



HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY

## **Weekly Economic & Financial Commentary**

...for the week 3rd – 7th September 2018

### ***Global Economy***

- ◆ Trade deficit in the United State widened by 9.6% MoM to print at \$50.1 billion in July reflecting a pullback in the value of export (-1% MoM to \$211.1 billion) amidst a 0.9% MoM increase in import to \$261.2 billion. The higher import bill largely stemmed from higher crude oil prices and higher automobile and parts imports. Over in the EU, Q2 18 GDP was revised higher by 10bps to 0.4% YoY (same as Q1 18). The flat growth relative to Q1 18 was driven by slower growth in net-imports which outweighed investment spending. Elsewhere in UK, Manufacturing PMI dropped to 52.8pts in August from 53.8pts in July, its lowest value in 22 months, reflecting a slowdown in output and new orders. While in Japan, Manufacturing PMI improved slightly to 52.5pts in August from 52.3pts following faster expansion in new orders.

### ***Domestic Economy***

- ◆ Trade numbers from the National Bureau of Statistics (NBS) revealed Nigeria's total foreign trade slowed over Q2 2018 (-9% QoQ to ₦6.6 trillion), however trade surplus remained bouyant over the quarter expanding 8% QoQ to ₦2.4 trillion. Despite exports declining 5% QoQ, the higher trade surplus reflected a faster decline in total imports (-16% QoQ) largely due to lower oil imports (-50% QoQ to ₦427 billion). For exports, major driver for the decline was lower exports of manufactured goods which declined 84% QoQ to ₦69.9 billion. For us, the decline is more of a normalization to trend level, as last quarter's manufactured good export was abnormally high. Elsewhere, we observed exports to the US fell to a 14-quarter low of ₦63.6 billion (-75.6% QoQ, -79.9% YoY) on the back of lower oil exports.

### ***Equities***

- ◆ The Nigerian equities market declined further by 2.33% WoW to close at 34,037pts. The negative performance stemmed from persisting sell-pressure in bellwether stocks – SEPLAT (-7.23%), NB (-5.11%), ACCESS (-4.74%), GUARANTY (-2.78%), UBA (-1.25%) and ZENITHBANK (-0.48%). Analysis of the performance on a sectorial basis shows that Personal Care (-6.29%), Brewers (-4.82%), Banking (-2.24%), Cement (-2.16%) and Food (-0.43%) closed the week negative while the Insurance (+0.79%) and Oil & Gas (+0.07%) sectors closed positive.

### ***Fixed Income***

- ◆ Average yields surged further in the fixed income market (+28bps WoW to 14.12%), with sizeable elevation at both ends of the curve. At the short end of the curve, following the 35bps hike in OMO rates to 12.5%, treasury bill yields edged higher by 30bps WoW to 13.15%. Similar traits trailed the long end of the curve as bond yields rose 25bps WoW to 15.09%.

## The week in Review

◆ Trade deficit in the United State widened by 9.6% MoM to print at \$50.1 billion in July reflecting a pullback in the value of export (-1% MoM to \$211.1 billion) amidst a 0.9% MoM increase in import to \$261.2 billion. The higher import bill largely stemmed from higher crude oil prices and higher automobile and parts imports. Over in the EU, Q2 18 GDP was revised higher by 10bps to 0.4% YoY (same as Q1 18).

◆ The flat growth relative to Q1 18 was driven by slower growth in net-imports which outweighed investment spending. Elsewhere in UK, Manufacturing PMI dropped to 52.8pts in August from 53.8pts in July, its lowest value in 22 months, reflecting a slowdown in output and new orders. While in Japan, Manufacturing PMI improved slightly to 52.5pts in August from 52.3pts following faster expansion in new orders.

