



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

22nd January – 26th January 2024





## Global Economy

S&P Global issued the US and UK Purchasing Managers' Index (PMI) data earlier this week. With a headline S&P Global Flash US PMI Composite Output Index of 52.3, it represented the fastest increase in business activity since June 2023, up from 50.9 in December 2023. The increase in output suggested a significant improvement in performance at the beginning of the year. Also, the S&P Global Flash US Manufacturing PMI increased to 50.3 in December 2023 from 47.9, indicating the first improvement in the working environment for manufacturers of products in nine months. But the recovery was only slight, and production continued to decline. The seasonally adjusted S&P Global Flash UK PMI Composite Output Index for the UK's headline number increased to 52.5 in January 2023 from 52.1 in December 2023, marking the third consecutive month over the neutral 50.0 hurdle. According to the most recent reading, output growth is expanding at its fastest rate since June 2023. Since September 2023, when the index reached an eight-month low of 48.5, it has increased each month. In a similar vein, the Flash UK Manufacturing PMI recorded a nine-month high of 47.3, compared to 46.2 in December 2023.

## Domestic Economy

During the week, the Governor of the Central Bank of Nigeria (CBN), Yemi Cardoso, announced at the 2024 Macroeconomic Outlook of the Nigerian Economic Summit Group (NESG) that the apex Bank aims to achieve an inflation rate of 21.4% through its inflation targeting regime. He highlighted factors such as improved agricultural productivity and eased global supply chain pressures that would support economic growth. The anticipated moderation in fuel prices and a coordinated effort with the Ministry of Finance and Nigerian National Petroleum Company Limited are expected to enhance foreign exchange (FX) liquidity. Cardoso emphasized the importance of transparency in exchange rates, and noted he believed the naira to be currently undervalued.



## Equities

The Nigerian Equities market continued to surpass records, as the NGX All Share Index (ASI) crossed 100,000 points after gaining in all five (5) trading sessions of the week. Consequently, we observed that the benchmark index advanced by 8.32% WoW to 102,401.88 points, bringing the market's year-to-date returns up to 36.95% compared to 26.43% last week. For the second week running, the Industrial Goods sector (+23.20% WoW) led sectoral gains on the back of solid performances in DANGCEM (+28.8% WoW) and BUACEM (+20.98% WoW). Following the Industrial Goods sector were the Oil and Gas (+11.57% WoW) and Consumer Goods (+5.29% WoW) sectors. However, the Insurance (-4.10% WoW) and Banking (-1.63% WoW) sectors were dragged down by CORNEST (-15.51% WoW to NGN1.58) and ZENITHBANK (-4.44% WoW to NGN43.00) respectively. This week, DANGCEM (+28.8% WoW to NGN694.10), SUNUASSUR (+25.0% WoW to NGN2.25) and JAPAUFGOLD (+23.2% WoW to NGN3.08) topped the gainers' chart while CADBURY (-20.9% WoW to NGN22.95), DEAPCAP (-19.2% WoW to NGN0.80) and AFRIPUD (-16.5% WoW to NGN8.35) led the decliners' chart. In the coming week, we expect bullish sentiment in the market to persist as investors position themselves in dividend-paying tickers ahead of expected 2023FY earnings results.

