



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 03 – 07 June 2019

Global Economy

- ◆ This week, the Fed chairman signaled an openness to rate cut, following the recent development around trade war. He guided that the Fed will closely monitor its implication on growth and act appropriately to sustain an expansion in the economy. Also, U.S jobs data released today shows that employers added only 75,000 jobs in the month of May, a slowdown from an average of 161,000 new jobs, since the start of the year. The jobs data further raises concern on growth which brings the FOMC one step closer to a rate cut. Elsewhere in the Eurozone, preliminary estimates released by Eurostat showed a further decline in inflation rate to 1.2% in May from 1.7% recorded in the previous month, driven by declines in energy prices and services. Consequently, the ECB left rates unchanged at the policy meeting held this week and extended its earliest date for a rate hike to mid-2020 (previously year-end).

Domestic Economy

- ◆ Data released by the National Bureau of Statistics revealed Nigeria's trade surplus in Q1 2019 contracted by -53.2% YoY to ₦832 billion, largely driven by an expansion in imports. Over the period, imports expanded by 25.8% due to increased purchase of machinery which offset the decline in mineral products. Also exports declined by 3.9% YoY to ₦4.5 trillion, mirroring declines in crude oil exports (-5.67% YoY) which neutered growth in non-oil exports (+1.65% YoY). Elsewhere, the World Bank recently revised Nigeria's GDP growth lower to 2.1% in 2019 from its prior estimate of 2.2%. This was due to concerns regarding supply disruptions in the oil sector and lack of reforms to spur new capacity. That said, the world bank estimates growth to be stable over 2020 before strengthening to 2.4 percent in 2021.

Equities

- ◆ In a twist of events, the Nigerian Bourse closed the week negative with the NSE ASI shedding 2.05% WoW to close at 30,432.13 points, with market capitalization dropping by ₦449.16 billion. The bearish sentiment was spurred by losses recorded across all sectors; Banking (-0.96%), Cement (-5.13%), Construction (-5.44%), Personal care (-2.62%), Food (-1.69%), Insurance (-1.48%) and Oil & Gas (-11.90%). Dissecting the sector performance reveals selloff across various stocks such as GUARANTY: -3.80%, DANGCEM: -5.26%, PZ: -9.26%, UNILEVER: -0.16%, DANGSUGA: -12.88%, SEPLAT: -6.64% and MTN: -0.33%.

Fixed Income

- ◆ Over the course of the holiday-shortened week, average fixed income yields expanded 84bps WoW to 13.78%, following yields uptick at both ends of the curve. Notably, the apex bank conducted OMO auction twice this week taking up ₦476 billion from the system which more than outweighed inflow of ₦177 billion OMO maturities. As a result, average NTB yields closed the week 134 bps higher WoW to 13.29%, with yields expanding across the 91-day (+176 bps WoW), 182-day (+109 bps) and 365-day (+117 bps) bills. At the other end of the curve, average bond yields rose by a relatively smaller margin of 34bps to 14.28%. This was led by sell-offs in the shorter tenured issuances with the JUN 19, FEB 20 and JUL 21 closing higher by 149bps, 103bps and 73bps respectively.

The week in Review

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- The jobs data further raises concern on growth which brings the FOMC one step closer to a rate cut. Elsewhere in the Eurozone, preliminary estimates released by Eurostat showed a further decline in inflation rate to 1.2% in May from 1.7% recorded in the previous month, driven by declines in energy prices and services. Consequently, the ECB left rates unchanged at the policy meeting held this week and extended its earliest date for a rate hike to mid-2020 (previously year-end).

