

**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 2nd August - 6th August 2021

### Global Economy

- ◆ Earlier this week, the International Monetary Fund (IMF) confirmed that its board of governors approved a \$650 billion allocation of IMF Special Drawing Rights (SDRs), paving the way for its largest-ever distribution of monetary reserves to become effective from August 23rd, 2021. IMF member countries will receive SDRs -- the fund's unit of exchange backed by dollars, euros, yen, sterling and yuan -- in proportion with their existing quota shareholdings in the fund and about \$275 billion of the allocation has been earmarked for emerging markets and low-income countries still reeling from the far-reaching effects of the coronavirus pandemic. Furthermore, the Bretton-wood institution will continue to actively engage with members to identify viable options for richer countries that receive SDRs to channel them to poorer countries that need them more, with a key option being wealthier countries contributing their SDRs to the IMF's existing Poverty Reduction and Growth Trust for low-income countries. In Europe, The Bank of England set out guidelines on how it plans to gradually tighten monetary policy and potentially scale-back its lofty economic support measures introduced to soften the pandemic-induced blows on Britain's economy. Retaining its benchmark interest rate at a historic low of 0.1%, the bank said it would start reducing its stock of bonds when its policy rate reaches 0.5% and would consider actively selling down gilt holdings when the rate reaches at least 1%. On the general economy, the BoE still expects Britain's economy to grow by 7.25% in 2021, almost in line with the IMF's latest projection of 7% growth, while 2022's estimate was upwardly revised to 6%.

### Domestic Economy

- ◆ The Federal Government has reduced gas to power prices from \$2.50 to \$2.18. This was following a negotiation between the Federal Government and the organized labor unions and the detailed review of the Gas pricing framework in Nigeria, the price of Gas to power has been reduced. This was disclosed while declaring open the 2021 Gas Sector Stakeholders (Ajaokuta-Kaduna-Kano, AKK Gas Pipeline Project) Forum held in Kano. The President said the completion of the project would help in revitalizing the industries and create more jobs opportunities in the benefitting states which include Kano, Kaduna and Nasarawa states. Elsewhere, Nigeria has given its state oil firm the green light to acquire a 20% stake in Dangote's oil refinery for \$2.76 billion, according to the oil minister. The 650,000-barrel-per-day oil refinery is under construction in Lagos, the biggest city in the most fuel-consuming nation in the region. The refinery is scheduled for commissioning by January. The oil minister said that the government approved the Nigerian National Petroleum Corp's (NNPC) acquisition at a Cabinet meeting, he told reporters in Abuja, adding that the country also awarded contracts for the modernization of two state-owned refineries.

### Equities and stock recommendation

- ◆ The Nigerian equities market closed the week higher, reversing the previous week's losses, as the NGXASI rose by 0.68% WoW to close at 38,810.75pts. REGALINS (+14.29%), CONOIL (+10.00%) and TRANSCORP (+9.80%) gained the most this week while DANGSUGAR (-12.04%), HONEYWELL (-10.56%) and AFRIPRUD (-7.27%) led the laggard's chart. Dissecting the sectoral performance revealed Construction as the best performing sector (+5.17%), while Banking (-0.78%) was the worst performer over the week. The positive performance posted by the Construction sector was driven by JBERGER (+8.89) WoW, while the Banking sector performance was dragged by FBNH (-1.35%) WoW and ACCESS (-1.09%) 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 slipped 19bps WoW to settle at 8.62%, reflecting downward pressures at both ends of the curve. For context, the average bond yield finished 11bps lower at 11.61% following declines in short and long-dated instruments, specifically the Jan-2022 (-29bps) and Apr-2029 (-30bps) papers while declines in the 91-Day (-68bps) and 364-Day (-50bps) bills led the average NTB yield down 27bps to 5.63% at the end of the week.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.54	33.33	0.62%	-13.10%	*Nigeria Strategy Report H2 2021
<b>USD/NGN (₦/\$)</b>					
NAFEX	411	411.7	0.10%	-11.37%	
Parallel	504.0	516.0	2.38%	-28.57%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (June 2021)</b>			<b>CHG (pps)</b>		
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	
<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	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*DPR to track 33,000 filling stations over smuggling
Agriculture	2.3	3.4	1.4	2.2	*NNPC makes N234.63b
Manufacturing	3.4	-1.5	-1.5	-2.8	*Bank of England sets out plans to wean UK economy off stimulus
Services	-0.4	1.3	-5.5	-2.2	*FG hires JP Morgan, others on \$6.2bn fresh borrowing
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	*Key Fed official sees rates liftoff in 2023 as policy debate heats up
Unemployment Rate			33.3	27.1	*FEC Approves \$11.174bn For Construction of Lagos-Calabar Coastal Rail
Underemployment			22.8	28.8	*Nigeria Gets \$3.35bn in IMF's Historic \$650bn SDR Allocation
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*CBN unveils guidelines for payments system firms
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Mambilla: FG directs NSIA to source \$200m judgment debt for Chinese firm
Bonds	0.00	0.00		-100.0%	*IMF \$650 billion reserves distribution clears last hurdle, takes effect on Aug 23
Money Market	17.10	363.15	-95.3%	-98.8%	*NNPC Will Protect Nigeria's Interest in Divesting Oil Companies, Kyari Assures
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Nigeria's PMI hits 18-month high in July – Report
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*Seven African exchanges inch towards shared trading
Trade Balance	2,382	2,559	1,668	-6.9%	*Foreign Investors Exit Takes Toll As Stock Market sheds N973.2bn in 7 Months
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria's loans from World Bank, AfDB rise to \$14.35bn under Buhari

