

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week 6th December - 10th December 2021

Global Economy

- ◆ Annual inflation in the U.S. surged to an almost 40-year high of 6.8% in November 2021, marking its 9th consecutive month above the Fed's 2% target. Upward pressures were broad-based, with the cost of energy soaring by 33.3%YoY and the prices of Food (+6.1%YoY) Shelter (+3.8%YoY) and Medical Care Services (+2.1%YoY) all rising. Looking ahead, with Consumer Price Inflation climbing to new highs and Thursday's Labor department report pointing towards sustained recovery in the labor market, all eyes now turn to the U.S. Fed Reserve's next FOMC meeting scheduled for December 15th, where we expect Fed policymakers to announce plans for a quicker tapering of its pandemic-era bond purchase program. Meanwhile, U.S. Congressional leaders reached a comprehensive deal on Tuesday that will allow Democrats to lift the nation's debt limit without Republican votes, likely averting another last-minute dash to avoid a federal default. A Key aspect of this agreement would involve Democrats voting on a specific amount by which the debt ceiling would be lifted and while no amount has been disclosed as of yet, we expect it to be a substantial sum which should prevent a repeat of the current situation in the nearest future.

Domestic Economy

- ◆ The Federal Government has announced the commencement of the final stage of construction of its new Kaduna-Jos 330KV double circuit transmission line, which is to raise the facility's capacity to evaluate 1,500 megawatts of electricity. Elsewhere, the Central Bank of Nigeria has set aside over N5.7bn to give as loan to 10,000 farmers to encourage dry season wheat farming in Bauchi State. The CBN Comptroller, Bauchi Branch, Saladu Idris, who disclosed this at the flag-off of the programme at the NUJ Secretariat in Bauchi on Thursday, said that 4,500 farmers had so far benefitted in the state. He said each farmer would be given N370,000 cash, six bags of urea, four bags of NPK fertiliser, pumping and spraying machines. Elsewhere, capital inflow into the country fell from \$620m in July to \$440m in August over the resurgence of the COVID-19 pandemic. The Central Bank of Nigeria stated this in its monthly economic report for August titled, 'Foreign capital inflow moderated in August 2021 due to weakening risk sentiments that followed the COVID-19 resurgence'.

Equities and stock recommendation

- ◆ At the end of a choppy trading week, the Nigerian bourse ended the final trading day on a positive note (+47bps), but the NGX All-Share Index was still down 0.68% in weekly terms. With regards to the performance of market indices, it was largely mixed, with the BANKING (+4.98%) WoW, TELECOM (+2.23%), WoW, OIL&GAS (+1.54) WoW and BREWERS (+1.51%) WoW ending the week in the green while the CEMENT (-6.12%) WoW, PERSONAL CARE (-2.71%) WoW and INSURANCE (-0.98%) WoW counters posted weekly declines. Specifically, price depreciation in DANGCEM (-10.00%) WoW anchored the decline in the CEMENT space while the BANKING sector was buoyed by gains in ETI (+13.13%), GTCO (+9.96%), ZENITH (+8.51%) and ACCESS (+2.81%) WoW.
- ◆ **ZENITH - STRONG BUY (FVE: N30.20), ACCESS - STRONG BUY (FVE: N12.92), UBA PLC- STRONG BUY (FVE: N12.18) and WAPCO - STRONG BUY (FVE: N28.61). Click [here](#) for our Weekly Stock Recommendation.**

