



**THE Nigerian
STOCK EXCHANGE**

NSE 2015 MARKET RECAP & OUTLOOK FOR 2016

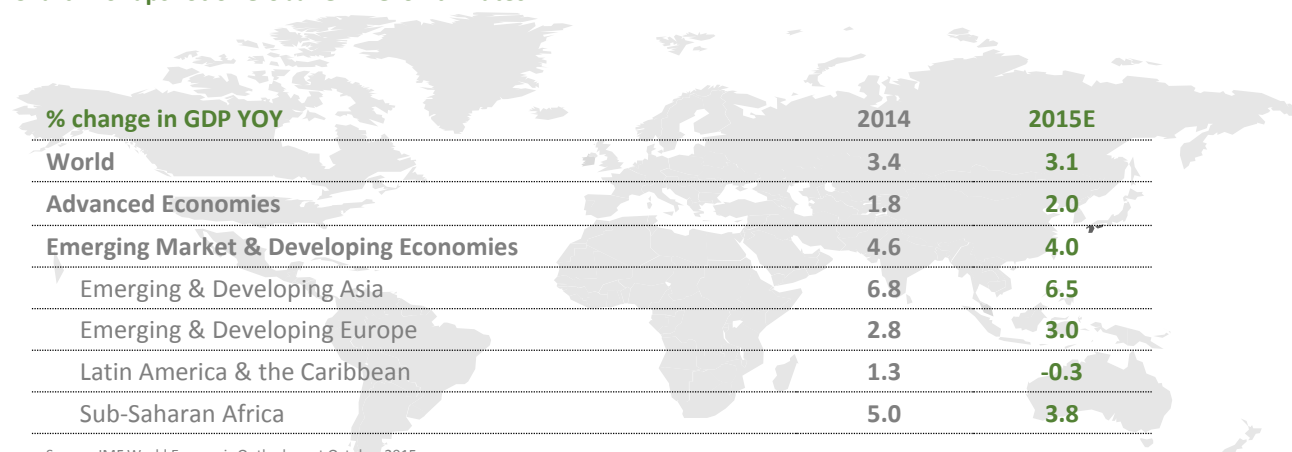


NSE 2015 MARKET RECAP & OUTLOOK FOR 2016

WORLD AT A GLANCE

The year 2015 proved to be uneasy for the global economy, which is expected to have grown at 3.1% compared to 3.4% in 2014. We believe that the three biggest contributors to the global slowdown were: 1) Normalization of monetary policy by the U.S. Federal Reserve; 2) Slump in commodity prices; and 3) Slowdown in China.

Chart 1: Snapshot of Global GDP Growth Rates



% change in GDP YOY	2014	2015E
World	3.4	3.1
Advanced Economies	1.8	2.0
Emerging Market & Developing Economies	4.6	4.0
Emerging & Developing Asia	6.8	6.5
Emerging & Developing Europe	2.8	3.0
Latin America & the Caribbean	1.3	-0.3
Sub-Saharan Africa	5.0	3.8

Source: IMF World Economic Outlook as at October 2015

For many countries other than advanced economies, the sources of slower growth ranged from decline in commodity prices, to overhang from previous credit crises, to political turmoil. In emerging economies, 2015 marked the fifth consecutive year of declining growth at 4.0%. After routinely outstripping mature economies by 4 or 5 points in the previous decade, the emerging economies only performed better by 2 percentage points in 2015. In sub-Saharan Africa, growth slowed to 3.8% compared to 5.0% in 2014.

Like many emerging markets' governments, the Federal Government of Nigeria (FGN) is largely dependent on oil exports as its leading revenue source. Thus FGN revenue suffered extensively from sustained low commodities prices in the global market, as well as political and economic policy uncertainty leading up to and following the general elections held in April 2015. Sustained uncertainty in the country led to postponed decision making by

business leaders in anticipation of clearer direction on economic policies, thus slowing economic activity.

Although inflation remains relatively low at 9.5%¹, it is more than one percentage point higher than the 7.9% at the start of the year. The Central Bank of Nigeria (CBN) left its benchmark interest rate at 13.0% for most of 2015, but took measures to tighten liquidity to support the weakening naira. In November, it reduced the benchmark interest rate to 11%, the first drop below 12.0% in the last six years. The Monetary Policy Committee (MPC) also reduced the Cash Reserve Ratio (CRR) from 25.0% to 20.0% in order to inject liquidity into the banking system.

