



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

19<sup>th</sup> August – 23<sup>rd</sup> August 2024





## Global Economy

Earlier this week, S&P Global released a series of Purchasing Managers' Index (PMI) reports for the US, UK and Eurozone. The headline S&P Global Flash US PMI Composite Output Index edged down from 54.3 points in July 2024 to a four-month low of 54.1 points in August 2024. Output has now risen continually over the past 19 months. However, growth has become increasingly uneven. While service sector growth remained strong, manufacturing output fell for the first time since January. The factory output decline was the steepest recorded since June 2023. In the UK, at 53.4 points in August 2024, up from 52.8 points in July 2024, the headline S&P Global Flash UK PMI Composite was the highest since April 2024 and signalled a solid increase in private sector business activity. The headline index has now posted above the 50.0 point no-change threshold for ten consecutive months. Manufacturing production increased at a particularly sharp pace in August (index at 54.2 points), with the latest reading only slightly softer than July's near two-and-a-half-year high. Service providers meanwhile signalled an acceleration in business activity growth to its strongest for four months (index at 53.3 points), driven by greater business and consumer spending. In the Eurozone, the HCOB Flash Eurozone Composite PMI Output Index rose to 51.2 points in August 2024 from 50.2 points in July 2024, thereby signalling a faster pace of output growth in the private sector following two successive months of slower growth. Output has now risen in each of the past six months. The overall expansion in eurozone business activity remains centered on the service sector. Services activity increased solidly and at the fastest pace in four months, in large part due to the strongest expansion in France since May 2022 and a further solid rise across the Euro Area outside the big-2 economies. Meanwhile, services activity in Germany increased modestly. Manufacturing across the Eurozone also remained in contraction.

## Domestic Economy

Earlier this week, the CBN reported a record USD553mn in remittance inflows for July 2024, marking a 130% increase compared to July 2023. This significant growth is the result of strategic policies by the CBN, including licensing new International Money Transfer Operators (IMTOs) and improving naira liquidity for these operators. These measures have boosted public confidence in Nigeria's foreign exchange market, reinforcing the country's economic stability. While the CBN's efforts have had a positive impact, maintaining this momentum will require ongoing vigilance and adaptive policy measures to ensure that these gains are preserved and expanded. Furthermore, Oando PLC has successfully acquired the Nigerian Agip Oil Company (NAOC) from Eni for UD783mn, significantly increasing its stake in key Nigerian oil and gas assets. This acquisition doubles Oando's reserves and is expected to be immediately cash generative, enhancing the company's upstream operations. In the short term, we expect to see an increase in its share price as investors take an optimistic stance.



## Equities

After losing in three (3) out of this week's five (5) trading sessions, the Nigerian equities market fell into negative territory for the second week running. The NGX All Share Index (NGX ASI) fell by 1.16% WoW to print at 95,973.45 points, pushing the market's year-to-date (YtD) returns down to 28.35% (vs. last Friday: 29.86% YtD). The gains observed in OANDO (+33.47% WoW to NGN47.85), BUACEM (+3.73% WoW to NGN113.90) and TRANSCORP (+11.63% WoW to NGN12.00) were outweighed by losses incurred on DANGCEM (-10.00% WoW to NGN532.00), TRANSCOHOT (-6.25% WoW to NGN90.00) and DANGSUGAR (-5.29% WoW to NGN38.50). Taking a sectoral look, the Oil and Gas sector (+3.54% WoW) led gains this week, following positive sentiment arising from the announcement of OANDO's complete acquisition of Nigeria Agip Oil company. Following closely behind were the Insurance (+1.90% WoW) and Banking (+0.37% WoW) sectors, which recorded gains on the back of buying interest in CORNEST (+10.48% WoW to NGN2.32) and ACCESSCORP (+4.18% WoW to NGN19.95) respectively. On the other hand, the Industrial Goods (-4.94% WoW) and Consumer Goods (-1.42% WoW) sectors closed in the red, dragged down by losses in DANGCEM (-10.00% WoW to NGN532.00) and DANGSUGAR (-5.29% WoW to NGN38.50) respectively. Top gainers this week were RTBRISCOE (+59.4% WoW to NGN2.71), TANTALIZER (+54.5% WoW to NGN0.68) and OANDO (+33.5% WoW to NGN47.85). However, leaders of the laggards this week were CUTIX (-37.4% WoW to NGN3.10), DANGCEM (-10.0% WoW to NGN532.00) and BETAGLAS (-9.4% WoW to NGN48.00). We still continue to expect that the performance of the market would be hinged on the yield direction in the fixed income market. Nevertheless, the positive sentiment brewing in the Oil and Gas sector could help buffer significant losses in the overall market.

