

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 15 June – 19 June 2020

Global Economy

- ◆ As economies resume activities, retail sales data for the month of May showed signs of improved consumption, particularly in the US and UK. US retail sales spiked 17.7% MoM after contracting by 14.7% in April, owing to increased purchase of clothing and furniture. This marked the sharpest jump on record and even beat consensus expectation of an 8% increase. Similarly, UK retail sales rose by 12% MoM in May, after contracting by 18% in the previous month. The recovery surpassed consensus expectation of a 5.7% increase and was driven by increased purchase of household items. It is worth stating that despite the recovery, retail sales in both economies remain lower than last year's, as they were both down by 6.1% and 13.1% YoY, respectively. Meanwhile, the central bankers in Japan and UK met this week and both voted to leave their respective interest rates unchanged at -0.1% and 0.1%, respectively. That said, both central banks increased stimulus packages, with the BOE increasing the purchase of government bonds by £100 billion to £745 billion, while the BOJ increased the lending packages for businesses to \$1 trillion, from the ~\$700 billion announced last month.

Domestic Economy

- ◆ Headline inflation for the month of May printed at 12.40% YoY, 4bps above the prior month of 12.36% YoY, hinged on increases in both food and core inflation. Unsurprisingly, core inflation anchored the increase for the second consecutive month, expanding 14bps to 10.12% YoY, reflecting increases in health (+39bps), Transport (+31bps), Furnishing (+6bps), Clothing (+6bps) amongst other sub-indices. We believe the demand for health services and elevated transportation cost – a fallout of restrictions in movements – spurred the sharp rise in health and transport inflation. Meanwhile, food inflation rose slightly by 1bp to 15.04% YoY, as uptick in processed food (+40bps to 15.1% YoY) and imported food (+2bps to 16.26% YoY) outweighed declines in farm produce (-3bps to 15.04% YoY). A glance at the month on month numbers revealed headline inflation increased by 14bps to 1.17% MoM driven by food inflation (+25bps to 1.42% MoM) while core inflation dipped 5bps to 0.88% MoM.

Equities and stock recommendation

- ◆ The NSE ASI extended loss from prior week, declining by 1.41% WoW and closing the week at 24,826.75 points with the market capitalization at ₹13 trillion (-1.41%). Negative sentiments were seen across all sectors excluding Food (+5.77). Cement (-1.40%), Insurance (-1.98%), Oil & Gas (-13.54%), Brewers (-8.55%) and Banking (-2.56%) were the losers for the week. For individual stock performance, major drivers for the decline were seen across ZENITH (-3.0%), GUARANTY (-3.54%), DANGCEM (-6.47%), UBA (-5.19%) and NB (-9.52%) stocks. On the other hand, positives were observed majorly in BUACEMEN (+6.02%) and NESTLE (+10.0%) stocks.
- ◆ 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 NTB auction, the CBN (on behalf of the FG) rolled over ₹14.61 billion worth of NTBs which matured this week, at an average stop rate of 2.53% (21bps lower than last week's auction). This was despite the strong 6.09x subscription rate (₹89.01 billion). At the bond auction, despite subscription of ₹545.16 billion, the FG did not completely fill its ₹150 billion offering. Only ₹100 billion worth of bonds was sold, with the average stop rate printing 78bps lower at 10.38%. Meanwhile, at the OMO auction, the CBN sold only ₹80 billion worth of bills (same as offer) off the ₹167.58 billion subscribed. The stop rate here was unchanged at 7.24%. In the secondary market, average fixed income yields were down an astonishing 96bps WoW to 5.56%. Average NTB yields declined 122bps to a new low of 2.17% led primarily by a 180bps decline in short-tenor bills. Average bond yields also reached a new low 8.96% following a WoW fall of 70bps. The biggest drops over the week were seen in the April-2029 (-135bps) and the Jan-2026 (-129bps) bonds. Meanwhile, the CBN hit banks with a \$598 million CRR debit in a bid to protect the naira. As a result, average money market rate spiked 4.9x to 15.92%.

