



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 28th January – 1st February 2019

Global Economy

- ◆ Growth in the Euro area decelerated 40bps in Q4 18 to 1.2%, compared to 1.6% in Q3 18. We note that the weakness emanated from Germany (whose data was unavailable at the time of writing) which accounts for 22% of EU's GDP and Italy – which entered recession with the GDP contracting 0.2% QoQ, both of which outweighed stagnant growth in France (0.3% QoQ), and moderate expansion in Spain (0.7% QoQ). In US, the 35-day partial government shutdown took a toll on the economy in January with unemployment rate settling at 4.0% (vs. 3.9% in December). The increase emanated from the 380,000 workers which were furloughed during the shutdown and classified as temporarily unemployed. Elsewhere, Manufacturing PMI data for January released by IHS Markit revealed US PMI came in higher at 54.9 (from 53.8), while UK and Japan PMI moderated to 52.8 and 50.3 (from 53.5 and 52.6 respectively). Meanwhile, in China, the PMI further hit a low level at 48.3 from 49.7.

Domestic Economy

- ◆ Activities in the manufacturing and non-manufacturing sector remained robust in January, according to recent PMI update by the Central Bank of Nigeria. Activities in both sectors grew by 58.5 pts and 60.1 pts respectively, albeit at a slower pace when compared prior month of 61.1 pts and 62.3 pts respectively. Elsewhere on the Nigerian bourse, updated data for December 2018 revealed that the equities market recorded foreign portfolio net outflow of ₦66 billion over 2018 compared to a net inflow of ₦337 billion in 2017 following a 48% YoY increase in outflows during the year compared to 25% YoY decline in inflows. Notwithstanding the moderation in flows, foreign investors still dominated transactions in the equities market, accounting for 51% (2017: 47%) of total value traded.

Equities

- ◆ The Nigerian equity market closed the week negative, with the NSE ASI shedding 2.51% WoW to close at 30,636.36 points. The bearish performance was driven by losses in the most sectors - Banking (-2.66%), Brewers (-6.43%), Cement (-2.07%), Construction (-4.48%), Food (-2.25%) and Insurance (-0.74%). Further breakdown of the performance reveals that sell pressure prevailed across bellwether stocks (ACCESS: -6.15%, FBNH: -3.92%, UBA: -7.14%, GUINNESS: -8.45%, NB: -7.38%, DANGCEM: -2.06%, SEPLAT: -1.85% and MANSARD: -0.51%).

Fixed Income

- ◆ Yields in the Nigeria fixed income market contracted 26bps WoW to 14.73% following buy sentiment at both ends of the curve. To be specific, despite series of OMO issuances (₦525 billion) by the CBN, the system remained broadly liquid (+30% WoW) due to the combination of FAAC inflows (₦229.2 billion), OMO maturities (₦192 billion) and retail FX refunds. As a result, average NTB yields dipped 18bps WoW to 14.58%. Meanwhile at the long end of the curve, amidst bargain hunting on longer tenured bonds and lower stop rates at this week's bond auction (Average stop rate: -15bps MoM to 15.27%) average bond yields compressed 34bps to 14.88%.

The week in Review

- Growth in the Euro area decelerated 40bps in Q4 18 to 1.2%, compared to 1.6% in Q3 18. We note that the weakness emanated from Germany (whose data was unavailable at the time of writing) which accounts for 22% of EU's GDP and Italy – which entered recession with the GDP contracting 0.2% QoQ, both of which outweighed stagnant growth in France (0.3% QoQ), and moderate expansion in Spain (0.7% QoQ).

