

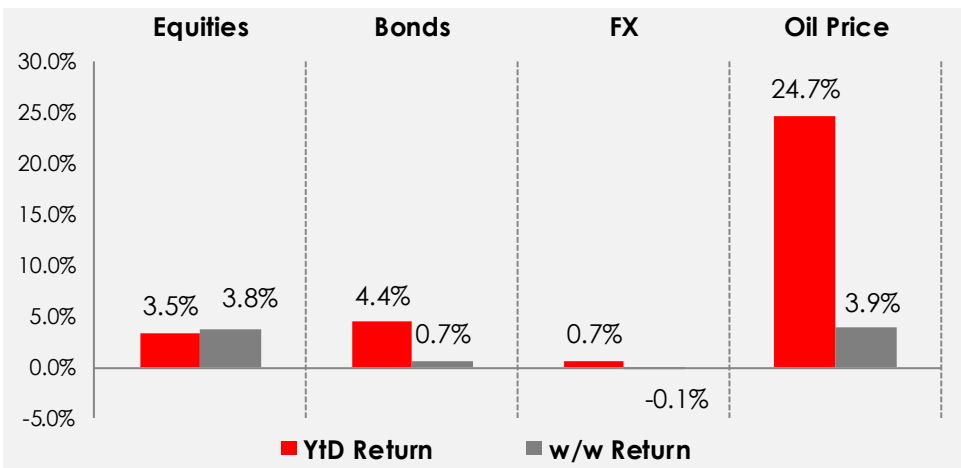
Macro Highlights and Outlook

In the week to 22nd of February 2019, talks around the postponement of the 2019 general election dominated headlines, as the Independent National Electoral Commission (INEC) had the extra obligation to reassure citizens that the election would hold as planned. True to this, the election held on Saturday 23rd of February. According to the INEC report released during the week, 86.6% of the total registered voters of 84.0mn collected their Permanent Voters Card (PVC), with Lagos (5.5m) and Kano (4.7m) with the largest number PVCs collected and the North West zone with the highest collection rate.

Elsewhere, the National Bureau of Statistics (NBS) released some key sector and economic statistics, including its selected banking sector data for Q4-18, which indicated that the total value of credit allocated by the bank to the private sector sank by 3.9%y/y to close 2018 at N15.1tn. Furthermore, the Bureau published a sectoral distribution of value-added tax report for Q4-18 and FY-18, showing that VAT revenue for 2018 jumped 14.0% y/y to N1.1tn and improved for the second consecutive quarter, up 9.0%q/q to settle at N298.0bn in Q4-18.

Finally, the NBS published its power sector statistics report for Q4-18. According to the data, an average of 68,625MWh and 27,913MWh of energy was generated daily by thermal and hydropower stations respectively. Additionally, the Advisory Power Team in the Office of the Vice President disclosed that the nation's power sector lost N69.1bn between January 1 and February 19th, 2019, as a result of insufficient gas supply to power generating plants as well as inadequate distribution and transmission infrastructure. **This week, we expect media attention to be focused on election results, with the NBS scheduled to release further sector and economic data reports for Q4-18 and FY-18 respectively.**

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:	+0.6%
NASDAQ:	+0.7%
DJIA:	+0.6%

Nigerian Equities:

NSE Market Cap. (N'bn):	12,125.5
NSE Market Cap. (\$'mn):	39,522.6
YTD Return (%):	+3.5%
W-o-W Return (%):	-0.6%
P/E (x):	9.4x

Fixed Income:

Overnight:	14.6%
Open Buy-Back:	13.67%
<i>Treasury Bills Yield</i>	
90 days:	11.96%
180 days:	14.99%
360 days:	17.32%
<i>Bonds Yield</i>	
3-Year:	14.88%
10-Year:	14.89%

Exchange Rate (NGN/USD):

I & E FX window:	361.5
W-o-W Change:	+4bps

Global Market Review and Outlook**The Fed reiterates "patient" tone amid thawing trade tensions**

The US Fed released the minutes of its Jan-19 policy meeting, where it highlighted its wait and see approach after it left rates unchanged at its last meeting. Also, the Fed made comments on the possible flexibility of its balance sheet normalization process later in the year. Additionally, positive sentiments from the US-Sino trade negotiations filtered into the market, even as the March 1st tentative deadline approaches. On the back of this, major indices in the US market closed upbeat w/w with the NASDAQ (+0.7%) leading the pack.

