



HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY

## **Weekly Economic & Financial Commentary**

...for the week 29th October – 2nd November 2018

### ***Global Economy***

- ◆ U.S trade deficit expanded slightly by 130bps (vs 650bps in August) to \$54 billion in September, albeit at a slower pace driven by a rebound in exports. For clarity, exports expanded by 149bps MoM to \$212.6 billion outpacing the impact of a growth in imports (+146bps MoM to \$266.6 billion). Elsewhere, preliminary estimate of GDP in the Eurozone reveals a slowdown in the growth rate to 1.7% YoY in Q3 (Q2 18: 2.2%). For us, we perceive the slowdown in growth stems from Italy and the U.K Brexit related issues. Also, the bank of England left its interest rate unchanged at 0.75%, however it signalled the possibility of a hike in its monetary policy stance over the next three years in order to drive inflation down to its 2% target rate.

### ***Domestic Economy***

- ◆ The CBN released a draft economic report for first half of 2018 which showed the state of the economy between January - June 2018. Importantly, the report showed FG fiscal deficit of ₦786.8 billion (15% lower than H1 2017) relative to budgeted fiscal deficit of ₦977.2 over the same period. The lower deficit compared to the budget reflected a lower expenditure outlay over H1 18 (-46% to ₦2.6 trillion) due to slow pace of capital releases as the passage of the budget was delayed. Also, the FG recorded a revenue shortfall of (-52.9% to ₦1.8 trillion) due to drop in both oil revenue – a fall out of lower oil production (1.9mbpd compared to budgeted 2.3mbpd) and export over –, and non-oil revenue.

### ***Equities***

- ◆ The Nigerian equity market reversed the positive trend witnessed over the past two weeks, declining by 2.38% WoW. The negative performance was driven by declines in FBNH (-15.0%), ETI (-4.48%), GUINNESS (-5.2%), DANGSUGAR (-10.9%), DANGCEM (-2.9%), NESTLE (-1.5%) and SEPLAT (-3.1%). The stocks that recorded the highest declines during the week were UNITYBNK (-21%), DANGFLOUR (-21.1%), CCNN (-18.8%) and DIAMONDBNK (-16.7%). On a sectorial basis, all sectors closed in the negative territory except the Construction and Real Estate which closed flat. The Brewers (-4.7%), Cement (-3.1%), Personal Care (-5.1%) and Food (-3.3%) were the largest losers.

### ***Fixed Income***

- ◆ Average yields in the fixed income market dipped 6bps WoW to 14.6%. The plunge in yields was largely driven by demand at the short end of the curve which came in despite higher stop rates at this week's NTB, with average NTB rates 59bps (12.96%) higher than the last auction. However, following sell off at the long end of the curve average bond yields rose 19bps WoW to 15.26% to moderate the plunge at the short end of the curve.

## The week in Review

- U.S trade deficit expanded slightly by 130bps (vs 650bps in August) to \$54 billion in September, albeit at a slower pace driven by a rebound in exports. For clarity, exports expanded by 149bps MoM to \$212.6 billion outpacing the impact of a growth in imports (+146bps MoM to \$266.6 billion). Elsewhere, preliminary estimate of GDP in the Eurozone reveals a slowdown in the growth rate to 1.7% YoY in Q3 (Q2 18: 2.2%).

- For us, we perceive the slowdown in growth stems from Italy and the U.K Brexit related issues. Also, the bank of England left its interest rate unchanged at 0.75%, however it signalled the possibility of a hike in its monetary policy stance over the next three years in order to drive inflation down to its 2% target rate.

