

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 14th March - 18th March 2022

Global Economy

- ◆ As Russia continues her military operations in Ukraine, oil prices remain high, falling below \$100 during the week and rising back up to \$107.51 as at Friday. Ukrainian President, Volodymyr Zelenskyy said on Wednesday that peace talks were sounding more realistic, but more time was needed as Russian airstrikes killed five people in the capital, Kyiv whilst the refugee tally from Moscow's invasion reached 3 million. Stock indexes and U.S. Treasury yields rose on Wednesday after the U.S. Federal Reserve hiked interest rates, and laid out an aggressive plan for further increases to combat inflation. On this note, the Fed also announced a quarter percentage increase in overnight federal funds rate (the first-rate increase since 2018). With financial sanctions and diplomatic ostracism cutting Russia off from advanced economies, China is Russia's last big economic lifeline.

Domestic Economy

- ◆ On Tuesday, the National Bureau of Statistics (NBS) released the inflation report for February 2022. According to the report, Headline inflation rose (+10bps) to 15.70% YoY in February 2022 from 15.60% in January. The faster rise in prices is largely due to a swift 14.01% YoY (13.87% in January) rise in core inflation. The sharp increase is largely buoyed by rise in HWEGF (+0.40% YoY) and Clothing and Footwear (+0.30% YoY) which accounts for 47.5% of the index. On the other hand, Food inflation tapered for the second consecutive month (-2bps) to 17.11% YoY in February from 17.13% in January 2022 due to slower growth in price of processed foods. A month-month analysis reveals a different picture as headline inflation rose (16bps) to 1.63% due to a 25bps uptick in food inflation to 1.87% in February, despite an almost static (+1bps) imported food inflation. Similarly, core inflation rose (8bps) to 1.33% and this is not unconnected to the fuel scarcity that started mid-February. We expect price of food items (driven by imported food inflation) to sustain uptrend in March given the impact of Russian-Ukraine crisis on the prices of wheat and corn. Also, the lingering fuel scarcity might cause an uptick in the core inflation index. Overall, we expect higher inflation reading for March. Elsewhere, the Foreign Trade in Goods Statistics for Q4 2021 was published by the National Bureau of Statistics (NBS) yesterday. According to the report, Nigeria's trade deficit reduced in Q4 2021 as an upsurge in export earnings (NGN5.80tn) moderated the impact of rising import bills (NGN5.90tn). Overall, for full-year 2021, imports (NGN20.80tn) outpaced exports (NGN18.90tn) and as a result, trade balance worsened to a deficit of NGN1.90tn in FY 2021 (the worst since 2016).

