

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 01 June – 05 June 2020

Global Economy

- ◆ The US jobs data for May came in much stronger than expected, with a surprise ease in unemployment rate to 13.3% from 14.7% in April (consensus: 19.8%). 2.5 million jobs were created in the US in May, against expectation of a job cut of 8 million and after 20.7 million job cuts was recorded in April. That said, the weekly data showed the number of applications for initial jobless claims climbed by 1.877 million in the week ended May 30th -- the lowest since the coronavirus crisis began. Albeit, still a tad higher than consensus expectation of 1.80 million. On the flip side, the US Manufacturing PMI reading for May, showed the sector remained in contraction territory with 39.8 points, although still higher than the record low of 36.1 in April. Over in Europe, the ECB met this week and voted to increase the bond purchase programme by €600 billion to a total of €1.35 trillion. The pandemic emergency purchase programme came in higher than the €500 billion expected and is to last till at least June 2021. Meanwhile, the key interest rate was left unchanged at 0%.

Domestic Economy

- ◆ This week, the senate approved the \$5.5 billion external borrowing request, which comprises \$3.4 billion at 1% interest rate, \$1.5 billion at 2.38% interest rate, \$500 million at 1.32% interest rate, and \$113 million at 0.4% interest rate from the IMF, World bank, AfDB, and Islamic Development bank respectively. Meanwhile, the FG agreed to a complete deregulation of the downstream petroleum sector, by replacing the price cap per litre for petroleum motor spirit (PMS) with a market-based pricing mechanism. Henceforth, the price of PMS would be determined by the market forces of demand and supply. This came in after the FG reduced the price of petrol to ₦121.5 from ₦123.5 per litre on Monday. Still on regulations, NAICOM extended the deadline for insurance and reinsurance companies to meet the new capital requirements to September 30th, 2021, from December 31, 2020, citing the adverse impact of the pandemic on the exercise. Elsewhere, the PMI contracted to 42.4pts in May 2020, after expanding for 36 consecutive months, with manufacturing and non-manufacturing PMI printing at 42.4pts (March: 51.1pts) and 25.3pts (49.2pts) respectively.

Equities and stock recommendation

- ◆ Contrary to last week, the NSE ASI declined by 1.0% WoW, closing the week at 25,016.30 points with the market capitalization at ₦13.0 trillion (-1.0%). Negative sentiments were seen across all sectors excluding Food (+1.66%), Telecoms (+0.01%) and Real Estate (+0.46%) sectors. Insurance (-1.39%), Oil & Gas (-1.84%) Brewers (-3.28%) and Banking (-2.04%) were the losers for the week. For individual stock performance, major drivers for the decrease were seen across ACCESS (-6.34%) GUARANTY (-0.42%), STANBIC (-7.26%) and BUACEMEN (-4.76%) stocks. On the other hand, positives were observed majorly in DANGSUGA (+15.89%) stock.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87)**, **Nestle Plc – STRONG BUY (FVE: ₦1404.4)**, **Guaranty – STRONG BUY (FVE: ₦37.00)** and **Zenith Bank Plc – STRONG BUY (FVE: ₦28.0)**. Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ At the OMO auction this week, the 1-year stop rate dropped further by 100bps to 8.9%, following strong subscription rate of 4.3x (₦299 billion). However, the CBN only sold the ₦70 billion offered. Meanwhile, the apex bank released the Q3 NTB calendar which showed the FG plans to continue rolling over maturing bills in the quarter valued at ₦822 billion. In the secondary market, average FI yields finished 56bps higher WoW at 6.48% following contrasting moves at both ends of the curve. NTB yields rose 121bps WoW to 3.33% following a spike in short-tenor (+158 bps) and mid-tenor (+102 bps) yields to 3.48% and 3.25%, respectively. In contrast, average bond yields dipped by 9bps WoW to 9.63% driven by interest in the Feb-2028 (-60bps), Jan-2026 (-55bps) and March-2024 (-46bps) bonds.