Country Index		Index Returns (%)				Index Characteristics			Global Fixed Income					Global Currencies					
		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 n (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,669	-3.6	-0.2	4.2	18.7		2.0	US	2.62		3.09	0.9	2.3	Euro (€)	1.1	1.2	-1.0	-5.0
	NASDAQ	7,224	-3.0	4.6	10.2	41.4	11,143.3	1.1	UK	0.71	0.0	1.24	1.5	2.4	GBP (£)	1.3	1.3	-1.9	-5.0
UK	FTSE 100	6,940	-1.6	-9.7	-7.3	15.4		4.8	Euro	-0.24	1.2	0.94	-6.7	2.1	JPY (¥)	112.0	112.6	0.5	0.7
France	CAC 40	4,967	-2.3	-6.5	-8.9	15.8	973.7	3.6	Japan	-0.17	0.0	0.08	0.4	1	INR (₹)	73.5	73.3	-0.2	-13.1
Germany	XETRA DAX	11,201	-3.1	-13.3	-14.7	13.4		3.5	China	2.76	-0.9	3.39	-1.7	2.5	CNY (¥)	6.9	6.9	-0.2	-6.3
Japan	NIKKEI 25	21,185	0.0	-6.9	-3.7	15.3	5.1	2.1	India	7.42	-0.5	7.88	-0.6	5.61	MXN (\$)	19.4	19.3	-0.9	1.1
China	Shanghai Comp	2,599	0.0	-21.4	-23.9	12.2	4,002.6	3.0	Mexico	8.21	0.6	8.33	-0.8	5.02	RUB (p.)	65.8	65.5	-0.5	-12.3
Brazil	Ibovespa	84,936	0.9	11.2	11.9	19.8	38.0	3.6	Turkey	26.65	6.1	17.34	3.1	24.52	ZAR (R)	65.8	65.5	-0.5	-12.3
India	BSE Sens	33,349	-2.8	-2.1	0.6	21.5	455.7	1.6	Russia	7.72	2.3	4.41	-0.1	3.4	EGP (£)	17.9	17.9	0.1	-0.7
Russia	RTS	583	-2.6	-3.6	1.7	5.5	2.8	6.9	Egypt	19.73	0.6	14.18	0.0	16	KES (sh)	101.3	101.0	-0.3	1.9
Mexico	S&P/BMV IPC	45,848	-3.3	-7.1	-6.4	18.1		2.4	South Africa	8.10	0.4	9.72	-0.8	4.9	GHS (¢)	17.9	17.9	0.1	-0.7
Turkey	Borsa Istanbul	90,542	-6.1	-21.5	-15.6	6.8	0.4	4.6	Kenya	9.52	-0.6	12.67	-0.2	5.7	XOF (F)	575.0	568.3	-1.2	-1.9
Indonesia	JCI Index	5,785	0.0	-9.0	-3.2	18.8	423.8	2.3	Ghana	15.00	0.0	19.00	0.0	9.8	XAF (F)	582.5	592.2	1.7	-4.2
Kazakhstan	KASE Index	2,197	-1.3	1.6	7.5	6.6	3.2	75.6	Nigeria	13.45	0.9	15.21	-0.6	11.3	NGN (₦)	362.9	363.1	0.0	-0.8
Vietnam	VN Index	901	0.0	-8.5	7.2	15.9	122.2	1.7	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	50,838	-2.4	-14.6	-13.2	14.9		4.3			This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior	
Egypt	EGX 30	13,024	0.0	-13.3	-6.7	12.3	10.5	7.5	Brent Crude	\$/bbl	77.3	79.8	-3.1	15.6	U.S GDP - Q3 18 **		3.5%	4.2%	
Kenya	NSEASI	146	-0.3	-14.8	-7.7	11.9	20.3	5.3	OPEC Crude	\$/bbl	75.0	79.5	-4.0	16.4	U.S PCE prices - Q3 18 **		1.6%	2.0%	
Morocco	MSCI MX	301	-0.2	-10.7	-11.1	18.7	8.8	3.9	Gasoline	\$/gal	181.3	191.4	-5.3	4.3	E.U's Interest rate decision		0.0%	0.0%	
Ghana	GSE Composite	2,821	-1.5	9.3	20.1	25.0	4.5	0.6	Natural Gas	\$/MBtu	3.2	3.3	-2.8	10.2	Canada's Interest rate Decision		1.75%	1.5%	
Tunisia	TunIndex	7,357	-2.0	17.1	21.0	19.2	0.7	2.1	Gold	\$/t oz	1237.4	1226.5	0.9	-5.0	Japan's Inflation - October		1.5%	1.3%	
BRVM	BRVM	177	-2.5	-27.1	-23.8	8.6	8.7	N/A N/A	Sugar	\$/lb	13.9	13.9	-0.3	-11.7	U.S Goods Trade Balance - September (\$'bn)		76.04	75.80	
Mauritius	SEMDEX	2,240	0.3	1.7	2.0	23.3	9.3		Wheat	\$/bsh	504.5	514.8	-2.0	4.7	U.S Composite PMI** (Index ppts)		54.80	53.90	
Nigeria	NGSE ASI	32,907	0.20	-13.95	-9.89	9.3	32.2	5.4	Crude Palm oil	IYR/MT	2148.0	2224.0	0.0		E.U's Composite PMI** (Index ppts)		52.70	54.10	

