



HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY

## **Weekly Economic & Financial Commentary**

...for the week 7th – 11th May 2018

## Summary

### *Global Market*

- During the week, the Bank of England Monetary Policy Committee maintained its key interest rate at 0.5%. Elsewhere, according to data released by US Labor Department this week, the Consumer Price Index rose 0.2% MoM (March: -0.1% MoM) and 2.5% YoY (March: 2.4% YoY). Additionally in the region, a recently released budget data for April showed that the US government ran a surplus of \$214.3 billion as the rising equity markets and more tax certainty helped boost non-withheld tax payments.

### *Domestic Market*

- Capital flow into the Nigeria market grew to \$6.3 billion in the first quarter of 2018. The numbers revealed continues to reflect flow of hot money into the market as FDI declined by 35% to \$246.6 million from the prior quarter.

### *Equities*

- The NGSE INDX extended last week loss for a second consecutive week, losing 0.48% WoW to close the week at 41.022.31ppts. Leading the advancers were CCNN (+29.75%), ETERNA (+20.73%), LINKASSU (+11.76%) and OKOMU (+11.11%) while NIGERINS (-14.29%), JAPPAUL (-13.04%) and UACPROP (-12.6%) topped the decliners. On a sectoral basis, the Personal Care (-3.36%), Brewers (-2.69%), Oil & Gas (-1.44%), Food (-1.26%), Real Estate (-0.85%) and Banking (-0.03%) closed in red offsetting gains in Construction (+2.13%) and Insurance (+0.33%).

### *Fixed Income Market*

- The Nigerian fixed income market closed on a bearish note as the naira yield curve spiked 106bps this week following liquidity strain via significant OMO sales and FX intervention during the week. To buttress, CBN sold ₦454 billion of the 119 and 231 Day paper respectively. For the third consecutive time, OMO stop rate for the ~250 Day paper inched up +40bps to 12.5%. Consequently, average Treasury bill yields rose 177bps WoW to 13.76% while bond yields jumped 34bps WoW to 13.35%.

## The week in Review

- During the week, the Bank of England's Monetary Policy Committee maintained the bank rate at 0.5% and the committee revised lower the GDP growth and inflation forecast for 2018 to 1.4% and 2.4% (down from +1.8% and 2.7% prior) respectively.

- According to data released by US Labor Department this week, the Consumer Price Index rose 0.2% MoM (March: -0.1% MoM) and 2.5% YoY (March: 2.4% YoY), while the Core CPI rose 2.1% YoY.

