



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

26th February – 1st March 2024





Global Economy

Japan's core consumer inflation decreased for a third consecutive month in January 2024, reaching 2.00% YoY, ahead of market estimates but remaining in line with the central bank's 2% target, according to Japanese e-Stat earlier this week. The emergence of wage-driven inflation factors outweighing cost-push drivers of prices would further boost anticipation of an end to the country's eight-year negative rate policy. On a separate note, China's manufacturing activity declined in February 2024 for the fifth consecutive month, according to data from the Chinese National Bureau of Statistics. With a significant decline in the output component, the official manufacturing purchasing managers' index (PMI) dropped from 49.2 points in January 2024 to 49.1 points in February 2024. It was less than the 50-point threshold that divides expansion from contraction. China's official manufacturing PMI has been declining since March 2023, barring September 2023. On the other hand, because of strong activity over the Lunar New Year holidays, the official non-manufacturing PMI, which covers services and construction, increased to 51.4 points in February 2024 from 50.7 points in January 2024, the highest figure since September 2023.

Domestic Economy

Earlier this week, the Monetary Policy Committee (MPC) conducted its 293rd meeting and decided to raise the Monetary Policy Rate (MPR) by 400bps, reaching a historic 22.75%, up from the previous rate of 18.75% set in July 2023. Additionally, the Committee increased the Cash Reserve Ratio (CRR) from 32.50% to 45% and modified the asymmetric corridor to +100/-700 basis points around the MPR, while keeping the Liquidity Ratio unchanged at 30%. Furthermore, the Central Bank of Nigeria, amid ongoing foreign exchange reforms, addresses retail market distortions by approving the sale of USD20,000 to eligible Bureau De Change (BDCs) at NGN1,301/USD. BDCs can sell to end-users with a maximum of 1% margin above the CBN rate. Payments are to be made in Naira to designated CBN accounts for disbursement at specified branches in Abuja, Awka, Lagos, and Kano. Likewise, CBN discussed key points during a Foreign Portfolio Investor (FPI) call, emphasizing plans to increase Open Market Operation (OMO) auctions, raise rates at primary market auctions, refund banks with high CRR, stabilize the exchange rate through BDC, clear FX backlogs, and prioritize a robust FX market for foreign investors. Overall, the CBN committed to addressing inflation, and ensuring liquidity for foreign investors' entry and exit.



Equities

This week, bearish sentiment pervaded the Nigerian equities market, as it lost in four (4) out of five (5) trading days of the week. Consequently, the NGX All Share Index (ASI) shed 3.27% WoW to settle at 98,751.98 points, pushing the market's year-to-date (YtD) returns farther down to 32.07% (vs. last week: 36.53% YtD). We also observed negative sentiment in all sectors under our coverage, with the Industrial Goods sector (-3.87% WoW) losing the highest followed by the Insurance (-3.40% WoW), Consumer Goods (-2.62% WoW), Oil and Gas (-1.55% WoW) and Banking (-0.69% WoW) sectors. The poor performance across sectors can be linked to weak 2023FY earnings results that were released during the week. The top gainers for the week include PZ (+22.4% WoW to NGN33.75), STERLINGNG (+14.9% WoW to NGN5.00) and FTNCOCOA (+10.7% WoW to NGN1.65), while MTNN (-18.9% WoW to NGN200.70), NESTLE (-18.2% WoW to NGN900) and ETERNA (-10.8% WoW to NGN15.65) topped the decliners' chart. In the coming week, we expect bearish sentiment to persist in the market, as investors look for attractive yields in the fixed income market.

