

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 22nd November - 26th November 2021

Global Economy

- ◆ Oil prices eased early today as investors were spooked by the new COVID-19 variant whilst awaiting the response of major oil producers to the US-led emergency oil release. Precisely, Brent crude futures extended declines for a third session, down 2.1%, to \$80.53 a barrel while the U.S. West Texas Intermediate (WTI) crude was down 2.6% to \$76.35 a barrel. Earlier in the week, U.S. President Joe Biden's administration declared its intention to release 50 million barrels of oil from its strategic reserves, in coordination with smaller releases from Britain, China, India, South Korea and Japan, as they attempt to cool global oil prices after OPEC+ ignored numerous calls to boost supply. With OPEC and its allies set to meet in early December, sources close to the matter stress that the cartel has no plans to pause its oil output increase of 400,000 barrels per day (bpd) a month despite the joint decision of the large consuming nations. The group did however voice its concerns about the move, stating that it expects the oil release to swell a surplus in the oil market by 1.1 million bpd. Elsewhere, a flurry of economic data releases in the U.S gave some indication that economic activity is steadily picking up as a topsy turvy year draws to a close. Initial jobless claims dipped by 71,000 to a seasonally adjusted multi-decade low of 199,000 for the week ended Nov. 20 while Q3 GDP growth estimate was revised upwards slightly to 2.1%QoQ (Initial estimate: 2%). Furthermore, consumer spending surged in October (+1.3%MoM) and the goods trade deficit narrowed sharply last month as exports surged.

Domestic Economy

- ◆ Following the meeting held on the 22nd and 23rd of November 2021, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted to retain the Monetary Policy Rate (MPR) at 11.50%, while leaving all other parameters unchanged. This is widely expected given that the inflation rate has continued to decline, falling most recently to 15.99% in October 2021. Elsewhere, the recent Q3 growth figures released by the National Bureau of Statistics last week suggest a 4.03% growth in real GDP. Even though growth has been supported chiefly by expansionary fiscal policy, the MPC believes its centrist approach has prevented a contraction in output.

Equities and stock recommendation

- ◆ The equities market eked out weekly gains as the NGXASI appreciated 0.25% WoW to close at 43,308.29pts. IKEJAHOTEL (+17.39%), HONEYFLOUR (+16.81%) and ABC (+10.00%) gained the most this week while AIICO (-44.44%), CUTIX (-14.02%) and MRS (-9.87%) led the laggards chart. Diving into the sectoral performance revealed PERSONAL CARE (+2.53%) as the best performing sector for the week, while the BREWERS (-7.50%) posted the worst weekly performance. Precisely, the Personal Care sector was boosted by gains in GLAXOSMITH (+4.96%) WoW, while the BREWERS sector was dragged by price depreciation in INTBREW (-9.09%) WoW.
- ◆ **ZENITH - STRONG BUY (FVE: ₦30.20), 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.**

