

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 19 October – 23 October 2020

Global Economy

- ◆ Preliminary PMI results in the eurozone for October point towards a further cutback in business activities. The composite PMI printed at 49.4 (September: 50.4), anchored by a contraction in services PMI to 46.2 (September: 48) while manufacturing PMI appreciated marginally to 54.4 (September: 53.7). A glance at individual countries revealed declines across Germany (from 54.7 to 54.5) and France (from 48.5 to 47.3), while composite PMI for the UK fell to 52.9 (from 56.5). Still in the UK, annual inflation rate was up 30bps to 0.5%YoY in September (August: 0.2%) after upticks in the cost of transport (-1% to 0.9%) and restaurant services (-2.8% to -0.7%). Elsewhere, final Q3 GDP estimates for China stood at 4.9%YoY (Q2: 3.2%), revealing a lower than expected expansion in economic activities (Estimate: 5.2%). However, there are signs that a state-backed industrial recovery is finally extending to consumption as Retail sales rose to an eight-month high of 3.3%YoY in September (August: 0.5%).

Domestic Economy

- ◆ In a bid to increase patronization of local firms, the Federal government declared that contracts worth ₦5 billion and below would no longer be awarded to foreign firms in the country, but reserved exclusively for indigenous firms or companies for bidding, award and execution. Elsewhere, the IMF stated it may review Nigeria's growth projection should the ongoing protest in the country linger, following its recent revision to Nigeria's GDP to -4.3% in FY 2020 (previously: -5.4%). Meanwhile, the CBN published guidelines for accessing funding for the mass metering programme recently announced by the federal government in a bid to close the 10 million metering gap across the country. The objective of the scheme includes accelerating Nigeria's metering rate, eliminating arbitrary estimated billing as well as increase the local meter manufacturing, assembly, and deployment capacity. Notably, the apex bank prohibited the importation of fully assembled meters and other infrastructures that are already produced locally.

Equities and stock recommendation

- ◆ The bullish trend in the Nigerian bourse continued as the NSE ASI closed positive for the fifth consecutive week, advancing marginally by 13bps WoW. The ASI ended the week at 28,697.06 points, while market cap printed at N14.9 trillion. Gains in the Breweries (+5.41%), Food (+0.41%) and cement (+0.30%) sectors outweighed losses recorded across personal care (-2.08%), oil & gas (-1.98%), banking (-0.97%) and construction (-0.60%). Dissecting the sectoral performance revealed the major drivers for the upside were seen in INTBREW (+18.20%), NB (+5.69%), CONOIL (+9.72%), FLOURMILL (+6.24%), NASCON (+10.00%) and STANBIC (+2.33%) WoW, amongst others. On the other hand, declines were observed in ETERNA (-8.98%), CADBURY (-6.83%), WAPCO (-5.04%) and GUINNESS (-5.34%) WoW, amongst others.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), GUARANTY– STRONG BUY (FVE: ₦38.85), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2) and GUINNESS – BUY (FVE: ₦21.40)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

