

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 17th – 21st February 2020

Global Economy

- ◆ As the outbreak of the coronavirus continues to threaten China's economy, the PBoC took the widely expected step of cutting its 1-year loan prime rate from 4.15% to 4.05%, and the 5-year rate from 4.80% to 4.75%. This followed on from the central bank's decision, also during the week, to lower the interest rate on its medium-term lending facility from 3.25% to 3.15%. In the UK, the CPI rose to a 6-month high of 1.8% YoY in January (December: 1.3%), higher than the consensus estimate of 1.6%. Driving this was an increase in HWEGF by 2.0% (December: 0.4%) and Transport by 1.8% (December: 0.7%). Food rose slower at 1.4% (vs 1.7% in December) while Recreation and Culture, the largest weighted component of the index, remained flat at 1.5%. For the European Union, inflation was up to 1.7% YoY in January (December: 1.6%). Aside from the UK, Germany and France also recorded higher inflation rates in January – 1.6% (vs 1.5% in December) and 1.7% (vs 1.6% in December) respectively.

Domestic Economy

- ◆ This week, the NBS released the CPI numbers for the month of January 2020. As expected, inflation rose by 15bps to 12.13% YoY (vs December: 11.98% YoY), driven largely by the uptick in food prices. Food inflation rose 18bps to 14.85% YoY, largely reflecting lingering impact of the border closure as prices for farm produce and imported food increased. Meanwhile, core inflation rose slightly by 3bps to 9.35% YoY, reflecting increases in prices of HWEGF, Transport, Health amongst others. Elsewhere, during the week, the international monetary fund (IMF) in its Article IV Consultation cut its 2020 growth forecast for Nigeria from 2.5% to 2%. According to the IMF, Nigeria's susceptibility to external shocks is increasing due to the adverse impact of coronavirus in China on global crude oil prices. The Fund also highlighted its concerns regarding the deteriorating current account position and capital outflows as threat to Nigeria's external position.

Equities

- ◆ The Nigerian bourse sustained its downward trend with the ASI plummeting by 1.32% to 27,388.62. The total market's capitalization dropped to ₦14.27 trillion, as investors experienced a total loss of ₦188 billion for the week. Majority of the sectors -- Brewers (-5.62), Food (-6.81%), Oil & Gas (-2.34%), Insurance (-2.28) and Banking (-2.34%) -- closed negative while the Cement (+0.56%), Construction (+3.85) and Real Estate (+0.26) sectors closed positive. Particularly, some of the major stocks posting losses include Nestle (-9.02%), Nigerian Breweries (-5.92%), Guaranty Trust Bank (-6.52%), FBN Holdings (-3.36%) and Dangote Sugar (-5.84%).
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem – STRONG BUY (FVE: ₦240.87), Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66), Nestle Plc – OVERWEIGHT (FVE: ₦1447.39), Seplat Plc – STRONG BUY (FVE: ₦828.90)**. Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ At this week's bond auction, the FG only sold ₦100bn via competitive bids, compared to the ₦140 billion they offered. However, difference was covered by selling ₦60 billion via uncompetitive bids. The total subscription was ₦398.2 billion, 2.84x the offered amount, which pressured the average stop rate lower by 65bps to 10.53%. There was also a decline in the stop rates at the OMO auction this week with the 1-year bill printing 2bps lower at 13.02%. ₦300 billion was offered and sold at the OMO auction with subscription slightly higher at ₦335.29 billion. In the secondary market average yields dropped by 14bps WoW to 6.81% led by a 34bps decline in bond yields to 9.74%. The demand in the bond segment was led by interest in the Apr-2023 (-103bps) bond. NTB yields, meanwhile, rose 5bps to 3.87% although this is 22bps lower than the week's peak of 4.09%. This was largely driven by an expansion in long-tenor bills (+83bps).

The week in Review

◆ In the UK, the CPI rose to a 6-month high of 1.8% YoY in January (December: 1.3%), higher than the consensus estimate of 1.6%. Driving this was an increase in HWEGF by 2.0% (December: 0.4%) and Transport by 1.8% (December: 0.7%). Food rose slower at 1.4% (vs 1.7% in December) while Recreation and Culture, the largest weighted component of the index, remained flat at 1.5%. For the European Union, inflation was up to 1.7% YoY in January (December: 1.6%). Aside from the UK, Germany and France also recorded higher inflation rates in January – 1.6% (vs 1.5% in December) and 1.7% (vs 1.6% in December) respectively.

