



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 26– 30 August 2019

Global Economy

- ◆ The US economy growth in Q2 came in slower than was initially estimated, as the BEA revised GDP growth figures lower to 2% from 2.1% in the advance estimate (Q1: 3.1%). The revision brought growth rate in line with analysts' expectations. Growth in consumer spending, which contributes over two-thirds to economic activities, was revised higher by 40 bps, but was offset by declines in state and local government spending (-90bps), exports (-60bps), and residential investment (-140bps). Over in the EU, the Eurostat released August inflation data which printed at 1%YoY -- same as the previous month's and in line with analysts' expectations. Further breakdown showed lower inflation in Germany (-10bps to 1.1%YoY), Spain (-20bps to 0.4%YoY) and France (-10bps to 1.2%YoY) was pared by consumer price increases in other European countries including Italy (+20bps to 0.5%).

Domestic Economy

- ◆ The week, the NBS released the sectoral distribution of Value Added Tax (VAT) in Nigeria for Q2 2019 which revealed an increase in overall VAT by 17% YoY to ₦311.94 billion over the period. The increase in VAT is largely tied to FG's effort to shore up its revenues by increasing the VAT levy and base. Consequently, we saw higher VAT from professional services (+48% YoY), transport services (+278% YoY) and Federal ministries (+46% YoY) segments. On the flip side, the banking (-15%), building (-10%) and clearing & forwarding (-17%) segments posted the most declines. Interestingly, the Federal Inland Revenue Service (FIRS) announced Nigerian banks would commence charging VAT on local and foreign online transactions from January 2020 in a bid to further boost VAT revenues.

Equities

- ◆ The equities market turned negative this week, with the All Share Index dropping 0.99% WoW (YTD: -12.42%) to 27,525.81 index points. Similarly, market capitalization lost ₦133.5 billion, to close the week at ₦13.4 trillion. On the sectoral performance, the Oil & Gas (-25.05%), Construction (-5.51%) and Personal Care (-3.39%) indices posted the most losses, while the Telecom (+1.55%), Food (+0.39%) and Insurance (+0.5%) indices closed the week positive. Specifically, SEPLAT (-18.84%), TOTAL (-5.48%), DANGCEM (-2.7%), UNILEVER (-3.23%), and UACPROP(-17.76%) were among the biggest losers this week.

Fixed Income

- ◆ Contrary to trend in the fixed income market last week, average yields dipped 88bps to 14%, driven by downslide in NTB and bond yields. For clarity, despite increase in OMO rates at this week's OMO auction (One year OMO: +62bps to 13.5%) where the apex bank sold ₦270.2 billion worth of OMO bills, average NTB yields dipped driven by strong interests across the short-tenor bills (-137bps) and mid-tenor bills (-224bps). Similarly, average bond yields declined by 21bps to close at 14.19% following a 169bps and 66bps WoW drop in the yields of Feb-2020 and Jan-2022 respectively.

The week in Review

- The US economy growth in Q2 came in slower than was initially estimated, as the BEA revised GDP growth figures lower to 2% from 2.1% in the advance estimate (Q1: 3.1%). The revision brought growth rate in line with analysts' expectations. Growth in consumer spending, which contributes over two-thirds to economic activities, was revised higher by 40 bps, but was offset by declines in state and local government spending (-90bps), exports (-60bps), and residential investment (-140bps).

- Over in the EU, the Eurostat released August inflation data which printed at 1%YoY -- same as the previous month's and in line with analysts' expectations. Further breakdown showed lower inflation in Germany (-10bps to 1.1%YoY), Spain (-20bps to 0.4%YoY) and France (-10bps to 1.2%YoY) was pared by consumer price increases in other European countries including Italy (+20bps to 0.5%).

