



MARKET SENTIMENTS FOR THE WEEK ENDED MAY 09, 2008.

SYNOPSIS:

There are strong indications and positive gestures that the stock market is on the path of transition from stability to recovery as all market performance indices inched up throughout the week ended Friday May 9, 2008. Market capitalisation of listed equities bounced by 6.06 percent to stand at N12.12trn (US\$2.0bn). The entire market reported positive and appreciable returns of 5.74 percent as The Nigerian Stock Exchange (NSE) All-Share Index (ASI) leapt by 574 basis points to close higher at 62,518.07 points. Activity level rose substantially as volume and value of equities traded jumped up by 44.1 percent and 56.4 percent respectively over the previous week's statistics.

Market was buoyed by activities in key sectors- such as banking, insurance, building materials, food & beverage and conglomerates as a few companies in these sectors released outstanding period and full year results accompanied by stimulating corporate benefits. Market watchers and investments experts are optimistic about an imminent resurgence and thereby reassure investors of 'goodies' ahead in coming weeks. They however admonish market participants to look beyond only speculative positioning and give more consideration to value investing across all investment horizons.

Banking stocks rekindled investors' hope as they topped performance charts all through the week. The sector performance was propped up by trading in shares of

Zenith Bank, UBA, Oceanic, First Bank, Afribank, Ecobank, Access, Intercontinental Bank, and Diamond Bank Plc. There are strong beliefs that quite a few of the stocks above are trading below their intrinsic values and sentiments support a good entry for momentum traders and proactive investors at current pricing. A segment of market commentators opines that another incentive for investors is the anticipated corporate benefits of banks like First Bank; Access Bank; Union Bank Plc (UBN), Afribank Nigeria Plc; Stanbic IBTC; Skye Bank Plc and Wema Bank Plc- all having their FYE March 30, 2008 and Intercontinental Bank Plc- FYE February 29, 2008; GTBank Plc – February 29, 2008. Meanwhile, Ecobank was also sought after by investors as it went on bid soon after lifting off technical suspension as a result of the termination of the Bank's merger talks with Sterling Bank Plc.

In the insurance sector, activity level was probably fueled by the release of full year corporate results for the FYE December 31, 2007 in favour of Custodian and Allied Insurance Plc, Nem Insurance Plc; Linkage Assurance Plc. There are strong sentiments that the further activities in insurance stocks will substantially be shaped and propelled by their full year 2007 results, anticipated corporate rewards and their first quarter results for the period ended March 31, 2008. We are of the opinion that a peer analysis of fundamentals of insurance companies remains a critical factor for consideration in screening out value stocks for short to medium term investment horizons. Our analysis reveals that a couple of insurance stocks are trading at outrageously high price compared to their trailing multiples which calls for caution for investors to avoid further diminution in portfolio value. As at date, average pricing in the sector gravitates to ₦5 while the sector's EPS and P/E hover around ₦0.13k and 53.5 xs respectively. Insurance stocks emerged from the recent market hiccups and correction to record appreciable daily gains that have ignited investors' aspirations about the prospects of the sector in the post consolidation era. Although market analysts agree that with an average industry PE of 53.5x, most insurance stocks lack fundamental strength to justify their current pricing as well as sustain their

momentum, the industry's prospects seem bright enough to douse any negativity priced into insurance equities.

Building materials sector was also amongst dominant sectors in activity during the week ended. Trading in shares of **Cement Company of Northern Nigeria Plc (CCNN)** arouse market participants' curiosity as the stock recorded maximum capital appreciation for almost 5 days to close the week at ₦19.60k against ₦17.01k it opened the week on Monday May 5, 2008. Market rumours have it that the recent surge in the stock price may not be unconnected with an impending corporate decision. On the other hand, a group of analysts expresses that stocks in this sector are currently trading at ridiculously cheap prices due to operational challenges raging from energy to equipment refurbishment facing all cement manufacturers in the country. Industry experts opine that this phase of operation is momentary and a recovery is near.

