

2020 OVERVIEW

The Nigerian equities market started on a strong note in 2020 with a 10.40% return by the eighth trading session. However, by the end of the first quarter, the market witnessed a serious sell pressure due to the outbreak of the Covid-19 pandemic which saw the equity market shrink by about 20%. By the second quarter of the year under review, the recovery started and continued up to the end of the third quarter. By October, the equities market entered a much-awaited bull run. Buoyed by the unattractive fixed income yields and better-than-expected corporate earnings, the NSEASI recovered from the Q1'20 loss, to close the year at 40,270.72 (+50.03%), this erased the loss of 14.90% recorded in 2019. During its remarkable year-end run, the ASI gained 6.23% in a single trading session, which triggered for the first time since it was introduced in 2016, a circuit-breaker that halts trading activities for 30-minutes whenever the market moves 5.00% in either direction in a single trading session. The Nigerian Equities Market (as measured by the NSEASI) recorded the best performance across the global stock markets in the year 2020 as recorded by Bloomberg stock index tracker, a stock index tracker that tracks 93 global equities indices.



Source: Thomson Reuters Eikon.

At the close of the year, the NSE's equity market capitalization was up by 62.50%, from N12.97tn at the end of 2019 to N21.06tn at the end of 2020. Market turnover also saw an uptick of 7.25% to reach N1.03tn in 2020 from a turnover of N0.96tn recorded in 2019. However, even with the tremendous outing of the Nigerian Equities Market, only 20 out of the

156 listed stocks on the exchange were up 50% and above. This is a minuscule 12.82% of all listed stocks. And only three sectorial indices recorded a gain of up to 50.00% as three other indices had a negative outing. Hence the momentous outing of the equities market can be traced to the outstanding performance of some blue chip stocks that carried weight such as **AIRTELAFRI (+184.98%)**, **BUACEMENT (+121.00%)**, **DANGCEM (+72.46%)**, **MTNN (+61.81%)**, **WAPCO (+37.58%)**, **ZENITHBANK (+33.33%)**, and **FLOURMILL (+31.98%)**.

GROUPED STOCKS PERFORMANCE TRACKER FOR 2020		
% CHG Range	No. of Stocks	% of Listed Stocks
>200%	4	2.56%
150.01% - 200%	2	1.28%
100.01% - 150%	1	0.64%
50.01% - 100%	13	8.33%
0.01% - 50%	36	23.08%
0	36	23.08%
-0.01% - -50%	61	39.10%
-50.01% - -100%	3	1.92%
-100.01% - -150%	0	0.00%
-150.01% - -200%	0	0.00%
<-200%	0	0.00%
Total	156	100.00%

