

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**



**Weekly Commentary & Stock recommendation**

**...for the week 21st March - 25th March 2022**



### Global Economy

- ◆ On Wednesday, oil rose by 5% to over \$121 per barrel as Caspian pipeline disruptions to Russian and Kazakh crude exports via the Caspian Pipeline Consortium (CPC) pipeline added to worries over tight global supplies. It is worthy to note that the CPC pipeline is a significant supply line for global markets, carrying around 1.2 million bpd which is about 1.2% of global demand. However, crude slipped by 2% on Thursday as Kazakhstan's CPC terminal resumed and as the EU failed to reach a consensus to ban Russian oil a decision that has been taken by the US and UK. As of today, EU leaders reached an agreement to buy gas jointly and won a pledge from the United States to supply them with more LNG a move to reduce dependence on Russian Oil and Gas.

### Domestic Economy

- ◆ The monetary policy committee meeting was held on Monday, the 21st of March 2022. It put forth a 3.24% growth forecast for the Nigerian economy for 2022. However, the Committee raised concern on the impact which the global price increase in petroleum and other products will have on the Nigerian economy through imported inflation. It therefore expects NNPC to take urgent steps to ensure an adequate supply of petroleum products in Nigeria to reduce the rate of arbitrary increase in the price of petroleum products by oil marketers. It also attributed the shortage in supply of petroleum products to the unprecedented rate of oil theft and its draining impact on government revenue and accretion to reserves. In the medium-term, the Committee is relying on the take-off of the Dangote Refinery to improve the supply of petroleum products in Nigeria. It held all parameters constant, retaining the MPR at 11.5% on the back of driving growth, given the economy's fragile state and the downside risk imposed by the Russian-Ukraine conflict. Elsewhere, the capital importation data for Q4 2021 was published by the National Bureau of Statistics (NBS). According to the report, the total value of capital importation in Q4 2021 stood at \$2.19bn from \$1,78bn in the preceding quarter (Q3 2021) showing an increase of 26.35%. The largest amount of capital importation by type was received through other investment, which accounted for 54.24% (\$1,19bn). On a sectoral basis, capital importation into tanning recorded the highest inflow of \$645.59mn accounting for 29.51% of total capital imported in Q4 2021. The report revealed that Mauritius ranked top as source of capital imported in Q4 2021 with a value of \$611.45mn, accounting for 27.95%. Meanwhile, comparing the data for 2021 with the year 2020, the total capital importation for 2021 declined by 30.61%. Portfolio investment accounted for 50.53% of the total capital importation recorded in 2021, while further analysis of the components of Portfolio investment revealed that money market instruments accounted for 77.74%. We suspect these flows were majorly into OMO instruments. This reveals that foreign investors are cautious of investing in long-tenor instrument, given the volatility and security issues permutating the economy .

### Equities and stock recommendation

- ◆ In a week headlined by the presence of both bulls and bear, the NGX All Share Index shed 0.67% WoW signaling the reign of the bears to close at 46,965.15pts. Thus, bringing the YtD return of the bourse to 9.95%. We traced the different sectors and found negative sentiment across all indices on the bourse. Furthermore, a company-by-company evaluation of the performance showed that the drag in performance was driven by the fact that majority of the stocks that closed on the upside for the week are not those with heavy market capitalizations. The top performers were CHIPLC (Up 23.53% WtD), CAP (Up 10.00% WtD) and FIDELITYBK (Up 10.00% WtD), while on the flip side we have the top three losers as SKYAVN (Down 36.21% WtD), SCOA (Down 33.19% WtD), and JAIZBANK (Down 17.50% WtD).
- ◆ **ZENITHBANK - OVERWEIGHT (FVE: N29.82), GTCO - OVERWEIGHT(FVE:N33.22), FLOURMILL - BUY (TP:N45.00). Click [here](#) for our Weekly Stock Recommendation.**

