

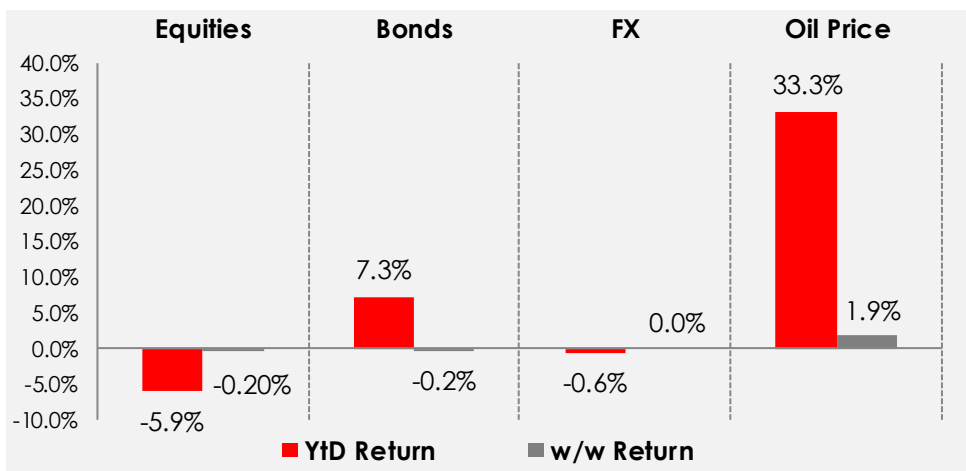
**Macro Highlights and Outlook**

The week started off with a Senate approval of the 2019-2021 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper which contains projections that form the basis for the preparation of the annual national budget. As always, the MTEF was based on optimistic assumptions such as oil output projection of 2.3mbpd, a \$60/b oil price benchmark, N305/\$1 exchange rate, GDP growth rate of 3.0% and a headline inflation rate of 9.98%.

Also, the IMF updated its world economic outlook for 2019 cutting growth forecast for the Nigerian economy to 2.0% from its prior 2.3%. In Its spring meeting held during the week, the IMF also flagged Nigeria's fuel subsidy program. Similarly, the World Bank highlighted that Nigeria's oil revenues remained undermined by unbudgeted fuel subsidies that are "regressive" and "constitutes a significant drag to fiscal resources". In 2018, cost-under-recovery in the books of the NNPC amounted to N731.0bn – significantly higher than the 2018 budgetary allocations to Health (N356.4bn) and Education (N651.2bn). Still, a total of \$1.0bn has been budgeted for subsidy in the 2019 budget. How soon subsidy would be removed depends on the resolve of the government vis-à-vis a possible social backlash.

**This week, Mar-19 inflation numbers are due. We expect headline inflation to moderate to 11.2% thanks to gradual improvement in the security condition in the Middlebelt region and zero case of flooding in the agricultural sector – which should predicate further moderation in food prices (a major driver of headline inflation).**

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



**Global Equities:**

S&P 500:	+0.5%
NASDAQ:	+0.4%
DJIA:	-0.1%

**Nigerian Equities:**

NSE Market Cap. (N'bn):	11,103.1
NSE Market Cap. (\$'mn):	36,166.6
YTD Return (%):	-5.9%
W-o-W Return (%):	-0.2%
P/E (x):	7.5x

**Fixed Income:**

Overnight:	21.57 %
Open Buy-Back:	20.29%
<i>Treasury Bills Yield</i>	
90 days:	10.80%
180 days:	13.83%
360 days:	14.71%
<i>Bonds Yield</i>	
3-Year:	14.02%
10-Year:	14.64%

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

I & E FX window:	360.32
W-o-W Change:	1bp

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 -

## Global Market Review and Outlook

### Trade, monetary policy and geopolitics stood in the headlines

The week ending April 12th emerged as quite an interesting period for global markets as issues ranging from an interesting twist in trade concerns to monetary policy and geopolitics, dominated headlines.

On the trade front, just when investors were taking a sigh of relief on the possible crystallization of negotiations between the US and China, the Office of the US Trade Representative threatened to float tariffs on imports from the EU on claims of unfair trade practices. This development emerged at a time when the International Monetary Fund (IMF) downgraded its 2019 global growth forecast to the lowest level since the global financial crisis.

Meanwhile, global monetary policy continued to strike a dovish cord as the ECB left policy rates unchanged and continued to signal them unchanged till the end of the year. The Apex Bank also cited that the risks surrounding Euro Area growth expectations remained tilted to the downside. In addition, the Fed released the minutes of its March meeting, stating that economic growth outcomes and risks on the horizon could warrant leaving rates unchanged for the remainder of the year.

