

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



## **Weekly Commentary & Stock recommendation** ...for the week 08 February – 12 February 2021

### ***Global Economy***

- ◆ Like most of its European counterparts, a preliminary estimate revealed that the British economy contracted by a slower-than-expected rate of 7.8%YoY in Q42020 (market consensus: -8.1%YoY). Household consumption (-8.4%YoY vs -8.6%YoY) and Fixed investment (-3.5%YoY vs -7.0%YoY) fell by a slower pace, while Public investment (+0.5%YoY) grew during the quarter, following three consecutive periods of decline. Conversely, export fell at a quicker rate (from -20.7%YoY to -23.5%YoY) relative to Q320, as a renaissance in COVID infections tapered the recovery in global demand levels. In the US, annual inflation rate printed unchanged at 1.4%YoY in January 2021, marginally lower than a market forecast of 1.5%YoY. Upticks in the cost of Food (+3.8%YoY), Electricity (+1.5%YoY), Shelter (+1.6%YoY) and Medical services (+2.9%YoY) were levelled out by declines in the prices of Apparels (-2.5%YoY) and Energy products (-3.6%YoY), with the latter due to an 8.6%YoY fall in the gasoline index. Elsewhere, the consumer price index in China dropped 0.3%YoY last month (December 2020: 0.2%YoY), compared with a market expectation of a flat reading. The decline was mainly due to lower cost of non-food items, as the cost of transport (-4.6%YoY vs -3.1%YoY) and clothing (-0.2%YoY vs -0.1%YoY) fell at a faster pace, while the cost of education flatlined (December: +0.9%YoY). Furthermore, the prices of other goods and services (from 2.2%YoY to -0.9%YoY) and health (from 1.3%YoY to 0.4%YoY) slowed sharply.

### ***Domestic Economy***

- ◆ On the domestic scene, the Federal Executive Council (FEC), on the 12<sup>th</sup> of February 2020 approved contracts worth over ₦26.7 billion for projects in three ministries: The Ministry of Humanitarian Affairs, Disaster Management and Social Development; Ministry of Information and Culture; Ministry of Communication and Digital Economy. The meeting presided over by President Muhammadu Buhari also approved a new National Policy on Aging - which would take care of the needs of the aged people in the country. Elsewhere, the National Bureau of Statistics released data for the Federation Account Allocation Committee (FAAC) for the month of November, disbursed in December 2020. FAAC disbursed a total of ₦601.11bn in December, comprising of ₦436.46 billion from the Statutory Account, ₦156.79 billion from Value Added Tax, and ₦7.87 billion from FOREX Equalisation Account. For revenue generating agencies, the Nigeria Customs Service (NCS) received ₦7.87 billion, the Federal Inland Revenue Service (FIRS) received ₦9.41 billion, while the Department of Petroleum Resources (DPR) received ₦3.98 billion.

### ***Equities and stock recommendation***

- ◆ The bearish trend in the Nigerian bourse continued, as the NSEASI shed 304bps WoW to settle at 40,439.85 pts, with market cap coming in at ₦21.2 trillion. Save for the Telecom and Breweries sectors which gained 57bps and 32bps WoW respectively, all sectors recorded losses Wow, with Banking (-6.74%), Cement (-5.23%) Construction (-4.74%), Personal care (-4.08%) and Insurance (-3.46%) leading the pack. Dissecting the sectoral performances further revealed that selloffs in GUARANTY (-15.69% WoW), BUA (-7.22%), DANGCEM (-4.35%), WAPCO (-7.13%), JBERGER (-8.63%), DANGSUGAR (-4.00%), ZENITH (-3.85%), caused the sustained market decline. On the other hand, MTNN (+1.11%) and GUINNESS (+6.32%) closed the week on a positive note.
- ◆ 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—OVERWEIGHT (FVE: ₦10.39) and FIDELITY BANK PLC – NEUTRAL (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

