

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 17th May – 21st May 2021

Global Economy

- ◆ Over in Asia, the Japanese economy contracted at a quicker than expected pace of 5.1%YoY (market consensus: -4.6%YoY) as the re-imposition of lockdown and restrictive measures across various prefectures hindered the nation's recovery efforts. A cursory look at the numbers revealed a 6.9% YoY decline in government consumption during the quarter (Q4 20: +7.3%YoY), public investment fell by 4.2%, while private consumption, which accounts for more than half of the nation's GDP, slumped by 5.4% (Q4 20: +9.0%YoY). Elsewhere, The World Bank Group pledged further support for Africa at the recently concluded "Summit on Financing African Economies" held in France, as the International Development Agency aims to promote development on the continent. With about \$200 million already invested over the past decade, the bank plans to invest an additional \$150 million within the next five years, with funds being made available through grants and long-term zero-interest-rate loans.

Domestic Economy

- ◆ The Nigeria Governors' Forum (NGF) in a meeting considered the report of a committee headed by Kaduna State Governor, Mallam Nasir el-Rufai, and accepted its recommendation that backs full deregulation of petrol, and suggests that the pump price of the product should hover around N385 per litre. The six-man committee was set up early this year by the National Economic Council (NEC) headed by Vice President Yemi Osinbajo to look into the dwindling revenues of states and make recommendations to the council. Besides el-Rufai, Governors Godwin Obaseki of Edo State, Kayode Fayemi of Ekiti State; and David Umahi of Ebonyi State are also members of the committee. Elsewhere, the House of Representatives has asked the Nigerian Electricity Regulatory Commission (NERC) to suspend the plan to review electricity tariff in June. It also condemned electricity distribution companies for transferring debts incurred by former occupants of building to the new occupants or tenants. The House adopted a motion called: 'Call on the Nigerian Electricity Regulatory Commission to Suspend the Proposed Increase in Electricity Tariff'. Following the adoption of the motion, the House urged the Federal Government to direct NERC to "rescind the decision to further increase electricity tariff proposed for June 2021 in view of the hard times Nigerian masses are currently going through".

Equities and stock recommendation

- ◆ The equities market shed 2.96% WoW to print at 38,324.07pts at the close of the week. Losses were recorded across most of the sectors with Telecommunications (-5.40%), Construction (-5.11%), Cement (-3.18%) and Banking (-1.16%) anchoring the decline while Oil & Gas (+17.93%) and Brewers (+1.76%) closed positive. Dissecting the sectoral performances further revealed that AIRTEL (-10.00%), JBERGER (-9.05%), BUACEMENT (-4.69%), DANGSUGAR (-4.18%) and ZENITHBANK (-2.95%) topped the losers' chart. On the other hand, ETERNA (+21.21%), PRESTIGE (+15.22%), PRESCO (+11.13%), MRS (+11.01%) and SEPLAT (+10.00%) registered the most gain.
- ◆ 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 ended the week 42bps higher to settle at 8.84%, mirroring expansions at both ends of the curve. To shed more light, the average bond yield printed 15bps higher WoW to settle at 11.92% spurred by upticks in the Jan-2022 (+82bps), Jul-2021 (+26bps) and Apr-2049 (+21bps) papers and the average NTB yield firmed 69bps WoW to settle at 5.76% reflecting upward pressures in the 182-day (+184bps) and 91-day (+110bps) bills . In the primary market, the DMO offered ₦150.00 billion across three re-opening instruments, with the notable difference being the inclusion of the April-2049 instrument for the first time in 14 auctions. Total allotment stood at ₦175.24 billion while total subscription came in at ₦281.97 billion, translating to a subscription rate of 1.88x. Meanwhile, the average stop rate printed at 13.77% as the April-2049 stop rate rose 205bps to 14.2 %.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
					Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.40	34.61	-0.58%	-10.86%	
USD/NGN (₦/\$)					
NAFEX	411	411.3	-0.01%	-11.38%	
Parallel	482.0	481.0	-0.21%	-25.31%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (April 2021)			CHG (pps)		
Headline	18.12	18.17	-0.05	17.52	
Core	12.74	12.67	0.07	12.41	
Food	22.72	22.95	-0.23	22.0075	
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	*Reps direct NERC to halt electricity tariffs hike
Agriculture	3.4	1.4	1.6	2.2	*Bol's assets hit N1.8trillion
Manufacturing	-1.5	-1.5	-8.8	-2.8	*World Bank to invest \$150bn in Africa
Services	1.3	-5.5	-2.61	-2.2	*Buhari seeks National Assembly approval for \$6.183b
Labor Data (%) - Q4 20			Latest	Prior	*Why petrol subsidy will be removed now, by minister
Unemployment Rate			33.3	27.1	*Pension Assets Rise to N12.34tn in March
Underemployment			22.8	28.8	*Biden to send 20 mln doses of U.S.-authorized vaccines abroad for first time
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*Africa infrastructure fund hits \$1b
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Dangote Cement Unfolds Measures to Meet Demand, Reduce Price
Bonds	0.00	0.00		-100.0%	*Lagos Secures \$629m Loan for Lekki Deep Seaport Project 2022
Money Market	17.10	363.15	-95.3%	-98.8%	*Nigeria's inflation rate drops to 18.12%
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*N120b petrol subsidy to double as CBN adjusts exchange rate
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Nigeria rolls out regulations for digital investment advisors
Trade Balance	2,382	2,559	1,668	-6.9%	*Capital market records biggest rise in non-performing loans
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*\$1.24bn spent on food imports despite Buhari's forex ban

