

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 14th February - 18th February 2022

Global Economy

- ◆ This Friday, the rouble weakened, tumbling past 77 to the dollar after Russian-backed separatists announced the sudden surprise evacuation of their breakaway regions in eastern Ukraine, spooking already jittery markets. Elsewhere, while brewing tensions between Russia and Ukraine have been the major movers of the stock market in recent times, inflation, uncertainty over monetary policy and stretched valuations are expected to keep stirring asset prices this year, even if geopolitical fears and war rumors subside. A percentage of global stocks dipped while government debt prices rose, as investors take a risk averse position due to the aforementioned geopolitical unrest, increase in oil prices and inflation.

Domestic Economy

- ◆ Earlier this week, the Consumer Price Index report for January 2022 was released by the National Bureau of Statistics (NBS). According to the report, Nigeria's inflation rate stood at 15.6% in January 2022, which represents a reversal from the uptick recorded in the previous month, when it increased to 15.63% in December 2021. Food inflation increased by 17.13% in the month of January compared to 17.37% recorded in the previous month. On the other hand, Core inflation stood flat at 13.87% in January 2022, the same as recorded in December 2021 despite an increase in the highly weighted sub-components of the index especially the Housing Water, Electricity, Gas and Other Fuel index (+0.38% YoY) and Clothing and Footwear (+0.31% YoY). Yesterday, the National Bureau of Statistics (NBS) also released the GDP report for Q4 2021. According to the report, Nigeria's Gross Domestic Product (GDP) grew by 3.98% (year-on-year) in real terms in the fourth quarter of 2021, showing a sustained positive growth for the fifth quarter since the recession witnessed in 2020 when output contracted by -6.10% and -3.62% in Q2 and Q3 of 2020 due to the economic effects of the Covid pandemic. The fourth quarter growth indicates a strong economic rebound with FY 2021 growth of 3.40% compared to the -1.92% reported in 2020.

Equities and stock recommendation

- ◆ The Nigerian All Share Index (ASI) closed at 47,140.48pts at the end of the week, shedding 0.13% Wtd. While tickers such as Learn Africa (10%), GUINNESS (15.70%) and DANGSUGAR (+3.98%) posted uptrends, the negative turn on DANGCEM (-0.47%), LAFARGE (-1.31%), SEPLAT (-5.88), GTCO (-1.50%) and AIRTELAF (-0.87%) among other tickers nudged the index into negative territory. Sectoral wise, performance was largely mixed. Positive momentum was seen across BREWERS (+2.83%), PERSONAL CARE (+5.35), and FOOD (+1.54%) sub-sectors. On the flipside, the OIL & GAS (-9.61%), INSURANCE (-0.58%), CEMENT (-0.33%), TELECOM (-0.12%), and BANKING (-0.52%) counters all dipped in the week.
- ◆ **GTCO - OVERWEIGHT (FVE: ₦35.74). Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ Average yields in the Nigerian Treasury Bills secondary market declined WoW by 25bps to 4.18% as the market closed on a positive note. In the same vein, average yields in the secondary bonds market inched lower by 42bps WoW to 10.81% due to significant buying interest in the MARCH 2025 (down 113bps WoW) and FEB 2028 (down 90bps WoW) instruments which downed yields to 8.93% and 11.10% respectively. At the Bonds auction on Wednesday where the 2026 and 2042 instruments were reopened, we saw increased demand with aggregate bid-to-cover ratio of 3.72x. Demand was concentrated at the short-end with bid-to-cover ratio of 4.34x (Offer: ₦75bn, Subscription: ₦325bn). Consequently, marginal rate for the 2026 instrument declined 55bps to 10.95% compared to 11.50% recorded at the previous auction.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.78	39.87	-0.24%	-1.84%	*January 2022 CPI Report: Disinflation Resumes on Base and Fundamental Changes
USD/NGN (₦/\$)					*Q4 & FY2021 GDP Report Strongest Annual Economic Growth in Seven Years
NAFEX	417	416.0	-0.18%	-4.20%	*Earnings Flash FY2021: Nigerian Breweries Plc (NB.NL)-A Steady rise from the Abyss
Parallel	571.0	571.0	0.00%	1.06%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (January 2022)			CHG (pps)		
Headline	15.6	15.63	-0.03	15.60	
Core	13.87	13.87	0.00	13.87	
Food	17.13	17.37	-0.24	17.13	
GDP (%) - YoY	Q4 21	Q3 21	Q2 21	FY21	
Real GDP	3.98	4.03	5.01	3.4	
Oil	-8.06	-10.73	-12.65	-8.3	News Headline for the week (click news for link)
Agriculture	3.6	1.2	1.3	2.13	*Oil headed for weekly fall, prospect of Iran deal stokes fears of extra supply
Manufacturing	2.28	4.29	3.49	3.35	*Consumers kick over silent increase in electricity tariff amid fuel scarcity
Services	5.6	8.4	9.3	5.6	*Dangote, Flour Mills slam BUA over alleged sugar sale suspension
Labor Data (%) - Q4 20			Latest	Prior	*Nigeria, others to benefit from EU's €6b satellite-based connectivity investment
Unemployment Rate			33.3	27.1	*Bank loans to private sector rise by N5.1tn, hit N36.7tn - CBN report
Underemployment			22.8	28.8	*No sugar scarcity, production not reduced, says FG
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*Bank of Industry Launches EUR700m Eurobond
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*\$418m Paris Club Refunds: FG, Governors, Consultants Know Fate March 25
Bonds	364.97	14.54	2410.11%		*Investors bemoan huge losses, capital flight from delisting of 27 firms
Money Market	795.74	451.67	76.2%	119.13%	*ECB to raise deposit rate to -0.25% by year-end
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Telecom sector's challenges cut-off five million users from networks in 2021
Monetary Policy Rates (%) (January 2022)	Latest	Prior		CHG (%)	*FG gross debt to grow by 92%, hits N136tn in 2026, says IMF
MPR	11.5	11.5		0.0%	*Insurance Sector's Total Premium Reached N508bn in 2021
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*CBN Sell N687.8bn TBs in First 6 Weeks of 2022 on improved Liquidity, Demand
Liquidity Ratio	30.0	30.0		0.0%	*EU seeks partnership on proposed €150 billion African funding

