



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

31st July – 4th August 2023





Global Economy

Earlier this week, the US Bureau of Labor Statistics released its Jobs report for July 2023, noting that the US added fewer jobs than the previous period. The US nonfarm payroll rose by 187,000 in July 2023, marginally higher than the 185,000 recorded in June 2023. The unemployment rate also changed marginally by 10bps to 3.50% in July 2023. Another key labor statistic, labor participation rate, remained constant for the fifth consecutive month at 62.60%. However, looking at the data holistically, most indicators point to a slower growth in the US economy, following the recent 25bps rate hike by the US Federal Reserve in July 2023.

Domestic Economy

Earlier this week, the Nigerian Electricity Regulatory Commission (NERC) released the electricity report for Q1:2023. The report showed that electricity Distribution Companies (DisCos) in Nigeria collected revenue amounting to NGN247.09bn in Q1:2023. This marks a decline of 458bps to 73.33% vs (68.75% in 2022FY). The decrease in collection efficiency raises concerns about the financial health of the DisCos and highlights the need for effective measures to improve revenue collection and ensure the sustainability of the energy sector in Nigeria.



Equities

The Nigerian Equities Market closed the week on a bullish note as the NGX All Share Index gained 22bps WoW to 65,198.08 points. The market gained in only two (2) out of the five (5) trading days in the week. Consequently, the year-to-date returns printed at 27.21% (last week's print: 26.94%). This week, the Banking (-2.13%) and Oil and Gas (-0.68%) sectors closed in the red while Industrial Goods (+0.23%), Consumer Goods (+2.27%) and Insurance (+5.88%) sectors closed bullish. This week, the top gainers include SUNUASSUR (+75.5% to NGN0.93), SKYAVN (+73.8% to NGN28.15) and NASCON (+41.4% to NGN41.00). On the flipside, the top losers for the week were JOHNSHOLT (-45.8% to NGN1.47), OMATEK (-33.3% to NGN0.34) and ETERNA (-27.2% to NGN21.10). In the coming week, we expect investors to stay long on stocks with attractive dividend payments, following the release of earnings reports.

Fixed Income

The Nigerian Treasury Bills market ended the week bullish as average yield declined by 16bps to WoW to settle at 6.96%. However, the secondary bond market ended the week bearish as average yield surged 18bps WoW to settle at 13.31%. This is following selloffs in the JAN-2026 (+46bps) and MAR-2050 (+9bps) instruments.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.0	34.0	0.00%	-5.10%	Monthly Equities Market Update July 2023
USD/NGN (₦/\$)					Monthly Fixed Income Market Report – July 2023
NAFEX	751.7	768.6	2.25%	0.33%	
Parallel	882.5	872.5	-1.13%	2.59%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
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	NGX lists FG N130bn Sukuk bond
Oil	-4.21	-13.38	-22.67	-19.22	NCC plans clean energy policies for \$75.6 billion telecoms sector
Agriculture	-0.90	2.05	1.34	1.88	Oil prices set for sixth weekly gain as producers pledge output cuts
Manufacturing	1.63	2.83	-1.91	2.45	Billionaire investor Ackman says he is shorting 30-year Treasuries
Information and Communication	10.32	10.35	10.53	9.76	FG to advance digitisation as NCC, BPSR sign MoU.
Labor Data (%) - Q4 20			Latest	Prior	Equity Market rebounds after four-day dip.
Unemployment Rate			33.3	27.1	Chinese cities tighten property firms' access to escrow funds.
Underemployment			22.8	28.8	Nigerian Banks Hike Staff Emoluments Amid Increase in Cost of Living.
Capital Importation (\$'mn)	Q1 23	Q4 22	QoQ (%)	YoY (%)	Foreign investment in equities market declines by 90.6% in 10yrs.
Foreign Portfolio Investment - Equities	222.31	4.86	4474.28%	599.52%	States, local councils get N2.59tn as economic hardship worsens.
Bonds	301.08	144.44	108.45%	-2.90%	Asia's factory activity shrinks as China's slump, global slowdown weigh
Money Market	125.90	135.96	-7.4%	-79.55%	FG, oil companies to drive cleaner hydrocarbon amid challenges
Foreign Direct Investment	47.60	84.23	-43.49%	-69.28%	WHO votes 1,800 diphtheria vaccine for Nigeria August
Monetary Policy Rates (%) (May 2023)	Latest	Prior		CHG (%)	Subsidy pains: Labour insists on protest as Tinubu okays N500bn palliative, 3,000 buses
MPR	18.75	18.5		25.0%	China's factory, services sectors show weakness, need for stimulus
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Stakeholders worried as NGX delists 1.31 billion shares of Ardova.
Liquidity Ratio	30.0	30.0		0.0%	Equity investors record N8bn gain in one week.
Source: CBN, NBS, FMDQ, ARM Research					Apple sees sales slump continuing, shares drop 2% despite beating sales expectations