## Global Equities

Global Equities			Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies					
Country	Index	Level (in \$)	WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	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	2,721	2.1	1.8	13.6	20.9		2.0	US	2.25		2.97	0.0	2.5	Euro (€)	1.2	1.2	-0.1	-0.5
	NASDAQ	7,388	2.5	7.0	20.8	24.7	11,260.2	1.0	UK	0.67	0.0	1.44	-0.4	2.5	GBP (£)	1.4	1.4	0.1	0.2
UK	FTSE ASI	7,725	2.1	0.5	4.6	14.3		4.2	Euro	-0.25	1.9	1.01	3.7	1.2	JPY (¥)	109.3	109.1	-0.2	3.1
France	CAC 40	5,542	0.5	4.3	2.9	17.6	1,013.2	3.2	Japan	-0.15	0.0	0.03	0.0	0.9	INR (₹)	67.3	66.9	-0.7	-5.1
Germany	XETRA DAX	13,001	1.4	0.6	2.3	14.5		3.1	China	3.22	0.6	3.83	2.1	1.8	CNY (¥)	6.3	6.4	0.5	2.7
Japan	NIKKEI 25	22,758	0.0	0.0	14.5	17.5	5.6	1.9	India	6.66	1.2	7.73	0.0	4.36	MXN (\$)	19.4	19.3	-0.4	1.6
China	Shanghai Comp	3,163	0.0	-4.4	2.6	15.4	5,149.7	2.3	Mexico	7.76	0.9	7.58	-0.1	4.55	RUB (p.)	62.0	62.5	0.8	-6.9
Brazil	Ibovespa	85,715	3.1	12.2	26.9	21.7	39.6	3.3	Turkey	16.84	-4.4	13.26	0.2	10.85	ZAR (R)	62.0	62.5	0.8	-6.9
India	BSE Sens	35,536	1.8	4.3	17.5	24.3	514.3	1.5	Russia	6.47	-0.5	4.09	0.0	2.4	EGP (£)	17.7	17.6	-0.4	0.4
Russia	RTS	635	4.6	5.0	12.4	7.4	3.0	6.0	Egypt	17.31	4.3	17.20	-9.2	13.1	KES (sh)	100.4	100.3	-0.1	2.8
Mexico	S&P/BMV IPC	46,440	-1.2	-5.9	-6.2	21.9		2.4	South Africa	7.42	-0.5	8.75	0.0	3.8	GHS (¢)	17.7	17.6	-0.4	0.4
Turkey	Borsa Istanbul 100	101,853	-0.7	-11.7	7.1	7.9	0.4	4.6	Kenya	11.14	0.0	12.91	0.0	3.7	XOF (₣)	563.1	561.7	-0.3	0.2
Indonesia	JCI Index	5,957	0.0	-6.3	5.0	21.4	475.7	2.2	Ghana	15.00	0.0	19.00	0.0	9.55	XAF (₣)	565.9	566.3	0.1	-1.4
Kazakhstan	KASE Index	2,499	1.9	15.5	59.9	9.3	1.3	52.1	Nigeria	11.15	-7.7	13.36	-1.6	13.3	NGN (₦)	360.9	360.8	0.0	-0.3
Vietnam	VN Index	1,045	0.0	6.2	44.0	18.5	126.0	1.4	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	58,423	1.3	-1.8	8.0	20.7		3.3			This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior	CHG (%)
Egypt	EGX 30	17,155	0.0	14.2	32.9	23.8	12.8	2.1	Brent Crude	\$/bbl	77.4	74.9	3.4	15.7	Switzerland CPI (April)		0.2%	0.4%	
Kenya	NSEASI	177	-1.5	3.2	28.4	14.1	25.0	4.5	OPEC Crude	\$/bbl	74.5	70.7	4.9	15.5	China Trade Balance (April)		\$28bn	\$-4.9bn	
Morrocco	MSCI MX	347	-1.2	3.1	4.1	20.5	10.3	3.5	Gasoline	\$/gal	219.3	211.4	3.7	10.1	Germany Trade Balance (March)		€22bn	€19.2bn	
Ghana	GSE Composite	3,456	-0.6	34.0	81.4	74.4	5.5	1.2	Natural Gas	\$/MBtu	2.8	2.7	3.5	1.2	US Budget Surplus (April)		\$214.4bn	\$-209 bn	
Tunisia	TunIndex	7,366	3.1	17.3	28.2	19.1	0.7	2.0	Gold	\$/t oz	1320.4	1314.5	0.4	1.3	BOE Monetary Policy Rate		0.5%	0.5%	
BRVM	BRVM	229	-3.0	-5.9	-15.8	32.4	28.4	1.8	Sugar	\$/lb	11.2	11.5	0.0	-25.4	USD Inflation rate (April) - YoY		2.5%	2.4%	
Mauritius	SEMDEX	2,274	-0.4	3.3	11.1	16.9	9.5		Wheat	\$/bsh	498.5	526.3	-5.3	10.0	Spain Inflation rate (April) - YoY		1.1%	1.2%	
Nigeria	NGSE ASI	41,022	-0.48	7.27	44.32	11.6	40.7	4.7	Crude Palm oil MYR/MT		2381.0	2362.0	1.8	-4.8	New Zealand MPR		1.75%	1.75%	

### The week in Review

- Capital flow into the Nigeria market rose 17.1% QoQ to \$6.3 billion in the first quarter of 2018. The increase continues to reflect the inflow of hot money (Foreign portfolio flows: +31.3% QoQ) into the market as FDI declined by