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	0.17		0.70	0.1	0.1	Euro (€)	1.1	1.1	-0.6	-0.2
UK	0.08		0.08	-0.2	0.5	GBP (£)	1.2	1.3	-1.4	-6.7
Euro	-0.31	-11.2	-0.15	-23.4	0.1	JPY (¥)	106.8	107.4	0.5	1.7
Japan			-0.10	0.0	-0.2	INR (₹)	76.2	75.8	-0.5	-6.3
China	2.08	5.6	2.78	3.4	2.4	CNY (¥)	7.1	7.1	0.2	-1.5
India	3.52	-0.6	5.85	0.9	5.45	MXN (\$)	22.6	22.3	-1.6	-16.3
Mexico	4.83	-2.2	5.64	0.4	2.84	RUB (p.)	69.5	69.9	0.5	-10.9
Turkey	15.21	3.3	11.54	1.8	11.39	ZAR (R)	17.3	17.1	-1.4	-19.2
Russia	4.13	-3.2	1.82	0.3	3	EGP (£)	16.2	16.2	0.0	-0.9
Egypt	12.40	0.00	13.35	0.00	4.7	KES (sh)	106.4	106.5	0.1	-4.7
South Africa	4.81	-1.6	9.19	0.0	4.1	GHS (?)	5.8	5.8	-0.1	-1.3
Kenya	8.67	-4.0	12.42	3.0	5.5	XOF (?)	585.5	581.9	-0.6	-0.1
Ghana	17.90	N/A	19.00	0.0	11.3	XAF (?)	585.7	583.5	-0.4	0.0
Nigeria	3.75	-6.8		7.0	12.4	NGN (?)	387.7	387.4	-0.1	-6.5

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	41.9	38.7	8.2	-36.5	China Retail Sales (YoY) - May	-2.8%	-7.5%
OPEC Crude	\$/bbl	37.7	36.6	7.5	-44.5	China Industrial Production (YoY) - May	4.4%	3.9%
Gasoline	\$/gal	125.7	112.4	11.8	-31.8	US Retail Sales (MoM) - May	17.7%	-14.7%
Natural Gas	\$/MBtu	1.7	1.7	-3.8	-27.7	US Industrial Production (MoM) - May	1.4%	-12.5%
Gold	\$/oz	1741.7	1730.8	0.6	14.8	UK Consumer Price Index (YoY) - May	0.5%	0.8%
Sugar	\$/lb	12.2	12.0	1.5	-12.0	EU Trade Balance - Apr	?1.2B	?25.5B
Wheat	\$/bsh	488.3	507.8	-3.8	-14.2	UK Retail Sales (YoY) - May	-13.1%	-22.7%
Crude Palm oil	MYR/MT	2472.0	2338.0	0.0		Russia Interest Rate Decision	4.5%	5.5%

** means Preliminary Estimate

The week in Review

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◆ Meanwhile, food inflation rose slightly by 1bp to 15.04% YoY, as uptick in processed food (+40bps to 15.1% YoY) and imported food (+2bps to 16.26% YoY) outweighed declines in farm produce (-3bps to 15.04% YoY). A glance at the month on month numbers revealed headline inflation increased by 14bps to 1.17% MoM driven by food inflation (+25bps to 1.42% MoM) while core inflation dipped 5bps to 0.88% MoM.

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	*Nigerian fintechs bridging financial inclusion gap – Report
Manufacturing	0.4	1.2	1.1	0.8	*Nigeria's collective investment funds rise to N1.32tr
Services	3.5	4	3.5	3.4	*Oramah re-appointed Afreximbank's President
Labor Data (%) - Q3 18			Latest	Prior	*Dangote begins clinker export, to boost Nigeria's forex drive
Unemployment Rate			23.1	18.8	*Nigeria needs to spend 18% GDP on infrastructure – IMF
Underemployment			20.1	21.2	*Nigeria loses \$29bn annually to power sector failure – Lawan
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Refineries earn N3.45bn, NAPIMS makes N1.02tn – NNPC
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Dangote: we own Obu-Okpella mines
Bonds	47.36	91.60	-48.3%	-96.0%	*FG raises N162.56bn from Sukuk bond issuance
Money Market	1482.57	2549.71	-41.9%	50.8%	*New electricity tariffs effective July, says minister
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*Two million farmers'll get zero interest financing – FG
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*Non-sovereign bonds hit N1tr as Dangote Cement lists N100b bond
Trade Balance	2,559	1,668	775	230.2%	*Fuel consumption, smuggling gulp 54 million litres per day – NNPC
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Telecoms Subscriptions Rise to 190.8m

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

The week in Review

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◆ 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.