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

Index Performance		Index Returns (%)					Sector Performance		Returns (%)		
	Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD	
NSE ASI	38324.07	-2.93	-3.81	-1.85	-4.83	54.79	Banking	-1.16%	-8.38%	-5.94%	
NSE ASI (\$)	38324.07	-2.96	-4.25	-8.97	-5.24	41.78	Brewers	1.76%	1.02%	4.80%	
Market Cap (₹'bn)	19,975	-2.93	-4.18	-4.78	-5.14	52.07	Cement	-3.18%	-5.51%	-8.38%	
Market Cap (\$'mn)	48,484	-2.96	-4.64	-9.26	-5.54	41.8	Telecom	-5.40%	-1.63%	-3.03%	
NSE 30	1557.65	-1.56	-2.57	0.11	-5.03	45.25	Personal Care	-0.30%	-5.50%	-8.88%	
NSE Premium	3403.05	-1.27	-1.85	4.95	-1.95	57.23	Construction	-5.11%	3.52%	3.82%	
NSE 50	1565.59	-1.16	-0.43	-0.58	-5.61	34.92	Food	-0.52%	-4.51%	-3.35%	
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-4.10	Insurance	-0.49%	4.84%	8.73%	
NSE Banking	361.80	-1.53	2.76	-2.13	-7.94	19.79	Oil & Gas	17.93%	60.08%	107.09%	
NSE Insurance	203.38	-0.74	0.94	-0.57	7.32	60.15	Real Estate	0.00%	-2.23%	-2.06%	
NSE Consumer	563.43	-0.03	0.92	3.77	-1.73	37.74	ARM Indices				
NSE Oil & Gas	306.58	7.39	13.23	15.31	35.53	37.99		WoW	QTD	YTD	
NSE Industrial	1867.06	-3.34	-4.14	-1.20	-9.03	69.24	Large Cap (Top 10%)	-3.19%	-4.63%	-5.42%	
NSE Lotus	2657.72	-2.03	-4.28	0.25	-6.62	50.53	Mid Cap (Mid 30%)	-0.24%	-0.89%	0.98%	
NSE Pensions	1423.93	-0.79	0.91	4.50	2.54	48.03	Small Cap (Bottom 60%)	-0.30%	-0.10%	-1.93%	
Top 10 Gainers							Top 10 Losers		Volume and Value Traded (millions)		
Company	This Week	WoW	Company	This Week	WoW						
PRESTIGE	0.53	15.2%	NNFM	5.60	-8.9%						
STERLNBNK	1.67	12.8%	JBERGER	19.10	-9.0%						
MRSOIL	12.10	11.0%	SCOA	1.95	-9.3%						
ABCTRANS	0.41	10.8%	ENAMELWA	17.95	-9.8%						
SEPLAT	682.00	10.0%	PORTLAND	2.47	-9.9%						
INITSPL	0.44	10.0%	BOCGAS	11.03	-						
MBENEFIT	0.44	10.0%	AIRTELAF	837.00	-						
TRANSEXP	0.89	9.9%	LINKASSU	0.60	-						
TRANSCOH	3.57	9.8%	ROYALEX	0.62	-						
CAPHOTEL	2.40	9.1%	CILEASIN	4.06	-						
					18.8%						

