

Market Watch

Confidence returning gradually

We expect last week's uptick in the market to continue because bid volumes in the market have consistently outweighed offer volumes, particularly for banking stocks and other stocks with commendable corporate actions. In our view, this is likely to further stimulate investors' confidence in the Nigerian stock market. Besides, the Nigerian market is currently one of the worst performing among selected emerging economies, so we expect more investors to see this as an opportunity to take positions on the assumption that the market will eventually pick up. Also, the market will trade for just three days this week (Thursday and Friday are public holidays), we expect investors to be wary of filling their bid volumes. Furthermore, yields on fixed income instruments are significantly lower than inflation rates: Current inflation is 11.6% while the average yield on 10-year FGN bond is about 7.1%. We believe inflation is unlikely to ease in the short term given the government's deregulation plans and an expansionary 2010 budget. In addition, the swap spread (Treasury Bills and 90-day NIBOR) has continuously narrowed to about 10%. In view of these observations, we expect investors to increase their focus on the stock market for long-term returns. Notably, quite a few stocks are supported by fundamentals while some have proved to be defensive by recording profits and eventually paying out dividends during hard times.

Secondary market

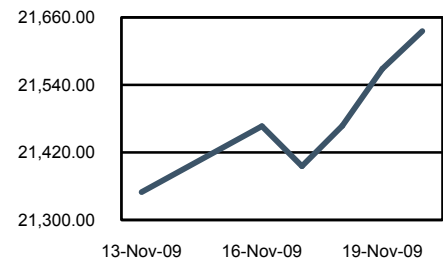
The NSE ASI appreciated by 1.34%, to close at 21,635.36 points, up from 21,349.18 the preceding week. The market capitalisation of the 199 first-tier equities also closed higher at N5.13 trillion, from N5.04 trillion in the preceding week. A turnover of 3.2 billion shares worth N15.5 billion in 30,334 deals was recorded last week, in contrast to a total of 2.2 billion shares valued at N17.2 billion and exchanged in 30,275 deals in the preceding week.

As illustrated in Chart 3, the banking sector maintained its lead during the week (measured by volume of shares traded), with a turnover of 1.9 billion shares worth N11.13 billion. The sector's volume and value represent 59.37% and 71.81%, respectively, of the NSE's transactions for the week.

Share price performance

A total of 45 stocks recorded price gains this week in comparison to 32 stocks in the preceding week. In contrast, the number of losers during the week decreased to 54 stocks versus 61 stocks in the preceding week.

Market performance (ASI)



Source: NSE

All Share Index	▲ 1.34%	21,635.36
Market cap	▲ 1.79%	N5.13 trillion
Value traded	▼ -9.88%	N15.50 billion
Volume traded	▲ 45.45%	3.2 billion

Top gainers

Total	1.97%	N155.00
DANGFLOUR	27.04%	N7.00
AP	3.91%	N34.80

Sources: NSE, Stanbic IBTC Research

Top losers

CONOIL	-4.99%	N33.32
NBC	-8.14%	N18.50
RT BRISCOE	-16.06%	N6.00

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
Dangflour	3.45	1.31	9.71
Tantalizers	5.42	0.50	2.09
Diamond Bank	7.83	0.88	7.07
CCNN	7.61	3.42	9.20
Chevron	9.65	7.75	8.81

