



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

1st July – 5th July 2024





Global Economy

A private Purchasing Manager Index (PMI) survey released earlier this week stated that the Caixin/S&P Global manufacturing PMI increased to 51.8 in June 2024 from 51.7 in May 2024, which was the quickest clip since May 2021. For eight months running, the index—which primarily includes smaller, export-focused businesses—has been above the 50-point threshold that divides expansion from contraction. According to the Caixin PMI survey, June 2024 saw a two-year high in manufacturing output growth. The number is at odds with previously released government PMI statistics, which indicated that China's manufacturing sector contracted in June 2024 for a second straight month. At 49.5 in June 2024, the Chinese National Bureau of Statistics (NBS) PMI remained constant from May 2024. A PMI score of less than 50 points denotes contraction, and above 50 represents an expansion. However, the Caixin data is different from the official survey, particularly regarding the range of enterprises that are included. While the official survey concentrates more on larger, state-run firms in the north, the Caixin survey covers smaller, private businesses in southern China. Compared to the official reading, the Caixin PMI additionally includes a smaller subset of Chinese enterprises. Moreover, in Europe, seasonally adjusted retail trade volume rose by 0.1% MoM in the EU and the euro area in May 2024 compared to April 2024, according to preliminary data from Eurostat. Retail trade volume decreased by 0.2% MoM across the EU and the euro region in April 2024.

Domestic Economy

Earlier this week, the National Bureau of Statistics (NBS) published the Q1:2024 capital importation report, revealing a 198.06%YoY increase to USD3.37bn, compared to USD 1.13bn in Q1:2023. This growth is driven by significant increases in Foreign Direct Investment (+150.35% YoY to USD 119.18mn), Foreign Portfolio Investment (+219.67% YoY to USD 2.07mn), and other investments (+171.08% YoY to USD 171bn). On a Quarter on quarter (QoQ) basis, total capital importation surged by 210.16%, with FPI growing by 570.05% QoQ and other investments by 93.56% QoQ, though FDI declined by 35.22% QoQ. Our outlook for capital inflow in 2024 remains cautiously optimistic, driven by increasing FDI and strong FPI performance despite ongoing structural challenges. We expect gradual FDI growth aligned with government policies and elevated yields in the Nigerian fixed-income market to attract FPI investors, especially if developed economies begin cutting rates in the second half of 2024.



Equities

This week, the Nigerian equities market relapsed into negative territory, as the NGX all Share Index (NGX ASI) shed 4bps WoW to settle at 100,022.03 points. This is on the back of losses incurred in the Consumer Goods sector (-0.69% WoW), following negative sentiment in DANGSUGAR (-5.81% WoW) and IB (-3.9% WoW). On the other hand, the Banking (+3.87% WoW), Oil and Gas (+3.01% WoW), Insurance (+2.26% WoW) and Industrial Goods (+0.22% WoW) sectors closed positive, spurred on by gains in ZENITH (+5.04% WoW), CONOIL (+20.48% WoW), AIICO (+13.40% WoW) and LAFARGE (+5.73% WoW) respectively. Topping the gainers' chart this week were CONOIL (+20.5% WoW to NGN126.50), JAIZBANK (+19.5% WoW to NGN2.33) and AIICO (+13.4% WoW to NGN1.10). Conversely, IKEJAHOTEL (-12.0% WoW to NGN6.95), LASACO (-9.8% WoW to NGN2.30) and JBERGER (-9.6% WoW to NGN88.60) led the laggards for the week. In the coming week, we expect investors' activities in the market to be influenced by the performance of the fixed income market and the anticipation of the release of Q2:2024 earnings results.

