



How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





Weekly Commentary & Stock recommendation

2nd April – 5th April 2024





Global Economy

Earlier this week, we saw data from China detailing that services activity growth in the country accelerated in March 2024 as new business rose at the fastest pace in three months, a sign outlook was staging an imminent recovery in the world's second-largest economy. The Caixin/S&P Global services purchasing managers' index (PMI) rose to 52.7 points from 52.5 points in February 2024, above the 50-mark that separates expansion from contraction for the 15th consecutive month. This was also the highest reading since May 2023. Elsewhere, in the US, we observed that Nonfarm payrolls increased by 303,000 jobs in March 2024. Data for February 2024 was revised slightly lower to show 270,000 jobs added instead of 275,000 as previously reported. This indicates that US economic growth is still solid and gives less reason for the US Federal Reserve to revert to a loose monetary policy before the end of the year.

Domestic Economy

During the week, the federal government of Nigeria, via the Nigerian Electricity Regulatory Commission (NERC), declared a hike in electricity tariffs for customers in category Band A to NGN225 per kilowatt hour (kWh), previously at NGN66 per kWh. The NERC noted that Band A consumers make up about 15% of the nation's 12 million electricity users. Furthermore, the NERC admitted that some Band A feeders have not met the mandated minimum electricity supply hours, consequently shifting them to Band B, accompanied by a corresponding adjustment in electricity tariffs. We believe that the impact this development will have on rising prices would depend on the size of customers affected.



Equities

This week, the Nigerian Equities market sustained its bearish run for the third (3rd) consecutive week, as the NGX All Share Index (ASI) lost 1.08% WoW to print at 103,437.67 points. Consequently, the market's year-to-date (YtD) return declined to 38.33% from 39.84% YtD last week. This week, only the Consumer Goods sector closed positive, as it gained 94bps WoW. Conversely, the Banking sector (-6.73% WoW) recorded the highest loss, following the announcement of the recapitalization exercise by the Central Bank of Nigeria (CBN). The Insurance (-0.85% WoW) and Industrial Goods (-0.27% WoW) sectors also posted losses, while the Oil and Gas sector closed on a flat note for the second week running. CUTIX (+22.7% WoW to NGN3.19), MORISON (+20.5% WoW to NGN2.12) and MAYBAKER (+19.1% WoW to NGN6.55) topped the gainers chart, while STERLINGNG (-13.0% WoW to NGN4.70), JBERGER (-11.4% WoW to NGN58.50) and CWG (-10.0% WoW to NGN6.75) led the losers' chart. In the coming week, we expect negative sentiment to persist, as investors continue to focus on higher yielding fixed income assets.

Fixed Income

Earlier this week, the Central Bank of Nigeria (CBN) held an Open Market Operation (OMO) auction, offering NGN500bn worth of instruments across three (3) tenors (short-term: NGN75bn, mid-term: NGN75bn, and long-term: NGN350bn). The average stop rate at the auction fell by 13bps to 19.88% from 20% at the previous auction. This decrease was primarily driven by a decline in the stop rate offered for the long-term (-38bps to 21.13%) instrument, while short-term and mid-term rates remained constant. Despite the lower stop rate, the auction witnessed improved demand reflected by a rise in the average bid-to-cover ratio to 2.39x compared to 2.28x at the previous auction. This demand was particularly focused on the long-term instruments, which noted a subscription rate of 3.31x. The secondary fixed income market, however, concluded the week bearish. The average yield in the Nigerian Treasury market surged by 125bps WoW to 18.91%. Conversely, the FGN bond market exhibited slight bullish sentiment, as the average yield fell by 2bps WoW to 19.39%. This positive performance was driven by buying interest across the yield curve, particularly in the 17-MAR-2027 (-71bps), 20-MAR-2027 (-124bps), and FEB-2031 (-113bps) instruments. The overall Naira Fixed Income market closed bearish due to a 61bps WoW increase in the average yield to 19.15%. Looking ahead, we expect this bearish momentum to continue due to CBN's liquidity mop-up operations.



