



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary

8th January – 12th January 2024





Global Economy

The US Bureau of Labor Statistics (BLS) published US December 2023 CPI data earlier this week. The Headline Consumer Price Index (CPI) rose 0.3% MoM in December 2023, up from 0.1% MoM in November 2023. In December 2023, the Core Index—which excludes food and energy—rose by 0.3% MoM, remaining constant from November 2023. Several indexes saw increases, including those for housing, auto insurance, and healthcare. Among the indexes that saw a decline during the month were those related to personal care and home operations and furnishings. On a YoY basis, the headline index increased by 3.4% YoY in December 2023, compared to 3.1% YoY in November 2023. Also, the core index increased by 3.9% YoY, relative to a 4.0% YoY increase in November 2023. Finally, the food index grew 2.7% YoY and the energy index fell 2.0% YoY. Elsewhere, in China, the Chinese National Bureau of Statistics released December 2023 CPI data. The consumer price index (CPI) fell by 0.3% YoY in December 2023, and was up by 0.1% MoM (vs. 0.5% MoM and YoY in November 2023).

Domestic Economy

Earlier this week, the Central Bank of Nigeria (CBN) took significant supervisory action by dissolving the boards and management of Union Bank, Keystone Bank, and Polaris Bank. This decision is rooted in concerns about the banks' adherence to regulations and corporate governance principles, with the CBN citing non-compliance with specific provisions of Section 12(c), (f), (g), and (h) of the Banks and Other Financial Institutions Act, 2020. These concerns encompass various issues, including regulatory non-compliance, disregard for the conditions of their licenses, and engagement in activities that could pose a risk to financial stability. Subsequently, the CBN appointed new executives to oversee the operations of the banks. Furthermore, the Nigerian Communications Commission (NCC) granted partial disconnection of Glo at the request of MTN, as Glo reportedly owes MTN interconnection fees. From January 18th onward, Glo users in Nigeria won't be able to call MTN numbers due to an alleged NGN6bn in outstanding fees.



Equities

This week, the Nigerian Equities market continued to blow through records as for the first time in history on January 8th 2024, the NGX All Share Index (ASI) crossed 80,000 points. Hence, the market closed the week with positive sentiment, gaining 424bps WoW to settle at 83,042.96 points and pushing the market's year-to-date (YtD) returns up to 11.06% from last week's 6.54% YtD. On a sectoral basis, we observed gains in the Consumer Goods (+9.60%), Insurance (+7.63% WoW), Banking (+5.10% WoW) and Industrial Goods (+4.80% WoW) sectors. However, the Oil and Gas sector (-1.61% WoW) posted losses. This week, CADBURY (+42.3% WoW to NGN24.05), JBERGER (+32.9% WoW to NGN56.50) and JAIZBANK (+31.3% WoW to NGN3.02) topped the gainers' chart while DAARCOMM (-30.2% to NGN0.90), TOTAL (-10.0% to NGN346.50) and NEM (-9.4% WoW to NGN5.75) led the decliners' chart. In the coming week, we foresee the market sustaining its bullish momentum as investors continue to position themselves in high dividend-paying tickers in anticipation of the release of 2023FY earnings results.

Fixed Income

In the OMO auction held this week, the average stop rate surged by 508bps to 14.08% compared to 9.00% at the last auction. Conversely, we observed the decline in the average bid-to-cover ratio by 285bps to 1.38x (vs 4.23x at the previous auction).

