

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



**Weekly Commentary & Stock recommendation**  
...for the week 11th – 15th January 2021

### ***Global Economy***

- ◆ In the Eurozone, Germany's economy shrank by 5%YoY in 2020 (FY19: 0.6%) according to preliminary estimates. The contraction, the worst since the financial and economic crisis of 2008/2009, was anchored by a dip in private consumption (-6%YoY vs 1.6% in 2019) while fixed investment also tumbled by 3.5%YoY (2019: 2.5%YoY). On the other hand, government spending grew at a faster pace (3.4%YoY vs 2.7% YoY in 2019) as unprecedented government rescue and stimulus measures helped lessen the shock of the COVID-19 pandemic. In the US, the number of Americans filing for unemployment benefits rose to 965,000 in the week ended January 9<sup>th</sup>, as a resurgence in coronavirus cases, deaths and hospitalizations continues to weigh heavily on labor market recovery. In response to this, President-elect Joe Biden is set to propose a \$1.9trillion COVID-19 rescue package, providing further aid to an already stretched economy. Meanwhile, the consumer price index in China rose by 0.2%YoY in December, reversing a 0.5%YoY decline recorded in November. Food prices led the rise (+1.2%YoY vs -2% in November) amid increased demand ahead of the Lunar New year festivities while upticks were also observed in the cost of health (+1.3%YoY), education (+0.9%YoY) and other goods and services (+2.2%YoY).

### ***Domestic Economy***

- ◆ Nigeria's CPI continued its northward trend in December 2020, printing at an annual rate of 15.75%. This brings FY20 average inflation rate to 13.21% (FY 19: 11.4%). Notably, the uptick in December was driven by increases in both food (+127bps to 19.57% YoY) and core inflation rose (+36bps to 11.39% YoY). We highlight that the faster increases in prices in 2020 relative to 2019 were driven by exchange rate devaluation, land border closure, upward review of energy tariffs, flooding in key food producing states and PMS price increases to mention a few. Elsewhere, Nigeria's total public debt as at the end of Q320 rose by 23% YoY to ₦32.22trillion. This was driven by increases in both Domestic debt (+12% YoY) and External debt (+47% YoY). We note that FGN bonds accounted for 74% of the total domestic debt stock while Multilateral, Commercial and Bilateral loans accounted for 52%, 35% and 13% respectively of the total external debt..

### ***Equities and stock recommendation***

- ◆ The Nigerian bourse returned to a positive trajectory this week as NSE ASI appreciated by 263bps WoW to settle at 41,176.14points, while market cap came in at ₦21.53trillion. Markedly, gains were recorded across all sectors, with Oil&Gas (+15.81%), Construction (+3.96%), Breweries (+3.75%), Cement (+3.17%) and Food (+2.65%) at the forefront. Dissecting the sectoral performances further revealed the prime drivers for the upturn were SEPLAT (+8.85%), MOBIL (+9.43%), DANGCEM (+5.33%), WAPCO (+6.73%), MTNN (+2.91%) FLOURMILLS (+22.85%), NASCON (+21.03%) and NB (+3.45%) WoW. On the other hand, declines were observed in BUA (-0.12%), OANDO (-1.41%) and INTBREW (-1.45%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – OVERWEIGHT (FVE: ₦30.2), UNILEVER PLC—NEUTRAL (FVE: ₦10.39) and FIDELITY BANK PLC – NEUTRAL (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

