

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 29 June – 03 July 2020

Global Economy

- ◆ The big data this week was the impressive turnout in US' jobs data for the month of June, which showed the unemployment rate declined to 11.1%. This came in lower than the all-time high of 14.7% recorded in April and was also below market expectations of 12.3%. A total of 4.8 million jobs were created in the month – the highest on record and beating consensus' 3 million. That said, the US still has a long way to recover from the 21 million job loss recorded in April and also faces the threat of a second wave of the virus, as the number of cases continue to rise. In the UK, the final estimates for Q1 20 GDP showed the economy shrank by 1.7% which is slightly worse than initially estimated (-1.6%). This marks the biggest decline since Q3 2009 and also surpasses consensus estimate of -1.6%. Meanwhile, in China, the economy continues to show signs of recovery, as the June manufacturing and services PMI both printed at 6-month and 10-year highs of 51.2 and 58.4 points, respectively. These brought the composite PMI to a 10-year high of 55.7. Positive sentiments were also seen across the ISM manufacturing PMI as it printed at 52.6 points from 43.1 in the previous month.

Domestic Economy

- ◆ This week, citing the ripple effects of the pandemic on Nigeria's economy, the National Assembly postponed the planned electricity tariff hike formerly scheduled to kickstart in July 1st, 2020, to Q1 2021. Precisely, the decision was reached after a meeting with representatives of National Electricity Regulatory Commission (NERC) and Distribution companies. Meanwhile, following the establishment of a monthly price band by the PPPRA, petrol price band for the month of July 2020 was set within the range of ₦140.8/litre and ₦143.8/litre (June 2020: ₦121.5/litre - ₦123.5/litre). Elsewhere, recently published data from the NBS showed growth in data and voice subscription in Q1 2020. Specifically, voice subscription grew by ~9% YoY to 189.3 million, while internet subscription saw a double digit growth on 17.1% YoY to 136.2 million, reflecting continuous rise in smartphone subscriptions and increase in data usage.

Equities and stock recommendation

- ◆ This week, the NSI ASI dropped by -1.99% WoW. The week also rounded off with 24,336.12 points and a market capitalization of ₦12.6 trillion (-1.99%). Negative sentiments were seen across all sectors except Food (+2.19%), Telecom (-1.09%), Insurance (-0.80%), Oil & Gas (-1.08%), Brewers (-2.93%) and Banking (-5.73%) were the negatives for the week. For individual stock performance, major drivers for the downside were observed across MTNN (-1.28%), BUACEMEN (-2.33%), GUARANTY (-8.37%) and DANGCEM (-0.78%) stocks. On the other hand, positives were seen across NESTLE (+4.73%), OKOMU (+20.94%) and PRESTIGE (10.64%).
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87), Nestle Plc – OVERWEIGHT (FVE: ₦1404.4), Guaranty – STRONG BUY (FVE: ₦37.00) and Zenith Bank Plc – STRONG BUY (FVE: ₦28.0).** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ The CBN offered and sold ₦100bn at this week's OMO auction, while subscription remained firm at ₦177.44 billion. The average stop rate remained unchanged at 7.24%. Understandably, the total sale (and offering) was less than the ₦157 billion that matured, and the net maturity of ₦57 billion contributed to the decline in money market rates which dropped 915bps on average to 3.20% on the day of the auction/maturity. However, this rose sharply by 1930bps the day after, following a CRR debit and FX sales. However, the CBN did rollover at the NTB auction where they offered and sold the ₦88.86 billion that was maturing. Total subscription was ₦330.69 billion while the average stop rate came in 17bps lower at 2.36%. In the secondary market, average fixed income yield closed 42bps lower WoW at 4.88% following declines at both ends of the curve. Bond yields recorded the sharper decline with the average yield 68bps lower WoW to 7.67%. The Jan-2026 (-133bps) and Jan-2022 (-91bps) declined the most. NTB yields dropped 15bps WoW to 2.09% led by a 60bps drop in the 90-day bill.

The week in Review

◆—The big data this week was the impressive turnout in US' jobs data for the month of June, which showed the unemployment rate declined to 11.1%. This came in lower than the all-time high of 14.7% recorded in April and was also below market expectations of 12.3%. A total of 4.8 million jobs were created in the month – the highest on record and beating consensus' 3 million. That said, the US still has a long way to recover from the 21 million job loss recorded in April and also faces the threat of a second wave of the virus, as the number of cases continue to rise. In the UK, the final estimates for Q1 20 GDP showed the economy shrank by 1.7% which is slightly worse than initially estimated (-1.6%). This marks the biggest decline since Q3 2009 and also surpasses consensus estimate of -1.6%.

