



# **THE Nigerian STOCK EXCHANGE**

## **CAPITAL MARKET UPDATE** *of the Nigerian Stock Exchange*

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Presented by  
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CEO

2<sup>nd</sup> Capital Markets Committee Meeting  
August 9<sup>th</sup>, 2016

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- Q2'16 Briefing – Overview of Operating Environment

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# **THE Nigerian STOCK EXCHANGE**

*Q2'16 Briefing – Overview of Operating Environment*



## US: 2.2%

Moderate growth supported by a strong USD and gradual monetary policy normalization.

## EURO AREA: 1.6%

Growth driven by strong domestic demand and investment rebound; with significant downside risks posed by uncertainties over the UK referendum and legacy issues in the banking sector.

## SUB-SAHARAN AFRICA: 1.6%

Challenging macroeconomic conditions in leading economies drag on regional growth as commodity prices remain depressed.

## THE MIDDLE EAST & NORTH AFRICA\*: 3.4%

Recent recovery in oil prices and continuing fiscal consolidation increase regional growth prospects, despite economic effects of regional conflicts.

## LATIN AMERICA & THE CARIBBEAN: -0.4%

Economic contraction due to political uncertainty, policy stance and climate-related factors e.g. Zika virus.

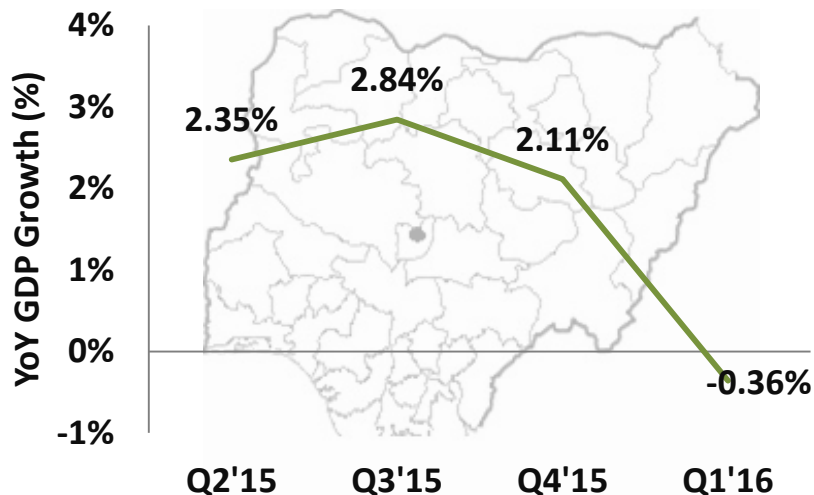
## ASIA & THE PACIFIC: 6.4%

Growth driven by policy stimulus, increased infrastructure spending, credit growth and buoyant activity in leading regional economies.

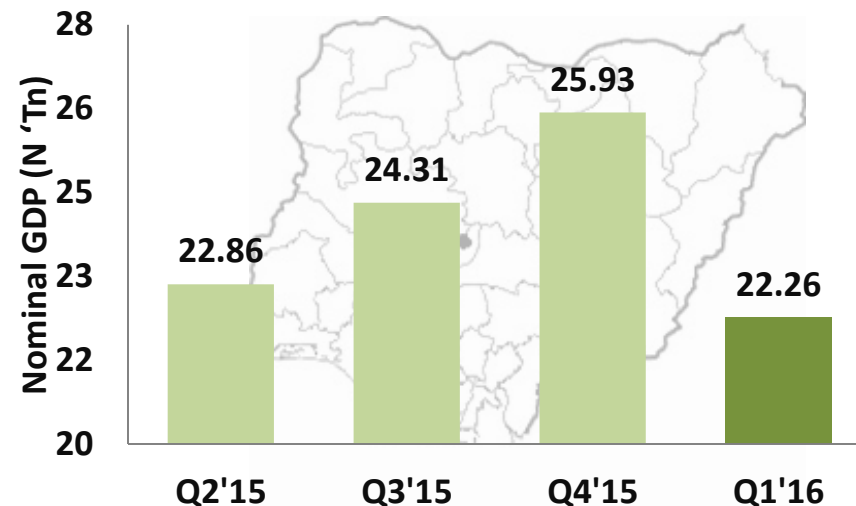
## KEY TRENDS IN THE GLOBAL ECONOMY\*\*

- Despite modest recovery in financial and oil markets, global growth for 2016 was revised downward in July to 3.1% (Apr'16: 3.2%), as financial market disruptions and macroeconomic concerns over 'Brexit' continue to fuel uncertainty.
- Prospects for large emerging and developing economies (EMDEs) such as Brazil, China and Russia have improved in the near term due to policy support and higher oil prices, amongst other factors.
- In Sub-Saharan Africa growth is expected to slow down to 1.6% in 2016, from 3.3% in 2015, amidst projections of a contraction of the Nigerian economy and flat growth of South Africa's GDP.

