

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 23rd August - 27th August 2021

Global Economy

- ◆ The second preliminary estimate from the Bureau of Economic Analysis (BEA) revealed that Q2 2021 GDP growth rate in the U.S was revised slightly higher to 6.6%QoQ (initial estimate: 6.5%QoQ). The revised figure reflected upward revisions to non-residential fixed investment (9.3%QoQ vs 8%QoQ in the advance estimate) and exports (6.6%QoQ vs 6%QoQ in the advance estimate) while imports were revised downwards to 6.7%QoQ (Advance estimate: 7.8%QoQ). In the labor market, the number of Americans filing new claims for unemployment benefits rose by 4,000 to 353,000 in the week ended August 21st, 2021, ending a three week sequence of decline in initial jobless claims that has been largely supported by the easing of Covid-induced restrictions on economic activities. Looking ahead, the start of the school year in September and the expiration of federal enhanced unemployment benefits should bolster the labor market recovery in the coming weeks and months. Over in Europe, minutes from the European Central Bank's (ECB) July meeting revealed that revisions have been made to the bank's new guidance on interest rates, a move aimed at appeasing the bank's more hawkish members. According to bank's policy-makers, revising the forward guidance on rates provides safeguards against a premature tightening of monetary policy in the current environment, but did not necessarily imply "lower interest rates for a longer than required time period".

Domestic Economy

- ◆ GDP growth for Q2:2021 came in at an impressive 5.01% YoY according to the latest data from the National Bureau of Statistics (NBS), marking a third consecutive quarter of output expansion. While the remarkable growth registered in Q2:2021 came in much stronger than growth recorded in the previous quarter (Q1:2021, +0.51%), and in the corresponding period in the previous year (Q2:2020, -6.10%), real GDP contracted by 0.79%QoQ in Q2:2021, largely reflecting slower economic activity than was witnessed in the first quarter of this year. Elsewhere, the Federal government earlier in the week revealed plans to unveil the Medium-Term National Development Plan 2021-2025 in October this year. The development plan, which aims at lifting millions of Nigerians out of poverty and ensuring economic stability, development and good governance, is coming 10 months after the expiration of the Economic Recovery and Growth Plan (ERGP) (2017-2020) which was introduced to restore growth and build a competitive economy.

