

# Monthly Economic and Financial Market Outlook

*Fiscal Policy Pronouncement May Change Market Fortune*

*November 2015*

## Executive Summary

The major highlights of the Monthly Economic and Financial Market Outlook report are:

- There is upside potential for the global economy, mainly from the Organization for Economic Cooperation and Development (OECD) and India
- The People's Bank of China (PBOC) implemented a number of expansionary measures in recent time to stimulate economic activities and boost exports
- The U.S. economy grew by 1.5% quarter-on-quarter (q-o-q) in Q3 2015. The Q3 2015 growth rate is lower than the 3.9% recorded in Q2 2015, and below market expectations
- We estimate that the inflation rate would remain unchanged at 9.4% in October 2015
- The strive to achieve stability in the value of the Naira at the foreign exchange market continues to drive the management of the external reserves
- The combination of Nigeria's dependence on oil revenue and high import bill remain a threat to the accretion to the external reserves in the short-to-medium term
- The fixed income market is expected to be liquid, with lower yields in November 2015
- We expect the equity market to remain flat or trend down marginally in November because there are no major events that will drive the market
- **The yields on fixed income securities are unsustainably low at current level**
- **Any major fiscal policy announcement that gives clearer direction to what the Federal Government of Nigeria (FGN) will do in the short-term may change the fortune of the market**

The prices of bonds recorded mixed performance in the different countries that we monitored in October 2015.

## 1.0. Global and Domestic Economic Issues:

The prices of bonds recorded mixed performance in the different countries that we monitored in October 2015. The 16.39% January 2022 Nigeria Government Bond recorded the highest price increase of 7.66% to 113.32 in October 2015. This was followed by the 8.8% September 2023 Turkey Government Bond, which recorded a price increase of 7.26% to 95.30. The Argentina Bond and the Russia Bond closed the month at negative real yields. The real yield on the Kenyan Bond remains the most attractive amongst the countries we monitored, followed by the Nigerian Bond. The attractive real yield on the Nigerian bond could attract more investments as the Federal Government of Nigeria (FGN) continues to unfold its economic policies.

The PBC cut its benchmark one-year lending rate to 4.35% from 4.5% to stimulate economic activities.

The U.S. economy grew by 1.5% quarter-on-quarter (q-o-q) in Q3 2015. This is contained in the latest report of the U.S. Bureau of Economic Analysis (BEA). The Q3 2015 growth rate is lower than the 3.9% recorded in Q2 2015, and below market expectations. The report added that growth in the consumer and business spending were offset by negative contribution from change in private inventories. Meanwhile, the People's Bank of China (PBC) cut its benchmark one-year lending rate to 4.35% from 4.5% to stimulate economic activities. It is the sixth rate cut since November 2014. The PBC also decided to lower reserve requirements for banks. The one-year deposit rate was also lowered to 1.5% from 1.75%. The decision comes after official data showed the economy grew by 6.9% (year-on-year) in Q3 2015. Although the Q3 2015 growth rate was better than market expectations, it was the weakest growth rate since 2009.

The U.S. economy grew by 1.5% quarter-on-quarter (q-o-q) in Q3 2015.

S/N	Indicators	Argentina	Brazil	China	Egypt	India	Kenya	Nigeria	Russia	South Africa	Turkey	USA
1	Bond Price	88.50	99.30	102.48	113.94	101.63	89.70	113.32	90.84	98.19	95.30	99.13
2	Bond Yield	7.87%	16.08%	3.14%	13.66%	7.83%	15.21%	13.17%	10.05%	8.08%	9.66%	1.97%
3	Bond Price MoM Change	0.00%	-0.05%	1.05%	1.76%	-0.16%	-4.42%	7.66%	5.27%	1.17%	7.26%	-0.17%
4	Bond Yield MoM Change	0.11%	1.35%	-0.17%	-0.46%	0.03%	1.07%	-1.88%	-1.22%	-0.21%	-1.26%	0.12%
5	Bond Price YTD Change	-5.85%	-1.55%	3.49%	5.49%	0.89%	-14.93%	9.26%	24.32%	-1.65%	-9.84%	0.95%
6	Bond Yield YTD Change	1.41%	4.53%	-0.53%	-1.47%	-0.19%	3.55%	-2.15%	-4.69%	0.30%	1.78%	0.13%
7	Volatility	0.00	0.11	0.55	0.86	0.15	2.71	2.50	1.31	0.35	1.86	0.28
8	FX Rate MoM Change*	0.97%	-2.32%	-0.61%	2.58%	-0.50%	-2.63%	-0.02%	-2.41%	-0.29%	-3.91%	-1.57%
9	FX Rate YTD Change*	11.00%	45.09%	1.80%	12.20%	3.52%	12.64%	8.48%	5.30%	19.65%	19.84%	-9.04%
10	Inflation Rate	14.50%	9.49%	1.60%	9.20%	4.41%	6.72%	9.40%	15.70%	4.60%	7.58%	0.00%
11	Policy Rate	21.92%	14.25%	4.35%	8.75%	6.75%	11.50%	13.00%	11.00%	6.00%	7.50%	0.25%
12	Debt to GDP	43.00%	58.91%	41.06%	90.50%	66.10%	49.80%	10.50%	17.92%	39.00%	33.00%	102.98%
13	GDP Growth Rate	2.30%	-2.60%	6.90%	3.00%	7.00%	5.50%	2.35%	-4.30%	1.20%	3.80%	1.50%
14	Nominal GDP (US\$)	540bn	2,346bn	10,360bn	287bn	2,067bn	61bn	569bn	1,861bn	350bn	800bn	17,419bn
15	Current Acct to GDP	-0.90%	-4.17%	2.10%	-0.44%	-1.40%	-7.50%	2.60%	3.09%	-5.40%	-5.70%	-2.40%

