

Monthly Economic and Financial Market Outlook

Nigerian Economy Shows Positive Outlook

April 2017

Executive Summary

- The Nigerian economy is showing signs of positive outlook on the back of increase in oil price, oil production and increase in the supply of foreign exchange to both retail and corporate users
- The Federal Open Market Committee (FOMC) of the United States Federal Reserve (The Fed) indicates that it may increase the interest rate further in 2017
- The Organisation of Petroleum Exporting Countries (OPEC) maintains its global economic growth forecast for 2017
- The inflation rate dropped in February 2017 for the first time in 15 months. Our forecast shows that it will drop further in March 2017
- The external reserves continues to grow due to increase in oil production and price
- The yield on the shortest tenor on the Nigerian Treasury Bill (NTB) dropped in March 2017, while that of the longest tenor increased. The expected drop in inflation rate may make it to drop further for all tenors. Meanwhile, the funding for foreign exchange supply may drive up liquidity and limit the extent of the drop in yield
- Improved investors' confidence may make the equity market to appreciate in April 2017.

1.0 Global Developments:

In the countries we monitored, the prices of government bonds appreciated in more countries in March 2017 than they depreciated. The 16.39% January 2022 Nigeria Government Bond and the 7.60% April 2021 Russia Government Bond recorded the highest month-on-month price increases of 1.35% and 1.28% to 102.41 and 99.05, respectively. The 17% April 2022 Egypt Government Bond recorded a month-on-month price decrease of 0.98% to 99.49. This was followed by the 8.80% September 2023 Turkey Government Bond with a marginal decrease of 0.77% to 90.80. The Egypt, Nigeria, United States (U.S.) and Turkey Bonds closed the month at negative real yields. Other bonds we monitored closed the month at positive real yields. The Russia Government Bond offers the most attractive real yield amongst the selected bonds in March 2017.

The prices of government bonds appreciated in more countries in March 2017 than they depreciated.

According to the final figures that the United States (U.S.) Bureau of Economic Analysis released, the US economy grew by 2.1% in Q4 2016 (quarter-on-quarter), higher than 1.9% in the previous estimates. Consumer spending and inventories increased faster than anticipated while investment moderated lower and weighed down growth. In 2016, the GDP grew by 1.6%, the lowest since 2011. The inflation rate in the U.S stood at 2.7% (year-on-year) in February 2017, from 2.5% in January 2017 and in line with market expectations. It was the highest inflation rate since March 2012, boosted by a rise in gasoline prices. The Federal Open Market Committee (FOMC) of the U.S Federal Reserves increased the Fed Rate by 0.25% to a range of 0.75%-1.00% in March 2017.

The U.S economy grew by 2.1% in Q4 2016 (quarter-on-quarter), higher than 1.9% in the previous estimates.

Table 1: Summary of Key Indicators

S/N	Indicators	China	Egypt	India	Kenya	Nigeria	Russia	South Africa	Turkey	USA
1	Bond Price	102.28	99.49	105.47	97.63	102.41	99.05	97.42	90.80	97.88
2	Bond Yield	3.09%	17.16%	6.87%	13.34%	15.64%	8.03%	8.31%	10.81%	2.12%
3	Bond Price MoM Change	(0.37%)	(0.98%)	0.31%	0.51%	1.35%	1.28%	(0.03%)	(0.77%)	0.17%
4	Bond Yield MoM Change	0.06%	0.31%	(0.09%)	(0.12%)	(0.42%)	(0.38%)	0.01%	0.19%	(0.02%)
5	Bond Price YTD Change	(1.38%)	(2.00%)	(1.01%)	0.51%	0.00%	0.87%	1.54%	1.79%	0.50%
6	Bond Yield YTD Change	0.24%	0.62%	0.18%	(0.12%)	(0.03%)	(0.24%)	(0.31%)	(0.30%)	(0.07%)
7	Real Yield	2.29%	(13.04%)	3.22%	3.06%	(2.14%)	3.43%	2.01%	(0.48%)	(0.58%)
8	Volatility	0.28	0.65	0.27	0.18	0.55	0.48	0.62	0.78	0.45
9	FX Rate MoM Change*	0.29%	13.04%	(2.84%)	0.08%	(0.31%)	(3.80%)	2.13%	0.05%	0.71%
10	FX Rate YTD Change*	(0.84%)	0.18%	(4.74%)	0.46%	(0.33%)	(9.41%)	(2.43%)	3.10%	1.27%
11	Inflation Rate	0.80%	30.20%	3.65%	10.28%	17.78%	4.60%	6.30%	11.29%	2.70%
12	Policy Rate	4.35%	14.75%	6.25%	10.00%	14.00%	9.75%	7.00%	8.00%	1.00%
13	Debt to GDP	43.90%	85.00%	69.00%	52.80%	11.50%	17.70%	50.10%	32.90%	104.00%
14	GDP Growth Rate	6.80%	2.30%	7.00%	5.70%	(1.30%)	0.30%	0.70%	3.50%	2.00%
15	Nominal GDP (US\$)	11,008bn	331bn	2,095bn	63.4bn	481bn	1,331bn	315bn	718bn	18,037bn
16	Current Acct to GDP	1.80%	(3.40%)	(1.25%)	(11.40%)	(3.80%)	1.80%	(3.30%)	(4.50%)	(2.60%)

*-ve means appreciation while +ve means depreciation

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

OPEC indicated a global growth forecast of 3.0% and 3.2% for 2016 and 2017, respectively in its monthly report for March 2017.

1.1 The Global GDP:

The Organization of the Petroleum Exporting Countries (OPEC) maintained its global growth forecast of 3.0% and 3.2% for 2016 and 2017, respectively in its monthly report for March 2017. OPEC posited that global economic growth has stabilised and the estimated growth dynamic is consistent with its previous views. It added that the Organization for Economic Cooperation and Development (OECD) economies are expected to grow by 1.9% in 2017. The OECD growth may come from fiscal stimulus in the U.S but the magnitude and timeline of this remain uncertain.

