



Weekly Commentary & Stock recommendation

15th July – 19th July 2024





Global Economy

According to the Office of National Statistics, the UK's Consumer Prices Index (CPI) rose by 2.0% YoY in June 2024, unchanged from May 2024. On a MoM basis, CPI rose by 0.1% in June 2024, the same rate as in June 2023. Core CPI (excluding energy, food, alcohol and tobacco) rose by 3.5% YoY in June 2024, the same rate as in May 2024. Also, this week, the European Central Bank decided to keep its three key interest rates unchanged. The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 4.50% and 3.75% respectively. Finally, in China, according to the Chinese National Bureau of Statistics, China's economy grew 4.7% YoY in Q2:2024, compared to a 5.3% YoY expansion in Q1:2024. On a quarterly basis, the Chinese Gross Domestic Product (GDP) rate rose 0.7% QoQ in Q2:2024 vs. 1.5% QOQ registered in the previous quarter.

Domestic Economy

Earlier this week, the National Bureau of Statistics (NBS) reported that Nigeria's headline inflation rate increased for the eighteenth (18th) consecutive month, rising by 24bps to 34.19% year-on-year (YoY) in June 2024, up from 33.95% in May. This surge was driven by higher food inflation (+21bps to 40.87% YoY) and core inflation (+36bps to 27.40% YoY). On a month-on-month (MoM) basis, inflation rose by 17bps to 2.31%, ending a three-month decline. This was driven by higher food prices (+26bps to 2.55% MoM) and core inflation (+5bps to 2.06% MoM). These increases underscore the persistent challenges in managing inflationary pressures, which continue to impact the cost of living and economic stability in the country. Elsewhere, the federal government is considering implementing a windfall tax on banks, set at 50% of the profit banks realized from foreign exchange revaluation in 2023. The revenues from this proposed tax are intended to be allocated to "Renewed Hope" projects, which include infrastructure, education, and healthcare. These steps are part of broader fiscal policy adjustments and revenue generation strategies being pursued by the government.



Equities

This week, the Nigerian equities market closed positive as the NGX All Share Index (NGX ASI) gained 0.87% WoW to print at 100,539.40 points. This pushed the market's year-to-date (YtD) returns up to 34.46% (vs. last week: 33.30% YtD). However, on a sectoral basis, only the Industrial Goods (+0.08% WoW) closed positive, spurred by gains in WAPCO (+1.10% WoW to NGN36.00). Other sectors such as Insurance (-4.86% WoW), Consumer Goods (-0.20% WoW), Oil and Gas (-0.10% WoW) and Banking (-0.05% WoW) ended the week on a negative note, following selloffs in VERITASKAP (-11.67% WoW to NGN1.06), DANGSUGAR (-2.76% WoW to NGN40.45) and WEMABANK (-5.26% WoW to NGN6.30) respectively. Top gainers for the week were AFRIPUD (+33.8% WoW to NGN9.90), CUTIX (+29.7% WoW to NGN5.99), CHAMPION (+12.1% WoW to NGN3.42) while the top losers were LINKASSURE (-24.6% WoW to NGN0.86), NGXGROUP (-8.4% WoW to NGN21.35) and FTNCOCOA (-6.4% WoW to NGN1.61). Next week, we believe that investors' attention would be fixed on the outcome of the upcoming MPC meeting to be held on the 22nd and 23rd of July 2024 and this would direct the market's performance. Furthermore, we expect market performance to be impacted by the trickling in of Q2:2024 earnings results, as investors position themselves in high-dividend paying tickers with strong fundamentals.

