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Monthly Market Wrap*

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EQUITY REPORT

DECEMBER, 2015

Market Summary

Indicator	2014: End	31-Dec	30-Nov	Month-on-month (%)	Year-to-date (%)
NSE ASI INDEX	34,657.15	28,642.25	27,385.69	4.59%	-17.36%
Market Cap (N'bn)	11,477.66	9,850.61	9,415.81	4.62%	-14.18%
Volume traded (mn)	233.81	252.16	319.72	-21.13%	7.85%
Value traded (N'mn)	4,228.75	3,854.74	3,010.64	28.04%	-8.84%

2015 Roundup: Stock Market Performance

Secondary Market

- The NSE Index surged **4.59%** in December; recorded a **-17.36%** year-on-year performance in 2015.
- The Nigerian bourse endured a very challenging year in 2015, largely plagued by the drop in oil prices amongst other macro-economic factors.
- The biggest one-day gain recorded by the All Share index in 2015 was on the 1st of April (**8.30% gain**) shortly after General Muhammadu Buhari was declared winner of the 2015 Presidential elections. We called this the Bull-hari effect. The market returned to its bearish ways shortly after as macro-economic fundamentals further deteriorated. The highest point recorded for the index was **35,728.12** (2nd April; See figure 1), the lowest was **26,537.36** (18th December).
- The Nigerian Stock Exchange launched the “NSE Premium board” with FBN holdings, Dangote Cement and Zenith bank stocks being the first three companies included on the board. The Premium board is for elite group of Issuers that meet the Exchange’s most stringent corporate governance and listing standards.
- The NSE banking index was the worst performer amongst the 12 sub-indices on the bourse in 2015. The index dipped **30.88%** in the period. (See figure 2). Diamond bank led the losers chart in 2015 with **58.8%** price depreciation below its 2014 close. Stanbic IBTC and Skye bank came in at a distant 2nd and 3rd, as their respective share prices dropped by **38.5%** and **37.6%** over the same period. (See table 1).
- Oil prices were persistently under downward pressure in 2015 owing to overwhelming supply glut in the Energy market. In fact, Brent Crude prices touched over 10-year lows during the month of December. That notwithstanding, the NSE oil and gas index was up **13.88%** in December; down **6.6%** (year-on-year). (See figure 2). Forte Oil Plc, Total Plc and Mobil Nigeria Plc were price gainers in 2015 despite the oil price trend. Forte Oil Plc recorded a 73.8% surge in price above its 2014 close. (See table 1). Quite understandably, Oando Plc was the worst performer in that space; recorded a 63.4% price depreciation in 2015, Seplat Plc followed with a 45.3% dip in price (year-on-year). (See table 1).

- The NSE Consumer goods index was one of the most hit by the deteriorating macro-economic environment in 2015. The index dropped by **21.09%** (year-on-year). Tiger branded Consumer goods Plc. (formerly Dangote Flour) was unavoidably the biggest laggard; dropping **75.2%** of its share price in 2015. The stock came under pressure after the South African parent withdrew funding from the Nigerian outfit (See table 1). Presco Plc. Okomu Oil Plc and Unilever Plc still managed to record year-on-year appreciation in price. Their prices were up 34.7%, 19.5% and 20.8% respectively. (See table 1).
- Despite the tough operating environment in 2015, the NSE Industrial index was quite resilient and was about the only sub-index to record positive year-on-year returns. The index was up **1.25%** above its 2014 close. Lafarge Africa (WAPCO) and Ashaka cement Plc drove gains in that segment with **20.2%** and **14.2%** gain in their share prices respectively.

Primary Market

- There were no new listings in the Primary market in 2015.
- United Bank for Africa (UBA) successfully raised N11.5 billion through a rights issue in July, 2015. It was a rights issue for existing shareholders of one (1) ordinary share for every existing ten (10) units at a price of N3.50k each.
- Access Bank also successfully raised N41.8 billion via rights issue in 2015. It was a rights issue of one (1) ordinary share for every existing three (3) units at a price of N6.90k per share.
- Unilever launched a tender offer to buy 944.5 million shares at N45.50 per share. This further reduced that tradable float in the market.
- Diageo Plc also notified the market of their intention to increase its Equity Stake in Guinness Nigeria from 54.3% to 70% by way of tender offer at a maximum price of N175 per share.