Source: NSE; APT Research

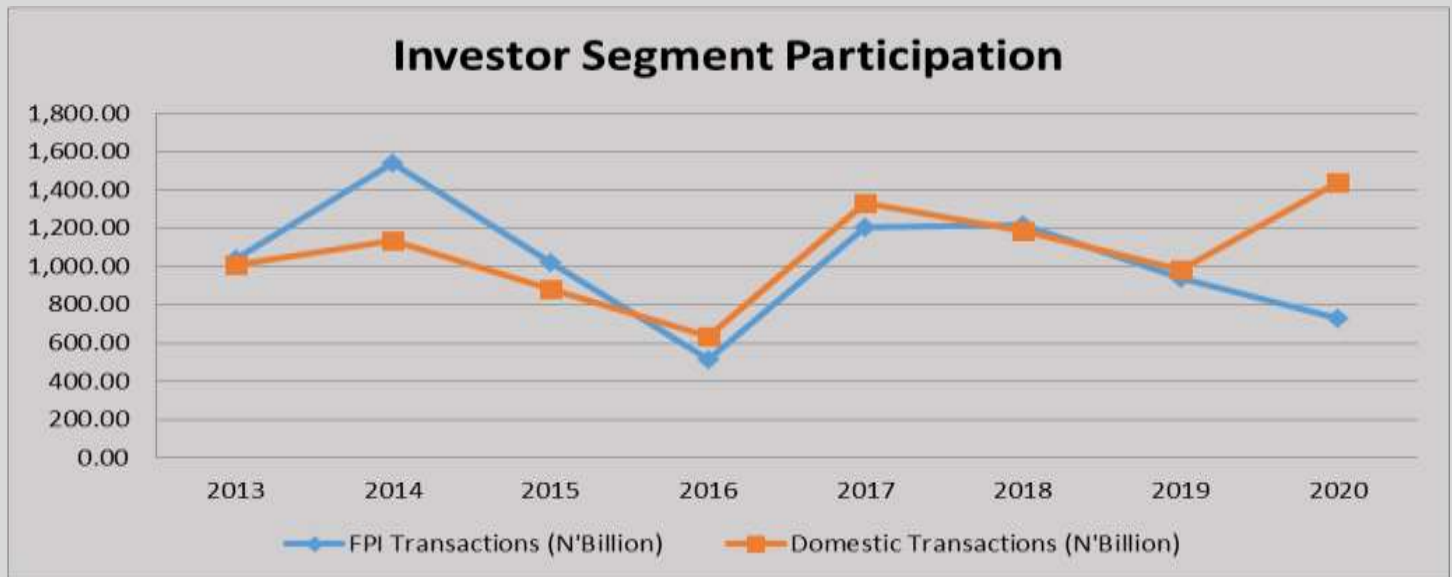
SECTORIAL INDICES PERFORMANCE FOR 2020			
Indices	Year Open	Year Close	% CHG
ASI	26842.07	40270.72	50.03%
NSE30	1177.83	1640.11	39.25%
BANKING	356.84	393.02	10.14%
INSURANCE	125.82	189.50	50.61%
CONS GOODS	592.85	573.35	-3.29%
OIL AND GAS	262.54	226.20	-13.84%
LOTUS	1834.76	2846.19	55.13%
INDUSTRIAL	1075.60	2052.33	90.81%
ASEM	734.99	729.87	-0.70%
MKT CAP(N'trn)	12.958	21.057	62.50%

Source: NSE; APT Research

BEST PERFORMING STOCKS FOR 2020				
Stock	Year Open	Year Close	ABS CHG	% CHG
SUNUASSUR	0.20	1.00	0.80	400.00%
NEIMETH	0.62	2.23	1.61	259.68%
FTNCOCOA	0.20	0.66	0.46	230.00%
JAPAULGOLD	0.20	0.62	0.42	210.00%
AIRTELAFRI	298.90	851.80	552.90	184.98%
LIVESTOCK	0.50	1.39	0.89	178.00%
BUACEMENT	35.00	77.35	42.35	121.00%
UCAP	2.40	4.71	2.31	96.25%
MAYBAKER	1.93	3.51	1.58	81.87%
FCMB	1.85	3.33	1.48	80.00%
VITAFOAM	4.40	7.80	3.40	77.27%
BOCGAS	5.50	9.57	4.07	74.00%
CUTIX	1.33	2.30	0.97	72.93%
DANGCEM	142.00	244.90	102.90	72.46%
OKOMUOIL	55.60	91.00	35.40	63.67%
MTNN	105.00	169.90	64.90	61.81%
AIICO	0.72	1.13	0.41	56.94%
NNFM	4.30	6.74	2.44	56.74%
AFRIPRUD	4.00	6.25	2.25	56.25%
MOBIL	147.90	228.00	80.10	54.16%

Source: NSE; APT Research

Although Initial Public Offering (IPO) activity was mute, the value of supplementary issues increased dramatically from 2019, rising by 851.37% from N148.77bn to N1.42tn. Also in the course of the year, the resultant entity of the merger between **Cement Company of Northern Nigeria (CCNN)** and **OBU Cement** was listed as **BUACEMENT**, a company that is now the third most capitalized stock on the Nigerian Stock Exchange. Also noteworthy is the fact that for the second consecutive year, equity market transactions were dominated by domestic investors who accounted for 65.28% of market turnover by value (Retail: 44.98%; Institutional: 55.02%) while foreign portfolio investors accounted for 34.72%.



