



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 26th – 30th November 2018

Global Economy

- ◆ The United States, Canada and Mexico signed a new trade deal on Friday replacing the North American trade pact (NAFTA) after over a year of negotiations. The new deal offers a glimmer of certainty amid rising global tensions over trade even as Trump and Chinese President Xi Jinping are set to meet on Saturday. On another note, Personal income in the US for the month of October increased by \$84.9 billion (0.5% MoM) in October, while disposable personal income increased \$81.7 billion (0.5% MoM) and personal consumption expenditures (PCE) increased \$86.9 billion (0.6% MoM).

Domestic Economy

- ◆ Following the increasing FX demand ahead of the festive period and panic buying due to recent slump in crude oil prices, which have seen the Naira weakened against the US at the parallel market in recent weeks (1.4% WoW and 1.8% MtD), the apex bank during the week reiterated its ability to comfortably supply FX across markets. Notably, the apex bank released a circular yesterday, stating its intention to increase intervention sales to BDCs to four times a week (previously Monday, Wednesday and Friday), with an additional \$15,000 sales per BDC on Thursdays. As a result, weekly CBN intervention sales to BDCs per week will now increase to \$60,000 per week from previous \$45,000 in order to meet the increased demand for Personal/Business and Travel allowance. Elsewhere, the FG, States and local governments shared a total of ₦788.1 billion for the month of October, ₦89 billion higher than the previous month.

Equities

- ◆ The Nigeria equity market booked another week of loss, with the NSE ASI declining by 2.54% WoW to 30,874.17 pts and the market capitalization shedding ₦293.7 billion over the week. The loss was driven by declines in bellwether stocks in the banking (FBNH: -6.58%, GUARANTY: -5.63%, STANBIC: -2.04%, UBA: -3.85% and ZENITH: -3.33%), cement (DANGCEM: -4.15%, LAFARGE: -7.14%) and Oil & gas (SEPLAT: -9.68%) sectors. Top decliners during the week were DIAMONDBNK (-31.58%), PRESTIGE (-30.38%) and UNITYBNK (-18.82%).

Fixed Income

- ◆ Average yields in the fixed income market dipped for the second consecutive week by 5bps WoW to 14.87%. The plunge in the Naira yield curve was driven by buying sentiment at the short end of the curve prior to CBN's OMO sale (₦371.6 billion) on Thursday at higher rates (Average OMO rates: +20bps WoW to 13.2%). Elsewhere, activities at the long end of the curve were largely quiet on most trading days leaving bond yields relatively flattish, however, following higher stop rates at yesterday's OMO auction bond yields rose 1bps WoW to 15.36%.

The week in Review

- ◆ The United States, Canada and Mexico signed a new trade deal on Friday replacing the North American trade pact (NAFTA) after over a year of negotiations. The new deal offers a glimmer of certainty amid rising global tensions over trade even as Trump and Chinese President Xi Jinping are set to meet on Saturday.

- ◆ On another note, Personal income in the US for the month of October increased by \$84.9 billion (0.5% MoM) in October, while disposable personal income increased \$81.7 billion (0.5% MoM) and personal consumption expenditures (PCE) increased \$86.9 billion (0.6% MoM).

		Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies						
Country	Index	Level (in	WoW	YTD	52-	P/E	Mkt. Cap	Div.	1-Yr		WoW	10-yr	WoW	Inflatio	This Week	Prior Week	WoW (%)	YTD (%)	
		\$)	(%)	(%)	Wk	(x)	(\$'bn)	Yld (%)	Tenor	(pps)	Tenor	(pps)	n (%)						
US	S&P 500	2,741	4.1	2.5	3.5	18.8		2.0	US	2.68		3.02	0.2	2.5	Euro (€)	1.1	1.1	-0.2	-5.7
	NASDAQ	7,276	4.9	5.4	5.8	40.7	11,075.0	1.1	UK	0.75	0.0	1.22	0.1	2.4	GBP (£)	1.3	1.3	-0.4	-5.6
UK	FTSE ASI	6,980	0.4	-9.2	-4.7	15.8		4.8	Euro	-0.24	1.0	0.88	-2.3	2	JPY (¥)	113.6	113.0	-0.5	-0.8
France	CAC 40	5,004	1.2	-5.8	-6.9	15.4	975.7	3.6	Japan	-0.17	0.0	0.05	0.1	1	INR (Rs)	69.6	70.7	1.6	-8.2
Germany	XETRA DAX	11,257	0.6	-12.9	-13.6	12.4		3.5	China	2.77	0.5	3.39	-0.3	2.5	CNY (¥)	7.0	6.9	-0.2	-6.5
Japan	NIKKEI 25	22,351	0.0	-1.8	-2.1	15.5	5.3	2.0	India	7.19	-0.1	7.61	-1.3	5.23	MXN (\$)	20.3	20.4	0.3	-3.3
China	Shanghai Comp	2,588	0.0	-21.7	-22.0	12.1	4,016.9	3.0	Mexico	8.52	-0.3	9.04	0.2	4.9	RUB (p.)	67.1	66.2	-1.3	-14.0
Brazil	Ibovespa	90,086	4.5	17.9	25.2	20.1	38.5	3.4	Turkey	22.07	5.3	16.08	0.2	25.24	ZAR (R)	67.1	66.2	-1.3	-14.0
India	BSE Sens	36,194	3.5	6.3	9.2	23.7	520.0	1.5	Russia	7.77	1.0	4.66	0.0	3.5	EGP (£)	17.9	17.9	-0.1	-0.8
Russia	RTS	593	0.6	-1.9	0.2	5.4	2.8	6.8	Egypt	19.70	-0.2	14.18	0.0	17.7	KES (sh)	102.5	102.5	-0.1	0.6
Mexico	S&P/BMV IPC	41,650	1.2	-15.6	-11.6	18.2		2.7	South Africa	8.21	0.5	9.38	-0.1	5.1	GHS (¢)	17.9	17.9	-0.1	-0.8
Turkey	Borsa Istanbul	95,416	2.6	-17.3	-8.2	6.9	0.4	4.3	Kenya	9.56	-0.1	12.67	-0.2	5.6	XOF (F)	576.7	574.8	-0.3	-2.2
Indonesia	JCI Index	6,056	0.0	-4.7	1.7	19.2	472.1	2.2	Ghana	15.50	3.3	19.00	0.0	9.52	XAF (F)	582.6	583.6	0.2	-4.2
Kazahasta	KASE Index	2,250	-0.6	4.0	9.3	6.6	3.2	73.9	Nigeria	14.45	0.0	15.74	-0.5	11.3	NGN (₦)	365.7	362.4	-0.9	-1.6
Vietnam	VN Index	927	0.0	-5.9	-3.5	16.2	127.2	1.7	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	50,664	-0.1	-14.9	-15.2	14.8		4.3			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior		
Egypt	EGX 30	13,320	0.0	-11.3	-8.7	12.5	10.8	6.0	Brent Crude	\$/bbl	58.7	58.8	-0.1	-12.2	U.S GDP - Q3 18**	3.5%	3.5%		
Kenya	NSEASI	146	1.4	-14.7	-15.5	11.3	20.0	5.4	OPEC Crude	\$/bbl	58.1	62.1	-3.6	-9.9	U.S Goods trade balance - October (\$' billion)	(77.25)	(76.04)		
Morrocco	MSCI MX	305	0.5	-9.6	-11.2	18.9	8.9	3.9	Gasoline	\$/gal	145.2	139.1	4.4	-15.1	Japan's Unemployment rate - October	2.4%	2.3%		
Ghana	GSE Composite	2,554	-0.2	-1.0	1.3	22.4	4.0	0.7	Natural Gas	\$/MBtu	4.5	4.4	4.4	47.6	Canada's GDP - Q3 18 (QoQ)	2.0%	2.9%		
Tunisia	TunIndex	7,304	0.0	16.3	17.4	19.0	0.7	1.9	Gold	\$/t oz	1221.9	1223.1	-0.1	-6.2	Italy's GDP - Q3 18 (YoY)	0.7%	0.8%		
BRVM	BRVM	166	-0.8	-31.5	-25.5	8.1	8.1	N/A N/A	Sugar	\$/lb	12.8	12.5	2.6	-18.4	E.U's CPI - November (YoY)**	2.0%	2.0%		
Mauritius	SEMDEX	2,234	0.4	1.4	2.5	21.0	9.3		Wheat	\$/bsh	518.3	507.3	2.2	5.1	China's Manufacturing PMI - Nov. (Index ppts)	50.0	50.2		
Nigeria	NGSE ASI	30,874	-2.54	-19.27	####	9.4	30.0	5.6	Crude Palm oil	IYR/MT	2040.0	2044.0	0.0		U.S New home sales - October ('000)	544	597		