Weekly Equities Market Snapshot						Friday, August 4, 2023					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
SUNUASSUR	0.93	75.5%	0.94	0.27	3.7%	JOHNHOLT	1.47	-45.8%	3.14	0.73	101.4%
SKYAVN	28.15	73.8%	28.15	5.00	16.8%	OMATEK	0.34	-33.3%	0.72	0.20	70.0%
NASCON	41.00	41.4%	41.00	9.50	7.3%	ETERNA	21.10	-27.2%	37.70	5.40	215.4%
ABBEYBDS	1.46	30.4%	1.68	1.00	0.0%	GUINNESS	55.00	-24.7%	87.90	54.45	-20.6%
DANGSUGAR	37.50	29.3%	37.60	15.00	2.3%	ALEX	6.50	-18.6%	6.50	6.50	-47.6%
TANTALIZER	0.33	22.2%	0.34	0.20	4.2%	CADBURY	13.95	-17.9%	18.80	10.20	17.2%
LINKASSURE	0.84	21.7%	0.85	0.36	13.5%	MAYBAKER	4.90	-16.2%	6.03	3.35	14.0%
SEPLAT	1693.60	21.0%	1693.60	1050.00	3.1%	NEIMETH	1.56	-14.3%	2.42	1.26	9.1%
ELLAHLAKES	3.78	11.5%	4.75	3.19	7.3%	SOVRENINS	0.50	-13.8%	0.70	0.23	78.6%
BETAGLAS	38.50	10.0%	46.10	35.00	15.8%	NGXGROUP	24.50	-12.5%	30.25	17.00	-2.2%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	65,198.08	0.22%	1.34%	6.94%	27.21%
Market Cap	35.48trn	0.22%	1.34%	6.87%	27.10%
NGX Banking	673.10	-2.13%	0.43%	4.29%	61.22%
NGX Industrial	885.74	0.23%	0.26%	14.47%	18.66%
NGX Consumer	673.10	2.27%	3.75%	-1.01%	50.40%
NGX Oil & Gas	921.34	-0.68%	-1.08%	18.75%	99.22%
NGX Insurance	885.74	5.88%	4.23%	-1.92%	55.86%

