

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 4th March - 8th April 2022

Global Economy

- ◆ Almost 7 weeks into the Russia-Ukraine crisis, countries and international bodies have sanctioned Russia in what could be termed as the highest form of sanctions ever recorded by a country. Analysis show that 60% of Russia foreign reserve has been frozen and she is heading for the deepest recession since the collapse of the Soviet Union. As it stands now, it seems the only strong bodies buying Russian crude oil are China and India. President Joe Biden stated that 1 million barrels of oil will be released by the US government daily to cushion the hike in oil price. During the week, the US government also restricted from its sovereign debt holders, a plot meant to increase pressure on Russia and deplete its dollar holdings. The payment includes a \$552.4 million principal payment on maturing bonds and a \$884 million coupon payment due on its 2042 sovereign dollar bond. As it stands, Russia faces a historic default if it cannot make this payment within the next month. The UK government also extended its sanctions on Russia as they announced asset freeze on Presidents Putin's two adult daughters, and the daughter of Russian foreign minister. Oil price remains volatile as sanctions keeps coming in, however, there has been a steep decline in the price in recent days since the announcement of emergency reserve release.

Domestic Economy

- ◆ During the week, the President of the Federal Nigeria, Muhammadu Buhari suggested an amendment to the 2022 budget. Going by the adjustment, the deficit for the year would increase by NGN965.42bn to NGN7.35tn. We expect this new development to culminate into more government borrowings and increased debt servicing cost. Meanwhile, the International Monetary Fund (IMF) in a recent report noted that Nigeria is at high risk of debt distress owing to the economic shocks from COVID-19 and the Russian-Ukraine conflict. Elsewhere, the Stanbic IBTC Purchasing Managers Index (PMI) for march was released in the week. The survey showed sustained expansion in output in the economy, albeit at a slower pace (54.1) compared to the outcome reported in February (57.3). The report further revealed that new orders and output slowed amid improving economic condition. Unfortunately, the recent expansion was also occasioned by brewing cost pressures and price hikes - a testament to our earlier opinion that the upsurge in new orders in February amid rising commodity prices could set in force inflationary pressures.

Equities and stock recommendation

- ◆ The Nigerian bourse ended the week bearish for the fourth consecutive week as the NGX ASI shed 45bps WtD to close at 46,631.46pts. Investors continue to take profit whilst maintaining a cautious position amidst economic realities. The performance was majorly impacted by profit-taking activities across large and medium capitalized stocks. A closer look shows a decline across all sectors under our view (a repetition of last week's result). However, it is worthy to note that positive momentum was recorded in some tickers as MEYER (Up 56.9% WtD), SKYAVN (Up 56.8% WtD), CHIPLC (Up 34.0% WtD), REGALINS (Up 19.4% WtD), and IKEJAHOTEL (Up 17.6% WtD) led the gainers chart for the week while JOHNHOLT (Down 16.3% WtD), NPFMCRFBK (Down 16.1% WtD), UACN (Down 13.7% WtD), ABBEYBDS (Down 12.8% WtD), and CWG (Down 9.3% WtD) led the decliners.
- ◆ **ZENITHBANK-OVERWEIGHT (FVE: N29.82), GTCO-OVERWEIGHT (FVE:N33.22), FLOURMILL-BUY (TP: N45.00) Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ Bearish tone rang through the Nigerian Fixed Income market this week with yields trending northward in the Treasury Bills and Bonds markets. Average yields in the Treasury Bills space increased by 6bps to close at 3.35% as yields stretched in line with higher rate at the last auction. In a similar vein, we saw a bearish outing in the secondary bonds market this week and average yields inched higher by 29bps WoW to 10.14%. This is on the back of selloffs in the APRIL 2029 and JULY 2030 with yields up by 62bps apiece to 11.29% and 11.49% respectively as well as a 63bps rise in the yield on the JULY 2034 instrument to 12.15%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.63	39.55	0.20%	-2.20%	
USD/NGN (₦/\$)					
NAFEX	416.7	416.6	0.01%	-4.21%	
Parallel	583.0	583.0	0.00%	3.19%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (February 2022)					
		Jan	CHG (pps)		
Headline	15.7	15.6	0.10	15.60	
Core	14.01	13.87	0.14	13.87	
Food	17.11	17.13	-0.02	17.13	
GDP (%) - YoY					
	Q4 21	Q3 21	Q2 21	FY21	
Real GDP	3.98	4.03	5.01	3.4	
Oil	-8.06	-10.73	-12.65	-8.3	News Headline for the week (click news for link)
Agriculture	3.6	1.2	1.3	2.13	*NNPC seeks special courts to prosecute oil thieves, others
Manufacturing	2.28	4.29	3.49	3.35	*FG allocation to shed 3.33% in new revenue-sharing formula
Services	5.6	8.4	9.3	5.6	*2022 budget deficit jumps to N7.35tn, Buhari to borrow N965bn
Labor Data (%) - Q4 20					
			Latest	Prior	
Unemployment Rate			33.3	27.1	*Amid crude theft, vandalism, FG earns \$4.48b from Shell
Underemployment			22.8	28.8	*Shareholders approve Zenith's N97.3 billion dividend payment
Capital Importation (\$'mn)					
	Q4 21	Q3 21	QoQ (%)	YoY (%)	
Foreign Portfolio Investment - Equities	38.00	56.50	-32.7%	-72.25%	*Equinix seals \$320 million MainOne acquisition deal
Bonds	45.91	364.97	-87.42%	143.97%	*Presco Issues N34.5 billion Series 1 Bond
Money Market	558.96	795.74	-29.8%	-37.00%	*Nigeria's imports rise by N12.11tn despite forex shortage
Foreign Direct Investment	358.23	107.81	232.28%	-32.00%	*Musk takes 9% stake in Twitter to become top shareholder
Monetary Policy Rates (%) (March 2022)					
	Latest	Prior		CHG (%)	
MPR	11.5	11.5		0.0%	*OPEC Drops IEA Production Data for Assessing Quota Compliance
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*Concerns as telecoms operators bar 75m unlinked SIMs
Liquidity Ratio	30.0	30.0		0.0%	*External Reserves' Drops by \$971.4m in Q1 amid 49% Gain in Crude Oil Price
					*Nigeria's luxury home markets soared in 2021, record increase in sale prices
					*FG's new borrowings rise by 278.03% in six years

