



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

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24<sup>th</sup> July – 28<sup>th</sup> July 2023





## Global Economy

Earlier this week, the US Federal Reserve (Fed) announced a hike in its benchmark rate for the 11th time since its hiking campaign began in March 2022. The Fed announced a 25bps increment, raising the Fed Fund rate to a range of 5.25% to 5.5% in July 2023. This is the highest benchmark rate level in over 22 years, since early 2001. Following the meeting, the Fed committed to fully reining in inflation to its target level of 2.00%, while also noting a sustained reduction of its bond holdings. While the apex bank remained somewhat mute on the future direction of rates, the Fed Chair, Jerome Powell, in a meeting said the apex bank would continue to make data driven decisions on a meeting-by-meeting basis and did not rule out the possibility of another rate hike. Elsewhere, the European Central Bank also raised its benchmark rates in July 2023. The Bank's Governing Council noted the downward trend in inflation but expressed concerns around the persisting divergence from its policy target rate of 2.00%. It therefore decided to raise the three key ECB interest rates by 25 basis points. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 4.25%, 4.50% and 3.75% respectively.

## Domestic Economy

Earlier this week, The Monetary Policy Committee of the Central Bank of Nigeria voted to increase the benchmark interest rate by 25 bps to settle at 18.75%. This represents the eighth (8th) consecutive increase since May 2022. Similarly, the asymmetric corridor was tightened to +100/-300 basis points around the MPR. This is the first adjustment to the tool since September 2020. The narrowing of the asymmetric corridor were implemented with the primary objective of addressing the high liquidity levels in the system and curbing demand-side factors that contribute to the persistent rise in inflation. While this move is a positive step towards achieving these goals, we believe that the effectiveness of adjusting the asymmetric corridor hinges on the Central Bank's decision to revise upward, the limit on the Standing Deposit Facility (SDF). However, other policy parameters remained constant. Furthermore, the international benchmark for crude oil, rose to a high of US\$84pb on Wednesday, fueling speculations that Nigeria might witness another hike in the pump price of Premium Motor Spirit, popularly called petrol, in the coming weeks.



## Equities

This week, the Nigerian Equities Market closed negative in three (3) out of the five (5) trading days of the week. Despite this, the market managed to end the week on a positive note as the NGX All-Share Index advanced by 8bps WoW to 65,056.39 points. This pushed the year-to-date returns to 26.94%, a slight improvement from the previous week's 26.83%. However, it is worth noting that all sectors under our coverage closed the week with losses, except for the Oil and Gas sector, which saw a notable 9.28% WoW gain. The losses across sectors can be associated to the recent hawkish stance of the Monetary Policy Committee (MPC) and their decision to tighten system liquidity, leading to expectations of higher yields in the fixed income market. Furthermore, the disappointing H1:2023 earnings reports of some companies might have played a role, particularly in the Consumer Goods sector (-2.36%). SKYAVN (+43.8% to NGN23.30), NASCON (+24.1% to NGN36.00) and SEPLAT (+21.0% to NGN1693.60) registered the highest gains this week. Conversely, CADBURY (-26.8% to NGN12.45), MULTIVERSE (-19.7% to NGN2.98) and ACADEMY (-18.8% to NGN2.20) won top spots as the highest losers for the week. Looking ahead to the coming week, we anticipate that investors will engage in dividend-hunting activities as they carefully analyze the recently released earnings reports.

