Monthly Economic and Financial Market Outlook

Opportunities in Uncertainties

March 2015

1.0. Global and Domestic Economic Issues:

There was an increase in most of the bond prices in the month of February 2015, compared with the performance recorded in January 2015.

The analysis of the bond market in the countries that we monitored shows that there was an increase in most of the bond prices in the month of February 2015, compared with the performance recorded in the month of January 2015. The 17% April 2022 Egypt Government Bond recorded the highest price increase of 8.53% in February. The Egyptian Government Bond also recorded the highest month-on-month decrease in yield as at the end of February 2015, with a yield decrease of 1.92% to 12.59%. The Argentina Bond and the Russia Bond closed the month at negative real yields in February 2015. Other bonds monitored closed the month at positive real yields. The yield on the Nigerian Bond appears to be the most attractive amongst the countries monitored. The political uncertainty in Nigeria and the recent devaluation in the value of the Naira, and the expected fiscal deficit of the government may be responsible for this.

The U.S. economy grew by 2.2% in Q4 2014.

The People's Bank of China cut the one-year lending rate by 25 basis points to 5.35% on February 28, 2015.

According to the second estimate released by the Bureau of Economic Analysis of the United States (U.S.), the U.S. economy grew by 2.2% in Q4 2014. The deceleration in real GDP growth in Q4 2014 primarily reflected an upturn in imports, a downturn in The U.S. Federal Government spending, and decelerations in non-residential fixed investment and in exports that were partly offset by acceleration in Personal Consumption Expenditure (PCE), an upturn in private inventory investment, and acceleration in state and local government spending. Meanwhile, the People's Bank of China cut the one-year lending rate by 25 basis points to 5.35% on February 28, 2015 amid rising deflationary pressure, low growth and declining property prices.

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	100.63	101.26	120.25	101.82	102.92	101.52	74.20	102.16	103.00	98.78
2	Bond Yield	6.45%	11.64%	3.34%	12.59%	7.82%	12.08%	16.01%	14.49%	7.39%	8.30%	1.91%
3	Bond Price MoM Change	2.15%	0.10%	0.93%	8.53%	(0.33%)	(1.01%)	(3.18%)	0.27%	(3.23%)	6.32%	(2.61%)
4	Bond Yield MoM Change	(0.08%)	(0.21%)	(0.13%)	(1.92%)	0.06%	0.20%	0.78%	0.00%	0.54%	1.18%	0.35%
5	Bond Price YTD Change	22.58%	(0.25%)	2.34%	11.35%	1.06%	(2.10%)	(2.86%)	1.65%	2.38%	12.26%	1.51%
6	Bond Yield YTD Change	(2.72%)	0.10%	(0.33%)	(2.54%)	(19.80%)	0.42%	0.69%	(0.25%)	(0.40%)	(1.85%)	(0.19%)
7	Volatility	0.51	0.27	0.36	2.18	0.25	0.45	1.87	2.11	1.00	1.67	0.95
8	FX Rate MoM Change*	0.95%	5.90%	0.30%	0.54%	(0.05%)	(0.29%)	8.09%	(11.10%)	0.09%	2.65%	(0.84%)
9	FX Rate YTD Change*	23.51%	6.91%	1.03%	6.68%	(1.91%)	0.88%	10.51%	1.68%	0.92%	3.24%	(7.47%)
10	Inflation Rate	16.00%	7.14%	0.80%	9.70%	5.11%	5.61%	8.20%	15.00%	4.40%	7.24%	(0.10%)
11	Policy Rate	22.93%	12.25%	5.35%	8.75%	7.75%	8.50%	13.00%	15.00%	5.75%	7.50%	0.25%
12	Debt To GDP	45.60%	56.80%	22.40%	87.10%	67.72%	51.70%	11.00%	13.41%	46.10%	33.00%	101.53%
13	GDP Growth Rate	(0.80%)	(0.20%)	7.30%	4.30%	7.50%	5.50%	6.22%	0.70%	1.30%	1.70%	2.40%
14	Nominal GDP (US$)	612bn	2.25trn	9.24trn	272bn	1.88trn	55bn	523bn	2.10trn	351bn	820bn	1.68trn
15	Current Acct to GDP	(0.90%)	(4.17%)	2.00%	(2.40%)	(1.70%)	(8.20%)	7.10%	1.56%	(5.80%)	(7.90%)	(2.30%)

*-ve means appreciation while +ve means depreciation

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

1.1 Domestic Real GDP

The Nigeria's GDP grew by 6.22% in 2014, compared with 5.49% in 2013.

