



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

20th May – 24th May 2024





Global Economy

Earlier this week, the UK Office of National Statistics released April 2024 Consumer Price Index (CPI) data. The CPI rose by 2.3% YoY in April 2024, down from 3.2% YoY in March 2024. On a monthly basis, CPI rose by 0.3% MoM in April 2024, compared with a rise of 1.2% MoM in April 2023. Falling gas and electricity prices were the major contributors to the decline in the monthly change in both CPI annual rates, while the largest, partially offsetting, upward contribution came from motor fuels, with prices rising this year but falling a year ago. Core CPI (excluding energy, food, alcohol, and tobacco) rose by 3.9% YoY in April 2024, down from 4.2% YoY in March 2024. On a different note, S&P Global released flash Purchasing Manager Index (PMI) composites for both the US and UK. The headline S&P Global Flash US PMI Composite Output Index rose sharply from 51.3 points in April 2024 to 54.4 in May 2024, its highest since April 2022. Meanwhile, in the UK, the headline seasonally adjusted S&P Global Flash UK PMI composite fell to 52.8 points in May 2024, down from 54.1 points in April 2024.

Domestic Economy

Earlier this week, the Central Bank of Nigeria (CBN) held its 295th Monetary Policy Committee (MPC) meeting. The committee increased the Monetary Policy Rate (MPR) by 150bps to 26.25%, while keeping other tools like the asymmetric corridor, cash reserve ratio (CRR), and liquidity ratio unchanged. We expect a further increase in the MPR by 50-100bps during the next MPC meeting in July 2024. Additionally, the National Bureau of Statistics (NBS) recently published the Gross Domestic Product (GDP) report for Q1:2024. Nigeria's economy grew by 2.98% Year on Year in Q1:2024, down from the 3.46% Year on Year growth recorded in Q4:2023. This growth was driven by a slower pace in both the oil sector +5.70% YoY in Q1:2024 (vs. +12.11% YoY in Q4:2023) and the non-oil sector +2.80% YoY in Q1:2024 (vs. +3.07% YoY in Q4:2023). We believe the slower growth is attributed to ongoing macroeconomic and structural challenges across all sectors of the economy.



Equities

For the third (3rd) consecutive week, the Nigerian Equities market closed in the negative territory, as the NGX All Share Index (NGX ASI) shed 52bps WoW to settle at 97,612.51 points. Consequently, the market's year-to-date (YtD) returns fell to 30.54% from last week's 31.23%. The bearish performance in the equities space follows the decision of the Monetary Policy Committee (MPC) to further raise interest rates by 150bps to 26.25%. The sustained rise in interest rates serves as an incentive for investors to move from the equities market to the fixed income market, which offers relatively higher returns. On a sectoral basis, the Oil and Gas (+0.72% WoW), Consumer Goods (+0.31% WoW) and Industrial Goods (+0.19% WoW) closed positive while the Banking (-7.35% WoW) and Insurance (-3.50% WoW) sectors closed in the red. The top gainers this week were BERGER (+20.6% to NGN14.90), REGALINS (+19.4% WoW to NGN0.37) and CUTIX (+10.2% WoW to NG3.35). However, DEAPCAP (-24.5% WoW to NGN0.40), FTNCOOA (-16.7% WoW to NGN1.20) and FBNH (-10.9% WoW to NGN20.45) led the laggards for the week. In the coming week, we expect sustained bearish sentiment in the market, spurred by investors' traction to the fixed income market in search of higher yields.

