

## LeadCapital Stock Market Review – Week ended 9<sup>th</sup> May 2008

### Market rebounds as bulls charge back.

Investors were agog as there was a twist of tale in market performance. The bulls finally outperformed the bears as market tussle saw the index leap-frogged by 552 basis points for the week under review. Transactions were also upbeat as total volume and value traded both surged by 37.53% and 54.07% respectively. Trades were buoyed by the performance of the banking sub-sector as they dominated the most traded chart. The general positive market outlook was reflected in the turnaround recorded by most sectors.

Renewed Interest in the agro allied sector saw Presco and Afprint rank in the gainers' camp. While the former led with a 21.45% price upside, the latter churned up 21.27% to close at N7.64. On the flip side, A.G Leventis shed 21.74% to lead the bottom losers' category. The stock was recently adjusted for its dividend payment of N0.12k per share. Profit taking and market correction were evident in this category. Cement Company of Northern Nigeria led the activity chart with investors staking over 639 million units. This chart was dominated by banking stocks with six of them featuring on the list. With the exception of Transcorp, Goldlink and Universal Insurance, Other stocks in this category were all banking stocks.

The plethora of results might have contributed to the market resurgence as some blue chip stocks released their results on the floor of the exchange for the week under review. Announcements for the week under review include the lifting of the technical suspension placed on Sterling and Ecobank following the receipt of information that both banks have called off their merger. 5.16 billion Ordinary shares of Zenith Bank Plc were listed on the floor of the exchange after the conclusion of their hybrid offer. Custodian and Allied Insurance and Standard Alliance were lifted from technical suspension following the completion of their public offering. Great Nigeria was also lifted from technical suspension in compliance with the post listing requirement of the exchange, WEMA Asset management will be divesting 515.6 million ordinary shares of Great Nigeria Insurance through a special sale. The share price of UTC and Air Service and Logistics were both adjusted for their bonus issue of 1 for 10 and dividend payment of N0.5k respectively.

The banking sector which constitutes about 60% of total market capitalization experienced resurgence for the week under review. After being released from technical suspension, Ecobank went on a rally as it churned up 21.13%. Access bank also got a 17.72% boost to close at N20.99. Banking giant, Zenith Plc posted an astonishing third quarter result for the period ended March, 2008. The company grew its top and bottom line by 70% and 136% respectively. The company posted a N33 billion PAT. Fidelity Bank also released its 3<sup>rd</sup> quarter result on the floor of the Nigerian stock exchange. The company posted a N9.34 billion PAT as against the N3.06 billion posted

the previous year. The stock moved up 4.17% to close at N10.98. With the exception of Intercontinental Bank (down 0.26%), Afribank (down 0.89%), FCMB (down 0.53%) and First Inland (down 5.55%) that lost points, other stocks in this sector recorded price upswings.

There seems to be a renewed interest in the agro-allied sub-sector as most stocks recorded decent gains for the week under review. Investors' activities saw Presco and Afprint churn up 21.45% and 21.27% respectively. While contemporary, Okomu moved against the bullish market trend as it recorded a 4.98% price decline to close at N28.22. In the automobile and parts sector, Dunlop declined marginally by 0.24% to close at N4.14. Currently closing on a bid position with no offer in sight, the stock might rally for a few trading days.

Investors' activities in the breweries sector were lull for the week under review. A rather stagnant sector in terms of price movement was invulnerable to the bullish market trend. This sector witnessed conflicting segments as some stocks surged in price while others recorded price declines. Nigeria bottling Company and Nigerian Breweries closed on the gainers' side as they notched up 2.67% and 0.98% respectively. 7up and Guinness lost 1.58% and 2.61% respectively. The latter released its 3<sup>rd</sup> quarter result ended March, 2008 on the floor of the exchange. Investors were unfavourable disposed to the 10.38% growth in PAT as it recorded price decline for that day. The breweries concern posted N7.5 billion as against N6.84 billion the previous year.

The general bullish mood that greeted market performance also saw the cement industry experiencing some form of activities. With the exception of Benue Cement Company that shed 0.41%, others recorded appreciable gains. The cement concern appears to have fallen prey to activities of bargain hunters. Cement Company of Northern Nigeria and Lafarge Wapco chalked up 15.68% and 13.11% respectively. While the former closed at N18.74, the latter closed the week at N58.05.

The chemical and paints sector was immune to the market renaissance. Most stocks in this category recorded southwards price movement. The sector appears to be undergoing some form of market correction as most stocks are finding a new trading range. Berger Paints suffered the most hits as it recorded a 10.94% price depreciation to close at N15.14. The stock posted a N34.94 million PAT as against the N21.15 recorded the previous year. DN Meyer also shed 8.36% to close at N12.50. CAP which also released its first quarter results ended March, 2008 on the floor of the exchange closed on a flat note. Currently the cheapest from the forecast P/E (Price Earnings Ratio) point of view. The stock is looking fundamentally viable.

The consumer goods industry experienced positive performances in all the constituent companies. The best performer was Unilever as it gained a total of 12.48% to close at N24.52. This performance is believed to have been buoyed by the release of their impressive first quarter results in which they declared a PAT of over N1 billion. Market sentiments towards the stock are quite bullish with large unfilled bid positions recorded

on a daily basis. Barring any unusual circumstance, the stock is expected to continue to rally especially given the current bullish market situation. Dangote Flour Mills (DFM) has however began to 'slow down' following its impressive run of successive gains in recent times. Its absolute price of N30.90 seems rather expensive and therefore does not appear too attractive, especially for speculators. Fairly balanced entry and exit mandates during the week led to the stock gaining marginally by 5.39%. Other notable gainers within this sector include Dangote Sugar (0.41%), Flour Mills (0.93%) and Unilever (12.48%).

The healthcare sector experienced the marginal gains with many of the stocks trading within their respective price ranges. Stocks such as GlaxoSmithKline (up 7.80%), May & Baker (up 9.52%) and Neimeth International Pharmaceuticals (up 8.18%) were some of the notable gainers. GSK however released very impressive first quarter results during the week with a 122% rise in their PAT from N182 million to N405 million. The stock is therefore expected to experience better returns as investors seem impressed with their performance. Also, as the most capitalised stock in the Healthcare industry, the company is seen as the market leader and thus might be perceived as a more stable option with huge growth prospects.

African Petroleum (AP), still under technical suspension, closed flat as the technical suspension placed on the stock for an impending offer has not been lifted. The oil-marketing giant, still under the investigation of the Securities and Exchange Commission (SEC) continues to record large unfilled offer positions. In contrast, Oando continues to turn up impressive performances as the stock gained 12.66% during the review period. Chevron despite its high absolute price of N307.92 still continues to elicit interest, rallying to an 8.98% boost in price. Mobil however suffered a decline of 9.35% as investors are probably cashing out from the stock due to the expiration of its closure date for dividend and bonus payment. With majority of the stocks in the oil-marketing sector closing on bid towards the latter stages of the week, it is expected that the sector will perform impressively during the week ahead. However profit taking by speculative investors may change the overall scenario sooner than expected.

The market's performance during the week suggests an aggressive comeback by the bulls after weeks of bearish sentiments. Such performance was due primarily to speculative activity in many stocks believed to have 'bottomed out' due to successive price losses. The 'herd effect' could also be attributable to the current trends as bullish sentiments in certain sectors could have trickle down effects on other sectors. The market therefore seems poised for continuous price rallies with many of the stocks closing on bid. Also, the recent rejuvenation of the banking industry could lead to more positive changes in the index during the week.