

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 11th October - 15th October 2021

Global Economy

- ◆ In its October 2021 version of the World Economic Outlook (WEO), the IMF trimmed its 2021 growth projections for the global economy to 5.9% (July's estimate: 6%), an indication of slowing recovery momentum amidst a host of rising uncertainties. The downward revision to global growth prospects reflects downgrades for advanced economies (from 5.6% to 5.2%) – partly due to supply disruptions which are stoking inflationary flames – and for low-income developing countries largely due to worsening pandemic dynamics, although these are partially offset by stronger near-term prospects among some commodity-exporting Emerging Market and Developing Economies (from 6.3% to 6.4%). Furthermore, the multilateral financial institution kept its 2022 growth outlook stable at 4.9% but expects global growth to moderate to some 3.3% over the medium term (beyond 2022) as policy normalization sets in what it hopes would be a post COVID era. Over in the U.S, the Federal Reserve policymakers reached a consensus on the tapering of its emergency pandemic support, the minutes from the latest FOMC meeting revealed. Officials stressed that if the economic recovery remains broadly on track, a gradual tapering process which would begin in either mid-November or mid-December and conclude around mid-2022 would likely be appropriate. Participants also considered an illustrative path of tapering which would involve monthly reductions in the pace of asset purchases to the tune of \$10 billion in the case of Treasury Securities and \$5 billion in the case of agency Mortgage-Backed Securities (MBS).

Domestic Economy

- ◆ The Federal Government has reviewed upwards the independent revenue projection for Ministries, Departments and Agencies in the 2022 fiscal period by NGN754.31bn. The NGN754.31bn indicates an increase of 71.09 per cent from the approved NGN1.06tn in the 2021 fiscal period to NGN1.86tn next year. The figures are contained in the 2022 budget proposal which was made public last week by the Minister of Finance, Budget and National Planning, Zainab Ahmed. Elsewhere, The Central Bank of Nigeria (CBN), has announced that it has through three commercial banks financed railway infrastructure in Lagos to the tune of NGN6bn. This, the central bank stated, is in a bid to support infrastructure development and create jobs. The banks, the CBN said are; Access Bank Plc, Sterling Bank Plc and Fidelity Bank Plc. The CBN said the banks have disbursed NGN45bn to fund Lagos Blue line, which is 13.5-kilometer railway situated at the businesses district in Lagos and would be easily connected and assessable to waterways bus stations to critical parts of Lagos which normally are high traffic zones.

Equities and stock recommendation

- ◆ The bullish trend in the Nigerian equities market lingered this week as the NGXASI appreciated by 1.39% WoW to close at 41,438.15pts. FBNH (+29.59%), ROYALEX (+12.28%) and TRANSCORP HOTELS (+9.94%) anchored the gains while Industrial giants BUACEMENT (+2.27%) and WAPCO (3.21%) also contributed to the overall performance of the market. Conversely, LEARNAFRICA (-18.71%), IKEJA HOTEL (-7.89%) and ABC (-5.88%) led the laggard's chart for the week. Notably, all sectors ended the week in the green, with Banking (+3.88%) WoW ending up as the best performing sector on the index. The Banking sector was boosted by gains in FBNH (+29.59%), UBA (+4.40%), GTCO (+3.50%) and ACCESS (+2.13%).
- ◆ **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

- ◆ In the secondary market, the fixed income market traded with broad bullish sentiments, with average yield across the curve declining by 5bps to settle at 8.03%. Most of the movement was seen at the front end of the yield curve, consequently driving the NTB benchmark down by 7bps to settle at 5.20%. Meanwhile, mixed sentiments trailed the bond segment, with the benchmark curve edging 3bps lower to 10.82%. Buying interest was mostly directed towards mid-dated maturities (-10bps) WoW while selloffs were witnessed in short-end papers (+2bps) WoW. In the primary market, the CBN offered NGN121.65bn but sold NGN187.23bn worth of treasury bills split across three maturities (91-day: NGN4.22bn, 182-day: NGN6.95bn, and 364-day: NGN176.06bn). The offer attracted a bid size of NGN493.02bn, resulting in a subscription rate of 4.05x and a bid-to-cover ratio of 2.63x. Stop rates on the 91-day and 182-day bills cleared at previous action levels while the 364-day bill cleared 25bps lower at 7.25%.