On an aggregate basis, the Nigerian economy when measured by the Real Gross Domestic Product (GDP) grew by 6.22% in 2014, compared to 5.49% in 2013. On a quarterly basis, the GDP grew by 5.94% (year-on-year) in Q4 2014, compared with 6.77% in the corresponding period of 2013 and 6.23% in Q3 2014. The oil sector recorded production and price challenges in Q4 2014, but grew by 1.18% during the period, compared with the decline of 9.36% and 3.6% in Q4 2013 and Q3 2014 respectively. The oil sector contributed approximately 8.97% to the real GDP in Q4 2014, lower than the 10.45% contribution in Q3 2014, and the 9.39% contribution recorded during Q4 2013. The non-oil sector recorded a growth of 6.44% in Q4 2014, lower than the 8.78% recorded in the corresponding period in 2013, and the 7.51% recorded in Q3 2014. The non-oil sector growth was driven by growth in activities recorded in the Crop Production; Trade; Textile, Apparel and Footwear; and Real Estate sectors.

The nominal GDP stood at N24.21trn in Q4 2014.

The nominal GDP stood at N24.21trn in Q4 2014, representing an increase of 13.10% from N21.40trn recorded in Q3 2014 and 5.55% from N22.93trn recorded in Q4 2014. In 2014, the services sector contributed 52.16% to the GDP, followed by Industries (24.93%) and Agriculture (22.90%). Given the activities of the Nigerian economy, we are of the view that with appropriate financing structure and institutions, the economy can generate stable revenue for the government to withstand the adverse movements in oil prices.

1.2 Inflation Rate:

The inflation rate is expected to increase in February 2014.

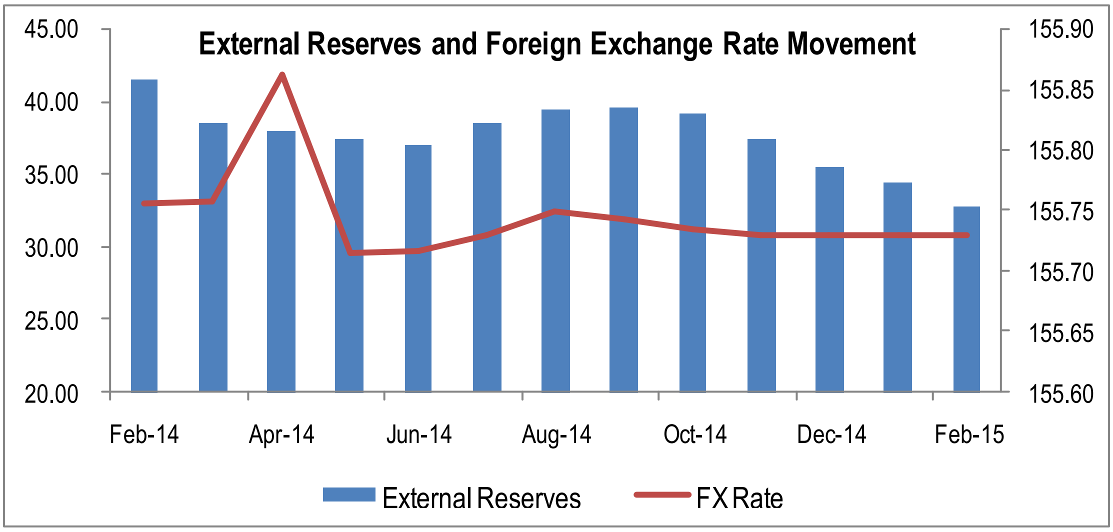
The tight monetary policy stance of the Central Bank of Nigeria (CBN) and the benign international food prices have primarily contributed to the single digit inflation rate recorded in the last thirteen months, despite the food supply bottleneck from the security challenges in some major food producing areas in Nigeria. The inflation rate stood at 8.2% in January from 8.0% in December 2014. The increase in the inflation rate in January 2015 was due to the faster pace of increase in the Housing, Water, Electricity, Gas and Other Fuels, household Equipment Maintenance; and Clothing and Footwear. The Food Price Index increased by 9.2% (year-on-year) in January 2015, same as in December 2014. The negative pressure on the foreign exchange stability from the demand and supply imbalances in the foreign exchange market portends significant pressure on price stability in the short-to-medium term. We estimate that inflation rate will increase to 8.3% in February 2014. Therefore, we expect inflation rate to rise in March and April 2015 to reflect the impact of Naira devaluation.

Table 2: Inflation Rate Actual Vs Forecast												
Date	Jan-14 A	Feb-14 F	Mar-14F	Apr-14F	May-14F	Jun-14F	Jul-14F	Aug-14F	Sep-14F	Oct-14F	Nov-14F	Dec-14F
FSDH Forecast	8.2%	8.3%	11.3%	10.6%	7.9%	7.8%	8.1%	8.3%	8.5%	8.5%	8.7%	8.7%

1.3 Movement in the External Reserves:

The volatility of foreign exchange flows continues to put a strain on the level of the external reserves.

