

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 28 December – 31 December 2020

Global Economy

- ◆ The EU has begun its marathon COVID vaccination drive, with health workers and residents of care homes across the region among the first to get the shots. The bloc is due to receive 12.5million doses of the Pfizer vaccine by January 1st, while distribution of 200million doses across its 27-member countries is expected to be completed by next September. Still in Europe, Britain became the first country to approve the Oxford and AstraZeneca vaccine, further solidifying its stance as one of the most proactive nations in the fight against COVID-19. Elsewhere, US Senate majority leader Mitch McConnell declined to schedule a swift senate vote on a bill to raise relief checks to \$2,000 from \$600, even after the bill was approved by the House of Representatives. Furthermore, he initiated a competing bill which combines the \$2,000 checks with provisions labelled “unacceptable” by Democrats. Lastly, China’s manufacturing (down to 51.9pts from 52.1pts) and non-manufacturing (down to 55.7pts from 56.4pts) PMI both slowed in the month of December owing largely to higher labor and transport costs. Still, the latest reading pointed towards the tenth straight month of expansion in private sector activities amid a resurgence in global coronavirus cases.

Domestic Economy s

- ◆ Today, we provide a summary of key macros for 2020. To begin, the pandemic which threw a curveball on Nigerian economic activities resulted in a recession, with average GDP printing at -2.62% (FY 19: 2.3% YoY). Inflation - which was already on a northward trajectory since the closure of the land borders in August 2019 – was also adversely impacted by the pandemic. Precisely, average inflation printed at 12.98% (FY 19:11.4%). Meanwhile, the CBN trimmed rates twice by a cumulative of 200bps to 11.5% during the year (FY 19 avg: 13.8%), in other to stimulate growth in the economy. On the currency front, Naira at the Investors and Exporters Window (IEW) and the parallel market saw significant depreciation following the devaluation of the currency by the CBN during the year. Specifically, the Naira depreciated by 7% to ₦394/\$ at the IEW and 23% to ₦470/\$ at the parallel market respectively.

Equities and stock recommendation

- ◆ The Nigerian bourse ended the year on a positive note as the ASI advanced by 3.79% WoW to settle at 40,270.72points, while the market cap came in at ₦21.1trillion. With its 47.2% YTD growth, the NSE ASI emerged as the best performer among the 93 equity indexes tracked by Bloomberg. Weekly gains in the Cement (+9.80%), Telecom (+3.21%), Oil & Gas (+0.37%) and Personal care (+0.15%) sectors outweighed the losses observed across Construction (-58bps), food (-53bps), Banking (-14bps) and Breweries (-5bps). Delving into the sectoral performances, bellwether stocks such as BUACEMENT (+28.92%) and MTNN (+6.19%) WoW anchored the gains, while upticks in WAPCO (+0.24%), OANDO (+1.65%) and ETERNA (+1.19%) WoW also contributed towards the continued bullish run. On the other hand, DANGCEM (-0.04%), GUARANTY (-1.37%), DANGSUGAR (-1.68%), FLOURMILL (-6.98%) and GUINNESS (-2.56%) experienced weekly declines.
- ◆ 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