## 1 REAL GDP GROWTH DIPS TO NEGATIVE TERRITORY



## 2 CONTRACTION IN NOMINAL GDP



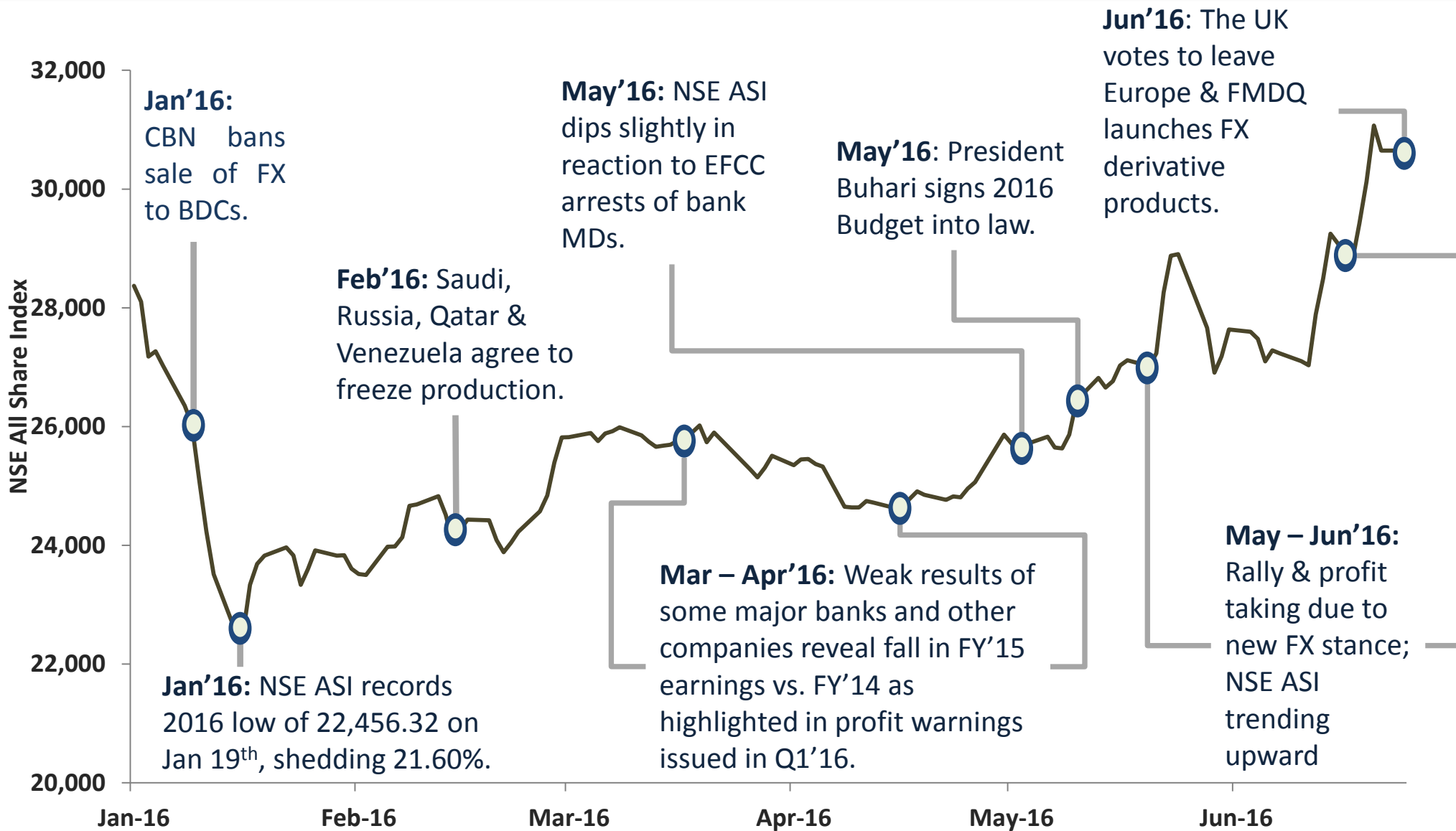
### OVER A DECADE OF STABLE GROWTH HALTED BY THE EFFECTS OF LOW GLOBAL OIL PRICES

- On the back of low oil prices, dwindling foreign exchange revenues and resulting currency volatility, fuel shortages and policy uncertainty, the Nigerian economy recorded its first negative growth rate since the second quarter of 2004.
- Real GDP growth contracted to -0.36% in Q1'16, declining 2.47 pts from Q4'15, and 4.32 pts over Q1'15.
- In nominal terms, Q1'16 GDP (N22.26Tn) declined 14.1% over the previous quarter (Q4'15: N25.93Tn).
- Supply chain disruptions resulting from foreign exchange and fuel shortages, reflected on the performance of the manufacturing sector, which declined 6.3 pts (YoY) from -0.7% in Q1'15 to -7.0% in Q1'16.
- At the end of June'16, the Manufacturing Purchasing Managers' Index (PMI)\* had recovered by 2.0 pts to a fractionally positive headline of 50.2 – still significantly below the June'15 headline of 56.0.

# Capital Market Reacts to Economic Trends



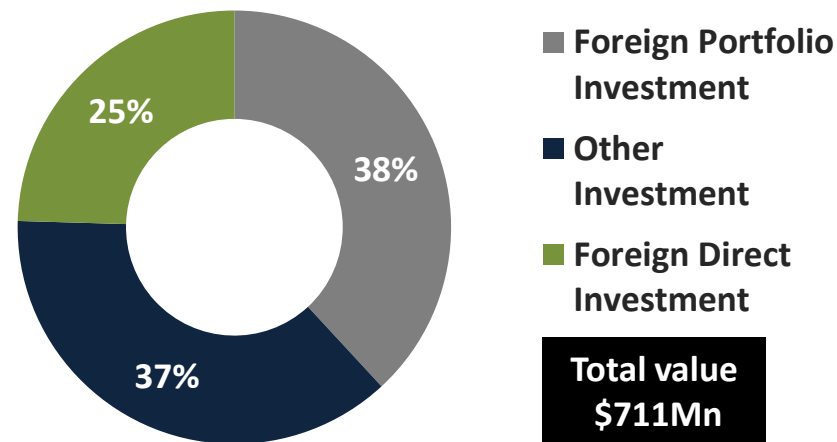
THE Nigerian  
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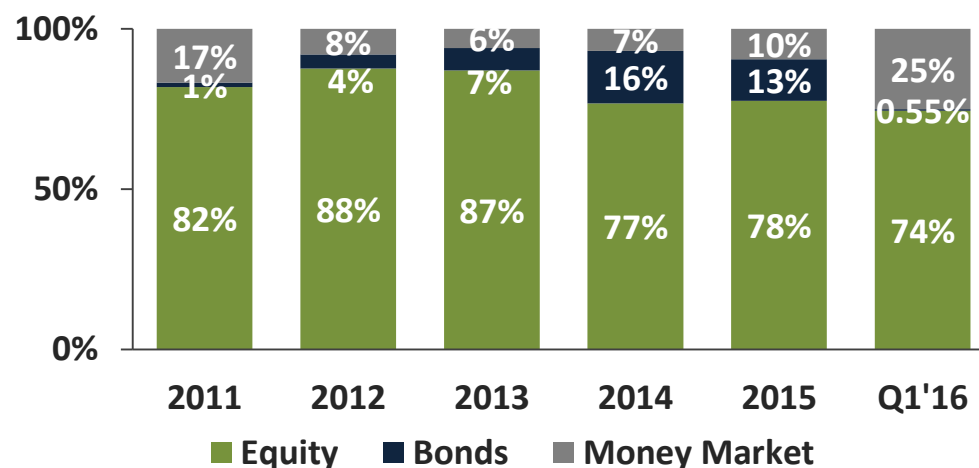
## 1 FACTS AND FIGURES

- Total capital imported into Nigeria in Q1'16 amounted to \$711Mn, the lowest quarterly figure recorded since 2007.
- At \$271Mn, Foreign Portfolio Investment (FPI) declined by 72% from Q4'15.
- Fixed income as a component of FPI declined sharply from 13% in 2015 to less than 1% in Q1'16 highlighting the impact of Nigeria's exclusion from JP Morgan's Gov't bond index in 2015.

