

Q1 2020 Nigeria Market Wrap

The NSE ASI lost **-20.65%** in Q1 2020 only with a corresponding value on the index of 21,300.47 as at 31 Mar 2020. For Q1, 2020, the Banking Sector was down **-33.90%**, the Consumer Sector was down **-45.10%**, the Oil and Gas Sector was down **-18.01%** and the Industrial Sector was down **-3.28%**. Law Union, EKOCORP, Cornerst, Betaglas and UNIONDAC were among the best performers while NB, NCR, UNILEVER, Oando and Intbrev were among the worst performers. We summarise the performance of the market for Q1 2020 below and present some of the major highlights in the quarter.

NSE ASI Q1 2020 Performance

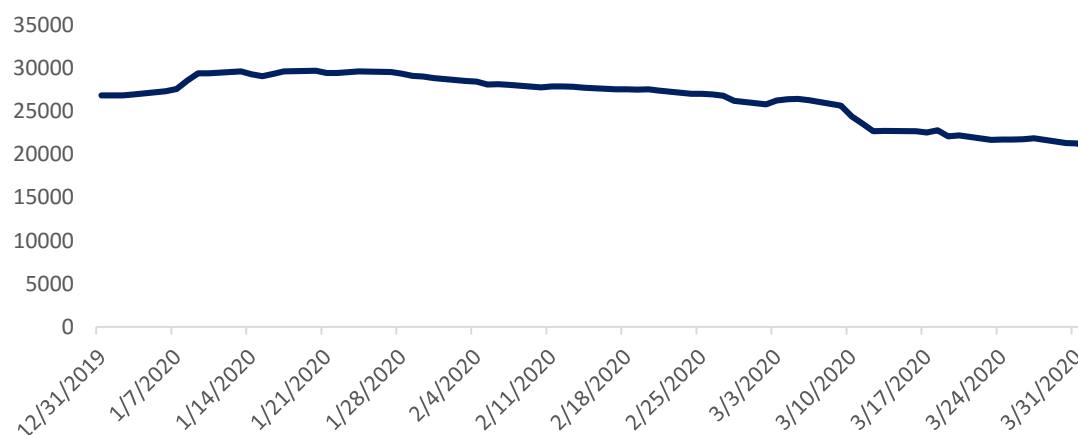


Fig1: Q1 2020 NSE ASI Performance

PERFORMANCE INDICATORS					
INDICATOR	2020: OPEN	31-Mar-20	31-Dec-19	Q-o-Q change (%)	YTD Change (%)
NSE All-Share Index	26,842.07	21,300.47	26,842.07	-20.65%	-20.65%
Market Capitalisation (N'bn)	12,958.38	11,100.80	12,958.38	-14.33%	-14.33%
NSE BANKING	356.84	235.86	356.84	-33.90%	-33.90%
NSE PENSION	1,054.06	826.75	1,054.06	-21.57%	-21.57%
NSE CONSUMER GOODS	592.85	325.5	592.85	-45.10%	-45.10%
NSE OIL AND GAS	262.54	215.25	262.54	-18.01%	-18.01%
NSE 50	1,346.70	923.06	1,346.70	-31.46%	-31.46%
NSE INDUSTRIAL	1,075.60	1,040.29	1,075.60	-3.28%	-3.28%
NSE PREMIUM	2,116.22	1,761.23	2,116.22	-16.77%	-16.77%
NSE 30	1,177.83	902.37	1,177.83	-23.39%	-23.39%
Volume Traded (N'mn)	1,053.57	422	1,053.57	-59.95%	-59.95%
Value (N'mn)	5,496.21	1,724.05	5,496.21	-68.63%	-68.63%

Table 1: Performance Indicators for Q1 2020

What Happened in Q1 2020?

The year started out on a bullish note as we saw local investors aggressively mopping up names including DANGCEM, ZENITHBANK and GTB. The market was the best performing market at some point in January but profit taking started

to set in and we started to see a correction in the move. During the month of January, it was announced the Attorney General had dropped the tax case against MTN and this caused a rally in the name even after the rest of the market was facing a correction. Activities however moderated as the month went on and we started seeing profit taking / bearish sentiments coming in to the market. Towards the end of January however, we started seeing real demand from local PFAs in names including GTB, ZENITH and NESTLE. The ASI was up +7.46 in January.

The ASI lost -9.11% in February as we saw a correction of the gains we had seen at the beginning of the year. The Banking sector lost -15.59%, the Consumer sector lost -18.00%, the Oil and Gas index lost -6.97% and the Industrial index lost -1.28%. There were some significant maturities from local investors which we had expected would trickle back into the equities market but this was not the case. We instead saw local Pension funds taking positions cautiously at the lower end of the market in names such as Nestle, GTB, Zenith and NB.

