



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

29th January – 2nd February 2024





Global Economy

In a coordinated stand against inflation, both the UK's Bank of England (BOE) and the US Federal Reserve (Fed) held their key interest rates steady this week. While economic data showed some positive signs, the central banks emphasized their commitment to taming inflation pressures. The Fed opted to keep its federal funds rate target range at 5.25% to 5.50%. This decision came despite a solid economic performance, with strong job growth and a low unemployment rate. However, inflation, while easing, remains elevated. The Fed acknowledged an improving balance of risks regarding its employment and inflation goals but cautioned about the uncertain economic outlook. They remain resolute in their commitment to bringing inflation back down to 2%. The BOE's Monetary Policy Committee (MPC) voted 6-3 to maintain the Bank Rate at 5.25%. Although two members favored a hike and one a cut, the committee ultimately opted for stability. Global factors like subdued GDP growth and falling energy prices influenced the decision. While the labor market remains tight, the MPC expects a gradual rise in GDP growth. Inflation is projected to dip to 2% temporarily in Q2 2024 before rebounding. Despite some positive signs, the BOE remains vigilant about the potential for inflation to become embedded and reiterates its commitment to achieving the 2% target.

Domestic Economy

During the week, the Central Bank of Nigeria (CBN) issued two significant circulars. The first circular addressed concerns about the increasing foreign currency exposure of banks. It imposed a 20% short or 0% long limit on Net Open Position (NOP) relative to shareholders' funds, aiming to mitigate risks associated with excessive long foreign currency positions. Banks exceeding these limits are required to comply by February 1, 2024. The circular also mandated daily and monthly NOP calculations using provided templates. Additionally, banks must maintain liquid foreign assets to cover obligations and establish foreign exchange contingency funding arrangements with other financial institutions. In another circular, the CBN lifted the previously imposed ceiling on exchange rates for International Money Transfer Operators (IMTOs). Initially, IMTOs were required to quote rates within a range of -2.5% to +2.5% around the previous day's closing rate of the Nigerian Foreign Exchange Market (NAFEM). The removal of this cap allows IMTOs to freely quote exchange rates for Naira payouts, responding to market demand and operating on a willing buyer, willing seller basis.



Equities

The For the fifth (5th) consecutive week this year, the Nigerian Equities market closed in the green zone. This week, the NGX All Share Index (ASI) gained 1.97% WoW to settle at 104,421.23 points, pushing the market's year-to-date returns up to 39.65% (vs. 36.95% YtD last week). The market recorded two (2) consecutive trading sessions of losses on the 30th and 31st of January 2024, spurred by incessant sell-offs in the market particularly in the banking tickers, following the announcement of new CBN guidelines on banks' Net Open Position (NOP). Consequently, the Banking sector (-4.52% WoW) registered the highest losses this week, followed closely by the Insurance (-4.07% WoW) and Oil and Gas (-2.47% WoW) sectors. On the other hand, the Industrial Goods sector (+6.36% WoW) sustained its positive run for the third (3rd) straight week, followed by the Consumer Goods sector (+1.30% WoW). The top gainers for this week were MEYER (+2.8% WoW to NGN4.30), CORNERST (+20.3% WoW to NGN1.90) and GEREGU (+14.7% WoW to NGN568.00). On the other hand, we saw DAARCOMM (-22.2% WoW to NGN0.70), ETERNA (-19.5% WoW to NGN22.10) and SUNUASSUR (-19.1% WoW to NGN1.82) take the lead on the losers' chart. We expect the mixed sentiment in the equities market in the coming week as investors take cognizance of the release of the 2023FY earnings results.

Fixed Income

At the January 2024 secondary FGN Bond auction, the Debt Management Office (DMO) offered NGN360bn worth of instruments across the reopening of four (4) instruments (MAR-2027, APR- 2029, JUN-2033, and JUN-2038) worth NGN90bn each and a total of NGN418.20bn worth of instruments were sold at the auction across the four (4) reopened instruments (MAR-2027:NGN86.19bn, APR-2029:NGN21.94bn, JUN-2033:NGN43.35bn, and JUN-2038:NGN266.73bn). The average bid-to-cover ratio declined to 1.68x from 2.46x at the previous month's auction, indicating a decrease in demand, particularly for the JUN-2038 instrument (-259bps to 3.47x from 6.06x at the last auction). The average stop rate also decreased by 32bps to 15.75% (vs 16.29% at the previous auction). Additionally, at the OMO auction held on Monday, the average stop rates declined by 17bps to 13.50%, down from 13.67% at the preceding auction. Likewise, the average bid-to-cover ratio fell by 21bps to 1.53x (vs 1.73x at the previous auction), indicating weaker demand for the instruments. The Nigerian Treasury Bills market closed the week on a bearish note with the average yield increasing significantly by 293bps WoW to 9.66%. Furthermore, the FGN Bond market witnessed similar sentiment, with the average yield rising by 97bps WoW to close at 14.77%. This was driven by sell-offs across the yield curve. Overall, the Naira Fixed Income market ended the week negative, with the average yield rising by 195bps WoW to close at 12.21%. We expect yields to remain elevated due to investor concerns over the upcoming MPC meeting and potential interest rate hikes amidst CBN's liquidity tightening



