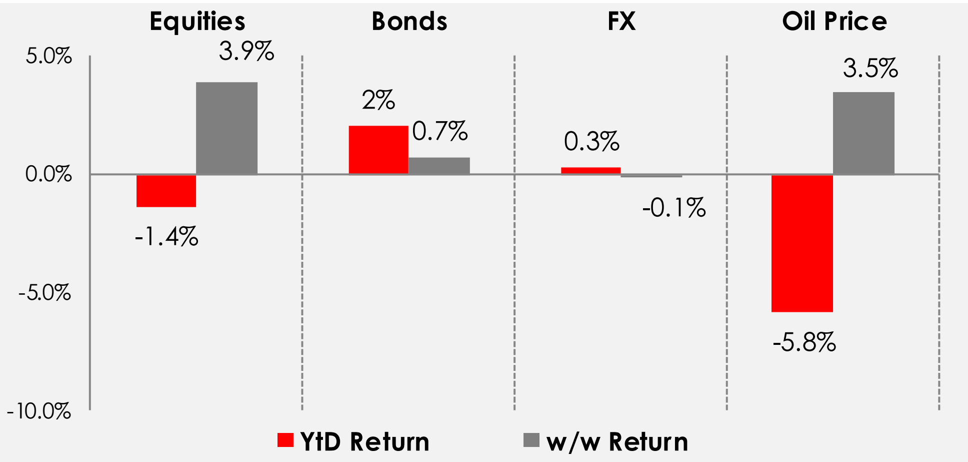
Macro Highlights and Outlook

During the week to January 18th, the National Bureau of Statistics (NBS) published Nigeria's inflation report for the month of Dec-18. Contrary to expectations of a faster rise of 11.53%y/y by Bloomberg's consensus estimate, the headline inflation rate rose to 11.4%y/y - 16bps higher than the rate recorded in Nov-18 (11.28% y/y). The sharp rise in the headline rate was driven by the food inflation sub-index which rose 26bps to settle at 13.6% while core inflation stayed flat at 9.8%y/y. The significant pressure on food inflation was not surprising and can be attributed to the seasonal rise in the demand for food that trailed the yuletide season. Meanwhile, the stability in the core inflation component was traceable to sustained improvement recorded in the foreign exchange (FX) market amid CBN's interventions during the period.

Elsewhere, as the January 23rd deadline set by the Federal Government (FG) for passing the new minimum wage bill to the National Assembly for approval draws near, talks between the FG and other stakeholders intensified during the week. Notably, the Nigerian Governors' Forum (NGF) gave two conditions to pay the proposed N30,000 minimum wage. This includes a review of the revenue sharing formula from the Federation Account to boost allocations to State governments or downsizing of the workforce.

In other developments during the week, the Presidential Enabling Business Environment Council (PEBEC) announced its goal to move Nigeria to one of top 100 countries the World Bank Doing Business Index (DBI) for 2020 from the current 146th position of 190 countries. **This week, the Monetary Policy Committee (MPC) will hold its first policy meeting for 2019 on the 21st and 22nd of January. We expect the committee to keep all policy rates unchanged.**

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:	+2.9%
NASDAQ:	+2.7%
DJIA:	+3.0%

Nigerian Equities:

NSE Market Cap. (N'bn):	11,562.1
NSE Market Cap. ($'mn):	37,557.6
YTD Return (%):	-1.4%
W-o-W Return (%):	+3.9%
P/E (x):	8.8x

Fixed Income:

Overnight: 16.2%

Open Buy-Back: 15.3%

Treasury Bills Yield

90 days: 11.86%

180 days: 14.27%

360 days: 17.19%

Bonds Yield

3-Year: 15.03%

10-Year: 15.36%

Exchange Rate (NGN/USD):

I & E FX window: 362.8

W-o-W Change: +0.6%

Global Market Review and Outlook

Hopes of a trade resolution provides fillip for global equities

In the past week, the performance of global equity indices was buoyed by further indications of a tapering in trade tensions between the two largest economies in the world. Reports that officials in the US were weighing a possible ease in tariffs on Chinese imports amid ongoing discussions ahead of the March deadline and the onset of Q4-18 earnings season bolstered sentiments for US equities with notable names such as Bank of America and Goldman Sachs printing strong earnings growth. Overall, the DJIA, S&P 500, and NASDAQ rose 3.0%, 2.9% and 2.7% w/w despite the continued impasse of the US government shutdown.

