



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary ...for the week 19 – 23 August 2019

Global Economy

- ◆ IHS Markit released US flash PMI for August which showed declines in both manufacturing (49.9 vs 50.4 in July) and services (50.9 vs 53 in July) segments. They both printed below consensus estimates. However, more surprising was the contraction recorded in manufacturing which fell below the 50.0 threshold for the first time in nearly a decade. The data release led to the inversion of the yield curve for the third time since last Wednesday as investors became weary about the near term economic outlook. Meanwhile, reinforcing concerns for global economic growth, China retaliated against the US' recent round of tariffs by imposing levies on \$75 billion worth of US goods in two batches effective Sep.1 and Dec.15. This includes an extra 5% levy on soybeans and crude-oil imports and a 25% levy on US cars.

Domestic Economy

- ◆ The Nigerian Electricity Regulatory Commission (NERC) confirmed that reviews were been made to the operating MYTO 2015 Tariff Order for Jan. 2016 -- Dec. 2018 that would see hike in electricity tariffs. While details of the increase is yet to be published, the review reflects the commissions quest to curb losses incurred by the Discos. Elsewhere, this week, President Buhari finally assigned portfolios to the newly 43 inaugurated ministers. There was little surprise to the appointments, with most of the returning ministers retaining previous portfolios including the President as the Minister of Petroleum.

Equities

- ◆ The Nigerian bourse altered its bearish trend, closing the week on a positive note with the NGSEINDEX advancing 3.25% WoW (YTD: -11.55%). Similarly, market capitalization added ₦403.2 billion, to close the week at ₦13.5 trillion. On a sectoral performance, we witnessed gains across most indices, save the Insurance (-0.47%) and Real Estate (-0.11%) sectors which again closed negative. More prominent were the gains recorded in the Banking (+8.6%), Food (+5.3%) and Personal Care (+4.2%) sectors. Further review across all sectors performance revealed sizeable gains in ACCESS (+9.92%), GUARANTY (+7.3%), ZENITHBANK (+12.1%), NB (+1.4%), DANGCEM (+1.5%), UNILEVER (+5.6%), NESTLE (+7.6%), UACN (+18.9%), OANDO (+20.9%) and MTNN (+2.2%).

Fixed Income

- ◆ Averaged fixed income yields were up 84bps WoW to 14.88%, following bearish sentiments at both ends of the curve. The short end of the curve experienced selloff, as average yield rose 161bps to 15.35%, this is due to selloffs across NTB tenors – short (+145bps), mid (+ up 144bps) and long (+230bps) ends. This emanated despite boost to system liquidity from FAAC inflows (₦769 billion) and OMO maturity. Over in the bonds segment, average yield rose 8bps to 14.4%, owing to selloffs of the Feb-2020 (+60bps), Jul-2021 (+36bps) and Jul 34 (+17bps) bonds. Meanwhile, investors' appetite for FGN bonds faltered this week, as this week's primary market auction marked the first undersubscription (₦95 billion vs ₦145 billion offered) in two years. In fact, despite the non competitive allotment, the FG was still unable to fill its coffers as total allotment of ₦59.53 billion was 61.6% shy of total offer.

The week in Review

◆ IHS Markit released US flash PMI for August which showed declines in both manufacturing (49.9 vs 50.4 in July) and services (50.9 vs 53 in July) segments. They both printed below consensus estimates. However, more surprising was the contraction recorded in manufacturing which fell below the 50.0 threshold for the first time in nearly a decade. The data release led to the inversion of the yield curve for the third time since last Wednesday as investors became weary about the near term economic outlook of the country—bolstering concerns of an economic recession.

◆ Meanwhile, reinforcing concerns for global economic growth, China retaliated against the US' recent round of tariffs by imposing levies on \$75 billion worth of US goods in two batches effective Sep.1 and Dec. 15. This includes an extra 5% levy on soybeans and crude-oil imports and a 25% levy on US cars.