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 n (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,871	-1.0	7.4	16.5	20.8		1.9	US 2.49		2.93	-0.6	2.9	Euro (€)	1.2	1.2	-0.4	-3.7	
	NASDAQ	7,909	-2.5	14.6	23.6	44.9	12,056.8	1.0	UK 0.73	0.0	1.31	-0.3	2.5	GBP (£)	1.3	1.3	-0.3	-4.4	
UK	FTSE ASI	7,278	-2.1	-5.3	-1.6	16.2		4.5	Euro	-0.25	-2.2	0.90	3.6	JPY (¥)	110.9	111.0	0.2	1.7	
France	CAC 40	5,252	-2.9	-1.1	2.7	16.6	985.5	3.4	Japan	-0.13	0.0	0.08	0.0	INR (₹)	71.7	71.0	-1.0	-11.0	
Germany	XETRA DAX	11,960	-3.3	-7.4	-2.7	13.8		3.3	China	2.84	1.1	3.43	1.5	CNY (¥)	6.8	6.8	-0.2	-4.9	
Japan	NIKKEI 25	22,307	0.0	-2.0	15.7	16.1	5.4	2.0	India	7.47	2.2	8.03	1.0	MXN (\$)	19.3	19.1	-1.1	1.9	
China	Shanghai Comp	2,702	0.0	-18.3	-19.7	12.7	4,204.3	2.9	Mexico	8.13	0.1	8.01	-0.7	RUB (p.)	69.9	67.5	-3.4	-17.4	
Brazil	Ibovespa	76,416	-0.3	0.0	4.1	17.8	31.4	4.0	Turkey	30.00	-2.8	18.57	9.8	ZAR (R)	69.9	67.5	-3.4	-17.4	
India	BSE Sens	38,390	-0.7	12.7	21.2	25.2	527.0	1.5	Russia	7.85	6.6	4.35	-0.3	EGP (£)	17.9	17.8	-0.4	-0.7	
Russia	RTS	555	-4.3	-8.1	-2.8	5.3	2.4	6.9	Egypt	19.14	2.0	14.18	-7.0	KES (sh)	100.7	100.6	-0.1	2.5	
Mexico	S&P/BMV IPC	48,233	-2.7	-2.3	-4.0	21.2		2.3	South Africa	8.04	0.2	9.51	-1.0	GHS (¢)	17.9	17.8	-0.4	-0.7	
Turkey	Borsa Istanbul	93,274	0.6	-19.1	-15.0	7.0	0.4	4.5	Kenya	9.83	-0.8	12.69	-1.7	XOF (₣)	566.1	562.3	-0.7	-0.3	
Indonesia	JCI Index	5,851	0.0	-7.9	-0.1	18.3	440.2	2.3	Ghana	14.50	0.0	19.00	0.0	XAF (₣)	584.8	574.7	-1.7	-4.6	
Kazakhstan	KASE Index	2,184	-1.9	1.0	11.4	4.7	1.0	N/A	Nigeria	13.05	16.3	15.28	-0.5	NGN (₦)	362.4	362.6	0.0	-0.7	
Vietnam	VN Index	969	0.0	-1.6	20.9	17.4	132.0	1.6	<b>Global Commodities</b>					<b>Global Indicators for the Week</b>					
South Africa	FTSE/JSE ASI	57,068	-2.7	-4.1	2.1	17.8		3.8											
Egypt	EGX 30	15,803	0.0	5.2	17.6	13.5	11.7	5.4	Brent Crude	\$/bbl	76.2	77.4	-1.5	14.0					
Kenya	NSEASI	164	-2.3	-4.4	-0.2	13.2	23.1	4.8	OPEC Crude	\$/bbl	74.5	75.7	-1.6	15.6	Japan Manufacturing PMI - Aug	52.5	52.5		
Morocco	MSCI MX	304	-2.3	-9.8	-12.1	18.4	9.0	3.9	Gasoline	\$/gal	195.0	200.9	-2.4	9.7	Euro Area Producer Price Index - July	4.0%	3.6%		
Ghana	GSE Composite	2,751	-1.1	6.7	12.5	24.3	4.4	0.7	Natural Gas	\$/MBtu	2.8	2.9	-5.1	-1.6	US Manufacturing PMI - Aug	54.7	54.5		
Tunisia	TunIndex	8,118	-3.6	29.2	28.6	21.1	0.7	1.8	Gold	\$/t oz	1195.7	1201.2	-0.5	-8.2	Euro Area Retail Sales - July	1.1%	1.5%		
BRVM	BRVM	202	-2.5	-17.1	-16.1	24.5	24.9	1.5	Sugar	\$/lb	11.0	10.6	3.3	-28.0	Germany Industrial Output (YoY) - Jul	1.1%	2.7%		
Mauritius	SEMDEX	2,210	-0.5	0.4	2.1	24.2	9.2		Wheat	\$/bsh	509.8	535.0	-6.6	5.8	UK Manufacturing PMI - Aug	52.8	53.8		
Nigeria	NGSE ASI	34,038	-2.33	-11.00	-5.74	9.8	33.8	5.1	Crude Palm oil IYR/MT		2266.0	2248.0	0.0		Italy Manufacturing PMI - Aug	50.1	51.5		
															France Manufacturing PMI - Aug	53.5	53.7		