The low level of foreign exchange flows, compared with the level of foreign exchange demand continues to put a strain on the level of the external reserves. The sharp drop recorded in the price of the crude oil in the international market, and the capital reversal from foreign portfolio investors from their concern about the negative impact of the fall in oil prices on the overall government finances have put pressure on the level of accretion to the external reserves. The external reserves decreased by 20.96% to stand at US$34.47bn as at end-December 2014 from US$43.61bn at the end-December 2013. The level of the external reserves stood at US$31.36bn as at February 27, 2015 from US$34.47bn as at end-December 2014, representing a decline of 9.02%. The CBN has embarked on different exchange rate administrative measures aimed at curbing the incessant high demand for the foreign exchange in order to achieve stability in the value of the Naira. The average external reserve for the month of February 2015 stood at US$32.81bn, compared with the US$34.46bn in the month of January 2015. The current level of external reserves is enough to cover about 6 months worth of imports.



A continuous drop in the external reserves will reduce the CBN's ability to meet all the genuine demand and may lead to a further depreciation of the value of the Naira against the US Dollar.

1.4 Crude Oil Market and Bonny Light Price:

The crude oil production in Nigeria increased by 2.11% from 1.90mbpd in December 2014 to 1.94mbpd in January 2015 based on the secondary data available from the Organization of the Petroleum Exporting Countries (OPEC) report for the month of February 2015. The total OPEC crude oil production from direct sources is 26.25mbpd in January 2015, a decrease of 15.58% from 31.05mbpd over the previous month. Saudi Arabia and United Arab Emirates maintained the largest contribution to the OPEC oil production due to their current stance on maintaining their market share of the global oil market. Iraq and Libya recorded the highest decreases due to supply disruption from the civil strife in the countries.

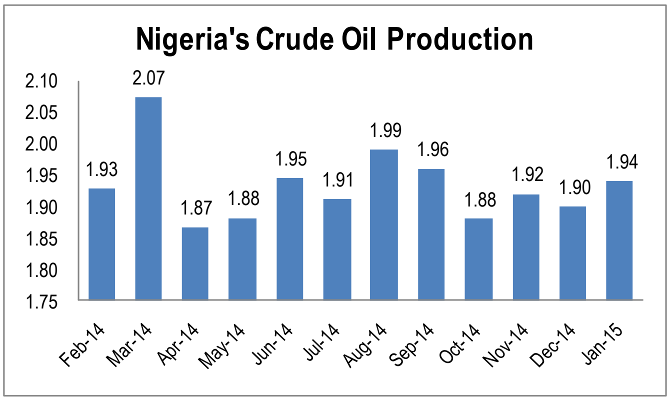
The crude oil production in Nigeria increased by 2.11% from 1.90mbpd in December 2014 to 1.94mbpd in January 2015.

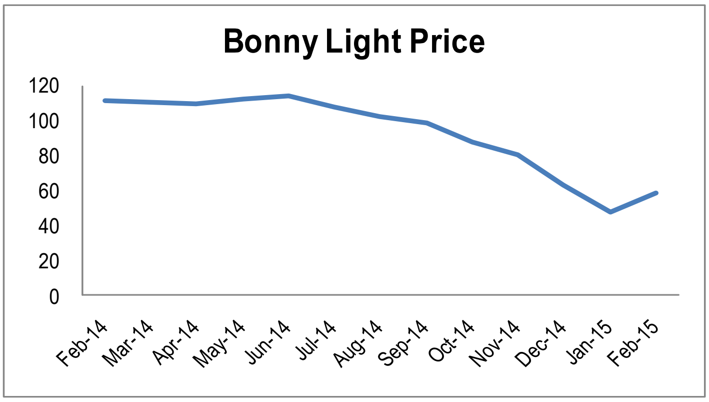
Crude oil prices started the year 2015 at a near six-year low, amid plentiful global oil supplies that have pushed oil prices down by almost 60% since June 2014, with oil demand growth yet to show signs of accelerating. Over the month, several other bearish market factors helped push prices down further, including a record inventory build in the US, a strong US dollar, and slowing Chinese oil demand growth, as well as a downward revision for global economic growth. On a monthly basis, the OPEC Reference Basket (ORB) fell to an average of US$44.41/b in January 2015, its lowest value since February 2009. Compared with a year ago, the ORB value is about 60% lower than it was in January 2014 when it reached nearly US$105/b. The geopolitical tension in Iraq and Libya is putting an upward pressure on oil prices, as the ORB averaged US$54.06/b in February 2015, an increase of 21.73%, from the average of US$44.41/b in January 2015.

The ORB fell to an average of US$44.41/b in January 2015, its lowest value since February 2009.

The Bonny Light Oil price like other crude oil variants in the international market recorded a rebound due to the drop in the oil output from Libya and Iraq. According to the data from Reuters, the Bonny Light oil price recorded an average of US$59.18/b in February 2015, 23.76% higher than the average price of US$47.82/b recorded in January 2015.

The Bonny Light Oil price rebounded due to the drop in the oil output from Libya and Iraq.





