

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Economic & Financial Commentary

...for the week 2nd – 6th December 2019

Global Economy

- ◆ The US trade deficit narrowed by 7.6% MoM to \$47.2 billion in October following a stronger decline in imports than exports. Exports decreased slightly by 0.2% to \$207.1 billion owing to lower sale of consumer and capital goods, while imports fell by 1.7% to \$254.3 billion reflecting a decrease in imports of consumer goods and automotive vehicles and parts. Worthy of note is the trade deficit with China, which shrunk further to \$31 billion from \$43 billion in similar period last year, amid lingering trade negotiations. In a bid to further boost oil prices, OPEC and its allies agreed on an additional 500,000bpd cut in oil production through to March 2020, which will reduce total oil output by 1.7 million bpd from the October 2018 reference level. This pushed Brent oil prices higher 2% to \$64.55 at the time of writing. Meanwhile, Saudi Aramco announced the pricing for its IPO at 32 riyals (\$8.53), raising \$25.6 billion and recording the largest IPO in history. The company is valued at \$1.7 trillion.

Domestic Economy

- ◆ Remarkably, the National Assembly (NASS) passed the 2020 appropriation bill earlier than expected, suggesting Nigeria may return to a January-December budget cycle. The passed bill showed a revised expenditure of ₦10.6 trillion (₦264 billion higher than previous estimate proposed by the Presidency). Particularly, the revision was reflected in increases in Statutory transfers, Debt service, Development fund for capital expenditure, and NASS budget. In addition, crude oil benchmark was raised from \$55 to \$57 per barrel while oil production is assumed to come in at 2.18 mbpd. Elsewhere, credit rating agency, Moody downgraded the country's outlook to negative from stable, citing an increased risk to government fiscal strength and external position.

Equities

- ◆ Tides turned in the Nigerian equities as the NSE ASI ended its four-week rally shedding 54bps to close at 26,855.52 pts with market capitalization losing ₦70.8 billion. This week's loss was anchored by Telecom (-1.14%), Banking (-1.55%), Breweries (-0.05%), Cement (-0.15%) Oil & Gas (-0.91%) and Insurance (-1.75%) sectors. Sell offs were seen across large and small cap stocks such as MTNN (-1.67%), STANBIC (-3.54%), FBNH (-0.75%), UBA (-4.96%), FCMB (-9.45%), GUINNESS (-6.45%), OANDO (-3.73%) WoW, outweighing positive returns in UNILEVER (+1.739%), DANGSUGA (+8.7%), UACN (+7.50%).

Fixed Income

- ◆ The bull run in the NTB market came to a halt after 3 weeks of consecutive yield declines, with average yield closing flat at 7.29%. This was due to declines in the long and mid-tenor bills which were offset by an 88bps rise in the yields of short-term bills. However, at the long end of the curve, bond yields declined further (-45bps) to 11.49% reflecting declines in the Mar-2024 (-117 bps), Mar-2025 (-94bps) and Apr-2023 (-83-bps) bonds. Overall, average fixed income yields printed 22bps lower WoW to 9.39%. Meanwhile, at the OMO auction this week, subscription was way below the ₦400billion offered coming in at ₦190 billion, reflecting the pull-back in offshore interests. The 1-year stop rate was unchanged at 13.3%.

