

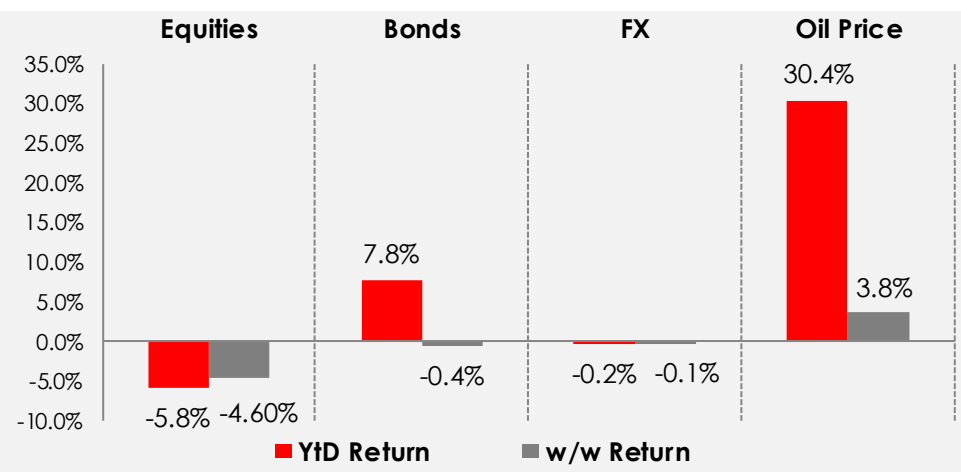
### Macro Highlights and Outlook

The week to April 5<sup>th</sup> was a busy week for the Nigerian Macroeconomy. Starting with data, the Central Bank of Nigeria released its Business Expectations Survey report for Mar-19 which showed that respondents expressed optimism on the macroeconomy during the period and maintained greater confidence for Apr-19. Nevertheless, we highlight the fact that the Business Expectations Survey may not be an accurate indicator for investors looking for clues about economic growth considering the weak historical correlation between this indicator and PMI/GDP growth.

Nevertheless, the conclusion of the IMF's 2019 article IV consultation with Nigeria was the highlight of the week. While noting that recovery in the Nigerian economy is progressing, the IMF highlighted some existing structural weaknesses in the economy, including; the wide infrastructural gap in the economy, low revenue mobilization, and weak human development outcomes. Some of the policy priorities recommended by the Fund include; aggressive revenue mobilization, a unification of the exchange rate, advancing power sector reforms, etc. For us, Nigeria remains in a state of fragile stability considering that the economy remains one oil price shock away from the next economic crisis.

In our Nigeria Outlook Report for 2019, noted that; acceleration of the economic diversification agenda; a stronger counter-cyclical fiscal policy stance to guard against oil price shocks; reform of the petrol subsidy regime to improve the fiscal space as well as improvements in the domestic revenue mobilization drive (particularly non-oil) to reduce volatilities in government revenues, are the key policy reforms that would be important to support macroeconomic outcomes in Nigeria.

### 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:	+0.2%
NASDAQ:	+2.6%
DJIA:	+1.8%

### Nigerian Equities:

NSE Market Cap. (N'bn):	11,124.1
NSE Market Cap. (\$'mn):	29,616.4
YTD Return (%):	-5.8%
W-o-W Return (%):	-4.6%
P/E (x):	7.5x

### Fixed Income:

Overnight:	16.1%
Open Buy-Back:	15.3%
<i>Treasury Bills Yield</i>	
90 days:	11.98%
180 days:	14.04%
360 days:	14.61%
<i>Bonds Yield</i>	
3-Year:	14.3%
10-Year:	14.74%

### Exchange Rate (NGN/USD):

I & E FX window:	360.33
W-o-W Change:	10bps

**Global Market Review and Outlook****Global Economy: Geopolitics and economic data remains at the fore**

In the week to 5<sup>th</sup> April, markets cheered comments from China and the US, suggesting that trade talks could be approaching their final stretch. Nonetheless, the next chapter of the US-China saga would bother around whether both parties stick to what has been/would be agreed. In other news, better-than-expected economic jobs reports from the US, also gave markets a boost as players found succor in the strengthening labour market despite slowing economic growth rhetoric. Accordingly, the equities market in the US were trading up during the week.