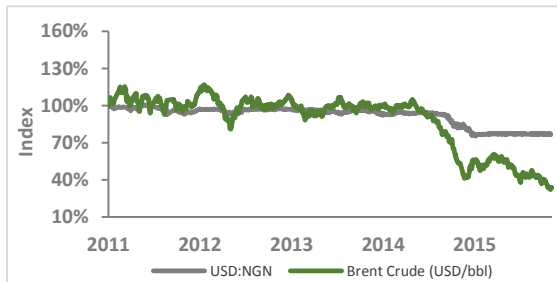
Despite weak emerging market growth rates, coupled with domestic security challenges, declining oil prices, and a volatile currency trend, the Nigerian economy is still expected to have grown by an estimated 4% for 2015, illustrating Nigeria's resilience.

¹ National Bureau of Statistics December 2015

NSE MARKET RECAP

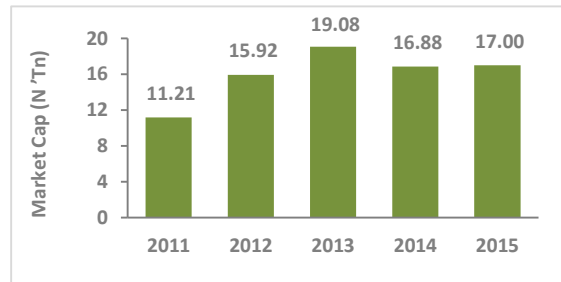
The year began with the continued depreciation of the naira against the dollar and uncertainty around the direction of economic policies, which fueled an already prevalent bearish sentiment in the Nigerian capital market.

Chart 2: Plummeting NGN mimics crude



The NSE's flagship index, the NSE ASI, declined by 17.4% in 2015 closing the year at 28,642 points after starting the year relatively flat. This is due to a combination of aforementioned factors including political risk, currency volatility, and uncertainty in global crude oil prices. The *NSE Banking Index* was the worst hit plunging 23.6%, followed closely by the *NSE 30 Index* and *NSE Main Board Index*, (both down 17.6%); all the NSE market indices performed poorly, relative to their 2014 performance, except for *NSE Industrial Index* which saw an uptick of 1.3%.

Chart 3: NSE Total Market Capitalization



The market for new equity listings was flat for the year, with only four (4) new equity listings, one (1) on the *Main Board*, and three (3) ETFs. In contrast, five (5) companies were delisted² in 2015, bringing the number of listed companies and number of listed equities to 184 and 190, respectively. Turnover velocity declined through 2015 by 17.0%, with equity turnover declining 28.8% to N952.8 billion (\$4.8 billion), and a foreign and local participation rate of 54.24% and 45.76%, respectively, in total value traded. Average daily turnover was also down 28.5%.

Chart 4: Value of New Listings by Asset Class in '15

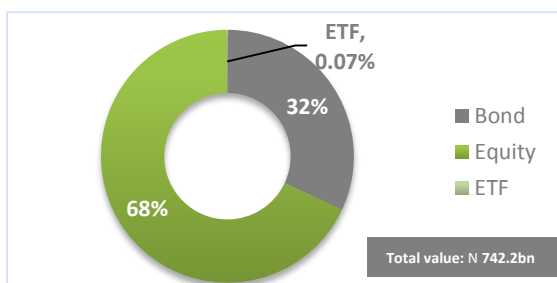
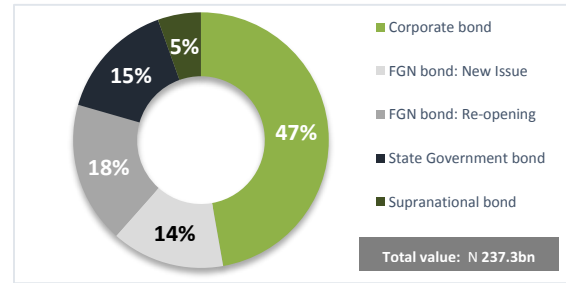


Chart 5: Value of New Bond Listings by Issuer in '15



In the NSE bond market, market capitalization jumped by 32.7% to N7.14 trillion (\$35.82 billion) as corporates took to the debt market to raise a total of N112.0 billion (\$562.0 million) in 7 new listings; majority from financial services sector. The Federal and State Governments raised N76.5 billion (\$383.7 million) and N35.8 billion (\$179.6 million) in debt capital, respectively.

² IHS Nigeria Plc. and Cappa D' Alberto Plc. through a voluntary process; while Nigerian Sewing Machine Manufacturing Plc.,

Stokvis Plc., and Nigerian Wire & Cable Plc. were due to non-compliance with NSE's post-listing standards.

NSE STRATEGY EXECUTION IN 2015

Throughout the year, the Exchange focused its priorities on restoring and upholding investors' confidence in light of the headwinds facing the African marketplace. Except for one, all the African stock exchanges were negative in USD terms for 2015. Despite the downward trend in the stock market, the NSE still recorded several positive milestones in executing its strategy.

