MACROECONOMIC INDICES

INDICATOR	PERCENTAGE/VALUE
INFLATION RATE NOV (YOY)	12.40
MPR (%)	6.00
OPEC OIL BASKET ($/barrel)	79.94 (08-01-10)
90 DAY T- BILL RATE	3.18 (08-01-10)
INTERBANK CALL RATE	2.83 (08-01-10)

MARKET SNAPSHOT

		% ∆WEEKLY	% ∆YTD
NSE ASI	21,658.69	3.93	3.99
CAP(Nbn)	5,188.59	3.93	3.99
VOL('bn)	1.8	207.59	
VAL('Nbn)	9.97	59.35	
DEALS	35,987	8.10	
GAINERS	68		
LOSERS	35		

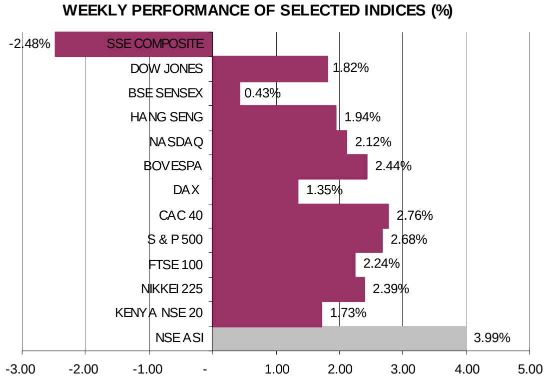
WEEKLY TOP GAINERS

Company	Price (N)	%∆
NATIONAL SALT CO. NIG.	5.52	26.90
DANGOTE FLOUR MILLS PLC	12.56	26.49
OCEANIC BANK INT. (NIG)	2.13	26.04
BANK PHB PLC	1.65	25.00
BIG TREAT PLC	0.78	23.81

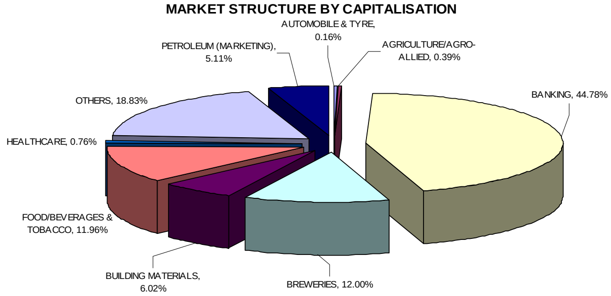
WEEKLY TOP LOSERS

Company	Price (N)	%∆
INCAR NIG. PLC	3.38	-21.94
UNITY KAPITAL ASSUR.	2.06	-13.45
VITAFOAM	5.02	-11.15
NATIONAL SPORTS LOTT.	3.94	-9.43
CRUSADER	1.43	-8.92

WEEKLY PERFORMANCE OF SELECTED INDICES (%)



MARKET STRUCTURE BY CAPITALISATION



January effect sets market tone.

January effect is defined as a general increase in stock prices during the month of January. This rally is generally attributed to an increase in buying, which follows the drop in price that typically happens in December when investors, seeking to create tax losses to offset capital gains, prompt a sell-off. The January effect is said to affect small caps more than mid or large caps. Although this historical trend has been less pronounced in recent years because the markets have adjusted for it. Another reason the January effect is now considered less important is that more people are using tax-sheltered retirement plans and therefore have no reason to sell at the end of the year for a tax loss

Major equity markets around the globe sustained their northwards movement for the first trading week of the year. Our universe of sample equity markets saw the Dow Jones, Nasdaq and S & P 500 all churned up 1.82%, 2.12% and 2.68% respectively at the end of our review period. In Europe, the bulls were also agog with major indices dancing to the upbeat market mood. The FTSE 100, German Dax and France's CAC 40 all notched up 2.24%, 2.76% and 1.35% respectively. In the Asia/Pacific region, the bulls also held sway with major indices recording positive movements at the end of our review period. The BSE Sensex, Hang Seng and Nikkei 225 all garnered 0.43%, 1.94%, 2.39% respectively at the end of the week. On the local scene, a similar fate was recorded as the NSE ASI garnered 399 basis points at the end of proceedings to close at 21,658.69

