

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 5th July - 9th July 2021

Global Economy

- ◆ Earlier in the week, a rare disagreement forced the Organization of Petroleum Exporting Countries (OPEC) and its allies, OPEC+, to abandon talks on boosting production after days of protracted negotiations. The United Arab Emirates (UAE) and Saudi Arabia remain at loggerheads over an extension of production cuts beyond April 2022, with Abu Dhabi seeking an adjustment of its baseline production, the level from which any cuts are calculated, before any consensus can be reached. The US, Russia and Kuwait are now playing peacemaker to ease tensions between the two Gulf giants in order to rescue the cartel's deal. In Europe, the European Commission raised its growth forecast for the Zone, shrugging off growing concerns about the new COVID-19 variants and the impact of supply bottlenecks in Germany, the Zone's largest economy. The commission now forecasts a 4.8% expansion for the Eurozone economy (previous estimate: 4.3%), predicated upon further easing of pandemic-induced lockdown restrictions as well as increased tourist activities in the second half of the year. Meanwhile, the European Central Bank (ECB) ditched its previous formulation of "close to but below 2%" and set its new inflation target at 2% in the medium-term, a probable indication that policymakers are more concerned about price growth overshooting their target rather than the other way round. Similar to the Fed Reserve, the central bank also said it will do more to help the fight against climate change, with plans to include climate change considerations in its monetary policy operations going forward.

Domestic Economy

- ◆ The Federal Inland Revenue Service (FIRS) appointed all deposit money banks where MultiChoice Nigeria Limited (MCN) and MultiChoice Africa (MCA), owners of DSTV, maintain accounts as agents to recover ₦1.8 trillion outstanding taxes. The FIRS said that MCN has avoided giving the FIRS accurate information on the number of its subscribers and income. The companies are involved in the under-remittance of taxes which necessitated a critical review of the tax-compliance level of the company. The FIRS also requested that the banks to inform it of any transactions before execution on the accounts, especially transfers of funds to any of their subsidiaries. Elsewhere, the Central Bank of Nigeria (CBN), has published a supervisory framework for payment service banks. Various initiatives to enhance access to financial services for the unbanked population of the Nigerian economy was introduced and includes the deployment and facilitation of the use of technology to drive the financial inclusion ambition of the CBN. The Payment Service Banks are expected to leverage on technology to provide services that would be easily accessed by the unbanked population and those who are in hard-to-reach areas of the country.

Equities and stock recommendation

- ◆ Profit taking in the last two trading sessions of the week plunged the equities market WoW performance to a negative of 0.57%. AIRTELAFRI(-9.99%), PRESCO (-8.72%), FCMB (-3.55%) and DANGSUGAR (-2.99%) contributed the most to the weekly losses as they more than offset the gains recorded in SEPLAT (+10.00%), ACCESS (+5.81%), FBNH (+4.05%) and ZENITH (+3.96%). Although sectoral performances were broadly positive during the week, selloffs in Telecoms (-4.03%) and Food (-0.48%) sectors outweighed the gains posted in other segments of the market.
- ◆ **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 ended the week 20bps higher to settle at 9.05%, spurred mainly by a rise in NTB yields. For context, the average NTB yield jumped 33bps to print at 6.89%, mirroring expansions in the 270-Day (+92bps) and 91-Day (+22bps) bills and the average bond yield firmed by 7bps to settle at 11.21% following upticks at the short-to-belly end of the curve .

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.12	33.32	-0.61%	-14.19%	
USD/NGN (₦/\$)					
NAFEX	411	410.7	-0.13%	-11.37%	
Parallel	501.0	500.5	-0.10%	-28.14%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (May 2021)			CHG (pps)		
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	
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	*Nigeria's production output drops to 1.48mbpd in June despite rally
Agriculture	2.3	3.4	1.4	2.2	*FG Confirms Case of Delta Variant of COVID-19 in Nigeria
Manufacturing	3.4	-1.5	-1.5	-2.8	*ECB tweaks inflation target, bolsters climate role
Services	-0.4	1.3	-5.5	-2.2	*How NNPC, partners attracted \$32bn investment in two years
Labor Data (%) - Q4 20			Latest	Prior	*Senate approves Buhari's N2.3tn external borrowing request
Unemployment Rate			33.3	27.1	*Reps jerk up supplementary budget by N86bn, suspend loan request
Underemployment			22.8	28.8	*Global corporate tax overhaul faces rocky road to completion
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*Why we reduced Mambilla power project capacity, by Fed Govt
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Nigeria'll export petrol in two years - NNPC
Bonds	0.00	0.00		-100.0%	*Analysis: OPEC disagreement lays bare growing UAE-Saudi economic rivalry
Money Market	17.10	363.15	-95.3%	-98.8%	*MTN to boost stock market liquidity by N375bn
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Oil hits \$77, daily petrol subsidy rises to N6.07bn
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*2022-2024 MTEF: As FG seeks 'fresh' N15 trillion loan
Trade Balance	2,382	2,559	1,668	-6.9%	*Debt service burden, subsidy may push deficit above N7tr this year
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Stakeholders laud SEC for approving derivative contracts

