

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 7th June - 11th June 2021

Global Economy

- ◆ As anticipated, the European Central Bank left its monetary policy unchanged during its June meeting, saying it expects net purchases under the Pandemic Emergency Purchase Program (PEPP) to continue being conducted at a significantly higher pace over the coming quarter. Furthermore, the ECB upwardly revised its GDP projections for 2021 and 2022 to 4.6% and 4.7% respectively, supported by stronger global and domestic demand as well as continued support from both fiscal and monetary authorities. In the US, annual inflation accelerated to 5%YoY last month (April: 4.2% YoY), its highest reading since August 2008 amid low base effects, burgeoning consumer demand, supply constraints and rising wages. The largest price increases were seen in the cost of gasoline (+56.2%YoY), used cars and trucks (+29.7%YoY), utility gas service (+13.5%YoY) and transportation services (+11.2%YoY) as the economy reopened further and more Americans travelled. Elsewhere, annual inflation in China jumped to an eight-month high figure of 1.3%YoY in May (April 0.9%YoY) as food prices rose for the first time in four months (up 0.3%YoY). The cost of non-food goods rose at a quicker pace (1.6%YoY vs 1.3%YoY in April), led by upward pressures in the cost of transport and communication (5.5%YoY vs 4.9%YoY in April), clothing (0.4%YoY vs 0.2%YoY in April) and health (0.2%YoY vs 0.1%YoY in April).

Domestic Economy

- ◆ The Nigeria Liquefied Natural Gas (NLNG) Limited has signed a 10-year LNG Sales and Purchase Agreements (SPAs) with three off-takers for domestic supply LNG in country. The liquefaction company will supply 1.1 million tons per annum (mtpa) of LNG on DES basis to Asiko Power Limited, Bridport Energy Limited and Gas-Plus Synergy Limited. The SPAs will facilitate the project execution and infrastructural development by off-takers to aid LNG delivery into the domestic market. Elsewhere, Nigeria recorded NGN3.94 trillion trade deficit in the first three months of 2021, according to a report by the National Bureau of Statistics (NBS). The country's total merchandise trade stood at NGN9.76 trillion, an increase of 6.99 percent over the value recorded in Q4:2020 and 14.13 percent compared to Q1:2020 .

Equities and stock recommendation

- ◆ The Nigerian equities market gained 1.11% WoW to 39,156.28pts mostly supported by gains in OKOMUOIL (+20.73%), STANBIC (+6.06%), DANGCEM (+4.55%), DANGSUGAR (+4.41%) and WAPCO (+2.93%). On the other hand, CWG (-26.14%), FTNCOCOA (-15.38%), NEM (-9.55%) JAPAUOIL (-8.47%) and CHIPLC (-7.50%) topped the losers' chart. On a sectoral basis, Personal Care (+7.19%), Oil & Gas (+2.97%), Cement (+2.74%), Food (+0.97%), Construction (+0.28%) and Real Estate (+0.03%) closed positive while Insurance (-1.45%), Brewers (-1.14%) and Telecoms (-0.71%) printed in negative territory.
- ◆ Here are the stocks we recommend for the upcoming week: **GUARANTY - STRONG BUY (FVE: ₦42.12), 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

