



# 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> February – 23<sup>rd</sup> February 2024





## Global Economy

In February 2024, the headline S&P Global Flash US PMI Composite Output Index fell to 51.4 from 52.0 in January 2023, while staying in the expansion region. Nonetheless, the pace of expansion was the second-fastest since July 2023 as manufacturers and service providers recorded growth in output. US companies continued to report an expansion in activity during February, albeit at a slower pace. Output rose marginally as a softer uptick in services business activity weighed on overall growth. Manufacturing, meanwhile, saw a renewed increase in production amid an improvement in supply chains after adverse weather in January 2024. Consequently, in February 2024, the S&P Global Flash US Manufacturing PMI was up to 51.5 from 50.7 in January 2024. Elsewhere, in the UK, the headline S&P Global Flash UK PMI Composite Output Index was up to 53.3 in February 2024, from 52.9 in January 2024. Business activity across the UK private sector expanded for the fourth consecutive month and at the fastest pace since May 2023, supported by another strong upturn in the service economy. February data highlighted a solid improvement in customer demand, as signaled by the sharpest rise in new work for nine months. Hopes of a sustained rebound in domestic economic conditions led to the highest level of optimism regarding the year ahead business outlook since February 2022. The S&P Global Flash UK Manufacturing PMI contracted less at 47.1 in February 2024, from 47 in January 2024, albeit staying in the contraction zone.

## Domestic Economy

During the week, the National Bureau of Statistics (NBS) released the Q4:2023 Gross Domestic Product (GDP) report, revealing that the Nigerian economy sustained its growth trend for the thirteenth (13<sup>th</sup>) consecutive quarter, despite facing macroeconomic challenges. In Q4:2023, the economy exhibited a 3.46% YoY growth, a notable increase from the 2.54% YoY growth in Q3:2023. This growth was propelled by positive performances in both the oil sector (+12.11% YoY) and the Non-Oil sector (+3.07% YoY). Overall, the Nigerian economy expanded by 2.74% YoY in 2023FY, a slight decrease from the 3.10% YoY in 2022FY. The Non-oil sector also saw a deceleration to 3.04% YoY in 2023FY compared to 4.84% YoY in 2022FY. Although the oil sector remained in negative territory in 2023FY (-2.22% YoY), there was improvement from the significant contraction of 19.22% in 2022FY. Furthermore, the Q3:2023 Labour Force Survey released by the NBS showed a dip in the labour force participation rate to 79.5% (compared to 80.4% in Q2:2023). Notably, the unemployment rate rose from 4.2% in Q2:2023 to 5.0% in Q3:2023. Earlier in 2023, the NBS revised its unemployment rate calculation method to adhere to International Labour Organization (ILO) guidelines, contributing to a significant drop in Nigeria's unemployment rate from 33.3% in Q4:2020 to 5.3% in Q4:2022 and 4.1% in Q1:2023.



## Equities

The Nigerian equities market slipped back into the red zone, as the NGX All Share Index declined by 3.44% WoW to 102,088.10 points, following losses in three (3) out of the five (5) trading days of the week. Consequently, the market's year-to-date (YtD) returns fell to 36.53%. Bearish sentiment permeated the Insurance (-8.91% WoW), Industrial Goods (-7.94% WoW) and Banking (-2.10% WoW) sectors while the bulls clung on to the Consumer Goods (+2.01% WoW) and Oil and Gas (+0.01% WoW) sectors. The top gainers for the week were SUNUASSUR (+17.4% WoW to NGN2.09), FBNH (+10.7% WoW to NGN31.00) and GEREGU (+9.3% WoW to NGN985.00). On the flipside, MORISON (-32.7% WoW to NGN1.67), STERLINGNG (-18.7% WoW to NGN4.35) and ABCTRANS (-16.7% WoW to NGN0.75) led the losers' chart. In the coming week, we expect investors to sustain their profit-taking activities and look towards higher yields in the fixed income market.

