



Global Economy in 2016

Global economic growth appeared flexible in 2016 due to numerous reasons which vary by region. Generally, the key events include structural adjustments in many countries, efforts to reduce overcapacity, geopolitical events such as Brexit, a coup d'état in Turkey and the ongoing civil war in Syria, heightened uncertainty related to the U.S. presidential election, as well as potential policy changes in the U.S. and a number of other major economies. Comprehensive data showed that the global economy grew by 2.6% year-on-year in Q3 (at current exchange rates) and expected to grow by 2.5% overall in 2016.

Nigeria Economy 2016

The year 2016 commenced with heightened positive expectations, especially due to the federal government budget for the year. The budget was based on a benchmark oil price of \$38/barrel, even though oil price took off low, the expectations of price appreciation during the year was on the high side. In our own view, the target was not in any way unreasonable. Nevertheless, it will be recalled that the budget was also premised on oil production of 2.2 million barrels/day and an exchange rate of N197/USD. And even then the budget deficit was N2.2 trillion (\$11 billion).

Had everything worked out, government borrowings, prompt recovery of looted funds, tightened revenue collections through the customs and other government parastatals and improved tax regime amongst others would have complimented the budget. According to the federal government, this budget was expected to reflate and reposition the economy for change.

The delayed passage of the 2016 budget constrained the much desired fiscal stimulus, thus edging the economy towards contractionary output. As a stop-gap



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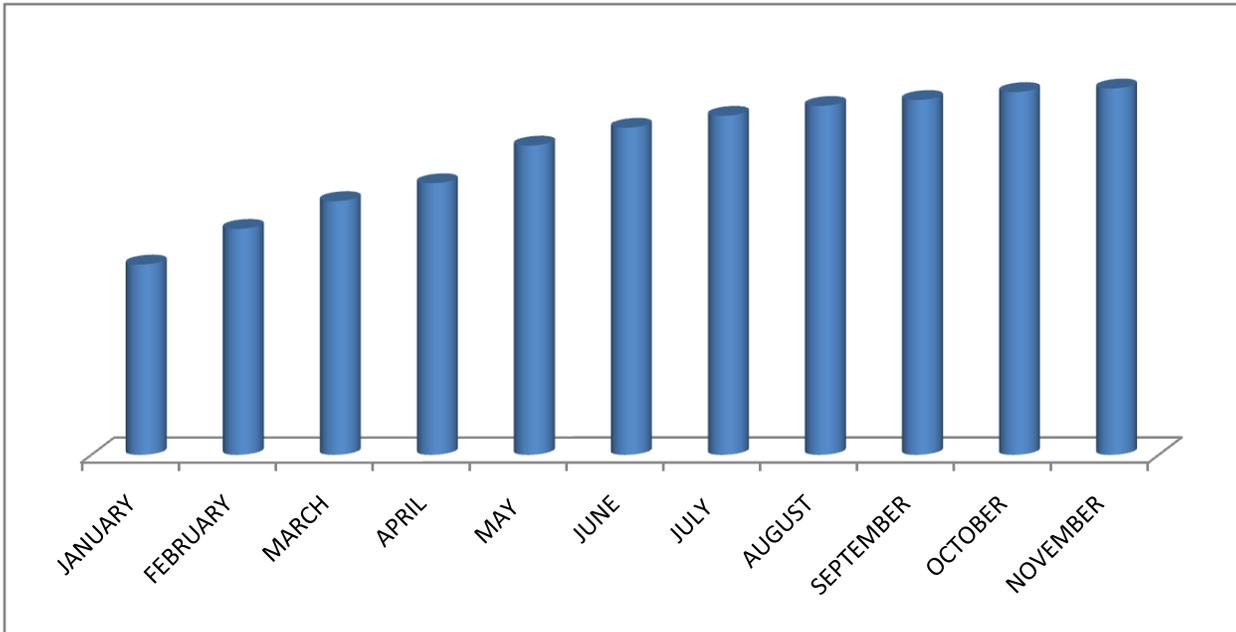
measure, the Central Bank continued to deploy all the instruments within its control with the hope of keeping the economy afloat. The actions, however, proved insufficient to fully avert the impending economic contraction as the nation's economy finally slid to recession.

