

Market Watch

Investors focus on the bigger picture

In our view, the market could continue on a positive note, in line with its performance last week. In spite of the initial scepticism that met the banking sector reforms, improved transparency appears to be boosting investor confidence. We expect this to have major implications for future market trends. The 'bargain prices' of most banking stocks provide huge opportunities for discerning investors whose focus remains on the bigger picture — potential gains from consolidations within the banking sector (the recently bailed-out banks, such as Union Bank and Bank PHB, are popular targets).

Political uncertainty remains a risk

The precarious state of the presidency remains a downside risk to our expectations of foreign investment inflows. While we remain optimistic about the ongoing reforms in the banking sector and the long-term prospects of the Nigerian stock market, the uncertainty clouding the political scene might hamper the reforms. In addition, the Asset Management Company (AMC) bill has not yet been passed (we expect the AMC to free up liquidity in the banking system and reduce selling pressure in the stock market), which could threaten the sustainability of the current rally in the market. That being said, we believe that most of the industrials still have good long-term prospects on the back of increasing demand. Furthermore, the growing popularity of more cost-effective power generation will likely result in improved profitability. For this reason, many industrial stocks have attractive valuations and are currently trading at a considerable discount to their fair value, given the expected future cash inflows and increased profitability.

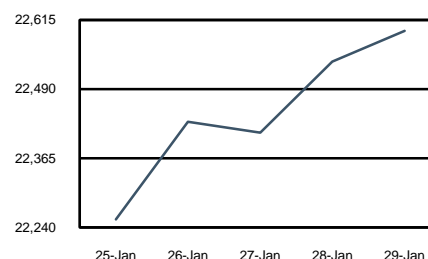
Secondary market

The market capitalisation of the 200 first-tier equities closed higher (see table). Some 71,619 deals were recorded last week — 56% up on the previous week. As illustrated in Chart 3, the banking sector once again maintained its lead over other sectors (measured by the volume of shares traded), with a turnover of 1.30 billion shares worth N10.35 billion. The sector's volume and value represent 56% and 73%, respectively, of all NSE transactions for the week.

Share price performance

About 62 stocks recorded price gains last week compared to 58 stocks in the preceding week. The number of losers increased to 33 stocks compared to 46 stocks in the week before.

Market performance (ASI)



Source: NSE

All Share Index	▲ 2.6%	22,594.9
Market cap	▲ 2.6%	N5.4 trillion
Value traded	▲ 19.9%	N14.2 billion
Volume traded	▼ 1.3%	2.3 billion

Top gainers

Glaxosmith	21.49%	N26.74
WAPCO	13.33%	N34
Ashaka	13.62%	N14.77

Sources: NSE, Stanbic IBTC Research

Top losers

NB	-6.72%	N54.15
Alumaco	-9.68%	N21.47
Unilever	-7.65%	N23.17

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
PZ	14.12	2.11	2.76
UACN	10.06	1.18	5.51
AP	5.53	4.53	14.47
CCNN	9.02	4.05	7.76
Oando	9.87	1.81	7.49

Sources: NSE, Stanbic IBTC Research

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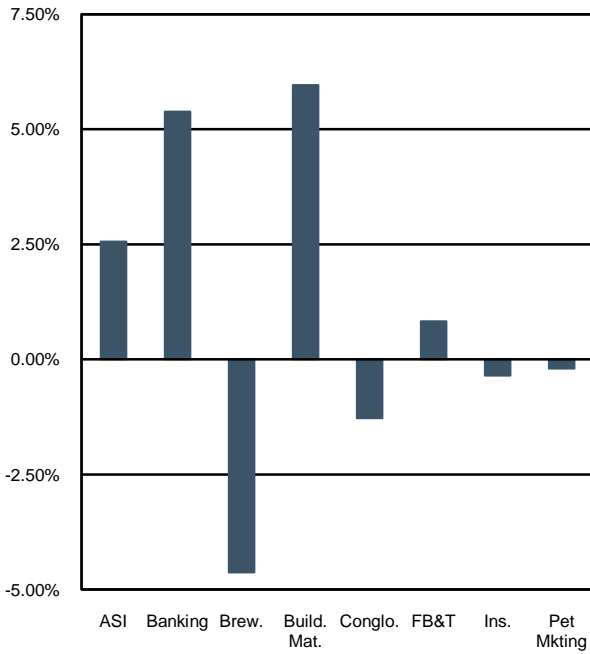
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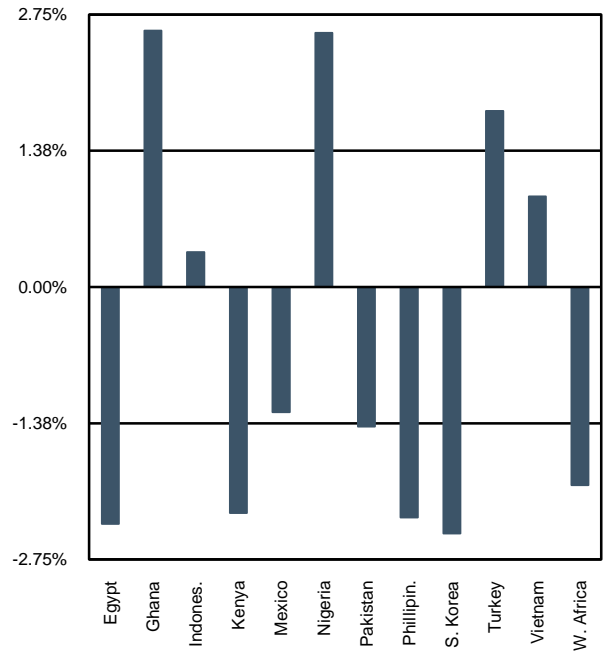
Picture gallery

