

**How would recent events affect your financial investments?**

---

**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

ARM © 2021 All rights reserved



## **Weekly Commentary & Stock recommendation**

...for the week 19th April - 23rd April 2021

### Global Economy

- ◆ The European Central Bank left its key interest rates unchanged in its April meeting, adopting a wait-and-see approach following last month's decision to scale-up emergency bond purchases over Q2'2021. The Pandemic Emergency Purchase Programme (PEPP) quota was maintained at €1.85 billion, with the programme set to run till at least March 2022. Still in Europe, recently published economic indicators from the Office of National Statistics (ONS) pointed towards some level of recovery in the UK. Annual inflation edged up to 0.7%YoY last month (February: 0.4%YoY) as retailers scaled back on their COVID-induced discounts while unemployment rate eased for a second consecutive month (down to 4.9% in February), as the government's furlough scheme provided further relief to the nation's labor market. Elsewhere, consumer prices in Japan declined for a sixth straight month, although at a slower pace of 0.2%YoY in March (February: -0.4%YoY). The fall in the cost of transport & communication (-0.4%YoY) and education (-2.2%YoY) lingered, while the decline in the cost of fuel, light & water abated (-4.8%YoY vs -5.8%YoY) due mainly to the rebound in global crude oil prices .

### Domestic Economy

- ◆ The Nigerian National Petroleum Corporation (NNPC) and Sterling Oil Exploration and Production Company (SEEPCO), signed the gas development agreement for the execution of the OML 143 this week. This is part of Nigeria's plan to develop and commercialize its gas industry. The project is expected to boost the country's gas production by 1.2trn cubic feet. It is also expected make dry gas available for the proposed 650 megawatts NNPC/SEEPCO Independent Power Plant. Elsewhere, the Central Bank of Nigeria issued a circular stating that it will sanction any Deposit Money Bank who refuse to accept old series/lower denominations of US Dollar Bills from their customers. This is in line with the CBN's effort to encourage more FX liquidity within the country. After a positive U-turn in the trajectory of external reserves, the gross external reserves fell by 0.29% this week (going from \$35.15bn to settle at \$35.25bn on the 21st of April 2021) - we think it is the CBN dipping their hands into the reserves to probably support the naira.

### Equities and stock recommendation

- ◆ Following three consecutive weekly declines, the Nigerian bourse closed positive in the week ended 23rd April 2021, advancing 1.27% WoW. Notably, sectoral performances were broadly positive with the Personal Care (+5.22%) and Banking (+4.76%) sectors posting the most gains. Dissecting the sectoral performances further revealed that PZ (+21.11%), HONEYWELL (+17.65%), WAPCO (+8.78%), STERLNK (+8.78%) and FCMB (+8.65%) emerged as top gainers during the week. On the other hand, GUINNESS (-9.89%), FIDELTYBK (-7.08%), TOTAL (-4.30%) and CADBURY (-3.70%) led the losers' chart.
- ◆ 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 yield was up 28bps WoW to settle at 7.88% reflecting expansions at both ends of the curve. For context, upticks in the Apr-2029 (+55bps), Jul-2030 (+53bps) and Jul-2034 (+50bps) papers drove the average bond yield up 17bps WoW to 11.02%. Meanwhile, the average NTB yield ticked up 39bps WoW to 4.74% spurred by a rise in the 91-day (+53bps) and 182-day (+41bps) bills. In the primary market, the DMO offered ₦150.00 billion worth of bonds and sold ₦157.95 billion, (with only ₦41.45 billion via competitive means). Total subscription stood at ₦265.68 billion, translating to a subscription rate of 1.77x while the average stop rate jumped 182bps to 13.15%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.15	35.20	-0.14%	-8.92%	*GT Bank Plc- Q1 2021 - A Slow start to the year
<b>USD/NGN (₦/\$)</b>					
NAFEX	410	410.5	0.12%	-11.10%	
Parallel	482.5	480.0	-0.52%	-25.39%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (March 2021)</b>			<b>CHG (pps)</b>		
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	
<b>GDP (%) - YoY</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>Q2 20</b>	<b>FY20</b>	
Real GDP	0.11	-3.62	-6.1	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-19.8	-13.9	-6.6	-8.9	*Nigerians exceed IMF's 30% dollar deposits threshold
Agriculture	3.4	1.4	1.6	2.2	*April FAAC: Fed Govt forces states to accept N680b
Manufacturing	-1.5	-1.5	-8.8	-2.8	*UK inflation edges up as COVID price hit begins to ease
Services	1.3	-5.5	-2.61	-2.2	*Senate Okays FG's Request for \$1.5bn, €995m External Loans
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	*Chinese loan conditions stall 1,525MW \$4bn Mambilla power project
Unemployment Rate			33.3	27.1	*UK unemployment falls again under government's jobs shield
Underemployment			22.8	28.8	*CBN Guarantees Exporters Unfettered Access to Sales Proceeds
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Higher oil prices push up external reserves by \$409m
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*OPEC+ May Downgrade Ministers' Meeting, Leave Output Unchanged
Bonds	0.00	0.00		-100.0%	*UBA Grows First Quarter Profit by 27% to N40bn
Money Mar-	17.10	363.15	-95.3%	-98.8%	*Fuel subsidy rises to N500bn, NNPC rules out price hike
ket					*NNPC's Operating Revenues Slump By N120.9bn in January
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*FG's Revenue Falls By 12.8% to N807bn in January
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*States IGR fell by N20bn to N1.31tn in 2020 – NBS
Trade Balance	2,382	2,559	1,668	-6.9%	*Power Supply Subsidy May Gulp N3.4tn by 2023, W'Bank Warns
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	

