

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 22 June – 26 June 2020

Global Economy

- ◆ The IMF now forecasts the global economy, in 2020, could contract even more than was earlier estimated in April, with the new estimate now printing at -4.9% (previously: -3%). The revision was necessitated by a worse than anticipated impact of the COVID-19 pandemic and could mark the worst recession since the Great Depression in 1930 when the global economy contracted 10%. Advanced economies are expected to record bulk of the contractions (-8%, previously -6%), with the US (-8%), UK (-10%), Euro area (-10%) and Japan (-6%) all recording contractions. Meanwhile, developing economies are expected to contract by 3% (previously 1%) as all major economies post contractions, save for China which is expected to grow 1% (previously 1.2%). The composite PMI readings in the eurozone and US showed there were signs of recovery in June, albeit still in contraction. This largely mirrored the impact of the eased lockdowns, as economic activities resumed. The US composite PMI increased to 46.8 from 37 in May, while the eurozone rose to 46.9 from 39.4. That said, the increase in the number of new coronavirus cases this week, particularly in the US and China, have sparked more concerns of a second wave of the pandemic.

Domestic Economy

- ◆ Recent indicators suggest a weak performance in business activities as the Manufacturing Purchasing Managers Index (PMI) contracted for the second consecutive time to 41.1pts in June 2020 (May: 42.4pts). This reflects declines in production level, new orders and delivery time. Similarly, the non-manufacturing PMI shrank to 35.7pts, albeit an improvement compared to the prior month (May: 25.3pts). Meanwhile, the IMF revised Nigeria's growth forecast lower. It now expects the country's economy to contract by 5.4% (Prior: -3.4%) citing disruptions to supply chains as well as significantly lower oil receipts due to the drastic fall in crude oil prices – a fallout of the pandemic. Elsewhere, a stimulus plan worth N2.3 trillion designed to mitigate the adverse impact of the pandemic on the economy, was approved by the federal executive council. Specifically, the plan is targeted at businesses and sectors which has been severely affected including SMEs, hotel industry, restaurants, transport and Educational sectors.

Equities and stock recommendation

- ◆ This week, the NSI closed relatively flat at 0.01% WoW. The week also rounded off with 24,829.02 points and a market capitalization of N12.95 trillion (+0.01%). Positive sentiments in both telecom (+4.26%) and food (+3.87) sectors helped neuter declines across (-1.81%), Insurance (-2.19%), Oil & Gas (-12.25%), Brewers (-7.86%) and Banking (-1.48%). For individual stock performance, major drivers for the gain were observed across MTNN (+1.21%), AIRTELAFRI (+9.97%) and NESTLE (+9.64%) stocks. On the other hand, negatives were seen across STANBIC (-8.33%), DANGCEM (-1.54%), BUACEM (-2.27%) and NB (-7.89%) stocks.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87), Nestle Plc – OVERWEIGHT (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

- ◆ Average fixed income yields declined 27bps WoW to 5.30% on the back of a 61bps decline in the average bond yield to 8.35%. There were declines across most bonds this week, with only the Feb-2028 and Jul-2030 closing the week flat. The biggest declines were seen in the March-2024 (-151bps), April-2023 (-127bps), March-2027 (-119bps) and the April-2049 (-72bps) bonds. At the other end of the curve, the average NTB yield was up 7bps WoW to 2.24% and this followed on from a 13bps rise in the yield of short-tenor bills. In the money market the OBB was slightly higher by 3bp WoW to 15.20% while the Overnight declined 57bps WoW to 16.1%.

The week in Review

◆—The IMF now forecasts the global economy, in 2020, could contract even more than was earlier estimated in April, with the new estimate now printing at -4.9% (previously: -3%). The revision was necessitated by a worse than anticipated impact of the COVID-19 pandemic and could mark the worst recession since the Great Depression in 1930 when the global economy contracted 10%. Advanced economies are expected to record bulk of the contractions (-8%, previously -6%), with the US (-8%), UK (-10%), Euro area (-10%) and Japan (-6%) all recording contractions. Meanwhile, developing economies are expected to contract by 3% (previously 1%) as all major economies post contractions, save for China which is expected to grow 1% (previously 1.2%).

◆ The composite PMI readings in the eurozone and US showed there were signs of recovery in June, albeit still in contraction. This largely mirrored the impact of the eased lockdowns, as economic activities resumed. The US composite PMI increased to 46.8 from 37 in May, while the eurozone rose to 46.9 from 39.4. That said, the increase in the number of new coronavirus cases this week, particularly in the US and China, have sparked more concerns of a second wave of the pandemic.

