

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 March - 11th March 2022

Global Economy

- ◆ The week has been filled with multiple events from the US ban on Russian Oil, to a record high increase in oil to \$139pb (highest since 2018), nickel prices skyrocketing 90% to 100,000 dollars per ton, gold breaking through to \$2,000 an ounce, wheat jumped to a 14-year high and several international companies (including lenders, investors, and payment companies) cutting ties with Russia. On Monday 7th of March 2022, we witnessed the price of Brent skyrocket to \$139.13pb before settling at \$123.21pb at the close of the day. This can be traced to the news of the US and its European allies' decision to ban oil importation from Russia which eventually took place later Tuesday which caused the price of oil to gain 4% (to settle at \$127.98). Britain however said it will phase out the import of Russian oil and oil products by the end of 2022, giving the market and businesses time to find alternatives. Many multinational companies continue to sever ties with Russia. Despite the sanctions and warnings, Russian forces can be seen regrouping around Kyiv in what Britain said could be preparation for an assault on the city within days as the Russian ground forces were still making only limited progress, hampered by persistent logistical issues and Ukrainian resistance. Analysts forecast an increase in worldwide inflation due to a hampered supply of oil, wheat, and other consumables coupled with a pause in talks to revive the 2015 Iran nuclear deal today which faced the threat of collapse after a last-minute Russian demand forced world powers to pause negotiations for an undetermined time despite having a largely completed text. In the US, consumers now pay more for rent, food, and gasoline, the US annual inflation rate right now stands at 7.9% (a 40-year record high).

Domestic Economy

- ◆ Brent crude oil rose as high as \$139pb on Monday amidst the Russian-Ukraine conflict. Although, PMS has been relatively stable due to government subsidy payments, we witnessed a spike in the price of Automotive Gas Oil, popularly known as diesel during the week. While the surge in oil prices could be beneficial to companies in the oil sector, what this could mean for the Nigerian economy is an upward trend in the core component of the consumer price index. Elsewhere, Deposit Money Banks (DMBs) has reviewed the monthly spending limit on Naira debit cards from \$100 to \$20 for international online and POS transactions. We observed this as the backdrop to a damped outlook for foreign exchange inflow to the Nigerian market. On one hand, while crude oil price is recording uptrend in recent times, Nigeria's inability to ramp up production would deter the ability to optimize this trend. On the other hand, the invasion of Ukraine by Russian forces negatively impaired global outlook, and by effect discourage capital importation.

