



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 19th – 22nd June 2018

Summary

Global Economy

- ◆ The BOE held its benchmark rate steady at 0.5%, though its body language now tilts towards monetary tightening as three of the policy committee members voted for a 25bps hike. Elsewhere, as widely expected, Japan's core consumer index for May remained unchanged from April at 0.7% YoY. On the energy front, member states of OPEC reached an agreement to increase its output by reducing its compliance level from 152% in May to 100%. Based on our analysis, this is expected to bring an additional 700kbpd supply, as not all OPEC have spare capacity to raise production.

Domestic Economy

- ◆ This week, the DMO released Nigeria's debt stock for the first quarter of 2018. From the breakdown provided, FG's public debt expanded by 5.3% QoQ to ₦19.3 trillion in the period, reflecting a 17% QoQ expansion in external debt to \$22 billion (₦6.7 trillion) even as domestic debt declined by 0.1% QoQ to ₦12.6 trillion. The increase was largely due to the \$2.5 billion Eurobond issued in the period. Elsewhere, total debt service printed at ₦713 billion (+39% YoY) with domestic debt service and external debt service expanding 36% YoY and 76% YoY to ₦643 billion and \$225 million respectively. Recent data (Credit conditions survey report for Q2 2018) on Nigeria's credit position shows credit supply to household expanded in Q2 18 on the back of increased liquidity position in the economy.

Equities

- ◆ The Nigerian equity market ended the week negative, losing 2.74% over the week with YTD performance back in the red (-1.0%). The negative run was driven by losses in bellwether stocks: Seplat (-9.26%), Dangcem (-5.86%), GTB (-1.93%) and Zenith (-1.89%). On a sectorial basis, the Personal care, Cement, Oil & gas, and Banks led the decliners.

Fixed Income

- ◆ Average yields in the Nigerian fixed income market rose 26bps WoW to 13.22% as liquidity strain and selloffs at the long end drove uptick at both ends of the curve. For context, average Treasury bill yields rose 36bps WoW to 12.9% WoW following strain on market liquidity by CBN's OMO issuance worth ₦137.4 billion split across the 219 and 93 day papers and FG's net repayment of ₦26.7 billion at this week's NTB auction. Also, at the long end following selloffs across varying long dated instruments average bond yields jumped 15bps WoW to 13.54%.

The week in Review

- The BOE held its benchmark rate steady at 0.5%, though its body language now tilts towards monetary tightening as three of the policy committee members voted for a 25bps hike. For us, the weather-induced growth slowdown in Q1 18 (0.1% YoY) and spiral of weak economic data might have necessitated the decision.

- Elsewhere, as widely expected, Japan's core consumer index for May remained unchanged from April at 0.7% YoY.
- On the energy font, member states of OPEC reached an agreement to increase its output by reducing its compliance level from 152% in May to 100%.

