

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 16 November – 20 November 2020

Global Economy

- ◆ For the third month in a row consumer prices in the Eurozone fell, reflecting demand weakness in the region caused by Covid-19 induced disruptions. Prices declined by 0.3%YoY in October led by a slowdown in the cost of both energy products (- 8.2%YoY) and non-energy industrial products (- 0.1%YoY). In the UK, annual inflation was up to a three-month high of 0.7%YoY in October (September: 0.5%YoY), amid a resurgence in the price of food (up to 0.6% from -0.1%) and transport (up to 1.2% from 0.9% in September). Meanwhile, a preliminary estimate revealed that the Japanese economy experienced its first quarterly growth since Q319, advancing by 5%QoQ in Q320 (Q220: -8.2%QoQ). Anchoring the expansion was private consumption, (+4.7%QoQ) while government spending also rebounded (+2.2%). Elsewhere, initial jobless claims in the U.S was up to 742,000 in the week ended Nov. 14th, its first rise in four weeks owing largely to the imposition of fresh lockdown measures to curb the spread of Covid-19 .

Domestic Economy

- ◆ Headline inflation continued its northward trend in October 2020, increasing by 53bps for the eight-consecutive month to 14.23% YoY, driven by higher food and core inflation. Precisely, food inflation rose 73bps to 17.38% YoY mirroring uptick in farm produce (+52bps) and imported food (+7bps). Similarly, core inflation rose for the third consecutive month, printing at 11.14% YoY (+54bps). Across the core index, expansions were seen in HWEGF (+20bps), Health (+49bps) and Transport (+46bps) amongst other core sub-indices. Akin to the annual numbers, MoM headline inflation rose 8bps to 1.54% MoM reflecting faster increases in core inflation, rising 27bps to 1.25% MoM, while food inflation rose 10bps to 1.96% MoM. Elsewhere, November PMI data released by the CBN revealed activities in the manufacturing sector advanced to 50.2 index points (October: 49.4pts), crossing the 50 points threshold for the first time since May 2020. On the other hand, the non-manufacturing PMI contracted to 47.6bps in November, albeit an improvement when compared with the prior month (October: 46.8pts).

Equities and stock recommendation

- ◆ Following eight consecutive weeks of gains, activities in the Nigerian bourse closed on a negative note this week as NSE ASI fell by 257bpsWoW to close at 34,136.82points with market cap printed at ₦17.8trillion. Notably, all sectors recorded losses with Banking (-6.32%), Oil & Gas (-8.96%), Breweries (-3.76%) and Personal care (-6.59%) leading the pack. A further probe into the sectoral performance revealed the prime drivers for the downturn were UBA (-10.87%), ZENITH (-5.71%), MTN (-1.29%), GUARANTY (-2.88%), FBNH (-12.12%), DANGCEM (-3.40%), NESTLE (-3.45%) and NB (-4.12%) WoW, amongst others. Conversely, top gainers during the week include BUA (+2.79%), WAPCO (+1.66%), AND CONOIL (+9.45%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **SEPLAT – STRONG BUY (FVE: ₦964.45), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2), UNILEVER – NEUTRAL (FVE: ₦16.03) and GUINNESS – BUY (FVE: ₦21.40) Click [here](#) for our Weekly Stock Recommendation.**