### ***Fixed Income***

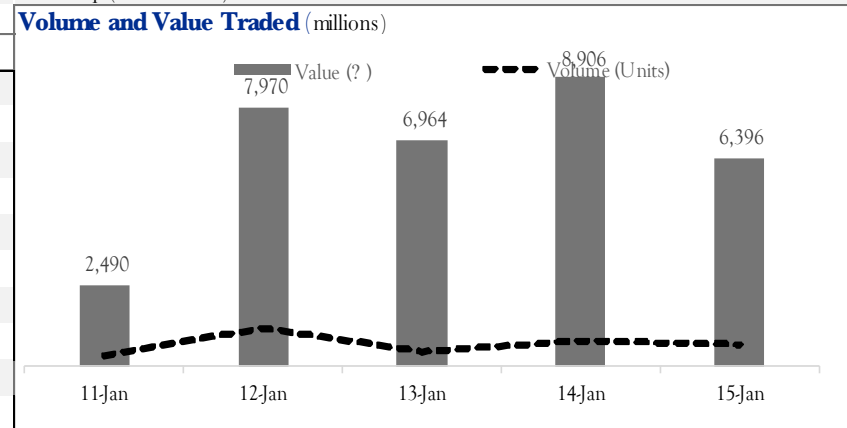
- ◆ At the first auction of the year, the DMO offered and sold ₦232.36 billion and ₦107.2 billion respectively, while ₦125.14 billion was redeemed. Total subscription came in at ₦286.13 billion, a subscription rate of 1.23x, while the average stop rate rose marginally by 2bps to 1%. Meanwhile, in the secondary market, the average fixed income yield edged up 20bps WoW to 3.38% reflecting increases at both ends of the curve. To shed more light, the average bond yield rose 32bps WoW to 6.25% mirroring upticks in the Feb-2028 (+143bps), Mar-2027 (+141bps) and Apr-2037 (+67bps) papers while the average NTB yield was up 8bps WoW to 0.51% spurred by a rise in both short and long-tenor bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.26	35.72	1.53%	-6.04%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	395	393.7	-0.25%	-7.64%	
Parallel	472.5	467.5	-1.06%	-23.81%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2020 Avg.</b>	
<b>Inflation YoY (December)</b>			<b>CHG (pps)</b>		
Headline	15.75	14.89	0.86	13.21	
Core	11.37	11.05	0.32	10.29	
Food	19.56	18.3	1.26	16.11	
<b>GDP (%) - YoY</b>	<b>Q3 20</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>FY19</b>	
Real GDP	-3.2	-6.1	1.87	2.3	
Oil	-13.9	-6.6	5.1	4.6	<a href="#">News Headline for the week (click news for link)</a>
Agriculture	1.4	1.6	2.2	2.4	*Nigeria's daily oil production sinks to 1.17 million barrels
Manufacturing	-1.5	-8.8	0.4	0.8	*Germany avoids record economic plunge in 2020 despite COVID-19 hit
Services	-2.5	-2.61	3.5	3.4	*OPEC predicts 6.6% rise in oil demand
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*Africa's exports dip by 5.2% in two years
Unemployment Rate			27.1	23.1	*20% of Nigeria's COVID-19 vaccines to be donated, official says
Underemployment			28.8	20.1	*NNPC cautiously hopeful about oil demand recovery, deepens gas devt
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*FG disburses another N123.34bn grants to states
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*U.S. labor market losing speed as COVID-19 spirals out of control
Bonds	0.00	231.22	-100.0%	-100.0%	*No Provision Yet for COVID-19 Vaccines in 2021 Budget, Says Finance Minister
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Mutual funds' assets rise to N1.6tr
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*FIRS: Nigeria lost ₦5.4tr from tax evasion by multinational companies
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*UK on course for COVID-19 vaccination target as shots reach 200,000 a day
Trade Balance	2,382	2,559	1,668	-6.9%	*'AMCON's Debt Bigger than FG's 2021 Capital Expenditure'
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Currency in circulation reached N2.9tn in 2020 – CBN

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	41176.14	2.63	2.25	2.25	2.25	41.68	Banking		1.92%	4.62%	4.62%	
NSE ASI (\$)	41176.14	2.63	6.13	6.13	6.13	26.41	Brewers		3.75%	7.62%	7.62%	
Market Cap (? 'bn)	18,365	2.63	2.25	2.25	2.25	41.12	Cement		3.17%	0.03%	0.03%	
Market Cap (\$'mn)	46,494	2.33	6.13	6.13	6.13	28.32	Telecom		1.51%	0.07%	0.07%	
NSE 30	1687.18	2.80	2.87	2.87	2.87	30.89	Personal Care		1.20%	-2.42%	-2.42%	
NSE Premium	3513.43	4.35	1.23	1.23	1.23	45.76	Construction		3.96%	4.27%	4.27%	
NSE 50	1700.78	2.92	2.55	2.55	2.55	17.76	Food		2.65%	3.90%	3.90%	
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance		6.84%	10.81%	10.81%	
NSE Banking	415.91	2.53	5.82	5.82	5.82	7.28	Oil & Gas		15.81%	49.82%	49.82%	
NSE Insurance	243.75	17.48	28.63	28.63	28.63	89.64	Real Estate		-0.15%	0.03%	0.03%	
NSE Consumer	606.48	3.11	5.78	5.78	5.78	4.93	<b>ARM Indices</b>					
NSE Oil & Gas	274.53	7.25	21.37	21.37	21.37	11.51			WoW	QTD	YTD	
NSE Industrial	2062.29	2.84	0.49	0.49	0.49	68.37	Large Cap (Top 10%)		2.35%	1.51%	1.51%	
NSE Lotus	2885.98	2.65	1.40	1.40	1.40	41.66	Mid Cap (Mid 30%)		3.29%	5.24%	5.24%	
NSE Pensions	1464.29	3.58	5.45	5.45	5.45	30.94	Small Cap (Bottom 60%)		16.32%	14.18%	14.18%	