The week in Review

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		Company is valued at \$1M Trillion																	
Country	Index	Level (in \$)	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	3,147	0.2	25.6	16.7	20.9		1.9	US	1.55		1.84	-0.5	1.8	Euro (€)	1.1	1.1	0.3	-3.7
	NASDAQ	8,655	-0.1	30.4	20.4	32.1	12,829.3	1.1	UK			0.60	-0.6	1.5	GBP (£)	1.3	1.3	1.5	2.8
UK	FTSE ASI	7,231	-1.6	7.5	7.9	17.5		4.7	Euro	-0.34	2.2	0.11	102.5	1	JPY (¥)	108.7	109.5	0.7	0.9
France	CAC 40	5,861	-0.7	23.9	22.6	21.0	1,176.5	3.2	Japan			-0.11	-0.6	0.4	INR (₹)	71.2	71.7	0.7	-2.0
Germany	XETRA DAX	13,162	-0.6	24.6	21.7	24.3		2.9	China	2.70	0.7	3.28	1.4	3.8	CNY (¥)	7.0	7.0	0.0	-2.2
Japan	NIKKEI 25	23,354	0.3	16.7	8.6	18.6	6.0	1.9	India	5.24	2.5	6.67	3.1	7.62	MXN (\$)	19.3	19.5	1.1	1.7
China	Shanghai Comp	2,912	1.4	16.8	11.8	14.0	4,628.1	2.6	Mexico	7.16	-0.4	6.97	0.3	3.02	RUB (p.)	63.6	64.3	1.1	9.0
Brazil	Ibovespa	111,052	2.6	26.4	25.0	17.4	45.7	2.9	Turkey	11.44	-0.8	11.97	0.2	10.56	ZAR (R)	14.6	14.7	0.3	-1.9
India	BSE Sens	40,445	-0.9	12.1	14.5	28.8	585.5	1.5	Russia	5.76	-0.7	2.57	-0.1	3.5	EGP (£)	16.1	16.1	-0.1	11.0
Russia	RTS	760	1.0	32.8	26.3	5.8	3.6	7.3	Egypt	14.63		13.75		3.1	KES (sh)	101.6	102.6	0.9	0.2
Mexico	S&P/BMV IPC	42,054	-1.8	1.0	0.2	16.4		3.2	South Africa	7.77	0.5	9.19	0.1	3.7	GHS (¢)	5.7	5.6	-2.5	-14.5
Turkey	Borsa Istanbul	108,869	1.8	19.3	17.3	8.4	0.4	3.2	Kenya	9.80	0.0	12.28	0.0	5.6	XOF (₣)	593.1	595.1	0.3	-3.4
Indonesia	JCI Index	6,187	2.9	-0.1	1.2	19.3	491.4	2.2	Ghana	15.50	0.0	19.00	0.0	7.7	XAF (₣)	595.1	596.9	0.3	-2.5
Kazakhstan	KASE Index	2,304	-0.6	-0.9	2.5	6.4	3.6	152.8	Nigeria	8.37	-16.3		1.3	11.6	NGN (₦)	362.1	360.7	-0.4	0.1
Vietnam	VN Index	964	-0.7	8.0	0.9	15.8	142.4	2.0	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	55,307	-0.1	4.9	8.9	15.1	-	4.1			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	13,622	0.0	4.5	10.0	11.7	11.8	3.2	Brent Crude	\$/bbl	64.1	62.4	2.7	19.2	US Trade Balance - Oct		\$-47.2B	\$51.1B	
Kenya	NSEASI	160	1.5	14.1	10.1	12.2	22.0	5.3	OPEC Crude	\$/bbl	64.8	63.9	1.5	25.7	Germany Industrial Production (YoY) - Oct		-1.7%	-0.6%	
Morocco	MSCI MX	318	-1.5	2.7	3.5	20.5	10.3	N/A N/A	Gasoline	\$/gal	164.1	159.1	3.1	22.9	OPEC Daily Cut		1.7m bpd	1.2m bpd	
Ghana	GSE Composite	2,198	2.8	-12.1	-13.3	14.8	10.6	1.8	Natural Gas	\$/MBtu	2.4	2.3	5.2	-21.6	US Unemployment Rate		3.5%	3.6%	
Tunisia	TunIndex	7,009	0.9	-3.6	-5.0	19.7	0.6	2.1	Gold	\$/t oz	1459.0	1464.0	-0.3	13.8	US Manufacturing PMI - Nov		52.6	51.3	
BRVM	BRVM	142	0.2	-17.6	-13.5	7.1	7.1		Sugar	\$/lb	13.2	12.9	1.9	0.2	UK Manufacturing PMI - Nov		48.9	49.6	
Mauritius	SEMDEX	2,129	0.1	-4.0	-4.3	17.1	8.5		Wheat	\$/bsh	520.0	541.8	-4.0	-6.1	China Services PMI - Nov		53.5	51.1	
Nigeria	NGSE ASI	26,856	-0.54	-14.56	-12.9	7.1	35.9	6.7	Crude Palm oil IYR/MT		2858.0	2744.0	0.0		UK Services PMI - Nov		49.3	48.6	