Fixed Income

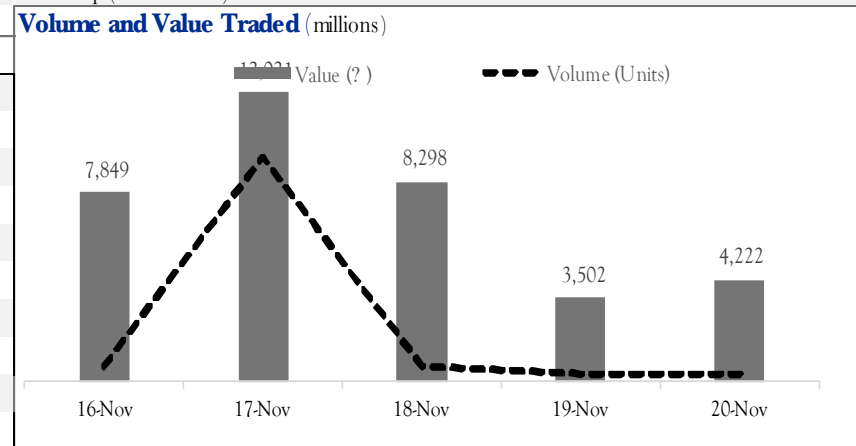
- ◆ At this month's bond auction, the DMO offered and sold a total of ₦80 billion across two instruments – March 2035 and July-2045. Total subscription came in at ₦184.74 billion translating to a subscription rate of 2.31x. And despite the stop rate on the March-35 rising 3bps to 5.00%, the average stop rate still declined by 9bps to 5.393%. At the OMO auction, meanwhile, the CBN sold a total of ₦90 billion despite ₦281.45 billion maturing earlier in the week. The 1-year stop rate continued to decline, shedding 30bps this time round to 6.75%. In the secondary market, the average fixed income yield was down by 3bpsWoW to print at 1.83% following a fall in bond yields. Precisely, the average bond yield declined by 6bpsWoW to 3.55% anchored by contractions in the Apr-2029(-40bps), Jul-2030 (-31bps) and Apr-2049(-20bps) while the average NTB yield ended the week flat at 0.11%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.54	35.63	-0.26%	-7.92%	*October Inflation: Inflation continues its Northward trend
USD/NGN (₦/\$)					*GTB Plc 9M 2020 - Lower earnings, fairly valued
NAFEX	386	385.7	0.04%	-5.44%	
Parallel	475.0	464.0	-2.32%	-24.21%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (October)			CHG (pps)		
Headline	14.23	13.71	0.52	12.79	
Core	11.14	10.58	0.56	10.11	
Food	17.38	16.66	0.72	15.55	
GDP (%) - YoY	Q2 20	Q1 20	Q4 19	FY19	
Real GDP	-6.1	1.87	2.55	2.3	
Oil	-6.6	5.1	6.4	4.6	News Headline for the week (click news for link)
Agriculture	1.6	2.2	2.3	2.4	*Nigerians will tolerate higher prices to have lower interest rates – Survey
Manufacturing	-8.8	0.4	1.2	0.8	*Top U.S. Congress aides discuss COVID-19 aid
Services	-2.6	3.5	4	3.4	*Nigeria to resume fuel imports from Niger Republic
Labor Data (%) - Q2 20			Latest	Prior	*Demutualisation: Members Approve Listing of NSE's Shares
Unemployment Rate			27.1	23.1	*OPEC Projects 11m bpd Oil Demand Shortfall by December
Underemployment			28.8	20.1	*TSA Collections Hit N19tn in Five Years
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Nigeria, 69 other countries get \$99b IMF cash
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Hope Rises, as Another COVID-19 Vaccine Proves to be 94.5% Effective
Bonds	0.00	231.22	-100.0%	-100.0%	*FEC approves Finance Bill, says no tax increase
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Price hike: FG to support marketers on petrol import
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Japan's economy vaults back from COVID-induced recession, but outlook murky
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Investment market trembles as Buhari signs BOFIA 2020
Trade Balance	2,382	2,559	1,668	-6.9%	*FIRS: Tax Now Accounts for 70% of Nigeria's Revenue
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Manufacturing sector recovers after six-month contraction

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

Index Performance		Index Returns (%)					Sector Performance			
Level	WoW	MTD	QTD	YTD	1 year		WoW	QTD	YTD	
NSE ASI	34136.82	-2.57	11.81	27.20	27.18	27.49	Banking	-6.32%	28.31%	15.08%
NSE ASI (\$)	34136.82	-2.57	11.80%	27.28%	19.74%	18.39%	Brewers	-3.76%	25.74%	-1.93%
Market Cap (? 'bn)	A Invalid Sect	-2.57%	11.80%	27.19%	37.65%	36.92%	Cement	-0.88%	34.55%	54.16%
Market Cap (\$'mn)	A Invalid Sect	-2.53%	11.80%	27.24%	29.60%	28.17%	Telecom	-0.04%	24.45%	58.93%
NSE 30	1462.93	-3.08	10.87	27.34	24.21	30.38	Personal Care	-6.59%	12.37%	-27.07%
NSE Premium	3059.71	-3.26	13.25	29.09	44.58	37.92	Construction	0.00%	9.15%	-3.24%
NSE 50	1578.03	-4.72	10.04	28.57	17.18	23.77	Food	-3.83%	23.15%	3.60%
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-3.67	Insurance	0.62%	10.03%	9.40%
NSE Banking	409.37	-5.98	9.87	31.89	14.72	12.01	Oil & Gas	-8.96%	20.83%	-48.53%
NSE Insurance	154.97	0.51	6.79	11.64	23.17	29.66	Real Estate	-0.12%	0.06%	-2.69%
NSE Consumer	585.31	-4.29	7.18	28.97	-1.27	17.54	ARM Indices			
NSE Oil & Gas	215.22	-4.38	-0.05	9.32	-18.02	-7.37		WoW	QTD	YTD
NSE Industrial	1587.39	-0.66	19.54	32.97	47.58	45.00	Large Cap (Top 10%)	-2.38%	26.39%	42.11%
NSE Lotus	2438.49	-1.91	11.57	26.12	32.91	45.39	Mid Cap (Mid 30%)	-3.44%	21.48%	9.36%
NSE Pensions	1355.34	-4.98	9.68	28.90	28.58	33.27	Small Cap (Bottom 60%)	-1.33%	32.70%	-35.09%