Global Equities

Country	Index	Level (in \$)	Index Returns (% Index Characteristics					Div. Yld (%)
			WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. Cap (\$'bn)	
US	S&P 500	2,761	-0.7	3.3	13.4	21.1		1.9
	NASDAQ	7,714	-0.4	11.7	23.7	23.6	11,699.6	1.0
UK	FTSE ASI	7,682	0.6	-0.1	3.3	13.8		4.2
France	CAC 40	5,387	-2.1	1.4	2.0	17.0	990.4	3.3
Germany	XETRA DAX	12,580	-3.3	-2.6	-1.7	14.0		3.2
Japan	NIKKEI 25	22,517	0.0	-1.1	11.8	17.2	5.5	1.9
China	Shanghai Comp	2,890	0.0	-12.6	-8.5	14.0	4,608.3	2.6
Brazil	Ibovespa	70,413	-0.5	-7.8	14.9	17.7	30.8	4.2
India	BSE Sens	35,690	0.2	4.8	14.1	22.5	516.4	1.5
Russia	RTS	595	1.4	-1.6	19.6	6.4	2.8	6.5
Mexico	S&P/BMV IPC	46,533	-0.9	-5.7	-5.1	21.9		2.5
Turkey	Borsa Istanbul	95,852	1.4	-16.9	-4.2	7.6	0.4	4.7
Indonesia	JCI Index	5,822	0.0	-8.4	-0.1	20.7	460.8	2.3
Kazakhstan	KASE Index	2,382	-0.7	10.1	53.1	8.1	1.2	65.8
Vietnam	VN Index	983	0.0	-0.1	27.8	18.6	133.1	1.5
South Africa	FTSE/JSE ASI	56,857	-1.4	-4.5	11.3	17.6		3.4
Egypt	EGX 30	16,346	0.0	8.8	21.8	16.8	12.1	2.4
Kenya	NSEASI	170	-4.5	-0.6	10.3	14.0	23.8	4.6
Morocco	MSCI MX	325	-1.6	-3.5	-3.2	19.7	9.5	3.6
Ghana	GSE Composite	2,890	-3.1	12.0	48.9	68.1	4.5	1.1
Tunisia	TunIndex	7,981	2.8	27.1	34.5	20.4	0.7	1.8
BRVM	BRVM	219	-0.2	-10.0	-14.9	28.9	26.7	1.5
Mauritius	SEMDEX	2,235	0.0	1.5	6.1	18.2	9.2	
Nigeria	NGSE ASI	37,863	-2.74	-1.00	14.98	10.7	37.9	4.8

Global Fixed Income

	1-Yr Teno	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)
US	2.32		2.91	0.1	2.8
UK	0.69	-0.1	1.32	0.0	2.4
Euro	-0.25	3.2	0.89	-2.7	1.9
Japan	-0.15	0.0	0.02	0.0	0.7
China	3.07	-2.2	3.53	-3.8	1.8
India	7.02	-0.4	7.82	-0.9	3.97
Mexico	8.06	-0.2	7.73	1.7	4.51
Turkey	19.24	-0.6	15.68	-0.2	12.15
Russia	6.95	1.8	4.27	-0.1	2.4
Egypt	18.31	0.5	16.00	12.8	11.4
South Africa	7.78	0.4	9.26	1.1	4.4
Kenya	10.54	-1.6	12.91	0.0	4
Ghana	15.00	0.0	19.00	0.0	9.81
Nigeria	11.50	4.5	13.78	-1.2	11.6

Global Commodities

	This Week	Prior Week	WoW (%)	YTD (%)
Brent Crude \$/bbl	74.9	73.4	2.0	12.1
OPEC Crude \$/bbl	70.9	73.8	-2.5	10.0
Gasoline \$/gal	205.8	202.3	1.7	4.2
Natural Gas /MBtu	2.9	3.0	-2.6	5.0
Gold \$/t oz	1268.8	1278.9	-0.8	-2.6
Sugar \$/lb	12.4	12.4	0.0	-18.4
Wheat \$/bsh	506.0	513.5	-1.5	8.6
Crude Palm oil R/MT	2284.0	2336.0	0.0	

Global Currencies

	This Week	Prior Week	WoW (%)	YTD (%)
Euro (€)	1.2	1.2	0.4	-2.9
GBP (£)	1.3	1.3	-0.1	-1.9
JPY (¥)	110.0	110.7	0.6	2.5
INR (Rs)	67.8	68.0	0.3	-5.8
CNY (¥)	6.5	6.4	-1.0	0.0
MXN (\$)	20.1	20.6	2.9	-2.0
RUB (p.)	63.0	63.1	0.3	-8.4
ZAR (R)	63.0	63.1	0.3	-8.4
EGP (£)	17.9	17.8	-0.1	-0.5
KES (sh)	100.7	101.1	0.4	2.5
GHS (¢)	17.9	17.8	-0.1	-0.5
XOF (F)	568.6	578.9	1.8	-0.8
XAF (F)	568.1	576.5	1.5	-1.7
NGN (₦)	361.3	361.1	-0.1	-0.4

