



# How would Recent Events Affect Your Financial Investments?

Find Answers On The ARM Weekly Commentary And Stock Recommendation





# Weekly Commentary & Stock recommendation

11<sup>th</sup> March – 15<sup>th</sup> March 2024





## Global Economy

Earlier this week, the US Census Bureau released retail trade data. According to the Census Bureau, advance estimates of U.S. retail and food services sales for February 2024, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were USD700.7bn, up 0.6% MoM from January 2024, and up 1.5% YoY from February 2023. Total sales for the December 2023 through February 2024 period were up 2.1% YoY from the same period a year ago. Additionally, according to the US Bureau of Labor Statistics, the Consumer Price Index increased 0.4% MoM in February 2024 on a seasonally adjusted basis, after rising 0.3% MoM in January 2024. On a YoY basis, the headline index increased by 3.2% (vs. 3.1% YoY in January 2024). Core inflation, less food and energy, was unchanged MoM at 0.4% MoM. YoY, it rose by 3.8%.

## Domestic Economy

Earlier Today, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for February 2024. The headline inflation went up by 180bps to 31.70% YoY (vs. 29.90% YoY in January 2024). This increase was driven by surge in its two (2) significant subcomponents: food (+251bps to 37.92% YoY) and core (+154bps to 25.13% YoY) inflation. On a Month-on-Month (MoM) basis, headline inflation rose by 48bps to 3.12% MoM (vs. 2.64% MoM in the January), this was driven increase in food inflation (+57bps MoM to 3.79%). However, core inflation declined by 7bps to 2.17% MoM. Elsewhere In a recent statement, the Central Bank of Nigeria (CBN) reaffirmed its guidelines on how banks should manage foreign exchange (FX) revaluation gains. According to the CBN, these gains should be used to absorb fluctuations in the exchange rate, not for dividends or operational costs. This policy was previously outlined in a circular issued on September 11, 2023. We believe that this the part of the CBN's measures to ensure that banks have enough buffer to protect the value of shareholder funds from periods of sustained volatility. Consequently, we think that the policy might remain in place for the foreseeable future, especially if the Nigerian economy continues to experience currency volatility.



## Equities

The NGX All Share Index (ASI) gained 3.71% WoW to settle at 105,085.25 points, bringing the market to a bullish close at the end of this week. Consequently, the market recorded 40.54% YtD returns, an increase from last week's 35.52% YtD. This week, all the sectors under our coverage closed positive except the Oil and Gas sector (-0.11% WoW). Specifically, the Banking sector (+12.84% WoW) led sectoral gains for the week, followed by the Insurance (+2.52% WoW), Consumer Goods (+1.41% WoW) and Industrial Goods (+0.20% WoW) sectors. The top gainers for the week were JBERGER (+30.6% WoW to NGN72.60), OMATEK (+23.1% WoW to NGN0.80) and MTNN (+21.0% WoW to NGN267.80). However, INTENEGINS (-27.4% WoW to NGN1.22), SUNUASSUR (-19.1% WoW to NGN1.27) and LASACO (-14.5% WoW to NGN2.00) led the decliners for the week. In the coming week, we expect performance of the equities market to be driven by the direction of yields in the fixed income market and the anticipation of the release of the 2023FY earnings results of some tickers.

## Fixed Income

At the recent Nigerian Treasury Bills auction held by the Central Bank of Nigeria (CBN), the CBN offered and sold all NGN161.49bn worth of treasuries across the 91-day, 182-day, and 364-day instruments. The average stop rates declined by 79bps to 18.12% from 18.91% at the previous auction, this was driven by decreases across the instruments (91-day: -100bps to 16.24%, 182-day: -100bps and 364-day: -37bps to 21.12% bills). However, the average bid-to-cover ratio soared by 435bps to 9.27x (vs. 4.92x at the last auction). Overall, the total instruments offered were sold. The Nigerian fixed income market continued its downward trend in the secondary market this week. The average yield on the Nigerian Treasury bills market declined by 19bps WoW to close at 18.61%. Conversely, the FGN bond market closed on a bearish note as the average yield surged by 39bps WoW to 18.40%, this was driven by selling pressures across the yield curve specifically in the MAR-2027 (+30bps), JUN-2033 (+45bps), JUN-2038 (+91bps) and JUL-2045 (+66bps). Overall, the Naira fixed income market closed negative as the average yield rose by 10bps to settle at 18.50%.

