

## Market Watch

### Market should pick up this week

Based on the trend of stock prices over the past couple of weeks, we expect a slightly bullish performance in the All Share Index (ASI) by the end of this week. We note that the market lost about 4.2% two weeks ago and gained 1.6% last week.

We attribute this largely to the decreased interest in the money market over last week. The US\$2 billion stimulus funds released by the federal government during the week ended 16 October 2009 boosted liquidity, thereby bringing down the Nigerian Interbank Offer Rate (NIBOR) to 4.75% (call) as at 16 October from about 10.37% at which it closed the preceding week. The NIBOR call rate dipped further to 4.32% by the end of last week. Based on this, we expect a sustained inclination towards the stock market from the money market. Furthermore, the results of the CBN's audit of banks showed q/q improvements in profit margins (as in the case of GT Bank and Zenith Bank), and potential for strong future earnings (as in the case of UBA).

While most local investors are focused on the short term, foreign investors have adopted longer-term strategies, given their positive outlook for the stock market in the long term. We encourage local investors to do the same.

A risk to our projection lies in the fact that banks may commence their drive for high year-end deposits, thereby pushing up interbank and deposit rates.

### Secondary market

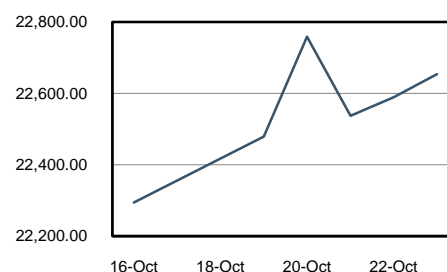
The NSE ASI closed on a bearish note last week, rose by 1.6%, to close at 22,653.17 points from 22,293.53 the preceding week. The market capitalisation of the 196 first-tier equities also closed higher at N5.34 trillion, from N5.192 trillion in the previous week. A turnover of 2.1 billion shares worth N15.78 billion in 29,101 deals was recorded last week, in contrast to a total of 2.82 billion shares valued at N19.09 billion and exchanged in 32,025 deals in the preceding week.

As illustrated in Chart 3, the banking sector maintained its lead last week (measured by the volume of shares traded), with a turnover of 1.3 billion shares worth N10.42 billion, and exchanged by investors in 16,795 deals. The sector's volume and value represent 61.90% and 65.95%, respectively, of the NSE's transactions for the week.

### Share price performance

About 41 stocks recorded price gains last week in comparison to 32 stocks in the preceding week. At the same time, the number of losers last week decreased to 55 stocks as compared to 70 stocks in the preceding week.

#### Market performance (ASI)



Source: NSE

All Share Index	▲ 1.6%	22,653.17
Market cap	▲ 2.93%	N5.34 trillion
Value traded	▼ 17.33%	N15.78 billion
Volume traded	▼ 25.57%	2.10 billion

#### Top gainers

Flourmills	26.22%	N29.03
AP	17.57%	N35.80
UACN	11.88%	N40.50

Sources: NSE, Stanbic IBTC Research

#### Top losers

Spring Bank	-21.67%	N1.88
African Alliance	-17.65%	N2.24
Oceanic Bank	-10.26%	N3.06

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
African Petroleum	5.33	4.36	15.01
Diamond Bank	8.99	1.01	6.12
CCNN	7.61	3.42	9.2
ETI	6.89	0.78	10.15
Dang sugar	7.9	4.46	8.23

