

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

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## **Weekly Commentary & Stock recommendation**

...for the week 28th June - 2nd July 2021

### Global Economy

- ◆ As Brent crude traded at a near two-and-a-half-year high of \$76.49 p/b on Thursday, the Organization of Petroleum Exporting Countries (OPEC) said that underlying indicators point towards further recovery in global crude oil demand in H2 2021. According to OPEC, recovery in the global economy, on course to grow by 5.5% this year, has positively altered the outlook of the Crude oil market, with worldwide Crude oil demand now set to rise by 6 mb/d in 2021 (2020: -9.3 mb/d). The group was however unable to reach a consensus on whether or not to keep crude oil output at current levels or ease production quotas further by about two millions barrels between August and December this year, but talks are expected to continue heading into the weekend. In the US, the American economy posted its strongest job growth in ten months, adding 850,000 jobs in the month of June. The latest job's report capped off an impressive half-year for the labor market as the economy has now added a seasonally adjusted 3.2 million jobs so far this year. Surprisingly, however, the jobless rate edged up to 5.9% in June, with employers across the country citing concerns about contracting COVID, childcare difficulties and ongoing labor shortages due to enhanced unemployment benefits as factors contributing to the uptick. Elsewhere, the latest preliminary estimate from EUROSTAT revealed that inflation in the Eurozone fell to 1.9%YoY in June (May: 2% YoY), easing towards the ECB's target of below but close to 2%. Downticks in the price of energy (12.5%YoY vs 13.1%YoY in May) and services (0.7%YoY vs 1.1%YoY in May) are expected to outweigh rises in the cost of non-energy industrial goods (1.2%YoY vs 0.7%YoY in May) and food, alcohol and tobacco (0.6%YoY vs 0.5%YoY in May).

### Domestic Economy

- ◆ The long-awaited Petroleum Industry Bill (PIB) has been passed by the Senate. The President sent the bill to the National Assembly in September 2020. The bill aims to unbundle the petroleum industry and attract more investors into the sector. The Senate approved 3% for the host communities. The bill was passed after the clause by clause consideration of the report of its joint committee on Petroleum (Upstream, Downstream and Gas) on PIB. The Minister of Finance, Budget and National Planning, Zainab Ahmed, disclosed that the Federal Government (FG) released ₦973.13bn for the implementation of capital projects contained in the 2021 budget, and spent ₦1.8trn on debt servicing between January and May 2021. The minister also disclosed that FG would spend ₦900bn on petrol subsidy in 2022.

### Equities and stock recommendation

- ◆ The Nigeria bourse advanced by 0.83% on the day and 1.47% WoW as gains in some Bellwethers such as NESTLE (+10.00%), DANGCEM (+4.03%), and MTNN (+0.61%) as well as financial stocks like UBN (+4.67%), ACCESS (+2.38%) more than offset the losses recorded in STERLNBANK (-3.70%), INTBREW (-1.85%), PRESCO (-1.84%) and AIRTELAF (-1.52%). On a sectoral basis, the performance was broadly positive with the most gain observed in Food (+7.29%), Cement (+2.46%) and Insurance (+1.17%) while Personal care (-1.68%), Telecoms (-0.31%) and Oil & Gas (-0.28%) posted losses during the week.
- ◆ Here are the stocks we recommend for the upcoming week: **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

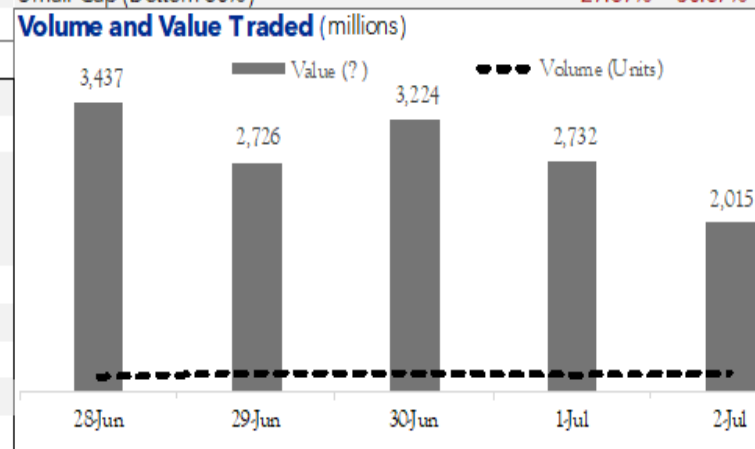
- ◆ In the secondary market, the average fixed income yield decreased by 38bps WoW to settle at 8.85%, reflecting contractions at both ends of the curve. To shed more light, downward pressures in the 270-Day (-59bps) and 182-Day (-56bps) bills drove the average NTB yield down 34bps WoW to settle at 6.56% and the average bond yield declined by 42bps to settle at 11.14%, mirroring moderations in the Jan-2026 (-80bps) and Mar-2025 (-72bps) papers. In the primary market, the DMO offered ₦81.74 billion (matching the amount due to mature) but sold ₦163.61 billion worth of treasury bills. The offer was met with heightened interest as total subscription came in at ₦446.01 billion, translating into a subscription rate of 5.46x. Meanwhile, the average stop rate fell 8bps to 5.05% as the decline in the 1-year stop rate lingered (down 25bps to 9.15%).

