



## The Market Today

### UK and EU edge towards agreeing on divorce terms

- The UK and European Union (EU) are eyeing a mid-November meeting to formally agree to the terms of the divorce, even as key issues such as the nature of the Irish Border remain contentious. While UK and EU negotiators are confident that the deal would be finalized within the next two months, pro-Brexit lawmakers in the UK have expressed dissatisfaction with Prime Minister Theresa May's approach to negotiations so far as they fear that she will renege on the mandate of a clean break from the EU. Reports suggest that Theresa May will make her case to her EU counterparts at an informal meeting in Austria next Wednesday. Overall, this development is positive as the conclusion of divorce talks would pave the way for both parties to focus on the nature of the new relationship between the UK and EU ahead of the formal Brexit date of March 2019.

### CBN raises stop rate on long-dated T-bill

- The CBN conducted another OMO auction, offering ₦200 billion across the 121DTM, 198DTM and 324DTM bills. The apex bank eventually sold ₦82 billion on the 198DTM and 324DTM bills at respective stop rates of 12.50% and 13.20%, with no sale made on the 121DTM bill. Notably, the 324DTM bill closed at a higher stop rate than the similar maturity at the last primary market issue (13.05%). Amid this, the Interbank call rate advanced 216bps to 6.33%.
- Following the mop-up, yields advanced 30bps in the T-bills space. Selling was concentrated on the shorter-dated bills, with yields on the 37DTM and 79DTM bills advancing 70bps and 74bps to settle at 13.24% and 13.38% respectively. Likewise, trading on bonds was negative, particularly at the short end of the space. Specifically, the yield on the 15.54% FGN FEB 2020 bond advanced 30bps to settle at 14.55%.
- Given increase in the stop rate on the long-dated T-bill, we anticipate yield advances in the secondary market and at the PMA to be held in today's session.

| Latest Indicators       |             |
|-------------------------|-------------|
| Call rate               | 4.17%       |
| Brent crude price       | \$77.85/bbl |
| July Inflation          | 11.12%      |
| MPR                     | 14.00%      |
| Q2'18 GDP Growth        | 1.50%       |
| Gross External Reserves | \$45.47bn   |

| Currency (USD/NGN) | 10 Sep | 07 Sep | Change |
|--------------------|--------|--------|--------|
| Spot               | 306.25 | 306.20 | 0.05   |
| 1 M                | 366.32 | 365.65 | 0.67   |
| 6 M                | 384.09 | 383.07 | 1.02   |
| 1 Y                | 405.55 | 403.55 | 2.00   |
| Parallel Market*   | 359.00 | 359.00 | 0.00   |
| NAFEX              | 363.07 | 362.78 | 0.29   |

\*Quotes are mid-prices

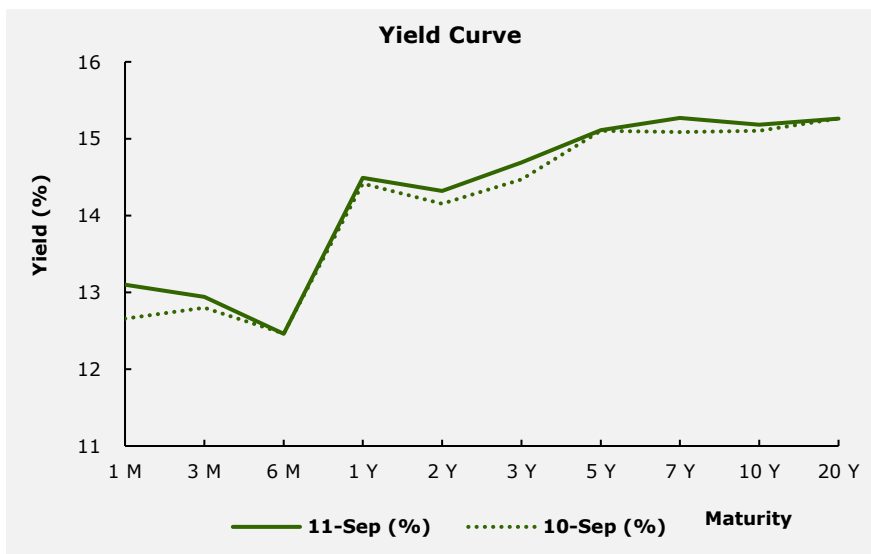
| Treasury Bills | 10 Sep (%) | 07 Sep (%) | Change |
|----------------|------------|------------|--------|
| 1 M            | 13.10      | 12.66      | 44bps  |
| 3 M            | 12.94      | 12.80      | 14bps  |
| 6 M            | 12.46      | 12.46      | 0bps   |
| 1 Y            | 14.49      | 14.42      | 7bps   |