In Europe, jitters surrounding unfolding BREXIT negotiations continued to grip the market as fears of a possible no-deal BREXIT looms. Meanwhile, Fitch has signaled a possible downgrade of the UK's credit rating ahead of the March 31st deadline. However, major indices closed in the green as the market focused largely on global trade negotiations, with little more than a week left before a U.S-imposed deadline for an agreement with China expires. Hence major indices in the region closed northwards save for the UK's FTSE (-0.7%).

Emerging markets were not left out of the bullish euphoria. All BRICS-classified markets trended higher w/w except Brazil's IBOV (-0.1%) as investors started to re-price their expectations of the new administration. Reports that Chinese banks opened the credit tap with authorities striving to avert a sharp slowdown in the economy also buoyed sentiments.

Crude prices retained its uptrend from the preceding week, gaining 1.4%w/w to settle at \$67.2/b. In the week ahead, sentiments around global crude supply (whether OPEC-led production cuts and involuntary cuts from Libya, Iran, and Venezuela can tighten the market further) in the face of growing US oil production, will guide sentiments. On the demand side, the outcome of Sino-US trade negotiations and what it would mean for global growth and oil demand could also weigh.

25th February 2019
Domestic Financial Markets Review and Outlook
Equities dip 0.6%w/w on election postponement

Driven by heightened political risks (following the one-week postponement of the Presidential and National Assembly elections from the initial schedule of February 16th, 2019), stocks slumped 0.6% last week, despite amassing a whopping 6.8% in the two weeks run-up to the original date scheduled for the elections. In the process, the index settled at 32,515.5 points with YTD return closing the week at 3.5%.

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	192.4	3278.6	↑ 22.1%	BUY	9.6	45.1	20.0x	4.3x	8.5	4.4%	45.3
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
SEPLAT	876.2	0.6	619.0	364.2	↑ 41.6%	BUY	0.6	2.7	2.7x	0.6x	-	0.0%	55.7
UNILEVER	47.9	5.7	43.0	247.0	↑ 11.4%	BUY	2.1	14.4	20.0x	3.0x	0.5	1.2%	11.7
ZENITHBANK	35.7	31.4	25.8	808.5	↑ 38.6%	BUY	5.8	24.7	4.4x	1.0x	2.7	10.5%	30.1

Source: United Capital Research

Agricultural stocks (+3.8%) led the way last week and have been the best performing sector YTD (+11.1%) as bargain hunting in PRESCO (+13.6%) buoyed the sector. Similarly, Banking stocks (+0.5%) closed in green territory, following impressive earnings from ZENITHBANK (+4.0%), which declared a dividend of N2.5 per share. On the flip side, it was a difficult week for the other sectors; Industrials (-1.4%) took the biggest hit on the backdrop of profit-taking in bellwether DANGCEM (-0.8%), while Consumer names (0.9%) also took a plunge following unimpressive earnings from NB (-3.6%) which stoked a bearish theme across the sector. Oil & Gas (-0.4%) and Insurance (-0.2%) tickers also lagged, as sell-off in NEIMETH (-12.9%), AIICO (-5.3%), TOTAL (-4.9%), and MOBIL (-3.3%) weighed on the sectors.

Market sentiment (measured by market breadth – 0.8x) remained downbeat as only 29 stocks appreciated against 35 decliners. Furthermore, market activity level was relatively weaker as average turnover of 296.2mn shares worth N3.5bn were traded by investors on the floor of the Exchange in contrast to an average of 566.9mn shares valued at N5.6bn that exchanged hands in the preceding week.

