

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week 25th February - 4th March 2022

Global Economy

- ◆ The Russia - Ukraine conflict continues to impact the oil market as oil price gained 2.61% to settle at \$113.34pb at the close of business today. While Russia suffers record-breaking economic isolation with more EU sanctions expected, a ban on Russian-flagged ships at European ports is imminent. The U.S government further imposed sanctions against Russian oligarchs to pressure President Vladimir Putin. Finland also joined NATO and other countries on imposing sanctions on Russia in a bid to force it to stop the conflict. As at today, Russian forces in Ukraine seized Europe's biggest nuclear power plant in Zaporizhzhia an action which the U.S. Embassy in Ukraine tagged a "war crime". The impact of the conflict on the European markets cannot be overemphasized as European stocks sank to near one-year lows on today, as auto and bank stocks took a battering on reports of the seizure of the nuclear power plant on fire amid fierce fighting between Ukraine and Russian troops. The pan-European STOXX 600 index (.STOXX) fell 7% this week - its worst such fall since the pandemic-fueled selloff in March 2020. The index has lost over 6% since Russia launched its invasion of Ukraine last week. Over in Hongkong, there was a net outflow of over 71,000 people in February, the most since the beginning of the pandemic, compared with 16,879 in December as COVID cases spiral and rules tighten making living in the state harsh and unbearable. The city reports daily cases of close to 60,000, after a three-month streak of no infections at the end of 2021.

Domestic Economy

- ◆ In a move that stayed true to our expectation, the Nigerian National Petroleum Corporation exercised its pre-emptive right of first refusal on ExxonMobil's \$1.6bn Assets' Sale to Seplat. This is a sequel to the movement in market sentiment following the impression of an additional production legroom amid the rising crude-oil prices for Seplat. Notably, this development does not amount to a cancellation of the transaction by the NNPC. On the contrary, it is an exercise of its right of first refusal which would in turn create competition for Seplat in its bid to acquire the asset. In the week, Stanbic IBTC Purchasing Managers' Index was released. The reading for February stood at 57.3pts, an improvement on the 53.7pts reported in January. The reading peaked at that range (57.3pts) for the first time in two years, and signals improving demand and a likely uptick in consumer prices following the recent trajectory of commodity and energy prices.

Equities and stock recommendation

- ◆ On the last trading session of the week, the equities market closed on a negative note for the 3rd consecutive day as the All-share index dipped by 6bps to settle at 47,268.61 points. On a week-on-week basis the ASI declined by 13bps. This is following profit-taking activity after seeing the bullish run in the market. The market breadth came in at 0.4%. Leading the top gainers list are SEPLAT (20.25%), LINKASSURE (16%), FCMB (11.80%), COURTVILLE (11.11%) and SIAMLET40 (10%) while RTBRISCOE (-32.98%), LEARNAFRICA (24.14%), NGXGROUP (-18.43%), NIGERINS (17.86%), NEWGOLD (16.90%) . Sectoral wise, performance was mixed. Positive momentum was seen across OIL & GAS (+41.13%), PERSONAL CARE (+2.02%), and TELECOM (+0.58%) respectively. On the flipside, the BANKING (-2.26%), FOOD (-1.19%), BREWERS (-1.19%), INSURANCE (-0.30%) and CEMENT (-0.18%) counters all dipped in the week.