ECONOMIC CALENDAR		
DATE	DOMESTIC MARKET	CURRENT
JANUARY, 2016	December Inflation figures	9.40%
	December Federal Allocation	N369.88billion
	GLOBAL MARKET	
5th January	Euro-Zone Inflation rate	0.20%
6th January	US FOMC Minutes	Nil
7th January	Euro-zone Unemployment Rate	10.70%
7th January	US Initial and Continuing Jobless Claims	287k and 2198k
8th January	US Unemployment Rate	5.00%
14th January	Bank of England Interest Rate Decision	0.50%
20th January	US Inflation Rate (Y/Y)	0.50%
20th January	UK Unemployment Rate	5.20%
21st January	European Central Bank Interest Rate Decision	0.05%

2015 Highlights :Domestic and Global Update

Domestic

- General Muhammadu Buhari won the Presidential elections at the third attempt; named Fashola, Adeosun, Ameachi and Udoma as part of his cabinet. He presented a N6.04trillion budget to a joint session of the Senate and House of Representatives in December where he assured Nigerians of Infrastructural development and inclusive growth.
- In June, the Central bank banned a list of 41 items not eligible for foreign exchange at the Nigerian foreign exchange market.
- JP Morgan phased out Nigeria from its GBI-EM emerging market index; citing liquidity concerns in September.

- MTN Nigeria initially fined \$5.2 billion (N1.04 trillion) for failing to disconnect about 5.2million unregistered subscribers (N200,000 for each subscriber); the group CEO, Sifiso Dabengwa resigned. The fine was later reduced to N780billion after negotiations
- Barclays to cut Nigeria from its Emerging Markets local bond index by February 1, 2016; stating lack of liquidity and currency restrictions for the action.
- First bank, UBA and Skye bank all got fined by the Central bank of Nigeria, **N1.88billion**, **N2.8billion** and **N4billion** respectively for concealing Treasury Single account (TSA) funds. Guinness Nigeria Plc. also got fined **N1billion** by NAFDAC for violation of NAFDAC rules.
- Nigeria’s Monetary Policy Committee (MPC) employed some easing techniques at their last meeting of the year during the period in order to stimulate growth. The Monetary Policy rate (MPR) was reduced to 11% from 13% while the corridor around the benchmark rate was changed to asymmetric (previously symmetric) +2%/-7%. Furthermore, the cash reserve ratio (CRR) was further reduced by 500 basis points to 20%.
- The Central bank directed banks to increase their loan loss reserves to 2% from 1% previously.
- Headline Inflation rose to **9.40%** in November; Food and Core Inflation were **10.3%** and **8.70%** respectively.
- Nigeria’s distributable Revenue decreased by about **N103.95billion** as the Federal government, States and Local governments shared **N369.88billion** in December (November allocation). Non-oil revenues continued to firm up in this period of low prices, the Finance minister said. Excess Crude account totalled **\$2.258billion** (unchanged from the previous month).
- Nigeria’s External Reserves stood at \$29.10 billion as at 30th December; down slightly from \$29.92billion in November. The Reserves depleted by roughly **16%** in 2015 (\$34.37 billion as at 31st December, 2014). Oil price (according to the CBN website) stood at \$36.09 per barrel as at 30th December, 2015.

