Monthly Economic and Financial Market Outlook

Attractive Financial Assets in Uncertainties

May 2015

1.0. Global and Domestic Economic Issues:

There was a mixed performance in the bond prices in the month of April 2015.

The analysis of the bond market in the countries that we monitored shows that there was a mixed performance in the bond prices in the month of April 2015, compared with the performance recorded in the month of March 2015. The 7.60% April 2021 Russia Government Bond recorded the highest price increase of 4.60% to 85.90 in April 2015, with the highest bond yield decrease of 1% to 11.17%. The 8.80% September 2023 Turkey Government Bond recorded the highest month-on-month decrease in price of 5.24% to 97.6, with the highest yield increase of 0.91% to 9.21% as at the end of April 2015. The Argentina Bond and the Russia Bond closed the month at negative real yields. Other bonds monitored closed the month at positive real yields. The yield on the Nigerian Bond remains the most attractive amongst the countries monitored, followed by the Kenyan Bond. It is expected that the successful completion of the transition to the new government on May 29, 2015 would help to spur inflow of funds from the foreign investors to take advantage of the attractive yield on the Nigerian Bond.

The Argentina Bond and the Russia Bond closed the month at negative real yields.

The Federal Open Market Committee of the U.S. Federal Reserve decided at its April 2015 meeting to hold the 0-0.25% target range for the federal funds rate, in order to achieve continued progress toward maximum employment and price stability. However, the FOMC noted that the information received since it met in March 2015 suggests that economic growth in the U.S. slowed during the winter months, in part reflecting transitory factors. The unemployment rate decreased to 5.4% in April 2015, from 5.5% in March 2015; while the inflation rate also dropped to a negative 0.10% in March from 0.0% in February 2015. Both the unemployment rate and inflation rate are below the Fed's target.

The U.S. Fed left the target range for the federal funds unchanged at 0-0.25%.

Table 1: Summary of Key Indicators

S/N	Indicators	Argentina	Brazil	China	Egypt	India	Kenya	Nigeria	Russia	South Africa	Turkey	USA
1	Bond Price	95.00	101.13	100.83	113.05	101.39	102.68	109.99	85.90	100.05	97.6	98.67
2	Bond Yield	6.63%	10.65%	3.40%	13.99%	7.89%	12.13%	14.03%	11.17%	7.74%	9.21%	1.93%
3	Bond Price MoM Change	0.00%	0.51%	0.99%	(1.54%)	0.01%	(0.12%)	3.82%	4.60%	(0.83%)	(5.24%)	(0.81%)
4	Bond Yield MoM Change	0.10%	(0.91%)	(0.15%)	0.34%	0.00%	0.03%	(0.93%)	(1.00%)	0.20%	0.91%	0.11%
5	Bond Price YTD Change	1.06%	0.25%	1.90%	4.67%	0.64%	(2.33%)	5.25%	17.67%	0.26%	(7.66%)	1.40%
6	Bond Yield YTD Change	0.17%	(0.90%)	(0.27%)	(1.14%)	(0.13%)	0.47%	(1.29%)	(3.57%)	(0.05%)	1.33%	(0.17%)
7	Volatility	0.00	0.12	0.53	0.73	0.10	0.17	1.38	1.49	0.79	2.70	0.38
8	FX Rate MoM Change*	0.99%	(7.36%)	0.00%	0.64%	1.80%	2.52%	(0.14%)	(12.03%)	(2.83%)	4.24%	3.98%
9	FX Rate YTD Change*	4.96%	11.43%	(0.10%)	6.67%	0.92%	4.50%	8.46%	(15.70%)	2.13%	13.90%	(7.81%)
10	Inflation Rate	16.54%	8.13%	1.40%	11.51%	5.17%	7.08%	8.50%	16.90%	4.00%	7.91%	(0.10%)
11	Policy Rate	20.52%	13.25%	5.35%	8.75%	7.50%	8.50%	13.00%	12.50%	5.75%	7.50%	0.25%
12	Debt To GDP	45.60%	58.91%	22.40%	87.10%	67.72%	51.70%	12.47%	13.41%	46.10%	33.00%	101.53%
13	GDP Growth Rate	0.40%	-0.20%	7.00%	4.30%	7.50%	5.10%	5.94%	0.40%	1.30%	2.60%	3.00%
14	Nominal GDP (US$)	612bn	2.25trn	9.24trn	272bn	1.88trn	55bn	523bn	2.10trn	351bn	820bn	16.80trn
15	Current Acct to GDP	(0.90%)	(4.17%)	2.00%	(2.40%)	(1.70%)	(8.20%)	7.10%	1.56%	(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 World Economic Growth:

Global growth is projected to reach 3.5% and 3.8% in 2015 and 2016, respectively.

The World Economic Outlook (WEO), April 2015 Edition, of the International Monetary Fund (IMF) stated that global growth is projected to reach 3.5% and 3.8% in 2015 and 2016, respectively, in line with the projections in the January 2015 WEO Update. The report added that growth is projected to be stronger in 2015 relative to 2014 in advanced economies, but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters. The medium-term prospects have become less optimistic for advanced economies, and especially for emerging markets, in which activity has been slowing since 2010. The report added that the complex forces that affected global activity in 2014 are still shaping the outlook. These include medium and long term trends, such as population aging and declining potential growth; global shocks, such as lower oil prices; and many country or region-specific factors, such as crisis legacies and exchange rate swings triggered by actual and expected changes in monetary policies.

Sub-Saharan Africa is expected to grow by 4.5% and 5.1% in 2015 and 2016, while Nigeria is expected to grow by 4.8% and 5.0% in 2014 and 2015 respectively.

