



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 14th – 18th May 2018

Summary

Global Market

- ◆ The Japan Cabinet Office on Wednesday released the preliminary GDP data for Q1 2018 showing that the economy contracted 0.2% QoQ and 0.6% YoY for the first time since 2015. In the same vein, Q1 18 GDP for Eurozone revealed that the region is losing steam as it grew 0.4% QoQ (vs. 0.7% QoQ in Q4 17), marking the slowest pace since Q3 16. Data released by the Federal Reserve on Wednesday showed U.S. industrial production expanded 0.7% in April amid an acceleration in manufacturing (0.5%) and mining output (1.1%). OPEC in its May 2018 Oil Market Report revealed that geopolitical concerns, tightening product inventories and robust demand provided support for prices, with the OPEC Reference Basket (ORB) rising 26.7% YtD and 7.3% MoM to average \$65.67/b and \$68.43/b respectively.

Domestic Market:

- ◆ This week, the National Assembly passed the 2018 budget and raised the initial planned expenditure to ₦9.12 trillion from ₦8.61 trillion. According to media sources, the breakdown of the expenditure revealed that non-debt recurrent, capital vote and debt service were allocated ₦3.5 billion, ₦2.9 billion and ₦2.2 billion respectively. The crude oil price for oil revenue was also revised upwards to \$51 from \$45. Elsewhere, Nigeria's inflation declined for the fifteenth consecutive month as headline reading for the month of April printed at 12.48% YoY, 85bps lower than 13.34% YoY in the month of March. The decline in inflation continues to reflect the impact of base effects from higher food and energy prices in the corresponding period of the prior year.

Equities

- ◆ NGSEINDEX continued its losing streak for the third consecutive week, shedding -1.34% WoW to end the week at 40,472.45ppts. SOVRENIN (+30.00%) led the advancers, followed closely by NPFMCRFB (+10.23%), FIDSON (+7.06%), and BETAGLAS (+4.99%), while JAPPAUL (-25.00%), SKYE BANK (-19.15%), DIAMONDBANK (-18.42%) and CCNN (-17.24%) led the decliners. On a sectorial level, all sectors closed in the negative territory save for Food (+0.62%) and Real Estate (+0.28%) sectors with Banking (-3.07%) sector topping the losing chart, followed by Oil & Gas (-2.09%) and Personal Care (-1.53%).

Fixed Income Market:

- ◆ Contrary to prior week, the Nigerian fixed income market closed on a bullish note as the naira yield curve dipped 26bps this week following OMO (₦250 billion) and NTB maturity (₦68 billion) during the week. Aside, FG sold ₦33.8 billion worth of treasury bills split across 91 Day (₦3.4 billion), 182 Day (₦16.9 billion), 364 Day (₦13.5 billion) at stop rates 9%, 10.1% and 10% respectively. Overall, average treasury bill dipped 56bps to 13.2%, while Bonds rose moderately by 4bps on average to 13.38%.

The week in Review

- The Japan Cabinet Office on Wednesday released the preliminary GDP data for Q1 2018 showing that the economy contracted 0.2% QoQ and 0.6% YoY for the first time since 2015.

- In the same vein, Q1 18 GDP for Eurozone revealed that the region is losing steam as it grew 0.4% QoQ (vs. 0.7% QoQ in Q4 17), marking the slowest pace since Q3 16.