OPEC noted that India and China will lead growth in the emerging and developing economies. Growth in India may improve after the impact of demonetisation has been digested. China has reiterated its intention to target a higher growth level than is currently accommodated for in the global growth forecast. The stabilisation of the oil market is also supporting global growth, as oil producers are now benefitting from a recovery in output values and once again rising oil sector related investments.

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The cartel however says that the policy issues across the globe and monetary policy decisions of the major central banks are the major uncertainties the global economy faces. It also noted that the monetary policy tightening will continue in the U.S. This may also apply to other major central banks, though a relatively more accommodative stance is expected from some central banks, particularly the European Central Bank (ECB) and the Bank of Japan (BoJ). Global debt levels remain high in some key economies, an issue that will probably require further attention as interest rates may rise gradually and the U.S Dollar may continue to strengthen because of the rising inflation rate.

	2016E	2017F
World	3.0%	3.2%
OECD	1.7%	1.9%
USA	1.6%	2.2%
Japan	1.0%	1.1%
Euro-zone	1.7%	1.6%
China	6.7%	6.2%
India	7.5%	7.0%
Brazil	(3.6%)	0.5%
Russia	(0.5%)	1.0%

Source: OPEC Monthly Report, March 2017

The U.S Fed raised the Federal Funds Rate (Fed Rate) by 0.25% to 0.75%-1.0% at its March 2017 meeting and indicated an accelerated pace of increase over time.

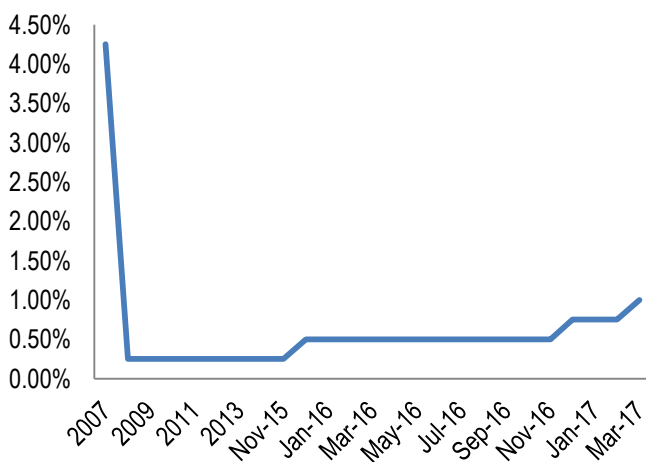
1.2 FOMC Rate Decision:

The Federal Open Market Committee (FOMC) of the U.S. Federal Reserve (The Fed) raised the Federal Funds Rate (Fed Rate) by 0.25% to 0.75%-1.0% at its March 2017 meeting and indicated an accelerated pace of increase over time. There are indications that the FOMC will increase the Fed Rate further in 2017, as the Fed's median projection in 2017 is 1.4%. The implication of the rate hike in the U.S is that yields on Dollar denominated fixed income securities may rise. This may lead to capital flight from emerging markets to the U.S, and cause an appreciation in the value of the U.S Dollar. This may also lead to a drop in the price of crude oil – Nigeria's main foreign exchange earner. The possible increase in shale oil production is another factor that may put downward pressure on crude oil prices.

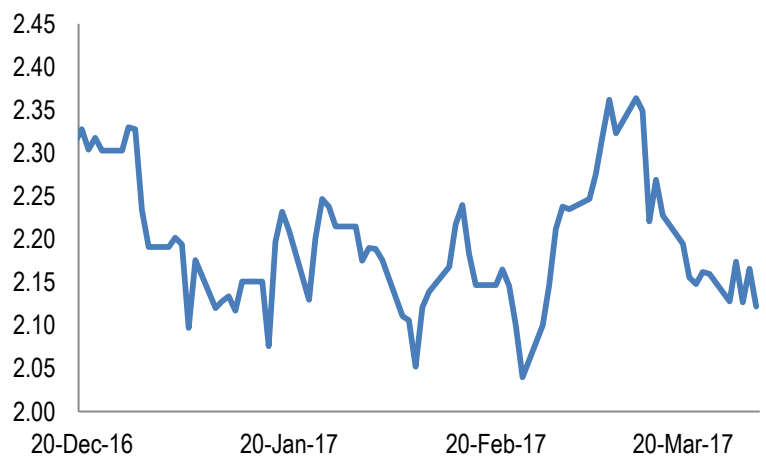
The implications of the rate hike in the U.S are highlighted below:

- Flow of funds to the U.S. from emerging markets and developing countries.
- Appreciation of the U.S. Dollar.
- Downward pressure on commodity prices.
- Increase in the yields on the Dollar denominated fixed income securities.
- Increase in the cost of fund from the international debt market.
- Drop in the global liquidity.

U.S Fed Rate (2003 - March 2017)



1.75% May 2023 U.S Government Treasury Note



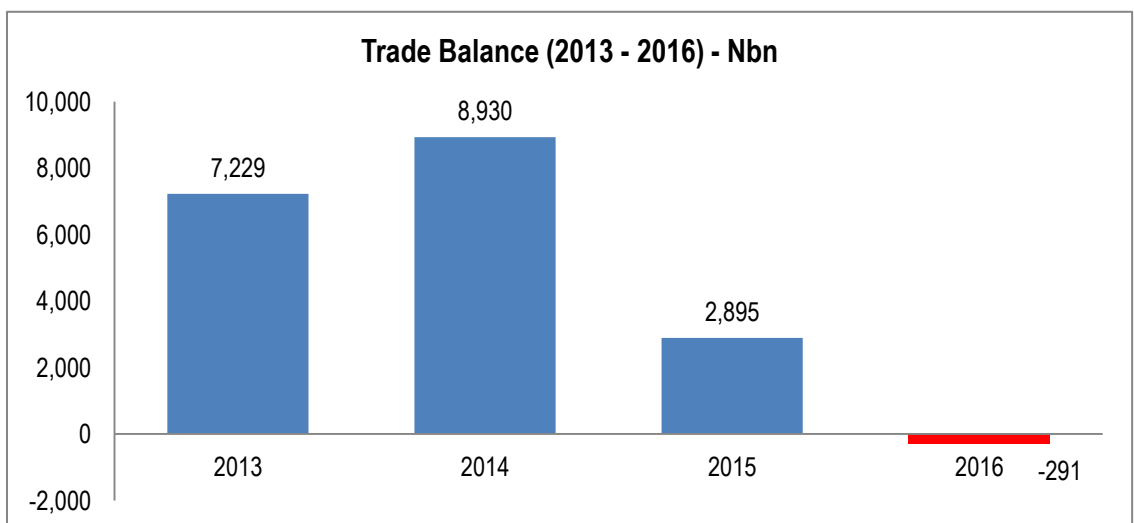
1.3 Foreign Trade:

