

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 31st January - 4th February 2022

Global Economy

- ◆ OPEC and allies, OPEC+, agreed on Wednesday to stick to its planned 400,000 barrels per day (bpd) increase in output, despite pressure from top consumers to boost supply at a quicker pace. The cartel attributed the surging oil prices (Brent Crude is up c.17% YtD) to dwindling investments in fossil fuels by consuming nations, amid a growing shift to greener energy worldwide. Furthermore, a forecast by OPEC+ experts pegged growth in world oil demand at 4.2 million bpd in 2022, adding that demand would hit pre-pandemic levels in the second half of this year. Elsewhere, the Bank of England delivered its first consecutive rate hike in almost two decades, pushing borrowing costs to a 2-year high of 0.50% (+25bps) during its January 2022 meeting. The Monetary Policy Committee also voted to begin scaling down its stock of UK government bond purchases by ceasing to reinvest maturing assets, signaling the possibility of further tightening in the coming months if the economy develops broadly in line with current projections.

Domestic Economy

- ◆ The outcome of the 25th OPEC meeting which held earlier this week, saw an increase in Nigeria's oil production quota to 1.72 million bpd up from its previous target of 1.70 million bpd in February and 1.68 million bpd in January. Meanwhile, records show that Nigeria missed its crude oil output target for January 2022, pumping 1.46 million barrels per day against a target of 1.683 million bpd as approved by the Cartel. Officials of the Federal Ministry of Petroleum Resources and the Nigerian National Petroleum Company Limited, however, attributed Nigeria's prolonged inability to meet its OPEC production quota to the surge in oil pipelines vandalism and the delay in the full implementation of the Petroleum Industry Act, among others. Elsewhere, the CBN Governor Godwin Emefiele stated that a new foreign exchange (forex) bidding regime that will prioritize local manufacturers and stimulate job creation is ongoing. This was stated at the launch of the 100-for-100 Policy for Production and Productivity (PPP). The initiative seeks to give foreign exchange support to companies for the importation of spares, plants and equipment needed to increase their production capacities.

Equities and stock recommendation

- ◆ Reporting a performance that kept it firmly within the grasp of the bulls, the NGXASI advanced 2.33% to close the week at 47,279.92 points. We traced this to the strong performances reported along our sectoral coverage. In detail, the Oil&Gas (+21.87%), Cement (+4.01%), Telecom (+2.50%), and Construction (+1.93%) counters all posted positive Wtd performances. This outcome was majorly supported by performances like that of DANGCEM (+5.45%), BUACEMENT (+1.14%), CONOIL (+20.73%), OANDO (+11.45%), SEPLAT (+10.13%) and MTNN (+5.42%), which all recorded uptrends in their prices for the week. In a different breath, the Brewers (Down 1.92%) and Personal Care (Down 1.37%) both ended the week in the red. We observed that this was largely exacerbated by the decline in INTBREW (-10.17%) WoW, NB (-1.03%) WoW and UNILEVER (-1.79%) WoW.
- ◆ **ZENITH - OVERWEIGHT (FVE: ₦30.20), TOTAL - OVERWEIGHT (FVE: ₦281.48). Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ The Nigerian Treasury Bills secondary market traded with mixed sentiments this week, albeit with a predominantly bearish undertone. Consequently, the NT-Bills benchmark curve expanded by 10bps WoW to 4.28%. Meanwhile, in the FGN Bonds segment, average yield closed flat at 11.28%, but not as a result of a paucity of activity in the market. For context, the market largely traded sideways, with selloffs witnessed at the front-end of the curve (+8bps) WoW while investors were bullish on maturities at the belly (-6bps) and tail-end (-3bps) of the curve.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	40.01	40.18	-0.43%	-1.26%	
USD/NGN (₦/\$)					
NAFEX	416	416.3	0.06%	-4.35%	
Parallel	567.5	570.0	0.44%	0.44%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (December 2021)			CHG (pps)		
Headline	15.63	15.4	0.23	16.98	
Core	13.87	13.85	0.02	13.14	
Food	17.37	17.21	0.16	20.49	
GDP (%) - YoY	Q3 21	Q2 21	Q1 21	FY20	
Real GDP	4.03	5.01	0.51	-1.9	
Oil	-10.73	-12.65	-2.21	-8.9	News Headline for the week (click news for link)
Agriculture	1.2	1.3	2.3	2.2	*Nigeria gets 1.72m barrels OPEC quota
Manufacturing	4.29	3.49	3.4	-2.8	*FG gives N250bn Sukuk bond to three ministries
Services	8.4	9.3	-0.4	-2.2	*Oil extends gains above \$90/bbl as winter storm sweeps through United States
Labor Data (%) - Q4 20			Latest	Prior	*Nigeria woos foreign investors to the ICT sector in her bid to boost digital economy
Unemployment Rate			33.3	27.1	*Federal Government stakes N52.7 billion to clear petrol bridging debt
Underemployment			22.8	28.8	*Conoil, three other marketers post N622.42bn revenue
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*Senate moves to establish N500bn Solid Minerals Development Bank
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*MTNN announces result of public offer, oversubscribed by 139.47%
Bonds	364.97	14.54	2410.11%		*Oil revenue plunges as Nigeria misses January OPEC quota
Money Market	795.74	451.67	76.2%	119.13%	*243 firms jostle for CBN's multibillion naira loan scheme
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*CBN restructures forex bidding process
Monetary Policy Rates (%) (January 2022)	Latest	Prior		CHG (%)	*NNPC Posts 78.4% Deficit Remittance to Federation Account in 2021:
MPR	11.5	11.5		0.0%	*Again, Nigeria Loses 6.5m Barrels of Oil to Force Majeure, Sabotage in December
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*Satellite to play key role in 5G rollout
Liquidity Ratio	30.0	30.0		0.0%	*Transport fares jump by 283% amid rising fuel subsidy - NBS report

