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DEVELOPMENTS IN THE FINANCIAL MARKETS IN THE FIRST QUARTER OF 1990

The rapid tempo of activity in the capital market witnessed in 1989 continued into the first quarter of 1990. Both the primary and secondary markets remained active. A branch of the Nigerian Stock Exchange was opened in Onitsha, bringing the total number of trading floors to five while listing on the Stock Exchange rose by 1 to 199. The number of stock broking firms rose from 61 at the end of the last quarter to 71¹. In the money market, the volume of securities outstanding fell, due mainly to the conversion of a portion of treasury bills outstanding to bonds. The pace of secondary market activity also slackened reflecting improvement in banking system liquidity.

The Primary Market

In the primary market, 38 new issues involving 329.0 million shares valued at ₦8,180.5 million were made during the review quarter. Compared with the preceding quarter, the number of new issues rose slightly by 5. The value, however, increased sharply by ₦7,733.7 million, reflecting the issue of 1 million ordinary shares by LNG Nigeria at a par value of US\$100.00 each (see Table 1).

The 38 new issues comprised 17 issues on offer for subscription, 12 rights issues, 7 debenture stocks and 2 preference stocks (see Table 2). The offer for subscription involved 143 million shares valued at ₦7,968.4 million. Of this, a total of ₦7,966.3 million was raised privately, while ₦2.2 million was raised on the Nigerian Stock Exchange. Rights issues which featured prominently in the last quarter of 1989, continued to be popular. The value of issues in the quarter was ₦118.8 million, of which 8 issues involving 103.9 million shares valued at ₦70.7 million were raised privately. The remaining rights issues worth ₦48.1 million were listed on the Nigerian Stock Exchange. The quoted rights issues were:

1. Cadbury Nigeria Limited – 14 million ordinary shares of 50k each at ₦1.50k per share;
2. G. Cappa – 20.0 million ordinary shares of 50k each at 60k per share;
3. Incar Nigeria Limited – 20.3 million ordinary shares of 50k issued at par; and
4. Boots Company Nigeria Limited – 8.0 million ordinary shares of 50k at 60k per share.

Two preference share issues were valued at ₦19.75 million. One was a private placement while the other, worth ₦10.0 million, was publicly quoted. The 7 debenture stocks amounted to ₦73.5 million.

On the whole, 31 new issues involving 252.6 million securities valued at ₦8,105.2 million were raised privately, while 7 issues involving 76.3 million shares valued at ₦75.2

million were listed on the Nigerian Stock Exchange (see Table 2).

The Secondary Market

The secondary market was very active during the first quarter of the year. A total of 115.1 million securities worth ₦104.9 million changed hands in 10,616 deals. Compared with the preceding quarter, the volume of transactions rose by 30.2 million or 35.6 per cent, while the rise in value was ₦28.0 million or 36.4 per cent (see Table 3). As in the preceding quarter, government securities dominated the market both in volume and value terms. They accounted for 81.2 and 73.2 per cent of the total volume and value, respectively. Industrial loan stocks and preference shares worth 12.0 million accounted for 10.4 and 11.4 per cent of the total volume and value, respectively. Equities accounted for 8.4 per cent of total volume and 5.4 per cent of total value of transactions.

A breakdown of the transactions carried out in the different sub-sectors showed that a total of 93.4 million government stocks valued at ₦76.8 million were traded in 48 deals. Compared with transactions in the preceding quarter, there were marked increases of 41.4 million or 80.7 per cent and ₦31.1 million or 68.1 per cent in the volume and value traded, respectively (see Table 3). Transactions in equities involved 10,476 deals with a volume of 9.7 million, valued at 16.1 million. This represented marked increases of 2.4 million or 32.9 per cent and ₦6.2 million or 62.6 per cent in the volume and value, respectively. Transactions in industrial loan and preference shares, however, declined both in volume and value terms by 13.8 million or 53.5 per cent to 12 million and by ₦9.2 million or 43.4 per cent to ₦12.0 million, respectively, during the quarter (see Table 3).