Chart 1: Sector performance vs. ASI 25 Jan – 29 Jan 2010



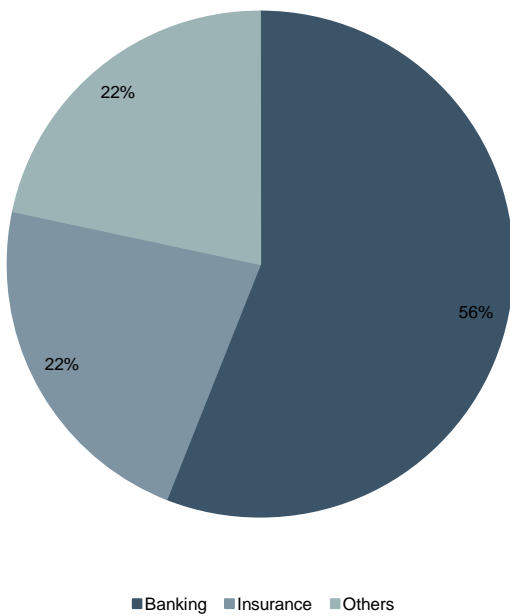
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 25 Jan – 29 Jan 2010



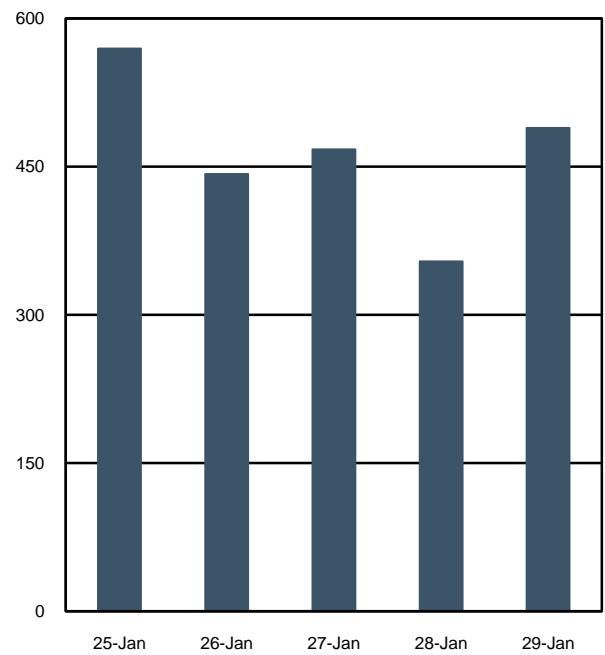
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 25 Jan – 29 Jan 2010



