

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Economic & Financial Commentary

...for the week 13th – 17th January 2020

Global Economy

- ◆ In the week of the signing of the US-China phase one deal, there were mixed data releases from China. First, China's trade surplus increased to \$46.79 billion in December (the highest in six months) from \$37.93 billion in November. However, this printed 17.8% lower YoY, as imports (16% YoY) jumped at a faster pace than exports (7.6% YoY). For FY 19, China's trade surplus widened to \$424.9 billion from \$350.9 billion with exports rising by 0.5% and imports falling 2.8%. Surplus with the US declined 8.5%YoY to \$295.8 billion in 2019 on the back of the trade war. Still on China, the economy grew 6.0% YoY in Q419, same as the previous quarter. This brings the FY 19 growth to 6.1% (FY18: 6.6%), its slowest annual pace in 29 years. However, this came in line with analysts' expectations and within Beijing's official growth target for the year of 6-6.5%. In the US, CPI rose 2.3% YoY in December (November: 2.1%) following a 1.8% increase in Food and a 3.4% rise in Energy. In the UK, meanwhile, CPI was down to 1.3% in December (November: 1.5%) following declines in the prices of Transport, Restaurants & hotels and Food.

Domestic Economy

- ◆ This week, the finance bill 2019 (now Finance Act) - which include incremental changes to Nigeria's tax and fiscal laws designed to support the implementation of the 2020 National budget - was signed into law by the President. One of the significant changes made in the Finance Act is the increase in Value Added Tax (VAT) from 5% to 7.5%. Accordingly, implementation of the 7.5% VAT will be effective from February 1st, 2020. Meanwhile, inflation for December 2019, released by the NBS, saw a 13bps hike from the prior month, printing at 11.98% YoY (November 2019: 11.85%). Notably, the rise was driven by increase in food (+18bps to 14.67% YoY) and core inflation (+33bps to 9.32% YoY). We believe the uptick was, in part, fuelled by impact of the festivities as well as the lingering impact of the border closure on commodity prices, relative to the prior year. Contrarily, MoM headline inflation declined by 17bps to 0.85% MoM, buoyed by decline in food inflation (-28bps to 0.97%) while core inflation rose slightly (+2bps to 0.81% MoM).

Equities

- ◆ For the third consecutive week, the NSE ASI closed in green appreciating by 0.69% WoW to close at 29,618.52pts while market capitalization advanced by ₦81.8 billion. On a sectoral basis, we witnessed gains across Banking (+1.54%), Oil & Gas (+0.82%) and Telecom (+6.42%) outweighing losses in Cement (-1.28%), Brewers (-7.45%), Food (-0.20%), Insurance (-0.83%), Personal care (-1.04%) and Construction (-1.04%) sectors. Dissecting the sectoral performance revealed gains in GUARANTY (+4.85%), UBA (+4.76%), ZENITH (+2.06%), DANGCEM (+1.74%), MTNN (+9.14%), FO (+21.89%), and UACN (+4.39%) amongst other stocks.

Fixed Income

- ◆ Bullish sentiments at the short end of the curve pushed average NTB yields 74bps lower to 3.53%, with the long tenor bills experiencing the biggest drop of 169bps. At the other end of the curve, bond yields rose 5bps to 10.27%, as bearish sentiments set in closing the week. Long tenor bonds saw the biggest increases in their yields – Jul-2034 (26bps), Apr-2037(23bps) and Apr-2049 (25bps) – which were slightly tapered by the interests in the Feb-2020 (-67bps) paper. Meanwhile, there was strong demand for NTBs at the primary auction where N225.45 billion was sold despite subscription of 1.85x (N417.64 billion). With N152 billion worth of bills maturing, this sale represented a net issuance of N73.5 billion. The average stop rate declined 53bps to 3.99%, with the 1year rate printing at 5.09%. There was also upheld interest at the OMO auction, where the N200billion offering by the CBN was greeted with 2.05x subscriptions. Overall, N201.25billion was sold (vs. N434.7 billion maturity), while the 1yr stop rate printed 5 bps lower at 13.25%.