◆ As the outbreak of the coronavirus continues to threaten China's economy, the PBoC took the widely expected step of cutting its 1-year loan prime rate from 4.15% to 4.05%, and the 5-year rate from 4.80% to 4.75%. This followed on from the central bank's decision, also during the week, to lower the interest rate on its medium-term lending facility from 3.25% to 3.15%.

Country	Index	Level (in \$)	Index Returns (%)		Index Characteristics				Global Fixed Income					Global Currencies					
			WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. 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	3,343	-1.1	3.5	20.5	22.1		1.9	US	1.43		1.47	1.1	2.5	Euro (€)	1.1	1.1	0.2	-3.2
	NASDAQ	9,636	-1.0	7.4	29.2	36.9	14,625.3	1.0	UK	1.43	1.5	0.46	0.3	1.8	GBP (£)	1.3	1.3	-0.6	-2.2
UK	FTSE ASI	7,389	-0.3	-2.0	3.1	20.0		4.6	Euro	-0.38	1.5	-0.10	-95.1	1.4	JPY (¥)	111.7	109.8	-1.7	-2.8
France	CAC 40	6,010	-1.0	0.5	15.7	22.3	1,251.2	3.3	Japan	1.43	1.5	-0.15	0.3	0.8	INR (₹)	71.7	71.3	-0.4	-0.4
Germany	XETRA DAX	13,539	-1.5	2.2	18.5	25.5		3.0	China	2.39	-0.6	2.99	0.5	5.4	CNY (¥)	7.0	7.0	-0.6	-0.9
Japan	NIKKEI 25	23,387	-1.3	-1.1	9.0	20.6	5.8	1.9	India	5.18	-0.4	6.43	0.9	9.63	MXN (\$)	18.9	18.5	-1.7	0.3
China	Shanghai Comp	3,040	4.2	-0.3	10.5	14.6	4,999.7	2.6	Mexico	6.72	-1.3	6.49	0.0	3.24	RUB (p.)	64.0	63.5	-0.8	-3.2
Brazil	Ibovespa	113,461	-0.8	-1.9	17.1	17.3	46.2	3.3	Turkey	13.70	0.1	11.54	-3.0	12.15	ZAR (R)	15.0	14.9	-0.4	-6.5
India	BSE Sens	41,170	-0.2	-0.2	14.7	25.2	604.3	1.4	Russia	5.21	-1.2	2.28	-0.1	2.4	EGP (£)	15.6	15.7	0.9	3.1
Russia	RTS	783	0.0	-2.9	23.3	6.0	3.7	8.1	Egypt	14.00	0.00	16.00	1.30	7.2	KES (sh)	101.2	100.6	-0.6	0.1
Mexico	S&P/BMV IPC	44,838	-0.4	3.0	2.9	17.5		3.3	South Africa	6.78	-0.9	8.80	0.3	4.5	GHS (¢)	5.3	5.3	-0.1	7.0
Turkey	Borsa Istanbul	116,829	-2.8	2.1	14.0	9.3	0.4	3.9	Kenya	9.80	-0.5	12.43	1.2	5.8	XOF (F)	604.6	604.7	0.0	-3.2
Indonesia	JCI Index	5,882	0.3	-6.6	-10.0	18.2	476.6	2.4	Ghana	17.90	N/A	19.00	0.0	7.8	XAF (F)	605.1	606.2	0.2	-3.2
Kazakhstan	KASE Index	2,373	2.2	0.4	0.2	6.0	187.9	3.8	Nigeria	6.54	0.7	10.6	0.6	12.1	NGN (₦)	361.9	363.7	0.5	0.2
Vietnam	VN Index	933	-0.5	-2.9	-5.5	14.5	138.0	1.9	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	57,336	-0.9	0.4	3.3	15.8	-	4.0			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	13,721	0.0	-1.7	-9.4	11.4	12.7	3.8	Brent Crude	\$/bbl	57.8	57.3	0.8	-12.4	China House Price Index (YoY) - Jan	6.30%	6.60%		
Kenya	NSEASI	158	-2.5	-4.8	2.2	10.8	22.1	5.7	OPEC Crude	\$/bbl	58.9	55.9	3.9	-13.3	China FDI - Foreign Direct Investment (YTD) (Y)	4.0%	5.8%		
Morocco	MSCI MX	329	-0.8	-0.8	6.4	25.6	10.6	3.6	Gasoline	\$/gal	162.4	158.0	2.6	-4.6	UK Retail Price Index (YoY) - Jan	2.7%	2.2%		
Ghana	GSE Composite	2,204	0.0	-2.3	-9.2	13.5	11.7	2.8	Natural Gas	\$/MBtu	1.9	1.8	3.7	-11.7	UK Core Consumer Price Index (YoY) - Jan	1.6%	1.4%		
Tunisia	TunIndex	7,168	0.7	0.6	-0.1	20.4	0.7	2.3	Gold	\$/t oz	1641.5	1584.1	3.6	8.2	Germany Producer Price Index (YoY) - Jan	0.2%	-0.2%		
BRVM	BRVM	144	-0.2	-9.3	-13.3	7.3	7.1		Sugar	\$/lb	15.1	14.8	3.8	11.5	France Consumer Price Index (EU norm) (YoY)	1.7%	1.6%		
Mauritius	SEMDEX	2,226	-0.8	2.3	0.8	17.4	8.6		Wheat	\$/bsh	562.8	544.8	3.9	0.2	Japan National Consumer Price Index (YoY) - Ja	0.7%	0.8%		
Nigeria	NGSE ASI	27,389	-1.32	2.04	-15.9	7.2	39.2	6.9	Crude Palm oil IYR/MT		2622.0	2627.0	0.0		UK Markit Manufacturing PMI - Feb	51.90	50.00		