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 25 Jan – 29 Jan 2010



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
22 /01/2010	Costain W.A plc	Results fall short of expectations	HOLD
14/01/2010	Dangote Sugar Ref. plc	Long- term hold	HOLD
05/01/2010	7up Bottling Company plc	Turnover rises, despite competition	BUY
24/12/2009	Continental Reinsur. plc	Declining profits y/y	SELL
15/12/2009	Nig. Bottling Co. plc	Consistently driving higher sales	BUY
15/12/2009	Flour Mills of Nigeria plc	Cost management bolsters profits	BUY
01/12/2009	Diamond Bank plc	Bright prospects, despite earnings dip	BUY
01/12/2009	Union Homes Savings & Loans plc	Tough conditions trigger losses	HOLD
03/12/2009	Nigerian Breweries plc	Turnover and PAT growth slows down	HOLD
24/11/2009	Oando plc	Still on a growth path	BUY
24/11/2009	Guinness Nigeria plc	Marketing costs depress earnings	HOLD
23/11/2009	Int. Energy Insurance plc	Establishing a trend	BUY
18/11/2009	Okomu Oil Palm Co. plc	Double blow to the bottom line	SELL
18/11/2009	Prestige Assurance plc	Earnings update	BUY
18/11/2009	Chevron Oil Nigeria plc	Maintaining an impressive trend	BUY
18/11/2009	Conoil plc	Suspension of coverage, depressed price helps valuation	BUY
16/11/2009	Cornerstone Ins plc	Paying the price – huge claims hit earnings	HOLD
16/11/2009	UACN plc	Tough times beckon	BUY
16/11/2009	Cust and Allied Ins. plc	Right on track to achieve targets	BUY
12/11/2009	Prestige Assurance plc	On course to grow its market share	BUY
12/11/2009	PZ Cussons Nig. plc	Taxes turn profit red	BUY
11/11/2009	Dangote Sugar Ref. plc	Reduced credit slows down sales	HOLD
11/11/2009	Dangote Flour plc	Prosperous times for flour millers	BUY

Source: Stanbic IBTC Research

Latest research publications

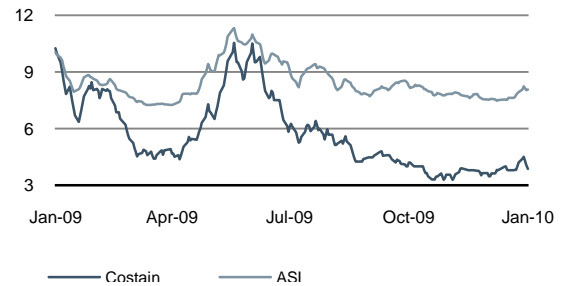
Costain West Africa plc

Bloomberg ticker
Recommendation
Target price

COSTAIN NL
HOLD
N3.26

Costain (WA) plc's year-end results show a bottom-line decline of 274%, despite a 65% increase in turnover during the period. This result fell short of our PAT projection of N0.4bn, as well as Costain's projections of N0.5bn and N1.9bn for FY 08 and FY 09, respectively. According to management, the huge drop in profit can be attributed to the 100% provisions for doubtful debt. Costain claims that several of its clients have not been able to settle their debts, given the current liquidity constraint in the economy. In the absence of further doubtful debt provisions in FY 10, we expect PAT to recover. However, this might be affected by the current loss provision. Based on our 50% turnover growth projection and expenses constituting 90% of turnover, we derive a PAT of N0.1bn in FY 10 — 118% up on the current year's PAT.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Summary valuation metrics of selected companies*

