

07 June 2016

Nigerian Equity Market

Market reacts to Petrol price hike; MPC decisions

- ASI surged by 10.38% in May:** Nigeria's All Share Index improved considerably in the month of May as major announcements and decisions by the Federal Government and the Monetary Policy Committee ignited positive sentiments towards Nigerian Equities intermittently. We witnessed the market rally post both announcements, although the gains were short-lived as speculators booked profits subsequently.
- Fuel Subsidy removal and subsequent Petrol price hike was supportive of the rally in oil and gas stocks:** The move from the Federal government during the period, towards deregulating the downstream oil and gas space ignited positive reactions towards the oil and gas stocks. The index rose by 5.92% month-on-month as Oando Plc (+56.36%), Mobil Nigeria Plc (+12.48%) and Total Nigeria (+10.25%) led gains in that space. Forte Oil Plc however traded sideways; closed down **8.61%** in May.
- NSE banking index, top performer during the period; up 20% month-on-month:** The banking segment of the market benefited the most from the rally during the period. This is not surprising as the segment remains the most liquid. FCMB (+71%), Diamond bank (+61.15%) and Access bank (+40%) topped the gainers list in that space. Wema bank Plc was the only laggard; down **2.50%** in May, 2016. (See table 1)
- Tigerbrands Plc led gains in the Consumer goods space; up 66.34% (month-on-month), 346% (Year-to-date, May 2016):** The market also witnessed positive sentiments flow through the Consumer goods segment in May as the index rose by 15.72%. With the exception of Tigerbrands Plc, other gainers included Nestle Plc (+27.53%), Dangote Sugar (+21.74%), Nigerian breweries (+16.49%) and Guinness (+14.29%) (See table 1). 7UP Plc was about the major laggard in that segment during the month; down **4.48%**.
- NSE Industrial index up 5.53% in May with Lafarge WAPCO (+12.62%) the top gainer in that space:** The NSE Industrial segment was not left out in the May rally as investors took positions and booked profits in some of the industrial stocks. Other gainers were CCNN (+6.04%), Ashaka cement (+3.19%) and Dangote Cement (+2.21%). (See table 1)
- Valuations:** Guaranty and Zenith banks remain our top picks with BUY rating in the banking space with target prices of N24.45 and N19.00 respectively. We downgraded FCMB to a SELL from a BUY. We believe issues around asset quality could keep Earnings depressed in the near term. Lafarge remains our top pick in the Industrial space with a BUY rating and a target price of N83.00.
- Outlook for June 2016:** Major macro-economic fundamentals remain un-impressive at the moment with GDP in negative territory and inflation at over five-year high. Hence, we believe the Equity market will continue to be dominated by speculative trading where investors take positions and book profits within the shortest possible time-frame. However, we could yet see a rally at some point in June should the Central Bank release the proposed guideline and framework for the flexible inter-bank foreign exchange market structure as guided by the Monetary Policy Committee.

Indicator	2015: End	31-May	29-Apr	Month-on-month (%)	Year-to-date (%)
NSE ASI INDEX	28,642.25	27,663.16	25,062.41	10.38%	-3.42%
Market Cap (N'bn)	9,850.61	9,500.90	8,621.01	10.21%	-3.55%
Volume traded (mn)	252.16	334.89	229.18	46.13%	32.81%
Value traded (N'mn)	3,854.74	3,145.69	1,502.20	109.41%	-18.39%

Top picks			
Company	TP	CMP	Rating
GTB	24.45	18.7	BUY
Zenith	19	14.8	BUY
UBA	5.78	4.25	BUY
DangCem	175	169.99	HOLD
CAP	47	38	BUY
Lafarge Africa	83	80.01	BUY

*TP- TARGET PRICE *CMP- CURRENT MARKET PRICE

*NR- NOT RATED

*The target price and Recommendation is solely based on company and market analysis from SBG Securities.