- ◆ At the final NTB auction of the year, the DMO offered and sold ₦74.84billion which matches the amount that matured. Total subscription came in at ₦171.42billion, a subscription rate of 2.29x, while the average stop rate rose marginally by 2bps to 0.58%. In the secondary market, the average fixed income yield closed up 18bps WoW to 3.08% reflecting upward movements at both ends of the curve. For context, the average bond yield rose by 29bps WoW to 5.70% following upticks in the Jan-2026 (+113bps), Mar-2027 (+92bps) and Apr-2029 (+81bps) papers while the average NTB yield edged up 8bps WoW to print at 0.46% mirroring increases in the mid and long-tenor bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.36	34.91	1.28%	-8.39%	
USD/NGN (₦/\$)					
NAFEX	394	392.0	-0.51%	-7.48%	
Parallel	467.5	472.5	1.07%	-22.99%	
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	*External reserves rise, end December at \$35.35bn
Manufacturing	-1.5	-8.8	0.4	0.8	*Foreign stock investors withdrew N433.15bn in 11 months – NSE
Services	-2.5	-2.61	3.5	3.4	*NSE Leads Global Stock Market in Performance
Labor Data (%) - Q2 20			Latest	Prior	*UK to roll out Astra/Oxford COVID vaccine after world-first approval
Unemployment Rate			27.1	23.1	*China's factory recovery moderates as higher costs slow business
Underemployment			28.8	20.1	*Russia to scale down state support for the economy in 2021
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Defying Trump, McConnell puts off vote on \$2,000 checks
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*CBN Foresees Sustained Growth in Private Sector Credit
Bonds	0.00	231.22	-100.0%	-100.0%	*Nigeria risks losing 38% deepwater oil output 2025 – Operators
Money Market	332.07	3,438.54	-90.3%	-66.2%	*IMF rates Nigeria's GDP top in Africa
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Nigeria's Q3 oil exports to US suffer 820,000-barrels drop
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*NNPC Records N222.3bn Gross Revenue in November
Trade Balance	2,382	2,559	1,668	-6.9%	*U.S. House approves \$2,000 coronavirus aid checks sought by Trump
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*EU's marathon COVID vaccination drive off to uneven start

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

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSEASI	40270.72	3.79	14.92	50.05	50.03	50.03
NSE ASI (\$)	40270.72	3.79	10.00	40.66	31.21	31.21
Market Cap (? 'bn)	18,365	3.83	15.00	50.14	62.50	62.42
Market Cap (\$'mn)	46,494	-1.00	9.40	40.71	42.18	42.18
NSE 30	1640.11	4.58	11.08	42.76	39.25	39.25
NSE Premium	3470.77	2.24	11.19	46.43	64.01	64.01
NSE 50	1658.56	0.26	5.70	35.13	23.16	23.16
NSE ASEM	729.87	0.00%	0.19	0.19	-0.70	-0.70
NSE Banking	393.02	-0.56	-0.23	26.62	10.14	10.14
NSE Insurance	189.50	1.74	19.97	36.52	50.61	50.61
NSE Consumer	573.35	-0.50	-1.12	26.34	-3.29	-3.29
NSE Oil & Gas	226.20	0.19	4.42	14.89	-13.84	-13.84
NSE Industrial	2052.33	10.37	24.69	71.92	90.81	90.81
NSE Lotus	2846.19	6.15	14.78	47.21	55.13	55.13
NSE Pensions	1388.64	0.71	3.18	32.07	31.74	31.74

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-0.14%	24.69%	11.83%
Brewers	-0.05%	16.04%	-9.49%
Cement	9.80%	79.79%	105.98%
Telecom	3.21%	67.89%	114.41%
Personal Care	0.15%	11.69%	-27.51%
Construction	-0.58%	5.43%	-6.54%
Food	-0.53%	25.61%	5.67%
Insurance	0.25%	-1.84%	-2.39%
Oil & Gas	0.37%	35.74%	-42.17%
Real Estate	-0.06%	-0.24%	-2.98%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	4.16%	52.14%	71.07%
Mid Cap (Mid 30%)	0.21%	19.41%	7.49%
Small Cap (Bottom 60%)	14.04%	-2.34%	-52.23%

