

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 28 September – 02 October 2020

Global Economy

- ◆ The Eurozone is still reeling from the effects of the coronavirus pandemic as unemployment rate rose to a 2-year high of 8.1% in August (July: 8.0%) while inflation for the month of September was up 10bpsMoM to print at 0.3%. Still in Europe, final estimates put the UK's GDP contraction over Q2 at 21.5%YoY, a slight improvement from the previous estimate of a 21.7%YoY contraction. In the US, final Q2 GDP estimates also showed a slightly lower contraction of 31.4%YoY (from 31.7%YoY). And still in the US the unemployment rate for September came in at 7.9%, down 50bpsMoM (August: 8.4%) as a spike in new cases and diminishing government stimulus slowed down the economic recovery.

Domestic Economy

- ◆ This week, the Federal Executive Council approved the proposed budget for the 2021 fiscal year. Specifically, the Nigerian federal budget deficit is projected at ₦4.49 trillion (2020: ₦4.97 trillion) with the aggregate revenue and expenditure estimated at ₦7.89 trillion (2020: ₦5.8 trillion) and ₦13.08 trillion (2020: ₦10.8 trillion), respectively. Key assumptions to the 2021 budget include crude oil price benchmark at \$40/barrel (2020: \$28/barrel), crude oil production of 1.86mbpd including condensates (2020: 1.8mbpd), GDP growth rate target of 3% (2020: -4.2%) and inflation rate of 11.95%. Elsewhere, the hike in electricity tariff scheduled to kick-in on the 1st of September 2020, was suspended for 14 days by the Nigerian Electricity Regulatory Commission. This followed a truce by the Labour union and the Federal government in order to prevent a nationwide strike. Meanwhile, after two decades, the NBS is scheduled to commence the national economic census across the country from the 12th of October 2020, expected to span a period of two months.

Equities and stock recommendation

- ◆ The bullish trend in the Nigerian bourse continued as the NSE ASI closed positive for the second consecutive week, advancing by 253bps WoW. The ASI closed at 26,985.77 points, while market cap ended the week at ₦14.1trillion. Save for the personal care and breweries sectors which lost 134bps and 577bps respectively, all other sectors recorded gains with Cement (+3.59%), Oil & Gas (+3.51) and Banking (+3.35%) anchoring the gains. A further probe into the sectoral performance revealed the major drivers for the upside were observed in TOTAL (+21.00%), OANDO (+12.81%), GUARANTY (+7.41%), ZENITH (+4.34%), BUACEMENT (+3.60%) and DANGCEM (+3.60%) WoW amongst others. On the other hand, declines were seen in NB (-6.76%), PZ (-5.88%) and MOBIL (-4.20%) 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: ₦18.94)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ In the last NTB auction of Q320, the DMO offered ₦113.97 billion but sold ₦20 billion more at ₦133.97 billion, matching the amount that matured. Total subscription was ₦348.26 billion, 3.06x the offered amount, while the average stop rate declined 9bps to 1.79%. In the secondary market, the average fixed income yield declined slightly by 3bps following contrasting moves in bond and NTB yields. The average bond yield declined by 26bps WoW to 6.19% led by the Jan-2022 (-132bps) and July-2030 (-114bps) while the average NTB yield rose 20bps WoW to 1.85%. Over Q320, the average FI yield fell 111bps with both the average NTB yield and average bond yields down 30bps and 192bps respectively.

The week in Review

◆ The Eurozone is still reeling from the effects of the coronavirus pandemic as unemployment rate rose to a 2-year high of 8.1% in August (July: 8.0%) while inflation for the month of September was up 10bpsMoM to print at 0.3%. Still in Europe, final estimates put the UK's GDP contraction over Q2 at 21.5%YoY, a slight improvement from the previous estimate of a 21.7%YoY contraction.

◆ In the US, final Q2 GDP estimates also showed a slightly lower contraction of 31.4% YoY (from 31.7%YoY). And still in the US the unemployment rate for September came in at 7.9%, down 50bpsMoM (August: 8.4%) as a spike in new cases and diminishing government stimulus slowed down the economic recovery.

Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.11		0.69	-0.4	1.3	Euro (€)	1.2	1.2	0.7	4.5
UK			0.04	-0.3	0.2	GBP (£)	1.3	1.3	1.5	-2.4
Euro	-0.49	-1.5	-0.24	0.8	-0.3	JPY (¥)	105.4	105.6	0.2	3.1
Japan			-0.11	0.0	-0.4	INR (?)	73.1	73.9	0.6	-2.4
China	2.48	0.8	3.11	0.8	2.4	CNY (¥)	6.8	6.8	0.5	2.5
India	3.57	-4.0	6.00	-0.7	5.63	MXN (\$)	21.7	22.3	3.1	-12.6
Mexico	4.45	1.4	5.50	-0.8	4.05	RUB (p.)	78.2	78.1	0.0	-20.8
Turkey	14.84	1.0	12.66	-0.2	11.77	ZAR (R)	16.5	17.1	3.7	-15.3
Russia	4.29	-0.4	1.94	1.6	3.6	EGP (£)	15.8	15.8	0.2	1.8
Egypt	13.52	-0.22	14.55	0.00	3.4	KES (sh)	108.5	108.5	0.0	-6.6
South Africa	3.83	0.3	9.39	0.6	3.1	GHS (?)	5.8	5.8	-0.2	-1.6
Kenya	7.74	0.7	11.87	-4.4	4.2	XOF (?)	559.8	563.3	0.6	4.5
Ghana	17.90	N/A	19.00	0.0	10.5	XAF (?)	559.8	564.6	0.8	4.6
Nigeria	2.80	-8.2	7.11	1.0	13.2	NGN (?)	382.0	381.8	-0.1	-5.1

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	39.3	41.9	-6.3	-40.5	SA Producer Price Index (YoY) - Aug	2.4%	1.9%
OPEC Crude	\$/bbl	39.9	41.2	-4.8	-41.2	SA Unemployment Rate - Q2	23.3%	30.1%
Gasoline	\$/gal	112.2	119.0	-5.7	-30.3	Japan Retail Trade (YoY) - Aug	-1.9%	-2.9%
Natural Gas	\$/MBtu	2.5	2.8	-11.4	2.5	US Goods Trade Balance	-\$82.94B	-\$80.11B
Gold	\$/oz	1902.4	1861.6	2.2	25.4	UK GDP (YoY) - Q2	-21.5%	-21.7%
Sugar	\$/lb	13.6	13.5	0.0	-5.8	US GDP Annualised - Q2	-31.4%	-31.7%
Wheat	\$/bsh	573.3	544.3	5.3	-0.8	EU Unemployment Rate - Aug	8.1%	8.0%
Crude Palm oil	MYR/MT	2708.0	2822.0	0.0		US Unemployment Rate - Sept	7.9%	8.4%

** means Preliminary Estimate

The week in Review

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◆ Elsewhere, the hike in electricity tariff scheduled to kick-in on the 1st of September 2020, was suspended for 14 days by the Nigerian Electricity Regulatory Commission. This followed a truce by the Labour union and the Federal government in order to prevent a nationwide strike. Meanwhile, after two decades, the NBS is scheduled to commence the national economic census across the country from the 12th of October 2020, expected to span a period of two months.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.72	35.77	-0.12%	-7.44%	
USD/NGN (₦/\$)					
NAFEX	386	386	0.00%	-5.57%	
Parallel	462.5	463.5	0.22%	-22.16%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (July)			CHG (pps)		
Headline	13.22	12.82	0.40	12.49	
Core	10.52	10.1	0.42	9.92	
Food	16	15.49	0.51	15.18	
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	*Labour suspends planned strike as FG reverses electricity tariff hike
Manufacturing	-8.8	0.4	1.2	0.8	*NERC issues order suspending tariff hike for 14 days:
Services	-2.6	3.5	4	3.4	*Fresh World Bank, AfDB, IDB loans may raise Nigeria's debt to N31.7tn
Labor Data (%) - Q2 20			Latest	Prior	*NBS begins national economic census after 20 years
Unemployment Rate			27.1	23.1	*CBN Injects N670bn as Stimulus Package for Households, Businesses
Underemployment			28.8	20.1	*NNPC to be commercialised
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Pandemic to keep Asia's growth at lowest since 1967, warns World Bank
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Oil falls on mounting COVID-19 cases, supply concerns
Bonds	0.00	231.22	-100.0%	-100.0%	*Non-performing loans rise by N50bn on increased lending
Money Market	332.07	3,438.54	-90.3%	-66.2%	*CBN introduces healthcare intervention scheme
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*U.S. consumer confidence posts biggest gain in 17 years; downside risks remain
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*FEC okays N13.08tn 2021 budget estimate
Trade Balance	2,382	2,559	1,668	-6.9%	*Fitch revises Nigeria's outlook to stable
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*PIB Passes First Reading in Senate

