



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary

15th January – 19th January 2024





## Global Economy

Earlier this week, China released its Q4:2023 GDP figures. According to the data, Gross domestic product (GDP) grew 5.2% YoY in Q4:2023 (vs. 4.9% in Q3:2023). On a QoQ basis, however, GDP grew by 1.0% in Q4:2023, slowing from a revised 1.5% gain in the previous quarter. Elsewhere, in the UK, the Office of National Statistics released December 2023 Consumer Price Index (CPI) data. Headline CPI rose by 4.0% YoY in December 2023, up from 3.9% YoY in November 2023, and the first time the rate has increased since February 2023. On a MoM basis, CPI rose by 0.4% in December 2023, the same rate as in December 2022. Core CPI (excluding energy, food, alcohol, and tobacco) rose by 5.1% YoY in December 2023, the same rate as in November 2023. Finally, in the US, Retail sales rose 0.6% MoM in December 2023 after an unrevised 0.3% MoM gain in November 2023, according to the Commerce Department's Census Bureau. Retail Sales increased 5.6% on a YoY basis in December 2023.

## Domestic Economy

Earlier this week, the National Bureau of Statistics (NBS) published the Consumer Price Index (CPI) report for December 2023, revealing a 72bps surge in headline inflation to 28.92% Year-on-Year (YoY), compared to 28.20% YoY in November 2023. This surge was influenced by higher sub-component values, with food inflation rising by 109bps to 33.93% YoY and core Inflation increasing by 68bps to 23.06% YoY. On a Month-on-Month (MoM) basis, headline inflation experienced a 20bps uptick, reaching 2.29% MoM (vs 2.09% MoM in November 2023), driven by elevated values in both food inflation (+30bps to 2.72% MoM) and core inflation (+29bps to 1.82% MoM). Furthermore, The Central Bank of Nigeria (CBN) has disbursed around USD2bn in efforts to address the outstanding foreign exchange liabilities across diverse sectors such as manufacturing, aviation, and petroleum. Additionally, the apex bank has successfully resolved the entire liability of 14 banks and initiated settlements with foreign airlines.



## Equities

This week marked another record-breaking week at the Nigerian Equities market, as the NGX All Share Index (ASI) crossed 91,000 points, after five (5) consecutive trading days of bullish returns. Consequently, on a Week-on-Week (WoW) basis, the market gained 13.84% to settle at 94,538.12 points, bringing its year-to-date (YtD) returns up to 26.43% (vs. last week: 11.06% YtD). The remarkable gains in the market this week is on the back of bargain-hunting activities in tickers such as DANGCEM (+53.94% WoW), BUACEM (+44.88% WoW), BUAFOODS (+9.09% WoW), TRANSCORP (+39.18% WoW) and GEREGU (+17.72% WoW). This week, the Industrial Goods sector (+46.88% WoW) led sectoral gains, followed by the Insurance (+14.94% WoW), Oil and Gas (+8.82% WoW), Consumer Goods (+8.18% WoW) sectors. However, the Banking sector (-0.12% WoW) closed in the red, dragged down by STANBIC (-4.41% WoW), FBNH (-3.45% WoW) and GTCO (-2.00% WoW). The top gainers this week were DANGCEM (+53.9% WoW to NGN538.80), HONEYFLOUR (+50.8% WoW to NGN5.85) and MAYBAKER (+50.5% WoW to NGN8.26). On the flipside, ROYALEX (-22.4% WoW to NGN0.76), IKEJAHOTEL (-10.6% WoW to NGN7.70) and LINKASSURE (-8.2% WoW to NGN1.35). In the coming week, we expect bullish sentiment in the market to persist as investors position themselves in dividend-paying tickers ahead of the release of the 2023FY earnings results.

## Fixed Income

At the Open Market Operation (OMO) auction held this week, the average stop rate declined by 42bps to 13.67% (vs 14.08% at the last auction). Conversely, the average bid-to-cover ratio rose by 35bps to 1.73x, up from 1.38x at the previous auction, indicating an increase in demand notably in the 365-day instrument (+88bps to 3.26x). The Nigerian Treasury Bills market closed the week on a bearish note as the average yield went up by 11bps WoW to 3.93%. Similarly, the FGN Bond market concluded bearish as the average yield rose 27bps WoW to close at 13.56%. This was driven by sell-offs across the yield curve. Overall, the Naira Fixed Income market closed the week negatively, with the average yield climbing by 19bps to settle at 8.47%. We expect bearish sentiment in the coming week, driven by the CBN efforts toward reducing liquidity.



