

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 14 December – 18 December 2020

Global Economy

- ◆ The Eurozone's private sector edged closer to stability in December, as revealed by the bloc's latest PMI reading. Composite PMI printed at 49.5pts (October: 45.3pts), spurred by growth in manufacturing sector output (PMI rose to 55.5pts from 53.8pts) and a slower pace of contraction in services PMI (up to 47.3pts from 41.7pts in October). In the U.S, the Fed left the target range for its federal funds rate unchanged at 0-0.25%, while also pledging to increase its holdings of Treasury securities and agency mortgage-backed securities by \$80billion and \$40billion per month respectively. With regards to economic projections, the Fed now sees the economy contracting by 2.4% (September: -3.7%) in FY20, while a faster pace of expansion is expected in 2021 (4.2% vs 4%) and 2022 (3.2% vs 3%). Elsewhere, the Bank of England voted to retain interest rate at a record low of 0.1% and also maintain the size of its bond-buying program at £875billion as policy makers adopt a wait-and-see approach amid uncertainty surrounding a post-Brexit trade deal and Covid-19 resurgence. Lastly, China posted its fastest growth in retail trade this year as retail sales ticked up by 5%YoY in November (October: 4.3%YoY). Sales rose for automobiles (+11.8%YoY), cosmetics (+32.3%YoY) and telecoms (+43.6%YoY) as consumption recovered further from Covid-19 induced disruptions.

Domestic Economy s

- ◆ This week, data on Nigeria's capital importation and headline inflation was released by the NBS. The former declined by 74% YoY to \$1.46 billion, mirroring declines in foreign portfolio investment (-86% YoY to \$407.3 million) and other investment (-73% YoY to \$639 million) which outweighed the 100.8% increase in foreign direct investment to \$414.8 million. A further probe into the sectors revealed production, banking and shares accounted for bulk of capital inflows with a cumulative of 73%. Elsewhere, headline inflation rose 67bps to 14.89% YoY, spearheaded by uptick in food inflation (+92bps to 18.21% YoY). For context, underwhelming harvest, flooding, higher transportation cost - a fallout of higher PMS prices (+4% MoM to N167.3 in November), and increased demand due to upcoming festivities, weighed heavily on food prices. Hence, farm produce and imported food inflation rose by 156 bps and 8bps, respectively. Elsewhere, core inflation moderated 10bps to 11.04% YoY despite increases across core sub-indices. Similarly, MoM inflation rose 7bps to 1.62%, spurred by increases in food inflation (+8bps to 2.05% MoM) while core inflation dipped 54bps to 0.70% MoM.

