

FSDH Top Picks

COVID-19 Coronavirus: A time for opportunistic buys?

The global economy and financial markets have been roiled by the global pandemic of the coronavirus following its outbreak in Wuhan, China in February 2020. Number of cases across the globe have climbed to over 250,000 cases with over 10,000 deaths. Global supply chains have been severely hampered, demand for discretionary items have been subdued which has consequently forced several monetary authorities to cut rates while fiscal authorities have announced massive stimulus packages to ease a potential economic downturn. Across the globe, economic researchers have revised downwards growth outlook for 2020 with expectations of a global recession. The impact of the pandemic on financial markets have been severe as almost all major asset classes have suffered huge sell offs with investors preferring to hold cash given the huge liquidity squeeze caused by the spillover effects of efforts to curtail the spread of coronavirus.

Bringing it home, the outbreak of the coronavirus remains at its early stage going by official numbers released by the Nigerian Centre for Disease Control (NCDC). Official confirmed cases is reported as 22 cases with no death recorded. However, concerns are mounting on possibility of increasing number of cases due to inadequate testing capacity and facilities.

The impact on businesses within the country has not been as severe relative to the global phenomenon with economic activities still being conducted as normal but with sluggish growth expected. The Central Bank has therefore announced measures to support SMEs. Nevertheless, the country's main source of FX earnings – crude oil- has been severely battered by loss of demand due to the coronavirus outbreak and the consequent price war between Saudi Arabia & Russia. Oil prices have fallen 56.9% YTD to US\$28.47/bbl. from US\$66.00/bbl. at the end of 2019. In addition, the government revenue shortfall has worsened and the budget 2020 has been cut by 14% to N9.1tn. The country's balance of payments position has further weakened. Consequently, this has led to heightened FX concerns with several investors anticipating a devaluation of the Naira with a significant downward adjustment.

Against this backdrop, the domestic equities market has suffered heavy sell offs over the past month with several stocks trading at historic lows breaking levels last seen in the prior oil price crisis in 2015/16. The benchmark All Share Index (ASI) of the Nigerian equities market has shed 17.3% YTD as at Friday 20th March 2020. Furthermore, Nigeria fixed income assets have received significant sell offs as foreign investors continued to exit Nigerian assets on global risk-off sentiments and contagion effects. The Open Market Operation (OMO) auction on Thursday 19th March, 2020 recorded no sales as the Central Bank of Nigeria (CBN) failed to meet investors' demand for higher rates. The CBN has now technically devalued Naira exchange rate from N306/\$1 to N360/\$1. The Naira/Dollar exchange rate on the investors and exporters window is now pegged at \$380 to a dollar.

NSE All Share Index vs. Brent Crude Price



Source: Bloomberg, FSDH Research

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Stock/Index	Current Price	52-Week High	52-Week Low	All Time High	All-Time Low	Current P/E	5-Year Average P/E	Current P/B	5-Year Average P/B	Dividend Yield
NSE All Share Index	22,198.43	31,917.13	22,035.11	n/a	n/a	6.5x	12.0x	1.0x	1.5x	n/a
GT Bank	18.60	37.70	17.55	57.00	0.85	2.7x	5.4x	0.8x	1.6x	15.3%
Zenith Bank	11.85	23.00	10.85	34.20	5.30	1.8x	3.8x	0.4x	0.8x	22.9%
UBA	5.00	9.25	4.90	21.55	1.25	2.0x	3.0x	0.3x	0.5x	19.2%
Access Bank	5.85	12.00	5.30	21.58	1.40	1.9x	2.9x	0.3x	0.5x	10.7%
Stanbic Bank	26.50	48.50	26.50	53.25	4.27	3.8x	7.7x	0.9x	1.7x	11.3%
Dangote Cement	129.70	215.00	124.00	290.00	86.36	11.0x	15.1x	2.5x	3.9x	12.3%
Nestle	850.00	1,580.00	823.80	1,645.00	30.13	14.7x	39.8x	14.8x	23.0x	8.3%
Flour Mills	19.30	24.00	12.10	96.05	5.68	15.0x	9.1x	0.5x	0.7x	6.2%
Dangote Sugar	10.00	16.60	8.50	46.67	3.13	5.9x	6.5x	1.2x	1.7x	11.0%
Okomu Oil	55.05	80.00	40.15	94.70	1.43	9.5x	8.8x	1.8x	2.3x	5.4%
MTN Nigeria	103.00	159.30	92.50	159.30	92.50	10.4x	n/a	14.5x	n/a	4.8%

Source: Bloomberg, FSDH Research

***current price as of Friday 20th March 2020**

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