Sources: NSE, Stanbic IBTC Research

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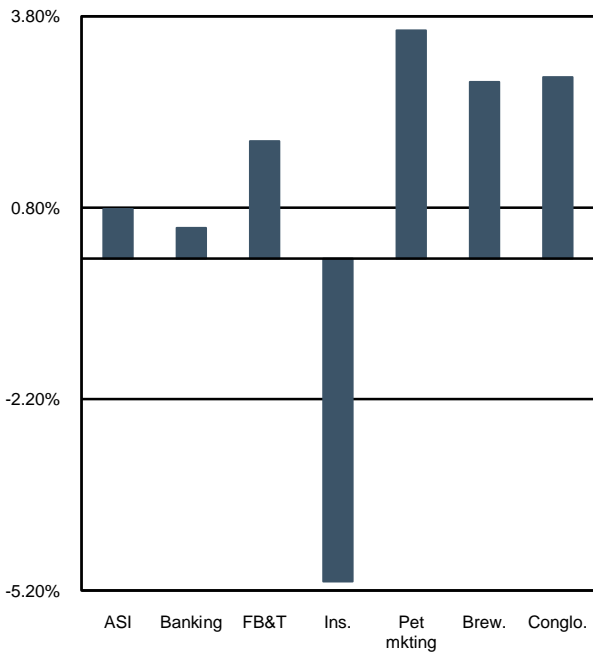
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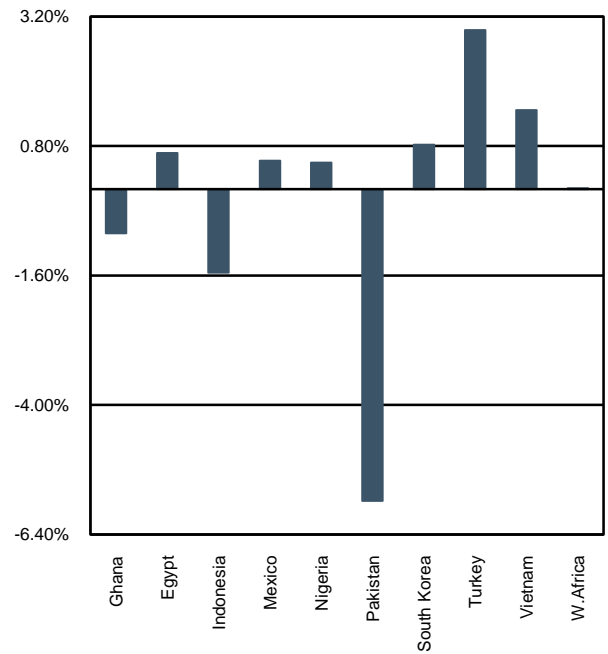
# Picture gallery

Chart 1: Sector performance vs. ASI 19 Oct – 23 Oct 2009



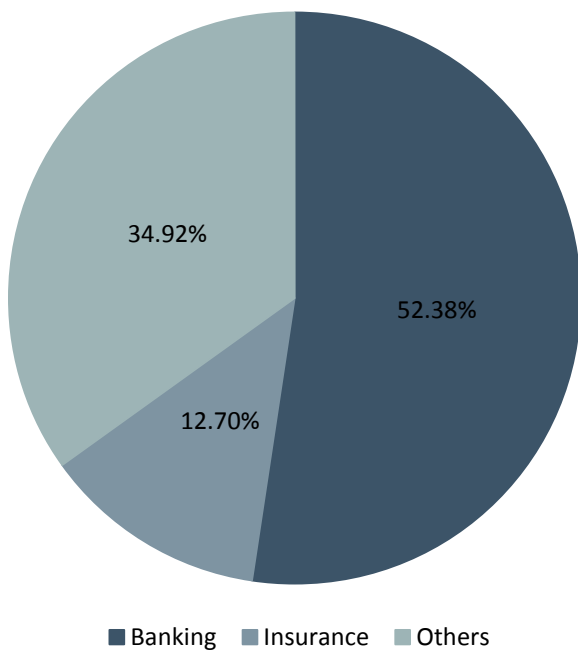
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 19 Oct – 23 Oct 2009



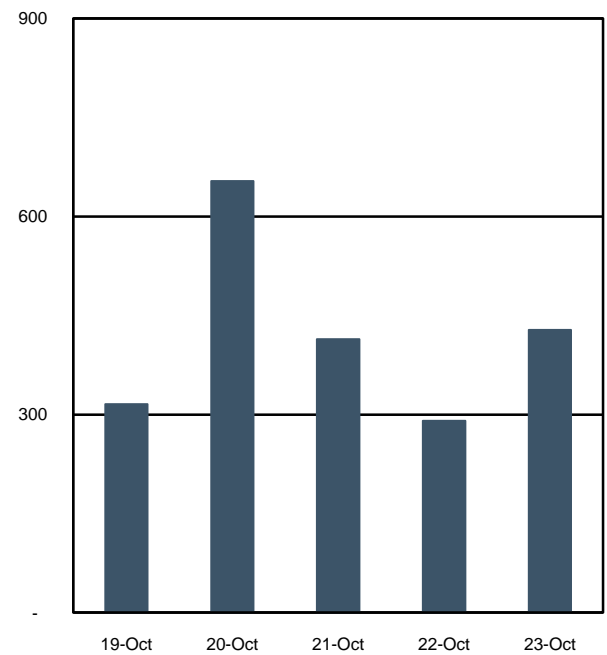
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 19 Oct – 23 Oct '09