UK remained at the forefront of geopolitics talks as the EU granted an extension to the BREXIT deadline, kicking it six months down the road to October 31st unless the U.K. parliament can approve the existing deal. Overall, major global equity indices recorded a mixed theme as players digested unfolding events.

Meanwhile, crude prices surged to its highest level in 2019 during the week accreting 1.9% w/w to settle at \$71.7/b. **Current dynamics of demand and supply signals that prices have more room to run. Yet, the market is awaiting a decision from the US on the renewal or otherwise of import waivers granted to Iranian oil importers.**

**Domestic Financial Markets Review and Outlook**
**Bears soften hold on equities**

Market performance during the week was characterized by a tussle between the bulls and the bears. The local bourse, which started bearish and rebounded by mid-week, closing higher in the last three trading days of the week, although could not offset the losses that were initially recorded in the first two trading sessions in the week. Overall, the NSEASI shed -0.2% to close at 29,560.5 points while market capitalization declined by N21bn to end at N11.1bn. Also, YTD return stood at -5.9%, while average value and volume of stocks traded fell by -25.1% and -50.1% to finish at N3.0bn and 353.7mn units respectively.

**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	189.0	3220.7	↑ 24.3%	BUY	22.8	57.2	8.3x	3.3x	10.5	5.6%	45.5
GUARANTY	46.7	31.4	35.1	1100.4	↑ 33.2%	BUY	6.5	19.1	5.4x	1.8x	2.4	6.8%	51.8
NESTLE	1,636.1	29.4	1456.0	42851.8	↑ 12.4%	BUY	54.3	63.4	26.8x	23.0x	47.5	3.3%	44.9
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	0.8	20.5	16.2	↑ 74.6%	BUY	5.9	25.9	3.5x	0.8x	2.8	13.7%	37.8

Source: United Capital Research

Performance across sectors was bearish. The Insurance (-3.1%), Industrial Goods (-0.7%), Consumer Goods (-0.4%), and Banking (-0.3%) sectors were the week's laggards owing to price declines in NEM (-13.7%), CCNN (-5.9%), GUINNESS (-3.9%), and ETI (-7.8%). On the flip side, the Oil & Gas (+0.3%) sector was the lone gainer for the week, buoyed by price gains in MOBIL (+4.7%). Meanwhile, the Agricultural sector remained flat.

In terms of earnings, FBNH released its FY-18 earnings (Revenue down 1.5% to N589.1bn; PAT up 31.4% to 59.7bn) and declared a proposed dividend of N0.26kobo. Investors sentiment as measured by market breadth was upbeat as it closed at 1.2x (34 stocks advanced over the week against 28 decliners). **Looking into the new week, we expect bargain hunters looking to take advantage of cheaply priced stocks to guide sentiments in the near term as RSI hovers below its oversold region.**

### Money Market: System liquidity stays tight

Similar to the previous week, overall market liquidity in the week to April 12th stayed tight as outflows in the form of wholesale and retail FX funding, outstripped the minute inflow via OMO, worth N33.0bn. Additionally, activity at the interbank market remained largely buoyant as some banks turned to the CBN's Standing Lending Facility (SLF) to satisfy their funding needs. Meanwhile, in a bid to ease further pressure on the already tight liquidity levels, the CBN held off from floating any OMO auction during the week amid muted activities at the primary bills market. Hence, banks with excess cash invested in the Standing Deposit Facility (SDF). In all, average interbank funding rates (Open Buy Back and Overnight rates) trended higher to 20.5% from 15.7% in the week before.

In the secondary market, average treasury bills yield declined w/w by 7bps to close at 13.4% and we believed this was buoyed by CBN's refusal to float an OMO auction during the week. **This week, we expect the outcome of the Mar-19 inflation report, scheduled to be released today, to guide early trading sentiments. A sharper than expected moderation in the inflation number will be positive for money market players as real yields widen. In terms of maturity profile, OMO and NTB maturities are scheduled to hit the system and we expect the sizable nature of the former, N146.3bn, to prompt a resumption in CBN's OMO mop-ups.**

### Bond Market: ETI issue a debut \$450mn Eurobond

In line with our outlook for the week, yields at the secondary bond market trended higher as market players remained expectant for new issuances at the April 24th bond auction. Additionally, we saw persistent sell-off on short to medium term bonds as clients (Pension Fund Managers and Life Assurance Companies) with long-term investment horizon, a position for the debut 30-year bond. On a w/w basis, the bears outweighed the bulls as average bond yield inched higher by 11bps to close the week at 14.2%.

Elsewhere, in the secondary Eurobond market, concerns from both the World Bank and IMF about sluggish growth in Nigeria and its rising debt profile spurred another round of selling pressure in FGN Eurobonds. Accordingly, average yield on FGN Eurobond trended northwards by 12bps to close the week at c. 6.9%. Similarly, sentiments for Corporate Eurobond turned bearish as average yield spiked by 49bps to close the week at c. 8.4%.

