

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation
...for the week 04 January – 08 January 2021

Global Economy

- ◆ For the fourth consecutive month consumer prices declined in the Eurozone. According to preliminary estimates they declined by 0.3%YoY in December 2020 (November 2020: -0.3%YoY). This figure points towards the fourth straight month of deflation in the region and was once again led by energy prices (down 6.9%YoY); non-energy industrial goods, meanwhile, fell at a more moderate pace (-0.5%YoY vs -0.3YoY in November). In the US, the final composite PMI printed at 55.3pts in December (preliminary estimate: 55.7pts), signaling the slowest upturn in business activity since September, as rising COVID-19 cases weighed on new business growth. The latest reading reflects a downward revision to services PMI (from 55.3pts to 54.8pts) while the manufacturing PMI was revised higher (from 56.5pts to 57.1pts) as production growth was at its strongest level since March 2015. Meanwhile, Congress formally certified President-elect Joe Biden's Electoral College victory, with lawmakers returning to finish the process hours after some mob-induced disruptions took center stage at Capitol Hill. Elsewhere, the New York Stock Exchange (NYSE) has maintained its initial plan to delist three Chinese telecom companies – China Mobile Ltd, China Telecom Corp Ltd and China Unicom Hong Kong Ltd – effective January 11th, 2021. The latest U-turn comes after the Treasury Secretary Steve Mnuchin disagreed with the NYSE chief on his decision to reverse the delisting earlier in the week

Domestic Economy

- ◆ This week, the Minister of Power directed the Nigerian Electricity Regulatory Commission (NERC) to suspend the implementation of the January 1st, 2021 nationwide electricity tariff hike. Accordingly, the same tariff rate applied in December will be applicable till the end of January 2021. Elsewhere, the World Bank projected an economic recovery in Nigeria in 2021, with a GDP estimate of 1.1% YoY followed by a 1.8% YoY growth in 2022. This is lower than its June 2020 GDP forecast of 1.7% YoY for FY 2021. Precisely, low oil prices, falling public investment due to weak government revenues, constrained private investment and subdued foreign investment confidence is expected to weigh on economic activities.

Equities and stock recommendation

- ◆ The Nigerian bourse began the year on a dour note as the NSEASI shed 37bps WoW to settle at 40,120.22points, while market cap printed at ₦20.97trillion. This was due to selloffs in Cement (-3.04%), Telecom (-1.42%) and Personal care (-3.57%) sectors outweighing gains in Oil&Gas (+29.37%), Breweries (+3.74%), Banking (+2.66%), and Food (+1.21%). A further dive into the sectoral performances revealed selloffs in blue-chip companies such as DANGCEM (-8.13%) and MTN (-2.77%) spearheaded the downturn, while downticks in UNILEVER (-5.04%), GUINNESS (-5.00%) and PZ (-1.89%) WoW also contributed to the negative close. Conversely, we saw buying interest in BUACEMENT (+3.43%), SEPLAT (+23.32%), INTBREW (+15.97%), DANGSUGAR (+8.81%), WAPCO (+5.94%), NB (+3.57%) and ZENITH (+3.43%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2), UNILEVER PLC – BUY (FVE: ₦16.03) and FIDELITY BANK PLC – BUY (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ In the secondary market, the average fixed income yield edged up 10bps WoW to print at 3.18% following contrasting movements at both ends of the curve. Specifically, increases in the Feb-2028 (+85bps), Apr-2037 (+79bps) and Apr-2049 (+74bps) instruments led the average bond yield up 23bps WoW to 5.93% while the average NTB yield shed 3bps WoW to 0.43% following declines in the 30-day (-18bps) and 91-day (-12bps) bills.