Fixed Income

This week, the Nigerian Secondary fixed income market extended its bearish run for the 7th week consecutively. In the Treasury bills market, the average yield climbed 156bps WoW to close at 24.89%. This is following higher yields across the tenor bills. Likewise, the FGN bond market closed bearish with the average yield up by 11bps WoW to 19.37%. This rise is on the back of selloff across the yield curve, significantly in the MAR-2025 (+76bps), JUN-2033 (+80bps) and FEB-2034 (+127bps). Overall, the Naira fixed income market ended on a bearish note as the average yield increased by 84bps WoW to 22.13%. In the coming week, we expect the FGN Bond auction and primary market auctions repayment to influence the market, but yields are likely to remain high in the fixed income market space.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.93	35.28	1.84%	9.18%	June 2024 CPI Report Bucking the Trend
USD/NGN (₦/\$)					H2 2024 Nigeria Strategy Report
NAFEM	1566.82	1554.65	-0.78%	-42.11%	
Parallel	1592.5	1595.0	0.16%	-24.96%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (May 2024)	May	April	CHG (pps)		
Headline	34.19	33.95	0.24	34.07	
Core	27.4	27.04	0.36	27.22	
Food	40.87	40.66	0.21	40.77	
GDP (%) - YoY	Q1 24	Q4 23	Q3 23	2023FY	News Headline for the week (click news for link)
Real GDP	2.98	3.46	2.54	2.74	Japan core inflation perks up in June, keeps BOJ rate hike hopes alive
Oil	5.7	12.11	-0.85	-2.22	At Last, FG, Labour End Weeks of Feud, Settle for N70,000 National Minimum Wage
Agriculture	2.90	2.10	1.30	1.13	Crude supply: FG continues fuel importation as Reps probe IOCs
Manufacturing	1.49	1.38	0.48	1.4	ECB rates seen firmly on hold, but door to September cut still open
Information and Communication	5.43	6.33	6.69	7.91	NASS Okays Tinubu's Fresh Request for N6.2tn Injection into N27.5tn 2024 Budget
Labor Data (%)		Q3 23	Q2 23	Q1 23	Chappal Energies acquires Total E&P 10% stake in SPDC
Unemployment Rate		5	4.2	4.1	Petrol landing cost now N1,117/litre – Marketers
Underemployment		12.3	11.8	12.2	FG launches guidelines for public sector governance to boost economy
Capital Importation (\$'mn)	Q1 24	Q4 23	QoQ (%)	YoY (%)	UK inflation pressures stay hot, reducing chance of August rate cut
Foreign Portfolio Investment – Equities	49.37	10.83	355.7%	-77.79%	Fidelity, Access, GTCO Kick-starts N4.7tn Banking Sector Recapitalisation With N878.61bn Offers
Bonds	420.81	67.16	526.61%	39.77%	IMF lowers sub-Saharan growth forecast over Nigeria's weak economy
Money Market	1,605.41	231.78	592.7%	1175.19%	Oil falls on lingering demand concerns in China
Foreign Direct Investment	119.18	183.97	-35.22%	150.35%	TCN Inaugurates 60MVA Transformer to Add 48MW to National Grid
Monetary Policy Rates (%) (May 2024)	Latest	Prior		CHG (%)	Nigeria set to become net fuel exporter by December – NNPC
MPR	26.25%	24.75%		1.5%	Dangote Group targets \$30bn revenue to strengthen naira
Cash Reserve Ratio (CRR)	45%	45%		0.0%	China's economy falters as property, consumer pain worsens
Liquidity Ratio	30%	30%		0.0%	Amid Price Volatility, 10 Banks' Exposure to Oil & Gas Sector Rise to N12.08tn
Source: CBN, NBS, FMDQ, ARM Research					Banks' credits to private sector hit N375tn – CBN