Fixed Income

Earlier this week, the Central Bank of Nigeria (CBN) conducted a Nigerian Treasury Bills (NT-bills) auction in the primary market. The CBN offered treasury bills worth NGN508.98bn across short- (NGN331.01bn), mid- (NGN9.30bn), and long-tenor (NGN168.67bn) bills. The average stop rate at the auction rose by 23bps to 18.21%, compared to 17.98% at the previous auction. This increase was driven by the rise in stop rates for the short-tenor (+26bps to 16.50%) and mid-tenor (+45bps to 17.45%) bills, reflecting the recent benchmark interest rate hike. However, the stop rate for the long-tenor bills fell by 1bp to 20.69%. Investors' demand for these instruments increased significantly to NGN1.59trn, compared to NGN914.05bn at the previous auction. The CBN sold NT-bills worth NGN638.98bn, which is 1.26x more than the initial offer. Furthermore, the CBN held an Open Market Operation (OMO) auction, offering bills worth NGN500bn across short-term (NGN75bn), mid-term (NGN75bn), and long-term (NGN350bn) tenors. The average stop rate at the auction increased by 42bps to 20.41% up from 19.99% at the previous auction. This increase followed a rise in stop rates across all instruments: short-term (+1bp to 19.00%), mid-term (+26bps to 19.74%), and long-term (+99bps to 21.50%). Demand for the OMO bills reached NGN1.16trn, 4.05x more than the NGN286.65bn at the previous auction. At the secondary market, the NT-bills market finished on a positive note as the average yield declined by 20bps WoW to 21.97%. This was driven by buying interest across the tenors. Likewise, the FGN bond market closed bullish with the average yield down by 2bps WoW to settle at 18.67%. This is following buying interest across all tenors, specifically in the long-term instruments: JAN-2042: -59bps and JUL-2045: -31bps. Overall, the Naira fixed income market concluded positively as the average yield fell by 11bps WoW to settle at 20.32%. Given the current attractive returns in the fixed income market, we anticipate investors will remain active, seeking to capitalize on these opportunities.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	32.7	32.6	0.40%	-0.52%	Post-MPC Report May 2024
USD/NGN (₦/\$)					
NAFEM	1478.80	1459.00	-1.34%	-38.66%	Total Q12024 Earnings Note
Parallel	1520.0	1537.5	1.15%	-21.38%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (April 2024)	April	March	CHG (pps)		
Headline	33.69	33.20	0.49	33.45	
Core	26.84	25.9	0.94	26.37	
Food	40.53	40.01	0.52	40.27	
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	NBS to Rebase GDP, Inflation Estimates to Capture New Economic Frontiers
Oil	5.7	12.11	-0.85	-2.22	International Breweries Launches 161.17bn Rights Issue
Agriculture	2.90	2.10	1.30	1.13	IOCs to invest \$20bn in Nigeria – FG
Manufacturing	1.49	1.38	0.48	1.4	136% of 2023 FX inflows recorded in three months – Cardoso
Information and Communication	5.43	6.33	6.69	7.91	British PM Sunak Announces UK General Election for July, Earlier Than Expected
Labor Data (%)		Q3 23	Q2 23	Q1 23	Electricity subsidy gulps N629bn as Discos generate N1.1tn
Unemployment Rate		5	4.2	4.1	159 million barrels of oil produced in four months – NUPRC
Underemployment		12.3	11.8	12.2	Foreign Reserves Increased by \$520m in One Month to \$32.6bn
Capital Importation (\$'mn)	Q4 23	Q3 23	QoQ (%)	YoY (%)	14 new IMTOs will boost remittances – Cardoso
Foreign Portfolio Investment – Equities	10.83	8.37	29.4%	122.77%	Naira slide pushes Dangote diesel to N1,100/litre
Bonds	67.16	20.56	226.65%	-53.51%	26.25% interest rate: Private sector fears loan repayment crisis
Money Market	231.78	58.19	298.3%	70.47%	Kyari: Nigeria's Cocoa Export Accounted for 29% of Total Agric Export in 2023
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	FG Rakes in over N13tn Revenue from NUPRC's Operations in Four Years
Monetary Policy Rates (%) (March 2024)	Latest	Prior		CHG (%)	Food imports hit N3tn over flooding, insecurity – CBN
MPR	26.25%	24.75%		1.5%	Port Harcourt refinery begins operation July
Cash Reserve Ratio (CRR)	45%	45%		0.0%	China commerce ministry bans some US firms from import, export activities
Liquidity Ratio	30%	30%		0.0%	CBN Bows to Pressure, Halts Implementation of Controversial Cybersecurity Levy
Source: CBN, NBS, FMDQ, ARM Research					Oil production nears 1.7mbpd – NNPC

