

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 20th September - 24th September 2021

Global Economy

- ◆ The Bank of Japan (BOJ) maintained its dovish monetary policy stance during its September meeting; however, policymakers offered a bleaker view on exports and output, amid supply constraints caused by a pandemic-induced shutdown of Asian factories. While the central bank stuck to its view that the economy is picking up as a trend, recent supply chain disruptions add to the downside risks to Japan's fragile recovery which has been hampered by weak consumption, as the state of emergency measures imposed to stem the spread of the coronavirus has restrained household spending. The bank also outlined details of its green finance scheme, with plans to begin disbursing loans in late December 2021. Over in the U.S, the Federal Reserve held its Fed funds rate steady at a range of 0-0.25%, but stated its intentions to begin tapering of its monthly bond-purchase as soon as November 2021 while indicating the likelihood of a sooner-than-expected hike in interest rates. The Fed's hawkish tilt comes in response to rising inflationary pressures, as the Central bank now expects inflation to run higher at 4.2% this year, more than double its 2% target. Conversely, policymakers downgraded their growth expectations for the economy amid rising Covid infections, with GDP growth now projected at 5.9% in 2021 (Previous projection: 7%). In a similar move, the Bank of England left its monetary policy unchanged while noting a stronger case for raising interest rates after an upward revision to its inflation expectations. The bank foresees an inflation rate of over 4% this year as surging energy prices and supply bottlenecks are raising price pressures globally, but policy makers still expect the overshoot to be temporary.

Domestic Economy

- ◆ The House of Representatives has passed for third reading, an amendment to the Asset management Corporation of Nigeria Act which empowers the corporation to trace and sell any property belonging to a bank debtor, including those not presented as security for the credit facility. The House also approved that AMCON gets access to the special tribunal established by the Banks and Other Financial Institution Act for enforcement and recovery of eligible loans. Elsewhere, the Federal Government is looking to take its rural electrification programme to every nook and cranny of the country as stated by the Vice President. The Rural Electrification Agency (REA), through a Public Private Partnership (PPP) with Blue Camel Energy Limited, deploys the solar hybrid mini grid under the Rural Electrification Fund (REF) projects. According to the Managing Director/Chief Executive Officer of REA, who was represented by the Executive Director, REF, Dr. Sanusi Ohiare, the solar hybrid mini grid will provide constant and reliable electricity to over 500 shops in the market, one commercial bank, one police station and one fire station.

Equities and stock recommendation

- ◆ The Nigerian equities market closed higher today, ending on a positive note for a second consecutive week, as bullish momentum gathered pace following renewed interest in some blue-chip stocks. The NGX All-share index advanced marginally by 0.23% on the day and 0.05%WoW while market capitalization rose by 0.05% to settle at NGN20.299 trillion. On a sectoral basis, the NGX Oil&Gas (+1.38%), NGX Insurance (+1.75%) and NGX Industrials (+0.23%) indices ended the week in the green while the NGX Banking (-0.43%) and NGX Consumer Goods (-0.04%) posted weekly losses. Dissecting the sectoral performance further revealed that the sustained positive performance was driven by price appreciation in mostly medium capitalized stocks which are: WAPCO (+4.19%), OKOMU (+5.77%), NASCON (+4.59%), CONOIL (+14.09%), OANDO (+6.70%) and ETERNA (+7.36%). On the flip side, we saw further selloffs in PRESCO (-8.18%), UBA (-1.32%), ZENITH (-1.26%), GTCO (-0.89%) and ACCESS (-0.56%).
- ◆ **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 ended the week 5bps lower at 8.18%, reflecting contracting movements at both ends of the curve. Precisely, buying interest in the Mar-2027 (-68bps), Jan-2026 (-41bps) and Mar-2025 (-21bps) maturities led the bond benchmark curve lower by 13bps WoW to close at 10.75%. At the other end of the curve, the NT-Bills benchmark cleared 4bps higher to settle at 5.61% following selloffs in the 91-day (+44bps) and 270-day (+27bps) bills. In the primary market, the DMO sold NGN277.05bn worth of bonds split across three maturities (Feb-2028:NGN42.37bn, Mar-2036:NGN115.85, and Mar-2050:NGN118.83bn). The offer attracted a healthy level of demand, with total subscription coming in at NGN334.32bn, translating to a subscription rate of 2.23x and a bid-to-cover ratio of 1.21x. Meanwhile, stop rates on the 7- and 15-year maturity cleared at previous auction levels while the 30-year stop rate rose by 20bps to 13.00%.

