

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 23rd– 27th November 2020

Global Economy

- ◆ Economic activities in the Eurozone dipped further in November according to preliminary PMI figures as the Bloc's economy is on track for its first double-dip recession in nearly a decade. Composite PMI printed at 45.1 pts (October: 50.0 pts), below the 50-point threshold for the first time since June 2020 following declines in both services PMI (down to a 6-month low of 41.3 pts from 46.9 pts) and manufacturing PMI (down to 53.6 pts from 54.8 pts). Looking at individual countries across the region, both France (from 47.5 pts to 39.5 pts) and the UK (from 52.1 pts to 47.4 pts) recorded contractions in their composite PMI's while business activities in Germany grew at a softer pace as PMI remained slightly above the 50-index point at 52.0 (October: 55.0 pts). Still in Germany, a final estimate revealed an upward revision in economic growth rate to 8.5%QoQ (initial estimate: 8.2%QoQ). The better than expected expansion was supported by a rebound in household consumption (+10.8%QoQ) and export level (+18.1%QoQ). Meanwhile in the U.S, business activities expanded at its fastest rate in over five years as composite PMI rose to 57.9 pts in November. Manufacturing PMI experienced the more significant increase, jumping to 56.7 pts (October:53.4 pts) while services PMI rose moderately to 57.7 pts (October:56.9 pts).

Domestic Economy

- ◆ This week, the Monetary Policy Committee (MPC) of the CBN decided to keep monetary policy rate (MPR) unchanged at 11.50%. In addition, all other monetary policy parameters were left unchanged with the asymmetric corridor +100/-700 bps around the MPR.; liquidity ratio at 30.00%; and the cash reserve ratio at 27.50%. Elsewhere, data from NBS showed a 3.62% YoY contraction in Q3 2020 GDP, taking Nigeria's economy into a recession. Notably, the oil sector saw a steeper contraction of 13.9% YoY relative to the prior quarter (Q2 2020: -6.6% YoY) reflecting a moderation in crude oil production which printed at 1.67mbpd (Q2 2020: 1.81mbpd), while the non-oil sector declined by 2.5% YoY (vs Q2 2020: -6.1% YoY). A further glance at the non-oil sector revealed slower contraction in the manufacturing sector by 1.5% YoY in Q3 2020 (vs Q2 2020: -8.8% YoY), trade (Q3 2020: -12.1% YoY vs Q2 20: -16.6% YoY), services (Q3 2020: -2.47% YoY vs Q3 20: -2.61% YoY) while building and construction sector saw a recovery, expanding by 2.8% YoY (vs Q3 20: -31.8% YoY), owing to a pickup in production activities compared to H1 2020. Meanwhile, the Agric sector grew at a slower pace by 1.39% YoY (Q2 2020: 1.58% YoY).

Equities and stock recommendation

- ◆ The Nigerian bourse rebounded swiftly from last week's decline, as NSE ASI advanced by 219bpsWoW to end the week at 34,885.51points while market cap printed at ₦18.2trillion. Gains in the Cement (+5.38%), Oil & Gas (+2.66%) and Telecom (+3.52%) sectors outweighed losses recorded across Personal care (-2.02%), Construction (-1.42%), Banking (-1.02%) and Breweries (-0.65%). A delve into the sectoral performance disclosed the major drivers for the upturn were DANGCEM (+6.11%), AIRTEL (+7.00%), MTN (+1.31%), BUACEMENT (+4.77%), MOBIL (+9.89%) and UBA (+2.44%) WoW, amongst others. On the other hand, NB (-0.41%), ZENITH (-4.49%), GUARANTY (-0.99%) and DANGSUGAR (-2.44%) were the top losers on a WoW basis.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2), – DANGCEM—OVERWEIGHT (FVE: ₦235.35), UBA PLC—STRONG BUY (FVE: ₦10.39), Fidelity Bank Plc – BUY (FVE: ₦3.18)**. Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

