

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 18 January – 22 January 2021

Global Economy

- ◆ The ECB left its main interest rate at 0% while also maintaining its Pandemic Emergency Purchase Program (PEPP) quota at €1.85trillion, with the scheme scheduled to run at least through March 2022. However, policy makers showed readiness to take further action if the need arises, as burgeoning COVID-19 infections and renewed lockdown measures plague the region. In the UK, inflation rate edged up 30bps to 0.6%YoY in December 2020 as upward pressures were observed in the cost of transport (1.9%YoY vs 1%YoY in November), recreation (2.6%YoY vs 1.9%YoY in November) and tobacco (up to 3.6% from 2% in November). Meanwhile in the US, President Biden unveiled sweeping measures to battle COVID-19 as his administration has pledged to intensify the fight against the pandemic by providing 100 million doses of the coronavirus vaccine during his first 100 days in office. Elsewhere, China's economy exceeded its pre-pandemic growth rates in Q420 (+6.5%YoY), propelling it to a stronger-than-expected expansion of 2.3% in FY20. The V-shaped recovery was fueled by growth in industrial output (up 2.8% in FY20), fixed-asset investment (up 2.9% in 2020) and exports (up 3.6% in FY20), spurred by overseas demand for medical equipment's and work-from-home appliances.

Domestic Economy

- ◆ This week, the economic update for the month of October 2020 was released by the CBN. The report showed an increase in fiscal deficit to ₦451.2 billion (September 2020: ₦418.5 billion). Decline in oil revenue and increase in expenditure resulted in higher fiscal deficit. Precisely, gross revenue declined by 18.3%—a fallout of lower oil and non-oil revenue during the period—to ₦616.4 billion. On the other hand, aggregate expenditure increased by 1.9% relative to the prior month, to ₦725.7 billion, reflecting uptick in personnel costs and capital releases.

Equities and stock recommendation

- ◆ Following two positive weekly finishes, the Nigerian bourse ended the week on a negative as NSE ASI shed 42bps WoW to settle at 41,001.99points, while market cap printed at ₦21.4trillion. Losses recorded across Banking (-1.11%), Construction (-0.99%), Cement (-0.97%), and Oil&Gas (-0.93%) eclipsed the upticks seen in the Breweries (+2.07%), Personal care (+2.22%) and Insurance (+2.08%) sectors. Taking a further delve into the sectoral performances revealed that MRS (-18.55%), UBA (-5.95%), DANGSUGAR (-2.88%), DANGCEM (-1.27%), BUA (-1.13%), OANDO (-3.43%) and FLOURMILLS (-2.44%) WoW were key drivers for the downturn. Conversely, WAPCO (+9.24%), PZ (+7.69%) and NB (+1.67%) ended the week positively.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT— STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – OVERWEIGHT (FVE: ₦30.2), UNILEVER PLC—NEUTRAL (FVE: ₦10.39) and FIDELITY BANK PLC – NEUTRAL (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

