

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 24 – 28 August 2020

Global Economy

- ◆ During its annual Jackson Hole symposium, the US Fed announced significant updates to its approach to inflation which could keep rates low for longer periods. The Fed announced that they would no longer be pre-emptively lifting rates to stave off higher inflation meaning they will be less inclined to raise rates when unemployment falls; as long as inflation does not rise as well. Rather, the Fed will now follow a policy of average inflation targeting whereby following periods of inflation below their 2% target they would need to subsequently need to see periods of inflation above that target before making any changes to the appropriate monetary policy. Still in the US, according to the second estimate released by the BEA, real GDP decreased by an annualized rate of 31.7% in Q220 representing an upward revision of 1.2 ppts from the first estimate (first estimate: -32.9%). The higher second estimate comes from upward revisions in consumer spending, exports and nonresidential fixed investment. Elsewhere, Shinzo Abe, Japan's longest serving leader, resigned as prime minister due to ill health.

Domestic Economy

- ◆ Data released by the NBS showed Nigeria's economy took a hit reflecting the adverse impact of the pandemic. Precisely, the GDP recorded the steepest contraction in over 9 years with Q2 2020 GDP printing at -6.10% YoY. Notably, contractions were seen in both oil and non-oil sector. On the former, the oil sector contracted by 6.6% YoY relative to 5.1% growth in Q1 2020, owing to a moderation in crude oil production which printed at 1.81mbpd. Meanwhile, the non-oil sector declined by 6.1% YoY (vs Q1 2020: 1.5% YoY), mirroring declines across all sectors save the Agric sector (+1.58% YoY). Disruption in production value chain - a fall out of the pandemic - weighed heavily across the manufacturing (-8.8% YoY), Trade (-16.6% YoY), Services (-2.61% YoY) and Construction (-31.8% YoY) sectors. Elsewhere, PMI data for the month of August showed the level of business activities remained below the 50-index points benchmark, albeit an improvement compared to the prior month. Manufacturing PMI printed at 48.9pts (July 2020: 44.9pts) while the Non-manufacturing PMI printed at 44.7pts (vs 43.3 pts in July 2020). Capital importation over Q2 2020 printed at \$1.3 bn (-78.6% YoY) reflecting declines in FDI (-33.4% YoY to \$148.6 million), FPI (-91% YoY to \$385 million) and other investments (-48.6% YoY to \$761 million).

Equities and stock recommendation

- ◆ The bullish trend lingered as the Nigerian bourse closed positively for the sixth consecutive week, advancing by 35bps WoW. The ASI closed at 25,309.37points, while market cap ended the week at ₦13.2 trillion. except for the food sector which lost 3bps, all other sectors recorded gains with Breweries (+5.72%), Personal care (+8.78%), and Insurance (+1.11%), sectors leading the pack. A further probe into the sectoral performance revealed the major drivers for the upside were observed in INTBREW (+23.33%), NB (+5.71%), UNILEVER (+9.09%), PZ (+9.09%), BUACEMENT (+2.83%), MANSARD (+7.6%), STANBIC (+6.03%) and OANDO (+4.91%) WoW, amongst others. On the other hand, declines were seen in DANGSUGA (-0.79%), DANGCEM (-0.59%) and ZENITH (-0.3%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), GUARANTY– STRONG BUY (FVE: ₦37), ZENITH BANK PLC – STRONG BUY (FVE: ₦28.0) and UBA Plc – STRONG BUY (FVE: ₦8.5. Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ ₦197.6 billion worth of NTBs matured this week and the DMO offered and sold that exact amount at the auction. Total subscription at the auction came in at ₦221.92 billion which translates to a subscription rate (total subscription/total offering) of 1.12x, the lowest level seen this year. The average stop rate, meanwhile, increased for the first time since May by 17bps to 2.10%. At the OMO auction the CBN offered ₦100 billion but sold a slightly smaller amount of ₦97.27 billion, with total subscription at ₦108.77 billion. The total OMO maturity was ₦262.42 billion which means the CBN let ₦165.15 billion flow back into the system keeping liquidity high. However, the day after the auction they held an FX retail auction which helped mop up some of that liquidity and pushed the average money market to 14.40%, a 1209bps increase WoW. In the secondary market, the average NTB yield rose 48bps over the week and this helped lead the average fixed income yield 23bps higher to 4.73%. The average bond yield, meanwhile, was 3bps lower WoW at 7.45%.