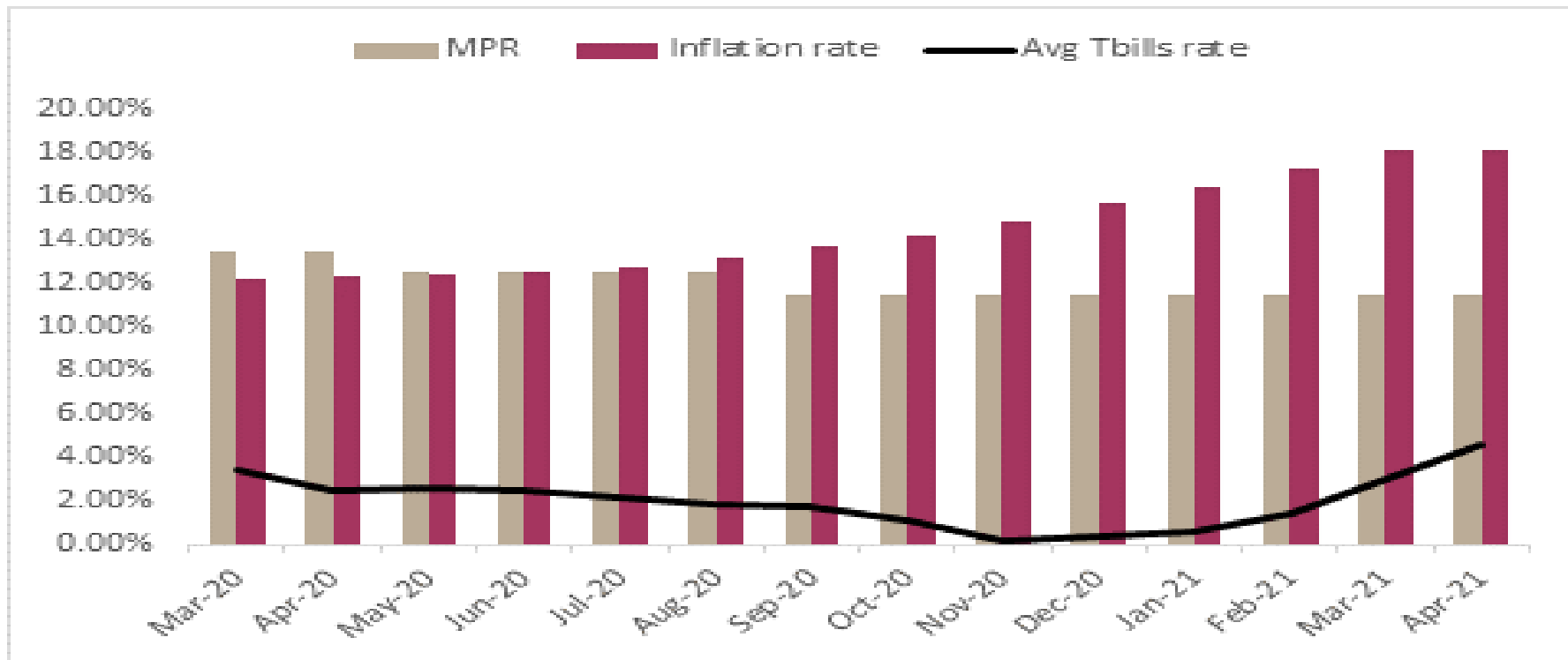
Source: NSE, Bloomberg, ARM Research

	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)	16.50%	26.88%	-10.38%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
Open Buy Back (OBB)	17.00%	28.88%	-11.88%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
NIBOR- 1M	12.50%	9.57%	2.93%	29-Apr-21	7.00%	8.50%	10.10%	29-Apr-21	5.00	5.00	10.00
NIBOR- 3M	13.83%	10.47%	3.36%	15-Apr-21	7.00%	8.50%	10.10%	15-Apr-21	5.00	5.00	10.00
NIBOR- 6M	15.36%	11.06%	4.30%	08-Apr-21	7.00%	8.50%	10.10%	08-Apr-21	5.00	5.00	10.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	2.41%	2.86%	-0.45%	14-May-21	2.00%	3.50%	9.00%	14-May-21	8.44	7.99	122.56
3-month	4.25%	3.15%	1.10%	28-Apr-21	2.00%	3.75%	9.00%	28-Apr-21	7.19	6.00	116.27
6-month	5.92%	4.08%	1.84%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
9-month	7.43%	6.74%	0.69%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
12-month	9.06%	9.25%	-0.19%	17-Mar-21	2.00%	3.50%	7.00%	17-Mar-21	2.52	5.91	53.46
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	3.27%	3.01%	0.26%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
16.39% 27-JAN-2022	7.00%	6.18%	0.82%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
14.20% 14-MAR-2024	12.21%	12.05%	0.16%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
12.50% 22-JAN-2026	12.72%	12.64%	0.08%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.2884% 17-MAR-2027	13.04%	13.01%	0.03%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.1493% 18-JUL-2034	14.04%	13.96%	0.08%	Corporate Bonds			This Week	Prior Week	WoW (%)	Corporate Eurobond	