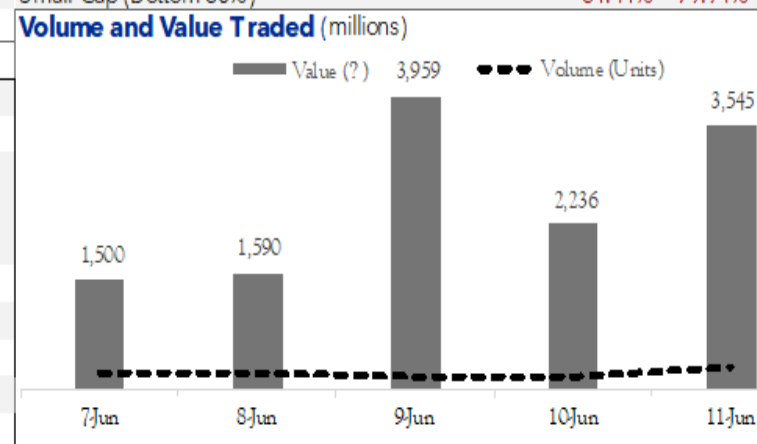
- ◆ In the secondary market, the average fixed income yield firmed 6bps WoW to settle at 9.07%, mirroring expansions at both ends of the curve. For context, the average bond yield edged up 2bps WoW to 11.77%, supported by upticks in the Jan-2026 (+24bps), Apr-2029 (+23bps) and Jul-2030 (+16bps) instruments and upward pressures in the 270-day (+52bps) and 364-day (+27bps) bills led the average NTB yield up 10bps WoW to 6.36%. In the primary market, the DMO offered ₦91.27 billion worth of treasury bills, matching the amount due to mature. Total subscription came in at ₦327.05 billion, translating to a subscription rate of 3.58x while total allotment stood at ₦180.11 billion. Meanwhile, the average stop rate flatlined at 5.22% despite a downtick in the 1-year rate (down 1bp to 9.64%) .

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.05	34.22	-0.50%	-11.78%	*Nigeria Q1 2021 Foreign Trade Report
USD/NGN (₦/\$)					
NAFEX	412	410.9	-0.23%	-11.49%	
Parallel	500.0	497.0	-0.60%	-28.00%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (April 2021)			CHG (pps)		
Headline	18.12	18.17	-0.05	17.52	
Core	12.74	12.67	0.07	12.41	
Food	22.72	22.95	-0.23	22.0075	
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	*CBN's digital currency'll begin before 2022- Bankers' Committee
Agriculture	2.3	3.4	1.4	2.2	*Reopening U.S. economy heat up inflation; labor market recovery gaining traction
Manufacturing	3.4	-1.5	-1.5	-2.8	*FG to Propose N895.84bn Supplementary Budget for COVID-19 Vaccines, Others
Services	-0.4	1.3	-5.5	-2.2	*Nigeria's total debt rises by N191bn in three months, hits N33.1tn
Labor Data (%) - Q4 20			Latest	Prior	*250m vaccine doses needed to hit Sept target, says WHO
Unemployment Rate			33.3	27.1	*NAICOM Eyes N1.5tn Insurance Sector Premium
Underemployment			22.8	28.8	*W'Bank Raises GDP Growth Forecast for Nigeria to 1.8%
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*U.S. Republicans vow to oppose Yellen's G7 tax deal, casting doubt on its future
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*FG: AfCTA to Boost Africa's Exports by \$560bn
Bonds	0.00	0.00		-100.0%	*40 billion reserves, 4mbpd production achievable through marginal oilfields - FG
Money Market	17.10	363.15	-95.3%	-98.8%	*CBN cuts operation exchange rates to four
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Petrol Subsidy Delays Funding of N26.2bn NNPC Projects
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*We're increasing forex to banks for SMEs, travellers, tuition
Trade Balance	2,382	2,559	1,668	-6.9%	*FG promises 11,000MW power generation in 2022
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*FG recorded N3.94tn trade deficit in Q1