## Fixed Income

This week, Following a series of auctions this week, the DMO conducted its primary FGN bond auction for August 2024, offering NGN190bn worth of bonds across the reopening of the APR-2029 (NGN70bn), FEB-2031 (NGN70bn), and MAY-2033 (NGN50bn) instruments. The average bid-to-cover ratio surged by 149bps to a significant 2.42x (vs. 0.93x at the previous auction). This is following an increase in investors' demand for the instruments, notably in the MAY-2033 (+509bps to 7.50x) instrument. Consequently, average stop rate at the auction fell by 6bps to settle at 20.90% compared to 20.96% in the previous month. Overall, the DMO sold NGN374.75bn worth of instruments, representing a 1.97x overallotment. At the primary Nigerian Treasury bills (NT-bills) auction, the CBN offered NGN409.98bn worth of treasury bills across the 91-day (NGN60.69bn), 182-day (NGN66.25bn) and 364-day (NGN283.04bn) bills. The average bid-to-cover ratio rose by 25bps to 2.51x (vs. 2.25x at the last auction). This increase was driven by heightened demand for treasury bills across all tenors, especially the 364-day bill. As a result, average stop rate declined by 53bps to 19.43% from 19.96% at the previous auction. This is following decreases in stop rates across the tenors (91-day: -30bps, 182-day: -30bps and 364-day: -99bps). Despite the high demand the CBN sold NGN291.03bn worth of NT-bills, a 0.71x the amount offered. In the secondary market, the NT-bills average yield declined significantly by 263bps WoW to close at 22.32%. This is following repricing across the tenors as investors sought to fulfill unmet bids at the primary auction. Likewise, the FGN bond market closed on a bullish note as the average yield went down by 8bps WoW to settle at 19.62%. This was driven by buying interest in the short and mid-end of the curve, particularly in the MAR-2025 (-143bps), MAY-2033 (-43bps) and FEB-2034 (-45bps) instruments. Consequently, the overall Naira fixed income market concluded the trading week with positive sentiment as the average yield decreased by 135bps WoW to 20.97%. In the coming week, we anticipate that the bullish trend in the secondary market will persist as investors seek to capitalize on their unsuccessful bids at the recent auctions. This is particularly likely given the significant oversubscription observed at both the FGN bond and NT-Bills auctions. However, tight liquidity conditions may potentially dampen this momentum.



