



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

14<sup>th</sup> August – 18<sup>th</sup> August 2023





### Global Economy

Earlier this week, the United Kingdom (UK) Office for National Statistics published its Consumer Price Index (CPI) data for July 2023. The CPI experienced a year-on-year (YoY) increase of 6.8% in July 2023, which is a decrease from the 7.9% YoY recorded in June 2023. This shift indicates a notable reduction in inflation since its peak at 11.1% in October 2022. On a month-on-month basis (MoM), the CPI decreased by 0.4% in July 2023, in contrast to the 0.6% increase observed in July 2022. This decline is primarily attributed to the decline in gas and electricity prices. The Core CPI, which excludes energy, food, alcohol, and tobacco, maintained its rate at 6.9%, consistent with the rate reported in June 2023. On a month-on-month basis, the Core CPI saw a 0.4% decrease. Additionally, the Food CPI displayed a year-on-year easing to 14.9% in July 2023, a decrease from the 17.4% recorded in June. This marks the slowest growth rate since September 2022. MoM, the Food CPI increased by 0.1% in July 2023, a notable contrast to the 2.3% increase seen in June 2023.

### Domestic Economy

Earlier this week, the NBS released the inflation report for July 2023. Headline inflation spiked by 129 basis points (bps) Year-on-Year (YoY) to 24.08% (compared to 22.79% in June 2023), marking the highest rate recorded in Nigeria since the reconstitution of the CPI in 2009. The surge in Headline inflation is attributed to a significant increase in Food inflation (+173 bps YoY to 26.98%) and Core inflation (+41 bps YoY to 20.47%). Earlier this week on Wednesday, the Nigerian National Petroleum Company Limited (NNPCL) announced that it had secured a US\$3bn emergency crude repayment loan from the African Export-Import (AFREXIM) bank. According to the NNPCL, this loan agreement is not a crude-for-refined product swap but an upfront cash loan against proceeds from a limited amount of future crude oil production. The disbursement will be in tranches based on the FGN's specific needs & requirements and there are no sovereign guarantees tied to the loan, which means that it would not be added to the public debt profile but sit in the NNPCL's balance sheet. Furthermore, The Central Bank of Nigeria (CBN) has officially launched its Price Verification System (PVS) portal after successfully completing the pilot phase and training with Nigerian banks. Also, starting on August 31, 2023, applications for Form M will require a valid Price Verification Report from the newly established portal. This move aims to enhance transparency and standardization in trade operations. The Price Verification Report will become a prerequisite trade document for completing a Form M, reflecting the CBN's efforts to regulate financial transactions. Non-compliance will result in sanctions, so banks must inform customers and adapt to the new system for the benefit of Nigeria's economy.



## Equities

This week, bearish sentiment permeated the Nigerian Equities Market as the market gained in only one (1) out of the five (5) trading days in the week. Consequently, the NGX All Share Index (ASI) slipped by 89bps WoW to 64,743.96 points. Similarly, the year-to-date returns fell to 26.33% from 27.46% last week. On a sectoral basis, the Banking (-2.94% WoW) and Oil and Gas (-1.41% WoW) sectors closed in the red while the Industrial (+0.21% WoW), Consumer Goods (+3.75% WoW) and Insurance (+4.34% WoW) sectors witnessed bullish sentiment. Top tickers for the week include SKYAVN (+73.8% to NGN28.15), SUNUASSUR (+54.7% to NGN0.82) and ABBEYBDS (+51.8% to NGN1.70). On the flipside, JOHNSHOLT (-46.5% to NGN1.45), ETERNA (-38.4% to NGN17.85) and NSLTECH (-35.3% to NGN0.33) led the losers' chart. In the coming week, we expect investors to sustain profit-taking activities in the market.