\*-ve means appreciation while +ve means depreciation

Sources – Bloomberg, Central Banks, FSDH Research Analysis and Trading Economics

1.1 The Global GDP:

The Organization for Petroleum Exporting Countries (OPEC) indicated in its latest report that the challenges in the emerging and developing economies remain apparent. The OPEC monthly report for October 2015 forecasts global GDP growth at 3.1% and 3.4% for 2015 and 2016, unchanged from the previous month forecast. The report indicated that the Organization for Economic Cooperation and Development (OECD) is forecast to grow by 2% and 2.1% in 2015 and 2016, respectively. The growth forecasts for China and India remain unchanged from the previous month, while those for Brazil and Russia have been revised down for 2015 and 2016.

*OPEC forecasts global GDP growth at 3.1% and 3.4% for 2015 and 2016.*

*The downside risk to the global economy are the decelerating growth momentum in major emerging market economies, particularly China.*

The OPEC report indicated that there is upside potential for the global economy, mainly from the OECD and India. The report showed that the downside risk to the global economy are the decelerating growth momentum in major emerging market economies, particularly China. There is also still some fragility in the Euro-zone, while the strength of the US growth trend remains weak. **Japan will need to manage a balancing act between fiscal tightening and, at the same time, stimulating its economy.** Geopolitical issues and their potential spill-over into the real economy also constitute a challenge. The OPEC report added that central bank policies in different countries will be crucial, amid lower global inflation and, most importantly, the Fed's decision on interest rate.

*Japan will need to manage a balancing act between fiscal tightening and, at the same time, stimulating its economy.*

Table 2: Economic Growth Rate Forecast

	2015	2016
World	3.1%	3.4%
OECD	2.0%	2.1%
USA	2.5%	2.6%
Japan	0.8%	1.2%
Euro-zone	1.5%	1.5%
China	6.8%	6.4%
India	7.4%	7.6%
Brazil	(2.2%)	(0.5%)
Russia	(3.2%)	0.6%
Nigeria		

Source: OPEC Monthly Report, October 2015

*The combination of an increase in the food and non-food prices led to an increase in the inflation rate in September 2015.*

*We estimate that the inflation rate would remain unchanged at 9.4% in October 2015.*

**1.2 Inflation Rate:**

The combination of an increase in the food and non-food prices led to an increase in the inflation rate in September 2015. The inflation rate increased to 9.4% in September 2015, from 9.3% in August 2015. There was a slower pace of growth for three consecutive months in the fruits, vegetables and tubers categories. This led to the marginal increase in the Food Price Index to 10.2% in September, from 10.1% in August 2015. The Core Index increased by 8.9% in September 2015, marginally lower than 9% recorded in August 2015.

The expectations of higher consumer prices still remain for the remainder of 2015. The higher raw materials cost and falling productivity from the devaluation of the Naira is putting upward pressure on the inflation rate. The unresolved security challenge in some states in the North is also exerting pressure on the inflation rate.

We estimate that the inflation rate would remain unchanged at 9.4% in October 2015 as shown in table 4 below. Our forecast shows an upward movement in the inflation rate in November and December 2015.

Date	Jan-15 A	Feb-15A	Mar-15A	Apr-15A	May-15A	Jun-15A	Jul-15A	Aug-15A	Sep-15A	Oct-15F	Nov-15F	Dec-15F
FSDH Forecast	8.2%	8.4%	8.5%	8.7%	9.00%	9.2%	9.2%	9.3%	9.4%	9.4%	9.6%	9.6%

