

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

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## **Weekly Commentary & Stock recommendation**

...for the week 7th February - 11th February 2022

### Global Economy

- ◆ On Thursday, a Bureau of Labor Statistics report revealed that consumer prices in the US accelerated at the quickest pace seen in four decades last month. In detail, the annual inflation rate rose to 7.5% in January 2022 (December 2021: 7%), largely reflecting soaring energy costs, strong demand, labor shortages, and persistent supply disruptions. Energy remained the biggest contributor to the overall index (27%YoY) while there were also upticks in the cost of used cars and trucks (40.5% vs 37.3%); new vehicles (12.2% vs 11.8%); food (7% vs 6.3%); shelter (4.4% vs 4.1%) and medical care services (2.7% vs 2.5%). Elsewhere, the British economy expanded 6.5%YoY in Q4 2021, following an upwardly revised 7% growth in Q3 2021, preliminary estimates showed. Government spending (11.6%YoY), household expenditure (8.9%YoY) and gross fixed capital formation (2.3%YoY) all rose during the quarter while business investment and exports declined 0.8%YoY and 0.6%YoY respectively. Considering FY 2021, the economy grew 7.5% (FY 2021: -9.4%), leaving the nation's GDP 0.4% below its pre-pandemic level.

### Domestic Economy

- ◆ On Wednesday, the Nigerian National Petroleum Company Limited announced the result of its operation from August 2020 to August 2021. It posits that the income generated from the sales of Premium Motor Spirit, popularly called petrol was NGN2.61tn for the period. Meanwhile, scarcity of petrol permutated some parts of the country this week and this was attributed to the discovery of contaminated product. The federal government, on Wednesday said it will carry out a major investigation to know the circumstances surrounding the importation of adulterated fuel into the country. Elsewhere, the CBN launched a new forex repatriation scheme, RT200. RT200 which stands for Race to \$200bn is a set of policies, plans and programmes for non-oil exports that will enable the country to generate \$200bn in forex repatriation, exclusively from non-oil exports, over the next three to five years. Meanwhile, the CBN revealed that it will stop the sale of foreign exchange to Deposit Money Banks by the end of the year.

### Equities and stock recommendation

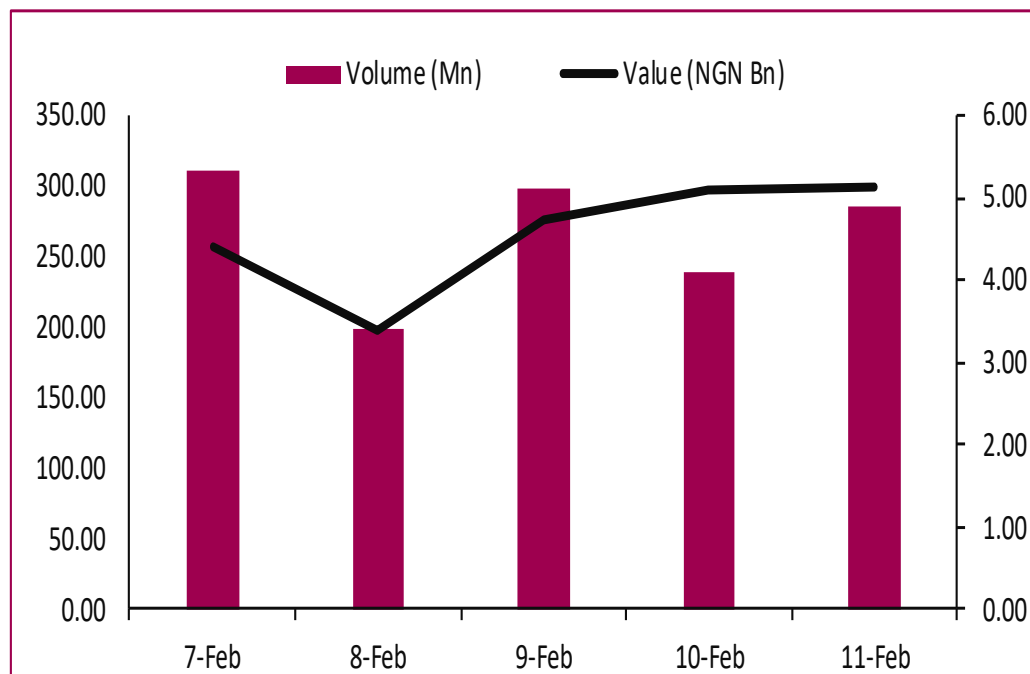
- ◆ The Nigerian local bourse All Share Index (ASI) this past week closed at 47,202.30pts after shedding 0.16% Wtd. While tickers such as GUINNESS (+24.61%), NCR (+10.62%), and SCOA (+9.88%) posted uptrends, the negative turn on PHARMA-DEKO (-16.67%), NEM (-10.00%), and CHAMPION (-9.09%) among other tickers nudged the index to the negative territory. Sectoral wise, performance was mixed. Positive momentum was seen across BREWERS (+3.37%), BANKING (+0.41%), CEMENT (+0.02%), CONSTRUCTION (+1.18%), FOOD (+0.54%), and INSURANCE (+0.97%) respectively. On the flipside, the OIL & GAS (-1.70%), PERSONAL CARE (-4.90%), and TELECOM (-0.52%) counters all dipped in the week.
- ◆ **ZENITH - OVERWEIGHT (FVE: ₦30.20), TOTAL - OVERWEIGHT (FVE: ₦281.48). Click [here](#) for our Weekly Stock Recommendation.**