## 2 CAPITAL IMPORTATION BY TYPE – Q1'16



## 3 FOREIGN PORTFOLIO INVESTMENT BY TYPE

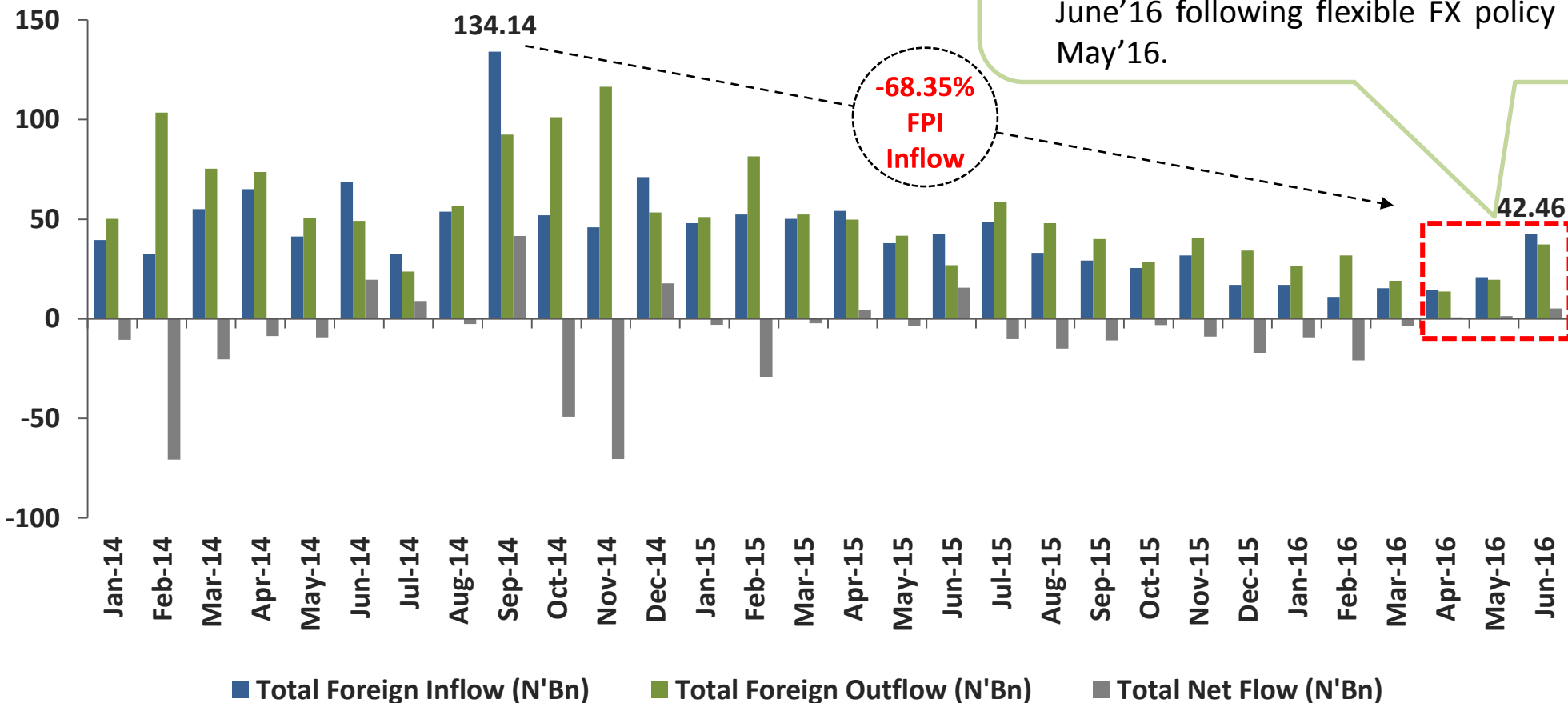


# Impact of Capital Controls on NSE FPI Activity



THE Nigerian STOCK EXCHANGE

- Net inflow in April'16 of N76Mn after 9 consecutive months of net outflow amounting to N99Bn.
- Net inflow sustained in May'16 and June'16 following flexible FX policy in May'16.