	PX_LAST	CHG_PCT_WTD	CHG_PCT_MTD	CHG_PCT_QTD	CHG_PCT_YTD					
Index Performance						Sector Performance				
	Level	WoW	MID	QTD	YTD	1 year	Returns (%)			
NSE ASI	24826.75	-1.41	-1.75	16.55	-7.51	-16.61	Banking	-2.56%	25.66%	-17.98%
NSE ASI (\$)	24826.75	-1.41	-1.80%	16.27%	-13.09%	-22.83%	Brewers	-8.55%	31.80%	-36.53%
Market Cap (₹'bn)	A Invalid Sect	-1.41%	-1.60%	16.67%	-0.06%	-1.55%	Cement	-1.40%	12.18%	8.52%
Market Cap (\$'mn)	A Invalid Sect	-1.61%	-1.70%	16.38%	-6.09%	-8.65%	Telecom	-1.08%	18.72%	9.28%
NSE 30	1078.56	-1.46	-1.62	19.53	-8.43	-12.81	Personal Care	-0.52%	43.38%	-18.32%
NSE Premium	2154.07	-3.94	-3.61	22.30	1.79	-10.16	Construction	0.00%	-5.94%	-0.58%
NSE 50	1129.40	-2.40	-3.13	22.35	-16.14	-22.96	Food	5.77%	33.01%	-18.17%
NSE ASEM	762.45	0.00%	0.00	3.74	3.74	-2.54	Insurance	-1.98%	2.51%	0.86%
NSE Banking	290.81	-3.06	-4.37	23.30	-18.50	-19.99	Oil & Gas	-13.54%	-20.59%	-53.95%
NSE Insurance	131.54	-3.11	-0.20	10.17	4.55	11.29	Real Estate	-0.37%	-0.11%	-0.26%
NSE Consumer	432.89	1.81	1.87	32.99	-26.98	-28.49	ARM Indices			
NSE Oil & Gas	208.65	-4.86	-8.61	-3.07	-20.53	-16.64	Returns (%)			
NSE Industrial	1219.69	2.24	1.24	17.25	13.40	17.17	WoW	QTD	YTD	
NSE Lotus	1859.82	1.01	1.39	22.95	1.37	-5.04	Large Cap (Top 10%)	-1.31%	17.47%	2.88%
NSE Pensions	1005.79	-0.38	-1.48	21.66	-4.58	-2.64	Mid Cap (Mid 30%)	-1.54%	5.54%	-6.68%
Top 10 Gainers						Top 10 Losers				
Company	This Week	WoW	Company	This Week	WoW	Volume and Value Traded (millions)				
HONYFLOU	1.08	17.4%	TRIPPLEG	0.53	-8.6%					
NESTLE	1094.50	10.0%	NB	38.00	-9.5%					
CUTIX	1.76	10.0%	SEPLAT	428.80	-10.0%					
REDSTARE	3.60	9.1%	UPL	1.08	-10.0%					
CORNERST	0.55	7.8%	AIRSERVI	7.05	-10.3%					
BUACEMEN	44.00	6.0%	STERLNBA	1.20	-11.1%					
LEARNAFR	1.35	5.5%	UACPROP	0.91	-12.5%					
ABCTTRANS	0.51	4.1%	AIICO	1.00	-15.3%					
UBN	6.40	4.1%	PRESITIGE	0.57	-18.6%					
FIDSON	3.07	2.3%	NPFMCRFB	1.40	-25.1%					

Source: NSE, Bloomberg, ARM Research

The week in Review

◆ At the NTB auction, the CBN (on behalf of the FG) rolled over ₦14.61 billion worth of NTBs which matured this week, at an average stop rate of 2.53% (21bps lower than last week's auction). This was despite the strong 6.09x subscription rate (₦89.01 billion). At the bond auction, despite subscription of ₦545.16 billion, the FG did not completely fill its ₦150 billion offering. Only N100 billion worth of bonds was sold, with the average stop rate printing 78bps lower at 10.38%. Meanwhile, at the OMO auction, the CBN sold only ₦80 billion worth of bills (same as offer) off the ₦167.58 billion subscribed. The stop rate here was unchanged at 7.24%.