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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- Particularly, the revision was reflected in increases in Statutory transfers, Debt service, Development fund for capital expenditure, and NASS budget. In addition, crude oil benchmark was raised from \$55 to \$57 per barrel while oil production is assumed to come in at 2.18 mbpd. Elsewhere, credit rating agency, Moody downgraded the country's outlook to negative from stable, citing an increased risk to government fiscal strength and external position.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.66	39.83	-0.44%	-8.02%	Initial View - FCMB Group Plc Q3 2019 - Earnings below par
USD/NGN (₦/\$)					
NAFEX	363	363	-0.13%	0.37%	
Parallel	359.0	359.0	0.00%	0.56%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (September)			CHG (pps)		
Headline	11.61	11.24	0.37	11.29	
Core	8.88	8.94	-0.06	9.16	
Food	14.07	13.51	0.56	13.56	
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	*Debt servicing takes N2.7tn as National Assembly passes N10.6tn budget
Manufacturing	1.1	-0.1	0.8	1	*Nigeria, others plan additional 500,000bpd oil production cut
Services	3.5	2.9	3.1	2.6	*External reserves drop by \$4.9bn in nine months
Labor Data (%) - Q3 18			Latest	Prior	*Fuel supply not affected by Lagos pipeline fire — NNPC
Unemployment Rate			23.1	18.8	*CBN to Auction N795bn Treasury Bills in Q1 2020
Underemployment			20.1	21.2	*CBN to stimulate economy through, agric, SMEs devt
Capital Importation (\$'mn)	Q3 19	Q2 19	QoQ (%)	YoY (%)	*VAT revenue declines to N275bn in Q3'19
Foreign Portfolio Investment - Equities	358.192	496.839	-27.9%	-81.5%	*Nigeria has 47 days petrol sufficiency -PPPRA
Bonds	91.5978	316.278	-71.0%	-20.3%	*Banks' non-performing loans decline by N1.14tn
Money Market	2549.71	3479.775	-26.7%	254.6%	*Fashola requests additional N255.6bn for road repairs
Foreign Direct Investment	200.081	222.89	-10.2%	-27.1%	*Nigeria, Russia sign fertiliser production agreement
Balance of Payment (\$'mn)	Q2 19	Q1 19	Q4 18	QoQ	*N/Assembly okays 7.5% VAT raise, others
Trade Balance	2,478	775	6,794	-63.5%	*Dangote oil refinery key equipment arrives from China
CA Balance	(2,859)	(2,819)	1,105	-358.7%	*CBN targets \$4bn non oil exports revenue in 2020

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

The week in Review

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- Sell offs were seen across large and small cap stocks such as MTNN (-1.67%), STANBIC (-3.54%), FBNH (-0.75%), UBA (-4.96%), FCMB (-9.45%), GUINNESS (-6.45%), OANDO (-3.73%) WoW, outweighing positive returns in UNILEVER (+1.739%), DANGSUGA (+8.7%), UACN (+7.50%).

Index Performance

	Level	WoW	MTD	QTD	YTD	1 year
NSE ASI	26855.52	-0.54	-0.54	-2.81	-14.56	-12.86
NSE ASI (\$)	76.45	-0.54	-0.63%	-3.05%	-14.35%	-12.47%
Market Cap (₦bn)	12961.89	-0.54%	-0.54%	-3.63%	10.59%	15.02%
Market Cap (\$mn)	35693.91	-0.63%	-0.63%	-3.87%	10.85%	15.71%
NSE 30	1134.61	-0.13	-0.13	-1.08	-19.94	-18.53
NSE Premium	2169.31	-0.86	-0.86	-4.51	-1.17	0.43
NSE 50	1309.49	-0.05	-0.05	-1.19	-21.21	-19.56
NSE ASEM	757.63	0.00%	0.00	-2.15	-4.56	-3.88
NSE Banking	356.93	-1.16	-1.16	3.76	-10.53	-11.63
NSE Insurance	119.16	-0.87	-0.87	2.72	-5.79	-2.71
NSE Consumer	551.01	1.71	1.71	-2.89	-26.42	-24.05
NSE Oil & Gas	233.97	-0.43	-0.43	-2.25	-22.59	-16.88
NSE Industrial	1069.12	-1.27	-1.27	-1.31	-13.63	-12.58
NSE Lotus	1776.52	0.97	0.97	-0.74	-20.48	-18.60
NSE Pensions	1012.93	0.03	0.03	1.98	-16.11	-13.00