Fixed Income

At the Open Market Operation (OMO) auction held today, the Central Bank of Nigeria (CBN) offered significantly higher interest rates compared to the previous auctions. The average stop rate surged by 650bps to 20% from 13.50% observed at the last auction. This was driven by increases in the stop rates for the short-, mid- and long-term instruments which rose by 900bps to 19%, 600bps to 19.5% and 450bps to 21.5%, respectively. Furthermore, the average bid-to-cover ratio also increased significantly, rising by 75bps to 2.28x from 1.53x at the previous auction. This indicates a substantial increase in investor appetite for the offered instruments reflecting the current uptrend in yields. In the secondary market, the Nigerian fixed income market closed the week negatively, with average yields rising across board. The Nigerian Treasury bill yields rose by 57bps WoW to settle at 17.24%. Similarly, the FGN bond market saw average yields climb 45bps WoW to 16.12%, driven by sell-offs across the curve, particularly in the MAR-2027 (+109bps), JUL-2030 (+122bps), and APR-2032 (+197bps) instruments. Overall, the average yield for the Naira fixed income market rose 51bps WoW to 17.24%. Following the Central Bank of Nigeria's (CBN) recent interest rate hike to 22.75%, we expect bearish sentiment to persist in the coming week as investors seek higher returns in the fixed income market.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.7	33.4	0.82%	2.46%	Post Monetary Policy Committee Meeting February 2024 - MPC Takes a More Aggressive Stance Against Inflation
USD/NGN (₦/\$)					
NAFEM	1544.08	1571.31	1.76%	70.22%	
Parallel	1512.5	1770.0	17.02%	26.57%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (November 2023)	January	December	CHG (pps)		
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	
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	Govs, Elumelu, Dangote make Tinubu's economic advisory panel
Oil	12.11	-0.85	-13.43	-2.22	Forex crisis threatens modular refineries N25bn daily crude input
Agriculture	2.10	1.30	1.50	1.13	UK goods exports to Nigeria dip by £357m – Report
Manufacturing	1.38	0.48	2.20	1.4	NICA Backs Credit Guarantee System for Struggling Businesses
Information and Communication	6.33	6.69	8.60	7.91	US diesel exports to Europe dip on plummeting refining output
Labor Data (%)		Q3 23	Q2 23	Q1 23	CBN sells over \$300m to banks as naira gains
Unemployment Rate		5	4.2	4.1	Marketers await Dangote fuel, four weeks after production take-off
Underemployment		12.3	11.8	12.2	Nigeria Imports 60.4bn Litres of Petrol in 32 Months Amid FX Crisis
Capital Importation (\$'mn)	Q4 23	Q3 23	QoQ (%)	YoY (%)	Japan's inflation beats forecasts, end of negative rates in sight
Foreign Portfolio Investment - Equities	10.83	8.37	29.4%	122.77%	CBN resumes forex sale to BDC operators after three years
Bonds	67.16	20.56	226.65%	-53.51%	FG completes \$700m gas pipeline in March after eight years
Money Market	231.78	58.19	298.3%	70.47%	Dangote, PH refineries face crude shortage over low production – FG
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	Nigeria's Foreign Reserves Hits 4-month High of \$33.45bn
Monetary Policy Rates (%) (July 2023)	Latest	Prior		CHG (%)	Oil eases as Fed caution, stock build outweigh OPEC+ news
MPR	22.75	18.75		400.0%	NLNG grows LPG production to 1.5million tonnes, begins naira sale
Cash Reserve Ratio (CRR)	45.0	32.5		1250.0%	Aba Power to Commence Electricity Supply a Week Ahead of Schedule
Liquidity Ratio	30.0	30.0		0.0%	NDIC refunds depositors of 179 liquidated banks
Source: CBN, NBS, FMDQ, ARM Research					China's factory activity shrinks for 5th month, raises pressure for more stimulus