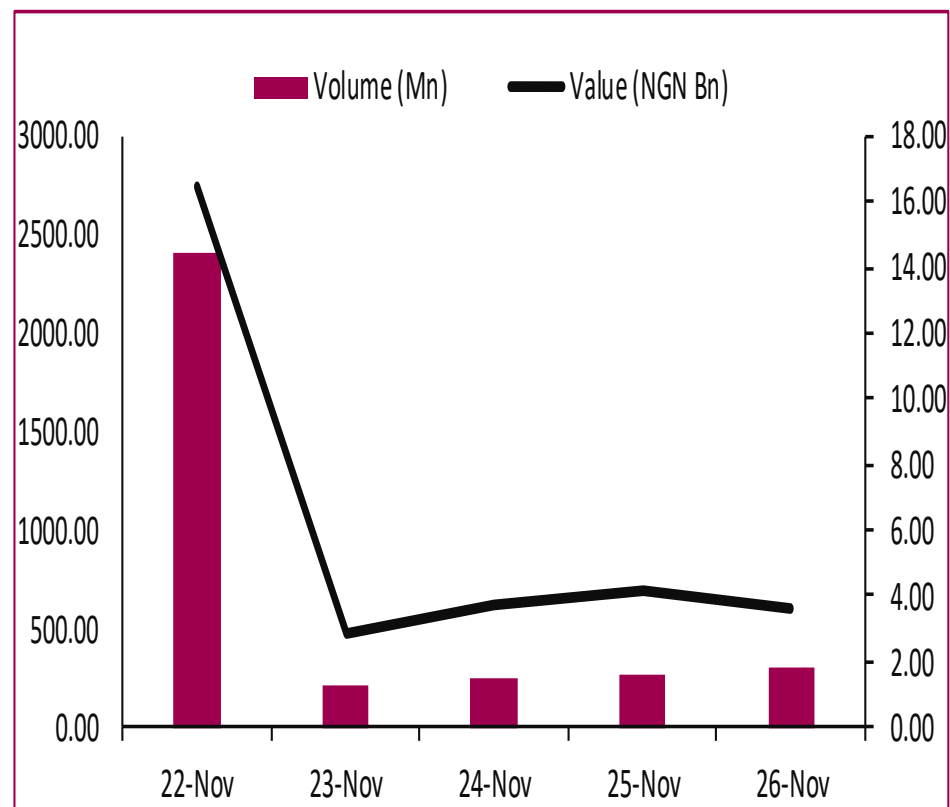
Fixed Income

- ◆ The NT-Bills secondary market ended the week on a bullish note, and this was on the back of demand which was triggered by unmet Primary Market Auction (PMA) bids. Consequent on this, the average NT-Bills yield contracted by 26bps W-o-W to settle at 4.85%, as mid-dated bills (-40bps) garnered the most interest. Meanwhile, the bond segment traded mixed with buy-sentiments seen at the extreme short-end of the curve while investors were bearish on mid (+20bps) W-o-W and long-tenured (+5bps) W-o-W maturities. Overall, the average bond yield inched up 3bps W-o-W to settle at 10.93%. In the primary market, the Apex Bank sold NGN215.71bn worth of treasury bills across three maturities (91-day: NGN2.04bn, 182-day: NGN3.78bn, and 364-day: NGN209.89bn). The sale was c.82% higher than the initial offer of NGN118.73bn, with the auction attracting a subscription of NGN416.27bn, translating to a bid-to-cover ratio of 1.93x. In keeping with the recent trend, yields on the 91-day and 182-day bills closed flat at 2.50% and 3.50% respectively while the stop rate on the 364-day bill closed lower at 5.89% (-61bps).

