



Planet Capital Research - February, 2015

## GLOBAL MARKETS

Global oil prices recovered slightly in February, reaching a high at \$62.53 but settled at \$57.29 per barrel (Brent crude) at the end of the month. Oil prices slumped to around \$49 per barrel last month, toppling by over 50 percent from levels seen in June, 2014. Despite continued volatility in the market, we expect prices to stabilize around \$60 a barrel for 2015.

Early in the month, news of a possible exit of Greece from the eurozone dominated talks but was averted by a last minute deal between the Greek government and European finance ministers to extend the existing bailout agreement for Greece by four-months. The European Central bank (“ECB”) has announced plans to stimulate the region’s economy and fight deflation through a Quantitative Easing (“QE”) programme which involves creating money to buy financial assets including sovereign bonds.

Markets within the region were strongly upbeat on the back of the news, coupled with improved economic data (growth for the euro area expanded by 0.9 percent in the fourth quarter of 2014 on an annualized basis). The GERMAN XETRA DAX was up 6.61 percent while the FRANCE CAC 40 index rose 7.54 percent within the review period.

The MSCI-World index closed marginally up in February signalling improved performance across major markets; the US S&P 500 index gained 5.49 percent compared to a 3.10 percent decline in January while the FTSE-100 index also firmed up by 2.92 percent. Emerging markets were also up as captured by the MSCI-EM index which rose 3.28 percent. Brazil’s IBOV index gained 9.97 percent; Russia’s MICEX was up 6.75 percent while South Africa’s JALSH edged higher by 4.05 percent.

### STOCK MARKET RETURN – US & EUROPE

MARKET	27/02/2015	30/01/2015	31/12/2014	FEBRUARY RTN (%)	YTD RTN (%)
<b>US S&amp;P 500</b>	2,104.50	1,994.99	2,058.90	5.49	2.21
<b>GERMAN XETRA DAX</b>	11,401.66	10,694.32	9,805.55	6.61	16.28
<b>FRANCE CAC 40</b>	4,951.48	4,604.25	4,272.75	7.54	15.89
<b>LONDON FTSE-100</b>	6,946.66	6,749.40	6,566.09	2.92	5.80

Source: Bloomberg, Planet Capital Research

### STOCK MARKET RETURN - BRICS

MARKET	27/02/2015	30/01/2015	31/12/2014	FEBRUARY RTN (%)	YTD RTN (%)
<b>BRAZIL:IBOV</b>	51,583.09	46,907.68	50,007.41	9.97	3.15
<b>RUSSIA: MICEX</b>	1,758.97	1,647.69	1,396.61	6.75	25.95
<b>INDIA:NIFTY</b>	8,901.83	8,808.90	8,248.25	1.06	7.92
<b>CHINA:SHSZ300</b>	2,819.33	2,712.73	3,310.30	3.93	(14.83)
<b>SOUTH AFR: JALSH</b>	53,344.20	51,266.81	49,770.60	4.05	7.18

Source: Bloomberg, Planet Capital Research



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## Domestic Economy

Growth figures released by the National Bureau of Statistics for the fourth quarter of 2014 show Nigeria's economy remained resilient, expanding by 5.94 percent in the last quarter though 0.28 percent lower when compared to 6.23 percent in the preceding quarter and 0.83 percent lower in comparison to 6.77 percent for the corresponding period of 2013.

The non-oil sector remains the major driver of the economy as oil sector contribution to GDP continues to dwindle (due to the slump in oil prices and leakages from oil theft), coming in at 8.97 percent, down 1.48 percent from 10.45 percent in the third quarter. Despite the decline in GDP contribution, the oil sector grew by 1.18 percent in the last quarter of 2014 which was a significant rebound considering the 9.36 percent decline in the preceding quarter.

Nigeria's GDP growth rate averaged 4.12 percent in 2012, 5.45 percent in 2013 and 6.23 percent in 2014. Although growth projection for 2015 was pared to around 5 percent, the country's economy remains one of the fastest growing in the world.