The week in Review

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- ◆ Still on China, the economy grew 6.0% YoY in Q419, same as the previous quarter. This brings the FY 19 growth to 6.1% (FY18: 6.6%), its slowest annual pace in 29 years. However, this came in line with analysts' expectations and within Beijing's official growth target for the year of 6-6.5%. In the US, CPI rose 2.3% YoY in December (November: 2.1%) following a 1.8% increase in Food and a 3.4% rise in Energy. In the UK, meanwhile, CPI was down to 1.3% in December (November: 1.5%) following declines in the prices of Transport, Restaurants & hotels and Food.

Country	Index	Level (in \$)	Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies					
			WoW	YTD	52-	P/E	Mkt. Cap	Div.	1-Yr	WoW	10-yr	WoW	Inflatio	This Week	Prior Week	WoW (%)	YTD (%)		
			(%)	(%)	Wk	(x)	(\$'bn)	Yld (%)	Tenor	(pps)	Tenor	(pps)	n (%)						
US	S&P 500	3,325	1.8	2.9	26.1	22.2		1.9	US	1.54		1.82	0.0	2.3	Euro (€)	1.1	1.1	-0.3	-1.1
	NASDAQ	9,364	2.0	4.4	32.2	35.4	14,012.2	1.0	UK	1.41	1.22	0.48	0.9	1.3	GBP (£)	1.3	1.3	-0.3	-1.8
UK	FTSE ASI	7,675	1.1	1.8	12.3	18.6		4.5	Euro	-0.33	0.3	0.15	-4.1	1.3	JPY (¥)	110.1	109.5	-0.6	-1.4
France	CAC 40	6,101	1.1	2.1	27.2	21.9	1,220.1	3.3	Japan	1.41	1.22	-0.08	0.0	0.5	INR (₹)	71.1	70.9	-0.2	0.4
Germany	XETRA DAX	13,526	0.3	2.1	23.9	25.1		3.1	China	2.63	0.2	3.22	0.0	4.5	CNY (¥)	6.9	6.9	0.9	1.5
Japan	NIKKEI 25	24,041	0.0	1.6	16.3	19.2	6.1	1.9	India	5.26	0.0	6.63	0.6	8.61	MXN (\$)	18.7	18.8	0.4	1.1
China	Shanghai Comp	3,075	0.0	0.8	18.5	14.6	5,103.1	2.7	Mexico	7.05	-0.3	6.79	0.0	2.83	RUB (p.)	61.6	61.0	-0.9	0.6
Brazil	Ibovespa	117,576	1.8	1.7	23.3	18.6	49.3	3.4	Turkey	10.05	6.7	10.71	2.3	11.84	ZAR (R)	14.5	14.4	-0.7	-3.2
India	BSE Sens	41,945	0.0	1.7	15.3	26.6	619.7	1.3	Russia	5.41	-1.3	2.48	0.5	3	EGP (£)	15.8	16.0	1.0	1.3
