

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 10 August – 14 August 2020

Global Economy

- ◆ The UK released its preliminary Q2 GDP estimate and the numbers showed a 21.7% YoY contraction over the period. As this followed a contraction of 1.7% YoY in Q120 it means the UK is latest developed nation – after the US, EU and Japan – to be in a technical recession. The decline over Q2 resulted from a 21.2% YoY decline in services and an 18.8% YoY fall in production. In the US, meanwhile, data released on Thursday showed that initial unemployment claims for the week ending August 7 fell to 963,000 (from 1.19 million the previous week), the first time the number of new claims has been below 1million since March. Also in the US, retail sales rose 1.2% MoM in July which is lower than analysts' expectations of 1.9% and a much slower rate of increase compared to the previous two months (June: 8.4%; May: 18.2%).

Domestic Economy

- ◆ The National Bureau of Statistics published Nigeria's unemployment data for Q2 2020 after nearly two years of its last publication (Q3 2018). The data showed unemployment rate increased by 398bps to 27.1% in Q2 2020 relative to Q3 2018, while underemployment rate rose 844bps to 28.6% over the same period. Meanwhile, labour force population declined by 10.2 million to 80.29 million (Urban: 28.5 million vs Rural: 51.8 million) when compared with 90.5 million in Q3 2018. By gender classification, the female group accounted for the bulk of unemployed force, rising by 12.9% to 12.2 million (Q3 18: 10.8 million) while unemployed male declined by 5.5% to 9.6 million (Q3 18: 10.1 million). Elsewhere, classification by age group showed youth unemployment (age 15 – 34) rose 6% to 13.9 million and middle age (35 - 44) rose by 18% to 4.1 million. On the other hand, unemployment in elderly age group (45 – 54) fell 13% to 2.2 million and (55-64) declined 18% to 1.4 million.

Equities and stock recommendation

- ◆ The Nigerian bourse gained for the fourth consecutive week, advancing by 63bps WoW. The ASI closed at 25,199.84points, while market cap ended the week at ~N13.1 trillion. With the exception of the Cement and Insurance sector which lost 3.06% and 0.29% WoW respectively, all other sectors recorded gains with the Oil & Gas (+14.7%), Brewers (+10.39%), Personal care (+7.41%) and Telecom (3.68%) sectors leading the pack. Dissecting the sectoral performance, the major drivers for the upside were observed in SEPLAT (+10%), NB (+12.5%), GUINNESS (+9.22%), UNILEVER (+11.61%), AIRTEL (+7.29%), STANBIC (+2.73%) and GUARANTY (+2.26%) WoW. On the other hand, declines were seen in DANGCEM (-4.09%) and BUACEMENT (-1.52%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), UBA Plc – STRONG BUY (FVE: ₦8.5), Guaranty – STRONG BUY (FVE: ₦37.00)** and **Zenith Bank Plc – STRONG BUY (FVE: ₦28.0)**. Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ At this week's NTB auction, the FG offered and sold ₦56.78 billion which matched the amount that matured. Total subscription at the auction came in at ₦118.19 billion, a rate of 2.08x which is a higher rate than what was recorded at either of the last two auctions. The average stop rate, meanwhile, declined by 10bps to 1.93%. Yields in the secondary market continued their rise with the average fixed income yields closing the week 2bps higher WoW at 4.48%. Similar to last week, this was led by higher bond yields with the average bond yield rising 18bps WoW to 7.38%. On Tuesday it reached a high of 7.50% before declining on each of the remaining 3days of the week. The biggest increases were seen at the short end with the Jan-2022 (+206bps), April-2023 (+169bps) and the March-2024 (+144bps). These could have been as a result of a repricing following the release of the savings bond issuance calendar. On the other hand, NTB yields fell over the week with the average yield down 14bps to 1.57%. The biggest decline was seen in the 182-day (-19bps).