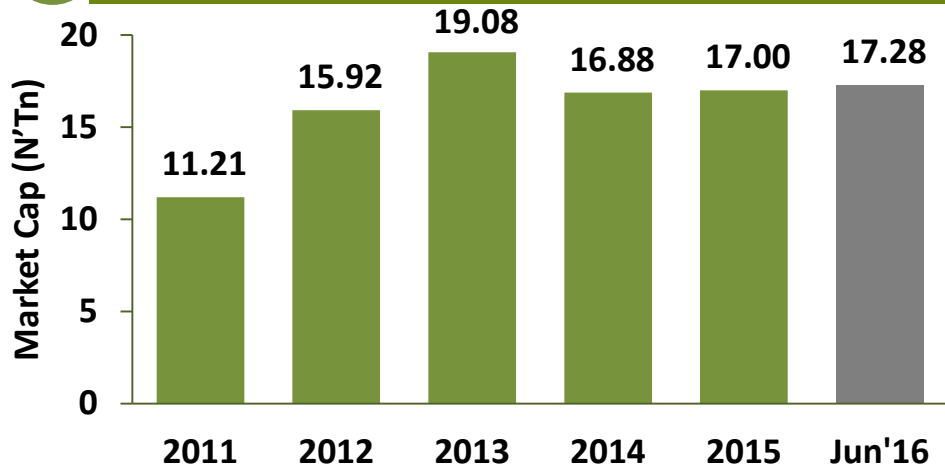


# **THE Nigerian STOCK EXCHANGE**

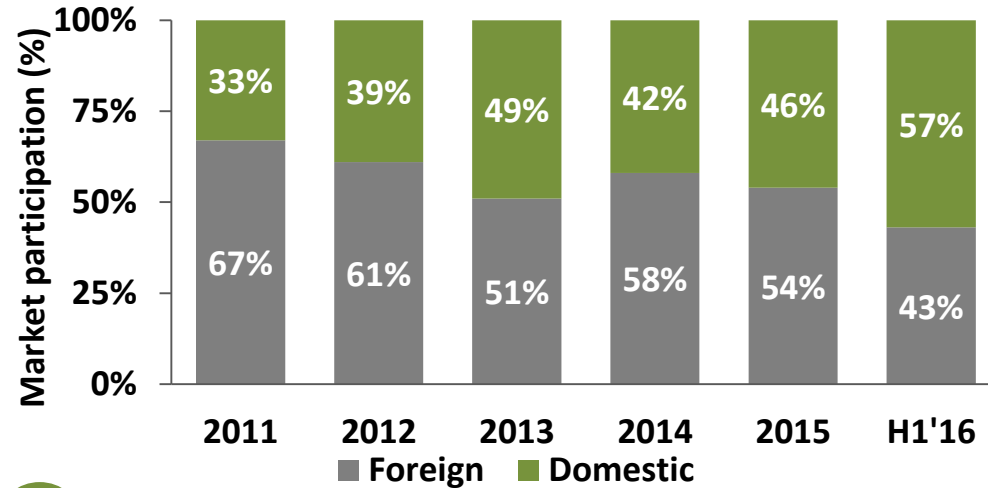
*NSE Market Statistics*



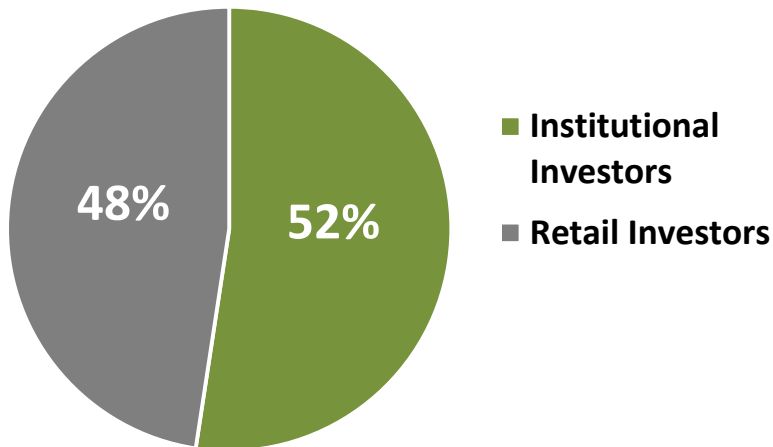
## 1 NSE TOTAL MARKET CAPITALIZATION



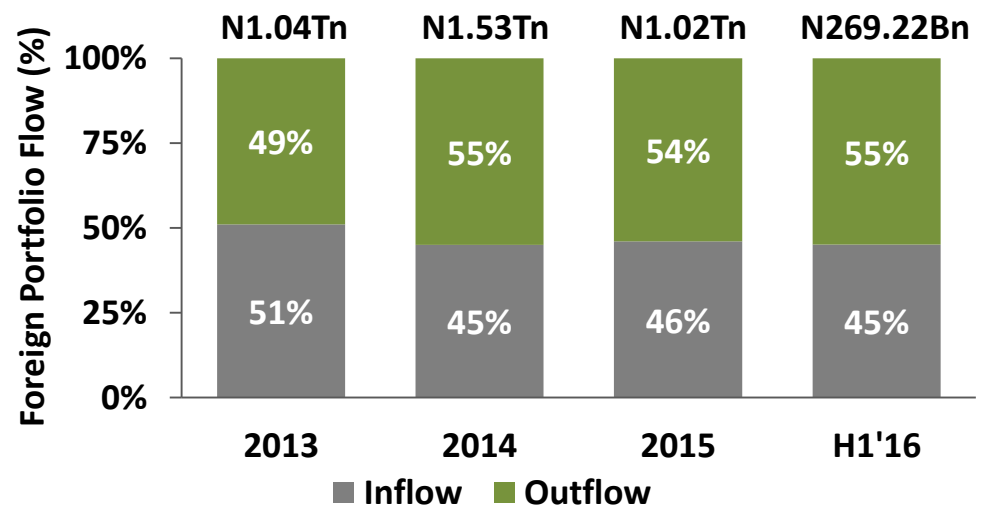
## 2 DOMESTIC VS. FOREIGN (EQUITY)



## 3 DOMESTIC INVESTOR BASE: H1'16



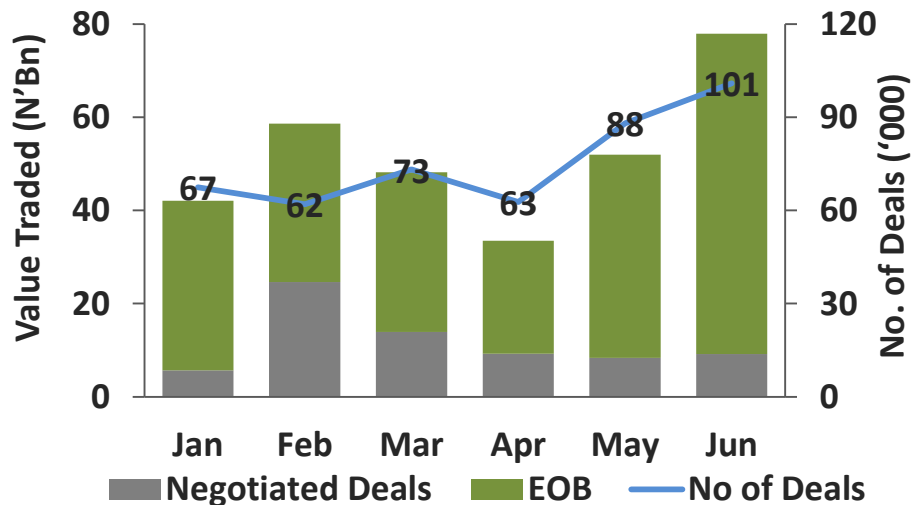
## 4 TOTAL FOREIGN PORTFOLIO FLOW (EQUITY)