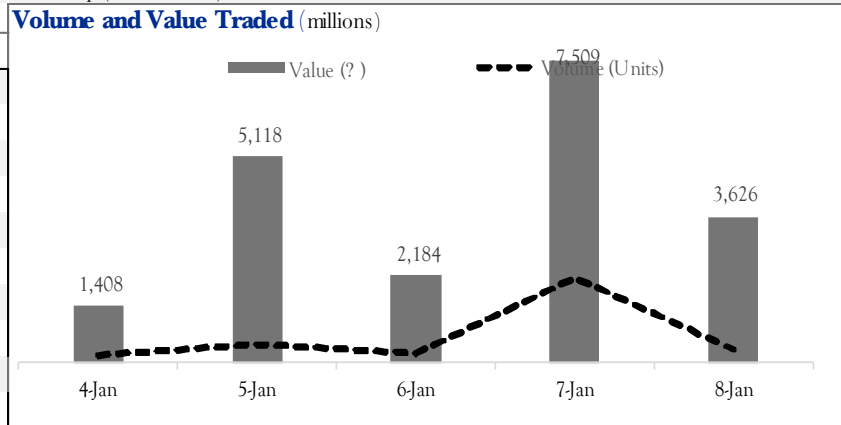
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.72	35.36	1.02%	-7.46%	
USD/NGN (₦/\$)					
NAFEX	394	394.0	0.08%	-7.41%	
Parallel	467.5	467.5	0.00%	-22.99%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (November)			CHG (pps)		
Headline	14.89	14.23	0.66	12.98	
Core	11.05	11.14	-0.09	10.19	
Food	18.3	17.38	0.92	15.8	
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	*FG suspends power tariff hike, subsidising 55% low users
Manufacturing	-1.5	-8.8	0.4	0.8	*U.S. trade deficit rises to more than 14-year high
Services	-2.5	-2.61	3.5	3.4	*U.S., Japan set for recovery in second half of 2021, IMF chief economist says
Labor Data (%) - Q2 20			Latest	Prior	*Federal Govt needs over N2.44tn to vaccinate 165 million Nigerians
Unemployment Rate			27.1	23.1	*FG to Borrow Unclaimed Dividends, Dormant Accounts' Balances
Underemployment			28.8	20.1	*Oil Prices Hit 11-month High on Saudi Oil Cut
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Japan's state of emergency seen triggering first-quarter economic contraction
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*UK offers extra £4.6 billion to firms to soften new COVID-19 recession
Bonds	0.00	231.22	-100.0%	-100.0%	*OPEC Mandates Nigeria to Cut Production by 939,000bpd in Three Months
Money Market	332.07	3,438.54	-90.3%	-66.2%	*World Bank cuts 2021 global forecast to 4.0%
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Forex inflow through CBN hits \$6.97bn in three months
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Manufacturing firms owe banks N3.03tn as sector shrinks
Trade Balance	2,382	2,559	1,668	-6.9%	*OPEC Forecasts 5.9mb Rise in 2021 Daily Crude Oil Demand
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Debt Service Gulps N1.99tn in Nine Months

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

Index Performance		Index Returns (%)					Sector Performance			
Level	WoW	MTD	QTD	YTD	1 year	WoW	QTD	YTD		
NSE ASI	40120.22	-0.37	-0.37	-0.37	-0.37	40.46	Banking	2.66%	2.66%	2.66%
NSE ASI (\$)	40120.22	3.69	3.69	3.69	3.69	24.77	Brewers	3.74%	3.74%	3.74%
Market Cap (? 'bn)	18,365	-0.37	-0.37	-0.37	-0.37	38.25	Cement	-3.04%	-3.04%	-3.04%
Market Cap (\$'mn)	46,494	3.69	3.69	3.69	3.69	26.46	Telecom	-1.42%	-1.42%	-1.42%
NSE 30	1641.17	0.06	0.06	0.06	0.06	29.89	Personal Care	-3.57%	-3.57%	-3.57%
NSE Premium	3367.12	-2.99	-2.99	-2.99	-2.99	44.04	Construction	0.29%	0.29%	0.29%
NSE 50	1652.60	-0.36	-0.36	-0.36	-0.36	13.99	Food	1.21%	1.21%	1.21%
NSE ASEM	729.87	0.00%	0.00	0.00	0.00	-0.70	Insurance	3.71%	3.71%	3.71%
NSE Banking	405.64	3.21	3.21	3.21	3.21	1.11	Oil & Gas	29.37%	29.37%	29.37%
NSE Insurance	207.48	9.49	9.49	9.49	9.49	54.97	Real Estate	0.18%	0.18%	0.18%
NSE Consumer	588.16	2.58	2.58	2.58	2.58	-0.76				
NSE Oil & Gas	255.97	13.16	13.16	13.16	13.16	3.55				
NSE Industrial	2005.26	-2.29	-2.29	-2.29	-2.29	74.10				
NSE Lotus	2811.50	-1.22	-1.22	-1.22	-1.22	44.72				
NSE Pensions	1413.70	1.80	1.80	1.80	1.80	27.05				

