

MACROECONOMIC INDICES

INDICATOR	PERCENTAGE/VALUE
INFLATION RATE JAN (YOY)	12.30 %
MPR (%)	6.00
OPEC OIL BASKET (\$/barrel)	74.49 (18-02-10)
90 DAY T- BILL RATE	2.63 (19-02-10)
INTERBANK CALL RATE	2.28 (19-02-10)

MARKET SNAPSHOT

		% Δ WEEKLY	% Δ YTD
NSE ASI	23,168.64	0.88	11.22
CAP(Nbn)	5,579.98	0.87	11.81
VOL('bn)	1.73	-36.63	
VAL('Nbn)	10.84	-42.77	
DEALS	34,256	-6.04	
GAINERS	47		
LOSERS	50		

WEEKLY TOP GAINERS

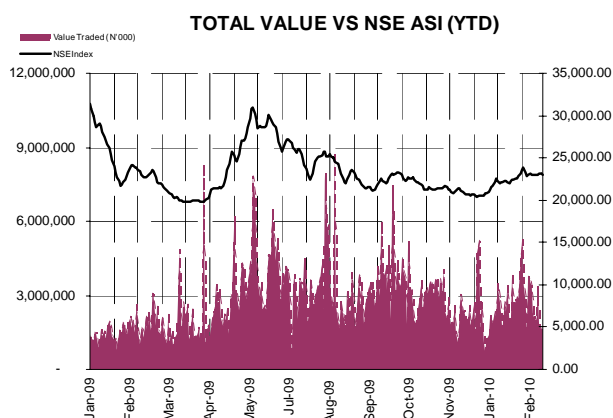
Company	Price (N)	% Δ
IKEJA HOTEL PLC	1.70	25.00
NIGERIAN BAGS MFTG COY	2.45	13.43
UNION DIAGNOSTIC	0.70	12.90
CAPITAL HOTEL	2.53	10.00
HONEYWELL FLOURMILL	6.72	9.80

WEEKLY TOP LOSERS

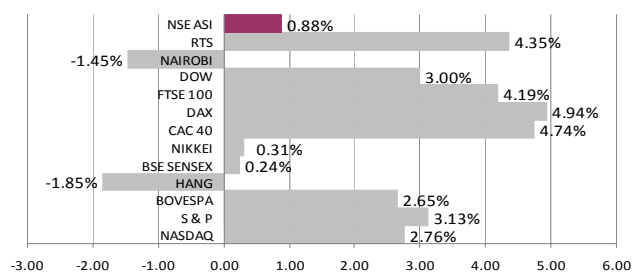
Company	Price (N)	% Δ
AFRICAN ALLIANCE	0.52	-18.75
DN MEYER	3.80	-13.83
ASSOCIATED BUS COY	0.95	-13.64
FTN COCOA	0.93	-12.26
DAAR COMM	0.73	-9.88

WEEKLY MOST TRADED

Company	Price (N)	Volume
ZENITH BANK	15.70	187,485,835
STARCOMMS	2.11	132,455,012
FIRST BANK	14.61	81,126,357
FINBANK	0.74	78,404,514
AFRICAN ALLIANCE	0.52	69,343,558


NSE ASI closes in positive borders

Major equity markets around the globe recorded positive movements for our review period. Our universe of sample equity markets saw the Dow Jones NASDAQ and the S & P 500 all record 3%, 2.76% and 3.13% respectively at the end of our review period. In Europe, the bulls also came out of their hideouts with major indices recording northwards movement. The FTSE 100, German Dax and France's CAC 40 all garnered 4.19%, 4.94% and 4.74% respectively. In the Asia/Pacific region, the bulls also held sway as the BSE Sensex and the Nikkei 225 both churned up 0.24% and 0.31% respectively at the end of the week. On the local scene, the NSE ASI recorded 0.88% upside at the end of proceedings to close at 23,168.64.