## Inflation watch

Available data from the NBS shows that CPI which measures inflation rose to 8.20 percent last month from 8.00 percent in December and 7.90 percent in November. We anticipate a further hike to 8.30 percent for February on the back of recent devaluation of the naira and increased election spending.

As the country prepares for the 2015 general elections, the government has recorded major strides in the fight against insurgency. Towns and villages in the North-Eastern parts of the country have gradually been reclaimed from the grip of the terrorist group 'boko haram'.

## CBN devalues the naira to save reserves

In line with our expectations as noted in our January report, the naira was again devalued on February 18, 2015 to N199/\$ after the initial devaluation which saw a shift from N155/\$ to N168/\$ in November 2014. The CBN being mindful of the effect of the continued propping of the naira on reserves has allowed for a more flexible exchange rate regime in line with domestic realities.

Also, to prevent the likelihood of a multiple exchange rate regime, the Central Bank of Nigeria formally scrapped the rDAS foreign exchange window on the same day. The drastic step was taken to address the problem of round-tripping, speculative demand, rent-seeking, and inefficient use of scarce foreign exchange resources by economic agents.

This move is coming after the wDAS had previously been scrapped in October of 2013 for similar reasons. Demand for foreign exchange will now be channelled to the Interbank Foreign Exchange Market. We are unlikely to see any significant change in exchange rates until after the elections as dollar demand remains high.

## Political spending, speculative trading pressure reserves

Declining oil revenues continue to impact negatively on Nigeria's reserves, worsened by increased dollar demand for political spending and round tripping by speculative traders.

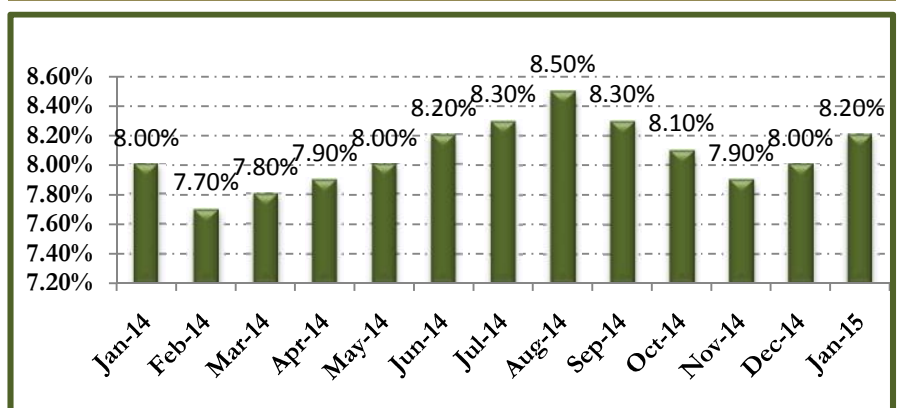
In February alone, foreign reserves were down 8.52 percent or \$2.92billion to \$31.36billion. We note an increase in the rate of decline when compared to a \$1.62billion decline in January. Reserves have shed about 9 percent year-to-date despite measures employed by the CBN and we believe at current levels, Nigeria is fast approaching the three months cover baseline under the convergence criteria of the West African Monetary Zone (WAMZ).

## Exchange rate movement

The naira weakened against the dollar at the interbank market, losing 8.99 percent or N16.72 to close at N202.72/\$ at the end of February. Official devaluation from N168/\$ to N199/\$ was captured in our calculation.

At the parallel market, the naira exchanged for as high as N220/\$, fuelled by incessant demand from politicians.

One-year inflation trend



## The Equities Market

In anticipation of full year earnings numbers and the relative attractiveness of most equities in terms of underlying fundamentals, investors' showed renewed appetite for stocks in February despite weaker macroeconomic indicators. The ASI reversed January's losses, recording a gain of 1.83 percent to close at 30,103.81 from 29,562.07 at the end of January.