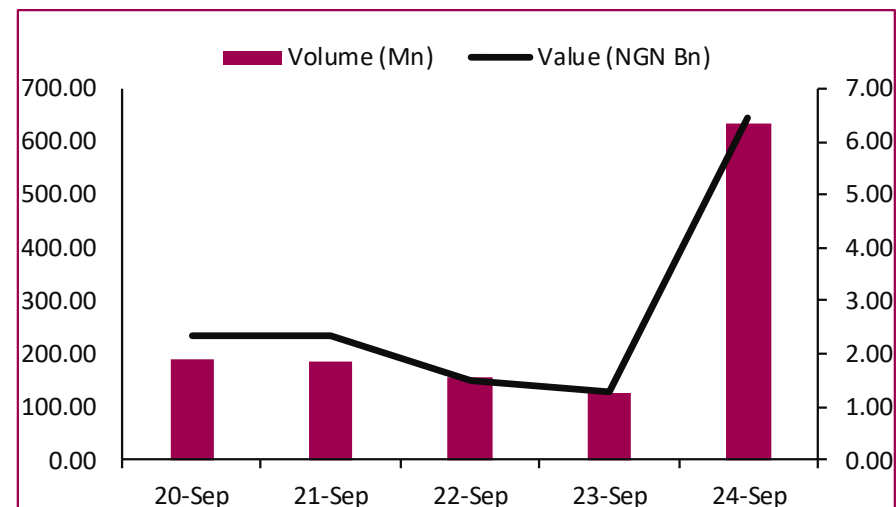
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	35.95	35.27	1.93%	-6.84%	
USD/NGN (₦/\$)					
NAFEX	414	413.1	-0.15%	-11.89%	
Parallel	575.0	565.0	-1.74%	-37.39%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
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	*U.S. household wealth rose to record \$141.7 trillion in Q2, Fed says
Agriculture	1.3	2.3	3.4	2.2	*Naira slides amidst CBN's assurance of increasing forex supply
Manufacturing	3.49	3.4	-1.5	-2.8	*Oil Prices Rise on Tight Supply, Hit Three-month High
Services	9.3	-0.4	1.3	-2.2	*Fed signals bond-buying taper coming 'soon,' rate hike next year
Labor Data (%) - Q4 20			Latest	Prior	*Nigeria, 39 others may not attain pre-COVID-19 GDP levels by 2026 - World Bank
Unemployment Rate			33.3	27.1	*Senate Approves N13.98trn 2022 Budget Projection, Retains N8.36trn Revenue
Underemployment			22.8	28.8	*In Show of Strength, Nigeria Raises \$4bn through Eurobonds
Capital Importation (\$'mn)	Q2 21	Q1 21	QoQ (%)	YoY (%)	*FG Writes OPEC, Seeks Higher Oil Production Quota
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	*BOJ keeps policy steady, offers bleaker view on exports, output
Bonds	14.54	138.69	-89.52%		*It's compulsory for Nigerians to accept e-naira, says CBN
Money Market	451.67	808.57	-44.1%	36.02%	*IEA Forecasts Major Oil Demand Rebound, Additional 1.6m bpd till End of 2021
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	*NNPC: Nigeria Sold N2.33trn Petrol in One Year
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*U.S. Treasury's Yellen: Debt default would 'permanently' weaken America
Trade Balance	2,382	2,559	1,668	-6.9%	*SEC mandates full custody requirement for mutual funds
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Presidency Confirms 15 Major Projects to Be Financed with \$4bn Loan

