

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 28th March - 1st April 2022

Global Economy

- ◆ At the end of the first quarter of the year, the global market had witnessed high volatility as the world was still recovering from the impacts of the Covid-19 pandemic, the Russia-Ukraine conflict further amplified the issue as crude oil prices recorded a huge rise at the beginning of the year following hampered supply of crude oil due to the conflict. Sanctions on Russia also caused instability and tensions in the market. While the Russian army seems to be withdrawing from Kyiv and engaging in peace talks, the United States warned that this seems to be more of a strategy to regroup and re-strategize, as they have not been able to conquer Kyiv and other major cities in Ukraine. The US two-year and ten-year treasury bond yields declined 0.03 bps before bouncing back to 5bps. This inversion was termed by analysts as a signal for economic recession as the market reacts to the FEDs decision to hike rates in a bid to tackle high inflation. Elsewhere, the Covid outbreak in China continues to impede economic activities as more companies planning IPOs have suspended their action and a lockdown is being observed in major cities such as Shanghai. With the Russia-Ukraine peace negotiations to resume today, we opine that the outcome of this meeting will be a major driver of the global market in the coming weeks.

Domestic Economy

- ◆ During the week, the Abuja-Kaduna railway line was the guest of the festering insecurities, one of the many factors that has plagued Nigeria and encumbered investment inflow in recent years. Casualties were recorded with efforts now been touted to ensure a more secured rail track across the Nation. Recall, there had been similar issues in the past along that track, with the recent development leaving further dent on the hope and aspirations of the nation to attract the much need capital inflow. In the words of the Minister of Transportation, one of the measures that could have provided some heads up about the attack was held back by the bureaucracy in the procurement process, another of the factors that enshrines a difficult business environment in the country. In other news, the 27th OPEC and non-OPEC Ministerial Meeting held yesterday, where there was a decision to adjust upward the monthly overall production by 0.432mb/d for the month of May 2022. Although, Nigeria has not been able to meet up with its April 2022 production quota of 1.735 million barrels per day, the Organization raised Nigeria's oil production quota to a new target of 1.753 million barrels per day for May 2022. Earlier this month, the Monetary Policy Committee, in its MPC meeting, had alluded the shortage in supply of petroleum products to the aberrant rate of oil theft experienced in the country. The Nigerian Government and the NNPC will need to take immediate steps to curb the ongoing theft, to ensure we have a clear view of its oil production capacity and to improve foreign exchange.