Intense sell pressure in January provided good entry points for investors ahead of the earnings season which triggered the February rally coupled with the slight recovery in global oil prices. Market breadth closed negative with 34 gainers and 44 losers.

### Banking sector drives gains

Banking stocks were the most sought after with a combined gain of 10.03 percent compared to a 15.22 percent loss last month. Despite worries over the quality of banks' risk assets from exposure to oil and gas loans, investors' were optimistic about dividend yields in the sector considering how cheap valuations have become.

We noticed some preference for Tier 1 banks like Access and Gtbank Plc.

A slight recovery in oil prices also favoured stocks within the sub-sector as evidenced by the over 50 percent rise in Seplat Plc shares. The Oil&Gas index rose 8.13 percent, trailing the banking index which posted a 10.03 percent return in February.

The consumer goods sector succumbed to sell pressure, occasioned by profit taking in International Breweries and Dangote Sugar Plc. Third quarter results by most companies in the sector showed an uptick in finance charges and distribution costs which pressured after tax profits. We reiterate that the industrial goods, consumer goods and oil&gas sectors will likely witness the highest volatility this year due to economic headwinds (higher interest rates

and a reduction in capital expenditure as a result of the decline in oil prices.

### Market capitalization hits N10trillion mark

By the end of February, market capitalization had firmed up to N10.04 trillion with a total gain of N190billion. Foreign participation in the market was up slightly in January to 52.24 percent, from 48.24 percent in December. We anticipate more FPI flows into the market in the coming months if the QE programme of the ECB takes off as planned.

### Decline in activity level

Market volume declined marginally by 3.13 percent as investors' traded 7.74billion shares worth N91.94billion. Volume was driven primarily by trades in the banking sub-sector led by FBNH, Access and UBA Plc.

Average daily volume for the month was 386.77million, lower when compared to 399.63million in January.

#### Monthly Statistics

	FEBRUARY	JANUARY	CHANGE
ASI	30,103.81	29,562.07	1.83%
MARKET CAP	N10.04trillion	N9.85trillion	N190billion
VOLUME	7.74billion	7.99billion	(3.13%)
VALUE	N91.94billion	N94.92billion	(3.14%)
DEALS	84,640	84,925	(0.34%)

Source: NSE, Planet Capital Research

#### Sector Analysis

INDEX	27/02/2015	30/01/2015	CHANGE (%)
NSE-30	1,370.21	1,334.09	2.71
NSE-BANKING	327.72	297.93	10.03
NSE-INSURANCE	141.75	141.60	0.11
NSE-CON.GOODS	769.36	781.84	(1.60)
NSE-OIL&GAS	386.09	357.07	8.13
NSE-IND.GOODS	1,924.77	1,915.93	0.46

Source: NSE, Planet Capital Research

Seplat plc posted the highest return by 53.98 percent, Airservice 25.75 percent, Access 23.55 percent and Ikejahotel 23.36 percent.

Led by a 14.98 percent decline, International Breweries Plc was the worst hit by sell pressure, closely followed by Academy Plc 14.41 percent, Ashakacem 10.89 percent and Nahco 10.21 percent.

### Outlook for March

We expect market momentum to be sustained on the back of full year results though investors' are likely to cash in on gains especially in the banking sub-sector.

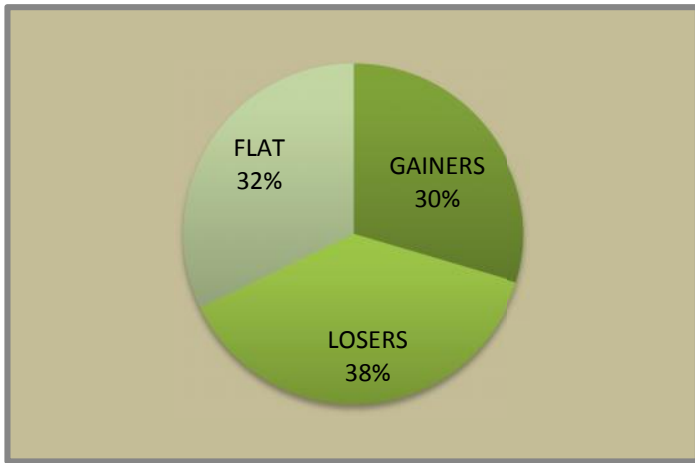
Our top picks for the month are:

