

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 09 – 13 March 2020

Global Economy

- ◆ COVID-19 continued its severe negative impacts across the globe. Stock markets in the US, Europe and Asia slipped into bear territory this week, marking an end to the longest bull run in history. In an attempt to limit this negative impact, the BOE, following on from the US Fed last week, cut their main interest rate by 50bps to a historic low of 0.25%. The Fed, meanwhile, made an additional \$1.5 trillion available for overnight lending markets soon after, on the fiscal leg, Trump signed a \$8.3 billion emergency spending bill. The ECB, meanwhile, surprisingly left its interest rates and marginal lending rate unchanged at 0% and -0.5% (vs. expectation of -0.6%), respectively. Instead, a raft of other stimulus programs was introduced to support the economy, including an increase in the monthly bond purchasing programme by an additional €120 billion over the rest of the year. Finally, in the oil market, the impending price war caused by the division in OPEC+ has put oil prices on track for its worst week since the 2009 financial crisis as prices plummeted 27.6% WoW to \$32.79 per barrel.

Domestic Economy

- ◆ While the corona virus and its impact on financial markets remained the global theme, the hum on a potential currency devaluation by CBN took the central stage in the domestic scene. This rides on the back of lower crude oil prices and less inflow of dollars. Consequently, this led to panic buying at the FX markets with the NGN/USD closing the week at ₦392.5 and ₦371.3 at the parallel market and IEW respectively. Meanwhile, the CBN on Thursday debunked rumours of a devaluation, stating clearly that the FX reserves is still at comfortable levels (currently at \$36.17 billion) to meet genuine demand for the US dollar. Elsewhere, data on capital importation showed total capital inflow into the country slowed in Q4 2019 by -32% QoQ to \$3.8 billion. A cursory look at the numbers revealed Foreign Portfolio Investment (FPI) and other investment declined by 38% and 31% QoQ to \$1.9 billion and \$1.7 billion respectively, while Foreign direct investment rose by 25% QoQ to \$257 million. On other fronts, the house of representatives indefinitely suspended the consideration of the \$22.8 billion external loan request by the president..

Equities and stock recommendation

- ◆ Nigeria's equity market joined global routs as domestic stocks suffered one of the worst week on record. The NSE ASI declined by 13.49% WoW rounding off at 22,733.35 points with market capitalization shedding off ₦1.8 trillion closing at ₦11.8 trillion. All sectors experienced losses, bulk of which stemmed from the Oil and Gas (-24.39%), Banking (-24.07%) and Brewers sectors (-26.80%). Losses were also witnessed in the Telecoms (-12.37%), Personal Care (-11.63%), Cement (-7.10%) and Food (-8.87%) sectors. Furthermore, the major drivers of these heavy losses were from ZENITH-BANK (-36.7%), GUARANTY (-22.76%), STANBIC (-16.29%), DANGCEM (-10.00%), SEPLAT (-10.00%) and NESTLE (-10.00%).
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦240.87), Nestle Plc – STRONG BUY (FVE: ₦1447.39), Guaranty – STRONG BUY (FVE: ₦49.66), UBA – STRONG BUY (FVE: ₦13.04), Seplat – STRONG BUY (₦828.9). Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

- ◆ The subscription rate of 2.82x at this week's NTB auction was the highest so far this year, as the FG sold just the ₦86.3 billion that it offered and was due to mature -- the lowest since January. The average PMA rate at the auction declined 37bps to 3.86%, with the 1-year rate settling at 5.3%. In the secondary market, average yields rose 42bps WoW to 7.66%. This was spurred by selloffs in the bond market which brought its average yield 97bps higher to 11.45%. The most bearish sentiments were seen in the March-2027 (+345bps), April-2028 (+228bps) and Jan-2022 (+210bps) notes. NTB yields, meanwhile, were unchanged at 4.00% for most of the week before falling 13bps on Friday to close the week at 3.87%. This was driven by interest in short and mid tenor bills.

The week in Review

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◆ Elsewhere, data on capital importation showed total capital inflow into the country slowed in Q4 2019 by -32% QoQ to \$3.8 billion. A cursory look at the numbers revealed Foreign Portfolio Investment (FPI) and other investment declined by 38% and 31% QoQ to \$1.9 billion and \$1.7 billion respectively, while Foreign direct investment rose by 25% QoQ to \$257 million. On other fronts, the house of representatives indefinitely suspended the consideration of the \$22.8 billion external loan request by the president..