Top 10 Gainers

Company	This Week	WoW
UNILEVER	18.90	17.4%
ROYALEX	0.27	17.4%
TRANSEXP	0.99	10.0%
NIGERINS	0.22	10.0%
ETRANSACT	2.61	9.7%
DANGSUGA	15.00	8.7%
UNIONDAC	0.26	8.3%
COURTVILLE	0.26	8.3%
INTBREW	10.10	7.4%
AIICO	0.74	5.7%

Top 10 Losers

Company	This Week	WoW
CORNERST	0.63	-20.3%
ARBICO	4.32	-9.8%
IKEJAHOLT	1.02	-9.7%
FCMB	1.82	-9.5%
FIDSON	3.40	-9.3%
DEAPCAP	0.40	-9.1%
SOVRENIN	0.20	-9.1%
CHAMPION	0.93	-8.8%
RTBRISCOE	0.21	-8.7%
LAWUNION	0.60	-7.7%

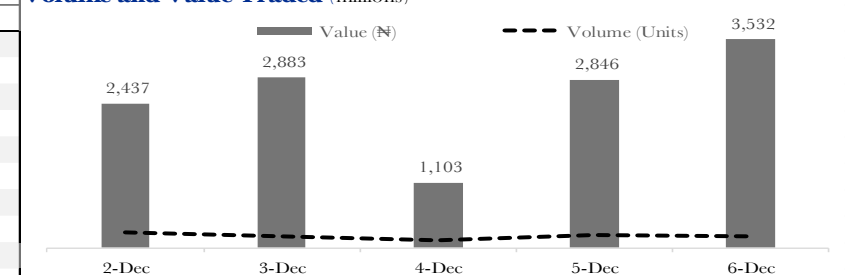
Sector Performance

	WoW	QTD	YTD
Banking	-1.55%	3.72%	-13.45%
Brewers	-0.05%	-5.31%	-45.46%
Cement	-0.15%	-5.82%	-23.92%
Telecom	-1.14%	-7.51%	-12.93%
Personal Care	11.54%	-27.51%	-51.54%
Construction	-0.15%	1.13%	-3.14%
Food	1.11%	1.65%	-3.66%
Insurance	-1.75%	2.81%	1.20%
Oil & Gas	-0.91%	-4.99%	-36.05%
Real Estate	0.00%	-0.14%	-2.54%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.53%	-3.32%	16.79%
Mid Cap (Mid 30%)	-0.46%	-0.21%	-12.26%
Small Cap (Bottom 60%)	-8.77%	2.13%	51.32%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

- The bull run in the NTB market came to a halt after 3 weeks of consecutive yield declines, with average yield closing flat at 7.29%. This was due to declines in the long and mid-tenor bills which were offset by an 88bps rise in the yields of short-term bills. However, at the long end of the curve, bond yields declined further (-45bps) to 11.49% reflecting declines in the Mar-2024 (-117 bps), Mar-2025 (-94bps) and Apr-2023 (-83-bps) bonds.

- Overall, average fixed income yields printed 22bps lower WoW to 9.39%. Meanwhile, at the OMO auction this week, subscription was way below the ₦400billion offered coming in at ₦190 billion, reflecting the pull-back in offshore interests. The 1-year stop rate was unchanged at 13.3%.

