



**THE Nigerian
STOCK EXCHANGE**



Date:

January 13, 2020

Time:

10:00 a.m. - 11:00 a.m.

Venue:

20th Floor,
Stock Exchange House
2/4 Custom Street
Marina, Lagos

Table of Contents

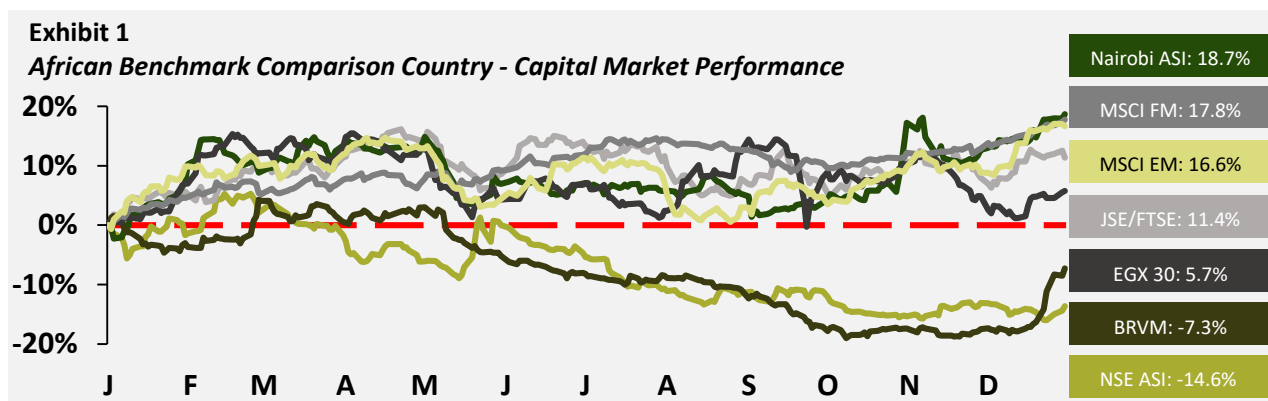
1.	2019 GLOBAL CAPITAL MARKET REVIEW	1
	Markets and the Economy Recap	1
2.	2019 PRODUCT PERFORMANCE.....	2
	NSE Equity Product Performance	2
	NSE Fixed Income Product Performance	2
	NSE ETP Product Performance	3
3.	NSE STRATEGIC PERFORMANCE	4
	Business Development.....	4
	Market Development.....	4
	Corporate Citizenship.....	5
4.	2020 Outlook	6
	Key factors expected to shape the Nigerian Economy in 2020	6
	The Road Ahead	6
5.	Appendix 1: NSE Index Performance	8
6.	Appendix 2: NSE Market Performance	9

1. 2019 GLOBAL CAPITAL MARKET REVIEW

Markets and the Economy Recap

In 2019, global capital market performance varied widely, primarily driven by regional economic performance. In developed countries like the U.S., capital markets were up, with leading indices like the *Dow Jones Industrial Average* breaking record highs (i.e. Dow IA, S&P 500 & NASDAQ exceeding 20%). This was bolstered by favorable U.S. economic policy such as tax cuts, robust economic growth and lowered interest rate (i.e. U.S. Fed rate cuts). Similarly, the Nikkei 500 was up by 21%, on the back of a strengthening yen and growing corporate earnings.

In Africa, it was a tale of mixed performance across benchmark countries, with some parts of the continent posting positive returns, whilst some ended the year in negative territory (see Exhibit 1).



Source: NSE Research; Investing.com

The Nigerian capital market mirrored the performance of the larger economy, which continued its moderate path of recovery, growing by 2.28% (Q3'19). The pace of the Nigerian economy remained fragile as the economy continued to grow below population growth, leading to per capita income and unemployment challenges.

From an international investor's perspective, the Nigerian bourse had to compete with developed and emerging capital markets which saw risk-based assets priced and valued more competitively. Capital conducive U.S. Fed policy enabled foreign investors to economically enhance leverage and seek investment opportunities in their home and adjacent countries, as Africa's largest economy adjusted to new economic realities. On the domestic front, investors contended with (i) the macroeconomic landscape (ii) fiscal and monetary policy direction and (iii) a wait-and see attitude given trends in FPIs. Despite welcomed stability in the FX market due to the CBN's intervention, concerns around the stability of the Naira remained prevalent. In regards to corporate performance, corporate earnings were moderate as at H1'19. These aforementioned factors impacted the equity market negatively during the year, however our Fixed Income market performed exceptionally well in 2019, reflecting a flight to safety.

