



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 2nd – 5th October 2018

Global Economy

- ◆ US trade deficit widened by 6.4% to \$53.2 billion in August, the highest in 6 months, as exports of goods and services dropped by \$1.7 billion MoM to \$209.4 while imports rose by \$1.5 billion MoM to \$262.7 billion. On job creation, US unemployment rate fell to a 50-year low of 3.7% in September (August: 3.9%) while wage growth rose at a steady pace of 2.8% (August: 2.9%), suggesting moderate inflation pressures. Elsewhere, against market expectation, the Reserve Bank of India (RBI) kept its interest rates unchanged (repo and reverse repo at 6.5% and 6.25% respectively) as the recent slowdown in inflation overshadows the strong economic growth, forcing the committee sought to wait for better clarity on the rising growth-inflation scenario in the economy. In another front, global crude oil price rallied to almost a 4-year high crossing \$85/bbl. largely due to geopolitical concerns. Importantly, there was heightened fear of a supply crunch as timeline (November 4) for US sanctions due to hit Iran drew closer. To add, production shortfalls in Venezuela further supported the rally in crude oil price pressures.

Domestic Economy

- ◆ Recent data by the CBN showed economic activities in the country continued to expand in September, but at a slower pace relative to the previous month. The Manufacturing Purchasing Manager's Index (PMI) grew to 56.2 pts in September (August: 57.1 pts) reflecting slower growth in new orders and raw materials. Similarly, non-manufacturing PMI expanded to 56.5 pts, albeit at a slower pace relative to 58.0 pts in August. The slow growth mirrored slow pace of expansion in business activities, level of new orders, level of unemployment and Inventories. Further, business expectation survey report for the month of September signals respondent firms are more optimistic on the economy compared to the preceding month with general expectation of currency appreciation, declining inflation rate and uptick in borrowing rates for both September and October.

Equities

- ◆ The Nigerian equity market declined by 1.17% WoW to close at 32,383.15 index points. The bearish sentiment was largely driven by persisting sell pressure in bellwether stocks – DANGCEM (-2.44%), STANBIC (-7.6%), UBA (-2.38%), NB (-1.97%), and ETI (-2.23%). Analysis of the market performance on a sectorial basis showed that Cement (-2.21%), Brewers (-1.55), Banking (-1.44%), Real Estate (-0.53%) and Insurance (-0.47%) closed the week negative while the Oil & Gas (+2.23%), Food (+0.5%), and Personal Care (+0.03%) sectors closed positive over the week.

Fixed Income

- ◆ Yields in the Nigerian Fixed Income market moderated over the week as average yields dipped 24bps WoW to 14.21% following downward trend at both ends of the curve. The performance was largely driven by strong buy pressure following the relatively buoyant liquidity in the system with ₦173 billion of OMO maturing over the week. For emphasis, at this week T-Bill auction, average bid to cover climbed to 3.3x, the highest so far this year. Consequently, average T-Bill yield saw a drop of 31bps WoW to 13.63%. Similarly, following buy sentiment, average bond yields also dipped 17bps WoW to 14.79%.

The week in Review

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- as the recent slowdown in inflation overshadows the strong economic growth, forcing the committee sought to wait for better clarity on the rising growth-inflation scenario in the economy. In another front, global crude oil price rallied to almost a 4-year high crossing \$85/bbl. largely due to geopolitical concerns. Importantly, there was heightened fear of a supply crunch as timeline (November 4) for US sanctions due to hit Iran drew closer To add, production shortfalls in Venezuela further supported the rally in crude oil price pressures.

