

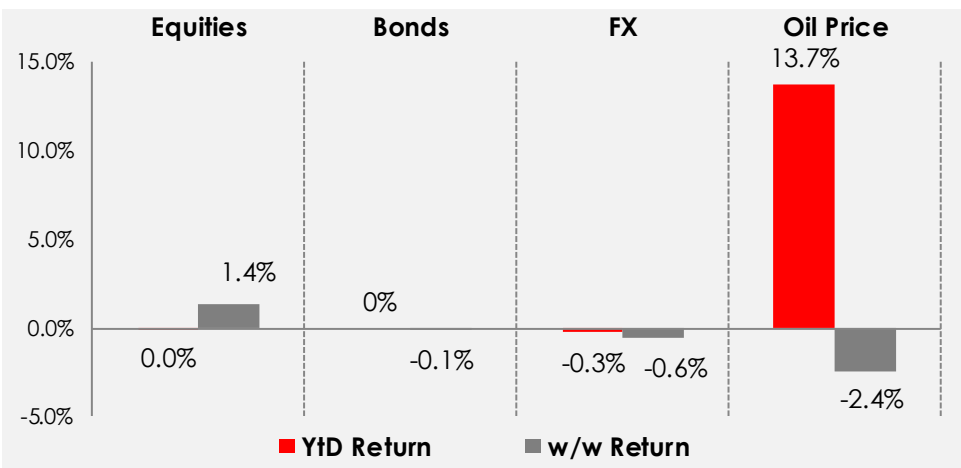
**Macro Highlights and Outlook**

Earlier in the week, the IMF, in the update of its World Economic Outlook report titled 'A Weakening Global Expansion', trimmed down its projection of Nigeria's GDP to 2.0% from 2.3% projected in Oct-18. This revision was predicated on perceived slower growth for the country in 2019 amid relatively softer oil prices. Furthermore, the IMF noted that oil revenue largely remains Nigeria's major source of revenue, making the economy largely exposed to the vagaries of the oil market. The IMF in its outlook, projected average crude oil prices below \$60 per barrel in 2019 as against the Nigeria budget benchmark of \$60 per barrel for 2019. The IMF also advised that certain precautionary measures should be taken by emerging economies to prevent the adverse effect of external shocks that slowed their growths in 2018.

Elsewhere, all members of the Monetary Policy Committee voted for the retention of the MPR at 14%; CRR at 22.5%; Liquidity Ratio at 30%; and the Asymmetric Window around the MPR at +200/-500bps. The decision made was in tandem with Analysts' projections as rising global and domestic risks that dragged economic activities in the previous year still cloud the horizon for 2019. According to the MPC, the continued impact of uncertainties in the global space (such as the US-China trade war, the inconclusive Brexit situation in the UK, and the current inflationary pressures, indicated by the northward trend in inflation rate to 11.4% in Dec-18), induced the decision for retaining the MPR.

Also, at the latter end of the week, there were some public press releases indicating that the CBN is likely to introduce tougher capital requirements for banks going forward this year, with the aim of reducing the pressure of rising Non-Performing Loans in the lenders' book. **This week is relatively quiet in terms of data releases, but we expect more political events to unfold as we draw near to election day.**

**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:	-1.1%
NASDAQ:	-1.2%
DJIA:	-0.6%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,719.14
NSE Market Cap. (\$'mn):	38,197.98
YTD Return (%):	0.0%
W-o-W Return (%):	1.4%
P/E (x):	9.0x

**Fixed Income:**

Overnight:	13.0%
Open Buy-Back:	12.08%
<i>Treasury Bills Yield</i>	
90 days:	12.91%
180 days:	14.20%
360 days:	17.16%
<i>Bonds Yield</i>	
3-Year:	15.08%
10-Year:	15.17%

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

I & E FX window:	362.46
W-o-W Change:	-0.6%

## Global Market Review and Outlook

### Echoes of slowdown from Davos ripples across global equities

During the week to end 25th January 2019, the IMF revised its forecasts for 2019 and beyond, reiterating concerns surrounding a slowdown in the global economy. Specifically, the global growth forecast for 2019 and 2020 was marked down to 3.5% and 3.6% respectively, with trade tensions and tighter financial conditions highlighted as risk points.

In the US market, investors continued to digest the influx of Q4 earnings amid continued government shutdown and erratic reports on the progress of trade talks. Consequently, the S&P 500(-1.1%), DJIA (-0.6%) and NASDAQ (-1.2%) indices trended southwards w/w. In Europe, the ECB maintained status quo on policy rates as Draghi harped on the possibility of a further slowdown in the bloc's economy due to uncertainties relating to geopolitics, protectionism, emerging markets vulnerabilities, and financial market volatility. This has softened the possibility of an aggressive tightening by the ECB as previously indicated. Overall, the UK's FTSE shed 2.0% w/w while France's CAC (+1.0%), Germany's DAX (+0.9%) and the Pan-European STOXX (+0.4%) stood resilient.

