

Quarterly Market Review

Economic and Financial Market Review
(January-March 2012).

1.0 Global Economic Review

The recovery in the global economy appears to be continuing at a steady pace with some disparities across countries and regions. Some economies have started showing increasing level of stability as they experienced increased private demand in the first quarter of 2012.

❖ Weak Outlook in Europe.

Given the 0.3% quarter-on-quarter decline for the region in Q1 2012 and weaker recent Purchasing Manager Index (PMI) indicators, a recession for the region in H112 is now likely. Real GDP is projected to contract 0.2% in 2012, and grow by 1.1% in 2013, amidst higher dispersion among larger member states. Fiscal consolidation and tighter credit conditions are key obstacles to growth in the region. For Italy and Spain, Fitch forecasts 2012 GDP to contract 1.6% and 1.0% respectively. For Germany and France positive growth of 0.7% and 0.3% is expected.

❖ US is on the path to Growth

Recovery in the US is gaining momentum, with quarter-on-quarter growth rates of 0.5% and 0.7% in Q4 2011 and Q1 2012 respectively. Growth is supported by the stronger-than-expected improvement in labour market conditions and indicators pointing to strengthening business and household confidence. Fitch ratings has upgraded its 2012 US growth forecast by 0.4ppts to 2.2%, whilst keeping the 2013 forecast unchanged at 2.6%. For Japan and the UK, Fitch projects GDP to increase 1.9% and 0.5% respectively for 2012.

❖ Emerging Markets Power Growth

Economic growth of BRIC countries will remain robust over the forecast horizon, well above major advanced economies (MAE) and global growth. Nevertheless, Brazil in particular, but also China and India slowed during 2011 and China is expected to slow further this year. To acknowledge the increasing weight of BRIC economies in global developments, Fitch is now publishing its world GDP growth forecast on a purchasing power parity basis, along with the market exchange rate based forecast.

2.0 Global Investment Banking Market Review

❖ African Merger & Acquisition Activity Hits \$3.5 Billion in Q1 2012

A total of 30 deals amounted to \$3.5bn of M&A activity occurred in Africa in the first quarter of 2012. Energy and mining related activity continues to account for the majority of African M&A. The energy, mining & utilities, financial services, telecommunications, transportation and consumer sectors registered the highest level of activity. The region is also seeing growing geographical diversification in deal activity away from South Africa, the continent's largest economy.

Countries such as Ethiopia, Africa's second most populous nation, are emerging as important investment destinations. Almost non-existent before 2006, activity has picked up in recent months on the back of government efforts to open the country's economy. Since August 2011 there have been three privatisations of state owned brewing companies worth a combined \$500m - sold to Heineken, Diageo and Duet Group. It is anticipated that this pick-up in privatisation could see through to other economies as sectors start opening up - notably Nigeria's power sector.

❖ Chinese Enterprise Q1 2012 M&A Amount down 26%

Merger and acquisition (M &A) cases participated by Chinese enterprises have totaled USD 33.8 billion since the beginning of 2012, down 26% from USD 45.8 billion in the same period of 2011. There are totally 571 M&A cases. In the first quarter of this year, amount of M&A deals in Chinese market accounted for 8.1% of that around the globe, making China global second largest M&A market for 3 years in a row. Domestic M&A amount weighs 59% of the total in China market. There are totally 401 domestic M&A cases amounting to USD 20 billion. This mainly attributes to integration of industry and material sector through merger and combination.

❖ Asia-Pacific ex-Japan M&A deals drop 38 pct in Q1 2012

Asia-Pacific ex-Japan mergers and acquisitions (M&A) values dropped 38.4 percent in the first quarter of 2012 to \$92.4 billion, according to Thomson Reuters. Morgan Stanley displaced Goldman Sachs as the top advisor, while Citigroup claimed No. 2 league table ranking, up from No. 14 spot same time last year. Here is a list of top 10 advisors and the top deals in Asia-Pacific.

