

**2016 maiden MPC meeting; Key considerations and expectations:** We do not expect a devaluation of the domestic currency at the end of today's meeting as the CBN explore other means of promoting stability in the FX market. The Nigeria's apex monetary policy body (the monetary policy committee) is anticipated to release the outcome of its two day deliberations against the backdrop of rising inflation and further depreciation in the Naira. Headline Inflation (mainly energy and external markets driven) has added 30bps to 9.6% since the November MPC meeting, while the Naira has waned c.25% in the parallel market to N299/\$US (Official FX rate remained steady at N198/\$US). Thus, we expect the outcome of the ongoing policy deliberations to be "hawkish", involving restrictive measures and likely increase in the Currency Reserve Ratio (CRR). This aligns with the primary goal of the monetary policy committee - Price stability.

**Equity Market Round-up; Modest Recovery:** As investors await the 2015FY corporate scorecards, market sentiment improved softly; partly expunging huge losses suffered at the opening of 2016. As such, the NSE ASI recovered softly, gaining 1.33% Wow. That said trading activity level remained light, casting doubt on the strength and sustainability of the recovery. Despite the last week's gain, Ytd loss remained at a notable -16.81%. Also, dividend compensation in 2016 is projected weaker (relative to 2015's 4.4% dividend yield), considering 9-month average Profit After Tax (PAT) growth across the bluechips. Market Breadth closed positive (2.5x- Advance/Decliner's Ratio; 30 Gainers vs 12 losers) – a signal to further haircuts in the week ahead. Broad market P/E and Dividend yield closed at 7.1x and 5.1%. Our top sector picks remained: Financials (3.4x P/E; 9.4% div yield) Industrial Goods (13.8x P/E; 4.5% div yield) and Conglomerates (3.8x P/E; 9.5% div yield).

**Trading activity level thinned out:** Average daily turnover slid 425% to N2.1bn last week. The lull in trading activity reflects investor apathy following prolonged slack in market performance and lack of foreign participation. In view of "rock bottom" prices, investors should reconsider long positions in the "Dividend Knights" in the month ahead. Aggregate transaction size should however remain unimpressive in the week ahead.

**Equities:**

NSE Market Cap. (N'bn):	8,194
NSE Market Cap. (\$'mn):	41,545
NSE All Share Index (points):	23,826
YTD Return (%):	-16.81%
Last Week's Return (%):	+1.33%
P/E (x):	7.2x
Dividend Yield (%):	5.1%

**Fixed Income:**

Interbank Rate:	O/N:	4.25%
	30-day:	8.77%
	90-day:	10.40%
Treasury Bills:	90-days:	4.31%
	180-days:	7.34%
	360-days:	8.04%
Bonds:	7-Year:	11.86%
	10-Year:	12.15%
	20-Year:	11.96%

**Exchange Rate:**

NGN/USD:	197.24
NGN/USD – Daily Return:	+0.01%

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**Bond yields appreciated softly:** Domestic investors stepped up the demand for bonds amidst cautious expectation on stocks. By consequence, secondary market bond yield declined an average of 72bps Wow to 10.95%. Last week, yields for the benchmark 7-year, 10-year and 20-year instruments berthed at 11.86%, 12.15% and 11.96%, respectively. With a “hunchback yield curve”, medium term bonds (maturities of 7-10 years) present stronger appeal vis a vis other tradable tenors. In the interbank market, the Naira appreciated a soft 0.02% Wow to N197.24/USD. Nonetheless, the Naira depreciated 6.03% in the BDCs to N298/U\$US, after the apex bank stopped dollar supply to the parallel market.

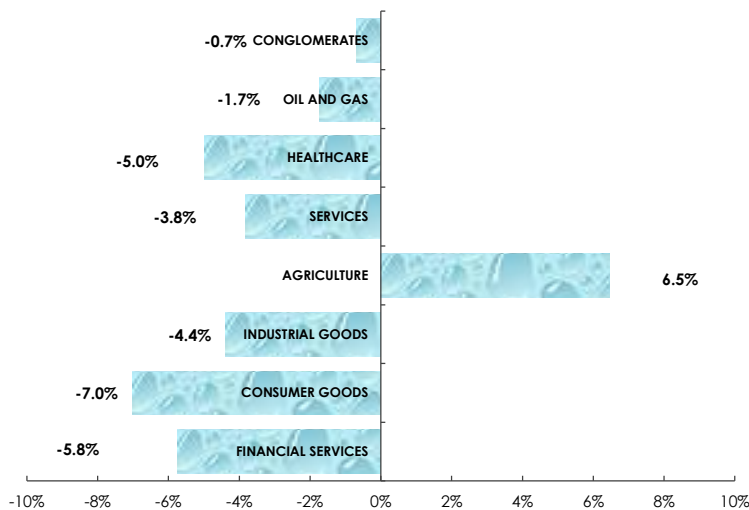
**Treasury yields appreciated by 18bps:** Average T-bills yield closed at 5.62% last Friday, a soft 0.18% Wow depreciation. The benchmark 90-day bill rose however shrank to 7.34%, while the one year yield peaked to 8.08%. In the interbank market, rates fell mildly, despite light liquidity mop up by the central bank to stave off inflation and lower demand for the US dollar. The Overnight rate jumped to 4.31% (from 1.29% last week) at the close of the week, leaving the average tenor rate at 10.32% (0.69% Wow appreciation)..