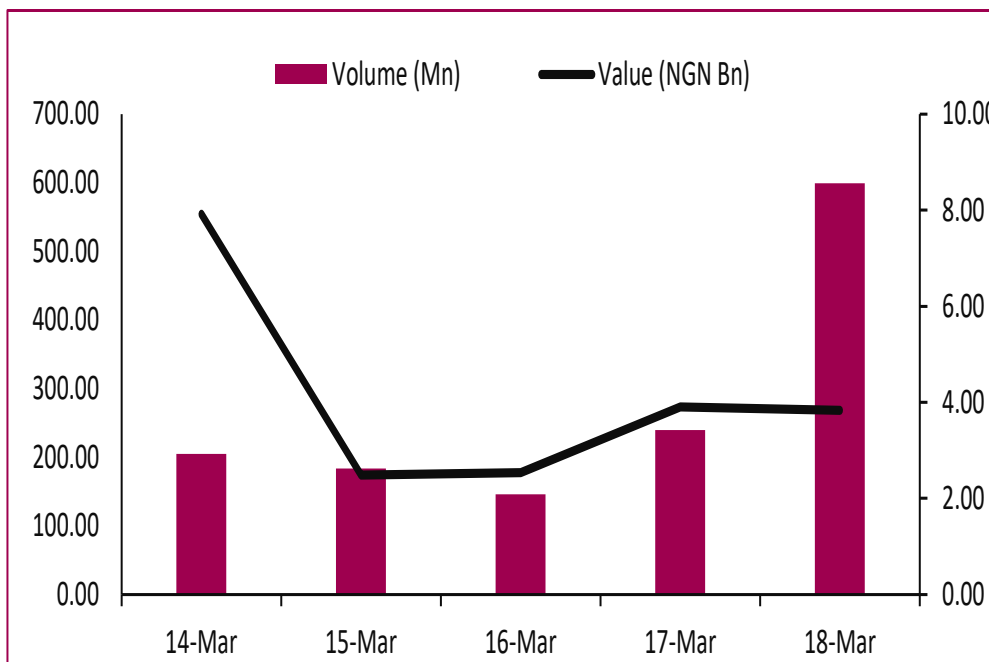
Equities and stock recommendation

- ◆ The Nigerian Stock Exchange closed on a bearish note this week as it declined on 4 out of 5 trading days to settle at 47,282.67 points. Week-on-week, the ASI declined 33bps. Investors appear to be losing confidence in the market amidst rising inflation, increased government borrowing and other negative pointers in the economy. The market breadth came in at 0.65x. Leading the top gainers list are RTBRISCOE (9.59%), ETI (8.18%), PRESCO (6.40%), while SCOA (-15.9%), REDSTAREX (-9.64%), LIVESTOCK (-8.05%) closed as the biggest laggards. Sectoral wise, bullish stands were seen across PERSONAL CARE (+3.47%), CONSTRUCTION (+0.12%), and CEMENT (+0.04%) respectively. On the flipside, the OIL& GAS (-11.35%), BREWERS (-2.44%), INSURANCE (-1.83%), TELECOM (-0.23%) and BANKING (-0.02%) sectors all declined in the week.
- ◆ **GTCO - OVERWEIGHT (FVE: N29.82), FLOURMILLS - BUY (TP: ₦45.00)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ Average yields in the Nigerian Treasury Bills secondary market declined 23bps to close at 3.29% due to significant buying interest. At the Treasury Bills auction on Wednesday, large demand pushed marginal rates lower as subscriptions outweighed the offered amounts. Bid to cover ratio at the auction was 6.28x with demand of ₦364.7bn compared to offer of ₦58.0bn and average marginal rate tapered to 2.91% from 3.04% at the last auction. Conversely, average yields in the secondary bonds market inched higher by 7bps WoW to 10.05% due to sell-offs in the APRIL 2029 and MARCH 2027 instruments with yields up by 35bps and 22bps respectively to 10.47% and 10.16%. This week, the Debt Management Office (DMO) on behalf of the Federal Government tapped the Eurobonds market to raise \$1.25bn through a 7-year Eurobond. Significant demand was recorded at the auction, peaking at \$4bn and this dragged the pricing down to 8.375% from an initial 8.75%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.70	39.77	-0.17%	-2.02%	
USD/NGN (₦/\$)					
NAFEX	417	416.5	0.00%	-4.25%	
Parallel	577.5	574.5	-0.52%	2.21%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (January 2022)					
			CHG (pps)		
Headline	15.6	15.6	0.00	15.60	
Core	14.01	13.87	0.14	13.87	
Food	17.11	17.13	-0.02	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	*Stocks step back, oil bounces as peace talks stall
Manufacturing	2.28	4.29	3.49	3.35	*Nigeria borrowed N6.64tn, serviced debt with N2.93tn in 2021, says DMO
Services	5.6	8.4	9.3	5.6	*Nigeria Raises \$1.25bn through Eurobonds as Public Debt Hits N41.026trn
Labor Data (%) - Q4 20					
			Latest	Prior	
Unemployment Rate			33.3	27.1	*Buying interest in MTN Nigeria, 17 Others Lift Stock Market by N17bn
Underemployment			22.8	28.8	*Analysis: Investors adjust as Fed hikes, worry about clouds on horizon
					*FG halts N600bn electricity subsidy, confirms power tariff hike
Capital Importation (\$'mn)					
	Q3 21	Q2 21	QoQ (%)	YoY (%)	
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*Peace talks more 'realistic', says Ukraine president; Biden to visit NATO
Bonds	364.97	14.54	2410.11%		*FG'll tap \$2.2bn Eurobond for fuel subsidy funding- Minister
Money Market	795.74	451.67	76.2%	119.13%	*Amid the fuel crisis, Nigeria's inflation hit 15.70% in February
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*China's COVID cases rise as Jilin outbreak grows
Monetary Policy Rates (%) (January 2022)					
	Latest	Prior		CHG (%)	
MPR	11.5	11.5		0.0%	*CBN sets N1m limit for cash collection centers
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*Amid costly diesel, grid collapses 24hrs after Gencos' warning
Liquidity Ratio	30.0	30.0		0.0%	*Shares up as oil skids on hopes for Ukraine talks
					*NGX Gets SEC Approval to Charge 0.0375% on Fixed Income Primary Issuance:
					*Negotiations with labor on fuel subsidy removal are still ongoing - FG



