

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 9th August - 13th August 2021

Global Economy

- ◆ Annual Inflation rate in the U.S flatlined in the month of July 2021 but while the headline index remained at a 20-year high of 5.4%, the latest data gave off hints that the rise in consumer prices may have peaked and further bolstered the Fed's assertion that jumps in inflation will be transitory, partly reflecting supply chain bottlenecks that will ease with time. The Main upward pressures came from a rise in the price of food (3.4%YoY vs 2.4%YoY in June) and new vehicles (6.4%YoY vs 5.3%YoY in June) but there was a notable moderation in the cost of items which have been at the forefront of the post-lockdown surge in price levels, particularly used cars and trucks (41.7%YoY vs 45.2%YoY), energy (23.8%YoY vs 24.5%YoY) and transportation services (6.4%YoY vs 10.4%YoY). In light of this, some investors are betting on the Fed Reserve maintaining its easy monetary policy stance for longer, even amid hawkish comments from several regional Fed chiefs who opine that an announcement on tapering of the central bank's bond purchases is seen as a near certainty before the year runs out. In Europe, a preliminary estimate from the Office for National Statistics (ONS) revealed that Britain's economy grew by 4.8%QoQ and 22.2%YoY in Q2 2021, the latter ending a five-quarter sequence of contraction in economic activities. The annual growth happens to be the fastest pace of expansion on record as government spending surged by 32.9%YoY (Q1 2021: 3.7%YoY) while both fixed investment (+21.4%YoY vs -3.2%YoY) and household consumption (+20.5%YoY vs -11.0%YoY) rebounded markedly following the lifting of lockdown restrictions across the U.K .

Domestic Economy

- ◆ The Securities and Exchange Commission (SEC) has expressed its readiness to collaborate with the Risk Management Association of Nigeria in its quest to deepen the Nigerian capital market. The Director-General of SEC, said the commission had worked with capital market operators and other industry stakeholders to support the emergence of various technological driven innovations around market operations and products including fintech, digital assets and crowdfunding. The aim of the partnership is to build a better market, attract more investors, and reduce the demographic of the average age that presently invests in the market. Also, to include millions who were excluded from the capital market by making it easier for them to gain access. Elsewhere, Shell Petroleum Company, agreed to pay NGN45.9bn for the losses suffered because of oil spills that ravaged the Ogoni communities in Rivers State .

Equities and stock recommendation

- ◆ The Nigerian equities market maintained an uptrend this week, as the NGXASI rose by 0.08% on the day and 1.83% WoW to close at 39,522.34pts. NNFM (+22.76%), AIRTELAFR (+15.38%) and CONOIL (+9.83%) ended the week as the biggest gainers while REGALINS (-12.5%), CUTIX (-11.5%) and UNIPRESS (-9.79%) led the laggards chart. Dissecting the sectoral performance revealed the Telecoms sector as the best performing sector (+8.12%) WoW, while the Cement sector (-1.61%) was the worst performer for the week. Furthermore, the impressive performance posted by the Telecoms sector was driven by AIRTELAFR (+15.38 WoW), while the Cement sector performance was dragged by DANGCEM (-2.62% WoW).

Fixed Income

- ◆ In the secondary market, the average fixed income yield printed 68bps lower at 7.94%, mirroring further moderations at both ends of the curve. For context, downward pressures in the Jan-2022 (-156bps), Jan-2026 (-55bps) and Feb-2028 (-46bps) instruments drove the average bond yield down 40bps to settle at 11.21% and the average NTB yield dipped by 96bps to 4.67%, on the back of declines in the 182-day (-180bps) and 270-day (-100bp) bills. In the primary market, the CBN offered ₦51.50 billion worth of treasury bills across three maturities. Total subscription came in at ₦398.37 billion, translating into a subscription rate of 7.74x while total allotment printed at ₦156.33 billion (Bid-to-cover ratio: 2.55x). Meanwhile, the average stop rate declined by 28bps to settle at 4.45%, with the 364-day tenor rate down 85bps to 7.35%.