The United States (U.S.) is expected to grow by 3.1% both in 2015 and 2016, with domestic demand supported by lower oil prices, a moderate fiscal adjustment, and continued support from an accommodative monetary policy stance, despite the projected gradual rise in interest rates and some drag on net exports from recent U.S. Dollar appreciation. The Euro-area is expected to grow by 1.5% in 2015, supported by lower oil prices, low interest rates, and a weaker Euro. China is expected to grow by 6.8% and 6.3% in 2015 and 2016 respectively; India is expected to grow by 7.5% in 2015 and 2016 respectively. Sub-Saharan Africa is expected to grow by 4.5% and 5.1% in 2015 and 2016. Nigeria is expected to grow by 4.8% and 5.0% in 2014 and 2015 respectively.

The distribution of risks to global growth is now more balanced than the October 2014 WEO.

The report stated that the distribution of risks to global growth is now more balanced than the October 2014 WEO. A greater boost to demand from oil prices is an important upside risk, while on the downside; the most salient risks identified in the October 2014 WEO remain relevant, including those related to geopolitical tensions, disruptive asset price shifts in financial markets, and, in advanced economies, stagnation and low inflation. In this setting, raising actual and potential output continues to be a general policy priority.

The IMF added that in many advanced economies, accommodative monetary policy remains essential to support economic activity and lift inflation expectations.

The IMF added that in many advanced economies, accommodative monetary policy remains essential to support economic activity and lift inflation expectations. There is also a strong case for increasing infrastructure investment in some economies, and for implementing structural reforms to tackle legacies of the crisis and boost potential output. In many emerging market economies, macroeconomic policy space to support growth remains limited. In addition; the IMF opine that in some countries, lower oil prices will help reduce inflation and external vulnerabilities, thereby reducing pressure on central banks to raise policy interest rates; and that structural reforms to raise productivity, with a varied agenda across countries, are of the essence to sustain potential output.

Table 2: Regional GDP Growth (Actual Vs Forecast) %

	2013	2014	2015F	2016F
World	3.4	3.4	3.5	3.8
USA	2.2	2.4	3.1	3.1
Japan	1.6	(0.1)	1.0	1.2
Euro-Area	(0.5)	0.9	1.5	1.6
Emerging & Developing Economies	5.0	4.6	4.3	4.7
China	7.8	7.4	6.8	6.3
India	6.9	7.2	7.5	7.5
Sub-Saharan Africa	5.2	5.0	4.5	5.1
Nigeria	5.4	6.3	4.8	5.0

Source: IMF World Economic Outlook (WEO) Update, April 2015

Table 3: World Trade Growth (Actual Vs Forecast) %

	2013	2014	2015	2016
World Trade Volume	3.5	3.4	3.7	4.7
Imports:				
Advanced Economies	2.1	3.3	3.3	4.3
Emerging & Developing Economies	5.5	3.7	3.5	5.7
Exports:				
Advanced Economies	3.1	3.3	3.2	4.1
Emerging & Developing Economies	4.6	3.4	5.3	5.7

Source: IMF World Economic Outlook (WEO), April 2015

1.2 Global Financial Stability Report:

The risks to the global economy have rotated from advanced economies to emerging markets, from banks to shadow banks, and from solvency to market liquidity

The Global Financial Stability Report (GFSR) of the IMF for April 2015 stated that the developments over the past six months have increased global financial stability risks. The IMF reported that the risks to the global economy have rotated from advanced economies to emerging markets, from banks to shadow banks, and from solvency to market liquidity risks. The report added that the global financial system is being buffeted by a series of changes in financial markets, reflecting diverging growth patterns and monetary policies as global growth prospects have weakened. Disinflationary forces have also strengthened in some countries as oil and commodity prices have dropped; although the latter has benefited commodity and oil importing countries and increased the room to maneuver for monetary policy in countries with higher inflation rate, it has increased financial risks in some exporting countries and in the oil sector. As a result of these developments, inflation rate expectations and long-term bond yields have fallen. The IMF opined that the bold monetary policy actions have been taken in both the Euro-area and Japan to arrest and reverse this disinflation pressure, while the pull of expectations for rising U.S. policy rates and the push of additional monetary stimulus by other major economies have sparked rapid appreciation of the U.S. dollar. Emerging markets are caught in these global crosscurrents and face higher financial stability risks, as companies that borrowed heavily in the international markets could face balance sheet strains. Additional policy measures are needed to enhance the effectiveness of monetary policies, address crisis legacies, and facilitate sustainable economic risk taking while containing financial excesses across global markets.

1.3 Domestic Real GDP

The Nigerian economy when measured by the Real GDP grew by 3.96% (year-on-year) in Q1 2015, compared to 6.21% in the corresponding period of 2014 and 5.94% in Q4 2014.

On an aggregate basis, the Nigerian economy when measured by the Real Gross Domestic Product (GDP) grew by 3.96% (year-on-year) in Q1 2015, compared to 6.21% in the corresponding period of 2014 and 5.94% in Q4 2014. The oil sector recorded a negative growth of 8.15%, representing a further decline from the negative 6.60% recorded in Q1 2014. The negative growth in the sector was due to supply challenges and depressed oil prices. However, on a quarter-on-quarter basis, the oil sector grew at 3.08%. The oil sector contributed approximately 10.45% to the real GDP in Q1 2015, lower than the 11.83% contribution in Q1 2014, but up from the 8.97% contribution recorded in Q4 2014. The non-oil sector recorded a growth of 5.59% in Q1 2015, lower than the 8.21% recorded in the corresponding period in 2014, and the 6.44% recorded in Q4 2014. The non-oil sector growth was driven by growth in activities recorded in the Trade; Crop Production; Other Services, Construction and Telecommunications.

The nominal GDP stood at N21.04trn in Q1 2015, representing an increase of 4.32% from N20.17trn recorded in Q1 2014 but lower by 13.07% from N24.21trn recorded in Q4 2014. In Q1 2014, the services sector contributed 54.56% to the GDP, followed by Industries at 25.65% and Agriculture at 19.79%.

The observed slow-down in the economy activities in the country in Q1 2015 was linked to the uncertainties that surrounded the general elections. With a successful handover on May 29, 2015 we expect economic activities to pick-up in Q2 and Q3 2015.

1.4 External Sector Development:

The performance of the external sector of the Nigerian economy was weak in Q4 2014 due to the challenging economic and financial environments.

