

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 22 February – 26 February 2021

Global Economy

- ◆ The jobless rate in the UK rose to a 4-year high of 5.1% in Dec 20 (Nov 20: 5%) as the country's labor sector was hit further by another COVID-induced national lockdown. Despite the continued increase, unemployment has been largely kept in check by the government's Job Retention Scheme, a programme set to be extended at next week's budget presentation. In the US, a second preliminary estimate revealed a 10bps upward revision to its GDP numbers, with growth rate now printing at 4.1%QoQ in the fourth quarter of 2020. (Initial Estimate: 4%QoQ). The update reflected upward adjustments to Gross Fixed Investment and state and local government spending, although these were partly offset by a downward revision to Personal Consumption Expenditure. For FY20, the economy is still seen contracting by 3.5%, owing largely to a slowdown in economic activities amid the coronavirus pandemic. Also, Thursday's labor department report pointed towards some level of recovery in the labor market, as the number of Americans filing for unemployment benefits fell to a 3-month low figure of 730,000 in the week ended Feb 20th. Elsewhere, retail sales in Japan fell for the second consecutive month in January, this time by 2.4%YoY (December 2020: -0.2%YoY), as emergency measures put in place to negate a resurgent pandemic weighed heavily on consumption. The sharpest declines were observed in the sale of fabrics (-17.8%YoY vs -4.5%YoY), general merchandise (-17.4%YoY vs -9.5%YoY) and fuel (-9.5%YoY vs -8.4%YoY).

Domestic Economy

- ◆ As Nigeria awaits dosages of the COVID-19 vaccine to arrive the country, the Ministry of Health has given March has a timeline. The National Agency for Food and Drug Administration and Control (NAFDAC) approved the Oxford/AstraZeneca COVID-19 vaccine for use in Nigeria, and the country is expected to receive 15 million doses in its first batch next month. Nigeria exited a recession in Q4:2021 with a 0.11% YoY growth real GDP. The introduction of the vaccine should ultimately improve private consumption and bolster investment, subsequently being a catalyst to Nigeria's further economic recovery. Rating agency, Fitch stated that it expects recovery to quicken, and reach up to 2.7% GDP in 2022, should Nigeria's vaccination programme gather pace. Elsewhere, the Minister of Finance stated that Nigeria's borrowing is poised to increase in order to fulfill infrastructural obligations amongst others, which will enhance the business environment. These comments came after the FEC recently approved a new medium-term debt management strategy (MTDS), limits for total debt to GDP ratio to be raised from 25% to 40% to accommodate new borrowings to fund budget deficits.

Equities and stock recommendation

- ◆ The bearish run in the Nigerian bourse lingered for the fourth consecutive week, as the NSEASI shed 96bps WoW to settle at 39,799.89 pts, with market cap coming in at N20.82 trillion. Save for the Oil & Gas and Banking sectors, which gained 207bps and 99bps WoW respectively, all other sectors closed in the negative terrain with the Breweries (-2.16%), Personal care (-1.50%) and Telecom (-0.64%) sectors at the forefront of the losses. A further probe into the sector performances revealed that selloffs in NB (-11.86%), MTNN (-3.33%), WAPCO (-7.60%), DANGSUGAR (-2.70%) and INTBREW (-3.65%) anchored the sustained decline. On the other hand, OANDO (+12.38%), ZENITH (+3.04%), GUARANTY (+1.97%), GUINNESS (+4.54%) and PRESCO (+1.91%) WoW ended 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 – OVERWEIGHT (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 closed 14bps lower WoW to settle at 4.99%, reflecting declines at both ends of the curve. For context, the average bond yield shed 27bps WoW to settle at 8.49%, mirroring downward pressures in the Mar-2025 (-181bps), Jan-2026 (-145bps) and Mar-2024 (-110bps) instruments. While downticks in the 30-day (-5bps) bill led the average NTB yield down 2bps WoW to settle at 1.49%. In the primary market, the DMO offered ₦128.21 billion (same amount that matured) and sold ₦147.27 billion worth of treasury bills. Total subscription came in at ₦192.06 billion, a subscription rate of 1.49x, while the average stop rate rose once again, this time by 134bps to settle at 3.67%.