Equities and stock recommendation

- ◆ Following last week's decline, the Nigerian bourse returned to a positive trajectory as the ASI appreciated significantly by 7.46% WoW to print at 36,804.75points while market cap came in at ₦19.2trillion. Except for Breweries (-0.01%) and Insurance (-9.71%), all other sectors posted gains with Telecom (+11.36%), Cement (+9.12%), Personal care (+7.96%), Food (+5.21%) and Banking (+4.24%), leading the pack. Diving into the sectoral performance, we observed that AIRTEL (+21.00%), DANGCEM (+14.48%), UNILEVER (+11.24%), ZENITH (+9.25%) and NESTLE (+7.50%) WoW were the key drivers for the upside. Conversely, declines were seen across MANSARD (-60.00%), INTBREW (-12.67%), NASCON (-9.38%), and STANBIC (-0.11%) WoW, amongst others.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2), UBA PLC—STRONG BUY (FVE: ₦10.39) and FIDELITY BANK PLC – BUY (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ There were two auctions this week, - one NTB and one bond. At the bond auction, the last one of the year, the DMO only sold half (₦30 billion) of the total amount it offered (₦60 billion) despite total subscription coming in at 2.23x the offered amount (₦134.06 billion). The average stop rate at this auction rose for the first time since August by 158bps to 6.97%. Meanwhile, at the NTB auction, ₦7 billion was offered and sold which matched the amount maturing. Total subscription was ₦121.53 billion, 17.36x the offered amount while the average stop rate dropped 71bps to 0.56%. In the secondary market, the average fixed income yield was up 30bps WoW to 2.61% mirroring contrasting moves at both ends of the curve. For context, the average bond yield closed up 65bps WoW to 4.83% supported by a rise in the Jan-2026 (+119bps), Jul-2034 (+180bps) and Apr-2037 (+186bps) instruments while the average NTB yield shed 5bps WoW to print at 0.40% as the 91-day (-10bps) and 182-day (-26bps) bills closed lower.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.84	35.01	-0.50%	-9.74%	
USD/NGN (₦/\$)					
NAFEX	394	394.6	0.15%	-7.48%	
Parallel	475.0	473.0	-0.42%	-24.21%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (November)			CHG (pps)		
Headline	14.89	14.23	0.66	12.98	
Core	11.05	11.14	-0.09	10.19	
Food	18.3	17.38	0.92	15.8	
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	*Senate passes 2021-2023 MTEF/FSP, pegs oil benchmark at \$40
Manufacturing	-1.5	-8.8	0.4	0.8	*Japan raises GDP outlook for FY2021 on lift from stimulus package
Services	-2.5	-2.61	3.5	3.4	*Fed vows to buy bonds until it sees 'substantial' economic progress
Labor Data (%) - Q2 20			Latest	Prior	*National Assembly extends 2020 capital budget implementation to March
Unemployment Rate			27.1	23.1	*Nigeria's daily oil production falls to 1.32 million barrels
Underemployment			28.8	20.1	*Excitement as FG Reopens Four Land Borders
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*OPEC, IEA lower oil demand forecast for 2021
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*World Bank approves \$1.5bn to boost Nigeria's COVID-19 response
Bonds	0.00	231.22	-100.0%	-100.0%	*Moody's: COVID-19, Oil Price Shocks to Curb Nigerian Economic Growth
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Nigeria records \$414.79m foreign direct investment in Q3 – NBS
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*External reserves dip by \$269.47m in five weeks
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*First Americans vaccinated as U.S. death toll passes 300,000
Trade Balance	2,382	2,559	1,668	-6.9%	*Euro zone economy exceeded expectations in Dec but still shrank -PMI
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Banks' credit assets hit N19.5tn as NPLs decline

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

Index Performance

Index Returns (%)

Sector Performance

Returns (%)

	Index Returns (%)						Sector	Returns (%)		
	Level	WoW	MID	QTD	YTD	1 year		WoW	QTD	YTD
NSE ASI	36804.75	7.46	5.03	37.14	37.12	38.02	Banking	4.24%	25.92%	12.94%
NSE ASI (\$)	36804.75	7.46	4.7	34.33	26.02	27.34	Brewers	-0.01%	14.50%	-10.69%
Market Cap (? 'bn)	18,365	7.46	5.1	37.16	48.45	50.23	Cement	9.12%	43.20%	64.07%
Market Cap (\$mn)	46,494	7.46	4.1	34.32	36.44	37.88	Telecom	11.36%	54.99%	97.93%
NSE 30	1497.16	5.47	1.40	30.32	27.11	32.00	Personal Care	7.96%	12.55%	-26.95%
NSE Premium	3185.24	8.25	2.04	34.38	50.52	48.53	Construction	1.33%	6.05%	-5.99%
NSE 50	1595.91	6.22	1.71	30.03	18.51	22.31	Food	5.21%	25.87%	5.89%
NSE ASEM	729.87	0.00%	0.19	0.19	-0.70	-0.70	Insurance	-9.71%	-3.68%	-4.23%
NSE Banking	399.38	5.12	1.38	28.67	11.92	11.24	Oil & Gas	1.56%	31.13%	-44.14%
NSE Insurance	175.70	13.39	11.24	26.58	39.64	46.59	Real Estate	-0.18%	-0.24%	-2.98%
NSE Consumer	574.60	3.08	-0.90	26.61	-3.08	4.22				
NSE Oil & Gas	222.68	1.34	2.80	13.10	-15.18	-5.09				
NSE Industrial	1659.50	7.74	0.82	39.01	54.29	57.15				
NSE Lotus	2545.09	6.10	2.64	31.64	38.72	43.59				
NSE Pensions	1354.29	5.00	0.63	28.80	28.48	32.20				

