

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 7 December – 11 December 2020

Global Economy

- ◆ The ECB expanded its Pandemic Emergency Purchase Program (PEPP) by €500billion bringing its total value to €1.85billion while also extending the programme duration to at least March 2022, a move aimed at providing further support to the bloc's struggling economy. The Bank also retained its Main Refinancing Operation (MRO) rate at 0% and revised downwards its 2021 GDP growth forecast to 3.9% (previously: 5%). Inflation projections for 2021 and 2022 were also revised downwards by 10bps and 20bps to 0.2% and 1.1% respectively. In the US, annual inflation rate for November was unchanged at 1.2%YoY as a rise in the price of new vehicles (up 1.6%YoY from 1.5%YoY in October) was levelled out by a slowdown in the cost of food (down to 3.7%YoY from 3.9%YoY) and cost of shelter (down marginally to 1.9%YoY from 2%YoY). Meanwhile, China experienced its first month of deflation in over a decade as consumer price index declined by 0.5%YoY in November (October: 0.5%YoY). Notably, food prices fell for the first time in almost three years (down 2%YoY) anchored by a tumble in pork prices. Additionally, cost of transport edged down 3.9%YoY (October: -3.9%) while utilities (-0.6%YoY vs -0.7%YoY in October) and cost of clothing (-0.3%YoY) both fell at a softer pace.

Domestic Economy

- ◆ This week, data for Nigeria's foreign trade statistics which showed a trade deficit of ₦2.4 trillion (vs trade surplus of ₦1.4 trillion in Q3 2019). This reflected a substantial decline in export (-43% YoY to ₦2.99 trillion) as well as an increase in imports (+38% YoY to ₦5.38 trillion). On the former, crude oil exports, non-crude oil exports anchored overall exports southward as they moderated by 35% and 63% YoY respectively. Meanwhile, importation of animal products (+163% YoY), vegetable products (+105% YoY) as well as machineries (+16% YoY) spurred the increase in overall imports. Contrary to the annual numbers, export rose 35% QoQ, while import rose 34% QoQ.

Equities and stock recommendation

- ◆ The bullish trend in the Nigerian bourse was halted as the ASI shed 253bpsWoW to print at 34,250.74points while market cap came in at ₦17.9trillion. Save for the Oil&Gas (+40bps) and Personal care (+31bps) sectors which appreciated, all other sectors were on the slide with Cement (-5.12%), Banking (-2.43%) and Breweries (-1.96%) anchoring the decline. A further inquest into the sectoral performance revealed the major drivers for the downside were UBA (-2.44%), ZENITH (-5.22%), MTN (-0.77%), GUARANTY (-1.05%), DANGCEM (-8.04%), WAPCO (-10.65%), NB (-1.79%), GUINNESS (-5.03%) WoW, amongst others. On the flip side, OANDO (+2.50%), STANBIC (+0.11%) and PZ (+4.17%) topped the gains chart on a WoW basis.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2), UNILEVER – NEUTRAL (FVE: ₦16.03), UBA PLC – STRONG BUY (FVE: ₦10.39) and GUINNESS NIGERIA PLC – BUY (FVE: ₦21.40)** Click [here](#) for our Weekly Stock Recommendation.

