



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Global Economy

Earlier this week, S&P Global published a series of Purchasing Manager Index (PMI) data for key global economies. The seasonally adjusted HCOB Flash Eurozone Composite PMI Output Index decreased to 50.1 in July 2024 from 50.9 in June 2024, hovering just above the no-change mark and indicating near-stagnation in private sector activity. Although output has increased for five consecutive months, the latest rise was the weakest in this period, marking a slow start to Q3:2024. Conversely, the S&P Global Flash US PMI Composite Output Index climbed from 54.8 in June 2024 to 55.0 in July 2024, reaching its highest level since April 2022. Output has steadily grown over the past 18 months, with the pace of expansion accelerating significantly in recent months after a slowdown in April 2024. In the UK, the headline seasonally adjusted S&P Global Flash UK PMI Composite Output Index increased from 52.3 in June 2024 to 52.7 in July 2024, indicating a strong rise in private sector activity. This marks nine consecutive months of expansion, with the index averaging 53.0 in 2024 to date. In the EU and US, services output was the primary driver of business activity, while manufacturing output led the growth in the UK.

Domestic Economy

Earlier this week, the Monetary Policy Committee convened for its 296th meeting, during which it extended its restrictive monetary policy measures for the fourth (4th) consecutive session this year. The committee decided to increase the Monetary Policy Rate (MPR) by 50bps to 26.75% and adjusted the Asymmetric Corridor to +500/-100 basis points around the MPR. Additionally, the committee retained the Cash Reserve Ratio (CRR) for commercial banks at 45% and for merchant banks at 14%, while maintaining the Liquidity Ratio at 30%. These measures reflect the committee's ongoing efforts to manage inflation and attract Foreign Portfolio Inflows (FPIs). Notably, this is the slowest MPR increase implemented by the committee this year. Elsewhere, the federal government plans to issue USD500mn in domestic foreign currency-denominated bonds within the next three to four weeks. This initiative aims to attract foreign currency held by Nigerians abroad and other investors, supporting President Tinubu's economic reforms. By issuing these bonds, the government seeks to bolster its foreign reserves, manage exchange rate risks, and enhance fiscal stability amidst ongoing economic challenges.



Equities

Following the 50bps hike in the Monetary Policy Rate (MPR) to 26.75% at the Monetary Policy Committee (MPC) meeting held earlier this week, the Nigerian equities market closed bearish. The NGX All Share Index (NGX ASI) lost 2.33% WoW to settle at 98,201.49 points, bringing the market's year-to-date (YtD) returns down to 31.33% (vs. last week: 34.46% YtD). All sectors under our coverage closed negative, led by the Industrial Goods sector (-5.89% WoW). The Banking (-2.94% WoW), Consumer Goods (-0.73% WoW), Oil and Gas (-0.54% WoW) and Insurance (-0.27% WoW) sectors followed behind. Specifically, DANGCEM (-9.99% WoW to NGN591.10), UBA (-7.88% WoW to NGN21.05), DANGSUGAR (-7.29% WoW to NGN37.50), ETERNA (-10.00% WoW to NGN16.20) and AXAMANSARD (-7.72% WoW to NGN4.66) spurred losses in their respective sectors. On the gainers' chart, SOVRENINS (+14.3% WoW to NGN0.56), NEIMETH (+12.6% WoW to NGN1.96) and OANDO (+11.5% WoW to NGN20.35) led the chart. On the other hand, NSLTECH (-26.3% WoW to NGN0.42), OMATEK (-14.49% WoW to NGN0.63) and CUTIX (-14.0% WoW to NGN5.15) topped the losers' chart. In the coming week, we expect sustained bearish sentiment in the fixed income market to impact the equities market. Furthermore, the recent directive to implement a windfall tax on banks' 2023 foreign exchange gains could contribute to negative sentiment in the sector. However, the steady release of positive Q2:2024 earnings results could help shoulder the overall negative impact on the equities market.

