

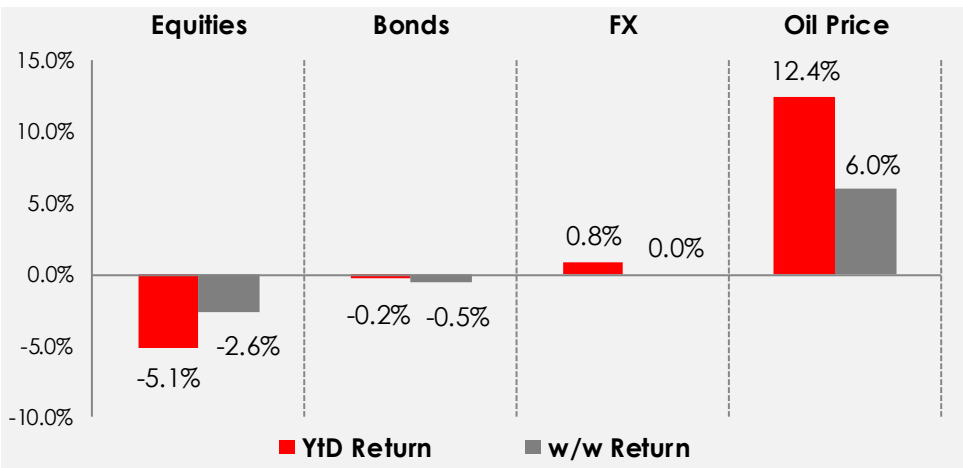
Macro Highlights and Outlook

The week to January 11th was dominated by talks around the implementation of the N30,000 minimum wage. Notably, the leadership of the Nigerian Labour Congress (NLC) threatened to embark on a nationwide protest and shut-down economic activities if the Federal Government (FG) fails to hasten the minimum wage implementation process. Accordingly, both parties met and the FG requested for additional weeks to pass the bill to the National Assembly. The FG also noted that the bill would be transmitted to other agencies for ratification, and subsequently sent to the National Assembly for their approval, by 23rd of January. However, the National Assembly members are expected to resume on 16th of January, 2019.

Similarly, the FG constituted a technical advisory committee to advise on the implementation of the new national minimum wage, the adjustment of salary increases for those earning above the minimum wage and sustainable funding options for government. The report of this committee is expected by February 9, a week before the February 16th Presidential election.

Elsewhere, the Central Bank of Nigeria (CBN) released a revised National Financial Inclusion Strategy. The major goal of the revised Strategy is to reduce the proportion of adult Nigerians that are financially excluded to 20.0% in the year 2020 from its baseline figure of 46.3% in 2010. Additionally, emphasis was drastically shifted in favour of mobile money/bank agents in view of the fact that this brings financial services closer to the people and provides a platform for offering simple diversified low-cost financial services.

This week, the NBS is scheduled to release a series of macroeconomics data with the Dec-18 Inflation report expected to be the major highlight.

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


Sources: 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:	+2.5%
NASDAQ:	+3.5%
DJIA:	+2.4%

Nigerian Equities:

NSE Market Cap. (N'bn):	11,124.1
NSE Market Cap. (\$'mn):	36,246.7
YTD Return (%):	-5.1%
W-o-W Return (%):	-2.6%
P/E (x):	8.6x

Fixed Income:

Overnight:	22.5%
Open Buy-Back:	20.0%
<i>Treasury Bills Yield</i>	
90 days:	11.12%
180 days:	14.32%
360 days:	17.39%
<i>Bonds Yield</i>	
3-Year:	14.96%
10-Year:	15.49%

Exchange Rate (NGN/USD):

I & E FX window:	364.9
W-o-W Change:	-0.4%

Global Market Review and Outlook

Ease in trade and monetary policy tensions provide succor

In the past week, the World Bank published its 2019 Global Economic Prospects report, titled "Darkening Skies". The economic-watchdog harped the darkening prospects for the global economy as it lowered its expectation for global growth to 2.9% amid rising downside risks. According to the report, the continued removal of accommodative policies by central banks in Advanced Economies, as well as a possible escalation of simmering trade disputes, are the biggest risk points. What's more, the fact that higher debt levels have made some economies more vulnerable to rising global interest rates, shifts in investor sentiment, and exchange rate fluctuations, are also factors to watch.

Broad gains were recorded w/w across major equity indices. In the United States, despite the impasse over funding for Trump's wall and the extension of the partial government shutdown, the unfolding of events that signaled ease in issues that had spooked investors, buoyed sentiments during the week. On the trade front, officials from China and the US kicked off negotiations early last week ahead of their March deadline, hence, signaling waning tensions. Additionally, minutes from the Fed suggested a less-aggressive Fed stance in 2019 (vs 2018) as they emphasized that while the outlook for the economy remains roughly balanced, they will continue to assess global economic and financial developments in decision making. Thus, the NASDAQ, S&P 500 and DJIA rose 3.5%, 2.5% and 2.4% w/w respectively.