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

Index Performance							Sector Performance			
Level	Index Returns (%)						Returns (%)			
	VoV	MTD	QTD	YTD	1 year	VoV	QTD	YTD		
NSE ASI	39301.82	1.27	0.66	0.66	-2.41	74.90	Banking	4.76%	-7.09%	-4.62%
NSE ASI (\$)	39301.82	1.27	0.68	-0.54	-3.19	70.34	Brewers	0.96%	-6.54%	-3.05%
Market Cap (#'bn)	18,365	1.28	0.35	-1.96%	-0.02	74.63%	Cement	0.16%	-4.12%	-7.04%
Market Cap (\$'mr)	46,494	1.28	1.52	-6.07%	-0.02	62.32%	Telecom	0.60%	4.83%	3.35%
NSE 30	1566.66	1.64	0.69	0.69	-4.48	63.03	Personal Care	5.22%	-0.70%	-4.25%
NSE Premium	3320.72	1.32	2.41	2.41	-4.32	72.36	Construction	0.00%	3.23%	3.53%
NSE 50	1578.77	2.24	0.25	0.25	-4.81	56.54	Food	0.82%	-3.71%	-2.54%
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-3.93	Insurance	1.09%	3.52%	7.37%
NSE Banking	359.57	4.82	-2.73	-2.73	-8.51	39.16	Oil & Gas	0.43%	12.14%	45.07%
NSE Insurance	194.12	0.40	-5.09	-5.09	2.44	60.66	Real Estate	0.00%	-2.35%	-2.18%
NSE Consumer	558.45	1.05	2.86	2.86	-2.60	47.91	<b>ARM Indices</b>			
NSE Oil & Gas	265.65	0.29	-0.08	-0.08	17.44	29.19	Large Cap (Top 10%)	1.18%	-1.89%	-2.69%
NSE Industrial	1902.76	0.50	0.69	0.69	-7.29	85.97	Mid Cap (Mid 30%)	0.59%	-2.20%	-0.36%
NSE Lotus	2702.09	0.76	1.93	1.93	-5.06	70.59	Small Cap (Bottom 60%)	-1.40%	13.61%	11.53%
NSE Pensions	1398.30	2.66	2.62	2.62	0.70	60.22	<b>Volume and Value Traded (millions)</b>			
<b>Top 10 Gainers</b>							<b>Top 10 Losers</b>			
Company	This Week	VoV	Company	This Week	VoV					
PZ	5.45	21.1%	FTNCOCOA	0.39	-22.0%					
UPL	1.28	19.6%	PORTLAND	2.40	-18.1%					
HONEYWELL	1.40	17.6%	EKOCORP	5.40	-10.0%					
MBENEFIT	0.39	14.7%	GUINNESS	28.70	-9.9%					
NIGFLOURMILLS	5.95	11.2%	UNIONDAC	9.90	-9.6%					
CONOIL	18.75	10.0%	LEARNAFRCA	1.00	-8.3%					
STUDIOPRESS	1.78	9.9%	UNITYBNK	0.59	-7.8%					
UACN	10.95	9.5%	ROYALEX	0.36	-7.7%					
TRIPPLEG	0.71	9.2%	FIDELITY	0.36	-7.7%					
STERLING	1.61	8.8%	LINKASSURE	0.80	-4.8%					

