

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 01 March – 05 March 2021

Global Economy

- ◆ According to the latest preliminary estimate by EUROSTAT, inflation rate in the Eurozone flatlined at 0.9%YoY last month, taking a pause before what is expected to be a sharp but temporary spike in consumer prices in the coming months. A slowdown in the cost of services (1.2%YoY vs 1.4%YoY), non-energy industrial goods (1.0%YoY vs 1.5%YoY) and food, alcohol and tobacco (1.4%YoY vs 1.5%YoY) was offset by a slower decline in energy prices (-1.7%YoY vs -4.2%YoY in January). The rebound in global oil prices, the German VAT cut reversal and the increase in consumer spending as the global economy recovers further are seen as the major driving forces of inflation in the zone this year. In the US, the Senate voted to take up President Biden's \$1.9 trillion relief bill, with a vote on final passage expected over the weekend. The bill would, among other things, provide additional stimulus payments to struggling industries and extend emergency unemployment benefits till August 2021. In the labor market, job growth came in better-than-expected with 379,000 new jobs created (market expectations: +182,000 jobs) as the quickening inoculation process, falling new COVID cases and extra pandemic relief funding helped spur additional recovery in the labor market. Furthermore, the unemployment rate edged down to 6.2% during the month (January: 6.3%), moving slowly towards its pre-pandemic levels.

Domestic Economy

- ◆ Earlier this week, we witnessed some scarcity of petrol in some selected states in Nigeria, due to the shutting down of some filling stations. Precisely, deregulation of the downstream sector and crude oil prices hovering around \$67 - \$69/ barrel, spurred the expectations of an increase in PMS prices. Elsewhere, following the expiration of moratorium granted by the CBN to various intervention facilities, the CBN extended these moratoria by another 12 months, to February 28th 2022. Accordingly, the roll-over of the moratorium on these facilities will be considered on a case by case basis.

Equities and stock recommendation

- ◆ The Nigerian bourse extended losses to a fifth consecutive week, as the NSEASI shed 118bps WoW to settle at 39,331.61 pts, while market cap came in at ₦20.6 trillion. Losses posted across Food (-6.24%), Breweries (-5.58%), Construction (-4.11%), Personal care (-2.43%) and Banking (-1.68%) WoW outweighed the gain recorded in the Cement (+1.47%) sector. Dissecting the sector performances further revealed that selloffs in blue-chip names Nestle (-6.90%), MTNN (-2.30%) as well as OANDO (-23.19%), DANGSUGAR (-6.11%), JBERGER (-7.39%), NB (-4.81%), and WAPCO (-3.90%) anchored the sustained decline. Conversely, BUACEMENT (+3.82%), and SEPLAT (+1.87%) WoW ended the week on a positive note.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT PLC – NEUTRAL (FVE: ₦581.44), GUINNESS NIGERIA PLC – BUY (FVE: ₦28.41), UBA PLC – STRONG BUY (FVE: ₦10.39) and FIDELITY BANK PLC – BUY (FVE: ₦3.18)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ In the secondary market, the average fixed income yield was up 17bps WoW to settle at 5.16%. This was spurred largely by a rise in bond yields. Specifically, the average bond yield firmed 30bps WoW to settle at 8.79% on the back of upticks in the Mar-2025 (+231bps) and Jan-2026 (+182bps) papers, while the average NTB yield edged up 4bps WoW to settle at 1.53%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.92	35.23	-0.88%	-9.53%	*Nestle Q4 20 - A feeling of deja vu
USD/NGN (₦/\$)					*Dangote Sugar Refinery Q420 - Strong end to a strong year
NAFEX	412	408.7	-0.72%	-11.45%	*SEPLAT FY 2020 - Impairment charges pin Seplat in a loss position
Parallel	477.5	477.5	0.00%	-24.61%	*Fixed Income and Equity Monthly Update - February 2021
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	*Macroeconomic Update - February 2021
Inflation YoY (December)			CHG (pps)		
Headline	16.47	15.75	0.72	16.47	
Core	11.85	11.37	0.48	11.85	
Food	20.57	19.56	1.01	20.57	
GDP (%) - YoY	Q4 20	Q3 20	Q2 20	FY20	
Real GDP	0.11	-3.62	-6.1	-1.9	News Headline for the week (click news for link)
Oil	-19.8	-13.9	-6.6	-8.9	*Oil soars above \$ 67, Nigeria earns additional N318bn/month
Agriculture	3.4	1.4	1.6	2.2	*China sets 'low bar' for GDP growth, pledges more jobs
Manufacturing	-1.5	-1.5	-8.8	-2.8	*EU to extend COVID-19 vaccine export controls as AstraZeneca shipment blocked
Services	1.3	-5.5	-2.61	-2.2	*UK forecasts show 4% GDP expansion in 2021
Labor Data (%) - Q2 20			Latest	Prior	*NSE: Domestic inflows hit N98.59bn
Unemployment Rate			27.1	23.1	*Emefiele Rules Out Foreign Investors' Exclusion from OMO
Underemployment			28.8	20.1	*Euro zone inflation holds steady before expected spike
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*CBN to phase out \$40b OMO Bills market
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*OPEC cautions Nigeria, others over crude oil production
Bonds	0.00	231.22	-100.0%	-100.0%	*U.S. factory activity scales three-year high, price pressures building
Money Market	332.07	3,438.54	-90.3%	-66.2%	*External reserves drop by \$1.1bn in one month
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Oil Price Rebounds to \$66 Ahead of OPEC Meeting
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*EU likely to waive borrowing limits again in 2022
Trade Balance	2,382	2,559	1,668	-6.9%	*Dangote: Nigeria to Save \$2.5bn Annually from Petrochemical, Fertiliser Plants
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Weekly diaspora remittances have reached \$30m –Emefiele