In primary Eurobond market, Ecobank Transnational Incorporation (ETI) successfully issued a 5-year Eurobond, worth \$450.0mn, to refinance a portion of the bank's existing debt and for general corporate purposes. Demand for the bond was in excess of \$660.0mn as yields cleared at 9.75%. **This week, we expect activities in the secondary bond market to remain muted as players continue to look to new issuances at the Apr-19 bond auction. Meanwhile, we anticipate renewed buying interests for FGN Eurobonds, especially if oil price maintains its current upward trajectory.**

**FX: Rates close flattish; I&E window sheds 1bp w/w**

FX rate stayed flat at the parallel and official Windows, closing the week at N359.0/\$1 and N307.0/\$1 respectively. On the other hand, the I & E Window depreciated by a marginal 1bp w/w to N360.3/\$1, rates traded at N360.7/\$1 earlier in the week, before settling at N360.3/\$1.

Turnover at the window declined by 12.7% w/w (as at Thursday) to \$190.4mn dollars, with Wednesday featuring the highest daily turnover (\$335.0mn) despite a dearth of OMO auctions. Gross CBN reserves rose 10bps to \$44.72bn (as at Thursday) from \$44.7bn in the previous week. **Looking ahead, we anticipate relative stability for FX given continued accretion in reserves which strengthens the CBN's ability to uphold its intervention in the spot and forward market.**

15th 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	6.0	172.1	↑ 19.3%	HOLD	3.3	17.0	1.8x	0.4x	0.3	4.2%	52.2
FBNH	9.2	35.9	7.5	269.2	↑ 22.7%	BUY	1.4	19.0	5.4x	0.4x	0.2	2.7%	49.4
FCMB	2.5	19.8	1.8	35.6	↑ 38.9%	BUY	0.7	9.0	2.4x	0.2x	0.1	5.6%	43.0
FIDELITYBK	2.8	29.0	2.0	57.7	↑ 40.7%	BUY	0.8	6.6	2.5x	0.3x	0.1	5.5%	47.1
GUARANTY	46.7	29.4	35.1	1031.6	↑ 33.2%	BUY	6.5	19.1	5.4x	1.8x	2.4	6.8%	51.8
ZENITHBANK	35.7	31.4	20.5	642.1	↑ 74.6%	BUY	5.9	25.9	3.5x	0.8x	2.8	13.7%	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	13.7	164.4	↑ 22.6%	HOLD	2.5	8.7	5.5x	1.6x	1.3	9.1%	47.2
INTBREW	38.1	8.6	23.5	202.0	↑ 62.1%	HOLD	(0.4)	4.1	-66.2x	5.7x	-	0.0%	49.0
NESTLE	1,636.1	0.8	1456.0	1154.1	↑ 12.4%	BUY	54.3	63.4	26.8x	23.0x	47.5	3.3%	44.9
UNILEVER	47.9	5.7	35.0	201.1	↑ 36.9%	BUY	2.0	14.5	17.2x	2.4x	N/A	-	47.6
FLOURMILL	27.2	4.1	16.9	69.1	↑ 61.4%	BUY	2.2	35.9	7.8x	0.5x	1.0	5.9%	20.1
NB	88.5	8.0	60.2	481.4	↑ 47.0%	HOLD	2.5	20.9	24.5x	2.9x	3.7	6.2%	21.9
GUINNESS	74.7	2.2	60.0	131.4	↑ 24.5%	BUY	3.6	39.3	16.8x	1.5x	0.6	1.1%	15.7
PZ	17.7	4.0	8.9	35.1	↑ 100.0%	HOLD	N/A	10.7	-	0.8x	0.2	1.7%	29.6
UACN	UR	2.9	7.0	20.2	NA	UR	0.1	22.6	55.1x	0.3x	1.0	14.3%	44.0
<b>Industrial Goods</b>													
DANGCEM	235.0	17.0	189.0	3220.7	↑ 24.3%	BUY	22.8	57.2	8.3x	3.3x	10.5	5.6%	45.5
WAPCO	13.7	8.7	12.0	104.1	↑ 14.2%	HOLD	(6.3)	14.8	-1.9x	0.8x	1.5	12.1%	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	62.8	62.8	↑ 18.7%	BUY	25.3	79.3	2.5x	0.8x	2.0	3.2%	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	177.9	64.1	↑ 32.5%	HOLD	29.9	89.7	5.9x	2.0x	8.0	4.5%	44.9
OANDO	UR	12.4	4.9	60.9	NA	UR	2.0	15.1	2.5x	0.3x	-	-	47.7
FO	UR	1.3	27.0	35.1	NA	UR	1.5	13.2	18.5x	2.0x	-	-	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 12th April 2019

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