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# 2011 MARKET REVIEW & 2012 OUTLOOK

Presented by

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# Outline

- Economic Review
- 2011 Market Review
- 2011 Major Achievements
- 2012 Outlook
- 2012 Key Initiatives
- Questions & Answers



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# 2011 Economic Review

- GDP
  - 7.40% in Q3; averaged 7.60% (Q1-Q3)
  - Non-oil sector contributed 85.73% in Q3
    - Other Major contributors: Agriculture, Wholesale/Retail Trade
  - Oil & Gas sector contributed 14.27% in Q3
    - -0.34% in real terms
- Inflation
  - Averaged 10.9% compared to 13.8% in 2010
- Tight monetary policy
  - MPR up six times to 12% in November
  - Multiple banking reforms

# 2011 Economic Review contd.

- Credit
  - Public sector credit increased 30%
  - Prime lending rate rose to 16.75% from 15.73% (Jan-Dec)
  - Max. lending rate rose to 23.21% from 21.75% (Jan-Dec)
- Foreign Reserves
  - \$32.92 billion in December as a result of steady oil prices
- Exchange rate
  - N156.70<sup>1</sup> to \$1 on December 30<sup>th</sup> from N148.67 the previous year

<sup>1</sup> Daily exchange rates provided by CBN. Figure based on published selling rate. Figure does not include 1% commission fee charged by banks.

# 2011 Economic Review contd.

- Unemployment
  - Rose to 23.9% in 2011 from 21.1% in 2010
  - Youth 15-24 largest group at 37.7% of total
- S&P Rating (Dec)
  - Credit rating raised to 'Positive'
  - Long- and short-term issuer credit rating raised to B+/B
- World Economic Forum Ranking
  - Nigeria ranked 127 of 139 countries on *2010-2011 Global Competitive Index*
  - Nigeria ranked 125 in ethical behavior of firms

# 2011 Economic Review contd.

- Fiscal Policy
  - Unchanged with new presidency
  - Recurrent expenditures account for over half of government spending
  - Critics advocate leaner government structure and non-oil (price) based fiscal policy that includes economic growth and development from a policy perspective
  - 24-member *Economic Management Team* (EMT) tasked with nation's economic policy
- Capital Market Policy
  - No clear policy on uplifting the capital market

# 2011 Market Review

- Volatile market conditions
- Investors' appetite for shares marred by financial market events
- Equity exposure cut by funds and asset managers to cover positions in the US and Eurozone
- Local institutional investors on the sidelines
  - Prefer debt products offering double-digit returns
- Large companies not in the market
- Margin loan overhang and absence of loan facilities

# 2011 Market Snapshot

	2010	2011	% Change
Market Capitalization (Equities)	N7.92 trillion \$53.40 billion	N6.54 trillion <sup>†</sup> \$43.06 billion	-17.42
NSE All Share Index	24,770.52	20,730.63	-17.07 <sup>‡</sup>
Bloomberg NSE 30 Index	1,081.95	923.77	-14.92 <sup>‡</sup>
Bloomberg NSE Food/Beverage Index	778.47	589.60	-26.70 <sup>‡</sup>
Bloomberg NSE Banking Index	399.08	274.26	-34.69 <sup>‡</sup>
Bloomberg NSE Insurance Index	168.34	143.54	-14.67 <sup>‡</sup>
Bloomberg NSE Oil/Gas Index	338.85	220.11	-42.03 <sup>‡</sup>
Total Volume (units)	93.34 billion	89.58 billion <sup>††</sup>	-4.03
Total Value	N797.55 billion \$5.38 billion	N 634.92 billion <sup>†††</sup> \$4.18 billion	-20.39
Avg. Daily Volume (units)	377.87 million	364.15 million	-3.63
Avg. Daily Value	N3.23 billion \$21.78 million	N2.58 billion \$16.99 million	-20.12

# 2011 Market Snapshot contd.

	2010	2011	% Change
Turnover Ratio	12.51	8.36	-33.17
No. of New Issues	31	34	+12.90
Value of New Issues	N2.44 trillion \$16.45 billion	N2.03 trillion \$13.37 billion	-16.80
No. of Listed Companies	217	198	-8.76
No. of Listed Equities	220*	201	-8.64
No. of Listed Bonds	44	48	+9.09
No. of Listed ETFs	0	1	-
No. of Listed Securities	264	250	-5.30
No. of Trading Days	247	246	-
Avg. Exchange Rate (Naira : \$) §	148.31	151.82	-

† Figure includes shares listed on ASeM (N4.07b market cap) and preference shares listed on the Main Board (N16.29b market cap) in 2011.

‡ Performance of each index is calculated using the percentage change in the index value on a daily (day-by-day) basis, not year-on-year.

†† Figure includes units of ETFs traded in 2011.

