



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

15th April – 19th April 2024





Global Economy

Earlier this week, we saw data from the US Census Bureau on retail sales for March 2024. Retail sales rose 0.7% MoM in March 2024, according to the department. Data for February 2024 was revised higher to show sales rebounding 0.9% MoM, which was the largest gain in just over a year, instead of the previously reported 0.6% MoM. This underpins the solid US economy and gives reason to substantiate a “higher for longer” policy rate forecast. Contrastingly, in the UK, Retail sales volumes were estimated to be flat (0.0% MoM) in March 2024, according to the Office of National Statistics (ONS), following an increase of 0.1% MoM in February 2024 (revised from 0.0% MoM). More on the UK, the ONS during the week released its March 2024 Consumer Price Index (CPI) data. The data revealed that the Consumer Prices Index (CPI) rose by 3.2% YoY in March 2024, down from 3.4% YoY in February 2024. Core CPI (excluding energy, food, alcohol, and tobacco) rose by 4.2% YoY in March 2024, down from 4.5% YoY in February 2024. On a MoM basis, CPI rose by 0.6% in March 2024, compared with a rise of 0.8% in March 2023. Finally, according to the Chinese National Bureau of Statistics, Gross domestic product (GDP) grew by 5.3% YoY in Q1:2024, vs. 5.2% YoY recorded in Q4:2023. While the Chinese property market slump continues to weigh heavily overall GDP, the investments in relatively newer industries like EVs, solar and batteries in its manufacturing sector paid off, by shoring growth during the quarter.

Domestic Economy

Earlier this week, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for March 2024, showing a 150bps rise in headline inflation to 33.20% YoY from 31.70% YoY in February 2024. This increase was primarily due to significant upticks in food (+209bps to 40.01% YoY) and core (+77bps to 25.90% YoY) inflation. On a month-to-month (MoM) basis, headline inflation decreased slightly by 10bps to 3.02% MoM, down from 3.12% MoM in February 2024, following a decline in food inflation (-18bps to 3.62% MoM). However, core inflation saw an increase of 37bps to 2.54% MoM. Elsewhere, in a recently released circular, the Central Bank of Nigeria (CBN) reduced the Loan-to-Deposit Ratio (LDR) requirement for banks by 15% to 50%. This adjustment reflects the CBN's move towards a more restrictive monetary policy. While banks are still urged to uphold strong lending risk management practices, the CBN would oversee compliance and make necessary ratio adjustments. We view this adjustment as one of the measures by the CBN to continue to rein in the money supply glut and mitigate inflationary pressures.



Equities

This week, negative sentiment permeated the Nigerian equities market, as the market gained in only one (1) out of the five (5) trading days of the week. Consequently, the NGX All Share Index lost 2.71% WoW to print at 99,539.75 points, pushing the market's year-to-date (YtD) return furthermore down to 33.12% from last week's 36.83% YtD. We also observed negative returns across four (4) out of five (5) sectors under our coverage with the Banking sector (-11.46% WoW) taking the lead, on the back of losses incurred in ZENITHBANK (-11.25% WoW). In addition, the Insurance (-2.80% WoW), Industrial Goods (-2.71% WoW) and Consumer Goods (-0.96% WoW) sectors closed in the red. However, the Oil and Gas sector ended the week flat. The top gainers for the week were MORISON (+45.3% WoW to NGN3.12), GUINNESS (+10.0% WoW to NGN55.00) and ACADEMY (+9.8% WoW to NGN1.91). On the flipside, GTCO (-19.1% WoW to NGN33.50), LIVESTOCK (-19.0% WoW to NGN1.45) and JAPAUFGOLD (-18.5% WoW to NGN1.67) led the laggards for the week. In the coming week, we expect that bearish sentiment will persist in the bourse given the current high fixed income yield environment. Furthermore, we believe that the recent Central Bank's policies directed at banks - minimum capital requirement for banks and the reduction of the Loan-to-Deposit (LDR) ratio - could spur further sell-offs in the banking sector.