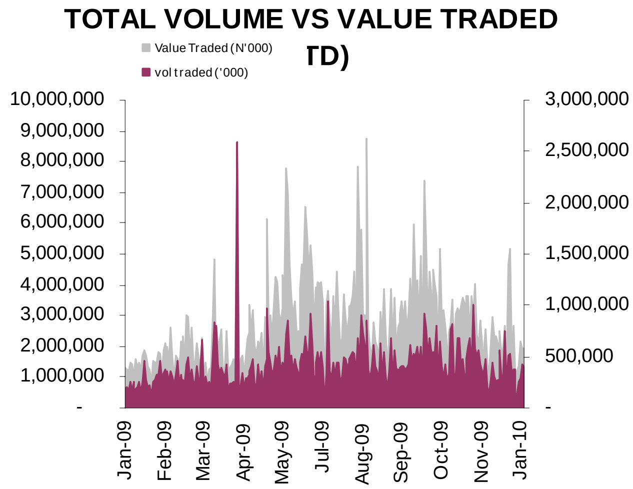
A turnover of 1.8 billion shares worth N9.97 billion in 35,987 deals was recorded this week, in contrast to a total of 1.4 billion shares valued at N6.6 billion exchanged last week in 18,369 deals. The Banking subsector was the most active during the week (measured by turnover volume), with 987.7 million shares worth N6.23 billion exchanged by investors in 17,640 deals. Volume in the Banking subsector was largely driven by activity in the shares of FinBank Plc, First Bank of Nigeria Plc and Fidelity Bank Plc. Trading in the shares of the three Banks accounted for 380.04 million shares, representing 38.5% of the subsector's turnover. The Insurance subsector, boosted by activity in the shares of Lasaco Assurance Plc and AIICO Insurance Plc, followed on the week's activity chart with a turnover of 222.1 million shares valued at N204.05million in 2,341 deals. Last week, the Banking subsector led on the activity chart and was followed by the Insurance subsector

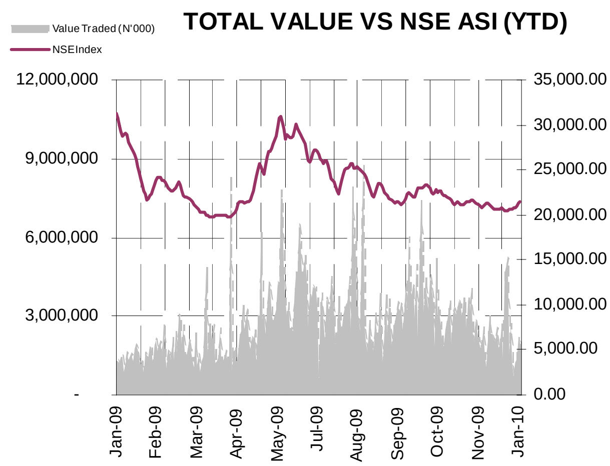
Conflicting sentiments recorded on the floor of the Nigerian stock exchange saw Sixty-Eight (68) stocks appreciating in price during the week, higher than the forty-nine (49) of the preceding week. NASCON led on the gainers' table with a 26.90 % gain to close at N5.52 per share while Dangote Flour Plc followed with 26.49% upside to close at N12.56 per share. Other price gainers' in the Top 10 category include:

- Oceanic Bank Plc – 26.04%
- Bank Phb Plc – 25%
- Big Treat Plc – 23.81%
- Chams Plc – 22.81%
- Cutix Plc – 20.98%
- Fidson Plc– 20.78%
- Standard Alliance Plc – 20%
- Wema Bank. Plc – 19.35%

Thirty-Five (35) stocks depreciated in price during the week, lower than the fifty-five (55) of the preceding week. Incar Nigeria Plc led on the price losers' table, dropping by 21.94% to close at N3.38 per share while Unity Kapital followed with a loss of 13.45% to close at N2.06 per share. Other price losers in the Top 10 category include

- Vitafoam Nigeria Plc – (-11.15%)
- National Sports Lottery Plc – (-9.43%)
- Crusader Nieria Plc – (-8.92%)
- Staco Insurance Plc – (-8.80%)
- Goldlink Insurance Plc – (-8.42%)
- C & I Leasing Plc – (-7.70%)
- ABC Transports Plc – (-6.58)
- Evans Medical Plc – (-6.54)





THE NIGERIAN BANKING SECTOR STOCKS – HOW RELEVANT ARE THEY?

INTRODUCTION

The nightmare for the banking sector stocks in Nigeria began long before 2009. Just as banking stocks became the toast of investors following the first and second round of consolidation, it turned and became investor's nightmare since March 2008. We are familiar with all the arguments – largest single sector by Capitalization on the NSE, banking stocks are amongst the most liquid, banks are considered profitable "evidenced" by jumbo profits they declared, robust profitability ratios, impressive activity ratios, and phenomenal growth in balance sheet footing. Analysts were excited and the result of their analysis favored the sector. Banking stocks sold like "hotcakes" and constantly closed on bid. There was no doubt that these stocks were trading above their intrinsic values as average Price Earning (PE) ratios peaked above 20x for the sector. With increase in share prices of banking stocks coupled with an increase in the number of shares outstanding, buoyed by new issues arising from the consolidation exercise, , the banking sector's contribution to market capitalization at one point exceeded 60%.

