

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 24th May – 28th May 2021

Global Economy

- ◆ Earlier in the week, the IMF unveiled a \$50 billion plan to enhance its fight against the coronavirus pandemic, with funding made available through grants, national government resources and concessional financing. According to its “Proposal to End the COVID-19 Pandemic”, the plan proposes the inoculation of at least 40% of the world’s population by the end of the year, with the figure rising to at least 60% by H1 2022. Over in the US, the latest report from the Department of Labor revealed a further decline in the number of Americans filing for unemployment benefits. Initial jobless claims dropped to a fresh pandemic-low figure of 406,000 in the week ended May 22nd, marking the fourth consecutive decline in applications as companies clamor for more workers to meet surging consumer demand. Elsewhere, Japan slashed its economic view for the first time in three months due to the impact recently imposed state of emergency has had on consumption and overall business conditions. While authorities expect the economy to pick up in the short-term, the resurgence in COVID-19 infections continues to pose downside risks to the nation’s economic outlook.

Domestic Economy

- ◆ Recently released data by the National Bureau of Statistics (NBS) revealed a further expansion of the Nigerian economy by 0.51% YoY in Q1:2021, making two consecutive quarters of GDP growth, following consecutive quarters of a contraction in the GDP. On a quarter-on-quarter, GDP growth rate came in stronger than in Q4:2020 (+0.11%). However, it is important to note that the current growth rate of 0.51% is slower, in comparison to similar period in the previous year (Q1:2020 +1.87%). Thus, reflecting the generally slower pace of activities, compared to the previous year. Elsewhere, The Monetary Policy Committee (MPC) met for its third meeting of the year on the 24th and 25th of May 2021. The Committee voted to leave all parameters unchanged. The committee noted that whilst it will remain committed to supporting the govt in ensuring full restoration of the productive capacity of the Nigerian economy, members remained focused towards achieving price stability in the short to medium term. They noted economic growth could be hampered in an environment of unstable crises. The choice therefore was between loosening to ease credit further or tighten to moderate price development or maintain a hold to allow previous policy measures to continue to permeate the economy while observing domestic and global development .

Equities and stock recommendation

- ◆ The Nigeria bourse ended the week negative, down 0.18% WoW to 38,256.95pts. On a sectorial basis, Food (-1.15%), Banking (-1.32%) and Personal Care (-1.01%) were the biggest losers in the week while Brewers (+3.76%) and Oil & Gas (+1.77%) closed in positive territory. A further probe into the sectoral performances revealed that AIICO (-8.66%), ETERNA (-5.50%), FLOURMILL (-5.08%), WEMABANK (-5.00%) and MRS (-4.96%) led the losers' chart while WAPCO (+6.19%), NB (+4.46%), HONYFLOUR (+4.27%), UACN (+3.77%) and OANDO (+3.45%) ended the week as the top gainers.
- ◆ 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 25bps higher WoW to settle at 9.09%, reflecting expansions at both ends of the curve. To shed more light, the average bond yield firmed 16bps WoW to 12.08%, supported by a rise in the Apr-2023 (+136bps), Jul-2021 (+73bps) and Apr-2037 (+21bps) instruments and a surge in the 30-day (+134bps) and 364-day (+51bps) bills drove the average NTB yield to a new year-high (up 34bps WoW to 6.10%). In the primary market, the DMO offered ₦62.18 billion (matching the amount due to mature) but sold ₦151.12 billion worth of treasury bills, marking its eight consecutive Net-issuance. The offer attracted a significant level of demand as total subscription came in at ₦296.43 billion, which translated to a new year-high subscription rate of 4.77x. Meanwhile, the average stop rate edged down 3bps to 5.22%, mirroring a downtick in the 1-year rate (down 10bps to 9.65%).