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
HONYFLOUR	3.80	26.67%	3.80	1.09	216.67%
TRANS-COHOT	4.95	26.28%	4.95	3.25	37.50%
FTNCOCOA	0.50	25.00%	0.72	0.30	-24.24%
UCAP	8.60	24.82%	8.60	4.50	82.59%
PHARMDEKO	2.14	24.42%	2.14	1.09	42.67%
CHIPLC	0.57	23.91%	0.80	0.27	78.13%
SKYAVN	4.05	17.39%	4.05	2.88	26.56%
NAHCO	3.50	17.06%	3.50	2.02	52.17%
CONOIL	25.50	14.09%	25.50	17.00	22.30%
LEARNAFRCA	1.44	11.63%	1.50	0.92	44.00%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
SCOA	0.87	-45.28%	2.93	0.87	-70.31%
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%
CAVERTON	1.75	-14.63%	2.1	1.75	-14.63%
WEMA-BANK	0.76	-13.64%	0.9	0.55	10.14%
UACN	10.00	-12.66%	11.4	7.10	37.93%
UNILEVER	13.20	-12.00%	14.6	11.65	-5.04%
NCR	3.00	-9.91%	3.43	1.96	53.06%

	WoW	Mtd	QtD	YtD
NGXASI	0.05%	-0.66%	2.78%	-3.25%
Market Cap	0.05%	-0.64%	3.46%	-3.60%
NGX 30	-0.04%	0.00%	1.38%	-1.42%
NGX Premium	0.07%	0.64%	8.61%	10.39%
NGX 50	-0.16%	-0.69%	-0.88%	-2.84%
NGX ASEM	0.00%	0.00%	-4.73%	-8.11%
NGX Banking	-0.43%	-2.21%	0.59%	-6.21%
NGX Industrial	0.23%	0.54%	3.78%	-4.55%
NGX Consumer Goods	-0.04%	-0.62%	-8.67%	-4.29%
NGX Oil & Gas	1.38%	-1.21%	16.24%	60.89%
NGX Insurance	1.75%	-1.98%	-8.14%	-1.19%