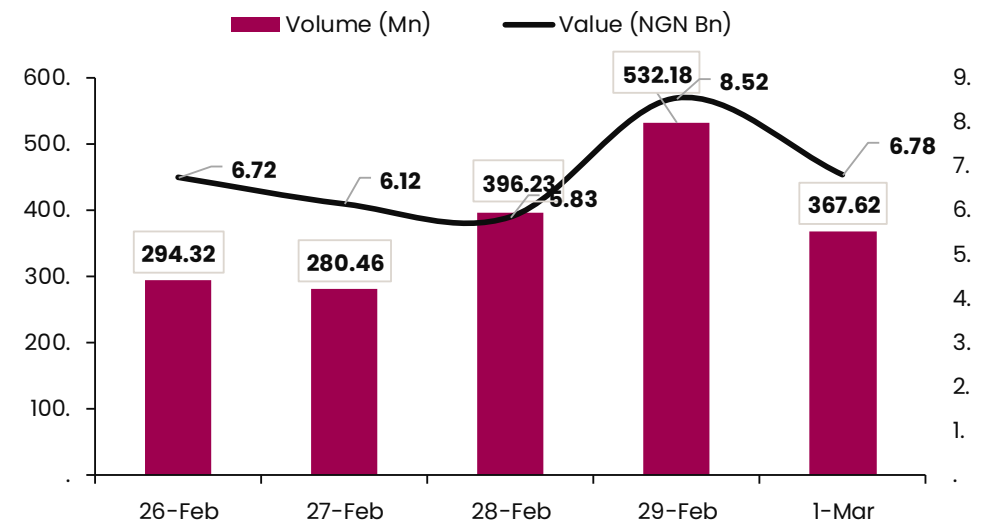


Weekly Equities Market Snapshot

Friday, March 1, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
PZ	33.75	27.4%	39.20	10.30	26.4%	MTNN	200.70	-18.9%	319.80	200.70	-24.0%
STERLINGNG	5.00	14.9%	8.20	1.40	257.1%	NESTLE	900.00	-18.2%	1250.00	900.00	-18.2%
FTNCOCOA	1.65	10.7%	4.10	0.25	11.5%	CWG	6.00	-11.8%	9.50	0.86	-27.7%
DAARCOMM	0.86	8.9%	1.29	0.20	-4.4%	ETERNA	15.65	-10.8%	37.70	5.40	13.0%
CHAMPION	3.76	8.7%	5.77	2.85	-9.4%	SOVRENINS	0.43	-10.4%	0.79	0.27	53.6%
OMATEK	0.76	8.6%	1.15	0.20	0.0%	BUACEMENT	135.00	-10.0%	185.00	81.00	39.2%
GUINEAINS	0.40	8.1%	0.68	0.20	37.9%	MORISON	1.51	-9.6%	3.38	1.51	-46.1%
ABCTrans	0.81	8.0%	1.35	0.31	0.0%	CADBURY	19.00	-9.5%	31.95	10.20	0.0%
GTCO	41.70	6.8%	48.80	22.05	3.0%	FBNH	28.10	-9.4%	34.10	10.30	19.3%
HONYFLOUR	3.65	6.7%	6.43	2.17	9.9%	DANGSUGAR	59.00	-9.2%	89.50	16.50	3.5%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	98,751.98	-3.27%	-1.23%	32.07%	32.07%
Market Cap	54.04trn	-3.27%	-1.23%	32.06%	32.06%
NGX Banking	871.51	-0.69%	2.59%	-2.86%	-2.86%
NGX Industrial	1,629.54	-3.87%	-3.44%	73.96%	73.96%
NGX Consumer	871.51	-2.62%	0.38%	45.33%	45.33%
NGX Oil & Gas	1,291.86	-1.55%	-0.85%	23.85%	23.85%
NGX Insurance	1,629.54	-3.40%	1.12%	15.56%	15.56%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income

