

Monthly Economic and Financial Market Outlook

Nigerian Economy Sets for a Lift

May 2016

Executive Summary

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

- Major macroeconomic realignments are affecting economic growth prospects differently across countries and regions
- The global economy is expected to strengthen in 2017 and beyond, driven by emerging and developing markets, as conditions in stressed economies begin to normalize
- The implementation of the 2016 Budget may inject the funds needed to lift Nigerian economy from the current level
- We expect the foreign exchange rate to moderate around the current band in May 2016
- We expect the inflation rate to increase to 13.70% in April 2016 from 12.77% in March 2016
- We expect the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) to announce a rate increase at its May 2016 meeting
- We expect the yields on the fixed income securities to increase in the month of May 2016
- We expect strategic long-term investors to take position in the stocks that have strong fundamentals.

1.0. Global Developments:

The prices of government bonds appreciated in more countries in April 2016 than they depreciated. The 17% April 2022 Egypt Government Bond recorded the highest month-on-month price increase of 7.96% to 119. The Turkey Government Bond followed the Egypt Government Bond with an increase of 3.52% to 98.65. **The 16.39% January 2022 Nigeria Government Bond recorded the highest month-on-month price decrease of 4.23% to 115.49.** The inflation pressure which resulted in high yields led to the price dip. The Argentina Bond closed the month at a negative real yield. Other bonds we monitored closed the month at positive real yields. **The Kenya Government Bond still offers the most attractive real yield amongst the selected bonds in April 2016.**

According to the United States (U.S.) Bureau of Economic Analysis, the U.S. economy grew by 0.50% (quarter-on-quarter) in Q1 2016. The growth in Q1 2016 is lower than the 1.45% recorded in Q4 2015, and below the market expectations of 0.7% and also the weakest performance since Q1 2014. The Federal Reserve left the target range for its federal funds rate unchanged at 0.25%-0.50% for the third time during its April 2016 meeting. The Fed noted that the U.S. labour market conditions improved but economic activity appears to have slowed. It also added that the concerns regarding risks from global economic and financial developments to the U.S. economy eased. Meanwhile, the Chinese economy grew by 6.7% (year-on-year) in Q1 2016, compared with 6.8% in Q4 2015. It is the weakest growth since Q1 2009.

The prices of government bonds appreciated in more countries in April 2016 than they depreciated.

The US economy grew by 0.50% in Q1 2016.

Table 1: Summary of Key Indicators											
S/N	Indicators	Argentina	China	Egypt	India	Kenya	Nigeria	Russia	South Africa	Turkey	USA
1	Bond Price	94.25	104.44	119.00	102.61	95.11	115.49	95.22	94.76	98.65	100.94
2	Bond Yield	6.85%	2.80%	12.37%	7.61%	13.91%	12.51%	9.01%	8.78%	9.05%	1.61%
3	Bond Price MoM Change	0.00%	0.28%	7.96%	0.53%	(0.84%)	(4.23%)	0.63%	0.93%	3.52%	(0.54%)
4	Bond Yield MoM Change	0.10%	(0.05%)	(2.03%)	(0.11%)	0.22%	1.08%	(0.14%)	(0.17%)	(0.64%)	0.08%
5	Bond Price YTD Change	(3.83%)	1.81%	7.71%	1.45%	(0.55%)	(6.25%)	4.03%	4.95%	8.77%	3.56%
6	Bond Yield YTD Change	1.03%	(0.32%)	(2.01%)	(0.31%)	0.17%	1.47%	(0.91%)	(0.88%)	(1.53%)	(0.52%)
8	Real Yield	(26.05%)	0.50%	3.37%	2.78%	8.64%	0.29%	1.71%	2.48%	2.48%	0.71%
7	Volatility	0.00	0.15	2.08	0.27	0.50	1.93	0.33	0.53	1.54	0.50
8	FX Rate MoM Change*	(3.14%)	0.38%	(0.03%)	0.12%	(0.41%)	(0.03%)	(3.63%)	(3.15%)	(0.82%)	0.62%
9	FX Rate YTD Change*	9.30%	(0.24%)	13.35%	0.27%	(1.26%)	(0.16%)	(11.10%)	(8.10%)	(4.35%)	5.38%
10	Inflation Rate	32.90%	2.30%	9.00%	4.83%	5.27%	12.77%	7.30%	6.30%	6.57%	0.90%
11	Policy Rate	35.43%	4.35%	10.75%	6.50%	11.50%	12.00%	11.00%	7.00%	7.50%	0.50%
12	Debt to GDP	48.40%	41.14%	90.50%	66.10%	52.80%	10.50%	17.92%	50.10%	32.90%	104.17%
13	GDP Growth Rate	0.90%	6.70%	4.50%	7.30%	5.60%	2.79%	(3.80%)	0.60%	5.70%	2.00%
14	Nominal GDP (US\$)	538bn	10,355bn	287bn	2,067bn	60.94bn	569bn	1,861bn	350bn	798bn	17,419bn
15	Current Acct to GDP	(0.90%)	2.70%	(0.44%)	(1.40%)	(11.40%)	2.60%	3.10%	(4.40%)	(4.50%)	(2.70%)
*-ve means appreciation while +ve means depreciation											
Sources – Bloomberg, Central Banks, FSDH Research Analysis and Trading Economics											

The IMF forecasts global GDP growth at 3.2% for 2016.

The IMF stated that major macroeconomic realignments are affecting economic growth prospects differently across countries and regions.

1.1 The Global GDP:

The International Monetary Fund (IMF) forecasts global growth at 3.2% for 2016 and 3.5% in 2017. This was contained in the IMF's World Economic Outlook, April 2016 edition. The report added that the recovery is expected to strengthen in 2017 and beyond, driven by emerging and developing markets, as conditions in stressed economies begin to normalize. Economic growth in the advanced economies is forecast to remain modest, driven by unfavourable demographic trends, low productivity growth, and legacies from the global financial crisis.

The IMF stated that major macroeconomic realignments are affecting economic growth prospects differently across countries and regions. These include the slowdown and rebalancing in China; a further decline in commodity prices, especially for oil, with stable redistributive impacts across sectors. Other factors are the slowdown in investment and trade; and declining capital flows to emerging market and developing economies.

