

HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY



Weekly Commentary & Stock recommendation ...for the week 26 October – 30 October 2020

Global Economy

- ◆ According to preliminary estimates, the Eurozone economy expanded by 12.7%QoQ in Q320, beating market expectations to recover from a record slump experienced in the previous quarter (Q2: -11.8%QoQ). All major economies in the region rebounded after lifting lockdown measures imposed in Q2. For context, the German economy grew by 8.2% QoQ (Q2: -9.8%), France expanded by 18.2%QoQ (Q2: -13.7) while in Italy, the economy was up by 16.1%QoQ (from -13% in Q2). Meanwhile, the ECB decided to leave interest rate unchanged at 0% while also maintaining its pandemic emergency purchase programme (PEPP). In the US, preliminary GDP estimate for Q320 put annualized growth rate at 33.1% (Q2: -31.4%), exceeding a market forecast of 31%. The better than expected advanced estimate was anchored by a surge in consumer spending (up 40.7%), following a government backed fiscal stimulus worth north of \$3trillion, while export and private inventory investment were also on the rise.

Domestic Economy

- ◆ Nigeria's PMI contracted in October to 48.1 index point, albeit an improvement from the prior month of 44.4 index point as both manufacturing and non-manufacturing PMI saw a buildup. On the former, improvement across most sub indices including production level (50pts vs Sept: 47.3pts), new orders (51.2pts vs Sept: 46.4pts), employment level (46pts vs Sept: 44.1pts), and inventory (46.2pts vs Sept: 43pts) led to an index of 49.4pts (vs 46.9pts in September). Similarly, the non-manufacturing PMI showed an improvement from the prior month, printing at 46.8pts (vs 41.9 pts in September) mirroring better performance across business activities (48.7pts vs Sept: 43.7pts), new orders (47.8pts vs Sept: 39.5pts), amongst other sub-indices.

Equities and stock recommendation

- ◆ Activities in the Nigerian bourse ended on an upward trajectory for the sixth consecutive week as ASI appreciated by 639bps WoW to close at 30,530.69points, while market cap ended the week at N15.9 trillion. Notably, gains were recorded across all sectors with Food (+14.86%), Oil & Gas (+13.26%) and Banking (+7.57%) leading the pack. A further probe into the sectoral performance revealed the prime drivers for the upside were NESTLE (+21.00%), DANGCEM (+5.96%), BUACEMENT (+11.25%), CONOIL (+20.57%) and FLOURMILL (+22.39%) WoW, amongst others. On the other hand, declines were recorded in PRESTIGE (-10.00%) and NASCON (-8.39%) WoW.
- ◆ Here are the stocks we recommend for the upcoming week: **Dangcem Plc – STRONG BUY (FVE: ₦219.77), GUARANTY– OVERWEIGHT(FVE: ₦38.85), ZENITH BANK PLC – STRONG BUY (FVE: ₦30.2) and GUINNESS – BUY (FVE: ₦21.40)** Click [here](#) for our Weekly Stock Recommendation.