Global Equities

Global Equities			Index Returns (%)				Index Characteristics			Global Fixed Income					Global Currencies				
Country	Index	Level (in \$)	WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	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	2,714	-0.5	1.5	14.7	20.8		2.0	US	2.29		3.07	-0.8	2.5	Euro (€)	1.2	1.2	-1.4	-1.9
	NASDAQ	7,361	-0.6	6.6	21.6	24.4	11,249.9	1.0	UK	0.66	0.0	1.50	-0.5	2.5	GBP (£)	1.3	1.4	-0.5	-0.3
UK	FTSE ASI	7,779	0.7	1.2	4.6	13.8		4.1	Euro	-0.25	2.5	1.04	3.0	1.2	JPY (¥)	110.7	109.4	-1.2	1.8
France	CAC 40	5,615	1.3	5.7	6.1	17.8	1,039.5	3.2	Japan	-0.16	0.0	0.05	-0.2	0.7	INR (₹)	68.0	67.3	-1.0	-6.1
Germany	XETRA DAX	13,078	0.6	1.2	3.9	14.6		3.1	China	3.21	-0.3	3.86	0.8	1.8	CNY (¥)	6.4	6.3	-0.7	2.0
Japan	NIKKEI 25	22,930	0.0	0.7	17.0	17.5	5.6	1.9	India	6.80	2.1	7.83	1.4	4.36	MXN (\$)	19.9	19.4	-2.6	-1.4
China	Shanghai Comp	3,193	0.0	-3.4	3.3	15.5	5,165.8	2.3	Mexico	7.90	1.7	7.78	-1.3	4.55	RUB (₽)	62.3	61.9	-0.6	-7.4
Brazil	Ibovespa	81,408	-4.5	6.6	32.2	20.5	37.0	3.5	Turkey	17.48	-3.6	14.48	-6.5	10.85	ZAR (R)	62.3	61.9	-0.6	-7.4
India	BSE Sens	34,848	-1.9	2.3	14.5	22.5	507.8	1.5	Russia	6.66	3.0	4.20	-0.4	2.4	EGP (£)	17.8	17.7	-0.6	-0.2
Russia	RTS	622	-2.3	3.0	13.0	7.7	3.0	6.1	Egypt	16.28	-6.0	14.18	-17.6	13.1	KES (sh)	100.5	100.4	-0.1	2.6
Mexico	S&P/BMV IPC	45,425	-2.8	-8.0	-6.0	21.4		2.5	South Africa	7.47	0.7	9.02	-2.0	3.8	GHS (₵)	17.8	17.7	-0.6	-0.2
Turkey	Borsa Istanbul 100	102,410	0.5	-11.2	7.6	7.9	0.4	4.5	Kenya	11.13	-0.1	12.91	0.0	3.7	XOF (₣)	569.3	563.1	-1.1	-0.9
Indonesia	JCI Index	5,783	0.0	-9.0	-0.1	20.8	455.5	2.3	Ghana	15.00	0.0	19.00	0.0	9.55	XAF (₣)	562.6	565.9	0.6	-0.8
Kazakhstan	KASE Index	2,533	1.4	17.1	62.8	9.3	1.3	53.2	Nigeria	10.70	-4.0	13.42	-0.3	12.5	NGN (₦)	361.3	360.9	-0.1	-0.4
Vietnam	VN Index	1,041	0.0	5.7	41.8	18.5	138.9	1.3	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	57,804	-1.1	-2.9	6.7	17.5		3.3			This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior	CHG (%)
Egypt	EGX 30	16,878	0.0	12.4	30.3	38.4	12.5	2.1	Brent Crude	\$/bbl	78.9	77.1	2.3	18.0	Japan GDP		-0.2%	0.0%	
Kenya	NSEASI	179	1.4	4.7	29.1	14.1	25.0	4.5	OPEC Crude	\$/bbl	76.8	74.4	3.2	19.1	GBP Unemployment		4.20%	4.20%	
Morrocco	MSCI MX	342	-1.7	1.5	2.9	20.2	10.1	3.5	Gasoline	\$/gal	224.3	218.9	2.5	12.6	GBP Wage data		2.90%	2.80%	
Ghana	GSE Composite	3,384	-2.1	31.2	76.9	72.9	5.4	0.9	Natural Gas	\$/MBtu	2.9	2.8	1.7	2.9	EUR GDP		2.50%	2.50%	
Tunisia	TunIndex	7,374	0.1	17.4	28.8	19.1	0.7	2.0	Gold	\$/t oz	1292.0	1319.3	-2.1	-0.8	US Retail sales		0.30%	0.80%	
BRVM	BRVM	222	-3.1	-8.8	-16.8	31.4	27.2	1.6	Sugar	\$/lb	11.7	11.2	0.0	-22.5					
Mauritius	SEMDEX	2,275	0.1	3.3	11.1	16.9	9.4		Wheat	\$/bsh	515.3	498.8	3.3	13.7					
Nigeria	NGSE ASI	40,472	-1.34	5.83	44.02	11.4	40.4	4.6	Crude Palm oil MYR/MT	2450.0	2381.0	0.0	#N/A	N/A					

Source: Bloomberg, Reuters, ARM Research

The week in Review

- This week, the National Assembly passed the 2018 budget and raised the initial planned expenditure to ₦9.12 trillion from ₦8.61 trillion. The breakdown of the expenditure revealed that non-debt recurrent, capital vote and debt service were allocated ₦3.5 billion, ₦2.9 billion and ₦2.2 billion respectively.

