

Weekly Nigerian Market Wrap

Macroeconomic Update

Capital Requirement for Primary Mortgage Banks Rises by 73.3%

The capital requirement of Primary Mortgage Banks (PMBs) in Nigeria [has been increased](#) by the Central Bank of Nigeria (CBN) to a total of ₦13 billion from ₦7.5 billion in 2013 (a 73.3% increase).

A breakdown of the financial requirements of the sub-sector shows that operators in national category of PMBs are required to shore up their capital base to ₦8 billion as against the ₦5 billion in 2013.

For regional licence (formerly state), operators are expected to increase their financial base by 100 percent to ₦5 billion from ₦2.5 billion in 2013.

The changes in the guidelines have been reviewed to strengthen the PMBs and reposition the industry for improved performance.

Available statistics on the financial performance of PMBs in Nigeria shows that the industry made a loss from 2014 to 2017. The poor performance of the industry has also reduced the total number of operators to 32 firms in 2018 from 82 firms in 2014.

Olam Offers ₦130 billion to acquire Dangote Flour Mills

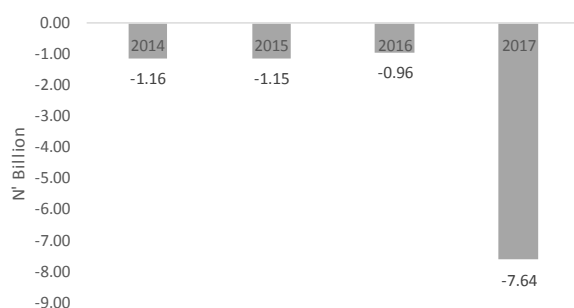
[Olam has offered N130 billion](#) to take control of Dangote Flour Mill (Dangflour), the third-largest miller by Market capacity in Nigeria. The deal is expected to make Olam the largest miller upon completion.

Flour Mills of Nigeria is estimated to own about 32% of the market, while Olam and Dangflour account for 24% and 19%, respectively. Hence, the deal will allow Olam control 43% of the market.

The deal is coming at a time in which Dangflour has struggled in terms of financial performance in 2018. Full year (FY) results of the financial statement of the company revealed that the company made a loss of about N1.15 billion after tax as against the profit of N9.87 billion in 2017. Gross profit dropped to N10.2 billion in 2018 from N29.6 billion in 2017 representing a decline of about 65%. The reduction in gross profit was largely driven by an increase in the cost of sales from N95.1 billion to N102.1 billion.

The news sparked positive sentiments to the stock from investors, as at the end of 24/04/2019, the company was trading at N12.90 up 9.79% from the previous closing price. Dangote earlier sold Dangflour in 2012 to Tiger Brand Limited (TBL), a food & beverage company in South Africa. However, as the company struggled in terms of performance, Dangote repurchased the company in 2015.

Profit/Loss of Primary Mortgage Institutions



DANGFLOUR FINANCIAL HIGHLIGHTS

Indicators	2017	2018
Revenue (N' Billion)	124.7	112.3
Cost of sales (N' Billion)	95.1	(102.01)
Gross profit (N' Billion)	29.6	10.2
Profit before tax (N' Billion)	16.8	(1.19)
Profit after tax (N' Billion)	9.87	(1.15)

CURRENT MACROECONOMIC INDICATORS

Indicators	
GDP growth rate Q4 2018	1.98%
Monetary Policy Rate (MPR)	13.50%
Crude Oil Price (\$ per barrel)	\$72.15
Official Exchange Rate	N306.90
Purchasers Manager Index	57.4
External Reserves (\$' billion)	\$44.8

Contact Information

Equity Update

NSE ASI Ends the Week on a Bearish Note – Down 0.6%

The NSE ASI started the week on a bullish note increasing by 1 basis point (bps) to close at 30,088.65. However, by the end of the week, the ASI closed at 29,740.41, a 1.15% decline from the start of the week and 0.6% drop from the previous day.

In terms of market capitalisation, at the close of the week, it dropped to N11.2 trillion from the opening value of N11.3 trillion. Likewise, there was a fall in the volume traded at the end of the week to N244.6 million from the N316.1 million recorded at the beginning of the week. At the end of the week, the value of trades also dropped to N1.5 billion from N3.6 billion at the start of the week.