The week in Review

◆—The UK released its preliminary Q2 GDP estimate and the numbers showed a 21.7% YoY contraction over the period. As this followed a contraction of 1.7% YoY in Q120 it means the UK is latest developed nation – after the US, EU and Japan – to be in a technical recession. The decline over Q2 resulted from a 21.2% YoY decline in services and an 18.8% YoY fall in production. In the US, meanwhile, data released on Thursday showed that initial unemployment claims for the week ending August 7 fell to 963,000 (from 1.19 million the previous week), the first time the number of new claims has been below 1million since March.

◆ Also in the US, retail sales rose 1.2% MoM in July which is lower than analysts' expectations of 1.9% and a much slower rate of increase compared to the previous two months (June: 8.4%; May: 18.2%).

Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.13		0.69	N/A N/A	1	Euro (€)	1.2	1.2	0.5	5.7
UK			0.07	-0.5	0.6	GBP (£)	1.3	1.3	0.4	-1.2
Euro	-0.43	-1.2	-0.16	29.2	0.4	JPY (¥)	106.5	105.9	-0.5	2.0
Japan			-0.06	-0.4	0	INR (₹)	74.9	74.9	0.0	-4.7
China	2.41	-0.6	3.02	-1.8	2.7	CNY (¥)	7.0	7.0	0.3	0.2
India	3.53	2.0	5.95	1.9	5.06	MXN (\$)	22.0	22.4	1.6	-14.0
Mexico	4.48	-1.3	5.46	-0.2	3.62	RUB (p.)	72.8	73.4	0.8	-15.0
Turkey	21.18	0.9	14.12	-1.0	11.76	ZAR (R)	17.4	17.6	1.5	-19.4
Russia	4.27	1.8	1.56	0.9	3.4	EGP (£)	15.9	16.0	0.3	0.7
Egypt	13.69	-0.07	14.38	0.00	4.2	KES (sh)	108.4	108.0	-0.3	-6.5
South Africa	3.97	-3.6	9.14	0.3	2.2	GHS (?)	5.8	5.8	0.3	-0.7
Kenya	7.52	0.8	12.42	3.0	4.4	XOF (?)	554.4	554.7	0.1	5.5
Ghana	17.90	N/A N/A	19.00	0.0	11.4	XAF (?)	554.5	556.9	0.4	5.6
Nigeria	3.20	-5.9	8.15	-2.5	12.6	NGN (?)	386.5	386.2	-0.1	-6.2

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	44.7	44.4	0.7	-32.2	Consumer Price Index (YoY) - July	2.7%	2.5%
OPEC Crude	\$/bbl	45.3	45.2	1.1	-33.3	UK BRC Retail Sales (YoY) - July	4.3%	10.9%
Gasoline	\$/gal	123.0	120.8	1.9	-31.0	China Retail Sales (YoY) - July	-1.1%	-1.8%
Natural Gas	\$/MBtu	2.4	2.2	5.3	1.9	US Initial Jobless Claims (Aug 7)	963K	1191K
Gold	\$/oz	1936.1	2035.6	-4.9	27.6	US Producer Price Index (YoY) - July	-0.4%	-0.8%
Sugar	\$/lb	13.1	12.7	3.4	-5.6	UK Gross Domestic Product (YoY) - Q2	-21.7%	-1.7%
Wheat	\$/bsh	513.5	503.5	2.0	-11.1	EU Industrial Production (YoY) - June	-12.3%	-20.4%
Crude Palm oil	MYR/MT	2686.0	2758.0	0.0		US Consumer Price Index (YoY) - July	1.0%	0.6%

** means Preliminary Estimate

The week in Review

◆ The National Bureau of Statistics published Nigeria's unemployment data for Q2 2020 after nearly two years of its last publication (Q3 2018). The data showed unemployment rate increased by 398bps to 27.1% in Q2 2020 relative to Q3 2018, while underemployment rate rose 844bps to 28.6% over the same period. Meanwhile, labour force population declined by 10.2 million to 80.29 million (Urban: 28.5 million vs Rural: 51.8 million) when compared with 90.5 million in Q3 2018.

