

Nigeria's financial services sector, especially the banking industry has always shown resilience in good and bad times of the nation's economy cycle, despite the overregulation and rising level of non-performing loan driven by a high exposure to oil and gas sector at a time its price on the international market has crashed considerably and only now on the path of recovery. Other factors include the devaluation of the Naira (the Central Bank of Nigeria is currently working at stabilising), exposure to the power and manufacturing sectors by the banks, all of which were propelled by the weak macro-economy due recession and rising inflation rate that stood at over 18% in December before recording its first decline in February after 15 months of gradual but consistent growth as the country remained in recession all through 2016.

The recently released audited numbers reveal the latest position of players in the sector in 2016 as they recorded gains in the last quarter of 2016, which they hope to consolidate in the first quarter of the year as the forex policy continued to favour the sector. This should lift the stocks to new highs at mid-year. This financial sector is set to lead the next rally and these INVESTDATA picks will lead the moves.

Zenith Bank

The banking sub-sector remains of the main drivers of the equity market since the beginning of the year.

Zenith Bank Plc's price recently formed a double bottom after a bearish sentiment, triggered by the earlier proposal by the board to raise N100bn in fresh capital, an announcement that negatively affected the share price at a time investors should still be savouring its impressive 2016 full year earnings report. It was like giving shareholders dividend with the right hand and seeking to retrieve same with the left hand, a situation that attracted negative sentiments as shown in the reaction to the bank's share price on the floor of the Nigerian Stock Exchange (NSE) immediately. The plan was later suspended as announced during the Annual General Meeting (AGM), resulting in price reversed due to the inherent value and underlying strong numbers the bank flaunted.

In any case, its shares could be in the process of bottoming out. On that basis, it is worth buying for the medium to long term with a stop below the lows.



The recent double bottom chart pattern within the falling channel supports reversal which may likely breakout to N16.20 considering the positive sentiments trailing the stock with volume index of 0.60. Buying position of the stock is 91% and selling volume, 9%. The price action is still trading below its 20 and 50-Day moving average at N14.50.

Traders should watch out for breakout of the first resistance level at N14.80 and second resistance price of N15.82 or reverse down to first support level at N14.03 and second support at N13.80 respectively. The trending ability and direction is weak on the weekly and daily time frame, as ADX is below 20.

Looking at the technical indicators, Zenith Bank closed below the upper band by 17.4%. MACD is bearish, while RSI is at 48.21 which is relatively out of oversold region. All the momentum indicators are signaling buy, except for MACD indicating sell. Money Flow Index on a daily and weekly time frame is looking up, showing funds are entering the stock.

Fundamental factors: Market Capitalisation- N462.47 billion; Price Earnings Ratio- 3.27x; and Dividend Yield, 13.37%. It is highly undervalued with a huge 54.76% margin of safety.

Meanwhile, the bank's gross income is projected to grow by 13% this year and another 15.04% next year; earnings is estimated to increase by 20% this year. There is positive analysts sentiment for the stock. Our recommendations: BUY.

Ecobank Transnational Incorp

This stock in almost two years has been trending downward with different attempts to rebound, but it continues to make lower lows after forming head and shoulder chart pattern that support decline of 61.11%, before the current reversal attempt. Bearish sentiment is still high as volume index is reading 0.22 with a buy position of 20%, while sell volume is 80%.



The Pan Africa bank has fallen to a strong support line at N8.05 on a negative sentiment that supports the continued pullback being experienced before now.

The recovery move that is underway if supported by strong market forces on expectation of its 2016 financials and Q1 report would sustain the move. It is however set to recover from its 61.11% price decline since 2015.

Traders should watch for a breakout of the first resistant level of N8.90 per share and second resistant level of N9.96 or reverse down to first support level at N8.05 and second support point at N7.75 respectively. The stock is trading below its 20 and 50-Day moving average at N8.45 per share.

