

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Economic & Financial Commentary

...for the week 16th – 20th December 2019

Global Economy

- ◆ The UK's growth over Q3 was revised upwards by 1bp to 1.1% YoY, albeit still the weakest since Q2 2012. The revision reflects higher growth rates for services and a slower contraction in the manufacturing sector which offset a faster decline in agriculture. Meanwhile, growth in UK's retail sales slowed in November to 1% YoY – the slowest since April 2018 and below 2.1% consensus expectation. The slowed growth stemmed from a 1.1% decline in Non-Food Stores and a slowdown in Textile, Clothing, Footwear and Leather. It is worth stating that the impact of the Nov. 29th Black Friday was not captured in this month's data, given it took place 6 days after the reporting period. China got a twin boost in data releases this week after retail sales and industrial production growth in November printed higher than expected. Retail sales grew 8% YoY (October: 7.2%) owing to higher sales in cosmetics and oil & oil products. Meanwhile, industrial production grew 6.2% (October: 4.7%), stemming from growth in the manufacturing, mining and utilities sectors.

Domestic Economy

- ◆ Further detail of the passed budget was revealed this week following the President's signature on the appropriation bill. With total expenditure of ₦10.6 trillion and revenue of ₦8.4 trillion, the newly signed budget shows a budget deficit of ~₦2.2 trillion, bulk of which will be financed via borrowings. Precisely, the government plans to borrow ~₦1.6 trillion, 53% of which will be sourced internationally, and 47% locally. That said, the remainder ₦600 billion deficit is expected to be financed by privatization proceeds and project tied loans. Meanwhile, consumer prices for the month of November advanced by 24bps to 11.85% YoY (vs October: 11.61% YoY) marking the highest rate since April 2018. Akin to the past two months, the pickup in inflation stemmed from heightened food prices as Nigeria's land borders remained closed. Food inflation ticked higher by 39bps to 14.48% YoY, following a 40bps increase in farm produce to 15.16%, while core inflation rose 12bps to 8.99% YoY.

Equities

- ◆ The Nigerian bourse continued its downward trend, slipping 4bps WoW to 26,526.35 points, while market capitalization lost ₦3.5 billion. This week's loss was anchored by Telecom (-1.63%), Cement (-0.05%), Food (-1.17%), Insurance (-2.79%), and Oil & Gas (-1.44%) muting gains in Breweries (+8.53%), Banking (+1.03%) and Personal Care segments (+7.45%) WoW. Dissecting the sectoral performance revealed sell offs in MTNN (-2.43%), WAPCO (-1.08%), CCNN (-0.80%), DANGSUGA (-9.97%), UACN (-6.74%), CUSTODIAN (-5.83%), OANDO (-6.08%) outweighing gains in NNPC (+9.96%), GUARANTY (+1.37%), UNILEVER (+9.49%) and PZ (+2.86%). Meanwhile, Forte oil company name was changed to Ardova Plc during the week.

Fixed Income

- ◆ At the auctions held this week, the FG showed its preferred market for debt financing was in the longer-dated instruments. While bid to offer at both the NTB (14.3x) and bonds (1.9x) auctions were quite strong, the FG sold more at the bonds leg (sale-to-offer: 1.9x), while they rolled-over at the NTB auction. ₦7 billion was sold at the NTB auction with the average stop rate taking a 119bps plunge to 4.83%, while ₦287 billion (non-competitive: ₦264 billion) was sold at the bond segment with average stop rate dropping 77bps to 12%. Over in the secondary market, we saw mixed performance at the two ends of the market. Average NTB yields dropped 44bps WoW to 5.84%, driven by pent up system liquidity and interests from those who lost their bids at the PMA. The biggest decline was seen for the long-tenor bills where the 300-day fell 70bps. In contrast, average bond yield finished the week 17bps higher at 10.90% led by the Feb-2028 (+71 bps), Apr-2029 (+61 bps) and Jul-2030 (+50bps). Overall, average fixed income yields finished 13bps lower at 8.37%.