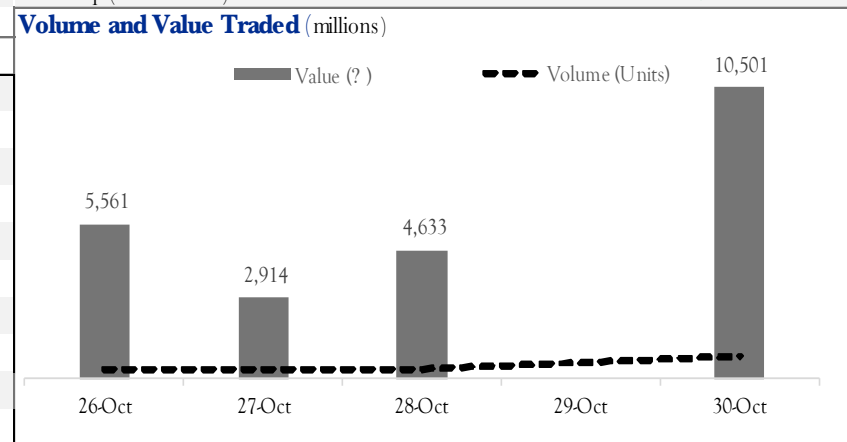
Fixed Income

- ◆ At the NTB auction this week, the DMO offered and sold the exact amount that matured – ₦154.38 billion. Total subscription was ₦821.49 billion - a subscription rate of 5.32x - of which 85% (₦694.96 billion) was for the 1-year instrument. The average stop rate, meanwhile, declined by 72bps to 0.61%. In the secondary market, the average fixed income yield in the secondary market declined marginally by 3bps WoW to print at 2.13% following contrasting moves in the bond and NTB yields. The average bond yield was down by 18bpsWoW to 3.71% anchored by contractions in the Jan-2022(-78bps) and Feb-2028(-56bps) while the average NTB yield rose by 12bpsWoW to 0.54%.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	35.69	35.67	0.04%	-7.54%	Report released this week (Click Link below for Full report)
USD/NGN (₦/\$)					*Lafarge Africa Q3'20 - Input cost pressures moderated growth in EPS
NAFEX	386	386.0	0.09%	-5.49%	*Nestle Q3 2020 - Higher costs continue to weigh on performance
Parallel	461.5	460.0	-0.33%	-21.99%	*Nigerian Breweries Plc Q3 20 - Back on the right path
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	*CBN Unveils Framework for N12.5bn Youth Investment Fund
Manufacturing	-8.8	0.4	1.2	0.8	*U.S. economy posts record growth in third-quarter; COVID-19 scarring to last
Services	-2.6	3.5	4	3.4	*FG: Payment of New Electricity Tariffs Resumes Next Week
Labor Data (%) - Q2 20			Latest	Prior	*Emefiele: Banks Disbursed N2.32tn Loans with Moveable Collaterals
Unemployment Rate			27.1	23.1	*FCT, Lagos, other artisans set to receive N30,000 grant – Presidency
Underemployment			28.8	20.1	*‘Forex, import levy limiting mass metering under MAP’
Capital Importation (\$'mn)	Q2 20	Q1 20	QoQ (%)	YoY (%)	*Unemployment spikes as manufacturing outlook dims
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*World airlines rally behind testing, financial support to save sector
Bonds	0.00	231.22	-100.0%	-100.0%	*Senate Tells Nigerians Not to Expect Stable Power Supply
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Transmission hits 5,459.50MW as FG begins distribution of meters
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Trump concedes no coronavirus economic relief deal before Election Day
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*Fixed income, currency markets drop to N164.32tr in Q3
Trade Balance	2,382	2,559	1,668	-6.9%	*NERC: Discos Raked in N114bn Revenues in Q1, 2020
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*CBN to drive zero balance account opening

Index Performance		Index Returns (%)					Sector Performance		Returns (%)		
		Level	WoW	MTD	QTD	YTD			1 year	WoW	QTD
NSE ASI	30530.69	6.39	13.76	13.76	13.74	16.33	Banking	7.57%	19.57%	7.24%	
NSE ASI (\$)	30530.69	6.39	13.79%	13.79%	7.04%	8.67%	Brewers	1.08%	9.15%	-14.87%	
Market Cap (? 'bn)	A Invalid Sect	3.71%	13.79%	13.79%	23.15%	24.68%	Cement	7.85%	11.61%	27.88%	
Market Cap (\$'mn)	A Invalid Sect	6.39%	13.79%	13.79%	15.89%	16.69%	Telecom	1.87%	10.43%	41.02%	
NSE 30	1319.45	7.25	14.85	14.85	12.02	24.01	Personal Care	5.09%	5.62%	-31.45%	
NSE Premium	2701.82	4.43	13.99	13.99	27.67	24.19	Construction	3.18%	5.58%	-6.40%	
NSE 50	1434.10	8.62	16.84	16.84	6.49	16.97	Food	14.86%	17.52%	-1.14%	
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-3.84	Insurance	6.72%	5.39%	4.79%	
NSE Banking	372.61	8.05	20.05	20.05	4.42	18.30	Oil & Gas	13.26%	24.48%	-46.97%	
NSE Insurance	145.11	5.64	4.54	4.54	15.33	21.07	Real Estate	0.12%	-0.12%	-2.86%	
NSE Consumer	546.09	12.21	20.33	20.33	-7.89	7.05	ARM Indices				
NSE Oil & Gas	215.33	6.22	9.37	9.37	-17.98	-3.94					
NSE Industrial	1327.95	7.60	11.24	11.24	23.46	27.29	Large Cap (Top 10%)	5.92%	12.67%	26.69%	
NSE Lotus	2185.70	8.15	13.05	13.05	19.13	29.49	Mid Cap (Mid 30%)	8.15%	14.63%	3.19%	
NSE Pensions	1235.76	7.13	17.53	17.53	17.24	31.82	Small Cap (Bottom 60%)	7.33%	12.14%	-45.15%	