	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.5	34.3	-2.37%	1.82%	March 2024 Monthly Fixed Income Market Update
USD/NGN (₦/\$)					March 2024 Monthly Equities Market Update
NAFEM	1255.07	1453.28	15.79%	-27.72%	Banking Sector Update Review of Minimum Capital Requirements for Banks
Parallel	1232.5	1510.0	22.52%	-3.04%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2 month Avg.	
Inflation YoY (February 2024)	February	January	CHG (pps)		
Headline	31.70	29.90	1.80	30.80	
Core	25.13	23.59	1.54	24.36	
Food	37.92	35.41	2.51	36.67	
GDP (%) - YoY	Q4 23	Q3 23	Q2 23	2023FY	News Headline for the week (click news for link)
Real GDP	3.46	2.54	2.51	2.74	Electricity tariff hike looms as FG raises gas price
Oil	12.11	-0.85	-13.43	-2.22	Pipeline vandalism: FG may transport crude oil via trucks
Agriculture	2.10	1.30	1.50	1.13	Report: Despite Epileptic Power Supply, Discos' Revenues Rose N62.6bn in Q4, 2023
Manufacturing	1.38	0.48	2.20	1.4	Naira sells below 1,280/\$ at official, parallel markets
Information and Communication	6.33	6.69	8.60	7.91	'Air Peace will crash airfares on Lagos-London route'
Labor Data (%)		Q3 23	Q2 23	Q1 23	OPEC oil output plunges as Nigeria, Iraq slash exports
Unemployment Rate		5	4.2	4.1	MTN Nigeria seeks shareholders' input in capital loss management
Underemployment		12.3	11.8	12.2	Report: FG Set to Triple Electricity Tariffs for Urban Areas, Price May Hit N200/kWh
Capital Importation (\$'mn)	Q4 23	Q3 23	QoQ (%)	YoY (%)	China's services activity growth speeds up in March, Caixin PMI shows
Foreign Portfolio Investment - Equities	10.83	8.37	29.4%	122.77%	EKEDC eyes metering 600,000 customers in five years
Bonds	67.16	20.56	226.65%	-53.51%	Insurance Sector's 14 Years Journey to N1tn Premium Income
Money Market	231.78	58.19	298.3%	70.47%	Bank of Japan offers bleaker view on economy, flags upbeat wage signs
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	Lekki Port handles 100, 000 containers in one year – LFTZ
Monetary Policy Rates (%) (March 2024)	Latest	Prior		CHG (%)	Naira crash pushes raw material imports to N3tn – NBS report
MPR	24.75%	22.75%		2.0%	Dangote Sugar expands backward integration projects with 120,000ha land
Cash Reserve Ratio (CRR)	45%	45%		0.0%	AfDB, Indorama seal deal to boost fertiliser production
Liquidity Ratio	30%	30%		0.0%	Nigerian Breweries to Raise N600bn via Rights Issue
Source: CBN, NBS, FMDQ, ARM Research					PMI Report: Productivity Grew Slightly in March Despite Strong Inflationary Pressure



Weekly Equities Market Snapshot						Friday, April 5, 2024					
Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
CUTIX	3.19	22.7%	1.94	0.52	35.7%	STERLINGNG	4.70	-13.0%	2.64	1.60	235.7%
MORISON	2.12	20.5%	72.60	26.70	-24.3%	JBERGER	58.50	-11.4%	0.68	0.20	36.0%
MAYBAKER	6.55	19.1%	1.80	1.12	24.8%	CWG	6.75	-10.0%	112.50	40.00	-18.7%
CHAMS	2.22	15.6%	31.95	10.20	12.7%	TANTALIZER	0.38	-9.5%	16.00	5.02	90.0%
ABBEYBDS	2.77	14.5%	3.23	1.00	24.8%	NSLTECH	0.58	-9.4%	24.70	2.20	-21.6%
IKEJAHOTEL	7.30	13.5%	19.20	8.50	21.7%	HONYFLOUR	3.54	-9.2%	14.40	5.01	6.6%
DANGSUGAR	59.00	13.5%	10.95	5.65	3.5%	ABCTRANS	0.70	-9.1%	1.35	0.31	-13.6%
CAP	24.00	12.1%	66.95	35.00	15.1%	DAARCOMM	0.61	-9.0%	2.67	0.59	-32.2%
SCOA	2.15	9.7%	0.00	0.00	133.7%	GTCO	48.00	-8.6%	10.58	3.94	18.5%
RTBRISCOE	0.59	7.3%	114.00	108.30	126.9%	CAVERTON	1.66	-7.8%	185.00	81.00	-7.3%