	This week	Prior week	Wow (%)	Ytd (%)	Report released this week (click link below for full report)
External reserve (\$'bn)	36.53	36.53	0.00%	11.00%	
<b>Usd/ngn (₦/\$)</b>					
Nafem	1564.48	1564.48	0.00%	-42.02%	
Parallel	1602.5	1582.5	-1.25%	-25.43%	
<b>Economic snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2 month avg.</b>	
<b>Inflation yoy (july 2024)</b>	<b>July</b>	<b>June</b>	<b>CHG (pps)</b>		
Headline	33.40	34.19	-0.79	33.80	
Core	27.47	27.4	0.07	27.435	
Food	39.53	40.87	-1.34	40.20	
<b>GDP (%) - yoy</b>	<b>Q1 24</b>	<b>Q4 23</b>	<b>Q3 23</b>	<b>2023fy</b>	<b>News headline for the week (click news for link)</b>
Real GDP	2.98	3.46	2.54	2.74	<b>NNPC battles deepening fuel scarcity, black market booms</b>
Oil	5.7	12.11	-0.85	-2.22	<b>External reserves shed \$343m in nine days, says CBN</b>
Agriculture	2.90	2.10	1.30	1.13	<b>Despite CBN intervention, union bank reports 20% PBT growth in H1</b>
Manufacturing	1.49	1.38	0.48	1.4	<b>Exclusive: japan, tokyo governments target \$4.7 billion valuation for tokyo metro in IPO</b>
Information and communication	5.43	6.33	6.69	7.91	<b>NNPC posts N3.3tn profit, declares N2.1tn dividend</b>
<b>Labor data (%)</b>		<b>Q3 23</b>	<b>Q2 23</b>	<b>Q1 23</b>	<b>NIPCO targets to build 100 LPG outlets in 2024</b>
Unemployment rate		5	4.2	4.1	<b>US oil, gas M&amp;A activity jumped 57% last year amid industry consolidation</b>
Underemployment		12.3	11.8	12.2	<b>NMDPRA issues operational licence to edo refinery</b>
<b>Capital importation (\$'mn)</b>	<b>Q1 24</b>	<b>Q4 23</b>	<b>Qoq (%)</b>	<b>Yoy (%)</b>	<b>Budget deficit: FG borrows N4.73tn via bond market in eight months</b>
Foreign portfolio investment - equities	49.37	10.83	355.7%	-77.79%	<b>Int'l breweries share listing boosts NGX market cap by n599bn</b>
Bonds	420.81	67.16	526.61%	39.77%	<b>Nigeria-grenada business alliance to strengthen economic ties</b>
Money market	1,605.41	231.78	592.7%	1175.19%	<b>Transcorp power appoints ezeafulukwe as non-executive director</b>
Foreign direct investment	119.18	183.97	-35.22%	150.35%	<b>Oando acquires agip oil for \$783m</b>
<b>Monetary policy rates (%) (july 2024)</b>	<b>Latest</b>	<b>Prior</b>		<b>Chg (%)</b>	<b>Nigerians groan as 12kg cooking gas price increased by 55% in one year</b>
Mpr	26.75%	26.25%		0.5%	<b>United airlines begins daily flights from lagos to washington D.C.</b>
Cash reserve ratio (CRR)	45%	45%		0.0%	<b>'Anticipated US rate cut boosts interest in nigerian bonds'</b>
Liquidity ratio	30%	30%		0.0%	<b>Japan's core inflation picks up, but demand-driven growth below 2%</b>
<b>Source: CBN, NBS, FMDQ, ARM research</b>					<b>Stocks decline and dollar rebounds as fed readies rate cuts</b>