◆ By gender classification, the female group accounted for the bulk of unemployed force, rising by 12.9% to 12.2 million (Q3 18: 10.8 million) while unemployed male declined by 5.5% to 9.6 million (Q3 18: 10.1 million). Elsewhere, classification by age group showed youth unemployment (age 15 – 34) rose 6% to 13.9 million and middle age (35 - 44) rose by 18% to 4.1 million. On the other hand, unemployment in elderly age group (45 – 54) fell 13% to 2.2 million and (55-64) declined 18% to 1.4 million.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.63	35.71	-0.21%	-7.68%	
USD/NGN (₦/\$)					
NAFEX	386	386	-0.09%	-5.53%	
Parallel	472.5	471.0	-0.32%	-23.81%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	12.56	12.34	0.22	12.31	
Core	10.13	10.12	0.01	9.79	
Food	15.18	15.04	0.14	15	
GDP (%) - YoY	Q1 20	Q4 19	Q3 19	FY19	
Real GDP	1.87	2.55	2.3	2.3	
Oil	5.1	6.4	6.5	4.6	News Headline for the week (click news for link)
Agriculture	2.2	2.3	2.3	2.4	*CBN to unify exchange rates, pegs naira at 379/\$
Manufacturing	0.4	1.2	1.1	0.8	*4.36 million oil barrels lost to power outage, others – NNPC
Services	3.5	4	3.5	3.4	*FG to restructure SME loans, says Osinbajo
Labor Data (%) - Q3 18			Latest	Prior	*Nigeria records N136.7b foreign portfolio deficit in first half
Unemployment Rate			23.1	18.8	*Buhari signs African Trade Insurance Agency establishment instrument
Underemployment			20.1	21.2	*Trade to drive growth in August – CBN survey
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Petrol imports tumble 72.65% as COVID-19 hits demand
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Strike looms as aviation unions threaten mass action
Bonds	47.36	91.60	-48.3%	-96.0%	*Petrol supply disruption imminent as PENGASSAN begins strike
Money Market	1482.57	2549.71	-41.9%	50.8%	*Nigeria's oil exports threatened as US floods European market
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*Banks' total assets rise to N47.82tn
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*OPEC axes demand growth forecast
Trade Balance	2,382	2,559	1,668	-6.9%	*Second recession in four years looms, says FG
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Oil demand to drop 8m barrels as air travel dips

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

The week in Review

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Index Performance

	Level	Index Returns (%)				
		WoW	MID	QTD	YTD	1 year
NSE ASI	25199.84	0.63	2.05	2.94	-6.12	-6.95
NSE ASI (\$)	25199.84	0.63	2.90%	3.08%	-11.65%	-12.22%
Market Cap (? 'bn)	A Invalid Sect	0.63%	2.00%	2.94%	1.45%	0.19%
Market Cap (\$'mn)	A Invalid Sect	0.63%	2.90%	3.08%	-4.53%	-6.04%
NSE 30	1067.29	-0.31	1.34	1.44	-9.39	-2.11
NSE Premium	2203.61	-1.27	-0.10	3.69	4.13	-2.05
NSE 50	1141.29	0.27	2.62	1.62	-15.25	-10.70
NSE ASEM	740.58	0.00%	0.00	-0.20	0.76	-5.00
NSE Banking	292.28	-0.03	4.91	3.66	-18.09	-3.96
NSE Insurance	123.37	1.12	0.84	-4.90	-1.95	13.87
NSE Consumer	414.47	2.25	2.98	-6.17	-30.09	-23.67
NSE Oil & Gas	189.10	5.92	11.01	-3.75	-27.97	-14.26
NSE Industrial	1116.82	-2.71	-2.61	1.17	3.83	4.34
NSE Lotus	1834.18	-0.70	-0.63	0.46	-0.03	3.56
NSE Pensions	963.71	0.71	3.61	1.11	-8.57	3.20

