

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 27April – 30April 2020

Global Economy

- ◆ The pandemic continues to take its toll on economies as reflected in the data released this week. The US GDP dropped by an annual rate of 4.8% in Q1 20, according to advance estimates by the BEA. This printed worse than consensus expectation of a 4% decline and marks the first contraction since Q1 14 and the steepest since the financial crisis in 2008. The contraction was driven by declines in consumer spending (-7.6%), fixed investment (-8.6%), exports and inventory. Over in Europe, the economy also shrank by 3.8% QoQ in Q1 20, compared to market expectations of a 3.5% contraction. This is the steepest contraction since available data began in 1995. Italy and Spain faced a 4.7% and 5.2% contraction respectively, while France entered a technical recession with a 5.8% contraction in the quarter. Amid the negative data releases, the major central bankers held respective meetings this week. The US Fed maintained the federal funds rate range at 0 to 0.25%, the ECB also voted to leave the interest rates on the main refinancing operations at 0%, while the BOJ in Japan also maintained their short-term interest rates at -0.1% and ramped up purchase of government (and corporate) debts with an aim to maintain the 10-year government bond yields at 0%.

Domestic Economy

- ◆ The International Monetary Fund (IMF) approved a 5-year \$3.4 billion loan in emergency financial assistance to Nigeria, in order to address the adverse impact of the pandemic on the economy. Prior to the approval, in a letter of intent, the FG had vowed to seek a unified and flexible exchange-rate regime. That said, the amount represents 23.5% of Nigeria's updated budget deficit. Meanwhile, we expect the loan to help alleviate the pressure on the country's FX reserve. Elsewhere, the DMO approved the conversion of N850 billion initially set apart for external borrowing, to domestic borrowing. This brings the total domestic borrowing to ₦1.59 trillion (previous: ₦794.9 billion).

Equities and stock recommendation

- ◆ Following a decline in the previous week, the NGSE ASI saw an upturn. It rose 2.45% WoW, closing the week at 23,021.01 points with market capitalization at ₦11.9 trillion (+2.45%). Positive sentiments were observed across the Banking (+4.34%), Food (+1.28%), Telecom (+7.86%), Oil & Gas (+1.13%) and Insurance (+0.48%) sectors. Negative sentiments were seen in the Brewers (-11.09%), Cement (-1.15%) and Personal Care (-3.31%). For individual stock performance, major drivers for the positives were FBNH (+12.42%), STANBIC (+1.68%), FCMB (+11.11%), FLOURMIL (+1.12%) and WEMABANK (+2.88%). On the other hand, negative sentiments were seen in GUINNESS (-13.04%), DANGCEM (-1.21%) and ZENITH (-1.11%).
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87)**, **Nestle Plc – STRONG BUY (FVE: ₦1447.39)**, **Guaranty – STRONG BUY (FVE: ₦37.00)** and **UBA Plc – STRONG BUY (FVE: ₦13.04)**. Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ At the NTB auction, the FG rolled over ₦131.53 billion at an average stop rate of 2.73%, which is 16bps lower than the stop rate at the last auction. The total subscription at this auction was ₦268.21 billion which translates to an oversubscription rate of 2.04x. Average FI yields in the secondary market fell 18bps WoW to close at 6.20%. This was driven by the long end of the curve where average bond yields shed 35bps to 9.71% on the back of strong demand for the March-2035 (-165bps) and the April-2037 (-87bps) bonds. Meanwhile, NTB yield dipped by only 1bp WoW to 2.70 mirroring a 1bp decline in mid-tenor bills.

The week in Review

◆—The pandemic continues to take its toll on economies as reflected in the data released this week. The US GDP dropped by an annual rate of 4.8% in Q1 20, according to advance estimates by the BEA. This printed worse than consensus expectation of a 4% decline and marks the first contraction since Q1 14 and the steepest since the financial crisis in 2008. The contraction was driven by declines in consumer spending (-7.6%), fixed investment (-8.6%), exports and inventory. Over in Europe, the economy also shrank by 3.8% QoQ in Q1 20, compared to market expectations of a 3.5% contraction.

◆ This is the steepest contraction since available data began in 1995. Italy and Spain faced a 4.7% and 5.2% contraction respectively, while France entered a technical recession with a 5.8% contraction in the quarter. Amid the negative data releases, the major central bankers held respective meetings this week. The US Fed maintained the federal funds rate range at 0 to 0.25%, the ECB also voted to leave the interest rates on the main refinancing operations at 0%, while the BOJ in Japan also maintained their short-term interest rates at -0.1% and ramped up purchase of government (and corporate) debts with an aim to maintain the 10-year government bond yields at 0%.

Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.15		0.63	-0.3	1.5	Euro (€)	1.1	1.1	1.2	-2.3
UK			0.13	0.3	1.5	GBP (£)	1.3	1.2	1.9	-4.9
Euro	-0.27	-29.0	-0.16	-127.6	0.4	JPY (¥)	107.2	107.6	0.3	1.3
Japan			-0.16	0.1	0.4	INR (₹)	75.1	76.1	1.8	-5.0
China	1.43	-1.0	2.36	0.9	4.3	CNY (¥)	7.1	7.1	0.3	-1.4
India	3.67	-3.2	6.11	-1.0	5.5	MXN (\$)	24.1	24.8	3.8	-21.3
Mexico	5.33	-2.0	6.15	2.0	3.25	RUB (p.)	74.3	74.8	0.4	-16.6
Turkey	12.60	40.0	11.37	0.7	11.86	ZAR (R)	18.5	19.1	2.7	-24.5
Russia	5.16	-0.8	2.62	0.5	2.5	EGP (£)	15.8	15.7	0.3	1.8
Egypt	12.47	0.18	16.00	1.39	5.1	KES (sh)	107.3	107.3	-0.3	-5.5
South Africa	4.66	-4.7	10.23	4.3	4.1	GHS (¢)	5.8	5.8	-0.3	-1.6
Kenya	9.12	0.1	12.05	-3.0	5.6	XOF (₣)	601.8	608.7	0.9	-2.8
Ghana	17.90	N/A	19.00	0.0	7.8	XAF (₣)	600.3	608.7	1.3	-2.4
Nigeria	3.84	-4.0	11.24	0.0	12.3	NGN (₦)	385.3	389.4	0.5	-5.9

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	25.3	21.3	17.9	-61.7	Japan Unemployment Rate	2.50%	2.40%
OPEC Crude	\$/bbl	14.4	12.2	0.4	-78.9	EU Gross Domestic Product (YoY) - Q1**	-3.3%	1.0%
Gasoline	\$/gal	69.8	64.4	5.5	-62.9	US Goods Trade Balance - March**	-\$64.22B	-\$59.89B
Natural Gas	\$/MBtu	1.9	1.9	2.2	-13.8	EU Consumer Price Index (YoY) - April**	0.4%	0.7%
Gold	\$/oz	1684.5	1730.5	-2.6	11.0	US Gross Domestic Product Annualised - Q1**	-4.8%	2.1%
Sugar	\$/lb	10.4	10.0	5.7	-24.1	Japan Retail Trade (YoY) - March	-4.5%	0.6%
Wheat	\$/bsh	524.3	544.8	-1.2	-7.0	Japan Industrial Production (YoY) - March**	-5.2%	-5.7%
Crude Palm oil	MYR/MT	2088.0	2119.0	0.6		EU Unemployment Rate - March	7.4%	7.3%

** means Preliminary Estimate

The week in Review

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.59	35.98	-1.08%	-7.79%	Zenith Bank Plc Q1 2020 - Weak Q1 earnings but still one of our top picks
USD/NGN (₦/\$)					Initial View - Seplat Plc Q1 20
NAFEX	382	370	-2.92%	-4.45%	Fidelity Bank Plc Q1 2020 - Weak earnings outlook but we see potential for some upside
Parallel	402.5	375.0	-6.83%	-10.56%	FBN Holdings Plc Q1 2020 - Banking on the brink
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	UBA Plc Q1 2020 - BUY rating maintained but pressures remain
Inflation YoY (January)			CHG (pps)		Access Bank Plc Q1 2020 - Earnings outlook tilting towards the downside
Headline	12.2	12.13	0.07	12.17	Nigerian Breweries Plc - Double whammy for volumes, downgrade to NEUTRAL
Core	9.43	9.35	0.08	9.39	
Food	14.9	14.85	0.05	14.85	
GDP (%) - YoY	Q4 19	Q3 19	Q2 19	FY19	
Real GDP	2.55	2.3	2.1	2.3	
Oil	6.4	6.5	7.2	4.6	News Headline for the week (click news for link)
Agriculture	2.3	2.3	1.8	2.4	*Total suspends Preowei Oil Field development in OML 130
Manufacturing	1.2	1.1	-0.1	0.8	*Pipeline vandalism up 50% in January - NNPC
Services	4	3.5	2.9	3.4	*Customs duty hike endangers revenue target
Labor Data (%) - Q3 18			Latest	Prior	*Buhari declares interstate lockdown as nationwide curfew begins Monday
Unemployment Rate			23.1	18.8	*Be ready to pay higher for fuel -PPPRA
Underemployment			20.1	21.2	*CBN lifts suspension on cheque clearing
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Germany agrees on Lufthansa rescue package worth 9 billion euros: Business Insider
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*COVID-19: IMF approves \$3.4bn emergency loan for Nigeria
Bonds	47.36	91.60	-48.3%	-96.0%	*Germany grants Nigeria ₦8.9bn debt relief
Money Market	1482.57	2549.71	-41.9%	50.8%	*Domestic borrowing: Senate approves FG's ₦850bn request
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*NNPC revises crude oil prices downward for May
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*CBN resumes dollar sales for SMEs, school fees
Trade Balance	2,559	1,668	775	230.2%	*Refineries recorded ₦9.6bn loss in January, says NNPC
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*COVID-19: Economy reopens over 6 weeks - FG