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	27525.81	-0.99	-0.69	-8.15	-12.42	-21.55
NSE ASI (\$)	75.84	-0.99	-0.69%	-8.70%	-12.17%	-21.08%
Market Cap (₹bn)	13391.01	-0.99%	-0.97%	1.40%	14.25%	5.26%
Market Cap (\$mn)	36896.94	-0.93%	-1.16%	0.79%	14.59%	5.17%
NSE 30	1087.68	-2.24	-4.53	-13.38	-23.25	-30.86
NSE Premium	2313.67	-1.61	1.18	-3.45	5.40	-8.87
NSE 50	1277.60	-1.60	-4.14	-13.85	-23.13	-29.35
NSE ASEM	778.95	0.00%	-0.08	-0.43	-1.87	-3.82
NSE Banking	321.18	-3.46	-3.59	-12.45	-19.49	-25.16
NSE Insurance	106.85	1.15	-7.68	-13.66	-15.52	-22.34
NSE Consumer	526.11	-0.63	-4.10	-15.46	-29.74	-36.10
NSE Oil & Gas	198.41	-10.76	-12.16	-21.65	-34.35	-33.41
NSE Industrial	1091.19	0.34	1.63	0.31	-11.85	-34.71
NSE Lotus	1736.83	-0.25	-2.68	-11.62	-22.25	-28.90
NSE Pensions	925.65	-2.72	-4.35	-12.53	-23.34	-28.23

Top 10 Gainers

Company	This Week	WoW
JOHNHOLT	0.55	19.6%
CONTINSU	1.45	11.5%
UNITYBNK	0.70	11.1%
MBENEFIT	0.22	10.0%
ABCTRANS	0.32	6.7%
AFRIPRUD	4.00	6.7%
CCNN	15.85	6.4%
CORNERST	0.21	5.0%
STERLNBA	2.50	4.6%
NASCON	13.00	4.0%

Top 10 Losers

Company	This Week	WoW
SEPLAT	397.70	-18.8%
UACPROP	0.88	-17.8%
INTBREW	9.75	-15.2%
GLAXOSMI	7.20	-13.3%
UPL	1.37	-11.6%
JBERGER	18.55	-10.0%
CHAMPION	1.53	-9.5%
ETI	7.25	-9.4%
HONYFLOU	1.00	-9.1%
TRANSEXP	0.70	-9.1%

Source: NSE, Bloomberg, ARM Research

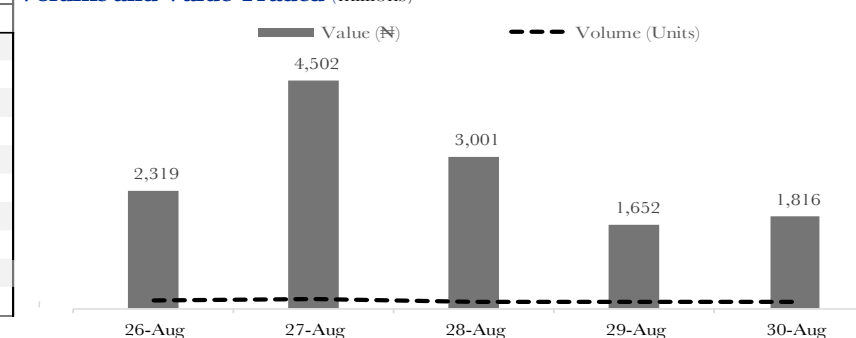
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-2.09%	-12.53%	-21.50%
Brewers	-0.58%	-20.38%	-43.00%
Cement	-2.51%	-11.16%	-14.14%
Telecom	1.55%	-0.11%	-0.11%
Personal Care	-3.39%	-15.36%	-31.90%
Construction	-5.51%	-8.70%	-4.22%
Food	0.39%	-9.13%	-15.20%
Insurance	0.50%	-7.49%	-7.49%
Oil & Gas	-25.05%	-43.68%	-59.70%
Real Estate	-0.54%	-1.75%	-2.88%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.00%	0.00%	0.00%
Mid Cap (Mid 30%)	-0.97%	3.37%	21.12%
Small Cap (Bottom 60%)	-1.26%	-11.13%	-15.08%

Volume and Value Traded (millions)



The week in Review

- ◆ The week, the NBS released the sectoral distribution of Value Added Tax (VAT) in Nigeria for Q2 2019 which revealed an increase in overall VAT by 17% YoY to ₦311.94 billion over the period. The increase in VAT is largely tied to FG's effort to shore up its revenues by increasing the VAT levy and base. Consequently, we saw higher VAT from professional services (+48% YoY), transport services (+278% YoY) and Federal ministries (+46% YoY) segments.