Fixed Income

Earlier this week, the DMO held a bond auction, offering NGN300bn worth of instruments across the reopening of the APR-2029, FEB-2031, and MAY-2033 bonds, each with a NGN100bn offer size. Average stop rates surged by 51bps to 20.96%, compared to 20.44% at the previous auction. This increase was driven by higher rates across all instruments (APR-2029: +25bps to 19.89%, FEB-2031: +81bps to 21.00%, MAY-2033: +48bps to 21.98%). The average bid-to-cover ratio improved to 0.93x from 0.68x at the previous auction. Notably, the DMO sold NGN225.68bn worth of bonds, with a concentration on the longer-term issue. Following the recent MPC meeting, the CBN conducted a Nigerian Treasury Bills (NT-bills) auction, offering NGN277.96bn across all tenors. The average stop rates soared by 171bps to 20.03%, up from 18.33% at the previous auction. This was due to significant increases across the tenors (91-day: +220bps to 18.50%, 182-day: +206bps to 19.50%, 364-day: +86bps to 22.10%). The average bid-to-cover ratio declined to 1.35x from 1.86x previously. Demand was skewed towards the longer-tenor bill. These rate increases reflect the market's adjustment to a higher interest rate environment. The increased demand for longer-term instruments suggests investors are seeking to lock in attractive yields. In the secondary market, the average NT-bill yield climbed 34bps WoW to 25.23%, driven by repricing in the short and mid-tenor bills. Likewise, the FGN bond witnessed negative sentiment as the average yield increased by 8bps WoW to 19.45%. This is following selloffs across the curve, particularly in the MAY-2033 (+36bps), FEB-2034 (+23bps), and MAR-2050 (+113bps) instruments. Overall, the Naira fixed income market concluded on a bearish note, with the average yield rising 21bps WoW to 22.34%. We expect yields to remain elevated in the coming week.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.37	35.93	1.22%	10.51%	Post MPC Meeting July 2024 - Tapping the Breaks .pdf
USD/NGN (₦/\$)					
NAFEM	1599.39	1566.82	-2.04%	-43.28%	
Parallel	1572.5	1592.5	1.27%	-24.01%	
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	NESG: Nigeria Should Prioritize Data, Food Production
Oil	5.7	12.11	-0.85	-2.22	Reps okay housing ministry budget raise to N500bn
Agriculture	2.90	2.10	1.30	1.13	Nigeria generates \$1.2bn annually from animal skin export – MACBAN
Manufacturing	1.49	1.38	0.48	1.4	Govt issuing N60bn third green bond – Minister
Information and Communication	5.43	6.33	6.69	7.91	Banks Defy Stiff Competition from Fintechs, Grow Deposits by 63% to N115tn
Labor Data (%)		Q3 23	Q2 23	Q1 23	China cuts short and long-term rates
Unemployment Rate		5	4.2	4.1	Forex inflow via IMTOs hits \$1.07bn in three months –CBN
Underemployment		12.3	11.8	12.2	W'Bank, AfDB to invest \$7.5bn in Nigeria's power sector
Capital Importation (\$'mn)	Q1 24	Q4 23	QoQ (%)	YoY (%)	NSIA awards \$220,000 to three startups
Foreign Portfolio Investment - Equities	49.37	10.83	355.7%	-77.79%	LCI: Naira to Appreciate Towards N1000 per Dollar
Bonds	420.81	67.16	526.61%	39.77%	Monies in dormant accounts prone to fraud – Cardoso
Money Market	1,605.41	231.78	592.7%	1175.19%	OPS projects worsening crisis as MPC hikes interest rate again
Foreign Direct Investment	119.18	183.97	-35.22%	150.35%	Oil prices rise as US crude, fuel inventories seen shrinking
Monetary Policy Rates (%) (May 2024)	Latest	Prior		CHG (%)	Foreign education forex allocation tumbles 83% – CBN
MPR	26.75%	26.25%		0.5%	US economic growth seen picking up in second quarter, inflation subsiding
Cash Reserve Ratio (CRR)	45%	45%		0.0%	Nigeria imported \$2.25bn fuel from Malta – Report
Liquidity Ratio	30%	30%		0.0%	NCAA: Domestic Airlines Need Financial Stability to Operate Safely
Source: CBN, NBS, FMDQ, ARM Research					China veers off beaten path with consumer stimulus