### 1.3 Movement in the External Reserves:

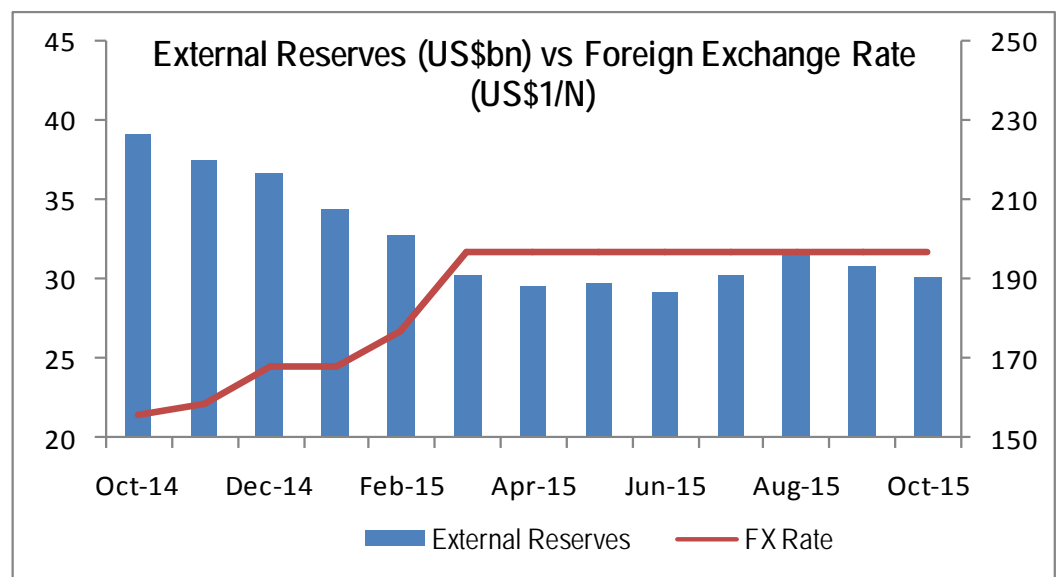
The demand for foreign exchange was unabated in October 2015. The external reserves dropped marginally by 0.49% to US\$30.19bn at end-October 2015. The strive to achieve stability of the Naira at the foreign exchange market continues to drive the management of the external reserves. The positive effect of the CBN restriction on some items from having access to foreign exchange on the external reserves has waned. The CBN could impose additional restrictions on other items from having access to the foreign exchange market. We note that the external reserve increased marginally from US\$30.04bn on October 21, 2015 to stand at US\$30.19bn as at end-October 2015.

*The external reserves dropped marginally by 0.49% to US\$30.19bn at end-October 2015.*

The external reserves decreased by 12.42% to stand at US\$30.19bn as at end-October 2015 from US\$34.47bn as at end-December 2014. The average external reserve for the month of October 2015 stood at US\$30.13bn, compared with the average of US\$30.77bn in the month of September 2015.

The combination of Nigeria's dependence on oil revenue and high import bill remain a threat to the accretion to the external reserves in the short-to-medium term. The traditional source of accretion to the eternal reserves is faced with a price shock. There is a need to further stimulate the contribution of the non-oil sector, with appropriate incentives aimed at reducing the cost of doing business.

*The traditional source of accretion to the eternal reserves is faced with a price shock.*



### 1.4 Crude Oil Market and Bonny Light Price:

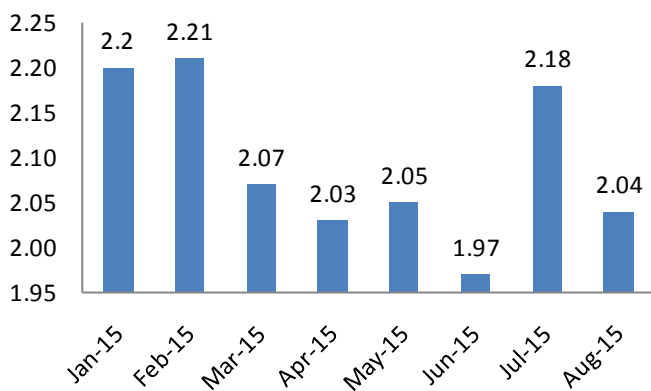
Nigeria produced a total of 63.64 millions barrel (mb) of crude oil and condensate for the month of August 2015, representing an average daily production of 2.04mbd. This represents a decline of about 6.16%, relative to July 2015. Of the August 2015 production level, Joint Ventures (JVs) and Production Sharing Contracts (PSC) contributed about 32.40% and 41.34% respectively. Other production arrangements accounted for 25.75%.

**Table 4: Nigeria's Crude Oil and Condensate Production (mbd)**

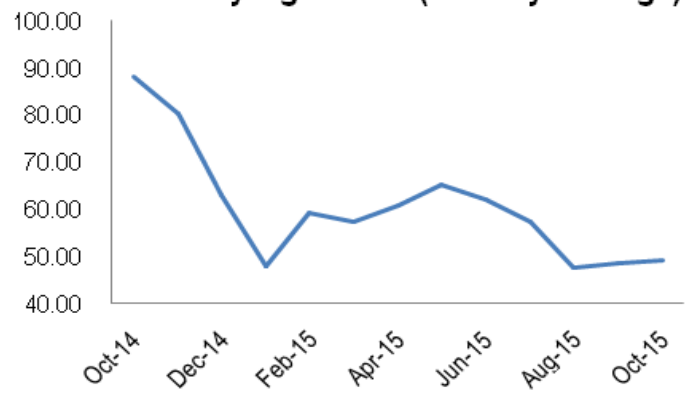
	Joint Ventures	Production Sharing Contracts	Others	Total Production	Average Daily Production
Jan-15	22.22	28.14	17.71	68.07	2.2
Feb-15	19.63	25.11	17.12	61.86	2.21
Mar-15	18.78	26.85	18.53	64.16	2.07
Apr-15	19.57	26.01	15.26	60.84	2.03
May-15	19.58	27.2	16.71	63.49	2.05
Jun-15	18.33	25.59	15.17	59.09	1.97
Jul-15	21.94	27.86	17.7	67.5	2.18
Aug-15	20.52	26.5	16.32	63.34	2.04
<b>Total</b>	<b>160.57</b>	<b>213.26</b>	<b>134.52</b>	<b>508.35</b>	