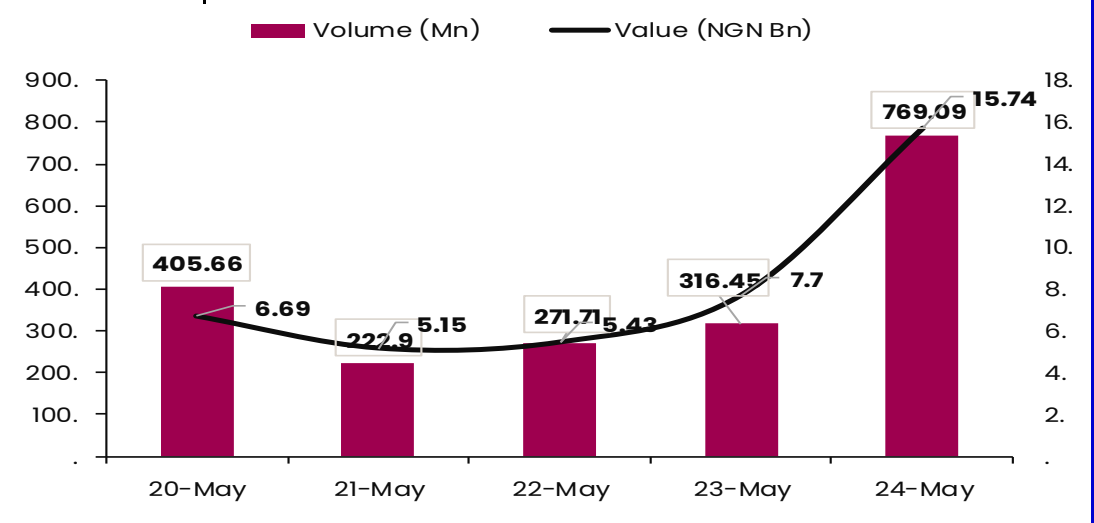


Weekly Equities Market Snapshot

Friday, May 24, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
BERGER	14.90	20.6%	8.70	17.35	14.6%	DEAPCAP	0.40	-24.5%	0.20	1.16	-31.0%
REGALINS	0.37	19.4%	0.31	0.68	-2.6%	FTNCOCOA	1.20	-16.7%	0.57	4.10	-18.9%
CUTIX	3.35	10.2%	2.11	3.50	42.6%	FBNH	20.45	-10.9%	12.90	43.95	-13.2%
NESTLE	900.00	9.8%	795.30	1250.00	-18.2%	MBENEFIT	0.52	-10.3%	0.34	1.00	-1.9%
JBERGER	85.00	7.2%	28.00	85.00	97.7%	ETI	21.65	-10.0%	12.00	28.80	3.6%
AFRIPRUD	6.95	6.1%	5.40	10.10	-6.1%	IMG	12.40	-9.8%	8.00	14.75	-7.8%
PRESTIGE	0.56	3.7%	0.40	0.68	9.8%	SKYAVN	20.70	-9.8%	5.85	28.15	314.0%
NB	23.75	3.3%	22.60	46.50	-34.0%	CHAMS	1.50	-9.6%	0.32	3.65	-23.9%
TRANSCOHOT	94.79	3.0%	8.25	101.90	1416.6%	NEM	7.65	-9.5%	4.32	10.60	21.4%
MTNN	230.50	2.9%	175.00	319.80	-12.7%	CHAMPION	3.00	-9.4%	2.49	5.05	-27.7%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	97,612.51	-0.52%	-0.62%	-6.65%	30.54%
Market Cap	55.22trn	-0.52%	-0.60%	-6.60%	34.95%
NGX Banking	733.39	-7.35%	-5.29%	-28.77%	-18.26%
NGX Industrial	1,532.89	0.19%	0.29%	-2.91%	73.31%
NGX Consumer	733.39	0.31%	-0.83%	-4.84%	36.71%
NGX Oil & Gas	1,186.45	0.72%	-6.43%	-8.34%	13.75%
NGX Insurance	1,532.89	-3.50%	-6.87%	-12.91%	9.90%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income

