



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

7th August – 11th August 2023





Global Economy

Earlier this week, The US Bureau of Labor Statistics released its July 2023 Consumer Price Index (CPI) report. According to the report, the annual CPI rose 3.20% YoY in July 2023, versus 8.50% recorded in July 2022. On a MoM basis, US CPI rose by 0.20%, largely driven by the shelter costs. Despite the uptick in the annual CPI, core CPI, which excludes food and energy prices, eased. Core CPI increased by 0.20% MoM (vs. 0.20% MoM in June 2023) and 4.70% YoY (vs. 4.80% YoY in June 2023) in July 2023. The positive development is following the 11th consecutive interest rate hike undertaken by US Federal Reserve in July 2023.

Domestic Economy

Earlier this week, the Central Bank of Nigeria released its audited accounts for seven (7) years spanning from 2016-2022. The apex bank's financial statements for the year ended December 2022, showed a Profit After Tax (PAT) of NGN103.8bn (vs. NGN75.1bn in 2021). Notably, CBN reported a PAT every year despite economic headwinds such as currency depreciations and increased ways and means to the government. The sudden release of the financial statements reiterates the decision of the new administration to ensure transparency in the bank's operations following the suspension of the CBN governor. Similarly, CBN reported that Foreign Exchange (FX) inflows increased to USD2.55bn since the implementation of the FX liberalization policy in June 2023. According the bank's report, total inflows into the Investors and Exporters (I&E) window surged to USD1.41bn in June 2023 from USD1.14bn in May 2023. This is following increased inflows from companies and exporters. However, capital inflows from foreign investors remained subdued within the period.



Equities

This week, the Nigerian Equities Market extended its bullish run as the NGX All Share Index (ASI) increased by 41bps WoW to 65,325.37 points. Consequently, the year-to-date returns printed at 27.46% (vs. 27.21% YtD last week). All sectors under our coverage closed bearish except Consumer Goods (+1.33%) and Insurance (+6.65%) sectors. This week, SUNUASSUR (+117.0% to NGN1.15), SKYAVN (+73.8% to NGN28.15) and GUINEAINS (+62.5% to NGN0.39) ended the week as the top gainers. However, OMATEK (-33.3% to NGN0.34), ETERNA (-32.1% to NGN19.70) and CADBURY (-17.6% to NGN14.00) topped the losers' chart. In the coming week, we expect mixed sentiments to permeate the market as investors observe events in the fixed income space.