- The currency at the NAFEX window depreciated slightly this week, closing at ₦361.05/\$ as investors sought to repatriate their dividends, following the end of the earnings season.
- The House of Representative postponed the passage of the 2018 budget till next week.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Key Indicators	Period	Latest	Prior	CHG (pps)
External Reserve (\$'bn)	47.85	47.51	0.0	0.2	Capital Importation	Q1 18	\$6.3 bn	\$5.4 bn	
<b>USD/NGN (₦/\$)</b>									
NAFEX	361.05	360.75	0.0	0.0					
Parallel	362	361	0.0	0.0					
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2018 Avg.</b>					
<b>Inflation YoY (March)</b>									
Headline	13.3	14.3	0.9	14.3					
Core	11.2	11.7	1.0	11.7					
Food	16.1	17.6	0.9	17.5					
<b>GDP (%) - YoY</b>	<b>Q4 17</b>	<b>Q3 17</b>	<b>FY 17</b>	<b>FY18F</b>	<b>News Headline for the week</b> ( <a href="#">click news for link</a> )				
Real GDP	1.9	1.4	0.8	2.6	* NSE sanctions six more banks over financial reports				
Oil	8.4	25.9	5.5	9.1					
Agriculture	4.2	3.1	3.4	3.3	* Oil price hits four-year high at \$76				
Manufacturing	0.1	-2.9	-0.2	2					
Services	-0.8	-3.1	-0.8	1.4					
<b>Labor Data (%) - Q3 17</b>			<b>Latest</b>	<b>Prior</b>	* Groups justify Forte Oil divestment from upstream, Ghana businesses				
Unemployment Rate			18.8	16.2					
Underemployment			21.2	21.1	* Again, Senate postpones passage of 2018 budget				
<b>Capital Importation (\$'mn) - Q4 17</b>	<b>Q1 18</b>	<b>Q4 17</b>	<b>QoQ (bps)</b>	<b>YoY (bps)</b>					
Foreign Portfolio Investment - Equities	701.61	989.2	-0.3	5.88	* MTN Plans to Raise \$1.1 Billion in Debt in Nigeria This Year				
Bonds	335.88	309.5	0.1	N/A					
Treasury Bills	3,527.6	2,178.8	0.6	15.7	* Naira bid-offer spread widens on tight FX liquidity				
Foreign Direct Investment	246.6	378.4	-0.3	0.2					
<b>Balance of Payment (\$'mn) - Q3 17</b>	<b>Q3 17</b>	<b>Q2 17</b>	<b>Q1 17</b>	<b>QoQ (bps)</b>					
Trade Balance	3,897	1,997	2,267	0.95					
CA Balance	2,293	1,226	2,703	0.87					

### The week in Review

- The Nigerian equity market was upbeat at the close of market on Friday as the ASI gained 0.26%. However, due to earlier losses in the week, the NGSE INDX lost 48bps WoW, extending its weekly drag.

- On sectorial basis, sluggish performance across Personal care (-3.36%), Brewers (-2.69%), and Oil & Gas (-1.44%) sectors largely neutered gains in Construction (+2.13%) and Insurance (+0.33%) sectors.
- Whilst CCNN and ETERNA topped the gainers' chart returning +29.8% and +20.7% respectively, NIGERINS (-14.3%) and JAPPAUL (-13.04%) topped the

### Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	41022.31	-0.48	-0.60	-1.16	7.27	44.32
NSE ASI (\$)	113.62	0.09	-0.01	-0.01	0.07	0.48
Market Cap (₦'bn)	14859.52	0.00	0.37	-0.01	0.09	0.52
Market Cap (\$'mn)	41156.39	-0.01		-0.01	0.09	0.55
NSE 30	1865.24	-0.45	-0.58	-0.48	6.79	44.54
NSE Premium	2961.39	0.35	0.26	0.38	15.49	65.63
NSE 50	2110.68	-0.27	-0.27	-0.53	8.24	50.39
NSE ASEM	958.52	0.00	0.00	-3.04	-11.85	-19.83
NSE Banking	527.92	0.45	1.58	1.41	11.04	61.23
NSE Insurance	145.56	0.83	-0.09	-3.66	4.44	13.86
NSE Consumer	974.72	-1.90	-3.01	-0.35	-0.14	39.85
NSE Oil & Gas	359.55	0.13	-1.21	3.64	8.73	11.60
NSE Industrial	2087.78	-0.02	0.48	-4.76	5.68	20.00
NSE Lotus	2691.76	0.34	0.11	-0.27	5.13	46.92
NSE Pensions	1602.05	-0.30	-0.09	1.10	16.11	66.65

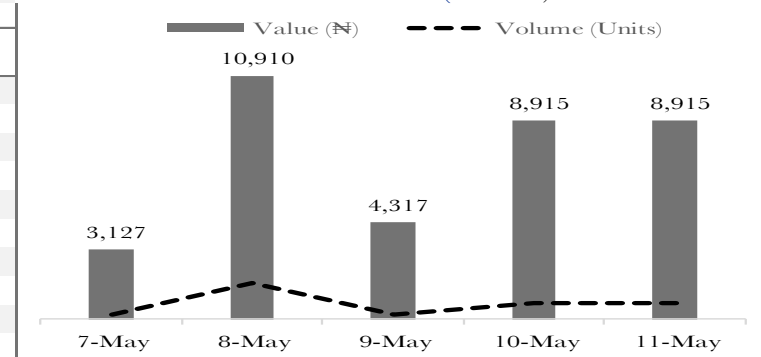
### Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-0.03%	0.87%	14.77%
Brewers	-2.69%	-3.88%	-5.35%
Cement	-0.11%	-5.60%	6.15%
Personal Care	-3.36%	-10.48%	16.47%
Construction	2.13%	7.29%	2.24%
Food	-1.26%	4.80%	1.03%
Insurance	0.37%	0.97%	0.29%
Oil & Gas	-0.64%	4.10%	7.16%
Real Estate	-0.85%	-2.71%	-1.75%

### ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.60%	-1.03%	7.05%
Mid Cap (Mid 30%)	0.90%	-0.96%	11.79%
Small Cap (Bottom 60%)	-21.80%	-37.00%	-48.30%

### Volume and Value Traded (millions)



Top 10 Gainers		
Company	This Week	WoW
CCNN	29.00	29.8%
ETERNA PLC	6.93	20.7%
LINKASSURE	0.95	11.8%
OKOMU	90.00	11.1%
SKYE	0.94	10.6%
REDSTAR	6.00	9.1%
AIRLINE SERVICE	4.90	8.0%
PRESCO	75.60	8.0%
MUTUAL BENEFIT	0.28	7.7%
LIVESTOCK	0.90	7.1%

Top 10 Losers		
Company	This Week	WoW
Niger Insurance	0.24	-14.3%
JAPPAUL	0.40	-13.0%
UACN	2.15	-12.6%
UNITYBANK	1.07	-10.8%
DIAMOND BANK	1.90	-10.0%
CHAMPION	2.18	-9.9%
COURTEVILLE	0.20	-9.1%
SOVEREIGN	0.20	-9.1%
FIRST ALLUMINIUM	0.45	-8.2%
NPF MICROFINANCE	1.76	-7.4%

### The week in Review

- The Nigeria fixed income market closed on a bearish note as the naira yield curve spiked 106bps this week following liquidity strain.

- For the third consecutive time, OMO stop rate for the ~250 Day paper inched up +40bps to 12.5%. Consequently, average Treasury bill yields rose 177bps WoW to 13.76% while bond yields jumped 34bps WoW to 13.35%.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	91 Days	250 Days	364 Days	Issuance (N'billion)	91 Days	250 Days	364 Days
Money Market				OMO				OMO			
Overnight (O/N)	73.42%	3.33%	70.09	10-May-18	11.05%	12.50%		10-May-18	3.0	451.2	0.0
Open Buy Back (OBB)	65.00%	2.83%	62.17	03-May-18	11.00%	12.10%		03-May-18	175.5	424.5	0.0
NIBOR - 1M	13.65%	11.27%	2.38	26-Apr-18	10.31%	12.00%		26-Apr-18	37.3	247.7	0.0
NIBOR - 3M	14.61%	12.94%	1.67	12-Apr-18	12.20%	13.95%		12-Apr-18	5.3	111.2	0.0
NIBOR - 6M	16.33%	14.20%	2.13	23-Mar-18	12.60%	14.39%		23-Mar-18	Nil	150.0	0.0
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	9.17%	9.16%	0.01	02-May-18	0.00%	0.00%	0.00%	02-May-18	0.0	0.0	0.0
3-month	13.87%	11.63%	2.24	19-Apr-18	10.90%	12.00%	12.08%	19-Apr-18	9.5	17.6	68.1
6-month	14.02%	11.94%	2.08	05-Apr-18	11.75%	12.70%	13.04%	05-Apr-18	5.4	8.4	40.2
9-month	13.39%	12.40%	0.99	22-Mar-18	11.95%	13.00%	13.15%	22-Mar-18	6.2	4.0	85.5
12-month	14.13%	12.85%	1.28	15-Mar-18	11.75%	13.00%	13.19%	15-Mar-18	13.0	65.0	52.0
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	11.78%	11.98%	(0.20)	25-Apr-18	0.00%	0.00%	0.00%	25-Apr-18	0.0	0.0	0.0
15.54% 13-FEB-2020	13.25%	12.48%	0.77	23-Mar-18	13.40%	13.53%	13.60%	23-Mar-18	100.5	89.1	45.1
14.50% 15-JUL-2021	13.48%	12.41%	1.07	23-Feb-18	13.70%	0.00%	13.98%	23-Feb-18	27.2	0.0	52.4
16.39% 27-JAN-2022	13.48%	13.25%	0.23	24-Jan-18	13.38%	0.00%	13.49%	24-Jan-18	45.1	0.0	64.9
14.20% 14-MAR-2024	13.38%	13.10%	0.28	13-Dec-17	13.19%	0.00%	13.21%	13-Dec-17	24.8	0.0	61.5
12.50% 22-JAN-2026	13.47%	13.06%	0.41	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	13.39%	13.17%	0.22	DUFIL   18.25%   1-SEP-2022	15.23%	14.99%	0.24%	ZENITH   6.25%   22-APR-2019	5.73%	5.30%	0.43%
12.1493% 18-JUL-2034	13.16%	13.14%	0.02	FCMB   17.25%   8-DEC-2023	14.75%	14.48%	0.27%	DIAMOND   8.75%   21-MAY-2019	8.84%	9.24%	-0.40%
16.2499% 18-APR-2037	13.12%	13.02%	0.10	FIDELITY   16.48%   13-MAY-2022	14.46%	14.23%	0.23%	FBN   8.25%   07-AUG-2020	9.98%	9.66%	0.32%
FGN Eurobonds				LAPO MFB   17.75%   19-DEC-2022	17.14%	16.89%	0.25%	ECOBANK   8.75%   14-AUG-2021	12.23%	12.23%	0.00%
6.50% 28-Nov-2027	6.68%	5.30%	1.38	MIXTA   17.00%   16-JAN-2022	14.36%	13.85%	0.51%	ACCESS   10.50%   19-OCT-2021	7.17%	6.70%	0.47%
7.625% 28-Nov-2047	7.69%	9.24%	(1.55)	STANBIC   13.25%   30-SEP-2024	14.41%	14.08%	0.33%	ZENITH   7.375%   30-MAY-2022	6.97%	6.71%	0.26%
7.875% 16-FEB-2032	7.25%	9.66%	(2.41)	STERLING   16.50%   3-AUG-2023	14.43%	14.16%	0.27%	UBA   7.75%   08-JUN-2022	7.29%	7.11%	0.18%
5.625% 27-JUN-2022	5.35%	12.23%	(6.88)	UBA   16.45%   30-DEC-2021	14.45%	14.18%	0.27%				
				VIATHAN   16.00%   14-DEC-2027	15.77%	15.42%	0.35%				