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-0.17%	4.54%	-16.95%
Brewers	-0.25%	-1.62%	-41.05%
Cement	0.25%	5.62%	7.68%
Telecom	-0.26%	6.42%	21.24%
Personal Care	-2.62%	-12.40%	-37.69%
Construction	-0.05%	-13.48%	-14.03%
Food	-0.11%	-4.75%	-16.66%
Insurance	-0.16%	-4.45%	-5.56%
Oil & Gas	-0.04%	-4.15%	-61.65%
Real Estate	0.00%	-0.11%	-0.14%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.63%	3.74%	5.76%
Mid Cap (Mid 30%)	0.96%	-3.39%	-12.25%
Small Cap (Bottom 60%)	-11.59%	-13.99%	-52.28%

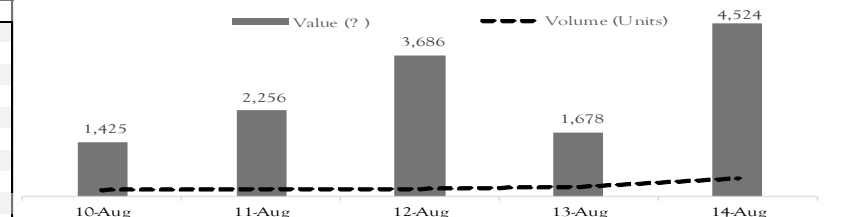
Top 10 Gainers

Company	This Week	WoW
CADBURY	7.45	12.9%
NB	36.00	12.5%
SEPLAT	385.00	10.0%
CILEASIN	4.40	10.0%
GUINNESS	15.40	9.2%
LASACO	0.26	8.3%
FIDSON	3.70	8.2%
PRESTIGE	0.53	6.0%
OANDO	2.48	5.5%
AFRIPRUD	4.40	5.0%

Top 10 Losers

Company	This Week	WoW
COURTEVIL	0.20	-4.8%
UNIFYBNK	0.54	-8.5%
ACADEMY	0.30	-9.1%
ARBICO	1.26	-9.4%
INTBREW	2.85	-9.5%
HONYFLOU	0.95	-9.5%
NNFM	3.87	-10.0%
CORNERST	0.49	-10.9%
IKEJAHOT	0.84	-25.0%
CHAMPION	0.71	-25.3%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ At this week's NTB auction, the FG offered and sold ₦56.78 billion which matched the amount that matured. Total subscription at the auction came in at ₦118.19 billion, a rate of 2.08x which is a higher rate than what was recorded at either of the last two auctions. The average stop rate, meanwhile, declined by 10bps to 1.93%. Yields in the secondary market continued their rise with the average fixed income yields closing the week 2bps higher WoW at 4.48%. Similar to last week, this was led by higher bond yields with the average bond yield rising 18bps WoW to 7.38%.

◆ On Tuesday it reached a high of 7.50% before declining on each of the remaining 3days of the week. The biggest increases were seen at the short end with the Jan-2022 (+206bps), April-2023 (+169bps) and the March-2024 (+144bps). These could have been as a result of a repricing following the release of the savings bond issuance calendar. On the other hand, NTB yields fell over the week with the average yield down 14bps to 1.57%. The biggest decline was seen in the 182-day (-19bps).

