

**How would recent events affect your financial investments?**

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**FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION**

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## **Weekly Commentary & Stock recommendation**

**...for the week 30th August - 3rd September 2021**

### **Global Economy**

- ◆ The Organization of Petroleum Exporting Countries (OPEC) and its allies OPEC+, on Wednesday agreed to adhere strictly to their existing policy of gradual oil output increases in the coming months. The cartel agreed to maintain its plan of phasing out its record production cuts enacted last year by adding 400,000 barrels per day (bpd) each month to the market, despite pressure from the Biden administration to accelerate production increases. However, the oil producers' group revised its 2022 demand outlook upwards to 4.2 mb/d, noting that several uncertainties such as the spread of the Delta variant and disparities in global distribution of COVID-19 vaccines, continue to impact growth prospects. Meanwhile, total world oil demand is projected to exceed the 100 mb/d threshold in the second half of 2022 and reach 100.8 mb/d on average for the whole of the year. In the U.S, job growth slowed sharply in August as fast rising COVID-19 cases caused persistent worker shortages and softened demand for air travel, hotel accommodation and in-person dining. According to the Labor Department's closely watched employment report, Nonfarm payrolls rose by a meagre 235,000 jobs last month (Market Expectations: +750,000 million jobs), the slowest pace of job growth recorded since March 2020 and comes at a time when many analysts have been sharply marking down their Q3 GDP estimates for the U.S economy. Looking ahead however, optimism remains that the labor pool will be bolstered in subsequent months as schools reopen and government-funded benefits fade out.

### **Domestic Economy**

- ◆ The Central Bank of Nigeria (CBN) earlier in the week announced the formal engagement of global fintech company, Bitt Inc., as technical partner for its proposed digital currency, also known as "e-Naira". According to the CBN Governor, Mr. Godwin Emefiele, the Central Bank Digital Currency (CBDC) would bring about increased cross-border trade, accelerate financial inclusion, and lead to cheaper and faster remittance inflow. He also added that the digital money would lead to easier targeted social interventions, as well as improvement in monetary policy effectiveness, payment systems efficiency, and tax collection. Elsewhere, Group Managing Director (GMD) of the National Petroleum Corporation (NNPC), Mallam Mele Kyari, stated that the corporation will no longer render free service to the federal government when the Corporation is fully commercialized in the next few months. Mallam Kyari noted that from then on, all services rendered to the government by the NNPC limited or its subsidiaries will come at a cost, and this includes the remittance of federation crude account funds to the planned upstream commission. On Nigeria's gas expansion programme, the GMD stated that the country hadn't invested enough in it, but with the assent to the PIA, gas monetization, both domestically and for export and massive investment in gas infrastructure will take center stage in creating prosperity and jobs for Nigerians .

### **Equities and stock recommendation**

- ◆ The Nigerian equities market ended the week on a positive note, with the NGXASI up marginally by 0.02% on the day but the index shed 0.57% Wtd as most sectors ended the week in negative territory. Breweries (-6.70%) WoW, Oil&Gas (-3.49%) WoW, Cement (-1.12%) WoW and Banking (-0.45%) WoW all posted weekly losses that outstripped the gains recorded across Personal care (+0.24%) WoW, Insurance (+0.41%) WoW and Food (+0.10%) WoW. Dissecting the sectoral performance further revealed that the decline recorded in the breweries space was anchored by NB (-7.69%) WoW and INTBREW (-1.06%) WoW while FLOURMILLS (+3.45%) WoW and HONEYWELL (+4.23%) WoW led the way for Food & Beverages sub-sector.
- ◆ **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 23bps lower at 7.63%, mirroring moderations at both ends of the curve. To shed more light, buying interest was directed towards the Jan-2022 (-53bps), Mar-2036 (-27bps) and Apr-2049 (-23bps) maturities, leading the average bond yield down 12bps WoW to settle at 10.65% and the average NTB yield decreased by 34bps WoW to settle at 4.61%, reflecting declines in the 30-day (-39bps) and 182-day (-37bps) bills .

