



Planet Capital Research - June, 2014

GLOBAL MARKETS

Mixed performance trailed global equity markets in June; whilst most developed markets under our coverage closed negative, the trend was upbeat for their emerging market counterparts. Headwinds in emerging economies early in the year led to a slowdown in their equities markets but a gradual recovery was witnessed in May and sustained in the month of June. At this point, it is safe to say emerging markets have bottomed out and are likely to perform better in the second half of the year.

The US stock market benchmark, the S&P 500 index was up 1.91% month-on-month following positive data from the region. Key indices from the Euro areas told a different story. Germany's XETRA DAX index declined 1.11%, France's CAC-40 index lost 2.14% while the FTSE 100 index declined 1.47%. For emerging markets, the RUSSIA:MICEX index consolidated on last month's gain by a 3.10% upside; the INDIA:NIFTY index was also up 5.28% while the CHINA:SHSZ300 index reversed losses recorded the previous month, posting a 0.40% gain on improvements in data from the local economy. The BRAZIL:IBOV index also wiped negative returns seen in May, posting a 3.76% gain. Nigeria's ASI consolidated on gains recorded in May, albeit with an ease in upside momentum following mild sell pressure, occasioned by profit taking activities. Consequently, the local bourse returned 2.43% in June compared to 7.75% last month. We are optimistic that improvements in broad corporate fundamentals will buoy activity in the equities market as investors take position for half year numbers.

STOCK MARKET RETURN – US & EUROPE

MARKET	30/06/2014	30/05/2014	31/12/2013	JUNE RTN	YTD RTN
US S&P 500	1,960.23	1,923.57	1,848.36	1.91%	6.05%
GERMAN XETRA DAX	9,833.07	9,943.27	9,552.16	-1.11%	2.94%
FRANCE CAC 40	4,422.84	4,519.57	4,295.95	-2.14%	2.95%
LONDON FTSE-100	6,743.94	6,844.51	6,749.09	-1.47%	-0.08%

Source: Bloomberg, Planet Capital Research

STOCK MARKET RETURN - BRICS

MARKET	30/06/2014	30/05/2014	31/12/2013	JUNE RTN	YTD RTN
BRAZIL:IBOV	53,168.22	51,239.34	51,507.16	3.76%	3.22%
RUSSIA: MICEX	1,476.38	1,432.03	1,504.08	3.10%	-1.84%
INDIA:NIFTY	7,611.35	7,229.95	8,304.00	5.28%	20.74%
CHINA:SHSZ300	2,165.12	2,156.46	2,330.03	0.40%	-7.08%
SOUTH AFR: JALSH	50,945.25	49,632.70	46,256.23	2.64%	10.14%

Source: Bloomberg, Planet Capital Research

NIGERIA'S ECONOMY

Perceived risks associated with the 2015 elections and conflicts in Northern parts of the country have continued to threaten investors' interest in the Nigerian economy by way of increased Foreign Direct Investment. According to reports by the United Nations, FDI to Nigeria has been on a steady decline; from \$8.9 billion in 2011 to \$7 billion in 2012 and \$5.5 billion in 2013. Nonetheless, Nigeria is rated as one of the top three destinations for FDI flows to Africa, hinged on strong economic indicators. The country's forecasted GDP growth rate for 2014 was put at 7.3% while inflation remains at single digit levels on CBN's monetary intervention.

On CBN and the economy.....

During the month under review, the new CBN governor gave some insight on policy direction for the bank which includes; adding the unemployment rate in monetary policy decision, maintaining exchange rate stability and aggressive shore up of foreign exchange reserves. In addition, the apex bank took a few policy steps in the area of fee and commission charged by Deposit Money Banks.

