

**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 4th May – 7th May 2021

### **Global Economy**

- ◆ The Bank of England kept its key interest rate at 0.1% and maintained its bond-purchase quota at £895 billion but announced a slowdown in the pace of its purchases as economic recovery heats up. The bank now expects the economy to grow by 7.25% in FY2021 (previous estimate: +5%), supported by a swift and robust vaccination rollout as well as the reopening of economic sectors. Furthermore, policy makers dismissed any intentions of tightening monetary policy until significant progress is made towards achieving the 2% inflation target sustainably and eliminating idle economic capacity. Over in Asia, China's export growth accelerated in April, as the world's largest economy extended its impressive pace of recovery. Exports surged 32.3%YoY (March: +30.6%YoY) amid higher global commodity prices and this translated to a better-than-expected trade surplus of \$42.8 billion for the month (Market consensus: \$28.1 billion). Looking ahead, medium-term risks remain as a resurgent pandemic continues to weigh on overseas demand and cause further disruptions to global supply chains.

### **Domestic Economy**

- ◆ The Central Bank of Nigeria in a circular released on Thursday announced that it has extended indefinitely its 'Naira 4 dollar scheme' which was initially slated to cease on the 8th of May 2021. The Naira 4 dollar scheme was introduced in a bid to boost the FX inflow into the country. Figures of how the scheme has impacted external reserves are yet to be released, but for we posit that there has been a positive impact for the apex bank to continue it. Elsewhere, President Muhammadu Buhari approved the appointment of Mohammed Koko in place of Hadiza Bala Usman as the Managing Director and Chief Executive Officer of the Nigerian Ports Authority (NPA). This came after alleged reports of a probe into Hadiza Bala Usman's administration at NPA, which revealed fraud and financial misappropriation activities.

### **Equities and stock recommendation**

- ◆ The Nigerian equities market closed the week negative, down 1.60% WoW. MTNN (-7.38%), WAPCO (-7.22%), UNILEVER (-3.50%), GUARANTY (-2.82%) and DANGCEM (-2.49%) were the major drivers of the negative performance witnessed in the market while ACCESS (+11.64%), UBN (+10.20%), CONOIL (+10.00%), SEPLAT (+8.77%) and CADBURY (+7.69%) registered the largest gain. On a sectoral basis, Telecommunications (-3.62%), Cement (-1.52%) and Insurance (-0.86%) closed in red while Oil & Gas (+15.37%), Brewers (+0.59%) and Food (+0.55%) posted positive numbers.
- ◆ Here are the stocks we recommend for the upcoming week: **GUARANTY – STRONG BUY (FVE: ₦42.12)**, **DANGOTE CEMENT PLC– OVERWEIGHT (FVE: ₦255.73)**, **UBA PLC— 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 firmed 27bpsWoW to 8.34%, mirroring expansions at both ends of the curve. To shed more light, the average bond yield closed up 42bpsWoW to 11.81% spurred by upticks in the Mar-2024 (+110bps), Mar-2025 (+75bps) and Jul-2029 (+71bps) papers and the average NTB yield rose 12bps WoW to settle at 4.86%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.76	34.94	-0.52%	-9.94%	*Dangcem Q1 21 - Improved volumes and margins buoyed performance
<b>USD/NGN (₦/\$)</b>					
NAFEX	411	411.0	0.00%	-11.31%	
Parallel	482.5	482.5	0.00%	-25.39%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (March 2021)</b>			<b>CHG (pps)</b>		
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	
<b>GDP (%) - YoY</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>Q2 20</b>	<b>FY20</b>	
Real GDP	0.11	-3.62	-6.1	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-19.8	-13.9	-6.6	-8.9	*CBN extends naira-4-dollar deadline to boost remittances
Agriculture	3.4	1.4	1.6	2.2	*N600bn Lekki Deep Sea Port Nears 50% Completion
Manufacturing	-1.5	-1.5	-8.8	-2.8	*Bank of England sees faster economic rebound, slows its bond buying
Services	1.3	-5.5	-2.61	-2.2	*Crude nears \$70, raises fear of federation account depletion
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	*Euro zone business growth picked up in April as services expanded -PMI
Unemployment Rate			33.3	27.1	*FG Approves N6.2bn for Six Power Projects
Underemployment			22.8	28.8	*Foreign Direct Investment declined by \$30m in January – CBN
<b>Capital Importation (\$'mn)</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Diaspora remittances: 'Naira for dollar scheme' to the rescue
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*ICT missing in \$8.4bn NIPC Q1 investment announcement
Bonds	0.00	0.00		-100.0%	*BudgIT Identifies Loopholes in 2021 Budget, Calls for Reforms
Money Market	17.10	363.15	-95.3%	-98.8%	*Supply chain bottlenecks amid roaring demand slow U.S. manufacturing
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*NNPC Sells N267bn Crude Oil, Maintains 1.42m bpd Output
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*Stock investors gained N420bn in April – Reports
Trade Balance	2,382	2,559	1,668	-6.9%	*External reserves lost \$350m in two weeks, says CBN
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*CBN's PMI shows improvement in manufacturing sector

