



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

9<sup>th</sup> October – 13<sup>th</sup> October 2023





### Global Economy

In China, according to China's Bureau of Statistics, the consumer price index (CPI) was flat YoY in September 2023 (vs. 0.1% YoY in August 2023), while it inched upward by 0.2% MoM in September 2023 (vs. 0.1% MoM in August 2023). The Statistics Bureau attributed the flatlining on a YoY basis to base effects, as there was a higher comparison base in the same period last year. YoY core inflation, excluding food and fuel prices, was 0.8%, unchanged from August 2023. Elsewhere, in the US, according to the US Bureau of Labor Statistics, the CPI increased by 0.4% MoM, with a 0.6% rise in rent accounting for more than half of the rise. Comparatively, the CPI soared 0.6% MoM in August 2023, which was the largest gain in 14 months. Shelter costs accounted for 0.3% in August 2023. YoY, the CPI recorded an uptick of 3.7% in September 2023 (unchanged from August 2023).

### Domestic Economy

During the week, the Central Bank of Nigeria (CBN) in a press release, reaffirmed its dedication to enhancing liquidity in the Foreign Exchange (Forex) market. The bank's six-point agenda includes promoting market-driven exchange rates, emphasizing reference to reliable platforms for rates, injecting liquidity into the Forex market when necessary, allowing importers of previously restricted items to purchase foreign exchange, clearing the existing Forex backlog and pursuing the goal of a unified Forex market through consultations with stakeholders. Furthermore, the National Bureau of Statistics (NBS) recently published its Capital Importation data for Q2:2023. On a year-on-year (YoY) basis, total capital imported dropped by 32.90% to settle at USD1.03bn in Q2:2023 (vs. USD1.16bn in) Q2:2022. This follows significant declines in two of its major components, Foreign Direct Investment (-41.54% YoY to USD86.03mn) and Foreign Portfolio Investment (-85.89% YoY to USD106.85). However, its third component, Other Investment (+32.73% YoY to USD837.34mn) increased in the period.



## Equities

This week, the Nigerian Equities market closed with positive sentiment as the market recorded gains in four (4) out of the five (5) trading sessions of the week. Consequently, the NGX ASI increased by 1.12% WoW to 67,200.69 points, while its year-to-date (YtD) returns settled at 31.12%, a surge from last week's 29.66%. Notably, all sectors under our coverage garnered gains except for the Banking sector, which lost 78bps WoW. Specifically, the Industrial Goods (+5.03% WoW), Consumer Goods (+1.39% WoW), Oil and Gas (+0.33% WoW) and Insurance (+0.92% WoW) sectors closed positive. The top gainers for the week were ABCTRANS (+23.1% WoW to NGN0.80), CHIPLC (+12.7% WoW to NGN1.15) and BUACEMENT (+12.6% WoW to NGN105.80). On the flipside, PRESTIGE (-10.00% WoW to NGN0.45), ROYALEX (-9.6% WoW to NGN0.47) and PRESCO (-9.5% WoW to NGN182.00) topped the losers' chart. We expect mixed sentiments in the coming week, as investors position themselves for dividends, pending the release of 9M:2023 earnings results.