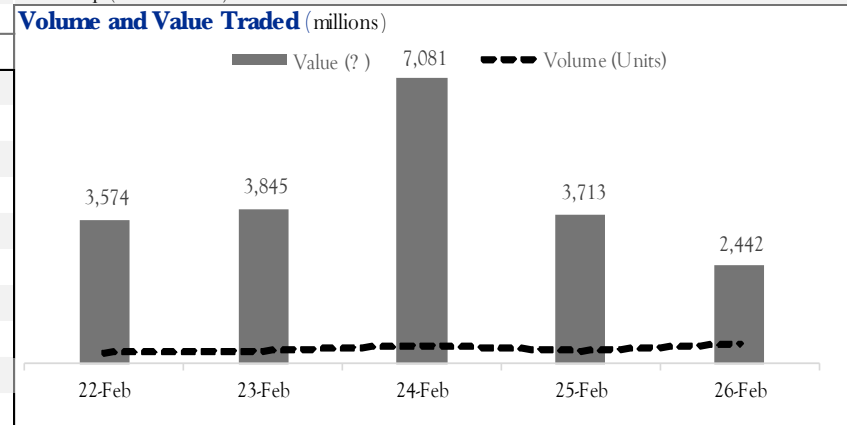
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.23	35.58	-1.00%	-8.73%	*Nigerian Breweries Plc Q4 20 - A disappointing end to the year
USD/NGN (₦/\$)					
NAFEX	409	407.8	-0.21%	-10.81%	
Parallel	477.5	474.5	-0.63%	-24.61%	
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	Q4 20	Q3 20	Q2 20	FY20	
Real GDP	0.11	-3.62	-6.1	-1.9	News Headline for the week (click news for link)
Oil	-19.8	-13.9	-6.6	-8.9	*Ahmed: Despite N32.9tn Debt, Nigeria Won't Stop Borrowing
Agriculture	3.4	1.4	1.6	2.2	*Fitch Revises Nigeria's 2021 GDP Forecast to 1.6%
Manufacturing	-1.5	-1.5	-8.8	-2.8	*Nigeria engages other countries as OPEC moves to ease production cut
Services	1.3	-5.5	-2.61	-2.2	*Financial firms raise U.S. GDP growth estimates on stimulus bets
Labor Data (%) - Q2 20			Latest	Prior	*Afrexim Bank Approves \$2bn for COVID-19 Vaccines for Nigeria, Others
Unemployment Rate			27.1	23.1	*UK jobless rate hits 5.1% as Sunak readies more job support
Underemployment			28.8	20.1	*Goldman Raises Q3 Oil Price Forecast to \$75bpd
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Nigeria's revenue prospects brighten as oil hits \$67
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*'One-way road to freedom': Johnson sets out cautious lockdown exit plan
Bonds	0.00	231.22	-100.0%	-100.0%	*U.S. House budget panel approves \$1.9 trillion COVID-19 aid bill
Money Market	332.07	3,438.54	-90.3%	-66.2%	*UNICEF Orders 4m Doses of AstraZeneca Vaccines for Nigeria
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Fed Govt lists N1.8 billion February savings bonds
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Nigeria's external reserves falls below South Africa, Ghana others
Trade Balance	2,382	2,559	1,668	-6.9%	*Insurance sector's assets hit N1.82tn on recapitalisation deadline
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria has \$5.83bn undisbursed foreign loans – DMO

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	
NSE ASI	39799.89	-0.96	-6.16	-1.17	-1.17	47.55	Banking		0.99%	-3.10%	-3.10%	
NSE ASI (\$)	39799.89	-1.02	-9.85	-1.17	-1.17	33.11	Brewers		-10.63%	-2.61%	-2.61%	
Market Cap (? 'bn)	18,365	-0.96	-6.10	-1.11	-1.11	52.47	Cement		-0.14%	-7.70%	-7.70%	
Market Cap (\$'mn)	46,494	-1.02	-9.80	-1.11	-1.11	33.68	Telecom		-1.68%	5.89%	5.89%	
NSE 30	1593.45	-1.19	-7.41	-2.84	-2.84	34.43	Personal Care		-1.73%	-1.39%	-1.39%	
NSE Premium	3389.88	-1.41	-6.20	-2.33	-2.33	47.99	Construction		0.00%	7.35%	7.35%	
NSE 50	1588.83	-0.34	-7.93	-4.20	-4.20	23.52	Food		-0.52%	-1.59%	-1.59%	
NSE ASEM	729.87	0.00	0.00	0.00	0.00	-0.70	Insurance		1.96%	8.39%	8.39%	
NSE Banking	382.76	0.69	-9.73	-2.61	-2.61	11.84	Oil & Gas		2.07%	41.24%	41.24%	
NSE Insurance	202.09	-4.94	-17.82	6.64	6.64	65.42	Real Estate		0.00%	0.09%	0.09%	
NSE Consumer	563.85	-3.17	-8.12	-1.66	-1.66	19.69						
NSE Oil & Gas	265.39	0.97	4.36	17.33	17.33	11.49						
NSE Industrial	1898.20	-0.52	-8.80	-7.51	-7.51	56.27						
NSE Lotus	2766.68	-1.35	-6.12	-2.79	-2.79	47.48						
NSE Pensions	1377.91	-1.14	-7.68	-0.77	-0.77	35.44						

