



Planet Capital Research - May, 2015



## GLOBAL MARKETS

Unlike the previous month, global markets witnessed increased volatility in May as investors' showed renewed apathy for stocks. The MSCI-WORLD index came in 1.79 percent lower compared to a 2.79 percent increase in April with differing returns across regions. US markets were slightly up despite macro-economic headwinds of lower oil prices and a stronger dollar; the S&P 500 index posted a total return of 1.05 percent while the FTSE-100 index rallied strongly on the back of the successful elections with a 4.39 percent gain.

European market economies were boosted by the twin tail winds of lower oil prices and a weaker euro which improved the earnings profile of corporates though overall market return within the region was mixed; whilst the German DAX strengthened on a month-on-month basis gaining 0.56 percent, the France CAC-40 index declined 0.76 percent. Growth

The MSCI-EM index declined in May, pressured by a 6.17 percent loss recorded in Brazil's IBOV index, a 4.69 percent decline in Russia's MICEX index and a 3.99 percent fall in South Africa's JALSH. China's SHCOMP index came in 3.83 percent higher in April while India's NIFTY index gained 3.08 percent, tapering overall losses within the region.

Global oil prices witnessed a pullback in the review month, tumbling from a high of \$65.22 a barrel (BRENT CRUDE) to \$63.77 per barrel on supply concerns ahead of OPEC's meeting early June.

### STOCK MARKET RETURN – US & EUROPE

MARKET	29/05/2015	30/04/2015	31/12/2014	MAY RTN (%)	YTD RTN (%)
<b>US S&amp;P 500</b>	2,107.39	2,085.51	2,058.90	1.05	2.36
<b>GERMAN XETRA DAX</b>	11,413.82	11,350.15	9,805.55	0.56	16.40
<b>FRANCE CAC 40</b>	5,007.89	5,046.49	4,272.75	(0.76)	17.21
<b>LONDON FTSE-100</b>	6,984.43	6,690.63	6,566.09	4.39	6.37

Source: Bloomberg, Planet Capital Research

### STOCK MARKET RETURN - BRICS

MARKET	28/05/2015	30/04/2015	31/12/2014	MAY RTN (%)	YTD RTN (%)
<b>BRAZIL:IBOV</b>	52,760.48	56,229.38	50,007.41	(6.17)	5.51
<b>RUSSIA: MICEX</b>	1,609.19	1,688.34	1,396.61	(4.69)	15.22
<b>INDIA:NIFTY</b>	8,433.65	8,181.50	8,248.25	3.08	2.25
<b>CHINA:SHSZ300</b>	4,611.74	4,441.65	3,310.30	3.83	39.31
<b>SOUTH AFR: JALSH</b>	52,270.86	54,440.43	49,770.60	(3.99)	5.02

Source: Bloomberg, Planet Capital Research

## Contact

### Analysts:

Ibinabo Princewill  
iprincewill@planetcapitaltd.com

Wale Ojo  
Ojo@planetcapitaltd.com

Email:  
informationalservices@planetcapitaltd.com

Phone: 07098006835; 012702296

## Domestic Economy

The National Bureau of Statistics released its latest first quarter Capital Importation Data which covers Foreign Direct Investment, Portfolio Investment and other investments.

Total Capital Importation for the period fell to its two-year low at \$2.67billion, a decline of 31.58 percent when compared to the corresponding period of last year and 40.63 percent on a QoQ basis. The fall in CI was attributed to heightened political uncertainty following the initial postponement of the elections and slump in global oil prices.

Though Foreign Portfolio Investment (‘FPI’) remains the largest contributor (73.48 percent), FPI in Q1’15 dropped 7.11 percent compared to the fourth quarter of 2014. The reduction in FPI flows as driven primarily by a decline in equity capital in favour of fixed income (bond) instruments.

The United Kingdom accounts for the highest value of capital imported to Nigeria, controlling 65.85 percent of the total value in the first quarter.