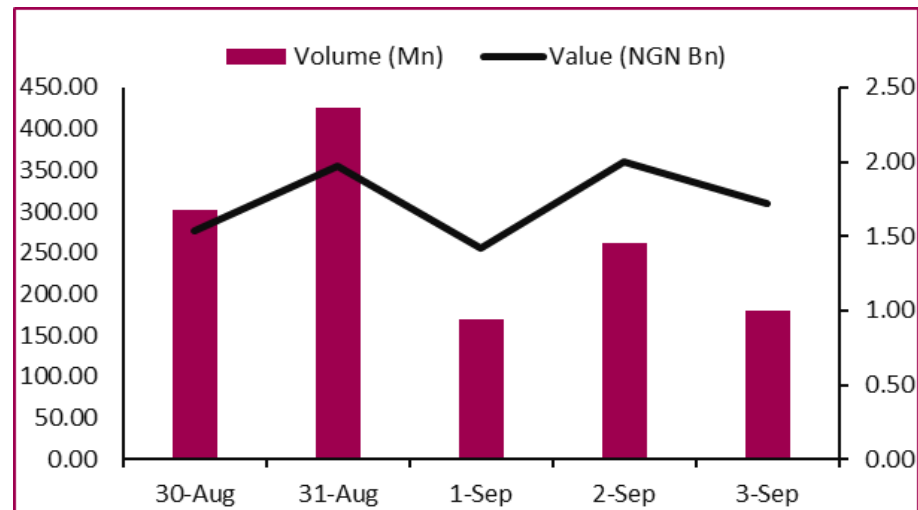
Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.10	33.40	2.10%	-11.65%	
<b>USD/NGN (₦/\$)</b>					
NAFEX	412	410.9	-0.15%	-11.42%	
Parallel	527.5	519.0	-1.61%	-31.75%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2021 Avg.</b>	
<b>Inflation YoY (July 2021)</b>			<b>CHG (pps)</b>		
Headline	17.38	17.75	-0.37	17.59	
Core	13.72	13.09	0.63	12.80	
Food	21.03	21.83	-0.80	21.881429	
<b>GDP (%) - YoY</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>FY20</b>	
Real GDP	5.01	0.51	0.11	-1.9	<b>News Headline for the week (click news for link)</b>
Oil	-12.65	-2.21	-19.8	-8.9	<b>*Naira sinks to 530 against dollar, pound hits N720</b>
Agriculture	1.3	2.3	3.4	2.2	<b>*External reserves hit two-month high, as naira plunges further</b>
Manufacturing	3.49	3.4	-1.5	-2.8	<b>*Oil steadies ahead of U.S. jobs report, more gains eyed</b>
Services	9.3	-0.4	1.3	-2.2	<b>*U.S. manufacturing activity rises; shortages linger</b>
<b>Labor Data (%) - Q4 20</b>			<b>Latest</b>	<b>Prior</b>	<b>*FEC approves N89.6bn for Odukpani-Itu-Ikot Ekpene road, aviation projects</b>
Unemployment Rate			33.3	27.1	<b>*OPEC Leaves Oil Output Unchanged, Forecasts Higher Demand</b>
Underemployment			22.8	28.8	<b>*Dangote: Only A Third of NNPC's Investment in Refinery Will Be Paid in Cash</b>
<b>Capital Importation (\$'mn)</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>*NNPC incurs N756.99bn petrol subsidy in seven months</b>
Foreign Portfolio Investment - Equities	85.16	26.88	216.8%	59.93%	<b>*Increasing spending: FG's three-year deficit hits N15.4tn amid revenue crisis</b>
Bonds	14.54	138.69	-89.52%		<b>*China's economy under pressure as factory activity slows in Aug, services contract</b>
Money Market	451.67	808.57	-44.1%	36.02%	<b>*FG presents budget October, targets €3bn from Eurobonds</b>
Foreign Direct Investment	77.97	154.76	-49.62%	47.52%	<b>*Digital Currency Gains Traction as CBN Appoints Technical Partner</b>
<b>Balance of Payment (\$'mn)</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ</b>	<b>*Foreign investment in Nigerian stocks falls by N30.91bn</b>
Trade Balance	2,382	2,559	1,668	-6.9%	<b>*Diaspora Remittances Hit \$34bn as Nigerian Migrant Workers Top List</b>
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	<b>*Nigeria Still Africa's Biggest Economy after South Africa Rebased GDP</b>

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

Top Gainers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
TRANS-COHOT	5.17	31.89%	5.17	3.25	43.61%
CHIPLC	0.58	26.09%	0.80	0.27	81.25%
HONYFLOUR	3.70	23.33%	3.70	1.09	208.33%
SKYAVN	4.05	17.39%	4.05	2.88	26.56%
ETERNA	7.20	13.39%	8.00	4.62	41.18%
FTNCOCOA	0.45	12.50%	0.72	0.30	-31.82%
REGALINS	0.47	11.90%	0.55	0.22	113.64%
LEARNAFR-CA	1.44	11.63%	1.50	0.92	44.00%
GLAX-OSMITH	6.80	11.48%	7.25	6.00	-1.45%
PRESCO	79.50	9.50%	79.50	68.00	12.05%