Global Equities		Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies						
Country	Index	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 (%)		This Week	Prior Week	WoW (%)	YTD (%)	
US	S&P 500	2,896	-0.6	8.3	13.5	20.9		1.9	US	2.61		3.22	-1.3	2.7	Euro (€)	1.2	1.2	-0.8	-4.1
	NASDAQ	7,801	-3.1	13.0	18.5	47.0	11,990.7	1.0	UK	0.83	-0.1	1.57	-1.1	2.7	GBP (£)	1.3	1.3	0.4	-3.2
UK	FTSE ASI	7,333	-2.4	-4.6	-2.3	16.4		4.5	Euro	-0.24	0.5	1.07	8.3	2.1	JPY (¥)	113.7	113.7	0.0	-0.9
France	CAC 40	5,365	-2.3	1.0	-0.3	17.1	1,037.1	3.3	Japan	-0.15	0.0	0.12	-0.1	0.9	INR (₹)	73.8	72.5	-1.7	-13.4
Germany	XETRA DAX	12,122	-1.0	-6.2	-6.5	14.3		3.3	China	2.85	0.1	3.50	-0.3	2.3	CNY (¥)	6.9	6.9	-0.2	-5.3
Japan	NIKKEI 25	23,784	-1.4	4.5	15.3	17.2	5.6	1.9	India	7.72	0.9	8.03	0.0	5.61	MXN (\$)	18.9	18.7	-1.1	3.9
China	Shanghai Comp	2,821	0.0	-14.7	-15.8	13.3	4,384.1	2.8	Mexico	8.10	0.6	8.07	-0.9	4.9	RUB (p.)	66.6	65.6	-1.5	-13.4
Brazil	Ibovespa	82,472	3.9	7.9	7.6	19.2	35.6	3.7	Turkey	34.62	-16.1	19.59	-11.0	24.52	ZAR (R)	66.6	65.6	-1.5	-13.4
India	BSE Sens	34,377	-5.1	0.9	8.8	22.5	473.8	1.6	Russia	7.50	3.1	4.43	-1.0	3.4	EGP (£)	17.9	17.9	0.2	-0.7
Russia	RTS	616	-2.8	2.0	4.4	5.8	2.8	6.5	Egypt	19.43	0.3	14.18	0.0	14.2	KES (sh)	100.9	100.8	0.0	2.3
Mexico	S&P/BMV IPC	48,582	-1.9	-1.6	-3.8	20.9		2.2	South Africa	8.15	1.7	9.64	-1.8	4.9	GHS (¢)	17.9	17.9	0.2	-0.7
Turkey	Borsa Istanbul	94,977	-5.0	-17.6	-9.0	7.1	0.4	4.4	Kenya	9.64	-0.3	12.67	-0.2	5.7	XOF (₣)	570.0	564.6	-0.9	-1.0
Indonesia	JCI Index	5,732	-4.1	-9.8	-2.9	19.4	420.9	2.3	Ghana	15.00	0.0	19.00	0.0	9.9	XAF (₣)	591.2	586.2	-0.8	-5.6
Kazakhstan	KASE Index	2,232	1.7	3.2	8.6	4.8	1.0	N/A	Nigeria	13.33	-1.1	14.91	0.8	11.2	NGN (₦)	363.7	362.8	-0.3	-1.0
Vietnam	VN Index	1,008	-0.9	2.5	25.2	18.2	138.9	1.6	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	54,409	-2.3	-8.6	-4.5	17.1		4.0		This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior		
Egypt	EGX 30	14,105	0.0	-6.1	1.6	12.0	10.4	6.9	Brent Crude	\$/bbl	84.7	82.7	2.4	26.7	US Unemployment Rate - September			3.70%	3.90%
Kenya	NSEASI	151	0.8	-11.9	-6.3	12.4	21.0	5.1	OPEC Crude	\$/bbl	84.1	80.9	3.2	30.4	U.S Trade Balance - August (\$'bn)			(53.20)	(50.00)
Morocco	MSCI MX	306	-0.3	-9.1	-10.6	18.8	9.0	3.9	Gasoline	\$/gal	209.9	208.6	0.6	20.7	Canada Unemployment Rate			5.90%	6.00%
Ghana	GSE Composite	2,928	1.6	13.5	28.0	25.7	4.6	0.6	Natural Gas	\$/MBtu	3.1	3.0	4.3	9.4	UK's Manufacturing PMI - Sept			53.8	53.0
Tunisia	TunIndex	7,599	-2.6	21.0	23.0	19.8	0.7	2.0	Gold	\$/t oz	1202.6	1190.9	1.0	-7.7	Japan's Manufacturing PMI - September			52.50	52.90
BRVM	BRVM	191	-1.4	-21.5	-19.0	9.2	9.4	1.6	Sugar	\$/lb	12.6	11.2	12.9	-19.4	France Trade Balance (€'bn)			(5.60)	(3.40)
Mauritius	SEMDEX	2,256	0.2	2.4	1.5	23.5	9.4		Wheat	\$/bsh	520.8	509.0	2.3	8.0	Japan's Consumer Confidence (pts) - September			43.4	43.3
Nigeria	NGSE ASI	32,383	-1.17	-15.32	-9.48	9.3	32.0	5.4	Crude Palm oil	IYR/MT	2221.0	2174.0	0.0		EU's Unemployment Rate - August			8.1%	8.2%