## Fixed Income

At the primary NTB auction held this week, the average stop rate declined by 163bps to 6.01% (vs 7.64% at the previous auction). However, the average bid-to-cover ratio surged by 434bps to settle at 8.78% (vs 4.44% at the previous auction), indicating an increase in demand. Notably, the 364-day bill instrument registered high demand as its average bid-to-cover ratio rose to 9.94x from 4.45x at the last auction. The bullish sentiment at the auction reflected on the Nigerian Treasury Bills market as average yield declined by 148bps WoW to settle at 6.52%. Conversely, the FGN bond market closed bearish as average yield went up by 4bps WoW to 14.46%. This is on the back of selloffs in the mid-end of the curve. Overall, the Naira Fixed income market closed bullish as average yield dipped by 72bps WoW to settle at 10.49%.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.2	33.3	-0.30%	-10.35%	<b>Q2:2023 Capital Importation Report   Structural Issues Continue to Constrain Capital Inflow</b>
<b>USD/NGN (₦/\$)</b>					<b>BRICS - The Implications on the Global Market Scene</b>
NAFEX	766.7	775.2	1.11%	63.66%	
Parallel	1035.0	995.0	-3.86%	35.99%	
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2 month Avg.</b>	
<b>Inflation YoY (August 2023)</b>	<b>August</b>	<b>July</b>	<b>CHG (pps)</b>		
Headline	25.80	24.08	1.72	24.94	
Core	21.15	20.47	0.68	20.81	
Food	29.34	26.98	2.36	28.16	
<b>GDP (%) - YoY</b>	<b>Q2 23</b>	<b>Q1 23</b>	<b>Q4 22</b>	<b>2022FY</b>	<b>News Headline for the week (click news for link)</b>
Real GDP	2.51	2.31	3.52	3.1	<b>Citigroup urges CBN to lift forex embargo on 43 items</b>
Oil	-13.43	-4.21	-13.38	-19.22	<b>U.S. institutional investors eye Nigerian market, canvass right regulatory reforms</b>
Agriculture	1.50	-0.90	2.05	1.88	<b>NUPRC Optimistic Exxon Mobil, Seplat, NNPC Will Follow Due Process in Asset Sale Deal</b>
Manufacturing	2.20	1.63	2.83	2.45	<b>Exxon buying Pioneer will trigger \$71 million in executive windfalls</b>
Information and Communication	8.60	10.32	10.35	9.76	<b>Banks gain 61.9% in nine months amid devaluation, economic headwinds</b>
<b>Labor Data (%)</b>			<b>Q1 23</b>	<b>Q4 22</b>	<b>Domestic airlines demand jet fuel import licence, forex</b>
Unemployment Rate			4.1	5.3	<b>Shell Sees Better Earnings from Gas Trading in Q3</b>
Underemployment			12.2	13.7	<b>Yields fall, stocks rise after Fed officials' comments; oil slips</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 22</b>	<b>Q3 22</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>Naira dip pushes loan book value of eight banks to N30 trillion</b>
Foreign Portfolio Investment - Equities	4.86	7.21	-32.6%	-87.21%	<b>Total inflow into I&amp;E window rises by 49.1% in September</b>
Bonds	322.04	203.80	58.02%	214.62%	<b>Portfolio Investment in Equity, Bonds Plunge to \$617.2m on FX Scarcity</b>
Money Market	135.96	231.08	-41.2%	-75.68%	<b>Oil prices surge on fears of Mideast conflict adding to supply tightness</b>
Foreign Direct Investment	84.23	81.72	3.07%	-76.49%	<b>NGX, SecondSTAX Partner to Drive Investment Across Africa into Nigeria's Capital Markets</b>
<b>Monetary Policy Rates (%) (July 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>China saves billions of dollars from record sanctioned oil imports</b>
MPR	18.75	18.50		25.0%	<b>ETF's profit declines by 41% to \$1.52m</b>
Cash Reserve Ratio (CRR)	32.5	32.5		0.0%	<b>Banks record 117% increase in customers' complaints</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>Capital inflow into manufacturing sector stands at 88.16% in H1</b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<b>China's narrowing trade slump boosts recovery prospects, but challenges persist</b>



Weekly Equities Market Snapshot						Friday, October 13, 2023					
Top Gainers						Top Losers					
Ticker	Price	Δ(%)	Yr High	Yr Low	YTD	Ticker	Price	Δ(%)	Yr High	Yr Low	YTD
ABCTRANS	0.80	23.1%	1.35	0.23	48.0%	PRESTIGE	0.45	-10.0%	0.64	0.36	7.1%
CHIPLC	1.15	12.7%	1.41	0.52	0.0%	ROYALEX	0.47	-9.6%	1.19	0.44	-98.6%
BUACEMENT	105.80	12.6%	105.80	51.95	0.0%	PRESCO	182.00	-9.5%	220.00	110.00	32.4%
ELLAHLAKES	4.35	9.6%	4.75	3.19	7.3%	FTNCOCOA	1.64	-8.9%	4.10	0.25	465.5%
COURTVILLE	0.60	9.1%	0.96	0.41	-8.3%	DAARCOMM	0.21	-8.7%	0.39	0.20	5.0%
COURTVILLE	0.60	9.1%	0.96	0.41	-8.3%	REGALINS	0.34	-8.1%	0.48	0.23	36.0%
DANGSUGAR	60.70	7.4%	71.50	15.00	2.3%	CUSTODIAN	7.20	-5.9%	8.30	5.35	21.0%
SUNUASSUR	1.04	7.2%	1.18	0.27	3.7%	ETI	15.15	-5.3%	17.50	9.50	42.9%
NSLTECH	0.30	7.1%	0.50	0.20	9.8%	STERLINGNG	3.32	-5.1%	4.58	1.32	137.1%
JOHNHOLT	1.57	6.1%	3.14	0.73	44.4%	ETRANZACT	9.00	-4.3%	10.58	3.20	157.1%

