



# ARM RESEARCH

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## **Weekly Economic & Financial Commentary** ...for the week 30th April – 4th May 2018

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## Summary

### *Global Market*

- ◆ This week, the Federal Open Market Committee (FOMC) held its monetary policy meeting leaving its policy rate unchanged at 1.75%. Elsewhere, the dollar marked a fresh four-month high against basket of currencies on Friday after the release of the monthly nonfarm payrolls which showed that 164,000 new jobs were created in April. Additionally, the dollar got a boost from positive U.S labour data which showed that unemployment rate for the month of April declined to 3.9%. As at 19:30pm WAT, Brent prices rose to \$74.92/bbl. owing to possible sanctions on Iran with a decision set to be made by 12 May on whether to renew sanctions on Iran.

### *Domestic Market*

- ◆ CBN published its monthly Purchasing Manager Index (PMI) survey which showed an expansion in both Manufacturing PMI and Non Manufacturing PMI for the thirteenth and twelfth consecutive month respectively.

### *Equities*

- ◆ After an impressive run last week, the NSEASI slipped 0.06% WoW to close the week at 41,218.72 although, market closed in the green today (+0.27%). C&I Leasing (+29.5%) and Unity Kapital (+17.9%) were the top gainers of the week while Dangote Flour (-18.6%) and Eterna (-13%) topped the losers chart. On a sectoral basis, the Oil & Gas (-3.4%), Personal care (-2.79%), food (-2.84%), insurance (-1.23%) and Breweries (-0.5%) sectors closed in red offsetting gains in Banking (+1.28%) and Construction (+2.64%).

### *Fixed Income Market*

- ◆ In the just concluded week, the naira yield curve inched up 26bps WoW to 12.5%. This was driven by liquidity strain following CBN OMO sale during the week which drove a 47bps and 5bps spike in yields at the short and long end of the curve respectively. Also, on Wednesday, FG sold ₦90 billion worth of Treasury bills split across 90 Day (₦9.5 billion; 10%), 182 Day (₦47.7 billion; 10.95%), 364 Day (₦38.2 billion; 11.15%). Despite being four times oversubscribed (Total subscription of ₦402.7 billion), FG's T-bill sale of ₦95 billion was largely in line with its planned offer (₦95 billion) as FG continues to shun Naira debt following its quest to reduce its cost of debt service.

## The week in Review

- The FOMC held its monetary policy meeting this week, leaving the benchmark interest rate unchanged at 1.75% notwithstanding the rising inflation. The Fed noted that inflation should run near the central bank's 2% target over the next 12 months.

- Venezuela's inflation is by far world's highest touching 17,968% in April 2018, exceeding IMF 2018 inflation forecast (13,864%) for the country.
- Angola Central Bank left its interest rate unchanged at 18%.