Source: NGX, ARM Research

Weekly Commentary & Stock Recommendation

Fixed Income

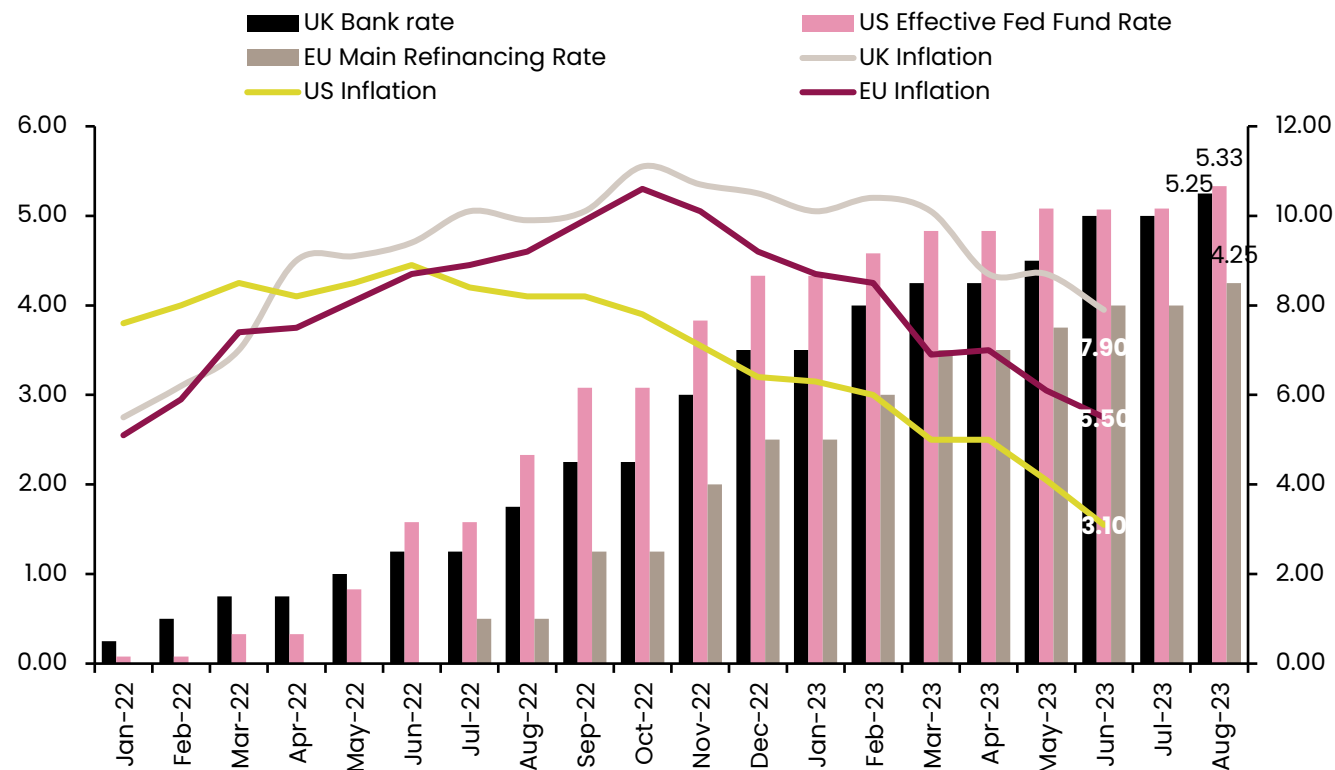


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year													
Money Market				OMO				OMO																
Overnight (O/N)	6.83%	1.40%	5.43%																					
Open Repo Rate (OPR)	5.83%	0.90%	4.93%																					
NIBOR - 1M	9.89%	11.68%	-1.80%																					
NIBOR - 3M	11.19%	12.88%	-1.69%																					
NIBOR - 6M	12.81%	13.88%	-1.07%																					
Treasury Bills				Treasury Bills				Treasury Bills																
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day													
1-month	3.99%	2.61%	1.38%	26-Jul-23	6.00%	8.00%	12.15%	26-Jul-23	2.85	6.44														
3-month	5.19%	3.92%	1.27%	12-Jul-23	2.86%	3.50%	5.94%	12-Jul-23	2.78	1.49	137.50													
6-month	6.46%	5.67%	0.79%	30-Jun-23	2.87%	4.37%	6.23%	30-Jun-23	1.75	17.16	168.21													
9-month	8.52%	7.10%	1.42%	14-Jun-23	4.89%	5.12%	8.24%	14-Jun-23	1.10	1.28	32.15													
12-month	10.23%	9.49%	0.74%	07-Jun-23	4.48%	6.00%	9.45%	07-Jun-23	1.03	1.94	179.89													
FGN Bonds (Local)				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	7.69%	7.69%	0.00%	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	9.62%	8.99%	0.63%	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	12.00%	11.55%	0.45%	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	12.54%	12.55%	-0.01%	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	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%	14.60%	0.00%	Corporate Bonds																				
					This Week	Prior Week					WoW (%)													
14.8% 26-APR-2049	15.05%	14.79%	0.26%																					
FGN Eurobonds				FGN Eurobonds																				
				16.50 MIXTA IIA 12-OCT-2023		5.85%		5.83%			0.02%													
7.625 21-NOV-2025	9.21%	8.80%	0.41%	FCMB 17.25% 8-DEC-2023		7.29%		7.29%			0.00%													
6.50% 28-Nov-2027	9.21%	8.80%	0.41%	ACCESS 15.50% 23-JUL-2026		14.19%		13.70%			0.49%													
7.875% 16-FEB-2032	10.48%	10.31%	0.17%	VIATHAN 16.00% 14-DEC-2027		13.07%		12.67%			0.40%													
7.625% 28-Nov-2047	10.87%	10.75%	0.12%	UNION 16.20% 27-JUN-2029		16.40%		16.05%			0.35%													
				FIDELITY 8.50% 7-JAN-2031		14.29%		14.12%			0.17%													
