

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 13th September - 17th September 2021

Global Economy

- ◆ Earlier in the week, the Organization of the Petroleum Exporting Countries (OPEC) in a monthly report raised its forecast for 2022 growth in global oil demand to 4.2 million bpd, a 900,000-bpd increase from its August projection. The group now expects 2022 global demand to reach 100.8 million bpd, topping pre-pandemic levels while world oil-demand growth for 2021 was left unchanged at 6 million barrels a day. According to the cartel, while oil demand in the third quarter of 2021 has been resilient, supported by rising mobility and travel, the increased risk of burgeoning COVID-19 cases has clouded the prospects for oil demand heading into the final quarter of the year, consequently resulting in downward adjustments to the group's Q4 2021 assessments. Over in the U.S, annual inflation rate eased marginally to 5.3% in August (June and July: 5.4%), printing in line with market expectations. Taking a cursory glance at the numbers, we witnessed a moderation in the cost of items that had hitherto anchored the post-lockdown surge in price levels, particularly used cars and trucks (31.9%YoY vs 41.7%YoY in July) and transportation services (4.6%YoY vs 6.4%YoY) while there was an acceleration in the price of food, new vehicles and medical care services. Elsewhere, Annual inflation rate in the UK jumped to a near-decade high of 3.2% in August 2021 on the back of a low base effect from last year, driven by discounted restaurant and café prices in August 2020 and VAT cuts across the same sector. Main upward pressure came from a rise in the price of recreation and culture (2.4% vs 0.7% in July), restaurants and hotels (8.6% vs 2.2%) and food (0.3% vs -0.6%).

Domestic Economy

- ◆ Earlier in the week, President Muhammadu Buhari formally requested the Senate's consideration and approval of \$4.179 billion (\$4.054 billion and \$125 million Grant Component) and £710 million external loans to fund projects captured under the 2018-2021 borrowing plan. According to the President, the projects listed in the 2018-2021 Federal Government Borrowing Plan are to be financed through sovereign loans from the World Bank, French Development Agency (AFD), China-Exim Bank, etc., while the amount would be used to fund federal and state projects which cut across key sectors such as infrastructure, health, education and human capital development. Meanwhile, The Federal Government, through the Debt Management Office (DMO) looks set to issue a fresh Eurobond at the International Capital Market (ICM), with plans to raise "up to \$3 billion but no more than \$6.2 billion" from the issuance. In a statement yesterday, the DMO stated that virtual meetings with investors have been scheduled for September 17 and September 20, 2021, with local investors included in the roadshow for the first time in order to avail them the opportunity of investing in the Eurobonds. Elsewhere, The Central Bank of Nigeria announced that InfraCorp Plc, the country's NGN15trn Infrastructure Fund, will be launched in October 2021 while revealing plans to establish the Nigerian International Financial Centre (NIFC). According to the bank's Governor, Mr. Godwin Emezie, the NIFC will serve as a 24/7 Financial Centre created to act as an international gateway for Capital and investments, driven by technology and payment system infrastructure. He added that the bank was targeting a 15% inflation rate and an annual GDP growth of between 2.5 - 3.0% for the Nigerian economy in 2021.

Equities and stock recommendation

- ◆ The Nigerian equities market ended the week on a positive note as the NGXASI reversed previous week's losses to eke out gains. The benchmark index advanced marginally by 0.08% on the day and 0.06%WoW while market capitalization rose by 0.05% to settle at NGN20.29 trillion. Sectoral performance was broadly negative, but the gains recorded in Telecom (+83bps) and Banking (+53bps) ensured the market ended the week in the green. Delving further, the bullish performance came on the back of bargain hunting activities, with renewed interest in mid and large-cap stocks such as HONEYWELL (+5.26%) WoW, FLOURMILLS (+0.52%) WoW, NB (+0.21%) WoW, STANBIC (+0.52%) WoW, GTCO (+3.51%) WoW and MTNN (+1.45%) WoW driving the upturn witnessed in the market. Conversely, blue-chip names SEPLAT (-6.54%), OKOMU (-5.45%), DANGSUGAR (-2.27%), WAPCO (-4.02%) and ACCESS (-2.17%) all posted weekly losses.
- ◆ **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 average fixed income yield closed out the week 42bps higher at 8.22%, mirroring expansions at both ends of the curve. For context, the average bond yield across the curve cleared higher by 18bps WoW to close at 10.88% as the Mar-2027 (+69bps), Apr-2049 (+63bps) and Jan-2022 (+59bps) maturities ended the week as the worst performers. At the front end of the curve, the NT-Bills secondary market also closed on a bearish note, with selloffs in the 1-year (+92bps) and 30-day (+69bps) bills driving the benchmark curve up 66bps WoW to settle at 5.57%. In the primary market, the CBN offered and sold NGN155.88bn worth of treasury bills across three maturities (91-day: NGN0.96bn, 182-day: NGN3.61bn, and 364-day: NGN151.31bn). Total subscription came in at NGN244.57bn, translating to a subscription rate and a bid-to-cover ratio of 1.57x. The average stop rate remained at 4.40% as stop rates cleared at the previous auction levels.

