

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week 4th January - 7th January 2022

Global Economy

- ◆ Earlier in the week, OPEC and its allies, OPEC+, agreed to maintain its planned 400,000 bpd increase in oil output for February 2022, as it expects the Omicron variant of COVID to have a short-lived impact on global energy demand. The cartel, which has continued unwinding record production cuts of 10 million bpd imposed at the peak of the pandemic, remained upbeat about economic prospects globally, retaining its forecasts for the growth in oil demand at 5.7 million bpd and 4.2 million bpd in 2021 and 2022 respectively. Elsewhere, the Non-farm payrolls report for December 2021 revealed that the U.S economy added 199,000 jobs during the month, bringing the cumulative job gains to 6.4 million in 2021. A separate report revealed a 30bps decline in the unemployment rate to a 22-month low of 3.9%. The latest jobs reading affirms the Central bank's view that the U.S economy is fast approaching what might be considered maximum employment and with inflation currently at multi-decade highs, the Fed Reserve looks set to raise interest rates sooner than expected and begin reducing the size of its balance sheet, which is now estimated at \$8.8 trillion.

Domestic Economy

- ◆ In a recent publication by the National Bureau of Statistics (NBS) this outgoing week, capital importation into Nigerian for Q3 2021 was released. Although there was improvement in the amount imported in Q3 2021, when considered on QoQ (Up 97.7%) and YoY (Up 18.5%) to US\$1.73bn, the broad concern remains. We noted that as opposed to attracting long term capital - which usually symbolizes investors' confidence in an economy over the medium to long term, the largest amount (US\$ 1.22bn) came in the form of Portfolio Investment (70.3%), followed by Other Investment US\$0.41bn (23.5%), and Foreign Direct Investment US\$0.11bn (18.7%). The leading investment destination in the period was Lagos, attracting US\$1.48bn, which is approximately 85.6% of the total inflow in the quarter. In addition, majority of the overall inflows came into financing (US\$0.47bn), banking (US\$0.46bn) and production (US\$0.26bn) sectors respectively.

Equities and stock recommendation

- ◆ The year started on an exciting path for the local bourse as the market continued from where it left off in 2021 to return a YtD performance of 2.66% as the NGX ASI settled at 43,854.42pts. This performance was fueled by positive price movements across TELECOM (+4.96%), BANKING (+1.01%), PERSONAL CARE (+0.57%), and OIL AND GAS (+4.82%) sub-indices. Slowing down what could have been an overwhelmingly positive first week, however, were the performances of BREWERS (Down 2.97%), CEMENT (Down 0.51%), CONSTRUCTION (Down 1.43%), FOOD (Down 0.16%), and INSURANCE (Down 0.53%) sectors. We traced the performance to a mix of bargain hunting and profit taking across tickers in the week, with the former taking the week. The week also saw the listing of BUAFOODS on the exchange by introduction, 18 billion units of shares valued at NGN40 per unit.

