

HOW WOULD RECENT EVENTS AFFECT  
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE  
ARM WEEKLY ECONOMIC  
& FINANCIAL COMMENTARY



**Weekly Commentary & Stock recommendation**  
...for the week 21 – 25 September 2020

### ***Global Economy***

- ◆ Preliminary PMI results in the Eurozone indicate a slowdown in economic activity. The composite PMI narrowed to a 3-month low of 50.1 in September (August: 51.9) led by a contraction in services PMI to 47.6 (August: 50.5) while manufacturing PMI rose to 53.7 (August: 51.7). Looking at individual countries, there were declines in the composite PMIs for Germany (to 53.7 from 54.4) and the UK (to 55.7 from 59.1), while France reported a contraction in business activity with PMI printing at 48.5 (August: 51.6). Further slowdown can be expected in the near future as most countries in the zone roll out fresh lockdown restrictions to mitigate effects of a fast-spreading second wave of covid-19 infections. In the US, business activities dipped in September as represented by composite PMI which decreased marginally to 54.4 (August: 54.6) as improvements in the manufacturing sector (to 53.5 from 53.1) was offset by a decline in the service industry (to 54.6 from 55.0). Lastly, Thursday's Labor Department report revealed initial jobless claims had increased marginally to 870,000 from 866,000 in the week ending Sept 18.

### ***Domestic Economy***

- ◆ This week, the Central Bank of Nigeria held its two-day policy meeting with the Monetary Policy Committee (MPC) announcing some changes to the policy parameters. Precisely, the Monetary Policy Rate (MPR) was reduced by 100 bps to 11.5% - the lowest since 2016 when the economy was embattled with a recession while the asymmetric corridor was adjusted from +200/-500 bps to +100/-700 bps around the MPR. The reduction in the asymmetric corridor translates to a lower rate of 4.5% (previously 7.5%) for the Standing Deposit Facility (SDF). Meanwhile, the MPC cited the need to address the weakness in economic growth via the provision of cheaper credit and in turn curtail the northward trend in inflation rate. Elsewhere, recent PMI numbers showed a further contraction in both the manufacturing (Sept: 46.9 pts vs August: 48.5pts) and non-manufacturing PMI (Sept: 44.7 pts vs August: 41.9 pts), reflecting a slowdown in level of business activities for the month of September.

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

- ◆ The bearish trend in the Nigerian bourse was halted this week after two consecutive weeks of losses, with NSE ASI up 292bps WoW. The ASI closed at 26,319.34points, while market cap came in at ₦13.75 trillion. Except for personal care which lost 391bps, all other sectors recorded gains with Breweries (+22.55%), Oil & Gas (+3.76%) and Banking (+3.74%) leading the pack. A further probe into the sectoral performance revealed the major drivers for the upside were observed in NB (+25.12%), WAPCO (+15.77%), FLOURMILL (+8.59%), PRESCO (+8.16%), GUARANTY (+6.51%),WoW, amongst others. On the other hand, declines were seen in AIICO (-20%), OANDO (-11.74%) and UBN (-6.54%) 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***

- ◆ September's bond auction was held this week and we saw the DMO offer ₦145billion but only allocated ₦106.14 billion with 98% of that (₦103.8 billion) coming via competitive means. Total subscription was 2.48x the offered amount at ₦360billion while, on the back of the cut in the MPR, the average stop rate was down 84bps to 8.09%. Meanwhile, ₦300 billion worth of OMO bills matured this week, however, the CBN sold just ₦70 billion at the auction, the same amount they have sold at each OMO auction this month with the 1yr stop rate declining by 18bps to 8.70%. Over in the secondary market, despite an 8bps WoW increase in the average NTB yield to 1.65%, the average fixed income yield fell 20bps WoW to 4.05% reflecting declines in average bond yields. For context, average bond yields shrank by 48bps to close the week at 6.45%, in reaction to the cut in MPR as most activities in the bonds market were seen between Wednesday and Friday, after being flat prior to the MPC's decision.

