

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



## **Weekly Commentary & Stock recommendation** ...for the week 9th – 13th November 2020

### ***Global Economy***

- ◆ According to a second preliminary estimate, growth in the Eurozone economy has been marginally reviewed downwards to 12.6%QoQ (first estimate: 12.7%QoQ). The expansion however remains the steepest recorded this century, following the easing of lockdown measures imposed in Q2. In the UK, preliminary estimate reveals a partial recovery in economic activities, with GDP expected to expand by 15.5%QoQ in Q3 (Q2: -19.8%QoQ). The strong reading was anchored by upticks in household consumption (up 18.3%QoQ) and gross fixed capital formation (up 15.1%QoQ). Elsewhere, annual inflation rate in the US was down by 20bps to 1.2% in October (September: 1.4%) following declines in the cost of medical care (from 0.9% to -0.8%), cost of energy (from -7.7% to -9.2%) and the cost of transport (down -5.1%, the same in September). Meanwhile in China, annual inflation rate eased by 120bps to an 11-year low of 0.5% in October (September: 1.7%). Declines were observed in food prices (down to 2.2% from 7.9% in September) and cost of transport (down to -3.9% from -3.6%).

### ***Domestic Economy***

- ◆ This week, the Petroleum Product Marketing Company- a subsidiary of the Nigerian National Petroleum Corporation- pegged the minimum pump price at ₦161 in November, 5.2% up from the prior pump price for September and October (₦153/litre). Accordingly, the new ex-depot price is expected to kick in today, 13<sup>th</sup> of November 2020. As a result, there are speculations that petrol prices in the retail market will rise, precisely within the range of ₦172 to ₦175 per litre.

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

- ◆ We witnessed a rally in the Nigerian bourse this week as NSE ASI appreciated significantly by 12.97% WoW to close at 35,037.46 points while market cap ended the week at ₦18.3 trillion. Notably, gains were recorded across all sectors, with breweries (+20.23%), cement (+16.83%), telecom (+12.68%) and banking (+12.37%) the highest contributors to the weekly appreciation. Dissecting the sectoral performance revealed the key drivers for the upside were OANDO (+48.15%), DANGSUGAR (+34.55%), WAPCO (+23.59%), BUACEMENT (+20.93%), NB (+21.35%), ZENITH (+21.75%), DANGCEM (+14.61%) and GUARANTY (+8.66%) WoW, amongst others. On the other hand, declines were recorded across ETERNA (-2.00%), AIICO (-2.17%) and UAC-PROP (-3.70%) WoW, amongst others.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: N964.45), ZENITH BANK PLC – OVERWEIGHT (FVE: N30.2), FIDELITY – NEUTRAL (FVE: N3.18) and GUINNESS – NEUTRAL (FVE: N21.40)** Click [here](#) for our Weekly Stock Recommendation.

### ***Fixed Income***

- ◆ At the primary auction this week, the DMO offered and sold ₦167.81 billion, with total subscription printing at ₦603.06 billion --- a subscription rate of 3.59x. Meanwhile, the average stop rate declined for the sixth consecutive auction, this time by 45bps to 0.16%. In the secondary market, the average fixed income yields declined by 12bps WoW to print at 1.86% anchored mainly by declines in NTB yields. Specifically, average NTB yields declined by 39bps 0.11% WoW. On the contrary, average bond yield increased by 15bps WoW to 3.61% spurred by expansions in Mar-2024 (+102bps), Apr-2029 (+51bps) and Feb-2028 (+46bps).