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

The week in Review

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Index Performance

	Level	Index Returns (%)				
		WoW	MID	QTD	YTD	1 year
NSE ASI	23021.01	1.87	8.08	8.08	-14.24	-21.05
NSE ASI (\$)	57.30	1.87	7.59%	7.59%	-19.60%	-26.85%
Market Cap (? 'bn)	11393.34	2.45%	8.08%	8.08%	-7.42%	9.43%
Market Cap (\$'mn)	29864.58	1.30%	7.59%	7.59%	-13.20%	1.43%
NSE 30	987.17	1.98	9.40	9.40	-16.19	-24.75
NSE Premium	2010.15	3.50	14.13	14.13	-5.01	-4.62
NSE 50	1018.89	0.85	10.38	10.38	-24.34	-34.45
NSE ASEM	761.08	0.00%	3.55	3.55	3.55	-5.88
NSE Banking	271.57	3.83	15.14	15.14	-23.90	-28.85
NSE Insurance	121.88	1.27	2.08	2.08	-3.13	0.50
NSE Consumer	371.12	-1.42	14.02	14.02	-37.40	-44.62
NSE Oil & Gas	209.13	1.70	-2.84	-2.84	-20.34	-25.48
NSE Industrial	1012.59	-0.47	-2.66	-2.66	-5.86	-6.14
NSE Lotus	1628.47	2.02	7.66	7.66	-11.24	-21.52
NSE Pensions	879.28	0.90	6.35	6.35	-16.58	-20.93

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	4.34%	15.42%	-24.66%
Brewers	-11.09%	9.22%	-47.40%
Cement	-1.15%	-0.84%	-4.07%
Telecom	7.86%	15.56%	6.36%
Personal Care	-3.31%	-2.41%	-44.41%
Construction	0.00%	9.67%	15.93%
Food	1.28%	16.71%	-28.20%
Insurance	0.48%	0.21%	-1.40%
Oil & Gas	1.13%	-11.50%	-48.69%
Real Estate	-0.14%	-0.52%	-0.66%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	2.65%	8.52%	-4.96%
Mid Cap (Mid 30%)	0.14%	1.97%	-9.83%
Small Cap (Bottom 60%)	-1.02%	2.78%	-1.70%

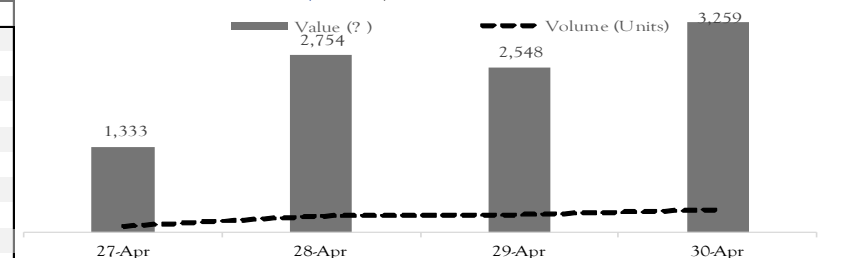
Top 10 Gainers

Company	This Week	WoW
FCMB	1.72	12.4%
MTNN	112.00	12.0%
GUARANTY	21.00	11.1%
UPL	1.06	10.4%
VITAFOAM	4.96	10.0%
CHAMS	0.23	9.5%
CADBURY	7.50	8.7%
OANDO	2.48	7.8%
LIVESTOC	0.70	7.7%
UNIONDACC	0.31	6.9%

Top 10 Losers

Company	This Week	WoW
UNILEVER	10.50	-4.5%
ROYALEX	0.20	-4.8%
UACPROP	0.77	-6.1%
WAPIC	0.26	-7.1%
TRANSCOR	0.66	-8.3%
PRESTIGE	0.50	-9.1%
ETERNA	2.16	-9.6%
CAP	20.90	-9.9%
CHEASIN	5.00	-10.7%
NB	30.00	-13.0%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ At the NTB auction, the FG rolled over ₦131.53 billion at an average stop rate of 2.73%, which is 16bps lower than the stop rate at the last auction. The total subscription at this auction was ₦268.21 billion which translates to an oversubscription rate of 2.04x.

