



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary ...for the week 14– 18 October 2019

Global Economy

- ◆ Data released this week painted a less than rosy economic picture of the two belligerents in the lingering trade war. The US reported a 0.3% MoM decline in retail sales for September (August: +0.6%) which was below consensus expectation of a 0.3% growth. This was the first decline in 7 months and it raised concerns that the slowdown was spreading to the consumer segment. In addition, the US posted a 0.4% MoM contraction in industrial production in September (August: +0.8%). This stemmed from a 0.5% decline in manufacturing production following strike at General Motors and uncertainties triggered by the trade war. Over in China, the economy grew 6% YoY in Q3 (Q2: 6.2%) which was the slowest since 1992 and a miss from consensus expectation of 6.1%. However, other data released showed a recovery could be in the offing, as industrial production jumped 5.8% YoY (Aug: 4.4%) and retail sales rose to 7.8% YoY (Aug: 7.5% in September). Finally, the UK and the EU reached a last-minute Brexit withdrawal agreement in which the UK parliament will now vote on tomorrow.

Domestic Economy

- ◆ Inflation for the month of September printed at 11.24% YoY, 23bps higher than the previous month. As expected, September's inflation shifted from the moderating trend observed since June buoyed by the partial boarder closure implemented on August 20th which took a toll on food inflation (+34bps to 13.51% YoY). Surprisingly, core inflation ticked up for the first time this year. With the ascent in both core and food inflation, MoM inflation printed at 1.04% (prior month: 0.99 MoM). Elsewhere, the Debt Management Office (DMO) reported Nigeria's total debt to be at ₦25.7 trillion as at June 2019, an increase of ₦3.3 trillion compared to same period last year. The growth was supported by increases across both borrowing sources: domestic debt (₦1.8 trillion) and external debt (₦1.5 trillion).

Equities

- ◆ The ASI closed the week in the red losing 32bps to give a current market cap of ₦12,875 billion. The sectors leading this downturn were Personal Care (-2.84%), Banking (-1.94%) and Oil & Gas (-0.46%) while Insurance (+2.30%) and Cement (+0.38%) both finished in positive territory. Looking at individual stock performance we saw substantial losses for PZ (-11.9%), GLAXOSMI (-9.86%), UACN (-10.49%) and UACPROP (-9.91%). FCMB (+5%), CCNN(+4.28%) and FIDELITY(4.24%), meanwhile, were some of the biggest gainers this past week. Majority of the losses seen this week looks to have come at Large Cap stocks as that index was down 35bps, Mid-Cap and Small Cap indices were up 8bps and 1bp respectively.

Fixed Income

- ◆ Lower stop rates was the prevailing theme at this week's primary market auctions, thanks to robust demand supported by inflow of maturing bills. At the OMO auction, subscription printed 2.6x (₦1.12 trillion) of the CBN's offerings (₦430 billion). As a result, stop rate for the 1yr issuance caved in 4bps to 13.35% -- marking decline for the 4th consecutive auction. Overall, ₦420.6 billion worth of bills was sold which was short of the ₦454 billion maturity. At the NTB auction, the FG offered and sold ₦121.89 billion despite total subscription coming in at ₦634.11 billion (5.2x). The average stop rate also declined for a 4th consecutive auction, this time by 38bps to 11.58%. Over in the secondary market, excess liquidity (evident in the lower average money market rate: -643 bps WoW to 5.5%) supported higher demand in in the NTB segment wherein average yields dipped 20bps WoW to 12.41%. Meanwhile, investors interests in the long-dated instruments resurfaced, as average bond yields shed 13bps WoW to 14.11%. Specifically, the Jan-2026, Feb-2028, Apr-2029 and Jul-2030 bonds all declined by 20+bps.