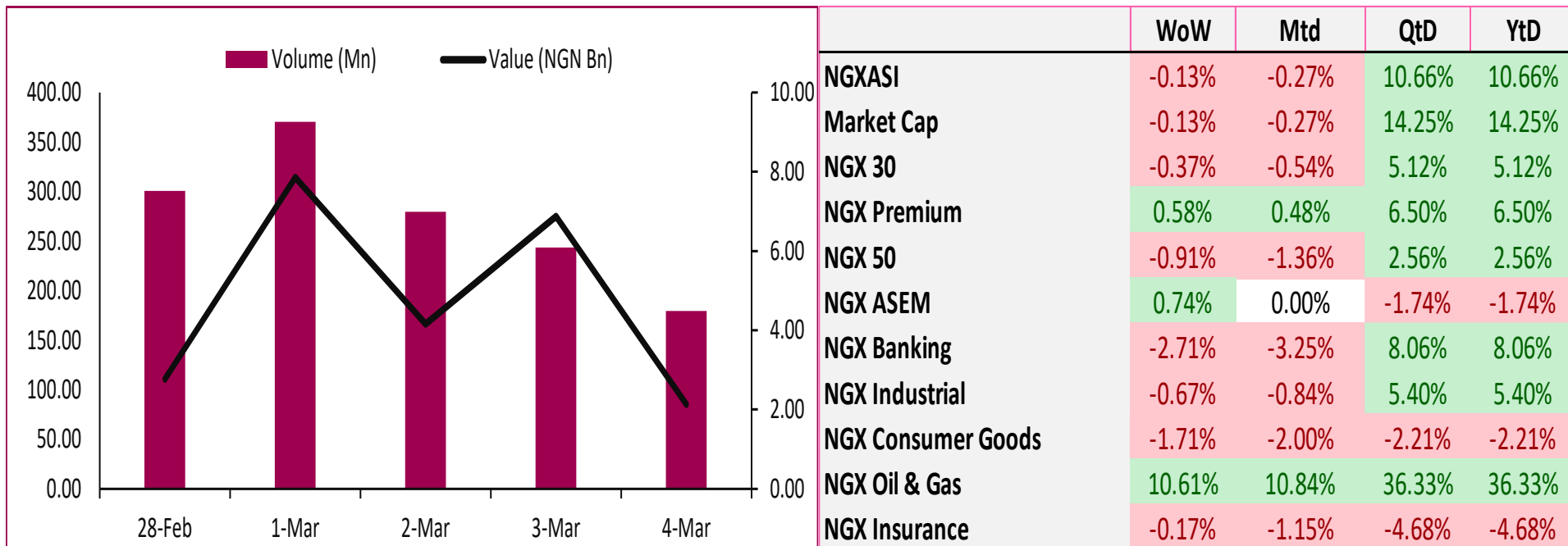
- ◆ **GTCO - OVERWEIGHT (FVE: N35.74)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ Average yields in the Nigerian Treasury Bills secondary market declined WoW by 27bps to 3.48% as investors took position at the long-tenor instrument and the yield declined 1.1% to 3.97%. In the same vein, average yield in the secondary bonds market inched lower by 44bps WoW to 10.19% due to significant buying interest in the JULY 2030 and APRIL 2029 instruments with yields down 153bps and 107bps respectively to 10.72% and 10.37%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.87	39.84	0.09%	-1.60%	
USD/NGN (₦/\$)					
NAFEX	417	416.0	-0.16%	-4.21%	
Parallel	575.0	571.0	-0.70%	1.77%	
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	*Asia stocks slide to a 16-month low on report of Ukraine nuclear plant fire
Manufacturing	2.28	4.29	3.49	3.35	*Dutch government mobilizes €6 million investment into Nigeria's Agric sector
Services	5.6	8.4	9.3	5.6	*Rising oil price: NNPC subsidiary foresees demand growth
Labor Data (%) - Q4 20			Latest	Prior	*Oil leads mad rush to resources, stagflation a risk
Unemployment Rate			33.3	27.1	*Subsidy, production challenges mar Nigeria's chances as oil exceed \$110
Underemployment			22.8	28.8	*Seplat Energy grows profit by 128.9%
Capital Importation (\$'mn)	Q3 21	Q2 21	QoQ (%)	YoY (%)	*U.S. closes its airspace to Russia as Ukrainian cities brace for attacks
Foreign Portfolio Investment - Equities	56.50	85.16	-33.7%	28.09%	*Dangote Cement grows turnover to N1.4tr on strong Nigerian sales
Bonds	364.97	14.54	2410.11%		*FG loses out, NASS affirms states' power to collect VAT
Money Market	795.74	451.67	76.2%	119.13%	*Zenith Bank records N765.6b full year gross earnings
Foreign Direct Investment	107.81	77.97	38.27%	-74.01%	*Hurdles as Nigerian companies take over IOCs' onshore assets
Monetary Policy Rates (%) (January 2022)	Latest	Prior		CHG (%)	*Ukraine/Russia war: FG to airlift 2,000 Nigerians, evacuation begins Wednesday
MPR	11.5	11.5		0.0%	*Crude jumps, stocks slip, rouble crashes to a record low on tough Russian sanctions
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	*FG raked in N1.69tn company tax in 2021 - NBS report
Liquidity Ratio	30.0	30.0		0.0%	*Russia-Ukraine war: Fuel scarcity may continue, oil vessels face delay on the sea