- Nigeria's inflation declined for the fifteenth consecutive month as headline reading for the month of April printed at 12.48% YoY, 85bps lower than 13.34% YoY in the month of March. The decline in inflation continues to reflect the impact of base effects from higher food and energy prices in the corresponding period of the prior year.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Key Indicators	Period	Latest	Prior	CHG (pps)
External Reserve (\$'bn)	47.79	47.87	0.0	0.2	Capital Importation	Q1 18	\$6.3 bn	\$5.4 bn	16.7%
USD/NGN (?/\$)									
NAFEX	360.85	361.05	0.0	0.0	FPI (Foreign Inflow)	Apr-18	64.3 bn	69.7 bn	-7.7%
Parallel	363	362	0.0	0.0					
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.					
Inflation YoY (March)									
Headline	12.48	13.34	0.9	13.8					
Core	10.92	11.18	1.0	11.47					
Food	14.8	16.08	0.9	16.85					
GDP (%) - YoY	Q4 17	Q3 17	FY 17	FY18F					
Real GDP	1.9	1.4	0.8	2.6	News Headline for the week (click news for link)				
Oil	8.4	25.9	5.5	9.1	* Govs Seek to Take Over Fuel Subsidy Payments				
Agriculture	4.2	3.1	3.4	3.3					
Manufacturing	0.1	-2.9	-0.2	2	* Fitch Affirms Nigeria's 'B+' Rating, Negative Outlook				
Services	-0.8	-3.1	-0.8	1.4					
Labor Data (%) - Q3 17			Latest	Prior	* ABCON wants CBN to review exchange rate band				
Unemployment Rate			18.8	16.2					
Underemployment			21.2	21.1	* NNPC, Nigeria's Oil Behemoth Records N547bn Losses in Three Years				
Capital Importation (\$'mn) - Q4 17	Q1 18	Q4 17	QoQ (bps)	YoY (bps)					
Foreign Portfolio Investment - Equities	701.61	989.2	-0.3	5.88	* Split petroleum licences in PIB, NNPC tells N'Assembly				
Bonds	335.88	309.5	0.1	N/A					
Treasury Bills	3,527.6	2,178.8	0.6	15.7	* NNPC issues two-year crude lifting contracts to traders				
Foreign Direct Investment	246.6	378.4	-0.3	0.2					
Balance of Payment (\$'mn) - Q3 17	Q3 17	Q2 17	Q1 17	QoQ (bps)					
Trade Balance	3,897	1,997	2,267	0.95					
CA Balance	2,293	1,226	2,703	0.87					

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

The week in Review

- The Nigeria equity market was largely bearish over the week, shedding 44bps on Friday and 134bps at the end of the week.
- Whilst SOVRENIN (+30.00%), and NPFMCRFB (+10.23%) were the top gainers, JAPUL (-25.00%), and SKYEBANK (-19.15%) were the top losers.

- Losses were seen across all the sectors save for Food and Real Estate sectors which gained +0.62% and +0.28% respectively. Banking sector was the biggest loser (-3.07%) followed closely by the Oil & Gas (-2.09%) and Personal Care (-1.53%) sectors.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	40472.45	-1.34	-1.93	-2.49	5.83	44.02
NSE ASI (\$)	112.04	-0.01	-0.74	-0.03	0.06	0.46
Market Cap (#bn)	14660.34	-0.01	-0.46	-0.02	0.08	0.51
Market Cap (\$'mn)	40585.62	-0.01	-0.95	-0.02	0.07	0.53
NSE 30	1837.88	-1.47	-2.04	-1.94	5.22	42.56
NSE Premium	2920.40	-1.38	-1.13	-1.01	13.89	64.97
NSE 50	2074.69	-1.71	-1.97	-2.23	6.39	47.65
NSE ASEM	958.52	0.00	0.00	-3.04	-11.85	-19.83
NSE Banking	513.13	-2.80	-1.27	-1.43	7.93	52.78
NSE Insurance	144.39	-0.80	-0.89	-4.43	3.60	14.37
NSE Consumer	975.01	0.03	-2.98	-0.32	-0.11	37.01
NSE Oil & Gas	350.07	-2.64	-3.82	0.91	5.86	13.61
NSE Industrial	2059.19	-1.37	-0.90	-6.06	4.23	21.96
NSE Lotus	2655.08	-1.36	-1.25	-1.63	3.70	47.09
NSE Pensions	1555.38	-2.91	-3.00	-1.84	12.73	61.38