	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)	17.60%	7.17%	10.43%	02-Jul-20	4.95%	7.79%	8.99%	02-Jul-20	10.00	10.00	80.00
Open Buy Back (OBB)	19.80%	6.33%	13.47%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00	60.00
NIBOR - 1M	4.23%	3.84%	0.39%	11-Jun-20	4.95%	7.79%	8.99%	11-Jun-20	5.00	5.00	50.00
NIBOR - 3M	6.63%	4.00%	2.63%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00
NIBOR - 6M	4.29%	4.35%	-0.06%	28-May-20	7.00%	8.75%	9.90%	28-May-20	4.00	50.00	60.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	1.19%	1.38%	-0.19%	12-Aug-20	1.20%	1.39%	3.20%	12-Aug-20	19.78	10.00	27.00
3-month	1.21%	1.20%	0.01%	29-Jul-20	1.20%	1.50%	3.40%	29-Jul-20	49.84	54.59	161.52
6-month	1.25%	2.00%	-0.75%	15-Jul-20	1.30%	1.80%	3.35%	15-Jul-20	5.85	26.60	71.60
9-month	2.81%	2.74%	0.07%	01-Jul-20	1.79%	1.91%	3.39%	01-Jul-20	10.00	20.00	58.86
12-month	2.95%	2.95%	0.00%	17-Jun-20	1.80%	2.04%	3.75%	17-Jun-20	2.00	2.00	10.61
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	3.17%	2.81%	0.36%	22-Jul-20		9.50%	9.95%	22-Jul-20		42.0	36.5
16.39% 27-JAN-2022	5.03%	2.97%	2.06%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
14.20% 14-MAR-2024	5.98%	4.54%	1.44%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
12.50% 22-JAN-2026	6.61%	7.11%	-0.50%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0	25.0
16.2884% 17-MAR-2027	7.82%	7.91%	-0.09%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	55.0	65.0	40.0
12.1493% 18-JUL-2034	9.30%	10.47%	-1.17%	Corporate Bonds				Corporate Eurobond			
16.2499% 18-APR-2037	9.43%	9.84%	-0.41%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	9.89%	10.43%	-0.54%	MIXTA 17.00% 16-JAN-2022	4.37%	4.00%	0.37%	ACCESS 10.50% 19-OCT-2021	6.28%	6.71%	-0.43%
FGN Eurobonds				FIDELITY 16.48% 13-MAY-2022	6.41%	4.44%	1.97%	ZENITH 7.375% 30-MAY-2022	6.26%	6.52%	-0.26%
5.625% 27-JUN-2022	4.61%	4.84%	-0.23%	DUFIL 18.25% 1-SEP-2022	7.07%	5.19%	1.88%	UBA 7.75% 08-JUN-2022	7.38%	7.60%	-0.22%
6.50% 28-Nov-2027	6.61%	7.08%	-0.47%	LAPO MFB 17.75% 19-DEC-2022	9.13%	7.33%	1.80%	SEPLAT 9.25% 1-APR-2023	9.03%	9.04%	-0.01%
7.875% 16-FEB-2032	7.56%	8.02%	-0.46%	STERLING 16.50% 3-AUG-2023	6.73%	5.11%	1.62%				
7.625% 28-Nov-2047	7.96%	8.27%	-0.31%	FCMB 17.25% 8-DEC-2023	7.22%	5.71%	1.51%				
				STANBIC 13.25% 30-SEP-2024	7.23%	6.30%	0.93%				
				VIATHAN 16.00% 14-DEC-2027	7.41%	6.87%	0.54%				
				UNION 16.20% 27-JUN-2029	11.61%	11.46%	0.15%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 17th - 21st August 2020