In Europe, a series of events unfolded with regards the BREXIT. Not only was the BREXIT deal, presented to the House of Commons by the British Prime Minister, confronted with the biggest defeat for a British leader in modern history, but the incumbent government also was subjected a vote of no-confidence which was narrowly escaped. Beyond events in the UK, the German economy narrowly escaped trudging into a recession in 2018 as the country's statistical body reported a 1.5% expansion, its weakest in five years. Amid the political drama that unfolded, equity indices found solace in the broader global equity uptrend. Hence, the Pan-European STOXX (+2.2%), Germany's DAX (+2.9%), France's CAC (+2.0%) and UK's FTSE (+0.7%), all closed the week upbeat.

All emerging market equity indices also rose w/w led by Brazil's IBOV (+2.6%) and Russia's RTSI (+2.4%), while China's SCHOMP (+1.7%), India's SENSEX (+1.0%) and South Africa's JALSH (+0.1%) followed respectively. Notably, South Africa's central bank left policy rates unchanged at 6.75% noting improvements in the near-term inflation outlook while Chinese authorities continued to calm the market with promises of more stimulus amid inflow of economic reports signaling weakening of the economy.

Crude prices appreciated 3.7% w/w to settle at $62.7/b as reports from OPEC and IEA showed a fall in OPEC's supply in December as agreed OPEC+ cuts took off at the beginning of Jan-19. The OPEC MOMR showed that OPEC supply fell 751,000 barrels in December, led by Saudi Arabia.

Domestic Financial Markets Review and Outlook

Bulls gain ground as NSEASI soars 3.9% w/w

In what seemed like the bulls grabbing the baton from the bears, the domestic bourse traded in green territory on all five trading days of the week and consequently gained 3.9%w/w to close well above the 30,000points threshold at 31,005.0 points. Activity level for the week emerged mixed as average volume traded rose 0.4% to 254.0mn units while average value traded shed 4.3% to settle at N2.7bn.

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	194.9	3321.2	20.6%	BUY	9.6	45.1	20.3x	4.3x	8.5	4.4%	45.3
GUARANTY	46.7	29.4	32.0	940.3	46.2%	BUY	6.7	17.7	4.8x	1.8x	2.4	7.5%	40.8
NB	92.0	8.0	81.0	647.7	13.6%	BUY	3.0	21.0	27.1x	3.9x	3.6	4.4%	47.7
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	21.5	675.0	66.0%	BUY	5.8	24.7	3.7x	0.9x	2.7	12.6%	30.1

Source: United Capital Research

A glance at activities across sectors underscored the strength of the bullish run as all sector indices except the banking index closed the week upbeat. The Industrial Goods (+12.7% w/w) led the gainer's camp on bargain hunting in bellwether DANGCEM (+10.1%), CCNN (+25.5%) and WAPCO (+4.5%). The Insurance (+5.5% w/w), Consumer Goods (+2.7% w/w), and Oil & Gas (+0.6% w/w) indices also trended northwards w/w as gains in CUSTODIAN (+21.7%), MANSARD (+3.3%), GUINNESS (+7.6%), NESTLE (+3.5%), OANDO (+3.5%) and FO (+3.5%) provided support. The Banking (-1.0%) index stood as the lone loser owing to declines in GUARANTY (-4.6%), ZENITH (-1.6%) and FBNH (-1.4%) - barring the upticks in UBN (+12.5%), FCMB (+3.5%) and ETI (+3.7%).

