

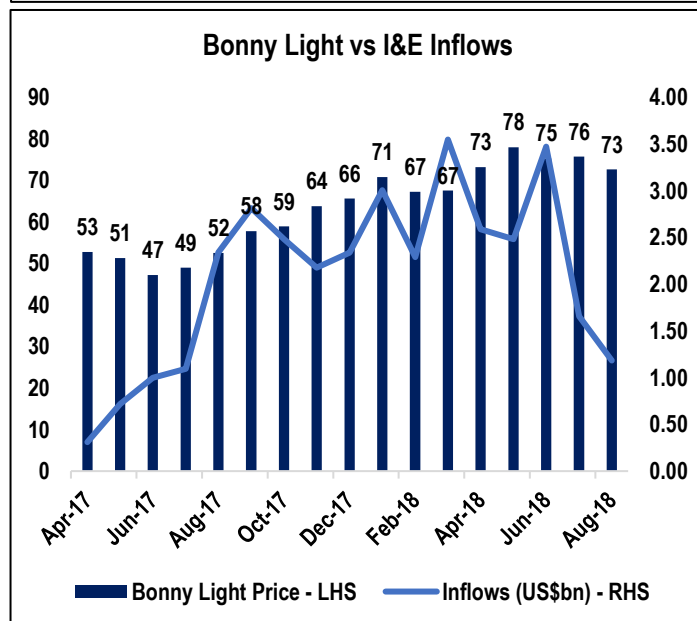
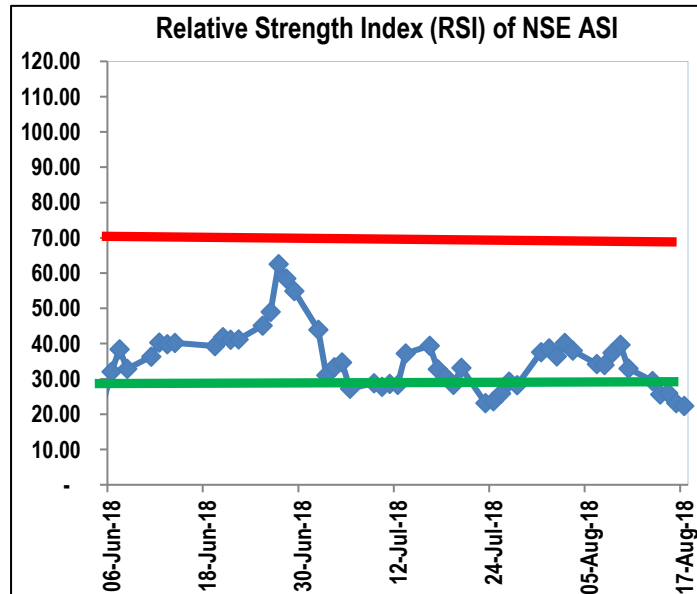
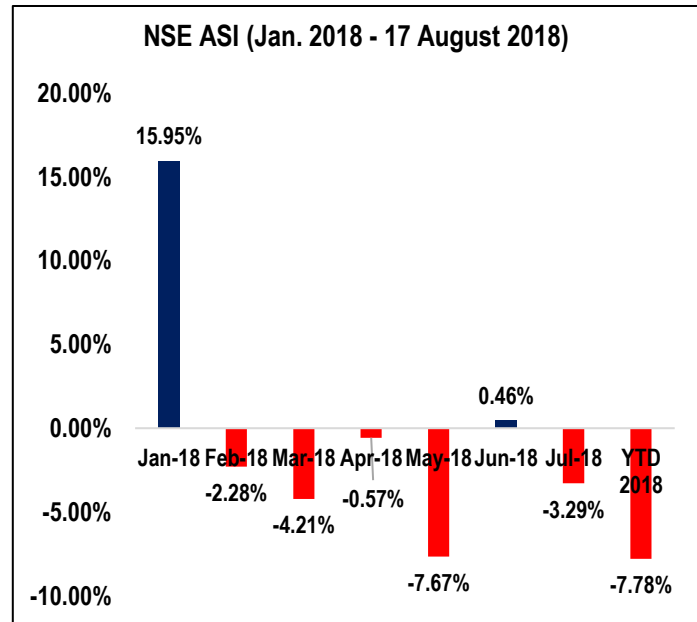
Opportunities in a Bear Market

