

# **The Nigerian Stock Exchange**

## **A Review of market performance in 2008 and the outlook for 2009**

By

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### **1.0 The Operating Environment**

As in the preceding year, the economy performed below projection, with estimated GDP growth of 6.77%, as against the target of 9.8% set for the year but higher than the 6.2% recorded in 2007. Growth was driven largely by the non-oil sector, as the continuing crisis in the Niger-Delta area and other operational difficulties constrained crude oil exploration and production. By year-end, crude oil production shut-in stood at 0.6mbd, while the non-oil sector recorded an estimated annual average growth rate of 9.6%. The Nigerian Export Promotion Council (NEPC) confirmed that non-oil exports, mostly in agricultural products recorded unprecedented growth of 60% during the last quarter of 2008, up from 40% during the first quarter. For the first time, Nigeria made a shipment of garments to the USA under the African Growth and Opportunity Act.

OPEC reduced the country's official quota by 0.113mbd from 2.4mbd to 2.287mbd effective from November 1, 2008. Also, at a scheduled OPEC meeting on December 17, 2008, the country official output was further reduced by 0.319mbd effective January 1, 2009 to 1.97mbd in an onslaught to shore up prices. Evidently, the cut would exert pressure on Nigeria's export revenues, trade balance and external reserves.

The downstream sector of the petroleum industry remained comatose and the country relied on imported refined petroleum products for domestic and industrial operations. Meanwhile, the Federal Government awarded the contract for the Turnaround Maintenance (TAM) of the Kaduna Refining and Petrochemical Company (KRPC) at a cost of N6.8 billion. In the schedule, Port Harcourt Refinery would undergo TAM in 2009 while the Warri Refinery is slated for 2010.

The contribution of the manufacturing sector to macroeconomic development remained insignificant as the ever-promising sector had to contend with myriads of challenges during the year leading to massive under-capacity utilization. According to CBN, the estimated index of manufacturing production stood at 88.0 by June 2008 (1990=100), having dropped by 3.1% from the December 2007 level. These challenges included late release of the 2008 budget, poor power supply, infrastructural bottlenecks (as shown by inadequate water supply, deplorable road conditions), insecurity of lives and properties, high lending rates, multiple taxation and levies, weak domestic demand coupled with influx and dumping of adulterated foreign products into the country that are in most cases smuggled to mention just a few. The deplorable state of infrastructure posed a major challenge in terms of raising the cost of doing business in the country.

The telecommunications sector sustained its impressive growth with Nigeria being ranked as the eighth fastest growing telecommunications environment in the world. Altogether, we have over 60 million telephone subscribers connected to the five mobile networks, Code Division Multiple Access (CDMA) and fixed lines operators. Expectedly, Global System for Mobile Communications (GSM) subscribers accounted for about 95%.

Overall, the fundamentals of the Nigerian economy remained strong as attested to by notable international rating agencies. In the latest edition of its sovereign ratings, Standard and Poor's Rating Services had in December 2008 assigned its ngAA+, long term and ngA-1 short-term ratings to Nigeria. This reflected Nigeria's high level of credit worthiness. The scale is expected to appeal to a wide range of entities including companies and any tier of government seeking to raise funds in Nigeria.

## **2.0 The Global Stock Market**

The financial crisis that began in the USA in the 2007 aftermath of the subprime mortgage lending crisis and the attendant credit squeeze continued in 2008 on a global scale causing severe economic and operational dislocations across the globe. It reached a climax in September 2008, with the sudden collapse of several major financial institutions in the United States. Lehman Brothers and Merrill Lynch, two of Wall Street's biggest investment banks both collapsed while American officials seized American International Group to prevent the giant insurer's going under. Merrill Lynch was later acquired by Bank of America in a deal worth about \$33 billion in stock.

Other effects of the crisis included the increased fear of global recession, increased unemployment and inflation worries. Though the US was officially declared to have been in recession since December 2007, Japan and the euro area fell into recession (applying the definition of two quarters of negative growth) during 2008. Some analysts have described the global economic meltdown as the worst since 1945.