The week in Review

◆—The US jobs data for May came in much stronger than expected, with a surprise ease in unemployment rate to 13.3% from 14.7% in April (consensus: 19.8%). 2.5 million jobs were created in the US in May, as against expectation of a job cut of 8 million and after 20.7 million job cuts was recorded in April. That said, the weekly data showed the number of applications for initial jobless claims climbed by 1.877 million in the week ended May 30th -- the lowest since the coronavirus crisis began. Albeit, still a tad higher than consensus expectation of 1.80 million.

◆ On the flip side, the US Manufacturing PMI reading for May, showed the sector remained in contraction territory with 39.8 points, although still higher than the record low of 36.1 in April. Over in Europe, the ECB met this week and voted to increase the bond purchase programme by €600 billion to a total of €1.35 trillion. The pandemic emergency purchase programme came in higher than the €500 billion expected and is to last till at least June 2021. Meanwhile, the key interest rate was left unchanged 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	0.17		0.93	-2.6	0.3	Euro (€)	1.1	1.1	1.7	0.7
UK			0.18	-1.0	0.8	GBP (£)	1.3	1.2	2.8	-4.3
Euro	-0.27	-10.3	-0.01	90.6	0.1	JPY (¥)	109.8	107.8	-1.7	-1.0
Japan			-0.04	-0.6	-0.2	INR (₹)	75.6	75.6	0.0	-5.6
China	2.02	18.1	2.83	12.2	3.3	CNY (¥)	7.1	7.1	0.7	-1.7
India	3.45	1.2	5.77	0.1	5.45	MXN (\$)	21.6	22.2	2.8	-12.3
Mexico	5.00	0.0	5.92	-0.4	2.15	RUB (p.)	68.6	70.1	2.2	-9.7
Turkey	14.42	5.1	11.54	3.0	11.39	ZAR (R)	16.9	17.5	4.1	-16.9
Russia	4.32	-2.9	1.85	-0.5	3	EGP (£)	16.2	15.8	-2.4	-1.2
Egypt	12.40	-0.6	13.35	-0.60	5.9	KES (sh)	106.2	106.8	0.6	-4.5
South Africa	4.86	2.1	8.90	-0.2	4.1	GHS (?)	5.8	5.8	0.0	-1.1
Kenya	9.17	-0.4	12.05	-3.0	5.5	XOF (?)	580.7	590.4	1.7	0.7
Ghana	17.90	N/A	19.00	0.0	10.6	XAF (?)	580.7	590.8	1.7	0.9
Nigeria	4.02	4.7	10.52	1.1	12.3	NGN (?)	387.8	387.5	-0.1	-6.5

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	42.0	35.3	19.0	-36.3	Germany Unemployment Rate (May)	6.3%	5.8%
OPEC Crude	\$/bbl	34.8	28.5	20.1	-48.7	EU Producer Price Index (YoY) - April	-4.5%	-2.8%
Gasoline	\$/gal	120.4	107.9	11.6	-34.7	EU Unemployment Rate - April	7.3%	7.1%
Natural Gas	\$/MBtu	1.8	1.8	-3.2	-22.3	EU Retail Sales (YoY) - April	-19.6%	-8.8%
Gold	\$/oz	1683.2	1730.3	-2.7	10.9	Japan Overall Household Spending (YoY) - April	-11.1%	-6.0%
Sugar	\$/lb	12.1	11.0	9.9	-13.1	US Trade Balance - April	\$-49.4B	\$-42.3B
Wheat	\$/bsh	515.5	520.8	-1.0	-8.5	Brazil Industrial Output (YoY) - April	-27.2%	-3.8%
Crude Palm oil	MYR/MT	2348.0	2292.0	0.0		US Unemployment Rate - May	13.3%	14.7%

** means Preliminary Estimate

The week in Review

◆ This week, the senate approved the \$5.5 billion external borrowing request, which comprises \$3.4 billion at 1% interest rate, \$1.5 billion at 2.38% interest rate, \$500 million at 1.32% interest rate, and \$113 million at 0.4% interest rate from the IMF, World bank, AfDB, and Islamic Development bank respectively. Meanwhile, the FG agreed to a complete deregulation of the downstream petroleum sector, by replacing the price cap per litre for petroleum motor spirit (PMS) with a market-based pricing mechanism. Henceforth, the price of PMS would be determined by the market forces of demand and supply. This came in after the FG reduced the price of petrol to ₦121.5 from ₦123.5 per litre on Monday.