Fixed Income

At the primary NTB auction held this week, the average stop rate declined by 182bps to 6.90% (vs 8.72% at the previous auction). While the average bid-to-cover ratio surged by 392bps to settle at 5.43% (vs 1.51% at the previous auction), indicating an increase in demand for the instruments. However, there was a decrease in demand for the 91-day bill, as its bid-to-cover ratio stood at 3.04x (vs 4.52x at the last auction). Meanwhile, the Secondary Nigeria Treasury Bills market closed the week on a bearish note as average yield surged 37bps WoW to settle at 7.33%. Similarly, the secondary bond market ended the week on a negative side as average yield increased 21bps WoW to settle at 13.52%. This is following selloffs in the FEB-2028(+56bps), NOV-2028 (+19bps), MAY-2029 (+4bps), JUL-2045 (+4bps), and APR-2049 (+9bps) instruments. Overall, the Naira Fixed income market closed the week bearish as average yield increased by 29bps WoW to settle at 10.42%.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.9	34.0	-0.34%	-5.10%	BUACEMENT H123 Financial Results Spiraling Finance Costs Limits Bottom-Line Growth
USD/NGN (₦/\$)					Airtel Africa Plc Q1:2024 Performance - The Constraints of Unrealized FX Losses
NAFEX	776.5	751.7	-3.19%	0.33%	DANGCEM H123 Financial Results FX Devaluation Erodes Bottomline Performance
Parallel	932.5	882.5	-5.36%	2.59%	MTNN Plc H1:2023 Earnings Note - FX Devaluation limits Bottomline Growth
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	LAFARGE H123 Financial Results Performance Marked by Tepid Revenue Growth
Inflation YoY (June 2023)	June	May	CHG (pps)		
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	
GDP (%) - YoY	Q1 23	Q4 22	Q3 22	2022FY	News Headline for the week (click news for link)
Real GDP	2.31	3.52	2.25	3.1	FDI inflow to telecoms sector falls by 47%, industry gets \$399.9m
Oil	-4.21	-13.38	-22.67	-19.22	Stakeholders rue routine rejection of local produce, air cargo overseas
Agriculture	-0.90	2.05	1.34	1.88	Shareholders Tackle Otudeko for Alleged Plot to Scuttle FBN Holdings' AGM
Manufacturing	1.63	2.83	-1.91	2.45	Morning Bid: Bonds droop as inflation cheer fades
Information and Communication	10.32	10.35	10.53	9.76	Niger owes Nigeria N4bn for power supply - NERC
Labor Data (%) - Q4 20			Latest	Prior	FBN amends AGM agenda, to raise N150bn capital
Unemployment Rate			33.3	27.1	Dollar breaks N900/\$ ceiling, heads to N950/\$ at alternative markets
Underemployment			22.8	28.8	National Assembly Tasked on Illegal Allowances, Pending RMAFC Bill
Capital Importation (\$'mn)	Q1 23	Q4 22	QoQ (%)	YoY (%)	Oil settles lower as US rate hike fears subside, China demand weighs
Foreign Portfolio Investment - Equities	222.31	4.86	4474.28%	599.52%	GSK: Experts fear more coys may exit Nigeria
Bonds	301.08	144.44	108.45%	-2.90%	Capitalisation dips by N15 billion amid selloff in Gereggu, others
Money Market	125.90	135.96	-7.4%	-79.55%	China tips into deflation as efforts to stoke recovery falter
Foreign Direct Investment	47.60	84.23	-43.49%	-69.28%	FMDQ secondary market posts N21.7 trillion turnover in June
Monetary Policy Rates (%) (July 2023)	Latest	Prior		CHG (%)	Lafarge Africa Declares 18% PBT Growth in H1 2023
MPR	18.75	18.5		25.0%	US dollar gains as Fed comments on more rate hikes lend support
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Border closure threatens \$226m Nigeria-Niger trade
Liquidity Ratio	30.0	30.0		0.0%	Moody's downgrades US banks, warns of possible cuts to others

Source: CBN, NBS, FMDQ, ARM Research



Weekly Equities Market Snapshot						Friday, August 11, 2023					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
SUNUASSUR	1.15	117.0%	1.18	0.27	3.7%	OMATEK	0.34	-33.3%	0.72	0.20	70.0%
SKYAVN	28.15	73.8%	28.15	5.00	16.8%	ETERNA	19.70	-32.1%	37.70	5.40	194.5%
GUINEAINS	0.39	62.5%	0.39	0.20	4.8%	CADBURY	14.00	-17.6%	18.80	10.20	17.6%
GUINEAINS	0.39	44.4%	0.39	0.20	4.8%	ABCTrans	0.48	-17.2%	0.50	0.23	92.0%
ABBEYBDS	1.59	42.0%	1.68	1.00	0.0%	GUINNESS	60.50	-17.1%	87.90	54.45	-12.7%
NASCON	36.90	27.2%	41.00	9.50	7.3%	NEIMETH	1.51	-17.0%	2.42	1.26	5.6%
CORNERST	1.18	22.9%	1.25	0.40	0.0%	RTBRISCOE	0.43	-15.7%	0.81	0.22	65.4%
GLAXOSMITH	10.10	22.4%	10.70	5.40	0.0%	GOLDBREW	3.15	-15.1%	3.22	0.81	288.9%
SEPLAT	1693.60	21.0%	1693.60	1050.00	3.1%	PZ	17.00	-15.0%	24.00	8.05	49.8%
LINKASSURE	0.83	20.3%	0.85	0.36	13.5%	NGXGROUP	24.40	-12.9%	30.25	17.00	-2.6%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	65,325.37	0.41%	1.54%	7.15%	27.46%
Market Cap	35.57trn	0.48%	1.60%	7.15%	27.43%
NGX Banking	681.58	-0.90%	1.69%	5.60%	63.25%
NGX Industrial	877.59	-0.16%	-0.13%	14.02%	18.20%
NGX Consumer	681.58	1.33%	2.79%	-1.92%	49.01%
NGX Oil & Gas	918.43	-1.00%	-1.39%	18.38%	98.59%
NGX Insurance	877.59	6.65%	4.99%	-1.20%	57.00%

