

**4th March 2019**
**Macro Highlights and Outlook**

Headlines during the week were dominated by talks surrounding the declaration of the incumbent - President Muhammadu Buhari - as the winner of the presidential election that held on the 23rd of Feb 2019 by INEC, with some jitters around the rejection of the election result by the major opposition party (PDP).

Elsewhere the Central Bank of Nigeria (CBN) published its Purchasing Managers' Index (PMI) report for Feb-19, indicating slower growth in the level of economic activities when compared to the previous month (Jan-19). Notably, the Manufacturing and Non-Manufacturing PMI stayed positive for the 23rd and 21st consecutive month to settle at 57.1 points (previously; 58.5 points) and 58.4 points (previously; 60.1 points) respectively.

Also, the National Bureau of Statistics (NBS) released its foreign trade in goods statistics report for Q4-18, which showed that total exports increased by 3.5% to N5.0tn while total imports plunged 15.0% to N3.6tn, resulting in a favourable trade balance of N1.4tn (a 125.5% increase when compared to the previous quarter).

**Global Equities:**

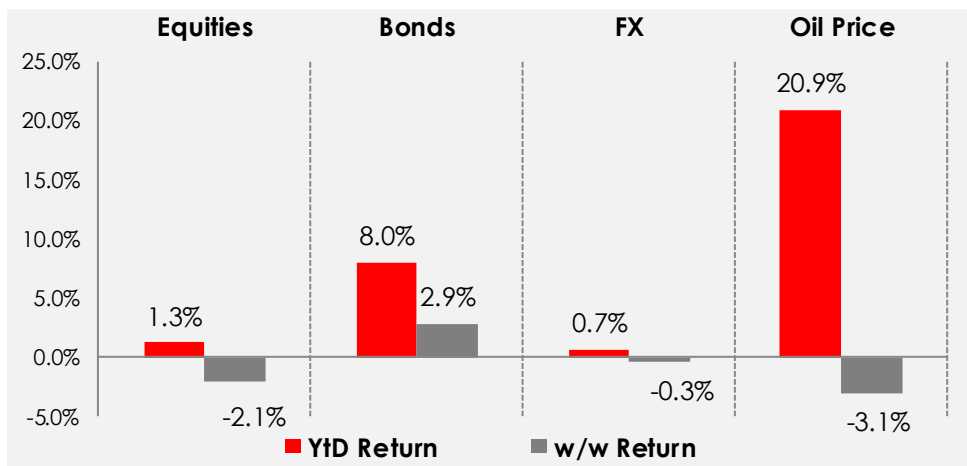
S&P 500:	+0.4%
NASDAQ:	+0.9%
DJIA:	0.0%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,868.9
NSE Market Cap. (\$'mn):	38,679.7
YTD Return (%):	+1.3%
W-o-W Return (%):	-2.1%
P/E (x):	7.8x

**Fixed Income:**

Overnight:	17.42%
Open Buy-Back:	16.33%
<i>Treasury Bills Yield</i>	
90 days:	10.66%
180 days:	13.55%
360 days:	15.02%
<i>Bonds Yield</i>	
3-Year:	14.64%
10-Year:	14.51%

**Nigeria Asset Class Returns (YTD, W-o-W)**

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

I & E FX window:	361.0
W-o-W Change:	+13bps

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

### Mixed theme amid a flurry of economic data, geopolitics

Following delays emanating from the US government shutdown, Q4-18 US GDP slowed to 2.6% compared to 4.0% in Q3-18. Effectively FY-18 annual GDP growth settled at 2.9%. Although this missed the Trump administration's target of 3.0%, it outpaced the 2.3% recorded in 2017. On trade, the US confirmed that it would not raise levies on \$200 billion worth of Chinese imports after March 1. This development did not really spur any rally in the market as optimism surrounding trade can be said to have been priced in already. Hence, the DJIA closed relatively flat w/w, while the S&P 500 and NASDAQ inched 0.4% and 0.9% higher respectively.

In Europe, Manufacturing PMI for February fell for the seventh consecutive month, falling below the 50 point threshold to 49.3 points for the first since 2013. This was predicated on weaknesses in Germany and Italy. Also, the Eurozone Consumer Price Index (CPI) for February came in at 1.5% (from 1.4% in January). In the UK, Prime Minister May proposed a vote on her Brexit deal by March 12 to the UK parliament. If that is rejected, a second vote by March 13 would let the parliament choose to leave the EU without a deal. On a positive note, the possibility of voting for a new extension and reports that a new referendum could be triggered rules out the fear of a no-deal BREXIT. Overall, most equity indices closed upbeat w/w with Germany's DAX (+1.3%) leading the pack while UK's FTSE (-1.0%) stood as the lone loser.