Equities and stock recommendation

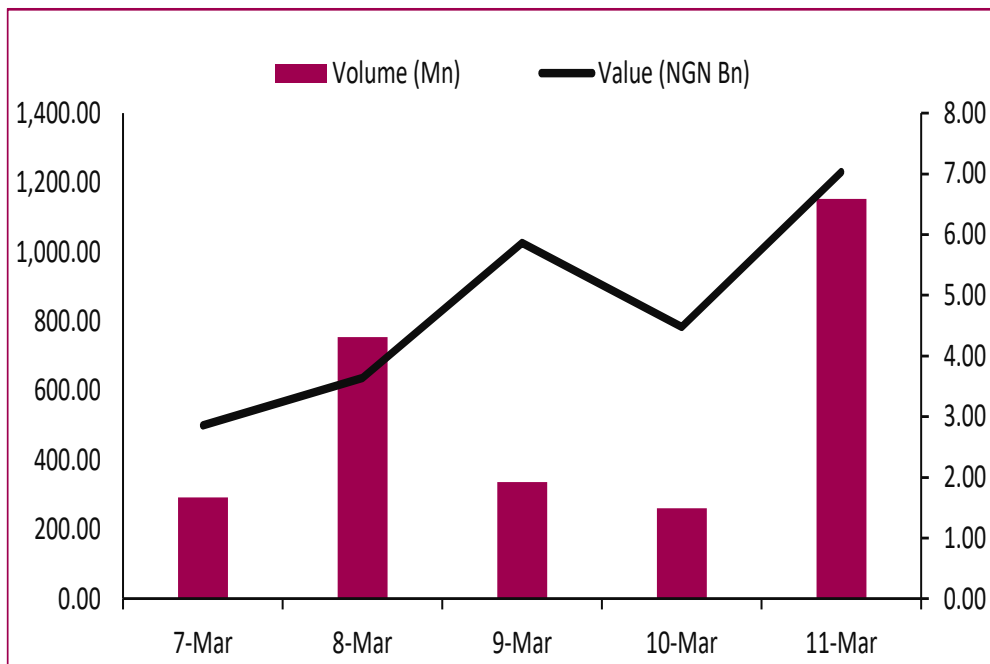
- ◆ On the week's last trading session, the equities market closed on a positive note for the 3rd consecutive day as the All-share index gained by 16bps to settle at 47,437.48 points. On a week-on-week basis, the ASI gained 36bps. This is following renewed investors' confidence in the market activity after seeing the bearish run for 5 trading days. The market breadth came in at 0.00x (with 22 losers and gainers each). Leading the gainers list are NIGERINS (10.00%), RTBRISCOE (8.96%), UPDC (7.61%), UACN (5.97%) and CORNERST (5.71%) while ROYALEX (-9.70%), ELLAHLAKES (-9.57%), PHARMDEKO (-8.00%), LIN-KASSURE (7.14%), UNILEVER (-5.71%) led the losers chart. On a sector basis, performance was mixed. Positive momentum was seen across BANKING (+1.81%), INSURANCE (+1.20%), TELECOM (+0.58%) and FOOD (+0.38%) respectively. On the flip side, the OIL & GAS (-7.91%), PERSONAL CARE (-3.88%), BREWERS (-2.95%), CONSTRUCTION (-0.12%), and CEMENT (-0.03%) counters all dipped in the week.
- ◆ **ZENITHBANK - OVERWEIGHT (FVE: N29.82). Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ Average yields in the Nigerian Treasury Bills secondary market closed the week flat at 3.49% despite the demand-driven decline in marginal rates at the auction. At the Treasury Bills auction on Wednesday, increased demand pushed marginal rates lower as subscriptions outweighed the offered amounts. Bid to cover ratio at the auction was 5.14x with demand of N482.9bn compared to offer of N94.0bn and average marginal rate tapered to 3.04% from 3.30% at the last auction. Conversely, average yields in the secondary bonds market inched lower by 22bps WoW to 9.97% due to significant buying interest in the APRIL 2023 and MARCH 2025 instruments with yields down 154bps and 53bps respectively to 4.95% and 8.82%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.77	39.87	-0.26%	-1.86%	
USD/NGN (₦/\$)					
NAFEX	417	416.7	0.04%	-4.25%	
Parallel	574.5	575.0	0.09%	1.68%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (January 2022)			CHG (pps)		
Headline	15.6	15.63	-0.03	15.60	
Core	13.87	13.87	0.00	13.87	
Food	17.13	17.37	-0.24	17.13	
GDP (%) - YoY	Q4 21	Q3 21	Q2 21	FY21	
Real GDP	3.98	4.03	5.01	3.4	
Oil	-8.06	-10.73	-12.65	-8.3	News Headline for the week (click news for link)
Agriculture	3.6	1.2	1.3	2.13	*Wall Street closes lower as inflation hits 40-year high, inviting aggressive Fed tightening
Manufacturing	2.28	4.29	3.49	3.35	*Trade volume between Nigeria, Korea hits \$2b in 2021
Services	5.6	8.4	9.3	5.6	*Banks suspend ATM, PoS transactions abroad
Labor Data (%) - Q4 20			Latest	Prior	*Aviation fuel scarcity, price hike disrupt flights nationwide
Unemployment Rate			33.3	27.1	*Subsidy, production challenges mar Nigeria's chances as oil exceed \$110
Underemployment			22.8	28.8	*IOCs' exit stalls Nigeria's ability to meet OPEC quota - FG
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*FG Urges Turkey to Invest in Nigeria's Onshore Oil Assets
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*CBN increases currency in circulation by N418bn over cash transactions
Bonds	364.97	14.54	2410.11%		*Crude oil price: MAN warns of hyperinflation, subsidy hits N400, diesel, 625:
Money Market	795.74	451.67	76.2%	119.13%	*Airtel Africa gets 10-year spectrum licences worth \$30 million for Kenya operation
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Nigeria pledges N2.5 billion infrastructure as American diapers maker opens \$100 million plant
Monetary Policy Rates (%) (January 2022)	Latest	Prior		CHG (%)	*Seplat affirms validity of ExxonMobil transaction
MPR	11.5	11.5		0.0%	*GTCO records N221.5bn annual profit
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*UBA's annual profit rises 4.3% to N118.7 billion
Liquidity Ratio	30.0	30.0		0.0%	*U.S., European allies discuss banning imports of Russian oil

