

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 30th November – 4th December 2020

Global Economy

- ◆ The Eurozone experienced its fourth consecutive month of deflation as consumer prices declined by 0.3%YoY in November (October: -0.3%YoY) according to a flash estimate. Prices slowed further for energy products (-8.4%YoY) and non-energy industrial goods (-0.3%YoY). Still in the Eurozone, unemployment in the region edged down marginally by 10bpsMoM to 8.4% in October, moving further away from an over two-year high of 8.7% recorded back in July. Over in the U.S, Thursday's Labor Department report revealed a decline in initial jobless claims to 712,000 from 787,000 in the week ended Nov. 28th. Despite the decline, initial claims remained well above pre-pandemic levels amid rising covid-19 cases and delay in additional fiscal stimulus. Elsewhere, China's manufacturing and non-manufacturing PMI both rose to nine-month high figures of 52.1pts and 56.4pts respectively as the world's second largest economy maintained an impressive rate of recovery from covid-19 induced disruptions. In other news, the UK became the first country in the world to approve the Pfizer/BioNTech coronavirus vaccine, paving the way for mass vaccination with the first 800,000 doses already on their way and due in the coming days.

Domestic Economy

- ◆ This week, the Central Bank of Nigeria (CBN) in an effort to liberalize the receipt and administration of diaspora remittances in Nigeria revised the procedure for the receipt of diaspora remittances. Precisely, those beneficiaries of diaspora remittances are now given the option of receiving these funds via US dollars or into their ordinary domiciliary account. These changes are intended to deepen the FX market, provide more liquidity in the FX space and create more transparency in the administration of diaspora remittances in Nigeria. In addition, the CBN announced its plans to release excess above the required cash reserve requirements in form of special bills to deepen the financial market and avail the monetary authority with an additional liquidity management tool.

Equities and stock recommendation

- ◆ The Nigerian bourse maintained its positive trajectory for the second week in a row as NSE ASI advanced by 72bpsWoW to close at 35,137.99points while market cap printed at ₦18.4trillion. Significant gains in the Oil & Gas (+3.67%) and Telecom (+8.52%) sectors helped cap the losses recorded across Cement (-2.45%), Banking (-2.52%), Breweries (-6.50%) and Personal care (-5.61%). Diving into the sectoral performance we observed that AIRTEL (+19.63%), MTN (+0.77%) and SEPLAT (+0.40%) WoW were the key drivers for the sustained upside. Conversely, declines were noted across NB (-7.05%), ZENITH (-2.04%), GUARANTY (-5.00%), BUA (-1.79%) and DANGCEM (-2.93%) WoW, amongst others.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45)**, **UNILEVER—BUY (FVE: ₦16.03)**, **ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2)**, **UBA PLC—STRONG BUY (FVE: ₦10.39)**, **Fidelity Bank Plc – BUY (FVE: ₦3.18)**. Click [here](#) for our Weekly Stock Recommendation. *Fixed Income*