Sources: NSE, Stanbic IBTC Research

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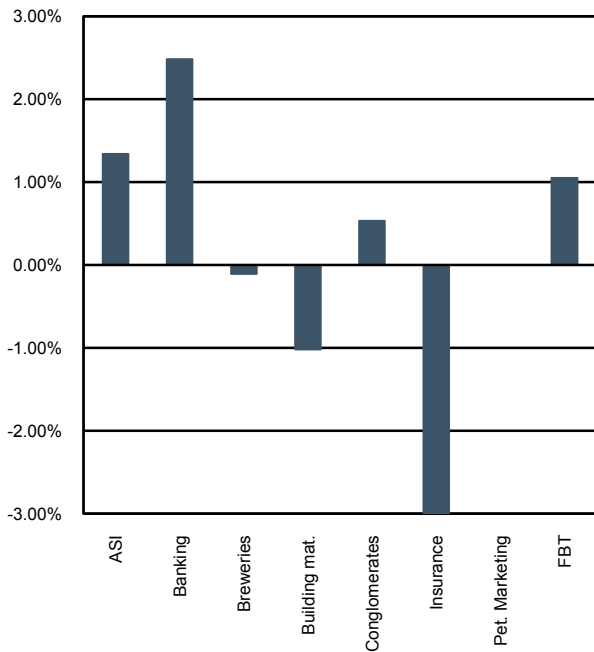
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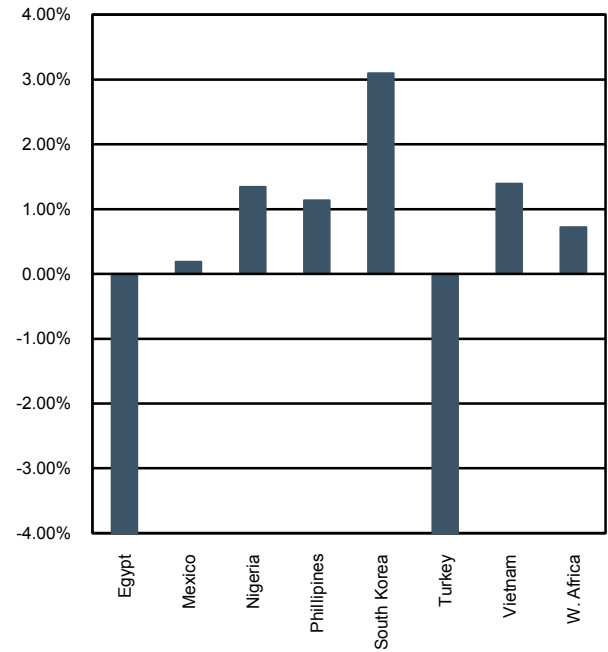
Picture gallery

Chart 1: Sector performance vs. ASI 13 Nov – 20 Nov 2009



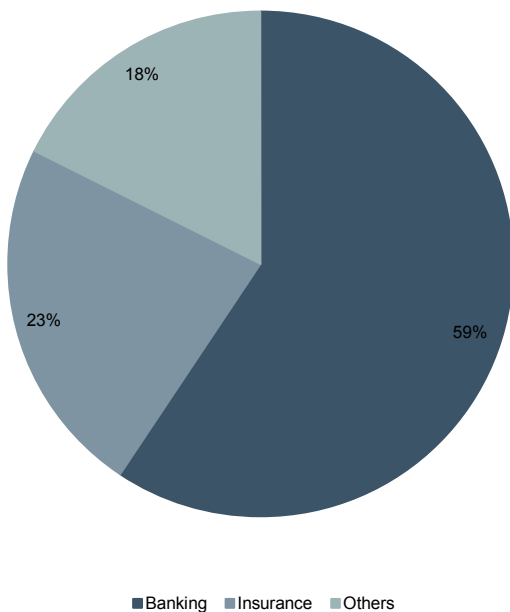
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 13 Nov – 20 Nov 2009



Sources: NSE, Stanbic IBTC Research

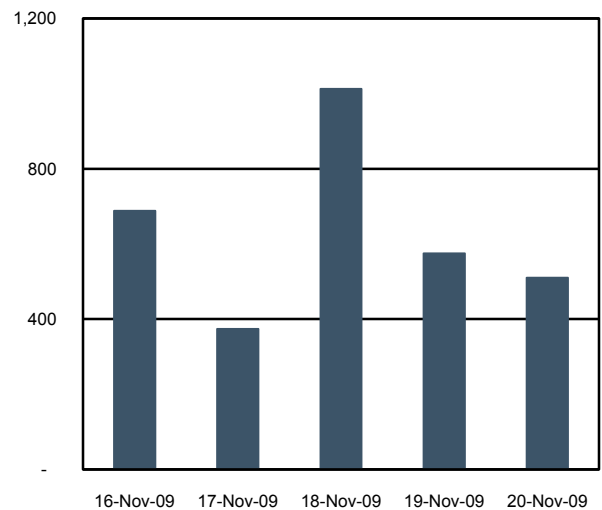
Chart 3: Vol. by sector, 16 Nov – 20 Nov 2009



■ Banking ■ Insurance ■ Others

Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 16 Nov – 20 Nov 2009



Sources: NSE, Stanbic IBTC Research

Latest research publications

Okomu Oil Palm Company plc

Ticker
Recommendation
Target price

OKOMU NL
SELL
N16.45

The decline in Okomu's turnover was most likely due to unfavourable weather conditions, which probably affected the harvesting of fresh fruit, and intense competition from imported palm oil, which may have caused a reduction in demand for Okomu's palm oil.

