

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 16th May - 20th May 2022

Global Economy

- ◆ During the week, we witnessed a drop in Asian and European market share prices as the Russian-Ukraine conflict persist. Worries over Fed Interest rate hikes still cause investors to seek safe havens for their investment as global inflation bites hard. We saw oil prices steady today as the proposed European Union ban on Russian oil steadied concerns that slowing economic growth will curb demand. Also, the outbreak of Covid 19 in China which happens to be the largest importer of oil has also reduced the tension on oil demand. Elsewhere, the United States are in talks with Iran on an agreement to seal a trade deal, a move intended to further reduce dependence on Russian oil. If an agreement is reached, Iran could add an additional 1 million bpd of oil supply to the market. While the outbreak of smallpox is another major threat to the world with confirmed cases in countries like Britain, Portugal, Spain and the United States. Medical experts are of the opinion that if this is not curbed early, it may lead to another worldwide pandemic.

Domestic Economy

- ◆ In the week, the National Bureau of Statistics (NBS) released the inflation report for April 2022. According to the report, Headline inflation rose (+91bps) to 16.83% YoY in April 2022, representing the highest uptick in eight months. The faster rise in prices was driven by both core and food inflation. Core inflation rose (+27bps) to 14.18% driven by increases across prices in HWEGF (+75bps), Alcoholic Beverage & Tobacco (+64bps) and Transport (+48bps). On a much larger scale, food inflation rose by 118bps to 18.38% and we attributed this to the surge in commodity prices as well as the pass-through effect of higher diesel prices on food items. A month-month analysis reveals a similar picture, however at a much slower pace. Headline inflation rose (2bps) to 1.73% due to a 24bps uptick in core inflation to 1.87% while food inflation rose (1bps) to 2.0%. In our inflation report, which was released earlier this week, we gave a direction on how the Fixed Income and Equities market might perform for the rest of 2022 given the current trend in prices as well as fiscal considerations. We expect prices to remain elevated and peak at 17.9% by June 2022 given sustained Russia/Ukraine conflict.

Equities and stock recommendation

- ◆ Bucking the trend of the recent bullish run that has led the NGX ASI beyond the 50,000pts line, the local bourse had a marginal (Down 0.2% WoW) drop in performance this week. In the process, the ASI closed the week at 52,979.00pts. This performance stayed through to our expectation given that we had predicted for there to be some profit taking activities that would slow down the brewing momentum in the space. The insurance sector took a shot at redemption in the week, leading to a 3.63% WoW performance that reduced its YtD losses to 2.91%. The sector was followed by the Oil and Gas ticker which posted 0.3% WoW upside. Asides those two, all other sectors shed value in the week. WAPIC topped the gainers' chart with a 40.6% WoW share price appreciation. On the flipside, ETRANZACT shed 24.8% of its share price to lead the laggards.

Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ This week, the Nigeria Treasury Bills Market closed on a bearish note with yields up 8bps WoW to close at 3.70% due to sell offs in the long tenor bills. In the Primary bonds market this week, the Debt Management Office (DMO) reopened the 2025, 2032 and 2042 instruments at the auction. Significant demand was recorded at the auction with aggregate bid-to-cover ratio of 2.56x relative to a ratio of 1.82x at the last auction. Demand was tilted towards the longer term with bid-to-cover ratio of 4.46x (Offer: ₦75bn, Subscription: ₦334.71bn). Despite increased demand, average marginal rate at the auction increased marginally by 2bps to 11.82% compared to 11.80% recorded at the previous auction. The impressive demand level trickled to the secondary pushing average yields down by 8bps WoW to 10.63%. We trace this largely to the buy interest reported on the APRIL 2029 (-37bps WoW), JULY 2030 (-31bps WoW), FEBRUARY 2028 (-22bps WoW) and MARCH 2027 (-17bps WoW) instruments.

