



**THE Nigerian
STOCK EXCHANGE**

CAPITAL MARKET UPDATE *of the Nigerian Stock Exchange*

Presented by

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Capital Markets Committee Meeting

May 2017

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Q1'17 Briefing – Overview of Operating Environment



UNITED STATES: 2.3%

Tax cuts and renewed business confidence under new administration, are key drivers of growth.

EURO AREA: 1.7%: Strong domestic demand & investment rebound drive growth. Political uncertainty (Brexit; France & Germany elections) poses downside risk.

SUB-SAHARAN AFRICA: 2.6%

Rebound in commodity prices and govt. policy responses bolster growth.

THE MIDDLE EAST & N. AFRICA: 2.6%

Continued conflict and low commodity prices affect fiscus & weigh on economic activity.

L. AMERICA & CARIBBEAN: 1.1%

Recovery in oil prices boosts exporters but uncertainty over US-Mexico trade relations prevails.

ASIA & THE PACIFIC: 6.4%

Growth driven by policy stimulus, increased credit & buoyed activity in leading regional economies.

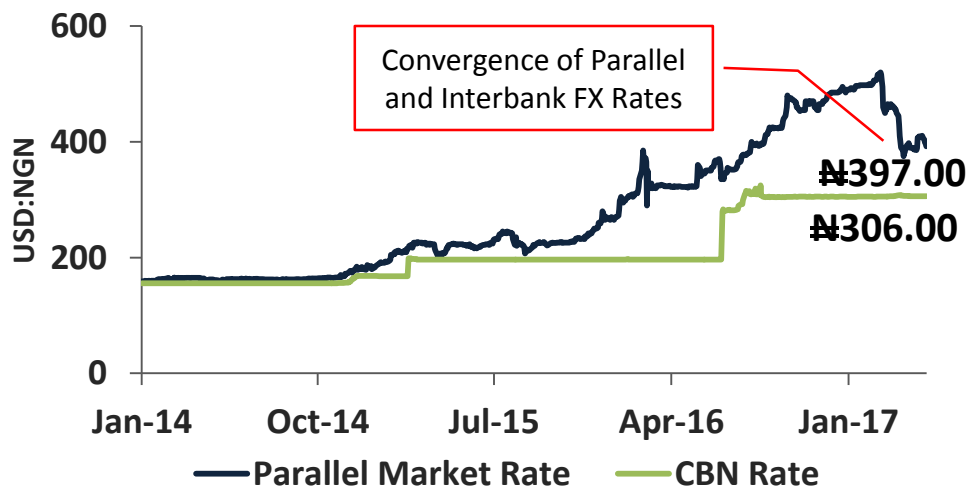
KEY TRENDS IN THE GLOBAL ECONOMY*

- IMF forecasts global output to grow by 3.5% in 2017, from 3.1% in 2016, driven by a rebound in economic activity and further fiscal stimulus.
- 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, GDP is expected grow by 2.6% in 2017, from 1.4% in 2016, amidst projections of expansion of the Nigerian and South African economies by 0.8% each.

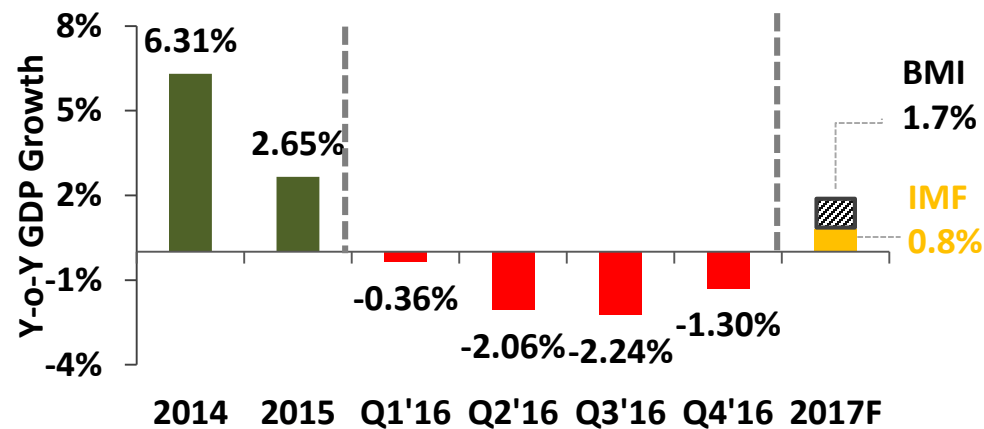
1 ECONOMIC OUTLOOK

- Higher global oil prices and domestic production, boost optimism for Nigeria's economic recovery.
- FX restrictions, lack of unified exchange rates and high inflation continue to pose downside risks.
- CBN interventions beginning Feb'17 (e.g. special FX window for investors and exporters, increased retail supply, etc.), have helped bring about a gradual convergence of rates.