The week in Review

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Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	26985.77	2.53	0.55	0.55	0.54	-2.33
NSE ASI (\$)	26985.77	2.53	0.63%	0.63%	-5.34%	-6.35%
Market Cap (₦'bn)	A Invalid Sect	2.55%	0.57%	0.57%	8.85%	7.37%
Market Cap (\$'mn)	A Invalid Sect	2.60%	0.63%	0.63%	2.49%	0.55%
NSE 30	1156.24	2.91	0.65	0.65	-1.83	0.81
NSE Premium	2387.68	3.66	0.73	0.73	12.83	5.10
NSE 50	1237.28	2.19	0.81	0.81	-8.13	-6.64
NSE.ASEM	728.51	0.00%	0.00	0.00	-0.88	-5.91
NSE Banking	315.33	4.24	1.59	1.59	-11.63	-8.33
NSE Insurance	136.45	0.64	-1.70	-1.70	8.45	17.63
NSE Consumer	455.27	-0.75	0.32	0.32	-23.21	-19.76
NSE Oil & Gas	195.43	1.79	-0.74	-0.74	-25.56	-18.35
NSE Industrial	1199.19	3.25	0.45	0.45	11.49	10.70
NSE Lotus	1944.34	2.98	0.57	0.57	5.97	8.63
NSE Pensions	1059.65	2.30	0.78	0.78	0.53	6.69

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	3.35%	1.18%	-9.25%
Brewers	-5.77%	0.00%	-22.00%
Cement	3.59%	0.50%	15.14%
Telecom	3.11%	0.50%	28.35%
Personal Care	-1.34%	0.00%	-35.10%
Construction	1.72%	0.62%	-10.80%
Food	0.60%	0.35%	-15.58%
Insurance	0.73%	-0.67%	-1.23%
Oil & Gas	3.51%	0.29%	-57.27%
Real Estate	-0.24%	0.15%	-2.60%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	2.61%	0.63%	13.15%
Mid Cap (Mid 30%)	1.41%	-0.14%	-10.11%
Small Cap (Bottom 60%)	-5.07%	1.14%	-50.53%

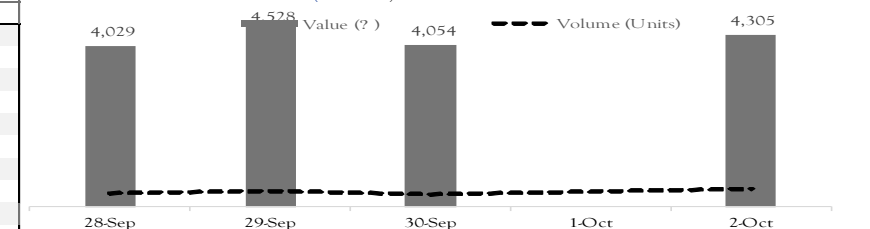
Top 10 Gainers

Company	This Week	WoW
TOTAL	96.80	21.0%
CHAMPION	0.89	9.9%
A IICO	0.79	9.7%
ETERNA	2.74	9.6%
INTBREW	3.90	8.3%
UACN	6.50	6.6%
AFRIPRUD	4.75	5.6%
MBENEFIT	0.21	5.0%
CHAMS	0.21	5.0%
DANGSUGAR	12.90	4.9%

Top 10 Losers

Company	This Week	WoW
MAYBAKER	2.90	-5.5%
PZ	4.00	-5.9%
TRANSEXPR	0.77	-6.1%
LEARNAFRI	1.07	-6.1%
LIVESTOC	0.56	-6.7%
NB	49.00	-6.8%
UACPROP	0.92	-8.0%
ETRANZACT	2.35	-10.0%
CORNERST	0.60	-15.5%
UPL	1.24	-21.0%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

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◆ The average bond yield declined by 26bps WoW to 6.19% led by the Jan-2022 (-132bps) and July-2030 (-114bps) while the average NTB yield rose 20bps WoW to 1.85%. Over Q320, the average FI yield fell 111bps with both the average NTB yield and average bond yields down 30bps and 192bps respectively.