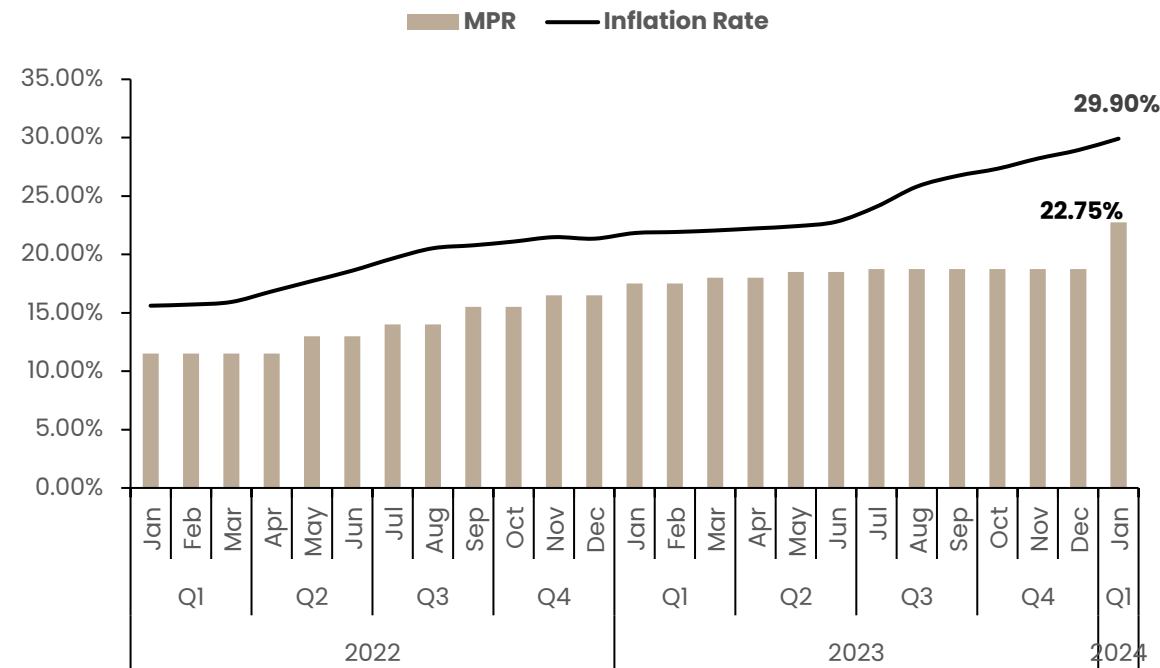


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	92 Day	176 Day	365 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
Money Market				OMO					OMO				
Overnight (O/N)	28.19%	25.75%	2.44%	01-Mar-24	19.00%	19.50%	21.50%	N/A	01-Mar-24	37	6	N/A	1013
Open Repo Rate (OPR)	27.16%	24.91%	2.25%	29-Jan-24	10.00%	13.50%	17.00%	N/A	29-Jan-24	15	15	N/A	270
NIBOR - 1M	19.50%	21.90%	-2.40%	15-Jan-24	10.00%	13.50%	15.50%	N/A	15-Jan-24	22	35	N/A	300
NIBOR - 3M	20.81%	22.45%	-1.64%	10-Jan-24	10.50%	14.00%	17.75%	N/A	10-Jan-24	50	N/A	100	150
NIBOR - 6M	21.38%	21.70%	-0.33%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	25	N/A	25	50
Treasury Bills				Treasury Bills					Treasury Bills				
1-month	11.43%	11.33%	0.10%	21-Feb-24	17.00%	17.50%	19.00%		21-Feb-24	331.01	66.25		1192.09
3-month	14.93%	13.62%	1.31%	7-Feb-24	17.24%	18.00%	19.00%		7-Feb-24	200	200		600
6-month	17.90%	17.45%	0.45%	24-Jan-24	5.00%	7.15%	11.54%		24-Jan-24	7.85	6.44		217.53
9-month	21.06%	19.64%	1.42%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49		52.29
12-month	24.14%	23.60%	0.54%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16		48.11
FGN Bonds (Local)				FGN Bonds					FGN Bonds				
14.20% 14-MAR-2024	10.86%	10.29%	0.57%	19-Feb-23	N/A	N/A	N/A	18.50%	N/A	19.00%	N/A	N/A	873.53
13.53% 23-MAR-2025	16.54%	16.40%	0.14%	29-Jan-23	15.00%	N/A	15.50%	N/A	16.00%	N/A	16.50%	N/A	24.34
12.50% 22-JAN-2026	16.78%	16.52%	0.26%	11-Dec-23	N/A	15.50%	16.00%	N/A	16.50%	N/A	17.15%	N/A	621.38
16.2884% 17-MAR-2027	17.79%	16.70%	1.09%	13-Nov-23	N/A	16.00%	17.00%	N/A	17.50%	N/A	18.00%	N/A	24.35
12.1493% 18-JUL-2034	17.07%	16.43%	0.64%	16-Oct-23	N/A	14.90%	15.75%	N/A	15.80%	N/A	16.60%	N/A	N/A
16.2499% 18-APR-2037	17.23%	16.62%	0.61%	Corporate Bonds									
14.8% 26-APR-2049	17.96%	17.87%	0.09%	ACCESS 15.50% 23-JUL-2026	19.66%	19.42%	0.24%						
				VIATHAN 16.00% 14-DEC-2027	18.08%	17.58%	0.50%						
FGN Eurobonds				Corporate Bonds									
7.625 21-NOV-2025	8.73%	8.79%	-0.06%	UNION 16.20% 27-JUN-2029	20.82%	20.07%	0.75%						
6.50% 28-Nov-2027	9.43%	9.35%	0.08%	FIDELITY 8.50% 7-JAN-2031	18.62%	17.21%	1.41%						
7.875% 16-FEB-2032	10.06%	10.14%	-0.08%	MTN COM PLC 12.75 4-NOV-2031	18.61%	17.24%	1.37%						
7.625% 28-Nov-2047	10.17%	10.20%	-0.03%										