Table 2: Regional GDP Growth (Actual Vs Forecast)

	2015	2016F	2017F
World	3.1%	3.2%	3.5%
USA	2.4%	2.4%	2.5%
Japan	0.5%	0.5%	(0.1%)
Euro-Area	1.6%	1.5%	1.6%
Emerging & Developing Economies	4.0%	4.1%	4.6%
China	6.9%	6.5%	6.2%
India	7.3%	7.5%	7.5%
Sub-Saharan Africa	3.4%	3.0%	4.0%
Nigeria	2.7%	2.3%	3.5%

Source: IMF World Economic Outlook (WEO) Update, April 2016

Table 3: World Trade Growth (Actual Vs Forecast)

	2015	2016F	2017F
World Trade Volume	2.8%	3.1%	3.8%
Imports:			
Advanced Economies	4.3%	3.4%	4.1%
Emerging & Developing Economies	0.5%	3.0%	3.7%
Exports:			
Advanced Economies	3.4%	2.5%	3.5%
Emerging & Developing Economies	1.7%	3.8%	3.9%

Source: IMF World Economic Outlook (WEO), April 2016

The IMF expects some decompression of risk premiums and volatility as the United States Federal Reserve normalizes its monetary policy.

1.2 Global Financial Stability Report

The disruption to global asset market has clouded the outlook for the global financial stability. This is contained in the IMF's Global Financial Stability Report, April 2016 edition. The report added that the current financial condition reflects setbacks to growth, greater uncertainty, and weaker confidence. This environment has led to tighter financial conditions.

The IMF expects some decompression of risk premiums and volatility as the U.S. Federal Reserve normalizes its monetary policy. However, the IMF also believes that the speed and intensity of market movements and reduced risk appetite suggest that other factors are at play. It opines that the proximate causes of global market disruptions in January and February 2016 were as follows:

- Higher macroeconomic risks
- Decrease in the oil and commodity prices
- Uncertainty about economic rebalancing in China
- Reduced confidence in policy traction.

These shocks and developments in global markets are testing the resilience of emerging markets and advanced economies alike.

1.3 Purchasing Manager Index:

The Manufacturing Purchasing Manager's Index (PMI) in Nigeria dropped to 43.7% in April 2016, compared with 45.9% in March 2016. This implies that the manufacturing sector declined at a faster rate during the review period. Of the 16 manufacturing sub-sectors, 10 dropped in the review month. The remaining six sub-sectors recorded expansion. Some of the sub-sectors that expanded include appliances & components; cement; non-metallic mineral products and transportation equipment.

The Manufacturing PMI in Nigeria dropped to 43.7% in April 2016, compared to 45.9% in March 2016.

Table 4: Manufacturing Purchasing Manager Index (PMI)

	March 2016	April 2016	Change
Composite PMI	45.9%	43.7%	(2.2%)
Production Level	46.6%	42.7%	(3.9%)
New Orders	43.0%	41.8%	(1.2%)
Supplier Delivery Time	50.6%	52.2%	1.6%
Employment Level	45.5%	42.0%	(3.5%)
Raw Materials/WIP Inventories	47.1%	43.0%	(4.1%)
New Export Orders	37.8%	36.3%	(1.5%)
Output Prices	56.4%	63.9%	7.5%
Input Prices	60.9%	67.8%	6.9%
Quantity of Purchases	41.6%	43.6%	2.0%
Business Outstanding/Backlog of Work	41.2%	42.6%	1.4%
Stocks of Finished Goods	43.8%	41.6%	(2.2%)

Source: Central Bank of Nigeria and FSDH Research Analysis

The composite PMI for the non-manufacturing sector recorded decline for the fourth consecutive month. The index dropped to 44.3% from the 45.4% registered in the preceding month. Of the 18 non-manufacturing sub-sectors, 16 recorded decline in the month of April. The remaining two subsectors recorded growth in the review month. The delay in the signing of the 2016 Budget and the issues relating to the foreign exchange market led to the slow down of manufacturing activities in the country.

The composite PMI for the non-manufacturing sector recorded decline for the fourth consecutive month.

Table 5: Manufacturing Sub-Sector Indices

	March 2016	April 2016	Change
Appliances and Components	46.6%	61.3%	14.7%
Cement	50.4%	52.7%	2.3%
Chemical and Pharmaceutical Products	50.3%	48.1%	(2.2%)
Computer and Electronic Products	46.4%	40.8%	(5.6%)
Electrical Equipment	48.1%	39.0%	(9.1%)
Fabricated Metal Products	45.1%	41.8%	(3.3%)
Food, Beverage and Tobacco Products	50.8%	49.2%	(1.6%)
Furniture and Related Products	41.6%	35.1%	(6.5%)
Non-metallic Mineral Products	43.7%	50.5%	6.8%
Paper Products	43.7%	36.5%	(7.2%)
Petroleum and Coal Products	60.7%	47.5%	(13.2%)
Plastics and Rubber Products	41.7%	42.0%	0.3%
Primary Metal	45.1%	37.1%	(8.0%)
Printing and Related Support Activities	43.1%	41.0%	(2.1%)
Textiles, Apparel, Leather and Footwear	42.8%	43.5%	0.7%
Transportation Equipment	34.4%	50.1%	15.7%

Source: Central Bank of Nigeria and FSDH Analysis

1.4 Nigeria's Capital Importation Update:

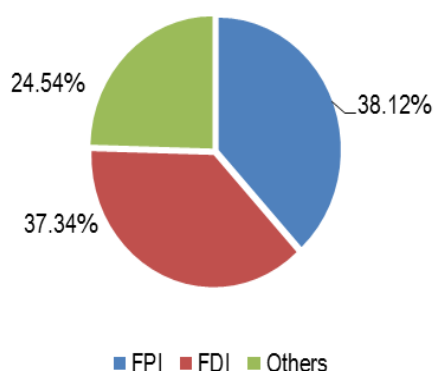
The total capital imported into the Nigerian economy in Q1 2016 was US\$710.97mn, a fall of 73.39% from US\$2.67bn recorded in Q1 2015. The National Bureau of Statistics (NBS) released this data and represents a decline of 54.34% from Q4 2015. The Q1 2016 capital importation is the lowest level since the series began in 2007. The total capital imported dropped by 89.13% from its peak level in Q3 2014.