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		Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies						
Country	Index	Level (in \$)	WoW (%)	YTD (%)	52-Wk	P/E (x)	Mkt. Cap (\$'bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	Global Currencies		This Week	Prior Week	WoW (%)	YTD (%)
US	S&P 500	2,711	1.7	8.1	-3.9	18.2		2.1	US 2.56		2.68	0.6	1.9	Euro (€)	1.1	1.1	0.6	0.0	
	NASDAQ	7,277	1.6	9.7	-1.5	32.8	10,987.0	1.3	UK 0.70	0.0	1.14	0.3	2.1	GBP (£)	1.3	1.3	-0.8	2.6	
UK	FTSE ASI	7,009	2.9	4.2	-6.4	15.7		4.9	Euro -0.22	-0.1	0.70	-5.6	1.4	JPY (¥)	109.4	109.6	0.1	0.3	
France	CAC 40	5,023	2.0	6.2	-7.9	15.4	965.0	3.8	Japan -0.21	0.0	-0.08	0.2	0.7	INR (₹)	71.3	71.2	-0.1	-2.1	
Germany	XETRA DAX	11,172	-1.0	5.8	-14.1	12.5		3.7	China 2.51	-1.3	3.13	-0.9	1.9	CNY (¥)	6.7	6.7	0.1	2.0	
Japan	NIKKEI 25	20,788	0.1	3.9	-11.5	14.4	5.1	2.2	India 6.80	0.6	7.38	0.6	5.24	MXN (\$)	19.1	19.0	-0.7	2.8	
China	Shanghai Comp	2,618	0.6	5.0	-24.0	12.3	4,214.9	3.2	Mexico 8.36	-1.3	8.40	-0.2	4.83	RUB (p.)	65.5	66.0	0.7	5.8	
Brazil	Ibovespa	97,497	-0.2	10.9	14.0	21.6	43.1	3.8	Turkey 21.29	2.3	13.84	5.4	20.3	ZAR (R)	65.5	66.0	0.7	5.8	
India	BSE Sens	36,469	1.2	1.1	1.6	24.8	516.5	1.5	Russia 7.71	0.6	3.77	0.2	4.3	EGP (£)	17.7	17.9	1.2	1.4	
Russia	RTS	647	1.7	13.1	-5.6	5.5	3.1	6.8	Egypt 18.00	-5.3	14.18	0.0	12	KES (sh)	100.4	100.8	0.4	1.4	
Mexico	S&P/BMV IPC	44,165	1.2	6.1	-12.7	18.8		3.0	South Africa 7.91	-1.1	9.10	0.7	4.5	GHS (¢)	17.7	17.9	1.2	1.4	
Turkey	Borsa Istanbul	102,937	1.1	12.8	-13.5	7.1	0.4	4.6	Kenya 9.86	-0.5	12.50	-1.3	4.7	XOF (F)	570.7	578.2	1.1	0.4	
Indonesia	JCI Index	6,539	0.9	5.6	-0.9	21.0	522.6	2.2	Ghana 15.50	0.0	19.00	0.0	9.43	XAF (F)	577.4	596.7	3.3	0.5	
Kazakhstan	KASE Index	2,298	2.4	-1.2	-2.4	6.7	3.2	1.4	Nigeria 15.00	0.0	15.05	2.0	11.4	NGN (₦)	362.3	362.0	-0.1	0.1	
Vietnam	VN Index	909	0.0	1.8	-17.4	15.3	128.5	1.7	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	53,930	-0.2	2.3	-9.0	15.1		4.1		This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior		
Egypt	EGX 30	14,127	0.0	8.4	-6.4	13.0	11.6	3.8	Brent Crude \$/bbl	61.9	61.6	0.4	15.0	US Unemployment Rate		4.00%	3.90%		
Kenya	NSEASI	155	5.5	10.0	-14.9	12.4	21.1	5.5	OPEC Crude \$/bbl	61.2	60.2	0.5	18.7	China Manufacturing PMI		48.30	49.70		
Morocco	MSCI MX	311	0.1	0.3	-13.8	19.3	9.1	3.9	Gasoline \$/gal	142.0	140.5	1.1	8.2	Japan's Retail trade (YoY) - December		1.30%	1.40%		
Ghana	GSE Composite	2,425	-0.3	-3.0	-22.8	21.2	3.9	1.2	Natural Gas \$/MBtu	2.8	3.1	-8.9	-1.8	Japan Manufacturing PMI		50.3	50		
Tunisia	TunIndex	7,234	0.3	-0.5	12.0	18.7	0.7	2.0	Gold \$/t oz	1317.5	1305.3	0.9	2.7	Spain's Retail Sales (YoY) - December		0.80%	1.10%		
BRVM	BRVM	165	0.2	-4.0	-27.9	7.8	8.2		Sugar \$/lb	12.7	12.4	2.2	5.7	Japan's Unemployment Rate - December		2.40%	2.50%		
Mauritius	SEMDEX	2,216	-0.2	-0.1	-1.8	17.9	9.3		Wheat \$/bsh	522.0	520.0	0.4	3.7	Italy's GDP (QoQ) (Q4)		-0.20%	-0.10%		
Nigeria	NGSE ASI	30,636	-2.51	-2.53	-31.1	8.8	30.3	6.0	Crude Palm oil IYR/MT	2299.0	2297.0	0.2		Italy's Unemployment - December		10.30%	10.50%		