Russia	RTS	852	1.1	5.6	38.2	6.6	4.1	7.7	Egypt	14.00	0.0	16.00	0.0	7.1	KES (sh)	100.9	101.4	0.5	0.4
Mexico	S&P/BMV IPC	45,444	1.8	4.4	3.4	17.7		3.1	South Africa	7.42	-2.8	9.00	0.1	3.6	GHS (¢)	5.7	5.7	0.2	0.9
Turkey	Borsa Istanbul	121,475	2.4	6.2	25.5	9.2	0.5	4.0	Kenya	9.84	0.1	12.28	0.0	5.8	XOF (₣)	592.4	590.8	-0.3	-1.2
Indonesia	JCI Index	6,292	0.0	-0.1	-2.4	19.8	514.1	2.3	Ghana	17.90	N/A	19.00	0.0	7.9	XAF (₣)	593.3	591.7	-0.3	-1.3
Kazakhstan	KASE Index	2,376	0.5	0.5	2.2	6.6	3.8	188.2	Nigeria	5.09	-2.1	0.0	-0.1	12	NGN (₦)	361.4	362.4	0.3	0.3
Vietnam	VN Index	979	0.0	1.9	8.5	16.1	145.0	1.9	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	59,002	2.6	3.4	10.4	16.2	-	3.8			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	13,824	0.0	-1.0	2.5	11.7	12.2	3.8	Brent Crude	\$/bbl	64.8	65.0	-0.4	-1.9	UK Industrial Production (YoY) - Nov			-1.60%	-0.60%
Kenya	NSEASI	167	-2.4	0.5	15.3	11.4	23.3	5.4	OPEC Crude	\$/bbl	65.6	67.2	-2.1	-3.4	China Trade Balance USD - Dec			\$329.27B	\$274.21B
Morocco	MSCI MX	338	0.8	1.8	10.5	21.8	11.0	3.5	Gasoline	\$/gal	164.3	166.0	-1.0	-2.8	Consumer Price Index (YoY) - Dec			2.3%	2.1%
Ghana	GSE Composite	2,240	-0.5	-0.7	-10.0	15.2	11.2	2.3	Natural Gas	\$/MBtu	2.0	2.2	-8.9	-8.3	UK Consumer Price Index (YoY) - Dec			1.3%	1.5%
Tunisia	TunIndex	6,904	0.5	-3.1	-4.8	19.6	0.6	2.4	Gold	\$/t oz	1559.5	1562.3	-0.2	2.8	EU Industrial Production (YoY) - Nov			-1.5%	-2.6%
BRVM	BRVM	151	1.8	-5.2	-8.8	7.5	7.5		Sugar	\$/lb	14.5	14.1	2.8	7.8	EU Trade Balance - Nov			€19.2 B	€24 B
Mauritius	SEMDEX	2,209	-0.7	1.5	-0.7	18.6	8.8		Wheat	\$/bsh	570.3	564.5	1.0	2.1	US Producer Price Index (YoY) - Dec			1.3%	1.1%
Nigeria	NGSE ASI	29,619	0.69	10.34	-3.2	7.8	39.2	6.6	Crude Palm oil IYR/MT		2837.0	3110.0	0.0		UK Retail Sales (YoY) - Dec			0.9%	0.8%