Market commentators applaud the authority of over a new regulation on share price movement. They also assert that going forward, bullish run will substantially be moderated as the authority of The NSE has come up with a new regulation such that before there could be movement in stock price, a minimum of 100,000 units must be traded. This is contrary to the hitherto 15,000 units, which some participants said was partly responsible for abnormal share price appreciation most especially amongst penny stocks which are less liquid in terms of volume available for trades.

We present below brief highlights of selected stocks with associated sentiments and some stocks that investors should watch closely for investment decisions in the weeks ahead.

ZENITH BANK PLC (ZENITH):

Zenith Bank was one of the stocks that became the toast of investors in the market during the week as a result of the release of its third quarter results for period ended March 31, 2008. The stock's price appreciated in value by 9.56 percent to close the week at N 49.30k. Investors and market commentators were astonished by the Bank's elegant performance indices. Gross earnings rose by 70 percent to N120.31bn from N70.77bn reported in similar quarter of prior year. Profit Before Tax and After Tax (PBT & PAT) rose by 111 percent and 136.6 percent to N40.64bn and N33.32bn respectively over similar period. The Bank's net profit margin is 28 percent against 20 percent achieved in same quarter of 2007.

Zenith Bank's trailing multiples have jerked up considerably above industry average for top tier banks. Trailing EPS now stands at N2.27k with a P/E of 21.59 xs compared with industry statistics of N1.63k and N27.23 xs respectively. Zenith Bank also listed a total sum of 5.1bn Ordinary Shares from its recent hybrid Offers and supplementary allotment. This has raised its outstanding shares to 16.74bn. Analysts opine that the recent equity funds have impacted positively on the Zenith Bank's third quarter and postulate that more impact of the fresh funds will be reflected in the full year results of the Bank by the end of June 30, 2008.

As a way of feedback to investors and to repose investors' confidence in Zenith Bank, the Bank's management released its revised profit forecasts for the 2008, 2009 and 2010. Gross earnings forecasts are N127.47bn, N181.01bn and N252.46bn while PBT & PAT projections are N39.02bn, N60.03bn & N82.65bn and N28.59bn, N44.10bn & N60.80bn respectively. Sequel to its supplementary allotment, the Bank had earlier projected N123.15bn, N168.64bn & N215.15bn as gross earnings for 2008, 2009 and 2010 in its Offer prospectus while PBT and PAT projections for same periods were N38.86bn, N57.11bn & N76.74bn and N28.76bn, N42.26bn & N56.79bn respectively.

There are sentiments that the stock is trading below its fair value and that early positioning for medium to long term investment decision will suggest significant returns both in capital appreciation and otherwise. However, there are fears that selling pressure may pull down the price as soon as investors who partook in the Bank's last Public Offer collect and dematerialize their certificates for profit taking.

FIRSTBANK OF NIGERIA PLC (FIRSTBANK):

First Bank is another blue chip banking stock that investors keep watch over. The stock has put investors in dilemma as per expectations both in terms of capital appreciation and corporate benefits in anticipation of the full year results for the year ended March 31, 2008. First Bank added 5.91 percent to close at N46.60k on Friday May 9, 2008. Market watchers are skeptical about sustaining the price trend prior to the release of the FYE results.

However, technical/trend analysis of the stock price movement reveals that First Bank has been hovering between the price band of N42 and N48 which provides opportunity for momentum traders with sound technical skills to make some marginal spread. We opine that the Bank will post very outstanding results for the FYE March 31, 2008 as a result of the huge funds raised from its mega Offer in 2007.

Analysts believe that the Bank's balance sheet size should grow by over 270 percent and this subsequently should provide avalanche of opportunity for super growth in both top and bottom-lines for the FYE March 31, 2008. They argue that First Bank is better positioned to record unconventional growth in gross earnings, profit before tax and profit after tax (PBT and PAT) given the quantum of funds raised in the primary market in May/July 2007. The Bank's second and third quarter results post-Offer for the periods ended September 30 and December 31, 2007 bear credence to these speculations. First Bank consistently grew its gross earnings and PAT by average of 63.7 percent and 60 percent respectively against the Banks' conventional growth rates of 35 percent and 17 percent in pre-Offer periods.