The Nigerian economy recorded a trade deficit in 2016. This is contained in the NBS Merchandise Trade Intensity Index/Re-exports, Q4 2016. The economy recorded a trade deficit of N290bn in its merchandise trade in 2016, from the trade surplus of N2.90trn recorded in 2015. In 2016, Nigeria’s total trade stood at N17.34trn, an increase of 6.47% from N16.29trn recorded in 2015. Exports recorded a decrease of 11.05% to N8.53trn in 2016, from N9.59trn in 2015. On the average, exports accounted for about 60.98% of the total trade in the last four years, while imports accounted for 39.02%.

The drop in the oil price led to trade deficit recorded in 2016. The trade deficit has contributed to the shortage of foreign exchange. With the improvement in both oil price and production, we expect the country to record trade surplus going forward.

Year	Imports	Exports	Trade Balance	Total Trade
2013	7,016	14,245	7,229	21,261
2014	7,374	16,304	8,930	23,678
2015	6,698	9,593	2,895	16,291
2016	8,818	8,527	-291	17,345

Source: National Bureau of Statistics



1.4 Inflation Rate:

Whist the inflation rate dropped in February 2017 to 17.78% (the first drop in 15 months) as a result of a base effect, we note that the month-on-month change of 1.49% was the highest increase since July 2016. This means that inflationary pressure persists in Nigeria. The inflation rate in February 2017 was driven by the faster growth in all major divisions of the Headline Index. Year-on-year (y-o-y), the Food Price Index (FPI) increased by 18.53% in February 2017, from 17.82% in January 2017. The FPI was driven by higher prices of Bread and Cereals; Meat; Fish; Potatoes; yams and Other tubers; and wine. The Core Index increased by 16% in February 2017, lower than 17.90% recorded in January 2017. In February 2017, the largest increase in the Core Index were recorded in the Electricity; Liquid and Solid Fuels; Fuels and Lubricants for Personal Transport; Clothing Materials; Other Articles of Clothing and Clothing Accessories and; Book and Stationeries.

The inflation rate stood at 17.78% in March 2017, from 18.72% recorded in January 2017.

Notwithstanding the fact that our analysis shows that inflation rate may continue to drop because of base effect; the decision of the Federal Government of Nigeria (FGN) regarding the pump price of Petroleum Motor Sprit (PMS) and the electricity tariff will ultimately determine the actual path that the inflation rate will follow in the short-term. We estimate that the inflation rate would be at 16.52% in March 2017 as shown on table 4 below. This may impact the yields on the fixed income securities.

We expect February inflation rate at 16.52%.

Table 4: Inflation Rate Actual Vs Forecast

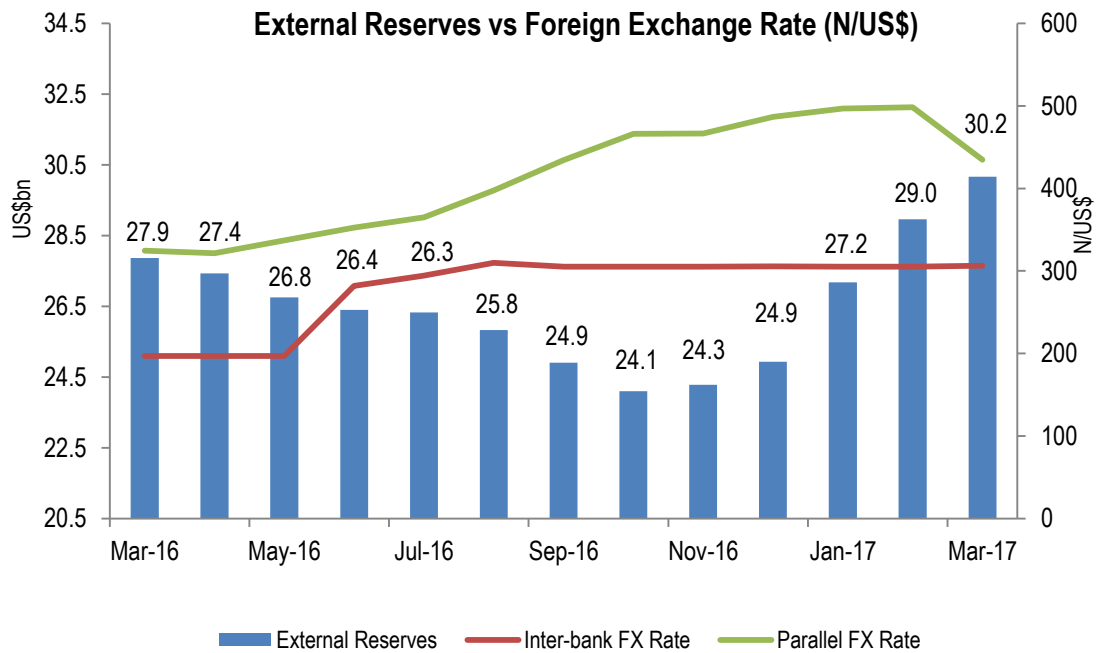
Month	Jan-17 A	Feb-17A	Mar-17F	Apr-17F	May-17F	Jun-17F	Jul-17F	Aug-17F	Sep-17F	Oct-17F	Nov-17F	Dec-17F
Actual/Forecast	18.72%	17.78%	16.52%	15.57%	13.36%	12.31%	11.68%	11.31%	11.21%	11.04%	11.00%	10.87%

Source: National Bureau of Statistics and FSDH Research Analysis

1.5 Movement in the External Reserves:

There was accretion to the external reserves in March 2017, with a slowdown in the rate of growth towards the end of the month of March 2017. The improved production of oil in the Niger Delta, as well as the OPEC and non-OPEC actions on stabilising oil price boosted the external reserves. However, the CBN's strategy to increase foreign exchange supply had negative impact on the external reserves in March 2017. The 30-day moving average external reserves increased by 2.19% to US\$30.30bn as at end-March 2017, from US\$29.65bn at end-February 2017. The average external reserves stood at US\$30.16bn in March 2017, from US\$28.96bn in February 2017.