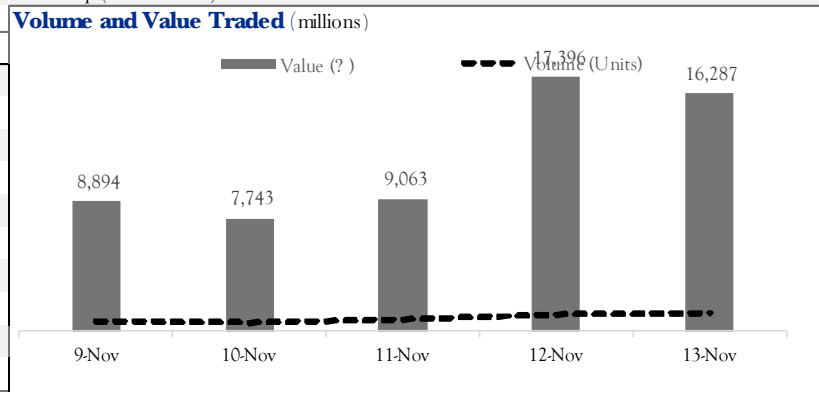
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.63	35.66	-0.07%	-7.68%	*Dangcem Q3'20 - EPS uplifted by continued efficiency in operations
<b>USD/NGN (₦/\$)</b>					
NAFEX	386	386.0	0.09%	-5.49%	
Parallel	464.0	461.5	-0.54%	-22.41%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2020 Avg.</b>	
<b>Inflation YoY (September)</b>			<b>CHG (pps)</b>		
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	
<b>GDP (%) - YoY</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>Q4 19</b>	<b>FY19</b>	
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	*UK's lagging economy lost more speed in September, worse ahead
Manufacturing	-8.8	0.4	1.2	0.8	*FG, WHO Target 20% of Nigeria's Population for COVID-19 Vaccination
Services	-2.6	3.5	4	3.4	*Forex reserves decline to \$35.63bn, lowest in two months
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*FG ratifies Nigeria's AfCTA membership, N62.7bn for Kano-Katsina road
Unemployment Rate			27.1	23.1	*CBN Unveils Private Sector-led Agriculture Devt Scheme
Underemployment			28.8	20.1	*China's inflation fails to perk up, defies broader recovery
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*FG exempts Dangote from border closure -Report
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*PenCom Okays Transfer Window for Pensioners to Change PFAs
Bonds	0.00	231.22	-100.0%	-100.0%	*Oil Prices Jump by 10% over Pfizer's Report on Covid-19 Vaccine
Money Market	332.07	3,438.54	-90.3%	-66.2%	*U.S. crosses 10 million COVID-19 cases as third wave of infections surges
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Banks' patronage at CBN's liquidity window drops to N48b
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*Dangote Refinery to employ over 250,000 Nigerians
Trade Balance	2,382	2,559	1,668	-6.9%	*Currency swap: CBN sells 1.45bn yuan in two years
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Oil, gas exports hit \$3.71bn in 13 months

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

Index Performance	Index Returns (%)						Sector Performance	Returns (%)		
	Level	WoW	MID	QTD	YTD	1 year		WoW	QTD	YTD
NSE ASI	35037.46	12.97	14.76	30.55	30.53	32.93	Banking	12.37%	36.97%	22.85%
NSE ASI (\$)	35037.46	12.97	6.86%	6.86%	0.53%	1.29%	Brewers	20.23%	30.65%	1.90%
Market Cap (? 'bn)	18,308.13	0.86%	6.81%	6.81%	15.60%	16.35%	Cement	16.83%	35.74%	55.52%
Market Cap (\$'mn)	47,430.38	0.86%	6.86%	6.86%	8.84%	8.76%	Telecom	12.68%	24.42%	58.90%
NSE 30	1509.40	12.44	14.40	31.39	28.15	39.65	Personal Care	11.16%	20.29%	-21.93%
NSE Premium	3162.70	12.59	17.06	33.43	49.45	43.89	Construction	5.87%	9.15%	-3.24%
NSE 50	1656.26	12.54	15.49	34.94	22.99	34.74	Food	6.81%	28.06%	7.73%
NSE.ASEM	728.51	0.00%	0.00	0.00	-0.88	-3.67	Insurance	6.72%	9.35%	8.73%
NSE Banking	435.40	14.37	16.85	40.28	22.02	24.93	Oil & Gas	8.56%	32.72%	-43.46%
NSE Insurance	154.18	7.67	6.25	11.07	22.54	29.09	Real Estate	0.33%	0.18%	-2.57%
NSE Consumer	611.54	11.35	11.99	34.75	3.15	28.59	<b>ARM Indices</b>			
NSE Oil & Gas	225.07	5.34	4.52	14.32	-14.27	-2.89		WoW	QTD	YTD
NSE Industrial	1597.86	16.97	20.33	33.85	48.56	48.56	Large Cap (Top 10%)	12.86%	29.47%	45.58%
NSE Lotus	2486.03	11.43	13.74	28.58	35.50	50.35	Mid Cap (Mid 30%)	9.39%	25.80%	13.25%
NSE Pensions	1426.38	12.59	15.43	35.65	35.32	47.92	Small Cap (Bottom 60%)	16.19%	34.49%	-34.21%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
OANDO	4.00	48.2%	IKEJA HOLT	1.00	-9.9%
LIVESTOCK	1.45	36.8%	CAP	22.15	-3.7%
TRANSCORP	1.15	35.3%	LASACO	0.35	-2.8%
DANGSUGA	22.20	34.6%	AIICO	0.90	-2.2%
WEMA	0.84	31.3%	ETERNA	4.90	-2.0%
HONEYWELL	1.28	29.3%	PORTPAINT	2.91	-2.0%
GLAXOSMITH	7.20	24.1%	LEARNAFRCA	1.13	-1.7%
LINKAGE	0.50	22.0%	UPL	1.26	-1.6%
ZENTH	27.15	21.8%	NCR	1.98	-1.0%
EIT	6.80	21.4%	MOBIL	190.00	0.0%