Source: Bloomberg, Reuters, ARM Research

The week in Review

- Following the increasing FX demand ahead of the festive period and panic buying due to recent slump in crude oil prices, which have seen the Naira weakened against the US at the parallel market in recent weeks (1.4% WoW and 1.8% MtD), the apex bank during the week reiterated its ability to comfortably supply FX across markets. Notably, the apex bank released a circular yesterday, stating its intention to increase intervention sales to BDCs to

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	42.08	41.60	1.15%	8.54%	* Initial View - FCMB Group Plc 9M 2018 - FX Revaluation gain provides Golden Touch
USD/NGN (₦/\$)					* Brewery Sector update 9M 2018 - The forgotten stone now the stumbling block
NAFEX	364.1	364.7	0.16%	-1.04%	
Parallel	367.5	362.5	-1.36%	-1.50%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	
Inflation YoY (October)			CHG (pps)		
Headline	11.26	11.28	-0.02	12.42	
Core	9.88	9.84	0.04	10.69	
Food	13.28	13.31	-0.03	14.64	
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	
Agriculture	1.2	3	3.4	3.3	
Manufacturing	0.7	3.4	-0.2	2.6	
Services	4.1	0.5	-0.8	1.3	
Labor Data (%) - Q3 17			Latest	Prior	
Unemployment Rate			18.8	16.2	
Underemployment			21.2	21.1	
Capital Importation (\$'mn)	Q2 18	Q1 18	QoQ (%)	YoY (%)	
Foreign Portfolio Investment - Equities	1048.39	701.6	49.4%	70.7%	
Bonds	400.14	335.9	19.1%	591.4%	
Money	2670.93	3,527.6	-24.3%	2609.1%	
Market	261.35	246.62	6.0%	-4.7%	
Foreign Direct Investment	261.35	246.62	6.0%	-4.7%	
Balance of Payment (\$'mn)	Q2 18	Q1 18	Q4 17	QoQ	
Trade Balance	8,639	5,901	5,473	46.4%	
CA Balance	5,736	3,523	3,656	62.8%	

News Headline for the week (click news for link)

- * Fresh trouble for Nigeria as oil price plunges
- * Prices of selected food stuff increased in October – NBS
- * Nigeria has lost its most valued oil buyers – DPR
- * We'll miss 2019 target for refineries' revamp – Kachikwu
- * Oil price falls below budget benchmark
- * Senate to FG : Suspend Planned 500% Increase in Tariff on Alcoholic Beverages
- * FG earns N10.5bn from FGN Savings Bond in 18 months
- * States IGR rises 28% in H1'18
- * Nigeria's GDP growth'll be below 2% in 2018 – World Bank
- * Petrol: Nigeria imported 4.37bn litres in 3 months – NBS
- * FG, States, LGs Share N788.139bn for October
- * Nigeria's Access Bank to Repay \$400 Million Bond Two Years Early
- * Naira crashes against dollar at black market
- * 2018 budget: FG records N1.1tn deficit in eight months

The week in Review

♦ The Nigeria equity market booked another week of loss, with the NSE ASI declining by 2.54% WoW to 30,874.17 pts and the market capitalization shedding ₦293.7 billion over the week.

♦ The loss was driven by declines in bellwether stocks in the banking (FBNH: -6.58%, GUARANTY: -5.63%, STANBIC: -2.04%, UBA: -3.85% and ZENITH: -3.33%), cement (DANGCEM: -4.15%, LAFARGE: -7.14%) and Oil & gas (SEPLAT: -9.68%) sectors. Top decliners during the week were DIAMONDBNK (-31.58%), PRESTIGE (-30.38%) and UNITYBNK (-18.82%).

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	30874.17	-2.54	-4.90	-5.77	-19.27	-18.63
NSE ASI (\$)	84.80	-2.54	-2.20	-0.06	-0.20	-0.19
Market Cap (₦'bn)	11271.48	-2.54%	-2.10	-0.06	-0.17	-0.15
Market Cap (\$'mn)	30957.09	-2.38%	2.20	-0.06	-0.18	-0.16
NSE 30	1394.99	-2.45	-4.19	-5.34	-20.13	-18.67
NSE Premium	2162.10	-4.26	-8.61	-8.20	-15.68	-18.49
NSE 50	1628.15	-2.22	-3.33	-4.03	-16.51	-15.06
NSE ASEM	788.24	0.09	0.26	-1.18	-27.51	-31.97
NSE Banking	398.47	-2.99	-4.72	-3.11	-16.19	-15.35
NSE Insurance	126.37	4.71	2.33	0.88	-9.33	-9.83
NSE Consumer	735.02	0.08	1.59	-3.08	-24.70	-19.96
NSE Oil & Gas	276.03	-5.12	-5.26	-4.05	-16.53	-5.07
NSE Industrial	1244.53	-3.36	-13.28	-18.59	-37.00	-41.38
NSE Lotus	2205.70	-0.76	-2.38	-2.53	-13.85	-9.66
NSE Pensions	1162.82	-1.48	-2.64	-5.17	-15.72	-11.70