DEVELOPMENTS IN 2009

Amid the myriad of major economic developments in Nigeria in 2009, analysts have identified the shake-up in the banking sector and the crash of the capital market as the two most prominent events that impacted on the national economy during the year. As banking stocks crashed it dragged the stock market indices with it. Other share prices fell while many companies were unable to declare dividends. The global financial meltdown that started with the subprime mortgage crisis in the US, which later spread to Europe and other parts of the world, did not spare the capital and financial markets in Nigeria. Major market indicators like market capitalization, the All Share-Index, Turnover volume/value and share prices experienced major downturns

The prices of banking stocks dropped throughout the year. As mentioned earlier, Nigerian banks with a combined value of over $40billion were about 56% overvalued according to a JP Morgan report. Some of the problems identified include:

- Lack of transparency
- Weak regulations

- Shady bank practices – banks lending money to investors to buy shares from the banks which result in the rise in their stock prices.

Share prices have been dropping throughout 2008, suggesting a lack of confidence. Would-be investors began to look at Nigerian banks, in particular their regulatory practices, more warily. Though banking standards have certainly risen in recent years, they still lag behind those of America and the European Union, particularly in terms of transparency. In April, United Bank for Africa, one of the country's biggest, fell foul of American regulators who served the bank with a $15m fine for ignoring anti-money-laundering regulations despite several warnings. Part of the problem is that banks have used their own money to push up their stock prices by engaging in risky lending to corporations and individuals who invest in the banks' own shares.

THE CENTRAL BANK OF NIGERIA INTERVENES

The Nigerian Financial Crisis exploded on August 14, 2009, when the Central Bank of Nigeria (CBN) intervened in the banking sector after a joint CBN/NDIC audit report revealed serious illiquidity and poor state of the capital of five out of the 11 banks that were initially audited. The other 14 were later audited and their results released on October 16, and another four banks found to be in the same dangerous state like the first five. Eight of the distressed banks had their executive management sacked and a total of N620 billion injected into the banks by the CBN to shore up their liquidity. The new management of WEMA Bank was spared, though it got the bailout fund; while Unity Bank was given time to shore up its weak capital base.

Analysts are expressing worry over the recovery of the financial sector from this self-inflicted woe which they said was worsened by the shake- up in the banking sector. They argued that the application of the reform measures was outrageous, adding that it created panic in the financial sector and nipped in the bud the recovery process of the economy from the global economic meltdown. They argued that the value of the banks have been completely reduced to nothing as the shareholders investments in the banks have been reduced to nothing and investors and depositors alike are worried whether the banks will ever overcome these problems and be able again to regain the lost investors' and depositors' confidence in the system. Meanwhile, the depletion of the capital of the banks was blamed on

- Non application of corporate governance principles in the management of the banks
- Outright fraudulent insider loans taken by the banks' directors to fund their private businesses.

While these were going on investors and depositors were deliberately deceived by the operators of these banks with their false good performance financial reports which they published in their annual reports. They concealed their huge non-performing loans to the capital market which had been hit by massive divestments by foreign investors who withdrew their investments to their home economies which had been afflicted by the global financial crisis

Consequently local investors lost their life savings due to their investments in the stocks of these banks as the capital market in less than one year lost over 80 percent of its capitalization. The banks which have 65 percent of the capital market capitalization were in deep crisis. The ugly situation, analysts said, was because the banks engaged in the unethical practice of lending to shareholders and stockbrokers to buy the banks' own shares and when the value of the shares depreciated drastically, they lost money, yet they all continued to give impression that nothing went wrong. Investors and depositors alike were in the dark with regard to the level of exposure of the banks to the non-performing margin loans in the capital market until it was unearthed by the audit report. The dept of the rot in the eight rescued banks is becoming manifest with the huge provisions made for bad debts in their year end reports which in most cases are larger than their capital base.

FALLOUT OF CBN INTERVENTION

Table 1 shows how banking stocks have fared since the inception of the ongoing CBN shakeup in August 2009 and the end of that year. Access Bank Plc, Diamond Bank Plc, FCMB, Guaranty Trust Bank Plc, Skye Bank Plc, and Zenith Bank Plc all in the cleared bank category recorded appreciation within the period. Few in the cleared category such as First Bank Plc, Ecobank Plc, Fidelity Bank Plc, IBTC, Sterling Bank Plc, UBA Plc lost as well but not in the magnitude of the banks on the other side. The most hit of the decline are banks that are considered weak