| Currency | This Week | Prior Week | WoW (%) | YTD (%) | Report released this week (Click Link below for Full report) |
|---|-------------------|--------------|------------------|------------------|--|
| External Reserve (\$'bn) | 38.84 | 39.43 | -1.50% | -4.16% | Guinness 9M_2022 Stock Note - Making "Spirited" Strides |
| USD/NGN (₦/\$) | | | | | April 2022 CPI Report: Price Surge Continues |
| NAFEX | 419.0 | 419.0 | 0.01% | -3.67% | |
| Parallel | 600.5 | 587.0 | 2.30% | 6.28% | |
| Economic Snapshot | Latest (%) | Prior | CHG (pps) | 2021 Avg. | |
| Inflation YoY (April 2022) | | Mar | CHG (pps) | | |
| Headline | 16.83 | 15.92 | 0.91 | 16.38 | |
| Core | 14.18 | 13.9 | 0.28 | 14.04 | |
| Food | 18.38 | 17.2 | 1.18 | 17.79 | |
| 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 | *Oil falls on uncertainty over fuel demand recovery |
| Manufacturing | 2.28 | 4.29 | 3.49 | 3.35 | *MTN, Airtel begin formal PSB operations in Nigeria |
| Services | 5.6 | 8.4 | 9.3 | 5.6 | *NNPC moves to stop \$1.6bn Seplat, ExxonMobil deal with major counter-offer |
| Labor Data (%) - Q4 20 | | | Latest | Prior | *Shares slide as global growth fears mount |
| Unemployment Rate | | | 33.3 | 27.1 | *Strong earnings, ROI earn Dangote Cement 'Best Performing Stock' |
| Underemployment | | | 22.8 | 28.8 | *World Bank to fund \$30bn projects in Nigeria, others |
| Capital Importation (\$'mn) | Q4 21 | Q3 21 | QoQ (%) | YoY (%) | *Japan's GDP shrinks as surging costs raise spectre of deeper downturn |
| Foreign Portfolio Investment - Equities | 38.00 | 56.50 | -32.7% | -72.25% | *Stock market sets new milestone as investors gain over N5tr in four months |
| Bonds | 45.91 | 364.97 | -87.42% | 143.97% | *Nigeria's Q1 trade deficit rose by 175%, hit \$764m - CBN |
| Money Market | 558.96 | 795.74 | -29.8% | -37.00% | *Analysis: Food inflation pain puts emerging markets between rock and hard place |
| Foreign Direct Investment | 358.23 | 107.81 | 232.28% | -32.00% | *Dollar hits N600 at parallel market, forex supply shrinks |
| Monetary Policy Rates (%) (March 2022) | Latest | Prior | | CHG (%) | *Inflation hits 16.82%, exceeds IMF's 2022 projection |
| MPR | 11.5 | 11.5 | | 0.0% | *Stocks, oil slip as dire China data feed recession fears |
| Cash Reserve Ratio (CRR) | 27.5 | 27.5 | | 0.0% | *Nine banks' non-performing loans rise, hit N814bn - Reports |
| Liquidity Ratio | 30.0 | 30.0 | | 0.0% | *Nigeria spends 86% of revenue on debt servicing, South Africa pays 20% |