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
MBENEFIT	0.42	50.0%	ETI	6.50	-1.5%
ROYALEX	0.34	47.8%	AIRSERVI	7.05	-1.8%
MANSARD	1.60	34.5%	JOHNHOLT	0.50	-2.0%
CHAMPION	1.35	32.4%	FTNCOCOA	0.69	-4.2%
REGALINS	0.33	32.0%	UACPROP	0.80	-5.9%
WAPIC	0.55	31.0%	UNIONDAC	0.30	-6.3%
NIGERINS	0.26	30.0%	DEAPCAP	0.20	-9.1%
ACADEMY	0.39	30.0%	CHELLARA	2.26	-10.0%
SOVERNIN	0.26	30.0%	DAAR	0.27	-10.0%
VERITASK	0.25	25.0%	CUTIX	2.09	-12.9%



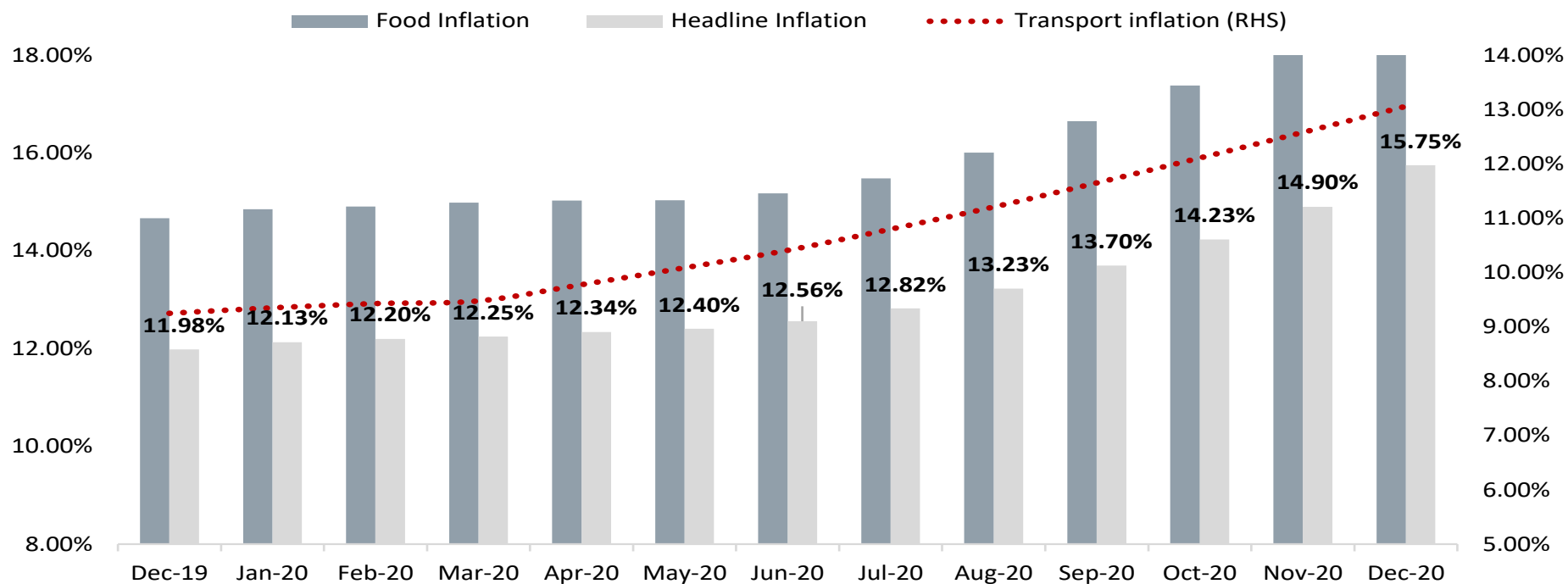
Source: NSE, Bloomberg, ARM Research

	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)	1.00%	9.33%	-8.33%	14-Jan-21	1.51%	4.34%	5.74%	14-Jan-21	10.00	10.00	60.00
Open Buy Back (OBB)	0.50%	8.00%	-7.50%	07-Jan-21	1.51%	4.34%	5.74%	07-Jan-21	10.00	10.00	40.00
NIBOR - 1M	0.75%	0.60%	0.15%	31-Dec-20	1.56%	4.39%	5.80%	31-Dec-20	10.00	10.00	60.00
NIBOR - 3M	0.81%	0.69%	0.12%	24-Dec-20	1.61%	4.45%	5.90%	24-Dec-20	10.00	10.00	40.00
NIBOR - 6M	0.93%	0.82%	0.11%	17-Dec-20	1.65%	4.50%	6.00%	17-Dec-20	10.00	10.00	40.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.18%	0.15%	0.03%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
3-month	0.27%	0.23%	0.04%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
6-month	0.50%	0.50%	0.00%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
9-month	0.79%	0.60%	0.19%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
12-month	0.93%	0.68%	0.25%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.51%	0.46%	0.05%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.39% 27-JAN-2022	1.94%	2.58%	-0.64%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
