

Investors Await Further Direction After 2018 Budget Assent, Key Eyes On Expected Financials, Data

Market Update for June 20, 2018

The performance of Nigeria's equity market on Wednesday turned out to be in line with our midweek outlook as the losing momentum slowed down on improved investor sentiments for dividend paying stocks ahead of Q2 earnings reporting season.

It was not altogether a turnaround, as the session extended its four straight days of decline to trade above the psychological line of 38,000 basis points, as there was not excitement of any sort about signing of the much delayed 2018 budget by President Muhammadu Buhari during the trading session, which therefore had no effect on equity prices. There may therefore be need for the government to demonstrate transparency and readiness to effectively implement the national budget, which it has not done since it assuming office three years ago, even as feelers among investors is that the huge increase in the budget size of N9.12tr has to do so much with the oncoming 2019 general elections, rather than the wellbeing of ordinary Nigerian folks.

Worse still, given that this is already mid-year, execution of projects may not make the needed impact, knowing that as the election date draws closer, the more government at all level abandon governance and rather focus on politics at the expense of the economy.

With President Trump becoming even more than ever before, a major factor to consider when investing in any investment window globally today, the U.S. tariff policy has started to trigger apprehension over a likely trade war, just as one of his recent tweets that "oil prices are too high, OPEC is at it again. Not good." The suspicion is: President Trump knows that oil at \$100 per barrel would threaten his country's economic outlook, in the face of trade negotiations and the geopolitical environment. With OPEC meeting scheduled for Friday and Saturday, the world again is looking out to see if members will stick to the current production cut or vote for an increase, which will determine the direction of the global economy. Nigeria economic recovery today is driven and supported by the rising oil price that crashed between 2014 and 2016 as the competitive U.S shale industry tried to force OPEC out of business and almost crippled the economies of oil producing countries.

Back to the market, the NSE's index opened Wednesday on a downside as investors continue to analyze the immediate impact of the trade war tension amid negotiations and threat of retaliation, alongside the expected impact of the 2018 budget that was signed into law. The benchmark All-Share index touched intraday lows of 38,533.66 basis points at the midday from highs of 38,670.95bps, before rallying back in the afternoon and in the process reduced the day loss as the market closed at 38,605.07bps.

Market technicals were negative but mixed, with traded volume lower in the midst of positive market breadth and mixed sentiment, with Investdata's Daily Sentiment Report showing 'buy' pressure of 52% and 'sell' volume, 48% on a volume index of 0.79 of the day's total transactions.

NSE DAILY CHART



The energy behind the mixed sentiment for the day reflected in the money flow index at 28.63 points from the previous day's 28.86 points, which is an indication that funds are waiting for direction. Buy interest among traders inched up in low, medium and high cap dividend paying stocks, while short term profit taking went on in some equities.

Index and Market Cap

At the midweek trading session, the NSE All share index shed 59.08bps to close at 38,605.07bps, after opening at 38,664.15bps, representing a 0.15% decline on a low volume that was lower than the previous day's. Similarly, market capitalisation dropped by N21.4bn to close at N13.98tr from an opening value of N14.01tr, which also represented 0.15% depreciation in value to keep investors in loss position.

If you are hunting for the right stocks to buy on this oscillating trend, join Investdata Buy & Sell Signal setup. We have a watchlist of stocks for different investment purposes that you may position in, as the market sets for another phrase of recovery. To register and become a member send Yes or stocks to the phones numbers below. Our watch list has increased due to the prolonged correction before now, take advantage of this service to buy right and sell right.

The day's downturn was due to losses suffered by high cap stocks like Seplat, NB, Guaranty Trust Bank, FBNH Access Bank Oando and Dangote Flour, which impacted negatively on the NSE's Year-to-Date return that contracted to 0.95%. The gain in market capitalisation for the

period stood at N379.69 billion, representing 2.38% above the year's opening value, on the impact of new listings earlier in the year.

Mixed Sector Performance

Sectorial performance for the day appeared bearish, except for the NSE Banking and Insurance that trended up, due to price gains by Zenith Bank, UBA, ETI, NEM and Wapic Insurance. Others sectoral indexes were in red as a result of sell off and profit taking in Nigerian Breweries, Seplat, National Salt and CCNN.

Market breadth for the day was positive as advancers outnumbered decliners in the ratio of 23:20 to halt the two-day up market.

Market activities were down in volume and value by 31.42% and 37.57% respectively to 267.76 million shares worth N3.83 billion from the previous day's 390.47 million units valued at N6.12bn. The day's volume was boosted by trading in financial services and conglomerates stocks like Zenith Bank, FBNH, Access Bank, UBA and Trancorp that witnessed increased trading to top the activity chart.

Best performing stocks for the session were Prestige Assurance and C & I Leasing that topped the advancers' table, with 10% and 9.25% respectively to close at N0.66 and N1.99 each. This was as a result of market sentiment and forces.

On the flip side, Seplat and Custodian Investment Plc were the worst performing, losing 5% and 4.9% respectively to close at N717. 20 and N5.01 on profit taking

Market Outlook

We expect the trend to slow down in profit booking to continue as March account earnings reports start to hit the market next week. Volatility is likely to continue as investors and fund managers reposition for end of the quarter to earn good fee and commission as equities remain undervalued with higher yields. Investors should review their position in line with their investment goals and take action as events as it unfolds in the global and domestic environment.

However, we would like to reiterate our advice that investors should go for equities with intrinsic value, especially during this season were less earnings are released ahead of march full year earnings release and Q2 interim dividend payment are expected in the market arena very soon.

We advise investors to allow numbers guide their decisions while repositioning in any stock, especially now that stock prices remain volatile amidst improving company, economic and market fundamentals.

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