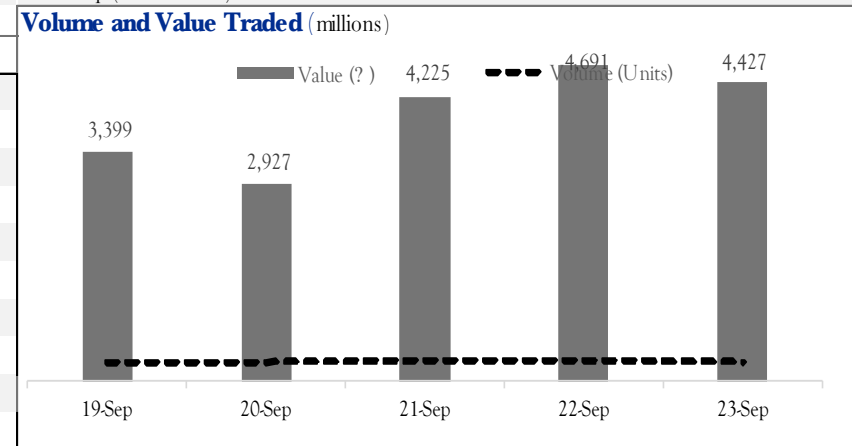
- ◆ At the bond auction, the DMO offered N30 billion across 2 instruments – March-2035 and July-2045 – and received total subscription of N235.87 billion. Total sales came in at N50 billion while the average stop rate for these two instruments was 5.49%, down from 8.71% at the last auction. Meanwhile, in the secondary market, the average fixed income yield ended the week 69bps lower to 2.16% owing to contractions at both ends of the curve. Both the average bond yield and the average NTB yield shed 70bps WoW to close at 3.89% and 0.42% respectively.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.67	35.67	-0.01%	-7.57%	*Guinness Q1 2021 - Surprising YoY growth in revenue
USD/NGN (₦/\$)					
NAFEX	386	385.7	-0.09%	-5.57%	
Parallel	460.0	458.5	-0.33%	-21.74%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (September)			CHG (pps)		
Headline	13.71	13.22	0.49	12.63	
Core	10.58	10.52	0.06	9.99	
Food	16.66	16	0.66	15.35	
GDP (%) - YoY	Q2 20	Q1 20	Q4 19	FY19	
Real GDP	-6.1	1.87	2.55	2.3	
Oil	-6.6	5.1	6.4	4.6	News Headline for the week (click news for link)
Agriculture	1.6	2.2	2.3	2.4	*Protests: IMF may review Nigeria's growth projection
Manufacturing	-8.8	0.4	1.2	0.8	*Pelosi, White House see progress on COVID-19 aid talks
Services	-2.6	3.5	4	3.4	*EU, Britain agree to resume trade talks after week-long hiatus
Labor Data (%) - Q2 20			Latest	Prior	*N392bn projects debt: Senate asks FG to consider pension fund
Unemployment Rate			27.1	23.1	*World trade rebounding slowly, outlook uncertain - U.N. report
Underemployment			28.8	20.1	*PIB Passes Second Reading in Senate
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*China keeps lending benchmark LPR steady for 6th straight month as expected
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*NNPC Reduces Debts to IOCs to \$1.58bn, Pays Off Mobil
Bonds	0.00	231.22	-100.0%	-100.0%	*CBN Rolls Out Financing Framework for Mass Metering Programme
Money Market	332.07	3,438.54	-90.3%	-66.2%	*CBN orders banks to clamp down on COVID-19 financial crimes
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*China's third-quarter GDP grows 4.9% year-on-year, misses expectations
