

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 12th April - 16th April 2021

Global Economy

- ◆ Business activity in the Eurozone bounced back to growth as composite PMI came in better than expected at 53.2pts (preliminary reading: 52.5pts). Anchoring the upswing was an expansion in manufacturing output (final estimate up to 62.5pts from 57.9pts in February) while services PMI printed just shy of the 50-point threshold at 49.6pts (initial estimate: 48.8pts) despite a faltering inoculation drive and further re-imposition of lockdown measures across the bloc. Over in the US, the IMF endorsed President Biden's plans to raise corporate income tax and negotiate a global minimum tax, with the Bretton-wood institution citing a COVID-19 "surcharge" as an avenue for wealthier countries to reverse the erosion in its revenues. The tax plan was discussed by G-20 finance officials during the week, with steps now being taken by countries across the world towards reaching an agreement on corporate tax reforms through the Organization for Economic Co-operation and Development (OECD). Elsewhere, consumer prices in China rebounded in March after two consecutive months of deflation as the consumer price index rose 0.4%YoY (February: -0.2%YoY). The highest reading since last October was largely underpinned by a sharp ricochet in the cost of non-food goods (up 0.7%YoY vs -0.2%YoY in February) and this was largely driven by upticks in the price of transportation (2.7%YoY vs -1.9%YoY), clothing (0.1%YoY vs -0.5%YoY) and rent (0.2%YoY vs -0.3%YoY).

Domestic Economy

- ◆ Data released by the National Bureau of Statistics (NBS) showed that Nigeria's inflation for March 2021 rose to 18.17% (from 17.33% for February 2021). For context, food inflation surged to 22.95% (from 21.79% in February 2021), as the prices of Bread and cereals, Potatoes, yam, and other tubers, amongst others, witnessed upticks over the month. Meanwhile, Core inflation rose by 29bps to 12.67% YoY, reflecting increase in energy prices. This occurred following the rise in Transport (+62bps YoY), HWEGF [3] (+36bps YoY), and other core sub-indices including Health (+60bps), Clothing (+40bps YoY), rose during the period. With the Central Bank of Nigeria's (CBN) expanding FX restriction list, the food inflation is expected to sustain its rising trend, as the supply side tightens. We expect that the rise in core inflation will also be sustained, as cost of transportation is poised to be sticky downwards, amidst higher fuel prices. Precisely, the CBN announced that it will be adding Sugar and Wheat to the FX restrictions list. This means Nigeria will no longer provide FX for importers of wheat and sugar. This is in line with the strategy laid by the CBN to conserve national dollar reserves and improve local production of goods.

Equities and stock recommendation

- ◆ The Nigeria equities market closed the week negative, down 0.15% WoW to 38,806.17pts. CUSTODIAN (-17.86%), FCMB (-8.90%), PZ (-7.22%) and STERLNBANK (-5.13%) topped the losers' table while UACN (+7.53%), GUINNESS (+7.24%), FBNH (+4.83%) and DANGCEM (+2.33%) registered the highest gains. Sectoral performances show Cement (+1.31%) as the best performing sector while Insurance (-5.43%) posted the biggest loss. The gains in the Cement sector was supported by DANGCEM (+2.33%) while the loss in the Insurance sector was majorly due to CUSTODIAN (-17.86%) and MANSARD (-8.16%).
- ◆ Here are the stocks we recommend for the upcoming week: **GUARANTY - STRONG BUY (FVE: ₦42.12), DANGOTE CEMENT PLC- OVERWEIGHT (FVE: ₦255.73), UBA PLC- BUY (FVE: ₦12.18) and WAPCO - STRONG BUY (FVE: ₦28.61)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ In the secondary market, the average fixed income yields firmed 55bpsWoW to settle at 7.60% mirroring contrasting movements at both ends of the curve. Specifically, the average bond yield hit an 11-month high (up 115bps WoW to 10.85%) spurred by a surge in the Apr-2023 (+333bps), Mar-2024 (+273bps) and Mar-2025 (+202bps) instruments while downward pressures in the 182-day (-4bps) and 270-day (-3bps) bills triggered a 5bps WoW moderation in the average NTB yield to 4.35%. In the primary market, ₦69.56 billion was offered but total allotment stood at ₦153.37 billion, marking the fifth consecutive net-issuance by the DMO. Total subscription came in at ₦247.40 billion, translating to a new year-high subscription rate of 3.56x. Meanwhile, the average stop rate ticked up 33bps to 4.83% driven by a rise in the 1-year stop rate (up 100bps to 9.00%).

