

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 12th July - 16th July 2021

Global Economy

- ◆ Earlier in the week, the G-20, a group comprising of some of the world's largest economies, warned that an upsurge in new COVID variants and poor access to vaccines in developing nations provide the greatest threat to the global recovery from the coronavirus Pandemic. According to a final communique, the group stated that while the global economic outlook had improved markedly since its last meeting in April 2021, supported by advancements in vaccination programs and sustained economic stimulus packages, global recovery still remains fragile, particularly in the face of fast spreading variants of the coronavirus. In the US, annual inflation accelerated to a new 13-year high of 5.4%YoY in June (May: 5%YoY) amid supply constraints and further reopening of economic sectors. Prices of gasoline and fuel oil soared by 45.1%YoY and 44.5%YoY respectively while items at the center of the economy's reopening such as used cars and trucks remained the major drivers of inflation (+45.2%YoY), supporting the Fed Reserve Chairman's long-standing view that rising price levels are largely transitory. Elsewhere, growth in the Chinese economy slowed significantly to 7.9%YoY in Q2 2021 (Q1 2021: 18.3%YoY) as new COVID-19 outbreaks across some regions, higher raw material costs and a slowdown in factory activity all weighed on the recovery momentum. On an industry basis, the Primary (7.6%YoY vs 8.1%YoY in Q1 2021); secondary (7.5%YoY vs 24.4%YoY in Q1 2021) and Tertiary (8.3%YoY vs 15.6%YoY in Q1 2021) sectors expanded at a slower pace and In light of recent developments, investors now wait to see if the People's Bank of China (PCOB) will shift to an easier policy stance to support sustained growth in the second half of the year .

Domestic Economy

- ◆ The Senate approved President Muhammadu Buhari's request for ongoing external loans to the tune of \$8,325,526,537 and €490,000,000 under the 2018-2020 External Borrowing (Rolling) Plan. The approval followed the consideration of a report on the 2018-2020 External Borrowing (Rolling) Plan by the Committee on Local and Foreign Debt. In addition, Nigeria reportedly raised its borrowing limit from 25% of the Gross Domestic Product (GDP) to 40% of the GDP. With the new borrowing limit set by the Federal Government, Nigeria can expand its current debt portfolio from ₦33.11 trillion to ₦60.93 trillion (based on the GDP of ₦152.32 trillion according to the National Bureau of Statistics). Elsewhere, the newly released Consumer Price Index (CPI) report, by the National Bureau of Statistics (NBS) reveal that Headline inflation rate rose by 17.75% Y-o-Y in June 2021. On a month-on-month basis however, inflation came in 18bps lower than the rate recorded in May 2021 (17.93% Y-o-Y). Food inflation fell from 22.28% in May 2021 to 21.83% in June 2021, while Core inflation fell from 13.15% in May 2021 to 13.09% in June 2021. On the Food Index, prices increase was seen on Bread and cereals, Potatoes, Yam and other Tubers, Milk, amongst others. On the Core Index, price increases were recorded on Pharmaceutical products, Fuels and lubricants for personal transport equipment, Cleaning, repair and hire of clothing, Clothing materials, amongst others.