Source: CBN, NBS, FMDQ, ARM Research



	WoW	Mtd	QtD	YtD
NGXASI	0.36%	0.09%	11.05%	11.05%
Market Cap	0.36%	0.09%	14.66%	14.66%
NGX 30	0.54%	0.00%	5.69%	5.69%
NGX Premium	0.47%	0.95%	7.01%	7.01%
NGX 50	1.33%	-0.04%	3.93%	3.93%
NGX ASEM	0.00%	0.00%	-1.74%	-1.74%
NGX Banking	1.29%	-2.00%	9.45%	9.45%
NGX Industrial	-0.13%	-0.97%	5.27%	5.27%
NGX Consumer Goods	-0.52%	-2.51%	-2.72%	-2.72%
NGX Oil & Gas	-2.22%	8.38%	33.31%	33.31%
NGX Insurance	2.65%	1.47%	-2.15%	-2.15%

Source: NGX, ARM Research

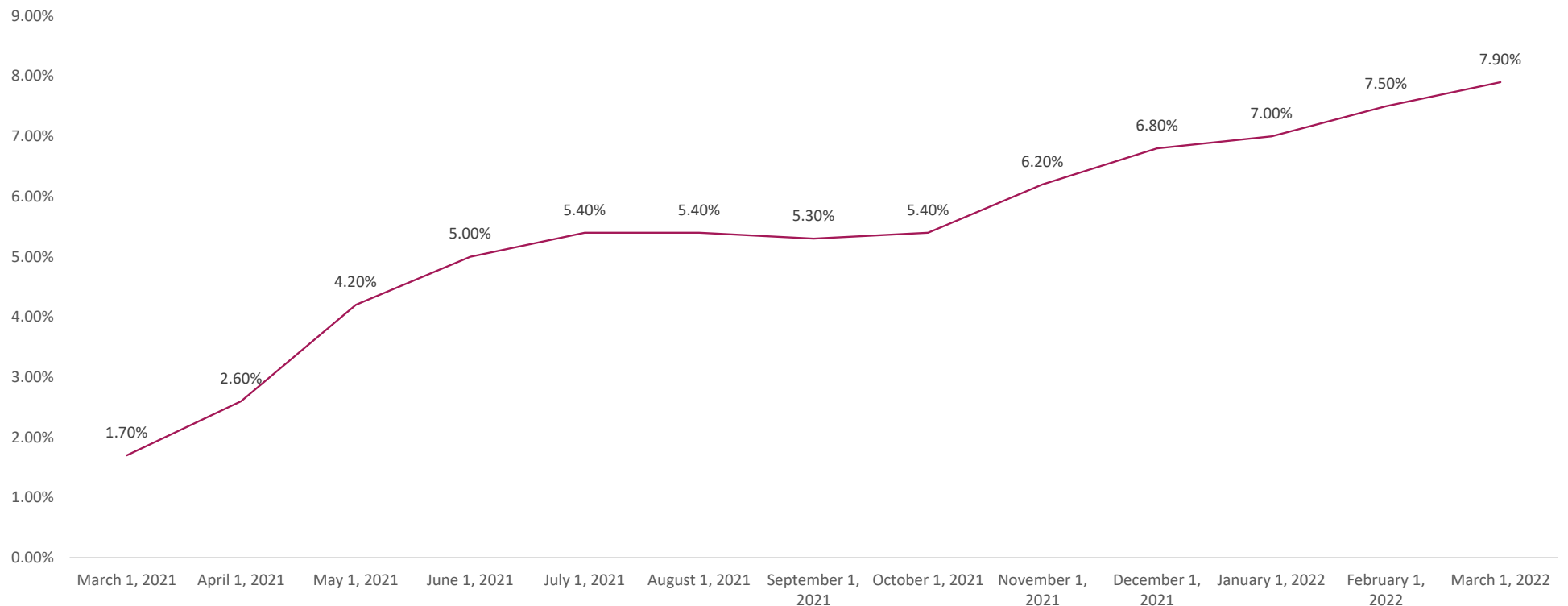
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	5.00%	13.83%	-8.83%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
Open Repo Rate (OPR)	4.50%	13.33%	-8.83%	10-Feb-22	7.00%	8.50%	10.10%	10-Feb-22	20.00	20.00	40.00
NIBOR - 1M	7.43%	7.44%	-0.01%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00
NIBOR - 3M	8.16%	7.96%	0.20%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
NIBOR - 6M	8.47%	8.29%	0.18%	06-Jan-22	7.00%	8.50%	10.10%	06-Jan-22	10.00	10.00	30.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.49%	2.58%	-0.09%	09-Mar-22	1.75%	3.28%	-	09-Mar-22	2.32	21.29	-
3-month	2.89%	3.26%	-0.37%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
6-month	3.56%	3.75%	-0.19%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
9-month	3.89%	4.09%	-0.20%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
12-month	4.22%	4.52%	-0.30%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
12.75% 27-APR-2023	4.95%	6.49%	-1.54%								
14.20% 14-MAR-2024	7.29%	7.52%	-0.23%								
13.53% 23-MAR-2025	8.82%	8.29%	0.53%	23-Mar-22				23-Mar-22			
12.50% 22-JAN-2026	10.06%	9.91%	0.15%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	9.94%	9.96%	-0.02%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	11.40%	11.85%	-0.45%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	11.92%	12.17%	-0.25%	MIXTA 17.00% 16-JAN-2022	5.08%	5.08%	0.00%	ZENITH 7.375% 30-MAY-2022	1.77%	1.77%	0.00%