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	39331.61	-1.18	-1.18	-2.33	-2.33	48.71
NSE ASI (\$)	39331.61	-1.36	-1.36	-2.51	-2.51	31.38
Market Cap (? 'bn)	18,365	-1.18	-1.18	-2.27	-2.27	50.26
Market Cap (\$'mn)	46,494	-1.36	-1.36	-2.45	-2.45	31.9
NSE 30	1570.11	-1.46	-1.46	-4.27	-4.27	35.49
NSE Premium	3345.21	-1.32	-1.32	-3.62	-3.62	44.58
NSE 50	1550.08	-2.44	-2.44	-6.54	-6.54	25.22
NSE ASEM	729.87	0.00	0.00	0.00	0.00	-0.70
NSE Banking	375.35	-1.94	-1.94	-4.50	-4.50	11.24
NSE Insurance	192.00	-4.99	-4.99	1.32	1.32	64.21
NSE Consumer	528.32	-6.30	-6.30	-7.85	-7.85	21.53
NSE Oil & Gas	259.65	-2.16	-2.16	14.79	14.79	11.72
NSE Industrial	1924.58	1.39	1.39	-6.22	-6.22	66.54
NSE Lotus	2703.96	-2.27	-2.27	-5.00	-5.00	48.84
NSE Pensions	1338.97	-2.83	-2.83	-3.58	-3.58	36.51

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.68%	-4.73%	-4.73%
Brewers	-5.58%	-8.04%	-8.04%
Cement	1.47%	-6.34%	-6.34%
Telecom	-1.14%	4.68%	4.68%
Personal Care	-2.43%	-3.78%	-3.78%
Construction	-4.11%	2.94%	2.94%
Food	-6.24%	-7.73%	-7.73%
Insurance	-1.81%	6.42%	6.42%
Oil & Gas	-1.62%	38.96%	38.96%
Real Estate	-2.35%	-2.27%	-2.27%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.77%	-2.31%	-2.31%
Mid Cap (Mid 30%)	-4.71%	-2.80%	-2.80%
Small Cap (Bottom 60%)	-11.20%	4.98%	4.98%