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)	0.63%	6.40%	-5.77%	10-Nov-20	4.86%	7.68%	8.90%	10-Nov-20	10.00	10.00	50.00
Open Buy Back (OBB)	0.50%	5.70%	-5.20%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 1M	0.86%	1.58%	-0.72%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
NIBOR - 3M	1.30%	1.70%	-0.40%	15-Oct-20	4.10%	7.10%	8.45%	15-Oct-20	10.00	10.00	40.00
NIBOR - 6M	1.18%	2.19%	-1.01%	08-Oct-20	4.59%	7.39%	8.50%	08-Oct-20	10.00	10.00	80.00
<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	0.04%	0.39%	-0.35%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	19.78	10.00	138.03
3-month	0.07%	1.00%	-0.93%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	12.76	4.50	107.62
6-month	0.10%	0.55%	-0.45%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	10.00	17.60	106.37
9-month	0.13%	0.35%	-0.22%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	2.00	8.39	148.36
12-month	0.20%	0.24%	-0.04%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	4.41	14.00	109.65
<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	0.18%	0.49%	-0.31%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.39% 27-JAN-2022	1.00%	0.96%	0.04%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
14.20% 14-MAR-2024	2.12%	1.10%	1.02%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.50% 22-JAN-2026	3.43%	3.17%	0.26%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
16.2884% 17-MAR-2027	3.66%	3.65%	0.01%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
12.1493% 18-JUL-2034	5.00%	5.04%	-0.04%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
16.2499% 18-APR-2037	5.10%	4.90%	0.20%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	7.18%	7.12%	0.06%	MIXTA   17.00%   16-JAN-2022	1.37%	1.67%	-0.30%	ACCESS   10.50%   19-OCT-2021	5.02%	5.98%	-0.96%
				FIDELITY   16.48%   13-MAY-2022	0.00%	2.61%	-2.61%	ZENITH   7.375%   30-MAY-2022	5.51%	5.55%	-0.04%
				DUFIL   18.25%   1-SEP-2022	3.21%	3.56%	-0.35%	UBA   7.75%   08-JUN-2022	7.75%	7.76%	-0.01%
				LAPO MFB   17.75%   19-DEC-2022	5.34%	5.87%	-0.53%	SEPLAT   9.25%   1-APR-2023	8.84%	9.03%	-0.19%
				STERLING   16.50%   3-AUG-2023	2.98%	3.21%	-0.23%				
				FCMB   17.25%   8-DEC-2023	3.41%	3.01%	0.40%				
				ACCESS   15.50%   23-JUL-2026	6.07%	5.84%	0.23%				
				VIATHAN   16.00%   14-DEC-2027	3.45%	3.17%	0.28%				
				UNION   16.20%   27-JUN-2029	7.96%	7.46%	0.50%				

Source: DMO, FMDQ, Bloomberg, ARM Research

**Trend in NSE ASI**

The Nigerian equities market has gained 30.53% YTD as at 13th November 2020. This is quite a turnaround from the performance we saw in the equities market at the end of Q3'20 when the index was down by 0.02% YTD. The reversal was mostly driven by robust system liquidity as well as unattractive rates in the fixed income space, which led to greater allocation of funds to equity instruments. It was quite unexpected when the CBN Monetary Policy Committee decided to take another 100bps cut to the MPR to 11.5% in its September 2020 meeting; its second rate cut in the year. Between then and now, the equities market has gained 36.57% as investors re-allocates funds to equity instruments.



Source: Bloomberg, ARM Research



Thank You

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