

#### Friday, September 23, 2011

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#### **FSDH Equities Market Indicators**

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	Value	NGN	USD	NGN	USD	
	This Week	1 week % Δ		1 Year	r % Δ	
NSE ASI	20,202.50	(4.28)	(4.53)	(10.96)	(13.68)	
Mkt. Cap.(Nbn)	6,442.37	(4.28)	(4.53)	(15.88)	(13.29)	
FSDH 40	246.18	(4.76)	(5.33)	(12.57)	(15.59)	
FSDH Banking	204.34	(7.05)	(7.62)	(21.35)	(24.37)	
FSDH Ins.	72.56	0.11	(0.47)	(22.12)	(25.14)	
FSDH Mfg.	285.57	(3.78)	(4.36)	(7.90)	(10.92)	
FSDH Pet. Mkt	238.41	(4.09)	(4.67)	(40.16)	(43.19)	

	This Week	1 Week % Δ
Volume Traded (mn)	1,056.36	30.46
Value Traded (N'mn)	8,358.87	(5.96)
Deals	18,774	(3.11)

#### Coral Funds

Mutual Fund	YTD %	1 Week Δ %
Coral Growth Fund	(6.43)	(0.94)
Coral Income Fund	6.52	0.16

Please note that all the funds shown above have varying asset allocation structure.

#### Money Market Indicators

Interest Rates (%)	23-09-11	16-09-11	12 Mths Ago
MPR	9.25	8.7500	6.25
NIBOR 7 days	12.0833	11.6250	4.6667
NIBOR 30 days	12.5000	12.0417	6.8750
NIBOR 90 days	13.2500	12.9167	8.0833

#### **Economic Review**

#### Will MPR Hike Keep Inflation Rate in Single Digit?

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its fifth meeting this year on September 19, 2011, to appraise the domestic economic conditions during the first eight months of 2011 and the challenges confronting the Nigerian economy against the backdrop of developments in the international economic and financial environment in order to reassess the challenges facing monetary policy for the remaining part of 2011. At the end of the meeting, the Committee issued a communiqué, which contains its decisions as follows: raise the Monetary Policy Rate (MPR) by 50 basis points from 8.75% to 9.25%; maintain the symmetric corridor of +/- 200 basis points around the MPR, and retain the current Cash Reserve Requirement (CRR) at 4%. The Committee noted that given the difficult and uncertain international environment, it is critical to ensure that the current trends in growth are sustained and price stability is maintained.

The communiqué added that the decision to tighten and raise rates is based on the following: continuing expansionary fiscal stance and high component of recurrent expenditure; liquidity surge expected from Asset Management Corporation of Nigeria (AMCON) intervention following the conclusion of banks recapitalization; sharp rise in month-on-month headline inflation rate despite falling year-on-year inflation rate; need to have positive real interest rates; and reduce persisting demand pressure in the foreign exchange market, driven by significant liquidity injections and reflecting structural deficiencies that have perpetuated the import dependence of the economy.

According to the MPC, provisional data showed that the growth in broad money (M2) stood at 8.55% in the eight months to August 2011, which when annualized translates to a growth rate of 12.82%. However, aggregate domestic credit (net) grew by 14.72% in August 2011, compared with December 2010 level. The growth in aggregate credit was mainly due to the increases in credit to the Federal Government, which grew by 18.99% or 28.48% on an annualized basis, close to the indicative benchmark of 29.29% for 2011. Similarly, credit to the private sector grew by 10.88%, which annualized to 16.32%, compared to the benchmark of 23.34%. The MPC indicated that with the banking crisis approaching a final resolution with the recapitalization of banks, it expects that banks will increase lending once integration issues are concluded.

Reviewing the external reserves, the Committee noted the modest accretion to the external reserves during the review period. It said the increase was mainly accounted for by increased inflows of royalties into the federation account, reflecting the upward trend in international oil prices and stable oil production in the Niger Delta. Also, the MPC reported that foreign direct and portfolio investments increased over the last eight months. Foreign capital inflows for the first eight months of 2011 stood at US\$5.66bn which is US\$1.06bn or 23.04% higher than the US\$4.60bn recorded in the corresponding period of 2010.

FSDH Research had anticipated that the MPC would maintain the MPR at 8.75% while using the Open Market Operation (OMO) to manage the temporary liquidity challenge in the market. Our review of inflationary tendency shows that inflation rate should remain close to single digit until September, 2011 as anticipated earlier, and thereafter climb up and to close the year in the region of 12%. We maintain that double digit inflation rate in Nigeria is caused majorly by structural problems in the economy. Some of which are production rigidities and over-dependence on imported goods, these problems cannot be addressed by raising rates. Under the current circumstances in Nigeria, raising of the anchor interest rate may not bring inflation rate down but lead to cost push inflation.