Top 10 Gainers

Company	This Week	WoW
CONTISURE	2.00	33.3%
CUTIX	1.82	9.6%
GSK	14.50	9.4%
MBENEFIT	0.25	8.7%
CAP PLC	31.50	7.9%
PZ	11.40	7.0%
MANSARD	2.02	6.3%
11 PLC	175.00	6.1%
ASL	7.00	5.0%
ACCESS	7.75	4.7%

Top 10 Losers

Company	This Week	WoW
DIAMONDBNK	0.55	-30.4%
PRESTIGE	0.69	-18.8%
UNITYBNK	0.27	-12.9%
ABC	0.29	-12.1%
AGLEVENT	0.22	-12.0%
UNITYKAPITAL	2.35	-11.3%
NEM	0.24	-11.1%
UNIONDIC	589.50	-9.7%
SEPLAT	0.47	-9.6%
LAWUNION	30.20	-9.9%

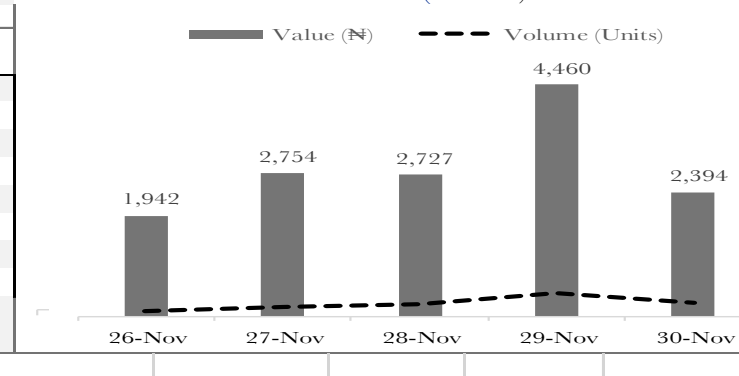
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-3.30%	-3.79%	-12.61%
Brewers	1.00%	-9.00%	-37.41%
Cement	-4.13%	-9.98%	-21.46%
Personal Care	2.88%	-9.82%	-18.72%
Construction	1.35%	-7.16%	-15.69%
Food	-0.75%	2.71%	-12.65%
Insurance	0.28%	-2.01%	-10.77%
Oil & Gas	-0.02%	-1.47%	-22.72%
Real Estate	0.00%	-1.06%	-3.53%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-2.94%	-5.51%	-18.12%
Mid Cap (Mid 30%)	0.03%	-4.67%	-16.63%
Small Cap (Bottom 60%)	-4.89%	-6.74%	-50.36%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

- ◆ Average yields in the fixed income market dipped for the second consecutive week by 5bps WoW to 14.87%. The plunge in the Naira yield curve was driven by buying sentiment at the short end of the curve prior to CBN's OMO sale (₦371.6 billion) on Thursday at higher rates (Average OMO rates: +20bps WoW to 13.2%).

- ◆ Elsewhere, activities at the long end of the curve were largely quiet on most trading days leaving bond yields relatively flattish, however, following higher stop rates at yesterday's OMO auction bond yields rose 1bps WoW to 15.36%.