## Fixed Income

This week, the Monetary Policy Committee (MPC) voted unanimously to raise the Monetary Policy Rate (MPR) by 25bps to 18.75% and tightened the asymmetric corridor to +100/-300 basis points around the MPR. Consequently, the average stop rate surged 462bps to 8.72% (vs 4.10% at the previous auction) while the bid-to-cover ratio dipped by 337bps to settle at 1.51% (vs 4.88% at the previous auction) indicating a decline in demand for the instruments. However, there was an increase in demand for the 91-day bill, as its bid-to-cover ratio rose 4.52x from 2.11x at the last auction). The bearish sentiment at the primary market trickled down to the secondary Treasury Bills market as it ended the week on a negative note with average yield soaring by 434bps WoW to settle at 7.12%. Similarly, the secondary bond market ended the week bearish as average yield increased by 41bps WoW to settle at 13.14%. This is following selloffs in the short-end and long-end of the curve.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.0	34.0	0.09%	-5.10%	<a href="#">FBNH H12023 Earnings result Impressive Performance Rode on Fair Value Gains</a>
<b>USD/NGN (₦/\$)</b>					<a href="#">Post Monetary Policy Committee Meeting July 2023 – Hawkish MPC Tightens the Asymmetric Corridor</a>
NAFEX	768.6	777.8	1.20%	0.33%	<a href="#">Investment Strategies from Major Policy Reforms in 2023</a>
Parallel	872.5	825.0	-5.44%	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>June</b>	<b>May</b>	<b>CHG (pps)</b>		
Headline	22.79	22.41	0.38	22.60	
Core	20.27	20.06	0.21	20.17	
Food	25.25	24.82	0.43	25.04	
<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="#">US commerce chief says China export controls will hit companies' revenue.</a>
Oil	-4.21	-13.38	-22.67	-19.22	<a href="#">How does Japan's yield curve control work?</a>
Agriculture	-0.90	2.05	1.34	1.88	<a href="#">Sterling One, Coca-Cola, Microsoft, others partner on impact summit.</a>
Manufacturing	1.63	2.83	-1.91	2.45	<a href="#">Selloff in NB, 37 other stocks drags capitalisation by N111 billion</a>
Information and Communication	10.32	10.35	10.53	9.76	<a href="#">Cadbury Nigeria's Profit Decline by N14.52bn on FX Loss</a>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<a href="#">Investors' wealth rises by N394b amid anticipation of H1 earnings</a>
Unemployment Rate			33.3	27.1	<a href="#">CBN vows to tackle forex pressure, raises lending rate.</a>
Underemployment			22.8	28.8	<a href="#">Canada releases framework to phase out inefficient fossil fuel subsidies.</a>
<b>Capital Importation (\$'mn)</b>	<b>Q1 23</b>	<b>Q4 22</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<a href="#">Local investors' participation in equity market hits N1.3 trillion</a>
Foreign Portfolio Investment - Equities	222.31	4.86	4474.28%	599.52%	<a href="#">NNPC Rallies Operators, Service Providers to Tackle High Oil Production Cost</a>
Bonds	301.08	144.44	108.45%	-2.90%	<a href="#">Pensioners seek inclusion in palliative negotiation, accuse PTAD of withholding benefits.</a>
Money Market	125.90	135.96	-7.4%	-79.55%	<a href="#">FG, FBN Holdings to raise fresh capital.</a>
Foreign Direct Investment	47.60	84.23	-43.49%	-69.28%	<a href="#">Inflation poses risks to pension assets – Agosto &amp; Co</a>
<b>Monetary Policy Rates (%) (May 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<a href="#">China's state planner unveils steps to spur private investment.</a>
MPR	18.75	18.5		25.0%	<a href="#">Desperate Oil Marketers Flood Aviation Industry with Off Spec Jet Fuel, Crash Prices</a>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<a href="#">Stockbrokers lament effect of prolonged FX crisis on capital inflow</a>
Liquidity Ratio	30.0	30.0		0.0%	<a href="#">FG, NIA plan insurance cover for travellers</a>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<a href="#">Dollar now N876 as forex shortage worsen</a>