ADVISOR	RANK 2012 YTD	RANK Q1 2011	DEAL VALUE (\$ billions)	NO OF DEALS
Morgan Stanley	1	4	11.7	16
Citigroup	2	14	8.9	14
Goldman Sachs	3	5	8.2	12
Credit Suisse	4	15	7.9	8
J.P Morgan	5	3	7.0	10
Standard Charter	6	21	5.3	5
HSBC Holdings	7	38	5.0	10
Bank of America	8	9	4.6	2
Moelis & Co	9	6	4.4	3
UBS	10	2	4.3	10

3.0 Global Capital Market

❖ Developed Markets

The developed markets indices demonstrated strong relative performance in Q1 2012 with the MSCI World Index posing a return of 10.94% for the quarter. Within the developed markets, growth prevailed –with a major of regions and countries performing in the double digits. The MSCI Nordic Countries Index was the top-performing regional index, returning 14.64% for Q1 2012. The MSCI EMU Index returned 12.20% over the quarter, reflecting subsiding fears of a Greek-led breakup of the Eurozone and diminishing concerns over the other Southern European countries. The MSCI North America Index returned 11.66% on continued signs that the US economy is slowly emerging from the post-crisis recession and subsequent period of slow growth. The MSCI Germany, MSCI Singapore and MSCI Belgium Indices were the top performing developed markets country indices for the quarter, returning 20.52%, 19.06%, and 18.89%, respectively. The only negative performance was posted by the MSCI Spain Index, returning -4.28% in Q1 2012.

Developed Markets: Stock Market Indices

Developed Markets Indices	Q1 201
MSCI Germany Index	20.52%
MSCI Singapore Index	19.06%
MSCI Belgium Index	18.89%
MSCI Europe Small Cap Index	18.28%
MSCI Nordic Countries Index	14.64%
MSCI USA Small Cap	13.17%
MSCI World Small Cap	13.08%
MSCI World Value Weighted Index	11.17%
MSCI Europe Weighted Index	10.94
MSCI World Index	10.94%
MSCI EAFE Index	9.97%
MSCI Europe Index	9.89
MSCI Spain Index	-4.28%

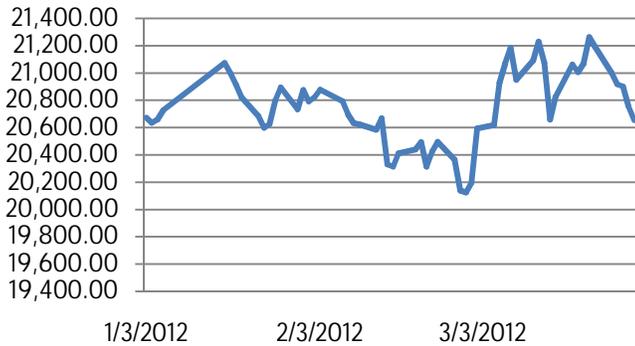
❖ Emerging Markets

The MSCI Emerging Markets Indices posted the strongest returns relative to the developed and frontier markets. The MSCI Emerging Markets Index returned 13.65% in Q1 2012, recovering some ground versus its loss of -20.6% over the year 2011. Slower growth in major markets such as China and Brazil has been offset by renewed investor confidence in peripheral markets, many of which were hard hit in 2011. The MSCI Egypt, MSCI Turkey and MSCI Hungary Indices, were the top performing single country indices over the quarter, with returns of 40.51%, 27.08%, and 22.75%, respectively. Even the bottom emerging markets country index performers, the MSCI Indonesia and MSCI Morocco Indices, posted positive returns of 4.06% and 4.04%, respectively, over Q1 2012.

Emerging Markets: Stock Market Indices

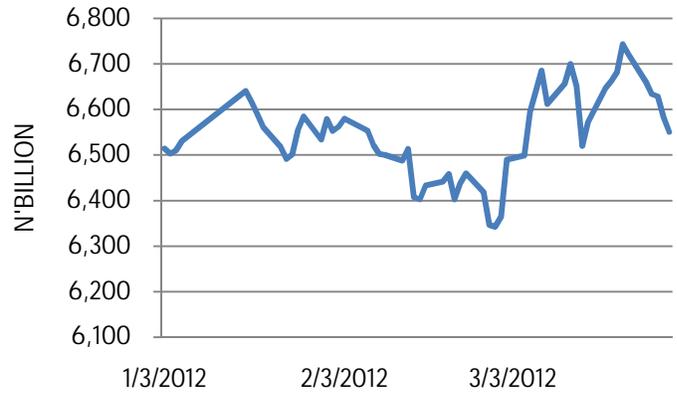
MSCI Emerging Markets (EM) Indices	Q1 2012
MSCI Egypt Index	40.51%
MSCI Turkey Index	27.08%
MSCI Hungary Index	22.75%
MSCI EM Europe & Middle East Index	19.7%
MSCI Europe Index	19.30%
MSCI Emerging Markets Small Cap Index	16.26%
MSCI Emerging Markets Index	16.26%
MSCI Morocco	4.04%
MSCI Nigeria Index	-0.38%

