

# MARKET INSIGHT

## Experts' Quote

"Don't worry about what the markets are going to do, worry about what you are going to do in response to the markets."

- Michael Carr

## NSE as a glance

Index:	52,913.72	4.6%
Cap:	N10.595trn	2.6% ↓
Volume:	3.4 billion	41%
Value:	N40.832bn	3.05%



## MARKET ANALYSIS

# 44 stocks that defied market trend in Q2

The second quarter of this year can best be described as one of the worst periods in the history of the Nigerian Stock Market. The market remained consistently down throughout the three-month period, as virtually all stocks suffered massive depreciation in prices.

Though the situation is not abnormal as volatility in stock market is a usual phenomenon in all other jurisdictions, it however attracted negative reactions from investors because the Nigerian market has always experienced an upward linear trend in stocks pricing over the years.

The NSE All-Share Index (ASI) shed 7,067.56 points to close 55,949 points by June 30, 2008 compared to 63,016.56 points at which it opened on April 1, 2008, reflecting the unprecedented crash in stock prices. This represents a decline of 11.22% during the quarter. The ASI reached an all-time high of 66,371.2 points on March 5, 2008.

Market Capitalisation lost N1.2 trillion off the N12.126 trillion at which it opened on April 1, to close the quarter at N10.920 trillion as at June 30. The decline in capitalisation was moderated by listing of new shares following series of public offers, right issues, private placements and script issues by companies within the period. A total of seven new companies were listed on the NSE during the quarter, thus increasing the number of quoted

Top gainers in the oil marketing sector included Mobil Oil which gained 32.16%; Oando, 15.06%; Total, 14.4% and Chevron, 7.03%.

On the other hand, the financial services and manufacturing companies sectors were worst hit by the sliding market as their share prices suffered massive depreciations. A sectoral analysis indicates that only one bank, Bank PHB, recorded a price gain during the quarter, out the 21 banks quoted in the sector. The situation was not better

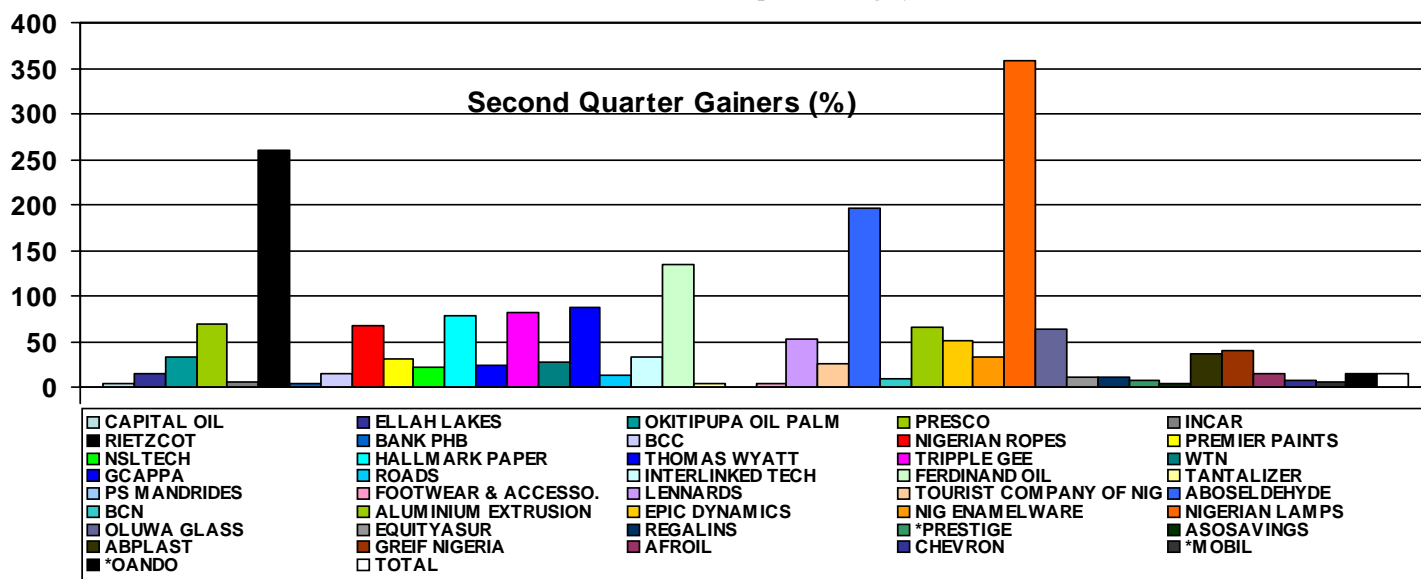
during the quarter shed 52.87 percent off its listing price to close at N4.34 per share as at June 30.