SELECTED INDICES (WEEKLY PERFORMANCE %)


A turnover of 1.73 billion shares worth N10.84 billion in 34,256 deals was recorded this week, in contrast to a total of 1.9 billion shares valued at N14.45 billion exchanged last week in 34,643 deals. This included a total of 2,000 units of Lagos State Fixed Rate Redeemable Bond worth N2.2 million. There were no transactions in the Federal Government Development Stocks, and Industrial Loans/Preference Stocks sectors. The Banking subsector was the most active during the week (measured by turnover volume), with 870.25 million shares worth N7.5 billion exchanged by investors in 17,647 deals. Volume in the Banking subsector was largely driven by activity in the shares of Zenith Bank Plc, First Bank of Nigeria Plc and FinBank Plc. Trading in the shares of the three Banks accounted for 347.02 million shares, representing 39.9% of the subsector's turnover. The Insurance subsector, boosted by activity in the shares of African Alliance Insurance Plc and Goldlink Insurance Plc, followed on the week's activity chart with a turnover of 356.2 million shares valued at N318.82 million in 2,871 deals. Last week, the Banking subsector led on the activity chart and was followed by the Insurance subsector.

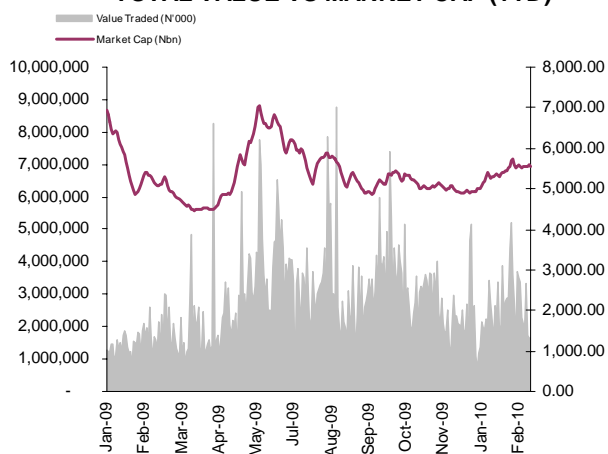
Conflicting sentiments recorded on the floor of the Nigerian stock exchange saw 47 stocks recording price hikes and 50 moving southwards. Ikeja Hotel chalked up 25% to lead the gainers' pack while on the flip side African Alliance lost 18.75% to lead the loser's chart.

Announcements

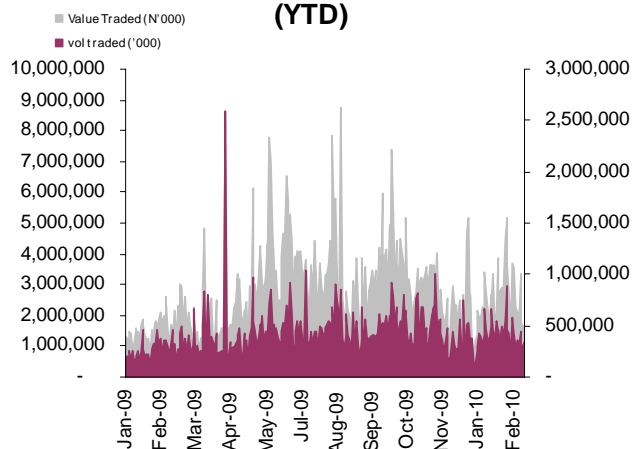
Vitafoam Nigeria Plc was adjusted for dividend of N0.25 per share as recommended by the Board of Directors.

Aboseldehyde Laboratories Plc was delisted from the Daily Official List on Wednesday, February 17, 2010. By this action, the number of listed companies and securities dropped to 215 and 260, respectively.

TOTAL VALUE VS MARKET CAP (YTD)



TOTAL VOLUME VS VALUE TRADED (YTD)



MARGIN LOANS – TIME TO BORROW

WHAT IS A MARGIN LOAN?

A margin loan or a margin account is a loan made by a brokerage house to a client that allows the customer to buy stocks on credit. The term margin itself refers to the difference between the market value of the shares purchased and the amount borrowed from the brokerage. Interest on the margin loan is usually calculated on the outstanding balance on a daily basis and charged to the margin account. As time goes by, the outstanding debt goes up and interest charges accumulate. Also, the brokerage house holds the securities as collateral for the loan.