### ***Fixed Income***

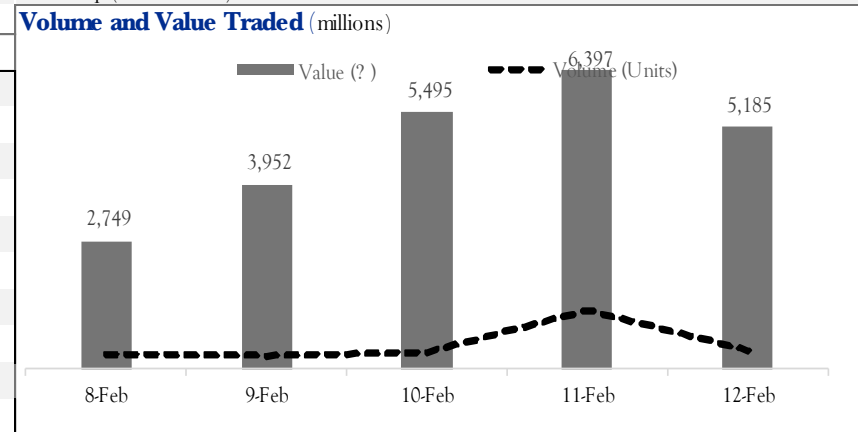
- ◆ In the secondary market, the average fixed income yield was up 75bps to settle at 4.96%, reflecting increases at both ends of the curve. For context, the average bond yield printed 105bps higher WoW to settle at 8.43%. This was spurred by a rise in the Apr-2029 (+189bps), Mar-2025 (+178bps) and Mar-2024 (+168bps) instruments, while upticks in the 182-day (+95bps) and 270-day (+51bps) bills drove the average NTB yield up, 45bps WoW to settle at 1.48%. While in the primary market the DMO sold ₦130.88 billion which was less than the ₦169.78 billion that they offered and that was maturing. The average stop rate at the auction rose 105bps to 2.33%. Finally, at the OMO auction the stop rates were unchanged from last week at 8.53%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.89	36.20	-0.86%	-7.01%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	400	397.6	-0.59%	-8.87%	
Parallel	470.0	477.0	1.49%	-23.40%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2020 Avg.</b>	
<b>Inflation YoY (December)</b>			<b>CHG (pps)</b>		
Headline	15.75	14.89	0.86	13.21	
Core	11.37	11.05	0.32	10.29	
Food	19.56	18.3	1.26	16.11	
<b>GDP (%) - YoY</b>	<b>Q3 20</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>FY19</b>	
Real GDP	-3.2	-6.1	1.87	2.3	News Headline for the week (click news for link)
Oil	-13.9	-6.6	5.1	4.6	*Again, OPEC Cuts 2021 Oil Demand, Projects Q2 Rise
Agriculture	1.4	1.6	2.2	2.4	*FG to auction N150bn February bonds
Manufacturing	-1.5	-8.8	0.4	0.8	*Foreign exchange inflow drops to \$5.7bn in one month
Services	-2.5	-2.61	3.5	3.4	*FEC approves more borrowings from CBN
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*Iraq says OPEC+ cuts unchanged in March, but easing after
Unemployment Rate			27.1	23.1	*CBN: FG's Fiscal Deficit Rose to N620bn in November 2020
Underemployment			28.8	20.1	*Crude oil price rises above \$61
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Envoy: China-Nigeria trade volume hits \$19.27b
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*IMF rules out Nigeria's full economic recovery before 2022
Bonds	0.00	231.22	-100.0%	-100.0%	*Naira overvalued at official market, IMF tells CBN
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Goldman Sachs boosts U.S. GDP estimate, sees COVID relief at \$1.5 trillion
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*GDP rebasing: FG enumerates 1.4 million establishments nationwide
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*COVID-19 vaccine: Nigeria has new deal with COVAX, says PTF
Trade Balance	2,382	2,559	1,668	-6.9%	*W'Bank Approves \$500m to Support Power Supply in Nigeria
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria's foreign capital inflow drops to \$9.68bn, hit four-year low

