

Thursday, February 7, 2019

The day in review

- The equity market was very bullish
- Performance in the T-bills space was mixed
- System liquidity eased
- Brent remained above \$60/bbl
- Naira appreciated at the I & E window

Looking forward

- FY-18 Earnings scorecard: NSE

Daily insight

2019 Yield Outlook & Strategy

The CBN, in response to pressures on foreign exchange, doubled down on liquidity mop-ups - even at the expense of the hemorrhaging of reserves - for the utmost pursuit of stability in the exchange rate. With elections just one week away, we expect yields to remain somewhat elevated in Q1-19 as the CBN continues its mop-up of naira liquidity to curb foreign exchange demand pressures. Currently, average yields are at 14.5% vs. 15.7% in December, supported by renewed offshore interest in the market.

A retracement in yields would likely trail the successful conclusion of the election as political risk premia normalizes, especially in light of the US Fed's recent dovish tone. Nonetheless, we expect any potential demand during that period to be capped as uncertainties around the probable economic direction of the new government would likely cloak sentiments.

In terms of positioning, we recommend overweighing short-term bills ahead of the general election as it offers an enticing trade-off between risk and reward, and a potential place for investors to play defense. As political risk premia peaks, we recommend rapidly building duration to lock in funds at high yields across longer maturities. In addition, the scenario for the post-election period would depend on the interplay of retracement in yields after the election and the unsettling condition in the global space.

Headline	Level	1 day	YTD
NSE ASI	31,433.5	▲ 2.0%	▲ 0.0%
Mkt. Cap (N'bn)	11,722.0	▲ 2.0%	▲ 0.0%
Mkt. Cap (\$'mn)	38,219.9	▲ 2.0%	▲ 0.1%
Value (N'mn)	5,880.3	▲ 21.8%	
Value (\$'mn)	19.2	▲ 21.8%	
Volume	436.7	▲ 21.6%	
Deals	4,047.0	▲ 21.9%	
Market Breadth	2.1		

T-Bills Yields	Current	Previous	%Δ
3 months	12.35	12.23	▲ 0.12
6 months	14.13	14.51	▼ -0.38
12 months	17.51	17.49	▲ 0.02

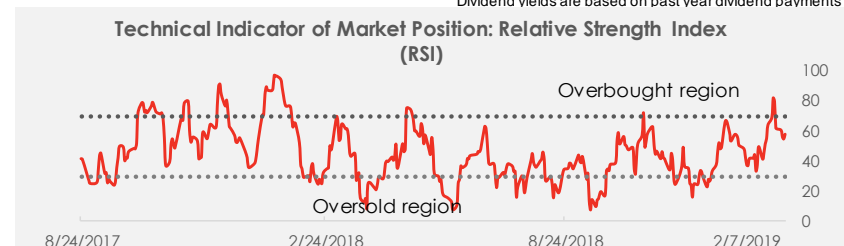
Bonds Yields	Current	Previous	% Δ
3 years	15.09	14.99	▲ 0.10
5 years	14.68	14.68	▬ 0.00
7 years	14.75	14.85	▼ -0.10
10 years	14.94	15.03	▼ -0.09

Currencies	Current	Previous	% Δ
Official	306.70	306.70	▬ 0.00%
Parallel	359.50	359.50	▬ 0.00%
NAFEX	361.64	361.72	▲ 0.02%

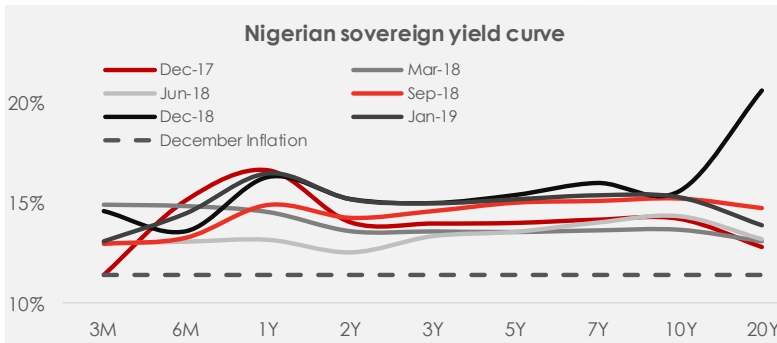
Other Key indices	Current	Previous	% Δ
OBB	17.3	20.7	▼ -3.34
OVN	18.4	21.8	▼ -3.41
Brent	61.1	62.6	▼ -2.36

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.00%	0.0%	1.6%	4.1	3.5%
Banks	5.8%	8.9%	6.2%	4.8	7.3%
Consumer	0.6%	2.6%	-4.3%	21.6	3.5%
Industrial	1.47%	-1.9%	3.7%	na	6.4%
Insurance	0.5%	2.4%	-0.9%	4.6	7.0%
Oil & Gas	0.8%	-0.4%	-7.7%	3.7	6.0%
Mkt. Avg. P/E	9.1			Mkt. Avg. Div. Yid	5.3%

*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	168.1	▲ 1.8%	▼ -2.4%	7.9	7.4
Egypt	14,753.7	▼ -0.1%	▲ 13.2%	14.1	2.0
Ghana	2,430.2	▲ 0.6%	▼ -2.8%	21.3	1,521.5
Kenya	160.4	▲ 0.1%	▲ 14.2%	12.9	4.5
Mauritius	2,206.2	▼ -0.1%	▼ -0.6%	17.9	2.0
Morocco	312.5	▲ 0.3%	▲ 0.9%	19.4	3.7
MSCI FM	544.2	▼ -0.4%	▲ 5.5%	11.4	3.7
South Africa	53,888.9	▼ -1.3%	▲ 2.2%	15.1	4.3
Tunisia	7,164.2	▼ -0.4%	▼ -1.5%	18.4	2.0
Zimbabwe	6815.36	▼ -0.5%	▲ 10.1%	26.9	1.9



Sources: FMDQ, United Capital Research

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