1.5 Exchange Rate:

The CBN carried out a tacit devaluation of the Naira in February 2015, as the external reserves came under increasing depletion from unabated increased foreign exchange demand. The CBN's Retail Dutch Auction System (RDAS) window was shut due to the increasing divergence in the foreign exchange rate in the official, inter-bank and parallel markets segment of the foreign exchange market, which was fuelling speculative demand, rent seeking, fake demand and inefficient use of foreign exchange by economic agents. The Apex Bank has also carried out additional foreign exchange administrative measure to curb speculative demand for foreign exchange, in order to reduce the rate of depletion of the external reserves. However, the CBN had indicated that it would maintain its managed float exchange rate strategy, with intervention in the inter-bank and parallel market to meet genuine foreign exchange demand.

The CBN carried out a tacit devaluation of the Naira in February 2015.

The amount offered by the CBN in February 2015 stood at US$1.20bn, down by 29.41% from US$1.70bn offered in January 2015. The amount sold in February was about US$1.20bn, a decrease of 39.70% from the US$1.99bn sold in January. The ratio of the total amount sold to the amount offered in February stood at 99.80%, lower than the 116.91% recorded in January 2014.

The average exchange rate in the official market depreciated by 5.08% to stand at N177/US$1 for the month of February 2015. The average exchange rate in the inter-bank market also depreciated by 6.27% to N171.86/US$1 in February from N186.07/US$ in January 2015. The average value of the Naira also depreciated in the parallel market by 8.30% to N214.80/US$1 in February from N196.98 in January.

The over-dependence on oil revenue by the Nigerian economy exposes the Naira to intense volatility in the face of long period of decline in oil price.

The over-dependence on oil revenue by the Nigerian economy exposes the Naira to intense volatility in the face of long period of decline in oil price; hence, the short term stability of the Naira is hinged on favourable oil prices and increased production. The price of Bonny Light has recorded an increase of about 38.07% to stand at US$63.10/b on February 27, 2015 from a low of US$45.70/b on January 13, 2015 due to the intensification of geo-political tensions in Iraq and Libya, as well as the closure of some oil rigs in the U.S. for uneconomical returns at the pre-existing oil prices. Our revised foreign exchange rate forecast is shown below.

Table 3: Exchange Rate US$/N Actual(A) Vs Forecast

	Jan-A	Feb-A	Mar-F	Apr-F	May-F	Jun-F	Jul-F	Aug-F	Sep-F	Oct-F	Nov-F	Dec-F
Exchange Rate	168.00	177.00	199.34	200.10	200.87	201.55	201.55	196.00	196.04	196.08	196.12	196.15

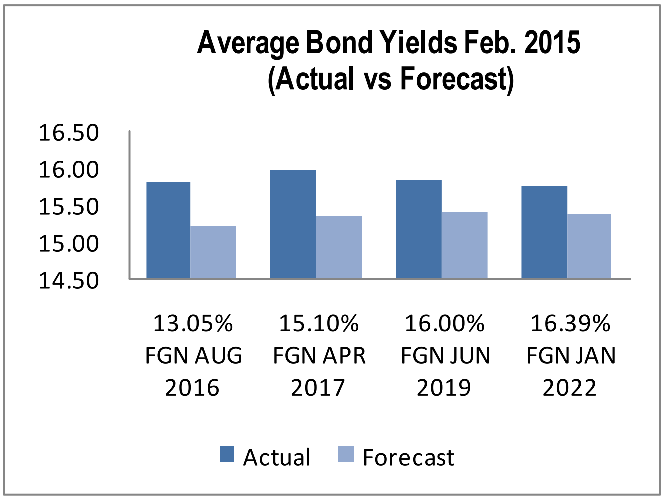
2.0 Interest Rate and Yield Analysis:

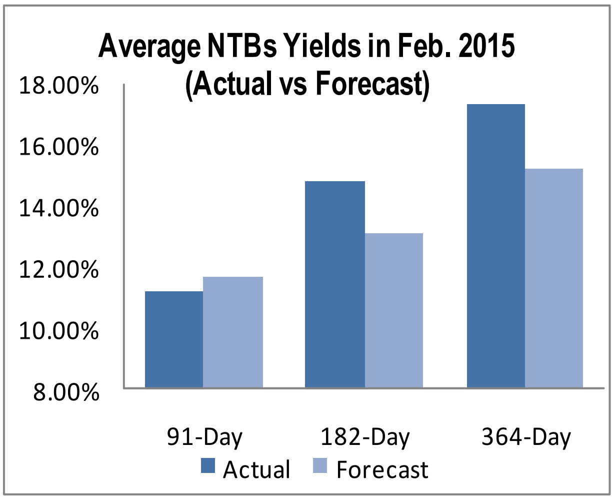
The major outflow from the market in the month of February 2015 came from the Primary NTB of about N334.83bn.

