

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 25 January – 29 January 2021

Global Economy

- ◆ In the UK, unemployment rate edged up marginally to 5% in November 2020 (October 2020: 4.9%), its highest level since early 2016 but below market expectations of 5.1%. This was the fifth consecutive monthly increase in the jobless rate as the nation's labor market continued to reel from the harsh effects of the coronavirus pandemic. According to the first advance estimate released by the Bureau of Economic Analysis (BEA), economic growth in the US slowed to 4%QoQ in Q420 (Q3'20: 33.4%QoQ). The expansion reflects upticks in exports(+22.0%QoQ), Gross fixed investment (+18.4%QoQ) and Personal Consumption Expenditure (+2.5%QoQ), although these were partly offset by a decline in State and Federal government spending (-1.2%QoQ). Over FY20, GDP contracted by 3.5% (FY19: 2.2%), its worst performance posted this century. Meanwhile, the Fed left the target range for its federal funds rate at 0-0.25%, while also maintaining its QE program for Treasuries and Mortgage-Backed Securities at \$80 billion and \$40 billion respectively. Furthermore, policy makers reiterated their commitment to using the bank's full range of tools to provide further support to an already strained economy

Domestic Economy

- ◆ At the first Monetary policy meeting of the year, the MPC voted to retain MPR at 11.5%, leaving all other parameters unchanged, citing the need to mitigate the impact of the pandemic on the economy. Elsewhere, the IMF revised its growth forecast for Nigeria to 1.5% over FY 2021 (Previously 1.7%) as renewed waves and new variants of the virus poses concerns for the outlook. Meanwhile, recently published data from the NBS showed a 10% YoY uptick in Non-oil revenue to ₦2.94 trillion over FY 2020. Precisely, the expansion in Non-oil revenue stemmed from a 29% YoY increase in value added tax (VAT) to ₦1.53 trillion - a fallout of higher VAT to 7.5% (previously 5%) implemented in 2020. Meanwhile company income tax (CIT) moderated by 6% YoY to ₦1.41 trillion, which we believe is not unrelated to lower corporate earnings due to the adverse impact on the pandemic during the period.

Equities and stock recommendation

- ◆ The downturn in the Nigerian bourse was short-lived, as NSE ASI rose 344bps WoW to settle at 42,412.66 points, while market cap came in at ₦22.2 trillion. Save for the Oil&Gas sector which lost 14.93% WoW, all other sectors posted gains, with Construction (+10.69%), Telecom (+7.92%) Breweries (+4.30%) and Banking (+3.05%) at the vanguard of the gains. Dissecting the sectoral performances further revealed that JBERGER (+19.84%), WAPCO (+15.38%), AIRTEL (+9.18%), MTNN (+6.47%), FLOURMILL (+8.44%), GUARANTY (+4.23%), ZENITH (+2.64%) and NB (+3.28%) WoW were the prime drivers for the upturn. Meanwhile, weekly declines were recorded across SEPLAT (-9.26%), MOBIL (-8.62%) ARDOVA (-8.62%) and INTBREW (-8.95%).
- ◆ 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 – OVERWEIGHT (FVE: ₦10.39) and FIDELITY BANK PLC – NEUTRAL (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