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*OPEC: No recovery in oil prices next year
Trade Balance	2,382	2,559	1,668	-6.9%	*Nigeria Requires N942bn to Connect 80m to Power Grid
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*France extends curfew as COVID second wave surges in Europe

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

Index Performance		Index Returns (%)					Sector Performance			
	Level	WoW	MTD	QTD	YTD	1 year		Returns (%)		
								WoW	QTD	YTD
NSE ASI	28697.06	0.13	6.93	6.93	6.91	8.71	Banking	-0.97%	11.15%	-0.31%
NSE ASI (\$)	28697.06	0.13	6.95%	6.95%	0.61%	1.73%	Brewers	5.41%	7.98%	-15.78%
Market Cap (? 'bn)	A Invalid Sect	0.13%	6.95%	6.95%	15.75%	16.94%	Cement	0.30%	3.48%	18.56%
Market Cap (\$'mn)	A Invalid Sect	0.09%	6.95%	6.95%	8.93%	9.23%	Telecom	0.00%	8.40%	38.43%
NSE 30	1230.28	0.14	7.09	7.09	4.45	15.30	Personal Care	-2.08%	0.50%	-34.78%
NSE Premium	2587.13	-0.55	9.15	9.15	22.25	18.07	Construction	-0.60%	2.33%	-9.29%
NSE 50	1320.31	0.35	7.57	7.57	-1.96	7.17	Food	0.41%	2.31%	-13.93%
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-3.97	Insurance	-0.29%	-1.25%	-1.81%
NSE Banking	344.86	-1.42	11.11	11.11	-3.36	9.27	Oil & Gas	-1.98%	9.91%	-53.18%
NSE Insurance	137.36	-0.59	-1.04	-1.04	9.17	15.93	Real Estate	-0.03%	-0.24%	-2.98%
NSE Consumer	486.68	2.86	7.24	7.24	-17.91	-4.96	ARM Indices			
NSE Oil & Gas	202.73	-0.69	2.97	2.97	-22.78	-9.71		WoW	QTD	YTD
NSE Industrial	1234.16	-0.06	3.38	3.38	14.74	17.41	Large Cap (Top 10%)	0.02%	6.38%	19.61%
NSE Lotus	2020.95	-0.01	4.53	4.53	10.15	19.63	Mid Cap (Mid 30%)	0.57%	5.99%	-4.59%
NSE Pensions	1153.53	-0.14	9.71	9.71	9.44	22.49	Small Cap (Bottom 60%)	-2.67%	4.48%	-48.89%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
INTBREW	6.30	18.2%	HONYFLOU	0.91	-6.2%
JAPAUOI	0.22	10.0%	CADBURY	7.50	-6.8%
CONOIL	15.80	9.7%	ACADEMY	0.27	-6.9%
LIVESTOC	0.67	6.3%	LASACO	0.26	-7.1%
FIDSON	3.72	6.3%	MAYBAKER	3.00	-7.7%
NB	52.00	5.7%	ROYALEX	0.23	-8.0%
CHAMS	0.21	5.0%	REGENCY	0.22	-8.3%
FCMB	2.44	3.8%	ETERNA	4.46	-9.0%
UACN	7.15	3.6%	LINKASSU	0.40	-9.1%
NEM	2.06	3.0%	NNFM	4.19	-9.9%



