

18th March 2019

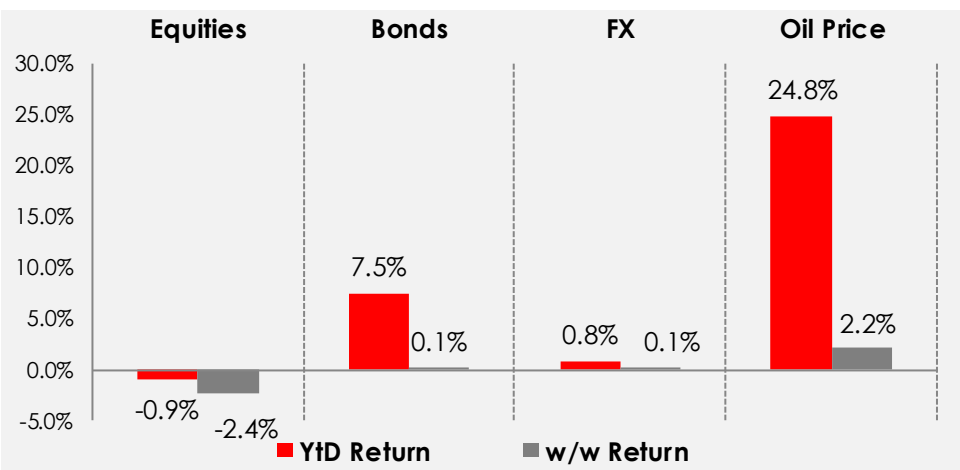
Macro Highlights and Outlook

In the week to 15th of March 2019, there were press releases affirming that the Senate ad-hoc committee on the New Minimum wage bill, as well as the House of Representatives, both reached a consensus on recommending N30,000 as the accepted minimum wage for the country's labour market as against the sum of N27,000 proposed by the federal government.

In terms of data release for the week, the Central Bank Nigeria (CBN) released its quarterly Balance of payment estimates for Q4-18, which showed a significant improvement in the current account balance from a deficit of \$1.5bn in Q3 2018 to a surplus of \$1.1bn in Q4-18 while, both Foreign Direct and Portfolio Investments decreased by more than 20% on a quarterly basis. Also, the National Bureau of Statistics (NBS) published its monthly inflation report for Feb-19, indicating further moderation in the headline inflation rate to 11.31%/y/y - 6bps lower than the rate recorded in Feb-18 (11.37%/y/y). On a month-on-month (m/m) basis, headline CPI inched lower by 1bp to 0.73 from 0.74 in Jan-18. The moderation in the headline rate was driven by both the food Inflation sub-index (which eased to 13.47%/y/y from 13.51%/y/y recorded in Feb-19), and core inflation (which saw a mild decline to 9.8%/y/y compared to 9.9%/y/y in Jan-19).

In terms of our outlook for inflation, we expect further moderation in the rate as the CBN continues to maintain its liquidity tightening stance via OMO mop up and FX interventions, coupled with more abating levels of insecurity and natural disaster in the Agricultural sector.

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: | +3.8% |
| DJIA: | +1.6% |

Nigerian Equities:

| | |
|--------------------------|----------|
| NSE Market Cap. (N'bn): | 11,613.6 |
| NSE Market Cap. (\$'mn): | 37,385.5 |
| YTD Return (%): | -0.2% |
| W-o-W Return (%): | -2.4% |
| P/E (x): | 7.9x |

Fixed Income:

| | |
|-----------------------------|--------|
| Overnight: | 11.67% |
| Open Buy-Back: | 11.17% |
| <i>Treasury Bills Yield</i> | |
| 90 days: | 11.84% |
| 180 days: | 13.90% |
| 360 days: | 14.34% |
| <i>Bonds Yield</i> | |
| 3-Year: | 14.61% |
| 10-Year: | 14.24% |

Exchange Rate (NGN/USD):

| | |
|------------------|-------|
| I & E FX window: | 360.2 |
| W-o-W Change: | +0.1% |

Global Market Review and Outlook**Global equity records broad gains... as UK parliament vote to extend BREXIT**

