

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 16 – 20 March 2020

Global Economy

- ◆ This week Central Banks around the world went nuclear to contain the economic fallout from the coronavirus. The Fed cut interest rates by 100bps to 0 - 0.25% while also increasing its purchase of Treasury bonds to \$700 billion. To support these efforts, the Trump administration proposed a \$1trillion economic package, which includes \$500 billion for direct payments to taxpayers and \$500 billion in loans for businesses. In Europe, the ECB announced a €750 billion Pandemic Emergency Purchase Programme (PEPP) through which public and private securities would be purchased to counter risks to the monetary system. Additionally, the BOE cut its interest rate by an additional 25bps to a record low of 0.1% while the BOJ kept its rates unchanged but doubled its ETF purchases to JPY12 trillion. Meanwhile, a flurry of data releases from China suggests the economy has taken a huge hit from the COVID-19 over the first two months of the year. Retail sales contracted 20.5% YoY, industrial production plummeted by 13.5% YoY and investments dropped 24.5% over January and February.

Domestic Economy

- ◆ This week, series of fiscal and monetary decisions were taken in response to the COVID-19 outbreak and its spill overs. On the monetary side, the CBN granted a moratorium of one year on all principal repayments on its intervention facilities, reduced interest rates on all intervention facilities from 9% to 5%, created a ₦50 billion credit facilities for households and SMEs affected by COVID-19, as well as ₦1.1 trillion intervention fund to support local manufacturing and boost import substitution. On the fiscal side, the FG slashed its crude oil benchmark to \$30/b from \$57/b, keeping oil production unchanged at 2.18mbpd while the planned 2020 expenditure of ₦10.59 trillion was cut by ₦1.5 trillion. In addition to this, the petrol pump price was reduced from ₦145/litre to ₦125/litre to reflect current market reality. FG also suspended its \$3.3 bn Eurobond issuance due to unfavourable debt market situation while also securing \$750 million from the World bank to provide support to states. Elsewhere, headline inflation for the month of February printed at 12.2% YoY (+7bps), driven by core inflation (+9bps to 9.43% YoY) and food inflation (+6bps to 14.9% YoY).

Equities and stock recommendation

- ◆ Amid lingering uncertainties across global markets, the NSE ASI declined further by 2.35% WoW closing off at 22,198.43 points with the market capitalization also closing at ₦11.6 trillion (-2.35%). Major drivers of this decline were mostly seen across the Cement (-10.02%), Food (-4.92%) and Banking (-1.90%) sectors. Meanwhile, gains were seen across the Brewers (+5.02%), Telecom (+6.81%), Construction (+9.46%), Oil & Gas (+1.92%) and Insurance (+2.36%) sectors. For individual stock performances, bearish sentiments in GUARANTY (-2.11%), DANGCEM (-15.23%), NESTLE (-7.13%), STANBIC (-9.56%) and UBA (-18.7%) largely drove the decline in the market during the week.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87), Nestle Plc – STRONG BUY (FVE: ₦1447.39), Guaranty – STRONG BUY (FVE: ₦49.66), UBA Plc – STRONG BUY (FVE: ₦13.04), Fidelity Plc – BUY (₦2.92).** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ In what will be the least subscribed OMO auction so far this year, the CBN recorded no sales at this week's OMO auction, as subscription printed at YtD low of only 0.12x. For context, of the ₦150 billion offered by the CBN, a measly ₦18 billion was subscribed for by foreign investors with range of bids printing between 17 and 18% for 1-year bills (vs 13% stop rate at the previous auction). Meanwhile, it was a much better picture at the NTB auction where subscription was 2.7x the ₦47.56 billion offered (₦128.67 billion). The FG sold ₦47.56 billion (roll-over of maturity) and the average stop rate dropped 43bps to 3.43%. In the secondary market, NTB yields climbed higher by 14bps to close the week at 4.01%. The increase came solely from mid-tenor bills which rose 23bps WoW. Bond yields also closed the week higher; rising 17bps to 11.62%. The selloffs in the April-2023 (+136bps) and July-2030 (+196bps) bonds had the biggest impact on this rise in bond yields. Overall, average fixed income yields rose 16bps WoW to 7.82%.

