

Monday, June 7, 2021

**The day in review**

- Equities market loses 0.1%
- System liquidity improves
- Brent closed flattish
- Naira falls marginally on the I&E window

**Looking forward**

May CPI data - NBS

**Daily Insight**

**Trade deficit worsens on the back currency devaluation**

Recently, the National Bureau of Statistics (NBS) released the Terms of trade report for Q1-2020. The report showed that total trade increased by 14.1% y/y and 7.0% q/q in Q1-2021. The increase in total trade comes as no surprise considering the impact of exchange rate devaluation on the naira cost of imported goods coupled with the increase in economic activities. Overall, Nigeria's total trade in merchandise closed at N9.7tn in Q1-2021, while trade deficit printed at N3.9tn, representing a 1095.3% y/y increase and a 44.4% q/q increase. The increase in trade deficit was driven by a surge in imports (+54.3% y/y to N6.9tn) as exports (-29.3% y/y to N2.9tn) plunged during the quarter.

The surge in imports was primarily due to a 19.9% q/q rise in the Premium Motor Spirit (10.0% of import bill), which rose to N687.7bn in Q1-2021. We attribute the increases in the value of imports to global inflationary pressures and currency devaluation in 2021. The value of total exports in Q1-2021 decreased by 9.0% q/q against the level recorded in Q4-2020 and 29.3% y/y compared to Q1-2020. Petroleum products accounted for most of Nigeria's exports, making up 82.0% of total exports in Q1-2021. The decline in exports was broadly driven by weaker y/y oil prices in Q1-2021 relative to Q1-2020 as well as steep decline in production.

Our outlook for exports for Q2-2021 remains promising, considering the uptick in oil prices and the potential increase for output considering OPEC+ monthly revision tied to the global vaccination rollouts and rebound in global economic output. For imports, considering the economy's expected increase in demand coupled with the low base for exchange rate, we expect the value of imports will keep Nigeria in a trade deficit for the rest of 2021.

Headline	Level	1 day	YTD
NSE ASI	38,686.4	▼ -0.1%	▼ -3.9%
Mkt. Cap (N'bn)	20,164.0	▼ -0.1%	
Mkt. Cap (\$'mn)	48,887.1	▼ -0.1%	
Value (N'mn)	1,499.9	▼ -5.7%	
Value (\$'mn)	3.6	▼ -5.8%	
Volume	210.8	▲ 5.9%	
Deals	3,958.0		
Market Breadth	0.5x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.70	4.44 ▲	0.26
6 months	6.19	6.19	0.00
12 months	8.75	9.15 ▼	-0.40

Bonds Yields	Current	Previous	% Δ
3 years	11.93	11.94 ▼	-0.01
5 years	12.16	12.16	0.00
7 years	12.72	12.76 ▼	-0.04
10 years	12.94	12.96 ▼	-0.02

Currencies	Current	Previous	% Δ
Parallel	502.00	499.00 ▼	-0.60%
NAFEX	411.07	410.75 ▼	-0.08%

Other Key indices	Current	Previous	% Δ
OBB	14.3	15.0 ▼	-0.67
OVN	14.5	15.3 ▼	-0.75
Brent	72.9	72.4 ▲	0.69

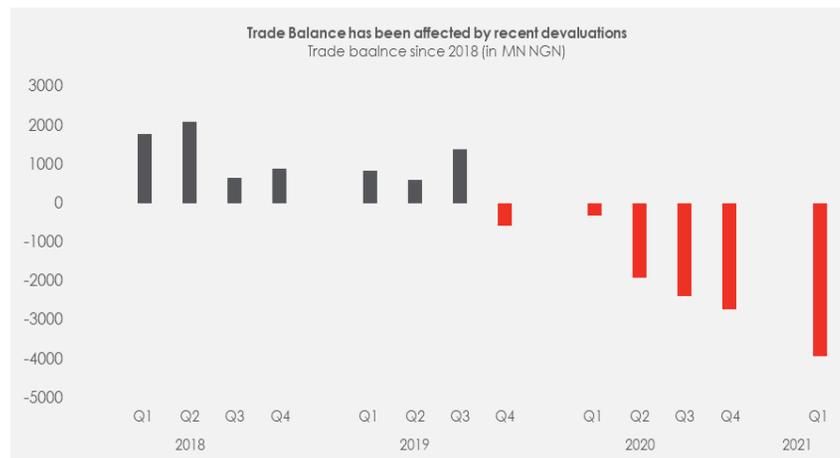
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	6.5%	0.0	0.0%
Banks	-0.9%	-1.1%	-10.3%	3.3	9.9%
Consumer	-0.1%	-0.2%	-2.2%	118.5	3.6%
Industrial	-0.1%	1.4%	-7.1%	17.6	4.9%
Insurance	-1.3%	0.4%	8.3%	4.1	4.9%
Oil & Gas	0.3%	-0.5%	36.0%	na	4.4%
<b>Mkt. Avg. P/E</b>		<b>13.1</b>	<b>Mkt. Avg. Div. Yid</b>		<b>5.1%</b>

\*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	156.5	▲ 0.7%	7.6%	10.4	6.0%
Egypt	10,105.0	▼ -0.2%	-6.8%	10.5	1.7%
Ghana	2,721.3	▲ 4.6%	40.3%	n/a	n/a
Kenya	170.2	▲ 0.2%	11.9%	14.4	2.2%
Mauritius	1,733.6	▲ 0.1%	5.2%	n/a	2.0%
Morocco	326.5	▼ 0.0%	7.1%	29.7	3.1%
MSCI FM	551.1	▼ -0.3%	11.2%	12.8	2.5%
South Africa	67,575.4	▼ -0.4%	13.7%	22.8	2.5%
Tunisia	7,373.5	▲ 0.1%	7.1%	25.6	1.8%
Zimbabwe	124,102.6	▲ 0.2%	167.9%	6.7	1.3%



Source: CBN, United Capital Research

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