

MARKET INSIGHT

EXPERTS' QUOTE

An investor should ordinarily hold a small piece of an outstanding business with the same tenacity that an owner would exhibit if he owned all of that business.

– Warren Buffett

NSE as a glance (For week ended August 11th)

Index:	49,703.56	-5.6%
Cap:	N10.12trn	-4.5%
Volume:	3.25 billion	+4.5%
Value:	N43.71bn	+14.5%



Bonds: A viable investment for risk-averse investors

The Nigerian Stock Market is witnessing a mixed-up trend at the moment. Though NSE All Share Index (ASI) showed signs of recovery last week appreciating four consecutive days, it however failed to sustain the trend to the close week. Besides, the performance of the ASI so far this week has marked a steady decline, an indication that the market downside is not yet over.

While the declining trend persists, investors need to consider their investment plans and re-align their options to their objectives.

have lost same percentage of the value of their shares on the whole. However, actual losses suffered by individual investors vary depending on the stock selection of their portfolio.

For instance, investors who have large volumes of stocks like Costain, Big Treat, Linkage Assurance, Evans Medical, UBA and 125 others in their portfolios suffered higher than that of the ASI benchmark. On the other hand, investors with high volume of such stocks like G Cappa, Aluminium Extrusion, Okitipupa Oil, Tantalizers and 40 others had their losses moderated well below the ASI.

Our research shows that a total of 130 stocks suffered various degree of losses during the second quarter of this year, and among the top losers was Costain which lost 60.6% off its share price. Big Treat lost 52.87%, Linkage Assurance 40.7%, Evans Medical 46.44% while UBA lost 34.15%.

However, our research show that among the 44 stocks whose prices appreciated during the period was G Cappa which gained 86.6%, Aluminium Extrusion gained 65.3%, Tantalizers and Okitipupa gained 37.03% and 33.4% respectively.

While immediate option for investors is not to sell off their shares hastily, they however need to review their investment objectives to determine to what level their target has been setback by the market downside.

The Bonds market in Nigeria is emerging into a formidable platform for investment.

Since 1999, the federal government along with several state governments has issued bonds to generate capital to finance budget deficit, bridge long term funding gaps and finance long-term investments.

A total of N1.4 trillion has Bond instrument has been issued by the DMO on behalf of the federal government since 2003.

Other benefits of bonds include provision of steady income at regular intervals, which come in the form of interest. Interest on FGN Bonds is paid twice a year.

Also, the FGN bonds are backed by the full credit of the Federal Government of Nigeria; it is absolutely tax free – interest received on FGN bonds are not subjected to withholding tax.

They are also free from default risk because repayment is guaranteed at the maturity of the

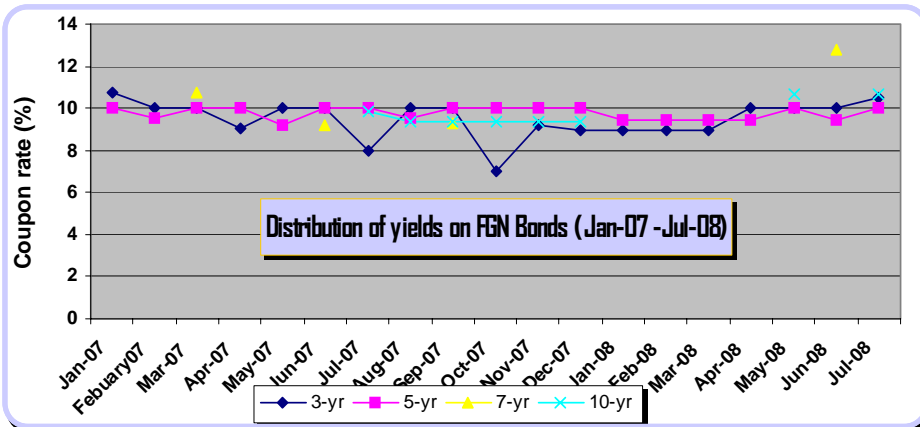
“Bonds provide an attractive low-risk, high-return alternative investment opportunity for investors seeking preservation of their assets”