The week in Review

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Country	Index	Level (in \$)	Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies					
			WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. Cap (\$'bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,383	-12.1	-26.2	-15.6	15.7		2.6	US	0.09		0.92	0.4	2.3	Euro (€)	1.1	1.1	-3.9	-4.8
	NASDAQ	7,146	-9.3	-20.4	-7.5	27.2	10,730.9	1.4	UK	N/A	N/A	0.38	-0.5	1.8	GBP (£)	1.2	1.2	-4.9	-11.9
UK	FTSE 100	5,191	-3.3	-31.2	-28.8	14.9		6.9	Euro	-0.32	20.3	0.05	149.3	1.2	JPY (¥)	111.1	107.6	-3.1	-2.2
France	CAC 40	4,049	-1.7	-32.3	-24.8	14.7	809.1	4.9	Japan	N/A	N/A	-0.04	-1.1	0.6	INR (₹)	75.2	73.9	-1.7	-5.1
Germany	XETRA DAX	8,929	-3.3	-32.6	-23.1	15.6		4.5	China	2.10	-7.6	2.80	-3.1	5.2	CNY (¥)	7.1	7.0	-1.2	-1.9
Japan	NIKKEI 25	16,553	0.0	-30.0	-23.4	14.6	4.1	2.7	India	5.03	2.7	6.26	-1.0	7.49	MXN (\$)	24.2	21.9	-9.3	-21.7
China	Shanghai Comp	2,746	0.0	-10.0	-11.6	13.2	4,490.3	2.8	Mexico	6.88	-3.2	7.59	-0.3	3.7	RUB (p.)	79.5	72.4	-8.9	-22.1
Brazil	Ibovespa	69,585	-15.8	-39.8	-29.0	12.1	24.1	5.4	Turkey	11.51	3.6	12.96	-6.5	12.37	ZAR (R)	17.5	16.3	-7.0	-20.0
India	BSE Sens	29,916	0.0	-27.5	-21.6	18.3	418.5	1.9	Russia	6.33	-6.4	3.88	-1.3	2.3	EGP (£)	15.8	15.7	-0.3	1.8
Russia	RTS	470	-6.5	-41.7	-28.1	3.5	1.7	10.5	Egypt	15.23	1.1	16.00	1.0	5.3	KES (sh)	106.1	102.9	-3.0	-4.4
Mexico	S&P/BMV IPC	34,444	-9.6	-20.9	-20.2	13.1		4.4	South Africa	6.69	0.0	11.62	-10.2	4.6	GHS (¢)	5.6	5.6	-1.5	1.3
Turkey	Borsa Istanbul	85,796	-10.3	-25.0	-17.0	6.7	0.3	5.8	Kenya	9.05	-0.5	12.43	1.2	6.4	XOF (F)	605.5	587.9	-2.9	-3.4
Indonesia	JCI Index	4,195	0.0	-33.4	-35.7	12.6	293.0	3.5	Ghana	17.90	N/A	19.00	0.0	7.8	XAF (F)	614.2	593.3	-3.4	-4.6
Kazakhstan	KASE Index	2,149	2.2	-9.1	-9.7	5.4	2.8	209.2	Nigeria	4.60	-13.2	13.06	0.4	12.2	NGN (₦)	367.4	368.3	0.3	-1.3
Vietnam	VN Index	710	0.0	-26.1	-28.2	11.1	106.3	2.4	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	40,272	-8.8	-29.5	-28.3	11.6	-	6.0											
Egypt	EGX 30	9,206	0.0	-34.1	-37.5	7.6	8.4	5.7	Brent Crude	\$/bbl	28.5	33.9	-15.8	-56.8	Fed Interest Rate Decision		0.25%	1.25%	
Kenya	NSEASI	133	-0.5	-20.1	-17.1	9.2	17.6	6.8	OPEC Crude	\$/bbl	27.3	35.6	-20.0	-59.8	Japan BoJ Interest Rate Decision		-0.10%	-0.10%	
Morocco	MSCI MX	249	-12.8	-25.1	-17.6	19.3	7.9	4.5	Gasoline	\$/gal	64.8	89.9	-27.9	-65.5	China Retail Sales (YoY) - Feb		-20.50%	8.00%	
Ghana	GSE Composite	2,179	-0.3	-3.5	-9.2			N/A	Natural Gas	\$/MBtu	1.6	1.9	-13.5	-24.8	UK ILO Unemployment Rate (3M) - Jan		3.90%	3.80%	
Tunisia	TunIndex	6,139	-7.3	-13.8	-9.6	17.3	0.6	2.7	Gold	\$/t oz	1484.0	1529.8	-3.0	-2.2	US Retail Sales Control Group - Feb		0.0%	0.4%	
BRVM	BRVM	140	-3.4	-12.0	-20.9	7.0	6.9		Sugar	\$/lb	10.9	11.7	0.0	-19.4	UK Retail Sales (MoM) - Feb		-0.50%	0.60%	
Mauritius	SEMDEX	1,571	-16.7	-27.8	-28.0	10.9	5.8		Wheat	\$/bsh	540.8	506.0	6.9	-3.7	UK BoE Interest Rate Decision		0.10%	0.25%	
Nigeria	NGSE ASI	22,198	-2.36	-17.30	-28.5	6.5	31.0	8.4	Crude Palm oil IYR/MT		2288.0	2270.0	0.0		China PBoC Interest Rate Decision		4.05%	4.05%	