The week in Review

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Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.11		0.73	-1.0	1	Euro (€)	1.2	1.2	0.7	6.0
UK	Real Time	N/A	0.11	-0.5	1	GBP (£)	1.3	1.3	1.9	0.6
Euro	-0.44	1.3	-0.14	36.4	0.4	JPY (¥)	105.5	105.8	0.3	3.0
Japan	Real Time	N/A	-0.04	-0.2	0	INR (₹)	73.4	74.9	2.0	-2.8
China	2.52	2.8	3.15	2.9	2.7	CNY (¥)	6.9	6.9	0.8	1.4
India	3.58	2.0	6.14	0.9	5.06	MXN (\$)	21.8	22.0	0.9	-13.1
Mexico	4.54	0.0	5.53	-0.2	3.62	RUB (p.)	74.1	74.8	1.0	-16.4
Turkey	17.47	3.1	13.38	-1.0	11.76	ZAR (R)	16.6	17.2	3.5	-15.6
Russia	4.19	-0.9	1.82	0.0	3.4	EGP (£)	15.9	15.9	0.4	1.1
Egypt	13.69	-0.07	14.38	0.00	4.2	KES (sh)	108.2	108.0	-0.2	-6.3
South Africa	3.89	0.3	9.28	-0.3	3.2	GHS (?)	5.8	5.8	0.0	-1.1
Kenya	7.51	0.0	12.42	3.0	4.4	XOF (?)	553.2	555.3	0.4	5.8
Ghana	17.90	N/A	19.00	0.0	11.4	XAF (?)	551.7	557.3	1.0	6.2
Nigeria	3.34	4.4	0.00	0.1	12.8	NGN (?)	385.8	386.9	0.3	-6.0

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	45.1	44.4	0.0	-31.7	US GDP Annualised (Q2)	-31.7%	-32.9%
OPEC Crude	\$/bbl	45.8	45.1	2.0	-32.6	Germany GDP (YoY) - Q2	-11.3%	-2.2%
Gasoline	\$/gal	131.3	128.4	2.3	-26.3	SA Consumer Price Index (YoY) - July	3.2%	2.2%
Natural Gas	\$/MBtu	2.7	2.6	3.3	13.3	US Initial Jobless Claims (Aug 21)	1006K	1104K
Gold	\$/A oz	1965.1	1940.5	1.3	29.5	Mexico GDP (YoY) - Q2	-18.7%	-18.9%
Sugar	\$/lb	12.6	12.8	0.0	-9.2	US Durable Goods Orders - July	11.2%	7.7%
Wheat	\$/bsh	548.5	535.0	2.5	-5.1	Italy Industrial Sales (YoY) - June	-11.8%	-34.1%
Crude Palm oil	MYR/MT	2738.0	2681.0	0.0		France Consumer Price Index (YoY) - Aug**	0.2%	0.9%

