

04 January 2017

Nigerian Equity Market

Nigerian All Share Index declines by 6.17% in 2016

- **ASI rose by 6.47% in December:** There was some respite for the Nigerian bourse in the month of December backed up by increased patronage for some big cap names.
- **NSE Oil and gas index, the most improved sector index during the month; up 16.55% m/m:** The month witnessed persistent buying interests for most of the oil and gas names. Forte Oil Plc recorded the biggest price appreciation in that space; up 57.20%, followed by Oando and Total which rose by 24.01% and 15.49% respectively. (See Table 3)
- **Banking Stocks also enjoyed some patronage; index up 7.78% m/m:** Union bank (+22.77%) led the gainers chart in that space during the month while Guaranty (+9.05%) and Zenith (+6.88%) also enjoyed the rally.
- **NSE Industrial index up 5.22% in December:** Month-on-Month price appreciation in Dangote cement (+12.98%), CCNN (+11.61%) amongst others supported the uptrend in the index. (See table 3).
- **NSE Consumer goods index was the only laggard amongst the sector indices; down 1.14% in December:** Guinness Nigeria Plc (-6.69%) and Cadbury Plc (-7.05%) drove the losses recorded in that segment. (See table 3).
- **Valuations:** We maintain our BUY recommendation for Dangote Cement (**BUY, TP: N215**). Higher than expected cement volumes and potential margin accretion from coal utilisation remain potential catalysts. Guaranty (**BUY, TP: N30**) and Zenith (**BUY, TP: N20.33**) continues to remain of one of our most preferred picks in the banking space. We prefer Seplat Plc (**BUY, TP: 113P**) in the Oil and gas space. Presco (**BUY, TP: N47**) and Okomuoil (**BUY, TP: N45**) are our top picks in the Agricultural segment.
- **2017 Market Outlook:** The Nigerian bourse has been disconcerted for the most part of the last couple of years owing to the high level of Investor apathy prevalent. Negative economic growth, FX concerns, Low oil price, rising inflation amongst a host of other weak macro-economic variables have largely impacted on investor sentiments over this period. A cursory look at the official (monthly) domestic and foreign portfolio participation numbers from the Nigerian Stock Exchange for November, 2016 shows a steady decline in the value of transactions consummated on the exchange. Total Transactions on the Exchange have declined by 41.2% y/y (November 2015-2016) while total foreign transactions are down 51.4% y/y during the same period. While the figures show an increase in domestic participation relative to foreign, we believe this surge is more as a result of a significant decline in foreign participation than increased interest from domestic investors. A number of factors have shaped the performance of the bourse this year and we believe those factors (and more) will help chart the course for the Exchange, going into 2017. 1.) The situation of the Nigerian FX market. 2.) Improvement in Major macro-economic fundamentals; Inflation rate, Economic growth, External reserves, oil price etc. 3.) Positive results from listed companies. 4.) Possible New listings on the bourse. 5.) Increased Infrastructural drive by the government could prove supportive for listed companies' performances.

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Table 1: 2016 Performance of Major Performance Indicators

| PERFORMANCE INDICATORS | | | | | |
|------------------------------|------------|-----------|-----------|------------------|-------------------------|
| INDICATOR | 2016: OPEN | 30-Dec-16 | 29-Dec-16 | Daily Change (%) | Year-on-Year Change (%) |
| NSE All-Share Index | 28,642.25 | 26,874.62 | 26,782.93 | 0.34% | -6.17% |
| Market Capitalisation (N'bn) | 9,850.61 | 9,246.92 | 9,215.37 | 0.34% | -6.13% |
| NSE BANKING | 268.49 | 274.32 | 274.79 | -0.17% | 2.17% |
| NSE INSURANCE | 142.61 | 126.29 | 126.58 | -0.23% | -11.44% |
| NSE CONSUMER GOODS | 746.19 | 712.65 | 697.99 | 2.10% | -4.49% |
| NSE OIL AND GAS | 356.56 | 312.68 | 319.02 | -1.99% | -12.31% |
| NSE 50 | 1,309.93 | 1,300.32 | 1,292.42 | 0.61% | -0.73% |
| NSE INDUSTRIAL | 2,166.70 | 1,595.33 | 1,597.38 | -0.13% | -26.37% |
| NSE PREMIUM | 1,584.92 | 1,695.51 | 1,699.49 | -0.23% | 6.98% |
| NSE 30 | 1,287.67 | 1,195.20 | 1,189.86 | 0.45% | -7.18% |
| Volume Traded (N'mn) | 252.16 | 106.30 | 116.89 | -9.06% | -57.84% |
| Value (N'mn) | 3,854.74 | 1,554.51 | 877.20 | 77.21% | -59.67% |

