

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



## **Weekly Commentary & Stock recommendation** ...for the week 01 February – 05 February 2021

### ***Global Economy***

- ◆ According to initial estimates, the Eurozone economy shrank by 5.1%YoY in Q420, bringing FY20's decline to 6.8% which reflects the negative impact of the COVID-19 pandemic. The quarterly decline was less than analysts' forecast (-5.4%YoY) and came following better-than-expected GDP performances in Germany (-3.9%YoY vs -4%YoY), Italy (-6.6%YoY vs -6.7%YoY) and Spain (-9.1%YoY vs -10.8%YoY). Still in the EU, preliminary estimate revealed that annual inflation rate jumped to 0.9%YoY in January (December: -0.3%YoY), ending a 5-month sequence of deflation. The surge is partly attributable to a Jan 1<sup>st</sup> reversal in a VAT rate cut (from 16% back to 19%) which was introduced as part of the German government's stimulus package in H2'20. Additionally, upward pressures were seen in the prices of food, alcohol & tobacco (up 1.5%YoY vs 1.3%YoY in December 2020) and services (up 1.4%YoY vs 0.7%YoY in December 2020), while the cost of energy is expected to decline at a slower rate (-4.1%YoY vs -6.9%YoY). Finally, in the UK, the BOE's Monetary Policy Committee voted unanimously to retain its benchmark interest rate at 0.1% while also maintaining the size of its Total Asset Purchase Programme at £895billion during its February meeting. Policy makers also sounded out optimism with regards to improved economic outlook following the roll-out of COVID vaccines across the world but remained concerned about the re-imposition of restrictive measures amid an uptick in infection rates.

### ***Domestic Economy***

- ◆ Data released this week showed capital importation into Nigeria declined by 60% YoY to \$9.68 billion (FY 2019: \$23.9 billion). Precisely, Foreign Portfolio Investment (FPI) declined by 69% YoY to \$5.2 billion (FY 19: \$16.4 billion) while other investment which comprises trade credits, loans, currency deposits and other claims, moderated by 47% YoY to \$6.7 billion. On the other hand, Foreign Direct Investment (FDI) rose by 10% YoY to \$1.03 billion over FY 2020 (FY 19: \$934.3 million). Over Q4 2020, total capital importation shrank 26.8% QoQ to \$666.3 million. FDI and FPI contracted by 39.4% QoQ and 91.3% QoQ to \$251.3 million and \$35.2 million respectively. Meanwhile, other investment rose by 22.5% QoQ to \$783.3 million. Elsewhere, the federal government in collaboration with the world bank have kickoff the process to rebase Nigeria's GDP. For clarity, this process involves replacing the old base year used to compile volume measures of GDP, with an updated base year, in order to help reflect the current state of activities in each sector.

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

- ◆ The Nigerian bourse returned to the negative terrain this week, as NSE ASI edged down 166bps WoW to settle at 41,709.09points, with market cap printing at ₦21.8 trillion. Losses recorded across Construction (-7.59%), Food (-3.77%) Breweries (-3.10%), Banking (-2.03%) and Cement (-1.72%) WoW eclipsed gains posted in the Personal Care (+4.78%) sector. Taking a further delve into the sectoral performances, we saw selloffs in DANGCEM (-2.54%), NESTLE (-3.65%), NB (-3.17%), ZENITH (-4.41%), JBERGER (-13.02%) and WAPCO (-11.17%) WoW lead the downturn. Conversely, ETERNA (+10.58%), UNILEVER (+8.15%), GUARANTY (+4.35%) and INTBREW (+3.33%) ended the week positive.
- ◆ 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.