Source: Bloomberg, Reuters, ARM Research

### The week in Review

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- Also, the FG recorded a revenue shortfall of (-52.9% to ₦1.8 trillion) due to drop in both oil revenue – a fall out of lower oil production (1.9mbpd compared to budgeted 2.3mbpd) and export over – and non-oil revenue.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	41.95	42.28	-0.79%	8.20%	* Stock Report - Fidelity Bank Plc - Our preferred Tier 2 Bank
USD/NGN (₦/\$)					* Stock Report - Dangote Sugar Refinery Plc - Tough operating environment dim outlook
NAFEX	363.7	363.84	0.03%	-0.94%	* Initial View - Flour Mills of Nigeria Plc FQ2 19 - Earnings down on lower revenues
Parallel	361.0	360.5	-0.14%	0.28%	* Initial View - Nestle Nigeria Plc Q3 18 - Lower FX losses offset operating cost pressures
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	* Initial View - Presco Plc Q3 18 - Gain on biological asset flatter earnings
Inflation YoY (September)			CHG (pps)		* Initial view- Diamond Bank Plc 9M 18 - Underlying pressures persist
Headline	11.28	11.23	0.0	12.42	* Equity Commentary - CCNN Plc - Downgrade to SELL due to material dilution
Core	9.84	10.02	-0.2	10.78	
Food	13.31	13.16	0.2	14.79	
GDP (%) - YoY	Q2 18	Q1 17	FY 17	FY18F	
Real GDP	1.5	2	0.8	2.4	
Oil	-3.95	14.8	5.5	8.8	News Headline for the week (click news for link)
Agriculture	1.2	3	3.4	3.3	* Airlines groan as FG delays VAT waiver implementation
Manufacturing	0.7	3.4	-0.2	2.6	* FG's unpaid subsidy arrears affecting our operations —Marketers
Services	4.1	0.5	-0.8	1.3	* We inherited \$63bn debt, borrowed \$10bn since 2015 — Osinbajo
Labor Data (%) - Q3 17			Latest	Prior	* PenCom Unveils Guidelines on Voluntary Contribution
Unemployment Rate			18.8	16.2	* CBN confirms 34 primary mortgage banks
Underemployment			21.2	21.1	* We'll send rejected PIGB back to Buhari soon – Lawmaker
Capital Importation (\$'mn)	Q2 18	Q1 18	QoQ (%)	YoY (%)	* MTN Adds Subscribers, Vows to Proceed With Nigerian Listing
Foreign Portfolio Investment - Equities	1048.39	701.6	49.4%	70.7%	* NNPC records N7.15bn trading surplus for June
Bonds	400.14	335.9	19.1%	591.4%	* Petrol pump price hasn't been reduced – IPMAN
Money Market	2670.93	3,527.6	-24.3%	2609.1%	* Senate condemns FG for non-payment of fuel subsidy claims
Foreign Direct Investment	261.35	246.62	6.0%	-4.7%	* FG shifts burden of TSA transaction cost to payers
Balance of Payment (\$'mn)	Q2 18	Q1 18	Q4 17	QoQ	* Nigeria's Manufacturing Index Expands in 19th Consecutive Month
Trade Balance	8,639	5,901	5,473	46.4%	* CBN fixes N5bn capital base for Payment Service Banks
CA Balance	5,736	3,523	3,656	62.8%	* NNPC Shores up Fuel Supply with BP Oil Deal

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

### The week in Review

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- On a sectorial basis, all sectors closed in the negative territory except the Construction and Real Estate which closed flat. The Brewers (-4.7%), Cement (-3.1%), Personal Care (-5.1%) and Food (-3.3%) were the largest losers.

### Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	32124.94	-2.38	-1.05	-1.96	-16.00	-12.89
NSE ASI (\$)	88.32	-2.38	-1.1	-0.02	-0.17	-0.14
Market Cap (₦'bn)	11728.08	-2.38%	-1.1	-0.02	-0.14	-0.08
Market Cap (\$'mn)	32243.04	-2.35%	-1.1	-0.02	-0.15	-0.09
NSE 30	1443.81	-2.19	-0.84	-2.02	-17.34	-14.19
NSE Premium	2339.62	-3.09	-1.11	-0.67	-8.76	-6.78
NSE 50	1665.80	-2.53	-1.10	-1.81	-14.58	-11.55
NSE ASEM	786.19	0.00	0.00	-1.44	-27.69	-32.37
NSE Banking	419.29	-0.38	0.26	1.96	-11.81	-10.36
NSE Insurance	121.92	-2.37	-1.27	-2.67	-12.52	-13.11
NSE Consumer	714.57	-3.25	-1.24	-5.77	-26.79	-21.28
NSE Oil & Gas	289.85	-2.62	-0.51	0.75	-12.35	1.26
NSE Industrial	1399.15	-4.06	-2.51	-8.47	-29.18	-31.55
NSE Lotus	2208.59	-2.81	-2.25	-2.40	-13.74	-4.71
NSE Pensions	1184.05	-2.86	-0.86	-3.43	-14.18	-9.10

### Top 10 Gainers

Company	This Week	WoW
PRESCO	59.85	12.9%
LIVESTOCK	0.57	9.6%
INTBREW	33.55	8.2%
LEARNAFR	1.18	7.3%
MUTUAL BENEFIT	0.30	7.1%
STERLNBA	1.60	6.7%
ACCESS	8.35	5.0%
FORTE	22.00	4.8%
ABC	0.31	3.3%
LINKASSURE	0.68	3.0%

### Top 10 Losers

Company	This Week	WoW
UNITY BANK	0.71	-21.1%
DANGFLOUR	5.80	-21.1%
CCNN	20.25	-18.8%
MEYER PLC	0.56	-17.6%
DIAMONDB	1.20	-16.7%
FBNH	7.65	-15.0%
FIDSON	4.60	-14.8%
NIGERINS	0.24	-14.3%
PZ	10.00	-13.0%
ETERNA	5.45	-12.1%

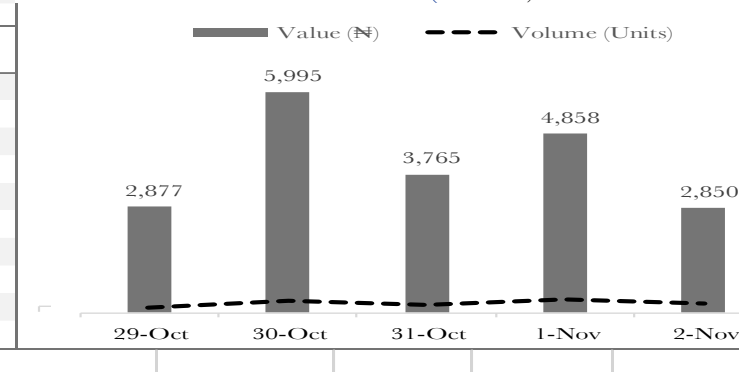
### Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.35%	0.57%	-8.65%
Brewers	-4.74%	-8.41%	-37.00%
Cement	-3.09%	-0.97%	-13.60%
Personal Care	-5.01%	-10.53%	-19.36%
Construction	0.00%	-0.49%	-9.64%
Food	-3.25%	-4.23%	-18.55%
Insurance	-2.90%	-2.94%	-11.61%
Oil & Gas	-2.02%	2.23%	-19.83%
Real Estate	0.00%	-0.50%	-2.99%

### ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-2.36%	-1.43%	-14.59%
Mid Cap (Mid 30%)	-3.43%	-4.08%	-16.11%
Small Cap (Bottom 60%)	-2.32%	-20.72%	-57.81%

### Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research



### The week in Review

- ◆ Average yields in the fixed income market dipped 6bps WoW to 14.6%. The plunge in yields was largely driven by demand at the short end of the curve which came in despite higher stop rates at this week's NTB, with average NTB rates 59bps (12.96%) higher than the last auction.

