...Financial Possibilities

ECONOMIC & FINANCIAL MARKET ROUNDUP

Economy || Equity || Money Market

Saturday, April 13, 2019

ECONOMIC REVIEW

IMF, World Bank holds convergent position on Nigeria's growth trajectory for 2019

The World Bank and the International Monetary Fund (IMF) this week released sperate reports, both of which established a convergent position on Nigeria's growth trajectory for 2019. The World Bank in its report titled "Africa's Pulse" projected that, though growth in Sub-Saharan Africa (SSA) may pick up to 2.8% in 2019 as against 2.3% in 2018, it expects growth in Nigeria to improve modestly to 2.1% as against 1.9% in 2018. It cited regulatory uncertainty as potential drawback to the growth potential of the oil sector, while high inflation, policy distortions and infrastructure constraints were identified as potential bane to the non-oil sector growth.

Relatedly, the IMF in its World Economic Outlook report (WEO) believed that the soft outlook for commodity prices in 2019 will likely confine Nigeria's growth to an upper bound of 2.1%, except strategic efforts are made to cushion external and internal downside risk factors.

Unarguably, the position of these international agencies largely aligns with our evaluation of the economy, and we believe the following must be given serious attention by the government to achieve faster growth needed to push the economy out of its current doldrums.

First, government at all levels should intensify effort at improving the current security situation in the country as it has been established that positive correlation exists between economic prosperity and security of lives and property. Hence, we believe potential investors will only be willing to explore the resource diversity of the different regions in the country if security concerns are completely eliminated.

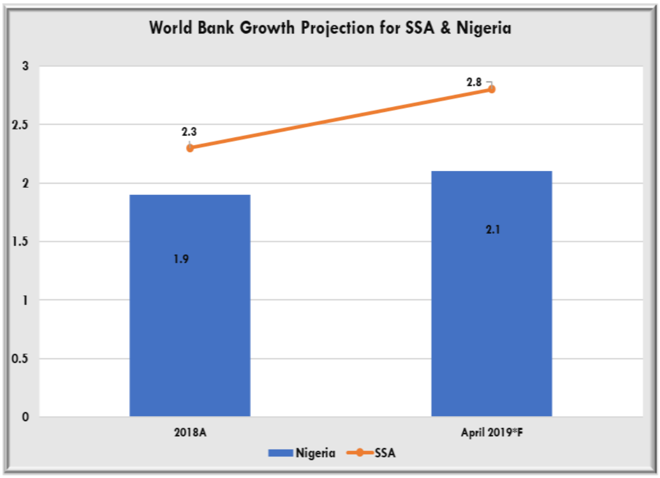
Secondly, private sector operators should be encouraged (through accommodating and cost reflective policies) to play more active role in mobilizing resources to fund the country's current infrastructural gap, which requires between $30 to $35 billion dollars annually for the next 20years. If this is done, provision of critical infrastructure such as power and efficient transportation services will increase more rapidly, and this by extension will translate to faster growth of all sectors of the economy.

Thirdly, the tax system should be properly reform to strengthen domestic revenue mobilization and ease the need for new government borrowing without eroding citizens' purchasing power. This could be achieved by expanding the tax net to capture activities of the informal sector, many of which are currently not captured by the tax net. If this is done, government will have more resources at its disposal to fund capital expenditures, and this in-turn will create more jobs and support faster growth.

Fourthly, more investment should be mobilized towards advancing the digital space in order to fully explore new opportunities in terms of job creation, innovation and enhanced productivity. Currently, Nigeria ranks among the least technologically advanced economies in the world, and no significant development can be achieved in agriculture, manufacturing and services sector if Nigeria continues to play catch-up in the area of technology.

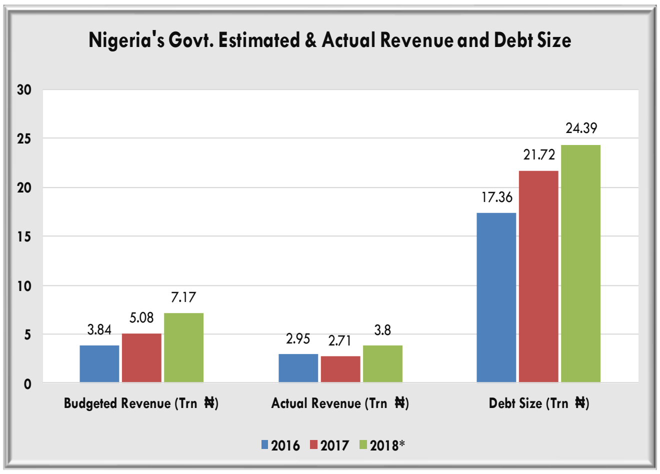
Fifthly, all issues around the Petroleum Industry Governance Bills (PIGB) should be quickly resolved to enable for its passage into law. The passage of the bill we believe will help attract more investment to the oil sector, and by extension increase its contribution to the GDP growth through new job and wealth creation.