** means Preliminary Estimate

The week in Review

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	35.66	35.63	0.08%	-7.60%	Report released this week (Click Link below for Full report)
USD/NGN (₦/\$)					Q2 2020 GDP - As expected Nigerias economy takes a hit
NAFEX	386	386	0.02%	-5.51%	Nigeria Currency - CBN resumes FX sale to BDCs
Parallel	474.5	472.5	-0.42%	-24.13%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (July)			CHG (pps)		
Headline	12.82	12.56	0.26	12.4	
Core	10.1	10.13	-0.03	9.83	
Food	15.49	15.18	0.31	15.07	
GDP (%) - YoY	Q2 20	Q1 20	Q4 19	FY19	
Real GDP	-6.1	1.87	2.55	2.3	
Oil	-6.6	5.1	6.4	4.6	News Headline for the week (click news for link)
Agriculture	1.6	2.2	2.3	2.4	*FG shifts international flights resumption to Sept 5
Manufacturing	-8.8	0.4	1.2	0.8	*Nigeria's economy shrinks by 6.10% in Q2
Services	-2.6	3.5	4	3.4	*CBN to clamp down on forex abuse by dealers
Labor Data (%) - Q2 20			Latest	Prior	*FG releases N14.92bn for retirees' accrued rights
Unemployment Rate			27.1	23.1	*CBN to sanction exporters for not repatriating forex
Underemployment			28.8	20.1	*Banks to Take over Electricity Bill Collections
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*MPC okays CBN's N15tr infrastructure firm
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Manufacturing sector records four-month contraction - CBN
Bonds	0.00	231.22	-100.0%	-100.0%	*No tariff increase, Buhari ordered mass metering - NERC
Money Market	332.07	3,438.54	-90.3%	-66.2%	*CBN Resumes Forex Sales to BDCs on Monday
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*BUA, Turkish Firm Seal Deal to Establish Flour Mills
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*SEC declares zero tolerance for market abuses
Trade Balance	2,382	2,559	1,668	-6.9%	*Power sector loses N468.4bn as hitches stall 33,122MW
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*We borrowed 5,000MT of grains from ECOWAS -FG

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

The week in Review

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◆ On the other hand, declines were seen in DANGSUGA (-0.79%), DANGCEM (-0.59%) and ZENITH (-0.3%) WoW.

◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), GUARANTY– STRONG BUY (FVE: ₦37), ZENITH BANK PLC – STRONG BUY (FVE: ₦28.0) and UBA Plc – STRONG BUY (FVE: ₦8.5. Click [here](#) for our Weekly Stock Recommendation.**

Index Performance

	Level	Index Returns (%)				
		WoW	MID	QTD	YTD	1 year
NSE ASI	25309.37	0.35	2.49	3.39	-5.71	-8.32
NSE ASI (\$)	25309.37	0.35	3.44%	3.61%	-11.18%	-13.81%
Market Cap (?'bn)	A Invalid Sect	0.35%	2.50%	3.40%	1.89%	-1.40%
Market Cap (\$'mn)	A Invalid Sect	0.43%	3.50%	3.62%	-4.02%	-7.58%
NSE 30	1074.57	0.45	2.03	2.14	-8.77	-1.54
NSE Premium	2194.86	-0.45	-0.49	3.28	3.72	-6.30
NSE 50	1152.12	0.53	3.60	2.58	-14.45	-10.18
NSE ASEM	740.58	0.00%	0.00	-0.20	0.76	-4.93
NSE Banking	293.97	-0.23	5.52	4.26	-17.62	-9.30
NSE Insurance	132.41	2.80	8.23	2.07	5.24	22.91
NSE Consumer	426.99	1.12	6.09	-3.33	-27.98	-18.96
NSE Oil & Gas	187.36	0.00	9.99	-4.64	-28.64	-4.85
NSE Industrial	1119.31	0.64	-2.39	1.40	4.06	2.85
NSE Lotus	1839.57	0.41	-0.34	0.76	0.26	5.62
NSE Pensions	973.72	0.05	4.69	2.16	-7.62	5.02