Source: Nigerian Stock Exchange, Bloomberg, Stanbic IBTC Stockbrokers

Domestic and Global Update

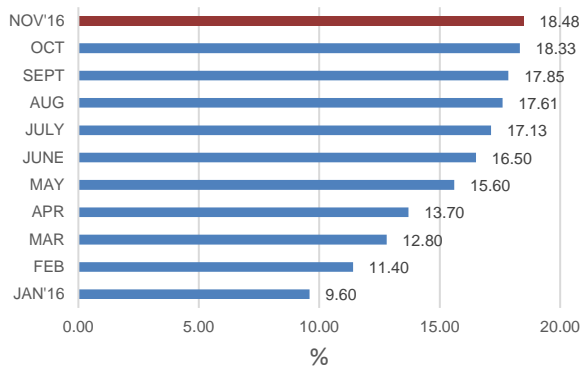
Domestic

- Nigeria's Headline Inflation** maintained its upward trend for the tenth consecutive month in November to reach 18.5% y/y from 18.3% y/y in October. We expect the headline rate to inch slightly higher in December. Major inflation drivers in 2016 were higher food prices, weaker Naira and higher petrol and utility prices.
- Nigeria's Distributable Revenue;** The Federal, States and Local Governments shared N396 billion in December. This figure was lower by N33.10 billion when compared to the amount shared in November 2016.
- Nigeria's External Reserves** inched slightly higher in December to close at \$25.78 billion as at 29 December 2016; from \$24.77 billion in November 2016.

Global

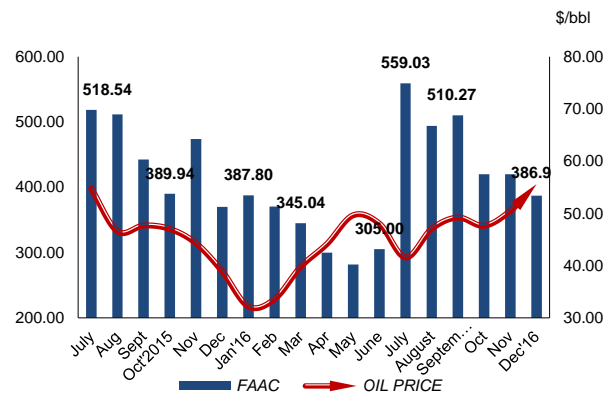
- With the exception of the China Shanghai Composite index, all major global Equity indices followed the upward trajectory in December. The Ghana GSE index rose the most during the period; up by 7.20% followed closely by the France CAC 40 index which rose by 6.20%. The China Shanghai Composite index declined by 4.50%.
- Brent Crude prices closed higher in December at \$56.82 per barrel from \$50.47 per barrel close in November. The uptrend in oil prices have been buoyed by hopes that the deal between OPEC and other exporters will drain the supply glut.