Tickers	Pts/₦	WoW	MtD	QtD	YtD
NGXASI	103,437.67	-1.08%	-1.08%	-1.08%	38.33%
Market Cap	58.5trn	-1.05%	-1.05%	-1.05%	42.96%
NGX Banking	960.32	-6.73%	-6.73%	-6.73%	7.04%
NGX Industrial	1,626.01	-0.27%	-0.27%	-0.27%	78.02%
NGX Consumer	960.32	0.94%	0.94%	0.94%	45.01%
NGX Oil & Gas	1,294.38	0.00%	0.00%	0.00%	24.09%
NGX Insurance	1,626.01	-0.85%	-0.85%	-0.85%	25.12%

Source: NGX, ARM Research

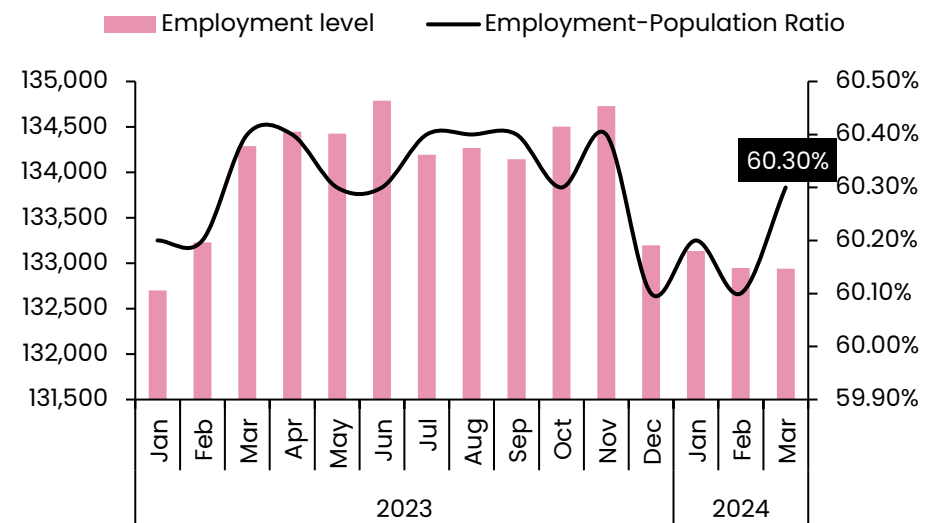
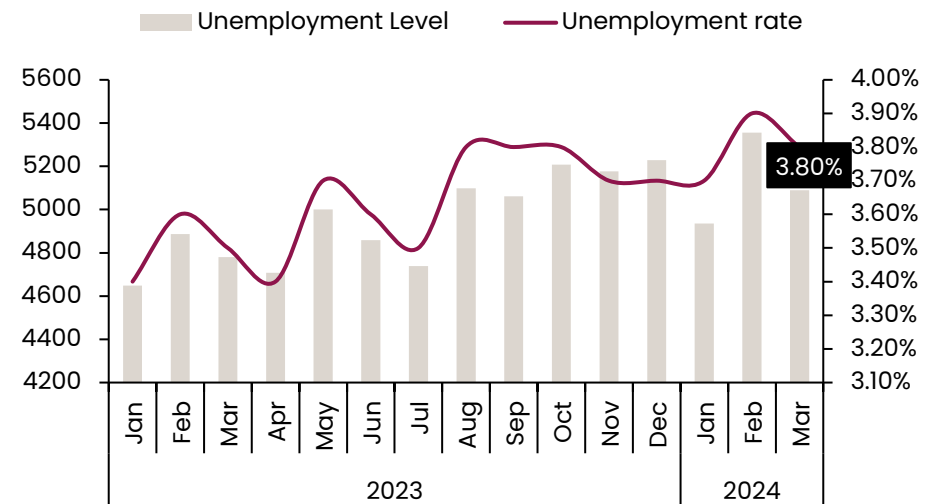