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.32	33.59	-0.80%	-13.66%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	411	411.7	0.24%	-11.25%	
Parallel	500.5	497.5	-0.60%	-28.07%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (May 2021)</b>			<b>CHG (pps)</b>		
Headline	17.93	18.12	-0.19	17.60	
Core	13.15	12.74	0.41	12.56	
Food	22.28	22.72	-0.44	22.062	
<b>GDP (%) - YoY</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>FY20</b>	
Real GDP	0.51	0.11	-3.62	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-2.21	-19.8	-13.9	-8.9	<b>*Oil experts list benefits as National Assembly breaks 12-year jinx, passes PIB</b>
Agriculture	2.3	3.4	1.4	2.2	<b>*FG Projects N11.9tn Budget, N900bn for Subsidy in 2022</b>
Manufacturing	3.4	-1.5	-1.5	-2.8	<b>*External reserves slide further, lost \$905.5m in June - CBN</b>
Services	-0.4	1.3	-5.5	-2.2	<b>*Fast and furious first half of 2021 keeps financial markets at full throttle</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*NNPC saves \$1bn on petrol imports, says Kyari</b>
Unemployment Rate			33.3	27.1	<b>*Stock Market Sheds N1.303trn in First Half of 2021</b>
Underemployment			22.8	28.8	<b>*NNPC to Borrow \$3.8bn to Acquire Dangote Refinery Shares</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>*Electricity subsidy gulps N30bn per month, says FG</b>
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	<b>*Buhari Seeks House's Approval for N895bn Supplementary Budget</b>
Bonds	0.00	0.00		-100.0%	<b>*AfDB Strengthens Covid-19 Fight</b>
Money Market	17.10	363.15	-95.3%	-98.8%	<b>*Petrol Subsidy Bites Harder, NNPC Proposes N114.3bn Deduction in June</b>
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	<b>*OPEC warns producers of rising national debts, inflation</b>
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	<b>*Nigeria and realities of growing debt burden</b>
Trade Balance	2,382	2,559	1,668	-6.9%	<b>*Report: Despite Uncertainty, Global FDI to Rise by 15% in 2021</b>
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	<b>*Petrol landing cost hits N232, subsidy rises to N5.58bn daily</b>