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

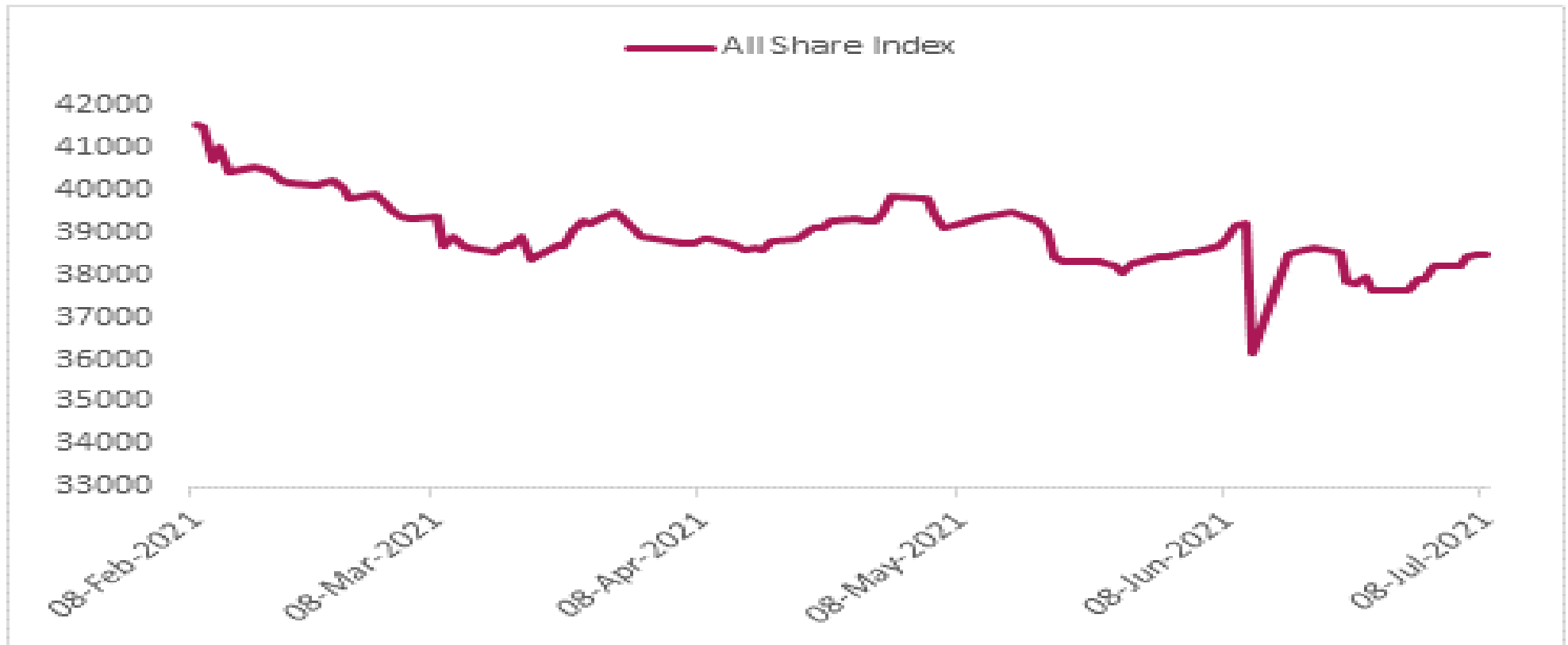
	PX_LAST	CHG_PCT_WT	CHG_PCT_MTD	CHG_PCT_QT	CHG_PCT_Y*														
Index Performance		Index Returns (%)					Sector Performance					Returns (%)							
	Level	VoV	MTD	QTD	YTD	1 year													
NSE ASI	37994.19	0.57	0.23	0.23	-5.65	56.51	Banking			0.13%	-6.72%	-4.24%							
NSE ASI (\$)	37994.19	-0.57	0.17	0.17	-6.00	46.91	Brewers			0.00%	6.93%	10.92%							
Market Cap (Nbn)	18,365	-0.62	0.16	0.16	-5.99	56.31	Cement			0.03%	-1.31%	-4.32%							
Market Cap (\$mn)	46,494	-0.74	0.12	0.12	-6.33	46.73	Telecom			-4.03%	-13.28%	-14.51%							
NSE 30	1578.17	0.00	0.00	0.00	-3.78	51.63	Personal Care			0.50%	1.43%	-2.20%							
NSE Premium	3518.67	0.00	0.00	0.00	1.38	66.48	Construction			0.00%	6.16%	6.47%						PARTE OH PLC	
NSE 50	1596.62	0.00	0.00	0.00	-3.73	45.30	Food			0.02%	1.61%	2.94%						B.L.E.H INSURANCE CO (NIG) PLC	
NSE ASEM	703.34	0.00	0.00	0.00	-3.55	-5.01	Insurance			-0.61%	6.87%	10.94%						NESTLE NIGERIA PLC	
NSE Banking	365.93	0.00	0.00	0.00	-6.92	28.30	Oil & Gas			-0.17%	104.20%	164.17%						INTERCONTINENTAL VAF INSURANCE PLC	
NSE Insurance	199.26	0.00	0.00	0.00	5.15	57.53	Real Estate			0.00%	-1.23%	-1.11%						SEPLAT PETROLEUM DEVELOPMENT COMPANY LTD	
NSE Consumer	571.60	0.00	0.00	0.00	-0.31	39.93	ARM Indices												
NSE Oil & Gas	314.58	0.00	0.00	0.00	39.07	61.41													UNITY CAPITAL ASSURANCE PLC
NSE Industrial	1896.35	0.00	0.00	0.00	-8.09	72.38	Large Cap (Top 10%)												WEC INSURANCE PLC
NSE Lotus	2688.69	0.00	0.00	0.00	-5.53	50.44	Mid Cap (Mid 30%)												CONSOLIDATED HALFWAY INSURANCE PLC
NSE Pensions	1460.57	0.00	0.00	0.00	5.18	55.45	Small Cap (Bottom 60%)												WORLDWELL FLOOR HILL PLC
Top 10 Gainers							Volume and Value Traded (millions)												
Company	THIS Week	VoV	Company	THIS Week	VoV														
CUTIX PLC.	3.63	21.0%	RED STAR EXPRESS PLC	3.11	-15.3%														
JOHN HOLT PLC.	0.73	19.7%	ETERNA PLC	6.39	-14.8%														
SOVEREIGN TRUST INSUF	0.30	15.4%	LINKAGE ASSURANCE	0.74	-12.9%														
SEPLAT PETROLEUM DEI	770.00	10.0%	AIRTEL AFRICA	601.00	-10.0%														
MCR (NIGERIA) PLC.	2.49	9.7%	PRESTIGE ASSURANCE	0.45	-10.0%														
FTN COCOA PROCESSOF	0.34	9.7%	B.O.C GASES PLC	7.70	-9.9%														
INTERCONTINENTAL VAF	0.59	9.3%	PHARMA DEKO PLC	1.21	-9.7%														
TOTAL NIGERIA PLC.	168.40	9.2%	PRESCO	69.00	-8.7%														
TRIPPLE GEE AND COMP	0.91	8.3%	ABC PLC	0.34	-8.1%														