As at third quarter, gross earnings rose by 65.1 per cent to N105.21bn while PAT grew by 74.9 percent to N25.92bn. Net margin stood at 24.6 per cent compared with 23.3 percent posted in same quarter of prior year. Conservatively, annualised gross earnings and PAT are N140.29bn and N34.56bn respectively compared with the projected N118.92bn and N27.95bn as it is contained in the Bank's Offer prospectus. Trailing EPS is N1.58 based on the issued shares of 19.89bn. If the Bank sustains the recent quarterly growth trend, a moderate 50 percent and 65 percent projection for gross earnings and PAT implies N157.82 and N42.77bn for the FYE March 31, 2008. This will put First Bank's forward EPS at N2.15k compared to its forecast N1.91k. Forecast dividend is N1.20k/Share.

There is a sentiment that a moderate bonus issue of 1 for 6 or 1 for 8 in addition to forecast dividend will push the stock to a new all-time high of N60 within the period of 18 months. Conversely, a class of dealers and market commentators rules out the possibility of bonus issue this year for the Bank due to its huge share overhang. They submit that this may be a disincentive for anticipated capital appreciation.

GUARANTY TRUST BANK PLC (GTB):

Contrary to its convention, GTBank is yet to release its audited results for the financial year ended February 29, 2008. Hitherto, the Bank is renowned for publishing and distributing its abridged audited accounts and reports to all its shareholders 5 weeks post year end. This unusual delay has generated some curiosity amongst investors as to the Bank's performance and corporate action for the FYE February 29, 2008. However, information from market sources reveals that the delay must have been caused by the apex regulatory authority in the nation's financial services sector, the CBN and that the results should be released in the next few days.

GTBank's third quarter results for the period ended November 30, 2007 show gross earnings growth of 58 percent to N53.27bn while PAT rose by 57 percent to N11.81bn. This puts the Bank's trailing EPS at N1.27k and P/E at 26.77 xs as at date.

On annualised basis approach, GTBank's gross earnings and PAT are N7.02bn and N15.74bn respectively which implies a forward EPS of N1.14k.

It is hoped that the GTBank will sustain its culture of full year twin benefits of bonus and dividend. Market grapevine holds that the Bank will dole out a little above last year's 50k final dividend in addition to a traditional bonus in the range of 1 for 4 and 1 for 5. In lieu of this, we anticipate the stock price to inch up to about ~~N~~40 as traders take position for moderate capital appreciation. **We recommend the stock for momentum traders as well as medium to long term investors.**

INTERCONTINENTAL BANK PLC (INTERCONT):

Intercontinental Bank was amongst the few stocks that defied the recent free-fall in prices in the secondary segment of the market. Despite its relatively high volatility index of 0.70, the stock has maintained an average price/volume of ~~N~~45/24 million units for the past 9 weeks from March till date. Market is rife with rumour that the Bank's full year results will soon be released and that Intercontinental Bank's full year benefit will considerably surpass its forecasted 40k final dividend. It will be recalled that the Bank had earlier paid a 35k/Share interim dividend compared to 30k/Share promised in its last Offer forecasts.

A segment of the market posits that though the Bank may significantly outperform its performance projections as well as forecasted final dividend, this may not be sufficient to push its price beyond ~~N~~50 mark. This is premised on the attitude of investors in the Nigerian capital market as bonus issue remains a potent corporate strategy that drives share performance.