## Weekly Commentary

## Domestic



parallel	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	34.4	34.0	1.03%	4.44%	<b>Q4 2023 and 2023FY Foreign Trade in Goods</b>
<b>USD/NGN (₦/\$)</b>					<b>MTNN 2023FY Earnings Note – Foreign Exchange Losses Bite Deep</b>
NAFEM	1608.98	1602.17	-0.42%	-43.62%	
Parallel	1605.0	1512.5	-5.76%	-25.55%	
<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>January</b>	<b>December</b>	<b>CHG (pps)</b>		
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	
<b>GDP (%) – YoY</b>	<b>Q4 23</b>	<b>Q3 23</b>	<b>Q2 23</b>	<b>2023FY</b>	<b>News Headline for the week (click news for link)</b>
Real GDP	3.46	2.54	2.51	2.74	<b>Banking stocks push global dividends payout to \$1.66tn</b>
Oil	12.11	-0.85	-13.43	-2.22	<b>CBN insists banks can't pay dividends from FX revaluation gains</b>
Agriculture	2.10	1.30	1.50	1.13	<b>Japan's Feb inflation likely quickened as BOJ weighs ditching negative rates: Reuters poll</b>
Manufacturing	1.38	0.48	2.20	1.4	<b>PH refinery gets 450,000 barrels crude, resumes operations April</b>
Information and Communication	6.33	6.69	8.60	7.91	<b>China cbank set to leave key rate unchanged on Friday amid uncertainty around Fed easing</b>
<b>Labor Data (%)</b>		<b>Q3 23</b>	<b>Q2 23</b>	<b>Q1 23</b>	<b>Nigeria's containerised exports rise by 44.43% to 226,456 – NPA</b>
Unemployment Rate		5	4.2	4.1	<b>Foreign direct investments withdrawal will continue in Nigeria – EIU</b>
Underemployment		12.3	11.8	12.2	<b>FG plans fresh borrowing via Eurobond in June</b>
<b>Capital Importation (\$'mn)</b>	<b>Q4 23</b>	<b>Q3 23</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>Senate gives panel six weeks to probe N30tn CBN loans</b>
Foreign Portfolio Investment – Equities	10.83	8.37	29.4%	122.77%	<b>Manufacturers Threaten to Halt Supply, Distribution over Insecurity</b>
Bonds	67.16	20.56	226.65%	-53.51%	<b>Oil higher on strong US demand, Fed policy in focus</b>
Money Market	231.78	58.19	298.3%	70.47%	<b>Inflation, FX Volatility Increased Dangote Cement, 10 Others' Production Cost To N4.1tn In 2023</b>
Foreign Direct Investment	183.97	59.77	207.80%	118.42%	<b>Debt Service Gulpd \$560m In January, 399% YoY Increase</b>
<b>Monetary Policy Rates (%) (July 2023)</b>	<b>Latest</b>	<b>Prior</b>		<b>CHG (%)</b>	<b>Nigeria's agric exports facing rejections overseas – WTO DG</b>
MPR	22.75	18.75		400.0%	<b>Cement companies grow revenue to N3tn</b>
Cash Reserve Ratio (CRR)	45.0	32.5		1250.0%	<b>External Reserves Surge by \$993m, Hit 8-month High of \$34.11bn</b>
Liquidity Ratio	30.0	30.0		0.0%	<b>CBN Liquidity Mop-up Drives Banks, Others' Borrowing to N8.7tn in Two Months</b>
<b>Source: CBN, NBS, FMDQ, ARM Research</b>					<b>Oil earnings rise by N450bn in two months, says FG</b>