Fixed Income

Earlier this week, the Debt Management Office (DMO) issued NGN450bn worth of bonds. This included a new issuance maturing in APR-2029 with a 5-year tenor and the reopening of two existing bonds maturing in FEB-2031 and FEB-2034, each worth NGN150bn. The average stop rate for the instruments was 19.68%. There was strong investor demand, reflected in a high average bid-to-cover ratio of 2.04x. This demand was particularly evident for the APR-2029 (1.60x) and FEB-2034 (3.67x) instruments. At the secondary market, the Nigerian Treasury bills (NT-bills) market witnessed bearish sentiment with the average yield increasing significantly by 632bps WoW to close at 25.18%. In contrast, the FGN Bond market was bullish with the average yield dipping by 23bps WoW to 19.04%. This was driven by buying interest across all tenors of the yield curve, particularly in the MAR-2025 (-113bps), FEB-2028 (-67bps) and MAR-2028 (-64bps) instruments. Overall, the Naira fixed income market concluded negative as the average yield surged by 305bps WoW to 22.11%. We expect the bearish sentiment to persist in the coming week as liquidity remains tight.

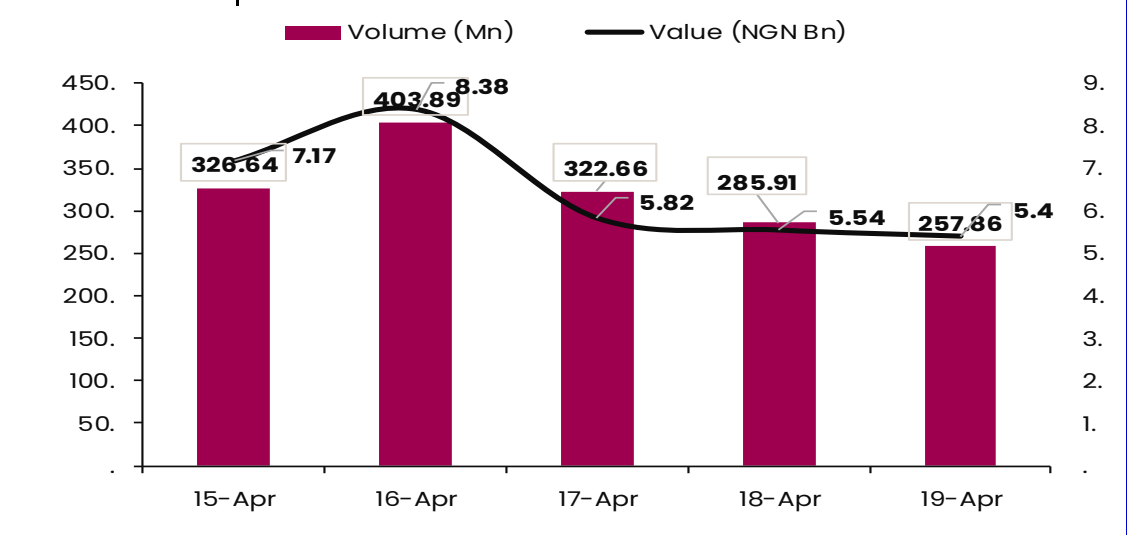
	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	32.1	33.4	-3.78%	-2.46%	March 2024 CPI Report A Moderation in Sight
USD/NGN (₦/\$)					
NAFEM	1240.00	1255.07	1.22%	-26.85%	
Parallel	1180.8	1147.5	-2.82%	1.20%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (March 2024)					
	March	February	CHG (pps)		
Headline	33.20	31.70	1.50	32.45	
Core	25.9	25.13	0.77	25.52	
Food	40.01	37.92	2.09	38.97	
GDP (%) - YoY					
	Q4 23	Q3 23	Q2 23	2023FY	News Headline for the week (click news for link)
Real GDP	3.46	2.54	2.51	2.74	Stocks sink, oil jumps after Israeli attack on Iran
Oil	12.11	-0.85	-13.43	-2.22	SEC moves to curb illicit funds in banking recapitalisation
Agriculture	2.10	1.30	1.50	1.13	Dangote refinery ramps up production with US crude – Report
Manufacturing	1.38	0.48	2.20	1.4	FG to execute \$3.8bn gas supply agreement in May
Information and Communication	6.33	6.69	8.60	7.91	Cardoso: CBN Has No Intention of Intervening in Forex Market
Labor Data (%)					
		Q3 23	Q2 23	Q1 23	IMF reviews Nigeria's economic growth to 3.3%
Unemployment Rate		5	4.2	4.1	Nigeria's inflation rate will drop to 23% by 2025 –IMF
Underemployment		12.3	11.8	12.2	Asian shares slide on US rate cut rethink, Middle East worries
Capital Importation (\$'mn)					
	Q4 23	Q3 23	QoQ (%)	YoY (%)	China's Q1 GDP growth solid but March data shows demand still feeble
Foreign Portfolio Investment - Equities	10.83	8.37	29.4%	122.77%	FAO's Food Price Index Surged by 1.1% in March
Bonds	67.16	20.56	226.65%	-53.51%	Nigeria Records Highest Quarterly Oil Output in Three-years Despite Production Decline in Q1, 2024
Money Market	231.78	58.19	298.3%	70.47%	Dangote, modular refineries to pay naira for crude
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	Naira nears 1,000/\$ at parallel market
Monetary Policy Rates (%) (March 2024)					
	Latest	Prior		CHG (%)	Oil prices fall after Iran attack as market draws down risk premium
MPR	24.75%	22.75%		2.0%	US growth may be a global boon, but inflation could derail the train
Cash Reserve Ratio (CRR)	45%	45%		0.0%	CRR: Ten Banks' Restricted Deposit with CBN Hits N17.1tn
Liquidity Ratio	30%	30%		0.0%	N720bn lost to lower crude production in two months – Report
Source: CBN, NBS, FMDQ, ARM Research					
Recapitalisation race: Top banks target \$3bn fund in foreign capital markets					