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.4	33.2	0.33%	1.37%	Monthly Equities Market Report: January 2024
USD/NGN (₦/\$)					2023FY FBNH Unaudited Financial Result Interest Income & Non-Interest Revenue to the Rescue
NAFEM	1461.00	902.08	-38.26%	61.06%	Monthly Fixed Income Market Report -January 2024
Parallel	1436.0	1402.2	-2.35%	20.17%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (November 2023)	December	November	CHG (pps)		
Headline	28.92	28.2	0.72	28.56	
Core	23.06	22.38	0.68	22.72	
Food	33.93	32.84	1.09	33.39	
GDP (%) - YoY	Q3 23	Q2 23	Q1 23	2022FY	News Headline for the week (click news for link)
Real GDP	2.54	2.51	2.31	3.1	NNPCL remitted zero allocation to Federation Account in 2022 – CFO
Oil	-0.85	-13.43	-4.21	-19.22	Naira: Manufacturers plan general price hike
Agriculture	1.30	1.50	-0.90	1.88	Again, investors rue deepening trouble, losses in real sector
Manufacturing	0.48	2.20	1.61	2.45	Industrial goods' shares gain 96.4% over spike in Dangote Cement
Information and Communication	6.69	8.60	10.32	9.76	PFAs Staked N13.4trn on Undervalued Stocks, Long-term FGN Securities in 2023
Labor Data (%)			Q2 23	Q1 23	HK court orders China Evergrande to liquidate with debts of \$300 bln.
Unemployment Rate			4.2	4.1	Equity market cap nears N60tn.
Underemployment			11.8	12.2	CBN releases fresh \$500 million to clear verified FX backlog.
Capital Importation (\$'mn)	Q3 23	Q2 23	QoQ (%)	YoY (%)	Money supply grows by 50 per cent in 12 months, compounds inflation
Foreign Portfolio Investment - Equities	8.37	8.52	-1.8%	16.10%	S&P: In Spite of Multiple Delays, Dangote Refinery Vital to Nigerian Economy
Bonds	20.56	85.29	-75.89%	-89.91%	California and Big Oil are splitting after century-long affair
Money Market	58.19	13.04	346.2%	-74.82%	Naira plunges in 'official market', CBN warns forex dealers.
Foreign Direct Investment	59.77	86.03	-30.52%	-26.86%	Interconnect debt: We operate by licensing conditions, says MTN.
Monetary Policy Rates (%) (July 2023)	Latest	Prior		CHG (%)	China's factory activity shrinks again, weak demand hobbles economy.
MPR	18.75	18.50		25.0%	P'Harcourt refinery test-run ongoing, marketers project fuel price hike
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Musk says Tesla shareholders to vote on moving incorporation to Texas'
Liquidity Ratio	30.0	30.0		0.0%	Shell plans \$23bn dividend for shareholders
Source: CBN, NBS, FMDQ, ARM Research					Dollar Falls in Parallel Market to N1350/\$, Official Rate at NAFEX Window Holds at N1,461



Weekly Commentary

Equity

Weekly Equities Market Snapshot						Friday, February 2, 2024					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
MEYER	4.30	20.8%	4.30	2.19	19.8%	DAARCOMM	0.70	-22.2%	1.29	0.20	-22.2%
CORNERST	1.90	20.3%	2.09	0.55	35.7%	ETERNA	22.10	-19.5%	37.70	5.40	59.6%
GEREGU	568.00	14.7%	568.00	192.00	42.4%	SUNUASSUR	1.82	-19.1%	2.25	0.32	527.6%
OANDO	14.05	12.0%	16.00	3.75	33.8%	MAYBAKER	6.30	-16.0%	8.50	3.90	20.0%
DANGCEM	763.00	9.9%	763.00	260.00	138.5%	CWG	6.70	-14.1%	9.50	0.81	-19.3%
BERGER	17.35	9.8%	17.35	7.00	33.5%	CADBURY	20.00	-12.9%	31.95	10.20	5.3%
TANTALIZER	0.50	6.4%	0.65	0.20	150.0%	NEM	7.45	-12.4%	8.50	3.89	18.3%
NEIMETH	2.09	5.0%	2.45	1.26	7.7%	HONYFLOUR	4.31	-12.2%	6.43	2.01	29.8%
BUAFOODS	285.00	4.9%	285.00	74.40	47.4%	LINKASSURE	1.15	-11.5%	1.60	0.40	43.8%
BUACEMENT	185.00	3.0%	185.00	81.00	90.7%	FTNCOCOA	1.95	-11.4%	4.10	0.25	31.8%