The persistence of the credit crunch compelled many governments especially in US and Europe to provide extra-ordinary measures including providing substantial financial support or bailout packages to stabilize the banking system in a bid to get credit markets functioning again while central banks took steps to boost liquidity by dropping key interest rates to near zero, lower than they have ever been. Also, US Federal reserve implemented unusual market interventions such as buying large amounts of short-term debt issued to companies to enable day-to-day financing. Some of the measures taken to date by the US Fed are shown below and it is expected that most governments will continue to monitor events closely due to the scale of the global problem:

- March 17<sup>th</sup> - Bear Stearns sold to JP Morgan
- Aug 6<sup>th</sup> – Aug 8<sup>th</sup> : Freddie Mac and Fannie Mae both report fourth consecutive quarterly losses and cut dividends
- Sep 7<sup>th</sup> - Government bails out Fannie Mae and Freddie Mac
- Sep 15<sup>th</sup> - Lehman Brothers files for bankruptcy
- Sep 16<sup>th</sup> - Treasury backs \$85bln deal to avert collapse of insurer AIG
- Sep 23<sup>rd</sup> - Ben Bernanke and Hank Paulson seek support for \$700 billion rescue plan to buy "toxic" assets
- Sep 29<sup>th</sup> - House of Representatives rejects bail-out
- Oct 3<sup>rd</sup> - House agrees revised plan

- Oct 7<sup>th</sup> - G7 industrialized nations agree to take “all necessary steps”
- Oct 14<sup>th</sup> - Paulson says he will start buying equity in banks
- Nov 12<sup>th</sup> - Paulson drops plan to buy “toxic assets”
- Nov 16<sup>th</sup> - G20 leaders promise united action on the global crisis

Consequent upon the turmoil in the financial system and the worst global recession, equity prices crashed in most exchanges such that the global stock market gains of previous years were wiped out. The fear of a big plunge led to the closure of some stock exchanges for days. The authoritative UK-based Guardian estimated that \$14 trillion (£9.7trillion) was wiped off world share values in 2008 as many stock markets around the world suffered their worst 12 months of trading.

African economies that were considered relatively insulated from the contagion are now as vulnerable as other regions. The South African stock exchange lost 27% in 2008 and the rand slipped almost 30% while in Nigeria, The NSE All-share index dropped by 45.8%.

The Nigerian stock market felt the impact of the global meltdown from the second quarter with equity market capitalization dropping from a high of N12.64 trillion on May 3 to a low of N6.21 trillion on December 16 before finally closing at N9.56 trillion on 31<sup>st</sup> December 2008. The correction was hoisted by the tightening of liquidity in the banking sector arising from the decline in public sector spending, excess supply of stocks necessitated by profit taking by investors. Despite the declines in key market indicators, the **fundamentals of our stock market remained strong** as indicated by strong corporate earnings and growth potentials. Although, we observed that the stock market exhibited some signs of recovery during the last two weeks in December 2008, investors are still being ruled by cautious optimism while studying the effect of the global financial crisis on the domestic market.

### 3.0 Activity In The Secondary Market

The stock market witnessed paucity of fresh funds as we recorded a significant level of cross transactions (deals) between August and December. Also, a significant portion of the funds that left the Stock Market for the Private Placement Market are still locked-in, as many of the issues have not yet applied to the Nigerian Stock Exchange for listing.

Turnover on The Exchange closed the year at N2.4 trillion or 10.4% of GDP, up by 14.04% on the N2.1 trillion (9.1% of GDP) recorded in 2007. Average daily activity rose from 570.6 million shares worth N8.62 billion in 2007 to 775.65 million shares valued at N9.55 billion in 2008.

The bulk of the transactions were in equities, which accounted for N2.376 trillion or 99.85% of the turnover value compared to N2.08 trillion or 99.86% recorded in 2007. Transactions in the Industrial bonds sector accounted for N3.53 billion or 0.15% compared to N2.87 billion or 0.14% in 2007. The Preference Stocks subsector was inactive in 2008.

In 2008 turnover on Federal Government bonds on The Exchange stood at N1.0 million. Significantly, a turnover of N10.44 trillion in 78,248 deals was recorded in the Over-the-Counter (OTC) market for Federal Government bonds, as against N4.13 billion in 30,182 deals recorded in that market in 2007.