The external reserves increased by 2.19% to US\$30.30bn as at end-March 2017, from US\$29.65bn at end-February 2017.



1.6 Crude Oil Market and Bonny Light Price:

The cooperation of OPEC and non-OPEC members to cut oil output has kept average oil price at about US\$50/b since December 2016. However, there has been downward pressure on oil prices from the increased production in the U.S. The current relatively high oil price is attractive for shale oil producers.

The average price of Bonny Light was US\$52.20/b in March 2017, a decrease of 5.95% from the average price of US\$55.50/b recorded in February 2017.

According to the data from Thomson Reuters, the Bonny Light oil price decreased by 2.73% to US\$52.71/b as at end-March 2017, from end-February 2017. The average price of Bonny Light was US\$52.20/b in March 2017, a decrease of 5.95% from the average price of US\$55.50/b recorded in February 2017.

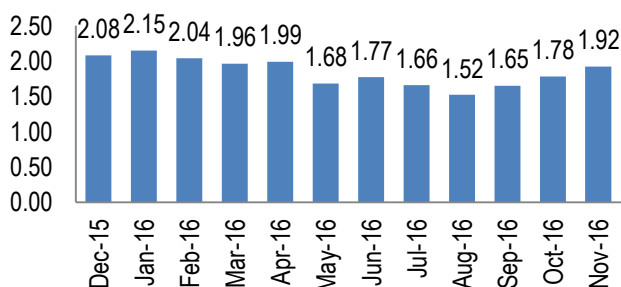
Table 5: Nigeria's Crude Oil and Condensate Production (mbd)

	Joint Ventures	Production Sharing Contracts	Others	Total Production	Average Daily Production
Dec-15	18.91	28.33	17.33	64.57	2.08
Jan-16	20.02	28.70	17.91	66.63	2.15
Feb-16	20.52	25.42	13.27	59.21	2.04
Mar-16	20.33	27.68	12.68	60.68	1.96
Apr-16	20.24	27.86	11.48	59.57	1.99
May-16	14.30	27.37	10.50	52.17	1.68
Jun-16	14.59	27.35	11.13	53.07	1.77
Jul-16	16.09	27.22	8.07	51.37	1.66
Aug-16	12.79	28.19	6.28	47.26	1.52
Sep-16	14.52	27.73	7.20	49.46	1.65
Oct-16	16.91	28.66	9.62	55.19	1.78
Nov-16	18.38	27.25	11.93	57.56	1.92
Total	188.69	303.41	120.07	612.18	N/A

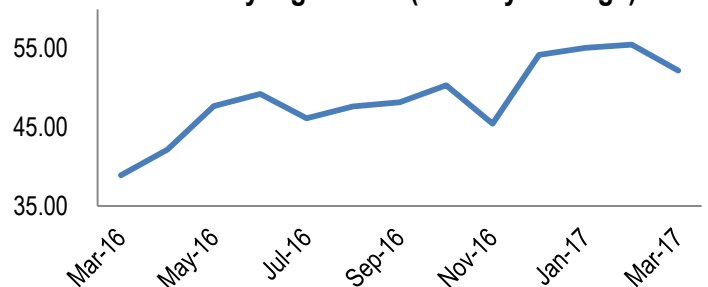
Source: NNPC Monthly Report, December 2016; N/A – Not Applicable

According to the U.S Energy Information Administration (EIA), the Brent crude oil price should average US\$55/b in 2017 and US\$57/b in 2018.

Monthly Average Crude Oil Production



Bonny Light Price (Monthly Average)



1.7 Foreign Exchange Rate:

The recent efforts of the CBN to increase the supply of foreign exchange in the interbank market have narrowed the gap between the official (inter-bank) and parallel market exchange rates. The CBN was able to increase the supply of foreign exchange in the interbank market because of accretion to external reserves. The increase in average oil price to about US\$50/bbl and increase in crude oil production in Nigeria are the major drivers of the improvement in the external reserves.

Month-on-month, the parallel market appreciated by 13.42% to close at N395/US\$ at end-March 2017 from N448/US\$ at end-February 2017. The average exchange rate at the parallel market appreciated by 14.59% to stand at N434.78/US\$ in March 2017, compared with N498.23/US\$ in February 2017.

The inter-bank market rate depreciated in March 2017. As at end-March 2017, the value of the Naira closed at N306.35/US\$ at the inter-bank market, a depreciation of 0.28% from N305.50/US\$ at end-February 2017.

The agreement between OPEC and Non-OPEC members to cut oil supply has led to an increase in oil price at the international market. There is no guarantee that this increase will be sustained. If it is not and the crude oil price drops faster than growth in local crude oil production, Nigeria's export earnings may drop. Such a development would impede the ability of the CBN to sustain the improved supply of foreign exchange.

The recent efforts of the CBN to increase the supply of foreign exchange in the interbank market have narrowed the gap between the official and parallel market exchange rates.

The inter-bank market rate depreciated in March 2017.

2.0 Interest Rate and Yield Analysis:

The yields in the fixed income market recorded mixed performance in March 2017 compared with February 2017. The major drivers of yields were:

- Drop in the inflation rate
- Drop of liquidity in the market because of foreign exchange supply
- The improved confidence in the economy.