### The week in Review

◆ Preliminary PMI results in the Eurozone indicate a slowdown in economic activity. The composite PMI narrowed to a 3-month low of 50.1 in September (August: 51.9) led by a contraction in services PMI to 47.6 (August: 50.5) while manufacturing PMI rose to 53.7 (August: 51.7). Looking at individual countries, there were declines in the composite PMIs for Germany (to 53.7 from 54.4) and the UK (to 50.7 from 51.1), while France reported a contraction in business activity with PMI printing at 48.5 (August: 51.6). Further slowdown can be expected in the near future as most countries in the zone roll out fresh lockdown restrictions to mitigate effects of a fast-spreading second wave of covid-19 infections.

◆ In the US, business activities dipped in September as represented by composite PMI which decreased marginally to 54.4 (August: 54.6) as improvements in the manufacturing sector (to 53.5 from 53.1) was offset by a decline in the service industry (to 54.6 from 55.0). Lastly, Thursday's Labor Department report revealed initial jobless claims had increased marginally to 870,000 from 866,000 in the week ending Sept 18.

### Global Fixed Income

### Global Currencies

	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)		This Week	Prior Week	WoW (%)	YTD (%)
US	0.11		0.66	0.4	1.3	Euro (€)	1.2	1.2	-1.8	3.7
UK			0.01	-0.2	0.2	GBP (£)	1.3	1.3	-1.6	-4.1
Euro	-0.48	0.4	-0.24	-9.1	-0.2	JPY (¥)	105.6	104.6	-1.0	2.8
Japan			-0.11	0.0	-0.4	INR (₹)	73.6	73.5	-0.2	-3.0
China	2.46	0.8	3.09	0.9	2.4	CNY (¥)	6.8	6.8	-0.8	2.0
India	3.72	2.8	6.04	0.4	5.33	MXN (\$)	22.4	21.1	-5.6	-15.5
Mexico	4.39	0.1	5.36	-0.1	4.05	RUB (₽)	78.4	75.6	-3.5	-21.0
Turkey	15.08	19.9	12.50	3.2	11.77	ZAR (R)	17.1	16.3	-4.7	-18.3
Russia	4.30	2.1	1.85	0.0	3.6	EGP (£)	15.8	15.8	-0.1	1.7
Egypt	13.55	-0.51	14.55	0.62	3.4	KES (sh)	108.5	108.4	-0.1	-6.6
South Africa	3.82	1.9	9.48	-2.0	3.2	GHS (¢)	5.8	5.8	-0.1	-1.3
Kenya	7.69	1.6	11.87	-4.4	4.4	XOF (CFA)	563.4	553.6	-1.7	3.8
Ghana	17.90	N/A	19.00	0.0	10.5	XAF (CFA)	564.6	553.0	-2.1	3.7
Nigeria	3.05	0.0	7.61	1.4	13.2	NGN (₦)	381.8	384.3	0.7	-5.0

### Global Commodities

### Global Indicators for the Week

		This Week	Prior Week	WoW (%)	YTD (%)		Latest	Prior
Brent Crude	\$/bbl	41.8	43.2	-3.1	-36.6	Japan Jibun Bank Manufacturing PMI - Sept**	47.3	47.2
OPEC Crude	\$/bbl	41.2	42.1	-4.1	-39.4	EU Markit PMI Composite - Sept**	50.1	51.9
Gasoline	\$/gal	120.8	123.7	-2.3	-26.6	Mexico Retail Sales (YoY) - June	-12.5%	-16.6%
Natural Gas	\$/MBtu	2.2	2.0	9.3	-4.6	US Markit PMI Composite - Sept**	54.4	54.6
Gold	\$/oz	1863.3	1950.9	-4.5	22.8	US Initial Jobless Claims - Sept 18	870K	866K
Sugar	\$/lb	13.5	13.4	0.0	-6.1	UK Public Sector Net Borrowing - Aug	£35.195 B	£14.716 B
Wheat	\$/bsh	546.5	575.0	-5.0	-5.4	Argentina Unemployment Rate (QoQ) - Q2	13.1%	10.4%
Crude Palm oil	MYR/MT	2822.0	3080.0	0.0		EU Consumer Confidence - Sept**	-13.9	-14.7