Overall, The Exchange's Turnover Ratio dropped from 28.21% in 2007 to 21.86% in 2008 attributed to the decline in stock prices. The following is a list of the year's 20 most active stocks (by turnover volume):

1. Investment & Allied Assurance Plc	-	26.74 billion shares
2. Universal Insurance Co. Plc	-	12.4 billion shares
3. Spring Bank Plc	-	8.3 billion shares
4. Lasaco Assurance Plc	-	5.4 billion shares
5. Intercontinental Bank Plc	-	5.32 billion shares
6. Fidelity Bank Plc	-	5.15 billion shares
7. Transnational Corporation of Nig. Plc	-	5.2 billion shares
8. Equity Assurance Plc	-	4.9 billion shares
9. Afribank Nigeria Plc	-	4.83 billion shares
10. Access Bank Plc	-	4.8 billion shares
11. Oceanic Bank International Plc	-	4.8 billion shares
12. First Bank of Nigeria Plc	-	4.74 billion shares
13. NEM Insurance Co. Plc	-	4.4 billion shares
14. First City Monument Bank Plc	-	4.3 billion shares
15. United Bank for Africa Plc	-	4 billion shares
16. First Inland Bank Plc	-	3.61 billion shares
17. Continental Reinsurance Plc	-	3.6 billion shares
18. Guaranty Trust Bank Plc	-	3.2 billion shares
19. Platinum Habib Bank Plc	-	3.14 billion shares
20. Mutual Benefits Assurance Plc	-	3.1 billion shares

As in the preceding year, the banking and insurance subsectors accounted for 19 of the Top 20 companies by turnover volume consequent upon their being the most capitalized subsectors and having the largest float.

#### **4.0 Trading In Rights**

Investors traded rights in four companies, compared to seven companies in 2007. In all, 61 deals valued at N357.05 million were executed in this market segment in 2008, up by 71.9% on the N207.73 million value of transactions in the previous year. The companies whose rights were traded during the year are:

- ❑ Zenith Bank Plc
- ❑ Skye Bank Plc
- ❑ Custodian & Allied Insurance Plc
- ❑ African Petroleum Plc
- ❑ Crusader Plc

#### **5.0 Foreign Portfolio Investment**

Despite the huge outflow from the stock market especially from panic divestments, foreign investors continued to demonstrate confidence in the Nigerian economy during the year. This was based on their belief in the resilience of our market without forgetting the high returns, liquidity and safety of investments. Available statistics show purchases by foreign investors during 2008 to be in excess of N151.202 billion, representing 6.4% of the aggregate turnover. This is a decline when compared with the N256 billion recorded in 2007. Concurrently, total

sales during the year was in excess of N557.142 billion, culminating in a net outflow of about N405.94 billion.

## 6.0 Market Capitalization

The total market value of 301 securities listed on The Exchange dropped by 28.1% from N13.295 trillion to stand at N9.563 trillion by year-end. The decline in market capitalization resulted mainly from price depreciations by equities, the delisting of 19 companies and the maturing of outstanding bonds.

By year-end, the market capitalization of the 213 listed equities accounted for N7 trillion or 73.1% of the aggregate market capitalization (2007: 212 equities accounted for N10.301 trillion or 77.5% of market capitalization).

At the end of the year, the following 20 companies emerged with the highest market capitalization, in descending order:

<b>Company</b>	<b>Market Capitalization (N'Bn)</b>
1) First Bank of Nigeria Plc	524.848
2) Zenith Bank Plc	368.385
3) Nigerian Breweries Plc	308.931
4) United Bank for Africa Plc	283.467
5) Ecobank Transnational Incorporated	273.396
6) Oceanic Bank International Plc	267.767
7) Intercontinental Bank Plc	243.055
8) African Petroleum Plc	231.888
9) PlatinumHabib Bank Plc	206.387
10) Stanbic IBTC Bank Plc	204.375
11) Ecobank Nigeria Plc	201.817
12) Guaranty Trust Bank Plc	194.907
13) Dangote Sugar Refinery Plc	186.000
14) Union Bank of Nigeria Plc	176.012
15) Guinness Nigeria Plc	146.755
16) Wema Bank Plc	145.562
17) Fidelity Bank Plc	135.837
18) Afribank Nigeria Plc	129.801
19) Nestle Nigeria Plc	126.455
20) Access Bank Plc	116.211

The above 20 Most Capitalized Companies account for about 50% of the Total Market Capitalization of The Exchange. Changes in the prices of these stocks impact substantially on the Total Market Capitalization and the All-Share Index.