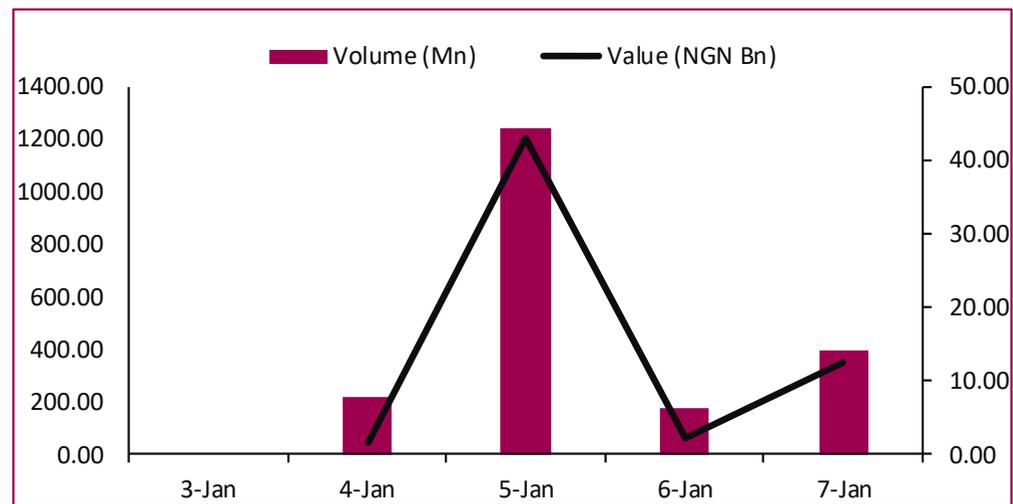
Fixed Income

- ◆ This week, trading activities on Nigerian treasury bills remained muted which saw benchmark NT-Bills curve close flat at 4.43%. Meanwhile, the FGN bonds secondary market was broadly bearish as investors sold off on maturities at both ends of the curve. In more detail, the April-2049 (+40bps), Jan-2022 (+20bps) and April-2023 (+20bps) bonds were the worst performers for the week. Consequent on this, average yield across the curve rose by 7bps WoW to 11.12%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	40.52	40.53	-0.03%	0.00%	
USD/NGN (₦/\$)					
NAFEX	416	415.0	-0.30%	4.50%	
Parallel	568.0	565.0	-0.53%	-0.53%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (November 2021)			CHG (pps)		
Headline	15.4	15.99	-0.59	17.11	
Core	13.85	13.24	0.61	13.08	
Food	17.21	18.3	-1.09	20.78	
GDP (%) - YoY	Q3 21	Q2 21	Q1 21	FY20	
Real GDP	4.03	5.01	0.51	-1.9	
Oil	-10.73	-12.65	-2.21	-8.9	News Headline for the week (click news for link)
Agriculture	1.2	1.3	2.3	2.2	*Budget Highlights: FG Introduces 6% Tax on Digital Services, Non-resident Companies
Manufacturing	4.29	3.49	3.4	-2.8	*U.S. job growth seen accelerating in December; record job creation anticipated for 2021
Services	8.4	9.3	-0.4	-2.2	*Oil heads for best week since mid-Dec, Kazakhstan unrest stokes supply worries
Labor Data (%) - Q4 20			Latest	Prior	*Hawkish Fed signals it may have to raise rates sooner to fight inflation
Unemployment Rate			33.3	27.1	*FG blames insecurity, low earnings for higher borrowings
Underemployment			22.8	28.8	*ASeM, Industrial Goods Lead NGX Worst Performing Indices in 2021
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*CBN's quarterly forex intervention drops by \$930m
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*U.S. manufacturing catches breath; supply logjam starting to break up
Bonds	14.54	138.69	-89.52%		*PMI hits two-year high as output rises
Money Market	451.67	808.57	-44.1%	36.02%	*Dealers back SEC's charges on fixed income securities
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*Nigeria's crude oil earnings hit N12.4tn in 11 months - Report
Monetary Policy Rates (%) (November 2021)	Latest	Prior		CHG (%)	*Asian factories take Omicron risks in stride, for now
MPR	11.5	11.5		0.0%	*Naira opens first trading day on positive note at N422/\$
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*Nigeria's inflation rate may be among world's highest in 2022 - World Bank
Liquidity Ratio	30.0	30.0		0.0%	*Crude oil dip on profit-taking after OPEC+decision

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

	WoW	Mtd	QtD	YtD
NGXASI	2.66%	2.66%	2.66%	2.66%
Market Cap	5.97%	5.97%	5.97%	5.97%
NGX 30	0.28%	0.28%	0.28%	0.28%
NGX Premium	-0.47%	-0.47%	-0.47%	-0.47%
NGX 50	-0.45%	-0.45%	-0.45%	-0.45%
NGX ASEM	0.00%	0.00%	0.00%	0.00%
NGX Banking	0.78%	0.78%	0.78%	0.78%
NGX Industrial	0.34%	0.34%	0.34%	0.34%
NGX Consumer Goods	-0.87%	-0.87%	-0.87%	-0.87%
NGX Oil & Gas	2.68%	2.68%	2.68%	2.68%
NGX Insurance	-0.93%	-0.93%	-0.93%	-0.93%