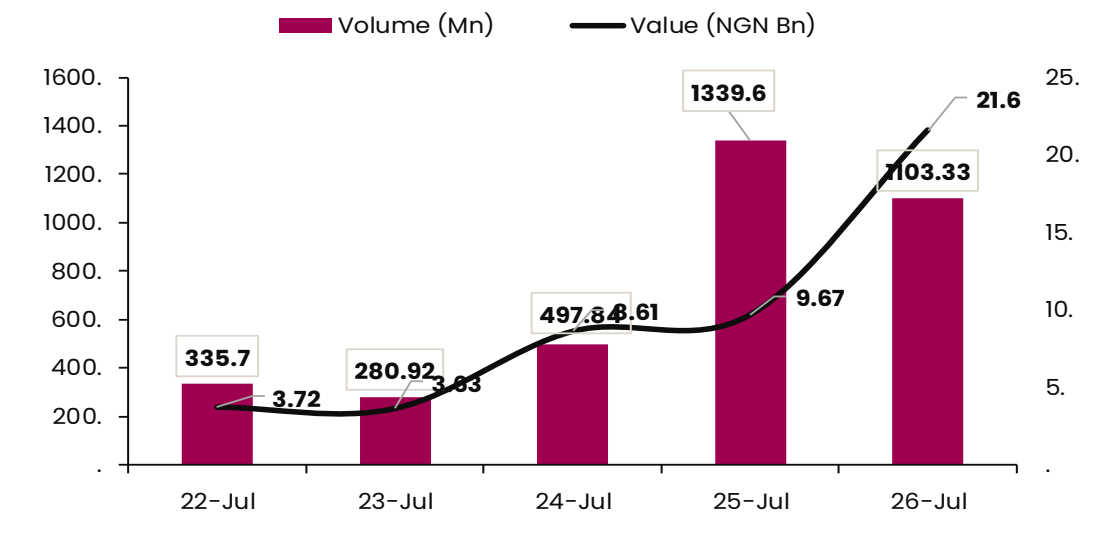


Weekly Equities Market Snapshot

Friday, July 26, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
SOVRENINS	0.56	14.3%	0.79	0.31	100.0%	NSLTECH	0.42	-26.3%	0.85	0.25	-43.2%
NEIMETH	1.96	12.6%	2.45	1.50	1.0%	OMATEK	0.63	-14.9%	1.15	0.27	-17.1%
OANDO	20.35	11.5%	20.35	5.11	93.8%	CUTIX	5.15	-14.0%	6.74	2.11	119.1%
JBERGER	97.00	10.9%	98.00	28.00	125.6%	ETERNA	16.20	-10.0%	28.80	11.15	17.0%
LIVESTOCK	2.39	8.6%	2.45	1.30	29.2%	DANGCEM	591.10	-10.0%	763.00	310.10	84.8%
INTBREW	4.07	5.7%	6.86	3.60	-15.2%	JOHNHOLT	2.83	-9.9%	3.29	1.20	22.0%
FTNCOCOA	1.67	3.7%	2.92	1.07	12.8%	ROYALEX	0.65	-9.7%	1.06	0.45	-98.1%
LEARNAFRCA	3.95	2.6%	4.05	2.80	23.8%	DAARCOMM	0.47	-9.6%	1.29	0.21	-47.8%
NEM	8.20	2.5%	10.60	4.59	30.2%	RTBRISCOE	0.67	-8.2%	0.99	0.38	157.7%
FLOURMILL	46.00	2.2%	48.50	28.15	39.2%	MANSARD	4.66	-7.7%	6.80	3.40	-15.3%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	98,201.49	-2.33%	-1.85%	-1.85%	31.33%
Market Cap	55.61trn	-2.33%	-1.76%	-1.76%	35.90%
NGX Banking	819.20	-2.94%	-1.32%	-1.32%	-8.69%
NGX Industrial	1,554.82	-5.89%	-5.56%	-5.56%	63.52%
NGX Consumer	819.20	-0.73%	-1.69%	-1.69%	38.66%
NGX Oil & Gas	1,494.98	-0.54%	3.77%	3.77%	43.33%
NGX Insurance	1,554.82	-0.27%	-3.32%	-3.32%	17.39%



