

**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 15th June - 18th June 2021

### Global Economy

- ◆ The Fed Reserve left the target range for its Federal funds rate unchanged at 0-0.25% during its June meeting while bond purchases will remain at \$120million per month, but policy makers penciled down two earlier-than-expected rate hikes for the end of 2023 with inflation projections for FY 2021 now seen much higher at 3.4% (previous projection: 2.4%). Officials noted progress on vaccinations and strong policy support as key drivers of the recovery seen in the general economy and labor market as GDP is now expected to grow at a faster pace of 7% in 2021 (March projection: +6.5%). Over in the UK, annual inflation unexpectedly rose above the Bank of England's target in the month of May as consumer prices jumped 2.1%YoY, signaling a post-lockdown surge in prices expected to gather pace in the coming months. The main upward pressures came from a rise in the cost of fuel and clothing which rose by about 18% and 2% respectively as the economy recovered further and lockdown measures eased. Elsewhere, the Bank of Japan left key short-term interest rate unchanged at -0.1% and extended the deadline for its pandemic-relief program by 6 months. Furthermore, policymakers revealed plans to launch a new scheme to provide funds to financial institutions that either invest or extend loans in relation to climate change issues. On the general economy, the bank noted a pickup in economic activities but stressed that the nation's short-term outlook remains cloudy as a result of the ongoing pandemic.

### Domestic Economy

- ◆ The Central Bank of Nigeria (CBN) has granted a non-interest banking license to Lotus Bank Limited. The bank said it would operate transparent pricing models as it was the norm in non-interest banking. Elsewhere, Nigeria's headline inflation rate rose by 17.93% Y-o-Y in May 2021. On a month on month basis however, inflation came in 19bps lower than the rate recorded in April 2021 (18.12% Y-o-Y). Food inflation fell from 22.72% in April 2021 to 22.28% in May 2021, while Core inflation rose from 12.41% in April 2021 to 13.15% in May 2021. Price increases were recorded on Pharmaceutical products, Fuels and lubricants for personal transport equipment, Hospital services, amongst others .

### Equities and stock recommendation

- ◆ The equities market shed 1.30% WoW to print at 38,648.91pts at the close of the week. On a sectoral basis, Telecommunication (-3.84%), Food (-0.14%) and Cement (-0.02%) closed negative while Oil & Gas (+2.44%), Brewers (+1.21%), Insurance (+1.15%) and Personal Care (+0.91%) declined on a WoW basis. Dissecting the sectoral performances further revealed UACN (-11.01%), AIRTELAFRI (-10.00%), OKOMUOIL (-9.44%), STANBIC (-4.88%) and ETERNA (-4.37%) topped the losers' chart while HONYFLOUR (+6.06%), ACCESS (+4.27%) and UNILEVER (+3.13%) registered the most gain.
- ◆ 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 edged down 7bps WoW to settle at 9.00%, reflecting moderations in bond yields. Specifically, the average bond yield printed 14bps lower WoW to 11.63%, mirroring downticks in the Jul-2034 (-62bps), Jul-2030 (-59bps) and Apr-2029 (-58bps) papers. At the other end of the curve, the average NTB yield flatlined at 6.36%. In the primary market, the DMO offered just ₦14.83 billion (matching the amount due to mature) while total subscription came in at ₦281.74 billion, translating to a new year-high subscription rate of 18.99%. We saw a tenth consecutive net-issuance by the DMO as ₦30.58 billion worth of treasury bills were sold while the average stop rate declined by 8bps to print at 5.13%, with the 1-year rate down 24bp to 9.40% .