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	2,861	-1.0	14.1	0.1	18.7			US	1.72	1.51	0.4	1.8	Euro (€)	1.1	1.1	0.5	-2.8	
	NASDAQ	7,788	-1.4	17.4	-1.2	30.2	12,029.0	1.2	UK	A Real T	N/A	0.38	-0.1	2.1	GBP (£)	1.2	1.2	1.0	-3.7
UK	FTSE ASI	7,095	-0.3	5.5	-6.2	17.3		5.0	Euro	-0.48	7.6	-0.22	32.8	1	JPY (¥)	105.4	106.4	1.0	4.1
France	CAC 40	5,327	0.5	12.6	-1.7	18.5	1,082.4	3.5	Japan	A Real T	N/A	-0.32	0.1	0.6	INR (₹)	71.7	71.2	-0.7	-2.6
Germany	XETRA DAX	11,612	0.4	10.0	-6.1	19.3		3.5	China	2.64	0.6	3.16	1.0	2.8	CNY (¥)	7.1	7.0	-0.7	-3.1
Japan	NIKKEI 25	20,711	0.0	3.5	-8.4	14.7	5.4	2.2	India	5.68	-0.7	6.57	0.4	8.59	MXN (\$)	19.9	19.7	-1.2	-1.2
China	Shanghai Comp	2,897	0.0	16.2	6.2	13.9	4,526.5	2.7	Mexico	7.49	-0.7	6.94	-0.1	3.78	RUB (p.)	66.0	66.5	0.7	5.0
Brazil	Ibovespa	97,211	-2.6	10.6	28.5	15.1	40.3	3.2	Turkey	15.26	-5.9	16.00	-5.9	16.65	ZAR (R)	66.0	66.5	0.7	5.0
India	BSE Sens	36,701	-1.7	1.8	-4.3	25.5	518.7	1.6	Russia	6.82	-0.3	2.86	-0.1	4.6	EGP (£)	16.6	16.6	0.0	8.1
Russia	RTS	669	2.7	17.0	21.5	5.3	3.1	7.5	Egypt	17.00	0.0	15.78	-1.4	8.7	KES (sh)	103.3	103.4	0.1	-1.4
Mexico	S&P/BMV IPC	39,995	1.7	-4.0	-19.6	15.0		3.5	South Africa	7.48	-0.7	8.96	0.7	4	GHS (¢)	16.6	16.6	0.0	8.1
Turkey	Borsa Istanbul	97,149	1.5	6.4	7.7	7.8	0.4	4.3	Kenya	9.25	0.6	11.52	-7.4	6.3	XOF (₣)	589.8	588.5	-0.2	-2.9
Indonesia	JCI Index	6,256	0.0	1.0	4.8	19.1	490.6	2.3	Ghana	15.50	0.0	19.00	0.0	9.44	XAF (₣)	590.2	592.9	0.5	-1.7
Kazakhstan	KASE Index	2,148	-0.5	-7.6	-3.1	6.2	3.3	145.6	Nigeria	12.00	1.7	14.26	0.2	11.1	NGN (₦)	362.1	360.9	-0.3	0.1
Vietnam	VN Index	992	0.0	11.2	0.5	16.8	144.8	1.9	Global Commodities					Global Indicators for the Week					
South Africa	FISE/JSE ASI	53,996	0.2	2.4	-7.2	15.4	-	4.2		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior			
Egypt	EGX 30	14,333	0.0	10.0	-6.2	11.5	12.1	3.3	Brent Crude	\$/bbl	58.6	58.6	-0.1	8.9	EU Consumer Price Index (YoY) - July	1.0%	1.3%		
Kenya	NSEASI	150	-1.0	6.7	-13.5	11.3	20.5	6.0	OPEC Crude	\$/bbl	60.5	58.8	2.5	17.4	Japan National Consumer Price Index - July	0.5%	0.7%		
Morocco	MSCI MX	317	-0.5	2.2	0.4	20.3	10.3	3.9	Gasoline	\$/gal	163.2	165.7	-1.5	10.5	Germany Producer Price Index - July	1.1%	1.2%		
Ghana	GSE Composite	2,270	-1.8	-9.2	-20.9	16.0	3.9	2.2	Natural Gas	\$/MBtu	2.1	2.2	-2.4	-21.2	EU Markit Manufacturing PMI - August**	47.0	46.5		
Tunisia	TunIndex	7,206	0.5	-0.9	-13.8	19.7	0.7	2.0	Gold	\$/t oz	1527.3	1513.5	0.9	19.1	Germany Markit Manufacturing PMI - August**	43.6	43.2		
BRVM	BRVM	154	-0.8	-10.6	-25.2	7.2	7.3		Sugar	\$/lb	11.5	11.6	0.0	-8.5	US Markit Manufacturing PMI - August**	49.9	50.4		
Mauritius	SEMDEX	2,167	-0.3	-2.3	-2.5	13.8	8.7		Wheat	\$/bsh	472.5	477.5	-1.0	-12.9	Japan Nikkei Manufacturing PMI - August**	49.5	49.4		
Nigeria	NGSE ASI	27,800	3.25	-11.55	-21.0	7.1	37.1	6.1	Crude Palm oil	IYR/MT	2262.0	2192.0	0.0		Japan Adjusted Merchandise Trade Balance - Jul	¥-126.75	¥-150.8		