Analysis of the Stock performance at the close of the week showed that the top 5 gainers as at April 26th were FO, DANGFLOUR, OANDO, CADBURY and GLAXOSMITH. On the other hand, OKOMUOIL, UNIONDICON, DANGCEM, INTBREW and PREMPAINTS were among the top 5 losers.

Analysis of the performance of sectors under our coverage at the end of the week revealed that only the oil & gas sector appreciated by about 1.01%. The bullish performance in the oil & gas sector was largely driven by buy pressures in Forte Oil and Oando.

The performance of the NSE 30, banking, insurance, consumer goods and industrial goods were bearish at the end of the week. Sell pressure in INTBREW and DANGCEM drove the consumer goods index and industrial goods index downwards, respectively.

Year-to-date (YTD) analysis of the NSE shows that the equity market is down by about 5.38%

NSE ASI HIGHLIGHTS

Indicators	23/04/19	26/04/19	%Change
NSE ASI	30,088.65	29,740.41	-1.17
MKT Cap (N' bn)	11,303.1	11,176.9	-1.12
Volume Traded (Million)	316.1	244.6	-22.62
Value Traded (N' bn)	3.6	1.5	-58.33

NSE SECTORAL INDICES HIGHLIGHTS

Indicators	23/04/19	26/04/19	%Change
NSE 30	1,348.47	1,332.75	-1.17
BANKING	384.53	385.87	-0.35
INSURANCE	119.78	119.18	-0.50
CONSUMER GOODS	682.42	673.00	-1.38
OIL & GAS	276.84	279.64	+1.01
INDUSTRIAL GOODS	1,161.61	1,148.47	-1.13

Foreign Exchange

Naira depreciates Marginally in the I & E Window

The CBN spot rate remained stable at N306.90/US\$1.00 during the week. However, in the Investors and Exporters (I&E) window, the Naira also depreciated w-o-w to N356.46/US\$1.00 from N356.26/US\$1.00

Likewise, in the Secondary Market Intervention Sales (SMIS) Window, the Naira depreciated marginally by 0.03% as the dollar gained.

FOREIGN EXCHANGE MARKET

Indicators	23/04/19	26/04/19	%Change
CBN Official	306.90	306.90	-
CBN SMIS Window	356.26	356.46	+0.06
I & E FX Window	360.52	360.64	+0.03

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Fixed Income

Money Market – OBB Rates drop by 86 Basis Points (BPS)

The Open Buy Back and Overnight Rates declined by 86 bps and 92 bps, respectively as liquidity level in the banking sector improved during the week.

FGN Bonds – Yields Increase Across Boards

Last week, yields across FGN Bonds were on the increase as investors were largely bearish. The 3-year FGN bond yield increased by about 2%, while the yield on the 5-year FGN bond rose by about 23 bps.

The bearish sentiment towards FGN bonds during the week can be linked to investors repositioning their portfolio to the new bonds issued during the week. The Debt Management Office (DMO) issued a new 10-year bond and 30-year bond that were oversubscribed. The 10-year bond offer was about N40 billion, but subscription was N52.3 billion, while the 30-year bond offer was about N20 billion, but subscription reached N60 billion.

T-Bills – Yields Continue to Trend Downwards

In the treasury bills market last week, yields were largely on the decline signifying increased demand. For example, the 3 months and the 6 months yield dipped by 38 bps and 28 bps, respectively.

MONEY MARKET

Indicators	23/04/19	26/04/19	Basis Point Change
OBB Rate	17.29%	16.43%	86
O/N Rate	18.21%	17.29%	92

FGN BOND YIELDS

Maturity	23/04/19	26/04/19	Basis Point Change
3 years	14.49	14.79	30
5 years	13.94	14.17	23
7 years	14.55	14.54	1
10 years	14.45	14.54	9

TREASURY MARKET YIELDS

Maturity	23/04/19	26/04/19	Basis Point Change
3 months	11.48	11.10	38
6 months	13.74	13.46	28
12 months	14.39	14.39	-

Market Outlook

We do not expect to see much changes in the exchange rate this week as CBN continues to support the foreign exchange market.

We also do not expect much changes in the equity market as bearish sentiments continue to linger on. However, opportunities exist for value driven investors to make smart purchases.

In the money market, we expect enhanced system liquidity this week as a result of several instruments maturing during the week.

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