Another fundamental dent to the budget was a resurgence of militancy in the Niger Delta which swiftly slashed the nation's oil production to its lowest level in 25 years. The production swerved to about 1 million barrels per day or so against the budgeted 2.2 million barrel/day. Compounding the situation further is the crippling shortage of foreign exchange, which eventually forced the CBN to withdraw its defense for the naira (precisely in June) by removing a peg of N197/USD and allowing the currency to float freely. This policy further eroded the nation's reserves.

Having said these much let us briefly look at few economic indicators for 2016 and compare where necessary.

Headline Inflation

The inflation rate accelerated for eleven straight months, moving to the highest of 18.48% in November 2016, since at least October 2005. This drastically reduced investments yields and downed purchasing power, as consumers were forced to access the high prices without any relative increase in their respective incomes. It will be noted that Nigeria is a country where, (according to the last statistics agency count) around 117 million people survive on less than a dollar per day.



Headline Inflation Chart January 2016-November 2016

GDP Annual Growth Rate

First Quarter 2016: According to the National Bureau of Statistics, the GDP in Nigeria contracted by 0.36 percent year-on-year in the first three months of 2016, compared to a 2.11 percent expansion in the corresponding period and below the then forecasted 1.7% growth. It was the first contraction since the second quarter of 2004. The contraction was mainly the result of a slowdown in the services sectors, due to a weakening naira while lower oil prices keep dragging the oil sector down.

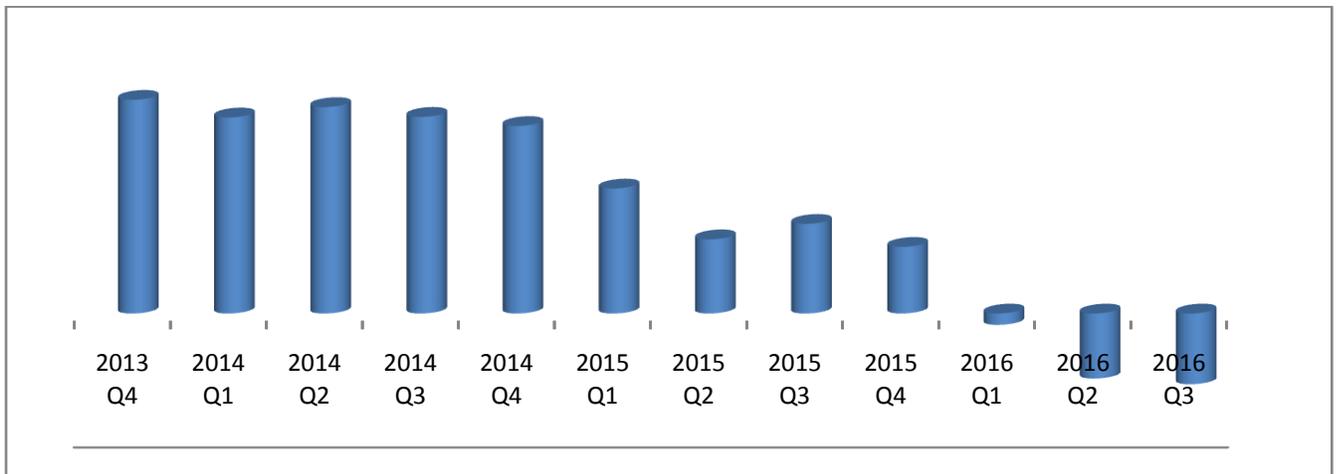
Second Quarter 2016: Maintaining similar pattern as in the first three month of the year, the GDP shrank further by 2.1 percent year-on-year in the second



quarter of 2016, compared to a 0.36 percent drop in the similar period of 2015 and worse than the market predictions of a 1.5 percent decline.