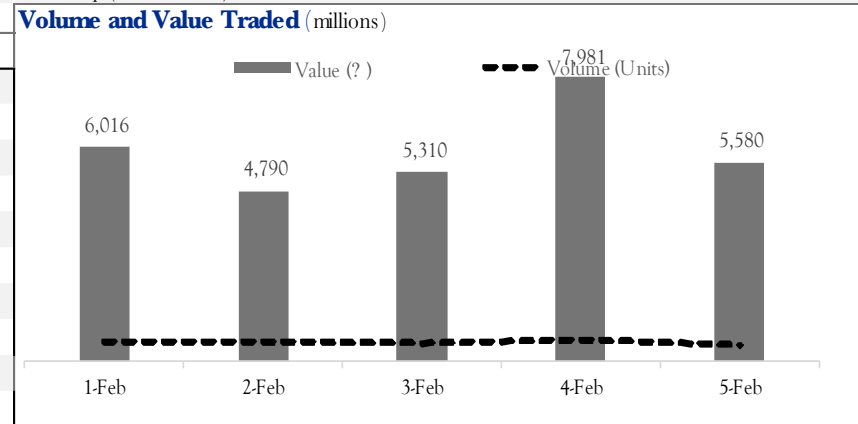
### ***Fixed Income***

- ◆ At the OMO auction this week, there was a surprising rise in the average stop rate by 467bps to 8.53%. The 1yr bill sold at 10.10% which is the first time its been sold at a double-digit rate since April 2020. In the secondary market, the average fixed income yield ended the week 4bps lower to 4.21% on the back of declines at both ends of the curve. To shed more light, downticks in the Mar-2036 (-42bps), Feb-2028 (-35bps) and Apr-2037 (-27bps) papers led the average bond yield down 7bps WoW to 7.38% while the average NTB yield shed 2bps WoW to 1.03%, owing largely to downward pressures in the 270-day (-28bps) and 91-day (-3bps) bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.20	36.40	-0.54%	-6.21%	*Initial View- FBNH FY 2020 - NIR saves the day
<b>USD/NGN (₦/\$)</b>					*Fidelity Bank FY 2020 - Impairment spike and lower NIR swings earnings negative
NAFEX	398	394.3	-0.83%	-8.33%	*Initial View - BUA Cement FY 20 - Performance remains resilient
Parallel	477.0	475.5	-0.31%	-24.53%	*Initial View - Presco Q420 - Operating success makes up for weak topline
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2020 Avg.</b>	
			<b>CHG (pps)</b>		
<b>Inflation YoY (December)</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	*Total pension assets rose to N12.3tn in 2020 – PenCom
Agriculture	1.4	1.6	2.2	2.4	*NLNG Generates \$108bn, Delivers 5,000 Cargoes in 21 Years
Manufacturing	-1.5	-8.8	0.4	0.8	*FG plans increase of freight rate of petrol to N9.11 per litre
Services	-2.5	-2.61	3.5	3.4	*FG, World Bank begin process to rebase Nigeria's GDP
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*Euro zone inflation surges, a communications headache for ECB
Unemployment Rate			27.1	23.1	*Nigeria records \$5.1bn portfolio investments in nine months
Underemployment			28.8	20.1	*Euro zone fourth-quarter GDP falls less than expected, another fall seen in Q1'21
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Oil Price Rises to \$58, OPEC Exceeds Output Cut Target
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Nigeria's Crude Oil Exports Hit Three-Year Low, Says Report
Bonds	0.00	231.22	-100.0%	-100.0%	*Nigeria expects 57m doses of vaccines
Money Market	332.07	3,438.54	-90.3%	-66.2%	*FGN Savings Bond rate attractive, says DMO
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Banks' non-performing loans rise to N1.5tn
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*Asian factories show mixed performance as pandemic's pain lingers
Trade Balance	2,382	2,559	1,668	-6.9%	*Equity market closes January bullish, gains N1.13tn
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*External reserves hit \$36.39bn on improved crude oil price

	PX_LAST	CHG_PCT_WTD	CHG_PCT_MTD	CHG_PCT_QTD	CHG_PCT_YTD										
<b>Index Performance</b>						<b>Index Returns (%)</b>					<b>Sector Performance</b>				
	<b>Level</b>	<b>WoW</b>	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>	<b>1 year</b>					<b>Returns (%)</b>				
											<b>WoW</b>	<b>QTD</b>	<b>YTD</b>		
NSE ASI	41709.09	-1.66	-1.66	3.57	3.57	48.46	Banking				-2.03%	4.45%	4.45%		
NSE ASI (\$)	41709.09	-1.66	-1.66	7.13	7.13	35.64	Brewers				-3.10%	11.02%	11.02%		
Market Cap (? 'bn)	18,365	-1.66	-1.66	3.62	3.62	49.26	Cement				-1.72%	-1.83%	-1.83%		
Market Cap (\$'mn)	46,494	-2.17	-2.17	7.17	7.17	36.23	Telecom				-0.28%	7.68%	7.68%		
NSE 30	1689.05	-1.85	-1.85	2.98	2.98	36.20	Personal Care				4.78%	5.08%	5.08%		
NSE Premium	3518.19	-2.65	-2.65	1.37	1.37	49.58	Construction				-7.59%	5.59%	5.59%		
NSE 50	1688.77	-2.14	-2.14	1.82	1.82	23.58	Food				-3.77%	0.37%	0.37%		
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance				-3.12%	9.26%	9.26%		
NSE Banking	414.39	-2.28	-2.28	5.44	5.44	14.88	Oil & Gas				-0.09%	26.15%	26.15%		
NSE Insurance	231.14	-6.01	-6.01	21.97	21.97	75.40	Real Estate				-0.27%	-0.12%	-0.12%		
NSE Consumer	593.91	-3.22	-3.22	3.59	3.59	8.77	<b>ARM Indices</b>								
NSE Oil & Gas	253.91	-0.16	-0.16	12.25	12.25	4.19					<b>WoW</b>	<b>QTD</b>	<b>YTD</b>		
NSE Industrial	2038.22	-2.07	-2.07	-0.69	-0.69	70.66	Large Cap (Top 10%)				-1.40%	3.02%	3.02%		
NSE Lotus	2892.33	-1.86	-1.86	1.62	1.62	46.70	Mid Cap (Mid 30%)				-2.27%	4.38%	4.38%		
NSE Pensions	1448.26	-2.97	-2.97	4.29	4.29	37.70	Small Cap (Bottom 60%)				-5.30%	16.12%	16.12%		

