

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week 17th January - 21st January 2022

Global Economy

- ◆ In its quarterly economic outlook report, the Bank of Japan raised its inflation forecast for FY 2022 to 1.1% (October 2021 forecast: 0.9%), amid soaring raw materials and energy costs. The bank lowered its GDP growth forecast for FY 2021 from 3.4% to 2.8% but revised higher its projection for 2022 to 3.8% (earlier projections: 2.9%), reflecting the government's recent stimulus measures. Elsewhere, China's economy rebounded firmly in 2021, buoyed by a sturdy export sector, but signs of a slowdown in the nation's recovery momentum remained bare following the release of its FY 2021 GDP figures. In detail, the world's second largest economy expanded by 8.1% in 2021, the fastest pace on record in nearly a decade and comfortably exceeding the government's modest 6% target. However, growth slowed for a third consecutive quarter in Q4 2021, easing to 4%YoY (Q3 2021: +4.9%YoY) amid waning consumption, a cooling property sector and sporadic Covid-19 outbreaks that hampered production activities. In a bid to boost growth this year, the Chinese central bank lowered its one-year and five-year loan prime rate (LPR) by 10bps and 5bps respectively to 3.70% and 4.60%, just days after it unexpectedly cut the borrowing costs of its short and medium-term loans for the first time since April 2020.

Domestic Economy

- ◆ Nigeria's headline inflation rose for the first time since April 2021 to 15.63%YoY in December 2021 from 15.40%YoY in November. This is according to the recently released inflation report by the National Bureau of Statistics (NBS). Food inflation climbed to 17.37%YoY in December 2021, representing a 16bps increase from the rate of 17.21% recorded in November 2021 and Core inflation inched up by 2bps to print at 13.87% YoY in December 2021. On a month-on-month basis, the Headline figure surged 74bps to 1.82%, buoyed by a 112bps jump in food inflation to 2.19%. On the other hand, core inflation eased by 14bps to 1.12% in December from the 1.26% recorded in November 2021. Elsewhere, the International Monetary Fund (IMF) announced its plans to launch a \$50bn trust fund for low-income and vulnerable middle-income countries. The fund aims to help these countries build resilience to balance of payments shocks and set them on the path to sustainable recovery before the end of 2022.

Equities and stock recommendation

- ◆ The bulls strengthened their hold on the Nigerian equities market this week, upstaging the bears in four of the five trading sessions. Specifically, the NGXASI appreciated by 3.38% WoW, pushing the bourse's YtD returns to 7.59% while the overall Market Capitalization rose by 3.38% WoW to settle at NGN24.76 trillion. The sectoral performances were broadly positive, with gains posted in the NGX Oil&Gas (+5.21%), NGX Industrial (+4.37%) and NGX Consumer Goods (+1.03%) indices outweighing losses recorded in the Insurance (-0.27%) space. Delving further into the sectoral performances revealed that positive price movements in blue-chip names AIRTEL (10.00%), SEPLAT (9.43%), DANGCEM (5.52%), DANGSUGAR (4.41%) BU-ACEMENT (4.23%) boosted the index's performance this week. Meanwhile, STANBIC (-2.97%), INTBREW (-2.91%), WAPCO (-1.55%) WoW all ended the week in the red.

