

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 12 October – 16 October 2020

Global Economy

- ◆ The Eurozone's annual inflation rate was down 1bp in September, printing at -0.3%YoY (August: -0.2%), in line with a preliminary estimate. This decline was anchored by falls in services inflation (0.7% to 0.5%), non-energy industrial goods (-0.1% to -0.3%) and the cost of energy products (-7.8% to -8.2%). In the US, annual inflation rate edged up marginally by 1bp to 1.4%YoY in September (August: 1.3%). This resulted from a 30bps rise in the cost of new vehicles to 1.0% (August: 0.7%), while cost of medical care commodities was also up 10bps to 0.9% (from 0.8%). Elsewhere, annual inflation in China for September declined by 70bps, easing to a 19-month low of 1.7%YoY (August: 2.4%), amid a substantial slowdown in food prices to 7.9% (from 11.2% in August).

Domestic Economy

- ◆ Headline inflation for the month of September increased for the seventh consecutive month by 47bps to 13.71% YoY spurred by increases in both food and core inflation. Food inflation significantly rose 64bps to 16.65% YoY reflecting flooding in localized areas in the North, precisely in Kebbi and Niger state, as well as the extended lean season, according to FEWSNET. Consequently, farm produce ticked 92bps higher to 17.29% YoY, outweighing moderations in imported (-1bp to 16.43% YoY) and processed (-230bps to 9.9% YoY) food inflation. Meanwhile, core inflation rose 9bps to 10.59% YoY, reflecting uptick in HWEGF (+16bps), Health (+50bps), Transport (+44bps), Furnishing (+23bps), Clothing (+20bps), amongst other core sub-indices. Similarly, MoM headline inflation rose 11bps to 1.46% owing to increase in food inflation by 18bps to 1.86% MoM, while core inflation declined 7bps to 0.97% MoM. Elsewhere, the IMF now forecasts a less severe contraction of 4.3% FY 2020 (previously: -5.4%) for Nigeria's GDP, before a recovery of 1.7% in 2021. The IMF cited stronger-than-anticipated GDP outturns in Q2 20.

Equities and stock recommendation

- ◆ Activities in the Nigerian bourse closed on a positive note for the fourth consecutive week, as the NSE ASI appreciated by 86bpsWoW to close at 28,659.45points, while market cap ended the week at ₦14.98 trillion. With the exception of the Cement, Telecom and Insurance which lost 24bps, 23bps and 117bps respectively, all other sectors recorded gains with Oil & Gas (+7.01%), Banking (+2.70%) and Breweries (+2.20%) at the forefront of the gains. A dive into the sectoral performance revealed the major drivers for the upside were ETERNA (+34.99%), INTBREW (+12.92%), GUINNESS (+12.33%), WAPCO (+10.88%) and TOTAL (+10.00%) WoW. On the other hand, declines were observed in MANSARD (-5.67%), BUACEMENT (-1.45%), GLAXOSMITH (-3.45%) and GUARANTY (-0.16%) WoW amongst others.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), GUARANTY– STRONG BUY (FVE: ₦38.85), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2) and GUINNESS – BUY (FVE: ₦18.94)** Click [here](#) for our Weekly Stock Recommendation.

