

Double-edged swords: Dare to hold; Dare to harvest!

Nigerian banking stocks: Volatility (*Beta*) fact sheet

Exhibit 1

	14-Month	12-Month	9-Month	6-Month	3-Month	2-Month	1-Month
BANKING SECTOR							
ACCESS	1.421	1.432	1.555	1.664	1.722	1.791	1.827
AFRIBANK	0.986	1.044	1.207	1.198	1.063	1.372	0.832
DIAMONDBNK	1.615	1.677	1.740	1.738	1.799	1.831	1.184
ECOBANK	0.413	0.498	0.358	-0.018	0.000	0.000	0.000
FCMB	0.992	1.024	1.178	1.115	1.182	0.765	2.100
FIDELITYBK	0.882	0.904	0.958	1.065	0.909	0.915	1.948
FIRSTBANK	1.557	1.569	1.583	1.733	1.772	1.840	1.709
FIRSTINLND	1.124	1.180	1.271	1.203	1.166	1.391	0.384
GUARANTY	1.610	1.617	1.665	1.734	1.672	1.660	2.319
IBTC	1.528	1.585	1.509	1.446	2.046	1.996	1.355
INTERCONT	1.229	1.264	1.410	1.568	1.804	1.629	0.498
OCEANIC	1.607	1.662	1.627	1.564	1.689	1.423	1.798
PLATINUM	1.291	1.277	1.328	1.437	1.418	1.278	0.459
SKYEBANK	1.625	1.727	1.783	1.685	2.072	2.148	2.144
SPRINGBANK	0.000	0.000	0.000	0.000	0.000	0.000	0.000
STERLNBANK	0.802	0.834	0.847	1.058	1.256	1.189	0.493
UBA	1.543	1.618	1.652	1.696	1.839	2.071	1.933
UBN	1.165	1.204	1.121	1.440	1.792	1.958	2.369
UNITYBNK	1.528	1.590	1.610	1.539	1.393	1.135	2.123
WEMABANK	0.004	-0.013	-0.035	-0.086	-0.056	-0.224	-0.629
ZENITHBANK	1.414	1.475	1.560	1.892	2.017	2.106	1.767
Averages							
Mean	1.26	1.30	1.35	1.40	1.50	1.49	1.40
Median	1.41	1.43	1.51	1.54	1.69	1.63	1.77
Banking Price Index	1.27	1.31	1.34	1.44	1.53	1.53	1.45

Exhibit 2: Banking Sector Volatility Trend

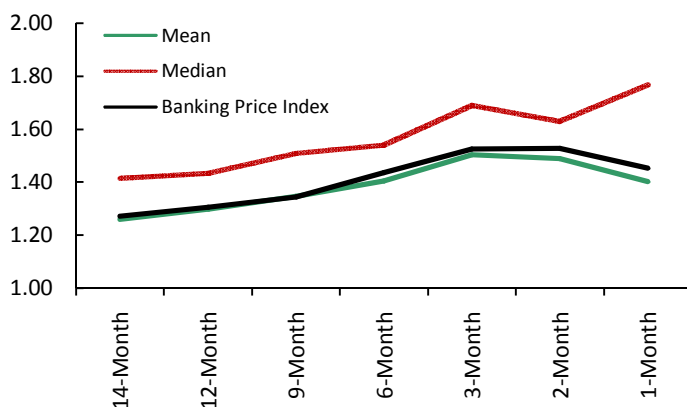
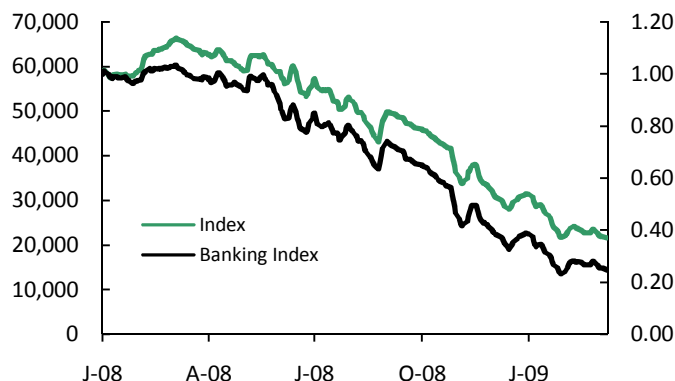