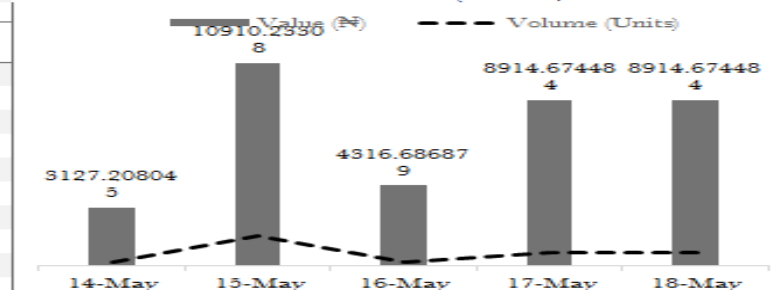
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-3.07%	-2.23%	11.25%
Brewers	-0.85%	-4.69%	-6.16%
Cement	-0.24%	-5.84%	5.89%
Personal Care	-1.53%	-11.85%	14.68%
Construction	0.00%	7.29%	2.24%
Food	0.62%	5.46%	1.66%
Insurance	-0.39%	0.58%	-0.10%
Oil & Gas	-2.09%	1.92%	4.92%
Real Estate	0.28%	-2.44%	-1.48%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.96%	-1.98%	6.02%
Mid Cap (Mid 30%)	-3.75%	-4.67%	7.60%
Small Cap (Bottom 60%)	29.70%	-18.29%	-32.95%

Volume and Value Traded (millions)



Top 10 Gainers

Company	This Week	WoW
SOVEREIGN TRUS	0.26	30.0%
NPF	1.94	10.2%
FIDSON	5.76	7.1%
BETA GLASS	87.35	5.0%
CONTINENTAL	1.50	4.9%
UACN	2.25	4.7%
PRESTIGE	0.48	4.3%
CUTIX	3.15	3.3%
CAP PLC	40.00	2.8%
FCMB	2.60	2.4%

Top 10 Losers

Company	This Week	WoW
JAPUL	0.30	-25.0%
SKYE BANK	0.76	-19.1%
DIAMOND BANK	1.55	-18.4%
CCNN	24.00	-17.2%
FIDELITY	2.15	-14.7%
UNITYKAPITAL	0.36	-14.3%
EQUITY ASSURAN	0.25	-13.8%
OKOMU	78.40	-12.9%
C&I LEASING	1.49	-12.9%
NIGER INSURANC	0.21	-12.5%

Source: NSE, Bloomberg, ARM Research

The week in Review

- Contrary to prior week, the Nigerian fixed income market closed on a bullish note as the naira yield curve dipped 26bps this week following OMO (₦250 billion) and NTB maturity (₦68 billion) during the week.

- Aside, FG sold ₦33.8 billion worth of treasury bills split across 91 Day (₦3.4 billion), 182 Day (₦16.9 billion), 364 Day (₦13.5 billion) at stop rates 9%, 10.1% and 10% respectively. Overall, average treasury bill dipped 56bps to 13.2%, while Bonds rose moderately by 4bps to 13.38%.