Weekly Equities Market Snapshot						Friday, July 28, 2023					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
SKYAVN	23.30	43.8%	23.30	5.00	16.8%	CADBURY	12.45	-26.8%	18.80	10.20	4.6%
NASCON	36.00	24.1%	36.00	9.50	7.3%	MULTIVERSE	2.98	-19.7%	4.62	1.71	-25.1%
SEPLAT	1693.60	21.0%	1693.60	1050.00	3.1%	ACADEMY	2.20	-18.8%	2.50	1.16	70.5%
LINKASSURE	0.70	20.7%	0.83	0.36	13.5%	NB	36.50	-16.4%	48.85	28.80	-11.0%
LASACO	2.03	15.3%	2.70	0.77	-2.6%	MAYBAKER	4.92	-15.9%	6.03	3.35	14.4%
SUNUASSUR	0.60	13.2%	0.61	0.27	3.7%	INTBREW	4.25	-12.4%	5.70	4.00	-9.6%
FTNCOCOA	2.47	12.3%	4.10	0.25	5.7%	REDSTAREX	3.50	-11.6%	4.35	2.06	54.9%
TANTALIZER	0.30	11.1%	0.31	0.20	4.2%	AFRIPRUD	6.00	-11.1%	7.70	5.00	0.0%
JAPAULGOLD	1.02	10.9%	1.47	0.21	-2.0%	GLAXOSMITH	7.40	-10.3%	8.90	5.40	20.3%
STANBIC	69.50	10.8%	70.00	27.50	0.0%	CUTIX	2.50	-10.1%	2.95	1.83	24.4%

Tickers	Pts/₹	WoW	MtD	QtD	YtD
NGXASI	65,056.39	0.08%	6.71%	6.71%	26.94%
Market Cap	35.4trn	0.02%	6.64%	6.64%	26.82%
NGX Banking	687.78	-2.21%	6.56%	6.56%	64.74%
NGX Industrial	866.07	-0.31%	14.21%	14.21%	18.39%
NGX Consumer	687.78	-2.36%	-3.21%	-3.21%	47.06%
NGX Oil & Gas	927.67	9.28%	19.57%	19.57%	100.59%
NGX Insurance	866.07	-1.60%	-7.36%	-7.36%	47.21%

Date	Volume (Mn)	Value (NGN Bn)
24-Jul	831.13	12.93
25-Jul	552.48	7.42
26-Jul	500.43	7.14
27-Jul	509.25	4.8
28-Jul	459.77	5.35