According to the Central Bank of Nigeria (CBN), the performance of the external sector of the Nigerian economy was weak in Q4 2014 due to the challenging economic and financial environments induced by the sharp decline in the prices of crude oil in the global market and the conclusion of the tapering of the quantitative easing program by the U.S. Fed. These developments triggered a deficit in the current account and capital flow reversal; depletion in external reserves and the depreciation of the Naira in the official foreign exchange market. The stock of the external reserves stood at US$34.20 billion as at end-December 2014, and could finance about 6.8 months of import commitments. The holdings of external reserves showed that the share of the CBN holdings in the total stock of reserves stood at 81.10%, while that of the Federation and the Federal Government were 9.7% and 9.2%, respectively.

The current account posted a deficit of US$0.16bn in Q4 2014 from a surplus of US$2.83bn and US$5.32bn respectively, in Q3 2014 and Q4 2013.

The current account posted a deficit of US$0.16bn in Q4 2014 from a surplus of US$2.83bn and US$5.32bn respectively, in Q3 2014 and Q4 2013. The deficit was induced by a significantly lower surplus in the goods account and higher out-payments in the services account. The trade balance reduced by 39.5% to US$4.77bn in Q4 2015 from US$7.88bn in Q3 2014. Further analysis revealed that aggregate exports of goods declined by 4.1%. The decline was largely caused by the fall in the average price of crude oil by 26.8% to US$75.73/b in Q4 2014. However, non-oil exports grew by 23.5% when compared with the level recorded in Q3 2014. The steady improvement witnessed in the non-oil exports was attributable to the continued commitment by the government to stimulate commercial agriculture and the disbursement of funds under the real sector interventions of the CBN. In contrast, aggregate imports grew by 17.5%. Of the total imports, the non-oil component stood at 78.5% of the total while the oil component accounted for the balance. Although both oil and non-oil components grew by 10.1% and 19.7% respectively over the level recorded in Q3 2014, the growth in oil imports was linked to the low domestic oil refining capacity and high domestic demand. The rise in non-oil imports reflected the continued dependence of local industries on foreign raw materials and sustained investments in the rehabilitation of decayed socio-economic infrastructure.

The deficit in the services account widened by 7.4% and 2.8%, respectively, when compared with the level recorded in Q3 2014 and Q4 2013. The deficit in the income account however contracted by 5.5% and 9.3% in Q3 2014 and Q4 2013, respectively toUS$4.96bn in Q4 2014. The current transfers surplus, which was largely influenced by workers personal home remittances from Nigerians working abroad increased by 4.05% to US$5.59bn in Q4 2014 when compared with the level recorded in Q3 2014 but declined by 7.7% when compared with Q4 2013.

1.5 Public Debt:

The available data from the Debt Management Office (DMO) shows that the Nigeria's total debt stock (addition of external and domestic debt) as at March 2015 stood at N12.06trn, representing an increase of 11.95% from the December 31, 2014 figure of N11.24trn. A breakdown of the debt stock shows that external debt accounted for 15.46% of the total debt stock at N1.86trn (US$9.46bn at an average exchange rate of US$1/ N197), while domestic debt stock accounted for 84.54% of the total debt stock at N10.20trn (US$1/N188.70bn). The debt-to-GDP for 2014 stood at 12.47%. FSDH Research estimates a debt-to-GDP ratio of 12.89% to end year 2015. This means that Nigeria's debt portfolio still has wide fiscal sustainability space; as the debt-to-GDP ratio is below the applicable critical limit of 40% set for the economy by the government.

1.6 Inflation Rate:

The inflation rate continued on an upward trend in March 2015 in line with our expectation.

The inflation rate continued on an upward trend in March 2015 in line with our expectation. The inflation rate stood at 8.5% in March 2015 from 8.4% in February 2015. The March 2015 inflation rate represents the fourth consecutive month of increase in the Headline Index to reach the highest inflation rate recorded so far in 2015. The Food Price Index increased by the same pace of 9.4% (year-on-year) in March 2015, same as in February 2015. We note that the Central Bank of Nigeria (CBN) monetary policy stance has helped to rein-in inflationary pressure, and form rational expectation about future inflationary trends. However, the re-emergence of the divergence between the inter-bank and parallel market rates in the foreign exchange market could put pressure on inflation rate via the foreign exchange rate channel. We estimate that the inflation rate will increase to 8.6% in April 2015.

Table 4: Inflation Rate Actual Vs Forecast

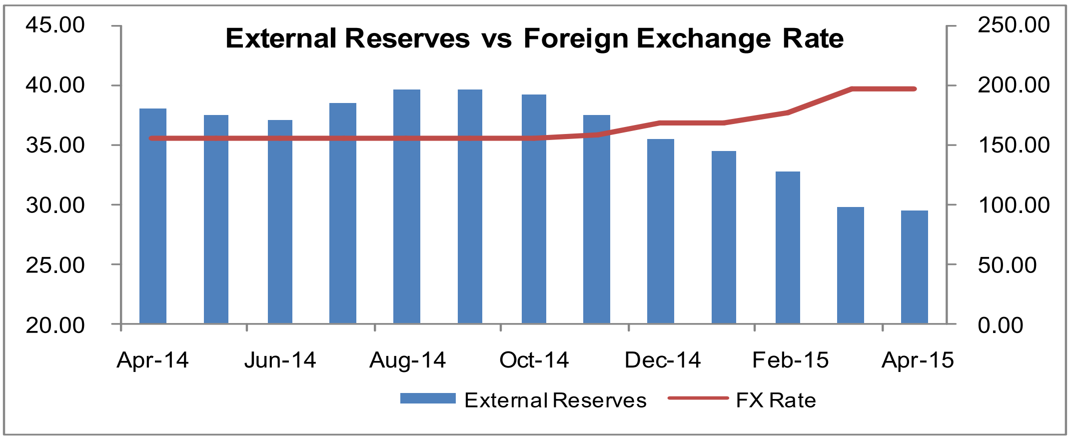
Date	Jan-14 A	Feb-14 A	Mar-14A	Apr-14F	May-14F	Jun-14F	Jul-14F	Aug-14F	Sep-14F	Oct-14F	Nov-14F	Dec-14F
FSDH Forecast	8.2%	8.4%	8.5%	8.6%	8.7%	8.6%	8.9%	9.1%	9.2%	9.3%	9.4%	9.4%

1.7 Movement in the External Reserves:

The pressure on the external reserves remained relatively moderate in April 2015, compared with March 2015.