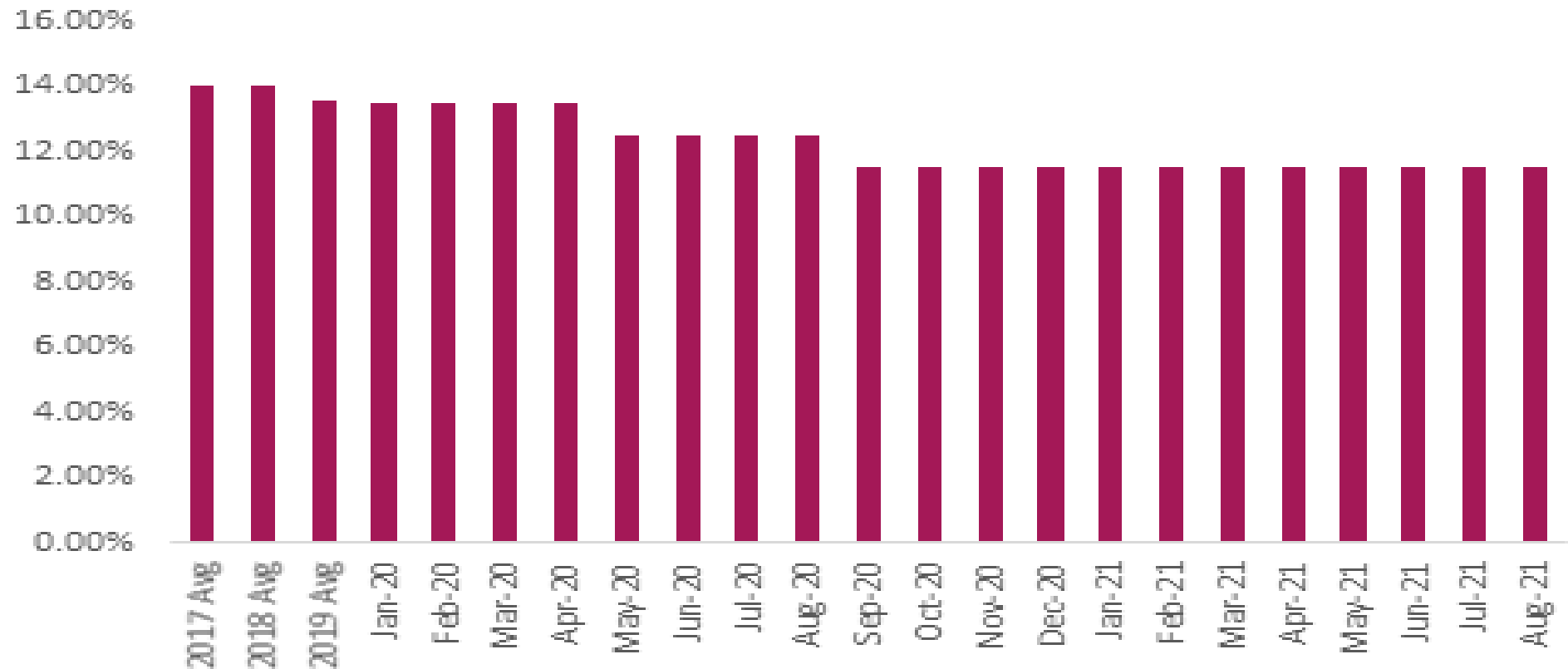


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	17.75%	17.75%	0.00%	15-Jul-21	7.00%	8.50%	10.10%	15-Jul-21	5.50	6.80	45.18
Open Buy Back (OBB)	16.00%	16.50%	-0.50%	08-Jul-21	7.00%	8.50%	10.10%	08-Jul-21	2.50	5.55	27.67
NIBOR - 1M	14.39%	10.62%	3.77%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
NIBOR - 3M	15.57%	11.38%	4.19%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 6M	16.36%	12.27%	4.09%	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	3.90%	3.78%	0.12%	15-Sep-21	2.50%	3.50%	7.20%	15-Sep-21	0.96	3.61	151.31
3-month	4.59%	4.15%	0.44%	08-Sep-21	2.50%	3.49%	7.20%	08-Sep-21	4.94	11.88	192.68
6-month	5.37%	5.21%	0.16%	25-Aug-21	2.50%	3.50%	6.80%	25-Aug-21	3.54	22.86	280.93
9-month	6.53%	6.26%	0.27%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
12-month	8.30%	8.31%	-0.01%	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	4.76%	4.75%	0.01%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	8.60%	8.65%	-0.05%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.15%	9.27%	-0.12%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	10.31%	10.72%	-0.41%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.02%	11.70%	-0.68%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.30%	12.50%	-0.20%								
16.2499% 18-APR-2037	12.65%	12.76%	-0.11%								
14.8% 26-APR-2049	12.92%	12.97%	-0.05%								
FGN Eurobonds				Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
5.625% 27-JUN-2022	2.00%	1.56%	0.44%	MIXTA 17.00% 16-JAN-2022	5.85%	5.84%	0.01%	ACCESS 10.50% 19-OCT-2021	5.35%	5.35%	0.00%
6.50% 28-Nov-2027	5.77%	5.51%	0.26%	DUFIL 18.25% 1-SEP-2022	9.60%	9.69%	-0.09%	ZENITH 7.375% 30-MAY-2022	2.07%	2.47%	-0.40%
7.875% 16-FEB-2032	7.26%	6.91%	0.35%	LAPO MFB 17.75% 19-DEC-2022	12.05%	12.07%	-0.02%	UBA 7.75% 08-JUN-2022	3.13%	2.97%	0.16%
7.625% 28-Nov-2047	7.92%	7.71%	0.21%	STERLING 16.50% 3-AUG-2023	9.77%	9.84%	-0.07%				
				FCMB 17.25% 8-DEC-2023	10.35%	10.44%	-0.09%				
				ACCESS 15.50% 23-JUL-2026	13.09%	13.44%	-0.35%				
				VIATHAN 16.00% 14-DEC-2027	10.95%	11.22%	-0.27%				
				UNION 16.20% 27-JUN-2029	15.28%	15.14%	0.14%				
				FIDELITY 8.50% 27-JAN-2031	13.05%	13.01%	0.04%				

Source: DMO, FMDQ, Bloomberg, ARM Research

MPC keeps all rates constant

The Monetary Policy Committee (MPC) held its fifth meeting of the year which concluded on the 17th of September 2021. The MPC ultimately voted to Retain MPR at 11.5%; Retain asymmetric corridor at +100/-700bps around the MPR; Retain the CRR at 27.5%; Retain liquidity ratio at 30%.



Source: CBN, ARM Research

Thank You



ARM Securities

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

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