Global Fixed Income

Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.16		0.64	0.6	0.1	Euro (€)	1.1	1.1	0.4	0.1
UK	▲ Real	N/A	0.03	0.3	0.5	GBP (£)	1.2	1.2	-0.1	-6.9
Euro	▼ -0.34	-11.3	-0.19	-26.2	0.1	JPY (¥)	107.2	106.9	-0.3	1.3
Japan	▲ Real	N/A	-0.10	0.1	-0.2	INR (₹)	75.6	76.2	0.7	-5.6
China	2.11	1.4	2.81	0.9	2.4	CNY (¥)	7.1	7.1	-0.1	-1.6
India	3.49	-0.6	5.92	1.1	5.45	MXN (\$)	23.0	22.6	-1.4	-17.6
Mexico	4.67	-2.7	5.53	0.5	2.84	RUB (₽)	69.7	69.6	-0.3	-11.2
Turkey	14.73	4.2	11.35	1.2	11.39	ZAR (R)	17.3	17.3	0.2	-19.0
Russia	4.31	4.2	1.90	-0.3	3	EGP (£)	16.2	16.2	0.1	-0.8
Egypt	12.73	2.66	13.55	1.50	4.7	KES (sh)	106.5	106.4	-0.1	-4.8
South Africa	4.71	-2.1	9.15	0.2	3	GHS (¢)	5.8	5.8	-0.1	-1.4
Kenya	8.19	-5.5	12.42	3.0	5.5	XOF (₣)	583.8	585.8	0.3	0.2
Ghana	17.90	N/A	19.00	0.0	11.3	XAF (₣)	584.8	585.7	0.2	0.2
Nigeria	3.75	-6.8	9.27	1.4	12.4	NGN (₦)	388.1	388.3	0.1	-6.6

Global Commodities

Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	40.9	42.2	-3.1	-38.1	EU Markit PMI Composite - Jun**	47.5	31.9
OPEC Crude	\$/bbl	37.2	37.7	-5.8	-45.3	SA Unemployment Rate - Q1	30.1%	29.1%
Gasoline	\$/gal	114.9	127.2	-9.7	-37.7	US Markit PMI Composite	46.8	37
Natural Gas	\$/MBtu	1.5	1.7	-7.7	-33.1	SA Consumer Price Index (YoY) - April	3.0%	4.1%
Gold	\$/oz	1767.4	1743.9	1.3	16.5	SA Retail Sales (YoY) - March	2.7%	1.9%
Sugar	\$/lb	11.6	12.2	0.0	-16.3	Mexico Trade Balance \$ - May	-\$-3.52B	-\$-3.09B
Wheat	\$/bsh	472.5	485.3	-2.6	-16.9	Spain Retail Sales (YoY) - May	-19.0%	-31.6%
Crude Palm oil	MYR/MT	2368.0	2472.0	0.0		SA Producer Price Index (YoY) - April	1.2%	3.3%

** means Preliminary Estimate

The week in Review

Recent indicators suggest a weak performance in business activities as the Manufacturing Purchasing Managers Index (PMI) contracted for the second consecutive time to 41.1pts in June 2020 (May: 42.4pts). This reflects declines in production level, new orders and delivery time. Similarly, the non-manufacturing PMI shrank to 35.7pts, albeit an improvement compared to the prior month (May: 25.3pts). Meanwhile, the IMF revised Nigeria's growth forecast lower.

It now expects the country's economy to contract by 5.4% (Prior: -3.4%) citing disruptions to supply chains as well as significantly lower oil receipts due to the drastic fall in crude oil prices – a fallout of the pandemic. Elsewhere, a stimulus plan worth N2.3 trillion designed to mitigate the adverse impact of the pandemic on the economy, was approved by the federal executive council. Specifically, the plan is targeted at businesses and sectors which has been severely affected including SMEs, hotel industry, restaurants, transport and Educational sectors.

