



Planet Capital Research - June, 2015



## GLOBAL MARKETS

Debt crisis in Greece and its contagion effect across the euro zone and global economy as a whole dominated talks all through the month of June. Worries over a likely default triggered sell pressure by investors; most markets underperformed as captured by the MSCI-WORLD index which lost 2.32 percent in the review month, while others like Russia's market managed to defy the broader downward trend to post very strong gains.

The U.S S&P 500 index shed 2.10 percent, the DJIA was down 1.48 percent while the FTSE-100 index slumped 6.64 percent.

Across Europe, Germany's DAX index declined 4.11 percent M-o-M while FRANCE's CAC- 40 index shed 3.99 percent within the same period.

The MSCI-EM index which tracks emerging markets stock performance closed lower by 6.39 percent, weighed down by sell-offs in China's market with the SHCOMP posting a return of -7.25 percent after a strong rally that saw most stock prices outpace underlying valuations. India's NIFTY index declined 0.77 percent while South Africa's JALSH index lost 0.89 percent. Losses were tapered by a 2.82 percent return for Russia's MICEX index and a 0.61 percent upside for Brazil's IBOV index.

For the second consecutive month, global oil prices witnessed a fall as slower demand and oversupply concerns kept prices subdued at \$62.33 a barrel at the end of June from \$63.77 per barrel in May, representing a 2.26 percent decline.

### STOCK MARKET RETURN – US & EUROPE

MARKET	30/06/2015	28/05/2015	31/12/2014	JUNE RTN(%)	YTD RTN(%)
US S&P 500	2,063.11	2,107.39	2,058.90	(2.10)	0.20
GERMAN XETRA DAX	10,944.97	11,413.82	9,805.55	(4.11)	11.62
FRANCE CAC 40	4,808.22	5,007.89	4,272.75	(3.99)	12.53
LONDON FTSE-100	6,520.98	6,984.43	6,566.09	(6.64)	(0.69)

Source: Bloomberg, Planet Capital Research

### STOCK MARKET RETURN - BRICS

MARKET	30/06/2015	28/05/2015	31/12/2014	JUNE RTN (%)	YTDRTN(%)
BRAZIL:IBOV	53,080.88	52,760.48	50,007.41	0.61	6.15
RUSSIA: MICEX	1,654.55	1,609.19	1,396.61	2.82	18.47
INDIA:NIFTY	8,368.90	8,433.65	8,248.25	(0.77)	1.46
CHINA:SHSZ300	4,277.22	4,611.74	3,310.30	(7.25)	29.21
SOUTH AFR: JALSH	51,806.95	52,270.86	49,770.60	(0.89)	4.09

Source: Bloomberg, Planet Capital Research

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## Domestic Economy

These are very trying times for fiscal and monetary authorities; whilst declining revenues from oil sales are threatening budgetary implementation and by extension economic activity on the fiscal angle, monetary authorities are battling with rising inflation and a weaker currency on the other hand.

With a deficit of over N1trillion for the 2015 budget year, the FG will likely resort to huge borrowings to meet recurrent and capital expenditures. Most states were unable to pay salaries for three to ten months and had to resort to assistance from the Federal government which resulted in a draw down from the Excess Crude Account (“ECA”). Capital projects across the country have also been put on hold due to insufficient funding. We note that though borrowing at this time is inevitable, the government will have to deal with a higher interest rate environment which will make repayment more difficult seeing that the nation’s revenue base is dwindling.

From the monetary angle, a cocktail of monetary measures employed so far have yielded very little by way of reining in inflationary pressures and stabilizing the FX market. Nigeria’s inflation rate has been on a steady rise since November 2014 and the local currency has further depreciated despite the second round of devaluation carried out in February. The CBN has stated its readiness to sustain the naira but would apply other measures rather than draw down on reserves.

## Safeguarding reserves or accommodating a weaker naira

Nigeria’s reserves which currently stand at \$29.00billion as at June 30, have declined by \$34.60million or 2.03 percent m-o-m and 15.89 percent YTD.

In a bid to curb excessive dollar demand and safeguard reserves, Nigeria's apex bank has restrained access to the interbank FX market for the purchase of foreign currency bonds and shares, Eurobonds, and 39 other items. Though a necessary move, monetary authorities will face a renewed task of closing the gap between the parallel market and interbank market as most importers will now source for FX from the black market. We anticipate a fresh round of devaluation in the forthcoming MPC meeting. Should this happen, companies that rely on imported raw materials will witness higher input costs which will impact on their earnings numbers in the coming quarters.