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	Short tenor	Mid tenor	Long Tenor	Issuance (N'billion)	Short tenor	Mid tenor	Long Tenor									
Money Market				OMO				OMO												
Overnight (O/N)	23.00%	28.21%	-5.21%	03-Apr-24	19.00%	19.50%	21.13%	03-Apr-24	17	7	652									
Open Repo Rate (OPR)	22.11%	27.29%	-5.18%	1-Mar-24	19.00%	19.50%	21.50%	01-Mar-24	37	6	1013									
NIBOR - 1M	21.38%	19.10%	2.28%	29-Jan-24	10.00%	13.50%	17.00%	29-Jan-24	15	15	270									
NIBOR - 3M	22.42%	20.15%	2.27%	15-Jan-24	10.00%	13.50%	15.50%	15-Jan-24	22	35	300									
NIBOR - 6M	23.46%	20.80%	2.66%	10-Jan-24	10.50%	14.00%	17.75%	10-Jan-24	50	100	150									
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day									
1-month	13.37%	13.58%	-0.21%	27-Mar-24	16.24%	17.00%	21.12%	27-Mar-24	29.83	25.58	1,134.30									
3-month	16.01%	16.43%	-0.42%	13-Mar-24	16.24%	17.00%	21.12%	13-Mar-24	728.17	918.38	159.85									
6-month	18.48%	18.51%	-0.03%	6-Mar-24	17.24%	18.00%	21.49%	6-Mar-24	331.01	66.25	1,192.09									
9-month	21.09%	22.51%	-1.42%	21-Feb-24	17.00%	17.50%	19.00%	21-Feb-24	200	200	600									
12-month	23.31%	25.25%	-1.94%	7-Feb-24	17.24%	18.00%	19.00%	7-Feb-24	7.85	6.44	217.53									
FGN Bonds (Local)				FGN Bonds	Mar-27	May-27	Apr-29	Feb-31	Jun-33	Feb-34	Jun-38	FGN Bonds	Mar-27	May-27	Apr-29	Feb-31	Jun-33	Feb-34	Jun-38	
13.53%	23-MAR-2025	19.82%	19.70%	0.12%	18-Mar-23	19.94%	N/A	N/A	20.00%	N/A	20.45%	N/A	18-Mar-23	151.93	N/A	N/A	47.84	N/A	275.85	N/A
12.50%	22-JAN-2026	19.12%	19.04%	0.08%	19-Feb-23	N/A	N/A	N/A	18.50%	N/A	19.00%	N/A	19-Feb-23	N/A	N/A	N/A	873.53	24.34	621.38	N/A
16.2884%	17-MAR-2027	19.05%	19.83%	-0.78%	29-Jan-23	15.00%	N/A	15.50%	N/A	16.00%	N/A	16.50%	29-Jan-23	86.19	N/A	21.94	N/A	43.35	N/A	266.73
12.1493%	18-JUL-2034	19.05%	19.05%	0.00%	11-Dec-23	N/A	15.50%	16.00%	N/A	16.50%	N/A	17.15%	11-Dec-23	N/A	31.47	33.19	N/A	47.07	N/A	322.77
16.2499%	18-APR-2037	18.92%	18.91%	0.01%	13-Nov-23	N/A	16.00%	17.00%	N/A	17.50%	N/A	18.00%	13-Nov-23	N/A	20.53	22.26	N/A	54.86	N/A	237.09
14.8%	26-APR-2049	18.60%	18.60%	0.00%	Corporate Bonds				This Week	Prior Week	WoW (%)									
					ACCESS 15.50% 23-JUL-2026	22.28%	22.22%	0.06%												
					VIATHAN 16.00% 14-DEC-2027	20.09%	20.28%	-0.19%												
FGN Eurobonds				UNION 16.20% 27-JUN-2029	22.69%	22.76%	-0.07%													
7.625%	21-NOV-2025	7.97%	7.86%	0.11%	FIDELITY 8.50% 7-JAN-2031	20.85%	21.42%	-0.57%												
6.50%	28-Nov-2027	8.58%	8.47%	0.11%	MTN COM PLC 12.75 4-NOV-2031	20.83%	21.38%	-0.55%												
7.875%	16-FEB-2032	9.83%	9.64%	0.19%																
7.625%	28-Nov-2047	10.30%	10.15%	0.15%																
Source: DMO, CBN, FMDQ, ARM Research																				