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

Index Performance		Index Returns (%)					Sector Performance			
Level	WoW	MTD	QTD	YTD	1 year	WoW	QTD	YTD		
NSE ASI	40439.85	-3.04	-4.65	0.42	0.42	45.06	Banking	-6.74%	-2.59%	-2.59%
NSE ASI (\$)	40439.85	-3.04	-7.10	1.79	1.79	29.76	Brewers	0.32%	11.38%	11.38%
Market Cap (?'bn)	18,365	-3.04	-4.60	0.47	0.47	46.35	Cement	-5.23%	-6.97%	-6.97%
Market Cap (\$'mn)	46,494	-5.12	-7.10	1.84	1.84	30.33	Telecom	0.57%	8.30%	8.30%
NSE 30	1627.23	-3.66	-5.45	-0.79	-0.79	32.37	Personal Care	-4.08%	0.79%	0.79%
NSE Premium	3442.53	-2.15	-4.74	-0.81	-0.81	44.98	Construction	-4.74%	0.59%	0.59%
NSE 50	1611.90	-4.55	-6.60	-2.81	-2.81	19.71	Food	-0.85%	-0.48%	-0.48%
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance	-3.46%	5.49%	5.49%
NSE Banking	378.10	-8.76	-10.83	-3.80	-3.80	3.31	Oil & Gas	-0.74%	25.22%	25.22%
NSE Insurance	216.20	-6.46	-12.08	14.09	14.09	63.29	Real Estate	0.15%	0.03%	0.03%
NSE Consumer	588.40	-0.93	-4.12	2.62	2.62	14.95	<b>ARM Indices</b>			
NSE Oil & Gas	251.30	-1.03	-1.18	11.10	11.10	3.56	Large Cap (Top 10%)	WoW	QTD	YTD
NSE Industrial	1922.02	-5.70	-7.66	-6.35	-6.35	62.74	Mid Cap (Mid 30%)	-1.66%	-0.01%	-0.01%
NSE Lotus	2824.58	-2.34	-4.16	-0.76	-0.76	46.88	Small Cap (Bottom 60%)	0.77%	1.89%	1.89%
NSE Pensions	1395.05	-3.67	-6.54	0.46	0.46	33.61		1.48%	12.84%	12.84%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
MBENEFIT	0.42	10.5%	REGALINS	0.27	-10.0%
UPDC	6.00	9.1%	ETRAN	2.25	-10.0%
UACPROP	0.80	6.7%	CAP	18.00	-10.0%
GUINNESS	20.20	6.3%	AIIICO	1.08	-10.7%
ACADEMY	0.35	6.1%	UNION	5.15	-11.2%
FIDSON	5.85	5.6%	LIVESTOC	2.03	-15.1%
CUTIX	2.28	3.6%	GUARANTY	30.35	-15.7%
WAPIC	0.59	3.5%	ROYALEX	0.30	-16.7%
VITAFOAM	9.30	3.3%	NEM	2.05	-18.0%
CHAMPION	2.85	2.9%	NNFM	7.02	-18.8%