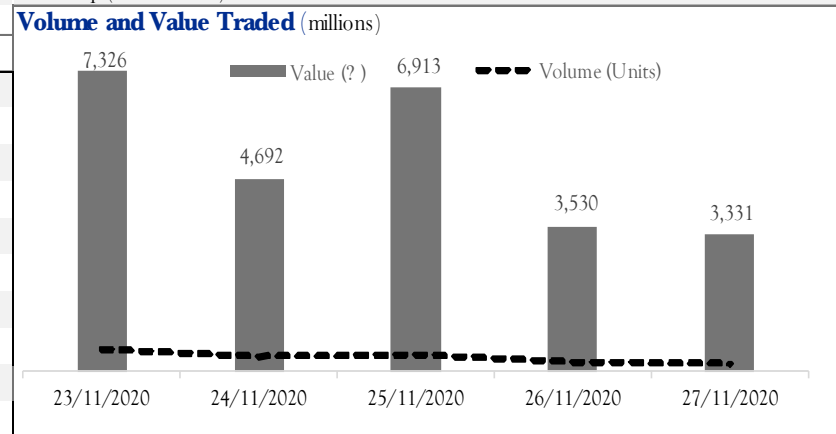
- ◆ At this week's NTB auction, the DMO offered and sold ₦150.6 billion, with total subscription printing at ₦445.94billion --- a subscription rate of 2.96x. Meanwhile, the average stop rate declined for the seventh consecutive auction, this time by 7bps to 0.09%. In the secondary market, the average fixed income yield declined by 7bps to 1.76% mirroring contractions in both ends of the curve. Precisely, the average bond yield was down 13bps to close the week at 3.42% driven by declines in the Jan-2022 (-83bps) and March-2025 (-54bps) instruments. Similarly, the average NTB yield shed 1bp to print at 0.10% as the 1-year (-3bps) bill closed lower.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.45	35.54	-0.25%	-8.15%	*Zenith Bank Plc - Lower impairments and operating expenses bolster Q3 earnings
USD/NGN (₦/\$)					*Q3 2020 GDP: A recession is confirmed
NAFEX	393	385.5	-1.97%	-7.31%	*Access Bank Plc - Non-interest revenue spurred earnings in 9M 2020
Parallel	490.0	475.0	-3.06%	-26.53%	*UBA Plc 9M 2020 - Earnings advance on higher interest income
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	*Monetary Policy Review - All monetary parameters left unchanged
Inflation YoY (October)			CHG (pps)		
Headline	14.23	13.71	0.52	12.79	
Core	11.14	10.58	0.56	10.11	
Food	17.38	16.66	0.72	15.55	
GDP (%) - YoY	Q3 20	Q2 20	Q1 20	FY19	
Real GDP	-3.2	-6.1	1.87	2.3	
Oil	-13.9	-6.6	5.1	4.6	News Headline for the week (click news for link)
Agriculture	1.4	1.6	2.2	2.4	*NNPC presents first budget to N'Assembly in 43 years
Manufacturing	-1.5	-8.8	0.4	0.8	*Company income tax revenue hits N416.01bn in Q3
Services	-2.5	-2.61	3.5	3.4	*NERC Plans Another Electricity Tariffs Review
Labor Data (%) - Q2 20			Latest	Prior	*Rising U.S jobless claims, COVID-19 cases point to slowing economic recovery
Unemployment Rate			27.1	23.1	*Global coronavirus cases surpass 60 million infections – Reuters tally
Underemployment			28.8	20.1	*OPEC Seeks \$12.6tn Investments to Revamp Global Oil Industry
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Border closure: Committee report ready for Buhari
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Oil falls to \$47 as fate of OPEC+ deal uncertain
Bonds	0.00	231.22	-100.0%	-100.0%	*Trump administration gives green light to proceed with Biden transition
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Lagos Free Zone to boost Nigeria's GDP by 2 percent
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*2020 Finance Bill: FG Exempts Minimum Wage Earners from Tax
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Nigeria's per capita income could fall to 40-year low – W'Bank
Trade Balance	2,382	2,559	1,668	-6.9%	*G20 says it will strive for fair global access to COVID-19 vaccine
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Refineries gulped N81.41bn, refined zero crude – NNPC