## 7.0 The All-Share Index

The Nigerian Stock Exchange All-Share Index dropped by 45.8% or 26,539.44 points to close at 31,450.78, a reversal of the record-setting growth of 74.73% recorded in 2007. The Index closed at 57,990.22 in 2007. The Index had on March 5, 2008 recorded an historic value of 66,371.20 before dropping to its year end level. The performance of the Index reflects

significant reduction in prices of most quoted equities during the year. By year end, 78 stocks recorded price appreciations and 111 stocks recorded price declines while the prices of 24 remained constant.

## 8.0 New Issues

There was increased recourse to the stock market by companies and governments as shown by the number of applications received during the year. Though the primary market was active at least up till the third quarter in terms of issues actually offered for public subscription, we however note the limited activity during the fourth quarter. This was attributed to liquidity constraints from the economy-wide slowdown. In 2008, The Exchange considered and approved 70 applications for new issues and merger & acquisition in excess of N2.2 trillion or 9.53% of GDP, as against 65 applications for new issues valued at N2.4 trillion in 2007 or 10.5% of GDP.

The non-bank corporate issues accounted for 51.6% with 59 applications valued at N1.124 trillion while the banking sector accounted for 35.8% with 10 applications valued at N779.8 billion. Government bond issue accounted for N275 billion or 12.62% of the total amount approved during the year. Of the non-bank applications, The Foreign Listings and Insurance subsectors accounted for N295 billion and N150.45 billion or 13.54% and 6.9%, respectively of total applications considered.

Further analysis of new issues approved in 2008 showed that the sum of N608 billion was raised through Initial Public Offerings (IPO) and supplementary issues; N376.51 billion through rights issues; and N279 billion through bonds issue, including the Lagos State Government Bond.

Listing by Introduction accounted for N368.85 billion, in addition to eleven applications for supplementary listings valued at N277.4 billion while Shares Placing accounted for N91.4 billion. Also approved was one application for merger and acquisition valued at N3.8 billion and five applications by Unit Trusts for memorandum listings valued at N15.4 billion. Merger activity dwindled compared with 2007. Similarly, the Council approved new tradable instruments – Exchange Traded Funds (ETFs) with one application valued at N2 billion.

### 8.1 Top Five New Issues Approved In 2008

S/No	Issuer	Amount N)	Type of Issue
1	Union Bank of Nigeria Plc	301.933 billion	Hybrid: Public and Rights Offers
2	Ecobank Transnational Inc.	295 billion	Hybrid: Public and Rights Offers
3	3rd Lagos State Government Bond	275 billion	Bond
4	Ecobank Nigeria Plc	119.82 billion	Rights
5	PlatinumHabib Bank Plc	77.290 billion	Placing

## **9.0 New Listings in 2008**

The number of securities listed on The Exchange dropped to 301 from 309 in 2007. The new listings were:

### **Equity**

1. Dangote Flour Mills Plc
2. Universal Insurance Co. Plc
3. Goldlink insurance Co. Plc
4. Consolidated Hallmark Insurance Plc
5. Skye Shelter Fund Plc
6. Nigerian Bag Manufacturing Co. Plc
7. Aso Savings & Loans Plc
8. Investment & Allied Assurance Plc
9. Regency Alliance Insurance Plc
10. Fidson Healthcare Plc
11. Omatek Ventures Plc
12. Tantalizers Plc
13. Starcomms Plc
14. FTN Cocoa Processors Plc
15. Capital Hotels Plc
16. Union Diagnostics & Clinical Services Plc
17. Chams Plc
18. DAAR Communications Plc
19. Multiverse Resources Plc
20. Abbey Building Society Plc
21. Mass Telecom Innovation Nigeria Plc

Also, there were four Memorandum Listings compared to five in 2007:

- FBN Heritage Fund
- ARM Aggressive Growth Fund
- Kakawa Guaranteed Income Fund
- Stanbic IBTC Guaranteed Investment Fund

## **9.1 Sector Reclassification and Change of Name**

Three new subsectors – Information Communication and Telecommunications, Media and Real Estate Investment Trusts were created on the Daily official List as a result of rising profiles of our listed companies. By this action, the number of subsectors in the equity sector of the Daily Official List increased to 35.

Also, Crusader (Nig) Plc and Royal Exchange Plc were moved from the Insurance subsector to the “Other Financial Institutions” subsector consequent upon the expansion of their operations beyond insurance business. Similarly, Cutix Plc migrated from the Second-tier market to the First-tier and was reclassified in the Engineering Technology sector.