Source: NGX, ARM Research



	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)	26.66%	32.02%	-5.36%	28-Jun-24	Nil	Nil	22.48%	28-Jun-24	Nil	Nil	264.33				
Open Repo Rate (OPR)	26.13%	31.39%	-5.26%	19-Jun-24	Nil	19.48%	22.30%	19-Jun-24	Nil	1.00	985.88				
NIBOR - 1M	28.00%	27.99%	0.01%	04-Jun-24	18.74%	19.59%	22.33%	04-Jun-24	10.00	16.00	487.95				
NIBOR - 3M	28.29%	27.88%	0.41%	29-May-24	0.00%	19.64%	22.34%	29-May-24	10.00	5.65	1142.56				
NIBOR - 6M	29.08%	27.68%	1.40%	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	20.87%	19.40%	1.47%	24-Jul-24	18.50%	19.50%	22.10%	24-Jul-24	13.14	6.4	258.42				
3-month	20.91%	20.96%	-0.05%	10-Jul-24	16.30%	17.44%	21.24%	10-Jul-24	28.47	9.16	169.64				
6-month	23.86%	24.04%	-0.18%	26-Jun-24	16.30%	17.44%	20.68%	13-Jun-24	28.15	36.44	219.67				
9-month	28.12%	26.04%	2.08%	13-Jun-24	16.30%	17.44%	20.50%	5-Jun-24	6.78	8.36	40.09				
12-month	27.80%	25.86%	1.94%	5-Jun-24	16.50%	17.50%	20.67%	22-May-24	19.61	12.74	246.55				
FGN Bonds (Local)				FGN Bonds				FGN Bonds							
					Mar-27	Apr-29	Feb-31	May-33	Feb-34						
13.53% 23-MAR-2025	24.35%	24.32%	0.03%	22-Jul-24	N/A	19.89%	21.00%	21.98%	N/A	22-Jul-24	N/A	18.98	6.18	200.65	N/A
12.50% 22-JAN-2026	19.90%	19.76%	0.14%	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
16.2884% 17-MAR-2027	19.67%	19.64%	0.03%	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
12.1493% 18-JUL-2034	19.32%	19.32%	0.00%	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
16.2499% 18-APR-2037	18.65%	18.65%	0.00%	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
14.8% 26-APR-2049	17.50%	17.50%	0.00%	Corporate Bonds											
					This Week	Prior Week	WoW (%)								
FGN Eurobonds															
				ACCESS 15.50% 23-JUL-2026	24.67%	24.60%	0.07%								
7.625 21-NOV-2025	8.03%	8.13%	-0.10%	VIATHAN 16.00% 14-DEC-2027	20.41%	20.41%	0.00%								
6.50% 28-Nov-2027	9.38%	9.24%	0.14%	UNION 16.20% 27-JUN-2029	22.27%	22.24%	0.03%								
7.875% 16-FEB-2032	10.41%	10.29%	0.12%	FIDELITY 8.50% 7-JAN-2031	21.84%	21.84%	0.00%								
7.625% 28-Nov-2047	10.78%	10.71%	0.07%	MTN COM PLC 12.75 4-NOV-2031	21.72%	21.71%	0.01%								
Source: DMO, CBN, FMDQ, ARM Research															