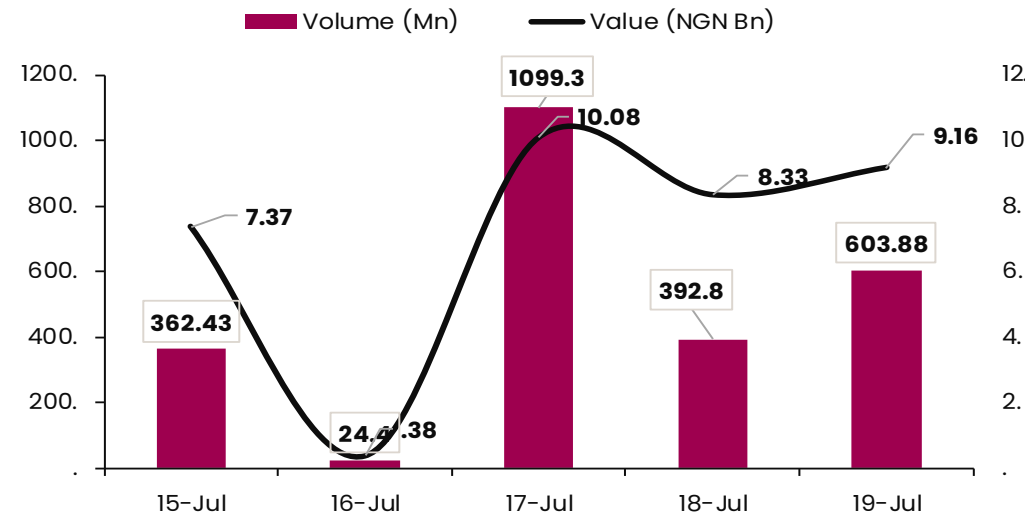


Weekly Equities Market Snapshot

Friday, 19 July 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
AFRIPRUD	9.90	33.8%	10.70	5.40	33.8%	LINKASSURE	0.86	-24.6%	1.45	0.57	7.5%
CUTIX	5.99	29.7%	6.74	2.11	154.9%	NGXGROUP	21.35	-8.4%	28.00	19.50	-9.1%
CHAMPION	3.43	12.1%	4.00	2.54	-17.3%	FTNCOCOA	1.61	-6.4%	2.92	1.07	8.8%
OANDO	18.25	11.3%	19.55	5.10	73.8%	LIVESTOCK	2.20	-6.4%	2.45	1.30	18.9%
NAHCO	39.40	9.4%	39.40	16.90	55.1%	CORNERST	1.98	-6.2%	2.67	0.86	41.4%
INTBREW	3.85	9.4%	6.86	3.60	-19.8%	MANSARD	5.05	-5.6%	6.80	3.40	-8.2%
SUNUASSUR	1.35	8.9%	2.25	0.52	365.5%	ELLAHLAKES	3.00	-5.4%	4.75	2.70	3.4%
ROYALEX	0.72	7.5%	1.06	0.45	-97.8%	INTBREW	3.85	-4.9%	6.86	3.60	-19.8%
FCMB	7.95	5.3%	12.45	5.48	7.4%	REGALINS	0.45	-4.3%	0.68	0.31	18.4%
JBERGER	87.50	4.8%	98.00	28.00	103.5%	JAPAUFGOLD	1.91	-4.0%	3.38	0.70	12.4%

Tickers	Pts/₦	WoW	MtD	QTD	YtD
NGXASI	100,539.40	0.87%	0.48%	0.48%	34.46%
Market Cap	56.93trn	0.97%	0.58%	0.58%	39.13%
NGX Banking	843.99	-0.05%	1.66%	1.66%	-5.93%
NGX Industrial	1,566.18	0.08%	0.35%	0.35%	73.75%
NGX Consumer	843.99	-0.20%	-0.97%	-0.97%	39.68%
NGX Oil & Gas	1,503.03	-0.10%	4.33%	4.33%	44.10%
NGX Insurance	1,566.18	-4.86%	-3.05%	-3.05%	17.71%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income