The week in Review

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◆ Over in China, the economy grew 6% YoY in Q3 (Q2: 6.2%) which was the slowest since 1992 and a miss from consensus expectation of 6.1%. However, other data released showed a recovery could be in the offing, as industrial production jumped 5.8% YoY (Aug: 4.4%) and retail sales rose to 7.8% YoY (Aug: 7.5% in September). Finally, the UK and the EU reached a last-minute Brexit withdrawal agreement in which the UK parliament will now vote on tomorrow.

Country	Index	Level (in \$)	Index Returns (%)				Index Characteristics			Global Fixed Income					Global Currencies				
			WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. Cap (\$bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,981	0.4	18.9	7.7	19.6		2.0	US	1.56		1.73	0.0	1.7	Euro (€)	1.1	1.1	1.0	-2.7
	NASDAQ	8,076	0.2	21.7	7.9	31.7	12,302.1	1.2	UK	Real T	N/A	0.53	-0.1	1.7	GBP (£)	1.3	1.3	2.0	1.3
UK	FTSE ASI	7,151	-1.3	6.3	1.8	17.3		4.8	Euro	-0.37	6.6	0.03	237.9	0.8	JPY (¥)	108.4	108.3	-0.1	1.2
France	CAC 40	5,636	-0.5	19.1	10.2	19.3	1,139.2	3.4	Japan	Real T	N/A	-0.26	-0.4	0.3	INR (₹)	71.1	71.0	-0.2	-1.9
Germany	XETRA DAX	12,634	1.0	19.6	9.0	22.0		3.1	China	2.75	1.7	3.29	0.9	3	CNY (¥)	7.1	7.1	0.1	-2.9
Japan	NIKKEI 25	22,493	0.0	12.4	-0.2	16.1	5.8	2.0	India	5.27	-2.0	6.52	0.2	6.31	MXN (\$)	19.1	19.3	1.0	2.7
China	Shanghai Com	2,938	0.0	17.8	15.2	14.2	4,615.9	2.7	Mexico	7.14	0.0	6.78	-0.4	3	RUB (p.)	64.0	64.2	0.4	8.4
Brazil	Ibovespa	104,625	0.8	19.0	24.8	16.2	43.9	3.1	Turkey	14.12	5.9	13.72	1.0	9.26	ZAR (R)	14.8	14.8	0.0	-2.9
India	BSE Sens	39,298	0.0	9.0	14.5	27.4	569.3	1.5	Russia	6.11	-3.8	2.76	0.4	4	EGP (£)	16.3	16.3	0.2	10.3
Russia	RTS	722	1.7	26.1	19.8	5.6	3.4	7.1	Egypt	15.00	0.0	16.00	1.4	4.8	KES (sh)	103.8	103.8	0.0	-1.9
Mexico	S&P/BMV IPC	43,315	0.2	4.0	-7.9	17.0		3.1	South Africa	7.49	0.5	8.91	0.1	4.3	GHS (¢)	5.5	5.5	-0.1	-10.1
Turkey	Borsa Istanbul	98,415	-0.6	7.8	1.0	7.7	0.4	3.8	Kenya	9.79	-0.1	11.52	-7.4	3.8	XOF (₣)	589.0	594.8	1.0	-2.8
Indonesia	JCI Index	6,192	0.0	0.0	6.1	19.6	487.9	2.2	Ghana	15.50	0.0	19.00	0.0	7.6	XAF (₣)	589.8	595.0	0.9	-1.6
Kazakhstan	KASE Index	2,194	0.7	-5.6	-1.4	6.2	3.4	153.4	Nigeria	12.94	-2.0	14.21	1.1	11.2	NGN (₦)	362.2	361.5	-0.2	0.1
Vietnam	VN Index	989	0.0	10.8	3.2	16.8	144.6	1.9	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	55,723	0.3	5.7	6.9	14.6	-	4.1											
Egypt	EGX 30	14,206	0.0	9.0	4.1	12.2	12.2	3.3	Brent Crude	\$/bbl	59.1	60.5	-2.3	9.9	China Trade Balance USD - Sept	\$39.65	\$34.83		
Kenya	NSEASI	148	0.5	5.6	2.5	11.3	20.1	5.9	OPEC Crude	\$/bbl	59.5	58.7	-2.4	15.5	China Consumer Price Index (YoY) - Sept	3.0%	2.8%		
Morocco	MSCI MX	312	0.6	0.7	3.2	20.1	10.1	4.1	Gasoline	\$/gal	161.5	163.9	-1.4	20.1	China Industrial Production (YoY) - Sept	5.8%	4.4%		
Ghana	GSE Composite	2,162	-0.6	-13.5	-24.4	14.8	11.2	1.8	Natural Gas	\$/MBtu	2.3	2.2	5.4	-16.6	US Industrial Production (MoM) - Sept	-0.4%	0.8%		
Tunisia	TunIndex	7,061	0.8	-2.9	-5.3	19.7	0.7	2.1	Gold	\$/t oz	1491.9	1489.0	0.2	16.3	UK Retail Sales (YoY) - Sept	3.1%	2.6%		
BRVM	BRVM	141	0.7	-18.1	-22.4	6.9	7.1		Sugar	\$/lb	12.3	12.4	-0.7	-6.3	EU Trade Balance - Aug	€20.3B	€17.5B		
Mauritius	SEMDEX	2,114	-1.0	-4.7	-5.2	12.2	8.5		Wheat	\$/bsh	529.5	508.0	4.2	-2.4	US Retail Sales (MoM) - Sept	-0.3%	0.6%		
Nigeria	NGSE ASI	26,449	-0.32	-15.85	-19.0	7.0	35.6	7.1	Crude Palm oil IYR/MT		2287.0	2233.0	0.0		China GDP (YoY) - Q3	6.0%	6.2%		