Politics and earnings should be the two biggest themes that would guide trading sentiments this week. In the wake of the just concluded Presidential and National Assembly elections, markets would have to come to terms with uncertainties around the probable economic direction of the new (or old) government, even as earnings continue to trickle in.

Money Market: Secondary market bulls resurface amid a slowdown of liquidity mop-ups

During the week under review, the direction of system liquidity was mixed as sustained weekly wholesale FX (c. \$210mn) sales by the CBN constrained overall liquidity levels at the start of the week. Meanwhile, added to a "No Sale" OMO auction on Monday, the CBN failed to float further OMO auctions in the following two days, as it provided room for liquidity to build up ahead of the FG's February bond auction. By Thursday, with the bond auction out of the way and with c. N579.0bn OMO maturity hitting the system, the CBN resumed its liquidity tightening role, successfully mopping up c. N668.0bn via OMO while also keeping stop rates unchanged; 91-day: 11.9%, 182-day: 13.5%, and 364-day: 15.0%. Overall, having started the week averaging 24.7%, average inter-bank rates (OBB and overnight rates) remained largely elevated at 19.5% by the close of the week, compared to the prior week's closing average of 16.7%.

The secondary treasury bills market was characterized by a tussle between the bulls and the bears. Cumulatively, the bulls overturned the bears as the CBN's slowdown of OMO auctions gave room for market bulls to hunt for bargains at the secondary T-Bills market. Overall, average yields trended lower by 41bps to settle at 14.3% [90-day (down 48bps to 11.7%), 202-day (down 11bps to 15.2%) and 349-day (down 16bps to 17.2%)].

Looking into the new week, we expect money market rates to continue to track the trajectory of overall system liquidity, which is expected to be buoyed by OMO repayments (N349.6bn), NTB maturities (N115.1bn) and bond coupon payments (N39.0bn).

Bond Market: A largely bullish week

In the bonds space, the Debt Management Office (DMO) conducted its February bond auction during the week, offering N150.0bn - shared equally between its existing 5-year, 7-year and 10-year notes. The auction was largely oversubscribed, with demand heavily skewed to the 10-year note which made up c. 83.6% of the total subscription of N234.4bn. The fiscal authority ended up selling the total offered amount with stop rates clearing lower across board: 5-year (14.52% vs. 15.20% at the last auction), 7-year (14.80% vs. 15.25% at the last auction) and 10-year (14.94% vs. 15.35% at the last auction). On the corporate side, Access Bank Plc announced the commencement of its book building exercise towards raising up to N15.0bn via a 5-year fixed rate senior unsecured Green Bond to be listed on the NSE and FMDQ.

Elsewhere, daily secondary bond market performance was largely tepid as players positioned for the primary bond market auction. On a w/w basis, the bulls slightly outweighed the bears as average bond yields compressed by 4bps to settle at 15.0%. This was as some players hunted for quick bargain buys. Similarly, average yields on FGN Eurobonds decreased by 16bps to 7.0% and average yield for Corporate Eurobond trended lower by 40bps to 8.8%.

With the week being the first-week post-election, trading sentiments in the secondary market would likely improve as players dig deeper into the policies of the winner.

Foreign Exchange: Mixed themes across FX windows

In the past week, parallel market FX rate opened the week on a positive footing and appreciated 0.6%w/w to settle at N358.5/\$1. Contrariwise, rates at the I&E window segment started on a bearish footing but recovered mid-week to close c.4bps higher w/w, settling at N361.5. Average daily turnover at the I & E Window rose 26.0% to end at \$295.2mn while a total of \$1.5bn was traded. At the CBN window, exchange rate declined marginally by 2bps to N306.8.

This week, while we expect sentiments to be guided by the outcome of the general elections, more focus would be on the level of tranquility or otherwise that trails the declaration of the next president. Yet, we expect the CBN to retain its stance to defend the naira via its interventions and we retain our expectations for N365-N370 at the I & E Window.

