

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 26th July - 30th July 2021

Global Economy

- ◆ In its latest update to the World Economic Outlook (WEO), the International Monetary Fund (IMF) maintained its 6% growth projection for the global economy in 2021, but upgraded its outlook for the US and other wealthy nations while slashing estimates for emerging and developing economies still struggling to contain the coronavirus pandemic. The contrasting revisions largely reflect the growing divergence across countries of the world, as advanced nations, set to grow by 5.6% this year (previous estimate: 5.1%), enjoy sustained fiscal support and better access to COVID-19 vaccines while emerging markets, projected to expand by 6.3% in 2021 (previous estimate: 6.7%), face difficulties on both fronts while attempting to keep tabs on spiraling inflation levels. In the U.S, the economy grew at a slower than expected rate of 6.5%QoQ in the second quarter of this year according to the latest flash estimate, but the Q2 2021 performance was still able to pull the level of GDP above its pre-pandemic level, marking the shortest recessionary phase in the nation's history. While Federal government spending (-10.4%QoQ) and residential fixed investment (-9.8%QoQ) both declined during the quarter, Personal Consumption Expenditure (PCE) (+11.8%QoQ) grew solidly once again, as massive government aid and burgeoning vaccination rates fueled spending on non-durable goods (+12.6%QoQ) and services (+12%QoQ). Meanwhile, The Fed Reserve left the target range for its federal funds rate unchanged at 0-0.25% and maintained bond-buying at the current \$120 billion monthly pace during its July 2021 meeting, but the central bank did offer some hints that it could begin tapering asset purchases soon despite growing threats from the delta variant of the coronavirus. Officials noted the progress the economy has made towards the bank's employment and inflation goals, stating that the Bank's Committee will continue to assess progress in coming meetings.

Domestic Economy

- ◆ The CBN retained interest rates at 11.50% this week, while keeping all other parameters unchanged. In addition, the CBN governor announced developments pertaining to Bureau De Changes (BDC) at the MPC meeting over the week. The CBN will cease selling foreign exchange to BDCs and issue no fresh licenses to them. The governor explained that this move is a response to the alleged abuse from the BDCs, as they sold FX at rates above the agreed guidelines, thereby engaging in what the apex bank described as 'rent seeking'. The MPC observed that the BDCs had been conducting huge FX transactions beyond their sales limit of \$5,000 per individual - which is contrary to their mandate. They allegedly carried out single transactions worth millions of dollars. Henceforth, FX will instead be made available to commercial banks to meet genuine demand for foreign exchange. Elsewhere, the Federal Government said on Thursday that it had agreed to reduce the price of industry power gas from \$2.50 to \$2.18 following extensive negotiation between the government and the organized labor. It is reported that government has already agreed to sell Industry Power Gas at the approved price of \$2.18 instead of \$2.50.