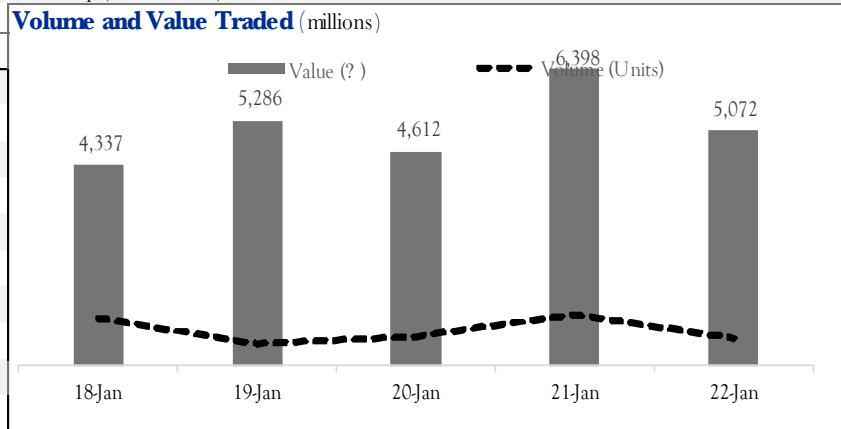
- ◆ In the first bond auction of the year the DMO sold ₦170.36 billion, more than the ₦150billion they offered, across 3 different bonds (1 more than they offered in December). Of that total sale 72% (₦122.36 billion) came via competitive means with the rest (₦48 billion) coming via non-competitive allotment. There was an increase in stop rates with the average stop rate coming in 139bps higher at 8.36%. In the secondary market, meanwhile, the average fixed income yield edged up 11bps WoW to 3.49% on the back of upticks at both ends of the curve. For context, the average bond yield rose 21bpsbps WoW to 6.46% mirroring increases in the Jul-3034 (+80bps), Apr-2029 (+73bps) and July-2030 (+68bps) papers while the average NTB yield firmed 1bp WoW to 0.52% following a rise in the 91-day (+3bps) and 364-day (+24bps) bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.48	36.26	0.61%	-6.04%	
USD/NGN (₦/\$)					
NAFEX	394	394.7	0.17%	-7.48%	
Parallel	473.5	472.5	-0.21%	-23.97%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (December)			CHG (pps)		
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	
GDP (%) - YoY	Q3 20	Q2 20	Q1 20	FY19	
Real GDP	-3.2	-6.1	1.87	2.3	
Oil	-13.9	-6.6	5.1	4.6	News Headline for the week (click news for link)
Agriculture	1.4	1.6	2.2	2.4	*AfDB forecasts Africa's loss of \$409b to COVID-19 in two years
Manufacturing	-1.5	-8.8	0.4	0.8	*N'Assembly to amend fiscal law over N5.196 trn budget deficit
Services	-2.5	-2.61	3.5	3.4	*Fauci credits Biden for letting 'science speak' as administration focuses on virus
Labor Data (%) - Q2 20			Latest	Prior	*UK inflation starts climb as effects of COVID and Brexit combine
Unemployment Rate			27.1	23.1	*N9.8tn debt: FG's CBN borrowings may raise risks, says Fitch
Underemployment			28.8	20.1	*Foreign holdings of U.S. Treasuries slide for 4th month in November
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*IEA Cuts Oil Demand Forecast as New Lockdowns Temper Recovery
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*FG raised N2.36tn from capital market in 2020
Bonds	0.00	231.22	-100.0%	-100.0%	*Japan MOF estimates record rollover debt issuance in 2023/24 due to stimulus
Money Market	332.07	3,438.54	-90.3%	-66.2%	*First cargo of new Nigerian crude Anyala enroute Europe
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Nigeria's nine-month oil export earnings fall by \$1.24bn
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*China's economy picks up speed in Q4, ends 2020 in solid shape after COVID shock
Trade Balance	2,382	2,559	1,668	-6.9%	*Pension industry fund assets rise to N12.29tr
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*External reserves rise by \$930m in two weeks

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

Index Performance		Index Returns (%)					Sector Performance			
Level	Level	WoW	MTD	QTD	YTD	1 year	WoW	QTD	YTD	
NSEASI	41001.99	-0.42	1.82	1.82	1.82	39.19	Banking	-1.11%	3.46%	3.46%
NSEASI (\$)	41001.99	-0.42	5.81	5.81	5.81	27.22	Brewers	2.07%	9.85%	9.85%
Market Cap (? 'bn)	18,365	-0.38	1.86	1.86	1.86	40.54	Cement	-0.97%	-0.94%	-0.94%
Market Cap (\$'mn)	46,494	-0.30	5.85	5.85	5.85	29.2	Telecom	0.00%	0.07%	0.07%
NSE 30	1683.74	-0.20	2.66	2.66	2.66	28.78	Personal Care	2.22%	-0.25%	-0.25%
NSE Premium	3493.42	-0.57	0.65	0.65	0.65	39.78	Construction	-0.99%	3.24%	3.24%
NSE 50	1692.92	-0.46	2.07	2.07	2.07	16.93	Food	-0.47%	3.40%	3.40%
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance	2.08%	13.11%	13.11%
NSE Banking	410.39	-1.33	4.42	4.42	4.42	3.88	Oil & Gas	-0.93%	48.42%	48.42%
NSE Insurance	241.80	-0.80	27.60	27.60	27.60	85.49	Real Estate	-0.15%	-0.12%	-0.12%
NSE Consumer	605.92	-0.09	5.68	5.68	5.68	7.97	ARM Indices			
NSE Oil & Gas	274.18	-0.13	21.21	21.21	21.21	9.41	Large Cap (Top 10%)	-0.56%	0.95%	0.95%
NSE Industrial	2051.69	-0.51	-0.03	-0.03	-0.03	67.12	Mid Cap (Mid 30%)	0.82%	6.10%	6.10%
NSE Lotus	2876.15	-0.34	1.05	1.05	1.05	40.80	Small Cap (Bottom 60%)	13.09%	29.13%	29.13%
NSE Pensions	1455.48	-0.60	4.81	4.81	4.81	29.56				