Source: DMO, CBN, FMDQ, ARM Research				Source: DMO, CBN, FMDQ, ARM Research																				
				MTN COM PLC 12.75 II 4-NOV-2031		14.27%		14.09%			0.18%													



It's Not Over Yet - The Hawks Are Here To Stay

Earlier this week, the Bank of England (BoE) announced a hike in the UK's Benchmark Bank rate by 25bps to 5.25%. The Monetary Policy Committee (MPC) voted by a majority of 6-3 to raise the rate by 25bps. While the UK economy noted a downward trend in its CPI in June 2023, this remained far above the BoE's policy target rate of 2.00%. Also, the US Federal Reserve and the European Central Bank raised their benchmark rates by 25bps each, bringing interest rate levels to 5.25%-5.50% and 4.25%, respectively. As depicted in the graph, we observed a fall in consumer prices across the developed markets with the UK inflation being the highest. The UK MPC noted that it will continue to monitor closely indications of persistent inflationary pressures and resilience in the economy, including the tightness of labor market conditions and the behavior of wage growth and services price inflation. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required. The MPC also posited that the Bank Rate is sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with its remit.



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



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	37.50	23.7	-36.80%	SELL
FLOUR MILLS NIG. PLC.	29.50	38.37	30.07%	STRONG BUY
GUINNESS NIG PLC	55.00	144.71	163.11%	STRONG BUY
NIGERIAN BREW. PLC.	42.50	39.22	-7.72%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	17.10	20.86	21.99%	STRONG BUY
FBN HOLDINGS PLC	18.30	24.62	34.54%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY PLC	36.40	38.13	4.75%	NEUTRAL
UNITED BANK FOR AFRICA PLC	14.20	17.67	24.44%	STRONG BUY
ZENITH BANK PLC	34.10	39.58	16.07%	OVERWEIGHT
ICT	CP	TP	Upside/Downside	RECOMMENDATION
AIRTEL AFRICA PLC	1319.90	915.11	-30.67%	SELL
MTN NIGERIA COMMUNICATIONS PLC	277.00	352.96	27.42%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
BUA CEMENT PLC	98.95	110.81	11.99%	OVERWEIGHT
DANGOTE CEMENT PLC	352.00	348.34	-1.04%	UNDERWEIGHT
LAFARGE AFRICA PLC (WAPCO)	28.00	45.01	60.75%	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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