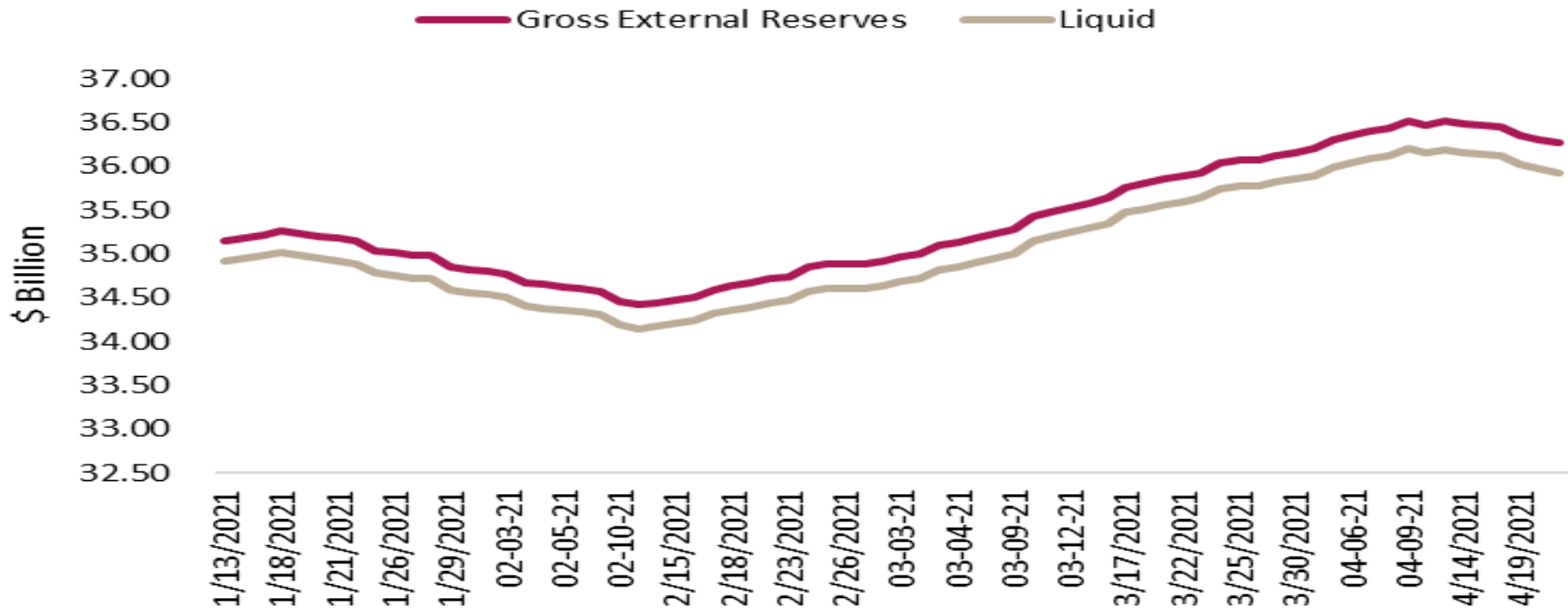
Source: NSE, Bloomberg, ARM Research

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	15.88%	25.00%	-9.12%	31-Mar-21	7.00%	8.50%	10.10%	31-Mar-21	10.00	20.00	70.00
Open Buy Back (OBB)	16.75%	28.33%	-11.58%	25-Mar-21	7.00%	8.50%	10.10%	25-Mar-21	5.00	10.00	25.00
NIBOR - 1M	10.23%	7.25%	2.98%	18-Mar-21	7.00%	8.50%	10.10%	18-Mar-21	10.00	20.00	70.00
NIBOR - 3M	11.19%	9.19%	2.00%	04-Mar-21	7.00%	8.50%	10.10%	04-Mar-21	10.00	10.00	40.00
NIBOR - 6M	11.55%	10.83%	0.72%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	10.00	10.00	70.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	2.75%	2.38%	0.37%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
3-month	3.05%	2.52%	0.53%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
6-month	4.21%	3.80%	0.41%	17-Mar-21	2.00%	3.50%	7.00%	17-Mar-21	2.52	5.91	53.46
9-month	6.06%	5.67%	0.39%	24-Feb-21	2.00%	3.50%	6.50%	24-Feb-21	4.74	23.45	80.57
12-month	8.06%	8.07%	-0.01%	10-Feb-21	2.00%	3.50%	5.50%	10-Feb-21	24.18	32.71	90.38
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
14.50% 15-JUL-2021	3.01%	2.54%	0.47%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
16.39% 27-JAN-2022	6.13%	6.16%	-0.03%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
14.20% 14-MAR-2024	9.92%	9.95%	-0.03%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.50% 22-JAN-2026	11.89%	11.93%	-0.04%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.2884% 17-MAR-2027	12.25%	12.30%	-0.05%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.1493% 18-JUL-2034	13.20%	12.70%	0.50%	<b>Corporate Bonds</b>			<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	
16.2499% 18-APR-2037	13.29%	13.29%	0.00%	MIXTA 17.00% 16-JAN-2022	5.23%	5.07%	0.16%	ACCESS 10.50% 19-OCT-2021	2.32%	2.46%	-0.14%
14.8% 26-APR-2049	13.71%	13.90%	-0.19%	DUFIL 18.25% 1-SEP-2022	10.11%	10.13%	-0.02%	ZENITH 7.375% 30-MAY-2022	3.37%	3.19%	0.18%