Source: CBN, NBS, FMDQ, ARM Research

	WoW	Mtd	QtD	YtD
NGXASI	-0.13%	1.11%	10.36%	10.36%
Market Cap	-0.12%	1.12%	13.94%	13.94%
NGX 30	0.05%	1.78%	4.88%	4.88%
NGX Premium	-0.29%	2.80%	5.16%	5.16%
NGX 50	0.21%	1.55%	3.44%	3.44%
NGX ASEM	0.00%	-1.30%	-1.30%	-1.30%
NGX Banking	-0.74%	1.98%	10.84%	10.84%
NGX Industrial	-0.32%	2.65%	6.13%	6.13%
NGX Consumer Goods	2.35%	3.12%	0.56%	0.56%
NGX Oil & Gas	-3.45%	3.94%	18.64%	18.64%
NGX Insurance	1.05%	0.79%	-5.20%	-5.20%

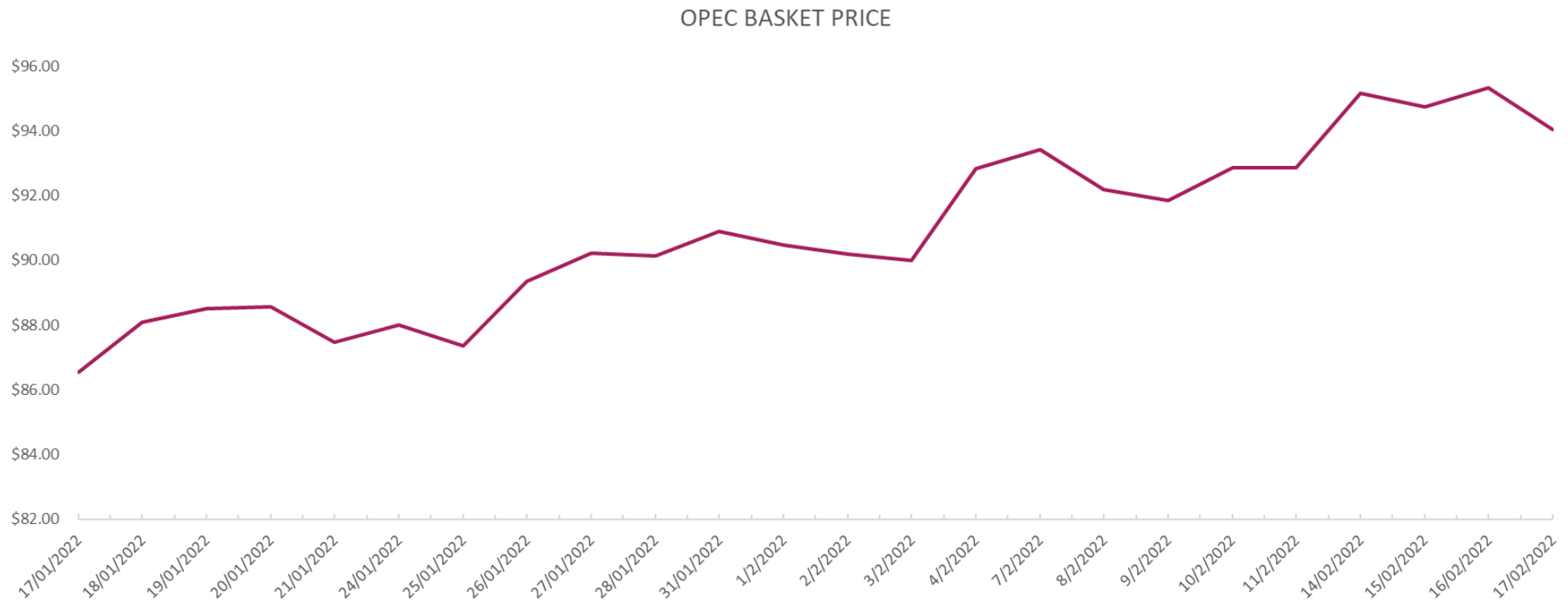
Source: NGX, ARM Research

	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)	14.00%	4.00%	10.00%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
Open Repo Rate (OPR)	13.00%	3.33%	9.67%	10-Feb-22	7.00%	8.50%	10.10%	10-Feb-22	20.00	20.00	40.00
NIBOR - 1M	9.39%	9.58%	-0.19%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00
NIBOR - 3M	10.64%	10.91%	-0.27%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
NIBOR - 6M	11.36%	11.38%	-0.02%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.71%	2.99%	-0.28%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
3-month	3.44%	4.04%	-0.60%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
6-month	4.25%	4.64%	-0.39%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
9-month	4.90%	5.20%	-0.30%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
12-month	5.60%	5.20%	0.40%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
12.75% 27-APR-2023	6.67%	6.76%	-0.09%								
14.20% 14-MAR-2024	8.25%	8.29%	-0.04%								
13.53% 23-MAR-2025	8.93%	10.07%	-1.14%								