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

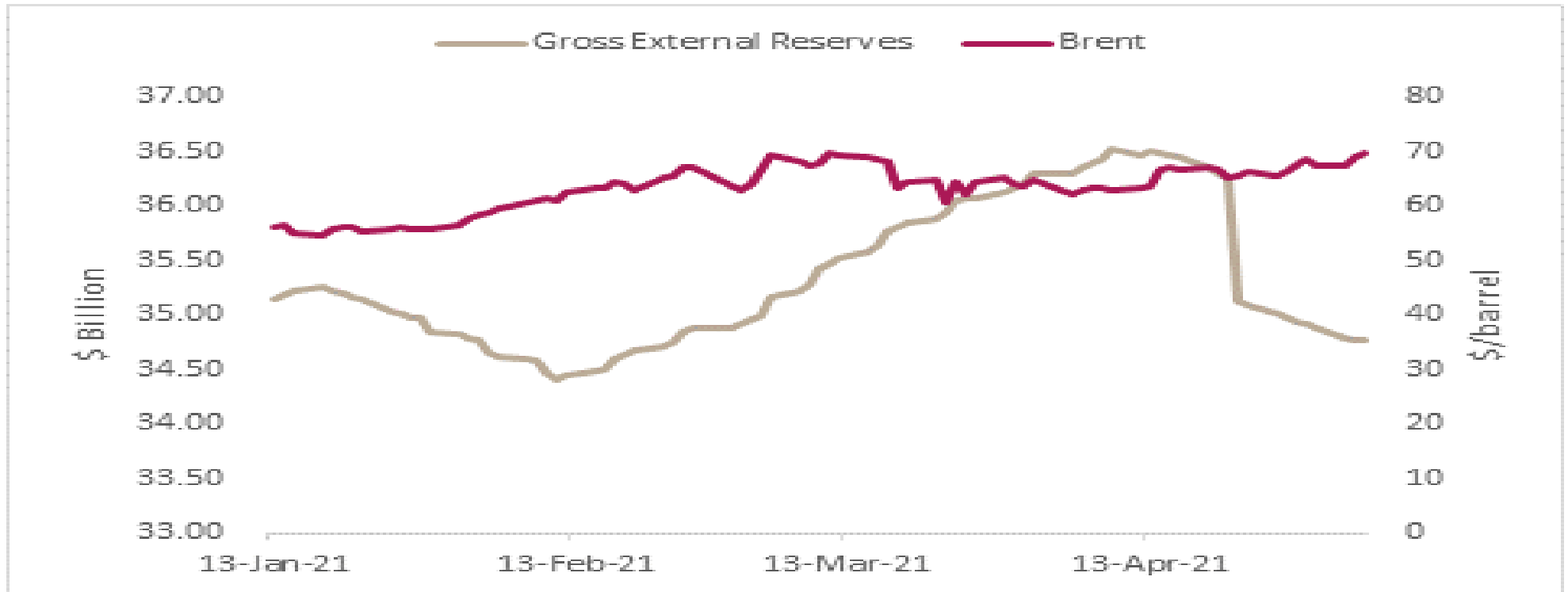
Index Performance		Index Returns (%)					Sector Performance			
	Level	VoV	MTD	QTD	YTD	1 year		Returns (%)		
								VoV	QTD	YTD
NSE ASI	39198.75	-1.60	-1.61	0.39	-2.66	60.95	Banking	-0.21%	-9.24%	-6.83%
NSE ASI (\$)	39198.75	-1.61	-1.83	-0.18	-2.84	51.31	Brewers	0.69%	-0.98%	2.72%
Market Cap (N'bn)	20,431	-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	55.85	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	73118	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	561.80	0.62	0.62	3.47	-2.01	41.36	<b>ARM Indices</b>			
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%
<b>Top 10 Gainers</b>		<b>Top 10 Losers</b>		<b>Volume and Value Traded (millions)</b>						
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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	14.75%	27.50%	-12.75%	31-Mar-21	7.00%	8.50%	10.10%	31-Mar-21	10.00	20.00	70.00
Open Buy Back (OBB)	15.25%	27.75%	-12.50%	25-Mar-21	7.00%	8.50%	10.10%	25-Mar-21	5.00	10.00	25.00
NIBOR- 1M	9.20%	12.57%	-3.37%	18-Mar-21	7.00%	8.50%	10.10%	18-Mar-21	10.00	20.00	70.00
NIBOR- 3M	10.06%	13.67%	-3.61%	04-Mar-21	7.00%	8.50%	10.10%	04-Mar-21	10.00	10.00	40.00
NIBOR- 6M	10.73%	15.15%	-4.42%	25-Feb-21	7.00%	8.50%	10.10%	25-Feb-21	10.00	10.00	70.00
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	2.86%	2.86%	0.00%	28-Apr-21	2.00%	3.75%	9.00%	28-Apr-21	7.19	6.00	116.27
3-month	3.05%	3.05%	0.00%	14-Apr-21	2.00%	3.50%	9.00%	14-Apr-21	12.46	8.79	132.12
6-month	4.08%	4.21%	-0.13%	31-Mar-21	2.00%	3.50%	8.00%	31-Mar-21	2.88	3.24	138.71
9-month	6.40%	6.41%	-0.01%	17-Mar-21	2.00%	3.50%	7.00%	17-Mar-21	2.52	5.91	53.46
12-month	8.04%	8.05%	-0.01%	24-Feb-21	2.00%	3.50%	6.50%	24-Feb-21	4.74	23.45	80.57
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
14.50% 15-JUL-2021	3.10%	3.01%	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	6.48%	6.12%	0.36%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