◆ Meanwhile, in China, the economy continues to show signs of recovery, as the June manufacturing and services PMI both printed at 6-month and 10-year highs of 51.2 and 58.4 points, respectively. These brought the composite PMI to a 10-year high of 55.7. Positive sentiments were also seen across the ISM manufacturing PMI as it printed at 52.6 points from 43.1 in the previous month.

Global Fixed Income

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)
US	0.14		0.67	-0.3	0.1
UK	0.03	N/A	0.03	-0.1	0.5
Euro	-0.36	-4.7	-0.16	16.7	0.3
Japan		N/A	-0.09	-0.1	-0.2
China	2.16	2.4	2.87	2.3	2.4
India	3.42	-2.0	5.85	-1.2	5.1
Mexico	4.69	-1.3	5.38	0.8	2.84
Turkey	15.78	-6.7	11.77	-2.3	12.62
Russia	4.24	-1.5	1.88	0.0	3
Egypt	12.73	0.00	13.55	0.00	4.7
South Africa	4.60	-2.3	9.38	-1.4	3
Kenya	7.77	-5.2	12.42	3.0	4.6
Ghana	17.90	N/A	19.00	0.0	11.3
Nigeria	3.39	-9.5		4.1	12.4

Global Currencies

	This Week	Prior Week	WoW (%)	YTD (%)
Euro (€)	1.1	1.1	0.2	0.3
GBP (£)	1.2	1.2	1.1	-6.0
JPY (¥)	107.5	107.2	-0.3	1.0
INR (₹)	74.6	75.6	1.3	-4.4
CNY (¥)	7.1	7.1	0.2	-1.5
MXN (\$)	22.4	23.1	2.8	-15.6
RUB (p.)	71.5	69.8	-2.4	-13.3
ZAR (R)	17.0	17.3	1.5	-17.8
EGP (£)	16.1	16.2	0.3	-0.5
KES (sh)	106.6	106.5	-0.1	-4.9
GHS (¢)	5.8	5.8	0.2	-1.2
XOF (CFA)	583.5	584.6	0.2	0.3
XAF (CFA)	583.5	584.8	0.2	0.4
NGN (₦)	388.0	387.6	-0.1	-6.5

Global Commodities

	This Week	Prior Week	WoW (%)	YTD (%)
Brent Crude \$/bbl	42.9	41.0	4.5	-35.0
OPEC Crude \$/bbl	42.9	37.2	12.9	-36.9
Gasoline \$/gal	125.0	115.7	8.0	-31.2
Natural Gas \$/MBtu	1.7	1.5	13.0	-24.8
Gold \$/A oz	1776.0	1771.3	0.3	17.1
Sugar \$/lb	12.2	11.9	5.3	-11.8
Wheat \$/bsh	492.0	488.3	3.4	-13.5
Crude Palm oil MYR/MT	2358.0	2368.0	0.0	

Global Indicators for the Week

	Latest	Prior
Japan Retail Trade (YoY) - May	-12.3%	-13.9%
EU Consumer Price Index (YoY) - June**	0.3%	0.1%
SA Gross Domestic Product (YoY) - Q1	-0.1%	-0.5%
Japan Unemployment Rate - May	2.9%	2.6%
Japan Industrial Production (YoY) - May**	-25.9%	-15.0%
China NBS Manufacturing PMI - June	50.9	50.6
UK Gross Domestic Product (YoY) - Q1	-1.7%	-1.6%
US Unemployment Rate - June	11.1%	13.3%