Using a weighted average of various valuation methods, we obtain a fair value per share of N16.45, which translates into downside potential of 45.5% at the current price of N23.94. We believe Okomu is trading at a premium to its fair value estimate. Based on our fair value estimate and the difficulty of earnings forecasts (due to inaccessibility of the company's management), we downgraded Okomu to a **Sell**.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Chevron Oil Nigeria plc

Ticker
Recommendation
Target price

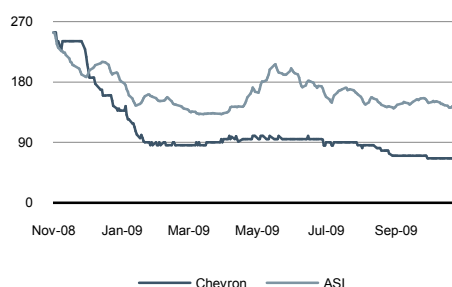
CHEVRON NL
BUY
N128.14

Chevron's y/y results show an outstanding performance that has not been paralleled in recent times by its peers and even among the larger petroleum marketing outfits (AP plc, Oando plc and Total Nigeria plc). Chevron's NPM almost tripled to 2.41% in Q3:09 from 0.87% in Q3:08. This also represents a q/q increase from the 2.14% margin it made in the six months ending June 2009. We expect the margin to reach about 2.48% by the end of the year.

Comparing Chevron's q/q results for Q3:09 with those of Mobil, Chevron outperformed Mobil at the top line (N21.62 billion to N14.63 billion) while Mobil outperformed Chevron at the bottom line (N1.02 billion to N0.61 billion).

We are maintaining our **Buy** recommendation on the company because it offers upside potential of 92.79% to its fair value of N128.14 per share.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
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 Insurance plc	Paying the price – huge claims hit earnings	HOLD
16/11/2009	UACN plc	Tough times beckon	BUY
16/11/2009	Custodian and Allied Insurance 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
11/11/2009	Nestle Nigeria plc	Bullish on profitability	HOLD
11/11/2009	FCMB plc	Looking forward to increased profitability	BUY
11/11/2009	UNIC Insurance plc	Profitability heads south	BUY
06/11/2009	GlaxoSmith Cons. Nig plc	Declining y/y efficiency	Hold
06/11/2009	GlaxoSmith Cons. Nig plc	Declining y/y efficiency	Hold
06/11/2009	Ecobank Nigeria plc	Still trading at a higher price than parent company	Sell
06/11/2009	Starcomms plc	FX losses/interest expenses hit earnings	Buy
06/11/2009	Total Nigeria plc	Declining y/y efficiency	Hold
05/11/2009	Mobil Oil Nigeria plc	On the rebound	Buy
04/11/2009	First Bank of Nigeria plc	Still a value stock	Buy

Source: Stanbic IBTC Research

Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
Conoil plc	17-Nov-09		04-Jan-10	NGN1.00k	