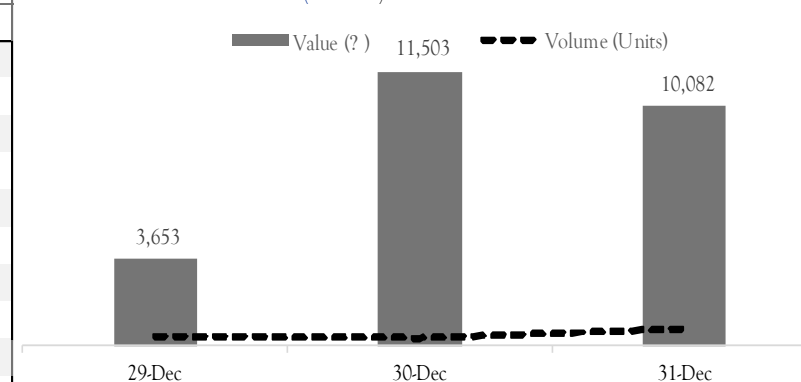
Top 10 Gainers

Company	This Week	WoW
BUA	77.35	28.9%
FCMB	3.33	10.3%
NNFM	6.74	10.0%
NPFMCRFB	1.70	9.7%
CUTIX	2.30	7.0%
UNIONDAC	0.31	6.9%
REGALINS	0.22	4.8%
VITAFOAM	7.80	2.6%
UBA	8.65	2.4%
REDSTARE	3.43	2.1%

Top 10 Losers

Company	This Week	WoW
COURTVIL	0.21	-4.5%
MAYBAKER	3.51	-5.1%
UNITYBNK	0.64	-5.9%
FLOURMIL	26.00	-7.0%
DEAPCAP	0.25	-7.4%
ETI	6.00	-8.4%
TRANSEXP	0.72	-8.9%
MCR	1.96	-9.7%
AIICO	1.13	-10.3%
FTNCOCOA	0.66	-25.8%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