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 (%)	This Week	Prior Week	WoW (%)	YTD (%)			
US	S&P 500	2,879	4.6	14.9	3.9	18.8		2.0	US	1.99		2.09	0.3	2	Euro (€)	1.1	1.1	1.5	-1.1	
	NASDAQ	7,754	4.0	16.9	1.6	30.4	11,428.3	1.2	UK	0.72	0.0	0.69	0.5	2.1	GBP (£)	1.3	1.3	0.9	-0.1	
UK	FTSE ASI	7,332	2.4	9.0	-4.8	17.3		4.8	Euro	-0.29	-4.0	0.25	-25.0	1.2	JPY (¥)	108.2	108.3	0.0	1.3	
France	CAC 40	5,364	3.0	13.4	-1.5	18.0	1,039.9	3.5	Japan			-0.18	0.2	0.9	INR (Rs)	69.5	69.7	0.3	0.4	
Germany	XETRA DAX	12,045	2.7	14.1	-6.0	15.9		3.5	China	2.69	-2.5	3.23	-3.7	2.5	CNY (¥)	6.9	6.9	-0.1	-0.5	
Japan	NIKKEI 25	20,885	0.0	4.3	-8.0	15.5	5.3	2.2	India	6.05	-2.7	6.97	-0.8	8.33	MXN (\$)	19.6	19.6	0.2	0.4	
China	Shanghai Comp	2,828	0.0	13.4	-9.1	13.7	4,494.9	2.8	Mexico	8.34	0.5	7.87	0.7	4.28	RUB (p.)	64.9	65.4	0.9	6.9	
Brazil	Ibovespa	97,952	0.9	11.5	32.6	17.9	41.6	3.6	Turkey	24.49	5.5	17.99	-0.3	18.71	ZAR (R)	64.9	65.4	0.9	6.9	
India	BSE Sens	39,616	-0.2	9.8	11.7	28.2	578.8	1.5	Russia	7.34	-0.1	3.20	0.6	5.1	EGP (£)	16.8	16.8	0.2	7.0	
Russia	RTS	703	2.6	22.9	13.4	5.3	3.3	7.5	Egypt	17.00	0.0	17.50	0.0	13	KES (sh)	101.2	101.2	0.0	0.6	
Mexico	S&P/BMV IPC	43,198	1.1	3.7	-5.0	15.5		3.2	South Africa	7.67	-0.5	9.22	-0.8	4.4	GHS (¢)	16.8	16.8	0.2	7.0	
Turkey	Borsa Istanbul	93,809	3.6	2.8	-5.5	7.0	0.4	4.5	Kenya	9.30	-0.1	12.44	-0.5	5.5	XOF (F)	579.2	587.6	1.5	-1.1	
Indonesia	JCI Index	6,209	0.0	0.2	3.8	19.6	485.1	2.3	Ghana	15.50	0.0	19.00	0.0	9.47	XAF (F)	580.3	588.4	1.4	0.0	
Kazakhstan	KASE Index	2,195	-2.7	-5.6	-12.0	6.3	3.2	151.0	Nigeria	12.20	-2.3	14.60	-1.3	11.4	NGN (₦)	360.0	360.2	0.1	0.7	
Vietnam	VN Index	958	0.0	7.4	-7.8	16.7	137.2	1.7	Global Commodities					Global Indicators for the Week						
South Africa	FTSE/JSE ASI	58,100	4.4	10.2	-0.5	17.4	-	4.1			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior			
Egypt	EGX 30	13,788	0.0	5.8	-16.0	14.9	11.2	3.2	Brent Crude	\$/bbl	63.3	64.5	-1.9	17.6	Euro Area Unemployment rate (YoY) Q1				7.6%	7.7%
Kenya	NSEASI	150	0.4	7.1	-15.0	11.9	21.0	5.9	OPEC Crude	\$/bbl	60.9	67.1	-5.1	18.1	Euro Area Gross Domestic Product (YoY) Q1				0.40%	0.40%
Morocco	MSCI MX	298	0.2	-3.7	-9.0	19.0	9.4	4.0	Gasoline	\$/gal	173.6	177.1	-2.0	15.4	Euro Area Consumer Price Index (YoY) (May)*				1.2%	1.7%
Ghana	GSE Composite	2,464	0.1	-1.4	-19.9	20.2	4.1	1.8	Natural Gas	\$/MBtu	2.3	2.5	-4.9	-15.4	Germany Markit Manufacturing PMI (May)				44.30	44.40
Tunisia	TunIndex	7,081	0.6	-2.6	-7.7	18.3	0.7	2.0	Gold	\$/t oz	1339.1	1305.6	2.6	4.4	Japan Consumer Price Index (YoY) (May)				1.1%	1.4%
BRVM	BRVM	161	-0.9	-6.3	-25.6	7.5	7.8		Sugar	\$/lb	12.5	12.1	0.0	2.1	Euro Area Producer Price Index (YoY) (April)				2.6%	2.9%
Mauritius	SEMDEX	2,126	-0.4	-4.2	-5.0	18.6	8.6		Wheat	\$/bsh	504.5	503.0	0.0	-2.7	US Markit Composite PMI (May)				50.9	53.0
Nigeria	NGSE ASI	30,432	-2.05	-3.18	-22.1	7.6	30.4	6.4	Crude Palm oil	IYR/MT	2028.0	2105.0	0.0		China Non - Manufacturing PMI (May)				54.30	54.30

