



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 17 – 21 June 2019

Global Economy

- ◆ During the week, the US Fed voted to leave the interest rate unchanged at 2.5%, citing a strong labor market and moderately rising economic activity as the basis for its decision. However, the Committee's tone was more dovish, as FOMC acknowledged the uncertainties surrounding US' growth picture and muted inflationary pressures. The committee noted that it will closely monitor incoming data and will act as appropriate to sustain an expansion in the economy. Similarly, policy stance in U.K and Japan remain accommodative, with the central banks leaving rates unchanged at 0.75% and -0.1% respectively. Meanwhile, inflation in the EU rose at a much slower pace of 1.2% YoY in May (lowest since April 2018), from 1.7% YoY in the previous month, largely reflecting moderation in prices of energy and services.

Domestic Economy

- ◆ On Monday, the National Bureau of Statistics (NBS) released inflation data for the month of May. The data revealed uptick in inflation by 3bps to 11.40% YoY, from 11.37% YoY recorded in the prior month. The increase in price stemmed from 9bps increase in food inflation to 13.79% YoY (April: 13.70%), reflecting impact of the Ramadan season and disruption in farming activities caused by continued conflict in the Northern region which drove increase in price of farm produce. On the flipside, core inflation moderated further, down by 26bps to 9.02% YoY. This was spurred by a reduction in PMS prices by 3.4% YoY, outweighing the increase in diesel (10.87% YoY) and kerosene prices (23.07% YoY).

Equities

- ◆ The Nigerian Bourse closed negative for the third consecutive week, with the NSE ASI shedding 0.65% WoW to close at 29,851.29 points and market capitalization shedding ₦78.1 billion. The bearish sentiment was spurred by losses recorded in Personal care (-0.24%), Construction (-1.96%), and Food (-2.40%) sectors offsetting the gains in Banking (+1.30), Brewers (+1.47%), Cement (+0.23%), Insurance (+3.28%) and Oil & Gas (+1.26%) segments. A closer look at the market performance reveals selloff across stocks such as PZ: -4.76%, NESTLE: -5.57%, OKOMU: -10.00%, PRESCO: -9.09%, GUINNESS: -3.68%, INTBREW: -9.97% and MTNN: -4.13%.

Fixed Income

- ◆ The CBN held another NTB auction this week, a move away from its customary 2-week break between auctions. The apex bank sold a total of ₦17.6bn it offered compared to ₦131.64bn that was sold at the last auction. Notably, compared to the last auction with a stop rate of 12.34%, the 1 year stop rate closed lower at 12.02%. Accordingly, investors bid up existing 1yr bills in the secondary market, with yield contracting 12bps WoW to 13.6%. However, following sell-off in the 182-day bill (+45bps to 12.67%), average NTB yields rose 18bps to close the week at 12.48%. On the long end, average bond yields moved the opposite way declining 7bps to 14.31% with the Jan 22 issuance seeing the biggest demand (-63bps to 13.91%). As a result, average fixed income yields expanded 5bps WoW 13.39%.

The week in Review

- ◆ During the week, the US Fed voted to leave the interest rate unchanged at 2.5%, citing a strong labor market and moderately rising economic activity as the basis for its decision. However, the Committee's tone was more dovish, as FOMC acknowledged the uncertainties surrounding US' growth picture and muted inflationary pressures. The committee noted that it will closely monitor incoming data and will act as appropriate to sustain an expansion in the economy.

- ◆ Similarly, policy stance in U.K and Japan remain accommodative, with the central banks leaving rates unchanged at 0.75% and -0.1% respectively. Meanwhile, inflation in the EU rose at a much slower pace of 1.2% YoY in May (lowest since April 2018), from 1.7% YoY in the previous month, largely reflecting moderation in prices of energy and services.