Source: Bloomberg, Reuters, ARM Research

The week in Review

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- Elsewhere on the Nigerian bourse, updated data for December 2018 revealed that the equities market recorded foreign portfolio net outflow of ₦66 billion over 2018 compared to a net inflow of ₦337 billion in 2017 following a 48% YoY increase in outflows during the year compared to 25% YoY decline in inflows. Notwithstanding the moderation in flows, foreign investors still dominated transactions in the equities market, accounting for 51% (2017: 47%) of total value traded.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	43.17	43.11	0.14%	0.13%	Initial View - Guinness Nigeria Plc - Heightened competition bites earnings
USD/NGN (₦/\$)					Unilever Nigeria & PZ Cussons Nigeria - More positive on Unilever
NAFEX	362.71	362.5	-0.07%	0.47%	Initial View - Flour Mills of Nigeria FQ3 2019 - Earnings down on higher cost and operating expenses
Parallel	359.5	362.5	0.83%	0.42%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	
Inflation YoY (December)			CHG (pps)		
Headline	11.44	11.28	0.16	12.15	
Core	9.78	9.79	-0.01	10.54	
Food	13.36	13.3	0.06	14.44	
GDP (%) - YoY	Q3 18	Q2 18	Q1 18	FY18F	
Real GDP	1.8	1.5	2	2.1	
Oil	-1.3	-4.0	14.8	4.7	News Headline for the week (click news for link)
Agriculture	1.9	1.2	3	2.3	*New revenue formula far from sight – Investigation
Manufacturing	1.9	0.7	3.4	1.9	*UBA expands to Mali
Services	3.4	4.1	0.5	2.9	*Teleology CEO sues 9mobile
Labor Data (%) - Q3 18			Latest	Prior	*Nigeria's Manufacturing Index Rises for 22nd Consecutive Month
Unemployment Rate			23.1	18.8	*FG Targets \$2bn FX Earnings Yearly from New Aviation Initiative
Underemployment			20.1	21.2	*Flour Mills of Nigeria Posts N9bn Profit in Nine Months
Capital Importation (\$'mn)	Q3 18	Q2 18	QoQ (%)	YoY (%)	*Bonds: FG allots N116.99bn to 109 bidders
Foreign Portfolio Investment - Equities	394.47	1,048.4	-62.4%	-79.6%	*SEC sets 7-year timeline to revive, develop commodities market
Bonds	37.48	400.1	-90.6%	-67.4%	*Refineries' funding: NNPC, investors disagree on commercial terms
Money Market	1291.1	2,670.9	-51.7%	79.6%	*CBN introduces fines, others in e-payments regulation
Foreign Direct Investment	261.35	246.62	6.0%	-4.7%	*UBA Approves Financial Accounts, Set for Dividend Declaration
Balance of Payment (\$'mn)	Q3 18	Q2 18	Q1 18	QoQ	*Equatorial Guinea announces oil & gas bid round in Abuja
Trade Balance	2,126	7,510	4,387	-71.7%	*FG approves new pension company for universities
CA Balance	(3,105)	4,453	1,434	-169.7%	*Nigeria, Morocco gas pipeline to supply 15 countries

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

The week in Review

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- Further breakdown of the performance reveals that sell pressure prevailed across bellwether stocks (ACCESS: -6.15%, FBNH: -3.92%, UBA: -7.14%, GUINNESS: -8.45%, NB: -7.38%, DANGCEM: -2.06%, SEPLAT: -1.85% and MANSARD: -0.51%).

