



EXPERTS' QUOTE

The good news is that there is virtual consensus of analysts that we are almost at the end of the declining trend and a rebound is imminent.

— Peter Amah

NSE as a glance (For week ended August 4th)

Index:	52,641.55	+4.04%
Cap:	N10.55trn	+4.04%
Volume:	3.11 billion	-23.2%
Value:	N38.16bn	-12.8%

INVESTORS EDUCATION

How investors will benefit from e-allotment

E-allotment of shares is a process of direct crediting of approved allotment on offers to the CSCS account of shareholders, as against the conventional issuance of share certificates. It is a process which will aid the achievement of a certificate-less transaction in the Nigerian Capital Market. It was introduced recently by the Securities and Exchange Commission (SEC).

How will it benefit investors?

The benefits among others include: addressing the issue of postage of share certificates; eradication of non-receipt of share certificates; resolve the challenges in the process of demobilizing share certificates; finally, ability to consummate timely trade on securities of investors as at when required.

Virtually all investors in the Nigerian Capital Market know the length of time it takes to get their share certificates once allotment offers have been approved by SEC. Some investors never receive their certificates either because they got lost in transit or investors' change in address. These problems would now become history as the companies' registrars would allot shares directly into shareholders' accounts.

Secondly, even after they have received their certificates, investors still require another length of time to have them verified before they can be demobilized for trading.

Prior to the recent surge in the capital market; the verification activity and traffic has been relatively low. However, the challenges experienced in the process of dematerialization of share certificate is mainly attributable to the increase in the general awareness and activities of the capital market, vis-à-vis the current model for processing share certificate by Registrars.

However, for e-allotment to be effective, the investors' CSCS account is required. What this means is that if you are yet to open a CSCS account you would not be able to participate in capital market activities. So make a wise decision and open one today. You don't have to pay to have one opened, just contact a reputable stockbroker and fill the necessary form. When filling the form for a CSCS account, be sure to put a functional mobile telephone line because you will be alerted through your phone when the account is opened.

The CSCS account is very central to capital market activities because it is required for both primary and secondary market activities.

Besides receiving offer allotments on your CSCS account, you would also receive bonus issues through the same account.

Also, when you want to buy or sell shares in the secondary market, your CSCS account will be useful as the sale proceeds and purchases will be effected in your CSCS account.

Is the stock market rebound here to stay?

As predicted by the team of DEAP Capital Analysts, the Nigerian Stock Market switched gears last week as performance indicators recorded positive movements all through the week signaling the beginning of a rebound.

For the first time since the post-March 5 descent began, the Nigerian Stock Exchange (NSE) All Share Index (ASI) and market capitalisation maintained steady appreciation all-week closing at 53,110.91 points and N10.64 trillion by last Thursday, as against 50,422.78 points and N10.10 trillion at which it opened on Monday. This indicates an increase of 5.33% in the ASI while market capitalization rose by 5.35%.

However, this is not the highest rally attained by the indices even within the downturn.

An analysis of weekly performance of the NSE since March 5, when both indicators hit their all-time highs of 66,371 points and N12.64 trillion shows that the ASI and market capitalization gained a whopping 7.04% and 7.32% respectively for the week ended June 13. Nonetheless, the trend was not sustained the following week as the indices plunged by 9.65%. Another high rally of 5.74% was recorded during the week ended May 9.

While the general trend of the ASI was negative, it appreciated four other times besides the two mentioned above. These were 0.72%, 2.43%, 0.96%, and 1.0% for weeks ended March 7, April 11, June 27, and July 4 respectively.

Bearing these in mind, one cannot help but wonder whether this latest rally indicate a recovery in the stock market.

But a look at the probable causes of the downturn shows that while such factors as the directive on margin trading by the Central Bank of Nigeria (CBN), market correction of overvalued stocks have been adduced as some the reasons, the main reason however, was the planned harmonization of banks' year-end. Lending activities by banks was negatively affected by their preparation to adopt the

