

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 27th September - 30th September 2021

Global Economy

- ◆ The Organization of Petroleum Exporting Countries (OPEC), in its 2021 World Oil Outlook (WOO), stated that it foresees strong growth in global oil demand in the short and medium-term before some moderation sets in over the long term. According to the cartel, world oil demand is expected to rise from 90.6 million barrels per day (mn b/d) in 2020 to 103.6 mn b/d in 2025 and 108 mn b/d in the mid 2030's, before plateauing at 108.2mn b/d in 2045. Furthermore, the organization posits that the fuel would continue to retain the largest share in the energy mix at 28 per cent in 2045, little changed from last year's estimate while cumulative investment requirements in the global oil sector amounts to \$11.8 trillion over the 2021 -2045 period, of which the upstream accounts for 80% of said investments. Over in China, factory activity shrank unexpectedly this month, but the services sector provided some relief to the world's second largest economy. The official manufacturing Purchasing Manager's Index (PMI) slipped into contraction for the first time since February 2020, settling at 49.6pts (August: 50.1pts), owing largely to wider curbs on electricity use, production bottlenecks and elevated input prices while the services PMI returned to expansion at 53.2pts (August: 47.5pts) as COVID-19 outbreaks receded across various cities.

Domestic Economy

- ◆ The Federal Executive Council on Wednesday approved NGN3.11bn for contracts in the Ministries of Education and Communication and Digital Economy. The Minister of Information and Culture, Lai Mohammed, disclosed this while briefing State House correspondents at the end of the weekly virtual FEC meeting, presided over by Vice President Yemi Osinbajo at the First Lady's Conference Room, Presidential Villa, Abuja. Elsewhere, The President Muhammadu Buhari, has asked the Senate to replace the nomination of Sarki Auwalu with Farouk Ahmed as the Chief Executive Officer on the Nigerian Midstream and Downstream Petroleum Regulatory Authority Board. The President's request was contained in a letter dated September 28, 2021, and read by the Senate President, Ahmad Lawan, during plenary on Wednesday. The President in a previous letter dated September 16, 2021, had requested the upper chamber to confirm Auwalu alongside three others as board members of the Nigerian Midstream and Downstream Petroleum Regulatory Authority.

Equities and stock recommendation

- ◆ The two-week win streak witnessed on the Nigerian equities market was extended to three as the NGX All-share index appreciated by 1.59% on the day, 3.47% WoW and 2.55%Mtd to settle at 40,221.17pts while the overall market capitalization value rose by 3.47% to settle at NGN20.955 trillion on the final trading day of the month. On a sectoral basis, all indices bar the NGX Insurance (-5.97%) posted weekly gains, with NGX Industrial (+6.90%) and NGX Consumer Goods (+3.31%) at the forefront. The sustained upturn was anchored by renewed interest in bellwether stocks; DANGCEM (+14.29%) and NESTLE (+5.71%) as well as investors interest in GTCO (+2.37%), ZENITH (+2.63%), FBNH (+7.33%), ACCESS (+6.40%), WAPCO (+2.23%), DANGSUGAR (+1.16%) and OKOMU (+8.46%). Conversely, BUACEMENT (-2.94%), JULIUSBERGER (-10.00%), TOTAL (-3.61%) and MTNN (-0.06%) ended the week in the red.
- ◆ **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 21bps lower at 7.97%, reflecting bullish sentiment in both market segments. For context, average yield on the bond benchmark curve declined by 9bps WoW to settle at 10.65%, with the Apr-2023 (-45bps), Jan-2022 (-38bps) and Mar-2024 (-32bps) maturities attracting the most interest. At the front end of the curve, renewed interest in the 182-day (-126bps) and 364-day (-81bps) bills drove the NT-Bills benchmark lower by 33bps WoW to 5.29%. In the primary market, the CBN offered NGN111.87bn but sold NGN115.41bn worth of treasury bills across the conventional three maturities (91-day:NGN4.61bn, 182-day:NGN2.09bn, and 364-day:NGN108.71bn). Total subscription came in at NGN174.74bn, resulting in a subscription rate of 1.56x and a bid-to-cover ratio of 1.51x. We note that the CBN sold more than their offer on the 91-day (NGN2.26bn) and 364-day (NGN106.37bn) bills while the stop rate on the latter cleared 30bps higher than the previous auction level at 7.50%.

