

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



## **Weekly Commentary & Stock recommendation** ...for the week 05 October – 09 October 2020

### ***Global Economy***

- ◆ The Eurozone's final composite PMI estimate for September came in at 50.4 (preliminary estimate: 50.1) as the services PMI was revised slightly higher to 48.0 (from 47.6) while the manufacturing PMI remained at 53. In the US, the final composite PMI stood at 54.3 (from 54.4) with the manufacturing PMI printing at 53.2, marginally lower than a preliminary reading of 53.5. Still in the US, President Trump indicated an interest in signing a Stand-Alone Bill, which would prompt the disbursement of a second round of \$1200 stimulus checks but the Speaker of the House of Representatives, Nancy Pelosi, has rejected taking a piecemeal approach to COVID relief. The Stand-Alone Bill, which is only a fraction of the \$2.2trillion stimulus package proposed by the House of Representatives, does not include the payment of \$600 federal unemployment benefits. The president's willingness to sign the bill came after he initially put off negotiations with the Democrats over additional COVID-19 relief.

### ***Domestic Economy***

- ◆ The Budget implementation report for H120 showed total non-oil revenue of ₦1.75tn, a shortfall of ~32% compared to the projected ₦2.57tn. The discrepancy stemmed from underperformance of VAT (-40.5% to ₦651.7bn), CIT (-25.3% to ₦408.7bn) and special levies (-18.6% to ₦23bn), relative to their H120 projected estimates. On the other hand, oil revenue performed better than anticipated over H1 2020, printing at ₦2.3tn (51.55% higher than the projected ₦1.52tn). Bulk of the increase in oil revenue emanated from petroleum profit and gas tax (+197.6% to ₦1.05tn), royalties (+30.84% to ₦608bn) and miscellaneous (+64.7% to ₦5.18bn). However, other oil revenue items including crude oil and gas sales (-15.23% to ₦278.4bn), gas flared penalty (-4.03% to ₦49.7bn), amongst others fell below their half year projections. Meanwhile, actual expenditure printed at ₦4.46tn over H1 2020, 11% lower than the projected ₦4.99 tn. Overall, fiscal deficit in H1 2020 stood at ₦2.81tn vs the projected value of ₦2.48tn.

### ***Equities and stock recommendation***

- ◆ For the third consecutive week, the bullish trend in the Nigerian bourse lingered with the ASI advancing by 530bps WoW. The ASI closed at 28,415.31 points, while market cap ended the week at ₦14.9 trillion. Notably all sectors recorded gains, with banking (+8.01%), Oil & Gas (+4.48%) and Telecom (+8.10%) leading the pack. Dissecting the sectoral performance revealed the major drivers for the upside were observed in ACCESS (+16.42%), ZENITH (+10.80%), FBNH (+19.23%), DANGCEM (+4.17%), WAPCO (+12.21%), PRESCO (+14.15%), and INTBREW (21.03%) WoW, amongst others. On the other hand, declines were seen in OANDO (-2.62%), CONOIL (-5.57%), BUACEMENT (-0.60%) and NB (-0.82%) 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***

- ◆ The average fixed income yield in the secondary market declined for the 5<sup>th</sup> consecutive week shedding 49bpsWoW to close at 3.53%, anchored by declines at both ends of the curve. At the long end, the average bond yield fell 58bps over the week to 5.62% with declines all across the bond yield curve, bulk of which was seen in the Feb-2028 (-149bps), Jan-2026 (-127bps), March-2027 (-110bps) and July-2034 (-77bps). At the short end of the curve, average NTB yields contracted by 41bps to 1.44% reflecting decline in the 270-day bill (-87bps), amongst others.

### The week in Review

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◆ The Stand-Alone Bill, which is only a fraction of the \$2.2trillion stimulus package proposed by the House of Representatives, does not include the payment of \$600 federal unemployment benefits. The president's willingness to sign the bill came after he initially put off negotiations with the Democrats over additional COVID-19 relief.

