

Market Update for Jan 11

NSE Searches For Direction Amidst Weak Fundamentals, Confidence.

As the economic and financial market await policy direction of the government in clear terms this New Year, the stock market volatility continues following which the benchmark Nigerian Stock Exchange All-Share index closes positive one day and negative in the next session due to the uncertainty that brings about caution and the need to play safe associated with the January effects.

Add this to the fear that the government might continue with its old style of 2016 and fail to tackle challenges in the economy heads-on, a situation that continues to negatively impact investor confidence that is still affecting the financial system and by implication, the market till date.

However, as a discerning investor and smart trader, this is the time to go for the best strategy that meets your investment goal or objective. Instead of allowing the up and down movement of stock prices affect your position, go for value stocks and position in stages before their numbers (earnings score-cards) start hitting the market in a matter of weeks.

At the close of Wednesday's trading, the composite NSE All-Share index gained 39.56 points to close at 26,385.80 as against the opening level of 26,346.24, representing a 0.15% slide on relatively low volume of trades as stock prices marginally appreciated during trades with slowdown in selling pressure. This pushed the market capitalization slightly up by N10 billion to close at N9.08 trillion from opening value of N9.07 trillion.

Consequently, the Year-to-Date negative returns of the NSE's All Share Index fell to 1.89%, just like market capitalisation also for the period.

The market breadth turned positive, as the number of advancers outpaced decliners in the ratio of 19:16., while volume of transactions was down by 47.18% to 197 million shares, worth N1.05 billion as against the previous session's 373 million units valued at N1.33 billion.

Transactions in the shares of UBN, DIAMOND BANK, TRANSCORP, FBNH and FCMB, topped the activity chart as most traded equities by volume.

At the close of trading, all the sectorial indexes and the All Share index were up except for NSE INS, NSE CONSUMER GOODS and NSE OIL/GAS that closed lower, while NSE ASem closed flat. One feature that cannot be glossed over about Wednesday's trading was the fact that major agribusiness sector stocks: Okomu and Presco, which are into oil palm and rubber plantations and the value-chain, led the advancers table with significant 10.21% and 10.20% to close at N44.27 and N44.19 per share respectively. Leading the decliners' table were brewer of alcoholic and malt beverages- Guinness and construction giant- Julius Berger (despite news on Tuesday that the Federal Government has approved N14.446 billion additional funds for the construction of the 2nd Niger Bridge linking Delta in the South-South to Anambra in the South East and part of the North Central zones). Guinness lost 6.37% and Julius Berger, 4.98% to close at N74.9 and N36.66 respectively.

NSEASI DAILY TIME FRAME



The index on a daily time frame continues up and down moves trying to rebound within a bearish channel and symmetrical triangle chart pattern that supports continuation of trend, moving to the New Year strong resistance level of 26,625.85. If market forces go positive this morning the trend might continue. But if not, wait to jump in below the blue trend line. The momentum and trending ability of the market on a daily time frame is strong as ADX is above 20. The probability of the market maintain this up direction for today is mixed as the buying position for yesterday's trading was 70% and selling, 30%. Traders should watch out. For profitable investment this season get our INVEST 2017 SUMMIT home study pack were you get the 18 companies that are capable of paying dividend above what they paid in 2016 as expected, going by their third quarter 2016 score-cards.

HOW TO TRADE IN THE CURRENT MARKET SITUATION

From a technical standpoint, the market's mood is geared towards short-term. The trading strategy to employ for now and the coming months should be a short-term trading approach, clearly the Bollinger Band/support and resistant trading system should be used to determine our entry and exit in equities traded in the exchange.

Also we should concentrate on few volatile and liquid equities that have both short and long-term trending potentials, because we expect the market to continue its up and down movement as short-term players take advantage of the low equity prices in the market to position and trade.

Expected Q3 Earnings Reports in the market.

Securities	Q1 EPS	Q2 EPS	EQ3 EPS	ERD
7-UP BOTTLING	1.82	-2.84		27-Jan
FLOUR MILLS	1.68	2.23		16-Jan
HONEYWELL FLOUR	0.01	0.05		20-Jan

INT'L BREWERIES	-0.50	-0.78		18-Jan
RED STAR EXPRESS PLC	0.18	0.32		23-Jan
UNIVERSITY PRESS	-0.18	0.54		27-Jan
ACADEMY PRESS	-0.05	0.01		28-Jan
N NIG. FLOUR MILLS	-0.44	0.09		28-Jan
AVON CROWNCAPS	-0.30	-0.13		28-Jan