Despite challenges faced, we continued to execute on the *NSE's 2018 – 2021 Corporate Strategy*, geared towards (a) enhancing the customer experience across the value chain, (b) reorganization for success and (c) capitalizing on mission critical strategic initiatives (i.e. Demutualization). During the year, we continued to enhance our product portfolio, orchestrated groundbreaking investment forums and listed some of Africa's largest companies.

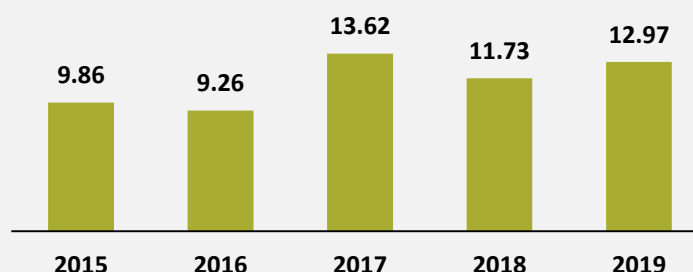
2. 2019 PRODUCT PERFORMANCE

NSE Equity Product Performance

Although the Nigerian Stock Exchange's All Share Index (ASI or All Share Index) posted a negative return of -14.60% to close the year at 26,842.07, the ASI reached a year high of 32,715.20 in February 2019. Furthermore, the equity market capitalization increased by 10.55% to ₦12.97Tn from ₦11.73Tn in 2018, largely due to sustained primary market activities throughout the year, most notably the listings of MTN Nigeria Communications Plc and Airtel Africa.

NSE indices also posted negative returns during the year with the NSE Consumer Goods Index being the most impacted, declining 20.83%, followed by the NSE Main Board Index and NSE Lotus Islamic Index, which dropped by 20.00% and 17.87% respectively. The NSE Insurance Index and the NSE Premium Index were the least impacted, declining by 0.52% and 3.59% respectively.

Exhibit 2
NSE Equity Market Capitalization (₦'Tn)



Source: NSE Research

Equity Market Turnover decreased by 20.03% Y-o-Y from ₦1.2Tn recorded in December 2018 to ₦0.96Tn in December 2019. The Financial Services Sector which accounted for over 50% of total activity remained the highest traded in volume and value, as was the case in 2018.

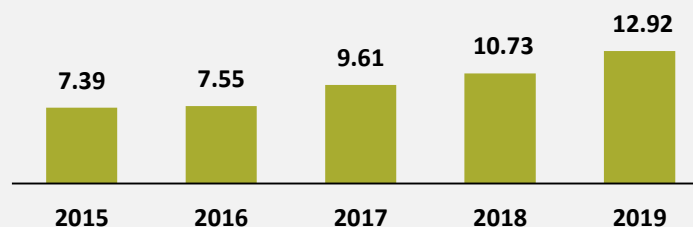
To support the equity market in 2019, we rolled out various new initiatives (see Section 3) such as a new market structure to enhance liquidity and ensure overall market stability alongside efficiency, as well as launched the beta version of the X-Mobile App (a dynamic and user-friendly mobile app) to boost retail investors participation.

NSE Fixed Income Product Performance

Our fixed income market performed exceptionally well in 2019, as market capitalization increased by 20.42% to ₦12.92Tn from ₦10.72Tn in 2018. Turnover also increased by 389.06% when compared to 2018. Capital raising was dominated by the Federal Government, being responsible for 60% of bond issuances during the period in a bid to finance fiscal and infrastructure deficits.

The year 2019 saw the groundbreaking listing of Access Bank Plc's ₦15Bn Green Bond, the first of its kind to be issued by an African corporate. We also saw the listing of North South Power Company Limited's ₦8.5Bn corporate infrastructure Green Bond, which was oversubscribed by 60%, with firm commitments from twelve institutional

Exhibit 3
NSE Fixed Income Value (₦'Tn)



Source: NSE Research

investors including nine pension funds. Capital raising by corporates increased by 321.61% with a total of ₦132.68Bn raised in 2019.