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
BOCGAS	6.77	39.9%	UBN	5.50	-11.3%
AIICO	1.01	12.2%	FCMB	3.03	-11.4%
IKEJAHOT	1.10	10.0%	FIDELITY	2.56	-11.4%
CONOIL	20.85	9.4%	AIRSERVI	7.05	-11.5%
UPDC	4.15	9.2%	STERLNBA	1.92	-11.9%
CHAMPION	1.06	6.0%	FBNH	7.25	-12.1%
BUA	53.45	2.8%	TRANSCOR	1.00	-13.0%
AIRTELAF	500.00	2.1%	JAPAUOI	0.27	-18.2%
LEARN	1.15	1.8%	OANDO	3.21	-19.8%
WAPCO	24.50	1.7%	WAPIC	0.41	-21.2%



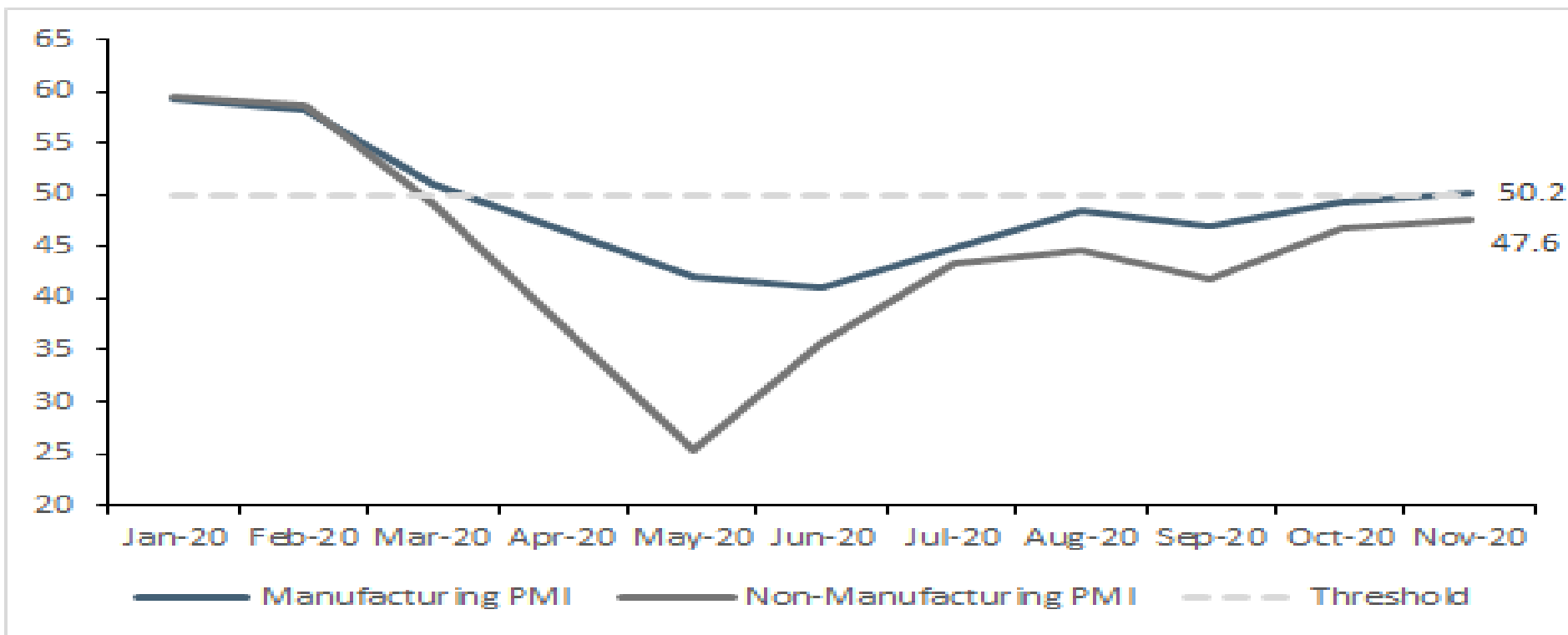
Source: NSE, Bloomberg, ARM Research

	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)	4.33%	0.63%	3.70%	19-Nov-20	2.44%	5.48%	6.75%	19-Nov-20	10.00	10.00	70.00
Open Buy Back (OBB)	3.33%	0.50%	2.83%	10-Nov-20	2.55%	5.99%	7.05%	10-Nov-20	10.00	10.00	50.00
NIBOR - 1M	0.86%	1.58%	-0.72%	05-Nov-20	3.04%	5.99%	7.25%	05-Nov-20	10.00	10.00	70.00
NIBOR - 3M	1.30%	1.70%	-0.40%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
NIBOR - 6M	1.18%	2.19%	-1.01%	15-Oct-20	4.10%	7.10%	8.45%	15-Oct-20	10.00	10.00	40.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.05%	0.04%	0.01%	11-Nov-20	0.04%	0.15%	0.30%	11-Nov-20	19.78	10.00	138.03
3-month	0.07%	0.07%	0.00%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	12.76	4.50	107.62
6-month	0.10%	0.10%	0.00%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	10.00	17.60	106.37
9-month	0.14%	0.13%	0.01%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	2.00	8.39	148.36
12-month	0.18%	0.20%	-0.02%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	4.41	14.00	109.65
FGN Bonds (Local)				FGN Bonds				FGN Bonds			
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	0.23%	0.18%	0.05%	18-Nov-20	N/A	5.00%	5.79%	18-Nov-20	N/A	40.0	40.0
16.39% 27-JAN-2022	1.53%	1.00%	0.53%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