Table 1			
	Price as @ 14/8/09	Price as @ 31/12/09	% Change
Access	6.34	7.60	19.87
GT Bank	13.24	15.50	17.07
FCMB	6.8	7.40	8.82
Diamond	6.91	7.40	7.09
Skybank	5.23	5.49	4.97
Zenith	13.04	13.60	4.29
Fidelity	2.4	2.40	0.00
FBN	14.9	14.05	-5.70
Sterling	1.39	1.23	-11.51
UBA	12.38	10.80	-12.76
IBTC	8.73	7.47	-14.43
Unity	1.29	0.84	-34.88
Afribank	5.22	2.55	-51.15
UBN	12.6	6.00	-52.38
WEMA	2.44	0.93	-61.89
Ecobank	27.96	10.63	-61.98
Oceanic	4.94	1.69	-65.79
FINBANK	1.55	0.53	-65.81
PHB	4.95	1.32	-73.33
Intercontinental	6.93	1.61	-76.77
Spring	5.59	0.76	-86.40

Also banks were compelled to make full disclosure and publish there results with full provisions. It may appear that the outcome of this measure present some of the banks considered as weak with negative shareholders funds as depicted in the Table 2

Table 2			
Bank	Period to 30/09/09	PBT(Nbn)	Shareholders Funds (Nbn)
Oceanic	9 months	(400.90)	(69.21)
UBN	6 months	(222.86)	(146.15)
Intercontinental	6 months	(447.45)	(221.09)
FINBANK	11 months	(94.36)	(85.11)
Bank PHB	15 months	(438.65)	(139.42)
Afribank	6 months	(71.19)	(107.27)
Spring	5 months	(23.30)	(80.11)

CONCLUSIONS

Despite the knocks received by the banking sector, it still remains the largest single sector by market capitalization (see Table 3). Between 2007 and now, the sector's hold on the market has reduced from 54.20% to 44.78%. The breweries sector has almost doubled its share from 7.2% to 12%. Petroleum market sector recorded marginal gains while the increase in those categorized under others is attributable to newly listed stocks. It seems banking sector shares are still relevant in the Nigerian stock market

Table 3		
MARKET STRUCTURE BY CAPITALIZATION (%)		
	2007	2010
Banking	54.20	44.78
Building	7.20	6.02
F&B	12.30	11.60
Petroleum	4.30	5.11
Healthcare	0.60	0.76
Automobile	0.30	0.16
Agric	0.30	0.39
Breweries	7.20	12.00
Others	13.50	18.83

COMPANY NEWS

SCOA NIGERIA PLC: Audited result for the year ended 31st December 2008 shows Turnover of N3.04 billion as against N2.75 billion in 2007. Profit after tax and exceptional items stood at N231.91 million compared with N822.5 million in 2007. Exceptional items represent net profit on disposal of property, interest charges and penalties waived by banks. The Board of Directors is recommending a dividend of N0.10 per share. The date of closure of register of members is 13th January 2010 while payment date is 23rd February 2010. The Annual General Meeting is scheduled to hold at NICON Luxury Hotel, Plot 903 Tafawa Balewa Way, Area 11. Garki, Abuja on Thursday, January 28, 2010 by 11.00a.m.

AFROMEDIA PLC: Audited result for the year ended 30th September 2009 shows Turnover of N2.40 billion as against N1.96 billion in 2008. Profit after tax stood at N340.8 million compared with N438.52 million in 2008. The Board of Directors is recommending a dividend of N0.05 per share. The date of closure of register of members is 5th February 2010 while payment date is 1st April 2010.

7-UP BOTTLING COMPANY PLC: Unaudited result for the half year ended 30th September 2009 shows Turnover of N17.85 billion, as against N15.22 billion in the comparable period of 2008. Profit after tax stood at N853.71 million compared with N800.65 million in 2008.

INCAR NIGERIA PLC: Unaudited result for the third quarter ended 30th September 2009 shows Turnover of N125.51 million, as against N132.81 million in the comparable period of 2008. Loss after tax stood at N32.7 million compared with profit after tax of N7.1 million in 2008.

PINANCLE POINT GROUP PLC: Unaudited result for the half year ended 31st August 2009 shows Turnover of R9.25 million, as against R80.13 million in the comparable period of 2008. Loss after tax stood at R64.12 million compared with profit after tax of R3.2 million in 2008.

COMPANY FORECASTS

COURTEVILLE INVESTMENT PLC: The Company forecasts Turnover of N205.6 million and profit before tax of N55.83 million during the first quarter ending March 31, 2010.

AFROMEDIA PLC: The Company forecasts Turnover of N2.31 billion and profit after tax of N838.32 million during the half year ending March 31, 2010.

LAW UNION & ROCK INSURANCE PLC: The Company forecasts Gross Premium of N2.40 billion and profit after tax of N115.0 million during the first quarter ending March 31, 2010.

REGENCY ALLIANCE INSURANCE PLC: The Company forecasts Gross Premium of N325.04 million and profit after tax of N141.64million during the first quarter ending March 31, 2010

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