The pressure on the external reserves was relatively modest in April 2015, compared with March 2015. However, the continued demand pressure at the foreign exchange rate market meant the CBN had to continuously use the external reserves to defend the value of the Naira at the different interventions at the inter-bank market since the close of the CBN Official Window since February 2015. The recent rally in the price of crude oil at the international market has not been fully reflected in the external reserves due to the various interventions the CBN had to carry out at the inter-bank foreign exchange market. The external reserves decreased by 14.33% to stand at US$29.53bn as at end-April 2015 from US$34.47bn at the end-December 2014. Month-on-month, the external reserves decreased by 0.87% in April 2015, from US$29.79bn as at end March 2015. We note that the external reserves have been inching up towards the end of April and stood at US$29.67bn as at May 08, 2015. The average external reserve for the month of April 2015 stood at US$29.55bn, compared with the US$30.29bn in the month of March 2015.

The developments in the crude oil price in the international market remain critical for the accretion to the external reserves.



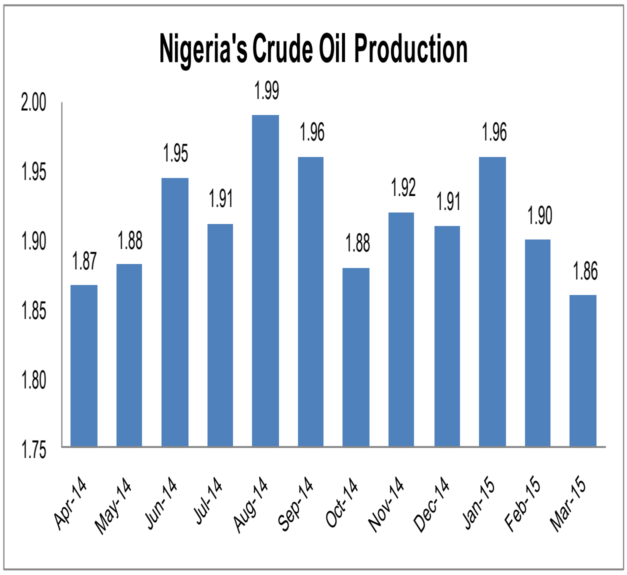
The daily crude oil production in Nigeria decreased by 2.11% from 1.90mbpd in February 2015 to 1.86mbpd in March 2015.

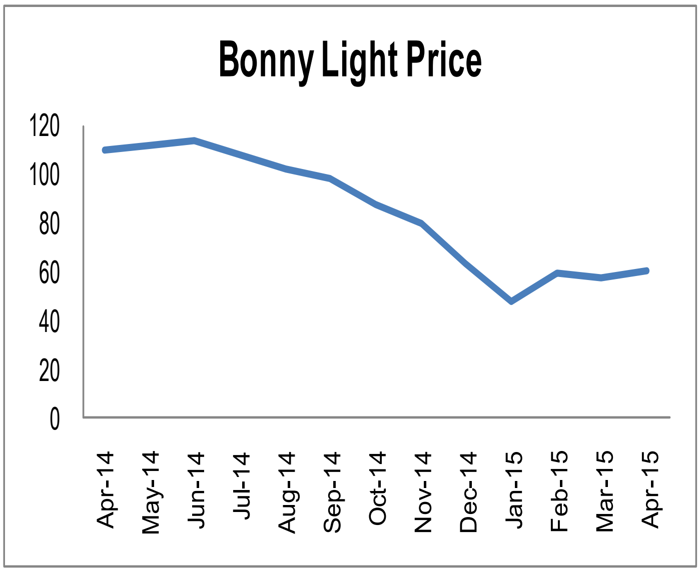
The average price of Bonny Light was higher in April 2015 than in March 2015

1.8 Crude Oil Market and Bonny Light Price:

The daily crude oil production in Nigeria decreased by 2.11% from 1.90mbpd in February 2015 to 1.86mbpd in March 2015 based on the secondary data available from the Organization of the Petroleum Exporting Countries (OPEC) report for the month of April 2015. The total OPEC crude oil production from direct sources was 31.49mbpd in March 2015, an increase of 4.03% from 30.27mbpd over the previous month. Saudi Arabia, Iraq, Libya, Qatar, Ecuador and Iran were the largest contributor to the OPEC oil production. The productions from Nigeria, United Arab Emirates, Angola, Venezuela and Algeria recorded the highest drop.

The average price of Bonny Light was higher in April 2015 compared to March 2015, as crude oil prices received a boost from a combination of factors ranging from improved demand for refined products due to lower crude oil prices, the seasonal driving season in the U.S.; and geopolitical factors. According to the data from Reuters, the Bonny Light oil price recorded an increase of 17.86% to US$64.94/b as at end-April 2015, from end-March 2015. The average price of Bonny Light was US$60.80/b in April 2015, 5.87% higher than the average price of US$57.43/b recorded in March 2015.





1.9 Exchange Rate:

There was a noticeable temporary appreciation in the value of the Naira at the inter-bank and parallel market segments of the foreign exchange market in April 2015.

There was a noticeable temporary appreciation in the value of the Naira at the inter-bank and parallel market segments of the foreign exchange market in April 2015, due to the declaration and acceptance of the presidential elections as the palpable fears about a possible civil disturbance from the acceptance/rejection of the results was dissipated. However, we note that there has been an increasing divergence between the inter-bank and parallel markets in recent time, which could fuel further speculative and rent seeking behaviour in the foreign exchange market. The CBN is most likely uncomfortable with the increasing divergence and may introduce additional administrative foreign exchange measures to achieve convergence in the foreign exchange rates between the inter-bank and parallel markets at its next Monetary Policy Committee (MPC) meeting in May 2015.