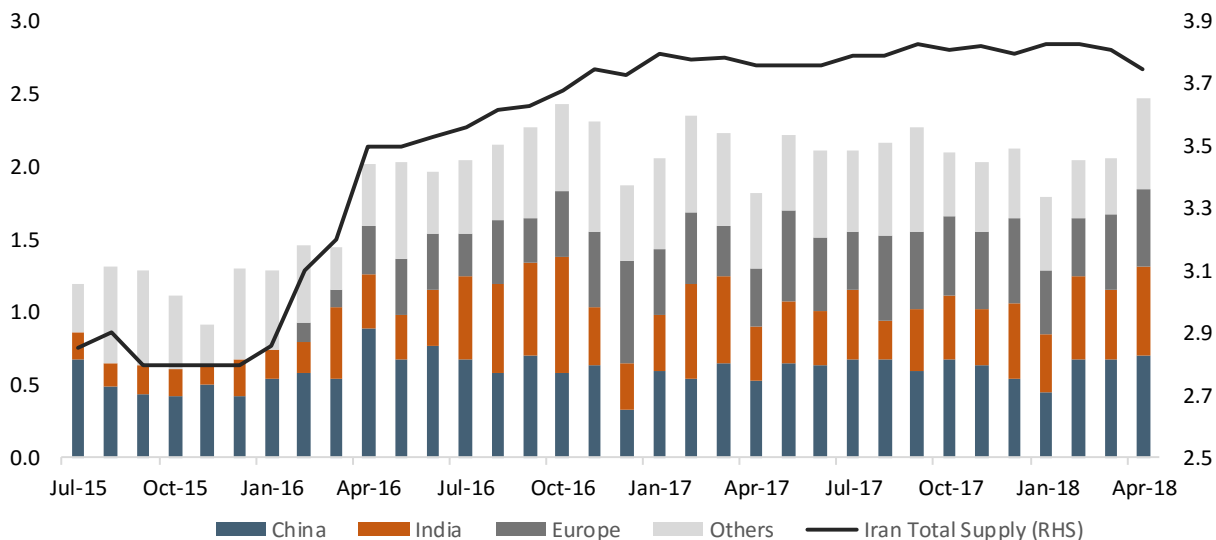
## Economic and Financial Calendar for the week 14th May - 18th May 2018