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 19 Oct – 23 Oct '09



Sources: NSE, Stanbic IBTC Research

## Latest research publications

### Crusader Nigeria plc

Bloomberg ticker  
Recommendation  
Target price

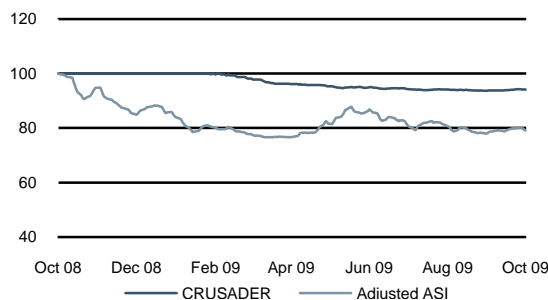
CRUSADER NL  
SELL  
N0.83

Crusader's H1:09 results show a decline in profitability which may be attributed to operating costs, particularly acquisition costs and provisions for bad loans and doubtful debt. We believe CRUSADER needs to implement strategies that will reduce growth in operating expenses in order to record a profit in FY 09.

In a bid to increase its profitability, CRUSADER is not only restructuring its insurance businesses in order to enhance efficiency, but is also diversifying into other areas of financial services.

Due to increasing growth in CRUSADER's expenses, we are revising our PAT forecast downwards to N176.16 million. This represents a decline of 37% from FY 08.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

### United Bank for Africa plc

Bloomberg ticker  
Recommendation  
Target price

UBA NL  
BUY  
N14.49

UBA's Q4:09 results depict lower efficiency, with net profit margins dropping significantly to -3.68% from 24.07% in the comparable period of the previous year.

Similar to the trend we observed in UBA's Q3:09 results, profit before tax in Q4:09 shrank by a considerable 110.5% to -N5.03 billion. We ascribe a part of this decline in operating efficiency to an increasingly challenging operating environment.

With a 42.6% decline in cash balances and a 40.7% decline in Treasury bills and government bonds, the bank's fixed assets increased by 53.4% while investments went up by 82.83%.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

### GT Bank plc

Bloomberg ticker  
Recommendation  
Target price

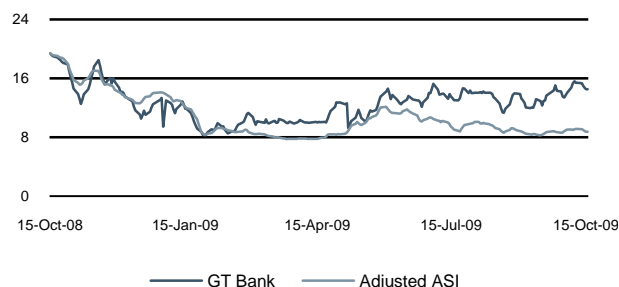
GUARANTY NL  
BUY  
N21.53

GT Bank's nine-month results were much better than we had expected as the bank's nine-month profit after tax beat our 12-month estimate of N16.09 billion.

Even though profit before tax dropped by 21.81% when compared to the same period in 2008, profit margins improved significantly when compared to H1:09.

GT Bank has indicated its intention to raise US\$1.3 billion. While the full details of the capital raising have not yet been released, we are aware that the bank intends to raise part of the capital through debt. The bank already raised about US\$350 million through a Eurobond with a 5-year term in 2007.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

## Zenith Bank plc

Bloomberg ticker  
Recommendation  
Target price

ZENITHBA NL  
BUY  
N16.36

Zenith Bank plc recorded 19.42% y/y growth in gross earnings (versus 31.71% in Q3:09). The bank's bottom-line dropped by 53.2% to N16.39 billion by Q4:09 — we note that this shortfall is due to the year-to-date loan loss provisions of N26.14 billion.

We are reducing our estimate for Zenith's 15-month loan loss provisions. In our view, the bank will likely not need to make provisions of more than N31.14 billion during the 15 months ending December 2009.