** means Preliminary Estimate

The week in Review

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$bn)	35.59	35.98	-1.08%	-7.79%	
USD/NGN (₦/\$)					
NAFEX	382	370	-2.92%	-4.45%	
Parallel	402.5	375.0	-6.83%	-10.56%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	12.34	12.26	0.08	12.17	
Core	9.98	9.73	0.25	9.39	
Food	15.03	14.99	0.04	14.85	
GDP (%) - YoY	Q1 20	Q4 19	Q3 19	FY19	
Real GDP	1.87	2.55	2.3	2.3	
Oil	5.1	6.4	6.5	4.6	News Headline for the week (click news for link)
Agriculture	2.2	2.3	2.3	2.4	*No going back on petrol price control, PPPRA insists
Manufacturing	0.4	1.2	1.1	0.8	*Ecobank extends zero charge for money transfers
Services	3.5	4	3.5	3.4	*FAAN Increases Passenger Service Charge by 100%
Labor Data (%) - Q3 18			Latest	Prior	*CBN plans increased local production in agric sector
Unemployment Rate			23.1	18.8	*Cheque transactions fall 56% to N178bn in May
Underemployment			20.1	21.2	*FCMB acquires 96% of AIICO Pensions
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Access Bank pays three-month Stamp Duty Charge for customers
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Banks' non-performing loan ratio drops to 6.6%
Bonds	47.36	91.60	-48.3%	-96.0%	*Nigeria, other African oil exporters'll lose \$34bn - IMF
Money Market	1482.57	2549.71	-41.9%	50.8%	*National Assembly, Discos ask FG to subsidise electricity consumption
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*Moody's: Nigerian Banks to Face Pressure with Reduced Dollar Deposit
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*OPEC output sinks despite partial compliance by Nigeria, Iraq
Trade Balance	2,559	1,668	775	230.2%	*Foreign reserves fell by \$373.23m in June - CBN
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Q1 petrol imports rise to 5.32 billion litres

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

The week in Review

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Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	24336.12	-1.98	-0.58	-0.58	-9.34	-17.15
NSE ASI (\$)	24336.12	-1.98	-0.46%	-0.46%	-14.68%	-22.66%
Market Cap (?'bn)	A Invalid Sect	-1.99%	-0.58%	-0.58%	-2.03%	-1.60%
Market Cap (\$'mn)	A Invalid Sect	-1.90%	-0.46%	-0.46%	-7.81%	-8.47%
NSE 30	1044.50	-2.20	-0.72	-0.72	-11.32	-14.30
NSE Premium	2099.77	-1.86	-1.20	-1.20	-0.78	-11.40
NSE 50	1097.31	-2.00	-2.30	-2.30	-18.52	-23.30
NSE ASEM	742.08	-267.17%	0.00	0.00	0.96	-5.05
NSE Banking	267.55	-7.52	-5.11	-5.11	-25.02	-23.64
NSE Insurance	126.61	-2.21	-2.40	-2.40	0.63	1.61
NSE Consumer	430.83	-0.47	-2.46	-2.46	-27.33	-28.40
NSE Oil & Gas	196.21	-1.18	-0.13	-0.13	-25.26	-21.55
NSE Industrial	1118.11	-6.43	1.29	1.29	3.95	0.46
NSE Lotus	1815.20	-2.66	-0.58	-0.58	-1.07	-5.69
NSE Pensions	927.31	-5.60	-2.71	-2.71	-12.02	-10.95

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-5.73%	-4.11%	-23.83%
Brewers	-2.93%	-5.26%	-43.23%
Cement	-1.09%	3.37%	5.40%
Telecom	-0.84%	-0.84%	12.97%
Personal Care	-14.99%	-8.38%	-34.83%
Construction	-4.15%	-4.15%	-4.76%
Food	2.19%	-0.73%	-13.15%
Insurance	-0.80%	-0.99%	-2.14%
Oil & Gas	-1.08%	-0.10%	-60.03%
Real Estate	0.00%	0.00%	-0.03%

Top 10 Gainers

Company	This Week	WoW
OKOMU	77.40	20.9%
ROYALEX	0.26	13.0%
ACADEMY	0.32	6.7%
VITAFOAM	5.59	5.5%
REGALINS	0.21	5.0%
WAPIC	0.33	3.1%
NEM	2.05	2.5%
CUSTODIA	5.50	0.9%
FIDSON	3.00	0.7%
AIRTELAF	328.70	0.0%