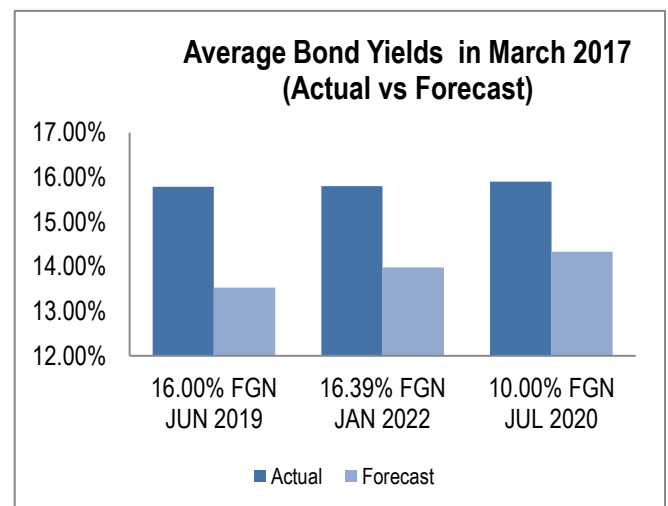
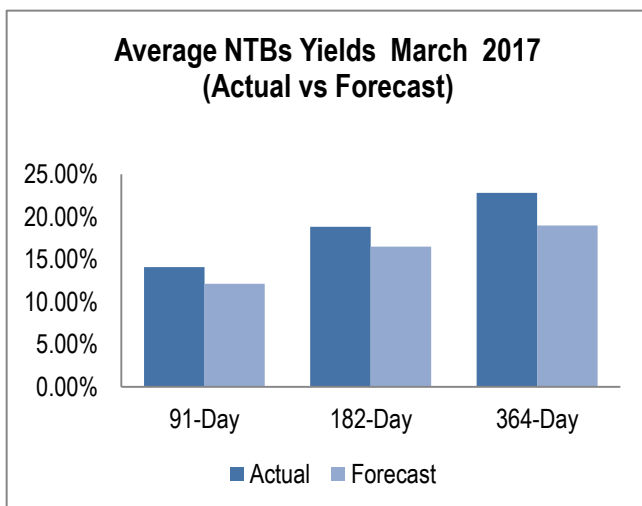
The yields in the fixed income market recorded mixed performance in March 2017 compared with February 2017.

The fixed income market analysis in March 2017 shows a net outflow of about N351bn, compared with a net outflow of about N198bn in February 2017. The major outflows in March 2017 were the Primary NTBs of about N699bn; CBN's Foreign Exchange Sale of N368bn; Open Market Operations (OMO) and Repurchase Bills (REPO) of N134bn and the bond auction of about N160bn. Meanwhile, in February 2017, the major outflows were from the OMO and REPO of N605bn, Primary NTBs of about N505bn, CBN's Foreign Exchange Sale of N202bn; and the bond auction of about N160bn. The major inflows in March 2017 were the matured NTBs of about N699bn, matured OMO and REPO Bills of N71bn, and the Federation Account Allocation Committee (FAAC) injection of about N240bn. In February 2017, matured OMO and REPO Bills of N533bn; matured NTBs of about N505bn, and the FAAC injection of about N195bn were the major inflows.

At the NTBs auction, average yields at the shortest dated tenor NTB dropped while the average yield on the longest dated NTB increased in the month of March 2017.

The average 91-day NTB yield stood at 14.08% in March, down from 14.23% in February. The average 182-day NTB yield closed at 18.81%, same as in February. The average 364-day NTB yield closed at 22.81%, up from 22.69% in February 2017. Meanwhile, the average 30-day NIBOR closed at 16.73% in March 2017, marginally down from 16.90% in February 2017. The average 90-day NIBOR increased to 20.47%, from 19.32% in the preceding month.

At the NTBs auction, average yields at the shortest dated tenor NTB dropped while the average yield on the longest dated increased in the month of March 2017.



The yields on the FGN Bonds that we monitored closed marginally lower in March 2017 than in February 2017.

	February 2017			March 2017		
	Total Inflow	Total Outflow	Net flow	Total Inflow	Total Outflow	Net Flow
Primary Market: NTB	505	505	0	699	699	0
Open Market Operations (OMO) & Rev Repo	533	605	(72)	71	134	(63)
BOND	0	160	(160)	0	160	(160)
FAAC	195	-	195	240	0	240
FX Market	-	202	(202)	-	368	(368)
CRR Debit/Credit	-	-	-	-	-	-
TSA Implementation	40	-	40	-	-	-
Total	1,273	1,472	(198)	1,010	1,361	(351)

Source: Central Bank of Nigeria and Federal Ministry of Finance

	16.00% FGN JUN 2019	16.39% FGN JAN 2022	10.00% FGN July 2030
February 2017	16.02%	16.05%	16.19%
March 2017	15.79%	15.80%	15.90%
Change	(0.23%)	(0.25%)	(0.29%)

Source: Financial Market Dealers Quotation

	NIBOR				Treasury Bill Yields		
	Call	30 Day	90 Day	180 Day	91-Day	182-Day	364-Day
February 2017	25.43%	16.89%	19.19%	23.14%	14.23%	18.81%	22.69%
March 2017	23.86%	16.73%	20.47%	23.14%	14.08%	18.81%	22.81%
Change	(0.58%)	(0.17%)	1.15%	0.01%	(0.15%)	(0.00%)	0.12%

Source: CBN and Financial Market Dealers Quotation

2.1 Revised Outlook Going Forward:

A total inflow of about N701bn should hit the money market from the various maturing government securities and FAAC in the month of April 2017. Our expected outflows from the various sources such as government securities and statutory withdrawals are estimated at N822.41bn, leading to a net outflow of about N121bn. **The expectation of lower inflation rate; relative stability in the foreign exchange market and the expected economic recovery should result in lower yields going forward. However, market liquidity may drop as market operators continue to provide liquidity to fund foreign exchange supplies. This may limit the extent to which interest rate will drop in the short-term.**

The expectation of lower inflation rate; relative stability in the foreign exchange market and the expected economic recovery should result in lower yields going forward.