◆ In the secondary market, average fixed income yields were down an astonishing 96bps WoW to 5.56%. Average NTB yields declined 122bps to a new low of 2.17% led primarily by a 180bps decline in short-tenor bills. Average bond yields also reached a new low of 8.96% following a WoW fall of 70bps. The biggest drops over the week were seen in the April-2029 (-135bps) and the Jan-2026 (-129bps) bonds. Meanwhile, the CBN hit banks with a \$598 million CRR debit in a bid to protect the naira. As a result, average money market rate spiked 4.9x to 15.92%.

	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)	16.67%	9.83%	6.84%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00	60.00
Open Buy Back (OBB)	15.17%	8.83%	6.34%	11-Jun-20	4.95%	7.79%	8.99%	11-Jun-20	5.00	5.00	50.00
NIBOR - 1M	5.58%	5.76%	-0.18%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00
NIBOR - 3M	6.11%	6.36%	-0.25%	28-May-20	7.00%	8.75%	9.90%	28-May-20	4.00	50.00	60.00
NIBOR - 6M	6.08%	6.46%	-0.38%	14-May-20	N/A	N/A	N/A	14-May-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	2.14%	3.02%	-0.88%	17-Jun-20	1.80%	2.04%	3.75%	17-Jun-20	2.00	2.00	10.61
3-month	1.84%	4.34%	-2.50%	10-Jun-20	2.00%	2.20%	4.02%	10-Jun-20	4.41	7.82	78.71
6-month	2.02%	2.33%	-0.31%	27-May-20	2.45%	2.72%	4.02%	27-May-20	20.37	19.16	19.84
9-month	3.06%	3.06%	0.00%	13-May-20	2.50%	2.85%	3.84%	13-May-20	19.78	40.09	82.89
12-month			0.00%	29-Apr-20	1.85%	2.49%	3.84%	29-Apr-20	49.84	10.62	71.07
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	4.80%	4.90%	-0.10%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.39% 27-JAN-2022	5.54%	5.56%	-0.02%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
14.20% 14-MAR-2024	7.71%	8.45%	-0.74%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0	25.0
12.50% 22-JAN-2026	8.49%	9.78%	-1.29%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	55.0	65.0	40.0
16.2884% 17-MAR-2027	9.95%	10.41%	-0.46%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	29.3	106.4	276.1
12.1493% 18-JUL-2034	10.75%	11.26%	-0.51%	Corporate Bonds			Corporate Eurobond				
16.2499% 18-APR-2037	10.65%	11.44%	-0.79%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	11.98%	12.24%	-0.26%	UBA 16.45% 30-DEC-2021	14.21%	14.28%	-0.07%	ACCESS 10.50% 19-OCT-2021	10.48%	10.59%	-0.11%
FGN Eurobonds				Corporate Eurobond			Corporate Eurobond				
				MIXTA 17.00% 16-JAN-2022	5.42%	5.51%	-0.09%	ZENITH 7.375% 30-MAY-2022	7.38%	7.85%	-0.47%
5.625% 27-JUN-2022	5.15%	5.33%	-0.18%	FIDELITY 16.48% 13-MAY-2022	7.20%	7.52%	-0.32%	UBA 7.75% 08-JUN-2022	7.52%	7.81%	-0.29%
6.50% 28-Nov-2027	7.49%	7.59%	-0.10%	DUFIL 18.25% 1-SEP-2022	8.15%	8.75%	-0.60%	SEPLAT 9.25% 1-APR-2023	9.11%	9.80%	-0.69%
7.875% 16-FEB-2032	8.61%	8.79%	-0.18%	LAPO MFB 17.75% 19-DEC-2022	10.49%	11.37%	-0.88%				
7.625% 28-Nov-2047	8.69%	8.77%	-0.08%	STERLING 16.50% 3-AUG-2023	8.43%	9.52%	-1.09%				
				FCMB 17.25% 8-DEC-2023	8.94%	9.83%	-0.89%				
				STANBIC 13.25% 30-SEP-2024	8.57%	9.58%	-1.01%				
				VIATHAN 16.00% 14-DEC-2027	8.60%	9.66%	-1.06%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 22nd June - 26th June