Investors' sentiment was upbeat as market breadth closed at 1.5x (previously 0.5x); as 37 stocks advanced while 25 declined w/w. **In the week ahead, we expect some profit taking to trail the observed bullish run as jitters surrounding the polity remains on the horizon.**

Money Market: Offshore inflow drives moderation in yields

In the week to 18th January saw renewed offshore interest in the market following the significant rise in turnover at the I & E FX window to the tune of $1.7bn (compared to N945.5mn in the preceding week), with a corresponding compression in rates to a 4-Month low of N362.8/$. Consequently, average yield on the short end of the curve moderated markedly 40bps to settle at 14.9%. More specifically, the 91-day bill closed 246bps lower to end at 11.9%; the 182-day bill closed 115bps higher to finish at 14.3% while the 364-day bill closed 13bps lower to close at 17.2%.

On another note, the CBN conducted three OMO auctions during the week, mopping up a total of N574.6bn with stop rates remaining unchanged (91-day: 11.9%; 180-day: 13.5%; and 364-day: 15.0%). Additionally, the apex bank net-repaid N73.5bn, following a re-allotment of just 67.4% of the 225.4bn NTB maturity. Demand was modest with an average bid-to-cover ratio of 1.1x and with the 91-day bill mostly demanded (bid-to-cover ratio of 3.0x). The auction was carried out at the following stop rates: 91-day (11.0 % vs. 10.9% at the last auction), 182-day (13.1% vs. 13.1% at the last auction) and 364-day (15% vs. 14.5% at the last auction).

We expect the renewed foreign interest that characterized most of last week to be sustained this week, considering the fact that most of the risks the market priced in last year (e.g. US rate hikes) are playing out less than the market expected. Nonetheless, election uncertainties should provide a cap to any uptrend in prices.

Bond Market: Lull theme characterizes sentiments

In the bonds space, renewed offshore interest and the relatively liquid environment (average money market rates at 20.9% compared to 25.1% in the preceding week) in light of coupon payments and the CBN's NTB repayment helped to spur some bargain hunting. Consequently, average FGN bonds trended southwards to close at 15.3% (vs. 15.4% in the preceding week). Similarly, average yield for FGN Eurobond edged lower from 7.6% to 7.3% while average yield in corporate Eurobonds decreased to 9.3% from 9.4%.

There is a better balance of risk for the market as some of the factors that predicated Emerging & Frontier Market fund outflows in 2018 seems to be abating. Nonetheless, the FGN is expected to float its January bond auction this week and we expect the tempo of this event to drive the direction of average bond yields during the week.

Foreign Exchange: FX rates appreciate across market segments

In the Foreign exchange market, the local currency strengthened against the dollar across the 3 windows we actively track; up by 59bps, 14bps and 2bps w/w to close at N362.8/$1, N360.5/$1 and N306.9/$1 at the NAFEX, parallel and official window respectively. This was as we witnessed the prevailing interest of FPIs in the fixed income and equities market. Additionally, the CBN's sustained weekly FX intervention in the wholesale and retail FX market provided further support for the local unit.

Also, FX reserves accreted marginally by 9bps w/w to c. $43.1bn as at Thursday, maintaining its recent uptrend despite the Apex banks sustained intervention in the currency market. Meanwhile, benchmark Brent price was largely volatile throughout the week, oscillating around $60.0/b for a significant part of the week as the OPEC+ supply cut continued to provide 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, at the I & E window. In the meantime, an above $60/b oil and the potential return of FPIs are all positive factors for reserves.