Across Emerging Markets, Chinese equities outperformed, gaining 6.8%w/w, after MSCI announced that it would quadruple the weighting of Chinese shares in the MSCI Emerging Market index. The MSCI also announced that it would increase Chinese weighting in global benchmarks from 5% to 20%. This action would likely spur billions of additional foreign inflows into the Chinese economy. Meanwhile, the Indian Sensex (+0.4%) and South Africa's JALSH (+0.4%) also trended northwards w/w, while Brazil's IBOV (-3.4%) and Russia's RTSI (-0.9%) emerged as the laggards.

Brent crude shed 3.0% w/w but stayed above \$60/b to close at \$65.4/b. This was on the back of Trump's tweet and reports that the US is offering up to 6mn barrels of sweet crude oil from the national emergency reserve in a sale mandated by a previous law to raise funds to modernize the facility. Overall, we retain our outlook of \$60-\$70/b for crude prices this year. **This week, we would be keeping tabs on the outcomes of the ECB policy meeting and the expected release of the Eurozone's Q4-18 GDP.**

**Domestic Financial Markets Review and Outlook**
**Equities fail to cheer... NSEASI dips -2.1% w/w**

Despite the massive capital inflow observed at the I & E window in the prior week, the equities market closed bearish as the just-concluded presidential election failed to spur bargain hunting. Particularly, whooping losses recorded in three of the five trading sessions during the week, outweighed the paltry gains recorded in the remaining two sessions. Consequently, the NSE-ASI tumbled -2.1% to close at 31,827.2 points while market capitalization plunged N256.7bn to finish at N11.9tn. YTD return settled to +1.3%.

**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	192.5	3280.3	↑ 22.1%	BUY	9.6	45.1	20.1x	4.3x	8.5	4.4%	45.3
GUARANTY	46.7	29.4	38.2	1122.8	↑ 22.4%	BUY	6.7	17.7	5.7x	2.2x	2.4	6.3%	40.8
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	810.0	↑ 38.4%	BUY	5.8	24.7	4.4x	1.0x	2.7	10.5%	30.1

Source: United Capital Research

Performance across sectors was largely bearish as four of the six sectors under our coverage closed negative. The laggards included, Banking (-5.9%), Consumer Goods (-2.9%), Oil & Gas (-1.3%) and Agricultural (-3bps) dragged by price declines in ZENITH (-7.0%), NESTLE (-4.4%). On the flip side, Insurance (+3.0%) and Industrial (+0.9%) closed higher, thanks to DANGCEM (+2.2%) which submitted its full-year result for 2018 (Revenue was up 11.9% to 901.2bn, PAT was up 91.1% to 390.3bn), and AICO (+2.8%).

Market breadth (Advancers/Decliners Ratio) – a proxy for investors sentiment - was underwhelming as it closed the week at 0.6x; 21 stocks advanced against 38 decliners.

**Looking into the new week, we expect market performance to be characterized by a tussle between the bulls and the bears as two major themes; election uncertainties and earnings, to guide sentiments.**

**Money Market: Political risk premium normalizes as FPI returns**

Last week, system liquidity improved on renewed offshore interest in the fixed income market, following the announcement of President Buhari as the winner of the 2019 presidential election. While the market started Monday on a relatively illiquid note, as the CBN maintained its weekly wholesale FX sales worth \$210.0mn, the bank's refusal to float further OMO auctions prior to the announcement of the presidential results, allowed liquidity (mostly foreign inflows) to build up in the system. Activities at the Investors and Exporters (I & E) FX window saw a significant rise, with daily turnover touching an all-time high of \$1.3bn on Wednesday (the same day the Presidential result was announced by INEC) and setting a new high on Friday at \$1.9bn (total: c. \$4.0bn) as foreigners made attempts to quickly lock-in the high rates available in the fixed income market.

Elsewhere, the bi-weekly Nigerian Treasury Bill (NTB) was auctioned on Wednesday, as total maturing bills worth N115.1bn was rolled over. Stop rates cleared significantly lower from their previous auction levels: 91-day (10.90% vs. 10.97% at the last auction), 182-day: (13.01% vs. 13.40% at the last auction), 364-day: (14.37% vs. 14.95% at the last auction). This was as the bills were overwhelmingly oversubscribed, with a total bid-to-cover ratio of 6.3x and with the 364-day bill recording the most demand (bid-to-cover ratio of 11.8x).

By Thursday, on the back of OMO inflows (N399.3bn) and the already elevated liquidity in the system, the CBN floated an OMO auction which was significantly oversubscribed with a total demand of N1.4tn vs. N400.0bn initially offered. Given the significant demand on the 364-day bill with a bid-to-cover ratio of c. 4.9x, the CBN cut the stop rate by 70bps to 14.3% while maintaining stop rates at 11.9% and 13.5% on the 91-day and 182-day bills respectively. In the secondary T-bills market, the buoyant system liquidity gave the bulls some leg to run. Overall, average T-bill yield fell 130bps to settle at c.13.0% (previously 14.3%).

