



Planet Capital Research - July, 2015



GLOBAL MARKETS

The global economy in July was hit by the twin effects of the crisis in Greece and huge sell-offs in China's stock market though the impact was minimal. Most developed economies sustained their gradual recovery with GDP growth for the US and UK strengthening in the second quarter, fanning talks of a likely rate hike later this year, a clear divergence from monetary easing mechanisms by Central Banks across Europe and Asia. Economic data from the Euro region also improved but with significant variations among member nations; whilst Germany's economy remained resilient, Belgium and Italy showed weaker growth with rising unemployment rates.

Developed markets were upbeat in July; the MSCI-World index returned 1.73 percent for the month, supported by a 1.25 percent rise in the US S&P 500 index following strong quarterly reports from blue-chip companies, while the FTSE-100 index added 2.69 percent. European markets came in stronger as Greece-related worries were dispelled giving way for a strong rally. Germany's DAX index rose 3.33 percent while France's CAC-40 index gained 5.71 percent.

The MSCI-EM index was off 6.98 percent, pressured by losses in China's market which plunged 14.34 percent while Brazil's IBOV index was down 4.85 percent. Remarkably, Russia's MICEX index and India's NIFTY index closed higher by 0.87 percent and 1.96 percent respectively. Emerging markets have come under pressure in recent times following the softening of commodity prices and weaker growth.

For the third consecutive month, oil prices declined on supply concerns from rising OPEC productions to close at \$52.21 a barrel at the end of July, down from \$62.33 per barrel in June.

STOCK MARKET RETURN – US & EUROPE

MARKET	31/07/2015	30/06/2015	31/12/2014	JULY RTN(%)	YTD RTN(%)
US S&P 500	2,088.83	2,1063.11	2,058.90	1.25	1.45
GERMAN XETRA DAX	11,308.99	10,944.97	9,805.55	3.33	15.33
FRANCE CAC 40	5,082.61	4,808.22	4,272.75	5.71	18.95
LONDON FTSE-100	6,696.68	6,520.98	6,566.09	2.69	1.99

Source: Bloomberg, Planet Capital Research

STOCK MARKET RETURN - BRICS

MARKET	31/07/2015	30/06/2015	31/12/2014	JULY RTN (%)	YTDRTN(%)
BRAZIL:IBOV	50,509.11	53,080.88	50,007.41	(4.85)	1.00
RUSSIA: MICEX	1,669.00	1,654.55	1,396.61	0.87	19.50
INDIA:NIFTY	8,532.85	8,368.90	8,248.25	1.96	3.45
CHINA:SHSZ300	3,663.73	4,277.22	3,310.30	(14.34)	10.68
SOUTH AFR: JALSH	52,053.27	51,806.95	49,770.60	0.48	4.59

Source: Bloomberg, Planet Capital Research

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Domestic Economy

Nigeria's depreciating naira remains a huge concern for monetary authorities as the apex bank embarked on yet another round of policy measures to stem further pressure on the naira. The CBN fixed the spread at which BDC's can resell dollars at not more than 3.5 percent to its clearing rate. This is coming on the heels of initial interventions which saw restrictions placed on specific category of items, classified as Not Valid for FX purchase at the interbank market and can only be funded from sources outside all the segments of the Nigerian foreign exchange markets.

Outcome of Monetary Policy Committee meeting

In line with our expectation, the benchmark interest rate was left unchanged at 13 percent at the close of the MPC meeting held on the 23rd and 24th of July. CRR on public and private sector deposits was retained at 31 percent.

Our expectation of a shift in the exchange rate band (further devaluation) was countered by the CBN's position that the naira is appropriately valued at current levels despite the widening gap between the interbank and BDC rates.

The committee acknowledged the limitations of using monetary tools to address macro-economic challenges and noted the need for complimentary fiscal policies to spur growth and create the basis for stabilization. The MPC also stressed the need to keep monetary policy tight due to high liquidity in the system and rising inflationary pressures.

Monetary measures strengthen reserves in July

Nigeria's external reserves firmed up by 8.48 percent or \$2.46billion to \$31.46billion in July according to data from the CBN. This is an improvement from the 2.03 percent decline in June but remains below December levels by 8.73 percent. Recent accretion in reserves can be attributed to efforts by the CBN to manage FX demand by curbing speculative foreign exchange activities.