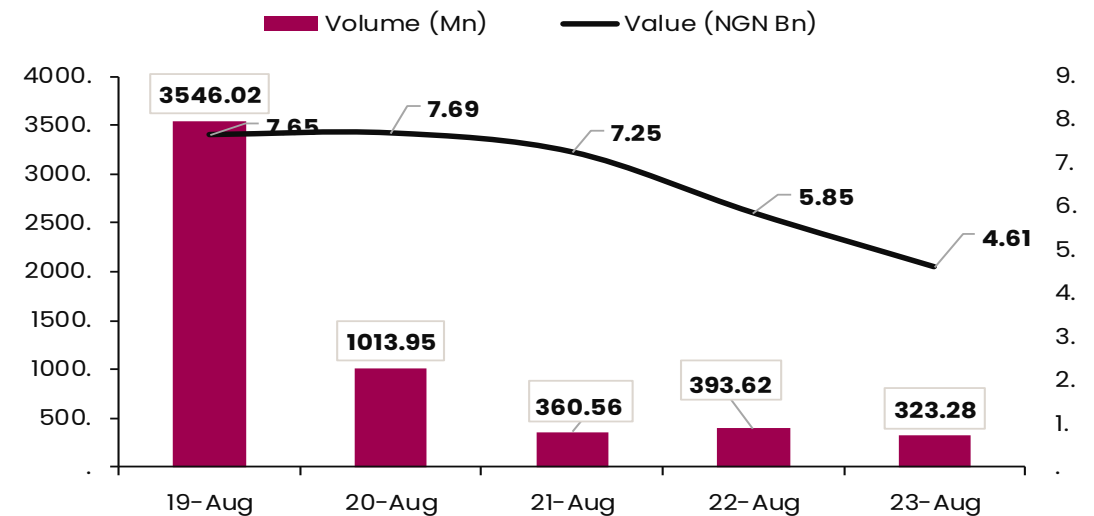


## Weekly Equities Market Snapshot

Friday, August 23, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
RTBRISCOE	2.71	59.4%	2.71	0.38	942.3%	CUTIX	3.10	-37.4%	3.37	1.06	31.9%
TANTALIZER	0.68	54.5%	0.68	0.27	240.0%	DANGCEM	532.00	-10.0%	763.00	310.10	66.3%
OANDO	47.85	33.5%	49.10	5.20	355.7%	BETAGLAS	48.00	-9.4%	66.95	42.00	-19.2%
DEAPCAP	0.56	30.2%	1.16	0.23	-3.4%	OMATEK	0.66	-7.0%	1.15	0.28	-13.2%
DEAPCAP	0.56	12.0%	1.16	0.23	-3.4%	TRANSCOHOT	90.00	-6.3%	102.00	34.00	1340.0%
CORNERST	2.32	10.5%	2.67	1.00	65.7%	INTBREW	4.30	-5.5%	6.86	3.60	-10.4%
SKYAVN	26.40	10.0%	27.15	20.40	428.0%	INFINITY	7.00	-5.4%	7.98	1.26	16.7%
TOTAL	563.00	10.0%	563.00	346.50	191.7%	AFRIPRUD	8.80	-5.4%	10.70	5.75	18.9%
LEARNAFRCA	3.87	9.9%	4.01	2.80	21.3%	DANGSUGAR	38.50	-5.3%	89.50	34.00	-32.5%
LINKASSURE	1.00	9.9%	1.45	0.65	25.0%	ETERNA	21.00	-4.5%	28.20	11.15	51.6%

Tickers	Pts/₦	WoW	MtD	QTD	YtD
NGXASI	95,973.45	-1.16%	-1.84%	-4.08%	28.35%
Market Cap	55.13trn	0.00%	-0.69%	-2.60%	34.73%
NGX Banking	840.77	0.37%	4.91%	1.27%	-6.29%
NGX Industrial	1,522.07	-4.94%	-13.13%	-17.98%	42.01%
NGX Consumer	840.77	-1.42%	0.80%	-3.76%	35.74%
NGX Oil & Gas	1,715.21	3.54%	12.79%	19.06%	64.44%
NGX Insurance	1,522.07	1.90%	5.39%	2.68%	24.68%