The average exchange rate at the inter-bank market appreciated marginally by 0.04% to stand at N199.12/US$1 for the month of April 2015, while at the parallel market it appreciated by 5.96% to N212.78/US$1 in April 2015 from N225.47/US$ in March 2015.

We noted that there is high level of unsatisfied foreign exchange demand in the inter-bank market. This is one of the problems of current level of divergence between the official and the parallel market foreign exchange rate. We believe the MPC would like to step-in at its May 2015 Meeting to allow the value of the Naira trade at its equilibrium level, which may mean additional depreciation in the value of the currency. Our revised foreign exchange rate forecast is shown on table 5 below.

Table 5: Exchange Rate US$/N Actual(A) Vs Forecast

	Jan-A	Feb-A	Mar-A	Apr-A	May-F	Jun-F	Jul-F	Aug-F	Sep-F	Oct-F	Nov-F	Dec-F
Exchange Rate	168.00	177.00	197.07	199.12	215.10	215.00	216.00	216.00	215.50	215.00	215.00	214.00

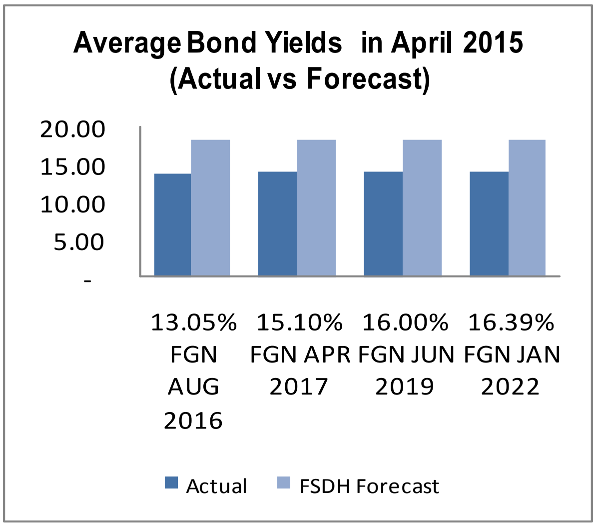
2.0 Interest Rate and Yield Analysis:

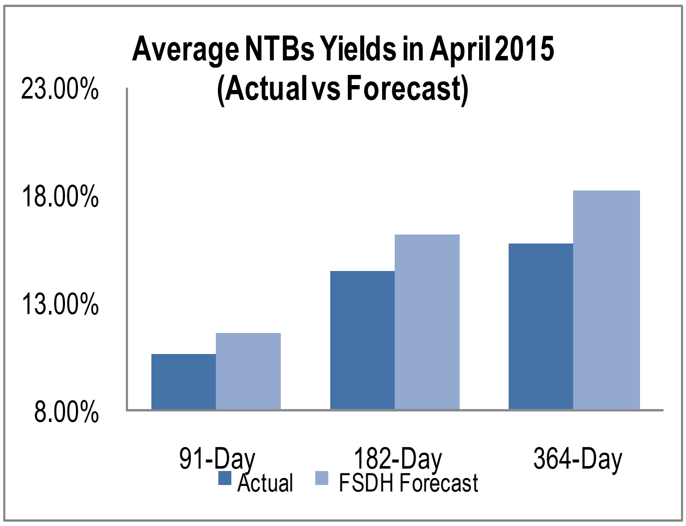
The major outflow from the market in the month of April 2015 came from the OMO of about N933.74bn.

Our analysis of the liquidity situation in the money market and the fixed income securities market in the month of April 2015 shows that there was a net inflow of about N191.35bn from various sources, compared with a net outflow of about N748.70bn in the month of March 2015. The major outflows in the month of April 2015 were the Open Market Operations (OMO) of about N933.74bn, the Primary NTB of about N353.09bn, the Cash Reserve Requirement (CRR) debit of about N150bn, and the bond auction of about N70bn. Meanwhile, in the month of March 2015 the major outflow from the market was from the OMO of about N832.80bn, the Primary NTBs of about N520bn, the CRR of about N245.20bn, and the bond auction of about N91bn. The major inflows into the market in April were the matured OMO and REPO Bills of N671bn, the Bond maturity of about N535bn, the NTBs of about N269bn, and the Federation Account Allocation Committee injection of about N223bn. In March, the Primary NTBs of about N520bn, the FAAC of N254bn, and the matured OMO and REPO of N160bn were the major inflows into the market.

The decline in the yields on the NTBs was due to the huge liquidity in the system from matured government securities.

The average yields on the Nigerian Government Treasury Bills (NTBs) auction decreased in April 2015 compared with March 2015. The average 91-day NTB yield decreased to 10.57% in April 2015 from 11.09% in March 2015. The average 182-day NTB yield closed at 14.42% in April, down from 15.95% in March; and the average 364-day NTB yield also decreased to 15.71%, from 18.51% in March. The average 30-day NIBOR decreased to close at 14.75% from 15.90% in March, and the average 90-day NIBOR also decreased to 15.91% from 16.99% in the preceding month. The decline in the yields on the NTBs was due to the huge liquidity in the system from matured government securities.





The average forecast yields on the bonds for the month of April were higher than the actual.

Our analysis of the average forecast yields on the bonds for the month of April were higher than the actual; primarily because of the increased liquidity in the system brought about by the huge maturity that hit the market in April 2015.

