





# Weekly Commentary & Stock recommendation

10<sup>th</sup> July – 14<sup>th</sup> July 2023





## Global Economy

Earlier this week, the U.S. Bureau of Labor Statistics published the Consumer Price Index (CPI) data for June 2023. In June, the Headline CPI showed a month-on-month (MoM) increase of 0.20%, which was higher than the 0.10% increase recorded in May 2023. On a year-on-year (YoY) basis, the Headline CPI rose by 3.00% in June 2023, marking its lowest annual rate in over two years since March 2021. Excluding volatile food and energy prices, the core CPI rose by 4.8% YoY, primarily driven by a significant increase in the US housing Index, which grew by 7.8% YoY. This accounted for over two-thirds of the US core CPI. The CPI results released by the Feds indicate a slowdown in inflation in the US and suggest that monetary policy has been effective. However, analysts believe that this report is unlikely to prevent the Fed from raising rates again later this month, as core inflation still remains well above its 2% YoY target. It is expected that the Fed will raise rates by an additional 0.25% during their July 25–26 meeting. In the European Union (EU), the Consumer Price Index (CPI) increased by 0.2% MoM, rebounding from a -0.1% decrease in May. On a YoY basis, CPI grew by 4.5% in June 2023, compared to a YoY increase of 5.1% in May. This decline in YoY inflation can be attributed to a YoY decrease in energy prices of -3.0% (compared to +0.2% in June 2022) and food prices of +13.7% (compared to 14.3% in June 2022). However, core inflation in the EU fell to 5.7% YoY (down from 5.8% YoY in May 2023).

## Domestic Economy

Earlier this week, the National Bureau of Statistics (NBS) released the capital importation data for Q1:2023. Capital importation into Nigeria increased by 6.78% QoQ to USD1.13bn (vs. USD1.06bn in Q4:2022). The increase in capital importation was primarily driven by a significant surge of 127.61% QoQ in Foreign Portfolio Investments to USD649.28mn. However, Foreign Direct Investment witnessed a decline of 43.48% QoQ to USD47.60mn. Furthermore, the Central Bank of Nigeria (CBN) issued a circular announcing the inclusion of the Naira as a payout option for diaspora remittances. According to the circular, recipients of diaspora remittances now have the flexibility to receive payments in Naira, US Dollars, or E-Naira. The circular also specifies that Deposit Money Banks (DMBs) and International Money Transfer Operators (IMTOs) are required to process the payment of funds using the exchange rate at the Investors' & Exporters' (I&E) Window. This measure aims to ensure an adequate supply of foreign exchange within the banking system. In addition, the Central Bank released a circular announcing the reduction of Cash Reserve Requirement (CRR) to 10.0% from 32.5%. They backed up this decision with the need to enable banks provide long term financing needed to improve the Nigerian economy. We opine that system liquidity will experience a surge, further emphasizing our expectation that yields in the fixed income market will decline in H2:2023. Finally, Access Holding PLC has announced that its major subsidiary, Access Bank PLC has entered into agreements to acquire majority of Standard Chartered's shareholdings in some of its subsidiaries in Angola, The Gambia, Sierra-Leone and Cameroon. The Bank will also acquire a majority equity stake in African Banking Corporation, Tanzania. This is in line with its five-year strategy to strengthen its presence across sub-Saharan Africa and we expect this to help the Group increase its income streams and consequently, profitability.



## Equities

The Nigerian Equities Market ended the week bearish for the first time after eight (8) consecutive weeks of bullish gains. The NGX All Share Index shed 75bps to settle at 62,569.73pts. This decline is coming after gaining in only the first two (2) trading days of the week. Consequently, the year-to-date returns settled at 22.08% (last week's print: 23.00%). This week, Banking (-14.32%), Consumer Goods (-2.29%) and Insurance (-11.53%) sectors all closed in the red while Industrial Goods (+9.01%) and Oil and Gas (+1.43%) sectors closed bullish. DAARCOMM (+50.0% to NGN0.30), JOHNHOLT (+44.8% to NGN1.81) and DEAPCAP (+34.6% to NGN0.35) led this week's gainers. On the flipside, CHAMPION (-31.5% to NGN3.15), ACADEMY (-26.8% to NGN1.83) and STERLINGNG (-25.8% to NGN3.11) led the decliners' chart. We might see profit-taking activities in the coming week.