Equities and stock recommendation

- ◆ The Nigerian Equities Market ended the week on a negative note as it shed 0.26% to have a closing NGX All Share Index of 46,842.86pts. The performance was majorly impacted by profit-taking activities across major counters that have recorded significant traction in the previous weeks. On a sectoral basis, it was an overarching outturn evidenced by the fact that all sectors under our Watch closed in the negative territory. Despite the all-encompassing negative sentiment, MEYER (Up 30.9% YtD), JOHNSHOLT (Up 19.4% WtD), CORNERSTONE (Up 13.8% WtD), and PZ (Up 13.4% WtD) were able to lead the gainers chart for the week. On the other hand, we recorded bearish sentiments on many tickers, with CHIPLC (Down -25.4% WtD), LINKASSURE (Down -20.6% WtD), BERGER (Down -18.0% WtD), and ZENITHBANK (Down -16.7% WtD) headlining the list.
- ◆ **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 inched higher by 6bps to close at 3.29% due to sell-offs at the long-end in line with higher rate at the auction. At the Treasury Bills auction on Wednesday, we saw an uptick in the average marginal rate to 3.07% from 2.91% at the last auction. Specifically, the rate on the 364-day bill rose 45bps to 4.45% due to relatively low demand compared to the remaining two bills. Bid to cover ratio at the auction was 1.73x with demand of ₦247.6bn compared to offer of ₦143.3bn. However, we saw massive demand at the 182-day instrument with bid-to-cover ratio of 12.2x.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.55	39.52	0.09%	-2.39%	
USD/NGN (₦/\$)					
NAFEX	416.6	416.3	0.07%	-4.22%	
Parallel	583.0	581.5	0.26%	3.19%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (February 2022)		Jan	CHG (pps)		
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	
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	*Ukraine negotiations to resume, Europe faces Russia gas deadline
Manufacturing	2.28	4.29	3.49	3.35	*OPEC raises Nigeria's oil quota amidst low production
Services	5.6	8.4	9.3	5.6	*External reserves loses \$313m as oil price fluctuates
Labor Data (%) - Q4 20			Latest	Prior	*Shanghai to expand lockdown to most residents as COVID cases rise
Unemployment Rate			33.3	27.1	*FG okays N33.81bn for lie detectors, roads in ministries
Underemployment			22.8	28.8	*FG Generated N563.72bn from Value Added Tax in Q4
Capital Importation (\$'mn)	Q4 21	Q3 21	QoQ (%)	YoY (%)	*Inversion of key U.S. yield curve slice is a recession alarm
Foreign Portfolio Investment - Equities	38.00	56.50	-32.7%	-72.25%	*FG laments rapid drop in oil, gas investments
Bonds	45.91	364.97	-87.42%	143.97%	*Poor Nigerians to hit 95.1m in 2022, says World Bank
Money Market	558.96	795.74	-29.8%	-37.00%	*Kim says North Korea will keep developing 'formidable striking capabilities'
Foreign Direct Investment	358.23	107.81	232.28%	-32.00%	*Edo attracts \$531.2 million oil palm investment in nine months
Monetary Policy Rates (%) (March 2022)	Latest	Prior		CHG (%)	*Marketers blame oil price, forex as cooking gas price rises again
MPR	11.5	11.5		0.0%	*Oil hit by Shanghai shutdown; yen sinks as BOJ defies the yield tide
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*116.46 million litres fuel lost in 2021, say NNPC reports
Liquidity Ratio	30.0	30.0		0.0%	*FG's borrowing from CBN rises by 96.54%, hits N18.16tn