| Currency | This Week | Prior Week | WoW (%) | YTD (%) | Report released this week (Click Link below for Full report) |
|---|-------------------|--------------|------------------|------------------|--|
| External Reserve (\$'bn) | 41.33 | 41.42 | -0.23% | 7.07% | |
| USD/NGN (₦/\$) | | | | | |
| NAFEX | 415 | 414.8 | -0.07% | -12.18% | |
| Parallel | 560.0 | 535.0 | -4.46% | -35.71% | |
| 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 | *Nigeria Will Survive Its Challenges, Despite Escalating Grievances, Says Fitch |
| Agriculture | 1.2 | 1.3 | 2.3 | 2.2 | *Oil tumbles on concerns of surplus supply in Q1, new variant |
| Manufacturing | 4.29 | 3.49 | 3.4 | -2.8 | *Nigeria risks fourth wave as South Africa detects deadlier COVID-19 variant |
| Services | 8.4 | 9.3 | -0.4 | -2.2 | *U.S. economy eyes strong 2021 finish as spending accelerates |
| Labor Data (%) - Q4 20 | | | Latest | Prior | *Report: Nigeria's Export Trade to Hit \$112bn by 2030 |
| Unemployment Rate | | | 33.3 | 27.1 | *Nigeria Air: FG to float IPO, begins operations with three planes |
| Underemployment | | | 22.8 | 28.8 | *Doubts as FG plans to reimburse 'poor' Nigerians, cancel fuel subsidy |
| Capital Importation (\$'mn) | Q2 21 | Q1 21 | QoQ (%) | YoY (%) | *Inflation still far above CBN's 9% target, says Emeziele |
| Foreign Portfolio Investment - Equities | 85.16 | 26.88 | 216.8% | 59.93% | *MTN Gets SEC's Approval for 575 Million Shares Offer for Sale |
| Bonds | 14.54 | 138.69 | -89.52% | | *Analysis: U.S. wants more oil, but OPEC+ can't turn on the tap much harder |
| Money Market | 451.67 | 808.57 | -44.1% | 36.02% | *Honeywell Group Agrees N80bn Deal with Flour Mills of Nigeria |
| Foreign Direct Investment | 77.97 | 154.76 | -49.62% | 47.52% | *Capital inflow crashes by 80%, foreign investors shun Nigerian market |
| Monetary Policy Rates (%) (November) | Latest | Prior | | CHG (%) | *FG, World Bank to support states' implementation of stimulus programme |
| MPR | 11.5 | 11.5 | | 0.0% | *IMF tells Nigerian govt to remove fuel, electricity subsidies early 2022 |
| Cash Reserve Ratio (CRR) | 27.5 | 27.5 | | 0.0% | *CBN: Federal Government Reported N699.48bn Fiscal Deficit in July |
| Liquidity Ratio | 30.0 | 30.0 | | 0.0% | *Despite GDP Growth, Economic Potential Remain Subdued |

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

| | WoW | Mtd | QtD | YtD |
|--------------------|--------|--------|--------|--------|
| NGXASI | 0.25% | 3.02% | 7.68% | 7.54% |
| Market Cap | 0.24% | 3.01% | 7.84% | 7.32% |
| NGX 30 | -0.43% | 0.07% | 4.41% | 6.60% |
| NGX Premium | 0.10% | 2.10% | 5.01% | 23.15% |
| NGX 50 | -0.51% | -2.49% | 2.09% | 4.26% |
| NGX ASEM | 0.00% | 0.00% | 0.00% | -8.11% |
| NGX Banking | -0.29% | -4.85% | 5.29% | -0.65% |
| NGX Industrial | -0.03% | 0.75% | 5.00% | 6.89% |
| NGX Consumer Goods | -2.00% | -3.49% | -3.09% | -4.14% |
| NGX Oil & Gas | -0.87% | -6.67% | -0.66% | 61.29% |
| NGX Insurance | 3.56% | 1.76% | 5.80% | -3.39% |

