

**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 31st May – 04th June 2021

### **Global Economy**

- ◆ US president Joe Biden has signaled his willingness to scrap a proposed corporate tax hike set out to fund his infrastructure plan, in a bid to find some middle ground in negotiations with Republicans. Rather than the 28% rate touted initially, Biden now plans to set a 15% minimum tax floor with hopes that Republicans would agree to at least \$1 trillion in new infrastructure spending. Despite the compromise, President Biden has not conceded on attempts to ramp up total infrastructure spending to \$1.7 trillion. In Europe, the latest preliminary estimates from EUROSTAT revealed a quicker-than-expected acceleration in annual inflation rate to 2%YoY in May (Market Consensus: 1.9%YoY). The 32-month high figure was supported by an expected rise in the cost of energy (13.1%YoY vs 10.4%YoY in April), services (1.1%YoY vs 0.9%YoY in April) and non-energy industrial goods (0.7%YoY vs 0.4%YoY in April). Looking ahead, we expect the ECB to maintain its accommodative stance at its meeting next week as policy makers reiterate that the spike comes on the back of low base effects and the factors driving up prices so far are largely transitory .

### **Domestic Economy**

- ◆ The federal government yesterday explained that the production of the first local vaccine for COVID-19 pandemic in the country is being threatened by its inability to raise the \$1.5 million cost of the clinical trial. The Ministry of Health expressed that the federal government may look for sponsors who would recoup their investment when the vaccine is successful so that all the stages of the trial can be fulfilled. Elsewhere, the Central Bank of Nigeria has disbursed ₦253 billion to 548,345 beneficiaries as part of its response to the COVID-19 pandemic. It was disclosed that the beneficiaries comprised 470,969 households and 77,376 Small and Medium Enterprises. It is reported that the bank reduced its interest rate on CBN intervention loans from nine to five per cent to encourage more lending and initially created a ₦150 billion Targeted Credit Facility (TCF) for affected households and SME's through the NIRSAL microfinance Bank.

### **Equities and stock recommendation**

- ◆ The Nigeria bourse ended the week positive as the market gained 1.23% WoW to close at 38,726.10pts. The market recorded gains in four out of the five trading sessions of the week with FCMB (+8.20%), DANGCEM (+3.53%), BUACEMENT (+2.78%) MTNN (+2.55%) and GUARANTY (+2.32%) constituting the major driver of the improvement in market performance. However, CWG (-26.09%), ROYALEX (-11.11%), CHAMPION (-9.91%) and IKEJAHOTEL (-9.09%) topped the losers' chart. On a sectoral basis, Cement (+3.09%), Telecoms (+1.31%) and Personal Care (+0.32%) registered the most gain while Oil & Gas (-1.73%), Construction (-0.28%) and Food (-0.24%) posted loses .
- ◆ Here are the stocks we recommend for the upcoming week: **GUARANTY – STRONG BUY (FVE: ₦42.12)**, **ACCESS – STRONG BUY (FVE: ₦12.92)**, **UBA PLC— STRONG BUY (FVE: ₦12.18)** and **WAPCO – STRONG BUY (FVE: ₦28.61)**. [Click here](#) for our Weekly Stock Recommendation .