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	5.6	162.0	26.8%	HOLD	2.4	16.4	2.3x	0.3x	0.7	11.6%	26.0
FBNH	9.2	35.9	7.3	262.0	26.0%	BUY	1.4	19.0	5.2x	0.4x	0.2	2.7%	45.8
FCMB	2.5	19.8	1.8	34.9	42.0%	BUY	0.8	8.9	2.3x	0.2x	0.1	5.7%	46.9
FIDELITYBK	2.8	29.0	2.0	58.2	39.3%	BUY	0.8	6.6	2.6x	0.3x	0.1	5.5%	45.6
GUARANTY	46.7	29.4	32.0	940.3	46.2%	BUY	6.7	17.7	4.8x	1.8x	2.4	7.5%	40.8
ZENITHBANK	35.7	31.4	21.5	675.0	66.0%	BUY	5.8	24.7	3.7x	0.9x	2.7	12.6%	30.1
DIAMONDBNK	3.1	23.2	2.1	48.6	47.6%	BUY	(0.7)	9.6	-3.0x	0.2x	-	-	64.1
STANBIC	53.7	10.2	47.0	481.3	14.3%	BUY	6.8	21.3	7.0x	2.2x	-	0.0%	46.4
Consumer Goods													
DANGSUGAR	16.8	12.0	14.5	174.0	15.9%	HOLD	2.5	8.7	5.8x	1.7x	1.3	8.6%	59.7
INTBREW	38.1	8.6	30.3	260.0	26.0%	HOLD	1.0	4.2	31.7x	7.2x	-	0.0%	67.6
NESTLE	1,636.1	0.8	1450.0	1149.4	12.8%	BUY	55.3	71.0	26.2x	20.4x	25.0	1.7%	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	19.5	79.8	30.6%	HOLD	2.9	35.7	6.7x	0.5x	1.0	5.1%	56.6
NB	92.0	8.0	81.0	647.7	13.6%	BUY	3.0	21.0	27.1x	3.9x	3.6	4.4%	47.7
GUINNESS	80.4	2.2	71.0	155.5	13.2%	HOLD	3.7	40.4	19.1x	1.8x	0.6	0.9%	10.9
PZ	17.7	4.0	11.9	47.1	49.4%	HOLD	-	10.7	-	1.1x	0.2	1.3%	66.5
UACN	UR	2.9	8.8	25.4	NA	UR	0.1	22.6	69.2x	0.4x	1.0	11.4%	44.2
Indutrial Goods													
DANGCEM	235.0	17.0	194.9	3321.2	20.6%	BUY	9.6	45.1	20.3x	4.3x	8.5	4.4%	45.3
WAPCO	13.7	8.7	12.8	111.0	7.0%	HOLD	(6.3)	14.8	-2.0x	0.9x	1.5	11.4%	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	195.0	66.2	34.1%	HOLD	28.7	88.9	6.8x	2.2x	17.0	8.7%	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	188.0	67.8	25.4%	HOLD	29.9	89.7	6.3x	2.1x	8.0	4.3%	67.0
OANDO	UR	12.4	4.5	55.3	NA	UR	1.2	15.1	3.7x	0.3x	-	-	38.9
FO	UR	1.3	30.0	39.1	NA	UR	2.4	13.2	12.3x	2.3x	-	-	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 18th January 2019

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 (thereafter 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:

1. 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.
2. 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 (thereafter 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

a. The analyst holds personal positions (directly or indirectly) in one or more of the stocks covered in this report
b. 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
c. UCAP is a market maker in the publicly traded equities of the Company
d. UCAP has been lead arranger or co-lead arranger over the past 12 months of any offer of securities of the Company
e. UCAP beneficially own 1% or more of the equity securities of the Company
f. UCAP holds a major interest in the debt of the Company
g. UCAP has received compensation for investment banking activities from the Company within the last 12 months
h. UCAP intends to seek, or anticipates compensation for investment banking services from the Company in the next 6 months
i. The content of this research report has been communicated with the Company, following which this research report has been materially amended before its distribution
j. The Company is a client of UCAP
k. The Company owns more than 5% of the issued share capital of UCAP

Disclaimer