

#### GLOBAL ECONOMIC SUMMARY

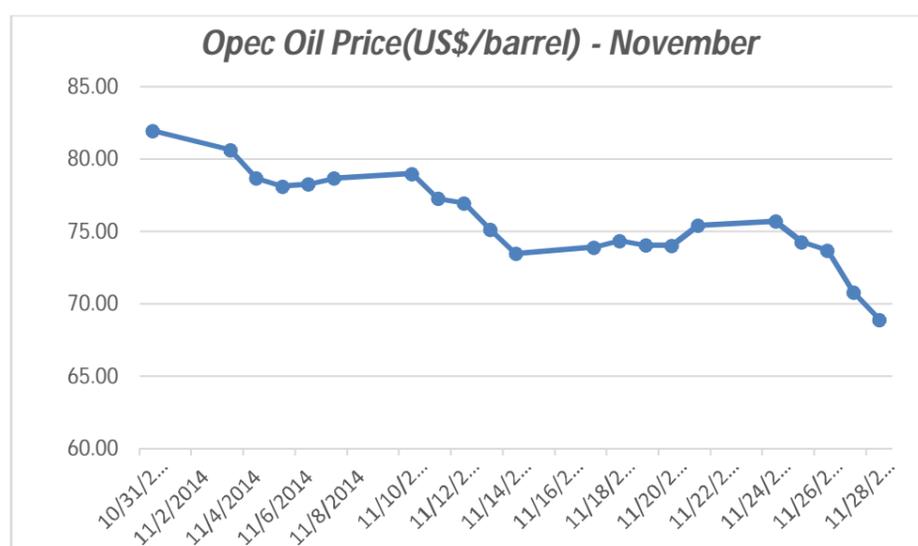
Developments in global financial markets in the month of November 2014 were largely influenced by major economic indicators and key monetary policy decisions in US, China, Japan and Europe as well as the persistent downward trend of the global crude oil prices. Energy prices influenced economic activities of both oil producing and major oil consuming nations of both advanced and emerging economies as the falling prices posed threat of huge dwindling income and currency depreciation for oil exporting countries that had significant portion of their economic earnings dependent on oil whereas on the other hand good news for oil consuming nations with cost reduction, however, this also pose threat of deflation expectation for advanced countries as energy prices have correlation with inflation given that energy prices constitute significant portion of consumers spending.

The Shale oil production boom in US changed the world energy market dynamics with glut witnessed in crude oil market amidst weak demand on account of weak growth in China (as the second world's largest oil consumer) and sluggish cum stagnant growth momentum in Eurozone as well as contraction in Japanese economy in the third quarter. Respite did not come from the Organisation of Petroleum Exporting Countries (OPEC) despite the oil market watchers expectation from OPEC to cut output in order to rebalance the market to stabilize prices. OPEC which controlled about one-third of the global supply refused to cut its production ceiling of 30million barrel of crude per day given that lower prices had already impacted earnings of member countries and also need to maintain market share. It is also envisaged that lower price will over time discourage the shale oil producers on account of higher production cost which range on the average of \$52 to \$70 per barrel. However it is also plausible to opine that the energy independence objective of the US is a national security issue, thus US government may step in to subsidize production cost for its major shale oil producers in order for US to maintain its new found energy self-sufficiency.

It is our candid opinion that significant crude oil price reversal is not expected to come overnight as the demand factors that influence prices will depend on pace of business and economic activities in China, Eurozone and Japan and possibility of production disruption in some crisis prone oil producing regions especially the Middle East. OPEC Basket price slumped by 15.96% in November alone crashing to US\$68.89/barrel on November 28, 2014 from US\$81.97 a barrel on October 31, 2014 and from a high of US\$110.48 on June 20, 2014 while year to date loss stood at -35.53% from this year opening price of US\$106.85 a barrel.