Third Quarter: The economic index-GDP maintained contracting stance even in the third quarter of the year as it shrank by 2.24 percent year-on-year in the third quarter of 2016, following a 2.06 percent decline in the previous period and marking the third consecutive quarter of contraction.

Considering the above, it is clear that the nation’s economy is in a recession. A recession is when the economy declines significantly for at least six months or when the GDP growth rate is negative for two consecutive quarters or more (the condition which had been satisfied by the Nigerian economic index-GDP). That means there had been a drop in the real GDP, Income, Employment, Manufacturing, and retail sales.



NIGERIA GDP (ANNUAL GROWTH RATE)



Interest Rate

Resuming the year at 11% interest rate, the Central Bank of Nigerian adjusted the interest rate twice within the year. In its March 22nd MPC meeting, the rate was adjusted up to 12%. This was done in a sincere attempt to curb the rising inflation which in February hits a double digit of 11.4%. The policy marker also raised the cash reserve ratio by 250 bps to 22.5% and retained the liquidity ratio at 30%, with the Asymmetric Window at +200 and -500 basis points around the MPR.

The rate was maintained despite the increase in the headline inflation figure till July when it was raised by 200Bpts to 14%. This was after it abandoned the currency peg in June 2016, the action that dragged the naira down to all time low value, and catapulted the inflation rate to 16.5% at the end of June. The rates were maintained till the end of the year. According to the committee, this is an attempt to control the inflationary pressure amid foreign exchange scarcity.

Flexible Foreign Market Framework

The MPC in its May 2016 meeting, voted unanimously to adopt greater flexibility in exchange rate policy to restore the automatic adjustment properties of the exchange rate. Consequently, the Bank introduced a flexible exchange rate regime in the inter-bank market; introduced a Naira-settled OTC-FMDQ-OTC trading platform, adopted two-way quote trading platform at the inter-bank foreign exchange market and appointed foreign exchange primary dealers.

The Manufacturing Sector

The manufacturing sector was one of the badly hit by the economic recession in the country.” Trouble started for the manufacturers when Central Bank of Nigeria (CBN) removed 41 items from the lists of utilizers of foreign exchange. Added to



this is the continued drop in the naira to dollar exchange rate. The high cost of sourcing dollar further made it difficult for the firms to bring in their raw materials and those that were able to pay don't even get the dollars supplied to them until after three to four months.

The Equities Market



The equities market, being the clear representative of the nation's economy status revealed the struggling nature of investments. Corporate actions of most listed equities trended below comparable periods; many reported loss positions, while few results were only supported by other comprehensive incomes. Undoubtedly, it was a tough investments season in Nigeria.

Regulations were equally strict as government expectations for revenue generation from its parastatals remained on the high side. Market operators were forced to either upgrade to the exchange's minimum operating standards (of which IT tops gulped more funds) or consider merging with other firms. In all of these, traders still managed their ways through the year.



Index Movement For the year 2016

The all share index of the Nigerian Stock Exchange closed the year in the red as it gave up 617Bpts to close the year at 26,874.62 points from 28,642.25 where it took off trading. Value loss recorded by the market capitalization was estimated at N603.682 billion same as 613Bpts from opening value for the year 2016. NSE-Industrial Goods lost the most followed by NSE-Oil&Gas, NSE-Insurance and others as shown in the index movement table.