## Fixed Income

At the primary FGN Bond auction for February 2024, the Debt Management Office (DMO) offered a total of NGN2.5trn across the issuances of two new instruments (FEB-2031 and FEB-2034), respectively worth NGN1.25trn each. A total of NGN1.49trn worth of instruments was sold at the auction (FEB-2031: NGN873.53bn and FEB-2034: NGN621.38bn). The average bid-to-cover ratio printed at 0.76x and the average stop rate at 18.75%. At the primary NTB auction held this week, the average stop rate dipped by 25bps to 17.83% compared to 18.08% at the previous auction. This decline was driven by lower stop rates in the 91-day bill (-24bps to 17%) and the 182-day bill (-50bps to 17.5%), while the stop rate for the 364-day bill remained unchanged at 19%. However, the average bid-to-cover ratio increased significantly to 8.43x, up from 1.98x at the last auction, reflecting higher demand for the instruments specifically in the 91-day (+822.34% to 30.77x) and 182-day (+928bps to 9.67x) bills. Furthermore, the Nigerian Treasury Bills market closed the week in the negative territory as the average yield increased by 120bps WoW to 16.67%. Similarly, the FGN Bond market witnessed bearish sentiment, as the average yield climbed 68bps WoW to close at 16.80%. This was driven by sell-offs across the yield curve, specifically in the MAR-2025 (+392bps), NOV-2028 (+115bps), APR-2029 (+131bps), MAY-2029 (+120bps) and MAR-2036 (+154bps) instruments. Overall, the Naira Fixed Income market ended the week on a bearish note, as the average yield surged by 94bps WoW to close at 16.73%. We expect yields to remain elevated at the short end of the curve in the coming week.



	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	33.4	33.2	0.70%	1.63%	<b>Report released this week (Click Link below for Full report)</b>
<b>USD/NGN (₦/\$)</b>					<b>Nigerian Oil and Gas Sector Report 2024 – Unraveling Nigeria's Oil and Gas Tapestry</b>
NAFEM	1571.31	1498.25	-4.65%	73.22%	<b>Q4 2023 Capital Importation Report– Turning the Tide Nigeria Sees Capital Inflows Rebound</b>
Parallel	1770.0	1612.5	-8.90%	48.12%	<b>Q4:2023 and 2023FY GDP Report   Nigerian Economy Still On the Path of Expansion</b>
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2 month Avg.</b>	
<b>Inflation YoY (November 2023)</b>	<b>January</b>	<b>December</b>	<b>CHG (pps)</b>		
Headline	29.90	28.92	0.98	29.41	
Core	23.59	23.06	0.53	23.33	
Food	35.41	33.93	1.48	34.67	
<b>GDP (%) - YoY</b>	<b>Q4 23</b>	<b>Q3 23</b>	<b>Q2 23</b>	<b>2023FY</b>	<b>News Headline for the week (click news for link)</b>
Real GDP	3.46	2.54	2.51	<b>2.74</b>	<b>FAAC: FG, states, LG share N1.15tn as revenue rises</b>
Oil	12.11	-0.85	-13.43	<b>-2.22</b>	<b>FDI in manufacturing rises by \$644m, says NBS</b>
Agriculture	2.10	1.30	1.50	<b>1.13</b>	<b>Economy Expanded in Q4 Bouyed by 95.30% Non-oil Contribution</b>
Manufacturing	1.38	0.48	2.20	<b>1.4</b>	<b>Nigerian Architects Lament Rising Prices of Building Materials, Express Fear of Dangerous Consequences</b>
Information and Communication	6.33	6.69	8.60	<b>7.91</b>	<b>Oil set to snap winning streak after Fed says in no rush to cut US rates</b>
<b>Labor Data (%)</b>		<b>Q3 23</b>	<b>Q2 23</b>	<b>Q1 23</b>	<b>Equity investors lose N67bn over sell-offs</b>
Unemployment Rate		5	4.2	4.1	<b>Banks sell \$172m as CBN, EFCC battle currency speculators</b>
Underemployment		12.3	11.8	12.2	<b>Senate rejects electricity tariff hike, probes N2tn subsidy</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 23</b>	<b>Q3 23</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>Stock Market Rebounds, Gains N165bn on Investors Demand for UBA, BUA Cement</b>
Foreign Portfolio Investment – Equities	10.83	8.37	29.4%	122.77%	<b>Nigeria On Course to Achieving Economic Stability, Says Wale Edun</b>
Bonds	67.16	20.56	226.65%	-53.51%	<b>Nvidia fuels global stock records, bond yields rise</b>
Money Market	231.78	58.19	298.3%	70.47%	<b>Fuel transporters halt strike as FG intervenes</b>
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	<b>FG seeks \$10bn to stabilise exchange rate as naira tumbles</b>
<b>Monetary Policy Rates (%) (July 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>Credit to Private Sector Up 85.2% YoY to N76.94tn on Naira Devaluation, LDR</b>
MPR	18.75	18.50		25.0%	<b>Chinese banks approve \$17 billion of loans under 'whitelist' project– housing authority</b>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<b>Foreign loans make up 59% of \$4bn capital importation– NBS</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>Dangote, Bua, Lafarge Agree to Reduce Cement Prices to N7,000 After Meeting with FG</b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<b>Dollar, stocks slip on fading rate cut expectations</b>