Table 9: Expected Inflow and Outflow Analysis - April 2017 (N'bn)

Date	06-Apr-17	12-Apr-17	17-Apr-17	20-Apr-17-	Others	Total
Inflows	234.89	-	80.01	167.52	218.75*	701.17
Outflows	234.89	135.00	-	167.52	285.00**	822.41
Source: FSDH Research Analysis, *Statutory Allocation (FAAC), ** Cash Reserve Requirement (CRR) Debit						(121.24)

Table 10: 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-17	14.45%	19.02%	22.95%	16.27%	16.08%	16.26%
FebA-17	14.23%	18.81%	22.69%	16.02%	16.05%	16.19%
MarFA17	14.08%	18.81%	22.81%	15.79%	15.80%	15.90%
AprF-17	14.03%	18.40%	22.40%	15.66%	15.33%	15.46%
MayF-17	13.63%	18.20%	22.20%	15.46%	15.13%	15.26%
JunF-17	12.58%	17.15%	21.15%	14.41%	14.08%	14.21%
JulF-17	11.96%	16.53%	20.53%	14.39%	14.06%	14.19%
AugF-17	11.59%	16.16%	20.16%	14.02%	13.69%	13.82%
SepF-17	11.48%	16.05%	20.05%	13.91%	13.58%	13.71%
OctF-17	11.46%	15.88%	20.03%	13.84%	13.51%	13.64%
NovF-17	11.42%	15.84%	19.99%	13.80%	13.47%	13.60%
DecF-17	11.29%	15.71%	19.86%	13.67%	13.34%	13.47%
Source: CBN, FMDQ, and FSDH Research Forecasts						

The following factors will influence yields on fixed income securities in April 2017:

- ❖ Expectation of a drop in inflation rate
- ❖ Relative stability in the foreign exchange market
- ❖ Funding of foreign exchange supply
- ❖ Growing confidence in the Nigerian economy.

2.2 Strategy:

Investors should take advantage of the current yields on one year Treasury Bills. The NTBs remain attractive as it is higher than the inflation rate.

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- Investors should also maintain a balanced portfolio in other fixed income securities, particularly in bonds in order to minimise reinvestment risk.

The average prices on the FGN Eurobonds were higher in March 2017 than in February 2017. Consequently, the average yields on the bonds closed lower in the month of March, than in February 2017. The attractiveness of the prices on the FGN Euro bond compared with similar risk profiled bonds led to the decrease in the yields in March 2017. The current yields on all the FGN Eurobonds are lower than their respective coupons.

	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 (%)
1-Mar-17	106.188	4.984	102.900	5.829	101.875	3.685
2-Mar-17	106.063	5.015	102.500	5.902	101.833	3.714
3-Mar-17	105.917	5.054	102.300	5.934	101.917	3.647
6-Mar-17	105.813	5.082	102.500	5.893	101.875	3.676
7-Mar-17	105.917	5.052	102.700	5.851	101.958	3.610
8-Mar-17	105.594	5.140	102.300	5.940	101.792	3.728
9-Mar-17	104.158	5.540	100.800	6.219	101.469	3.974
10-Mar-17	104.708	5.384	101.500	6.086	101.528	3.926
13-Mar-17	104.501	5.442	101.400	6.104	101.594	3.872
14-Mar-17	103.500	5.725	100.600	6.264	101.389	4.029
15-Mar-17	103.575	5.703	100.800	6.217	101.267	4.118
16-Mar-17	104.251	5.508	101.800	6.024	101.668	3.802
17-Mar-17	104.656	5.393	102.100	5.965	101.708	3.768
20-Mar-17	104.625	5.401	102.200	5.949	101.708	3.765
21-Mar-17	104.813	5.347	102.200	5.943	101.939	3.581
22-Mar-17	104.094	5.550	101.100	6.151	101.736	3.731
23-Mar-17	104.062	5.557	101.100	6.156	101.641	3.804
24-Mar-17	104.210	5.514	101.100	6.159	101.641	3.801
27-Mar-17	104.064	5.555	101.000	6.182	101.562	3.861
28-Mar-17	104.344	5.474	101.200	6.139	101.772	3.694
29-Mar-17	104.594	5.402	101.700	6.036	101.939	3.552
30-Mar-17	104.814	5.337	102.000	5.989	101.981	3.515
31-Mar-17	104.627	5.389	101.700	6.052	101.854	3.613

3.0 Equity Market:

3.1 The Secondary Market:

The equity market recorded its first Month-on-Month (MoM) gain of 2017 in March 2017, after depreciating for two consecutive months. The Nigerian Stock Exchange All Share Index (NSE ASI) appreciated marginally by 0.74% (a gain of 0.46% in US\$) in March 2017 to close at 25,516.34 points. **The Year-to-Date (YTD) performance of the Index remains negative, closing March with a YTD loss of 5.05%.** Similarly, the market capitalisation recorded a MoM gain of 0.72% (a gain of 0.44% in US\$) to close at N8.83trn (US\$28.82bn).

The equity market recorded its first MoM gain of 2017 in March 2017, after depreciating for two consecutive months.

Market activities increased in the month of March 2017, compared with February 2017. The volume of stocks traded increased by 64.87% to 7.25bn. For the second consecutive month, Zenith Bank Plc was the most highly traded stock in March 2017 due to its positive full-year results. The value of stocks traded on The NSE in March 2017 also increased by 284.62% to N142.52bn.

The YTD performance of the Index remains negative, closing March with a YTD loss of 5.05%.

All the Sectoral Indices rose in March 2017 compared with February 2017, except the NSE Banking Index which declined by 1.11%. MoM, The NSE Industrial Index recorded the highest appreciation of 7.57%, with a YTD appreciation of 0.07%. The NSE Consumer Goods Index recorded a MoM gain of 6.70%, with a YTD loss of 11.91%. The gain in the NSE Consumer Goods Index is mainly attributed to the increases in the share price of Nestle (31.58%) and Unilever (20.77%).

All the Sectoral Indices rose in March 2017 compared with February 2017, except the NSE Banking Index which declined by 1.11%.

