



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

20th November – 24th November 2023





Global Economy

Earlier this week, according to the US Bureau of Economic Analysis, the US Real Gross Domestic Product increased at a rate of 5.2% YoY in Q3:2023, according to its revised estimates. The increase in real GDP reflected increases in consumer spending, private inventory investment, exports, government spending, residential fixed investment, and nonresidential fixed investment. This was partially offset by an increase in Imports. Nominal GDP increased by 8.9% YoY, or USD581.5bn, in Q3:2023 to USD27.64trn, an upward revision of USD20.9bn from the previous estimate. Elsewhere, in China, according to its National Bureau of Statistics, the Purchasing Manager Index (PMI) of China's manufacturing industry was 49.4%, a decrease of 0.1% from the previous month, and the climate level of the manufacturing industry slightly fell. In November 2023, the non-manufacturing business activity index was 50.2%, a decrease of 0.4% from the previous month, still higher than the threshold, indicating that the non-manufacturing industry maintained its expansion.

Domestic Economy

During the week, President Bola Tinubu presented the 2024 appropriation bill, which he referred to as the 'Budget of Renewed Hope.' The approved budget stands at NGN27.5trn, with a targeted revenue growth of NGN18.32trn and a projected budget deficit of NGNG9.18trn, as approved by the Federal Executive Council on Monday. Tinubu, in his presentation to the National Assembly, expressed optimism about a robust 3.76% economic growth in the 2024 fiscal year. Breaking down the budget, the recurrent expenditure is earmarked at NGN9.92trn, reflecting the costs associated with day-to-day operations. On the other hand, the capital expenditure is allocated at NGN8.7trn, emphasizing investments in infrastructure, development projects, and other long-term initiatives. This detailed budgetary breakdown provides insight into the financial priorities and strategies outlined by President Tinubu for the upcoming fiscal year. Furthermore, Following OPEC's 36th Ministerial meeting, Nigeria's production quota has been increased from the initial June 2023 proposal of 1.38mn barrels per day. Despite this adjustment, Nigeria's 2024 oil production quota remains below the 1.78mn barrels per day estimated for 2024, signaling a disparity in production expectations.



Equities

The Nigerian Equities market extended its positive run for the fourth (4th) consecutive week, as the NGX All Share Index (ASI) went up by 27bps to 71,419.87 points, lifting the market's year-to-date (YtD) returns to 39.35% from last week's 38.98%. The Oil and Gas (+5.97% WoW) and Banking (+1.92% WoW) sectors gained the highest this week while the Insurance (-2.03% WoW), Industrial Goods (-1.23% WoW) and Consumer Goods (-0.47% WoW) sectors closed in the red. The top gainers for the week include NNFM (+24.8% WoW to NGN36.00), NSLTECH (+16.4% WoW to NGN0.64) and SUNUASSUR (+11.5% WoW to NGN1.26) while OMATEK (-21.2% WoW to NGN0.78), GUINEAINS (-20.6% WoW to NGN0.27) and DAARCOMM (-20.5% WoW to NGN0.31) were the top losers for the week. In the coming week, we expect investors to bargain-hunt for tickers with strong fundamentals in sectors such as Banking and Oil and Gas.

