

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 15 February – 19 February 2021

Global Economy

- ◆ Inflation in the UK edged up to a three-month high of 0.7%YoY in January, up from 0.6% YoY in December 20 and slightly higher than market expectation of an 0.6% YoY. Data from the ONS showed that furniture and household goods (12%YoY vs -0.7%YoY), restaurants and hotels (+1.1%YoY vs 0.1%YoY) and transport (2.1%YoY vs 1.9%YoY) contributed the most to the rise in general price levels, while food prices fell at a softer pace (from -1.4%YoY to -0.7%YoY). In the US, retail sales grew by 5.3%MoM in January (December 20: -1.0%MoM), the highest in the last seven months. This may have been supported by stimulus checks in the US, which may have spurred an improvement in household demand as well as a pickup in business activities. Also, US manufacturing output increased far more than expected in January (up 1.0%MoM vs 0.7% MoM), which suggests that the economy continues to recover from last year's pandemic-related disruptions. Elsewhere, growth in the Japanese economy slowed to 12.7%YoY in Q420 (Q320: 22.7%), however a rebound in exports and capital spending ensured sustained recovery in the world's third largest economy. Export surged 11.1%YoY during the quarter, spurred largely by a resurgence in overseas demand, particularly from China. Meanwhile, capital expenditure grew for the first time in three quarters (+4.5%YoY) as companies proceeded with spending plans that were initially put-off due to COVID-induced disruptions.

Domestic Economy

- ◆ The Nigerian economy exited recession in Q4:2020 as Real GDP grew 0.11% YoY, per the National Bureau of Statistics' (NBS) publication this week. Cumulatively, this suggests an economic contraction of 1.92% YoY in FY:2020. Aggregate GDP in Q4:2020 stood at ₦43.56 million in nominal terms - higher than aggregate GDP of ₦39.58 million recorded in Q4:2019. Real growth of the oil sector was -19.76% YoY in Q4:2020, while the non-oil sector grew by 1.69% YoY in Q4:2020. Elsewhere, the government has increased total debt as a percentage of GDP from 25% to 40%. The new limit will accommodate new borrowings to fund budget deficits and other government obligations, including promissory notes to be issued to settle government arrears, as well as lending from the Central Bank. We note that this may further worsen the debt service to revenue ratio which printed at 83% in FY:2020, thus, adversely impacting on capex spend and the level of productivity in the economy.