Figure 1: Headline Inflation rate (January – November 2016)



Source: National Bureau of Statistics, CBN, Stanbic IBTC Stockbrokers

Figure 2: FAAC vs Oil Price



Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

Table 2: Global Equities Performance

| INDICES | 2015:CLOSE | 30-Dec | 30-Nov | Month-on-month change (%) | Year-on-Year change (%) |
|-----------------------|------------|-----------|-----------|---------------------------|-------------------------|
| DOW JONES (US) | 17,425.03 | 19,762.60 | 19,123.58 | 3.34% | 13.42% |
| S&P 500 (US) | 2,043.94 | 2,238.83 | 2,198.81 | 1.82% | 9.54% |
| NASDAQ (US) | 5,007.41 | 5,383.12 | 5,323.68 | 1.12% | 7.50% |
| FTSE 100 (UK) | 6,242.32 | 7,142.83 | 6,783.79 | 5.29% | 14.43% |
| CAC 40 (FRANCE) | 4,637.06 | 4,862.31 | 4,578.34 | 6.20% | 4.86% |
| NIKKEI 225 (JAPAN) | 18,450.98 | 19,114.37 | 18,308.48 | 4.40% | 3.60% |
| SHANGHAI COMP (CHINA) | 3,539.18 | 3,103.64 | 3,250.04 | -4.50% | -12.31% |
| JSE (SOUTH AFRICA) | 50,693.76 | 50,653.54 | 50,209.43 | 0.88% | -0.08% |
| GSE (GHANA) | 1,994.91 | 1,689.18 | 1,575.71 | 7.20% | -15.33% |