The month of March was where we saw the double impact of a significant dip in oil prices and the accelerated spread of the corona virus worldwide. The significant dip in the price of oil caused major international investors to sell down on some major positions especially in the quality names like GTB, ZENITHBANK, NESTLE, DANGCEM and MTNN. We saw very significant offers at limit down in those names at some point. GTB went as low as N16.75, ZENITHBANK went as low as N10.70, MTNN was hit down to its listing price of N90.00 and Nestle traded as low as N765.00. International investors were majorly on the sell side, while local investors were mainly on the buy side. Towards the end of the month of March, the Federal Government announced a lockdown period of 14 days in Lagos, Abuja and Ogun State to try and deal with the spread of the corona virus. Most businesses resorted to either being fully closed or operating skeletal services. This negatively impacted the economy as a whole and we saw activities slow down.

Best Performers

S/N	SYMBOL	31-Mar-20	31-Dec-19	%CHANGE
1	LAWUNION	0.95	0.5	90.00%
2	EKOCORP	6	4.25	41.18%
3	CORNERST	0.6	0.45	33.33%
4	BETAGLAS	70	53.8	30.11%
5	UNIONDAC	0.26	0.22	18.18%
6	LIVESTOCK	0.59	0.5	18.00%
7	MAYBAKER	2.14	1.93	10.88%
8	JBERGER	22.05	19.9	10.80%
9	UBN	6.6	6	10.00%
10	MOBIL	160.9	147.9	8.79%
11	FLOURMILL	21.25	19.7	7.87%
12	AIICO	0.76	0.72	5.56%
13	CUTIX	1.4	1.33	5.26%
14	CILEASING	6.2	5.9	5.08%
15	NAHCO	2.5	2.4	4.17%
16	BUACEMENT	35.3	35	0.86%

Worst Performers

S/N	SYMBOL	31-Mar-20	31-Dec-19	%CHANGE
1	NB	25.65	59	-56.53%
2	NCR	2	4.5	-55.56%
3	UNILEVER	11	22	-50.00%
4	OANDO	2.05	3.99	-48.62%
5	INTBREW	4.9	9.5	-48.42%
6	NESTLE	765	1,469.90	-47.96%
7	STERLNBANK	1.15	1.99	-42.21%
8	STANBIC	24.3	41	-40.73%
9	ACCESS	5.95	10	-40.50%
10	GUARANTY	17.7	29.7	-40.40%
11	WAPCO	9.2	15.3	-39.87%
12	ZENITHBANK	11.7	18.6	-37.10%
13	FBNH	3.95	6.15	-35.77%
14	CADBURY	6.8	10.55	-35.55%
15	UNITYBNK	0.42	0.64	-34.38%
16	NASCON	8.5	12.95	-34.36%
17	DANGSUGAR	9	13.6	-33.82%
18	ETERNA	2.39	3.6	-33.61%
19	CHAMS	0.22	0.33	-33.33%
20	ROYALEX	0.2	0.3	-33.33%

Table 2: Best and Worst Performers for Q1 2020

Major News Headlines:

MTN Nigeria Communications Plc Resolves Legal Action Against AGF and Minister of Justice – Proshare

MTN Nigeria appeared before the Federal High Court sitting in Lagos, Nigeria to formally discontinue its legal action against the Attorney General of the Federation and Minister of Justice (the "AGF"). This follows the decision of the AGF to refer the matter to the relevant regulatory authorities. MTN Nigeria applied to have the legal action struck out, which request was duly granted by the court.

MTN Group to sell 14% of its Nigerian business – The Cable

Bloomberg reports that the company hopes to raise \$4 billion from the sale of some of its assets. The company is also looking to sell some of its stake in IHS Holdings, the largest operator of wireless towers. MTN Group said it has raised 14 billion rand since it started offloading 'non-essential' businesses in March and it is ready to step up the process. Selling 14% of its Nigerian business would reduce the group's stake to 65%. According to the company, proceeds from the assets sale would be used to pay off some debts and invest in its main markets.

Dangote Cement Shareholders Approve Share Buy-Back Plans, Commends Board - Thisday

Shareholders of Dangote Cement Plc unanimously approved the proposal of the company to buy back 10 per cent of its shares. In line with its corporate strategy to improve its return on equity and shareholder value, the board of Dangote Cement Plc proposed the share buy-back programme that would allow for the purchase of 1.70 billion shares out of the 17.04 billion fully paid up ordinary shares of 50 kobo each. At the extra-ordinary general meeting (EGM) held in Lagos, the shareholders endorsed the proposal and commended the board and management, saying it would enhance their value in the company.

Nigerian Stock Exchange delists AG Leventis - The Nation

The Nigerian Stock Exchange (NSE) delisted AG Leventis (Nigeria) Plc, closing more than four decades of public listing at the stock market. The delisting was due to a request for voluntary delisting after AG Leventis' core investors pushed through a plan to buy out minority shareholders. The Leventis family, which remains the majority core investor in the conglomerate with some 88 per cent controlling shareholding, had launched a process and succeeded in buying out minority shareholders in order to implement a turnaround programme. AG Leventis had some 30,000 minority shareholders.