## Fixed Income

At the primary NTB auction this week, the average stop rate increased by 288bps to 7.90% compared to 2.88% at the previous auction. The average bid-to-cover ratio declined by 76.76% to settle at 4.69x (from 20.16x at the last auction), indicating a fall in the demand for the instruments. However, the demand for the 364-day rose, reaching NGN1,308.77trn vs. NGN1,007.17trn at the last auction. In the secondary market, the NTB market closed the week bearish with the average yield surging by 334bps WoW to 6.73%. Similarly, the FGN Bond market witnessed a decline, with the average yield climbing by 24bps WoW to close at 13.80%. Overall, the Naira Fixed Income market closed bearish, with the average yield rising by 179bps WoW to close at 10.26%. Next week, we expect this to persist underpinned by the CBN's liquidity tightening agenda.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.4	33.2	0.30%	1.34%	
<b>USD/NGN (₦/\$)</b>					
NAFEM	902.08	902.08	0.00%	-0.55%	
Parallel	1402.5	1233.5	-12.05%	17.36%	
<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>Tinubu tax panel asks states to suspend low-revenue taxes.</b>
Oil	-0.85	-13.43	-4.21	-19.22	<b>NNPCL to pay royalties, taxes from \$3.3bn Afrexim loan.</b>
Agriculture	1.30	1.50	-0.90	1.88	<b>Tinubu seeks equitable access to capital for developing countries.</b>
Manufacturing	0.48	2.20	1.61	2.45	<b>Currency Outside Banks Surges to N3tn, 92% of Currency in Circulation</b>
Information and Communication	6.69	8.60	10.32	9.76	<b>Macy's rejects Arkhouse's \$5.8 billion bid, citing financing concerns.</b>
<b>Labor Data (%)</b>					
			<b>Q2 23</b>	<b>Q1 23</b>	<b>Geregu, Access Holdings, others touch N1tn cap</b>
Unemployment Rate			4.2	4.1	<b>FG approves new structure for FIRS</b>
Underemployment			11.8	12.2	<b>DisCos compelled to meter 715,000 users this year to reduce 8m coverage gap</b>
<b>Capital Importation (\$'mn)</b>					
	<b>Q3 23</b>	<b>Q2 23</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>Edun: FG Prioritising Intervention Funds to Tackle Rising Food Inflation</b>
Foreign Portfolio Investment - Equities	8.37	8.52	-1.8%	16.10%	<b>BOJ keeps ultra-easy policy, signals conviction on hitting price goal</b>
Bonds	20.56	85.29	-75.89%	-89.91%	<b>FG to sell five power plants for \$1bn</b>
Money Market	58.19	13.04	346.2%	-74.82%	<b>Shipowners, NNPCL to explore pooling model for vessel acquisition financing</b>
Foreign Direct Investment	59.77	86.03	-30.52%	-26.86%	<b>NNPCL privatises pipelines rehabilitation, builds PH refinery storage</b>
<b>Monetary Policy Rates (%) (July 2023)</b>					
	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>FIRS targets N19.4trn revenue</b>
MPR	18.75	18.50		25.0%	<b>CBN targets 21.4 per cent inflation, says naira is undervalued</b>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<b>'Special Economic Zones attract \$66bn foreign investment'</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>Aircraft Checks: Airlines to Spend \$3bn in 2024, May Cut Down on Operations</b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					
<b>Explainer: Evergrande's possible liquidation and what happens next</b>					

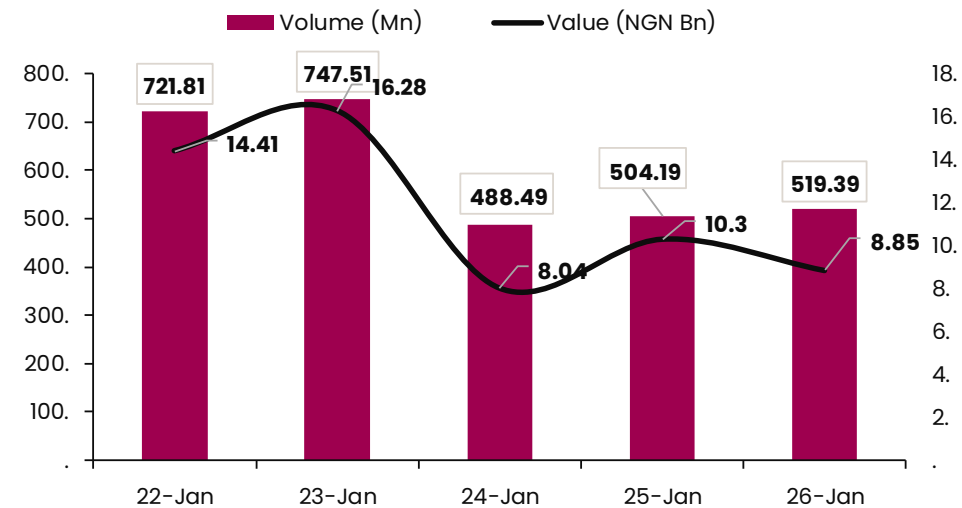


## Weekly Equities Market Snapshot

Friday, January 26, 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
DANGCEM	694.10	28.8%	694.10	260.00	0.0%	CADBURY	22.95	-20.9%	31.95	10.20	20.8%
SUNUASSUR	2.25	25.0%	2.25	0.32	3.7%	DEAPCAP	0.80	-19.2%	1.16	0.20	37.9%
JAPAUFGOLD	3.08	23.2%	3.08	0.27	-2.0%	AFRIPRUD	8.35	-16.5%	10.10	5.00	12.8%
SEPLAT	3074.60	21.0%	3074.60	1150.00	3.1%	CORNERST	1.58	-15.5%	2.09	0.54	12.9%
BUACEMENT	179.65	21.0%	179.65	81.00	0.0%	INTBREW	5.30	-15.3%	6.86	4.00	10.4%
ETERNA	27.45	19.6%	37.70	5.40	69.9%	JAIZBANK	2.93	-15.1%	4.01	0.85	51.0%
BUAFOODS	271.80	13.3%	271.80	74.40	1.7%	TANTALIZER	0.47	-14.5%	0.65	0.20	135.0%
CUTIX	3.00	11.1%	3.32	2.00	2.5%	NSLTECH	0.71	-12.3%	0.85	0.25	-4.1%
MEYER	3.56	9.9%	3.59	2.19	-10.0%	CHAMS	2.89	-11.9%	3.65	0.23	46.7%
NASCON	76.50	8.5%	78.30	10.60	7.3%	SOVRENINS	0.53	-11.7%	0.79	0.27	89.3%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	102,401.88	8.32%	36.95%	36.95%	36.95%
Market Cap	56.04trn	8.32%	36.95%	36.95%	36.95%
NGX Banking	1,021.80	-1.63%	13.89%	13.89%	13.89%
NGX Industrial	1,461.34	23.20%	96.43%	96.43%	96.43%
NGX Consumer	1,021.80	5.29%	30.33%	30.33%	30.33%
NGX Oil & Gas	1,283.30	11.57%	23.03%	23.03%	23.03%
NGX Insurance	1,461.34	-4.10%	35.35%	35.35%	35.35%