Fixed Income

The secondary fixed income market continued its bearish trend this week. The average yield at the Nigerian Treasury bills (NT-bills) market increased by 69bps WoW to close at 22.76%. This is following selloffs on the short- (+2bps) and mid-tenor (+27bps) bills. Likewise, the FGN bond market closed the week bearish as the average yield rose by 2bps WoW to settle at 18.77%. This was driven by selloffs across the yield curve, particularly in the MAR-2025 (+16ps), MAY-2033 (+30bps) and JUN-2053 (+19bps) instruments. This bearish trend is expected to persist next week, on the back of a restrictive policy environment.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.66	34.07	1.73%	5.32%	
USD/NGN (₦/\$)					
NAFEM	1520.24	1514.31	-0.39%	-40.33%	
Parallel	1512.5	1502.5	-0.66%	-20.99%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (May 2024)	May	April	CHG (pps)		
Headline	33.95	33.69	0.26	33.82	
Core	27.04	26.84	0.20	26.94	
Food	40.66	40.53	0.13	40.60	
GDP (%) - YoY	Q1 24	Q4 23	Q3 23	2023FY	News Headline for the week (click news for link)
Real GDP	2.98	3.46	2.54	2.74	CNG 40% cheaper than petrol, 100 stations coming – NNPC
Oil	5.7	12.11	-0.85	-2.22	Nigeria wins right to host \$5bn African Energy Bank
Agriculture	2.90	2.10	1.30	1.13	Economy: Tinubu Unveils N2trn Stabilisation Plan Amid Funding Challenge
Manufacturing	1.49	1.38	0.48	1.4	Japan household spending unexpectedly falls, clouds BOJ rate path
Information and Communication	5.43	6.33	6.69	7.91	\$1.5bn oil sector divestment deals completed – FG
Labor Data (%)		Q3 23	Q2 23	Q1 23	FG Launches Operating Model for Economic, Financial Inclusion
Unemployment Rate		5	4.2	4.1	Oil drops on worries about demand, slowing US economy
Underemployment		12.3	11.8	12.2	Dangote refinery: Declare crude supply emergency, oil producers tell Tinubu
Capital Importation (\$'mn)	Q1 24	Q4 23	QoQ (%)	YoY (%)	Credit to Private Sector Up 66% to N74.31tn YoY on Weak Naira, Inflation
Foreign Portfolio Investment - Equities	49.37	10.83	355.7%	-77.79%	China's services activity growth hits 8-month low, Caixin PMI shows
Bonds	420.81	67.16	526.61%	39.77%	Asia stocks rise on rate cut wagers, yen wallows at 38-year lows
Money Market	1,605.41	231.78	592.7%	1175.19%	Non-bank transactions surge threatens W' Africa's financial stability – Cardoso
Foreign Direct Investment	119.18	183.97	-35.22%	150.35%	Dangote fuel: Marketers fear high-priced petrol ahead of supply
Monetary Policy Rates (%) (May 2024)	Latest	Prior		CHG (%)	Discos Raise Revenue by N42.4bn after 230% Hike in Tariff for Premium Customers
MPR	26.25%	24.75%		1.5%	US yields boost dollar and leave yen dazed at 38-year low
Cash Reserve Ratio (CRR)	45%	45%		0.0%	Litigation: FG withdraws five oil blocks from 2024 bid round
Liquidity Ratio	30%	30%		0.0%	SEC plans sanction for issuing houses over bank recapitalisation rule violations