Weekly Equities Market Snapshot

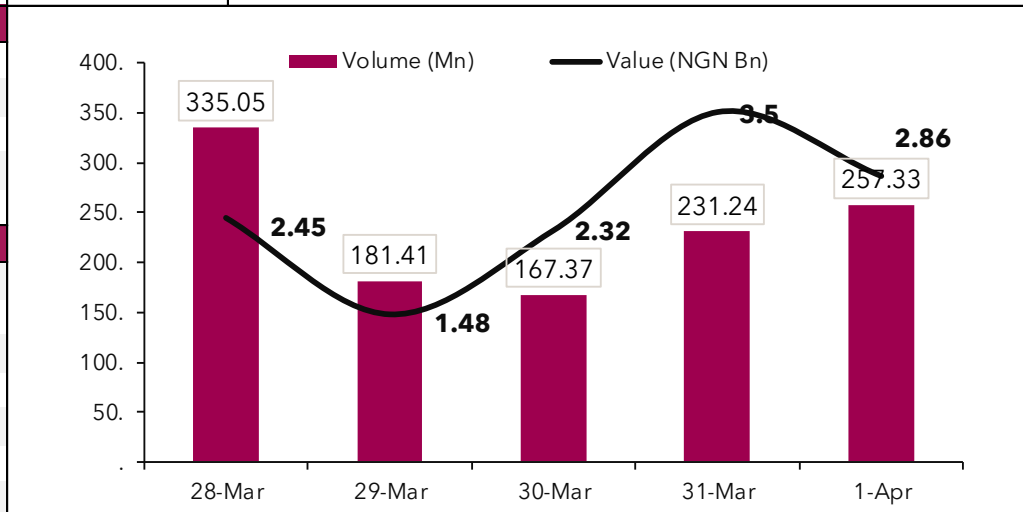
Friday, April 1, 2022



Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
MEYER	0.72	30.9%	0.72	0.20	56.5%	CHIPLC	0.47	-25.4%	0.80	0.29	-40.5%
JOHNHOLT	0.86	19.4%	0.86	0.51	19.4%	LINKASSURE	0.50	-20.6%	0.92	0.43	-2.0%
CORNERST	0.66	13.8%	0.74	0.46	43.5%	BERGER	6.15	-18.0%	9.85	6.05	-28.1%
PZ	10.55	13.4%	11.20	4.15	79.7%	ZENITHBANK	22.40	-16.7%	27.50	20.65	-10.9%
MANSARD	2.40	11.6%	4.24	2.05	3.4%	FTNCOCOA	0.31	-16.2%	0.60	0.30	-20.5%
BETAGLAS	58.20	9.9%	58.20	47.70	9.9%	REDSTAREX	2.70	-14.3%	3.68	2.70	-21.7%
PHARMDEKO	1.89	9.2%	2.85	1.09	-14.1%	LEARNAFRCA	1.88	-13.4%	2.66	0.91	60.7%
NAHCO	4.29	7.3%	4.40	2.01	14.7%	CUSTODIAN	6.50	-13.3%	8.45	5.75	-17.7%
JAIZBANK	0.70	6.1%	0.80	0.53	25.0%	FTNCOCOA	0.31	-11.4%	0.60	0.30	-20.5%
ETI	12.00	5.3%	13.20	4.80	37.9%	CADBURY	8.00	-11.1%	9.50	7.65	-9.1%

	1-Apr	25-Mar	% Δ	P/E	P/B
Kenya	155.74	160.43	-2.9%	8.90x	1.50x
Ghana	2,743.19	2,742.41	0.0%	7.00x	1.30x
South Africa	75,697.49	74,324.67	1.8%	11.40x	2.00x
Egypt	2,206.66	2,279.47	-3.2%	7.80x	1.50x
Nigeria	46,842.86	46,964.23	-0.3%	9.90x	2.10x

Tickers	Pts/₺	WoW	MtD	QtD	YtD
NGXASI	185.03	-0.26%	-0.26%	-0.26%	9.66%
Market Cap	25.25trn	-0.23%	-0.23%	-0.23%	13.26%
NGX Banking	409.38	-7.13%	0.02%	0.02%	0.82%
NGX Industrial	554.14	-0.07%	-0.07%	-0.07%	5.32%
NGX Consumer	409.38	-1.84%	0.00%	0.00%	-5.96%
NGX Oil & Gas	426.94	-3.41%	-3.07%	-3.07%	23.75%
NGX Insurance	554.14	-0.27%	-0.61%	-0.61%	-6.60%