<b>Top 10 Gainers</b>			<b>Top 10 Losers</b>		
Company	This Week	WoW	Company	This Week	WoW
ETERNA	5.75	10.6%	VITAFOAM	9.00	-10.4%
MCR	3.43	9.9%	NNFM	8.65	-10.6%
MULTIVERSE	0.24	9.1%	UACPROP	0.75	-10.7%
UNITYBNK	0.73	9.0%	CHAMPION	2.77	-10.9%
MRSOIL	13.40	8.9%	WAPCO	26.65	-11.2%
UNILEVER	14.60	8.1%	MBENEFIT	0.38	-11.6%
ETRAN	2.50	7.3%	REGALINS	0.30	-11.8%
JOHNHOLT	0.50	6.4%	JBERGER	19.70	-13.0%
WAPIC	0.57	5.6%	AIICO	1.21	-13.6%
MAYBAKER	4.90	5.4%	LINKASSU	0.60	-33.3%



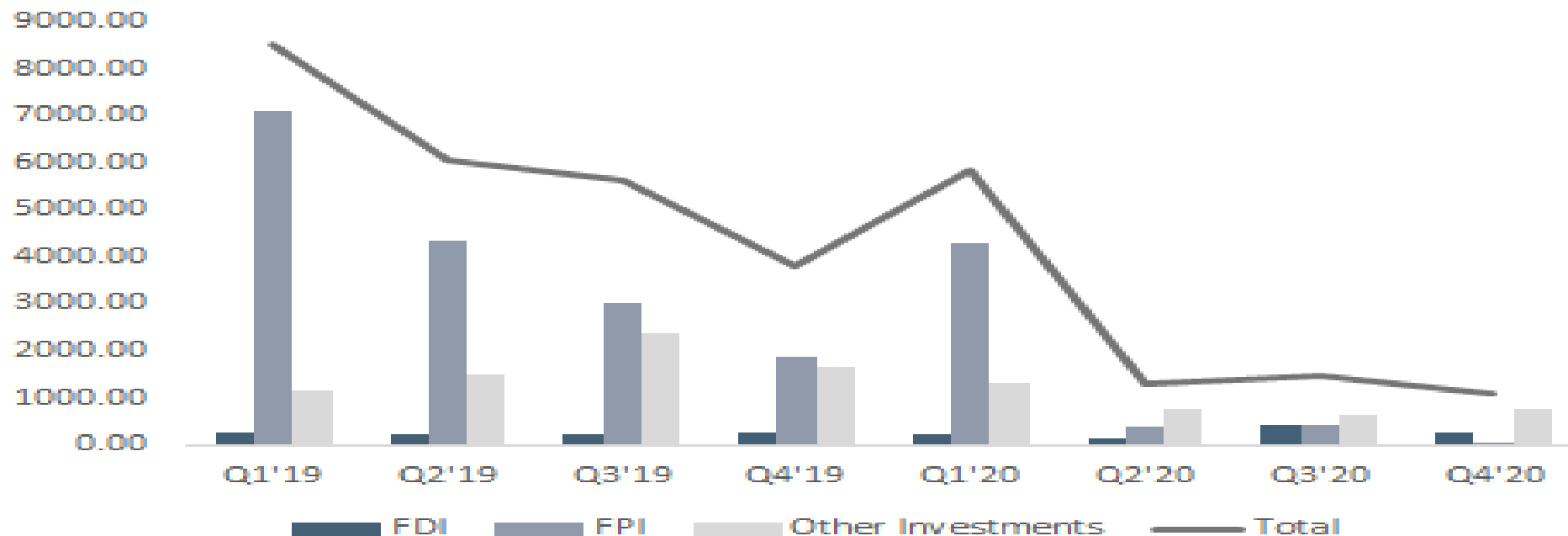
Source: NSE, Bloomberg, ARM Research

	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)	18.00%	11.00%	7.00%	04-Feb-21	7.00%	8.50%	10.10%	04-Feb-21	10.00	9.95	51.71	
Open Buy Back (OBB)	17.50%	10.50%	7.00%	28-Jan-21	1.51%	4.34%	5.74%	28-Jan-21	20.00	15.00	110.00	
NIBOR - 1M	1.26%	1.31%	-0.06%	21-Jan-21	1.51%	4.34%	5.74%	21-Jan-21	20.00	20.00	130.00	
NIBOR - 3M	1.21%	1.38%	-0.17%	14-Jan-21	1.51%	4.34%	5.74%	14-Jan-21	10.00	10.00	60.00	
NIBOR - 6M	1.75%	1.68%	0.07%	07-Jan-21	1.51%	4.34%	5.74%	07-Jan-21	10.00	10.00	40.00	
<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	0.55%	0.58%	-0.03%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11	
3-month	0.40%	0.43%	-0.03%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93	
6-month	1.00%	1.00%	0.00%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84	
9-month	1.49%	1.77%	-0.28%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80	
12-month	2.04%	1.17%	0.87%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70	
<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	0.90%	0.92%	-0.02%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0	
16.39% 27-JAN-2022	2.05%	1.33%	0.72%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0	
14.20% 14-MAR-2024	6.11%	6.25%	-0.14%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0	
12.50% 22-JAN-2026	7.50%	7.01%	0.49%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5	
16.2884% 17-MAR-2027	8.42%	8.50%	-0.08%	23-Sep-20	6.00%	8.52%	8.90%	23-Sep-20	69.3	25.4	4.6	
12.1493% 18-JUL-2034	10.03%	10.18%	-0.15%	<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%	10.28%	-0.27%	MIXTA   17.00%   16-JAN-2022	2.65%	2.33%	0.32%	ACCESS   10.50%   19-OCT-2021	3.88%	4.05%	-0.17%	