	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)	9.00%	73.42%	(64.42)	10-May-18	11.05%	12.50%		10-May-18	3.0	451.2	0.0
Open Buy Back (OBB)	7.83%	65.00%	(57.17)	03-May-18	11.00%	12.10%		03-May-18	175.5	424.5	0.0
NIBOR - 1M	14.04%	13.65%	0.39	26-Apr-18	10.31%	12.00%		26-Apr-18	37.3	247.7	0.0
NIBOR - 3M	14.90%	14.61%	0.29	12-Apr-18	12.20%	13.95%		12-Apr-18	5.3	111.2	0.0
NIBOR - 6M	16.67%	16.33%	0.34	23-Mar-18	12.60%	14.39%		23-Mar-18	Nil	150.0	0.0
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	12.72%	9.17%	3.55	17-May-18	10.00%	10.50%	10.70%	17-May-18	3.4	16.9	13.5
3-month	12.77%	13.87%	(1.10)	02-May-18	0.00%	0.00%	0.00%	02-May-18	9.5	17.6	68.1
6-month	12.67%	14.02%	(1.35)	19-Apr-18	10.90%	12.00%	12.08%	19-Apr-18	5.4	8.4	40.2
9-month	14.17%	13.39%	0.78	05-Apr-18	11.75%	12.70%	13.04%	05-Apr-18	6.2	4.0	85.5
12-month	14.07%	14.13%	(0.06)	22-Mar-18	11.95%	13.00%	13.15%	22-Mar-18	13.0	65.0	52.0
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	11.78%	11.78%	-	25-Apr-18	0.00%	0.00%	0.00%	25-Apr-18	0.0	0.0	0.0
15.54% 13-FEB-2020	13.06%	13.25%	(0.19)	23-Mar-18	13.40%	13.53%	13.60%	23-Mar-18	100.5	89.1	45.1
14.50% 15-JUL-2021	13.63%	13.48%	0.15	23-Feb-18	13.70%	0.00%	13.98%	23-Feb-18	27.2	0.0	52.4
16.39% 27-JAN-2022	13.54%	13.48%	0.06	24-Jan-18	13.38%	0.00%	13.49%	24-Jan-18	45.1	0.0	64.9
14.20% 14-MAR-2024	13.54%	13.38%	0.16	13-Dec-17	13.19%	0.00%	13.21%	13-Dec-17	24.8	0.0	61.5
12.50% 22-JAN-2026	13.49%	13.47%	0.02	Corporate Bonds			This Week	Corporate Eurobond			This Week
16.2884% 17-MAR-2027	13.46%	13.39%	0.07	DUFIL 18.25% 1-SEP-2022	15.32%	15.23%	0.09%	ZENITH 6.25% 22-APR-2019	5.94%	5.73%	0.21%
12.1493% 18-JUL-2034	13.29%	13.16%	0.13	FCMB 17.25% 8-DEC-2023	14.90%	14.75%	0.15%	DIAMOND 8.75% 21-MAY-2019	9.70%	9.24%	0.46%
16.2499% 18-APR-2037	13.37%	13.02%	0.35	FIDELITY 16.48% 13-MAY-2022	14.54%	14.46%	0.08%	FBN 8.25% 07-AUG-2020	9.84%	9.66%	0.18%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	17.24%	17.14%	0.10%	ECOBANK 8.75% 14-AUG-2021	9.81%	12.23%	-2.42%
6.50% 28-Nov-2027	6.76%	6.68%	0.08	MIXTA 17.00% 16-JAN-2022	14.28%	14.36%	-0.08%	ACCESS 10.50% 19-OCT-2021	7.11%	6.70%	0.41%
7.625% 28-Nov-2047	7.70%	7.69%	0.01	STANBIC 13.25% 30-SEP-2024	14.53%	14.41%	0.12%	ZENITH 7.375% 30-MAY-2022	7.04%	6.71%	0.33%
7.875% 16-FEB-2032	7.31%	7.25%	0.06	STERLING 16.50% 3-AUG-2023	14.56%	14.43%	0.13%	UBA 7.75% 08-JUN-2022	7.35%	7.11%	0.24%
5.625% 27-JUN-2022	5.41%	5.35%	0.06	UBA 16.45% 30-DEC-2021	14.50%	14.45%	0.05%				
				VIATHAN 16.00% 14-DEC-2027	15.87%	15.77%	0.10%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 21st May - 25th May 2018

	Monday	Tuesday	Wednesday	Thursday	Friday
	21-May	22-May	23-May	24-May	25-May
Global	OPEC Meeting	Canada Wholesale Sales (March)	Japan Nikkei Manufacturing PMI (May)	UK Retail Sales (February)	Italy Trade Balance (April)
	Chicago Fed National Activity Index - April	API Weekly Crude Oil Stock	Japan All Industry Activity Index (March)	Japan Tokyo CPI (May)	UK GDP - Q1 2018 (Preliminary)
		UK Inflation Report Hearings	France ILO Unemployment (Q1)		
			Germany Q1 2018 GDP		
			France PMI Composite - May (Preliminary)		
			Euro Markit PMI Composite - May (Preliminary)		
			UK Producer & Consumer Price Index (April)		
			FOMC Minutes		
Domestic	Nigerian GDP by Output (Q1 2018)				FAAC April 2018 Disbursement