Equities and stock recommendation

- ◆ The Nigerian equities market ended the week on a positive note, up 16bps on the day, but losses recorded in three of the five trading sessions saw the bourse record a 0.31%WoW decline. On a sectoral basis, the Banking (-1.50%), Cement (-1.31%), Breweries (-0.54%) and Personal Care (-0.33%) posted losses while the Construction (+6.03%), Oil&Gas (+4.38%) and Telecom (+0.96%) sectors recorded weekly gains. Dissecting the sectoral performances further revealed that losses were anchored by declines in blue-chip names such as BUACEMENT (-4.23%), GTCO (-3.72%), Zenith (-1.21%) and UBA (-2.56%) as well as INTBREW (-1.92%) and NB (-0.86%). On the other hand, AIRTEL (+2.33%), DANGCEM (+0.04%) OANDO (+23.17%), WAPCO (+5.29%) and JBERGER (+10.84%) ended the week in the green.
- ◆ **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 dipped 52bps WoW to settle at 8.81%, mirroring declines at both ends of the curve. To shed more light, the average bond yield edged down 3bps WoW to 11.72% on the back of downticks in the short-dated instruments, specifically the Apr-2023 (-78bps) and Mar-2024 (-26bps) instruments while downward pressures in the 30-Day (-189bps) and 91-Day (-181bps) bills drove the average NTB yield down 100bps to 5.90% at the end of the week. In the primary market, the CBN offered ₦216.19bn but sold ₦265.24bn worth of treasury bills. The offer attracted a subscription volume of ₦452.9bn, resulting in a subscription rate of 2.09x and a bid-to-cover ratio of 1.71x. Meanwhile, the 364-day bill cleared at a lower stop rate (-47bps to 8.20%) compared to the previous auction, leading the average stop rate down 16bps to 4.73%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.33	33.17	0.48%	-13.64%	
USD/NGN (₦/\$)					
NAFEX	412	411.6	-0.01%	-11.46%	
Parallel	516.0	499.0	-3.29%	-30.23%	
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	*Naira Strengthens, as Bank CEOs Pledge Support for New CBN FX Policy
Agriculture	2.3	3.4	1.4	2.2	*Oil prices drop, but on track for steep weekly gain
Manufacturing	3.4	-1.5	-1.5	-2.8	*Fiscal stimulus, vaccinations lift U.S. economy above pre-pandemic level
Services	-0.4	1.3	-5.5	-2.2	*OPEC: Nigeria May Be Hard-hit by Declining Investment in Oil Sector
Labor Data (%) - Q4 20					
			Latest	Prior	
Unemployment Rate			33.3	27.1	*Fed says economic recovery remains on track despite COVID-19 surge
Underemployment			22.8	28.8	*IMF raises growth forecasts for rich nations, dims outlook for developing world
Capital Importation (\$'mn)					
	Q4 20	Q3 20	QoQ (%)	YoY (%)	*IMF Raises Nigeria's Growth Forecast for 2022, retains Growth Projections for '21
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Foreign investment in gold-backed ETF hits 99.6 per cent
Bonds	0.00	0.00		-100.0%	*CBN Releases \$200m to Banks to Quell FX Speculation
Money Market	17.10	363.15	-95.3%	-98.8%	*Nigeria's revenue-to-GDP ratio lowest, private sector choking - World Bank
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Okonjo-Iweala Decries Low Rate of COVID-19 Vaccination in Nigeria
Balance of Payment (\$'mn)					
	Q4 19	Q3 19	Q2 19	QoQ	*Global supply chains buckle as virus variant and disasters strike
Trade Balance	2,382	2,559	1,668	-6.9%	*Global structured finance to hit \$1.4 trillion
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*\$1.46bn IOC cash call outstanding as FG pays N3.22bn

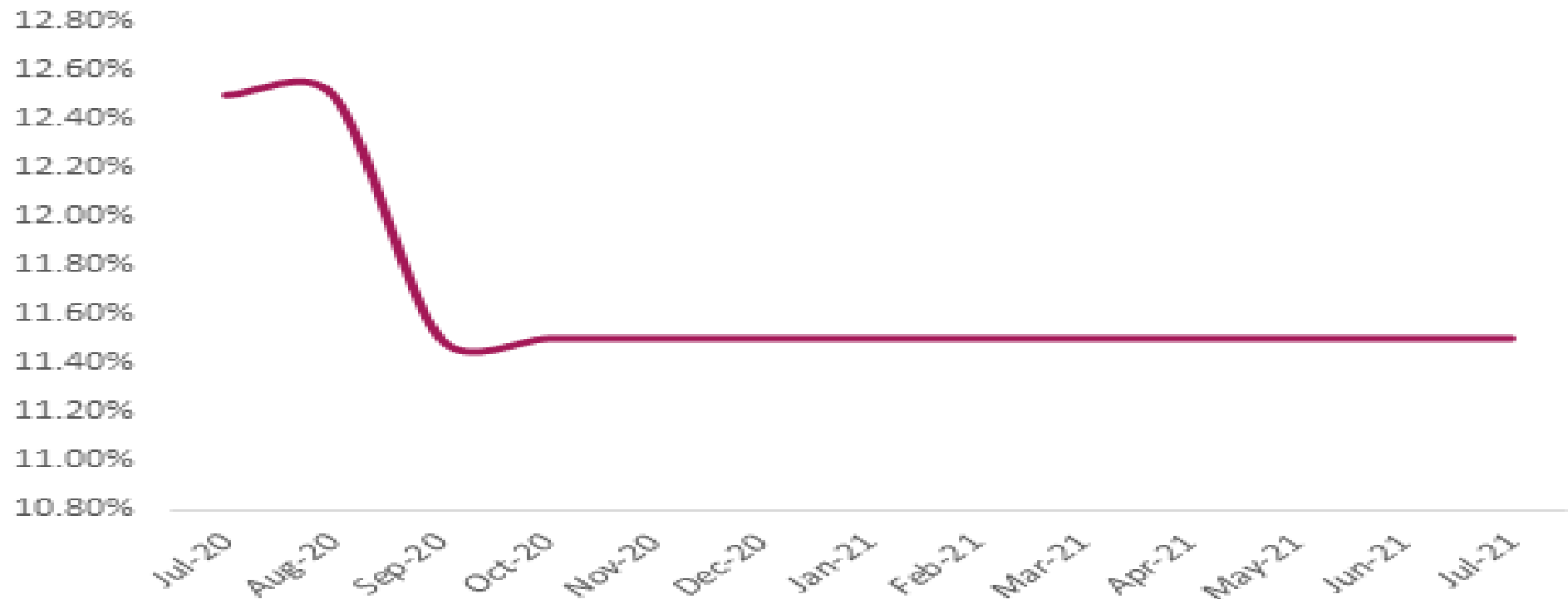
Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