## Fixed Income

The Nigerian Treasury Bills market ended the week bearish as average yield surged 106bps WoW to settle at 8.39%. At the primary bond auction for August 2023, the DMO sold NGN227.76bn worth of bonds across the re-opening of four (4) instruments (APR-2029: NGN10.43bn, JUN-2033: NGN4.07bn, JUN-2038: NGN25.53bn, and JUN-2053: NGN187.73bn). There was a decline in demand for the instruments as the average bid-to-cover ratio dipped by 176bps to 0.87x (vs. 2.63x at the last auction). Consequently, the average stop rate surged by 135bps to 14.98% from 13.63% at the last auction. Stop rates for the APR-2029, JUN-2033, JUN-2038, and JUN-2053 instruments surged by 135bps, 140bps, 110bps, and 155bps respectively. The bearish sentiment at the auction trickled down to the secondary bond market as average yield rose by 31bps WoW to 13.83%. This is following selloffs in the MAR-2024 (+67bps), and JAN-2026 (+5bps). Overall, the Naira Fixed income market closed the week bearish as average yield increased by 68bps WoW to settle at 11.11%.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.8	33.9	-0.12%	-5.10%	<b>July 2023 CPI Report – Removal of PMS Subsidy and FX Liberalization Bites Hard</b>
<b>USD/NGN (₦/\$)</b>					<b>CBNs Financial Statements Letting the Cat Out of the Bag</b>
NAFEX	749.6	740.6	-1.21%	0.33%	
Parallel	810.0	937.5	15.74%	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	24.08	22.41	1.67	23.25	
Core	26.98	20.06	6.92	23.52	
Food	20.47	24.82	-4.35	22.65	
<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	<b>CBN unveils FX price verification system portal</b>
Oil	-4.21	-13.38	-22.67	-19.22	<b>Currency in circulation falls first time in five months</b>
Agriculture	-0.90	2.05	1.34	1.88	<b>Oil prices wobble on jitters over China economy, US rates path</b>
Manufacturing	1.63	2.83	-1.91	2.45	<b>Ramp-up oil production to ease tension, NECA charges FG</b>
Information and Communication	10.32	10.35	10.53	9.76	<b>MTN issues N100bn commercial papers</b>
<b>Labor Data (%) – Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>Budget Deficit: FG Raises N4.46trn Bonds in Eight Months as Rate Hits 15.85%</b>
Unemployment Rate			33.3	27.1	<b>FG in deregulation dilemma as 24% inflation worsens poverty</b>
Underemployment			22.8	28.8	<b>FG to sell stakes in NNPC, 19 entities</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 22</b>	<b>Q3 22</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>Fuel marketers kick as FG rules out price hike</b>
Foreign Portfolio Investment – Equities	4.86	7.21	-32.6%	-87.21%	<b>Oil nudges up as China cuts policy rates to support economy</b>
Bonds	322.04	203.80	58.02%	214.62%	<b>Petrol: As Marketers Mull N720/Litre, NLC Warns of Workers' Strike without Notice</b>
Money Market	135.96	231.08	-41.2%	-75.68%	<b>Diesel price hits N950/litre, manufacturers fear shutdowns, job losses</b>
Foreign Direct Investment	84.23	81.72	3.07%	-76.49%	<b>Firms consider hedging as forex crisis weakens performance</b>
<b>Monetary Policy Rates (%) (May 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>FMDQ FX spot market posts \$390.6 million turnover</b>
MPR	18.5	18.0		50.0%	<b>Investigator probes CBN staff, consultants, NIBSS, NSPMC</b>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<b>Naira slides further as dollar shortage hits banks</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>Forex crisis: Marketers propose N720/litre, suspend fuel imports</b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<b>Transportation cost increased by 98% in one month – NBS</b>