Source: Bloomberg, Reuters, ARM Research

Last updated at 16:33 GMT

The week in Review

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- The slow growth mirrored slow pace of expansion in business activities, level of new orders, level of unemployment and Inventories. Further, business expectation survey report for the month of September signals respondent firms are more optimistic on the economy compared to the preceding month with general expectation of currency appreciation, declining inflation rate and uptick in borrowing rates for both September and October.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	43.97	44.31	-0.75%	13.43%	
USD/NGN (₦/\$)					
NAFEX	363.8	363.92	0.03%	-0.96%	
Parallel	359.5	359.5	0.00%	0.70%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	
Inflation YoY (August)			CHG (pps)		
Headline	11.23	11.14	0.1	12.56	
Core	10.02	10.18	-0.2	10.9	
Food	13.16	12.85	0.3	14.98	
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	* FG generates N3.9tn tax revenue in nine months
Manufacturing	0.7	3.4	-0.2	2.6	* Flood may cause rice shortage next year – FG
Services	4.1	0.5	-0.8	1.3	* CBN wants 15% interest on \$8.1bn MTN refunds
Labor Data (%) - Q3 17			Latest	Prior	* Nigeria's oil, gas export sale rises by 36%
Unemployment Rate			18.8	16.2	* NSE Proposes Rules to Facilitate Listing of Green Bonds
Underemployment			21.2	21.1	* CBN gives reasons for external reserves' fall
Capital Importation (\$'mn)	Q2 18	Q1 18	QoQ (%)	YoY (%)	* Manufacturing sector maintained growth in September –CBN
Foreign Portfolio Investment - Equities	1048.39	701.6	49.4%	70.7%	* CBN Intervenes with Fresh \$210m
Bonds	400.14	335.9	19.1%	591.4%	* World Bank Cuts Nigeria's Growth Projection to 1.9%
Money Market	2670.93	3,527.6	-24.3%	2609.1%	* FG cuts MSMEs registration cost by 50%
Foreign Direct Investment	261.35	246.62	6.0%	-4.7%	* DMO offers October FGN bonds at 12% interest rate
Balance of Payment (\$'mn)	Q2 18	Q1 18	Q4 17	QoQ	* External reserves drop by \$1.45bn in one month
Trade Balance	8,639	5,901	5,473	46.4%	* Demand for loans decreases – CBN report
CA Balance	5,736	3,523	3,656	62.8%	* NNPC posts N18.12bn trading surplus in one month

The week in Review

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- Analysis of the market performance on a sectorial basis showed that Cement (-2.21%), Brewers (-1.55%), Banking (-1.44%), Real Estate (-0.53%) and Insurance (-0.47%) closed the week negative while the Oil & Gas (+2.23%), Food (+0.5%), and Personal Care (+0.03%) sectors closed positive over the week.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	32383.15	-1.17	-1.17	-1.17	-15.32	-9.48
NSE ASI (\$)	89.01	-1.17	-1.14	-0.01	-0.16	-0.12
Market Cap (₦'bn)	11822.35	-1.17%	-1.17	-0.01	-0.13	-0.05
Market Cap (\$'mn)	32495.06	-1.14%	-1.14	-0.01	-0.14	-0.06
NSE 30	1457.49	-1.10	-1.10	-1.10	-16.56	-11.10
NSE Premium	2318.83	-1.55	-1.55	-1.55	-9.57	-1.83
NSE 50	1675.16	-1.26	-1.26	-1.26	-14.10	-8.27
NSE ASEM	797.69	0.00	0.00	0.00	-26.64	-31.04
NSE Banking	408.57	-0.65	-0.65	-0.65	-14.06	-9.00
NSE Insurance	124.01	-1.01	-1.01	-1.01	-11.02	-10.46
NSE Consumer	755.90	-0.32	-0.32	-0.32	-22.56	-17.73
NSE Oil & Gas	290.93	1.13	1.13	1.13	-12.02	4.09
NSE Industrial	1523.31	-0.35	-0.35	-0.35	-22.89	-25.55
NSE Lotus	2241.30	-0.96	-0.96	-0.96	-12.46	0.44
NSE Pensions	1221.06	-0.42	-0.42	-0.42	-11.50	-1.10