	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)	3.07%	4.50%	-1.43%	05-Dec-19	11.50%	N/A	13.30%	05-Dec-19	0.98	N/A	189.84
Open Buy Back (OBB)	2.43%	3.79%	-1.36%	28-Nov-19	N/A	N/A	13.30%	28-Nov-19	N/A	N/A	281.45
NIBOR - 1M	12.48%	12.21%	0.27%	14-Nov-19	11.50%	11.69%	13.30%	14-Nov-19	5.00	5.00	243.77
NIBOR - 3M	13.09%	10.86%	2.23%	07-Nov-19	N/A	11.69%	13.30%	07-Nov-19	N/A	8.00	224.45
NIBOR - 6M	12.42%	11.94%	0.48%	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	6.28%	6.21%	0.07%	27-Nov-19	6.50%	7.23%	8.37%	27-Nov-19	20.37	19.16	111.07
3-month	7.40%	7.12%	0.28%	13-Nov-19	7.79%	9.00%	10.00%	13-Nov-19	4.38	12.92	107.94
6-month	7.19%	7.27%	-0.08%	30-Oct-19	9.49%	10.45%	11.50%	30-Oct-19	28.0	10.6	93.9
9-month	7.43%	7.39%	0.04%	16-Oct-19	10.80%	11.00%	12.94%	16-Oct-19	5.9	3.5	112.5
12-month	9.17%	8.03%	1.14%	02-Oct-19	11.08%	11.60%	13.20%	02-Oct-19	10.0	17.6	106.4
FGN Bonds (Local)				FGN Bonds	5 Year	10 Year	30 Year	FGN Bonds	5 Year	10 Year	30 Year
15.54% 13-FEB-2020	6.97%	6.95%	0.02%	20-Nov-19	12.00%	12.93%	13.39%	20-Nov-19	59.9	96.7	96.4
14.50% 15-JUL-2021	10.40%	10.95%	-0.54%	23-Oct-19	14.05%	14.23%	14.60%	23-Oct-19	29.1	64.4	46.3
16.39% 27-JAN-2022	10.71%	11.26%	-0.56%	25-Sep-19	14.39%	14.43%	14.64%	25-Sep-19	14.1	17.7	27.8
14.20% 14-MAR-2024	11.01%	12.18%	-1.17%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	28.2	7.2	51.4
12.50% 22-JAN-2026	11.62%	12.11%	-0.49%	24-Jul-19	13.35%	13.64%	14.12%	24-Jul-19	29.0	36.4	31.5
16.2884% 17-MAR-2027	12.14%	12.20%	-0.06%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
12.1493% 18-JUL-2034	12.44%	12.65%	-0.21%	UBA 16.45% 30-DEC-2021	11.65%	12.22%	-0.56%	ACCESS 10.50% 19-OCT-2021	4.09%	4.13%	-0.04%
16.2499% 18-APR-2037	12.43%	12.85%	-0.42%	MIXTA 17.00% 16-JAN-2022	11.03%	10.90%	0.13%	ZENITH 7.375% 30-MAY-2022	4.34%	4.35%	-0.01%
14.8% 26-APR-2049	13.09%	13.31%	-0.22%	FIDELITY 16.48% 13-MAY-2022	12.06%	12.68%	-0.62%	UBA 7.75% 08-JUN-2022	5.22%	5.25%	-0.03%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	12.70%	13.39%	-0.69%	SEPLAT 9.25% 1-APR-2023	7.46%	7.43%	0.03%
5.625% 27-JUN-2022	4.17%	4.17%	0.00%	LAPO MFB 17.75% 19-DEC-2022	14.73%	15.48%	-0.75%				
6.50% 28-Nov-2027	6.59%	6.54%	0.05%	STERLING 16.50% 3-AUG-2023	12.14%	13.07%	-0.93%				
7.875% 16-FEB-2032	7.79%	7.67%	0.12%	FCMB 17.25% 8-DEC-2023	12.42%	13.48%	-1.06%				
7.625% 28-Nov-2047	8.19%	8.15%	0.04%	STANBIC 13.25% 30-SEP-2024	12.13%	13.18%	-1.05%				
				VIATHAN 16.00% 14-DEC-2027	12.20%	13.18%	-0.98%				