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

Index Performance	Index Returns (%)						Sector Performance	Returns (%)	
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD
NSE ASI	38212.01	1.47	0.80	0.80	-5.11	56.77	Banking	0.51%	-8.56%
NSE ASI (\$)	38212.01	1.47	-9.05	-9.05	-5.34	46.75	Brewers	0.30%	6.82%
Market Cap (?'bn)	19,940	1.49	-5.05	-5.05	-5.40	56.9	Cement	2.46%	-1.39%
Market Cap (\$'mn)	48,399	1.59	-9.33	-9.33	-5.63	46.64	Telecom	-0.31%	-9.64%
NSE 30	1578.17	0.00	0.00	0.00	-3.78	50.68	Personal Care	-1.68%	0.12%
NSE Premium	3518.67	0.00	0.00	0.00	1.38	67.63	Construction	0.00%	6.16%
NSE 50	1596.62	0.00	0.00	0.00	-3.73	45.32	Food	7.29%	2.09%
NSE ASEM	703.94	0.00	0.00	0.00	-3.55	-5.14	Insurance	1.17%	5.24%
NSE Banking	365.83	0.00	0.00	0.00	-6.92	37.17	Oil & Gas	-0.28%	68.83%
NSE Insurance	199.26	0.00	0.00	0.00	5.15	56.42	Real Estate	0.09%	-2.14%
NSE Consumer	571.60	0.00	0.00	0.00	-0.31	31.25	<b>ARM Indices</b>		
NSE Oil & Gas	314.58	0.00	0.00	0.00	39.07	60.12		WoW	QTD
NSE Industrial	1886.35	0.00	0.00	0.00	-8.09	68.65	Large Cap (Top 10%)	1.50%	-5.43%
NSE Lotus	2688.69	0.00	0.00	0.00	-5.53	47.40	Mid Cap (Mid 30%)	1.09%	0.69%
NSE Pensions	1460.57	0.00	0.00	0.00	5.18	56.74	Small Cap (Bottom 60%)	-27.67%	-50.67%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
LINKASSU	0.85	30.8%	STERLNBK	1.56	-3.7%
WEMABANK	0.74	23.3%	SOVERNIN	0.26	-3.7%
TRIPLEG	0.84	20.0%	CONOIL	20.00	-4.3%
BERGER	9.20	19.5%	MBENEFIT	0.40	-4.8%
LEARNAFR	1.24	18.1%	FTNCOCOA	0.31	-6.1%
VITAFQAM	16.00	12.3%	UPL	1.52	-9.0%
NASCON	15.75	9.8%	NPRMCRFB	1.72	-9.0%
CADBURY	8.55	9.6%	ROYALEX	0.55	-12.7%
ACADEMY	0.35	9.4%	REGALINS	0.42	-14.3%
CUTIX	3.00	8.3%	BOCGAS	8.55	-19.0%