Index Performance

	Level	WoW	MTD	Index Returns (%)		
				QTD	YTD	1 year
NSE ASI	30636.36	-2.51	0.26	-2.53	-2.53	-31.09
NSE ASI (\$)	84.47	-2.51	0.35	-2.18%	-2.18%	-31.75%
Market Cap (₦bn)	11424.45	-2.51%	0.26	-2.53%	-2.53%	-28.68%
Market Cap (\$'mn)	31497.48	-2.58%	0.35	-2.18%	-2.18%	-29.08%
NSE 30	1366.69	-2.59	0.50	-3.56	-3.56	-32.40
NSE Premium	2142.64	-2.27	0.68	-2.39	-2.39	-31.51
NSE 50	1620.00	-2.43	0.43	-2.53	-2.53	-28.61
NSE ASEM	790.06	-0.13	0.13	-0.47	-0.47	-26.28
NSE Banking	396.59	-2.47	1.95	-0.59	-0.59	-32.24
NSE Insurance	121.98	-2.22	-0.31	-3.56	-3.56	-21.82
NSE Consumer	696.73	-3.35	-0.20	-6.96	-6.96	-32.26
NSE Oil & Gas	279.09	0.05	-0.42	-7.66	-7.66	-23.74
NSE Industrial	1270.52	-3.67	-2.97	2.64	2.64	-47.09
NSE Lotus	2229.21	-2.05	-0.92	-0.21	-0.21	-19.66
NSE Pensions	1178.76	-2.81	0.77	-2.38	-2.38	-29.46

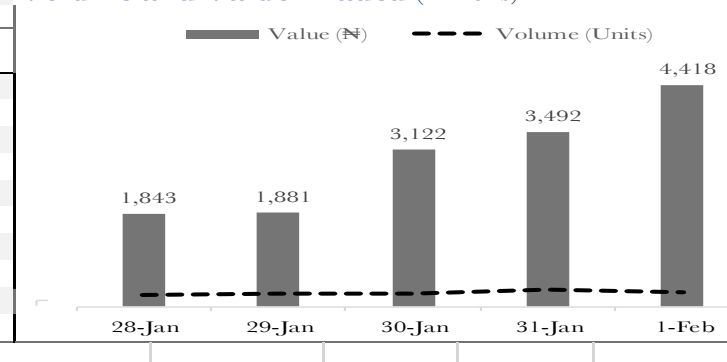
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-2.66%	-1.85%	-1.85%
Brewers	-6.43%	-11.49%	-11.49%
Cement	-2.07%	0.18%	0.18%
Personal Care	0.67%	-3.19%	-3.19%
Construction	-4.48%	16.07%	16.07%
Food	-2.25%	-5.27%	-5.27%
Insurance	-0.74%	1.87%	1.87%
Oil & Gas	1.47%	1.51%	1.51%
Real Estate	0.37%	-0.53%	-0.53%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-2.62%	-3.18%	-3.18%
Mid Cap (Mid 30%)	-0.64%	0.90%	0.90%
Small Cap (Bottom 60%)	-3.46%	-23.91%	-23.91%

Volume and Value Traded (millions)



Top 10 Gainers

Company	This Week	WoW
MBENEFIT	0.22	10.0%
BETAGLAS	60.00	9.1%
STERLNBANK	2.45	8.4%
UAC-PROP	1.72	8.2%
VITAFOAM	4.79	6.7%
UACN	9.20	6.4%
CHAMPION	1.80	5.9%
TOTAL	223.30	4.1%
UPL	2.08	4.0%
LEARNAFRCA	1.37	3.0%

Top 10 Losers

Company	This Week	WoW
NIGERIN	0.22	-15.4%
DANGFLOUR	5.80	-10.8%
IKEJAHOTEL	1.50	-10.7%
ACADEMY	0.45	-10.0%
AIICO	0.64	-9.9%
BERGER	7.00	-9.7%
FIRSTALUM	0.32	-8.6%
MEYER	0.54	-8.5%
GUINNESS	65.00	-8.5%
CCNN	22.00	-8.3%

Source: NSE, Bloomberg, ARM Research

The week in Review

- Yields in the Nigeria fixed income market contracted 26bps WoW to 14.73% following buy sentiment at both ends of the curve. To be specific, despite series of OMO issuances (₦525 billion) by the CBN, the system remained broadly liquid (+30% WoW) due to the combination of FAAC inflows (₦229.2 billion), OMO maturities (₦192 billion) and retail FX refunds.