<b>FGN Eurobonds</b>				LAPO MFB 17.75% 19-DEC-2022	12.33%	12.35%	-0.02%	UBA 7.75% 08-JUN-2022	4.31%	3.96%	0.35%
5.625% 27-JUN-2022	2.58%	2.55%	0.03%	STERLING 16.50% 3-AUG-2023	10.23%	10.29%	-0.06%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
6.50% 28-Nov-2027	5.46%	5.50%	-0.04%	FCMB 17.25% 8-DEC-2023	11.00%	11.02%	-0.02%				
7.875% 16-FEB-2032	6.84%	6.86%	-0.02%	ACCESS 15.50% 23-JUL-2026	14.57%	14.60%	-0.03%				
7.625% 28-Nov-2047	7.52%	7.49%	0.03%	VIATHAN 16.00% 14-DEC-2027	12.13%	12.14%	-0.01%				
				UNION 16.20% 27-JUN-2029	15.91%	15.38%	0.53%				
				FIDELITY 8.50% 27-JAN-2031	13.77%	13.24%	0.53%				

Source: DMO, FMDQ, Bloomberg, ARM Research

## Trend in External Reserves

After two consecutive months of decline in gross external reserves (-3.3% MoM in February 2021 and -0.8% MoM in March 2021), gross reserves have risen in April, climbing 0.95% MtD. Year-to-Date, gross external reserves remain down by 0.4%. Over the last week, we saw it dwindle again by 0.29% (going from \$35.2bn to \$35.2bn the day before yesterday) – we think it is the CBN dipping their hands into the reserves to probably support the naira. We also saw the CBN sell forex to foreign investors last week. The rebound in external reserves partly reflects the impact of the rally in crude oil prices in recent months, with Brent crude gaining about 30% this year already – Crude oil price is currently at \$65.67pb .



Source: CBN, ARM Research

Thank You



## ARM Securities

Research	234 (1) 2701653	<a href="mailto:research@armsecurities.com.ng">research@armsecurities.com.ng</a>
Institutional Sales & Trading	234 (1) 448 8833	<a href="mailto:trading@armsecurities.com.ng">trading@armsecurities.com.ng</a>
Customer Service	234 (1) 4488282	<a href="mailto:customerservice@armsecurities.com.ng">customerservice@armsecurities.com.ng</a>

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results or such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.