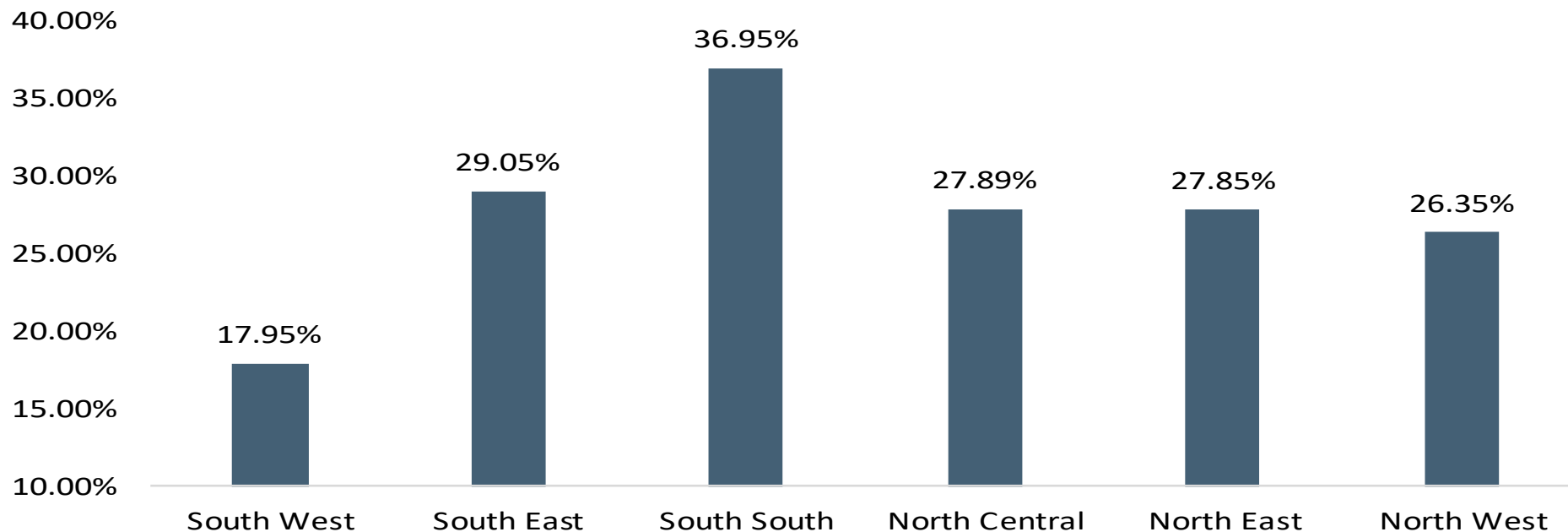
	Monday 17-Aug	Tuesday 18-Aug	Wednesday 19-Aug	Thursday 20-Aug	Friday 21-Aug
Global	Japan Gross Domestic Product Annualized(Q2)	Japan Imports (YoY)(Jul)	UK Retail Price Index (YoY)(Jul)	Germany Producer Price Index (YoY)(Jul)	UK Retail Sales (YoY)(Jul)
	Japan Industrial Production (YoY)(Jun)	Japan Exports (YoY)(Jul)	UK Consumer Price Index (YoY)(Jul)	US Initial Jobless Claims(Aug 14)	Germany Markit Manufacturing PMI(Aug)
	Japan Capacity Utilization (Jun)		UK Producer Price Index - Input (YoY) n.s.a(Jul)		European Markit PMI Composite(Aug)
			European Union Consumer Price Index (YoY)(Jul)		UK Markit Manufacturing PMI (Aug)
					US Markit Manufacturing PMI(Aug)**
Domestic	CPI and Inflation Report July 2020	Liquefied petroleum Gas Price Watch July 2020	Automotive Gas Oil (Diesel) Price Watch July 2020		FAAC July 2020 Disbursement
	National household kerosene price watch July 2020	Pension Asset and Membership data (Q2-2020)	Premium Motor Spirit Price Watch July 2020		Selected food price July 2020

** means Preliminary Estimate

Unemployment

This week the Nigeria Bureau of Statistics (NBS) published the unemployment numbers for Q2 2020. This marked the first official labour force statistics report published since December 2018 when the Q3 2018 numbers were released. According to this current release, unemployment printed at 27.1% in Q2 2020 translating to 21.76 million unemployed persons. For our chart we compare the unemployment rates across the 6 geopolitical zones and see that the South-South has the largest unemployment rate of 36.95%

Unemployment Rate



Source: NBS, ARM Research



Thank You

ARM
SECURITIES

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