- Zenith bank
- CCNN
- Dangsugar
- African Prudential
- Ubcap
- Transcorp
- Fidson
- Custodyins

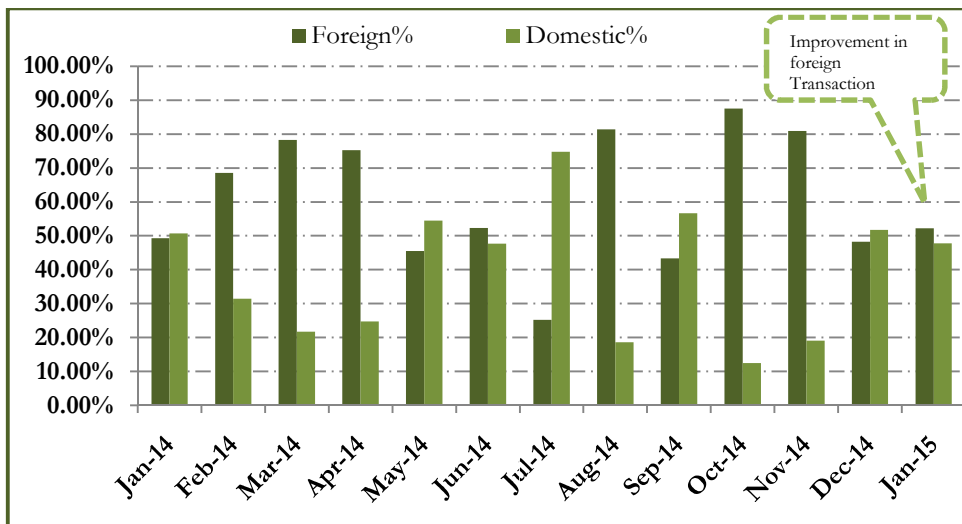
Top ten gainers			
Symbol	Feb 27, 2015	Jan 30, 2015	Change (%)
SEPLAT	N470	N305.23	53.98
AIRSERVICE	N2.10	N1.67	25.75
ACCESS	N6.40	N5.18	23.55
IKEJAHOTEL	N3.75	N3.04	23.36
RTBRISCOE	N0.73	N0.61	19.67
DANGFLOUR	N3.53	N3.00	17.67
GUARANTY	N23.50	N20.03	17.32
NEM	N0.62	N0.53	16.98
CCNN	N10.70	N9.20	16.30
MAYBAKER	N1.65	N1.44	14.58

Top ten losers			
Symbol	Feb 27, 2015	Jan 30, 2015	Change (%)
INTBREW	N17.99	N21.16	(14.98)
ACADEMY	N1.01	N1.18	(14.41)
ASHAKACEM	N18.98	N21.30	(10.89)
NAHCO	N4.31	N4.80	(10.21)
BETAGLASS	N27.08	N30.00	(9.73)
CONOIL	N32.70	N36.21	(9.69)
CHAMPION	N5.10	N5.62	(9.25)
OANDO	N13.99	N15.39	(9.10)
DANGSUGAR	N6.22	N6.82	(8.80)
FIDSON	N3.00	N3.26	(7.98)

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign	Domestic
Jan-14	49%	51%
Feb-14	69%	31%
Mar-14	78%	22%
Apr-14	75%	25%
May-14	46%	54%
Jun-14	52%	48%
Jul-14	25%	75%
Aug-14	81%	19%
Sep-14	43%	57%
Oct-14	88%	12%
Nov-14	81%	19%
Dec-14	48%	52%
Jan-15	52%	48%

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