

## Weekly Round-Up

January 15, 2010

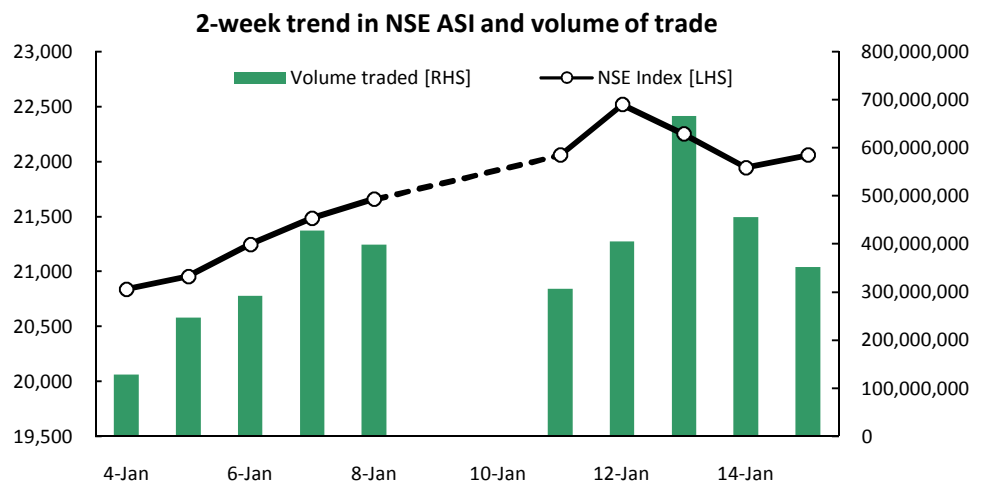
### Equities managed 1.9% uptick Strength of 2010 gains subjected to test amidst profit-taking

Market Indicators	This week	Last week	Chg
<b>Equities</b>			
NSE ASI	22,060.4	21,658.7	1.9%
M cap (N'tr)	5.3	5.2	1.9%
Volume (bn)	2.2	1.5	46.0%
Value (N'bn)	12.8	8.1	57.6%
<b>NIBO Rates</b>			
			Chg (bp)
Call	2.74%	2.83%	-0.09
7-Days	7.33%	7.04%	0.29
<b>Bond Market</b>			
Tenor	2-Yr	5-Yr	10-Yr
Yield	6.41%	7.85%	8.17%

As expected, the strength of the bear rally experienced in the market during the first week of 2010 has been put to test as investors responded swiftly to profit booking underpinned by the frail outlook on the key fundamental drivers of the market. However, the Nigerian equities market delivered a mild return of 1.85 percent in the week ended despite massive pressure from what could be described as the “profit-takers’ market”. Largely, speculators dominated the field of play this week, as prices and market indicators were zigzag in contrast to the 5-day straight gains observed last week.

The benchmark index (NSE ASI) trended below 22,000 level mid-week but experienced a bounce back of 0.53 percent at the closing bell on Friday to close at 22,060.36pts.

The market experienced relatively high liquidity with volume leaping by 46.0 percent just as value of trade climbed 57.6 percent compared to last week’s trading statistics. Across board, reactions are mixed on the outlook in the week ahead following the weak fundamental drivers the market runs and the high speculative activities of market participants. **However, we maintain our cautious play stance as the week unfolds.**



**Small-cap stocks are the chief drivers of market returns:** In contrast to last week's market episode in which large cap stocks in banking and FMCGs occupied the front burner in driving market return, the week ended took a "style U-turn" as the return of the market, though lower than what obtained last week, was largely propped up by price actions on small cap stocks. This is evidenced by the fact that each of 9 out of the top 10 performers of the week controls less than 1 percent of the total market capitalization. The large capitalized stocks are taking backseats on return profile after having field days in the early part of January.

**Speculations still the order of the day:** While it is arguable that a number of FMCGs stocks advanced last week with a justification that is rooted in fundamentals, the same picture is pretty hard to paint this week. Our argument is supported by the observation that pockets of advancing stocks are those of companies with weak and challenged fundamentals but investors are still willing to stake-in their money for a bargain. While this investment play promises a high return profile, it is pertinent that inventors balance this return expectation with the huge risk inherent in such investment option. On the whole, we remain firm buyers of fundamentals, though we will not completely discourage speculation using technical indicators, if the inherent risk is appreciated.

**Top performers of the week:** The second trading week of 2010 saw a positive return profile though with a lower tempo compared to last week. The top 10 outperformers returned an average of 17 percent (vs. 26 percent last week) while the top 10 underperformers lost value to the tune of 11 percent on the average. By and large, 43 percent of the stocks traded during the week appreciated in values, 31 percent recorded decline in values while 26 percent closed the week on a flat note.