## MPC meeting and monetary policy

The apex bank held its Monetary Policy Committee meeting on the 18<sup>th</sup> and 19<sup>th</sup> of May 2015. In line with our expectation, the benchmark rate was left unchanged at 13 percent though CRR on public and private sector deposits was harmonized to 31 percent from 75 percent and 20 percent respectively.

## Implication

The harmonization of the CRR will boost liquidity within the banking sector in the short term especially for banks that rely more on public sector liabilities. This improvement in liquidity will see an ease in interest rates which will spur lending activities. However, the unification of government accounts for better cash management through the recent

Treasury Single Account will have a counter effect upon full implementation. The TSA was created to plug revenue leakages and enhance government revenue which has come under pressure from the slump in oil prices.

## Inflation watch

Nigeria’s inflation has been on an upward trajectory since November 2014, impacted by the naira devaluation, fuel crisis (which drove up transportation and food prices) coupled with the upward review of electricity tariffs among others.

We expect rates to continue to trend upwards in the coming months with increased pressure from improved liquidity following the CRR harmonization. Our forecast for May is 8.9 percent, a 20bps hike from 8.7percent in April.

## Reserves close marginally up on rise in global oil prices

Nigeria’s reserves rose by 0.24 percent or \$700million in May to \$29.60billion as against a \$260million decline in April. Oil prices closed at \$63.77 a barrel as at May 28, 2015 (from \$45/barrel in January) which helped sustain reserves at current levels.

Despite the recent accretion, Nigeria’s

external reserves remain significantly below December’s close at \$34.47 billion and lower than the corresponding period of 2014 at \$36.96 billion.

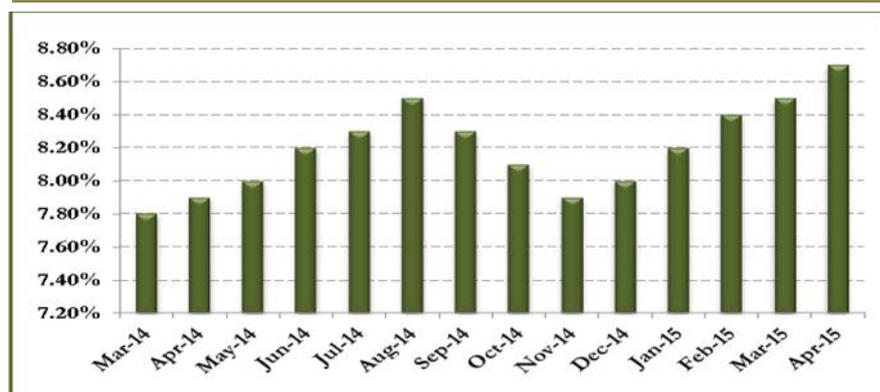
## Exchange rate movement

The naira firmed up against the dollar at the interbank market gaining 6kobo. As at May 28, 2015 a dollar sold for N197.93 compared to N197.99 at the end of April on stronger oil prices.

At the parallel market, the naira exchanged for between N217-N220/\$1.

Operational controls by the CBN have helped reduce the pressure on the naira in recent weeks but we believe local currencies across emerging market economies will likely face renewed pressure should the U.S Federal Reserve increase interest rates. The rate hike will make emerging markets less attractive to offshore investors with the likelihood of huge capital flow reversals.

One –year inflation trend



## The Equities Market

Stocks came under sell pressure in May, forcing the index to close lower after first quarter earnings numbers released showed a less than stellar performance from most companies especially in the consumer goods space. Recording its first loss following three consecutive months of positive return, the benchmark index shed 1.15 percent to close at 34,310.37 compared to a 9.31 percent return in April and a 5.48 percent upside in March.

Domestic macro-economic headwinds such as slower growth and rising inflation coupled with the likelihood of a rate hike by the US Federal Reserve have worsened the pressure on the local bourse with significant capital flow reversal witnessed between January and March.