| FGN Bonds - Domestic | 10 Sep (%) | 07 Sep (%) | Change |
|----------------------|------------|------------|--------|
| 16.00% 29-JUN-2019   | 13.56      | 13.48      | 8bps   |
| 7.00% 23-OCT-2019    | 14.32      | 14.16      | 16bps  |
| 15.54% 13-FEB-2020   | 14.55      | 14.25      | 30bps  |
| 14.50% 15-JUL-2021   | 15.04      | 15.30      | -26bps |
| 16.39% 27-JAN-2022   | 15.11      | 15.10      | 1bp    |
| 14.20% 14-MAR-2024   | 15.27      | 15.08      | 19bp   |
| 12.50% 22-JAN-2026   | 15.18      | 15.21      | -3bps  |
| 16.2884% 17-MAR-2027 | 15.18      | 15.10      | 8bps   |
| 15.00% 28-NOV-2028   | 15.23      | 15.25      | -2bps  |
| 12.49% 22-MAY-2029   | 15.24      | 15.26      | -2bps  |
| 8.50% 20-NOV-2029    | 15.25      | 15.26      | -1bp   |
| 10.00% 23-JUL-2030   | 15.26      | 15.27      | -1bp   |
| 12.1493% 18-JUL-2034 | 15.33      | 15.33      | 0bp    |
| 12.40% 18-MAR-2036   | 15.46      | 15.48      | -2bps  |
| 16.2499% 18-APR-2037 | 15.26      | 15.26      | 0bp    |

| FGN Bonds - Eurobonds | 10 Sep (%) | 07 Sep (%) | Change |
|-----------------------|------------|------------|--------|
| 6.75% Jan 2021        | 5.64       | 5.66       | -2bps  |
| 6.38% Jul 2023        | 6.60       | 6.56       | 4bps   |
| 7.88% Feb 2032        | 8.23       | 8.20       | 3bps   |

| Corporates - Eurobonds                             | 10 Sep (%) | 07 Sep (%) | Change |
|----------------------------------------------------|------------|------------|--------|
| GTB PLC<br>6.00% Nov 2018                          | 3.32       | 3.31       | 0bp    |
| DIAMOND BANK<br>8.75% May 2019                     | 10.06      | 10.06      | 0bp    |
| ZENITH BANK<br>6.25% Apr 2019                      | 5.84       | 5.84       | 0bp    |
| FBNH PLC<br>8.00%/2Y USD SWAP+6.48%<br>JUL 23 2021 | 9.12       | 9.20       | -8bps  |

Source: Bloomberg, FMDQ, Vetiva Research



Source: FMDQ, Vetiva Research

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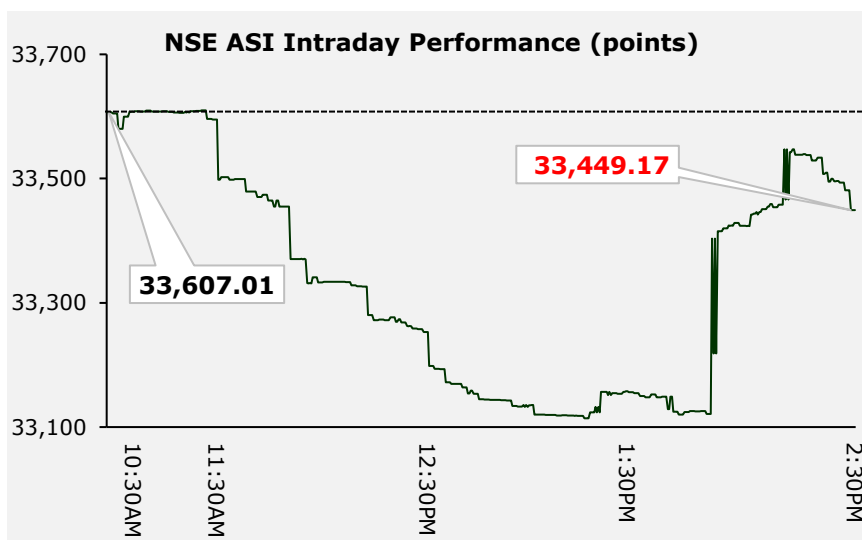


Market slides further in the red as sentiment remains weak

- With three of four key sectors closing in the red, the Nigerian equity market slid further in the red, shedding 48bps and extending ytd losses to 12.54%.
- Looking at sector performances, the Banking sector was worst hit, shedding 305bps due to sell-offs on large-caps, ZENITHBANK (-293bps), UBA (-449bps) and GUARANTY (-580bps). The Oil and Gas sector also closed down, losing 82bps as FO and OANDO shed 499bps and 381bps respectively. However, it was a battle of the heavyweights in the Consumer Goods sector, with NESTLE's 959bps uptick edging NB's -486bps loss, to take the sector 160bps higher d/d. Meanwhile, the Industrial Goods sector closed flat once again.
- Market breadth remained negative with 14 advances and 31 declines.

