index (RSI) signals that equities are oversold. In our view, this dynamic could spur some bargain hunting although concerns in polity could keep investors on the sideline.**

### **Money Market: System liquidity in dire straits**

In the week to 7th December, system liquidity was in dire straits as average money market rates (Open Buy Back and Overnight rates) for the week reached as high as 42.1% (from an average of 12.5% in the preceding week). The CBN conducted OMO sales on every day of the week in a bid to curbing system liquidity from maturing OMO and PMA repayments. On the side, stop rates was kept at 91-day: 11.9%, 182-day: 13.5%, and 364-day: 15.0%.

The secondary market performance was characterized by a tussle between the bulls (spurred by bargains on attractive offerings) and the bears (stoked by the compressed system liquidity). Cumulatively, yields traded sideways to settle at 15.6% [91-day (down 81bps to 14.3%), 182-day (down 206bps to 14.2%) and 364-day (up 9bps to 17.3%)].

**Looking into the new week, we expect to see yet more OMO auctions as the CBN doubles down on curbing system liquidity in the wake of c. N472.4bn OMO maturities and c. N25.4bn PMA maturities. The tempo of these events should guide trading sentiments in the secondary market.**

### **Bond Market: Characterized by lull theme**

The bonds market continued to be characterized by a lull theme in the wake of rising short-term rates and political uncertainties which has spurred a risk-off theme in the market. In all, FGN bond traded sideways to remain at 15.6%. However, average yield for FGN Eurobond edged lower to settle at 8.0% from 8.2% while average yield in corporate Eurobonds decreased fractionally to 10.6% from 10.7%. **There is a better balance of risk for the market as some of the factors that predicated Emerging & Frontier Market fund flow during the year seems to be abating. Nonetheless, we expect political risk premia to remain elevated in the build-up to elections next year.**

### **Foreign Exchange: Naira appreciates at both NAFEX and Parallel market**

In the Foreign exchange market, the local currency strengthened against the dollar at both the Parallel and Investors & Exporters market, up by 41bps and 3bps w/w to close the week at N362.5/\$1 and N365.2/\$1 respectively. Meanwhile, the naira continued to record marginal depreciation at the Official market, down by 2bps to N306.9/\$1, even as the CBN maintained its weekly FX intervention in the wholesale and retail FX market, in a bid to supporting the naira.

Also, FX reserves accreted by 0.7% w/w to \$42.9bn as at Thursday, maintaining its recent uptrend despite the Apex banks willingness to continue to support the naira even at the expense of the reserves. Meanwhile, benchmark Brent price traded above

\$60.0/b for a significant part of the week as OPEC output cut continued to provide a floor for crude oil prices around \$60/b.

Looking ahead, we expect the sustained weekly FX intervention by the CBN to continue to support the local unit at N360-N365/1\$ in the I & E window. In the meantime, an above \$60/b oil combined with the Nov-18 \$2.9bn Eurobond remains positive for overall reserves position by year-end.

17th 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	7.5	267.4	↑ 43.6%	BUY	1.5	18.5	4.9x	0.4x	0.2	2.7%	44.2
FCMB	2.7	19.8	1.6	32.3	↑ 65.6%	BUY	0.6	8.9	2.7x	0.2x	0.1	6.1%	43.1
FIDELITYBK	2.8	29.0	2.0	57.1	↑ 42.1%	BUY	1.3	6.2	1.5x	0.3x	0.1	5.6%	32.6
GUARANTY	40.6	29.4	35.0	1030.1	↑ 16.0%	BUY	6.5	16.5	5.4x	2.1x	2.4	6.9%	36.6
ZENITHBANK	30.3	31.4	23.0	722.1	↑ 31.7%	BUY	5.9	22.9	3.9x	1.0x	2.7	11.7%	26.4
DIAMONDBNK	2.1	23.2	1.0	22.0	↑ 121.1%	BUY	(0.9)	9.6	-1.1x	0.1x	-	-	36.5
STANBIC	46.2	10.1	45.6	460.7	↑ 1.4%	HOLD	6.5	20.6	7.1x	2.2x	-	0.0%	46.8
<b>Consumer Goods</b>													
DANGSUGAR	21.7	12.0	13.3	159.6	↑ 63.2%	BUY	3.0	8.3	4.5x	1.6x	1.3	9.4%	29.9
INTBREW	35.0	8.6	30.0	257.9	↑ 16.7%	BUY	1.0	4.2	31.4x	7.1x	-	0.0%	38.0
NESTLE	1,506.5	0.8	1450.0	1149.4	↑ 3.9%	HOLD	48.7	56.2	29.8x	25.8x	25.0	1.7%	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	20.6	84.3	↑ 63.7%	BUY	4.1	36.3	5.1x	0.6x	1.0	4.9%	29.2
NB	103.0	8.0	79.5	635.8	↑ 29.6%	BUY	3.5	21.4	22.8x	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	10.4	41.1	↑ 99.0%	BUY	1.1	10.4	9.8x	1.0x	0.5	4.8%	27.0
UACN	UR	2.9	10.7	30.8	NA	UR	0.6	23.3	19.0x	0.5x	1.0	9.3%	40.0
<b>Industrial Goods</b>													
DANGCEM	258.4	17.0	185.0	3152.5	↑ 39.7%	BUY	9.8	42.0	18.9x	4.4x	8.5	4.6%	59.4
WAPCO	UR	8.7	12.5	108.0	NA	UR	(9.0)	16.1	-1.4x	0.8x	1.5	12.0%	26.6
<b>Agric</b>													
OKOMUOIL	99.8	1.0	73.0	69.6	↑ 36.7%	BUY	9.3	28.9	7.9x	2.5x	3.0	4.1%	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	594.0	349.5	↑ 46.1%	BUY	0.6	2.6	2.7x	0.6x	-	0.0%	41.8
MOBIL	184.5	0.4	156.6	56.5	↑ 17.8%	BUY	29.1	83.0	5.4x	1.9x	8.0	5.1%	52.3
OANDO	UR	12.4	5.0	61.5	NA	UR	1.1	14.9	4.4x	0.3x	-	-	42.8
FO	UR	1.3	24.1	31.4	NA	UR	(2.6)	13.0	-9.2x	1.9x	-	-	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 14th December 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.\*