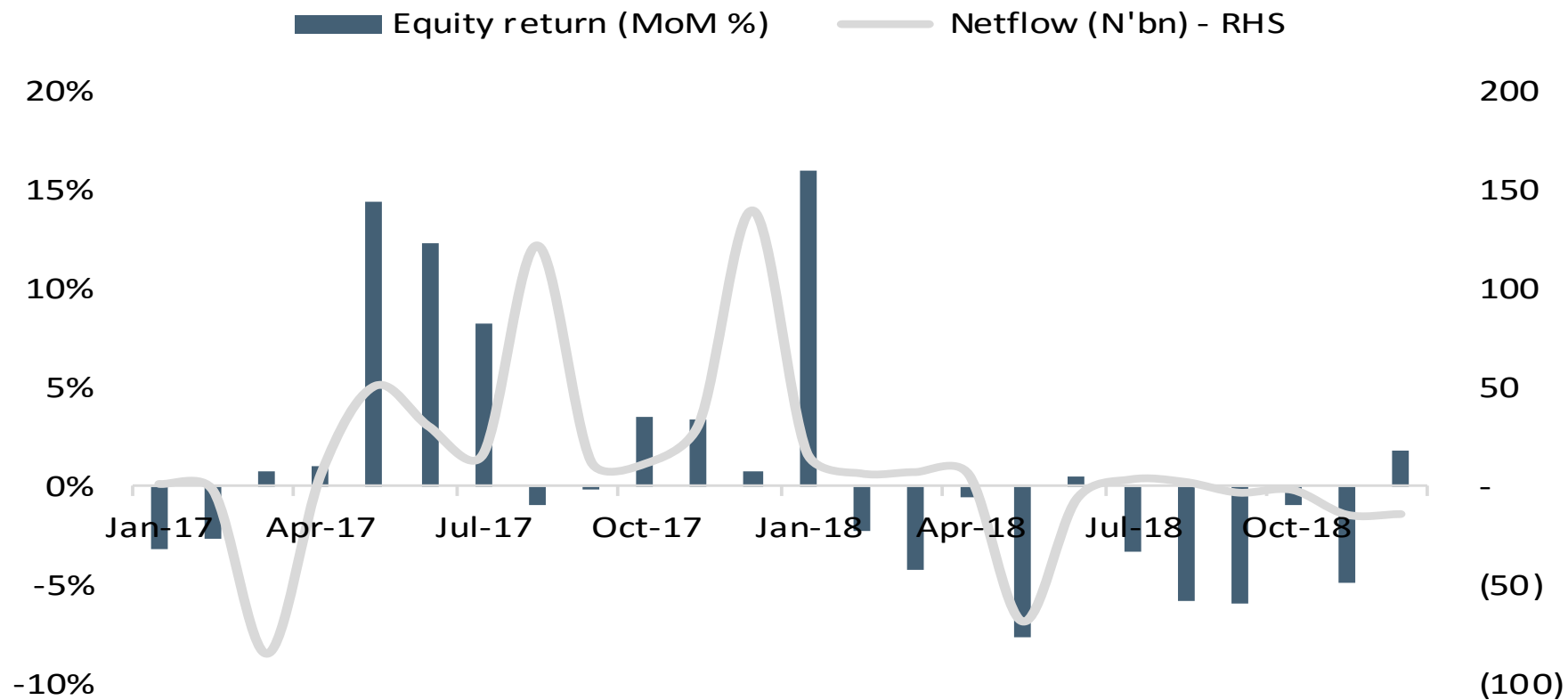
- As a result, average NTB yields dipped 18bps WoW to 14.58%. Meanwhile at the long end of the curve, amidst bargain hunting on longer tenured bonds and lower stop rates at this week's bond auction (Average stop rate: -15bps MoM to 15.27%) average bond yields compressed 34bps to 14.88%.

