

## Weekly Round-Up

January 29, 2010

### January left equities returns bright and beautiful

#### NSE ASI delivers 8.49 percent YtD

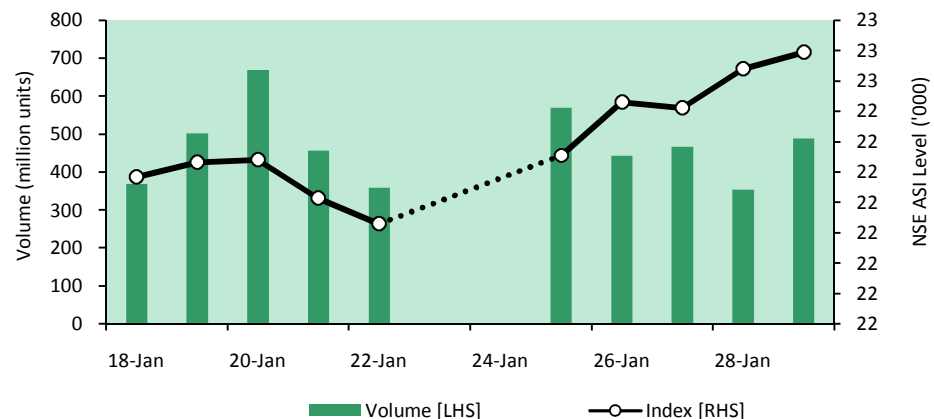
Perhaps an indication of a positive year, trading activities ended on Friday which doubles as the last trading day in January, on a positive note. From the strong rebound in the early weeks of January to the mixed reaction mid-month, the NSE ASI delivered 8.49 percent growth over the December 2009 level, while on a year-on-year basis, it has recorded +3.58 percent surge.

Though in the week under review, there were no big news influx to shape the market tempo, activities across the floor of the Nigerian Stock Exchange was in a 'not-too-dull' mood.

All in all, the benchmark index (The NSE ASI) which advanced 2.56 percent (week-to-date) to close on Friday at 22,594.90 points was helped largely by the financial sector (banking and insurance stocks). Though, speculative traders dominated the field of play, investors grappled with the thinning spread which trended zigzag as the bulls battled to stay atop the drill. Market liquidity indicator, volume of shares traded and value of transactions both showed diametric trends. Shares exchanged fell by 24.2 percent relative to the previous week, while the value of transaction surged 11.4 percent. **However, we maintain our cautious play stance as the new trading month unfolds.**

Mkt Indicators	This week	Last week	Chg
<b>Equities</b>			
NSE ASI	22,594.90	22,030.18	2.56%
M cap (N'tr)	5.44	5.31	2.56%
Volume (bn)	2.32	2.35	-1.35%
Value (N'bn)	14.15	11.76	20.27%
<b>NIBO Rates</b>			
			Chg (bps)
Call	2.49%	2.54%	-0.06
7-Days	6.00%	5.92%	0.08
<b>Bond Market</b>			
Tenor	2-Yr	5-Yr	10-Yr
Yield	5.82%	7.39%	8.11%

2-Week NSE ASI Level and Volume Traded



**Small-cap stocks contend with large-cap for market returns:** In contrast to last week's market episode in which the FMCG's dominated the market outperformers, 40 percent of the top 10 performers for this week were banking stocks while the remaining 60 percent represents a blend of different sectors. Construction sector (COSTAIN) led the week's return table in driving market return, trailed by the healthcare sector (GLAXOSMITH). By and large, weekly performance trend has been biased in favour of small-caps which continued to exert strong dominance. This is supported by the fact that 9 of the top 10 performers for the week control 2.37 percent of aggregate market capitalisation. The heavyweights are being relegated to the backstage as the struggle for dominance continues.

**Speculators on the lead as investors trudge along:** As it has played out in recent times, a handful of performing stocks (in terms of capital appreciation) on the Nigerian bourse are **fundamentally handicapped**. This justification is supported by the high speculative activities of market participants in these stocks notwithstanding foggy investment atmosphere beclouding clear valuations. **Though in the short run, investors appear to play the high return game, it is pertinent to stress that we remain buyers of fundamentals.**

**Top performers of the week:** The last trading week of January 2010 saw a positive return profile though with a rather stable tempo compared to last week. The top 10 outperformers returned an average of 18.87 percent (vs. 18.06 percent last week) while the top 10 underperformers lost value to the tune of 9.22 percent on the average (vs. 13.07 percent previous week). By and large, 45.8 percent of the stocks traded during the week appreciated in values, 23.3 percent recorded decline in values while 30.8 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)	M Cap	SHO (bn units)	P/E -TTM	P/B	Last FY ROE	Dividend Yield
COSTAIN	26.10%	4.88	5.29	0.92	7.76	NM	-49.24%	NA
GLAXOSMITH	21.49%	26.74	25.58	0.96	11.70	3.23	27.58%	2.73%
CAPHOTEL	20.73%	1.98	3.07	1.55	4.41	0.96	21.80%	3.05%
CHAMS	20.31%	0.77	3.56	4.62	NA	NA	NA	NA
SPRINGBANK	19.15%	1.12	12.68	11.32	NA	NA	NA	NA
STERLNBANK	18.18%	1.69	21.23	12.56	NM	0.60	-15.35%	6.99%
FIRSTINLND	16.67%	0.77	12.88	15.66	NM	NM	11.97%	NA
SKYEBANK	16.67%	6.79	78.66	11.58	NM	0.78	-14.26%	0.00%
TANTALIZER	14.94%	1.00	2.95	2.95	8.05	0.67	8.33%	6.90%
INTERCONT	14.43%	2.30	41.32	17.97	NM	NM	21.36%	0.00%