- ◆ However, following sell off at the long end of the curve average bond yields rose 19bps WoW to 15.26% to moderate the plunge at the short end of the curve.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	120 Days	180 Days	1 Year	Issuance (N'billion)	120 Days	180 Days	1 Year
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	11.42%	12.67%	-1.25%	25-Oct-18	11.50%	13.00%	14.50%	25-Oct-18	0.13	11.8	174.1
Open Buy Back (OBB)	10.33%	13.33%	-3.00%	18-Oct-18	11.25%	12.75%	14.00%	18-Oct-18	0.12	45.7	229.5
NIBOR - 1M	14.09%	13.98%	0.11%	11-Oct-18		12.50%	13.50%	11-Oct-18		31.8	217.3
NIBOR - 3M	14.16%	13.95%	0.21%	04-Oct-18		12.50%	13.50%	04-Oct-18		80.6	472.4
NIBOR - 6M	15.00%	14.72%	0.28%	20-Sep-18		12.50%	13.50%	20-Sep-18		31.0	306.5
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	12.44%	12.84%	-0.40%	17-Oct-18	10.96%	12.69%	13.45%	17-Oct-18	5.8	29.2	112.5
3-month	13.02%	12.91%	0.11%	03-Oct-18	10.90%	12.10%	13.33%	03-Oct-18	9.5	17.6	106.4
6-month	13.37%	13.60%	-0.23%	19-Sep-18	11.00%	12.20%	13.48%	19-Sep-18	5.4	8.4	168.4
9-month	15.62%	14.19%	1.43%	29-Aug-18	11.00%	12.30%	13.05%	29-Aug-18	22.7	38.8	145.5
12-month	16.38%	15.73%	0.65%								
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>	<b>FGN Bonds</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>
16.00% 29-JUN-2019	14.38%	14.28%	0.10%	24-Oct-18	15.00%	15.15%	15.34%	24-Oct-18	12.7	20.1	55.3
15.54% 13-FEB-2020	14.56%	14.20%	0.36%	26-Sep-18	15.00%	15.10%	15.25%	26-Sep-18	17.5	7.4	71.9
14.50% 15-JUL-2021	15.22%	15.16%	0.06%	15-Aug-18	14.39%	14.60%	14.69%	15-Aug-18	8.8	7.9	21.0
16.39% 27-JAN-2022	14.71%	15.71%	-1.00%	27-Jul-18	13.69%	14.00%	14.30%	25-Apr-18	38.3	12.8	39.0
14.20% 14-MAR-2024	15.13%	15.13%	0.00%	29-Jun-18	13.50%	13.80%	13.81%	23-Mar-18	100.5	89.1	45.1
12.50% 22-JAN-2026	15.17%	14.96%	0.21%	<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
16.2884% 17-MAR-2027	15.24%	15.12%	0.12%	DUFIL   18.25%   1-SEP-2022	16.66%	16.61%	0.05%	ZENITH   6.25%   22-APR-2019	5.44%	5.46%	-0.02%
12.1493% 18-JUL-2034	15.29%	15.39%	-0.10%	FCMB   17.25%   8-DEC-2023	16.43%	16.43%	0.00%	DIAMOND   8.75%   21-MAY-2019	14.63%	13.84%	0.79%
16.2499% 18-APR-2037	15.17%	15.14%	0.03%	FIDELITY   16.48%   13-MAY-2022	15.76%	15.77%	-0.01%	FBN   6.488%   23-JUL-2021	9.09%	9.12%	-0.03%
<b>FGN Eurobonds</b>				LAPO MFB   17.75%   19-DEC-2022	18.58%	18.59%	-0.01%	ECOBANK   8.75%   14-AUG-2021	9.96%	9.98%	-0.02%
6.50% 28-Nov-2027	7.67%	7.48%	0.19%	MIXTA   17.00%   16-JAN-2022	15.82%	15.63%	0.19%	ACCESS   10.50%   19-OCT-2021	7.80%	10.48%	-2.68%
7.625% 28-Nov-2047	8.64%	8.50%	0.14%	STANBIC   13.25%   30-SEP-2024	16.14%	16.08%	0.06%	ZENITH   7.375%   30-MAY-2022	7.04%	7.05%	-0.01%
7.875% 16-FEB-2032	8.26%	8.05%	0.21%	STERLING   16.50%   3-AUG-2023	16.03%	16.03%	0.00%				
5.625% 27-JUN-2022	5.88%	5.79%	0.09%	UBA   16.45%   30-DEC-2021	15.71%	15.68%	0.03%				
				VIATHAN   16.00%   14-DEC-2027	16.15%	16.05%	0.10%				