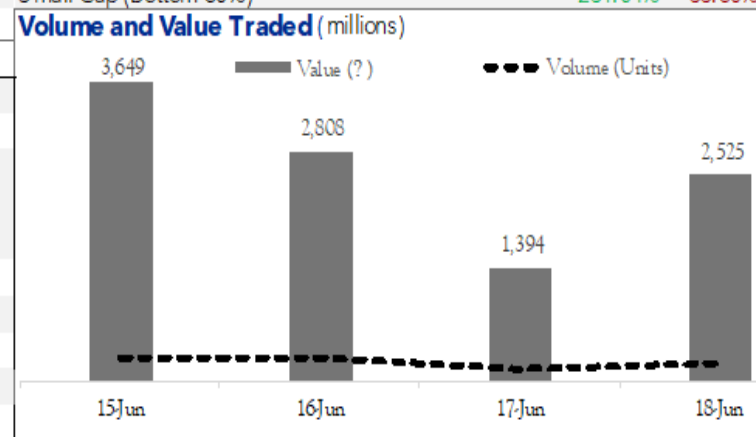
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.82	34.05	-0.66%	-12.36%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	412	411.8	0.08%	-11.42%	
Parallel	488.0	500.0	2.46%	-26.23%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</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>*IMF asks CBN to harmonise FX rates for market clearance</b>
Agriculture	2.3	3.4	1.4	2.2	<b>*Exchange-traded fund market cap hits N20.32bn -NGX</b>
Manufacturing	3.4	-1.5	-1.5	-2.8	<b>*CBN Grants Lotus Non-Interest Banking Licence</b>
Services	-0.4	1.3	-5.5	-2.2	<b>*U.S. labor market healing despite unexpected rise in weekly jobless claims</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*FEC okays FCT's N1t land swap plan</b>
Unemployment Rate			33.3	27.1	<b>*Travellers to access \$4,000 as CBN boosts forex supplies</b>
Underemployment			22.8	28.8	<b>*FG borrowed N1.3tn in to subsidise power consumers, firms - World Bank</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>*Oil Price Upswing Continues, Inches Closer to \$75pb</b>
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	<b>*World Bank approves \$3bn for vaccines in Africa, others</b>
Bonds	0.00	0.00		-100.0%	<b>*NLNG Train 7 \$10bn-investment begins, Buhari warns against delay</b>
Money Market	17.10	363.15	-95.3%	-98.8%	<b>*W'Bank: Rising Prices Pushed Seven Million Nigerians Below Poverty Line</b>
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	<b>*NATO adopts tough line on China at Biden's debut summit with alliance</b>
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	<b>*Goldman Sachs Maintains \$80 Brent Crude Forecast</b>
Trade Balance	2,382	2,559	1,668	-6.9%	<b>*DFIs, multilateral partners plan \$80bn investment in Nigeria, others</b>
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	<b>*Naira tumbles by 51.95% despite CBN's defence measures</b>

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

Index Performance	Level	Index Returns (%)					Sector Performance	Returns (%)	
		WoW	MTD	QTD	YTD	1 year		WoW	QTD
NSE ASI	38648.91	-1.30	0.55	-1.01	-4.03	55.01	Banking	0.31%	-10.01%
NSE ASI (\$)	38648.91	-1.30	0.79	-7.95	-4.20	45.8	Brewers	1.21%	5.19%
Market Cap (?bn)	19,940	-1.30	0.54	-3.98	-4.34	55.53	Cement	-0.02%	-0.22%
Market Cap (\$mn)	48,399	-1.35	0.79	-8.25	-4.51	45.67	Telecom	-3.84%	-4.62%
NSE 30	1599.22	0.29	2.40	2.78	-2.49	47.69	Personal Care	0.91%	1.50%
NSE Premium	3594.12	0.96	4.35	10.84	3.55	63.34	Construction	0.00%	3.52%
NSE 50	1601.65	-0.41	2.66	1.71	-3.43	39.88	Food	-0.14%	-5.05%
NSE ASEM	716.59	0.00	-2.00	-2.00	-1.82	-6.01	Insurance	1.15%	4.55%
NSE Banking	362.51	1.09	1.71	-1.94	-7.76	24.39	Oil & Gas	2.44%	68.87%
NSE Insurance	200.93	0.76	-1.69	-1.76	6.03	52.54	Real Estate	0.06%	-2.29%
NSE Consumer	568.35	0.25	1.16	4.68	-0.87	31.02	<b>ARM Indices</b>		
NSE Oil & Gas	314.21	1.05	1.61	18.18	38.91	50.52		WoW	QTD
NSE Industrial	1951.41	-0.06	3.79	3.26	-4.92	64.26	Large Cap (Top 10%)	-1.40%	-4.12%
NSE Lotus	2733.35	0.08	2.51	3.11	-3.96	47.28	Mid Cap (Mid 30%)	0.30%	-0.58%
NSE Pensions	1460.35	0.61	2.28	7.17	5.16	46.87	Small Cap (Bottom 60%)	231.04%	-33.60%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
LASACO	1.50	10.3%	PZ	5.80	-3.3%
CHAMPION	1.98	10.0%	WEMABANK	0.55	-3.5%
REDSTARE	3.35	8.1%	VERITASK	0.23	-4.2%
LEARNAFRI	1.08	8.0%	ETERNA	7.65	-4.4%
HONYFLOUR	1.40	6.1%	LIVESTOC	1.81	-4.7%
ROYALEX	0.72	5.9%	CHAMS	0.20	-4.8%
ACCESS	8.55	4.3%	OKOMUOIL	105.50	-9.4%
NEM	1.87	3.9%	ABBEYBDS	0.95	-9.5%
UNILEVER	13.20	3.1%	AIRTELAF	753.30	-10.0%
ZENITHBA	23.80	2.8%	UACN	9.70	-11.0%