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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- Meanwhile, inflation for December 2019, released by the NBS, saw a 13bps hike from the prior month, printing at 11.98% YoY (November 2019: 11.85%). Notably, the rise was driven by increase in food (+18bps to 14.67% YoY) and core inflation (+33bps to 9.32% YoY). We believe the uptick was, in part, fuelled by impact of the festivities as well as the lingering impact of the border closure on commodity prices, relative to the prior year. Contrarily, MoM headline inflation declined by 17bps to 0.85% MoM, buoyed by decline in food inflation (-28bps to 0.97%) while core inflation rose slightly (+2bps to 0.81% MoM).

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	38.34	38.32	0.06%	-11.07%	NSR H1 20 - Global - After a slowdown in 2019, 2020 growth receives a timely boost
USD/NGN (₦/\$)					NSR H1 20 - MEA Region - Modest growth with positive outlook
NAFEX	362	363	0.24%	0.69%	NSR H1 20 - Commodity Prices -Contrasting fortunes for global soft commodity market
Parallel	361.0	360.5	-0.14%	0.00%	NSR H1 20 - Crude Oil -Tug of War the Bears Win
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	NSR H1 20 - EM Portfolio Flows - Happy days ahead for EM foreign portfolio flows
Inflation YoY (December)	CHG (pps)				NSR H1 2020 - Currency - How long can the CBN keep up
Headline	11.98	11.85	0.13	11.4	NSR H1 20- Balance of Payment - Edge of the Cliff
Core	9.32	8.99	0.33	8.94	NSR H1 2020 - Inflation set for a double whammy in 2020
Food	14.67	14.48	0.19	13.88	NSR H1 2020 - GDP - Economic growth should remain anemic- flatlined at 2.2 percent
GDP (%) - YoY	Q3 19	Q2 19	Q1 19	FY19F	
Real GDP	2.3	2.1	2.01	2.2	News Headline for the week (click news for link)
Oil	6.5	7.2	-1.5	5.4	*Private sector knocks FG as Buhari signs finance bill
Agriculture	2.3	1.8	3.2	2.7	*Nigeria, UK move to boost N2.3trn bilateral trade
Manufacturing	1.1	-0.1	0.8	1	*Nigeria's crude oil production dips by 95,000 bpd
Services	3.5	2.9	3.1	2.6	*OPEC expects lower demand for its oil, with U.S. set to hit new output record
Labor Data (%) - Q3 18			Latest	Prior	*Implementation of 7.5% VAT begins February 1 — Minister
Unemployment Rate			23.1	18.8	*Hurdles as Nigeria, Ghana, 4 others reject 'Eco' currency
Underemployment			20.1	21.2	*Access Bank gets approval to expand to Cameroon
Capital Importation (\$'mn)	Q3 19	Q2 19	QoQ (%)	YoY (%)	*Monthly foreign exchange inflow rose to \$9.84bn –CBN
Foreign Portfolio Investment - Equities	358.192	496.839	-27.9%	-81.5%	*Buhari inaugurates Lagos-Ibadan railway in May, says Amaechi
Bonds	91.5978	316.278	-71.0%	-20.3%	*Telecom lines: Data, call rates hike imminent as states raise RoW charge
Money Market	2549.71	3479.775	-26.7%	254.6%	*Annual budgets to come with finance bill — Minister
Foreign Direct Investment	200.081	222.89	-10.2%	-27.1%	*Nigeria debt service hits \$1.31 billion in 2019
Balance of Payment (\$'mn)	Q2 19	Q1 19	Q4 18	QoQ	*DPR set to grant 11,000 barrels/day NDPR refinery operational license
Trade Balance	2,478	775	6,794	-63.5%	*TCN to push for Discos' recapitalisation
CA Balance	(2,859)	(2,819)	1,105	-358.7%	

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

The week in Review

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- Dissecting the sectoral performance revealed gains in GUARANTY (+4.85%), UBA (+4.76%), ZENITH (+2.06%), DANGCEM (+1.74%), MTNN (+9.14%), FO (+21.89%), and UACN (+4.39%) amongst other stocks.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	29618.52	0.69	10.34	10.34	10.34	-3.15
NSE ASI (\$)	81.86	0.69	11.16%	11.15%	11.15%	-4.22%
Market Cap (₦bn)	15256.28	0.54%	17.73%	17.73%	17.73%	31.95%
Market Cap (\$mn)	42163.05	0.75%	18.60%	18.60%	18.60%	32.30%
NSE 30	1315.51	0.66	11.69	11.69	11.69	-3.62
NSE Premium	2505.46	3.85	18.39	18.39	18.39	17.14
NSE 50	1473.41	0.02	9.41	9.41	9.41	-8.37
NSE ASEM	734.99	0.00%	0.00	0.00	0.00	-7.25
NSE Banking	404.55	2.30	13.37	13.37	13.37	6.21
NSE Insurance	126.95	-2.62	0.90	0.90	0.90	4.90
NSE Consumer	578.74	-2.15	-2.38	-2.38	-2.38	-18.43
NSE Oil & Gas	248.15	0.57	-5.48	-5.48	-5.48	-12.14
NSE Industrial	1204.73	-6.27	12.01	12.01	12.01	-6.74
NSE Lotus	2055.99	-0.40	12.06	12.06	12.06	-7.97
NSE Pensions	1124.24	-2.16	6.66	6.66	6.66	-5.43