Lastly, government institutions should be strengthened to uphold the rule of law and prudent usage of national resources. This could achieve by putting in place, efficient mechanism (policies and technology) that will check and sanction any public officer holder who attempt to rob the system in any way. This we believe will help minimize cases of public resource diversification for personal benefits.



Source: World Bank, GTI Research

Source: NBS, GTI Research



Source: CBN Stabull, GTI Research **(NB: 2018 Actual Revenue is an estimate)**

EQUITY MARKET REVIEW

The equity market this week closed positive in the last three trading sessions as investors went bargain hunting on a number cheap medium and large capitalized stocks. Despite this rally, market performance indices, NSE-ASI and Market Capitalization fell by 0.19% w/w owing to the huge selloff experienced on Monday. The NSE-ASI and Market Capitalization value closed the week at 29,560.47 points and ₦11.10 trillion respectively as against 29,616.38 points and ₦11.12 trillion last week. This in monetary terms translate to a week-on-week loss of ₦21 billion in Market Capitalization value.

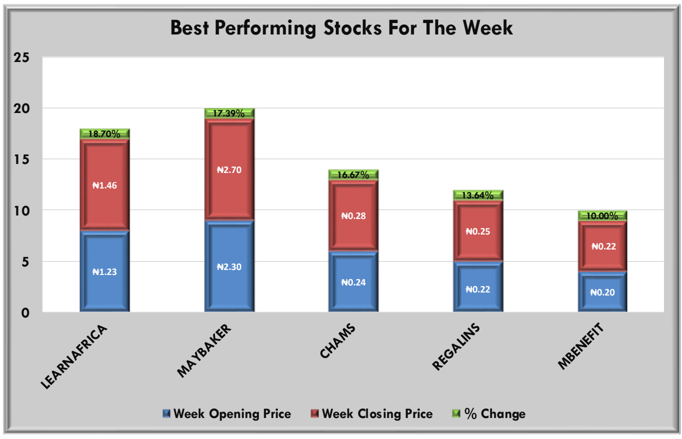
Of the five sectors, four closed negative – Insurance (-3.08%w/w), Industrial goods (-0.69%w/w), Consumer goods (-0.42%w/w) and Banking (-0.26%w/w), save for Oil and Gas which gained 0.34%w/w.

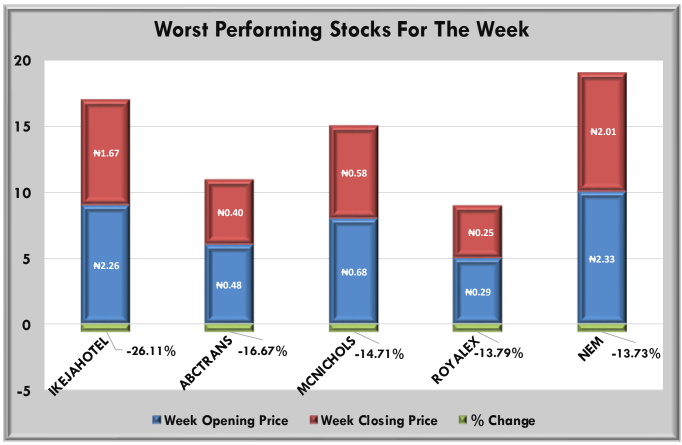
LEARNAFRICA emerged top gainers this week; appreciating by 18.70% w/w, while **IKEJAHOTEL** shed 26.11% w/w to emerge top loser.