Weekly Equities Market Snapshot Friday, April 19, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
MORISON	3.72	45.3%	3.72	1.41	32.9%	GTCO	33.50	-19.1%	53.95	22.05	-17.3%
GUINNESS	55.00	10.0%	80.00	42.05	-16.7%	LIVESTOCK	1.45	-19.0%	2.32	0.93	-21.6%
ACADEMY	1.91	9.8%	2.50	1.29	-1.5%	JAPAUFGOLD	1.67	-18.5%	3.38	0.28	-1.8%
PRESTIGE	0.61	8.9%	0.68	0.36	19.6%	CAVERTON	1.50	-15.7%	2.30	0.95	-16.2%
NEM	10.35	8.4%	10.60	4.05	64.3%	AIICO	1.00	-15.3%	1.69	0.53	25.0%
REGALINS	0.41	7.9%	0.68	0.29	7.9%	CORNERST	1.93	-15.0%	2.67	0.65	37.9%
DAARCOMM	0.70	7.7%	1.29	0.20	-22.2%	CWG	6.10	-14.7%	9.50	0.96	-26.5%
ROYALEX	0.67	4.7%	1.06	0.44	-98.0%	STERLINGNG	4.21	-11.9%	8.20	1.50	200.7%
NSLTECH	0.60	3.4%	0.85	0.25	-18.9%	ACCESSCORP	17.00	-11.9%	30.70	8.90	-26.6%
ABCTRANS	0.71	1.4%	1.35	0.34	-12.3%	FTNCOCOA	1.37	-11.6%	4.10	0.25	-7.4%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	99,539.75	-2.71%	-4.80%	-4.80%	33.12%
Market Cap	56.3trn	-2.71%	-4.78%	-4.78%	37.58%
NGX Banking	788.92	-11.46%	-23.38%	-23.38%	-12.07%
NGX Industrial	1,588.95	-2.71%	-3.20%	-3.20%	72.79%
NGX Consumer	788.92	-0.96%	-1.36%	-1.36%	41.71%
NGX Oil & Gas	1,290.74	0.00%	-0.28%	-0.28%	23.75%
NGX Insurance	1,588.95	-2.80%	-5.99%	-5.99%	18.64%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income