## Fixed Income

At the primary NTB auction held this week, the average bid-to-cover ratio climbed 85bps to settle at 4.88x (vs. 4.03x at the previous auction). Following improved demand, average stop rate declined by 39bps to 4.10% (vs 4.49% at the last auction). We observed significant demand for the 182-day bill instrument as its average bid-to-cover ratio surged by 18.89% to 21.07x compared to 2.18x at the previous auction. Consequently, its stop rate fell by 87bps to 3.5% (vs. 4.37% at the previous auction). The bullish sentiment at the auction trickled down to the secondary Nigerian Treasury Bills market as average yield tapered 4bps WoW to settle at 6.25%. Similarly, the secondary bond market closed the week on a positive note as average yield dropped 21bps WoW to 12.74%. This is on the back of buying interest across the curve.

## Weekly Commentary &amp; Stock Recommendation

## Domestic



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.1	34.1	0.00%	-5.10%	<a href="#">Q1 2023 Capital Importation Foreign Flows Continues to Wane</a>
<b>USDINGN (#\$)</b>					<a href="#">ARM Research H2 2023 NIGERIA STRATEGY REPORT A BRIGHT SPOT IN SIGHT</a>
NAFEX	803.9	749.6	-6.75%	0.33%	
Parallel	810.0	787.5	-2.78%	2.59%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2 month Avg.</b>	
<b>Inflation YoY (May 2023)</b>	<b>May</b>	<b>April</b>	<b>CHG (pps)</b>		
Headline	22.41	22.22	0.19	22.32	
Core	20.06	20.14	-0.08	20.10	
Food	24.82	24.61	0.21	24.72	
<b>GDP (%) - YoY</b>	<b>Q1 23</b>	<b>Q4 22</b>	<b>Q3 22</b>	<b>2022FY</b>	<b>News Headline for the week (click news for link)</b>
Real GDP	2.31	3.52	2.25	3.1	<a href="#">Tumbling US dollar a boon to risk assets across the globe</a>
Oil	-4.21	-13.38	-22.67	-19.22	<a href="#">Nigeria Raises Crude Oil Production by 65,000bpd to hit 1.25m Daily Output in June</a>
Agriculture	-0.90	2.05	1.34	1.88	<a href="#">Foreign investments in manufacturing drops by 35% – NBS</a>
Manufacturing	1.63	2.83	-1.91	2.45	<a href="#">Nigerians can receive naira for diaspora remittances, says CBN</a>
Information and Communication	10.32	10.35	10.53	9.76	<a href="#">China's exports fall most in three years as global economy struggles</a>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<a href="#">Digital Lending: FCCPC Insists On Deletion of Operators' Apps over Defamation, Harassment</a>
Unemployment Rate			33.3	27.1	<a href="#">Selloff in highcap stocks drags market capitalisation by N883b</a>
Underemployment			22.8	28.8	<a href="#">Forex inflows hit \$2.55bn in two months</a>
<b>Capital Importation (\$'mn)</b>	<b>Q1 23</b>	<b>Q4 22</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<a href="#">H1: FG Spent \$1.1bn on Foreign Debt Service as Total Remittances Hit \$952m</a>
Foreign Portfolio Investment - Equities	222.31	4.86	4474.28%	599.52%	<a href="#">FMDQ introduces exchange-traded derivatives market</a>
Bonds	301.08	144.44	108.45%	-2.90%	<a href="#">Nigeria's VAT performance lowest in West Africa – FG</a>
Money Market	125.90	135.96	-7.4%	-79.55%	<a href="#">Oil rises on OPEC+ cuts, weaker dollar</a>
Foreign Direct Investment	47.60	84.23	-43.49%	-69.28%	<a href="#">Tinubu emerges ECOWAS chairman, commits to democracy in sub-region</a>
<b>Monetary Policy Rates (%) (May 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<a href="#">Nigeria now accounts for 33% of Africa's gas reserves – FG</a>
MPR	18.5	18.0		50.0%	<a href="#">Nigeria's Food Import Bill Hits N7.8trn in 6 Years</a>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<a href="#">World Bank loan to import electricity meter may cripple local manufacturers</a>
Liquidity Ratio	30.0	30.0		0.0%	<a href="#">28 states attracted no foreign investment in Q1, says NBS</a>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<a href="#">Monthly fuel consumption drops by 18.5million liters after deregulation</a>