	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)	11.86%	13.00%	-1.14%	01-Feb-19	11.90%	13.50%	15.00%	01-Feb-19	95.73	65.1	374.3
Open Buy Back (OBB)	11.07%	12.08%	-1.01%	25-Jan-19	11.90%	13.50%	15.00%	25-Jan-19	21.61	86.1	678.8
NIBOR - 1M	13.25%	13.51%	-0.26%	18-Jan-19	11.90%	13.50%	15.00%	18-Jan-19	61.72	65.9	446.9
NIBOR - 3M	13.42%	13.28%	0.14%	11-Jan-19	11.90%	13.50%	15.00%	11-Jan-19	1.21	13.4	293.6
NIBOR - 6M	15.01%	14.92%	0.09%	04-Jan-19	11.90%	13.50%	15.00%	04-Jan-19	28.02	43.7	187.7
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	9.71%	12.21%	-2.50%	30-Jan-19	11.00%	13.50%	15.00%	30-Jan-19	41.1	68.4	214.4
3-month	12.03%	12.91%	-0.88%	16-Jan-19	11.00%	13.10%	15.00%	16-Jan-19	5.9	26.6	119.6
6-month	14.26%	14.22%	0.04%	02-Jan-19	10.90%	13.10%	14.50%	02-Jan-19	10.0	20.0	44.8
9-month	16.52%	16.77%	-0.25%	28-Nov-18	10.90%	13.10%	14.45%	28-Nov-18	24.4	23.2	103.1
12-month	17.45%	17.16%	0.29%	14-Nov-18	10.95%	13.16%	14.45%	14-Nov-18	3.4	16.9	107.9
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	13.52%	13.97%	-0.45%	30-Jan-19	15.20%	15.25%	15.35%	30-Jan-19	5.9	20.1	91.0
15.54% 13-FEB-2020	15.23%	15.52%	-0.29%	19-Dec-18	15.25%	15.50%	15.50%	19-Dec-18	1.1	3.4	1.3
14.50% 15-JUL-2021	15.12%	15.71%	-0.59%	21-Nov-18	15.20%	15.50%	15.83%	21-Nov-18	1.1	4.3	34.2
16.39% 27-JAN-2022	15.10%	15.08%	0.02%	24-Oct-18	15.00%	15.15%	15.34%	24-Oct-18	12.7	20.1	55.3
14.20% 14-MAR-2024	14.60%	14.99%	-0.39%	26-Sep-18	15.00%	15.10%	15.25%	25-Apr-18	17.5	7.4	71.9
12.50% 22-JAN-2026	14.79%	15.42%	-0.63%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	14.91%	15.14%	-0.23%	UBA 16.45% 30-DEC-2021	16.11%	16.09%	0.01%	ZENITH 6.25% 22-APR-2019	6.11%	6.43%	-0.32%
12.1493% 18-JUL-2034	14.82%	15.32%	-0.50%	MIXTA 17.00% 16-JAN-2022	16.36%	16.50%	-0.14%	DIAMOND 8.75% 21-MAY-2019	18.15%	17.03%	1.12%
16.2499% 18-APR-2037	15.00%	15.17%	-0.17%	FIDELITY 16.48% 13-MAY-2022	16.08%	16.10%	-0.02%	FBN 6.488% 23-JUL-2021	8.84%	8.88%	-0.04%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	16.84%	16.91%	-0.07%	ECOBANK 8.75% 14-AUG-2021	9.69%	9.75%	-0.06%
5.625% 27-JUN-2022	7.19%	7.30%	-0.11%	LAPO MFB 17.75% 19-DEC-2022	18.73%	18.85%	-0.12%	ACCESS 10.50% 19-OCT-2021	7.31%	7.31%	0.00%
6.50% 28-Nov-2027	8.19%	8.29%	-0.10%	STERLING 16.50% 3-AUG-2023	16.00%	16.23%	-0.22%	ZENITH 7.375% 30-MAY-2022	6.71%	6.79%	-0.08%
7.875% 16-FEB-2032	8.12%	8.23%	-0.11%	FCMB 17.25% 8-DEC-2023	16.32%	16.60%	-0.28%				
7.625% 28-Nov-2047	6.11%	6.43%	-0.32%	STANBIC 13.25% 30-SEP-2024	15.89%	16.31%	-0.41%				
				VIATHAN 16.00% 14-DEC-2027	15.87%	16.33%	-0.46%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 4th February - 8th February 2019					
	Monday	Tuesday	Wednesday	Thursday	Friday
	4-Feb	5-Feb	6-Feb	7-Feb	8-Feb
Global	Italy's Consumer Price Index (YoY) - January	Canada Trade Balance - December	Foreign Investment in Japan Stocks	China Foreign Exchange Reserve (MoM) - January	Germany Trade Balance
	Spain Unemployment Change - January	Spain's Markit Services PMI - January	Foreign Investment in Japan Government Bonds	Bank of England MPC	Canada Unemployment Rate
		U.K's Markit Services PMI - January	U.S's Nonfarm Productivity (Q4)	Japan's Overall Household Spending (YoY) - December	Italy Industrial Output (MoM) - January
		Australia Interest Rate Decision	U.S's Trade Balance - November	Japan's Trade Balance - BOP Basis, December	
				France's Imports, EUR - December	
				France's Exports, EUR - December	
Domestic			Telecoms Data (Q3 and Q4 2018)		Pension Asset and Membership Data (Q4 2018)

Figure 1: Equity market return Vs FPI Netflow



Source: NSE, ARM Research



Thank You



ARM Securities

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