

Wednesday, January 9, 2019

**The day in review**

- Bears tighten hold on domestic equities
- NSEASI exits the 30,000 points threshold
- A mixed-to-bearish theme in FI
- Naira settled N364.9/\$1 at NAFEX

**Looking forward**

- Dec-18 inflation report-Jan 17
- Monetary policy meeting-Jan 22

**Daily insight**

**Oil prices in 2019: The factors to watch**

Crude prices were relatively stable in H1-18 climbing from the low of \$62.6/b to a high of \$79.8/b. Pronounced volatility set in by H2-18 as prices oscillated dramatically to touch a low of \$58.8/b and a peak of \$86.3/b. As we head into 2019, the factors that will influence oil prices remain the dynamics of demand and supply. Forward guidance by oil agencies indicates a softening of demand in 2019 amid weaker global growth expectations (OPEC's monthly oil market report consistently trimmed forecast for 2019 demand growth since its Aug-18 publication).

From the supply angle, US shale production is expected to remain robust amid ease in pipeline capacity constraints. Contrariwise, reduced supply from OPEC+ is expected following the outcome of the Dec-18 meeting to reduce production by 1.4mbpd. Nevertheless, we expect the implementation of the OPEC+ deal to create a floor for oil prices at \$60/b while unexpected supply shortfalls may add a \$10/b premium to the floor price. Hence, on a balance of factors, we expect oil prices to trade within a band of \$60/b-\$70/b in 2019.

Upside risks are stronger than expected demand, a plunge in shale production, stronger than expected decline in shale pipeline capacity and deeper than expected OPEC production cuts; while downside risks range from the rhetoric surrounding geopolitics, an overhang of trade jitters that could hamper demand as well as the level of compliance to recent supply cuts among OPEC+ members.

Headline	Level	1 day	YTD
NSE ASI	29,336.8	▼ -2.3%	▼ -6.7%
Mkt. Cap (N'bn)	10,940.0	▼ -2.3%	▼ -6.7%
Mkt. Cap (\$'mn)	35,646.7	▼ -2.3%	▼ -6.6%
Value (N'mn)	2,245.5	▼ -15.9%	
Value (\$'mn)	7.3	▼ -15.9%	
Volume	234.9	▲ 8.6%	
Deals	3,806.0	▼ -15.6%	
Market Breadth	0.7		

T-Bills Yields	Current	Previous	%Δ
3 months	13.21	13.04	▲ 0.17
6 months	14.40	14.41	▼ -0.01
12 months	17.37	17.31	▲ 0.06

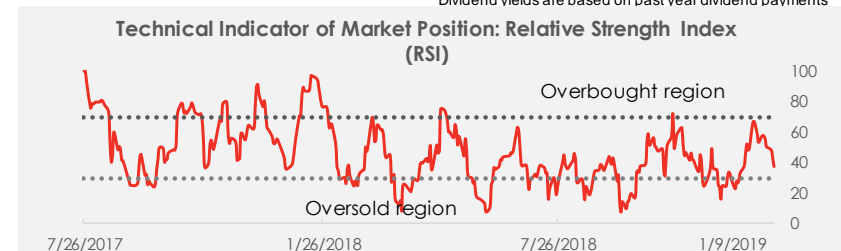
Bonds Yields	Current	Previous	% Δ
3 years	15.08	15.08	▬ 0.00
5 years	15.10	15.03	▲ 0.07
7 years	15.61	15.50	▲ 0.11
10 years	15.49	15.46	▲ 0.03

Currencies	Current	Previous	% Δ
Official	306.90	306.90	▬ 0.00
Parallel	359.50	359.50	▬ 0.00
NAFEX	364.90	365.87	▲ 0.00

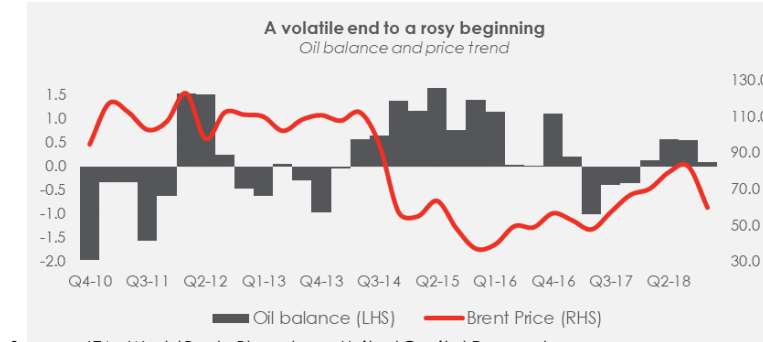
Other Key indices	Current	Previous	% Δ
OBB	26.7	25.0	▲ 1.67
OVN	27.7	27.3	▲ 0.42
Brent	60.0	58.7	▲ 2.21

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▲ 4.2%	▲ 4.2%	4.2	3.4%
Banks	▼ -0.3%	▼ -7.6%	▼ -7.6%	4.2	8.4%
Consumer	▲ 0.7%	▼ -4.4%	▼ -4.4%	21.5	3.5%
Industrial	▼ -4.4%	▼ -8.1%	▼ -8.1%	na	7.2%
Insurance	▼ -3.1%	▼ -7.8%	▼ -7.8%	4.3	6.9%
Oil & Gas	▲ 0.2%	▼ -2.8%	▼ -2.8%	3.9	5.7%
<b>Mkt. Avg. P/E 8.5</b>				<b>Mkt. Avg. Div. Yid 5.6%</b>	

\*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	169.4	▼ -0.7%	▼ -1.6%	7.9	7.3
Egypt	13,365.6	▼ -0.3%	▲ 2.5%	12.3	2.3
Ghana	2,509.3	▲ 0.0%	▲ 0.4%	22.0	1,473.5
Kenya	139.3	▲ 0.3%	▼ -0.8%	10.7	5.2
Mauritius	2,221.1	▲ 0.3%	▲ 0.1%	17.9	2.0
Morocco	301.5	▼ -0.2%	▼ -2.7%	18.8	3.8
MSCI FM	524.1	▼ -0.3%	▲ 1.6%	11.1	3.9
South Africa	53,047.6	▲ 1.7%	▲ 0.6%	15.0	4.0
Tunisia	7,164.1	▼ -0.6%	▼ -1.5%	18.5	2.0
Zimbabwe	6119.10	▼ -1.4%	▲ -1.1%	23.2	2.1



Sources: IEA, World Bank, Bloomberg, United Capital Research

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