Research Analyst
Gbolahan Taiwo

gbolahan.taiwo@stanbicibtc.com

+234 1 422 8290

www.standardbank.com/research

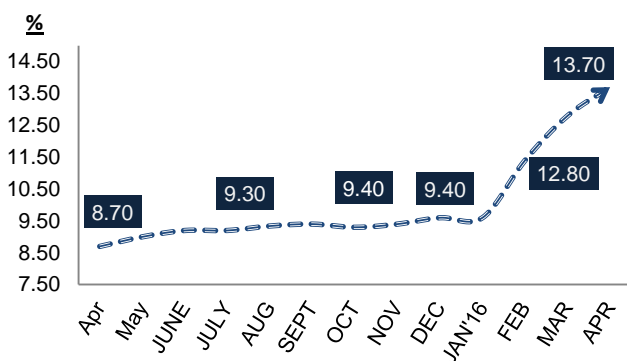
IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS ARE IN THE DISCLOSURE APPENDIX. Stanbic IBTC Bank Limited does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers in the United States can receive independent, third party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can call +27 (11) 415 4272 or email info@sbgscurities.com to request a copy of this research.

Domestic and Global Update

Domestic

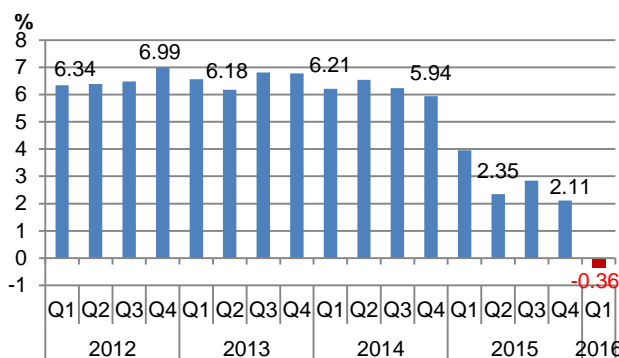
- **2016 Budget:** President Buhari finally signs off on the budget; N350bn released for Capital projects.
- **Federal government finally removes fuel subsidy;** PMS now selling between N135- N145 per litre.
- **Monetary Policy Committee leaves benchmark rate unchanged at 12%;** called on the Central Bank to introduce greater flexibility in the interbank foreign exchange market structure and retain a small window for critical transactions.
- **Nigeria's Headline Inflation** jumps further to 13.70% in April from 12.80% in March. Likewise, food and core inflation also surged to 13.19% and 13.35% from 12.74% and 12.17% respectively.
- **Nigeria's Distributable Revenue;** The Federal, States and Local Governments shared N281.5 billion in May. This figure was lower by N18.25billion from the N299.75billion shared in April 2016.. Excess Crude account totalled \$2.26billion (unchanged since July, 2015).
- **Nigeria's External Reserves** stood at \$26.39 billion as at 31 May 2016; down slightly from \$27.09billion in March, 2016. Oil price (according to the CBN website) stood at \$49.64 per barrel as at 31 May 2016.

Figure 1: Headline Inflation highest since September, 2010



Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

Figure 2: Nigeria's Q1 2016 Gross Domestic Product in negative territory



Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

Global

- Major Global Equity markets followed an upward trend in the month of May 2016. The US NASDAQ index climbed the highest during the period; up 3.62% followed by Japan's Nikkei 225 (+3.41%). Ghana's GSE was the biggest loser amongst our select indices. The West African nation's bourse was down **3.85%** in May. China's Shanghai Composite index also closed in negative territory; down by **74bps** (month-on-month).
- Brent Crude prices closed the month on a high of \$49.69 per barrel as supply shortages in Canada and Nigeria supported.