Bullish sentiments also filtered into European markets amid concerns around a slowdown in key economies in the bloc and ongoing BREXIT conversations. Notably, Industrial production in Germany slowed further in Nov-18 after falling 1.9% m/m. Consequently, the Pan European STOXX (+1.6%), UK's FTSE (+1.2%) and France's CAC (+1.0%) trended northwards w/w. In the week ahead, we would be keeping tabs on the upcoming BREXIT parliamentary vote, as well as Germany's 2018 GDP numbers.

Equity indices across BRICS classified emerging markets also closed the week on an upbeat note. Notably, the Chinese government continued on its expansionary policies in an attempt to shield the slowing economy. During the week, tax cuts of up to \$29.0bn were announced for small companies following the 100bps cut in reserve ratio that was announced by the PBOC. Elsewhere, the South African JALSH (+2.8%), Russia's RTSI (+2.3%) and Brazil's IBOV (+1.8%) led the pack, while China's SCHOMP (+1.5%) and India's SENSEX (+0.9%) also closed in positive w/w.

Crude prices rose 6.0% w/w after trading above \$60/b on three of five trading days to settle at \$60.5/b. This is as OPEC+ cuts take off in Jan-19 in a bid to curb oversupply. The thawing in trade tensions could have contributed to the uptrend.

14th January 2019
Domestic Financial Markets Review and Outlook
Bears extend siege on equities; NSE-ASI down -2.6% w/w

The bearish theme that started the year continued on in the second week, as NSEASI shed -2.6% to settle at 29,830.7 points. The bearish performance was predicated on the consistent losses recorded in the market over the week which saw the NSE-ASI breach its 30,000 point threshold, outweighing the marginal gains recorded in two of the trading sessions during 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
DANGCEM	235.0	17.0	177.0	3016.2	↑ 32.8%	BUY	9.6	45.1	18.4x	3.9x	8.5	4.8%	45.3
GUARANTY	46.7	29.4	33.5	985.9	↑ 39.4%	BUY	6.7	17.7	5.0x	1.9x	2.4	7.2%	40.8
OKOMUOIL	92.1	1.0	82.0	78.2	↑ 12.3%	BUY	10.5	30.3	7.8x	2.7x	3.0	3.7%	81.7
UNILEVER	47.9	5.7	37.0	212.6	↑ 29.5%	BUY	2.1	14.4	17.2x	2.6x	0.5	1.4%	11.7
ZENITHBANK	35.7	31.4	21.9	686.0	↑ 63.4%	BUY	5.8	24.7	3.8x	0.9x	2.7	12.4%	30.1

Source: United Capital Research

Drilling down to sector performances, the Insurance (-7.0%) sector was the week's biggest loser owing to price declines in NEM (-33.5%) and CUSTODIAN (-13.1%) while the Oil and Gas (-6.3%), Consumer Goods (-3.6%), and Banking (-0.9) sectors followed, dragged by price losses on SEPLAT (-10.0%) NESTLE (-5.0%) and ETI (-3.4%). On the flip side, the Industrial (+1.0%) sector recorded the highest gain, buoyed by price appreciation in JBERGER (+22.2%). The Agricultural sector also gained, inching up by a paltry 1bps after a gain in OKOMUOIL (+2.5%)

Investors' sentiment (as measured by market breadth) improved but remained underwhelming at 0.5x (previously 0.4x); 21 stocks advanced w/w while 39 declined. **Looking into the coming week, we reiterate our bearish outlook for the market in Q1-19, amid political uncertainties clouding investors sentiment as election draws nearer.**

Money Market: Bulls outweigh bears despite constrained system liquidity

In the week to 11th January, system liquidity tightened as the CBN continued its FX intervention across various segments while successfully mopping up a total N365.0bn, against N375.0bn that matured during the week. Accordingly, money market rates (Open Buy Back and Overnight rates) trended higher, averaging 25.0% from 18.5% in the preceding week. On the side, stop rates remained the same; 91-day: 11.9%, 182-day: 13.5%, and 364-day: 15.0%.

The secondary treasury bills market was characterized by a tussle between the bulls (spurred by bargains on attractive offerings) and the bears (stoked by the compressed system liquidity). Cumulatively, the bulls outweighed the bears as average yields trended lower to settle at 13.9% [91-day (down 129bps to 11.1%), 182-day (down 3bps to 13.3%) and 364-day (up 12bps to 17.4%)]. Notably, the CBN released the NTB issuance calendar for Q1-19 which would see the FG net repay NGN163bn.

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. N554.5bn OMO maturity that is set to hit the system. Meanwhile, the DMO will be conducting its bi-weekly NTB auction as it looks to rollover N225bn maturing bills. The tempo of these events should guide trading sentiments in the secondary market.

