

13th May 2019



Weekly Nigerian Market Wrap (Friday 03/05 to Friday 10/05)

Economic Update

Godwin Emefiele Re-appointed as CBN Governor

Godwin Emefiele has been re-appointed the CBN governor for a second term after his nomination by President Buhari. Emefiele's re-appointment is the first time that a CBN governor has been given a second term since 1993.

With another five years to steer Nigeria's monetary policy, we do not expect a significant difference in the path of policies that Emefiele adopted in his previous term.

Regarding stabilising the Naira, we opine that the governor will continue to supply foreign currency through the I&E window in order to maintain exchange rate stability. Nigeria's exchange rate has been able to achieve relative stability in the market hovering around ₦350/\$1 to ₦360/\$1. We also expect him to continue with the target to achieve single digit inflation rate.

Nigeria's inflation rate has continued to trend downwards in the last few months presently at 11.25% (March inflation). In terms of the anchor policy rate, Monetary Policy Rate (MPR), we do not envision any changes in the months to come since the rate was cut down to 13.50%.

In relation to lending to the real economy, we expect Emefiele to continue with his efforts to increase lending to agriculture and manufacturing. Last year, Emefiele announced that banks that lent to either of the sectors at single digit interest rate could get funds from CBN as an incentive to encourage the banks.

NSE Approves Listing of MTN Shares

The Nigerian Stock Exchange (NSE) has given the go ahead for the listing of telecommunication giants, MTN, on the stock exchange. Although, the listing is only by way of introduction.

The listing by introduction means that MTN will not be offering any shares to the market or investors, but it is only registering its existing shares.

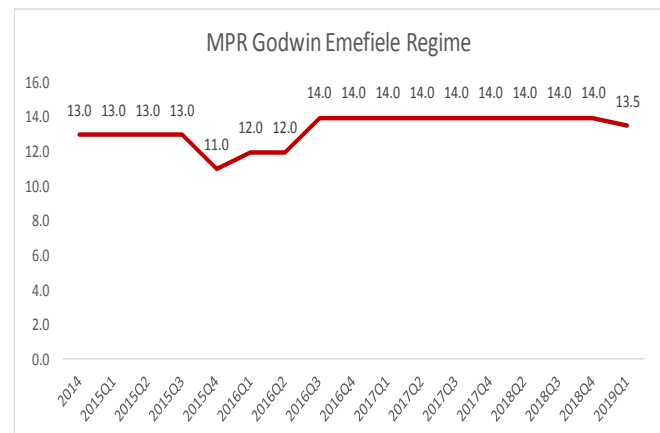
This step by MTN in our opinion is the best choice as the company has yet to settle the allegations made by the Attorney General of Nigeria and the fine of \$2 billion.

Going ahead to offer shares to the public with the case still in court is likely to negatively affect the price of the stock.

However, the decision to finally list MTN shares on Nigeria's stock market is what we consider a welcome initiative given the limited initial public offers (IPOs) on the stock market in the last few years. Furthermore, Nigeria's stock market is likely to benefit in terms of driving positive sentiments to the market whenever they finally offer shares to the public.

CBN GOVERNORS

Name	Date
Alhaji Abdulkadir Ahmed	1982-1993
Dr. Paul Ogwuma	1993-1999
Dr. Sanusi	1994-2004
Prof. Chukwuma Soludo	2004-2009
Mallam Sanusi Lamido Sanusi	2009-2014
Mr. Godwin Emefiele	2014-2023



CURRENT MACROECONOMIC INDICATORS

Indicators	
GDP growth rate Q4 2018	1.98%
Monetary Policy Rate (MPR)	13.50%
Crude Oil Price (\$ per barrel)	\$70.62
Official Exchange Rate	N307.00
Purchasers Manager Index	57.7
External Reserves (\$' billion)	\$44.7

Contact Information

research@gdl.com.ng (+234 705 564 6017) assetmanagement@gdl.com.ng (+234 808 332 6645)

Equity Update

NSE ASI Ends the Week on a Bearish Note – Down 1.25%

The NSE ASI closed the week on a bearish note by declining by 1.25% as it dropped to 28,847 index points. Year-to-Date (YTD) analysis of the equity market shows that the market is down by 8.22%.