ARM Indices			
	WoW	QTD	YTD
Large Cap (Top 10%)	-0.81%	-1.55%	-1.55%
Mid Cap (Mid 30%)	-0.80%	2.01%	2.01%
Small Cap (Bottom 60%)	4.17%	18.22%	18.22%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
LASACO	1.23	192.9%	WAPCO	23.10	-7.6%
ACADEMY	0.41	17.1%	FIDSON	4.90	-8.4%
OANDO	3.45	12.4%	MULTIVER	0.20	-9.1%
UPDC	5.85	9.3%	ETI	5.20	-9.6%
CHAMS	0.24	9.1%	HONYFLOU	1.20	-9.8%
SOVERENIN	0.27	8.0%	MANSARD	1.06	-10.2%
ROYALEX	0.27	8.0%	NB	52.00	-11.9%
GUINNESS	23.05	4.5%	NIGERINS	0.20	-13.0%
GLAXOSMI	6.90	3.8%	CHAMPION	2.52	-15.2%
ZENITHBA	25.45	3.0%	AFRIPRUD	5.75	-21.2%



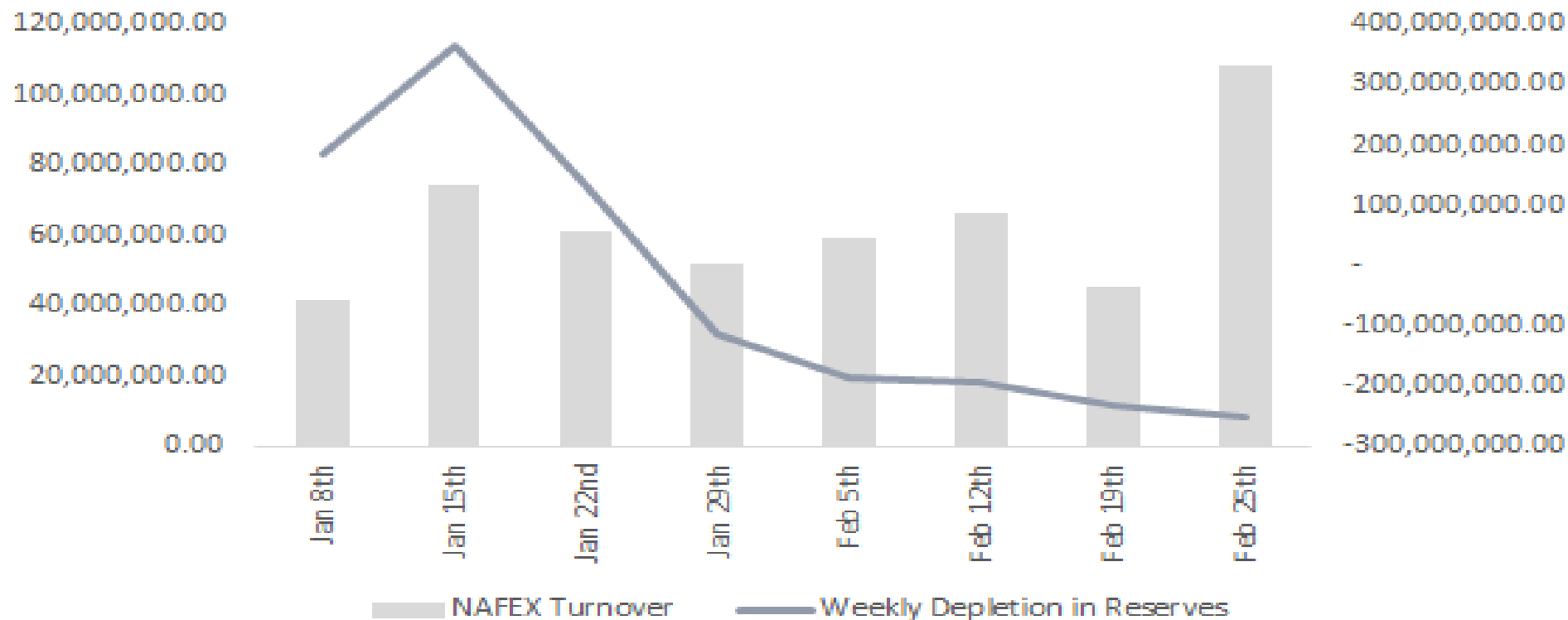
Source: NSE, Bloomberg, ARM Research

	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)	5.67%	20.50%	-14.83%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	45.46	50.00	230.00
Open Buy Back (OBB)	6.33%	20.00%	-13.67%	18-Feb-21	7.00%	8.50%	10.10%	18-Feb-21	20.00	20.00	140.00
NIBOR - 1M	1.54%	1.55%	-0.01%	11-Feb-21	7.00%	8.50%	10.10%	11-Feb-21	10.00	19.00	140.00
NIBOR - 3M	2.48%	2.68%	-0.20%	04-Feb-21	7.00%	8.50%	10.10%	04-Feb-21	10.00	9.95	51.71
NIBOR - 6M	2.29%	3.72%	-1.43%	28-Jan-21	1.51%	4.34%	5.74%	28-Jan-21	20.00	15.00	110.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	0.50%	0.55%	-0.05%	24-Feb-21	2.00%	3.50%	5.50%	24-Feb-21	24.18	32.71	90.38
3-month	1.19%	0.76%	0.43%	10-Feb-21	1.00%	2.00%	4.00%	10-Feb-21	24.67	16.06	90.15
6-month	2.02%	1.96%	0.06%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11
9-month	2.02%	2.01%	0.01%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
12-month	2.07%	2.07%	0.00%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	1.58%	1.48%	0.10%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.39% 27-JAN-2022	2.31%	2.27%	0.04%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