United States had continued to benefit immensely from falling crude oil prices as the US dollar continued gaining strength against other major currencies with continuous improvement in data on business and economic activities especially employment, output and manufacturing as against weaknesses observed in Asia and Europe.

| Parameters                          | Current           | Previous          |   |
|-------------------------------------|-------------------|-------------------|---|
| GDP Growth Rate (Y-o-Y)             | 6.23%(Q3'14)      | 6.54%(Q2'14)      | ↓ |
| Crude Oil Production (mbpd)         | 2.352(Oct-14)     | 2.480(Sept-14)    | ↓ |
| Nigeria's Bonny Light (US\$/Barrel) | 78.46(28-11-14)   | 86.95(28-10-14)   | ↓ |
| OPEC Basket Price (US\$/Barrel)     | 68.89(28/11/14)   | 81.97(31/10/14)   | ↓ |
| Inflation Rate (Y-o-Y)              | 8.1%(Oct-14)      | 8.3%(Sept-14)     | ↓ |
| Benchmark Interest Rate(MPR)        | 13.0%(28-Nov)     | 12.0%(31-Oct)     | ↑ |
| 91-Day Treasury Bill (%)            | 9.998(19-11-14)   | 9.80(22-10-14)    | ↑ |
| 182-Day Treasury Bill (%)           | 10.80(19-11-2014) | 10.20(22-10-2014) | ↑ |
| 364-Day Treasury Bill (%)           | 12.49(19-11-2014) | 11.25(22-10-2014) | ↑ |
| External Reserve (US\$ bn)          | 36.804(28-11-14)  | 38.763(29-10-14)  | ↓ |
| Exchange Rate(N/\$)-Interbank       | 177.038(28/11/14) | 165.535(31/10/14) | ↑ |
| Exchange Rate(N/\$)-Official        | 165.000(27/11/14) | 155.760(31/10/14) | ↑ |



Unemployment rate in US came down for the third consecutive month to a new six-year low of 5.8% in October from 5.9% in September as additional 214,000 jobs were created in October. Also the third quarter economic output growth data was revised up to 3.9% from an initial estimate of 3.5% as significant growth was recorded in consumer spending and investment which constitute about two-third of US economic activity.

In Asia, in a bid to stem dwindling economic and business activities in China, the People's Bank of China at its November 21, 2014 meeting decided to reduce its benchmark interest rates for the first time in more than two years. One year lending rate was trimmed by 40 basis points to 5.6% and one year deposit rate cut by 25 basis points to 2.75%. The rate cut in China came in unexpectedly and signaled renewed optimism on China's concern for its economic outlook this sparked rally in equities market in Asia and Europe towards the last two weeks of the month of November.

**The scheduled meeting of European Central Bank (ECB) slated for December 4, 2014 is a crucial event to watch in global financial market as the ECB is expected to give further details and time table of its planned monetary stimulus package tagged quantitative easing given that the US had ended its own package.**

## DOMESTIC ECONOMY

Activities in Nigerian financial market were highly volatile in the month of November especially in equities, bond and foreign exchange market as continuous downward trend of international crude oil prices amid declining foreign currency reserves took a heavy toll on Nigerian naira which depreciated significantly in the month, thus aggravating selling pressure in both equity and bond position by foreign portfolio investors whose investment holding in naira term had been eroded by loss of currency value. In the light of the above, the monetary policy committee (MPC) of the Central Bank of Nigeria (CBN) in response to its core mandate of maintaining macroeconomic stability took a bold decision of further tightening of monetary policy stance at its November 24-25, 2014 meeting as follows: raised the Monetary Policy Rate (MPR) by 100 basis points from 12% to 13% with a corridor of  $\pm 200$  basis points; increased Cash Reserve Requirement (CRR) on private sector deposit in banks by 5% from 15% to 20% with immediate effect while retaining the CRR on public sector deposit at its current level of 75%, and devaluation of the naira by moving the midpoint of the official exchange rate from N155/US\$ to N168/US\$ with increase in band from  $\pm 3\%$  to  $\pm 5\%$  meaning that official exchange rate will henceforth be within N159.60/\$ to N176.40/\$.

In defending its policy decision, the committee opined that the economy stood to gain by further tightening of monetary policy stance to anchor inflation expectations and allowing some flexibility in the exchange rate to stem speculative activities and further depletion of external reserve in the face of non-existent fiscal buffers at a time of heightened demand pressure for foreign exchange and falling oil prices.

Going by the current global and domestic economic trend and wide gap between official and parallel rates, devaluation was not an unexpected decision. Following from this, it is a common knowledge that the decision will increase the level of inflation which stood at 8.1% as at October 2014, hence, the decision of CBN to increase benchmark interest rate from 12% to 13% is seen as succour to investors in fixed income instruments given that real return on fixed income investments is reduced by higher rate of inflation.

