



WHAT TO KNOW BEFORE BUYING STOCKS ON NGX

*A Strategic Guide to Navigating Africa's Largest Equity
Market*

A Page Asset Management Research Analysis

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Introduction



The Nigerian Exchange as Africa's Gateway

The Nigerian Exchange (NGX) stands as one of Africa's most significant financial markets, representing the gateway to the continent's largest economy. Much like the NYSE for American markets, the NGX is the heartbeat of African capital flows, offering exposure to high-growth sectors. Both retail investors seeking portfolio diversification and institutional portfolio managers looking to capitalize on emerging market opportunities can benefit from exposure to some of Africa's most influential companies through the NGX.

This analysis examines the fundamental principles of investing in Nigerian equities and illustrates key investment considerations for the broader investment community.

1. Understand the Macroeconomic Landscape

- GDP Growth and Inflation
 - Currency Risk
 - Regulatory Environment
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GDP Growth and Inflation

Nigeria's economy is heavily influenced by oil prices, FX liquidity, and fiscal policies. Nigeria's GDP growth remains subdued at 3.7% in 2025 while inflation climbed to 28%+ in Q2 2025 (National Bureau of Statistics [NBS], 2025). All of these are driven by FX reforms and naira devaluation (post-2023 unification), removal of fuel subsidy, and food and transport costs amid structural bottlenecks.



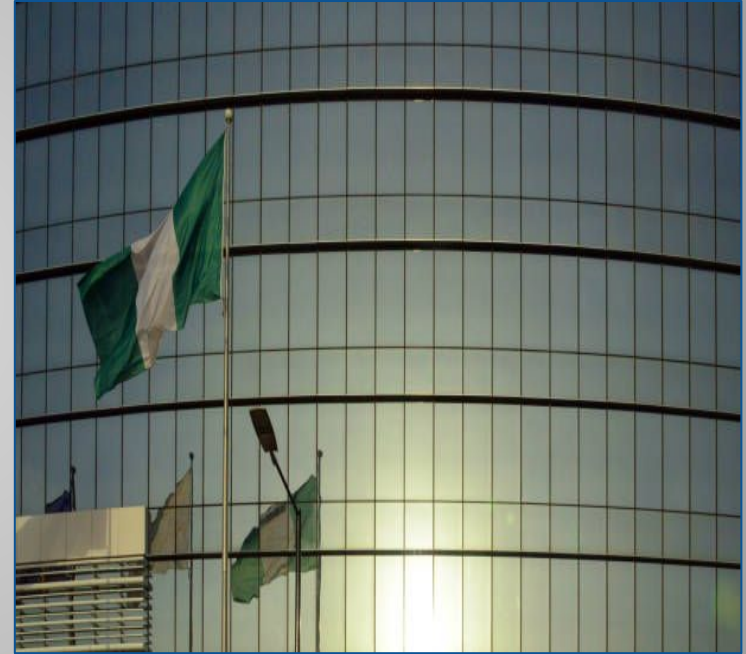
Currency Risk

The Naira's volatility significantly impacts dollar-denominated returns. In this case, hedging strategies such as FX forwards, offshore diversification, or currency-matched asset allocation may be necessary to mitigate exposure and stabilize returns.



Regulatory Environment

By staying updated on SEC, CBN, and NGX policies (e.g., recent changes in listing requirements), you gain valuable insights on the potential impacts of regulations on stocks.