The week in Review

- ◆ The UK's growth over Q3 was revised upwards by 1bp to 1.1% YoY, albeit still the weakest since Q2 2012. The revision reflects higher growth rates for services and a slower contraction in the manufacturing sector which offset a faster decline in agriculture. Meanwhile, growth in UK's retail sales slowed in November to 1% YoY – the slowest since April 2018 and below 2.1% consensus expectation. The slowed growth stemmed from a 1.1% decline in Non-Food Stores and a slowdown in Textile, Clothing, Footwear and Leather.

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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	3,224	1.7	28.6	30.7	21.5		1.8	1.51		1.92	-0.9	2.1	1.1	1.1	-0.4	-3.4
	NASDAQ	8,925	2.2	34.5	36.7	33.1	13,338.8	1.1			0.63	0.0	1.5	1.3	1.3	-2.2	2.3
UK	FTSE ASI	7,582	3.1	12.7	13.0	18.3		4.5	-0.33	2.6	0.15	69.4	0.7	109.5	109.4	-0.1	0.2
France	CAC 40	6,022	1.7	27.3	28.3	21.6	1,207.8	3.1			-0.07	-0.3	0.5	71.1	70.8	-0.4	-1.9
Germany	XETRA DAX	13,319	0.3	26.1	25.5	24.6		2.9	2.65	-0.9	3.28	-0.3	4.5	7.0	7.0	-0.3	-1.8
Japan	NIKKEI 25	23,817	-0.9	19.0	16.8	19.0	6.0	1.9	5.32	1.3	6.60	-2.7	7.62	18.9	19.0	0.7	3.9
China	Shanghai Comp	3,005	1.3	20.5	18.5	14.4	4,810.7	2.5	7.11	0.3	6.87	-0.5	2.97	62.2	62.8	1.0	11.5
Brazil	Ibovespa	115,002	2.2	30.9	34.9	18.0	48.7	2.8	11.50	-1.6	12.10	-0.8	10.56	14.2	14.5	2.2	0.9
India	BSE Sens	41,682	1.6	15.6	14.4	29.7	604.1	1.4	5.51	-0.9	2.61	-0.6	3.5	16.0	16.1	0.4	11.7
Russia	RTS	799	1.7	39.7	39.0	6.1	3.9	6.8	15.00	0.00	16.00	0.0	3.6	100.7	101.7	1.0	1.1
Mexico	S&P/BMV IPC	44,667	0.9	7.3	7.2	17.3		2.9	7.73	-0.3	9.02	0.6	3.6	5.7	5.8	1.8	-14.2
Turkey	Borsa Istanbul	111,177	0.6	21.8	21.0	8.6	0.4	3.4	9.79	-0.1	12.28	0.0	5.6	592.6	588.4	-0.7	-3.4
Indonesia	JCI Index	6,284	1.4	1.5	2.2	19.7	501.2	2.2	15.50	0.0	19.00	0.0	8.2	593.5	590.9	-0.4	-2.2
Kazakhstan	KASE Index	2,328	0.1	0.1	2.1	6.5	3.6	140.1	5.50	-20.1	16.07	-3.3	11.9	362.2	362.0	-0.1	0.1
Vietnam	VN Index	956	-1.0	7.2	4.2	15.7	141.5	2.1	Global Commodities					Global Indicators for the Week			
South Africa	FTSE/JSE ASI	57,411	1.2	8.9	11.8	15.9	-	3.9									
Egypt	EGX 30	13,837	0.0	6.1	5.3	11.9	12.1	3.2	This Week	Prior Week	WoW (%)	YTD (%)					
Kenya	NSEASI	164	2.1	16.7	17.2	12.3	22.7	5.2	Brent Crude \$/bbl	66.2	65.2	1.5	23.1	Japan Jibun Bank Manufacturing PMI - Dec**	48.8	48.9	
Morocco	MSCI MX	328	0.7	5.8	6.9	21.1	10.6	N/A N/A	OPEC Crude \$/bbl	67.9	65.8	1.8	31.8	China Industrial Production (YoY) - Nov	6.2%	4.7%	
Ghana	GSE Composite	2,223	-0.5	-11.1	-9.6	15.0	11.1	1.5	Gasoline \$/gal	171.7	166.3	3.2	28.6	EU Markit Manufacturing PMI - Dec**	45.9	46.9	
Tunisia	TunIndex	6,973	-0.2	-4.1	-3.2	19.1	0.6	2.1	Natural Gas \$/MBtu	2.3	2.3	1.2	-24.1	China Retail Sales (YoY) - Nov	8.0%	7.2%	
BRVM	BRVM	144	1.9	-16.6	-12.4	7.2	7.2		Gold \$/t oz	1477.0	1476.3	0.0	15.2	US Industrial Production (MoM) - Nov	1.1%	-0.9%	
Mauritius	SEMDEX	2,161	1.3	-2.6	-2.4	17.2	8.6		Sugar \$/lb	13.5	13.5	0.3	3.0	UK Retail Sales (YoY) - Nov	1.0%	3.1%	
Nigeria	NGSE ASI	26,526	-0.04	-15.60	-13.9	7.0	35.4	6.7	Wheat \$/bsh	539.8	532.5	1.4	-2.5	Japan National CPI (YoY) - Nov	0.5%	0.2%	
									Crude Palm oil IYR/MT	2912.0	2845.0	0.0		UK Gross Domestic Product - Q3	1.1%	1.0%	