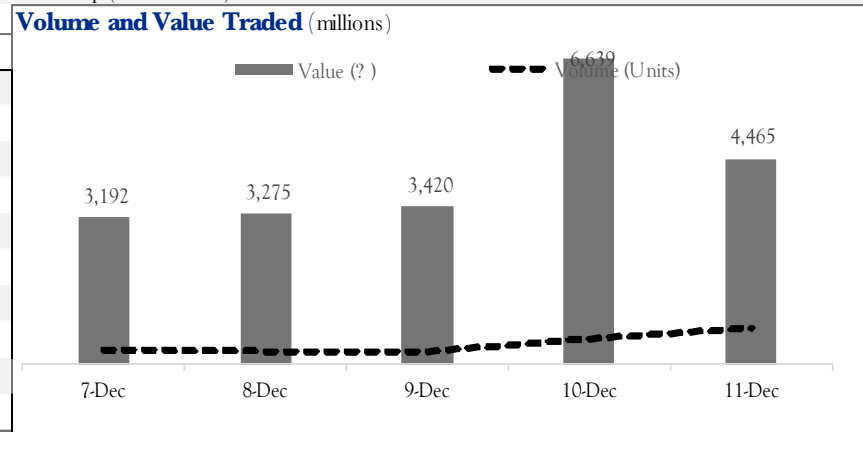
Fixed Income

- ◆ At the NTB auction this week, the average stop rate rose 118bps to 1.27%, its first rise since August. Driving that rise was the 1yr stop rate which climbed 305bps to 3.20%. The total amount offered and sold at the auction was ₦50.93 billion with total subscription 2.02x that amount at ₦102.97 billion. In the secondary market, the average fixed income yield closed up 46bps WoW to 2.31% supported by increases in the bond and NTB markets. To shed more light, a rise in the Mar-2036 (+234bps), Mar-2025 (+202bps) and Mar-2024 (+100bps) instruments led the average bond yield up by 60bps WoW to 4.18% while the average NTB yield rose by 32bps WoW to 0.45% mirroring upticks across all three tenors.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.01	35.30	-0.80%	-9.28%	
USD/NGN (₦/\$)					
NAFEX	395	395.0	0.10%	-7.63%	
Parallel	473.0	465.0	-1.69%	-23.89%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (October)			CHG (pps)		
Headline	14.23	13.71	0.52	12.79	
Core	11.14	10.58	0.56	10.11	
Food	17.38	16.66	0.72	15.55	
GDP (%) - YoY	Q3 20	Q2 20	Q1 20	FY19	
Real GDP	-3.2	-6.1	1.87	2.3	
Oil	-13.9	-6.6	5.1	4.6	News Headline for the week (click news for link)
Agriculture	1.4	1.6	2.2	2.4	*Crude Oil Price Hits \$50 on Vaccine Rollout
Manufacturing	-1.5	-8.8	0.4	0.8	*Okonjo-Iweala: Nigeria to Access COVID-19 Vaccines from Jan 2021
Services	-2.5	-2.61	3.5	3.4	*FG to auction N60bn bonds in December
Labor Data (%) - Q2 20			Latest	Prior	*Have your turbot and eat it? UK, EU set weekend deadline for new Brexit pact
Unemployment Rate			27.1	23.1	*Renewable energy breakthrough threatens Nigeria's gas investments
Underemployment			28.8	20.1	*Fitch says upgrades of major economies unlikely in 2021 despite COVID-19 vaccine
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*NPC: Nigeria's population is 206m
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Operators give investment conditions as pension funds hit N11.57tn
Bonds	0.00	231.22	-100.0%	-100.0%	*Oil contributes 81% to N2.99tn Q3 exports
Money Market	332.07	3,438.54	-90.3%	-66.2%	*FG Bows to Labour, Reduces Petrol Price by N5
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Nigeria's Q3 trade deficit hits N2.38tn, highest since 2017 -NBS
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*COVID-19: Africa's GDP to decline by over \$230b in 2020, says Adesina
Trade Balance	2,382	2,559	1,668	-6.9%	*CBN doubles credit for households to N300b
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*FG submits AfCFTA ratification instrument to AU

	PX_LAST	CHG_PCT_WTD	CHG_PCT_MTD	CHG_PCT_QTD	CHG_PCT_YTD						
Index Performance		Index Returns (%)					Sector Performance		Returns (%)		
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD	
NSE ASI	34250.74	-2.53	-2.26	27.62	27.60	29.57	Banking	-2.43%	20.80%	8.34%	
NSE ASI (\$)	34250.74	-2.53	-3.20%	25.00%	17.28%	18.24%	Brewers	-1.96%	14.51%	-10.69%	
Market Cap (? 'bn)	18,365	-2.53%	-2.20%	27.64%	38.15%	39.77%	Cement	-5.12%	31.23%	50.35%	
Market Cap (\$'mn)	46,494	-2.28%	-3.20%	25.00%	26.97%	28.04%	Telecom	-0.44%	39.18%	77.74%	
NSE 30	1419.46	-3.00	-3.86	23.56	20.51	27.99	Personal Care	0.31%	4.25%	-32.34%	
NSE Premium	2942.57	-4.73	-5.73	24.15	39.05	36.98	Construction	-2.74%	4.65%	-7.23%	
NSE 50	1502.51	-2.82	-4.24	22.42	11.57	17.94	Food	-1.19%	19.63%	0.64%	
NSE ASEM	729.87	0.00%	0.19	0.19	-0.70	-0.70	Insurance	-0.75%	6.68%	6.07%	
NSE Banking	379.91	-2.93	-3.56	22.40	6.47	9.98	Oil & Gas	0.40%	29.11%	-45.00%	
NSE Insurance	154.95	-1.82	-1.90	11.63	23.15	29.74	Real Estate	0.03%	-0.06%	-2.80%	
NSE Consumer	557.45	-1.55	-3.86	22.84	-5.97	3.24	ARM Indices				
NSE Oil & Gas	219.74	-0.25	1.44	11.61	-16.30	-6.49		WoW	QTD	YTD	
NSE Industrial	1540.23	-4.96	-6.43	29.02	43.20	46.52	Large Cap (Top 10%)	-2.47%	27.68%	43.56%	
NSE Lotus	2398.79	-2.58	-3.26	24.07	30.74	37.95	Mid Cap (Mid 30%)	-1.26%	16.82%	5.16%	
NSE Pensions	1289.75	-3.01	-4.17	22.66	22.36	29.03	Small Cap (Bottom 60%)	-27.94%	-9.29%	-55.63%	