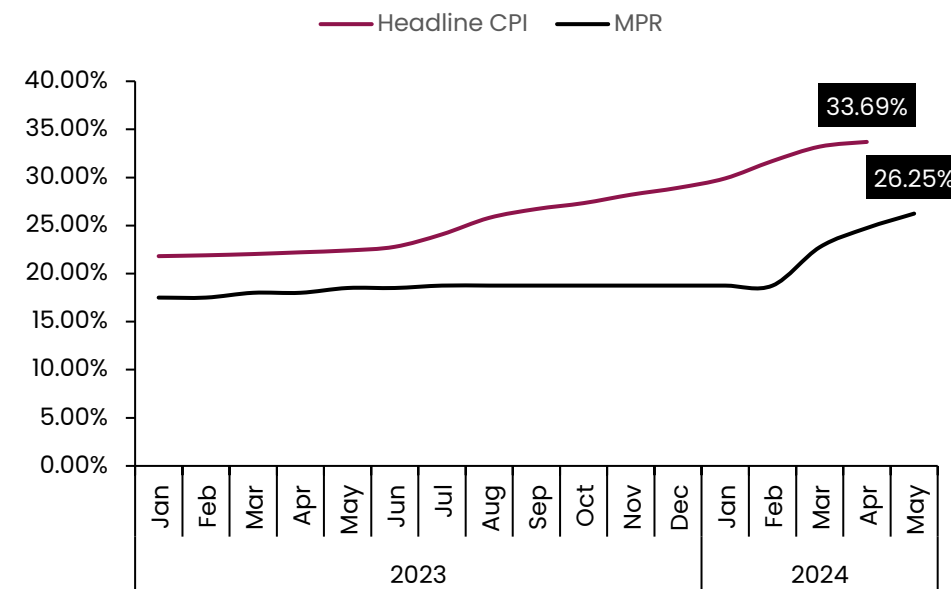


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor								
Money Market				OMO				OMO											
Overnight (O/N)	33.00%	30.92%	2.08%	24-May-24	19.00%	19.74%	22.49%	24-May-24	10.00	5.65	1160.21								
Open Repo Rate (OPR)	32.40%	29.96%	2.44%	6-May-24	18.99%	19.48%	21.50%	01-Mar-24	20.50	1.00	239.15								
NIBOR - 1M	23.07%	24.17%	-1.10%	03-Apr-24	19.00%	19.50%	21.13%	29-Jan-24	17.00	7.25	652.40								
NIBOR - 3M	23.86%	24.66%	-0.80%	1-Mar-24	19.00%	19.50%	21.50%	15-Jan-24	37.05	6.00	1013.25								
NIBOR - 6M	25.07%	25.83%	-0.76%	29-Jan-24	10.00%	13.50%	17.00%	10-Jan-24	15.00	15.00	270.00								
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day								
1-month	18.24%	19.10%	-0.86%	22-May-24	16.50%	17.45%	20.69%	22-May-24	60.69	28.46	549.83								
3-month	18.38%	18.47%	-0.09%	8-May-24	16.24%	17.00%	20.70%	8-May-24	16.59	5.44	252.64								
6-month	20.26%	19.90%	0.36%	24-Apr-24	16.24%	17.00%	20.70%	24-Apr-24	16.48	11.99	333.98								
9-month	22.73%	22.82%	-0.09%	12-Apr-24	16.24%	17.00%	20.70%	12-Apr-24	27.11	22.67	902.04								
12-month	24.85%	25.03%	-0.18%	27-Mar-24	16.24%	17.00%	21.12%	27-Mar-24	29.83	25.58	1,134.30								
FGN Bonds (Local)				FGN Bonds	Mar-27	Apr-29	Feb-31	May-33	Jun-33	Feb-34	Jun-38	FGN Bonds	Mar-27	Apr-29	Feb-31	May-33	Jun-33	Feb-34	Jan-38
13.53% 23-MAR-2025	19.33%	19.22%	0.11%	13-May-23	N/A	19.29%	19.75%	19.89%	N/A	N/A	N/A	13-May-23	N/A	32.67	62.98	285.12	N/A	N/A	N/A
12.50% 22-JAN-2026	18.07%	18.01%	0.06%	15-Apr-23	N/A	19.30%	19.75%	N/A	N/A	20.00%	N/A	15-Apr-23	N/A	79.92	85.05	N/A	N/A	461.85	N/A
16.2884% 17-MAR-2027	18.47%	18.46%	0.01%	18-Mar-23	19.94%	N/A	20.00%	N/A	N/A	20.45%	N/A	18-Mar-23	151.93	N/A	47.84	N/A	N/A	275.85	N/A
12.1493% 18-JUL-2034	19.25%	19.24%	0.01%	19-Feb-23	N/A	N/A	18.50%	N/A	N/A	19.00%	N/A	19-Feb-23	N/A	N/A	873.53	N/A	N/A	621.38	N/A
16.2499% 18-APR-2037	18.65%	18.65%	0.00%	29-Jan-23	15.00%	15.50%	N/A	N/A	16.00%	N/A	16.50%	29-Jan-23	86.19	21.94	N/A	N/A	43.35	N/A	266.73
14.8% 26-APR-2049	17.72%	17.73%	-0.01%	Corporate Bonds	This Week	Prior Week	WoW (%)												
				ACCESS 15.50% 23-JUL-2026	21.39%	21.31%	0.08%												
				VIATHAN 16.00% 14-DEC-2027	19.14%	21.02%	-1.88%												
FGN Eurobonds				UNION 16.20% 27-JUN-2029	22.23%	22.23%	0.00%												
7.625 21-NOV-2025	7.75%	7.70%	0.05%	FIDELITY 8.50% 7-JAN-2031	20.54%	20.53%	0.01%												
6.50% 28-Nov-2027	9.08%	8.84%	0.24%	MTN COM PLC 12.75 4-NOV-2031	20.51%	20.51%	0.00%												
7.875% 16-FEB-2032	10.33%	10.06%	0.27%																
7.625% 28-Nov-2047	10.62%	10.37%	0.25%																
Source: DMO, CBN, FMDQ, ARM Research																			