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

◆ The Nigerian Electricity Regulatory Commission (NERC) confirmed that reviews were been made to the operating MYTO 2015 Tariff Order for Jan. 2016 -- Dec. 2018 that would see hike in electricity tariffs. While details of the increase is yet to be published, the review reflects the commissions quest to curb losses incurred by the Discos.

◆ Elsewhere, this week, President Buhari finally assigned portfolios to the newly 43 inaugurated ministers. There was little surprise to the appointments, with most of the returning ministers retaining previous portfolios including the President as the Minister of Petroleum.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	44.46	44.69	-0.53%	3.10%	Report released this week (Click Link below for Full report)
USD/NGN (₦/\$)					Equity Report - Zenith Bank Plc - In line with few surprises in Q2
NAFEX	363	363	-0.17%	0.26%	
Parallel	359.0	359.0	0.00%	0.56%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	11.08	11.22	-0.14	11.32	
Core	8.8	8.84	-0.04	9.39	
Food	13.39	13.56	-0.17	13.58	
GDP (%) - YoY	Q1 19	Q4 18	Q3 18	FY19F	
Real GDP	2.01	2.4	1.8	2.2	
Oil	-2.4	-1.6	-2.9	6.1	News Headline for the week (click news for link)
Agriculture	3.2	2.5	1.9	3.2	*Landwey acquires 25% stake in Vistafront
Manufacturing	0.8	2.4	1.9	2.1	*No ban, restrictions on importation of food items – Presidency
Services	3.1	3.8	3.4	1.7	*Non-oil imports surpass exports by 463%
Labor Data (%) - Q3 18			Latest	Prior	
Unemployment Rate			23.1	18.8	*NERC Approves New Electricity Tariffs for Discos
Underemployment			20.1	21.2	*More items to come under forex ban – Emeziele
Capital Importation (\$'mn)	Q1 19	Q4 18	QoQ (%)	YoY (%)	
Foreign Portfolio Investment - Equities	666.19	218.27	205.2%	-65.5%	*South-West tops domestic debtors' list with N1.04tn
Bonds	666.66	193.33	244.8%	479.7%	*Zenith Bank declares N9.42b interim dividend
Money Market	5924.13	983.08	502.6%	723.9%	*Diaspora remittances to hit \$34.89b, says PwC
Foreign Direct Investment	243.37	173.37	40.4%	-11.3%	*FG Moves to Remove Constraints to Private Sector Investments
Balance of Payment (\$'mn)	Q1 19	Q4 18	Q3 18	QoQ	
Trade Balance	2,203	6,794	3,760	-67.6%	*Banks suffer N100bn bad loans in power sector
CA Balance	(1,088)	1,105	(1,544)	-198.5%	*Dangote Cement overtakes MTN as NSE's biggest firm
					*Nigerian payment firms to earn \$1.19bn from remittances
					*Nigerian Stock Exchange Delists Skye Bank, Fortis Microfinance Bank
					*Shell JV, SNEPCo have paid \$2b to NDDC