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	34.29	34.40	-0.34%	-11.16%	Report released this week (Click Link below for Full report)
USD/NGN (₦/\$)					*Q1 2021 GDP: Officially Out of a Recession
NAFEX	411	411.3	0.08%	-11.31%	
Parallel	491.5	482.0	-1.93%	-26.75%	
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	Q1 21	Q4 20	Q3 20	FY20	
Real GDP	0.51	0.11	-3.62	-1.9	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*Naira slips to 490/\$ at parallel market, CBN plans digital currency
Agriculture	2.3	3.4	1.4	2.2	*Sugar backward integration'll save Nigeria \$700m yearly – Dangote
Manufacturing	3.4	-1.5	-1.5	-2.8	*NNPC Seeks to Acquire 20% Stake in Dangote Refinery
Services	-0.4	1.3	-5.5	-2.2	*Contributory pension assets rise to N12.4tn, says PenCom
Labor Data (%) - Q4 20			Latest	Prior	*NNPC, Shell, Others Seal Deal to Unlock \$10bn Investments
Unemployment Rate			33.3	27.1	*Experts fear inflation as CBN further devalues naira to 410.25/\$
Underemployment			22.8	28.8	*U.S. Treasury deputy chief sees G7 backing for 15%-plus global minimum tax
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*IMF activates \$50b plan to end COVID-19
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*Currency in circulation dips by N10bn
Bonds	0.00	0.00		-100.0%	*W'Bank Mulls COVID-19 Vaccine Production in Africa
Money Market	17.10	363.15	-95.3%	-98.8%	*India's Slowing Purchases Put West Africa Oil Exports at Risk
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Report: Credit to Private Sector Rises to N31.822tn
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Debt rises by N20.8tn under Buhari, servicing gulps N10.26tn
Trade Balance	2,382	2,559	1,668	-6.9%	*SEC Adopts Guidelines on Sustainable Finance for Market Operators
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*NNPC: 52m Crude Oil Barrels Lost to OPEC Cuts

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

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	38256.99	-0.18	-3.97	-2.02	-5.00	52.02
NSE ASI (\$)	38256.99	-0.18	-4.42	-9.13	-5.41	41.35
Market Cap (?bn)	19,940	-0.18	-4.27	-4.95	-5.30	51.43
Market Cap (\$mn)	48,399	-0.18	-4.50	-9.42	-5.71	41.36
NSE 30	1552.29	-0.34	-2.91	-0.23	-5.35	42.18
NSE Premium	3435.74	0.96	-0.91	5.96	-1.01	53.29
NSE 50	1558.31	-0.46	-0.89	-1.04	-6.04	32.61
NSE ASEM	731.18	0.00	0.00	0.00	0.18	-4.10
NSE Banking	355.30	-1.80	0.92	-3.89	-9.60	14.58
NSE Insurance	205.43	1.01	1.96	0.44	8.41	60.72
NSE Consumer	563.06	-0.07	0.85	3.71	-1.79	31.64
NSE Oil & Gas	309.20	0.85	14.20	16.30	36.69	36.30
NSE Industrial	1859.12	-0.43	-4.54	-1.62	-9.41	61.91
NSE Lotus	2647.29	-0.39	-4.66	-0.14	-6.99	46.91
NSE Pensions	1426.17	0.16	1.07	4.67	2.70	41.19

Sector Performance

	Returns (%)	
	WoW	QTD
Banking	-1.32%	-9.58%
Brewers	3.76%	4.82%
Cement	-0.28%	-5.77%
Telecom	0.29%	-1.35%
Personal Care	-1.01%	-6.46%
Construction	0.00%	3.52%
Food	-1.15%	-5.61%
Insurance	-0.10%	4.74%
Oil & Gas	1.77%	62.91%
Real Estate	-0.15%	-2.38%

ARM Indices

	WoW	QTD
Large Cap (Top 10%)	-0.26%	-4.88%
Mid Cap (Mid 30%)	0.00%	-0.88%
Small Cap (Bottom 60%)	10.19%	10.08%