Source: Bloomberg, Reuters, ARM Research

Last updated at 17:47 GMT

### The week in Review

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◆ For exports, major driver for the decline was lower exports of manufactured goods which declined 84% QoQ to ₦69.9 billion. For us, the decline is more of a normalization to trend level, as last quarter's manufactured good export was abnormally high. Elsewhere, we observed exports to the US fell to a 14-quarter low of ₦63.6 billion (-75.6% QoQ, -79.9% YoY) on the back of lower oil exports.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	45.51	45.84	-0.72%	17.40%	* Fixed income Monthly Update - External factors propel yields to new frontiers
<b>USD/NGN (₦/\$)</b>					* Macro Economic Update – August 2018
NAFEX	363.8	362.64	-0.01%	-0.95%	
Parallel	359.5	359.0	-0.14%	0.70%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	
Inflation YoY (July)			CHG (pps)		
Headline	11.14	11.23	-0.1	12.75	
Core	10.18	10.39	-0.2	11.03	
Food	12.85	12.98	-0.1	15.24	
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	* FIRS to sell tax evaders' properties, freeze 6,772 accounts
Manufacturing	0.7	3.4	-0.2	2.6	* Fines: CBN deducts N5.61bn from accounts of three banks
Services	4.1	0.5	-0.8	1.3	* Merchandise trade dropped by N641bn in Q2 — NBS
Labor Data (%) - Q3 17			Latest	Prior	* Stanbic IBTC offers 211.7m shares option for interim cash dividend
Unemployment Rate			18.8	16.2	* Private sector operators' confidence in the economy grows to 61.6 points — CBN report
Underemployment			21.2	21.1	* 11 DISCOs' debts to NBET, MO hit N112bn in Q1'18 – NERC
Capital Importation (\$'mn)	Q2 18	Q1 18	QoQ (%)	YoY (%)	* Telecom operators seek participation in mobile money
Foreign Portfolio Investment - Equities	1048.39	701.6	49.4%	70.7%	* May & Baker Nigeria to raise N2.45b new equity capital
Bonds	400.14	335.9	19.1%	591.4%	* Nigeria's Exposure to Commercial Loans Rises by \$7.3bn in 3 Years
Money Mar-					
ket	2670.93	3,527.6	-24.3%	2609.1%	* External reserves drop by \$1.2bn
Foreign Direct Investment	261.35	246.62	6.0%	-4.7%	* China announces fresh \$60bn for Nigeria, other African countries
Balance of Payment (\$'mn)	Q1 18	Q4 17	Q3 17	QoQ	* CBN returns N65bn excess charges in 7 years
Trade Balance	6,042	5,009	3,032	20.6%	* CBN forex interventions hit \$963m in August
CA Balance	4,468	3,656	1,974	22.2%	* Banks downsize loan portfolio by N855bn

## The week in Review

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◆ Analysis of the performance on a sectorial basis shows that Personal Care (-6.29%), Brewers (-4.82%), Banking (-2.24%), Cement (-2.16%) and Food (-0.43%) closed the week negative while the Insurance (+0.79%) and Oil & Gas (+0.07%) sectors closed positive.

## Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	34037.91	-2.33	-2.33	-11.08	-11.00	-5.74
NSE ASI (\$)	93.83	-2.33	-2.36	-0.11	-0.12	-0.06
Market Cap (₦bn)	12426.46	-2.33%	-2.33%	-0.10	-0.09	0.00
Market Cap (\$'mn)	34253.44	-2.36%	-2.36%	-0.11	-0.09	-0.01
NSE 30	1520.07	-2.65	-2.65	-12.59	-12.97	-8.19
NSE Premium	2472.51	-2.16	-2.16	-9.11	-3.57	4.55
NSE 50	1754.76	-1.98	-1.98	-11.27	-10.02	-4.97
NSE ASEM	809.92	0.00	0.00	-14.71	-25.51	-30.23
NSE Banking	408.65	-2.35	-2.35	-14.16	-14.05	-6.86
NSE Insurance	138.74	-0.06	-0.06	-7.78	-0.45	1.20
NSE Consumer	797.81	-2.75	-2.75	-14.00	-18.27	-16.98
NSE Oil & Gas	287.25	-3.68	-3.68	-11.13	-13.14	0.66
NSE Industrial	1636.56	-1.86	-1.86	-18.53	-17.16	-20.38
NSE Lotus	2428.11	-0.92	-0.92	-7.56	-5.17	8.20
NSE Pensions	1256.30	-2.18	-2.18	-15.69	-8.95	1.58