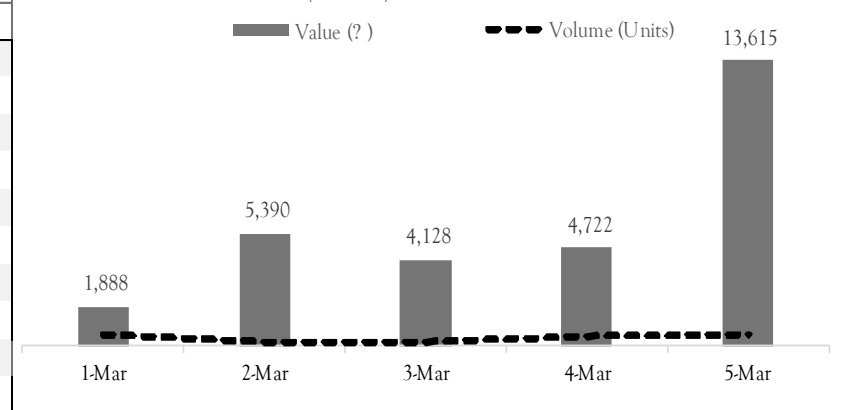
Top 10 Gainers

Company	This Week	WoW
UNITYBNK	0.73	9.0%
BETAGLAS	54.00	8.0%
LASACO	1.30	5.7%
BUACEMENT	74.75	3.8%
AFRIPRUD	5.95	3.5%
UPL	1.22	3.4%
LEARNAFR	1.08	2.9%
CAP	20.00	2.6%
CILEASIN	5.30	1.9%
SEPLAT	539.90	1.9%

Top 10 Losers

Company	This Week	WoW
LINKASSU	0.50	-10.7%
TRANSCOR	0.81	-11.0%
MBENEFT	0.35	-12.5%
WEMABANK	0.55	-12.7%
STERLNBA	1.47	-14.0%
CUTIX	1.81	-15.4%
ABCTRANS	0.28	-17.6%
NASCON	13.00	-19.0%
OANDO	2.65	-23.2%
CHAMPION	1.68	-33.3%

Volume and Value Traded (millions)



