

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Economic & Financial Commentary

...for the week 6th – 10th January 2020

Global Economy

- ◆ In November 2019, the US trade deficit decreased by 8.3% MoM (\$3.9billion) to \$43.1billion (October 2019: \$46.9 billion). This decrease came as imports decreased by \$2.5 billion to \$251.7 billion while exports increased by \$1.4 billion to \$208.6 billion. Meanwhile, the US trade deficit with China decreased \$2.2billion to \$25.6billion in November, amid ongoing resolution of the 18-month trade rift. The two countries are expected to sign a phase one trade deal in the coming week. In the 11 months to November, the US trade deficit has dropped \$3.9billion to \$562.9billion, from similar period in 2018. According to preliminary data, inflation in the EU printed at 1.3% in December 2019 (November: 1.0%) – the highest since June. The spike stemmed from the jump in energy prices by 0.2% (-3.2% in November), while food, alcohol & tobacco prices rose 2.0% (November: 1.9%). Breaking it down geographically, there were increases in the major economies; Germany (1.5% vs 1.2% in November), France (1.6% vs 1.2% in November) and Italy (0.5% vs 0.2% in November).

Domestic Economy

- ◆ Updated report from the world bank showed a revision to its growth forecast for Nigeria's economy. According to the report, Nigeria's 2019 GDP was revised lower to 2.0% (prior forecast: 2.1%) and projected to rise slightly by 2.1% in 2020 and remain at the same growth rate till 2022. Precisely, softer external demand, lower crude oil prices and a slower-than previously expected improvement in oil production were drivers for the quell forecast. Meanwhile, the December 2019 minor review of MYTO 2015 (multi-year tariff order) published over the weekend showed average end user allowed electricity tariffs will be slightly increased from ₦25.3/kwh to ₦31.05/kwh from April 1st, 2020. However, updates from NERC showed there will be no immediate tariff increase until it holds public and stakeholder consultations. Hence, we await final clarifications from NERC after its consultations to ascertain increase/maintenance or decrease in electricity tariffs.

Equities

- ◆ The bullish sentiments continued this week as the NSE ASI gained 9.07% WoW to close at 29,415.39pts while market capitalization advanced significantly by ₦2.2 trillion. The boost in market capitalization was largely fuelled by the listing of BUA Cement Plc on the NSE. Precisely, it listed 33.86 billion ordinary shares at ₦35 per share, making it the third largest company on the bourse. On sectoral performance, gains were seen across Cement (+20.59%), Banking (+8.58%), Telecom (+4.37%), Food (+1.59%) and insurance (+0.47%) transcending losses in the Brewers (-0.17%), Personal care (-5.21%) and Oil & Gas (-0.44%) segments. A further probe revealed gains in DANGCEM (+21.13%), MTNN (+6.42%), FBNH (+15.91%), ACCESS (+6.40%), GUARANTY (+6.15%), UBA (+12.00%), ZENITH (+13.51%), and DANGSUGA (+5.63%) amongst other stocks.

Fixed Income

- ◆ This week, average FI yields were 30bps down WoW, following uniform 30bps declines at both ends of the curve. The fall in bond yields were led by declines across long-tenor bonds: Mar-2036 (-64bps), Apr-2037 (-60bps) & Apr-2049 (-41bps). Investors also showed interests in the Apr-2023 (-44bps) & Jan-2026 (-67bps) bonds. At the NTB segment, there was increased demand at the short-tenor (-40 bps) and mid-tenor (-41 bps) segments which suppressed the selloffs at the long-tenor (+74 bps) bills. Meanwhile, at the OMO auction this week, a total of ₦411.14 billion was sold against ₦350billion offered by the CBN. Bulk of the sale occurred at the 1-year bills (₦411.04 billion) while ₦100 million was sold at the 91-day – the first sale in the past five auctions. For the second consecutive auction, there was a slight decline in the 1yr stop rate (-1bp to 13.25%).