	This Week	Prior Week	WoW (%)	YTD (%)	
External Reserve (\$'bn)	33.2	33.1	0.41%	1.03%	<b>Report released this week (Click Link below for Full report)</b>
<b>USD/NGN (₦/\$)</b>					<b><u>HI 2024 Nigeria Strategy Report - Rocky Road to Resilience</u></b>
NAFEM	902.08	874.79	0.00%	-0.55%	<b><u>December 2023 CPI Report - Inflation Bites Deeper</u></b>
Parallel	1340.0	1233.5	-7.95%	12.13%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2 month Avg.</b>	
<b>Inflation YoY (November 2023)</b>	<b>December</b>	<b>November</b>	<b>CHG (pps)</b>		
Headline	28.92	28.2	0.72	28.56	
Core	23.06	22.38	0.68	22.72	
Food	33.93	32.84	1.09	33.39	
<b>GDP (%) - YoY</b>	<b>Q3 23</b>	<b>Q2 23</b>	<b>Q1 23</b>	<b>2022FY</b>	<b>News Headline for the week (click news for link)</b>
Real GDP	2.54	2.51	2.31	3.1	<b><u>At over 91,000 Basis Points, NGX All Share Index Hits All-time High</u></b>
Oil	-0.85	-13.43	-4.21	-19.22	<b><u>Diesel price rise by 6.74% amid Dangote refinery takeoff</u></b>
Agriculture	1.30	1.50	-0.90	1.88	<b><u>FX crisis plunges Nigeria's non-oil exports to \$4.5bn</u></b>
Manufacturing	0.48	2.20	1.61	2.45	<b><u>Delisting: SEC, court okay GSK share buyback</u></b>
Information and Communication	6.69	8.60	10.32	9.76	<b><u>NECA calls for policy review, intervention in FX market.</u></b>
<b>Labor Data (%)</b>			<b>Q2 23</b>	<b>Q1 23</b>	<b><u>NGX crosses 90,000 points amid rally in Dangote cement, 46 stocks</u></b>
Unemployment Rate			4.2	4.1	<b><u>No plan to exit Nigeria, says Shell</u></b>
Underemployment			11.8	12.2	<b><u>Renaissance to Acquire Shell Petroleum Development Company</u></b>
<b>Capital Importation (\$'mn)</b>	<b>Q3 23</b>	<b>Q2 23</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b><u>Amid Macroeconomic Challenges, Banks' Lending to Govt, Private Sector Tumble by 11% to N64.9trn</u></b>
Foreign Portfolio Investment - Equities	8.37	8.52	-1.8%	16.10%	<b><u>Naira plunges to 1300/\$ at parallel market</u></b>
Bonds	20.56	85.29	-75.89%	-89.91%	<b><u>Investors' fortune rises by N1.8 billion in one day</u></b>
Money Market	58.19	13.04	346.2%	-74.82%	<b><u>Nigeria's inflation ends 2023 at 28.9% as naira anxiety worsens outlook</u></b>
Foreign Direct Investment	59.77	86.03	-30.52%	-26.86%	<b><u>NNPCL mulls P'Harcourt refinery handover to private operators</u></b>
<b>Monetary Policy Rates (%) (July 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b><u>Transcorp Hotels crosses N1tn capitalization</u></b>
MPR	18.75	18.50		25.0%	<b><u>Adeduntan, Adedipe Predict Economic Growth in 2024. Emphasise Increased Spending on Capital Projects</u></b>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<b><u>Banks Leverage SDF Gains, Deposit N902.66bn with CBN as Lending to Real Sector Wilts</u></b>
Liquidity Ratio	30.0	30.0		0.0%	<b><u>Exchange rate will stabilise, Bagudu tells investors</u></b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<b><u>Afreximbank, UBA disburse NNPCL over \$2bn oil-for-cash loan</u></b>