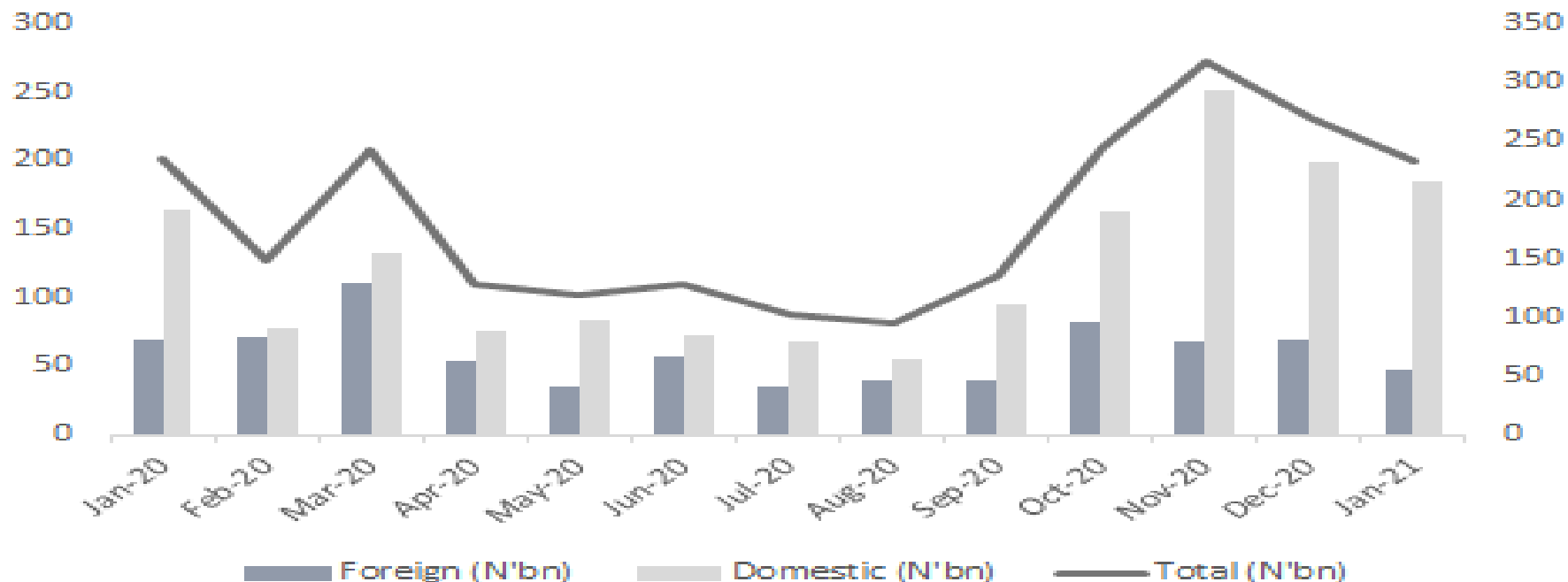
Source: NSE, Bloomberg, ARM Research

	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)	16.33%	5.67%	10.66%	04-Mar-21	7.00%	8.50%	10.10%	04-Mar-21	10.00	10.00	70.00
Open Buy Back (OBB)	15.33%	6.33%	9.00%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	45.46	50.00	230.00
NIBOR - 1M	1.54%	1.54%	0.00%	18-Feb-21	7.00%	8.50%	10.10%	18-Feb-21	20.00	20.00	140.00
NIBOR - 3M	2.48%	2.48%	0.00%	11-Feb-21	7.00%	8.50%	10.10%	11-Feb-21	10.00	19.00	140.00
NIBOR - 6M	2.29%	2.29%	0.00%	04-Feb-21	7.00%	8.50%	10.10%	04-Feb-21	10.00	9.95	51.71
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.50%	0.50%	0.00%	24-Feb-21	2.00%	3.50%	5.50%	24-Feb-21	24.18	32.71	90.38
3-month	1.19%	1.19%	0.00%	10-Feb-21	1.00%	2.00%	4.00%	10-Feb-21	24.67	16.06	90.15
6-month	1.97%	2.02%	-0.05%	27-Jan-21	0.55%	1.30%	2.00%	27-Jan-21	11.39	47.48	123.11
9-month	2.02%	2.02%	0.00%	13-Jan-21	0.50%	1.00%	1.50%	13-Jan-21	15.92	25.37	65.93
12-month	2.07%	2.07%	0.00%	30-Dec-20	0.04%	0.50%	1.21%	30-Dec-20	10.00	20.00	44.84
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	1.47%	1.58%	-0.11%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.39% 27-JAN-2022	2.35%	2.31%	0.04%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
14.20% 14-MAR-2024	7.92%	6.84%	1.08%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.50% 22-JAN-2026	9.97%	8.15%	1.82%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
16.2884% 17-MAR-2027	10.06%	10.10%	-0.04%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
12.1493% 18-JUL-2034	11.10%	11.23%	-0.13%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	11.10%	11.10%	0.00%	MIXTA 17.00% 16-JAN-2022	3.21%	3.31%	-0.10%	ACCESS 10.50% 19-OCT-2021	2.56%	2.72%	-0.16%
14.8% 26-APR-2049	11.35%	11.13%	0.22%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	3.31%	3.22%	0.09%
				DUFIL 18.25% 1-SEP-2022	6.16%	6.14%	0.02%	UBA 7.75% 08-JUN-2022	4.04%	4.06%	-0.02%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	9.25%	9.22%	0.03%	SEPLAT 9.25% 1-APR-2023	7.58%	7.61%	-0.03%
5.625% 27-JUN-2022	2.63%	2.61%	0.02%	STERLING 16.50% 3-AUG-2023	8.17%	7.78%	0.39%				
6.50% 28-Nov-2027	5.36%	5.27%	0.09%	FCMB 17.25% 8-DEC-2023	8.98%	8.21%	0.77%				
7.875% 16-FEB-2032	6.91%	6.88%	0.03%	ACCESS 15.50% 23-JUL-2026	12.60%	10.67%	1.93%				
7.625% 28-Nov-2047	7.49%	7.44%	0.05%	VIATHAN 16.00% 14-DEC-2027	10.15%	7.98%	2.17%				
				UNION 16.20% 27-JUN-2029	13.57%	13.98%	-0.41%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Domestic and Foreign Participation in January 2021

This week, we turn our attention to the Nigeria stock exchange's January 2021 report on domestic and foreign participation in the equity space. Total transactions on the NSE fell by 13.7% MoM in January 2021 to ₦232.46 billion. This was largely driven by lower participation from domestic and foreign investors which declined by 32.0% MoM and 7.2% MoM to ₦184.94 billion and ₦47.52 billion, respectively. While Domestic Retail participation increased by 10.2% MoM to ₦67.44 billion, the major drag to the overall total domestic participation number was from the lower participation from Domestic Institutional investors, which fell by 14.9% to ₦117.50 billion. A closer look at the foreign participation number reveals a net outflow of ₦14.06 billion in January, although 49.1% lower than the previous month. This is as foreign investors continue to exercise caution towards investing in the Nigerian equity space owing to the macroeconomic uncertainties confronting the economy.



Source: NSE, ARM Research



Thank You

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