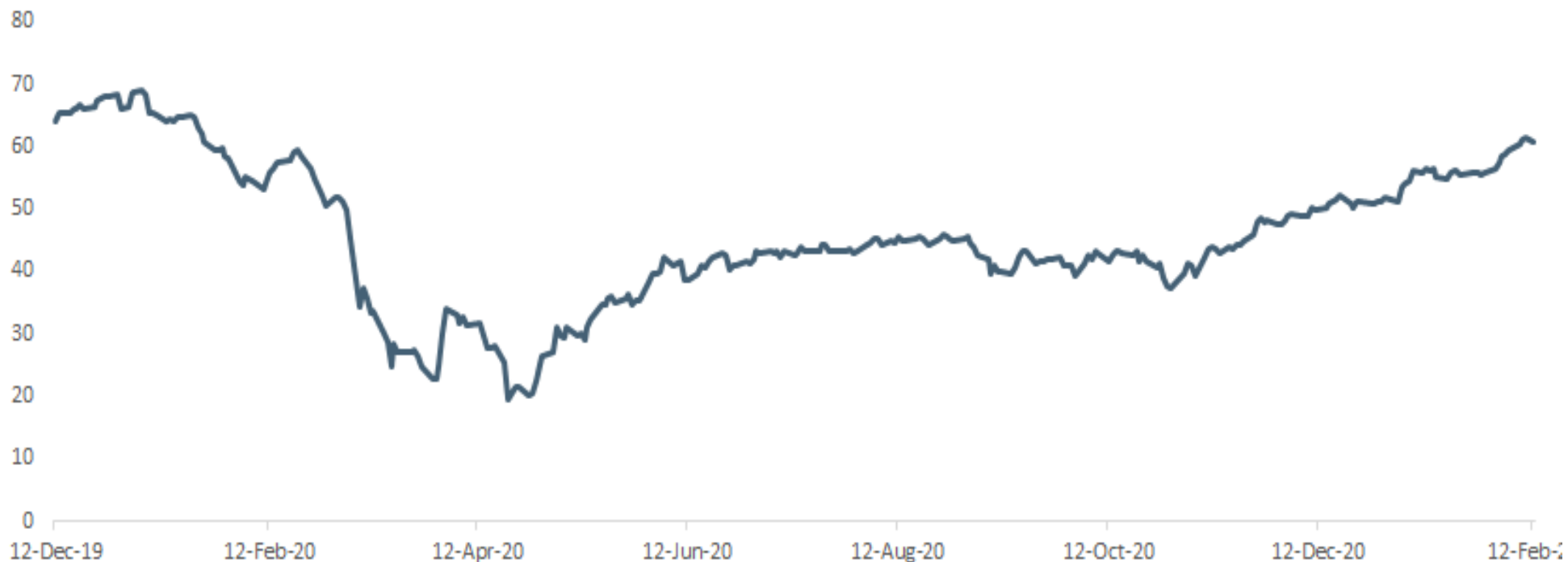
Source: NSE, Bloomberg, ARM Research

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	4.75%	18.00%	-13.25%	11-Feb-21	7.00%	8.50%	10.10%	11-Feb-21	10.00	19.00	140.00
Open Buy Back (OBB)	4.50%	17.50%	-13.00%	04-Feb-21	7.00%	8.50%	10.10%	04-Feb-21	10.00	9.95	51.71
NIBOR - 1M	1.60%	1.26%	0.35%	28-Jan-21	1.51%	4.34%	5.74%	28-Jan-21	20.00	15.00	110.00
NIBOR - 3M	1.63%	1.21%	0.42%	21-Jan-21	1.51%	4.34%	5.74%	21-Jan-21	20.00	20.00	130.00
NIBOR - 6M	2.15%	1.75%	0.40%	14-Jan-21	1.51%	4.34%	5.74%	14-Jan-21	10.00	10.00	60.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.58%	0.55%	0.03%	10-Feb-21	1.00%	2.00%	4.00%	10-Feb-21	24.67	16.06	90.15
3-month	0.76%	0.40%	0.36%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11
6-month	1.95%	1.00%	0.95%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
9-month	2.00%	1.49%	0.51%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
12-month	2.07%	2.04%	0.03%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	1.59%	0.90%	0.69%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.39% 27-JAN-2022	2.22%	2.05%	0.17%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
14.20% 14-MAR-2024	7.79%	6.11%	1.68%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
12.50% 22-JAN-2026	8.40%	7.50%	0.90%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.2884% 17-MAR-2027	9.90%	8.42%	1.48%	23-Sep-20	6.00%	8.52%	8.90%	23-Sep-20	69.3	25.4	4.6
12.1493% 18-JUL-2034	10.51%	10.03%	0.48%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	10.01%	10.01%	0.00%	MIXTA   17.00%   16-JAN-2022	3.24%	2.65%	0.59%	ACCESS   10.50%   19-OCT-2021	3.67%	3.88%	-0.21%
14.8% 26-APR-2049	10.80%	10.51%	0.29%	FIDELITY   16.48%   13-MAY-2022	0.00%	0.00%	0.00%	ZENITH   7.375%   30-MAY-2022	3.41%	3.39%	0.02%
				DUFIL   18.25%   1-SEP-2022	6.44%	5.66%	0.78%	UBA   7.75%   08-JUN-2022	4.15%	4.26%	-0.11%
<b>FGN Eurobonds</b>				LAPO MFB   17.75%   19-DEC-2022	9.67%	8.52%	1.15%	SEPLAT   9.25%   1-APR-2023	7.33%	7.36%	-0.03%
5.625% 27-JUN-2022	2.54%	2.60%	-0.06%	STERLING   16.50%   3-AUG-2023	8.55%	6.97%	1.58%				
6.50% 28-Nov-2027	4.99%	4.89%	0.10%	FCMB   17.25%   8-DEC-2023	9.06%	7.41%	1.65%				
7.875% 16-FEB-2032	6.47%	6.36%	0.11%	ACCESS   15.50%   23-JUL-2026	11.28%	10.08%	1.20%				
7.625% 28-Nov-2047	7.09%	7.02%	0.07%	VIATHAN   16.00%   14-DEC-2027	9.15%	7.55%	1.60%				
				UNION   16.20%   27-JUN-2029	13.74%	11.92%	1.82%				

Source: DMO, FMDQ, Bloomberg, ARM Research

**Brent oil prices**

For our chart of the week, we feature happenings on the crude oil front where Brent oil prices crossed the \$60/barrel mark, the first time in over a year. Year-to-date, Brent oil prices has gained 17% largely supported by expected recovery in crude oil demand as covid-19 vaccination progresses. In addition, OPEC+ supply cut and hopes for further economic stimulus in the US have contributed to the bullish run. Average crude oil prices thus far in 2021 has printed at \$56.73/barrel, 31% higher than FY2020 level, mainly driven by the previously mentioned factors.



Source: Bloomberg, 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

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