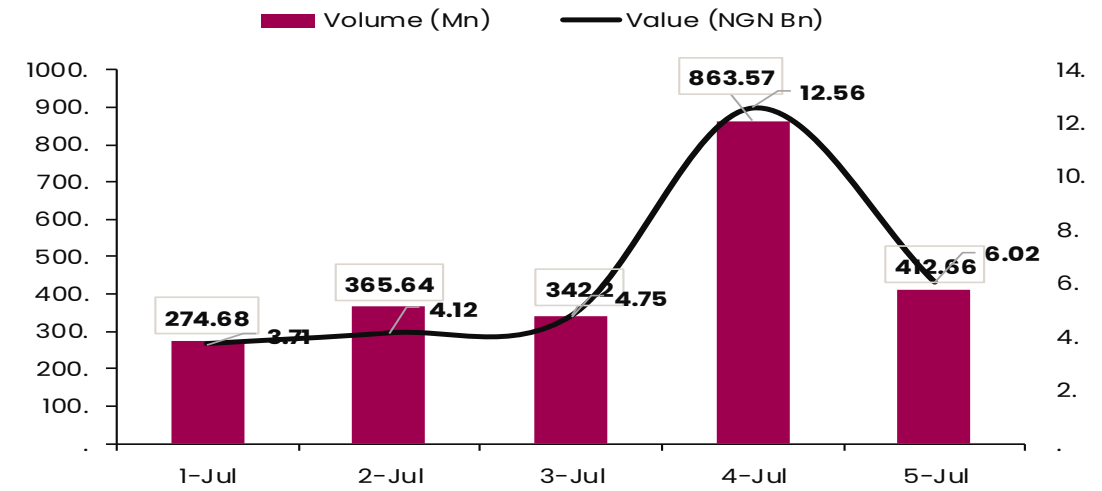
Source: CBN, NBS, FMDQ, ARM Research



Weekly Equities Market Snapshot Friday, July 5, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
CONOIL	126.50	20.5%	126.50	73.00	50.8%	IKEJAHOTEL	6.95	-12.0%	10.20	2.25	15.8%
JAIZBANK	2.33	19.5%	4.01	1.39	20.1%	LASACO	2.30	-9.8%	2.96	1.58	21.1%
AIICO	1.10	13.4%	1.69	0.63	37.5%	JBERGER	88.60	-9.6%	98.00	28.00	106.0%
OANDO	17.00	13.3%	17.05	5.02	61.9%	MBENEFIT	0.61	-9.0%	1.00	0.37	15.1%
REGALINS	0.45	12.5%	0.68	0.31	18.4%	CUSTODIAN	9.50	-6.9%	11.50	6.85	5.6%
AFRIPRUD	9.00	9.8%	10.10	5.40	21.6%	MAYBAKER	5.51	-6.6%	8.50	4.50	5.0%
IMG	13.00	9.2%	14.75	8.50	-3.3%	MTNN	200.00	-6.5%	319.80	175.00	-24.2%
SOVRENINS	0.49	8.9%	0.79	0.31	75.0%	CHAMPION	3.29	-6.0%	4.38	2.49	-20.7%
ACADEMY	1.99	8.2%	2.50	1.67	2.6%	DAARCOMM	0.48	-5.9%	1.29	0.20	-46.7%
ROYALEX	0.68	7.9%	1.06	0.45	-98.0%	DANGSUGAR	40.50	-5.8%	89.50	24.40	-28.9%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	100,022.03	-0.04%	-0.04%	-0.04%	33.77%
Market Cap	56.58trn	-0.04%	-0.04%	-0.04%	38.28%
NGX Banking	862.32	3.87%	3.87%	3.87%	-3.89%
NGX Industrial	1,570.68	0.22%	0.22%	0.22%	73.53%
NGX Consumer	862.32	-0.69%	-0.69%	-0.69%	40.08%
NGX Oil & Gas	1,484.07	3.01%	3.01%	3.01%	42.28%
NGX Insurance	1,570.68	2.26%	2.26%	2.26%	24.17%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income