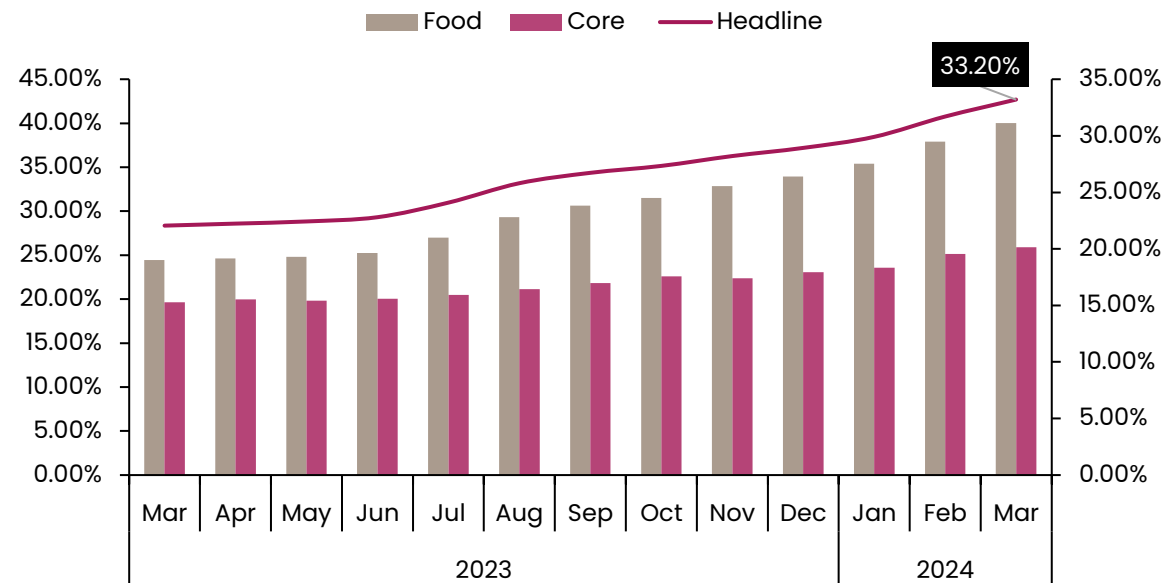
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor								
Money Market				OMO				OMO											
Overnight (O/N)	29.39%	23.00%	6.39%	03-Apr-24	19.00%	19.50%	21.13%	03-Apr-24	17	7	652								
Open Repo Rate (OPR)	30.25%	22.11%	8.14%	1-Mar-24	19.00%	19.50%	21.50%	01-Mar-24	37	6	1013								
NIBOR - 1M	24.75%	21.38%	3.38%	29-Jan-24	10.00%	13.50%	17.00%	29-Jan-24	15	15	270								
NIBOR - 3M	25.46%	22.42%	3.04%	15-Jan-24	10.00%	13.50%	15.50%	15-Jan-24	22	35	300								
NIBOR - 6M	26.07%	23.46%	2.61%	10-Jan-24	10.50%	14.00%	17.75%	10-Jan-24	50	100	150								
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day								
1-month	16.50%	13.37%	3.13%	12-Apr-24	16.24%	17.00%	20.70%	12-Apr-24	29.83	25.58	1,134.30								
3-month	17.71%	16.01%	1.70%	27-Mar-24	16.24%	17.00%	21.12%	27-Mar-24	29.83	25.58	1134.3								
6-month	19.60%	18.48%	1.12%	13-Mar-24	16.24%	17.00%	21.12%	13-Mar-24	728.17	918.38	159.85								
9-month	21.97%	21.09%	0.88%	6-Mar-24	17.24%	18.00%	21.49%	6-Mar-24	331.01	66.25	1192.09								
12-month	25.16%	23.31%	1.85%	21-Feb-24	17.00%	17.50%	19.00%	21-Feb-24	200	200	600								
FGN Bonds (Local)				FGN Bonds	Mar-27	May-27	Apr-29	Feb-31	Jun-33	Feb-34	Jun-38	FGN Bonds	Mar-27	May-27	Apr-29	Feb-31	Jun-33	Feb-34	Jun-38
13.53% 23-MAR-2025	18.80%	19.93%	-1.13%	15-Apr-23	N/A	N/A	19.30%	19.75%	N/A	20.00%	N/A	15-Apr-23	N/A	N/A	79.92	85.05	N/A	461.85	N/A
12.50% 22-JAN-2026	18.70%	19.17%	-0.47%	18-Mar-23	19.94%	N/A	N/A	20.00%	N/A	20.45%	N/A	18-Mar-23	151.93	N/A	N/A	47.84	N/A	275.85	N/A
16.2884% 17-MAR-2027	18.56%	19.06%	-0.50%	19-Feb-23	N/A	N/A	N/A	18.50%	N/A	19.00%	N/A	19-Feb-23	N/A	N/A	N/A	873.53	24.34	621.38	N/A
12.1493% 18-JUL-2034	19.06%	19.06%	0.00%	29-Jan-23	15.00%	N/A	15.50%	N/A	16.00%	N/A	16.50%	29-Jan-23	86.19	N/A	21.94	N/A	43.35	N/A	266.73
16.2499% 18-APR-2037	18.93%	18.92%	0.01%	11-Dec-23	N/A	15.50%	16.00%	N/A	16.50%	N/A	17.15%	11-Dec-23	N/A	31.47	33.19	N/A	47.07	N/A	322.77
14.8% 26-APR-2049	18.61%	18.60%	0.01%																
				Corporate Bonds	This Week	Prior Week	WoW (%)												
				ACCESS 15.50% 23-JUL-2026	21.67%	22.35%	-0.68%												
				VIATHAN 16.00% 14-DEC-2027	19.66%	20.14%	-0.48%												
FGN Eurobonds				UNION 16.20% 27-JUN-2029	22.57%	22.97%	-0.40%												
7.625 21-NOV-2025	8.33%	8.10%	0.23%	FIDELITY 8.50% 7-JAN-2031	20.65%	20.74%	-0.09%												
6.50% 28-Nov-2027	8.95%	8.79%	0.16%	MTN COM PLC 12.75 11 4-NOV-2031	20.63%	20.73%	-0.10%												
7.875% 16-FEB-2032	10.21%	10.03%	0.18%																
7.625% 28-Nov-2047	10.60%	10.07%	0.53%																