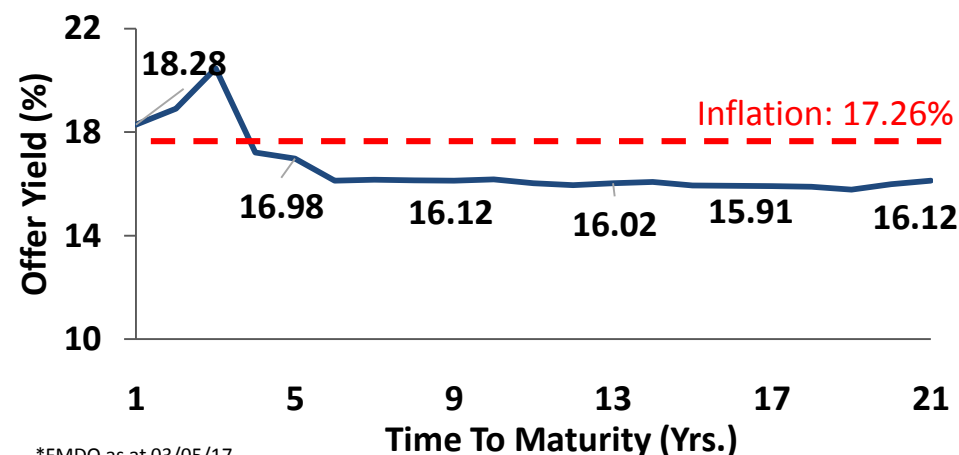
3 INTERBANK VS. PARALLEL MARKET FX RATES



2 REAL GDP GROWTH RATE



4 FGN INDICATIVE YIELD CURVE*

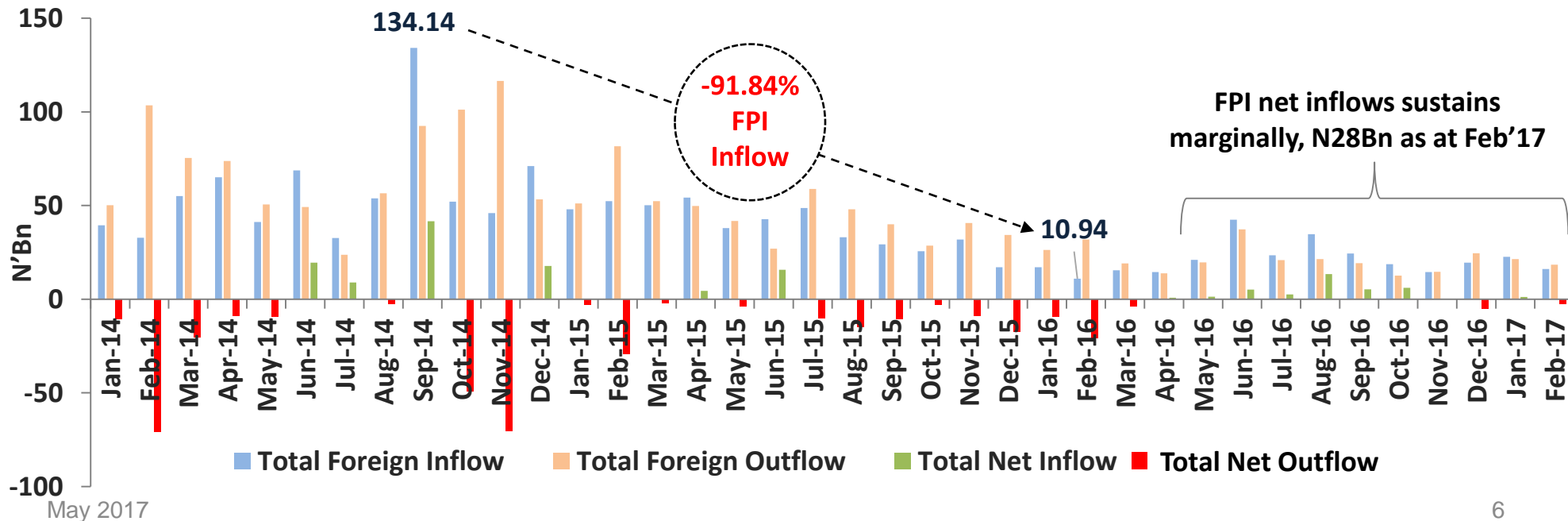




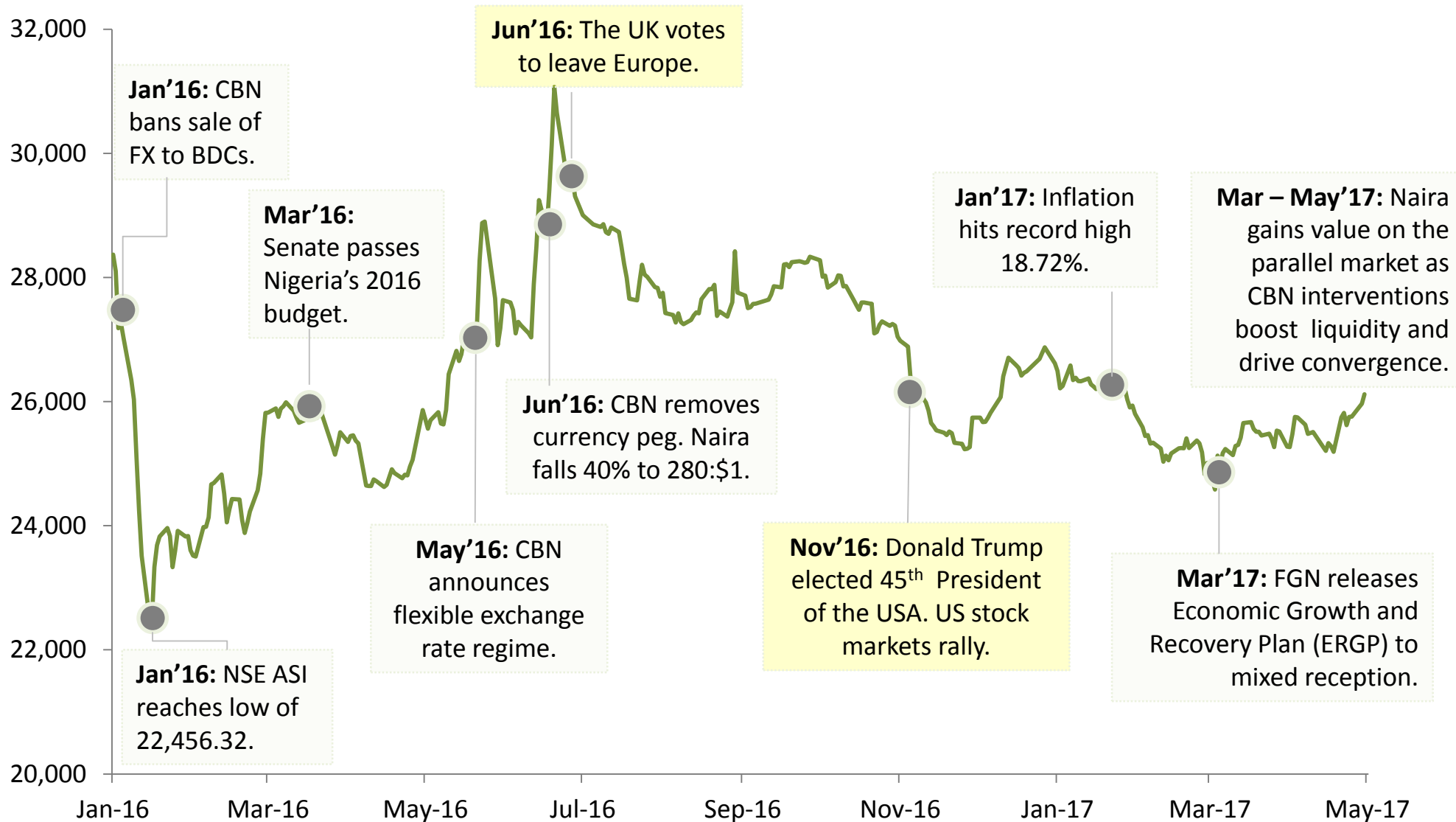
FPI EQUITY MARKET ACTIVITY STABLE, BUT LOW

- After nine (9) consecutive months of net outflows from Jul 2015 – Mar 2016, FPI market activity has stabilized since the introduction of the flexible FX rate regime in May 2016.
- Although foreign inflows outpaced outflows in 2016, overall FPI activity declined by 50% to N518Bn in 2016 from N1.04Tn in 2015, as foreign investors remained on the sidelines awaiting resolution of FX challenges.
- As at Feb 2017, FPI activity totaled N78.6Bn representing an 8.8% decline from N86.2Bn in Feb'16.