◆ Average FI yields in the secondary market fell 18bps WoW to close at 6.20%. This was driven by the long end of the curve where average bond yields shed 35bps to 9.71% on the back of strong demand for the March-2035 (-165bps) and the April-2037 (-87bps) bonds. Meanwhile, NTB yield dipped by only 1bp WoW to 2.70 mirroring a 1bp decline in mid-tenor bills.

	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)	2.75%	21.08%	-18.33%	23-Apr-20	11.50%	11.54%	12.71%	23-Apr-20	20.37	11.50	80.78
Open Buy Back (OBB)	2.25%	20.33%	-18.08%	16-Apr-20	11.50%	11.54%	12.75%	16-Apr-20	16.00	18.00	100.00
NIBOR - 1M	9.27%	8.04%	1.23%	09-Apr-20	N/A	N/A	12.79%	09-Apr-20	N/A	N/A	39.35
NIBOR - 3M	9.66%	8.48%	1.18%	02-Apr-20	N/A	N/A	12.79%	02-Apr-20	N/A	N/A	4.00
NIBOR - 6M	10.35%	9.07%	1.28%	19-Mar-20	N/A	N/A	N/A	19-Mar-20	N/A	N/A	N/A
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.24%	2.24%	0.00%	29-Apr-20	1.85%	2.49%	3.84%	29-Apr-20	49.84	10.62	71.07
3-month	2.53%	2.45%	0.08%	15-Apr-20	1.93%	2.74%	4.00%	15-Apr-20	5.85	3.50	49.14
6-month	2.74%	2.84%	-0.10%	01-Apr-20	2.20%	3.20%	4.30%	01-Apr-20	10.00	17.60	68.08
9-month	3.07%	2.95%	0.12%	18-Mar-20	2.30%	3.40%	4.60%	18-Mar-20	2.0	8.4	37.2
12-month	3.19%	3.19%	0.00%	11-Mar-20	2.49%	3.78%	5.30%	11-Mar-20	1.8	14.0	70.5
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	4.69%	5.16%	-0.47%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	40.1	82.3	53.7
16.39% 27-JAN-2022	5.82%	6.42%	-0.60%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	15.0	30.0	25.0
14.20% 14-MAR-2024	8.56%	8.08%	0.48%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	55.0	65.0	40.0
12.50% 22-JAN-2026	9.17%	9.00%	0.17%	22-Jan-20	9.85%	11.13%	12.56%	22-Jan-20	29.3	106.4	276.1
16.2884% 17-MAR-2027	11.01%	11.61%	-0.60%	18-Dec-19	11.00%	12.00%	13.00%	18-Dec-19	59.9	96.7	96.4
12.1493% 18-JUL-2034	11.30%	11.68%	-0.38%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	11.30%	11.70%	-0.40%	UBA 16.45% 30-DEC-2021	14.43%	14.97%	-0.54%	ACCESS 10.50% 19-OCT-2021	12.55%	11.79%	0.76%
14.8% 26-APR-2049	12.49%	12.60%	-0.11%	MIXTA 17.00% 16-JAN-2022	5.33%	5.60%	-0.27%	ZENITH 7.375% 30-MAY-2022	11.54%	11.45%	0.09%
				FIDELITY 16.48% 13-MAY-2022	7.70%	8.22%	-0.52%	UBA 7.75% 08-JUN-2022	14.44%	14.44%	0.00%
				DUFIL 18.25% 1-SEP-2022	8.87%	9.32%	-0.45%	SEPLAT 9.25% 1-APR-2023	17.17%	17.17%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	11.43%	11.80%	-0.37%				
				STERLING 16.50% 3-AUG-2023	9.53%	9.56%	-0.03%				
				FCMB 17.25% 8-DEC-2023	9.88%	9.71%	0.17%				
				STANBIC 13.25% 30-SEP-2024	9.27%	9.92%	-0.65%				
				VIATHAN 16.00% 14-DEC-2027	9.20%	10.24%	-1.04%				

