

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week June 6th - June 10th, 2022

Global Economy

During the week, the European Central Bank (ECB) hiked interest rates by 25bps. This decision was based on their quest to curb the effects of inflation (currently at 8.1%) which was buoyed by the ban on Russian oil and commodities. We saw the pan-European Stoxx 600 react to this, as it dropped by 1.3% on Thursday. The ECB also revised its inflation and growth projections for 2022 downward to 6.8% and 2.8% respectively. In the United States, May 2022 inflation rose to 8.6% (vs. 8.3% in April 2022). The Energy (+34.6% YoY) and Food (+10.1% YoY) indexes were the major contributors to the increase. Interest rate hike has been a common. We expect more hikes by major central banks later in the year on the back of rising inflation and uncertainties in the global economy.

Elsewhere, lockdown was reimposed in Shanghai and Beijing, China amidst fears of new Covid-19 cases. This was after a 2 (two) months of lockdown was imposed across the country. It is also noteworthy that China's Producer Price Index rose 6.4% YoY in May 2022 compared to 8.0% YoY in April 2022. The decline is on the back of restrictions across regions in the country.

Domestic Economy

In the week, the Debt Management Office (DMO) published Nigeria's total public debt data for Q1:2022. Nigeria's public debt stood at NGN41.60trn in Q1:2022. This represents a 24.02% YoY increase from the NGN33.11trn incurred as at Q1:2021. While external debt stood at USD39.97bn in Q1:2022, domestic borrowings stood at NGN20.14trn in Q1:2022, with FGN bonds representing 70.70%. According to the report, total public debt-to-GDP rose from 21.13% in Q1:2021 to 23.27% in Q1:2022.

Equities and stock recommendation

At the close of trading this week, the Nigerian bourse closed on a positive note as the NGX ASI edged up 60bps WoW to settle at 53,201.38pts. A look into the sectoral performance show that the Oil and Gas (+0.68% WoW) and Industrial (+0.25%) sectors were the best performing sectors, while the banking sector (-2.12% WoW) Insurance sector (-1.61% WoW) and Consumer Goods (-0.10%) were the worst performing sectors. Leading the gainers' chart is GSPECPLC, whose share price rose 67.6% WoW to N4.19. On the flipside, ACADEMY emerged as the biggest laggards having lost 68.9% WoW to close at N0.41.

Fixed Income

In the Nigerian Treasury Bills Primary auction this week, average stop rate declined marginally from 4.29% at the last auction to 4.26%. There was an increased demand evidenced by the surge in bid-to-cover ratio to 2.16x (vs. 1.55x at the previous auction). Demand was tilted towards the mid-term with bid-to-cover ratio of 8.85x (Offer: NGN789.1mn, Subscription: NGN6.98bn). The Secondary Nigerian Treasury Bills market closed on a bearish note, with average yield up 16bps WoW to close at 4.13%. This is following selloffs in the 91-day and 270-day bills. Similarly, the secondary bond market closed with bearish sentiment, as average yield rose by a marginal, 0.004% WoW to close at 10.65%. This is following selloffs in the MARCH 2024 (+35bps) and JULY 2034 (+18bps) instruments.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	38.48	38.57	-0.24%	-4.95%	FLOURMILL 2022FY- Navigating Macroeconomic Headwinds
USD/NGN (₦/\$)					
NAFEX	421.3	419.5	-0.42%	3.26%	
Parallel	602.5	604.5	0.33%	-6.22%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (April 2022)					
		Mar	CHG (pps)		
Headline	16.83	15.92	0.91	16.38	
Core	14.18	13.9	0.28	14.04	
Food	18.38	17.2	1.18	17.79	
GDP (%) - YoY					
	Q1 22	Q4 22	Q2 21	FY21	
Real GDP	3.11	3.98	5.01	3.4	
Oil	-26.04	-8.06	-12.65	-8.3	News Headline for the week (click news for link)
Agriculture	11.6	3.6	1.3	2.13	*Asian stocks track global shares lower, U.S. CPI in focus
Manufacturing	11.72	2.28	3.49	3.35	*Fixed income assets traded on exchange up by N687.1b in May
Services	6.6	5.6	9.3	5.6	*Nigerians beat CBN restrictions, trade N78bn Bitcoin in three months
Labor Data (%) - Q4 20					
			Latest	Prior	*Asian shares slip, bond yields rise as investors await ECB
Unemployment Rate			33.3	27.1	*Stock Market Down 0.14% on Sell-off in FBN Holdings, 17 Others
Underemployment			22.8	28.8	*NNPC to pay N874bn in June as subsidy hits N1.82tn
Capital Importation (\$'mn)					
	Q1 22	Q4 21	QoQ (%)	YoY (%)	*World Bank slashes global growth forecast to 2.9%, warns of 'stagflation' risk
Foreign Portfolio Investment - Equities	31.78	38.00	-16.4%	18.24%	*Nigeria's imports from China rise by 183.91%, debts hit \$3.67bn
Bonds	310.06	45.91	575.36%	123.57%	*Nigeria's public debt climbs by N2.04tn in Q1 - DMO
Money Market	615.74	558.96	10.2%	-40.72%	*Stock Market Crosses 53,000 Basis Points to Begin Week on Positive Note
Foreign Direct Investment	154.97	358.23	-56.74%	0.13%	*FDI crashes by 78% in three months amid worsening dollar crisis
Monetary Policy Rates (%) (May 2022)					
	Latest	Prior		CHG (%)	*Crude oil exports jump by 194%, hit N5.6tn in three months
MPR	13.0	11.5		13.0%	*Brent climbs above \$120/bbl after Saudi Arabia hikes crude prices
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*FG suspends \$950m Eurobond borrowing over pricing, others
Liquidity Ratio	30.0	30.0		0.0%	*Subsidy hits 45% of fuel import bill in Q1 - NBS report

