



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 13 May – 17 May 2019

Summary

Global Economy

- ◆ This week, the trade tension between US and China was exacerbated this week after China announced that it will increase tariffs on \$60 billion worth of American goods. This came in response to Trump's earlier threat to increase tariffs on \$200 billion of Chinese imports from 10% to 25%. Elsewhere, Data released by Eurostat showed the trade surplus in the bloc narrowed to €22.5 billion in March, compared to €26.9 billion in same period last year. This mirrored the faster increase in imports (+6% YoY to €183.1 billion) than exports (+3% YoY to €205.6 billion). The narrowed surplus largely stemmed from lower surplus in Germany (-8% YoY to €56.3 billion) and increased deficit in the United Kingdom (+28% YoY to €52.9 billion).

Domestic Economy

- ◆ This week, the National Bureau of Statistics (NBS) released inflation data for the month of April earlier than scheduled. In a twist from the downtrend observed from the start of the year, inflation for the month of April ticked up by 11.37% YoY, far from 11.25% YoY recorded in the prior month. Unsurprisingly, while core inflation maintained the downtrend printing at 9.28% YoY (March: 9.46%), food inflation on the other hand led the uptick, printing at 13.70% YoY (March: 13.45%). On the core index, the telling impact of curtailed PMS prices at ₦145/litre remains the pillar for the moderation, overshadowing increases in diesel (+12.9% YoY) and kerosene (+13.6% YoY) prices. The food index on the other end mirrors uptick in farm produce inflation which expanded by 47bps to 13.79% YoY.

Equities

- ◆ After three consecutive weeks of losses, the market turned a corner this week with the NSE ASI appreciating 8bps WoW to close at 28,871.93 points. The renewed interest in Nigeria's bourse was spurred by investors' appetite for MTN Nigeria's shares following the company's listing on the Nigerian Bourse. For context, MTNN gained a whopping +20% this week in its first two days of trading session and following its lofty weight on the bourse (~17% of total market capitalization), the upbeat interest for the stock offset negative sentiment across major sectors (excluding the personal care sector which gained 1.1%). That said, distilling the market performance reveals selloff across bellwether stocks such as CCNN: -9.15%, ACCESS: -9.15%, UBA: -7.69%, NESTLE: -5.92%, GTBANK: -4.38%, ZENITH: -2.00% and DANGCEM: -1.68%.

Fixed Income

- ◆ For the second week in a row average fixed income yields ended the week depressed (-46bps WoW to 13.1%) following buy pressure at both ends of the curve. Starting with the short end, average NTB yields dipped 85bps to 12.17%. This was in part fed by higher system liquidity from OMO maturity this week (₦107.1 billion) and lower stop rates at this week's NTB auction (-15bps to 11.75%). Average bond yields fell 7bps WoW to 14.03% with the short-dated maturities seeing the most demand – Jun 19 was down 46bps, Feb 20 down 54bps and Jul 21 down 44bps.

The week in Review

- ◆ This week, the trade tension between US and China was exacerbated this week after China announced that it will increase tariffs on \$60 billion worth of American goods. This came in response to Trump's earlier threat to increase tariffs on \$200 billion of Chinese imports from 10% to 25%.

- ◆ Elsewhere, Data released by Eurostat showed the trade surplus in the bloc narrowed to €22.5 billion in March, compared to €26.9 billion in same period last year. This mirrored the faster increase in imports (+6% YoY to €183.1 billion) than exports (+3% YoY to €205.6 billion). The narrowed surplus largely stemmed from lower surplus in Germany (-8% YoY to €56.3 billion) and increased deficit in the United Kingdom (+28% YoY to €52.9 billion).