Business Development

Premium Board. Launch of new listing platform, and the associated *Premium Board Index*.

Index Launches. *NSE Pension Index* and the *NSE Main Board Index*.

NSE/MSCI Partnership. Signed agreement with MSCI, to develop co-branded family of indexes.

Post-trade allocation service. Post-trade allocation service to NSE operators commenced in December.

Demutualization (Ongoing). Appointment of the consortium of financial advisers, as well as legal consultants and tax advisers to drive the NSE's demutualization process.

Domestic/Foreign Investor Drive

Products Launches. Three (3) new Exchange Traded Funds (ETF).

Investor Clinic. Domestic investor clinic with over 100 participants and reaching about 500 thousand people through social media.

Capital Market Events.

- CEOs Roundtable in collaboration with Bloomberg held in Nigeria.
- Nigerian Capital Market Sustainability conference held in conjunction with *Ernst & Young* (EY) and the *Global Reporting Initiative* (GRI) held in Nigeria.
- Investor forum for Nigerian Diaspora in Switzerland and across Europe in January.
- Investor roadshow at *London Stock Exchange Group* (LSEG) in June.

Investor Protection

Market Operating Standards. Implemented minimum operating standards (MOS) for dealing members.

Financial Literacy. Approximately 200 investor events across Nigeria.

IPF Payout. IPF approved 158 claims valued at N42.2 million.

Dealing Member Oversight. Launched Broker Oversight & Supervision System (X-BOSS). First of its kind in West Africa.

Electronic Rulebook. Launched a comprehensive repository of all NSE rules.

Corporate Citizenship

Essay Competition. 4,200 applicants with approximately N3.2m in prize gifts.

NSE Corporate Challenge. Second edition held, raising N36.5m for the fight against cancer.

Adopt A School initiative. Commissioned Learning and Development Centre donated to Oke Odo Junior College, in Lagos.

Awards and Recognition

Corporate Certification. First Exchange in Africa to achieve the ISO 27001:2013 certification.

Recognitions.

- African Regulator of the year 2015.
- 2015 Financial Institution Award.
- 2015 Award for Promoting Best Practice Reporting and Corporate Disclosure.
- Best Corporate Social Responsibility Award.



2016 OUTLOOK

Global Economic Outlook

The global economy is poised for moderate economic growth in 2016. Among emerging markets, recession has materialized in Brazil and Russia, and the trend is likely to continue amid weakening oil and other commodity prices.

Chart 6: Snapshot of Global GDP Growth Forecast

% change YOY	2015E	2016F
World	3.1	3.6
Advanced Economies	2.0	2.2
Emerging Market & Developing Economies	4.0	4.5
Emerging and Developing Asia	6.5	6.4
Emerging & Developing Europe	3.0	3.0
Latin America & the Caribbean	-0.3	0.8
Sub-Saharan Africa	3.8	4.3

Source: IMF World Economic Outlook as at October 2015

In Sub-Saharan Africa, while the recent performance of Nigeria and South Africa, has been lackluster, the overall region has weathered the commodity slump better than Latin America and elsewhere, with growth slated at 4.3% in 2016, up from 3.8% in 2015. This growth is expected to be supported by the moderate recovery in the global economy, and growth in low-income developing countries which compared to 2015 are projected to grow by one more percentage point to 5.8% in 2016.

Uncertainty and volatility dominate forecast for the New Year and beyond as Nigeria struggles with commodity price shocks and the resultant impact on the Naira. This is also in the context of adjusting to new government policies targeting import substitution, inclusive growth (lower income focus), security, and eradicating corruption.

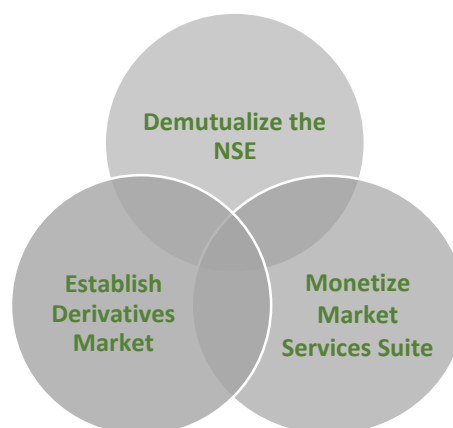
Nigerian Capital Market Outlook

The capital market has an opportunity to effectively finance the FGN's proposed budget deficit for 2016 and the implementation of its *Medium Term Expenditure Framework* (MTEF). With greater clarity on policy direction, we anticipate the return of investors who had remained on the sidelines throughout 2015. This return is predicated upon return of investor confidence as a result of:

- Effective implementation and communication of the government's economic blueprint;
- Credibility in monetary policy stance;
- Relative stability in the macro economy (Oil price stability above benchmark targets, increase in tax collection to GDP ratio, etc.);
- Improved security.