Table 6: Average Bond Yields

	13.05% FGN AUG 2016	15.10% FGN APR 2017	16.00% FGN JUN 2019	16.39% FGN JAN 2022	14.20% FGN March 2024
March	15.83%	15.99%	15.83%	15.81%	16.06%
April	13.97%	14.01%	14.11%	14.09%	15.44%
Change	(1.86%)	(1.98%)	(1.72%)	(1.72%)	(0.62%)

Table 7: Average Interest Rate and Yields

	NIBOR				**Treasury Bill Yields**		
	Call	**30 Day**	**90 Day**	**180 Day**	**91-Day**	**182-Day**	**364-Day**
March	16.75%	15.90%	16.99%	17.91%	11.09%	15.95%	18.51%
April	22.57%	14.75%	15.91%	16.88%	10.57%	14.42%	15.71%
Change	5.82%	(1.15%)	(1.08%)	(1.03%)	(0.52)%	(1.53%)	(2.80%)

Table 8: Market Liquidity (N'bn)

	March 2015			**April 2015**		
	Total Inflow	**Total Outflow**	**Net flow**	**Total Inflow**	**Total Outflow**	**Net flow**
Primary Market: NTB	520	520	0	269	353	(84)
Open Market Operations (OMO) & Rev Repo	166	833	(667)	671	934	(263)
BOND	0	91	(91)	535	70	465
FAAC	254	0	254	223	-	223
RDAS	-	-	-	-	-	-
CRR (Debit)/Credit	0	245	(245)	-	150	(150)
Total	**940**	**1,689**	**(749)**	**1,698**	**1,507**	**191**

The Nigerian Treasury Bill Issue Calendar released by the CBN showed that there would be no additional debt to the government debt stock via the NTBs in May 2015. About N523.10bn is expected to mature while the same amount would be issued as new NTB.

Table 9: The Nigerian Treasury Bills Issue Calendar

	Maturing			New Issue		
	Amount (Nbn)	Amount (Nbn)	Amount (Nbn)	Amount (Nbn)	Amount (Nbn)	Amount (Nbn)
	(91-day)	(182-day)	(364-day)	(91-day)	182-day)	(364-day)
07-May-15	45.18	23.43	82.00	45.18	23.43	82.00
21-May-15	32.44	22.82	55.68	32.44	22.82	55.68
04-Jun-15	17.85	18.00	80.00	17.85	18.00	80.00
Total	**95.47**	**64.25**	**217.68**	**95.47**	**64.25**	**217.68**

2.1 Revised Outlook Going Forward:

We expect that the CBN will issue NTBs at lower yields in May 2015.

We expect that a total inflow of about N788.12bn will hit the money market from the various government maturing securities and Federation Account Allocation Committee (FAAC) in the month of May 2015. Our expected outflows from the various sources such as government securities and statutory withdrawals are estimated at N548.56bn, leading to a net inflow of N239.56bn. This analysis does not include the possible CBN's interventions at the inter-bank segment of the foreign exchange market; and NNPC withdrawals from the system which are difficult to estimate. We expect that the CBN will issue NTBs at lower yields in May 2015 due to the expected liquidity in the system. We note that there are still reservations amongst investors about the fiscal position of the government. However, there is strong possibility that foreign investors may return to market if there is a successful transition of political power on May 29, 2015 by the current administration and the foreign exchange rate is allowed to trade at its equilibrium position as mentioned earlier.

Table 10: Expected Inflow and Outflow Analysis - May 2015 (N'bn)

Date	07-May-15	14-May-15	21-May-15	Others	Total
Inflows	150.61	110.94	272.56	254.00*	788.12
Outflows	-	75.00	261.56	212.00**	548.56
***Statutory Allocation (FAAC), ** CRR Debit**					239.56

Table 11: Revised Yields – Actual Vs Forecast								
	Treasury Bills (Primary Market)			FGN Bonds (Secondary Market)				
	91-Day	182-Day	364-Day	Aug-16	Apr-17	Jun-19	Jan-22	Mar-24
JanA-14	11.52%	15.39%	17.04%	15.00%	15.22%	15.22%	15.26%	15.25%
FebA-14	11.17%	14.82%	17.33%	15.82%	15.99%	15.85%	15.76%	15.87%
MarA-14	11.09%	15.95%	18.51%	15.83%	15.99%	15.83%	15.81%	16.06%
AprA-14	10.78%	15.17%	16.47%	13.97%	14.01%	14.11%	14.09%	15.44%
MayF-14	10.52%	14.36%	15.66%	13.83%	13.98%	14.08%	14.06%	15.25%
JunF-14	10.37%	14.21%	15.52%	13.69%	13.83%	13.93%	13.91%	15.07%
JulF14	9.68%	13.53%	14.83%	13.50%	13.65%	13.75%	13.73%	15.26%
AugF-14	9.88%	13.72%	15.02%	13.69%	13.84%	13.94%	13.92%	15.42%
SepF-14	10.04%	13.88%	15.19%	13.86%	14.00%	14.10%	14.08%	15.46%
OctF-14	10.08%	13.92%	15.22%	13.89%	14.04%	14.14%	14.12%	15.62%
NovF-14	10.24%	14.08%	15.39%	14.06%	14.20%	14.30%	14.28%	15.40%
DecF-14	10.02%	13.86%	15.16%	13.83%	13.98%	14.08%	14.06%	16.11%

Yields are expected to be lower in the month of May 2015. The following factors would drive yields on the fixed income securities in the next few months:

Yields are expected to drop in the month of May 2015.

- The liquidity level in the system.
- The expected smooth transition of power.
- The relative increase in the oil price in the past few weeks.

The successful conduct of the general elections has removed the political risk premium on fixed income securities.

2.2 Strategies:

- Deposit rate on the fixed income securities may appear more attractive.
- The successful conduct of the general elections has removed the political risk premium on fixed income securities, with a possibility of attracting more Foreign Portfolio Investments (FPIs) due to the attractive yields on Nigeria's fixed income securities, compared to its peers.
- Placement of funds with banks to earn attractive yields remains a good strategy.

The yields on the FGN Eurobonds have remained relatively stable, although lower than that recorded in March 2015. The prices of all the FGN Eurobonds closed the month higher than the par values.