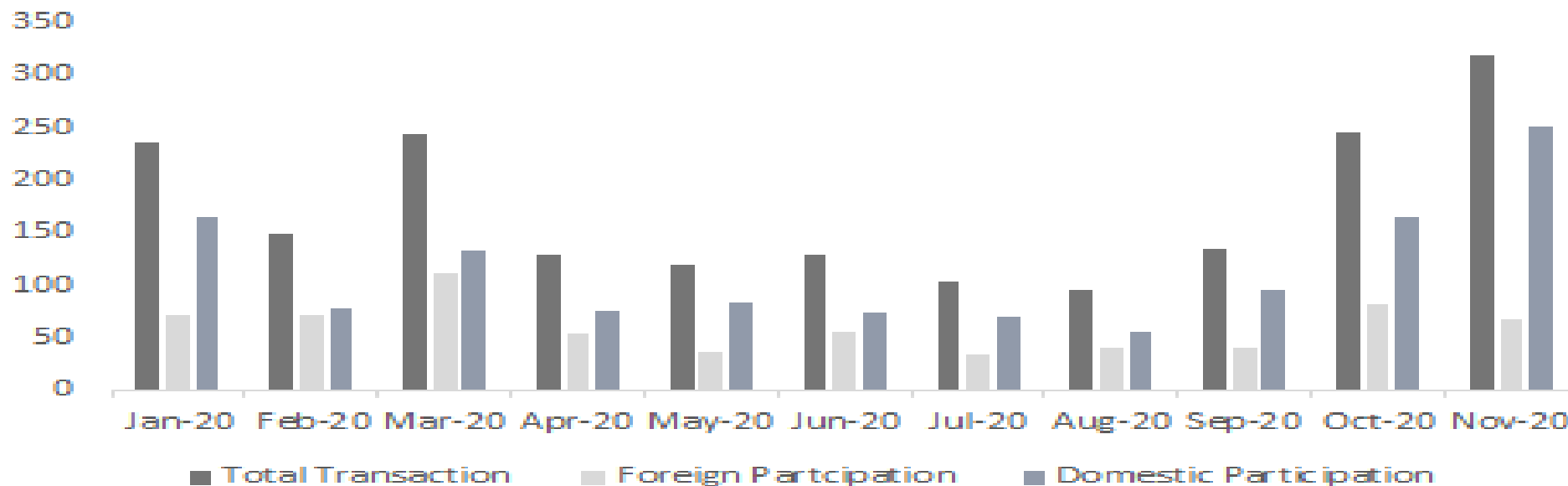
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	0.83%	0.58%	0.25%	17-Dec-20	1.65%	4.50%	6.00%	17-Dec-20	10.00	10.00	40.00
Open Buy Back (OBB)	0.50%	0.43%	0.07%	10-Dec-20	1.85%	4.70%	6.15%	10-Dec-20	10.00	10.00	50.00
NIBOR - 1M	0.63%	0.47%	0.16%	03-Dec-20	1.99%	4.85%	6.25%	03-Dec-20	4.00	6.00	50.00
NIBOR - 3M	0.69%	0.51%	0.18%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
NIBOR - 6M	0.93%	0.49%	0.44%	12-Nov-20	2.55%	5.99%	7.05%	12-Nov-20	10.00	10.00	50.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.33%	0.33%	0.00%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
3-month	0.35%	0.35%	0.00%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
6-month	0.38%	0.26%	0.12%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
9-month	0.60%	0.50%	0.10%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
12-month	0.72%	0.63%	0.09%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.49%	0.45%	0.04%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.39% 27-JAN-2022	2.46%	2.55%	-0.09%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
14.20% 14-MAR-2024	4.29%	4.34%	-0.05%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.50% 22-JAN-2026	6.38%	5.25%	1.13%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.2884% 17-MAR-2027	6.50%	5.58%	0.92%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
				Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
12.1493% 18-JUL-2034	8.10%	7.80%	0.30%	MIXTA 17.00% 16-JAN-2022	1.69%	1.66%	0.03%	ACCESS 10.50% 19-OCT-2021	4.44%	4.55%	-0.11%
16.2499% 18-APR-2037	7.23%	7.42%	-0.19%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	4.59%	5.07%	-0.48%
14.8% 26-APR-2049	7.38%	7.60%	-0.22%	DUFIL 18.25% 1-SEP-2022	4.76%	4.83%	-0.07%	UBA 7.75% 08-JUN-2022	5.95%	5.77%	0.18%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	3.22%	4.35%	-1.13%	STERLING 16.50% 3-AUG-2023	4.77%	4.83%	-0.06%				
6.50% 28-Nov-2027	5.15%	6.67%	-1.52%	FCMB 17.25% 8-DEC-2023	5.43%	5.48%	-0.05%				
7.875% 16-FEB-2032	6.58%	7.12%	-0.54%	ACCESS 15.50% 23-JUL-2026	9.04%	8.06%	0.98%				
7.625% 28-Nov-2047	7.18%	7.79%	-0.61%	VIATHAN 16.00% 14-DEC-2027	6.55%	5.89%	0.66%				
				UNION 16.20% 27-JUN-2029	10.38%	9.59%	0.79%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Summary of transactions on the NSE as at November 2020

Total transactions on the Nigeria Stock Exchange increased by 29.8% MoM in November 2020 to ₦317.81 billion. This was largely driven by higher participation from domestic retail and institutional investors, which rose on a month-on-month basis by 52.1% and 54.6% to ₦106.4 billion and ₦144.1 billion respectively. We note that domestic investors' participation in the equity market has continued to increase since September 2020 owing to robust system liquidity and market's perception of a lower for longer interest rate regime. However, foreign participation in the market declined by 17.6% MoM to ₦67.31 billion. Foreign outflow remains elevated at ₦41.8 billion in November 2020 with a year-to-date total outflow of ₦433.15 billion (vs ₦481.96 billion in 2019). The impact of covid-19 and its attendant consequence on foreign investor sentiments are more visible on foreign inflows into the equity market which printed at ₦226.1 billion from January through to November 2020, 43.1% lower than its comparable period in 2019.

(N'billion)



Source: NSE, Bloomberg, ARM Research



Thank You

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