	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)	14.75%	10.50%	4.25%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
Open Buy Back (OBB)	14.00%	10.00%	4.00%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00
NIBOR - 1M	7.89%	9.63%	-1.74%	02-Dec-21	7.00%	8.50%	10.10%	02-Dec-21	7.00	10.00	20.00
NIBOR - 3M	8.51%	10.11%	-1.60%	25-Nov-21	7.00%	8.50%	10.10%	25-Nov-21	5.00	5.00	20.00
NIBOR - 6M	9.09%	10.84%	-1.75%	18-Nov-21	7.00%	8.50%	10.10%	18-Nov-21	5.00	5.00	15.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	4.01%	3.86%	0.15%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
3-month	3.81%	3.82%	-0.01%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80
6-month	4.76%	4.32%	0.44%	08-Dec-21	2.50%	3.45%	5.34%	08-Dec-21	1.55	0.79	51.39
9-month	5.40%	5.41%	-0.01%	24-Nov-21	2.50%	3.50%	5.89%	24-Nov-21	2.04	3.78	209.89
12-month	5.23%	5.24%	-0.01%	10-Nov-21	2.50%	3.50%	6.50%	10-Nov-21	4.12	2.99	189.06
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	4.09%	3.89%	0.20%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	7.69%	7.49%	0.20%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.11%	9.14%	-0.03%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.50%	11.27%	0.23%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.27%	12.28%	-0.01%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.86%	12.86%	0.00%								
16.2499% 18-APR-2037	13.05%	13.00%	0.05%								
14.8% 26-APR-2049	13.20%	12.80%	0.40%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	3.59%	3.39%	0.20%	MIXTA 17.00% 16-JAN-2022	5.31%	5.09%	0.22%	ZENITH 7.375% 30-MAY-2022	2.54%	2.87%	-0.33%
6.50% 28-Nov-2027	6.86%	6.57%	0.29%	DUFIL 18.25% 1-SEP-2022	6.60%	6.58%	0.02%	UBA 7.75% 08-JUN-2022	5.13%	4.49%	0.64%
7.875% 16-FEB-2032	8.38%	8.12%	0.26%	LAPO MFB 17.75% 19-DEC-2022	9.44%	9.34%	0.10%				
7.625% 28-Nov-2047	8.89%	8.66%	0.23%	STERLING 16.50% 3-AUG-2023	9.13%	9.00%	0.13%				
				FCMB 17.25% 8-DEC-2023	10.05%	10.01%	0.04%				
				ACCESS 15.50% 23-JUL-2026	14.15%	14.00%	0.15%				
				VIATHAN 16.00% 14-DEC-2027	12.04%	11.92%	0.12%				
				UNION 16.20% 27-JUN-2029	15.86%	15.87%	-0.01%				
				FIDELITY 8.50% 27-JAN-2031	13.64%	13.63%	0.01%				

Source: DMO, FMDQ, Bloomberg, ARM Research

The 2022 Budget Under The Microscope.

The 2022 budget seeks to continue the reflationary policies of its past two predecessors, according to the Honorable Minister of Finance, Budget & National Planning. The budget projects an Aggregate Revenue of NGN10.74 trillion (32% higher than the 2021 budget) and an Aggregate Expenditure of NGN17.13 trillion (18% higher than the 2021 budget). Other key assumptions include a GDP growth rate of 4.20%, Nominal Consumption of NGN119.28 trillion and a Nominal GDP of NGN184.38 trillion.

Description	Approved 2021 Budget	Approved 2022 Budget	Variance
Oil Price Benchmark (\$/bbl)	40.0	62.00	22.00
Oil Production (mbpd)	1.68	1.88	0.20
Exchange Rate (NGN/\$)	379	410.15	31.15
Inflation (%)	11.95	13.00	1.05
Revenue (NGN Billion)	8,121.41	10,740.80	2,619.39
Expenditure (NGN Billion)	14,570.76	17,126.87	2,556.11
Deficit (NGN Billion)	6,449.35	6,386.07	(63.28)

Source: Ministry of Finance, Budget & National Planning, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.