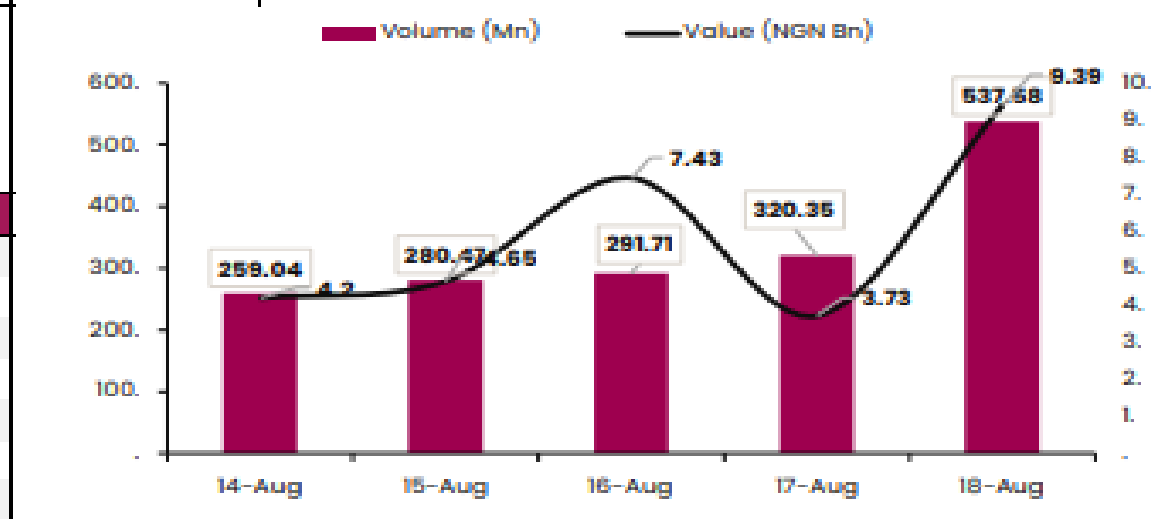
Weekly Equities Market Snapshot

Friday, August 18, 2023

Top Gainers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YTD
SKYAVN	28.15	73.8%	28.15	5.00	16.8%
SUNUASSUR	0.82	54.7%	1.18	0.27	3.7%
ABBEYBDS	1.70	51.8%	1.70	1.00	0.0%
REGALINS	0.40	48.1%	0.48	0.23	8.8%
LINKASSURE	0.98	42.0%	1.00	0.36	13.5%
CORNERST	1.30	35.4%	1.41	0.40	0.0%
CWG	3.80	27.9%	3.80	0.73	2.5%
GUINEAINS	0.29	20.8%	0.42	0.20	4.8%
DANGSUGAR	35.00	20.7%	37.60	15.00	2.3%
SEPLAT	1670.80	19.4%	1693.60	1050.00	3.1%

Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YTD
JOHNHOLT	1.45	-46.5%	3.14	0.73	98.6%
ETERNA	17.85	-38.4%	37.70	5.40	166.8%
INSLTECH	0.33	-35.3%	0.50	0.20	50.0%
DEAPCAP	0.28	-24.3%	0.38	0.20	40.0%
CADBURY	13.70	-19.4%	18.90	10.20	15.1%
MULTIVERSE	3.00	-19.1%	4.62	1.89	-24.6%
SOVRENINS	0.47	-19.0%	0.70	0.23	67.9%
ALEX	6.50	-18.6%	6.50	6.50	-47.6%
GUINNESS	60.50	-17.1%	87.90	54.45	-12.7%
NEIMETH	1.51	-17.0%	2.42	1.26	5.6%

Tickers	Pts/N	WoW	MtD	Qtd	YTD
NGXASI	64,743.96	-0.89%	0.63%	6.19%	26.33%
Market Cap	35.43trn	-0.39%	1.21%	6.74%	26.94%
NGX Banking	667.57	-2.06%	-0.40%	3.43%	59.90%
NGX Industrial	898.53	0.37%	0.34%	14.44%	18.64%
NGX Consumer	667.57	2.39%	5.25%	0.42%	52.57%
NGX Oil & Gas	914.58	-0.42%	-1.81%	17.88%	97.76%
NGX Insurance	898.53	-2.17%	2.72%	-3.34%	53.60%



Source: NGX, ARM Research

# Weekly Commentary & Stock Recommendation

# Fixed Income

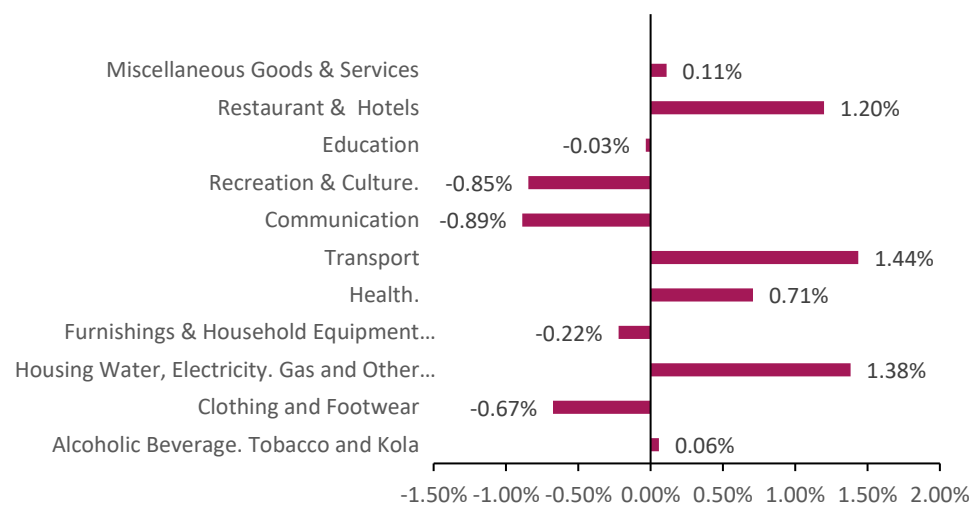
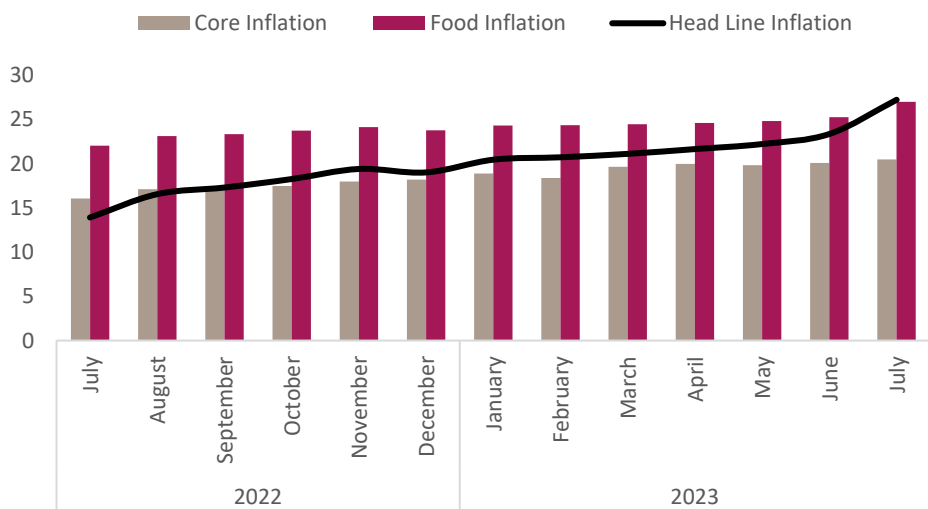