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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◆ Elsewhere, during the week, the international monetary fund (IMF) in its Article IV Consultation cut its 2020 growth forecast for Nigeria from 2.5% to 2%. According to the IMF, Nigeria's susceptibility to external shocks is increasing due to the adverse impact of coronavirus in China on global crude oil prices. The Fund also highlighted its concerns regarding the deteriorating current account position and capital outflows as threat to Nigeria's external position.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.77	37.30	-1.41%	-4.73%	*January Inflation - CPI maintained upward trajectory
USD/NGN (₦/\$)					
NAFEX	364	365	0.15%	0.04%	
Parallel	361.0	361.0	0.00%	-0.28%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (January)			CHG (pps)		
Headline	12.13	11.98	0.15	12.13	
Core	9.35	9.32	0.03	9.35	
Food	14.85	14.67	0.18	14.85	
GDP (%) - YoY	Q3 19	Q2 19	Q1 19	FY19F	
Real GDP	2.3	2.1	2.01	2.2	
Oil	6.5	7.2	-1.5	5.4	News Headline for the week (click news for link)
Agriculture	2.3	1.8	3.2	2.7	*Border closure bites as inflation hits 12.13%
Manufacturing	1.1	-0.1	0.8	1	*FG threatens Discos, says electricity subsidy can't continue
Services	3.5	2.9	3.1	2.6	*World Bank approves Nigeria's identity project, five others
Labor Data (%) - Q3 18			Latest	Prior	*FIRS targets 17% tax to GDP ratio by 2023
Unemployment Rate			23.1	18.8	*Prepare for electricity tariff hike, TCN tells Nigerians
Underemployment			20.1	21.2	*Senate panel to review Nigeria's budgeting process
Capital Importation (\$'mn)	Q3 19	Q2 19	QoQ (%)	YoY (%)	*Excess Crude Account slides to \$70m as fiscal buffers disappear
Foreign Portfolio Investment - Equities	358.192	496.839	-27.9%	-81.5%	*SON opens talks with China on Nigerian standards
Bonds	91.5978	316.278	-71.0%	-20.3%	*22 million housing deficit unacceptably high, says SGF
Money Market	2549.71	3479.775	-26.7%	254.6%	*Operators task banks on SMEs lending, financial advisory
Foreign Direct Investment	200.081	222.89	-10.2%	-27.1%	*FMCGs' slump raises red flag 5 months to AfCFTA
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*AfDB to support agro-processing zones with \$300m
Trade Balance	2,559	1,668	775	230.2%	*CBN forex intervention hits \$43.5bn in 15 months
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*CBN to offer single-digit loans to rice farmers