Trading on the Second-Tier Securities Market (SSM) was dull reflecting the sluggish performance by many of the quoted companies. Although most of the equities were quoted at values above par, performance was relatively poor and much lower than in the previous quarter (see Table 3). The volume dropped by 70,000 securities or 70.0 per cent to 30,000 while the value dropped by ₦70,000 or 70.0 per cent to ₦30,000. This compared with the declines of 10,000 in the volume and ₦10,000 in the value of transactions in the corresponding quarter of 1989 (see Table 3).

With the additional listing of one stock on the Nigerian Stock Exchange, the composition of securities on the Exchange stood at 103 equities, 45 government stocks, 32 industrial loan stocks, 4 preference shares, 4 state bonds and 10 equities on the Second-Tier Securities Market (SSM).

Federal Government Development Stocks

During the review period, two Federal Government development Stocks worth ₦38.0 million matured and were redeemed, thus bringing the value of total stocks outstanding to ₦4,591.0 million (see Table 4).

1. The New Stock broking firms are De-Canon Investment Ltd., Gidauniya Inv. & Sec. Ltd., Ouddy Nomines Ltd., Shiroro Finance Ltd., Negotiable Finance Ltd., Dominion Trust Ltd., Omega Finance Ltd., Corporate Trust Ltd., First Equity Sec. Ltd., Thomas Kingsley Ltd.

The Development Stock redeemed comprised the following tranches:

1. ₦18.0 million 6%, Federal Republic of Nigeria Third Development Stocks (FRN3DS);
2. ₦20.0 million 5½%, Federal Republic of Nigeria, Twelfth Development Stock (FRN12DS).

Privatization

During the first quarter of 1990, two companies' shares were sold to the general public under the privatization programme. They were:

1. Nigerian Yeast and Alcohol Manufacturing Company Limited involving 4.95 million ordinary shares of 50k at 70k per share;
2. Ashaka Cement Companies Limited with 32.5 million ordinary shares of 50k each at ₦1.20 per share.

The offers brought the number of companies privatized since the implementation of the programme commenced in December 1988 to 18.

Stock Price Movement

The upward trend in the movement of the share prices of most companies quoted in the Nigerian Capital Market witnessed during the fourth quarter of 1989 continued in the first quarter of 1990. At 171.3 (December 1984 = 100), the all-sector quarterly price index increased by 6.1 per cent (see Table 5). All sectors contributed to the upward movement. Indices for the Manufacturing and Commercial sub-sectors increased by 8.9 and 6.7 per cent, respectively, while the Services and Financial sub-sectors recorded marginal increases of 0.6 and 1.7 per cent, respectively. The observed increases were trace-

able to improved performance of many enterprises, and the capitalization of retained profits by several companies.

Money Market Developments

Total money market assets outstanding declined further during the quarter by ₦8.8 billion or 26.5 per cent to ₦24.3 billion reflecting largely the conversion of ₦8.7 billion worth of treasury bills into bonds. Treasury certificates outstanding, on the other hand, remained unchanged at their end-1989 level of ₦6.9 billion. Of the total outstanding at the end of the quarter, treasury bills and treasury certificates together accounted for 92.1 per cent compared with 93.9 per cent in the preceding quarter. Certificates of deposit (CDs) fell by ₦94.3 million or 7.2 per cent to ₦1.2 billion following the declines of ₦30.7 million or 3.0 per cent in February and ₦278.6 million or 21.3 per cent in January. The fall indicated reduced pressure on banks' liquidity. Commercial paper outstanding also declined by ₦29.0 million or 3.9 per cent to ₦710.1 million.