Tickers	Pts#	WoW	MTD	QTD	YTD
NGXASI	67,200.69	1.12%	1.23%	1.23%	31.12%
Market Cap	36.92trn	1.12%	1.62%	1.62%	32.26%
NGX Banking	670.47	-0.78%	0.64%	0.64%	60.59%
NGX Industrial	1,150.07	5.03%	3.58%	3.58%	14.77%
NGX Consumer	670.47	1.39%	1.56%	1.56%	95.28%
NGX Oil & Gas	917.06	0.33%	0.33%	0.33%	98.29%
NGX Insurance	1,150.07	0.92%	-2.21%	-2.21%	58.72%

Date	Volume (Mn)	Value (NGN Bn)
9-Oct	268.66	3.46
10-Oct	257.42	7.8
11-Oct	410.32	4.46
12-Oct	309.32	4.55
13-Oct	224.07	4.16

Source: NGX, ARM Research



	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	96 Day	187 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	362 Day												
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>															
Overnight (O/N)	1.00%	1.00%	0.00%	10-Aug-23	10.00%	12.98%	14.49%	10-Aug-23	30	40	80												
Open Repo Rate (OPR)	1.67%	1.70%	-0.03%																				
NIBOR - 1M	11.00%	8.67%	2.33%																				
NIBOR - 3M	12.13%	10.33%	1.79%																				
NIBOR - 6M	12.50%	12.08%	0.42%																				
<b>Treasury Bills</b>				<b>Treasury Bills</b>				<b>Treasury Bills</b>															
1-month	2.94%	3.29%	-0.36%	11-Oct-23	3.67%	5.11%	9.25%	11-Oct-23	2.78	3.02	30.76												
3-month	4.49%	5.16%	-0.68%	28-Sep-23	4.99%	6.55%	11.37%	28-Sep-23	1.75	1.56	173.81												
6-month	7.04%	7.51%	-0.47%	11-Sep-23	6.50%	7.00%	12.98%	11-Sep-23	1.10	0.92	150.18												
9-month	9.63%	10.00%	-0.37%	6-Sep-23	4.50%	7.00%	12.55%	06-Sep-23	1.03	10.55	203.15												
12-month	10.85%	12.36%	-1.51%	23-Aug-23	5.19%	8.00%	13.97%	23-Aug-23	9.96	10.21	283.04												
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>				<b>FGN Bonds</b>															
					Feb-28	Apr-29	Apr-32	Jun-33	Jun-38	Jan-42	Mar-50	Jun-53											
14.20% 14-MAR-2024	5.45%	6.12%	-0.67%	11-Sep-23	N/A	14.50%	N/A	15.45%	15.55%	N/A	N/A	16.25%	11-Sep-23	N/A	43.65	N/A	10.45	25.69	N/A	N/A	171.71		
13.53% 23-MAR-2025	12.78%	12.79%	-0.01%	14-Aug-23	N/A	12.50%	N/A	13.60%	14.10%	N/A	N/A	14.30%	14-Aug-23	N/A	10.43	N/A	4.07	25.53	N/A	N/A	187.73		
12.50% 22-JAN-2026	13.11%	13.15%	-0.04%	17-Jul-23	N/A	12.50%	N/A	13.60%	14.10%	N/A	N/A	14.30%	17-Jul-23	N/A	52.62	N/A	39.86	146.49	N/A	N/A	417.77		
16.2884% 17-MAR-2027	13.25%	13.58%	-0.33%	19-Jun-23	N/A	13.90%	N/A	14.70%	15.45%	N/A	N/A	15.70%	19-Jun-23	N/A	86.38	N/A	18.57	100.64	N/A	N/A	221.56		
12.1493% 18-JUL-2034	14.90%	14.80%	0.10%	15-May-23	14.10%	N/A	14.90%	N/A	N/A	15.69%	15.80%	N/A	15-May-23	61.91	N/A	9.39	N/A	N/A	53.16	243.69	N/A		
16.2499% 18-APR-2037	15.41%	15.36%	0.05%	<b>Corporate Bonds</b>				<b>Corporate Bonds</b>				<b>Corporate Bonds</b>											
14.8% 26-APR-2049	15.70%	15.70%	0.00%																				
<b>FGN Eurobonds</b>				<b>FGN Eurobonds</b>				<b>FGN Eurobonds</b>				<b>FGN Eurobonds</b>											
7.625 21-NOV-2025	10.15%	10.64%	-0.49%	FCMB 17.25% 8-DEC-2023					4.41%			4.82%										-0.41%	
6.50% 28-Nov-2027	11.68%	12.56%	-0.88%	ACCESS 15.50% 23-JUL-2026					15.95%			15.98%											-0.03%
7.875% 16-FEB-2032	12.18%	12.84%	-0.66%	VIATHAN 16.00% 14-DEC-2027					14.12%			15.72%											-1.60%
7.625% 28-Nov-2047	12.09%	12.59%	-0.50%	UNION 16.20% 27-JUN-2029					18.21%			17.87%											0.34%
				FIDELITY 8.50% 7-JAN-2031					16.00%			15.78%											0.22%
				MTN COM PLC 12.75    4-NOV-2031					15.99%			15.76%											0.23%