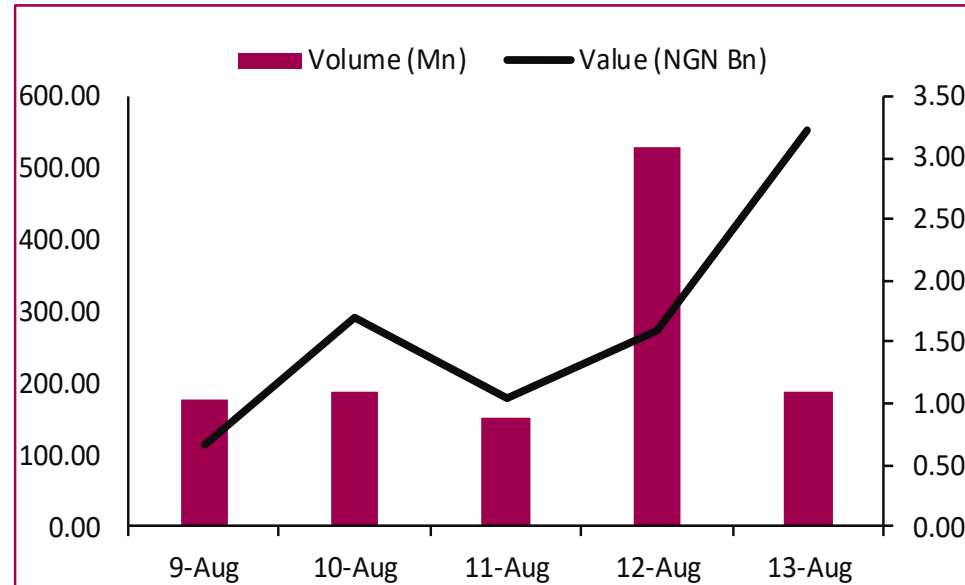
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.59	33.54	0.14%	-12.98%	
USD/NGN (₦/\$)					
NAFEX	412	411.3	-0.10%	-11.46%	
Parallel	511.0	504.0	-1.37%	-29.55%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (June 2021)			CHG (pps)		
Headline	17.75	17.93	-0.18	17.63	
Core	13.09	13.15	-0.06	12.65	
Food	21.83	22.28	-0.45	22.023333	
GDP (%) - YoY	Q1 21	Q4 20	Q3 20	FY20	
Real GDP	0.51	0.11	-3.62	-1.9	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*FG, states, LGs suffer N329.6bn shortfall in five months
Agriculture	2.3	3.4	1.4	2.2	*Buhari: Nigeria's \$3bn Share of Africa's \$75bn FDI Unacceptable
Manufacturing	3.4	-1.5	-1.5	-2.8	*Oil extends losses as Delta variant stalls demand recovery
Services	-0.4	1.3	-5.5	-2.2	*Analysis: Investors renew focus on Fed following signs inflation may have peaked
Labor Data (%) - Q4 20			Latest	Prior	*Toll payment returns on 5,050km Federal Highways
Unemployment Rate			33.3	27.1	*FG Okays \$2.5m, N498.2m for Four Power projects
Underemployment			22.8	28.8	*U.S. Senate pivots to \$3.5 trillion bill, key to Biden's agenda
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*Government generates 15.9bn VAT in Q2
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*World Bank lists Nigeria, nine others as countries with high debt risk exposure
Bonds	0.00	0.00		-100.0%	*FG targeting 50 billion-barrel oil reserves - DPR
Money Market	17.10	363.15	-95.3%	-98.8%	*CBN: Digital Currency Would Be Critical National Infrastructure
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*NNPC Promotes, Redeploys Top Management Staff ahead of Listing
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Petrol landing cost hits N249/litre, deregulation remains uncertain
Trade Balance	2,382	2,559	1,668	-6.9%	*Nigeria's telecoms sector attracts fresh N822.66b
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*FG's Debt Obligation to CBN