Table12: FGN Eurobonds

	10year 6.75% FGN Eurobond January 2021		10year 6.375% FGN Eurobond July 2023		5 year 5.125% FGN Eurobond July 2018	
Date	**Price (US$)**	**Yield (%)**	**Price (US$)**	**Yield (%)**	**Price (US$)**	**Yield (%)**
01-Apr-15	105.380	5.649	102.816	5.937	100.432	4.977
02-Apr-15	105.255	5.673	100.432	4.977	100.421	4.981
07-Apr-15	105.596	5.605	102.938	5.918	100.619	4.914
08-Apr-15	105.730	5.578	103.145	5.887	100.682	4.893
09-Apr-15	105.757	5.571	103.194	5.879	100.682	4.893
10-Apr-15	105.648	5.592	103.105	5.892	100.694	4.888
13-Apr-15	105.869	5.548	103.091	5.894	100.712	4.882
14-Apr-15	105.882	5.545	103.208	5.876	100.712	4.882
15-Apr-15	105.959	5.529	103.274	5.866	100.705	4.884
16-Apr-15	106.358	5.449	103.620	5.813	100.695	4.887
17-Apr-15	106.292	5.462	103.596	5.817	100.911	4.814
20-Apr-15	106.155	5.488	103.508	5.830	100.888	4.822
21-Apr-15	105.775	5.563	103.146	5.885	100.749	4.868
22-Apr-15	105.825	5.552	103.290	5.863	100.931	4.806
23-Apr-15	106.059	5.505	103.648	5.808	101.477	4.622
24-Apr-15	106.684	5.381	104.282	5.712	102.074	4.421
27-Apr-15	107.104	5.298	105.129	5.585	102.530	4.269
28-Apr-15	107.364	5.246	105.517	5.528	102.790	4.182
29-Apr-15	107.306	5.257	105.373	5.549	102.800	4.176
30-Apr-15	107.785	5.162	105.739	5.494	102.868	4.153

3.0 Equity Market:

3.1 The Secondary Market:

The equity market maintained an upward trend in April 2015.

The NSE ASI appreciated by 9.33% in the month of April 2015.

The equity market maintained an upward trend in April 2015. The increase in the market performance was due to the improved investors' sentiments as a result of the successful conduct of the general elections, the earnings season, and the continued activities of bargain hunters in taking advantage of over-sold positions in certain stocks. The Nigerian Stock Exchange All Share Index (NSE ASI) appreciated by 9.33% (a gain of 9.27% in US$) on a month-on-month basis to close at 34,708.11 points. The market capitalisation also grew by 9.98% (a gain of 9.92% in US$) to close at N11.79trn (US$59.83bn). Year-To-Date as at end-April the Index has increased by 0.15%.

The quoted companies on the NSE are still facing risks emanating from the macroeconomic environment. These risks have resulted in minimal investors' participation in the bourse, increasing risk aversion over concerns about the future earnings potential of the companies. Some of the risks quoted companies face are regulatory headwinds from the monetary authority, the unrest in some Northern States (although there is almost success at eliminating the threat, it will take a while for economic and business activities to go back to normal), the falling consumer disposable income, and unabated pressure on foreign exchange rate stability.

A cursory look at the movements in the individual sectoral indices shows that all the sectoral indices appreciated in value to end the month of April 2015. The highest month-on-month gain was recorded in the NSE Industrial Index with a gain of 13.15%, primarily because of the significant over-sold positions that had rendered some fundamentally sound stocks attractive for bargain hunters. This was followed by the NSE Consumer Good Index with a gain of 9.45%, the NSE Banking Index with a gain of 6.92%, the NSE Insurance Index with a gain of 1.19%, and the Oil and Gas Index with a gain of 0.57%. The performance of the sectoral indices was influenced by positive investors' sentiment.

Table 13: Nigerian Equity Market: Key Indicators

Month	Volume (bn)	Value (N'bn)	NSEASI	Market Cap. (N'trn)	Banking*	Insurance*	Consumer Goods*	Oil/Gas*	Industrial*
MARCH	10.20	92.01	31,744.82	10.72	364.16	144.57	804.55	380.06	1,929.46
APRIL	10.72	103.43	34,708.11	11.79	389.37	146.29	880.62	382.24	2,183.12
Change	5.12%	12.41%	9.33%	9.98%	6.92%	1.19%	9.45%	0.57%	13.15%
YTD			0.15%	2.69%	10.81%	-2.25%	-2.54%	0.56%	2.04%

Sources: NSE, FSDH Research. * NSE Sectoral Indices

Table 14: Major Earning Announcements in April 2015						
Company and Result	**Turnover (Nm)**	**Change (%)**	**PBT (Nm)**	**Change (%)**	**PAT (Nm)**	**Change (%)**
GUINNESS NIG PLC						
9 month, Mar. 2015	84,750.06	8.63	7,134.12	-8.82	5,216.38	-12.23
CADBURY NIGERIA PLC						
3 months Mar. 2015	6,731.69	-2.72	-303.52	-126.37	-303.52	-126.37
ECOBANK TRANSNATIONAL INCORPORATED						
3 mths, Mar 2015	136,222.88	24.02	30,519.45	58.42	24,479.43	64.04
GLAXO SMITHKLINE CONSUMER NIG. PLC						
3 months, Mar. 2015	7,456.32	-4.45	421.83	-52.72	295.07	-52.07
DANGOTE CEMENT PLC						
3 mths, Mar 2015	114,737.11	10.78	70,167.74	32.36	68,618.90	44.10
NESTLE NIGERIA PLC						
3 months, March 2015	27,556.36	-17.56	3,487.00	-50.69	2,954.31	-50.80
DIAMOND BANK PLC						
3 months Mar. 2015	40,487.32	5.86	8,367.25	-9.45	7,167.54	-15.14
GUARANTY TRUST BANK PLC (GT Bank)						
3 months, Mar 2015	79,015.63	16.93	32,652.80	16.59	26,563.88	14.94
FORTE OIL PLC						
3 mths Mar 2015	33,062.22	-4.94	842.34	-33.67	783.15	-28.98
ZENITH BANK PLC						
3 months, Mar. 2015	113,322.00	20.14	33,128.00	14.55	27,680.00	16.91
WEMA BANK PLC						
3 months, Mar 2015	8,928.34	7.52	615.29	4.15	522.99	4.15