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 n (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,875	-0.2	14.7	5.7	18.8		2.0	US	2.33		2.40	0.7	2	Euro (€)	1.1	1.1	-0.6	-2.6
	NASDAQ	7,859	-0.7	18.4	6.5	31.9	11,791.3	1.2	UK	0.73	0.0	0.91	0.7	1.9	GBP (£)	1.3	1.3	-2.1	-0.2
UK	FTSE ASI	7,349	2.0	9.2	-5.6	17.6		4.8	Euro	-0.26	-9.9	0.42	-11.3	1.7	JPY (¥)	109.9	110.0	0.1	-0.2
France	CAC 40	5,438	2.1	15.0	-3.3	18.6	1,090.2	3.5	Japan	0.00	0.0	-0.11	0.0	0.8	INR (₹)	70.2	69.9	-0.4	-0.6
Germany	XETRA DAX	12,239	1.5	15.9	-6.7	16.5		3.4	China	2.70	-1.0	3.35	-1.8	2.5	CNY (¥)	6.9	6.8	-1.3	-0.6
Japan	NIKKEI 25	21,250	-0.4	6.2	-7.0	15.8	5.3	2.1	India	6.43	-1.5	7.36	-0.7	7.67	MXN (\$)	19.2	19.1	-0.4	2.5
China	Shanghai Comp	2,882	-1.9	15.6	-8.6	13.9	4,557.2	2.8	Mexico	8.25	0.6	8.03	0.3	4.41	RUB (p.)	64.7	65.2	0.7	7.1
Brazil	Ibovespa	90,882	-3.6	3.4	8.7	16.6	36.4	3.9	Turkey	28.42	11.0	18.18	8.8	19.5	ZAR (R)	64.7	65.2	0.7	7.1
India	BSE Sens	37,931	1.2	5.2	7.9	27.5	541.7	1.6	Russia	7.16	-3.5	3.54	0.3	5.2	EGP (£)	17.0	17.1	0.5	5.1
Russia	RTS	661	3.1	15.6	5.4	5.5	3.2	7.2	Egypt	17.00	0.0	17.50	0.0	13	KES (sh)	101.1	101.1	0.0	0.7
Mexico	S&P/BMV IPC	43,356	-0.1	4.1	-5.3	15.6		3.1	South Africa	7.71	-1.0	9.14	-0.6	4.5	GHS (¢)	17.0	17.1	0.5	5.1
Turkey	Borsa Istanbul	86,796	-2.0	-4.9	-14.8	6.5	0.3	4.9	Kenya	9.31	0.0	12.44	-0.5	6.6	XOF (₣)	604.0	583.9	-3.3	-5.2
Indonesia	JCI Index	5,827	-6.2	-5.9	0.2	18.3	449.6	2.3	Ghana	15.50	0.0	19.00	0.0	9.47	XAF (₣)	588.7	587.5	-0.2	-1.4
Kazahasta	KASE Index	2,303	-1.0	-1.0	-8.7	6.2	3.3	151.6	Nigeria	12.49	-2.2	14.23	0.0	11.4	NGN (₦)	360.2	359.8	-0.1	0.7
Vietnam	VN Index	976	2.5	9.4	-5.3	16.9	139.7	1.7	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	56,183	-1.1	6.5	-3.4	17.3		4.1			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	13,660	0.0	4.8	-19.1	14.0	10.9	3.3	Brent Crude	\$/bbl	72.2	70.6	2.3	34.3	Germany Consumer Price Index (YoY) (Apr)		2%	2%	
Kenya	NSEASI	145	-5.2	3.5	-18.7	11.2	20.3	6.2	OPEC Crude	\$/bbl	72.6	69.7	2.8	40.9	Spain Consumer Price Index (YoY) (Apr)		1.5%	1.5%	
Morrocco	MSCI MX	312	1.9	0.8	-8.7	20.0	9.2	3.8	Gasoline	\$/gal	205.1	198.9	3.1	36.0	China Retail sales (YoY) (Apr)		7.2%	8.7%	
Ghana	GSE Composite	2,415	3.2	-3.4	-28.8	19.8	4.0	1.4	Natural Gas	\$/MBtu	2.6	2.6	0.8	-2.8	China Industrial production (YoY) (Apr)		5.4%	8.5%	
Tunisia	TunIndex	6,963	0.6	-4.3	-5.4	18.1	0.6	2.0	Gold	\$/t oz	1276.8	1286.1	-0.7	-0.4	Germany Gross Domestic Product (YoY) (Q1)		0.6%	0.9%	
BRVM	BRVM	167	-2.2	-3.3	-25.3	8.3	7.8		Sugar	\$/lb	11.5	11.7	-2.3	-6.5	US Retail sales (MoM) (Apr)		-0.2%	1.7%	
Mauritius	SEMDEX	2,154	0.7	-2.9	-5.4	18.9	8.7		Wheat	\$/bsh	468.0	424.8	10.2	-9.7	US Industrial production (MoM) (Apr)		-0.5%	0.2%	
Nigeria	NGSE ASI	28,872	0.08	-8.14	-29.0	7.1	28.3	6.5	Crude Palm oil	IYR/MT	2098.0	2008.0	0.0		Australian Unemployment rate (Apr)		5.2%	5.1%	