Bond Market: An extension of a lull theme

A lull-to-bearish theme was observed in the bonds space as average yields on FGN bonds declined marginally by 8bps to settle at 15.3%. Seemingly, attention seemed to be focused on the money market space as investors awaited the release of the FGN bond calendar. **We reiterate our expectation for yields to remain elevated in Q1-19 as political risks remain on the horizon, albeit, this would also depend on the level of aggressiveness by the DMO in offering fiscal paper.**

Foreign Exchange: Naira appreciates at the NAFEX window

In the Foreign exchange market, the local currency strengthened against the dollar; up by 11bps and 2bps w/w to close at N364.9/\$1 and N306.9/\$1 at the NAFEX and official window respectively. However, naira traded sideways at the parallel market, closing at N361/\$1. This was 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 marginally by 2bps w/w to c. \$43.1bn 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 rebounded, trading above \$60.0/b for a significant part of the week as OPEC output cut which kick-started in Jan-19 provided support for prices.

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 is positive for reserves.

14th January 2019

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
Banking													
ACCESS	7.1	28.9	5.7	163.4	↑ 25.7%	HOLD	2.4	16.4	2.4x	0.3x	0.7	11.5%	26.0
FBNH	9.2	35.9	7.4	265.6	↑ 24.3%	BUY	1.4	19.0	5.3x	0.4x	0.2	2.7%	45.8
FCMB	2.5	19.8	1.7	33.7	↑ 47.1%	BUY	0.8	8.9	2.2x	0.2x	0.1	5.9%	46.9
FIDELITYBK	2.8	29.0	2.0	57.9	↑ 40.0%	BUY	0.8	6.6	2.6x	0.3x	0.1	5.5%	45.6
GUARANTY	46.7	29.4	33.5	985.9	↑ 39.4%	BUY	6.7	17.7	5.0x	1.9x	2.4	7.2%	40.8
ZENITHBANK	35.7	31.4	21.9	686.0	↑ 63.4%	BUY	5.8	24.7	3.8x	0.9x	2.7	12.4%	30.1
DIAMONDBNK	3.1	23.2	2.0	46.8	↑ 53.5%	BUY	(0.7)	9.6	-2.9x	0.2x	-	-	64.1
STANBIC	53.7	10.2	46.2	472.6	↑ 16.4%	BUY	6.8	21.3	6.8x	2.2x	-	0.0%	46.4
Consumer Goods													
DANGSUGAR	16.8	12.0	14.0	168.0	↑ 20.0%	HOLD	2.5	8.7	5.6x	1.6x	1.3	8.9%	59.7
INTBREW	38.1	8.6	31.0	266.5	↑ 22.9%	HOLD	1.0	4.2	32.5x	7.4x	-	0.0%	67.6
NESTLE	1,636.1	0.8	1401.1	1110.6	↑ 16.8%	BUY	55.3	71.0	25.3x	19.7x	25.0	1.8%	48.2
UNILEVER	47.9	5.7	37.0	212.6	↑ 29.5%	BUY	2.1	14.4	17.2x	2.6x	0.5	1.4%	11.7
FLOURMILL	25.4	4.1	19.3	79.1	↑ 31.6%	HOLD	2.9	35.7	6.6x	0.5x	1.0	5.2%	56.6
NB	92.0	8.0	78.0	623.8	↑ 17.9%	HOLD	3.0	21.0	26.1x	3.7x	3.6	4.6%	47.7
GUINNESS	80.4	2.2	66.0	144.6	↑ 21.8%	HOLD	3.7	40.4	17.7x	1.6x	0.6	1.0%	10.9
PZ	17.7	4.0	12.0	47.6	↑ 47.5%	HOLD	-	10.7	-	1.1x	0.2	1.3%	66.5
UACN	UR	2.9	8.7	25.1	NA	UR	0.1	22.6	68.4x	0.4x	1.0	11.5%	44.2
Industrial Goods													
DANGCEM	235.0	17.0	177.0	3016.2	↑ 32.8%	BUY	9.6	45.1	18.4x	3.9x	8.5	4.8%	45.3
WAPCO	13.7	8.7	12.3	106.2	↑ 11.8%	HOLD	(6.3)	14.8	-1.9x	0.8x	1.5	11.9%	25.8
Agric													
OKOMUOIL	92.1	1.0	82.0	78.2	↑ 12.3%	BUY	10.5	30.3	7.8x	2.7x	3.0	3.7%	81.7
PRESCO	74.5	1.0	62.0	62.0	↑ 20.2%	BUY	25.3	79.3	2.4x	0.8x	2.0	3.2%	75.5
Oil & Gas													
TOTAL	261.4	0.3	200.2	68.0	↑ 30.6%	HOLD	28.7	88.9	7.0x	2.3x	17.0	8.5%	63.2
SEPLAT	876.2	0.6	576.0	338.9	↑ 52.1%	BUY	0.6	2.7	2.5x	0.6x	-	0.0%	55.7
MOBIL	235.8	0.4	184.0	66.3	↑ 28.2%	HOLD	29.9	89.7	6.1x	2.1x	8.0	4.3%	67.0
OANDO	UR	12.4	4.3	53.5	NA	UR	1.2	15.1	3.6x	0.3x	-	-	38.9
FO	UR	1.3	29.0	37.8	NA	UR	2.4	13.2	11.9x	2.2x	-	-	61.2

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 11th January 2019

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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.

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