	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)	1.58%	11.50%	-9.92%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
Open Buy Back (OBB)	1.00%	10.33%	-9.33%	17-Sep-20	4.86%	7.68%	8.88%	17-Sep-20	10.00	10.00	50.00
NIBOR - 1M	2.38%	2.85%	-0.47%	10-Sep-20	4.86%	7.68%	8.90%	10-Sep-20	10.00	10.00	50.00
NIBOR - 3M	2.72%	3.10%	-0.38%	03-Sep-20	4.86%	7.68%	8.94%	03-Sep-20	10.00	10.00	50.00
NIBOR - 6M	3.23%	3.78%	-0.55%	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	1.21%	0.94%	0.27%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	10.00	17.60	106.37
3-month	1.21%	1.08%	0.13%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
6-month	1.56%	1.21%	0.35%	09-Sep-20	1.10%	1.55%	3.05%	09-Sep-20	4.41	14.00	109.65
9-month	2.52%	2.46%	0.06%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85	121.38
12-month	2.40%	2.72%	-0.32%	12-Aug-20	1.20%	1.39%	3.20%	12-Aug-20	49.84	54.59	161.52
FGN Bonds (Local)				FGN Bonds	5 Year	15 Year	30 Year	FGN Bonds	5 Year	15 Year	30 Year
14.50% 15-JUL-2021	2.09%	2.36%	-0.27%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.39% 27-JAN-2022	2.60%	3.92%	-1.32%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
14.20% 14-MAR-2024	3.64%	3.94%	-0.30%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.50% 22-JAN-2026	5.92%	6.00%	-0.08%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.2884% 17-MAR-2027	6.74%	6.76%	-0.02%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
12.1493% 18-JUL-2034	8.87%	8.35%	0.52%	Corporate Bonds				Corporate Eurobond			
16.2499% 18-APR-2037	8.80%	8.93%	-0.13%	MIXTA 17.00% 16-JAN-2022	3.29%	3.56%	-0.27%	ACCESS 10.50% 19-OCT-2021	5.40%	5.98%	-0.58%
14.8% 26-APR-2049	9.32%	9.24%	0.08%	FIDELITY 16.48% 13-MAY-2022	3.97%	5.17%	-1.20%	ZENITH 7.375% 30-MAY-2022	5.72%	5.72%	0.00%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	4.63%	5.71%	-1.08%	UBA 7.75% 08-JUN-2022	7.59%	7.56%	0.03%
5.625% 27-JUN-2022	5.41%	5.37%	0.04%	LAPO MFB 17.75% 19-DEC-2022	6.68%	7.63%	-0.95%	SEPLAT 9.25% 1-APR-2023	8.84%	8.67%	0.17%
6.50% 28-Nov-2027	7.32%	7.26%	0.06%	STERLING 16.50% 3-AUG-2023	4.31%	4.96%	-0.65%				
7.875% 16-FEB-2032	8.50%	8.46%	0.04%	FCMB 17.25% 8-DEC-2023	4.84%	5.31%	-0.47%				
7.625% 28-Nov-2047	8.65%	8.62%	0.03%	ACCESS 15.50% 23-JUL-2026	8.33%	8.39%	-0.06%				
				VIATHAN 16.00% 14-DEC-2027	5.23%	5.26%	-0.03%				
				UNION 16.20% 27-JUN-2029	10.93%	11.50%	-0.57%				

