

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 24th January - 28th January 2022

Global Economy

- ◆ At the end of its January 2022 FOMC meeting, the US Federal Reserve Bank kept its federal funds rate unchanged at 0-0.25%, but bank officials noted that a rate hike would “soon” become appropriate, as labor market conditions tighten, and inflation remains well above the bank’s 2% target. The Fed reiterated its stance to complete the tapering of its bond-purchase program by March, likely setting the stage for a first interest rate hike in Q2 2022. Furthermore, policymakers outlined plans to begin reducing the Central Bank’s \$8.9 trillion balance sheet once the rate hike cycle begins. Elsewhere, in its latest World Economic Outlook (WEO), the International Monetary Fund cut its economic growth forecasts for the global economy in 2022, citing lingering uncertainty about the pandemic, inflation and supply disruptions as significant threats to its outlook. The Bretton-wood institution left its projection for FY 2021 unchanged at 5.9% but lowered its forecast for 2022 to 4.4% (Previous forecast: 4.9%), mirroring downgrades to the world’s two largest economies, the US (4.0% vs 5.2% in October 2021) and China (4.8% vs 5.6% in October 2021). Furthermore, the pandemic is now projected to cost c. \$13.8 trillion in cumulative economic losses through 2024, compared to the previous forecast of \$12.5 trillion.

Domestic Economy

- ◆ Earlier this week, the planned subsidy removal, previously earmarked for the end of H1 2022, was put on hold, as the Federal Government stated it would provide for subsidy payment beyond June. Based on this, the Nigerian National Petroleum Company (NNPC) Limited projected it would cost a cumulative NGN3 trillion to fund petrol subsidy this year at NGN270 billion per month. Elsewhere, the first Monetary Policy Committee meeting of the Central Bank of Nigeria for this year took place this week. The benchmark interest rate was retained at 11.5%, whilst keeping all other monetary parameters constant (asymmetric corridor of +100/-700 basis points around the MPR, CRR: 27.5%, Liquidity ratio: 30%). The committee highlighted that the Nigerian economy is expected to remain on a positive growth trajectory, following the impressive growth recorded in the third quarter of 2021, reflecting continuous recovery from the recession.

Equities and stock recommendation

- ◆ The Nigerian Equities market extended its bullish streak this week as the bourse eked out weekly gains of 0.54%, pushing the market’s MtD and YtD returns to 8.17%. On a sectoral basis, the performance was mixed, with the NGX Banking (+4.84%) and NGX Oil&Gas (+3.53%) sectors posting weekly advances while the NGX Industrial (-5.12%) and NGX Insurance (-3.12%) counters ended the week in the red. Buy interest in AIRTELAF (+10.00%), ETI (+44.75%), GUINNESS (+13.98%), INTBREW (+18.00%) and SEPLAT (+4.62%) spurred the positive performance witnessed this week. Conversely, price depreciation in Industrial giants DANGCEM (-8.53%) and BUACEMENT (-2.03%) weighed the sector’s performance.