In Europe, uncertainties surrounding BREXIT continued to guide sentiments. In a new development, Theresa May penned a letter to the EU, seeking an extension to the Brexit deadline to June 30. Britain is still on track to leave the EU on April 12<sup>th</sup>, especially if no agreement on a new deadline is reached this week. Despite the above, European Stocks also trended northwards during the week.

Among Emerging Markets, Moody's published a credit opinion report for South Africa, leaving the rating outlook unchanged till later in the year. In India, just one week ahead of the country's general election (11<sup>th</sup> of March), the central bank cut policy rates by 25bp amid macro weakness. Meanwhile, Chinese Manufacturing PMI rose to 50.8 in Mar-19 (from 49.9 in Feb-19) implying a rebound to expansion territory as stimulus measures start hitting home. Thus, the Stock market in with the BRICS classification all improved during the week.

In the oil market, crude continued its uptrend, rising by 1.9% w/w to settle at \$69.7/b as the confluence of OPEC+ cuts and geopolitical risks in Libya and Venezuela continued to give oil bulls legs to run. As such, we maintain our forecast of \$60-\$70/b. Also, in a bid to raise a \$10bn debut bond and wet the ground for a potential IPO, Saudi Aramco for the first time in years published its financial statement wherein it recorded a profit of \$111.1bn in 2018 alone.

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**Domestic Financial Markets Review and Outlook**
**Equities record largest w/w losses so far in 2019**

Over the week, the Nigerian equity market recorded its largest w/w loss of the year, owing to persistent and whooping losses recorded in almost all the trading sessions of the week save for Friday that the market recorded a marginal gain which could not offset prior losses recorded earlier in the week. Overall, the NSEASI index plunged -4.6% to close the week below the market threshold of 30,000 at 29,616.4 points as market capitalization fell drastically by N548bn to finish at 11.1tn while YTD return worsened to -5.8%. Average value

**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
GUARANTY	46.7	29.4	35.0	1030.1	↑ 33.4%	BUY	6.5	19.1	5.4x	1.8x	2.4	6.9%	51.8
FIDELITYBK	2.8	29.0	1.9	54.2	↑ 49.7%	BUY	0.8	6.6	2.4x	0.3x	0.1	5.9%	47.1
DANGCEM	235.0	17.0	190.0	3237.7	↑ 23.7%	BUY	22.8	57.2	8.3x	3.3x	10.5	5.5%	45.5
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	20.4	640.5	↑ 75.0%	BUY	5.9	25.9	3.5x	0.8x	2.8	13.7%	37.8

Source: United Capital Research

and volume traded for the week declined w/w by -54.8% and -34.8% to finish at N4.1bn and 708.8mn units respectively.

Across sectors, the Consumer names (-7.7%) bore the brunt of sell-off on the backdrop of declines in NESTLE (-8.2%) and UNILEVER (-10.3%). The Banking sector (-6.1%), Industrial Goods (-6.5%), Insurance (-3.9%), and Oil & Gas (-2.4) sector also recorded substantial amount of losses owing to price declines in GUARANTY (-2.9%), ZENITH (-6.7%), DANGCEM (-1.1%), BETAGLASS (-18.9%), OANDO (-12.4%), MOBIL (-4.5%), MANSARD (-9.1%), and AICO (-9.9%). The agricultural sector remained flat.

In terms of earnings, Dangote Sugar Plc (Revenue down 26.4% to N150.4bn; PAT down 44.8% to N22bn), Unilever Nigeria Plc (Revenue up 9.0% to 92.9bn; PAT up 41.6% to 10.6bn), Oando Plc (Revenue up 36.6% to 679.5bn; PAT up 45.6% to 28.8bn) and Fidelity bank (Revenue up 4.8% to 188.8bn; PAT up 29.0% to N22.9bn) all released their financial results for FY-18.