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

- Further detail of the passed budget was revealed this week following the President's signature on the appropriation bill. With total expenditure of ₦10.6 trillion and revenue of ₦8.4 trillion, the newly signed budget shows a budget deficit of ~₦2.2 trillion, bulk of which will be financed via borrowings. Precisely, the government plans to borrow ~₦1.6 trillion, 53% of which will be sourced internationally, and 47% locally. That said, the remainder ₦600 billion deficit is expected to be financed by privatization proceeds and project tied loans.

- Meanwhile, consumer prices for the month of November advanced by 24bps to 11.85% YoY (vs October: 11.61% YoY) marking the highest rate since April 2018. Akin to the past two months, the pickup in inflation stemmed from heightened food prices as Nigeria's land borders remained closed. Food inflation ticked higher by 39bps to 14.48% YoY, following a 40bps increase in farm produce to 15.16%, while core inflation rose 12bps to 8.99% YoY.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.38	39.38	0.00%	-8.67%	Consumer prices - November – Nigeria's CPI ascends to a 19-month high
USD/NGN (₦/\$)					
NAFEX	363	363	0.00%	0.29%	
Parallel	360.5	360.5	0.00%	0.14%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (September)			CHG (pps)		
Headline	11.85	11.61	0.24	11.34	
Core	8.99	8.88	0.11	9.15	
Food	14.48	14.07	0.41	13.65	
GDP (%) - YoY	Q3 19	Q2 19	Q1 19	FY19F	
Real GDP	2.3	2.1	2.01	2.2	
Oil	6.5	7.2	-1.5	5.4	News Headline for the week (click news for link)
Agriculture	2.3	1.8	3.2	2.7	*World Bank doubts Nigeria's ability to sustain debt
Manufacturing	1.1	-0.1	0.8	1	*FG generates N4.25tn, stops 2019 capital budget releases
Services	3.5	2.9	3.1	2.6	*Investments in mutual funds hit N956.7bn in 11 months
Labor Data (%) - Q3 18			Latest	Prior	*FG Releases N1.2tn Capex, Puts Revenue Performance at N4.2tn
Unemployment Rate			23.1	18.8	*Rates Crash Further as Banks Race to Beat 65% LDR Deadline
Underemployment			20.1	21.2	*Forte Oil changes name to Ardova
Capital Importation (\$'mn)	Q3 19	Q2 19	QoQ (%)	YoY (%)	*Buhari names Sarki Auwalu as new DPR director
Foreign Portfolio Investment - Equities	358.192	496.839	-27.9%	-81.5%	*NCC prepares spectrum regulation for drone use
Bonds	91.5978	316.278	-71.0%	-20.3%	*Russians to return for completion of Ajaokuta steel
Money Market	2549.71	3479.775	-26.7%	254.6%	*Court approves Seplat's acquisition of Eland Oil
Foreign Direct Investment	200.081	222.89	-10.2%	-27.1%	*Fed Govt targets 46b b/d strategic reserves
Balance of Payment (\$'mn)	Q2 19	Q1 19	Q4 18	QoQ	*Refineries lost N111bn in nine months, says NNPC
Trade Balance	2,478	775	6,794	-63.5%	*FG targets 70% broadband penetration in 5 years
CA Balance	(2,859)	(2,819)	1,105	-358.7%	*FMN's N64b sugar farm to end dependence on importation