In terms of rates, the bank intends to maintain the benchmark rate at the current 12 percent to guard against inflationary pressures from election related spending but will pursue a downwards review after the elections. We believe the move is in line with the need to encourage lending to the real sector thereby creating more jobs for the teeming youth. In maintaining a stable exchange rate regime, the apex bank has taken steps to regularize the activities of Bureau De Change operators. The policy change is meant to tackle the inefficiencies and sharp practises in the foreign exchange market which have been counterproductive in the fight to stabilize the naira. The new regulation includes raising the minimum capital requirement for BDC's to N35million from N10million, upwards review of the mandatory cautionary deposit with the CBN to N35million, review the licensing fee for operators and prohibit multiple ownership of BDC's.

The successful enforcement of the policy in our view will aid in bridging the gap between official, interbank and parallel market rates especially as we approach the 2015 elections. This will strengthen the naira, protect the nation's reserves from further decline and pave the way for the gradual rebuilding of our fiscal buffers.

July MPC meeting.....what to expect

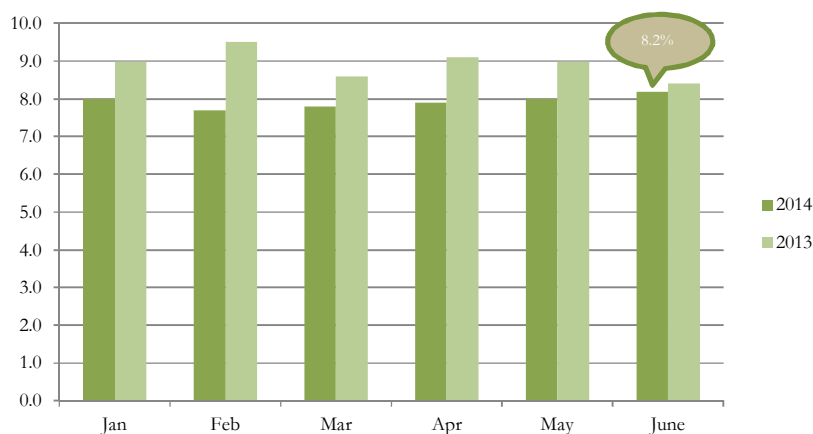
The new CBN governor Mr Godwin Emefiele will preside over his first MPC meeting which holds on the 21st and 22nd of July. In line with his earlier statements, we expect the Monetary Policy Rate (MPR) to be left unchanged given the onset of inflationary pressures while the symmetric corridors will also be sustained at current levels.

Inflation Rate:

Contrary to our expectation of a slight decline (based on historical trend), Consumer Price Index which measures inflation rose by 10bps to 8.00 percent in May from 7.9 percent recorded in April according to data from the National Bureau of Statistics. The hike was attributed to a rise in the prices of consumer staples such as bread, cereals, fish, fruits, dairy, and vegetable groups.

Nigeria's inflation rate has been on a steady rise since March 2014, after slipping to its lowest level in the last five years in February at 7.7 percent. June inflation figures will be announced on the 17th of July, 2014 and we reiterate our position that rates are likely to rise over the coming months on election related spending, coupled with the likely increase in electricity tariff and unrest in the northern part of the country which has contributed to higher food prices. We therefore forecast a hike of 20bps to 8.20% for June.

2014 Vs 2013 Inflation Trend



Source: NBS, Planet Capital Research

Reserve Movement:

The nation's reserves firmed up by \$520.82million or 1.41% in June to \$37.48billion from its lowest level this year at \$36.96billion on May 30, 2014. Reserves had hitherto been on a steady decline following CBN's continuous draw down to defend the naira. Recent reserve accretion can be attributed to the positive impact of improvements in global oil prices and moderate demand for the dollar at the Retail Dutch Auction System (RDAS). When compared to its close of \$43.61billion as at December 31st 2013, reserves have declined 14.06%.

Exchange Rate:

According to figures from the Financial Markets Dealers Quotations (FMDQ) website, the local currency weakened slightly against the dollar at the interbank market losing N0.20 or 0.12% to close at N163/\$ as at June 30, 2014 from N162.80/\$ as at May 30, 2014. This is a significant improvement from the 1.33% decline in May. Efforts by the CBN to curb the incessant demand for dollar will gradually close the gap between the interbank and parallel market rates, giving less room for arbitrage opportunities.

