

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

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## **Weekly Commentary & Stock recommendation**

**...for the week 23rd May - 27th May 2022**

### Global Economy

The Global market has witnessed a myriad of events since the inception of the year. We note the Russia-Ukraine conflict, the Covid-19 outbreak in China and the Monkeypox virus outbreak in some regions like Great Britain, Portugal, Spain, and the United States. Consequently, central banks of major economies have revised monetary rates to support their economies. Recently, the Russian central bank axed its interest rate to 11%, following two previous cuts after it had hiked the rate to 20% in late February. It is also worthy to note that President Vladimir Putin increased the pensions and the minimum wage by 10% after the economy showed signs of relief from the effects of inflation. Despite monetary policy action, economies are still at risk as they currently brace for a further surge in the price of oil due to the upcoming summer driving season in the United States. We opine that a further surge in oil price over the short term is probable, as few major oil-producing countries are still recovering from low oil production. As of today, Brent stood at \$116.88 per barrel

### Domestic Economy

In the week, the National Bureau of Statistics (NBS) released the GDP report for Q1 2022. According to the report, the economy grew by 3.11%. We observed that the oil sector posted a worst quarterly performance on record, with a 26.0% YoY contraction in Q1 2022. Oil production in the period declined to 1.49mbpd compared to 1.72mbpd in Q1 2021 due to the oil theft and weak infrastructure. On the contrary, the non-oil sector reported a growth of 6.08% in Q1 2022. The sustained positive performance was buoyed by advancement in agriculture, manufacturing, telecommunications, trade, and financial services. In our [Q12022 GDP report](#), we forecasted a growth range of 2.3% to 2.7% in 2022 hinged on the performance of the oil sector which we expect to contract within a range of 6-10%. In other news, the 285<sup>th</sup> Monetary Policy Committee (MPC) meeting held this week. Contrary to analysts' expectation, the Monetary Policy Rate (MPR) was hiked by 150bps to 13.0%. The committee believes its contractionary stance would help moderate the inflationary trend witnessed in the economy. It also hoped for an influx of foreign capital flow and moderate government domestic borrowings. We shared our opinion in this [Post MPC meeting report](#).

### Equities and stock recommendation

The Nigerian Equities Market gravitated back to a positive close this week, as the NGX ASI rose 2.09% Week on Week (WoW) to 54,085.30pts. On a sectoral basis, we observed an overarching negative closing for all the sectors under our coverage. The highest weekly loser being the Insurance segment which shed 6.27% WoW to 664.23pts. NCR led the gainers chart as its share price grew (Up 33.0%) to ₦3.99, while ROYALEX shed 14.0% to close at ₦0.98. AIRTELAFRI contributed significantly to the overall trajectory of the bourse in the week as it posted an upside of 20.2% in the week.

### Fixed Income

Stop rate rose from 3.15% at the last auction to 4.29% at the primary auction held in the week. Investors reacted to the hike in MPR (Monetary Policy Rate) by demanding for higher rates across tenors. Specifically, the spot rate on the 364-day bill surged 179bps to 6.49% from 4.70% at the last auction. There was a drop in aggregate demand evidenced by the dip in bid-to-cover ratio to 1.55x (vs. 2.96x) at the previous auction. Demand was tilted towards the shorter term with bid-to-cover ratio of 4.44x (Offer: ₦5.36bn, Subscription: ₦23.84bn). The bearish momentum flowed into the secondary NT-bills Market with average yields up 14bps WoW to close at 3.84%. Similarly, the secondary bond market closed on a bearish note, with yields up 11bps WoW to close at 10.73%. We traced this to selloffs in the JANUARY 2026 (+ 52bps), MARCH 2036 (+ 35bps) and APRIL 2037 (+34bps) instruments.