Global Indicators for the Week

	Latest	Prior
BOE Interest Rate Decision	0.5%	0.5%
France GDP Q1 18 (QoQ)	0.2%	0.2%
Japan Natn'l CPI May (YoY)	0.7%	0.6%
New Zealand GDP Q1 18 (YoY)	2.7%	2.9%
Canada CPI May (CPI)	2.2%	2.2%
Germany PPI May (YoY)	2.7%	2.0%

Source: Bloomberg, Reuters, ARM Research

The week in Review

- Over the week, the DMO released Nigeria's debt stock for the first quarter of 2018. From the breakdown provided, FG's public debt expanded by 5.3% QoQ to ₦19.3 trillion in the period, reflecting a 17% QoQ expansion in external debt to \$22 billion (₦6.7 trillion).

- The increase was largely due to a \$2.5 billion Eurobond issuance in the period. Elsewhere, total debt service printed at ₦713 billion (+39% YoY) with domestic debt service and external debt service expanding 36% YoY and 76% YoY to ₦643 billion and \$225 million respectively.
- Nigeria's credit position shows credit supply to household expanded in Q2 18 on the back of increased liquidity position in the economy.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Key Indicators	Period	Latest	Prior	CHG (pps)
External Reserve (\$'bn)	47.63	47.44	0.40%	22.86%	Nigeria Total Debt (₦'bn)	Q1 18	22,707	21,726	4.5%
USD/NGN (₦/\$)					Nigeria Debt Service (₦'bn)	Q1 18	712.33	260.69	173%
NAFEX	361.02	361.07	-0.01%	0.19%	FAAC Allocation (₦'bn)	May	701.01	638.09	9.9%
Parallel	361.0	361.0	0.00%	-0.28%					
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.					
Inflation YoY (April)			CHG (pps)						
Headline	11.61	12.48	0.9	13.4					
Core	10.71	10.92	1.0	11.32					
Food	13.45	14.8	0.9	16.17					
GDP (%) - YoY	Q1 18	Q4 17	FY 17	FY18F					
Real GDP	1.9	2.1	0.8	2.4					
Oil	14.8	11.2	5.5	8.8					
Agriculture	3.0	4.2	3.4	3.3					
Manufacturing	3.4	0.1	-0.2	2.6					
Services	0.5	-0.8	-0.8	1.3					
Labor Data (%) - Q3 17			Latest	Prior					
Unemployment Rate			18.8	16.2					
Underemployment			21.2	21.1					
Capital Importation (\$'mn) - Q1 18	Q1 18	Q4 17	QoQ (bps)	YoY (bps)					
Foreign Portfolio Investment - Equities	701.61	989.2	-0.3	5.88					
Bonds	335.88	309.5	0.1	N/A					
Treasury Bills	3,527.6	2,178.8	0.6	15.7					
Foreign Direct Investment	246.6	378.4	-0.3	0.2					
Balance of Payment (\$'mn)	Q1 18	Q4 17	Q3 17	QoQ (bps)					
Trade Balance	6,042	5,009	3,032	0.21					
CA Balance	-	3,656	1,974	0.85					

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

[Report released this week \(Click Link below for Full report\)](#)

* Nigerian Banks - How striking are the dividend yields now?

* Depthwise Nigeria Limited - An improving and upgrade story

*Market Snapshot - 22.06.2018

[News Headline for the week \(click news for link\)](#)

* How FG'll raise ₦9.1tn to fund 2018 budget – Udoma

* AMCON recovers ₦731bn from bank debtors in seven years

* Nigeria's debt rises to ₦22.7tn — DMO

* 2018 Budget difficult to implement with NASS' alterations, says Buhari

* 2017 budget: ₦1.58tn released for capital projects, says FG

* Fuel subsidy hits ₦2.4bn daily

The week in Review

- The Nigerian equity market ended the week negative, losing 2.74% over the week with YTD performance turning negative (-1.0%).