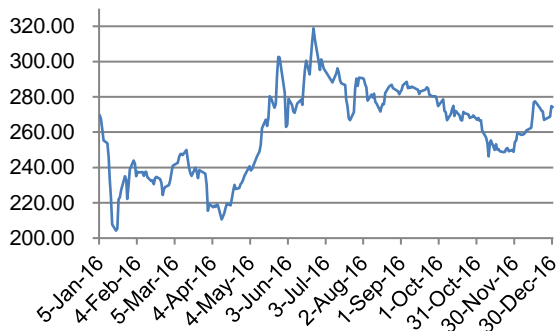
Table 3: Sectoral Stock Performance

| Sector/Industry | Ticker | Rec | Close | 1MONTH CHANGE | YEAR-ON-YEAR |
|-----------------------------------------|----------------------|------|--------|---------------|--------------|
| | | | Naira | % | % |
| Basic Materials | | | | | |
| Specialty Chemicals | | | | | |
| Chem.& Allied products Plc. | CAP NL EQUITY | BUY | 32.00 | -3.03% | -14.89% |
| Consumer goods | | | | | |
| 7UP Plc. | 7UP NL EQUITY | | 129.00 | -0.28% | -29.12% |
| Cadbury Plc. | CADBURY NL EQUITY | | 10.29 | -7.05% | -40.00% |
| Champion Breweries Plc. | CHAMPION NL EQUITY | | 2.45 | -0.00% | -27.30% |
| Dangote Flourmill Plc | DANGFLOU NL EQUITY | | 4.25 | 16.44% | 276.11% |
| Dangote Sugar Refinery | DANGSUGA NL EQUITY | | 6.11 | 2.69% | 1.33% |
| Flourmill Nigeria Plc. | FLOURMILL NL EQUITY | | 18.49 | -5.13% | -11.11% |
| Guinness Nigeria Plc. | GUINNESS NL EQUITY | | 83.05 | -6.69% | -31.02% |
| Nigerian Breweries Plc | NB NL EQUITY | | 147.99 | 2.06% | 8.82% |
| Nestle Nigeria Plc. | NESTLE NL EQUITY | HOLD | 810.00 | -0.01% | -5.81% |
| Okomu Oil | OKOMUOIL NL EQUITY | BUY | 40.17 | 10.97% | 32.57% |
| Presco Plc | PRESCO NL EQUITY | BUY | 40.10 | -9.01% | -21.52% |
| PZ Cussons Plc. | PZ NL EQUITY | | 14.50 | -4.61% | -43.58% |
| Unilever Plc. | UNILEVER NL EQUITY | SELL | 35.00 | -27.08% | -19.08% |
| Financials | | | | | |
| Banks | | | | | |
| Access Bank Plc. | ACCESS NL EQUITY | BUY | 5.87 | 7.71% | 21.03% |
| Diamond Bank Plc. | DIAMONDBNK NL EQUITY | SELL | 0.88 | -5.38% | -61.74% |
| ETI Bank | ETI NL EQUITY | SELL | 10.28 | 4.26% | -38.81% |
| Fidelity Bank Plc. | FIDELITY NL EQUITY | HOLD | 0.84 | -6.33% | -44.00% |
| First Bank Holding Plc. | FBNH NL EQUITY | SELL | 3.35 | 8.06% | -34.70% |
| First City Monument Bank Plc. | FCMB NL EQUITY | BUY | 1.10 | 8.91% | -34.91% |
| Guaranty Trust Bank Plc. | GUARANTY NL EQUITY | BUY | 24.70 | 9.05% | 35.86% |
| Skye Bank Plc. | SKYEBANK NL EQUITY | SELL | 0.50 | 0.00% | -68.35% |
| Stanbic-IBTC Bank Plc. | STANBIC NL EQUITY | | 15.00 | 0.00% | -9.26% |
| Sterling Bank Plc. | STERLNBANK NL EQUITY | | 0.76 | 8.57% | -58.47% |
| UBA Bank Plc. | UBA NL EQUITY | BUY | 4.50 | 4.65% | 33.14% |
| Union Bank Nigeria Plc. | UBN NL EQUITY | | 5.50 | 22.77% | -20.29% |
| Wema Bank Plc. | WEMABANK NL EQUITY | | 0.54 | 0.00% | -46.00% |
| Zenith Bank Plc. | ZENITHBANK NL EQUITY | BUY | 14.75 | 6.88% | 4.98% |
| INSURANCE | | | | | |
| AIICO Insurance Plc. | AIICO NL EQUITY | | 0.63 | 6.78% | -30.77% |
| Axa-Mansard Insurance Plc. | MANSARD NL EQUITY | | 1.67 | -2.34% | -37.92% |
| Wapic Insurance Plc. | WAPIC NL EQUITY | | 0.50 | -3.85% | 0.00% |
| Industrials | | | | | |
| Building Materials &Fixtures | | | | | |
| Ashaka Cement Plc. | ASHAKACEM NL EQUITY | BUY | 12.02 | 9.27% | -51.92% |
| Cement Co of North. Nig. Plc | CCNN NL EQUITY | BUY | 5.00 | 11.61% | -46.52% |
| Dangote Cement Plc. | DANGCEM NL EQUITY | BUY | 173.99 | 12.98% | 2.35% |
| Julius Berger Plc. | JBERGER NL EQUITY | | 38.58 | 10.23% | -8.14% |
| Lafarge Africa Plc. | WAPCO NL EQUITY | HOLD | 40.95 | -4.10% | -53.47% |
| Oil and Gas | | | | | |
| Integrated Oil & Gas | | | | | |
| Forte Oil Plc. | FO NL EQUITY | | 84.43 | 57.20% | -74.42% |
| Mobil Nigeria Plc. | MOBIL NL EQUITY | SELL | 279.00 | 4.62% | 74.38% |
| Oando Plc. | OANDO NL EQUITY | SELL | 4.70 | 24.01% | -20.34% |
| Seplat Petroleum Dev. Co. Plc. | SEPLAT NL EQUITY | BUY | 379.99 | 10.82% | 87.19% |
| Conoil Plc | CONOIL NL EQUITY | | 37.48 | 9.88% | 51.50% |
| Total Nigera Plc | TOTAL NL EQUITY | SBUY | 299.00 | 15.49% | 103.39% |
| Others | | | | | |
| Transcorp Hotels Plc. | TRANSCORP NL EQUITY | | 0.87 | 24.29% | -40.00% |
| UAC Property Dev. Company Plc. | UACPROP NL EQUITY | | 2.62 | 11.97% | -56.98% |