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	0.48%	5.94%	-15.84%
Brewers	5.72%	1.55%	-39.16%
Cement	0.66%	5.79%	7.86%
Telecom	0.00%	5.74%	20.47%
Personal Care	8.78%	-1.02%	-29.60%
Construction	1.49%	-8.12%	-8.71%
Food	-0.03%	-4.40%	-16.36%
Insurance	1.11%	-1.74%	-2.88%
Oil & Gas	0.85%	-5.71%	-62.27%
Real Estate	-0.09%	-0.20%	-0.23%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.39%	3.98%	6.00%
Mid Cap (Mid 30%)	0.78%	-2.70%	-11.62%
Small Cap (Bottom 60%)	3.16%	-10.35%	-50.26%

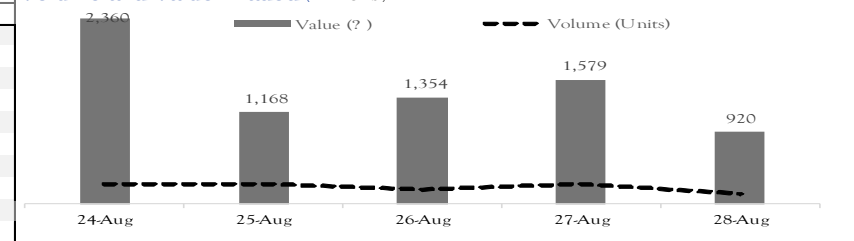
Top 10 Gainers

Company	This Week	WoW
UPL	1.63	44.2%
FTNCOCOA	0.24	20.0%
CAP	16.70	9.2%
LIVESTOC	0.60	9.1%
UNILEVER	15.00	9.1%
UNITYBNK	0.56	7.7%
MANSARD	1.84	7.6%
WA PIC	0.35	6.1%
NNFM	4.50	5.9%
JOHNHOLT	0.55	5.8%

Top 10 Losers

Company	This Week	WoW
PRESCO	49.00	-4.9%
UBA	6.35	-5.2%
TRANSCOR	0.57	-6.6%
GUINNESS	14.15	-6.9%
ROYALEX	0.26	-7.1%
CILEASIN	4.00	-9.1%
ARBICO	1.14	-9.5%
STUDPRES	1.79	-9.6%
BETA GLAS	55.40	-10.0%
ABCTANS	0.39	-17.0%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ ₦197.6 billion worth of NTBs matured this week and the DMO offered and sold that exact amount at the auction. Total subscription at the auction came in at ₦221.92 billion which translates to a subscription rate (total subscription/total offering) of 1.12x, the lowest level seen this year. The average stop rate, meanwhile, increased for the first time since May by 17bps to 2.10%. At the OMO auction the CBN offered ₦100 billion but sold a slightly smaller amount of ₦97.27 billion, with total subscription at ₦108.77 billion. The total OMO maturity was ₦262.42 billion which means the CBN let ₦165.15 billion flow back into the system keeping liquidity high

- ◆ However, the day after the auction they held an FX retail auction which helped mop up some of that liquidity and pushed the average money market to 14.40%, a 1209bps increase WoW.
- ◆ In the secondary market, the average NTB yield rose 48bps over the week and this helped lead the average fixed income yield 23bps higher to 4.73%. The average bond yield, meanwhile, was 3bps lower WoW at 7.45%