The name IBTC-Chartered Bank was changed to Stanbic IBTC Bank Plc following the acquisition of majority shareholding by Standard Bank Group.

## **9.2 Delisting in 2008**

Twenty-nine (29) Securities were delisted during the year compared to eleven (11) in the preceding year. The Council of The Nigerian Stock Exchange was very pro-active in ensuring compliance with the post-listing requirement of The Exchange. Consequently, Council approved

the delisting of the following nineteen (19) dormant Companies in two tranches. These were effected on Thursday, September 18, 2008 and on Monday, October 6, 2008. The Companies delisted were:

1. ACEN Insurance Plc
2. Amicable Assurance Plc
3. BAICO Insurance Plc
4. Atlas Nigeria Plc
5. Ceramics Manufacturing Plc
6. Beverages (WA) Nigeria Plc
7. Enpee Plc
8. Tate Industries Plc
9. Maureen Laboratories Plc
10. Rietzcot Nigeria Plc
11. Intra Motors Nigeria Plc
12. Aviation Development Co. Plc
13. Grommac Industries Plc
14. Onwuka Hi-Tech Industries Plc
15. Nigerian Lamps Industries Plc
16. Nigerian Yeast & Alcohol Manufacturing Plc
17. Security Assurance Plc
18. Sun Insurance Plc
19. Nigerian Textiles Mills Plc.

As the terminal dates, the 19 delisted companies had issued 2.85 billion shares valued at N4.3 billion.

**Bonds delisted on confirmation of repayment:**

- FRN 22nd DS 2008
- FGN Bond 2011 Local contractors Debt
- FGN Bond 2012 (Local Contractors Debt Series 3)
- FGN 26th Floating Rate Bond 2008
- 2nd FGN Bond 2007 Series 6
- 2nd FGN Bond 2008 Series 5
- FGB Bond for Payment of Local Contractors
- Special FGB Bond for Local Contractors
- Special FGN Bond for Local Contractors
- African Paints Plc N20 Million Redeemable Debenture Stock 1997/2000

**Equities delisted as a result of restructuring**

- NFI Insurance Plc

**10.0 Market Development**

As in previous years, The Exchange implemented certain initiatives in 2008 to broaden participation in our market, expand services, improve liquidity, and generally propel the market to greater height. These initiatives are in the important areas of capacity building, investor education, international cooperation, and new products development, including:

- **Launch of Nigerian Journal of Securities and Finance**

One of such initiatives was the launch of the new publication titled Nigerian Journal of Securities and Finance (NJSF). The Journal is a refereed and accredited scientific half-yearly publication of The Nigerian Stock Exchange. NJSF publishes theoretical, empirical and policy articles in the following disciplines (and cognate subjects): Securities Trading, Money and Capital Markets, Corporate Governance, Banking & Finance and Economics. The mission of NJSF is to publish and disseminate scientific knowledge from any academic school of thought. Authors may prepare papers for the Journal on country-specific capital market or economic issues though issues of international/cross-country coverage will also be welcomed. The views expressed in articles in the Journal are personal to the Authors and do not in any way reflect the official position of The Nigerian Stock Exchange.

Contributors of articles are requested to follow these guidelines to ensure speedy processing of materials for the Journal. The NJSF forwards all articles submitted to it for anonymous or blind assessment by three assessors, with at least two of these assessments required to be positive before the article will be slated for publication. Submission of an article to the NJSF presupposes that the author is committed in publishing in the journal and that the same article is not being simultaneously submitted to any other publication nor has it been published elsewhere.

- **Market Technology & New Data Centre**

We commenced the upgrade of the Horizon, our trading software. We hope to complete the upgrade early in 2009. Expectedly, the upgrade to the latest version of Horizon comes with improved functionalities that would impact positively on trading on The Exchange, especially with regard to derivatives and bond trading in the years to come.

During the year, The Exchange also commenced and concluded the construction of a state-of-the-art Data Centre in our premises. The construction of the Data Centre was in consonance with The Exchange's strategy to leverage on technology to drive its businesses and continually serve stakeholders' needs. The facility was built in accordance with industry best practice and will accommodate all our IT and power equipment necessary for meeting the strategic growth objectives of The Exchange and its market.

As we go into the New Year, The Exchange will leverage on this facility to serve the market better, especially with regard to the dissemination of market data (giving live feed to financial information vendors) and remote access to the Trading Engine.

