



Planet Capital Research - July, 2014

GLOBAL MARKETS

The global economy maintained its slow recovery process with stock markets in developed economies witnessing increased volatility in the month of July. Central banks though committed to supporting financial markets, remain concerned about the next monetary tightening cycle as the US Federal Reserve quantitative easing stimulus programme winds down in October. For July, the US S&P 500 index was down 1.51% while the DJIA dropped 1.56% within the same period. The decline might not be unconnected with current geopolitical issues such as deepening tension between the U.S. and Russia, and the Israeli-Palestinian conflict in Gaza. Also, the US monetary policy report released mid July exacerbated sell pressure on the local bourse following remarks by Fed Chair Janet Yellen, that valuation metrics for some sectors appear substantially stretched, especially those for smaller firms in the social media and biotechnology industries.

In the Euro-area, investors' remain unsettled by fears of the continent slipping into a deflationary trap of generally falling prices and wages. The GERMAN XETRA DAX shed 4.33% in July; the FRANCE CAC 40 was down 4.00% while the LONDON FTSE-100 index fell 0.21%.

Stock market return in emerging economies under our coverage witnessed a more favourable outcome. The BRAZIL:IBOV index firmed up by 5.01%, the INDIA:NIFTY index was up 1.44%, the CHINA:SHSZ300 index rose 8.55% while the SOUTH AFRICA:JALSH gained 0.88%. On the other hand, the RUSSIA:MICEX index slumped 6.55% in reaction to US sanctions against Putin's government. On the home front, Nigeria's ASI declined 0.91% in July on profit taking by investors after a combined 10.18% gain in May and June.

STOCK MARKET RETURN – US & EUROPE

MARKET	31/07/2014	30/06/2014	31/12/2013	JULY RTN	YTD RTN
US S&P 500	1,930.67	1,960.23	1,848.36	(1.51%)	4.45%
GERMAN XETRA DAX	9,407.48	9,833.07	9,552.16	(4.33%)	(1.51%)
FRANCE CAC 40	4,246.14	4,422.84	4,295.95	(4.00%)	(1.16%)
LONDON FTSE-100	6,730.11	6,743.94	6,749.09	(0.21%)	(0.28%)

Source: Bloomberg, Planet Capital Research

STOCK MARKET RETURN - BRICS

MARKET	31/07/2014	30/06/2014	31/12/2013	JULY RTN	YTD RTN
BRAZIL:IBOV	55,829.41	53,168.22	51,507.16	5.01%	8.39%
RUSSIA: MICEX	1,379.61	1,476.38	1,504.08	(6.55%)	(8.28%)
INDIA:NIFTY	7,721.30	7,611.35	6,304.00	1.44%	22.48%
CHINA:SHSZ300	2,350.25	2,165.12	2,330.03	8.55%	0.87%
SOUTH AFR: JALSH	51,396.07	50,945.25	46,256.23	0.88%	11.11%

Source: Bloomberg, Planet Capital Research

NIGERIA'S ECONOMY

Nigeria's economy witnessed significant improvements in the month of July as evidenced by the performance of key indicators. Whilst foreign reserves consolidated on last month's gains, the local currency firmed up after months of steady decline.

Despite this, the onset of inflationary pressure remains a concern for policy makers. Election related spending, rising food prices from instability up north and increase in electricity tariff have contributed to the uptick in Nigeria's inflation. Also, the unrest in the North Eastern part of the country is likely to hamper government's developmental initiatives and foreign investments on the long run.

If the increase in inflation rate persists, it is unlikely that the apex will reduce the benchmark rate (MPR) as previously stated. The CBN governor had hinted the likelihood of a gradual decline in MPR and was suggested that the reduction will take effect after the 2015 elections.

On CBN and the economy.....

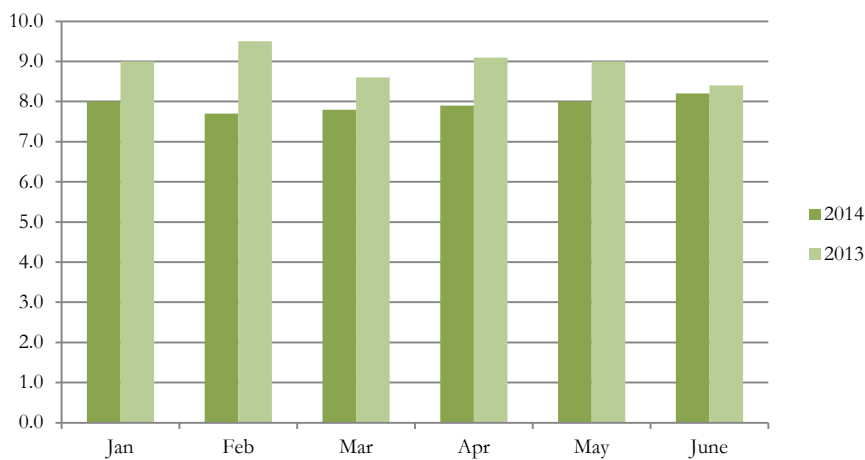
The Monetary Policy Committee meeting was held on the 21st and 22nd of July, 2014. In line with our expectation, no major policy shifts were taken. Having considered key external and domestic developments, the committee reached the following decisions:

- To retain MPR at 12 percent with a corridor of +/- 200bps.
- Maintain CRR on Public and Private sector deposits at 75 percent and 15 percent respectively.
- Uphold liquidity ratio for Deposit Money Banks at 30 percent.