Index Movement: For the Year 2016								
INDEX TITLE	30-Dec-15	30-Dec-16		30-Dec-16	Daily % Chg	WtD	MtD	
	PCLOSE	HIGH	LOW	CLOSE				
NSE ASI	28,642.25	31,073.32	23,311.95	26,874.62	-6.17	1.47	6.47	
HCML 17	688.47	789.10	521.05	708.93	2.97	4.60	3.39	
HWC5INDEX	1,016.52	1,524.59	986.05	1,413.13	39.02	6.48	3.07	
NSE 30	1,287.67	1,379.90	1,042.52	1,195.20	-7.18	1.80	5.59	
NSE PREMIUM	1,584.92	2,001.19	1,187.05	1,695.51	6.98	0.21	11.97	
NSE PENSION	815.16	930.63	677.51	810.04	-0.63	1.33	4.82	
NSE CONSUMER GDS	746.19	774.04	575.36	712.65	-4.49	3.69	1.14	
NSE BANKING	268.49	325.12	207.46	274.32	2.17	2.78	7.78	
NSE INSURANCE	142.61	143.17	121.77	126.29	-11.44	2.72	1.90	
NSE OIL/GAS	356.56	385.69	256.05	312.68	-12.31	1.47	16.55	
NSE LOTUS II	1,998.85	2,002.26	1,625.25	1,841.59	-7.87	0.21	1.47	
NSE INDUSTRIALGDS	2,166.70	2,242.92	1,495.36	1,595.33	-26.37	0.15	5.22	
MKT CAPITALIZATION	PCLOSE		CLOSE		%CHG	ACTUAL CHG		
	9,850,605,500,525.42		9,246,922,819,355.66		-6.13	603,682,681,169.76		
YEAR TO DATE								
NSEASI		YEAR TO DATE RETURN		MARKET CAPITALIZATION		YEAR TO DATE RETURN		YtD (%)
OPEN FOR THE YEAR	28,642.25			OPEN FOR THE YEAR	9,850,605,500,525.42			
CURRENT	26,874.62	-6.17		CURRENT	9,246,922,819,355.66	-603,682,681,169.76		6.13

Gainers for the Year

Leading the gainers log for the year was Dangote Flour that attracted 284.07% of its opening price. The equity opened the year at N1.13 and Closed at N4.34 after testing the high and low of N6.12 and N0.86 respectively. UCAP followed on the gainers list with 118.32% price appreciation while Total Oil, Seplat, Mobil and



Conoil (all from the oil and gas sub-sector) followed in that order on the gainers table. See the table below for details.

Gainers for the Year						
Security	Year Open	High	Low	Close	Change	%Change
DANGFLOUR	1.13	6.12	0.86	4.34	↑ 3.21	284.07%
UCAP	1.31	2.96	1.21	2.86	↑ 1.55	118.32%
TOTAL	147.01	345.00	137.75	299.00	↑ 151.99	103.39%
SEPLAT	203.00	410.00	185.00	379.99	↑ 176.99	87.19%
MOBIL	160.00	340.00	140.50	290.00	↑ 130.00	81.25%
CONOIL	24.74	42.60	16.45	37.48	↑ 12.74	51.50%
AGLEVENT	0.62	1.17	0.59	0.92	↑ 0.30	48.39%
ETERNA	2.05	3.52	1.46	3.03	↑ 0.98	47.80%
NEM	0.68	0.96	0.51	1.00	↑ 0.32	47.06%
GUARANTY	18.18	27.67	13.66	24.74	↑ 6.56	36.08%
UBA	3.38	5.36	2.70	4.57	↑ 1.19	35.21%
OKOMUOIL	30.30	47.00	27.80	40.17	↑ 9.87	32.57%
AFRIPRUD	2.49	3.58	2.25	3.05	↑ 0.56	22.49%
PRESKO	33.00	45.30	33.00	40.00	↑ 7.00	21.21%
ACCESS	4.85	6.50	3.60	5.78	↑ 0.93	19.18%
NASCON	7.15	8.77	6.33	8.50	↑ 1.35	18.88%
INTBREW	15.99	20.49	14.96	18.50	↑ 2.51	15.70%
CUTIX	1.66	2.13	1.26	1.89	↑ 0.23	13.86%
AIRSERVICE	2.21	3.19	2.43	2.43	↑ 0.22	9.95%
ZENITHBANK	14.05	18.05	10.35	14.89	↑ 0.84	5.98%
NB	136.00	164.00	93.00	142.00	↑ 6.00	4.41%
WAPIC	0.50	0.54	0.50	0.52	↑ 0.02	4.00%
REDSTAREX	4.25	4.80	3.80	4.40	↑ 0.15	3.53%
INFINITY	1.42	1.54	1.42	1.47	↑ 0.05	3.52%
MCNICHOLS	1.26	1.40	1.11	1.29	↑ 0.03	2.38%
DANGCEM	170.00	203.96	122.99	173.99	↑ 3.99	2.35%
LAWUNION	0.73	0.76	0.50	0.74	↑ 0.01	1.37%
DANGSUGAR	6.03	7.19	5.16	6.11	↑ 0.08	1.33%