Global Equities		Index Returns (%)				Index Characteristics			Global Fixed Income				Global Currencies						
Country	Index	Level (in \$)	WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Cap (\$'bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,667	-0.1	-0.2	11.6	20.6		2.0	US	2.23		2.95	0.1	2.4	Euro (€)	1.2	1.2	-1.4	-0.4
	NASDAQ	7,221	1.4	4.6	18.9	26.5	10,795.3	1.1	UK	0.68	0.0	1.40	0.3	2.5	GBP (£)	1.4	1.4	-1.7	0.2
UK	FTSE ASI	7,567	0.9	-1.6	4.4	14.0		4.2	Euro	-0.26	-0.8	0.97	-3.1	1.2	JPY (¥)	109.1	109.1	-0.1	3.3
France	CAC 40	5,516	0.6	3.8	2.7	17.4	1,003.8	3.2	Japan	-0.14	0.0	0.04	0.1	0.9	INR (₹)	66.9	66.7	-0.3	-4.5
Germany	XETRA DAX	12,820	1.9	-0.8	1.4	14.6		3.1	China	3.20	-2.7	3.75	-1.7	2.1	CNY (¥)	6.4	6.3	-0.5	2.3
Japan	NIKKEI 25	22,473	0.0	-1.3	15.6	16.8	5.5	1.9	India	6.58	1.9	7.73	-0.5	4.36	MXN (\$)	19.2	18.6	-3.0	2.4
China	Shanghai Comp	3,091	0.0	-6.5	-0.4	15.0	5,008.0	2.4	Mexico	7.68	0.3	7.56	-0.6	5.04	RUB (p.)	62.5	62.2	-0.5	-7.7
Brazil	Ibovespa	83,552	-3.3	9.4	28.8	21.4	38.8	3.5	Turkey	16.10	-9.9	13.30	-5.9	10.85	ZAR (R)	62.5	62.2	-0.5	-7.7
India	BSE Sens	34,915	-0.2	2.5	15.9	23.7	515.8	1.6	Russia	6.50	0.4	4.11	-0.5	2.4	EGP (£)	17.6	17.7	0.4	0.8
Russia	RTS	611	-1.0	1.1	10.1	7.1	2.9	6.1	Egypt	16.59	0.4	17.20	-9.2	13.3	KES (sh)	100.3	100.4	0.1	2.9
Mexico	S&P/BMV IPC	46,913	-2.8	-4.9	-4.3	22.1		2.4	South Africa	7.46	0.5	8.75	-1.1	3.8	GHS (¢)	17.6	17.7	0.4	0.8
Turkey	Borsa Istanbul 100	102,599	-4.7	-11.0	10.3	7.9	0.4	4.6	Kenya	11.15	0.0	12.91	0.0	3.7	XOF (F)	561.1	553.4	-1.4	0.6
Indonesia	JCI Index	5,792	0.0	-8.9	1.9	20.4	463.1	2.3	Ghana	15.00	0.0	19.00	0.0	10.36	XAF (F)	567.2	558.5	-1.5	-1.6
Kazakhstan	KASE Index	2,453	2.9	13.4	58.2	9.1	1.2	53.1	Nigeria	11.15	-7.7	13.07	-0.2	13.3	NGN (₦)	360.8	360.0	-0.2	-0.2
Vietnam	VN Index	1,027	0.0	4.3	42.6	18.2	124.2	1.5	<b>Global Commodities</b>				<b>Global Indicators for the Week</b>						
South Africa	FTSE/JSE ASI	57,649	0.3	-3.1	7.9	17.3		3.3											
Egypt	EGX 30	17,833	0.0	18.7	40.3	25.0	13.4	2.0	Brent Crude	\$/bbl	74.9	74.6	0.3	11.9	US Interest Rate	1.75%	1.75%		
Kenya	NSEASI	175	-2.5	2.2	30.0	14.3	24.6	4.6	OPEC Crude	\$/bbl	70.7	71.0	-0.8	9.6	China Manufacturing PMI (April)	54.1	51.5		
Morocco	MSCI MX	350	-0.5	4.0	4.6	20.7	10.4	3.4	Gasoline	\$/gal	211.5	212.8	-0.6	6.2	China Non Manufacturing PMI (A)	54.80	54.6		
Ghana	GSE Composite	3,478	0.2	34.8	84.5	74.8	5.6	1.2	Natural Gas	\$/MBtu	2.7	2.8	-2.1	-2.2	Japan Manufacturing PMI (April)	53.80	53.30		
Tunisia	TunIndex	7,144	0.3	13.7	25.9	18.6	0.7	2.1	Gold	\$/t oz	1314.3	1324.0	-0.7	0.9	Australia Interest Rate	1.5%	1.5%		
BRVM	BRVM	236	0.0	-3.0	-13.6	32.8	29.2	1.7	Sugar	\$/lb	11.5	11.5	0.0	-23.5	Italy Q1 GDP (YoY)	1.6%	1.6%		
Mauritius	SEMDEX	2,282	0.4	3.6	12.7	17.0	9.5		Wheat	\$/bsh	524.3	498.5	5.2	15.7	Europe Q1 GDP (YoY)	2.5%	2.7%		
Nigeria	NGSE ASI	41,219	-0.06	7.78	57.52	11.5	40.9	4.7	Crude Palm oil MYR/MT		2340.0	2389.0	0.0	-6.4					

Source: Bloomberg, Reuters, ARM Research

### The week in Review

- ◆ The House of Representative has resolved to pass the 2018 budget next week, precisely 8th of May 2018 having failed to pass the budget in April as promised.
- ◆ PENCOM has said the implementation of the multi fund structure would begin in July 2018

- ◆ The Central bank of Nigeria signed a \$2.5 billion currency swap deal with china this week. The transaction is aimed at providing adequate local currency liquidity for businesses in the country.
- ◆ Nigeria's Manufacturing PMI expands to 56.9 index point in the month of April, from 56.7 recorded in the month of March 2018.