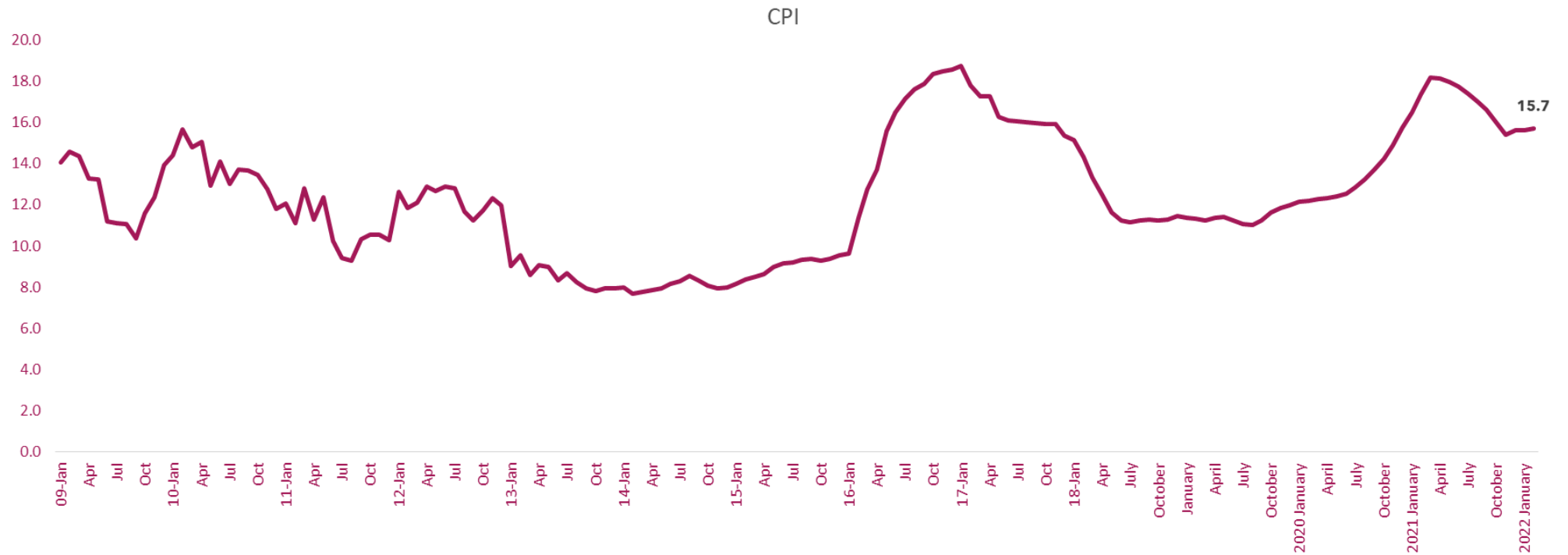
	WoW	Mtd	QtD	YtD
NGXASI	-0.33%	-0.24%	10.69%	10.69%
Market Cap	-0.33%	-0.24%	14.29%	14.29%
NGX 30	-0.19%	-0.19%	5.49%	5.49%
NGX Premium	-0.38%	0.57%	6.60%	6.60%
NGX 50	0.26%	0.21%	4.19%	4.19%
NGX ASEM	0.00%	0.00%	-1.74%	-1.74%
NGX Banking	-0.17%	-2.16%	9.27%	9.27%
NGX Industrial	0.14%	-0.84%	5.41%	5.41%
NGX Consumer Goods	-0.43%	-2.93%	-3.14%	-3.14%
NGX Oil & Gas	-3.87%	4.18%	28.14%	28.14%
NGX Insurance	-2.93%	-1.50%	-5.02%	-5.02%

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)	9.67%	5.00%	4.67%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00
Open Repo Rate (OPR)	9.00%	4.50%	4.50%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00
NIBOR - 1M	7.54%	7.43%	0.11%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00
NIBOR - 3M	6.95%	8.16%	-1.21%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-
NIBOR - 6M	8.28%	8.47%	-0.19%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.66%	2.49%	0.17%	16-Mar-22	1.74%	3.00%	4.00%	16-Mar-22	5.91	6.85	159.85
3-month	2.97%	2.89%	0.08%	09-Mar-22	1.75%	3.28%	-	09-Mar-22	2.32	21.29	-
6-month	3.37%	3.56%	-0.19%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
9-month	3.69%	3.89%	-0.20%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
12-month	4.14%	4.22%	-0.08%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Jan-26	Jan-42			Jan-26	Jan-42	
12.75% 27-APR-2023	4.51%	4.95%	-0.44%								
14.20% 14-MAR-2024	7.23%	7.29%	-0.06%								
13.53% 23-MAR-2025	8.79%	8.82%	-0.03%	23-Mar-22				23-Mar-22			
12.50% 22-JAN-2026	10.11%	10.06%	0.05%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.16%	9.94%	0.22%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
				Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
12.1493% 18-JUL-2034	11.70%	11.40%	0.30%	MIXTA 17.00% 16-JAN-2022	5.08%	5.08%	0.00%	ZENITH 7.375% 30-MAY-2022	1.77%	1.77%	0.00%
16.2499% 18-APR-2037	11.97%	11.92%	0.05%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
14.8% 26-APR-2049	12.75%	12.63%	0.12%	LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
FGN Eurobonds				STERLING 16.50% 3-AUG-2023							
5.625% 27-JUN-2022	6.38%	6.43%	-0.05%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
6.50% 28-Nov-2027	7.58%	7.60%	-0.02%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.875% 16-FEB-2032	8.73%	8.92%	-0.19%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.625% 28-Nov-2047	9.30%	9.52%	-0.22%	UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
				FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

Headline Inflation Resumes Uptrend amid harsh economic realities

The Nigerian headline inflation rose (+10bps) to 15.70% YoY in February 2022 from 15.60% in January. The acceleration of growth in prices is largely due to a swift 14.01% YoY (13.87% in January) rise in core inflation, after remaining flat for two consecutive months. A month-month analysis reveals a different picture as headline inflation rose (16bps) to 1.63% due to a 25bps uptick in food inflation to 1.87% in February, despite an almost static (+1bps) imported food inflation.



Source: Investing.com, ARM Research

Thank You



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