Inflation Rate:

In line with our expectation, CPI which measures inflation edged higher by 20bps to 8.20 percent for June, from 8.00 percent in May according to data from the National Bureau of Statistics. The hike was attributed to an increase in all divisions that contribute to the index. Food sub-index for instance rose to 9.8 percent from 9.7 percent while the Core sub-index (all items less farm produce) increased at a faster pace in June when compared to May. We anticipate continued inflationary pressures as we approach the election season but will be sustained below double digits by the end of the year. Our projection for the year remains at 9.50 percent.

2014 Vs 2013 Inflation Trend



Source: NBS, Planet Capital Research

Reserve Movement:

Nigeria's external reserves grew 5.12 percent to \$39.40million from \$37.48billion in June, representing an accretion of \$1.92million in a single month. This is attributable to the positive impact of improvements in global oil prices and relative stability in the local currency. When compared to its close of \$43.61billion as at December 31st 2013, reserves still remain 9.65 percent down but up from 14.06% decline as at June 30, 2014.

Debt Profile:

The nation's borrowing trend has come under recent scrutiny going by data from the Debt Management Office. Nigera's total debt stock as at June 30th, 2014 stood at \$66.99billion or N10.43trillion, up 1.15 percent from March 31st, 2014 at \$65.25billion. When compared to Dec 31st, 2013 at \$64.51billion, the figure is 3.84% higher, bringing the debt-to-GDP ratio to 13.14 percent.

Exchange Rate:

Available figures from the Financial Markets Dealers Quotations (FMDQ) website show that the naira strengthened against the dollar gaining ₦1.05 or 0.64 percent to close at ₦161.95/\$ at the end of July when compared to N163/\$ as at June 30, 2014. This is a significant improvement from the slight decline in June, as efforts by the CBN to close the gap between the official rate and interbank rates begin to yield results.

The Equities Market:

Monthly Statistics

	JULY	JUNE	CHANGE
ASI	42,097.46	42,482.48	(0.91%)
MARKET CAP	N13.90trillion	N14.03trillion	(N127.13billion)
VOLUME	8.32billion	9.44billion	(11.85%)
VALUE	112.09billion	N112.74billion	(0.58%)
DEALS	109,607	117,934	(N127.13billion)

Profit taking drags index southwards.....

Market indicators caved in on sell pressure as speculative investors took advantage of the price rally (in May and June) to book profits. The index was down 0.91 percent to close at 42,097.46 compared to a 2.43 percent in June. Similarly, market capitalization slipped below N14trillion after shedding N127.13billion. Foreign participation in the market increased to 52.32 percent in June from 45.36 percent the previous month but still below 75.25% recorded in April.

The industrial goods sector posted the highest return for the month, driven by positive posture in CCNN and Ashakacem Plc which topped the gainers table. Impressive earnings numbers from insurance counters boosted gains in the sector with Wapic Insurance Plc taking the lead. The banking sub-sector witnessed a mixture of earnings; Stanbic Ibtc came ahead of the pack with an over 50 percent increase in after tax profits and an interim dividend declaration which bolstered demand for the shares of the company and lifted the banking index by 0.13 percent in July.

Stock price gains outpace increase in corporate profits.....

The share price of most companies on the exchange has witnessed significant price appreciation on the back of their half year numbers. We anticipate a pull back in the coming month as valuations are unlikely to support current price levels and investors will eventually sell off to cash in on previous gains. The sell pressure will most likely hit stocks in the Industrial goods, Consumer goods and Oil&Gas sectors whilst others like the Insurance sub-sector will witness increased bargain hunting on the back of earnings numbers.

Equities market outlook for August

For the coming month, we anticipate increased sell pressure occasioned by profit taking activity especially for the consumer goods and Oil&Gas counters. Also, with the release of half year numbers, we expect general prices to reflect the performance of companies which will result in sell pressure for some and price rally for others.

Top gainers

Symbol	31/07/14	30/06/14	Change(%)
CCNN	N14.18	N11.21	26.49
NPFMCRFBK	N1.00	N0.81	23.46
STANBIC	N31.24	N26.00	20.15
MOBIL	N161.10	N137.55	17.12
7UP	N107.00	N93.00	15.05
ASHAKACEM	N31.08	N28.51	9.01
TRANSCORP	N5.50	N5.05	8.91
WAPIC	N0.87	N0.80	8.75
LEARNAFRICA	N1.63	N1.50	8.67
PRESCO	N38.01	N35.01	8.57

Top losers

Symbol	31/07/14	30/06/14	Change(%)
JBERGER	N63.00	N76.45	17.59
CHAMPION	N8.74	N10.17	14.06
COSTAIN	N1.18	N1.37	13.87
COURTVILLE	N0.50	N0.58	13.79
UBN	N8.61	N9.97	13.64
JAPAUOIL	N0.52	N0.60	13.33
REDSTAREX	N4.40	N5.01	12.18
ETERNA	N4.00	N4.55	12.09
MRS	N61.99	N70.00	11.44
AIRSERVICE	N2.11	N2.34	9.83

Sector Analysis

INDEX	JULY	JUNE	CHANGE
NSE-30	1,921.48	1,931.77	(0.53%)
NSE-BANKING	433.42	432.87	0.13%
NSE-INSURANCE	147.78	146.83	0.65%
NSE-CONS.GOODS	1,058.01	1,058.24	(0.02%)
NSE-OIL&GAS	469.83	468.24	0.34
NSE-IND.GOODS	2,713.37	2,666.72	1.75

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