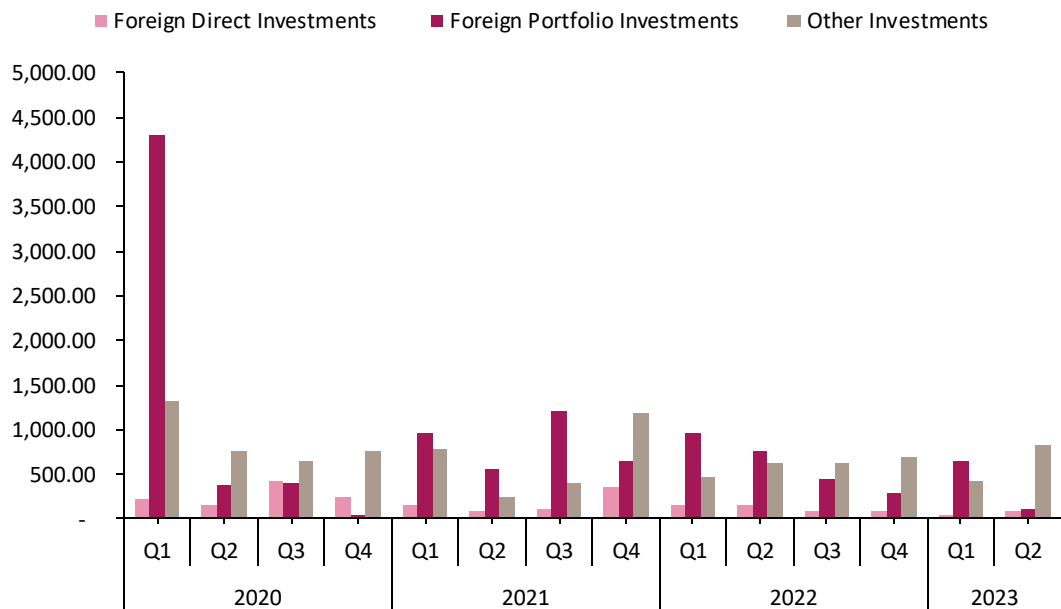
Source: DMO, CBN, FMDQ, ARM Research



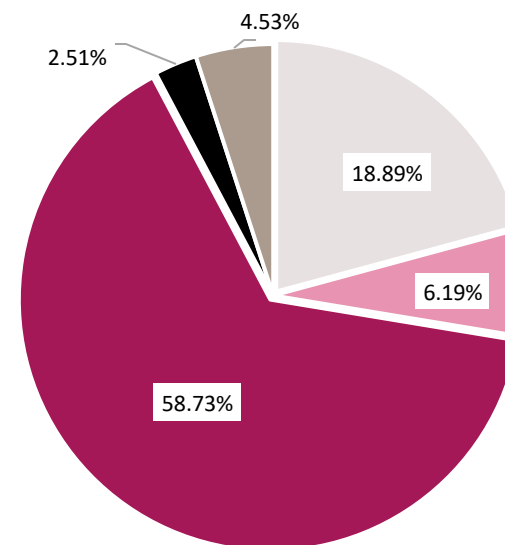
### Persistent Structural Issues Hamper Capital Inflow