Equities and stock recommendation

- ◆ The Nigerian bourse closed in the negative territory for the third consecutive week, as the NSEASI shed 63bps WoW to settle at 40,186.70 pts, with market cap coming in at ₦21.03 trillion. Continued selloffs in the Breweries (-2.16%), Banking (-1.50%) Cement (-0.64%), Food (-0.60%) and Telecoms (-0.56%) sectors eclipsed weekly gains recorded in Oil&Gas (+10.51%) and Construction (+6.73%). Sectoral performances revealed that the prime drivers for the sustained decline were Blue-chip names BUA (-1.77%) and MTNN (-1.10%), as well as STANBIC (-14.00%), DANGSUGAR (-3.65%), NB (-3.28%), ZENITH (-1.20%) and FLOURMILLS (-2.67%) WoW. Conversely, gains were recorded in SEPLAT (+7.07%), JBERGER (+12.78%), GUINNESS (+9.16%), OANDO (+7.72%) and WAPCO (+1.01%) WoW.
- ◆ 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 crossed 5% (up 17bps to settle at 5.13%) this week for the first time since June 2020. This was spurred by a sustained rise in bond yields. Upticks in the Jan-2026 (+120bps), Jul-2034 (+82bps) and Apr-2037 (+54bps) papers led the average bond yield up 33bps WoW to settle at 8.76%, while the average NTB yield edged up 3bps WoW to settle at 1.51%. Meanwhile, at the bond auction, the DMO once again offered ₦150 billion worth of bonds but sold ₦202.55 billion, (with only ₦80.55billion via competitive means, however). Subscription rate printed at 1.26x (Total subscription: ₦189.51billion), while the average stop rate rose by 254bps to settle at 11.1%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.58	35.89	-0.86%	-7.81%	*January Inflation set sail at high tide
USD/NGN (₦/\$)					
NAFEX	408	400.0	-1.91%	-10.62%	
Parallel	474.5	470.0	-0.95%	-24.13%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (December)			CHG (pps)		
Headline	16.47	15.75	0.72	16.47	
Core	11.85	11.37	0.48	11.85	
Food	20.57	19.56	1.01	20.57	
GDP (%) - YoY	Q3 20	Q2 20	Q1 20	FY20	
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	*NAFDAC approves emergency use of AstraZeneca vaccine
Agriculture	1.4	1.6	2.2	2.4	*Banks cut borrowings from CBN over excess liquidity
Manufacturing	-1.5	-8.8	0.4	0.8	*FG to Convert N10tn CBN Financing to 30-year Debt
Services	-2.5	-2.61	3.5	3.4	*Drive for Biden's \$1.9 trillion plan could leave progressive priorities behind
Labor Data (%) - Q2 20			Latest	Prior	*External reserves down by \$565m in two weeks
Unemployment Rate			27.1	23.1	*Fed Govt to redeem N31.4b debts owed states
Underemployment			28.8	20.1	*Foreign investments in Nigeria fall 44% to \$16.7bn in 2020 — NIPC
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Marketers raise petrol price to N170, depots suffer shortage
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*FG Targets Vaccinating 109 Million Nigerians in Two Years
Bonds	0.00	231.22	-100.0%	-100.0%	*Oil rally may brighten Nigeria's outlook, says OPEC
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Brent hits \$64 on oil supply curtailment
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Petrol subsidy may hit N11.2bn per week
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Japan extends economic recovery as exports, capex shake off COVID hit
Trade Balance	2,382	2,559	1,668	-6.9%	*SEC, CBN to work on digital assets regulation
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Foreign stock investors withdraw N1.01tn in two years

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

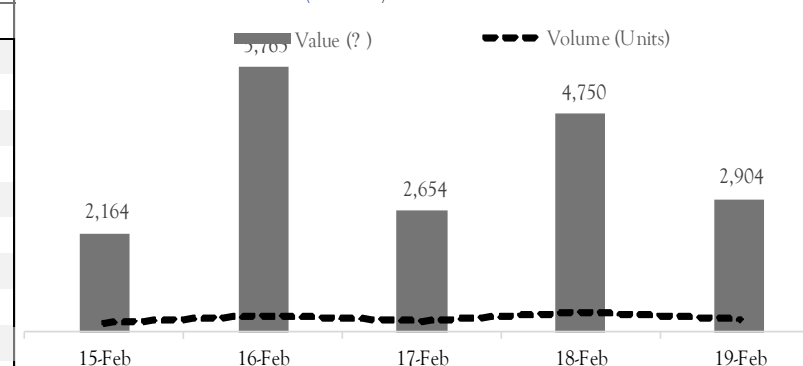
Index Performance		Index Returns (%)					Sector Performance			Returns (%)				
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD		WoW	QTD	YTD
NSE ASI	40186.70	-0.63	-5.25	-0.21	-0.21	46.01	Banking	-1.50%	-4.04%	-4.04%				
NSE ASI (\$)	40186.70	-1.93	-8.90	-0.15	-0.15	28.3	Brewers	-2.16%	8.98%	8.98%				
Market Cap (? 'bn)	18,365	-0.61	-5.20	-0.15	-0.15	47.36	Cement	-0.64%	-7.57%	-7.57%				
Market Cap (\$'mn)	46,494	-1.92	-8.90	-0.09	-0.09	28.86	Telecom	-0.56%	7.70%	7.70%				
NSE 30	1612.56	-0.90	-6.30	-1.68	-1.68	33.10	Personal Care	-0.43%	0.35%	0.35%				
NSE Premium	3438.51	-0.12	-4.85	-0.93	-0.93	46.99	Construction	6.73%	7.35%	7.35%				
NSE 50	1594.19	-1.10	-7.62	-3.88	-3.88	19.80	Food	-0.60%	-1.08%	-1.08%				
NSE ASEM	729.87	0.00	0.00	0.00	0.00	-0.70	Insurance	0.78%	6.31%	6.31%				
NSE Banking	380.13	0.54	-10.36	-3.28	-3.28	6.11	Oil & Gas	10.51%	38.38%	38.38%				
NSE Insurance	212.59	-1.67	-13.55	12.18	12.18	68.99	Real Estate	0.06%	0.09%	0.09%				
NSE Consumer	582.30	-1.04	-5.11	1.56	1.56	15.62								
NSE Oil & Gas	262.85	4.60	3.36	16.20	16.20	9.14								
NSE Industrial	1908.19	-0.72	-8.32	-7.02	-7.02	62.20								
NSE Lotus	2804.58	-0.71	-4.84	-1.46	-1.46	47.65								
NSE Pensions	1393.86	-0.09	-6.62	0.38	0.38	35.76								