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

The week in Review

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◆ Particularly, some of the major stocks posting losses include Nestle (-9.02%), Nigerian Breweries (-5.92%), Guaranty Trust Bank (-6.52%), FBN Holdings (-3.36%) and Dangote Sugar (-5.84%). Here are the stocks we recommend for the upcoming week: **Dangcem – STRONG BUY (FVE: ₦240.87), Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66), Nestle Plc – OVERWEIGHT (FVE: ₦1447.39), Seplat Plc – STRONG BUY (FVE: ₦828.90)**. Click [here](#) for our Weekly Stock Recommendation.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	27388.62	-1.32	-5.04	2.04	2.04	-15.90
NSE ASI (\$)	75.19	-1.32	-5.04%	2.11%	2.11%	-16.41%
Market Cap (₦bn)	14268.25	-1.30%	-3.96%	10.11%	10.11%	17.67%
Market Cap (\$mn)	39170.50	-1.16%	-4.04%	10.18%	10.18%	16.77%
NSE 30	1204.42	-1.51	-5.53	2.26	2.26	-18.47
NSE Premium	2336.11	-0.30	-4.42	10.39	10.39	3.81
NSE 50	1310.43	-2.85	-7.52	-2.69	-2.69	-25.22
NSE ASEM	734.99	0.00%	0.00	0.00	0.00	-7.41
NSE Banking	357.65	-2.64	-4.32	0.23	0.23	-18.05
NSE Insurance	126.71	-2.12	-4.01	0.71	0.71	-0.95
NSE Consumer	476.30	-6.75	-14.73	-19.66	-19.66	-37.25
NSE Oil & Gas	239.12	-1.28	-4.94	-8.92	-8.92	-20.52
NSE Industrial	1201.64	1.02	-2.34	11.72	11.72	-5.14
NSE Lotus	1885.76	-1.40	-6.63	2.78	2.78	-18.93
NSE Pensions	1028.66	-1.36	-5.53	-2.41	-2.41	-17.64

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-2.34%	-1.61%	-1.61%
Brewers	-5.62%	-17.92%	-17.92%
Cement	0.56%	16.98%	16.98%
Telecom	0.00%	7.38%	7.38%
Personal Care	0.00%	-26.89%	-26.89%
Construction	3.85%	11.16%	11.16%
Food	-6.81%	-17.17%	-17.17%
Insurance	-2.28%	-0.77%	-0.77%
Oil & Gas	-2.34%	-22.90%	-22.90%
Real Estate	0.26%	-0.03%	-0.03%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-1.34%	12.66%	12.66%
Mid Cap (Mid 30%)	-0.27%	0.45%	0.45%
Small Cap (Bottom 60%)	-2.35%	-27.58%	-27.58%

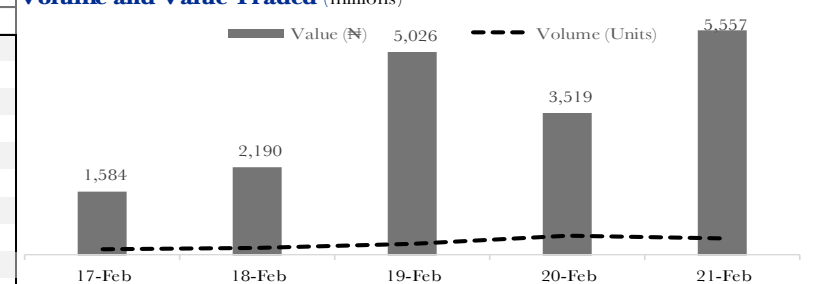
Top 10 Gainers

Company	This Week	WoW
CILEASING	6.85	26.9%
AIICO	1.01	26.3%
UCAP	3.45	17.4%
NPFMCRBNK	1.24	11.7%
AFRIPRUD	5.20	11.1%
UACPROP	0.99	10.0%
IKEJAHOLT	1.21	10.0%
UBN	7.60	7.8%
JBERGER	24.00	6.7%
ETERNA	2.20	4.8%

Top 10 Losers

Company	This Week	WoW
LAWUNION	0.73	-36.5%
MANSARD	1.80	-10.0%
FO	16.70	-10.0%
MAYBAKER	1.82	-9.9%
MCR	2.70	-9.4%
CHAMPION	0.88	-9.3%
INTBREW	7.05	-9.0%
NESTLE	1130.00	-9.0%
ETI	6.40	-8.6%
PRESTIGE	0.55	-6.8%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

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◆ In the secondary market average yields dropped by 14bps WoW to 6.81% led by a 34bps decline in bond yields to 9.74%. The demand in the bond segment was led by interest in the Apr-2023 (-103bps) bond. NTB yields, meanwhile, rose 5bps to 3.87% although this is 22bps lower than the week's peak of 4.09%. This was largely driven by an expansion in long-tenor bills (+83bps).

