



Planet Capital Research - April, 2015



## GLOBAL MARKETS

Global markets were upbeat much of April, rising to their all time highs; the euro zone area in particular showed signs of sustained recovery underpinned by lower oil prices, a weaker euro and the Quantitative Easing Program of the European Central Bank. Stocks continued to rally, in anticipation that improved liquidity in the region will boost economic activity which will impact on earnings potential of companies. However, markets became volatile around the closing week of the month as investors' reacted to data released showing slower than expected growth in the UK, US and CHINA's economy for the first quarter of 2015.

The MSCI-WORLD index closed the month higher by 2.79 percent; whilst the S&P 500 index gained 0.85 percent and FRANCE's CAC-40 index rose 0.26 percent, the GERMAN DAX and FTSE-100 index shed 5.15 percent and 1.22 percent respectively. Emerging market performance was a different story as the region witnessed a 9.89 percent surge as captured by the MSCI-EM index. The outperformance in EM equities was driven primarily by China which accounts for a 25% weight in the MSCI Emerging Market Index. China's SHCOMP index came in 18.51 percent higher in April as the country continues to embark on monetary easing measures while Brazil's IBOV, Russia's MICEX and South Africa's JALSH edged higher by 9.93 percent, 3.82 percent and 4.33 percent respectively.

Oil prices also surged higher in the review month, recording a double digit percentage gain in the third week alone which was triggered by the conflict in the Middle East amid hopes that declining US production will ease the current supply glut. Brent crude rose 10.22 percent month-on-month closing at \$65.22 a barrel from \$59.17 per barrel last month.

### STOCK MARKET RETURN – US & EUROPE

MARKET	30/04/2015	31/03/2015	31/12/2014	APRIL (%)	RTN	YTD RTN (%)
<b>US S&amp;P 500</b>	2,085.51	2,067.89	2,058.90	0.85		1.29
<b>GERMAN XETRA DAX</b>	11,350.15	11,966.17	9,805.55	(5.15)		15.75
<b>FRANCE CAC 40</b>	5,046.49	5,033.64	4,272.75	0.26		18.11
<b>LONDON FTSE-100</b>	6,690.63	6,773.04	6,566.09	(1.22)		1.90

Source: Bloomberg, Planet Capital Research

### STOCK MARKET RETURN - BRICS

MARKET	27/02/2015	30/01/2015	31/12/2014	APRIL (%)	RTN	YTD RTN (%)
<b>BRAZIL:IBOV</b>	56,229.38	51,150.16	50,007.41	9.93		12.44
<b>RUSSIA: MICEX</b>	1,688.34	1,626.18	1,396.61	3.82		20.89
<b>INDIA:NIFTY</b>	8,181.50	8,491.00	8,248.25	(3.65)		(0.81)
<b>CHINA:SHSZ300</b>	4,441.65	3,747.90	3,310.30	18.51		34.18
<b>SOUTH AFR: JALSH</b>	54,440.43	52,181.95	49,770.60	4.33		9.38

Source: Bloomberg, Planet Capital Research

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## Domestic Economy

Nigeria's GDP grew by 3.96 percent yoy in Q1'15, lower by 1.98 percent from the preceding quarter and 2.25 percent from the corresponding period of 2014.

Nigeria's growth forecast for 2015 at 4.8 percent though weaker than the previous year, is expected to pick up in 2016 to 5.5 percent according to the International Monetary Fund ("IMF"). The fund also projected a gradual hike in inflation rate to 9.6 percent and 10.7 percent for 2015 and 2016 respectively.

Like other oil exporting countries, Nigeria's economy continues to reel from the effect of oil price shocks and looks to the incoming government to undertake fiscal adjustments that will stem the current tide of events. One of such issues would be the complete removal of fuel subsidy and gradual reduction in the size of government, whilst scaling up public investment and rebuilding the nation's fiscal buffers.

The slump in oil prices has resulted in a decline in revenue, creating a huge deficit for the current fiscal year which is expected to push Nigeria's borrowings upwards with debt servicing rising to around 35 percent of revenue.

Nigeria's budget received parliamentary approval on Thursday April 23, 2015 after months of delay. The final budget saw an increase of N135.4 billion (to augment statutory transfers) to N4.493trillion. Education, Defence and Police got the highest allocations totalling N1.02trillion.

According to statistics from the Debt Management Office, Nigeria's public debt stock as at March 31, 2015 stood at N12.06trillion with domestic debt accounting for 85 percent (includes federal and state government domestic borrowings).

