



## MONTHLY ECONOMIC & EQUITIES MARKET UPDATE

Planet Capital Research - May, 2014

## GLOBAL MARKETS

Global equity markets remained upbeat in the month of May on positive data from the US and Euro areas, coupled with reduced concerns over the lingering issues in Ukraine. The US S&P 500 index came in 2.10% higher; the GERMAN XETRA DAX returned 3.54%, the LONDON FTSE-100 index firmed up by 0.95% while the FRANCE CAC 40 index returned 0.71% within the period under review. For emerging markets, India witnessed very strong returns following positive outcome of their parliamentary elections while Russia also outperformed most markets on the back of the announcement of a 30-year US\$400billion gas supply contract with China. The RUSSIA:MICEX index rose 9.65% while the INDIA:NIFTY index gained 7.97%. Notwithstanding improvements in China's economy, the CHINA:SHSZ300 index declined marginally by 0.10% while the BRAZIL:IBOV index shed 0.75%. Nigeria's ASI recorded its strongest gain in a single month since the beginning of the year, posting a 7.75% return.

### STOCK MARKET RETURN – US & EUROPE

MARKET	30/04/2014	31/03/2014	31/12/2013	APRIL RTN	YTD RTN
<b>US S&amp;P 500</b>	1,883.95	1,872.34	1,848.36	0.62%	1.93%
<b>GERMAN XETRA DAX</b>	9,603.23	9,555.91	9,552.16	0.49%	0.53%
<b>FRANCE CAC 40</b>	4,487.39	4,391.50	4,295.95	2.18%	4.46%
<b>LONDON FTSE-100</b>	6,780.03	6,598.37	6,749.09	2.75%	0.46%

Source: Bloomberg, Planet Capital Research

### STOCK MARKET RETURN - BRICS

MARKET	30/04/2014	31/03/2014	31/12/2013	APRIL RTN	YTD RTN
<b>BRAZIL:IBOV</b>	51,626.69	50,414.92	51,507.16	2.40%	0.23%
<b>RUSSIA: MICEX</b>	1,306.01	1,369.29	1,504.08	(4.62%)	(13.17%)
<b>INDIA:NIFTY</b>	6,696.40	6,704.20	8,304.00	(0.12%)	(19.36%)
<b>CHINA:SHSZ300</b>	2,158.66	2,146.30	2,330.03	0.58%	(7.35%)
<b>SOUTH AFR: JALSH</b>	48,870.10	47,770.92	46,256.23	2.30%	5.65%

Source: Bloomberg, Planet Capital Research

## NIGERIA'S ECONOMY

### **MPC Meeting**

The Monetary Policy Committee (MPC) held its 3rd meeting for the year on Tuesday May 20, 2014 and reached the following decisions:

- MPR was left unchanged at 12% with the +/- 200bps symmetric corridor maintained.
- CRR on Public and Private Sector deposits was retained at 75% and 15% respectively.
- Liquidity ratio for Deposit Money Banks left unchanged at 30%.
- 1% Net Open Position for banks upheld.

### **Nigeria's 2014 budget**

The long awaited budget for the fiscal year 2014 was signed into law by President Goodluck Jonathan on Friday 23<sup>rd</sup> May, 2014. The budget which was tagged 'Budget of job creation and inclusive growth' had a total expenditure of ₦4.695trillion, 4.26% lower than 2013 aggregate expenditure.

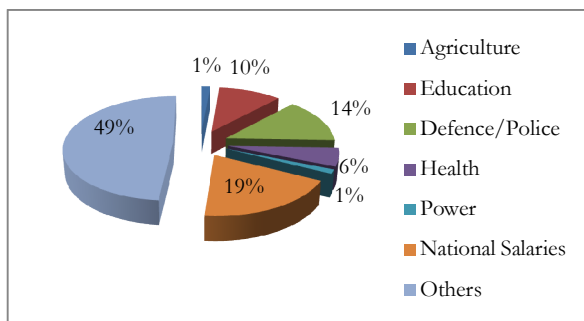
The budget was premised on the following:

- Oil benchmark of \$77.5 per barrel for the 2014
- GDP growth rate of 6.75%
- Exchange rate was pegged at N160/\$
- daily production of 2.39million barrels

Key Highlights:

- Recurrent expenditure was increased by 1.49% to N2.45trillion and represents 52.39% of aggregate expenditure.
- Capital expenditure declined 25% to N1.19trillion and represents 25.37% of aggregate expenditure.
- Budget deficit was put at N911.96billion which is less than 2% of GDP.
- Debt servicing N712billion (15.33% of aggregate expenditure) and 20.32% higher than the previous year.

### Sector Allocation

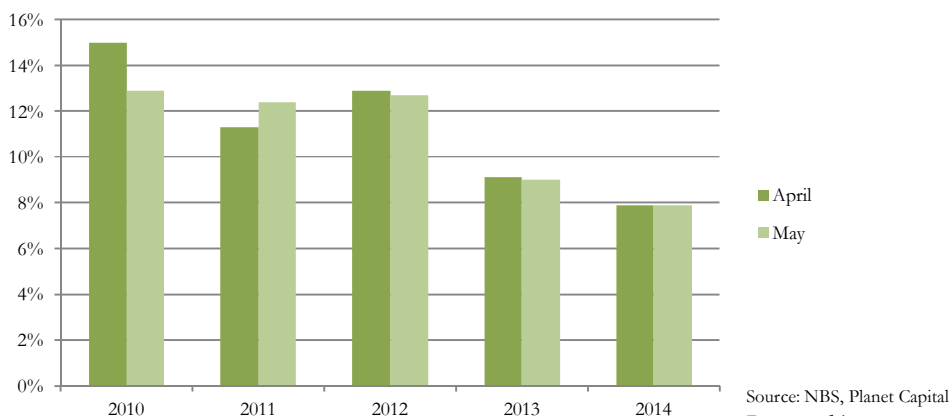


Analysis of the budget can be found in our earlier report.