Country Index			Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies					
			WoW (%)	YTD (%)	52-Wk	P/E (x)	Mkt. Cap (\$'bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation n (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,953	2.3	17.8	7.4	19.3		2.0	US	1.93		2.06	0.2	1.8	Euro (€)	1.1	1.1	1.2	-1.0
	NASDAQ	8,044	3.2	21.2	4.3	31.5	12,083.4	1.1	UK	0.73	0.0	0.73	-0.1	2	GBP (£)	1.3	1.3	1.0	-0.3
UK	FTSE ASI	7,408	0.8	10.1	-2.0	17.5		4.7	Euro	-0.35	-14.9	0.23	-6.5	1.2	JPY (¥)	107.5	108.6	1.0	2.1
France	CAC 40	5,528	3.0	16.9	4.0	18.5	1,089.5	3.4	Japan			-0.21	0.2	0.8	INR (₹)	69.6	69.8	0.3	0.3
Germany	XETRA DAX	12,340	2.0	16.9	-1.4	16.3		3.4	China	2.61	-2.2	3.20	0.0	2.7	CNY (¥)	6.9	6.9	0.8	0.1
Japan	NIKKEI 25	21,259	0.0	6.2	-5.6	15.8	5.4	2.1	India	6.08	-0.8	6.86	-0.9	8.33	MXN (\$)	19.1	19.2	0.2	2.7
China	Shanghai Comp	3,002	0.0	20.4	3.9	14.5	4,803.3	2.7	Mexico	8.09	-0.7	7.59	-0.1	4.28	RUB (p.)	63.3	64.4	1.8	9.6
Brazil	Ibovespa	101,658	3.7	15.7	40.9	18.6	43.4	3.4	Turkey	21.73	11.9	15.83	7.5	18.71	ZAR (R)	63.3	64.4	1.8	9.6
India	BSE Sens	39,194	-0.7	8.7	10.6	27.9	579.0	1.5	Russia	7.07	-2.6	3.04	0.2	5.1	EGP (£)	16.7	16.8	0.4	7.4
Russia	RTS	726	2.2	27.0	24.4	5.5	3.5	6.8	Egypt	17.00	0.0	16.78	-4.1	14.1	KES (sh)	101.9	101.9	0.0	-0.1
Mexico	S&P/BMV IPC	43,478	0.8	4.4	-6.4	15.6		3.2	South Africa	7.54	-0.9	8.85	1.7	4.5	GHS (¢)	16.7	16.8	0.4	7.4
Turkey	Borsa Istanbul	94,022	3.6	3.0	-1.1	7.1	0.4	4.6	Kenya	9.05	-2.3	12.44	-0.5	5.5	XOF (₣)	579.7	583.9	0.7	-1.2
Indonesia	JCI Index	6,315	0.0	2.0	8.5	20.0	497.4	2.3	Ghana	15.50	0.0	19.00	0.0	9.41	XAF (₣)	580.1	586.5	1.1	0.0
Kazakhstan	KASE Index	2,280	2.1	-2.0	-4.2	6.6	3.3	145.4	Nigeria	12.02	-2.6	14.51	0.9	11.4	NGN (₦)	360.0	360.2	0.1	0.7
Vietnam	VN Index	959	0.0	7.5	-2.4	16.7	137.8	1.7	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	58,941	1.3	11.8	4.8	18.1	-	3.9			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	14,043	0.0	7.7	-14.1	15.2	11.4	3.1	Brent Crude	\$/bbl	65.2	62.0	5.1	21.2	Japan GDP Annualised (YoY) Q1	2.2%	2.1%		
Kenya	NSEASI	147	-1.8	4.9	-13.4	11.6	20.4	6.1	OPEC Crude	\$/bbl	64.0	61.5	4.4	24.1	China Trade Balance USD - May	\$41.65B	\$13.83B		
Morocco	MSCI MX	315	5.3	1.6	-3.1	20.0	10.0	4.0	Gasoline	\$/gal	185.1	173.3	6.9	23.1	UK GDP (MoM) - April	-0.4%	-0.1%		
Ghana	GSE Composite	2,384	-0.8	-4.6	-16.7	19.5	4.0	2.0	Natural Gas	\$/MBtu	2.2	2.4	-8.3	-20.7	UK ILO Unemployment Rate (3M) - April	3.8%	3.8%		
Tunisia	TunIndex	7,103	0.4	-2.3	-10.3	19.0	0.7	2.0	Gold	\$/t oz	1396.5	1341.7	4.1	8.9	US Producer Price Index (YoY) - May	1.8%	2.2%		
BRVM	BRVM	159	-1.0	-7.8	-27.3	7.2	7.7		Sugar	\$/lb	12.5	12.9	0.0	-0.4	China Consumer Price Index (YoY) - May	2.7%	2.5%		
Mauritius	SEMDEX	2,116	0.2	-4.6	-5.3	18.8	8.6		Wheat	\$/bsh	533.3	542.0	-1.6	0.9	US Consumer Price Index (YoY) May	1.8%	2.0%		
Nigeria	NGSE ASI	29,851	-0.65	-5.02	-21.8	7.4	31.1	6.7	Crude Palm oil	IYR/MT	2022.0	2018.0	0.0		Germany Consumer Price Index (YoY) May	1.4%	1.4%		