In the United States, equity indices recorded closed higher as renewed optimism on the trade front buoyed sentiments. Additionally, the United States Bureau of Labor Statistics showed that Feb-19 inflation remained relatively muted at 1.5% from 1.6% in January. Overall, major equity indices trended northwards w/w; NASDAQ (+3.8%), S&P 500 (+2.8%) and DJIA (+1.6% w/w). **This week, the Fed would be having its second policy meeting for 2019 and we expect the Fed to restate its dovish stance on policy rates.**

In Europe, BREXIT stood as the focal point as the House of Commons voted against the Prime Minister's deal. Instead, the parliament decided to delay Britain's exit from the EU, sending Prime Minister Theresa May back to Brussels to request an extension even as they voted against a "hard Brexit," and blocked the motion seeking a second Brexit referendum. While the extension could be seen presumably as a sort of relief for investors, it simultaneously implies a prolonged BREXIT uncertainty. Overall, a bullish theme dominated European markets as France (+3.0%) and Pan European STOXX (+2.6%) led the gainers while UK's FTSE (+1.7%) and Germany's DAX (+1.6%) also followed along.

Emerging markets were not left out of the bullish run with Brazil's IBOV (+3.7%) and India's SENSEX (+3.7%) leading the pack. While China's SCHOMP (+1.7%) and South Africa's JALSH (+1.0%) also trended northwards w/w.

Crude prices rose 2.2% w/w to settle at \$66.7/b as the dynamics of demand and supply continued to guide expectations. Moreso, reports from the IEA that a nationwide power failure in Venezuela could trigger serious disruptions to global supply also impacted sentiments. Meanwhile, OPEC's Monthly Oil Market Report showed a further decline in the cartel's output by 221,000b/d, majorly driven by declines in production in Venezuela, Saudi Arabia, and Iraq. **Overall, we retain our outlook for crude to trade between \$60-\$70/b this year.**

Domestic Financial Markets Review and Outlook
YTD return turns negative as bears storm the NSE

The local bourse drew the curtain for the week on a bearish footing as consistent losses recorded on almost all the trading sessions in the week largely outweighed the mild gain recorded on just one of the sessions during the week. Overall, the NSEASI declined by -2.4w/w to a one-month low of 31,142.7 points. Investors wealth suffered losses over the week as market capitalization trimmed N291.5bn to N11.6tn while YTD return worsened to -0.2%.

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 | 190.0 | 3237.7 | ↑ 23.7% | BUY | 9.6 | 45.1 | 19.8x | 4.2x | 8.5 | 4.5% | 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 | 596.9 | 351.2 | ↑ 46.8% | BUY | 0.6 | 2.7 | 2.6x | 0.6x | - | 0.0% | 55.7 |
| UNILEVER | 47.9 | 5.7 | 38.7 | 222.3 | ↑ 23.8% | BUY | 2.1 | 14.4 | 18.0x | 2.7x | 0.5 | 1.3% | 11.7 |
| ZENITHBANK | 35.7 | 31.4 | 22.0 | 690.7 | ↑ 62.3% | BUY | 5.8 | 24.7 | 3.8x | 0.9x | 2.7 | 12.3% | 30.1 |

Source: United Capital Research

Performance across sectors was broadly bearish; the Banking (-6.1%) sector index led laggards as sell-off in GUARANTY (-5.1%) and ZENITH (-11.8%) majorly dragged the index. The Industrial Goods (-1.1%), Insurance (-0.8%), and Consumer Goods (-0.4%) sector indices also trended southwards largely owing to price declines in DANGCEM (-2.6%), UNILEVER (-5.6%) and LINKASSURE (-6.4%). On the flip side, the Oil and Gas (+0.1%) sector index was the lone gainer for the week, buoyed by price gains in OANDO (+2.6%). Meanwhile, the Agricultural sector closed flat.

In terms of earnings, ACCESS (Revenue up 5.2% to N528.7bn and PAT up 58.1% to N95bn) and UBA (Revenue up 4.7% to N465.9bn and PAT up 1.4% to N78.6bn) both declared dividends of 25kobo and 65kobo respectively.