Monetary measures implemented by the CBN so far include - a tighter monetary policy regime, closure of the official foreign exchange window (rDAS), review of banks' Net Open Position (NOP) and a 72-hour limit on FX utilisation.

Nigeria's external reserves are derived mainly from the proceeds of crude oil production and sales which have been on a steady decline in the last year due to the slump in crude oil prices.

Inflation Watch

Consumer Price Index ("CPI") which measures inflation rate rose 9.2 percent YoY but remained flat when compared to the previous month (9.2% in June). Generally, prices were impacted by higher imported food prices and the Ramadan celebrations. Nigeria's inflation rate has been on a steady rise since November 2014 when rates fell to 7.90 percent. At the current level, inflation remains at its highest point since May 2013.

Exchange rate movement

The naira gained 5k at the interbank market in July, exchanging for N199.10/\$ compared to N199.05/\$ in June. At the parallel market, the naira depreciated significantly, trading at N240/\$ at the end of July owing to speculative demand.

We anticipate a gradual convergence in price at the interbank and parallel markets on the back of recent monetary measures.

One –year inflation trend



The Equities Market

It was a very bearish month as unimpressive half year earnings from quoted companies depressed the market with only two days of positive return out of 21 trading sessions in July.

The weaker earnings are reflective of wider macroeconomic challenges and a tougher operating environment for companies. From rising cost of operations to increased finance charges and higher impairment charges across the banking sector, investors continued to price in the anticipated drop in full year numbers.

With the gradual recovery of the naira, foreign players are likely to return to the market though threats of a U.S rate hike still remain a concern. Also, the steady climb in inflation rate and slowdown in GDP growth rate have impacted negatively on investors' appetite for stocks as most investors play in the fixed income market.

For July, sell pressure garnered momentum as the stock market drifted further southwards shedding 9.79 percent to close at 30,180.27 compared to last month's 2.49 percent decline.

Market breadth closed negative with only 10 stocks appreciating while 66 stocks declined. BETAGLASS Plc led the gainers table with a 21.13 percent upside, CAVERTON was up 17.84 percent, IKEJAHOTEL 6.30 percent 7UP 6.09 percent and VONO 3.67 percent.

EVANSMED was top on the losers chart by 55.37 percent, CWG 25.88 percent, AGLEVENTIS 25.17 percent, TRANSCORP 23.99 percent and NASCON 23.38 percent.

Sell pressure in Banking, Consumer goods stocks depress market

The NSE-BANKING index witnessed the highest losses for the second month in a row, declining by 14.28 percent on increased sell pressure following the release of less than stellar earnings numbers.

Rising finance charges dampened the half year performance of Consumer Goods companies, dragging the sub-index down by 12.88 percent.

The NSE- OIL&GAS index and NSE-INSURANCE index closed lower by 7.93 percent and 6.36 percent respectively.

Market capitalization sheds a whopping N1trillion in one month

Market capitalization shed N1trillion in July, slipping to N10.34trillion from N11.42trillion at the end of June.

Marginal increase in turnover

Market activity for the month rose 1.31 percent to 6.19billion shares worth N85.40billion, which were exchanged in 73,856 deals from 6.11billion shares valued at N101.82billion traded last month.

Outlook for July

For the coming month, we anticipate continued sell pressure as investors' price in weaker earnings numbers by quoted companies. Nevertheless, this has presented attractive entry point for most stocks; we are still in favour of tier 1 banks with Gtbank and Zenith taking the lead while Dangcem and CCNN remain our top buy recommendations for the Industrial goods sector. In the consumer goods space, we are neutral for now with only Dangote sugar for long-term buy.