**We expect foreign interest to be sustained this week, especially as rates are anticipated to retrace post the 2019 election. Money market rates should start the week higher with the CBN expected to sustain its weekly wholesale FX funding while also maintaining a cautious stance on liquidity.**

**Bond Market: Foreign players in the race to lock in high-interest rates**

In the bonds space, activities in the secondary market were largely bullish throughout the week as foreign investor showed a preference for risk-free naira assets as a result of their attractive rates. Consequently, average FGN bond yields fell by 114bps to close at 13.9% (prior week: 15.0%). Additionally, the average yield for FGN Eurobonds trended lower by 17bps while average yield for corporate Eurobond trended higher by 7bps to 8.9%.

**This week, we expect sentiments to remain bullish except if the CBN scales up its frequency of liquidity mop-ups.**

**Foreign Exchange: FPIs maintain dominance at the I & E window; turnover spikes 162.7%w/w**

Since the year began, FPIs have dominated the spectrum of inflows into the I & E window and February was not an exception. The total value of inflows inching to \$2.9bn (from \$2.5bn in Jan-19) as FPIs contribution to inflows accelerated to 59.0% (from 51.3% in Jan-19). On the other hand, the CBN pedaled down on its FX interventions as the proportion of inflows from the bank into the window, declined to 4.9% (from 17.7%).

Evidently, total daily turnover spiked 162.7% to settle at \$4.0bn - touching a high of \$1.9bn on Friday. This was predicated on renewed foreign interest in the local debt market, as observed in the strength of the bullish theme recorded at the NTB auction conducted during the week. Consequently, FX rate at the I & E Window appreciated 0.1% to N361/\$ while rates closed flat at the official and parallel markets, settling at \$306.8 and N358.5/\$ respectively.

**This week, renewed offshore interest should put the CBN in a comfortable position to dial down on FX interventions at the I & E window and possibly be a net buyer. We also retain our relatively stable outlook for FX.**

**4th 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
<b>Banking</b>													
ACCESS	7.1	28.9	6.3	180.8	↑ 13.6%	HOLD	2.4	16.4	2.6x	0.4x	0.7	10.4%	26.0
FBNH	9.2	35.9	8.0	287.2	↑ 15.0%	BUY	1.4	19.0	5.7x	0.4x	0.2	2.5%	45.8
FCMB	2.5	19.8	2.3	44.8	↑ 10.6%	BUY	0.8	8.9	2.9x	0.3x	0.1	4.4%	46.9
FIDELITYBK	2.8	29.0	2.4	69.5	↑ 16.7%	BUY	0.8	6.6	3.1x	0.4x	0.1	4.6%	45.6
GUARANTY	46.7	29.4	38.2	1122.8	↑ 22.4%	BUY	6.7	17.7	5.7x	2.2x	2.4	6.3%	40.8
ZENITHBANK	35.7	31.4	25.8	810.0	↑ 38.4%	BUY	5.8	24.7	4.4x	1.0x	2.7	10.5%	30.1
DIAMONDBNK	3.1	23.2	2.5	57.9	↑ 24.0%	BUY	(0.7)	9.6	-3.6x	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
<b>Consumer Goods</b>													
DANGSUGAR	16.8	12.0	15.4	184.8	↑ 9.1%	HOLD	2.5	8.7	6.1x	1.8x	1.3	8.1%	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	1510.0	1196.9	↑ 8.4%	HOLD	55.3	71.0	27.3x	21.3x	25.0	1.7%	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	20.0	82.0	↑ 36.0%	BUY	2.9	35.7	6.9x	0.6x	1.0	5.0%	56.6
NB	88.5	8.0	83.2	665.3	↑ 6.4%	HOLD	3.0	21.0	27.9x	4.0x	3.6	4.3%	47.7
GUINNESS	74.7	2.2	67.2	147.1	↑ 11.2%	BUY	3.7	40.4	18.0x	1.7x	0.6	1.0%	10.9
PZ	17.7	4.0	12.3	48.8	↑ 43.9%	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
<b>Industrial Goods</b>													
DANGCEM	235.0	17.0	192.5	3280.3	↑ 22.1%	BUY	9.6	45.1	20.1x	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
<b>Agric</b>													
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
<b>Oil &amp; Gas</b>													
TOTAL	261.4	0.3	190.0	64.5	↑ 37.6%	HOLD	28.7	88.9	6.6x	2.1x	17.0	8.9%	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	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	7.3	90.1	NA	UR	1.2	15.1	6.0x	0.5x	-	-	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= Div idend 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 1st March 2019**

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Company	Disclosure
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