††† Figure includes the value of ETFs traded in 2011.

\* Figure revised to include preference shares listed on the Main Board (3 preference shares).

§ Exchange rate based on CBN's published mean central rate.

# 2011 Market Capitalization

- Securities
  - 250 securities with market cap of N10.28 trillion (-0.48%)
- Equities
  - 201 equities with market cap of N6.54 trillion (-17.42%)
    - 63.62% of **total** market cap
  - 20 most capitalized stocks with market cap of N5.46 trillion
    - 53.11% of **total** market cap or 83.61% of **equities** market cap
- Bonds
  - 25 federal bonds with market cap of N2.09 trillion
  - 11 state/local bonds with market cap of N0.31 trillion
  - 12 corporate bonds with market cap of N1.34 trillion (+2,275.89%)
- ETFs
  - One ETF with AUM of N988 million



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# 2011 Market Activity



Value of transactions =  
2.73% of GDP

Value of transactions =  
2.39% of GDP\*

\* Based on Q1-Q3, 2011 GDP figures published by the National Bureau of Statistics (NBS) – N26,591.40b.

# 2011 Market Activity contd.

Securities	Volume	Value (N)
Equities	89,576,608,901	634,899,828,730
ETFs	6,710	17,115,994
Bonds	0	0
Total	89,576,615,611	634,916,944,724

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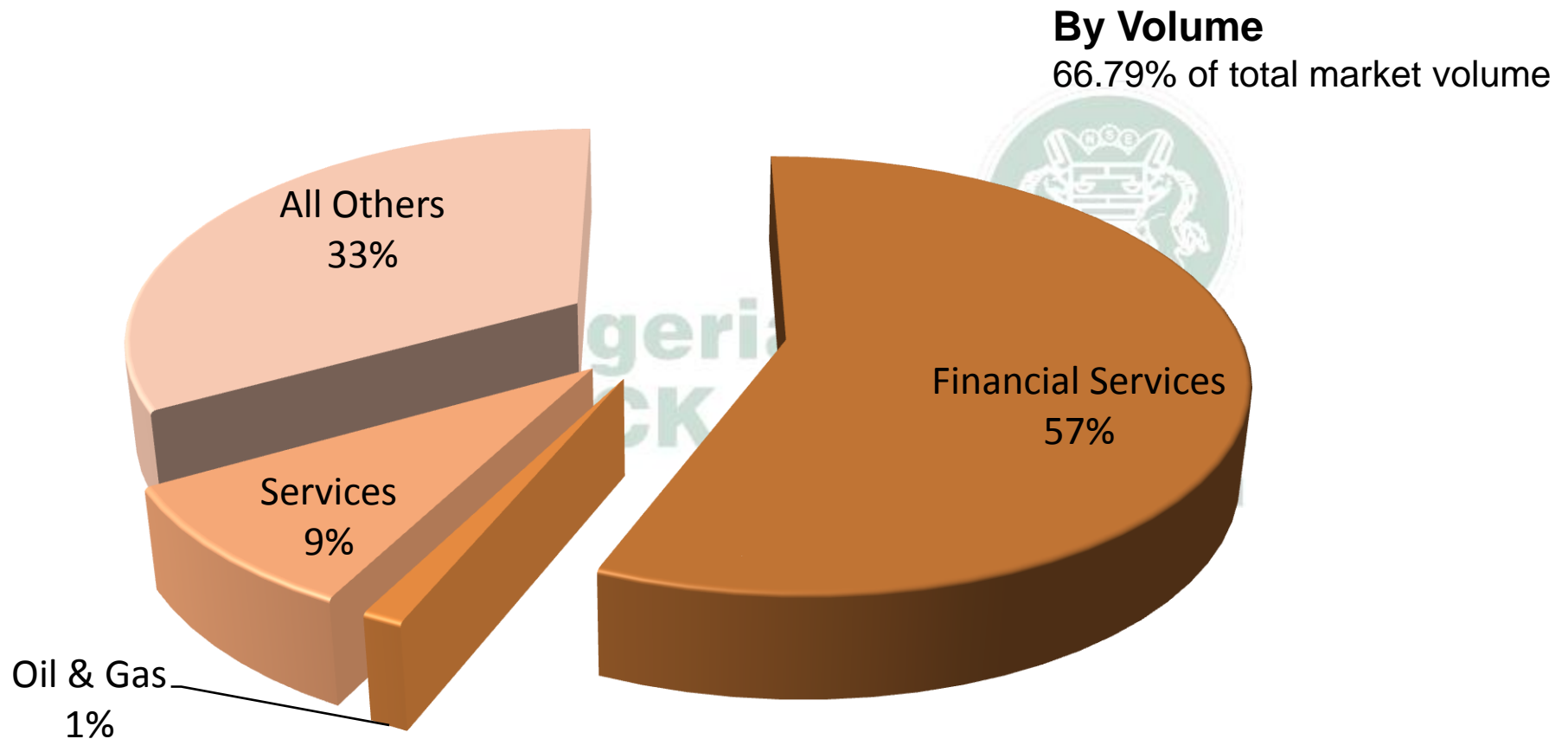
**2010 AVG. DAILY**  
**ACTIVITY**