Source: CBN, NBS, FMDQ, ARM Research

Weekly Equities Market Snapshot

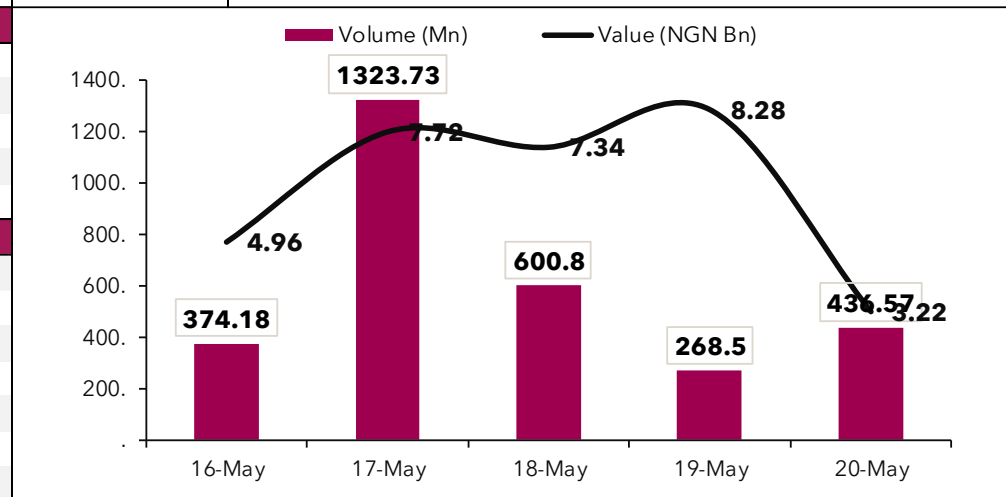
Friday, May 20, 2022



| Top Gainers | | | | | | Top Losers | | | | | |
|-------------|-------|-------|---------|--------|--------|------------|-------|--------|---------|--------|--------|
| Ticker | Price | Δ (%) | Yr High | Yr Low | YtD | Ticker | Price | Δ (%) | Yr High | Yr Low | YtD |
| WAPIC | 0.45 | 40.6% | 0.45 | 0.42 | -19.6% | ETRANZACT | 3.00 | -24.8% | 3.00 | 3.00 | 58.7% |
| CILEASING | 4.70 | 34.3% | 4.70 | 3.50 | 11.9% | GSPECPLC | 3.41 | -18.6% | 3.78 | 3.41 | -18.6% |
| TRANSCOHOT | 5.89 | 20.7% | 5.89 | 4.88 | 9.5% | ACADEMY | 1.23 | -18.5% | 1.51 | 1.23 | 146.0% |
| FBNH | 12.00 | 20.6% | 12.00 | 11.80 | 5.3% | FTNCOCOA | 0.32 | -15.8% | 0.38 | 0.32 | -17.9% |
| ABBEYBDS | 1.65 | 20.4% | 1.65 | 1.36 | 58.7% | MAYBAKER | 4.31 | -14.7% | 5.05 | 4.31 | 7.2% |
| PHARMDEKO | 1.89 | 18.1% | 1.89 | 1.60 | -14.1% | GLAXOSMITH | 6.95 | -12.0% | 8.50 | 6.95 | 16.8% |
| PZ | 13.00 | 12.1% | 13.00 | 11.00 | 121.5% | NPFMCRFBK | 1.87 | -11.8% | 2.17 | 1.87 | 10.0% |
| CADBURY | 17.70 | 11.3% | 17.70 | 15.90 | 101.1% | CHAMPION | 3.90 | -10.8% | 5.30 | 3.90 | 66.0% |
| NEM | 4.39 | 11.1% | 4.39 | 3.95 | -2.4% | FLOURMILL | 37.00 | -10.7% | 41.45 | 37.00 | 30.5% |
| BETAGLAS | 62.55 | 9.7% | 62.55 | 57.00 | 18.1% | LEARNAFRCA | 2.25 | -10.0% | 2.50 | 2.25 | 92.3% |

| | 20-May | 13-May | % Δ | P/E | P/B |
|--------------|-----------|-----------|-------|--------|-------|
| Kenya | 132.52 | 139.65 | -5.1% | 7.40x | 1.30x |
| Ghana | 2,564.54 | 2,562.23 | 0.1% | 6.40x | 1.20x |
| South Africa | 68,180.83 | 68,650.66 | -0.7% | 10.00x | 1.80x |
| Egypt | 1,999.74 | 2,005.89 | -0.3% | 6.40x | 1.40x |
| Nigeria | 52,979.96 | 53,100.21 | -0.2% | 10.80x | 2.30x |

| Tickers | Pts/₦ | WoW | MtD | QtD | YtD |
|----------------|-----------|--------|--------|--------|--------|
| NGXASI | 52,979.96 | 4.01% | 6.73% | 12.81% | 24.03% |
| Market Cap | 28.56trn | 4.01% | 6.73% | 12.84% | 28.10% |
| NGX Banking | 430.73 | -1.20% | -0.94% | 5.24% | 6.07% |
| NGX Industrial | 691.49 | 1.70% | 4.98% | 8.39% | 14.23% |
| NGX Consumer | 430.73 | 4.31% | 11.87% | 24.78% | 17.34% |
| NGX Oil & Gas | 556.29 | 7.26% | 6.09% | 26.30% | 61.24% |
| NGX Insurance | 691.49 | 1.64% | -0.37% | 3.32% | -2.91% |



