

Weekly roundup and stock recommendations

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Equities

Nigerian equities concluded the week in the negative territory, with the benchmark index closing 15bps lower to 96,433.53 index points. Market capitalisation also shed a total of N83.55 billion to settle at N55.39 trillion, with YtD return printing at 28.97%.

Market performance was largely dictated by bearish sentiments in DANSUGAR (-5.54% WoW), ZENITHBANK (-1.96% WoW), and MTNN (-0.56% WoW), which eclipsed positive tractions in OANDO (+5.85% WoW), STANBIC (+2.64% WoW), and UBA (+2.40% WoW).

Market breadth was negative at 0.70x as 46 laggards outpaced 32 gainers. IMG (+32.58% WoW) was the top gainer, while RTBRISCOE (-27.61% WoW) led the laggards.

Money market and fixed-income

Interbank rates—OPR and O/N— expanded by 1314bps and 1164bps to close at 31.25% and 31.70%, respectively, as system liquidity dried up due to the OMO auction settlements and CRR debits.

At the OMO auction, the CBN offered N500 billion across standard maturities. Demand was strong as the total subscription stood at N678.00 billion with a bid-to-offer of 1.36x. However, the CBN allotted only N459.60 billion for the 365-day instrument. Stop rates for the 365-day paper came in lower at 21.80% compared to 21.87% at the previous auction.

Meanwhile at the NTBs auction held on Wednesday, N233.31 billion was offered across the standard maturities with very strong demand on the long end of the curve. The bid-to-offer ratio was 4.84x, and the bid-to-cover was also 4.84x. Stop rates declined across the curve from the previous auction to settle at 17.00%, 17.50% and 18.94% for the 91-day, 175-day, and 364-day instruments, respectively.

In the NTB secondary market, bullish sentiments dominated, with contractions at the short end (-37 bps), mid-segment (-255bps), and long end (-173bps) of the curve as investors sought to recover bids lost at the auction. Consequently, the average yield contracted by 160bps to settle at 19.61%.

The FGN bond secondary market was largely bullish, with buying interests spread across the short-end (-37 bps WoW), mid-segment (-18 bps), and long-end (-24bps) of the curve. The average yields contracted 26bps WoW to settle at 18.69%.

Outlook

In the equities market, the continued release of banks' audited H1'24 financial results and dividend announcements is anticipated to generate positive market sentiment. However, we do not rule out the possibility of profit-taking in recently rallied shares.

For money market, we expect inter-bank rates to remain elevated, as the settlement of the upcoming NTB auction of N161.88 billion should pressure system liquidity despite expected inflows from OMO maturities.

In the NTBs market, we expect the outcome of the PMA to determine proceedings in the secondary market, while for FGN bonds, we expect the downward pressure on yields to persist as market participants anticipate a repricing of yields in subsequent auctions.

