



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 10th May – 14th May 2021

Global Economy

- ◆ Annual inflation rate in the US maintained its upward trend in April as consumer prices soared 4.2%YoY (March: 2.6%YoY). Anchoring this surge were upticks in the cost of gasoline (up 49.6%YoY vs 22.5%YoY in March), fuel oil (up 37.3%YoY vs 20.2%YoY in March) and used cars (up 21%YoY vs 9.4%YoY in March) as the economy reopened further and burgeoning consumer demand pushed against Covid-induced supply constraints. In China, consumer prices rose at a slower-than-expected pace of 0.9%YoY last month (market expectations: +1.0%YoY) as declining food prices continued to pull on the overall index. During the month, we saw a faster increase in the cost of non-food items, particularly transport and communications (4.9%YoY vs 2.7%YoY in March), rent (0.4%YoY vs 0.2%YoY in March) and clothing (0.2%YoY vs 0.1%YoY in March) while food prices dropped 0.7%YoY, underpinned by a 21.4%YoY decline in pork prices. Elsewhere, a preliminary estimate from the Office of National Statistics revealed that Britain's economy shrank by 6.1%YoY in Q1'21 as the lockdown measures imposed during the quarter weighed on the nation's economic recovery. Household consumption slowed by 10.4%YoY, fixed investment declined by 3.7%YoY while public investment accelerated the quickest since Q2'19 (up 4.8%YoY).

Domestic Economy

- ◆ The Chairman of the Nigerian Labor Congress (NLC), Kaduna State Council, Ayuba Suleiman, stated that from the 17th of May 2021 through to the 21st of May 2021, workers in the state would embark on a warning strike due to the sacking of over 6,000 workers by the state government. The NLC wants the Kaduna government to reverse the decision of sacking the huge number of workers, and hopes the strike would persuade them. Elsewhere, to address the lingering insecurity issues in Nigeria, 17 Southern governors met on the 11th of May 2021 under the Forum of Southern Governors. They subsequently announced a ban on open grazing in all the 17 Southern states (Ogun, Oyo, Delta, Rivers, Ekiti, Lagos, amongst others). The forum explained that development and population growth has put pressure on available land and increased the prospects of conflict between migrating herders and local populations in the South. Hence, the importance of banning open grazing in the region .

Equities and stock recommendation

- ◆ The Nigeria equities market closed the week positive, up 0.72% to 39,481.89pts. On a sectorial basis, Banking (+2.14%), Insurance (+1.37%) and Cement (+0.93%) anchored the gains while Telecommunications (-0.09%), Personal Care (-0.08%) and Food (-0.07%) dragged on performance. Dissecting the sectoral performance further revealed that ETERNA (+13.60%), PRESCO (+9.58%), INTBREW (+7.55%), ZENITH (+6.76%) and FIDELITYBK (+6.25%) emerged as top gainers for the week. Conversely, we saw STERLNBANK (-6.92%), OKOMUOIL (-6.31%), HONEYWELL (-5.04%) and FLOURMILL (-4.84%) lead the losers' table.
- ◆ Here are the stocks we recommend for the upcoming week: **GUARANTY – STRONG BUY (FVE: ₦42.12)**, **ACCESS – STRONG BUY (FVE: ₦12.92)**, **UBA PLC – STRONG BUY (FVE: ₦12.18)** and **WAPCO – STRONG BUY (FVE: ₦28.61)**. [Click here](#) for our Weekly Stock Recommendation .