- The negative run was driven by declines in heavyweight stocks: Seplat (-9.26%), Dangcem (-5.86%), GTB (-1.93%) and Zenith (-1.89%). On a sectorial basis, the Personal care, Cement, Oil & gas, and Banks led the decliners.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	37862.53	-2.74	-0.64	-8.77	-1.00	14.98
NSE ASI (\$)	104.88	-2.74	-0.64	-0.09	-0.01	0.20
Market Cap (₦'bn)	13715.72	-2.74%	-0.64	-0.09	0.01	0.23
Market Cap (\$'mn)	37993.69	-2.72%	-0.64	-0.09	0.01	0.26
NSE 30	1721.95	-2.23	0.53	-8.13	-1.42	15.05
NSE Premium	2707.98	-4.78	-3.45	-8.21	5.61	22.48
NSE 50	1953.13	-1.94	0.75	-7.96	0.16	18.01
NSE ASEM	949.59	0.00	0.00	-3.94	-12.67	-18.97
NSE Banking	481.31	-1.96	1.51	-7.54	1.23	22.63
NSE Insurance	149.45	3.39	5.30	-1.09	7.23	6.82
NSE Consumer	903.41	-0.50	1.44	-7.64	-7.45	13.89
NSE Oil & Gas	328.90	-5.94	-5.00	-5.19	-0.54	3.50
NSE Industrial	1956.40	-3.02	1.94	-10.75	-0.97	-0.19
NSE Lotus	2553.17	-2.09	1.05	-5.40	-0.28	23.19
NSE Pensions	1481.73	-1.75	2.45	-6.49	7.39	29.18

Top 10 Gainers

Company	This Week	WoW
FO	0.47	23.7%
NEM	3.04	14.3%
NESTLE	0.35	12.9%
WAPIC	0.31	10.7%
SEPLAT	3.13	9.8%
UNITY CAPITAL	6.75	7.1%
AIICO	44.00	6.5%
CONSOL HALLMARK	2.78	5.3%
HONEYWELL	0.86	4.9%
JOHN HOLT	2.41	4.8%

Top 10 Losers

Company	This Week	WoW
MUTUAL BENEFIT	2.09	-16.1%
ETERNA PLC	0.34	-10.5%
A.G. LEVENTIS	24.75	-10.0%
OANDO	685.00	-9.3%
NB	0.69	-9.2%
FCMB	0.79	-9.2%
INTERBREW	34.05	-7.8%
ZENITH	50.75	-7.7%
SKYE SHELTER	30.00	-6.3%
BERGER PAINTS	0.31	-6.1%

Source: NSE, Bloomberg, ARM Research

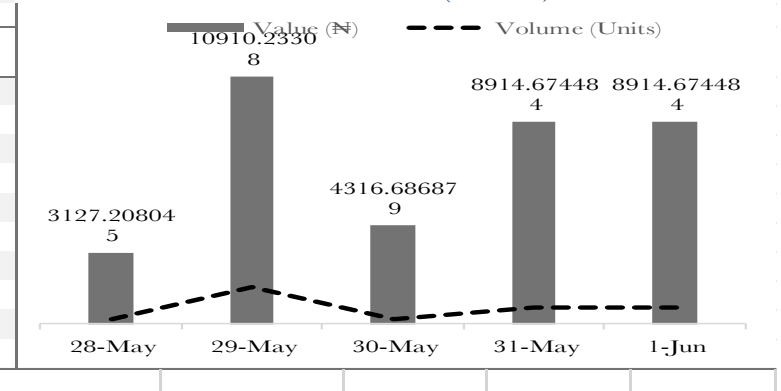
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.79%	-7.62%	5.12%
Brewers	1.15%	-14.52%	-15.83%
Cement	-5.56%	-13.15%	-2.33%
Personal Care	-6.14%	-13.95%	11.96%
Construction	0.00%	3.76%	-1.12%
Food	-0.98%	0.17%	-3.44%
Insurance	2.15%	3.36%	2.67%
Oil & Gas	-2.47%	-7.70%	-4.98%
Real Estate	-0.28%	-3.28%	-2.33%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-3.01%	-8.68%	-1.23%
Mid Cap (Mid 30%)	-1.45%	-6.60%	5.42%
Small Cap (Bottom 60%)	-7.95%	-42.64%	-52.93%

Volume and Value Traded (millions)



The week in Review

- ◆ Average yields in the Nigerian fixed income market rose 26bps to 13.22% as liquidity strain and sell-offs at the long end drove uptick at both ends of the curve.