NSE Index



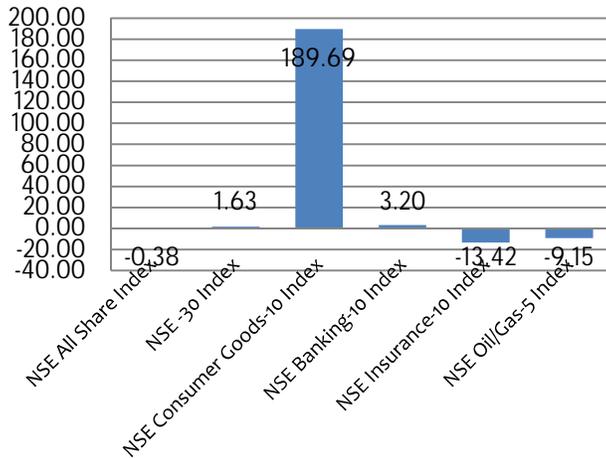
Source: NSE

Market Capitalization

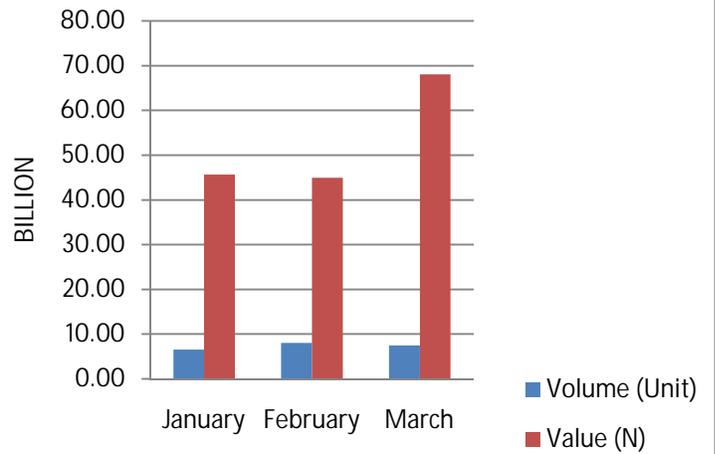


Source: NSE

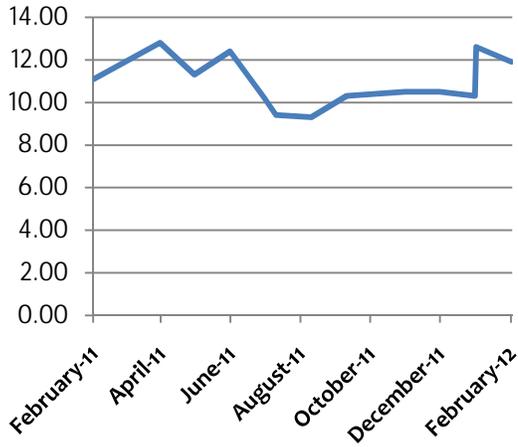
MARKET PERFORMANCE (Q1)



Volume and Value of Traded Stocks



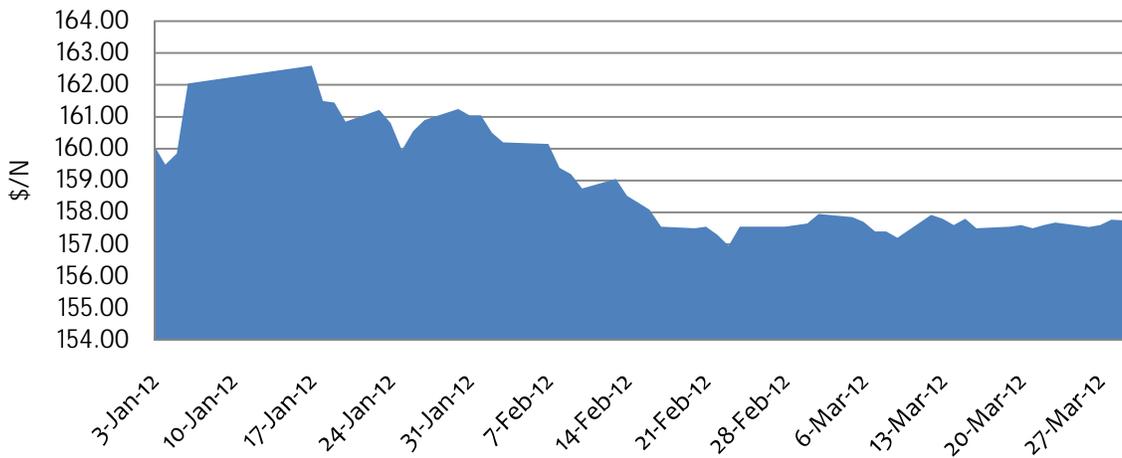
Inflation (%)