NSE grants delisting approval to Continental Reinsurance – The Punch

The Nigerian Stock Exchange says it has granted Continental Reinsurance approval to delist. The NSE said in its Listings Report that Continental Reinsurance had filed an application for voluntary delisting from its daily official list. It said the delisting was consequent upon a scheme of arrangement between Continental Reinsurance and the holders of its fully paid ordinary shares of 50 kobo each. The Managing Director, Continental Reinsurance, Dr Olufemi Oyetunji, said under the scheme of arrangement, there were plans to transfer the various subsidiaries of the group to CRe Investments to enable CRe Nigeria shore up its balance sheets and capital required for maintaining and expanding the business.

CBN retains LDR at 65%, warns against violation – Punch

The Central Bank of Nigeria has retained the Loan to Deposit Ratio for the banking sector at 65 per cent. The apex bank said this in a circular issued to the Deposit Money Banks dated January 7, 2020. The circular with reference number BSD/DIR/GEN/LAB/12/070 was signed by the Director, Banking Supervision Department, CBN, Mr Ahmad Abdullahi. The CBN had on July 3, 2019, directed banks to maintain a minimum LDR of 60 per cent by September 30, 2019. The LDR, which is being reviewed quarterly to improve lending to the real sector, was 58.5 per cent as of the end of May. It was raised to 65 per cent in the fourth quarter of last year.

SEC names derivatives trading top priority this year – Punch

The Securities and Exchange Commission has said the development of an efficient derivatives trading market is one of its top priorities in 2020. Derivatives are securities that derive their value from an underlying security or asset. The acting Director-General, SEC, Ms Mary Uduk, while speaking during an interview, described derivatives as some of the investable products capable of boosting liquidity in the capital market.

Graph of NSE ASI vs. Crude Oil - Q1 2020

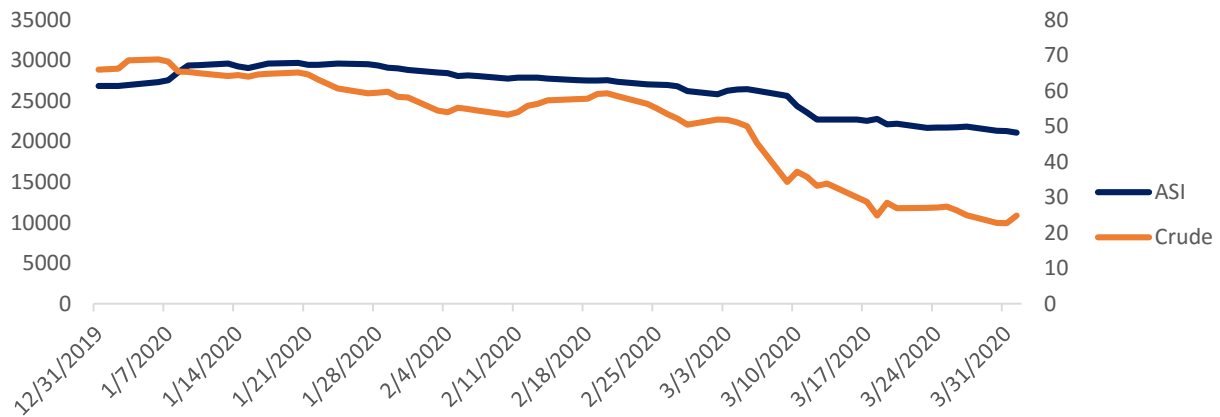


Fig 2: Graph of NSE ASI vs Crude Oil – Q1 2020

Q2 2020 Expectations/Outlook

Our outlook for 2Q would be largely determined by the Oil price war between Saudi and Russia and how the world navigates through Covid 19 Corona Virus. We believe both have very serious implications on the fiscal and monetary state of Nigeria. On the fiscal side, we worry that the government will struggle significantly with revenue. We believe the government will continue to borrow aggressively locally via Tbills and Bonds as the window to borrow externally does not exist. We note that the DMO has come back with a revised calendar on the borrowing program. On the monetary side, the focus will remain on the currency. We believe the currency will come under significant pressure in coming months and we can only hope that we do not repeat the mistakes of the past. In terms of repatriation, there is also currently a queue in terms of dollar outflow and delays are currently taking about a week to get their monies.

We start the quarter with a lockdown with minimum vehicular movement and most people currently working from home till the middle of April. The Nigerian Stock Exchange will be open for remote trading throughout the lock down period. On our pads, we are currently mostly on the sell side for internationals, locals are sitting this out and we have seen Local HNI and retail play opportunistically in the market place. From all indications, we expect a very slow quarter. We believe 2020 would be an incredibly tough year because we believe the after effects of Covid 19 and low oil price will be one to linger for another 6 months before things hopefully normalize. The reporting seasons for corporates will kick off in another 2-3 weeks and investors would be watching to find where the pressure points are to find out which corporates have resilient operating models to navigate the tough months ahead and how defensive certain players can be.