Tickers	Pts/N	WoW	MtD	QtD	YtD
NGXASI	104,421.23	1.97%	3.23%	39.65%	39.65%
Market Cap	57.16trn	2.00%	3.25%	39.69%	39.69%
NGX Banking	975.61	-4.52%	12.54%	8.74%	8.74%
NGX Industrial	1,480.32	6.36%	0.51%	108.92%	108.92%
NGX Consumer	975.61	1.30%	6.19%	32.02%	32.02%
NGX Oil & Gas	1,251.64	-2.47%	0.03%	20.00%	20.00%
NGX Insurance	1,480.32	-4.07%	6.71%	29.85%	29.85%

Date	Volume (Mn)	Value (NGN Bn)
29-Jan	669.8	25.54
30-Jan	648.95	11.09
31-Jan	740.53	22.2
1-Feb	861.01	12.16
2-Feb	943.51	23.48

Source: NGX, ARM Research

Weekly Commentary

Fixed Income

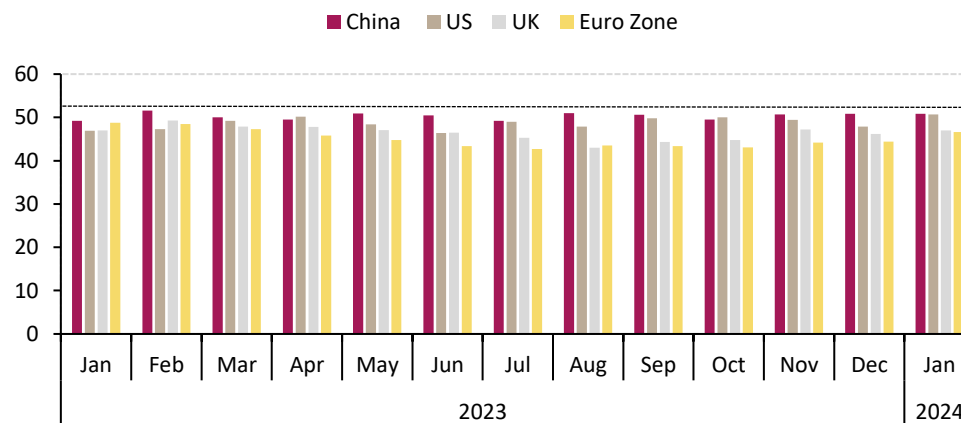


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	92 Day	176 Day	365 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
Money Market				OMO					OMO				
Overnight (O/N)	20.20%	18.83%	1.37%	29-Jan-24	10.00%	13.50%	17.00%	N/A	29-Jan-24	15	15	N/A	270
Open Repo Rate (OPR)	21.20%	17.58%	3.62%	15-Jan-24	10.00%	13.50%	15.50%	N/A	15-Jan-24	22	35	N/A	300
NIBOR - 1M	15.03%	14.33%	0.70%	10-Jan-24	10.50%	14.00%	17.75%	N/A	10-Jan-24	50	N/A	100	150
NIBOR - 3M	15.80%	15.25%	0.55%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	25	N/A	25	50
NIBOR - 6M	16.12%	15.67%	0.45%	20-Dec-23	N/A	12.00%	N/A	15.00%	20-Dec-23	50	50	50	100
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day		Treasury Bills	91 Day	182 Day	364 Day	
1-month	2.50%	2.62%	-0.12%	24-Jan-24	5.00%	7.15%	11.54%		24-Jan-24	7.85	6.44	217.53	
3-month	2.11%	4.35%	-2.24%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49	52.29	
6-month	1.38%	6.89%	-5.51%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16	48.11	
9-month	1.69%	9.14%	-7.45%	13-Dec-23	6.25%	11.00%	13.50%		13-Dec-23	1.10	1.28	11.20	
12-month	1.31%	10.62%	-9.31%	6-Dec-23	9.00%	13.00%	15.75%		6-Dec-23	1.03	1.94	101.39	
FGN Bonds (Local)				FGN Bonds	May-27	Apr-29	Jun-33	Jun-38	FGN Bonds	May-27	Apr-29	Jun-33	Jun-38
14.20% 14-MAR-2024	5.80%	1.84%	3.96%	11-Dec-23	15.00%	16.50%	16.00%	17.15%	11-Dec-23	28.61	9.15	24.34	211.52
13.53% 23-MAR-2025	12.50%	11.99%	0.51%	11-Dec-23	15.50%	16.00%	16.50%	17.15%	11-Dec-23	31.47	33.19	47.07	322.77
12.50% 22-JAN-2026	13.40%	12.45%	0.95%	13-Nov-23	16.00%	17.00%	17.50%	18.00%	13-Nov-23	20.53	22.26	54.86	237.09
16.2884% 17-MAR-2027	14.81%	13.49%	1.32%	16-Oct-23	14.90%	15.75%	15.80%	16.60%	16-Oct-23	43.65	10.45	25.69	171.71
12.1493% 18-JUL-2034	14.16%	14.16%	0.00%	11-Sep-23	14.50%	15.45%	15.55%	16.25%	11-Sep-23	10.43	4.07	25.53	187.73
16.2499% 18-APR-2037	15.20%	15.20%	0.00%	Corporate Bonds	This Week	Prior Week	Wow (%)						
14.8% 26-APR-2049	16.00%	14.87%	1.13%	ACCESS 15.50% 23-JUL-2026	16.08%	15.25%	0.83%						
				VIATHAN 16.00% 14-DEC-2027	15.05%	13.76%	1.29%						
FGN Eurobonds				UNION 16.20% 27-JUN-2029	18.75%	17.49%	1.26%						
7.625 21-NOV-2025	8.86%	8.78%	0.08%	FIDELITY 8.50% 7-JAN-2031	16.04%	15.23%	0.81%						
6.50% 28-Nov-2027	9.37%	9.50%	-0.13%	MTN COM PLC 12.75 11 4-NOV-2031	16.03%	15.23%	0.80%						