Crude Oil Price



Dollar/Naira Exchange Rate



❖ RenCap Leads Brokers' Performance at NSE for the Q1 2012

Renaissance Capital Limited (RenCap) led other stockbroking firms in terms of equities transactions on the Nigerian Stock Exchange for first quarter ended March 2012.

	Volume (Billion Unit)	% of Total Volume	Value (N'B)	% of Total Value
Rencap	6.42	16.42	71.8	24.7
Stanbic Ibtc Stockbrokers	4.91	12.5	55.28	19.1
BGL	2.27	5.79	6.52	2.3
EDC Securities	1.46	3.7	8.77	3.02
Chapelhill Denham	1.21	3.1	9.66	3.3
CSL	1.12	2.9	14.58	5.02
ARM Securities	1.1	2.8	8.07	3.01
Cordros Capital	1.07	2.7	7.81	2.8
BGL Securities	1.05	2.5	6.52	2.3
Apel Assets and Trusts	0.787	1.9		
TGB Securities	0.726	1.8		

MOST CAPITALIZED STOCK (AS AT 31 MARCH 2012)

Ranking	Security	Market Capitalization
1	DANCEM	N1,797,461,221,684.68
2	NB	N 741,131,109,320
3	GUINNESS	N 339,439,358,042
4	GUARANTY	N 338,099,193,607
5	ZENITHBANK	N 324,011,806,293
6	FIRSTBANK	N 278,460,464,243
7	NESTLE	N 275,778,320,313
8	IBTC	N 128,066,202,396
9	WAPCO	N 120,064,000,160
10	UNILEVER	N 117,244,349,922
11	ACCESS	N 98,193,016,098
12	FLOURMILL	N 92,269,240,794
13	ETI	N 80,133,211,295

❖ External Reserves

Nigeria's External Reserves now stands at \$35.23 billion at the end of first quarter 2012. Nigeria was placed 44th position globally in the size of its external reserves, which has been put at US\$34.68 billion as at March 8, 2012. Nigeria's foreign exchange reserves had fell from \$35.03 billion as at February 13, 2012, to US\$34.68 billion as at March 8, 2012. The decline in the reserves was due to withdrawals by the federal government to cover up for the revenue shortfall in budgetary distributions to the three tiers of government in the country.

Also, the country's revenue from oil exports dropped in January due to production outages, leading to a withdrawal from the excess crude account to keep distributions steady when crude oil revenues fall.

In Africa, Algeria has the highest foreign exchange reserves with US\$185.9 billion as at December 2011 while Nigeria ranks fourth behind Libya and South Africa, which has US\$71.99 billion and US\$54.45 billion respectively to occupy the 2nd and third positions in the continent and 27th and 32nd positions globally.

❖ Public Debt

The nation's public debt is now put at the total national debt at N6.189 trillion (about \$39.72 billion). Of this amount, domestic debt stands at N5.21 trillion, representing 17.52 percent of the GDP, while external borrowings stand at N1 trillion (\$5,666,579,900), of this amount, the federal government owes \$3,501,232,617.91 while the external debt owed by the 36 states and the Federal Capital Territory is put at \$2,165,347,282.09. If the National Assembly endorses the President's request to borrow \$7.905 billion (about N1.3 trillion) from five financial institutions, the World Bank, African Development Bank (ADB), Islamic Development, Exim Bank of China and Indian Lines of Credit, our debt stock will rise to N7.589 trillion. That could be harmful in the event of default in repayment or misapplication of loan.

❖ Foreign Exchange

The naira /dollar exchange rate has been relatively stable in the first quarter of 2012, fluctuating between N157.95 and N157.65 in March 2012, a marginal band of 0.20 percent, while the foreign reserves have caved in due to the sustained increase in the price of crude oil in the first quarter.