NSE NET FPI INFLOWS VS. NET FPI OUTFLOWS (JAN'14 – FEB'17)



Capital Market Reacts to Economic Trends



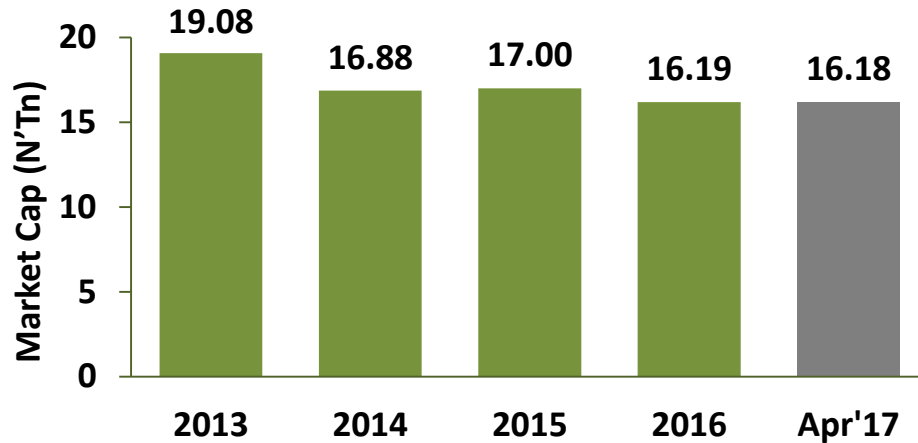


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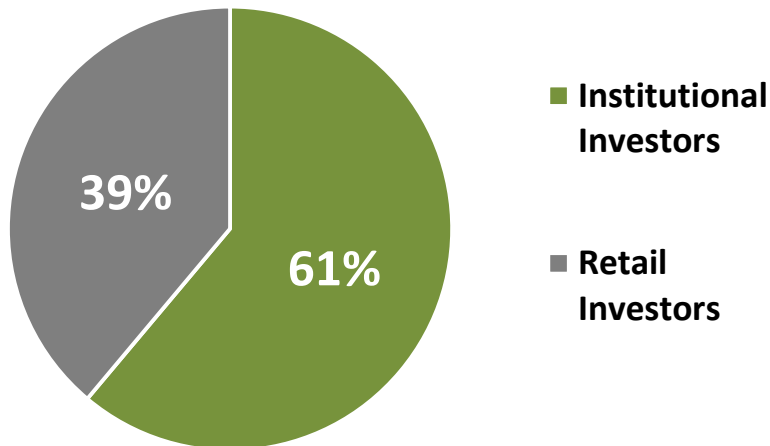
NSE Market Statistics