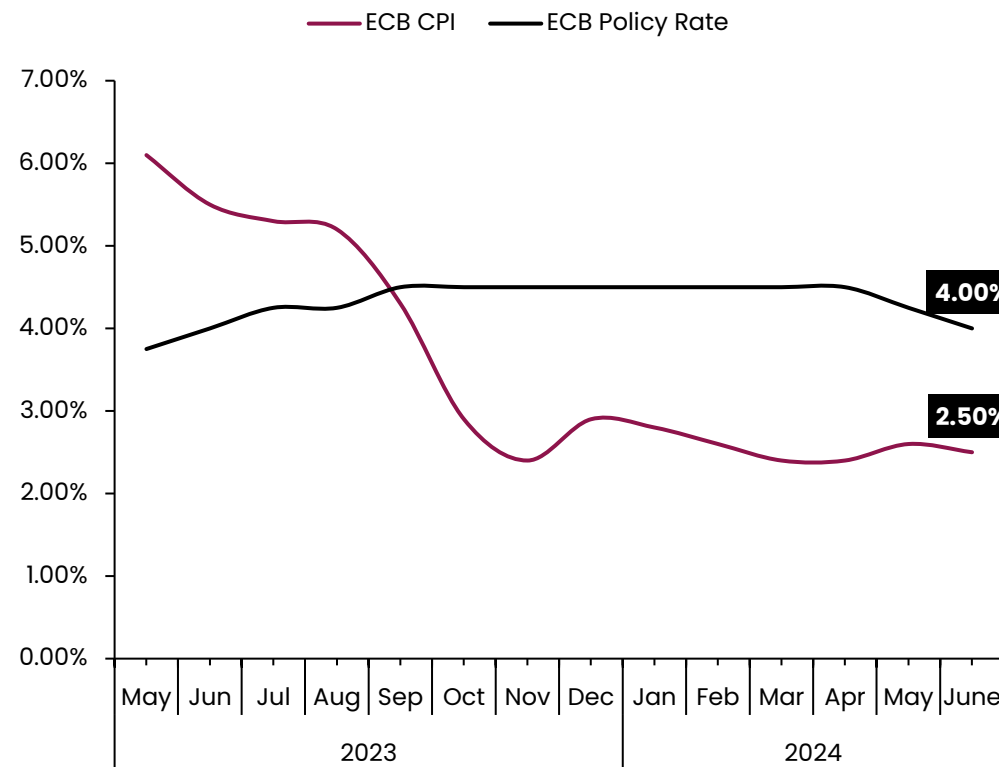


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor				
Money Market				OMO				OMO							
Overnight (O/N)	32.06%	25.00%	7.06%	28-Jun-24	Nil	Nil	22.48%	28-Jun-24	Nil	Nil	264.33				
Open Repo Rate (OPR)	32.53%	24.14%	8.39%	19-Jun-24	Nil	19.48%	22.30%	19-Jun-24	Nil	1.00	985.88				
NIBOR - 1M	26.11%	23.42%	2.69%	04-Jun-24	18.74%	19.59%	22.33%	04-Jun-24	10.00	16.00	487.95				
NIBOR - 3M	27.00%	23.18%	3.82%	29-May-24	0.00%	19.64%	22.34%	29-May-24	10.00	5.65	1142.56				
NIBOR - 6M	27.86%	24.07%	3.79%	24-May-24	19.00%	19.74%	22.49%	24-May-24	20.50	1.00	239.15				
Treasury Bills				Treasury Bills				Treasury Bills							
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day				
1-month	19.03%	18.88%	0.15%	26-Jun-24	16.30%	17.44%	20.68%	26-Jun-24	28.15	36.44	219.67				
3-month	19.88%	18.98%	0.90%	13-Jun-24	16.30%	17.44%	20.50%	13-Jun-24	6.78	8.36	40.09				
6-month	21.85%	21.28%	0.57%	5-Jun-24	16.50%	17.50%	20.67%	5-Jun-24	19.61	12.74	246.55				
9-month	25.08%	24.49%	0.59%	22-May-24	16.50%	17.45%	20.69%	22-May-24	60.69	28.46	549.83				
12-month	25.72%	25.00%	0.72%	8-May-24	16.24%	17.00%	20.70%	8-May-24	16.59	5.44	252.64				
FGN Bonds (Local)				FGN Bonds				FGN Bonds							
					Mar-27	Apr-29	Feb-31	May-33	Feb-34						
13.53% 23-MAR-2025	20.20%	20.04%	0.16%	24-Jun-24	N/A	19.64%	20.19%	21.50%	N/A	24-Jun-24	N/A	22.13	45.38	229.50	N/A
12.50% 22-JAN-2026	18.62%	18.54%	0.08%	13-May-24	N/A	19.29%	19.74%	19.89%	N/A	13-May-24	N/A	32.67	62.98	285.12	N/A
16.2884% 17-MAR-2027	18.80%	18.67%	0.13%	15-Apr-24	N/A	19.30%	19.75%	N/A	20.00%	15-Apr-24	N/A	79.92	85.05	N/A	461.85
12.1493% 18-JUL-2034	19.30%	19.29%	0.01%	18-Mar-24	19.94%	N/A	20.00%	N/A	20.45%	18-Mar-24	151.93	N/A	47.84	N/A	275.85
16.2499% 18-APR-2037	18.65%	18.64%	0.01%	19-Feb-24	N/A	N/A	18.50%	N/A	19.00%	19-Feb-24	N/A	N/A	873.53	N/A	621.38
14.8% 26-APR-2049	17.50%	17.50%	0.00%		Corporate Bonds	This Week	Prior Week	WoW (%)							
FGN Eurobonds				ACCESS 15.50% 23-JUL-2026				22.03%	21.93%	0.10%					
7.625 21-NOV-2025	8.01%	7.56%	0.45%	VIATHAN 16.00% 14-DEC-2027				19.58%	19.54%	0.04%					
6.50% 28-Nov-2027	9.22%	9.17%	0.05%	UNION 16.20% 27-JUN-2029				22.08%	22.06%	0.02%					
7.875% 16-FEB-2032	10.34%	10.56%	-0.22%	FIDELITY 8.50% 7-JAN-2031				21.07%	21.03%	0.04%					
7.625% 28-Nov-2047	10.76%	10.95%	-0.19%	MTN COM PLC 12.75 4-NOV-2031				21.00%	20.99%	0.01%					
Source: DMO, CBN, FMDQ, ARM Research															