Source: CBN, NBS, FMDQ, ARM Research

	WoW	Mtd	QtD	YtD
NGXASI	2.33%	1.41%	10.68%	10.68%
Market Cap	2.33%	1.41%	14.26%	14.26%
NGX 30	2.92%	1.66%	4.75%	4.75%
NGX Premium	4.68%	3.25%	5.63%	5.63%
NGX 50	1.84%	1.15%	3.03%	3.03%
NGX ASEM	0.00%	0.00%	0.00%	0.00%
NGX Banking	0.83%	0.40%	9.12%	9.12%
NGX Industrial	3.41%	2.92%	6.41%	6.41%
NGX Consumer Goods	-0.81%	-0.58%	-3.05%	-3.05%
NGX Oil & Gas	7.69%	7.34%	22.52%	22.52%
NGX Insurance	-1.93%	-1.73%	-7.58%	-7.58%

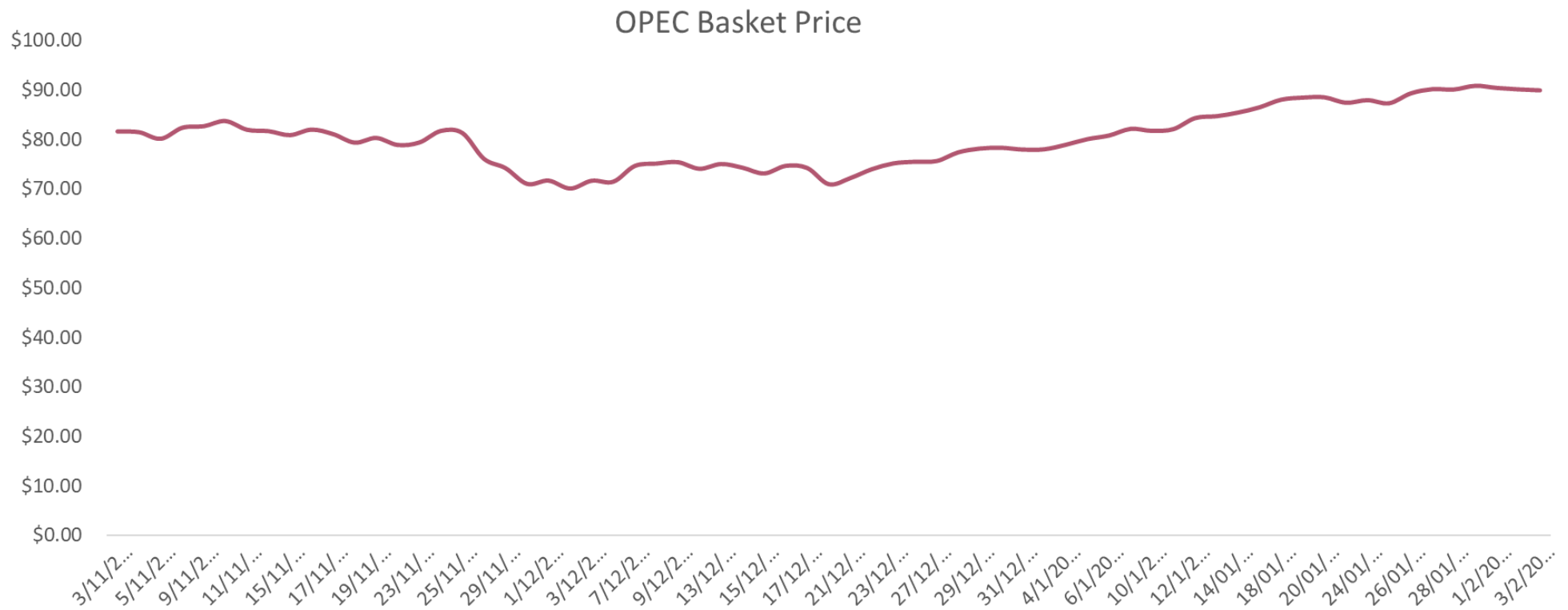
Source: NGX, ARM Research

	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)	13.25%	1.25%	12.00%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00
Open Repo Rate (OPR)	13.00%	1.00%	12.00%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
NIBOR - 1M	8.70%	7.11%	1.59%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
NIBOR - 3M	9.80%	9.06%	0.74%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00
NIBOR - 6M	10.37%	9.41%	0.96%	02-Dec-21	7.00%	8.50%	10.10%	02-Dec-21	7.00	10.00	20.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.89%	2.50%	0.39%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
3-month	3.45%	3.19%	0.26%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
6-month	4.36%	4.22%	0.14%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
9-month	5.06%	5.03%	0.03%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80
12-month	5.63%	5.96%	-0.33%	08-Dec-21	2.50%	3.45%	5.34%	08-Dec-21	1.55	0.79	51.39
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Jan-26	Jan-42			Jan-26	Jan-42	
12.75% 27-APR-2023	6.85%	6.88%	-0.03%								
14.20% 14-MAR-2024	8.73%	8.78%	-0.05%								
13.53% 23-MAR-2025	10.22%	10.00%	0.22%								