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* 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) | 38.32 | 38.60 | -0.72% | -11.13% | |
| USD/NGN (₦/\$) | | | | | |
| NAFEX | 363 | 365 | 0.55% | 0.44% | |
| Parallel | 360.5 | 360.0 | -0.14% | 0.14% | |
| Economic Snapshot | Latest (%) | Prior | CHG (pps) | 2019 Avg. | |
| Inflation YoY (November) | | | CHG (pps) | | |
| Headline | 11.85 | 11.61 | 0.24 | 11.34 | |
| Core | 8.99 | 8.88 | 0.11 | 9.15 | |
| Food | 14.48 | 14.07 | 0.41 | 13.65 | |
| GDP (%) - YoY | Q3 19 | Q2 19 | Q1 19 | FY19F | |
| Real GDP | 2.3 | 2.1 | 2.01 | 2.2 | |
| Oil | 6.5 | 7.2 | -1.5 | 5.4 | News Headline for the week (click news for link) |
| Agriculture | 2.3 | 1.8 | 3.2 | 2.7 | *Minimum wage: TUC gives states January 31 ultimatum |
| Manufacturing | 1.1 | -0.1 | 0.8 | 1 | *Banks' deposits with CBN hit N3.17tn in nine months |
| Services | 3.5 | 2.9 | 3.1 | 2.6 | *Fuel supply: Oil marketers set for showdown with federal government |
| Labor Data (%) - Q3 18 | | | Latest | Prior | *FG reconstitutes new board of CAC, appoints Chairman |
| Unemployment Rate | | | 23.1 | 18.8 | *BUA cements lists on Stock Exchange, becomes third largest listed company in Nigeria |
| Underemployment | | | 20.1 | 21.2 | *CBN retains LDR at 65%, warns against violation |
| Capital Importation (\$'mn) | Q3 19 | Q2 19 | QoQ (%) | YoY (%) | *11 new pipelines expected in Nigeria by 2023 |
| Foreign Portfolio Investment - Equities | 358.192 | 496.839 | -27.9% | -81.5% | *Nigeria's December oil output drop, biggest in OPEC |
| Bonds | 91.5978 | 316.278 | -71.0% | -20.3% | *OPEC Allays Fears on Safety of Iraqi Oil Facilities |
| Money Market | 2549.71 | 3479.775 | -26.7% | 254.6% | *World Bank puts Nigeria's growth at 2.1 per cent in 2020 |
| Foreign Direct Investment | 200.081 | 222.89 | -10.2% | -27.1% | *AfDB approves \$20m for Nigeria, others |
| Balance of Payment (\$'mn) | Q2 19 | Q1 19 | Q4 18 | QoQ | *Recapitalisation: Six insurance companies set to merge |
| Trade Balance | 2,478 | 775 | 6,794 | -63.5% | *Edo, Presco to partner on oil palm project |
| CA Balance | (2,859) | (2,819) | 1,105 | -358.7% | *NERC insists no immediate electricity tariff increase |

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

The week in Review

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- On sectoral performance, gains were seen across Cement (+20.59%), Banking (+8.58%), Telecom (+4.37%), Food (+1.59%) and insurance (+0.47%) transcending losses in the Brewers (-0.17%), Personal care (-5.21%) and Oil & Gas (-0.44%) segments. A further probe revealed gains in DANGCEM (+21.13%), MTNN (+6.42%), FBNH (+15.91%), ACCESS (+6.40%), GUARANTY (+6.15%), UBA (+12.00%), ZENITH (+13.51%), and DANGSUGA (+5.63%) amongst other stocks.

Index Performance

| | Level | WoW | MTD | QTD | YTD | 1 year |
|-------------------|----------|--------|--------|--------|--------|--------|
| NSE ASI | 29415.39 | 9.07 | 9.59 | 9.59 | 9.59 | -0.35 |
| NSE ASI (\$) | 73.95 | 9.07 | 10.16% | 10.16% | 10.16% | -0.86% |
| Market Cap (₦bn) | 12961.89 | 16.55% | 17.10% | 17.10% | 17.10% | 36.41% |
| Market Cap (\$mn) | 35693.91 | 17.25% | 17.72% | 17.72% | 17.72% | 37.15% |
| NSE 30 | 1306.83 | 10.18 | 10.95 | 10.95 | 10.95 | -1.93 |
| NSE Premium | 2412.58 | 12.77 | 14.00 | 14.00 | 14.00 | 20.32 |
| NSE 50 | 1473.09 | 8.90 | 9.39 | 9.39 | 9.39 | -6.09 |
| NSE ASEM | 734.99 | 0.00% | 0.00 | 0.00 | 0.00 | -7.25 |
| NSE Banking | 395.47 | 8.36 | 10.83 | 10.83 | 10.83 | 4.41 |
| NSE Insurance | 130.37 | 2.05 | 3.62 | 3.62 | 3.62 | 14.19 |
| NSE Consumer | 591.44 | 0.82 | -0.24 | -0.24 | -0.24 | -15.94 |
| NSE Oil & Gas | 246.74 | -0.02 | -6.02 | -6.02 | -6.02 | -16.12 |
| NSE Industrial | 1285.38 | 22.27 | 19.50 | 19.50 | 19.50 | 10.52 |
| NSE Lotus | 2064.24 | 11.29 | 12.51 | 12.51 | 12.51 | -2.90 |
| NSE Pensions | 1149.10 | 9.06 | 9.02 | 9.02 | 9.02 | -1.26 |