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	*Fuel marketers' profits drop to N3.58bn, two suffer N1.57bn loss
Manufacturing	0.4	1.2	1.1	0.8	*EU, UN deliver \$22m supplies to Nigeria
Services	3.5	4	3.5	3.4	*Discos blame FG for low customer metering
Labor Data (%) - Q3 18			Latest	Prior	*W'Bank: Poorest Countries to Save \$12bn in 2020 Debt Relief
Unemployment Rate			23.1	18.8	*IPPIS: Petrol scarcity looms as PENGASSAN, NUPENG threaten strike
Underemployment			20.1	21.2	*Discos should be audited before Siemens deal – Council
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Guinness Nigeria raises N5b CP
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*Credit to economy rises 10% to N39trn in 5mths
Bonds	47.36	91.60	-48.3%	-96.0%	*Experts back Buhari as President faults ECOWAS single currency
Money Market	1482.57	2549.71	-41.9%	50.8%	*Nigeria's fiscal crisis due to low revenue – IMF
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*AIICO to list 4.35b ordinary shares
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*FEC approves N2.3tn stimulus plan
Trade Balance	2,559	1,668	775	230.2%	*IMF cuts Nigeria's GDP forecast, says economy will shrink by 5.4%
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*World Bank okays \$750m for Nigeria's power sector

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	24828.96	0.01	-1.74	16.57	-7.50	-16.14
NSE ASI (\$)	24828.96	0.01	-1.74%	16.33%	-13.04%	-23.02%
Market Cap (? 'bn)	A Invalid Sect	0.01%	-1.60%	16.68%	-0.05%	-1.92%
Market Cap (\$'mn)	A Invalid Sect	0.05%	-1.60%	16.44%	-6.03%	-8.88%
NSE 30	1067.98	-0.98	-2.58	18.35	-9.33	-13.72
NSE Premium	2139.63	-0.67	-4.26	21.48	1.11	-10.56
NSE 50	1119.67	-0.86	-3.97	21.30	-16.86	-23.37
NSE A SEM	762.45	0.00%	0.00	3.74	3.74	-2.54
NSE Banking	289.31	-0.52	-4.87	22.66	-18.92	-19.29
NSE Insurance	129.47	-1.57	-1.78	8.43	2.90	5.52
NSE Consumer	432.87	0.00	1.86	32.99	-26.98	-28.71
NSE Oil & Gas	198.55	-4.84	-13.03	-7.76	-24.37	-20.24
NSE Industrial	1194.99	-2.03	-0.81	14.87	11.10	12.26
NSE Lotus	1864.71	0.26	1.66	23.28	1.63	-3.68
NSE Pensions	982.36	-2.33	-3.77	18.82	-6.80	-5.83

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.48%	23.80%	-19.20%
Brewers	-7.86%	21.44%	-41.52%
Cement	-1.81%	10.15%	6.56%
Telecom	4.26%	23.78%	13.93%
Personal Care	-6.14%	34.58%	-23.34%
Construction	-0.06%	-6.00%	-0.64%
Food	3.87%	38.16%	-15.01%
Insurance	-2.19%	0.27%	-1.35%
Oil & Gas	-12.25%	-30.31%	-59.59%
Real Estate	0.23%	0.11%	-0.03%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.30%	17.82%	3.18%
Mid Cap (Mid 30%)	-1.07%	4.41%	-7.67%
Small Cap (Bottom 60%)	-3.53%	-11.22%	-15.10%

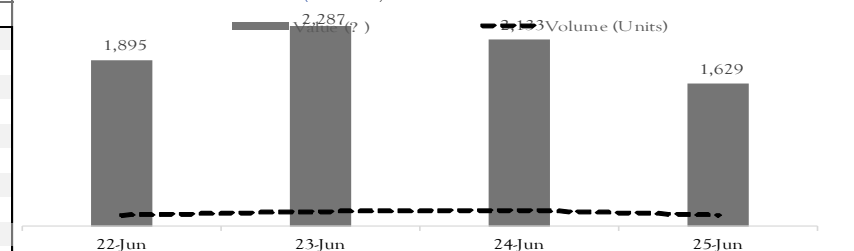
Top 10 Gainers

Company	This Week	WoW
AIRTELAF	328.70	10.0%
ABCTRANS	0.56	9.8%
NESTLE	1200.00	9.6%
WEMABANK	0.60	9.1%
UACPROP	0.99	8.8%
FCMB	1.86	8.1%
CHAMPION	0.95	8.0%
UACN	7.45	6.4%
EIT	5.25	5.0%
LASACO	0.25	4.2%

Top 10 Losers

Company	This Week	WoW
ARBICO	1.89	-9.6%
INTBREW	4.10	-9.9%
SEPLAT	386.00	-10.0%
REDSTARE	3.23	-10.3%
GUINNESS	15.00	-11.8%
CHAMS	0.22	-12.0%
DANGSUGA	11.90	-16.8%
PRESTIGE	0.47	-17.5%
GLAXOSMI	5.85	-17.6%
PZ	3.85	-21.4%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

◆ Average fixed income yields declined 27bps WoW to 5.30% on the back of a 61bps decline in the average bond yield to 8.35%. There were declines across most bonds this week, with only the Feb-2028 and Jul-2030 closing the week flat. The biggest declines were seen in the March-2024 (-151bps), April-2023 (-127bps), March-2027 (-119bps) and the April-2049 (-72bps) bonds.