## A Snapshot of Our Recommendations for the Week

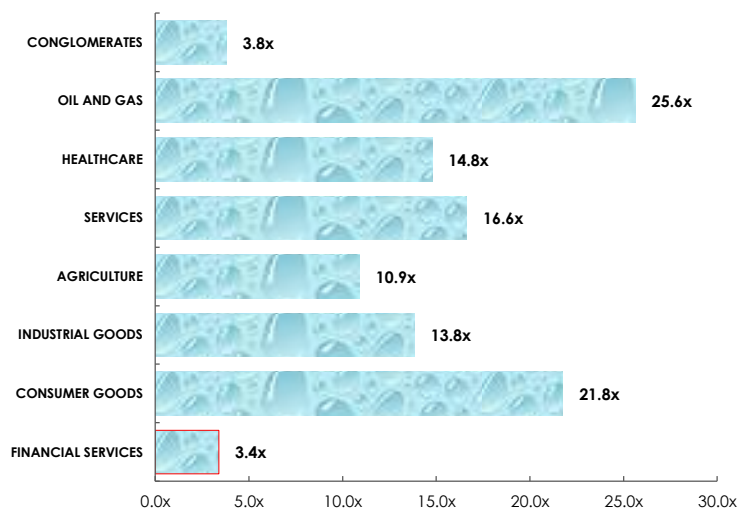
Ticker	SHO (Bn Units)	MCap (N' bn)	Mcap (\$'mn)	Current Price(N)	Target Price(N)	Upside/(Downside)	Rating*	Wow Return(%)	P/E(x)	Div Yield(%)
<b>Financials</b>										
UBA	33.0	98.6	538.7	3.0	6.5	117%	BUY	15.0%	2.1x	3.34%
DIAMONDBNK	14.5	24.9	136.0	1.7	5.0	191%	BUY	-5.0%	0.9x	17.44%
ACCESS	22.9	96.1	525.2	4.2	9.0	114%	BUY	11.4%	2.2x	8.33%
CUSTODYINS	5.9	24.7	135.0	4.2	4.8	14%	BUY	-1.2%	5.5x	2.62%
FCMB	19.8	19.6	107.1	1.0	2.5	153%	BUY	-16.1%	0.9x	30.30%
<b>Non-Financials</b>										
DANGCEM	17.0	2215.6	12104.0	130.0	215.0	65%	BUY	-2.3%	12.3x	4.62%
NB	7.6	816.8	4461.9	108.0	185.5	72%	BUY	11.5%	19.2x	3.24%
UACN	1.9	38.1	208.4	19.9	46.3	133%	BUY	15.8%	3.7x	8.81%
OKOMUOIL	1.0	28.6	156.3	30.0	40.8	36%	BUY	-8.1%	8.8x	0.83%
NASCON	2.6	16.9	92.3	6.4	10.1	58%	BUY	6.0%	7.6x	7.84%

Source:Trustfund Pensions Plc Research, NSE

## YTD Return: Agriculture sector remains the highest gainer



## Valuation (P/E): Financials is the most underpriced sector



## Top ten Gainers for the week

NSE Ticker	Mcap (N'bn)	Mcap (USD'mn)	Price (N)	WoW Return (%)
TRANSCORP	49.6	270.8	1.3	30.6%
FBNH	146.8	802.2	4.5	25.0%
ZENITHBANK	354.8	1938.2	11.3	19.7%
UNITYBNK	23.4	127.9	0.7	17.7%
UACN	38.1	208.4	19.9	15.8%
LIVESTOCK	0.8	4.4	1.4	15.7%
ETERNA	2.2	12.0	1.7	15.6%
UBA	98.6	538.7	3.0	15.0%
GUARANTY	452.1	2469.7	15.4	14.9%
SKYEBANK	15.7	85.7	1.1	14.1%

## Top ten Losers for the week

NSE Ticker	Mcap (N'bn)	Mcap (USD'mn)	Price (N)	WoW Return (%)
TIGERBRANDS	5.8	31.4	1.15	-38.5%
HONYFLOUR	11.7	64.1	1.48	-17.8%
FCMB	19.6	107.1	0.99	-16.1%
SEPLAT	86.7	473.7	156.71	-11.4%
GUINNESS	153.4	837.9	101.85	-10.7%
FLOURMILL	44.4	242.7	16.93	-9.9%
STERLNBANK	25.4	139.0	1.62	-9.5%
ASHAKACEM	53.7	293.6	24	-9.4%
IKEJAHOTEL	5.8	31.9	2.81	-9.4%
NPFMCRFBK	2.3	12.5	1	-8.3%

Source:Trustfund Pensions Plc Research, NSE

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