

LeadCapital Stock Market Analysis – Week Ended 16th May 2008

Banking Stocks, Others Unable to Lift Market Performance

The market failed to sustain its bullish run as performance this week was characterized with bearish sentiments. Continuous profit taking and repositioning were contributory to the erratic behaviour in market performance. The NSE all share index slumped by 54 basis points as against the 552 basis points upswing recorded the previous week. Transactions were downbeat as reflected in the downturn in total volume and value traded respectively.

The market is yet to return to the bullish rhythm it began the year with. The index had gained 13.30% as at 6th of March, 2008 but profit taking, market correction, liquidity constraint were contributory to the downbeat mood that greeted market performance in the month of March. As at the 15th of May, 2008, the NSE all share index had gained only 6.14% YTD. While the presumed resurgence appears to be a mirage, investors and analysts remain optimistic that market outlook will soon rebound.

Newly listed Invest and Allied Insurance led the activity chart with investors staking over 314 million units of the insurance concern. This week trades witnessed the dominance of insurance and banking sector. Investors' appetite for penny stocks was evident in the top gainers' chart with ten of them. Fringe concern Incar, chalked up 178.55% to close at N9.46 to lead this category. After being adjusted for its corporate action, Oando led the top losers' chart with a 5% price decline.

Despite the fantastic interim results posted by some companies, the bears still outperformed the bulls. In the insurance sector, Consolidated Hallmark and Oasis Insurance both released their first quarter results ended March, 2008. The former posted N714.15 million gross premium as against N249.04 million the previous year. This translated to N263.50 million PAT. The latter grew its top and bottom line by 542.51% and 512.27% respectively. Oil marketing giants, Oando, Mobil and African Petroleum also released their first quarter results. They posted N1.39 billion, N626 million and N2.39 billion respectively. In the chemical and paints sector, Berger Paints grew its full year PAT by 37.88% while IPWA came out of a N15.69 million loss after tax to a Profit After tax of N37.78 million.

Ecobank released its first quarter result ended March, 2008 on the floor of the Nigerian stock exchange. The bank posted a N1.75 million PAT as against N1.39 million the previous year. Dangote Sugar Refinery recorded a 4.53% and 24.63% growth in top and bottom line respectively in its first quarter result ended March, 2008. Others include the third quarter and first quarter results of Poly Products Nigeria and Aluminum extrusion industries respectively. While the former posted N20.81 million PAT, the latter recorded a N9.12 million PAT.

Activities in the banking sector recorded a downswing in performance for the week under review. It appears most stocks were preys to activities of “speculative hawks” as most of them rallied the previous week. Sterling bank churned up 6.135 to emerge as the best performing stock for the week under review. Ecobank came closely behind with a 5.64% price upside to close at N10.68. Technical analysis reveals the stocks are on full offer and profit taking might begin to set in. Market sentiments also tilted in favour of UBA, Oceanic and Afribank as they all notched up 2.47%, 1.22% and 1.86% respectively. With the exception of Wema bank still under technical suspension, others moved with the bearish market mood for the week under review.

Activities of bargain hunters were also evident in the agro-allied sector. With the exception of Okomu that managed 0.62% hike in price. Okomu was seen as attractive following its bottom out price of N28.01. The stock closed on bid for a larger part of the week and is therefore expected to record gains during the week ahead. Others stocks within the sector recorded negative price movements. The likes of Presco and Afprint both experienced 3.68% and 6.41% price depreciation respectively. Market tussle saw Dunlop receive a 2.79% boost in price to close at N4.42.

The Breweries and Beverages sector experienced some sort of invigoration as more stocks surged in prices than the previous week. 7 up garnered 8.83% to top this category. The stock closed at N53.98. Guinness and Nigerian Breweries both churned up 1.57% and 2.51 % respectively for the week under review. The mixed sentiments in this sector saw Nigerian Bottling Company, Jos Breweries and International Breweries all shedding 0.05%, 10.54% and 2.73% respectively.

Conflicting sentiments were reflected in investors’ activities in the cement sector. Ashaka cement got a 10.25% spike to close at N47.98. Benue Cement Company and Lafarge Wapco also churned up 1.75% and 2.02% respectively. A rather stable sector in terms of price movement is expected to maintain its equilibrium or record marginal gains or losses in the weeks ahead. The major issues afflicting the sector remain instability of power and the lack of capacity of the existing players to meet up to the escalating demand for cement. The sector has a history of stable price performances without any constant dividend payments. The sector is therefore not a favourite of speculative investors as prospects for major price appreciation are minimal.

The chemical and paint sector was a bee hive of activities during the week under review. With the major companies DN Meyer, Berger Paints, and CAP all recording healthy price appreciations, the usual period upward and downward movement was visible. CAP however presented somewhat of an attractive entry opportunity and therefore closed as the best performer for the week, notching up 15.71%. The herd effect that has seems to be the norm in the sector led to 6.34% and 9.08% rises in Julius Berger and DN Meyer’s prices respectively. The sector however still remains

relatively volatile and as such determination of appropriate entry and exit prices remain 'critical success factors'. During the week, IPWA released its 1st quarter results showing a return to profitability from a prior year loss position. The performance could however not 'save' the stock as it crashed to a 10% dip. Its current price could however present attractive entry opportunities for speculators in the week ahead.

Cadbury, despite the ongoing sanctions placed on it by regulatory authorities, still managed to scoop an 8.46% gain during the week. The stock suffered heavy losses when the announcement of its sanctions were made public and as such its bottom out price appeared attractive to speculators. While the other major companies in the sector (Dangote Sugar Refinery, Dangote Flour Mills, Flour Mills of Nigeria and Nestle Foods) all experienced price declines, PZ had a marginal leap of 0.24% while Unilever churned up 8.74%. It is believed that Unilever's performance could be attributed to its recently released 1st quarter results in which it posted a N1.07 billion PAT.

The petroleum marketing sector was extremely bearish as none of the major stocks gained any points. African Petroleum which has been under technical suspension closed flat while Conoil, Mobil Nigeria, Oando, and Total all recorded price declines of 0.08%, 7.90%, 16.09% and 5% respectively. Chevron closed flat at N293.26 while Eterna Oil & Gas lost 3.71% to close at N35.00.

The insurance sector experienced mixed fortunes with many of them either gaining or losing points. The best performer was however continental reinsurance as it garnered 14.16%. Law Union and Rock also performed brilliantly, chalking up 10.34% to close at N6.40. Apart from Sovereign Trust Assurance, WAPIC insurance, Niger Insurance, Cornerstone Insurance and Linkages Assurance which gained marginally, all the other major stocks within this sector lost heavily. The worst performer was Standard Alliance which tumbled by 9.38% to close at N4.35 as investors swooped in to take advantage of marginal gains that were recorded after the stock was lifted from technical suspension. The insurance company recently approached the market to raise N18.5 billion in a public offer for subscription.

Year to date the market has recorded just over 7% in capital appreciation. This is a poor result when compare with last year's performance of over 40% during the same period. Public offers have been relatively few and far between while the number of new listings has also declined considerably. This trend could be attributed to market correction as the 74% growth in last year's index was somewhat 'flattering'. For the week under review, the bearish sentiments recorded were once again determined by the seeming lack of interest in banking stocks. The trend may however be reversed sooner than later.