377.87m units  
worth N3.23b

**2011 AVG. DAILY**  
**ACTIVITY**

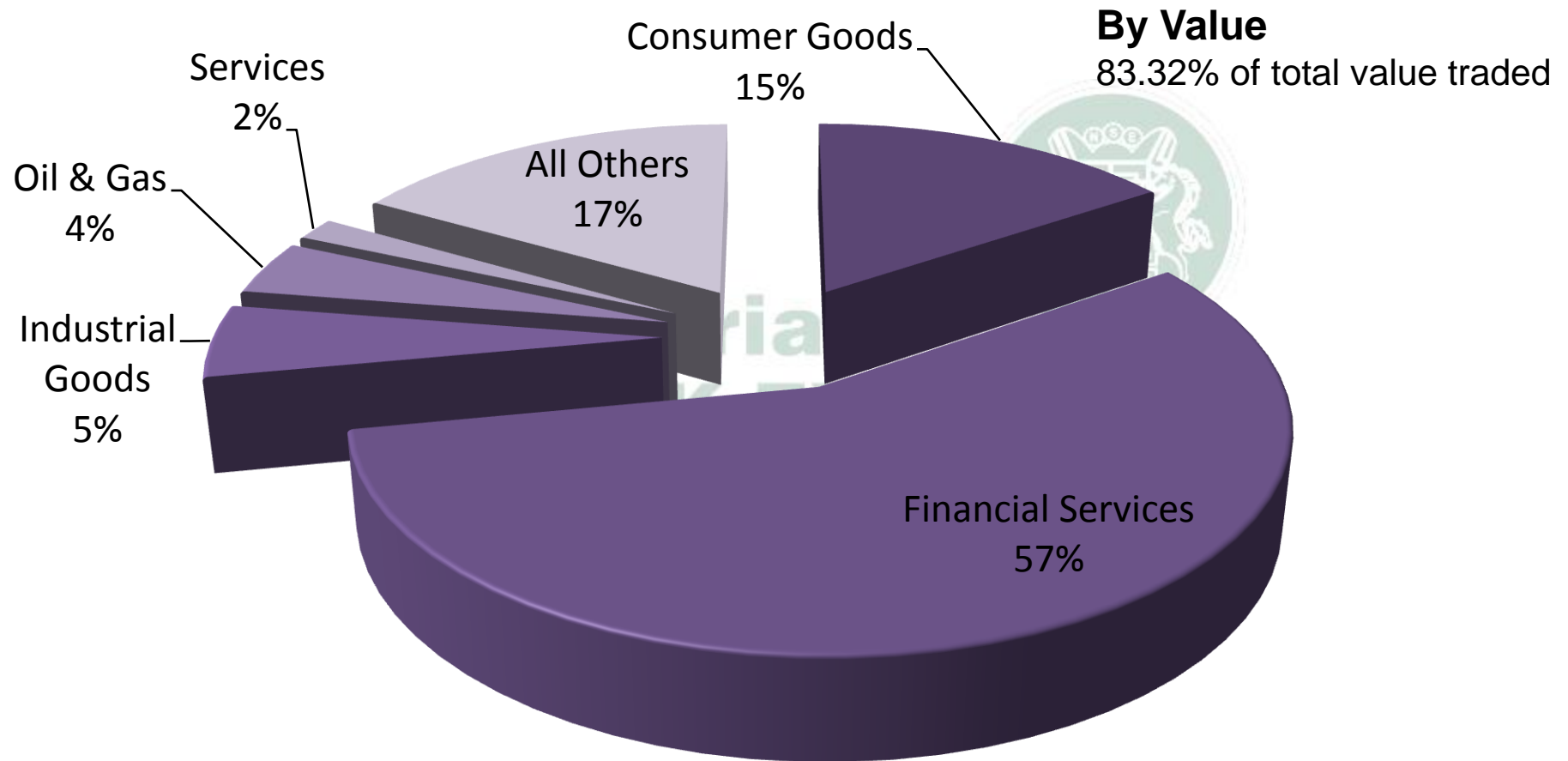
364.15m units  
worth N2.58b

# 2011 'Top 20' Stocks<sup>2</sup>



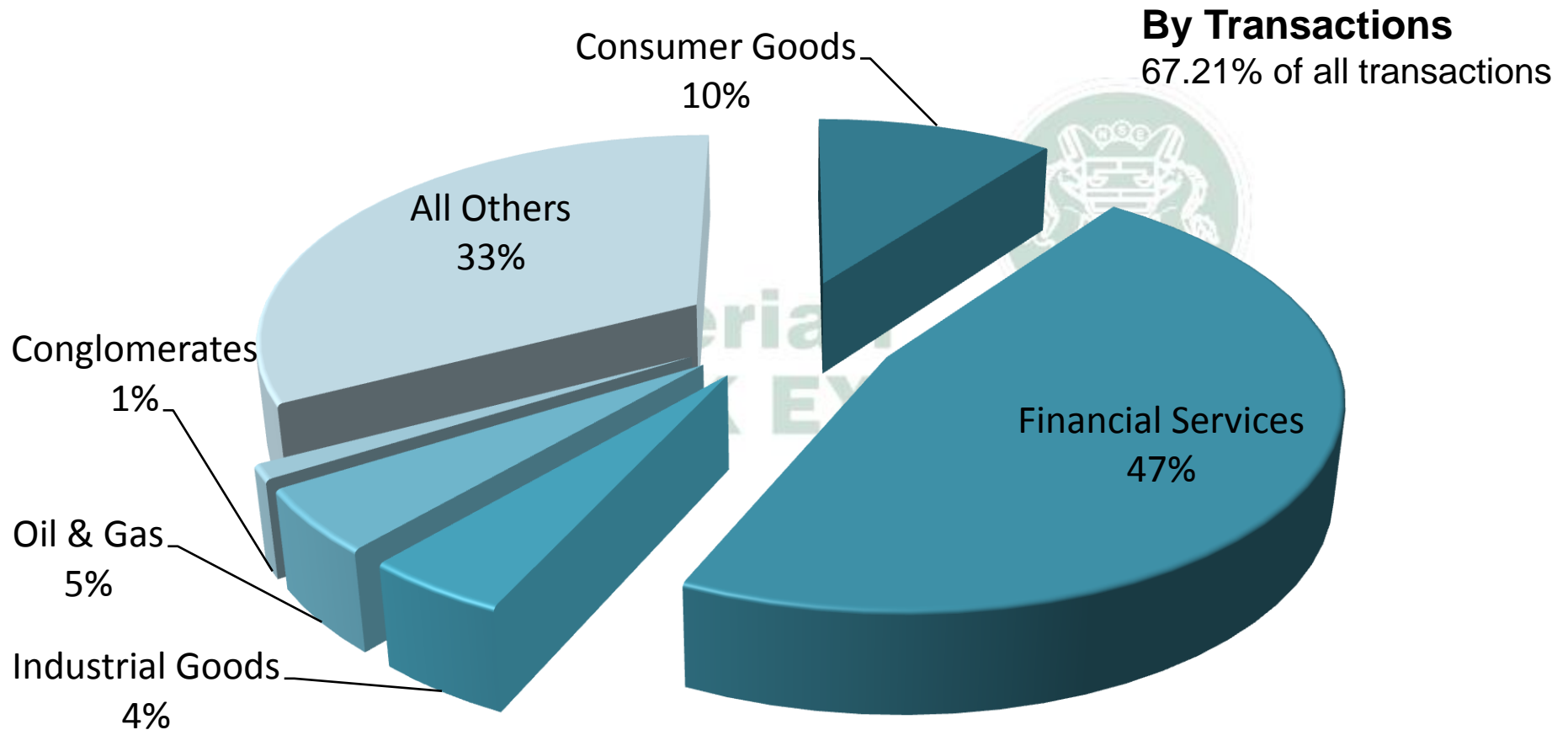
<sup>2</sup> 'Top 20' Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.