Global

- The U.S. Federal Reserve raised the Fed funds rate by 25 basis points to 0.5% for the first time in 9 years at its December Policy meeting. The US economic growth rate for third quarter came in at 2%.
- The European Central bank left its benchmark refinancing rate unchanged at a record low of 0.05% but lowered its deposit facility by 10 basis point to –0.3% while extending its 60billion Euros asset purchase program until at least March 2017.
- Major Global Equity indices recorded year-on-year appreciation with the exception of the FTSE 100 (United kingdom) which dipped by **4.93%**. China’s Shanghai Composite index was the best performer amongst our selected global indices. The index was **9.41%** after the Chinese Central bank engaged easing techniques persistently during the year in order to stimulate growth. Japan’s Nikkei 225 and France’s CAC 40 also close with positive returns of **9.07%** and **8.53%** respectively (See table 2).
- Brent Crude prices were persistently pressured in December after the Organisation of Petroleum Exporting Countries (OPEC) decided to maintain output at current levels at their last meeting of the year. The oil price closed at **\$37.28** per barrel; **16.43%** down from **\$44.61** per barrel recorded at the end of November and **34.97%** down in 2015 (\$57.33 per barrel as at 31st December, 2014).

OUTLOOK FOR 2016

We maintain a cautious approach as we look forward into 2016, given the lackluster performance of the Nigerian bourse in the year 2015. Sentiments towards Nigerian Equities in the preceding year was largely impacted by a number of factors ranging from low oil prices, US Federal Reserve tapering of the \$85 billion asset purchase program, political instability and insecurity, depreciation of the Nigerian currency amongst others. In the same vein, we reckon that the outlook for the Nigerian bourse in 2016 as well as sentiments towards Nigerian Equities will be largely dependent on a number of factors;

Oil Prices– We can argue that persistently low oil prices due to supply glut was the major determinant of the depleted sentiments towards Nigerian stocks in 2015. This is not far-fetched as oil has for years been the major contributor to Nigeria’s Revenue. Oil prices closed the year around multi-year lows (\$37 per barrel) and there are indications that prices could tend further downwards as we go into 2016. The US is expected to lift its ban on petroleum exports, OPEC countries are not showing signs of reducing production, Production in Iran could also further increase if US lifts sanctions against the middle-Eastern nation. All of these will increase the supply glut and further put downward pressure on oil prices.

The administration’s Policy direction- Economic policy clarity is very key for investors as these would be determinants of growth in the short-to-medium term. President Buhari presented his administration’s 2016 budget to a joint session of the Senate and House of Assembly towards the end of the year and he asserted that his administration would seek to stimulate the economy through infrastructural development and inclusive growth while also prioritizing the welfare of Nigerians. He also intimated Nigerians of the need for economic diversification away from over-dependency on oil with a view to encourage import substitution and export promotion.

Exchange Rate– The country’s exchange rate is very important essentially for foreign investors. The reliability and stability of the exchange rate goes a long way in determining the level foreign portfolio and foreign direct investments into the country. Foreign investors always take a keen interest in exchange rate movements in order to be sure of the security of their investments in terms of returns. The Nigerian currency was largely pressured in the past year and that led to a lot of restrictions and stricter regulations in the foreign exchange market which inevitably did not go down well with foreign investors. Analysts have in recent times, questioned the short-to-medium term sustainability of the current exchange rate regime of the Central bank. However, the Central Bank Governor has stated that the Naira is appropriately priced.

Company Fundamentals– Away from the broader macro-economic factors, an investment decision or otherwise in any Equity instrument lies majorly on the fundamentals of the company. An Equity investor would particularly want to drill down on the company’s financials, historical performances as well as prospects for future growth in the company with a view to getting a sense of the kind of returns the investment will offer. Most Nigerian companies were largely affected by the deteriorated macro-economic environment in 2015 and hence, most of the sub-indices on the Nigerian bourse recorded negative year-to-date returns. We will take a cursory look into the review of some major segments of the Nigerian bourse in 2015 and also provide some outlook as regards what to expect in the new year 2016.

⇒ **Oil and gas segment/index**: With the incessant drop in oil prices during the year 2015, it is not surprising to see the oil and gas index return negative **6.6%**. Clearly, most oil companies recorded drops in profits while some others recorded losses. Going into 2016, the outlook for global oil prices is tipped around **\$53** per barrel (average price) according to the Bloomberg consensus forecast. Company specific strategies to weather the storm of the low oil prices as well as exploring other energy options which tend to be more viable could be a more profitable option for oil companies in 2016.