## Market Outlook

- We expect further negative trading today as market sentiment remains poor and weak investor appetite keeps activity levels below average – evidenced by poor market turnover.
- **Stock Watch:** After losing 17% over 10 sessions, GUARANTY now trades at ₦32.50, its lowest level since May, 2017. The stock has lost 20.25% ytd and trades at a 37% discount to our target price (TP: ₦51.58).



Source: Bloomberg, Vetiva Research

## Corporate Disclosures

- The Board of Directors of Julius Berger Nigeria Plc has announced a Group Board meeting on Tuesday 25 September, 2018 to discuss changes to the organizational structure of the company. In light of this, the board has also declared a closed period from 13 September to 27 September 2018. the Nigerian Stock Exchange and shareholders that the CBN has debited Diamond Bank's accounts with CBN for the full amount of the fine levied against it.

| Equity Market Indices |        |        |         |
|-----------------------|--------|--------|---------|
|                       | 11-Sep | WtD    | YTD     |
| NSE ASI               | -0.48% | -1.73% | -12.54% |
| NSE30                 | -0.48% | -2.01% | -14.73% |
| Banking               | -3.05% | -4.25% | -17.70% |
| Cons. Goods           | 1.60%  | -2.14% | -20.02% |
| Ind. Goods            | -0.01% | -0.01% | -17.17% |
| Oil & Gas             | -0.82% | -1.34% | -14.30% |

| Market trade        |        |        |             |
|---------------------|--------|--------|-------------|
|                     | 11-Sep | 10-Sep | 30-day Avg. |
| Volume ('mil units) | 151    | 138    | 235         |
| Value (₦'mil)       | 1,597  | 1,356  | 3,032       |

| Top 5 trades by volume |  | Volume     |
|------------------------|--|------------|
| GUARANTY               |  | 17,473,814 |
| UBA                    |  | 15,563,435 |
| DIAMONDBNK             |  | 13,827,876 |
| ACCESS                 |  | 11,875,674 |
| ZENITHBANK             |  | 11,689,826 |

| Top 5 trades by value |  | (₦)         |
|-----------------------|--|-------------|
| GUARANTY              |  | 562,779,826 |
| NESTLE                |  | 250,733,572 |
| ZENITHBANK            |  | 236,047,277 |
| UBA                   |  | 117,422,698 |
| ACCESS                |  | 103,257,210 |

| Top gainers |            |           |
|-------------|------------|-----------|
|             | d/d change | Price (₦) |
| LAWUNION    | 10.00%     | 0.55      |
| NESTLE      | 9.59%      | 1485.00   |
| REGALINS    | 9.52%      | 0.23      |
| NEIMETH     | 9.09%      | 0.72      |
| LEARNAFRCA  | 8.91%      | 1.10      |

| Top losers |            |           |
|------------|------------|-----------|
|            | d/d change | Price (₦) |
| DANGSUGAR  | -10.00%    | 14.40     |
| NAHCO      | -10.00%    | 3.60      |
| UNIVINSURE | -9.09%     | 0.30      |
| SUNUASSUR  | -9.09%     | 0.20      |
| JAPAUOIL   | -8.33%     | 0.22      |

| Foreign Listings     |       |        |           |
|----------------------|-------|--------|-----------|
|                      | Close | Change | Value (₦) |
| DIAMONDBNK GDR (USD) | 3.40  | 0.05%  | 12.33     |
| GUARANTY GDR (USD)   | 4.60  | 0.05%  | 33.35     |
| ZENITHBANK GDR (USD) | 2.90  | 0.05%  | 21.03     |
| OANDO JSE (ZAR)      | 0.40  | 18.16% | 9.56      |
| SEPLAT LSE (GBP)     | 1.36  | 0.66%  | 640.05    |

|                       |        |        |        |
|-----------------------|--------|--------|--------|
|                       | USDNGN | GBPNGN | ZARNGN |
| Exchange rate applied | 362.53 | 470.62 | 23.89  |

Source: Bloomberg, Vetiva Research



## Disclosures Section

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