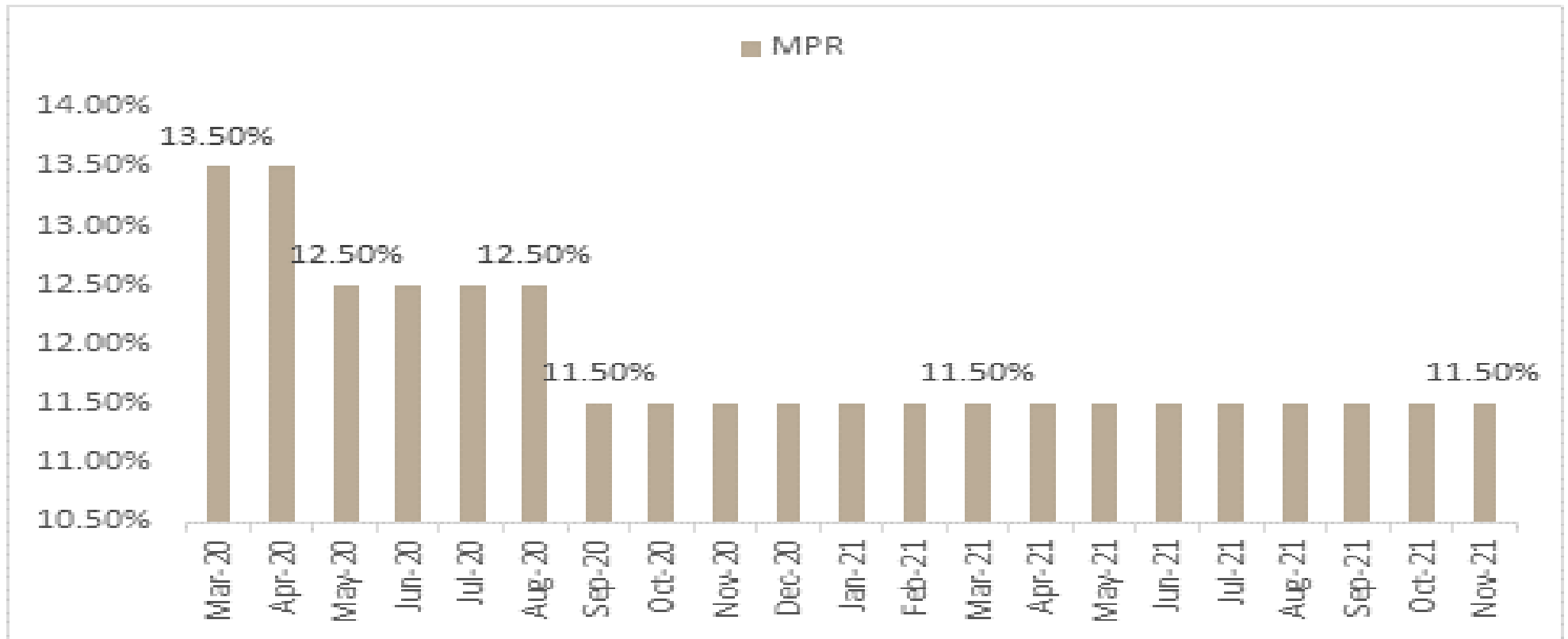


| | This Week | Prior Week | WoW change | Primary Market Auction (Rates) | 90 Days | 180 Days | 1 Year | Issuance (N'billion) | 90 Days | 180 Days | 1 Year |
|--------------------------|-----------|------------|------------|--------------------------------|---------------|----------------|------------------|---------------------------|----------------|---------------------------|----------------|
| Money Market | | | | OMO | | | | OMO | | | |
| Overnight (O/N) | 15.67% | 20.00% | -4.33% | 18-Nov-21 | 7.00% | 8.50% | 10.10% | 18-Nov-21 | 5.00 | 5.00 | 15.00 |
| Open Buy Back (OBB) | 15.00% | 19.00% | -4.00% | 04-Nov-21 | 7.00% | 8.50% | 10.10% | 04-Nov-21 | 5.00 | 5.00 | 15.00 |
| NIBOR - 1M | 9.98% | 11.14% | -1.16% | 28-Oct-21 | 7.00% | 8.50% | 10.10% | 28-Oct-21 | 4.00 | 5.00 | 10.00 |
| NIBOR - 3M | 11.09% | 12.43% | -1.34% | 21-Oct-21 | 7.00% | 8.50% | 10.10% | 21-Oct-21 | 5.00 | 5.00 | 20.00 |
| NIBOR - 6M | 11.79% | 13.28% | -1.49% | 14-Oct-21 | 7.00% | 8.50% | 10.10% | 14-Oct-21 | 10.00 | 10.00 | 30.00 |
| Treasury Bills | | | | Treasury Bills | 91 Day | 182 Day | 364 Day | Treasury Bills | 91 Day | 182 Day | 364 Day |
| 1-month | 3.71% | 3.71% | 0.00% | 24-Nov-21 | 2.50% | 3.50% | 5.89% | 24-Nov-21 | 2.04 | 3.78 | 209.89 |
| 3-month | 2.46% | 4.20% | -1.74% | 10-Nov-21 | 2.50% | 3.50% | 6.50% | 10-Nov-21 | 4.12 | 2.99 | 189.06 |
| 6-month | 3.35% | 5.29% | -1.94% | 27-Oct-21 | 2.50% | 3.50% | 6.99% | 27-Oct-21 | 2.68 | 2.02 | 230.34 |
| 9-month | 5.86% | 5.58% | 0.28% | 13-Oct-21 | 2.50% | 3.50% | 7.25% | 13-Oct-21 | 4.22 | 6.95 | 176.06 |
| 12-month | 6.56% | 6.57% | -0.01% | 29-Sep-21 | 2.50% | 3.50% | 7.50% | 29-Sep-21 | 4.61 | 2.09 | 108.71 |
| FGN Bonds (Local) | | | | FGN Bonds | Mar-27 | Mar-35 | Jul-45 | FGN Bonds | Mar-27 | Mar-35 | Jul-45 |
| 16.39% 27-JAN-2022 | 3.35% | 3.90% | -0.55% | 23-Jun-21 | 12.74% | 13.50% | - | 23-Jun-21 | 50.8 | 103.9 | - |
