

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 27 July – 29 July 2020

Global Economy

- ◆ Over in Asia, industrial leading indicators showed contrasting developments in China and Japan. China recorded an increase in industrial profits for the second consecutive month by 11.5% YoY in June (May: +5.5%), owing to growth in the Steel, oil & gas and metals industries. Meanwhile, Japan's industry activity index declined for the fourth consecutive month by 3.5% MoM in May (April: -7.6%), as the lagging data continues to reflect impacts of the coronavirus. Elsewhere, the IMF approved a \$4.3 billion loan to South Africa, the single biggest allocation of emergency financing from the fund, eclipsing the \$3.4 billion given to Nigeria. Lastly, the US Fed left rates unchanged at the current range of 0-0.25%.

Domestic Economy

- ◆ Recently published PMI data by the CBN suggests a weak performance in business activities over the month of July, albeit an improvement from the prior month as businesses began to reopen on a larger scale amid looser restrictions following the coronavirus outbreak. For context, Manufacturing PMI printed at 44.9 index points (June 2020: 41.1 pts) mirroring a slower decline in production level (44.7 pts vs 36.4 pts in June 2020), new orders (43.1 pts vs June 2020: 36.4 pts), inventory (43.2 pts vs June 2020: 41pts) and employment level (40 pts vs June 2020: 38pts). Similarly, non-manufacturing PMI contracted to 43.3 pts (June 2020: 35.7 pts) reflecting slower contraction in business activity (46.1 pts vs June 2020: 34.3pts), new orders (43.4 pts vs June 2020: 32.5pts), employment level (37.4 pts vs June 2020: 41.1pts) and inventory (42.7 pts vs June 2020: 38.5pts).

Equities and stock recommendation

- ◆ The Nigerian bourse gained for the second consecutive week by 215bps WoW, with the ASI closing at 24,693.73points, while Market capitalization ended the week at ₦12.6 trillion. Sectoral gainers for the week include Banking (+2.89%), Cement (+8.15%), Insurance (+2.44%), while the drags were Brewers (-0.64%), Telecom (-0.59%), Personal Care (-4.31%) and Oil & Gas (-22.38%) WoW. For individual stock performance, major drivers for the upside were observed in DANGCEM (+16.23%), WAPCO (+6.82%), ZENITH (+4.82%), GUARANTY (+4.41%), ACCESS (+2.44%), and AIICO (+4.44%) amongst others. Meanwhile, declines were seen across SEPLAT (-19.64%), GUINNESS (-6.47%), INTBREW (-4.35%) and MTNN (-0.92%) and UNILEVER (-4.67%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87)**, **Nestle Plc – OVERWEIGHT (FVE: ₦1404.4)**, **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 the NTB auction this week, the FG only rolled over the ₦265.9 billion that matured, despite a ₦468.27 billion subscription (1.76x the offering). The average stop rate, meanwhile, declined 12bps to 2.03%. In the secondary market, the average fixed income yield closed 13bps lower WoW to 4.13% led solely by a 26bps WoW decline in the average bond yield to 6.51%. In the bond space, the biggest declines were seen in the March-2027 (-125bps), Feb-2028 (-68bps) and March-2024 (-66bps). NTB yields, on the other hand, remained unchanged with the average yield at 1.75%.

The week in Review

Over in Asia, industrial leading indicators showed contrasting developments in China and Japan. China recorded an increase in industrial profits for the second consecutive month by 11.5% YoY in June (May: +5.5%), owing to growth in the Steel, oil & gas and metals industries. Meanwhile, Japan's industry activity index declined for the fourth consecutive month by 3.5% MoM in May (April: -7.6%), as the lagging data continues to reflect impacts of the coronavirus.

Elsewhere, the IMF approved a \$4.3 billion loan to South Africa, the single biggest allocation of emergency financing from the fund, eclipsing the \$3.4 billion given to Nigeria. Lastly, the US Fed left rates unchanged at the current range of 0-0.25%.

Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.12		0.58	0.1	0.6	Euro (€)	1.2	1.2	1.1	5.1
UK	NA	NA	-0.03	0.1	0.6	GBP (£)	1.3	1.3	1.5	-2.0
Euro	-0.40	-4.2	-0.22	-11.1	0.3	JPY (¥)	104.9	107.2	1.2	3.5
Japan	NA	NA	-0.12	0.0	0	INR (₹)	74.8	74.8	0.0	-4.6
China	2.35	2.5	3.02	2.7	2.5	CNY (¥)	7.0	7.0	0.2	-0.6
India	3.48	0.9	5.84	0.2	5.1	MXN (\$)	21.9	22.4	1.6	-13.7
Mexico	4.59	-0.6	5.38	0.3	3.33	RUB (₽)	72.6	71.1	-1.2	-14.6
Turkey	19.62	-10.1	12.55	-2.9	12.62	ZAR (R)	16.6	16.5	0.5	-15.5
Russia	4.15	-1.4	1.69	0.1	3.2	EGP (£)	16.0	16.0	0.0	0.3
Egypt	13.57	1.04	14.27	0.14	5.6	KES (sh)	107.7	108.3	0.2	-5.9
South Africa	4.35	-1.1	9.21	-0.2	2.2	GHS (¢)	5.8	5.8	0.3	-1.0
Kenya	7.37	-1.3	12.42	3.0	4.6	XOF (₣)	558.2	569.1	1.2	4.8
Ghana	17.90	N/A	19.00	0.0	11.2	XAF (₣)	557.3	566.2	1.2	5.1
Nigeria	3.35	-1.2	7.35	2.0	12.6	NGN (₦)	389.2	389.9	-0.2	-6.8

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	43.8	44.3	1.1	-33.6	US Durable Goods Orders - June	7.3%	15.1%
OPEC Crude	\$/bbl	43.4	44.3	0.1	-36.1	Australia Consumer Price Index (YoY) -Q2	-0.3%	2.2%
Gasoline	\$/gal	124.3	128.3	-3.2	-31.6	Mexico Trade Balance \$ s/a - June	\$4.62B	\$-4.06B
Natural Gas	\$/MBtu	1.9	1.7	2.5	-20.1	Brazil Current Account - June	\$2.25B	\$1.30B
Gold	\$/oz	1973.4	1871.4	3.8	30.1	Spain Retail Sales (YoY) - June	-4.7%	-18.9%
Sugar	\$/lb	12.0	11.9	4.5	-13.5	Ireland Retail Sales (YoY) - June	3.5%	-26.6%
Wheat	\$/bsh	533.0	534.5	-1.2	-6.3	SA Consumer Price Index (YoY) - June	2.2%	2.1%
Crude Palm oil	MYR/MT	2645.0	2656.0	-4.8		Italy Producer Price Index (YoY) - June	-4.5%	-5.3%

** 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)	35.92	36.02	-0.28%	-6.94%	Cement sector update - A solid bounce back from COVID positive surprise in sales
USD/NGN (₦/\$)					
NAFEX	390	388	-0.39%	-6.42%	
Parallel	471.5	469.0	-0.53%	-23.65%	
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	*Power crisis deepens, NBET fails to pay Gencos N181.39bn
Manufacturing	0.4	1.2	1.1	0.8	*FG Signs \$1.5bn Prepayment Deal with Oil Traders
Services	3.5	4	3.5	3.4	*CRR: CBN holds N900b customers' deposits with banks
Labor Data (%) - Q3 18			Latest	Prior	*World Bank: AfCFTA to boost Africa's income by \$450b
Unemployment Rate			23.1	18.8	*Reps summon Emeziele, PenCom boss, others over N300bn funds
Underemployment			20.1	21.2	*Power consumers groan as metering scheme suffers setback
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Banks' foreign assets rise 10.2% on naira adjustment
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Banks' non-performing loans now N1.2tn - CBN
Bonds	47.36	91.60	-48.3%	-96.0%	*Buhari Appoints Two Deputy Commissioners for NAICOM
Money Market	1482.57	2549.71	-41.9%	50.8%	*TUC rejects stamp duty on house rent
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*14 airports now open to domestic flights - FG
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*Banks' borrowings from CBN up 75 % to N1.8 trn in Q1'20
Trade Balance	2,559	1,668	775	230.2%	*Presidency Rejects Senate's Call to Terminate Azura Power Agreement
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Banks cancel N1.9tr bad loans