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

The week in Review

◆ The Nigerian bourse altered its bearish trend, closing the week on a positive note with the NGSEINDEX advancing 3.25% WoW (YTD: -11.55%). Similarly, market capitalization added ₦403.2 billion, to close the week at ₦13.5 trillion. On a sectoral performance, we witnessed gains across most indices, save the Insurance (-0.47%) and Real Estate (-0.11%) sectors which again closed negative.

◆ More prominent were the gains recorded in the Banking (+8.6%), Food (+5.3%) and Personal Care (+4.2%) sectors. Further review across all sectors performance revealed sizeable gains in ACCESS (+9.92%), GUARANTY (+7.3%), ZENITHBANK (+12.1%), NB (+1.4%), DANGCEM (+1.5%), UNILEVER (+5.6%), NESTLE (+7.6%), UACN (+18.9%), OANDO (+20.9%) and MTNN (+2.2%).

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	27800.17	3.25	0.30	-7.23	-11.55	-21.04
NSE ASI (\$)	76.55	3.25	-0.11%	-7.85%	-11.34%	-21.70%
Market Cap (₦bn)	13524.48	3.07%	0.12%	2.42%	15.39%	4.57%
Market Cap (\$mn)	37243.16	3.15%	-0.28%	1.73%	15.66%	4.34%
NSE 30	1112.65	4.93	-2.34	-11.39	-21.49	-29.37
NSE Premium	2351.62	3.03	2.84	-1.86	7.13	-8.48
NSE 50	1298.40	4.78	-2.58	-12.45	-21.88	-28.38
NSE ASEM	778.95	0.00%	-0.08	-0.43	-1.87	-3.82
NSE Banking	332.70	9.19	-0.13	-9.31	-16.60	-21.49
NSE Insurance	105.63	-1.38	-8.74	-14.64	-16.48	-23.64
NSE Consumer	529.47	3.97	-3.49	-14.92	-29.29	-35.52
NSE Oil & Gas	222.34	1.64	-1.57	-12.20	-26.43	-24.75
NSE Industrial	1087.44	1.21	1.28	-0.03	-12.15	-37.10
NSE Lotus	1741.24	2.03	-2.44	-11.40	-22.06	-28.61
NSE Pensions	951.55	3.56	-1.68	-10.08	-21.19	-25.98

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	8.58%	-10.66%	-19.83%
Brewers	0.76%	-19.92%	-42.67%
Cement	1.48%	-8.87%	-11.93%
Telecom	1.55%	-1.64%	-1.64%
Personal Care	4.19%	-12.39%	-29.51%
Construction	0.00%	-3.38%	1.36%
Food	5.32%	-9.48%	-15.53%
Insurance	-0.47%	-7.95%	-7.95%
Oil & Gas	3.41%	-24.85%	-46.23%
Real Estate	-0.11%	-1.22%	-2.35%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.00%	0.00%	0.00%
Mid Cap (Mid 30%)	3.46%	4.38%	22.31%
Small Cap (Bottom 60%)	1.35%	-9.99%	-13.99%