◆ Still on regulations, NAICOM extended the deadline for insurance and reinsurance companies to meet the new capital requirements to September 30th, 2021, from December 31, 2020, citing the adverse impact of the pandemic on the exercise. Elsewhere, the PMI contracted to 42.4pts in May 2020, after expanding for 36 consecutive months, with manufacturing and non-manufacturing PMI printing at 42.4pts (March: 51.1pts) and 25.3pts (49.2pts) respectively.

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%	
USD/NGN (₦/\$)					
NAFEX	382	370	-2.92%	-4.45%	
Parallel	402.5	375.0	-6.83%	-10.56%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (April)			CHG (pps)		
Headline	12.34	12.26	0.08	12.17	
Core	9.98	9.73	0.25	9.39	
Food	15.03	14.99	0.04	14.85	
GDP (%) - YoY	Q1 20	Q4 19	Q3 19	FY19	
Real GDP	1.87	2.55	2.3	2.3	
Oil	5.1	6.4	6.5	4.6	News Headline for the week (click news for link)
Agriculture	2.2	2.3	2.3	2.4	*Economy contracted in May, says CBN report
Manufacturing	0.4	1.2	1.1	0.8	*Seplat pays \$59m dividend to shareholders
Services	3.5	4	3.5	3.4	*FG to charge Nigerians N50 stamp duty on electronic receipts, notifications
Labor Data (%) - Q3 18			Latest	Prior	*President Muhammadu Buhari reconstitutes NNPC board
Unemployment Rate			23.1	18.8	*MTN Nigeria opens offer of N100b commercial paper issuance
Underemployment			20.1	21.2	*Buhari Relaxes Ban on Churches, Mosques
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*FG Slashes Petrol Price to N121.50
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*FG has fulfilled disbursement criteria for \$3.4bn loan – IMF
Bonds	47.36	91.60	-48.3%	-96.0%	*Budget deficit hits N4.5tr, says DMO DG
Money Market	1482.57	2549.71	-41.9%	50.8%	*Fuel subsidy: FG clears outstanding N168bn debt to oil marketers — Investigation
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*Govt invites investors to bid for 57 oil fields
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*PFAs shun T'bills, invest N1.6tn in banks, commercial papers
Trade Balance	2,559	1,668	775	230.2%	*FBN Holdings divests from fbn Insurance
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Oil hits \$40, Nigeria cuts production by 216,000bpd

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

The week in Review

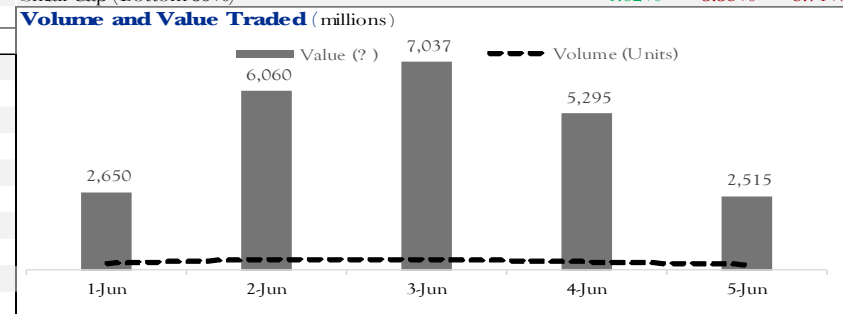
◆ Contrary to last week, the NSE ASI declined by 1.0% WoW, closing the week at 25,016.30 points with the market capitalization at N13.0 trillion (-1.0%). Negative sentiments were seen across all sectors excluding Food (+1.66%), Telecoms (+0.01%) and Real Estate (+0.46%) sectors. Insurance (-1.39%), Oil & Gas (-1.84%) Brewers (-3.28%) and Banking (-2.04%) were the losers for the week. For individual stock performance, major drivers for the decrease were seen across ACCESS (-6.34%) GUARANTY (-0.42%), STANBIC (-7.26%) and BUACEMEN (-4.76%) stocks. On the other hand, positives were ob-

