



Planet Capital Research - August, 2015



GLOBAL MARKETS

On the global scene, the impact of a slowdown in China's economy and subsequent devaluation of its local currency dominated talks in the month of August with European markets being the worst hit as exporting companies with exposure to China saw their stock prices fall sharply. Elsewhere, Emerging markets also suffered on concerns about an interest rate hike by the U.S Federal Reserve in September, its first in over nine years.

Volatility across global markets was captured by the 6.70 percent decline in the MSCI-World index; the U.S S&P 500 index was off 5.58 percent for the month, while the DJIA and FTSE-100 indices shed 6.57 percent and 6.70 percent respectively. Losses were bigger for European markets; Germany's DAX index slumped 9.28 percent and France's CAC-40 index caved in by 8.45 percent.

The MSCI-EM index lost 9.20 percent, weighed down by a 13.42 percent decline in China's SHCOMP index. Brazil's IBOV index, India's NIFTY index and South Africa's JALSH index all closed lower by 7.69 percent, 7.28 percent and 4.00 percent respectively while Russia's MICEX index proved resilient, firming up by 3.84 percent.

Brent crude price firmed up slightly in the review month after slipping to a six year low, partly due to Royal Dutch Shell declaring a force majeure on shipments of Nigeria's Bonny Light crude oil which saw a shutdown of two pipelines, thus resulting in a substantial reduction in crude supply. Oil prices closed the month at \$53.99 a barrel, up from \$52.21 per barrel last month to end three consecutive months of decline.

STOCK MARKET RETURN – US & EUROPE

MARKET	31/08/2015	31/07/2015	31/12/2014	AUG RTN (%)	YTD RTN(%)
US S&P 500	1,972.18	2,088.83	2,058.90	(5.58%)	(4.21%)
GERMAN XETRA DAX	10,259.46	11,308.99	9,805.55	(9.28%)	4.63%
FRANCE CAC 40	4,652.95	5,082.61	4,272.75	(8.45%)	8.90%
LONDON FTSE-100	6,247.94	6,696.68	6,566.09	(6.70%)	(4.85%)

Source: Bloomberg, Planet Capital Research

STOCK MARKET RETURN - BRICS

MARKET	31/08/2015	31/07/2015	31/12/2014	AUG RTN (%)	YTD RTN(%)
BRAZIL:IBOV	46,625.52	50,509.11	50,007.41	(7.69%)	(6.76%)
RUSSIA: MICEX	1,733.17	1,669.00	1,396.61	3.84%	24.10%
INDIA:NIFTY	7,911.35	8,532.85	8,248.25	(7.28%)	(4.08%)
CHINA:SHSZ300	3,172.03	3,663.73	3,310.30	(13.42%)	(4.18%)
SOUTH AFR: JALSH	49,972.33	52,053.27	49,770.60	(4.00%)	0.41%

Source: Bloomberg, Planet Capital Research

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Domestic Economy

The National Bureau of Statistics released Q2'15 GDP growth figures this month, which showed a slowdown in Nigeria's economy to 2.35 percent from 3.96 percent in Q1'15, and 5.94 percent in Q4'14. Oil sector growth was negative at -6.79 though a slight improvement from -8.20 percent in the first quarter, contributing 9.80 percent to Q2'15 GDP. Non-oil GDP declined to 3.46 percent, down from 5.59 percent in Q1'15 and contributed 90.20 percent to GDP, driven by activity in the services sub-sector.

With Nigeria's weakening macro indicators (falling oil prices and the impact on reserves, increased volatility in the FX market and rising inflation), foreign flows into the country have been on a steady decline as investors reduce their exposure to risks associated with investing in the country. The 'Capital Importation Report' released by the National Bureau of Statistics (NBS) shows a 0.20 percent QoQ decline in capital flows into the country to \$2,666.36 million from \$2,671.59million recorded in the first three months of the year. Year-on-Year, capital inflow dropped by 54.06 percent or \$3,137.53 million from \$5,803.89million in the second quarter of 2014.

Foreign Portfolio Investment, the largest contributor to capital importation at 81.88 percent decline 55.60 percent YoY to \$2,183.15million but improved by 17.33 percent when compared to the previous quarter. Foreign Direct Investment contributed the least in Q2'15, representing 14.77 percent or \$211.14million of total capital imported.

Reserves decline despite CBN's restrictive monetary measures

Nigeria's external reserves fell to \$31.32billion, down from \$31.46billion at the end of July representing a marginal decline of 0.45percent or \$140million and lower by 9.14 percent YtD.