FSDH Research believes there are investment opportunities in the Nigerian equity market for long-term investors despite its year till date weak performance so far in 2018. Year-to-date (YTD), The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated by 7.78% (a loss of 6.69% in US Dollar) to close at 35,266.29 points.

The weak performance of the equity market so far in 2018 can be attributed to two main factors: firstly, the pullback of some foreign investors from the market due to uncertainty ahead of next year's general elections and secondly, the rising global yields which are leading to reallocation of portfolio funds away from the equity market. Meanwhile, the equity market is already showing signs of oversold position. This means that a reversal in the market is imminent.

The Relative Strength Index (RSI) on the equity market is showing signs of oversold position. The expectation of higher crude oil prices on the international market in the short-term and crude oil production in Nigeria are positive drivers of the equity market.

The average price of Bonny Light crude oil so far in 2018 is higher than the 2018 Budget benchmark of US\$51/b. According to data from Thomson Reuters, the Bonny Light crude oil price increased by 5.56% to US\$71.20/b as at 17 August 2018, compared with the end-December figure. The average price of Bonny Light during this same period was US\$72.46/b. The oil price, at around US\$70/b, should increase crude oil revenue for Nigeria, and this should continue to support a stable exchange rate in the short term. Consequently, the exchange rate risk is reduced to a large extent.



The dividend yield in the market has increased due to the low prices. These low prices are attractive for investors wanting to take positions in the market on a long-term basis. During the holding period of stocks, investors will earn attractive dividend yield, bonus (where declared) and have the opportunity to receive the benefits of capital appreciation.

Foreign Portfolio Inflows Via the Nigerian Equity Market – US\$mn							
	Total	Foreign	Domestic	Foreign Inflow	Foreign Outflow	Domestic Retails	Domestic Institutions
Jan-18	394	166	228	92	75	106	122
Feb-18	212	83	129	45	38	53	76
Mar-18	272	132	140	70	63	49	91
Apr-18	212	123	90	64	58	43	47
May-18	318	193	125	62	131	33	92
Jun-18	188	103	85	48	54	29	56
Total	1,597.3	800.3	797.5	380.7	419.1	313.8	483.7

Sources: Nigerian Stock Exchange, FMDQ, Reuters and FSDH Research Analysis
 RHS – Right Hand Side LHS – Left Hand Side

Please click on the links below to access our latest reports:

- [Investment Opportunities in Commercial Papers](#)
- [Investment Opportunities in the FGN Savings Bond](#)
- [Unconventional Monetary Policy Requires Complementary Fiscal Measures](#)

For enquiries, please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, Lagos. Tel: 234-1-2702880-2; 234-1-2702887

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building) 5 Trans Amadi Road, Port Harcourt. Tel: 234-8024081331

Abuja Office: Leadway House (First Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel.: 234-9-2918821

Website: www.fsdhgroup.com **email:** research@fsdhgroup.com

Our Reports and Prices are also Available on Bloomberg {FSDH<GO>}

Disclaimer Policy

This publication is produced by FSDH Merchant Bank Limited solely for the information of users who are expected to make their own investment decisions without undue reliance on any information or opinions contained herein. The opinions contained in the report should not be interpreted as an offer to sell, or a solicitation of any offer to buy any investment. FSDH Merchant Bank Limited may invest substantially in securities of companies using information contained herein and may also perform or seek to perform investment services for companies mentioned herein. Whilst every care has been taken in preparing this document, no responsibility or liability is accepted by any member of the FSDH Merchant Bank Limited for actions taken as a result of information provided in this publication.