Equities and stock recommendation

- ◆ Akin to the previous week, the Nigerian bourse remained in negative territory as the NGXASI dipped by 0.12% WoW to settle at 37,947.18pts. The major drivers of the Weekly decline were FBNH (-5.19%), NB (-3.33%), DANGSUGAR (-2.24%), ZENITH (-2.00%) and BUACEMENT (-0.70%) while UBA (+3.33%), ACCESS (+1.10%), STANBIC (+0.74%) and MTNN (+0.61%) recorded gains. On a sectoral basis, performance was mostly negative with the Brewers (-2.91%), Insurance (-1.00%), Personal Care (-0.41%) and Banking (-0.35%) sectors at the forefront of the losses while the Oil & Gas (+2.27%) and Construction (+0.14%) sectors posted weekly gains.
- ◆ **ZENITH - STRONG BUY (FVE: ₦30.20), ACCESS - STRONG BUY (FVE: ₦12.92), UBA PLC- STRONG BUY (FVE: ₦12.18) and WAPCO - STRONG BUY (FVE: ₦28.61). Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ In the secondary market, the average fixed income yield firmed 21bpsWoW to settle at 9.26%, reflecting contrasting movements at both ends of the curve. To shed more light, the average bond yield ended the week 63bps higher at 11.84%, spurred by upticks in the Jul-2034 (+79bps) and Mar-2036 (+43bps) instruments while downward pressures in the 182-Day (-152bps) and 270-Day (-114bps) bills led the average NTB yield down 20bpsWoW to settle at 6.69%. In the primary market, the DMO offered ₦109.43 billion worth of treasury bills (previous auction: ₦81.74 billion) while total subscription came in at ₦574.67 billion, translating into a slightly lower subscription rate of 5.25x compared to the previous auction (previous auction: 5.46x). Total allotment printed at ₦150.00 billion, marking the 12th consecutive net-issuance by the DMO. Meanwhile, the average stop rate declined once more, down 16bps to 4.89%, following a 48bps drop in the 1-year tenor rate to 8.67%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.10	33.12	-0.05%	-14.23%	
USD/NGN (₦/\$)					
NAFEX	411	411.3	0.01%	-11.35%	
Parallel	502.5	501.0	-0.30%	-28.36%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (June 2021)			CHG (pps)		
Headline	17.75	17.93	-0.18	17.63	
Core	13.09	13.15	-0.06	12.65	
Food	21.83	22.28	-0.45	22.023333	
GDP (%) - YoY	Q1 21	Q4 20	Q3 20	FY20	
Real GDP	0.51	0.11	-3.62	-1.9	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*To accommodate fresh loans, FG raises new borrowing limit to N61tn
Agriculture	2.3	3.4	1.4	2.2	*COVID-19: World Bank mobilises \$100bn support fund for Nigeria, others
Manufacturing	3.4	-1.5	-1.5	-2.8	*BOJ cuts growth forecast, unveils climate scheme plan
Services	-0.4	1.3	-5.5	-2.2	*China's economic recovery loses some steam, investors eye more policy easing
Labor Data (%) - Q4 20			Latest	Prior	*Debt servicing rises, gulps 72% of FG revenues
Unemployment Rate			33.3	27.1	*OPEC sees world oil demand reaching pre-pandemic level in 2022
Underemployment			22.8	28.8	*Emefiele: N15tn Infrastructure Company to Take off Third Quarter
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*U.S. Senate Democrats agree to \$3.5 trln for budget reconciliation bill
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*U.S. consumer prices post largest gain in 13 years; inflation has likely peaked
Bonds	0.00	0.00		-100.0%	*FG halts refineries' privatisation, says Ajaokuta Steel problem complex
Money Market	17.10	363.15	-95.3%	-98.8%	*W'Bank to Disburse Additional \$750m for States' Transparency Initiative
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*FG Reaffirms Commitment to OPEC's 1.554m bpd Oil Quota
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Virus variants threaten global recovery, G20 warns
Trade Balance	2,382	2,559	1,668	-6.9%	*Experts kick as PIB restricts petroleum product import to refinery owners
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*NNPC Records \$1.2bn Shortfall in Priority Projects Funding

