

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

ARM © 2021 All rights reserved



Weekly Commentary & Stock recommendation

...for the week 15th November - 19th November 2021

Global Economy

- ◆ After a sharp rebound in the first half of the year, global trade has slowed in recent months as supply disruptions and cooling demand for imported goods have dampened growth, according to the World Trade Organization. The WTO stated that its goods trade barometer declined to 99.5 points (August: 110.4 points) amid supply shocks and disruptions in the production of goods such as semiconductors and automobiles. Furthermore, the Geneva-based institution added that the outlook for global trade remains clouded by downside risks, regional disparities and continued weakness of services trade. Elsewhere, President Joe Biden officially signed into law a \$1 trillion infrastructure bill, bringing an end to months of protracted negotiations on Capitol Hill. The measure is aimed at revamping ailing infrastructure and creating jobs, while its passage possibly sets the stage for further discussions on a companion piece of legislation, Biden's \$1.75 trillion "Build Back Better" social safety net plan. The bill is expected to transform the nation's social safety net through measures such as creating a universal pre-K program for kids and channeling funds to fight climate change and address affordable housing shortfalls.

Domestic Economy

- ◆ The National Bureau of Statistics released the GDP report for Q3, revealing a sustained rebound in economic performance as GDP growth printed at 4.03% (-3.62% in Q32020). Although Q3 growth slightly lags Q2 growth of 5.01%, we note that the rapid growth in Q2 and Q3 were mainly supported by the base effect from 2020 when the economy contracted 6.10% and 3.62% respectively. The performance of the oil sector remained depressed and negative for the sixth consecutive quarter since Q22020 with a -10.73% YoY growth recorded in the quarter due to lower oil production during the quarter compared with same period last year. The non-oil sector recorded an impressive 5.44% YoY growth in Q32021 driven by trade and services sector. Elsewhere, Headline inflation softened further in October to 15.99% YoY from 16.63% YoY in September, representing the seventh consecutive monthly decline since April 2021. The slower pace of growth in prices is majorly due to a softer 18.30% YoY (19.60% in September) rise in the food index as the full effect of the harvest season set in. Core inflation also grew at a slower pace at 13.24% YoY in October (13.74% in September) despite sharper price increases in 9 of 11 sub-components of the index especially in HWEGF (+0.12% YoY), Clothing and Footwear (+0.17% YoY), and Transport (+0.07% YoY) which accounts for 60.20% of the index.

Equities and stock recommendation

- ◆ Investors booked profits this week as the NGXASI declined by 0.12% WoW to settle at 43,199.27pts. E-TRANZACT (+10.00%), PRESTIGE (+9.30%) and ACADEMY (+9.09%) gained the most this week while CUTIX (-42.68%), TOTAL (-9.97%) and ETERNA (-9.03%) led the laggards chart. The sectoral performance revealed Telecom (+2.04%) as the best performing sector, while the Oil & Gas (-5.27%) counter posted the worst performance for the week. The Telecom sector was once again boosted by gains in AIRTELAFRICA (+4.97% WoW), while the Oil & Gas sector was dragged mainly by a price depreciation in TOTAL (-9.97% WoW).
- ◆ **ZENITH - STRONG BUY (FVE: N30.20), ACCESS - STRONG BUY (FVE: N12.92), UBA PLC - STRONG BUY (FVE: N12.18) and WAPCO - STRONG BUY (FVE: N28.61). Click [here](#) for our Weekly Stock Recommendation.**