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Key Indicators	Period	Latest	Prior	CHG (pps)
External Reserve (\$bn)	47.58	47.58	0.0	0.2	Treasury Bills Auction	May-18	₦95.4 mn	₦58.5 mn	
<b>USD/NGN (₦/\$)</b>									
NAFEX	360.75	360.41	0.0	0.0					
Parallel	361	361.5	0.0	0.0					
<b>Economic Snapshot</b>	<b>Latest (%)</b>	<b>Prior</b>	<b>CHG (pps)</b>	<b>2018 Avg.</b>					
<b>Inflation YoY (March)</b>									
Headline	13.3	14.3	0.9	14.3					
Core	11.2	11.7	1.0	11.7					
Food	16.1	17.6	0.9	17.5					
<b>GDP (%) - YoY</b>	<b>Q4 17</b>	<b>Q3 17</b>	<b>FY 17</b>	<b>FY18F</b>					
Real GDP	1.9	1.4	0.8	2.6	<b>News Headline for the week</b> ( <a href="#">click news for link</a> )				
Oil	8.4	25.9	5.5	9.1	* Manufacturing Activities expanded in April - CBN				
Agriculture	4.2	3.1	3.4	3.3	* Nigeria to get \$500 million looted funds from U.S				
Manufacturing	0.1	-2.9	-0.2	2	* BDCs seek approval in principle for trading platform				
Services	-0.8	-3.1	-0.8	1.4	* Forte Oil to sell Nigerian assets, exit Ghana				
<b>Labor Data (%) - Q3 17</b>			<b>Latest</b>	<b>Prior</b>	* NNPC to Cut Nigeria's Global Gas Flare Position to Seventh from Second				
Unemployment Rate			18.8	16.2	* CBN signs \$2.5bn currency swap deal with China				
Underemployment			21.2	21.1	* Reps to pass 2018 budget next Tuesday				
<b>Capital Importation (\$'mn) - Q4 17</b>	<b>Q4 17</b>	<b>Q3 17</b>	<b>QoQ (bps)</b>	<b>YoY (bps)</b>					
Foreign Portfolio Investment - Equities	989.2	1,932.1	-0.5	3.23	* Pencom begins multi-fund structure for pension assets July 1				
Bonds	309.5	115.4	1.7	0.22					
Treasury Bills	2,178.8	719.9	2.0	4.8					
Foreign Direct Investment	378.4	117.6	2.2	-0.1					
<b>Balance of Payment (\$'mn) - Q3 17</b>	<b>Q3 17</b>	<b>Q2 17</b>	<b>Q1 17</b>	<b>QoQ (bps)</b>					
Trade Balance	3,897	1,997	2,267	0.95					
CA Balance	2,293	1,226	2,703	0.87					

Source: CBN, NBS, FMDQ, FX Mallam, ARM Research

## The week in Review

- ◆ After an impressive run last week, the NSEASI slipped 0.06% WoW to close the week at 41,218.72, although market closed in the green today +0.27%.
- ◆ C&I Leasing (+29.5%) and Unity Kapital (+17.9%) were the top gainers of the week while Dangote Flour (-18.6%) and Eterna (-13.0%) topped the losers chart.
- ◆ In a similar vein, market breadth was positive with 25 stocks gaining against 14 stocks that declined.

- ◆ On a sectoral basis, losses in Oil & Gas (-3.4%), Personal care (-2.79%), food (-2.84%), insurance (-1.23%) and Breweries (-0.5%) offset gains in Banking (+1.28%) and Construction (+2.64%).

## Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	41,218.72	-0.1	-0.1	-0.7	7.8	57.5
NSE ASI (\$)	114.26	-0.2	-0.2	-0.8	7.7	60.1
Market Cap (₦bn)	14,930.66	0.0	-0.1	0.0	0.1	0.6
Market Cap (\$mn)	41,387.83	0.0	-0.2	0.0	0.1	0.7
NSE 30	1,873.70	-0.1	-0.1	0.0	7.3	58.2
NSE Premium	2,951.14	0.1	-0.1	0.0	15.1	81.9
NSE 50	2,116.44	0.1	0.0	-0.3	8.5	64.9
NSE ASEM	958.52	0.0	0.0	-3.0	-11.8	-19.8
NSE Banking	525.53	1.6	1.1	1.0	10.5	78.8
NSE Insurance	144.36	-1.1	-0.9	-4.5	3.6	17.3
NSE Consumer	993.55	-1.9	-1.1	1.6	1.8	56.6
NSE Oil & Gas	359.10	-1.4	-1.3	3.5	8.6	15.2
NSE Industrial	2,088.13	1.1	0.5	-4.7	5.7	23.8
NSE Lotus	2,682.65	-0.5	-0.2	-0.6	4.8	58.0
NSE Pensions	1,606.90	0.2	0.2	1.4	16.5	84.9