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

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◆ Elsewhere, the Debt Management Office (DMO) reported Nigeria's total debt to be at ₦25.7 trillion as at June 2019, an increase of ₦3.3 trillion compared to same period last year. The growth was supported by increases across both borrowing sources: domestic debt (₦1.8 trillion) and external debt (₦1.5 trillion).

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	41.39	41.77	-0.90%	-4.00%	*Seplat acquires Eland Oil & Gas – It only gets better!
USD/NGN (₦/\$)					
NAFEX	362	363	0.02%	0.54%	
Parallel	359.0	358.5	-0.14%	0.56%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2019 Avg.	
Inflation YoY (September)			CHG (pps)		
Headline	11.24	11.03	0.21	11.25	
Core	9.45	9.44	0.01	9.55	
Food	13.57	13.17	0.40	13.51	
GDP (%) - YoY	Q2 19	Q1 19	Q4 18	FY19F	
Real GDP	1.94	2.01	2.4	2.2	
Oil	5.2	-1.5	-1.6	5.6	News Headline for the week (click news for link)
Agriculture	1.8	3.2	2.5	2.9	*Border closure reduced fuel consumption by 8m litres – FG
Manufacturing	-0.1	0.8	2.4	1.3	*CBN Releases Part of N499bn Credit Penalty to Banks
Services	2.9	3.1	3.8	2.2	*FG, World Bank to Discuss \$3bn Power Sector Loan
Labor Data (%) - Q3 18			Latest	Prior	*IMF Cautions Nigeria, Others against Mounting Debt to China
Unemployment Rate			23.1	18.8	*Nigeria's tax-to-GDP ratio world's lowest, says IMF
Underemployment			20.1	21.2	*Border closure pushed inflation to 11.24% – NBS
Capital Importation (\$'mn)	Q2 19	Q1 19	QoQ (%)	YoY (%)	*Nigeria's debt rises to N25.7tn
Foreign Portfolio Investment - Equities	496.839	656.194	-24.3%	-74.3%	*To Avert Strike, FG Makes Labour New Offer
Bonds	316.278	565.654	-44.1%	175.0%	*FG to spend N65bn on broadband infrastructure
Money Market	3479.775	5924.13	-41.3%	384.0%	*Seplat to acquire Eland Oil for N174.2bn
Foreign Direct Investment	222.89	243.37	-8.4%	-18.8%	*Government records over \$9.29 billion investment inflow in third quarter
Balance of Payment (\$'mn)	Q2 19	Q1 19	Q4 18	QoQ	*Customs ban exports, imports via land borders indefinitely
Trade Balance	2,478	775	6,794	-63.5%	*Discos map out N935bn five-year investment plans
CA Balance	(2,859)	(2,819)	1,105	-358.7%	*FG plans national cooperative housing scheme