Following the rate hike, we expect the following: drop in bond prices as yields go up especially on the long tenored bonds, investors to demand for higher discount rates on treasury bills; increase in lending rates to corporate & Small and Medium Enterprises (SMEs), create additional disincentive for banks to create risky assets as they can place idle funds with CBN to earn 7.25%; may attract hot money into the Nigerian economy with its destabilizing impact in the foreign exchange market; may lead to higher inflation, and may prolong the current woes in the equities market.

Economic Indicators	%
Inflation Rate (YoY) Aug. 2011	9.30
Inflation Rate (12 mths Ave.) Aug. 2011	11.60
Foreign Reserves (US\$bn) Sep. 21, 2011	35.57
GDP Growth Rate Q2 2011	7.72
Bonny Light Price (US\$/b) Sep. 16, 2011	120.00



#### **FGN Primary Securities Auction Results**

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Tenor (Day)	91	182	-	-		
Date	22-Sep-11	22-Sep-11	•	-		
Offer (N'b)	37.4897	49.3492	-	-		
Subscription (N'b)	45.7521	82.8340	•	•		
Allotment (N'b)	37.4897	49.3492	-	-		
Amt Repaid (N'b)	37.4897	40.0000	•	•		
Discount Rate (%)	7.0000	7.700	-	-		

	OMO	REPO	REPO	-
Tenor (days)	111	7	14	-
Injection (N'b)	(37.0662)	20.0000	(25.0000)	•
Withdrawal (N'b)	•	-	-	-
Net (Injection)/ Withdrawal(N'b)	(37.0662)	20.0000	(25.0000)	-
Issue Rate (%)	N/A	11.75	12.25	-

#### Exchange Rate (NGN/USD)

	23-09-11	09-09-11	12 Mths Ago		
Official	154.42	153.54	149.89		
Banks	156.65	156.60	154.35		
Parallel	158.50	157.80	155.00		

#### Top Gainers & Losers % Terms

Gainers	Sep 23 (N)	% Δ	Losers	Sep 23 (N)	% ∆
Unity Bank	0.71	22.41	CAP Plc	19.76	(18.45)
Roads Nig. Plc	4.43	21.37	UBA Plc	3.59	(13.49)
Ikeja Hotel Plc	1.79	19.33	Japaul Plc	0.78	(13.33)
NCR (Ngr) Plc	4.75	15.29	Oando Plc	24.40	(12.86)
Dangote Flour Plc	6.67	8.99	Ecobank Plc	2.53	(12.76)

# 0.64 Most Actively Traded Stocks

Company	Volume (mn)
Zenith Bank Plc	134.82
Fidelity Bank Plc	115.65
GT Bank Plc	99.58
Access bank Plc	86.40
Transcorp Nig. plc	61.32

#### Money & Fixed Income Markets

The combination of the increase in MPR, the delay in the release of statutory allocation for the month of September and the sale of foreign exchange at the foreign exchange market during the week, further led to tightness in the market. However, maturities from Open Market Operation (OMO) and Repurchase (REPOs) transactions injected some liquidity into the market but these inflows were not enough to douse the tightness in the system. Consequently, inter-bank rates inched up compared with the previous week.

Available data showed that **7-day NIBOR** closed the week at **12.08%**, **46** basis points increase from the previous week's figure of 11.63%, but **90-day NIBOR** closed the week at **13.25%**, **33** basis points increase from the previous week's figure of 12.92%.

At the 91-day Treasury Bill (TB) auction, a total of N37.49bn worth of securities was offered and sold, while N17.19bn was sold to non-competitive bidders, bringing total offer and sale to N54.68bn. The bill was 122.04% subscribed as N45.75bn worth of bid was received from competitive bid. The bill was issued at a discount rate of 8.25%. A total of N37.49bn worth of matured bills was repaid into the system, leading to a net outflow of N17.19bn from this segment of the market.

At the 182-day TB auction, a total of N49.35bn worth of securities was offered and sold, while N8.06bn was sold to non-competitive bidders, bringing total offer and sale to N57.41bn. The bill was 167.85% subscribed as N82.83bn worth of bid was received from competitive bidders. The bill was issued at a discount rate of 8.83%. A total of N40bn worth of matured bills was repaid into the system, leading to a net outflow of N17.41bn from this segment of the market.

At the Open Market Operation (OMO) and Repurchase (REPO) transaction held during the week, there was a total outflow of about N20.00bn from the system, while there was a total inflow N62.07bn, this led to a net inflow of N42.07bn. The REPOs were traded at a discount rate of 11.75%-12.25%.

