

02 December 2016

Nigerian Equity Market

Bearish Sentiments dominated market activities in November

- ASI declined by 7.27% in November:** The Nigerian bourse was on the decline for most of the review month as Nigerian Equities remained relatively unattractive to investors. Fairly higher yields in the Fixed income space (amongst other factors) continued to dampen investors' sentiments towards stocks listed on the bourse.
- NSE Oil and gas index, worst performed segment index during the month; down 17.57% m/m:** The month witnessed massive sell-offs in the oil and gas space, particularly Forte oil which declined by 55.20% during the period. Total Nigeria (-25%) and Oando (-19.40%) were also major losers in that segment. On the other hand, we saw increased patronage for Mobil Nigeria (+40.40%) after the parent company ExxonMobil announced it is selling its 60% stake of the Nigeria downstream operations.
- NSE Industrial Index down 10.63% m/m:** Most stocks in the Industrial segment were sold-off during the month with CCNN (-14.30%) and Dangote cement (-12%) leading the losses. (See table 1).
- Banking stocks were not left out in the sell-offs; NSE banking index down 4.67% m/m:** We saw a good number of stocks in the banking space close in negative territory during the period. The tier 1 banks in the likes of Zenith (-6.80%), Guaranty (-4.80%) and Access (-3.50%) largely impacted on the banking index. (See table 1).
- NSE Consumer goods index was relatively quiet during the month; index dropped by 1.21% m/m:** Guinness Nigeria Plc (+8.40%) and Nestle (+1.90%) were the major gainers in that space in November. The segment witnessed a downward trend for the likes of Cadbury (-14.50%), PZ (-14.40%) and 7UP (-14.30%). (See table 1).
- Valuations:** We maintain our BUY recommendation for Dangote Cement albeit with a cut in target price to **(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 Okomu oil **(BUY, TP: N45)** are our top picks in the Agricultural segment.
- Outlook for December 2016:** The Nigerian bourse has been in negative territory for the most part of the year owing to the high level of Investor apathy that has been prevalent. Negative economic growth, Foreign exchange risks, Low oil price, rising inflation amongst a host of other weak macro-economic variables have largely impacted on investor sentiments over this period. Historically, the month of December is usually downbeat, although more often than not, the ASI always closes in positive territory during the period. While we expect market activities to be largely quiet in December, we are not optimistic of positive close. There are no recent indications that we will have a positive change to investor sentiments even going to the first quarter of next year, 2017.

Indicator	2015: End	30-Nov	31-Oct	Month-on-month (%)	Year-to-date (%)
NSE ASI INDEX	28,642.25	25,241.63	27,220.09	-7.27%	-11.87%
Market Cap (N'bn)	9,850.61	8,689.21	9,349.56	-7.06%	-11.79%
Volume traded (mn)	252.16	414.13	219.9	88.33%	64.23%
Value traded (N'mn)	3,854.74	3,418.22	1,877.82	82.03%	-11.32%

TOP PICKS			
COMPANY	TP	CMP	RECOM
SEPLAT (GBP)	113P	72.25P	BUY
DANGCEM	215.00	154.00	BUY
GUARANTY	30.00	22.80	BUY
ZENITHBANK	20.33	13.80	BUY
PRESKO	47.00	44.07	BUY
LAFARGE AFRICA	76.00	42.70	SBUY
OKOMUOIL	45.00	38.01	BUY
CAP	41.00	33.00	BUY
*TP- TARGET PRICE *CMP- CURRENT MARKET PRICE			
*RECOM- RECOMMENDATION		*SBUY- SPECULATIVE BUY	
*The target price and Recommendation is solely based on company and market analysis from SBG Securities.			