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'-billion)	90 Days	180 Days
Money Market				OMO			OMO			
Overnight (O/N)	14.90%	2.63%	12.27%	27-Aug-20	4.87%	7.68%	8.94%	27-Aug-20	10.00	10.00
Open Buy Back (OBB)	13.90%	2.00%	11.90%	20-Aug-20	4.90%	7.71%	8.94%	20-Aug-20	7.50	15.00
NIBOR - 1M	2.67%	4.91%	-2.24%	13-Aug-20	4.92%	7.74%	8.94%	13-Aug-20	5.56	9.80
NIBOR - 3M	2.97%	4.29%	-1.32%	02-Jul-20	4.95%	7.79%	8.99%	02-Jul-20	10.00	10.00
NIBOR - 6M	2.96%	4.44%	-1.48%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00
Treasury Bills				Treasury Bills			Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day
1-month	1.30%	1.23%	0.07%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85
3-month	1.00%	1.56%	-0.56%	12-Aug-20	1.20%	1.39%	3.20%	12-Aug-20	49.84	54.59
6-month	2.40%	1.31%	1.09%	29-Jul-20	1.20%	1.50%	3.40%	29-Jul-20	5.85	26.60
9-month	2.10%	2.10%	0.00%	15-Jul-20	1.30%	1.80%	3.35%	15-Jul-20	10.00	20.00
12-month	3.18%	2.34%	0.84%	01-Jul-20	1.79%	1.91%	3.39%	01-Jul-20	2.00	2.00
FGN Bonds (Local)				FGN Bonds			FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year
14.50% 15-JUL-2021	2.99%	2.85%	0.14%	19-Aug-20		9.35%	9.90%	19-Aug-20		23.0
16.39% 27-JAN-2022	4.68%	5.17%	-0.49%	22-Jul-20		9.50%	9.95%	22-Jul-20		42.0
14.20% 14-MAR-2024	5.73%	5.96%	-0.23%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2
12.50% 22-JAN-2026	6.64%	6.66%	-0.02%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3
16.2884% 17-MAR-2027	8.11%	7.79%	0.32%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0
12.1493% 18-JUL-2034	9.66%	9.38%	0.28%	Corporate Bonds			Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week
16.2499% 18-APR-2037	10.07%	9.80%	0.27%	MIXTA 17.00% 16-JAN-2022	4.19%	4.06%	0.13%	ACCESS 10.50% 19-OCT-2021	6.15%	6.18%
14.8% 26-APR-2049	10.05%	10.00%	0.05%	FIDELITY 16.48% 13-MAY-2022	6.07%	6.52%	-0.45%	ZENITH 7.375% 30-MAY-2022	5.94%	6.08%
				DUFIL 18.25% 1-SEP-2022	6.75%	7.17%	-0.42%	UBA 7.75% 08-JUN-2022	7.28%	7.31%
				LAPO MFB 17.75% 19-DEC-2022	8.82%	9.20%	-0.38%	SEPLAT 9.25% 1-APR-2023	8.77%	8.92%
				STERLING 16.50% 3-AUG-2023	6.45%	6.75%	-0.30%			
				FCMB 17.25% 8-DEC-2023	6.96%	7.22%	-0.26%			
				STANBIC 13.25% 30-SEP-2024	7.00%	7.17%	-0.17%			
				VIATHAN 16.00% 14-DEC-2027	7.20%	7.32%	-0.12%			
				UNION 16.20% 27-JUN-2029	11.86%	11.93%	-0.07%			