Source: CBN, NBS, FMDQ, ARM Research

Weekly Equities Market Snapshot

Friday, June 10, 2022



Top Gainers						Top Losers					
Ticker	Price	? (%)	Yr High	Yr Low	YtD	Ticker	Price	? (%)	Yr High	Yr Low	YtD
GSPEPLC	4.19	67.6%	2.75	2.75	0.0%	ACADEMY	0.41	-68.9%	1.32	1.32	-18.0%
SUNUASSUR	0.45	40.6%	0.32	0.32	0.0%	ABBEYBDS	0.95	-47.2%	1.80	1.80	-8.7%
CWG	1.25	20.2%	1.04	1.04	11.6%	IKEJAHOTEL	1.20	-14.3%	1.20	1.20	-1.6%
CONOIL	32.00	10.0%	32.00	32.00	45.5%	ETI	11.10	-11.2%	11.45	11.05	27.6%
FIDSON	12.00	9.6%	12.00	12.00	92.9%	MRS	14.80	-9.8%	16.40	12.20	19.8%
UPL	2.90	9.4%	2.90	2.90	-1.4%	ETRANZACT	2.71	-9.7%	2.71	2.71	43.4%
TRANSCORP	1.38	8.7%	1.43	1.32	43.8%	CILEASING	3.20	-8.6%	3.20	3.20	-23.8%
JAIZBANK	0.97	7.8%	0.97	0.91	73.2%	NEM	3.85	-8.3%	4.10	3.85	-14.4%
FCMB	3.50	7.0%	3.50	3.50	17.1%	CUTIX	2.70	-6.9%	2.70	2.69	2.3%
FTNCOCOA	0.36	5.9%	0.36	0.36	-7.7%	ABCTRANS	0.31	-6.1%	0.31	0.31	0.0%

	10-Jun	3-Jun	% ?	P/E	P/B
Kenya	129.89	129.41	-0.3%	7.10x	1.20x
Ghana	2,552.08	2,551.56	-0.2%	6.40x	1.20x
South Africa	68,038.91	70,937.44	0.8%	8.40x	1.80x
Egypt	1,944.99	1,968.73	0.0%	5.80x	1.20x
Nigeria	53,201.38	52,908.24	-2.2%	10.90x	2.40x

Tickers	Pts/?	WoW	MtD	QtD	YtD
NGXASI	53,201.38	0.55%	7.18%	13.28%	24.55%
Market Cap	28.68trn	0.55%	7.18%	13.31%	28.63%
NGX Banking	415.33	-2.12%	-4.48%	1.48%	2.28%
NGX Industrial	646.90	0.25%	0.63%	3.90%	9.50%
NGX Consumer	415.33	-0.10%	4.66%	16.74%	9.78%
NGX Oil & Gas	552.73	0.68%	5.41%	25.49%	60.21%
NGX Insurance	646.90	-1.61%	-7.36%	-3.93%	-9.72%

Date	Volume (Mn)	Value (NGN Bn)
6-Jun	748.07	8.85
7-Jun	234.62	2.75
8-Jun	246.22	1.84
9-Jun	314.14	3.22
10-Jun	266.58	2.53