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

The week in Review

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◆ Majority of the losses seen this week looks to have come at Large Cap stocks as that index was down 35bps, Mid-Cap and Small Cap indices were up 8bps and 1bp respectively.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	26448.62	-0.32	-4.28	-4.28	-15.85	-19.03
NSE ASI (\$)	76.45	-0.32	-4.27%	-3.94%	-15.15%	-17.80%
Market Cap (₦bn)	12916.53	-1.68%	-4.28%	-3.97%	10.20%	9.01%
Market Cap (\$mn)	35668.22	-1.51%	-4.27%	-3.94%	10.77%	9.60%
NSE 30	1069.31	-0.81	-6.77	-6.77	-24.55	-27.19
NSE Premium	2198.70	-0.36	-3.22	-3.22	0.17	-7.01
NSE 50	1232.17	-0.66	-7.02	-7.02	-25.86	-27.40
NSE ASEM	774.30	0.00%	0.00	0.00	-2.46	-1.70
NSE Banking	319.29	-2.00	-7.18	-7.18	-19.97	-22.54
NSE Insurance	121.27	2.37	4.54	4.54	-4.12	-2.58
NSE Consumer	512.26	0.12	-9.72	-9.72	-31.59	-31.84
NSE Oil & Gas	225.25	-0.22	-5.89	-5.89	-25.47	-21.40
NSE Industrial	1052.78	-0.31	-2.82	-2.82	-14.95	-30.02
NSE Lotus	1687.53	0.46	-5.72	-5.72	-24.46	-25.51
NSE Pensions	944.83	-1.03	-4.87	-4.87	-21.75	-22.42

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-7.12%	-4.71%	-20.49%
Brewers	-8.09%	-11.39%	-48.96%
Cement	-4.33%	-4.59%	-22.92%
Telecom	0.00%	-0.26%	-6.11%
Personal Care	-2.02%	-2.02%	-34.50%
Construction	0.00%	0.00%	-4.22%
Food	-2.35%	-9.85%	-14.56%
Insurance	-2.14%	-0.43%	-1.99%
Oil & Gas	-9.44%	-14.45%	-42.42%
Real Estate	-0.06%	0.17%	-2.24%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-1.88%	-4.27%	15.64%
Mid Cap (Mid 30%)	-0.48%	-2.00%	-13.83%
Small Cap (Bottom 60%)	-0.42%	0.17%	48.42%

Top 10 Gainers

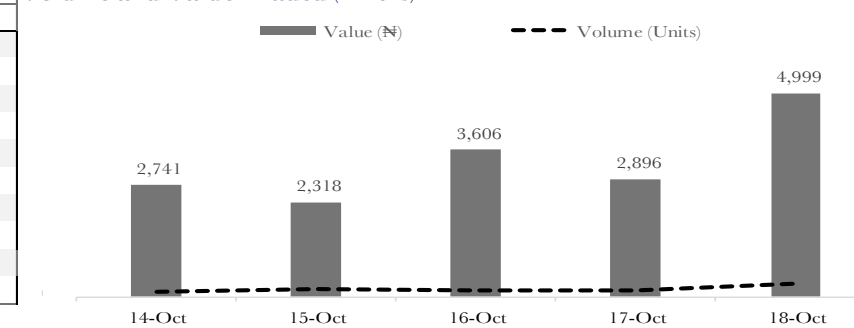
Company	This Week	WoW
FIDSON	4.00	11.1%
CUSTODIAN	6.20	9.7%
LAWUNION	0.47	6.8%
LIVESTOCK	0.50	6.4%
AIRSERVICE	7.05	5.2%
FCMB	1.68	5.0%
CCNN	15.85	4.3%
FIDELITYBK	1.72	4.2%
PRESTIGE	0.51	4.1%
FLOURMILL	15.10	2.4%