Top 10 Gainers			Top 10 Losers		
Company	This Week	WoW	Company	This Week	WoW
PORILAND	2.71	32.2%	ROYALEX	0.23	0.0%
STERLNBK	1.77	26.4%	REGALINS	0.22	0.0%
EIT	5.65	24.2%	CHAMS	0.21	0.0%
LASACO	0.32	23.1%	ACADEMY	0.27	0.0%
FLOUMIL	28.15	22.4%	WAPIC	0.40	0.0%
NESTLE	1421.70	21.0%	CORNERST	0.58	-3.3%
CONOIL	19.05	20.6%	OMATEK	0.24	-7.7%
MANSARD	2.20	19.6%	NASCON	13.10	-8.4%
INTBREW	7.37	17.0%	CUTIX	1.73	-8.9%
UBN	5.60	16.7%	PRESTIGE	0.54	-10.0%



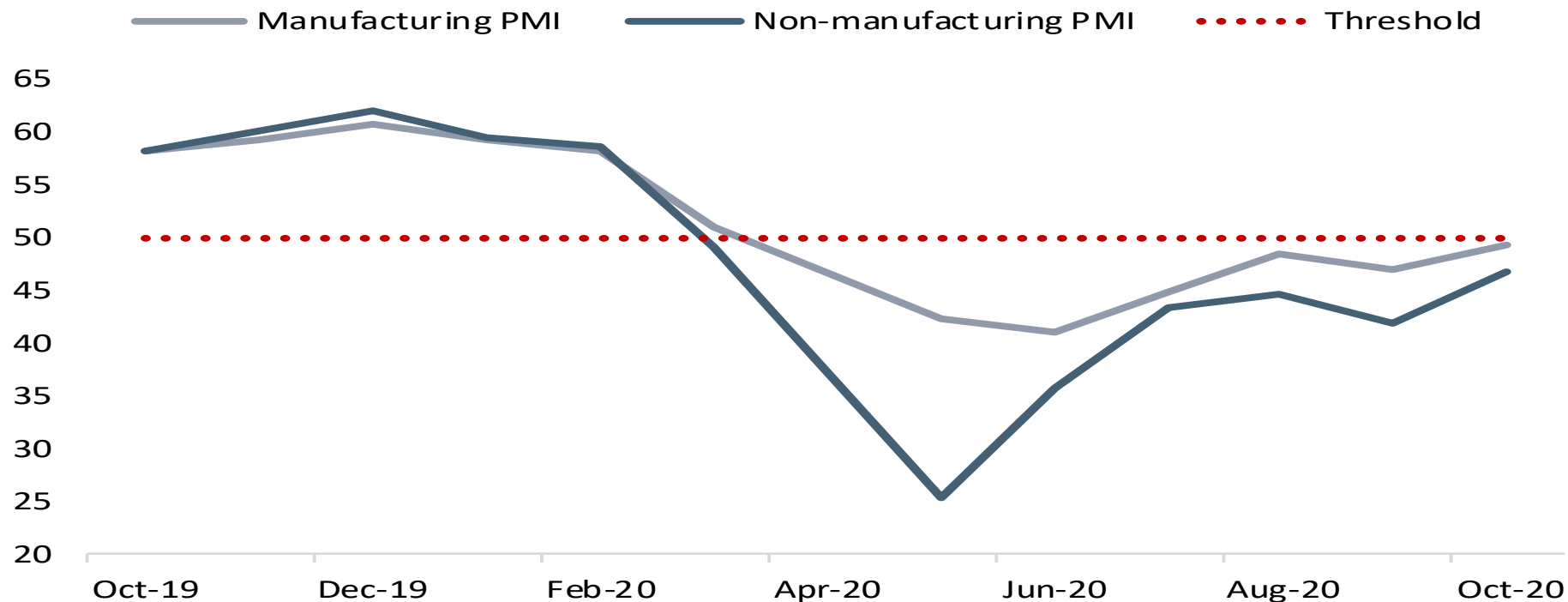
Source: NSE, Bloomberg, ARM Research

	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)	1.00%	9.75%	-8.75%	30-Oct-20	3.48%	6.48%	7.49%	30-Oct-20	10.00	10.00	80.00
Open Buy Back (OBB)	1.25%	9.00%	-7.75%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
NIBOR - 1M	1.58%	2.85%	-1.27%	17-Sep-20	4.86%	7.68%	8.88%	17-Sep-20	10.00	10.00	50.00
NIBOR - 3M	1.70%	3.10%	-1.40%	10-Sep-20	4.86%	7.68%	8.90%	10-Sep-20	10.00	10.00	50.00
NIBOR - 6M	2.19%	3.78%	-1.59%	03-Sep-20	4.86%	7.68%	8.94%	03-Sep-20	10.00	10.00	50.00
Treasury Bills				Treasury Bills				Treasury Bills			
					91 Day	182 Day	364 Day		91 Day	182 Day	364 Day
1-month	0.39%	0.39%	0.00%	28-Oct-20	0.34%	0.50%	0.98%	28-Oct-20	7.50	6.00	140.87
3-month	0.34%	0.34%	0.00%	14-Oct-20	1.00%	1.00%	2.00%	14-Oct-20	12.76	4.50	107.62
6-month	0.62%	0.26%	0.36%	30-Sep-20	1.08%	1.49%	2.80%	30-Sep-20	10.00	17.60	106.37
9-month	0.35%	0.46%	-0.11%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
12-month	0.71%	0.77%	-0.06%	09-Sep-20	1.10%	1.55%	3.05%	09-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	0.89%	0.80%	0.09%	21-Oct-20	N/A	4.97%	6.00%	21-Oct-20	N/A	22.5	27.5
16.39% 27-JAN-2022	2.35%	3.13%	-0.78%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