Reflecting the improved liquidity position of some financial institutions, the tempo of activities in the secondary segment slowed considerably, compared with the high tempo that characterized most of 1989 following the squeeze on their liquidity. Gross rediscounts of treasury bills and treasury certificates by the Central Bank totalled ₦1.1 billion — an amount significantly lower than the ₦14.6 billion recorded in the fourth quarter of 1989, while rediscounts of negotiable certificates of deposit, State Governments' promissory notes and NDIC — guaranteed accommodation bills amounted to ₦989.1 million as against ₦2.6 billion in the preceding quarter.

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TABLE 1

NEW ISSUES

MODE OF OFFER	1st Quarter 1989			4th Quarter 1989			1st Quarter 1990			Percentage Change Between	
	No of Issues (1)	Volume (₦ million) (2)	Value (₦ million) (3)	No of Issues (4)	Volume (₦ million) (5)	Value (₦ million) (6)	No of Issues (7)	Volume (₦ million) (8)	Value (₦ million) (9)	(3) & (9)	(6) & (9)
Offer for Subscription	33	382.2	244.7	15	222.8	150.7	17	143.0	7,968.4	+ 3,156.4	+ 5,187.6
Rights Issues	3	22.9	13.2	12	205.5	182.5	12	166.3	118.8	+ 800.0	- 34.9
preference Shares	6	90.1	90.1	3	33.6	33.6	2	19.8	19.8	- 78.0	- 41.1
Debenture Stocks	3	60.4	60.4	2	-	50.0	7	-	73.5	+ 21.7	+ 47.0
State Government Stocks	-	-	-	1	-	30.0	-	-	-	-	-
Total	45	555.7	408.4	33	461.9	446.8	38	329.0	8,180.5	+ 1,903.1	+ 1,730.9

Source: Securities and Exchange Commission

TABLE 2

NEW ISSUES (JANUARY - MARCH 1990)

MODE OF OFFER	Raise Off NSE			Raised on the NSE			Aggregate		
	No of Issues	Volume (million)	Value (₦ million)	No of Issues	Volume (million)	Value (₦ million)	Total No of issues	Total Volume (₦ million)	Total Value (₦ million)
Offer for Subscription	16	139.0	7,966.3	1	4.0	2.1	17	142.9	7,968.4
Rights Issues	8	103.9	70.7	4	62.3	48.1	12	166.3	118.8
Preference Shares	1	9.7	9.7	1	10.0	10.00	2	19.8	19.8
Debenture Stocks	6	-	58.5	1	-	15.00	7	-	73.5
State Government Bonds	-	-	-	-	-	-	-	-	-
Total	31	252.6	8,105.2	7	76.3	75.2	38	329.0	8,180.5

Source: Securities and Exchange Commission

TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE

TABLE 3

SECURITIES	1st Quarter 1989 (1)	4th Quarter 1989 (2)	1st Quarter 1990 (3)	Changes Between (1) & (3)		Changes Between (2) & (3)	
				Absolute	Per Cent	Absolute	Per Cent
GOVERNMENT STOCKS							
No of deals (Total)	26	45	48	+22	+84.6	+3.0	+6.7
Volume (₦ Million)	90.2	51.7	93.4	+3.2	+3.6	+41.7	+80.7
Value (₦ Million)	86.5	45.7	76.8	-9.7	-11.2	+31.1	+68.1
INDUSTRIAL LOAN & PREFERENCE SHARES							
No of deals (Total)	4	22	15.0	+11	+73.3	-7	-31.8
Volume (₦ Million)	0.0	25.8	12.0	+12.0	+0.0	-13.3	-53.5
Value (₦ Million)	0.0	21.2	12.0	+12.0	+0.0	-9.2	-43.4
EQUITIES							
No of deals (Total)	5,438	8,067	10,476	+5,038	+92.6	-2,409	+29.9
Volume (₦ Million)	3.8	7.3	9.7	+5.9	+155.3	+2.4	+32.9
Value (₦ Million)	4.2	9.9	16.1	+11.9	+283.3	+6.2	+62.6
SECOND-TIER SECURITIES							
MARKET (SSM)							
No of deals (Total)	95.0	144	77	-18	-19.0	-67	-46.5
Volume (₦ Million)	0.04	0.10	0.03	-0.01	-25.0	-0.07	-70.0
Value (₦ Million)	0.04	0.10	0.03	-0.01	-25.0	-0.07	-70.0
TOTAL TRANSACTIONS							
No of deals (Total)	5,563.0	8,278	10,616	+5,053	+90.8	+2,338	+28.2
Volume (₦ Million)	94.0	84.9	115.1	21.1	+22.5	+30.2	+35.6
Value (₦ Million)	90.6	76.9	104.9	+14.3	+15.8	+28.6	+36.4