**Top 10 Underperformers**

Company	Current valuation metrics and statistics							
	WtD Return	Price (N)	M Cap	SHO (bn units)	P/E -TTM	P/B	Last FY ROE	Dividend Yield
PRESCO	-13.64%	4.37	4.37	1.00	50.22	1.71	22.91%	5.93%
CRUSADER	-11.76%	1.05	3.62	3.78	16.08	0.32	1.98%	12.61%
ECOBANK	-9.65%	8.24	59.48	7.22	NM	0.93	-16.06%	2.63%
CUTIX	-9.64%	3.28	0.87	0.26	8.35	2.36	19.30%	3.31%
GOLDINSURE	-8.93%	0.51	4.64	9.10	9.45	0.67	7.04%	8.93%
AFROMEDIA	-8.57%	0.64	1.29	NA	NA	NA	NA	NA
AFRINSURE	-7.89%	0.7	11.69	NA	NA	NA	NA	NA
CONTINSURE	-7.77%	0.95	9.85	10.37	NM	1.04	-0.15%	4.85%
UNILEVER	-7.65%	23.17	87.66	3.78	19.89	11.90	59.84%	2.71%
NB	-6.72%	54.15	409.51	7.56	14.96	10.98	73.40%	4.13%

- **COSTAIN:** COSTAIN (West Africa) Plc, surprised the market this week as it emerged the best performer after delivering 26.1 percent returns despite posting earnings “de-growth” of 62.8 percent and contracting net margin of 4% (vs. 21% Q1:2008) in its Q1:2009 unaudited result. This bottom-line performance though weaker relative to the previous year comparative period, is startling when viewed from the perspective of its 2009FYE in which the company posted a loss after-tax of N615.12m. The concerted effort of the company to return to profitability must have fuelled investor expectations of positive growth numbers in its coming Q2:2009 figures. As such COSTAIN has consolidated its year-to-date returns to 28.4 percent as the share price closed the week at N4.88 relative to its N3.80 worth at the dusk of 2009.
- **GLAXOSMITH:** GLAXOSMITH [sector: Healthcare], emerged second on the return table, delivering a staggering 21.49 percent to bolster year-to-date performance level from a cumulative return of -1.74 percent as at last week to 19.38 percent to the delight of investors. Though we believe investors have already priced in the Q3:2009 performance into the share price, expectations of an attractive dividend payout backed by improved performance scorecard for 2009e. GLAXOSMITH currently trades at 14.15x its 12-M trailing EPS of N1.89 and 3.92x its BVPS of N6.82 which are relatively comparable to industry and market averages.
- **CAPHOTEL:** Closing the greater part of the week on bid, though with small volume, CAPHOTEL rewarded investors with 20.73 percent share price appreciation with a mouth-watering year-to-date gain of 43.48 percent. The stock opened the week at N1.64 to close on Friday at N1.98. The most recent quarterly result of the company Q3:2009 of 17.02 percent and 80.84 percent growth in top and bottom line in that order. Topping this growth numbers is net margin expansion from 16.25 percent to 25.11 percent. Valuation multiples of CAPHOTEL reveals it currently trades at 3.57x trailing EPS of N0.37 and 0.78x BVPS of N1.71. Trading on the shares of CAPHOTEL was largely speculative as volume of shares executed was consummated via cross deals.

- **CHAMS:** Listed on the daily official list of the Nigerian Stock Exchange on September 23, 2008, CHAMS took the fourth position on the performers' cart with 20.31 percent return week-to-date. The telecoms stock enlivened investors who had suffered 78.89 percent value erosion last year. Using trailing P/E and P/BV multiples of 18.43x and 0.39x at current price against 2008FYE, the stock appears relatively unattractive, though recent price rally have been pushed by speculative activities. The company's last earnings broadcast made available for public consumption are stale 2008FYE numbers which points to poor disclosure, which beams caution light for discerning investors.
- **SPRINGBANK:** One of the 10 troubled banks which since the start of 2010 picked momentum on the back of speculative trading; SPRINGBANK opened the week at N0.94 and was on bid everyday of the week to close at N1.12. It delivered 19.15 percent week-to-date and returned an amazing 47.37 percent on a year-to-date basis. Just as its INTERCONT and OCEANIC peers who currently book negative shareholders fund, the price gains are likely driven by speculation. We remain skeptical on the justification and sustainability of the price upturn given the current weak fundamentals. While we acknowledge the possibility of further transient opportunistic gains, we see substantial downside risk in the rally if fundamental performance does not improve.

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

No doubt, the overall market tempo though stable as witnessed this week, might likely exhibit a zigzag trend as fundamental drivers are still conspicuously invisible on the investment horizon. We expect more of speculative activities in the coming week. Our expectation is premised on the interplay of expected corporate broadcasts and positions taking.

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