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

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	38.57	39.43	-2.17%	-4.16%	<b>Post MPC Meeting: 150bps Hike Headline May 2022 Meeting</b>
<b>USD/NGN (₦/\$)</b>					<b>Q12022 GDP Report</b>
NAFEX	419.5	419.0	0.12%	-3.56%	
Parallel	604.5	587.0	2.98%	6.99%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (April 2022)</b>		<b>Mar</b>	<b>CHG (pps)</b>		
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	
<b>GDP (%) - YoY</b>	<b>Q1 22</b>	<b>Q4 22</b>	<b>Q2 21</b>	<b>FY21</b>	
Real GDP	3.11	3.98	5.01	<b>3.4</b>	
Oil	-26.04	-8.06	-12.65	<b>-8.3</b>	<b>News Headline for the week (click news for link)</b>
Agriculture	11.6	3.6	1.3	<b>2.13</b>	<b>*Oil lingers near 2-month high amid global supply concerns</b>
Manufacturing	11.72	2.28	3.49	<b>3.35</b>	<b>*CBN defends naira with \$3.36bn in two months</b>
Services	6.6	5.6	9.3	<b>5.6</b>	<b>*Investors rake in over N1.1tn dividend in 12 months - NGX</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*Twitter to pay \$150 mln to settle with U.S. over privacy, security violations</b>
Unemployment Rate			33.3	27.1	<b>*CBN denies Emefiele's sacking</b>
Underemployment			22.8	28.8	<b>Naira devaluation, insecurity drive Nigeria's wheat imports to N1.3tn</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>UPDATED: CBN raises interest rate to 13%</b>
Foreign Portfolio Investment - Equities	38.00	56.50	-32.7%	-72.25%	<b>Food crisis fuels fears of protectionism compounding shortages</b>
Bonds	45.91	364.97	-87.42%	143.97%	<b>Allianz Signs Joint Venture With Sanlam</b>
Money Market	558.96	795.74	-29.8%	-37.00%	<b>*Fed's George sees policy interest rate near 2% by August</b>
Foreign Direct Investment	358.23	107.81	232.28%	-32.00%	<b>*NNPC, Sahara Group invest \$300m in two gas carriers</b>
<b>Monetary Policy Rates (%) (March 2022)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>*FG projects \$289bn local refining in five years</b>
MPR	13.0	11.5		13.0%	<b>*As Scarcity Persists, CBN FX Sales to Authorised Dealers Decline 24.65% to</b>
Cash Reserve Ratio (CRR)	27.5	27.5		0.0%	<b>*Subscribers kick as FG slams N90.49bn new tax on phone calls</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>*Sterling Bank signs MoU with optometrists on funding</b>