Table 12: Nigerian Equity Market: Key Indicators

Month	Volume (bn)	Value (N'bn)	NSEASI	Market Cap. (N'trn)	Banking*	Insurance*	Consumer Goods*	Oil/Gas*	Industrial*
February	4.39	37.06	25,329.08	8.77	277.32	122.91	588.35	288.06	1587.13
March	7.25	142.52	25,516.34	8.83	274.25	123.82	627.79	292.42	1707.26
Change	64.87%	284.62%	0.74%	0.72%	(1.11%)	0.74%	6.70%	1.51%	7.57%
YTD			(5.05%)	(4.52%)	(0.03%)	(1.96%)	(11.91%)	(6.48%)	0.07%

Sources: NSE, FSDH Research. * NSE Sectoral Indices

Table 13: Major Earning Announcements in March 2017

Company and Result	Turnover (Nm)	Change (%)	PBT (Nm)	Change (%)	PAT (Nm)	Change (%)
NESTLE NIGERIA PLC						
Full Year, Dec. 2016	181,911	20.25	21,548	-26.51	7,925	-66.61
ACCESS BANK NIGERIA PLC						
Full Year, Dec. 2016	381,321	13.02	90,339	20.39	71,439	8.46
GUARANTY TRUST BANK PLC (GT Bank)						
Full Year, Dec 2016	414,616	37.36	165,136	36.82	132,281	33.03
TOTAL NIGERIA PLC						
Full Year, Dec. 2016	290,953	39.86	20,353	213.35	14,797	265.63
LAFARGE AFRICA PLC.						
Full Year, Dec. 2016	219,714	-17.78	-22,819	-22.09	16,899	-37.79
STANBIC IBTC HOLDINGS PLC						
Full Year Dec 2016	156,425	11.71	37,209	57.33	28,520	50.97
UNILEVER NIGERIA PLC						
Full Year, Dec. 2016	69,777	17.82	4,106	131.86	3,0272	157.63
UBA PLC.						
Full Year, Dec 2016	383,647	21.85	90,642	32.41	72,264	21.14
FCMB GROUP PLC						
Full Year, Dec. 2016	176,352	15.63	16,251	109.19	14,339	201.19
GLAXO SMITHKLINE CONSUMER NIG. PLC						
Full Year, Dec. 201	14,385	-6.54	186	-82.56	2,378	172.37
STERLING BANK PLC						
Full Year Dec. 2016	111,439	1.13	6,000	-45.54	5,162	-49.84
MOBIL OIL NIG PLC						
Full Year, Dec. 2016	94,108	46.54	12,020	74.04	8,154	67.34
U A C N PLC						
Full Year, Dec. 2016	84,607	14.69	7,775	0.54	5,667	9.76
DANGOTE SUGAR REFINERY						
Full Year, Dec 2016	169,725	67.95	19,614	21.41	14,396	29.20

Source: NSE Website

Table 14: Major Earning Announcements in March 2017

Company	Result	DPS(N)	Bonus Ratio	Closure Date	Payment Date	Interim/final
Access Bank Nigeria Plc	Full Year, Dec. 2016	0.40		14-Mar-17	29-Mar-17	Final
Guaranty Trust Bank Plc (GT Bank)	Full Year, Dec. 2016	1.75	-	29-Mar-17	07-Apr-17	Final
Lafarge Africa Plc.	Full Year, Dec. 2016	1.05	-	23-Jun-17	07-Jun-17	Final
UBA Plc.	Full Year, Dec. 2016	0.55	-	03-Apr-17	10-Apr-17	Final
Unilever Plc	Full Year, Dec. 2016	0.10	-	18-Apr-17	12-May-17	Final
Glaxo Smithkline Consumer Nig. Plc	Full Year, Dec 2016	0.30	-	13-Apr-17	01-Jun-17	Final
U A C N Plc	Full Year, Dec. 2016	1.00	-	15-May-17	15-Jun-17	Final
Mobil Oil Nig Plc	Full Year, Dec. 2016	8.00	-	28-Apr-17	31-May-17	Final

Source: NSE Website

The CAC 40 Index (France) recorded the highest MoM appreciation of 5.43%, with a YTD appreciation of 5.35%

Table 15 below shows the performance of some selected foreign equity markets around the world. The CAC 40 Index (France) recorded the highest MoM appreciation of 5.43%, with a YTD appreciation of 5.35%. This is followed by the Nairobi All-Share Index (Kenya) with a MoM gain of 4.50%, and a YTD loss of 2.12%. The Brazil Stock Market Index recorded the highest MoM depreciation of 2.52% MoM but a YTD appreciation of 7.90%. This was followed by the NIKKEI 225 Index (Japan) with a MoM loss of 1.10%, and a YTD loss of 1.07%.

North/Latin America	YTD Change	Month-on-Month Change
Dow Jones Industrial Average	4.56%	(0.72%)
S&P 500 Index	5.53%	(0.04%)
NASDAQ Composite	9.82%	1.48%
Brazil Stock Market Index	7.90%	(2.52%)
Europe		
Swiss Market Index	5.34%	1.32%
FTSE 100 Index (UK)	2.52%	0.82%
CAC 40 Index (France)	5.35%	5.43%
DAX Index (Germany)	7.25%	4.04%
Africa		
NSE All-Share Index	(5.05%)	0.74%
FTSE/JSE Africa All Share Index	2.77%	1.78%
Nairobi All Share Index (Kenya)	(2.12%)	4.50%
GSE All-Share Index (Ghana)	10.41%	0.57%
Asia/Pacific		
NIKKEI 225 Index (Japan)	(1.07%)	(1.10%)
S&P BSE SENSEX Index (India)	11.24%	3.05%
Shanghai Stock Exchange Composite Index (China)	3.83%	(0.59%)
Hang Seng Index (Hong Kong)	9.60%	1.56%

Source: Bloomberg

3.2. Outlook for the Month of April:

We expect to see some improvements in investors' appetite for equity investment in April 2017. The following factors may drive performance:

- Relatively stable foreign exchange market
- Improved confidence on the outlook of the Nigerian economy
- The increase in oil price and improved production
- Expected decline in interest rate on fixed income securities

3.3. Strategies:

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

Table 16: Equity Market Trend Analysis (2011-2016) – NSE ASI Analysis

Months	Year				
	2012	2013	2014	2015	2016
March	20,652.47	33,536.24	38,748.01	31,744.82	25,306.22
April	22,045.66	33,440.57	38,492.13	34,708.11	25,062.41
% Change	6.75%	(0.29%)	(0.66%)	9.33%	(0.96%)

Source: The Nigerian Stock Exchange (NSE) and FSDH Research Analysis

The performance of the equity market in the last five years shows that the market recorded negative performances between March and April