ASI performance : September 02 - September 06



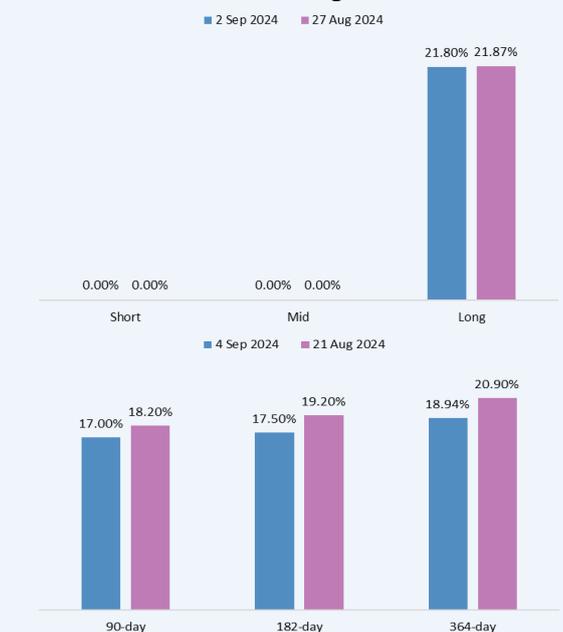
Source: NGX, CardinalStone Research

Mixed sectoral performance



Source: NGX, CardinalStone Research

OMO and NTB Auction during the week



Source: CBN, CardinalStone Research

Stocks	Rating	Current Price	Target Price	Upside/ downside	Dividend yield	Total Return	Link to Reports
BANKS							
ACCESSCORP	BUY	18.80	42.93	128.4%	12.2%	140.6%	Click here
ETI	BUY	21.90	38.59	76.2%	2.3%	78.5%	Click here
FBNH	BUY	22.05	31.75	44.0%	2.3%	46.3%	Click here
FCMB	BUY	7.70	11.49	49.2%	3.2%	52.5%	Click here
FIDELITYBK	BUY	10.70	14.80	38.3%	4.7%	43.0%	Click here
GTCO	BUY	45.40	69.31	52.7%	6.8%	59.5%	Click here
STANBIC	BUY	58.40	69.36	18.8%	6.0%	24.8%	Click here
UBA	BUY	23.50	42.18	79.5%	4.7%	84.2%	Click here
ZENITHBANK	BUY	37.50	65.47	74.6%	8.5%	83.1%	Click here
CONSUMER GOODS							
DANGSUGAR	HOLD	35.80	39.66	10.8%	4.2%	15.0%	Click here
FLOURMILL	HOLD	44.50	49.85	12.0%	5.1%	17.1%	Click here
GUINNESS	BUY	63.50	85.69	34.9%	0.0%	34.9%	Click here
NESTLE	BUY	810.00	1084.40	33.9%	0.0%	33.9%	Click here
NB	BUY	27.00	47.85	77.2%	3.8%	81.0%	Click here
UACN	HOLD	20.90	21.68	3.7%	1.1%	4.8%	Click here
UNILEVER	BUY	18.00	29.60	64.4%	4.2%	68.6%	Click here
BUAFOODS	HOLD	394.90	314.16	-20.4%	1.1%	-19.3%	Click here
INDUSTRIAL GOODS							
DANGCEM	HOLD	532.00	552.42	3.8%	5.6%	9.5%	Click here
WAPCO	BUY	36.30	42.24	16.4%	5.2%	21.6%	Click here
BUACEMENT	HOLD	113.90	74.02	-35.0%	1.8%	-33.3%	Click here
TELCO & UTILITIES							
MTNN	BUY	179.00	238.61	33.3%	0.0%	33.3%	Click here
AIRTELAFRI	BUY	2200.00	3,223.82	46.5%	0.7%	47.2%	Click here
TRANSCORP	BUY	11.35	31.58	178.2%	4.4%	182.6%	Click here
TRANSPOWER	HOLD	335.20	323.64	-3.4%	0.9%	-2.5%	Click here
AGRICULTURE							
OKOMUOIL	HOLD	417.70	381.20	-8.7%	1.9%	-6.8%	Click here
PRESKO	HOLD	485.40	537.27	10.7%	5.4%	16.1%	Click here
OIL & GAS							
SEPLAT	HOLD	3730.10	4187.20	12.3%	0.0%	12.3%	Click here
TOTAL	HOLD	673.90	587.50	-12.8%	3.7%	-9.1%	Click here

Disclosure

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CardinalStone employs a 3-step rating system for equities under coverage: Buy, Hold, and Sell.

Buy $\geq +15.00\%$ expected share price performance

Hold $+0.00\%$ to $+14.99\%$ expected share price performance

Sell $< 0.00\%$ expected share price performance with weak fundamentals

A BUY rating is given to equities with strong fundamentals, which have the potential to rise by at least $+15.00\%$ between the current price and the analyst’s target price

An HOLD rating is given to equities with good fundamentals, which have upside potential within a range of $+0.00\%$ and $+14.99\%$,

A SELL rating is given to equities that are highly overvalued or have weak fundamentals, where potential returns of less than 0.00% are expected between the current prices and the analyst’s target prices. However, for equities with potential returns of less than 0.00% , HOLD ratings may be assigned if they have recent histories of strong earnings and/or their outlooks are favourable for the next 12 months, even if they appear to be currently overvalued by the market.

A NEGATIVE WATCH is given to equities whose fundamentals may deteriorate significantly over the next six (6) months, in our view.

A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	60.71%	0%	39.29%	0%
% with investment banking relationships	0%	0%	0%	0%

CardinalStone Research distribution of ratings/Investment banking relationships as of September 09, 2024

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any security recommended herein. You can contact the analyst named on the front of this note for further details.

Frequency of Next Update: An update of our view on the company (ies) would be provided when next there are substantial developments/ financial news on the company.

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