Market breadth - a proxy for investors sentiment - was underwhelming at 0.3x; 14 stocks advanced against 53 decliners. **Looking ahead, the current bearish theme creates bargain opportunities for investors as most tickers are trading significantly below their intrinsic value. However, a tepid performance could remain in the absence of events that could galvanize investors sentiment.**

### **Money Market: CBN resumes OMO auction**

Overall system liquidity weakened when compared to the preceding week, as liquidity injections were outweighed by outflows amid a resumption of OMO auctions by the CBN. The primary inflow into the system was from last Friday's FAAC credit, OMO and Treasury bills (NTB) maturities. Meanwhile, outflows were in the form of OMO auctions (N526.5bn) and NTB auction (N95.7bn). Thus, average money market rates (Open Buy Back and Overnight rates) trended higher to end the week at 15.7% from 10.3% in the preceding week. Notably, during the Thursday OMO auction, the CBN offered only its mid and long tenor bills as demand for the shorter tenor bills seemed to be non-existent due to its less attractive rate. Overall bids at the auctions remained positive (total bid-to-cover: 1.6x) as OMO rates remained attractive compared to NTB; 91-day from 11.80% to 11.78%, mid-tenor bill from 12.98% to 13.04% and long-tenor bill maintained at 13.04%.

On another note, the bank conducted its bi-monthly NTB auction, wherein it successfully re-financed total maturing bills, worth N95.7bn. However, relative to the last auction, demand was underwhelming as only bids worth 2.1x (last auction 5.3x) of the offer amount turned up, and this was largely due to the significant OMO sales (N325.5bn) carried out by the CBN a day before the auction. Thus, stop rates cleared higher (91-day (10.29% vs. 10.30% at the last auction), 182-day (12.60% vs. 12.20% at the last auction) and 364-day (12.85% vs. 12.35% at the last auction)).

In the secondary NTB market, average yields tracked higher w/w by 13bps to close at 13.4%, as investors sold down secondary market investments to participate in the primary OMO and NTB auctions. **This week, we expect the CBN to maintain its current pace of liquidity mop-ups. Also, we expect the tempo of the event at the primary money market auction to guide trading sentiments in the secondary market space.**

### **Bond Market: FG to issue a debut 30-year domestic bond in Apr-19**

In the Bonds space, the Debt Management Office (DMO) published Nigeria's total public debt stock as at Dec-18. The report indicated that total public debt rose by c. 12.3%/y to N24.4tn (\$79.4bn), in 2018. Furthermore, domestic (68.18%) to external (31.82%) debt mix remained below FG's target of 60:40, showing there is still room for further external borrowings this year. Forward guidance by the fiscal authority stated its willingness to undertake more of project-tied borrowing and preference for concessional sources of external borrowing in 2019.

At the primary bond market segment, the DMO published Q2-19 Federal Government of Nigeria (FGN) Bonds issuance calendar wherein it plans to raise an average of N300.0bn.

Notably, the DMO announced plans to test the market with its first 30-year domestic bond issuance at its Apr-19 auction. Meanwhile, activity at the secondary market was largely muted during the week, in the absence of significant foreign portfolio inflows. Sentiments turned bearish later in the week as a mix of CBN renewed OMO auction and expectations of a new 30-year bond at the Apr-19 bond auction, spurred a bearish stint. Thus, average bond yields rose 14bps w/w to settle at c. 14.1%.

Elsewhere, in the secondary Eurobond market, we saw renewed interest on FGN Eurobonds as investors priced in the now favourable oil price outlook amid likely sustenance of OPEC+ cuts beyond Jun-19. Accordingly, average FGN Eurobonds declined by 5bps to c. 6.5%. Similarly, the average yield for Corporate Eurobond fell by 21bps to c. 7.9% amid a sustained interest in the soon to mature ZENITHBA and DIAMONDBK notes.