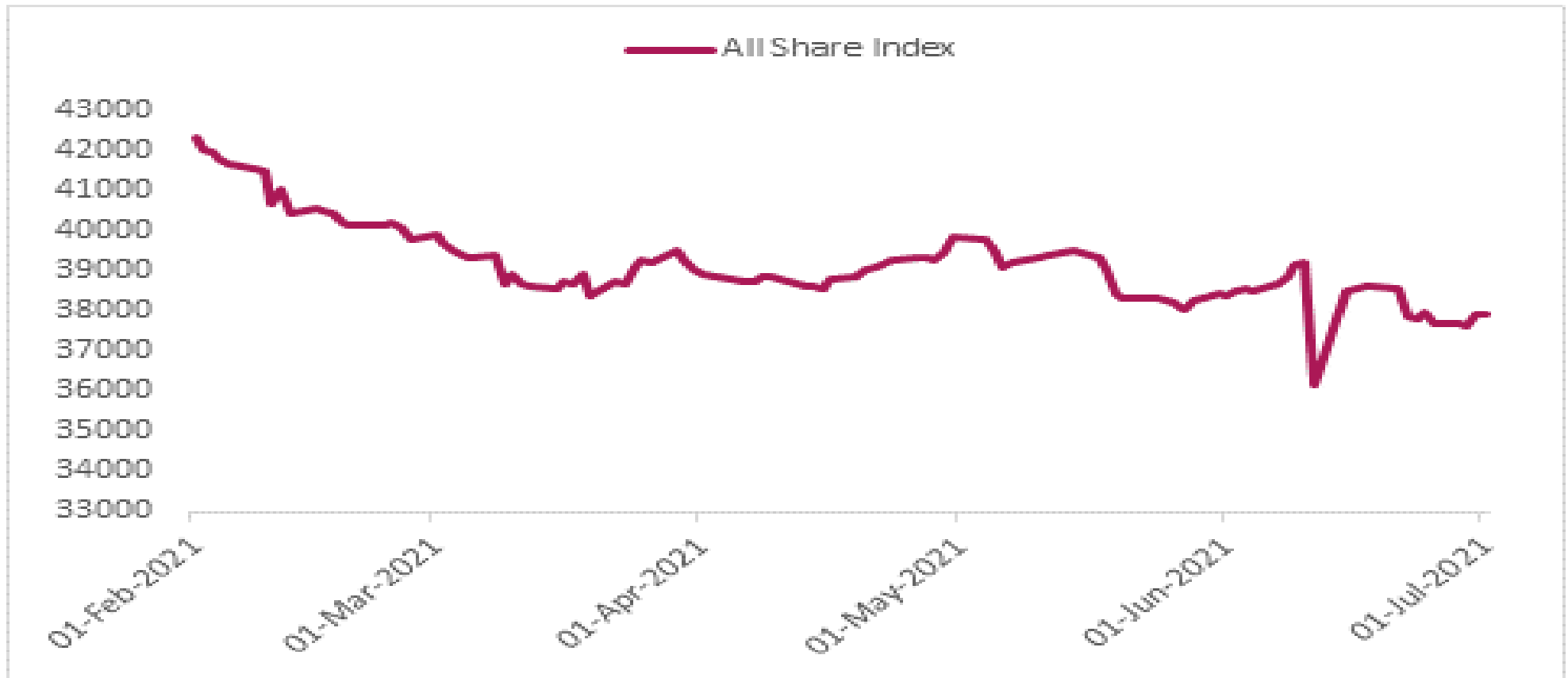
Source: NSE, Bloomberg, ARM Research

	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	
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>				
Overnight (O/N)	12.50%	23.00%	-10.50%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90	
Open Buy Back (OBB)	12.00%	22.00%	-10.00%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04	
NIBOR - 1M	15.36%	12.10%	3.26%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00	
NIBOR - 3M	16.58%	13.27%	3.31%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00	
NIBOR - 6M	18.18%	16.19%	1.99%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30	
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	
1-month	4.02%	4.02%	0.00%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04	
3-month	5.01%	5.13%	-0.12%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87	
6-month	6.75%	7.31%	-0.56%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11	
9-month	8.14%	8.73%	-0.59%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89	
12-month	9.83%	9.37%	0.46%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56	
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	
14.50% 15-JUL-2021	3.82%	3.80%	0.02%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-	
16.39% 27-JAN-2022	7.00%	7.35%	-0.35%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-	
14.20% 14-MAR-2024	11.22%	11.85%	-0.63%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2	
12.50% 22-JAN-2026	11.80%	12.60%	-0.80%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8	
16.2884% 17-MAR-2027	12.16%	12.71%	-0.55%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0	
12.1493% 18-JUL-2034	12.27%	12.87%	-0.60%	<b>Corporate Bonds</b>			<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>		
16.2499% 18-APR-2037	12.90%	12.90%	0.00%	MIXTA 17.00% 16-JAN-2022	6.51%	6.71%	-0.20%	ACCESS 10.50% 19-OCT-2021	2.97%	5.00%	-2.03%	
14.8% 26-APR-2049	13.00%	13.49%	-0.49%	DUFIL 18.25% 1-SEP-2022	11.75%	11.56%	0.19%	ZENITH 7.375% 30-MAY-2022	3.07%	3.16%	-0.09%	
				LAPO MFB 17.75% 19-DEC-2022	14.12%	14.26%	-0.14%	UBA 7.75% 08-JUN-2022	3.71%	3.94%	-0.23%	
				STERLING 16.50% 3-AUG-2023	12.03%	12.60%	-0.57%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%	
<b>FGN Eurobonds</b>				FCMB 17.25% 8-DEC-2023	12.50%	13.10%	-0.60%					
5.625% 27-JUN-2022	1.90%	1.90%	0.00%	ACCESS 15.50% 23-JUL-2026	14.66%	15.44%	-0.78%					
6.50% 28-Nov-2027	5.41%	5.33%	0.08%	VIATHAN 16.00% 14-DEC-2027	12.62%	13.37%	-0.75%					
7.875% 16-FEB-2032	6.88%	6.78%	0.10%	UNION 16.20% 27-JUN-2029	15.54%	15.71%	-0.17%					
7.625% 28-Nov-2047	7.66%	7.56%	0.10%	FIDELITY 8.50% 27-JAN-2031	13.22%	13.52%	-0.30%					

Source: DMO, FMDQ, Bloomberg, ARM Research

### Nigerian Bourse opens July on Bearish Note.

The equities market opened the month of July on a bearish note with the NGXASI shedding to 37,898.56 on points Thursday as against an opening of 37,907.28 points. As yields improve in the fixed income space, the outlook for equities in 2021 remains tilted to be bearish .



Source: NGX, ARM Research

Thank You



## ARM Securities

Research	234 (1) 2701653	<a href="mailto:research@armsecurities.com.ng">research@armsecurities.com.ng</a>
Institutional Sales & Trading	234 (1) 448 8833	<a href="mailto:trading@armsecurities.com.ng">trading@armsecurities.com.ng</a>
Customer Service	234 (1) 4488282	<a href="mailto:customerservice@armsecurities.com.ng">customerservice@armsecurities.com.ng</a>

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