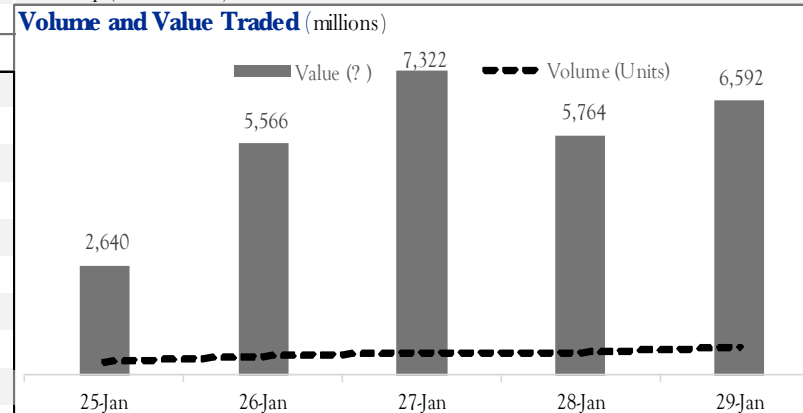
- ◆ At this week's NTB auction, ₦181.98 billion was sold which was less than the ₦187.30 billion that was offered and that matured. This means that the DMO is yet to rollover at either of the NTB auctions so far this year. The average stop rate, meanwhile, continued to rise as it gained 28bps at the last auction to close at 1.28%. While at the OMO auction, the CBN sold ₦145 billion (vs ₦190 billion maturing) with the average stop rate remaining unchanged at 3.86%. In the secondary market, the average fixed income yield printed 76bps higher WoW to 4.25% mirroring increases at both ends of the curve. For context, the average bond yield edged up 99bps WoW to 7.45% following increases in the Apr-2023 (+241bps), Mar-2024 (+190bps) and Apr-2037 (+152bps) instruments while the average NTB yield rose by 53bp WoW to 1.05%, spurred by a rise across the 270-day (+104bps) and 182-day (+53bps) bills.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.40	36.48	-0.24%	-5.70%	*Guinness Q1 2021 - Surprising YoY growth in revenue
USD/NGN (₦/\$)					
NAFEX	394	394.0	-0.08%	-7.56%	
Parallel	475.5	473.5	-0.42%	-24.29%	
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	News Headline for the week (click news for link)
Oil	-13.9	-6.6	5.1	4.6	*Nigeria redeems \$500m Eurobond, \$10.37bn outstanding
Agriculture	1.4	1.6	2.2	2.4	*COVID-19 savages U.S. economy, 2020 performance worst in 74 years
Manufacturing	-1.5	-8.8	0.4	0.8	*Fed Govt got N2.94tr non-oil income in 2020
Services	-2.5	-2.61	3.5	3.4	*NNPC Records N1.95tn from Sale of Petrol, Others
Labor Data (%) - Q2 20			Latest	Prior	*Fed still in crisis-fighting mode as recovery appears to moderate
Unemployment Rate			27.1	23.1	*IMF Revises Nigeria's 2021 GDP Forecasts to 1.5%
Underemployment			28.8	20.1	*IMF Foresees Improved Capital Spending in Nigeria
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Biden administration aims to have enough vaccine for most Americans by summer
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*CBN boosts economy with N8.8tr to battle COVID-19 effect
Bonds	0.00	231.22	-100.0%	-100.0%	*South Korea Q42020 GDP beats expectations, poised for strong 2021 rebound
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Refineries shut for 15 straight months, lose N152.08bn
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*China was largest recipient of FDI in 2020: Report
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Insurance industry records 10% yearly growth in 10 years
Trade Balance	2,382	2,559	1,668	-6.9%	*Power sector loses N20.5bn as load rejection lingers
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria suffered 21% drop in foreign investment inflows – UN