\*\* means Preliminary Estimate

### The week in Review

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◆ Meanwhile, the MPC cited the need to address the weakness in economic growth via the provision of cheaper credit and in turn curtail the northward trend in inflation rate. Elsewhere, recent PMI numbers showed a further contraction in both the manufacturing (Sept: 46.9 pts vs August: 48.5pts) and non-manufacturing PMI (Sept: 44.7 pts vs August: 41.9 pts), reflecting a slowdown in level of business activities for the month of September.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	35.77	35.80	-0.09%	-7.33%	<b>Report released this week (Click Link below for Full report)</b>
<b>USD/NGN (₦/\$)</b>					
NAFEX	386	386	0.00%	-5.57%	
Parallel	463.5	453.5	-2.16%	-22.33%	
<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	*CBN prepares for recession, reduces benchmark lending rate to 11.5%
Manufacturing	-8.8	0.4	1.2	0.8	*Electricity/fuel price hike: NLC, TUC plan total shutdown from Sept 28
Services	-2.6	3.5	4	3.4	*LDR: Banks total credit rises to N19.33tn
<b>Labor Data (%) - Q2 20</b>			<b>Latest</b>	<b>Prior</b>	*Recapitalisation: NAICOM Reads Riot Act to Operators over Outstanding Claims
Unemployment Rate			27.1	23.1	*Britain imposes six-month curbs against second wave
Underemployment			28.8	20.1	*Julius Berger to diversify into agro-processing
<b>Capital Importation (\$'mn)</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	*Foreign portfolio investments drop by N124b
Foreign Portfolio Investment - Equities	53.25	639.72	-91.7%	-75.6%	*Nigerian Oil, Gas Suppliers Lament N320bn Loss, Back Deregulation
Bonds	0.00	231.22	-100.0%	-100.0%	*Petrol scarcity looms as tanker drivers halt operations
Money Market	332.07	3,438.54	-90.3%	-66.2%	*CBN sees \$29.9b to \$34.3b reserves by year-end
Foreign Direct Investment	148.59	214.25	-30.65%	-45.8%	*Nestlé S.A. increases stake in Nigeria subsidiary to 66.3%
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	*FG monthly oil sales revenue tumbles by 75%
Trade Balance	2,382	2,559	1,668	-6.9%	*Manufacturing sector records five-month contraction
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*Banks, Insurance Companies, Others to Join Labour's Strike

## The week in Review

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- ◆ A further probe into the sectoral performance revealed the major drivers for the upside were observed in NB (+25.12%), WAPCO (+15.77%), FLOURMILL (+8.59%), PRESCO (+8.16%), GUARANTY (+6.51%), 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	MTD	QTD	YTD	1 year
NSE ASI	26319.47	2.92	3.92	7.52	-1.95	-3.53
NSE ASI (\$)	26319.47	2.92	3.83%	7.66%	-7.73%	-11.20%
Market Cap (? 'bn)	A Invalid Sect	2.92%	4.10%	7.71%	6.15%	2.10%
Market Cap (\$'mn)	A Invalid Sect	2.92%	4.00%	7.85%	-0.11%	-4.66%
NSE 30	1123.50	3.50	4.44	6.79	-4.61	1.19
NSE Premium	2303.42	3.64	4.90	8.39	8.85	0.64
NSE 50	1210.75	4.02	5.04	7.80	-10.10	-6.47
NSE ASEM	728.51	0.00%	-1.63	-1.83	-0.88	-5.91
NSE Banking	302.50	3.59	3.67	7.28	-15.23	-10.35
NSE Insurance	135.58	1.08	3.02	4.52	7.76	22.41
NSE Consumer	458.69	5.99	7.44	3.84	-22.63	-13.91
NSE Oil & Gas	191.99	1.16	0.48	-2.28	-26.87	-9.44
NSE Industrial	1161.46	2.44	3.20	5.22	7.98	7.24
NSE Lotus	1888.10	1.92	2.43	3.42	2.91	8.93
NSE Pensions	1035.79	4.68	6.60	8.67	-1.73	6.39

## Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	3.74%	10.54%	-12.19%
Brewers	22.55%	38.15%	-17.23%
Cement	2.14%	9.01%	11.15%
Telecom	2.12%	9.26%	24.47%
Personal Care	-3.91%	-7.51%	-34.22%
Construction	0.63%	-11.75%	-12.31%
Food	0.59%	-4.08%	-16.08%
Insurance	0.23%	-0.80%	-1.95%
Oil & Gas	3.76%	3.16%	-58.72%
Real Estate	-2.23%	-2.35%	-2.37%

## ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	2.91%	8.17%	10.28%
Mid Cap (Mid 30%)	0.55%	-2.41%	-11.36%
Small Cap (Bottom 60%)	-3.49%	-6.07%	-47.88%

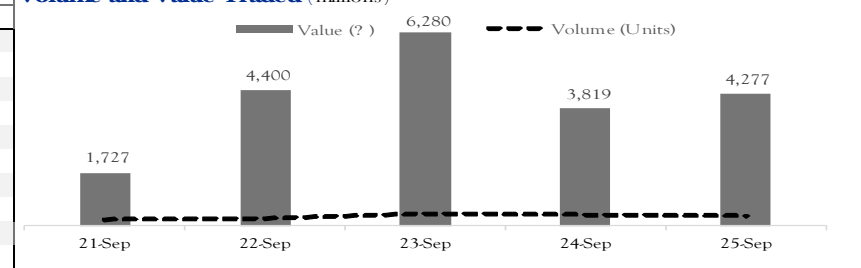
## Top 10 Gainers

Company	This Week	WoW
NB	52.55	25.1%
TRANSEXPR	0.82	9.3%
PRESTIGE	0.60	9.1%
FLOURMIL	21.50	8.6%
PRESCO	53.00	8.2%
FIDELITY	1.90	6.7%
CILEASIN	4.20	6.3%
FBNH	5.15	4.0%
NASCON	10.40	4.0%
SEPLAT	400.00	3.9%

## Top 10 Losers

Company	This Week	WoW
ROYALEX	0.27	-6.9%
LINKASSU	0.38	-7.3%
WAPIC	0.34	-8.1%
DAAR	0.30	-9.1%
NNFM	4.05	-10.0%
CHAMPION	0.81	-10.0%
UHOMRET	40.65	-10.1%
OANDO	2.03	-11.7%
REDSTARE	3.00	-16.9%
AIICO	0.72	-20.0%

## Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research



### The week in Review

September's bond auction was held this week and we saw the DMO offer ₦145billion but only allocated ₦106.14 billion with 98% of that (₦103.8 billion) coming via competitive means. Total subscription was 2.48x the offered amount at ₦360billion while, on the back of the cut in the MPR, the average stop rate was down 84bps to 8.09%. Meanwhile, ₦300 billion worth of OMO bills matured this week, however, the CBN sold just ₦70 billion at the auction, the same amount they have sold at each OMO auction this month with the 1yr stop rate declining by 18bps to 8.70%.

Over in the secondary market, despite an 8bps WoW increase in the average NTB yield to 1.65%, the average fixed income yield fell 20bps WoW to 4.05% reflecting declines in average bond yields. For context, average bond yields shrank by 48bps to close the week at 6.45%, in reaction to the cut in MPR as most activities in the bonds market were seen between Wednesday and Friday, after being flat prior to the MPC's decision.