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	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD
NSE ASI	25020.72	-0.98	-0.98	17.47	-6.79	-19.11	Banking	-2.04%	28.64%	-16.03%
NSE ASI (\$)	64.73	-0.98	-0.90%	17.16%	-12.42%	-23.66%	Brewers	-3.28%	44.63%	-30.35%
Market Cap (? 'bn)	13049.98	-0.90%	-0.90%	17.56%	0.71%	-2.63%	Cement	-1.72%	12.19%	8.53%
Market Cap (\$'mn)	33764.50	-0.94%	-0.90%	17.27%	-5.37%	-9.58%	Telecom	0.01%	18.63%	9.19%
NSE 30	1086.46	-0.90	-0.90	20.40	-7.76	-15.01	Personal Care	-3.59%	43.60%	-18.20%
NSE Premium	2227.98	-0.31	-0.31	26.50	5.28	-8.53	Construction	-14.26%	-2.30%	3.27%
NSE 50	1158.49	-0.64	-0.64	25.51	-13.98	-23.79	Food	1.66%	26.10%	-22.43%
NSE ASEM	762.45	0.00%	0.00	3.74	3.74	-5.32	Insurance	-1.39%	3.57%	1.90%
NSE Banking	298.62	-1.81	-1.81	26.61	-16.32	-17.15	Oil & Gas	-1.84%	-3.76%	-44.20%
NSE Insurance	130.93	-0.67	-0.67	9.66	4.06	9.90	Real Estate	0.46%	0.03%	-0.11%
NSE Consumer	426.07	0.26	0.26	30.90	-28.13	-32.21	ARM Indices			
NSE Oil & Gas	226.86	-0.63	-0.63	5.39	-13.59	-8.34		WoW	QTD	YTD
NSE Industrial	1166.83	-3.14	-3.14	12.16	8.48	3.08	Large Cap (Top 10%)	-0.86%	18.16%	3.48%
NSE Lotus	1817.83	-0.90	-0.90	20.18	-0.92	-13.27	Mid Cap (Mid 30%)	-2.25%	7.31%	-5.11%
NSE Pensions	1005.15	-1.54	-1.54	21.58	-4.64	-4.47	Small Cap (Bottom 60%)	1.02%	-5.59%	-9.71%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
JAPAUOI	0.30	50.0%	MANSARD	1.85	-8.9%
UACPROP	0.96	20.0%	CUTIX	1.69	-9.6%
ABCTRANS	0.41	17.1%	OMATEK	0.28	-9.7%
DANGSUGA	14.95	15.9%	MAYBAKER	3.05	-10.0%
AIRSERVI	7.05	14.8%	CADBURY	7.65	-11.6%
BOCGAS	4.40	10.0%	PZ	4.80	-12.7%
LINKASSU	0.45	9.8%	FIDSON	2.96	-12.9%
UPL	1.25	9.6%	UACN	7.75	-13.9%
PRESCO	45.25	9.0%	JBBERGER	21.25	-22.7%
ETI	5.55	8.8%	AFROMEDI	0.20	-23.1%

Source: NSE, Bloomberg, ARM Research



The week in Review

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◆ NTB yields rose 121bps WoW to 3.33% following a spike in short-tenor (+158 bps) and mid-tenor (+102 bps) yields to 3.48% and 3.25%, respectively. In contrast, average bond yields dipped by 9bps WoW to 9.63% driven by interest in the Feb-2028 (-60bps), Jan-2026 (-55bps) and March-2024 (-46bps) bonds.