CHART OF THE WEEK

- Earlier in the week, the National Assembly (NASS) finally passed the 2018 budget after six months since the President submitted the 2018 appropriation bill to the parliament.
- Interestingly, the NASS revised the proposed 2018 aggregate expenditure upwards by 5.8% to ₦9.1 trillion (vs. ₦8.6 trillion previously) even as it raised the crude oil price assumption to ₦51 from ₦45 vis-à-vis the oil revenue estimate.
- According to provided breakdown, much of the increase in the proposed budget was allocated to capital expenditure (CAPEX) which rose to ₦2.9 billion from previously budgeted ₦2.4 billion.
- Focusing on the increase in CAPEX, the revised amount represents 31.5% of aggregate expenditure which is higher than 25% contribution in the last 6 years. This development is in line with FG's plan to allocate minimum 30% of the budgeted expenditure to CAPEX to drive infrastructure development in the country.
- Over the last 6 years, FG has on average implemented 69% of planned CAPEX. We think this could be better and would possibly be higher in 2018 as the present government would aim to achieve much on this front to win electorates ahead of the 2019 election.
- Overall, in our view, the increase in budgeted CAPEX without drive to ensure full implementation is only a futile attempt. In other words, **full implementation of the capital expenditure is key** as that would be an enabler of productivity and economic growth in the economy.

Figure 1: Trend in Expenditure and Capital outlay

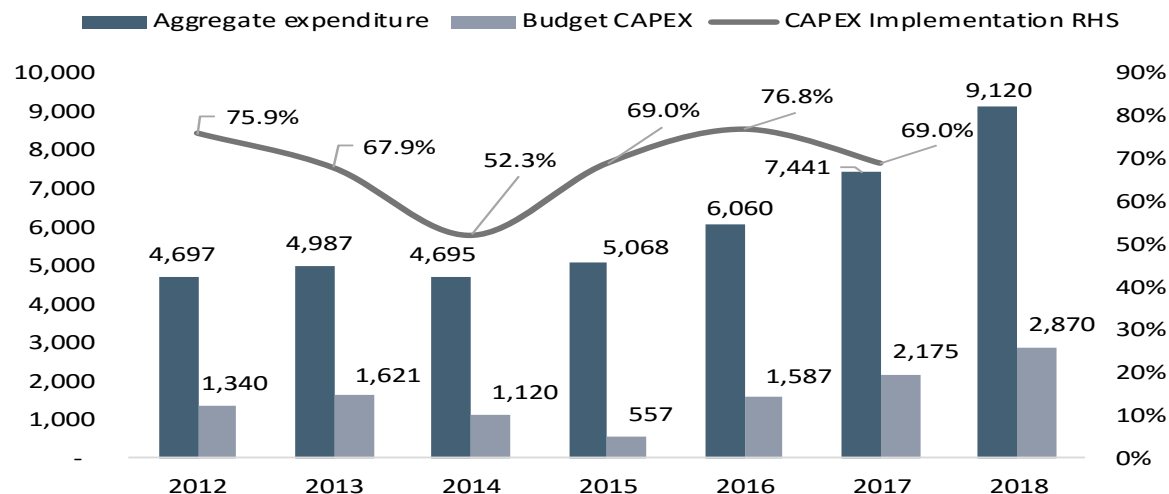
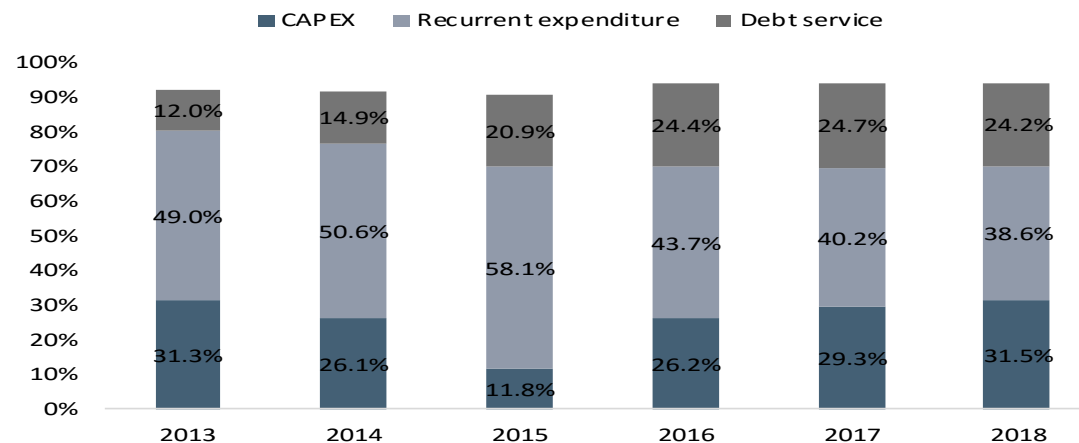


Figure 2: Composition of Aggregate expenditure (2013-2018)





Thank You



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