Although debt-to-GDP ratio remains healthy at 14 percent, the cost of servicing the debt puts a strain on the budget.

## Inflation watch

Available data from the National Bureau of Statistics ("NBS") shows that CPI which measures inflation rose to 8.70 percent in April from 8.50 percent in March. We expect rates to continue to trend upwards in the coming months owing to the ongoing fuel crisis which has impacted on food and transportation costs.

## Reserves stabilize on gradual recovery in oil prices

Nigeria's reserves were marginally down by 0.87 percent or \$260million in April, an improvement when compared to \$1.57billion and \$2.92billion decline in March and February respectively. This could be attributed to the gradual recovery in global oil prices, devaluation and reduction in post-election dollar demand. In comparison to April 2014 at \$38.13billion, reserves have lost over 20 percent in value.

Currently at \$29.53billion (as at April 30, 2015) reserves remain at critical levels, approaching the three months cover baseline under the convergence criteria

of the West African Monetary Zone (WAMZ).

## Exchange rate movement

The naira closed flat against the dollar at the interbank market, trading at N199.10/\$ at the end of April, same as the previous month on stronger oil prices and lower post-election demand which helped prop the local currency.

At the parallel market, the naira exchanged for between N212-N215/\$1, appreciating by around N7 from N220/\$ in March.

Monetary pronouncements have also impacted positively on the naira; the CBN has insisted that schools, landlords and other business enterprises are not allowed to dollarize the economy by demanding for transaction settlements in US dollars.

Despite CBN's struggle to maintain price stability which is beginning to yield results, the IMF has advised another round of devaluation. This is coming after the CBN devalued the naira in November 2014 and February 2015.

One-year inflation trend



## The Equities Market

Nigeria's local bourse witnessed its strongest monthly performance this year, riding on the back of impressive full year numbers and corporate actions especially in the banking sub-sector. The index posted a 9.31 percent return for April, higher than 5.48 percent in March and 1.83 percent in February to close at 34,708.11 points.

The Post election rally pushed the index above the 35,500 psychological mark on April 2 when market capitalization hit N12trillion, its highest level in five months.

Recovery in global oil prices and increased foreign participation in the market helped sustain the bullish run. Market breadth closed positive with 59 gainers and 13 losers.

## Consumer goods, banking lead sector performance

The NSE-CONSUMER goods index rose 9.45 percent while the NSE-BANKING index trailed by a 6.92 upside on impressive full year earnings numbers and corporate actions which whet investors' appetite for stocks within the sector.

Stocks within the Oil&Gas sector suffered a great deal of volatility in the review month; Forte Oil, Total, Eterna, Conoil, Mobil and Seplat all closed lower on a month-on-month basis as investors' were apprehensive about earnings of the companies owing to the slide in global oil prices.

In terms of price movement, small cap stocks were the most sought after, regardless of the underlying fundamentals of the company. Investors' showed preference for cheap stocks trading below N1.50 compared to bellwether stocks.

## Market capitalization hits N12trillion mark

Market capitalization crossed the N12trillion level on April 2, 2015 but closed the month at N11.79trillion after gaining a whopping N1.07trillion in just one month. Foreign participation in the market was up significantly in February (72.61 percent) but fell in March (55.73 percent) though maintaining control of the market when compared to domestic participation.

We anticipate more FPI flows into the market in the coming months as the QE programme of the ECB takes intensifies.

## Improved activity level driven by financial services sector

Market volume was up 4.90 percent to 10.7billion shares with an estimated value of N103.17billion which were exchanged in 107,638deals compared to 10.2billion shares worth N92.01billion traded in March. Turnover was boosted by activity in the financial services sector, mainly the banks.

### Monthly Statistics

	APRIL	MARCH	CHANGE
ASI	34,708.11	31,753.15	9.31%
MARKET CAP	N11.79trillion	N10.72trillion	N1.07trillion
VOLUME	10.70billion	10.20billion	4.90%
VALUE	N103.17billion	N92.01	12.13%
DEALS	107,638	91,440	17.71%

Source: NSE, Planet Capital Research

### Sector Analysis

INDEX	30/04/2015	31/03/2015	CHANGE (%)
NSE-30	1,588.06	1,451.05	9.44
NSE-BANKING	389.37	364.16	6.92
NSE-INSURANCE	146.29	144.57	1.19
NSE-CON.GOODS	880.62	804.55	9.45
NSE-OIL&GAS	382.24	380.06	0.57
NSE-IND.GOODS	2,183.12	2,150.62	1.51

Top on the gainers list is Costain with a 42.62 percent rise, Neimeth 41.10 percent, AGLeventis 37.10 percent and NFMCRFBK.