Source: NGX, ARM Research



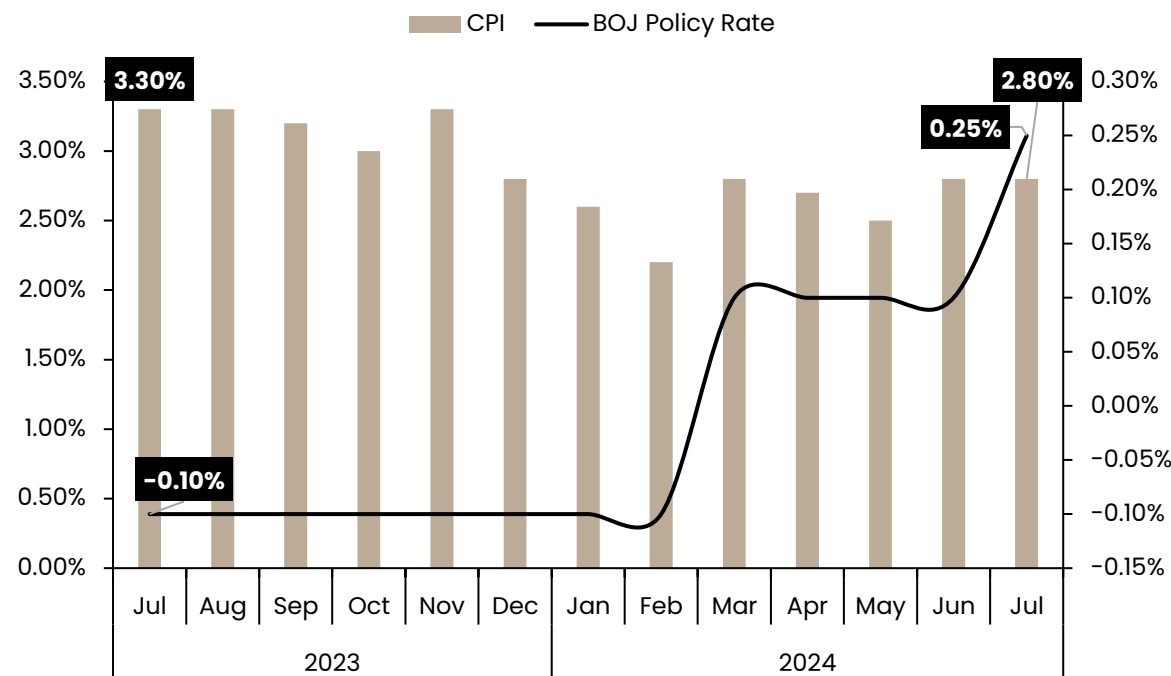
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor			
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>						
Overnight (O/N)	25.78%	32.30%	-6.52%	28-Jun-24	Nil	Nil	22.48%	28-Jun-24	Nil	Nil	264.33			
Open Repo Rate (OPR)	26.17%	32.98%	-6.81%	19-Jun-24	Nil	19.48%	22.30%	19-Jun-24	Nil	1.00	985.88			
NIBOR - 1M	26.79%	28.00%	-1.21%	04-Jun-24	18.74%	19.59%	22.33%	04-Jun-24	10.00	16.00	487.95			
NIBOR - 3M	27.95%	28.75%	-0.80%	29-May-24	0.00%	19.64%	22.34%	29-May-24	10.00	5.65	1142.56			
NIBOR - 6M	28.29%	29.57%	-1.28%	24-May-24	19.00%	19.74%	22.49%	24-May-24	20.50	1.00	239.15			
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>			
1-month	19.18%	19.99%	-0.81%	22-Aug-24	18.20%	19.20%	20.90%	22-Aug-24	41.89	52.00	197.14			
3-month	20.29%	21.13%	-0.84%	7-Aug-24	18.50%	19.50%	21.89%	7-Aug-24	20.75	32.62	162.72			
6-month	23.11%	25.78%	-2.67%	24-Jul-24	18.50%	19.50%	22.10%	24-Jul-24	13.14	6.4	258.42			
9-month	24.98%	26.96%	-1.98%	10-Jul-24	16.30%	17.44%	21.24%	10-Jul-24	28.47	9.16	169.64			
12-month	25.00%	26.27%	-1.26%	26-Jun-24	16.30%	17.44%	20.68%	26-Jun-24	28.15	36.44	219.67			
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Apr-29</b>	<b>Feb-31</b>	<b>May-33</b>	<b>Feb-34</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Apr-29</b>	<b>Feb-31</b>	<b>May-33</b>	<b>Feb-34</b>
13.53% 23-MAR-2025	23.77%	25.20%	-1.43%	19-Aug-24	20.30%	20.90%	21.50%	N/A	19-Aug-24	N/A	18.35	42.19	314.21	N/A
12.50% 22-JAN-2026	20.24%	20.15%	0.09%	22-Jul-24	19.89%	21.00%	21.98%	N/A	24-Jun-24	N/A	18.98	6.18	200.65	N/A
16.2884% 17-MAR-2027	20.39%	20.01%	0.38%	24-Jun-24	19.64%	20.19%	21.50%	N/A	13-May-24	N/A	22.13	45.38	229.50	N/A
12.1493% 18-JUL-2034	18.76%	18.75%	0.01%	13-May-24	19.29%	19.74%	19.89%	N/A	15-Apr-24	N/A	32.67	62.98	285.12	N/A
16.2499% 18-APR-2037	18.65%	18.65%	0.00%	15-Apr-24	19.30%	19.75%	N/A	20.00%	18-Mar-24	N/A	79.92	85.05	N/A	461.85
14.8% 26-APR-2049	18.00%	18.00%	0.00%		<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>						
<b>FGN Eurobonds</b>				ACCESS 15.50% 23-JUL-2026	24.46%	25.08%	-0.62%							
7.625 21-NOV-2025	8.14%	8.39%	-0.25%	VIATHAN 16.00% 14-DEC-2027	22.06%	20.77%	1.29%							
6.50% 28-Nov-2027	9.53%	9.71%	-0.18%	UNION 16.20% 27-JUN-2029	23.05%	23.06%	-0.01%							
7.875% 16-FEB-2032	10.43%	10.65%	-0.22%	FIDELITY 8.50% 7-JAN-2031	21.66%	21.76%	-0.10%							
7.625% 28-Nov-2047	10.78%	10.96%	-0.18%	MTN COM PLC 12.75    4-NOV-2031	21.60%	21.69%	-0.09%							
<b>Source: DMO, CBN, FMDQ, ARM Research</b>														



