

Wednesday, April 10, 2019

The day in review

- Bears took a breather on equities
- A bullish theme in the FI space
- System liquidity remained tight
- Naira gained 6bps at the I & E window

Looking forward

- Mar-19 CPI and Inflation Report - (NBS)

Daily insight

When will the naira take its "next step"?

The historical trend of FX rate in Nigeria shows a step-like model that indicates the CBN's alternating decisions of pegging the Naira/USD rate within a band until unbearable pressure builds up to necessitate a devaluation. This played out well between 2015 and 2017, following the plunge in oil prices which triggered a currency market crisis in the Nigerian economy.

From 2010 to late 2014, the naira trade between N152/\$1 to N158/\$1 on increased oil inflows - oil prices traded north of \$100/b and peaked at \$125/b in 2012. Nevertheless, as pressure on oil prices heightened in 2015 (bottoming at \$28/b in Jan 2016), the Apex bank adjusted the local unit to N168/\$1 by Nov-2015 then to N199.9/\$1 in mar-2015. Sustained pressure drove the naira to a record low of N500/\$1 at the parallel market in 2016, forcing further adjustment to N282/\$1 and quickly to N305/\$1 in 2017 while rate at the I&E segment settled at N360/\$1.

Clearly, there is a negative correlation between FX and oil price -which is not surprising, considering the structure and dynamics of the Nigerian economy. Over 80% of export proceeds comes from crude oil. Thus, we imagine that the naira should remain stable in the short to medium term, supported by strong FX reserves and the uptick in oil prices. Yet, the naira's 'next step' should be guided by the next plunge in oil prices!

Headline	Level	1 day	YTD
NSE ASI	29,193.4	▲ 0.2%	▼ -7.1%
Mkt. Cap (N'bn)	10,965.3	▲ 0.2%	▼ -6.4%
Mkt. Cap (\$'mn)	35,717.5	▲ 0.2%	▼ -6.4%
Value (N'mn)	2,877.8	▼ -5.9%	
Value (\$'mn)	9.4	▼ -5.9%	
Volume	481.6	▲ 28.8%	
Deals	3,275.0	▼ -9.9%	
Market Breadth	1.3		

T-Bills Yields	Current	Previous	%Δ
3 months	11.07	11.34	▼ -0.27
6 months	13.93	13.93	0.00
12 months	14.69	14.68	▲ 0.01

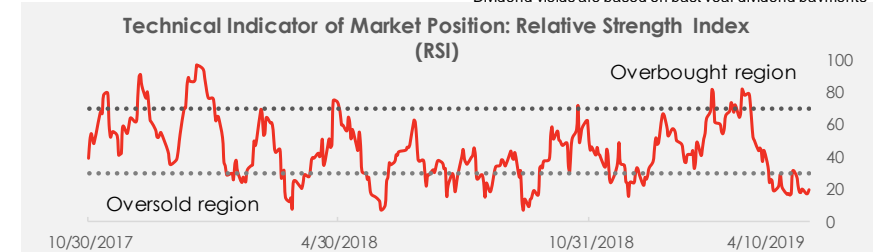
Bonds Yields	Current	Previous	% Δ
3 years	14.03	14.03	0.00
5 years	14.62	14.35	▲ 0.27
7 years	14.60	14.60	0.00
10 years	14.73	14.61	▲ 0.12

Currencies	Current	Previous	% Δ
Official	307.00	307.00	0.00%
Parallel	359.00	359.00	0.00%
NAFEX	360.33	360.55	▲ 0.06%

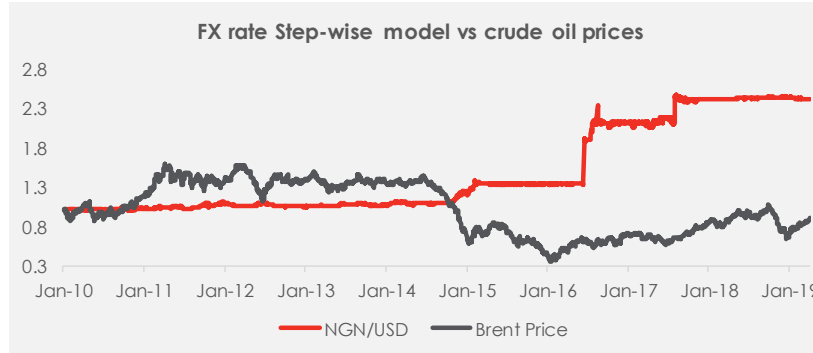
Other Key indices	Current	Previous	% Δ
OBB	15.14	15.4	▼ -0.29
OVN	16.29	16.2	▲ 0.08
Brent	71.7	70.6	▲ 1.54

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	1.9%	4.1	3.5%
Banks	0.8%	-8.2%	-7.0%	4.0	8.5%
Consumer	-0.4%	-8.6%	-13.2%	23.5	3.5%
Industrial	-1.3%	-8.6%	-8.4%	na	7.2%
Insurance	-0.6%	-5.9%	-6.3%	4.1	7.4%
Oil & Gas	0.0%	-2.7%	-6.5%	7.1	7.5%
Mkt. Avg. P/E	7.4			Mkt. Avg. Div. Yid	5.8%

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	175.4	▼ -0.3%	▲ 1.9%	8.0	7.0%
Egypt	15,106.5	▲ 0.1%	▲ 15.9%	16.3	2.1%
Ghana	2,411.9	▼ 0.0%	▼ -3.5%	22.6	-
Kenya	158.2	▼ -0.1%	▲ 12.7%	12.4	4.7%
Mauritius	2,179.5	▲ 0.1%	▼ -1.8%	19.6	2.1%
Morocco	297.6	▼ -0.1%	▼ -3.9%	18.9	3.9%
MSCI FM	550.4	▲ 0.3%	▲ 6.6%	10.7	3.7%
South Africa	58,284.1	▼ -0.2%	▲ 10.6%	17.7	4.0%
Tunisia	6,932.1	▲ 0.1%	▼ -4.7%	17.6	2.1%
Zimbabwe	4958.75	▲ 1.3%	▲ -19.9%	8.8	-



Sources: Bloomberg

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