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

Index Performance		Index Returns (%)					Sector Performance		Returns (%)		
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD	
NSE ASI	34885.51	2.19	14.26	29.99	29.97	30.22	Banking	-1.02%	27.00%	13.91%	
NSE ASI (\$)	34885.51	2.19	6.86%	6.86%	0.53%	1.29%	Brewers	-0.65%	24.93%	-2.56%	
Market Cap (? 'bn)	18,227.77	0.86%	6.81%	6.81%	15.60%	16.35%	Cement	5.38%	41.79%	62.45%	
Market Cap (\$'mn)	47,430.38	0.86%	6.86%	6.86%	8.84%	8.76%	Telecom	3.52%	28.85%	64.55%	
NSE 30	1487.64	1.69	12.75	29.49	26.30	31.84	Personal Care	-2.02%	10.10%	-28.54%	
NSE Premium	3128.88	2.26	15.81	32.01	47.85	44.05	Construction	-1.42%	7.60%	-4.62%	
NSE 50	1587.12	0.58	10.67	29.31	17.85	22.00	Food	-0.59%	22.43%	2.99%	
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-3.84	Insurance	-1.87%	7.97%	7.36%	
NSE Banking	404.01	-1.31	8.43	30.16	13.22	13.38	Oil & Gas	2.66%	24.05%	-47.16%	
NSE Insurance	155.41	0.28	7.10	11.96	23.52	28.86	Real Estate	-0.06%	0.00%	-2.75%	
NSE Consumer	582.41	-0.50	6.65	28.34	-1.76	9.37	ARM Indices				
NSE Oil & Gas	216.59	0.64	0.59	10.01	-17.50	-7.11		WoW	QTD	YTD	
NSE Industrial	1657.23	4.40	24.80	38.82	54.07	54.65	Large Cap (Top 10%)	2.54%	29.61%	45.73%	
NSE Lotus	2490.00	2.11	13.92	28.79	35.71	43.47	Mid Cap (Mid 30%)	-0.36%	21.05%	8.96%	
NSE Pensions	1360.65	0.39	10.11	29.40	29.09	35.95	Small Cap (Bottom 60%)	-3.40%	28.19%	-37.30%	

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
UPDCREIT	5.50	32.5%	JAPPAUL	0.24	-11.1%
UPL	1.38	9.5%	HONEYWELL	1.07	-10.8%
WAPIC	0.44	7.3%	CUSTODIA	5.85	-10.0%
FCMB	3.25	7.3%	CHAMPION	0.96	-9.4%
AIRTELAFRI	535.00	7.0%	TRANSEXPR	0.87	-9.4%
DANGCEM	205.00	6.1%	WEMA	0.70	-9.1%
CADBURY	9.60	3.8%	LINKASSURE	0.50	-9.1%
FBNH	7.40	2.1%	PORIPAINT	2.61	-8.4%
ETI	6.45	1.6%	NASCON	16.00	-8.0%
FIDELITY	2.60	1.6%	MBENEFIT	0.23	-8.0%