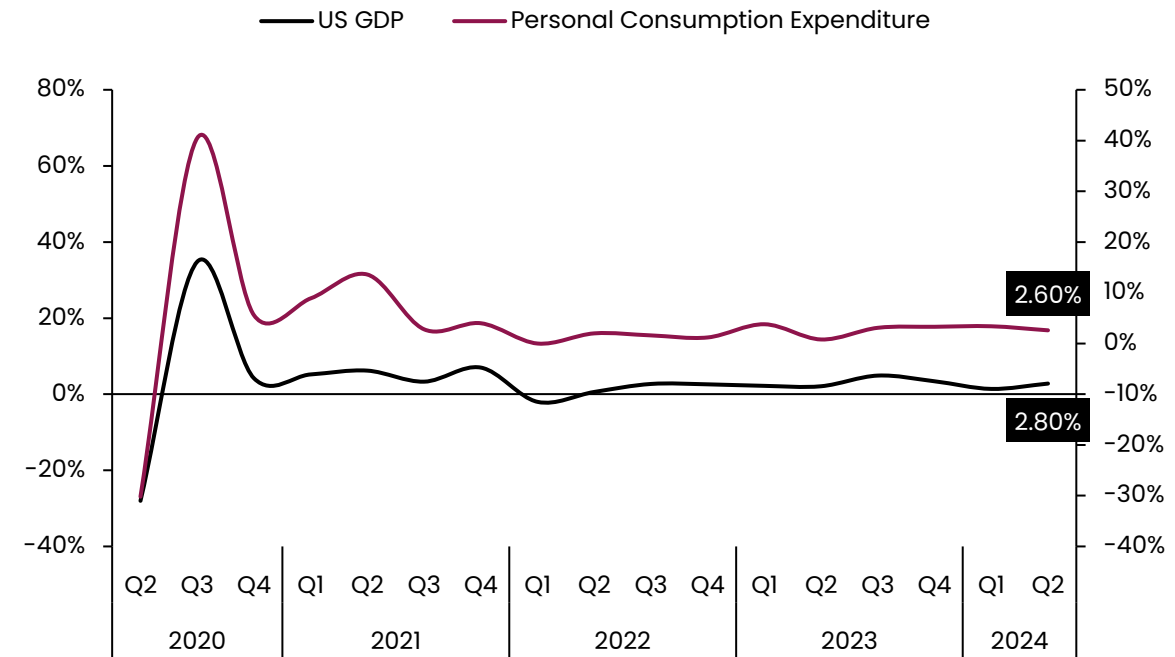
US Economy Accelerates as Inflation Cools in Q2:2024

The U.S. Bureau of Economic Analysis (BEA) released its preliminary estimate for Q2:2024 Gross Domestic Product (GDP) earlier this week. The report indicated a stronger-than-expected economic performance, with real GDP expanding by 2.8% YoY (vs 1.4%YoY in Q1:2024), surpassing the Dow Jones forecast of 2.1%. This acceleration was primarily driven by increased consumer spending and private inventory investment, partially offset by a decline in residential investment.

On the inflation front, the Federal Reserve's preferred measure, the Personal Consumption Expenditure (PCE) price index, moderated to 2.6% YoY in Q2:2024 from 3.4% YoY in Q1:2024. Similarly, the core PCE, which excludes volatile food and energy prices, cooled to 2.9% YoY in Q2:2024 from 3.7% YoY in Q1:2024. These figures suggest easing price pressures, although inflation remains above the Fed's 2% target.

Overall, the data alleviates concerns about a prolonged economic slowdown following the lackluster first quarter and points to a more resilient economy.

Trend of US GDP and PCE from Q2:2020 – Q2:2024



Source: US BEA, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	37.50	30.9	-17.60%	SELL
FLOUR MILLS NIG. PLC.	46.00	36	-21.74%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	18.50	25.47	37.68%	STRONG BUY
FBN HOLDINGS PLC	21.00	29.95	42.62%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY PLC	44.00	46.75	6.25%	NEUTRAL
UNITED BANK FOR AFRICA PLC	21.05	29.57	40.48%	STRONG BUY
ZENITH BANK PLC	35.85	46.6	29.99%	STRONG BUY
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	200.00	270.16	35.08%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	37.00	45.01	21.65%	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
Transnational Corporation Plc	25-Jul-24				NGN0.10	H1:2024	19-Aug-24	7-Aug-24	7-Aug-24

Source: NGX, ARM Research



Thank You





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