Market breadth - a proxy for investors sentiment- was underwhelming as it closed below the market threshold of 1.0x at 0.4x; 16 stocks advanced over the week against 40 decliners. Considering the overly bearish theme that was witnessed last week (Relative Strength Index: 48.6), the market may likely see a rebound this week as investors take advantage of badly beaten stocks on the exchange.

Money Market: Repricing continues in the wake of 2019 polls

The week to March 15th featured yet more buying interests as repricing of money market rates continued in the wake of 2019 polls. In the primary market, the CBN issued fresh OMO papers worth N400.4bn, resulting in a marginal rise in average money market rates (Open Buy Back and Overnight rates) for the week to 10.7% from 10.5% in the preceding week. Interestingly, the CBN took advantage of the modest demand (bid-to-cover:1.2x) to cut OMO rates; 91-day from 11.90% to 11.84%, and 175-day from 13.44% to 13.20%.

On another note, the bank conducted its bi-monthly NTB auction, wherein it successfully re-financed N89.5bn. Demand was intense as bids worth 6.7x of the offer amount, turned up, though most of the demand was concentrated at the 364-day paper which saw bids worth 7.7x of the offer. Expectedly, the CBN was able to roll over the auction at relatively lower stop rates (91-day (10.75% vs. 10.90% at the last auction), 182-day (12.50% vs. 13.01% at the last auction) and 364-day (12.845% vs. 14.37% at the last auction).

In the secondary market, NTB yields tracked lower by an average of 18bps to close at 13.3%, as yields repriced. **This week, the CBN would most likely continue its spate of OMO issuances to check system liquidity and we expect the tempo of this event to guide trading sentiments in the money market.**

Bond Market: Order-driven theme amid preference for T-bills

An order-driven theme guided sentiment in the bonds market with investors maintaining a preference for treasury bills. Consequently, FGN bond yields inched higher fractionally by 1bp on average to close at 14.4%. In another development, the average yield for FGN Eurobond moderated to 6.8% compared to 7.1% while the average yield in corporate Eurobonds moderated to 8.4% from 8.7%. **Looking forward, we expect a lull theme to guide sentiments in the bonds space. However, declining yields in the T-bills market should support some buying interest.**

FX: NAFEX rate trades at a low of N356/\$

In the week to end 15th March 2019, the rate of exchanging the naira for a dollar at the I & E Window, traded within a low of N356/\$1 and a high of N364.2/\$1 to settle at N360.2/\$1, implying a 0.1% w/w appreciation. Activity level at the window tapered 39.0%w/w to \$1.6bn (from \$2.7bn) – but remained buoyant. On the other hand, exchange rates declined 2bps at the official window to N307.0/\$1 while an inch-like appreciation of 0.1% was seen at the parallel market to close the week at N358.0/\$1. In the light of renewed offshore interest in Nigerian fixed-income assets, evidenced by the massive FPI inflow we have seen in recent times, FX reserves picked-up again (+0.8%w/w to \$43.0bn). **Overall, the FX market is expected to remain stable in the near-term.**