## Weekly Commentary

## Equity

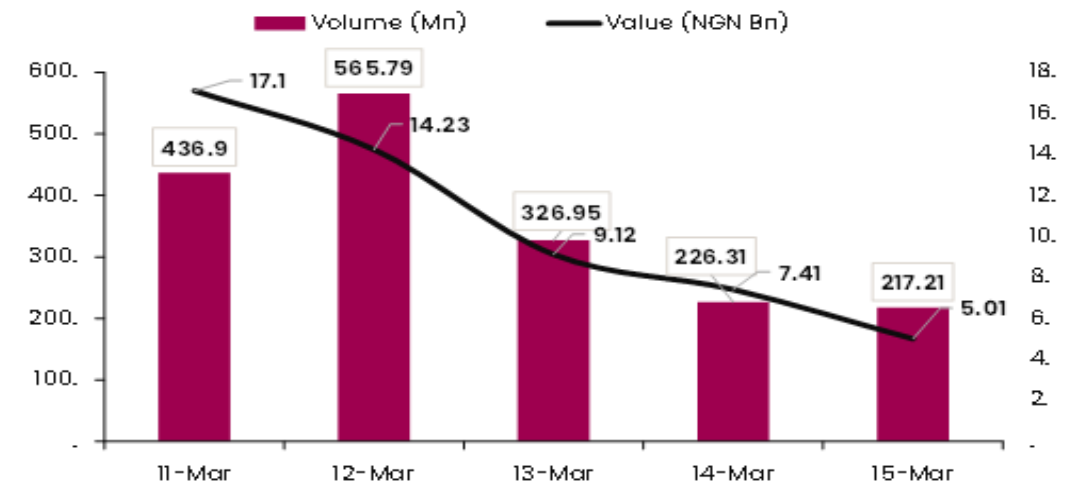


## Weekly Equities Market Snapshot

Friday, 15 March 2024

Top Gainers						Top Losers					
Ticker	Price	Δ (%)	Yr High	Yr Low	YtD	Ticker	Price	Δ (%)	Yr High	Yr Low	YtD
JBERGER	72.60	30.6%	72.6	26.7	68.8%	INTENEGINS	1.22	1.2%	1.80	1.30	
OMATEK	0.80	23.1%	1.15	0.2	5.3%	SUNUASSUR	1.27	-19.1%	2.25	0.42	337.9%
MTNN	267.80	21.0%	319.8	175	1.4%	LASACO	2.00	-14.5%	2.96	0.98	5.3%
NEM	6.65	20.9%	8.50	3.89	5.6%	MANSARD	5.10	-5.9%	6.8	1.85	-7.3%
GTCO	48.45	17.9%	48.8	22.05	19.6%	OANDO	11.50	-4.2%	16.00	4.00	9.5%
FTNCOCOA	1.62	17.4%	4.10	0.25	9.5%	CWG	6.10	-3.9%	9.5	0.86	-26.5%
ETI	23.30	16.5%	28.80	10.10	11.5%	CUTIX	2.60	-3.7%	46.50	3.32	2.0%
DEAPCAP	0.72	14.3%	1.16	0.2	24.1%	ETERNA	15.15	-3.2%	1.00	37.70	5.4%
FBNH	37.00	14.2%	37	10.3	57.1%	TRANSCOHOT	97.90	-3.1%	101	6.21	1466.4%
ROYALEX	0.79	12.9%	1.06	0.44	-97.6%	REGALINS	0.39	-2.5%	0.68	0.27	2.6%

Tickers	Pts/₦	WoW	MtD	Qtd	Ytd
NGXASI	105,085.25	3.71%	5.11%	40.54%	40.54%
Market Cap	59.42trn	3.71%	8.61%	45.21%	45.21%
NGX Banking	969.57	12.84%	14.14%	8.07%	8.07%
NGX Industrial	1,632.46	0.20%	-1.70%	77.10%	77.10%
NGX Consumer	969.57	1.41%	0.56%	45.59%	45.59%
NGX Oil & Gas	1,290.46	-0.11%	-0.96%	23.72%	23.72%
NGX Insurance	1,632.46	2.52%	-1.74%	12.28%	12.28%