## Inflation Watch

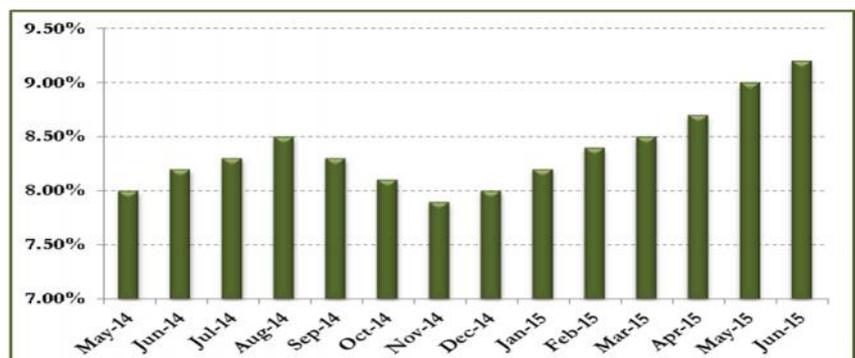
In line with our forecast, Consumer Price Index (“CPI”) which measures inflation rate came in at 9.20 percent, a 20bps hike when compared to 9.0 percent in May. The increase was as a result of higher food and transportation costs owing to the ongoing issue of fuel scarcity which drove prices upwards.

## Exchange rate movement

The naira weakened against the dollar at the interbank market losing N1.12 or 0.57 percent in June. According to available data, the naira closed at N199.05/\$ on June 30, from N197.93/\$ at the end of May.

At the parallel market, the naira exchanged for between N228-N230/\$ as appetite for the green back continues to soar. With very little options left by way of monetary measures, we believe the CBN will resort to a fresh round of devaluation notwithstanding the attendant effects of making such a move.

One –year inflation trend



## The Equities Market

Ahead of the half year earnings season, expectation that a weaker macro-economic environment will impact negatively on quoted companies' performance has left investors' in a state of panic as evidenced by continued sell-offs with stocks crashing to their record lows.

Foreign players have also been on the sidelines, awaiting policy direction from the Central Bank of Nigeria ("CBN") on whether or not the naira will be devalued for the third time in the last nine months. Round-tripping and speculative demand has led to a further depreciation of the local currency against the US dollar, at a time of rising inflation and declining reserves. Also, the likelihood of a rate hike by the US Federal Reserves later this year has caused jitters across emerging markets as we anticipate further capital flow reversals if this happens.

For the month of June, banking stocks were the worst hit by sell pressure owing to a tighter regulatory environment which has dampened the outlook for the sector as investors' envisage slower earnings growth for companies in the industry.

The index closed at 33,456.83 points at the end of June after shedding 2.49 percent, an increase in sell momentum when compared to last month's 1.15 percent decline.

Market breadth closed negative with only 18 stocks recording price appreciations while 59 stocks declined. PORTLAND PAINTS Plc was the most supportive stock with a return of 22.25 percent, NEIMETH Plc trailed by 15.83 percent, BERGER PAINTS Plc 12.40 percent and FORTE OIL 6.94 percent. Profit taking led to a 35.50 percent month-on-month loss for VONO Plc; EVANS MEDICAL shed 32.78 percent, CILEASING came in 22.86 percent lower while NPFMCRFBK and NAHCO Plc lost an average of 22.00 percent each.

## Sell pressure in Banking, Insurance stocks depress market

The NSE-BANKING index witnessed the highest loss for the month by 6.03 percent, followed closely by a 3.51 percent decline in the NSE-INSURANCE index while the NSE-OIL&GAS index shed 2.66 percent. Consumer goods stocks were marginally down after last month's huge sell-offs while the Industrial Goods sector was the most supportive, recording a 1.99 percent return.

## Market capitalization moves further southwards

Investors' lost a total of N237billion in June as market cap closed at N11.42trillion from N11.51trillion the previous month. Since reaching its year high on April 2<sup>nd</sup> at N12.14trillion, market capitalization has shed N714billion or 5.88 percent, on growing apathy for stocks as investors' take flight to safety.

## Volume, Value, Trades fall below monthly average

Market turnover for the month declined by 23.14 percent to 6.11billion shares worth N101.82billion exchanged in 83,670 deals compared to 7.95billion shares valued at N72.73billion traded in May.

## Outlook for July

Increased sell pressure has presented a lot of buy opportunities for investors as stocks are currently trading at very low P/E and P/B. We are cautiously optimistic in our outlook for the second half of the year and therefore take a long term investment approach for stocks. The release of half year numbers will give a clearer view on preferred sectors but at the moment, we believe the Consumer Goods and oil&Gas sectors will likely see not too impressive earnings numbers while the Insurance sector might spring some very welcome surprises.