Monthly Statistics

	July	June	Change
ASI	30,180.27	33,456.83	(9.79%)
MARKET CAP	N10.34trillion	N11.42trillion	(N1.08trillion)
VOLUME	6.19billion	6.11billion	1.31%
VALUE	N85.40billion	N101.82billion	(16.13%)
DEALS	73,856	83,670	(11.73%)

Source: NSE, Planet Capital Research

Sector Analysis

INDEX	31/07/2015	30/06/2015	Change
NSE-30	1,360.85	1,526.04	(10.82%)
NSE-BANKING	315.71	368.29	(14.28%)
NSE-INSURANCE	134.55	143.69	(6.36%)
NSE-CON.GOODS	734.17	842.70	(12.88%)
NSE-OIL&GAS	339.30	368.54	(7.93%)
NSE-IND.GOODS	2,229.62	2,271.73	(1.85%)

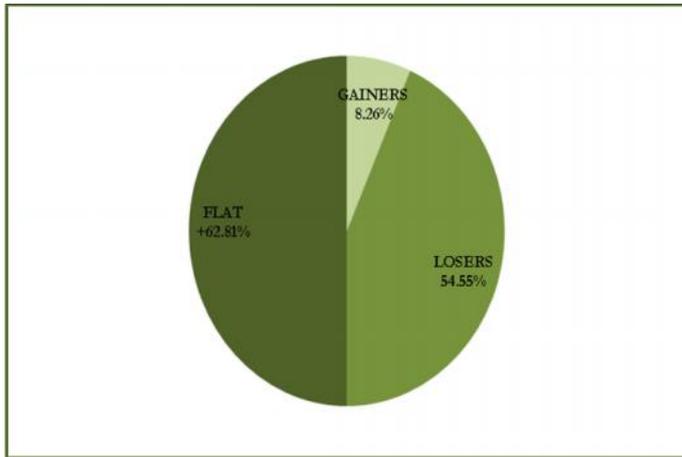
Top ten gainers

Symbol	31/07/2015	30/06/2015	Change (%)
BETAGLASS	N43.00	N35.50	21.13
CAVERTON	N4.03	N3.42	17.84
IKEJAHOTEL	N3.88	N3.65	6.30
7UP	N190.00	N179.10	6.09
VONO	N1.13	N1.09	3.67
STERLNBK	N2.05	N2.00	2.50
NAHCO	N5.10	N4.99	2.20
WAPCO	N103.09	N101.99	1.08
MOBIL	N155.98	N155.00	0.63
CADBURY	N35.05	N35.03	0.06

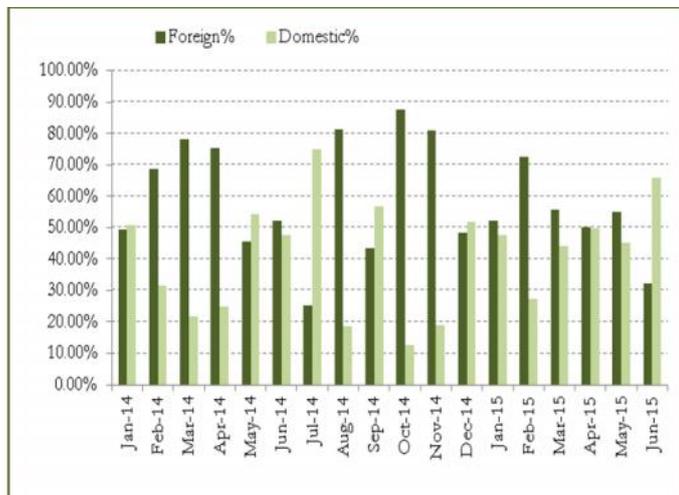
Top ten losers

Symbol	31/07/2015	30/06/2015	Change (%)
EVANSMED	N0.54	N1.21	55.37
CWG	N2.95	N3.98	25.88
AGLEVENTIS	N1.10	N1.47	25.17
TRANSCORP	N2.06	N2.71	23.99
NASCON	N6.13	N8.00	23.38
GUINNESS	N125.10	N162.81	23.16
UNILEVER	N36.01	N45.50	20.86
UBN	N7.75	N9.79	20.84
OANDO	N12.50	N15.70	20.38
DANGFLOUR	N3.19	N3.99	20.05

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign	Domestic
<u>Jan-15</u>	52.24%	47.76%
<u>Feb-15</u>	72.61%	27.39%
<u>Mar-15</u>	55.73%	44.27%
<u>April-15</u>	50.25%	49.75%
<u>May-15</u>	54.84%	45.16%
<u>June-15</u>	32.24%	65.76%

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