	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)	16.70%	3.00%	13.70%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00
Open Buy Back (OBB)	15.60%	2.20%	13.40%	28-May-20	7.00%	8.75%	9.90%	28-May-20	4.00	50.00	60.00
NIBOR - 1M	5.19%	5.48%	-0.29%	14-May-20	N/A	N/A	N/A	14-May-20	N/A	N/A	N/A
NIBOR - 3M	5.69%	5.79%	-0.10%	23-Apr-20	11.50%	11.54%	12.71%	23-Apr-20	20.37	11.50	80.78
NIBOR - 6M	6.85%	6.46%	0.39%	16-Apr-20	11.50%	11.54%	12.75%	16-Apr-20	16.00	18.00	100.00
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	3.02%	2.11%	0.91%	27-May-20	2.45%	2.72%	4.02%	27-May-20	20.37	19.16	19.84
3-month	4.34%	1.34%	3.00%	13-May-20	2.50%	2.85%	3.84%	13-May-20	19.78	40.09	82.89
6-month	2.33%	2.33%	0.00%	29-Apr-20	1.85%	2.49%	3.84%	29-Apr-20	49.84	10.62	71.07
9-month	3.06%	3.06%	0.00%	15-Apr-20	1.93%	2.74%	4.00%	15-Apr-20	5.85	3.50	49.14
12-month			0.00%	01-Apr-20	2.20%	3.20%	4.30%	01-Apr-20	10.00	17.60	68.08
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	5.26%	5.01%	0.25%	21-May-20	9.20%	11.70%	12.60%	21-May-20	87.4	143.2	160.1
16.39% 27-JAN-2022	6.09%	6.02%	0.07%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	40.1	82.3	53.7
14.20% 14-MAR-2024	8.50%	8.96%	-0.46%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	15.0	30.0	25.0
12.50% 22-JAN-2026	9.45%	10.00%	-0.55%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	55.0	65.0	40.0
16.2884% 17-MAR-2027	10.11%	10.30%	-0.19%	22-Jan-20	9.85%	11.13%	12.56%	22-Jan-20	29.3	106.4	276.1
12.1493% 18-JUL-2034	11.25%	11.35%	-0.10%	Corporate Bonds			Corporate Eurobond				
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	11.43%	11.43%	0.00%	UBA 16.45% 30-DEC-2021	14.76%	14.64%	0.12%	ACCESS 10.50% 19-OCT-2021	11.12%	11.38%	-0.26%
14.8% 26-APR-2049	12.21%	12.34%	-0.13%	MIXTA 17.00% 16-JAN-2022	5.76%	5.58%	0.18%	ZENITH 7.375% 30-MAY-2022	8.76%	9.90%	-1.14%
FGN Eurobonds											
				FIDELITY 16.48% 13-MAY-2022	7.90%	7.82%	0.08%	UBA 7.75% 08-JUN-2022	8.27%	9.77%	-1.50%
5.625% 27-JUN-2022	5.80%	6.74%	-0.94%	DUFIL 18.25% 1-SEP-2022	9.00%	8.92%	0.08%	SEPLAT 9.25% 1-APR-2023	9.82%	15.09%	-5.27%
6.50% 28-Nov-2027	7.84%	8.60%	-0.76%	LAPO MFB 17.75% 19-DEC-2022	11.48%	11.40%	0.08%				
7.875% 16-FEB-2032	8.82%	9.53%	-0.71%	STERLING 16.50% 3-AUG-2023	9.50%	9.58%	-0.08%				
7.625% 28-Nov-2047	8.76%	9.41%	-0.65%	FCMB 17.25% 8-DEC-2023	9.85%	10.13%	-0.28%				
				STANBIC 13.25% 30-SEP-2024	9.61%	9.72%	-0.11%				
				VIATHAN 16.00% 14-DEC-2027	9.68%	9.69%	-0.01%				