	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)	11.50%	3.00%	8.50%	24-Sep-20	4.77%	7.60%	8.70%	24-Sep-20	10.00	10.00	50.00
Open Buy Back (OBB)	10.33%	2.00%	8.33%	17-Sep-20	4.86%	7.68%	8.88%	17-Sep-20	10.00	10.00	50.00
NIBOR - 1M	1.84%	2.68%	-0.84%	10-Sep-20	4.86%	7.68%	8.90%	10-Sep-20	10.00	10.00	50.00
NIBOR - 3M	2.26%	2.96%	-0.70%	03-Sep-20	4.86%	7.68%	8.94%	03-Sep-20	10.00	10.00	50.00
NIBOR - 6M	2.81%	3.14%	-0.33%	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	0.94%	0.82%	0.12%	16-Sep-20	1.09%	1.50%	3.05%	16-Sep-20	2.00	8.39	148.36
3-month	1.08%	1.16%	-0.08%	09-Sep-20	1.10%	1.55%	3.05%	09-Sep-20	4.41	14.00	109.65
6-month	1.21%	1.41%	-0.20%	26-Aug-20	1.15%	1.80%	3.34%	26-Aug-20	20.37	55.85	121.38
9-month	2.46%	2.15%	0.31%	12-Aug-20	1.20%	1.39%	3.20%	12-Aug-20	49.84	54.59	161.52
12-month	2.72%	2.72%	0.00%	29-Jul-20	1.20%	1.50%	3.40%	29-Jul-20	5.85	26.60	71.60
<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	2.36%	2.41%	-0.05%	23-Sep-20	6.00%	8.52%	8.94%	23-Sep-20	69.3	25.4	4.6
16.39% 27-JAN-2022	3.92%	3.83%	0.09%	19-Aug-20	6.70%	9.35%	9.90%	19-Aug-20	33.4	23.0	53.7
14.20% 14-MAR-2024	3.94%	3.99%	-0.05%	22-Jul-20	6.00%	9.50%	9.95%	22-Jul-20	25.0	42.0	36.5
12.50% 22-JAN-2026	6.00%	6.63%	-0.63%	17-Jun-20	8.00%	11.00%	12.15%	17-Jun-20	33.0	16.2	50.8
16.2884% 17-MAR-2027	6.76%	7.62%	-0.86%	21-May-20	9.20%	11.70%	12.60%	21-May-20	40.1	82.3	53.7
12.1493% 18-JUL-2034	8.35%	9.58%	-1.23%	<b>Corporate Bonds</b>			<b>This Week</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
16.2499% 18-APR-2037	8.93%	9.90%	-0.97%	MIXTA   17.00%   16-JAN-2022	3.56%	3.61%	-0.05%	ACCESS   10.50%   19-OCT-2021	5.98%	5.80%	0.18%
14.8% 26-APR-2049	9.24%	9.88%	-0.64%	FIDELITY   16.48%   13-MAY-2022	5.17%	5.10%	0.07%	ZENITH   7.375%   30-MAY-2022	5.72%	5.66%	0.06%
<b>FGN Eurobonds</b>				DUFIL   18.25%   1-SEP-2022	5.71%	5.66%	0.05%	UBA   7.75%   08-JUN-2022	7.56%	7.35%	0.21%
5.625% 27-JUN-2022	5.37%	4.73%	0.64%	LAPO MFB   17.75%   19-DEC-2022	7.63%	7.60%	0.03%	SEPLAT   9.25%   1-APR-2023	8.67%	8.58%	0.09%
6.50% 28-Nov-2027	7.26%	6.53%	0.73%	STERLING   16.50%   3-AUG-2023	4.96%	4.97%	-0.01%				
7.875% 16-FEB-2032	8.46%	7.84%	0.62%	FCMB   17.25%   8-DEC-2023	5.31%	5.34%	-0.03%				
7.625% 28-Nov-2047	8.62%	8.27%	0.35%	STANBIC   13.25%   30-SEP-2024	5.12%	5.43%	-0.31%				
				VIATHAN   16.00%   14-DEC-2027	5.26%	5.75%	-0.49%				
				UNION   16.20%   27-JUN-2029	11.50%	11.55%	-0.05%				