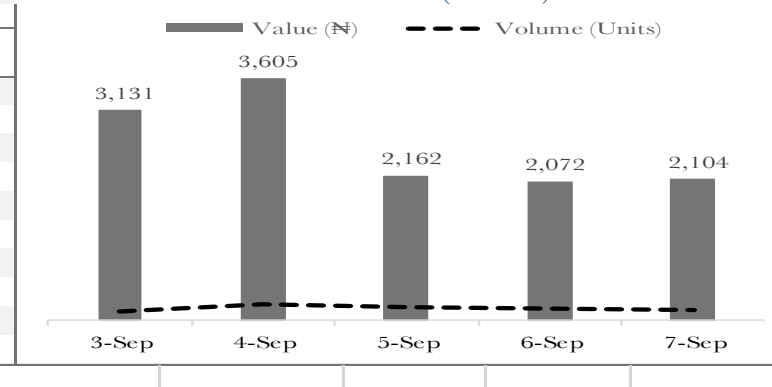
## Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-2.24%	-14.24%	-10.00%
Brewers	-4.82%	-18.08%	-29.64%
Cement	-2.16%	-4.70%	-5.19%
Personal Care	-6.29%	-18.37%	-5.70%
Construction	0.00%	-5.67%	-6.72%
Food	-0.43%	-8.75%	-8.61%
Insurance	0.79%	-4.20%	-1.90%
Oil & Gas	0.07%	-14.53%	-18.36%
Real Estate	0.00%	-0.95%	-3.53%

## ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-2.40%	-10.00%	-9.96%
Mid Cap (Mid 30%)	-0.53%	-12.11%	-9.39%
Small Cap (Bottom 60%)	-10.59%	25.80%	-47.58%

## Volume and Value Traded (millions)



## Top 10 Gainers

Company	This Week	WoW
HMARKINS	0.38	26.7%
CONTINSURE	2.90	16.0%
AIICO	0.58	13.7%
OKOMUOIL	0.27	12.5%
NPFMCRFBK	1.60	10.3%
DIAMOND	14.30	9.2%
LASACO	0.89	8.5%
UNITYBNK	0.39	8.3%
FIRSTALUM	0.26	8.3%
STERLNBANK	1.33	8.1%

## Top 10 Losers

Company	This Week	WoW
LAW UNION	0.54	-26.0%
GHAMS PLC	0.29	-23.7%
UNIVINSURE	0.33	-17.5%
STDINSURE	21.50	-11.5%
NIGERINS	0.39	-11.4%
JAPAUOIL	13.50	-10.0%
PZ	0.27	-10.0%
MBENEFIT	1.01	-9.8%
LEARNAFRICA	0.28	-9.7%
TRIPPLEG	0.77	-9.4%

Source: NSE, Bloomberg, ARM Research

### The week in Review

◆ Average yields surged further in the fixed income market (+28bps WoW to 14.12%), with sizeable elevation at both ends of the curve. At the short end of the curve, following the 35bps hike in OMO rates to 12.5%, treasury bill yields edged higher by 30bps WoW to 13.15%.