Date	Volume (Mn)	Value (NGN Bn)
7-Aug	320.37	3.77
8-Aug	317.81	4.47
9-Aug	238.04	2.62
10-Aug	361.2	5.74
11-Aug	489.69	8.36

Source: NGX, ARM Research



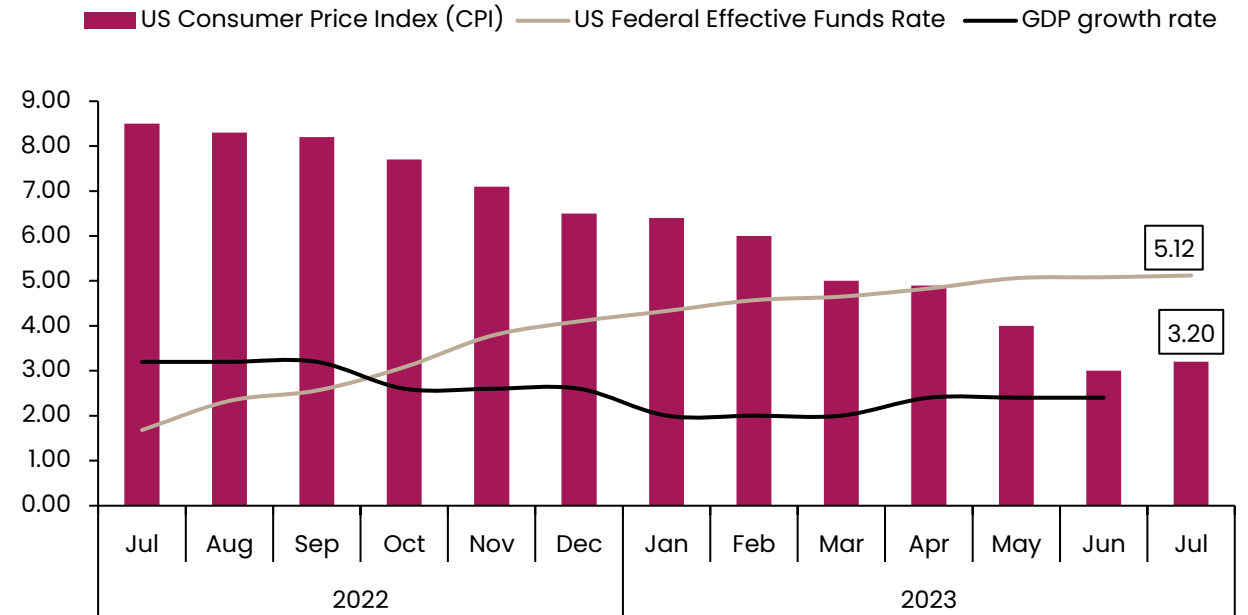
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year														
Money Market				OMO				OMO																	
Overnight (O/N)	2.00%	6.83%	-4.83%																						
Open Repo Rate (OPR)	2.80%	5.83%	-3.03%																						
NIBOR - 1M	11.00%	9.89%	1.12%																						
NIBOR - 3M	11.64%	11.19%	0.45%																						
NIBOR - 6M	12.56%	12.81%	-0.25%																						
Treasury Bills				Treasury Bills				Treasury Bills																	
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day														
1-month	3.31%	3.99%	-0.68%	9-Aug-23	5.00%	5.90%	9.80%	9-Aug-23	4.52	1.32	148.15														
3-month	4.84%	5.19%	-0.35%	26-Jul-23	6.00%	8.00%	12.15%	26-Jul-23	2.85	6.44	255.04														
6-month	6.72%	6.46%	0.26%	12-Jul-23	2.86%	3.50%	5.94%	12-Jul-23	2.78	1.49	137.50														
9-month	8.28%	8.52%	-0.24%	30-Jun-23	2.87%	4.37%	6.23%	30-Jun-23	1.75	17.16	168.21														
12-month	10.62%	10.23%	0.39%	14-Jun-23	4.89%	5.12%	8.24%	14-Jun-23	1.10	1.28	32.15														
FGN Bonds (Local)				FGN Bonds								FGN Bonds													
					Feb-28	Apr-29	Apr-32	Jun-33	Apr-37	Jun-38	Jan-42	Apr-49	Mar-50	Jun-53		Feb-28	Apr-29	Apr-32	Jun-33	Apr-37	Jun-38	Jan-42	Apr-49	Mar-50	Jun-53
14.20% 14-MAR-2024	7.63%	7.69%	-0.06%	17-Jul-23	N/A	12.50%	N/A	13.60%	N/A	14.10%	N/A	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	10.69%	9.62%	1.07%	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
12.50% 22-JAN-2026	12.06%	12.00%	0.06%	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	12.52%	12.54%	-0.02%	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%	14.00%	0.00%	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
16.2499% 18-APR-2037	14.90%	14.60%	0.30%	Corporate Bonds				This Week	Prior Week	WoW (%)															
14.8% 26-APR-2049	15.02%	15.05%	-0.03%																						
FGN Eurobonds																									
16.50 MIXTA IIA 12-OCT-2023					5.84%			5.85%						-0.01%											
7.625 21-NOV-2025	9.89%	9.21%	0.68%	FCMB 17.25% 8-DEC-2023	7.29%			7.29%						0.00%											
6.50% 28-Nov-2027	10.56%	9.21%	1.35%	ACCESS 15.50% 23-JUL-2026	14.56%			14.19%						0.37%											
7.875% 16-FEB-2032	10.82%	10.48%	0.34%	VIATHAN 16.00% 14-DEC-2027	13.12%			13.07%						0.05%											
7.625% 28-Nov-2047	11.09%	10.87%	0.22%	UNION 16.20% 27-JUN-2029	16.54%			16.40%						0.14%											
				FIDELITY 8.50% 7-JAN-2031	14.54%			14.29%						0.25%											
				MTN COM PLC 12.75 4-NOV-2031	14.52%			14.27%						0.25%											