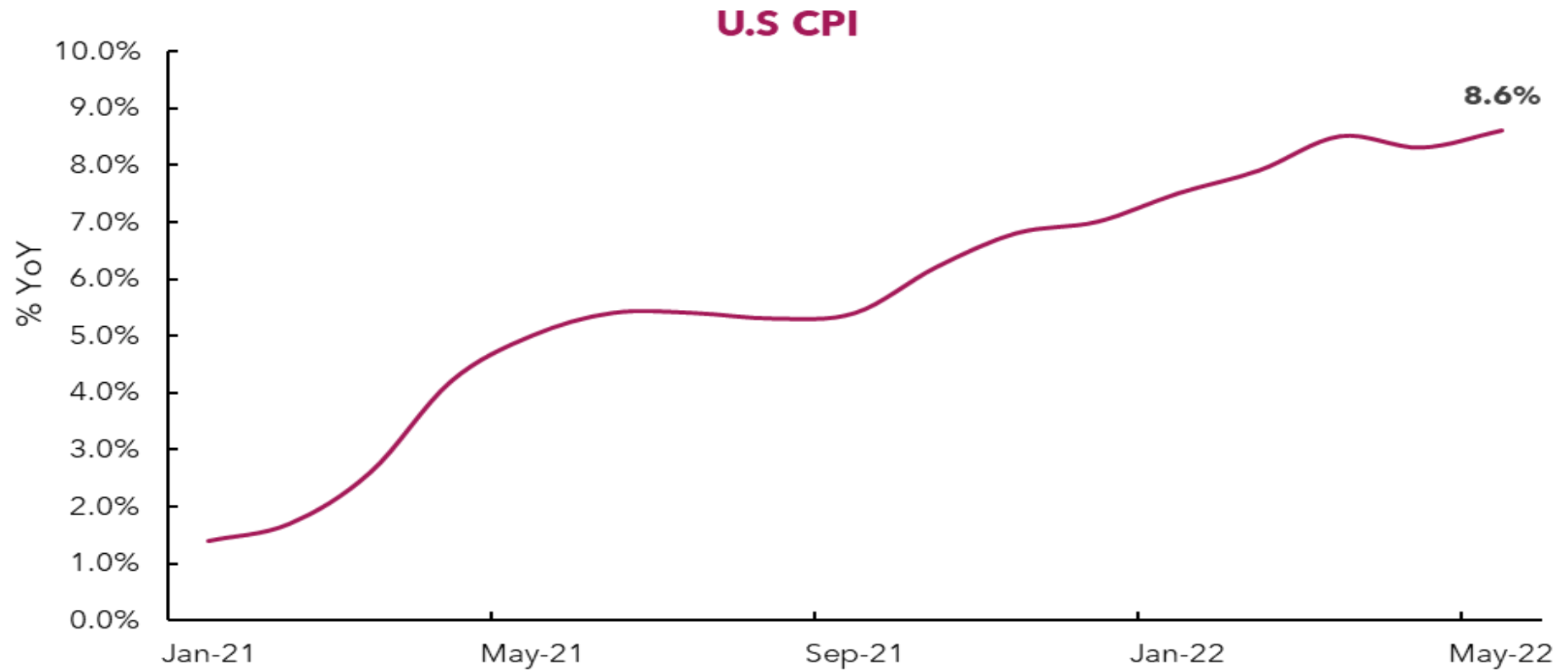
Source: NGX, ARM Research

	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)	8.40%	7.00%	1.40%	31-Mar-22	7.00%	8.50%	10.10%	31-Mar-22	10.00	10.00	30.00	
Open Repo Rate (OPR)	7.20%	6.67%	0.53%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00	
NIBOR - 1M	9.36%	9.36%	0.00%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00	
NIBOR - 3M	8.40%	10.03%	-1.64%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00	
NIBOR - 6M	9.05%	11.08%	-2.03%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-	
Treasury Bills				Treasury Bills			91 Day	182 Day	364 Day	Treasury Bills		
1-month	3.18%	2.88%	0.30%	8-Jun-22	2.50%	3.84%	6.44%	08-Jun-22	0.77	1.94	179.89	
3-month	3.59%	3.22%	0.37%	25-May-22	2.50%	3.89%	6.49%	25-May-22	3.56	1.25	168.67	
6-month	4.23%	4.04%	0.19%	11-May-22	1.74%	3.00%	4.70%	11-May-22	2.22	8.23	119.61	
9-month	5.49%	4.70%	0.79%	27-Apr-22	1.75%	3.00%	4.79%	27-Apr-22	2.22	8.23	119.61	
12-month	6.30%	5.07%	1.23%	13-Apr-22	1.74%	3.00%	4.45%	13-Apr-22	4.51	10.56	143.97	
FGN Bonds (Local)				FGN Bonds			Jan-26	Jan-42	Apr-32	FGN Bonds		
12.75% 27-APR-2023	5.04%	5.03%	0.01%	18-May-22		13.00%	12.45%	18-May-22		171.0	85.34	
14.20% 14-MAR-2024	7.92%	7.57%	0.35%	25-Apr-22	10.00%	12.90%	12.50%	25-Apr-22	74.3	79.7	65.9	
13.53% 23-MAR-2025	10.14%	10.20%	-0.06%	21-Mar-22	10.15%	12.70%		21-Mar-22	127.0	169.4		
12.50% 22-JAN-2026	10.30%	10.35%	-0.05%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9		
16.2884% 17-MAR-2027	10.76%	10.70%	0.06%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9		
12.1493% 18-JUL-2034	12.43%	12.25%	0.18%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond		
16.2499% 18-APR-2037	12.74%	12.76%	-0.02%	DUFIL 18.25% 1-SEP-2022	5.15%	5.26%	-0.11%	ZENITH 7.375% 30-MAY-2022	87.02%	87.02%	0.00%	
14.8% 26-APR-2049	13.11%	13.08%	0.03%	LAPO MFB 17.75% 19-DEC-2022	8.00%	8.11%	-0.11%	UBA 7.75% 08-JUN-2022	35.53%	35.53%	0.00%	
				STERLING 16.50% 3-AUG-2023	6.80%	6.71%	0.09%					
				16.50 MIXTA IIA 12-OCT-2023	7.46%	7.29%	0.17%					
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	8.36%	8.12%	0.24%					
5.625% 27-JUN-2022	31.74%	23.37%	8.37%	ACCESS 15.50% 23-JUL-2026	13.19%	13.25%	-0.06%					
6.50% 28-Nov-2027	11.09%	10.28%	0.81%	VIATHAN 16.00% 14-DEC-2027	11.22%	11.28%	-0.06%					
7.875% 16-FEB-2032	12.24%	11.23%	1.01%	UNION 16.20% 27-JUN-2029	14.17%	14.39%	-0.22%					
7.625% 28-Nov-2047	11.80%	11.04%	0.76%	FIDELITY 8.50% 27-JAN-2031	12.31%	12.41%	-0.10%					

