

**Macro Highlights and Outlook**

In the week to 29th of March 2019, The Central bank of Nigeria held its second monetary policy meeting for the year and opted to trim the MPR by 50bps to 13.5%, the first since June 2016. Notably, the Committee held other policy rates unchanged (CRR: 22.5%, asymmetric corridor: +200/-500 basis points and liquidity ratio: 30%). According to the CBN governor – Godwin Emefiele - the decision to revise rates downwards was predicated on the need provide the much-needed leverage to support output growth and economic development. The decision was also backed by the relative stability of major macro indicators. Looking ahead, we expect the committee to explore its “new phase” in a data-dependent approach (keeping an eye on the macro stability hitherto achieved).

In terms of data, the National Bureau of Statistics (NBS) released its monthly report on the Federal Account Allocation Committee (FAAC) disbursement for Feb-19. According to the data, the total amount of allocations to the three tiers of government in Feb-19 summed up to N660.4bn (with the federal government, state government and the local government receiving N275.3bn, N182.2 and N136.9 respectively, while the remaining N48.5bn was shared among oil-producing states as 13% derivation fund). Elsewhere, the Central Bank of Nigeria (CBN) published its Purchasing Managers' Index (PMI) report for Mar-19, indicating an acceleration in the level of economic activities when compared to the previous month (Feb-19). Notably, Manufacturing and Non-Manufacturing PMI stayed positive for the 24th and 22nd consecutive month to settle at 57.4 points (previously; 57.1 points) and 59.5 points (previously; 58.4 points) respectively.

**Global Equities:**

S&P 500:	+0.9%
NASDAQ:	+0.9%
DJIA:	+1.4%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,672.1
NSE Market Cap. (\$'mn):	38,026.1
YTD Return (%):	-1.2%
W-o-W Return (%):	-0.3%
P/E (x):	7.8x

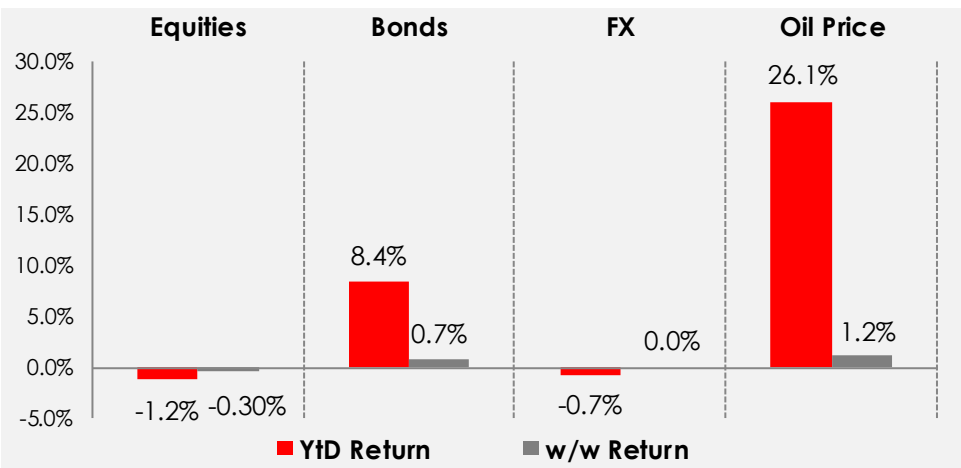
**Fixed Income:**

Overnight:	10.67%
Open Buy-Back:	9.86%
<i>Treasury Bills Yield</i>	
90 days:	10.91%
180 days:	13.95%
360 days:	14.58%
<i>Bonds Yield</i>	
3-Year:	13.97%
10-Year:	14.36%

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

I & E FX window:	360.8
W-o-W Change:	7bps

**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 Market Review and Outlook

### Global markets forge ahead despite Brexit uncertainties

The week to end 29th March 2019, was yet another busy week for global markets with mostly the same rhetoric – Brexit uncertainties, concerns over the strength of the global economy, US-China trade negotiations, amongst others.

In the U.S, equities were upheld by US-China trade talks. Though there was a revision to Q4-18 GDP from an initial estimate of 2.6% to a revised estimate of 2.2%, suggesting that the U.S. economy had less momentum heading into 2019. Overall, the DJIA (+1.4%), S&P 500 (+0.9%) and NASDAQ (+0.9%) inked w/w gains.