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year		Issuance (N'billion)	90 Days	180 Days	1 Year												
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>																
Overnight (O/N)	23.66%	2.00%	21.66%																					
Open Repo Rate (OPR)	2.80%	2.80%	0.00%																					
NIBOR - 1M	14.00%	11.00%	3.00%																					
NIBOR - 3M	15.00%	11.64%	3.36%																					
NIBOR - 6M	15.37%	12.56%	2.81%																					
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>												
					<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>			<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>												
1-month	3.21%	3.31%	-0.10%	9-Aug-23	5.00%	5.90%	9.80%	9-Aug-23	4.52	1.32	148.15													
3-month	4.79%	4.84%	-0.05%	26-Jul-23	6.00%	8.00%	12.15%	26-Jul-23	2.85	6.44	255.04													
6-month	6.81%	6.72%	0.09%	12-Jul-23	2.86%	3.50%	5.94%	12-Jul-23	2.78	1.49	137.50													
9-month	9.22%	8.28%	0.94%	30-Jun-23	2.87%	4.37%	6.23%	30-Jun-23	1.75	17.16	168.21													
12-month	11.70%	10.62%	1.08%	14-Jun-23	4.89%	5.12%	8.24%	14-Jun-23	1.10	1.28	32.15													
<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>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	8.52%	7.63%	0.89%	18-Aug-23	N/A	13.85%	N/A	15.00%	N/A	15.20%	N/A	N/A	15.85%	18-Aug-23	N/A	10.43	N/A	4.07	N/A	25.53	N/A	N/A	N/A	187.73
13.53% 23-MAR-2025	10.67%	10.69%	-0.02%	17-Jul-23	N/A	12.50%	N/A	13.60%	N/A	14.10%	N/A	N/A	14.30%	17-Jul-23	N/A	52.62	N/A	39.86	N/A	146.49	N/A	N/A	N/A	417.77
12.50% 22-JAN-2026	12.99%	12.06%	0.93%	19-Jun-23	N/A	13.90%	N/A	14.70%	N/A	15.45%	N/A	N/A	15.70%	19-Jun-23	N/A	86.38	N/A	18.57	N/A	100.64	N/A	N/A	N/A	221.56
16.2884% 17-MAR-2027	13.07%	12.52%	0.55%	15-May-23	14.10%	N/A	14.90%	N/A	N/A	N/A	15.69%	N/A	15.80%	15-May-23	61.91	N/A	9.39	N/A	N/A	N/A	53.16	N/A	243.69	N/A
12.1493% 18-JUL-2034	14.00%	14.00%	0.00%	17-Apr-23	14.00%	N/A	14.80%	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
16.2499% 18-APR-2037	15.19%	14.90%	0.29%	<b>Corporate Bonds</b>				<b>This Week</b>				<b>Prior Week</b>				<b>WoW (%)</b>								
14.8% 26-APR-2049	15.51%	15.02%	0.49%																					
<b>FGN Eurobonds</b>																								
				16.50 MIXTA IIA 12-OCT-2023		7.61%		5.84%					1.77%											
7.625 21-NOV-2025	9.89%	9.89%	0.00%	FCMB17.25%18-DEC-2023		8.27%		7.29%					0.98%											
6.50% 28-Nov-2027	10.56%	10.56%	0.00%	ACCESS115.50%23-JUL-2026		15.16%		14.56%					0.60%											
7.875% 16-FEB-2032	10.82%	10.82%	0.00%	VIATHAN116.00%14-DEC-2027		14.00%		13.12%					0.88%											
7.625% 28-Nov-2047	11.09%	11.09%	0.00%	UNION116.20%27-JUN-2029		17.08%		16.54%					0.54%											
				FIDELITY18.50%7-JAN-2031		14.81%		14.54%					0.27%											
<b>Source: DMO, CBN, FMDQ, ARM Research</b>				MTN COM PLC12.75 11 4-NOV-2031				14.80%				14.52%				0.28%								