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Domestic and Global Update

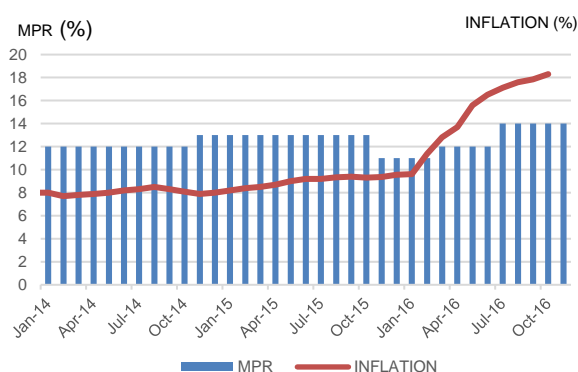
Domestic

- **Monetary Policy Committee Meeting;** The MPC at its last meeting of the year opted to maintain status quo as regards all Monetary Policy levers. The committee re-affirmed the urgency of the diversification of the Nigerian economy and also highlighted the limitations of Monetary policies in bringing the economy out of stagflation.
- **Nigeria's Headline Inflation** maintained its upward trend for the ninth consecutive month in October to reach 18.3% y/y from 17.9% y/y in September. We expect the headline rate to yet trend higher for the rest of the year albeit a slightly lower pace, peaking around 19% y/y by year-end. Major drivers remain higher food prices, weaker Naira and higher petrol and utility prices.
- **Nigeria's Distributable Revenue;** The Federal, States and Local Governments shared N420 billion in November. This figure was the same as the amount shared in October 2016.
- **Nigeria's Economic growth;** Q3:GDP figures released during the period revealed that the country slipped further into recession with a -2.24% decline.
- **Nigeria's External Reserves** inched slightly higher in November to close at \$24.77 billion as at 30 November 2016; from \$23.95 billion in October 2016.

Global

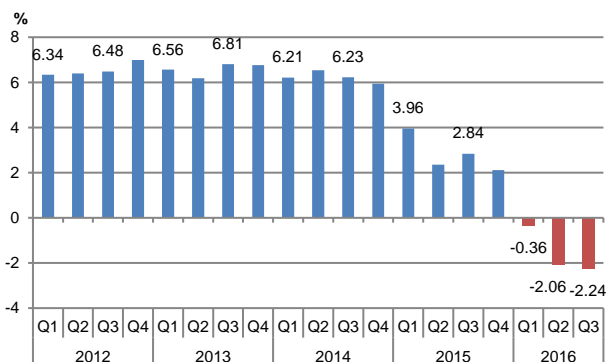
- With the exception of the UK FTSE 100, all major global Equity indices (ex-Africa) followed the upward trajectory in November. The US Dow Jones index rose the most during the period; up by 5.41% followed closely by the Japan Nikkei 225 index which rose by 5.07%. The Ghana index declined the most, dipping by 8.83%.
- The Organisation of Petroleum Exporting Countries (OPEC) at its last meeting in Vienna agreed to cut oil output by 1.2mbpd. Russia has also indicated it will slash production by 200kbpd and will engage other non-OPEC members to cut production by a further 400kbpd
- Brent Crude prices closed higher in November at \$50.47 per barrel from \$48.3 per barrel close in October. We saw a late rally in oil prices of anticipation of the OPEC meeting which held in Vienna.

Figure 1: Monetary Policy Rate vs Headline Inflation rate



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

Figure 2: Nigeria's GDP Growth Rate (Q1: 2012- Q3: 2016)



Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

INDICES	2015:CLOSE	30-Nov	31-Oct	Month-on-month change (%)	Year-to-date change (%)
DOW JONES (US)	17,425.03	19,123.58	18,142.42	5.41%	9.75%
S&P 500 (US)	2,043.94	2,198.81	2,126.15	3.42%	7.58%
NASDAQ (US)	5,007.41	5,323.68	5,189.14	2.59%	6.32%
FTSE 100 (UK)	6,242.32	6,783.79	6,899.33	-1.67%	8.67%
CAC 40 (FRANCE)	4,637.06	4,578.34	4,509.26	1.53%	-1.27%
NIKKEI 225 (JAPAN)	18,450.98	18,308.48	17,425.02	5.07%	-0.77%
SHANGHAI COMP (CHINA)	3,539.18	3,250.04	3,100.49	4.82%	-8.17%
JSE (SOUTH AFRICA)	50,693.76	50,209.43	50,590.08	-0.75%	-0.96%
GSE (GHANA)	1,994.91	1,575.71	1,728.37	-8.83%	-21.01%