The following factors were responsible for the drop in Q1 2016:

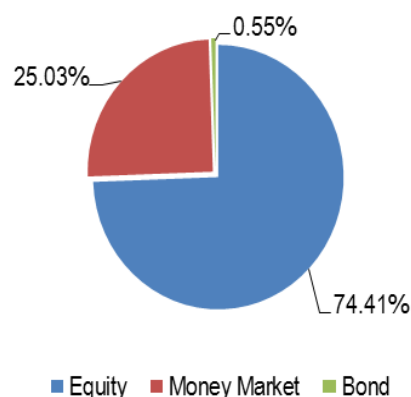
- The drop in the oil price
- Unpredictable macroeconomic environment
- The foreign exchange demand management strategy of the Central Bank of Nigeria (CBN).

The composition of capital imported also recorded large changes in Q1 2016. Portfolio investment dropped by 71.55% (quarter-on-quarter) and accounted for 38.12% of total capital imported, compared with 61.18% in the previous quarter. Other Investments also recorded a sharp quarterly decline of 44.84% and accounted for 37.34% in Q1 2016, up from 30.91% in Q4 2015. Foreign Direct Investment remained the smallest component at 24.54%, but recorded a quarterly increase of 41.65%.

Capital Importation by Instruments - Q1 2016



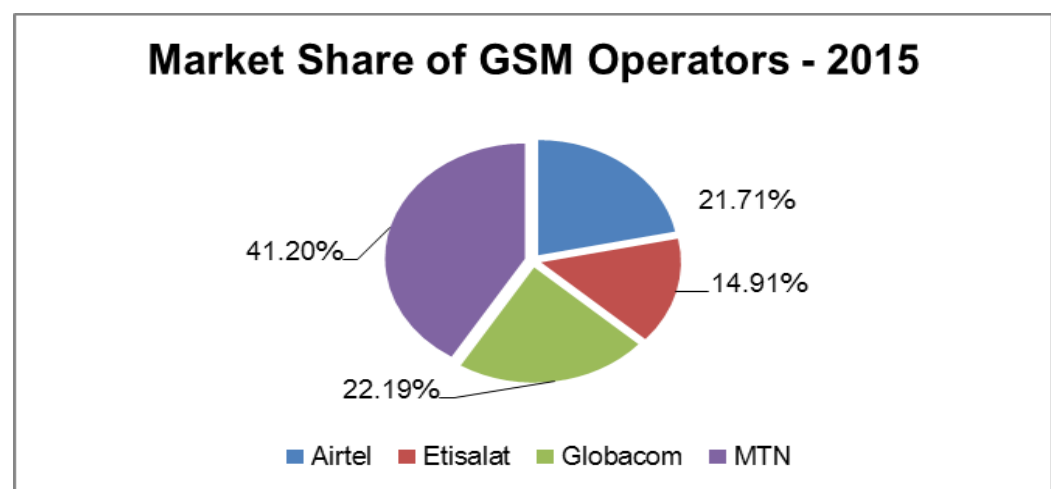
Composition of Portfolio Investment - Q1 2016



The total number of subscribers for telecommunication services increased to 151.55mn in 2015, representing an increase of 8.58% from 139.58mn in 2014.

1.5 Telecommunication Industry:

The total number of subscribers for telecommunication services increased to 151.55mn in 2015, representing an increase of 8.58% from 139.58mn in 2014. The Global System for Mobile Communication (GSM) subscribers dominate the industry with 98.10% of the total. The Code Division Multiple Access (CDMA) contribute 1.42% of the total, while fixed wired and wireless make up 0.39% and 0.08% respectively. MTN remains the largest provider of GSM service, accounting for 41.20%. The second largest provider is Globacom, which account for 22.19% of subscriptions, similar to Airtel's share of 21.71%. Etisalat accounts for the least number of subscriptions at 14.91% of the total.



Incoming porting activities shows that a total of 212,401 subscribers joined a different provider in 2015, an increase of 42.88% from 145,998 in 2014.

The total number of internet subscribers with the GSM operators stood at 97.03mn in 2015. This represents 65.26% of the active GSM lines. 76.03% of Globacom subscribers also have internet subscription, compared with 52.17% of Airtel subscribers. The ratio is 68.54% and 65.18% for Etisalat and MTN respectively. As at Q4 2015, Globacom increased its market share from 22.56% to 25.85%, and the other providers recorded declines in their market share. MTN's share fell from 43.10% to 41.15%. Airtel's share fell from 18.27% to 17.35% and Etisalat's share fell from 16.07% to 15.65%.

Incoming porting activities shows that a total of 212,401 subscribers joined a different provider in 2015, an increase of 42.88% from 145,998 in 2014. Etisalat gained 137,466, compared with 69,364 in 2014. Outgoing activity increased by 50.38% to 219,559 in 2015. MTN lost 125,515 from porting in 2015, compared with 67,039 in 2014.

The inflation rate increased significantly for the second consecutive months in 2016.

We expect April inflation rate to increase to 13.70%.

1.6 Inflation Rate:

The inflation rate increased significantly for the second consecutive months in 2016.

The March 2016 inflation rate shot up to 12.77%, from 11.38% in February 2016. The inflation rate in March 2016 was due to the faster pace of increase in all major divisions of the Headline Index, except the restaurants and hotels division. Transportation costs, the planting season, and the foreign exchange movements led to significant upward pressure on the Food Index in March. Month-on-month (m-o-m), the Food Price Index increased to 12.74% in March 2016, from 11.35% in March 2016. The Core Index increased by 12.17% in March 2016, higher than 11.04% recorded in February 2016.

The inflation rate in Nigeria is primarily driven by supply shock factors that emanate from the poor state of infrastructure and other related factors. The foreign exchange rate pressure on the Naira and the shortages of fuel for energy uses have also been putting an upward pressure on the inflation rate. However, the increasing supply of fuel and the relative stability in the value of the Naira is expected to moderate the upward pressure on the inflation rate.

We estimate that the inflation rate would increase to 13.70% in April 2016 as shown on the table 6 below. Our analysis also shows that a double digit inflation rate around 12% may remain for an extended period of time.