Source: DMO, CBN, FMDQ, ARM Research



Nigeria's Headline Inflation Moderates MoM in March 2024

In March 2024, Nigeria's headline added 150bps to 33.20% Year-on-Year (YoY), up from 31.70% YoY recorded in February 2024. This was driven by significant increases in its two (2) main subcomponents: food (+209bps to 40.01% YoY) and core (+77bps to 25.90% YoY) inflation. However, on a Month-on-Month (MoM) basis, the headline inflation declined slightly by 10bps to 3.02% MoM (vs. 3.12% MoM in February 2024). This follows a similar decrease in food inflation (-18bps to 3.62% MoM). On the other hand, core inflation rose by 37bps to 2.54% MoM. We believe that insecurity, poor road networks, insufficient storage facilities and exchange rate depreciation play significant roles in Nigeria's inflationary pressures. However, with the recent improvement in the exchange rate, we might observe some respite in inflation in April 2024. Nevertheless, we take into cognizance the presence of structural issues contributing to higher inflation in the country.



Source: NGX, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	48.00	125.7	161.88%	STRONG BUY
FLOUR MILLS NIG. PLC.	30.50	36	18.03%	OVERWEIGHT
GUINNESS NIG PLC	55.00	100	81.82%	STRONG BUY
NIGERIAN BREW. PLC.	28.00	39.22	40.07%	STRONG BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	224.00	256.86	14.67%	OVERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	33.00	45.01	36.39%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3370.00	3,790.00	12.46%	OVERWEIGHT
TOTALENERGIES MARKETING NIGERIA PLC	346.50	299.70	-13.51%	SELL

Source: NGX, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date
Industrial & Medical Gases Nigeria Plc	16-Apr-24				NGN0.50	2023FY	2-Jul-24	14-Jun-24

Source: NGX, ARM Research



Thank You





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