The CBN continues to employ practical measures to ensure price stability and prevent speculative attacks on the naira thereby strengthening reserves. One of such measures recently adopted was the 48-hours advance payment for dollar purchase by banks as well as stopping foreign currency cash deposits from commercial banks to the CBN. As a result, banks' no longer accept USD deposits from customers, restricting FX transactions to only wire transfers via domiciliary accounts.

The slump in global oil prices has had a negative impact on reserves and is likely to be sustained into the second half of 2016.

Inflation Watch

Consumer Price Index ("CPI"), which measures inflation rate, rose by 9.3 percent YoY in August and 10bps M-o-M from 9.2 percent in July.

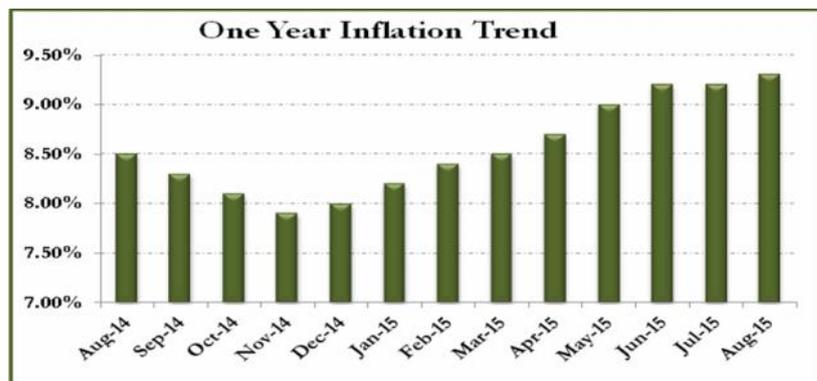
We anticipate a further hike in general prices in the coming month on the back of the Sallah celebrations, which will impact on food and transportation prices.

Exchange rate movement

The naira depreciated by 2k against the dollar to close at N198.97/\$ from N198.95/\$ in July. At the parallel market, the naira appreciated slightly, exchanging for N230/\$ from N240/\$ last month.

Despite calls for a further devaluation of the naira, the CBN governor has said the local currency is appropriately priced at current levels and the apex bank will continue to drive price stability through monetary measures.

One –year inflation trend



The Equities Market

Market return in August was negative though losses were softened by gains in Oil&Gas stocks. Compared to a 9.79 percent return in July, the ASI shed 1.64 percent in the review month, supported by positive sentiment in Forte Oil shares. Of the 21 trading days in the month, the index closed positive on just 9 days, battered by increased sell pressure across Banking and Insurance stocks.

Foreign participation on the local bourse declined to 55.69 percent from 62.91 percent in July, signalling higher level of capital flight. Concerns over Nigeria's FX restrictions, coupled with a likely hike in U.S interest rates have dampened the outlook for the stock market. Investors have become highly speculative, booking profits as soon as they are realized thereby worsening market volatility.

From its peak in April, the ASI has lost 16.91 percent and YtD return currently stands at -14.85 percent.

Market breadth was negative in August with 18 gainers and 58 losers although a marked improvement from last month with just 10 stocks recording price appreciations.

Forte Oil Plc topped the gainers chart, appreciating by 34.04 percent, Skyebank Plc trailed with a 21.29 percent upside, Dang sugar 20.67 percent, Evansmed 18.52 percent and Transcorp 12.62 percent. Unitybank Plc was the worst hit by sell pressure losing 32.86 percent, Etranzact 28.33 percent, Ikejahotel 26.80 percent while Redstarex and Eterna declined 22.92 percent and 21.79 percent respectively.

Banking, Insurance stocks dampen market performance

For the third consecutive month, the NSE-BANKING index witnessed the highest losses shedding 5.04 percent as investors' price in anticipated lower earnings from tougher regulatory environment and higher impairment charges.

Insurance stocks were also volatile with the sub-index losing 3.23 percent.

Market capitalization sheds N1.93trillion from April peak

Market capitalization came in lower by N136.21billion to N10.21trillion from N10.34trillion at the end of July.

When compared to its peak in April at N12.14trillion, investors have lost a massive N1.93trillion over the last five months.

Significant increase in activity level

Investors exchanged 10.60billion shares worth N6.19billion in 84,268 deals compared to 6.19billion shares traded the previous month, recording a 71.24 percent rise in activity level on a M-o-M basis.

Outlook for September

For the coming month, sell pressure is likely to persist, going by current macro-economic headwinds. Should the U.S Fed decide to raise interest rates, it could spell doom for emerging markets by worsening capital flow reversals. Also, banks will see a further uptick in Cost of funds for those exposed to dollar denominated borrowings. Our picks for September are Zenith, UBA, Access, Dangcem, Afriprud and CCNN.