Source: DMO, CBN, FMDQ, ARM Research													



Inflation vs Growth: Can a Rate Hike Curb Inflation Without Stalling Growth?

The recent decision by the Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) to raise the benchmark interest rate (MPR) by a significant 400 basis points (bps) to 22.75% marks a bold attempt to tackle the nation's persistent inflation woes. While this aggressive policy shift holds the potential to curb rising prices and attract foreign investment, it also carries the risk of dampening economic growth. The primary goal of the rate hike is to tackle inflation, which has eroded purchasing power and hindered economic activity. By making borrowing more expensive, the CBN aims to reduce the money supply, putting downward pressure on prices. A more stable and predictable economic environment could encourage both domestic and foreign investment. However, the path to achieving these goals is not without challenges. Higher borrowing costs could discourage businesses from investing and expanding, potentially leading to slower economic growth and reduced job creation. This, in turn, could decrease consumer spending, creating a vicious cycle that further dampens economic activity. Furthermore, existing businesses and individuals with outstanding loans will face increased debt servicing costs, potentially harming their financial health, and further restricting spending and investment. In conclusion, we believe effective policy implementation by the CBN would lead to stability and transparency in the financial markets, ultimately reining in galloping inflation to acceptable levels over the medium term.



Source: NBS, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	59.00	125.7	113.05%	STRONG BUY
FLOUR MILLS NIG. PLC.	31.25	38.37	22.78%	STRONG BUY
GUINNESS NIG PLC	51.00	100	96.08%	STRONG BUY
NIGERIAN BREW. PLC.	32.50	39.22	20.68%	STRONG BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	200.70	326.50	62.68%	STRONG BUY
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	3,382.00	0.36%	NEUTRAL
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
Dangote Cement Plc	1-Mar-24				NGN30.00	2023FY		
Seplat Energy Plc	29-Feb-24				USD0.03cents	2023FY	29-May-24	29-Apr-24

Source: NGX, ARM Research



Thank You





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