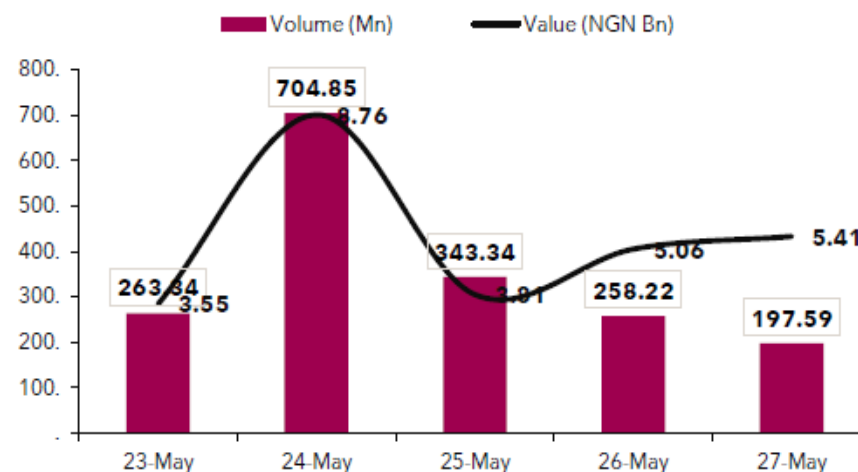
Source: CBN, NBS, FMDQ, ARM Research

## Weekly Equities Market Snapshot

Friday, May 27, 2022



Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
NCR	3.99	33.0%	3.99	3.99	33.0%	ROYALEX	0.98	-14.0%	1.07	0.98	11.4%
GSPECPLC	4.19	22.9%	4.19	2.77	0.0%	LINKASSURE	0.56	-13.8%	0.56	0.56	9.8%
MRS	16.40	20.6%	16.40	12.20	32.8%	JAIZBANK	0.78	-13.3%	0.81	0.78	39.3%
AIRTELAFRI	1767.00	20.2%	1767.00	1608.00	85.0%	NEM	3.82	-13.0%	3.82	3.82	-15.1%
CONOIL	34.25	10.0%	34.25	34.25	55.7%	PZ	11.45	-11.9%	11.45	11.45	95.1%
FTNCOCOA	0.35	9.4%	0.35	0.35	-10.3%	GUINNESS	87.10	-11.1%	87.10	87.10	123.3%
ABBEYBDS	1.80	9.1%	1.80	1.80	73.1%	SOVRENINS	0.25	-10.7%	0.25	0.25	-16.7%
CHIPLC	0.65	8.3%	0.65	0.65	-17.7%	AIICO	0.70	-10.3%	0.70	0.68	0.0%
ACADEMY	1.32	7.3%	1.32	1.32	164.0%	MANSARD	2.03	-10.2%	2.05	2.03	-12.5%
ABCTrans	0.32	6.7%	0.32	0.32	3.2%	NB	69.30	-10.0%	69.30	69.30	42.2%
	27-May	20-May	% Δ	P/E	P/B						
Kenya	129.84	132.52	-2.0%	7.20x	1.20x						
Ghana	2,555.39	2,564.54	-0.4%	6.30x	1.20x						
South Africa	70,353.51	68,180.83	3.2%	10.40x	1.80x						
Egypt	1,968.73	1,999.74	-1.6%	6.30x	1.30x						
Nigeria	54,085.30	52,979.96	2.1%	11.20x	2.30x						
Tickers	Pts/₦	WoW	MtD	QtD	YtD						
NGXASI	54,085.30	2.09%	8.96%	15.16%	26.61%						
Market Cap	29.16trn	2.09%	8.96%	15.19%	30.77%						
NGX Banking	427.47	-0.76%	-1.69%	4.44%	5.27%						
NGX Industrial	664.23	-0.67%	4.28%	7.66%	13.46%						
NGX Consumer	427.47	-3.94%	7.46%	19.86%	12.72%						
NGX Oil & Gas	551.49	-0.86%	5.17%	25.21%	59.85%						
NGX Insurance	664.23	-6.27%	-6.62%	-3.16%	-9.00%						