14.20% 14-MAR-2024	2.02%	2.12%	-0.10%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
12.50% 22-JAN-2026	3.37%	3.43%	-0.06%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
16.2884% 17-MAR-2027	3.77%	3.66%	0.11%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.1493% 18-JUL-2034	5.00%	5.00%	0.00%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	5.00%	5.10%	-0.10%	MIXTA 17.00% 16-JAN-2022	1.42%	1.37%	0.05%	ACCESS 10.50% 19-OCT-2021	4.91%	5.02%	-0.11%
14.8% 26-APR-2049	6.98%	7.18%	-0.20%	FIDELITY 16.48% 13-MAY-2022	0.00%	0.00%	0.00%	ZENITH 7.375% 30-MAY-2022	5.29%	5.51%	-0.22%
				DUFIL 18.25% 1-SEP-2022	3.45%	3.21%	0.24%	UBA 7.75% 08-JUN-2022	7.21%	7.75%	-0.54%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	3.77%	4.04%	-0.27%	STERLING 16.50% 3-AUG-2023	2.90%	2.98%	-0.08%				
6.50% 28-Nov-2027	5.91%	6.16%	-0.25%	FCMB 17.25% 8-DEC-2023	3.32%	3.41%	-0.09%				
7.875% 16-FEB-2032	7.08%	7.31%	-0.23%	ACCESS 15.50% 23-JUL-2026	5.98%	6.07%	-0.09%				
7.625% 28-Nov-2047	7.60%	7.74%	-0.14%	VIATHAN 16.00% 14-DEC-2027	3.33%	3.45%	-0.12%				
				UNION 16.20% 27-JUN-2029	7.57%	7.96%	-0.39%				

Source: DMO, FMDQ, Bloomberg, ARM Research

November PMI

The PMI data released by the CBN for November 2020 showed that activity levels in the manufacturing sector strengthened even as the reading crossed above the 50-threshold for the first time since May 2020. Except for New orders (-0.70), there were improvements in key indices in the Manufacturing PMI in the month of November. While there were improvements in the Service sector, it remained below the 50-index point for the eight consecutive month.



Source: NBS ARM Research



Thank You

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