As the oil revenue kept declining, it is apparent that Nigerian Government at all levels must aggressively address other sources of income generation. Although, the Ministry of Finance is currently considering a downward review of 2015 budget with cut in expenditure as well as some policies to raise taxes and levies on luxury goods amongst others. In our view, it has now become apparent for fiscal authority to promote investment in import substitution to reduce increased demand for foreign currency as a result of heavy reliance on importation. Also, in the interim, subsidy removal on petroleum products is inevitable to spur private sector investment in refinery in order to reduce pressure on dollar for importation of refined products.

The naira continues to lose its grip on the US dollar despite series of bi-weekly Retail Auction by the CBN during the month. The legal tender finally succumb to pressure and was eventually devalued as the official mid-point was moved from N155.75/\$ to N168/\$ while the bandwidth was widened to  $\pm 5\%$ . This became evident as nation's external reserve decline in tandem with crude oil prices. The reserve which hitherto has been a support used in defense of the naira has been depleted by 15.61% since year open leaving the Apex Bank with no other option than to adjust the official mid-point of the naira. The Central Bank of Nigeria (CBN) offered US\$2.2billion during the month under review, US\$800million less than the amount offered in October. The Apex Bank sold US\$2.297billion as compared to US\$2.999billion sold the preceding month. The legal tender depreciated by 5.93% against the USD at the official window shedding N9.24 to close at

N165.00/\$. At the interbank market segment, the naira lost 6.95% (N11.50) to close at N177.0375/\$. Similarly, the naira lost against the British pounds sterling and Euro by a margin of N10.78 and N10.04 respectively closing at N260.1225/£ and N206.0355/€.

### EXCHANGE RATES AS AT Nov 28, 2014

| CURRENCY        | YEAR START OFFER JAN 2, 2014 | (31-10-14) | (28-11-14) | $\Delta$ (N) | $\Delta$ (%) |   |
|-----------------|------------------------------|------------|------------|--------------|--------------|---|
| NGN/USD         | 155.7000                     | 155.7600   | 165.0000   | 9.24         | 5.93         | ↓ |
| NGN/GBP         | 257.2320                     | 249.3406   | 260.1225   | 10.78        | 4.32         | ↓ |
| NGN/EUR         | 213.0132                     | 195.9928   | 206.0355   | 10.04        | 5.12         | ↓ |
| INTERBANK(N/\$) | 158.6000                     | 165.5350   | 177.0375   | 11.50        | 6.95         | ↓ |

At the money market, interbank rates which signaled financial system liquidity fluctuated in response to periods of liquidity squeezes and funds' injection into the financial system via monthly statutory funds allocation from federation accounts, Treasury Bills issues and FGN bond auction as well as the bi-weekly foreign exchange auctions by CBN. Interbank rates moved upwards across all tenors during the month especially with the increase in CRR on private sector deposit in banks. Overnight rate rose from 10.4833% on October 31, got to a month high of 18.2500% before moderated to close at 13.4167% on November 28, 2014. The 30-Day tenor equally trended upwards to 14.0438% from preceding month's closing figure of 12.3367%.

### NIBOR RATES AS AT Nov 28, 2014

| NIBOR TENOR | Oct 31, 2014 | Nov 28, 2014 | MOVEMENT |
|-------------|--------------|--------------|----------|
| OVERNIGHT   | 10.4833      | 13.4167      | ↑        |
| 1 MONTH     | 12.3369      | 14.0438      | ↑        |
| 2 MONTHS    | 13.2888      | 14.5690      | ↑        |
| 6 MONTHS    | 14.2661      | 15.3410      | ↑        |

## CAPITAL MARKET REPORT

Leading global equities market indices closed the month under review on a bright note as stocks in the U.S, Europe, Asia and Africa advanced in prices. Interest rate cut in China, stronger economic output and employment data in US as well as expectation of further monetary stimulus by monetary authority in Europe sent equities higher during the month under review. Dow Jones Industrial Average (DJIA) appreciated by 2.52%, higher than 2.04% recorded the previous month while year-to-date return on the index stood at 7.55%. S&P 500 index also added points appreciating by 2.45% within the period. The index peaked at 2072.83pointson Wednesday Nov 26, 2014- the highest level so far attained this year. NASDAQ and BOVESPA Index (Brazil) both gained 3.47% and 0.07% respectively to close in the green territory.