MPC Prioritizes Inflation Control and Exchange Rate Stability Through Rate Hike

Earlier this week, On May 21st and 22nd, 2024, the Nigerian Monetary Policy Committee (MPC) held its 295th meeting. In a bid to curb inflation and stabilize the exchange rate, they opted for a further tightening of the Monetary Policy Rate (MPR). This translates to a 150 basis point (bps) hike, raising the MPR to 26.25%. This decision follows a previous increase of 200 bps implemented in March 2024, to 24.75%. Persistent inflation remained a top concern for the MPC. Year-on-year (YoY) inflation in April, reported by the Nigerian Bureau of Statistics (NBS), jumped to 33.69%, a 49bps increase from March's 33.20%. However, a silver lining emerged – inflation on a month-on-month (MoM) basis showed its second consecutive decline, reaching 2.29% in April (down from 3.02% in March). The MPC acknowledged recent volatility in the foreign exchange market, with the Naira losing some of its earlier gains against the US Dollar. Nonetheless, they welcomed the licensing of 14 new International Money Transfer Operators (IMTOs), a move expected to boost competition and potentially lower transaction costs. Adding a positive note, the Stanbic IBTC Bank Nigeria PMI for April 2024 showed a marginal increase in business activity to 51.1 points (up from 51.0 in March), marking the fifth consecutive month of expansion. Balancing inflation control, exchange rate stability, and economic growth remains a delicate task for the MPC. We maintain a synchronized approach, with both fiscal and monetary measures working in tandem, is crucial to achieving the desired impact of reining in inflation.



Source: NBS, CBN, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	39.00	42.5	8.97%	NEUTRAL
FLOUR MILLS NIG. PLC.	38.00	36	-5.26%	SELL
FINANCIAL SERVICES	CP	TP	Upside/Downside	RECOMMENDATION
ACCESS HOLDINGS PLC	16.40	25.88	57.80%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY PLC	37.30	42.29	13.38%	OVERWEIGHT
UNITED BANK FOR AFRICA PLC	19.20	29.57	54.01%	STRONG BUY
ZENITH BANK PLC	30.00	44.04	46.80%	STRONG BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	230.50	270.16	17.21%	OVERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	35.00	45.01	28.60%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3000.00	3,790.80	26.36%	STRONG BUY
TOTALENERGIES MARKETING NIGERIA PLC	321.50	421.68	31.16%	STRONG BUY

Source: NGX, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date
Smart Products Nigeria Plc	12-May-24				NGN0.08	2023FY	31-Jul-24	21-Jun-24
Transcorp Power Plc	20-May-24				NGN3.13	2023FY		
Fidelity Bank Plc	17-May-24				NGN0.60	2023FY		

Source: NGX, ARM Research



Thank You





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