12.50% 22-JAN-2026	11.20%	11.00%	0.20%								
16.2884% 17-MAR-2027	11.64%	11.64%	0.00%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	12.54%	12.61%	-0.07%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.79%	12.81%	-0.02%	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	13.00%	13.10%	-0.10%	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%				
				STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
				FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
				ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
				VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
				UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				
FGN Eurobonds											
5.625% 27-JUN-2022	2.52%	3.47%	-0.95%								
6.50% 28-Nov-2027	6.39%	7.15%	-0.76%								
7.875% 16-FEB-2032	8.28%	8.84%	-0.56%								
7.625% 28-Nov-2047	8.98%	9.19%	-0.21%								

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

OPEC+ sticks to 400,000bpd production increase during the "Olympic track record" meeting.

OPEC+ had an "Olympic track record" meeting which lasted for 16 minutes on Wednesday February 2nd, 2022, where its members and allies agreed to maintain a moderate output increase of 400,000 barrels per day (bpd) effective March 2022. Oil prices maintained an upward trajectory, as many member countries (Russia, Nigeria, Angola and Libya inclusive) are unable to meet their production quotas, amid the high cost of investment needed to improve production and vandalism of oil factories in some African countries. As of today, WTI and Brent Crude traded at \$92 and \$93 respectively.



Source: OPEC, ARM Research

Thank You



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