Source: DMO, FMDQ, Bloomberg, ARM Research

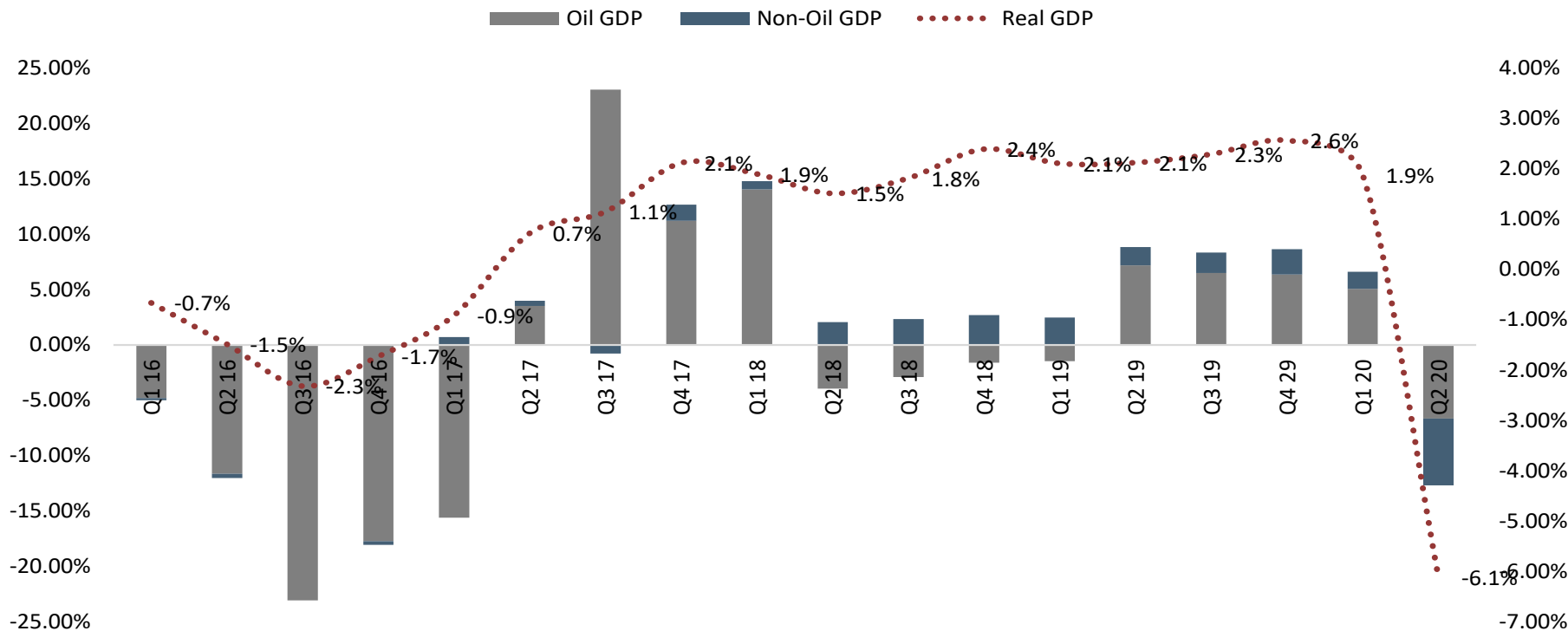
Economic and Financial Calendar for the week 31st August - 4th September 2020

	Monday 31-Aug	Tuesday 1-Sep	Wednesday 2-Sep	Thursday 3-Sep	Friday 4-Sep
Global	Japan Industrial Production (YoY)(Jul)	Germany Unemployment Rate s.a.(Aug)	European Union Producer Price Index (YoY)(Jul)	Germany Markit PMI Composite(Aug)	US Unemployment Rate(Aug)
	China Non-Manufacturing PMI(Aug)	Germany Markit Manufacturing PMI(Aug)		European Union Markit PMI Composite(Aug)	
	Germany Consumer Price Index (YoY)(Aug)	European Union Markit Manufacturing PMI(Aug)		US Markit PMI Composite(Aug)	
	Japan Unemployment Rate(Jul)	UK Markit Manufacturing PMI(Aug)			
		European Union Consumer Price Index (YoY)(Aug)			
		European Union Unemployment Rate(Jul)			
Domestic	Labour Force Statistics: Unemployment report (Q1 & Q2 2020)	Sectoral Distribution of Value Added Tax (Q2 2020)	Nigeria Gross Domestic Product Report (Expenditure and Income Approach) 2019		Foreign Trade in Goods Statistics (Q2 2020)

** means Preliminary Estimate

Trend in Nigeria's GDP

This week, we feature the trend in Nigeria's GDP. Data released by the NBS showed that Nigeria's economy contracted by 6.1% YoY over Q220 (Q1 20: 1.9% YoY) which marks its first YoY contraction since Q1 17 (-0.9%) and the steepest decline in over 9 years. The decline over Q2 followed on from contractions in both the oil and non-oil sector of 6.6% and 6.1% respectively.



Source: NBS, ARM Research



Thank You

ARM
SECURITIES

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