Monthly Statistics

	August	July	Change
ASI	29,684.84	30,180.27	(1.64%)
MARKET CAP	N10.21trillion	N10.34trillion	(N136.21billion)
VOLUME	N10.60billion	6.19billion	71.24%
VALUE	N73.83billion	N85.40billion	(13.55%)
DEALS	84,268	73,856	14.10%

Source: NSE, Planet Capital Research

Sector Analysis

INDEX	31/08/2015	30/07/2015	Change
NSE-30	1,327.89	1,360.85	(2.42%)
NSE-BANKING	299.81	315.71	(5.04%)
NSE-INSURANCE	130.21	134.55	(3.23%)
NSE-CON.GOODS	731.27	734.17	(0.40%)
NSE-OIL&GAS	351.07	339.30	3.47%
NSE-IND.GOODS	2,198.00	2,229.62	(1.42%)

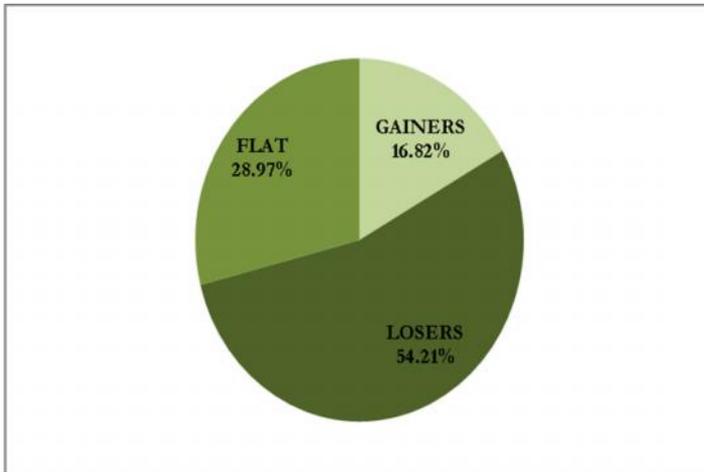
Top ten gainers

Symbol	31/08/2015	31/07/2015	Change (%)
FORTE OIL	N252.00	N188.00	34.04
SKYEBANK	N2.45	N2.02	21.29
DANGSUGAR	N7.24	N6.00	20.67
EVANSMED	N0.64	N0.54	18.52
TRANSCORP	N2.32	N2.06	12.62
GUINNESS	N138.99	N125.10	11.10
UNILEVER	N40.00	N36.01	11.08
ACCESS	N5.14	N4.77	7.76
VITAFOAM	N6.00	N5.59	7.33
NEM	N0.65	N0.61	6.56

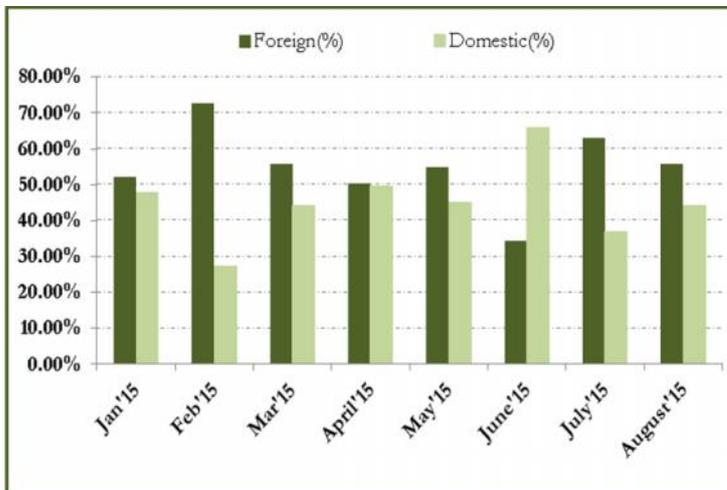
Top ten losers

Symbol	31/08/2015	31/07/2015	Change (%)
UNITYBNK	N1.41	N2.10	(32.86)
ETRANZACT	N2.58	N3.60	(28.33)
IKEJAHOTEL	N2.84	N3.88	(26.80)
REDSTAREX	N3.80	N4.93	(22.92)
ETERNA	N1.83	N2.34	(21.79)
UBA	N3.31	N4.21	(21.38)
CHAMPION	N4.25	N5.36	(20.71)
CAVERTON	N3.25	N4.03	(19.35)
UBN	N6.30	N7.75	(18.71)
CONOIL	N33.28	N40.85	(18.53)

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign	Domestic
Jan-15	52.24%	47.76%
Feb-15	72.61%	27.39%
Mar-15	55.73%	44.27%
Apr-15	50.25%	49.75%
May-15	54.84%	45.16%
Jun-15	32.24%	65.76%
Jul-15	62.91%	37.09%
Aug-15	55.69%	44.13%

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