Sector Performance

| | WoW | QTD | YTD |
|---------------|--------|---------|---------|
| Banking | 8.58% | 10.72% | 10.72% |
| Brewers | -0.17% | -4.30% | -4.30% |
| Cement | 20.59% | 20.19% | 20.19% |
| Telecom | 4.37% | 7.01% | 7.01% |
| Personal Care | -5.21% | -10.19% | -10.19% |
| Construction | 5.36% | 5.36% | 5.36% |
| Food | 1.59% | 2.09% | 2.09% |
| Insurance | 0.47% | 1.27% | 1.27% |
| Oil & Gas | -0.44% | -19.13% | -19.13% |
| Real Estate | 0.00% | 0.00% | 0.00% |

ARM Indices

| | WoW | QTD | YTD |
|------------------------|---------|---------|---------|
| Large Cap (Top 10%) | 19.92% | 20.76% | 20.76% |
| Mid Cap (Mid 30%) | 6.78% | 6.86% | 6.86% |
| Small Cap (Bottom 60%) | -18.14% | -19.22% | -19.22% |

Top 10 Gainers

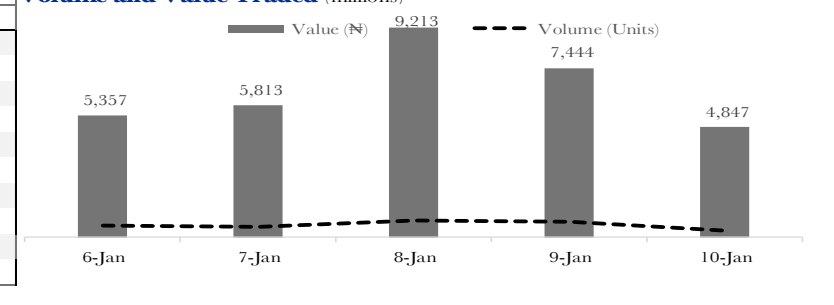
| Company | This Week | WoW |
|------------|-----------|-------|
| DANGCEM | 172.00 | 21.1% |
| PRESKO | 56.90 | 19.8% |
| LIVESTOCK | 0.59 | 18.0% |
| OKOMU | 66.00 | 16.8% |
| FLOURMILLS | 23.00 | 16.5% |
| FBNH | 7.65 | 15.9% |
| NASCON | 15.00 | 15.8% |
| EKOCORP | 4.85 | 14.1% |
| UACN | 10.25 | 13.9% |
| ZENITH | 21.85 | 13.5% |

Top 10 Losers

| Company | This Week | WoW |
|--------------|-----------|--------|
| NCR | 4.05 | -10.0% |
| UNIONDAC | 10.95 | -9.9% |
| TRIPPLEG | 0.58 | -9.4% |
| NIGERINSURE | 0.20 | -9.1% |
| UNIONDAC | 0.20 | -9.1% |
| UNILEVER | 19.00 | -8.2% |
| THOMASWAT | 0.35 | -7.9% |
| MEYER | 0.50 | -7.4% |
| TRANSEXPRESS | 0.86 | -6.5% |
| NEM | 2.27 | -6.2% |

Source: NSE, Bloomberg, ARM Research

Volume and Value Traded (millions)



The week in Review

- This week, average FI yields were 30bps down WoW, following uniform 30bps declines at both ends of the curve. The fall in bond yields were led by declines across long-tenor bonds: Mar-2036 (-64bps), Apr-2037 (-60bps) & Apr-2049 (-41bps). Investors also showed interests in the Apr-2023 (-44bps) & Jan-2026 (-67bps) bonds. At the NTB segment, there was increased demand at the short-tenor (-40 bps) and mid-tenor (-41 bps) segments which suppressed the selloffs at the long-tenor (+74 bps) bills.