Fixed Income

- ◆ In the secondary market, the average fixed income yield printed 8bps higher WoW to 8.42%, supported by a rise in NTB yields. For context, the average NTB yield hit a 17-month high (up 21bpsWoW to 5.07%), spurred by upticks in the 1-year (+121bps) and 270-day (+34bps) bills. Meanwhile, the average bond yield declined by 4bps WoW to settle at 11.77% mirroring downward pressures in the Jan-2022 (-30bps), Mar-2036 (-14bps) and Apr-2037 (-10bps) instruments. In the primary market, ₦117.56 billion worth of treasury bills was offered, matching the amount due to mature. Total subscription came in at ₦230.89 billion, translating to a subscription rate of 1.96x while total allotment printed at ₦138.99 billion, marking a seventh consecutive net-issuance by the DMO. Meanwhile, Meanwhile, the 182-day stop rate fell 25bps to 3.50%, leading the average stop rate down 9bps to 5.08%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	34.61	34.76	-0.44%	-10.34%	Report released this week (Click Link below for Full report)
USD/NGN (₦/\$)					
NAFEX	411	411.0	-0.06%	-11.37%	
Parallel	481.0	482.5	0.31%	-25.16%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (March 2021)			CHG (pps)		
Headline	18.17	17.33	0.84	17.32	
Core	12.67	12.38	0.29	12.30	
Food	22.95	21.79	1.16	21.77	
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	*Nigeria Diaspora remittances declined by 27.7% to \$16.8bn – World Bank
Agriculture	3.4	1.4	1.6	2.2	*Bank deposits rose by N6.95tn in one year – CBN
Manufacturing	-1.5	-1.5	-8.8	-2.8	*OPEC: Nigeria's Oil Sector Growth Declined by 19.8% in Q4
Services	1.3	-5.5	-2.61	-2.2	*NNPC Picks 16 Companies for New Crude Oil-swap Deal
Labor Data (%) - Q4 20			Latest	Prior	*Electricity tariffs review looms
Unemployment Rate			33.3	27.1	*U.S. consumer prices post largest gain since 2009 as inflation ramps up
Underemployment			22.8	28.8	*12 banks earned N461.51bn interest in three months – Reports
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*NNPC, Agip Lose 400,000 Barrels of Oil to COVID-19 Pandemic
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*FG Reintroduces COVID-19 Restrictions, Closes Bars, Recreational Centres
Bonds	0.00	0.00		-100.0%	*Investors back off view that Fed could raise rates in late 2022
Money Market	17.10	363.15	-95.3%	-98.8%	*US Dollar Share of Global Forex Reserves Drops to 25-Year Low
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*SEC Rolls Out Measures to Cool off Demand for Foreign Stocks
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*FG Mulls Extension of Petrol Parity Fund to Gas Supply Nationwide
Trade Balance	2,382	2,559	1,668	-6.9%	*Nigeria's VAT rises to N496bn in Q1'21
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Trade deficit widens to \$2.51bn after border reopening