Country	Index	Level (in \$)	Index Returns (%)			Index Characteristics			Global Fixed Income					Global Currencies						
			WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. Cap (\$bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	This Week	Prior Week	WoW (%)	YTD (%)			
US	S&P 500	2,507	-15.7	-22.4	-10.8	16.5			US	0.32		0.88	-1.0	2.3	Euro (€)	1.1	1.1	-1.8	-1.1	
	NASDAQ	7,304	-14.8	-18.6	-4.4	28.0	10,807.2	1.3	UK	0.29		0.29	-1.3	1.8	GBP (£)	1.2	1.3	-4.9	-6.4	
UK	FISE ASI	5,318	-17.7	-29.5	-25.7	15.2		6.5	Euro	-0.41	9.7	-0.13	49.3	1.2	JPY (¥)	107.2	105.4	-1.7	1.3	
France	CAC 40	4,090	-20.4	-31.6	-22.9	14.9	817.3	4.8	Japan	-0.21		-0.21	-1.0	0.8	INR (₹)	73.9	73.8	-0.2	-3.4	
Germany	XETRA DAX	9,140	-20.8	-31.0	-21.0	15.9		4.5	China	2.27	3.6	2.89	3.6	5.2	CNY (¥)	7.0	6.9	-1.1	-0.6	
Japan	NIKKEI 25	17,431	-16.0	-26.3	-18.1	15.4	4.5	2.6	India	4.90	-2.4	6.32	2.2	7.49	MXN (\$)	22.0	20.1	-8.5	-13.8	
China	Shanghai Comp	2,887	-4.8	-5.3	-4.6	13.9	4,775.3	2.7	Mexico	7.03	10.3	7.47	-6.4	3.7	RUB (p.)	73.5	68.6	-6.8	-15.8	
Brazil	Ibovespa	75,184	-23.3	-35.0	-24.0	13.0	26.7	5.0	Turkey	11.88	1.3	11.54	-1.9	12.37	ZAR (R)	16.3	15.7	-4.1	-14.4	
India	BSE Sens	34,103	-9.2	-17.3	-9.7	20.9	485.3	1.7	Russia	6.76	22.5	3.36	-2.4	2.3	EGP (£)	15.7	15.6	-0.4	2.1	
Russia	RIS	503	-21.7	-37.6	-20.3	3.8	2.0	10.8	Egypt	14.49		16.00		5.3	KES (sh)	102.9	102.7	-0.2	-1.5	
Mexico	S&P/BMV IPC	37,829	-8.6	-13.1	-9.8	14.4		4.0	South Africa	6.69	1.5	9.96	-6.0	4.5	GHS (¢)	5.6	5.5	-0.4	2.9	
Turkey	Borsa Istanbul	95,605	-12.8	-16.4	-6.4	7.4	0.4	5.4	Kenya	9.10	-2.3	12.43	1.2	6.4	XOF (₣)	592.2	582.1	-1.7	-1.2	
Indonesia	JCI Index	4,908	-10.7	-22.1	-23.0	14.9	370.2	2.9	Ghana	17.90	N/A	19.00	0.0	7.8	XAF (₣)	592.6	580.4	-2.1	-1.2	
Kazakhstan	KASE Index	2,103	-6.4	-11.0	-11.4	5.3	3.1	213.0	Nigeria	5.30	-7.0		-7.7	12.1	NGN (₦)	368.9	362.5	-1.7	-1.7	
Vietnam	VN Index	762	-14.5	-20.7	-24.2	11.8	112.9	2.2	Global Commodities					Global Indicators for the Week						
South Africa	FISE/JSE ASI	44,178	-15.1	-22.6	-20.9	12.2	-	5.4			This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior			
Egypt	EGX 30	11,194	0.0	-19.8	-26.1	9.2	10.2	4.8	Brent Crude	\$/bbl	33.1	45.3	-26.8	-49.8	China Consumer Price Index (YoY) - Feb		5.2%	5.4%		
Kenya	NSEASI	134	-14.4	-19.7	-13.5	9.3	19.3	6.8	OPEC Crude	\$/bbl	33.3	51.7	-31.2	-51.1	European M. Union Gross Domestic Product s.a		0.1%	0.1%		
Morocco	MSCI MX	286	-7.8	-14.0	-4.6	22.1	9.3	3.9	Gasoline	\$/gal	88.0	138.9	-36.7	-53.2	European M. Union Gross Domestic Product s.a		1.00%	0.90%		
Ghana	GSE Composite	2,186	-0.1	-3.2	-9.6	N/A	11.2	2.6	Natural Gas	\$/MBtu	1.9	1.7	9.3	-13.1	BoE Interest Rate Decision		0.25%	0.75%		
Tunisia	TunIndex	6,623	-5.7	-7.0	-3.9	18.9	0.6	2.5	Gold	\$/t oz	1529.8	1673.8	-8.6	0.8	US Consumer Price Index ex Food & Energy (YoY)		2.4%	2.3%		
BRVM	BRVM	145	-1.0	-8.9	-16.1	7.3	7.3		Sugar	\$/lb	11.8	13.0	-9.5	-13.0	UK Manufacturing Production (YoY) - Jan		-3.60%	-3.60%		
Mauritius	SEMDEX	1,885	-8.0	-13.4	-14.1	14.4	7.6		Wheat	\$/bsh	505.3	515.8	-2.0	-10.1	Japan Producer Price Index (YoY) - Feb		0.8%	1.5%		
Nigeria	NGSE ASI	22,734	###	-15.30	-27.5	6.7	31.7	8.2	Crude Palm oil IYR/MT		2284.0	2451.0	0.0		China FDI - Foreign Direct Investment (YTD) (Y)		-8.6%	4.0%		