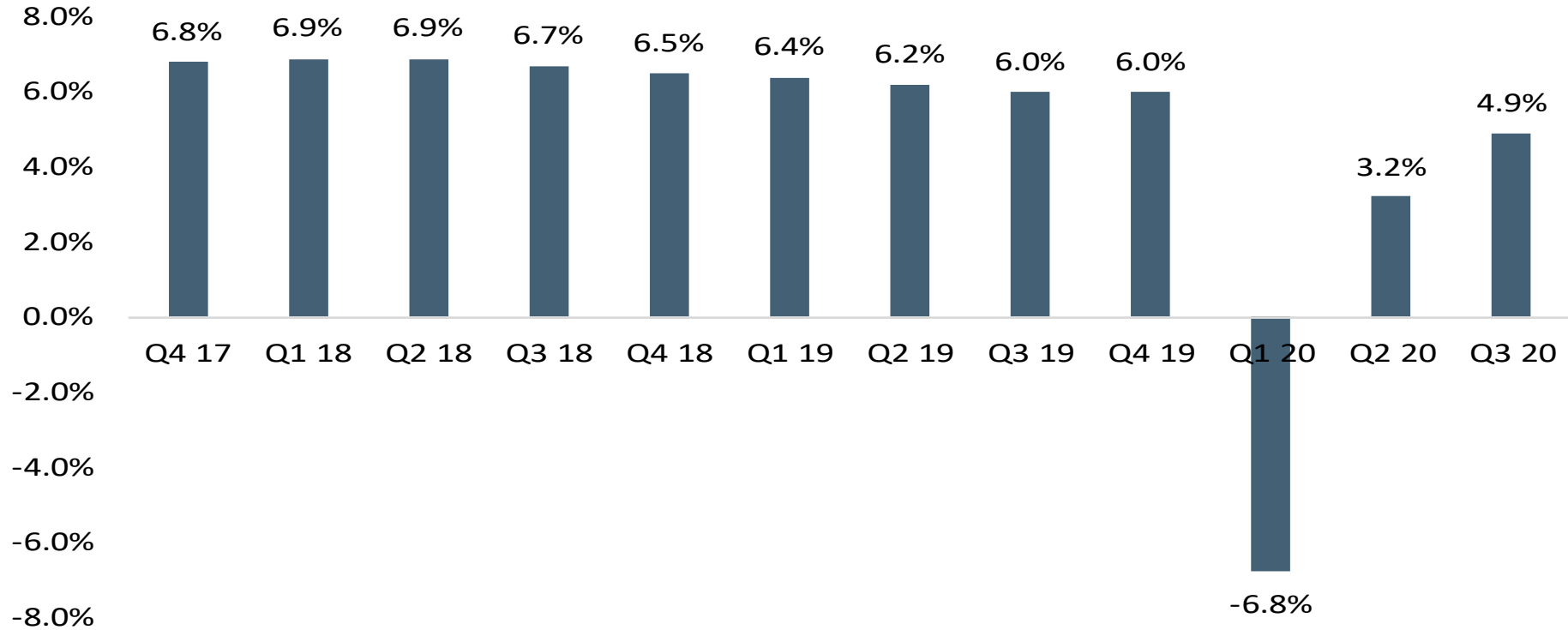
Source: NSE, Bloomberg, ARM Research

	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
Money Market				OMO				OMO			
Overnight (O/N)	9.75%	2.00%	7.75%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
Open Buy Back (OBB)	9.00%	1.17%	7.83%	17-Sep-20	4.86%	7.68%	8.88%	17-Sep-20	10.00	10.00	50.00
NIBOR - 1M	1.58%	2.85%	-1.27%	10-Sep-20	4.86%	7.68%	8.90%	10-Sep-20	10.00	10.00	50.00
NIBOR - 3M	1.70%	3.10%	-1.40%	03-Sep-20	4.86%	7.68%	8.94%	03-Sep-20	10.00	10.00	50.00
NIBOR - 6M	2.19%	3.78%	-1.59%	27-Aug-20	4.87%	7.68%	8.94%	27-Aug-20	10.00	10.00	80.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	0.39%	0.70%	-0.31%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	12.76	4.50	107.62
3-month	0.34%	0.53%	-0.19%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	10.00	17.60	106.37
6-month	0.26%	1.09%	-0.83%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
9-month	0.46%	1.58%	-1.12%	09-Sep-20	1.10%	1.55%	3.05%	09-Sep-20	4.41	14.00	109.65
12-month	0.77%	1.99%	-1.22%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85	121.38
FGN Bonds (Local)				FGN Bonds	5 Year	15 Year	30 Year	FGN Bonds	5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.80%	1.55%	-0.75%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.39% 27-JAN-2022	3.13%	2.44%	0.69%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
14.20% 14-MAR-2024	3.22%	3.36%	-0.14%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.50% 22-JAN-2026	3.30%	4.17%	-0.87%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
16.2884% 17-MAR-2027	3.34%	4.76%	-1.42%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
12.1493% 18-JUL-2034	5.01%	5.90%	-0.89%								
16.2499% 18-APR-2037	5.04%	6.31%	-1.27%								
14.8% 26-APR-2049	6.88%	7.36%	-0.48%								
				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
				MIXTA 17.00% 16-JAN-2022	2.00%	2.75%	-0.75%	ACCESS 10.50% 19-OCT-2021	5.11%	5.22%	-0.11%
				FIDELITY 16.48% 13-MAY-2022	4.39%	3.82%	0.57%	ZENITH 7.375% 30-MAY-2022	5.50%	5.55%	-0.05%
				DUFIL 18.25% 1-SEP-2022	4.94%	4.48%	0.46%	UBA 7.75% 08-JUN-2022	7.61%	7.62%	-0.01%
				LAPO MFB 17.75% 19-DEC-2022	6.87%	6.53%	0.34%	SEPLAT 9.25% 1-APR-2023	8.28%	8.67%	-0.39%
				STERLING 16.50% 3-AUG-2023	4.22%	4.12%	0.10%				
				FCMB 17.25% 8-DEC-2023	4.57%	4.61%	-0.04%				
				ACCESS 15.50% 23-JUL-2026	6.23%	7.01%	-0.78%				
				VIATHAN 16.00% 14-DEC-2027	4.26%	4.78%	-0.52%				
				UNION 16.20% 27-JUN-2029	7.29%	8.41%	-1.12%				

Source: DMO, FMDQ, Bloomberg, ARM Research

China GDP

Data released this week showed that China's GDP grew by 4.9% YoY in the third quarter of this year. Although this growth was below analysts' expectations it still represented a sharp turnaround from the historic 6.8% decline at the start of the year. While China's economy has recovered quickly and growing again, the IMF still expects a negative global growth rate of 4.4% for FY 2020.



Source: National Bureau of Statistics of China, ARM Research



Thank You

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