### Fixed Income

- ◆ The Nigerian Treasury Bills secondary market ended the week on a bearish note, as investors switched their attention to the primary market for Wednesday's auction. Consequent on this, the NT-Bills benchmark curve expanded by 15bps WoW to 4.43%. Meanwhile, the FGN Bonds segment traded mixed, as investors showed their preference for short-dated bonds (17bps) while slight selloffs were seen at the belly-to-tail end of the curve. Overall, average yield across the curve declined 5bps WoW to settle at 11.23%. In the primary market, the Apex bank offered NGN98.07bn but sold NGN214.96bn worth of treasury bills across three maturities (91-day: NGN1.91bn, 182-day: NGN1.82bn, 364-day: NGN211.23bn). Total subscription at the auction came in at NGN446.32bn, yielding a subscription and bid-to-cover ratio of 4.55x and 2.08x respectively. Stop rates on the 91 and 182-day bills remained at 2.48% and 3.30% respectively, while the yield on the 364-day maturity edged down 20bps to 5.20%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.87	40.01	-0.35%	-1.60%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	416	416.1	0.02%	-4.37%	
Parallel	571.0	567.5	-0.61%	1.06%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (December 2021)</b>			<b>CHG (pps)</b>		
Headline	15.63	15.4	0.23	16.98	
Core	13.87	13.85	0.02	13.14	
Food	17.37	17.21	0.16	20.49	
<b>GDP (%) - YoY</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>FY20</b>	
Real GDP	4.03	5.01	0.51	-1.9	
Oil	-10.73	-12.65	-2.21	-8.9	<b>News Headline for the week (click news for link)</b>
Agriculture	1.2	1.3	2.3	2.2	*CBN to end FX supply to banks, targets \$200bn from non-oil export
Manufacturing	4.29	3.49	3.4	-2.8	*Lagos, Bayelsa, Delta lead as investment pledges for Nigerian economy surges 39%
Services	8.4	9.3	-0.4	-2.2	*CFAN says Nigeria losing N60b yearly from income differential on cocoa
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	*FG to sanction operators distorting sugar master plan
Unemployment Rate			33.3	27.1	*FG to investigate importation of substandard fuel
Underemployment			22.8	28.8	*Afreximbank commits \$1 billion to AfCFTA implementation
<b>Capital Importation (\$'mn)</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Petrol sales revenue hits N2.61tn in 13 months -NNPC
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*NNPC subsidiary links scarcity to withdrawal of toxic petrol
Bonds	364.97	14.54	2410.11%		*Nigeria Exchange plans 'NASDAQ' with attractive conditions to tech firms
Money Market	795.74	451.67	76.2%	119.13%	*FG partners Japan on \$200m power transmission expansion programme
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Remove fuel subsidy, official exchange rate, IMF urges FG
<b>Monetary Policy Rates (%) (January 2022)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	*IFC Targets \$10bn Investments in Africa Annually
MPR	11.5	11.5		0.0%	*Nigeria to spend 92% of 2022 revenue on debt servicing, IMF projects
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*External reserves slides to four months low at \$39.98bn
Liquidity Ratio	30.0	30.0		0.0%	*Airtel Africa grows net profit by 97.3% to \$514m in Q3