Fixed Income

- ◆ Average fixed income yields closed the week 67bps lower at 2.85%, marking a new low for yields as they fell below 3% for the first time in over 7years based on our records. The average bond yield dropped 103bps WoW to 4.59% while the average NTB was 32bps lower at 1.12%. In the primary market, the DMO offered and sold ₦124.88 billion at the NTB auction which matches the amount that matured. Total subscription printed at ₦618.09 billion, resulting in a subscription rate of 4.95x – the highest rate since June. The average stop rate, however, declined for the fourth straight auction by 46bps to 1.33%. Finally, the DMO released their offer for October's bond auction and it showed a total offering of ₦30 billion which is considerably less than the approx. ₦140 billion they offered on average at the 3 auctions in held in Q320.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.67	35.73	-0.16%	-7.57%	*September Inflation: Flooding in key Northern states spur food inflation higher!
USD/NGN (₦/\$)					
NAFEX	386	386	0.04%	-5.49%	
Parallel	458.5	454.5	-0.87%	-21.48%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2020 Avg.	
Inflation YoY (September)			CHG (pps)		
Headline	13.71	13.22	0.49	12.63	
Core	10.58	10.52	0.06	9.99	
Food	16.66	16	0.66	15.35	
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	*Nigeria's economy'll contract by 4.3% in 2020 – IMF
Manufacturing	-8.8	0.4	1.2	0.8	*We've reduced loss by 99.7% to N1.7bn – NNPC
Services	-2.6	3.5	4	3.4	*W'Bank, IMF Plan Debt Reduction for Nigeria, Others
Labor Data (%) - Q2 20			Latest	Prior	*Reps pass 2021 appropriation bill for second reading
Unemployment Rate			27.1	23.1	*IMF sees less severe global contraction but trouble in emerging markets
Underemployment			28.8	20.1	*FG Releases N1.2tn for 2020 Capital Projects
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Senate Promises to Pass 2021 Budget on December 3
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Johnson to set out UK's Brexit approach on Friday
Bonds	0.00	231.22	-100.0%	-100.0%	*OPEC: Global Crude Oil Demand to Peak in 25 Years
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Don't revert to service reflective tariff, NERC orders Discos
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Banking Sector Credit Rises to N18.90tn Nationwide
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*FG Retains Existing PSC Terms in New PIB
Trade Balance	2,382	2,559	1,668	-6.9%	*U.S. producer prices accelerate, but overall inflation trending softer
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*CBN to enforce banks' compliance with SWIFT code

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

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	28659.45	0.86	6.79	6.79	6.77	8.26
NSE ASI (\$)	28659.45	0.86	6.86%	6.86%	0.53%	1.29%
Market Cap (? 'bn)	A Invalid Sect	0.86%	6.81%	6.81%	15.60%	16.35%
Market Cap (\$mn)	A Invalid Sect	0.86%	6.86%	6.86%	8.84%	8.76%
NSE 30	1228.52	1.07	6.94	6.94	4.30	14.23
NSE Premium	2601.31	1.38	9.75	9.75	22.92	18.42
NSE 50	1315.76	1.59	7.20	7.20	-2.30	6.21
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-5.91
NSE Banking	349.83	2.89	12.71	12.71	-1.96	7.60
NSE Insurance	138.17	-0.68	-0.46	-0.46	9.82	15.23
NSE Consumer	473.13	1.87	4.25	4.25	-20.19	-7.71
NSE Oil & Gas	204.14	2.40	3.69	3.69	-22.24	-9.11
NSE Industrial	1234.85	0.24	3.44	3.44	14.81	16.91
NSE Lotus	2021.11	0.15	4.54	4.54	10.16	19.67
NSE Pensions	1155.12	2.16	9.86	9.86	9.59	21.72

Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	2.70%	12.24%	0.67%
Brewers	2.20%	2.43%	-20.11%
Cement	-0.24%	3.18%	18.21%
Telecom	-0.23%	8.39%	38.42%
Personal Care	1.28%	2.63%	-33.39%
Construction	0.61%	2.95%	-8.74%
Food	0.50%	1.90%	-14.28%
Insurance	-1.17%	-0.96%	-1.53%
Oil & Gas	7.01%	12.13%	-52.23%
Real Estate	-0.03%	-0.21%	-2.95%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	0.55%	6.36%	19.59%
Mid Cap (Mid 30%)	1.45%	5.40%	-5.12%
Small Cap (Bottom 60%)	0.73%	7.35%	-47.49%