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.20	34.98	0.64%	-8.80%	*Nigerian CPI fast-tracks its ascent in March
USD/NGN (₦/\$)					
NAFEX	411	409.7	-0.21%	-11.20%	
Parallel	480.0	482.5	0.52%	-25.00%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (March 2021)			CHG (pps)		
Headline	18.17	17.33	0.84	17.32	
Core	12.67	12.38	0.29	12.30	
Food	22.95	21.79	1.16	21.77	
GDP (%) - YoY	Q4 20	Q3 20	Q2 20	FY20	
Real GDP	0.11	-3.62	-6.1	-1.9	News Headline for the week (click news for link)
Oil	-19.8	-13.9	-6.6	-8.9	*SEC Warns against Proliferation of Unregistered Investment Platforms
Agriculture	3.4	1.4	1.6	2.2	*Pope Urges IMF, W'Bank to Cut Poor Nations' Debts
Manufacturing	-1.5	-1.5	-8.8	-2.8	*Foreign reserves rise to \$34.85b on 'Naira for Dollar' policy
Services	1.3	-5.5	-2.61	-2.2	*IMF endorses digital money for cheaper remittance, cross-border payments
Labor Data (%) - Q4 20			Latest	Prior	*Oil jumps to \$66 on signs of rising crude demand
Unemployment Rate			33.3	27.1	*U.S. consumer prices post biggest gain in 8-1/2 years as economy reopens
Underemployment			22.8	28.8	*Manufacturing sector intervention fund now N803bn -CBN
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*OPEC Raises Oil Demand Growth on Stronger Economic Recovery
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*China's robust exports, surging imports boost recovery; outlook still challenging
Bonds	0.00	0.00		-100.0%	*Bol records N35.54b profit, assets hit N1.86 trillion
Money Market	17.10	363.15	-95.3%	-98.8%	*Qatar to Invest \$5bn in Nigeria, Says Onyeama
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Okonjo-Iweala: COVID-19 Vaccine Nationalism, Export Restrictions Threat to Africa
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*AstraZeneca says it had positive meeting with EU over vaccine row
Trade Balance	2,382	2,559	1,668	-6.9%	*FG to auction N150bn bonds in April
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Pension funds drop by N6.93b

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

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	38808.01	-0.13	-0.61	-0.61	-3.63	72.06
NSE ASI (\$)	38808.01	-0.15	-0.54	-0.54	-3.19	70.34
Market Cap (?'bn)	18,365	-0.13	-0.46	-0.46	-3.43	82.47
Market Cap (\$'mn)	46,494	-0.21	-0.54	-0.54	-3.13	71.01
NSE 30	1541.39	-0.29	-0.93	-0.93	-6.02	59.82
NSE Premium	3277.52	0.65	1.08	1.08	-5.57	69.65
NSE 50	1544.15	-0.36	-1.94	-1.94	-6.90	50.86
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-0.52
NSE Banking	343.03	-1.51	-7.21	-7.21	-12.72	27.15
NSE Insurance	193.34	-4.23	-5.48	-5.48	2.03	63.20
NSE Consumer	552.65	-0.61	1.79	1.79	-3.61	49.22
NSE Oil & Gas	264.88	-0.29	-0.37	-0.37	17.10	25.10
NSE Industrial	1893.27	0.95	0.19	0.19	-7.75	95.57
NSE Lotus	2681.58	0.09	1.15	1.15	-5.78	71.66
NSE Pensions	1362.05	-0.31	-0.04	-0.04	-1.91	59.82

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-0.52%	-10.86%	-8.49%
Brewers	0.81%	-8.18%	-4.75%
Cement	-0.06%	-5.60%	-8.47%
Telecom	0.00%	3.58%	2.11%
Personal Care	-6.03%	-8.70%	-11.96%
Construction	0.00%	3.23%	3.53%
Food	0.27%	-4.61%	-3.45%
Insurance	-1.75%	2.31%	6.10%
Oil & Gas	0.11%	11.65%	44.44%
Real Estate	-0.24%	-2.56%	-2.39%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.09%	-3.67%	-4.47%
Mid Cap (Mid 30%)	-0.17%	-2.40%	-0.56%
Small Cap (Bottom 60%)	0.27%	16.14%	14.01%