	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)	3.83%	3.25%	0.58%	20-Feb-20	11.45%	11.59%	13.02%	20-Feb-20	10.00	44.78	245.21
Open Buy Back (OBB)	3.00%	2.50%	0.50%	13-Feb-20	N/A	11.60%	13.04%	13-Feb-20	N/A	1.00	213.87
NIBOR - 1M	8.87%	8.34%	0.53%	06-Feb-20	N/A	11.60%	13.05%	06-Feb-20	N/A	20.40	107.80
NIBOR - 3M	8.98%	8.29%	0.69%	30-Jan-20	N/A	11.60%	13.09%	30-Jan-20	N/A	20.14	190.15
NIBOR - 6M	9.79%	7.32%	2.47%	23-Jan-20	N/A	11.67%	13.11%	23-Jan-20	N/A	13.99	226.31
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	4.01%	4.01%	0.00%	12-Feb-20	3.00%	4.00%	6.54%	12-Feb-20	4.38	10.00	140.00
3-month	2.87%	2.56%	0.31%	29-Jan-20	3.50%	4.50%	6.50%	29-Jan-20	49.84	54.59	125.20
6-month	3.66%	3.78%	-0.12%	15-Jan-20	2.95%	3.95%	5.09%	15-Jan-20	10.0	20.0	44.8
9-month	4.59%	4.15%	0.44%	02-Jan-20	3.50%	4.90%	5.20%	02-Jan-20	2.0	2.0	3.0
12-month	5.34%	4.31%	1.03%	18-Dec-19	4.00%	5.00%	5.50%	18-Dec-19	1.8	4.5	38.7
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	6.86%	6.86%	0.00%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	55.0	65.0	40.0
16.39% 27-JAN-2022	7.56%	7.54%	0.02%	22-Jan-20	9.85%	11.13%	12.56%	22-Jan-20	29.3	106.4	276.1
14.20% 14-MAR-2024	8.68%	9.46%	-0.79%	18-Dec-19	11.00%	12.00%	13.00%	18-Dec-19	59.9	96.7	96.4
12.50% 22-JAN-2026	9.52%	10.00%	-0.49%	20-Nov-19	12.00%	12.93%	13.39%	20-Nov-19	29.1	64.4	46.3
16.2884% 17-MAR-2027	10.22%	10.39%	-0.16%	23-Oct-19	14.05%	14.23%	14.60%	23-Oct-19	14.1	17.7	27.8
12.1493% 18-JUL-2034	10.89%	11.13%	-0.24%	Corporate Bonds			Corporate Eurobond				
16.2499% 18-APR-2037	11.01%	11.03%	-0.02%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	12.08%	12.32%	-0.24%	UBA 16.45% 30-DEC-2021	8.42%	8.45%	-0.02%	ACCESS 10.50% 19-OCT-2021	3.63%	3.70%	-0.07%
				MIXTA 17.00% 16-JAN-2022	7.52%	7.16%	0.36%	ZENITH 7.375% 30-MAY-2022	4.01%	4.04%	-0.03%
				FIDELITY 16.48% 13-MAY-2022	8.92%	9.15%	-0.23%	UBA 7.75% 08-JUN-2022	4.60%	4.65%	-0.05%
				DUFIL 18.25% 1-SEP-2022	9.56%	10.05%	-0.48%	SEPLAT 9.25% 1-APR-2023	7.72%	7.84%	-0.12%
				LAPO MFB 17.75% 19-DEC-2022	11.60%	12.33%	-0.73%				
				STERLING 16.50% 3-AUG-2023	9.25%	10.19%	-0.94%				
				FCMB 17.25% 8-DEC-2023	9.84%	10.70%	-0.86%				
				STANBIC 13.25% 30-SEP-2024	9.69%	10.61%	-0.92%				
				VIATHAN 16.00% 14-DEC-2027	9.69%	10.67%	-0.98%				