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	8.00%	37.89%	55.04%
Mid Cap (Mid 30%)	0.90%	17.87%	6.10%
Small Cap (Bottom 60%)	-4.25%	-13.14%	-57.51%

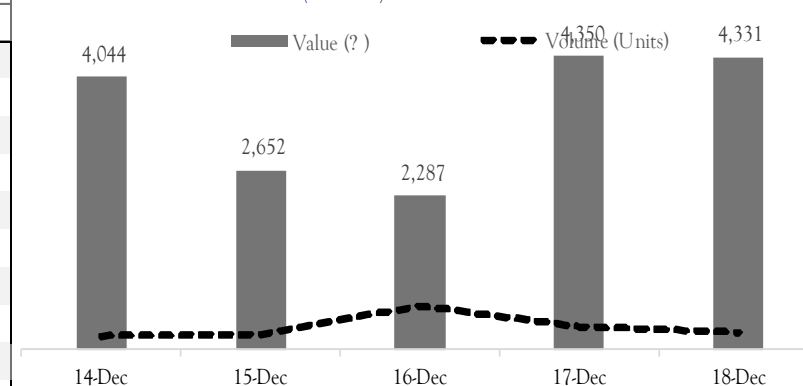
Top 10 Gainers

Company	This Week	WoW
FINCOCOA	0.62	40.9%
DANGCEM	209.50	14.5%
EII	6.60	13.8%
MBENEFITS	0.27	12.5%
GUINNESS	19.00	11.8%
MCR	2.17	9.6%
NPFMCRFB	1.55	8.4%
NESTLE	1505.00	7.5%
WAPCO	22.00	7.1%
TRANSCON	0.96	6.7%

Top 10 Losers

Company	This Week	WoW
UACPROP	0.79	-7.1%
ABCTRANS	0.33	-8.3%
NASCON	14.50	-9.4%
GILEASIN	4.31	-9.8%
VANLEER	8.20	-9.9%
LINKASSU	0.45	-10.0%
INTBREW	6.27	-12.7%
OMATEK	0.20	-16.7%
NEM	1.24	-47.2%
MANSARD	0.92	-60.0%

Volume and Value Traded (millions)