Overall, a total turnover of 1.77 billion shares worth ₦15.18 billion in 16,990 deals were traded this week by investors on the floor of the Nigerian exchange in contrast to a total of 3.14 billion shares valued at ₦16.77 billion that exchanged hands last week in 15,548 deals. A total of Twenty-eight (28) equities appreciated in price this week, higher than Fourteen (14) equities in the preceding week. Thirty-two (32) equities depreciated in price this week, lower than Fifty-four (54) equities in the preceding week, while One hundred and ten (110) equities remained unchanged, higher than One hundred and two (101) equities recorded in the preceding week.

Market Outlook: Week ending April 19, 2019

Although there is currently no positive trigger to sustain the recent market resurgence, we believe bargain hunting motive will support positive performance next week as many fundamentally sound stocks are currently underpriced.





Source: NSE, GTI Research

GTI Equity Watch List

Ticker	Rating	Target Price (₦)	Current Price (₦)	Upside/Down-side potential	Mkt Cap (N'bn)	2019F P/E	2019F D/Y
UBA	Buy	12.5	6.5	92.3%	261.62	3.5x	8.70%
GUARANTY	Hold	40	35.05	14.1%	1,097.78	6.5x	8.50%
ZENITH	Buy	27	20.45	32.0%	714.27	3.6x	11.20%
ACCESS	Buy	11.3	5.95	89.9%	175.01	5.1x	8.80%
DANGFLOUR	Buy	10.14	8.4	20.7%	51.50	6.9x	5.80%
FLOURMILLS	Buy	26	16.85	54.3%	78.93	7.5x	3.30%
NB	Buy	97	60.2	61.1%	599.76	24x	5.10%
NESTLE	Hold	1620	1456	11.3%	1,173.13	28.5x	3.10%
DANGCEM	Buy	260	189	37.6%	3,322.89	12.8x	6.10%
CCNN* (Revised)	Buy	25.2	16	57.5%	249.73	5.5x	5.50%
SEPLAT	Hold	680	590	15.3%	351.24	15.4x	6.30%
TRANSCORP	Buy	2.05	1.19	72.3%	51.22	9.3x	1.40%
FIDELITY	Buy	2.9	1.99	45.7%	66.06	3.1x	4.60%
DANGSUGAR* (Revised)	Buy	18.5	13.7	35.0%	174.60	7.1x	6.50%

Source: GTI Research

MONEY MARKET

Activities in the money market this week sustained its recent bullish run as average yield in the secondary market for Treasury bills compressed by 1.5%w/w to settle at 11% (3-months), 12.85% (6-months) and 14.21% (12-months) as at close of transaction on Friday. This was mainly buoyed by sustained inflows of portfolio investment to the market segment.

Buy interest was mostly noticed at the shorter end of the curve (3 & 6-months), causing average yields to compress by c.2% and c.2.1% respectively while yield on the longer tenor compress by c.1%bps.

In other development, the CBN declined conducting any primary market auction this week despite inflows of ₦33.02 billion from maturing OMO bills on Wednesday. Nonetheless, we noticed sharp jump in system liquidity indicators, Overnight (O/N) and Open Buy-Back (OBB) rates to 21.57 and 20.29% respectively on Friday, after easing continuously in the previous four days to 10.57% and 9.71% respectively on Thursday. Hence, we believe this could be due to banks rebalancing of their accounts with the CBN.

With inflows from maturing OMO bills worth ₦107 billion set to hit the market next trading week, we expect the CBN to conduct multiple liquidity mop-up.

Source: FMDQ, GTI Research

FOREIGN EXCHANGE MARKET

The Naira this week gained marginally against the USD at the I&E FX window, but remain flat at the official window. The Naira gained 0.003% at the I&E window to close for the week at ₦306.32/USD as against previous week closing rate of ₦306.33/USD, while the official rate remain unchanged at ₦307/USD.

Elsewhere, the foreign reserves balance this week rose by $20 million from last week's closing level of $44.68 billion to $44.70 billion, while Brent crude oil future rose by $2.36w/w from $69.12pbl last Friday to $71.48pbl this Friday.

Indices	Prev. Close	Pres. Close	% Change w/w	Remark
Official Window (₦/$) Exchg. Rate	307	307	0.00%	Unchanged
I&E Window (₦/$) Exchg. Rate	360.33	360.32	-0.003%	Naira Appreciate
Foreign Reserve ($'000bn)	44.68	44.70	0.04%	Rose
Crude oil Price ($ per barrel)	69.12	71.48	3.41%	Rose

Source: FMDQ, CBN, Oilprice.com, GTI Research

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