Similar to our observation from the last quarterly results, Zenith's cash and bank balance decreased by 34.4%, to N771.44 billion, from N1.176 trillion in Q4:08. Alongside the decline in cash, fixed assets grew to N75.42 billion, from N50.94 billion.

### Price performance, N



Sources: NSE, Stanbic IBTC Research

## Research publications

Date	Company	Title	Recommendation
22/10/2009	Zenith Bank plc	Looking better by the quarter	Buy
20/10/2009	UBA plc	An end to loss provisions	Buy
19/10/2009	Crusader Nigeria	Urgent need to manage expenses	Sell
19/10/2009	GT Bank plc	Excellent investment opportunities	Buy
14/10/2009	Flour Mills of Nigeria plc	Back on track	Buy
13/10/2009	Royal Exchange plc	H1:09 results indicate improved efficiency	Buy
05/10/2009	The Nigerian Banking industry	The verdict	-
05/10/2009	Continental Reinsurance plc	Declining profits y/y	Sell
30/09/2009	Guinness Nigeria plc	Optimistic outlook	Hold
28/09/2009	Flour Mills of Nigeria plc	Profit decline not surprising	Buy
25/09/2009	Nigerian Bottling Co. plc	Closing down the concentrate plant	Buy
15/09/2009	GTBank plc	Provisioning depresses earnings	Buy
15/09/2009	NNFM plc	Growth in bottom-line goes sky high	Sell
14/09/2009	Int. Energy Insurance	Margins dwindle in H1:09	Buy
14/09/2009	Royal Exchange plc	Initiation of coverage: De-merger erodes bottom line	Buy
08/09/2009	Chevron Oil Nigeria plc	Speedy recovery	Hold
08/09/2009	Seven Up Bottling Co.	Festive period boosts turnover	Buy
03/09/2009	Crusader Nigeria	Renewed focus on core business to grow PAT	Hold
03/09/2009	CCNN	Very attractive upside potential	Buy
01/09/2009	Standard Alliance	Quarterly Results point towards better earnings in FY 09	Buy
01/09/2009	Int. Energy Insurance	Earnings grow sharply in Q1:09	Buy