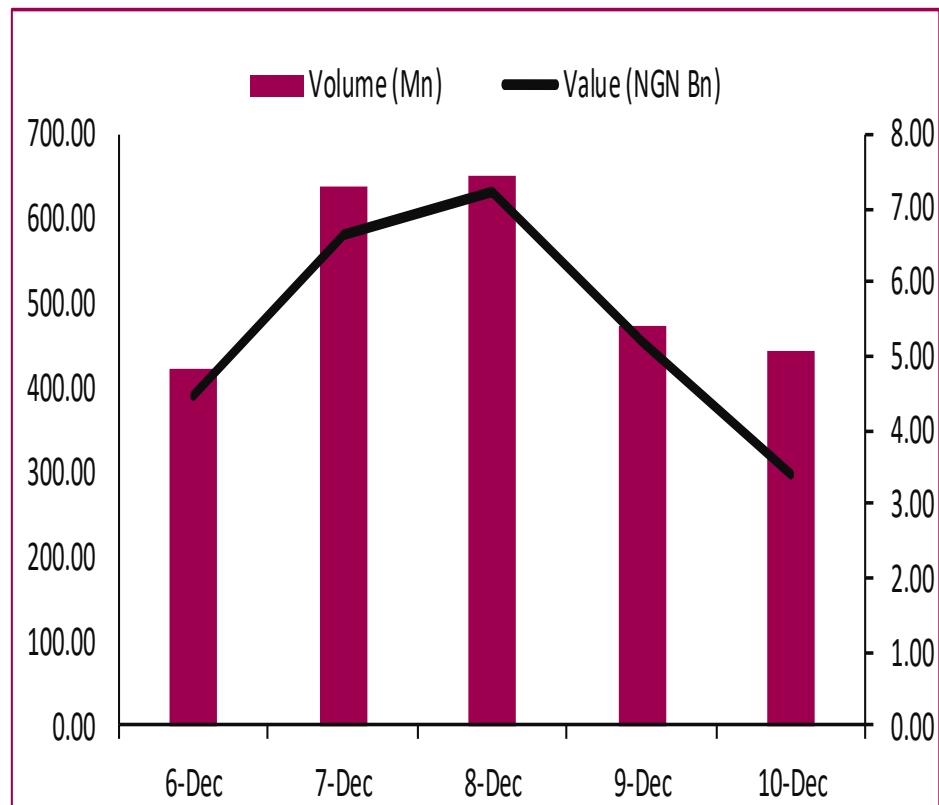
Fixed Income

- ◆ This week, the NT-Bills secondary market maintained its bullish streak, as demand was triggered by unmet Primary Market Auction bids. Precisely, interest in long-dated NT-Bills anchored the 3bps WoW contraction in the benchmark curve to 4.58%. The FGN bond segment traded mixed this week, as buy interest was channeled towards short-dated maturities (-9bps) WoW while investors sold-off on maturities at the belly end of the curve. Overall, average bond yield rose 13bps WoW to 11.09%. In the primary market, the Apex Bank offered and sold NGN53.74bn worth of treasury bills across three tenors (91-day: NGN1.55bn, 182-day: NGN0.79bn, and 364-day: NGN51.39bn). The total bid size at the auction was NGN244.45bn, yielding a subscription and bid-to-cover ratio of 4.55x. The stop rate on the 91-day bill remained unchanged at 2.50% while the yields on the 182 and 364-day maturities trended lower by 5bps and 55bps to 3.45% and 5.34% respectively.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	40.93	41.22	-0.69%	6.05%	
USD/NGN (₦/\$)					
NAFEX	415	414.8	-0.07%	-12.18%	
Parallel	560.0	560.0	0.00%	-35.71%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (October 2021)			CHG (pps)		
Headline	15.99	16.63	-0.64	17.28	
Core	13.24	13.74	-0.50	13.00	
Food	18.3	19.57	-1.27	21.13	
GDP (%) - YoY	Q3 21	Q2 21	Q1 21	FY20	
Real GDP	4.03	5.01	0.51	-1.9	News Headline for the week (click news for link)
Oil	-10.73	-12.65	-2.21	-8.9	*U.S. Senate passes, sends Biden bill paving way for debt limit hike
Agriculture	1.2	1.3	2.3	2.2	*Crypto assets may displace local currencies in developing countries – IMF
Manufacturing	4.29	3.49	3.4	-2.8	*Oil prices sit tight, tracking biggest weekly gain since late Aug
Services	8.4	9.3	-0.4	-2.2	*Capital inflow drops by 29% as COVID-19 cases rise - CBN
Labor Data (%) - Q4 20			Latest	Prior	*China's sky-high factory inflation slows amid price crackdown
Unemployment Rate			33.3	27.1	*Finance Bill 2021 tips FIRS as sole tax collector
Underemployment			22.8	28.8	*COVID-19 May Force 11m Nigerians into Poverty by 2022, Says Minister
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*DMO: Naira strengthened by \$15.668b external borrowing
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*\$197m 5G mock auction holds Friday, rollout begins 2022 in 12 states
Bonds	14.54	138.69	-89.52%		*With SDF Impacting Profits, Banks' Deposit with CBN Drops to 10-year Low
Money Market	451.67	808.57	-44.1%	36.02%	*Nigeria records N3.023tr trade deficit in Q3
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*\$50bn Needed to Vaccinate the World, Says OECD
Monetary Policy Rates (%) (November 2021)	Latest	Prior		CHG (%)	*JP Morgan Forecasts \$125 Oil Price in 2022, \$150/bbl in 2023
MPR	11.5	11.5		0.0%	*CBN'S Lending Policy in 3 Years Boosts Economy with N7 Trillion in Loans
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*NNPC's Monthly Deductions from FAAC Hit N200bn in December
Liquidity Ratio	30.0	30.0		0.0%	*Bankers' Committee outlines \$100m for National Arts Theatre rehabilitation