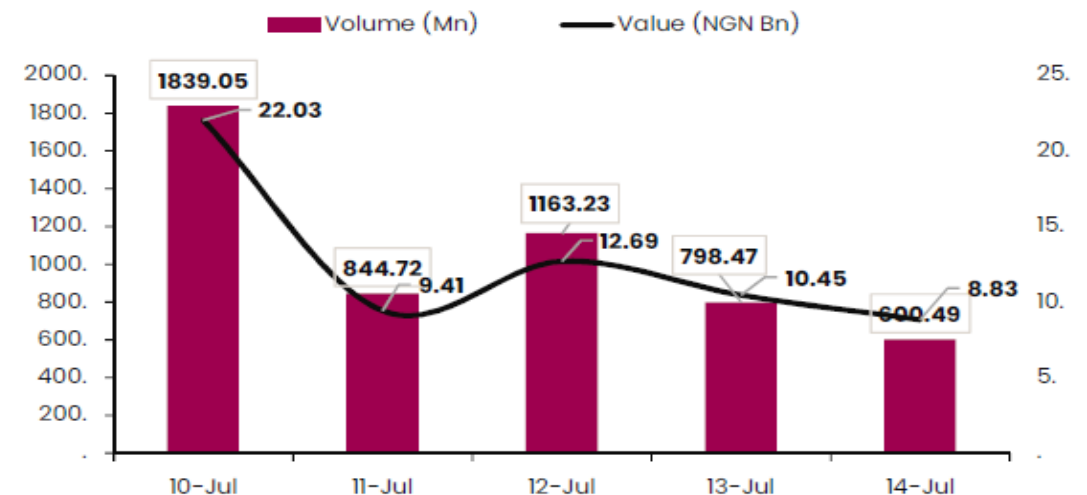


## Weekly Equities Market Snapshot

Friday, July 14, 2023

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
DAARCOMM	0.30	50.0%	0.20	0.20	50.0%	CHAMPION	3.15	-31.5%	5.55	3.00	-42.7%
JOHNHOLT	1.81	44.8%	1.91	0.58	151.4%	ACADEMY	1.83	-26.8%	1.96	0.88	41.9%
DEAPCAP	0.35	34.6%	0.36	0.20	75.0%	STERLINGNG	3.11	-25.8%	4.58	1.32	122.1%
COURTVILLE	0.89	32.8%	0.58	0.39	93.5%	WEMABANK	4.05	-25.6%	4.43	2.85	3.8%
GOLDBREW	0.81	32.6%	0.81	0.81	0.0%	FIDELITYBK	6.70	-25.0%	6.03	2.87	54.0%
MORISON	2.83	31.0%	2.20	0.36	30.4%	FCMB	5.50	-24.3%	5.00	2.92	42.9%
NASCON	28.05	22.5%	14.30	9.50	152.7%	FBNH	15.80	-23.3%	12.40	8.20	45.0%
CHELLARAM	2.40	20.5%	2.02	1.20	0.0%	ETI	12.70	-23.0%	13.00	9.50	19.8%
SKYAVN	14.75	20.4%	5.10	4.45	195.0%	UACN	9.00	-21.7%	15.00	7.90	-12.2%
TIP	0.61	19.6%	0.61	0.36	27.1%	PRESTIGE	0.49	-21.0%	0.52	0.36	16.7%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	62,569.73	-0.75%	2.63%	2.63%	22.08%
Market Cap	34.07trn	-0.75%	2.63%	2.63%	22.05%
NGX Banking	607.29	-14.32%	-5.91%	-5.91%	45.46%
NGX Industrial	872.37	9.01%	11.44%	11.44%	15.52%
NGX Consumer	607.29	-2.29%	-2.50%	-2.50%	48.13%
NGX Oil & Gas	843.48	1.43%	8.72%	8.72%	82.38%
NGX Insurance	872.37	-11.53%	-10.89%	-10.89%	41.61%