❖ Equities Market

The performance of the Nigerian stock market for the first quarter (Q1) ended March 31, 2012 was 0.38 per cent negative as the Nigerian Stock Exchange (NSE) All-share Index fell from 20,730.63 to close at 20,652.47. This was due to the negative performance of the stocks in the oil and gas and insurance sectors. The NSE Oil and Gas Index dropped by 9.15 percent or 31.4 basis points from 231.00 points to 199.96 points at the end of the march while the NSE Insurance Index which measures the performance of the top 10 insurance stocks also fell by 13.4%. However, the NSE -30 Index, NSE Consumer Goods-10 Index and NSE Banking -10 Index increased by 1.63%, 189.69% and 3.2% respectively.

❖ Bond Market

The huge liquidity in the financial market as a result of unwillingness of banks to lend to the real sector of the economy and investors' desire to continue to trade returns for safety led to the increased subscription to the FGN and State Bonds during the quarter.

The period also witnessed the introduction of the following bonds to the market:

- The N20 billion Ekiti State Government Fixed Rate Infrastructure Development Bond (December 8) 2018 of N1,000 each at Par under the N25 billion Debt Issuance Programme
- Chellarams plc's N540 million Unsecured Floating Rate Bond 2019 of N1, 000 each at Par Series 2 under the N5 billion Medium Term Note Programme
- Benue State Government N13 Billion Fixed Rate Development Bond Issue 2011/2016.

❖ Outlook for Q2 2012

➤ Bond Market

Nigerian Bond Market is witnessing a lot of capital raising exercises dominated by FGN and State Bonds. However, recent cautions from the different angles would make government shelve further plan to make additional fresh issues. Meanwhile, the urge by different State governments to source funds to develop the infrastructures in their states and unimpressive state of the Nigerian stock market would boost the activities in the market.

➤ Foreign Exchange Rate/Foreign Reserves.

Given the impressive year to-date crude oil price and peace that has since returned to the oil producing communities in the country with its attendant improved oil production, we expect the risk of foreign reserves to be minimal during the Q2. Similarly, the Federal Government's plan to increase daily crude oil production and the resultant improved crude oil export would boost foreign reserves position and stabilize the exchange rates.

➤ Equities Market

There are lots of opportunities in the equities market in the Q2 2012 following unimpressive performance in the Q1. We expect investors' renewed interest in the market to crop up during the Q2 given the high level of depreciation most stocks have suffered. Meanwhile, the performance of the equities market during the second quarter is largely hinged on the following:

- Improved corporate performance;
- Improvement in the global and domestic economies;
- Possibility of raising necessary finance by the quoted companies from the corporate bond market which will reduce financing costs and boost the economy;
- Activities of the just appointed market makers.
- Release of impressive quarterly results of companies.
- Improved disclosure by quoted companies as they adopt International Financial Reporting Standard (IFRS);
- Concerted efforts of the Federal Government of Nigeria to improve infrastructure in the country;
- The current low valuation of quoted companies

About GMA

GMA is duly registered with the Securities & Exchange Commission (SEC) in Nigeria as an Issuing House, Financial Advisers and Fund Managers and it is also a member of Asia Pacific Real Estate Association (APREA) that deals with all manners of listed real estate instruments.

Goldbank Management Associates Limited (GMA) has opened up new frontiers in the provision of financial services through professionalism and delivery of unparalleled value-added services. One of the cardinal goals of GMA is to provide unbeatable customized investment solutions for institutional investors, corporations and high net worth individuals in response to the prevailing financial market conditions and expand the horizon of options for channeling resources towards wealth creation.

Our keen focus on Africa is based on our extensive experience and tested expertise in key economic sectors, coupled with our working relationship with various international portfolio management companies. This has enhanced our capacity in risk management, given us access to funds and enabled us to offer personalized services to our clients.

GMA has been able to establish a strong presence in virtually all the segments of the market in which it operates in Nigeria and other African countries.

GMA has taken pride in some of its landmark transactions such as cross-border listing of a South African-based company Pinnacle Point Group Plc on the floor of Nigerian Stock Exchange and structuring First-Ever African Real Estate Investment Trusts (REITs) for Union Homes Plc.

Our financial/investment advisory services have been extended to clients in Tanzania and our real estate development and assets management services are also available in South Africa.

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