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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- ◆ Elsewhere, the World Bank recently revised Nigeria's GDP growth lower to 2.1% in 2019 from its prior estimate of 2.2%. This was due to concerns regarding supply disruptions in the oil sector and lack of reforms to spur new capacity. That said, the world bank estimates growth to be stable over 2020 before strengthening to 2.4 percent in 2021.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	45.14	45.09	0.12%	4.70%	Economic Update - May 2019
USD/NGN (₦/\$)					The Pentad - Urban Retail Price Tracker - June 2019
NAFEX	361	361	0.01%	1.04%	
Parallel	359.5	360.0	0.14%	0.42%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	11.37	11.25	0.12	11.33	
Core	9.62	9.72	-0.10	9.70	
Food	13.7	13.45	0.25	13.53	
GDP (%) - YoY	Q1 19	Q4 18	Q3 18	FY19F	
Real GDP	2.01	2.4	1.8	2.2	News Headline for the week (click news for link)
Oil	-2.4	-1.6	-2.9	6.1	*Wellhead fire: Delta community sends SOS to FG, others
Agriculture	3.2	2.5	1.9	3.2	*Banks' assets, liabilities rise to N38.4tn
Manufacturing	0.8	2.4	1.9	2.1	*German govt invests 2m Euros in Nigeria's rice production
Services	3.1	3.8	3.4	1.7	*CBN engages 100,000 cotton farmers for textile sector resuscitation
Labor Data (%) - Q3 18			Latest	Prior	*World Bank Cuts Nigeria's GDP Growth Forecast to 2.1% for 2019
Unemployment Rate			23.1	18.8	*Kachikwu: We Have Set Oil and Gas Sector on Path of Upward Trajectory
Underemployment			20.1	21.2	*Oando Saga: Operators want firm, holistic regulatory handling to protect investors
Capital Importation (\$'mn)	Q4 18	Q3 18	QoQ (%)	YoY (%)	*Recapitalisation: Insurance firms seek deadline extension
Foreign Portfolio Investment - Equities	218.27	394.47	-44.7%	-88.7%	*Banks' non-performing loans hit N1.676tn
Bonds	193.33	37.48	415.8%	68.1%	*Obey flood warnings, NIHSA charges state govts
Money Market	983.08	1291.1	-23.9%	36.7%	*Emefiele Takes Oath of Office Today
Foreign Direct Investment	156.8	530.63	-70.5%	-42.9%	*CBN Harps on Open Banking
Balance of Payment (\$'mn)	Q4 18	Q3 18	Q2 18	QoQ	*NEXIM Bank, NIWA, others to boost non-oil exports by \$1.2bn
Trade Balance	2,080	1,148	2,266	81.2%	*Presidency meets power firms over electricity crisis
CA Balance	338	(472)	1,332	-171.6%	

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

The week in Review

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- Dissecting the sector performance reveals selloff across various stocks such as GUARANTY: -3.80%, DANGCEM: -5.26%, PZ: -9.26%, UNILEVER: -0.16%, DANGSUGA: -12.88%, SEPLAT: -6.64% and MTN: -0.33%.

Index Performance

		Index Returns (%)				
	Level	WoW	MTD	QTD	YTD	1 year
NSE ASI	31069.37	0.61	6.55	0.09	-1.15	-18.46
NSE ASI (\$)	86.13	0.61	6.52%	0.07%	-0.26%	-15.58%
Market Cap (₦bn)	13684.62	0.61%	24.87%	17.24%	16.76%	2.61%
Market Cap (\$mn)	37934.85	0.51%	24.84%	17.22%	17.80%	2.65%
NSE 30	1286.68	1.66	-1.92	-7.61	-9.21	-24.88
NSE Premium	2440.10	0.02	15.78	10.72	11.16	-13.00
NSE 50	1530.18	1.51	-1.56	-7.19	-7.93	-21.06
NSE ASEM	805.27	0.00%	-0.41	-0.24	1.44	-15.20
NSE Banking	361.57	3.94	-5.28	-10.49	-9.37	-23.74
NSE Insurance	119.81	3.28	-1.20	-4.90	-5.27	-15.59
NSE Consumer	630.93	1.31	-5.86	-11.30	-15.74	-29.15
NSE Oil & Gas	262.58	2.14	-6.44	-9.62	-13.12	-24.16
NSE Industrial	1133.27	1.30	5.05	-8.59	-8.45	-40.95
NSE Lotus	2103.92	1.00	1.39	-7.22	-5.82	-16.73
NSE Pensions	1066.11	1.89	-4.12	-10.26	-11.71	-26.29