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	45.09	45.16	-0.17%	4.57%	Initial View - Lafarge Africa Plc - Disposal of LSA - brink of hope
USD/NGN (₦/\$)					May Inflation: Consumer Prices remained pressured in May
NAFEX	360	361	0.01%	1.09%	
Parallel	360.5	360.0	-0.14%	0.14%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	11.4	11.37	0.03	11.34	
Core	9.02	9.28	-0.26	9.50	
Food	13.78	13.7	0.08	13.58	
GDP (%) - YoY	Q1 19	Q4 18	Q3 18	FY19F	
Real GDP	2.01	2.4	1.8	2.2	
Oil	-2.4	-1.6	-2.9	6.1	News Headline for the week (click news for link)
Agriculture	3.2	2.5	1.9	3.2	*FG to borrow \$2.7bn foreign loan in 2019 – DMO
Manufacturing	0.8	2.4	1.9	2.1	*Dangote Cement floats N50b commercial papers
Services	3.1	3.8	3.4	1.7	*CBN releases N607bn agriculture credit for 587 projects
Labor Data (%) - Q3 18			Latest	Prior	*DMO Lists Eurobonds on FMDQ, Nigerian Stock Exchange
Unemployment Rate			23.1	18.8	*Otedola sells shares in Forte Oil's fuel, upstream businesses
Underemployment			20.1	21.2	*ATCON slams NCAA, says it won't rebuild demolished masts
Capital Importation (\$'mn)	Q4 18	Q3 18	QoQ (%)	YoY (%)	*Lafarge to sell South Africa subsidiary for \$316.3m, redeems N26.4bn bond
Foreign Portfolio Investment - Equities	218.27	394.47	-44.7%	-88.7%	*Forcados shutdown drags Nigeria's production as OPEC's May output shrinks
Bonds	193.33	37.48	415.8%	68.1%	*Tribunal reverses FIRS' N29.2 million VAT on bank
Money Market	983.08	1291.1	-23.9%	36.7%	*FG nets N3.7tr against CBN in five year operations
Foreign Direct Investment	156.8	530.63	-70.5%	-42.9%	*NNPC Awaits Security Clearance to Resume Oil Search in Chad Basin
Balance of Payment (\$'mn)	Q4 18	Q3 18	Q2 18	QoQ	*IoD probes Oando-SEC crisis
Trade Balance	2,080	1,148	2,266	81.2%	*SEC grants final approval for Lagos commodity exchange
CA Balance	338	(472)	1,332	-171.6%	*Nigeria daily oil production hits 2.3 mbpd – NNPC GMD

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

The week in Review

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- A closer look at the market performance reveals selloff across stocks such as PZ: -4.76%, NESTLE: -5.57%, OKOMU: -10.00%, PRESCO: -9.09%, GUINNESS: -3.68%, INTBREW: -9.97% and MTNN: -4.13%.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	29851.29	-0.65	-3.92	-3.83	-5.02	-21.76
NSE ASI (\$)	82.81	-0.65	-3.41%	-3.78%	-4.11%	-21.05%
Market Cap (₦bn)	13154.61	-0.59%	-3.43%	12.70%	12.23%	-4.09%
Market Cap (\$mn)	36490.91	-0.58%	-3.36%	12.76%	13.32%	-3.96%
NSE 30	1245.28	0.24	-3.22	-10.58	-12.13	-28.07
NSE Premium	2410.09	-0.77	-1.23	9.36	9.80	-12.29
NSE 50	1468.71	-0.66	-4.02	-10.92	-11.63	-25.06
NSE ASEM	782.29	0.00%	-2.85	-3.09	-1.45	-17.62
NSE Banking	366.01	2.53	1.23	-9.39	-8.25	-23.46
NSE Insurance	125.65	8.34	4.87	-0.26	-0.66	-15.04
NSE Consumer	602.91	-1.64	-4.44	-15.24	-19.49	-33.79
NSE Oil & Gas	251.53	0.71	-4.21	-13.42	-16.78	-23.99
NSE Industrial	1088.24	3.17	-3.97	-12.22	-12.09	-45.45
NSE Lotus	1953.45	-1.54	-7.15	-13.86	-12.56	-24.15
NSE Pensions	1052.72	0.84	-1.26	-11.39	-12.82	-29.18