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

	WoW	Mtd	QtD	YtD
NGXASI	-0.68%	-3.16%	4.13%	4.00%
Market Cap	-0.68%	-3.16%	4.29%	3.79%
NGX 30	-1.17%	-4.26%	-0.16%	1.93%
NGX Premium	-2.84%	-7.54%	-2.91%	13.86%
NGX 50	-1.88%	-2.60%	-1.00%	1.11%
NGX ASEM	0.00%	0.00%	0.00%	-8.11%
NGX Banking	3.27%	0.83%	6.25%	0.26%
NGX Industrial	-5.53%	-5.57%	-0.88%	0.91%
NGX Consumer Goods	-0.14%	-0.28%	-3.80%	-4.83%
NGX Oil & Gas	-0.03%	-3.66%	-5.21%	53.91%
NGX Insurance	1.08%	1.56%	10.12%	0.55%



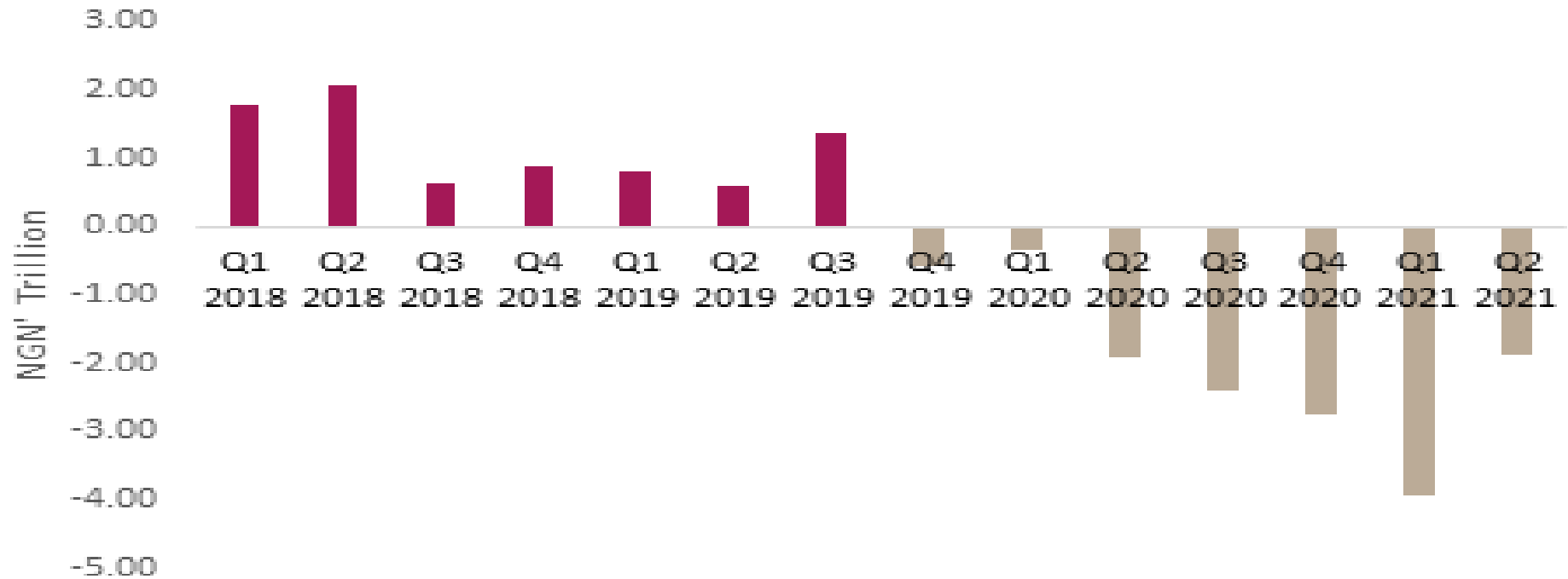
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	17.75%	15.75%	2.00%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00
Open Buy Back (OBB)	17.50%	15.50%	2.00%	02-Dec-21	7.00%	8.50%	10.10%	02-Dec-21	7.00	10.00	20.00
NIBOR - 1M	10.07%	11.35%	-1.28%	25-Nov-21	7.00%	8.50%	10.10%	25-Nov-21	5.00	5.00	20.00
NIBOR - 3M	10.77%	11.91%	-1.14%	18-Nov-21	7.00%	8.50%	10.10%	18-Nov-21	5.00	5.00	15.00
NIBOR - 6M	11.73%	12.66%	-0.93%	04-Nov-21	7.00%	8.50%	10.10%	04-Nov-21	5.00	5.00	15.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	3.71%	3.71%	0.00%	08-Dec-21	2.50%	3.45%	5.34%	08-Dec-21	1.55	0.79	51.39
3-month	3.00%	3.00%	0.00%	24-Nov-21	2.50%	3.50%	5.89%	24-Nov-21	2.04	3.78	209.89
6-month	3.74%	3.74%	0.00%	10-Nov-21	2.50%	3.50%	6.50%	10-Nov-21	4.12	2.99	189.06
9-month	5.74%	5.98%	-0.24%	27-Oct-21	2.50%	3.50%	6.99%	27-Oct-21	2.68	2.02	230.34
12-month	5.64%	5.64%	0.00%	13-Oct-21	2.50%	3.50%	7.25%	13-Oct-21	4.22	6.95	176.06
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	3.56%	3.56%	0.00%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	8.20%	8.25%	-0.05%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.31%	9.34%	-0.03%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.28%	11.64%	