Source: NSE, Bloomberg, ARM Research

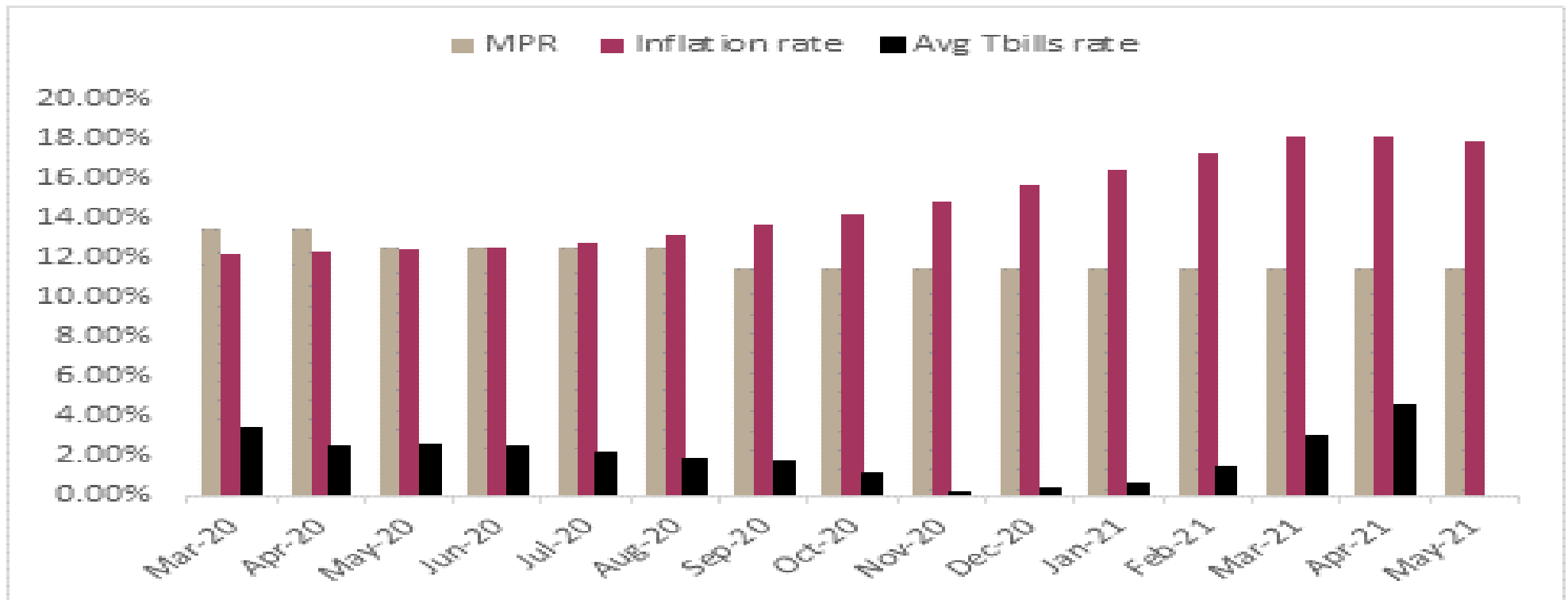


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	19.25%	22.93%	-3.68%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Open Buy Back (OBB)	18.75%	22.33%	-3.58%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 1M	12.32%	12.58%	-0.26%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
NIBOR - 3M	13.56%	13.52%	0.04%	29-Apr-21	7.00%	8.50%	10.10%	29-Apr-21	5.00	5.00	10.00
NIBOR - 6M	14.95%	15.00%	-0.05%	15-Apr-21	7.00%	8.50%	10.10%	15-Apr-21	5.00	5.00	10.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>			
					<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>		<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	3.62%	3.62%	0.00%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
3-month	4.85%	4.72%	0.13%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
6-month	6.28%	6.28%	0.00%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
9-month	8.75%	8.60%	0.15%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
12-month	9.76%	9.77%	-0.01%	28-Apr-21	2.00%	3.50%	9.75%	28-Apr-21	7.19	6.00	116.27
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>			
					<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>		<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
14.50% 15-JUL-2021	3.65%	3.65%	0.00%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
16.39% 27-JAN-2022	7.45%	7.45%	0.00%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
14.20% 14-MAR-2024	11.83%	11.61%	0.22%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
12.50% 22-JAN-2026	12.52%	12.40%	0.12%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.2884% 17-MAR-2027	12.65%	12.89%	-0.24%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.1493% 18-JUL-2034	13.00%	13.62%	-0.62%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