Source: DMO, FMDQ, Bloomberg, ARM Research

## Economic and Financial Calendar for the week 29th October - 2nd November 2018

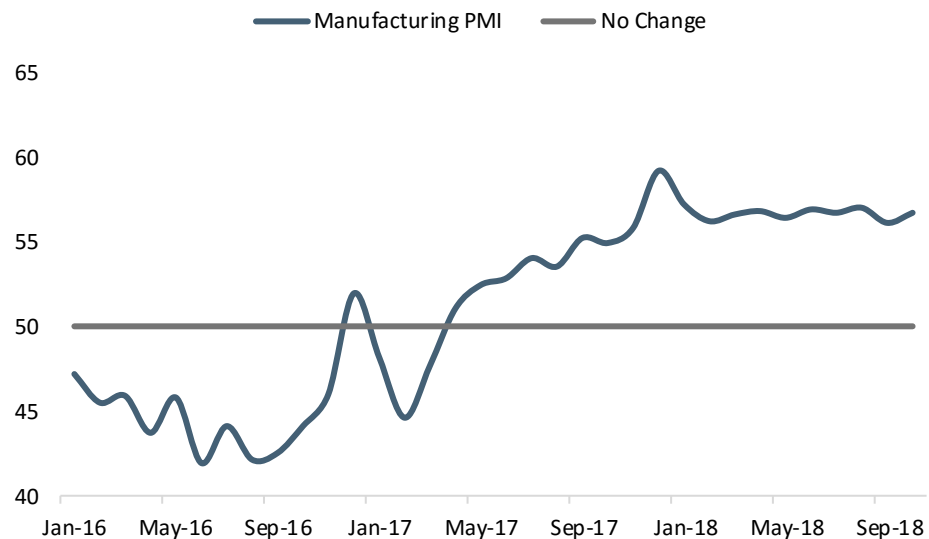
	Monday 29-Oct	Tuesday 30-Oct	Wednesday 31-Oct	Thursday 1-Nov	Friday 2-Nov
Global	U.S Core PCE price index - September	France Q3 GDP - QoQ**	Japan's monetary policy meeting	U.S Manufacturing PMI - October	U.S Trade Balance - September
	U.S PCE price index - September	Italy's Q3 GDP - QoQ**	Spain's GDP - Q3 18**	U.K monetary policy meeting	U.S Unemployment rate - October
	Japan unemployment rate - September	EU's Q3 GDP - QoQ**	Canada's GDP (MoM) - August	China's monetary policy meeting	Canada's merchandise Trade - September
	Italy's producer price index - September	Japan's industrial production - September	EU's Consumer Price Index - October**	U.K's Manufacturing PMI - October	Germany's Manufacturing PMI - October
	U.S Personal income - September	Spain's retail sales - September	Japan's consumer confidence Index - October	China's Manufacturing PMI - October	U.S Nonfarm Payroll - October
				Australia's trade Balance - September	
Domestic			Daily energy generated and sent out - Q3 18		

\* means Preliminary Estimate

\*\* means preliminary

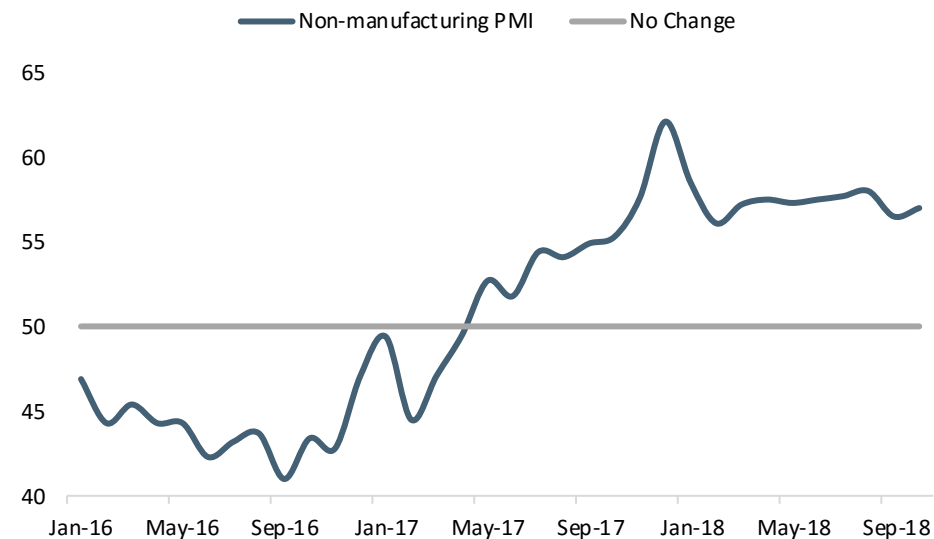
## PMI continues expansionary trend

**Figure 1: Manufacturing PMI**



Source: CBN, ARM Research

**Figure 2: Non-Manufacturing PMI**



Source: CBN, ARM Research





Thank You



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