In Europe, stocks recovered from the losses suffered in October as the European Central Bank (ECB) hinted on possibility of further broadening the stimulus package by including corporate bonds in its scope of asset purchases. This piece of information together with other positive global economic policies pushed equities prices in European bourses upward. EURO STOXX 50 Index, Europe's leading blue-chip index for the Eurozone, gained 4.42% during the period to erase completely a loss of 3.49% recorded the in previous month. The German DAX 30 Index went up by 7.01% after slipping by 1.56% in October. In France, CAC 40 index and SMI (Switzerland) appreciated by 3.71% and 3.54% respectively while in the United Kingdom, FTSE 100 (UK) rose by 2.69% though with a negative year-to-date return of 0.31%.

**GLOBAL STOCK INDICES AS AT NOVEMBER 28, 2014**

|                      | MONTHLY % Δ<br>OCT 2014 | MONTHLY % Δ<br>NOV 2014 | YTD % Δ<br>JAN 01-NOV 28,<br>2014 |
|----------------------|-------------------------|-------------------------|-----------------------------------|
| <b>AFRICA</b>        |                         |                         |                                   |
| NSE ASI (NIGERIA)    | -8.88                   | -8.01                   | -16.42                            |
| JSE ASI (S. AFRICA)  | 0.78                    | 0.38                    | 7.90                              |
| GSE CI (GHANA)       | 0.43                    | 0.78                    | 5.67                              |
| EGX 30- CASE 30      | -7.09                   | 2.31                    | 37.49                             |
| NSE ASI (KENYA)      | -2.31                   | 2.25                    | 19.48                             |
| <b>AMERICA</b>       |                         |                         |                                   |
| DJIA (USA)           | 2.04                    | 2.52                    | 7.55                              |
| S & P 500 (USA)      | 2.32                    | 2.45                    | 11.86                             |
| NASDAQ (USA)         | 3.06                    | 3.47                    | 14.73                             |
| BOVESPA (BRAZIL)     | 0.95                    | 0.07                    | 6.13                              |
| <b>EUROPE</b>        |                         |                         |                                   |
| FTSE 100 (UK)        | -1.15                   | 2.69                    | -0.39                             |
| CAC 40 (FRANCE)      | -4.15                   | 3.71                    | 2.19                              |
| DAX 30 (GERMANY)     | -1.56                   | 7.01                    | 4.49                              |
| SMI (SWITZERLAND)    | 0.03                    | 3.54                    | 11.55                             |
| EURO STOXX 50        | -3.49                   | 4.42                    | 4.57                              |
| <b>ASIA/PARCFIC</b>  |                         |                         |                                   |
| NIKKEI 225 (JAPAN)   | 1.49                    | 6.37                    | 7.17                              |
| BSE 30 INDEX (INDIA) | 4.64                    | 2.97                    | 35.54                             |
| HSI (HONG KONG)      | 4.64                    | -0.04                   | 2.91                              |

The performance of Asian equities was positive buoyed by interest rate cut in China save for a marginal loss recorded in Hong Kong. Japan NIKKEI 225 appreciated by 6.37% after the Bank of Japan kick started its own round of quantitative easing programme. In India, BSE 30 index rose by 2.97% while Hang Seng Index (Hong Kong) lost marginally by 4 basis points to close red.

Activities in African bourses were bullish except in Nigeria where the market gauge NSEASI shrank by 8.01% during the month. JSEASI (South Africa) and GSE-CI (Ghana) inched up by 38 basis points and 78 basis points respectively. In Egypt, EGX-30 index appreciated by 2.31% while NSEASI (Kenya) inched up by 2.25%.

