

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

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## **Weekly Commentary & Stock recommendation**

...for the week 16th August - 20th August 2021

### Global Economy

- ◆ Minutes from the U.S Federal Reserve's last monetary policy meeting revealed that while Fed officials feel their employment benchmark for decreasing economic support "could be reached this year", a general consensus on other key aspects of monetary policy remains elusive as the economy transitions from the pandemic-era. These aspects include deciding on an appropriate start date and pace of bond-purchase tapering as well as agreeing on what factor(s), be it inflation, ongoing joblessness or the rising cases of the Delta variant, poses the biggest threat to the nation's recovery. Still in the U.S, retail trade dipped at a quicker-than-expected pace of 1.1%YoY in July (market consensus: -0.3%) as the resurgent pandemic hit consumer demand. Retail activities fell across board, with the vehicle & part dealers (-3.9%YoY vs -2.2%YoY in June), clothing stores (-2.6%YoY vs 3.7%YoY in June) and food & beverage stores (-0.7%YoY vs 0.8%YoY in June) anchoring the decline as consumers continued shifting their spending away from goods and channeling them into services. Over in Europe, Annual inflation rate in the U.K eased to 2.0%YoY last month (June: 2.5% YoY), printing below market expectations and in line with the Bank of England's 2% inflation target. There was a slowdown in the cost of clothing and footwear (1.7%YoY vs 3%YoY in June) and a variety of recreational goods and services (0.7%YoY vs 2.1%YoY in June) while prices of second-hand cars continued to rise (14.4%YoY vs 5.6%YoY in June) as consumers stayed away from public transportation .

### Domestic Economy

- ◆ Nigeria's headline inflation for the month of July came in at 17.38%, reflecting a 37bps moderation from June 2021 figures (17.75%) and just 9bps below our estimate of 17.47% YoY. The uptick was driven by a marked increase in core inflation (+0.63% to 13.72%) as food inflation grew at a slower pace (21.03% from 21.83%) in the period. Elsewhere, successful bids for the 13.9800% FGN FEB 2028, 12.4000% FGN MAR 2036 & 12.9800% FGN MAR 2050 were allotted at the Marginal Rates of 11.6000%, 11.7500% and 12.8000%, respectively. However, the original coupon rates of 13.9800% for the 13.9800% FGN FEB 2028, 12.4000% for the 12.4000% FGN MAR 2036 and 12.9800% for the 12.9800% FGN MAR 2050 will be maintained. Elsewhere, investors in the Nigerian Exchange Limited gained N64.93bn on Thursday as the NGX All-Share Index rose by 0.32 per cent to 39,670.29 basis points, its highest since April 26, 2021. The market capitalization of equities increased to NGN20.67tn on Thursday from NGN20.60tn the previous day.

### Equities and stock recommendation

- ◆ The two-week winning streak posted by the Nigerian equities market was snapped this week, with the NGXASI shedding 0.47% on the day and 0.10% for the week to settle at 39,483.08 pts. The sectoral performance was broadly negative, with the Breweries (-7.57%) WoW sector at the forefront of the losses while the Cement sector (+2.13%) WoW ended the week on a positive note. Delving further into the sectoral performance revealed that the Breweries sector performance was dragged by NB (-8.77%) WoW and INTBREW (-4.00%) WoW while the positive performance recorded in the cement space was anchored by gains in DANGCEM (+3.31%) WoW and WAPCO (+1.79%) WoW.
- ◆ **ZENITH - STRONG BUY (FVE: ₦30.20), ACCESS - STRONG BUY (FVE: ₦12.92), UBA PLC- STRONG BUY (FVE: ₦12.18) and WAPCO - STRONG BUY (FVE: ₦28.61).** Click [here](#) for our **Weekly Stock Recommendation** .

### Fixed Income

- ◆ In the secondary market, the average fixed income yield ended the week 8bps lower at 7.86%, reflecting further moderations in bond yields. Specifically, buying interest was directed towards the Mar-2027 (-77bps), Mar-2024 (-39bps) and Feb-2028 (-35bps) maturities, and this in turn led the average bond yield down 17bps to settle at 11.04%. Meanwhile, the average NTB yield inched up 2bps to settle at 4.69% following a rise in the 182-day (+33bps) bill .