According to the data from Thomson Reuters, the Bonny Light oil price increased by 1.11% to US\$49.05/b as at end-October 2015, from end-September 2015. However, the average price of Bonny Light was US\$49.31/b in October 2015, an increase of 1.31% from the average price of US\$48.67b recorded in September 2015.

**Nigeria's Crude Oil Production (mbd)**



**Bonny Light Price (Monthly Average)**



### 1.5 Foreign Exchange Rate:

The demand management policy of the CBN at the foreign exchange market continues to insulate the Naira from the volatility in oil price. There was a noticeable appreciation in some segments of the market in October 2015. The demand pressure slowed down towards the end of October, leading to a consistent increase in the external reserves towards the end of the month of October 2015. There are also indications that the CBN could restrict more items from having access to the foreign exchange market. This is based on the proposal from some private sector manufacturers.

*There was a noticeable appreciation in some segments of the market in October 2015.*

Month-on-month, as at end-October 2015, the Naira appreciated by 0.30% and 0.02% to close at N230.80/US\$1 and N196.97/US\$1 at the parallel and official markets, compared with September 2015. The Naira depreciated by 0.01% at inter-bank market to close at N199.10/US\$1. The average exchange rate at the parallel market appreciated by 0.54% to stand at N230.72/US\$1 in October 2015. The average official market rate also appreciated by 0.01% to N196.99/US\$1; while at the inter-bank market, it depreciated by 0.01% to N199.10/US\$1.

The clearance of the ministerial list by the National Assembly has given clarity to the possibility of having guidance on the economic policies direction of the government. The insulation of the Nigerian economy from the negative impact of over-dependence on a mono-product (crude oil) for revenue and achievement of a stable currency is critical.

*The consistency in government economic policies is critical for attracting Foreign Direct Investment into the Nigerian economy.*

The consistency in government economic policies is critical to attracting Foreign Direct Investment (FDI) into the Nigerian economy. Thus we are inclined to maintain our forecast exchange rates forecasts as shown in table 5 below.

	Jan-A	Feb-A	Mar-A	Apr-A	May-A	Jun-A	Jul-A	Aug-A	Sep-A	Oct-A	Nov-F	Dec-F
Exchange Rate	168.00	177.00	197.07	199.12	199.17	198.96	196.97	199.06	199.08	199.10	215.00	214.00

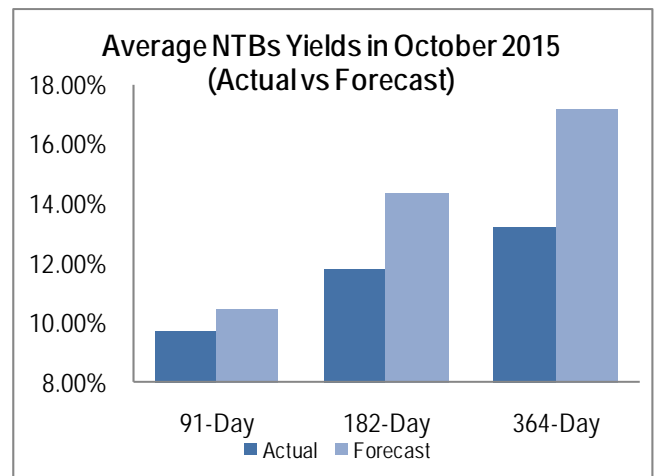
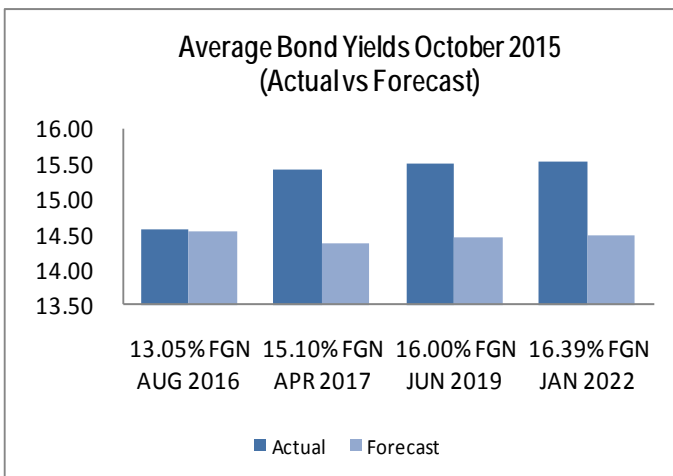