In Europe, BREXIT drama continued to unfold as Theresa May made a third attempt to get her agreement approved – this was rejected. When exactly the UK would leave the EU remains uncertain but lawmakers have until the 12th of April to decide to extend their stay in the EU and participate in EU's parliamentary elections or leave without a deal. Despite the Brexit/Therexit saga, European equities closed northwards, partly due to accommodative comments from the ECB President – Draghi.

Across Emerging Markets, a bullish theme was recorded, led by India's SENSEX (+1.3%). Brazil's IBOV (+2.1%) and South Africa's JALSH (+0.6%) also rose w/w while China's SCHOMP (-0.4%) emerged as the sole loser w/w. We anticipate the outcomes of South Africa's Moodys Rating and its impact on the South African rand, as a potential downgrade could predicate the nation's exit from the World Government Bond Index. However, we do not expect an outright rating downgrade but an outlook downgrade from stable to negative. In the week ahead, we would also be keeping tabs on the outcome of India's monetary policy meeting.

Brent crude rose 1.2% w/w as supply shortfalls from OPEC+ cuts, unrests in Venezuela and sanctions on Iran continued to guide sentiments. **We retain our outlook for oil to trade within the \$60-\$70/b band.**

**Domestic Financial Markets Review and Outlook**
**Equities tumble 2.1% in March**

It was yet another bearish week for the Nigerian equity market amid a sector-wide sell-off that sent stock prices sharply lower by -0.3% w/w, and 2.1% in the month of March to settle at 30,833.5 points. Consequently, Investors wealth suffered a further loss over the week as market capitalization declined by N18.4bn to settle at N11.6tn while YTD return closed the week at -1.2%. Being the final week for companies to file their earnings with the Nigerian Stock Exchange, we saw a spree of releases from FCMB, FIDELITY, OANDO, TOTAL, FO and OKOMU, among many others.

**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	191.0	3254.7	↑ 23.0%	BUY	22.8	57.2	8.4x	3.3x	10.5	5.5%	45.5
FIDELITYBK	2.8	29.0	2.1	59.7	↑ 35.9%	BUY	0.8	6.6	2.6x	0.3x	0.1	5.3%	47.1
OKOMUOIL	92.1	1.0	80.0	76.3	↑ 15.1%	BUY	8.9	30.3	9.0x	2.6x	3.0	3.8%	47.2
SEPLAT	876.2	0.6	590.0	347.2	↑ 48.5%	BUY	0.3	2.8	6.4x	0.6x	0.1	0.0%	19.5
ZENITHBANK	35.7	31.4	21.8	684.4	↑ 63.8%	BUY	5.9	25.9	3.7x	0.8x	2.8	12.8%	37.8

Source: United Capital Research

The Agricultural sector (-2.8%) bore the brunt of the selling amid a sector-wide bearish trend; Banking (-2.0%), Industrial Goods (-2.0%), Oil & Gas (-1.4%), Consumer Goods (-1.3%), and Industrial Goods (-1.4%). Some of the top laggards for the week include; PRESCO (-7.7%), FIDELITYBK (-13.1%), ACCESS (-5.8%), GUARANTY (-3.9%), FCMB (-5.6%), UBA (-1.3%), ZENITHBANK (-1.1%), DANGFLOUR (-12.1%), PZ (-6.7%), FLOURMILL (-5.0%), NB (-4.0%), GUINNESS (-2.4%), WAPCO (-5.8%), CCNN (-4.8%), OANDO (-2.6%).

Market breadth - a proxy for investors sentiment - was underwhelming at 0.6x; 19 stocks advanced over the week against 36 decliners. **This week, the scheme of merger between DIAMOND and ACCESS is expected activated from April 1, 2019. In addition, we think the market is due for a recovery as the market remains attractively priced on a fundamental and technical basis. Nevertheless, sentiments could likely remain choppy in the absence of any event that could galvanize investors.**

**Money Market: No activity in the primary market amid MPC's surprise rate cut**

Overall market sentiments in the week to 29th March was dominated by the surprise outcome of the Monetary Policy Committee (MPC) meeting, early in the week. Overall liquidity level was constrained as the CBN floated wholesale FX auction on Monday and retail FX auction on Friday while holding off additional OMO auctions during the week, to ease the overall pressure on liquidity level. The major inflows into the system were OMO maturity worth N61.0bn, rental payment on FGN's 2024 Sukuk bond (N8.24bn), DANGCEM's commercial paper II redemption (N38.0bn) and retail FX refund on Thursday. Consequently, average interbank funding rates (Open Buy Back and Overnight rates) declined to 10.3% from 14.5% in the week before.