Top Losers					
Ticker	Price	Change (%)	Yr High	Yr Low	YtD
OANDO	4.07	-16.94%	5.26	2.65	10.00%
MBENEFIT	0.28	-15.15%	0.55	0.27	3.70%
ABCTRANS	0.34	-12.82%	0.44	0.28	-10.53%
IKEJAHOTEL	1.26	-10.00%	1.6	0.91	5.00%
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UNITYBNK	0.54	-10.00%	0.75	0.53	-15.63%
LASACO	1.39	-9.74%	1.71	0.35	297.14%
LEARNAFR-CA	1.44	-9.43%	1.5	0.92	44.00%
UACN	10.50	-8.30%	11.4	7.10	44.83%
JAPAU-GOLD	0.50	-7.41%	1.52	0.41	-19.35%

	WoW	Mtd	QtD	YtD
NGXASI	-0.57%	0.11%	3.57%	-2.51%
Market Cap	-0.57%	0.13%	4.26%	-2.85%
NGX 30	-0.53%	0.23%	1.61%	-1.19%
NGX Premium	-0.68%	0.52%	8.48%	10.26%
NGX 50	-0.98%	-0.01%	-0.21%	-2.18%
NGX ASEM	0.00%	0.00%	-4.73%	-8.11%
NGX Banking	-0.58%	-0.05%	2.82%	-4.13%
NGX Industrial	-0.86%	0.55%	3.78%	-4.54%
NGX Consumer Goods	-1.34%	-0.55%	-8.61%	-4.22%
NGX Oil & Gas	-2.96%	-1.42%	16.00%	60.55%
NGX Insurance	0.79%	0.29%	-6.01%	1.10%