- **Expanded Branch Network**

The Nigerian Stock Exchange now has 11 branches across Nigeria other than its world class trading floor in Lagos. These are: Abuja, Kaduna, Port Harcourt, Kano, Onitsha, Ibadan, Yola, Benin, Uyo, Ilorin and Abeokuta.

We commissioned the Ilorin Branch and its Electronic Trading Floor on Monday January 14, 2008. The same function was performed in Abeokuta, Ogun State on Monday, November 17, 2008. Also, The Nigerian Stock Exchange on Friday, February 15, 2008 commissioned the Electronic /Automated Trading Floor of the new branch office complex donated by the Anambra

State Government in Onitsha. The branch was initially commissioned in February 1990. The ceremonies were well attended. By year-end, The Exchange had eleven branches across the country trading on line real time. We shall in the first quarter of the New Year expand our branch network to Owerri, Imo State and Bauchi, Bauchi State. Plans are at advanced stages to open a branch in Oshogbo, Osun State.

- **Extension of The Exchange's Working Hours**

In a bid to align The Exchange's working hours with other sectors in Corporate Nigeria, we adjusted The Exchange's working hours from 8.00a.m – 4.30p.m. to 8.00a.m. – 5.00p.m. With this, The Exchange's staff would be available to attend to more enquiries from market operators.

- **Review of The NSE Fees**

At the height of the market slow down, there was a strategic meeting of financial market regulators on Tuesday, August 26, 2008 with the Federal Government of Nigeria. Participants at this meeting were Central Bank of Nigeria, Securities and Exchange Commission and The Nigerian Stock Exchange (NSE) in a combined effort to arrest the sliding prices at the stock market.

As a follow up to the meeting, The NSE announced a reduction in the Application Fee from 0.6% to 0.3% while The NSE Fees on secondary market transactions was reduced from 0.5% to 0.3%. Subsequently, the Securities and Exchange Commission (SEC) and other market operators followed suit.

- **New Products**

In 2008, work continued in the effort to deepen the Nigerian capital market by creating new products. Some of the new products considered by The Exchange include: Exchange Traded Funds, Mortgage-Backed Securities, Asset-Backed Securities. We listed the first Real Estate Investment Trusts (REITs) i.e. Skye Shelter Fund Plc on February 26, 2008 while Union Homes Savings and Loans Plc offered for public subscription the largest REIT investment worth N50 billion .

As part of the effort to expand the product range, The Nigerian Stock Exchange has created five new tradable indices, which would be launched in the first quarter of 2009. These indices namely:

- ✓ NSE 30 Index
- ✓ NSE Banking 10 Index
- ✓ NSE Insurance 10 Index
- ✓ NSE Food/Beverage 10 Index
- ✓ NSE Oil/Gas 5 Index

Each would be based on various criteria including liquidity and would form the platform for an array of new products. One application has been received to create an Exchange Traded Fund on The NSE 30 Index.

- **Licensing of Market Makers**

We are currently processing five applications for companies seeking to operate on The Exchange as Market Makers. Market makers are wholesale operators who create liquidity in the stock market by either buying shares when there is a glut or selling shares when there is scarcity. In essence, they are to ensure liquidity in the stock market by acting as buyers and

sellers of last resort. Four of the companies have been registered by the Securities and Exchange Commission (SEC), in keeping with the requirements of The Exchange. However, they are further required to provide information on their Liquidity Providers (banks and other non-bank financial institutions) and the stocks in which they plan to make market before they are licensed to operate as Market Makers. We hope they will be able to meet these regulatory conditions in January to enable them commence operation during the first quarter of 2009.

- **Inspection of Dealing Member Firms**

The Compliance Department inspected 243 dealing firms out of 248 scheduled for the year. The five firms that were not inspected were inactive. The operating performances of the firms inspected were mixed. On the average, most dealing firms performed well in terms of profitability. Eighty percent of firms inspected have completed automation of their accounting, stockbroking and administrative processes. The rest have been enjoined to automate their operations during 2009. Up to twenty percent of firms inspected have capitalization in excess of N1billion.

- **New Dealing Member Firms**

Six new firms commenced operations in 2008. They were:

- ✓ Cardington Securities Limited
- ✓ Aims Asset Management Limited
- ✓ Rencap Securities Limited
- ✓ Redasel Investment Limited
- ✓ Northbridge Investment and Trust Limited
- ✓ Peace Capital Market Limited.