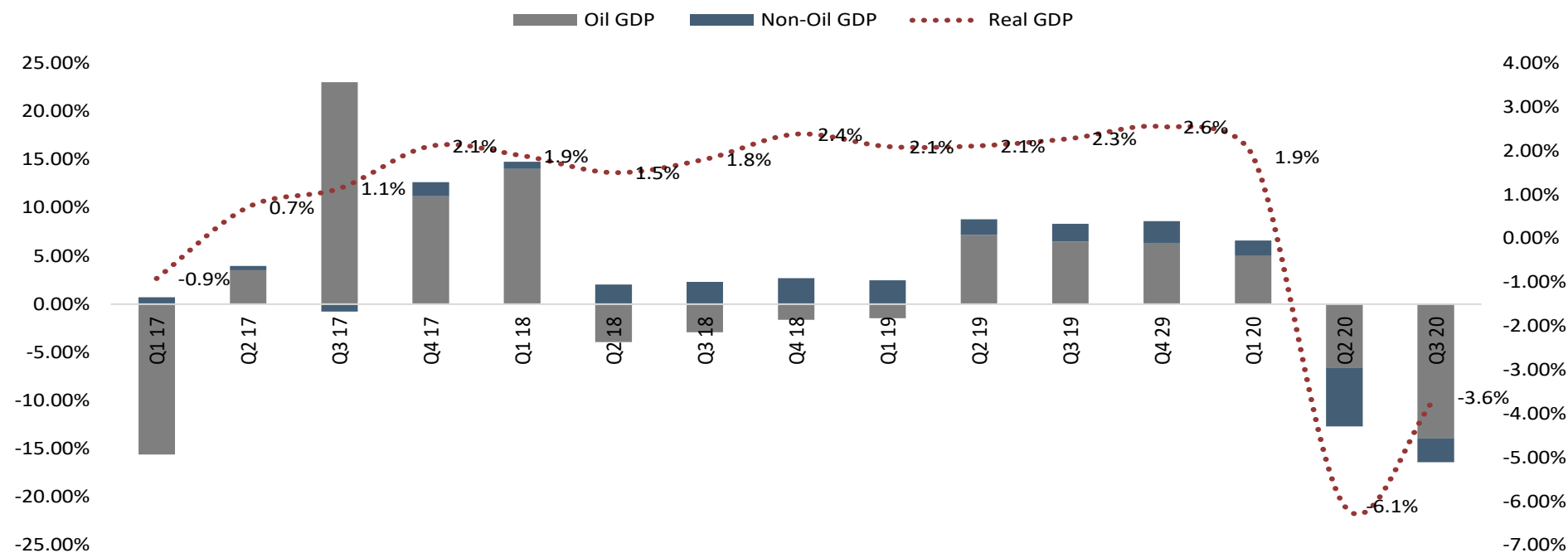
Source: NSE, Bloomberg, ARM Research

	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)	1.50%	4.33%	-2.83%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
Open Buy Back (OBB)	1.25%	3.33%	-2.08%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 1M	0.07%	0.86%	-0.80%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 3M	0.08%	1.30%	-1.22%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
NIBOR - 6M	0.13%	1.18%	-1.05%	15-Oct-20	4.10%	7.10%	8.45%	15-Oct-20	10.00	10.00	40.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.05%	0.05%	0.00%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
3-month	0.07%	0.07%	0.00%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
6-month	0.10%	0.10%	0.00%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	10.00	17.60	106.37
9-month	0.14%	0.14%	0.00%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	2.00	8.39	148.36
12-month	0.15%	0.18%	-0.03%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	4.41	14.00	109.65
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.17%	0.23%	-0.06%	21-Oct-20	N/A	0.05	6%	21-Oct-20	N/A	40.00	40.00
16.39% 27-JAN-2022	0.70%	1.53%	-0.83%	21-Oct-20	N/A	0.05	6%	21-Oct-20	N/A	22.50	27.50
14.20% 14-MAR-2024	1.74%	2.02%	-0.28%	23-Sep-20	0.06	0.09	9%	23-Sep-20	69.31	25.43	4.60
12.50% 22-JAN-2026	3.81%	3.37%	0.44%	19-Aug-20	0.07	0.09	10%	19-Aug-20	33.42	22.95	53.69
16.2884% 17-MAR-2027	3.61%	3.77%	-0.16%	22-Jul-20	0.06	0.10	10%	22-Jul-20	25.00	42.00	36.52
12.1493% 18-JUL-2034	5.08%	5.00%	0.08%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	5.02%	5.00%	0.02%	MIXTA 17.00% 16-JAN-2022	1.36%	1.42%	-0.06%	ACCESS 10.50% 19-OCT-2021	5.07%	4.91%	0.16%
14.8% 26-APR-2049	6.63%	6.98%	-0.35%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	5.29%	5.29%	0.00%
				DUFIL 18.25% 1-SEP-2022	2.99%	3.45%	-0.46%	UBA 7.75% 08-JUN-2022	6.39%	7.21%	-0.82%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	5.16%	5.44%	-0.28%	SEPLAT 9.25% 1-APR-2023	8.20%	8.52%	-0.32%
5.625% 27-JUN-2022	3.63%	3.77%	-0.14%	STERLING 16.50% 3-AUG-2023	2.78%	2.90%	-0.12%				
6.50% 28-Nov-2027	5.63%	5.91%	-0.28%	FCMB 17.25% 8-DEC-2023	3.10%	3.32%	-0.22%				
7.875% 16-FEB-2032	6.83%	7.08%	-0.25%	ACCESS 15.50% 23-JUL-2026	6.13%	5.98%	0.15%				
7.625% 28-Nov-2047	7.41%	7.60%	-0.19%	VIATHAN 16.00% 14-DEC-2027	2.94%	3.33%	-0.39%				
				UNION 16.20% 27-JUN-2029	7.53%	7.57%	-0.04%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Trend in NSE ASI

Nigeria's GDP numbers remained in negative territory in Q3'20, albeit milder than the contraction witnessed in the preceding quarter. While crude oil output continues to test new lows as Nigeria increasingly stuck to OPEC+ cut commitment thereby leading to deeper contraction in Oil sector GDP numbers than we saw in Q2'20, the gradual resumption in economic activities reduce the pace of shrinkage in the Non-Oil sector of the economy. Although we expect the recovery process to continue, particularly in the real sector, we note that tight FX liquidity and accelerating double digit inflation may slow down the recovery process.



Source: Bloomberg, ARM Research



Thank You

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