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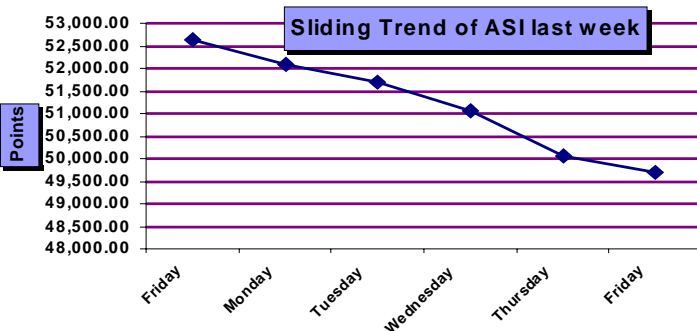
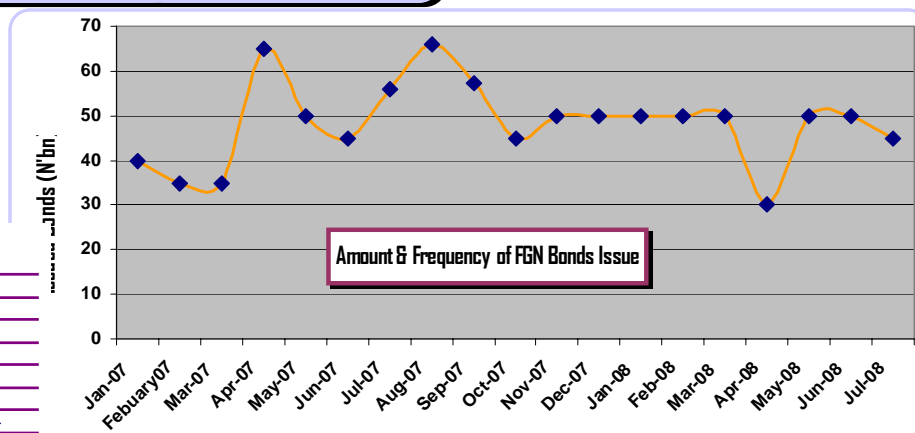
FGN Bond. Like stocks, the FGN Bond can be used as collateral to raise financing. Government bonds are long-dated risk free instruments, which guarantee safety.

For corporate bonds, rating agencies evaluate them and assign a rating based on credit history of the company and ability to repay obligations. The higher the rating, the safer the investment.

Bonds provide a wide range of investment instrument each with its unique features and opportunities cutting across sectors, structures and credit-quality characteristics to meet different investment objectives.



Some reasons why people invest include regular income/earning stream, wealth accumulation, capital preservation for retirement among other others. Investment objectives are also influenced by “time horizon” – i.e the period over which the investor is willing to keep his money invested as well as investible funds – i.e



ars tighten grips on the market

a regular, reliable income. For investors seeking the preservation of their asset, the prevailing price trend in the stock market may not meet your investment targets. But bonds provide an attractive low-risk, high-return alternative investment opportunity for this category of investors.

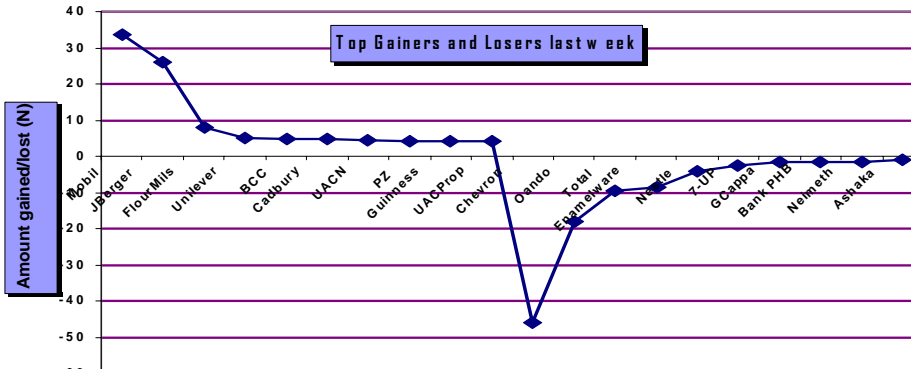
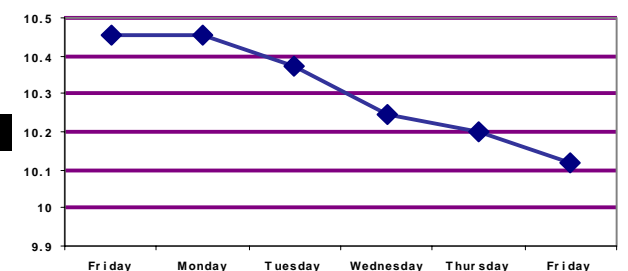
Types of bonds currently available include the Federal Government of Nigeria (FGN) Bonds, state and municipal government bonds, foreign bonds and Eurobond as well as asset backed bonds.

Bonds market is flexible and liquid, providing opportunities to holders to sell easily even before maturity. Though the bonds are listed on the daily official list of the NSE, trading is done both on the OTC market as well as NSE and cleared through the CSCS. OTC trades in FGN bonds began in July 2006.

Bonds also provide a dependable investment particularly for people who want steady income from their investments, while preserving their principal.

From its all-time high of 66,371 as at March the ASI has lost a total of 23.07% to date closing at 51,058.51, implying that collectively, investors

Performance of market capitalisation last week



Distribution of NSE volume for last week