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	24693.73	1.09	0.88	0.88	-8.00	-11.65
NSE ASI (\$)	24693.73	1.09	0.16%	0.16%	-14.25%	-17.70%
Market Cap (? 'bn)	A Invalid Sect	2.15%	2.15%	2.15%	-0.59%	-4.63%
Market Cap (\$'mn)	A Invalid Sect	1.87%	0.16%	0.16%	-7.34%	-11.90%
NSE 30	1053.21	1.26	0.11	0.11	-10.58	-9.11
NSE Premium	2205.73	1.86	3.79	3.79	4.23	-3.44
NSE 50	1112.10	2.14	-0.98	-0.98	-17.42	-18.15
NSE ASEM	740.58	-6.34%	-0.20	-0.20	0.76	-5.00
NSE Banking	278.60	3.03	-1.19	-1.19	-21.93	-16.39
NSE Insurance	122.34	0.00	-5.69	-5.69	-2.77	6.64
NSE Consumer	402.48	-0.44	-8.88	-8.88	-32.11	-30.68
NSE Oil & Gas	170.34	-6.51	-13.30	-13.30	-35.12	-24.73
NSE Industrial	1146.73	3.63	3.88	3.88	6.61	7.70
NSE Lotus	1845.77	1.16	1.10	1.10	0.60	2.56
NSE Pensions	930.13	1.09	-2.41	-2.41	-11.76	-4.28

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	2.89%	-0.95%	-21.32%
Brewers	-0.64%	-13.61%	-48.24%
Cement	8.15%	8.83%	10.97%
Telecom	-0.59%	2.30%	16.55%
Personal Care	-4.31%	-14.76%	-39.37%
Construction	-1.63%	-13.58%	-14.13%
Food	-0.14%	-5.20%	-17.06%
Insurance	2.44%	-2.66%	-3.79%
Oil & Gas	-22.38%	-26.82%	-70.72%
Real Estate	-0.26%	-0.52%	-0.55%

ARM Indices	Returns (%)		
	WoW	QTD	YTD
Large Cap (Top 10%)	2.45%	1.60%	3.58%
Mid Cap (Mid 30%)	-1.15%	-4.67%	-13.42%
Small Cap (Bottom 60%)	-13.07%	5.48%	-41.47%

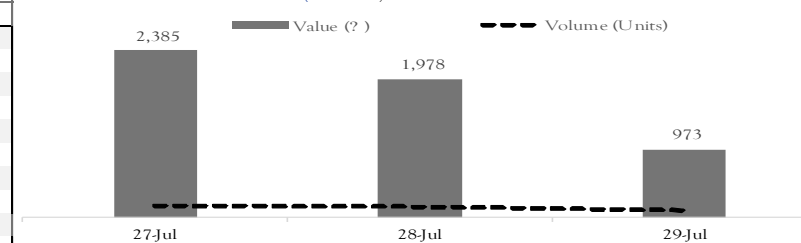
Top 10 Gainers

Company	This Week	WoW
UNITYBNK	0.61	17.3%
DANGCEM	141.80	16.2%
CORNERST	0.55	10.0%
MBENEFIT	0.23	9.5%
PRESTIGE	0.50	8.7%
WAPCO	11.75	6.8%
OKOMU	74.95	6.3%
HONYFLOU	1.00	5.3%
FIDSON	3.15	5.0%
ZENITHBA	16.30	4.8%

Top 10 Losers

Company	This Week	WoW
GUINNESS	13.00	-6.5%
MANSARD	1.44	-8.9%
CADBURY	6.60	-9.0%
STUDPRES	1.80	-9.5%
ARBICO	1.39	-9.7%
CAP	17.10	-9.8%
TOTAL	87.80	-9.9%
UACPROP	0.81	-10.0%
NPFMCREFB	1.18	-16.9%
SEPLAT	310.20	-19.6%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ At the NTB auction this week, the FG only rolled over the ₦265.9 billion that matured, despite a ₦468.27 billion subscription (1.76x the offering). The average stop rate, meanwhile, declined 12bps to 2.03%. In the secondary market, the average fixed income yield closed 13bps lower WoW to 4.13% led solely by a 26bps WoW decline in the average bond yield to 6.51%.