Table 6: Inflation Rate Actual Vs Forecast

Date	Jan-16 A	Feb-16A	Mar-16A	Apr-16F	May-16F	Jun-16F	Jul-16F	Aug-16F	Sep-16F	Oct-16F	Nov-16F	Dec-16F
FSDH Forecast	9.62%	11.38%	12.77%	13.70%	12.94%	12.56%	12.36%	12.12%	12.12%	12.35%	12.18%	12.29%

Source: National Bureau of Statistics and FSDH Research Analysis

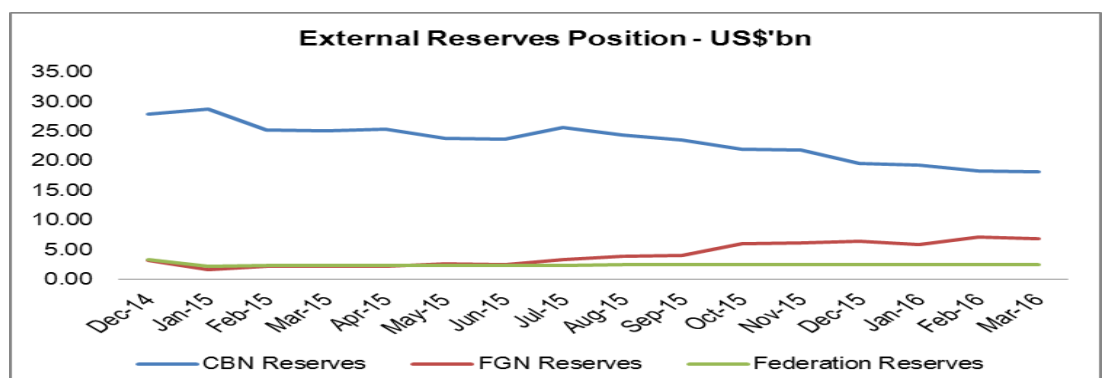
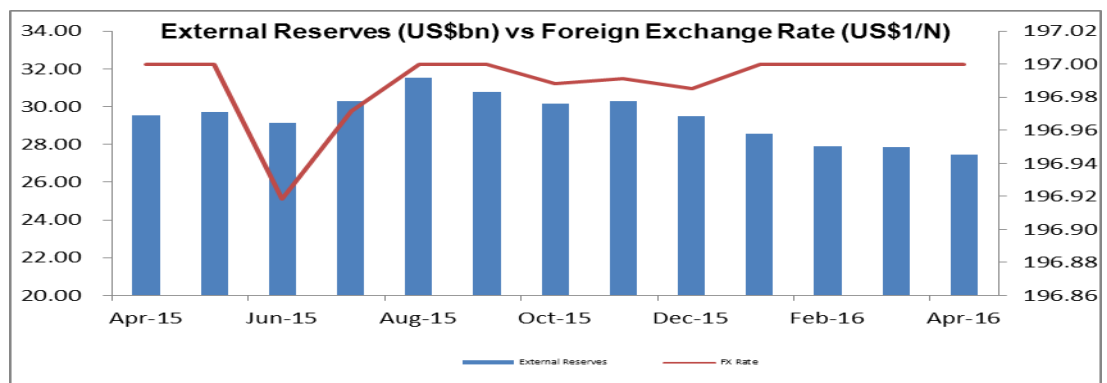
1.7 Movement in the External Reserves:

The external reserves has not received a significant boost from the recent rally in oil prices in the international market. This may be linked to the persistent foreign exchange demand that remained unabated in April 2016. The 30-day Moving Average external reserves decreased by 2.76% to US\$27.09bn as at end-April 2016, compared with end-March 2016.

We note that the external reserves the CBN posts on its website is on a 30-day Moving Average. The actual external reserves position at a particular date may be higher or lower.

The external reserves remain vulnerable to the movements in oil prices. The proper implementation of the capital expenditure component of the Budget 2016 and other ancilliary infrastructure spending may boost the external reserves. This spending would help to increase the activities in the non-oil sector with possibilities of earning foreign exchange from exports.

The breakdown of the external reserves by ownership between December 2014 and March 2016 shows that the CBN reserves dropped, while the FGN increased. This means that it is increasingly becoming difficult for the CBN to use the external reserves to defend the value of the Naira.

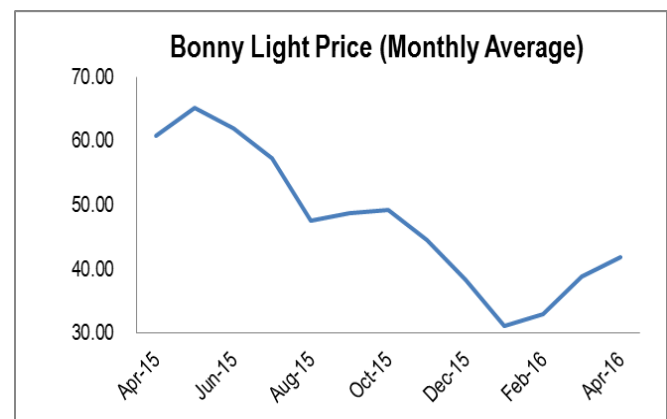
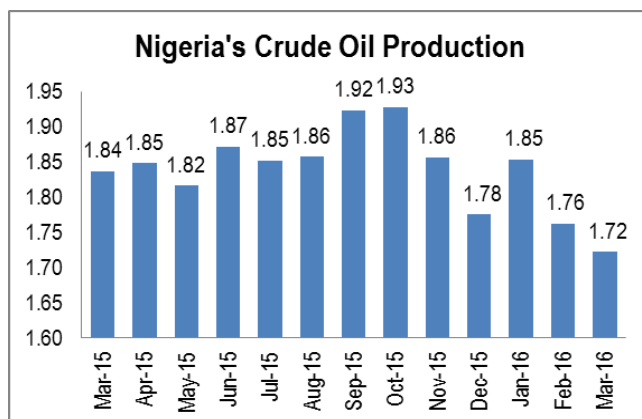


1.8 Crude Oil Market and Bonny Light Price:

The daily crude oil production in Nigeria decreased by 2.27% to 1.72mbpd in March 2016, from 1.76mbpd in February 2016. This is based on the secondary data available from the Organization of the Petroleum Exporting Countries (OPEC) report for the month of April 2016. The total OPEC crude oil production from secondary sources was 32.25mb/d in March 2016, an increase of 0.03% from 32.24mb/d in February 2016. The OPEC production level in March 2016 is 2.25mb/d higher than its collective production level of 30mb/d. Crude oil production output increased mostly from Iran, Iraq, Angola and Indonesia; while production recorded the largest drop in United Arab Emirates, Nigeria, Libya and Venezuela. Meanwhile, data from the Nigerian National Petroleum Corporation (NNPC) shows that natural crude oil and condensate production averaged 2.04mb/d in February 2016. This represents a decrease of 4.67% from 2.14mb/d in January 2016.