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

The week in Review

- The Nigerian bourse continued its downward trend, slipping 4bps WoW to 26,526.35 points, while market capitalization lost ₦3.5 billion. This week's loss was anchored by Telecom (-1.63%), Cement (-0.05%), Food (-1.17%), Insurance (-2.79%), and Oil & Gas (-1.44%) muting gains in Breweries (+8.53%), Banking (+1.03%) and Personal Care segments (+7.45%) WoW.

- Dissecting the sectoral performance revealed sell offs in MTNN (-2.43%), WAPCO (-1.08%), CCNN (-0.80%), DANGSUGA (-9.97%), UACN (-6.74%), CUSTODIAN (-5.83%), OANDO (-6.08%) outweighing gains in NB (+9.96%), GUARANTY (+1.37%), UNILEVER (+9.49%) and PZ (+2.86%). Meanwhile, Forte oil company name was changed to Ardova Plc during the week.

Index Performance

		Index Returns (%)				
	Level	WoW	MTD	QTD	YTD	1 year
NSE ASI	26526.35	-0.04	-1.76	-4.00	-15.60	-13.88
NSE ASI (\$)	76.45	-0.04	-2.10%	-4.48%	-15.62%	-13.69%
Market Cap (₦bn)	12804.18	-0.03%	-1.75%	-4.80%	9.24%	-13.91%
Market Cap (\$mn)	35170.51	-0.18%	-2.09%	-5.29%	9.23%	14.06%
NSE 30	1133.49	0.79	-0.23	-1.18	-20.02	-18.19
NSE Premium	2119.55	-0.86	-3.13	-6.70	-3.44	-2.57
NSE 50	1307.62	0.80	-0.19	-1.33	-21.33	-19.32
NSE ASEM	734.99	0.00%	-2.99	-5.08	-7.41	-7.41
NSE Banking	355.42	0.78	-1.58	3.32	-10.91	-10.26
NSE Insurance	120.44	1.04	0.20	3.83	-4.78	-3.41
NSE Consumer	555.68	1.31	2.58	-2.07	-25.79	-22.73
NSE Oil & Gas	232.46	-0.68	-1.07	-2.88	-23.09	-17.08
NSE Industrial	1051.59	-0.49	-2.88	-2.93	-15.05	-15.12
NSE Lotus	1761.69	-0.06	0.13	-1.57	-21.14	-19.57
NSE Pensions	1018.93	0.57	0.63	2.59	-15.61	-12.35

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	1.03%	3.51%	-13.63%
Brewers	8.53%	5.39%	-39.29%
Cement	-0.05%	-7.57%	-25.33%
Telecom	-1.63%	-10.41%	-15.66%
Personal Care	7.45%	-24.15%	-49.29%
Construction	1.29%	2.29%	-2.03%
Food	-1.71%	-1.35%	-6.51%
Insurance	-2.79%	0.18%	-1.39%
Oil & Gas	-1.44%	-6.19%	-36.86%
Real Estate	-0.46%	-0.60%	-2.99%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.00%	-4.58%	15.26%
Mid Cap (Mid 30%)	-0.31%	-1.01%	-12.97%
Small Cap (Bottom 60%)	-1.13%	-0.60%	47.27%