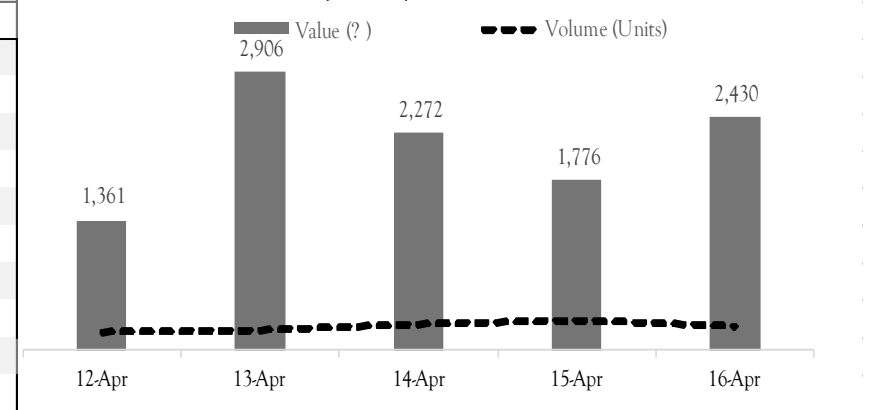
Top 10 Gainers

Company	This Week	WoW
CHAMS	0.22	10.0%
UACN	0.79	9.7%
GUINNESS	31.85	9.3%
FLOURMILLS	5.35	9.2%
PZ	4.50	8.4%
REGENCY	0.26	8.3%
FTN COCOA	0.50	6.4%
WAPIC	0.46	4.6%
UACN	10.00	4.2%
MANSARD	0.90	3.5%

Top 10 Losers

Company	This Week	WoW
CUSTODIAN	5.75	-17.9%
NIG FLOURMILLS	5.35	-13.7%
MUTUAL BENEFITS	0.34	-12.8%
FIDSON	4.28	-9.9%
CUTIX	2.03	-9.8%
TRIPPLEGEE	0.65	-9.7%
MCR	2.52	-9.7%
STUDIOPRESS	1.62	-9.5%
CHAMPION	2.00	-9.1%
FCMB	2.66	-8.9%

Volume and Value Traded (millions)