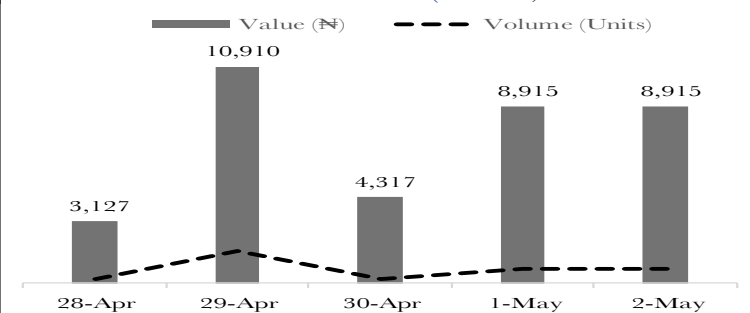
## Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	1.28%	0.90%	14.81%
Brewers	-0.50%	-1.23%	-2.74%
Cement	0.27%	-5.50%	6.27%
Personal Care	-2.79%	-7.37%	20.52%
Construction	2.64%	5.06%	0.11%
Food	-2.84%	6.14%	2.32%
Insurance	-1.23%	0.60%	-0.07%
Oil & Gas	-3.35%	4.76%	7.85%
Real Estate	0.00%	-1.87%	-0.91%

## ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-0.14%	-0.43%	7.69%
Mid Cap (Mid 30%)	0.21%	-1.85%	10.79%
Small Cap (Bottom 60%)	-5.20%	-19.45%	-33.90%

## Volume and Value Traded (millions)



## Top 10 Gainers

Company	This Week	WoW
C&I Leasing	1.80	29.5%
Unity Kapital Assurance	0.33	17.9%
CCNN	22.35	14.6%
Beta Glass	83.20	10.2%
Livestock	0.84	9.1%
NPF Microfinance Bank	1.90	8.6%
Mutual Benefit Assurance	0.26	8.3%
Union Bank	6.70	7.2%
Vitafoam	3.30	6.5%
NASCON	21.40	5.7%

## Top 10 Losers

Company	This Week	WoW
Dangote Flour	11.40	-18.6%
Eterna	5.74	-13.0%
Prestige Assurance	0.45	-11.8%
Dangote Sugar	19.00	-11.2%
Regency Alliance	0.27	-10.0%
Oando	8.35	-8.7%
Chams	0.42	-8.7%
Japoul Oil	0.46	-8.0%
WAPIC	0.53	-7.0%
Niger Insurance	0.28	-6.7%

### The week in Review

- ◆ In the just concluded week, the naira yield curve inched up 26bps WoW to 12.5%.
- ◆ This was driven by liquidity strain following CBN OMO sale during the week which drove a 47bps and 5bps spike in yields at the short and long end of the curve respectively.

- ◆ Also, on Wednesday, FG sold ₦90 billion worth of Treasury bills split across 90 Day (₦9.5 billion; 10%), 182 Day (₦47.7 billion; 10.95%), 364 Day (₦38.2 billion; 11.15%).
- ◆ Despite being four times oversubscribed (Total subscription of ₦402.7 billion), FG's T-bill sale of ₦95 billion was largely in line with its planned offer (₦95 billion) as FG continues to shun