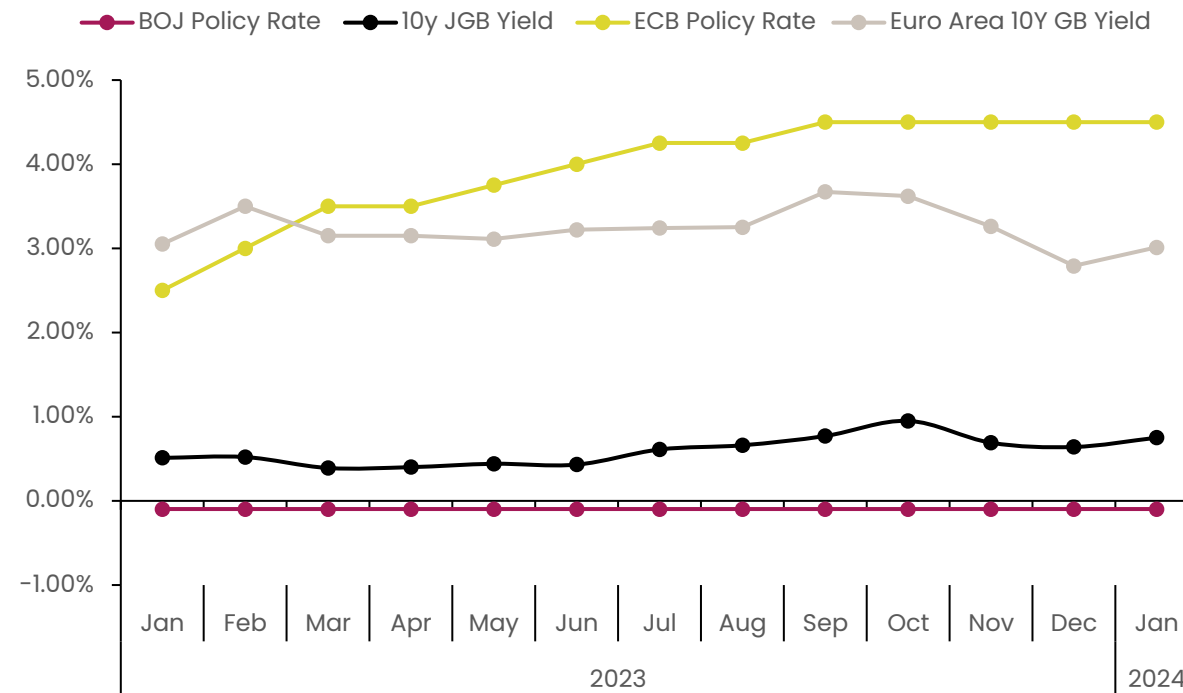
Source: NGX, ARM Research





## BOJ Stands Pat on Easing, ECB Holds Rates Despite Inflation Worries

Earlier in the week, the Bank of Japan (BOJ) reaffirmed its Quantitative and Qualitative Easing (QQE) with Yield Curve Control (YCC) policy. Maintaining negative interest rates and unlimited purchases of Japanese government bonds (JGBs) to keep 10-year yields around 0%, the BOJ also extended its loan disbursement deadline under a lending stimulus program. While acknowledging economic and financial uncertainties, the Bank pledged patience with its easing measures while remaining flexible to adapt to changing conditions. This signals a continued commitment to the current stance until evidence of strong wage-inflation cycle. In the Euro Area, despite unabated inflation concerns, the European Central Bank (ECB) kept its key interest rate unchanged at 4.50% for the sixth month consecutively since September 2023. Citing moderating underlying inflation and tighter economic conditions, the ECB opted against raising rates, albeit acknowledging upward pressure from energy prices. Reiterating its commitment to the 2% inflation target, the Bank emphasized a data-driven approach, hinting at future rate decisions based on evolving economic and financial data.



Source: Bloomberg, ARM Research





# Thank You





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