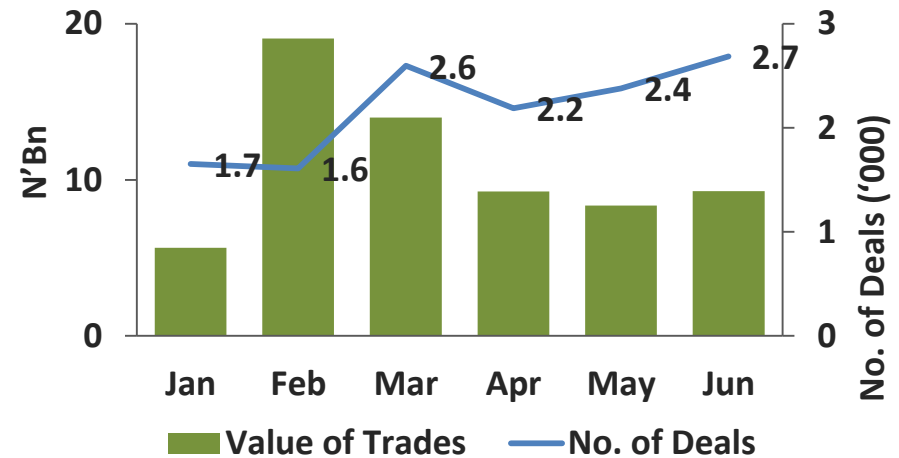
## 1 FACTS AND FIGURES

- The number of deals done on the NSE steadily increased between Jan'16 and Jun'16 growing from 67,000 (N42.05Bn) to 101,000 (N77.92Bn).
- Cross deals increased by 59%, from 1,700 (N5.65Bn) in Jan'16 to 2,700 (N9.28Bn) in Jun'16.
- Value traded by Equity Market Makers have also increased considerably from N823Mn in Q3'15 to N1.45Bn in Q2'16.

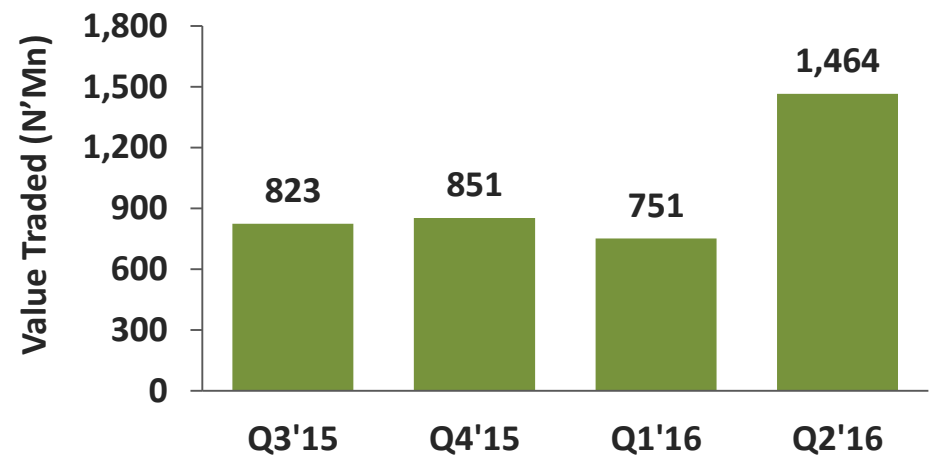
## 3 VALUE TRADED AND NO. OF DEALS



## 2 CROSS DEALS



## 4 EQUITY MARKET MAKER VALUE TRADED

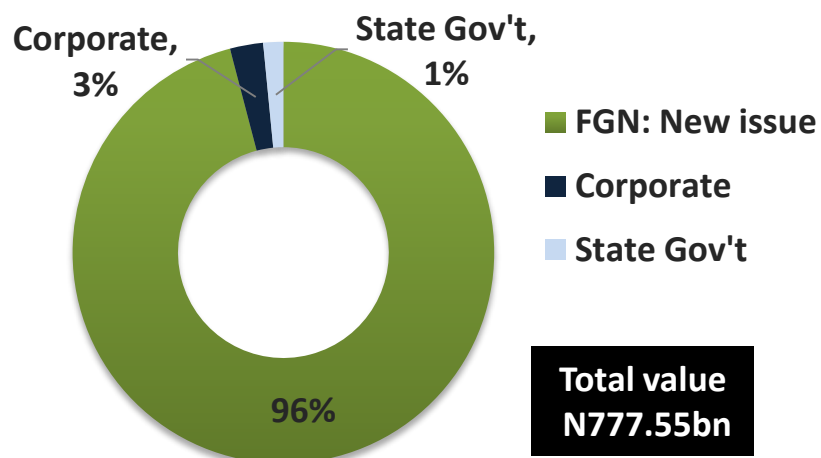




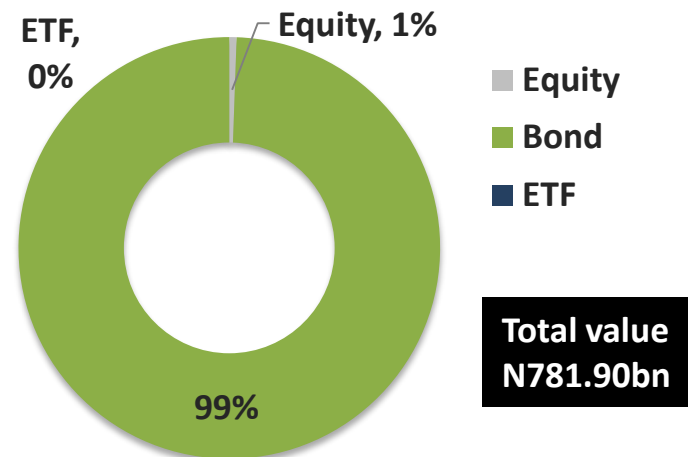
## 1 FACTS AND FIGURES

- As at June 30th 2016, total value of new listings in 2016 amounted to N781.90Bn (\$2.76Bn).
- Total equity listings were valued at 4.36Bn (\$15.39Mn).
- Federal gov't raised N745.84Bn (\$2.64Bn) – 95% of total debt capital raised in 2016; State gov'ts raised N11.95bn (\$42.23Mn).
- Corporate entities raised a total of N19.76Bn (\$69.82Mn).