Source: Bloomberg, Reuters, ARM Research

The week in Review

- This week, the National Bureau of Statistics (NBS) released inflation data for the month of April earlier than scheduled. In a twist from the downtrend observed from the start of the year, inflation for the month of April ticked up by 11.37% YoY, far from 11.25% YoY recorded in the prior month.

- Unsurprisingly, while core inflation maintained the downtrend printing at 9.28% YoY (March: 9.46%), food inflation on the other hand led the uptick, printing at 13.70% YoY (March: 13.45%). On the core index, the telling impact of curtailed PMS prices at ₦145/litre remains the pillar for the moderation, overshadowing increases in diesel (+12.9% YoY) and kerosene (+13.6% YoY) prices. The food index on the other end mirrors uptick in farm produce inflation which expanded by 47bps

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	45.00	44.88	0.29%	4.38%	Seplat Plc - Still Cheap Despite Short-Term Drags
USD/NGN (₦/\$)					FBNH Plc - Value Play or Value Trap
NAFEX	361	361	0.11%	1.08%	April Inflation: Month on Month pressures comes to the limelight
Parallel	359.5	359.0	-0.14%	0.42%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	11.37	11.25	0.12	11.33	
Core	9.62	9.72	-0.10	9.70	
Food	13.7	13.45	0.25	13.53	
GDP (%) - YoY	Q4 18	Q3 18	Q2 18	FY19F	
Real GDP	2.4	1.8	1.5	2.1	
Oil	-1.6	-2.9	-4.0	9.3	News Headline for the week (click news for link)
Agriculture	2.5	1.9	1.2	3.3	*Stock market gains N1.9tn as MTN lists 20.35 billion shares
Manufacturing	2.4	1.9	0.7	2.7	*FG grows trade with China, injects CNY669.66m
Services	3.8	3.4	4.1	1.0	*Senate Confirms Emefiele, Says He Has Performed Creditably
Labor Data (%) - Q3 18			Latest	Prior	*Inflation rate rose to 11.37% in April, says NBS
Unemployment Rate			23.1	18.8	*Sahara Energy, Brooge Petroleum to build 250,000 bpd refinery
Underemployment			20.1	21.2	*FG seeks N100bn in new bond auction
Capital Importation (\$'mn)	Q4 18	Q3 18	QoQ (%)	YoY (%)	*Minimum wage: FG inaugurates committee to negotiate salary adjustment
Foreign Portfolio Investment - Equities	218.27	394.47	-44.7%	-88.7%	*Electricity generation falls to 2,447MW from 4,129MW
Bonds	193.33	37.48	415.8%	68.1%	*NSE records three million retail investors
Money Market	983.08	1291.1	-23.9%	36.7%	*Shell targets 2,400MW of electricity from Nigerian gas project
Foreign Direct Investment	156.8	530.63	-70.5%	-42.9%	*Dangote refinery awards \$368m contracts to local contractors
Balance of Payment (\$'mn)	Q4 18	Q3 18	Q2 18	QoQ	*Oil slump: FAAC disbursements drop in Q1 2019
Trade Balance	2,080	1,148	2,266	81.2%	*FEC approves N35.94bn road contracts in six states
CA Balance	338	(472)	1,332	-171.6%	*CAC extends registration window for small businesses by 90 days