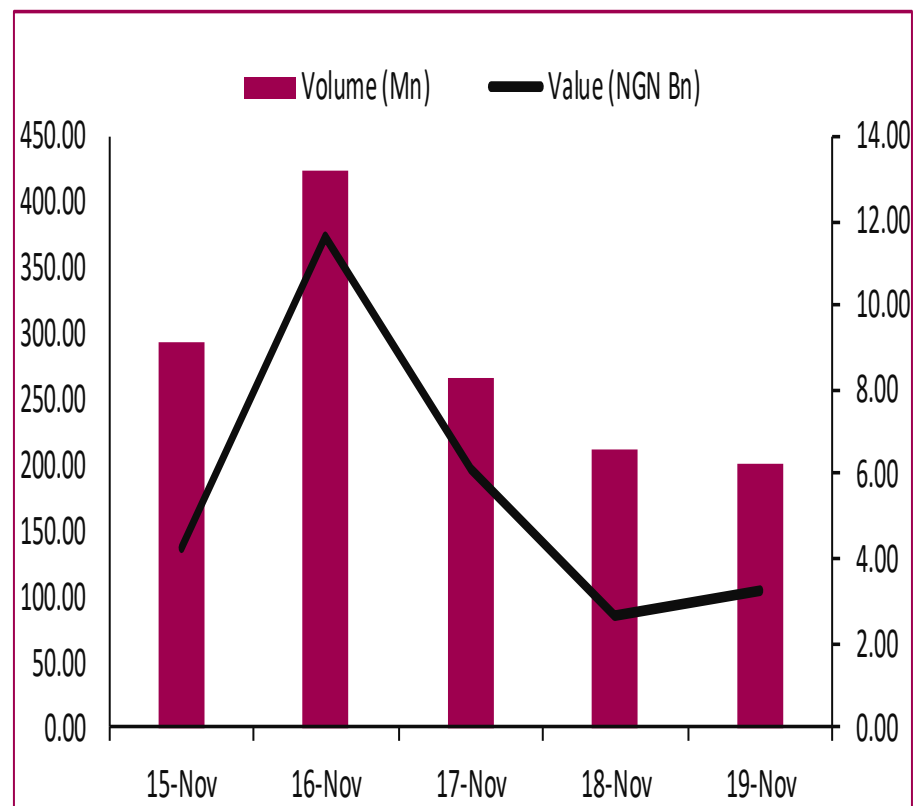
Fixed Income

- ◆ The secondary market traded mixed this week, with contrasting movements at both ends of the yield curve. At the front end, buy interest in mid and long-tenured bills led the NT-Bills benchmark down 8bps WoW to 5.11%. Meanwhile, over in the bond space, the average bond yield inched up 4bps to settle at 10.90%. Precisely, the Jul-2030 (+24bps) and Apr-2029 (+21bps) maturities witnessed the most selloffs over the course of the week. In the primary market, the DMO sold NGN225.25bn worth of bonds across three maturities (Jan-2026: NGN37.15bn; Apr-2037: NGN32.19bn; Mar-2050: NGN155.91bn). The auction attracted a bid-size of NGN267.15bn, translating to a bid-to-cover ratio of 1.19x. While rates on the 10-year and 20-year instruments closed flat at 11.65% and 12.95% respectively, the stop rate on the 30-year maturity inched up 10bps to 13.30%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	41.42	41.56	-0.33%	7.32%	*October 2021 CPI Report: Downtrend Sustained for the Seventh Consecutive Month
USD/NGN (₦/\$)					*Q3 GDP Report - Economy Sustains Recovery as Oil Sector Remains Depressed
NAFEX	415	414.7	-0.02%	-12.12%	
Parallel	535.0	535.0	0.00%	-32.71%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (October 2021)			CHG (pps)		
Headline	15.99	16.63	-0.64	17.28	
Core	13.24	13.74	-0.50	13.00	
Food	18.3	19.57	-1.27	21.13	
GDP (%) - YoY	Q3 21	Q2 21	Q1 21	FY20	
Real GDP	4.03	5.01	0.51	-1.9	News Headline for the week (click news for link)
Oil	-10.73	-12.65	-2.21	-8.9	*Fuel marketers predict N170/litre, claim supply drop, NNPC disagrees
Agriculture	1.2	1.3	2.3	2.2	*Experts blame high unemployment, inflation as GDP falls to 4.03%
Manufacturing	4.29	3.49	3.4	-2.8	*Oil rises as investors look past possible reserve releases
Services	8.4	9.3	-0.4	-2.2	*October Revenue Drops as FG, States, LGs Share N671.910bn
Labor Data (%) - Q4 20			Latest	Prior	*Nigeria's remittance inflow rebounds, hits \$17.6bn, says W'Bank
Unemployment Rate			33.3	27.1	*FG raises power tariff December, begins free meters purchase
Underemployment			22.8	28.8	*Emefiele: CBN Disbursed N3trn Loans to Firms, Households in One Year
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*NNPC Gets \$1bn Boost from Afreximbank, Sees Oil at \$100pb
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*Nigeria's eNaira Attracting Global Attention, Says IMF
Bonds	14.54	138.69	-89.52%		*Biden signs \$1 trillion infrastructure bill into law
Money Market	451.67	808.57	-44.1%	36.02%	*WTO says goods trade slowing due to supply issues, cooler demand
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*FG Approves N656bn to Cushion Effects of Bailout Deductions on States
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Japan's economy shrinks more than expected as supply shortages hit
Trade Balance	2,382	2,559	1,668	-6.9%	*PenOp Urged to Engage PenCom on Extension as 50% of PFAs Meets Target
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigerian banks lend private sector N4.1tn in one year -Report