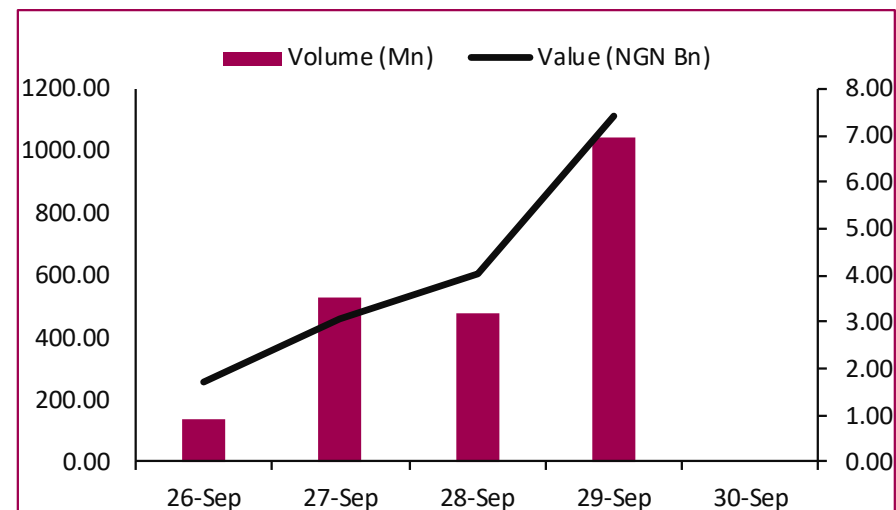
| Currency | This Week | Prior Week | WoW (%) | YTD (%) | Report released this week (Click Link below for Full report) |
|---|-------------------|--------------|------------------|------------------|--|
| External Reserve (\$'bn) | 36.41 | 35.95 | 1.28% | -5.65% | |
| USD/NGN (₦/\$) | | | | | |
| NAFEX | 415 | 413.7 | -0.25% | -12.11% | |
| Parallel | 570.0 | 575.0 | 0.88% | -36.84% | |
| 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's oil reserves dropped by 543 million barrels - OPEC |
| 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 falls after U.S. inventories post surprise gain |
| Services | 9.3 | -0.4 | 1.3 | -2.2 | *Nigeria needs \$400bn to close energy shortfall, says Buhari |
| Labor Data (%) - Q4 20 | | | Latest | Prior | *DFI, CDC Float \$60m Facility as Part of African Private Credit Strategy |
| Unemployment Rate | | | 33.3 | 27.1 | *U.S. consumer confidence hits 7-month low as near-term economic outlook dims |
| Underemployment | | | 22.8 | 28.8 | *AfCFTA receives boost as cross-border payment system takes off |
| Capital Importation (\$'mn) | Q2 21 | Q1 21 | QoQ (%) | YoY (%) | *Despite transition, oil will remain largest source of energy by 2045, says OPEC |
| Foreign Portfolio Investment - Equities | 85.16 | 26.88 | 216.8% | 59.93% | *NEITI: 77 Oil Companies Owing Nigeria N2.659trn Unremitted Funds |
| Bonds | 14.54 | 138.69 | -89.52% | | *Strong U.S. business spending on equipment seen underpinning GDP growth in Q3 |
| Money Market | 451.67 | 808.57 | -44.1% | 36.02% | *NNPC Struggles to Remit N349.2bn of Projected N1.465trn to FAAC in 7 Months |
| Foreign Direct Investment | 77.97 | 154.76 | -49.62% | 47.52% | *Petrol subsidy hits N905.27bn, oil rises to \$79.71 |
| Balance of Payment (\$'mn) | Q4 19 | Q3 19 | Q2 19 | QoQ | *COVID-19 interventions represent 3.5% of GDP -CBN |
| Trade Balance | 2,382 | 2,559 | 1,668 | -6.9% | *Pension funds rise by N480bn in seven months |
| CA Balance | (2,475) | (2,796) | (3,772) | -11.5% | *As Banks Increase Lending, Credit to Private Sector Rises to N33.26trn in August |