◆ At the other end of the curve, the average NTB yield was up 7bps WoW to 2.24% and this followed on from a 13bps rise in the yield of short-tenor bills. In the money market the OBB was slightly higher by 3bp WoW to 15.20% while the Overnight declined 57bps WoW to 16.1%.

	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)	16.10%	16.67%	-0.57%	18-Jun-20	4.95%	7.79%	8.99%	18-Jun-20	10.00	10.00	60.00
Open Buy Back (OBB)	15.20%	15.17%	0.03%	11-Jun-20	4.95%	7.79%	8.99%	11-Jun-20	5.00	5.00	50.00
NIBOR - 1M	7.15%	5.58%	1.57%	04-Jun-20	4.95%	7.79%	8.99%	04-Jun-20	20.00	20.00	30.00
NIBOR - 3M	7.58%	6.11%	1.47%	28-May-20	7.00%	8.75%	9.90%	28-May-20	4.00	50.00	60.00
NIBOR - 6M	8.02%	6.08%	1.94%	14-May-20	N/A	N/A	N/A	14-May-20	N/A	N/A	N/A
Treasury Bills				Treasury Bills			Treasury Bills				
1-month	2.13%	2.14%	-0.01%	17-Jun-20	1.80%	2.04%	3.75%	17-Jun-20	2.00	2.00	10.61
3-month	2.02%	1.84%	0.18%	10-Jun-20	2.00%	2.20%	4.02%	10-Jun-20	4.41	7.82	78.71
6-month	2.71%	2.02%	0.69%	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				
14.50% 15-JUL-2021	4.16%	4.80%	-0.64%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.39% 27-JAN-2022	4.91%	5.54%	-0.63%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
14.20% 14-MAR-2024	6.20%	7.71%	-1.51%	22-Apr-20	9.00%	12.00%	12.50%	22-Apr-20	15.0	30.0	25.0
12.50% 22-JAN-2026	8.40%	8.49%	-0.09%	25-Mar-20	10.00%	12.50%	12.98%	25-Mar-20	55.0	65.0	40.0
16.2884% 17-MAR-2027	8.76%	9.95%	-1.19%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	29.3	106.4	276.1
12.1493% 18-JUL-2034	10.30%	10.75%	-0.45%	Corporate Bonds			Corporate Eurobond				
16.2499% 18-APR-2037	10.06%	10.65%	-0.59%	UBA 16.45% 30-DEC-2021	13.57%	14.21%	-0.64%	ACCESS 10.50% 19-OCT-2021	8.00%	10.59%	-2.59%
14.8% 26-APR-2049	11.26%	11.98%	-0.72%	MIXTA 17.00% 16-JAN-2022	4.97%	5.42%	-0.45%	ZENITH 7.375% 30-MAY-2022	7.04%	7.85%	-0.81%
FGN Eurobonds				FIDELITY 16.48% 13-MAY-2022	6.40%	7.20%	-0.80%	UBA 7.75% 08-JUN-2022	7.69%	7.81%	-0.12%
5.625% 27-JUN-2022	5.09%	5.15%	-0.06%	DUFIL 18.25% 1-SEP-2022	7.21%	8.15%	-0.94%	SEPLAT 9.25% 1-APR-2023	9.10%	9.80%	-0.70%
6.50% 28-Nov-2027	7.43%	7.49%	-0.06%	LAPQ MFB 17.75% 19-DEC-2022	9.40%	10.49%	-1.09%				
7.875% 16-FEB-2032	8.66%	8.61%	0.05%	STERLING 16.50% 3-AUG-2023	7.09%	8.43%	-1.34%				
7.625% 28-Nov-2047	8.68%	8.69%	-0.01%	FCMB 17.25% 8-DEC-2023	7.51%	8.94%	-1.43%				
				STANBIC 13.25% 30-SEP-2024	7.71%	8.57%	-0.86%				
				VIATHAN 16.00% 14-DEC-2027	8.14%	8.60%	-0.46%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 29th June - 3rd July