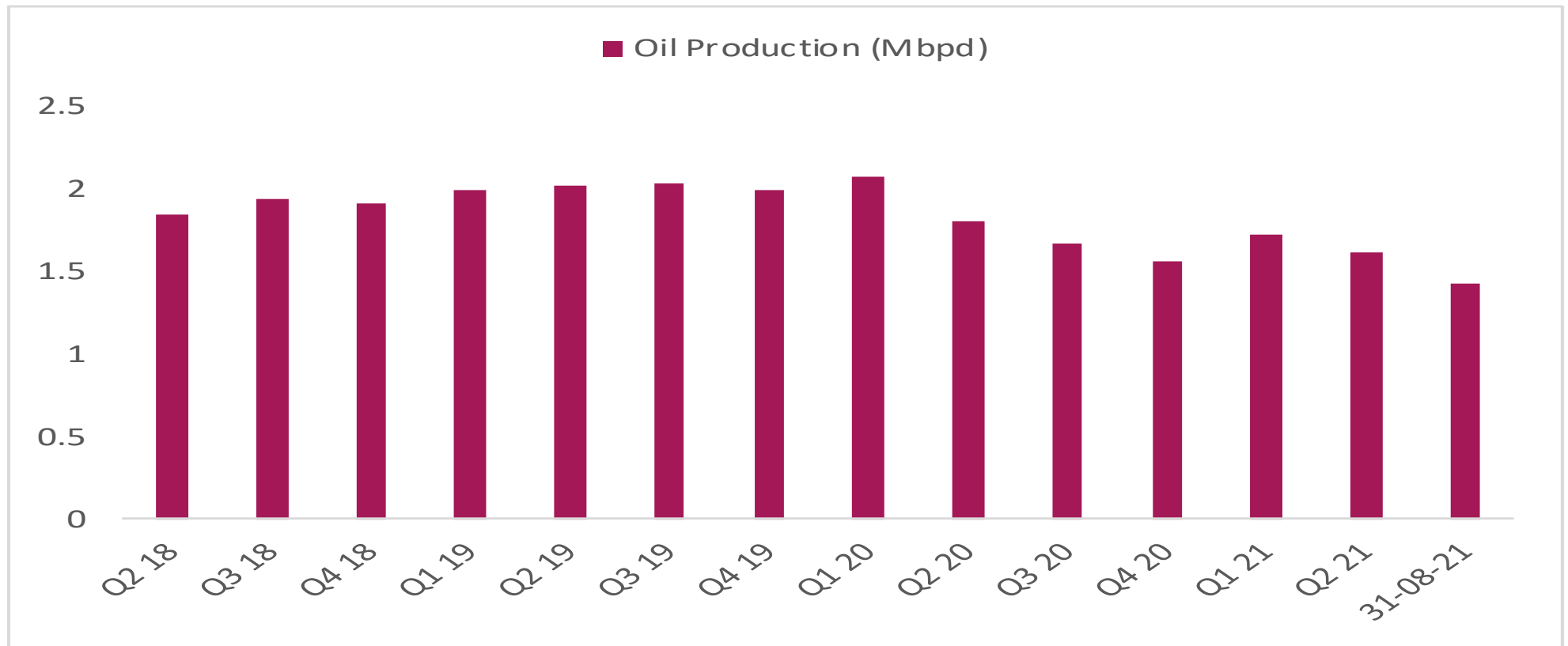


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	13.50%	8.50%	5.00%	15-Jul-21	7.00%	8.50%	10.10%	15-Jul-21	5.50	6.80	45.18
Open Buy Back (OBB)	13.00%	8.33%	4.67%	08-Jul-21	7.00%	8.50%	10.10%	08-Jul-21	2.50	5.55	27.67
NIBOR - 1M	9.04%	10.83%	-1.79%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
NIBOR - 3M	9.94%	12.00%	-2.06%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 6M	10.84%	13.22%	-2.38%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
<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	2.89%	3.28%	-0.39%	25-Aug-21	2.50%	3.50%	6.80%	25-Aug-21	3.54	22.86	280.93
3-month	3.20%	3.29%	-0.09%	11-Aug-21	2.50%	3.50%	7.35%	11-Aug-21	4.80	3.75	147.78
6-month	4.73%	5.10%	-0.37%	28-Jul-21	2.50%	3.50%	8.20%	28-Jul-21	3.17	3.54	258.53
9-month	6.61%	6.61%	0.00%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
12-month	6.68%	6.68%	0.00%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>	<b>FGN Bonds</b>	<b>Mar-27</b>	<b>Mar-35</b>	<b>Jul-45</b>
16.39% 27-JAN-2022	4.01%	4.54%	-0.53%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	9.68%	9.44%	0.24%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	9.91%	9.82%	0.09%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	10.40%	10.62%	-0.22%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	11.13%	11.13%	0.00%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.04%	12.04%	0.00%								
16.2499% 18-APR-2037	12.27%	12.47%	-0.20%	<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
14.8% 26-APR-2049	12.34%	12.57%	-0.23%	MIXTA 17.00% 16-JAN-2022	5.06%	5.52%	-0.46%	ACCESS 10.50% 19-OCT-2021	5.25%	5.58%	-0.33%
				DUFIL 18.25% 1-SEP-2022	8.88%	8.85%	0.03%	ZENITH 7.375% 30-MAY-2022	3.00%	3.04%	-0.04%
				LAPO MFB 17.75% 19-DEC-2022	11.99%	11.85%	0.14%	UBA 7.75% 08-JUN-2022	3.30%	3.40%	-0.10%
<b>FGN Eurobonds</b>				STERLING 16.50% 3-AUG-2023	10.66%	10.48%	0.18%				
5.625% 27-JUN-2022	1.67%	1.87%	-0.20%	FCMB 17.25% 8-DEC-2023	11.20%	11.06%	0.14%				
6.50% 28-Nov-2027	5.35%	5.58%	-0.23%	ACCESS 15.50% 23-JUL-2026	13.28%	13.45%	-0.17%				
7.875% 16-FEB-2032	6.77%	7.01%	-0.24%	VIATHAN 16.00% 14-DEC-2027	11.25%	11.37%	-0.12%				
7.625% 28-Nov-2047	7.56%	7.71%	-0.15%	UNION 16.20% 27-JUN-2029	14.76%	14.88%	-0.12%				
				FIDELITY 8.50% 27-JAN-2031	12.60%	12.69%	-0.09%				

Source: DMO, FMDQ, Bloomberg, ARM Research

### Crude Oil Output Plunges to 5-year Low

Nigeria's oil production has hit a five year low of 1.43mbpd, according to Bloomberg as the country's daily production numbers have been declining by about 90,000 barrels per day. Royal Dutch Shell Plc recently announced a disruption at the Forcados loading facility following signs of a leak. If this decline persists, expected crude oil revenue will decline and keep pressure on the currency .



Source: NBS, ARM Research

Thank You



## ARM Securities

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