Recently, the National Bureau of Statistics (NBS) released the capital importation data for Q2:2023. According to the report, total capital imported into the economy declined by 32.90% year-on-year (YoY) to USD1.03 billion (vs. USD1.16 billion in Q2:2022). Specifically, Foreign Direct Investment (FDI) dipped by 41.54% YoY to USD86.03 million. The decline underscores the persistent structural imbalances (insecurity, infrastructure deficit, and FX illiquidity) that have made investing in Nigeria unattractive to foreign investors. Similarly, Foreign Portfolio Investment (FPI) went down by 85.89% YoY to USD106.85 million, driven by declines in equities (-33.01% YoY), bonds (-73.52% YoY), and money market instruments (-96.91% YoY). This reflects investors' preference for advanced markets with strong positive real returns amid the current high interest rate environment. On a QoQ basis, however, FDI surged 80.71%, marking the first uptick since Q4:2022. FPI on the other hand decreased by 83.54%QoQ.

In Q2 2023, the production sector outperformed the banking sector, accounting for the highest inflow of capital at USD605.04 million, or 58.73% of total capital imported. The banking sector came in second, contributing 18.89%.



Banking Financing Production/Manufacturing Telecomms Trading



Source: NBS, ARM Research.





<b>CONSUMER GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>DANGOTE SUGAR REFINERY PLC</b>	<b>60.70</b>	<b>23.7</b>	<b>-60.96%</b>	<b>SELL</b>
<b>FLOUR MILLS NIG. PLC.</b>	<b>32.00</b>	<b>38.37</b>	<b>19.91%</b>	<b>OVERWEIGHT</b>
<b>GUINNESS NIG PLC</b>	<b>65.00</b>	<b>144.71</b>	<b>122.63%</b>	<b>STRONG BUY</b>
<b>NIGERIAN BREW. PLC.</b>	<b>42.00</b>	<b>39.22</b>	<b>-6.62%</b>	<b>SELL</b>
<b>FINANCIAL SERVICES</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>ACCESS HOLDINGS PLC</b>	<b>15.85</b>	<b>20.86</b>	<b>31.61%</b>	<b>STRONG BUY</b>
<b>FBN HOLDINGS PLC</b>	<b>16.10</b>	<b>24.62</b>	<b>52.92%</b>	<b>STRONG BUY</b>
<b>GUARANTY TRUST HOLDING COMPANY PLC</b>	<b>34.70</b>	<b>43.11</b>	<b>24.24%</b>	<b>STRONG BUY</b>
<b>UNITED BANK FOR AFRICA PLC</b>	<b>17.55</b>	<b>17.67</b>	<b>0.68%</b>	<b>NEUTRAL</b>
<b>ZENITH BANK PLC</b>	<b>32.00</b>	<b>39.58</b>	<b>23.69%</b>	<b>STRONG BUY</b>
<b>ICT</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>AIRTEL AFRICA PLC</b>	<b>1400.10</b>	<b>1173.84</b>	<b>-16.16%</b>	<b>SELL</b>
<b>MTN NIGERIA COMMUNICATIONS PLC</b>	<b>250.00</b>	<b>340.46</b>	<b>36.18%</b>	<b>STRONG BUY</b>
<b>INDUSTRIAL GOODS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>BUA CEMENT PLC</b>	<b>105.80</b>	<b>110.81</b>	<b>4.74%</b>	<b>NEUTRAL</b>
<b>DANGOTE CEMENT PLC</b>	<b>310.10</b>	<b>348.34</b>	<b>12.33%</b>	<b>OVERWEIGHT</b>
<b>LAFARGE AFRICA PLC (WAPCO)</b>	<b>29.40</b>	<b>45.01</b>	<b>53.10%</b>	<b>STRONG BUY</b>
<b>OIL AND GAS</b>	<b>CP</b>	<b>TP</b>	<b>Upside/Downside</b>	<b>RECOMMENDATION</b>
<b>SEPLAT ENERGY PLC</b>	<b>1837.00</b>	<b>1,483.90</b>	<b>-19.22%</b>	<b>SELL</b>
<b>TOTALENERGIES MARKETING NIGERIA PLC</b>	<b>385.00</b>	<b>437.35</b>	<b>13.60%</b>	<b>OVERWEIGHT</b>

Source: Bloomberg, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date
Flour Mills of Nigeria Plc	11-Oct-23				NGN2.25kb	2023FY	10-Nov-23	13-Oct-23

Source: ARM Research



# Thank You





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