### **Fixed Income**

- ◆ In the secondary market, we saw sustained decline in bond yields drive the average fixed income yield down 9bps WoW to 9.00%. Specifically, downward pressures in the Mar-2024 (-54bps), Mar-2025 (-49bps) and Jan-2026 (-46bps) papers led the average bond yield down 33bps WoW to print at 11.75%. Meanwhile at the other end of the curve, the average NTB yield firmed 16bps WoW to settle at 6.26%, spurred by a rise in the 270-day (+32bps) and 91-day (+7bps) bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	34.22	34.29	-0.20%	-11.34%	<b>Report released this week (Click Link below for Full report)</b>
USD/NGN (₦/\$)					
NAFEX	411	411.0	0.02%	-11.29%	
Parallel	497.0	491.5	-1.11%	-27.57%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (April 2021)</b>			<b>CHG (pps)</b>		
Headline	18.12	18.17	-0.05	17.52	
Core	12.74	12.67	0.07	12.41	
Food	22.72	22.95	-0.23	22.0075	
<b>GDP (%) - YoY</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>FY20</b>	
Real GDP	0.51	0.11	-3.62	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-2.21	-19.8	-13.9	-8.9	*Africa's Oil-producing Nations Rally against Threat to Fossil Fuels
Agriculture	2.3	3.4	1.4	2.2	*Emefiele Guarantees Manufacturers Steady Supply of Forex
Manufacturing	3.4	-1.5	-1.5	-2.8	*Euro zone business growth soared in May as restrictions eased -PMI
Services	-0.4	1.3	-5.5	-2.2	*No recovery in global jobs market from pandemic until at least 2023 - ILO
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	*FG hopeful of N3tr from marginal oil fields development
Unemployment Rate			33.3	27.1	*\$40bn Investments Needed for Nigeria's Gas Plan, Says NNPC
Underemployment			22.8	28.8	*Nigeria's offshore rig counts hit 12 in May as demand recovers
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*External reserves dropped by \$640m in May – CBN
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Oil hits \$71 on rising demand hopes in US, China
Bonds	0.00	0.00		-100.0%	*Report: Nigeria's Losses Constrain OPEC Oil Output in May
Money Market	17.10	363.15	-95.3%	-98.8%	*NNPC plans to acquire stakes in six private refineries
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Biden's big budget comes with a modest growth outlook for an aging country
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*Nigerian investors lose N1tr in five months
Trade Balance	2,382	2,559	1,668	-6.9%	*DMO to Focus on Funding Revenue-generating Projects
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*NNPC Plans N126bn Deduction from June Remittance to FAAC

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

## Index Performance

	Level	Index Returns (%)					Sector Performance	Returns (%)	
		WoW	MTD	QTD	YTD	1 year		WoW	QTD
NSE ASI	38726.10	1.23	0.75	-0.82	-3.84	52.99	Banking	0.09%	-9.50%
NSE ASI (\$)	38726.10	1.23	1.06	-7.71	-3.95	45.09	Brewers	0.29%	5.13%
Market Cap (?'bn)	19,940	1.23	0.75	-3.78	-4.14	54.67	Cement	3.09%	-2.86%
Market Cap (\$'mn)	48,399	1.53	1.06	-8.00	-4.26	44.97	Telecom	1.31%	-0.06%
NSE 30	1573.18	1.35	0.73	1.11	-4.08	42.95	Personal Care	0.32%	-6.16%
NSE Premium	3506.09	2.05	1.79	8.13	1.02	56.42	Construction	-0.28%	3.23%
NSE 50	1572.48	0.91	0.79	-0.14	-5.19	34.13	Food	-0.24%	-5.83%
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-4.10	Insurance	0.14%	4.88%
NSE Banking	355.45	0.04	-0.27	-3.85	-9.56	18.70	Oil & Gas	-1.73%	60.09%
NSE Insurance	207.99	1.25	1.76	1.69	9.76	58.95	Real Estate	0.00%	-2.38%
NSE Consumer	561.00	-0.37	-0.15	3.33	-2.15	30.04	<b>ARM Indices</b>		
NSE Oil & Gas	306.75	-0.79	-0.80	15.38	35.61	34.89		WoW	QTD
NSE Industrial	1907.40	2.60	1.45	0.93	-7.06	57.07	Large Cap (Top 10%)	1.49%	-3.47%
NSE Lotus	2690.81	1.64	0.92	1.50	-5.46	45.12	Mid Cap (Mid 30%)	-0.22%	-1.10%
NSE Pensions	1435.09	0.63	0.51	5.32	3.34	40.61	Small Cap (Bottom 60%)	-1.99%	7.88%