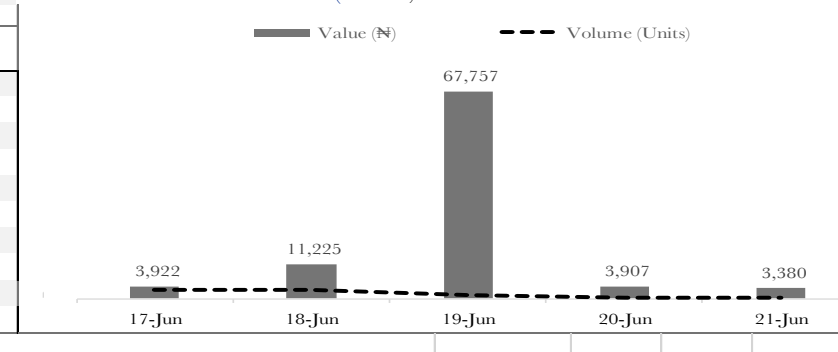
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	1.30%	-10.32%	-9.94%
Brewers	1.47%	-15.10%	-32.16%
Cement	0.23%	-4.09%	-3.42%
Personal Care	-0.24%	-21.63%	-23.91%
Construction	-1.96%	-14.96%	2.18%
Food	-2.40%	-11.67%	-8.02%
Insurance	3.28%	-0.53%	0.96%
Oil & Gas	1.26%	-27.09%	-30.58%
Real Estate	0.00%	-0.42%	-1.12%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.95%	18.18%	16.75%
Mid Cap (Mid 30%)	0.64%	-5.60%	-4.24%
Small Cap (Bottom 60%)	22.47%	41.22%	16.77%

Volume and Value Traded (millions)



Top 10 Gainers

Company	This Week	WoW
LINKASSURE	0.66	37.5%
NEM	2.80	33.3%
THOMASWY	0.40	21.2%
WAPCO	11.55	18.5%
CHAMPION	1.42	18.3%
DANGSUGA	12.40	17.0%
ETI	11.35	15.2%
GLAXOSMITH	9.35	10.0%
LAWUNION	0.50	8.7%
WEMA	0.67	8.1%

Top 10 Losers

Company	This Week	WoW
CHAMS	0.31	-13.9%
CAP	27.50	-11.6%
OKOMU	66.60	-10.0%
CILEASING	5.67	-10.0%
ABCTTRANS	0.27	-10.0%
INTBREW	16.70	-10.0%
IKEJAHOTEL	1.31	-9.7%
PRESCO	50.00	-9.1%
ROYALEX	0.22	-8.3%
LIVESTOCK	0.55	-8.3%

Source: NSE, Bloomberg, ARM Research

The week in Review

- ◆ The CBN held another NTB auction this week, a move away from its customary 2-week break between auctions. The apex bank sold a total of N17.6bn it offered compared to N131.64bn that was sold at the last auction. Notably, compared to the last auction with a stop rate of 12.34%, the 1 year stop rate closed lower at 12.02%. Accordingly, investors bid up existing 1yr bills in the secondary market, with yield contracting 12bps WoW to 13.6%.