OUTLOOK FOR 2016

We reckon that the oil and gas segment will remain volatile in 2016 and most of the companies could yet struggle with profitability.

- ⇒ **Consumer goods segment/index:** Most of the companies in the consumer goods space recorded losses according to their respective 9-months 2015 financials. Consumer goods companies have struggled to cope with the higher input costs which resulted from the depreciation of the Naira coupled with increased restrictions in the foreign exchange rate market. The NSE consumer goods index recorded a **21.09%** depreciation in 2015. It is therefore pertinent that companies in this space should look to source more of their inputs locally in order to reduce the input costs as well as remain profitable. Furthermore, companies will look to employ some backward and forward integration techniques and methods to foster more efficiency. We reckon companies that are able to effectively reduce their input and overhead costs by way of sourcing their raw materials locally may perform better in 2016.
- ⇒ **Industrial segment/ index:** This segment is perhaps the most less fragmented on the entire bourse as Dangote Cement, being the market leader could always dictate market and price direction. The NSE Industrial index was the only sub-index to record positive returns in 2015 (+1.25%). However, we are slightly optimistic about this sector going into 2016. If the President's 2016 budget presentation is anything to go by, the focus on capital projects and infrastructural development portends that companies in this sector will enjoy increased demand for their products and hence could be more profitable in 2016.
- ⇒ **Banking segment/ index:** We can argue that the banking segment feeds off most other sectors in the Nigerian economy, depending on their exposure. In 2015, most banks that were largely exposed to the oil and gas sector felt the heat and hence, the increase in non-performing loans by most of the financial institutions. The NSE banking index dropped **30.88%** in 2015. The outlook for the banking sector is largely dependent of the performance of the Nigerian economy. In other words, if economic activities do improve, banks could thrive on different business opportunities with the different companies across the different sectors of the economy. However, the pessimism of financial institutions towards creating more risky assets at this time cannot be over-emphasized, given the deteriorating macro-economic condition. Also, the implementation of the zero COT (Commission on Transactions) policy from January 2016 is expected to impact banks' profitability.

Conclusively, we reckon that the performance of the Nigerian bourse in 2016 will remain largely dependent of the macro-economic conditions as was the case in 2015. Market activities in Nigerian Stock market still remain foreign investor dominated hence, there is an apparent need for more domestic participation in the Nigerian stock market. In terms of investment decisions, we advise investors to stick to the quality tier 1 names across all the different sectors of the bourse, given the current volatility in the market as we expect this to continue for most of the first quarter of 2016. Most of these quality names have been battered in recent times and there could be entry opportunities ahead of the release of their full year financials from the end of January, 2016.

Likewise, we cannot undermine the effects the rise in US interest rates could potentially have on the Nigerian market. Put simply, a rise in US interest rates could deter more foreign investors from looking into frontier markets like Nigeria as their investment destinations. With speculations rising that the US FED could further raise its benchmark interest rate (FED funds rate) in 2016, chances of increased foreign investments in the Nigerian market are looking slimmer.