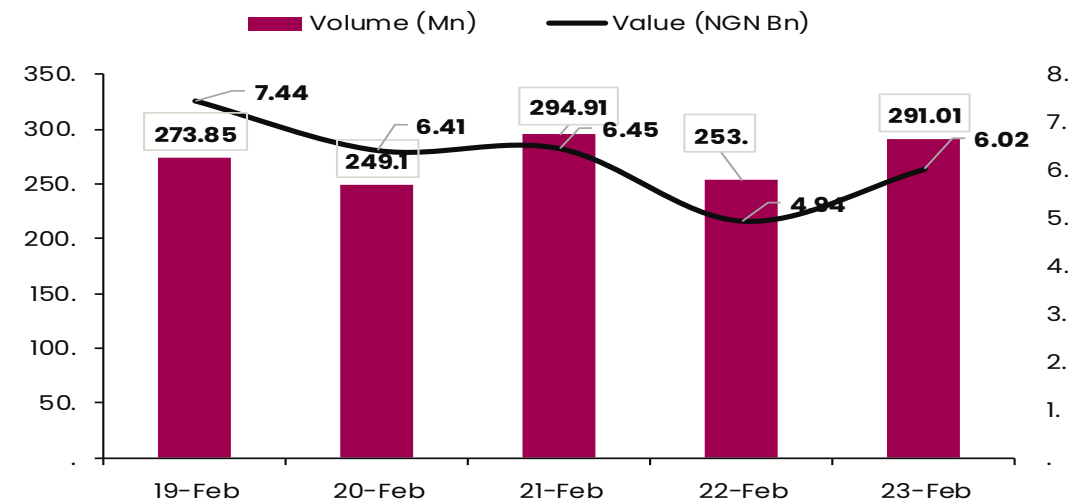


## Weekly Equities Market Snapshot

Friday, February 23, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
SUNUASSUR	2.09	17.4%	2.25	0.37	620.7%	MORISON	1.67	-32.7%	3.38	1.67	-40.4%
FBNH	31.00	10.7%	31.00	10.30	31.6%	STERLINGNG	4.35	-18.7%	8.20	1.40	210.7%
GEREGU	985.00	9.3%	985.00	224.90	146.9%	ABCTRANS	0.75	-16.7%	1.35	0.31	-7.4%
BUAFOODS	379.90	6.3%	379.90	76.50	96.4%	HONYFLOUR	3.42	-16.6%	6.43	2.12	3.0%
NAHCO	30.70	5.9%	37.30	7.75	20.9%	RTBRISCOE	0.50	-15.3%	0.99	0.22	92.3%
AFRIPRUD	7.80	2.6%	10.10	5.00	5.4%	NEM	6.60	-14.3%	8.50	3.89	4.8%
CUTIX	2.65	1.9%	3.32	2.00	12.8%	NEM	6.60	-14.3%	8.50	3.89	4.8%
CUSTODIAN	9.10	0.6%	10.95	5.65	1.1%	OMATEK	0.70	-13.6%	1.15	0.20	-7.9%
ETERNA	17.55	0.3%	37.70	5.40	26.7%	LIVESTOCK	1.49	-12.9%	2.32	0.93	-19.5%
ABBEYBDS	2.44	0.0%	3.23	1.00	9.9%	FTNCOCOA	1.60	-12.6%	4.10	0.25	8.1%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	102,088.10	-3.44%	0.92%	36.53%	36.53%
Market Cap	55.86trn	-3.44%	0.91%	36.52%	36.52%
NGX Banking	877.60	-2.10%	1.23%	-2.18%	-2.18%
NGX Industrial	1,673.33	-7.94%	-12.94%	80.97%	80.97%
NGX Consumer	877.60	2.01%	20.03%	49.23%	49.23%
NGX Oil & Gas	1,312.22	0.01%	4.88%	25.80%	25.80%
NGX Insurance	1,673.33	-8.91%	-1.68%	19.63%	19.63%