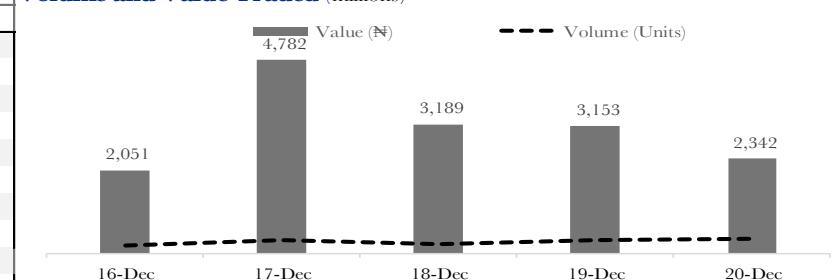
Top 10 Gainers

Company	This Week	WoW
LEVENTIS	0.50	28.2%
CHAMS	0.36	20.0%
ROYALEX	0.29	11.5%
NB	57.95	10.0%
PRESCO	47.50	9.2%
WAPIC	0.36	9.1%
GUINNESS	32.05	8.6%
LASACO	0.27	8.0%
CUTIX	1.45	6.6%
UBN	6.80	4.6%

Top 10 Losers

Company	This Week	WoW
CORNERST	0.42	-36.4%
UACN	0.84	-16.0%
NASCON	11.95	-14.6%
UPL	1.17	-11.4%
AIRLINE	7.05	-10.9%
DANGSUGA	14.90	-10.0%
BOCGAS	5.50	-9.8%
ARBICO	3.51	-9.8%
UNIONDAC	0.20	-9.1%
INTBREW	9.40	-6.9%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

- At the auctions held this week, the FG showed its preferred market for debt financing was in the longer-dated instruments. While bid to offer at both the NTB (14.3x) and bonds (1.9x) auctions were quite strong, the FG sold more at the bonds leg (sale-to-offer: 1.9x), while they rolled-over at the NTB auction. ₦7 billion was sold at the NTB auction with the average stop rate taking a 119bps plunge to 4.83%, while ₦287 billion (non-competitive: ₦264 billion) was sold at the bond segment with average stop rate dropping 77bps to 12%.

- Over in the secondary market, we saw mixed performance at the two ends of the market. Average NTB yields dropped 44bps WoW to 5.84%, driven by pent up system liquidity and interests from those who lost their bids at the PMA. The biggest decline was seen for the long-tenor bills where the 300-day fell 70bps. In contrast, average bond yield finished the week 17bps higher at 10.90% led by the Feb-2028 (+71 bps), Apr-2029 (+61 bps) and Jul-2030 (+50bps). Overall, average fixed income yields finished 13bps lower at 8.37%