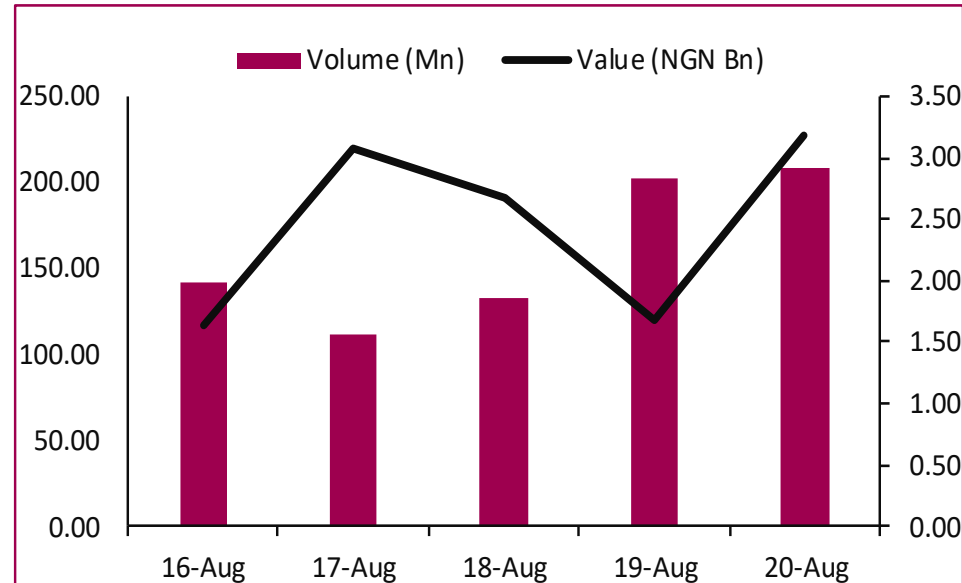
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.52	33.59	-0.21%	-13.16%	<b>*Nigerian Inflation - Inflation Moderates Further in July</b>
<b>USD/NGN (₦/\$)</b>					
NAFEX	412	411.7	0.00%	-11.46%	
Parallel	516.0	511.0	-0.97%	-30.23%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (July 2021)</b>			<b>CHG (pps)</b>		
Headline	17.38	17.75	-0.37	17.59	
Core	13.72	13.09	0.63	12.80	
Food	21.03	21.83	-0.80	21.881429	
<b>GDP (%) - YoY</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>FY20</b>	
Real GDP	0.51	0.11	-3.62	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-2.21	-19.8	-13.9	-8.9	<b>*NNPC Floats New Subsidiary to Oversee Refineries</b>
Agriculture	2.3	3.4	1.4	2.2	<b>*Foreign airlines kick over inability to repatriate \$143.8 million</b>
Manufacturing	3.4	-1.5	-1.5	-2.8	<b>*Oil rises but on track for 5% weekly drop amid Delta woes</b>
Services	-0.4	1.3	-5.5	-2.2	<b>*Minutes highlight a Fed split over labor market, bond-buying taper</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*PenCom reviews pension fund investment in Fed Govt securities</b>
Unemployment Rate			33.3	27.1	<b>*FEC approves N658m for sniffer dogs, education, others N21 bn</b>
Underemployment			22.8	28.8	<b>*Afreximbank to Deliver 40m J&amp;J COVID-19 Doses to Nigeria</b>
<b>Capital Importation (\$'mn)</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>*FG owes CBN N15.51tn, borrows N14.86tn under Buhari</b>
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	<b>*Experts raise concern as Nigeria's inflation falls to 17.38%</b>
Bonds	14.54	138.69	-89.52%		<b>*FG's Funding for Priority Projects in Oil Industry Hits \$1.54trn Deficit in June</b>
Money Market	451.67	808.57	-44.1%	36.02%	<b>*Nigeria Pumps Additional 45,000bpd Crude Oil in July</b>
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	<b>*Watershed Moment, As Buhari Signs Petroleum Act to Overhaul Oil Industry</b>
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	<b>*China economy under pressure as factory output, retail sales growth slow sharply</b>
Trade Balance	2,382	2,559	1,668	-6.9%	<b>*Strengthening Domestic Resource Mobilisation</b>
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	<b>*Nigeria recorded \$85.21bn net foreign liabilities - IMF</b>