At the primary NTB auction held this week, the average stop rate declined by 473bps to 5.02% (vs 9.75% at the previous auction). Consequently, the average bid-to-cover ratio surged 468bps to settle at 20.16x (vs 15.48x at the previous auction) indicating an increase in the demand for the instruments. The positive sentiment extended to the secondary market, with the average yield in the Treasury Bills market declining 267bps WoW to 3.28%. Similarly, the FGN Bond market closed positively as the average yield fell by 52bps WoW to close at 13.28%. This is on the back of buying interest across the curve. Overall, the Naira Fixed Income market concluded the week bullish as the average yield dipped 160bps to settle at 8.28%. We expect the bullish sentiment to persist in the coming week, driven by the improved liquidity in the system.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.1	33.0	0.06%	-10.35%	
USD/NGN (₦/\$)					
NAFEM	874.79	895.23	2.34%	63.66%	
Parallel	1233.5	1220.4	-1.06%	35.99%	
Economic Snapshot					
	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (November 2023)					
	November	October	CHG (pps)		
Headline	28.20	27.33	0.87	27.77	
Core	22.38	22.58	-0.20	22.48	
Food	32.54	31.52	1.02	32.03	
GDP (%) - YoY					
	Q3 23	Q2 23	Q4 22	2022FY	News Headline for the week (click news for link)
Real GDP	2.54	2.51	3.52	3.1	Two million workers may lose jobs in 2024 – ILO
Oil	-0.85	-13.43	-13.38	-19.22	\$800m Trapped Fund: Foreign Airlines Miffed With FG over \$61m Paid, Say It's Insignificant
Agriculture	1.30	1.50	2.05	1.88	Dangote Refinery to reach full capacity in June as crude demand up by 2mbpd
Manufacturing	0.48	2.20	2.83	2.45	China's exports rise, but deflation persists as economy enters 2024 on shaky footing
Information and Communication	6.69	8.60	10.35	9.76	Naira plunges to 1082/\$ despite CBN's \$2bn debt repayment
Labor Data (%)					
			Q2 23	Q1 23	Global trade to grow by 2.3% in 2024 – W'Bank
Unemployment Rate			4.2	4.1	Shippers kick as Maersk imposes arbitrary \$300 PSS on Nigeria-bound cargo
Underemployment			11.8	12.2	Breaking: CBN Appoints New Executives for Union, Keystone, Polaris Banks
Capital Importation (\$'mn)					
	Q3 23	Q2 23	QoQ (%)	YoY (%)	Oil up 1% as Middle East tensions offset US inflation worries
Foreign Portfolio Investment – Equities	8.37	8.52	-1.8%	16.10%	World Bank predicts higher per capita income for Nigeria
Bonds	20.56	85.29	-75.89%	-89.91%	Nigeria's External Reserves Plunge 10.86% Year-on-Year, Now \$33bn
Money Market	58.19	13.04	346.24%	-74.82%	Nigeria's economy to grow at 3.3% in 2024, World Bank projects
Foreign Direct Investment	59.77	86.03	-30.52%	-26.86%	Hewlett Packard Enterprise to buy Juniper Networks in \$14 bln deal
Monetary Policy Rates (%) (July 2023)					
	Latest	Prior		CHG (%)	Investors rue industrial goods equities' poor return last year
MPR	18.75	18.50		25.0%	Report: Amid Low Production, Oil Revenues Dropped 66% in Q3, 2023
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	Stocks ease, yields inch up ahead of US inflation data, earnings
Liquidity Ratio	30.0	30.0		0.0%	Airlines get \$62m as CBN repays banks \$2bn debt
Source: CBN, NBS, FMDQ, ARM Research					
					Dollar falls as traders focus on data for Fed policy clues