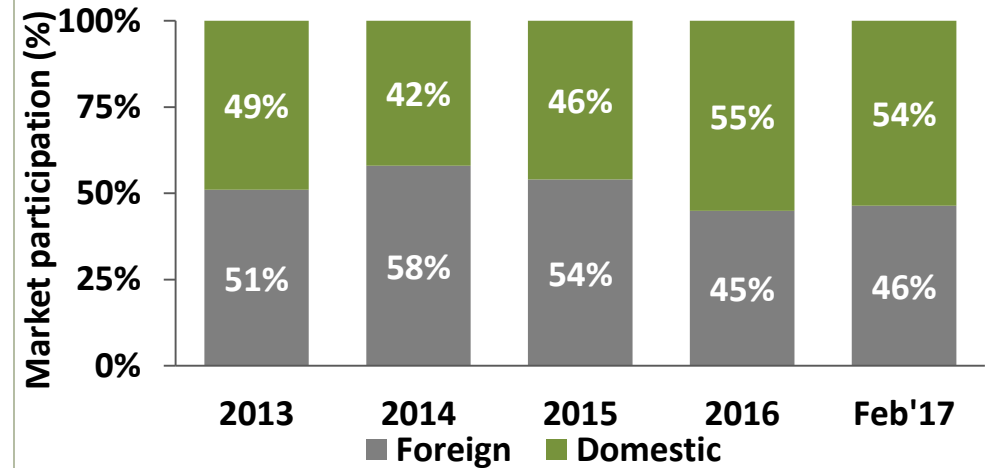
1 NSE TOTAL MARKET CAPITALIZATION



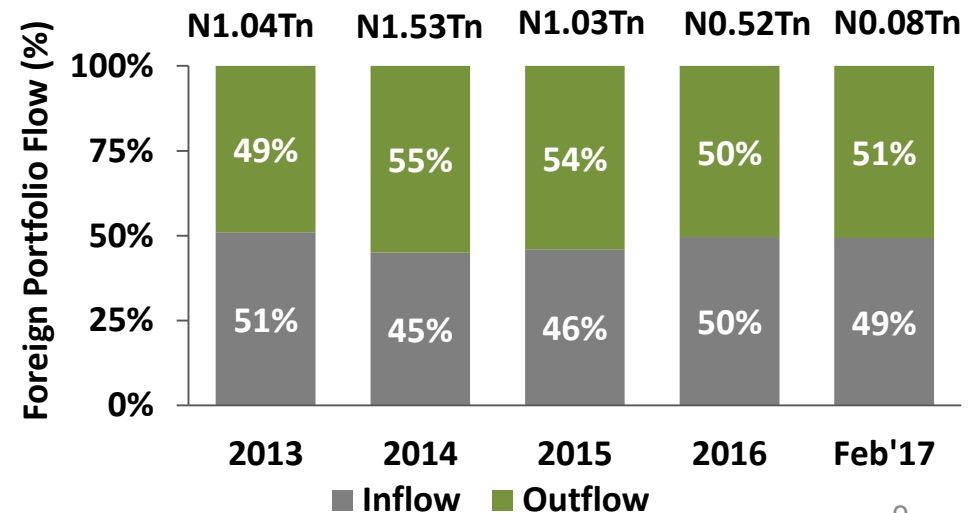
3 DOMESTIC INVESTOR BASE: YTFEB'17



2 DOMESTIC VS. FOREIGN (EQUITY)



4 TOTAL FOREIGN PORTFOLIO FLOW (EQUITY)

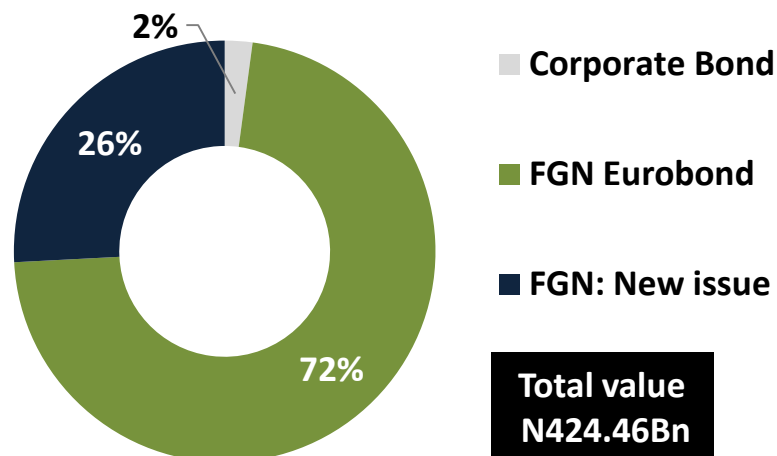




1 FACTS AND FIGURES*

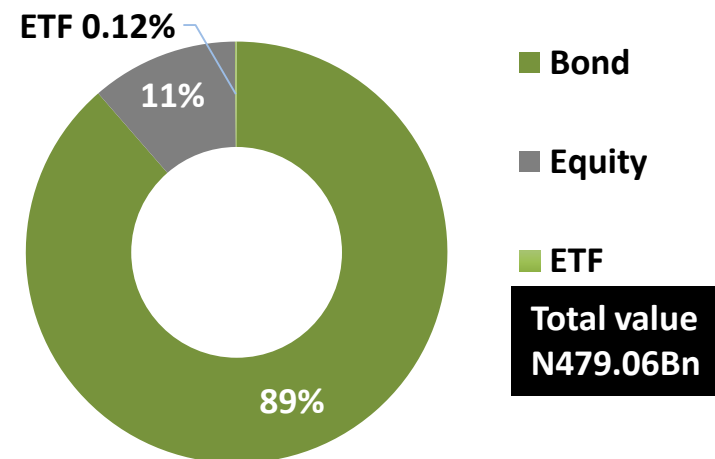
- As at Apr'17, the total value of new listings amounted to N479.06Bn (\$1.57Bn).
- There were 14 new listings** during the period, including:
 - Two (2) listings by introduction (N51.46Bn); FGN Eurobond (\$1Bn); FGN Retail Savings bond (N3.36Bn); and SIAML Pension ETF 40 (N597Mn)
- New equity listings were valued at N54.01Bn (\$176.60Mn), exceeding the FY'16 value by >220%.
- In the bond market, FGN raised N415.46Bn (\$1.36Bn) while corporates raised N9.00Bn (\$29.43Mn).