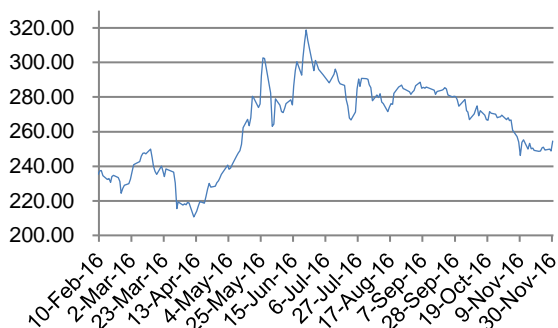
Table 1: Sectoral Stock Performance

Sector/Industry	Ticker	Rec	Close	1MONTH CHANGE	YEAR-TO DATE
			Naira	%	%
Basic Materials					
Specialty Chemicals					
Chem. & Allied products Plc.	CAP NL EQUITY	BUY	33.00	-2.20%	-12.20%
Consumer goods					
7UP Plc.	7UP NL EQUITY		129.36	-14.30%	-28.90%
Cadbury Plc.	CADBURY NL EQUITY		11.07	-14.50%	-35.50%
Champion Breweries Plc.	CHAMPION NL EQUITY		2.45	-0.40%	-27.3%
Dangote Flourmill Plc	DANGFLOU NL EQUITY		3.55	-10.60%	214.2%
Dangote Sugar Refinery	DANGSUGA NL EQUITY		5.95	-4.00%	-1.3%
Flourmill Nigeria Plc.	FLOURMILL NL EQUITY		19.49	1.6%	-6.30%
Guinness Nigeria Plc.	GUINNESS NL EQUITY	SELL	89.00	8.40%	-26.10%
Nigerian Breweries Plc	NB NL EQUITY	HOLD	145.00	-0.70%	6.60%
Nestle Nigeria Plc.	NESTLE NL EQUITY	HOLD	810.06	1.90%	-5.80%
Okomu Oil	OKOMUOIL NL EQUITY	BUY	36.20	-23.00%	19.50%
Presco Plc	PRESCO NL EQUITY	BUY	44.07	0.50%	33.50%
PZ Cussons Plc.	PZ NL EQUITY		15.20	-14.40%	-40.90%
Unilever Plc.	UNILEVER NL EQUITY	SELL	48.00	-4.00%	11.00%
Financials					
Banks					
Access Bank Plc.	ACCESS NL EQUITY	BUY	5.45	-3.50%	12.40%
Diamond Bank Plc.	DIAMONDBNK NL EQUITY	SELL	0.93	-10.60%	-59.60%
ETI Bank	ETI NL EQUITY	SELL	9.86	-7.90%	-41.30%
Fidelity Bank Plc.	FIDELITY NL EQUITY	HOLD	0.79	-9.20%	-47.30%
First Bank Holding Plc.	FBNH NL EQUITY	SELL	3.10	0.00%	-39.60%
First City Monument Bank Plc.	FCMB NL EQUITY	SELL	1.01	-7.30%	-40.20%
Guaranty Trust Bank Plc.	GUARANTY NL EQUITY	BUY	22.65	-4.80%	24.60%
Skye Bank Plc.	SKYEBANK NL EQUITY	SELL	0.50	-13.80%	-68.40%
Stanbic-IBTC Bank Plc.	STANBIC NL EQUITY		15.00	-11.80%	-9.30%
Sterling Bank Plc.	STERLNBANK NL EQUITY		0.70	-18.60%	-61.70%
UBA Bank Plc.	UBA NL EQUITY	BUY	4.30	0.70%	27.20%
Union Bank Nigeria Plc.	UBN NL EQUITY		4.48	4.20%	-35.10%
Wema Bank Plc.	WEMABANK NL EQUITY		0.54	-3.60%	-46.00%
Zenith Bank Plc.	ZENITHBANK NL EQUITY	BUY	13.80	-6.80%	-1.80%
INSURANCE					
AIICO Insurance Plc.	AIICO NL EQUITY		0.59	-6.30%	-35.20%
Axa-Mansard Insurance Plc.	MANSARD NL EQUITY		1.71	-11.40%	-36.40%
Wapic Insurance Plc.	WAPIC NL EQUITY		0.52	4.00%	4.00%
Industrials					
Building Materials & Fixtures					
Ashaka Cement Plc.	ASHAKACEM NL EQUITY	BUY	11.00	-10.30%	-56.00%
Cement Co of North. Nig. Plc	CCNN NL EQUITY	BUY	4.48	-14.30%	-52.10%
Dangote Cement Plc.	DANGCEM NL EQUITY	BUY	154.00	-12.00%	-9.40%
Julius Berger Plc.	JBERGER NL EQUITY		35.00	-7.90%	-16.70%
Lafarge Africa Plc.	WAPCO NL EQUITY	HOLD	42.70	-10.10%	-51.50%
Oil and Gas					
Integrated Oil & Gas					
Forte Oil Plc.	FO NL EQUITY		53.71	-55.20%	-83.70%
Mobil Nigeria Plc.	MOBIL NL EQUITY	SELL	266.67	40.40%	66.70%
Oando Plc.	OANDO NL EQUITY	SELL	3.79	-19.40%	-35.80%
Seplat Petroleum Dev. Co. Plc.	SEPLAT NL EQUITY	BUY	342.90	-9.80%	68.90%
Conoil Plc	CONOIL NL EQUITY		34.11	-5.00%	37.90%
Total Nigeria Plc	TOTAL NL EQUITY	SBUY	258.90	-25.00%	76.10%
Others					
Transcorp Hotels Plc.	TRANSCORP NL EQUITY		0.70	-19.50%	-51.60%
UAC Property Dev. Company Plc.	UACPROP NL EQUITY		2.34	-24.30%	-61.60%