Source: Stanbic IBTC Research

## Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data

## 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 (%)
<b>Banking</b>									
Access Bank plc	6.75	-7.53	110.95	5.33	10.37	0.60	128.42	0.60	0.51
Diamond Bank plc	8.38	18.19	121.30	23.46	4.26	1.06	8.99	1.01	6.12
Ecobank Nigeria plc	19.56	-30.04	141.19	67.23	1.49	4.05	17.65	3.64	2.83
Ecobank Transnational	15.00	-63.05	131.00	9.88	10.12	0.81	6.89	0.78	10.15
First City Monument Bank plc	6.79	10.41	111.22	7.36	13.58	0.83	20.88	0.81	1.68
Fidelity Bank plc	2.32	-50.53	67.19	5.03	19.88	0.49	13.98	0.48	3.58
First Bank of Nigeria plc	14.80	-10.71	429.29	34.15	2.93	1.27	23.04	1.08	3.95
Guaranty Trust Bank plc	15.69	20.69	295.60	10.44	9.58	1.62	14.21	1.92	4.22
Bank PHB plc	2.90	-70.97	58.45	2.99	15.52	0.35	14.38	0.34	5.22
Skye Bank plc	5.90	-27.78	68.35	4.27	10.17	0.72	14.86	0.70	3.36
United Bank for Africa plc	12.17	-9.18	262.34	6.43	8.22	1.36	40.36	1.33	0.99
Zenith Bank plc	14.00	-33.27	351.64	6.81	12.14	1.02	25.56	1.50	2.50
<b>Breweries</b>									
Guinness Nigeria plc	131.86	34.54	194.48	14.36	5.69	6.17	11.76	5.40	6.18
Nigerian Breweries plc	58.00	45.00	438.63	17.07	5.86	13.61	12.93	12.31	6.96
<b>Building materials</b>									
Ashaka Cement plc	12.40	-29.14	21.16	10.22	2.42	1.65	8.18	1.44	3.06
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	12.51	123.79	15.72	10.28	3.60	3.95	7.61	3.42	9.20
Lafarge Cement WAPCO plc	31.00	24.00	93.05	8.27	1.94	2.30	11.18	1.99	2.24
<b>Conglomerates</b>									
PZ Cussons Nigeria plc	22.20	88.14	70.52	13.23	3.06	1.98	11.09	1.78	3.25
UAC of Nigeria plc	39.80	9.55	50.97	12.16	5.03	1.24	10.01	1.18	5.54
Unilever Nigeria plc	15.00	37.74	56.75	21.86	4.53	8.49	15.90	7.52	4.76
<b>Food &amp; beverages</b>									
Dangote Sugar Refinery plc	15.11	-4.37	181.32	8.29	7.94	5.56	7.90	4.46	8.23
Nigerian Bottling Company plc	22.30	-39.62	29.18	1858.9	0.00	1.33	9.73	1.23	4.11
Nestle Nigeria plc	214.00	11.78	141.36	16.97	5.86	15.65	15.95	14.92	5.96
7-UP Bottling Company plc	29.00	-24.89	14.86	9.24	5.17	1.86	8.84	1.72	6.79
<b>Petroleum marketing</b>									
African Petroleum plc	35.08	-88.07	36.31	7.12	14.82	5.22	5.33	4.36	15.01
Chevron Oil Nigeria plc	66.47	-58.43	16.88	0.00	0.00	8.82	13.75	8.04	6.18
Conoil plc	39.48	-49.64	27.40	10.57	6.97	2.29	7.38	2.12	10.17
Mobil Oil Nigeria plc	94.77	-71.39	28.48	16.58	5.28	12.67	21.30	10.75	3.29
Oando plc	93.99	20.48	85.07	10.20	6.38	1.90	9.83	1.80	7.52
Total Nigeria plc	160.12	-21.39	54.36	12.36	5.70	7.45	11.28	6.58	7.09
<b>Agriculture</b>									
Okomu Oil Palm plc	23.94	-26.99	11.44	9.48	1.04	2.67	7.91	2.22	5.06
Presco plc	6.05	-40.16	6.05	8.98	4.96	2.37	10.08	2.10	4.46
<b>Chemical &amp; paints</b>									
Chemical and Allied Products plc	29.23	-31.01	6.14	8.35	12.83	6.13	10.23	7.34	7.33
Nigeria-German Chemicals plc	15.04	-22.55	2.31	16.83	2.99	2.05	15.98	1.92	2.82
D.N. Meyer plc	5.96	-48.22	1.74	27.23	1.68	10.63	24.82	7.44	0.00
<b>Construction</b>									
Julius Berger Nigeria plc	26.98	-51.47	32.38	12.91	6.49	4.87	9.93	4.44	8.06
Costain (W.A.) plc	4.00	-65.13	3.68	10.42	-	-	9.19	-4.15	-
<b>Insurance</b>									
Unic Insurance plc	0.93	-22.50	2.40	7.30	5.38	0.50	6.57	0.47	3.04
Prestige Assurance Company plc	4.38	-29.92	9.42	14.76	4.57	2.16	11.77	2.01	5.10
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	2.66	-12.79	12.74	8.17	6.39	1.33	5.82	1.20	7.73
Intercontinental Wapic Insurance	1.23	-69.02	6.23	11.68	10.16	0.70	6.49	0.67	9.71
International Energy Insurance plc	0.64	-70.23	3.52	7.45	7.8125	0.31	5.92	0.30	5.07
Standard Alliance Insurance plc	0.87	-42.00	7.30	8.45	5.75	0.32	6.79	0.31	6.92
PZ Cussons Nigeria plc	22.20	88.14	70.52	13.23	3.06	1.98	11.09	1.78	3.25
UAC of Nigeria plc	39.80	9.55	50.97	12.16	5.03	1.24	10.01	1.18	5.54

Source: Stanbic IBTC Research

Note: \*As at 22 October 2009

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Definitions relate to **long term** – between 1 year and 2 years

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Company	Disclosure
Diamond Bank plc	E, G
Ecobank Transnational Inc plc	E
African Petroleum plc	E
Dangote Sugar Refinery plc	E
Cement Company of Northern Nigeria plc	E
United Bank for Africa plc	E
Crusader Nigeria plc	E
Guaranty Trust Bank plc	E
Zenith Bank plc	E
Lafarge Cement Wapco Nigeria plc	E, G

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