Fixed Income

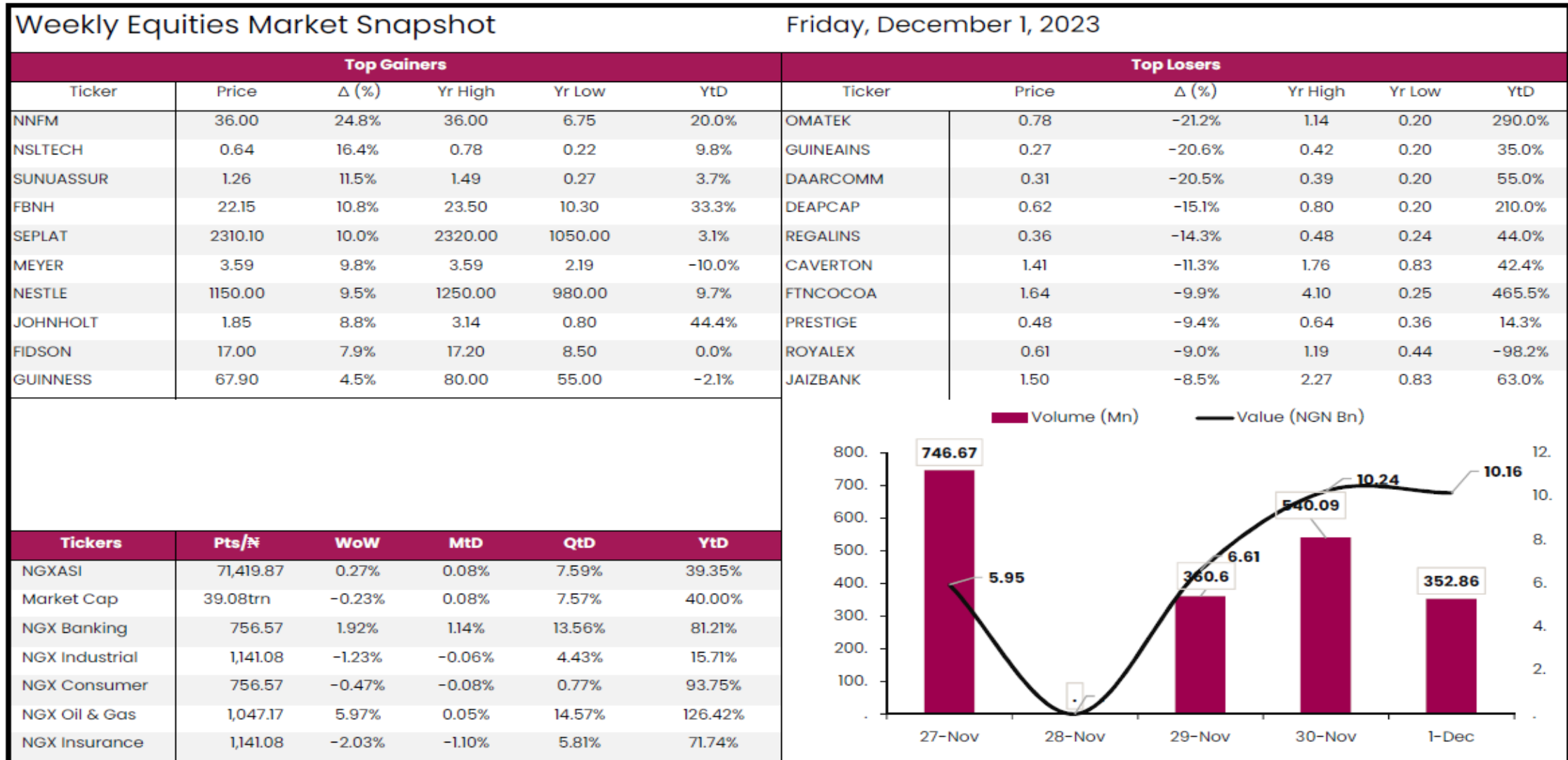
This week, the Nigerian secondary Treasury Bills market closed the week flat as average yield remained unchanged at 10.50%. However, the secondary bond market closed the week on a bullish note as the average yield went down 22bps WoW to settle at 15.69%. This is following buying interest along the short and long end of the curve. Overall, the Naira Fixed income market closed the week bullish as average yield declined by 11bps WoW to settle at 13.10%. Looking ahead, we maintain our view of bearish sentiment in the coming week.