Fixed Income

- ◆ In the Nigerian Treasury Bills secondary market, we note a lull trading session as average yields closed flat at 4.67%, similar to the trend observed in recent weeks. Conversely, average yields in the secondary bonds market inched higher by 55bps WoW to 11.57% as the yield on the JAN 2026 instrument rose 16bps to 11.45% in line with the marginal rate at the auction. At the Bonds auction on Wednesday, the DMO reopened the JAN 2026 bond and issued a new instrument - JAN 2042. Demand at the auction outweighed supply with an aggregate bid-to-cover ratio of 2.17x and hence, the marginal rate for the existing 2026 instrument declined to 11.50% from 11.65% at the last auction.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	40.38	40.51	-0.33%	-0.35%	
USD/NGN (₦/\$)					
NAFEX	417	416.5	0.00%	4.44%	
Parallel	570.0	570.0	0.00%	-0.88%	
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	*IMF set to launch \$50bn lifeline for Nigeria, others
Manufacturing	4.29	3.49	3.4	-2.8	*Petrol may sell for N403/litre as governors engage Labour
Services	8.4	9.3	-0.4	-2.2	*Oil falls as U.S. inventory build prompts profit-taking
Labor Data (%) - Q4 20			Latest	Prior	*Dangote Refinery to reduce Africa's petroleum product imports by 36%'
Unemployment Rate			33.3	27.1	*FEC okays N75.78b for FCT, Transportation, erosion control projects
Underemployment			22.8	28.8	*Nigeria's daily oil production falls below 1.2 million barrels
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*AFC okays \$400m syndicated loan for Africa's infrastructure
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*Nigeria's import bill rose to \$8.92bn in nine months - Report
Bonds	364.97	14.54	2410.11%		*Cash-strapped banks borrow N9.17tn from CBN in seven months
Money Market	795.74	451.67	76.2%	119.13%	*BOJ raises inflation forecasts, maintains ultra-easy policy
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Inflation rate rises to 15.63% in December
Monetary Policy Rates (%) (November 2021)	Latest	Prior		CHG (%)	*Finance, insurance firms boost services sector growth - CBN
MPR	11.5	11.5		0.0%	*China's economy loses steam as COVID-19 erupts, c.bank cuts rates
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*Fed Govt launches 2022 capital raising with savings bonds
Liquidity Ratio	30.0	30.0		0.0%	*Insurance firms' assets hit N2.09tn amidst recapitalisation suspension

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

	WoW	Mtd	QtD	YtD
NGXASI	3.38%	7.59%	7.59%	7.59%
Market Cap	3.38%	11.05%	11.05%	11.05%
NGX 30	2.18%	2.94%	2.94%	2.94%
NGX Premium	2.71%	4.39%	4.39%	4.39%
NGX 50	2.13%	2.31%	2.31%	2.31%
NGX ASEM	0.00%	0.00%	0.00%	0.00%
NGX Banking*	0.00%	1.53%	1.53%	1.53%
NGX Industrial	4.37%	8.45%	8.45%	8.45%
NGX Consumer Goods	1.03%	-4.21%	-4.21%	-4.21%
NGX Oil & Gas	5.21%	9.90%	9.90%	9.90%
NGX Insurance	-0.27%	-2.73%	-2.73%	-2.73%