# 2011 'Top 20' Stocks<sup>3</sup>



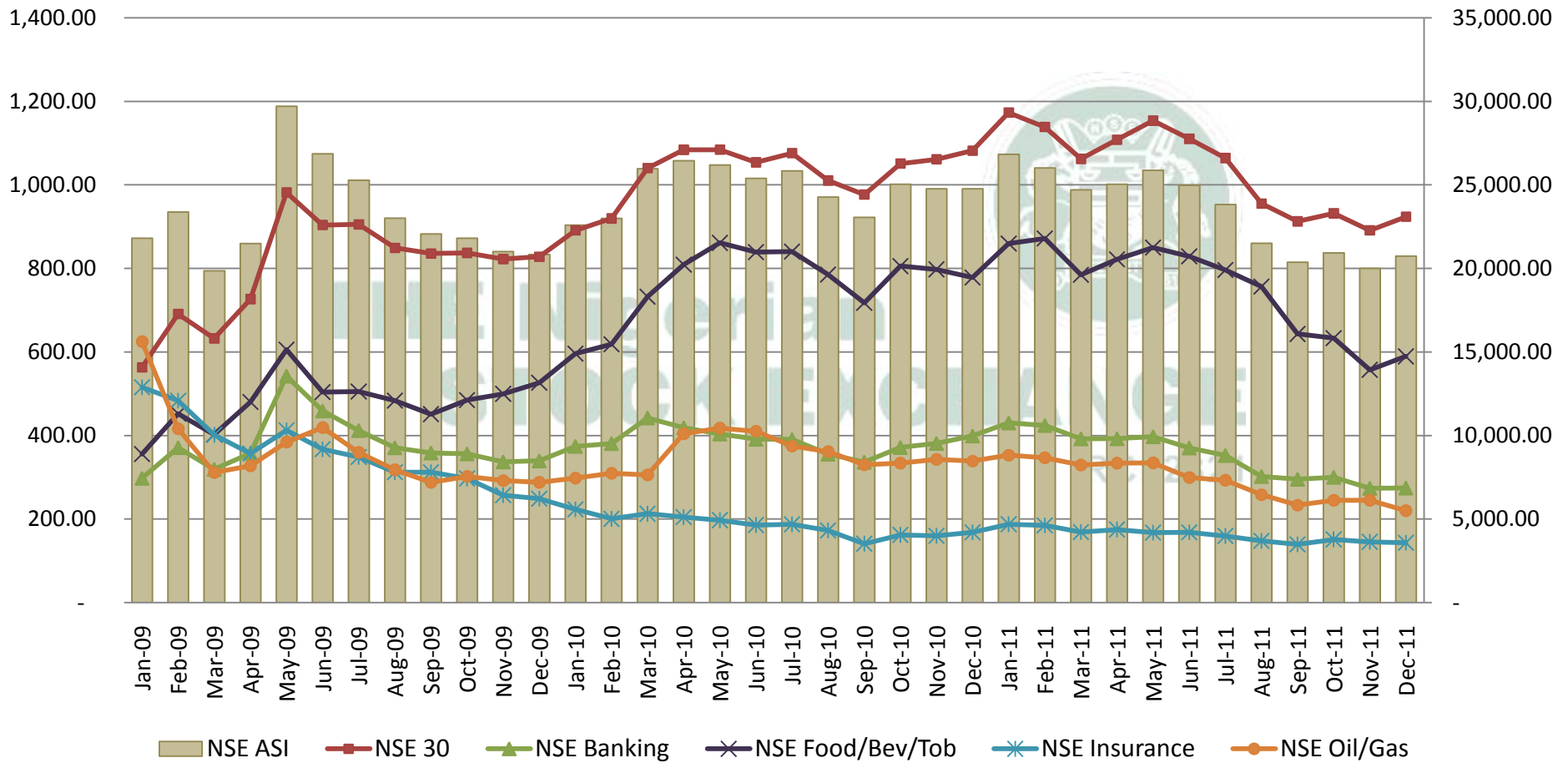
<sup>3</sup> 'Top 20' Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.