Top 10 Gainers

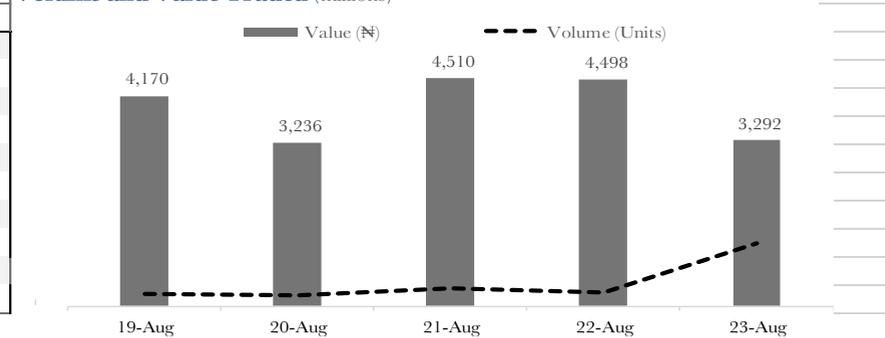
Company	This Week	WoW
ETI	8.00	33.3%
OANDO	4.05	20.9%
FIDELITYBK	1.68	20.0%
UACN	5.35	18.9%
CILEASING	7.30	17.7%
HONYFLOUR	1.10	14.6%
UCAP	2.06	13.2%
TRANSCORP	1.03	13.2%
CHAMS	0.26	13.0%
ZENITHBANK	18.60	12.0%

Top 10 Losers

Company	This Week	WoW
OKOMUOIL	40.15	-18.1%
NCR	4.95	-14.7%
LASACO	0.29	-12.1%
CONTINSURE	1.30	-10.3%
TRIPLEEG	0.63	-10.0%
MRS	18.80	-9.8%
CADBURY	9.30	-9.7%
MBENEFIT	0.20	-9.1%
UNITYBNK	0.63	-8.7%
LINKASSURE	0.48	-7.7%

Source: NSE, Bloomberg, ARM Research

Volume and Value Traded (millions)



The week in Review

◆ Averaged fixed income yields were up 84bps WoW to 14.88%, following bearish sentiments at both ends of the curve. The short end of the curve experienced the most selloff, as average yield rose 161bps to 15.35%, following by selloffs across NTB tenors – short (+145bps), mid (+ up 144bps) and long (+230bps) ends. This emanated despite boost to system liquidity from FAAC inflows (N769 billion) and OMO maturity.

◆ Over in the bonds segment, average yield rose 8bps to 14.4%, owing to investor selloffs of the Feb-2020 (+60bps), Jul-2021 (+36bps) and Jul 34 (+17bps) bonds. Meanwhile, investors' appetite for FGN bonds faltered this week, as this week's primary market auction marked the first undersubscription (₦95 billion vs ₦145 billion offered) in two years. In fact, despite the non competitive allotment, the FG was still unable to fill its coffers as total allotment of ₦59.53 billion was 61.6% shy of total offer.