### Global Fixed Income

### Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.13		0.79	-0.8	1.3	Euro (€)	1.2	1.2	0.9	5.4
UK			0.08	-0.3	0.2	GBP (£)	1.3	1.3	0.5	-1.9
Euro	-0.50	-2.6	-0.22	7.5	-0.3	JPY (¥)	105.7	105.3	-0.4	2.7
Japan			-0.08	-0.2	-0.4	INR (₹)	73.1	73.1	0.0	-2.4
China	2.52	1.4	3.16	1.3	2.4	CNY (¥)	6.7	6.8	1.4	4.0
India	3.50	-2.0	5.94	-1.0	5.63	MXN (\$)	21.2	21.6	2.2	-10.6
Mexico	4.48	0.9	5.42	0.4	4.01	RUB (p.)	76.8	78.2	1.9	-19.3
Turkey	15.59	-5.4	13.04	-2.4	11.75	ZAR (R)	16.4	16.5	0.6	-14.8
Russia	4.28	-0.1	2.17	-0.8	3.7	EGP (£)	15.7	15.8	0.3	2.1
Egypt	13.52	-0.07	14.55	0.00	3.4	KES (sh)	108.6	108.5	0.0	-6.7
South Africa	3.84	0.3	9.46	-0.4	3.1	GHS (¢)	5.8	5.8	0.0	-1.6
Kenya	7.76	0.2	11.87	-4.4	4.2	XOF (CFA)	555.2	559.4	0.8	5.4
Ghana	17.90	N/A	19.00	0.0	10.5	XAF (CFA)	555.2	559.8	0.8	5.5
Nigeria	2.80	-8.2	6.80	3.4	13.2	NGN (₦)	383.5	381.8	-0.4	-5.4

### Global Commodities

### Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	43.5	39.3	10.8	-34.1	EU Markit PMI Composite - Sep	50.4	50.1
OPEC Crude	\$/bbl	41.1	39.9	7.8	-39.6	EU Retail Sales (YoY) - Aug	3.7%	-0.1%
Gasoline	\$/gal	122.2	112.4	8.8	-24.0	Germany Industrial Production (YoY) - Aug	-9.6%	-10.0%
Natural Gas	\$/MBtu	2.8	2.4	13.5	14.0	US Markit PMI Composite - Sept	54.3	54.4
Gold	\$/oz	1919.6	1899.8	1.0	26.5	Germany Exports (MoM) - Aug	2.4%	4.7%
Sugar	\$/lb	14.2	13.6	4.9	-1.2	Brazil Retail Sales (MoM) - Aug	3.4%	4.7%
Wheat	\$/bsh	601.0	573.3	4.8	4.0	UK Gross Domestic Product (MoM) - Aug	2.1%	6.6%
Crude Palm oil	MYR/MT	2911.0	2708.0	0.0		JP Overall Household Spend (YoY) - Aug	-6.9%	-7.6%

\*\* means Preliminary Estimate

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Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.73	35.72	0.02%	-7.42%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	386	386	0.04%	-5.53%	
Parallel	454.5	462.5	1.76%	-20.79%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2020 Avg.</b>	
<b>Inflation YoY (July)</b>			<b>CHG (pps)</b>		
Headline	13.22	12.82	0.40	12.49	
Core	10.52	10.1	0.42	9.92	
Food	16	15.49	0.51	15.18	
<b>GDP (%) - YoY</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>Q4 19</b>	<b>FY19</b>	
Real GDP	-6.1	1.87	2.55	2.3	
Oil	-6.6	5.1	6.4	4.6	<b>News Headline for the week (click news for link)</b>
Agriculture	1.6	2.2	2.3	2.4	*Debts, salaries take 52.6% as FG budgets N13.08tn for 2021
Manufacturing	-8.8	0.4	1.2	0.8	*U.S. trade deficit jumps to largest in 14 years in August
Services	-2.6	3.5	4	3.4	*Senate Approves 2021-2023 MTEF/FSP Report
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*COVID-19 vaccine may be ready by year-end
Unemployment Rate			27.1	23.1	*IMF Forecasts 'Less Dire' Global GDP Contraction in 2020
Underemployment			28.8	20.1	*CBN goes tough on breach of export laws
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Euro zone economic recovery floundered in September as services struggled
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Buhari Approves N10bn for Census
Bonds	0.00	231.22	-100.0%	-100.0%	*Crude oil price rises by 6% to \$41
Money Market	332.07	3,438.54	-90.3%	-66.2%	*Liquidity mop up imminent as N567bn hits interbank market
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*PIB Proposes 2.5% Fund for Host Communities
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*NSE Enhances Fixed Income Market, Capitalisation Rises 27% to N16trn
Trade Balance	2,382	2,559	1,668	-6.9%	*CBN warns against fraudulent loan offers, investment schemes
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*External reserves hit \$35.72bn in September

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

## The week in Review

◆ For the third consecutive week, the bullish trend in the Nigerian bourse lingered with the ASI advancing by 530bps WoW. The ASI closed at 28,415.31 points, while market cap ended the week at ₦14.9 trillion. Notably all sectors recorded gains, with banking (+8.01%), Oil & Gas (+4.48%) and Telecom (+8.10%) leading the pack. Dissecting the sectoral performance revealed the major drivers for the upside were observed in ACCESS (+16.42%), ZENITH (+10.80%), FBNH (+19.23%), DANGCEM (+4.17%), WAPCO (+12.21%), PRESCO (+14.15%), and INTBREW (21.03%) WoW, amongst others.