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

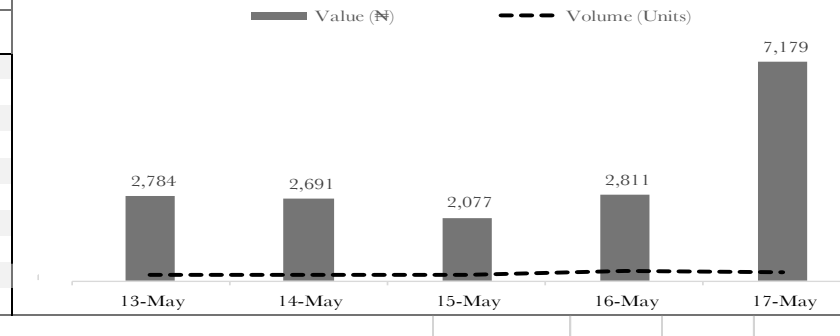
The week in Review

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- For context, MTNN gained a whopping +20% this week in its first two days of trading session and following its lofty weight on the bourse (~17% of total market capitalization), the upbeat interest for the stock offset negative sentiment across major sectors (excluding the personal care sector which gained 1.1%). That said, distilling the market performance reveals selloff across bellwether stocks such as CCNN: -9.15%, ACCESS: -9.15%, UBA: -7.69%, NESTLE: -5.92%, GTBANK: -4.38%, ZENITH: -2.00% and DANGCEM: -1.68%.

Index Performance		Index Returns (%)					Sector Performance		Returns (%)		
	Level	WoW	MTD	QTD	YTD	1 year			WoW	QTD	YTD
NSE ASI	28871.93	0.08	-0.99	-6.99	-8.14	-29.02	Banking		-4.27%	-11.62%	-11.25%
NSE ASI (\$)	80.09	0.08	-0.95%	-6.94%	-7.26%	-28.52%	Brewers		-4.13%	-10.46%	-28.45%
Market Cap (₦bn)	12716.75	17.29%	16.04%	8.95%	8.50%	-13.26%	Cement		-1.76%	-8.15%	-7.51%
Market Cap (\$mn)	35275.30	17.41%	16.08%	9.00%	9.54%	-13.08%	Personal Care		1.10%	-16.95%	-19.37%
NSE 30	1255.43	-3.02	-4.30	-9.85	-11.41	-31.96	Construction		0.00%	-10.20%	7.90%
NSE Premium	2138.26	3.60	1.46	-2.97	-2.59	-27.16	Food		-4.92%	-6.47%	-2.60%
NSE 50	1489.48	-2.99	-4.17	-9.66	-10.38	-28.56	Insurance		-1.52%	-3.15%	-1.70%
NSE ASEM	806.91	0.00%	-0.21	-0.04	1.65	-15.82	Oil & Gas		-4.36%	-22.46%	-26.17%
NSE Banking	354.30	-4.31	-7.18	-12.29	-11.19	-31.16	Real Estate		0.00%	-0.45%	-1.15%
NSE Insurance	114.66	-3.35	-5.45	-8.99	-9.35	-20.80	ARM Indices				
NSE Consumer	641.87	-4.13	-4.22	-9.76	-14.28	-34.38			WoW	QTD	YTD
NSE Oil & Gas	258.76	-2.32	-7.80	-10.93	-14.38	-27.80	Large Cap (Top 10%)		20.96%	13.03%	11.66%
NSE Industrial	1054.20	-3.88	-2.28	-14.97	-14.84	-48.95	Mid Cap (Mid 30%)		2.29%	-2.30%	-0.89%
NSE Lotus	2013.53	-2.76	-2.96	-11.21	-9.87	-24.94	Small Cap (Bottom 60%)		-4.01%	18.20%	-2.26%
NSE Pensions	1065.89	-2.62	-4.14	-10.28	-11.72	-31.78	Volume and Value Traded (millions)				
Top 10 Gainers			Top 10 Losers								
Company	This Week	WoW	Company	This Week	WoW						
THOMASWY	0.31	24.0%	REGALINS	0.20	-20.0%						
MTNN	108.90	21.0%	FO	28.35	-18.9%						
AGLEVENT	0.28	16.7%	CHAMPION	1.17	-18.2%						
TRANSCORP	1.24	9.7%	FCMB	1.55	-13.9%						
NPFMCRFBK	1.47	8.9%	WEMABANK	0.62	-13.9%						
OKOMUOIL	74.00	5.7%	GOLDINSURE	0.20	-13.0%						
UACN	7.30	5.0%	NEM	2.20	-12.0%						
VERITASKAP	0.21	5.0%	UPL	1.67	-9.7%						
MBENEFIT	0.22	4.8%	ACCESS	6.45	-9.2%						
UNILEVER	32.00	3.2%	CCNN	13.90	-9.2%						