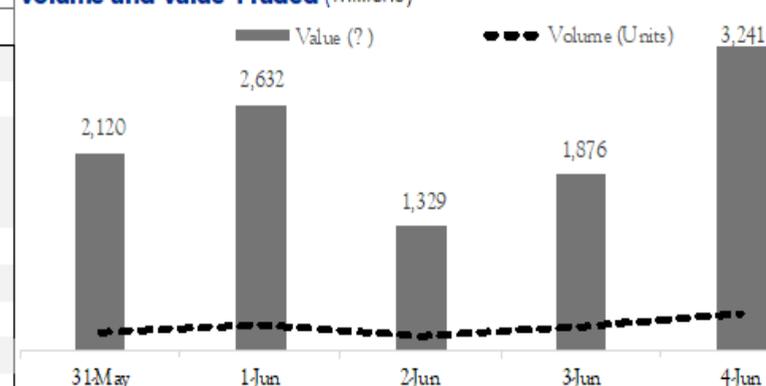
### Top 10 Gainers

Company	This Week	WoW
VERITASK	0.24	20.0%
VITAFOAM	11.20	10.9%
BEGER	6.70	9.8%
MRS OIL	12.60	9.6%
WAPIC	0.59	9.3%
ABCTrans	0.37	8.8%
FCMB	3.30	8.2%
NNFM	5.90	5.4%
PZ	5.50	3.8%
CORNERST	0.56	3.7%

### Top 10 Losers

Company	This Week	WoW
UBN	5.50	-7.6%
AFRIP RUD	5.90	-7.8%
JHOLT	0.58	-7.9%
LINKASSU	0.55	-8.3%
NASCON	13.50	-8.8%
IKEJAHOT	1.00	-9.1%
CHAMPION	1.91	-9.9%
CAP	19.95	-10.1%
ROYALEX	0.72	-11.1%
CWG	1.53	-26.1%