7.875% 16-FEB-2032	10.10%	10.26%	-0.16%										
7.625% 28-Nov-2047	10.17%	10.41%	-0.24%										
Source: DMO, CBN, FMDQ, ARM Research													



Contrasting Tales: US & China Lead Manufacturing Rebound, UK & Eurozone Lag

Earlier In January 2024, the global manufacturing landscape showcased a diverse performance, characterized by contrasting trends in different regions. The US manufacturing sector experienced a noteworthy turnaround, with a positive PMI figure of 50.7, reflecting the end of a two-month decline and the most substantial improvement since September 2022. This optimistic outlook stemmed from renewed growth in new orders and a moderated contraction in output, though challenges persisted due to ongoing supply chain issues and escalating input costs. Meanwhile, the UK manufacturing sector remained in contraction, registering a PMI of 47.0, indicating a slight increase from December but still signaling a decline. Output and new orders continued to fall, leading to job losses, purchasing cutbacks, and exacerbated supply chain issues due to the Red Sea crisis. On a positive note, the eurozone manufacturing sector displayed signs of improvement, with a PMI of 46.6, the highest in ten months. Although still below the 50.0 no-change mark, indicating continued contraction, this figure marked the third consecutive month of a softening downturn. Output and new orders saw a weakening rate of decline, reflecting the slowest contraction in nine months. However, substantial spare capacity persisted, accompanied by ongoing employment cuts for the seventh month, albeit at a slower pace. In China, the manufacturing sector remained a bright spot, maintaining a PMI of 50.8, signaling sustained expansion for the third consecutive month—the longest continuous improvement period in two and a half years. While challenges such as job shedding persisted, input costs remained subdued, and slight price discounts were observed due to competitive pressures. In conclusion, the global manufacturing PMI data reveals a delicate recovery, with positive trends in the US and China amid ongoing challenges in the UK and eurozone, including supply chain disruptions and rising costs. The sustainability of positive momentum remains uncertain in the face of these persistent constraints.



Source: Bloomberg ARM Research.



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	80.00	125.7	57.13%	STRONG BUY
FLOUR MILLS NIG. PLC.	41.20	38.37	-6.87%	SELL
GUINNESS NIG PLC	63.70	100	56.99%	STRONG BUY
NIGERIAN BREW. PLC.	39.00	39.22	0.56%	NEUTRAL
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	290.00	326.50	12.59%	OVERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	41.15	45.01	9.38%	NEUTRAL
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
TOTALENERGIES MARKETING NIGERIA PLC	346.50	299.70	-13.51%	SELL

Source: NGX, ARM Research



Thank You





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