## 2.0 Interest Rate and Yield Analysis:

The level of liquidity in the fixed income market increased in October 2015, compared with September 2015. The intention of the Central Bank of Nigeria (CBN) not to aggressively mop-up liquidity via the Open Market Operations (OMO) led to high liquidity level in the system. The maturing government securities that hit the system also added to the level of liquidity. The fixed income market analysis for October 2015 shows a net inflow of about N789bn, compared with a net inflow of about N435bn in September 2015. The major outflows in October 2015 were the Primary NTB of about N197bn and the bond auction of about N80bn. Meanwhile, in September 2015 the major outflow was from the Treasury Single Account (TSA) of about N850bn, Primary NTB of about N214bn, Open Market Operations (OMO) of about N53bn, and the bond auction of about N45bn. The major inflows in October were the OMO and REPO Bills of N669bn, the Federation Account Allocation Committee injection of about N200bn, and matured NTBs of about N197bn. In September, the Cash Reserve Requirement (CRR) credit of N740bn, matured OMO and REPO Bills of N408bn, matured NTBs of about N249bn, and the FAAC of N200bn flowed into the market.

*The intention of the CBN not to aggressively mop-up liquidity via the OMO led to high liquidity level in the system.*

At the NTBs auction, average yields decreased across the various tenors in October 2015, compared with September 2015. The average 91-day NTB yield closed at 9.73% in October, down from 10.52% in September. The average 182-day NTB yield closed at 11.84%, down from 14.47% in September; and the average 364-day NTB yield also closed lower at 13.20%, from 17.23%. The average 30-day NIBOR closed at 13.59% in October 2015, down from 15.52% in September 2015. The average 90-day NIBOR also decreased to 15.32%, from 16.50% in the preceding month.



*Our average forecast yields on the bonds for the month of October 2015 were higher than the actual.*

Our analysis of the average forecast yields on the bonds for the month of October were higher than the actual. The persisting high liquidity in the system led to the lower yields than expected. **The bonds monitored in October 2015 closed at lower yields except the 10% FGN July 2030 Bond, compared with September 2015.**

	13.05% FGN AUG 2016	15.10% FGN APR 2017	16.00% FGN JUN 2019	16.39% FGN JAN 2022	10.00% FGN July 2030
September	14.57%	15.40%	15.50%	15.53%	15.48%
October	11.37%	12.87%	13.25%	13.43%	15.52%
Change	(3.20%)	(2.52%)	(2.25%)	(2.10%)	0.04%

	NIBOR				Treasury Bill Yields		
	Call	30 Day	90 Day	180 Day	91-Day	182-Day	364-Day
September	16.68%	15.52%	16.50%	17.72%	10.52%	14.47%	17.23%
October	2.98%	13.59%	15.32%	16.87%	9.73%	11.84%	13.20%
Change	(13.70%)	(1.93%)	(1.18%)	(0.85%)	(0.79%)	(2.63%)	(4.02%)

	September 2015			October 2015		
	Total Inflow	Total Outflow	Net flow	Total Inflow	Total Outflow	Net flow
Primary Market: NTB	249	214	35	197	197	-
Open Market Operations (OMO) & Rev Repo	408	53	355	669	-	669
BOND	-	(45)	(45)	-	(80)	(80)
FAAC	200	-	200	200	-	200
CRR (Debit)/Credit	740	-	740	-	-	-
TSA Implementation	-	850	(850)	-	-	-
<b>Total</b>	<b>1,597</b>	<b>1,163</b>	<b>435</b>	<b>1,066</b>	<b>277</b>	<b>789</b>

## 2.1 Revised Outlook Going Forward:

We expect a total inflow of about N808bn to hit the money market from the various maturing government securities and FAAC in the month of November 2015. Our expected outflows from the various sources such as government securities and statutory withdrawals are estimated at N520bn, leading to a net inflow of N289bn. This analysis does not include the CBN's interventions at the inter-bank segment of the foreign exchange market and the Cash Reserve Requirement (CRR). The market is expected to remain liquid, with lower yields in November 2015 because the CBN is not expected to aggressively reduce the liquidity level in the system with the use of OMO.

*The market is expected to remain liquid, with lower yields in November 2015.*

**Table 9: Expected Inflow and Outflow Analysis - November 2015 (N'bn)**

Date	05-Nov-15	11-Nov-15	12-Nov-15	19-Nov-15	26-Nov-15	Others	Total
Inflows	118.96	-	179.61	119.94	162.39	227.84	808.74
Outflows	118.96	50.00	-	119.94	-	230.80	519.70
*Statutory Allocation (FAAC), ** CRR Debit							289.04