◆ In the bond space, the biggest declines were seen in the March-2027 (-125bps), Feb-2028 (-68bps) and March-2024 (-66bps). NTB yields, on the other hand, remained unchanged with the average yield at 1.75%.

	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)	1.40%	2.20%	-0.80%	02-Jul-20	4.95%	7.79%	8.99%	02-Jul-20	10.00	10.00	80.00	
Open Buy Back (OBB)	2.10%	1.60%	0.50%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00	60.00	
NIBOR - 1M	4.84%	3.92%	0.92%	11-Jun-20	4.95%	7.79%	8.99%	11-Jun-20	5.00	5.00	50.00	
NIBOR - 3M	5.03%	3.90%	1.13%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00	
NIBOR - 6M	5.62%	4.46%	1.16%	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	1.40%	1.40%	0.00%	29-Jul-20	1.20%	1.50%	3.40%	29-Jul-20	49.84	54.59	161.52	
3-month	1.21%	1.21%	0.00%	15-Jul-20	1.30%	1.80%	3.35%	15-Jul-20	5.85	26.60	71.60	
6-month	1.82%	1.82%	0.00%	01-Jul-20	1.79%	1.91%	3.39%	01-Jul-20	10.00	20.00	58.86	
9-month	2.74%	2.74%	0.00%	17-Jun-20	1.80%	2.04%	3.75%	17-Jun-20	2.00	2.00	10.61	
12-month	2.96%	2.96%	0.00%	10-Jun-20	2.00%	2.20%	4.02%	10-Jun-20	4.41	7.82	78.71	
FGN Bonds (Local)				FGN Bonds			FGN Bonds					
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year	
14.50% 15-JUL-2021	3.03%	3.06%	-0.03%	22-Jul-20		9.50%	9.95%	22-Jul-20		42.0	36.5	
16.39% 27-JAN-2022	3.84%	3.94%	-0.10%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8	
14.20% 14-MAR-2024	3.98%	4.64%	-0.66%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7	
12.50% 22-JAN-2026	5.35%	5.90%	-0.55%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0	25.0	
16.2884% 17-MAR-2027	6.75%	8.00%	-1.25%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	55.0	65.0	40.0	
12.1493% 18-JUL-2034	8.88%	8.57%	0.31%	Corporate Bonds			Corporate Eurobond					
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)	
16.2499% 18-APR-2037	9.20%	9.14%	0.06%	MIXTA 17.00% 16-JAN-2022	4.24%	4.27%	-0.03%	ACCESS 10.50% 19-OCT-2021	6.76%	7.39%	-0.63%	
14.8% 26-APR-2049	9.72%	9.69%	0.03%	FIDELITY 16.48% 13-MAY-2022	5.11%	5.28%	-0.17%	ZENITH 7.375% 30-MAY-2022	6.62%	6.91%	-0.29%	
				DUFIL 18.25% 1-SEP-2022	5.66%	5.92%	-0.26%	UBA 7.75% 08-JUN-2022	8.01%	7.88%	0.13%	
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022			7.60%	7.94%	-0.34%	SEPLAT 9.25% 1-APR-2023		
5.625% 27-JUN-2022	4.89%	4.90%	-0.01%	STERLING 16.50% 3-AUG-2023	4.96%	5.46%	-0.50%					
6.50% 28-Nov-2027	7.49%	7.57%	-0.08%	FCMB 17.25% 8-DEC-2023	5.32%	5.92%	-0.60%					
7.875% 16-FEB-2032	8.50%	8.59%	-0.09%	STANBIC 13.25% 30-SEP-2024	5.50%	5.82%	-0.32%					
7.625% 28-Nov-2047	8.49%	8.52%	-0.03%	VIATHAN 16.00% 14-DEC-2027	5.87%	6.01%	-0.14%					
				UNION 16.20% 27-JUN-2029	10.85%	11.01%	-0.16%					