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

	WoW	Mtd	QtD	YtD
NGXASI	-0.12%	2.76%	7.40%	7.27%
Market Cap	-0.12%	2.76%	7.58%	7.06%
NGX 30	-1.10%	0.51%	4.87%	7.07%
NGX Premium	-0.61%	2.00%	4.91%	23.03%
NGX 50	-1.46%	-1.98%	2.62%	4.80%
NGX ASEM	0.00%	0.00%	0.00%	-8.11%
NGX Banking	-1.60%	-4.58%	5.60%	-0.36%
NGX Industrial	-0.10%	0.78%	5.02%	6.92%
NGX Consumer Goods	-1.41%	-1.52%	-1.11%	-2.18%
NGX Oil & Gas	-3.63%	-5.85%	0.21%	62.70%
NGX Insurance	-0.47%	-1.74%	2.17%	-6.71%

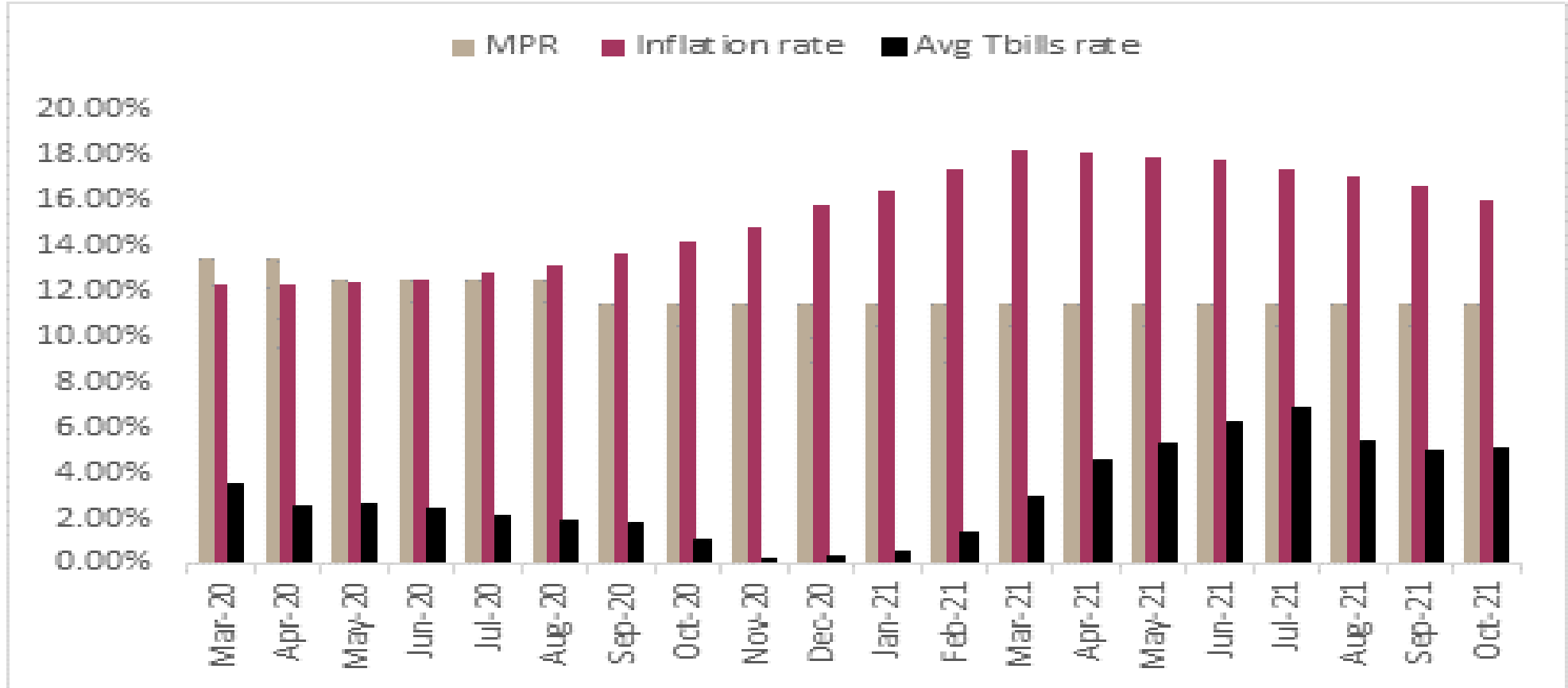


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	20.00%	15.25%	4.75%	18-Nov-21	7.00%	8.50%	10.10%	18-Nov-21	5.00	5.00	15.00
Open Buy Back (OBB)	19.00%	14.50%	4.50%	04-Nov-21	7.00%	8.50%	10.10%	04-Nov-21	5.00	5.00	15.00
NIBOR - 1M	11.14%	6.77%	4.37%	28-Oct-21	7.00%	8.50%	10.10%	28-Oct-21	4.00	5.00	10.00
NIBOR - 3M	12.43%	7.81%	4.62%	21-Oct-21	7.00%	8.50%	10.10%	21-Oct-21	5.00	5.00	20.00
NIBOR - 6M	13.28%	8.79%	4.49%	14-Oct-21	7.00%	8.50%	10.10%	14-Oct-21	10.00	10.00	30.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	3.71%	3.16%	0.55%	10-Nov-21	2.50%	3.50%	6.50%	10-Nov-21	4.12	2.99	189.06
3-month	4.20%	4.04%	0.16%	27-Oct-21	2.50%	3.50%	6.99%	27-Oct-21	2.68	2.02	230.34
6-month	5.29%	5.13%	0.16%	13-Oct-21	2.50%	3.50%	7.25%	13-Oct-21	4.22	6.95	176.06
9-month	5.58%	6.28%	-0.70%	29-Sep-21	2.50%	3.50%	7.50%	29-Sep-21	4.61	2.09	108.71
12-month	6.57%	6.84%	-0.27%	15-Sep-21	2.50%	3.50%	7.20%	15-Sep-21	0.96	3.61	151.31
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					Mar-27	Mar-35	Jul-45		Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	3.90%	3.91%	-0.01%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	8.57%	8.52%	0.05%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.44%	9.47%	-0.03%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.32%	11.47%	-0.15%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.56%	11.59%	-0.03%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.66%	12.56%	0.10%	Corporate Bonds				Corporate Eurobond			