However, the Bank's fundamentals are very strong for medium to long term investment horizon. Intercontinental Bank grew its gross earnings by 82.6 percent to ~~N~~60.91bn while PAT soared by ~~N~~72.6 percent to ~~N~~11.32bn in the second quarter for the period ended August 31, 2007. Our conservative forecasts for gross earnings and

PAT are ₦121.83bn and ₦32.82bn respectively compared with N84.35bn and N18.09bn projected in its last Offer prospectus. **We recommend the stock for value investors who look beyond short term capital appreciation.**

LAW UNION AND ROCK INSURANCE PLC(LAW UNION):

Law Union and Rock is one of the foremost insurance companies that scaled the hurdle of recapitalisation in the sector. It has key strength in corporate clients servicing with about 70 percent to 80 percent of its premium growth coming from that segment of the public. Sequel to the recent acquisition of 51 percent stake in the company by Skye Bank Plc, there are feelers that the company has crafted out aggressive strategies in its pursuit of the **bancassurance model** which will better position it for improved performance while enhancing its competitive strength in the sector. A group of industry watchers maintains that while the company's bancassurance stance is hinged on the operational efficiency of Skye Bank, a departure from its corporate clients' focus may be expected owing to the retail banking drive of the Bank. However, this perceived possible change in business module is not expected to further impact negatively on the firm's top lines as it currently makes forays into the West African market.

Law Union posted a strong earnings performance in its last third quarter-September 30, 2007. The company recorded an impressive 94.8 percent growth in gross premium from N1.03 bn recorded in the prior period to N2.01bn while PBT and PAT leapt by 209 percent and 204.1 percent respectively and net margin increased from 17 percent to 26.7 percent. Analysts maintain that given past performance records, this feat is likely to be carried to full year. Compared to its peers in the industry, Law Union trades at a below-industry multiple of 32 xs earnings and an earnings yield of 3.1 percent higher than the sector average of 2.3 percent. Modest forecasts put annualized gross premium at N2.67bn, PBT at N842.21m while PAT is N715m. This translates to a forward multiple of 9.7 xs earnings.

The table below gives the list of our recommended stocks and investment rationale:

BUY RECOMMENDATIONS- MAY 9, 2008

COMPANIES	TARGET ENTRY PRICE	RATIONALE
ACCESS BANK	Current Price	Anticipate superb corporate performance for the financial year ending March 31, 2008. The current price provides big opportunity for momentum traders and medium to long term investors. We expect a strong rally in coming weeks towards the release of the FYE results.
GTBANK	Current Price	Good fundamentals, expect upward trend in price in anticipation of FY 2008 results in February. We anticipate the release of the full year results soonest and declaration of a twin benefit for the year ended. There is a high possibility of rally in coming week in anticipation of the full results. Very good for medium to long term investment horizon.
OCEANIC	Current Price	Outstanding Q2-results. Our analysis shows that the Bank will substantially surpass full year forecasts. Market is also rife with gossips of a share reconstruction by the Bank. A good pick for medium to long term investment decision.
FCMB	Current Price	Positive market sentiments and strong likelihood of surpassing forecasts for the year ending April 30, 2008. High prospect for growth, anticipate a renewed rally as year end April 2008 draws near. Very good for medium to long term investment horizon. The current price provides opportunity for momentum traders.
INTERCONTINENTAL	Current Price	Good fundamentals anticipate superior and above market results for FYE February 29, 2008 and superb final benefit. Expects a rally as the announcement of FY 2008 draws nearer.
UBA	Current Price	Market leader with strong fundamentals, excellent Q1-2007/08 results, anticipate a strong rally weeks ahead. Good for medium to long term investors. There is high likelihood of the Bank releasing 15 months results for the period ending December 31, 2008.
ZENITH BANK	Current Price	Recently released an excellent Q3-results for the period ended March 31, 2008. We anticipate outstanding results for the FYE June 30, 2008. Current price provides an opportunity for short to long term investors to plug in for appreciable capital appreciation and long term value.
DIAMOND BANK	Current Price	Positive market sentiments and strong likelihood of surpassing forecasts for the year ending April 30, 2008. High prospect for growth, anticipate a renewed rally as year end April 2008 draws near. Very good for medium to long term investment horizon. The current price provides opportunity for momentum traders.
ASHAKACEM	Current Price	Sentiments from dealers and other market participant suggest an undervaluation at the current price. Recommended for medium to long term

		investment horizons.
WAPCO	Current Price	Sentiments from dealers and other market participant suggests under valuation at the current price. Recommended for medium to long term investment horizons.

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