Strong Gains Push Unemployment Rate Down

Earlier today, the U.S. Bureau of Labor Statistics (BLS) released strong employment data for March 2024. The report highlighted a slight decrease in the unemployment rate, which fell to 3.8% YoY from February's 3.9% YoY. Furthermore, Nonfarm payrolls showed a notable increase of 303,000 jobs in March, compared to 270,000 in February 2024. The total count of unemployed individuals also saw a decline, dropping from 6.5 million in February to 6.4 million in March. Additionally, the labor force participation rate saw a modest uptick of 2bps MoM to 62.7%, breaking the flat trend observed since December 2023, and indicating more people are entering or re-entering the US workforce. Moreover, the employment-to-population ratio experienced a 3bps increase, reaching 60.3%. March saw notable employment gains in Healthcare (+72,000), government (+71,000), and construction (+39,000) sectors. Furthermore, average hourly earnings for all private nonfarm payroll employees saw a slight uptick to USD34.82. However, concerns linger over inflation, which accelerated in February 2024, rising to 3.2% compared to 3.1% in January 2024. Consequently, the Federal Reserve is likely to maintain its focus on inflation control, potentially keeping its benchmark interest rates at current levels for longer.



Source: US BLS, ARM Research



CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	59.00	125.7	113.05%	STRONG BUY
FLOUR MILLS NIG. PLC.	39.10	36	-7.93%	SELL
GUINNESS NIG PLC	49.60	100	101.61%	STRONG BUY
NIGERIAN BREW. PLC.	28.90	39.22	35.71%	STRONG BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	227.00	256.86	13.15%	OVERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	936.20	45.01	-95.19%	SELL
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3370.00	3,790.00	12.46%	OVERWEIGHT
TOTALENERGIES MARKETING NIGERIA PLC	346.50	299.70	-13.51%	SELL

Source: NGX, ARM Research



Company	Declaration Date	Total Dividend	Total Dividend/Share	Final Dividend	Final Dividend/Share	Financial Year	Payment Date	Register Date
Berger Paints Nigeria Plc	4-Apr-24				NGN0.80	2023FY	14-May-24	16-Apr-24
BUA Foods Plc	28-Mar-24				NGN5.50	2023FY	26-Sep-24	23-Aug-24
CWG Plc	2-Apr-24				NGN0.16	2023FY	26-Apr-24	17-Apr-24
Okomu Oil Palm Plc	3-Apr-24				NGN14.00	2023FY	23-May-24	25-Apr-24
Unilever Nigeria Plc	3-Apr-24				NGN0.75	2023FY	10-May-24	26-Apr-24
Nigerian Aviation Handling Company Plc	2-Apr-24				NGN2.54	2023FY	24-May-24	10-May-24
Geregu Power Plc	2-Apr-24			NGN20bn	NGN8.00	2023FY		
Africa Prudential Plc	2-Apr-24			NGN900mn	NGN0.45	2023FY		15-May-24
McNichols Consolidated Plc	27-Mar-24				NGN0.02	2023FY	30-Jul-24	28-Jun-24
Infinity Trust Mortgage Bank Plc	27-Mar-24				NGN0.15	2023FY	13-May-24	12-Apr-24
Julius Berger Nigeria Plc	28-Mar-24				NGN3.00	2023FY	21-Jun-24	31-May-24
UAC of Nigeria Plc	29-Mar-24				NGN0.22	2023FY	21-Jun-24	6-Jun-24

Source: NGX, ARM Research

Thank You





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