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

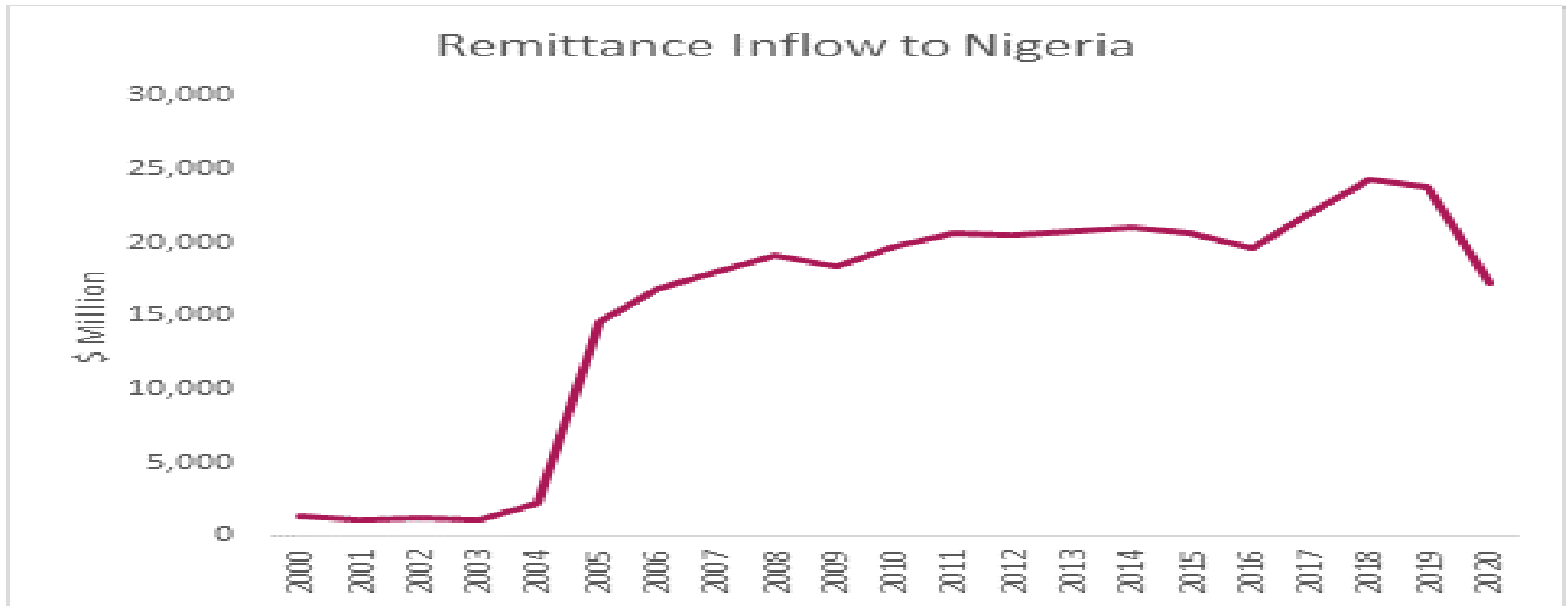
Index Performance		Index Returns (%)					Sector Performance			
	Level	VoV	MTD	QTD	YTD	1 year		Returns (%)		
								VoV	QTD	YTD
NSE ASI	39198.75	-1.60	-1.61	0.39	-2.66	60.95	Banking	-0.21%	-9.24%	-6.83%
NSE ASI (\$)	39198.75	-1.61	-1.83	-0.18	-2.84	51.31	Brewers	0.69%	-0.98%	2.72%
Market Cap (N'bn)	20,431	-1.99	-1.99	0.01	-2.97	60.97	Cement	-1.52%	-3.30%	-6.25%
Market Cap (\$'mn)	49,711	-2.23	-2.23	-0.95	-3.15	51.33	Telecom	-3.82%	4.07%	2.60%
NSE 30	1567.42	-1.96	-1.96	0.74	-4.43	49.17	Personal Care	-1.30%	-5.14%	-8.53%
NSE Premium	3406.20	-1.76	-1.76	5.05	-1.06	55.65	Construction	0.27%	9.09%	9.41%
NSE 50	1561.31	-0.70	-0.70	-0.85	-5.86	42.46	Food	0.55%	-3.94%	-2.78%
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-3.76	Insurance	-0.86%	3.93%	7.79%
NSE Banking	354.25	0.62	0.62	-4.17	-9.06	24.90	Oil & Gas	15.37%	35.44%	75.22%
NSE Insurance	197.06	-2.20	-2.20	-3.66	3.99	59.12	Real Estate	0.03%	-2.44%	-2.27%
NSE Consumer	661.80	0.62	0.62	3.47	-2.01	41.36	ARM Indices			
NSE Oil & Gas	285.19	5.33	5.33	7.27	26.00	32.00		VoV	QTD	YTD
NSE Industrial	1916.55	-1.60	-1.60	1.42	-6.62	84.03	Large Cap (Top 10%)	-1.75%	-2.09%	-2.90%
NSE Lotus	2704.13	-2.61	-2.61	2.01	-4.99	55.13	Mid Cap (Mid 30%)	0.29%	-1.79%	0.06%
NSE Pensions	1416.02	0.35	0.35	3.92	1.97	56.90	Small Cap (Bottom 60%)	-13.71%	-30.92%	-32.19%
Top 10 Gainers		Top 10 Losers		Volume and Value Traded (millions)						
Company	This Week	VoV	Company	This Week	VoV					
ROYAL EXCHANGE PLC.	0.65	22.6%	LINKAGE ASSURANCE PLC	0.69	-18.8%					
SOVEREIGN TRUST INSUF	0.27	17.4%	COURTEVILLE	0.20	-13.0%					
ACCESS BANK PLC.	8.15	11.6%	N.E.M INSURANCE CO (NIG) PLC	1.81	-10.8%					
UNION BANK NIG PLC.	5.40	10.2%	B.O.C. GASES PLC.	12.25	-10.0%					
CONDIL PLC	18.70	10.0%	S.C.O.A NIG. PLC.	2.15	-9.7%					
LASACO ASSURANCE PLI	1.56	9.9%	COMPUTER VAREHOUSE GROU	2.07	-9.6%					
MAY & BAKER NIGERIA PI	4.60	9.5%	RED STAR EXPRESS PLC	3.11	-9.6%					
JOHN HOLT PLC.	0.59	9.3%	MTN NIGERIA PLC	162.00	-7.4%					
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	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)	26.88%	14.75%	12.13%	31-Mar-21	7.00%	8.50%	10.10%	31-Mar-21	10.00	20.00	70.00
Open Buy Back (OBB)	28.88%	15.25%	13.63%	25-Mar-21	7.00%	8.50%	10.10%	25-Mar-21	5.00	10.00	25.00
NIBOR- 1M	9.57%	9.20%	0.37%	18-Mar-21	7.00%	8.50%	10.10%	18-Mar-21	10.00	20.00	70.00
NIBOR- 3M	10.47%	10.06%	0.41%	04-Mar-21	7.00%	8.50%	10.10%	04-Mar-21	10.00	10.00	40.00
NIBOR- 6M	11.06%	10.73%	0.33%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	10.00	10.00	70.00