3 BOND LISTINGS BY ISSUER

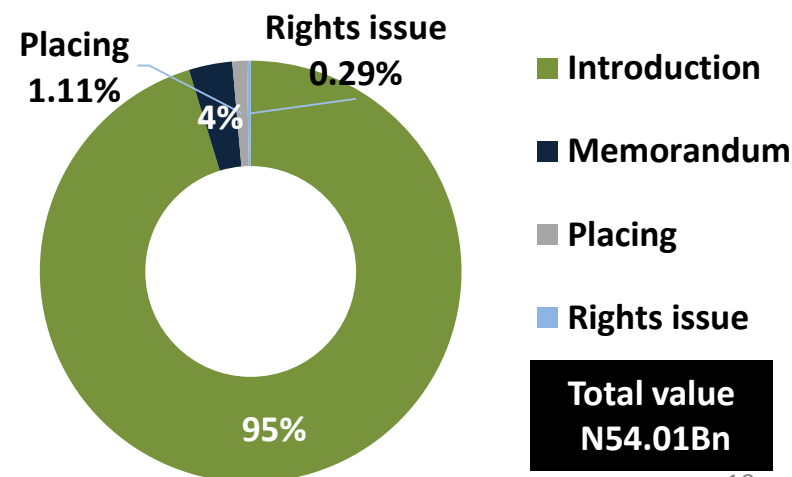


May 2017

2 NEW LISTINGS BY ASSET CLASS (BY VALUE)



4 NEW EQUITY LISTINGS BY METHOD OF ISSUE





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NSE Initiative Updates

NSE Strategic Outlook for 2017

The NSE is taking a flexible approach to strategy execution in 2017, focusing on:

- 1 A more agile and demutualized Exchange
- 2 Launch of exchange-traded derivatives
- 3 Advocating for an improved business climate
- 4 Driving liquidity via:
 - Capital market integration;
 - Advocating for listing of privatized SoEs; and
 - Engaging with private sector to list products across various asset classes

DEMUTUALIZATION PROJECT UPDATE

The NSE demutualization project which began in 2015 is well underway with a number of key milestones achieved to date in partnership with the appointed financial, legal and tax advisers. They include:

- Key stakeholder engagements, including a successful EGM conducted in March 2017 to formally empower the demutualization project team (DPT) to fast track completion of the project
- Completion of five (5) key reports in support of the project including: i) Inception; ii) Legal Due Diligence; iii) Tax Due Diligence; iv) Member Register Review; and v) Assessment of Business and Operational Plan reports.
- Submission of a draft demutualization Bill to the National Assembly in March 2017.

NEXT STEPS

1. Secure passage of draft demutualization Bill into law.
2. Complete all necessary documentation stipulated in the SEC rules on demutualization.
3. Members pass required resolutions at General meeting; requisite changes effected in MEMART.

DERIVATIVES PROJECT UPDATE

The project to deliver derivatives in the Nigerian market is ongoing with a number of key milestones achieved to date in partnership with the appointed financial and legal advisers. These include:

- Successful development of i) legal and regulatory frameworks; ii) draft rules; iii) clearing and settlement structures and processes; and iv) risk management and mitigation measures.
- Widespread stakeholder sensitization efforts, including roundtable meetings with fund managers, dealing members, custodians and PFAs to expose potential derivatives market participants to the proposed structure of the NSE derivatives market.

NEXT STEPS

1.

Training for NSE Council members and regulatory staff of the Exchange on the derivatives regulatory framework and rules is scheduled to hold May 8, 2017.

2.

Market-wide training on i) Legal aspects of derivatives and clearing counterparty (CCP) transactions and ii) introduction to derivatives products/markets is scheduled to hold in June.

3.

Training for front to back office teams of dealing member firms to ensure understanding of derivatives products across the key functional roles in the market will be held in June and July.

NSE Awards & Accolades



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**Corporate In-House
Team of The Year 2016
(Capital Market Sector)**

2016 ESQ NIGERIA LEGAL AWARDS



**Most Innovative Stock Exchange
In Africa 2016**

**THE BUSINESS YEAR MAGAZINE
AWARDS 2016**



**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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