# 2011 'Top 20' Stocks<sup>4</sup>



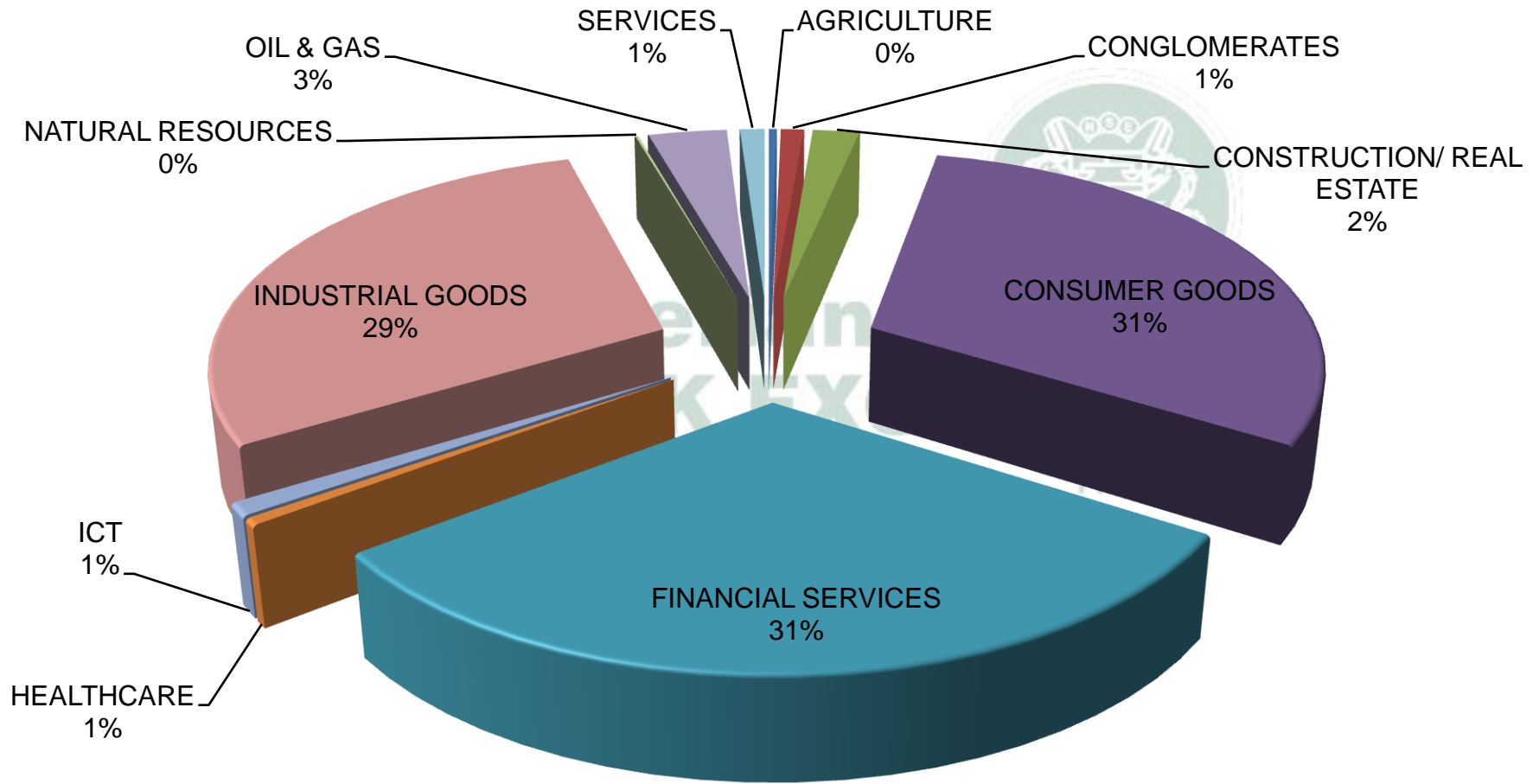
<sup>4</sup> 'Top 20' Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.