Weekly Commentary & Stock Recommendation

Domestic



	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	96 Day	187 Day	267 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day	
Money Market				OMO					OMO					
Overnight (O/N)	15.75%	24.58%	-8.83%	01-Nov-23	13.98%	14.48%	14.99%	17.98%	01-Nov-23	50	50	50	100	
Open Repo Rate (OPR)	16.32%	23.75%	-7.43%	30-Oct-23	13.99%	14.49%	15.00%	17.50%	30-Oct-23	75	75	100	150	
NIBOR - 1M	15.73%	21.19%	-5.46%	10-Aug-23	10.00%	12.98%	N/A	14.49%	10-Aug-23	30	40	N/A	80	
NIBOR - 3M	15.92%	20.63%	-4.71%											
NIBOR - 6M	16.33%	21.44%	-5.11%											
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day		Treasury Bills	91 Day	182 Day	364 Day		
1-month	5.39%	6.51%	-1.12%	22-Nov-23	8.00%		12.00%	16.75%	22-Nov-23	9.96	1.82		199.93	
3-month	6.82%	8.79%	-1.97%	08-Nov-23	7.00%		11.00%	16.75%	8-Nov-23	4.52	5.43		300.16	
6-month	9.87%	11.80%	-1.93%	25-Oct-23	5.99%		9.00%	13.00%	25-Oct-23	2.84	7.95		97.32	
9-month	13.19%	14.36%	-1.17%	11-Oct-23	4.99%		6.55%	11.37%	11-Oct-23	2.78	3.02		30.76	
12-month	17.12%	18.10%	-0.98%	28-Sep-23	6.50%		7.00%	12.98%	28-Sep-23	1.75	1.56		173.81	
FGN Bonds (Local)				FGN Bonds	Apr-29	Jun-33	Jun-38	Jun-53	FGN Bonds	Apr-29	Jun-33	Jun-38	Jun-53	
14.20% 14-MAR-2024	7.42%	8.40%	-0.98%	13-Nov-23	16.00%		17.00%	17.50%	18.00%	13-Nov-23	31.47	33.19	47.07	322.77
13.53% 23-MAR-2025	14.30%	15.12%	-0.82%	16-Oct-23	14.90%		15.75%	15.80%	16.60%	16-Oct-23	20.53	22.26	54.86	237.09
12.50% 22-JAN-2026	3.40%	15.36%	-11.96%	11-Sep-23	14.50%		15.45%	15.55%	16.25%	11-Sep-23	43.65	10.45	25.69	171.71
16.2884% 17-MAR-2027	14.31%	15.45%	-1.14%	14-Aug-23	12.50%		13.60%	14.10%	14.30%	14-Aug-23	10.43	4.07	25.53	187.73
12.1493% 18-JUL-2034	16.31%	16.30%	0.01%	17-Jul-23	12.50%		13.60%	14.10%	14.30%	17-Jul-23	52.62	39.86	146.49	417.77
16.2499% 18-APR-2037	16.51%	16.51%	0.00%	Corporate Bonds				This Week	Prior Week	WoW (%)				
14.8% 26-APR-2049	17.42%	17.42%	0.00%											
FGN Eurobonds														
7.625 21-NOV-2025	9.14%	9.21%	-0.07%	FCMB 17.25% 8-DEC-2023	4.14%		6.89%		-2.75%					
6.50% 28-Nov-2027	10.18%	10.38%	-0.20%	ACCESS 15.50% 23-JUL-2026	16.61%		18.23%		-1.62%					
7.875% 16-FEB-2032	10.81%	11.03%	-0.22%	VIATHAN 16.00% 14-DEC-2027	4.63%		16.36%		-11.73%					
7.625% 28-Nov-2047	10.39%	11.10%	-0.71%	UNION 16.20% 27-JUN-2029	19.27%		19.27%		0.00%					
				FIDELITY 8.50% 7-JAN-2031	17.04%		17.03%		0.01%					
Source: DMO, CBN, FMDQ, ARM Research				MTN COM PLC 12.75 II 4-NOV-2031	17.03%		17.03%		0.00%					