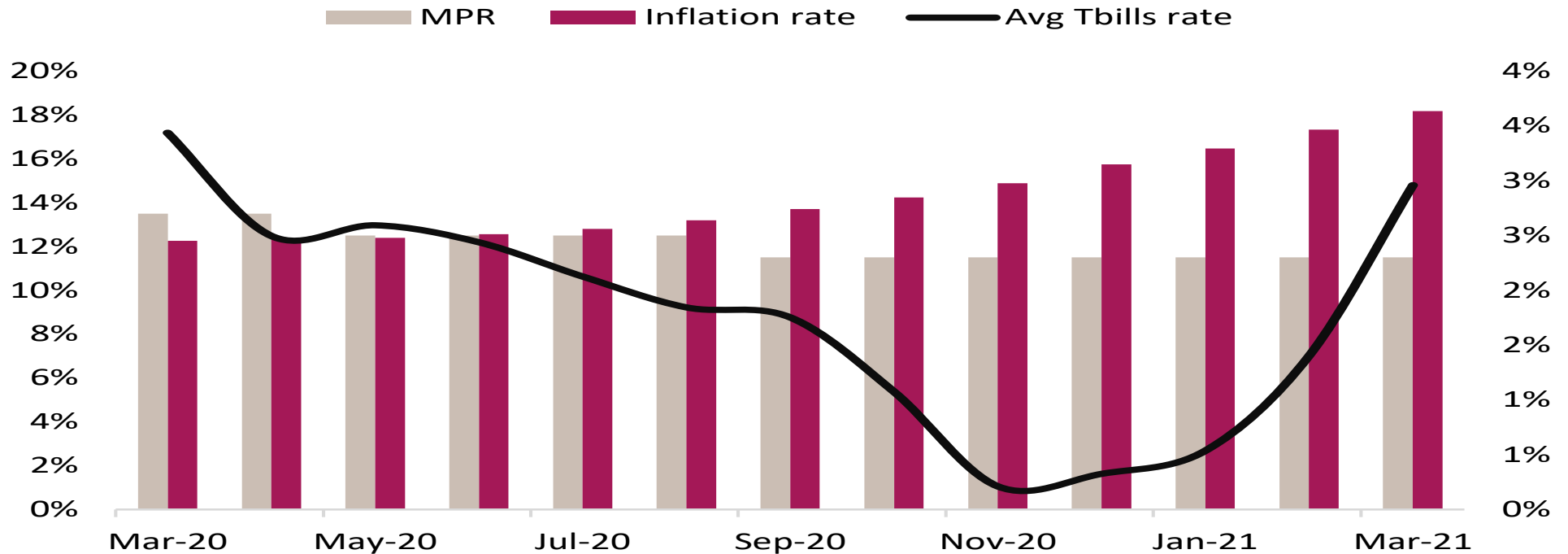
Source: NSE, Bloomberg, ARM Research

	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)	25.00%	12.25%	12.75%	31-Mar-21	7.00%	8.50%	10.10%	31-Mar-21	10.00	20.00	70.00
Open Buy Back (OBB)	28.33%	12.50%	15.83%	25-Mar-21	7.00%	8.50%	10.10%	25-Mar-21	5.00	10.00	25.00
NIBOR - 1M	7.25%	5.33%	1.92%	18-Mar-21	7.00%	8.50%	10.10%	18-Mar-21	10.00	20.00	70.00
NIBOR - 3M	9.92%	6.82%	3.10%	04-Mar-21	7.00%	8.50%	10.10%	04-Mar-21	10.00	10.00	40.00
NIBOR - 6M	10.83%	8.53%	2.30%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	10.00	10.00	70.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.38%	2.38%	0.00%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
3-month	2.52%	2.52%	0.00%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
6-month	3.80%	3.84%	-0.04%	17-Mar-21	2.00%	3.50%	7.00%	17-Mar-21	2.52	5.91	53.46
9-month	5.67%	5.70%	-0.03%	24-Feb-21	2.00%	3.50%	6.50%	24-Feb-21	4.74	23.45	80.57
12-month	8.07%	7.98%	0.09%	10-Feb-21	2.00%	3.50%	5.50%	10-Feb-21	24.18	32.71	90.38
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	2.54%	2.60%	-0.06%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.39% 27-JAN-2022	6.16%	6.18%	-0.02%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
14.20% 14-MAR-2024	9.95%	7.22%	2.73%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.50% 22-JAN-2026	11.93%	10.49%	1.44%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.2884% 17-MAR-2027	12.30%	11.28%	1.02%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
12.1493% 18-JUL-2034	12.70%	11.52%	1.18%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	13.29%	12.46%	0.83%	MIXTA 17.00% 16-JAN-2022	5.07%	5.16%	-0.09%	ACCESS 10.50% 19-OCT-2021	2.46%	2.59%	-0.13%
14.8% 26-APR-2049	13.90%	13.10%	0.80%	DUFIL 18.25% 1-SEP-2022	10.13%	8.77%	1.36%	ZENITH 7.375% 30-MAY-2022	3.19%	3.29%	-0.10%
				LAPO MFB 17.75% 19-DEC-2022	12.35%	10.09%	2.26%	UBA 7.75% 08-JUN-2022	3.96%	4.26%	-0.30%
FGN Eurobonds				Corporate Eurobond				Corporate Eurobond			
				STERLING 16.50% 3-AUG-2023	10.29%	7.21%	3.08%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
5.625% 27-JUN-2022	2.55%	2.70%	-0.15%	FCMB 17.25% 8-DEC-2023	11.02%	8.12%	2.90%				
6.50% 28-Nov-2027	5.50%	5.68%	-0.18%	ACCESS 15.50% 23-JUL-2026	14.60%	12.97%	1.63%				
7.875% 16-FEB-2032	6.86%	7.16%	-0.30%	VIATHAN 16.00% 14-DEC-2027	12.14%	10.19%	1.95%				
7.625% 28-Nov-2047	7.49%	7.67%	-0.18%	UNION 16.20% 27-JUN-2029	15.38%	14.84%	0.54%				
				FIDELITY 8.50% 27-JAN-2031	13.24%	12.51%	0.73%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Domestic and Foreign Investor Participation in Q1'21

With Nigeria’s headline inflation now at 18.17%, this further suppresses the real rate of return in the fixed income market. The CBN has continued expressed its pro-growth stance, as the monetary policy has remained accommodative with MPR at 11.5% since September 2020. Whilst the need to stimulate the economy via providing access to cheaper credit is prevalent for the authorities, increased efforts to address structural defects in the economy cannot be over-emphasized.



Source: CBN, FMDQ, NBS ARM Research

Thank You



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