Weekly Equities Market Snapshot						Friday, January 19, 2024					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
DANGCEM	538.80	53.9%	538.80	260.00	0.0%	ROYALEX	0.76	-22.4%	1.06	0.44	-97.7%
HONYFLOUR	5.85	50.8%	5.85	2.01	-4.3%	IKEJAHOTEL	7.70	-10.6%	10.20	0.74	28.3%
MAYBAKER	8.26	50.5%	8.26	3.90	-4.5%	LINKASSURE	1.35	-8.2%	1.60	0.40	68.8%
BUACEMENT	148.50	45.8%	148.50	81.00	0.0%	FBNH	26.60	-5.0%	31.00	10.30	13.0%
CHAMS	3.28	42.6%	3.65	0.23	-12.7%	CUSTODIAN	9.65	-4.9%	10.85	5.65	7.2%
NEM	8.00	39.1%	8.25	3.89	0.0%	GTCO	44.10	-4.8%	48.80	22.05	8.9%
ETERNA	22.95	38.3%	37.70	5.40	69.9%	STANBIC	65.00	-4.4%	83.05	32.00	94.3%
SUNUASSUR	1.80	25.9%	1.85	0.32	3.7%	CILEASING	3.95	-4.1%	4.70	1.87	-29.5%
JAPAUFGOLD	2.50	22.5%	2.90	0.27	-2.0%	NGXGROUP	23.95	-4.0%	30.25	20.90	1.9%
GUINEAINS	0.58	20.8%	0.68	0.20	4.8%	FCMB	10.60	-3.6%	12.45	3.45	43.2%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	94,538.12	13.84%	26.43%	26.43%	26.43%
Market Cap	51.74trn	13.85%	26.44%	26.44%	26.44%
NGX Banking	1,038.72	-0.12%	15.77%	15.77%	15.77%
NGX Industrial	1,387.96	46.88%	59.44%	59.44%	59.44%
NGX Consumer	1,038.72	8.18%	23.78%	23.78%	23.78%
NGX Oil & Gas	1,150.23	8.82%	10.27%	10.27%	10.27%
NGX Insurance	1,387.96	14.94%	41.13%	41.13%	41.13%

Date	Volume (Mn)	Value (NGN Bn)
15-Jan	807.51	11.03
16-Jan	1066.84	15.77
17-Jan	1298.22	16.38
18-Jan	1127.15	19.12
19-Jan	759.14	12.99