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.98	36.17	-0.54%	-6.78%	Coronavirus Update
USD/NGN (₦/\$)					February inflation - Consumer prices remained pressured
NAFEX	370	374	0.99%	-1.58%	
Parallel	375.0	377.5	0.67%	-4.00%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (January)			CHG (pps)		
Headline	12.2	12.13	0.07	12.17	
Core	9.43	9.35	0.08	9.39	
Food	14.9	14.85	0.05	14.85	
GDP (%) - YoY	Q4 19	Q3 19	Q2 19	FY19	
Real GDP	2.55	2.3	2.1	2.3	
Oil	6.4	6.5	7.2	4.6	News Headline for the week (click news for link)
Agriculture	2.3	2.3	1.8	2.4	*FG to Cut 2020 Budget by N1.5tn, Deregulates Petrol Pricing
Manufacturing	1.2	1.1	-0.1	0.8	*FG suspends \$3.3bn Eurobond issuance
Services	4	3.5	2.9	3.4	*CBN grants businesses one-year extension on loan repayment
Labor Data (%) - Q3 18			Latest	Prior	*CBN plans N10bn growth in non-oil export
Unemployment Rate			23.1	18.8	*FG Extends Travel Caution to Germany, France, Spain
Underemployment			20.1	21.2	*Egypt's cuts interest rates by 300 basis points in face of coronavirus
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Inflation rate rises to 12.2% - NBS
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Fed slashes rates, global central banks coordinate to cushion coronavirus blow
Bonds	47.36	91.60	-48.3%	-96.0%	*Airtel Crashes Data Tariff, Incentivises Customers
Money Market	1482.57	2549.71	-41.9%	50.8%	*Experts list options for CBN on prudent foreign reserves management
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*CBN announces N1.1tn intervention fund to boost economy
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*Coronavirus: NNPC reduces petrol price to N125 per litre
Trade Balance	2,559	1,668	775	230.2%	*At Last, FG Restricts Travel from US, UK, France, 10 Others
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Power generation down 5.52% in Q3'19 as constraints persist