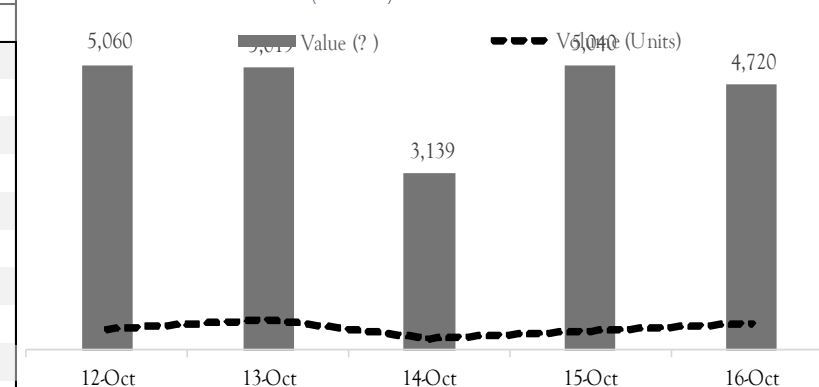
Top 10 Gainers

Company	This Week	WoW
ETERNA	4.90	35.0%
GUINNESS	16.85	12.3%
TOTAL	112.20	10.0%
PRESCO	65.90	8.9%
MAYBAKER	3.25	8.3%
NASCON	13.00	7.9%
ACADEMY	0.29	7.4%
UBA	7.20	5.9%
ETI	4.55	5.8%
CORNERST	0.63	5.0%

Top 10 Losers

Company	This Week	WoW
WEMABANK	0.59	-1.7%
AFRIPRUD	5.54	-3.3%
GLAXOSMI	5.60	-3.4%
FIDSON	3.50	-4.6%
CUSTODIA	5.00	-4.8%
MANSARD	1.83	-5.7%
CUTIX	1.62	-5.8%
ROYALEX	0.25	-7.4%
PORT	2.00	-10.3%
ETRAN	1.73	-26.4%

Volume and Value Traded (millions)