All the new firms have capitalization in excess of N1 Billion Naira.

- **Complaints/Infractions**

In 2008, a total of 341 complaints / infractions were reported against dealing firms. Out of this, 243 cases were amicably resolved while 98 are still under investigation.

- **Cross-Border Listing**

On January 9, 2008, Diamond Bank Plc achieved the feat of being the first West African Bank to be listed on the Professional Securities Market (PSM) of the London Stock Exchange (LSE). This was the second Nigerian company to be listed on the London Stock Exchange and the first on the Professional Securities Market.

- **Investor Education**

The Exchange sustained its investor education initiative during the year. The 9th National Essay Competition for secondary schools and tertiary institutions was organized, culminating in an award ceremony in Lagos on November 24. About 15, 000 entries were considered for the various awards. One Hundred students from secondary and tertiary institutions were specially honoured at the award ceremony for their outstanding performance during the national essay competition. The event was widely publicized.

- **NSE Annual President's Award**

On November 15, we held the 31st edition of The Nigerian Stock Exchange Annual President's Merit Award ceremony in Lagos. The Former Secretary to the Government of the Federation

and current Minister of The Ministry of Niger Delta, Obong Ufot Ekaette, CFR was the Special Guest of Honour. First Bank of Nigeria Plc won the Quoted Company of the Year award. Awards were conferred on 18 quoted companies drawn from 17 industrial groups that cut across the broad spectrum of the Nigerian economy for their outstanding performance and commitment to the realization of the ideals of good corporate governance. Some of these companies won the award for the first time, while others have won several times in the past.

- **International Investment Road Shows**

During the year, The Nigerian Stock Exchange and major market operators participated in International Investment Road Shows that took participants to Spain, Italy, Monte Carlo, Malta, Tunisia and Charlotte USA. Despite the huge outflow from our market arising from the global meltdown, we have begun to see the renewed commitment by foreign investors and Nigerians in diaspora in our market.

- **Technical Assistance to Stock Exchange of Sierra Leone**

In the last quarter of 2008, The Exchange hosted the Chief Executive Officer of Sierra Leone Stock Exchange on a Study Tour of our market, preparatory to the commencement of operation by the Sierra Leone Stock Exchange in 2009. Following the success of the study tour, the Council of Sierra Leone Stock Exchange has requested The Nigerian Stock Exchange to pilot the initial operations of their stock exchange.

In consideration of this request and our role as a leading stock exchange in the continent, The Nigerian Stock Exchange has undertaken to deploy a senior member of staff to Sierra Leone Stock Exchange to guide the new exchange in the first three months of stock trading. It would be recalled that The Nigerian Stock Exchange facilitated the establishment of the Ghana Stock exchange in 1990.

## **11 Future Outlook**

The New Year poses a serious challenge to the Nigerian economy especially those emanating from decline in the crude oil price, Naira devaluation and inadequate infrastructure. With crude oil trading below \$40pb and production quota at 1.9mpd, the challenge becomes daunting for policy makers' considering that budget 2009 was formulated on assumed crude oil price of \$45pb. Similarly, sustained recession in the U.S will continue to impact negatively on global crude oil demand. The World Bank has forewarned that some emerging economies are likely to face serious challenges, including bank failures and currency crises, even if global bail-out plans start restoring confidence in financial markets. Meanwhile, the Federal government envisaged a GDP growth rate of 8.9%, which is achievable provided the Niger Delta crisis is resolved and supportive infrastructure being provided at optimal levels. Consequently, the expected growth rate in 2009 would be defined by the economy's ability to cope with the volatility of investment and crude oil price conditions. We hope that budget 2009 would be passed by the National Assembly early in the New Year so as to prevent any unnecessary delay as witnessed in the preceding year.

We commend the Federal Government for sustaining the issuance of bonds through the Debt Management Office (DMO). During 2008 and having realized that the economy cannot grow without long-term funds, the maturity profile of government bond was extended to 20 years. In the 2009 budget recently presented to the National Assembly, the Federal Government promised to sustain its domestic borrowing programme and to complement this with the

issuance of a Naira-denominated international bond issue of US\$500million to fund the expected deficit. However, for the purpose of transparency and pricing efficiency, we once again request that the DMO should consider migrating trading on the OTC to The Nigerian Stock Exchange trading platform, which has the technology to deliver on transparency and efficiency and has already been used to execute such trading seamlessly in 2008.