- ◆ However, following sell-off in the 182-day bill (+45bps to 12.67%), average NTB yields rose 18bps to close the week at 12.48%. On the long end, average bond yields moved the opposite way declining 7bps to 14.31% with the Jan 22 issuance seeing the biggest demand (-63bps to 13.91%). As a result, average fixed income yields expanded 5bps WoW 13.39%.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	9.21%	5.71%	3.50%	07-Jun-19	11.40%	11.64%	12.48%	07-Jun-19	3.25	11.18	461.5
Open Buy Back (OBB)	8.71%	5.29%	3.42%	24-May-19	11.40%	11.68%	12.50%	24-May-19	16.18	47.56	296.95
NIBOR - 1M	12.21%	12.22%	-0.01%	10-May-19	11.76%	12.83%	12.88%	10-May-19	72.31	46.57	494.4
NIBOR - 3M	12.69%	12.88%	-0.19%	19-Apr-19	11.80%	12.90%	13.03%	19-Apr-19	30.94	150.36	228.4
NIBOR - 6M	14.23%	13.69%	0.54%	05-Apr-19	11.78%	13.00%	13.04%	05-Apr-19	7.91	53.1	627.2
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	11.95%	11.86%	0.09%	21-Jun-19	9.60%	11.89%	12.02%	21-Jun-19	3.0	4.0	10.6
3-month	11.16%	10.96%	0.20%	14-Jun-19	10.00%	11.95%	12.34%	14-Jun-19	15.0	30.0	84.6
6-month	12.67%	12.22%	0.45%	30-May-19	10.00%	11.95%	12.20%	30-May-19	24.4	23.2	19.8
9-month	13.33%	13.62%	-0.29%	17-May-19	10.00%	12.30%	12.49%	17-May-19	4.4	12.9	16.5
12-month	13.60%	13.72%	-0.12%	02-May-19	10.00%	12.49%	12.77%	02-May-19	28.0	10.6	71.1
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	12.53%	12.50%	0.03%	22-May-19	14.11%	14.24%	14.49%	22-May-19	27.0	35.0	48.9
15.54% 13-FEB-2020	12.84%	12.61%	0.23%	24-Apr-19	14.50%	14.55%	14.80%	24-Apr-19	1.1	3.4	1.3
14.50% 15-JUL-2021	14.52%	14.63%	-0.11%	27-Mar-19	13.50%	13.50%	13.50%	27-Mar-19	1.1	4.3	34.2
16.39% 27-JAN-2022	13.91%	14.54%	-0.64%	20-Feb-19	14.52%	14.79%	14.93%	20-Feb-19	12.7	20.1	55.3
14.20% 14-MAR-2024	14.48%	14.63%	-0.15%	30-Jan-19	15.20%	15.25%	15.35%	25-Apr-18	17.5	7.4	71.9
12.50% 22-JAN-2026	14.66%	14.73%	-0.07%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	14.65%	14.65%	0.00%	UBA 16.45% 30-DEC-2021	15.03%	15.56%	-0.53%	FBN 6.488% 23-JUL-2021	8.48%	8.61%	-0.13%
12.1493% 18-JUL-2034	14.75%	14.76%	-0.01%	MIXTA 17.00% 16-JAN-2022	15.11%	15.24%	-0.14%	ECOBANK 8.75% 14-AUG-2021	8.97%	9.14%	-0.16%
16.2499% 18-APR-2037	14.77%	14.60%	0.17%	FIDELITY 16.48% 13-MAY-2022	15.29%	15.73%	-0.45%	ACCESS 10.50% 19-OCT-2021	5.70%	5.96%	-0.26%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	15.89%	16.21%	-0.32%	ZENTH 7.375% 30-MAY-2022	5.23%	5.51%	-0.28%
5.625% 27-JUN-2022	4.54%	5.02%	-0.48%	LAPO MFB 17.75% 19-DEC-2022	17.92%	18.08%	-0.16%	UBA 7.75% 08-JUN-2022	6.08%	6.23%	-0.15%
6.50% 28-Nov-2027	6.71%	7.25%	-0.54%	STERLING 16.50% 3-AUG-2023	15.41%	15.43%	-0.02%	SEPLAT 9.25% 1-APR-2023	7.64%	7.84%	-0.20%
7.875% 16-FEB-2032	7.47%	7.99%	-0.51%	FCMB 17.25% 8-DEC-2023	15.80%	15.89%	-0.09%				
7.625% 28-Nov-2047	7.77%	8.28%	-0.51%	STANBIC 13.25% 30-SEP-2024	15.58%	15.68%	-0.10%				
				VIATHAN 16.00% 14-DEC-2027	15.63%	15.71%	-0.08%				