- ◆ For context, average Treasury bill yields rose 36bps to 12.9% WoW following strain on market liquidity by CBN's OMO issuance worth ₦137.4 billion split across the 219 and 93 day papers and FG's net repayment of ₦26.7 billion at this week's NTB auction. Also, at the long end average bond yields jumped 15bps to 13.54%.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	91 Days	250 Days	364 Days	Issuance (N'billion)	91 Days	250 Days	364 Days
Money Market				OMO				OMO			
Overnight (O/N)	4.25%	4.25%	0.00%	19-Jun-18	11.05%	12.15%		19-Jun-18	3.7	133.6	0.0
Open Buy Back (OBB)	3.67%	3.67%	0.00%	07-Jun-18	11.05%	12.15%		07-Jun-18	0.495	190.9	0.0
NIBOR - 1M	13.39%	14.37%	-0.98%	04-Jun-18	Nil	12.15%		04-Jun-18	Nil	41.2	0.0
NIBOR - 3M	13.50%	14.67%	-1.17%	01-Jun-18	11.05%	Nil		01-Jun-18	9.3	247.7	0.0
NIBOR - 6M	14.80%	16.49%	-1.69%	31-May-18	11.05%	12.15%		31-May-18	0.348	560.9	0.0
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	12.41%	12.28%	0.13%	20-Jun-18	10.00%	10.30%	11.50%	20-Jun-18	5.40	20.0	14.6
3-month	12.51%	11.20%	1.31%	13-Jun-18	10.20%	10.50%	11.50%	17-May-18	3.4	16.9	13.5
6-month	13.17%	11.83%	1.34%	30-May-18	10.00%	10.30%	11.00%	02-May-18	9.5	47.7	38.2
9-month	13.02%	13.97%	-0.95%	17-May-18	10.00%	10.50%	10.70%	19-Apr-18	5.4	8.4	40.2
12-month	13.75%	14.08%	-0.33%	02-May-18	10.26%	10.95%	11.15%	05-Apr-18	6.2	4.0	85.5
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	12.88%	11.91%	0.97%	23-May-18	13.50%	13.50%	13.55%	23-May-18	3.5	8.5	38.5
15.54% 13-FEB-2020	13.01%	13.00%	0.01%	25-Apr-18	12.75%	12.85%	12.89%	25-Apr-18	38.3	12.8	39.0
14.50% 15-JUL-2021	13.46%	13.47%	-0.01%	23-Mar-18	13.40%	13.53%	13.60%	23-Mar-18	100.5	89.1	45.1
16.39% 27-JAN-2022	13.68%	13.16%	0.52%	23-Feb-18	13.70%	0.00%	13.98%	23-Feb-18	27.2	0.0	52.4
14.20% 14-MAR-2024	13.40%	13.33%	0.07%	24-Jan-18	13.38%	0.00%	13.49%	24-Jan-18	45.1	0.0	64.9
12.50% 22-JAN-2026	13.73%	13.52%	0.21%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	13.70%	13.36%	0.34%	DUFIL 18.25% 1-SEP-2022	15.39%	14.99%	0.40%	ZENITH 6.25% 22-APR-2019	6.62%	6.45%	0.17%
12.1493% 18-JUL-2034	13.89%	13.64%	0.25%	FCMB 17.25% 8-DEC-2023	14.80%	14.67%	0.13%	DIAMOND 8.75% 21-MAY-2019	9.73%	9.42%	0.31%
16.2499% 18-APR-2037	13.80%	13.56%	0.24%	FIDELITY 16.48% 13-MAY-2022	14.63%	14.19%	0.44%	FBN 8.25% 07-AUG-2020	10.26%	9.60%	0.66%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	17.27%	16.93%	0.34%	ECOBANK 8.75% 14-AUG-2021	9.98%	9.98%	0.00%
6.50% 28-Nov-2027	7.36%	7.17%	0.19%	MIXTA 17.00% 16-JAN-2022	14.33%	14.08%	0.25%	ACCESS 10.50% 19-OCT-2021	8.90%	8.25%	0.65%
7.625% 28-Nov-2047	8.29%	8.17%	0.12%	STANBIC 13.25% 30-SEP-2024	14.50%	14.38%	0.12%	ZENITH 7.375% 30-MAY-2022	7.79%	7.37%	0.42%
7.875% 16-FEB-2032	7.93%	7.78%	0.15%	STERLING 16.50% 3-AUG-2023	14.50%	14.30%	0.20%	UBA 7.75% 08-JUN-2022	8.56%	7.97%	0.59%
5.625% 27-JUN-2022	6.11%	5.82%	0.29%	UBA 16.45% 30-DEC-2021	14.65%	14.16%	0.49%				
				VIATHAN 16.00% 14-DEC-2027	14.54%	15.76%	-1.22%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 4th June - 8th June 2018