	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)	15.75%	6.58%	9.17%	29-Nov-18	11.65%	13.20%	14.75%	29-Nov-18	0.10	63.8	307.7
Open Buy Back (OBB)	15.17%	5.83%	9.34%	22-Nov-18	11.50%	13.00%	14.50%	22-Nov-18	0.13	16.4	183.1
NIBOR - 1M	13.94%	11.97%	1.97%	15-Nov-18	11.50%	13.00%	14.50%	15-Nov-18	0.62	47.0	420.9
NIBOR - 3M	14.21%	13.66%	0.55%	08-Nov-18	11.50%	13.00%	14.50%	08-Nov-18	0.23	78.6	286.1
NIBOR - 6M	14.81%	14.08%	0.73%	06-Nov-18	11.50%	13.00%	14.50%	06-Nov-18	0.21	73.3	242.7
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	12.32%	11.26%	1.06%	14-Nov-18	10.95%	13.16%	14.45%	14-Nov-18	3.4	16.9	107.9
3-month	12.93%	13.32%	-0.39%	31-Oct-18	10.98%	13.49%	14.40%	31-Oct-18	7.9	43.5	93.9
6-month	13.48%	13.42%	0.06%	17-Oct-18	10.96%	12.69%	13.45%	17-Oct-18	5.8	29.2	112.5
9-month	16.34%	15.45%	0.89%	03-Oct-18	10.90%	12.10%	13.33%	03-Oct-18	9.5	17.6	106.4
12-month	16.72%	16.69%	0.03%	19-Sep-18	11.00%	12.20%	13.48%	19-Sep-18	5.4	8.4	168.4
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	14.08%	14.02%	0.06%	22-Nov-18	15.20%	15.50%	15.83%	22-Nov-18	1.1	4.3	34.2
15.54% 13-FEB-2020	14.98%	14.91%	0.07%	24-Oct-18	15.00%	15.15%	15.34%	24-Oct-18	12.7	20.1	55.3
14.50% 15-JUL-2021	15.37%	15.42%	-0.05%	26-Sep-18	15.00%	15.10%	15.25%	26-Sep-18	17.5	7.4	71.9
16.39% 27-JAN-2022	14.93%	14.95%	-0.02%	15-Aug-18	14.39%	14.60%	14.69%	15-Aug-18	8.8	7.9	21.0
14.20% 14-MAR-2024	15.26%	15.29%	-0.03%	27-Jul-18	13.69%	14.00%	14.30%	25-Apr-18	38.3	12.8	39.0
12.50% 22-JAN-2026	15.63%	15.67%	-0.04%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	15.66%	15.66%	0.00%	DUFIL 18.25% 1-SEP-2022	16.80%	16.83%	-0.03%	ZENITH 6.25% 22-APR-2019	6.43%	6.18%	0.25%
12.1493% 18-JUL-2034	15.69%	15.59%	0.10%	FCMB 17.25% 8-DEC-2023	16.58%	16.61%	-0.03%	DIAMOND 8.75% 21-MAY-2019	23.48%	23.22%	0.26%
16.2499% 18-APR-2037	15.55%	15.55%	0.00%	FIDELITY 16.48% 13-MAY-2022	15.98%	16.00%	-0.02%	FBN 6.488% 23-JUL-2021	9.22%	9.10%	0.12%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	18.77%	18.80%	-0.03%	ECOBANK 8.75% 14-AUG-2021	9.87%	9.86%	0.01%
6.50% 28-Nov-2027	8.58%	8.28%	0.30%	MIXTA 17.00% 16-JAN-2022	16.15%	16.12%	0.03%	ACCESS 10.50% 19-OCT-2021	10.61%	7.69%	2.92%
7.625% 28-Nov-2047	9.27%	9.15%	0.12%	STANBIC 13.25% 30-SEP-2024	16.37%	16.40%	-0.03%	ZENITH 7.375% 30-MAY-2022	7.77%	7.40%	0.37%
7.875% 16-FEB-2032	9.25%	9.07%	0.18%	STERLING 16.50% 3-AUG-2023	16.19%	16.21%	-0.02%				
5.625% 27-JUN-2022	6.56%	6.41%	0.15%	UBA 16.45% 30-DEC-2021	15.95%	15.96%	-0.01%				
				VIATHAN 16.00% 14-DEC-2027	16.42%	16.45%	-0.03%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 3rd - 7th December 2018

	Monday 3-Dec	Tuesday 4-Dec	Wednesday 5-Dec	Thursday 6-Dec	Friday 7-Dec
Global	U.S manufacturing PMI - November	Australia's Interest rate Decision	U.S Composite PMI - November	OPEC Meeting	E.U's GDP - Q3 18
	U.K manufacturing PMI - November	Australia's current account balance - Q3 18	Australia's GDP - Q3 18	U.S trade balance - October	E.U's employment change - Q3 18
	Japan manufacturing PMI - November	Switzerland's CPI - November	Canada's Interest rate decision	Australia's trade balance - October	U.S unemployment rate - Q3 18
Domestic	China's manufacturing PMI - November	E.U's producer price index - October	E.U Retail sales - October	Canada's merchandise trade - October	U.S Average hourly earnings - November
	U.S Vehicle sales - November	U.K Construction PMI - November	China's Services PMI - November	Canada's PMI - November	Canada's unemployment rate - November
			Japan's Services PMI - November		
	FAAC Disbursement - October	Daily Energy generated and sent out - Q3 18		Power sector report - Q3 18	Road transport Data - Q3 18
	Capital Importation - Q3 18	Selected banking sector data - Q3 18			