Looking at the technical indicators, ETI closed below the lower band by 10.2%. Although prices have broken the lower band and a downside breakout is possible, the most likely scenario is for this current trading range to remain up or reverse down.

MACD is bearish as it just crossed the signal line two trading session ago. RSI is reading 29.27, which indicates oversold. Momentum indicators are mixed as SO and CCI are signaling buy, while RSI and MACD are indicating sell. MFI is looking up on a weekly and daily time.

Fundamental factors

Market Cap: N155.05bn, Price/Earnings: 4.47x and Dividend Yield: 3.67%. Gross Income is expected to grow by 9.04% this year and another 12.6% next year; Earnings is estimated to increase by 15% this year. There is mixed Analysts Sentiment for the stock. But we recommend a buy

United Bank of Africa

The United Bank for Africa Plc has performed fantastically well, when compared to the overall market since the beginning of the year. The stock has pushed higher in recent days to touch an important resistance level at around N5.95 per share. It has now completed Wave 3, pulling back to create opportunity for wave five extension that suggests upward potential. Momentum has been strong, despite the recent price adjustment for dividend. We expect further upside. We recommend buying on pullbacks towards N4.96 level.



The bank has trended up for more than a year before the dip resulting from its mark-down to form a symmetric triangle and Wave 4 by pulling back, thereby giving rise to an uptrend retracement in form of wave extension. The stock is set to cover the take away price by resisting to break down the uptrend line.

Traders should watch for a breakout or reversal at this point, if it breaks out the first resistant

level of N5.39 per share and second resistant level of N5.77 or reverse down to first support level at N4.95 and second support point at N4.50 respectively. The stock is trading above its 20, 50 and 100-Day moving average at N5.26 per share.

Looking at the technical indicators, UBA closed below the upper band by 27.3%. MACD is bullish for the last 15 trading days and RSI is reading 58.96, which is relatively overbought. All momentum indicators are signaling sell, except for MACD. Money Flow Index is turning up on a daily time frame, but down on weekly time frame. The weekly buy volume of the total transactions was 58%, and sell position, 42%. The current trend ability and direction are strong on weekly and daily time frame, with ADX above 20

Fundamental factors

Market Cap: N190.83bn; Price/Earnings ratio: 2.62x; and Dividend Yield: 10.66%. Gross Income is expected to grow by 12% this year and another 14.05% next year; Earnings is estimated to increase 18%. There is positive analysts sentiment for the stock. Our recommendations is BUY

Access Bank

Access is trading in a very long term uptrend with a rising channel and there is a little correction that took place at the end of first quarter, resulting in price mark down and profit taking which offered investors the chance to get into the stock at a discount.

The reaction from the trend line has been excellent and following a solid set of results the shares look ready to push on and target a breakout of the current resistance at N7.18. We recommend you buy these shares on pullback, tucking them away for the long term.



The price action is resisting a breakdown at N6.16 within the bullish channel as it has already pulled back to the uptrend line, suggesting that reversal is imminent to confirm bullish run continuation in Access Bank, especially with mixed sentiment trailing at a buy volume for the week at 55% and 45% sell volume. The momentum and trend direction are strong as ADX is above 20 on a weekly and daily time frame.

The stock is currently trading below its 20-day moving average. Traders should watch for a reversal or continuation of trend to the first and second resistant level at N6.70 and N7.02 respectively, or reversal down to first support level at N6.15 and second support level at N5.86. Looking at the technical indicators, ACCESS closed above the lower band by 45.3%. MACD is bullish in the last three trading sessions. RSI is reading 52.95 which is relatively at overbought region. All the momentum indicators are signaling SELL, MFI is looking up to signal that funds are entering the stock. Last Friday's buying position was 0% and selling 100%.

Fundamental factors

Market Cap: N181.67bn; P/E: 2.76x; and Dividend Yield: 6.68%. Gross Income is expected to grow by 18% this year and another 23% next year, Earnings is projected at 36% growth this year.

Our recommendations is BUY.