At the foreign exchange auction held on Monday, September 19, 2011, the CBN offered a total of US\$350mn, while demand stood at US\$506.54mn, representing 144.73% of what was offered. The total sale was the same as the amount offered, representing 69.10% of demand. On Wednesday, September 21, 2011, the CBN offered a total of US\$350mn, while demand stood at US\$467.56mn, representing 133.59% of what was offered. The total sale was the same as the amount offered, representing 74.86% of demand. In all a total of US\$700mn was offered and sold, while demand stood at US\$974.10mn, representing 139.16% of the total offer, while the amount sold was 71.86% of the total demand.

Cumulatively, there was a net total outflow of N100.44bn from the system through the government securities and the foreign exchange market auctions during the week.

The value of the Naira depreciated at the inter-bank, parallel and official segments of the foreign exchange market during the week. At the inter-bank market, the value of the Naira depreciated by **5kobo** to close at **N156.65/US\$1** from the previous week's figure of N156.60/US\$1. At the parallel market, the Naira depreciated by **70kobo** to close at **N158.50/US\$1**, compared with the previous week's figure of N157.80/US\$1. At the official market, the value of the Naira depreciated by **88kobo** to close at **N154.42/US\$1** from the previous week's figure of N153.54/US\$1.

#### **Equities Market**

The equities market dipped to end the week as investors risk aversion returned to the market, this is related to the further tightening by the Central Bank of Nigeria and the concerns about global economic outlook. The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated marginally by 4.28% week-on-week to close at 20,202.50 points, compared with the previous week's depreciation of 0.01%. The year-to-date return of the NSE ASI stands at a negative 18.44%. The depreciation in the Index was due to the losses recorded in the Banking, Manufacturing and Petroleum Marketing sub-sector. The market capitalization also depreciated to close the week at N6.73trn (approximately US\$41.72bn), recording a loss of 4.28%, compared with the gain of 0.01% recorded in the previous week.



The FSDH 40 NEVI depreciated by 4.76% to close at 246.18 points.

The FSDH Insurance Index appreciated marginally by 0.11% to close at 72.56 points compared with the depreciation of 0.62% the previous week. The appreciation in the Index was due to the gains recorded in the share prices of Continental Reinsurance (Up 5.94% to N1.07) and Goldlink Insurance (Up 4.00% to N0.52). The share price of the following stocks dropped: Custodian & Allied Insurance (Down 3.98% to N2.41) and GT Assurance (Down 1.00% to N0.99), while other stocks in the index closed unchanged.

The FSDH Banking Index depreciated by 7.05% to close the week at 204.34 points, compared with the previous week's depreciation of 1.36%. The depreciation in the Index was due to the losses recorded in the share prices of UBA (Down 13.49% to N3.59), First Bank (Down 10.77% to N9.28), FCMB (Down 8.99% to N3.95), Diamond Bank (Down 7.67% to N3.61), GT Bank (Down 6.25% to N12.00), Zenith Bank (Down 5.56% to N11.90), Skye Bank (Down 5.32% to N4.98), Stanbic IBTC (Up 4.29% to N8.93) and Access Bank (Down 1.70% to N5.21)

The FSDH Manufacturing Index depreciated by 3.78%, to close the week at 285.57 points, compared with the appreciation of 0.98% in the previous week. The depreciation in the Index was due to the losses recorded in the share prices of UPDC (Down 10.59% to N14.01), Ashakacem (Down 8.72% to N17.70), Dangote Sugar (Down 8.06% to N8.55), Cadbury (Down 7.88% to N15.20), Flour Mills (Down 7.65% to N72.95), Lafarge WAPCO (Down 6.44% to N40.42), Dangote Cement (Down 5.00% to N95.00), UACN (Down 5.00% to N37.07), Honeywell Flour (Down 4.82% to N3.16), Nigerian Breweries (Down 4.42% to N84.50) and PZ Cussons (Down 0.23% to N30.00). There was appreciation in the share prices of Dangote Flour (Up 8.99% to N6.67), Unilever (Up 1.86% to N28.00), 7Up (Up 0.78% to N45.50) and Guinness (Up 0.69% to N221.51).

The FSDH Petroleum Marketing Index depreciated by 4.09% to close at 238.41 points, compared with the depreciation of 2.57% recorded in the previous week. The depreciation in the Index was as a result of the losses recorded in the share price of Oando (Down 12.86% to N24.40) and Forte Oil (Down 9.67% to N10.46). Other stocks in the Index closed unchanged.

Other top gainers for the week were **Unity Bank** (Up 22.41% to N0.71), **Roads** (Up 21.37% to N4.43), **Ikeja Hotel** (Up 19.33% to N1.79), **NCR** (Up 15.29% to N4.75) and **Wema Bank** (Up 6.25% to N0.68); while other top losers for the week were **Japaul** (Down 13.33% to N0.78), **Ecobank** (Down 12.76% to N2.53), **Sterling Bank** (Down 10.74% to N1.33), **May & Baker** (Down 9.97% to N3.25) and **Neimeth** (Down 8.70% to N1.05).