The U.S Energy Information Administration (EIA) stated that the North Sea Brent crude oil prices averaged US\$38/b in March 2016, a US\$6/b increase from February 2016. Both Brent and West Texas Intermediate (WTI) crude oil prices are forecast to average US\$35/b in 2016 and US\$41/b in 2017. The EIA added that the current values of futures and options contracts suggest high uncertainty in the price outlook. The EIA stated that the expectation of continuing large inventory builds is a major source of uncertainty in the price forecast. Additional uncertainty stems from the pace of global economic growth and its contribution to oil demand growth; and the responsiveness of oil producers to sustained low oil prices.

According to the data from Thomson Reuters, the Bonny Light oil price increased by 20.25% to US\$46.14/b as at end-April 2016, from end-March 2016. However, the average price of Bonny Light was US\$41.94/b as at end-April 2016, an increase of 8.30% from the average price of US\$38.91/b recorded in March 2016.



1.9 Foreign Exchange Rate:

The value of the Naira received respite from a downward trend in April 2016 because of the possibility of direct Yuan funding for foreign trade with China. The settlement of the foreign trade between Nigeria and China is one of the major sources of demand for the U.S. Dollar. The Naira remained stable at the CBN official market and the inter-bank market in April 2016, while it appreciated at the parallel market. As at end-April 2016, the value of the Naira closed at US\$1/N197 and US\$1/N199.10 at the CBN window and inter-bank market respectively, same as in March 2016.

The value of the Naira received respite from a downward trend in April 2016 because of the possibility of direct Yuan funding for foreign trade with China.

The demand pressure at the parallel market eased further in April 2016 because of the news on the Naira and Yuan deal. Consequently, the Naira appreciated by 0.41% at the parallel market to close at US\$1/N320.70 from US\$1/ N322 at end-March 2016. The average exchange rate at the parallel market appreciated by 1.02% to stand at US\$1/N321.33 in April 2016, compared with US\$1/N324.62 in March 2016.

The demand pressure at the parallel market eased further in April 2016.

We expect relative stability in the value of the Naira in the medium-to-long term. The signing of the Budget 2016 Bill into law is expected to increase economic activities and lead to some level of plug-in by foreign investors. The value of the Naira still faces pressure in the short-term due to the weak global demand for crude oil which may affect oil price and foreign exchange inflows.

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2.0 Interest Rate and Yield Analysis:

The rising inflation rate impacted the direction of interest rates and yields in the market in April 2016. The yields increase trailed the rising inflation rate.

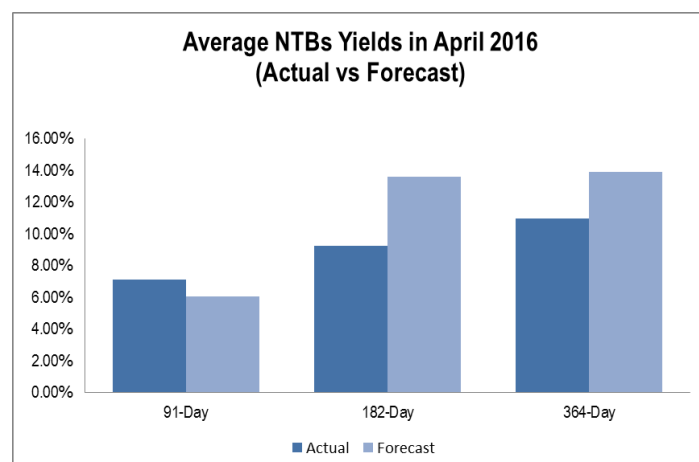
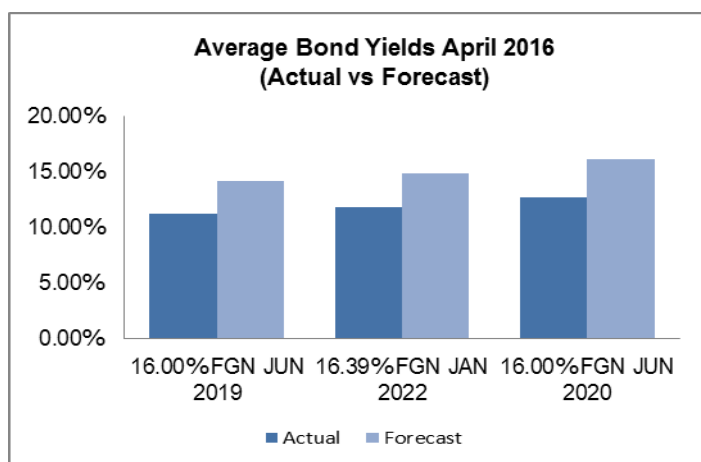
The rising inflation rate impacted the direction of interest rate and yields in the market in April 2016.

The fixed income market analysis for April 2016 shows a net inflow of about N34bn, compared with a net inflow of about N117bn in March 2016. The major outflows in April 2016 were the the Primary NTB of about N386bn, the Open Market Operations (OMO) and Repurchase Bills (REPO) of N81bn, and the bond auction of about N100bn. Meanwhile, in March 2016, the major outflow was from the Primary NTB of N611bn, OMO and REPO Bills of about N290bn, and the bond auction of about N100bn. The major inflows in April were the matured NTBs of about N386bn, OMO and REPO Bills of N91bn, and the Federation Account Allocation Committee (FAAC) injection of about N123bn. In March, the matured NTBs of N611bn, OMO and REPO Bills of about N352bn, and the FAAC of N155bn flowed into the market.