Across Emerging Markets, only the Indian SENSEX (-1.0%) index dipped w/w while Brazil's IBOV (+1.6%), Russia's RTSI (+0.9%), South Africa's JALSH (+0.3%) and China's SCHOMP (+0.2%) all trended northwards. In Venezuela, opposition leader, Juan Guaido, declared himself the interim president with the backing of the US government among others. Accordingly, the incumbent government has ordered the deportation of US diplomats. Nevertheless, crude prices shed 2.4%w/w but stayed above the \$60/b threshold. Reports of a slowdown in the global economy raised concerns on the outlook for demand growth, as well as a spike in US crude oil inventory data, which dampened sentiments.

**28th January 2019**
**Domestic Financial Markets Review and Outlook**
**Persistent bullish trend in NSEASI erases YTD loss**

For the second consecutive week, the domestic bourse sustained a bullish close, after recording gains in four out of the five trading sessions in the week, underpinning a +1.4%w/w increase in the NSE-ASI to close at 31,426.6 points while YTD return massively improved to 0.0%. Notably, the +1.4% gain recorded in the last trading day of the week, massively contributed to the bullish close recorded w/w.

**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	194.0	3305.9	↑ 21.1%	BUY	9.6	45.1	20.2x	4.3x	8.5	4.4%	45.3
GUARANTY	46.7	29.4	34.5	1015.4	↑ 35.4%	BUY	6.7	17.7	5.1x	1.9x	2.4	7.0%	40.8
NB	92.0	8.0	79.9	639.0	↑ 15.1%	BUY	3.0	21.0	26.7x	3.8x	3.6	4.5%	47.7
UNILEVER	47.9	5.7	36.6	210.0	↑ 31.1%	BUY	2.1	14.4	17.0x	2.5x	0.5	1.4%	11.7
ZENITHBANK	35.7	31.4	23.0	722.1	↑ 55.2%	BUY	5.8	24.7	3.9x	0.9x	2.7	11.7%	30.1

Source: United Capital Research

Drilling down to sector performances, the Banking (+7.1%) sector drove gains for the week, on the backdrop of buying interests in GUARANTY (+7.9%) and ZENITH (+7.0%). The Insurance (+2.0%) sector also gained w/w, buoyed by price appreciation in LINKASSURE (+12.5%) and AIICO (+12.7). On the flip side, the Consumer Goods (-0.4%), Oil and Gas (-1.3%) and Industrial Goods (-2.0%) sectors were the week's laggards, dragged by price declines in SEPLAT (-6.3%) DANGCEM (-0.5%) and NB (-1.4%).

Investors' sentiment remained upbeat as market breadth closed the week at 1.8x; 39 stocks advanced w/w against 22 decliners. **This week, we expect the outcome of the US Fed meeting holding on Wednesday, as well as reactions to political events that have recently materialized, to guide market performance.**

### **Money Market: Players react positively to MPC decision to maintain status quo**

In the week to 25th January, the CBN continued its FX intervention across various segments and maintained OMO mop-ups. Notably, the Apex bank conducted OMO auctions on all 5 trading days of the week, successfully mopping up a total N786.5bn against N381.5bn that matured. Accordingly, money market rates (OBB and Overnight rates) stayed elevated, averaging 17.0%. On the side, stop rates at the primary OMO auction remained unchanged; 91-day: 11.9%, 182-day: 13.5%, and 364-day: 15.0%.

In the secondary treasury bills market, sentiments were bullish as players reacted positively to the MPC's decision to keep key policy rates unchanged. Consequently, average Treasury bills yield moderated by 43bps to settle at 14.4%. More specifically, the 27-day bill closed 182bps lower to end at 12.1%; the 91-day bill closed 105bps higher to end at 12.9%; the 182-day bill and 364-day bill closed 7bps and 3bps lower to finish at 14.2% and 17.2% respectively.

**We expect the CBN to continue to mop-up excess liquidity as FAAC allocations, as well as PMA and OMO maturities hit the system. Additionally, the Debt Management Office (DMO) will be conducting its bi-weekly Treasury bills PMA auction, where its plans on rolling over all maturing T-bills, totaling N254.6bn. Overall, we believe the CBN's mop-up actions will continue to fuel sell side activities, while gradually improving institutional interests will provide support for buy-side players.**

### **Bond Market: Release of Q1-19 bond auction calendar leads the hunt for bargains**

In the bonds space, the DMO published its long-awaited bond auction calendar for Q1 -19. According to the calendar, the Federal Government (FG) plans to raise an average of N400.0bn (range: N360bn-N440bn) in Q1-19. The news provided some reprieve for some players as they hunted for quick gains. Consequently, average FGN bonds yields trended southwards to close at 15.2% (vs. 15.3% in the preceding week). Similarly, the average yield for FGN Eurobond edged lower by 8bps to 7.26% while average yield in corporate Eurobonds decreased to 9.2% from 9.4%.