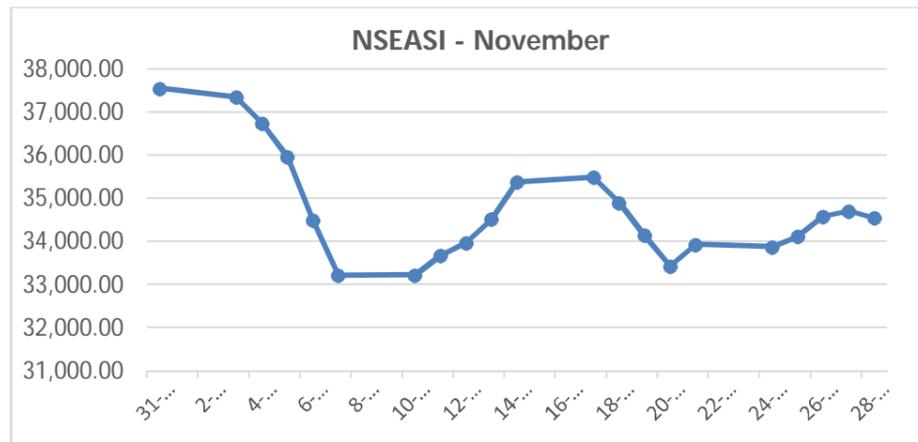
**NIGERIAN MARKET**

The performance of the Nigerian Stock Exchange All Share Index (NSEASI) this year was well below a year-to-date return of 38.61% attained this same period last year. This could be attributed to various economic policies from within and outside the country. The market gauge lost 3007.19 points (8.01%) during the month under review losing in ten out of twenty trading days. Investors became more apprehensive in the first week of November about the direction of the economy as continuous drop in crude oil prices as well as pressure on the naira and possibility of the CBN to devalue the naira (which finally happened) coupled with anxiety over the upcoming 2015 general election made foreign portfolio investors exit with a motive to watch from the sideline. Other internal factors such as SEC recapitalization deadline of 31 Dec, 2014 for all Dealing member firms as well as the prescription of Minimum Operating Standard (MOS) by The Exchange also impacted the market negatively.

The NSEASI lost 11.54% in the first five trading days of November as heavy supply hit the bourse sending equities prices lower. During the month under review, Large Cap stock such as DangCem, Seplat, Nestle, Wapco, Flourmills and FBNH declined by 16.33%, 22.88%, 18.06%, 27.27%, 12.24% and 14.08% respectively as market capitalization lost N1.033trillion (8.30%) to close at N11.404.

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| MARKET INDICATORS     | OPEN<br>(01-11-2014) | CLOSE<br>(28-11-2014) | MONTHLY<br>Δ (%) |
|-----------------------|----------------------|-----------------------|------------------|
| ALL SHARE INDEX       | 37,550.24            | 34,543.05             | -8.01            |
| MARKET CAP (Trillion) | 12.437               | 11.404                | -8.30            |
|                       | PREV.MONTH           | THIS.MONTH            |                  |
| TURNOVER VALUE        | N87.549b             | N99.928b              | 14.14            |
| TURNOVER VOLUME       | 7.980b               | 9.042b                | 13.31            |
| DEALS                 | 94,903               | 93,299                | -1.69            |



The slight differential in index and market capitalization was attributed to the regulatory delisting of shares of Pinnacle, Starcomm, Afroil and Big Treat. Volume and value of transaction increased by 14.14% and 13.31% respectively relative to the previous month.

*“The trend of any economy is always cyclical (of which Nigerian market is no exemption) but the discerning minds build their wealth at the bottom of the cycle.”*

*We reiterate our view that current prices of stocks with good fundamentals still remain long term value to investors as most stocks are currently trading far below their intrinsic value, thus we advocate position taking with significant appreciation between now and next six months post 2015 general elections rather than joining the band wagon in selling at a deep loss. Those that had exited their position would likely be lured back due to huge potential long term gain as opposed to short term trading phenomenon.*