Source: NSE

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	6.95	-4.79	114.24	5.49	10.07	0.62	132.22	0.62	0.49
Diamond Bank plc	7.30	2.96	105.67	20.43	4.89	0.93	7.83	0.88	7.03
Ecobank Nigeria plc	15.17	-45.74	109.50	52.14	1.92	3.14	0.00	3.85	0.00
Ecobank Transnational Incorporated	14.02	-65.47	122.44	9.24	10.83	0.76	10.66	0.74	6.57
First City Monument Bank plc	7.59	23.41	124.33	31.13	3.21	0.93	76.13	0.92	0.46
Fidelity Bank plc	2.80	-40.30	81.10	6.07	16.47	0.59	16.87	0.58	2.96
First Bank of Nigeria plc	14.10	-19.43	408.99	32.54	3.07	1.21	35.23	1.03	2.58
Guaranty Trust Bank plc	16.01	53.94	301.63	10.65	9.39	1.66	14.50	1.96	4.14
Bank PHB plc	1.77	-82.28	35.67	1.82	25.42	0.21	8.78	0.21	8.55
Skye Bank plc	6.00	-26.56	69.51	4.34	10.00	0.73	12.99	0.71	3.85
United Bank for Africa plc	12.80	-4.48	275.92	6.76	7.81	1.43	42.45	1.40	0.94
Zenith Bank plc	14.50	-30.89	364.20	7.06	11.72	1.06	26.47	1.55	2.42
Breweries									
Guinness Nigeria plc	136.00	38.76	200.59	14.81	5.51	6.36	12.13	5.57	5.99
Nigerian Breweries plc	53.21	33.03	402.40	15.66	6.39	12.49	11.86	11.30	7.59
Building materials									
Ashaka Cement plc	12.85	-26.57	21.93	10.59	2.33	1.71	8.47	1.49	2.95
Benue Cement Company plc	42.00	122.22	164.45	39.68	0.00	11.96	10.29	7.07	3.94
Cement Company of Northern Nigeria plc	12.50	123.61	15.71	10.27	3.60	3.95	7.61	3.42	9.20
Lafarge Cement WAPCO plc	29.00	16.00	87.05	7.74	2.07	2.15	10.46	1.86	2.39
Conglomerates									
PZ Cussons Nigeria plc	22.99	94.83	73.03	13.70	2.96	2.05	12.49	1.87	3.12
UAC of Nigeria plc	41.00	12.85	52.50	12.52	4.88	1.28	10.31	1.21	5.37
Unilever Nigeria plc	19.17	76.03	72.53	27.93	3.55	10.85	15.34	8.30	3.68
Food & beverages									
Dangote Sugar Refinery plc	14.68	-7.09	176.16	8.05	8.17	5.40	10.89	4.60	5.97
Nigerian Bottling Company plc	18.50	-49.91	24.21	1542.14	0.00	1.10	8.07	1.02	4.96
Nestle Nigeria plc	235.34	22.93	155.45	18.66	5.33	17.21	16.14	16.34	5.88
7-UP Bottling Company plc	28.80	-25.41	14.76	9.18	5.21	1.85	8.78	1.70	6.84
Petroleum marketing									
African Petroleum plc	34.80	-88.16	36.02	7.06	14.94	5.17	5.29	4.33	15.13
Chevron Oil Nigeria plc	66.47	-58.43	16.88	0.00	0.00	8.82	9.65	7.75	8.81
Conoil plc	33.32	-57.50	23.12	12.70	3.00	1.94	13.71	1.88	5.47
Mobil Oil Nigeria plc	98.80	-70.17	29.69	17.28	5.06	13.20	12.94	10.11	5.41
Oando plc	93.99	20.48	85.07	10.20	6.38	1.90	9.83	1.80	7.52
Total Nigeria plc	155.00	-23.90	52.63	11.96	2.19	7.21	14.84	6.57	5.39
Agriculture									
Okomu Oil Palm plc	23.94	-26.99	11.44	9.48	1.04	2.67	38.14	2.56	1.05
Presco plc	4.90	-51.53	4.90	7.27	6.12	1.92	8.16	1.70	5.51
Chemical & paints									
Chemical and Allied Products plc	29.23	-31.01	6.14	8.35	12.83	6.13	13.14	7.65	5.71
Nigeria-German Chemicals plc	15.04	-22.55	2.31	128.96	2.99	2.05	121.20	2.03	0.37
D.N. Meyer plc	5.67	-50.74	1.65	25.91	1.76	10.12	23.61	7.08	0.00
Construction									
Julius Berger Nigeria plc	28.90	-48.02	34.68	13.83	6.06	5.22	10.64	4.75	7.52
Costain (W.A.) plc	3.57	-68.88	3.29	9.30	-	-	8.21	-3.70	-
Insurance									
Unic Insurance plc	0.61	-49.17	1.57	4.79	8.20	0.33	8.63	0.32	2.32
Prestige Assurance Company plc	3.77	-39.68	8.11	12.70	5.31	1.86	9.90	1.73	6.06
Mutual Benefit Assurance plc	0.64	-56.46	5.12	-	0.00	0.48	3.66	0.65	12.58
Custodian and Allied Insurance plc	2.97	-2.62	14.23	9.13	5.72	1.49	7.69	1.36	6.73
Intercontinental Wapic Insurance plc	0.78	-80.35	3.95	21.75	0.00	0.46	19.77	0.45	3.19
International Energy Insurance plc	0.60	-72.09	3.30	6.99	8.33	0.29	5.55	0.28	5.41
Standard Alliance Insurance plc	0.66	-56.00	5.54	6.41	7.58	0.24	-2.61	0.25	-17.99

Source: Stanbic IBTC Research

Note: *As at 20 November 2009

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Disclosures*

Company	Disclosure
African petroleum plc	E
Cement Company of Northern Nigeria plc	E
Chevron Oil Nigeria plc	E
Dangote Flour Mills plc	E
Diamond Bank plc	E
Mobil Oil Nigeria plc	E
Oando plc	D, E, G, H
Okomu Oil Palm Company plc	E
Tantalizers plc	None
Total Nigeria plc	E

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Stanbic IBTC Equity Investment Research

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Recommendations with Investment Banking Relationship (%)	62	8	30

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