Losers for the year

The losers log on the other hand, was topped by Forte Oil which shed 71.65% of the opening value for the year. It was indeed fierce for investors playing the equity as it recorded the high and low of N330 and N51.16 during the year.



Skyebank followed on market sentiments with a loss of 68.35% closing at N0.50 from the opening of N1.58. Other top losers on the list include Caverton, Diamond Bank, Uacn Property and Wapco. See the table below for details.

Losers for the Year						
Security	Year Open	High	Low	Close	Change	%Change
FO	330.00	342.00	51.16	93.54	↓ -236.46	-71.65%
SKYEBANK	1.58	1.57	0.50	0.50	↓ -1.08	-68.35%
CAVERTON	2.47	2.35	0.64	0.90	↓ -1.57	-63.56%
DIAMONDBNK	2.30	2.47	0.80	0.88	↓ -1.42	-61.74%
UAC-PROP	6.09	6.09	2.03	2.50	↓ -3.59	-58.95%
WAPCO	96.80	105.00	38.82	40.95	↓ -55.85	-57.70%
STERLNBANK	1.83	1.85	0.67	0.81	↓ -1.02	-55.74%
VITAFIOM	5.41	5.42	2.18	2.40	↓ -3.01	-55.64%
GLAXOSMITH	34.20	32.49	13.54	15.75	↓ -18.45	-53.95%
ASHAKACEM	25.00	25.20	10.74	12.02	↓ -12.98	-51.92%
UNITYBNK	1.12	1.26	0.51	0.57	↓ -0.55	-49.11%
FIDSON	2.50	2.79	1.20	1.28	↓ -1.22	-48.80%
CCNN	9.35	10.10	4.04	5.00	↓ -4.35	-46.52%
FIDELITYBK	1.50	1.52	0.76	0.84	↓ -0.66	-44.00%
PZ	25.70	25.70	14.10	14.50	↓ -11.20	-43.58%
TRANSCORP	1.52	2.13	0.66	0.86	↓ -0.66	-43.42%
BETAGLAS	53.45	53.45	28.88	31.83	↓ -21.62	-40.45%
UNHOMES	4.97	4.97	3.02	3.02	↓ -1.95	-39.24%
ETI	16.80	18.60	9.50	10.30	↓ -6.50	-38.69%
PAINTCOM	1.04	1.04	0.65	0.65	↓ -0.39	-37.50%
HONYFLOUR	2.05	2.15	0.97	1.29	↓ -0.76	-37.07%
CADBURY	17.15	20.50	10.03	10.83	↓ -6.32	-36.85%
LIVESTOCK	1.33	1.39	0.72	0.84	↓ -0.49	-36.84%
FCMB	1.69	1.87	0.68	1.07	↓ -0.62	-36.69%
MANSARD	2.69	2.69	1.56	1.71	↓ -0.98	-36.43%