Source: NGX, ARM Research

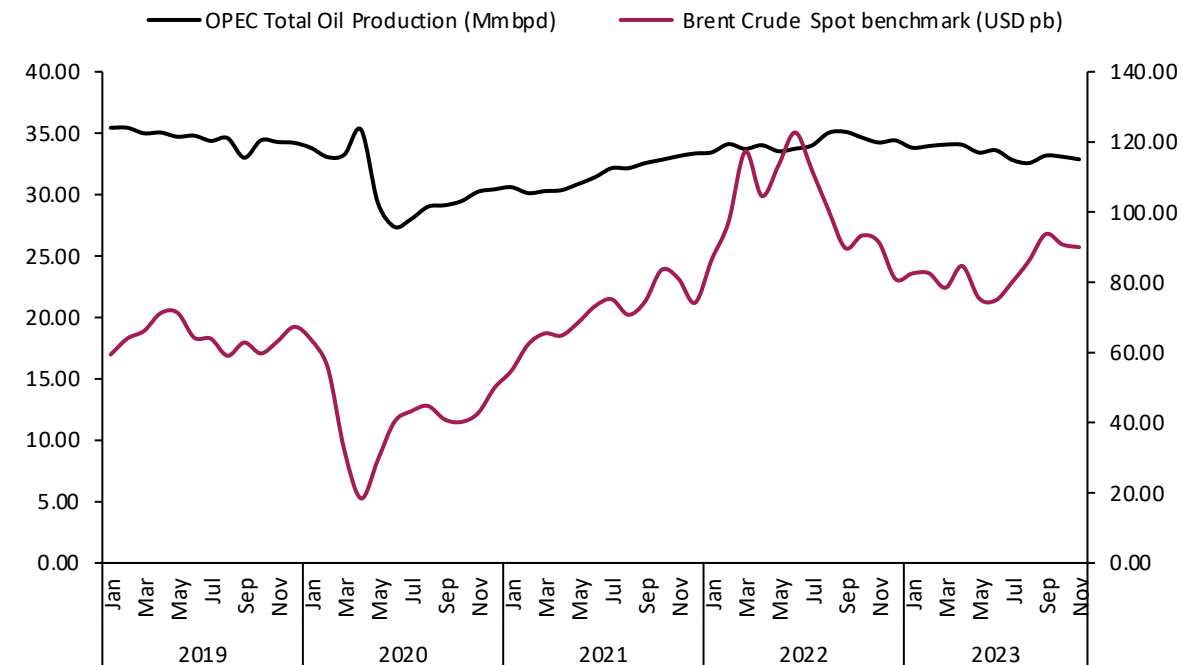


	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.0	33.3	-0.96%	-10.35%	Q3 2023 GDP Report – A Show of Resilience amid Economic Challenges
USD/NGN (₦/\$)					
NAFEM	927.2	956.3	3.14%	63.66%	
Parallel	1155.1	1155.1	0.00%	35.99%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (October 2023)					
	October	September	CHG (pps)		
Headline	27.33	26.72	0.61	27.03	
Core	22.58	21.84	0.74	22.21	
Food	31.52	30.64	0.88	31.08	
GDP (%) - YoY					
	Q3 23	Q2 23	Q4 22	2022FY	News Headline for the week (click news for link)
Real GDP	2.54	2.51	3.52	3.1	OPEC+ agrees to deepen voluntary oil output cuts
Oil	-0.85	-13.43	-13.38	-19.22	Ecobank grows earnings to N1.21tn
Agriculture	1.30	1.50	2.05	1.88	Zenith Bank, CFA Institute ink MoU on capacity building
Manufacturing	0.48	2.20	2.83	2.45	Nigerian Investors able to raise \$94bn climate capital – Report
Information and Communication	6.69	8.60	10.35	9.76	LCCI seeks full deregulation of downstream sector
Labor Data (%)					
			Q1 23	Q4 22	Nigeria, Angola reject OPEC's oil quota cut
Unemployment Rate			4.1	5.3	LCCI flays inconsistencies in FG's \$1 trillion economy vision, MTEF
Underemployment			12.2	13.7	Budget, Finance Ministers Defend President's Borrowing Plan
Capital Importation (\$'mn)					
	Q2 23	Q1 23	QoQ (%)	YoY (%)	China's factories fall deeper into contraction, more policy support expected
Foreign Portfolio Investment - Equities	8.52	222.31	-96.2%	-87.21%	CBN redeploys top officials, supports review of enabling Act, BOFIA
Bonds	85.29	301.08	-71.67%	214.62%	Gas production falls despite FG's N250bn intervention fund
Money Market	13.04	125.90	-89.6%	-75.68%	West's de-risking starts to bite China's prospects
Foreign Direct Investment	86.03	47.6	80.74%	-76.49%	IEA: Oil Industry Must Cut Emissions by 60% by 2030 to Meet 1.5°C Global Warming Scenario
Monetary Policy Rates (%) (July 2023)					
	Latest	Prior		CHG (%)	Zenith Bank signs MoU to establish subsidiary in France
MPR	18.75	18.50		25.0%	DBN secures €25m from KFW for MSMEs, renewable energy
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Nigeria provides 30% return on investment – NEXIM
Liquidity Ratio	30.0	30.0		0.0%	DBN secures €25m from KFW for MSMEs, renewable energy
Source: CBN, NBS, FMDQ, ARM Research					
Banking consolidation: Mega banks boast N10tn capital base, others seek fresh investors					