	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)	2.93%	2.79%	0.14%	05-Dec-19	11.50%	N/A	13.30%	05-Dec-19	0.98	N/A	189.84
Open Buy Back (OBB)	2.14%	2.21%	-0.07%	28-Nov-19	N/A	N/A	13.30%	28-Nov-19	N/A	N/A	281.45
NIBOR - 1M	7.10%	12.73%	-5.63%	14-Nov-19	11.50%	11.69%	13.30%	14-Nov-19	5.00	5.00	243.77
NIBOR - 3M	7.42%	13.66%	-6.24%	07-Nov-19	N/A	11.69%	13.30%	07-Nov-19	N/A	8.00	224.45
NIBOR - 6M	7.95%	14.27%	-6.32%	31-Oct-19	11.55%	11.75%	13.32%	31-Oct-19	16.50	11.50	336.09
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	5.22%	5.28%	-0.06%	18-Dec-19	4.00%	5.00%	5.50%	18-Dec-19	2.00	2.00	3.00
3-month	4.85%	5.06%	-0.21%	11-Dec-19	5.00%	6.19%	6.88%	11-Dec-19	1.80	4.50	38.70
6-month	5.49%	5.50%	-0.01%	27-Nov-19	6.50%	7.23%	8.37%	27-Nov-19	20.4	19.2	111.1
9-month	6.17%	6.99%	-0.82%	13-Nov-19	7.79%	9.00%	10.00%	13-Nov-19	4.4	12.9	107.9
12-month	6.31%	7.01%	-0.70%	30-Oct-19	9.49%	10.45%	11.50%	30-Oct-19	28.0	10.6	93.9
FGN Bonds (Local)				FGN Bonds	5 Year	10 Year	30 Year	FGN Bonds	5 Year	10 Year	30 Year
15.54% 13-FEB-2020	5.13%	5.22%	-0.09%	18-Dec-19	11.00%	12.00%	13.00%	18-Dec-19	67.3	78.8	118.2
14.50% 15-JUL-2021	9.16%	9.05%	0.11%	20-Nov-19	12.00%	12.93%	13.39%	20-Nov-19	59.9	96.7	96.4
16.39% 27-JAN-2022	9.89%	9.83%	0.05%	23-Oct-19	14.05%	14.23%	14.60%	23-Oct-19	29.1	64.4	46.3
14.20% 14-MAR-2024	10.86%	10.90%	-0.04%	25-Sep-19	14.39%	14.43%	14.64%	25-Sep-19	14.1	17.7	27.8
12.50% 22-JAN-2026	11.18%	11.05%	0.12%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	28.2	7.2	51.4
16.2884% 17-MAR-2027	11.51%	11.51%	0.00%	Corporate Bonds				Corporate Eurobond			
12.1493% 18-JUL-2034	11.87%	11.79%	0.08%	UBA 16.45% 30-DEC-2021	10.77%	10.69%	0.08%	ACCESS 10.50% 19-OCT-2021	3.99%	4.22%	-0.23%
16.2499% 18-APR-2037	11.69%	11.69%	0.00%	MIXTA 17.00% 16-JAN-2022	9.16%	9.37%	-0.21%	ZENITH 7.375% 30-MAY-2022	4.29%	4.31%	-0.02%
14.8% 26-APR-2049	12.88%	12.44%	0.44%	FIDELITY 16.48% 13-MAY-2022	11.35%	11.23%	0.12%	UBA 7.75% 08-JUN-2022	5.12%	5.20%	-0.08%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	12.13%	11.95%	0.18%	SEPLAT 9.25% 1-APR-2023	7.62%	7.51%	0.11%
5.625% 27-JUN-2022	3.99%	3.98%	0.01%	LAPO MFB 17.75% 19-DEC-2022	14.28%	14.03%	0.25%				
6.50% 28-Nov-2027	6.20%	6.24%	-0.04%	STERLING 16.50% 3-AUG-2023	11.88%	11.66%	0.22%				
7.875% 16-FEB-2032	7.41%	7.40%	0.01%	FCMB 17.25% 8-DEC-2023	12.22%	12.15%	0.07%				
7.625% 28-Nov-2047	7.87%	7.84%	0.03%	STANBIC 13.25% 30-SEP-2024	11.85%	12.01%	-0.16%				
				VIATHAN 16.00% 14-DEC-2027	11.85%	12.06%	-0.21%				