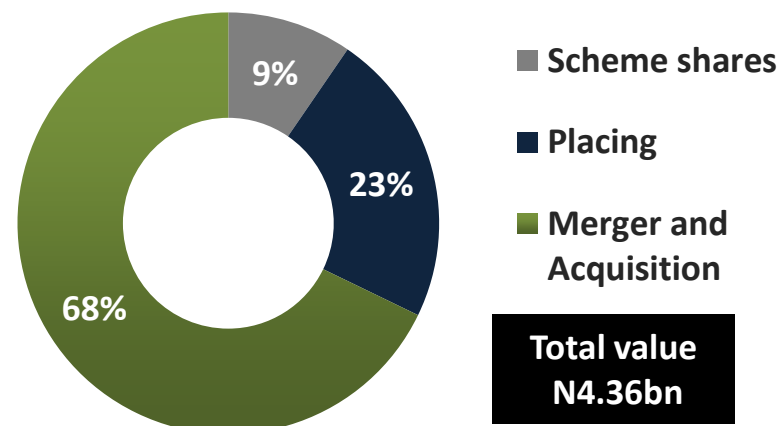
## 3 BOND LISTINGS BY ISSUER



## 2 NEW LISTINGS BY ASSET CLASS (BY VALUE)



## 4 NEW EQUITY LISTINGS BY METHOD OF ISSUE



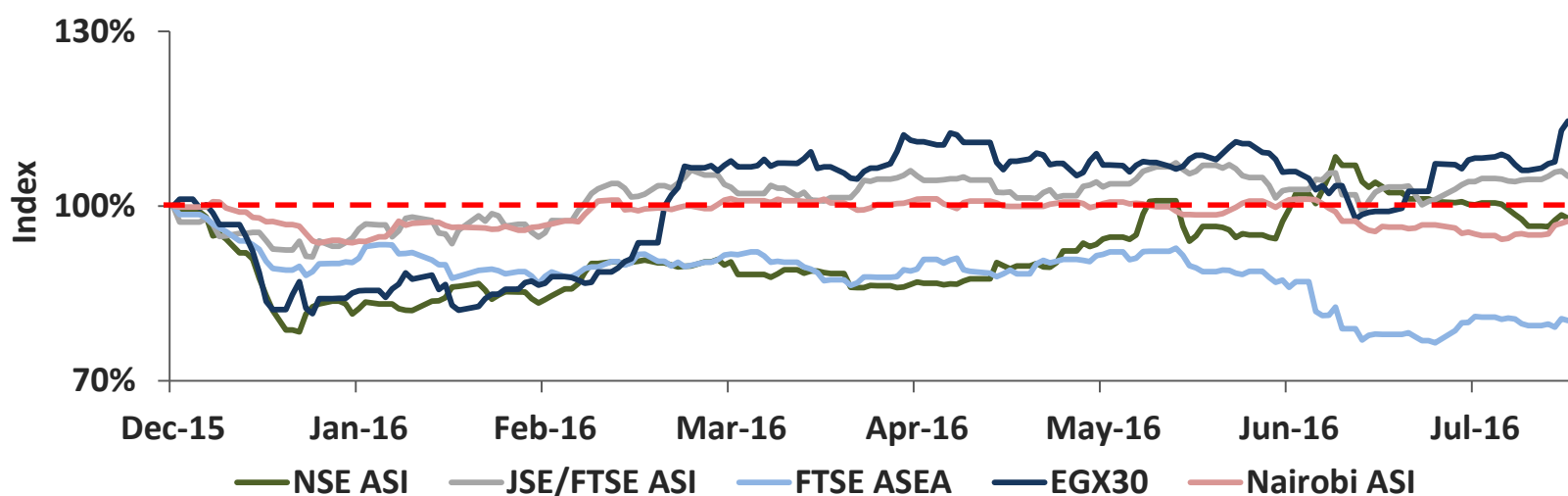


# **THE Nigerian STOCK EXCHANGE**

*Global Competitive Report*

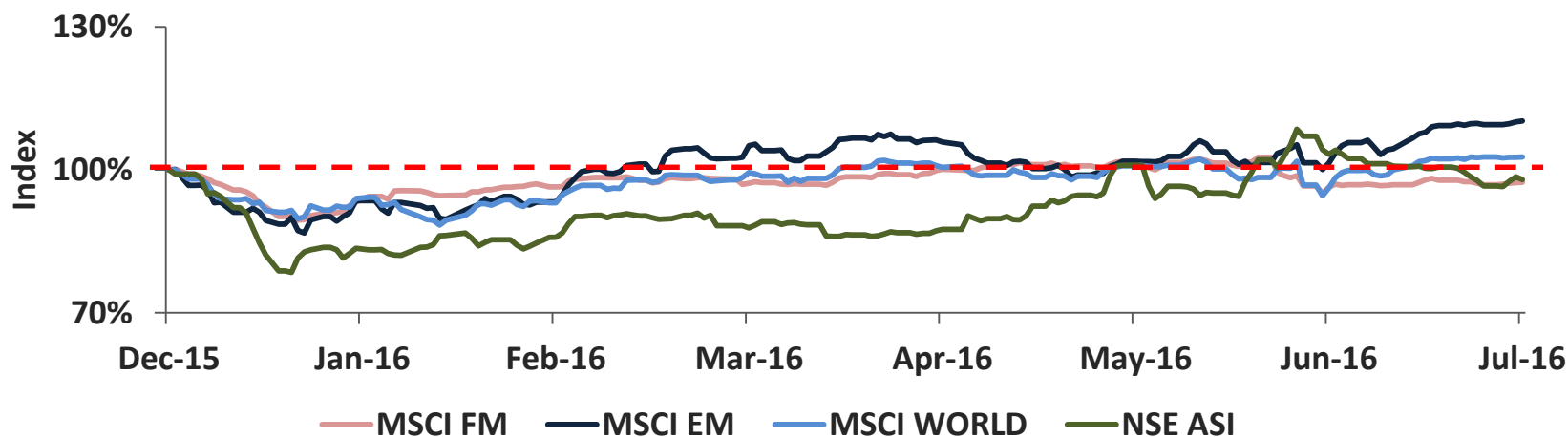


## 1 REGIONAL INDEX PERFORMANCE – COMPARABLE AFRICAN INDICES



<b>EGX30</b>	<b>14.63%</b>
<b>JSE/FTSE ASI</b>	<b>5.11%</b>
<b>NSE ASI</b>	<b>-2.08%</b>
<b>Nairobi ASI</b>	<b>-2.58%</b>
<b>FTSE ASEA</b>	<b>-19.67%</b>