- Meanwhile, at the OMO auction this week, a total of ₦411.14 billion was sold against ₦350 billion offered by the CBN. Bulk of the sale occurred at the 1-year bills (₦411.04 billion) while ₦100 million was sold at the 91-day – the first sale in the past five auctions. For the second consecutive auction, there was a slight decline in the 1yr stop rate (-1bp to 13.25%).

| | 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) | 10.71% | 3.07% | 7.64% | 09-Jan-20 | 11.48% | N/A | 13.25% | 09-Jan-20 | 0.10 | N/A | 411.04 |
| Open Buy Back (OBB) | 9.71% | 2.36% | 7.35% | 03-Jan-20 | N/A | N/A | 13.26% | 03-Jan-20 | N/A | N/A | 481.28 |
| NIBOR - 1M | 9.61% | 10.77% | -1.16% | 27-Dec-19 | N/A | N/A | 13.28% | 27-Dec-19 | N/A | N/A | 250.51 |
| NIBOR - 3M | 9.67% | 10.67% | -1.00% | 19-Dec-19 | N/A | 11.50% | 13.28% | 19-Dec-19 | N/A | 2.37 | 337.64 |
| NIBOR - 6M | 10.07% | 10.95% | -0.88% | 16-Dec-19 | N/A | N/A | 13.28% | 16-Dec-19 | N/A | N/A | 229.08 |
| Treasury Bills | | | | Treasury Bills | 91 Day | 182 Day | 364 Day | Treasury Bills | 91 Day | 182 Day | 364 Day |
| 1-month | 4.42% | 4.21% | 0.21% | 02-Jan-20 | 3.50% | 4.90% | 5.20% | 02-Jan-20 | 10.00 | 20.00 | 44.84 |
| 3-month | 3.53% | 5.16% | -1.63% | 18-Dec-19 | 4.00% | 5.00% | 5.50% | 18-Dec-19 | 2.00 | 2.00 | 3.00 |
| 6-month | 3.56% | 4.33% | -0.77% | 11-Dec-19 | 5.00% | 6.19% | 6.88% | 11-Dec-19 | 1.8 | 4.5 | 38.7 |
| 9-month | 5.08% | 4.66% | 0.42% | 27-Nov-19 | 6.50% | 7.23% | 8.37% | 27-Nov-19 | 20.4 | 19.2 | 111.1 |
| 12-month | 6.15% | 6.16% | -0.01% | 13-Nov-19 | 7.79% | 9.00% | 10.00% | 13-Nov-19 | 4.4 | 12.9 | 107.9 |
| FGN Bonds (Local) | | | | FGN Bonds | 5 Year | 10 Year | 30 Year | FGN Bonds | 5 Year | 10 Year | 30 Year |
| 15.54% 13-FEB-2020 | 4.46% | 4.45% | 0.01% | 18-Dec-19 | 11.00% | 12.00% | 13.00% | 18-Dec-19 | 67.3 | 78.8 | 118.2 |
| 14.50% 15-JUL-2021 | 8.66% | 8.46% | 0.20% | 20-Nov-19 | 12.00% | 12.93% | 13.39% | 20-Nov-19 | 59.9 | 96.7 | 96.4 |
| 16.39% 27-JAN-2022 | 8.86% | 9.06% | -0.20% | 23-Oct-19 | 14.05% | 14.23% | 14.60% | 23-Oct-19 | 29.1 | 64.4 | 46.3 |
| 14.20% 14-MAR-2024 | 9.86% | 9.99% | -0.13% | 25-Sep-19 | 14.39% | 14.43% | 14.64% | 25-Sep-19 | 14.1 | 17.7 | 27.8 |
| 12.50% 22-JAN-2026 | 10.44% | 11.11% | -0.67% | 22-Aug-19 | 14.29% | 14.39% | 14.59% | 22-Aug-19 | 28.2 | 7.2 | 51.4 |
| 16.2884% 17-MAR-2027 | 11.07% | 11.23% | -0.15% | Corporate Bonds | | | This Week | Corporate Eurobond | This Week | Prior Week | WoW (%) |
| 12.1493% 18-JUL-2034 | 11.24% | 11.68% | -0.44% | UBA 16.45% 30-DEC-2021 | 9.83% | 9.98% | -0.15% | ACCESS 10.50% 19-OCT-2021 | 3.90% | 3.89% | 0.01% |
| 16.2499% 18-APR-2037 | 11.35% | 11.95% | -0.60% | MIXTA 17.00% 16-JAN-2022 | 8.81% | 8.69% | 0.12% | ZENITH 7.375% 30-MAY-2022 | 4.20% | 4.17% | 0.03% |
| 14.8% 26-APR-2049 | 12.36% | 12.77% | -0.41% | FIDELITY 16.48% 13-MAY-2022 | 10.32% | 10.56% | -0.25% | UBA 7.75% 08-JUN-2022 | 4.87% | 4.97% | -0.10% |
| FGN Eurobonds | | | | DUFIL 18.25% 1-SEP-2022 | 11.05% | 11.37% | -0.32% | SEPLAT 9.25% 1-APR-2023 | 7.59% | 7.31% | 0.28% |
| 5.625% 27-JUN-2022 | 3.77% | 3.94% | -0.17% | LAPO MFB 17.75% 19-DEC-2022 | 13.18% | 13.55% | -0.37% | | | | |
| 6.50% 28-Nov-2027 | 5.72% | 6.07% | -0.35% | STERLING 16.50% 3-AUG-2023 | 10.78% | 11.13% | -0.34% | | | | |
| 7.875% 16-FEB-2032 | 7.01% | 7.33% | -0.32% | FCMB 17.25% 8-DEC-2023 | 11.18% | 11.40% | -0.22% | | | | |
| 7.625% 28-Nov-2047 | 7.57% | 7.79% | -0.22% | STANBIC 13.25% 30-SEP-2024 | 10.95% | 11.15% | -0.21% | | | | |
| | | | | VIATHAN 16.00% 14-DEC-2027 | 10.99% | 11.23% | -0.24% | | | | |