**FGN BOND AS AT Nov 28, 2014**

| BOND                    | TENOR<br>(YR) | COUPON<br>(%) | YIELD                 |                       | PRICE                 |                       |
|-------------------------|---------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         |               |               | THIS.MTH<br>28-NOV-14 | LAST.MTH<br>31-OCT-14 | THIS.MTH<br>28-NOV-14 | LAST.MTH<br>31-OCT-14 |
| 4.00% FGN 23-APR 2015   | 5YR           | 4.00          | 11.03                 | 10.68                 | 97.28                 | 96.96                 |
| 13.05% FGN 16-AUG 2016  | 3YR           | 13.05         | 12.98                 | 12.13                 | 100.05                | 101.40                |
| 15.10% FGN 27-APR 2017  | 5YR           | 15.10         | 13.53                 | 12.39                 | 103.10                | 105.65                |
| 9.35% FGN 31-AUG 2017   | 10YR          | 9.35          | 13.52                 | 12.49                 | 90.64                 | 92.67                 |
| 16.00% FGN 29-JUN 2019  | 7YR           | 16.00         | 13.26                 | 12.52                 | 109.15                | 111.95                |
| 16.39% FGN 27-JAN 2022  | 10YR          | 16.39         | 13.17                 | 12.57                 | 114.60                | 117.75                |
| 14.20% FGN 14-MAR 2024  | 10YR          | 14.20         | 12.98                 | 12.55                 | 106.40                | 108.90                |
| 15.00% FGN 28-NOV 2028  | 20YR          | 15.00         | 12.66                 | 12.76                 | 115.20                | 114.45                |
| 12.49% FGN 22-MAY 2029  | 20YR          | 12.49         | 12.62                 | 12.78                 | 99.14                 | 98.11                 |
| 10.00% FGN 23-JULY 2030 | 20YR          | 10.00         | 12.84                 | 12.67                 | 81.00                 | 81.95                 |
| 12.15% FGN 18-JULY 2034 | 20YR          | 12.15         | 13.00                 | 12.67                 | 94.00                 | 96.20                 |

During the month under review Debt Management Office (DMO) on behalf of Federal Government of Nigeria at its monthly bond issuance programme on Wednesday November 12, 2014 raised N65billionworth of FGN bonds in three issues as follows: N10billion worth of 13.05% FGN16-AUG 2016 (3-year reopening) at 12.00% lower than 12.14% in the previous auction; N30billion worth of 14.20% FGN14-MAR 2024 (10-year re-opening) at 12.80% higher than 12.79% in the previous auction and N25billion worth

of 12.1493% FGN 18-JUL 2034 (20-year re-opening) at 13.00% higher than 12.699% in October auction. All the bonds were oversubscribed but at higher rates with lower prices compared to the preceding month's auction except for the 3-year bond raised at lower rate in line with price behavior in the secondary market.

Activities at the OTC secondary market for FGN bonds closed the month on a bearish note as investors engaged in cautious trading in anticipation of further depreciation of naira and inflation expectation. All the bonds with term to maturity of greater than one year witnessed downward trend in prices with yields climbing higher again to within a range of 11.03%-13.53% up from the previous month closing band of 10.68%-12.76%. We expect some level of improvement in fixed income market activities with the new CBN monetary policy decisions that are expected to bring stability to the currency and stem further depreciation of the naira coupled with 100 basis points increase in MPR as succor for inflation expectations.

#### TOP 5 GAINERS FOR THE MONTH

| STOCK             | 31-OCT-14 | 28-NOV-14 | GAIN (N) | Δ (%) |
|-------------------|-----------|-----------|----------|-------|
| <b>IKEJAHOTEL</b> | 2.70      | 3.63      | 0.93     | 34.44 |
| <b>PZ</b>         | 23.84     | 28.50     | 4.66     | 19.55 |
| <b>COSTAIN</b>    | 0.92      | 1.01      | 0.09     | 9.78  |
| <b>BERGER</b>     | 8.00      | 8.70      | 0.70     | 8.75  |
| <b>UBA</b>        | 4.75      | 5.13      | 0.38     | 8.00  |

#### TOP 5 LOSERS FOR THE MONTH

| STOCK            | 31-OCT-14 | 28-NOV-14 | LOSS (N) | Δ (%)  |
|------------------|-----------|-----------|----------|--------|
| <b>CHAMPION</b>  | 14.20     | 9.80      | -4.40    | -30.99 |
| <b>ACADEMY</b>   | 1.32      | 0.95      | -0.37    | -28.03 |
| <b>ASHAKACEM</b> | 31.34     | 22.70     | -8.64    | -27.57 |
| <b>WAPCO</b>     | 109.99    | 80.00     | -29.99   | -27.27 |
| <b>UAC-PROP</b>  | 14.00     | 10.50     | -3.50    | -25.00 |

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