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
CHAMPION	1.95	44.4%	WEMABANK	0.71	-5.3%
TRANSEXP	1.10	37.5%	ACCESS	9.15	-5.7%
MCR	3.12	32.2%	UBA	8.70	-5.9%
NNFM	9.68	30.6%	UACPROP	0.75	-6.2%
LINKASSU	0.90	30.4%	OMATEK	0.20	-9.1%
SOVERNIN	0.33	26.9%	TOURIST	2.84	-9.8%
BOCGAS	15.12	20.8%	CHAMS	0.25	-10.7%
MULTIVER	0.24	20.0%	FTNCOCOA	0.60	-13.0%
LIVESTOC	2.52	19.4%	MRSOIL	11.20	-18.5%
PORT	2.90	18.9%	MANSARD	1.28	-20.0%



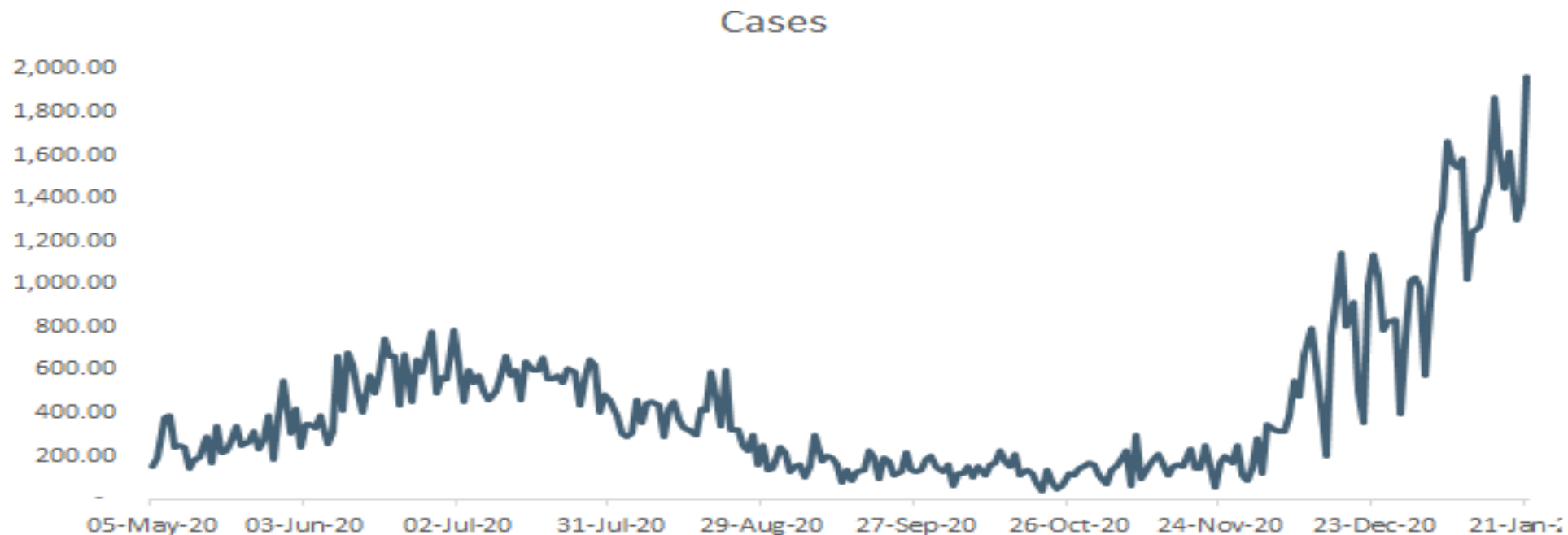
Source: NSE, Bloomberg, ARM Research

	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)	10.50%	1.00%	9.50%	21-Jan-21	1.51%	4.34%	5.74%	21-Jan-21	20.00	20.00	130.00
Open Buy Back (OBB)	10.00%	0.50%	9.50%	14-Jan-21	1.51%	4.34%	5.74%	14-Jan-21	10.00	10.00	60.00
NIBOR - 1M	0.46%	0.75%	-0.29%	07-Jan-21	1.51%	4.34%	5.74%	07-Jan-21	10.00	10.00	40.00
NIBOR - 3M	0.55%	0.81%	-0.26%	31-Dec-20	1.56%	4.39%	5.80%	31-Dec-20	10.00	10.00	60.00
NIBOR - 6M	0.77%	0.93%	-0.16%	24-Dec-20	1.61%	4.45%	5.90%	24-Dec-20	10.00	10.00	40.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.14%	0.18%	-0.04%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
3-month	0.30%	0.27%	0.03%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
6-month	0.47%	0.50%	-0.03%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
9-month	0.73%	0.79%	-0.06%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
12-month	1.17%	0.93%	0.24%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	0.46%	0.51%	-0.05%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.39% 27-JAN-2022	2.27%	1.94%	0.33%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
14.20% 14-MAR-2024	4.35%	4.37%	-0.02%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