Sector/ company	Latest price (N)	Share performance YTD (%)	Mkt cap (N' Bn)	P/E (x)	DY (%)	P/BV (x)	FWD P/E (x)	FWD P/BV (x)	FWD DY (%)
Banking									
Access Bank plc	8.23	9.01	135.28	6.50	8.51	0.73	156.57	0.73	0.42
Diamond Bank plc	8.40	16.05	121.59	23.51	4.25	1.07	54.14	1.06	1.02
Ecobank Nigeria plc	8.24	16.83	59.48	28.32	3.53	1.71	0.00	2.09	0.00
Ecobank Transnational Incorporated	14.80	-18.42	129.25	9.75	10.25	0.80	11.25	0.78	6.22
First City Monument Bank plc	8.85	-1.33	144.97	36.30	2.76	1.08	88.77	1.08	0.39
Fidelity Bank plc	2.51	26.25	72.70	50.84	1.97	0.56	15.12	0.55	3.31
First Bank of Nigeria plc	14.72	-0.40	426.97	33.97	2.94	1.27	36.78	1.08	2.47
Guaranty Trust Bank plc	17.79	5.14	335.16	11.84	8.45	1.84	16.11	2.18	3.72
Bank PHB plc	2.22	12.74	44.74	2.29	20.27	0.27	0.00	0.00	0.00
Skye Bank plc	6.79	36.09	78.66	4.91	8.84	0.83	14.70	0.81	3.40
United Bank for Africa plc	12.45	33.33	268.38	6.57	8.03	1.39	41.29	1.36	0.97
Zenith Bank plc	15.31	60.87	384.54	7.45	11.10	1.12	27.95	1.64	2.29
Breweries									
Guinness Nigeria plc	128.70	0.94	189.82	14.02	5.83	6.02	12.65	5.50	6.33
Nigerian Breweries plc	54.15	2.17	409.51	15.93	5.17	12.71	13.40	12.13	7.09
Building materials									
Ashaka Cement plc	14.77	29.68	29.40	14.20	2.03	2.30	11.36	2.00	2.20
Benue Cement Company plc	50.00	16.25	195.78	47.24	0.00	14.24	12.25	8.42	3.31
Cement Company of Northern Nigeria plc	15.00	15.38	18.62	12.17	3.00	4.68	9.02	4.05	7.76
Lafarge Cement WAPCO plc	34.00	13.33	102.05	9.07	1.76	2.52	12.26	2.19	2.04
Conglomerates									
PZ Cussons Nigeria plc	26.00	4.00	82.59	17.14	2.62	2.32	14.12	2.11	2.76
UAC of Nigeria plc	40.01	8.87	51.24	12.22	5.00	1.25	10.06	1.18	5.51
Unilever Nigeria plc	23.17	21.95	87.66	33.76	2.93	13.12	18.54	10.03	3.05
Food & beverages									
Dangote Sugar Refinery plc	15.10	1.34	181.20	8.29	7.95	5.55	11.20	4.73	5.80
Nigerian Bottling Company plc	27.30	21.39	35.73	2275.70	0.00	1.63	13.91	1.52	2.88
Nestle Nigeria plc	252.00	5.22	166.46	19.98	4.98	18.43	17.29	17.50	5.50
7-UP Bottling Company plc	30.60	4.08	15.68	10.26	4.90	1.96	9.32	1.81	6.44
Petroleum marketing									
African Petroleum plc	36.40	8.62	37.68	7.38	14.29	5.41	5.53	4.53	14.47
Chevron Oil Nigeria plc	69.79	0.00	17.73	0.00	0.00	9.26	10.13	8.14	8.39
Mobil Oil Nigeria plc	99.95	1.16	30.03	17.48	5.00	13.36	13.09	10.23	5.35
Oando plc	93.99	0.00	85.07	10.20	6.38	1.90	9.87	1.81	7.49
Total Nigeria plc	150.00	0.67	50.93	11.57	8.62	6.98	12.02	6.94	8.24
Agriculture									
Okomu Oil Palm plc	22.75	0.00	10.87	9.01	1.10	2.54	36.24	2.44	1.10
Presco plc	4.37	-21.96	4.37	6.48	6.86	1.71	12.49	1.59	3.60
Chemical & paints									
Chemical and Allied Products plc	28.00	0.00	5.88	8.00	13.39	5.88	12.59	7.32	5.96
Nigeria-German Chemicals plc	15.04	0.00	2.31	128.96	2.99	2.05	121.20	2.03	0.37
D.N. Meyer plc	5.13	-4.82	1.50	23.44	1.95	9.15	21.36	6.41	0.00
Construction									
Julius Berger Nigeria plc	28.50	10.51	34.20	13.64	6.14	5.15	10.49	4.69	7.63
Costain (W.A.) plc	4.88	28.42	4.49	0.00	-	-	41.33	0.51	
Insurance									
Unic Insurance plc	0.74	-35.65	1.91	5.81	6.76	0.40	10.46	0.38	1.91
Prestige Assurance Company plc	3.80	-5.00	8.17	12.80	5.26	1.87	9.98	1.74	6.01
Mutual Benefit Assurance plc	0.64	0.00	5.12	-	0.00	0.48	3.66	0.65	12.58
Custodian and Allied Insurance plc	2.85	9.62	14.65	9.39	5.96	1.53	7.92	1.40	7.02
Intercontinental Wapic Insurance plc	1.04	-17.39	5.27	29.00	0.00	0.61	26.36	0.60	2.39
International Energy Insurance plc	0.59	-0.35	3.25	6.87	8.47	0.28	8.44	0.28	3.56
Standard Alliance Insurance plc	0.67	17.54	5.62	6.51	7.46	0.24	0.00	0.26	0.00

Source: Stanbic IBTC Research

Note: *As at 29 January 2010

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Disclosures*

Company	Disclosure
African Petroleum plc	E
Cement Company of Northern Nigeria plc	E
Costain WA plc	E
Oando plc	D, E, G, H
Platinumhabib (PHB) Bank plc	E
PZ Cussons Nigeria plc	E
UAC Nigeria plc	E
Union Bank of Nigeria plc	E

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