14.20% 14-MAR-2024	12.06%	10.96%	1.10%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.50% 22-JAN-2026	12.36%	12.36%	0.00%	20-Jan-21	7.98%	8.74%	8.95%	20-Jan-21	70.9	83.4	16.0
16.2884% 17-MAR-2027	13.10%	12.46%	0.64%	16-Dec-20	N/A	6.95%	7.00%	16-Dec-20	N/A	20.0	10.0
12.1493% 18-JUL-2034	13.95%	13.50%	0.45%	<b>Corporate Bonds</b>			<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	
16.2499% 18-APR-2037	13.96%	13.96%	0.00%	MIXTA 17.00% 16-JAN-2022	5.92%	5.28%	0.64%	ACCESS 10.50% 19-OCT-2021	3.13%	3.26%	-0.13%
14.8% 26-APR-2049	14.08%	13.91%	0.17%	DUFIL 18.25% 1-SEP-2022	10.70%	10.71%	-0.01%	ZENITH 7.375% 30-MAY-2022	3.52%	3.54%	-0.02%
<b>FGN Eurobonds</b>				LAPO MFB 17.75% 19-DEC-2022	13.34%	13.36%	-0.02%	UBA 7.75% 08-JUN-2022	4.40%	4.39%	0.01%
5.625% 27-JUN-2022	2.46%	2.59%	-0.13%	STERLING 16.50% 3-AUG-2023	11.97%	11.66%	0.31%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
6.50% 28-Nov-2027	5.45%	5.47%	-0.02%	FCMB 17.25% 8-DEC-2023	12.91%	12.19%	0.72%				
7.875% 16-FEB-2032	6.83%	6.86%	-0.03%	ACCESS 15.50% 23-JUL-2026	15.26%	15.03%	0.23%				
7.625% 28-Nov-2047	7.54%	7.58%	-0.04%	VIATHAN 16.00% 14-DEC-2027	13.24%	12.57%	0.67%				
				UNION 16.20% 27-JUN-2029	16.48%	15.78%	0.70%				
				FIDELITY 8.50% 27-JAN-2031	14.39%	13.77%	0.62%				

Source: DMO, FMDQ, Bloomberg, ARM Research

**Rebound in Oil prices**

Oil prices witnessed sharp recovery this week after a slight dip last week based on buoyant economic data from China and the United States, even as the surging COVID-19 pandemic in India capped prices. Brent crude came in at \$68.40pb on Thursday, as the world’s largest crude oil importer, China, showed export growth unexpectedly rise in April, in addition to strong expansion in its service sector activity. Also, jobless claims in the world’s largest gasoline consumer, US, have dropped below 500,000, signaling the labor market recovery phase amid a booming economy. This poses positively for the Nigerian external reserves as oil inflow amidst stronger oil prices should boost oil revenue.



Source: CBN, ARM Research

Thank You



## ARM Securities

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