CUSTODIAN AND ALLIED I	6.50	7.4%	CONDIL PLC	18.50	-7.5%														
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)	20.50%	12.50%	8.00%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	19.75%	12.00%	7.75%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	12.14%	15.36%	-3.22%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	13.29%	16.58%	-3.29%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	14.74%	18.18%	-3.44%	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	4.01%	4.02%	-0.01%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
3-month	5.23%	5.01%	0.22%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
6-month	6.75%	6.75%	0.00%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
9-month	9.06%	8.14%	0.92%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
12-month	9.44%	9.83%	-0.39%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.82%	3.82%	0.00%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
16.39% 27-JAN-2022	6.94%	7.00%	-0.06%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	11.20%	11.22%	-0.02%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	12.05%	11.80%	0.25%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.25%	12.16%	0.09%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.30%	12.27%	0.03%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	12.77%	12.90%	-0.13%	MIXTA 17.00% 16-JAN-2022	6.50%	6.51%	-0.01%	ACCESS 10.50% 19-OCT-2021	2.96%	2.97%	-0.01%
14.8% 26-APR-2049	13.00%	13.00%	0.00%	DUFIL 18.25% 1-SEP-2022	11.36%	11.75%	-0.39%	ZENITH 7.375% 30-MAY-2022	3.09%	3.07%	0.02%
				LAPO MFB 17.75% 19-DEC-2022	13.88%	14.12%	-0.24%	UBA 7.75% 08-JUN-2022	3.54%	3.71%	-0.17%
				STERLING 16.50% 3-AUG-2023	11.99%	12.03%	-0.04%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	12.47%	12.50%	-0.03%				
5.625% 27-JUN-2022	1.84%	1.90%	-0.06%	ACCESS 15.50% 23-JUL-2026	14.87%	14.66%	0.21%				
6.50% 28-Nov-2027	5.43%	5.41%	0.02%	VIATHAN 16.00% 14-DEC-2027	12.79%	12.62%	0.17%				
7.875% 16-FEB-2032	6.94%	6.88%	0.06%	UNION 16.20% 27-JUN-2029	15.83%	15.54%	0.29%				
7.625% 28-Nov-2047	7.61%	7.66%	-0.05%	FIDELITY 8.50% 27-JAN-2031	13.43%	13.22%	0.21%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Positive spell for Nigerian Bourse

The equities market opened the month of July on a bearish note, but positivity prevailed in the market this week, as the NSEASI advanced to 38,470.87 points on Thursday as against an opening of 38,212.01 points last Friday. 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



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