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Table 15: Major Benefit Announcements in April 2015						
Company	**Result**	**DPS(N)**	**Bonus Ratio**	**Closure Date**	**Payment Date**	**Interim/final**
VITAFOAM NIG PLC	Full year, Sep. 2014	0.3	1 for 5	20-May-15	09-Jun-15	Final
ECOBANK TRANSNATIONAL INCORPORATED PLC	Full year, Dec. 2014	-	1 for 15	25-Jun-15		Final
DANGOTE SUGAR REFINERY	Full year, Dec. 2014	0.4	-	28-Apr-15	18-May-15	Final
CUSTODIAN AND ALLIED INSURANCE PLC	Full year, Dec. 2014	0.12	-	13-Apr-15	14-May-15	Final
GLAXO SMITHKLINE CONSUMER NIG. PLC	Full year, Dec. 2014	0.75	1 for 4	14-May-15	12-Jun-15	Final
FIDELITY BANK PLC	Full year, Dec. 2014	0.18	-	20-Apr-15	07-May-15	Final
STANBIC IBTC BANK PLC	Full year, Dec. 2014	0.15	-	14-Apr-15	NA	Final
ASHAKA CEMENT PLC	Full year, Dec. 2014	0.45	-	21-Apr-15	06-May-15	Final

The Hong Kong Hang Seng Index recorded the highest MoM growth of 12.98%, with a gain of 19.18% in its YTD performance.

The table 16 below shows the performance of some selected foreign equities markets around the world. The Hong Kong Hang Seng Index recorded the highest MoM growth of 12.98% with a gain of 19.18% in its YTD performance. This is followed by the Brazil Stock Market Index with a MoM return of 9.93%, and a growth of 12.44% in its YTD performance. The least MoM performance was recorded in the DAX Index (Germany), with a loss of 4.28%, but a YTD appreciation of 16.82%.

Table 16: Foreign Equity Market Performance in April 2015

North/Latin America	YTD Change		Month-on-Month change
Dow Jones Industrial Average	0.10%		0.36%
S&P 500 Index	1.29%		0.85%
NASDAQ Composite	4.34%		0.83%
Brazil Stock Market Index	12.44%		9.93%
Europe			
Swiss Market Index	1.04%		(0.57%)
FTSE 100 Index (UK)	6.01%		2.77%
CAC 40 Index (France)	18.11%		0.26%
DAX Index (Germany)	16.82%		(4.28%)
SMSI Index (Madrid, Spain)	10.62%		(1.35%)
Africa			
NSE All-Share Index	0.15%		9.33%
JSE All-Share Index (S/A)	9.38%		4.33%
Nairobi All Share Index (Kenya)	6.33%		(1.09%)
GSE All-Share Index (Ghana)	0.52%		2.36%
Asia/Pacific			
NIKKEI 225 Index (Japan)	11.86%		1.63%
BSE 30 Index (India)	(1.77%)		(3.38%)
Hang Seng Index (Hong Kong)	19.18%		12.98%

3.2. Outlook for the Month of May:

We expect to see speculative activities in the market, as speculators take advantage of some oversold positions

- We expect to see speculative activities in the market, as speculators take advantage of some oversold positions

- The policy direction of the incoming administration may set the path that the equity market would follow in the month of May and June

3.3. Strategies:

- Investors should maintain a medium-to-long term view of the market.
- Stocks with diversified products and business have strong investment case at the moment. Strategic investment in some undervalued stocks in the banking sector such as FBN Holdings and Zenith Bank would yield good returns in the medium-to-long term.

Table 17: Equity Market Trend Analysis

	YEARS				
MONTHS	**2010**	**2011**	**2012**	**2013**	**2014**
APRIL	26,453.20	25,041.68	22,045.66	33,440.57	38,492.13
MAY	26,183.21	25,866.62	22,066.40	37,794.75	41,474.40
% CHANGE	**(1.02%)**	**3.29%**	**0.09%**	**13.02%**	**7.75%**

Going by the historical trend over the last five years, the equity market should record a positive performance in the month of May. The successful conduct of the general elections and the low price of stocks across board create strong opportunities for the equities market to appreciate.

Table 18: Revised Asset Allocation	
Asset Class	**Fund Allocation**
Equities	30%
Fund Placement	10%
Treasury Bills	15%
Real Estate Investment Trust (REIT)	5%
Bonds	25%
Collective Investment Schemes	15%

Table 19: Bond Recommendation

S/N	Security Description	Tenor To Maturity	Coupon	Current Price	Current Yield	Modified Duration
1	13.05% FGN AUG 2016	1.26	13.05	99.05	13.04	1.10
2	16% FGN JUN 2019	4.13	16.00	106.75	13.79	2.85
3	14.20% FGN MAR 2024	8.84	14.20	102.60	13.67	4.90
4	12.1493% FGN JUL 2034	19.19	12.15	88.15	13.93	6.48

Table 20: Stock Recommendation

Stocks	Max Entry Price	52 Week Low	52 Week High	Trailing EPS	Trailing PE Ratio	Target Price
FBNH	8.93	6.37	10.54	2.34	3.82	10.36
UACN	40.00	26.22	42.31	5.43	7.37	46.40
Flour Mills	34.06	27.67	39.80	1.04	32.75	39.51
Oando	18.40	12.83	19.96			19.00
UPDC	10.25	8.1	11.99	2.46	4.16	11.89
Transcorp	3.23	2.28	3.59	0.06	53.33	3.75
WAPIC	0.53	0.5	0.64	0.01	37.29	0.61
Dangote Cement	178.00	141.9	190	10.59	16.80	206.48
Diamond Bank	4.65	3.45	5.45	1.24	3.75	5.39
Dangote Sugar	6.40	5.1	7.74	0.85	7.49	7.42
Lafarge Africa	96.00	76	96	7.31	13.13	111.36
Zenith Bank	20.96	15.00	25.05	3.30	6.35	24.31

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Table 21: 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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