Our analysis of the liquidity situation in the money market and the fixed income securities market in the month of February 2015 shows that there was a net outflow of about N300.62bn from various sources, compared with a net outflow of about N502.98bn in the month of January 2015. The major outflows in the month of February were the Primary NTB of about N334.83bn, the Cash Reserve Requirement (CRR) debit of about N240.89bn, the Retail Dutch Auction System (RDAS) of about N201.12bn, the Open Market Operation (OMO) and Reverse Repo (Repo) of about N115.80bn, and the bond auction of about N72bn. Meanwhile, in the month of January 2015, the market recorded a net outflow of about N502.98bn. The major outflow from the market was from the OMO and Repo of about N973.23bn, the RDAS of about N388.39bn, and the Primary NTB of about N384.30bn. The major inflows into the market in February were the NTBs maturity of N334.83bn, the Federal Accounts Allocation Committee (FAAC) injection of about N285bn, and the matured OMO and REPO Bills of N44.19bn. In January, the matured OMO and REPO Bills of about N445.64bn, NTBs maturity of N384.30bn, the FAAC of N287bn, and the CRR credit of N126bn were the major inflows into the market.

The average yields on the NTBs auction decreased in February 2015 except the 364day NTB.

The average yields on the Nigerian Government Treasury Bills (NTBs) auction decreased in February 2015 except for the 364day TB. This reflects the current liquidity conditions, and the future path of the economy. The average 91-day TB yield decreased to 11.17% in February 2015 from 11.52% in January 2015, reflecting the increased appetite for NTBs in the face of limited alternative investment outlet. Similarly, the average 182-day TB yield closed at 14.82% in February, down from 15.39% in January, while the average 364-day TB yield increased to 17.33%, from 17.04% in January. The average 30-day NIBOR increased to close at 15.19% from 13.70% in January, and the average 90-day NIBOR also increased to 16.05% from 14.67% in the preceding month.





The average forecast yields on the bonds for the month of February was lower than the actual.

The FSDH Research's forecast NTB yields for the month of February at the short end of the curve was higher than the actual figures while that of the long end of the curve were lower than the actual figures for the month. Our analysis of the average forecast yields on the bonds for the month of February was lower than the actual; primarily because of the tight liquidity conditions in the market, as the CBN strove to achieve foreign exchange rate stability. The CBN began the implementation of the bi-monthly CRR withdrawals from the system in February 2015, as well as the shutting of the RDAS window to curb speculative demand for foreign exchange.

Table 4: Average Bond Yields

	13.05% FGN AUG 2016	15.10% FGN APR 2017	16.00% FGN JUN 2019	16.39% FGN JAN 2022	10.00% FGN JUL 2030
January	15.00%	15.22%	15.22%	15.26%	14.95%
February	15.82%	15.99%	15.85%	15.76%	15.85%
Change	0.82%	0.77%	0.62%	0.50%	0.89%

Table 5: Average Interest Rate and Yields

	NIBOR				Treasury Bill Yields		
	Call	**30 Day**	**90 Day**	**180 Day**	**91-Day**	**182-Day**	**364-Day**
January	10.55%	13.70%	14.67%	15.84%	11.52%	15.39%	17.04%
February	31.58%	15.19%	16.05%	17.06%	11.17%	14.82%	17.33%
Change	21.03%	1.49%	1.38%	1.22%	(0.35)%	(0.57%)	0.30%

Table 6: Market Liquidity (N'bn)

	January			February		
	Total Inflow	**Total Outflow**	**Net flow**	**Total Inflow**	**Total Outflow**	**Net flow**
Primary Market: NTB	384	384	0	335	335	0
Open Market Operations (OMO) & Rev Repo	446	973	(528)	44	116	(72)
BOND	-	-	-	-	72	(72)
FAAC	287	-	287	285	-	285
RDAS	-	388	(388)	-	201	(201)
CRR (Debit)/Credit	126	-	126	0	(241)	(241)
Total	**1,243**	**1,746**	**(503)**	**664**	**965**	**(300.62)**

The Nigerian Treasury Bill Issue Calendar released by the CBN showed that the government would add N50bn new debt to its debt stock in March 2015, which is in line with our expectation. This is due to the declining revenue of the FGN.

Table 7: The Nigerian Treasury Bills Issue Calendar

	Amount (Nbn)	Amount (Nbn)	Amount (Nbn)	New (Nbn)	New (Nbn)	New (Nbn)
	Maturing(91)	Maturing(182)	Maturing(1-year)	Issue (91)	Issue(182)	Issue(1year)
13-Mar-15	33.88	50.28	83.05	33.88	50.28	83.05
26-Mar-15	14.04	33.78	nil	14.04	33.78	50.00
03-Apr-15	20.16	43.49	120.00	20.16	43.49	120.00
23-Apr-15	38.71	45.00	85.73	38.71	45	85.73
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	202.25	236.81	506.46	202.25	236.81	556.46

2.1 Revised Outlook Going Forward:

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

We expect that a total inflow of about N1,183.62bn will hit the money market from the various government maturing securities and Federation Account Allocation Committee (FAAC) in the month of March 2015. Our expected outflows from the various sources such as government securities and foreign exchange funding are estimated at N934bn, leading to a net inflow of N249.68bn. 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 the short-end (91Day and 182Day) at slightly higher yields in March 2015 due to the need to mop-up liquidity and the expected increase in the inflation rate in the next three months.