Source: NGX, ARM Research

# Weekly Commentary

# Fixed Income



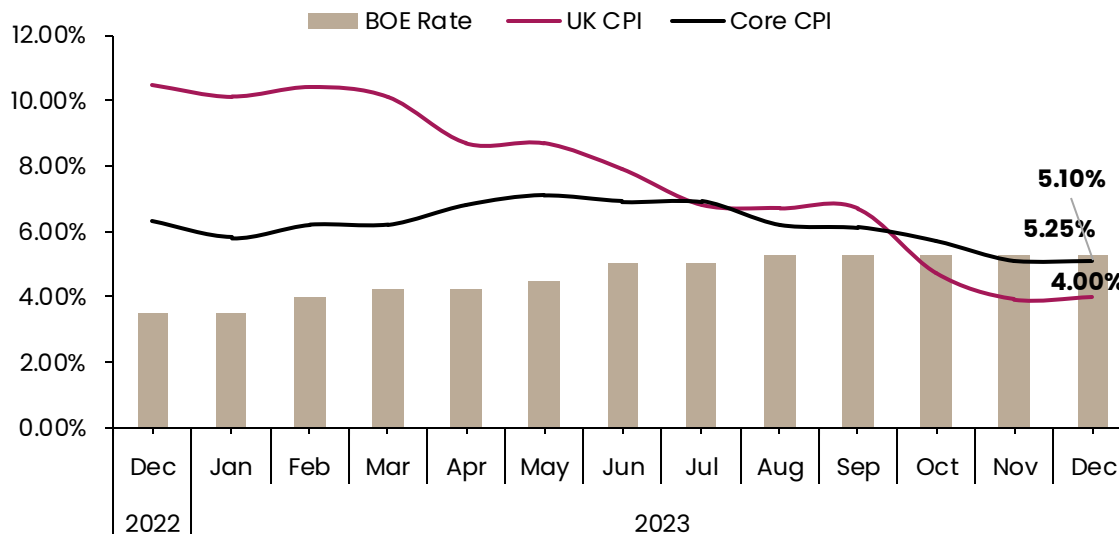
	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	96 Day	187 Day	267 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
<b>Money Market</b>				<b>OMO</b>					<b>OMO</b>				
Overnight (O/N)	23.25%	17.80%	5.45%	15-Jan-24	10.00%	13.50%	N/A	17.50%	15-Jan-24	15	15	N/A	270
Open Repo Rate (OPR)	22.10%	16.58%	5.52%	10-Jan-24	10.50%	14.00%	N/A	17.75%	10-Jan-24	22	35	N/A	300
NIBOR - 1M	14.45%	18.70%	-4.25%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	50	N/A	100	150
NIBOR - 3M	14.75%	17.10%	-2.35%	20-Dec-23	N/A	12.00%	N/A	15.00%	20-Dec-23	25	N/A	25	50
NIBOR - 6M	15.30%	17.40%	-2.10%	01-Nov-23	13.98%	14.48%	14.99%	17.98%	01-Nov-23	50	50	50	100
<b>Treasury Bills</b>				<b>Treasury Bills</b>					<b>Treasury Bills</b>				
					<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>			<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	
1-month	2.22%	1.94%	0.28%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49	52.29	
3-month	3.31%	3.21%	0.10%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16	48.11	
6-month	4.50%	4.29%	0.21%	13-Dec-23	6.25%	11.00%	13.50%		13-Dec-23	1.10	1.28	11.20	
9-month	6.01%	5.65%	0.36%	6-Dec-23	9.00%	13.00%	15.75%		6-Dec-23	1.03	1.94	101.39	
12-month	8.08%	7.03%	1.05%	22-Nov-23	8.00%	12.00%	16.75%		22-Nov-23	9.96	1.82	199.93	
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>					<b>FGN Bonds</b>				
					<b>Apr-29</b>	<b>Jun-33</b>	<b>Jun-38</b>	<b>Jun-53</b>		<b>Apr-29</b>	<b>Jun-33</b>	<b>Jun-38</b>	<b>Jun-53</b>
14.20% 14-MAR-2024	1.72%	0.17%	1.55%	11-Dec-23	15.50%	16.00%	16.50%	17.15%	11-Dec-23	28.61	9.15	24.34	211.52
13.53% 23-MAR-2025	12.09%	1.19%	10.90%	13-Nov-23	16.00%	17.00%	17.50%	18.00%	13-Nov-23	31.47	33.19	47.07	322.77
12.50% 22-JAN-2026	12.85%	2.03%	10.82%	16-Oct-23	14.90%	15.75%	15.80%	16.60%	16-Oct-23	20.53	22.26	54.86	237.09
16.2884% 17-MAR-2027	12.72%	3.18%	9.54%	11-Sep-23	14.50%	15.45%	15.55%	16.25%	11-Sep-23	43.65	10.45	25.69	171.71
12.1493% 18-JUL-2034	14.16%	13.80%	0.36%	14-Aug-23	12.50%	13.60%	14.10%	14.30%	14-Aug-23	10.43	4.07	25.53	187.73
				<b>Corporate Bonds</b>									
					<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>						
16.2499% 18-APR-2037	14.42%	14.42%	0.00%	ACCESS 15.50% 23-JUL-2026	15.56%	15.56%	0.00%						
14.8% 26-APR-2049	15.09%	15.07%	0.02%	VIATHAN 16.00% 4-DEC-2027	13.80%	13.80%	0.00%						
<b>FGN Eurobonds</b>													
7.625 21-NOV-2025	8.83%	8.75%	0.08%	UNION 16.20% 27-JUN-2029	17.45%	16.65%	0.80%						
6.50% 28-Nov-2027	9.54%	9.52%	0.02%	FIDELITY 8.50% 7-JAN-2031	14.95%	14.40%	0.55%						
7.875% 16-FEB-2032	10.10%	10.04%	0.06%	MTN COM PLC 12.75  14-NOV-2031	14.96%	14.39%	0.57%						
7.625% 28-Nov-2047	10.28%	10.14%	0.14%										

Source: DMO, CBN, FMDQ, ARM Research



## UK Inflation Shows First Uptick in 10 Months, Dampening Rate Cut Hopes

This week's CPI report from the UK's Office for National Statistics revealed a surprising twist in the inflation fight. After a steady decline, the all-items index jumped 4.0% year-over-year (YoY) in December 2023, snapping a ten-month streak of declines and marking the first increase since February. This comes against the backdrop of November's 2-year low of 3.9% YoY, raising concerns about a potential resurgence of inflationary pressures. The month-on-month (MoM) picture, paints a similar story. The all-items index rose a modest 0.4%, mainly driven by a sharp hike in tobacco duty and the seasonal rise in airfares. Core CPI, excluding volatile components like energy, food, alcohol, and tobacco, remained unchanged at 5.1% YoY compared to November. While the headline figure may raise eyebrows, analysts believe the December jump could be a temporary blip. The rise in tobacco duty was a pre-announced policy move, and seasonal factors likely inflated the airfare increase. Nevertheless, the uptick has dampened hopes for an imminent rate cut by the Bank of England (BoE). Before the report, interest rate futures indicated an over 80% chance of rate cuts by mid-May 2024. However, this has now plummeted to around 60%, reflecting the uncertainty surrounding the inflation trajectory.



Source: Bloomberg, ARM Research





# Thank You





## ARM Securities Contact

Research	234 (1) 270 1653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 448 8282	customerservice@armsecurities.com.ng

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    @armengage

1 Mekunwen Road,  
Off Oyinkan Abayomi Drive,  
Ikoyi, Lagos, Nigeria