Source: Bloomberg, Reuters, ARM Research

** means Preliminary Estimate

The week in Review

◆ While the corona virus and its impact on financial markets remained the global theme, the hum on a potential currency devaluation by CBN took the central stage in the domestic scene. This rides on the back of lower crude oil prices and less inflow of dollars. Consequently, this led to panic buying at the FX markets with the NGN/USD closing the week at ₦392.5 and ₦371.3 at the parallel market and IEW respectively.

◆ Meanwhile, the Senate approved the \$22.8 billion loan request from President Buhari which is expected to be gotten from external creditors and used to finance infrastructure projects including Nigeria Electricity Transmission and Access Project, Social Inclusion and Welfare advancement project, amongst others. In other fronts, S&P global ratings agency downgraded Nigeria's outlook from a stable outlook to negative, highlighting weak economic growth, sizeable public debt, susceptibility to external pressures and depletion in foreign reserves, amongst others.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	36.17	36.25	-0.20%	-6.28%	Macro-Economic Update - February 2020
USD/NGN (₦/\$)					
NAFEX	374	367	-1.99%	-2.54%	
Parallel	377.5	361.0	-4.37%	-4.64%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (January)			CHG (pps)		
Headline	12.13	11.98	0.15	12.13	
Core	9.35	9.32	0.03	9.35	
Food	14.85	14.67	0.18	14.85	
GDP (%) - YoY	Q4 19	Q3 19	Q2 19	FY19	
Real GDP	2.55	2.3	2.1	2.3	
Oil	6.4	6.5	7.2	4.6	News Headline for the week (click news for link)
Agriculture	2.3	2.3	1.8	2.4	*Market unfavourable for Naira devaluation — CBN
Manufacturing	1.2	1.1	-0.1	0.8	*CBN, Banks, Others to Raise N1.5tn to Fund Infrastructure
Services	4	3.5	2.9	3.4	*Coronavirus Crashes Oil Price to \$30, Halves Nigeria's Revenue Projection
Labor Data (%) - Q3 18			Latest	Prior	*Nigeria Records Second Case of Coronavirus
Unemployment Rate			23.1	18.8	*Currency in circulation dropped to N2.18tn in February
Underemployment			20.1	21.2	*Nigeria records \$7.18bn increase in capital importation
Capital Importation (\$'mn)	Q4 19	Q3 19	QoQ (%)	YoY (%)	*Reps suspend Buhari's \$22.79bn loan consideration indefinitely
Foreign Portfolio Investment - Equities	353.65	358.19	-1.3%	62.0%	*FCMB launches N100b maiden commercial paper
Bonds	47.36	91.60	-48.3%	-96.0%	*Dangote to begin crude oil production in July
Money Market	1482.57	2549.71	-41.9%	50.8%	*Falling oil price shocking, budget strained, says FG
Foreign Direct Investment	257.25	206.58	24.53%	-6.2%	*NERC halts TCN tariff public hearing, orders customers briefing
Balance of Payment (\$'mn)	Q3 19	Q2 19	Q1 19	QoQ	*Naira crashes in value, dollar sells for N420
Trade Balance	2,559	1,668	775	230.2%	*Nigeria's rig count surge 64%, highest among OPEC members
CA Balance	(2,796)	(3,772)	(2,819)	-0.8%	*Contributions to National Housing Fund hit N372bn

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

The week in Review

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◆ Furthermore, the major drivers of these heavy losses were from ZENITHBANK (-36.7%), GUARANTY (-22.76%), STANBIC (-16.29%), DANGCEM (-10.00%), SEPLAT (-10.00%) and NESTLE (-10.00%).