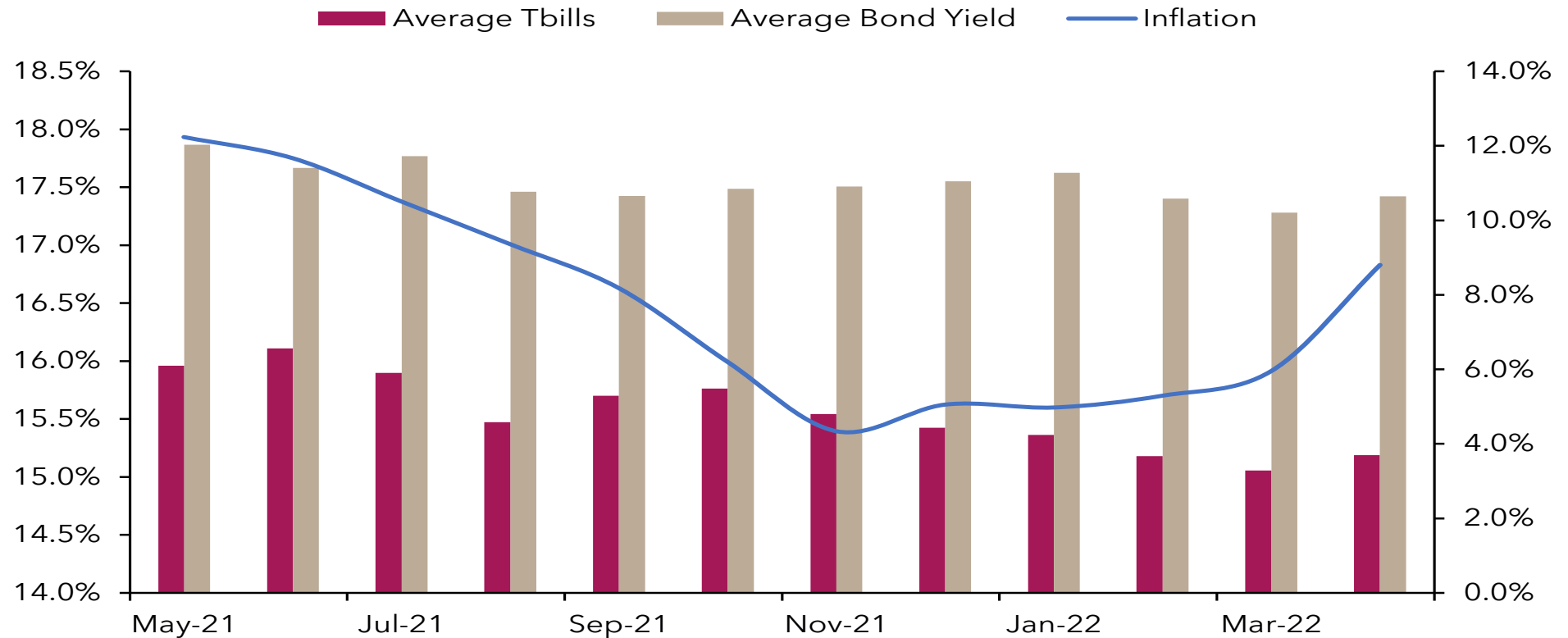
Source: NGX, ARM Research

| | 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) | 12.25% | 9.17% | 3.08% | 31-Mar-22 | 7.00% | 8.50% | 10.10% | 31-Mar-22 | 10.00 | 10.00 | 30.00 |
| Open Repo Rate (OPR) | 12.50% | 8.67% | 3.83% | 17-Mar-22 | 7.00% | 8.50% | 10.10% | 17-Mar-22 | 10.00 | 10.00 | 30.00 |
| NIBOR - 1M | 10.65% | 9.24% | 1.41% | 10-Mar-22 | 7.00% | 8.50% | 10.10% | 10-Mar-22 | 10.00 | 10.00 | 20.00 |
| NIBOR - 3M | 11.32% | 10.31% | 1.01% | 03-Mar-22 | 7.00% | 8.50% | 10.10% | 03-Mar-22 | 5.00 | 5.00 | 20.00 |
| NIBOR - 6M | 11.73% | 10.59% | 1.14% | 24-Feb-22 | 7.00% | 8.50% | - | 24-Feb-22 | 15.00 | 15.00 | - |
| Treasury Bills | | | | Treasury Bills | 91 Day | 182 Day | 364 Day | Treasury Bills | 91 Day | 182 Day | 364 Day |
| 1-month | 3.16% | 3.09% | 0.06% | 11-May-22 | 1.74% | 3.00% | 4.70% | 11-May-22 | 1.02 | 2.83 | 134.02 |
| 3-month | 3.53% | 3.52% | 0.01% | 27-Apr-22 | 1.75% | 3.00% | 4.79% | 27-Apr-22 | 2.22 | 8.23 | 119.61 |
| 6-month | 3.86% | 3.79% | 0.07% | 13-Apr-22 | 1.74% | 3.00% | 4.45% | 13-Apr-22 | 4.51 | 10.56 | 143.97 |
| 9-month | 4.39% | 4.44% | -0.06% | 30-Mar-22 | 1.75% | 3.00% | 4.45% | 30-Mar-22 | 13.88 | 20.35 | 139.96 |
| 12-month | 4.86% | 4.86% | 0.00% | 16-Mar-22 | 1.74% | 3.00% | 4.00% | 16-Mar-22 | 5.91 | 6.85 | 159.85 |
| FGN Bonds (Local) | | | | FGN Bonds | Jan-26 | Jan-42 | | FGN Bonds | Jan-26 | Jan-42 | |
| 12.75% 27-APR-2023 | 5.04% | 5.05% | -0.01% | | | | | | | | |
| 14.20% 14-MAR-2024 | 7.69% | 7.73% | -0.04% | | | | | | | | |
| 13.53% 23-MAR-2025 | 9.94% | 9.89% | 0.05% | 21-Mar-22 | 10.15% | 12.70% | | 21-Mar-22 | 127.0 | 169.4 | |
| 12.50% 22-JAN-2026 | 10.43% | 10.35% | 0.08% | 16-Feb-22 | 10.95% | 13.00% | | 16-Feb-22 | 103.5 | 193.9 | |
