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DEVELOPMENTS IN THE FINANCIAL MARKETS IN THE SECOND QUARTER OF 1990

The volume of activity in the money and capital markets in the second quarter were generally lower than in the first quarter. While the value of securities in the money market was boosted by new treasury bills issues of N10 billion, the volume of transactions in the inter-bank market in the quarter was significantly lower than in the previous quarter. In the capital market, both the primary and secondary markets were less active than in the earlier quarter.

Money Market

The money market comprises the inter-bank funds market which is the more active segment and the market for short term debt securities. In the inter-bank funds market, the interest rates for all maturities continued to move downwards. Inter-bank call money rates which averaged 29.26 per cent in January and 20.0 per cent in March, fell further to 14.50 per cent in June. The rates for 7-day placements fell from an average of 28.19 per cent in January to 25.0 in March and 19.0 per cent in June. Similarly 90-day placement rates fell from an average of 29.38 per cent in January to 25.63 per cent in March and 24.50 per cent in June. The total volume of transactions rose from N4.5 billion in January to N5.7 billion in March but dropped back to N4.4 billion in June.

In the short-term securities market, there was a marked increase in both the primary and secondary-segments of the market. At N34.3 billion at the end of June, money market assets outstanding increased by N10.0 billion or 41.0 per cent during the quarter due mainly to the N10.0 billion or 64.6 per cent rise in the level of treasury bills. Certificates of deposit (CDs) outstanding moved upward by N75.0 million or 6.2 per cent to N1.3 billion, while commercial papers (CPs) declined by N89.1 million or 12.6 per cent to N619.1 million. Treasury certificates outstanding remained unchanged at their March-end levels. Of the total money market assets outstanding at the end of the review period, the share of treasury bills and treasury certificates together amounted to N32.4 billion or 94.4 per cent, compared with N22.4 billion or 92.1 per cent in the preceding quarter.

Gross rediscounts of treasury bills and treasury certificates by the Central Bank amounted to N2.8 billion during the quarter, up from N1.1 billion in the first quarter but significantly lower than the N14.6 billion recorded in the fourth quarter of 1989.

Capital Market

The capital market recorded much lower levels of activity in the review quarter than in the preceeding one. Both the new issues market and the secondary market showed relative declines in the volume and value of transactions. Stock prices, however, maintained their general upward trend, gaining an average of 3.4 per cent in the quarter.

Primary Market

The new issues market, recorded a total of 41 issues, representing an increase of 3 over the number recorded in the first quarter. However, the total volume of new issues at N245.2 million was 85.8 or 25.5 per cent lower than in the previous quarter. The relative decline mainly reflected the

bulge in the value of new issues arising from privatisation during the previous quarter.

The new issues in the quarter comprised 15 issues for subscription, 15 rights issues, 3 preference shares and 8 debentures. The issues by subscription amounted to 101.4 million shares valued at N80.8 million. Twelve of these issues, worth N67.5 million were by private placement, while the remaining 3 valued at N13.3 million were through the Stock Exchange. Of the 15 right issues, 13 amounting to 51.6 million shares valued at N40.6 million were raised privately, with the remaining 2 issues amounting to 78.8 million shares valued at N55.1 million issued by public quotation. The 8 debenture stocks were valued at N165.1 million out of which 5 issues worth N90.1 million were privately placed, while the balance of 3 issues worth N75.0 million was through stock exchange quotation. All the 3 preference share issues worth N13.5 million were by private placement.

The Secondary Market

Transactions on the Nigerian Stock Exchange (NSE) witnessed a decline during the second quarter. A total of 66.7 million shares worth N68.5 million were traded in 8,594 deals during the quarter. Compared with the preceding quarter, the volume and value of transactions declined by 48.4 million or 42.1 per cent and N36.4 million or 34.7 per cent, respectively. The decline reflected reduced trading in all sectors. Trading in government stocks declined by 39.9 million while those of industrial securities fell by 8 million. Equities experienced a decline of 18.3 per cent in the number of deals and 5.2 per cent in the volume traded, although the value of equities traded rose moderately by 9.3 per cent during the quarter to N17.6 million. On the whole deals on the secondary market declined by 18.5 per cent to 8,594, while the volume and value declined by 42.1 and 34.7 per cent to 66.7 million and N68.5 million, respectively, during the review quarter.

Stock Price Movement

Despite the reduced volume of transactions on the stock market, stock prices on average, moved up moderately during the second quarter owing to sustained performance by many of the quoted companies. At 177.2 (December 1984 = 100) the all-sector price index quarterly average rose by 3.4 per cent over what was recorded in the first quarter of 1990 and by 18.2 per cent over the level in the corresponding quarter of 1989. The upward movement in the index reflected increases of 4.2 and 4.7 in the stock price indices for the manufacturing and commercial sub-sectors, respectively and partially offsetting declines of 1.5 and 0.2 per cent in the indices of the financial and service sub-sectors. The highest price gain industry-wide (20.3 per cent) was by pharmaceuticals (marketing), followed by the computer and office equipment industry whose stock index rose by 18.8 per cent. The sharpest price decline occurred in the footwear industry, grouped under the commercial sub-sector.