Source: NSE, Bloomberg, ARM Research



The week in Review

- For the second week in a row average fixed income yields ended the week depressed (-46bps WoW to 13.1%) following buy pressure at both ends of the curve. Starting with the short end, average NTB yields dipped 85bps to 12.17%.

- This was in part fed by higher system liquidity from OMO maturity this week (₦107.1 billion) and lower stop rates at this week's NTB auction (-15bps to 11.75%). Average bond yields fell 7bps WoW to 14.03% with the short-dated maturities seeing the most demand – Jun 19 was down 46bps, Feb 20 down 54bps and Jul 21 down 44bps.

	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)	5.29%	10.00%	-4.71%	10-May-19	11.76%	12.83%	12.88%	10-May-19	72.31	46.57	494.4
Open Buy Back (OBB)	4.57%	9.14%	-4.57%	19-Apr-19	11.80%	12.90%	13.03%	19-Apr-19	30.94	150.36	228.4
NIBOR - 1M	12.13%	11.31%	0.82%	05-Apr-19	11.78%	13.00%	13.04%	05-Apr-19	7.91	53.1	627.2
NIBOR - 3M	12.19%	13.02%	-0.83%	22-Mar-19	11.80%	13.06%	13.04%	22-Mar-19	21.61	86.1	678.8
NIBOR - 6M	14.09%	14.64%	-0.55%	15-Mar-19	11.84%	13.20%	0.00%	15-Mar-19	61.7	65.9	446.9
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	11.25%	12.17%	-0.92%	17-May-19	10.00%	12.30%	12.49%	17-May-19	4.4	12.9	16.5
3-month	10.18%	11.61%	-1.43%	02-May-19	10.00%	12.49%	12.77%	02-May-19	28.0	10.6	71.1
6-month	12.67%	13.28%	-0.61%	17-Apr-19	10.15%	12.50%	12.74%	17-Apr-19	24.4	38.7	52.0
9-month	13.20%	13.81%	-0.61%	03-Apr-19	10.29%	12.60%	12.85%	03-Apr-19	5.9	26.6	119.6
12-month	13.67%	14.16%	-0.49%	20-Mar-19	10.30%	12.20%	12.34%	20-Mar-19	10.0	20.0	44.8
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	11.23%	11.69%	-0.46%	24-Apr-19	14.50%	14.55%	14.80%	24-Apr-19	6.8	37.4	53.2
15.54% 13-FEB-2020	13.01%	13.55%	-0.54%	27-Mar-19	13.50%	13.50%	13.50%	27-Mar-19	1.1	3.4	1.3
14.50% 15-JUL-2021	14.00%	14.44%	-0.44%	20-Feb-19	14.52%	14.79%	14.93%	20-Feb-19	1.1	4.3	34.2
16.39% 27-JAN-2022	14.50%	14.57%	-0.07%	30-Jan-19	15.20%	15.25%	15.35%	30-Jan-19	12.7	20.1	55.3
14.20% 14-MAR-2024	14.39%	14.44%	-0.05%	19-Dec-18	15.25%	15.50%	15.50%	25-Apr-18	17.5	7.4	71.9
12.50% 22-JAN-2026	14.50%	14.33%	0.17%	Corporate Bonds				Corporate Eurobond			