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

The week in Review

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Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	22198.43	-2.36	-15.33	-17.30	-17.30	-28.49
NSE ASI (\$)	59.67	-2.36	-16.86%	-19.00%	-19.00%	-31.00%
Market Cap (₦bn)	11568.16	-2.35%	-15.30%	-10.73%	-10.73%	-0.38%
Market Cap (\$mn)	31097.19	-3.29%	-16.84%	-12.56%	-12.56%	-3.58%
NSE 30	946.98	-2.94	-17.51	-19.60	-19.60	-32.22
NSE Premium	1853.18	-3.46	-17.63	-12.43	-12.43	-15.98
NSE 50	960.19	-5.40	-21.46	-28.70	-28.70	-41.98
NSE ASEM	734.99	0.00%	0.00	0.00	0.00	-8.79
NSE Banking	242.49	0.29	-23.14	-32.05	-32.05	-41.08
NSE Insurance	114.37	2.80	-1.66	-9.10	-9.10	-9.31
NSE Consumer	355.66	-3.20	-22.35	-40.01	-40.01	-49.19
NSE Oil & Gas	216.29	0.22	-7.57	-17.62	-17.62	-25.70
NSE Industrial	1046.50	-4.85	-13.84	-2.71	-2.71	-15.22
NSE Lotus	1592.21	-3.03	-14.71	-13.22	-13.22	-28.54
NSE Pensions	847.72	-0.56	-13.82	-19.58	-19.58	-28.83

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.90%	-32.65%	-32.65%
Brewers	5.02%	-45.41%	-45.41%
Cement	-10.02%	-3.22%	-3.22%
Telecom	6.81%	0.00%	0.00%
Personal Care	2.46%	-42.78%	-42.78%
Construction	9.46%	10.24%	10.24%
Food	-4.92%	-33.87%	-33.87%
Insurance	2.36%	-5.72%	-5.72%
Oil & Gas	1.92%	-41.51%	-41.51%
Real Estate	-0.09%	-0.23%	-0.23%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-2.68%	-8.50%	-8.50%
Mid Cap (Mid 30%)	0.59%	-11.64%	-11.64%
Small Cap (Bottom 60%)	12.13%	-7.24%	-7.24%

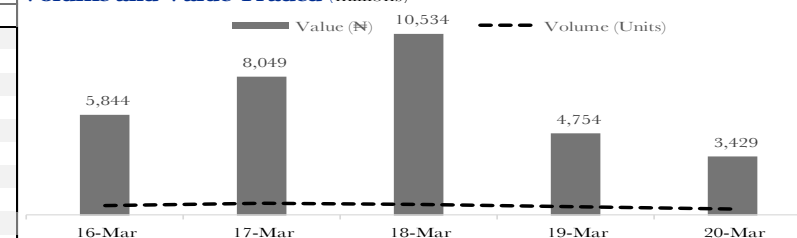
Top 10 Gainers

Company	This Week	WoW
CADBURY	6.25	26.3%
NPFMCRBANK	1.05	23.5%
UCAP	2.41	20.5%
UBN	7.20	20.0%
AFRIPRUD	3.85	18.8%
ETERNA	2.39	18.3%
JBERGER	23.70	17.3%
WEMA	0.50	11.1%
MTNN	103.00	10.5%
OANDO	2.21	10.5%

Top 10 Losers

Company	This Week	WoW
WAPIC	0.21	-22.2%
UBA	5.00	-18.7%
MAYBAKER	1.79	-16.7%
DANGCEM	129.70	-15.2%
TRANSCORP	0.60	-14.3%
PRESCO	36.45	-9.9%
FLOURMILL	19.30	-9.8%
ARBICO	2.85	-9.8%
FIDSON	2.21	-9.8%
MCR	2.00	-9.1%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