Source: DMO, FMDQ, Bloomberg, ARM Research

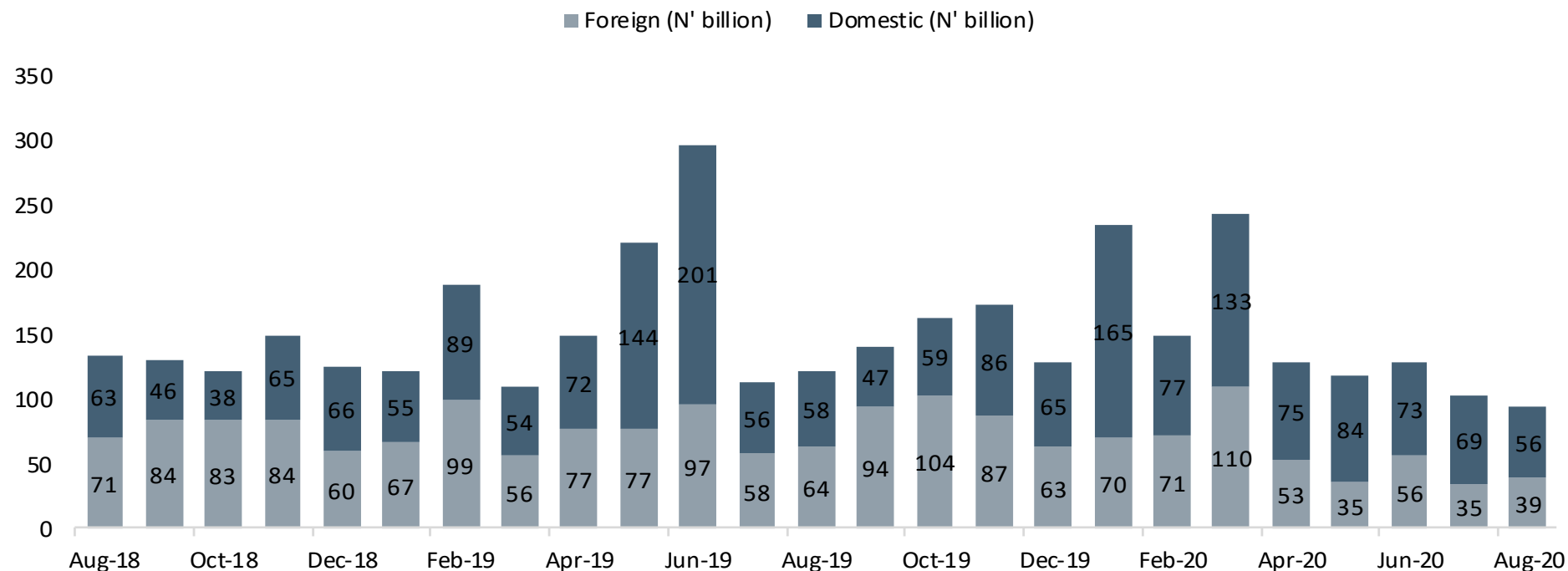
## Economic and Financial Calendar for the week 28th September - 2nd October 2020

	Monday 28-Sep	Tuesday 29-Sep	Wednesday 30-Sep	Thursday 1-Oct	Friday 2-Oct
<b>Global</b>	Japan Consumer Price Index (YoY)(Sep)	Germany Consumer Price Index (YoY)(Sep)	China Caixin Manufacturing PMI	Germany Markit Manufacturing PMI(Sep)	US Unemployment Rate(Sep)
		US Goods Trade Balance (Aug)	UK Gross Domestic Product (YoY)(Q2)	European Union Markit Manufacturing PMI(Sep)	
		Industrial Production (YoY)(Aug)	Germany Unemployment Change(Sep)	European Union Producer Price Index (YoY)(Aug)	
			European Union Consumer Price Index (YoY)(Sep)	Japan Unemployment Rate(Aug)	
			US Core Personal Consumption Expenditures (QoQ) (Q2)		
			US Gross Domestic Product Annualized(Q2)		
<b>Domestic</b>					

\*\* means Preliminary Estimate

**August equity market participation**

This week we feature equity market participation for the month of August. The data shows that overall value traded fell 8.4% MoM to ₹94.5 billion led by a 19.1% MoM decrease in value of transactions domestic investors. The value of transactions by foreign investors, meanwhile, rose by 12.7%MoM. Foreign investors accounted for 41% of total value in August while domestic investors accounted for 59%, a shift from the 34% and 66% respectively in July.



Source: NSE, ARM Research





Thank You

ARM  
SECURITIES

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