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
FTNCOCOA	0.44	51.7%	FIDSON	4.50	-7.8%
LIVESTOC	1.29	6.6%	DANGCEM	183.00	-8.0%
MBENEFITS	0.24	4.3%	CHAMPION	0.90	-8.2%
PZ	5.00	4.2%	INTISPLC	0.52	-8.8%
QANDO	2.87	2.5%	NPFMCRFB	1.43	-9.5%
WEMA	0.69	1.5%	PORTLAND	2.35	-10.0%
AIRTELA F	640.00	0.0%	TRANSCOH	3.60	-10.0%
MANSARD	2.30	0.0%	WAPCO	20.55	-10.7%
COURTIVIL	0.21	0.0%	UNIPRESS	1.26	-14.3%
REDSTARE	3.38	0.0%	REGALINS	0.20	-16.7%



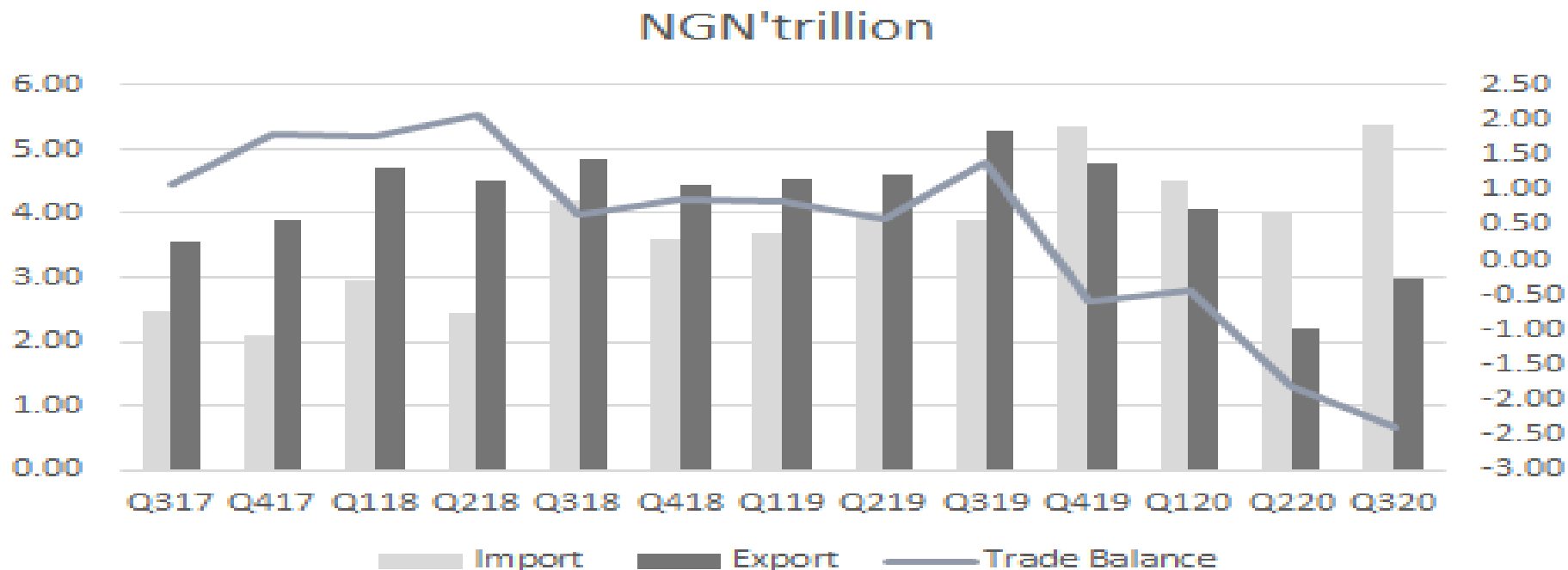
Source: NSE, Bloomberg, ARM Research

	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
Money Market				OMO				OMO			
Overnight (O/N)	0.88%	4.25%	-3.37%	10-Dec-20	1.85%	4.70%	6.15%	10-Dec-20	10.00	10.00	50.00
Open Buy Back (OBB)	0.50%	3.63%	-3.13%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
NIBOR - 1M	0.23%	0.25%	-0.02%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 3M	0.27%	0.36%	-0.09%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 6M	0.33%	0.42%	-0.09%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	0.40%	0.05%	0.35%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
3-month	0.42%	0.08%	0.34%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
6-month	0.45%	0.11%	0.34%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
9-month	0.49%	0.14%	0.35%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	10.00	17.60	106.37
12-month	0.51%	0.15%	0.36%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	2.00	8.39	148.36
FGN Bonds (Local)				44104	0.0108	0.0149	0.028	FGN Bonds	5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.52%	0.15%	0.37%	21-Oct-20	N/A	5.00%	5.79%	21-Oct-20	N/A	40.0	40.0
16.39% 27-JAN-2022	1.07%	0.47%	0.60%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
14.20% 14-MAR-2024	2.56%	1.56%	1.00%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
12.50% 22-JAN-2026	4.02%	4.04%	-0.02%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