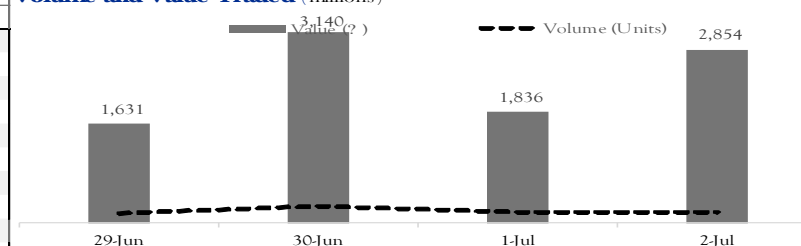
Top 10 Losers

Company	This Week	WoW
UNIONDAC	0.25	-10.7%
STERLNBA	1.15	-10.9%
JAPAUOI	0.22	-12.0%
AIICO	0.86	-13.1%
NASCON	10.00	-13.8%
UBN	5.35	-15.1%
GLAXOSMI	4.95	-15.4%
UNILEVER	13.80	-18.8%
LEARNAFRI	1.06	-21.5%
AIRSERVI	7.05	-24.2%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-1.50%	-0.30%	1.64%
Mid Cap (Mid 30%)	-3.70%	-2.11%	-11.09%
Small Cap (Bottom 60%)	-36.32%	-2.56%	-45.94%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ The CBN offered and sold N100bn at this week's OMO auction, while subscription remained firm at ₦177.44 billion. The average stop rate remained unchanged at 7.24%. Understandably, the total sale (and offering) was less than the ₦157 billion that matured, and the net maturity of ₦57 billion contributed to the decline in money market rates which dropped 915bps on average to 3.20% on the day of the auction/maturity. However, this rose sharply by 1930bps the day after, following a CRR debit and FX sales. However, the CBN did rollover at the NTB auction where they offered and sold the ₦88.86 billion that was maturing.

◆ Total subscription was ₦330.69 billion while the average stop rate came in 17bps lower at 2.36%. In the secondary market, average fixed income yield closed 42bps lower WoW at 4.88% following declines at both ends of the curve. Bond yields recorded the sharper decline with the average yield 68bps lower WoW to 7.67%. The Jan-2026 (-133bps) and Jan-2022 (-91bps) declined the most. NTB yields dropped 15bps WoW to 2.09% led by a 60bps drop in the 90-day bill.

	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)	23.50%	16.10%	7.40%	02-Jul-20	4.95%	7.79%	8.99%	02-Jul-20	10.00	10.00	80.00
Open Buy Back (OBB)	21.50%	15.20%	6.30%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00	60.00
NIBOR - 1M	4.67%	7.15%	-2.48%	11-Jun-20	4.95%	7.79%	8.99%	11-Jun-20	5.00	5.00	50.00
NIBOR - 3M	5.11%	7.58%	-2.47%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00
NIBOR - 6M	5.89%	8.02%	-2.13%	28-May-20	7.00%	8.75%	9.90%	28-May-20	4.00	50.00	60.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.07%	2.13%	-0.06%	01-Jul-20	1.79%	1.91%	3.39%	01-Jul-20	10.00	20.00	58.86
3-month	1.66%	2.02%	-0.36%	17-Jun-20	1.80%	2.04%	3.75%	17-Jun-20	2.00	2.00	10.61
6-month	2.11%	2.71%	-0.60%	10-Jun-20	2.00%	2.20%	4.02%	10-Jun-20	4.41	7.82	78.71
9-month	2.71%	3.06%	-0.35%	27-May-20	2.45%	2.72%	4.02%	27-May-20	20.37	19.16	19.84
12-month			0.00%	13-May-20	2.50%	2.85%	3.84%	13-May-20	19.78	40.09	82.89
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	4.48%	4.16%	0.32%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.39% 27-JAN-2022	4.00%	4.91%	-0.91%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
14.20% 14-MAR-2024	5.37%	6.20%	-0.83%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0	25.0
12.50% 22-JAN-2026	7.07%	8.40%	-1.33%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	55.0	65.0	40.0
16.2884% 17-MAR-2027	8.12%	8.76%	-0.64%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	29.3	106.4	276.1
12.1493% 18-JUL-2034	9.77%	10.30%	-0.53%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	10.04%	10.06%	-0.02%	MIXTA 17.00% 16-JAN-2022	4.76%	4.97%	-0.21%	ACCESS 10.50% 19-OCT-2021	7.89%	8.00%	-0.11%
14.8% 26-APR-2049	10.80%	11.26%	-0.46%	FIDELITY 16.48% 13-MAY-2022	5.63%	6.40%	-0.77%	ZENITH 7.375% 30-MAY-2022	7.13%	7.04%	0.09%
				DUFIL 18.25% 1-SEP-2022	6.48%	7.21%	-0.73%	UBA 7.75% 08-JUN-2022	7.78%	7.69%	0.09%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	8.75%	9.40%	-0.65%	SEPLAT 9.25% 1-APR-2023	9.09%	9.10%	-0.01%
5.625% 27-JUN-2022	5.01%	5.09%	-0.08%	STERLING 16.50% 3-AUG-2023	6.45%	7.09%	-0.64%				
6.50% 28-Nov-2027	7.39%	7.43%	-0.04%	FCMB 17.25% 8-DEC-2023	6.75%	7.51%	-0.76%				
7.875% 16-FEB-2032	8.58%	8.66%	-0.08%	STANBIC 13.25% 30-SEP-2024	6.87%	7.71%	-0.84%				
7.625% 28-Nov-2047	8.57%	8.68%	-0.11%	VIATHAN 16.00% 14-DEC-2027	7.24%	8.14%	-0.90%				
				UNION 16.20% 27-JUN-2029	12.06%	12.78%	-0.72%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 6th July - 10th July