Fixed Income

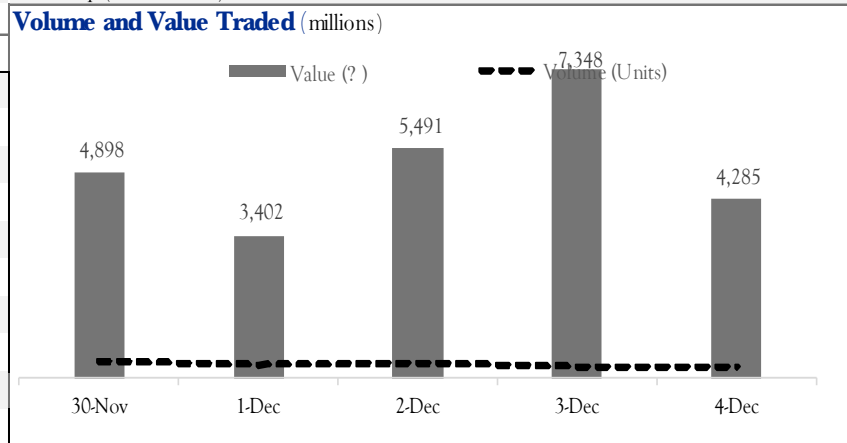
- ◆ In the secondary market, the average fixed income yield was up 10bps WoW to close at 1.86% owing to increases at both ends of the curve. For context, the average bond yield experienced the more significant increase, printing up 16bps WoW to 3.58% spurred by expansions in Apr-2037 (+129bps), Apr-2029 (+78bps) and Jul-2030 (+60bps) while the average NTB yield edged up 3bps WoW to 0.13% following a marginal rise in the 91-day (+1bp) bill.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$bn)	35.30	35.45	-0.43%	-8.54%	
USD/NGN (₦/\$)					
NAFEX	395	393.3	-0.44%	-7.72%	
Parallel	465.0	490.0	5.38%	-22.58%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
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	*OPEC Agrees to Continue Oil Production Curbs
Manufacturing	-1.5	-8.8	0.4	0.8	*NSE: Application of 0.08% Stamp Duty Begins December 7
Services	-2.5	-2.61	3.5	3.4	*UK approves Pfizer-BioNTech COVID-19 vaccine in world first
Labor Data (%) - Q2 20			Latest	Prior	*New Finance Bill proposes 10% VAT for defaulters
Unemployment Rate			27.1	23.1	*Euro zone factories lagging Asia's recovery from COVID-19 crisis
Underemployment			28.8	20.1	*Half year real GDP stands at 12.18 per cent
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*CBN Releases Banks' Excess CRR to Spur Economic Recovery
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Moody's says most sovereigns face 'significant negative shock' from COVID-19
Bonds	0.00	231.22	-100.0%	-100.0%	*NNPC projects N11tn revenue for 2021, \$14bn industry spending
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Biovaccines Pledges to Produce COVID -19 Vaccines in Nigeria
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*CBN Grants Unfettered Access to Forex from Diaspora Remittances
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*OPEC Revises Oil Demand to 96m/Barrel in 2021
Trade Balance	2,382	2,559	1,668	-6.9%	*FG Seeks New Eurobond, Emefiele Foresees 2% GDP Growth in 2021
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*World Bank Partners Nigeria on N140bn Solar Systems Installation