Source: DMO, FMDQ, Bloomberg, ARM Research

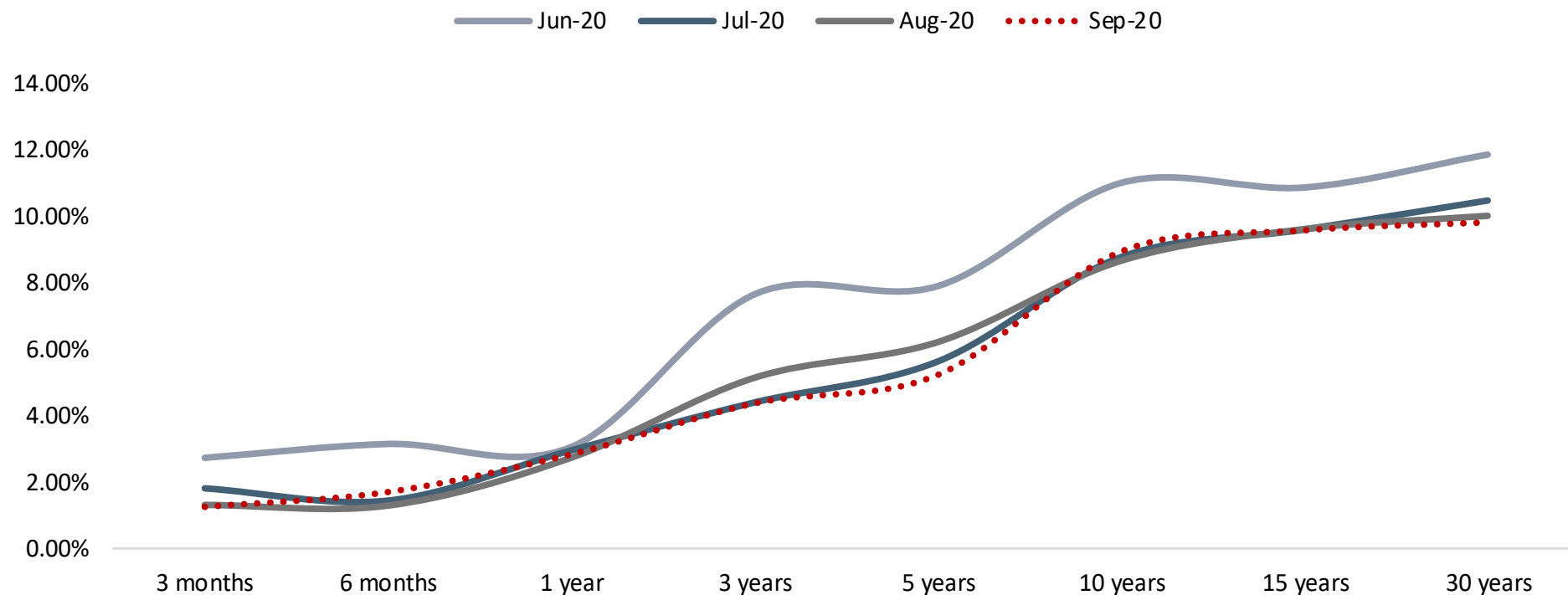
Economic and Financial Calendar for the week 28th September - 2nd October 2020

	Monday 5-Oct	Tuesday 6-Oct	Wednesday 7-Oct	Thursday 8-Oct	Friday 9-Oct
Global	Germany Markit PMI Composite(Sep)	US Trade Balance (Aug)	Germany Industrial Production (MoM)(Aug)	Germany Trade Balance(Aug)	UK Goods Trade Balance(Aug)
	European Union Markit PMI Composite(Sep)				UK Manufacturing Production(YoY)(Aug)
	European Union Retail Sales(YoY)(Aug)				UK Industrial Production(MoM)(Aug)
	US Markit PMI Composite (Sep)				UK Gross Domestic Product(MoM)(Aug)
Domestic					

** means Preliminary Estimate

Yield Curve

The average fixed income yield declined 82bps MoM to close September at 4.02%. The average bond yield declined 136bps over the period to 6.19% while the average NTB yield was 27bps lower MoM at 1.85%. Leading the declines in the bond space were the March-2025 (-215bps), March-2024 (-214bps) and the April-2023 (-213bps) while the biggest declines in the NTB space were the 182-day (-84bps) and the 270-day (-78bps).



Source: FMDQ, ARM Research



ARM
SECURITIES

Thank You

ARM Securities

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