### Volume and Value Traded (millions)



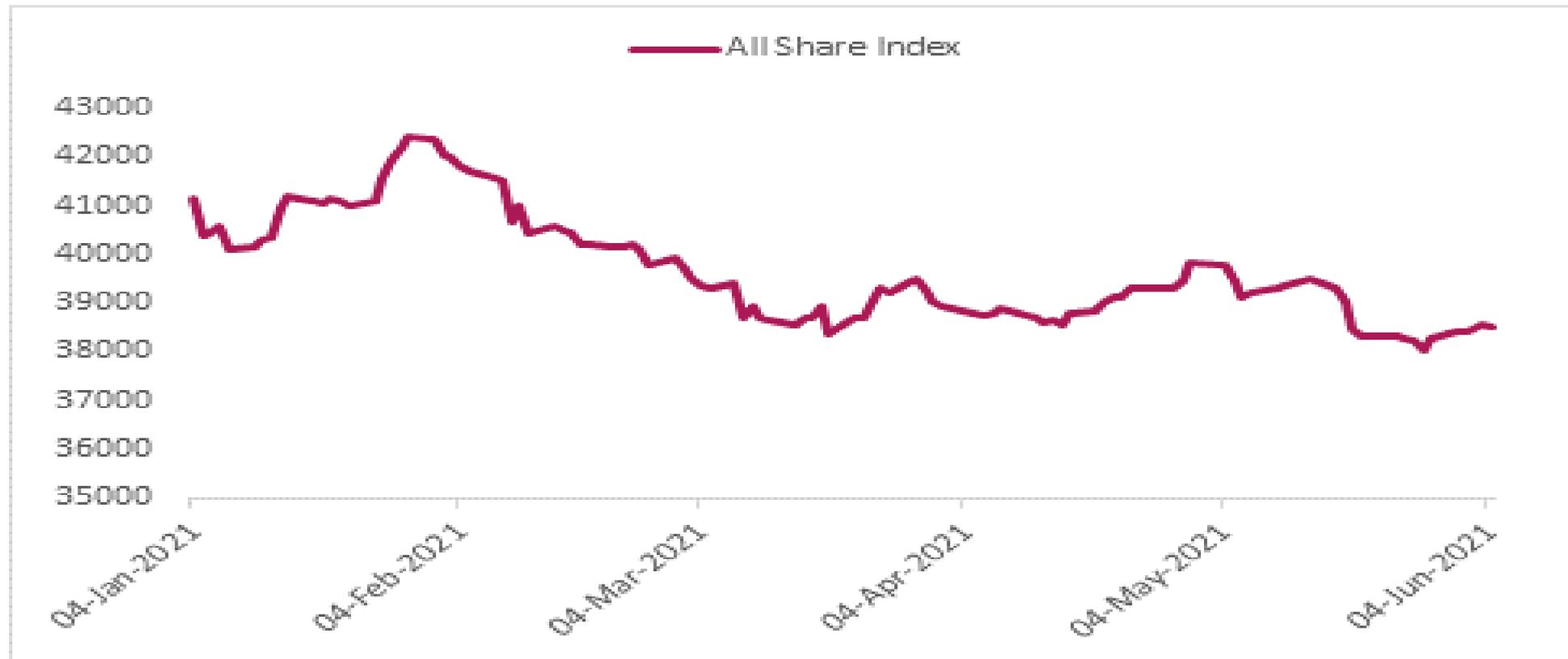
Source: NSE, Bloomberg, ARM Research

	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)	15.00%	18.67%	-3.67%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Open Buy Back (OBB)	15.25%	19.17%	-3.92%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR- 1M	11.44%	11.76%	-0.32%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
NIBOR- 3M	12.43%	12.99%	-0.56%	29-Apr-21	7.00%	8.50%	10.10%	29-Apr-21	5.00	5.00	10.00
NIBOR- 6M	14.52%	14.71%	-0.19%	15-Apr-21	7.00%	8.50%	10.10%	15-Apr-21	5.00	5.00	10.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>			<b>Treasury Bills</b>				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	3.39%	3.75%	-0.36%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
3-month	4.71%	4.64%	0.07%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
6-month	6.19%	6.14%	0.05%	28-Apr-21	2.00%	3.50%	9.75%	28-Apr-21	7.19	6.00	116.27
9-month	8.08%	7.76%	0.32%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
12-month	9.50%	9.57%	-0.07%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>			<b>FGN Bonds</b>				
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.69%	4.00%	-0.31%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
16.39% 27-JAN-2022	7.31%	7.31%	0.00%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
14.20% 14-MAR-2024	11.66%	12.20%	-0.54%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
12.50% 22-JAN-2026	12.16%	12.62%	-0.46%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.2884% 17-MAR-2027	12.75%	13.10%	-0.35%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.1493% 18-JUL-2034	13.70%	14.05%	-0.35%	<b>Corporate Bonds</b>			<b>Corporate Eurobond</b>				
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	13.66%	14.06%	-0.40%	MIXTA 17.00% 16-JAN-2022	6.65%	6.72%	-0.07%	ACCESS 10.50% 19-OCT-2021	3.08%	3.10%	-0.02%
14.8% 26-APR-2049	14.03%	14.12%	-0.09%	DUFIL 18.25% 1-SEP-2022	11.82%	12.00%	-0.18%	ZENITH 7.375% 30-MAY-2022	3.06%	3.11%	-0.05%
				LAPO MFB 17.75% 19-DEC-2022	14.36%	14.62%	-0.26%	UBA 7.75% 08-JUN-2022	4.23%	4.27%	-0.04%
<b>FGN Eurobonds</b>				STERLING 16.50% 3-AUG-2023	12.50%	12.92%	-0.42%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
5.625% 27-JUN-2022	2.12%	2.17%	-0.05%	FCMB 17.25% 8-DEC-2023	12.95%	13.44%	-0.49%				
6.50% 28-Nov-2027	5.27%	5.31%	-0.04%	ACCESS 15.50% 23-JUL-2026	15.03%	15.51%	-0.48%				
7.875% 16-FEB-2032	6.68%	6.77%	-0.09%	VIATHAN 16.00% 14-DEC-2027	12.96%	13.45%	-0.49%				
7.625% 28-Nov-2047	7.51%	7.56%	-0.05%	UNION 16.20% 27-JUN-2029	16.08%	16.33%	-0.25%				
				FIDELITY 8.50% 27-JAN-2031	14.04%	14.32%	-0.28%				

Source: DMO, FMDQ, Bloomberg, ARM Research

**EQUITY MARKET IN VIEW.**

Stocks in the Nigerian equity market crossed ₦20 trillion in value this week. Nonetheless, liquidity remains a problem for traders and fund managers, as trade volumes are still way behind their pre-pandemic levels. With the convergence of Nigeria's multiple exchange rates, hopes are that foreign investors who exited the country's stock market in 2020 will reinvest their funds in the Nigerian stock market.



Source: NSE, ARM Research

# Thank You



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