Source: CBN, NBS, FMDQ, ARM Research

Weekly Equities Market Snapshot

Friday, April 8, 2022



Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
MEYER	1.13	56.9%	1.13	0.20	145.7%	JOHNHOLT	0.72	-16.3%	0.86	0.51	0.0%
SKYAVN	5.80	56.8%	5.83	3.11	9.4%	NPFMCRFBK	2.09	-16.1%	2.57	1.54	22.9%
CHIPLC	0.63	34.0%	0.80	0.29	-20.3%	UACN	10.10	-13.7%	12.20	7.45	6.3%
REGALINS	0.37	19.4%	0.55	0.24	-27.5%	ABBEYBDS	0.95	-12.8%	1.05	0.86	-8.7%
IKEJAHOTEL	1.40	17.6%	1.76	0.90	14.8%	CWG	0.98	-9.3%	2.79	0.98	-12.5%
CONOIL	26.00	16.9%	26.50	17.00	18.2%	CORNERST	0.60	-9.1%	0.74	0.46	30.4%
ETERNA	5.00	16.6%	8.80	4.76	-1.0%	WAPIC	0.40	-9.1%	0.60	0.40	-28.6%
WEMABANK	3.10	14.8%	3.10	0.54	330.6%	NASCON	11.75	-8.9%	16.00	11.75	-11.0%
LIVESTOCK	1.59	12.0%	2.50	1.53	-26.0%	LEARNAFRCA	1.73	-8.0%	2.66	0.91	47.9%
REDSTAREX	3.00	11.1%	3.68	3.00	-13.0%	WAPCO	22.00	-6.8%	28.80	20.05	-8.1%

	8-Apr	1-Apr	% Δ	P/E	P/B
Kenya	157.28	155.74	1.0%	9.00x	1.50x
Ghana	2,694.00	2,743.19	-1.8%	6.90x	1.30x
South Africa	74,779.74	75,697.49	-1.2%	11.20x	1.90x
Egypt	2,154.33	2,206.66	-2.4%	7.50x	1.40x
Nigeria	46,631.46	46,842.86	-0.5%	9.90x	2.10x

Tickers	Pts/N	WoW	MtD	QtD	YtD
NGXASI	184.65	-0.45%	-0.71%	-0.71%	9.17%
Market Cap	25.14trn	-0.45%	-0.68%	-0.68%	12.75%
NGX Banking	415.56	1.51%	1.53%	1.53%	2.34%
NGX Industrial	552.18	-0.42%	-0.49%	-0.49%	4.87%
NGX Consumer	415.56	-0.35%	-0.36%	-0.36%	-6.30%
NGX Oil & Gas	440.35	3.14%	-0.02%	-0.02%	27.63%
NGX Insurance	552.18	-0.21%	-0.81%	-0.81%	-6.79%

Date	Volume (Mn)	Value (NGN Bn)
4-Apr	219.5	1.9
5-Apr	257.4	2.3
6-Apr	261.59	2.4
7-Apr	244.02	2.4
8-Apr	194.1	1.75