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
HONYFLOUR	2.05	28.13%	2.05	1.09	70.83%
NNFM	7.55	22.76%	9.68	4.90	12.02%
CONOIL	22.35	9.83%	22.35	17.00	7.19%
NEIMETH	1.64	9.33%	2.23	1.50	-26.46%
SKYAVN	3.45	9.18%	3.45	2.88	7.81%
PHARMDEKO	1.19	9.17%	1.50	1.09	-20.67%
IKEJAHOTEL	1.40	7.69%	1.60	0.91	16.67%
UNILEVER	15.55	7.24%	15.55	11.65	11.87%
ETI	5.70	5.56%	6.75	4.70	-5.00%
FIDELITYBK	2.50	4.60%	2.77	2.10	-0.79%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
REGALINS	0.42	-12.50%	0.55	0.22	90.91%
CUTIX	5.00	-11.50%	5.65	1.81	117.39%
CHIPLC	0.53	-10.17%	0.8	0.27	65.63%
UPL	1.29	-9.79%	1.68	1.07	0.78%
WEMABANK	0.79	-9.20%	0.9	0.55	14.49%
VERITASKAP	0.22	-8.33%	0.31	0.20	10.00%
MBENEFIT	0.34	-8.11%	0.55	0.27	25.93%
SOVRENINS	0.26	-7.14%	0.36	0.20	30.00%
MAYBAKER	4.40	-6.38%	5.02	3.21	25.36%
PRESTIGE	0.48	-5.88%	0.6	0.41	4.35%

	WoW	Mtd	QtD	YtD
NGXASI	1.83%	2.53%	4.26%	-1.86%
Market Cap	1.83%	2.54%	4.94%	-1.86%
NGX 30	0.04%	-0.07%	2.71%	-0.12%
NGX Premium	-0.17%	0.12%	6.71%	8.46%
NGX 50	-0.42%	-0.72%	2.00%	-0.01%
NGX ASEM	-2.82%	-4.43%	-4.73%	-8.11%
NGX Banking	0.49%	-0.09%	3.97%	-3.06%
NGX Industrial	-1.35%	-1.56%	3.00%	-5.26%
NGX Consumer Goods	0.30%	-0.71%	-0.71%	4.06%
NGX Oil & Gas	0.43%	-0.19%	20.17%	66.33%
NGX Insurance	-2.37%	-3.98%	-6.84%	0.21%



	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)	17.25%	20.50%	-3.25%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	16.75%	20.00%	-3.25%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	12.54%	9.49%	3.05%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	13.43%	10.34%	3.09%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	15.27%	11.87%	3.40%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.81%	3.11%	-0.30%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
3-month	3.02%	3.02%	0.00%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
6-month	4.19%	5.99%	-1.80%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
9-month	6.34%	7.34%	-1.00%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
12-month	7.94%	8.35%	-0.41%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	4.04%	5.60%	-1.56%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	9.79%	10.18%	-0.39%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	10.60%	10.80%	-0.20%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.15%	11.70%	-0.55%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.22%	12.25%	-0.03%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.62%	12.85%	-0.23%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	12.75%	13.03%	-0.28%	MIXTA 17.00% 16-JAN-2022	5.09%	6.46%	-1.37%	ACCESS 10.50% 19-OCT-2021	2.88%	2.89%	-0.01%
14.8% 26-APR-2049	12.65%	13.09%	-0.44%	DUFIL 18.25% 1-SEP-2022	9.92%	10.31%	-0.39%	ZENITH 7.375% 30-MAY-2022	3.07%	3.06%	0.01%
				LAPO MFB 17.75% 19-DEC-2022	12.60%	12.99%	-0.39%	UBA 7.75% 08-JUN-2022	3.52%	3.57%	-0.05%
				STERLING 16.50% 3-AUG-2023	11.02%	11.36%	-0.34%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	11.72%	11.97%	-0.25%				
5.625% 27-JUN-2022	1.83%	1.83%	0.00%	ACCESS 15.50% 23-JUL-2026	14.03%	14.52%	-0.49%				
6.50% 28-Nov-2027	5.52%	5.43%	0.09%	VIATHAN 16.00% 14-DEC-2027	11.98%	12.42%	-0.44%				
7.875% 16-FEB-2032	7.09%	6.99%	0.10%	UNION 16.20% 27-JUN-2029	15.40%	15.65%	-0.25%				
7.625% 28-Nov-2047	7.73%	7.65%	0.08%	FIDELITY 8.50% 27-JAN-2031	13.22%	13.47%	-0.25%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Trend of Global Oil Prices

Despite the bearish sentiment which pervaded the crude oil market following the fall in Asian demand, we saw Brent crude grow by 6% this week to close at \$72pb. We partly attribute this to the pipeline leaks in Libya which cut its oil production by 70,000bpd. Looking ahead, as the oil market sustains its positive run, this should spell well for Nigeria's reserves, especially when OPEC supply quotas ease .



Source: Bloomberg, ARM Research

Thank You



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