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

	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)	20.50%	7.50%	13.00%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	20.00%	7.75%	12.25%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	9.49%	12.26%	-2.77%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	10.34%	13.57%	-3.23%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	11.87%	14.56%	-2.69%	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>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	3.11%	3.01%	0.10%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
3-month	3.02%	3.70%	-0.68%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
6-month	5.99%	5.91%	0.08%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
9-month	7.34%	7.79%	-0.45%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
12-month	8.35%	8.85%	-0.50%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
16.39% 27-JAN-2022	5.60%	5.89%	-0.29%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	10.18%	10.20%	-0.02%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	10.80%	10.82%	-0.02%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.70%	11.85%	-0.15%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.25%	12.32%	-0.07%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.85%	12.90%	-0.05%								
16.2499% 18-APR-2037	13.03%	13.02%	0.01%	<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
14.8% 26-APR-2049	13.09%	13.10%	-0.01%	MIXTA 17.00% 16-JAN-2022	6.46%	6.84%	-0.38%	ACCESS 10.50% 19-OCT-2021	2.89%	3.04%	-0.15%
				DUFIL 18.25% 1-SEP-2022	10.31%	10.71%	-0.40%	ZENITH 7.375% 30-MAY-2022	3.06%	3.09%	-0.03%
				LAPO MFB 17.75% 19-DEC-2022	12.99%	13.21%	-0.22%	UBA 7.75% 08-JUN-2022	3.57%	3.61%	-0.04%
<b>FGN Eurobonds</b>				STERLING 16.50% 3-AUG-2023	11.36%	11.39%	-0.03%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
5.625% 27-JUN-2022	1.83%	1.83%	0.00%	FCMB 17.25% 8-DEC-2023	11.97%	11.99%	-0.02%				
6.50% 28-Nov-2027	5.43%	5.34%	0.09%	ACCESS 15.50% 23-JUL-2026	14.52%	14.65%	-0.13%				
7.875% 16-FEB-2032	6.99%	6.93%	0.06%	VIATHAN 16.00% 14-DEC-2027	12.42%	12.53%	-0.11%				
7.625% 28-Nov-2047	7.65%	7.59%	0.06%	UNION 16.20% 27-JUN-2029	15.65%	15.93%	-0.28%				
				FIDELITY 8.50% 27-JAN-2031	13.47%	13.68%	-0.21%				

Source: DMO, FMDQ, Bloomberg, ARM Research

### FX Reserves Under the Microscope

The FX reserves has advanced by 0.65% to \$33.5 billion since the start of H2:2021. We expect that oil export receipts will continue to manifest, while a reported \$3.35 billion from the IMF would help ease pressure on the reserves.



Source: CBN,ARM Research

Thank You



## ARM Securities

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