Source: DMO, FMDQ, Bloomberg, ARM Research

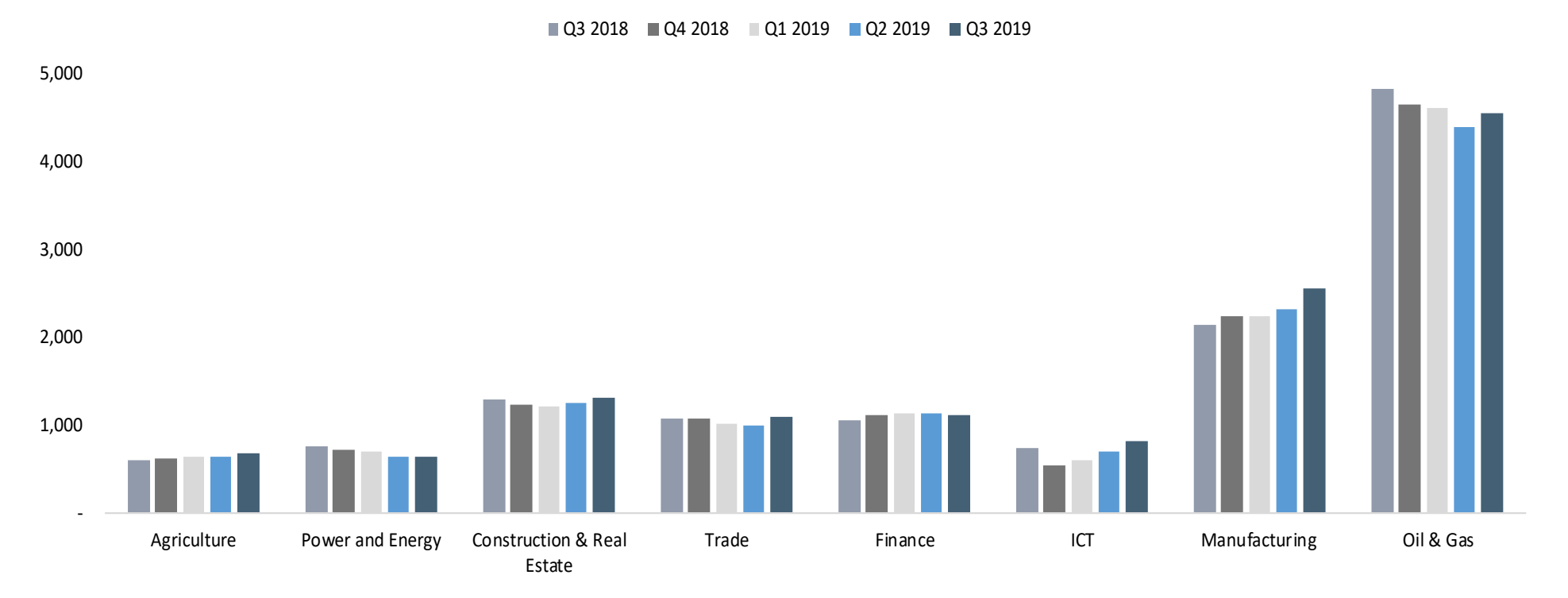
Economic and Financial Calendar for the week 9th December -13th December 2019

	Monday 9-Dec	Tuesday 10-Dec	Wednesday 11-Dec	Thursday 12-Dec	Friday 13-Dec
Global	China Trade Balance USD (Nov)	China Consumer Price Index (YoY) - Nov	US Consumer Price Index (YoY) - Nov	UK Parliamentary Election	Japan Industrial Production (YoY) - Oct
	Japan GDP Annualised - Q3	China Producer Price Index (YoY) - Nov	US Fed Interest Rate Decision	Germany Consumer Price Index (YoY) - Nov	US Retail Sales (MoM) - Nov
	Germany Trade Balance - Oct	UK Industrial Production (YoY) - Oct		EU Industrial Production (YoY) - Oct	
		UK Total Trade Balance - Oct		EU ECB Interest Rate Decision	
		Japan Producer Price Index (YoY) - Nov		US Producer Price Index (YoY) - Nov	
Domestic		Foreign Trade in Goods Statistics (Q3 2019)			Job Creation and Labour Force Statistics: Unemployment and underemployment (Q2-Q3 2019)

** means Preliminary Estimate

Total Loans to Various Sectors (₦'billion)

Following CBN’s direction to banks with respect to the minimum loan to funding requirement, we take a look at the trend in total loans across the banking sector. In the one year between Q3 2018 and Q3 2019, total loans by the banking sector grew by 4.2% to ₦16.25trillion. The chart below shows the total loans to the main sectors of the economy over same period.



Source: NBS, ARM Research



Thank You



ARM Securities

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