Eurozone inflation shows mixed signals in June

Flash estimates released by Eurostat this week indicate a slight decline in headline inflation to 2.5% year-on-year (YoY) in June 2024, down from 2.6% YoY in May 2024. This represents a modest 1bp decrease. However, the underlying trend remains concerning. Core inflation, which excludes more volatile components like energy, food, alcohol, and tobacco, held steady at 2.9% YoY in June. Similarly, service price inflation remained unchanged at 4.1% YoY compared to the previous month. This data comes on the heels of a recent policy move by the European Central Bank (ECB) that some consider to be premature. At its last meeting in June, the ECB opted to cut its three key interest rates by 25bps each. This brought the interest rate on the main refinancing operations, the marginal lending facility, and the deposit facility down to 4.25%, 4.50%, and 3.75%, respectively. Looking ahead, according to LSEG Pricing data, money markets are currently anticipating two additional 25bps rate cuts by the ECB before the end of the year. However, there's only a 33% chance priced in for a follow-up cut this month, suggesting some uncertainty about the bank's next move.



Source: Eurostat, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	40.50	30.9	-23.70%	SELL
FLOUR MILLS NIG. PLC.	43.75	36	-17.71%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	19.20	25.88	34.79%	STRONG BUY
FBN HOLDINGS PLC	23.05	29.95	29.93%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY PLC	47.35	42.29	-10.69%	SELL
UNITED BANK FOR AFRICA PLC	23.70	29.57	24.77%	STRONG BUY
ZENITH BANK PLC	37.50	44.04	17.44%	OVERWEIGHT
ICT	CP	TP	Upside/Downside	RECOMMENDATION
AIRTEL AFRICA PLC	2097.00	2300.03	9.68%	NEUTRAL
MTN NIGERIA COMMUNICATIONS PLC	200.00	270.16	35.08%	STRONG BUY
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	36.00	45.01	25.03%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3794.90	3,790.80	-0.11%	UNDERWEIGHT
TOTALENERGIES MARKETING NIGERIA PLC	388.90	421.68	8.43%	NEUTRAL

Source: NGX, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date	Qualification Date
Red Star Express Plc	28-Jun-24				NGN0.27	2023FY	20-Aug-24	21-Aug-24	20-Aug-24
Nem Insurance Plc	2-Jul-24				NGN0.60	2023FY		20-Jun-24	
Industrial and Medical Gases Nigeria Plc	1-Jul-24				NGN0.50	2023FY			
Sunu Assurances Nigeria Plc	4-Jul-24				NGN0.05	2023FY	12-Jul-24	15-Jul-24	12-Jul-24

Source: NGX, ARM Research



Thank You





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