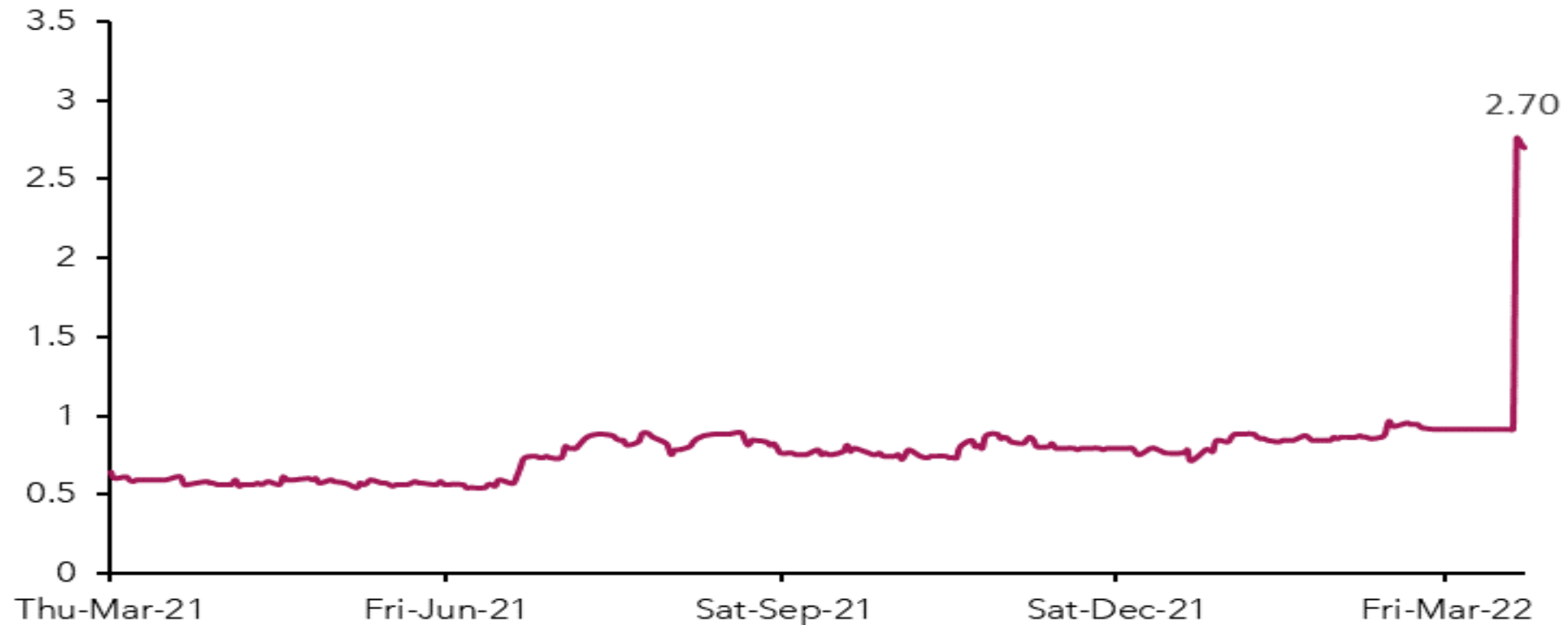


Source: NGX, ARM Research

	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)	10.17%	6.17%	4.00%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00
Open Repo Rate (OPR)	10.17%	5.67%	4.50%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00
NIBOR - 1M	6.92%	6.92%	0.00%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00
NIBOR - 3M	7.36%	7.36%	0.00%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-
NIBOR - 6M	7.95%	7.95%	0.00%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.25%	2.64%	-0.39%	30-Mar-22	1.75%	3.00%	4.45%	30-Mar-22	13.88	20.35	139.96
3-month	2.68%	2.86%	-0.18%	16-Mar-22	1.74%	3.00%	4.00%	16-Mar-22	5.91	6.85	159.85
6-month	3.33%	3.32%	0.01%	09-Mar-22	1.75%	3.28%	-	09-Mar-22	2.32	21.29	-
9-month	3.89%	3.82%	0.07%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
12-month	4.47%	4.27%	0.20%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
12.75% 27-APR-2023	5.05%	4.45%	0.60%								
14.20% 14-MAR-2024	7.38%	7.80%	-0.42%								
13.53% 23-MAR-2025	8.90%	9.10%	-0.20%	21-Mar-22	10.15%	12.70%		21-Mar-22	127.0	169.4	
12.50% 22-JAN-2026	10.15%	10.15%	0.00%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.32%	10.26%	0.06%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	11.52%	11.66%	-0.14%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	11.97%	12.05%	-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	12.64%	12.79%	-0.15%	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%				
				STERLING 16.50% 3-AUG-2023	8.91%	8.91%	0.00%				
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
5.625% 27-JUN-2022	5.49%	6.41%	-0.92%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
6.50% 28-Nov-2027	7.73%	7.97%	-0.24%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.875% 16-FEB-2032	8.79%	9.16%	-0.37%	UNION 16.20% 27-JUN-2029	15.86%	15.86%	0.00%				
7.625% 28-Nov-2047	9.49%	9.76%	-0.27%	FIDELITY 8.50% 27-JAN-2031	13.59%	13.59%	0.00%				

Rightsizing WEMABANK's paid up share capital

In the week, Wema Bank Plc announced the completion of the rightsizing of its paid-up share capital. Post right-sizing, we observed a 3x surge in the price of ticker to ₦2.72 per share. In furtherance of the scheme, the lender has gotten the approval of members at the just concluded Annual General Meeting (AGM) to re-issue the retrieved portion of the paid-up-capital through a right-issue. In our opinion, this action recalls some other of almost similar nature that has been consummated on the bourse in recent past. Seeing also, that this has a side where the lender is not pursuing a bonus issue, we believe it is best that Investors to reduce their position in the ticker. In the case, where such is unobtainable or sub-optimal, we advise them (investors) to reduce the cost of their exposure till the market finds a more efficient price.



Source: Bloomberg, ARM Research.

Thank You



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