Equities and stock recommendation

- ◆ The downtrend in the Nigerian equities market was short lived as the NGXASI edged up 0.02% on the day and 0.01% for the week, pushing the Month-to-date gain of the index up to 2.43%. While the bulls upstaged the bears in three of the five trading sessions during the week, the sectoral performance was mixed with gains in Telecoms (+0.16%) WoW, insurance (+0.15%) WoW, Food (+0.12%) WoW and Oil&Gas (+0.11%) WoW marginally outweighing the losses recorded across Personal Care (-6.64%) WoW, Banking (-0.25%) WoW and Brewers (-0.15%) WoW. Overall, the positive performance was driven by price appreciation in large and medium-cap stocks such as MTNN (+0.29%) WoW, Access (+1.11%) WoW, FBNH (+1.35%) WoW, Zenith (+0.41%) WoW, Presco (+0.55%) WoW and Glaxo SmithKline (+11.48%) WoW. On the other hand, Wapco (-3.08%) WoW, Unilever (-10.00%) WoW, Oando (-2.04%) WoW, GTCO (-1.96%) WoW and Nascon (-3.41%) WoW ended the week on a downward note .
- ◆ **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 flatlined at 7.86%, mirroring contrasting movements at both ends of the curve. For context, buying interest was directed towards the Jul-2034 (-49bps), Jan-2026 (-48bps) and Mar-2025 (-46bps) maturities, and this in turn led the average bond yield down 27bps WoW to settle at 10.77% while the average NTB yield firmed by 26bps WoW to settle at 4.95% following a rise in the 182-day (+58bps) and 270-day (+90bps) bills . In the primary market, the CBN offered ₦157.21 billion worth of treasury bills across three maturities. Total subscription came in at ₦394.12 billion, translating into a subscription rate of 2.51x while total allotment printed at ₦307.33 billion (Bid-to-cover ratio: 1.28x). Meanwhile, the average stop rate moderated further, down 18bps to 4.27%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.40	33.52	-0.35%	-13.46%	*GDP Q2 2021 - Growth Expansionary, but Calls for Caution
USD/NGN (₦/\$)					
NAFEX	411	411.7	0.19%	-11.29%	
Parallel	519.0	516.0	-0.58%	-30.64%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (July 2021)			CHG (pps)		
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	
GDP (%) - YoY	Q2 21	Q1 21	Q4 20	FY20	
Real GDP	5.01	0.51	0.11	-1.9	News Headline for the week (click news for link)
Oil	-12.65	-2.21	-19.8	-8.9	*Troubles ahead, experts warn as debt servicing gulps 91% of revenue
Agriculture	1.3	2.3	3.4	2.2	*Exit game: Central banks' shift from crisis policies gathers momentum
Manufacturing	3.49	3.4	-1.5	-2.8	*Oil climbs as storm approaches Gulf of Mexico production hub
Services	9.3	-0.4	1.3	-2.2	*Global stocks set for a correction as rally fizzles
Labor Data (%) - Q4 20			Latest	Prior	*At N513m, Securities Lending on NGX Hits Historical Record
Unemployment Rate			33.3	27.1	*NNPC Fixes Base Oil Price for 2022 at \$57, \$61 for 2023
Underemployment			22.8	28.8	*2022 Budget: Health, defence, transport, works get highest capital allocations
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*FG Raises N1.923trn Through Savings, FGN Bonds in Eight Months
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*NNPC: 30% Frontier Basins Exploration Fund to Gulp \$400m Annually
Bonds	14.54	138.69	-89.52%		*Delta blow knocks wind out of Asia's economic recovery
Money Market	451.67	808.57	-44.1%	36.02%	*FG Pays \$266.141m Cash Call Arrears to JV Partners, \$1.464bn Outstanding
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*FG to unveil five-year development plan in October
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*25 banks' profits drop by N482b as CBN restricts N9.5tr deposits
Trade Balance	2,382	2,559	1,668	-6.9%	*FAAC Shares N760.7bn July Allocation to FG, States, LGs
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria's External Reserves Hit \$37bn with \$3.5bn New SDRs

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

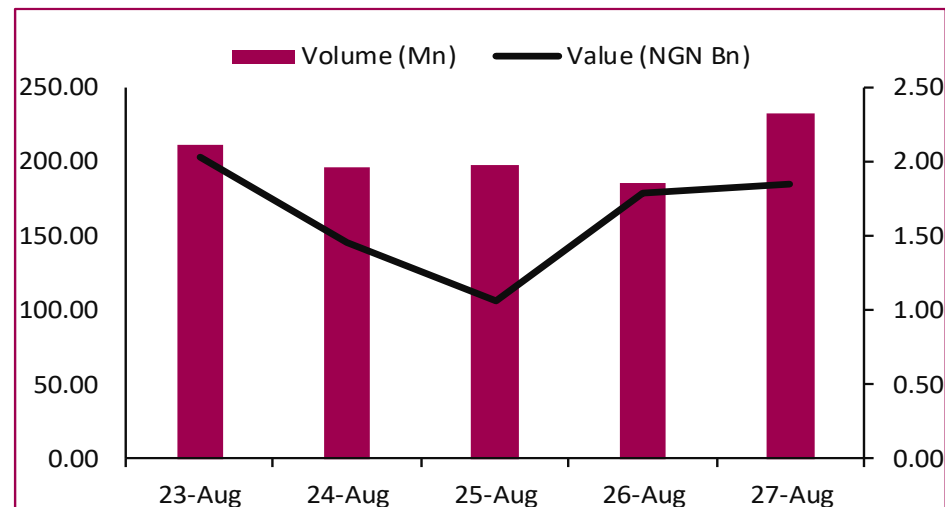
Top Gainers

Ticker	Price	Change (%)	Yr High	Yr Low	YtD
CHIPLC	0.56	21.74%	0.80	0.27	75.00%
FTNCOCOA	0.48	20.00%	0.72	0.30	-27.27%
TRANS-COHOT	4.70	19.90%	4.70	3.25	30.56%
HONYFLOUR	3.55	18.33%	3.55	1.09	195.83%
ETERNA	7.50	18.11%	8.00	4.62	47.06%
REGALINS	0.48	14.29%	0.55	0.22	118.18%
GLAX-OSMITH	6.80	11.48%	7.25	6.00	-1.45%
LIVESTOCK	2.17	9.60%	2.80	1.39	56.12%
LEARNAFR-CA	1.41	9.30%	1.50	0.92	41.00%
NPFMCRFBK	1.90	7.34%	2.00	1.60	11.76%