### Inflation Rate:

Inflation figures for April according to the National Bureau of Statistics rose marginally by 10bps to 7.9% from 7.8% recorded in March. May inflation figure is expected to be released by the NBS on June 16, 2014. Barring any external shocks, we forecast a marginal decline in inflation rate by 10bps for May. Our forecast is premised on our observation of inflation trends between April and May over a five year period. The Easter celebrations in April usually results in a slight increase in general food prices which moderate in May.

#### April Vs May inflation trend



On the other hand, talks of a likely increase in electricity tariff and increased budgetary spending could lead to inflationary pressures. We therefore anticipate a gradual rise in inflation figures from June. We also note that like most pre-election years, inflation rate for 2014 will witness an uptick; we therefore maintain our 9.50% forecast for 2014.

### Reserve Movement:

Nigeria's external reserves came under increased pressure this month, slipping to its year low at \$36.96 billion as at May 30, 2014. On a month-on-month basis, reserves have declined 3.09% or ₦1.18 billion from ₦38.14 billion in April. When compared to its close of \$43.61 billion as at December 31<sup>st</sup> 2013, reserves have declined 15.25% year-to-date.

Whilst the CBN governor in his maiden address this month stated the commitment of the apex bank in defending the naira rather than take the option of devaluation, we are concerned about the long-term effects on the nation's reserves. At current levels, reserves can only cover about eight months of imports compared to eleven months of import cover in 2013. In addition, revenue leakages from oil theft and vandalism of pipelines have had a negative impact on reserves. There's urgent need to rebuild the nation's fiscal buffers to guard against future uncertainties.

### Exchange Rate:

The naira weakened against the dollar at the interbank market, losing 1.33% or ₦2.13 to close at ₦162.80/\$ as at May 30, 2014 according to data from the Financial Markets Dealers Quotations (FMDQ) website. At the BDC segment of the market, the naira closed at N170/\$ while at the CBN Retail Dutch Auction System (RDAS) window, the naira still traded at ₦154.73/\$ on May 30th. The huge discrepancy continues to create arbitrage opportunities in the forex market.

We anticipate further pressure on the local currency as the election season draws closer which could see the naira depreciate to as low as ₦175/\$ at the interbank market by the end of the year.

### The Equities Market:

#### Monthly Statistics

	MAY	APRIL	CHANGE
<b>ASI</b>	41,474.40	38,492.13	7.75%
<b>MARKET CAP</b>	N13.69trillion	N12.67trillion	N1.02trillion
<b>VOLUME</b>	7.57billion	8.01billion	(5.49%)
<b>VALUE</b>	N100.81billion	N96.13billion	4.87%
<b>DEALS</b>	95,998	90,919	5.59%

On a Month-on-month (MoM) basis, the NSE's ASI posted its highest gain this year in May by 7.75% to 41,474.40 as against a decline of 0.66% in April. This was in part due to activities by foreign investors who increased their stake in the equities market, evidenced by the analysis of transactions from January to May. Specifically, foreign investors' control of the market increased from 49.28% in January to 78.25% in March but dropped slightly to 75.25% in April.

Consequently, market Capitalization gained a record N1.02trillion to close at N12.67trillion within the period under review. An analysis of the sector performance shows the NSE-Oil&GAS index led by a 20.97% return, driven primarily by gains in Forte Oil and Oando Plc. Investors showed renewed appetite for banking stocks with the NSE-BANKING index returning 13.10% on positive posture in ETI and Access bank shares; the NSE-INSURANCE index and the NSE-INDUSTRIAL GOODS index firmed up by 3.79% and 4.78% respectively while the NSE-CONS.GOODS index was up 8.18%.

Top gainers

Symbol	30/05/14	30/04/14	Change (%)
FO	213.88	148.99	43.55
IKEJAHOTEL	0.90	0.63	42.85
CUSTODYINS	3.25	2.35	38.29
NPFMCRFBK	1.12	0.81	38.27
ASHAKACEM	22.47	16.5	36.18
ETI	16.80	13.5	24.44
ACCESS	10.10	8.19	23.32
FCMB	4.30	3.54	21.46
PORTPAINT	5.00	4.20	19.04
NB	176.09	150.00	17.39

Top Losers

Symbol	30/05/14	30/04/14	Change (%)
CAVERTON	5.41	9.5	-43.05
UAC-PROP	17.93	24.06	-25.47
COURTVILLE	0.60	0.71	-15.49
ROYALEX	0.53	0.62	-14.51
BETAGLAS	16.22	18.97	-14.49
NEIMETH	1.07	1.24	-13.70
RTBRISCOE	1.04	1.19	-12.60
COSTAIN	1.29	1.47	-12.24
PRESTIGE	0.53	0.6	-11.66
PRESCO	36.00	40.12	-10.26

**Equities market outlook for June**

In line with our expectation, investors showed renewed appetite for banking and insurance stocks. For the coming month, we anticipate pockets of profit taking which will pave way for bargain hunting with bias for the banking and insurance counters. Increased participation by foreign players will spur market activity and create liquidity in the market as investors take position in time for half year earnings numbers. In all, we project a gain of 3%-4.00% for the month of June. Our top picks for the month include Diamond bank, Access bank, Sterling bank, African Prudential Registrars, Berger paints, Dagote Sugar and CCNN.

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