18th March 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 | 5.8 | 167.8 | ↑ 22.4% | HOLD | 2.4 | 16.4 | 2.4x | 0.4x | 0.7 | 11.2% | 26.0 |
| FBNH | 9.2 | 35.9 | 8.2 | 294.3 | ↑ 12.2% | BUY | 1.4 | 19.0 | 5.9x | 0.4x | 0.2 | 2.4% | 45.8 |
| FCMB | 2.5 | 19.8 | 1.9 | 36.6 | ↑ 35.1% | BUY | 0.8 | 8.9 | 2.4x | 0.2x | 0.1 | 5.4% | 46.9 |
| FIDELITYBK | 2.8 | 29.0 | 2.1 | 62.0 | ↑ 30.8% | BUY | 0.8 | 6.6 | 2.8x | 0.3x | 0.1 | 5.1% | 45.6 |
| GUARANTY | 46.7 | 29.4 | 35.4 | 1041.9 | ↑ 31.9% | BUY | 6.7 | 17.7 | 5.3x | 2.0x | 2.4 | 6.8% | 40.8 |
| ZENITHBANK | 35.7 | 31.4 | 22.0 | 690.7 | ↑ 62.3% | BUY | 5.8 | 24.7 | 3.8x | 0.9x | 2.7 | 12.3% | 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 | 48.1 | 492.6 | ↑ 11.6% | BUY | 6.8 | 21.3 | 7.1x | 2.3x | - | 0.0% | 46.4 |
| Consumer Goods | | | | | | | | | | | | | |
| DANGSUGAR | 16.8 | 12.0 | 14.0 | 167.4 | ↑ 20.4% | HOLD | 2.5 | 8.7 | 5.6x | 1.6x | 1.3 | 9.0% | 59.7 |
| INTBREW | 38.1 | 8.6 | 24.1 | 206.7 | ↑ 58.4% | BUY | 1.0 | 4.2 | 25.2x | 5.7x | - | 0.0% | 67.6 |
| NESTLE | 1,636.1 | 0.8 | 1545.0 | 1224.7 | ↑ 5.9% | HOLD | 55.3 | 71.0 | 27.9x | 21.8x | 25.0 | 1.6% | 48.2 |
| UNILEVER | 47.9 | 5.7 | 38.7 | 222.3 | ↑ 23.8% | BUY | 2.1 | 14.4 | 18.0x | 2.7x | 0.5 | 1.3% | 11.7 |
| FLOURMILL | 27.2 | 4.1 | 19.0 | 77.9 | ↑ 43.2% | BUY | 2.9 | 35.7 | 6.5x | 0.5x | 1.0 | 5.3% | 56.6 |
| NB | 88.5 | 8.0 | 75.0 | 599.8 | ↑ 18.0% | HOLD | 3.0 | 21.0 | 25.1x | 3.6x | 3.6 | 4.8% | 47.7 |
| GUINNESS | 74.7 | 2.2 | 64.0 | 140.2 | ↑ 16.7% | BUY | 3.7 | 40.4 | 17.2x | 1.6x | 0.6 | 1.0% | 10.9 |
| PZ | 17.7 | 4.0 | 11.0 | 43.7 | ↑ 60.9% | HOLD | - | 10.7 | - | 1.0x | 0.2 | 1.4% | 66.5 |
| UACN | UR | 2.9 | 7.8 | 22.3 | NA | UR | 0.1 | 22.6 | 61.0x | 0.3x | 1.0 | 12.9% | 44.2 |
| Industrial Goods | | | | | | | | | | | | | |
| DANGCEM | 235.0 | 17.0 | 190.0 | 3237.7 | ↑ 23.7% | BUY | 9.6 | 45.1 | 19.8x | 4.2x | 8.5 | 4.5% | 45.3 |
| WAPCO | 13.7 | 8.7 | 12.9 | 111.5 | ↑ 6.6% | HOLD | (6.3) | 14.8 | -2.0x | 0.9x | 1.5 | 11.3% | 25.8 |
| Agric | | | | | | | | | | | | | |
| OKOMUOIL | 92.1 | 1.0 | 80.0 | 76.3 | ↑ 15.1% | BUY | 10.5 | 30.3 | 7.6x | 2.6x | 3.0 | 3.8% | 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 | 200.0 | 67.9 | ↑ 30.7% | HOLD | 28.7 | 88.9 | 7.0x | 2.2x | 17.0 | 8.5% | 63.2 |
| SEPLAT | 876.2 | 0.6 | 596.9 | 351.2 | ↑ 46.8% | BUY | 0.6 | 2.7 | 2.6x | 0.6x | - | 0.0% | 55.7 |
| MOBIL | 235.8 | 0.4 | 166.0 | 59.9 | ↑ 42.0% | HOLD | 29.9 | 89.7 | 5.5x | 1.9x | 8.0 | 4.8% | 67.0 |
| OANDO | UR | 12.4 | 5.9 | 72.7 | NA | UR | 1.2 | 15.1 | 4.9x | 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 15th March 2019

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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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|--|------------|
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| 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 |

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