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	42412.66	3.44	5.32	5.32	5.32	45.69	Banking	3.05%	6.62%	6.62%
NSE ASI (\$)	42412.66	3.44	9.46	9.46	9.46	34.86	Brewers	4.30%	14.58%	14.58%
Market Cap (? 'bn)	18,365	3.44	5.37	5.37	5.37	49.33	Cement	0.83%	-0.11%	-0.11%
Market Cap (\$'mn)	46,494	3.45	9.51	9.51	9.51	36.96	Telecom	7.92%	7.99%	7.99%
NSE 30	1720.95	2.21	4.93	4.93	4.93	33.52	Personal Care	0.54%	0.29%	0.29%
NSE Premium	3613.80	3.45	4.12	4.12	4.12	46.66	Construction	10.69%	14.27%	14.27%
NSE 50	1725.72	1.94	4.05	4.05	4.05	20.34	Food	0.87%	4.31%	4.31%
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance	-0.29%	12.78%	12.78%
NSE Banking	424.04	3.33	7.89	7.89	7.89	12.73	Oil & Gas	-14.93%	26.26%	26.26%
NSE Insurance	245.91	1.70	29.77	29.77	29.77	89.45	Real Estate	0.27%	0.15%	0.15%
NSE Consumer	613.69	1.28	7.04	7.04	7.04	9.61	ARM Indices			
NSE Oil & Gas	254.31	-7.25	12.43	12.43	12.43	0.95		WoW	QTD	YTD
NSE Industrial	2081.37	1.45	1.41	1.41	1.41	65.51	Large Cap (Top 10%)	3.50%	4.48%	4.48%
NSE Lotus	2947.10	2.47	3.55	3.55	3.55	45.25	Mid Cap (Mid 30%)	0.66%	6.80%	6.80%
NSE Pensions	1492.60	2.55	7.49	7.49	7.49	34.52	Small Cap (Bottom 60%)	-5.05%	22.62%	22.62%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
CHAMPION	3.11	59.5%	CILEASIN	5.13	-10.0%
FIDSON	6.05	30.1%	TRANSEXP	0.99	-10.0%
MAYBAKER	4.65	27.4%	TRANSCORP	1.02	-10.5%
PORTILAND	3.50	20.7%	REGALINS	0.34	-10.5%
JBERGER	22.65	19.8%	LASACO	0.42	-12.5%
WAPCO	30.00	15.4%	UNIVINSU	0.20	-13.0%
AFRINSUR	0.25	13.6%	NIGERINS	0.23	-14.8%
UACPROP	0.84	12.0%	ACADEMY	0.33	-17.5%
UBN	6.10	9.9%	SOVERNIN	0.26	-21.2%
MRSOIL	12.30	9.8%	VERITASK	0.20	-28.6%