Top 10 Losers

Company	This Week	WoW
CUTIX	0.32	-17.9%
PZ	1.31	-12.7%
GLAXOSMITH	5.55	-11.9%
CORNERST	0.23	-11.5%
CHAMS	6.40	-10.5%
UACN	6.40	-9.9%
UAC-PROP	1.00	-9.9%
LEARNAFRCA	1.11	-9.8%
VITAFOAM	3.52	-9.7%
UNIONDAC	0.22	-8.3%

Source: NSE, Bloomberg, ARM Research

Volume and Value Traded (millions)



The week in Review

◆ Lower stop rates was the prevailing theme at this week's primary market auctions, thanks to robust demand supported by inflow of maturing bills. At the OMO auction, subscription printed 2.6x (₦1.12 trillion) of the CBN's offerings (₦430 billion). As a result, stop rate for the 1yr issuance caved in 4bps to 13.35% -- marking decline for the 4th consecutive auction. Overall, ₦420.6 billion worth of bills was sold which was short of the ₦454 billion maturity. At the NTB auction, the FG offered and sold ₦121.89 billion despite total subscription coming in at ₦634.11 billion (5.2x).

◆ The average stop rate also declined for a 4th consecutive auction, this time by 38bps to 11.58%. Over in the secondary market, excess liquidity (evident in the lower average money market rate: -+643 bps WoW to 5.5%) supported higher demand in in the NTB segment wherein average yields dipped 20bps WoW to 12.41%. Meanwhile, investors interests in the long-dated instruments resurfaced, as average bond yields shed 13bps WoW to 14.11%. Specifically, the Jan-2026, Feb-2028, Apr-2029 and Jul-2030 bonds all declined by 20+bps.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO			OMO				
Overnight (O/N)	5.86%	12.43%	-6.57%	17-Oct-19	11.59%	11.79%	13.35%	17-Oct-19	14.31	36.29	370.00
Open Buy Back (OBB)	5.14%	11.43%	-6.29%	10-Oct-19	N/A	11.79%	13.39%	10-Oct-19	N/A	18.91	300.00
NIBOR - 1M	11.85%	11.85%	0.00%	03-Oct-19	11.59%	N/A	13.40%	10-Oct-19	0.93	N/A	120.00
NIBOR - 3M	12.89%	12.89%	0.00%	26-Sep-19	11.59%	11.79%	13.48%	03-Oct-19	0.30	2.12	300.00
NIBOR - 6M	13.50%	13.50%	0.00%	19-Sep-19	11.59%	11.79%	13.50%	26-Sep-19	1.02	0.05	350.00