Source: CBN, NBS, FMDQ, ARM Research



	WoW	Mtd	QtD	YtD
<b>NGXASI</b>	-0.16%	1.24%	10.50%	10.50%
<b>Market Cap</b>	-0.16%	1.24%	14.08%	14.08%
<b>NGX 30</b>	0.07%	1.73%	4.82%	4.82%
<b>NGX Premium</b>	-0.15%	3.09%	5.47%	5.47%
<b>NGX 50</b>	0.19%	1.33%	3.22%	3.22%
<b>NGX ASEM</b>	-1.30%	-1.30%	-1.30%	-1.30%
<b>NGX Banking</b>	2.34%	2.74%	11.67%	11.67%
<b>NGX Industrial</b>	0.06%	2.99%	6.47%	6.47%
<b>NGX Consumer Goods</b>	1.35%	0.76%	-1.74%	-1.74%
<b>NGX Oil &amp; Gas</b>	0.29%	7.65%	22.87%	22.87%
<b>NGX Insurance</b>	1.51%	-0.25%	-6.19%	-6.19%

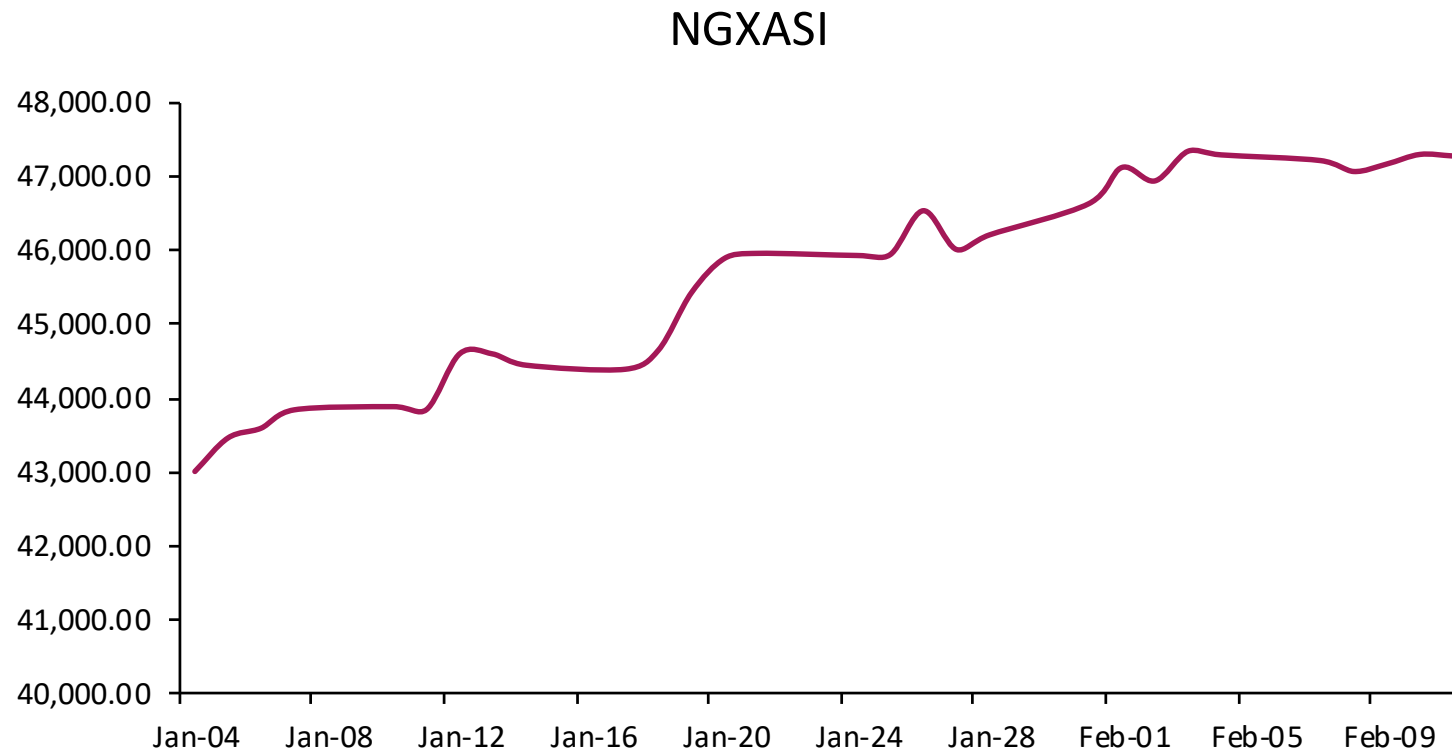
Source: NGX, ARM Research

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	4.00%	13.25%	-9.25%	10-Feb-22	7.00%	8.50%	10.10%	10-Feb-22	20.00	20.00	40.00
Open Repo Rate (OPR)	3.33%	13.00%	-9.67%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00
NIBOR - 1M	9.58%	8.70%	0.88%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
NIBOR - 3M	10.91%	9.80%	1.11%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
NIBOR - 6M	11.38%	10.37%	1.01%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00
<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	2.99%	2.89%	0.10%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
3-month	4.04%	3.45%	0.59%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
6-month	4.64%	4.36%	0.28%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
9-month	5.20%	5.06%	0.14%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
12-month	5.20%	5.63%	-0.43%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Jan-26</b>	<b>Jan-42</b>		<b>FGN Bonds</b>	<b>Jan-26</b>	<b>Jan-42</b>	