16.2884% 17-MAR-2027	14.27%	14.26%	0.01%	UBA 16.45% 30-DEC-2021	15.33%	15.50%	-0.17%	DIAMOND 8.75% 21-MAY-2019	8.39%	24.71%	-16.32%
12.1493% 18-JUL-2034	14.35%	14.25%	0.10%	MIXTA 17.00% 16-JAN-2022	14.91%	15.35%	-0.44%	FBN 6.488% 23-JUL-2021	9.02%	9.15%	-0.13%
16.2499% 18-APR-2037	14.29%	14.19%	0.10%	FIDELITY 16.48% 13-MAY-2022	15.64%	15.70%	-0.06%	ECOBANK 8.75% 14-AUG-2021	9.41%	9.63%	-0.22%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022	16.08%	16.11%	-0.03%	ACCESS 10.50% 19-OCT-2021	6.27%	6.38%	-0.11%
5.625% 27-JUN-2022	5.23%	5.26%	-0.03%	LAPO MFB 17.75% 19-DEC-2022	17.90%	17.92%	-0.02%	ZENITH 7.375% 30-MAY-2022	5.59%	5.60%	-0.01%
6.50% 28-Nov-2027	7.01%	6.93%	0.08%	STERLING 16.50% 3-AUG-2023	15.19%	15.20%	-0.01%				
7.875% 16-FEB-2032	7.75%	7.65%	0.10%	FCMB 17.25% 8-DEC-2023	15.65%	15.67%	-0.02%				
7.625% 28-Nov-2047	8.22%	8.20%	0.02%	STANBIC 13.25% 30-SEP-2024	15.44%	15.30%	0.14%				
				VIATHAN 16.00% 14-DEC-2027	15.46%	15.25%	0.21%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 20th May - 24th May 2019

	Monday	Tuesday	Wednesday	Thursday	Friday
	20-May	21-May	22-May	23-May	24-May
Global	Japan Industrial production (YoY) (Mar)	European Monetary Union Consumer confidence (May)	UK Retail price index (YoY) (Apr)	Germany Gross Domestic Product (YoY) (Q1)	Japan All industry activity index (MoM) (Mar)
	Japan Capacity utilization (Mar)	Japan Imports (YoY) (Apr)	UK Consumer price index (YoY) (Apr)	US Markit manufacturing PMI (May)	UK Retail sales (YoY) (Apr)
	Germany Producer Price Index (YoY) (Apr)	Japan Exports (YoY) (Apr)	UK Public sector net borrowing (Apr)	Japan National consumer price index (YoY) (Apr)	
Domestic	Nigerian Gross Domestic Product by Output Report (Q1 2019)	Transport Fare Watch (April 2019)		Foreign Trade in goods statistics (Q1 2019)	
	Road Transport Data (Q1 2019)				
	Selected Food Prices April 2019				

Inflation trend

This week, the Nigerian Bureau of Statistics released headline inflation for the month of April which showed a 12bps MoM spike to 11.37%. However, examining trend in State's inflation we noticed widespread disparity in consumer prices. The charts below show States with the highest and lowest headline inflation.