Fixed Income

- ◆ Average yield in the Nigerian Treasury Bills secondary market declined WoW by 10bps to 4.57%. at the Treasury Bills auction on Wednesday, increased demand pushed marginal rates lower as subscriptions outweighed the offered amounts. Bid to cover ratio at the auction was 3.68x with demand of ₦475.63bn compared to offer of ₦129.33bn and average marginal rate tapered to 3.73% from 3.81% at the last auction. In the same vein, average yield in the secondary bonds market inched lower by 15bps WoW to 11.41% as the yield on the APR-2029 and JULY-2030 instrument fell 57bps and 53bps to 11.93% and 12.09% respectively.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	40.18	40.38	-0.48%	-0.83%	
USD/NGN (₦/\$)					
NAFEX	416	416.0	-0.08%	-4.29%	
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	*Airtel Africa Joins FTSE100 January 31
Manufacturing	4.29	3.49	3.4	-2.8	*Nigeria raises N174bn from licensing round as 33 awardees fail deadline
Services	8.4	9.3	-0.4	-2.2	*NNPC to deduct N127bn from FAAC, plans \$5bn AfrieximBank loan
Labor Data (%) - Q4 20			Latest	Prior	*Govt to fund petrol subsidy with N3 trillion in one year
Unemployment Rate			33.3	27.1	*Prepare for unstable loan markets, IMF tells Nigeria, others
Underemployment			22.8	28.8	*DMO lists \$4bn Eurobond on FMDQ Securities Exchange
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*Petrol landing cost rises to N282/litre, oil hits \$90
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*IMF retains 2022 growth forecast for Nigeria at 2.7%
Bonds	364.97	14.54	2410.11%		*CBN retains lending rate at 11.5%
Money Market	795.74	451.67	76.2%	119.13%	*Foreign portfolio investments drop by 40% to five-year low
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Dangote refinery begins processing 540,000bpd in Q3
Monetary Policy Rates (%) (January 2022)	Latest	Prior		CHG (%)	*Goldman Sachs Forecasts Oil to Breach \$100 a Barrel in 2022
MPR	11.5	11.5		0.0%	*Credit to Private Sector Adds N9.03trn in 3 Years, Reached All-time High in 2021
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*FG Bows to Labour, Shelves Plan to End Fuel Subsidy from July
Liquidity Ratio	30.0	30.0		0.0%	*N10 excise duty tax takes effect as cost of soft drinks rise

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

	WoW	Mtd	QtD	YtD
NGXASI	0.54%	8.17%	8.17%	8.17%
Market Cap	0.55%	11.67%	11.67%	11.67%
NGX 30	-1.13%	1.78%	1.78%	1.78%
NGX Premium	-3.33%	0.91%	0.91%	0.91%
NGX 50	-1.12%	1.16%	1.16%	1.16%
NGX ASEM	0.00%	0.00%	0.00%	0.00%
NGX Banking	4.84%	8.22%	8.22%	8.22%
NGX Industrial	-5.12%	2.90%	2.90%	2.90%
NGX Consumer Goods*	0.00%	-4.21%	-4.21%	-4.21%
NGX Oil & Gas	3.53%	13.78%	13.78%	13.78%
NGX Insurance	-3.12%	-5.76%	-5.76%	-5.76%

