

Monday, 26 April 2021

The day in review

- NSE-ASI climbed 4bps
- Interbank rates fell
- Flatish session in NTB market
- Naira closed flat at the NAFEX window

Looking forward

NSE Q1 corporate earnings release

Daily Insight

Gross loans trend higher amidst improving asset quality

Earlier, the National Bureau of Statistics released the Selected Banking Data Report for Q4-2020. In the report, banking sector Gross loans reportedly grew 16.6% y/y as well as 5.3% q/q to N20.5tn. Similarly, absolute Non-Performing Loans (NPLs) rose 16.0% y/y and 5.5% q/q to N1.2tn at the end of Q4-2020. Furthermore, while NPL ratio grew 1bp q/q, it declined 4bps y/y to print at 6.0% at the end of Q4-2020.

The growth in gross loans from the banking sector comes despite significant macroeconomic risks in 2020 due to the Covid-19 pandemic. That said, we note that gross loan growth has been driven by a confluence of factors. First, the CBN's regulatory directive which saw the Loan to Deposit ratio (LDR) rise to 65.0% supported lending appetite among commercial banks. Also, the Naira devaluations over the past year have increased the Naira value of foreign currency loans. On the decline in NPL ratio, we believe this was driven by CBN's regulatory forbearance which allowed banks to restructure their loan books, particularly in sectors vulnerable to the shocks ignited by the Covid-19 pandemic.

Looking ahead, we observe that growth risks have continued to dissipate amidst renewed optimism on full economic reopening in Nigeria. However, the operating environment for businesses remains fraught with legacy structural concerns. Thus, we think lenders operating at the CBN's 65.0% Loan to Funding ratio will be reluctant to provide more credit, while those still falling short will remain active credit creators, considering the effect of CRR debits on banking system liquidity. On NPLs, given the banking sector's exposure to the oil & gas industry, we do not expect a major shock in NPL ratio, considering the recovery in crude oil prices. Also, the near-fully reopened Nigerian economy posits a better macroeconomic and business story for loan performance in non-oil sectors.

Headline	Level	1 day	YTD
NSE ASI	39,319.8	▲ 0.0%	▼ -2.4%
Mkt. Cap (N'bn)	20,608.8	▲ 0.0%	
Mkt. Cap (\$'mn)	54,376.6	▲ 0.0%	
Value (N'mn)	2,058.6	▼ -32.3%	
Value (\$'mn)	5.4	▼ -32.3%	
Volume	329.7	▲ 14.9%	
Deals	3,578.0		
Market Breadth	1.5x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.05	3.05	▲ 0.00
6 months	4.21	4.21	▲ 0.00
12 months	8.06	8.06	▼ 0.00

Bonds Yields	Current	Previous	% Δ
3 years	9.91	9.92	▼ -0.01
5 years	11.89	11.89	▼ 0.00
7 years	12.43	12.43	▲ 0.00
10 years	12.64	12.70	▼ -0.06

Currencies	Current	Previous	% Δ
Official	379.00	379.00	▲ 0.00%
Parallel	485.00	485.00	▲ 0.00%
NAFEX	410.00	410.00	▲ 0.00%

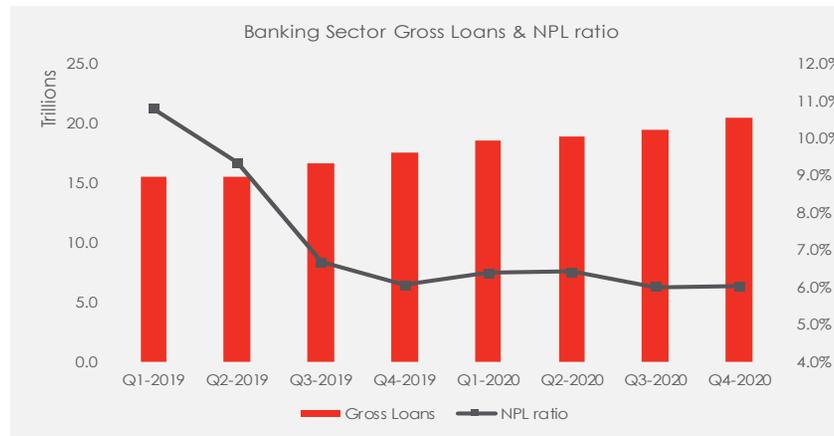
Other Key indices	Current	Previous	% Δ
OBB	13.8	15.9	▼ -2.13
OVN	14.3	16.8	▼ -2.50
Brent	65.8	66.1	▼ -0.48

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	▲ 0.0%	▲ 0.0%	▲ 0.1%	0.0	0.0%
Banks	▼ -0.1%	▼ -2.8%	▼ -8.6%	3.5	9.7%
Consumer	▲ 0.0%	▲ 2.8%	▼ -2.6%	105.0	3.9%
Industrial	▲ 0.1%	▲ 0.8%	▼ -7.2%	19.2	4.9%
Insurance	▲ 2.2%	▲ -3.0%	▲ 4.7%	3.7	4.5%
Oil & Gas	▼ -0.3%	▼ -0.4%	▲ 17.0%	na	5.4%
Mkt. Avg. P/E	14.3	Mkt. Avg. Div. Yid	4.8%		

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



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	147.9	▼ -0.2%	▲ 1.7%	9.2	6.4%
Egypt	10,525.8	▼ -0.7%	▼ -2.9%	11.5	2.9%
Ghana	2,342.1	▼ -0.1%	▲ 20.8%	n/a	n/a
Kenya	166.1	▲ 0.3%	▲ 9.2%	12.6	2.5%
Mauritius	1,642.4	▲ 0.0%	▼ -0.4%	n/a	0.9%
Morocco	312.4	▲ 0.1%	▲ 2.5%	30.1	3.4%
MSCI FM	551.1	▲ 0.5%	▲ 6.5%	12.8	2.7%
South Africa	67,572.6	▲ 0.4%	▲ 13.7%	26.4	2.5%
Tunisia	7,069.5	▲ 0.0%	▲ 2.7%	20.7	0.6%
Zimbabwe	87,624.6	▲ 0.7%	▲ 89.1%	4.6	1.9%



Source: NBS, United Capital Research

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