| 16.2884% 17-MAR-2027 | 10.90% | 11.07% | -0.17% | 19-Jan-22 | 11.50% | 13.00% | | 19-Jan-22 | 81.7 | 88.9 | |
| 12.1493% 18-JUL-2034 | 12.19% | 12.30% | -0.11% | Corporate Bonds | This Week | Prior Week | WoW (%) | Corporate Eurobond | This Week | Prior Week | WoW (%) |
| 16.2499% 18-APR-2037 | 12.51% | 12.24% | 0.27% | DUFIL 18.25% 1-SEP-2022 | 4.86% | 4.92% | -0.06% | ZENITH 7.375% 30-MAY-2022 | 65.34% | 20.16% | 45.18% |
| 14.8% 26-APR-2049 | 12.75% | 12.75% | 0.00% | LAPO MFB 17.75% 19-DEC-2022 | 7.65% | 7.65% | 0.00% | UBA 7.75% 08-JUN-2022 | 34.73% | 18.64% | 16.09% |
| | | | | STERLING 16.50% 3-AUG-2023 | 6.85% | 6.86% | -0.01% | | | | |
| FGN Eurobonds | | | | 16.50 MIXTA IIA 12-OCT-2023 | 7.42% | 7.45% | -0.03% | | | | |
| 5.625% 27-JUN-2022 | 23.22% | 18.99% | 4.23% | FCMB 17.25% 8-DEC-2023 | 8.23% | 8.26% | -0.03% | | | | |
| 6.50% 28-Nov-2027 | 11.70% | 10.88% | 0.82% | ACCESS 15.50% 23-JUL-2026 | 13.22% | 13.15% | 0.07% | | | | |
| 7.875% 16-FEB-2032 | 12.53% | 11.97% | 0.56% | VIATHAN 16.00% 14-DEC-2027 | 11.19% | 11.13% | 0.06% | | | | |
| 7.625% 28-Nov-2047 | 11.90% | 11.76% | 0.14% | UNION 16.20% 27-JUN-2029 | 14.56% | 14.92% | -0.36% | | | | |
| | | | | FIDELITY 8.50% 27-JAN-2031 | 12.51% | 12.79% | -0.28% | | | | |

Source: DMO, CBN, FMDQ, Bloomberg, ARM Research

April Inflation Figures Showed Sustained Price Rise

Continuing the trend from where it left off in March 2022, the recently released Nigerian Inflation figure printed at 16.83%. A proof of the widening negative real rate of return and a further disincentive for Fixed Income patronage.



Source: FMDQ NBS, ARM Research

Thank You



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