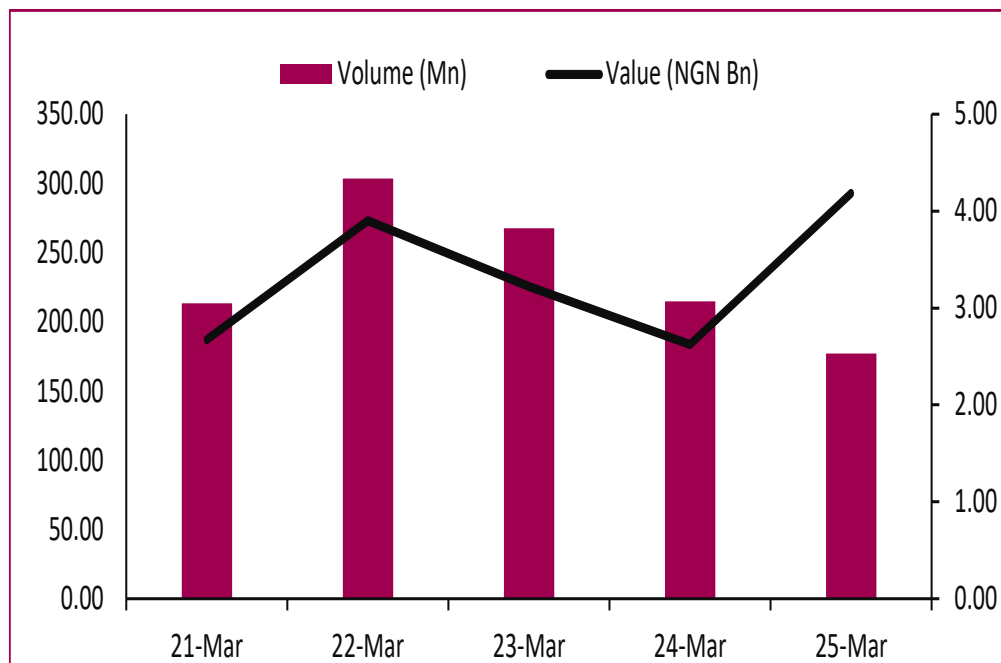
### Fixed Income

- ◆ Average yields in the Nigerian Treasury Bills secondary market declined 6bps to close at 3.23% due to bullish sentiment. Conversely, the bearish sentiment in the secondary bonds market was sustained this week as average yield inched higher by 14bps WoW to 10.19%. This was especially due to reversal of flows in the MARCH 2024 and MARCH 2025 instruments with yields up by 57bps and 31bps respectively to 7.8% and 9.1%. This week, the Debt Management Office (DMO) reopened the 2026 and 2042 instruments at the auction. Significant demand was recorded at the auction with aggregate bid-to-cover ratio of 3.99x. Demand was tilted towards the longer-term with bid-to-cover ratio of 4.90x (Offer: N75bn, Subscription: N367bn). Consequent on increased demand, average marginal rate at the auction declined 55bps to 11.43% compared to 11.98% recorded at the previous auction.



Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.52	39.70	-0.46%	-2.47%	<b>GTCCO Plc FY 2021 - Regulatory Requirements Bite Hard</b>
<b>USD/NGN (₦/\$)</b>					
NAFEX	416.3	416.5	-0.04%	-4.29%	
Parallel	581.5	577.5	0.69%	2.92%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (February 2022)</b>		<b>Jan</b>	<b>CHG (pps)</b>		
Headline	15.7	15.6	0.10	15.60	
Core	14.01	13.87	0.14	13.87	
Food	17.11	17.13	-0.02	17.13	
<b>GDP (%) - YoY</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>FY21</b>	
Real GDP	3.98	4.03	5.01	<b>3.4</b>	
Oil	-8.06	-10.73	-12.65	<b>-8.3</b>	<b>News Headline for the week (click news for link)</b>
Agriculture	3.6	1.2	1.3	<b>2.13</b>	<b>*External reserves shed \$975.7m year-to-date as free fall continues</b>
Manufacturing	2.28	4.29	3.49	<b>3.35</b>	<b>*IOCs fear collapse as FG says N1.36tn crude stolen in 14 months</b>
Services	5.6	8.4	9.3	<b>5.6</b>	<b>*Capital importation suffers 30% decline, records \$6.7bn</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*Weather forecast not enough to mitigate climate change hazards - WMO</b>
Unemployment Rate			33.3	27.1	<b>*MTN Group Repositions, Appoints New COO to Drive 2025 Strategy</b>
Underemployment			22.8	28.8	<b>*\$338.7m ECOWAS off-grid electricity project takes off in Abuja</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>*FG Declares Nigeria Destination for Mining Investments, Insists Fossil Fuel Will Remain Relevant for 30yrs</b>
Foreign Portfolio Investment - Equities	38.00	56.50	-32.7%	-72.25%	<b>*Oil theft: FG probes oil firms over production output, others</b>
Bonds	45.91	364.97	-87.42%	143.97%	<b>*Dangote's \$2.5 billion fertiliser plant services U.S., Brazil, others'</b>
Money Market	558.96	795.74	-29.8%	-37.00%	<b>*Stakeholder: CBN's \$250m Intervention in Discos', TCN Interface Will Stabilise Power Grid</b>
Foreign Direct Investment	358.23	107.81	232.28%	-32.00%	<b>*Massive oil thefts threatening external reserves, revenue - MPC</b>
<b>Monetary Policy Rates (%) (March 2022)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>*MPC downgrades growth forecast to 3.24 per cent, Rates remain unchanged</b>
MPR	11.5	11.5		0.0%	<b>*Gencos counters NBET over purchase agreements, list N1.64tn debts</b>
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	<b>*Access Bank Reports 40% Increase in Profit to N176.7bn</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>*FG incurs N950bn new domestic borrowing in Q1 2022 - DMO</b>

Source: CBN, NBS, FMDQ, ARM Research



	WoW	Mtd	QtD	YtD
NGXASI	-0.67%	-0.91%	9.94%	9.94%
Market Cap	-0.67%	-0.91%	13.52%	13.52%
NGX 30	-1.05%	-1.24%	4.37%	4.37%
NGX Premium	-0.24%	0.32%	6.34%	6.34%
NGX 50	-1.28%	-1.06%	2.86%	2.86%
NGX ASEM	0.00%	0.00%	-1.74%	-1.74%
NGX Banking	-0.66%	-2.81%	8.55%	8.55%
NGX Industrial	-0.02%	-0.86%	5.39%	5.39%
NGX Consumer Goods	-1.10%	-4.00%	-4.21%	-4.21%
NGX Oil & Gas	-0.02%	4.16%	28.12%	28.12%
NGX Insurance	-1.40%	-2.88%	-6.35%	-6.35%