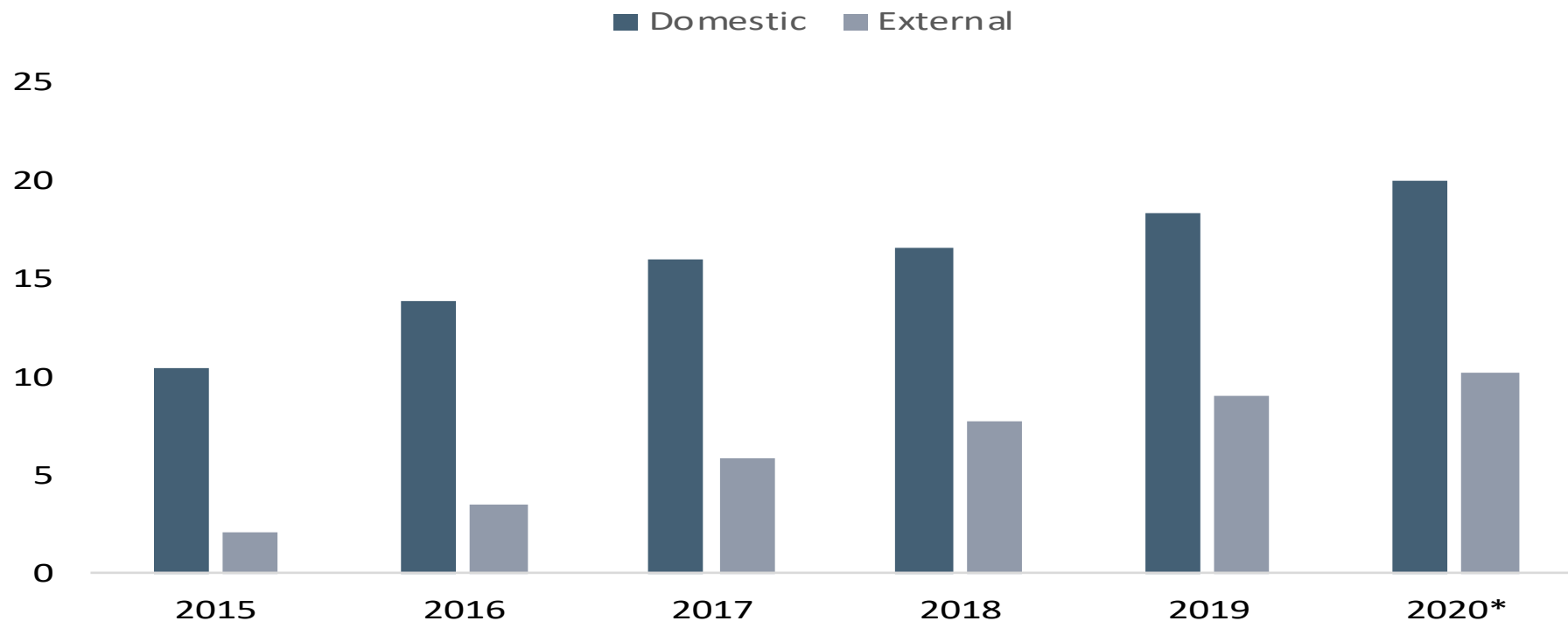
Source: DMO, FMDQ, Bloomberg, ARM Research

	Monday	Tuesday	Wednesday	Thursday	Friday
	4-May	5-May	6-May	7-May	8-May
Global	China Caixin Manufacturing PMI - April	EU Producer Price Index (YoY) - March	EU Retail Sales (YoY) - March	China Trade Balance USD - April	US Unemployment Rate - April
	EU Markit Manufacturing PMI - April	US Trade Balance - March	US ADP Employment Change - April	UK BoE Interest Rate Decision	
				Japan Overall Household Spending (YoY) - March	
Domestic					State Disaggregated Mining and Quarrying Data (2019)

** means Preliminary Estimate

Total Debt Stock

This week we feature the total outstanding debt stock as of 2019 while providing an estimate for 2020 based on the existing budget details and recent events from this week. Domestic borrowing is expected to rise by $\text{¥}1.6$ trillion following the Senate's approval to switch $\text{¥}850$ billion from foreign to domestic. While a $\text{\$}3.4\text{bn}$ ($\text{¥}1.22$ trillion) loan from the IMF will increase external borrowings. As of 2019, loans from multinationals made up 45% of all external loans



Source: NBS, ARM Research

* refers to estimate



Thank You

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