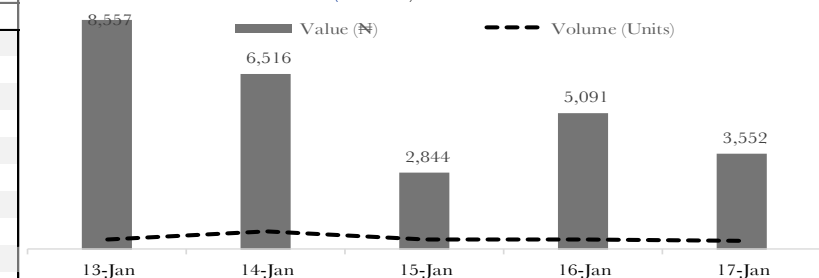
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	1.54%	12.43%	12.43%
Brewers	-7.45%	-11.43%	-11.43%
Cement	-1.28%	18.66%	18.66%
Telecom	6.42%	13.88%	13.88%
Personal Care	-1.04%	-11.13%	-11.13%
Construction	-1.04%	4.26%	4.26%
Food	-0.20%	1.89%	1.89%
Insurance	-0.83%	0.43%	0.43%
Oil & Gas	0.82%	-18.47%	-18.47%
Real Estate	0.00%	0.00%	0.00%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.81%	21.73%	21.73%
Mid Cap (Mid 30%)	-0.41%	6.42%	6.42%
Small Cap (Bottom 60%)	-1.42%	-20.36%	-20.36%

Volume and Value Traded (millions)



Top 10 Gainers

Company	This Week	WoW
FO	20.60	21.9%
BETAGLAS	63.90	18.8%
GLAXOSMITH	6.00	13.2%
MTNN	126.60	9.1%
CILEASING	7.35	8.9%
EKOCORP	5.20	7.2%
GUARANTY	33.50	4.9%
UBA	8.80	4.8%
TRANSEXPRESS	0.90	4.7%
UACN	10.70	4.4%

Top 10 Losers

Company	This Week	WoW
BUACEMENT	36.00	-12.2%
TOURIST	3.15	-10.0%
BOCGASES	4.95	-10.0%
TRANSCORP	4.45	-9.2%
SOVEREINS	0.20	-9.1%
GOLDBREW	0.81	-9.0%
OMATEK	0.41	-8.9%
NB	51.10	-8.8%
PRESCO	52.25	-8.2%
MEYER	0.46	-8.0%