Source: NGX, ARM Research

Weekly Commentary

Fixed Income

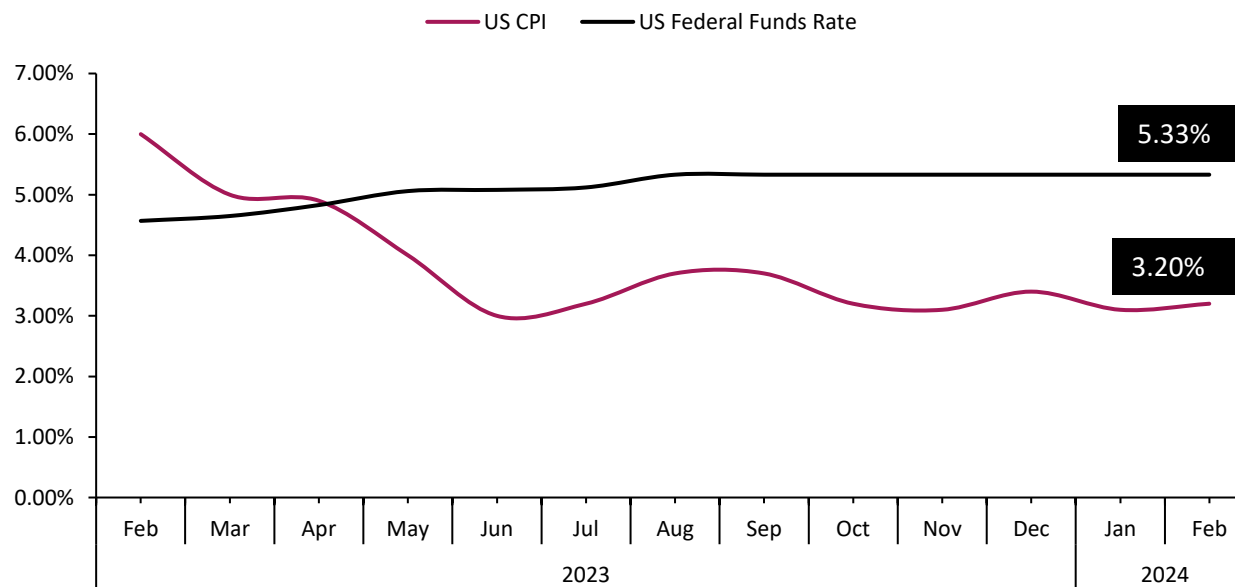


	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	92 Day	176 Day	365 Day	362 Day	Issuance (N'billion)	96 Day	187 Day	267 Day	362 Day
Money Market				OMO					OMO				
Overnight (O/N)	31.08%	28.81%	2.27%	01-Mar-24	19.00%	19.50%	21.50%	N/A	01-Mar-24	37	6	N/A	1013
Open Repo Rate (OPR)	30.00%	27.16%	2.84%	29-Jan-24	10.00%	13.50%	17.00%	N/A	29-Jan-24	15	15	N/A	270
NIBOR - 1M	21.69%	22.25%	-0.56%	15-Jan-24	10.00%	13.50%	15.50%	N/A	15-Jan-24	22	35	N/A	300
NIBOR - 3M	22.38%	23.62%	-1.24%	10-Jan-24	10.50%	14.00%	17.75%	N/A	10-Jan-24	50	N/A	100	150
NIBOR - 6M	22.44%	24.06%	-1.62%	22-Dec-23	N/A	N/A	N/A	N/A	22-Dec-23	25	N/A	25	50
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day		Treasury Bills	91 Day	182 Day	364 Day	
1-month	13.12%	12.27%	0.85%	13-Mar-24	16.24%	17.00%	21.12%		13-Mar-24	728.17	918.38	159.85	
3-month	16.99%	15.45%	1.54%	06-Mar-24	17.24%	18.00%	21.49%		6-Mar-24	331.01	66.25	1192.09	
6-month	19.76%	17.18%	2.58%	21-Feb-24	17.00%	17.50%	19.00%		07-Feb-24	200	200	600	
9-month	22.29%	21.32%	0.97%	07-Feb-24	17.24%	18.00%	19.00%		7-Feb-24	7.85	6.44	217.53	
12-month	26.38%	24.14%	2.24%	24-Jan-24	5.00%	7.15%	11.54%		24-Jan-24	2.78	1.49	52.29	
FGN Bonds (Local)				FGN Bonds	Mar-27	May-27	Apr-29	Feb-31	Jun-33	Feb-34	Jun-38		
13.53% 23-MAR-2025	17.59%	17.51%	0.08%	19-Feb-23	N/A	N/A	N/A	18.50%	N/A	19.00%	N/A		
12.50% 22-JAN-2026	17.69%	17.64%	0.05%	29-Jan-23	15.00%	N/A	15.50%	N/A	16.00%	N/A	16.50%		
16.2884% 17-MAR-2027	18.11%	17.81%	0.30%	11-Dec-23	N/A	15.50%	16.00%	N/A	16.50%	N/A	17.15%		
12.1493% 18-JUL-2034	19.04%	17.86%	1.18%	13-Nov-23	N/A	16.00%	17.00%	N/A	17.50%	N/A	18.00%		
16.2499% 18-APR-2037	18.91%	18.89%	0.02%	16-Oct-23	N/A	14.90%	15.75%	N/A	15.80%	N/A	16.60%		
14.8% 26-APR-2049	18.34%	18.38%	-0.04%	Corporate Bonds	This Week	Prior Week	WoW (%)						
				ACCESS 15.50% 23-JUL-2026	20.60%	20.54%	0.06%						
				VIATHAN 16.00% 14-DEC-2027	18.81%	18.69%	0.12%						
FGN Eurobonds				UNION 16.20% 27-JUN-2029	21.58%	21.75%	-0.17%						
7.625 21-NOV-2025	8.69%	8.68%	0.01%	FIDELITY 8.50% 7-JAN-2031	19.48%	19.49%	-0.01%						
6.50% 28-Nov-2027	9.46%	9.24%	0.22%	MTN COM PLC 12.75 II 4-NOV-2031	19.47%	19.47%	0.00%						
7.875% 16-FEB-2032	10.28%	9.85%	0.43%										
7.625% 28-Nov-2047	10.51%	10.09%	0.42%										
Source: DMO, CBN,FMDQ, ARM Research													