25th February 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	6.4	185.1	↑ 10.9%	HOLD	2.4	16.4	2.7x	0.4x	0.7	10.2%	26.0
FBNH	9.2	35.9	8.4	299.7	↑ 10.2%	BUY	1.4	19.0	6.0x	0.4x	0.2	2.4%	45.8
FCMB	2.5	19.8	2.2	44.0	↑ 12.6%	BUY	0.8	8.9	2.9x	0.2x	0.1	4.5%	46.9
FIDELITYBK	2.8	29.0	2.5	71.6	↑ 13.4%	BUY	0.8	6.6	3.2x	0.4x	0.1	4.5%	45.6
GUARANTY	46.7	29.4	38.2	1124.3	↑ 22.3%	BUY	6.7	17.7	5.7x	2.2x	2.4	6.3%	40.8
ZENITHBANK	35.7	31.4	25.8	808.5	↑ 38.6%	BUY	5.8	24.7	4.4x	1.0x	2.7	10.5%	30.1
DIAMONDBNK	3.1	23.2	2.5	56.7	↑ 26.5%	BUY	(0.7)	9.6	-3.5x	0.3x	-	-	64.1
STANBIC	53.7	10.2	48.5	496.7	↑ 10.7%	BUY	6.8	21.3	7.2x	2.3x	-	0.0%	46.4
Consumer Goods													
DANGSUGAR	16.8	12.0	15.0	180.0	↑ 12.0%	HOLD	2.5	8.7	6.0x	1.7x	1.3	8.3%	59.7
INTBREW	38.1	8.6	26.3	225.6	↑ 45.1%	BUY	1.0	4.2	27.5x	6.3x	-	0.0%	67.6
NESTLE	1,636.1	0.8	1580.0	1252.4	↑ 3.6%	HOLD	55.3	71.0	28.6x	22.3x	25.0	1.6%	48.2
UNILEVER	47.9	5.7	43.0	247.0	↑ 11.4%	BUY	2.1	14.4	20.0x	3.0x	0.5	1.2%	11.7
FLOURMILL	27.2	4.1	20.2	82.8	↑ 34.7%	BUY	2.9	35.7	6.9x	0.6x	1.0	5.0%	56.6
NB	92.0	8.0	80.0	639.8	↑ 15.0%	BUY	3.0	21.0	26.8x	3.8x	3.6	4.5%	47.7
GUINNESS	74.7	2.2	65.1	142.6	↑ 14.7%	BUY	3.7	40.4	17.5x	1.6x	0.6	1.0%	10.9
PZ	17.7	4.0	12.4	49.0	↑ 43.3%	HOLD	-	10.7	-	1.1x	0.2	1.2%	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
Industrial Goods													
DANGCEM	235.0	17.0	192.4	3278.6	↑ 22.1%	BUY	9.6	45.1	20.0x	4.3x	8.5	4.4%	45.3
WAPCO	13.7	8.7	13.0	112.8	↑ 5.4%	HOLD	(6.3)	14.8	-2.1x	0.9x	1.5	11.2%	25.8
Agric													
OKOMUOIL	92.1	1.0	80.1	76.4	↑ 15.1%	BUY	10.5	30.3	7.6x	2.6x	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
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	619.0	364.2	↑ 41.6%	BUY	0.6	2.7	2.7x	0.6x	-	0.0%	55.7
MOBIL	235.8	0.4	178.0	64.2	↑ 32.5%	HOLD	29.9	89.7	5.9x	2.0x	8.0	4.5%	67.0
OANDO	UR	12.4	6.5	80.8	NA	UR	1.2	15.1	5.4x	0.4x	-	-	38.9
FO	UR	1.3	28.0	36.5	NA	UR	2.4	13.2	11.5x	2.1x	-	-	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 22nd February 2019

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Dangote Flour Plc	h
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