Source: CBN, NBS, FMDQ, ARM Research



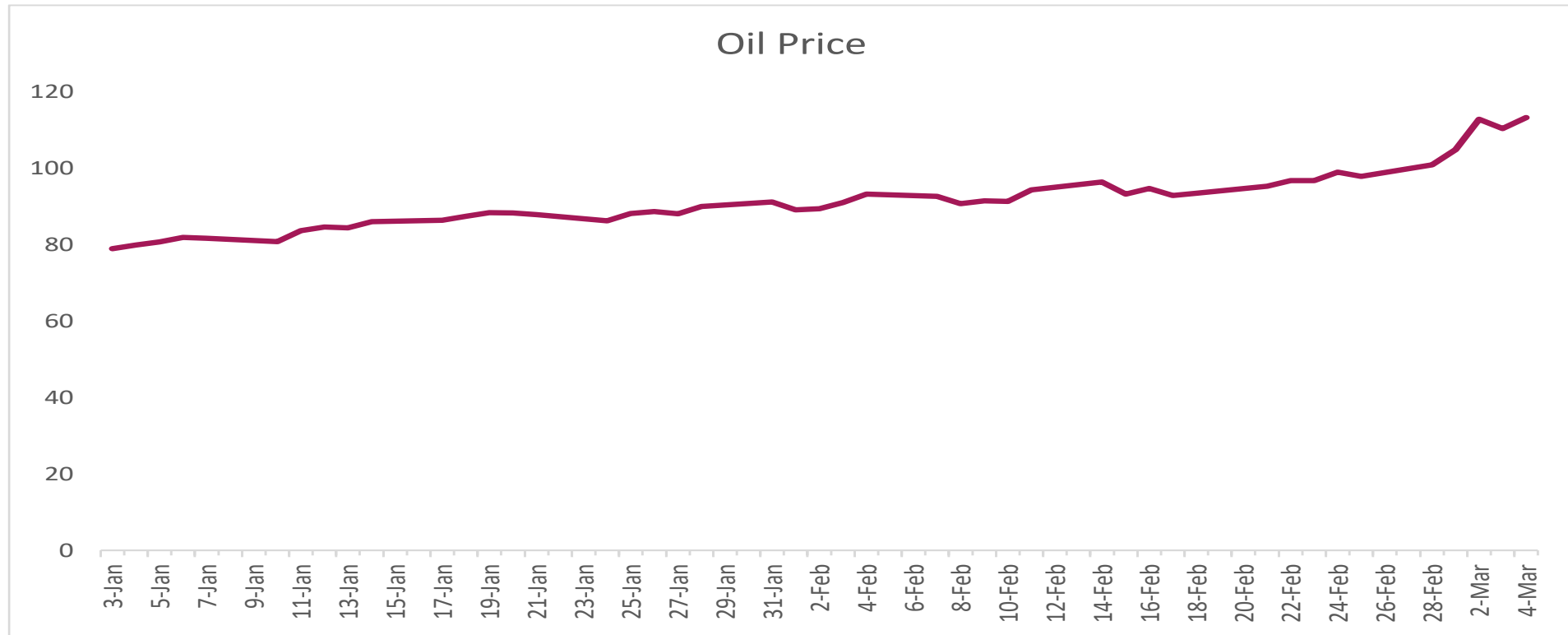
Source: NGX, ARM Research

	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)	13.83%	15.00%	-1.17%	17-Feb-22	7.00%	8.50%	10.10%	17-Feb-22	10.00	10.00	40.00
Open Repo Rate (OPR)	13.33%	14.75%	-1.42%	10-Feb-22	7.00%	8.50%	10.10%	10-Feb-22	20.00	20.00	40.00
NIBOR - 1M	7.44%	9.15%	-1.71%	20-Jan-22	7.00%	8.50%	10.10%	20-Jan-22	5.00	5.00	10.00
NIBOR - 3M	7.96%	10.81%	-2.85%	13-Jan-22	7.00%	8.50%	10.10%	13-Jan-22	5.00	5.00	10.00
NIBOR - 6M	8.29%	11.34%	-3.05%	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	2.58%	2.87%	-0.29%	23-Feb-22	2.24%	3.30%	4.35%	23-Feb-22	5.36	11.03	241.61
3-month	3.26%	3.15%	0.11%	09-Feb-22	2.48%	3.30%	5.20%	09-Feb-22	1.91	1.82	211.23
6-month	3.75%	3.56%	0.19%	26-Jan-22	2.48%	3.30%	5.40%	26-Jan-22	2.68	3.54	217.53
9-month	4.09%	4.12%	-0.03%	12-Jan-22	2.50%	3.44%	5.50%	12-Jan-22	2.19	1.46	53.89
12-month	4.52%	5.07%	-0.55%	29-Dec-21	2.49%	3.45%	4.90%	29-Dec-21	2.49	2.16	48.11
FGN Bonds (Local)				FGN Bonds	Jan-26	Jan-42		FGN Bonds	Jan-26	Jan-42	
12.75% 27-APR-2023	6.49%	6.58%	-0.09%								
14.20% 14-MAR-2024	7.52%	8.20%	-0.68%								
13.53% 23-MAR-2025	8.29%	8.91%	-0.62%								
12.50% 22-JAN-2026	9.91%	10.06%	-0.15%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	9.96%	10.46%	-0.50%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
12.1493% 18-JUL-2034	11.85%	11.88%	-0.03%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.17%	12.18%	-0.01%	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%	12.74%	-0.11%	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	6.24%	5.45%	0.79%	FCMB 17.25% 8-DEC-2023	9.93%	9.93%	0.00%				
6.50% 28-Nov-2027	7.75%	7.31%	0.44%	ACCESS 15.50% 23-JUL-2026	14.00%	14.00%	0.00%				
7.875% 16-FEB-2032	9.39%	8.95%	0.44%	VIATHAN 16.00% 14-DEC-2027	11.92%	11.92%	0.00%				
7.625% 28-Nov-2047	9.93%	9.48%	0.45%	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

Oil price rise as Russia-Ukraine Conflict lingers

As the Russia-Ukraine conflict entered its first week, Brent crude oil price rose by 14.39% week-on-week to settle at \$113.34pb. With active forces in Ukraine, whilst sanctions are being imposed on Russia, oil price could continue to remain elevated. Nigeria's potential benefits from the oil price rally is still dampened by higher landing costs from petroleum products importation and ultimately, higher subsidy costs.



Source: Investing.com, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.