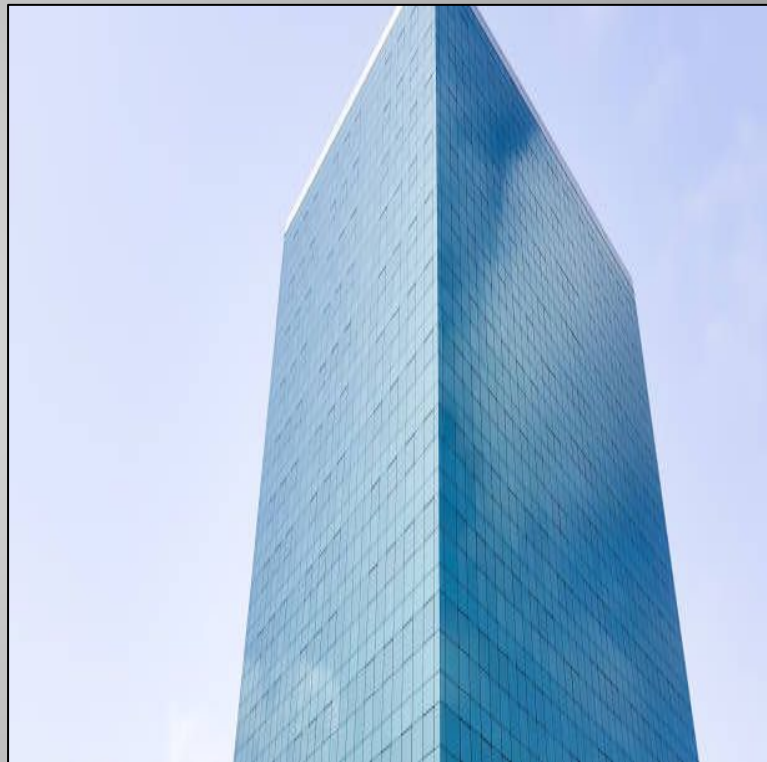


2. Evaluate Sectoral Opportunities & Risks

- Banking (GTCO, Zenith, UBA, etc.)
- Telecommunications (MTN Nigeria, Airtel Africa)
- Consumer Goods (Nestlé, Dangote Sugar)
- Energy (Seplat, TotalEnergies)

Banking

This sector is highly sensitive to CBN monetary policy, interest rate movements, and liquidity regulations. Profitability is driven by net interest margins, loan growth, and cost of funds.



Telecommunications (MTN Nigeria, Airtel Africa):

The sector is driven by rapid mobile money adoption from the fintech industry, surging data consumption, and growing rural connectivity. Telecoms also benefit from Nigeria's youthful, digital-first population. However, they remain exposed to regulatory headwinds, spectrum licensing costs, and foreign exchange repatriation constraints, particularly for dividend payments and capital expenditures (CAPEX) financing.



Consumer Goods

They are largely dependent on household income levels, input cost inflation, and foreign exchange access for importing raw materials. Their price elasticity and local sourcing strategies are critical for growth.



Energy

Revenue is closely tied to global oil prices, production volumes, and local refining dynamics. Affected by upstream regulatory shifts and foreign exchange remittances.



3. Conduct Fundamental Analysis

Financial Metrics:

Price to Earning (P/E) Ratio: Stocks that trade below their sector P/E (e.g., Banking at 5x) may be undervalued, but check if their earnings are stable first.

Dividend Yield: You can decide if you want to be paid by the top payers like GTCO (8–10%) or growth stocks like MTN (3–4%).

Debt-to-Equity: Avoid companies with unsustainable leverage (e.g., >50%).

Earnings Quality: Scrutinize revenue sustainability and cost controls.

4. Technical & Liquidity Analysis

Liquidity: Choose liquid stocks like MTN and Zenith which trade >1M shares daily; avoid illiquid small-cap stocks.

Chart Patterns: Use moving averages(MA) and RSI to time entries. MA explains how short-term average price exceeding long-term average price indicate uptrends, and vice versa.

5. Risk Management Strategies

Diversification: Spread exposure across sectors (e.g., 40% banking, 30% consumer goods, 20% telecoms).

Stop-Loss Orders: Limit downside during market shocks (e.g., political instability).

ESG Factors: Assess governance risks (e.g., regulatory fines for non-compliance).

Conclusion



Navigating the NGX Opportunity: Investing in Nigerian equities offers high growth potential but requires disciplined analysis of macroeconomic trends, sector dynamics, and company fundamentals. By combining rigorous research with proactive risk management, investors can capitalize on Africa's largest market while mitigating volatility.

Access Our Proprietary Research

To access our proprietary NGX stock screeners and quarterly valuation models, contact Page Asset Management Portfolio Advisory Team.



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Disclaimer

This analysis represents Page Asset Management research and opinions as of the date of publication.

Sources: Page Asset Management Website, proshare.com, investing.com, NBS

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