# 2009-2011 Indices Performance<sup>5</sup>



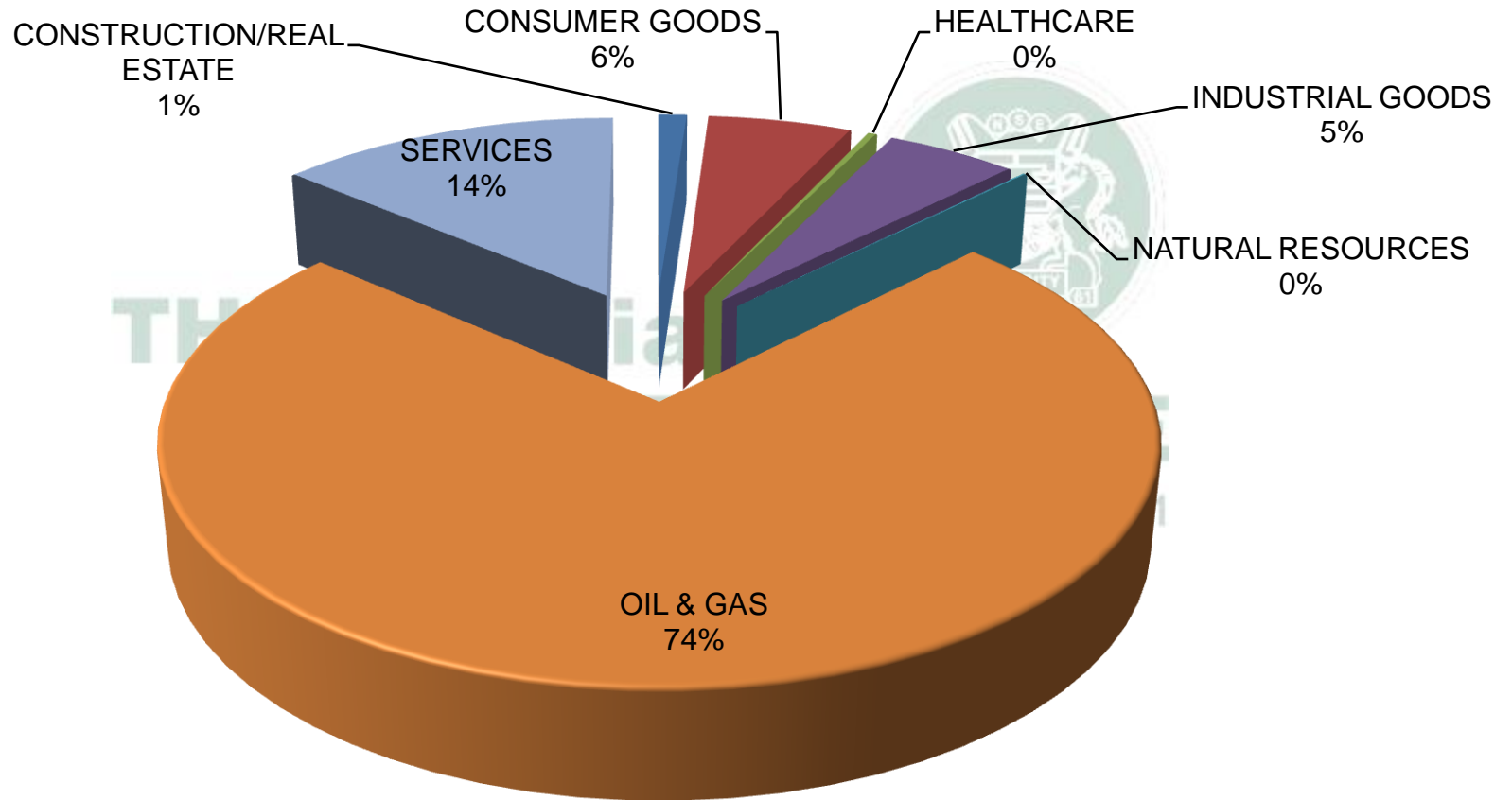
<sup>5</sup> Graph based on end-of-month figures for all indices.