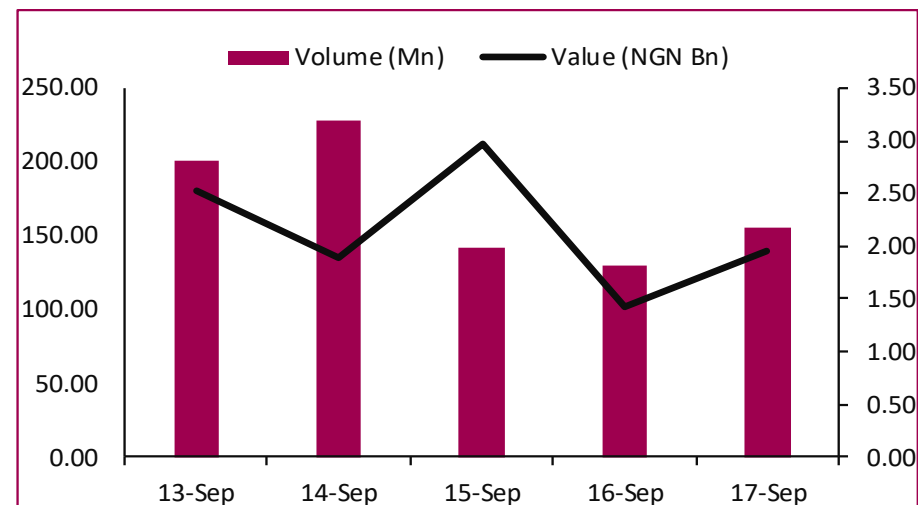
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.27	34.60	1.95%	-8.61%	*Nigerian Inflation - Inflation Maintains Downtrend for the Fifth Consecutive Month
USD/NGN (₦/\$)					
NAFEX	413	411.7	-0.34%	-11.76%	
Parallel	565.0	536.0	-5.13%	-36.28%	
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	*Nigeria Returns to Int'l Capital Market for \$6.2bn Eurobonds
Agriculture	1.3	2.3	3.4	2.2	*Naira slumps further, exchanges for 570/\$
Manufacturing	3.49	3.4	-1.5	-2.8	*Oil dips as U.S. storm-hit supply makes slow return
Services	9.3	-0.4	1.3	-2.2	*Nigeria piles up N2.36tn debt stock in three months
Labor Data (%) - Q4 20			Latest	Prior	*DPR to Exceed N3.2trn Revenue Benchmark, Adjusts to N5trn By Year End
Unemployment Rate			33.3	27.1	*Japan's hot exports growth cools as COVID-19 hits supply chains
Underemployment			22.8	28.8	*Nigeria's August inflation eases ahead of cenbank rate decision
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*Nigeria launching '24/7 financial Centre' to complement New York, London
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*Experts, others carpet National Assembly as Buhari plans \$4bn, €710m borrowings
Bonds	14.54	138.69	-89.52%		*Remittances to Nigeria, others might drop to \$41bn this year
Money Market	451.67	808.57	-44.1%	36.02%	*Non-performing loans declining but remain above benchmark - CBN
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*Debt Service Gulps N11.679tn in Five Years
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*OPEC Increases 2022 Global Oil Demand Forecast By 1mbpd
Trade Balance	2,382	2,559	1,668	-6.9%	*NGX Group to optimise profit through partnership, digital business model
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Banks Interest Income on T.Bills, Bonds Shrink 12% on Low Yield Environment