Table 1: Sectoral Stock Performance

Sector/Industry	Ticker	Close	1-MONTH CHANGE	YEAR-ON-YEAR
		Naira	%	%
Basic Materials				
Specialty Chemicals				
Chem.& Allied products Plc.	CAP NL EQUITY	37.60	-0.9%	0.3%
Consumer goods				
7UP Plc.	7UP NL EQUITY	182.00	-1.1%	10.0%
Cadbury Plc.	CADBURY NL EQUITY	17.15	-12.8%	-57.1%
Champion Breweries Plc.	CHAMPION NL EQUITY	3.37	-11.1%	-51.7%
Tiger branded consumer goods	TIGERBRA NL EQUITY	1.13	-26.6%	-75.2%
Dangote Sugar Refinery	DANGSUGA NL EQUITY	6.03	0.5%	-5.0%
Flourmill Nigeria Plc.	FLOURMILL NL EQUITY	20.80	4.0%	-46.6%
Guinness Nigeria Plc.	GUINNESS NL EQUITY	120.40	-0.5%	-28.4%
Nigerian Breweries Plc	NB NL EQUITY	136.00	13.3%	-17.7%
Nestle Nigeria Plc.	NESTLE NL EQUITY	860.00	6.2%	-15.0%
Okomu Oil	OKOMUOIL NL EQUITY	30.30	12.6%	19.5%
Presco Plc	PRESCO NL EQUITY	33.00	6.5%	34.7%
PZ Cussons Plc.	PZ NL EQUITY	25.70	0.9%	8.0%
Unilever Plc.	UNILEVER NL EQUITY	43.25	13.6%	20.8%
Financials				
Banks				
Access Bank Plc.	ACCESS NL EQUITY	4.85	-2.0%	-26.5%
Diamond Bank Plc.	DIAMONDBNK NL EQUITY	2.30	0.4%	-58.8%
ETI Bank	ETI NL EQUITY	16.80	9.4%	-3.6%
Fidelity Bank Plc.	FIDELITY NL EQUITY	1.50	7.1%	-7.4%
First Bank Holding Plc.	FBNH NL EQUITY	5.13	-3.9%	-35.9%
First City Monument Bank Plc.	FCMB NL EQUITY	1.69	-13.8%	-32.1%
Guaranty Trust Bank Plc.	GUARANTY NL EQUITY	18.18	-9.1%	-27.8%
Skye Bank Plc.	SKYEBANK NL EQUITY	1.58	-6.0%	-37.6%
Stanbic-IBTC Bank Plc.	STANBIC NL EQUITY	16.53	0.2%	-38.5%
Sterling Bank Plc.	STERLN BANK NL EQUITY	1.83	-8.0%	-28.0%
UBA Bank Plc.	UBA NL EQUITY	3.38	-11.1%	-21.4%
United Bank Nigeria Plc.	UBN NL EQUITY	6.90	19.0%	-18.8%
Wema Bank Plc.	WEMABANK NL EQUITY	1.00	4.2%	4.2%
Zenith Bank Plc.	ZENITHBANK NL EQUITY	14.05	-9.9%	-23.7%

Sector/Industry	Ticker	Close	1-MONTH CHANGE	YEAR-ON-YEAR
		Naira	%	%
INSURANCE				
AiICO Insurance Plc.	AIICO NL EQUITY	0.91	1.1%	12.3%
Axa-Mansard Insurance Plc.	MANSARD NL EQUITY	2.69	-0.4%	-15.9%
Wapic Insurance Plc.	WAPIC NL EQUITY	0.50	0.0%	-21.9%
Industrials				
Building Materials & Fixtures				
Ashaka Cement Plc.	ASHAKACEM NL EQUITY	25.00	8.6%	14.2%
Cement Co of North. Nig. Plc	CCNN NL EQUITY	9.35	26.2%	-10.0%
Dangote Cement Plc.	DANGCEM NL EQUITY	170.00	8.3%	-15.0%
Julius Berger Plc.	JBERGER NL EQUITY	42.00	12.2%	-30.8%
Lafarge Africa Plc.	WAPCO NL EQUITY	96.80	8.7%	20.2%
Oil and Gas				
Integrated Oil & Gas				
Forte Oil Plc.	FO NL EQUITY	330.00	26.1%	73.8%
Mobil Nigeria Plc.	MOBIL NL EQUITY	160.00	27.0%	1.3%
Oando Plc.	OANDO NL EQUITY	5.90	-0.5%	-63.4%
Seplat Petroleum Dev. Co. Plc.	SEPLAT NL EQUITY	203.00	-6.5%	-45.3%
Total Nigera Plc	TOTAL NL EQUITY	147.01	1.3%	3.2%
Others				
Transcorp Hotels Plc.	TRANSCORP NL EQUITY	1.52	-10.1%	-53.2%
UAC Property Company Plc.	UACPROP NL EQUITY	6.09	0.7%	-35.9%

NIGERIAN STOCK EXCHANGE (NSE) SUB-INDEXES PERFORMANCE

Figure 1:

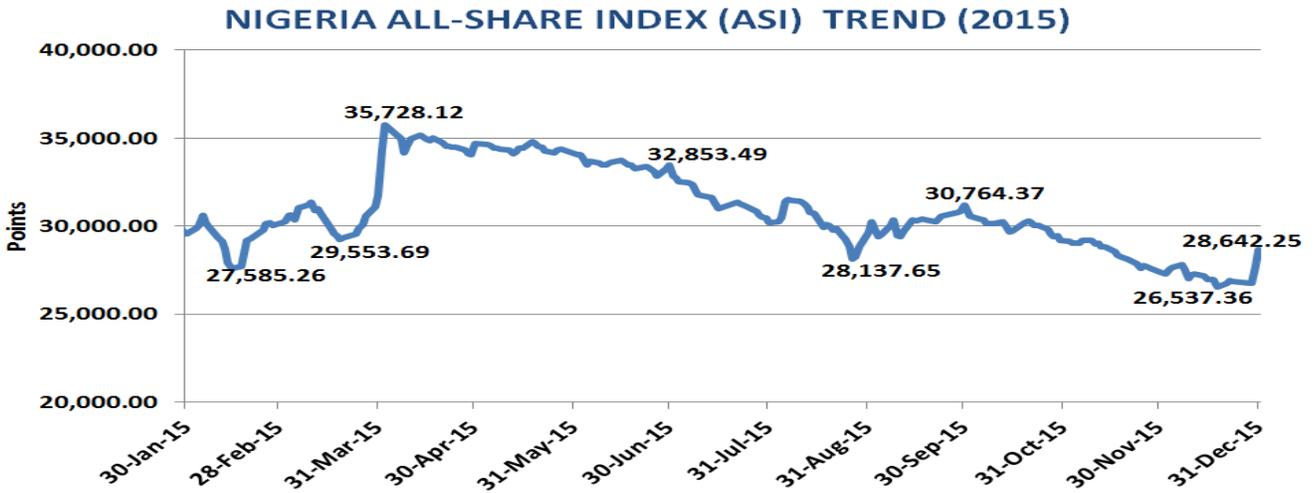


Figure 2: NSE BANKING

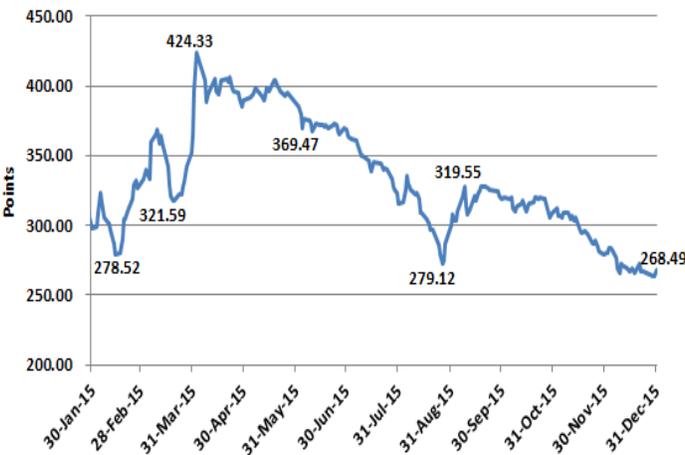


Figure 3: NSE OIL AND GAS

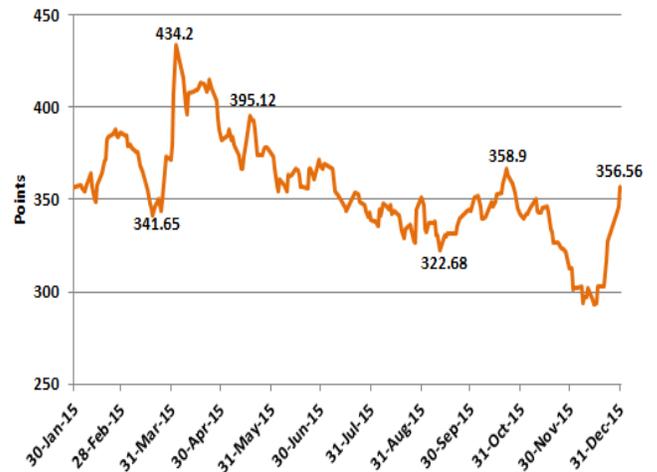


Figure 4: NSE CONSUMER GOODS

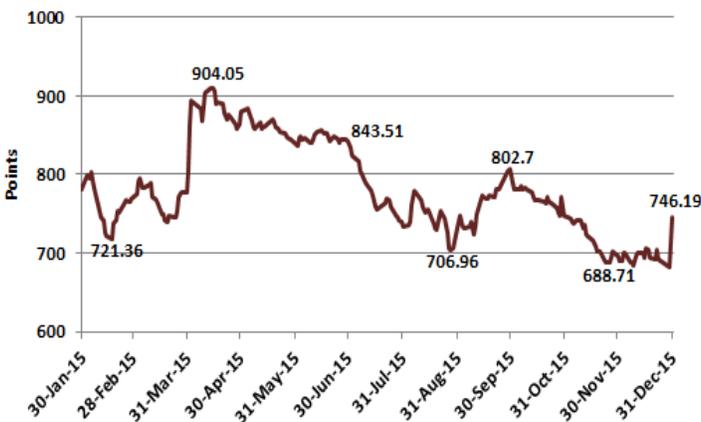
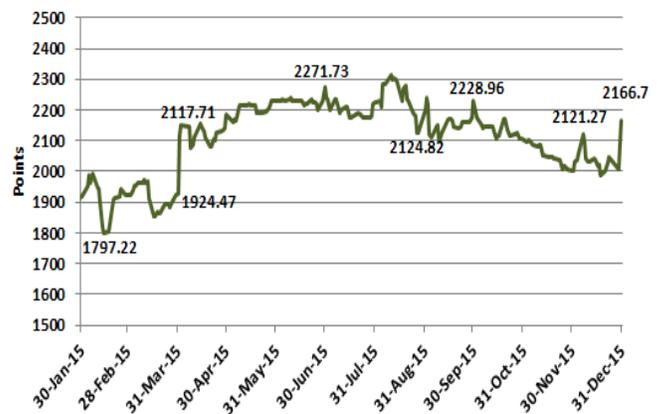


