

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 21 December – 24 December 2020

Global Economy

- ◆ At the eleventh-hour, the EU and UK reached an agreement on a Brexit trade deal which will see both parties retain the existing zero-tariff zero-quota arrangements on imports and exports totaling about £668 billion annually. According to revised estimates, the UK's economy shrank by -8.6%YoY in Q320, compared to a preliminary estimate of -9.6%YoY. The recovery was anchored mainly by an upwardly revised household consumption, which fell by 10.1%YoY (vs the 12.7%YoY initial estimate) while fixed investment also contracted at a slower pace (-11.3%YoY from 12.2%YoY initial estimate) during the period. Akin to what we saw in the UK, the US recorded its biggest ever expansion in economic activity as the economy grew by an upwardly revised rate of 33.4%YoY in Q320 (second estimate: 33.1%YoY). The upward revision reflected larger increases in personal expenditures and non-resident fixed investment. Furthermore, with the pandemic far from controlled, the US Congress approved an \$892 billion covid relief package which includes a \$600 stimulus check to most Americans, \$300 unemployment benefits and a \$284 billion paycheck protection program. Elsewhere, the People's Bank of China (PBOC) held its benchmark interest rates steady for the eight-consecutive month, as the economy continues to recover from the downturn caused by the COVID-19 pandemic. The one-year and five-year Loan Prime Rates (LPR) were maintained at 3.85% and 4.65% respectively following the largest-ever injection of medium-term funds made by the bank last week in a bid to shore up liquidity.

Domestic Economy s

- ◆ Recently published data by the CBN showed Nigeria's Purchasing Managers Index (PMI) for the month of December 2020, contracted to 47.65 index pts on average (November 20: 48.5 index pts). Contrary to the prior month where the Manufacturing PMI crossed the 50-index point benchmark to 50.2 index pts, Manufacturing PMI contracted to 49.6 pts in December 2020. Specifically, contractions across employment level (46.3pts) and inventories (46.9pts) outweighed expansions in production level (51.6pts) and new orders (50.2pts). Similarly, the non-manufacturing PMI contracted to 45.7 index pts (November: 46.8pts) as business activities (46.6pts), new orders (45.1pts), employment level (45.1pts) and inventories (45.7pts) all moderated during the review period. Overall, reflecting the adverse on the pandemic on business activities, Nigeria's average PMI contracted by 19.4% to 47.2 index point for FY 2020 (FY 19: 58.8pts on average).

Equities and stock recommendation

- ◆ The bullish trend in the Nigerian bourse lingered as NSE ASI closed 7.07% higher WoW to print at 38,800.01 points while market cap printed at ₦20.3 trillion, its highest level since 2008. In line with the sustained rally witnessed during week, most sectors posted gains with Cement (+17.83%), Telecom (+6.74%), Oil&Gas (+4.81%) and Breweries (+1.65%) leading the pack while the Banking (-40bps) and Personal care (-43bps) sectors experienced weekly losses. A further probe into the sectoral performance revealed that bellwether stocks including DANGCEM (+22.50%), BUA (+9.09%), AIRTEL (+9.99%), MTN (+3.23%) and NB (+1.82%) WoW anchored the sustained upturn. Notably, earlier this week, the management of Dangote Cement announced its plans to commence the implementation of its share buyback programme. This spurred the rise in DANGCEM's share price on the NSE during the week. Meanwhile, declines were observed across ZENITH (-1.01%), GUARANTY (-2.81%), INTBREW (-5.90%), WAPCO (-4.11%) and DANGSUGAR (-0.28%) 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