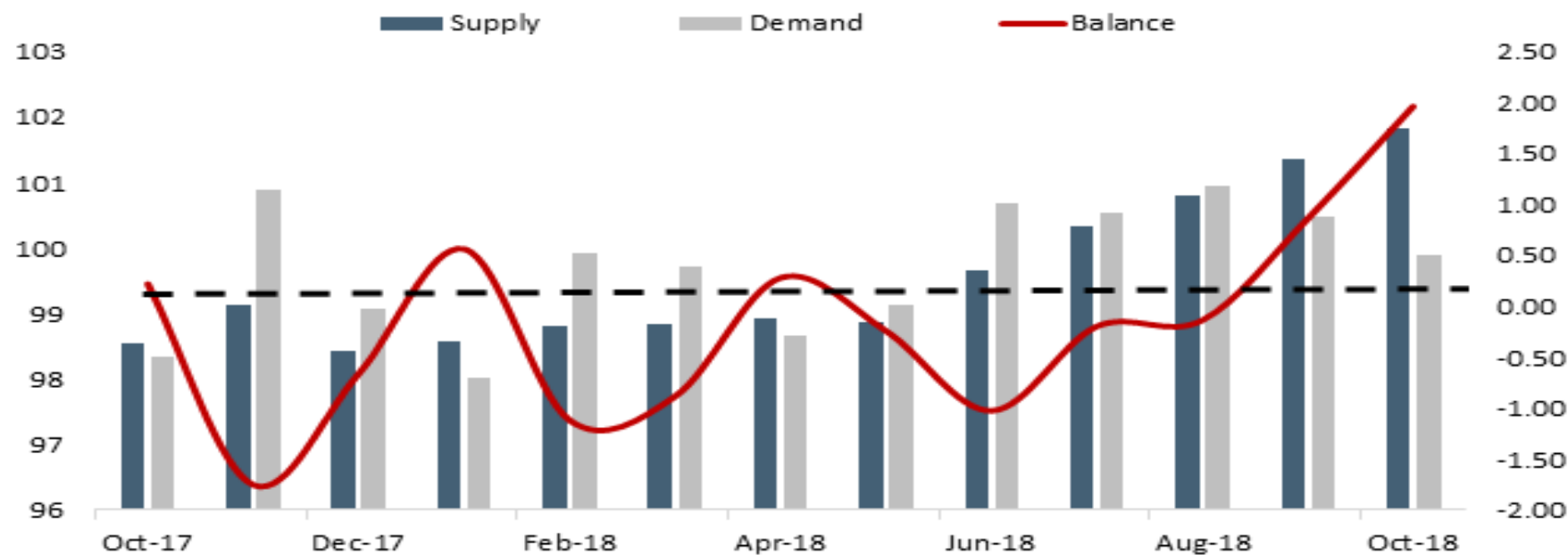
** means Preliminary Estimate

**means preliminary

Ahead of the OPEC Meeting

The Global crude oil market moved into a surplus of 860,000 bpd in September, from an average deficit of 340,000bpd recorded between January and August. Notably, the higher than expected surplus stemmed from a surprising temporary waiver granted to eight countries by US which gives the room for continuous importation of Iranian oil and a pre-emptive increase in OPEC and Non-OPEC allies supply (with a compliance rate of 100%) earlier in the year in a bid to limit the impact of an all-out sanction on Iran. Consequently, increased supply from both OPEC and U.S have seen crude oil prices drop below \$60/bbl. Therefore, to curb the oversupply, the OPEC and Non-OPEC are set to meet on 6th December 2018, with the aim of reaching an accord over a possible cut in order to prop up tumbling oil prices. With a surplus of 1.96mbpd as at October 2018, the question remains how much OPEC and allies would be willing to cut.

Figure 1: Crude oil Market Balance (Million barrels per day)



Source: EIA, ARM Research



Thank You



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