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TABLE 1

NEW ISSUES OF SECURITIES, JAN. - JUNE, 1990.

| JAN. - MARCH | | | | | | APRIL - JUNE | | | | | | CHANGE BETWEEN | | | | | |
|------------------------|--------|-------|--------------|--------|-------|--------------|----|---------|----------|-------|----------|----------------|---|---------|--|--|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 1 | & | 4 | 2 | & | 5 | 3 | & | 6 | | | |
| NO. OF ISSUES | VOLUME | VALUE | NO OF ISSUES | VOLUME | VALUE | ABSOLUTE | | PERCENT | ABSOLUTE | | PERCENT | ABSOLUTE | | PERCENT | | | |
| OFFER FOR SUBSCRIPTION | 17 | 142.9 | 7,968.4 | 15 | 101.4 | 80.8 | -2 | -11.8 | -41.5 | -29.0 | -7,887.6 | -99.0 | | | | | |
| RIGHT ISSUES | 12 | 166.3 | 118.8 | 15 | 130.3 | 95.9 | 3 | 25.0 | -36 | -21.6 | -22.9 | -19.3 | | | | | |
| PREFERENCE STOCKS | 2 | 19.8 | 19.8 | 3 | 13.5 | 13.5 | 1 | 50.0 | -6.3 | -31.8 | -6.3 | -31.8 | | | | | |
| DEBENTURE STOCKS | 7 | - | 73.5 | 8 | - | 165.1 | 1 | 14.3 | - | - | 91.6 | 124.6 | | | | | |
| STATE BONDS | - | - | - | - | - | - | - | - | - | - | - | - | | | | | |
| TOTAL | 38 | 329.0 | 8,180.5 | 41 | 245.2 | 355.3 | 3 | 7.9 | -83.8 | -25.5 | -7,825.2 | -95.7 | | | | | |

TABLE 2

TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE (APRIL - JUNE 1990)
(N Million)

| SECURITIES | 1ST QUARTER 1990 | 2ND QUARTER 1990 | CHANGE BETWEEN | |
|-----------------------------------|---------------------|---------------------|----------------|---------|
| | | | 1 & 2 | |
| | | | Absolute | Percent |
| GOVERNMENT STOCKS | | | | |
| NO. OF DEALS | 48 | 23 | -25 | -52.0 |
| Volume | 93.4 | 53.5 | -39.9 | -42.7 |
| Value | 76.8 | 47.0 | -29.8 | -38.8 |
| INDUSTRIAL LOAN/PREFERENCE SHARES | | | | |
| NO. OF DEALS | 15 | 11 | -4 | -26.7 |
| Volume | 12.0 | 4.0 | -8 | -66.7 |
| Value | 12.0 | 4.0 | -8 | -66.7 |
| EQUITIES | | | | |
| NO. OF DEALS | 10,476 | 8560 | -1,916 | -18.3 |
| Volume | 9.7 | 9.2 | -0.5 | -5.2 |
| Value | 16.1 | 17.6 | +1.5 | 9.3 |
| TOTALS | | | | |
| DEALS | 10,539 | 8594 | 1,945 | -18.5 |
| VOLUME | 115.1 | 66.7 | -48.4 | -42.1 |
| VALUE | 104.9 | 68.5 | -36.4 | -34.7 |

TABLE 3

HOLDINGS OF DEVELOPMENT STOCKS OUTSTANDING 1990
(N MILLION)

| HOLDERS | 1 | 2 | CHANGE BETWEEN | |
|---------------------------------|----------------|----------------|-----------------|--------------|
| | MARCH 1990 | JUNE 1990 | 1 & Absolute | 2 Percent |
| Commercial Banks | 31.5 | — 32.9 | + 1.4 | 4.4 |
| Merchant Banks | 6.1 | 10.2 | + 4.1 | 67.2 |
| Individuals | 7.6 | 7.2 | -0.4 | 5.3 |
| Savings-type Institutions | 1,432.0 | 2,369.4 | + 937.4 | 65.5 |
| Statutory Boards & Corporations | 52.6 | 23.1 | + 29.5 | 56.1 |
| Other Companies & Corporations | 140.4 | 148.6 | + 8.2 | 5.8 |
| State & Local Government | 36.6 | 33.9 | -2.7 | 7.4 |
| Insurance Companies | 179.9 | 164.8 | -15.1 | 8.4 |
| Central Bank | 2,153.5 | 1,304.6 | 848.9 | 39.4 |
| Federal Government | — | — | — | — |
| Agric Credit Guarantee Scheme | 174.6 | 157.6 | -17.0 | 9.7 |
| Special Funds with CBN | 39.6 | 39.6 | — | — |
| CBN Sales not yet Classified | 336.6 | 281.1 | -55.5 | 16.4 |
| Bureau-De Change | — | 18.0 | — | — |
| TOTAL | 4,591.0 | 4,591.0 | — | — |