The performance of the equity market in the last five years shows that the market recorded negative performances between March and April. **The equity market in the current year may not follow historical trend as the economic outlook becomes increasingly positive.**

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

Source: FSDH Research

Stocks	Max Entry Price	52 Week Low	52 Week High	Trailing EPS	Trailing PE Ratio	Target Price
Dangote Cement	164.32	149.26	203.96	3.41	47.24	193.32
Dangote Sugar	7.42	5.17	7.19	1.20	5.83	8.83
FBNH	3.35	2.95	4.39	0.21	14.94	3.98
Flour Mills	19.44	16.20	24.99	7.85	2.29	23.13
NASCON	6.49	6.01	8.70	1.19	5.07	7.72
Nigerian Breweries	135.00	102.50	150.00	3.58	34.88	148.75
Stanbic IBTC	19.44	13.00	18.50	2.85	6.32	22.53
Total Nigeria	280.80	140.06	345.00	43.58	5.97	334.15
UACN	16.33	12.02	22.00	2.95	5.13	18.25
UBA	5.59	3.08	5.77	1.99	2.60	7.07
United Capital	3.22	1.40	3.82	1.15	2.59	3.83
Zenith Bank	15.16	10.50	17.70	4.13	3.46	18.00

Source: FSDH Research

S/N	Security Description	Tenor To Maturity (Yrs)	Coupon	Current Price (N)	Current Yield	Modified Duration
1	16.00% FGN JUN 2019	2.23	16.00%	100.35	15.77%	1.75
2	15.54% FGN FEB 2020	2.86	15.54%	99.30	15.83%	2.19
3	14.50% FGN JUL 2021	4.28	14.50%	95.95	15.82%	2.97
4	16.39% FGN JAN 2022	4.81	16.39%	102.45	15.63%	3.18

Source: FSDH Research. Prices and yields as at April 05, 2017

The prices of the Eurobonds of the following companies are trading at huge discounts to their face values: Fidelity Bank, Diamond Bank, Access Bank, First Bank and Ecobank. Investments in them may generate good returns for investors who have U.S. Dollar holdings and can take the associated risks.

Table 20: Attractive Fixed Income Securities Trading on the FMDQ as at March 02, 2017

Issuer	Description	Coupon	Maturity Date	TTM (Years) *	Current Yield	Price
State Bonds						
Lagos	14.50% LAGOS 22-NOV-2019	14.50%	22-Nov-19	2.63	17.84%	93.15
Lagos	13.50% LAGOS 27-NOV-2020	13.50%	27-Nov-20	3.65	17.09%	90.50
Corporate Bonds						
UBA	14.00% UBA II 30-SEP-2018	14.00%	30-Sep-18	1.49	21.28	91.12
FCMB	15.00% FCMB 6-NOV-2020	15.00%	06-Nov-20	3.59	20.26	86.96
Lafarge Africa Plc	14.25% LAFARGE 15-JUN-2019	14.25%	15-Jun-19	2.19	17.43	94.33
NAHCO	15.75% NAHCO II 14-NOV-2020	15.75%	14-Nov-20	3.61	16.79	95.90
Transcorp Hotels Plc	15.50% TRANSCORP 4-DEC-2020	15.50%	04-Dec-20	2.11	20.15	92.61
Lafarge Africa Plc	14.75% LAFARGE 15-JUN-2021	14.75%	15-Jun-21	4.19	16.73	94.15
FCMB	14.25% FCMB I 20-NOV-2021	14.25%	20-Nov-21	4.63	18.20	87.96
UBA	16.45% UBA I 30-DEC-2021	16.45%	30-Dec-21	4.74	16.69	99.16
Fidelity Bank	16.48% FIDELITY 13-MAY-2022	16.48%	13-May-22	5.10	16.67	99.31
Transcorp Hotels	16.00% TRANSCORP 26-OCT-2022	16.00%	26-Oct-22	3.77	18.59	94.18
Stanbic IBTC	182D T.bills+1.20% STANBIC IA 30-SEP-2024	16.29%	30-Sep-24	7.49	16.70	98.25
Stanbic IBTC	13.25% STANBIC IB 30-SEP-2024	13.25%	30-Sep-24	7.49	16.70	85.53
Supranational Bonds						
AfDB	11.25% AFDB 1-FEB-2021	11.25%	01-Feb-21	2.07	15.16	93.49
Corporate Eurobonds						
Access Bank Plc	7.25% JUL 25, 2017	7.25%	25-Jul-17	-	5.48	100.50
Fidelity Bank Plc	6.88% MAY 09, 2018	6.88%	02-May-18	-	16.72	90.60
GT Bank Plc	6.00% NOV 08, 2018	6.00%	08-Nov-18	-	4.51	102.26
Zenith Bank Plc	6.25% APR 22, 2019	6.25%	22-Apr-19	-	5.89	100.68
Diamond Bank Plc	8.75% May 21, 2019	8.75%	21-May-19	-	16.76	86.14
First Bank Plc	8.25% AUG 07, 2020	8.25%	07-Aug-20	-	12.50	89.01
Access Bank Plc II	9.25%/6M USD LIBOR+7.677% JUN 24, 2021	9.25%	24-Jun-21	-	11.22	94.09
First Bank Ltd.	8.00%/2Y USD SWAP+6.488% JUL 23 2021	8.00%	23-Jul-21	-	13.02	83.95
Ecobank Nig. Ltd	8.75% AUG 14, 2021	8.75%	14-Aug-21	-	13.25	85.51
Commercial Paper						
Issuer	Description	Yield@Issue	Maturity Date	DTM (Years) **	Valuation Yield (%)	Discount Rate (%)
FSDH Merchant Bank Ltd	FSDH CP II 26-MAY-17	21.89%	26-May-17	51	17.57%	17.15%
Access Bank Plc	ACCESS CP II 30-MAY-17	4.22%	30-May-17	55	16.36%	15.97%
Access Bank Plc	ACCESS CP II 25-AUG-17	22.33%	25-Aug-17	142	19.72%	18.32%

*TTM – Tenor to Maturity; ** DTM – Day to Maturity

Source: FMDQ

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 January 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 Sources: Bloomberg		

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