OPEC+ Cuts Oil Production in Bid to Stabilize Market and Invites Brazil to Join

In a pivotal move, OPEC+ agreed to voluntary oil production cuts of 2.2 million barrels per day (bpd) for the beginning of 2024 during its 36th Ministerial meeting this week. This decision aims to stabilize the market and support prices amidst concerns about a potential surplus next year, particularly with ongoing demand worries. Leading the charge, Saudi Arabia and Russia extended their current voluntary cuts of 1.3 million bpd, while other members pledged additional reductions. Notably, the UAE committed to a 163,000bpd decrease, and Iraq agreed to cut 220,000bpd. These combined efforts demonstrate OPEC+'s strong commitment to ensuring market stability. Furthermore, in line with the 35th OPEC and non-OPEC Ministerial Meeting, three independent sources - IHS, Wood Mackenzie, and Rystad Energy - completed their assessments and recommended achievable crude production quotas for Nigeria, Angola, and Congo: 1.50 million bpd, 1.11 million bpd, and 0.28 million bpd, respectively. Adding to the momentum, OPEC+ also extended an invitation to Brazil to join the group. This strategic move is expected to further bolster OPEC+'s influence within the global oil market. The combination of production cuts, achievable quotas for key members, and the potential addition of Brazil paints a clear picture of the commitment of OPEC towards maintaining market stability and navigating the evolving global energy landscape.



Source: OPEC EIA STEO, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	58.00	23.7	-59.14%	SELL
FLOUR MILLS NIG. PLC.	31.65	38.37	21.23%	STRONG BUY
GUINNESS NIG PLC	67.90	144.71	113.12%	STRONG BUY
NIGERIAN BREW. PLC.	37.05	39.22	5.86%	NEUTRAL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	18.00	20.86	15.89%	OVERWEIGHT
FBN HOLDINGS PLC	22.05	24.62	11.66%	OVERWEIGHT
GUARANTY TRUST HOLDING COMPANY PLC	39.00	43.11	10.54%	OVERWEIGHT
UNITED BANK FOR AFRICA PLC	21.35	17.67	-17.24%	SELL
ZENITH BANK PLC	34.05	39.58	16.24%	OVERWEIGHT
ICT	CP	TP	Upside/Downside	RECOMMENDATION
AIRTEL AFRICA PLC	1800.00	1052.58	-41.52%	SELL
MTN NIGERIA COMMUNICATIONS PLC	238.00	326.50	37.18%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
BUA CEMENT PLC	104.00	110.81	6.55%	NEUTRAL
DANGOTE CEMENT PLC	320.00	348.34	8.86%	NEUTRAL
LAFARGE AFRICA PLC (WAPCO)	29.85	45.01	50.79%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	2310.10	2,320.00	0.43%	NEUTRAL
TOTALENERGIES MARKETING NIGERIA PLC	385.00	396.38	2.96%	NEUTRAL

Source: Bloomberg, ARM Research



Thank You





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