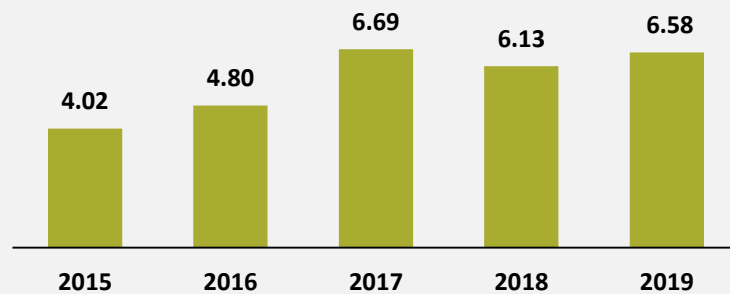
In addition to these accomplishments, The Exchange signed an MoU with the Luxembourg Stock Exchange (the largest Green Bond listing platform in the world) at the World Federation on Exchanges (WFE) conference held in Singapore. The MoU is geared towards promoting cross-listing and trading of Green Bonds in Nigeria and Luxembourg. We believe relationships of this nature, which foster co-opetition, further enhances our ability to deliver greater value to our stakeholders.

NSE ETP Product Performance

In the Exchange Traded Fund (ETF) market, we saw the listing of Greenwich Alpha ETF from Greenwich Asset Management Limited which tracks the NSE 30 index. Despite the 61.37% Y-o-Y decline in trade volumes, 46.80% fall in turnover, there was a 7.43% Y-o-Y increase in market capitalization to close the year at ₦6.58Bn. The best performing ETF was the NEWGOLD ETF as it returned 31.75% indicative of the shift towards more stable investment securities.

Also, to optimize investors returns, we partnered with Afrinvest Securities Limited to launch two new factor indices; the NSE-Afrinvest Banking Value Index and NSE-Afrinvest High Dividend Yield Index. Similarly, we partnered with Meristem Securities Limited to launch the NSE-Meristem Growth Index and NSE-Meristem Value Index to provide a benchmark for the market to gauge the performance of value stocks and growth stocks listed on The Exchange.

Exhibit 4
NSE ETP Market Capitalization (₦'Bn)



Source: NSE Research

3. NSE STRATEGIC PERFORMANCE

The Exchange showed commitment to achieving its strategic objectives during the year under review. We focused on our key targets to continue to execute on the *NSE's 2018 - 2021 Corporate Strategy*, inclusive of restructuring the organization, onboarding new financial instruments and developing the market, as well as focusing on customer centricity.

A key aspect to our *Vision* of becoming *Africa's Preferred Exchange Hub* is to successfully demutualize the organization. Having met the necessary requirements of the Securities and Exchange Commission (SEC), The Exchange has obtained a letter of 'No Objection' to enable us proceed to the final stages of the demutualization process. We have also sensitized our stakeholders on the process of demutualization and will continue engagement throughout the process.

In anticipation for derivatives trading on The Exchange, the NSE released a derivatives market rule book that will serve as a guide for trading derivatives on the bourse.

Highlighted below are other milestones achieved during the year:

BUSINESS DEVELOPMENT

- **Strategic Initiative Projects:**

- Launched X-Mobile App to boost investors' participation.
- Investor Relations data pack to enhance issuers' stakeholder engagement.
- Mutual Fund Trading and Distribution Platform to enhance the retail customer experience.
- X-Academy e-learning to make quality learning accessible and affordable to individuals, corporations and institutions.

- **Key Listings:**

- Listed MTN Nigeria Communications Plc by introduction on the Premium Board.
- Cross border listing of Airtel Africa on the Main Board, alongside London Stock Exchange.
- SAHCO Plc by IPO on the Main Board.
- Access Bank Plc's ₦15Bn Green Bond and North South Power Company Limited's ₦8.5Bn Corporate Infrastructure Green Bond.
- Greenwich Alpha ETF focused on tracking the NSE 30 index.