At the NTBs auction, average yields increased across the various tenors in April

2016, compared with March 2016. The average 91-day NTB yield stood at 7.12% in April, up from 5.73% in March. The average 182-day NTB yield closed at 9.25%, up from 8.27% in March. The average 364-day NTB yield closed at 10.95%, up from 10.17% in March 2016. The average 30-day NIBOR closed at 8.45% in April 2016, down from 8.58% in March 2016. The average 90-day NIBOR increased to 10.53%, from 10.01% in the preceding month.

At the NTBs auction, average yields increased across the various tenors in April 2016, compared with March 2016.



The yields on the FGN Bonds monitored closed higher in April 2016, compared with March 2016.

Table 7: Average Bond Yields

	15.10% FGN APR 2017	16.00% FGN JUN 2019	16.39% FGN JAN 2022	10.00% FGN July 2030
March	9.36%	10.33%	11.47%	12.06%
April	10.76%	11.20%	11.79%	12.64%
Change	1.40%	0.87%	0.32%	0.58%

Source: Financial Market Dealers Quotation

Table 8: Average Interest Rate and Yields

NIBOR					Treasury Bill Yields		
	Call	30 Day	90 Day	180 Day	91-Day	182-Day	364-Day
March	6.44%	8.58%	10.01%	11.45%	5.73%	8.27%	10.17%
April	4.76%	8.45%	10.53%	12.28%	7.12%	9.25%	10.95%
Change	(1.68%)	(0.13%)	0.53%	0.83%	1.39%	0.98%	0.77%

Source: CBN and Financial Market Dealers Quotation

Table 9: Market Liquidity (N'bn)

	March			April		
	Total Inflow	Total Outflow	Net flow	Total Inflow	Total Outflow	Net Flow
Primary Market: NTB	611	611	0	386	386	0
Open Market Operations (OMO) & Rev Repo	352	290	62	91	81	11
BOND	0	100	(100)	0	100	(100)
FAAC	155	-	155	123	0	123
FX Market	-	-	-	-	-	-
CRR Debit/Credit	-	-	-	-	-	-
TSA Implementation	-	-	-	-	-	-
Total	1,118	1,001	117	601	567	34

Source: Central Bank of Nigeria and Federal Ministry of Finance

2.1 Revised Outlook Going Forward:

A total inflow of about N507bn should hit the money market from the various maturing government securities and Federation Account Allocation Committee (FAAC) in the month of May 2016. Our expected outflows from the various sources such as government securities and statutory withdrawals are estimated at N647bn, leading to a net outflow of about N139bn. This analysis does not include the Cash Reserve Requirement (CRR). **The market is expected to be tight in the month of May 2016.**

The market is expected to be tight in the month of May 2016.

The Monetary Policy Committee (MPC) of the CBN will meet in May 2016. The rising inflation rate may make the MPC members to vote in support of an increase in interest rate. This action may increase the yields on fixed income securities.

Table 10: Expected Inflow and Outflow Analysis - May 2016 (N'bn)

Date	05-May-16	12-May-16	14-May-16	26-May-16	Others	Total
Inflows	150.61	32.03	110.94	83.82	130.00	507.40
Outflows	150.61	100.00	110.94	83.82	201.60	646.65
Source: FSDH Estimates, *Statutory Allocation (FAAC), ** Cash Reserve Requirement (CRR) Debit						(139.25)

Table 11: Revised Yields – Actual Vs Forecast

	Treasury Bills (Primary Market)			FGN Bonds (Secondary Market)		
	91-Day	182-Day	364-Day	Jun-19	Jan-22	Jul-30
JanA-16	4.19%	7.57%	9.52%	10.90%	11.77%	11.91%
FebA-16	4.96%	7.94%	10.17%	10.53%	11.82%	11.98%
MarA-16	5.73%	8.27%	10.17%	10.33%	11.47%	12.06%
AprA-16	7.12%	9.25%	10.95%	11.20%	11.79%	12.64%
MayF-16	7.34%	9.46%	11.09%	11.38%	12.08%	12.84%
JunF-16	7.49%	9.59%	11.22%	11.52%	12.22%	12.97%
JulF-16	7.70%	9.79%	11.43%	11.72%	12.42%	13.17%
AugF-16	7.77%	9.85%	11.49%	11.78%	12.48%	13.24%
SepF-16	8.06%	10.16%	11.79%	11.88%	12.53%	13.44%
OctF-16	8.58%	10.68%	12.32%	12.16%	12.76%	13.67%
NovF-16	8.81%	10.82%	12.45%	12.19%	12.79%	13.70%
DecF-16	9.17%	11.18%	12.56%	12.30%	12.90%	13.81%

Source: CBN, FMDQ, and FSDH Research Forecasts

We expect that the interest rate and yield will rise further in the month of May, compared with April 2016. The pressure points for an upward trend in the interest rate and yield still persists. The major driver is the expected increase in the inflation rate. Others include: budget deficit financing of the government, the pressure on the

the balance of payment and the expected growth in the corporate bond market.

2.2 Strategy:

- We reiterate that fund managers and traders should play at the short-end of the market.

The average yields on the FGN Eurobonds were lower in April 2016 than in March 2016. Consequently, the prices of all the bonds closed higher in the month of April, compared with March 2016. The yields on the FGN Eurobonds are attractive compared with alternatives. This may be responsible for the patronage.