16.2499% 18-APR-2037	12.95%	12.88%	0.07%		This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
14.8% 26-APR-2049	12.86%	12.86%	0.00%	MIXTA 17.00% 16-JAN-2022	4.97%	4.97%	0.00%	ZENITH 7.375% 30-MAY-2022	1.57%	2.19%	-0.62%
				DUFIL 18.25% 1-SEP-2022	7.92%	8.05%	-0.13%	UBA 7.75% 08-JUN-2022	2.49%	2.57%	-0.08%
				LAPO MFB 17.75% 19-DEC-2022	10.87%	11.03%	-0.16%				
				STERLING 16.50% 3-AUG-2023	9.84%	9.82%	0.02%				
				FCMB 17.25% 8-DEC-2023	10.52%	10.53%	-0.01%				
				ACCESS 15.50% 23-JUL-2026	13.75%	13.86%	-0.11%				
				VIATHAN 16.00% 14-DEC-2027	11.15%	11.21%	-0.06%				
				UNION 16.20% 27-JUN-2029	15.37%	15.16%	0.21%				
				FIDELITY 8.50% 27-JAN-2031	13.22%	12.99%	0.23%				

Source: DMO, FMDQ, Bloomberg, ARM Research

October 2021 Inflation: Downtrend Sustained for the Seventh Consecutive Month.

Headline inflation softened further in October to 15.99% YoY from 16.63% YoY in September, representing the seventh consecutive monthly decline since April 2021.



Source: NBS, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

Copyright © 2021 Securities Limited ("ARM").

All rights reserved. Unauthorised use, reproduction, distribution, or disclosure of this document is strictly prohibited.

This material has been issued by ARM Securities Limited, a member of the Asset & Resource Management ("ARM") Group, and a Company regulated by the Nigerian Securities & Exchange Commission. The analysts primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report.

This research report is based on information from sources that ARM and its analysts believe to be reliable. Neither ARM nor any of its research analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regards to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.