- ◆ On the flip side, the banking (-15%), building (-10%) and clearing & forwarding (-17%) segments posted the most declines. Interestingly, the Federal Inland Revenue Service (FIRS) announced Nigerian banks would commence charging VAT on local and foreign online transactions from January 2020 in a bid to further boost VAT revenues.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	44.46	44.69	-0.53%	3.10%	Zenith Bank Plc - Few concerns, but compelling dividend yield
USD/NGN (₦/\$)					Initial View - Fidelity Bank Plc - Decent result despite few surprises
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	*CBN sets limits for banks on non-performing loans
Manufacturing	0.8	2.4	1.9	2.1	*FG Pledges to Deepen Foreign Direct Investment
Services	3.1	3.8	3.4	1.7	*FDI dips by 36.5% in seven months
Labor Data (%) - Q3 18			Latest	Prior	*Nigeria's problem is revenue, not debt — Finance minister
Unemployment Rate			23.1	18.8	*FIRS imposes VAT on online transactions January
Underemployment			20.1	21.2	*Loan defaulters to lose deposits in other banks
Capital Importation (\$'mn)	Q1 19	Q4 18	QoQ (%)	YoY (%)	*Manufacturing Index Expands in August
Foreign Portfolio Investment - Equities	666.19	218.27	205.2%	-65.5%	*NNPC: Oil Output Rises to 2.2mbpd Despite Sabotage
Bonds	666.66	193.33	244.8%	479.7%	*MPC members raise concerns over FG, states' debts
Money Market	5924.13	983.08	502.6%	723.9%	*IFC transfers Ecobank shares to Arise BV
Foreign Direct Investment	243.37	173.37	40.4%	-11.3%	*Ignite Investments Offers to Acquire 0.5m additional Shares in Forte Oil Plc
Balance of Payment (\$'mn)	Q1 19	Q4 18	Q3 18	QoQ	*Stock Exchange lifts suspension on Royal Exchange
Trade Balance	2,203	6,794	3,760	-67.6%	*Food imports gulped \$14bn in five years — CBN
CA Balance	(1,088)	1,105	(1,544)	-198.5%	*Airtel overtakes Globacom, mobile subscription peaks at 174.67m

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

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- Specifically, SEPLAT (-18.84%), TOTAL (-5.48%), DANGCEM (-2.7%), UNILEVER (-3.23%), and UACPROP(-17.76%) were among the biggest losers this week.

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Brewers	-0.58%	-20.38%	-43.00%
Cement	-2.51%	-11.16%	-14.14%
Telecom	1.55%	-0.11%	-0.11%
Personal Care	-3.39%	-15.36%	-31.90%
Construction	-5.51%	-8.70%	-4.22%
Food	0.39%	-9.13%	-15.20%
Insurance	0.50%	-7.49%	-7.49%
Oil & Gas	-25.05%	-43.68%	-59.70%
Real Estate	-0.54%	-1.75%	-2.88%

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	WoW	QTD	YTD
Large Cap (Top 10%)	0.00%	0.00%	0.00%
Mid Cap (Mid 30%)	-0.97%	3.37%	21.12%
Small Cap (Bottom 60%)	-1.26%	-11.13%	-15.08%