Source: NGX, ARM Research

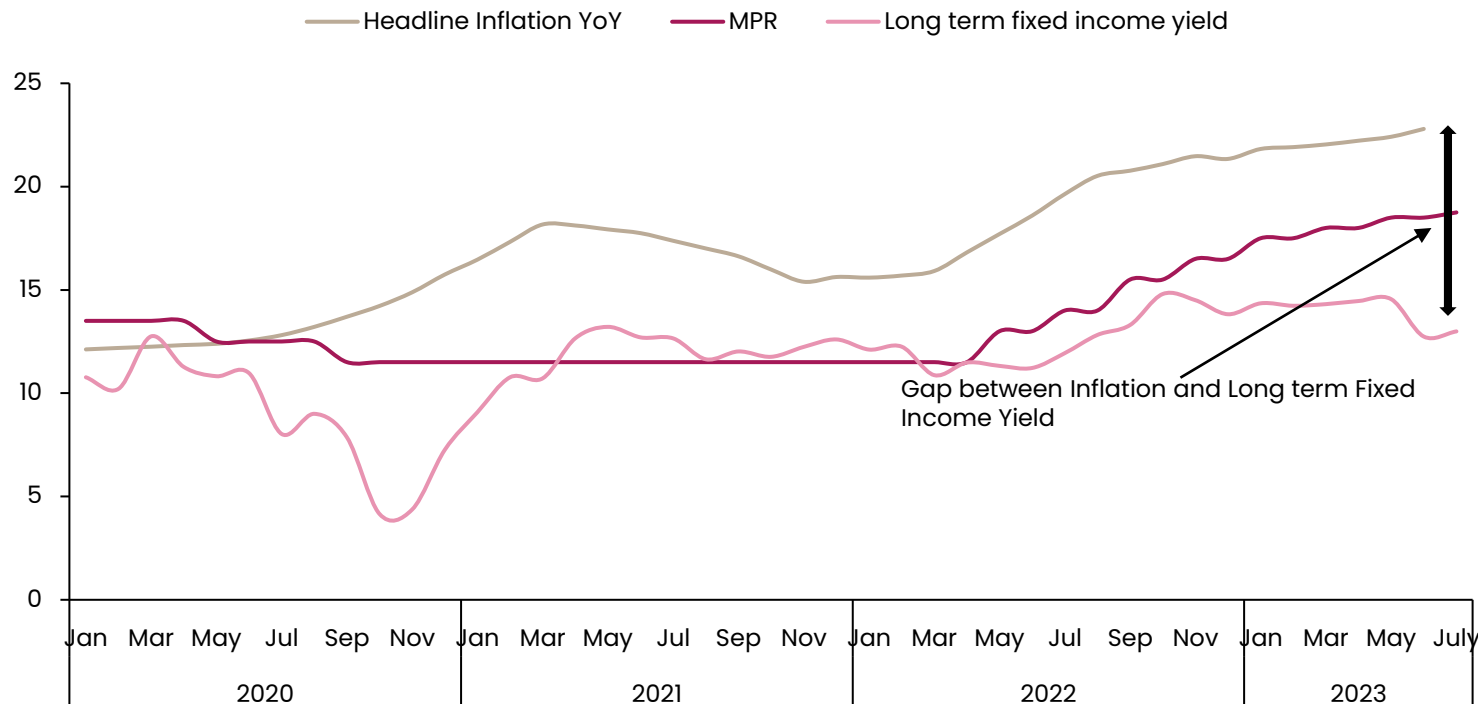


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)									Issuance (N'billion)											
				90 Days			180 Days			1 Year				90 Days	180 Days		1 Year							
<b>Money Market</b>				<b>OMO</b>									<b>OMO</b>											
Overnight (O/N)	1.40%	21.00%	-19.60%																					
Open Repo Rate (OPR)	0.90%	20.43%	-19.53%																					
NIBOR - 1M	11.68%	14.00%	-2.32%																					
NIBOR - 3M	12.88%	16.00%	-3.12%																					
NIBOR - 6M	13.88%	17.50%	-3.62%																					
<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	2.61%	1.61%	1.00%	26-Jul-23	6.00%	8.00%	12.15%	26-Jul-23	2.85	6.44		26-Jul-23	2.85	6.44										
3-month	3.92%	2.38%	1.54%	12-Jul-23	2.86%	3.50%	5.94%	12-Jul-23	2.78	1.49	137.50	12-Jul-23	2.78	1.49	137.50									
6-month	5.67%	3.22%	2.45%	30-Jun-23	2.87%	4.37%	6.23%	30-Jun-23	1.75	17.16	168.21	30-Jun-23	1.75	17.16	168.21									
9-month	7.10%	4.76%	2.34%	14-Jun-23	4.89%	5.12%	8.24%	14-Jun-23	1.10	1.28	32.15	14-Jun-23	1.10	1.28	32.15									
12-month	9.49%	6.44%	3.05%	07-Jun-23	4.48%	6.00%	9.45%	07-Jun-23	1.03	1.94	179.89	07-Jun-23	1.03	1.94	179.89									
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</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	7.69%	4.81%	2.88%	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	9.39	39.86	N/A	146.49	N/A	N/A	N/A	417.77
13.53% 23-MAR-2025	8.99%	9.03%	-0.04%	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	9.39	18.57	N/A	100.64	N/A	N/A	N/A	221.56
12.50% 22-JAN-2026	11.55%	11.01%	0.54%	15-May-23	14.10%	N/A	14.90%	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
16.2884% 17-MAR-2027	12.55%	11.82%	0.73%	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
12.1493% 18-JUL-2034	14.00%	13.42%	0.58%	20-Mar-23	14.00%	N/A	14.75%	N/A	15.20%	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
16.2499% 18-APR-2037	14.60%	14.48%	0.12%	<b>Corporate Bonds</b>																				
14.8% 26-APR-2049	14.79%	14.24%	0.55%	<b>This Week</b>			<b>Prior Week</b>			<b>WoW (%)</b>														
				STERLING 16.50% 3-AUG-2023			4.53%			3.00%			1.53%											
<b>FGN Eurobonds</b>				<b>16.50 MIXTA IIA 12-OCT-2023</b>																				
7.625 21-NOV-2025	8.80%	9.06%	-0.26%	FCMB 17.25% 8-DEC-2023			7.29%			4.93%			2.36%											
6.50% 28-Nov-2027	8.80%	9.06%	-0.26%	ACCESS 15.50% 23-JUL-2026			13.70%			13.35%			0.35%											
7.875% 16-FEB-2032	10.31%	10.69%	-0.38%	VIATHAN 16.00% 14-DEC-2027			12.67%			12.10%			0.57%											
7.625% 28-Nov-2047	10.75%	11.06%	-0.31%	UNION 16.20% 27-JUN-2029			16.05%			15.87%			0.18%											
				FIDELITY 8.50% 7-JAN-2031			14.12%			14.03%			0.09%											
<b>Source: DMO, CBN, FMDQ, ARM Research</b>				MTN COM PLC 12.75 II 4-NOV-2031			14.09%			14.00%			0.09%											