# 2011 Market Cap by Sector Main Board



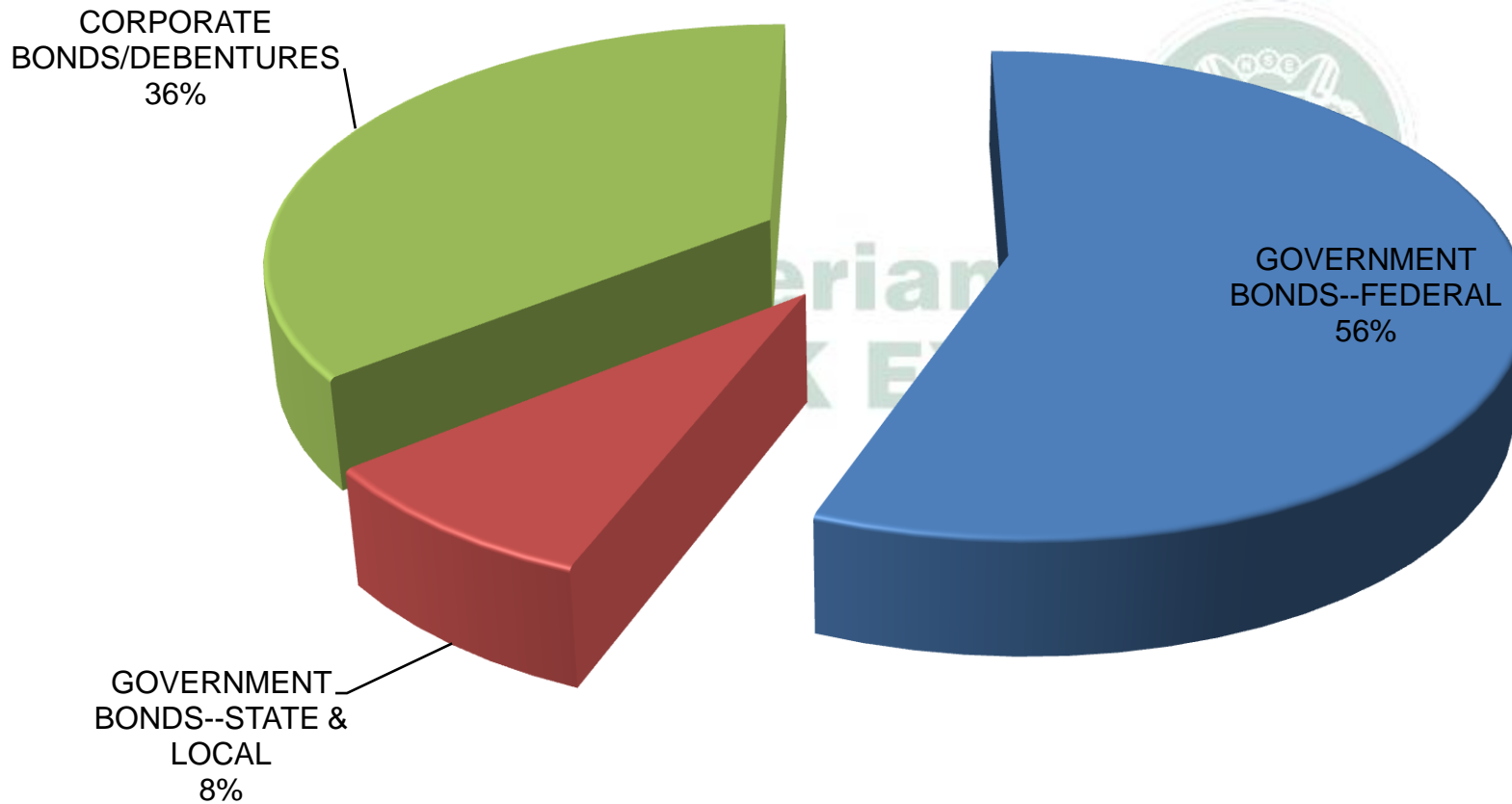
# 2011 Market Cap by Sector

## ASeM



# 2011 Market Cap by Sector

## Bonds



# 2011 Listings

- New Issues
  - 34 approvals
  - Valued at N2.03 trillion
- Foreign Portfolio Investment<sup>5</sup>
  - ~N511.74 billion in inflows (+34.19%)
  - ~N334.64 billion in outflows
  - ~N177.08 billion net inflows (+3.53%)



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<sup>5</sup> At the time of this report, FPI data was still being compiled by brokerage firms servicing international clients. Information will be made public once all data has been received by the NSE.

# 2011 Major Achievements

- New Leadership
- Council and Committees
- Restructuring of the Exchange
- Broker-Dealer Regulation
- Issuer Regulation
- Technology Enhancements
- Stakeholder Engagement
- 2011 Market Development Initiatives



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# 2011 Broker-Dealer Regulation

	Requirement	Reported
1. Minimum Capital Requirement	N70 million	30 firms
2. Investigation Panel	Regulatory	Reconstituted, Operational
3. Penalties	Enforcement	7 penalties added
4. Complaints Resolution	Regulatory	80% resolved
5. Annual Inspections	Regulatory	50% of firms
6. Financial Statements (accounts)	Regulatory	~90% compliance
7. Monthly Meeting with Firms	Relationship Management	On-going
8. Monthly Meeting with Brokers	Relationship Management	On-going
9. Compliance Officer Learning Program	Market Development	160 participants

# 2011 Listings Regulation

Programs	Requirement	Reported
1. Financial Accounts (annual)	Regulatory	97% of firms
2. Financial Accounts (quarterly)	Regulatory	75% of firms
3. Penalties	Enforcement	2 stiffer penalties
4. Suspensions	Enforcement	49 suspensions; 39 complied
5. Company Secretaries Forum	Relationship Management	On-going

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# 2011 Technology & Stakeholder Engagement

- Technology Enhancements
  - Network enhancements to reduce latency, increase reliability and processing power, and support 99.99% availability (up-time)
- Stakeholder Engagement