TRADING ON MARGIN

An investor, who wants to trade on margin, would first need to open a margin account subject to minimum amount depending on the brokerage house's own rules to open the account. This set up amount is known as the "minimum margin". Once the account is open, the investor can then borrow up to 50% of the price of any stock he wants to purchase. The 50% "down payment" is called your initial margin. As long as stock prices stay stable or go up and interest payments are made, life will roll along smoothly.

However, there is a need to be aware of what is known as "maintenance margin", in case stock prices drop. Depending on the agreement between the brokerage house and the investor, anyone who buys stocks on margin must maintain a minimum percentage (typically between 25% and 40%) of the total market value of the securities that are in the margin account. Falling share prices could take the margin account below the minimum threshold and the brokerage house will require the investor to put in more cash or securities to bring your stake up to the minimum. The call from the brokerage demanding these incremental funds is known as a "margin call".

Depending on the terms of the margin loan agreement an investor originally signed with the brokerage house, they may have the legal right to sell securities out of the margin account without consulting the investor, to get the account back to the maintenance minimum. Undoubtedly, margin accounts allow an investor to gain control of a large block of stock at a minimal investment. Sophisticated investors will use a margin loan to increase their personal wealth by using the "leverage" provided by using borrowed money.

THE MARGIN CRISIS (2007-2009)

Undoubtedly, there seem to be what can be termed as the “margin crisis” precipitated by the global meltdown of 2008. The principal actors at the middle of the crisis are: banks, brokerage firms, investors and Stock Exchanges. Nigeria’s experienced was somewhat unique. The Nigerian Stock Exchange and its regulator, the Securities & Exchange Commission as well as the apex financial markets supervisor, the Central Bank had been fingered as much as part of the problem. Therefore, solving the market meltdown and its inherent problems in Nigeria becomes a bit more difficult than in other countries. A number of issues are involved and it will take time to disentangle from its adverse consequences. First and foremost, a basic understanding of the concept of margin loans, its practice in Nigeria and overseas including the legal implications of the margin loans ‘misadventure’ is paramount.

Boason Omofaye, the CEO, MBC News Corp identified the broad headline issues as follows:

- The ‘go-go-happy’ pre and post-bank consolidation market appetite (or the greed factor) on the part of the investors, banks, operators and the regulatory bodies;
- General lack of the basic understanding of the margin loans concept on the part of banks, brokerage firms, investors and the media (or the sins of ignorance)
- Lack of proper oversight and notification of the margin loans dangers on the part of SEC (or the regulatory inefficiency factor);

He concluded that “The margin loans fiasco has been described as a “time bomb that now threatens to blow off not just many of our banks and Stock Broking Firms and overambitious ‘High Net Worth’ individuals who were sucked into the unreasonable optimism and greed driven rush to take huge share/margin loans to purchase shares in the expectation of making quick profits in the then galloping stock market.”

IMPACT OF THE MARGIN CRISIS

The Stock Market

The melting point for the margin loan crisis was the Nigerian Stock Exchange, the provider of the trading platform and its Clearing House, the CSCS. Never in the history of Nigeria did the Stock Exchange come under such intense criticisms both personal and institutional. The NSE and its officials were blamed for ‘aiding and abetting’ the controversial margin loans process. The stock market took a hit for the worse in her 49 year history. Bank shares led the tumbling followed by other stocks. Investors taking flight to safety without any second thought, dumped shares of the good, and the bad on the trading board of the NSE. Thinking backwards, perhaps not a few investors acted hastily, in a manner in which quite a number entered the market in the first instance. Fear and panic was the order of the day. The massive sell-off eventually clogged the market and everyone got stuck. Fixing the problem becomes quite a difficult task that the authorities found un-amusing. The NSE itself saw its fortunes decline sharply. Activities slowed down to almost zero at the primary market in 2008. The number of new listings dropped to 21 equities. Consequently, the total market value of the 299 listed securities dropped by 28.1% from 13.2trillion naira to 9.5trillion naira by year end.