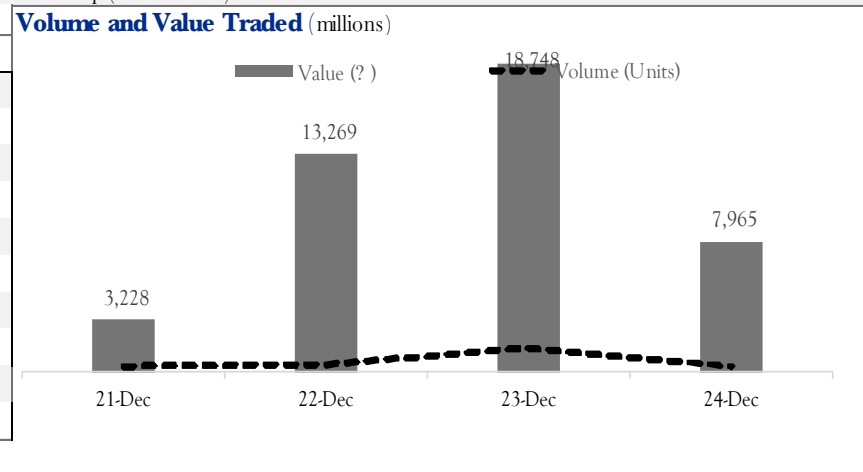
- ◆ In the secondary market, the average fixed income yield edged up 29bps WoW to 2.90% supported by a persistent rise in bond yields. To shed more light, increases in the Jan-2026 (+159bps), Mar-2024 (+135bps) and Feb-2028 (+127bps) instruments led the average bond yield up 59bps WoW to 5.42%. Meanwhile the average NTB yield shed 2bps WoW to close at 0.38% following declines in the 30-day (-7bps) and 270-day (-15bps) bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.91	34.84	0.20%	-9.55%	
USD/NGN (₦/\$)					
NAFEX	392	394.0	0.51%	-7.01%	
Parallel	472.5	475.0	0.53%	-23.81%	
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	*New project to add N2.8tr to Nigeria's economy
Manufacturing	-1.5	-8.8	0.4	0.8	*UK economy saw partial recovery in Q3, recession risks ahead
Services	-2.5	-2.61	3.5	3.4	*Minister asks Nigerians to explore \$3.4tn AfCFTA economy
Labor Data (%) - Q2 20			Latest	Prior	*Banks borrow N1.7tn from CBN in three months
Unemployment Rate			27.1	23.1	*Defying Congress, Trump vetoes defense bill, threatens government shutdown
Underemployment			28.8	20.1	*CBN debits 23 banks N349.72bn
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Nigeria's Forex Inflow Hits \$21bn in Q3
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*After months of inaction, U.S. Congress approves \$892 billion COVID-19 package
Bonds	0.00	231.22	-100.0%	-100.0%	*FG may spend N599b to vaccinate 149.9m Nigerians by 2022
Money Market	332.07	3,438.54	-90.3%	-66.2%	*FG records N1.29tn fiscal deficit in three months
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*National Assembly jerks up budget, passes N13.5tn 2021 appropriation bill
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*U.S. current account deficit rises to more than 12-year high
Trade Balance	2,382	2,559	1,668	-6.9%	*CBN disbursements on 3.1 million projects rise to N6.01tn
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Foreign investments in Nigerian shares rise by 80.6%