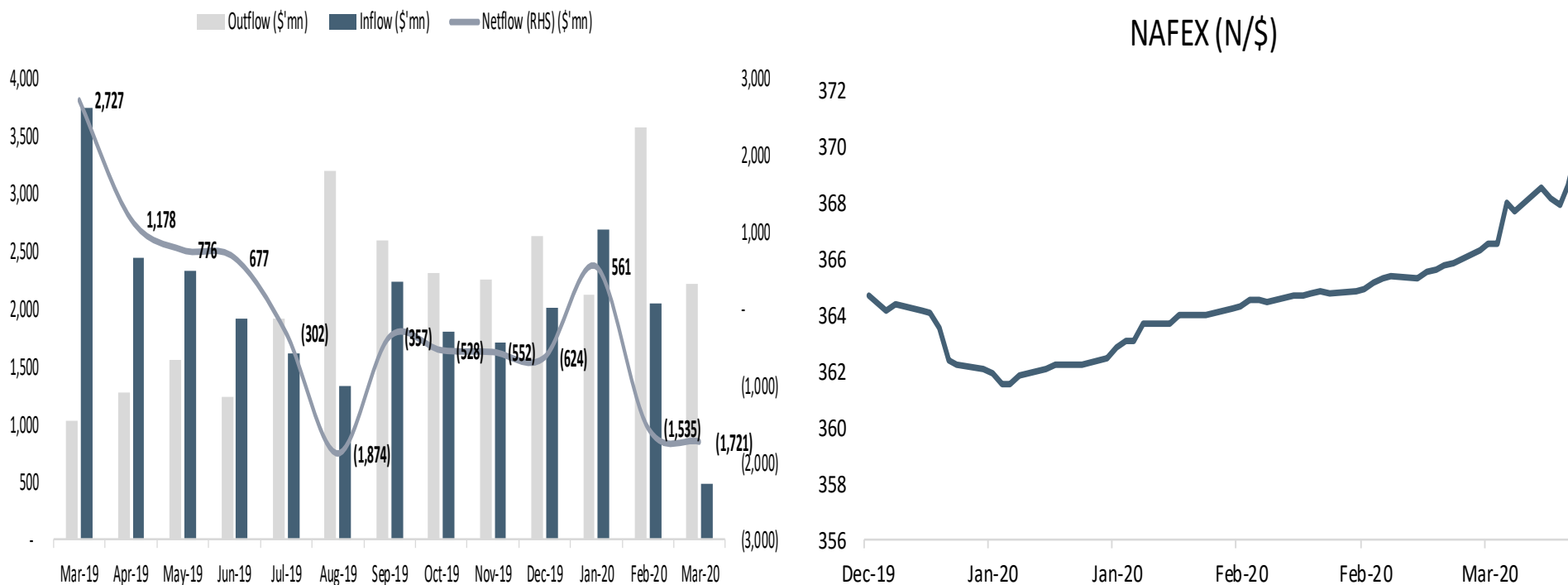
Economic and Financial Calendar for the week 23rd - 27th March

	Monday 23-Mar	Tuesday 24-Mar	Wednesday 25-Mar	Thursday 26-Mar	Friday 27-Mar
Global	US Chicago Fed National Activity Index - Feb	Germany Markit Manufacturing PMI - Mar	UK Consumer Price Index (YoY) - Feb	Japan Tokyo CPI ex Fresh Food (YoY) - Mar	Germany Harmonized Index of Consumer Prices (YoY) - Mar
		Germany Markit PMI Composite - Mar	US Nondefense Capital Goods Orders ex Aircraft - Feb	US Gross Domestic Product Annualized (Q4)	US Personal Income (MoM) - Feb
		European M. Unio Markit PMI Composite - Mar		UK BoE Interest Rate Decision	
		UK Markit Services PMI - Mar		UK Retail Sales (YoY) - Feb	
Domestic					

**means Preliminary Estimate

Trend in FX flows vs Currency

This week, we feature the trend in the foreign exchange markets amid the spread of the corona virus and the decline in crude oil prices. Foreign investors have pulled out of Nigerian markets, amid lingering selloffs. In turn, CBN’s intervention in the FX market has increased to the tune of \$1.8bn so far in March. As a result, the naira has depreciated in both the IEW and parallel markets to ₦370/\$ (-1.58% YTD) and ₦380/\$ (-4.0% YTD) respectively.



Source: FMDQ, ARM Research



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Thank You

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