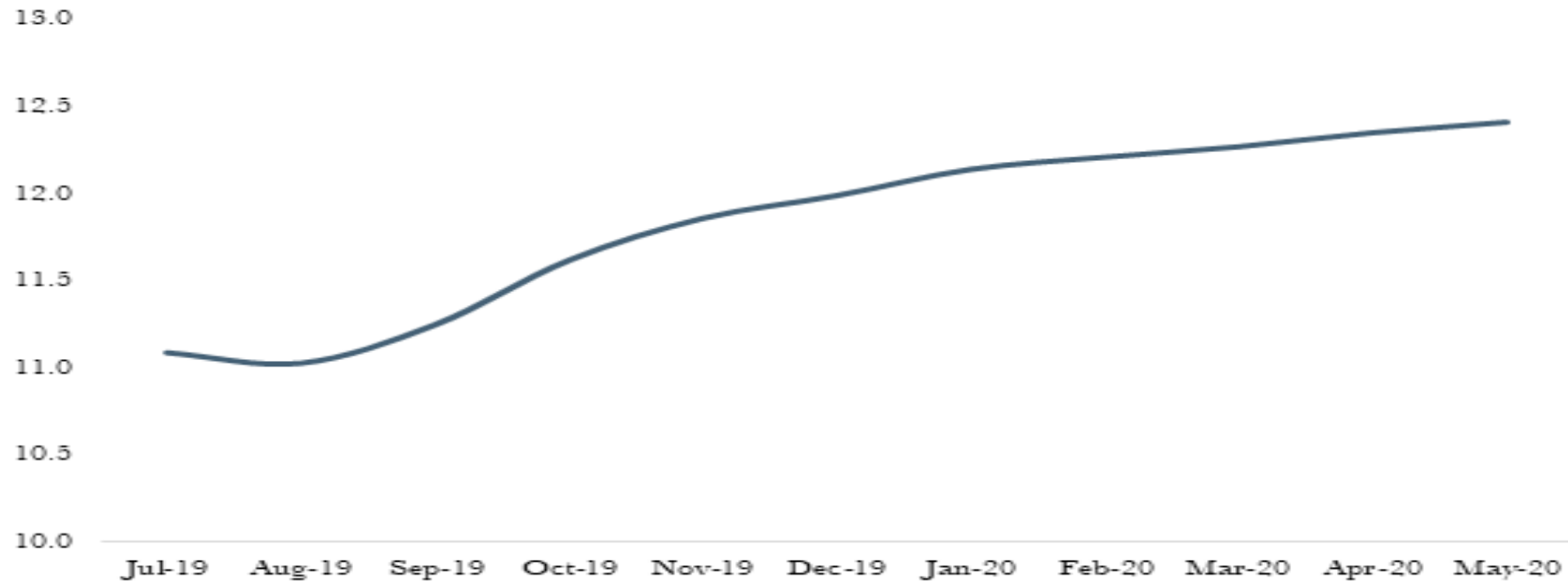
	Monday	Tuesday	Wednesday	Thursday	Friday
	22-Jun	23-Jun	24-Jun	25-Jun	26-Jun
Global	China PBoC Interest Rate Decision	Japan Jibun Bank Manufacturing PMI - June**	SA Consumer Price Index (YoY) - April	SA Producer Price Index (YoY) - April	US Personal Consumption Expenditures - Price Index (YoY) - May
		EU Markit PMI Composite - June**	SA Retail Sales (YoY) - March	US Gross Domestic Product Annualized - Q1	
		UK Markit PMI Composite - June**		Egypt CBE Interest Rate	
		SA Unemployment Rate - Q1			
		US Markit PMI Composite - June**			
Domestic	Demographic Statistics Bulletin 2019		Nigerian Ports Statistics: 2019		

** means Preliminary Estimate

Inflation

Headline inflation in Nigeria increased 4bps to 12.4% YoY as at May 2020. This is the ninth consecutive increase on record and highest rate since April 2018. Food inflation hit an over two-year high of 15.04%, amid supply chain disruptions caused by lockdown restrictions.

Foreign Trade Statistics (N' billion)



Source: NBS, ARM Research



Thank You

ARM Securities

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