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

| Top Gainers | | | | | |
|-------------|-------|------------|---------|--------|---------|
| Ticker | Price | Change (%) | Yr High | Yr Low | YtD |
| MANSARD | 2.33 | 164.77% | 2.33 | 0.83 | 121.90% |
| TRANS-COHOT | 5.43 | 38.52% | 5.43 | 3.25 | 50.83% |
| PHARMDEKO | 2.35 | 36.63% | 2.35 | 1.09 | 56.67% |
| UCAP | 8.95 | 29.90% | 8.95 | 4.50 | 90.02% |
| SKYAVN | 4.45 | 28.99% | 4.45 | 2.88 | 39.06% |
| HONYFLOUR | 3.76 | 25.33% | 3.76 | 1.09 | 213.33% |
| CHIPLC | 0.57 | 23.91% | 0.80 | 0.27 | 78.13% |
| FTNCOCOA | 0.49 | 22.50% | 0.72 | 0.30 | -25.76% |
| NAHCO | 3.60 | 20.40% | 3.60 | 2.02 | 56.52% |
| CONOIL | 25.50 | 14.09% | 25.50 | 17.00 | 22.30% |

| Top Losers | | | | | |
|------------|-------|------------|---------|--------|---------|
| Ticker | Price | Change (%) | Yr High | Yr Low | YtD |
| SCOA | 0.87 | -45.28% | 2.93 | 0.87 | -70.31% |
| LASACO | 1.19 | -22.73% | 1.71 | 0.35 | 240.00% |
| IKEJAHOTEL | 1.14 | -18.57% | 1.6 | 0.91 | -5.00% |
| JAPAU-GOLD | 0.44 | -18.52% | 1.52 | 0.41 | -29.03% |
| ABCTRANS | 0.33 | -15.38% | 0.44 | 0.28 | -13.16% |
| CAVERTON | 1.75 | -14.63% | 2.1 | 1.75 | -14.63% |
| UNILEVER | 13.20 | -12.00% | 14.6 | 11.65 | -5.04% |
| UNITYBNK | 0.53 | -11.67% | 0.75 | 0.53 | -17.19% |
| UACN | 10.25 | -10.48% | 11.4 | 7.10 | 41.38% |
| MBENEFIT | 0.30 | -9.09% | 0.55 | 0.27 | 11.11% |

| | WoW | Mtd | QtD | YtD |
|--------------------|--------|--------|---------|--------|
| NGXASI | 3.28% | 2.55% | 6.10% | -0.12% |
| Market Cap | 3.28% | 2.57% | 6.81% | -0.48% |
| NGX 30 | 3.53% | 3.57% | 4.99% | 2.10% |
| NGX Premium | 6.30% | 6.92% | 15.38% | 17.27% |
| NGX 50 | 4.94% | 4.40% | 4.19% | 2.13% |
| NGX ASEM | 0.00% | 0.00% | -4.73% | -8.11% |
| NGX Banking | 0.17% | -1.62% | 1.20% | -5.64% |
| NGX Industrial | 6.90% | 7.23% | 10.68% | 1.81% |
| NGX Consumer Goods | 3.31% | 2.71% | -5.61% | -1.08% |
| NGX Oil & Gas | 2.31% | -0.31% | 17.31% | 62.37% |
| NGX Insurance | -5.97% | -9.41% | -15.11% | -8.69% |