14.20% 14-MAR-2024	2.83%	3.22%	-0.39%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
12.50% 22-JAN-2026	3.25%	3.30%	-0.05%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
16.2884% 17-MAR-2027	3.68%	3.34%	0.34%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
12.1493% 18-JUL-2034	5.00%	5.01%	-0.01%	Corporate Bonds				Corporate Eurobond			
					This Week	Prior Week	WoW (%)		This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	4.90%	5.04%	-0.14%	MIXTA 17.00% 16-JAN-2022	2.08%	2.00%	0.08%	ACCESS 10.50% 19-OCT-2021	6.06%	5.11%	0.95%
14.8% 26-APR-2049	6.76%	6.88%	-0.12%	FIDELITY 16.48% 13-MAY-2022	3.66%	4.39%	-0.73%	ZENITH 7.375% 30-MAY-2022	5.45%	5.50%	-0.05%
				DUFIL 18.25% 1-SEP-2022	4.26%	4.94%	-0.68%	UBA 7.75% 08-JUN-2022	7.85%	7.61%	0.24%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022				SEPLAT 9.25% 1-APR-2023			
5.625% 27-JUN-2022	4.80%	4.82%	-0.02%	STERLING 16.50% 3-AUG-2023	3.71%	4.22%	-0.51%				
6.50% 28-Nov-2027	7.06%	7.11%	-0.05%	FCMB 17.25% 8-DEC-2023	4.13%	4.57%	-0.44%				
7.875% 16-FEB-2032	8.29%	8.32%	-0.03%	ACCESS 15.50% 23-JUL-2026	6.14%	6.23%	-0.09%				
7.625% 28-Nov-2047	8.47%	8.50%	-0.03%	VIATHAN 16.00% 14-DEC-2027	4.05%	4.26%	-0.21%				
				UNION 16.20% 27-JUN-2029	7.29%	7.29%	0.00%				

Source: DMO, FMDQ, Bloomberg, ARM Research

PMI

This week, we feature the one-year trend in Nigeria’s PMI. A glance at the chart reveals a V-shaped recovery in the non-manufacturing PMI, while the manufacturing PMI showed similar improvement, albeit, below the 50-index point threshold. By the numbers, the manufacturing PMI printed at 49.4pts (September: 46.9pts) while the non-manufacturing PMI is currently at 46.8pts (vs Sept: 41.9pts).



Source: NBS ARM Research



Thank You

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