The Equities Market:

Monthly Statistics

	JUNE	MAY	CHANGE
ASI	42,482.48	41,474.40	2.43%
MARKET CAP	14.03trillion	N13.69trillion	N332.87billion
VOLUME	9.44billion	7.57billion	24.64%
VALUE	N112.74billion	N100.81billion	11.84%
DEALS	117,934	95,998	22.85%

Stocks climb to new highs as investors show renewed appetite

Equities on the floor of the exchange surged higher in June, consolidating on gains recorded the previous month on increased investor confidence following the release of Q1'14 earnings. The local bourse witnessed a slowdown from January-April which saw a combined decline of about 7%. Key indicators regained momentum in May, driven primarily by demand for shares in the Oil&Gas sector. In all, the index returned 2.43% in June to close at 42,482.48 compared to a 7.75% return in May. The decline in month-on-month return was due to profit taking by investors as evidenced by the reduction in foreign control of the market. Specifically, foreign investors' control of the market fell to 45.36% in May, from 75.25% in April.

Accordingly, market capitalization gained N332.87billion to close at N14.03trillion within the period under review. Gains were boosted by demand for the shares of Oando Plc and Conoil with a total return for the NSE-Oil&GAS index at 21.00%; the NSE-CONS.GOODS index was up 2.56%, the NSE-INDUSTRIAL GOODS index rose 2.39% on positive posture in Ashakacem Plc while the NSE-INSURANCE index gained 2.07%. On the other hand, the NSE-BANKING index caved in on sell pressure losing 2.30%.

Attractive valuations continue to buoy demand for shares

With the release of first quarter earnings, most companies have shown significant upside potential in their share price based on fundamental analysis. The insurance sector for instance holds a lot of promise for investors going by their earnings numbers. Companies in the sub-sector had previously suffered huge sell pressure despite improvements in their earnings owing to apathy by investors. Recent earnings numbers have prompted renewed confidence in the sector with stocks like Custodian and Allied Insurance leading overall gains in the sector.

Equities market outlook for July

For the coming month, we anticipate pockets of profit taking which will pave way for bargain hunting with bias for industrial goods, consumer goods, banking and insurance counters. We project a gain of 2.50% - 3% for the month of July.

Top gainers

Symbol	30/06/14	30/05/14	change
Npfmcrfbk	N0.81	N1.12	27.68%
Champion	N10.17	N13.79	26.25%
Josbrew	N2.58	N3.08	16.23%
Nascon	N11.00	N12.98	15.25%
Learnafrica	N1.50	N1.75	14.29%
Nnfm	N19.75	N22.01	10.27%
Berger	N9.00	N10.00	10.00%
Bogases	N5.76	N6.37	9.58%
Ikejahotel	N0.82	N0.90	8.89%
cwg	N5.00	N 5.48	8.76%

Top losers

Symbol	30/06/14	30/05/14	change
Oando	N29.25	N18.21	60.63%
Mrs	N70.00	N51.49	35.95%
Conoil	N65.40	N48.41	35.10%
Eterna	N4.55	N3.51	29.63%
Transcorp	N5.05	N3.90	29.49%
Ashakacem	N28.51	N22.47	26.88%
Japaul	N0.60	N0.50	20.00%
Neimeth	N1.26	N1.07	17.76%
Upl	N4.69	N4.04	16.09%
Caverton	N6.24	N5.41	15.34%

Sector Analysis

INDEX	JUNE	MAY	CHANGE
NSE-30	1,931.77	1,896.46	1.86%
NSE-BANKING	432.87	443.06	-2.30%
NSE-INSURANCE	146.83	143.85	2.07%
NSE-CONS.GOODS	1,058.24	1,031.79	2.56%
NSE-OIL&GAS	468.24	386.96	21.00%
NSE-IND.GOODS	2,666.72	2,604.43	2.39%



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