Source: NGX, ARM Research

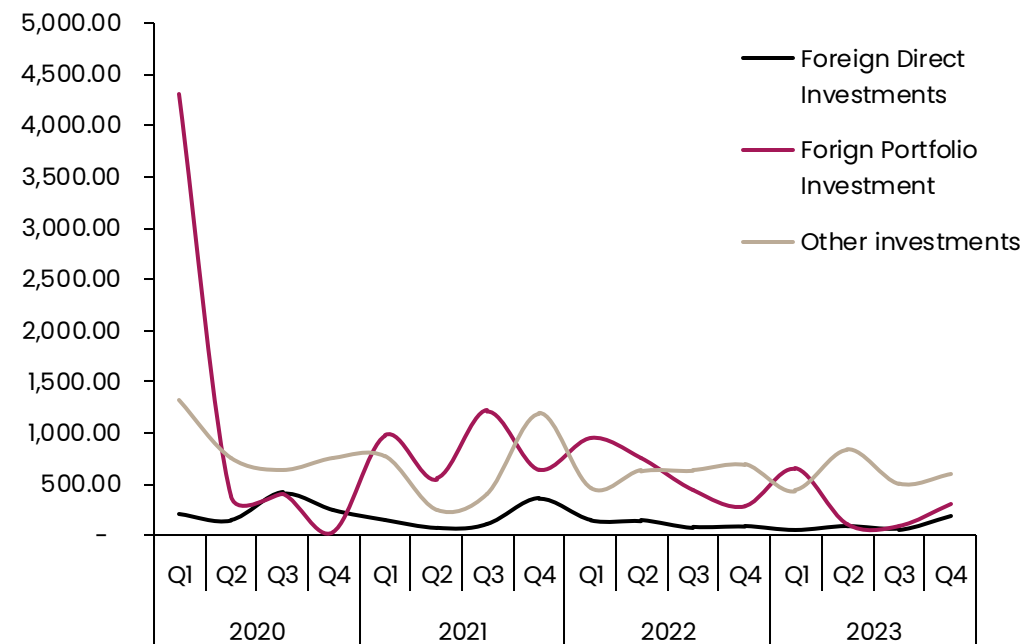


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	92 Day	176 Day	365 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day							
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>												
Overnight (O/N)	25.75%	16.93%	8.82%	29-Jan-24	10.00%	13.50%	17.00%	N/A	29-Jan-24	15	15	N/A	270							
Open Repo Rate (OPR)	24.91%	16.25%	8.66%	15-Jan-24	10.00%	13.50%	15.50%	N/A	15-Jan-24	22	35	N/A	300							
NIBOR - 1M	21.90%	15.95%	5.95%	10-Jan-24	10.50%	14.00%	17.75%	N/A	10-Jan-24	50	N/A	100	150							
NIBOR - 3M	22.45%	16.50%	5.95%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	25	N/A	25	50							
NIBOR - 6M	21.70%	17.15%	4.55%	20-Dec-23	N/A	12.00%	N/A	15.00%	20-Dec-23	50	50	50	100							
<b>Treasury Bills</b>				<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	11.33%	10.39%	0.95%	21-Feb-24	17.00%	17.50%	19.00%		21-Feb-24	331.01	66.25	1192.09								
3-month	13.62%	13.61%	0.01%	7-Feb-24	17.24%	18.00%	19.00%		7-Feb-24	200	200	600								
6-month	17.45%	16.47%	0.98%	24-Jan-24	5.00%	7.15%	11.54%		24-Jan-24	7.85	6.44	217.53								
9-month	19.64%	19.90%	-0.25%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49	52.29								
12-month	23.60%	23.76%	-0.15%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16	48.11								
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>												
					<b>Mar-27</b>	<b>May-27</b>	<b>Apr-29</b>	<b>Feb-31</b>	<b>Jun-33</b>	<b>Feb-34</b>	<b>Jun-38</b>		<b>Mar-27</b>	<b>May-27</b>	<b>Apr-29</b>	<b>Feb-31</b>	<b>Jun-33</b>	<b>Feb-34</b>	<b>Jun-38</b>	
14.20% 14-MAR-2024	10.29%	11.74%	-1.45%	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
13.53% 23-MAR-2025	16.40%	12.48%	3.92%	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
12.50% 22-JAN-2026	16.52%	15.98%	0.54%	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
16.2884% 17-MAR-2027	16.70%	16.50%	0.20%	13-Nov-23	N/A	16.00%	17.00%	N/A	17.50%	N/A	18.00%		13-Nov-23	N/A	20.53	22.26	N/A	54.86	N/A	237.09
12.1493% 18-JUL-2034	16.43%	16.43%	0.00%	16-Oct-23	N/A	14.90%	15.75%	N/A	15.80%	N/A	16.60%		16-Oct-23	N/A	43.65	10.45	N/A	25.69	N/A	171.71
16.2499% 18-APR-2037	16.62%	16.61%	0.01%	<b>Corporate Bonds</b>				<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>										
14.8% 26-APR-2049	17.87%	17.87%	0.00%	ACCESS  5.50% 23-JUL-2026				19.42%	17.78%	1.64%										
				VIATHAN  6.00% 14-DEC-2027				17.58%	17.13%	0.45%										
				UNION  6.20% 27-JUN-2029				20.07%	18.88%	1.19%										