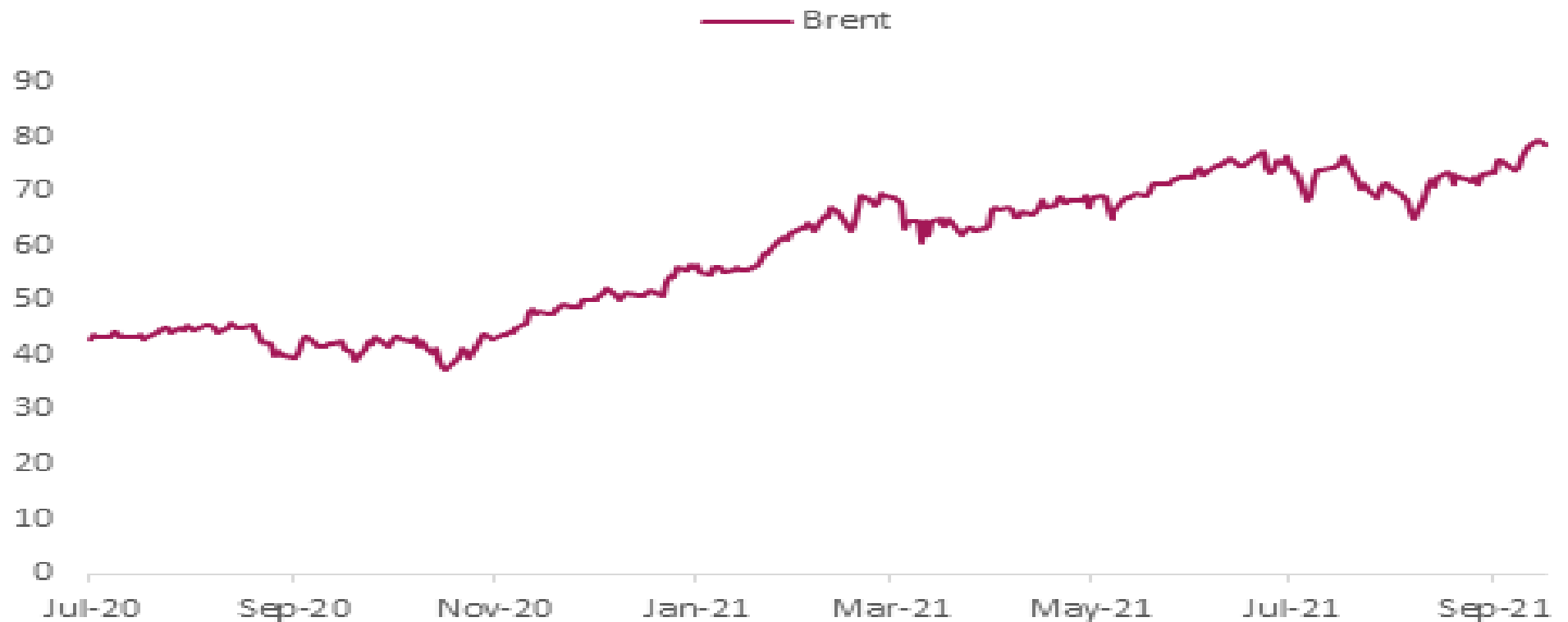


| | This Week | Prior Week | WoW change | Primary Market Auction (Rates) | 90 Days | 180 Days | 1 Year | Issuance (N'billion) | 90 Days | 180 Days | 1 Year |
|--------------------------|-----------|------------|------------|--------------------------------|------------------|-------------------|----------------|---------------------------|------------------|-------------------|----------------|
| Money Market | | | | OMO | | | | OMO | | | |
| Overnight (O/N) | 15.75% | 17.75% | -2.00% | 15-Jul-21 | 7.00% | 8.50% | 10.10% | 15-Jul-21 | 5.50 | 6.80 | 45.18 |
| Open Buy Back (OBB) | 15.00% | 16.00% | -1.00% | 08-Jul-21 | 7.00% | 8.50% | 10.10% | 08-Jul-21 | 2.50 | 5.55 | 27.67 |
| NIBOR - 1M | 14.69% | 14.39% | 0.30% | 17-Jun-21 | 7.00% | 8.50% | 10.10% | 17-Jun-21 | 3.00 | 9.20 | 50.90 |
| NIBOR - 3M | 16.17% | 15.57% | 0.60% | 03-Jun-21 | 7.00% | 8.50% | 10.10% | 03-Jun-21 | 4.00 | 8.78 | 49.04 |
| NIBOR - 6M | 16.86% | 16.36% | 0.50% | 27-May-21 | 7.00% | 7.00% | 10.10% | 27-May-21 | 3.00 | 3.00 | 30.00 |
| Treasury Bills | | | | Treasury Bills | | | | Treasury Bills | | | |
| | | | | | 91 Day | 182 Day | 364 Day | | 91 Day | 182 Day | 364 Day |
| 1-month | 3.89% | 3.90% | -0.01% | 29-Sep-21 | 2.50% | 3.50% | 7.50% | 29-Sep-21 | 4.61 | 2.09 | 108.71 |
| 3-month | 4.59% | 4.59% | 0.00% | 15-Sep-21 | 2.50% | 3.50% | 7.20% | 15-Sep-21 | 0.96 | 3.61 | 151.31 |
| 6-month | 4.11% | 5.37% | -1.26% | 08-Sep-21 | 2.50% | 3.49% | 7.20% | 08-Sep-21 | 4.94 | 11.88 | 192.68 |
| 9-month | 6.50% | 6.53% | -0.03% | 25-Aug-21 | 2.50% | 3.50% | 6.80% | 25-Aug-21 | 3.54 | 22.86 | 280.93 |
| 12-month | 7.49% | 8.30% | -0.81% | 11-Aug-21 | 2.50% | 3.50% | 7.35% | 11-Aug-21 | 4.80 | 3.75 | 147.78 |
| FGN Bonds (Local) | | | | FGN Bonds | | | | FGN Bonds | | | |
| | | | | | Mar-27 | Mar-35 | Jul-45 | | Mar-27 | Mar-35 | Jul-45 |
| 16.39% 27-JAN-2022 | 4.38% | 4.76% | -0.38% | 23-Jun-21 | 12.74% | 13.50% | - | 23-Jun-21 | 50.8 | 103.9 | - |