◆ Similar traits trailed the long end of the curve as bond yields rose 25bps WoW to 15.09%.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	60 Days	120 Days	180/200 Days	Issuance (N'billion)	60 Days	120 Days	180/200 Days
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	3.42%	6.83%	-3.41%	06-Sep-18	10.00%	11.50%	12.50%	06-Sep-18	34.30	55.3	100.1
Open Buy Back (OBB)	2.83%	6.00%	-3.17%	05-Sep-18	10.00%	11.50%	12.15%	05-Sep-18	7.50	4.0	126.1
NIBOR - 1M	12.16%	12.72%	-0.56%	04-Sep-18	11.05%		12.15%	04-Sep-18	81.4		89.8
NIBOR - 3M	13.00%	13.15%	-0.15%					26-Jul-18			
NIBOR - 6M	14.34%	14.99%	-0.65%					19-Jul-18			
<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	11.64%	9.83%	1.81%	29-Aug-18	11.00%	12.30%	13.05%	29-Aug-18	22.7	38.8	145.5
3-month	12.54%	11.24%	1.30%	16-Aug-18	10.00%	10.40%	11.22%	16-Aug-18	3.4	10.0	20.0
6-month	13.31%	13.11%	0.20%	01-Aug-18	10.00%	10.40%	11.30%	01-Aug-18	5.8	26.6	74.6
9-month	13.61%	14.07%	-0.46%	18-Jul-18	10.00%	10.50%	11.49%	18-Jul-18	9.50	33.9	58.9
12-month	13.89%	14.64%	-0.75%	04-Jul-18	10.00%	10.30%	11.50%	20-Jun-18	3.4	16.9	13.5
<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	13.31%	13.94%	-0.63%	15-Aug-18	14.39%	14.60%	14.69%	15-Aug-18	40.2	48.5	21.4
15.54% 13-FEB-2020	14.76%	14.43%	0.33%	27-Jul-18	13.69%	14.00%	14.30%	27-Jul-18	8.8	7.9	21.0
14.50% 15-JUL-2021	15.36%	14.27%	1.09%	29-Jun-18	13.50%	13.80%	13.81%	25-Apr-18	38.3	12.8	39.0
16.39% 27-JAN-2022	15.08%	14.21%	0.87%	23-May-18	13.50%	13.50%	13.55%	23-Mar-18	100.5	89.1	45.1
14.20% 14-MAR-2024	15.08%	14.96%	0.12%	25-Apr-18	12.75%	12.85%	12.89%	23-Feb-18	27.2	0.0	52.4
12.50% 22-JAN-2026	15.26%	15.18%	0.08%	<b>Corporate Bonds</b>			<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	
16.2884% 17-MAR-2027	15.20%	15.17%	0.03%	DUFIL   18.25%   1-SEP-2022	16.86%	16.20%	0.66%	ZENITH   6.25%   22-APR-2019	5.61%	7.19%	-1.58%
12.1493% 18-JUL-2034	15.33%	15.17%	0.16%	FCMB   17.25%   8-DEC-2023	16.44%	16.23%	0.21%	DIAMOND   8.75%   21-MAY-2019	9.78%	9.77%	0.01%
16.2499% 18-APR-2037	15.26%	15.07%	0.19%	FIDELITY   16.48%   13-MAY-2022	16.08%	15.31%	0.77%	FBN   8.25%   07-AUG-2021	9.23%	9.04%	0.19%
<b>FGN Eurobonds</b>				LAPO MFB   17.75%   19-DEC-2022	18.79%	18.23%	0.56%	ECOBANK   8.75%   14-AUG-2021	9.83%	9.79%	0.04%
6.50% 28-Nov-2027	7.62%	7.56%	0.06%	MIXTA   17.00%   16-JAN-2022	16.10%	15.51%	0.59%	ACCESS   10.50%   19-OCT-2021	8.24%	8.24%	0.00%
7.625% 28-Nov-2047	8.57%	8.40%	0.17%	STANBIC   13.25%   30-SEP-2024	16.13%	16.03%	0.10%	ZENITH   7.375%   30-MAY-2022	7.24%	7.19%	0.05%
7.875% 16-FEB-2032	8.19%	8.15%	0.04%	STERLING   16.50%   3-AUG-2023	16.10%	15.77%	0.33%				
5.625% 27-JUN-2022	6.05%	7.71%	-1.66%	UBA   16.45%   30-DEC-2021	16.05%	15.25%	0.80%				
				VIATHAN   16.00%   14-DEC-2027	16.16%	16.06%	0.10%				