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

Index Performance		Index Returns (%)					Sector Performance			
Level	WoW	MTD	QTD	YTD	1 year	WoW	QTD	YTD		
NSE ASI	35137.99	0.72	0.27	30.93	30.91	30.44	Banking	-2.52%	23.80%	11.04%
NSE ASI (\$)	35137.99	0.72	6.86%	6.86%	0.53%	1.29%	Brewers	-6.50%	16.80%	-8.90%
Market Cap (? 'bn)	18,365	0.86%	6.81%	6.81%	15.60%	16.35%	Cement	-2.45%	38.31%	58.46%
Market Cap (\$'mn)	46,494	0.86%	6.86%	6.86%	8.84%	8.76%	Telecom	8.52%	39.79%	78.51%
NSE 30	1463.33	-1.63	-0.89	27.38	24.24	28.73	Personal Care	-5.61%	3.93%	-32.55%
NSE Premium	3088.74	-1.28	-1.05	30.31	45.96	41.44	Construction	0.00%	7.60%	-4.62%
NSE 50	1546.06	-2.59	-1.47	25.97	14.80	18.00	Food	-1.11%	21.07%	1.86%
NSE ASEM	729.87	18.67%	0.19	0.19	-0.70	-3.66	Insurance	-0.45%	7.48%	6.87%
NSE Banking	391.38	-3.13	-0.65	26.09	9.68	8.63	Oil & Gas	3.67%	28.60%	-45.22%
NSE Insurance	157.83	1.56	-0.08	13.70	25.44	29.46	Real Estate	-0.09%	-0.09%	-2.83%
NSE Consumer	566.23	-2.78	-2.35	24.77	-4.49	3.57	ARM Indices			
NSE Oil & Gas	220.30	1.71	1.70	11.90	-16.09	-5.87	WoW	QTD	YTD	
NSE Industrial	1620.62	-2.21	-1.54	35.76	50.67	51.36	Large Cap (Top 10%)	1.01%	30.92%	47.20%
NSE Lotus	2462.39	-1.11	-0.70	27.36	34.21	38.97	Mid Cap (Mid 30%)	-2.26%	18.31%	6.50%
NSE Pensions	1329.81	-2.27	-1.19	26.47	26.16	31.55	Small Cap (Bottom 60%)	-1.79%	25.89%	-38.42%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
TRIPPLEG	0.66	20.0%	NNFM	6.26	-18.7%
CUTIX	1.90	11.8%	ROYALEX	0.22	-15.4%
MOBIL	228.00	9.2%	UNITYBNK	0.64	-14.7%
UPL	1.47	6.5%	LEARNAFR	1.00	-13.0%
MAYBAKER	3.54	5.7%	CHAMS	0.22	-12.0%
HONEYWELL	1.12	4.7%	FIDSON	4.88	-10.8%
CHAMPION	0.98	2.1%	CADBURY	8.70	-9.4%
ETERNA	4.55	0.9%	PRESTIGE	0.50	-9.1%
MTNN	156.20	0.8%	CAPITAL	2.20	-9.1%
SEPLAT	402.30	0.4%	WAPIC	0.40	-9.1%