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.74%	-0.75%	-0.75%
Mid Cap (Mid 30%)	0.93%	2.84%	2.84%
Small Cap (Bottom 60%)	0.57%	13.49%	13.49%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
PORILAND	3.25	14.4%	WAPIC	0.56	-5.1%
JBERGER	20.30	12.8%	CUTIX	2.15	-5.7%
UBA	6.35	12.4%	UPL	1.20	-7.7%
LIVESTOC	2.24	10.3%	FIDSON	5.35	-8.5%
AFRIPRUD	7.30	9.9%	BETA GLAS	50.00	-9.7%
GUINNESS	22.05	9.2%	MAYBAKER	4.19	-9.9%
LEARNAFRI	1.05	8.2%	CONOIL	18.90	-10.0%
QANDO	3.07	7.7%	UPDC	5.35	-10.8%
SEPLAT	530.00	7.1%	VITAFOAM	7.80	-16.1%
TRIPPLEG	0.80	6.7%	ROYALEX	0.25	-16.7%

Volume and Value Traded (millions)



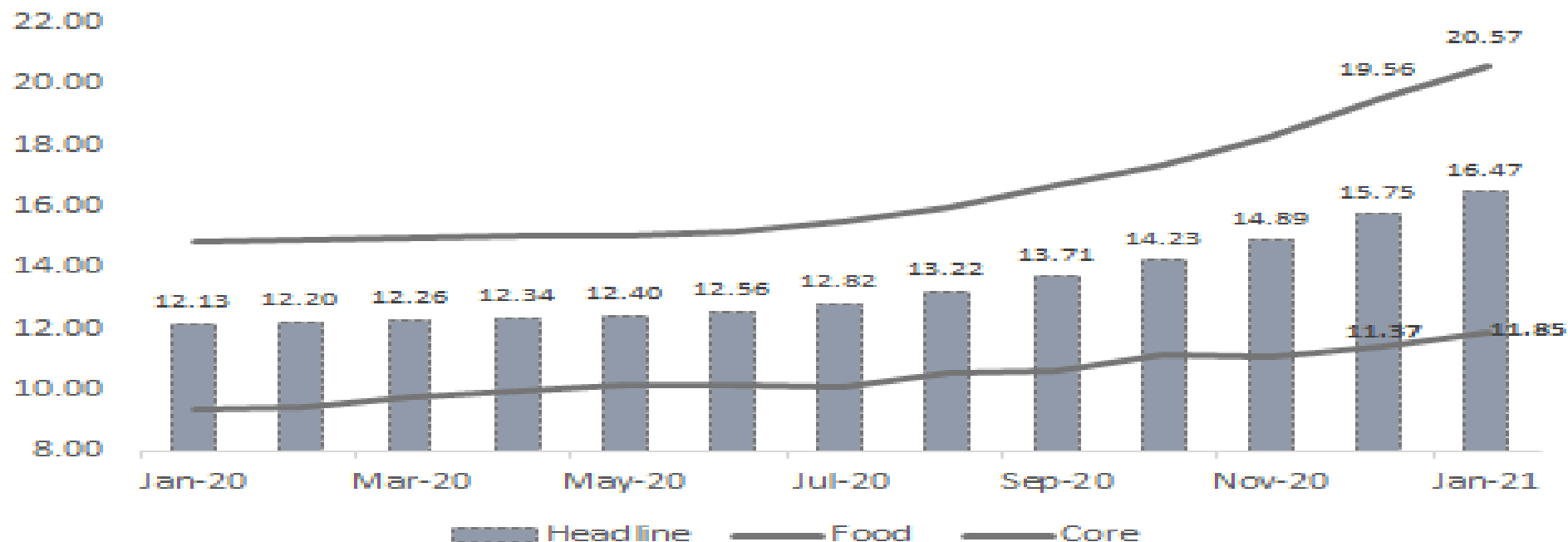
Source: NSE, Bloomberg, ARM Research

	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)	20.50%	4.75%	15.75%	18-Feb-21	7.00%	8.50%	10.10%	18-Feb-21	20.00	20.00	140.00
Open Buy Back (OBB)	20.00%	4.50%	15.50%	11-Feb-21	7.00%	8.50%	10.10%	11-Feb-21	10.00	19.00	140.00
NIBOR - 1M	1.55%	1.60%	-0.05%	04-Feb-21	7.00%	8.50%	10.10%	04-Feb-21	10.00	9.95	51.71
NIBOR - 3M	2.68%	1.63%	1.05%	28-Jan-21	1.51%	4.34%	5.74%	28-Jan-21	20.00	15.00	110.00
NIBOR - 6M	3.72%	2.15%	1.57%	21-Jan-21	1.51%	4.34%	5.74%	21-Jan-21	20.00	20.00	130.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.55%	0.58%	-0.03%	10-Feb-21	1.00%	2.00%	4.00%	10-Feb-21	24.67	16.06	90.15
3-month	0.76%	0.76%	0.00%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11
6-month	1.96%	1.95%	0.01%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
9-month	2.01%	2.00%	0.01%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
12-month	2.07%	2.07%	0.00%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	1.48%	1.59%	-0.11%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.39% 27-JAN-2022	2.27%	2.22%	0.05%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