◆ On the other hand, declines were seen in OANDO (-2.62%), CONOIL (-5.57%), BUACEMENT (-0.60%) and NB (-0.82%) 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**.

## Index Performance

	Level	Index Returns (%)				
		WoW	MID	QTD	YTD	1 year
NSE ASI	28415.31	5.30	5.88	5.88	5.86	6.83
NSE ASI (\$)	28415.31	5.30	5.95%	5.95%	-0.33%	0.08%
Market Cap (?'bn)	A Invalid Sect	5.30%	5.90%	5.90%	14.61%	14.99%
Market Cap (\$'mn)	A Invalid Sect	5.29%	5.95%	5.95%	7.91%	7.46%
NSE 30	1215.54	5.13	5.81	5.81	3.20	12.36
NSE Premium	2565.99	7.47	8.26	8.26	21.25	16.09
NSE 50	1295.13	4.68	5.52	5.52	-3.83	4.07
NSE ASEM	728.51	0.00%	0.00	0.00	-0.88	-5.91
NSE Banking	340.01	7.83	9.54	9.54	-4.72	4.22
NSE Insurance	139.12	1.96	0.22	0.22	10.57	16.64
NSE Consumer	464.46	2.02	2.34	2.34	-21.66	-10.08
NSE Oil & Gas	199.36	2.01	1.26	1.26	-24.06	-11.78
NSE Industrial	1231.85	2.72	3.19	3.19	14.53	16.37
NSE Lotus	2018.15	3.80	4.38	4.38	10.00	19.97
NSE Pensions	1130.73	6.71	7.54	7.54	7.27	18.21

## Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	8.01%	9.29%	-1.98%
Brewers	0.23%	0.23%	-21.82%
Cement	2.91%	3.42%	18.49%
Telecom	8.10%	8.64%	38.74%
Personal Care	1.33%	1.33%	-34.23%
Construction	1.70%	2.33%	-9.29%
Food	1.03%	1.38%	-14.71%
Insurance	0.88%	0.21%	-0.36%
Oil & Gas	4.48%	4.78%	-55.36%
Real Estate	-0.32%	-0.18%	-2.92%

## ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	5.11%	5.78%	18.93%
Mid Cap (Mid 30%)	4.04%	3.89%	-6.48%
Small Cap (Bottom 60%)	5.38%	6.58%	-47.87%

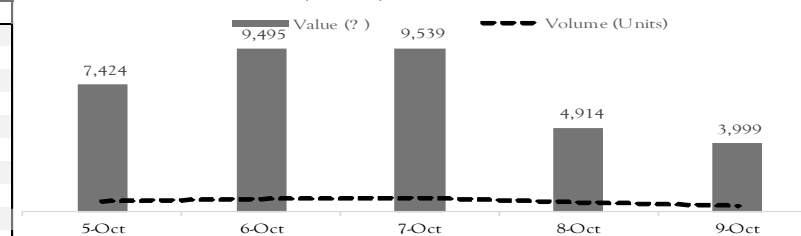
## Top 10 Gainers

Company	This Week	
	This Week	WoW
ETERNA	3.63	32.5%
TRANSEXP	0.92	19.5%
ACCESS	7.80	16.4%
GLAXOSMI	5.80	16.0%
NASCON	12.05	15.9%
NNFM	4.65	14.8%
WAPCO	17.00	12.2%
LIVESTOC	0.62	10.7%
FIDELITY	2.04	10.3%
NPFMCRFBK	1.37	9.6%

## Top 10 Losers

Company	This Week	
	This Week	WoW
OANDO	2.23	-2.6%
UNIONDAC	0.24	-4.0%
CHAMS	0.20	-4.8%
LAWUNION	1.10	-5.2%
CONOIL	14.40	-5.6%
UACPROP	0.81	-12.0%
ACADEMY	0.27	-6.9%
DEAPCAP	0.27	-10.0%
TRIPPLEG	0.36	-10.0%
CORNERST	0.60	0.0%

## Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

### The week in Review

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◆ At the short end of the curve, average NTB yields contracted by 41bps to 1.44% reflecting decline in the 270-day bill (-87bps), amongst others.