Like any organization operating in today's dynamic economic environment, The Nigerian Stock Exchange commits itself to sustained transformation of its policies, people, processes and practices. In today's globalised environment, we are resolved to match competition for access to capital from anywhere in the wide world that it is available. In this regard, the areas to be covered include but are not limited to:

- Demutualization
- Dematerialization
- New Product development
- Capacity building
- Continuous IT programme management

Over time, we have brought to the fore challenges militating against stock market development in the country. These challenges include the incidence of multiple tax regimes on businesses and investors, slow pace in the implementation of the privatization programme especially those earmarked to be consummated through the stock market. Therefore, we urge the National Assembly to expedite action on all Bills on Tax, Oil and Gas reforms, Privatization and Capital Market Reforms currently before it.

Based on objective market assessment and in line with cyclical patterns of stock markets globally, **we are optimistic that the Nigerian market will rebound in the not too distant future** considering the most recent resurgence of activities by the bulls whose activities are translating into improved liquidity in our market and renewed, howbeit gentle confidence build up. The Primary Market promises to be busy during 2009 considering that a number of Companies obtained Council approval during 2008 but are yet to make the issues available in the market. We expect some companies to recapitalize using the instruments available in the market.

The secondary market promises to be busy as we expect the conclusion of many Private Placements embarked upon during 2008 while we hope to sustain our public awareness programmes to sensitize the investing public on the various opportunities available in the stock market. Also, we are hopeful that the Bureau of Public Enterprises (BPE) would consummate the decision of the National Council of Privatization to list the shares of Nigerian National Petroleum Corporation (NNPC), NITEL and some other government parastatals like PHCN on our market in 2009. The market has enough capacity to absorb these and other issues.

Also, The Exchange will continuously work to support government and its agencies towards the realization of Nigeria's economic development and growth objectives, working closely with the Federal Ministry of Finance, CBN, SEC and other members of the Financial Sector Regulation Coordinating Committee (FSRCC), while maintaining relationship with operators in the international arena with a view to facilitating the flow of international investment capital to Nigeria, especially through our partnership with the 2000-member Association of Nigerian Physicians in the Americas (ANPA). We will continue to take pro-active measures that will enhance the quality of the overall market.

Let me advise investors not to allow the ongoing market corrections to becloud their judgment on the myriads of opportunities available in our capital market. I would advice investors to work with duly licenced market operators now in identifying genuine opportunities to make good investments. As equities become cheaper, it presents a greater opportunity to maximize returns when market stabilizes again and assumes a bullish trend. It should also be noted that in spite of the global meltdown, S&P, the international rating agency in its 2008 edition of the Global Stock Markets Factbook, ranked The Nigerian Stock Exchange number 11 (Eleven) among 106 stock exchanges globally on return on investment in Dollar terms. Significantly, the ranking showed that none of the developed exchanges featured on the list of the World's Top 25 performing exchanges. It is our intention to improve on this ranking in the New Year.

### **Statistical Summary of Market Performance In 2008**

	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>% Change</u></b>
<b>Market Capitalization</b>	₦9.56 trillion	₦13.295 trillion	(28.1)
<b>The NSE All-Share Index</b>	31,450.78	57,990.22	(45.8)
<b>Total Turnover Volume</b>	193.14bn shares	138.1bn shares	39.85
<b>Total Turnover Value</b>	₦2.4 trillion	₦2.1 trillion	14.3
<b>Average Daily Volume</b>	775.65 million Units	570.6 million Units	35.94
<b>Average Daily Turnover</b>	₦9.55 billion	₦8.62 billion	10.8
<b>New Issues Approved</b>	₦2.2 trillion	₦2.4trillion	(8.3)
<b>Number of Listed Companies</b>	213	212	0.5
<b>Number of Listed Securities</b>	301	309	(2.6)
<b>Number of Trading Days</b>	249	242	2.9

### **Statistical Summary of Market Performance in US Dollars**

	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Market Capitalization</b>	\$80.6 billion	\$105.65 billion
<b>Total Turnover Value</b>	\$20.1 billion	\$16.6 billion
<b>Average Daily Turnover</b>	\$80.5 million	\$68.51 million