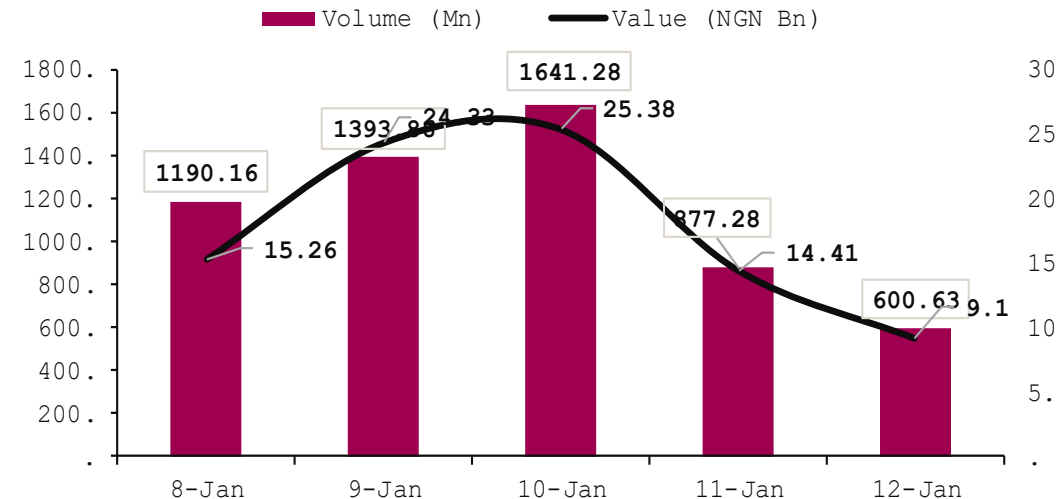


Weekly Equities Market Snapshot

Friday, January 12, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YTD	Ticker	Price	Δ (%)	Yr High	Yr Low	YTD
CADBURY	24.05	42.3%	24.05	10.20	14.6%	DAARCOMM	0.90	-30.2%	1.29	0.20	0.0%
JBERGER	56.50	32.9%	56.50	24.50	12.8%	TOTAL	346.50	-10.0%	385.00	212.30	79.5%
JAIZBANK	3.02	31.3%	3.10	0.85	-1.8%	NEM	5.75	-9.4%	6.99	3.89	-8.7%
GUINEAINS	0.48	29.7%	0.48	0.20	4.8%	MAYBAKER	5.49	-7.7%	6.10	3.90	4.6%
LINKASSURE	1.47	27.8%	1.50	0.40	13.5%	FIDSON	17.80	-7.3%	19.20	8.50	1.7%
CILEASING	4.12	21.9%	4.46	1.87	1.5%	CAVERTON	2.05	-6.8%	2.30	0.93	14.5%
ROYALEX	0.98	21.0%	1.07	0.44	-4.4%	CUSTODIAN	10.15	-6.5%	10.85	5.65	12.8%
MBENEFIT	0.77	20.3%	0.84	0.29	2.0%	FIDELITYBK	13.40	-5.6%	14.40	4.50	23.5%
MBENEFIT	0.77	18.5%	0.84	0.29	2.0%	NSLTECH	0.76	-2.6%	0.84	0.24	2.7%
REGALINS	0.52	15.6%	0.57	0.26	8.8%	BERGER	14.00	-2.1%	14.30	6.60	7.7%

Tickers	Pts/\$	WoW	MtD	Qtd	Ytd
NGXASI	83,042.96	4.24%	11.06%	11.06%	11.06%
Market Cap	45.44trn	4.24%	11.06%	11.06%	11.06%
NGX Banking	1,040.02	5.10%	15.92%	15.92%	15.92%
NGX Industrial	1,283.03	4.80%	8.55%	8.55%	8.55%
NGX Consumer	1,040.02	9.60%	14.42%	14.42%	14.42%
NGX Oil & Gas	1,057.02	-1.61%	1.34%	1.34%	1.34%
NGX Insurance	1,283.03	7.63%	22.79%	22.79%	22.79%