- **Index Launch:**

- Collaborated with Afrinvest Securities Limited to launch the NSE-Afrinvest Banking Value Index and NSE-Afrinvest High Dividend Yield Index to optimize investors' returns.
- Launched the NSE-Meristem Growth Index and NSE-Meristem Value Index in collaboration with Meristem Securities Limited.

MARKET DEVELOPMENT

- **Primary Market Forums:**

- Hosted interactive session in collaboration with Coronation Merchant Bank to spur growth in the Insurance Sector.
- Interactive session with stakeholders in the Consumer Goods Sector to discuss the role of the capital market in unlocking value in its Sector.

- **Secondary Market Forums:**
 - Held inaugural edition of the Islamic Finance in Nigeria (IFN) Forum in partnership with REDmoney Group to harness the Islamic Finance Sector for infrastructure development and economic growth.
 - Organized Fixed Income Trading Workshop and Retail Investor Coverage Workshop to enhance the capacity of dealing members and increase investors participation from various investment classes.
- **Securities Lending:** Worked with securities lending agents to develop a securities lending pool currently worth about ₦1.07Bn. Also, sensitized stakeholders on the possibilities that abound with securities lending.
- **Rules on Pricing Methodology:** Amended rules on pricing methodology to ensure overall market stability and efficiency and fairness in pricing securities.
- **Strategic Partnerships:** Signed a MoU with the Luxembourg Stock Exchange (LuxSE) to cooperate in promoting cross-listing and trading of Green Bonds in Nigeria and Luxembourg.
- **NSE Inaugural Hackathon:** Organized its first ever Hackathon, designed to encourage Tech enthusiasts to develop innovative Fintech solutions to drive up millennials participation in the capital market.
- **Capital Market Event:** Hosted the 4th Market Data Workshop to inspire market participants and the wider ecosystem to become more innovative in the use of market data.
- **Investor Protection:** Pursuant to The Exchange's strategic focus on Investors Protection, the NSE facilitated restitutions and recoveries of shares worth ₦1.436Bn for investors in 2019.
- **Innovation Hub:** Forged partnerships with several institutions such as Seed Stars and Rubies to improve listings and enhance investors' participation in the capital market. Hosted the first annual general meeting of the Fintech Association of Nigeria.
- **X-Academy:** Recorded a 150% increase in the number of participants trained across several courses offered and also, obtained full accreditation with the Centre for Management Development (CMD).
- **Listing Regulation:** Revised free float rules to enhance liquidity amongst quoted companies and streamlined the listing process to reduce the time to market for issuance and listing of securities in order to drive more listings on The Exchange.
- **Broker Dealer Regulation:** Enhanced the SEC/NSE financial reporting template for Capital Market Operators to align with new International Financial Reporting Standards and compliance requirements.

CORPORATE CITIZENSHIP

- **Financial Literacy:** Joined The World Federation of Exchanges (WFE) and International Organization for Securities Commission (IOSCO) in the inaugural "Ring the Bell for Financial Literacy" initiative.
- **Sustainability:** Launched the Facts Behind the Sustainability Report (FBSR) to promote Environmental, Social and Governance (ESG) practice and reporting. Launched the Sustainability Disclosure Guidelines in addition to partnering with RecyclePoints and Mental & Environmental Development Initiative for Children (MEDIC) to help preserve the environment.
- **Corporate Challenge:** Raised a record ₦51Mn in the sixth edition of the annual 5km race and introduced free cancer screening for 254 individuals. Also made a second time donation of ₦20Mn, bringing the total funds raised in 2019 to ₦71Mn.
- **Education Intervention Program:** Donated ₦10Mn to Maisandari Alamderi Model Nursery and Primary School, located in the Abuja Talakawa District of Maiduguri, to help Internally Displaced Persons (IDPs).
- **Awards:** In recognition of our impactful initiatives, we received the Best Corporate Social Responsibility Initiative award (Marketing World Awards), CSR Practitioner of the Year (The Seras CSR Awards Africa), and Outstanding Invaluable Company Award for CSR (Rotary International).