**Table 10: Revised Yields – Actual Vs Forecast**

	Treasury Bills (Primary Market)			FGN Bonds (Secondary Market)			
	91-Day	182-Day	364-Day	Apr-17	Jun-19	Jan-22	Jul-30
JanA-15	11.52%	15.39%	17.04%	15.22%	15.22%	15.26%	14.95%
FebA-15	11.17%	14.82%	17.33%	15.99%	15.85%	15.76%	15.85%
MarA-15	11.09%	15.95%	18.51%	15.99%	15.83%	15.81%	15.76%
AprA-15	10.78%	15.17%	16.47%	14.01%	14.11%	14.09%	15.44%
MayA-15	10.28%	13.70%	15.20%	13.74%	13.71%	13.65%	15.46%
JunA-15	10.15%	13.62%	14.94%	13.84%	13.97%	13.92%	15.48%
JulA-15	10.26%	13.49%	14.94%	14.70%	14.86%	14.86%	15.49%
AugA-15	10.26%	13.84%	17.24%	15.39%	15.43%	15.43%	15.50%
SepA-15	10.52%	14.47%	17.23%	15.40%	15.50%	15.53%	15.48%
OctA-15	9.73%	11.84%	13.20%	12.87%	13.25%	13.43%	15.52%
NovF-15	3.51%	4.38%	6.81%	8.75%	10.25%	11.35%	12.82%
DecF-15	5.87%	6.79%	7.25%	9.38%	11.45%	11.95%	13.20%

*Yields are expected to be lower in October 2015.*

The average yields on the fixed income securities are expected to be lower in November 2015, compared with October 2015. The existing high liquidity existing in the system will drive yields down in the month of November 2015.

**2.2 Strategies:**

- Fund Managers should take a short position in the market, as the liquidity level would lead to lower yields.
- The should also be prepared to cover the position when yield starts going up. There may however be some opportunities for tenored placement with banks as they cover position for end of year.

The average yields on the FGN Eurobonds were lower in October 2015 than in September 2015. Consequently, the prices of all the bonds closed higher in the month of October, compared with September 2015. We expect the yields to rise in the month of November as the speculations about a possible rate hike in teh U.S. becomes stronger.

**Table 11: FGN Eurobonds**

Date	10year 6.75% FGN Eurobond January 2021		10year 6.375% FGN Eurobond July 2023		5 year 5.125% FGN Eurobond July 2018	
	Price (US\$)	Yield (%)	Price (US\$)	Yield (%)	Price (US\$)	Yield (%)
01-Oct-15	95.911	7.699	90.121	8.111	97.682	6.044
02-Oct-15	96.179	7.635	90.383	8.062	97.790	6.001
05-Oct-15	97.583	7.304	92.627	7.649	98.437	5.742
06-Oct-15	98.139	7.175	93.282	7.531	98.792	5.600
07-Oct-15	99.019	6.971	93.979	7.407	99.279	5.408
08-Oct-15	99.125	6.947	94.159	7.376	99.158	5.456
09-Oct-15	100.042	6.737	95.339	7.167	99.856	5.179
12-Oct-15	100.06	6.733	95.329	7.169	99.833	5.188
13-Oct-15	99.834	6.785	95.057	7.217	99.613	5.275
14-Oct-15	99.393	6.886	94.627	7.293	99.431	5.348
15-Oct-15	99.496	6.862	94.683	7.284	99.677	5.250
16-Oct-15	99.507	6.860	94.684	7.284	99.667	5.254
19-Oct-15	100.066	6.732	95.397	7.159	99.958	5.139
20-Oct-15	99.848	6.782	95.222	7.190	99.890	5.166
21-Oct-15	99.373	6.891	94.845	7.257	99.703	5.241
22-Oct-15	99.417	6.881	95.003	7.229	99.588	5.287
23-Oct-15	99.373	6.891	95.010	7.228	99.650	5.262
26-Oct-15	99.231	6.924	94.587	7.304	99.620	5.274
27-Oct-15	98.811	7.021	94.036	7.402	99.282	5.411
28-Oct-15	99.273	6.914	94.693	7.285	99.584	5.289
29-Oct-15	99.126	6.949	94.614	7.300	99.489	5.328
30-Oct-15	99.117	6.951	94.547	7.312	99.488	5.329

### 3.0 Equity Market:

#### 3.1 The Secondary Market:

The equity market shed value in the month of October 2015, compared with the gain in September 2015. Month-on-month, the Nigerian Stock Exchange All Share Index (NSE ASI) depreciated by 6.53% (a loss of 6.54% in US\$) to close at 29,177.72 points. The market capitalisation also shed 6.53% of its value (a loss of 6.54% in US\$) to close at N10.03trn (US\$50.37bn). Year-to-Date as at end-October, the Index has decreased by 15.81%. The lack lustre performance of most quoted companies led to risk aversion and sell down of equities in October 2015. The earnings of companies was impacted by the unabated difficult macroeconomic environment. Other factors that impacted the market were the increased finance cost from the devaluation of the Naira, and the unabated security challenges in some areas of Northern Nigeria. The low liquidity in the market also adversely impacted the market.

The sectoral indices of the NSE depreciated in October 2015, except the NSE Insurance Index. The highest month-on-month loss was recorded in the NSE Consumer Goods Index with a loss of 7.33%. The loss in the Index was because of the relatively weak Q3 2015 earnings results of some major stocks in the Index. This was followed by the NSE Industrial Index and the NSE Oil/Gas Index. For, the Oil and Gas Index. The disappointing earnings results that Oando Plc released adversely impacted the Oil and Gas Index.