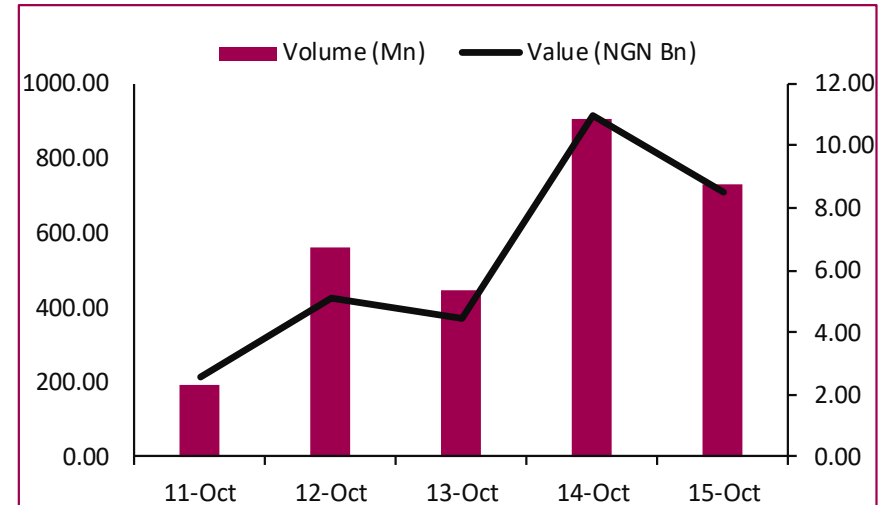
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	39.42	37.99	3.76%	2.14%	
USD/NGN (₦/\$)					
NAFEX	422	414.7	-1.75%	-13.64%	
Parallel	570.0	570.0	0.00%	-36.84%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (August 2021)			CHG (pps)		
Headline	17.01	17.38	-0.37	17.52	
Core	13.41	13.72	-0.31	12.88	
Food	20.3	21.03	-0.73	21.68375	
GDP (%) - YoY	Q2 21	Q1 21	Q4 20	FY20	
Real GDP	5.01	0.51	0.11	-1.9	News Headline for the week (click news for link)
Oil	-12.65	-2.21	-19.8	-8.9	*Naira crashes to record low at official market
Agriculture	1.3	2.3	3.4	2.2	*NGX Group to List 1.96bn Shares Today, Announces Board Member Resignation
Manufacturing	3.49	3.4	-1.5	-2.8	*Oil prices climb on power boost, set for multi-week gains
Services	9.3	-0.4	1.3	-2.2	*Nigeria Pumps Additional 155,000 bpd in September
Labor Data (%) - Q4 20			Latest	Prior	*National development plan implementation to gulp N350tn - Govt
Unemployment Rate			33.3	27.1	*G20 finance chiefs back tax deal, pledge to sustain recovery, watch inflation
Underemployment			22.8	28.8	*Fintechs shun stock exchange for \$876.5m funding overseas
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*Eight-month fuel imports gulp \$690m amid forex scarcity
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*IMF Raises Nigeria's Economic Growth Projection to 2.6%
Bonds	14.54	138.69	-89.52%		*Oil surge pushes daily petrol subsidy to N8.28bn
Money Market	451.67	808.57	-44.1%	36.02%	*W'Bank: Nigeria, 46 Other LIC's Debt Burden Rose 12% in 2020 to \$860bn
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*FG Cuts JV Cash Call Arrears by \$300m, Outstanding Balance Slumps to \$1.163bn
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Nigeria Withholds Assent as 136 Countries Ratify 15% Corporate Tax
Trade Balance	2,382	2,559	1,668	-6.9%	*Budget deficit rises to N20.64tn under Buhari
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Nigeria among top countries benefitting from World Bank IFC loans