In the secondary market, average treasury bills yield declined w/w by 11bps to close at 13.6%. We believed this was as buoyed by CBN's refusal to float an OMO auction during the week while market participants try to digest the surprise rate cut by the MPC. **This week, we expect the CBN to resume its OMO mop-up activities as Feb-19's FAAC is anticipated to hit the system, in addition to the scheduled inflow from OMO maturity. Also, the FG is scheduled to roll over its total maturing NTB obligations, worth N95.7bn at its bi-weekly primary market auction. Accordingly, we expect the tempo of these events to guide trading sentiments in the money market space.**

**Bond Market: Bond bulls return on MPR reduction**

In the Bonds space, the Debt Management Office (DMO) conducted its Mar-19 bond auction during the week, offering N100.0bn – shared between 5-year (N40.0bn), 7-year (N40.0bn), and 10-year (N20bn) bonds. The fiscal authority's stance was dictated by MPC's action as stop rates across all tenors offered were adjusted to the new MPR of 13.5%. Though total bid to cover ratio at the competitive auction came in at 1.5x, most of the demand was for the liquid 10-year note (Bid to cover ratio: 5.0x) while demand for the 5-year and 7-year were mostly from the non-competitive bidders. Thus, the DMO allotted the just 29.4% of the total offered amount via competitive bid while satisfying the rest of its financing need via the non-competitive bids.

Elsewhere, daily secondary market performance was largely tepid early in the week as players positioned for the primary bond market auction and priced-in the auction result, later in the week. On a w/w basis, the bulls outweighed the bears as average bond yields eased 24bps to settle at 13.9%.

In the secondary Eurobond market, we saw renewed selloffs on FGN's Eurobond as prospects for weaker growth in the global space continued to fuel apathy for Emerging

Market asset to safe-haven bonds. Accordingly, average FGN Eurobonds increased by 8bps to 7.0% while the average yield for Corporate Eurobond trended lower by 29bps to 8.1% amid renewed interest in soon to mature ZENITHBA and DIAMOND.

**This week, we believe players will remain cautious as they look to the stop rates at a possible OMO auction for clearer forward guidance. Meanwhile, we expect bond yields to trend slightly upward due to recent profit-taking sentiments in the market.**

**FX: w/w declines at the official and I & E Windows, stability at the parallel market**

On a w/w basis, domestic FX markets recorded marginal declines at two of the three windows we track. The rate of exchanging the naira for a dollar at the Official window started the week on a bearish footing after depreciating 2bps to N306.9/\$, however, the exchange rate remained unchanged all through the week, bringing the rate at the end of the week to N306.9/\$.

On the other hand, the I & E Window experienced mixed tales, after starting the week on a bullish footing, inking 1bps and 4bps uptick respectively on Monday and Tuesday, rates at the window depreciated mid-week by 12bps and 3bps respectively, before recording a 3bps gain end of the week on Friday. On a w/w basis, rates faltered 7bps to settle at N360.7/\$. Average daily turnover at the window trended southwards, down 25.9% to \$212.7mn. Conjugating this with the MPC's rate cut decision during the week, we think the consequent exchange rate decline at the NAFEX window is a knee-jerk reaction on the Naira to the policy decision. A quick glance at the CBN gross reserves on Bloomberg shows the FX reserves shed 3.3% w/w as on Thursday to \$42.3bn, its lowest since Feb-19.