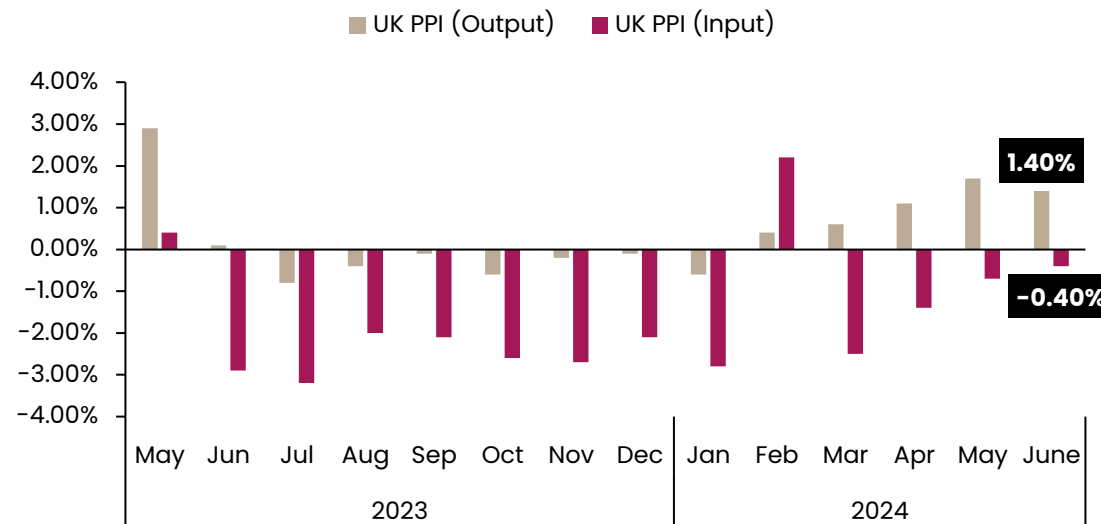
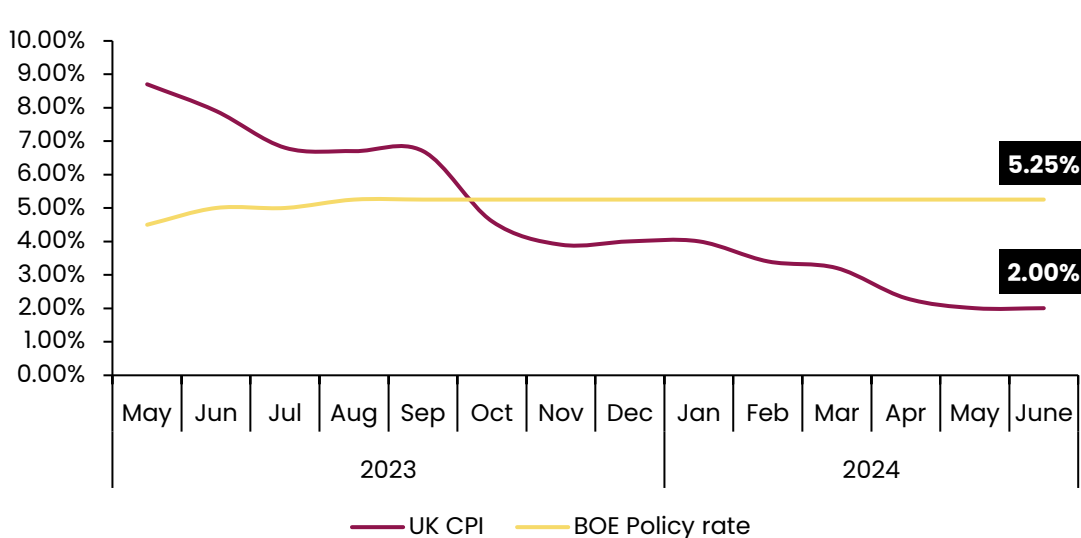
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor				
Money Market				OMO				OMO							
Overnight (O/N)	32.02%	32.45%	-0.43%	28-Jun-24	Nil	Nil	22.48%	28-Jun-24	Nil	Nil	264.33				
Open Repo Rate (OPR)	31.39%	31.61%	-0.22%	19-Jun-24	Nil	19.48%	22.30%	19-Jun-24	Nil	1.00	985.88				
NIBOR - 1M	27.99%	26.11%	1.88%	04-Jun-24	18.74%	19.59%	22.33%	04-Jun-24	10.00	16.00	487.95				
NIBOR - 3M	27.88%	28.00%	-0.12%	29-May-24	0.00%	19.64%	22.34%	29-May-24	10.00	5.65	1142.56				
NIBOR - 6M	27.68%	28.88%	-1.20%	24-May-24	19.00%	19.74%	22.49%	24-May-24	20.50	1.00	239.15				
Treasury Bills				Treasury Bills				Treasury Bills							
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day				
1-month	19.40%	19.11%	0.29%	10-Jul-24	16.30%	17.44%	21.24%	10-Jul-24	28.47	9.16	169.64				
3-month	20.96%	20.06%	0.90%	26-Jun-24	16.30%	17.44%	20.68%	13-Jun-24	28.15	36.44	219.67				
6-month	24.04%	22.19%	1.85%	13-Jun-24	16.30%	17.44%	20.50%	05-Jun-24	6.78	8.36	40.09				
9-month	26.04%	25.33%	0.71%	05-Jun-24	16.50%	17.50%	20.67%	22-May-24	19.61	12.74	246.55				
12-month	25.86%	26.35%	-0.49%	22-May-24	16.50%	17.45%	20.69%	08-May-24	60.69	28.46	549.83				
FGN Bonds (Local)				FGN Bonds				FGN Bonds							
					Mar-27	Apr-29	Feb-31	May-33	Feb-34						
13.53% 23-MAR-2025	24.32%	23.50%	0.82%	24-Jun-24	N/A	19.64%	20.19%	21.50%	N/A	24-Jun-24	N/A	22.13	45.38	229.50	N/A
12.50% 22-JAN-2026	19.76%	19.55%	0.21%	13-May-24	N/A	19.29%	19.74%	19.89%	N/A	13-May-24	N/A	32.67	62.98	285.12	N/A
16.2884% 17-MAR-2027	19.64%	19.62%	0.02%	15-Apr-24	N/A	19.30%	19.75%	N/A	20.00%	15-Apr-24	N/A	79.92	85.05	N/A	461.85
12.1493% 18-JUL-2034	19.32%	19.31%	0.01%	18-Mar-24	19.94%	N/A	20.00%	N/A	20.45%	18-Mar-24	151.93	N/A	47.84	N/A	275.85
16.2499% 18-APR-2037	18.65%	18.65%	0.00%	19-Feb-24	N/A	N/A	18.50%	N/A	19.00%	19-Feb-24	N/A	N/A	873.53	N/A	621.38
14.8% 26-APR-2049	17.50%	17.50%	0.00%												
FGN Eurobonds				Corporate Bonds				Corporate Bonds							
					This Week	Prior Week	WoW (%)								
				ACCESS 15.50% 23-JUL-2026	24.60%	24.45%	0.15%								
7.625 21-NOV-2025	8.13%	7.96%	0.17%	VIATHAN 16.00% 14-DEC-2027	20.41%	20.41%	0.00%								
6.50% 28-Nov-2027	9.24%	8.93%	0.31%	UNION 16.20% 27-JUN-2029	22.24%	22.21%	0.03%								
7.875% 16-FEB-2032	10.29%	9.95%	0.34%	FIDELITY 8.50% 7-JAN-2031	21.84%	21.83%	0.01%								
7.625% 28-Nov-2047	10.71%	10.43%	0.28%	MTN COM PLC 12.75 4-NOV-2031	21.71%	21.71%	0.00%								
Source: DMO, CBN, FMDQ, ARM Research															