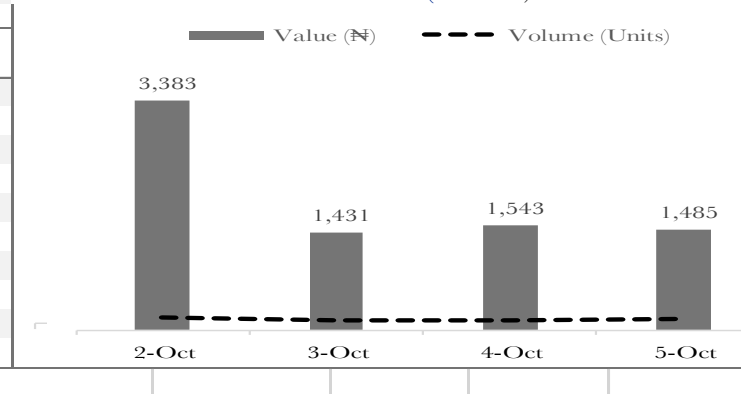
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.44%	-1.44%	-10.48%
Brewers	-1.55%	-1.55%	-32.28%
Cement	-2.21%	-2.21%	-14.69%
Personal Care	0.03%	0.03%	-9.85%
Construction	0.00%	0.00%	-9.19%
Food	0.50%	0.50%	-14.53%
Insurance	-0.47%	-0.47%	-9.36%
Oil & Gas	2.23%	2.23%	-19.82%
Real Estate	-0.53%	-0.53%	-3.01%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-1.50%	-1.50%	-14.65%
Mid Cap (Mid 30%)	1.04%	1.04%	-11.64%
Small Cap (Bottom 60%)	8.72%	8.72%	-42.13%

Volume and Value Traded (millions)



Top 10 Gainers

Company	This Week	WoW
CUTIX	4.73	15.4%
JAPAUOIL	0.24	9.1%
AIICO	0.83	7.8%
UACN	11.50	7.5%
FIDELITY	1.81	6.5%
CADBURY	9.65	6.0%
CHAMPION	1.80	5.9%
DANGFLOUR	7.60	5.6%
NPFMCRFBK	1.56	5.4%
WAPIC	0.40	5.3%

Top 10 Losers

Company	This Week	WoW
NIGERINS	0.30	-18.9%
LAWUNION	0.55	-15.4%
UAC-PROP	1.76	-9.7%
ROYALEX	0.20	-9.1%
UNIONDICON	0.31	-8.8%
RTBRISCOE	0.42	-8.7%
THOMASWY	0.23	-8.0%
MBENEFIT	0.26	-7.1%
OKOMUOIL	73.20	-4.9%
REDSTAREX	4.30	-4.4%

Source: NSE, Bloomberg, ARM Research

The week in Review

- Yields in the Nigerian Fixed Income market moderated over the week as average yields dipped 24bps WoW to 14.21% following downward trend at both ends of the curve. The performance was largely driven by strong buy pressure following the relatively buoyant liquidity in the system with ₦173 billion of OMO maturing over the week.

- For emphasis, at this week T-Bill auction, average bid to cover climbed to 3.3x, the highest so far this year. Consequently, average T-Bill yield saw a drop of 31bps WoW to 13.63%. Similarly, following buy sentiment, average bond yields also dipped 17bps WoW to 14.79%.