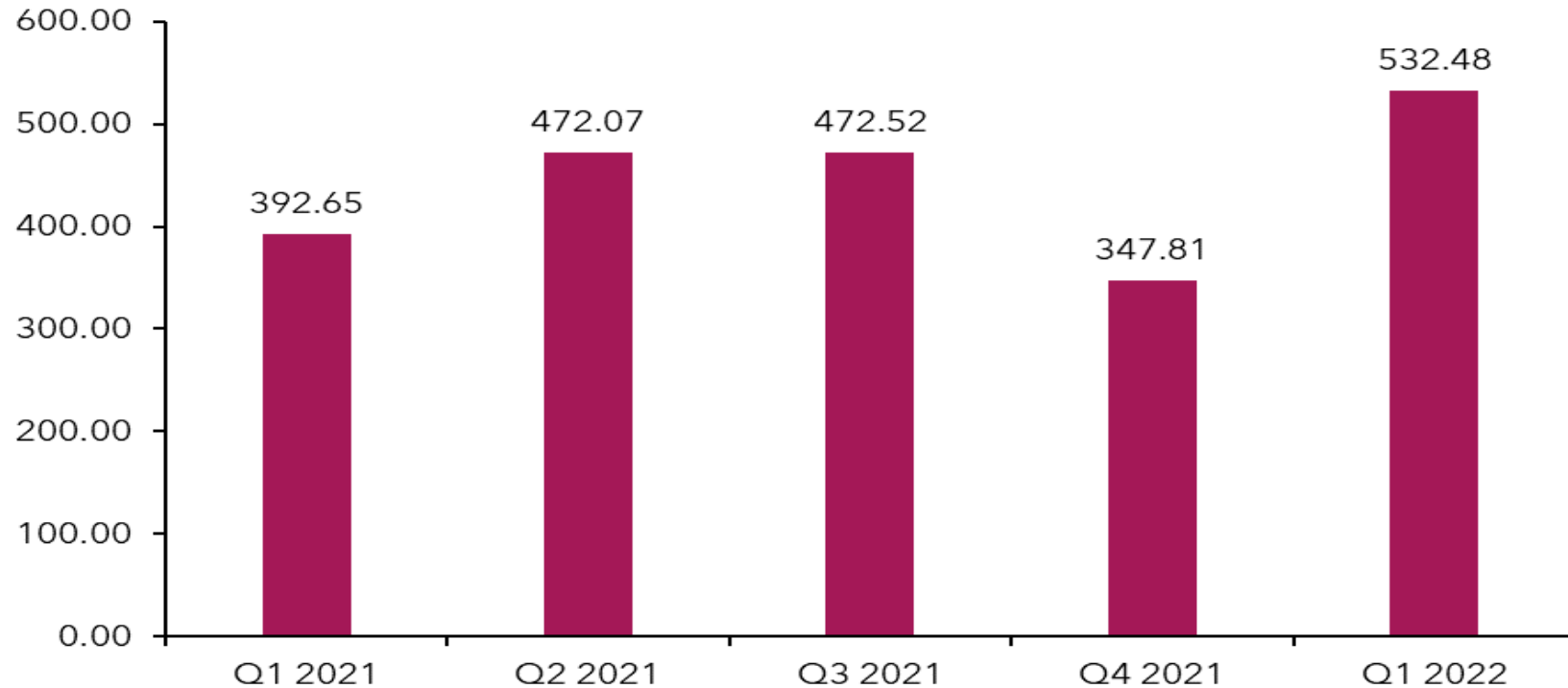
Source: NGX, ARM Research

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	13.67%	9.17%	4.50%	31-Mar-22	7.00%	8.50%	10.10%	31-Mar-22	10.00	10.00	30.00
Open Repo Rate (OPR)	14.00%	8.67%	5.33%	17-Mar-22	7.00%	8.50%	10.10%	17-Mar-22	10.00	10.00	30.00
NIBOR - 1M	10.55%	9.24%	1.31%	10-Mar-22	7.00%	8.50%	10.10%	10-Mar-22	10.00	10.00	20.00
NIBOR - 3M	11.25%	10.31%	0.93%	03-Mar-22	7.00%	8.50%	10.10%	03-Mar-22	5.00	5.00	20.00
NIBOR - 6M	12.26%	10.59%	1.67%	24-Feb-22	7.00%	8.50%	-	24-Feb-22	15.00	15.00	-
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>			
					<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>		<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	3.28%	3.09%	0.18%	25-May-22	2.50%	3.89%	6.49%	25-May-22	3.56	1.25	168.67
3-month	3.73%	3.52%	0.22%	11-May-22	1.74%	3.00%	4.70%	11-May-22	2.22	8.23	119.61
6-month	4.24%	3.79%	0.45%	27-Apr-22	1.75%	3.00%	4.79%	27-Apr-22	2.22	8.23	119.61
9-month	5.18%	4.44%	0.73%	13-Apr-22	1.74%	3.00%	4.45%	13-Apr-22	4.51	10.56	143.97
12-month	6.09%	4.86%	1.22%	30-Mar-22	1.75%	3.00%	4.45%	30-Mar-22	13.88	20.35	139.96
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>			
					<b>Jan-26</b>	<b>Jan-42</b>			<b>Jan-26</b>	<b>Jan-42</b>	
12.75% 27-APR-2023	4.89%	5.05%	-0.16%								
14.20% 14-MAR-2024	7.63%	7.73%	-0.10%								
13.53% 23-MAR-2025	10.10%	9.89%	0.21%	21-Mar-22	10.15%	12.70%		21-Mar-22	127.0	169.4	
12.50% 22-JAN-2026	10.95%	10.35%	0.60%	16-Feb-22	10.95%	13.00%		16-Feb-22	103.5	193.9	
16.2884% 17-MAR-2027	10.84%	11.07%	-0.23%	19-Jan-22	11.50%	13.00%		19-Jan-22	81.7	88.9	
				<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
					<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>		<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