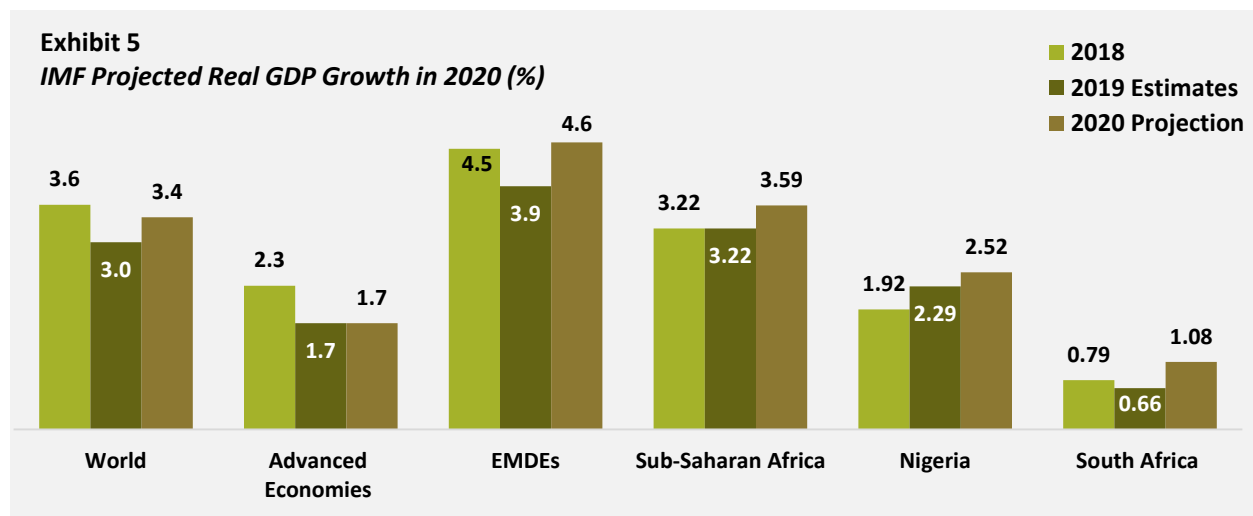
4. 2020 Outlook

Key factors expected to shape the Nigerian Economy in 2020

Crude Oil Price and Production: Since Nigeria still remains reliant on oil production for FX reserves, the dynamics of crude oil price and production will continue to influence the capital markets and larger economy. Factors such as U.S. and Iran tension, oil supply shocks (e.g., Eastern Europe, Venezuela, and Libya), and progress in trade negotiations between the U.S. and China may exert pressure on crude oil prices in 2020.

Global Economy: The IMF World Economic Outlook (IMF WEO) predicts global growth of 3.4% in 2020. This is predicated on reduced trade and geo-political tensions, and macroeconomic strain in euro area that have dampened business confidence and investment decisions.

Political Stability and Business Environment: Enhanced focus on infrastructure renaissance and promotion of laws that will support the business environment will be key to Nigeria's success in 2020. Nigeria moved 15 places from 146th to 131st in the latest World Bank ease of doing business report; as such the country has been tagged as one of the most improved economies in the world in terms of doing business reforms. These are positive indicators that will drive investors' sentiment in 2020.



Source: NSE Research; IMF WEO

The Road Ahead

Domestically, market sentiments may be buoyed by a steady and stable recovery in the domestic economy, alongside continued sustainability in monetary policy. The signing into law of Nigeria's Finance bill 2019 and implementation of the 2020 budget may have a positive impact on companies' earnings as well as consumer spending. Accordingly, The Exchange will continue to advocate for business-friendly economic environment, working in conjunction with both the Public and Private Sectors.

The year 2020 has started on a good note, with the NSE ASI recording a 9.48% improvement year-to-date¹. We intend to work closely with our stakeholders to sustain this growth trajectory. In our aspiration to

¹ As at January 10, 2020

become a more agile and demutualized exchange, and pursuant to the SEC's 'No Objection', we will proceed to next steps which includes seeking formal approval from our members on our demutualization Scheme. We are committed to continually provide clarity on the demutualization process to our various stakeholders through regular engagements.

While keeping an eye on the strategic intent of The Exchange post demutualization, we will continue to leverage our vast network of stakeholders, in addition to developing new strategic partnerships with the goal of delivering better products and services to our customers. As *African Champions*, we will maintain momentum in executing the *NSE's 2018 - 2021 Corporate Strategy* in our efforts to elevate the prominence of Africa's global financial markets.