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
HONYFLOUR	3.00	46.34%	3.00	1.09	150.00%
PHARMDEKO	1.72	44.54%	1.72	1.09	14.67%
COURTVILLE	0.31	29.17%	0.31	0.20	47.62%
NEIMETH	2.05	25.00%	2.23	1.50	-8.07%
BOCGAS	11.10	20.65%	15.12	7.70	15.99%
NAHCO	2.99	17.25%	2.99	2.02	30.00%
UACN	11.45	13.93%	11.45	7.10	57.93%
MANSARD	0.88	11.39%	1.70	0.83	-16.19%
MRS	13.85	9.92%	13.85	10.90	0.73%
MAYBAKER	4.83	9.77%	5.02	3.21	37.61%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
AFRINSURE	0.20	-66.10%	0.26	0.20	0.00%
SCOA	1.59	-18.46%	2.93	1.59	-45.73%
CHIPLC	0.46	-13.21%	0.8	0.27	43.75%
NESTLE	1400.00	-9.09%	1540	1350.00	-6.98%
FTNCOCOA	0.40	-9.09%	0.72	0.30	-39.39%
NB	52.00	-8.77%	63	47.00	-7.14%
ETI	5.30	-7.02%	6.75	4.70	-11.67%
JAIZBANK	0.58	-6.45%	0.75	0.55	-12.12%
UPL	1.21	-6.20%	1.68	1.07	-5.47%
LIVESTOCK	1.98	-4.81%	2.8	1.39	42.45%

	WoW	Mtd	QtD	YtD
NGXASI	-0.10%	2.43%	4.16%	-1.96%
Market Cap	-0.09%	2.45%	4.85%	-2.31%
NGX 30	-0.18%	-0.37%	2.41%	-0.42%
NGX Premium	2.44%	2.40%	9.14%	10.93%
NGX 50	-0.96%	-1.78%	0.92%	-1.07%
NGX ASEM	-1.43%	-4.43%	-4.73%	-8.11%
NGX Banking	-0.47%	-0.91%	3.11%	-3.85%
NGX Industrial	1.97%	0.26%	4.91%	-3.50%
NGX Consumer Goods	-5.93%	-6.97%	-6.97%	-2.51%
NGX Oil & Gas	-1.15%	-0.80%	19.44%	65.31%
NGX Insurance	-0.76%	-4.90%	-7.74%	-0.75%