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Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	22734.07	-13.49	-13.28	-15.30	-15.30	-27.51
NSE ASI (\$)	61.70	-13.49	-14.04%	-16.23%	-16.23%	-28.68%
Market Cap (₦bn)	11846.91	-13.49%	-13.26%	-8.58%	-8.58%	2.01%
Market Cap (\$mn)	32151.64	-4.54%	-14.02%	-9.57%	-9.57%	-0.34%
NSE 30	975.65	-15.12	-15.02	-17.17	-17.17	-30.77
NSE Premium	1919.68	-16.14	-14.68	-9.29	-9.29	-13.53
NSE 50	1014.96	-16.94	-16.98	-24.63	-24.63	-39.54
NSE ASEM	734.99	0.00%	0.00	0.00	0.00	-8.25
NSE Banking	241.80	-26.15	-23.36	-32.24	-32.24	-40.32
NSE Insurance	111.25	-5.66	-4.34	-11.58	-11.58	-14.13
NSE Consumer	367.40	-14.79	-19.79	-38.03	-38.03	-49.01
NSE Oil & Gas	215.81	-8.51	-7.78	-17.80	-17.80	-25.78
NSE Industrial	1099.87	-5.41	-9.45	2.26	2.26	-11.84
NSE Lotus	1642.03	-9.99	-12.05	-10.50	-10.50	-27.62
NSE Pensions	852.50	-12.54	-13.34	-19.12	-19.12	-28.95

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-24.07%	-31.34%	-31.34%
Brewers	-26.80%	-48.01%	-48.01%
Cement	-7.10%	7.56%	7.56%
Telecom	-12.37%	-6.38%	-6.38%
Personal Care	-11.63%	-44.15%	-44.15%
Construction	-5.67%	0.72%	0.72%
Food	-8.87%	-30.45%	-30.45%
Insurance	-3.83%	-7.90%	-7.90%
Oil & Gas	-24.39%	-42.61%	-42.61%
Real Estate	-0.20%	-0.14%	-0.14%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-13.24%	-5.98%	-5.98%
Mid Cap (Mid 30%)	-9.37%	-12.16%	-12.16%
Small Cap (Bottom 60%)	-1.51%	-17.28%	-17.28%

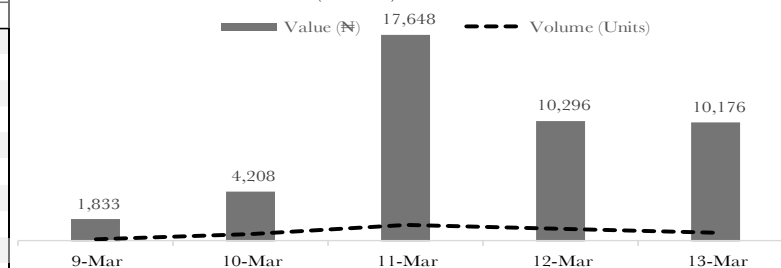
Top 10 Gainers

Company	This Week	WoW
CORNERST	0.53	6.0%
MOBIL	146.50	0.0%
MAYBAKER	2.15	0.0%
BUACEMENT	35.30	0.0%
ROYALEX	0.22	0.0%
LINKASSURE	0.40	0.0%
EKOCORP	5.50	0.0%
TRANSEXP	0.90	0.0%
BETAGLAS	70.00	0.0%
ABBEY	1.05	0.0%

Top 10 Losers

Company	This Week	WoW
ZENITH	11.90	-36.7%
UCAP	2.00	-35.5%
ACCESS	5.40	-36.5%
CADBURY	4.95	-38.9%
NB	28.00	-31.4%
AFRIPRUD	3.24	-31.1%
STERLING	1.10	-29.5%
NASCON	9.50	-26.9%
WEMA	0.45	-26.2%
OANDO	2.00	-25.9%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

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◆ The most bearish sentiments were seen in the March-2027 (+345bps), April-2028 (+228bps) and Jan-2022 (+210bps) notes. NTB yields, meanwhile, were unchanged at 4.00% for most of the week before falling 13bps on Friday to close the week at 3.87%. This was driven by interest in short and mid tenor bills.