Top 10 Gainers

Company	This Week	WoW
CHAMS PLC	0.38	15.2%
STERLING	2.30	11.1%
ECOBANK	11.15	10.9%
MANSARD	1.98	10.0%
LEARNAFRICA	1.34	9.8%
LIVESTOCK	0.59	9.3%
UNITYBANK	0.71	9.2%
COURTVILLE	0.24	9.1%
LAWUNION	0.48	9.1%
UBA	6.25	8.7%

Top 10 Losers

Company	This Week	WoW
BERGER	6.65	-9.5%
RTBRISCOE	0.29	-9.4%
ETERNA	3.65	-8.7%
CAP	31.10	-8.5%
CHAMPION	1.01	-8.2%
FIDELITY	1.68	-7.2%
VERITASKAP	0.20	-4.8%
PZ	8.10	-4.7%
OANDO	4.20	-4.5%
NASCON	16.25	-4.4%

Source: NSE, Bloomberg, ARM Research

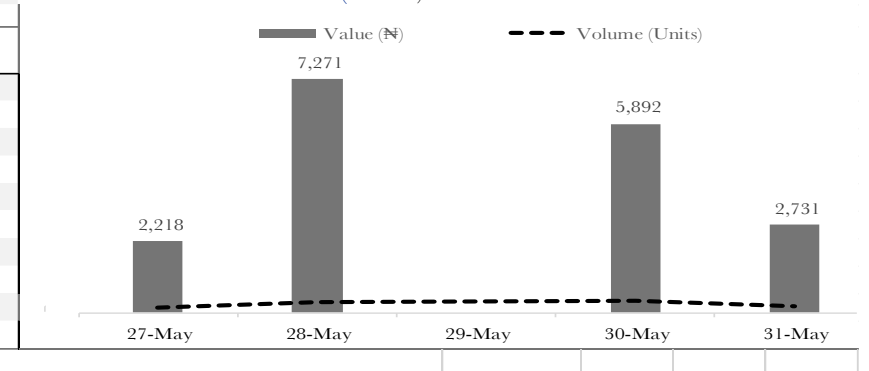
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	3.06%	-10.61%	-10.24%
Brewers	-0.61%	-15.68%	-32.62%
Cement	-0.25%	3.64%	4.36%
Personal Care	-0.99%	-19.95%	-22.28%
Construction	2.15%	-8.27%	10.21%
Food	2.58%	-6.21%	-2.33%
Insurance	1.30%	-2.66%	-1.20%
Oil & Gas	5.96%	-18.66%	-22.55%
Real Estate	0.00%	-0.45%	-1.15%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.56%	23.36%	21.87%
Mid Cap (Mid 30%)	0.14%	-3.74%	-2.35%
Small Cap (Bottom 60%)	1.40%	19.44%	-1.24%

Volume and Value Traded (millions)



The week in Review

- Over the course of the holiday-shortened week, average fixed income yields expanded 84bps WoW to 13.78%, following yields uptick at both ends of the curve. Notably, the apex bank conducted OMO auction twice this week taking up ₦476 billion from the system which more than outweighed inflow of ₦177 billion OMO maturities. As a result, average NTB yields closed the week 134 bps higher WoW to 13.29%, with yields expanding across the 91-day (+176 bps WoW), 182-day (+109 bps) and 365-day (+117 bps) bills.

- At the other end of the curve, average bond yields rose by a relatively smaller margin of 34bps to 14.28%. This was led by sell-offs in the shorter tenured issuances with the JUN 19, FEB 20 and JUL 21 closing higher by 149bps, 103bps and 73bps respectively.