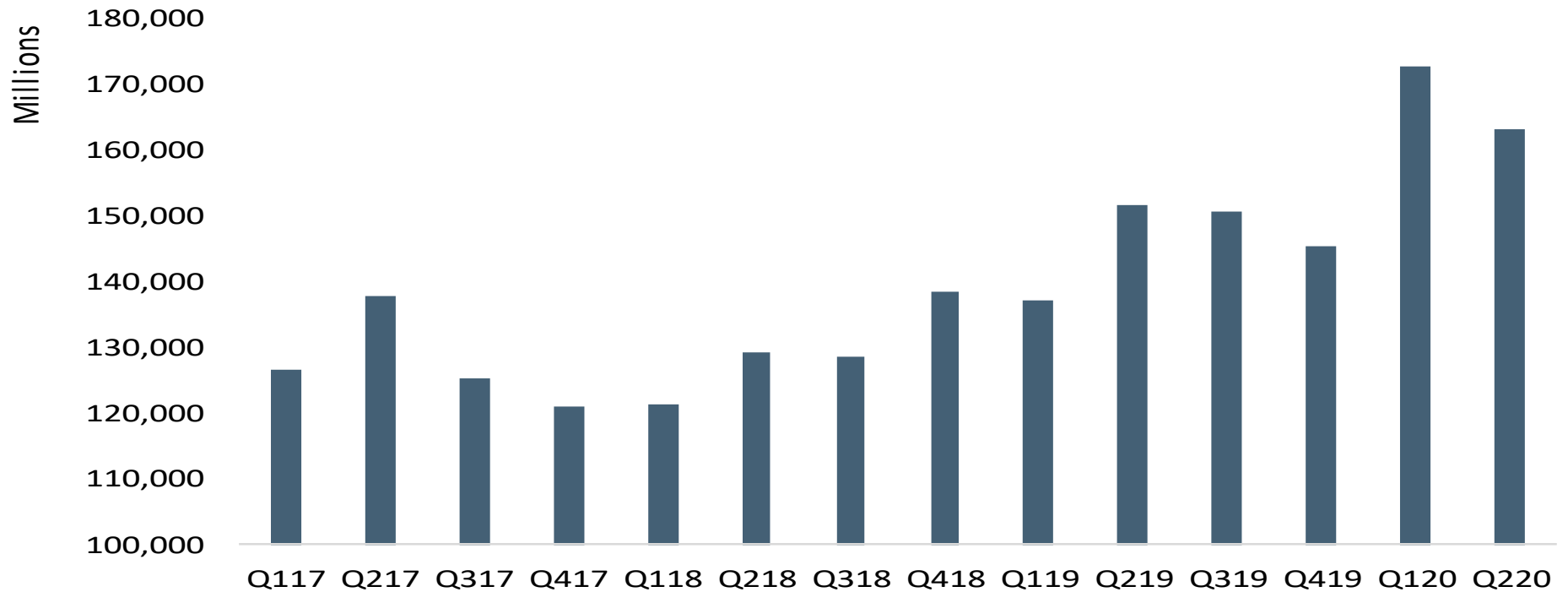
Source: DMO, FMDQ, Bloomberg, ARM Research

	Monday 3-Aug	Tuesday 4-Aug	Wednesday 5-Aug	Thursday 6-Aug	Friday 7-Aug
Global	Germany Markit Manufacturing PMI (Jul)	Germany Trade Balance (Jun)	US Trade Balance(Jun)	United Kinfdom BoE Interest Rate Decision	China trade Balance USD(Jul)
	US Markit Manufacturing PMI (Jul)	European Union Producer Price Index (YoY)(Jun)	European Union Markit Services PMI (Jul)	US Initial Jobless Claims(Jul 31)	France Trade Balance EUR (Jun)
	European Union Markit Manufacturing PMI(Jul)		US Markit PMI Composite(Jul)	Germany Industrial Production (YoY)(Jun)	US Unemployment Rate(Jul)
	Japan Tokyo Consumer Price Index (YoY)(Jul)		China Services PMI(Jul)		
			Japan Gross Domestic Product Annualized (Q2)**		
Domestic					

** means Preliminary Estimate

Quarterly VAT

Recent data shows there was a 5.5% QoQ drop in VAT to ₦163 billion over Q2 2020. This drop coincides with the lockdown measures that were put in place at the end of Q1 20 to slow the spread of the coronavirus. On a YoY basis, however, VAT was up 7.7% and this can be explained by the higher VAT rate of 7.5% this year compared to 5% last year. Over H1 20 VAT printed at ₦335.8 billion, a 16.4% YoY increase.



Source: NBS, ARM Research



ARM
SECURITIES

Thank You

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