14.8% 26-APR-2049	10.51%	10.48%	0.03%	FIDELITY   16.48%   13-MAY-2022	0.00%	0.00%	0.00%	ZENITH   7.375%   30-MAY-2022	3.39%	3.80%	-0.41%	
				DUFIL   18.25%   1-SEP-2022	5.66%	5.28%	0.38%	UBA   7.75%   08-JUN-2022	4.26%	4.58%	-0.32%	
<b>FGN Eurobonds</b>				LAPO MFB   17.75%   19-DEC-2022				SEPLAT   9.25%   1-APR-2023				
5.625% 27-JUN-2022	2.60%	2.83%	-0.23%	STERLING   16.50%   3-AUG-2023	8.52%	8.30%	0.22%		7.36%	7.41%	-0.05%	
6.50% 28-Nov-2027	4.89%	5.15%	-0.26%	FCMB   17.25%   8-DEC-2023	6.97%	7.01%	-0.04%					
7.875% 16-FEB-2032	6.36%	6.70%	-0.34%	ACCESS   15.50%   23-JUL-2026	7.41%	7.51%	-0.10%					
7.625% 28-Nov-2047	7.02%	7.30%	-0.28%	VIATHAN   16.00%   14-DEC-2027	10.08%	9.86%	0.22%					
				UNION   16.20%   27-JUN-2029	7.55%	7.71%	-0.16%					
					11.92%	12.14%	-0.22%					

Source: DMO, FMDQ, Bloomberg, ARM Research

### Q4'20 Capital Importation

This week, we feature Nigeria's Q4'20 total capital importation numbers, which continued to reflect foreign investors' current negative sentiment towards the Nigerian economy. Speaking to numbers, total capital importation declined by 26.8% QoQ and 71.9% YoY to \$1.07 billion. The major drag was a consequence of the significant drop in foreign portfolio inflows (-91.4% QoQ and -98.1% YoY to \$35.15 million), with other components also registering YoY decline. Uncertainty in the macroeconomic landscape and unattractive yields in the fixed income space has continued to adversely impact foreign inflows for Nigeria. Similar to the previous two quarters, Other investment inflows, remained the largest component of the total capital imported in Q4'20 (contributing 73.2% to the overall bucket). Over the FY20 period, total capital inflow to Nigeria shrank by 59.7% YoY to print \$9.68 billion. This is following the 68.6% YoY reduction in FPI and 47.5% YoY reduction in Other investment. They thus closed at \$5.14 billion and \$3.51 billion respectively, and this more than offset the 10.1% YoY improvement in FDI to \$1.03 billion.



Source: NSE, ARM Research



Thank You

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