Source: NGX, ARM Research

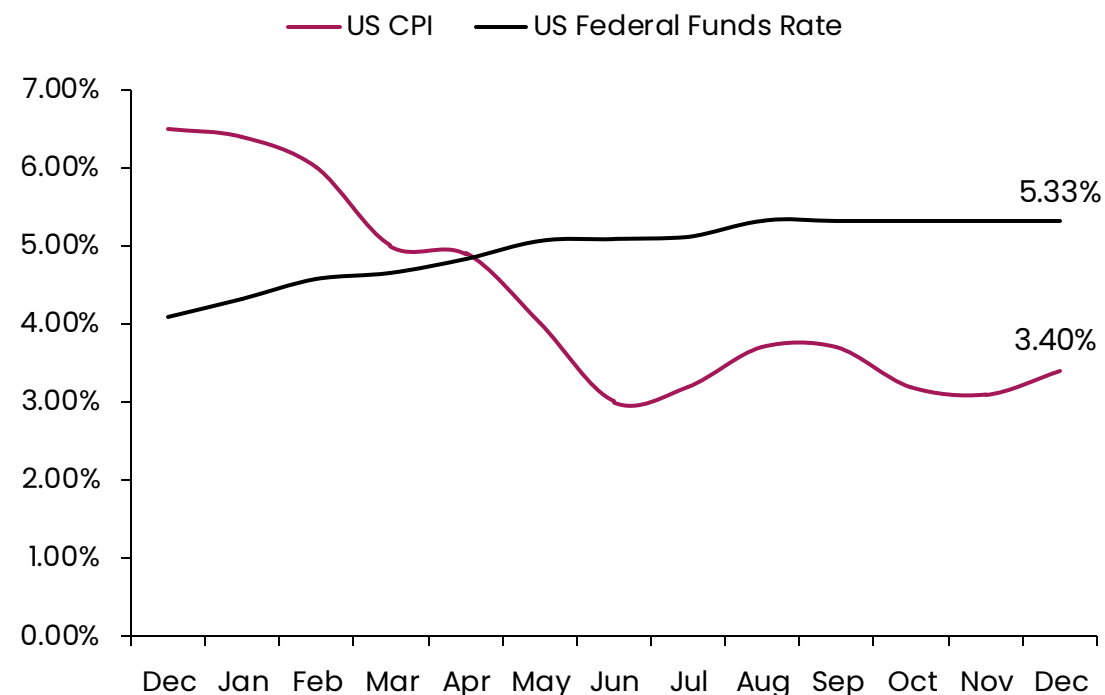


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	96 Day	187 Day	267 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
Money Market				OMO					OMO				
Overnight (O/N)	17.80%	16.00%	1.80%	10-Jan-24	10.50%	14.00%	N/A	17.75%	10-Jan-24	75	75	N/A	150
Open Repo Rate (OPR)	16.58%	15.47%	1.11%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	50	N/A	100	150
NIBOR - 1M	18.70%	16.60%	2.10%	20-Dec-23	N/A	12.00%	N/A	15.00%	20-Dec-23	25	N/A	25	50
NIBOR - 3M	17.10%	17.30%	-0.20%	1-Nov-23	13.98%	14.48%	14.99%	17.98%	01-Nov-23	50	50	50	100
NIBOR - 6M	17.40%	17.62%	-0.22%	30-Oct-23	13.99%	14.49%	15.00%	17.50%	30-Oct-23	75	75	100	150
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day		Treasury Bills	91 Day	182 Day	364 Day	
1-month	1.94%	3.28%	-1.34%	10-Jan-24	2.44%	4.22%	8.40%		10-Jan-24	2.78	1.49	52.29	
3-month	3.21%	4.92%	-1.71%	27-Dec-23	7.00%	10.00%	12.24%		27-Dec-23	1.75	17.16	48.11	
6-month	4.29%	7.79%	-3.50%	13-Dec-23	6.25%	11.00%	13.50%		13-Dec-23	1.10	1.28	11.20	
9-month	5.65%	11.03%	-5.38%	6-Dec-23	9.00%	13.00%	15.75%		6-Dec-23	1.03	1.94	101.39	
12-month	7.03%	12.78%	-5.75%	22-Nov-23	8.00%	12.00%	16.75%		22-Nov-23	9.96	1.82	199.93	
FGN Bonds (Local)				FGN Bonds	Apr-29	Jun-33	Jun-38	Jun-53	FGN Bonds	Apr-29	Jun-33	Jun-38	Jun-53
14.20% 14-MAR-2024	0.17%	3.17%	-3.00%	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	1.19%	12.13%	-10.94%	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	2.03%	13.31%	-11.28%	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	3.18%	13.03%	-9.85%	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	13.80%	14.33%	-0.53%	14-Aug-23	12.50%	13.60%	14.10%	14.30%	14-Aug-23	10.43	4.07	25.53	187.73
16.2499% 18-APR-2037	14.42%	13.28%	1.14%	Corporate Bonds				This Week	Prior Week	WoW (%)			
14.8% 26-APR-2049	15.07%	25.30%	-10.23%	ACCESS 15.50% 23-JUL-2026	15.56%	15.90%		-0.34%					
				VIATHAN 16.00% 14-DEC-2027	13.80%	14.21%		-0.41%					
				UNION 16.20% 27-JUN-2029	16.65%	16.93%		-0.28%					
				FIDELITY 8.50% 7-JAN-2031	14.40%	14.89%		-0.49%					
				MTN COM PLC 12.75 II 4-NOV-2031	14.39%	14.87%		-0.48%					
FGN Eurobonds													
7.625 21-NOV-2025	8.75%	7.63%	1.13%										
6.50% 28-Nov-2027	9.52%	6.25%	3.27%										
7.875% 16-FEB-2032	10.04%	7.88%	2.16%										
7.625% 28-Nov-2047	10.14%	7.63%	2.52%										
Source: DMO, CBN, FMDQ, ARM Research													



Resilient Inflation in December: Fed Likely to Hold Rates Steady

The December 2023 Consumer Price Index (CPI) report released by the U.S. Bureau of Labor Statistics (BLS) this week painted a picture of sticky prices. Headline inflation ticked up 0.3% month-on-month (MoM) compared to 0.1% MoM in November 2023, signaling a reversal of the downward trend seen earlier in the year. On a Year-on-year (YoY) basis, inflation climbed to 3.4% YoY, exceeding November's 3.1% YoY, and raising concerns about the Federal Reserve's (Fed) monetary policy outlook. The uptick was primarily driven by the rising cost of shelter, which contributed over half of the overall increase. Additionally, higher electricity and gasoline prices outweighed a decline in natural gas prices, adding further upward pressure on the inflation index. This resilience flies in the face of earlier investor expectations of the Fed potentially initiating rate cuts as early as March 2024. The December CPI report suggests that the central bank might need to remain cautious and hold off on easing monetary policy until its confident inflation is sustainably trending towards its 2% target.



Source: BLS, FRED, ARM Research



Thank You





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