	Monday	Tuesday	Wednesday	Thursday	Friday
	25-Jun	26-Jun	27-Jun	28-Jun	29-Jun
Global	Japan's Leading Economic Index - April	U.K 10 & 30 Year Bond Auction	France's Consumer Confidence - June	Germany's Import Price Index (YoY) - May	Australia's New Home Sales (MoM) - April
	U.S New Home Sales (MoM) - May	New Zealand's Trade Balance (YoY) - May	Italy's Consumer Confidence - June	Spain's Retail Sales (YoY) - May	Canada's Industrial Production (MoM) - May
	U.S 3 & 6 month Bill Auction	API Weekly Crude Oil Stock	Eurozone Money Supply (YoY) - May	Italy's Consumer Price Index (YoY) - June	Canada's Gross Domestic Product (MoM) - April
	Japan's Corporate Service Price (YoY) - May	U.S 2-year Note Auction	Italy's Trade Balance (YoY) - May	Eurozone Economic Sentiment Indicator - June	U.S Personal Income (MoM) - May
			U.S Goods Trade Balance - May	Germany's Consumer Price Index (YoY) - May	
			Japan's Retail Trade (YoY) - May	Japan's Unemployment Rate - May	
			EIA Crude Oil Stocks Change	Japan's Industrial Production (MoM) - May	
Domestic				Rail Transportation Data (Q3 17 - Q4 17)	Crime Data (Drug Abuse & Enforcement 2017)

CHART OF THE WEEK

Figure 1: FG Domestic debt vs External debt (N'bn)