14.20% 14-MAR-2024	7.94%	7.79%	0.15%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.50% 22-JAN-2026	9.60%	8.40%	1.20%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
16.2884% 17-MAR-2027	9.96%	9.90%	0.06%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.1493% 18-JUL-2034	11.33%	10.51%	0.82%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	10.55%	10.01%	0.54%	MIXTA 17.00% 16-JAN-2022	3.21%	3.24%	-0.03%	ACCESS 10.50% 19-OCT-2021	3.00%	3.67%	-0.67%
14.8% 26-APR-2049	11.24%	10.80%	0.44%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.39%	3.41%	-0.02%
				DUFIL 18.25% 1-SEP-2022	6.40%	6.44%	-0.04%	UBA 7.75% 08-JUN-2022	4.05%	4.15%	-0.10%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	2.50%	2.54%	-0.04%	STERLING 16.50% 3-AUG-2023	8.52%	8.55%	-0.03%				
6.50% 28-Nov-2027	5.10%	4.99%	0.11%	FCMB 17.25% 8-DEC-2023	9.14%	9.06%	0.08%				
7.875% 16-FEB-2032	6.64%	6.47%	0.17%	ACCESS 15.50% 23-JUL-2026	12.20%	11.28%	0.92%				
7.625% 28-Nov-2047	7.24%	7.09%	0.15%	VIATHAN 16.00% 14-DEC-2027	9.71%	9.15%	0.56%				
				UNION 16.20% 27-JUN-2029	14.00%	13.74%	0.26%				

Source: DMO, FMDQ, Bloomberg, ARM Research

January 2021 Inflation Numbers

This week, we feature January inflation report where we saw prices of goods and services increased by 16.47% YoY, the fastest annual price increases in four years. The upward price pressure was driven by the hike in electricity tariffs in September 2020, Naira devaluation and higher PMS prices, which continued to spur both Food and Core inflation northwards on a YoY basis. However, headline numbers rose at a slower pace on a MoM basis in January 2021, printing at 1.49% which is 12bps lower than the previous month. This was largely supported by a 24bps moderation in Food inflation to 1.82% MoM while Core inflation continued to register faster price increases.



Source: NSE, ARM Research



Thank You

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