12.50% 22-JAN-2026	10.45%	11.19%	-0.74%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.90%	11.50%	-0.60%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	12.30%	12.57%	-0.27%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.70%	12.82%	-0.12%	MIXTA 17.00% 16-JAN-2022	5.08%	5.08%	0.00%	ZENITH 7.375% 30-MAY-2022	1.77%	1.77%	0.00%
14.8% 26-APR-2049	12.93%	12.96%	-0.03%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
5.625% 27-JUN-2022	2.83%	2.69%	0.14%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
6.50% 28-Nov-2027	6.84%	6.73%	0.11%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.875% 16-FEB-2032	8.59%	8.50%	0.09%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.625% 28-Nov-2047	9.28%	9.20%	0.08%	UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

Source: DMO, CBN, FMDQ, Bloomberg, ARM Research

Oil Prices Ease as Prospects of Additional Supply Stoke Fears.

Oil prices extended losses today as the prospect of extra supply from Iran returning to the market overshadowed the fears of a possible supply disruption arising from a Russian Ukraine crisis. OPEC oil basket gained by 8.64% MoM, as some nations still struggle to meet their OPEC+ oil quota. Earlier today, Brent stood at \$92.50 while U.S. West Texas Intermediate (WTI) crude traded at \$91.14. Amid an ease of tension between Russia and Ukraine, we opine a steady decline in oil prices in the coming months.



Source: OPEC, Reuters, ARM Research

Thank You



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