Exhibit 3: The NSE ASI and the Banking Sector



Nigerian Banking Stocks: The strong volatility trends

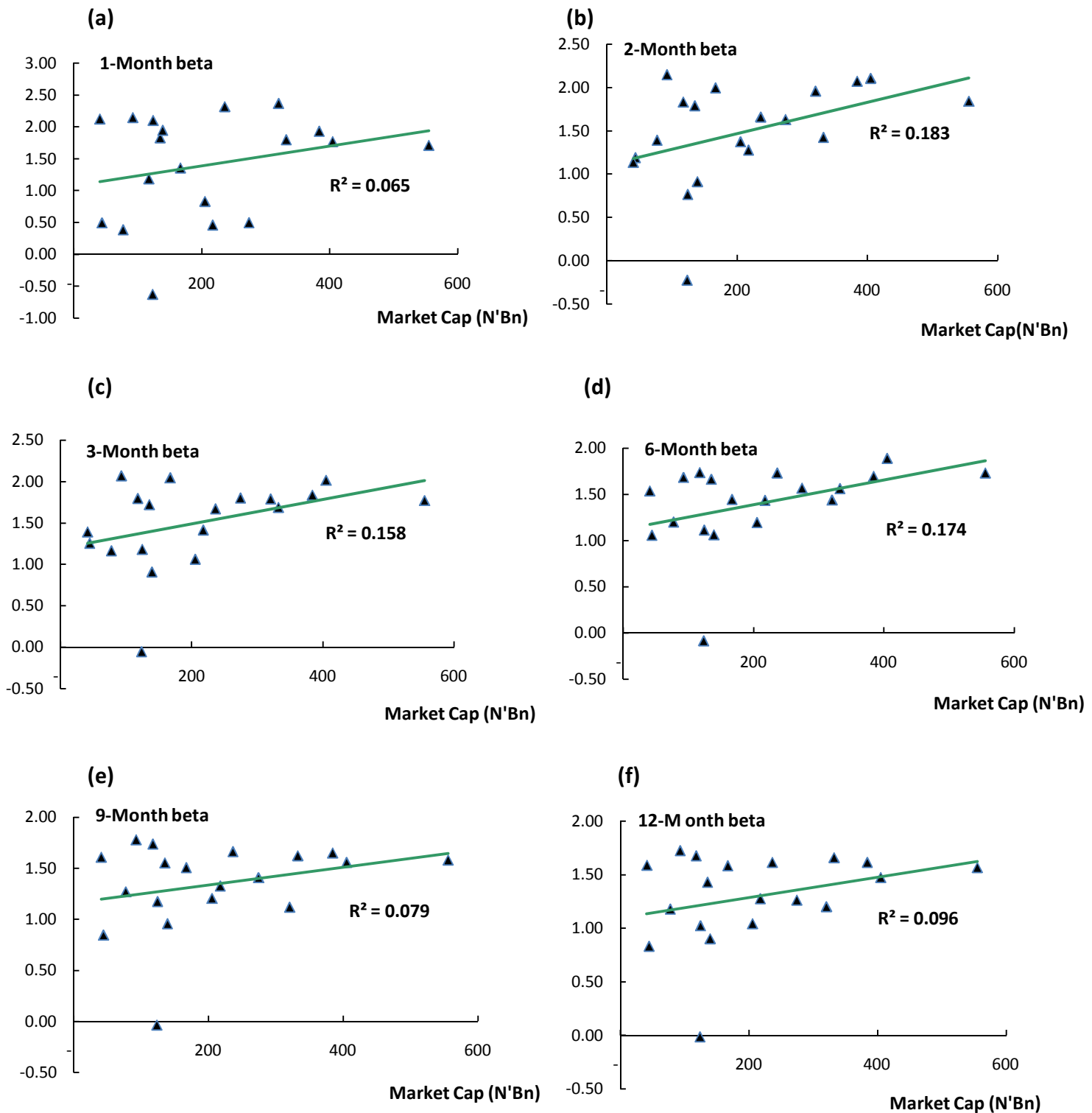
- The unprecedented bearish runs in Nigeria equity market have been largely characterised by **extreme volatility**.
- Our analysis reveals that the banking sector remains the singular heavyweight in the Nigerian stock market with market capitalisation of **N2.5tr (US\$14.3bn)*** representing **52% weightage in the Nigerian Stock Exchange All-Share Index (NSE ASI)**.
- This overwhelming weight explains the extremely **strong correlation coefficient of 93.2%** between the return trajectories of the entire market and the entire Nigerian banking universe. Hence, **the overall market swings have been a mirror image of the mood of banking stocks**.
- **Inferentially**, we submit that the on-going extreme market volatility is largely driven by the mounting volatility of banking stocks (**see Exhibits 1 and 2 above**).
- **However**, the magnitude of swings in the sector appears **non-differentiated** on the basis of size as the degree of association, **R^2** , (**though positive**), between the **beta** of these stocks at varying time span, and their **sizes** as measured by the average market capitalisation in the last six months, appear weak (**see Exhibit 4 (a) – (f)**). On the average, volatility in the sector seems to defy size as a factor. **Summarily, our findings show small-cap banking stocks appear as volatile as large-cap peers**.
- Conclusively, we hereby submit that trading the current high volatility presents a **double-edged sword**: possibilities of high return and high risk of losses.

We therefore strongly advise that investors align expected high return with their risk tolerance to have a fair view of the current market play.

*The Market Cap is based on prices as at March 10, 2009 while the exchange rate used is US\$1:NGN175

Correlation of beta of banking stocks with market capitalisation

Exhibit 4: (a) – (f)



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