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
BOCGAS	12.65	32.2%	FCMB	3.25	-2.4%
NEM	2.30	28.5%	MTNN	165.20	-2.8%
SEPLAT	496.10	23.3%	OANDO	3.55	-4.1%
LINKASSU	0.64	23.1%	GUINNESS	18.05	-5.0%
LIVESTOC	1.70	22.3%	UNILEVER	13.20	-5.0%
CHAMPION	1.02	18.6%	MAYBAKER	3.27	-6.8%
INTBREW	6.90	16.0%	ABCTRANS	0.35	-7.9%
VITAFOAM	8.95	14.7%	DANGCEM	225.00	-8.1%
REGALINS	0.25	13.6%	ROYALEX	0.23	-11.5%
MANSARD	1.19	13.3%	DEAPCAP	0.22	-12.0%

ARM Indices	WoW	QTD	YTD
Large Cap (Top 10%)	-0.82%	-0.82%	-0.82%
Mid Cap (Mid 30%)	1.88%	1.88%	1.88%
Small Cap (Bottom 60%)	-1.83%	-1.83%	-1.83%



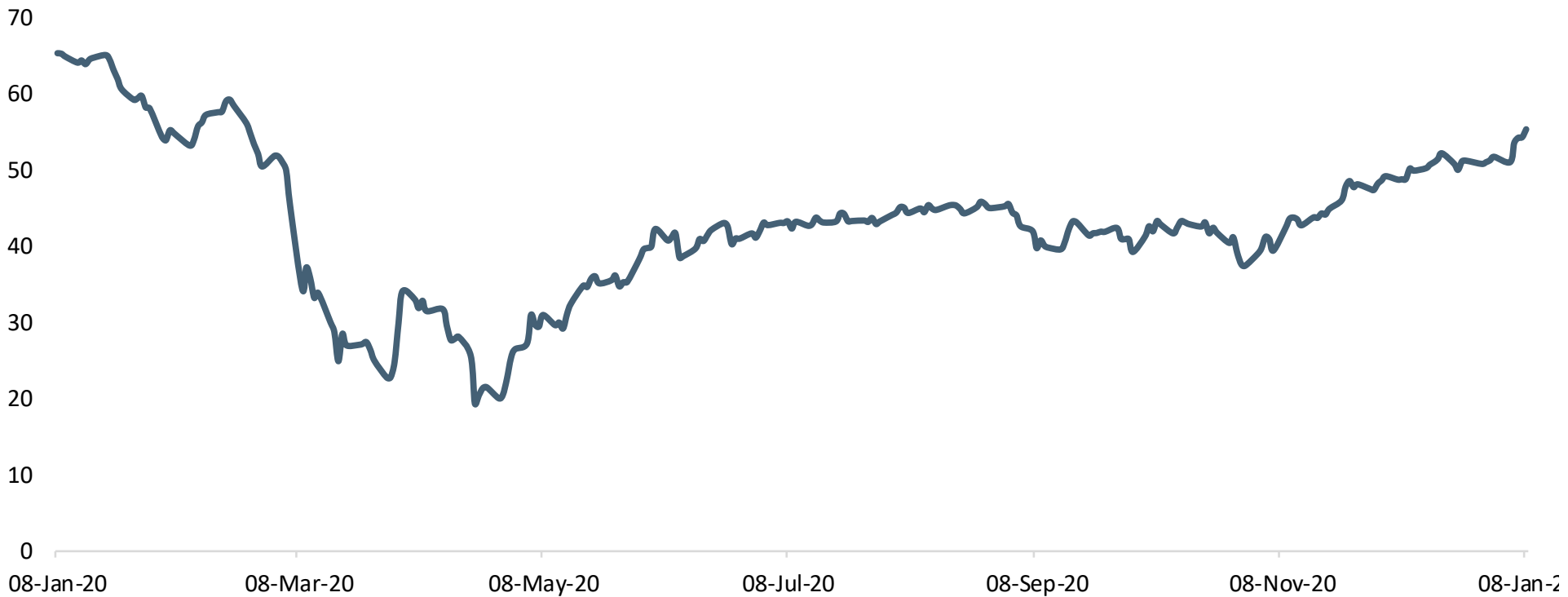
Source: NSE, Bloomberg, ARM Research

	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)	9.33%	0.83%	8.50%	07-Jan-21	1.51%	4.34%	5.74%	07-Jan-21	10.00	10.00	40.00
Open Buy Back (OBB)	8.00%	0.50%	7.50%	31-Dec-20	1.56%	4.39%	5.80%	31-Dec-20	10.00	10.00	60.00
NIBOR - 1M	0.60%	0.38%	0.22%	24-Dec-20	1.61%	4.45%	5.90%	24-Dec-20	10.00	10.00	40.00
NIBOR - 3M	0.69%	0.48%	0.21%	17-Dec-20	1.65%	4.50%	6.00%	17-Dec-20	10.00	10.00	40.00
NIBOR - 6M	0.82%	0.49%	0.33%	10-Dec-20	1.85%	4.70%	6.15%	10-Dec-20	10.00	10.00	50.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.15%	0.33%	-0.18%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
3-month	0.23%	0.35%	-0.12%	16-Dec-20	0.05%	0.50%	1.14%	16-Dec-20	1.50	1.70	3.80
6-month	0.50%	0.38%	0.12%	09-Dec-20	0.01%	0.60%	3.20%	09-Dec-20	4.41	7.82	38.70
9-month	0.60%	0.60%	0.00%	25-Nov-20	0.02%	0.09%	0.15%	25-Nov-20	20.37	19.16	111.07
12-month	0.68%	0.72%	-0.04%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	12.76	4.50	107.62
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.46%	0.49%	-0.03%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
16.39% 27-JAN-2022	2.58%	2.46%	0.12%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