At the start of the week (May 05), the ASI dropped to 29,196.87 and representing a decline of 0.05% due to sell pressures in stocks like MOBIL, CCNN, GUARANTY and IKEJAHOTEL. At the end of the week, market capitalisation closed at ₦10.84 trillion as against ₦10.98 trillion. In terms of the volume of stocks traded, at the end of the week it had dropped to 235.22 million from the 356.30 million recorded at the beginning of the week. Likewise, we witnessed a decrease in the value of transactions at the end of the week to ₦1.36 billion from ₦2.30 billion at the start of the week.

Analysis of the Stock performance at the close of the week showed that the top 5 gainers as at May 10th were ETI, STANBIC, GUINNESS, UACN and NEM. On the other hand, SEPLAT, AFRIPOD, GUARANTY, ETERNA and MANSARD were among the top 5 losers.

At the close of the week, the total number of stocks that advanced were 13 against 27 stocks that declined.

Analysis of the performance of sectors under our coverage at the end of the week revealed that all the sectors trended downwards. The oil & gas index declined the most, down 5.29%; this was followed by the banking index and the insurance index declining by 2.77% and 1.74%, respectively.

NSE ASI HIGHLIGHTS

Indicators	03/05/19	10/05/19	%Change
NSE ASI	29,212.00	28,847.81	-1.25
MKT Cap (N' bn)	10,979.10	10,842.18	-1.25
Volume Traded (Million)	356.30	235.22	-33.98
Value Traded (N' bn)	2.30	1.36	-40.87

NSE SECTORAL INDICES HIGHLIGHTS

Indicators	03/05/19	10/05/19	%Change
NSE 30	1,313.28	1,294.53	-1.43
BANKING	380.81	370.27	-2.77
INSURANCE	120.73	118.63	-1.74
CONSUMER GOODS	671.05	669.53	-0.23
OIL & GAS	279.70	264.90	-5.29
INDUSTRIAL GOODS	1,100.74	1,096.75	-0.36

Foreign Exchange

Naira depreciates Marginally Again

The CBN spot rate depreciated marginally as it closed the week at N307.00/US\$1.00. Likewise, in the Investors and Exporters (I&E) window, the Naira also depreciated w-o-w to N360.88/US\$1.00 from N360.65/US\$1.00.

In the Secondary Market Intervention Sales (SMIS) Window, the Naira also depreciated to N356.60/US\$1.00.

FOREIGN EXCHANGE MARKET

Indicators	03/05/19	10/05/19	%Change
CBN Official	306.95	307.00	+0.02
CBN SMIS Window	356.46	356.60	+0.03
I & E FX Window	360.65	360.88	+0.06

Contact Information

research@gdl.com.ng (+234 705 564 6017) assetmanagement@gdl.com.ng (+234 808 332 6645)

Fixed Income

Money Market – OBB Rates Increase by 385 Basis Points (BPS)

The Open Buy Back and Overnight Rates increased by 385 bps and 407 bps, respectively as liquidity level in the banking sector declined to close the week. The reduction in system liquidity was as a result of several CBN open market operations (OMO).

MONEY MARKET

Indicators	03/05/19	10/05/19	Basis Point Change
OBB Rate	5.29%	9.14%	+385
O/N Rate	5.93%	10.00%	+407

FGN Bonds – Yields Decline

Last week in the bonds market yields dropped across board as investors continue to demand for fixed income securities over the stock market. Yields on the 3-year FGN bond declined by 28 bps to 14.47%, while the yields on the 7-year FGN bond and 10-year FGN bond fell by 32 bps and 25 bps, respectively.

FGN BOND YIELDS

Maturity	03/05/19	10/05/19	Basis Point Change
3 years	14.75	14.47	-28
5 years	14.17	14.17	-
7 years	14.58	14.26	-32
10 years	14.49	14.24	-25

T-Bills – Yields Continue to Trend Downwards

In the treasury bills market last week, yields were largely on the decline signifying increased demand for treasury bills by investors. For example, the 6 months and the 12 months yield dipped by 14 bps and 22 bps, respectively to close the week. The 3 months treasury bills although rose by 19 bp to close the week a 11.16%.

TREASURY MARKET YIELDS

Maturity	03/05/19	10/05/19	Basis Point Change
3 months	10.97	11.16	+19
6 months	13.42	13.28	-14
12 months	14.38	14.16	-22

Market Outlook

In the stock market this week, we expect the ASI to further decline due to the negative sentiment investors have for the market. The negative sentiment to the stock market is expected to feed into the fixed income market as we expect yields on FGN bonds to keep up with the downward trend as investors continue to position themselves in the bond market. In the foreign exchange market, we maintain our position of a slight depreciation in the exchange rate this week

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