16.2884% 17-MAR-2027	4.34%	3.90%	0.44%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.1493% 18-JUL-2034	5.35%	5.15%	0.20%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	5.34%	6.31%	-0.97%	MIXTA 17.00% 16-JAN-2022			1.71%	1.34%	0.37%	ACCESS 10.50% 19-OCT-2021	
14.8% 26-APR-2049	7.59%	6.75%	0.84%	FIDELITY 16.48% 13-MAY-2022			0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	
				DUFIL 18.25% 1-SEP-2022			3.27%	2.90%	0.37%	UBA 7.75% 08-JUN-2022	
				LAPO MFB 17.75% 19-DEC-2022			5.40%	5.13%	0.27%	SEPLAT 9.25% 1-APR-2023	
5.625% 27-JUN-2022	3.33%	3.14%	0.19%	STERLING 16.50% 3-AUG-2023			3.13%	2.76%	0.37%		
6.50% 28-Nov-2027	5.24%	5.26%	-0.02%	FCMB 17.25% 8-DEC-2023			3.74%	3.00%	0.74%		
7.875% 16-FEB-2032	6.59%	6.59%	0.00%	ACCESS 15.50% 23-JUL-2026			6.74%	6.17%	0.57%		
7.625% 28-Nov-2047	7.18%	7.18%	0.00%	VIATHAN 16.00% 14-DEC-2027			4.25%	2.62%	1.63%		
				UNION 16.20% 27-JUN-2029			8.66%	8.26%	0.40%		

Source: DMO, FMDQ, Bloomberg, ARM Research

Trade in foreign goods Q320

The downturn in crude oil prices following the covid-19 outbreak as well as the decision of the OPEC cartel to reduce global crude oil supply has put Nigeria in an unfavourable trade position. Since Q419, the country has continued to post trade deficits which significantly worsened in Q220 and Q320 where the numbers printed at - ₦1.8trn and - ₦2.4trn respectively. The recently released data from NBS showed a recovery in import to pre-covid levels in Q320 following upbeat demand for mineral fuels, chemical and allied products and machinery which together accounts for more than 60% of total import. However, exports continue to reflect the impact of the pandemic as both crude oil and non-oil export remained subdued relative to 2019 levels.



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 © 2020 ARM 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 analyst(s) 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.