	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)	10.08%	11.71%	-1.63%	05-Mar-20	N/A	N/A	12.99%	05-Mar-20	N/A	N/A	110.51
Open Buy Back (OBB)	9.17%	12.86%	-3.69%	27-Feb-20	11.44%	11.56%	13.00%	27-Feb-20	10.00	44.78	245.21
NIBOR - 1M	12.15%	7.31%	4.84%	20-Feb-20	11.45%	11.59%	13.02%	20-Feb-20	N/A	1.00	213.87
NIBOR - 3M	12.40%	8.95%	3.45%	13-Feb-20	N/A	11.60%	13.04%	13-Feb-20	N/A	20.40	107.80
NIBOR - 6M	13.09%	9.59%	3.50%	06-Feb-20	N/A	11.60%	13.05%	06-Feb-20	N/A	20.14	190.15
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	3.95%	3.98%	-0.03%	11-Mar-20	2.49%	3.78%	5.30%	11-Mar-20	1.80	14.00	70.50
3-month	2.87%	2.87%	0.00%	26-Feb-20	3.00%	4.00%	5.70%	26-Feb-20	20.37	31.75	51.99
6-month	3.83%	3.28%	0.55%	12-Feb-20	3.00%	4.00%	6.54%	12-Feb-20	4.4	10.0	140.0
9-month	3.77%	4.86%	-1.09%	29-Jan-20	3.50%	4.50%	6.50%	29-Jan-20	49.8	54.6	125.2
12-month	5.90%	5.63%	0.27%	15-Jan-20	2.95%	3.95%	5.09%	15-Jan-20	10.0	20.0	44.8
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	10 Year	30 Year		5 Year	10 Year	30 Year
14.50% 15-JUL-2021	7.35%	6.45%	0.90%	19-Feb-20	8.75%	10.70%	12.12%	19-Feb-20	55.0	65.0	40.0
16.39% 27-JAN-2022	9.25%	6.60%	2.65%	22-Jan-20	9.85%	11.13%	12.56%	22-Jan-20	29.3	106.4	276.1
14.20% 14-MAR-2024	9.53%	7.37%	2.16%	18-Dec-19	11.00%	12.00%	13.00%	18-Dec-19	59.9	96.7	96.4
12.50% 22-JAN-2026	12.80%	8.66%	4.14%	20-Nov-19	12.00%	12.93%	13.39%	20-Nov-19	29.1	64.4	46.3
16.2884% 17-MAR-2027	14.05%	9.94%	4.11%	23-Oct-19	14.05%	14.23%	14.60%	23-Oct-19	14.1	17.7	27.8
12.1493% 18-JUL-2034	11.80%	10.36%	1.44%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	12.18%	10.62%	1.56%	UBA 16.45% 30-DEC-2021	9.72%	7.76%	1.96%	ACCESS 10.50% 19-OCT-2021	7.79%	3.84%	3.95%
14.8% 26-APR-2049	13.96%	12.00%	1.96%	MIXTA 17.00% 16-JAN-2022	8.06%	7.25%	0.81%	ZENITH 7.375% 30-MAY-2022	6.20%	4.42%	1.78%
				FIDELITY 16.48% 13-MAY-2022	10.54%	8.56%	1.98%	UBA 7.75% 08-JUN-2022	6.43%	4.83%	1.60%
				DUFIL 18.25% 1-SEP-2022	11.11%	9.54%	1.57%	SEPLAT 9.25% 1-APR-2023	15.83%	7.96%	7.87%
				LAPO MFB 17.75% 19-DEC-2022	13.07%	11.90%	1.17%				
				STERLING 16.50% 3-AUG-2023	10.47%	10.15%	0.32%				
				FCMB 17.25% 8-DEC-2023	10.80%	11.00%	-0.20%				
				STANBIC 13.25% 30-SEP-2024	11.49%	11.14%	0.35%				
				VIATHAN 16.00% 14-DEC-2027	11.95%	11.19%	0.76%				