	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)	18.79%	19.57%	-0.78%	15-Aug-19	-	11.80%	12.88%	15-Aug-19	-	0.69	87.97	
Open Buy Back (OBB)	17.71%	18.00%	-0.29%	07-Aug-19	11.30%	-	12.00%	07-Aug-19	17.74	-	96.85	
NIBOR - 1M	15.37%	14.75%	0.62%	19-Jul-19	11.40%	11.84%	12.25%	19-Jul-19	10.00	15.00	50.00	
NIBOR - 3M	14.88%	13.81%	1.07%	05-Jul-19	11.40%	11.84%	12.25%	05-Jul-19	37.17	116.90	510.06	
NIBOR - 6M	16.22%	15.41%	0.81%	07-Jun-19	11.40%	11.64%	12.48%	07-Jun-19	3.25	11.18	461.48	
Treasury Bills				Treasury Bills			Treasury Bills					
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day	
1-month	14.96%	13.38%	1.58%	14-Aug-19	9.75%	11.35%	12.00%	14-Aug-19	4.38	3.00	27.00	
3-month	13.27%	12.05%	1.22%	31-Jul-19	9.75%	10.60%	11.18%	31-Jul-19	28.0	58.6	136.5	
6-month	15.50%	14.79%	0.71%	17-Jul-19	9.74%	10.75%	11.14%	17-Jul-19	5.9	26.6	74.6	
9-month	16.06%	14.09%	1.97%	05-Jul-19	10.50%	11.70%	11.91%	05-Jul-19	10.0	20.0	58.9	
12-month	14.26%	12.17%	2.09%	21-Jun-19	9.60%	11.89%	12.02%	21-Jun-19	3.0	4.0	10.6	
FGN Bonds (Local)				FGN Bonds			FGN Bonds					
					5 Year	7 Year	10 Year		5 Year	7 Year	10 Year	
15.54% 13-FEB-2020	15.26%	14.66%	0.60%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	14.1	17.7	27.8	
14.50% 15-JUL-2021	14.52%	14.16%	0.37%	24-Jul-19	13.35%	13.64%	14.12%	24-Jul-19	28.2	7.2	51.4	
16.39% 27-JAN-2022	14.69%	14.59%	0.10%	28-Jun-19	14.30%	14.50%	14.68%	28-Jun-19	29.0	36.4	31.5	
14.20% 14-MAR-2024	14.33%	14.48%	-0.15%	22-May-19	14.11%	14.24%	14.49%	22-May-19	27.0	35.0	48.9	
12.50% 22-JAN-2026	14.07%	14.08%	-0.01%	24-Apr-19	14.50%	14.55%	14.80%	25-Apr-18	1.1	3.4	1.3	
16.2884% 17-MAR-2027	14.11%	14.12%	-0.01%	Corporate Bonds			Corporate Eurobond					
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)	
12.1493% 18-JUL-2034	14.66%	14.49%	0.17%	UBA 16.45% 30-DEC-2021	15.64%	15.49%	0.15%	ACCESS 10.50% 19-OCT-2021	4.81%	4.65%	0.16%	
16.2499% 18-APR-2037	14.46%	14.46%	0.00%	MIXTA 17.00% 16-JAN-2022	15.46%	14.61%	0.85%	ZENITH 7.375% 30-MAY-2022	5.04%	4.63%	0.41%	
14.8% 26-APR-2049	14.50%	14.55%	-0.05%	FIDELITY 16.48% 13-MAY-2022	15.88%	15.78%	0.10%	UBA 7.75% 08-JUN-2022	5.55%	5.36%	0.19%	
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022			16.36%	16.25%	0.11%	SEPLAT 9.25% 1-APR-2023		
5.625% 27-JUN-2022	4.51%	4.52%	-0.01%	LAPO MFB 17.75% 19-DEC-2022	18.22%	18.12%	0.11%					
6.50% 28-Nov-2027	6.63%	6.63%	0.00%	STERLING 16.50% 3-AUG-2023	15.44%	15.41%	0.03%					
7.875% 16-FEB-2032	7.60%	7.63%	-0.03%	FCMB 17.25% 8-DEC-2023	15.73%	15.80%	-0.07%					
7.625% 28-Nov-2047	8.10%	8.13%	-0.03%	STANBIC 13.25% 30-SEP-2024	15.18%	15.25%	-0.07%					
				VIATHAN 16.00% 14-DEC-2027	15.11%	15.14%	-0.03%					