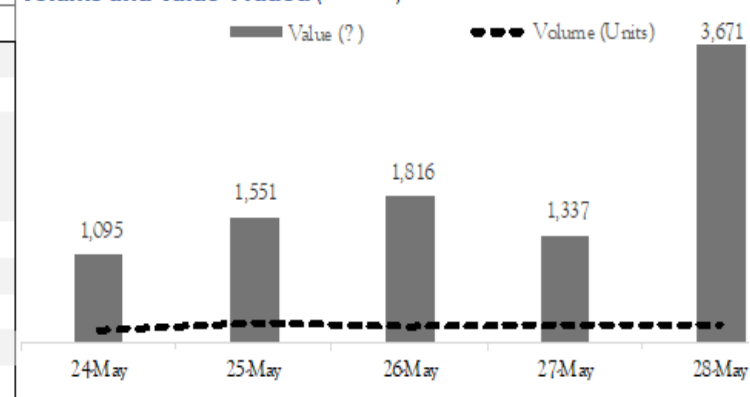
Top 10 Gainers

Company	This Week	WoW
ROYALEX	0.81	30.6%
CILEASIN	4.84	19.2%
VITAFOAM	10.10	12.2%
SQVRENIN	0.29	11.5%
IKEJAHOT	1.10	10.0%
MBENEFIT	0.48	9.1%
CUTIX	2.25	7.1%
JHOLT	0.63	6.8%
AFRIPRUD	6.40	6.7%
WAPCO	21.45	6.2%

Top 10 Losers

Company	This Week	WoW
FLOURMIL	28.00	-5.1%
ETERNA	7.56	-5.5%
UACPROP	0.78	-6.0%
LASACO	1.44	-6.5%
MAYBAKER	3.91	-6.9%
AIICO	1.16	-8.7%
FTNCOCOA	0.38	-9.5%
ENAMELWA	16.20	-9.7%
ACADEMY	0.33	-15.4%
ABCTRANS	0.34	-17.1%

Volume and Value Traded (millions)