UK Inflation Holds Steady Amid Mixed Economic Signals

Bucking expectations of a marginal decline, the UK's Consumer Price Index (CPI) held steady at 2.0% year-on-year (YoY) in June 2024. This rate remains well below the recent peak of 11.1% in October 2022 and is the lowest YoY rate since April 2021. While clothing and footwear prices softened to 1.6% YoY (down from 3.0% YoY in May 2024), surging costs in restaurants and hotels (up 6.3% YoY) attributed to celebrity tours offset the decline. Additionally, core inflation, which excludes volatile food, energy, alcohol, and tobacco prices, remained unchanged at 3.5% YoY. This has dampened hopes for an interest rate cut by the Bank of England (BOE) in August 2024.

However, there is a glimmer of hope from producer prices. Both input (-0.4% YoY) and output (+1.4% YoY) prices dipped slightly compared to May's figures of -0.7% YoY and 1.7% YoY, respectively. This suggests potential easing of future inflationary pressures, especially with energy costs (down to 0.74% YoY) and equipment costs (down to 0.50% YoY) leading the decline. However, the more gradual slowdown in services producer prices, which decreased to 3.1% YoY from 3.7% YoY in May 2024, indicates that broader inflationary trends may not disappear quickly.



Source: BLS, FRED, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	40.45	30.9	-23.61%	SELL
FLOUR MILLS NIG. PLC.	45.00	36	-20.00%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	19.20	25.47	32.66%	STRONG BUY
FBN HOLDINGS PLC	22.60	29.95	32.52%	STRONG BUY
UNITED BANK FOR AFRICA PLC	22.85	29.57	29.41%	STRONG BUY
ZENITH BANK PLC	39.00	44.04	12.92%	OVERWEIGHT
FIDELITY BANK PLC	10.70	14.29	33.55%	BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
AIRTEL AFRICA PLC	2200.00	2300.03	4.55%	NEUTRAL
MTN NIGERIA COMMUNICATIONS PLC	203.00	270.16	33.08%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	36.00	45.01	25.03%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
TOTALENERGIES MARKETING NIGERIA PLC	388.90	421.68	8.43%	NEUTRAL

Source: NGX, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date	Qualification Date
United Capital Plc	17-Jul-24				NGN0.90	H1:2024	9-Aug-24	31-Jul-24	31-Jul-24
Jaiz Bank Plc	16-Jul-24				NGN0.04	2023FY	16-Jul-24	1-Jul-24	
AXA Mansard Insurance Plc	31-May-24		NGN0.40		NGN0.34	2023FY	8-Aug-24	16-Jul-24	15-Jul-24

Source: NGX, ARM Research



Thank You





ARM Securities Contact

Research	234 (1) 270 1653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 448 8282	customerservice@armsecurities.com.ng

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www.arm.com.ng

    @armengage

1 Mekunwen Road,
Off Oyinkan Abayomi Drive,
Ikoyi, Lagos, Nigeria