Source: NSE; APT Research

2021 OUTLOOK

The Nigerian Equities Market is set to be nothing if not eventful in the coming year. The market would be shaped by a series of events and activities. Below are some of the expected catalysts for movement across the Nigerian equities market in the year in focus.

➤ **COVID-19:**

The year 2021 would most likely see the fight against the corona virus recording momentous success as vaccine becomes readily available. This would trickle down to better economic conditions as restrictions on activities are gradually lifted.

Success in the fight against the pandemic would deepen investor optimism in our market as businesses resume, improving corporate earnings of companies. Healthcare stocks are however unlikely to maintain their positive sentiment after we win the fight against COVID-19 as the absence of a pandemic reduces their business performance and the regulatory incentives they receive, this would inevitably reduce their bottom line.

➤ **AfCFTA:**

With the African Continental Free Trade Area kicking-off on 1st January, this is poised to create tremendous opportunities for some Blue Chip companies in Nigeria, most especially those in the manufacturing and banking sectors. Companies like Dangote Cement, WAPCO, BUA Cement, Unilever, PZ, Access Bank, Zenith Bank and UBA are set to be among the biggest winners from the AfCFTA as the agreement is set to provide them with cheaper expansion opportunities into other African markets.

➤ **Economic Diversification:**

The year 2021 would see a continuation in the efforts of the federal government towards improving its non-oil revenue sources. The greatest focus in this area would continue to be in the agricultural sector as the country moves towards becoming a net exporter of agricultural products. Hence we would continue to see better performance by companies in the agricultural space as they continue to enjoy cheap financing and low taxes.

➤ **Fixed Income Rates:**

While 2020 saw crashing bond and money market rates to help restart the economy and get it out of recession, the first quarter of 2021 would likely see stability in the low interest rates as evidenced by the MPC decision on 26th January, 2021 to retain the MPR at 11.50%. However even as the current stagflation has less to do with the monetary policy and more to do with fiscal policies such as the closing of land borders, we're bound to see more hawkish policies from the CBN with MPR moving up to close in on pre-pandemic levels as the economy gets back on steady growth path. Interest in attracting foreign investors back into our bond market would to a great extent influence the MPC members' decision towards their more traditional hawkish rates.

An improvement in money market rates would likely result in institutional investors limiting their participation in the equities market as debt instruments become attractive.



Source: CBN; APT Research

➤ **NAICOM Recapitalization of Insurance Companies:**

The move by NAICOM the apex insurance regulator to recapitalize Insurance companies would prove to be an exciting time for the sector. This move would see the emergence of stronger and more stable insurance companies with improved capacity and profitability.

The year could see a reduction in the number of insurance companies as smaller companies could end up merging or getting acquired by larger players as many of the listed insurance companies are rebounding.

➤ **Naira Devaluation:**

The year 2021 would likely see further devaluation of the naira against the dollar index (DXY) as the CBN continues its effort towards exchange rate unification. With much pressure on the naira as oil revenues dry up, a naira determined by the forces of demand and supply could see reduced pressure on the country's foreign reserves, as the country would no longer need to back up an otherwise pegged currency.



Source: NgnRates.com

A free-float naira would increase confidence in the currency and by extension the country among foreign investors. Hence, the exchange-rate unification efforts of the CBN could facilitate the improved participation of Foreign Portfolio Investors in our equities market.

In conclusion, we expect the equities market to have a gradual rise in prices over the course of the year. The outstanding performance recorded by the market in the previous year would not likely repeat itself. However, with the market already up 5.32% at the end of the first trading month of the year, we expect the market to end the year on a positive note despite the rising insecurity and the second wave of the pandemic.

Considering up to 97 stocks, representing 62.18% of all listed shares on the exchange either closed flat or shed weight over the course of 2020, we are most likely bound to see those stocks also enjoying bullish sentiment in the year 2021. Hence we would continue to advice investors to take position in fundamentally sound stocks with good growth prospects.

APT RESEARCH

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