Meanwhile, rates remained flat all through the week at the parallel window settling at N358.5/\$. **While, we retain our outlook for stability for FX, given the CBN's stance on defending the naira, we will keep tabs on movement in the FX reserves and the I & E Window.**

1st April 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	186.6	↑ 10.1%	HOLD	3.3	17.0	1.9x	0.4x	0.3	3.9%	52.2
FBNH	9.2	35.9	8.2	294.3	↑ 12.2%	BUY	1.4	19.0	5.9x	0.4x	0.2	2.4%	49.4
FCMB	2.5	19.8	1.9	36.8	↑ 34.4%	BUY	0.7	9.0	2.5x	0.2x	0.1	5.4%	43.0
FIDELITYBK	2.8	29.0	2.1	59.7	↑ 35.9%	BUY	0.8	6.6	2.6x	0.3x	0.1	5.3%	47.1
GUARANTY	46.7	29.4	36.1	1061.0	↑ 29.5%	BUY	6.5	19.1	5.5x	1.9x	2.4	6.7%	51.8
ZENITHBANK	35.7	31.4	21.8	684.4	↑ 63.8%	BUY	5.9	25.9	3.7x	0.8x	2.8	12.8%	37.8
STANBIC	53.7	10.2	46.0	471.1	↑ 16.7%	BUY	7.1	23.0	6.5x	2.0x	-	0.0%	42.3
<b>Consumer Goods</b>													
DANGSUGAR	16.8	12.0	14.2	170.4	↑ 18.3%	HOLD	2.5	8.7	5.7x	1.6x	1.3	8.8%	47.2
INTBREW	38.1	8.6	26.0	223.5	↑ 46.5%	HOLD	(0.4)	4.1	-73.2x	6.3x	-	0.0%	49.0
NESTLE	1,636.1	0.8	1580.0	1252.4	↑ 3.6%	HOLD	54.3	63.4	29.1x	24.9x	47.5	3.0%	44.9
UNILEVER	47.9	5.7	39.0	224.1	↑ 22.8%	BUY	2.0	14.5	19.2x	2.7x	N/A/N	-	47.6
FLOURMILL	27.2	4.1	18.0	73.8	↑ 51.1%	BUY	2.2	35.9	8.3x	0.5x	1.0	5.6%	20.1
NB	88.5	8.0	66.8	533.8	↑ 32.6%	HOLD	2.5	20.9	27.1x	3.2x	3.7	5.6%	21.9
GUINNESS	74.7	2.2	62.5	136.8	↑ 19.6%	BUY	3.6	39.3	17.5x	1.6x	0.6	1.0%	15.7
PZ	17.7	4.0	9.8	38.9	↑ 80.6%	HOLD	N/A/N	10.7	-	0.9x	0.2	1.5%	29.6
UACN	UR	2.9	8.0	23.1	NA	UR	0.1	22.6	62.9x	0.4x	1.0	12.5%	44.0
<b>Industrial Goods</b>													
DANGCEM	235.0	17.0	191.0	3254.7	↑ 23.0%	BUY	22.8	57.2	8.4x	3.3x	10.5	5.5%	45.5
WAPCO	13.7	8.7	12.2	105.8	↑ 12.3%	HOLD	(6.3)	14.8	-1.9x	0.8x	1.5	11.9%	52.4
<b>Agric</b>													
OKOMUOIL	92.1	1.0	80.0	76.3	↑ 15.1%	BUY	8.9	30.3	9.0x	2.6x	3.0	3.8%	47.2
PRESCO	74.5	1.0	60.0	60.0	↑ 24.2%	BUY	25.3	79.3	2.4x	0.8x	2.0	3.3%	45.1
<b>Oil &amp; Gas</b>													
TOTAL	261.4	0.3	196.0	66.5	↑ 33.4%	HOLD	23.5	88.9	8.4x	2.2x	17.0	8.7%	37.7
SEPLAT	876.2	0.6	590.0	347.2	↑ 48.5%	BUY	0.3	2.8	6.4x	0.6x	0.1	0.0%	19.5
MOBIL	235.8	0.4	178.0	64.2	↑ 32.5%	HOLD	29.9	89.7	5.9x	2.0x	8.0	4.5%	44.9
OANDO	UR	12.4	5.7	70.2	NA	UR	2.0	15.1	2.9x	0.4x	-	-	47.7
FO	UR	1.3	27.7	36.1	NA	UR	1.5	13.2	19.0x	2.1x	-	-	38.8

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 29th March 2019

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**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.

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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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**Low:** Low probability of an imminent systematic risk or/and unsystematic risk

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