12.50% 22-JAN-2026	6.16%	6.49%	-0.33%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.2884% 17-MAR-2027	8.06%	7.75%	0.31%	23-Sep-20	6.00%	8.52%	8.90%	23-Sep-20	69.3	25.4	4.6
12.1493% 18-JUL-2034	9.04%	8.24%	0.80%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	8.76%	8.69%	0.07%	MIXTA 17.00% 16-JAN-2022	2.33%	1.70%	0.63%	ACCESS 10.50% 19-OCT-2021	4.19%	4.12%	0.07%
14.8% 26-APR-2049	9.03%	8.60%	0.43%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.17%	3.66%	-0.49%
				DUFIL 18.25% 1-SEP-2022	4.63%	4.48%	0.15%	UBA 7.75% 08-JUN-2022	4.77%	4.67%	0.10%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	2.94%	2.99%	-0.05%	STERLING 16.50% 3-AUG-2023	4.75%	4.79%	-0.04%				
6.50% 28-Nov-2027	5.08%	5.04%	0.04%	FCMB 17.25% 8-DEC-2023	5.45%	5.48%	-0.03%				
7.875% 16-FEB-2032	6.64%	6.65%	-0.01%	ACCESS 15.50% 23-JUL-2026	8.86%	9.15%	-0.29%				
7.625% 28-Nov-2047	7.24%	7.27%	-0.03%	VIATHAN 16.00% 14-DEC-2027	6.44%	6.65%	-0.21%				
				UNION 16.20% 27-JUN-2029	11.55%	10.85%	0.70%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Trend in covid cases

For this week, we present the recent spike in covid-19 cases in Nigeria and its potential negative impact on the economy. Over the week, average daily number of covid-19 cases printed at 1,567 which is way higher than 2020 average. Furthermore, 2021 year to date average currently hover around 1,384 cases, lower than what was recorded over the week. Bearing in mind the experiences of 2020 when the global outbreak of covid-19 plunged Nigeria's economy into a recession, we note that the recent surge in daily number of cases may further suppress the economy in its recessionary state should it go viral.



Source: Bloomberg, ARM Research



Thank You

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