Source: DMO, CBN, FMDQ, ARM Research



US Inflation – The Mission Is Not Quite Accomplished

This week, the US Bureau of Labor Statistics has released its Consumer Price Index (CPI) report for July 2023. According to the report, the Headline CPI experienced a year-on-year increase of 3.2% in July 2023, as compared to 3.0% in June 2023. The Core Inflation, which excludes the volatile prices of food and energy, also saw a year-on-year rise of 4.7%. This increase can be attributed to a 0.4% growth in the Housing index. On a month-to-month basis, both the Headline CPI and Core CPI exhibited a growth of 0.2% in July 2023. Although US inflation has significantly retreated from its 40-year highs in mid-2022, demonstrating the efficacy of the consistent Hawkish monetary policy, the mission is not entirely accomplished yet, as CPI figures remain notably above the targeted rate of 2%. While it is not anticipated that the US Federal Reserve will persist with aggressive rate hikes in their upcoming policy meeting scheduled for September, the possibility of rate cuts is also unlikely. Furthermore, it is noteworthy that the heightened rates have not yet made a significant impact on US economic growth, as the first half of the year yielded gains of 2.0% and 2.4% in Q1 and Q2, respectively as demonstrated on the chart.



Source: ONS, US Fed, Eurostat, ARM Research.



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	33.00	23.7	-28.18%	SELL
FLOUR MILLS NIG. PLC.	29.75	38.37	28.97%	STRONG BUY
GUINNESS NIG PLC	60.50	144.71	139.19%	STRONG BUY
NIGERIAN BREW. PLC.	42.50	39.22	-7.72%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	17.35	20.86	20.23%	STRONG BUY
FBN HOLDINGS PLC	19.00	24.62	29.58%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY PLC	37.90	38.13	0.61%	NEUTRAL
UNITED BANK FOR AFRICA PLC	14.40	17.67	22.71%	STRONG BUY
ZENITH BANK PLC	35.00	39.58	13.09%	OVERWEIGHT
ICT	CP	TP	Upside/Downside	RECOMMENDATION
AIRTEL AFRICA PLC	1319.90	915.11	-30.67%	SELL
MTN NIGERIA COMMUNICATIONS PLC	279.90	352.96	26.10%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
BUA CEMENT PLC	98.95	110.81	11.99%	OVERWEIGHT
DANGOTE CEMENT PLC	349.90	348.34	-0.45%	UNDERWEIGHT
LAFARGE AFRICA PLC (WAPCO)	27.75	45.01	62.20%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	1693.60	1,483.90	-12.38%	SELL
TOTALENERGIES MARKETING NIGERIA PLC	385.00	437.35	13.60%	OVERWEIGHT

Source: Bloomberg, ARM Research



Thank You





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