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	91 Days	250 Days	364 Days	Issuance (₦'billion)	91 Days	250 Days	364 Days
<b>Money Market</b>				<b>OMO</b>				<b>OMO</b>			
Overnight (O/N)	3.42%	3.75%	-0.3	26-Apr-18	10.31%	12.00%	-	26-Apr-18	111.02	115.65	-
Open Buy Back (OBB)	2.83%	3.00%	-0.2	12-Apr-18	12.20%	13.95%	-	12-Apr-18	1.89	498.71	-
NIBOR - 1M	7.00%	7.50%	-0.5	23-Mar-18	12.60%	14.39%	-	23-Mar-18	37.30	247.72	-
NIBOR - 3M	7.25%	7.88%	-0.6	19-Mar-18	14.40%	14.39%	-	19-Mar-18	5.30	111.22	-
NIBOR - 6M	7.75%	8.13%	-0.4	08-Mar-18	0.00%	14.40%	-	08-Mar-18	Nil	150.00	-
<b>Treasury Bills</b>				<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>	<b>Treasury Bills</b>	<b>91 Day</b>	<b>182 Day</b>	<b>364 Day</b>
1-month	8.18%	0.00%	8.2	19-Apr-18	10.90%	12.00%	12.08%	19-Apr-18	5.85	29.25	23.40
3-month	11.01%	10.46%	0.6	05-Apr-18	11.75%	12.70%	13.04%	05-Apr-18	9.52	17.60	68.08
6-month	11.51%	11.46%	0.1	22-Mar-18	11.95%	13.00%	13.15%	22-Mar-18	5.40	8.39	40.18
9-month	12.04%	12.07%	0.0	15-Mar-18	11.75%	13.00%	13.19%	15-Mar-18	6.22	4.00	85.50
12-month	13.25%	14.79%	-1.5	01-Mar-18	11.85%	13.50%	13.50%	01-Mar-18	13.00	64.99	52.00
<b>FGN Bonds (Local)</b>				<b>FGN Bonds</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>	<b>FGN Bonds</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>
16.00% 29-JUN-2019	10.01%	11.82%	-1.81	Apr-18	12.75%	12.85%	12.89%	Apr-18	38.29	12.75	38.96
15.54% 13-FEB-2020	12.67%	11.78%	0.89	Mar-18	13.40%	13.53%	13.60%	Mar-18	10.05	8.91	45.10
14.50% 15-JUL-2021	12.58%	12.40%	0.18	Feb-18	13.70%	-	13.98%	Feb-18	27.18	-	52.44
16.39% 27-JAN-2022	13.07%	12.57%	0.50	Jan-18	13.38%	-	13.49%	Jan-18	45.12	-	64.88
14.20% 14-MAR-2024	13.00%	13.05%	-0.05	Dec-17	13.19%	-	13.21%	Dec-17	24.77	-	61.47
12.50% 22-JAN-2026	13.05%	13.09%	-0.04								
16.2884% 17-MAR-2027	12.98%	12.92%	0.06	<b>Corporate Bonds</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>	<b>Corporate Eurobond</b>	<b>This Week</b>	<b>Prior Week</b>	<b>WoW (%)</b>
12.1493% 18-JUL-2034	13.00%	13.06%	-0.06	DUFIL   18.25%   1-SEP-2022	14.83%	14.49%	0.34	ZENITH   6.25%   22-APR-2019	4.86%	4.70%	0.16
16.2499% 18-APR-2037	12.92%	12.81%	0.11	FCMB   17.25%   8-DEC-2023	14.27%	14.35%	-0.08	DIAMOND   8.75%   21-MAY-2019	10.56%	10.39%	0.17
				FIDELITY   16.48%   13-MAY-2022	14.06%	13.64%	0.42	FBN   8.25%   07-AUG-2020	9.68%	9.65%	0.03
				LAPO MFB   17.75%   19-DEC-2022	16.74%	16.47%	0.27	ECOBANK   8.75%   14-AUG-2021	12.23%	9.89%	2.34
<b>FGN Eurobonds</b>				MIXTA   17.00%   16-JAN-2022	13.86%	13.16%	0.70	ACCESS   10.50%   19-OCT-2021	6.66%	6.65%	0.01
6.50% 28-Nov-2027	6.36%	6.21%	0.15	STANBIC   13.25%   30-SEP-2024	14.01%	14.06%	-0.05	ZENITH   7.375%   30-MAY-2022	6.52%	6.39%	0.13
7.625% 28-Nov-2047	7.53%	7.31%	0.22	STERLING   16.50%   3-AUG-2023	14.04%	13.93%	0.11	UBA   7.75%   08-JUN-2022	6.89%	6.83%	0.06
7.875% 16-FEB-2032	6.96%	6.76%	0.20	UBA   16.45%   30-DEC-2021	14.04%	13.52%	0.52				
5.625% 27-JUN-2022	5.11%	5.03%	0.08	VIATHAN   16.00%   14-DEC-2027	15.37%	15.42%	-0.05				0.00