Table 12: FGN Eurobonds

	10-Year 6.75% FGN Eurobond January 2021		10-Year 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-16	97.343	7.413	92.613	7.719	99.130	5.535
04-Apr-16	96.983	7.505	92.415	7.757	99.021	5.587
05-Apr-16	96.529	7.622	91.839	7.869	98.669	5.757
06-Apr-16	96.942	7.516	92.183	7.803	98.844	5.675
07-Apr-16	96.439	7.647	91.827	7.873	98.800	5.696
08-Apr-16	96.824	7.548	92.111	7.818	98.933	5.633
11-Apr-16	96.865	7.538	92.060	7.829	98.919	5.640
12-Apr-16	97.285	7.430	92.438	7.756	99.182	5.514
13-Apr-16	97.786	7.303	93.338	7.585	99.456	5.383
14-Apr-16	98.180	7.203	93.832	7.492	99.708	5.261
15-Apr-16	98.026	7.243	93.595	7.538	99.855	5.191
18-Apr-16	97.893	7.277	93.125	7.627	99.786	5.224
19-Apr-16	98.348	7.161	93.712	7.516	100.093	5.076
20-Apr-16	98.330	7.166	93.788	7.502	100.119	5.064
21-Apr-16	98.224	7.194	93.649	7.529	100.209	5.020
22-Apr-16	97.643	7.342	93.104	7.634	99.898	5.171
25-Apr-16	97.234	7.448	92.636	7.724	99.670	5.282
27-Apr-16	97.357	7.417	92.690	7.714	99.689	5.273
28-Apr-16	97.514	7.377	92.950	7.665	99.669	5.283
29-Apr-16	97.951	7.265	93.609	7.540	99.845	5.197

Source: Bloomberg

3.0 Equity Market:

3.1 The Secondary Market:

The general investors' apathy in the equity market in April depressed the market marginally despite some good results in the market. Month-on-month, the Nigerian Stock Exchange All Share Index (NSE ASI) depreciated by 0.96% (a loss of 0.96% in US\$) to close at 25,062.41 points. The market capitalisation also lost 0.96% of its value (a loss of 0.96% in US\$) to close at N8.62trn (US\$43.76bn). Year-to-Date as at end-April, the Index depreciated by 12.50%.

The general investors' apathy in the equity market in April depressed the market marginally despite some good results in the market.

The following factors affected the equity market+:

- Investors' apathy
- Uncertainty surrounding the economy.

Month-on-month, there were low activities in the equity market in the month of April. The volume and value of stocks traded decreased by 31.17% and 30.22% to 11.45bn and N33.60bn respectively.

The NSE Insurance Index and the NSE Banking Index appreciated in April, while other sectorial indices depreciated. The NSE Banking Index recorded the highest month-on-month gain of 9.20%. The gain in this Index could be attributed to the increases in the share prices of Zenith Bank (18.14%) and Guaranty Trust Bank (17.27%). The highest month-on-month loss was recorded in the NSE Oil and Gas Index with a loss of 10.04%. This was followed by the NSE Industrial Index which recorded a month-on-month loss of 5.97%.

The NSE Banking Index recorded the highest month-on-month gain of 9.20%.

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	16.63	48.16	25,306.22	8.70	215.47	127.01	615.49	352.65	1,961.00
April	11.45	33.60	25,062.41	8.62	235.30	132.69	611.05	317.26	1,843.99
Change	(31.17%)	(30.22%)	(0.96%)	(0.96%)	9.20%	4.47%	(0.72%)	(10.04%)	(5.97%)
YTD			(12.50%)	(12.48%)	(12.36%)	(6.96%)	(18.11%)	(11.02%)	(14.89%)

Sources: NSE, FSDH Research. * NSE Sectoral Indices

Table 14: Major Earning Announcements in April 2016

Company and Result	Turnover (Nm)	Change (%)	PBT (Nm)	Change (%)	PAT (Nm)	Change (%)
UNITED CAPITAL PLC						
3 Months, March 2016	1,856.58	42.08	1,421.63	59.29	1,137.84	60.84
ECOBANK TRANSNATIONAL						
3 Months, Mar 2016	131,374.91	-3.56	20,629.79	-32.40	16,206.31	-33.80
UNILEVER NIGERIA PLC						
3 Months, Mar. 2016	16,782.16	12.55	1,419.30	64.13	1,041.40	76.38
ZENITH BANK PLC						
3 Months, Mar. 2016	99,435.00	-12.25	32,121.00	-3.04	26,573.00	-4.00
UBA PLC.						
3 Months Mar. 2016	74,134.00	-10.79	18,083.00	-1.66	16,986.00	0.18
GUARANTY TRUST BANK PLC (GT Bank)						
3 Months, Mar 2016	55,833.10	1.60	30,675.99	-6.05	25,614.45	-3.57
NIGERIAN BREWERIES PLC.						
3 Months, Mar. 2016	77,554.95	10.92	15,007.53	3.94	10,454.51	3.49
DANGOTE SUGAR REFINERY						
3 Months, Mar 2016	32,617.17	44.82	5,112.90	34.62	3,338.68	40.63
GUINNESS NIG PLC						
9 Month, Mar. 2016	69,618.99	-17.85	1,204.30	-83.12	864.18	-83.43
DANGOTE CEMENT PLC						
3 Months, Mar 2016	140,521.00	22.47	54,539.00	-22.27	52,779.00	-23.09
ACCESS BANK NIGERIA PLC						
3 Months, Mar 2016	83,547.47	8.80	22,582.93	36.72	19,418.84	42.08
U A C N PLC						
3 Months Mar. 2016	17,517.94	-1.19	1,766.72	-23.06	1,316.69	-21.64
WEMA BANK PLC						
3 Months, Mar 2016	9,657.50	8.17	505.33	-17.87	429.53	-17.87
OKOMU OIL PALM PLC						
3 Months, Mar. 2016	3,325.92	37.22	1,634.73	37.98	1,595.93	54.46
AXA MANSARD INSURANCE PLC						
3 Months, Mar. 2016	8,831.92	25.81	751.05	46.66	700.11	44.05
GLAXO SMITHKLINE CONSUMER NIG. PLC						
3 Months, Mar. 2016	7,644.14	2.52	272.91	-35.54	188.31	-36.52
CEMENT CO. OF NORTH NIG. PLC						
3 Months, Mar. 2016	3,569.97	-19.50	356.71	-61.62	242.56	-61.62