Top Losers

Ticker	Price	Change (%)	Yr High	Yr Low	YtD
ABCTRANS	0.33	-15.38%	0.44	0.28	-13.16%
IKEJAHOTEL	1.26	-10.00%	1.6	0.91	5.00%
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SCOA	1.44	-9.43%	2.93	1.44	-50.85%
JAPAU-GOLD	0.50	-7.41%	1.52	0.41	-19.35%
TRANSCORP	0.92	-5.15%	1.28	0.78	2.22%
ACADEMY	0.39	-4.88%	0.45	0.30	30.00%
UACN	10.95	-4.37%	11.4	7.10	51.03%
PZ	5.75	-4.17%	6.3	4.15	8.49%
WAPCO	22.00	-3.08%	30.3	19.50	4.51%

	WoW	Mtd	QtD	YtD
NGXASI	0.01%	2.43%	4.16%	-1.95%
Market Cap	0.01%	2.45%	4.86%	-2.30%
NGX 30	-0.86%	-0.61%	2.15%	-0.67%
NGX Premium	0.00%	2.48%	9.22%	11.01%
NGX 50	-0.08%	-1.92%	0.77%	-1.22%
NGX ASEM	0.00%	-4.43%	-4.73%	-8.11%
NGX Banking	0.12%	-0.62%	3.42%	-3.57%
NGX Industrial	-0.29%	0.05%	4.69%	-3.71%
NGX Consumer Goods	-0.68%	-7.37%	-7.37%	-2.92%
NGX Oil & Gas	-0.08%	-0.72%	19.53%	65.44%
NGX Insurance	1.35%	-3.89%	-6.76%	0.30%