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	39157.29	1.11	1.87	0.29	-2.76	55.49	Banking	-0.88%	-10.29%
NSE ASI (\$)	39157.29	1.11	2.17	-6.69	-2.90	45.39	Brewers	-1.14%	3.93%
Market Cap (?'bn)	19,940	1.11	1.87	-2.71	-3.08	55.36	Cement	2.74%	-0.20%
Market Cap (\$'mn)	48,399	1.10	2.17	-6.99	-3.21	45.27	Telecom	-0.71%	-0.78%
NSE 30	1594.62	1.36	2.10	2.49	-2.77	45.69	Personal Care	7.19%	0.59%
NSE Premium	3560.00	1.54	3.36	9.79	2.57	58.76	Construction	0.28%	3.52%
NSE 50	1608.23	2.27	3.08	2.13	-3.03	38.99	Food	0.97%	-4.92%
NSE ASEM	716.59	-2.00	-2.00	-2.00	-1.82	-6.01	Insurance	-1.45%	3.37%
NSE Banking	358.61	0.89	0.61	-2.99	-8.76	19.54	Oil & Gas	2.97%	64.84%
NSE Insurance	199.42	-4.12	-2.43	-2.50	5.23	46.89	Real Estate	0.03%	-2.35%
NSE Consumer	566.96	1.06	0.91	4.42	-1.11	33.34	ARM Indices		
NSE Oil & Gas	310.95	1.37	0.56	16.96	37.47	41.79		WoW	QTD
NSE Industrial	1952.55	2.37	3.85	3.32	-4.86	63.66	Large Cap (Top 10%)	0.73%	-2.76%
NSE Lotus	2731.11	1.50	2.43	3.02	-4.04	48.33	Mid Cap (Mid 30%)	0.23%	-0.87%
NSE Pensions	1451.52	1.14	1.66	6.53	4.53	43.76	Small Cap (Bottom 60%)	-81.41%	-79.94%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
OKOMUOIL	116.50	20.7%	COURTVIL	0.20	-4.8%
CONOIL	20.50	9.6%	CAP	19.00	-4.8%
PZ	6.00	9.1%	FCMB	3.12	-5.5%
UNILEVER	12.80	7.6%	ROYALEX	0.68	-5.6%
NASCON	14.50	7.4%	CHAMPION	1.80	-5.8%
HONYFLOUR	1.32	7.3%	WAPIC	0.55	-6.8%
VITAFQAM	12.00	7.1%	IKEJAHOT	0.93	-7.0%
NNFM	0.47	6.8%	NEM	1.80	-13.5%
UBN	5.80	5.5%	FTNCOCOA	0.33	-15.4%
FLOURMIL	30.00	5.3%	CWG	1.13	-26.1%