### Monthly Statistics

	June	May	CHANGE
ASI	33,456.83	34,310.37	(2.49%)
MARKET CAP	N11.42trillion	N11.66trillion	(N237billion)
VOLUME	6.11billion	7.95billion	(23.14%)
VALUE	N101.82billion	N72.73billion	40.00%
DEALS	83,670	82,041	1.99%

Source: NSE, Planet Capital Research

### Sector Analysis

INDEX	30/06/2015	28/05/2015	CHANGE (%)
NSE-30	1,526.04	1,569.73	(2.78)
NSE-BANKING	368.29	391.92	(6.03)
NSE-INSURANCE	143.69	148.92	(3.51)
NSE-CON.GOODS	842.70	844.93	(0.26)
NSE-OIL&GAS	368.54	378.61	(2.66)
NSE-IND.GOODS	2,271.73	2,227.49	1.99

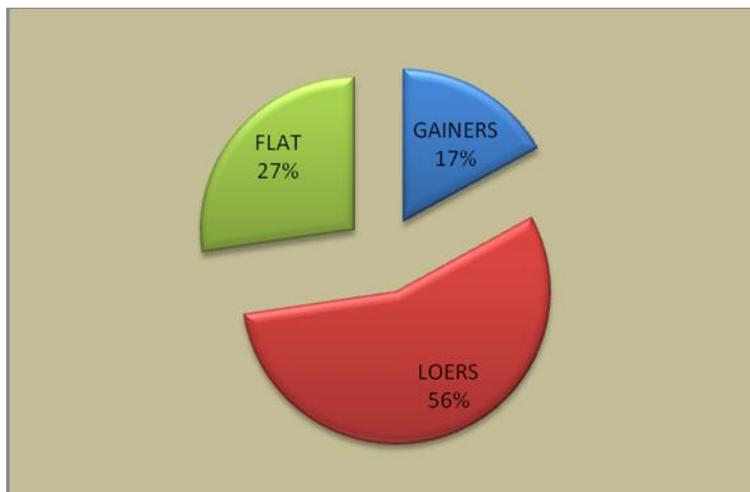
Top ten gainers

Symbol	30/06/2015	28/05/2015	Change (%)
PORTPAINT	N4.45	N3.64	22.25
NEIMETH	N1.39	N1.20	15.83
BERGER	N11.24	N10.00	12.40
FORTE OIL	N188.22	N176.00	6.94
DANGSUGAR	N6.90	N6.51	5.99
MOBIL	N155.00	N146.80	5.59
ASHAKACEM	N22.60	N21.50	5.12
VITAFOAM	N5.66	N5.39	5.01
ETI	N22.50	N21.53	4.51
PZ	N30.45	N29.18	4.35

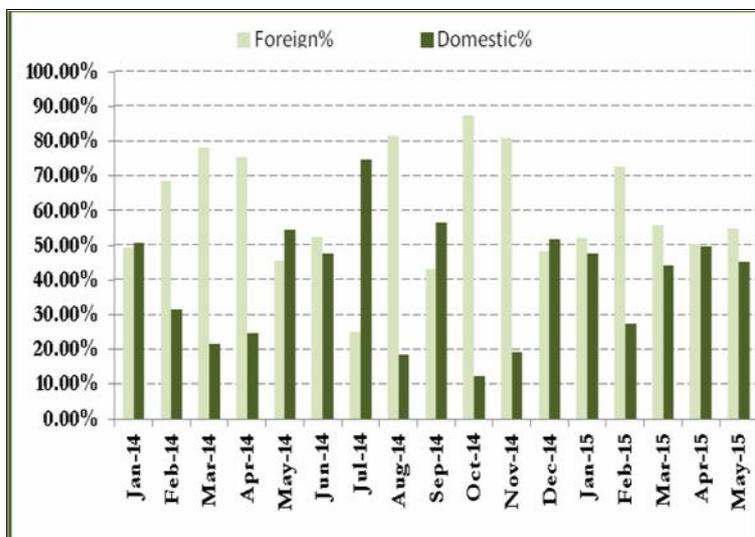
Top ten losers

Symbol	30/06/2015	28/05/2015	Change (%)
VONO	N1.09	N1.69	(35.50)
EVANSMED	N1.21	N1.80	(32.78)
CILEASING	N0.54	N0.70	(22.86)
NPFMCRFBK	N1.05	N1.35	(22.22)
NAHCO	N4.99	N6.38	(21.79)
OANDO	N15.70	N18.90	(16.93)
FBNH	N7.94	N9.38	(15.35)
COSTAIN	N0.80	N0.94	(14.89)
SKYEBANK	N2.39	N2.75	(13.09)
UNITYBNK	N2.50	N2.86	(12.59)

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign (%)	Domestic (%)
Jun-14	52.32	47.68
Jul-14	25.17	74.83
Aug-14	81.43	18.57
Sep-14	43.36	56.64
Oct-14	87.54	12.46
Nov-14	80.92	19.08
Dec-14	48.24	51.76
Jan-15	52.24	47.76
Feb-15	72.61	27.39
Mar-15	55.73	44.27
April-15	50.25	49.75
May -15	54.84	45.16

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