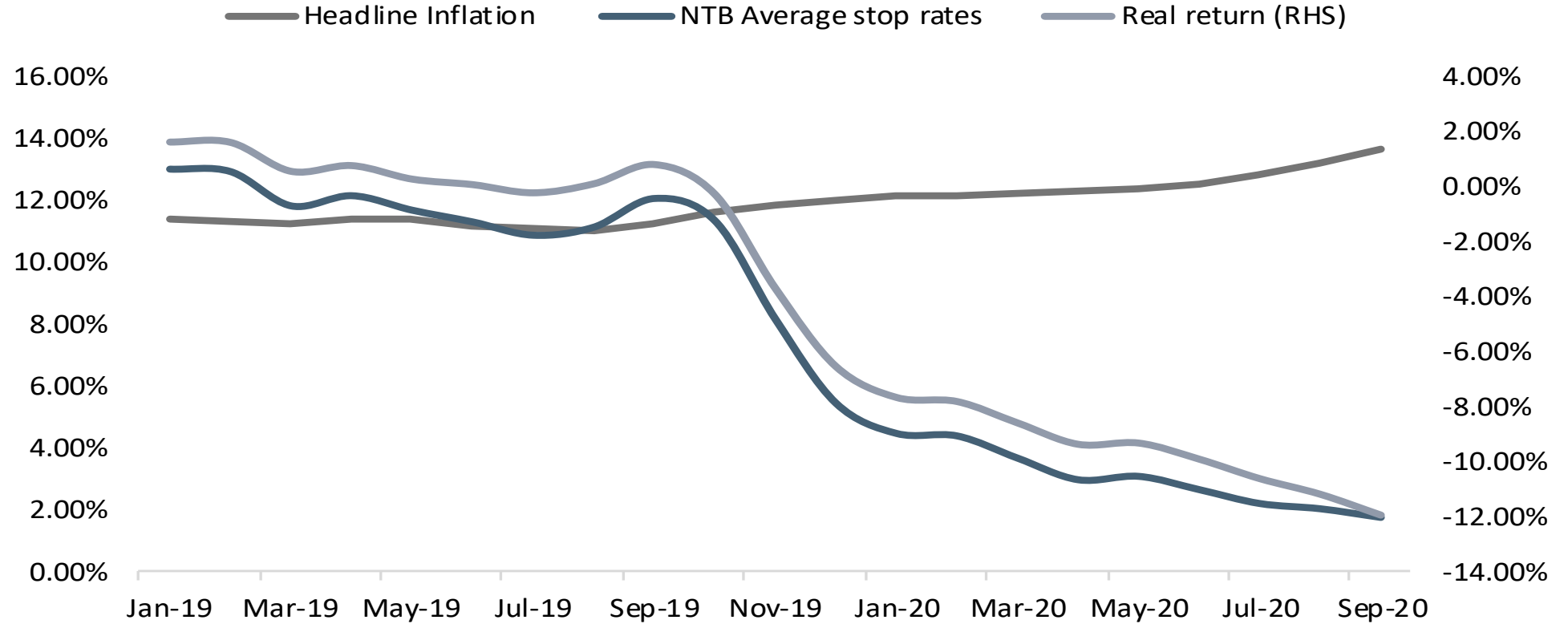
Source: NSE, Bloomberg, ARM Research

	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)	2.00%	4.88%	-2.88%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
Open Buy Back (OBB)	1.17%	4.00%	-2.83%	17-Sep-20	4.86%	7.68%	8.88%	17-Sep-20	10.00	10.00	50.00
NIBOR - 1M	2.85%	2.85%	0.00%	10-Sep-20	4.86%	7.68%	8.90%	10-Sep-20	10.00	10.00	50.00
NIBOR - 3M	3.10%	3.10%	0.00%	03-Sep-20	4.86%	7.68%	8.94%	03-Sep-20	10.00	10.00	50.00
NIBOR - 6M	3.78%	3.78%	0.00%	27-Aug-20	4.87%	7.68%	8.94%	27-Aug-20	10.00	10.00	80.00
Treasury Bills				Treasury Bills			Treasury Bills				
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.70%	1.04%	-0.34%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	12.76	4.50	107.62
3-month	0.53%	1.07%	-0.54%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	10.00	17.60	106.37
6-month	1.09%	1.33%	-0.24%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
9-month	1.58%	1.65%	-0.07%	09-Sep-20	1.10%	1.55%	3.05%	09-Sep-20	4.41	14.00	109.65
12-month	1.99%	2.14%	-0.15%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85	121.38
FGN Bonds (Local)				FGN Bonds			FGN Bonds				
					5 Year	15 Year	30 Year		5 Year	15 Year	30 Year
14.50% 15-JUL-2021	1.55%	1.82%	-0.27%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.39% 27-JAN-2022	2.44%	3.01%	-0.57%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
14.20% 14-MAR-2024	3.36%	3.17%	0.19%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.50% 22-JAN-2026	4.17%	4.65%	-0.48%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.2884% 17-MAR-2027	4.76%	5.64%	-0.88%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
12.1493% 18-JUL-2034	5.90%	8.10%	-2.20%	Corporate Bonds			Corporate Eurobond				
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	6.31%	8.17%	-1.86%	MIXTA 17.00% 16-JAN-2022	2.75%	3.01%	-0.26%	ACCESS 10.50% 19-OCT-2021	5.22%	5.30%	-0.08%
14.8% 26-APR-2049	7.36%	8.95%	-1.59%	FIDELITY 16.48% 13-MAY-2022	3.82%	4.28%	-0.46%	ZENITH 7.375% 30-MAY-2022	5.55%	5.58%	-0.03%
				DUFIL 18.25% 1-SEP-2022	4.48%	4.83%	-0.35%	UBA 7.75% 08-JUN-2022	7.62%	7.44%	0.18%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022			SEPLAT 9.25% 1-APR-2023				
5.625% 27-JUN-2022	4.82%	4.81%	0.01%	STERLING 16.50% 3-AUG-2023	4.12%	4.14%	-0.02%				
6.50% 28-Nov-2027	6.91%	6.58%	0.33%	FCMB 17.25% 8-DEC-2023	4.61%	4.52%	0.09%				
7.875% 16-FEB-2032	8.03%	7.63%	0.40%	ACCESS 15.50% 23-JUL-2026	7.01%	7.38%	-0.37%				
7.625% 28-Nov-2047	8.32%	7.99%	0.33%	VIATHAN 16.00% 14-DEC-2027	4.78%	4.90%	-0.12%				
				UNION 16.20% 27-JUN-2029	8.41%	10.32%	-1.91%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Real Returns

This week, we feature the one year trend in real returns with the chart showing a persistent decline in real return. For the month of September, overlaying the inflation rate of 13.71% with the average NTB stop rates for September of 1.73%, we get a negative real return of 11.98%.



Source: NBS, ARM Research



Thank You

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