	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)	11.43%	4.93%	6.50%	07-Jun-19	11.40%	11.66%	12.48%	07-Jun-19	3.25	11.18	461.5
Open Buy Back (OBB)	10.86%	4.14%	6.72%	24-May-19	11.40%	11.68%	12.50%	24-May-19	16.18	47.56	296.95
NIBOR - 1M	12.80%	10.81%	1.99%	10-May-19	11.76%	12.83%	12.88%	10-May-19	72.31	46.57	494.4
NIBOR - 3M	13.80%	11.96%	1.84%	19-Apr-19	11.80%	12.90%	13.03%	19-Apr-19	30.94	150.36	228.4
NIBOR - 6M	14.46%	13.46%	1.00%	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	11.39%	9.33%	2.06%	30-May-19	10.00%	11.95%	12.20%	30-May-19	24.4	23.2	19.8
3-month	12.55%	10.79%	1.76%	17-May-19	10.00%	12.30%	12.49%	17-May-19	4.4	12.9	16.5
6-month	13.22%	12.13%	1.09%	02-May-19	10.00%	12.49%	12.77%	02-May-19	28.0	10.6	71.1
9-month	13.86%	13.06%	0.80%	17-Apr-19	10.15%	12.50%	12.74%	17-Apr-19	24.4	38.7	52.0
12-month	12.92%	12.92%	0.00%	03-Apr-19	10.29%	12.60%	12.85%	03-Apr-19	5.9	26.6	119.6
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	11.20%	9.71%	1.49%	22-May-19	14.11%	14.24%	14.49%	22-May-19	27.0	35.0	48.9
15.54% 13-FEB-2020	13.39%	12.36%	1.03%	24-Apr-19	14.50%	14.55%	14.80%	24-Apr-19	1.1	3.4	1.3
14.50% 15-JUL-2021	14.64%	13.91%	0.72%	27-Mar-19	13.50%	13.50%	13.50%	27-Mar-19	1.1	4.3	34.2
16.39% 27-JAN-2022	14.62%	14.37%	0.26%	20-Feb-19	14.52%	14.79%	14.93%	20-Feb-19	12.7	20.1	55.3
14.20% 14-MAR-2024	14.42%	14.32%	0.10%	30-Jan-19	15.20%	15.25%	15.35%	25-Apr-18	17.5	7.4	71.9
12.50% 22-JAN-2026	14.65%	14.50%	0.15%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	14.37%	14.24%	0.12%	UBA 16.45% 30-DEC-2021	15.62%	15.25%	0.37%	FBN 6.488% 23-JUL-2021	8.57%	8.88%	-0.31%
12.1493% 18-JUL-2034	14.48%	14.46%	0.02%	MIXTA 17.00% 16-JAN-2022	15.39%	14.56%	0.83%	ECOBANK 8.75% 14-AUG-2021	9.11%	9.27%	-0.16%
16.2499% 18-APR-2037	14.54%	14.51%	0.03%	FIDELITY 16.48% 13-MAY-2022	15.85%	15.59%	0.26%	ACCESS 10.50% 19-OCT-2021	5.98%	6.03%	-0.05%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	16.36%	16.13%	0.24%	ZENITH 7.375% 30-MAY-2022	5.52%	5.54%	-0.02%
5.625% 27-JUN-2022	5.03%	5.26%	-0.23%	LAPO MFB 17.75% 19-DEC-2022	18.26%	18.04%	0.22%	UBA 7.75% 08-JUN-2022	6.13%	6.13%	0.00%
6.50% 28-Nov-2027	7.19%	7.37%	-0.18%	STERLING 16.50% 3-AUG-2023	15.52%	15.34%	0.18%	SEPLAT 9.25% 1-APR-2023	7.83%	7.78%	0.05%
7.875% 16-FEB-2032	7.89%	8.09%	-0.20%	FCMB 17.25% 8-DEC-2023	15.81%	15.68%	0.13%				
7.625% 28-Nov-2047	8.20%	8.55%	-0.35%	STANBIC 13.25% 30-SEP-2024	15.48%	15.29%	0.19%				
				VIATHAN 16.00% 14-DEC-2027	15.51%	15.29%	0.22%				