The market downturn, though mainly attributed to factors some of which are the harmonisation of banks' year end, directive on margin facility/trading by the Central Bank of Nigeria as well as a correction of market overvaluation (i.e., stocks were too expensive and needed to fall to more reasonable levels), the bulk of the losses can however be attributed to panic selling by

investors for fear of total loss of their investment.

Scared by the stock market situation, investors sold down their stocks portfolio, causing further dips in equities prices.

The third quarter is already underway and we expect a more balanced movement in price at the end of the day as steps are being taken by the regulators to address the issue of margin trading and the others.



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companies from 215 as at end of March to 223 by June 30.

Despite the discouraging picture painted above, 44 stocks scaled the hurdle, beating the trend to emerge with price appreciations at the end of the quarter, making investors in those shares rich in the season of losses. Incidentally, most of these gainers were 'penny stocks'. Some of them include Nigerian Lamps Industries plc which gained a whopping 358.6%, followed by Rietzcot Nigeria, 260.6%; Aboseldehyde Labs, 196.38%; Ferdinand Oil, 135.08% and GCappa, 86.6% among others. The companies sustained this level of appreciation because their low volume of trade insulated their prices from volatility.

Sector with predominant price gains included the petroleum marketing, industrial/domestic and agriculture.

for insurance firms as only three of them, Equity Assurance, Prestige and Regency recorded marginal gains out 30 listed companies.

The situation reflects the vital position of the financial sector, particularly the banks, in the stock market as well as in the nation's economy. Naturally, losses by bank stocks would impact significantly on performance of the stock market since the sector alone accounts for more than 70 percent market capitalisation of the NSE.

In the Food/Beverages subsectors only Ferdinand Oil and Tantalizer managed some marginal price gains.

The highest losers during the quarter were Liz Olofin which recorded a 64.6 percent depreciation closing the quarter at N2.31 per share. Costain plc shed 60 percent while Big Treat, one of the seven companies listed

## Using Funds management to hedge market downside

Continued from last week

**B**eyond diversification, continued and selective use of managed funds provides a benchmark for personal investment performance, and a safety net to ensure the portfolio continues to perform even when the investor is unable to devote his or her full attention to it.

Investors often underestimate the time and attention that portfolio management can take in researching markets and securities, evaluating opportunities, picking the right timing for buying and selling and implementing and administering their investment decisions. While some investors will be very good at making asset allocation and strategic investment decisions, they may simply not have the time for day to day tactical management of their portfolio.

**Costs**  
Is doing it yourself cheaper? To some investors the front end fees of managed funds are a price shock. Of course, this fee needs to be spread over the life of the investments and investors with a 12 month time horizon probably should not go into longer term growth funds expecting a short term payback. On a general note, fund management fees are not significant. Our research reveals

that managers fees in Nigeria range from 1% to 2.5%. Equally, not all investors pay these fees: nearly half the sales of managed fund products have the front end fees rebated by planners and advisers who work with their clients on a fee for service basis.

On an ongoing basis, investors in managed funds incur annual management fees and other expenses. While this annual expense on the surface might appear significant, most do-it-yourself investors forget to cost their own time in investing or add up their own management expense ratio including transaction costs like brokerage fees, trading costs, and research or information.

While more active involvement with money matters is a good thing, investors who want to become actively involved with their money need to take sound professional advice, and pursue longer term objectives with their savings.

In conclusion, DIY is a good way for individuals to achieve more control and involvement with their investments, and such active participation should be encouraged. But it is important to emphasise the ongoing role of managed funds in DIY portfolios for diversification of assets and securities, as a risk and performance benchmark and as a safety-net.

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