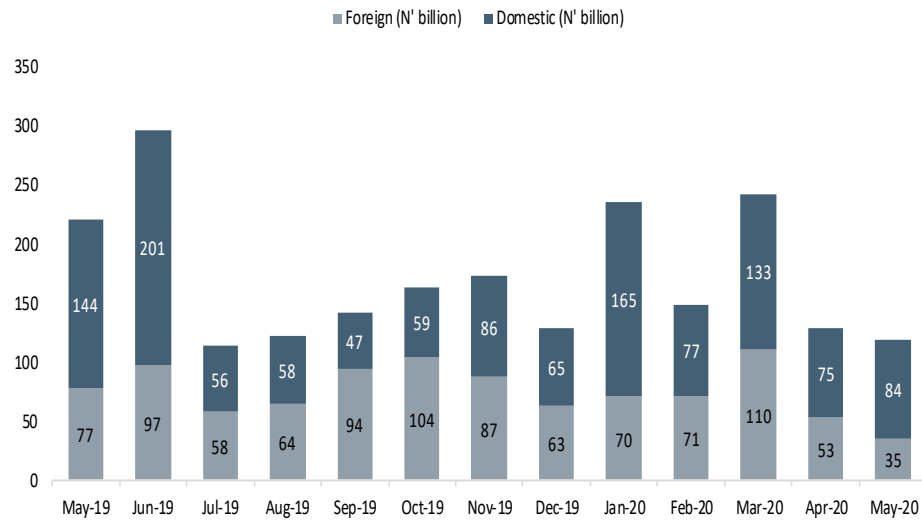
	Monday 29-Jun	Tuesday 30-Jun	Wednesday 1-Jul	Thursday 2-Jul	Friday 3-Jul
Global	EU Consumer Confidence - June	UK Gross Domestic Product (YoY) - Q1	Brazil Trade Balance - June	EU Unemployment Rate - May	EU Markit PMI Composite - June
	Brazil Inflation Index - June	EU Consumer Price Index (YoY) - June**		US Unemployment Rate - June	UK Markit Services PMI - June
	Japan Unemployment Rate - May	SA Gross Domestic Product (YoY) - Q1			
	Japan Industrial Production (YoY) - May**	Brazil Unemployment Rate - May			
Domestic	Internally Generated Revenue at State Level - FY19	Prison Statistics - FY19			

** means Preliminary Estimate

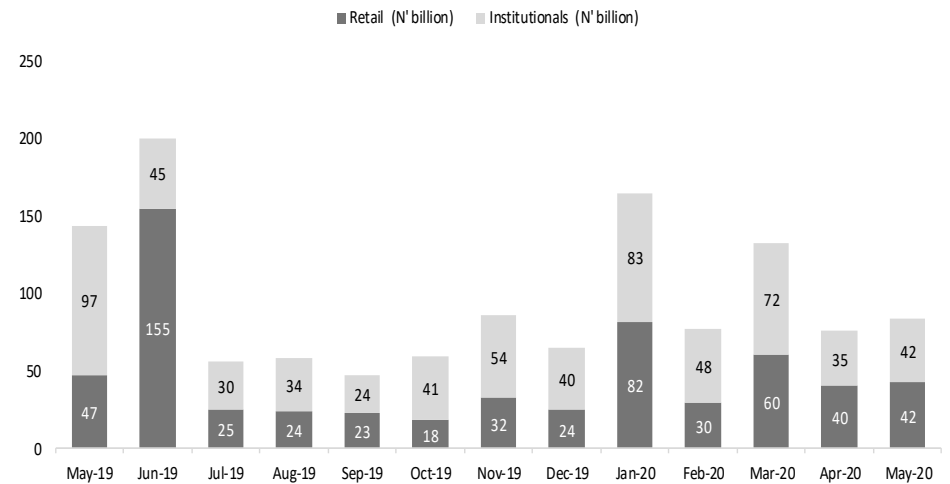
Participation in the NSE

This week, we feature the trend in foreign and domestic investors' participation into the Nigerian bourse. As the chart reveals, total value traded declined by 7.4% MoM, due to a 33.7% moderation in foreign transactions. This muted the 11.2% MoM increase in domestic transactions. A glance at the domestic transactions showed increased participation by both institutional (+19% MoM) and retail investors (+4.4% MoM) for the month of May.

Foreign vs Domestic participants



Retails vs Institutional participants



Source: NSE ARM Research



Thank You

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