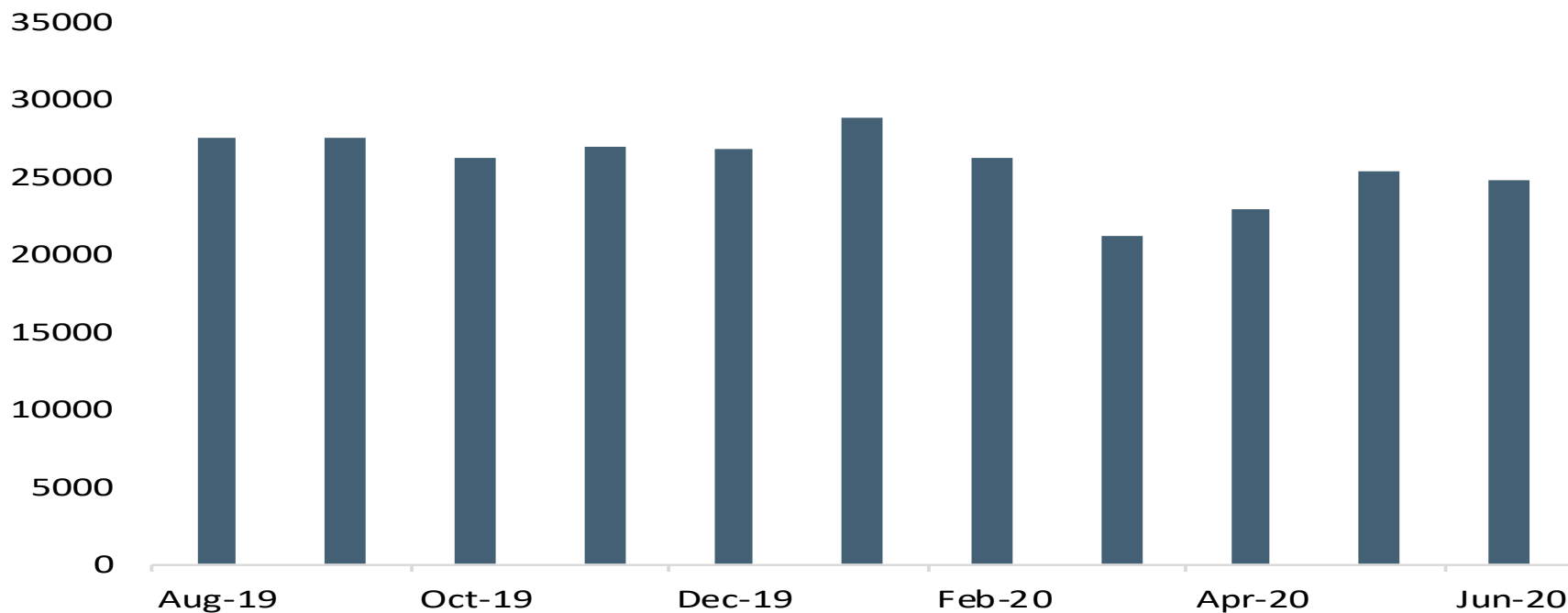
	Monday 6-Jul	Tuesday 7-Jul	Wednesday 8-Jul	Thursday 9-Jul	Friday 10-Jul
Global	EU Retail Sales (YoY) - May	Japan Trade Balance - BOP Bases - May	Brazil Retail Sales (MoM) - May	China Producer Price Index (YoY) - June	Mexico Industrial Output (YoY) - May
	US Markit PMI Composite - June			China Consumer Price Index (YoY) - June	Brazil IPCA Inflation - June
	Japan Overall Household Spending (YoY) - May			SA Manufacturing Production Index (YoY) - June	US Producer Price Index (YoY) - June
				Mexico Headline Inflation - June	
				Japan Producer Price Index (YoY) - June	
Domestic					

** means Preliminary Estimate

NSE ASI performance

This week, we feature the trend in the NSE ASI over the past one year. Following a 26.2% QoQ drop in Q1 20 – a fallout of risk off from the Covid-19 pandemic, market gained some momentum in Q2 20 recording a 16.6% QoQ increase. We believe the increase reflected investors taking advantage of the depressed state of the market given that there was no fundamental change in the market. Meanwhile YTD performance currently prints at a negative return of 9.3%.

Nigeria ASI performance



Source: NSE ARM Research



Thank You

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