16.2499% 18-APR-2037	13.85%	13.86%	-0.01%	MIXTA 17.00% 16-JAN-2022	6.41%	5.05%	1.36%	ACCESS 10.50% 19-OCT-2021	3.11%	3.12%	-0.01%
14.8% 26-APR-2049	14.26%	13.99%	0.27%	DUFIL 18.25% 1-SEP-2022	11.20%	11.33%	-0.13%	ZENITH 7.375% 30-MAY-2022	3.13%	3.43%	-0.30%
				LAPO MFB 17.75% 19-DEC-2022	13.60%	13.68%	-0.08%	UBA 7.75% 08-JUN-2022	4.34%	4.49%	-0.15%
				STERLING 16.50% 3-AUG-2023	11.98%	11.95%	0.03%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
FGN Eurobonds				FCMB 17.25% 8-DEC-2023	13.01%	12.90%	0.11%				
5.625% 27-JUN-2022	2.38%	2.52%	-0.14%	ACCESS 15.50% 23-JUL-2026	15.59%	15.50%	0.09%				
6.50% 28-Nov-2027	5.40%	5.50%	-0.10%	VIATHAN 16.00% 14-DEC-2027	13.52%	13.40%	0.12%				
7.875% 16-FEB-2032	6.84%	6.93%	-0.09%	UNION 16.20% 27-JUN-2029	16.53%	16.40%	0.13%				
7.625% 28-Nov-2047	7.60%	7.63%	-0.03%	FIDELITY 8.50% 27-JAN-2031	14.45%	14.34%	0.11%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Headline Inflation slows in April.

The National Bureau of Statistics (NBS) reported an increase in headline inflation by 18.12% YoY in the month of April 2021. This is a slight decline in YoY inflation rate from 18.17% in March 2021. Food index rose by 22.72% YoY, as price increases on food items like Oil and fats, Fish, Soft drinks, Meat, Vegetables, Bread, and cereals, as well as Potatoes, Yam, and other tubers, drove it. In addition, sustained increases in the cost of Medical and Dental services, Footwears, Pharmaceutical products, and Personal grooming services caused the rise in core inflation by of 12.74% YoY.



Source: CBN, NBS, ARM Research

Thank You



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