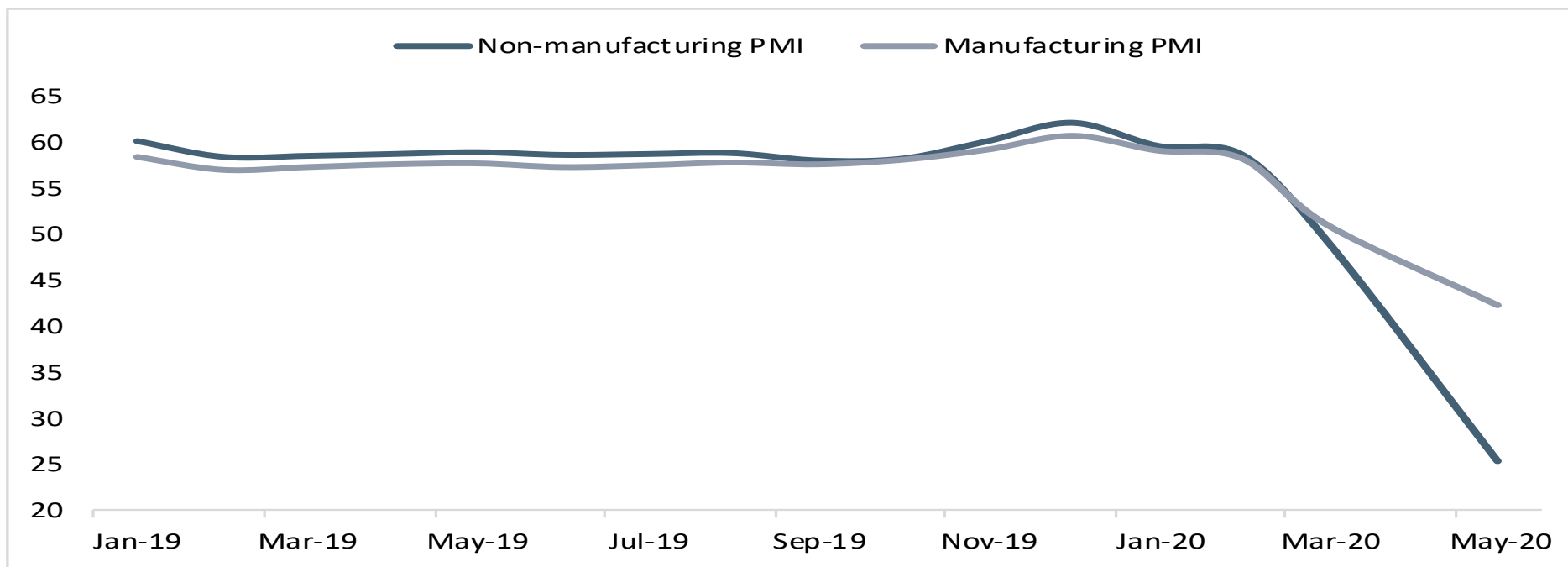
Economic and Financial Calendar for the week 8th June - 12th June

	Monday	Tuesday	Wednesday	Thursday	Friday
	8-Jun	9-Jun	10-Jun	11-Jun	12-Jun
Global	China Trade Balance (USD) - May	Germany Trade Balance - April	China Consumer Price Index (YoY) - May	US Producer Price Index (YoY) - May	Japan Industrial Production (YoY) - April
	Japan Gross Domestic Product Annualised - Q1	EU Gross Domestic Product (YoY) - Q1	US Consumer Price Index (YoY) - May		UK Total Trade Balance - April
		SA Unemployment Rate - Q1	US Fed Interest Rate Decision		UK Gross Domestic Product (MoM) - April
					EU Industrial Production (YoY) - April
Domestic	Rail Transporation Annual Data - 2019	Annual Postal Services Data - 2019	Sectoral Distribution of VAT - Q120		

** means Preliminary Estimate

Manufacturing and non-manufacturing PMI

PMI, an indicator of prevailing direction of economic trends in the manufacturing and service sector, dipped further into contraction in May, reaching depths not seen since 2016. The manufacturing PMI came in at 42.4 (March: 51.1) while the non-manufacturing PMI printed at 25.3 (March: 49.2). The non-manufacturing PMI is the lowest on record while the manufacturing PMI is the lowest since Sept 2016 when it was at 42.5



Source: NBS, ARM Research



Thank You

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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

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