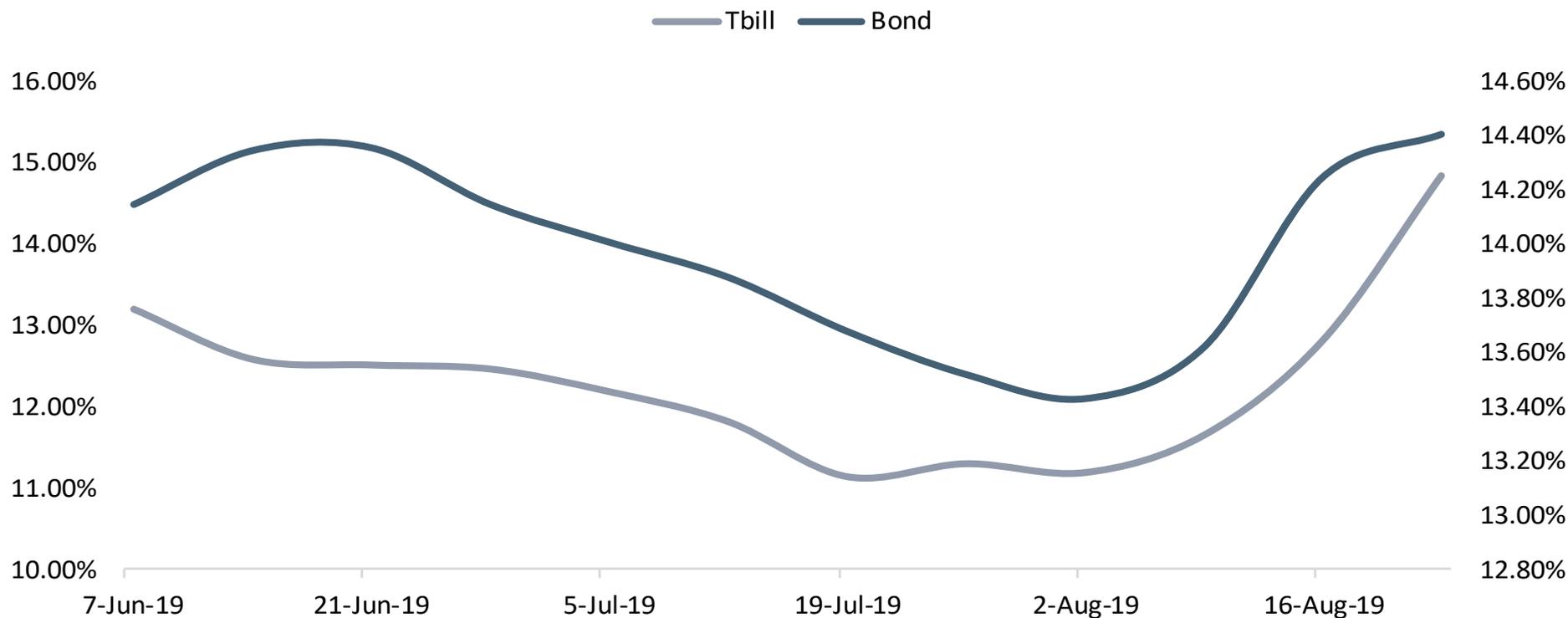
Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 26th August - 30th August 2019

	Monday	Tuesday	Wednesday	Thursday	Friday
	26-Aug	27-Aug	28-Aug	29-Aug	30-Aug
Global	US Durable Goods Orders - July	Germany Gross Domestic Product (YoY) - Q2	EU Private Loans (YoY) - July	Germany Consumer Price Index (MoM) - August**	EU Unemployment Rate - July
			US EIA Crude Oil Stocks Change	US Gross Domestic Product Annualised - Q2**	EU Consumer Price Index (YoY) - August**
				US Personal Consumption Expenditure (QoQ) - Q2**	
				Japan Tokyo Consumer Price Index (YoY) - August	
				Japan Unemployment Rate - July	
				Japan Industrial Production (YoY) - July**	
Domestic		FAAC July 2019 Disbursement	Household Consumption and Expenditure, Q2 2019		Social Statistics Report 2018

TREND IN SECONDARY MARKET NTB AND BOND YIELDS

This week, we feature historical trend in fixed income yields in the light of the recent bearish run. Over the past one week, average secondary market yields in Nigeria’s fixed income market saw a significant leap due to marked sell offs and investors apathy for both FGN bonds and OMOs.



Source: FMDQ& ARM Research



Thank You

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