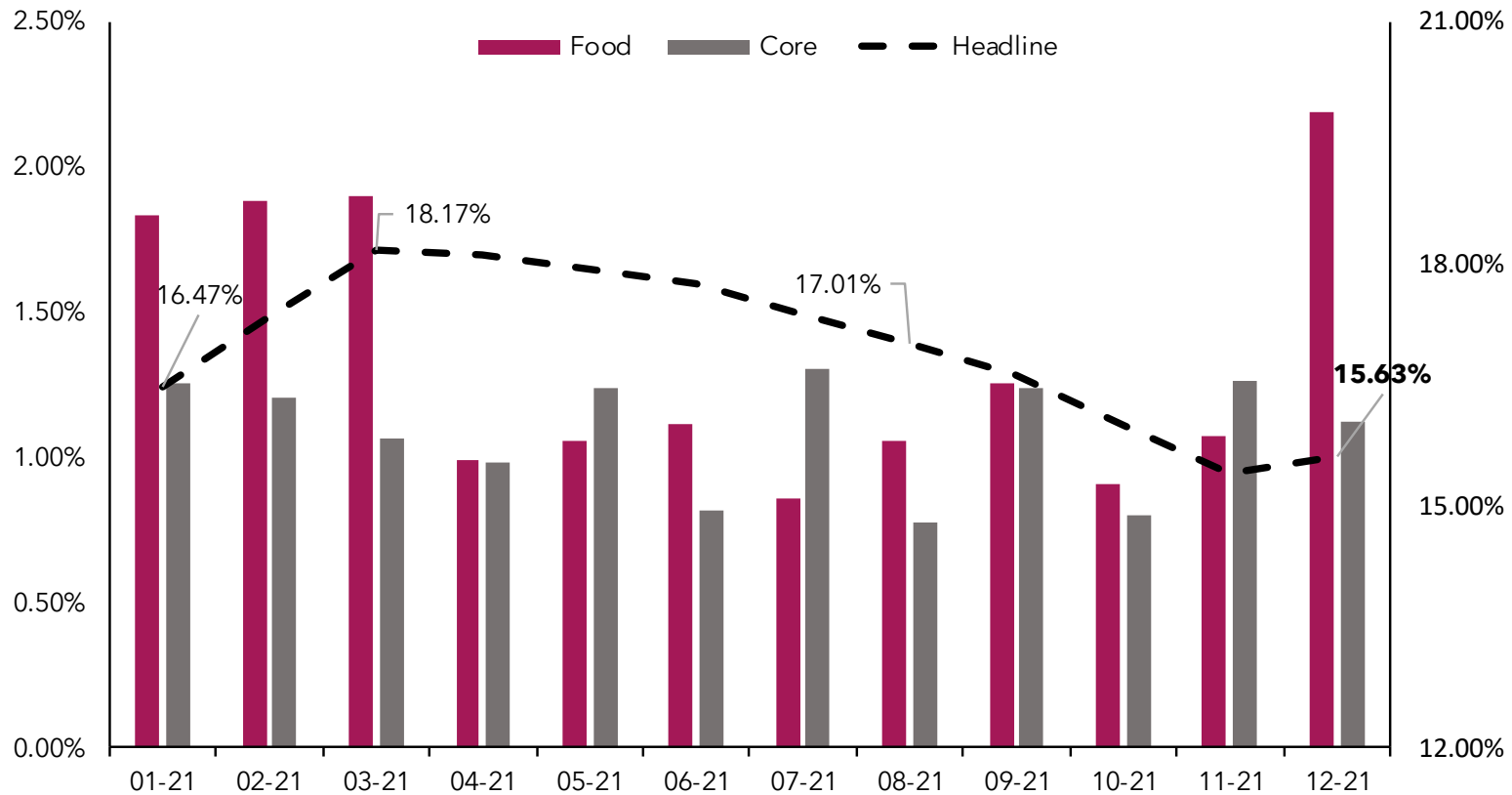
*Figures as @ 14/01/2022

	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)	15.25%	14.75%	0.50%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
Open Buy Back (OBB)	15.00%	14.00%	1.00%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
NIBOR - 1M	9.01%	7.89%	1.12%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00
NIBOR - 3M	10.84%	8.51%	2.33%	02-Dec-21	7.00%	8.50%	10.10%	02-Dec-21	7.00	10.00	20.00
NIBOR - 6M	10.88%	9.09%	1.79%	25-Nov-21	7.00%	8.50%	10.10%	25-Nov-21	5.00	5.00	20.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	4.01%	4.01%	0.00%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
3-month	4.55%	4.56%	-0.01%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
6-month	4.39%	4.39%	0.00%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80
9-month	5.19%	5.19%	0.00%	08-Dec-21	2.50%	3.45%	5.34%	08-Dec-21	1.55	0.79	51.39
12-month	5.72%	5.22%	0.50%	24-Nov-21	2.50%	3.50%	5.89%	24-Nov-21	2.04	3.78	209.89
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
16.39% 27-JAN-2022	3.96%	3.96%	0.00%								
12.75% 27-APR-2023	7.38%	7.40%	-0.02%								
14.20% 14-MAR-2024	9.03%	9.07%	-0.04%								
12.50% 22-JAN-2026	11.45%	11.29%	0.16%								
16.2884% 17-MAR-2027	12.11%	12.20%	-0.09%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	12.45%	12.45%	0.00%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	12.85%	12.95%	-0.10%	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	13.10%	13.18%	-0.08%	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	3.47%	3.47%	0.00%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
6.50% 28-Nov-2027	7.15%	7.15%	0.00%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.875% 16-FEB-2032	8.84%	8.84%	0.00%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.625% 28-Nov-2047	9.19%	9.19%	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%				

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

Prices Inch Higher for the first time in Nine Months in December 2021.

Headline inflation (+23bps to 15.63%YoY) rose in December 2021 after eight consecutive months of decline. The increase reflected upticks in both the core (+2bps to 13.87% YoY) and food (+16bps to 17.37%YoY) indices amid increased demand during the festive period and increased spending on household consumables. Looking ahead, we expect the high-base effect from H1 2021 to keep price growth contained over the first half of this year.



Source: NBS, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.