Source: DMO, FMDQ, Bloomberg, ARM Research

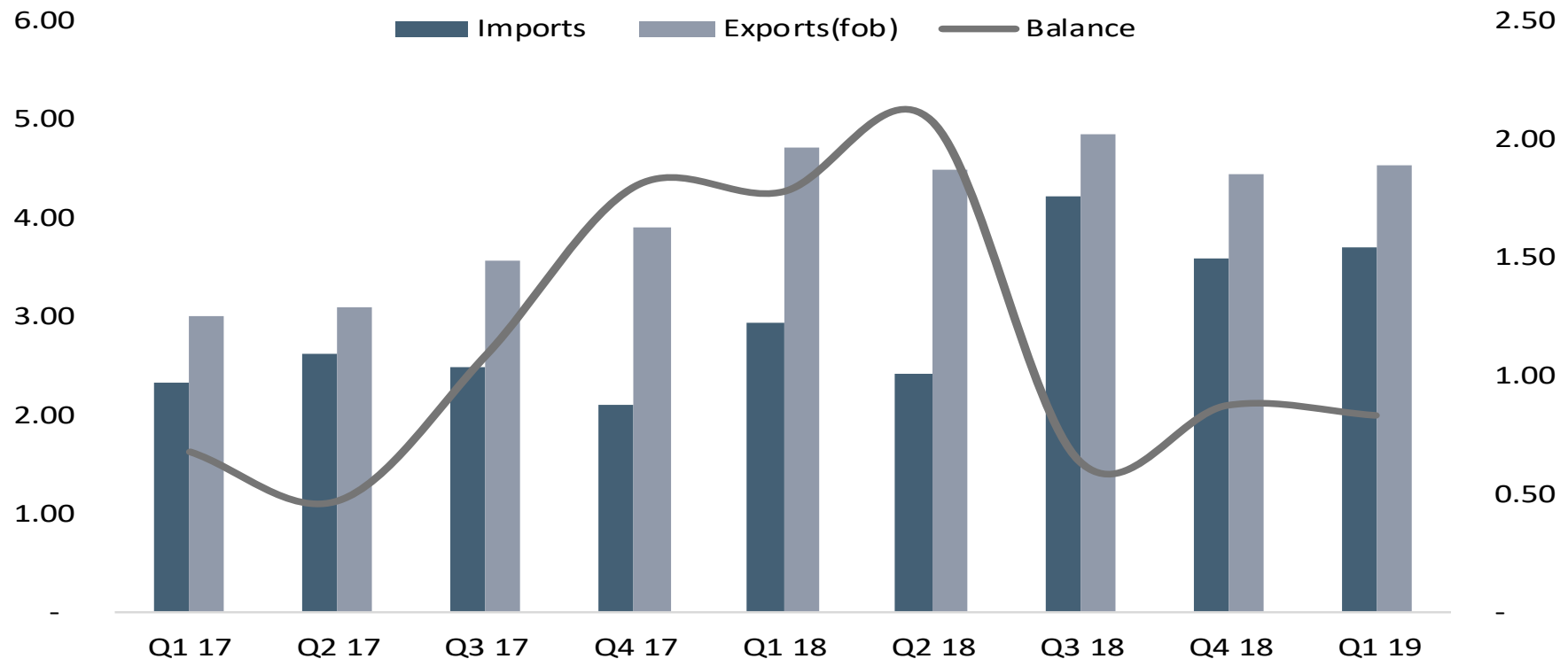
Economic and Financial Calendar for the week 10th - 14th June 2019

	Monday	Tuesday	Wednesday	Thursday	Friday
	10-Jun	11-Jun	12-Jun	13-Jun	14-Jun
Global	Japan Gross Domestic Product (YoY) Q1	UK ILO Unemployment rate - April	China Producer Price Index (YoY) - May	Germany Consumer Price Index (YoY) - May	China Industrial Production (YoY) - May
	China Trade Balance (May)	US Producer Price Index (YoY) - May	China Foreign Direct Investment (YTD) (YoY) - May	US Export Price Index (YoY) - May	Japan Industrial Production (YoY) - April
	UK Manufacturing Production (YoY) April		US Consumer Price Index (YoY) - May	US Import Price Index (YoY) - May	France Consumer Price Index (YoY) - May
	UK Total Trade Balance - April				Italy Consumer Price Index (YoY) - May
	UK Gross Domestic Product - April				
Domestic					

** means Preliminary Estimate

Trend in Nigeria's Trade Balance

This week, we feature the Q1 19 trade data released by the National Bureau of Statistics which showed decline in trade balance by 53% YoY to ₦832 billion, following a jump in imports (+26% to \$3.7 trillion) and dip in exports (-4% YoY to \$4.5 trillion).



Source: NBS, ARM Research



Thank You



ARM Securities

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