Source: DMO, FMDQ, Bloomberg, ARM Research

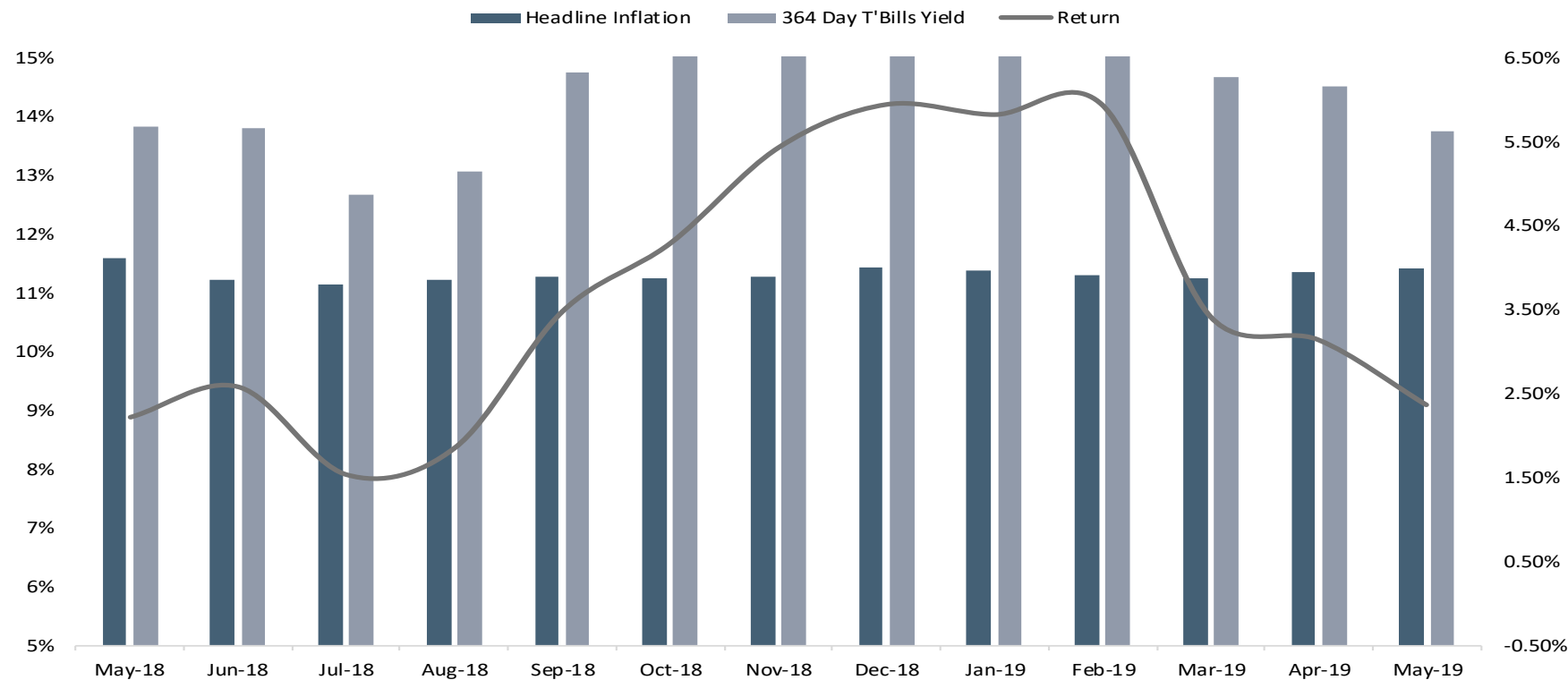
Economic and Financial Calendar for the week 25th - 29th June 2019

	Monday 24-Jun	Tuesday 25-Jun	Wednesday 26-Jun	Thursday 27-Jun	Friday 28-Jun
Global	UK Inflation Report Hearings	US Housing Price Index	NZ Interest Rate Decision	Spain CPI**	G20 Meeting
	NZ Trade Balance (YoY) May	US Consumer Confidence	EU Non-Monetary Policy ECB Meeting	Germany CPI**	UK GDP Q1
	JP BoJ Monetary Policy Meetings	US Fed's Chair Powell speech	Italy Q1 Public Deficit/GDP	US GDP Q1	EU June CPI**
		US API Weekly Crude Oil Stock		JP May Unemployment Rate	US May PCE
Domestic					
	Food Security Survey	Job Creation and Labour Force Statistics			FAAC April 2019 Disbursement
					Job Creation Q1-Q4 2018

** means Preliminary Estimate

Trend in Global Crude Oil Market

This week, we feature trend in headline inflation vs yield on 364 day T-bill.



Source: NBS & ARM Research



Thank You



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