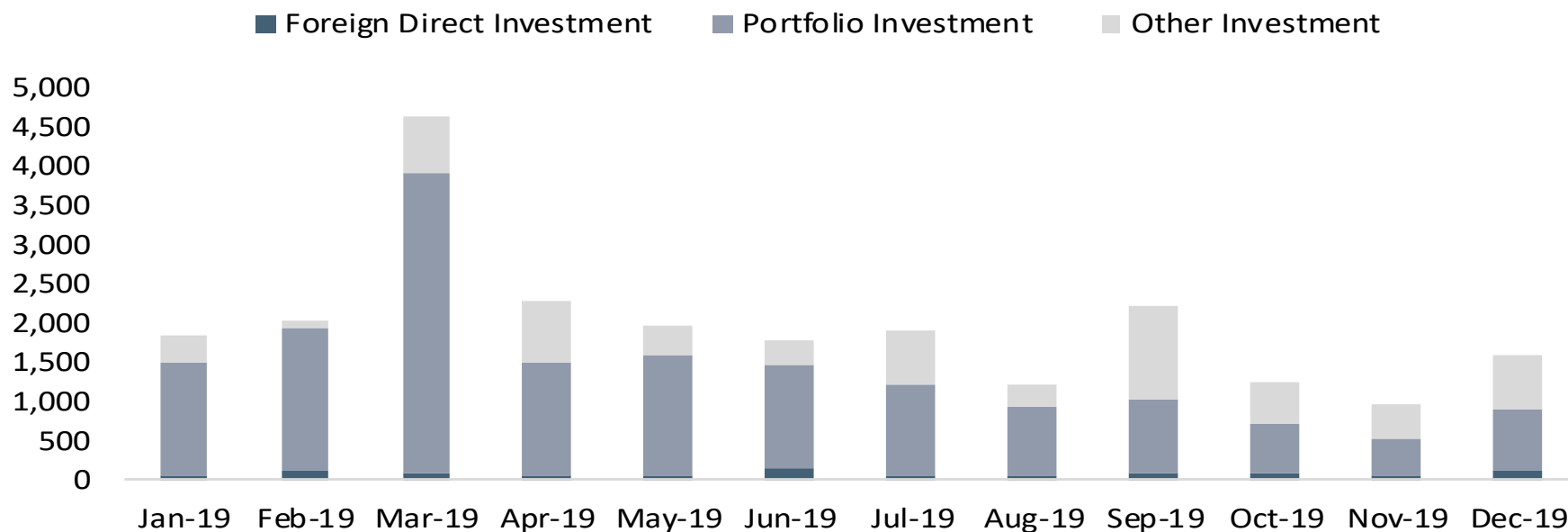
Economic and Financial Calendar for the week 16th - 20th March

	Monday 16-Mar	Tuesday 17-Mar	Wednesday 18-Mar	Thursday 19-Mar	Friday 20-Mar
Global	China Industrial Production (YoY) - Feb	UK ILO Unemployment Rate (3M) - Jan	European M. Union Consumer Price Index - Core (MoM) - Feb	Japan BoJ Monetary Policy Statement	China PBoC Interest Rate Decision
	China Retail Sales (YoY) - Feb	Japan Industrial Production (YoY) - Jan	US Fed Interest Rate Decision	Japan BoJ Interest Rate Decision	UK Public Sector Net Borrowing - Feb
		US Retail Sales Control Group - Feb			
		Japan Imports & Exports (YoY) - Feb			
Domestic	CPI and Inflation Report February 2020	Automotive Gas oil (DIESEL) price watch February 2020	Liquefied Petroleum Gas (Cooking Gas) Price Watch February 2020	Federation Account Allocation Committee (FAAC) February 2020 Disbursement	Sectoral Distribution of Value Added Tax (Q4 2019)
	Premium Motor Spirit (PETROL) Price Watch February 2020	National Household Kerosene Price watch February 2020	Selected food prices February 2020	Transport Fare Watch (February 2020)	

** means Preliminary Estimate

Trend in capital importation

This week, we feature the capital importation for each month over 2019. The total capital importation figure, made up of: foreign direct investment, portfolio investment and other investment, summed up to \$23.7 billion, which is 29% lower than 2018. November's figure of \$969.82 million was the lowest figure since December 2018. This mirrored impact of the CBN's heterodox policy barring non-bank financial institutions' participation in OMO market in October, as FPIs dropped 25% m/m to \$469 million -- also lowest since December 2018.



Source: CBN, ARM Research



Thank You

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