Source: DMO, FMDQ, Bloomberg, ARM Research

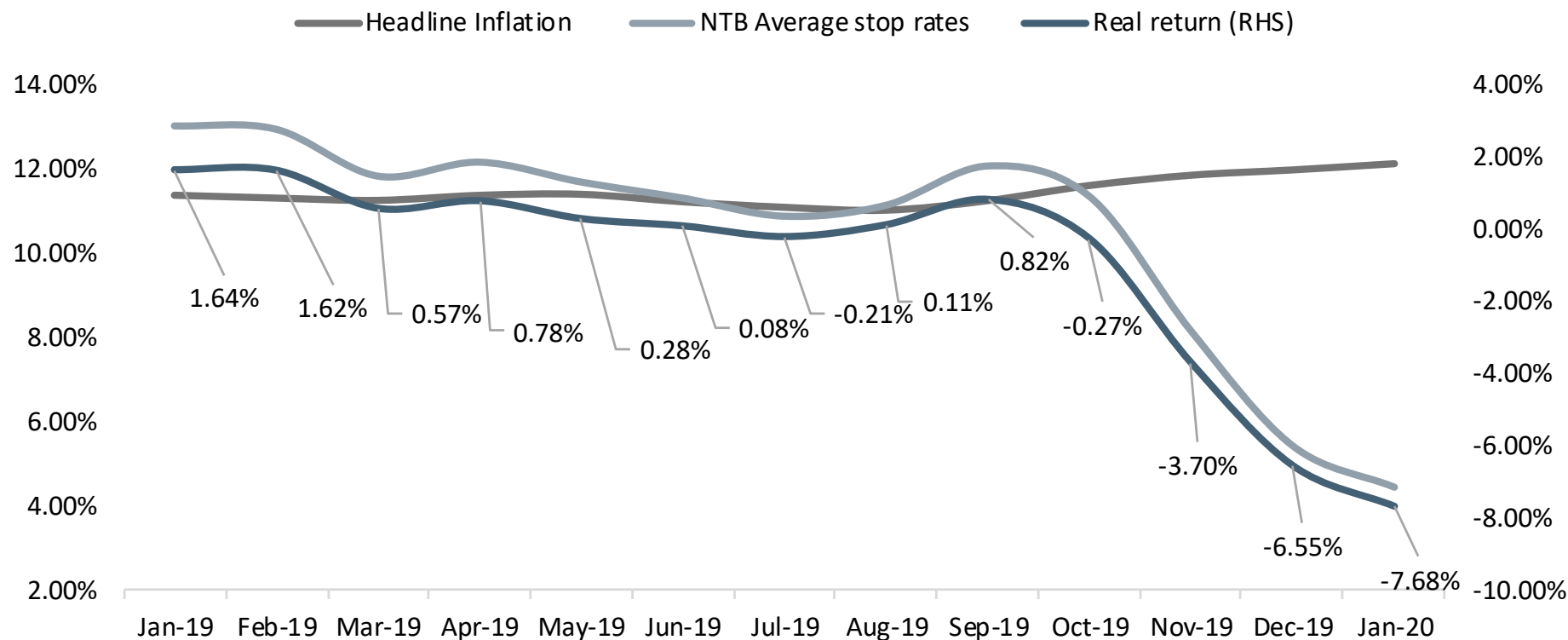
Economic and Financial Calendar for the week 24th - 28th February

	Monday 24-Feb	Tuesday 25-Feb	Wednesday 26-Feb	Thursday 27-Feb	Friday 28-Feb
Global	China Industrial Production (YoY) - Jan	Germany Gross Domestic Product (YoY)(Q4)	US New Home Sales (MoM) - Jan	US Gross Domestic Product Annualized (Q4)	France Consumer Price Index (EU norm) (YoY) - Feb
	US Chicago Fed National Activity Index - Jan	US Housing Price Index (MoM) - Dec		Japan Tokyo CPI ex Fresh Food (YoY) - Feb	France Gross Domestic Product (QoQ)(Q4)
				Japan Unemployment Rate - Jan	
				Spain Consumer Price Index (YoY) - Feb	
Domestic	Nigerian Gross Domestic Product by Output Report(Q4 2019 and Full Year 2019)	Pension Asset and Membership Data (Q4 2019)		Gross Domestic Product (GDP) by Expenditure Q1 and Q2 2019	Nigerian Capital Importation (Q4 2019)
		Selected Banking Sector Data: Secorial Breakdown of Credit, ePayment Channels and Staff Strength (Q4 2019)			

** means Preliminary Estimate

Trend in Average inflation, average NTB stop rates and real return over one year

This week, we feature the trend in average NTB stop rates, monthly inflation rates and real return over the last one year. The chart shows real return took negative turn in October 2019. This is due to declining NTB yields as well as higher inflation rate. On NTB yields, CBN’s restriction on participation in OMO to FPI and banks in October remains the key driver. On the other hand, rising inflation rate reflects higher food prices due to the closure of the border in August 2019.



Source: NBS, CBN, ARM Research



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Thank You

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