Source: DMO, CBN, FMDQ, Bloomberg, ARM Research

The U.S. Inflation maintains uptrend

Today, the Bureau of Labor and Statistics released the US Inflation results for May 2022. The Consumer Price Index (CPI) for all Urban Consumers advanced 100bps (seasonally adjusted). The index edged up 8.6% YoY (vs 8.3% YoY in April 2022). The Energy (+34.6% YoY) and Food (+10.1% YoY) indexes were the major contributors to the increase. With the rising inflation, we expect the US monetary authorities to maintain a hawkish stance for the rest of the year.



Source: NBS, ARM Securities Research

WEEKLY STOCK RECOMMENDATION

	ROE	ROA	P/BV	OPM	AT	CP	TP	Upside/Downside	RECOMMENDATION
CONSUMER GOODS									
DANGOTE SUGAR REFINERY PLC	16.73	6.58	1.41	14.13	0.88	16.25	23	41.54%	STRONG BUY
FLOUR MILLS NIG. PLC.	15.89	4.48	0.81	8.51	1.74	35.00	63.55	81.57%	STRONG BUY
GUINNESS NIG PLC	17.82	8.06	2.20	6.15	1.12	90.50	111.15	22.82%	STRONG BUY
NIGERIAN BREW. PLC.	10.51	3.85	2.76	9.49	0.97	63.00	63.43	0.68%	NEUTRAL
FINANCIAL SERVICES									
ACCESS HOLDINGS PLC	17.89	1.55	0.34	26.40	0.09	9.80	12.8	30.61%	STRONG BUY
FBN HOLDINGS PLC	20.11	1.95	0.44	27.06	0.09	10.55	10.1	-4.27%	UNDERWEIGHT
FCMB GROUP PLC.	10.74	1.11	0.26	16.06	0.10	3.55	4.35	22.54%	STRONG BUY
FIDELITY BANK PLC	13.28	1.18	0.31	29.61	0.08	3.28	4.06	23.78%	STRONG BUY
GUARANTY TRUST HOLDING COMPANY	19.82	3.23	0.75	55.27	0.08	22.00	33.22	51.00%	STRONG BUY
UNITED BANK FOR AFRICA PLC	15.58	1.42	0.33	30.18	0.08	7.70	10.8	40.26%	STRONG BUY
ZENITH BANK PLC	20.62	2.63	0.55	44.52	0.08	22.85	29.82	30.50%	STRONG BUY
ICT									
MTN NIGERIA COMMUNICATIONS PLC	105.64	13.86	17.94	35.35	0.75	239.90	298.13	24.27%	STRONG BUY
OIL AND GAS									
TOTALENERGIES MARKETING NIGERIA PI	40.52	8.08	1.73	0.07		234.50	301.22	28.45%	STRONG BUY

Thank You



ARM Securities

Research 234 (1) 2701653 research@armsecurities.com.ng

Institutional Sales & Trading 234 (1) 448 8833 trading@armsecurities.com.ng

Customer Service 234 (1) 4488282
customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.