	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
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	4.88%	1.58%	3.30%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
Open Buy Back (OBB)	4.00%	1.00%	3.00%	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
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	1.04%	1.21%	-0.17%	16-Sep-20	1.08%	1.49%	2.80%	16-Sep-20	10.00	17.60	106.37
3-month	1.07%	1.21%	-0.14%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
6-month	1.33%	1.56%	-0.23%	09-Sep-20	1.10%	1.55%	3.05%	09-Sep-20	4.41	14.00	109.65
9-month	1.65%	2.52%	-0.87%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85	121.38
12-month	2.14%	2.40%	-0.26%	12-Aug-20	1.20%	1.39%	3.20%	12-Aug-20	49.84	54.59	161.52
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>5 Year</b>	<b>15 Year</b>	<b>30 Year</b>	<b>FGN Bonds</b>	<b>5 Year</b>	<b>15 Year</b>	<b>30 Year</b>
14.50% 15-JUL-2021	1.82%	2.09%	-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	3.01%	2.60%	0.41%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
14.20% 14-MAR-2024	3.17%	3.64%	-0.47%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.50% 22-JAN-2026	4.65%	5.92%	-1.27%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.2884% 17-MAR-2027	5.64%	6.74%	-1.10%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
12.1493% 18-JUL-2034	8.10%	8.87%	-0.77%	<b>Corporate Bonds</b>				<b>Corporate Eurobond</b>			
16.2499% 18-APR-2037	8.17%	8.80%	-0.63%	MIXTA   17.00%   16-JAN-2022	3.01%	3.29%	-0.28%	ACCESS   10.50%   19-OCT-2021	5.30%	5.40%	-0.10%
14.8% 26-APR-2049	8.95%	9.32%	-0.37%	FIDELITY   16.48%   13-MAY-2022	4.28%	3.97%	0.31%	ZENITH   7.375%   30-MAY-2022	5.58%	5.72%	-0.14%
<b>FGN Eurobonds</b>				DUFIL   18.25%   1-SEP-2022	4.83%	4.63%	0.20%	UBA   7.75%   08-JUN-2022	7.44%	7.59%	-0.15%
5.625% 27-JUN-2022	4.81%	5.41%	-0.60%	LAPO MFB   17.75%   19-DEC-2022	6.77%	6.68%	0.09%	SEPLAT   9.25%   1-APR-2023	8.65%	8.84%	-0.19%
6.50% 28-Nov-2027	6.58%	7.32%	-0.74%	STERLING   16.50%   3-AUG-2023	4.14%	4.31%	-0.17%				
7.875% 16-FEB-2032	7.63%	8.50%	-0.87%	FCMB   17.25%   8-DEC-2023	4.52%	4.84%	-0.32%				
7.625% 28-Nov-2047	7.99%	8.65%	-0.66%	ACCESS   15.50%   23-JUL-2026	7.38%	8.33%	-0.95%				
				VIATHAN   16.00%   14-DEC-2027	4.90%	5.23%	-0.33%				
				UNION   16.20%   27-JUN-2029	10.32%	10.93%	-0.61%				

Source: DMO, FMDQ, Bloomberg, ARM Research

## Economic and Financial Calendar for the week 12th - 16th October 2020

	Monday 12-Oct	Tuesday 13-Oct	Wednesday 14-Oct	Thursday 15-Oct	Friday 16-Oct
<b>Global</b>	China Foreign Direct Investment (Ytd) (YoY)(Sept)	China Trade Balance USD (sep)	Eurozone Industrial Production(MoM)(Aug)	China consumer Price Index (YoY)(Sept)	Eurozone consumer Price Index (MoM)(Sept)
		US consumer Price Index (YoY)(Sept)			US Industrial Production(MoM)(Sept)
		Germany Consumer Price Index (YoY)(Sept)			
<b>Domestic</b>				CPI and Inflation report (September 2020)	Automotive Gas oil price watch (September 2020)
				Petroleum motor spirit price watch (September 2020)	National household kerosene price watch (September 2020)

\*\* means Preliminary Estimate

## 2021 Budget Presentation

The 2021 budget was presented this week by the President and includes a ~100% increase in oil revenue and an 8% decline in non-oil revenue. Projected total revenue is 47% higher at ₦7.89 trillion. Expenditure, meanwhile, is up 21% to ₦13.08 trillion. This gives a projected deficit of ₦5.2 trillion which would be funded by ₦4.3 trillion in new borrowing and ₦205 billion from privatisation proceeds

	2020 Revised budget	2021 Proposed Budget
<b>Macro Assumptions</b>		
Avg Oil Price	\$28	\$40
Avg Oil Production	1.80mbpd	1.86mbpd
Exchange Rate	N360/\$	N379/\$
<b>Budget Numbers</b>		
FG Share of oil revenue	1,013.77	2,010.00
Non-Oil revenue	1,624.93	1,490.00
Other revenue	3,196.56	4,386.00
<b>FG Total revenue</b>	5,835.26	7,886.00
FGN Expenditure	10,810.81	13,080.00
<b>Fiscal deficit</b>	4,975.55	5,194.00
New borrowing	4,197.00	4,280.00

Source: DMO, ARM Research





Thank You

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