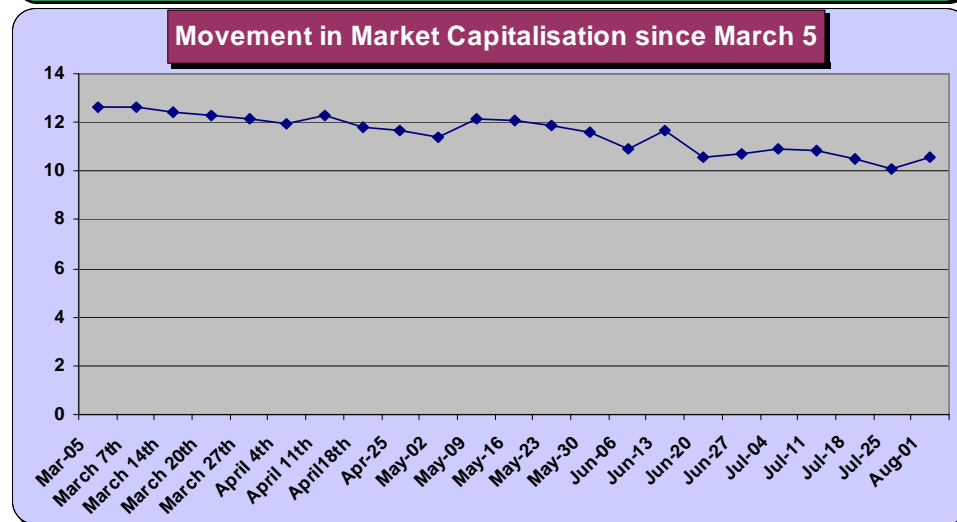
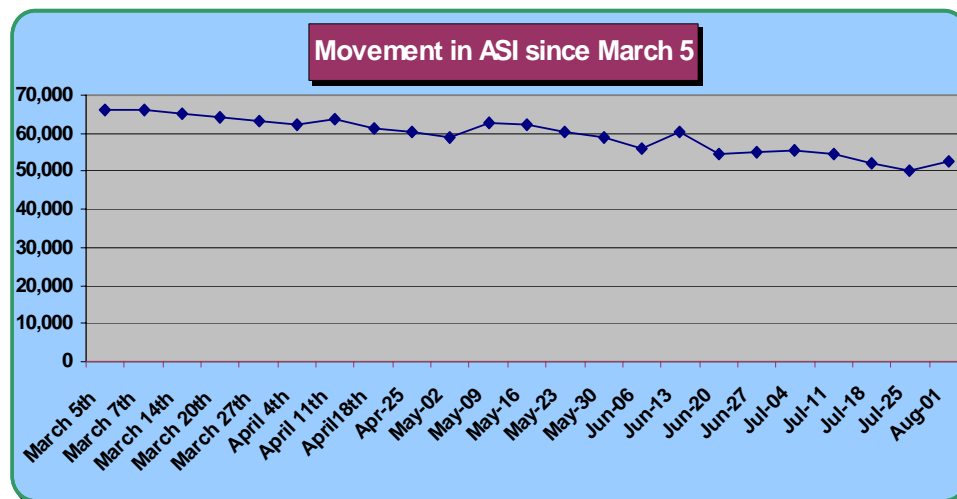
new financial year-end. This affected the capital market which strives strongly on credit facilities from banks.

However, there is a general consensus by financial analysts that last weeks rally marks the beginning of market recovery. This is more so as the CBN has already shifted implementation date for harmonized year-end by one year from December this year to 2009. The general anticipation is that this move would give the stock market the needed respite to recover from the downturn.

The level of excitement is yet to pick up fully, as investors are taking cautious steps

to ascertain the sustainability of the rally before venturing into the market.

But this could be the best time to take position since prices are still on the low side. And prices would not stay low for long as the market gets stronger because investors who have lost so much of their funds during the downtimes would be selling to take profit on stocks that were bought at lower price. Investors should begin to take long term position in fundamentally strong stocks, as the current mood signals that liquidity and investors' confidence is gradually returning to the market.



Identifying viable investments

New investment opportunities do spring up virtually on a daily basis. However, investors particularly new ones are often interested in purchasing a company's stock but are not sure where to begin. These should serve as helpful guidelines in your search for a good investment.

1. What is the price of the entire company?

When doing research, it is important that you look at more than just the current share price - you need to look at the price of the entire company. The "cost" of acquiring the entire company is called market capitalization (or market cap for short) and is frequently referred to by financial professionals. In short, the market cap is the price of all outstanding shares of ordinary shares multiplied by the quoted price per share at any given moment

in time. A business with one million shares outstanding and a share price of N50 per share would have a market cap of N50 million.

Another useful tool to help gauge the relative cost of a stock is the price to earnings ratio (or P/E ratio for short). It provides a valuable standard of comparison for alternative investment opportunities.

2. What are your reasons for investing in the company?

Before you purchase shares in a company, you need to ask yourself why you are interested in investing in that particular opportunity. It is dangerous to fall in love with a company and buy it solely because you feel fondly for its products or people - after all, the best company in the world is a lousy investment if you pay too much for it.

Make sure the fundamentals of the company (current price, profits, good management, etc.) are the only reason you are investing. Anything else is based on your emotions; this leads to speculation rather than intelligent investing. You have to remove your feelings from the equation and select your investments based on the cold, hard data. This requires patience and the willingness to walk away from a potential stock position if it does not appear to be fairly or undervalued.

3. Are you willing to own the stock for the next ten years?

If you are not willing to buy shares in a company and forget about them for the next ten years, you really have no business owning those shares at all.

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