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	10.47%	10.86%	-0.39%	16-Oct-19	10.80%	11.00%	12.94%	16-Oct-19	5.85	3.50	112.54
3-month	11.83%	11.92%	-0.09%	02-Oct-19	11.08%	11.60%	13.20%	02-Oct-19	10.0	17.6	106.4
6-month	12.23%	12.43%	-0.20%	18-Sep-19	11.10%	11.75%	13.30%	18-Sep-19	3.0	8.4	168.4
9-month	13.06%	13.67%	-0.61%	11-Sep-19	11.10%	11.80%	13.29%	11-Sep-19	15.0	14.0	129.7
12-month	14.33%	14.00%	0.33%	28-Aug-19	11.10%	11.59%	12.89%	28-Aug-19	24.4	38.8	145.5
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	7 Year	10 Year		5 Year	7 Year	10 Year
15.54% 13-FEB-2020	12.08%	12.23%	-0.15%	25-Sep-19	14.39%	14.43%	14.64%	25-Sep-19	20.3	71.2	55.1
14.50% 15-JUL-2021	14.46%	14.42%	0.04%	22-Aug-19	14.29%	14.39%	14.59%	22-Aug-19	14.1	17.7	27.8
16.39% 27-JAN-2022	14.27%	14.25%	0.03%	24-Jul-19	13.35%	13.64%	14.12%	24-Jul-19	28.2	7.2	51.4
14.20% 14-MAR-2024	14.19%	14.35%	-0.16%	28-Jun-19	14.30%	14.50%	14.68%	28-Jun-19	29.0	36.4	31.5
12.50% 22-JAN-2026	14.07%	14.36%	-0.29%	22-May-19	14.11%	14.24%	14.49%	25-Apr-18	27.0	35.0	48.9
16.2884% 17-MAR-2027	14.09%	14.24%	-0.15%	Corporate Bonds			Corporate Eurobond				
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
12.1493% 18-JUL-2034	14.35%	14.33%	0.02%	UBA 16.45% 30-DEC-2021	15.41%	15.39%	0.02%	ACCESS 10.50% 19-OCT-2021	4.37%	4.17%	0.20%
16.2499% 18-APR-2037	14.40%	14.45%	-0.05%	MIXTA 17.00% 16-JAN-2022	15.42%	15.27%	0.15%	ZENITH 7.375% 30-MAY-2022	4.25%	4.20%	0.05%
14.8% 26-APR-2049	14.56%	14.62%	-0.06%	FIDELITY 16.48% 13-MAY-2022	15.50%	15.52%	-0.02%	UBA 7.75% 08-JUN-2022	5.40%	5.34%	0.06%
FGN Eurobonds				DUFIL 18.25% 1-SEP-2022			SEPLAT 9.25% 1-APR-2023				
5.625% 27-JUN-2022	4.55%	4.63%	-0.08%	LAPO MFB 17.75% 19-DEC-2022	17.91%	18.04%	-0.13%				
6.50% 28-Nov-2027	6.53%	6.69%	-0.16%	STERLING 16.50% 3-AUG-2023	15.21%	15.39%	-0.18%				
7.875% 16-FEB-2032	7.53%	7.60%	-0.07%	FGMB 17.25% 8-DEC-2023	15.55%	15.72%	-0.17%				
7.625% 28-Nov-2047	7.90%	8.06%	-0.16%	STANBIC 13.25% 30-SEP-2024	15.16%	15.33%	-0.17%				
				VIATHAN 16.00% 14-DEC-2027	15.14%	15.32%	-0.18%				