Source: NSE, Bloomberg, ARM Research

The week in Review

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	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)	3.00%	10.71%	-7.71%	16-Jan-20	N/A	N/A	13.20%	16-Jan-20	N/A	N/A	201.25
Open Buy Back (OBB)	3.86%	9.71%	-5.85%	09-Jan-20	11.48%	N/A	13.25%	09-Jan-20	0.10	N/A	411.04
NIBOR - 1M	8.73%	9.61%	-0.88%	03-Jan-20	N/A	N/A	13.26%	03-Jan-20	N/A	N/A	481.28
NIBOR - 3M	8.72%	9.67%	-0.95%	27-Dec-19	N/A	N/A	13.28%	27-Dec-19	N/A	N/A	250.51
NIBOR - 6M	9.46%	10.07%	-0.61%	19-Dec-19	N/A	11.50%	13.28%	19-Dec-19	N/A	2.37	337.64
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	3.76%	4.42%	-0.66%	15-Jan-20	2.95%	3.95%	5.09%	15-Jan-20	5.85	26.60	193.00
3-month	2.19%	3.53%	-1.34%	02-Jan-20	3.50%	4.90%	5.20%	02-Jan-20	10.00	20.00	44.84
6-month	3.43%	3.56%	-0.13%	18-Dec-19	4.00%	5.00%	5.50%	18-Dec-19	2.0	2.0	3.0
9-month	4.46%	5.08%	-0.62%	11-Dec-19	5.00%	6.19%	6.88%	11-Dec-19	1.8	4.5	38.7
12-month	6.15%	6.15%	0.00%	27-Nov-19	6.50%	7.23%	8.37%	27-Nov-19	20.4	19.2	111.1
FGN Bonds (Local)				FGN Bonds	5 Year	10 Year	30 Year	FGN Bonds	5 Year	10 Year	30 Year
15.54% 13-FEB-2020	3.79%	4.46%	-0.67%	18-Dec-19	11.00%	12.00%	13.00%	18-Dec-19	67.3	78.8	118.2
14.50% 15-JUL-2021	8.54%	8.66%	-0.12%	20-Nov-19	12.00%	12.93%	13.39%	20-Nov-19	59.9	96.7	96.4
16.39% 27-JAN-2022	8.75%	8.86%	-0.11%	23-Oct-19	14.05%	14.23%	14.60%	23-Oct-19	29.1	64.4	46.3
14.20% 14-MAR-2024	9.91%	9.86%	0.05%	25-Sep-19	14.39%	14.43%	14.64%	25-Sep-19	14.1	17.7	27.8
12.50% 22-JAN-2026	10.45%	10.44%	0.00%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	28.2	7.2	51.4
16.2884% 17-MAR-2027	11.21%	11.07%	0.14%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
12.1493% 18-JUL-2034	11.50%	11.24%	0.26%	UBA 16.45% 30-DEC-2021	9.72%	9.83%	-0.11%	ACCESS 10.50% 19-OCT-2021	3.83%	3.89%	-0.06%
16.2499% 18-APR-2037	11.58%	11.35%	0.23%	MIXTA 17.00% 16-JAN-2022	8.96%	8.81%	0.15%	ZENITH 7.375% 30-MAY-2022	4.25%	4.17%	0.08%
14.8% 26-APR-2049	12.61%	12.36%	0.25%	FIDELITY 16.48% 13-MAY-2022	10.25%	10.32%	-0.07%	UBA 7.75% 08-JUN-2022	4.83%	4.97%	-0.14%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	11.02%	11.05%	-0.03%	SEPLAT 9.25% 1-APR-2023	7.55%	7.31%	0.24%
5.625% 27-JUN-2022	3.76%	3.77%	-0.01%	LAPO MFB 17.75% 19-DEC-2022	13.19%	13.18%	0.01%				
6.50% 28-Nov-2027	5.72%	5.72%	-0.01%	STERLING 16.50% 3-AUG-2023	10.84%	10.78%	0.06%				
7.875% 16-FEB-2032	7.00%	7.01%	-0.01%	FCMB 17.25% 8-DEC-2023	11.23%	11.18%	0.05%				
7.625% 28-Nov-2047	7.62%	7.57%	0.04%	STANBIC 13.25% 30-SEP-2024	11.17%	10.95%	0.23%				
				VIATHAN 16.00% 14-DEC-2027	11.30%	10.99%	0.31%				

