

The day in review

- The All Share Index (ASI) edged lower by -1.0%
- Dragged by profit-taking in Financials
- System liquidity tightened
- Naira traded sideways on the I & E window

Looking forward

- OMO maturity c. 64.4bn on Thursday

Daily insight

The Banking Sector in 2018

For the year 2017, Nigerian banks broadly outperformed. The NGSE-BK10 Index was up 73.3%/y, outperforming the broader market (NGSE INDX: 42.3%) and Emerging market banks (MSCI -EM BNK: 27.6%). However, relative to 2017, earnings are likely to come under renewed pressure in 2018.

We summarize our outlook of the sector in 2018 along four key themes:

#1: Lower rates

Banks will have to weather a lower-rate environment in 2018. Though the big tier-1 players remain defensive, given their scale advantage, we anticipate more earnings upside from tier-2 players whose biggest benefit would come from a sharp decline in cost of funds.

#2: Modest loan growth

The expectation of improved system liquidity in 2018, on account of reduced government borrowing should be positive for credit growth, potentially helping to compensate for the loss in income from securities portfolios.

#3: IFRS 9 implementation

The proactive nature of the provisioning, as specified in IFRS 9, may increase Cost of Risks and reduce Capital Adequacy Ratios across the sector. Notwithstanding, improving macro climate should continue to bode well for asset quality.

#4: Capital raising

Improved market valuation, the need to shore up capital buffers, and lower interests will likely prompt more capital raising for banks in 2018. Increased domestic dollar liquidity should however moderate Eurobond issuances.

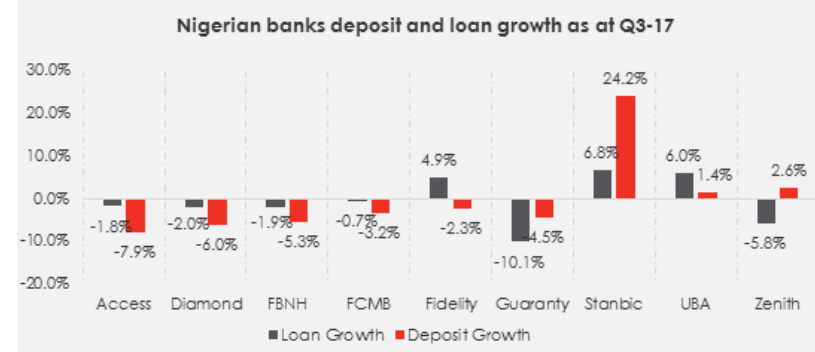
Headline	Level	1 day	YTD
NSE ASI	43,963.4	▼ -1.0%	▲ 15.0%
Mkt. Cap (₦'bn)	15,759.6	▼ -0.9%	▲ 15.8%
Mkt. Cap (\$'mn)	51,560.8	▲ 17.9%	▲ 15.9%
Value (N'mn)	5,184.0	▼ -32.4%	
Value (\$'mn)	17.0	▼ -19.7%	
Volume	536.4	▼ -27.3%	
Deals	7,370.0	▼ -17.4%	
Market Breadth	0.3		

T-Bills	Current	Previous	% Δ
3 months	15.0	15.1	▼ -0.1%
6 months	15.5	15.4	▲ 0.2%
12 months	15.7	15.7	▼ 0.0%

Bonds	Current	Previous	% Δ
3 years	13.3	13.3	▬ 0.0%
5 years	13.3	13.3	▬ 0.0%
7 years	13.6	13.6	▲ 0.0%
10 years	13.4	13.5	▼ -0.1%

Currencies	Current	Previous	% Δ
Official	305.6	305.7	▲ 0.0%
Parallel	363.0	363.5	▲ 0.1%
NAFEX	360.3	360.3	▬ 0.0%

Other Key indices	Current	Previous	% Δ
OBB	14.8	14.7	▲ 0.2
OVN	15.8	15.5	▲ 0.3
Brent	69.7	70.0	▼ 0.0



	Agriculture	Financials	Consumer	Oil & Gas	Industrial
1 day	▼ -0.1%	▼ -2.9%	▲ 0.6%	▼ -0.1%	▲ 0.1%
YTD	▲ 4.1%	▲ 25.2%	▲ 5.6%	▲ 10.4%	▲ 17.3%
P/E (x)	4.8	9.1	61.4	58.4	21.8
Div. Yid.	0.4%	3.3%	2.2%	1.7%	2.7%

Market Average P/E	14.2x	Market Average Div. Yid	2.9%
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*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor

Equities	Level	1 day	YTD	P/E	Div. Yid.
BRVM	229.7	▲ 0.1%	▼ -5.5%	84.8	2.0
Egypt	15,170.7	▼ -0.2%	▲ 1.0%	11.4	2.6
Ghana	2,991.0	▲ 2.7%	▲ 15.9%	na	0.6
Kenya	179.4	▼ -0.5%	▲ 4.8%	14.2	3.7
Mauritius	2,268.5	▲ 0.1%	▲ 3.0%	20.4	2.2
Morocco	350.9	▼ -0.2%	▲ 4.2%	22.5	4.0
MSCI FM	679.9	▼ -0.3%	▲ 6.6%	15.8	2.8
South Africa	61,623.1	▲ 0.2%	▲ 3.6%	21.0	2.7
Tunisia	6,372.5	▲ 0.2%	▲ 1.4%	18.9	2.2
Zimbabwe	2561.6	▲ 0.2%	▼ -12.9%	25.8	2.5

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