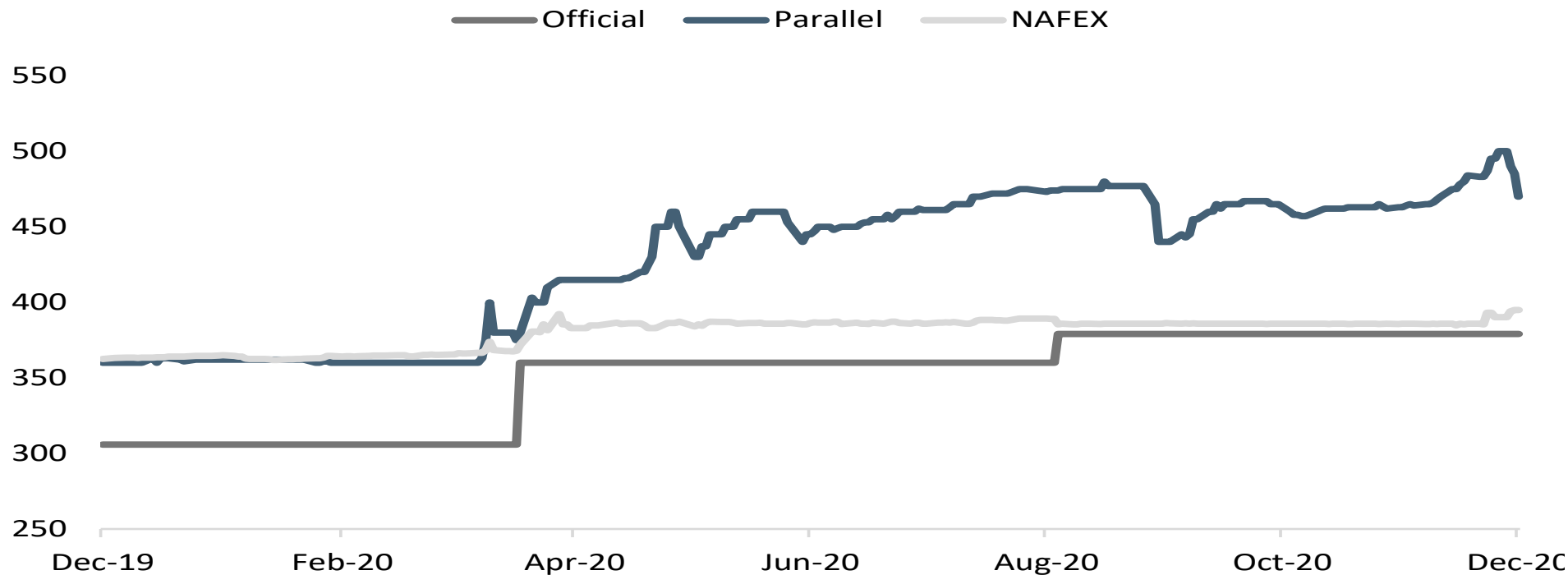
Source: NSE, Bloomberg, ARM Research

	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)	4.25%	1.50%	2.75%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
Open Buy Back (OBB)	3.63%	1.25%	2.38%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 1M	0.23%	0.07%	0.16%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 3M	0.25%	0.08%	0.17%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
NIBOR - 6M	0.31%	0.13%	0.18%	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	0.08%	0.07%	0.01%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
6-month	0.11%	0.11%	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%	0.15%	0.00%	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	0.15%	0.17%	-0.02%	21-Oct-20	N/A	5.00%	5.79%	21-Oct-20	N/A	40.0	40.0
16.39% 27-JAN-2022	0.47%	0.70%	-0.23%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
14.20% 14-MAR-2024	1.56%	1.74%	-0.18%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
12.50% 22-JAN-2026	4.04%	3.81%	0.23%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
16.2884% 17-MAR-2027	3.90%	3.61%	0.29%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.1493% 18-JUL-2034	5.15%	5.08%	0.07%	Corporate Bonds				Corporate Eurobond			
16.2499% 18-APR-2037	6.31%	5.02%	1.29%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	6.75%	6.63%	0.12%	MIXTA 17.00% 16-JAN-2022	1.34%	1.36%	-0.02%	ACCESS 10.50% 19-OCT-2021	4.94%	5.07%	-0.13%
				FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	5.03%	5.29%	-0.26%
				DUFIL 18.25% 1-SEP-2022	2.90%	2.99%	-0.09%	UBA 7.75% 08-JUN-2022	6.06%	6.39%	-0.33%
				LAPO MFB 17.75% 19-DEC-2022	5.13%	5.16%	-0.03%	SEPLAT 9.25% 1-APR-2023	7.43%	8.20%	-0.77%
				STERLING 16.50% 3-AUG-2023	2.76%	2.78%	-0.02%				
				FCMB 17.25% 8-DEC-2023	3.00%	3.10%	-0.10%				
				ACCESS 15.50% 23-JUL-2026	6.17%	6.13%	0.04%				
				VIATHAN 16.00% 14-DEC-2027	2.62%	2.94%	-0.32%				
				UNION 16.20% 27-JUN-2029	8.26%	7.53%	0.73%				
FGN Eurobonds											
5.625% 27-JUN-2022	3.14%	3.63%	-0.49%								
6.50% 28-Nov-2027	5.26%	5.63%	-0.37%								
7.875% 16-FEB-2032	6.59%	6.83%	-0.24%								
7.625% 28-Nov-2047	7.18%	7.41%	-0.23%								

Source: DMO, FMDQ, Bloomberg, ARM Research

Trend in foreign exchange rates

Over the course of the week, the Central Bank of Nigeria (CBN) further depreciated the Naira following its upward review of its NGN/USD intervention rates to market participants. The move was premised on the need to further stem the demand for dollars amidst subdued foreign currency inflow owing to the pandemic-induced impact on crude oil prices and foreign portfolio investments. Also, the CBN amended its procedures for the receipt of diaspora remittances which now allows for either direct payment in foreign currencies to beneficiaries or transfer of such amount to their domiciliary accounts.



Source: FMDQ, ARM Research



Thank You

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