Table 12: Nigerian Equity Market: Key Indicators

Month	Volume (bn)	Value (N'bn)	NSEASI	Market Cap. (N'trn)	Banking*	Insurance*	Consumer Goods*	Oil/Gas*	Industrial*
September	6.96	64.97	31,217.77	10.73	319.14	139.11	807.30	343.42	2,228.96
October	4.97	53.42	29,177.72	10.03	308.72	139.70	748.10	340.06	2,103.73
Change	(28.68%)	(17.77%)	(6.53%)	(6.53%)	(3.27%)	0.45%	(7.33%)	(0.98%)	(5.62%)
YTD			(15.81%)	(12.63%)	(12.15%)	(6.63%)	(17.20%)	(10.54%)	(1.67%)

Sources: NSE, FSDH Research. \* NSE Sectoral Indices

Table 13: Major Earning Announcements in October 2015

Company and Result	Turnover (Nm)	Change (%)	PBT (Nm)	Change (%)	PAT (Nm)	Change (%)
<b>P Z CUSSONS NIGERIA PLC.</b>						
3 Months, Aug. 2015	14,953.07	-0.44	546.79	-37.32	427.85	-33.33
<b>TRANSCORP HOTELS PLC</b>						
9 Months, Sept. 2015	10,462.43	-8.57	3,422.83	-14.95	2,347.43	-15.03
<b>UBA PLC.</b>						
9 Months, Sept 2015	247,205.00	17.32	57,366.00	34.84	48,557.00	44.39
<b>FORTE OIL PLC</b>						
9 Months, Sep. 2015	91,615.60	-25.26	5,288.03	1.63	4,284.59	6.69
<b>ACCESS BANK NIGERIA PLC</b>						
9 Months, Sep. 2015	257,590.00	42.01	60,372.00	44.62	48,093.00	37.66
<b>TRANSCORP PLC</b>						
9 Months, Sep. 2015	30,425.21	-3.11	7,188.30	-25.97	5,885.76	-28.77
<b>GUINNESS NIG PLC</b>						
3 Month, Sep. 2015	21,741.80	3.30	517.57	-73.62	362.30	-75.60
<b>MOBIL OIL NIG PLC</b>						
9 Months Sep. 2014	45,326.44	-25.35	5,247.84	-33.53	3,649.59	-39.13
<b>ZENITH BANK PLC</b>						
9 Months, Sep. 2015	336,853.00	23.06	104,052.00	19.85	83,087.00	16.95
<b>LAFARGE AFRICA PLC.</b>						
9 Months, Sep 2015	168,144.79	5.49	33,668.00	-11.61	29,550.16	-6.95
<b>CAP PLC</b>						
9 Months, Sept. 2015	5,097.63	0.86	1,723.61	3.86	1,172.06	3.86
<b>WEMA BANK PLC</b>						
9 Months, Sep. 2015	32,565.70	2.90	1,528.47	-39.03	1,299.20	-39.03
<b>HONEYWELL FLOUR MILL PLC</b>						
6 Months, Sep 2015	26,192.00	-2.53	1,129.00	-17.53	903.00	-17.53
<b>AXA MANSARD INSURANCE PLC</b>						
9 Months, Sep. 2015	13,502.02	-8.48	1,722.19	27.57	1,512.89	32.32

Table 14: Major Benefit Announcements in October 2015

Company	Result	DPS(N)	Bonus Ratio	Closure Date	Payment Date	Interim/final
RAK UNITY PET. COM. PLC	Full year, Mar. 2015	0.30	-	21-Oct-15	02-Nov-15	Final
NIGERIAN BREW PLC.	9 Months, Sep. 2015	1.20	-	12-Nov-15	19-Nov-15	Interim
CAP PLC	9 Months, Sep. 2015	1.15	-	23-Nov-15	15-Dec-15	Interim
SEPLAT PETROLEUM DEVENT COY. PLC	9 Months, Sep. 2015	7.96	-	30-Oct-15	17-Nov-15	Interim
TOTAL NIGERIA PLC	9 Months, Sep. 2015	2.00	-	30-Nov-15	14-Dec-15	Interim
NESTLE FOODS NIGERIA PLC	9 Months, Sep. 2015	10.00	-	23-Nov-15	07-Dec-15	Interim

The DAX Index recorded the highest MoM appreciation of 12.32%, with a YTD gain of 10.65%.

The table 15 below shows the performance of some selected foreign equity markets around the world. All Indices apart from the Nairobi All Share Index (Kenya) and the NSE All-Share Index recorded a MoM appreciation. The DAX Index (Germany) recorded the highest MoM appreciation of 12.32%, with a YTD gain of 10.65%. This is followed by the Shanghai Stock Exchange Composite (China) with a MoM gain of 10.80%, and a gain of 4.57% in its YTD performance. Nairobi All Share Index (Kenya) recorded the highest MoM depreciation of 6.56% and a loss of 15.72% YTD. This was followed by the NSE ASI (Nigeria), with a loss of 6.53%, and a YTD depreciation of 15.81%.