					<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>		<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
16.2499% 18-APR-2037	13.53%	13.66%	-0.13%	MIXTA 17.00% 16-JAN-2022	6.71%	6.71%	0.00%	ACCESS 10.50% 19-OCT-2021	5.00%	5.03%	-0.03%
14.8% 26-APR-2049	13.29%	13.83%	-0.54%	DUFIL 18.25% 1-SEP-2022	12.03%	11.94%	0.09%	ZENITH 7.375% 30-MAY-2022	3.15%	3.14%	0.01%
				LAPO MFB 17.75% 19-DEC-2022	14.52%	14.35%	0.17%	UBA 7.75% 08-JUN-2022	4.16%	4.16%	0.00%
				STERLING 16.50% 3-AUG-2023	12.61%	12.35%	0.26%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
<b>FGN Eurobonds</b>											
5.625% 27-JUN-2022	1.99%	1.95%	0.04%	FCMB 17.25% 8-DEC-2023	13.09%	12.86%	0.23%				
6.50% 28-Nov-2027	5.27%	5.13%	0.14%	ACCESS 15.50% 23-JUL-2026	15.37%	15.24%	0.13%				
7.875% 16-FEB-2032	6.69%	6.54%	0.15%	VIATHAN 16.00% 14-DEC-2027	13.31%	13.09%	0.22%				
7.625% 28-Nov-2047	7.47%	7.37%	0.10%	UNION 16.20% 27-JUN-2029	15.72%	16.30%	-0.58%				
				FIDELITY 8.50% 27-JAN-2031	13.57%	14.17%	-0.60%				

Source: DMO, FMDQ, Bloomberg, ARM Research

### Headline Inflation eases further in May.

The newly released Consumer Price Index (CPI) report, by the National Bureau of Statistics (NBS) reveal that Headline inflation rate rose by 17.93% Y-o-Y in May 2021. On a month on month basis however, inflation came in 19bps lower than the rate recorded in April 2021 (18.12% Y-o-Y). Food inflation fell from 22.72% in April 2021 to 22.28% in May 2021, while Core inflation rose from 12.41% in April 2021 to 13.15% in May 2021. Price increases were recorded on Pharmaceutical products, Fuels and lubricants for personal transport equipment, Hospital services, amongst others .



Source: NBS, 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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