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	2.86%	2.86%	0.00%	14-May-21	2.00%	3.50%	9.00%	14-May-21	8.44	7.99	122.56
3-month	3.15%	3.05%	0.10%	28-Apr-21	2.00%	3.75%	9.00%	28-Apr-21	7.19	6.00	116.27
6-month	4.08%	4.08%	0.00%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
9-month	6.74%	6.40%	0.34%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
12-month	9.25%	8.04%	1.21%	17-Mar-21	2.00%	3.50%	7.00%	17-Mar-21	2.52	5.91	53.46
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.01%	3.10%	-0.09%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
16.39% 27-JAN-2022	6.18%	6.48%	-0.30%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
14.20% 14-MAR-2024	12.05%	12.06%	-0.01%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.50% 22-JAN-2026	12.64%	12.36%	0.28%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.2884% 17-MAR-2027	13.01%	13.10%	-0.09%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.1493% 18-JUL-2034	13.96%	13.95%	0.01%	Corporate Bonds			Corporate Eurobond				
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	13.86%	13.96%	-0.10%	MIXTA 17.00% 16-JAN-2022	5.05%	5.92%	-0.87%	ACCESS 10.50% 19-OCT-2021	3.12%	3.13%	-0.01%
14.8% 26-APR-2049	13.99%	14.08%	-0.09%	DUFIL 18.25% 1-SEP-2022	11.33%	10.70%	0.63%	ZENITH 7.375% 30-MAY-2022	3.43%	3.52%	-0.09%
				LAPO MFB 17.75% 19-DEC-2022	13.68%	13.34%	0.34%	UBA 7.75% 08-JUN-2022	4.49%	4.40%	0.09%
FGN Eurobonds				STERLING 16.50% 3-AUG-2023			SEPLAT 9.25% 1-APR-2023				
5.625% 27-JUN-2022	2.52%	2.46%	0.06%	FCMB 17.25% 8-DEC-2023	12.90%	12.91%	-0.01%				
6.50% 28-Nov-2027	5.50%	5.45%	0.05%	ACCESS 15.50% 23-JUL-2026	15.50%	15.26%	0.24%				
7.875% 16-FEB-2032	6.93%	6.83%	0.10%	VIATHAN 16.00% 14-DEC-2027	13.40%	13.24%	0.16%				
7.625% 28-Nov-2047	7.63%	7.54%	0.09%	UNION 16.20% 27-JUN-2029	16.40%	16.48%	-0.08%				
				FIDELITY 8.50% 27-JAN-2031	14.34%	14.39%	-0.05%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Remittance inflow drops in FY2020.

The World Bank this week released data which showed Nigeria's remittance inflow levels in 2020. Reflecting the severe impact of the COVID-19 pandemic on the incomes of Nigerians living abroad, diaspora remittances inflow into the country fell by over 27%, year-on-year, (YoY) to \$17.2 billion in 2020 from \$23.55 billion in 2019. As the global economy recovers and the CBN adopts schemes improve and encourage dollar remittances into the country, we expect to see total remittance inflow to Nigeria advancing in 2021, thereby supporting external reserves .



Source: WorldBank, ARM Research

Thank You



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