| 12.75% 27-APR-2023 | 8.25% | 8.57% | -0.32% | 19-May-21 | 13.10% | 14.00% | - | 19-May-21 | 20.1 | 41.2 | - |
| 14.20% 14-MAR-2024 | 9.35% | 9.44% | -0.09% | 21-Apr-21 | 12.25% | 13.34% | 13.85% | 21-Apr-21 | 23.0 | 38.8 | 96.2 |
| 12.50% 22-JAN-2026 | 11.68% | 11.32% | 0.36% | 24-Mar-21 | 10.50% | 11.50% | 12.00% | 24-Mar-21 | 44.0 | 86.3 | 131.8 |
| 16.2884% 17-MAR-2027 | 11.85% | 11.56% | 0.29% | 17-Feb-21 | 10.25% | 11.25% | 11.80% | 17-Feb-21 | 85.6 | 98.9 | 18.0 |
| 12.1493% 18-JUL-2034 | 12.72% | 12.66% | 0.06% | Corporate Bonds | | | This Week | Prior Week | WoW (%) | Corporate Eurobond | |
| 16.2499% 18-APR-2037 | 12.99% | 12.95% | 0.04% | MIXTA 17.00% 16-JAN-2022 | 4.83% | 4.97% | -0.14% | ZENITH 7.375% 30-MAY-2022 | 1.54% | 1.57% | -0.03% |
| 14.8% 26-APR-2049 | 12.86% | 12.86% | 0.00% | DUFIL 18.25% 1-SEP-2022 | 6.99% | 7.92% | -0.93% | UBA 7.75% 08-JUN-2022 | 2.51% | 2.49% | 0.02% |
| FGN Eurobonds | | | | LAPO MFB 17.75% 19-DEC-2022 | 10.76% | 10.87% | -0.11% | | | | |
| 5.625% 27-JUN-2022 | 3.92% | 3.47% | 0.45% | STERLING 16.50% 3-AUG-2023 | 9.59% | 9.84% | -0.25% | | | | |
| 6.50% 28-Nov-2027 | 6.87% | 6.32% | 0.55% | FCMB 17.25% 8-DEC-2023 | 10.37% | 10.52% | -0.15% | | | | |
| 7.875% 16-FEB-2032 | 8.41% | 7.88% | 0.53% | ACCESS 15.50% 23-JUL-2026 | 14.00% | 13.75% | 0.25% | | | | |
| 7.625% 28-Nov-2047 | 8.96% | 8.45% | 0.51% | VIATHAN 16.00% 14-DEC-2027 | 11.25% | 11.15% | 0.10% | | | | |
| | | | | UNION 16.20% 27-JUN-2029 | 15.52% | 15.37% | 0.15% | | | | |
| | | | | FIDELITY 8.50% 27-JAN-2031 | 13.34% | 13.22% | 0.12% | | | | |

Source: DMO, FMDQ, Bloomberg, ARM Research

MPC Maintains status-quo in November meeting.

This week, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted to retain the Monetary Policy Rate (MPR) at 11.50%, while leaving all other parameters unchanged.



Source: NBS, ARM Research

Thank You



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