

Thursday, January 10, 2019

The day in review

- Equity bears take a breather
- Buoyed by upticks in banking and industrial indices
- A lull theme in the FI space
- Naira depreciated to N365.1/\$1 at NAFEX

Looking forward

- Dec-18 inflation report-Jan 17

Daily insight

Are Emerging Market assets still attractive amid headwinds in 2019?

2018 was a tough year for global equities. The Morgan Stanley Capital International (MSCI) World Index recorded a -10.4% downturn in 2018 after reaching a five year high in Jan-18 as concerns over global growth, trade tensions, and other geopolitics, coupled with Fed rate hikes, stoked risk-off sentiments. This was tougher for Emerging and Frontier Markets as the MSCI Emerging Market (EM) Index tumbled -16.6% while the MSCI Frontier Market (FM) Index faltered -19.1% amid risk-off sentiments and broad currency weakening. In retrospect, we highlight that the broad-based EM assets decline experienced in 2018 might have been overdone, considering that the long-term fundamental story remains intact.

Heading into 2019, valuation appears increasingly attractive when compared to historical trends. Specifically, the current P/E ratio of the MSCI EM Index sits below a 20-year long-term average. Beyond valuations, the underlying potential of EM economies underscores a fundamental backdrop. Data from the IMF suggests that EM's share of world GDP (based on PPP) rose from 43.2% in 2000 to 59.2% in 2018; with forecasts showing it would rise even further to 62.7% by 2023. Meanwhile, MSCI suggests that the share of its EM index is c.10% of world market capitalization, underscoring a misalignment between underlying economic fundamentals and financial markets. Yet, we acknowledge that headwinds still exist (ranging from ripples of US-China trade tensions to further tightening of financial conditions) and could imply volatility.

Headline	Level	1 day	YTD
NSE ASI	29,517.7	▲ 0.6%	▼ -6.1%
Mkt. Cap (N'bn)	11,007.4	▲ 0.6%	▼ -6.1%
Mkt. Cap (\$'mn)	35,866.5	▲ 0.6%	▼ -6.1%
Value (N'mn)	3,067.5	▲ 36.6%	
Value (\$'mn)	10.0	▲ 36.6%	
Volume	385.3	▲ 64.0%	
Deals	3,677.0	▼ -3.4%	
Market Breadth	1.4		

T-Bills Yields	Current	Previous	%Δ
3 months	13.21	13.21	0.00
6 months	14.40	14.40	0.00
12 months	17.40	17.37	0.03

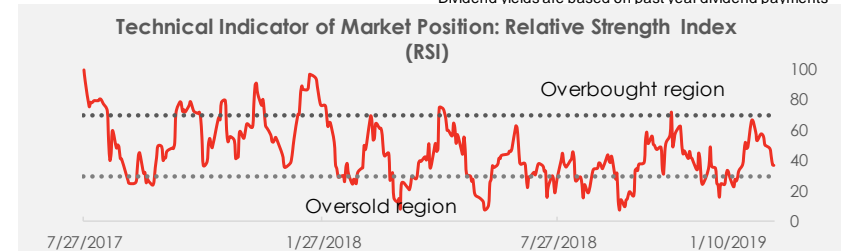
Bonds Yields	Current	Previous	% Δ
3 years	15.08	15.08	0.00
5 years	15.10	15.10	0.00
7 years	15.56	15.61	-0.05
10 years	15.49	15.49	0.00

Currencies	Current	Previous	% Δ
Official	306.90	306.90	0.00
Parallel	360.00	359.50	0.00
NAFEX	365.12	364.90	0.00

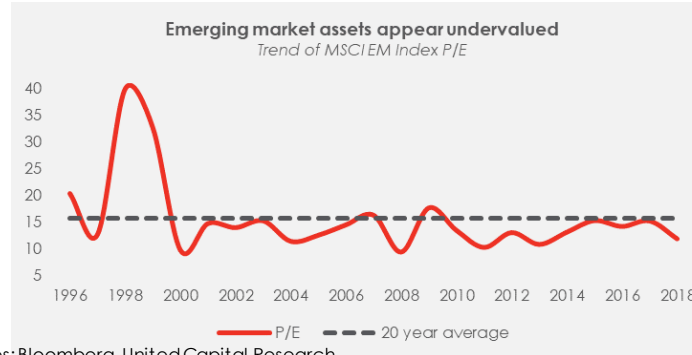
Other Key indices	Current	Previous	% Δ
OBB	22.7	26.7	-4.00
OVN	24.7	27.7	-3.00
Brent	61.3	61.4	-0.16

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	▼ -1.2%	▲ 2.9%	▲ 2.9%	4.2	3.5%
Banks	▲ 2.7%	▼ -5.1%	▼ -5.1%	4.3	8.2%
Consumer	▼ -1.8%	▼ -6.0%	▼ -6.0%	21.2	3.6%
Industrial	▲ 2.2%	▼ -6.0%	▼ -6.0%	na	7.0%
Insurance	▼ -2.1%	▼ -9.7%	▼ -9.7%	4.2	7.1%
Oil & Gas	▲ 0.1%	▼ -2.7%	▼ -2.7%	3.9	5.7%
Mkt. Avg. P/E	8.5			Mkt. Avg. Div. Yid	5.6%

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor					
Equities	Level	1 day	YTD	P/E	Div. Yid.
BRVM	169.7	▼ 0.0%	▼ -1.5%	8.0	7.3
Egypt	13,367.4	▲ 0.0%	▲ 2.5%	12.3	2.3
Ghana	2,502.0	▼ -0.3%	▲ 0.1%	21.9	1,477.8
Kenya	141.4	▲ 1.5%	▲ 0.7%	11.5	5.1
Mauritius	2,208.8	▼ -0.6%	▼ -0.4%	17.8	2.1
Morocco	301.5	▼ 0.0%	▼ -2.7%	18.8	3.8
MSCI FM	527.5	▲ 0.6%	▲ 2.2%	11.2	3.9
South Africa	53,271.0	▲ 0.1%	▲ 1.0%	15.0	4.4
Tunisia	7,139.8	▼ -0.3%	▼ -1.8%	18.4	2.0
Zimbabwe	6019.94	▼ -1.6%	▲ -2.7%	22.6	2.1



Sources: Bloomberg, United Capital Research

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