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
MANSARD	2.30	161.36%	2.30	0.83	119.05%
FBNH	12.70	71.62%	12.70	6.90	77.62%
TRANSCOHOT	5.97	52.30%	5.97	3.25	65.83%
PHARMDEKO	2.60	51.16%	2.60	1.09	73.33%
CHAMPION	3.14	49.52%	3.76	0.85	265.12%
UCAP	9.85	42.96%	9.85	4.50	109.13%
COURTVILLE	0.41	32.26%	0.41	0.20	95.24%
CHIPLC	0.60	30.43%	0.80	0.27	87.50%
ETI	6.90	30.19%	6.90	4.70	15.00%
SKYAVN	4.45	28.99%	4.45	2.88	39.06%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
ABBEYBDS	0.95	-40.25%	1.05	0.95	-9.52%
IKEJAHOTEL	1.05	-25.00%	1.6	0.91	-12.50%
LASACO	1.24	-19.48%	1.71	0.35	254.29%
ABCTRANS	0.32	-17.95%	0.44	0.28	-15.79%
JAPAUFGOLD	0.47	-12.96%	1.52	0.41	-24.19%
NEIMETH	1.79	-12.68%	2.23	1.50	-19.73%
ACADEMY	0.36	-12.20%	0.45	0.30	20.00%
UNILEVER	13.20	-12.00%	14.6	11.65	-5.04%
WEMABANK	0.79	-10.23%	0.9	0.55	14.49%
MBENEFIT	0.30	-9.09%	0.55	0.27	11.11%

	WoW	Mtd	QtD	YtD
NGXASI	1.39%	3.03%	3.03%	2.90%
Market Cap	1.54%	3.19%	3.19%	2.70%
NGX 30	1.69%	2.80%	2.80%	4.96%
NGX Premiur	1.36%	2.55%	2.55%	20.26%
NGX 50	2.57%	4.58%	4.58%	6.81%
NGX ASEM	0.00%	0.00%	0.00%	-8.11%
NGX Banking	3.88%	7.29%	7.29%	1.24%
NGX Industri	0.98%	1.09%	1.09%	2.91%
NGX Consum	0.47%	-0.04%	-0.04%	-1.11%
NGX Oil & Ga	0.64%	0.89%	0.89%	63.81%
NGX Insuranc	1.65%	0.07%	0.07%	-8.62%