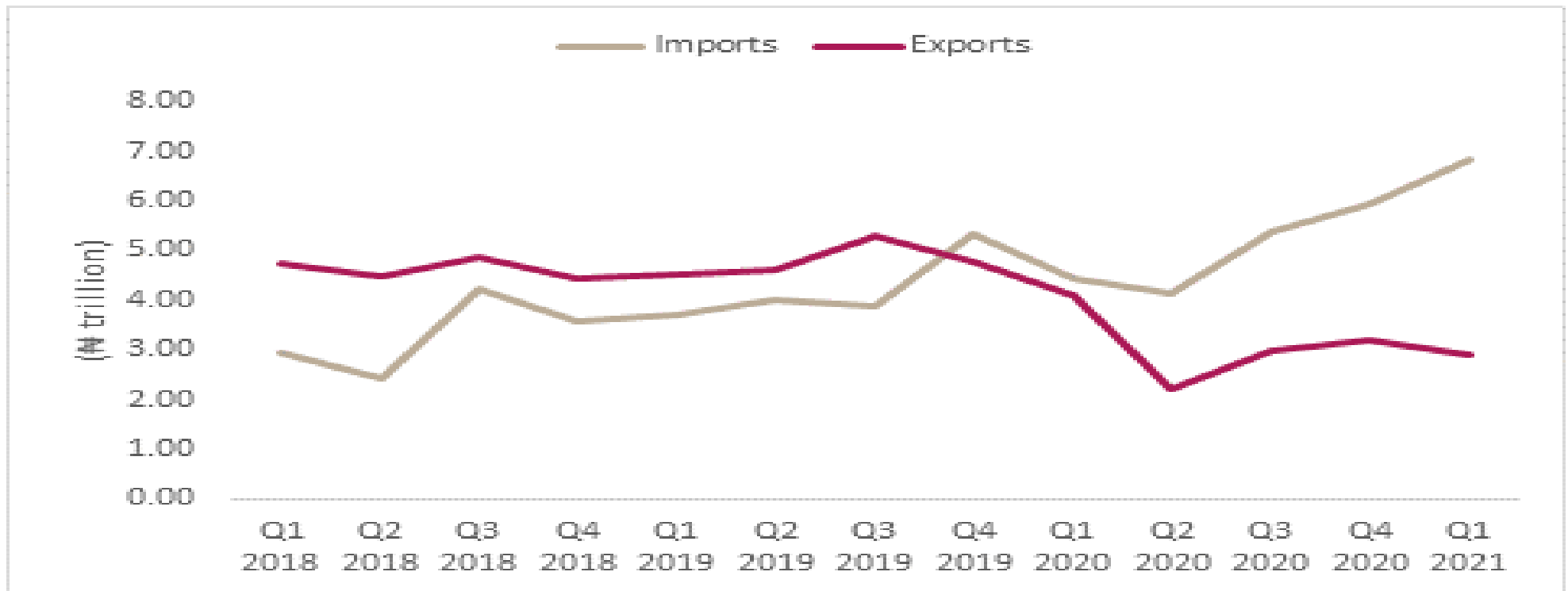
Source: NSE, Bloomberg, ARM Research

	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)	22.93%	15.25%	7.68%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Open Buy Back (OBB)	22.33%	15.00%	7.33%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 1M	12.58%	11.44%	1.14%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
NIBOR - 3M	13.52%	12.43%	1.09%	29-Apr-21	7.00%	8.50%	10.10%	29-Apr-21	5.00	5.00	10.00
NIBOR - 6M	15.00%	14.52%	0.48%	15-Apr-21	7.00%	8.50%	10.10%	15-Apr-21	5.00	5.00	10.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	3.62%	3.39%	0.23%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
3-month	4.72%	4.71%	0.01%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
6-month	6.28%	6.19%	0.09%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
9-month	8.60%	8.08%	0.52%	28-Apr-21	2.00%	3.50%	9.75%	28-Apr-21	7.19	6.00	116.27
12-month	9.77%	9.50%	0.27%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.65%	3.69%	-0.04%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
16.39% 27-JAN-2022	7.45%	7.31%	0.14%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
14.20% 14-MAR-2024	11.61%	11.66%	-0.05%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
12.50% 22-JAN-2026	12.40%	12.16%	0.24%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.2884% 17-MAR-2027	12.89%	12.75%	0.14%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.1493% 18-JUL-2034	13.62%	13.70%	-0.08%								
16.2499% 18-APR-2037	13.66%	13.66%	0.00%								
14.8% 26-APR-2049	13.83%	14.03%	-0.20%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	1.95%	2.12%	-0.17%	MIXTA 17.00% 16-JAN-2022	6.71%	6.65%	0.06%	ACCESS 10.50% 19-OCT-2021	5.03%	3.08%	1.95%
6.50% 28-Nov-2027	5.13%	5.27%	-0.14%	DUFIL 18.25% 1-SEP-2022	11.94%	11.82%	0.12%	ZENITH 7.375% 30-MAY-2022	3.14%	3.06%	0.08%
7.875% 16-FEB-2032	6.54%	6.68%	-0.14%	LAPO MFB 17.75% 19-DEC-2022	14.35%	14.36%	-0.01%	UBA 7.75% 08-JUN-2022	4.16%	4.23%	-0.07%
7.625% 28-Nov-2047	7.37%	7.51%	-0.14%	STERLING 16.50% 3-AUG-2023	12.35%	12.50%	-0.15%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
				FCMB 17.25% 8-DEC-2023	12.86%	12.95%	-0.09%				
				ACCESS 15.50% 23-JUL-2026	15.24%	15.03%	0.21%				
				VIATHAN 16.00% 14-DEC-2027	13.09%	12.96%	0.13%				
				UNION 16.20% 27-JUN-2029	16.30%	16.08%	0.22%				
				FIDELITY 8.50% 27-JAN-2031	14.17%	14.04%	0.13%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Q1 2021 Terms Of Trade Report.

The National Bureau of Statistics (NBS) released the Terms of trade report for Q1:2020. The report showed that total trade increased by 14.1% Y-o-Y and 7.0% Q-o-Q in Q1:2021. Nigeria's total trade in merchandise closed at NGN9.7 trillion in Q1:2021, while trade deficit printed at NGN3.94 trillion, representing a 1095.3% Y-o-Y increase and a 44.4% Q-o-Q increase. The increase in trade deficit was driven by a surge in imports (+54.3% Y-o-Y to NGN6.9 trillion) as exports (-29.3% Y-o-Y to NGN2.9 trillion) plunged during the quarter.



Source: NBS, ARM Research

Thank You



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