7.625 21-NOV-2025	8.79%	8.55%	0.24%	FIDELITY  8.50% 7-JAN-2031				17.21%	16.64%	0.57%										
6.50% 28-Nov-2027	9.35%	9.11%	0.24%	MTN COM PLC  2.75    4-NOV-2031				17.24%	16.63%	0.61%										
7.875% 16-FEB-2032	10.14%	9.91%	0.23%																	
7.625% 28-Nov-2047	10.20%	10.04%	0.16%																	
<b>Source: DMO, CBN, FMDQ, ARM Research</b>																				



## Capital Importation Resurgence

In Q4:2023, Nigeria witnessed a resurgence in capital inflows, with total imports reaching USD1.09 billion, marking a 2.62% increase from the previous year. This upturn was primarily fueled by robust growth in both Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). FDI soared by an impressive 118.42% year-on-year (YoY), reaching USD183.97mn, driven by investor confidence buoyed by pro-market reforms. Meanwhile, FPI saw a noteworthy 8.59% YoY increase, reaching USD309.75mn, with a particularly strong performance in equities. Despite a slight decline in other investments YoY, quarter-on-quarter (QoQ) growth suggests a dynamic investment landscape. Key sectors attracting capital inflows included production/manufacturing and banking, showcasing Nigeria's diverse investment opportunities. The top contributing countries were the UK, Mauritius, the Netherlands, Singapore, and South Africa, underlining Nigeria's appeal to a broad range of international investors. While challenges persist, including structural inefficiencies, Nigeria's outlook for capital importation remains cautiously optimistic. Ongoing reforms and opportunities in equities and fixed income sectors are expected to sustain investor interest, driving further capital inflows in the coming quarters.



Source: NBS, 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>65.00</b>	<b>125.7</b>	<b>93.38%</b>	<b>STRONG BUY</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>32.20</b>	<b>38.37</b>	<b>19.16%</b>	<b>OVERWEIGHT</b>
<b>GUINNESS NIG PLC</b>	<b>51.00</b>	<b>100</b>	<b>96.08%</b>	<b>STRONG BUY</b>
<b>NIGERIAN BREW. PLC.</b>	<b>34.00</b>	<b>39.22</b>	<b>15.35%</b>	<b>OVERWEIGHT</b>
<b>ICT</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>247.50</b>	<b>326.50</b>	<b>31.92%</b>	<b>STRONG BUY</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>35.90</b>	<b>45.01</b>	<b>25.38%</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>3370.00</b>	<b>3,382.00</b>	<b>0.36%</b>	<b>NEUTRAL</b>
<b>TOTALENERGIES MARKETING NIGERIA PLC</b>	<b>346.50</b>	<b>299.70</b>	<b>-13.51%</b>	<b>SELL</b>

Source: NGX, ARM Research



# Thank You





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