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
HONYFLOUR	4.00	33.33%	4.00	1.09	233.33%
UCAP	8.90	29.17%	8.90	4.50	88.96%
FTNCOCOA	0.49	22.50%	0.72	0.30	-25.76%
SKYAVN	4.05	17.39%	4.05	2.88	26.56%
TRANS-COHOT	4.50	14.80%	4.50	3.25	25.00%
CHIPLC	0.52	13.04%	0.80	0.27	62.50%
LEARNAFRCA	1.44	11.63%	1.50	0.92	44.00%
PRESCO	79.50	9.50%	79.50	68.00	12.05%
JBERGER	27.00	8.00%	27.00	17.00	51.69%
VITAFOAM	17.20	7.50%	17.20	7.35	120.51%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
SCOA	1.06	-33.33%	2.93	1.06	-63.82%
LASACO	1.20	-22.08%	1.71	0.35	242.86%
IKEJAHOTEL	1.14	-18.57%	1.6	0.91	-5.00%
UPL	1.02	-15.70%	1.68	1.02	-20.31%
ABCTRANS	0.33	-15.38%	0.44	0.28	-13.16%
WEMA-BANK	0.76	-13.64%	0.9	0.55	10.14%
UACN	10.00	-12.66%	11.4	7.10	37.93%
COURTVILLE	0.29	-12.12%	0.29	0.20	38.10%
UNILEVER	13.50	-10.00%	14.6	11.65	-2.88%
ROYALEX	0.55	-8.33%	0.83	0.23	111.54%

	WoW	Mtd	QtD	YtD
NGXASI	0.06%	-0.70%	2.73%	-3.29%
Market Cap	0.05%	-0.69%	3.42%	-3.64%
NGX 30	0.10%	0.04%	1.41%	-1.39%
NGX Premium	0.12%	0.58%	8.54%	10.32%
NGX 50	0.05%	-0.52%	-0.72%	-2.68%
NGX ASEM	0.00%	0.00%	-4.73%	-8.11%
NGX Banking	-0.79%	-1.79%	1.02%	-5.80%
NGX Industrial	-0.24%	0.30%	3.53%	-4.77%
NGX Consumer Goods	-0.21%	-0.58%	-8.64%	-4.25%
NGX Oil & Gas	-3.35%	-2.55%	14.66%	58.70%
NGX Insurance	-0.58%	-3.66%	-9.72%	-2.89%