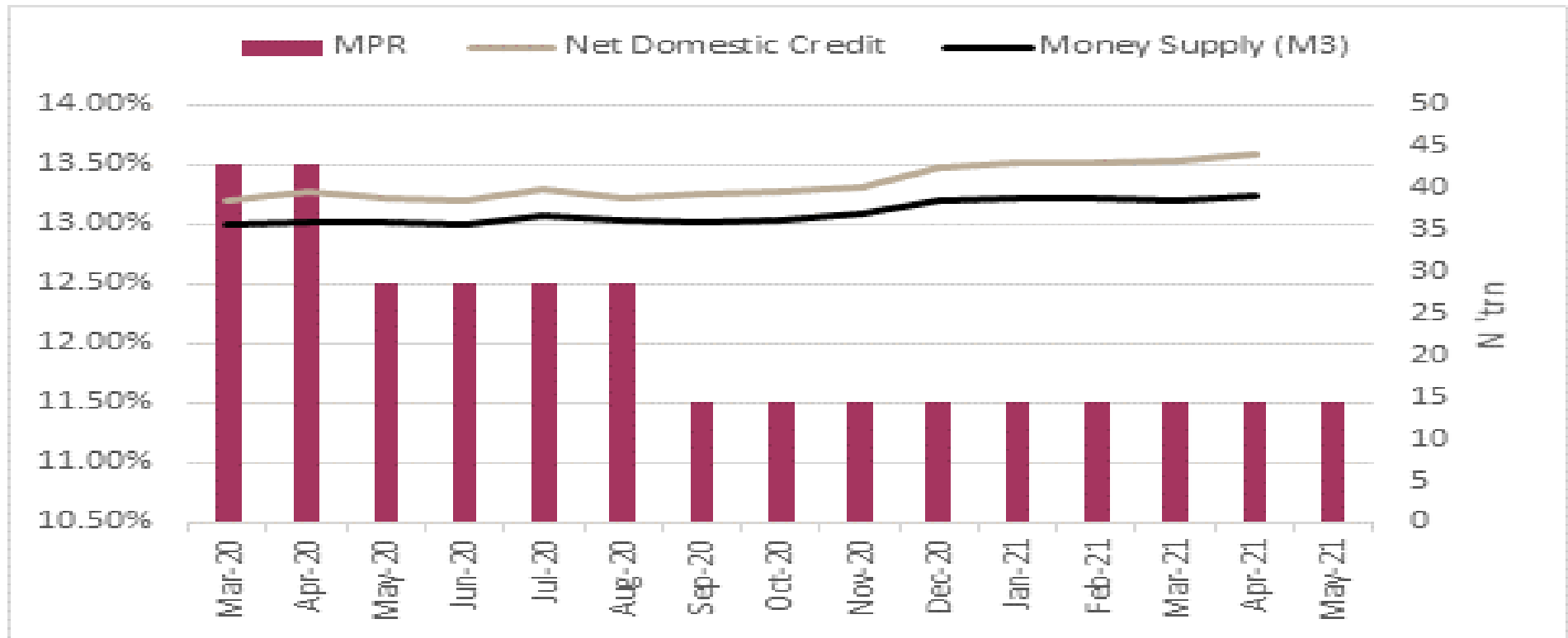
Source: NSE, Bloomberg, ARM Research

	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)	18.67%	16.50%	2.17%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Open Buy Back (OBB)	19.17%	17.00%	2.17%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR- 1M	11.76%	12.50%	-0.74%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
NIBOR- 3M	12.99%	13.83%	-0.84%	29-Apr-21	7.00%	8.50%	10.10%	29-Apr-21	5.00	5.00	10.00
NIBOR- 6M	14.71%	15.36%	-0.65%	15-Apr-21	7.00%	8.50%	10.10%	15-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	3.75%	2.41%	1.34%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
3-month	4.64%	4.25%	0.39%	14-May-21	2.50%	3.50%	9.75%	14-May-21	8.44	7.99	122.56
6-month	6.14%	5.92%	0.22%	28-Apr-21	2.00%	3.50%	9.75%	28-Apr-21	7.19	6.00	116.27
9-month	7.76%	7.43%	0.33%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
12-month	9.57%	9.06%	0.51%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
14.50% 15-JUL-2021	4.00%	3.27%	0.73%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
16.39% 27-JAN-2022	7.31%	7.00%	0.31%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
14.20% 14-MAR-2024	12.20%	12.21%	-0.01%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
12.50% 22-JAN-2026	12.62%	12.72%	-0.10%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
16.2884% 17-MAR-2027	13.10%	13.04%	0.06%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
12.1493% 18-JUL-2034	14.05%	14.04%	0.01%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	14.06%	13.85%	0.21%	MIXTA 17.00% 16-JAN-2022	6.72%	6.41%	0.31%	ACCESS 10.50% 19-OCT-2021	3.10%	3.11%	-0.01%
14.8% 26-APR-2049	14.12%	14.26%	-0.14%	DUFIL 18.25% 1-SEP-2022	12.00%	11.20%	0.80%	ZENITH 7.375% 30-MAY-2022	3.11%	3.13%	-0.02%
				LAPO MFB 17.75% 19-DEC-2022	14.62%	13.60%	1.02%	UBA 7.75% 08-JUN-2022	4.27%	4.34%	-0.07%
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	12.92%	11.98%	0.94%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
5.625% 27-JUN-2022	2.17%	2.38%	-0.21%	FCMB 17.25% 8-DEC-2023	13.44%	13.01%	0.43%				
6.50% 28-Nov-2027	5.31%	5.40%	-0.09%	ACCESS 15.50% 23-JUL-2026	15.51%	15.59%	-0.08%				
7.875% 16-FEB-2032	6.77%	6.84%	-0.07%	VIATHAN 16.00% 14-DEC-2027	13.45%	13.52%	-0.07%				
7.625% 28-Nov-2047	7.56%	7.60%	-0.04%	UNION 16.20% 27-JUN-2029	16.33%	16.53%	-0.20%				
				FIDELITY 8.50% 27-JAN-2031	14.32%	14.45%	-0.13%				

Source: DMO, FMDQ, Bloomberg, ARM Research

MPC votes to retain MPR at 11.5%, while retaining other parameters.

The Monetary Policy Committee (MPC) held its third meeting of the year on the 24th and 25th of May 2021 meeting. The Central Bank Governor highlighted that MPC was faced with the choice of loosening Monetary Policy Rate (MPR) to ease credit further, tighten to moderate price development, or maintain it to allow previous policy measures to continue to permeate the economy while observing domestic and global development. The MPC ultimately voted to retain MPR at 11.5%; Retain asymmetric corridor at +100/-700bps around the MPR; Retain the CRR at 27.5%; Retain liquidity ratio at 30% .



Source: CBN, ARM Research

Thank You



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