Source: Nigerian Stock Exchange

Table 15: Major Benefit Announcements in April 2016

Company	Result	DPS(N)	Bonus Ratio	Closure Date	Payment Date	Interim/Final
MRS OIL NIGERIA PLC.	Full Year, Dec. 2015	1.10	-	11-Jul-16	05-Aug-16	Final
U A C N PLC	Full Year, Dec. 2015	1.00	-	NA	NA	Final
FIDSON HEALTHCARE PLC	Full Year, Dec. 2015	0.05	-	NA	NA	Final
TOTAL NIGERIA PLC	Full Year, Dec. 2015	12.00	-	18-Apr-16	13-Jun-16	Final
NATIONAL SALT CO. NIG. PLC	Full Year, Dec. 2015	0.55	-	12-May-16	23-May-16	Final
MAY & BAKER NIGERIA PLC	Full Year, Dec. 2015	0.06	-	18-Apr-16	NA	Final
McNichols Consolidated Plc	Full Year, Dec. 2015	0.05	1 for 10	16-Jun-16	25-Jul-16	Final
CUSTODIAN AND ALLIED INSURANCE PLC	Full Year, Dec. 2015	0.14	-	14-Apr-16	03-May-16	Final
OKOMU OIL PALM PLC	Full Year, Dec. 2015	0.10	-	09-May-16	27-Jun-16	Final
LAFARGE CEMENT WAPCO NIGERIA PLC.	Full Year, Dec. 2015	3.00	1 for 10	16-Jun-16	27-Jun-16	Final
FBN HOLDINGS PLC (First Bank)	Full Year, Dec. 2015	0.15	-	09-May-16	30-May-16	Final
CUSTODIAN AND ALLIED INSURANCE PLC	Full Year, Dec. 2015	0.14	-	14-Apr-16	03-May-16	Final

The Brazil Stock Market Index recorded the highest MoM appreciation of 7.70%, with a YTD gain of 24.36%.

The table 16 below shows the performance of some selected foreign equity markets around the world. The Brazil Stock Market Index recorded the highest MoM appreciation of 7.70%, with a YTD gain of 24.36%. This is followed by the Madrid Stock Exchange General Index with a MoM gain of 3.56%, and a loss of 5.60% in its YTD performance. The Ghana All Share Index recorded the highest MoM depreciation of 4.35% and a loss of 8.33% YTD. This was followed by the Shanghai Stock Exchange Composite Index (China), with a loss of 2.18%, and a YTD depreciation of 16.98%.

Table 16: Foreign Equity Market Performance in April 2016

North/Latin America	YTD Change	Month-on-Month Change
Dow Jones Industrial Average	2.00%	0.50%
S&P 500 Index	1.05%	0.27%
NASDAQ Composite	(4.63%)	(1.94%)
Brazil Stock Market Index	24.36%	7.70%
Europe		
Swiss Market Index	(9.72%)	1.96%
FTSE 100 Index (UK)	(0.01%)	1.08%
CAC 40 Index (France)	(4.49%)	1.00%
DAX Index (Germany)	(6.55%)	0.74%
SMSI Index (Madrid, Spain)	(5.60%)	3.56%
Africa		
NSE All-Share Index	(12.50%)	(0.96%)
JSE All-Share Index (S/A)	4.47%	1.35%
Nairobi All Share Index (Kenya)	0.84%	(0.35%)
GSE All-Share Index (Ghana)	(8.33%)	(4.35%)
Asia/Pacific		
NIKKEI 225 Index (Japan)	(9.85%)	(0.55%)
BSE 30 Index (India)	(1.96%)	1.04%
Shanghai Stock Exchange Composite Index (China)	(16.98%)	(2.18%)
Hang Seng Index (Hong Kong)	(3.87%)	1.40%
Source: Bloomberg		

3.2. Outlook for the Month of May:

- The implementation of the Budget 2016 may lead to injection of some funds in some critical sectors of the economy. This may have positive impact on the liquidity in the market
- The equity market still offers opportunity for medium-to-long term investors
- Most of the quoted companies are currently trading at massive discounts to their intrinsic and book values.

3.3. Strategies:

- We recommend that investors should maintain a medium-to-long term position in the market
- We reiterate that long-term investors should take long positions in stocks that have strong fundamentals.

Table 17: Equity Market Trend Analysis (2011-2015)

	YEARS				
Months	2011	2012	2013	2014	2015
April	25,041.68	22,045.66	33,440.57	38,492.13	34,708.11
May	25,866.62	22,066.40	37,794.75	41,474.40	34,310.37
% Change	3.29%	0.09%	13.02%	7.75%	(1.15%)

Source: The Nigerian Stock Exchange

As the FGN's economic agenda becomes clearer, the market offers attractive growth prospect and may follow historical trend.

The performance of the equity market in the last five years shows that the market recorded a positive performance between April and May, with the exception of 2015. **As the FGN's economic agenda becomes clearer, the market offers attractive growth prospect and may follow historical trend.**

Table 18: Revised Asset Allocation

Asset Class	Fund Allocation
Equities	25%
Fund Placement	15%
Treasury Bills	25%
Real Estate Investment Trust (REIT)	5%
Bonds	20%
Collective Investment Schemes	10%

Source: FSDH Research

Table 19: One Year Target Price

Stocks	Max Entry Price	52 Week Low	52 Week High	Trailing EPS	Trailing PE Ratio	Target Price
NASCON	8.40	5.20	8.94	0.86	9.77	9.74
Dangote Sugar	5.85	5.17	7.26	1.04	5.62	6.79
Nestle Nigeria	680.00	615.26	965.98	34.65	19.62	788.80
GT Bank	17.00	13.37	30.00	3.35	5.08	19.72
Dangote Cement	168.00	185.00	123.51	9.71	17.30	195.00
Zenith Bank	12.99	9.00	22.85	3.33	3.90	15.07
Flour Mills	20.30	16.13	36.95	9.22	2.20	23.55
Stanbic IBTC	14.50	12.23	30.35	2.04	7.11	16.82
Transcorp	1.00	0.96	3.24	0.03	33.33	1.16

Source: FSDH Research

Table 20: Bond Recommendation

S/N	Security Description	Tenor To Maturity (Yrs)	Coupon	Current Price (N)	Current Yield	Modified Duration
1	16% FGN Jun 2019	3.15	16.00%	108.70	12.55%	2.35
2	16.39% FGN Jan 2022	5.73	16.39%	113.65	12.93%	3.66
3	14.20% FGN Mar 2024	7.86	14.20%	105.65	13.02%	4.67
4	12.15% FGN Jul 2034	18.21	12.15%	90.30	13.59%	6.54

Source: FSDH Research

Table 21: Select Global Bonds Issue

Country	Bond	TTM*
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: Leadway House (First Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel.: 09-6700535, 09-2731170

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

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

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