| 12.75% 27-APR-2023 | 8.15% | 8.60% | -0.45% | 19-May-21 | 13.10% | 14.00% | - | 19-May-21 | 20.1 | 41.2 | - |
| 14.20% 14-MAR-2024 | 8.83% | 9.15% | -0.32% | 21-Apr-21 | 12.25% | 13.34% | 13.85% | 21-Apr-21 | 23.0 | 38.8 | 96.2 |
| 12.50% 22-JAN-2026 | 10.25% | 10.31% | -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 | 10.96% | 11.02% | -0.06% | 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% | 12.30% | 0.00% | Corporate Bonds | | | | Corporate Eurobond | | | |
| | | | | | This Week | Prior Week | WoW (%) | | This Week | Prior Week | WoW (%) |
| 16.2499% 18-APR-2037 | 12.76% | 12.65% | 0.11% | MIXTA 17.00% 16-JAN-2022 | 5.61% | 5.85% | -0.24% | ACCESS 10.50% 19-OCT-2021 | 5.35% | 5.35% | 0.00% |
| 14.8% 26-APR-2049 | 13.04% | 12.92% | 0.12% | DUFIL 18.25% 1-SEP-2022 | 8.69% | 9.60% | -0.91% | ZENITH 7.375% 30-MAY-2022 | 2.06% | 2.07% | -0.01% |
| | | | | LAPO MFB 17.75% 19-DEC-2022 | 11.42% | 12.05% | -0.63% | UBA 7.75% 08-JUN-2022 | 3.21% | 3.13% | 0.08% |
| FGN Eurobonds | | | | STERLING 16.50% 3-AUG-2023 | | | | | | | |
| 5.625% 27-JUN-2022 | 2.23% | 2.00% | 0.23% | FCMB 17.25% 8-DEC-2023 | 9.99% | 10.35% | -0.36% | | | | |
| 6.50% 28-Nov-2027 | 5.81% | 5.77% | 0.04% | ACCESS 15.50% 23-JUL-2026 | 12.99% | 13.09% | -0.10% | | | | |
| 7.875% 16-FEB-2032 | 7.31% | 7.26% | 0.05% | VIATHAN 16.00% 14-DEC-2027 | 10.81% | 10.95% | -0.14% | | | | |
| 7.625% 28-Nov-2047 | 7.95% | 7.92% | 0.03% | UNION 16.20% 27-JUN-2029 | 15.28% | 15.28% | 0.00% | | | | |
| | | | | FIDELITY 8.50% 27-JAN-2031 | 13.05% | 13.05% | 0.00% | | | | |

Source: DMO, FMDQ, Bloomberg, ARM Research

Brent Crude hits three-year high

Brent, the international benchmark, rose to \$80.22 a barrel early on Tuesday, hitting a three-year high. We attribute the bullish run in Q3 to less drilling by US shale producers, supply disruption following hurricanes in the Gulf of Mexico and fast-rising demand, which left stored natural gas stocks well below the five-year average .



Source: CBN, ARM Research

Thank You



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