*Figures as @ 21/01/2022

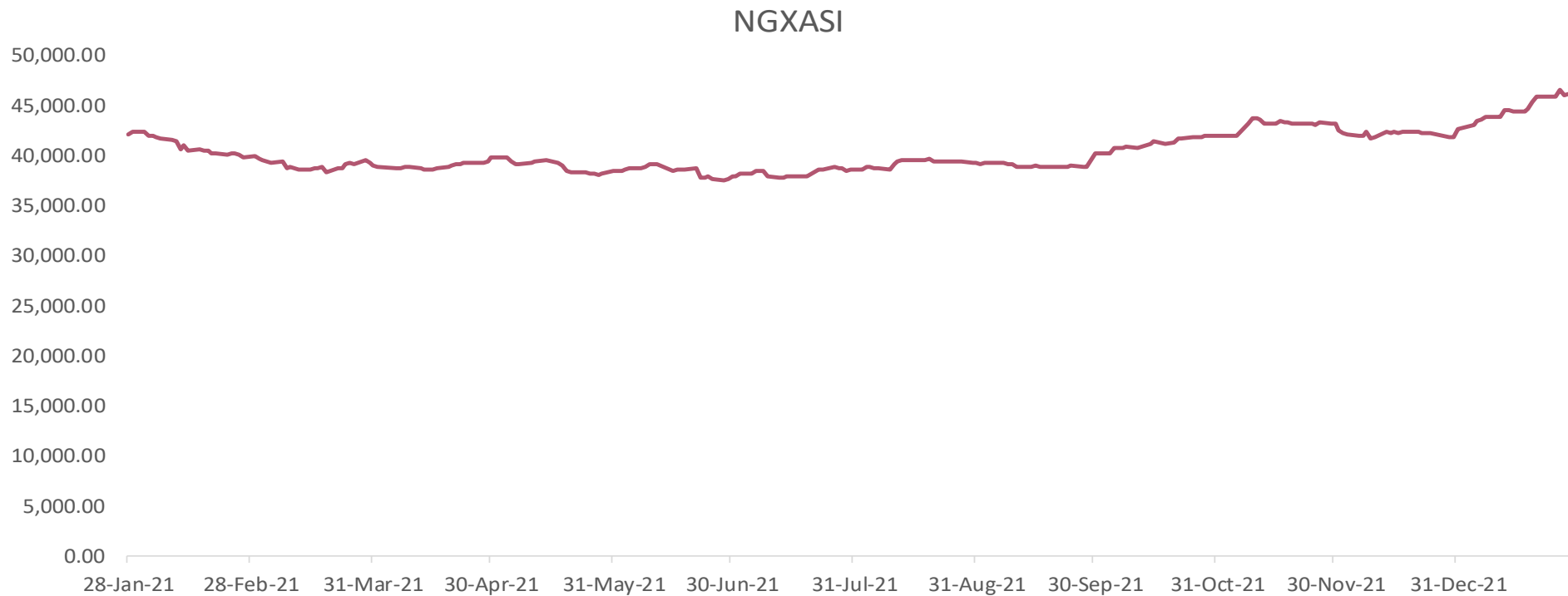
Source: NGX, ARM Research

	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)	1.25%	15.25%	-14.00%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00	
Open Buy Back (OBB)	1.00%	15.00%	-14.00%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00	
NIBOR - 1M	7.11%	9.01%	-1.90%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00	
NIBOR - 3M	9.06%	10.84%	-1.78%	09-Dec-21	7.00%	8.50%	10.10%	09-Dec-21	5.00	5.00	20.00	
NIBOR - 6M	9.41%	10.88%	-1.47%	02-Dec-21	7.00%	8.50%	10.10%	02-Dec-21	7.00	10.00	20.00	
Treasury Bills				Treasury Bills			91 Day	182 Day	364 Day	Treasury Bills		
1-month	2.50%	4.01%	-1.51%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53	
3-month	3.19%	4.55%	-1.36%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89	
6-month	4.22%	4.39%	-0.17%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11	
9-month	5.03%	5.19%	-0.16%	15-Dec-21	2.50%	3.45%	5.00%	15-Dec-21	0.96	1.10	3.80	
12-month	5.96%	5.72%	0.24%	08-Dec-21	2.50%	3.45%	5.34%	08-Dec-21	1.55	0.79	51.39	
FGN Bonds (Local)				FGN Bonds			Jan-26	Jan-42	FGN Bonds			
12.75% 27-APR-2023	6.88%	7.38%	-0.50%									
14.20% 14-MAR-2024	8.78%	9.03%	-0.25%									
13.53% 23-MAR-2025	10.00%	10.51%	-0.51%									
12.50% 22-JAN-2026	11.00%	11.45%	-0.45%									
16.2884% 17-MAR-2027	11.64%	12.11%	-0.47%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9		
12.1493% 18-JUL-2034	12.61%	12.45%	0.16%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond		
16.2499% 18-APR-2037	12.81%	12.85%	-0.04%	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%	13.10%	0.00%	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

The Nigerian bourse bounces back.

After experiencing a dip on Thursday January 27th, 2022, as the benchmark index dropped by 1.12% and trade volume declined by 9%, the Nigerian stocks recorded 0.43% gain today as the all share index stood at 46,205.05 compared with 46,009.23 recorded the previous day. Trade volume rose by 10.2% when compared with yesterday's figure. Year-on-Year and week-on-week comparison indicate an 8.17% and 0.54% increase, respectively. As companies release earnings results and declare dividends, this should be a major determinant in the movement along the indices in subsequent weeks.



Source: NGX, ARM Research

Thank You



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