Source: Nigerian Stock Exchange

**HOLDINGS OF FEDERAL GOVERNMENT DEVELOPMENT
STOCKS FOR THE FIRST QUARTER 1990**

HOLDERS	31-3-89	31-12-89	31-3-90
Central Bank	1,438.9	1,484.5	2,153.5
Commercial Banks	345.7	39.5*	31.5
Merchant Banks	13.6	9.4	6.1
Individuals	8.8	8.0	7.6
Insurance Companies	220.7	228.1	179.9
Savings-Type Institutions	2,355.3	2,390.3	2,298.3
State and Local Governments	13.7	8.0	36.6
Statutory Boards & Corps.	14.5	38.8	52.6
Other Corps. and Companies	175.1	192.3	140.4
Agric Credit Guarantee Scheme	158.8	167.6	174.6
Federal Government	—	—	—
Special Fund with CBN	38.2	36.0	39.6
CBN Sales/Purchases not yet classified	(34.3)	(15.5)	(529.7)
Bureau-de-Change	—	11.0	—
Total	4,749.0	4,629.0	4,591.0

* Revised

Source: Central Bank of Nigeria

TABLE 3

**PRICE INDICES OF SHARES ON THE NIGERIAN STOCK EXCHANGE
FOR THE FIRST QUARTER OF 1990
(DECEMBER 1984 = 100)**

SECTOR/SUB-SECTOR	1st Quarter 1989 (1)	4th Quarter 1989 (2)	1st Quarter 1990 (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
FINANCIAL	129.7	112.2	112.9	-13.0	0.6
MANUFACTURING	156.4	167.8	182.8	16.9	8.9
Breweries	97.1	108.0	118.5	22.0	9.7
Building Materials	133.3	172.6	189.5	42.2	9.8
Chemicals & Paints	135.4	155.3	176.0	30.0	13.3
Soap & Toiletries	199.6	294.0	375.1	87.9	27.6
Food, Bev. & Tobacco	142.6	133.3	132.0	-7.4	-1.0
Ind/Domestic products	174	204.9	219.3	25.6	7.0
Packaging	130.3	136.9	147.9	13.5	8.0
Pharmaceutical/Animal Feeds	196.8	174.3	184.8	-6.1	6.0
Textiles	279.3	371.6	406.9	45.7	9.5
COMMERCIAL	164.4	183.9	196.3	19.4	6.7
Automobile & Tyre	230.0	273.1	285.9	24.3	4.7
Commercial	174.0	199.5	211.5	21.6	6.0
Computer & Office Equipment	224.1	266.6	295.4	31.8	10.8
Conglomerates	152.3	175.8	183.6	20.6	4.4
Footwear	168.4	179.4	182.6	8.4	2.0
Machinery (mktg)	85.1	104.4	116.4	36.8	11.5
Petroleum (mktg)	185.9	208.8	241.7	30.0	15.8
Pharmaceutical (mktg)	103.3	71.4	65.9	-36.2	-7.7
SERVICES	91.1	104.1	105.9	16.3	1.7
Construction	88.1	100.1	104.5	18.6	4.4
Publishing	104.4	122.2	111.6	6.9	-8.7
ALL-SECTORS	148.3	161.5	171.3	15.5	6.1