	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
Money Market				OMO				OMO			
Overnight (O/N)	22.50%	7.17%	15.33%	04-Oct-18		12.50%	13.50%	04-Oct-18		80.6	472.4
Open Buy Back (OBB)	20.86%	6.00%	14.86%	20-Sep-18		12.50%	13.50%	20-Sep-18		31.0	306.5
NIBOR - 1M	13.46%	13.04%	0.42%	11-Sep-18		12.50%	13.20%	11-Sep-18		3.0	81.7
NIBOR - 3M	13.79%	13.50%	0.29%	10-Sep-18		12.50%		10-Sep-18		21.8	
NIBOR - 6M	14.77%	14.14%	0.63%	06-Sep-18	10.00%	12.50%		06-Sep-18	55.3	100.1	
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	12.69%	12.32%	0.37%	03-Oct-18	10.90%	12.10%	13.33%	03-Oct-18	9.5	17.6	106.4
3-month	12.70%	12.74%	-0.04%	19-Sep-18	11.00%	12.20%	13.48%	19-Sep-18	5.4	8.4	168.4
6-month	13.36%	14.05%	-0.69%	29-Aug-18	11.00%	12.30%	13.05%	29-Aug-18	22.7	38.8	145.5
9-month	14.52%	14.99%	-0.47%	16-Aug-18	10.00%	10.40%	11.22%	16-Aug-18	3.4	10.0	20.0
12-month	14.83%	15.02%	-0.19%								
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	13.80%	14.09%	-0.29%	26-Sep-18	15.00%	15.10%	15.25%	26-Sep-18	17.5	7.4	71.9
15.54% 13-FEB-2020	13.75%	14.08%	-0.33%	15-Aug-18	14.39%	14.60%	14.69%	15-Aug-18	8.8	7.9	21.0
14.50% 15-JUL-2021	14.86%	14.94%	-0.08%	27-Jul-18	13.69%	14.00%	14.30%	25-Apr-18	38.3	12.8	39.0
16.39% 27-JAN-2022	14.47%	14.64%	-0.17%	29-Jun-18	13.50%	13.80%	13.81%	23-Mar-18	100.5	89.1	45.1
14.20% 14-MAR-2024	15.07%	14.96%	0.11%	23-May-18	13.50%	13.50%	13.55%	23-Feb-18	27.2	0.0	52.4
12.50% 22-JAN-2026	14.80%	14.98%	-0.18%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	15.08%	15.07%	0.01%	DUFIL 18.25% 1-SEP-2022	16.42%	16.51%	-0.09%	ZENITH 6.25% 22-APR-2019	5.51%	5.43%	0.08%
12.1493% 18-JUL-2034	15.14%	15.24%	-0.10%	FCMB 17.25% 8-DEC-2023	16.35%	16.28%	0.07%	DIAMOND 8.75% 21-MAY-2019	15.22%	13.26%	1.96%
16.2499% 18-APR-2037	15.07%	15.15%	-0.08%	FIDELITY 16.48% 13-MAY-2022	15.55%	15.68%	-0.13%	FBN 6.488% 23-JUL-2021	9.15%	9.10%	0.05%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	18.42%	18.47%	-0.05%	ECOBANK 8.75% 14-AUG-2021	9.95%	9.89%	0.06%
6.50% 28-Nov-2027	7.27%	7.05%	0.22%	MIXTA 17.00% 16-JAN-2022	15.28%	15.53%	-0.25%	ACCESS 10.50% 19-OCT-2021	7.86%	7.93%	-0.07%
7.625% 28-Nov-2047	8.29%	7.99%	0.30%	STANBIC 13.25% 30-SEP-2024	15.99%	15.97%	0.02%	ZENITH 7.375% 30-MAY-2022	7.07%	7.11%	-0.04%
7.875% 16-FEB-2032	7.81%	7.59%	0.22%	STERLING 16.50% 3-AUG-2023	15.92%	15.89%	0.03%				
5.625% 27-JUN-2022	5.76%	5.62%	0.14%	UBA 16.45% 30-DEC-2021	15.43%	15.61%	-0.18%				
				VIATHAN 16.00% 14-DEC-2027	15.95%	15.97%	-0.02%				