INDICES	2015:CLOSE	31-May	29-Apr	Month-on-month change (%)	Year-to-date change (%)
DOW JONES (US)	17,425.03	17,787.20	17,773.64	↑ 0.08%	↑ 2.08%
S&P 500 (US)	2,043.94	2,096.96	2,065.30	↑ 1.53%	↑ 2.59%
NASDAQ (US)	5,007.41	4,948.06	4,775.36	↑ 3.62%	↓ -1.19%
FTSE 100 (UK)	6,242.32	6,230.79	6,241.89	↓ -0.18%	↓ -0.18%
CAC 40 (FRANCE)	4,637.06	4,505.62	4,428.96	↑ 1.73%	↓ -2.83%
NIKKEI 225 (JAPAN)	18,450.98	17,234.98	16,666.05	↑ 3.41%	↓ -6.59%
SHANGHAI COMP (CHINA)	3,539.18	2,916.62	2,938.32	↓ -0.74%	↓ -17.59%
JSE (SOUTH AFRICA)	50,693.76	53,905.21	52,957.32	↑ 1.79%	↑ 6.34%
GSE (GHANA)	1,994.91	1,758.35	1,828.78	↓ -3.85%	↓ -11.86%

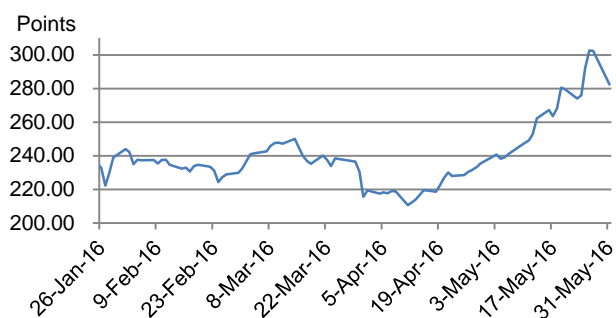
Table 1: Sectoral Stock Performance

Sector/Industry	Ticker	Rec	Close	1MONTH CHANGE	YEAR-TO DATE
Basic Materials			Naira	%	%
Specialty Chemicals					
Chem.& Allied products Plc.	CAP NL EQUITY	BUY	36.80	-4.42%	-2.1%
Consumer goods					
7UP Plc.	7UP NL EQUITY		138.50	-4.48%	-23.9%
Cadbury Plc.	CADBURY NL EQUITY		16.85	8.71%	-1.7%
Champion Breweries Plc.	CHAMPION NL EQUITY		2.90	0.00%	-13.9%
Tiger branded consumer goods	TIGERBRA NL EQUITY		5.04	66.34%	346.0%
Dangote Sugar Refinery	DANGSUGA NL EQUITY		7.00	21.74%	16.1%
Flourmill Nigeria Plc.	FLOURMILL NL EQUITY		21.45	2.14%	3.1%
Guinness Nigeria Plc.	GUINNESS NL EQUITY		104.32	14.29%	-13.4%
Nigerian Breweries Plc	NB NL EQUITY		135.00	16.49%	-0.7%
Nestle Nigeria Plc.	NESTLE NL EQUITY		784.66	27.53%	-8.8%
Okomu Oil	OKOMUOIL NL EQUITY	SELL	29.02	0.07%	-4.2%
Presco Plc	PRESKO NL EQUITY	HOLD	36.50	2.07%	10.6%
PZ Cussons Plc.	PZ NL EQUITY		21.66	1.40%	-15.7%
Unilever Plc.	UNILEVER NL EQUITY		32.01	4.23%	-26.0%
Financials					
Banks					
Access Bank Plc.	ACCESS NL EQUITY	BUY	5.67	40.00%	16.9%
Diamond Bank Plc.	DIAMONDBNK NL EQUITY	SELL	2.24	61.15%	-2.6%
ETI Bank	ETI NL EQUITY	SELL	16.32	8.95%	-2.9%
Fidelity Bank Plc.	FIDELITY NL EQUITY	HOLD	1.33	13.68%	-11.3%
First Bank Holding Plc.	FBNH NL EQUITY	SELL	3.95	9.72%	-23.0%
First City Monument Bank Plc.	FCMB NL EQUITY	SELL	1.71	71.00%	1.2%
Guaranty Trust Bank Plc.	GUARANTY NL EQUITY	BUY	19.53	16.46%	7.4%
Skye Bank Plc.	SKYEBANK NL EQUITY	SELL	1.31	33.67%	-17.1%
Stanbic-IBTC Bank Plc.	STANBIC NL EQUITY		16.81	21.37%	1.7%
Sterling Bank Plc.	STERLNBANK NL EQUITY		1.70	20.57%	-7.1%
UBA Bank Plc.	UBA NL EQUITY	BUY	4.75	39.71%	40.5%
Union Bank Nigeria Plc.	UBN NL EQUITY		5.75	25.00%	-16.7%
Wema Bank Plc.	WEMABANK NL EQUITY		0.78	-2.50%	-22.0%
Zenith Bank Plc.	ZENITHBANK NL EQUITY	BUY	14.98	17.95%	6.6%
INSURANCE					
AIICO Insurance Plc.	AIICO NL EQUITY		0.77	0.00%	-15.4%
Axa-Mansard Insurance Plc.	MANSARD NL EQUITY		2.21	-1.34%	-17.8%
Wapic Insurance Plc.	WAPIC NL EQUITY		0.50	0.00%	0.0%
Industrials					
Building Materials &Fixtures					
Ashaka Cement Plc.	ASHAKACEM NL EQUITY	SELL	20.03	3.19%	-19.9%
Cement Co of North. Nig. Plc	CCNN NL EQUITY	BUY	7.90	6.04%	-15.5%
Dangote Cement Plc.	DANGCEM NL EQUITY	HOLD	167.01	2.21%	-1.8%
Julius Berger Plc.	JBERGER NL EQUITY		43.50	1.16%	3.6%
Lafarge Africa Plc.	WAPCO NL EQUITY	BUY	76.57	12.62%	-20.9%
Oil and Gas					
Integrated Oil & Gas					
Forte Oil Plc.	FO NL EQUITY		195.90	-8.61%	-40.6%
Mobil Nigeria Plc.	MOBIL NL EQUITY	SELL	166.25	12.48%	3.9%
Oando Plc.	OANDO NL EQUITY	SELL	7.13	56.36%	20.8%
Seplat Petroleum Dev. Co. Plc.	SEPLAT NL EQUITY	BUY	360.00	5.88%	77.3%
Total Nigera Plc	TOTAL NL EQUITY	HOLD	170.00	10.25%	15.6%
Others					
Transcorp Hotels Plc.	TRANSCORP NL EQUITY		1.31	32.32%	-13.8%
UAC Property Dev. Company Plc.	UACPROP NL EQUITY		4.02	4.42%	-34.0%