Overall, twenty (20) stocks appreciated; forty-four (44) stocks depreciated, while one hundred and seventy nine (179) stocks closed the week unchanged.

#### Over-the-Counter Bond Market

As at the time of this report, we did not have the report of the OTC market, however as at last week a turnover of 150.92mn units worth N145,079.06mn in 887 deals was recorded the week, in contrast to a total of 101.70mn units valued at N93,376.27mn exchanged in 710 deals during the week ended Thursday, September 01, 2011. The most active bond (measured by turnover volume) was the 8% FGN Bond 2014 Series 1 with a traded volume of 28.10mn units valued at N29,275.50mn in 214 deals. This was followed by the 4% FGN Bond 2015 (7th FGN Bond 2015 Series 2) with a traded volume of 27.57mn units valued at N23,878.30mn in 176 deals. Sixteen (16) of the available twenty-eight (28) FGN Bonds were traded during the week, compared with eight (8) in the preceding week.

## **Outlook and Analysis**

#### Money & Fixed Income Markets

About N320bn from statutory allocation for the month of September will hit the system next week. In addition, we expect maturities worth about N116.82bn (91-day TB - N31.57bn, 182 day TB - N45bn and 364 day TB- N40.25bn) to hit the system during the week. However, we do not expect these inflows to have any significant impact on the market as the level of tightness in the market is high. Consequently, we expect interbank rates to inch up marginally in the coming week.

The increase in MPR may not have any positive impact on the foreign exchange rate during the week as the current fears on global economic outlook may reduce demand for oil, causing oil price to dip and adversely affect foreign exchange inflows.

#### **Equities Market**

We expect the market to remain bearish due to the MPC's rate hike and concerns about the global economy. However, we note that the current prices of select stocks in the market offers opportunities to investors.

#### Recommended Stocks

Stocks	Current Price	Current PE Ratio	Projected Price
NAHCO	5.68	7.10	7.84
Access Bank	5.21	7.47	6.84
First Bank	9.28	7.68	12.67
GT Bank	12.00	7.78	14.91
Skye Bank	4.98	5.55	6.67
Nig. Breweries	84.50	19.02	97.11
CCNN	7.30	4.97	9.01
WAPCO	40.42	29.91	47.97
UACN	37.07	5.40	44.96
Unilever	28.00	20.22	31.00
Cadbury	15.20	48.95	19.84
Nestle	401.00	24.79	426.48
GSK	27.00	12.92	31.00
MRS Oil	63.86	11.03	74.72
Oando	24.40	28.47	33.64



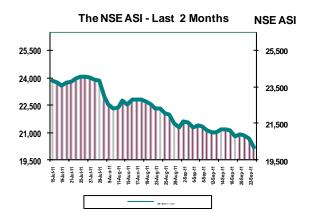
#### Company Interim and Full Year Results

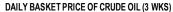
Company	Period Ended	T/O (Nm)	% ∆	PAT (Nm)	% ∆
C & I Leasing Plc	Q2 Jun. 2011	4,830	17.12	152.06	12,771.50
Neimeth	Q3 Jun. 2011	520.66	104.19	42.97	141.98

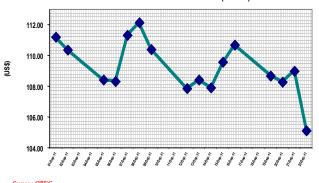
#### **Company Dividend and Bonus Announcements**

Company	Interim/ Full Year	DPS	Bonus	Closure Date	Payment Date
	Full Teal				

Foreign Stock Market Indices (September 19 – September 22 , 2011)	YTD % Change	Weekly Change	%				
North/Latin American							
DJIA (U.S.A.)	(7.29)	(6.12)					
S & P 500 Index (U.S.A.)	(10.18)	(6.58)					
NASDAQ (U.S.A.)	(7.43)	(5.81)					
Bovespa Index (Brazil)	(22.90)	(5.50)					
Europe							
SMI (Switzerland)	(17.83)	(2.67)					
FTSE 100 Index (UK)	(14.55)	(5.54)					
CAC 40 Index (France)	(26.89)	(8.67)					
DAX Index (Germany)	(25.31)	(6.25)					
SMSI Index (Spain)	(21.27)	(6.01)					
Africa							
NSE All-Share Index (Nigeria)	(16.42)	(2.14)					
JSE All-Share Index (S/A)	(5.59)	(2.18)					
GSE All-Share Index (Ghana)	11.45	(0.37)					
Cairo SE Gen (Egypt)	(63.43)	(4.47)					
Asia/Pacific							
NIKKEI 225 Index (Japan)	(16.31)	(1.25)					
BSE 30 Index (India)	(20.22)	(3.05)					
Hang Seng Index (Hong Kong)	(22.24)	(6.62)					







Source : OPEC

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