Source: DMO, FMDQ, Bloomberg, ARM Research

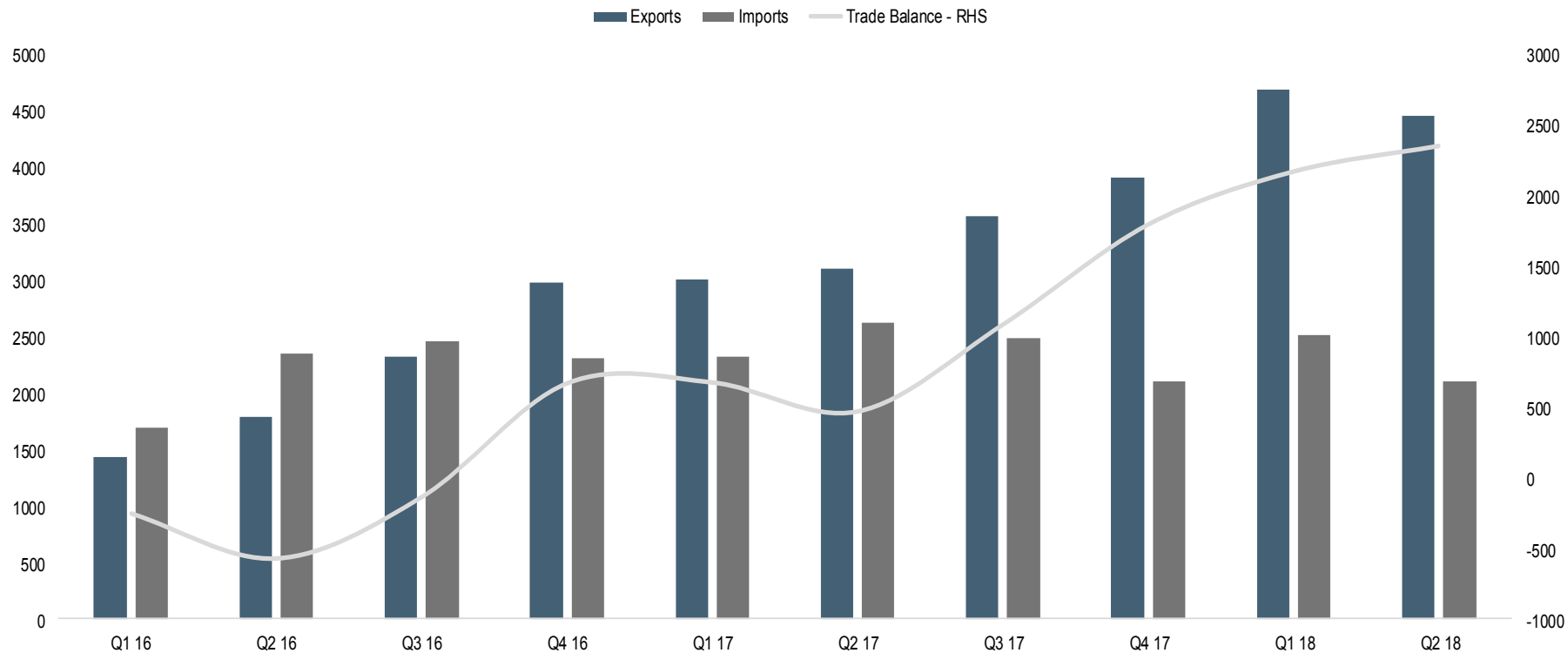
## Economic and Financial Calendar for the week 10th September - 14th September 2018

	Monday 10-Sep	Tuesday 11-Sep	Wednesday 12-Sep	Thursday 13-Sep	Friday 14-Sep
<b>Global</b>	Japan's GDP - Q2 18 (Sunday)	France' Non farm Payrolls - Q2	Spain's Inflation - August	Australia's unemployment rate - August	China's retail sales - August
	Japan's Trade Balance - July (Sunday)	U.K 's unemployment rate (3M) - July	E.U Industrial Production - July	France' Inflation - August	Japan's industrial production - July
	China's Inflation - August	E.U's employment change - Q2	U.S producer price index - August	U.K's monetary policy meeting	Italy's Inflation - August
	U.K's Industrial Production - July		Germany's Inflation - August	ECB's monetary policy meeting	E.U's trade balance - July
	U.K's Trade Balance - July			U.S, Inflation - August	U.S retail sales - August
	U.K's GDP - July				U.S Industrial Production - August
<b>Domestic</b>	2017/18 Manufacturing sector survey report			Diesel Price watch - August	Inflation Report - August
	2017/18 Transport sector survey report			Petrol price watch - August	

\*\* means Preliminary Estimate

## Nigeria’s total foreign trade lower in Q2 18, but trade balance maintained its momentum

Figure 1: Nigeria’s trade balance (N’billion)



Source: NBS, ARM Research





Thank You

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