Table 8: Expected Inflow and Outflow Analysis - March 2015 (N'bn)

Date	05-Mar-15	19-Mar-15	26-Mar-15	Others	Total
Inflows	467.59	167.21	262.82	286.00*	1,183.62
Outflows	254.97	167.21	47.82	664.00**	934.00
***Statutory Allocation; **FAAC, CRR Debit and RDAS**					249.68

Table 9: 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%
MarF-14	11.51%	16.16%	18.25%	18.27%	18.42%	18.47%	18.45%	18.23%
AprF-14	12.81%	15.46%	17.55%	17.57%	17.72%	17.77%	17.75%	17.53%
MayF-14	12.31%	12.76%	14.85%	14.87%	15.02%	15.07%	15.05%	14.83%
JunF-14	12.21%	12.66%	14.75%	14.77%	14.92%	14.97%	14.95%	14.73%
JulF14	11.51%	11.96%	14.05%	14.57%	14.72%	14.77%	14.75%	14.53%
AugF-14	11.71%	12.16%	14.25%	14.77%	14.92%	14.97%	14.95%	14.73%
SepF-14	11.91%	12.36%	14.45%	14.97%	15.12%	15.17%	15.15%	14.93%
OctF-14	11.91%	12.36%	14.45%	14.97%	15.12%	15.17%	15.15%	14.93%
NovF-14	12.11%	12.56%	14.65%	15.17%	15.32%	15.37%	15.35%	15.13%
DecF-14	12.11%	12.56%	14.65%	15.17%	15.32%	15.37%	15.35%	15.13%

Yields on the short-end are expected to remain fairly stable in the month of March 2015, while the yields on the long-end are expected to increase. The following factors would drive yields on the fixed income securities in the next few months:

- The expected increase in inflation rate.
- The large fiscal deficit we expect from the FGN in 2015.
- The increase in the demand for loanable funds from the financial system due to the devaluation of the value of the Naira. We expect about N1.38trn to be sought for refinancing, while about N1.05trn would be needed to maintain their current operations.

We note that the electioneering activities leading to the Presidential Elections slated for March 28, 2014 could have an overriding negative effect on investors' sentiment, with investors either pulling out fund or suspending investment decision. The deposit mobilization drive of the banks in the face of the bi-monthly CRR withdrawals and the full implementation of the Treasury Single Account (TSA) by the FGN may also put an upward pressure on interest rate.

2.2 Strategies:

Movement of funds into the longer tenored fixed income securities may be attractive.

- Fund managers should move funds to the longer tenored fixed income securities.
- Deposit rate and yields on the fixed income securities may appear attractive.
- The current high yields may attract more Foreign Portfolio Investments (FPIs) into the Nigerian fixed income securities market, as soon as the general election is successfully conducted.
- Companies with foreign exchange exposure may need to hedge such exposures.
- Placement of funds with banks to earn attractive yields will be a good strategy.

The yields on the FGN Eurobonds that dropped at the end of February 2015 have started going up in the early part of March 2015.

Table10: 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 (%)
24-Feb-15	99.360	6.882	95.410	7.110	97.014	6.115
25-Feb-15	100.283	6.690	96.386	6.950	97.663	5.899
26-Feb-15	100.716	6.600	96.974	6.855	98.111	5.749
27-Feb-15	100.819	6.579	97.152	6.826	98.014	5.782
2-Mar-15	101.694	6.399	98.108	6.672	98.194	5.722
3-Mar-15	102.453	6.245	98.792	6.563	98.381	5.660
4-Mar-15	102.437	6.248	98.666	6.584	98.538	5.608
5-Mar-15	102.485	6.237	98.862	6.553	98.681	5.561
6-Mar-15	102.295	6.276	98.760	6.569	98.600	5.588
9-Mar-15	102.048	6.326	98.547	6.603	98.417	5.650

3.0 Equity Market:

3.1 The Secondary Market:

The equity market rebounded marginally in February 2015, as bargain hunters drove activities in the bourse. The Nigerian Stock Exchange All Share Index (NSE ASI) appreciated by 1.83% (a loss of 13.32% in US$) on a month-on-month basis to close at 30,103.81 points. The market capitalisation also grew by 2.01% (a loss of 13.14% in US$) to close at N10.04trn (US$69.12bn). Year-To-Date as at end-February, the Index has shed 13.14% of its value. The depreciation in the value of the Naira against the US$, which was further compounded by the closing of the RDAS window of the CBN was primarily responsible for the negative return in US$ during the period.