## Soaring Inflation keeps the Hawks Awake

During the week, at the 292<sup>nd</sup> monetary policy Committee (MPC) meeting, the MPC of the Central Bank of Nigeria (CBN) further raised the Monetary Policy Rate (MPR) by 25bps to 18.75%, marking its 8<sup>th</sup> consecutive hawkish streak since May 2022. Of its 11 committee members present, four (4) members voted to raise rates by 25bps, two (2) voted to raise rates by 50bps, while five (5) members voted to hold the rate constant at 18.5%. All members voted to narrow the asymmetric corridor to +100/-300 around the MPC. All other parameters were left unchanged as the committee considered global and domestic issues while making its decision. We opine that given the CBN's efforts towards mopping up excess liquidity through enforcing the LDR requirement for banks, coupled with its hawkish monetary policy stance aimed at pushing down inflation, expectations are for fixed income yields on the short end of the curve to rise.



Source: ONS, 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>30.00</b>	<b>23.7</b>	<b>-21.00%</b>	<b>SELL</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>29.35</b>	<b>38.37</b>	<b>30.73%</b>	<b>STRONG BUY</b>
<b>GUINNESS NIG PLC</b>	<b>74.00</b>	<b>144.71</b>	<b>95.55%</b>	<b>STRONG BUY</b>
<b>NIGERIAN BREW. PLC.</b>	<b>40.00</b>	<b>39.22</b>	<b>-1.95%</b>	<b>UNDERWEIGHT</b>
<b>FINANCIAL SERVICES</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>ACCESS HOLDINGS PLC</b>	<b>17.35</b>	<b>20.86</b>	<b>20.23%</b>	<b>STRONG BUY</b>
<b>FBN HOLDINGS PLC</b>	<b>19.60</b>	<b>24.62</b>	<b>25.61%</b>	<b>STRONG BUY</b>
<b>GUARANTY TRUST HOLDING COMPANY PLC</b>	<b>37.50</b>	<b>38.13</b>	<b>1.68%</b>	<b>NEUTRAL</b>
<b>UNITED BANK FOR AFRICA PLC</b>	<b>14.80</b>	<b>17.67</b>	<b>19.39%</b>	<b>OVERWEIGHT</b>
<b>ZENITH BANK PLC</b>	<b>35.00</b>	<b>39.58</b>	<b>13.09%</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>1319.90</b>	<b>915.11</b>	<b>-30.67%</b>	<b>SELL</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>275.10</b>	<b>352.96</b>	<b>28.30%</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>OVERWEIGHT</b>
<b>DANGOTE CEMENT PLC</b>	<b>352.00</b>	<b>348.34</b>	<b>-1.04%</b>	<b>UNDERWEIGHT</b>
<b>LAFARGE AFRICA PLC (WAPCO)</b>	<b>27.90</b>	<b>45.01</b>	<b>61.33%</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>1693.60</b>	<b>1,483.90</b>	<b>-12.38%</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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