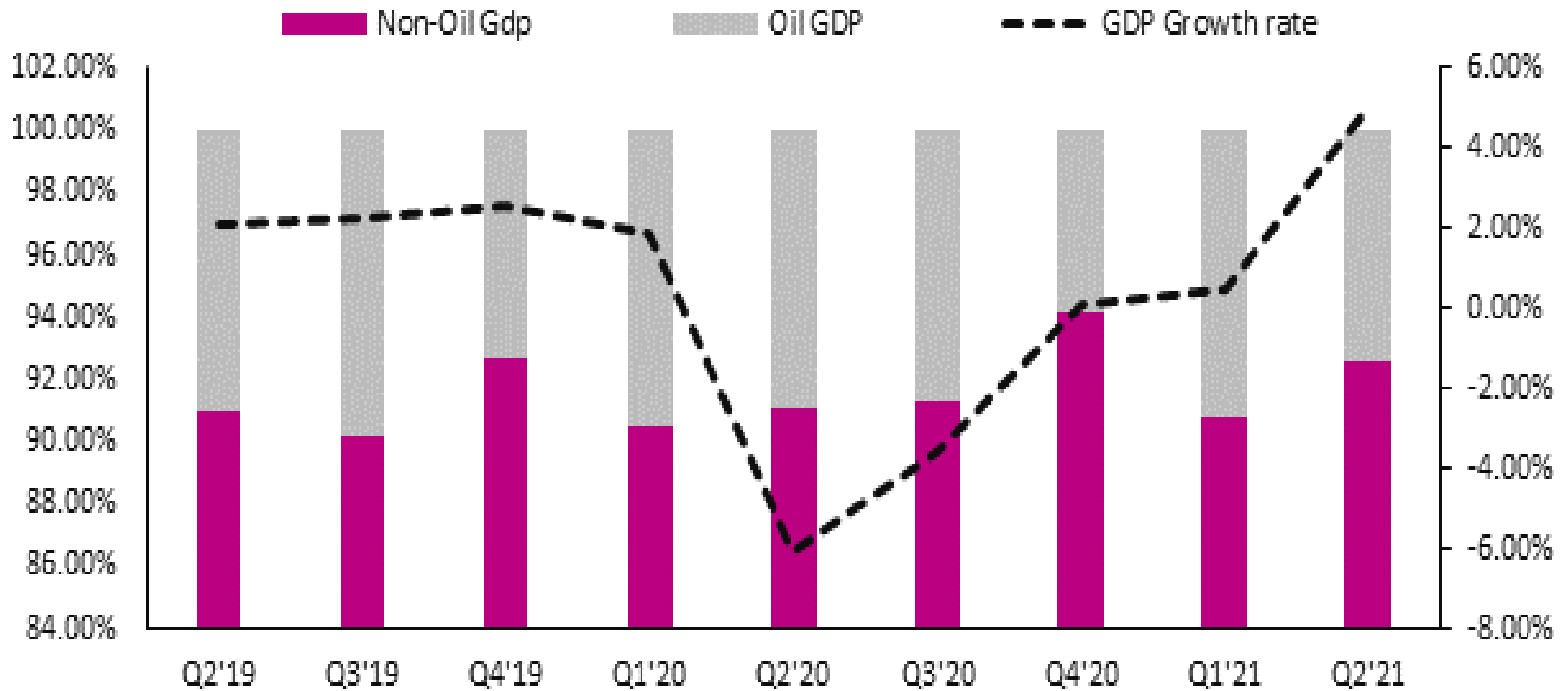


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	8.50%	23.83%	-15.33%	15-Jul-21	7.00%	8.50%	10.10%	15-Jul-21	5.50	6.80	45.18
Open Buy Back (OBB)	8.33%	23.33%	-15.00%	08-Jul-21	7.00%	8.50%	10.10%	08-Jul-21	2.50	5.55	27.67
NIBOR - 1M	10.83%	9.58%	1.25%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
NIBOR - 3M	12.00%	10.98%	1.02%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 6M	13.22%	11.21%	2.01%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	3.28%	2.96%	0.32%	25-Aug-21	2.50%	3.50%	6.80%	25-Aug-21	3.54	22.86	280.93
3-month	3.29%	4.59%	-1.30%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
6-month	5.10%	4.52%	0.58%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
9-month	6.61%	5.71%	0.90%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
12-month	6.68%	6.73%	-0.05%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	4.54%	4.47%	0.07%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	9.44%	9.76%	-0.32%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.82%	10.21%	-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	10.62%	11.10%	-0.48%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.13%	11.45%	-0.32%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.04%	12.53%	-0.49%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.47%	12.67%	-0.20%	MIXTA 17.00% 16-JAN-2022	5.52%	5.66%	-0.14%	ACCESS 10.50% 19-OCT-2021	5.58%	5.73%	-0.15%
14.8% 26-APR-2049	12.57%	12.65%	-0.08%	DUFIL 18.25% 1-SEP-2022	8.85%	8.94%	-0.09%	ZENITH 7.375% 30-MAY-2022	3.04%	3.06%	-0.02%
				LAPO MFB 17.75% 19-DEC-2022	11.85%	12.05%	-0.20%	UBA 7.75% 08-JUN-2022	3.40%	3.35%	0.05%
FGN Eurobonds				STERLING 16.50% 3-AUG-2023							
5.625% 27-JUN-2022	1.87%	2.04%	-0.17%	FCMB 17.25% 8-DEC-2023	11.06%	11.43%	-0.37%				
6.50% 28-Nov-2027	5.58%	5.72%	-0.14%	ACCESS 15.50% 23-JUL-2026	13.45%	13.92%	-0.47%				
7.875% 16-FEB-2032	7.01%	7.24%	-0.23%	VIATHAN 16.00% 14-DEC-2027	11.37%	11.84%	-0.47%				
7.625% 28-Nov-2047	7.71%	7.84%	-0.13%	UNION 16.20% 27-JUN-2029	14.88%	15.10%	-0.22%				
				FIDELITY 8.50% 27-JAN-2031	12.69%	12.99%	-0.30%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Growth Momentum Maintained in Q2:2021

GDP growth for Q2:2021 came in at an impressive 5.01% YoY according to the latest data from the National Bureau of Statistics (NBS), marking a third consecutive quarter of output expansion.



Source: NBS, ARM Research

Thank You



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