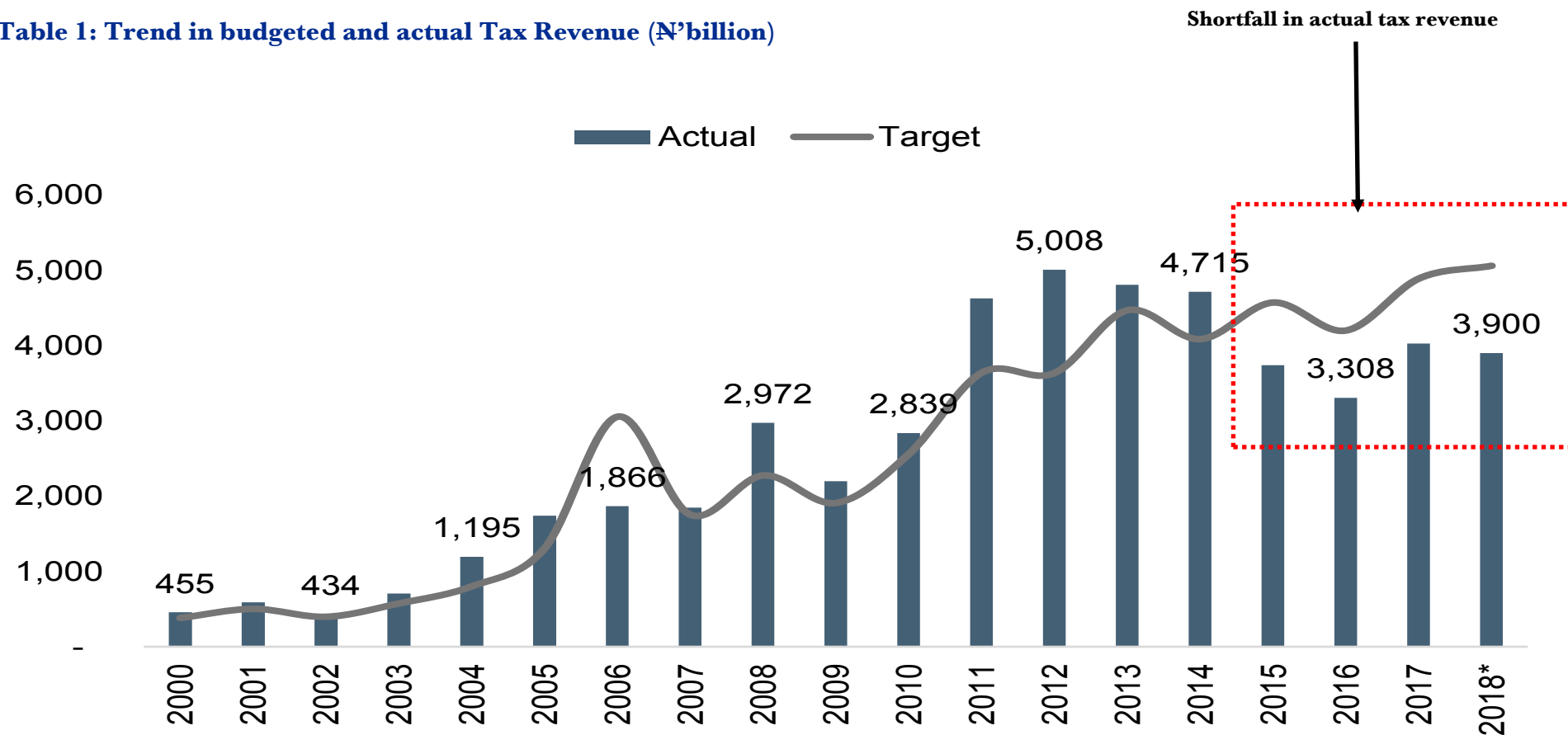
Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 8th - 12th October 2018

	Monday 8-Oct	Tuesday 9-Oct	Wednesday 10-Oct	Thursday 11-Oct	Friday 12-Oct
Global	China's FX Reserve - September	Germany's Trade Balance - August	France Industrial Output - August	France Consumer Price Index - September	China's Trade Balance - September
	Germany's Industrial Production - August	Germany's Current Account - August	UK's manufacturing Production - August	US Consumer Price Index - September	Germany's Consumer Price Index - Sept
	Japan's Trade Balance - August	Canada's Housing starts - September	UK's Trade Balance - August	Canada's Housing Price Index - August	EU's Industrial Production - August
	Japan's Current Account - August	US Bill Auction	UK's GDP - August	US 30 - Year Bond Auction	US Export & Import Prices - September
Domestic		Japan Machinery Orders - August	US producers' Price Index - September		
			US Wholesales Inventories - August		
			Job Creation - Q1 & Q2 2018		

Tax revenue continues to fall short of budgeted revenue

Table 1: Trend in budgeted and actual Tax Revenue (N'billion)



Source: FIRS, ARM Research

*9M 2018



Thank You



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