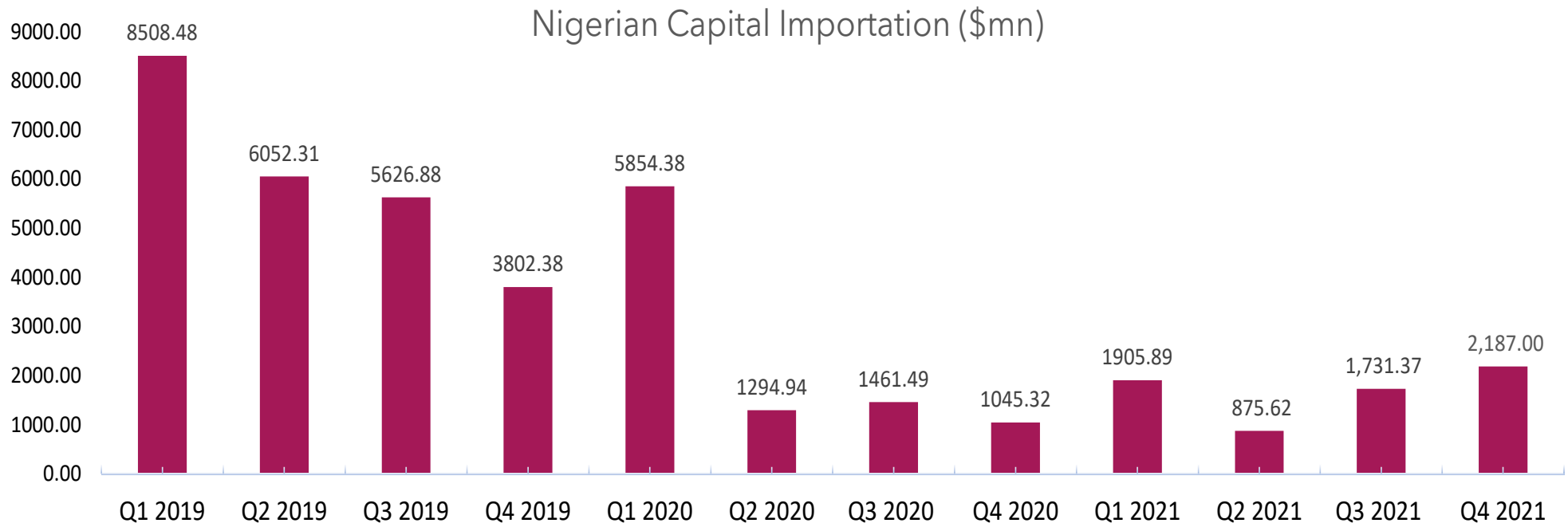
Source: NGX, ARM Research

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	6.17%	9.67%	-3.50%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00
Open Repo Rate (OPR)	5.67%	9.00%	-3.33%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00
NIBOR - 1M	6.92%	7.54%	-0.62%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00
NIBOR - 3M	7.36%	6.95%	0.41%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-
NIBOR - 6M	7.95%	8.28%	-0.33%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	2.64%	2.66%	-0.02%	16-Mar-22	1.74%	3.00%	4.00%	16-Mar-22	5.91	6.85	159.85
3-month	2.86%	2.97%	-0.11%	09-Mar-22	1.75%	3.28%	-	09-Mar-22	2.32	21.29	-
6-month	3.32%	3.37%	-0.05%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
9-month	3.82%	3.69%	0.13%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
12-month	4.27%	4.14%	0.13%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Jan-26</b>	<b>Jan-42</b>		<b>FGN Bonds</b>	<b>Jan-26</b>	<b>Jan-42</b>	
12.75% 27-APR-2023	4.45%	4.51%	-0.06%								
14.20% 14-MAR-2024	7.80%	7.23%	0.57%								
13.53% 23-MAR-2025	9.10%	8.79%	0.31%	21-Mar-22	10.15%	12.70%		21-Mar-22	127.0	169.4	
12.50% 22-JAN-2026	10.15%	10.11%	0.04%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.26%	10.16%	0.10%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	11.66%	11.70%	-0.04%	<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
16.2499% 18-APR-2037	12.05%	11.97%	0.08%	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	12.79%	12.75%	0.04%	DUFIL 18.25% 1-SEP-2022	6.57%	6.57%	0.00%	UBA 7.75% 08-JUN-2022	5.39%	5.39%	0.00%
<b>FGN Eurobonds</b>				LAPO MFB 17.75% 19-DEC-2022	9.40%	9.40%	0.00%				
5.625% 27-JUN-2022	6.41%	6.38%	0.03%	STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
6.50% 28-Nov-2027	7.97%	7.58%	0.39%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
7.875% 16-FEB-2032	9.16%	8.73%	0.43%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.625% 28-Nov-2047	9.76%	9.30%	0.46%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
				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

### Nigerian Capital Importation Grows 26.32% Q-o-Q.

The Nigerian Capital importation increased by 26.32% (\$455.63mn) on a Q-o-Q basis to settle at \$2,187mn (Q3, 2021 figure \$1,731.37mn). Other investments, which led the largest capital importation by type accounted for 54.24% (\$1,186.53mn), followed by Portfolio Investment with 29.39% (\$642.87mn) while Foreign Direct Investment (FDI) amounted to 16.38% (\$358.23mn) of total capital imported in Q4 2021. Tanning (29.21%) Production (16.46%) and Drilling (14.88%) led by sector. U.K (\$2,288.35mn), South Africa (\$1,054.27mn) and Mauritius (\$690.91mn) led by country while Lagos (N5,823.36mn), Abuja (N833.40mn) and Osun (N29.92mn) led by destination.



Source: NGX, ARM Research

Thank You





## ARM Securities

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