	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)	7.50%	27.50%	-20.00%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90	
Open Buy Back (OBB)	7.75%	28.75%	-21.00%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04	
NIBOR - 1M	12.26%	13.01%	-0.75%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00	
NIBOR - 3M	13.57%	14.09%	-0.52%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00	
NIBOR - 6M	14.56%	14.91%	-0.35%	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		
1-month	3.01%	4.90%	-1.89%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53	
3-month	3.70%	5.51%	-1.81%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30	
6-month	5.91%	6.83%	-0.92%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04	
9-month	7.79%	8.31%	-0.52%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87	
12-month	8.85%	8.87%	-0.02%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11	
FGN Bonds (Local)				FGN Bonds			Mar-27	Mar-35	Jul-45	FGN Bonds		
16.39% 27-JAN-2022	5.89%	5.50%	0.39%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-	
12.75% 27-APR-2023	10.20%	10.98%	-0.78%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-	
14.20% 14-MAR-2024	10.82%	11.08%	-0.26%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2	
12.50% 22-JAN-2026	11.85%	11.85%	0.00%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8	
16.2884% 17-MAR-2027	12.32%	12.30%	0.02%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0	
12.1493% 18-JUL-2034	12.90%	12.70%	0.20%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond		
16.2499% 18-APR-2037	13.02%	13.14%	-0.12%	MIXTA 17.00% 16-JAN-2022	6.84%	6.61%	0.23%	ACCESS 10.50% 19-OCT-2021	3.04%	2.95%	0.09%	
14.8% 26-APR-2049	13.10%	13.22%	-0.12%	DUFIL 18.25% 1-SEP-2022	10.71%	10.85%	-0.14%	ZENITH 7.375% 30-MAY-2022	3.09%	3.08%	0.01%	
				LAPO MFB 17.75% 19-DEC-2022	13.21%	13.64%	-0.43%	UBA 7.75% 08-JUN-2022	3.61%	3.53%	0.08%	
				STERLING 16.50% 3-AUG-2023	11.39%	12.01%	-0.62%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%	
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	11.99%	12.41%	-0.42%					
5.625% 27-JUN-2022	1.83%	1.79%	0.04%	ACCESS 15.50% 23-JUL-2026	14.65%	14.69%	-0.04%					
6.50% 28-Nov-2027	5.34%	5.31%	0.03%	VIATHAN 16.00% 14-DEC-2027	12.53%	12.61%	-0.08%					
7.875% 16-FEB-2032	6.93%	6.89%	0.04%	UNION 16.20% 27-JUN-2029	15.93%	15.86%	0.07%					
7.625% 28-Nov-2047	7.59%	7.55%	0.04%	FIDELITY 8.50% 27-JAN-2031	13.68%	13.57%	0.11%					

Source: DMO, FMDQ, Bloomberg, ARM Research

CBN Retains All Policy Rates

The fourth Monetary Policy Committee (MPC) meeting of the year was held on the 26th and 27th of July 2021. At the end of the meeting, the committee resolved to maintain status quo on the monetary policy rate (MPR) and keep all other policy parameters constant. The decisions were to therefore: Retain MPR at 11.50%, Retain Asymmetric Corridor at to +100/-700 bps around the MPR, Retain Cash Reserve Ratio (CRR) at 27.50% and Retain Liquidity Ratio at 30.00 %.



Source: CBN, ARM Research

Thank You



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