

# Market Update



The first quarter of 2011 marked a revival of the NSE after the steep declines seen in the previous 2 years. This was due mostly to significant banking reforms to include the creation of the Asset Management Corporation of Nigeria (AMCON) in an effort to revive the financial system. Also, new leadership for the NSE improved the expectation of transparency and operational efficiency at the exchange; and political stability, following a decisive general election, bolstered investor sentiment. With political risk somewhat reduced and the general expectation that proposed initiatives aimed at strengthening the capital markets would be implemented, the outlook for market performance remained positive in the long term.

In the last quarter however, gains previously seen on the NSE slowed as the uncertainties surrounding the implemented banking reforms and the anticipated slowdown in global economic growth became central in the minds of investors. As a result, we saw an increase in profit taking activities as investors look for less risky investments and opt out of the stock market. Despite the challenges, we expect that the implemented reforms for the Financial Sector and the resolution of lingering issues in the Banking Sector will improve overall market sentiment and move the NSE back towards positive territory. Additionally, the fundamentals for a range of stocks and industries remain strong and we believe that there are available opportunities for investors if they are able to move away from risk aversion and look to building a more diverse portfolio.

The important thing to remember is to remain focused on your long term objectives and put less emphasis on short term market fluctuations. For example, if you are a trader and the price of a popular washing liquid goes down from N20 to N15, it is safe to say that you will buy as many as you can in order to increase your margin over time, especially if you believe the price will rise again. By buying when the price falls, you reduce your average cost and increase the potential for a higher margin. This is the same philosophy when purchasing shares. A good time to buy the shares of a company with good fundamentals is when its price is declining; that trend will reverse over time if you are patient. However, selling off after a small decline is a strategy that will increase your losses. Instead, we recommend that you adopt a long term strategy – seek

## Mutual Fund Prices October 4, 2011

FUND	BID PRICE	OFFER PRICE
ARM DF	N216.3926	N222.9170
ARM Ethical Fund	N19.3635	N19.9473
ARM AGF	N9.9890	N10.2902

professional guidance in deciding on which stocks to buy (better still, invest in a mutual fund which is diversified and professionally managed), re-invest your dividends as often as possible and, wait for the price to rise again.



## Stock Picks Sep 30th, 2011

STOCK	PRICE
FIDELITY BANK	N2.05
ZENITH BANK	N12.85
ACCESS BANK	N5.70
FCMB	N4.46
SKYEBANK	N5.10
GUARANTY TRUST BANK	N12.9
FIRST BANK	N9.80
CEMENT CO. OF NORTHERN NIG.	N7.30
FLOUR MILLS	N57.21
CUSTODIAN	N2.30
NIGERIAN BREW.	N83.49
SEVEN-UP	N48.00

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