Source: Bloomberg, Stanbic IBTC Stockbrokers

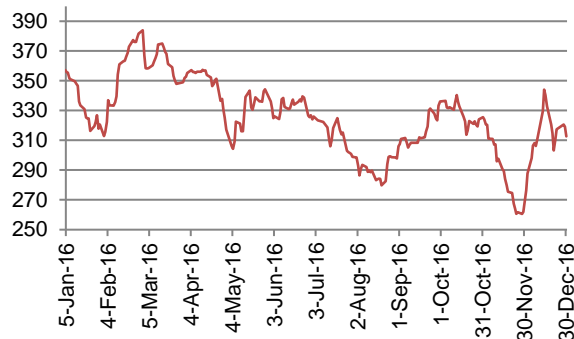
NSE SECTOR INDEXES PERFORMANCE

Figure 3: NSE banking Index- 2016 performance



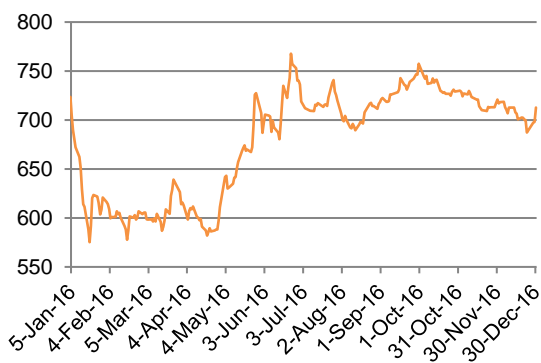
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 4: NSE Oil and gas index- 2016 performance



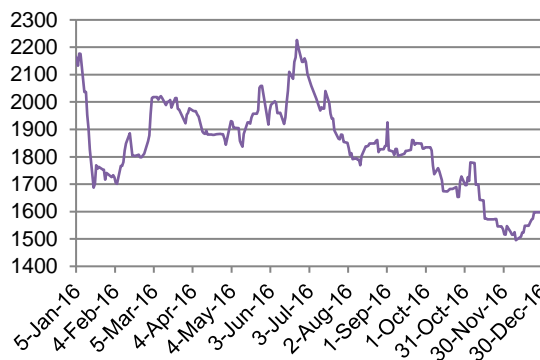
Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 5: NSE Consumer goods index- 2016 performance



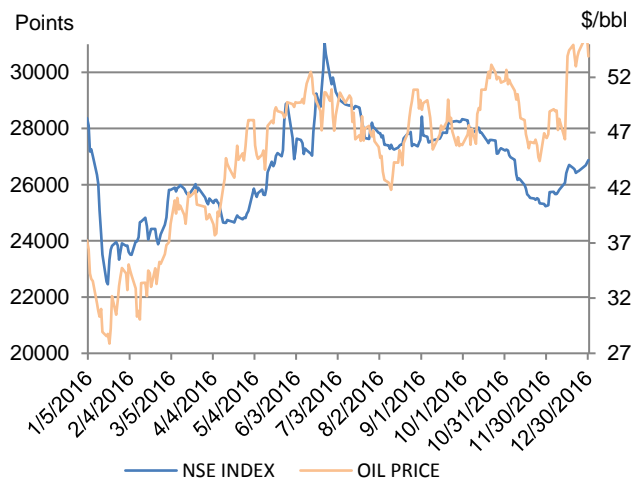
Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 6: NSE Industrial index- 2016 performance



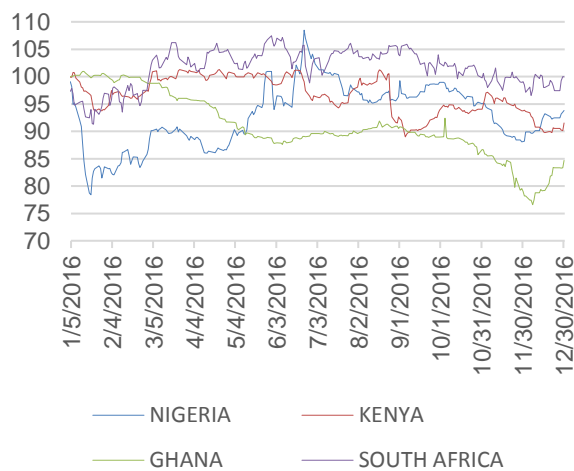
Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 7: NSE index vs Oil price



Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 8: NSE index vs Selected African indices



Source: Bloomberg, Stanbic IBTC Stockbrokers

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