14.8% 26-APR-2049	12.63%	12.63%	0.00%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
5.625% 27-JUN-2022	6.43%	6.24%	0.19%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
6.50% 28-Nov-2027	7.60%	7.75%	-0.15%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.875% 16-FEB-2032	8.92%	9.39%	-0.47%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.625% 28-Nov-2047	9.52%	9.93%	-0.41%	UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

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

US Consumer Price Index surged to record high (7.9%) since January 1982.

The market continues to react to the Russia-Ukraine conflict as the annual inflation rate in the US leaped aggressively to 7.9% in February 2022, the highest since January 1982. This can be traced to recent developments in Europe as regards, sanctions on Russia, the U.S banning Russian oil and oil products, supply constraints, multinational companies and nations cutting ties with Russia due to its invasion of Ukraine, limited supply to accommodate the strong demand in the global market. Energy remained the largest contributor (25.6% against 27% in Jan.), with gasoline prices surging 38% (40% in Jan.). Except for volatile energy and food categories, the CPI rose 6.4%, the most in 40 years. With no certainty on when the conflict will end and a collective effort by the US and its allies to economically isolate Russia from the world economy, the rise in energy prices might increase in the coming weeks .

US Annual Inflation Rate



Source: U.S Bureau of Labor Statistics, Trading Economics, ARM Research

Thank You



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