Figure 5: NSE INDUSTRIAL



*Sources– Nigerian Stock Exchange (NSE), Bloomberg, Stanbic IBTC Stockbrokers

NSE INDEX Vs SELECT AFRICAN/GLOBAL INDICES

Figure 6: NSE INDEX Vs JSE INDEX

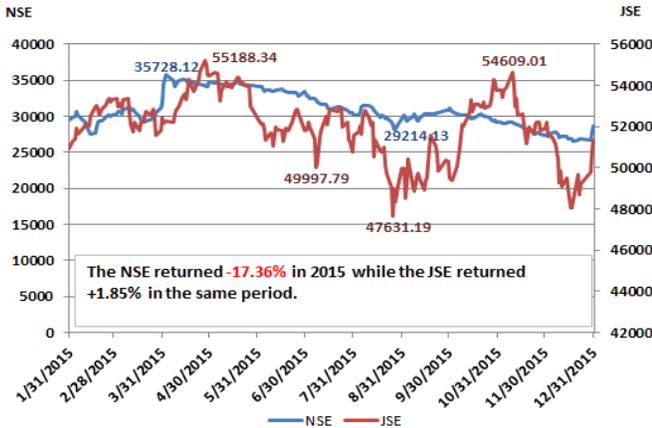


Figure 7: NSE INDEX Vs GHANA (GSE)

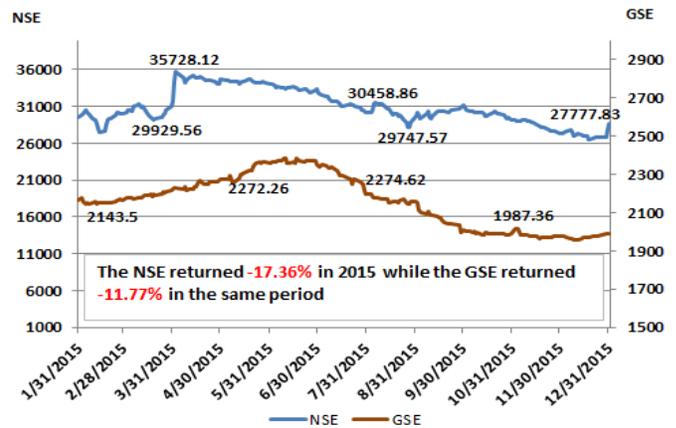


Table 2:

INDICES	2014:CLOSE	31-Dec	30-Nov	Month-on-month change (%)	Year-to-date change (%)
DOW JONES (US)	17,383.07	17,425.03	17,666.40	↓ -1.37%	↑ 0.24%
S&P 500 (US)	2,058.90	2,043.94	2,020.85	↑ 1.14%	↓ -0.73%
NASDAQ (US)	4,736.05	5,007.41	4,676.69	↑ 7.07%	↑ 5.73%
FTSE 100 (UK)	6,566.09	6,242.32	6,782.55	↓ -7.96%	↓ -4.93%
CAC 40 (FRANCE)	4,272.75	4,637.06	4,627.67	↑ 0.20%	↑ 8.53%
NIKKEI 225 (JAPAN)	17,450.77	19,033.71	17,558.04	↑ 8.40%	↑ 9.07%
SHANGHAI COMP (CHINA)	3,234.68	3,539.18	3,204.91	↑ 10.43%	↑ 9.41%
JSE (SOUTH AFRICA)	49,770.60	50,693.76	51,394.55	↓ -1.36%	↑ 1.85%
GSE (GHANA)	2,261.02	1,994.91	2,155.66	↓ -7.46%	↓ -11.77%

Figure 8: NSE INDEX Vs OIL PRICE

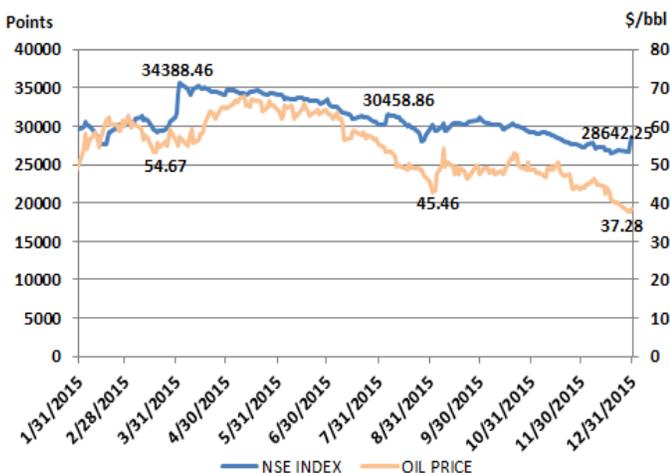
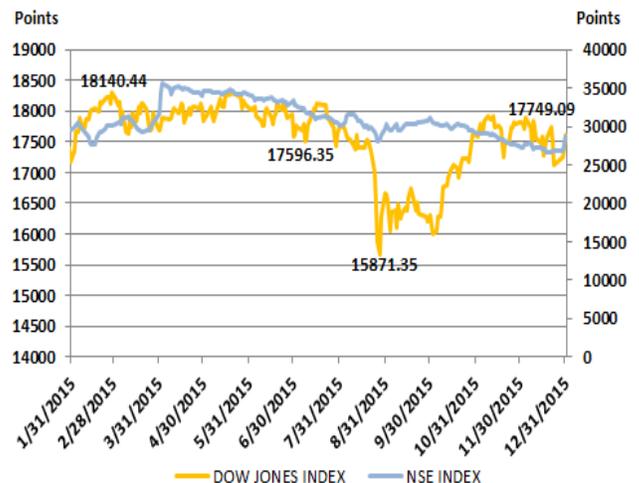


Figure 9: NSE INDEX Vs DOW JONES



*Sources– Nigerian Stock Exchange (NSE), Bloomberg, Stanbic IBTC Stockbrokers

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