### Nigeria's Inflationary Pressure Persists in July 2023

This week, the Nigerian Bureau of Statistics released the July 2023 Consumer Price Index report for Nigeria. The report indicates a significant increase in headline inflation, which rose by 129 basis points year-on-year (YoY) to reach 24.08%, compared to 22.79% in June 2023. This marks the highest inflation rate observed in Nigeria since September 2005. The notable surge in headline inflation is attributed to a substantial rise across all of its subcomponents. Specifically, food inflation experienced a notable leap of 173 basis points YoY, reaching 26.98% in July 2023, compared to 25.25% in June 2023. Additionally, core inflation saw a YoY increase of 41 basis points, reaching 20.47%. The surge in inflationary pressures can be attributed in large part to the escalating cost of premium Motor Spirit (PMS), among other contributing factors. Consequently, the transportation sector led the inflationary trend, followed by the Housing, Water, Electricity, Gas, and Fuel (HWEGF) category in July 2023, as depicted in the accompanying chart. We anticipate that inflation will persistently increase barring the implementation of government intervention measures.



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>35.00</b>	<b>23.7</b>	<b>-32.29%</b>	<b>SELL</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>29.50</b>	<b>38.37</b>	<b>30.07%</b>	<b>STRONG BUY</b>
<b>GUINNESS NIG PLC</b>	<b>60.50</b>	<b>144.71</b>	<b>139.19%</b>	<b>STRONG BUY</b>
<b>NIGERIAN BREW. PLC.</b>	<b>42.50</b>	<b>39.22</b>	<b>-7.72%</b>	<b>SELL</b>
<b>FINANCIAL SERVICES</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>ACCESS HOLDINGS PLC</b>	<b>17.00</b>	<b>20.86</b>	<b>22.71%</b>	<b>STRONG BUY</b>
<b>FBN HOLDINGS PLC</b>	<b>18.80</b>	<b>24.62</b>	<b>30.96%</b>	<b>STRONG BUY</b>
<b>GUARANTY TRUST HOLDING COMPANY PLC</b>	<b>36.45</b>	<b>38.13</b>	<b>4.61%</b>	<b>NEUTRAL</b>
<b>UNITED BANK FOR AFRICA PLC</b>	<b>13.90</b>	<b>17.67</b>	<b>27.12%</b>	<b>STRONG BUY</b>
<b>ZENITH BANK PLC</b>	<b>34.00</b>	<b>39.58</b>	<b>16.41%</b>	<b>OVERWEIGHT</b>
<b>ICT</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>AIRTEL AFRICA PLC</b>	<b>1250.00</b>	<b>915.11</b>	<b>-26.79%</b>	<b>SELL</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>275.00</b>	<b>352.96</b>	<b>28.35%</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>96.15</b>	<b>110.81</b>	<b>15.25%</b>	<b>OVERWEIGHT</b>
<b>DANGOTE CEMENT PLC</b>	<b>360.00</b>	<b>348.34</b>	<b>-3.24%</b>	<b>UNDERWEIGHT</b>
<b>LAFARGE AFRICA PLC (WAPCO)</b>	<b>27.30</b>	<b>45.01</b>	<b>64.87%</b>	<b>STRONG 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>1670.80</b>	<b>1,483.90</b>	<b>-11.19%</b>	<b>SELL</b>
<b>TOTALENERGIES MARKETING NIGERIA PLC</b>	<b>385.00</b>	<b>437.35</b>	<b>13.60%</b>	<b>OVERWEIGHT</b>

Source: Bloomberg, ARM Research



# Thank You





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