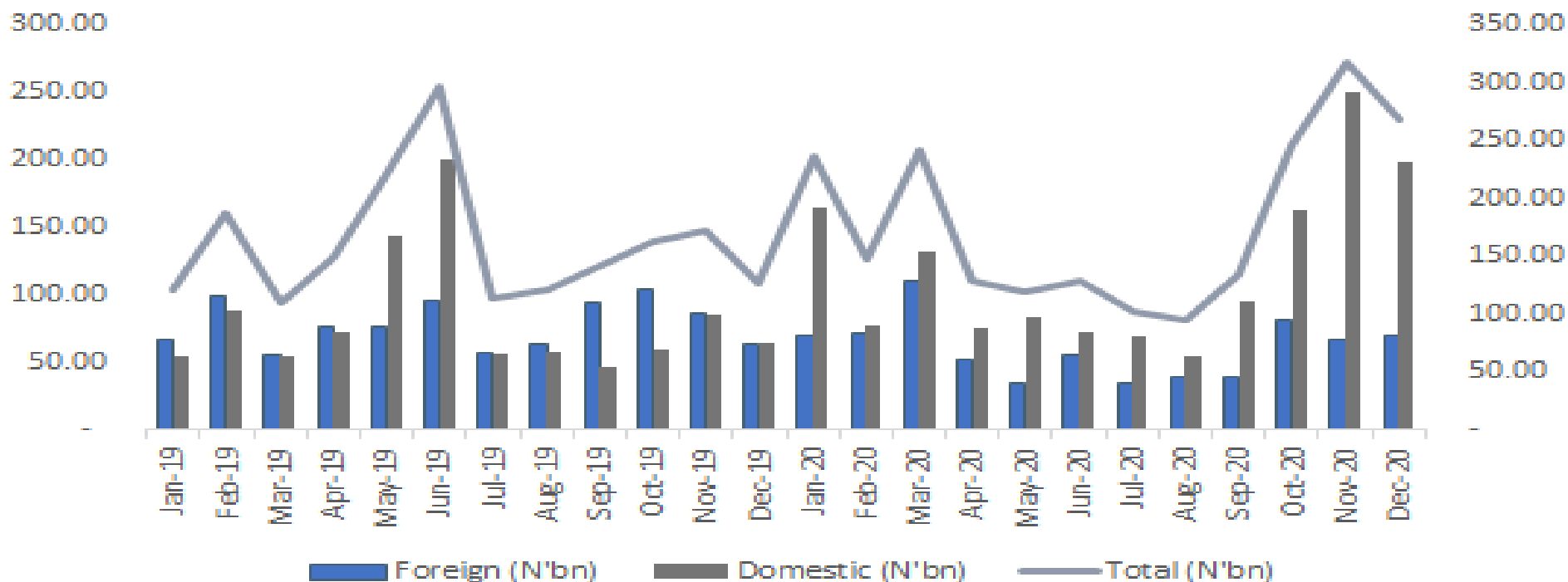
Source: NSE, Bloomberg, ARM Research

	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)	11.00%	10.50%	0.50%	28-Jan-21	1.51%	4.34%	5.74%	28-Jan-21	20.00	15.00	110.00
Open Buy Back (OBB)	10.50%	10.00%	0.50%	21-Jan-21	1.51%	4.34%	5.74%	21-Jan-21	20.00	20.00	130.00
NIBOR - 1M	1.31%	0.46%	0.85%	14-Jan-21	1.51%	4.34%	5.74%	14-Jan-21	10.00	10.00	60.00
NIBOR - 3M	1.38%	0.55%	0.83%	07-Jan-21	1.51%	4.34%	5.74%	07-Jan-21	10.00	10.00	40.00
NIBOR - 6M	1.68%	0.77%	0.91%	31-Dec-20	1.56%	4.39%	5.80%	31-Dec-20	10.00	10.00	60.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.58%	0.14%	0.44%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11
3-month	0.43%	0.30%	0.13%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
6-month	1.00%	0.47%	0.53%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
9-month	1.77%	0.73%	1.04%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
12-month	1.17%	1.17%	0.00%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	0.92%	0.46%	0.46%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.39% 27-JAN-2022	1.33%	2.27%	-0.94%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
14.20% 14-MAR-2024	6.25%	4.35%	1.90%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
12.50% 22-JAN-2026	7.01%	6.16%	0.85%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.2884% 17-MAR-2027	8.50%	8.06%	0.44%	23-Sep-20	6.00%	8.52%	8.90%	23-Sep-20	69.3	25.4	4.6
12.1493% 18-JUL-2034	10.18%	9.04%	1.14%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	10.28%	8.76%	1.52%	MIXTA 17.00% 16-JAN-2022	2.33%	2.33%	0.00%	ACCESS 10.50% 19-OCT-2021	4.05%	4.19%	-0.14%
14.8% 26-APR-2049	10.48%	9.03%	1.45%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.80%	3.17%	0.63%
				DUFIL 18.25% 1-SEP-2022	5.28%	4.63%	0.65%	UBA 7.75% 08-JUN-2022	4.58%	4.77%	-0.19%
FGN Eurobonds											
				LAPO MFB 17.75% 19-DEC-2022	8.30%	6.84%	1.46%	SEPLAT 9.25% 1-APR-2023	7.41%	7.48%	-0.07%
5.625% 27-JUN-2022	2.83%	2.94%	-0.11%	STERLING 16.50% 3-AUG-2023	7.01%	4.75%	2.26%				
6.50% 28-Nov-2027	5.15%	5.08%	0.07%	FCMB 17.25% 8-DEC-2023	7.51%	5.45%	2.06%				
7.875% 16-FEB-2032	6.70%	6.64%	0.06%	ACCESS 15.50% 23-JUL-2026	9.86%	8.86%	1.00%				
7.625% 28-Nov-2047	7.30%	7.24%	0.06%	VIATHAN 16.00% 14-DEC-2027	7.71%	6.44%	1.27%				
				UNION 16.20% 27-JUN-2029	12.14%	11.55%	0.59%				

Source: DMO, FMDQ, Bloomberg, ARM Research

December performance of the NSE

In December 2020, total value traded on the Nigeria Stock Exchange declined by 15.28% MoM to N269.24 billion. The reduction was driven by a decrease in activities from Domestic investors, which fell by 20.43% MoM while we saw an improvement in Foreign participation over the same period. However, Domestic investors continued to dominate activities on the stock exchange with a participation rate of 74.03% in December 2020. Over the FY20 period, total value traded on the local bourse increased by 12.20% to N2.17 trillion with a higher participation rate from Domestic investors (66.37%) compared to Foreign investors (33.63%).



Source: NSE, ARM Research



Thank You

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