Source: NGX, ARM Research

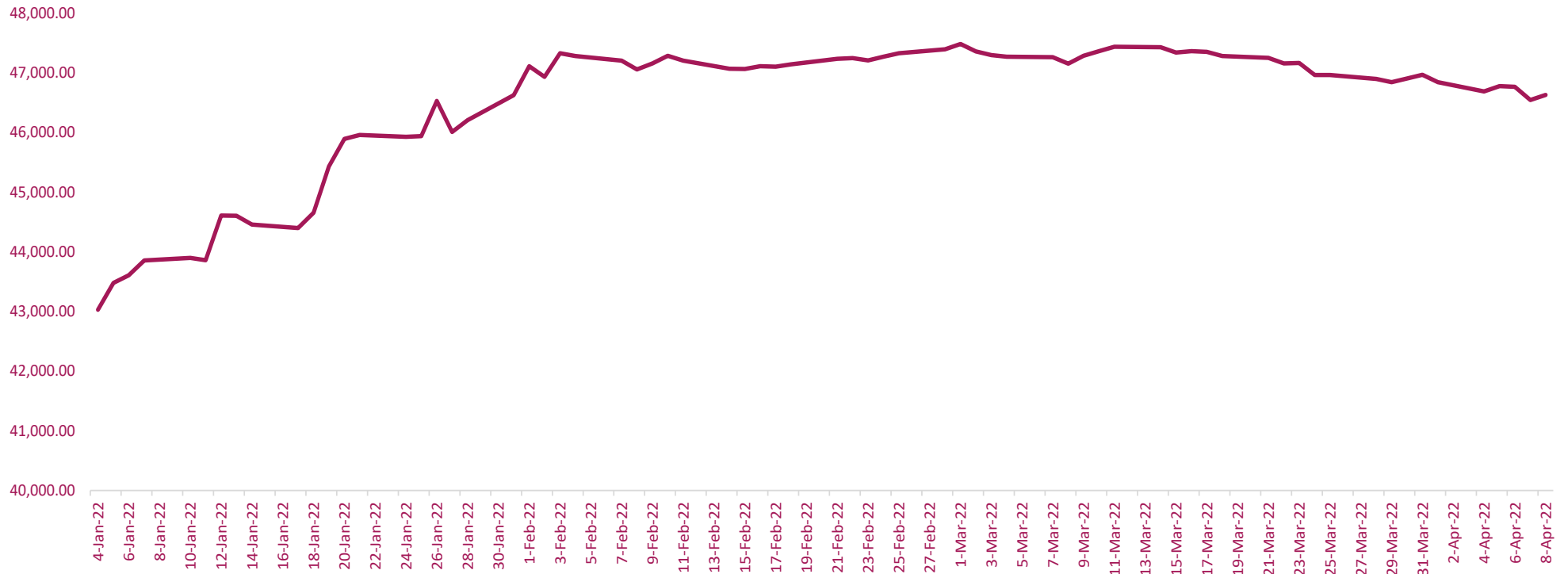
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	6.25%	10.17%	-3.92%	31-Mar-22	7.00%	8.50%	10.10%	31-Mar-22	10.00	10.00	30.00
Open Repo Rate (OPR)	5.75%	10.17%	-4.42%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00
NIBOR - 1M	7.59%	6.92%	0.68%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00
NIBOR - 3M	7.62%	7.36%	0.26%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00
NIBOR - 6M	8.19%	7.95%	0.24%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.46%	2.25%	0.20%	30-Mar-22	1.75%	3.00%	4.45%	30-Mar-22	13.88	20.35	139.96
3-month	3.01%	2.68%	0.33%	16-Mar-22	1.74%	3.00%	4.00%	16-Mar-22	5.91	6.85	159.85
6-month	3.61%	3.33%	0.28%	09-Mar-22	1.75%	3.28%	-	09-Mar-22	2.32	21.29	-
9-month	4.12%	3.89%	0.23%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
12-month	4.55%	4.47%	0.08%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
12.75% 27-APR-2023	4.92%	5.05%	-0.13%								
14.20% 14-MAR-2024	7.60%	7.38%	0.22%								
13.53% 23-MAR-2025	8.68%	8.90%	-0.22%	21-Mar-22	10.15%	12.70%		21-Mar-22	127.0	169.4	
12.50% 22-JAN-2026	10.14%	10.15%	-0.01%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.76%	10.32%	0.44%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	12.15%	11.52%	0.63%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.36%	11.97%	0.39%	MIXTA 17.00% 16-JAN-2022	5.08%	5.08%	0.00%	ZENITH 7.375% 30-MAY-2022	1.77%	1.77%	0.00%
14.8% 26-APR-2049	12.84%	12.64%	0.20%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
				STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
5.625% 27-JUN-2022	5.45%	5.49%	-0.04%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
6.50% 28-Nov-2027	7.83%	7.73%	0.10%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.875% 16-FEB-2032	8.96%	8.79%	0.17%	UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
7.625% 28-Nov-2047	9.69%	9.49%	0.20%	FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

Source: DMO, CBN, FMDQ, Bloomberg, ARM Research

Fourth Consecutive bearish run on the Nigerian Bourse

The Nigerian bourse ended the week bearish for the fourth consecutive week as the NGX ASI shed 45bps WtD to close at 46,631.46pts. Investors continue to take profit whilst maintaining a cautious position amidst economic realities.

NGX ASI



Source: NGX, ARM Research

Thank You



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