Source: NGX, ARM Research

# Weekly Commentary & Stock Recommendation

## Fixed Income



	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														
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>																	
Overnight (O/N)	1.58%	1.25%	0.33%																						
Open Repo Rate (OPR)	1.11%	0.86%	0.25%																						
NIBOR - 1M	6.35%	7.15%	-0.80%																						
NIBOR - 3M	7.78%	8.65%	-0.87%																						
NIBOR - 6M	9.31%	9.45%	-0.14%																						
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>														
1-month	2.16%	2.38%	-0.22%	12-Jul-23	2.86%	3.50%	5.94%	12-Jul-23	2.78	1.49	137.50														
3-month	2.89%	2.98%	-0.09%	30-Jun-23	2.87%	4.37%	6.23%	30-Jun-23	1.75	17.16	168.21														
6-month	3.96%	4.57%	-0.61%	14-Jun-23	4.89%	5.12%	8.24%	14-Jun-23	1.10	1.28	32.15														
9-month	5.06%	5.18%	-0.12%	07-Jun-23	4.48%	6.00%	9.45%	07-Jun-23	1.03	1.94	179.89														
12-month	6.42%	6.24%	0.18%	24-May-23	2.29%	4.99%	7.99%	24-May-23	9.96	1.82	168.67														
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Feb-28</b>	<b>Apr-29</b>	<b>Apr-32</b>	<b>Jun-33</b>	<b>Apr-37</b>	<b>Jun-38</b>	<b>Jan-42</b>	<b>Apr-49</b>	<b>Mar-50</b>	<b>Jun-53</b>	<b>FGN Bonds</b>	<b>Feb-28</b>	<b>Apr-29</b>	<b>Apr-32</b>	<b>Jun-33</b>	<b>Apr-37</b>	<b>Jun-38</b>	<b>Jan-42</b>	<b>Apr-49</b>	<b>Mar-50</b>	<b>Jun-53</b>
14.20% 14-MAR-2024	4.91%	5.20%	-0.29%	19-Jun-23	N/A	13.90%	N/A	14.70%	N/A	15.45%	N/A	N/A	N/A	15.70%	19-Jun-23	N/A	86.38	9.39	18.57	N/A	100.64	N/A	N/A	N/A	221.56
13.53% 23-MAR-2025	9.51%	10.10%	-0.59%	15-May-23	14.10%	N/A	14.90%	N/A	N/A	N/A	15.69%	N/A	15.80%	N/A	15-May-23	61.91	N/A	9.39	N/A	N/A	N/A	53.16	N/A	243.69	N/A
12.50% 22-JAN-2026	10.95%	10.59%	0.36%	17-Apr-23	14.00%	N/A	14.80%	N/A	N/A	N/A	15.40%	N/A	15.80%	N/A	17-Apr-23	4.70	N/A	2.10	N/A	N/A	N/A	95.74	N/A	266.21	N/A
16.2884% 17-MAR-2027	11.84%	12.06%	-0.22%	20-Mar-23	14.00%	N/A	14.75%	N/A	15.20%	N/A	N/A	15.75%	N/A	N/A	20-Mar-23	70.85	N/A	21.76	N/A	144.24	N/A	N/A	326.51	N/A	N/A
12.1493% 18-JUL-2034	13.50%	14.07%	-0.57%	13-Feb-23	13.99%	N/A	14.90%	N/A	15.90%	N/A	N/A	16.00%	N/A	N/A	13-Feb-23	257.41	N/A	51.12	N/A	220.56	N/A	N/A	241.47	N/A	N/A
16.2499% 18-APR-2037	14.35%	14.30%	0.05%	<b>Corporate Bonds</b>				<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>															
14.8% 26-APR-2049	14.41%	14.60%	-0.19%	STERLING 16.50% 3-AUG-2023				7.46%	7.46%	0.00%															
<b>FGN Eurobonds</b>				16.50 MIXTA IIA 12-OCT-2023				6.41%	6.42%	-0.01%															
7.625 21-NOV-2025	8.79%	298.55%	-289.76%	FCMB 17.25% 8-DEC-2023				6.04%	6.05%	-0.01%															
6.50% 28-Nov-2027	8.79%	10.09%	-1.30%	ACCESS 15.50% 23-JUL-2026				13.46%	13.38%	0.08%															
7.875% 16-FEB-2032	10.47%	11.34%	-0.87%	VIATHAN 16.00% 14-DEC-2027				12.05%	11.80%	0.25%															
7.625% 28-Nov-2047	10.81%	11.60%	-0.79%	UNION 16.20% 27-JUN-2029				15.59%	15.60%	-0.01%															
Source: DMO, CBN, FMDQ, ARM Research				FIDELITY 8.50% 7-JAN-2031				13.97%	14.06%	-0.09%															
				MTN COM PLC 12.75% 4-NOV-2031				13.93%	14.01%	-0.08%															