12.1493% 18-JUL-2034	12.33%	12.30%	0.03%	DUFIL 18.25% 1-SEP-2022	4.61%	4.92%	-0.31%	ZENITH 7.375% 30-MAY-2022	87.02%	20.16%	66.86%
16.2499% 18-APR-2037	12.85%	12.24%	0.61%	LAPO MFB 17.75% 19-DEC-2022	8.09%	7.65%	0.44%	UBA 7.75% 08-JUN-2022	35.53%	18.64%	16.89%
14.8% 26-APR-2049	13.09%	12.75%	0.34%	STERLING 16.50% 3-AUG-2023	6.61%	6.86%	-0.25%				
<b>FGN Eurobonds</b>				<b>FGN Eurobonds</b>				<b>FGN Eurobonds</b>			
				16.50 MIXTA IIA 12-OCT-2023	7.24%	7.45%	-0.21%				
5.625% 27-JUN-2022	15.28%	18.99%	-3.71%	FCMB 17.25% 8-DEC-2023	8.10%	8.26%	-0.16%				
6.50% 28-Nov-2027	10.07%	10.88%	-0.81%	ACCESS 15.50% 23-JUL-2026	13.64%	13.15%	0.49%				
7.875% 16-FEB-2032	11.06%	11.97%	-0.91%	VIATHAN 16.00% 14-DEC-2027	11.54%	11.13%	0.41%				
7.625% 28-Nov-2047	10.80%	11.76%	-0.96%	UNION 16.20% 27-JUN-2029	14.39%	14.92%	-0.53%				
				FIDELITY 8.50% 27-JAN-2031	12.43%	12.79%	-0.36%				

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

### Company Income Tax Post Momentous Growth

In the recently released Company Income Tax (CIT) report for Q1 2022 by the National Bureau of Statistics (NBS), the Federal Inland Revenue Service (FIRS) accounted for a 53.1% QoQ increase in CIT to ₦532.48bn. The performance aligns with expectation given the decent performances that headlined Q1 2022.



Source: NBS, ARM Securities Research



**WEEKLY BUY RECOMMENDATIONS**

<b>Company Name</b>	<b>Ticker</b>	<b>Current Price</b>	<b>Target Price</b>	<b>Upside</b>
<b>ZENITH BANK PLC</b>	ZENITHBANK	₦23.9	₦29.82	24.8%
<b>GUARANTY TRUST HOLDING</b>	GTCO	₦23	₦33.22	44.4%
<b>UNITED BANK FOR AFRICA</b>	UBA	₦7.95	₦10.8	35.9%
<b>ACCESS HOLDINGS PLC</b>	ACCESSCORP	₦9.85	₦12.8	30.0%
<b>FLOUR MILLS NIGERIA</b>	FLOURMILL	₦35.7	₦45	26.1%
<b>DANGOTE SUGAR REFINERY</b>	DANGSUGAR	₦17	₦22.85	34.4%

Thank You





## ARM Securities

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