	Monday	Tuesday	Wednesday	Thursday	Friday
	15-May	16-May	17-May	18-May	19-May
Global		China Retail Sales (Mar)	Germany CPI (April)	New Zealand Budget Release	Canada consumer price index (Apr)
		Germany GDP - Q1 18 (Preliminary Est.)	US Industrial Production (April)	Italy Trade Balance (March)	Germany Producer Price Index (Apr)
		Japan GDP - Q1 18 (Preliminary Est.)	European Union CPI (April)	Japan CPI (April)	Germany Wholesale Price Index (Apr)
		European Union GDP- Q1 18 (Preliminary Est.)			
Domestic					
			AGO Price Watch (April)	CPI and Inflation Report April 2018	Selected Food Prices (April 2018)
			PMS Price Watch (April)		Transport Fare Watch (April 2018)
			HHK Price Watch (April)		
			Cooking Gas Price Watch (April)		

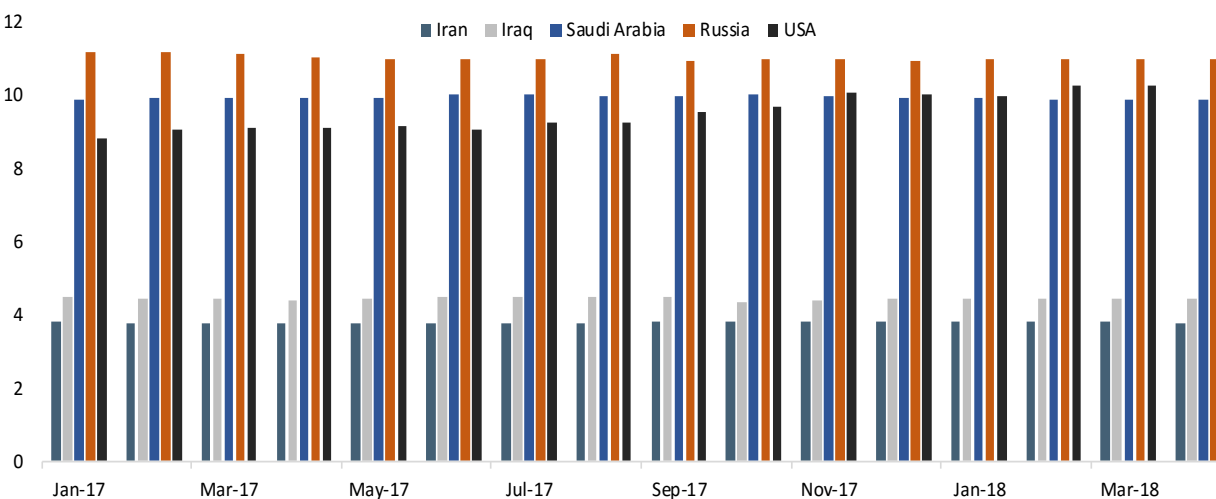
## CHART OF THE WEEK

- US President Trump announced his decision to pull out of the Iran nuclear accord and revive sanctions on the Country's energy sector and petroleum-related transactions.
- Recall that sanctions on Iran were lifted under the 2015 nuclear disarmament agreement. Ever since, Iran has increased its crude oil production.
- One major issue is that the sanctions could put approximately 1mbpd of Iran's supply in the oil market at risk in a market which is largely balanced and inventories are now low
- Germany, France and Britain have decided to stay in the nuclear agreement. Thus, the impact in the next few months to Iranian exports will be minimal or about 200kbpd.
- However, the impact will rise in 2019 as buyers of crude are given a period of time to show efforts at reducing Iranian imports and more restrictive sanctions targeting banks that transact in Iranian oil take effect.
- The wild card is whether Saudi Arabia and Russia will pick up the slack and produce to fill the gap
- In summary, a reduction in supply from any source might be expected to send prices higher. However, although global oil demand is still growing, we should realize that today's tighter oil market is largely the result of voluntary restraint, rather than shortages. Potential production increases from the rest of OPEC, Russia and the US could more than compensate for another big drop in Iran's oil exports.
- Overall, we think the rally in crude oil price on the back of US decision to pull out of the agreement will be short-lived, with more focus on the fundamental picture.

**Figure 1: Iran's export breakdown (mbpd)**



**Figure 2: Supply data from key oil producers (mbpd)**







Thank You



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