Figure 1: States with highest inflation

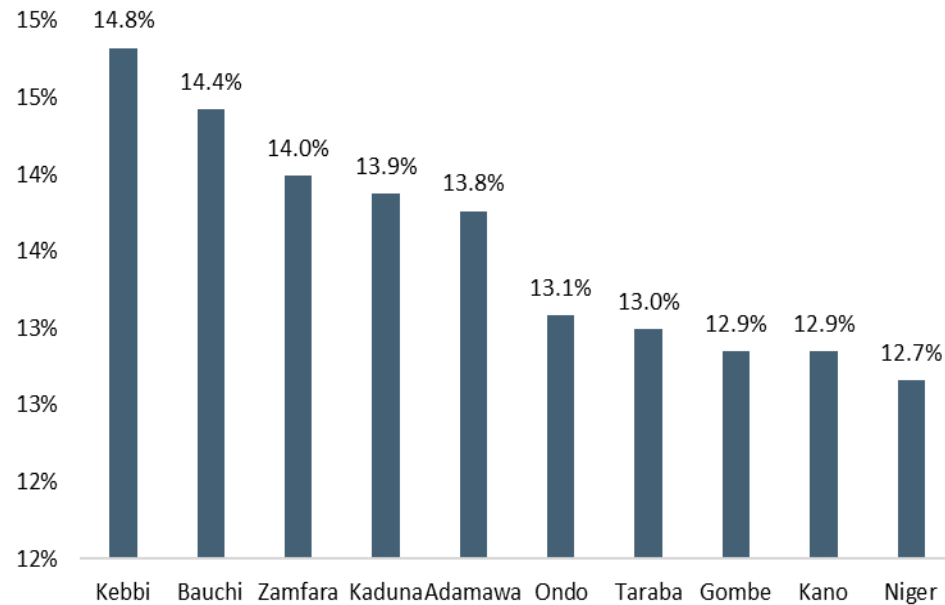
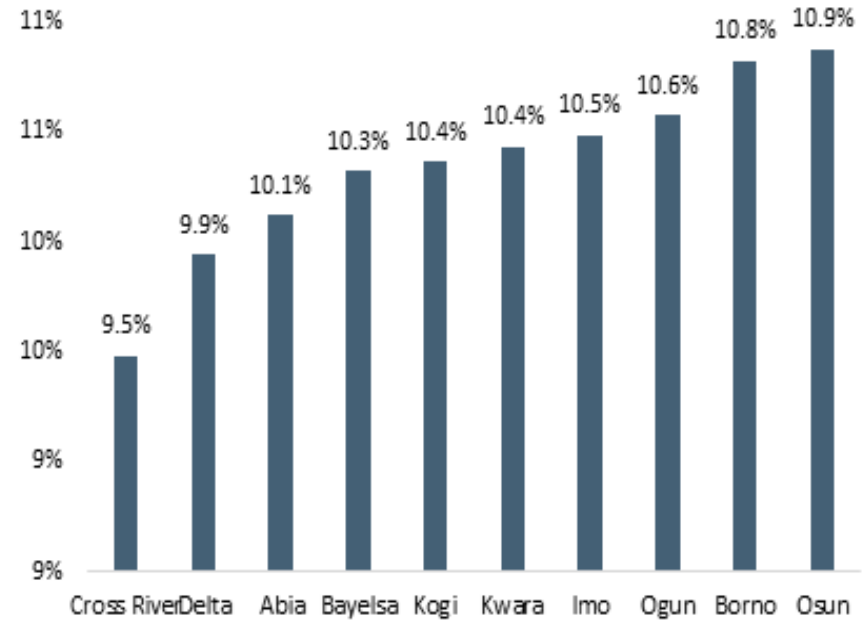


Figure 2: States with lowest inflation



Source: NBS, ARM Research



Thank You



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