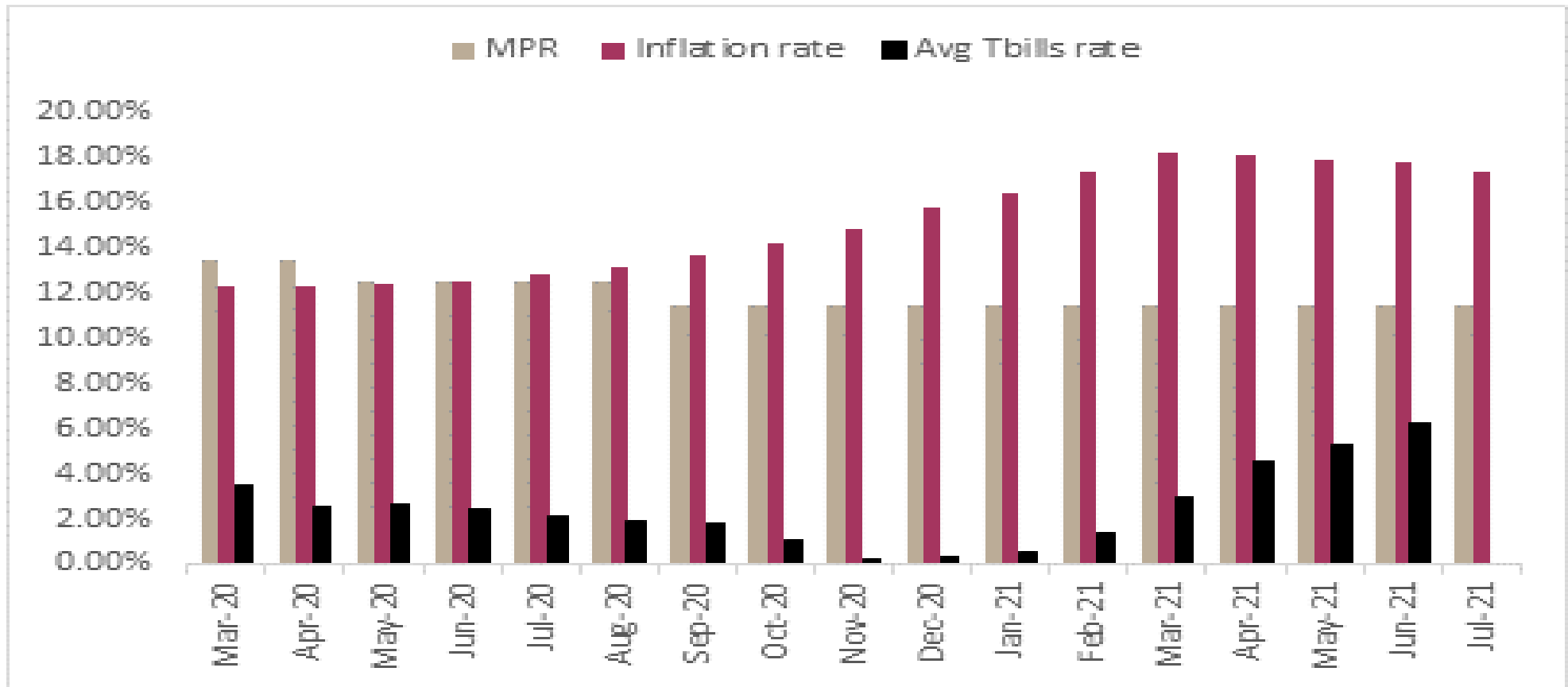


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	23.83%	17.25%	6.58%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	23.33%	16.75%	6.58%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	9.58%	12.54%	-2.96%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	10.98%	13.43%	-2.45%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	11.21%	15.27%	-4.06%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>			
					<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>		<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	2.96%	2.81%	0.15%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
3-month	4.59%	3.02%	1.57%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
6-month	4.52%	4.19%	0.33%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
9-month	5.71%	6.34%	-0.63%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
12-month	6.73%	7.94%	-1.21%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>			
					<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>		<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
16.39% 27-JAN-2022	4.47%	4.04%	0.43%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	9.76%	9.79%	-0.03%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	10.21%	10.60%	-0.39%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.10%	11.15%	-0.05%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.45%	12.22%	-0.77%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.53%	12.62%	-0.09%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
16.2499% 18-APR-2037	12.67%	12.75%	-0.08%		<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>		<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
14.8% 26-APR-2049	12.65%	12.65%	0.00%	MIXTA 17.00% 16-JAN-2022	5.66%	5.09%	0.57%	ACCESS 10.50% 19-OCT-2021	5.73%	2.88%	2.85%
				DUFIL 18.25% 1-SEP-2022	8.94%	9.92%	-0.98%	ZENITH 7.375% 30-MAY-2022	3.06%	3.07%	-0.01%
				LAPO MFB 17.75% 19-DEC-2022	12.05%	12.60%	-0.55%	UBA 7.75% 08-JUN-2022	3.35%	3.52%	-0.17%
<b>FGN Eurobonds</b>				STERLING 16.50% 3-AUG-2023							
5.625% 27-JUN-2022	2.04%	1.83%	0.21%	FCMB 17.25% 8-DEC-2023	11.43%	11.72%	-0.29%				
6.50% 28-Nov-2027	5.72%	5.52%	0.20%	ACCESS 15.50% 23-JUL-2026	13.92%	14.03%	-0.11%				
7.875% 16-FEB-2032	7.24%	7.09%	0.15%	VIATHAN 16.00% 14-DEC-2027	11.84%	11.98%	-0.14%				
7.625% 28-Nov-2047	7.84%	7.73%	0.11%	UNION 16.20% 27-JUN-2029	15.10%	15.40%	-0.30%				
				FIDELITY 8.50% 27-JAN-2031	12.99%	13.22%	-0.23%				

Source: DMO, FMDQ, Bloomberg, ARM Research

### Inflation Moderates Further in July

Nigeria's headline inflation for the month of July came in at 17.38%, reflecting a 37bps moderation from June 2021 figures (17.75%) and just 9bps below our estimate of 17.47% YoY .



Source: CBN, NBS, ARM Research

Thank You



## ARM Securities

Research 234 (1) 2701653 [research@armsecurities.com.ng](mailto:research@armsecurities.com.ng)

Institutional Sales & Trading 234 (1) 448 8833 [trading@armsecurities.com.ng](mailto:trading@armsecurities.com.ng)

Customer Service 234 (1) 4488282  
[customerservice@armsecurities.com.ng](mailto:customerservice@armsecurities.com.ng)

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