Our assessment of the fixed income market shows that investors' appetite remains strong further dampening the outlook for the stock market but this is likely to be threatened if inflation rises beyond single digit levels.

As expected, market breadth closed negative with 46 gainers and 32 losers. Top on the gainers list was Vono Plc; the company's shares rallied strongly in May gaining 64.08 percent following news of its merger with Vitafoam Plc. Anticipated corporate action for Redstarex drove appetite for the stock which returned 41.53 percent while CLeasing and Betaglass Plc gained 33.23 percent and 25.26percent respectively.

Unitybank Plc led the losers chart recording a 26.48 percent decline. Glaxosmithkline and Dangote Flour Plc lost 20 percent and 15.75 percent respectively while ABC transport shed 12.70 percent. We observed that market players were more in favour of trading small to medium cap stocks in May.

## Consumer goods sector depressed by first quarter performance

The NSE-CONSUMER goods index was down 4.05 percent in May owing to weaker earnings numbers by corporates. The NSE-OIL&GAS index trailed with a 0.95 percent decline while the NSE-BANKING index, the NSE-INSURANCE index and the NSE-IND.GOODS index came in 0.65 percent, 1.80 percent and 2.03 percent higher respectively.

## Market capitalization moves further southwards

Market capitalization has been on a steady decline since reaching its year high on April 2<sup>nd</sup> at N12.14trillion.

Closing the month at N11.66trillion, investors lost a combined N130billion within the review month. From its year high, market cap has shed a total of N476.25billion.

## Volume, Value, Trades fall on low bargain

Market turnover for the month declined by 25.70 percent to 7.95billion shares which were exchanged in 82,041 deals valued at N72.73billion compared to 10.7billion traded the previous month. Turnover was boosted by activity in the financial services sector, mainly banking stocks.

## Outlook for May

Ahead of second quarter result season, we anticipate renewed bargain hunting towards the end of June as current sell pressure has provided attractive entry points for most companies. In the short-term, the sell-offs will likely persist barring any key drivers to stem the current tide.

Our top picks for the month are:

- ACCESS
- ZENITH
- UBA
- TRANSCORP
- UBCAP
- 

### Monthly Statistics

	MAY	APRIL	CHANGE
ASI	34,310.37	34,708.11	(1.15%)
MARKET CAP	N11.66trillion	N11.79trillion	(N130billion)
VOLUME	7.95billion	10.70billion	(25.70%)
VALUE	N72.73billion	N103.17billion	(29.50%)
DEALS	82,041	107,638	(23.78%)

Source: NSE, Planet Capital Research

### Sector Analysis

INDEX	28/05/2015	30/04/2015	CHANGE (%)
NSE-30	1,569.73	1,588.06	(1.15)
NSE-BANKING	391.92	389.37	0.65
NSE-INSURANCE	148.92	146.29	1.80
NSE-CON.GOODS	844.93	880.62	(4.05)
NSE-OIL&GAS	378.61	382.24	(0.95)
NSE-IND.GOODS	2,227.49	2,183.12	2.03