12.75% 27-APR-2023	6.76%	6.85%	-0.09%								
14.20% 14-MAR-2024	8.29%	8.73%	-0.44%								
13.53% 23-MAR-2025	10.07%	10.22%	-0.15%								
12.50% 22-JAN-2026	11.19%	11.20%	-0.01%								
16.2884% 17-MAR-2027	11.50%	11.64%	-0.14%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	12.57%	12.54%	0.03%	<b>Corporate Bonds</b>			<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	
16.2499% 18-APR-2037	12.82%	12.79%	0.03%	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	12.96%	13.00%	-0.04%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
<b>FGN Eurobonds</b>				LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
5.625% 27-JUN-2022	2.69%	2.52%	0.17%	STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
6.50% 28-Nov-2027	6.73%	6.39%	0.34%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
7.875% 16-FEB-2032	8.50%	8.28%	0.22%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.625% 28-Nov-2047	9.20%	8.98%	0.22%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
				UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

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

### Nigerian Bourse Under The Microscope.

Overall, the Nigerian market's benchmark index which started the year at 43,026.23pts has now posted a YtD performance of 10.5%. We opine that the bourse would sustain the positive momentum in the coming week - this we hinge on the resumption of bargain hunting and the evident renewed buying interest that characterized the latter part of the most part of the past thirty days.



Source: NGX, ARM Research

Thank You



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