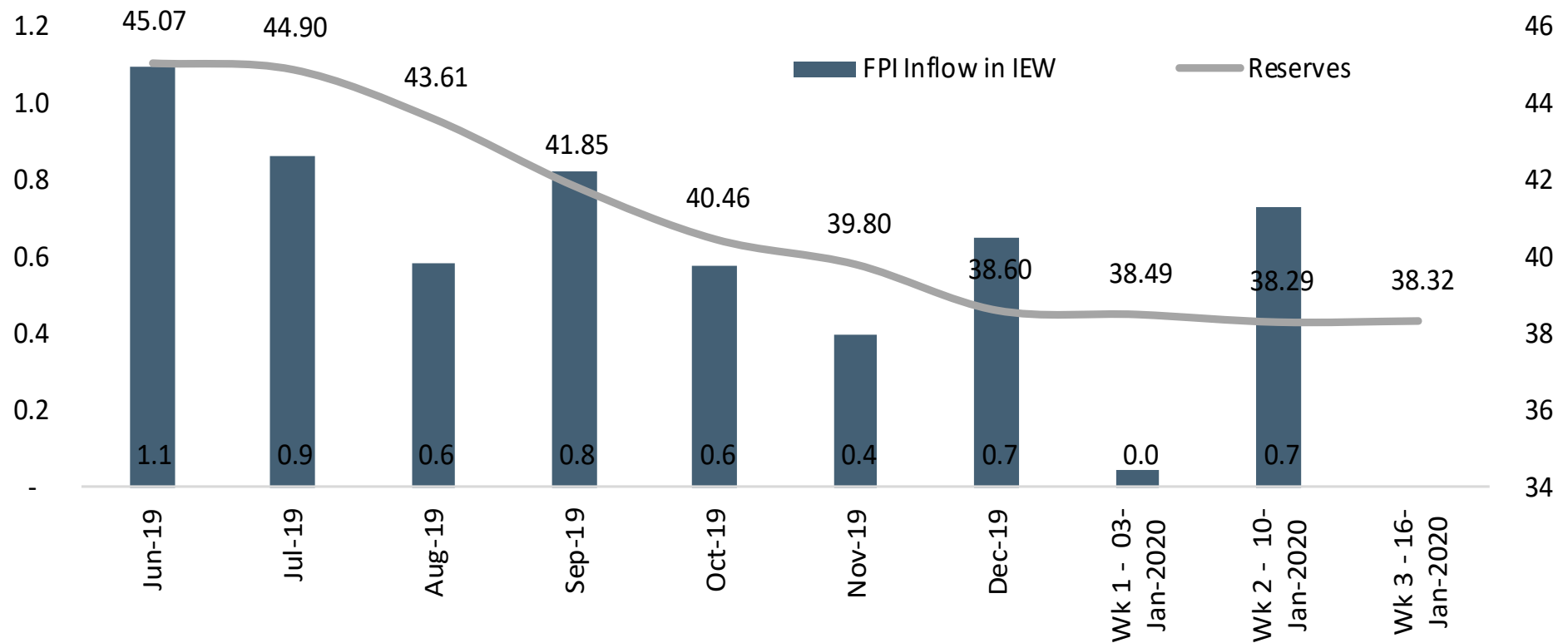
Source: DMO, FMDQ, Bloomberg, ARM Research

	Monday	Tuesday	Wednesday	Thursday	Friday
	20-Jan	21-Jan	22-Jan	23-Jan	24-Jan
Global	China PBoC Interest Rate Decision	Japan BoJ Interest Rate Decision	Japan Merchandise Trade Balance Total - Dec	EU ECB Interest Rate Decision	Jibun Bank Manufacturing PMI - Jan
	Japan Industrial Production (YoY) - Nov	UK ILO Unemployment Rate (3M) - Nov		World Economic Forum - Davos	EU Markit manufacturing PMI - Jan**
	Germany Producer Price Index (YoY) - Dec			Japan National Consumer Price Index (YoY) - Dec	EU Markit Services PMI - Jan**
					UK Markit Manufacturing PMI - Jan**
Domestic					
Domestic	Automotive Gas oil (DIESEL) price watch December 2019		Liquefied Petroleum Gas (Cooking Gas) Price Watch December 2019	Federation Account Allocation Committee (FAAC) December 2019 Disbursement	
	National Household Kerosene Price watch December 2019		Selected food prices December 2019		
	Premium Motor Spirit (PETROL) Price Watch December 2019		Transport Fare Watch (December 2019)		

** means Preliminary Estimate

FPI flows into IEW (in \$'Billions)

This week, we feature data on Foreign Portfolio Inflows into the I&E Window from H2 2019 to the week ended 10th January 2020. Data from FMDQ shows there was a significant jump in FPI flows into the window in the second week of the year (at \$728.7 million) which surpassed recent monthly flows. Also, we saw minimal CBN intervention in the window. While the data may soothe recent concerns on the fast declines in portfolio flows, we think it might be too soon to pop the cork. Thus, we would continue to monitor developments in this space.



Source: FMDQ, CBN ARM Research



Thank You



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