14.20% 14-MAR-2024	6.84%	7.94%	-1.10%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.50% 22-JAN-2026	8.15%	9.60%	-1.45%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
16.2884% 17-MAR-2027	10.10%	9.96%	0.14%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.1493% 18-JUL-2034	11.23%	11.33%	-0.10%	Corporate Bonds			Corporate Eurobond	This Week	Prior Week	WoW (%)	
16.2499% 18-APR-2037	11.10%	10.55%	0.55%	MIXTA 17.00% 16-JAN-2022	3.31%	3.21%	0.10%	ACCESS 10.50% 19-OCT-2021	2.72%	3.00%	-0.28%
14.8% 26-APR-2049	11.13%	11.24%	-0.11%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.22%	3.39%	-0.17%
				DUFIL 18.25% 1-SEP-2022	6.14%	6.40%	-0.26%	UBA 7.75% 08-JUN-2022	4.06%	4.05%	0.01%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	9.22%	9.61%	-0.39%	SEPLAT 9.25% 1-APR-2023	7.61%	7.32%	0.29%
5.625% 27-JUN-2022	2.61%	2.50%	0.11%	STERLING 16.50% 3-AUG-2023	7.78%	8.52%	-0.74%				
6.50% 28-Nov-2027	5.27%	5.10%	0.17%	FCMB 17.25% 8-DEC-2023	8.21%	9.14%	-0.93%				
7.875% 16-FEB-2032	6.88%	6.64%	0.24%	ACCESS 15.50% 23-JUL-2026	10.67%	12.20%	-1.53%				
7.625% 28-Nov-2047	7.44%	7.24%	0.20%	VIATHAN 16.00% 14-DEC-2027	7.98%	9.71%	-1.73%				
				UNION 16.20% 27-JUN-2029	13.98%	14.00%	-0.02%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Highest Weekly Turnover in NAFEX window in 2021

This week, we feature events unfolding in the NAFEX window where we saw average weekly turnover print at \$108.08 million, the highest since the start of the year. Taking a closer look at the nation's FX reserve position, for the first three days of the week, we observed a decline of \$250.35 million. On a comparable basis, we note that this is the highest level of decline in the nation's FX reserves since the start of the year which is indicative of CBN's increased intervention in the FX space.



Source: FMDQ, ARM Research



Thank You

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