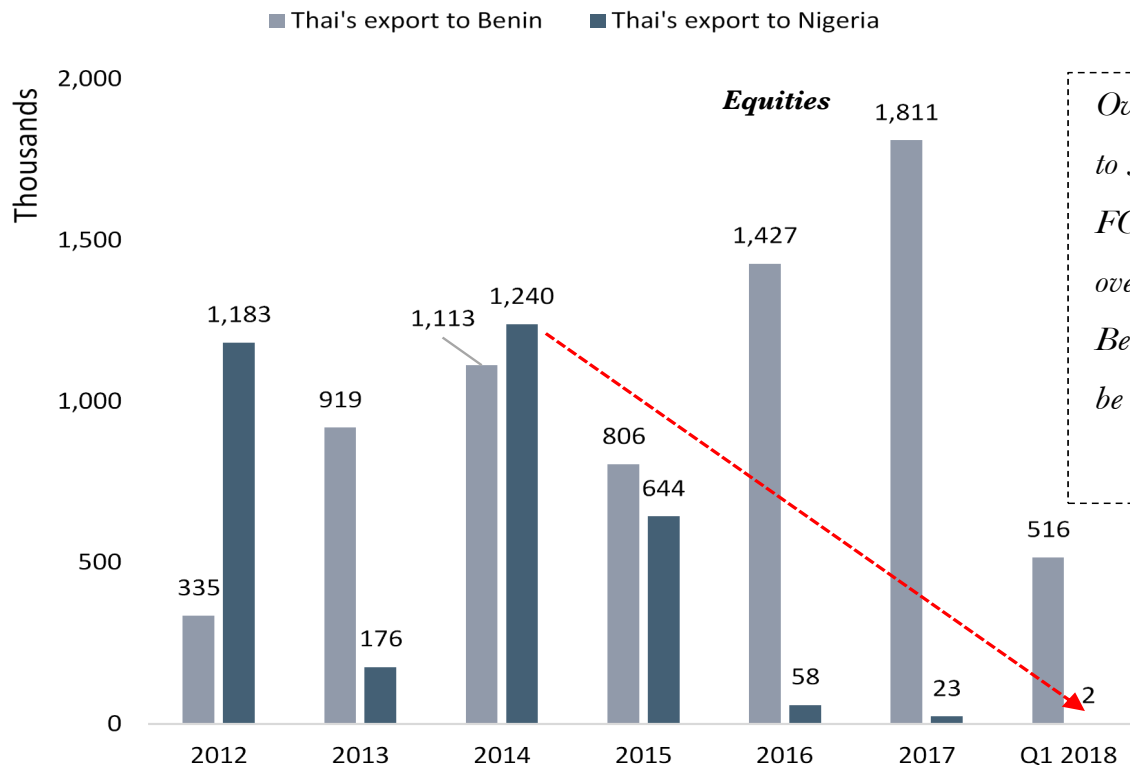
Source: DMO, FMDQ, Bloomberg, ARM Research

## Economic and Financial Calendar for the week 7th May - 11th May 2018

	Monday 7-May	Tuesday 8-May	Wednesday 9-May	Thursday 10-May	Friday 11-May
<b>Global</b>	BOJ Monetary Policy Meeting (Sunday)	China trade balance (Apr)	US Producer Price Index (Apr)	China PMI (Apr)	Canada Unemployment Rate
	Switzerland PMI (April)		New Zealand Monetary Policy Meeting	UK Trade Balance (Mar)	
			Japan trade Balance (Mar)	BOE Monetary Policy Meeting	
<b>Domestic</b>				Job Creation (Q1 - Q4 2017)	

## CHART OF THE WEEK

**Figure: Thailand’s exportation of rice to Nigeria and Benin (MT)**



*Over the last five years, Thailand’s exportation of rice to Nigeria has declined 98.1% to 23,000 MT with FG taking all the cheer for this stride. Surprisingly, over the same period, Thailand’s exportation of rice to Benin spiked 97%% to 1.8 million MT. Could there be a link?*





Thank You

**ARM Securities**

Research	234 (1) 2701653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 4488282	customerservice@armsecurities.com.ng

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