Investors

The margin loans crisis took a heavy toll on investors, especially those who got caught in the flurry of primary market offerings of 2007 and 2008. As the value of their shares plummeted without any easy exit point, investors were faced with a dilemma. The margin loans crisis has extended beyond the banking sector; the brokerage firms were involved. Investors had nowhere to run. It became obvious that the banks (lenders)

would ultimately do write downs with negative impact on their earnings. Write downs in billions of naira also means restructuring of credit lines to customers. It further means the rationalization of subsidiaries and workforce. It means illiquidity. It means lower or no cash dividend and bonus shares. As Boason Omofaye put it, it means the honeymoon was over. Investors watched haplessly as their life savings were wiped off and their appetite for stock investing or market confidence sank to a historic level. Money lost can be recouped; non-performing loans can be made to perform, bad and doubtful debts can be made good. But confidence once broken might take eternity to rebuild. Understanding margin loans therefore, goes beyond what has happened to investors’ money.

MARGIN LOANS AND WHAT LIES AHEAD

The NSE ASI has made a year to date gain of 10.72% while stock prices were at their lowest at the beginning of the year. The stock market has over-corrected itself making Nigerian stocks looking relatively attractive. Banking stocks that constituted over 60% of total market capitalization in June 2009 has dropped to less than 44% since the beginning of 2010. The hole in banking and insurance sectors is gradually being exposed – therefore there is a clearer demarcation between the good, the bad and the ugly stocks in those sectors. Some stocks have dropped to their nominal value 50k and could not drop further. Most of the stocks prices hyped ahead of their public offers are currently sitting pretty below their public offer prices. The so-called Sanusi sanctioned banks appear far from their public offer prices – attaining such prices in the medium term looks impossible. It is now easy to determine a stock’s fair value relative to its market prices. There is a general consensus by analysts that stock prices would pick in 2010. Bullish markets have traditionally favored margin trading.

The regulators appear to have woken up to their responsibilities to prevent the sharp practices that accompanied the bullish era. Practices such as share price manipulation by companies would become a thing of the past. Other measures introduced by the SEC in the wake of the meltdown (share buyback, market makers etc) should bring some stability into the market. Book building process would be the way forward for determining pricing in the primary market, thereby minimizing share price manipulations. Further disclosure by companies, and regular submission of performance to the NSE should give investors more insight into the companies. With the present state of the market, and lessons from the immediate past, **the time to borrow is now.**

However every margin borrower is expected to abide by the principles of investments which we have highlighted below:

Start Investing Now

We say this not just to discourage procrastination, but because an early start can make all the difference. In general, every six years you wait doubles the required monthly savings to reach the same level of retirement income. Another motivational statistic: If you contributed some amount each month for the next nine years, and then nothing afterwards, or if you contributed nothing for the first nine years, then contributed the same amount each month for the next 41 years, you would have about the same amount.

Know Yourself

The right course of action depends on your current situation, your future goals, and your personality. If you don’t take a close look at these, and make them explicit, you might be headed in the wrong direction.

- Current Situation: How healthy are you, financially? What’s your net worth right now? What’s your monthly income? What are your expenses (and where could they be reduced)? How much debt are you carrying? At what rate of interest? How

much are you saving? How are you investing it? What are your returns? What are your expenses?

- Goals: What are your financial goals? How much will you need to achieve them? Are you on the right track?
- Risk Tolerance: How much risk are you willing and able to accept in pursuit of your objectives? The appropriate level of risk is determined by your personality, age, job security, health, net worth, amount of cash you have to cover emergencies, and the length of your investing horizon.

Get Your Financial House in Order

Even though investing may be more fun than personal finance, it makes more sense to get started on them in the reverse order. If you don't know where the money goes each month, you shouldn't be thinking about investing yet. Tracking your spending habits is the first step toward improving them. If you are carrying debt at a high rate of interest (especially credit card debt), you should unburden yourself before you begin investing. If you do not know how much you save each month and how much you'll need to save to reach your goals, there is no way to know what investments are right for you. If you've transitioned from a debt situation to a paycheck-to-paycheck situation to a saving some money every month situation, you are ready to begin investing what you saved.

Develop a Long Term Plan

Now that you know your current situation, goals, and personality, you should have a pretty good idea of what your long term plan should be. It should detail where the money will go: cars, houses, college, and retirement. It should also detail where the money will come from. Hopefully the numbers will be about the same. Do not try to time the market. Get in and stay in. We do not know what direction the next 10% move will be, but we do know what direction the next 100% move will be.