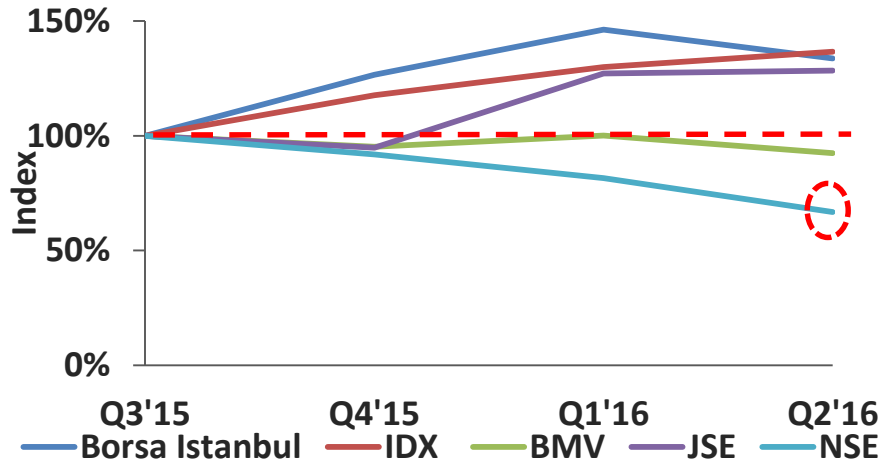
## 2 GLOBAL INDEX PERFORMANCE – DEVELOPED, EMERGING AND FRONTIER MARKET INDICES



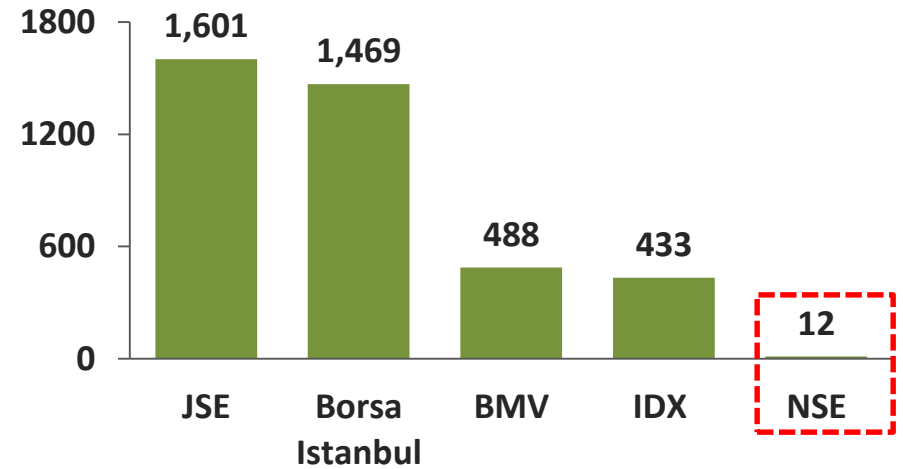
<b>MSCI EM</b>	<b>10.25%</b>
<b>MSCI WORLD</b>	<b>2.69%</b>
<b>NSE ASI</b>	<b>-2.08%</b>
<b>MSCI FM</b>	<b>-2.65%</b>



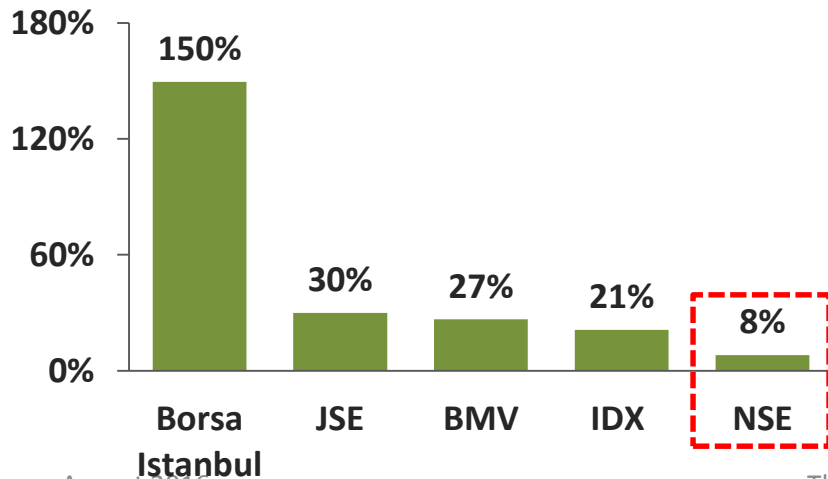
## 1 EQUITY MARKET CAPITALIZATION



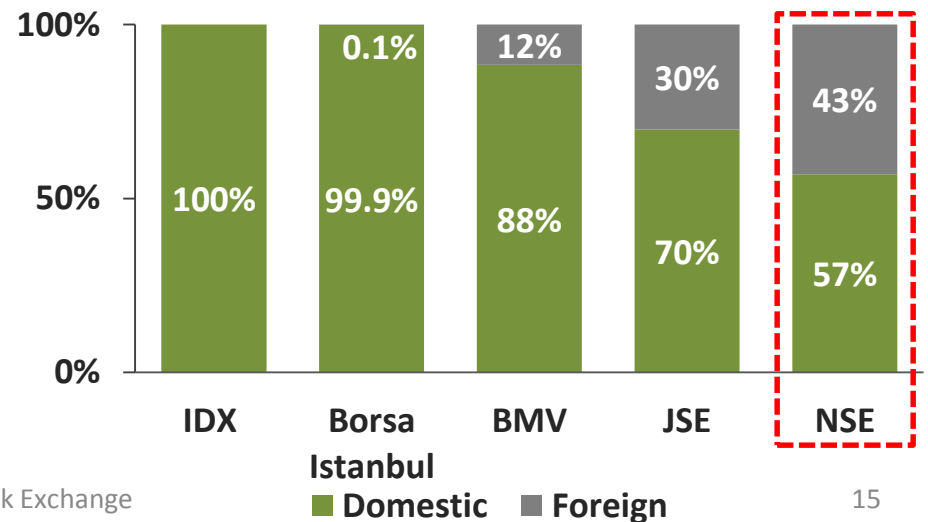
## 2 AVERAGE DAILY VALUE TRADED (USD'MN)



## 3 TURNOVER VELOCITY (ANNUALIZED)



## 4 MARKET ACTIVITY – DOMESTIC VS. FOREIGN (%)



## 1 EQUITY LISTINGS

Listings	LSE	JSE	NSE
<b>Equity Listings in 2016*</b>	66	6	3
<b>Value of 2016 Equity Listings* (USD'Mn)</b>	27,544	2,675	15
<b>IPOs in 2016**</b>	41	Nil	Nil
<b>Value of 2016 IPOs** (USD'Mn)</b>	1,357	Nil	Nil
<b>Number of Listed ETFs</b>	889	46	7
<b>New ETF Listings in 2016</b>	83	Nil	Nil
<b>Value of 2016 ETF Listings (USD'Mn)</b>	N/A	Nil	Nil

\*Includes listing by IPOs, rights issue, placing, M&A, takeover bid, listing of underwriting commitment shares, employee share plan, memorandum listing, conversion of preference shares to ordinary shares, re-admission, introduction, waiver of pre-emptive rights.

\*\*Includes international offerings, offer for subscription, placing and placing & offer for subscription.