5. Appendix 1: NSE Index Performance

	2019	2018	% Change Y-o-Y
NSE All Share Index	26,842.07	31,430.50	-14.60%
NSE 30 Index	1,177.83	1,417.15	-16.89%
NSE AseM Index	734.99	793.81	-7.41%
NSE Banking Index	356.84	398.94	-10.55%
NSE CG Index	1,087.37	1,254.34	-13.31%
NSE Consumer Goods Index	592.85	748.83	-20.83%
NSE Industrial Index	1,075.60	1,237.88	-13.11%
NSE Insurance Index	125.82	126.48	-0.52%
NSE Lotus Islamic Index	1,834.76	2,233.95	-17.87%
NSE Main Board Index	1,151.80	1,439.81	-20.00%
NSE Oil/Gas Index	262.54	302.23	-13.13%
NSE Pension Index	1,054.06	1,207.46	-12.70%
NSE Premium Index	2,116.22	2,195.03	-3.59%
NSE-AFR Bank Value Index	988.09		
NSE MERI GROWTH INDEX	1,393.54		
NSE MERI VALUE INDEX	1,429.74		
NSE AFR Div Yield Index	1,384.95		

6. Appendix 2: NSE Market Performance

	2019	2018	% Change
Total Market Capitalization ¹ (₦)	25,890,216,320,603.40	22,462,805,309,388.80	15.26%
(US\$)	71,058,642,296.15	61,711,003,597.22	15.15%
Equities Market Capitalization ² (₦)	12,968,586,413,349.10	11,731,273,615,344.00	10.55%
(US\$)	35,593,759,882.93	32,228,773,668.53	10.44%
Bonds Market Capitalization (₦)	12,915,046,844,922.80	10,725,404,042,361.70	20.42%
(US\$)	35,446,814,450.17	29,465,395,720.77	20.30%
ETF Market Capitalization (₦)	6,583,062,331.57	6,127,651,683.15	7.43%
(US\$)	18,067,963.03	16,834,207.92	7.33%
Total Volume – Equities	79,425,740,347.00	101,427,030,197	-21.69%
Total Value (Turnover) – Equities (₦)	958,700,004,489.41	1,198,854,016,087.51	-20.03%
(US\$)	2,631,261,162.31	3,293,554,989.25	-20.11%
Avg. Daily Volume – Equities	325,515,329.29	408,979,960.47	-20.41%
Avg. Daily Value (Turnover) – Equities ³ (₦)	3,929,098,379.05	4,834,088,774.55	-18.72%
(US\$)	10,783,857.22	13,280,463.67	-18.80%
Turnover Velocity - Equities (%) ⁴	7.39%	10.22%	
Value of Issues - Equities New ⁵ (₦)	3,353,672,470,834.00	56,487,269,125.00	5,837.04%
(US\$)	9,204,535,394.08	155,184,805.29	5,831.34%
No. of New Equity Issues	17	6	183.33%
Value of Issues - Equities Sup ⁶ (₦)	105,019,332,028.00	240,833,592,056.00	-56.39%
(US\$)	288,237,496.99	661,630,747.41	-56.44%
No. of Supplementary Equity Issues	7	7	0.00%
No. of Listed Companies	160	164	
No. of Preference Shares	-	-	
No. of Listed Investment Funds	4	5	
No. of Listed Equities	165	169	
No. of Listed Bonds	132	108	
No. of Listed ETPs	10	9	
No. of Listed Securities	307	286	
No. of Trading Days	244	248	
Exchange Rate (Naira:USD) ⁷	364.35	364.00	

1 Figure includes equities, ETFs and bonds.

2 Figure includes shares listed on Premium Board and ASeM.

3 Total value of share trading divided by the number of trading days.

4 Turnover Velocity – Equities Turnover divided by Equities Market Capitalization.

5 Figure include listing by introduction.

6 Figure includes rights issue, placement, employee share plan, listing of underwriting commitment shares, merger and acquisition, takeover bid, conversion of preference shares to ordinary shares and block divestments.

7 Source: Investors' & Exporters' FX Window

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