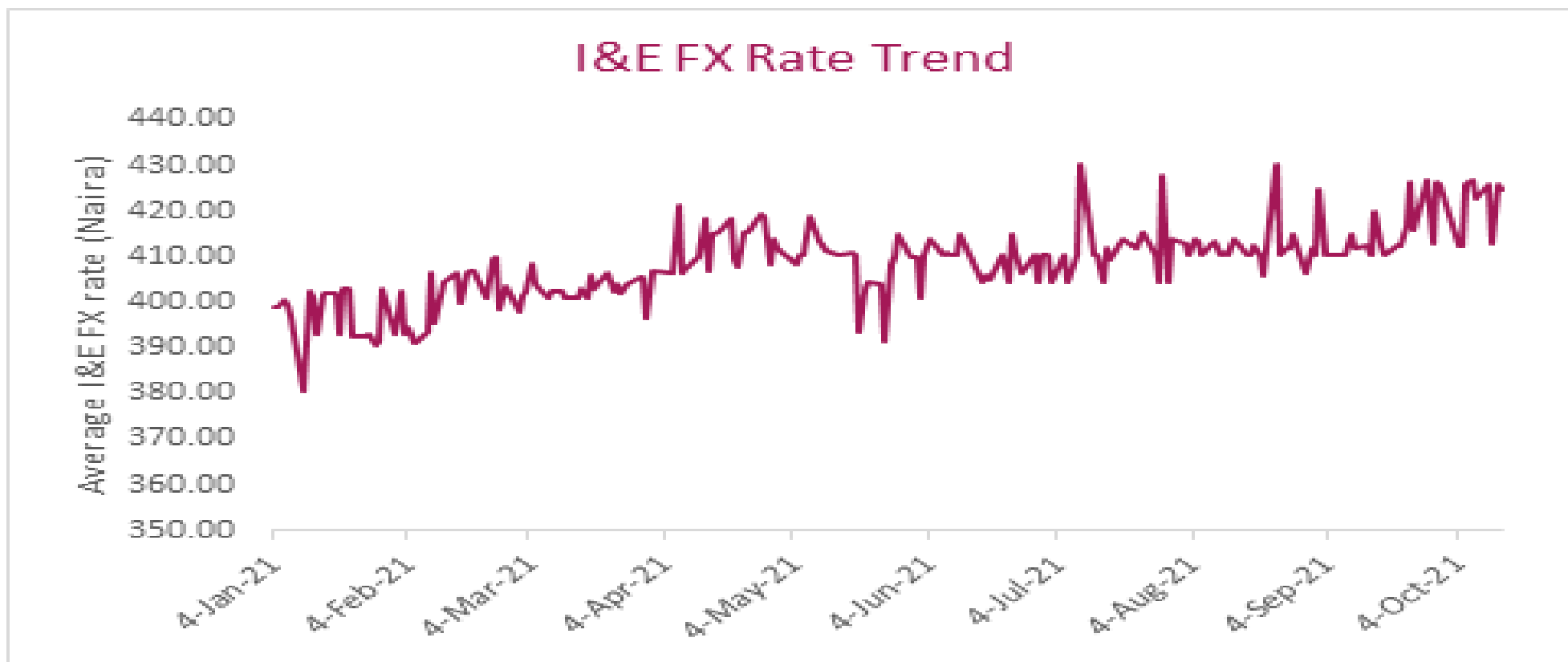


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	20.00%	14.50%	5.50%	16-Sep-21	7.00%	8.50%	10.10%	16-Sep-21	5.00	5.00	10.00
Open Buy Back (OBB)	19.50%	14.00%	5.50%	09-Sep-21	7.00%	8.50%	10.10%	09-Sep-21	10.00	10.00	30.00
NIBOR - 1M	7.69%	10.30%	-2.61%	02-Sep-21	7.00%	8.50%	10.10%	02-Sep-21	10.00	10.00	10.00
NIBOR - 3M	8.47%	11.47%	-3.00%	26-Aug-21	-	8.50%	10.10%	26-Aug-21	-	10.00	40.00
NIBOR - 6M	8.85%	12.04%	-3.19%	15-Jul-21	7.00%	8.50%	10.10%	15-Jul-21	5.50	6.80	45.18
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	3.25%	3.21%	0.04%	13-Oct-21	2.50%	3.50%	7.25%	13-Oct-21	4.22	6.95	176.06
3-month	3.76%	3.96%	-0.20%	29-Sep-21	2.50%	3.50%	7.50%	29-Sep-21	4.61	2.09	108.71
6-month	4.64%	4.10%	0.54%	15-Sep-21	2.50%	3.50%	7.20%	15-Sep-21	0.96	3.61	151.31
9-month	6.76%	7.14%	-0.38%	08-Sep-21	2.50%	3.49%	7.20%	08-Sep-21	4.94	11.88	192.68
12-month	7.36%	6.98%	0.38%	25-Aug-21	2.50%	3.50%	6.80%	25-Aug-21	3.54	22.86	280.93
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	3.91%	3.99%	-0.08%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	8.39%	8.51%	-0.12%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.20%	9.22%	-0.02%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	10.90%	10.70%	0.20%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.35%	11.65%	-0.30%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.40%	12.40%	0.00%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	12.88%	12.97%	-0.09%	MIXTA 17.00% 16-JAN-2022	5.00%	5.14%	-0.14%	ACCESS 10.50% 19-OCT-2021	5.35%	5.35%	0.00%
14.8% 26-APR-2049	13.13%	13.05%	0.08%	DUFIL 18.25% 1-SEP-2022	8.54%	8.29%	0.25%	ZENITH 7.375% 30-MAY-2022	2.16%	2.16%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	11.46%	11.30%	0.16%	UBA 7.75% 08-JUN-2022	4.14%	3.97%	0.17%
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	9.63%	9.70%	-0.07%				
5.625% 27-JUN-2022	3.12%	2.93%	0.19%	FCMB 17.25% 8-DEC-2023	10.32%	10.36%	-0.04%				
6.50% 28-Nov-2027	5.95%	6.11%	-0.16%	ACCESS 15.50% 23-JUL-2026	13.61%	13.44%	0.17%				
7.875% 16-FEB-2032	7.39%	7.60%	-0.21%	VIATHAN 16.00% 14-DEC-2027	11.38%	11.24%	0.14%				
7.625% 28-Nov-2047	8.05%	8.20%	-0.15%	UNION 16.20% 27-JUN-2029	15.21%	15.23%	-0.02%				
				FIDELITY 8.50% 27-JAN-2031	13.02%	13.04%	-0.02%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Naira crashes to record low at official market

At the Investor & Exporter foreign exchange window, the Naira opened at an average of NGN423.00/\$1 on Monday but closed at NGN425.00/\$1 on Thursday. This signals an 0.47% depreciation over the week. At the parallel market, the dollar was bought at NGN565/\$1 and sold for NGN570/\$1, according to some operators in the black market. The Central Bank of Nigeria, however, maintained NGN410.91/\$1 as its official rate on its website.



Source: CBN, ARM Research

Thank You



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