NSE Outlook

The NSE will focus on executing its strategy in order to continue to provide a credible platform for financing the economy. To this end, we intend to intensify engagement efforts with the FGN. We have also prioritized three (3) initiatives for 2016 aimed at



achieving the Exchange's three (3) strategic objectives of: 1) Increasing the number of new listings across five (5) asset classes; 2) Increasing order flow in the five (5) asset classes; and 3) Operating a fair and orderly market based on just and equitable principles.

The downturn from 2015, has already continued into the New Year. Accordingly, we anticipate 2016 to be a challenging year for the capital market and the domestic economy. We intend to continue our collaborative efforts with the new administration and other private sector players to create a framework for financing the Nation's infrastructure and capital requirements. Additionally, we plan to work with the FGN to ensure that the appropriate messaging is conveyed to the investor community.

The current state of the market creates both challenges and opportunities for investors. We believe that taking a portfolio approach to investing provides the best risk adjusted alternative for participating in the capital market. As such, we want to ensure that the NSE provides a repertoire of products that will allow investors to create well diversified portfolios of uncorrelated asset classes.



THE Nigerian STOCK EXCHANGE

APPENDIX

TABLE 1 – 2015 NSE INDEX STATISTICS

	2014	2015	% Change YOY
NSE All Share Index	34,657.15	28,642.25	-17.36%
NSE Industrial	2,139.55	2,166.70	1.27%
NSE Lotus	2,243.89	1,998.85	-10.92%
NSE Premium Board Index	1,840.58	1,584.92	-13.89%
NSE Main Board Index	1,623.64	1,337.85	-17.60%
NSE 30 Index	1,563.22	1,287.67	-17.63%
NSE AseM	1,213.36	1,208.65	-0.39%
NSE Pension Index	982.38	815.16	-17.02%
NSE Consumer Goods Index	903.54	746.19	-17.41%
NSE Oil/Gas Index	380.11	356.56	-6.20%
NSE Banking Index	351.40	268.49	-23.59%
NSE Insurance Index	149.65	142.61	-4.70%



THE Nigerian STOCK EXCHANGE

TABLE 2 – 2015 NSE MARKET STATISTICS

	2014	2015	% Change YOY
Total Market Capitalization ³	N16.88 trillion \$90.68 billion	N17.00 trillion \$85.29 billion	0.71% -5.94% (\$-terms)
Equities Market Capitalization ⁴	N11.49 trillion \$61.72 billion	N9.86 trillion \$49.46 billion	-14.19% -19.86% (\$-terms)
Bonds Market Capitalization	N5.38 trillion \$28.93 billion	N7.14 trillion \$35.82 billion	32.71% 23.82% (\$-terms)
Total Volume – Equities	108.47 billion	92.85 billion	-14.40%
Total Value (Turnover) – Equities	N1.34 trillion \$7.19 billion	N952.83 billion \$4.78 billion	-28.78% -33.52% (\$-terms)
Avg. Daily Volume – Equities	437.39 million	375.92 million	-14.05%
Avg. Daily Value (Turnover) - Equities ⁵	N5.40 billion \$29.0 million	N3.86 billion \$19.35 million	-28.52% -33.28% (\$-terms)
Turnover Velocity - Equities (%) ⁶	11.65	9.66	-17.04%
Value of New Issues	N583.98 billion \$3.14 billion	N321.60 billion \$1.61 billion	-44.93% -48.59% (\$-terms)
No. of New Issues	17	27	58.82%
No. of Listed Companies	189	184	
No. of Preference Shares	3	1	
No. of Listed Investment Funds ⁷	5	5	
No. of Listed Equities	197	190	
No. of Listed Bonds	52	60	
No. of Listed ETPs	4	7	
No. of Listed Securities	253	257	
No. of Trading Days	248	247	
Exchange Rate (Naira:USD) ⁸	186.10	199.35	

³ Figure includes equities, ETFs and bonds.

⁴ Figure includes shares listed on Premium Board and ASeM (N3.5 trillion and N8.6 billion market cap respectively).

⁵ Total value of share trading divided by the number of trading days.

⁶ Total Value (Turnover) – Equities divided by Equities Market Capitalization.

⁷ Investment funds include unit trusts, closed-end funds, investment trusts and all collective investment funds.

⁸ Source: *Financial Market Dealers Association* (FMDA) and FMDQ OTC – NIFEX spot value (offer) on the last trading day of the year.