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

Index Performance		Index Returns (%)					Sector Performance			
Level	WoW	MID	QTD	YTD	1 year	WoW	QTD	YTD		
NSE ASI	38800.01	5.42	10.72	44.57	44.55	48.71	Banking	-0.40%	24.87%	11.99%
NSE ASI (\$)	38800.01	5.42	5.2	42.36	33.65	37.36	Brewers	1.65%	16.10%	-9.44%
Market Cap (? 'bn)	18,365	7.07	10.8	44.6	56.49	61	Cement	17.83%	63.73%	87.59%
Market Cap (\$'mn)	46,494	7.61	10.3	42.35	44.69	48.71	Telecom	6.74%	62.67%	107.74%
NSE 30	1568.25	4.75	6.21	36.51	33.15	39.26	Personal Care	-0.43%	11.52%	-27.62%
NSE Premium	3394.59	6.57	8.75	43.22	60.41	64.32	Construction	0.00%	6.05%	-5.99%
NSE 50	1654.34	3.66	5.43	34.79	22.84	27.86	Food	0.37%	26.28%	6.24%
NSE ASEM	729.87	0.00%	0.19	0.19	-0.70	-0.70	Insurance	2.79%	-2.09%	-2.64%
NSE Banking	395.25	-1.03	0.34	27.34	10.76	12.08	Oil & Gas	4.81%	35.25%	-42.38%
NSE Insurance	186.26	6.01	17.92	34.18	48.04	55.06	Real Estate	0.03%	-0.18%	-2.92%
NSE Consumer	576.22	0.28	-0.62	26.97	-2.81	3.75	ARM Indices			
NSE Oil & Gas	225.76	1.38	4.22	14.67	-14.01	-3.78		WoW	QTD	YTD
NSE Industrial	1859.54	12.05	12.97	55.77	72.88	77.39	Large Cap (Top 10%)	7.63%	46.07%	64.24%
NSE Lotus	2681.26	5.35	8.13	38.68	46.14	52.55	Mid Cap (Mid 30%)	2.84%	19.16%	7.27%
NSE Pensions	1378.89	1.82	2.46	31.14	30.82	36.28	Small Cap (Bottom 60%)	6.47%	-14.36%	-58.11%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
OANDO	3.64	27.3%	GUARANTY	32.80	-2.8%
DANGCEM	245.00	22.5%	GLAXOSMI	6.80	-2.9%
ROYALEX	0.25	13.6%	UNILEVER	13.90	-3.1%
HONYFLOU	1.23	11.8%	WAPCO	21.00	-4.1%
ETERNA	5.04	10.8%	MAYBAKER	3.70	-4.9%
AIRTELAF	851.80	10.0%	INTBREW	5.90	-5.9%
UNIONDAC	0.29	7.4%	JOHNHOLT	0.51	-8.9%
LASACO	0.34	6.3%	TRANSEXP	0.79	-9.2%
FCMB	3.02	5.6%	CILEASIN	4.31	-9.8%
GUINNESS	19.50	4.8%	NEM	1.36	9.7%