Losers for the Year						
Security	Year Open	High	Low	Close	Change	%Change
BERGER	10.00	10.50	6.23	6.40	↓ -3.60	-36.00%
GUINNESS	120.40	122.59	71.82	80.00	↓ -40.40	-33.55%
FBNH	5.13	5.02	2.95	3.46	↓ -1.67	-32.55%
AIICO	0.91	0.96	0.56	0.63	↓ -0.28	-30.77%
CHAMPION	3.37	5.13	2.20	2.38	↓ -0.99	-29.38%
7UP	182.00	196.00	102.00	129.00	↓ -53.00	-29.12%
OANDO	5.90	8.11	2.90	4.55	↓ -1.35	-22.88%
UBN	6.90	6.90	3.70	5.35	↓ -1.55	-22.46%
UACN	20.75	22.00	16.01	16.41	↓ -4.34	-20.92%
NAHCO	3.78	5.95	2.10	3.04	↓ -0.74	-19.58%
UNILEYER	43.25	50.01	26.60	35.00	↓ -8.25	-19.08%
CAP	37.60	40.00	27.30	32.00	↓ -5.60	-14.89%
MAYBAKER	1.10	1.22	0.80	0.94	↓ -0.16	-14.55%
TRANSCOHOT	5.80	5.56	4.59	4.98	↓ -0.82	-14.14%
MRS	49.66	49.66	31.93	43.24	↓ -6.42	-12.93%
CONTINSURE	1.13	1.20	0.87	0.99	↓ -0.14	-12.39%
NEIMETH	0.89	1.24	0.60	0.78	↓ -0.11	-12.36%
TRANSEXPR	1.13	1.82	0.97	1.00	↓ -0.13	-11.50%
FLOURMILL	20.80	24.99	16.20	18.49	↓ -2.31	-11.11%
CAPHOTEL	3.87	3.87	3.50	3.50	↓ -0.37	-9.56%
STANBIC	16.53	17.76	12.82	15.00	↓ -1.53	-9.26%
CUSTODYINS	4.10	4.20	3.42	3.74	↓ -0.36	-8.78%
JBERGER	42.00	50.93	35.00	38.58	↓ -3.42	-8.14%
BOCGAS	3.79	3.95	3.52	3.52	↓ -0.27	-7.12%
NESTLE	860.00	855.00	615.26	810.00	↓ -50.00	-5.81%
NPFMCRFBK	1.10	1.26	0.89	1.06	↓ -0.04	-3.64%
ENAMELVA	29.78	29.78	29.33	29.33	↓ -0.45	-1.51%

Conclusion/Outlook 2017

The global economy has now entered its sixth year of stagnation, and the growth outlook for 2017 confirmed the possibility of same continued trend pattern. A projected stabilization in energy and commodity prices may provide a small tailwind for resource rich economies in 2017, but the medium-term trend continues to be dominated by weaker growth in key inputs, notably investment and labor supply.



Modest positive signals emerge from the base scenario showing some strengthening in qualitative growth factors, such as more advanced technology, improved labor force skills, and greater productivity. But those potentially favorable factors are under pressure from ongoing political, policy, and economic uncertainties around the world. This risks further inertia caused by a wait-and-see attitude among corporate entities and governments.

As a matter of fact, businesses around the world must prepare for more negativity likely to emerge from geopolitical tensions, policy uncertainties, financial market volatility, and rapid changes in technology, it is also imperative for them to stay focused on leveraging the qualitative sources of growth with investment in technology and business productivities.

Nigeria Economy Outlook

After contracting for the first time in over two decades in 2016, the Nigeria economy is expected to rebound in 2017, although the recovery will be fragile. Tight liquidity conditions, capital controls and further militant attacks posed a lot threat to growth prospects. It has been projected that the economy will grow at 1.4% in 2017, which is down 0.5 percentage points from last month's forecast. Meanwhile, 3.0% expansion is projected in 2018.

Equities Investments in first Quarter 2017

It is no news that investment factor in the Nigerian equities market through the first three months of 2017 is strongly hinged on earnings performance. Since it is not so certain that most equities will unveil growing figures over comparable periods, it will be appropriate to scout for equities likely to report positive reports of which either cash or scrip dividend could be given.



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In our opinion, investors should consider equities in the Oil&Gas, Banking, Breweries, Consumer and Industrial Goods in their respective trading baskets.

General investment strategies through the year should be targeted towards long term, while traders are to strategically play fundamental news for short term profits. Please note that, short trades carry higher risk even now than in 2016. Kindly follow the trend.