## Stubborn Inflation: Fed Likely to Maintain High Interest Rates

Earlier this week, according to the Consumer Price Index (CPI) report from the US Bureau of Labor Statistics (BLS), the headline CPI increased to 3.2% Year-on-year (YoY) in February 2024, up from 3.1% YoY in January 2024. Month-on-month (MoM), the headline CPI rose by 0.4% MoM compared to 0.3% MoM in January 2024. The primary drivers behind this inflation uptick were higher shelter costs (up 0.4% MoM) and increased gasoline prices (up 3.8% MoM), which together contributed 60% to the overall monthly headline figure increase. Food inflation remained unchanged during this period, while core inflation increased by 0.4% MoM. This rise in inflation indicates persistent cost pressures, reinforcing the likelihood of prolonged elevated interest rates. Notably, the Fed has raised its policy rate by 525 basis points (bps) since March 2022, to its current 5.35% - 5.50%. While inflation has decreased from its peak of 9.1% YoY in June 2022, it still surpasses the Fed's 2% target rate. Financial markets are anticipating the first rate cut to occur in June 2024. According to the CME FED Watch Tool, there is a 58.2% probability of a 25 basis points (bps) rate cut at the Fed's June 12th, 2024, policy meeting.



Source: BLS, FRED, ARM Research





CONSUMER GOODS	CP	TP	Upside/Downside	RECOMMENDATION
DANGOTE SUGAR REFINERY PLC	61.25	125.7	105.22%	STRONG BUY
FLOUR MILLS NIG. PLC.	35.00	36	2.86%	NEUTRAL
GUINNESS NIG PLC	46.00	100	117.39%	STRONG BUY
NIGERIAN BREW. PLC.	29.80	39.22	31.61%	STRONG BUY
ICT	CP	TP	Upside/Downside	RECOMMENDATION
MTN NIGERIA COMMUNICATIONS PLC	267.80	256.86	-4.09%	UNDERWEIGHT
INDUSTRIAL GOODS	CP	TP	Upside/Downside	RECOMMENDATION
LAFARGE AFRICA PLC (WAPCO)	35.80	45.01	25.73%	STRONG BUY
OIL AND GAS	CP	TP	Upside/Downside	RECOMMENDATION
SEPLAT ENERGY PLC	3370.00	3,790.00	12.46%	OVERWEIGHT
TOTAL ENERGIES MARKETING NIGERIA PLC	346.50	299.70	-13.51%	SELL

Source: NGX, ARM Research





ARM Securities Contact

Research	234 (1) 270 1653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	trading@armsecurities.com.ng
Customer Service	234 (1) 448 8282	customerservice@armsecurities.com.ng

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    @armengage

1 Mekunwen Road,  
Off Oyinkan Abayomi Drive,  
Ikoyi, Lagos, Nigeria