Source: Bloomberg, Stanbic IBTC Stockbrokers

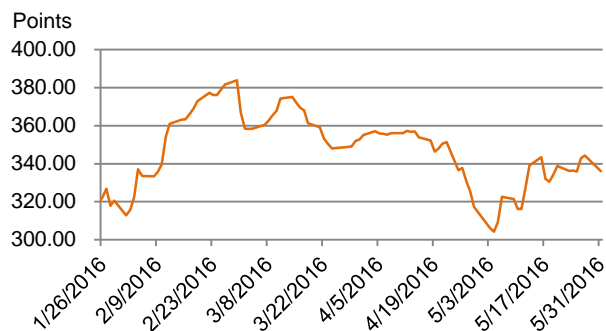
NIGERIAN STOCK EXCHANGE (NSE) SUB-INDEXES PERFORMANCE

Figure 3: NSE banking Index- 2016 performance



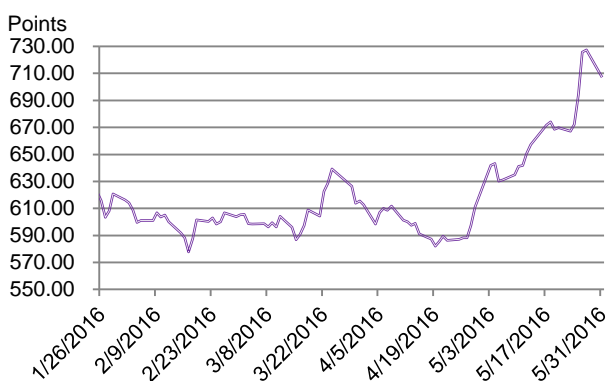
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 4: NSE Oil and gas index- 2016 performance



Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 5: NSE Consumer goods index- 2016 performance



Source: Bloomberg, Stanbic IBTC Stockbrokers

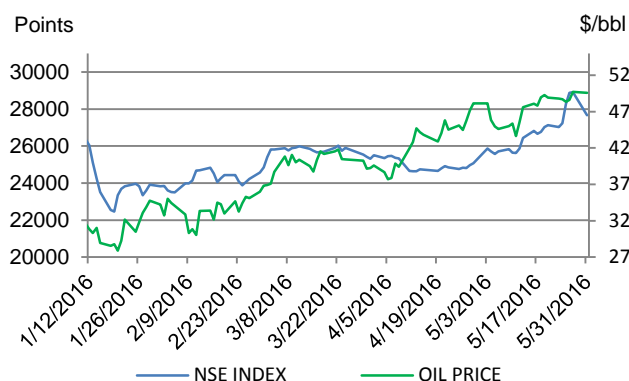
Figure 6: NSE Industrial index- 2016 performance



Source: Bloomberg, Stanbic IBTC Stockbrokers

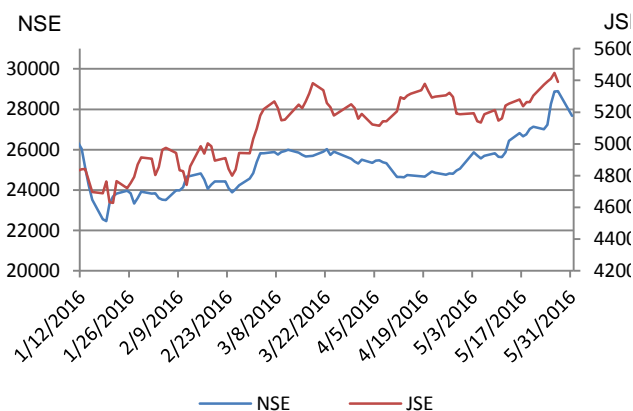
NSE INDEX Vs SELECT AFRICAN/GLOBAL INDICES

Figure 7: NSE index vs Oil prices



Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 8: NSE index vs JSE



Source: Bloomberg, Stanbic IBTC Stockbrokers

Disclaimer

*NOT INVESTMENT RESEARCH

The material in this document has been prepared by individual sales and/or trading personnel employed by Stanbic IBTC Stockbrokers and not by the Equities Research department of SBGS. It is not an investment research or a research recommendation nor should it be regarded as such. The information provided is by no means intended to provide a sufficient basis on which to make an investment decision. It is intended only to provide observations and views of the said individual sales and/or trading personnel, which may be different from, or inconsistent with, the observations and views of Stanbic IBTC Stockbrokers. Observations and views of the said salesperson or trader may change at any time without notice. Information and opinions presented in this material have been obtained or derived from sources believed by Stanbic IBTC Stockbrokers to be reliable, but Stanbic IBTC Stockbrokers make no representation as to their accuracy or completeness thereof. Stanbic IBTC Stockbrokers accept no liability whatsoever and howsoever incurred, or suffered, resulting, or arising, from the use of information contained in this document.

The information and opinions stated in this document are of a general nature, have been prepared solely for information purposes and do not constitute any advice or recommendation to conclude any transaction or enter into any trade or agreement. It is strongly recommended that every recipient seek appropriate professional advice before acting on any information contained herein as the information and opinions expressed herein do not take account of each individual's financial situation, personal and investment objectives. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or representations. All information contained herein is subject to change after publication at any time without notice. The past performance of any investment product is not an indication of future performance.

These views, unless expressed to the contrary, are the opinion of a trader or sales person only and necessarily do not reflect the official views of Stanbic IBTC Stockbrokers, nor should these views be considered as investment advice. This is not a Research Report under SEC rules or Investment Research as defined by FCA rules as it has not been prepared in accordance with legal requirements to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.