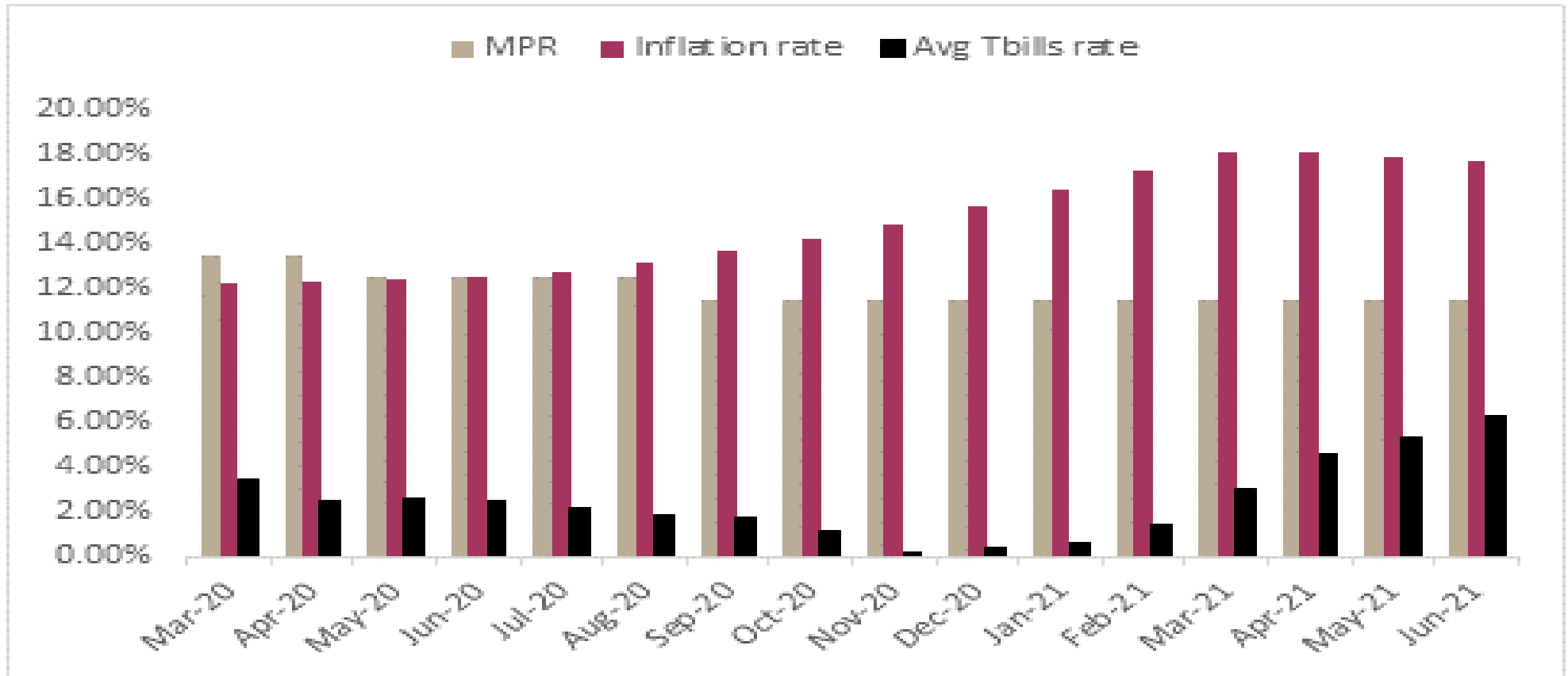
Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

	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)	4.75%	20.50%	-15.75%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	4.50%	19.75%	-15.25%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	12.65%	12.14%	0.51%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	13.86%	13.29%	0.57%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	15.10%	14.74%	0.36%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	4.75%	4.01%	0.74%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
3-month	5.56%	5.23%	0.33%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
6-month	5.23%	6.75%	-1.52%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
9-month	7.92%	9.06%	-1.14%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
12-month	9.44%	9.44%	0.00%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	5.55%	6.94%	-1.39%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	11.00%	10.90%	0.10%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	11.10%	11.20%	-0.10%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	12.02%	12.05%	-0.03%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.42%	12.25%	0.17%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	13.09%	12.30%	0.79%								
16.2499% 18-APR-2037	13.18%	12.77%	0.41%								
14.8% 26-APR-2049	13.24%	13.00%	0.24%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	1.79%	1.84%	-0.05%	MIXTA 17.00% 16-JAN-2022	6.78%	6.50%	0.28%	ACCESS 10.50% 19-OCT-2021	2.96%	2.96%	0.00%
6.50% 28-Nov-2027	5.27%	5.43%	-0.16%	DUFIL 18.25% 1-SEP-2022	11.39%	11.36%	0.03%	ZENITH 7.375% 30-MAY-2022	3.08%	3.09%	-0.01%
7.875% 16-FEB-2032	6.84%	6.94%	-0.10%	LAPO MFB 17.75% 19-DEC-2022	13.94%	13.88%	0.06%	UBA 7.75% 08-JUN-2022	3.49%	3.54%	-0.05%
7.625% 28-Nov-2047	7.54%	7.61%	-0.07%	STERLING 16.50% 3-AUG-2023	12.03%	11.99%	0.04%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
				FCMB 17.25% 8-DEC-2023	12.43%	12.47%	-0.04%				
				ACCESS 15.50% 23-JUL-2026	14.84%	14.87%	-0.03%				
				VIATHAN 16.00% 14-DEC-2027	12.74%	12.79%	-0.05%				
				UNION 16.20% 27-JUN-2029	15.88%	15.83%	0.05%				
				FIDELITY 8.50% 27-JAN-2031	13.71%	13.43%	0.28%				

Source: DMO, FMDQ, Bloomberg, ARM Research

June 2021 CPI falls to 17.75% Y-o-Y

The newly released Consumer Price Index (CPI) report, by the National Bureau of Statistics (NBS) reveal that Headline inflation rate rose by 17.75% Y-o-Y in June 2021. On a month-on-month basis however, inflation came in 18bps lower than the rate recorded in May 2021 (17.93% Y-o-Y).



Source: NBS, ARM Research

Thank You



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