In primary Eurobond market, Ecobank Trans-National Corporation (ETI) is looking to tap into the Eurobond market this year. Meanwhile, Egypt returned to the Eurobond market for the second time less than 2-month after raising \$4.0bn in February 2019. The Country was reported to have raised an additional £2.0bn during the week, according to Bloomberg. **This week, we expect activities at the secondary bond market to remain muted as players look to new issuances at the Apr-19 bond auction. Meanwhile, we anticipate some intermittent bargain hunting on some of the long-term notes.**

#### **FX: Rates falter w/w across the windows we track, save the I&E Window**

The rate of exchanging the naira to a dollar saw a mixed theme across the three windows we track. The USD/NGN rate declined w/w at the official (-2bps) and parallel market (-0.14%) window to settle at N307/\$1 and N359/\$1 respectively. Meanwhile, at the I & E window, rates saw a marginal appreciation of 10bps to N360.3/\$1 with rates trading between a low of N320.5/\$1 and a high of N363.0/\$1. Average daily turnover at the window declined 12.6% w/w to \$211.5mn, with the highest inflow of N405.1mn seen on Tuesday - the eve of the CBN/DMO bi-weekly PMA.

Taking a glance at I & E FX Inflow for Q1-19, FPIs accounted for a lion share of 62.7% (\$7.8bn), while non-bank corporates (16.7% or \$2.1bn) ranked second and the CBN (11.5% or \$1.4bn) ranked third. In view of oversubscriptions at primary market auctions in the fixed income market, implying continued foreign interest in naira instruments, we should continue to see the dominance of FPI inflows at the I & E Window. Overall, expect relative stability for the rate of exchange in the near term.

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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	5.9	169.2	↑ 21.4%	HOLD	3.3	17.0	1.8x	0.3x	0.3	4.3%	52.2
FBNH	9.2	35.9	7.4	263.8	↑ 25.2%	BUY	1.4	19.0	5.3x	0.4x	0.2	2.7%	49.4
FCMB	2.5	19.8	1.8	34.7	↑ 42.9%	BUY	0.7	9.0	2.3x	0.2x	0.1	5.7%	43.0
FIDELITYBK	2.8	29.0	1.9	54.2	↑ 49.7%	BUY	0.8	6.6	2.4x	0.3x	0.1	5.9%	47.1
GUARANTY	46.7	29.4	35.0	1030.1	↑ 33.4%	BUY	6.5	19.1	5.4x	1.8x	2.4	6.9%	51.8
ZENITHBANK	35.7	31.4	20.4	640.5	↑ 75.0%	BUY	5.9	25.9	3.5x	0.8x	2.8	13.7%	37.8
STANBIC	53.7	10.2	46.3	473.6	↑ 16.1%	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	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	1450.0	1149.4	↑ 12.8%	BUY	54.3	63.4	26.7x	22.9x	47.5	3.3%	44.9
UNILEVER	47.9	5.7	35.7	205.1	↑ 34.2%	BUY	2.0	14.5	17.6x	2.5x	N/A/N/	-	47.6
FLOURMILL	27.2	4.1	17.6	72.0	↑ 55.0%	BUY	2.2	35.9	8.1x	0.5x	1.0	5.7%	20.1
NB	88.5	8.0	60.0	479.8	↑ 47.5%	HOLD	2.5	20.9	24.4x	2.9x	3.7	6.2%	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	7.6	21.9	NA	UR	0.1	22.6	59.8x	0.3x	1.0	13.2%	44.0
<b>Industrial Goods</b>													
DANGCEM	235.0	17.0	190.0	3237.7	↑ 23.7%	BUY	22.8	57.2	8.3x	3.3x	10.5	5.5%	45.5
WAPCO	13.7	8.7	11.5	99.7	↑ 19.1%	HOLD	(6.3)	14.8	-1.8x	0.8x	1.5	12.7%	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	4.8	59.7	NA	UR	2.0	15.1	2.4x	0.3x	-	-	47.7
FO	UR	1.3	25.0	32.5	NA	UR	1.5	13.2	17.1x	1.9x	-	-	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=Div idend 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 5th March 2019

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Company	Disclosure
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