**Below is a brief analysis of the top gainers for the week.**

**Top 10 Outperformers**

Company	Current valuation metrics and statistics						
	WTD Return	Price (N)	SHO (bn units)	P/E -TTM	P/B	Last FY ROE	Dividend Yield
INTERCONT	23.16%	2.34	17.97	NM	NM	NM	0.0%
MAYBAKER	20.94%	5.14	0.70	9.09	1.33	14.6%	7.8%
PLATINUM	20.00%	1.98	20.15	NM	NM	NM	0.0%
ABCTrans	18.31%	0.84	1.10	7.45	0.51	6.8%	9.5%
LIVESTOCK	15.63%	0.74	1.20	80.91	2.33	2.94%	0.0%
ACADEMY	15.46%	6.87	0.30	16.87	4.18	24.8%	0.9%
OCEANIC	15.02%	2.45	25.13	NM	NM	NM	0.0%
ETERNAOIL	14.98%	6.6	0.73	91.01	4.05	4.5%	0.0%
CADBURY	14.93%	12.24	1.10	NM	NM	NM	0.0%
AIICO	12.05%	0.93	7.81	6.47	0.52	8.1%	0.0%

**Top 10 Underperformers**

Company	Current valuation metrics and statistics						
	WTD Return	Price (N)	SHO (bn units)	P/E -TTM	P/B	Last FY ROE	Dividend Yield
UNIC	-20.95%	0.83	2.58	4.19	NA	NA	6.0%
GOLDINSURE	-19.54%	0.70	9.10	11.82	0.83	7.0%	7.1%
UNHOMES	-13.00%	0.87	7.81	NM	0.94	-44.9%	0.0%
AFRIBANK	-9.72%	2.60	13.51	2.10	0.87	41.5%	0.0%
INTBREW	-9.13%	2.19	2.01	26.88	NA	NA	0.0%
WAPIC	-9.09%	1.00	5.06	27.88	0.58	2.1%	12.5%
COSTAIN	-7.86%	3.87	0.92	7.76	NM	-49.2%	0.0%
INTENEGINS	-7.81%	0.59	6.42	NM	0.29	-2.0%	8.5%
ASHAKACEM	-6.77%	12.40	1.99	11.92	1.93	16.2%	2.4%
TRANSCORP	-5.56%	0.51	21.45	NA	NA	NA	0.0%

- INTERCONT:** The stock of INTERCONTINENTAL BANK surprised the market as it emerged the best performer of the week, delivering 23.2 percent returns to speculators within the profit-counting week. This startling performance consolidated its year-to-date returns to 50 percent as the share price closed the week at N2.34 relative to its N1.61 worth at the dusk of 2009. While there are no fundamental bases to justify its “amazing price uptick”, the stock appears to be riding on the likely M&A signals from the big South African banks and the probable recovery of a considerable portion of the banks toxic assets which had been heavily provisioned for.

- **MAYBAKER:** In spite of the 5% and 12% de-growth in top and bottom lines respectively (Q3:2009 unaudited results), the pharmaceutical stock gained 21% this week to close at N5.14 relative to its close price last week. This price gain appears more than what is fundamentally supported given the shares' trading multiples of 1.94x P/BV and P/E of 9.1x which are relatively at premium to industry averages. If the company sustains its +60% payout policy, investors might expect a dividend yield lower than the current yield of 7.8% given our forecast of earnings decline in 2009FY.
- **PLATINUM:** PLATINUM boldly sustained its last week price tempo by consolidating the performance with this week's 21% returns. The stock, which opened the week at N1.65 closed N1.98, posting an amazing 50% year-to-date return. Just as its INTERCONT and OCEANIC peers who currently book negative capital positions, the price gains are likely driven by speculations and grapevine of positive M&As. We remain skeptical on the justification and sustainability of the price upturn given the current weak fundamentals. Interestingly, the stock obstinately poises on the bid chart as traders and speculators reap gains. While we acknowledge the possibility of further transient opportunistic gains, we see substantial downside risk in the rally if fundamental performance does not improve.
- **ABCTRANS:** Taking the fourth position on the performers' cart with 18% return week-to-date, the transport stock enlivened investors who suffered 59% value erosion last year. While the stock's trailing P/E and P/BV of 7.4x and 0.51x appear attractive, it remains relatively illiquid and the company's Q3:09 earnings scorecard which shows 23% PAT de-growth may signify the likelihood of weak earnings momentum from fundamental perspective. More importantly, the 10 kobo dividend declared last year may not be repeated given the falling net profit margin and increased shares outstanding (currently 1.1 billion units as against 0.7 billion units last year).
- **LIVESTOCK:** Just as other top gainers of the week, the 16% return delivered by the agro-allied stock appears far from being fundamentally-driven if the company's Q3:09 earnings scorecards and our expectation for 2009FY is anything to go by. There was de-growth across board. Though, turnover fell by barely 1%, earnings after tax plunged by 66%, revealing the inability of the firm to control its challenging cost structure. On relative valuation basis, the stock appears expensive as it currently trades at earnings and book value multiples of 80x and 2.2x despite its weak returns on equity of 2.9%.

### Where will the market pitch its tent next week?

No doubt, the overall market tempo though still on the high side, especially as reinforced in the last trading day on Friday, is getting weaker as speculators book superb profits generated in the last 14-trading days. While we continue to submit that fundamental drivers are still conspicuously invisible on the investment horizon, we see more of speculative activities in the coming week and the market might likely exhibit a zigzag trend. Our expectation is premised on expected interplay of profit bookings and position takings though it is becoming blurring to ascertain the relative strength of the two forces.

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