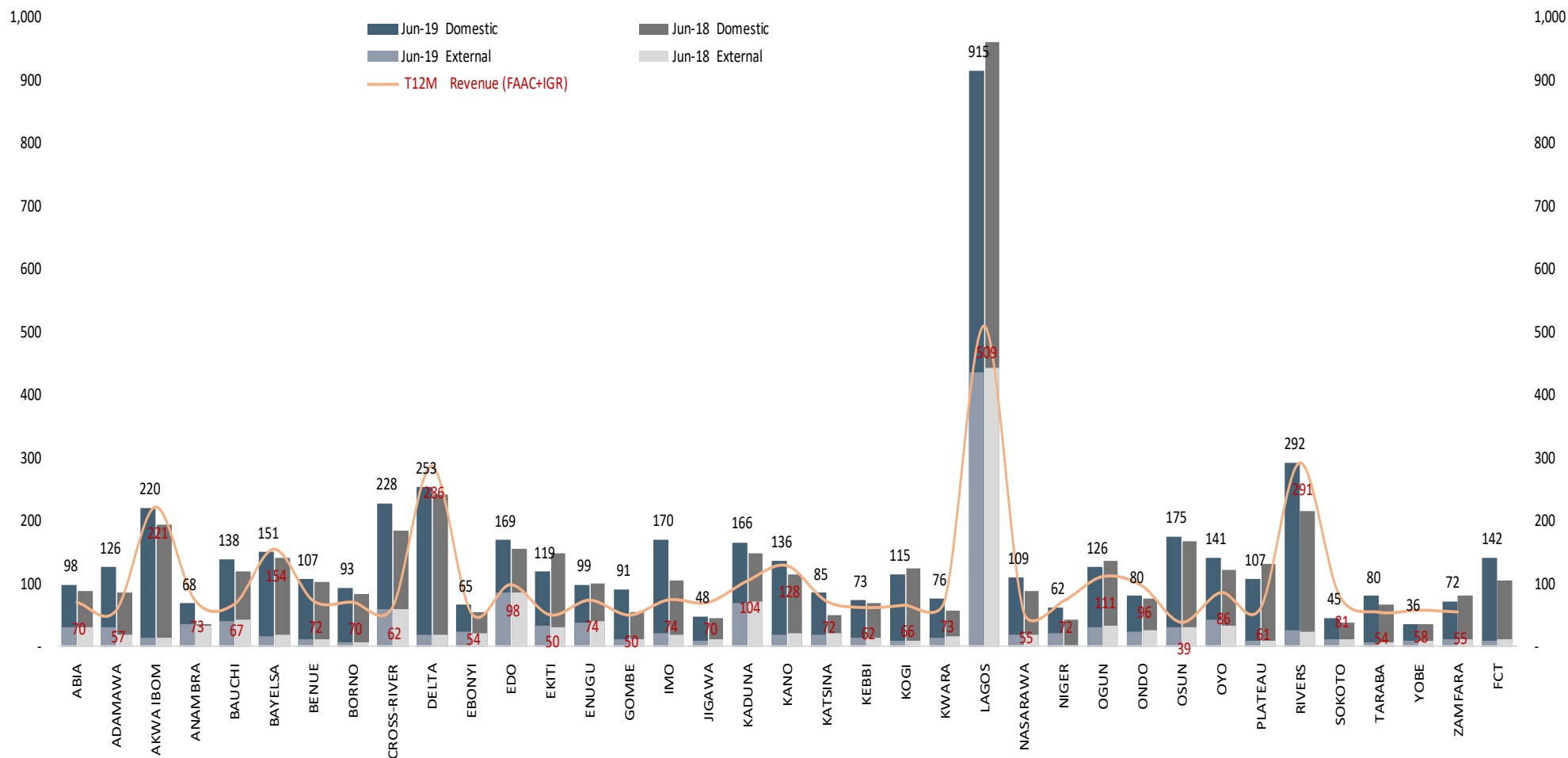
Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 21st - 25th October 2019

	Monday 21-Oct	Tuesday 22-Oct	Wednesday 23-Oct	Thursday 24-Oct	Friday 25-Oct
Global	China PBoC Interest Rate Decision	US Existing Home Sales Change (MoM) - Sept	EU Consumer Confidence - Oct**	Japan Jibun Bank Manufacturing PMI - Oct**	US Michigan Consumer Sentiment Index - Oct
	Germany Producer Price Index (YoY) - Sept	US API Weekly Crude Oil Stock (Oct 18)		EU Markit Manufacturing PMI - Oct**	
				EU ECB Interest Rate Decision	
				EU ECB Deposit Rate Decision	
				US Markit Manufacturing PMI - Oct**	
Domestic					

Nigeria States' Debt and Total Revenue (N'billions) over H1 2019

This week, we feature outstanding debts (domestic and external) for the 36 states and the FCT as well as the respective revenue (Trailing 12 month (T12M) -- FAAC+IGR) as at H1 2019. The chart shows Osun State had the highest debt to revenue ratio of 4.54x, while Sokoto had the lowest at 0.56x





Thank You

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