There has been a general apathy by most foreign investors in the market, as the recent sharp drop in the price of crude oil, and the attendant perception of its impact on the economy led to withdrawals of a significant amount of funds by the foreign investors from the market. The other factors that contributed to the relatively low performance of the market include the devaluation/depreciation of the Naira, the regulatory headwinds affecting the banking stocks, security challenge in the Northern part of the country affecting most of the Fast Moving Consumer Goods (FMCG) results, and the general elections considerations.

The NSE ASI appreciated by 1.83% in the month of February 2015.

A cursory look at the movements in the individual sectoral indices shows that most of the sectoral indices appreciated in value to end the month of February. The highest month-on-month gain was recorded in the NSE Banking Index with a gain of 10%, primarily because of the significant over-sold conditions that had rendered some fundamentally sound banking stocks attractive for bargain hunters. This was followed by the NSE Oil and Gas Index with a gain of 8.13%. The NSE Consumer Good Index declined by 1.60%, as investors apathy persisted over concerns about the foreign exchange exposure of the major players in the sector, as well as the exposure of their earnings to the areas in the Northern Nigeria facing the Boko Haram security crisis.

Table 11: Nigerian Equity Market: Key Indicators

Month	Volume (bn)	Value (N'bn)	NSEASI	Market Cap. (N'trn)	Banking*	Insurance*	Consumer Goods*	Oil/Gas*	Industrial*
JANUARY	8.00	94.86	29,562.07	9.85	297.93	141.60	781.84	357.07	1,915.93
FEBRUARY	7.74	92.24	30,103.81	10.04	327.72	141.75	769.36	386.09	1,924.77
Change	(3.37%)	(2.76%)	1.83%	2.01%	10.00%	0.11%	(1.60%)	8.13%	0.46%
YTD			(13.14%)	(12.49%)	4.19%	(1.30%)	(0.44%)	9.67%	(5.55%)

Sources: NSE, FSDH Research. * NSE Sectoral Indices

.

Table 12: Major Earning Announcements in February/March 2015						
Company and Result	**Turnover (Nm)**	**Change (%)**	**PBT (Nm)**	**Change (%)**	**PAT (Nm)**	**Change (%)**
GUINNESS NIG PLC						
6 months, Dec. 2014	55,267.24	4.76	4,658.29	-27.38	3,398.59	-31.99
DANGOTE FLOUR MILLS PLC						
3 mths, Dec 2014	10,665.35	27.51	-2,986.98	-	-2,920.57	-
FLOUR MILLS NIG. PLC						
9 months, Dec. 2014	244,279.59	1.70	3,696.60	-55.73	3,294.94	-44.46
NIGERIAN BREWERIES PLC.						
Full Year, Dec. 2014	266,372.48	-0.83	61,461.82	-1.25	42,520.25	-1.30
HONEYWELL FLOUR MILL PLC						
9 mths, Dec. 2014	37,636.00	-8.28	1,225.00	-54.61	968.00	-52.24
FORTE OIL PLC						
Full Year Dec. 2014	170,127.98	32.88	6,006.30	-7.94	4,456.62	-10.95
NESTLE NIGERIA PLC						
Full Year, Dec. 2014	143,328.98	7.70	24,445.98	-6.15	22,235.64	-0.10
ZENITH BANK PLC						
Full Year, Dec. 2014	403,340	14.76	119,800	12.79	99,460	8.59
GT BANK PLC						
Full Year, Dec. 2014	278,521	14.78	116,386	8.68	98,695	9.63

Table 13: Major Benefit Announcements in February/March 2015						
Company	**Result**	**DPS(N)**	**Bonus Ratio**	**Closure Date**	**Payment Date**	**Interim/final**
NIGERIAN BREW PLC.	Full year, Dec. 2014	3.50	-	05-Mar-15	14-May-15	Final
FORTE OIL PLC	Full year, Dec. 2014	2.50	1 for 5	01-Apr-15	22-Apr-15	Final
NESTLE NIGERIA PLC	Full year, Dec. 2014	17.50	-	27-Apr-15	12-May-15	Final
GT BANK PLC	Full year, Dec. 2014	1.50	-	17-Mar-15	31-Mar-15	Final
ZENITH BANK PLC	Full year, Dec. 2014	1.75	-	16-Mar-15	27-Mar-15	Final

The Brazil Stok Market Index recorded the highest MoM growth of about 9.97% with a growth of 3.15% in its YTD performance.

The table 14 below shows the performance of some selected foreign equities markets around the world. The Brazil Stock Market Index recorded the highest MoM growth of 9.97% with a growth of 3.15% in its YTD performance. This is followed by the SMSI Index (Spain) with a MoM return of 7.71%, and a growth of 8.68% in its YTD performance. The least MoM performance was recorded in the GSE All Share Index (Ghana), with a marginal growth of 0.18%, and a YTD depreciation of 3.67%.