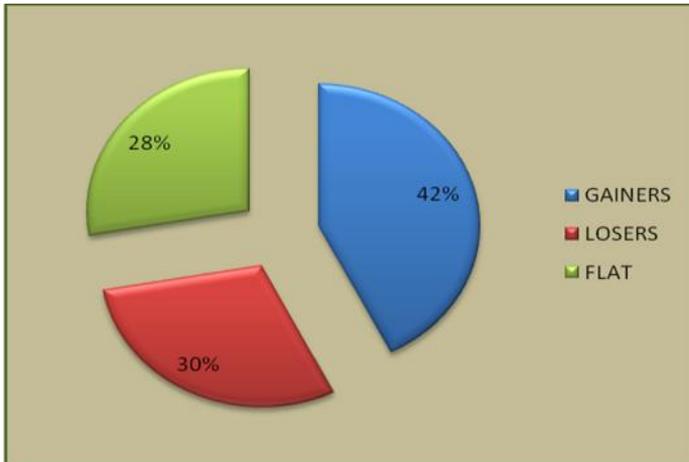
Top ten gainers

Symbol	28/05/2015	30/04/2015	Change (%)
VONO	N1.69	N1.03	64.08
REDSTAREX	N5.35	N3.78	41.53
CILEASING	N0.70	N0.52	34.62
BETAGLASS	N39.97	N30.00	33.23
UPL	N6.05	N4.83	25.26
CAVERTON	N3.60	N3.00	20.00
PRESCO	N35.20	N30.09	16.98
NEIMETH	N1.20	N1.03	16.50
CAP	N41.00	N35.66	14.97
HONYFLOUR	N3.72	N3.28	13.41

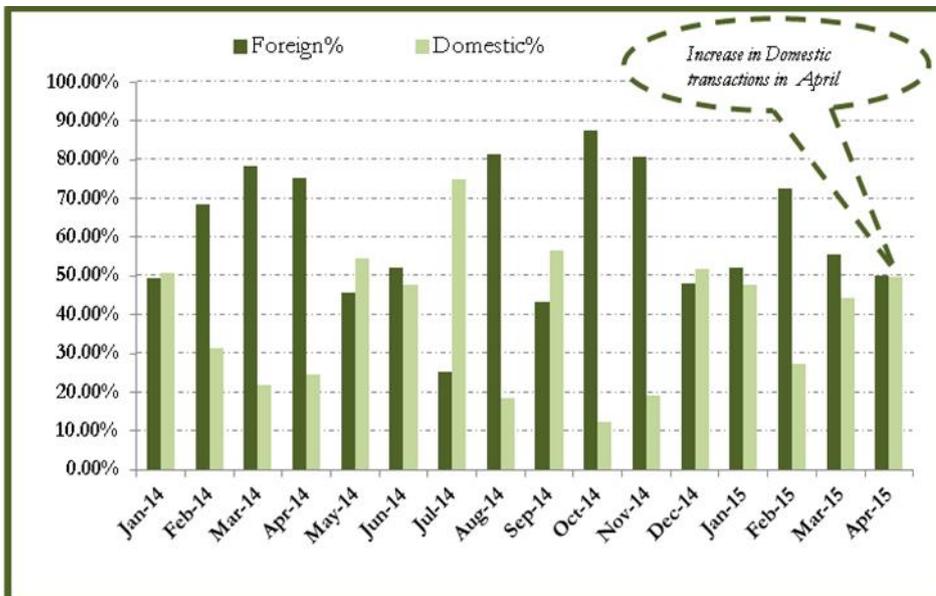
Top ten losers

Symbol	28/05/2015	30/04/2015	Change (%)
UNITYBNK	N2.86	N3.89	(26.48)
GLAXOSMITH	N44.00	N55.00	(20.00)
DANGFLOUR	N4.12	N4.89	(15.75)
ABCTRANS	N0.55	N0.63	(12.70)
CCNN	N10.32	N11.59	(10.96)
NESTLE	N850.00	N950.00	(10.53)
SEPLAT	N338.00	N377.00	(10.34)
AGLEVENT	N1.54	N1.70	(9.41)
ROYALEX	N0.50	N0.55	(9.09)
CHAMPION	N6.75	N7.39	(8.66)

Gainers Vs Losers percentage distribution



Foreign Vs Domestic Participation



Period	Foreign	Domestic
Apr-14	75.25	24.75
May-14	45.56	54.44
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

Analysts:

Ibinabo Princewill

Email: [iprincewill@planetcapitaltd.com](mailto:iprincewill@planetcapitaltd.com)

Wale Ojo

Email: [oojo@planetcapitaltd.com](mailto:oojo@planetcapitaltd.com)

Office Address:

Planet Capital Limited

3rd Floor, St. Peter's House

3 Ajele Street, off Broad Street, Lagos

Tel: 07098006835

Email: [research@planetcapitaltd.com](mailto:research@planetcapitaltd.com)

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