Investigate Before You Invest

Always do your homework. The more you know, the better off you are. This requires that you keep learning, and pay attention to events that might affect you. Understand personal finance matters that could affect you (for example, proposed tax changes). Understand how each of your investments fits in with the rest of your portfolio and with your overall strategy. Understand the risks associated with each investment. Gather unbiased, objective information. Get a second opinion, a third opinion, etc. Be cautious when evaluating the advice of anyone with a vested interest. If you're going to invest in stocks, learn as much as you can about the companies you are considering. Understand before you invest. Research, research, research. Read books. Consider joining an investment club or similar organizations. Experiment with various strategies before you put your own money on the line. Examine historical data or participate in a stock market simulation. Try a momentum portfolio, a technical analysis portfolio, a bottom fisher portfolio, a dividend portfolio price/earnings growth portfolio, an intuition portfolio, a mega trends portfolio, and any others you think of. In the process you'll find out which ones work best for you. Learn from your own mistakes, and learn from the mistakes of others.

Develop the Right Attitude

The following personality traits will help you achieve financial success

- Discipline: Develop a plan, and stick with it. As you continue to learn, you will become more confident that you're on the right

track. Alter your asset allocation based on changes in your personal situation, not because of some short term market fluctuation.

- Confidence: Let your intelligence, not your emotions, make your decisions for you. Understand that you will make mistakes and take losses; even the best investors do. Re-evaluate your strategy from time to time, but don't second-guess it.
- Patience: Do not let your emotions be ruled by today's performance. In most cases, you shouldn't even be watching the day-to-day performance, unless you like to. Also, don't ever feel like it's now or never; do not be pressured into an investment you do not yet understand or feel comfortable with.

The following personality traits will hurt your chances of financial success:

- Fear. If you are unwilling to take any risk, you will be stuck with investments that barely beat inflation.
- Greed. As an investment class, 'get rich quick' schemes have the worst returns. If your expectations are unrealistically high, you'll go for the big scores, which usually don't work.

It is generally a good idea to avoid making financial decisions based on emotional factors.

Get Help If You Need It

The do-it-yourself approach is not for everyone. If you try it and it's not working, or you're afraid to try it at all, or you just do not have the time or desire, there's nothing wrong with seeking professional assistance. If you want others to handle your financial affairs for you, you will nevertheless want to remain involved to some degree, to make sure your money is being spent wisely.

COMPANY NEWS C & I LEASING PLC: Unaudited result for the third quarter ended 31st October 2009 shows Turnover of N5.77 billion, as against N4.77 billion in the comparable period of 2008. Profit after tax stood at N236.1 million compared with N230.51 million in 2008.

RED STAR EXPRESS PLC: Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N3.15 billion, as against N3.04 billion in the comparable period of 2008. Profit after tax stood at N251.9 million compared with N257million in 2008.

ACADEMY PRESS PLC: Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N1.39 billion, as against N1.11 billion in the comparable period of 2008. Profit after tax stood at N74.7 million compared with N51.71million in 2008.

THOMAS WYATT NIGERIA PLC: Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N114.31 million, as against N150.0 million in the comparable period of 2008. Profit after tax stood at N0.522 million compared with N1.8million in 2008..

COMPANY FORECASTS NIGERIAN BREWERIES PLC: The Company forecasts Turnover of N40.84 billion and profit after tax of N7.97 billion during the first quarter ending March 31, 2010.

GOLDLINK INSURANCE PLC: The Company forecasts Gross Premium of N1.97 billion and profit after tax of N495.5 million during the half year ending June 30, 2010

TRADING IN RIGHTS Investors traded rights in two quoted companies during the week i.e. Oando Plc and Hallmark Paper Products Plc. A turnover of 125.3 million shares worth N741.93 million in 112 deals was recorded this week in contrast to 30,000 shares valued at N8.500 traded in 3 deals during the preceding week. Last week, the rights of Interlinked Technologies Plc and Hallmark Paper Products Plc were traded.



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