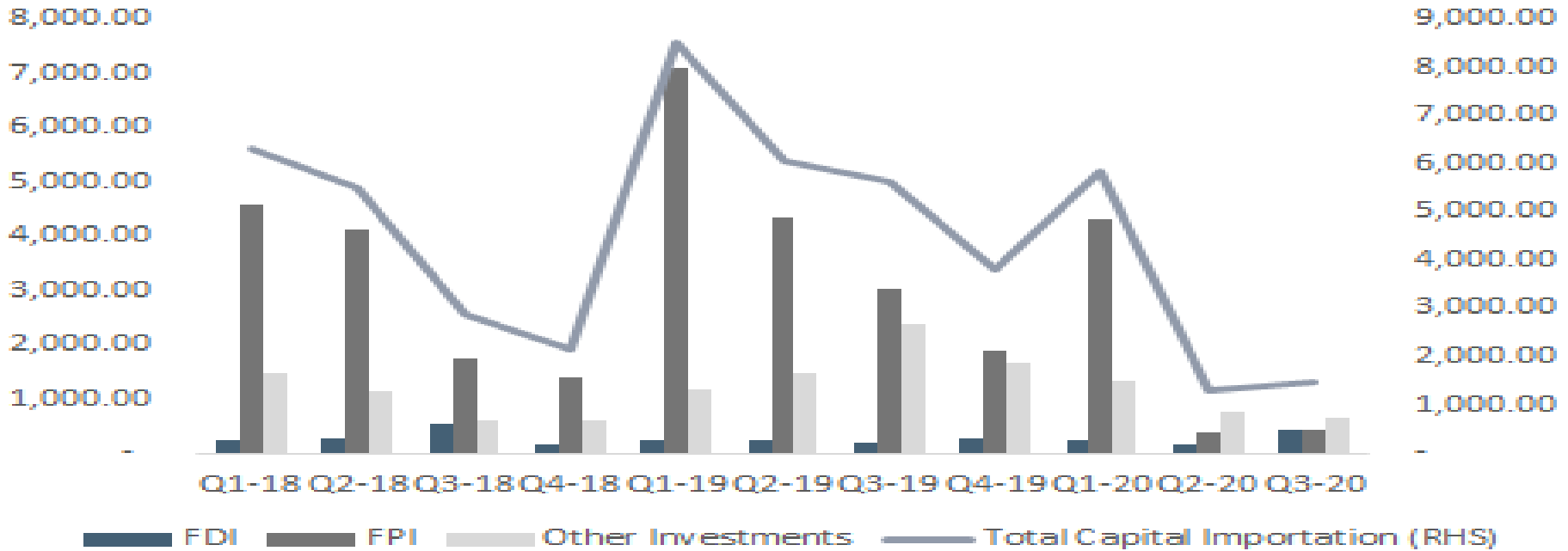
Source: NSE, Bloomberg, ARM Research

	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)	4.50%	0.88%	3.62%	10-Dec-20	1.85%	4.70%	6.15%	10-Dec-20	10.00	10.00	50.00
Open Buy Back (OBB)	4.50%	0.50%	4.00%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
NIBOR - 1M	0.79%	0.23%	0.56%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 3M	0.83%	0.27%	0.56%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 6M	0.88%	0.33%	0.55%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.40%	0.40%	0.00%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
3-month	0.32%	0.42%	-0.10%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
6-month	0.19%	0.45%	-0.26%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
9-month	0.65%	0.49%	0.16%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
12-month	0.65%	0.51%	0.14%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	10.00	17.60	106.37
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.40%	0.52%	-0.12%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.39% 27-JAN-2022	2.06%	1.07%	0.99%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
14.20% 14-MAR-2024	2.99%	2.56%	0.43%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.50% 22-JAN-2026	5.21%	4.02%	1.19%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.2884% 17-MAR-2027	4.86%	4.34%	0.52%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.1493% 18-JUL-2034	7.15%	5.35%	1.80%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	7.20%	5.34%	1.86%	MIXTA 17.00% 16-JAN-2022	1.60%	1.71%	-0.11%	ACCESS 10.50% 19-OCT-2021	4.69%	4.81%	-0.12%
14.8% 26-APR-2049	7.60%	7.59%	0.01%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	5.03%	4.96%	0.07%
				DUFIL 18.25% 1-SEP-2022	4.18%	3.27%	0.91%	UBA 7.75% 08-JUN-2022	5.87%	5.91%	-0.04%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
					6.27%	5.40%	0.87%		7.59%	7.56%	0.03%
5.625% 27-JUN-2022	3.33%	3.33%	0.00%	STERLING 16.50% 3-AUG-2023	3.84%	3.13%	0.71%				
6.50% 28-Nov-2027	5.24%	5.24%	0.00%	FCMB 17.25% 8-DEC-2023	4.29%	3.74%	0.55%				
7.875% 16-FEB-2032	6.59%	6.59%	0.00%	ACCESS 15.50% 23-JUL-2026	7.57%	6.74%	0.83%				
7.625% 28-Nov-2047	7.18%	7.18%	0.00%	VIATHAN 16.00% 14-DEC-2027	4.63%	4.25%	0.38%				
				UNION 16.20% 27-JUN-2029	9.43%	8.66%	0.77%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Q3'20 Capital Importation

Foreign investment into Nigeria rose by 13% QoQ to \$1.46 million. However, it declined by 74% YoY, largely driven by the 86% YoY and 73% YoY reduction in the inflow from FPIs and Other Investments. Unattractive rates on OMO securities and surging inflationary numbers combined with CBN's policy on putting on hold FX repatriation during the course of the year may have weighed on the willingness of FPIs to invest fresh funds into the economy. Also, the crave for safety over returns following the pandemic-induced impact on the global economy may have also accounted for the reduced appetite for Naira denominated investments. Furthermore, the Naira exchange rate risk also played a role in the subdued foreign investment flow into the country. By sector, Production, Banking and Shares received the highest capital inflow with a combined 73% of the total capital inflow. Finally, the United Kingdom emerged as the top source of capital investment in Nigeria in Q3'20 with \$594.65 million.



Source: NBS ARM Research



Thank You

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