Table 14: Foreign Equity Market Performance in February 2015

North/Latin America	YTD Change		Month-on-Month change
Dow Jones Industrial Average	1.74%		5.64%
S&P 500 Index	2.21%		5.49%
NASDAQ Composite	4.80%		7.08%
Brazil Stock Market Index	3.15%		9.97%
Europe			
Swiss Market Index	0.35%		7.51%
FTSE 100 Index (UK)	5.80%		2.92%
CAC 40 Index (France)	15.89%		7.54%
DAX Index (Germany)	16.28%		6.61%
SMSI Index (Madrid, Spain)	8.68%		7.71%
Africa			
NSE All-Share Index	(13.14%)		1.83%
JSE All-Share Index (S/A)	7.18%		4.055
Nairobi All Share Index (Kenya)	7.86%		5.97%
GSE All-Share Index (Ghana)	(3.67%)		0.18%
Asia/Pacific			
NIKKEI 225 Index (Japan)	7.72%		6.36%
BSE 30 Index (India)	6.77%		0.61%
Hang Seng Index (Hong Kong)	5.165		1.28%

3.2. Outlook for the Month of March:

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

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

- A number of stocks on the NSE have good fundamentals and have prospects for growth in the medium to long-term. We maintain that the market continues to offer exceptional opportunities for medium to long-term investors.

Stocks with diversified products and business have strong investment case at the moment.

- Expectation of the 2014 Full Year results and corporate actions may drive the market in March.

- Going forward, we expect some pressure on the corporate earnings of the quoted companies, as a result of the high cost of funds, exchange rate losses and higher interest rate.

3.3. Strategies:

Investors should maintain a long position in stocks with historical good dividend payments.

- 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.
- Market leaders in the banking industry, such as Access Bank, FBN Holdings, GT Bank, Stanbic IBTC and Zenith Bank are good buy for medium to long term.
- Investors should maintain a long position in stocks with historical good dividend payment.

Table 15: Equity Market Trend Analysis

	YEARS				
MONTHS	**2010**	**2011**	**2012**	**2013**	**2014**
FEBRUARY	22,985.00	26,016.84	20,123.51	33,075.14	39,558.89
MARCH	25,966.25	24,621.21	24,621.21	33,536.24	38,748.01
% CHANGE	**12.97%**	**(5.36%)**	**22.35%**	**1.39%**	**(2.05%)**

Table 16: Revised Asset Allocation	
Asset Class	**Fund Allocation**
Equities	15%
Fund Placement	15%
Treasury Bills	20%
Real Estate Investment Trust (REIT)	5%
Bonds	30%
Collective Investment Schemes	15%

Table 17: Bond Recommendation

S/N	Security Description	Tenor To Maturity	Coupon	Current Price	Current Yield	Modified Duration
1	13.05% FGN AUG 2016	1.43	13.05	96.25	16.05	1.25
2	16% FGN JUN 2019	4.30	16.00	100.00	15.98	2.94
3	14.20% FGN MAR 2024	9.01	14.20	90.80	16.17	4.44
4	12.1493% FGN JUL 2034	19.36	12.15	80.08	15.39	6.17

Table 18: Stock Recommendation

Stocks	Max Entry Price	52 Week Low	52 Week High	Trailing EPS	Trailing PE Ratio	Target Price
Access	6.60	4.71	10.10	1.94	3.40	7.59
Dangote Cement	153.47	141.90	250.00	10.89	14.09	176.49
Dangote Sugar	6.80	4.94	10.65	0.86	7.87	7.82
Diamond Bank	4.48	3.45	6.85	1.98	2.26	5.15
FBNH	8.90	6.37	16.29	2.06	4.32	10.24
Fidelity Bank	1.51	1.15	2.28	0.27	5.59	1.74
Nascon	6.65	5.80	13.30	0.83	8.01	7.65
Flour Mills	34.02	27.67	80.90	1.04	32.71	39.12
GT Bank	25.50	17.00	31.60	3.35	7.60	29.33
Nahco	5.19	3.74	5.60	0.52	9.93	5.97
Lafarge Africa	90.00	66.50	131.00	8.10	11.11	103.50
Transcorp	2.86	2.28	6.50	0.30	9.53	3.29
UACN	36.73	26.22	67.85	4.55	8.07	42.24
Zenith Bank	21.75	15.00	25.60	3.17	6.87	25.01

Table 19: 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		

For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, Lagos. Tel: 234-1-2702880-2; 234-1-2702887.

Port Harcourt Office: 2nd Floor, Mainstreet Bank Building (Former Afribank Building) 5 Trans Amadi Road, Port Harcourt. Tel: 234-8024081331.

Abuja Office: Abia House (2nd Floor), Plot 979, 1st Avenue, Off Ahmadu Bello Way, Cadastral Zone AO, Central Business District, Abuja. Tel.: 09-6700535, 09-2731170

Website: www.fsdhgroup.com **email:** research@fsdhgroup.com

Our Reports and Prices are also Available on Bloomberg {FSDH<GO>}