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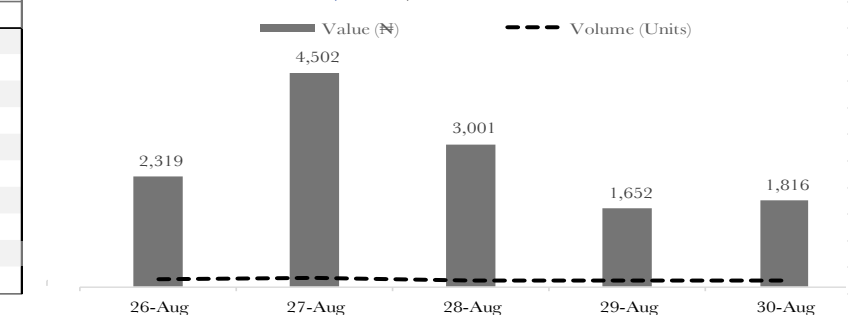
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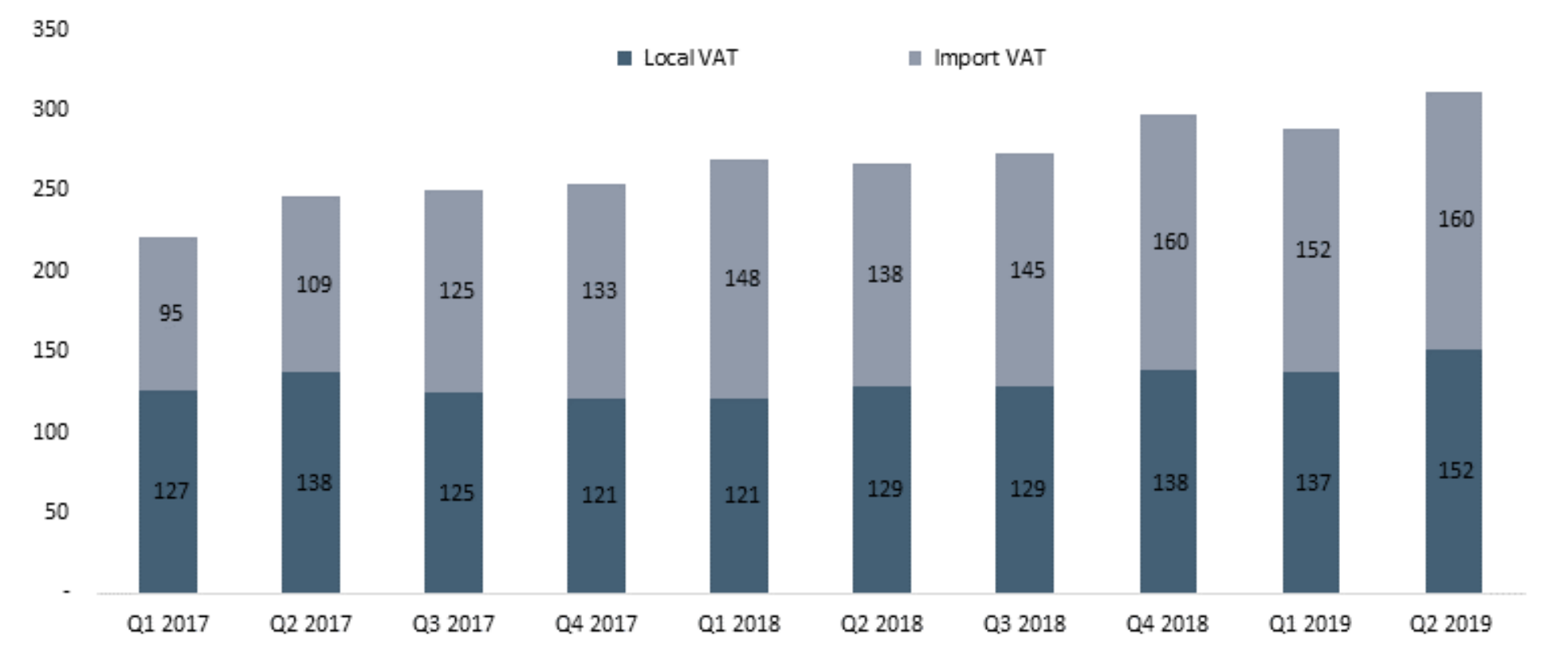
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	10.50%	18.79%	-8.29%	30-Aug-19	11.59%	11.79%	13.50%	30-Aug-19	2.89	2.48	216.75
Open Buy Back (OBB)	9.29%	17.71%	-8.42%	29-Aug-19	11.59%	11.79%	13.00%	29-Aug-19	1.00	1.38	45.67
NIBOR - 1M	14.00%	15.37%	-1.37%	15-Aug-19	-	11.80%	12.88%	15-Aug-19	-	0.69	87.97
NIBOR - 3M	12.98%	14.88%	-1.90%	07-Aug-19	11.30%	-	12.00%	07-Aug-19	17.74	-	96.85
NIBOR - 6M	14.98%	16.22%	-1.24%	19-Jul-19	11.40%	11.84%	12.25%	19-Jul-19	10.00	15.00	50.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	13.17%	14.96%	-1.79%	28-Aug-19	11.10%	11.59%	12.89%	28-Aug-19	24.37	38.75	145.48
3-month	12.68%	13.27%	-0.59%	14-Aug-19	9.75%	11.35%	12.00%	14-Aug-19	4.4	3.0	27.0
6-month	13.72%	15.50%	-1.78%	31-Jul-19	9.75%	10.60%	11.18%	31-Jul-19	28.0	58.6	136.5
9-month	14.39%	16.06%	-1.67%	17-Jul-19	9.74%	10.75%	11.14%	17-Jul-19	5.9	26.6	74.6
12-month	14.22%	14.26%	-0.04%	05-Jul-19	10.50%	11.70%	11.91%	05-Jul-19	10.0	20.0	58.9
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
15.54% 13-FEB-2020	13.57%	15.26%	-1.69%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	14.1	17.7	27.8
14.50% 15-JUL-2021	14.40%	14.52%	-0.12%	24-Jul-19	13.35%	13.64%	14.12%	24-Jul-19	28.2	7.2	51.4
16.39% 27-JAN-2022	14.09%	14.69%	-0.60%	28-Jun-19	14.30%	14.50%	14.68%	28-Jun-19	29.0	36.4	31.5
14.20% 14-MAR-2024	14.28%	14.33%	-0.05%	22-May-19	14.11%	14.24%	14.49%	22-May-19	27.0	35.0	48.9
12.50% 22-JAN-2026	14.13%	14.07%	0.06%	24-Apr-19	14.50%	14.55%	14.80%	25-Apr-18	1.1	3.4	1.3
16.2884% 17-MAR-2027	14.19%	14.11%	0.08%	Corporate Bonds			This Week	Corporate Eurobond			This Week
12.1493% 18-JUL-2034	14.39%	14.66%	-0.27%	UBA 16.45% 30-DEC-2021	15.18%	15.64%	-0.46%	ACCESS 10.50% 19-OCT-2021	4.79%	4.81%	-0.02%