Source: DMO, FMDQ, Bloomberg, ARM Research

| | Monday | Tuesday | Wednesday | Thursday | Friday |
|----------|---------------------------------------|-------------------------------------|--|--|---|
| | 13-Jan | 14-Jan | 15-Jan | 16-Jan | 17-Jan |
| Global | UK Indsutrial Production (YoY) - Nov | China Trade Balance USD - Dec | UK Retail Price Index (YoY) - Dec | Germany Consumer Price Index (YoY) - Dec | China Gross Domestic Product (YoY) - Q4 |
| | | | | | |
| | UK Total Trade Balance - Nov | US Consumer Price Index (YoY) - Dec | UK Consumer Price Index (YoY) - Dec | China House Price Index - Dec | China Industrial Production (YoY) - Dec |
| | | | | | |
| | Japan Trade Balance - BOP Basis (Nov) | | EU Trade Balance - Nov | US Business Inventories - Nov | China Retail Sales (YoY) - Dec |
| | | | | | |
| | | | EU Industrial Production (YoY) - Nov | | UK Retail Sales (YoY) - Dec |
| | | | | | |
| Domestic | | | US Producer Price Index (YoY) - Dec | | EU Consumer Price Index (YoY) - Dec |
| | | | | | |
| | | | Japan Producer Price Index (YoY) - Dec | | US Industrial Production (MoM) - Dec |
| | | | | | |
| | | | | | |
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| | | | | | |
| | | | | | |

** means Preliminary Estimate

End user electricity tariffs

Following the December 2019 minor review of multi-year tariff order (MYTO), we feature the end user electricity tariff across eleven DisCos. Although the implementation of tariff is uncertain, the chart reveals electricity tariff will increase by 23% to ₦31.05/kwh (i.e. from 2015 levels to 2020 projections) if implemented.

| DISCOs | Old tariffs (2015) | New Tariffs (2020E) | Change |
|-----------------------|--------------------|---------------------|------------|
| Yola | 26.9 | 26.8 | 0% |
| Port Harcourt | 24.6 | 33.8 | 37% |
| Kano | 24.3 | 30.1 | 24% |
| Kaduna | 22.8 | 30.3 | 33% |
| Ikeja | 22.8 | 27.3 | 20% |
| Ibadan | 26.9 | 30.6 | 14% |
| Enugu | 24.6 | 35.3 | 43% |
| Eko | 25.2 | 28.3 | 12% |
| Benin | 25.9 | 32.5 | 25% |
| Jos | 28.2 | 33.8 | 20% |
| Abuja | 25.9 | 32.7 | 26% |
| Average Tariff | 25.28 | 31.05 | 23% |

Source: NERC, ARM Research



Thank You



ARM Securities

| | | |
|-------------------------------|------------------|--------------------------------------|
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