Source: DMO, FMDQ, Bloomberg, ARM Research

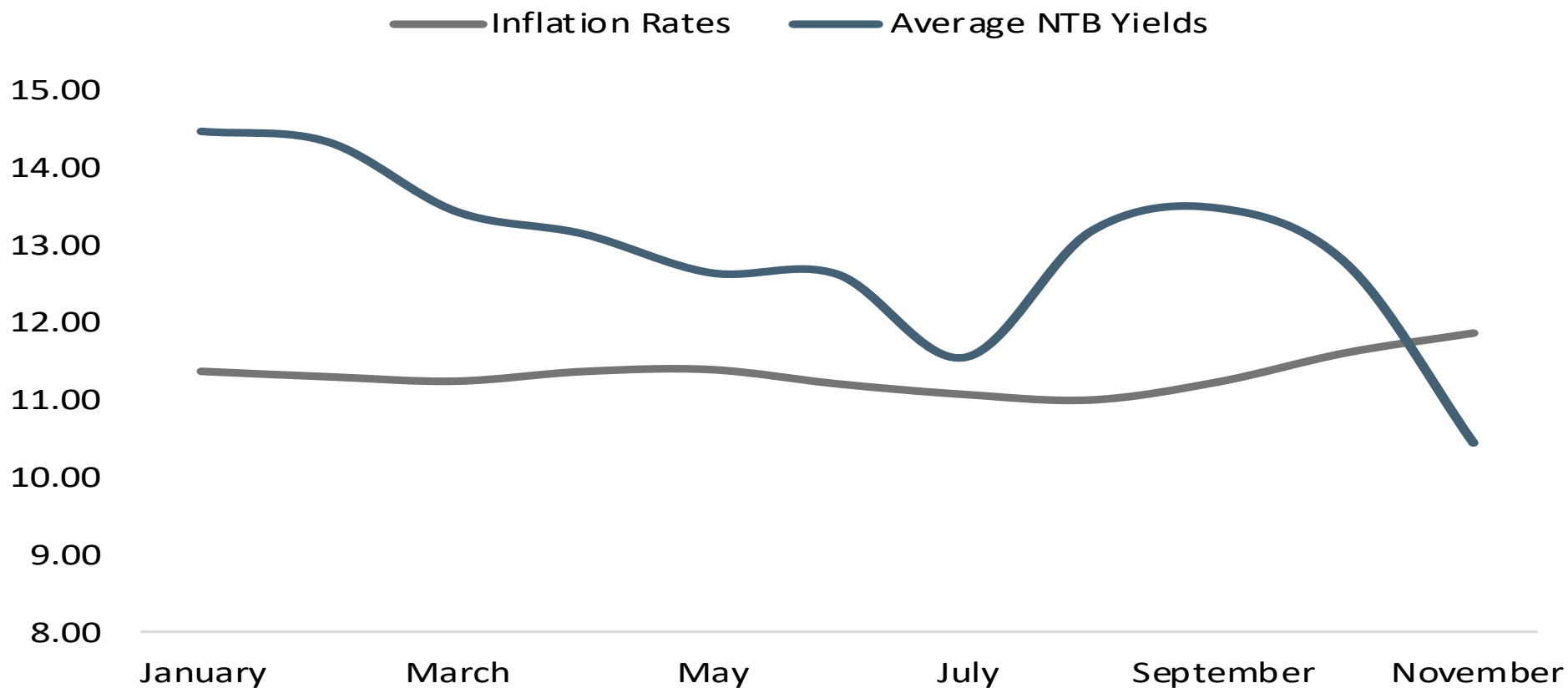
Economic and Financial Calendar for the week 23rd-27th December 2019

	Monday	Tuesday	Wednesday	Thursday	Friday
	23-Dec	24-Dec	25-Dec	26-Dec	27-Dec
Global	Japan All Industry Activity Index (MoM) - Oct	US Durable Goods Orders - Nov	Japan Foreign Bond Investment	Japan Unemployment Rate - Nov	EU Economic Bulletin
	US New Home Sales (MoM) - Nov			Japan Retail Trade (YoY) - Nov	US EIA Crude Oil Stocks Change - Dec 20
				Japan Industrial Production (YoY) - Nov	
Domestic		Federation Account Allocation Committee - Nov			
		Petroleum Products Imports Statistics - Q3			

** means Preliminary Estimate

Trend between average inflation and average NTB yields over 2019

The below chart shows the trend between monthly average NTB rates and monthly inflation rates for the last 11 months of the year. For most of the year, the NTB rate has been above inflation but this changed in November, no doubt a result of the CBN's OMO policy that has seen NTBs awash with demand, driving rates lower.



Source: NBS, ARM Research



Thank You



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