## Wage Growth and Government Policies Contribute to Inflationary Trends in Japan

Japan's July 2024 inflation data revealed a persistent upward trend, with the headline CPI increasing by 2.8% year-on-year (YoY), matching the previous month's rate. This persistent inflation was primarily driven by the core CPI, which rose to 2.7% YoY from 2.6% YoY in June. However, the 'core-core' CPI, a more accurate gauge of underlying inflation, showed a slight deceleration from 2.2% YoY to 1.9% YoY. The recent rise in core CPI can be attributed to the phase-out of government subsidies on household utilities and increased consumer spending fuelled by higher wages. For context, Japanese unions reported a significant 5.1% wage hike in July, the highest in three decades. This wage growth was prompted by labour shortages, coupled with the ongoing inflationary pressures squeezing household pockets. Looking ahead, while the core CPI is expected to continue rising, the pace of growth is likely to slow down due to the reintroduction of utility bill relief measures in the short term (August-September). In response to the inflationary environment, the Bank of Japan (BOJ) has adopted a more hawkish monetary policy stance, raising its benchmark interest rate to 0.25% in July 2024. This marks the highest rate in 15 years and suggests that the BOJ is committed to addressing inflationary concerns and bringing inflation down to its 2% target. Consequently, we anticipate that the BOJ will remain hawkish at its next policy meeting.

Trend in Japan CPI and Bank of Japan policy rate



Source: Bloomberg, ARM Research





<b>CONSUMER GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>DANGOTE SUGAR REFINERY PLC</b>	<b>38.50</b>	<b>30.90</b>	<b>-19.74%</b>	<b>SELL</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>44.80</b>	<b>36.00</b>	<b>-19.64%</b>	<b>SELL</b>
<b>FINANCIAL SERVICES</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>ACCESS HOLDINGS PLC</b>	<b>19.95</b>	<b>25.47</b>	<b>27.67%</b>	<b>STRONG BUY</b>
<b>FBN HOLDINGS PLC</b>	<b>20.35</b>	<b>29.95</b>	<b>47.17%</b>	<b>STRONG BUY</b>
<b>GUARANTY TRUST HOLDING COMPANY PLC</b>	<b>45.60</b>	<b>46.75</b>	<b>2.52%</b>	<b>NEUTRAL</b>
<b>UNITED BANK FOR AFRICA PLC</b>	<b>22.40</b>	<b>29.57</b>	<b>32.01%</b>	<b>STRONG BUY</b>
<b>ZENITH BANK PLC</b>	<b>37.90</b>	<b>46.60</b>	<b>22.96%</b>	<b>STRONG BUY</b>
<b>FIDELITY BANK PLC</b>	<b>10.75</b>	<b>14.29</b>	<b>32.93%</b>	<b>BUY</b>
<b>ICT</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>AIRTEL AFRICA PLC</b>	<b>2200.00</b>	<b>2364.54</b>	<b>7.48%</b>	<b>NEUTRAL</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>199.80</b>	<b>191.16</b>	<b>-4.32%</b>	<b>UNDERWEIGHT</b>
<b>INDUSTRIAL GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>LAFARGE AFRICA PLC (WAPCO)</b>	<b>37.10</b>	<b>45.01</b>	<b>21.32%</b>	<b>STRONG BUY</b>
<b>OIL AND GAS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>SEPLAT ENERGY PLC</b>	<b>3730.10</b>	<b>4,064.00</b>	<b>8.95%</b>	<b>NEUTRAL</b>
<b>TOTALENERGIES MARKETING NIGERIA PLC</b>	<b>563.00</b>	<b>516.24</b>	<b>-8.31%</b>	<b>SELL</b>

Source: NGX, ARM Research



# Thank You





## ARM Securities Contact

Research	234 (1) 270 1653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 448 8282	customerservice@armsecurities.com.ng

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    @armengage

1 Mekunwen Road,  
Off Oyinkan Abayomi Drive,  
Ikoyi, Lagos, Nigeria