Source: Bloomberg, Stanbic IBTC Stockbrokers

NIGERIAN STOCK EXCHANGE (NSE) SUB-INDEXES PERFORMANCE

Figure 3: NSE banking Index- 2016 performance



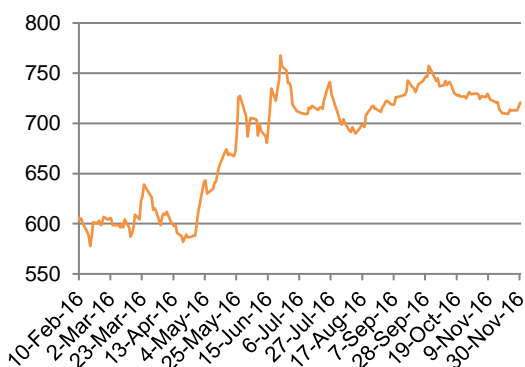
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 4: NSE Oil and gas index- 2016 performance



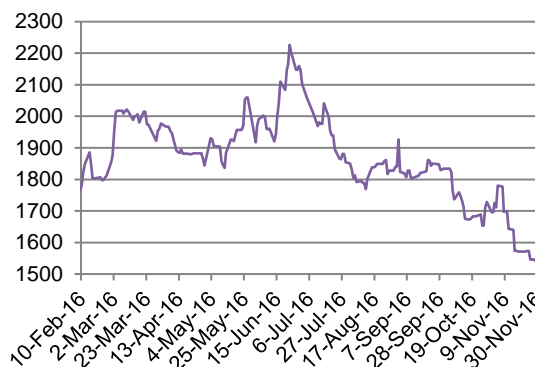
Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 5: NSE Consumer goods index- 2016 performance



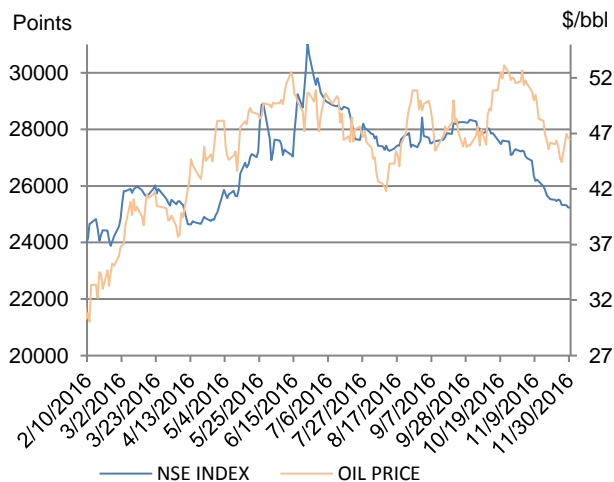
Source: Bloomberg, Stanbic IBTC Stockbrokers

Figure 6: NSE Industrial index- 2016 performance



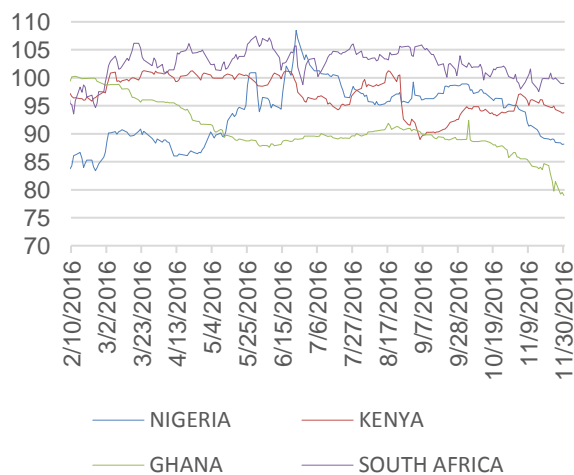
Source: Bloomberg, Stanbic IBTC Stockbrokers

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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