Early this week, we expect the market to remain slightly bearish, as market players' position for renewed supply of bonds at the forthcoming January bond auction, where the FG is offering to raise N50.0bn each across its 5-year, 7-year, and 10-year bills. **Overall, we expect the tempo of this event to drive the direction of average bond yields in the secondary market, later in the week.**

**Foreign Exchange: NGN/USD rate depreciates at the parallel market**

In the Foreign exchange market, the naira depreciated against the greenback at the parallel market by 0.6% to settle at N362.5/\$. However, a marginal appreciation was seen at the official and NAFEX windows; 2bps and 0.1% respectively, which culminated to N306.8/\$1 and N362.5/\$1. Notably, the CBN governor hinted on increasing the number of items on the CBN's foreign exchange restriction list to 50.

In the coming week, despite the pressure that may ensue from the run-up to the elections, we expect the CBN to maintain its resolve to defend the naira through its interventions at the NAFEX window. **Hence, we expect the naira to trade within the band of N360-N365/\$ at the NAFEX window as oil trades at a modest level above \$60/b range.**

28th 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
<b>Banking</b>													
ACCESS	7.1	28.9	6.5	188.0	↑ 9.2%	HOLD	2.4	16.4	2.7x	0.4x	0.7	10.0%	26.0
FBNH	9.2	35.9	7.7	274.6	↑ 20.3%	BUY	1.4	19.0	5.5x	0.4x	0.2	2.6%	45.8
FCMB	2.5	19.8	2.2	42.6	↑ 16.3%	BUY	0.8	8.9	2.8x	0.2x	0.1	4.7%	46.9
FIDELITYBK	2.8	29.0	2.5	72.4	↑ 12.0%	BUY	0.8	6.6	3.3x	0.4x	0.1	4.4%	45.6
GUARANTY	46.7	29.4	34.5	1015.4	↑ 35.4%	BUY	6.7	17.7	5.1x	1.9x	2.4	7.0%	40.8
ZENITHBANK	35.7	31.4	23.0	722.1	↑ 55.2%	BUY	5.8	24.7	3.9x	0.9x	2.7	11.7%	30.1
DIAMONDBNK	3.1	23.2	2.3	53.5	↑ 34.2%	BUY	(0.7)	9.6	-3.3x	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
<b>Consumer Goods</b>													
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	36.6	210.0	↑ 31.1%	BUY	2.1	14.4	17.0x	2.5x	0.5	1.4%	11.7
FLOURMILL	25.4	4.1	19.5	80.0	↑ 30.3%	HOLD	2.9	35.7	6.7x	0.5x	1.0	5.1%	56.6
NB	92.0	8.0	79.9	639.0	↑ 15.1%	BUY	3.0	21.0	26.7x	3.8x	3.6	4.5%	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	11.3	44.9	↑ 56.6%	HOLD	-	10.7	-	1.1x	0.2	1.3%	66.5
UACN	UR	2.9	8.7	24.9	NA	UR	0.1	22.6	68.0x	0.4x	1.0	11.6%	44.2
<b>Industrial Goods</b>													
DANGCEM	235.0	17.0	194.0	3305.9	↑ 21.1%	BUY	9.6	45.1	20.2x	4.3x	8.5	4.4%	45.3
WAPCO	13.7	8.7	12.5	108.4	↑ 9.6%	HOLD	(6.3)	14.8	-2.0x	0.8x	1.5	11.7%	25.8
<b>Agric</b>													
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	60.0	60.0	↑ 24.2%	BUY	25.3	79.3	2.4x	0.8x	2.0	3.3%	75.5
<b>Oil &amp; Gas</b>													
TOTAL	261.4	0.3	214.5	72.8	↑ 21.9%	HOLD	28.7	88.9	7.5x	2.4x	17.0	7.9%	63.2
SEPLAT	876.2	0.6	540.0	317.8	↑ 62.3%	BUY	0.6	2.7	2.4x	0.6x	-	0.0%	55.7
MOBIL	235.8	0.4	180.0	64.9	↑ 31.0%	HOLD	29.9	89.7	6.0x	2.0x	8.0	4.4%	67.0
OANDO	UR	12.4	4.9	60.3	NA	UR	1.2	15.1	4.0x	0.3x	-	-	38.9
FO	UR	1.3	29.5	38.4	NA	UR	2.4	13.2	12.1x	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 25th 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 (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.\*