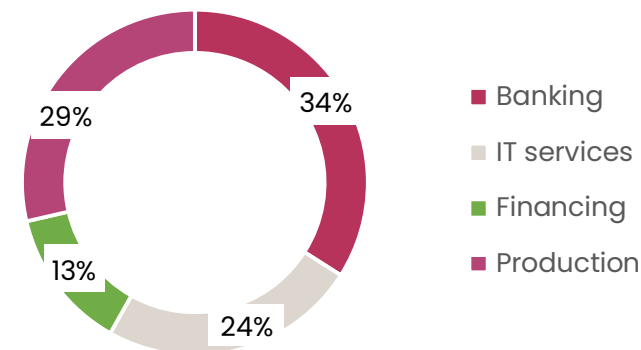
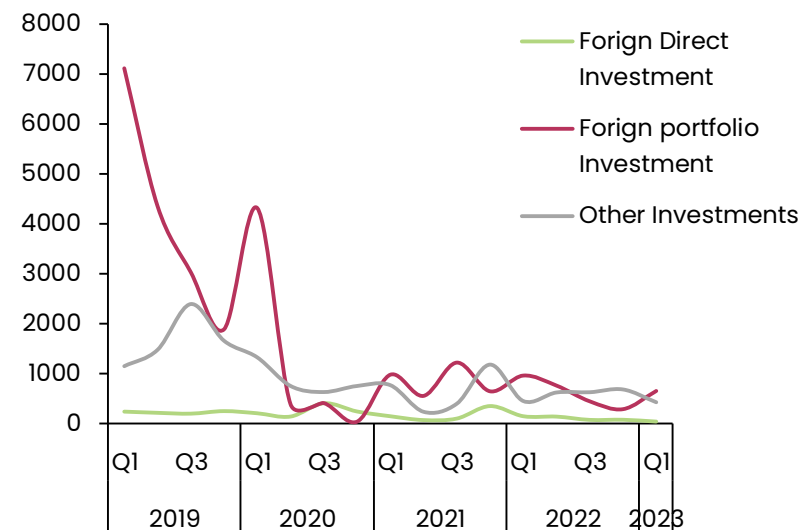