Table 15: Foreign Equity Market Performance in October			
North/Latin America	YTD Change		Month-on-Month Change
Dow Jones Industrial Average	0.90%		8.47%
S&P 500 Index	0.99%		8.30%
NASDAQ Composite	6.71%		9.38%
Brazil Stock Market Index	(8.28%)		1.80%
Europe			
Swiss Market Index	(0.50%)		4.99%
FTSE 100 Index (UK)	(3.12%)		4.94%
CAC 40 Index (France)	14.63%		9.93%
DAX Index (Germany)	10.65%		12.32%
SMSI Index (Madrid, Spain)	0.42%		8.35%
Africa			
NSE All-Share Index	(15.81%)		(6.53%)
JSE All-Share Index (S/A)	8.08%		7.40%
Nairobi All Share Index (Kenya)	(15.72%)		(6.56%)
GSE All-Share Index (Ghana)	(10.96%)		0.18%
Asia/Pacific			
NIKKEI 225 Index (Japan)	9.35%		9.75%
BSE 30 Index (India)	(3.06%)		1.92%
Shanghai Stock Exchange Composite Index (China)	4.57%		10.80%
Hang Seng Index (Hong Kong)	(4.09%)		8.60%

### 3.2. Outlook for the Month of November:

*The equity market may remain flat in November, as there are no notable factors that could impact the market this month*

- The equity market may remain flat in November, as there are no notable factors that could impact the market this month
- The appointment of the ministers and clear direction from the government may send good signals to institutional investors

### 3.3. Strategies:

- Speculators should take a long position in the market
- Long term investors should take long positions in the stocks with good fundamentals in the consumer goods, industrial goods, agriculture, and banking sectors at the bourse.

Months	YEARS				
	2010	2011	2012	2013	2014
October	25,042.16	20,934.96	26,430.92	37,622.74	37,550.24
November	24,764.65	20,003.36	26,494.44	38,920.85	34,543.05
% Change	(1.11%)	(4.45%)	0.24%	3.45%	(8.01%)

The performance of the equity market between October and November in the last 5years shows that there was more losses than gains. We expect the market to tend towards the 2014 historical performance because there are no anticipated major news that will excite the market in November. **However, the further clarity of the economic policy direction of the FGN could increase market activities.**

*The announcement of the policy direction of the government may drive the equity market.*



**Table 17: Revised Asset Allocation**

Asset Class	Fund Allocation
Equities	10%
Fund Placement	15%
Treasury Bills	25%
Real Estate Investment Trust (REIT)	10%
Bonds	35%
Collective Investment Schemes	5%

**Table 18: One Year Target Price**

Stocks	Max Entry Price	52 Week Low	52 Week High	Trailing EPS	Trailing PE Ratio	Target Price
Dangote Sugar	7.02	4.94	7.74	0.99	6.57	8.35
Flour Mills	23.54	20.70	61.40	2.53	8.62	28.02
GT Bank	25.06	17.00	31.88	3.88	5.98	29.00
Julius Berger	42.66	38.08	67.20	4.24	9.32	43.80
Lafarge Africa	101.52	66.50	104.50	7.12	13.19	120.81
Nascon	7.75	5.20	8.94	0.72	9.95	9.23
Nestle Nigeria Plc	879.12	746.25	1050.00	28.52	0.00	967.74
Nigerian Brew. Plc	146.90	110.15	172.12	4.90	27.75	164.66
PZ	26.27	17.50	35.00	1.10	22.16	31.26
Stanbic IBTC	22.54	18.00	31.61	2.04	10.23	26.82
Transcorp	2.10	1.77	4.30	0.02	81.05	2.49
UACN	29.95	25.16	47.03	3.65	7.59	35.64
United Capital	1.40	1.14	1.89	0.34	3.82	1.51
Zenith Bank	19.13	13.75	25.05	3.55	4.99	22.76

**Table 19: Bond Recommendation**

S/N	Security Description	Tenor To Maturity (yrs)	Coupon	Current Price (N)	Current Yield	Modified Duration
1	15.10% FGN Apr 2017	1.48	15.10%	106.85	9.98%	1.31
2	16% FGN Jun 2019	3.65	16.00%	114.50	10.95%	2.67
3	14.20% FGN Mar 2024	8.36	14.20%	112.80	11.75%	4.95
4	12.1493% FGN Jul 2034	18.70	12.1493%	96.90	12.58%	6.91

Table 20: Select Global Bonds Issue		
Country	Bond	TTM*
Brazil	12.50% January 05, 2016	1
China	3.52% February 21, 2023	8
Egypt	17% April 03, 2022	7
India	8.15% June 11, 2022	7
Kenya	12.705% June 13, 2022	7
Nigeria	16.39% FGN JAN 2022	7
Russia	7.60% April 14, 2021	6
South Africa	7.75% February 28, 2023	8
United States	1.75% May 15, 2023	8
*TTM – Tenor to maturity		

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