Oil&Gas stocks were the worst hit; Forte Oil and Total lost an average of 15 percent each while Eterna was down 10 percent.

## Outlook for May

We expect a pull back in the coming month going by first quarter results released so far. Investors will likely revalue their stocks in line with full year expectations using first quarter numbers as a guide.

Our top picks for the month are:

- Access
- Zenith bank
- CCNN
- African Prudential
- Transcorp
- UBA

Top ten gainers

Symbol	30/04/2015	31/03/2015	Change (%)
<b>COSTAIN</b>	N0.87	N0.61	42.62
<b>NEIMETH</b>	N1.03	N0.73	41.10
<b>AGLEVENTIS</b>	N1.70	N1.24	37.10
<b>NPFMCRFBK</b>	N1.32	N0.99	33.33
<b>UBA</b>	N5.29	N4.06	30.30
<b>UACN</b>	N42.00	N32.40	29.63
<b>GUINNESS</b>	N170.00	N132.19	28.60
<b>LEARNAFRICA</b>	N1.43	N1.12	27.68
<b>DANGFLOUR</b>	N4.89	N3.88	26.03
<b>GLAXOSMITH</b>	N55.00	N44.10	24.72

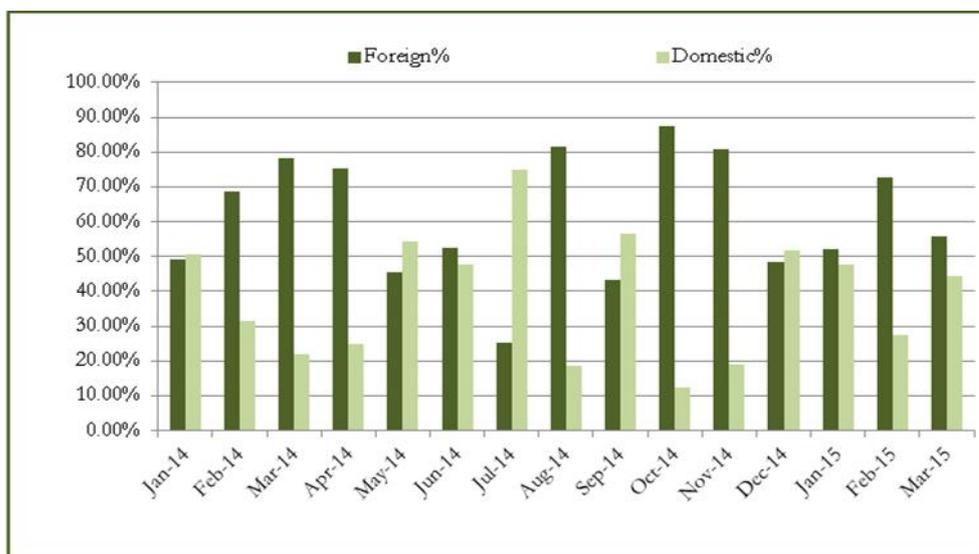
Top ten losers

Symbol	30/04/2015	31/03/2015	Change (%)
<b>FORTE OIL</b>	N177.65	N215.00	(17.37)
<b>TOTAL</b>	N155.50	N180.00	(13.61)
<b>DANGSUGAR</b>	N6.11	N7.03	(13.09)
<b>FIDSON</b>	N3.32	N3.76	(11.70)
<b>ETERNA</b>	N2.72	N3.05	(10.82)
<b>OKOMUOIL</b>	N27.41	N29.84	(8.14)
<b>CONOIL</b>	N36.21	N39.13	(7.46)
<b>MOBIL</b>	N150.00	N159.95	(6.22)
<b>SEPLAT</b>	N377.00	N398.00	(5.28)
<b>ASHAKACEM</b>	N19.95	N20.39	(2.16)

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign	Domestic
<b>Jan-14</b>	49%	51%
<b>Feb-14</b>	69%	31%
<b>Mar-14</b>	78%	22%
<b>Apr-14</b>	75%	25%
<b>May-14</b>	46%	54%
<b>Jun-14</b>	52%	48%
<b>Jul-14</b>	25%	75%
<b>Aug-14</b>	81%	19%
<b>Sep-14</b>	43%	57%
<b>Oct-14</b>	88%	12%
<b>Nov-14</b>	81%	19%
<b>Dec-14</b>	48%	52%
<b>Jan-15</b>	52%	48%
<b>February</b>	72.61%	27.39%
<b>March</b>	55.73%	44.27%

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