14.20% 14-MAR-2024	4.42%	4.29%	0.13%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.50% 22-JAN-2026	6.31%	6.38%	-0.07%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.2884% 17-MAR-2027	6.34%	6.50%	-0.16%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.1493% 18-JUL-2034	8.00%	8.10%	-0.10%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	8.02%	7.23%	0.79%	MIXTA 17.00% 16-JAN-2022	1.66%	1.69%	-0.03%	ACCESS 10.50% 19-OCT-2021	4.29%	4.44%	-0.15%
14.8% 26-APR-2049	8.12%	7.38%	0.74%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.68%	4.59%	-0.91%
				DUFIL 18.25% 1-SEP-2022	4.79%	4.76%	0.03%	UBA 7.75% 08-JUN-2022	4.62%	5.95%	-1.33%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	3.04%	3.22%	-0.18%	STERLING 16.50% 3-AUG-2023	4.77%	4.77%	0.00%				
6.50% 28-Nov-2027	4.77%	5.15%	-0.38%	FCMB 17.25% 8-DEC-2023	5.50%	5.43%	0.07%				
7.875% 16-FEB-2032	6.31%	6.58%	-0.27%	ACCESS 15.50% 23-JUL-2026	9.00%	9.04%	-0.04%				
7.625% 28-Nov-2047	6.99%	7.18%	-0.19%	VIATHAN 16.00% 14-DEC-2027	6.55%	6.55%	0.00%				
				UNION 16.20% 27-JUN-2029	10.81%	10.38%	0.43%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Brent Oil Prices

Crude oil prices further strengthened above the \$50/barrel level over the week in the global market, printing at a 10-month high of \$55.4/barrel. Compared to the previous week close, oil prices increased by 7%, largely supported by Saudi Arabia's pledge to cut an extra one million barrel a day of crude oil output in February and March 2021 as continued spread of the covid-19 virus leads to more lockdowns. Earlier in the week, the OPEC+ reached an agreement to curb supply over the next two months. Although Russia and Kazakhstan are allowed to increase supply by a combined 75,000 barrel per day in both February and March, the move by Saudi Arabia effectively means lower crude oil supply over the next two months which may be positive for crude oil prices in the short term.



Source: Bloomberg, ARM Research



Thank You

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