USD/GBP = 0.75, USD/RAND = 14.73, USD/NGN = 283





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*NSE Stakeholders' Engagement*



## MARKET PARTICIPANTS

- FPI's free exit from the market hindered by capital control measures.
- Market accessibility is a key criterion for inclusion in global benchmark indexes.
- MSCI is currently monitoring the situation in Nigeria and reviewing feedback from investors.

## INVESTOR COMMUNITY

- Successful prevention of N150Mn fraud in Q1'16 collaborating with EFCC.
- IPF claims worth N42.2Mn approved for payment.
- ~200 investor events held across Nigeria reaching ~13,000 people.
- Compliance status indicator (CSI) codes introduced to indicate compliance status of listed companies.

## DEALING MEMBERS

- 223 DMs were inspected under the MOS, and 209 (94%)\* firms have complied with the standards.
- 24 active DMs suspended in Jan'16 in line with SEC capital requirements, seven (7) of which have now recapitalized.
- Palliatives of over N200Mn provided by NSE to support adherence to MOS.

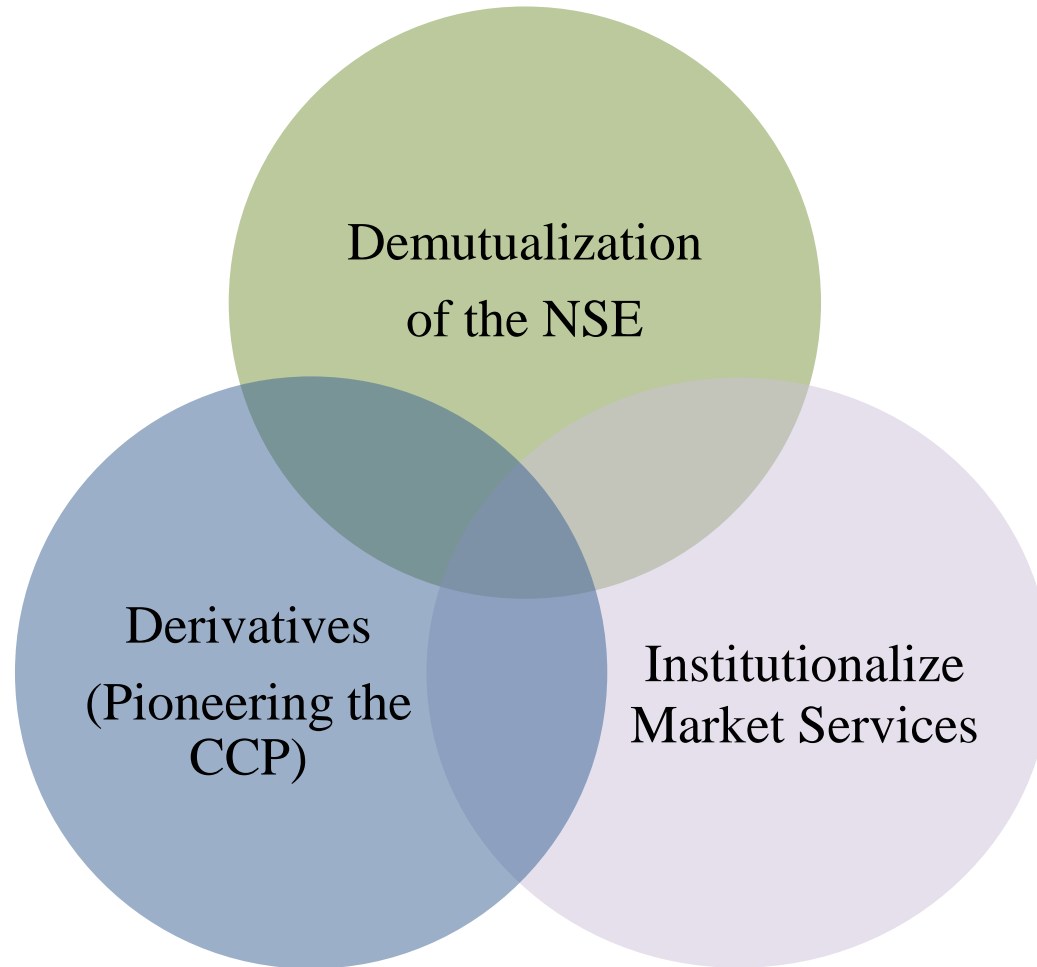
## ISSUER COMMUNITY

- 12 listed companies processed through the CGRS program in 2015.
- 48%\*\* of 132 active listed companies have submitted their CGRS results.
- The NSE introduced a Facts Behind the Restructuring forum for issuers undergoing restructuring to engage the investing public.



# **THE Nigerian STOCK EXCHANGE**

*NSE Strategic Focus in 2016*





## DERIVATIVES PROJECT UPDATE

- Financial and legal advisers onboard to design framework for the CCP entity.
- Foreign technical partners engaged to deliver the systems.
- The derivative project indicative product rollout schedule established.
- Meetings to sensitize and engage major stakeholders of the CCP are ongoing.
- The NSE has commenced training of regulators and market participants on derivatives.
- The NSE recently took part in a study tour of the Chicago Mercantile Exchange and Chicago Board Options Exchange as part of efforts to launch derivatives.

## DEMUTUALIZATION PROJECT UPDATE

- In November 2015, the NSE appointed financial, legal and tax advisers respectively on the proposed demutualization of the NSE.
- The advisers completed their due diligence work in Q1'16.
- The NSE together with its advisers have begun stakeholder engagement meetings to begin to address key issues pertaining to the demutualization process.
- The project is currently ongoing.

# NSE Awards & Accolades



**Corporate Achievement Award**  
**FINANCIAL LITERACY EXCELLENCE  
AWARD 2016**



**Employer of Choice 2016**  
**HR PEOPLE MAGAZINE AWARD 2016**



**Best Corporate Social Responsibility Award**  
**2015 AFRICAN BUSINESS AWARDS**



**Award For Promoting Best Practice  
Reporting and Corporate Disclosure**  
**LAGOS CHAMBER OF COMMERCE & INDUSTRY (LCCI)  
COMMERCE & INDUSTRY AWARD 2015**



**African Regulator  
of The Year**  
**AFRICAN BUSINESS LEADERSHIP  
AWARDS 2015**



**Financial Institution  
of The Year**  
**THE OIL & GAS YEAR  
NIGERIA 2015**



**Best Initiative In Support of SMEs  
& The Millennium Development Goals (2014 Winner)**  
**AFRICAN INVESTOR (Ai) INVESTOR  
AND BUSINESS LEADER AWARDS**



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