### The Banking Sector Leads Nigeria's Capital Importation.

Recently, the National Bureau of Statistics released the Capital Importation data for Q1:2023. Total Capital imported into the economy which includes Foreign Direct investments (FDI) and Foreign Portfolio Investment (FPI) decreased by 28.00% YoY to USD1.13bn (vs USD1.57bn in Q1:2022). For Context, FDI dropped by 68.28% YoY and 43.48% QoQ to USD47.60mn, indicating decreased investment interest. In Q1:2023, FDI contributed only 4.20% to total capital imported, showing a lack of appetite for long-term investments. Structural issues, insecurity, infrastructure deficit, and FX illiquidity persist, dampening investor sentiment. Similarly, FPI in Q1:2023 declined by 32.20% YoY to USD649.28mn, reflecting a preference for advanced markets with higher interest rates. However, on a QoQ basis, FPI surged by 127.61%, driven by a significant increase in equity investment. FPI contributed 57.32% to total capital imported, indicating limited interest in long-term investments.

On a sector basis, the Banking sector led capital importation in the quarter with USD304.56 million, contributing 26.89% to the total. Production, IT services, and financing sectors followed, contributing 22.61%, 19.08%, and 10.48% respectively. The recent FX unification policy positions banks as the major counterparty for FX transactions, further emphasizing their role in leading capital importation.



Source: NBS, ARM Research.





<b>CONSUMER GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>DANGOTE SUGAR REFINERY PLC</b>	<b>29.00</b>	<b>23</b>	<b>-20.69%</b>	<b>SELL</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>30.60</b>	<b>63.55</b>	<b>107.68%</b>	<b>STRONG BUY</b>
<b>GUINNESS NIG PLC</b>	<b>80.00</b>	<b>111.15</b>	<b>38.94%</b>	<b>STRONG BUY</b>
<b>NIGERIAN BREW. PLC.</b>	<b>39.00</b>	<b>63.43</b>	<b>62.64%</b>	<b>STRONG BUY</b>
<b>ICT</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>AIRTEL AFRICA PLC</b>	<b>1319.90</b>	<b>915.11</b>	<b>-30.67%</b>	<b>SELL</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>265.10</b>	<b>352.96</b>	<b>33.14%</b>	<b>STRONG BUY</b>
<b>INDUSTRIAL GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>BUA CEMENT PLC</b>	<b>98.95</b>	<b>110.81</b>	<b>11.99%</b>	<b>NEUTRAL</b>
<b>DANGOTE CEMENT PLC</b>	<b>335.00</b>	<b>348.34</b>	<b>3.98%</b>	<b>SELL</b>
<b>LAFARGE AFRICA PLC (WAPCO)</b>	<b>28.00</b>	<b>45.01</b>	<b>60.75%</b>	<b>BUY</b>
<b>OIL AND GAS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>SEPLAT ENERGY PLC</b>	<b>1399.80</b>	<b>1,106.47</b>	<b>-20.96%</b>	<b>SELL</b>
<b>TOTALENERGIES MARKETING NIGERIA PLC</b>	<b>370.00</b>	<b>301.22</b>	<b>-18.59%</b>	<b>SELL</b>
<b>FINANCIAL SERVICES</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>ACCESS HOLDING PLC</b>	<b>14.95</b>	<b>20.86</b>	<b>39.53%</b>	<b>BUY</b>
<b>GUARANTE TRUST HOLDING COMPANY PLC</b>	<b>33.70</b>	<b>38.13</b>	<b>13.15%</b>	<b>NEUTRAL</b>
<b>ZENITH BANK PLC</b>	<b>32.50</b>	<b>39.58</b>	<b>21.78%</b>	<b>STRONG BUY</b>
<b>FBNH HOLDING PLC</b>	<b>15.80</b>	<b>20.53</b>	<b>29.94%</b>	<b>BUY</b>
<b>UNITED BANK FOR AFRICA PLC</b>	<b>12.85</b>	<b>17.67</b>	<b>37.51%</b>	<b>STRONG BUY</b>

Source: Bloomberg, ARM Research



# Thank You





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