Source: NSE, Bloomberg, ARM Research

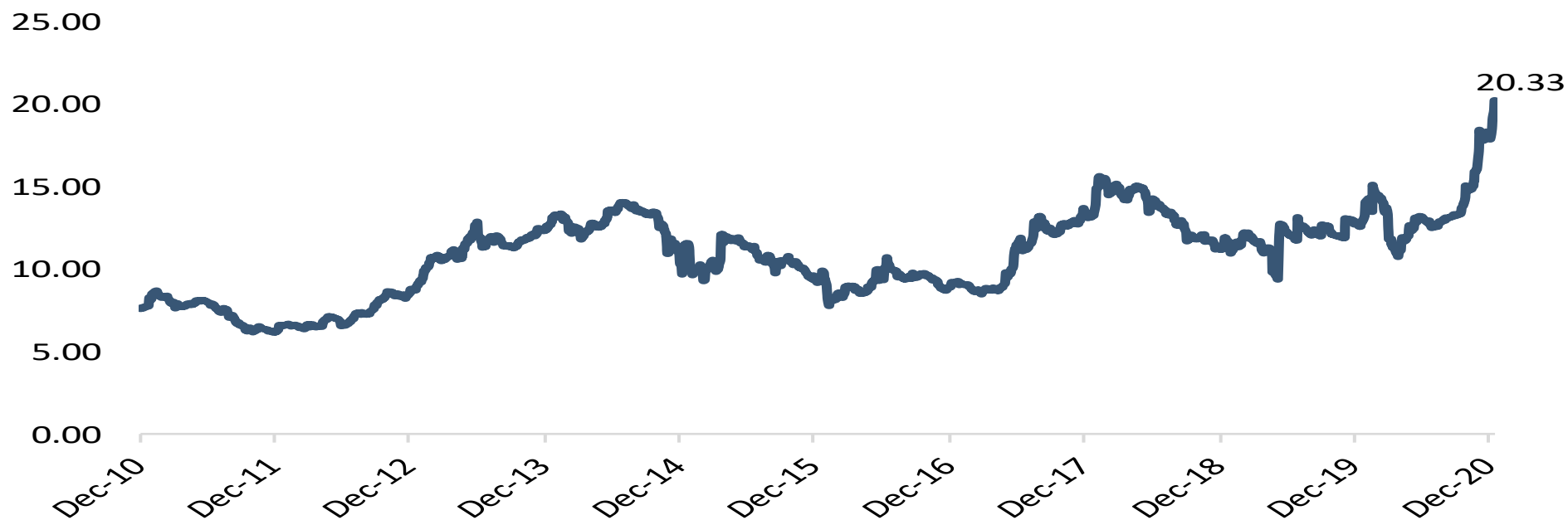
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	0.58%	4.50%	-3.92%	10-Dec-20	1.85%	4.70%	6.15%	10-Dec-20	10.00	10.00	50.00
Open Buy Back (OBB)	0.43%	4.50%	-4.07%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
NIBOR - 1M	0.63%	0.73%	-0.10%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 3M	0.56%	0.82%	-0.26%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 6M	0.58%	0.95%	-0.37%	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	0.33%	0.40%	-0.07%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
3-month	0.35%	0.32%	0.03%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
6-month	0.26%	0.19%	0.07%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
9-month	0.50%	0.65%	-0.15%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
12-month	0.63%	0.65%	-0.02%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	10.00	17.60	106.37
FGN Bonds (Local)				FGN Bonds	5 Year	15 Year	30 Year	FGN Bonds	5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.45%	0.40%	0.05%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.39% 27-JAN-2022	2.55%	2.06%	0.49%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
14.20% 14-MAR-2024	4.34%	2.99%	1.35%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.50% 22-JAN-2026	5.25%	5.21%	0.04%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.2884% 17-MAR-2027	5.58%	4.86%	0.72%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.1493% 18-JUL-2034	7.80%	7.15%	0.65%								
16.2499% 18-APR-2037	7.42%	7.20%	0.22%								
14.8% 26-APR-2049	7.60%	7.60%	0.00%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	4.35%	3.33%	1.02%	MIXTA 17.00% 16-JAN-2022	1.66%	1.60%	0.06%	ACCESS 10.50% 19-OCT-2021	4.55%	4.69%	-0.14%
6.50% 28-Nov-2027	6.67%	5.24%	1.43%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	5.07%	5.03%	0.04%
7.875% 16-FEB-2032	7.12%	6.59%	0.53%	DUFIL 18.25% 1-SEP-2022	4.83%	4.18%	0.65%	UBA 7.75% 08-JUN-2022	5.77%	5.87%	-0.10%
7.625% 28-Nov-2047	7.79%	7.18%	0.61%	LAPO MFB 17.75% 19-DEC-2022	7.00%	6.27%	0.73%	SEPLAT 9.25% 1-APR-2023	7.59%	7.59%	0.00%
				STERLING 16.50% 3-AUG-2023	4.83%	3.84%	0.99%				
				FCMB 17.25% 8-DEC-2023	5.48%	4.29%	1.19%				
				ACCESS 15.50% 23-JUL-2026	8.06%	7.57%	0.49%				
				VIATHAN 16.00% 14-DEC-2027	5.89%	4.63%	1.26%				
				UNION 16.20% 27-JUN-2029	9.59%	9.43%	0.16%				

Source: DMO, FMDQ, Bloomberg, ARM Research

NSE Market Capitalisation

Following eight consecutive sessions of positive performance, the Nigeria Stock Exchange Market Cap crossed the N20trillion mark on Wednesday, the first time ever in over a decade. Specifically, market capitalization rose by N476billion, 2.40% higher than its previous day level to close at N20.33trillion on Wednesday after which it moderated to N20.28trillion to close the week. On a month to date basis, the NSEASI gained 11.22% with bellwether names like AIRTEL (+59.21%), DANGCEM (+19.51%) and BU-ACEMENT (+7.14%) being the major drivers of the improvement in market performance and also largely responsible for the advancement in total market capitalization during the week. Just recently, the management of Dangote Cement announced its plans to commence the implementation of its share buy back programme, which supported the rise in the price of the company's shares on the exchange market during the week.

NSE Market Capitalization N'trn



Source: NSE, Bloomberg, ARM Research



Thank You

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