-0.36%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.23%	11.76%	0.47%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.76%	12.53%	0.23%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	12.86%	13.06%	-0.20%	MIXTA 17.00% 16-JAN-2022	4.87%	4.87%	0.00%	ZENITH 7.375% 30-MAY-2022	1.63%	1.53%	0.10%
14.8% 26-APR-2049	12.96%	12.86%	0.10%	DUFIL 18.25% 1-SEP-2022	6.47%	6.34%	0.13%	UBA 7.75% 08-JUN-2022	3.27%	3.18%	0.09%
				LAPO MFB 17.75% 19-DEC-2022	9.67%	9.67%	0.00%				
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	9.54%	9.59%	-0.05%				
5.625% 27-JUN-2022	3.52%	3.59%	-0.07%	FCMB 17.25% 8-DEC-2023	10.34%	10.38%	-0.04%				
6.50% 28-Nov-2027	6.62%	6.77%	-0.15%	ACCESS 15.50% 23-JUL-2026	14.02%	14.27%	-0.25%				
7.875% 16-FEB-2032	8.06%	8.29%	-0.23%	VIATHAN 16.00% 14-DEC-2027	11.81%	11.93%	-0.12%				
7.625% 28-Nov-2047	8.60%	8.76%	-0.16%	UNION 16.20% 27-JUN-2029	15.85%	15.35%	0.50%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.16%	0.43%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Nigeria records N3.023tr trade deficit in Q3 2021.

Nigeria's Merchandise Trade grew as imports increased significantly and showed a marginal growth in export, resulting in an unfavorable trade balance in Q3, 2021. The total value of trade in Q3 '21 was up 10% q/q and 59% y/y to NGN13.3trn. The value of trade in Q3 is the highest recorded in recent times and was supported by strong growth in imports. Relative to Q2 '21, the value of merchandise imports increased by 17% to NGN8.2trn.

Nigeria Trade Balance



Source: NBS, ARM Research

Thank You



ARM Securities

Research 234 (1) 2701653 research@armsecurities.com.ng

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

Customer Service 234 (1) 4488282
customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.