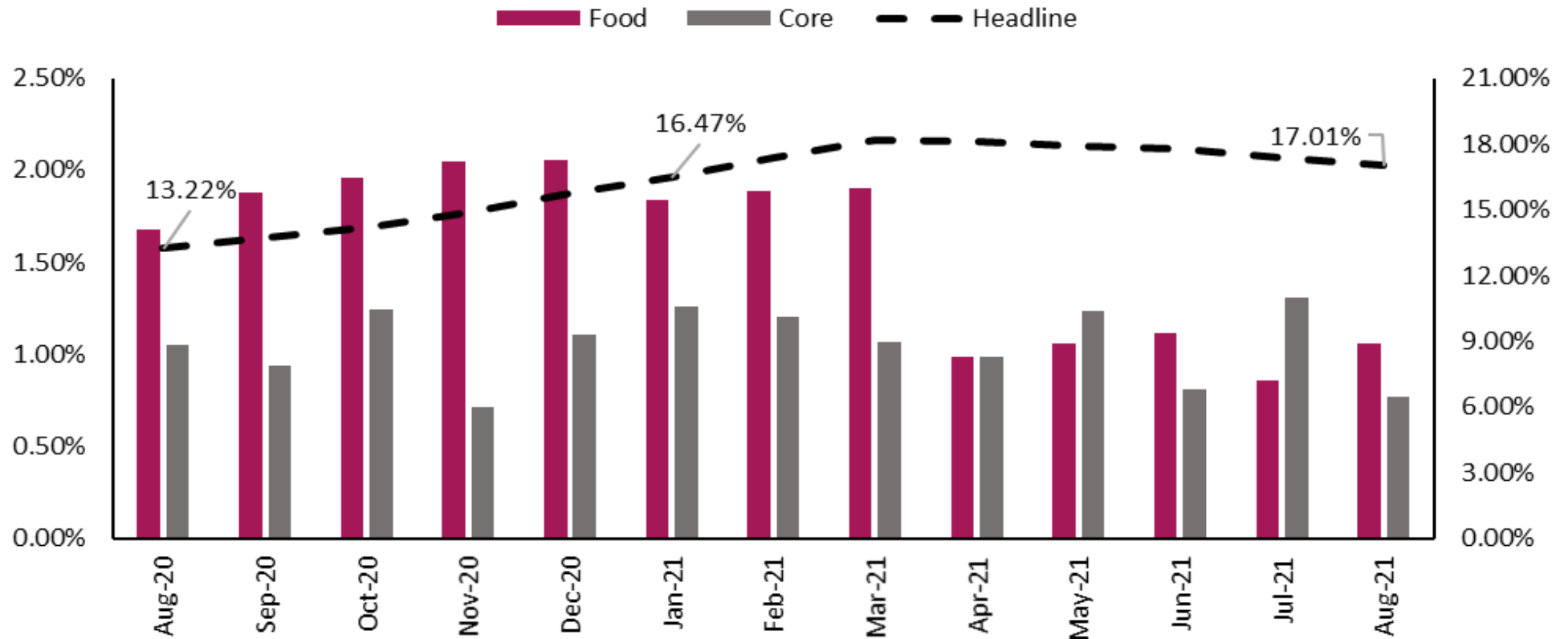


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	17.75%	14.50%	3.25%	15-Jul-21	7.00%	8.50%	10.10%	15-Jul-21	5.50	6.80	45.18
Open Buy Back (OBB)	16.50%	14.00%	2.50%	08-Jul-21	7.00%	8.50%	10.10%	08-Jul-21	2.50	5.55	27.67
NIBOR - 1M	10.62%	11.49%	-0.87%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
NIBOR - 3M	11.38%	12.47%	-1.09%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 6M	12.27%	13.28%	-1.01%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	3.78%	3.09%	0.69%	15-Sep-21	2.50%	3.50%	7.20%	15-Sep-21	0.96	3.61	151.31
3-month	4.15%	3.51%	0.64%	08-Sep-21	2.50%	3.49%	7.20%	08-Sep-21	4.94	11.88	192.68
6-month	5.21%	4.60%	0.61%	25-Aug-21	2.50%	3.50%	6.80%	25-Aug-21	3.54	22.86	280.93
9-month	6.26%	5.92%	0.34%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
12-month	8.31%	7.39%	0.92%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	4.75%	4.16%	0.59%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	8.65%	9.14%	-0.49%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.27%	9.67%	-0.40%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	10.72%	10.78%	-0.06%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.70%	11.01%	0.69%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.50%	12.15%	0.35%								
16.2499% 18-APR-2037	12.76%	12.66%	0.10%								
14.8% 26-APR-2049	12.97%	12.34%	0.63%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	1.56%	1.58%	-0.02%	MIXTA 17.00% 16-JAN-2022	5.84%	5.24%	0.60%	ACCESS 10.50% 19-OCT-2021	5.35%	5.35%	0.00%
6.50% 28-Nov-2027	5.51%	5.41%	0.10%	DUFIL 18.25% 1-SEP-2022	9.69%	9.02%	0.67%	ZENITH 7.375% 30-MAY-2022	2.47%	3.01%	-0.54%
7.875% 16-FEB-2032	6.91%	6.88%	0.03%	LAPO MFB 17.75% 19-DEC-2022	12.07%	11.85%	0.22%	UBA 7.75% 08-JUN-2022	2.97%	3.26%	-0.29%
7.625% 28-Nov-2047	7.71%	7.65%	0.06%	STERLING 16.50% 3-AUG-2023	9.84%	10.24%	-0.40%				
				FCMB 17.25% 8-DEC-2023	10.44%	10.87%	-0.43%				
				ACCESS 15.50% 23-JUL-2026	13.44%	13.55%	-0.11%				
				VIATHAN 16.00% 14-DEC-2027	11.22%	11.43%	-0.21%				
				UNION 16.20% 27-JUN-2029	15.14%	14.75%	0.39%				
				FIDELITY 8.50% 27-JAN-2031	13.01%	12.63%	0.38%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Inflation Maintains Downtrend for the Fifth Consecutive Month

Headline inflation soft-pedalled in August to 17.01% from 17.38% in July, representing the fifth consecutive month of decline since April 2021. A month-on-month analysis however revealed a different picture as headline inflation inched 10bps higher to 1.02% in August due to a 20bps uptick in food inflation to 1.2%.



Source: NBS, ARM Research

Thank You



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