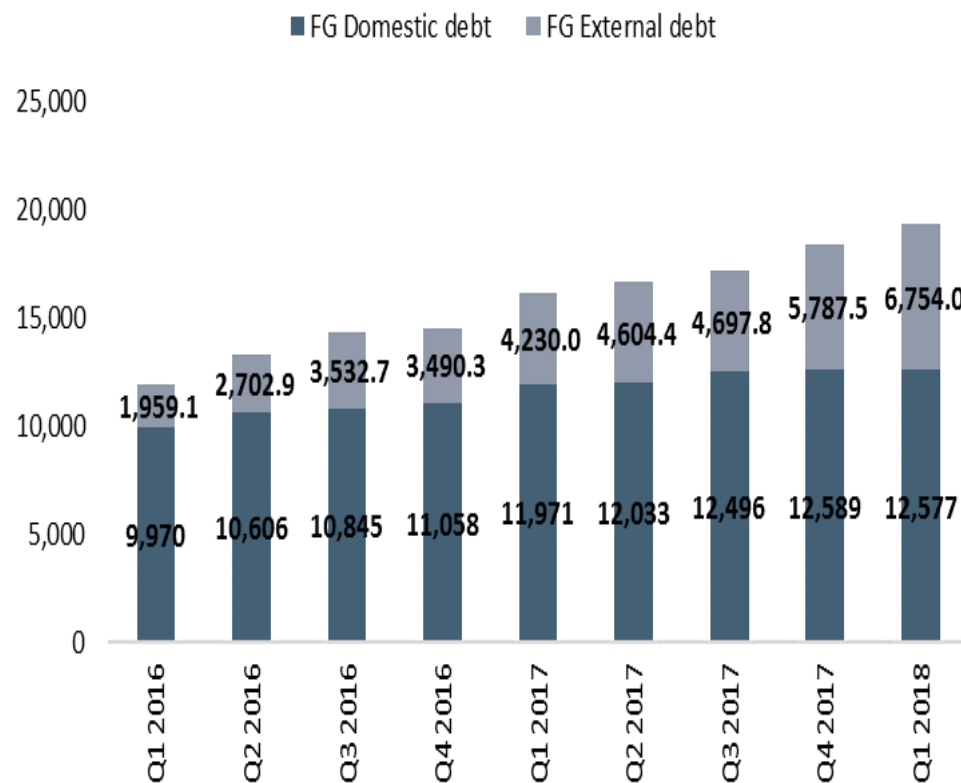
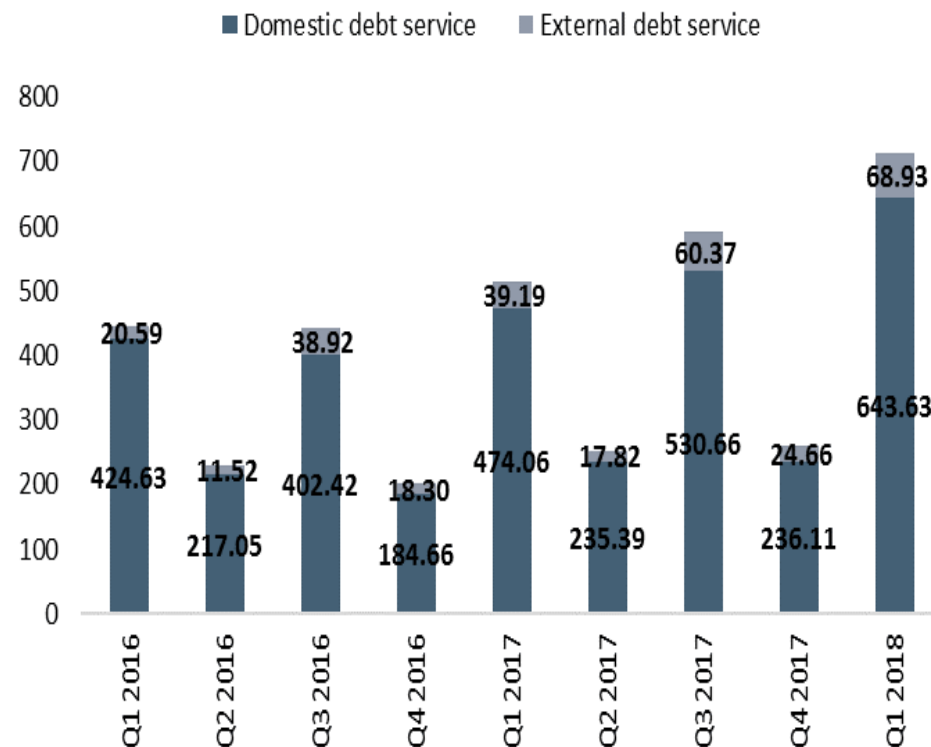


Figure 2: FG Domestic and External debt service (N'bn)



Source: NBS, ARM Research



Thank You



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