14.20% 14-MAR-2024	4.37%	4.42%	-0.05%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.50% 22-JAN-2026	6.49%	6.31%	0.18%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.2884% 17-MAR-2027	7.75%	6.34%	1.41%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.1493% 18-JUL-2034	8.24%	8.00%	0.24%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	8.69%	8.02%	0.67%	MIXTA   17.00%   16-JAN-2022	1.70%	1.66%	0.04%	ACCESS   10.50%   19-OCT-2021	4.12%	4.29%	-0.17%
14.8% 26-APR-2049	8.60%	8.12%	0.48%	FIDELITY   16.48%   13-MAY-2022	0.00%	0.00%	0.00%	ZENITH   7.375%   30-MAY-2022	3.66%	3.68%	-0.02%
				DUFIL   18.25%   1-SEP-2022	4.48%	4.79%	-0.31%	UBA   7.75%   08-JUN-2022	4.67%	4.62%	0.05%
<b>FGN Eurobonds</b>				LAPO MFB   17.75%   19-DEC-2022				SEPLAT   9.25%   1-APR-2023			
5.625% 27-JUN-2022	2.99%	3.04%	-0.05%	STERLING   16.50%   3-AUG-2023	4.79%	4.77%	0.02%				
6.50% 28-Nov-2027	5.04%	4.77%	0.27%	FCMB   17.25%   8-DEC-2023	5.48%	5.50%	-0.02%				
7.875% 16-FEB-2032	6.65%	6.31%	0.34%	ACCESS   15.50%   23-JUL-2026	9.15%	9.00%	0.15%				
7.625% 28-Nov-2047	7.27%	6.99%	0.28%	VIATHAN   16.00%   14-DEC-2027	6.65%	6.55%	0.10%				
				UNION   16.20%   27-JUN-2029	10.85%	10.81%	0.04%				

Source: DMO, FMDQ, Bloomberg, ARM Research

**Inflation trend**

This week, we feature the one year trend in headline inflation rate. Inflation rose to 15.75% in December 2020, from November's 14.89%. December's figure was the highest inflation rate since November 2017 driven by faster price increases in the Food (+19.56% YoY) and Core (+11.37% YoY) sub-indices. On a MoM basis, consumer prices rose by 1.60% following the 2.05% MoM and 1.10% MoM price increases in the Food and Core sub-indices. Overall, FY20 annual average inflation printed at 13.21% (FY19: 11.39%) largely driven by pandemic-induced lockdowns, upward energy price review, Naira devaluation and higher PMS prices.



Source: NBS, ARM Research





Thank You

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