16.2499% 18-APR-2037	14.30%	14.46%	-0.16%	MIXTA 17.00% 16-JAN-2022	15.36%	15.46%	-0.10%	ZENITH 7.375% 30-MAY-2022	5.27%	5.04%	0.23%
14.8% 26-APR-2049	14.56%	14.50%	0.06%	FIDELITY 16.48% 13-MAY-2022	15.39%	15.88%	-0.49%	UBA 7.75% 08-JUN-2022	5.74%	5.55%	0.19%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	15.99%	16.36%	-0.37%	SEPLAT 9.25% 1-APR-2023	7.42%	7.44%	-0.02%
5.625% 27-JUN-2022	4.49%	4.51%	-0.02%	LAPO MFB 17.75% 19-DEC-2022	17.97%	18.22%	-0.25%				
6.50% 28-Nov-2027	6.56%	6.63%	-0.07%	STERLING 16.50% 3-AUG-2023	15.34%	15.44%	-0.10%				
7.875% 16-FEB-2032	7.52%	7.60%	-0.08%	FCMB 17.25% 8-DEC-2023	15.66%	15.73%	-0.07%				
7.625% 28-Nov-2047	7.96%	8.10%	-0.14%	STANBIC 13.25% 30-SEP-2024	15.05%	15.18%	-0.13%				
				VIATHAN 16.00% 14-DEC-2027	14.94%	15.11%	-0.17%				

Economic and Financial Calendar for the week 2nd September - 6th September 2019

	Monday	Tuesday	Wednesday	Thursday	Friday
	2-Sep	3-Sep	4-Sep	5-Sep	6-Sep
Global	China Caixin Manufacturing PMI - August	EU Producer Price Index (YoY) - July	China Caixin Services PMI - August	US ADP Employment Change - August	Germany Industrial Production (YoY) - July
	Germany Markit Manufacturing PMI - August	US Markit Manufacturing PMI - August	EU Markit Services PMI - August	US Factory Orders (MoM) - July	Germany Factory Orders (MoM) - July
	EU Markit Manufacturing PMI - August		UK Markit Services PMI - August	US Markit Services PMI	
	UK Markit Manufacturing PMI - August				
Domestic		Nigerian GDP by output report - Q2			

QUARTERLY VALUE ADDED TAX

This week, we feature the sectoral data for VAT which shows a 17% YoY growth to ₦312 billion, supported by increased contributions from both Local and Imported services and products



Source: NBS, ARM Research



Thank You



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