  - CEO dinner for listed companies
  - ETF training for broker-dealers
  - Journalist training
  - Investor forums



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# 2011 Market Development Initiatives

		Term
		<i>Short</i>
Span of Control	<i>Within NSE Control</i>	<ul style="list-style-type: none"> <li>- Market Segmentation</li> <li>- Introduction of ETFs</li> <li>- Company Share Buy-Back</li> <li>- NSE Web Site</li> <li>- Market Making</li> <li>- Securities Lending</li> <li>- Short Selling</li> <li>- Revised Listing Requirements</li> <li>- Investor Clinics</li> </ul>
	<i>Advocacy on Issues Outside NSE Control</i>	<ul style="list-style-type: none"> <li>- Government Intervention</li> <li>- Tax Breaks on Transaction Fees</li> <li>- AMCON Debt Resolution</li> <li>- Broker Access to Funding</li> </ul>

# 2012 Outlook - Global

- Eurozone debt crisis remains a key risk to the world economy
- Concerns surrounding sovereign debt sustainability
- Unrest and volatility in certain regions
- Slower growth in OECD countries\*
  - 1.9% (2011), 1.6% (2012), 2.3% (2013)
    - US 2%, Eurozone 0.2%, Japan 2%
- Non-OECD countries to sustain world growth\*\*
  - South Asia 7.7%; Sub-Saharan Africa 5.7%
    - Nigeria 7.5%

\* Figures reported by OECD  
\*\* Figures reported by World Bank

# 2012 Outlook - Nigeria

- Potential deregulation of Oil & Gas industry
  - Passage of revised PIB
  - Focus on downstream Oil & Gas sector
- Fiscal policy
  - Sharpened focus on recurrent versus capital expenditures
- Deployment of the SWF funds
- More capital market reforms
- Slight market recovery anticipated



# 2012 Key Initiatives

		Term
		<i>Mid</i>
Span of Control	<i>Within NSE Control</i>	- Develop Products Liquidity and Depth
		- Attracting and Retaining More Listings
		- E2E Trading Automation
		- Continued Enhancement of Regulatory Programs
		- Financial Literacy
		- IFRS Compliance
		- Demutualization
		- Market Data Services
		- Advocacy
		- Dematerialization



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## Q&A

# Thank You

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