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# DEVELOPMENTS IN THE FINANCIAL MARKETS IN THE FOURTH QUARTER OF 1990

## Capital Market Developments

Activity on the capital market was mixed and varied during the fourth quarter. The tempo of activity in the new issues market was very high in contrast to developments in the secondary market. The number of stockbroking firms increased from 76 in the third quarter to 80 in the fourth quarter of the year. Also, the unit trust scheme was launched during the quarter. Both the primary and secondary segments of the money market were quite active during the quarter. Total money market instruments outstanding increased substantially while the volume of rediscounts also increased appreciably.

### The Primary Market

The high pace of activity in the new issues market continued during the quarter. A total of 50 securities involving 415.5 million shares and valued at ₦751.4 million were issued. Compared with the preceding quarter, there was an increase of 15 in number, 54.1 million or 15.0 per cent in volume and ₦93.9 million or 14.3 per cent in value.

The new issues consisted of 23 issues on offer for subscription, 12 rights issues, 14 debenture stocks and 1 issue from the newly launched unit trust scheme (see Table 1). Securities raised on the Nigerian Stock Exchange amounted to ₦426.9 million and accounted for more than half (56.8%) of total new issues during the quarter. The balance of ₦324.4 million or 43.2 per cent was by private placement.

An analysis of the composition of the new issues showed that the securities on offer for subscription involved 182.7 million securities valued at ₦155.2 million. Out of these, the bulk or a total of 21 issues involving 154.6 million shares worth ₦141.1 million were by private placements. Only 2 of these issues were publicly raised. The rights issues, comprising 182.8 million shares, were valued at ₦182.3 million out of which a total of 6 issues valued at ₦157.8 million were publicly quoted<sup>1</sup>. The value of the debenture stocks amounted to ₦388.8 million out of which 6 stocks, valued at ₦255.0 million, were raised on the stock exchange (see Table 2). A total of 50 million units valued at ₦25 million were issued during the quarter by private placement under the unit trust scheme.

<sup>1</sup>The quoted rights issues were:

1. Alumaco PLC—8 million ordinary shares of 50k each at 85k per share;
2. Nigerian Cement PLC—88.2 million ordinary shares of 50k at 70k per share;
3. Leventis Motors PLC—16.7 million ordinary shares of 50k each at 60k per share;
4. Thomas Wyath Nigeria PLC—23.6 million ordinary shares of 50k each at 90k per share;
5. Nigerian Bottling Co. PLC—22.3 million ordinary shares of 50k each at ₦2.25 per share;
6. A.G. Leventis PLC—11.13 million ordinary shares of 50k each at 70k per share.

## The Secondary Market

There was a marked deceleration in the pace of activity in the secondary segment of the capital market owing largely to a wait-and-see approach by investors towards the end of the year with regards to seasoned securities. The decline in trading activity, in terms of number of deals, volume and value of shares, cut across all categories of securities traded. On aggregate, a total of 31.3 million securities worth ₦36.5 million were traded in 8,549 deals. This level of activity showed a decline of 48.6 million or 60.8 per cent in the volume and ₦46.4 million or 56.0 per cent in the value of securities traded.

A sectoral analysis of the trading pattern showed that gilt-edged securities of 17.89 million valued at ₦13.61 million changed hands during the quarter. Compared with the preceding quarter, this level of activity represented decreases of 61.4 and 65.5 per cent in the volume and value traded, respectively. The pattern was similar in the case of equities and industrial loan/preference shares, where the volumes declined by 57.0 and 67.6 per cent, respectively to 10.9 million and 2.51 million. The values also declined by 2.8 per cent to ₦21.36 million in the case of equities and by 80.5 per cent to ₦1.51 million for industrial loan/preference shares.

### Stock Price Movement

The overall effect of the mixed performance of equities listed on the Nigerian Stock Exchange was a very marginal price increase in the general stock price movement. Companies which are heavily dependent on imported inputs but with weak demand for their products recorded on average, decreases in share prices. Many of such companies were found in the sub-groups—automobile and tyre, construction, packaging, soap and toiletries and pharmaceuticals. Some sub-groups however recorded improved performance which was reflected in increases in share prices. The combined effect was that at 176.0 (December 1984 = 100), the all-sector price index quarterly average rose marginally by 0.1 per cent over the level recorded in the preceding quarter, and by 9.0 per cent over the level in the corresponding quarter of 1989.

The marginal increase in the index resulted from increases of 3.4 per cent in the services sub-sector, and 2.5 per cent in the manufacturing sub-sector which was almost offset by declines of 16.6 per cent recorded in the financial sub-sector and 1.3 per cent in the commercial sub-sector. The highest price gain of 25.9 per cent occurred in publishing, grouped under the services sub-sector, followed by a 16.4 per cent price gain in pharmaceutical marketing under the commercial sub-sector. The sharpest price decline of 14.5 per cent occurred in machinery marketing under the commercial sub-sector (see Table 4).

### Money Market Developments

Developments in the primary segment of the money market during the fourth quarter of 1990 were influenced by

government's borrowing requirements. Arising from the need to liquidate ways and means advances outstanding, a special issue of treasury certificates, valued at N27.3 billion, was made at the end of the year, thus bringing total money market assets outstanding to N62.1 billion, up by N27.1 billion or 77.3 per cent during the quarter. Treasury certificates outstanding thus constituted 54.7 per cent of total assets outstanding, compared with the respective shares of 19.8 and 20.2 per cent in the third and second quarters of 1990. Treasury bills outstanding remained unchanged at their September 1990 level of N25.5 billion, accounting for 41.0 per cent of total. Of the total money market assets outstanding at the end of the review period, the share of treasury bills and treasury certificates together accounted for 95.7 per cent, compared with 92.5 per cent in the previous quarter. Private sector debt instruments, on the other hand, constituted only 4.3 per cent of the total. The value of certificates of deposit

(CDS) fell by N183.4 million or 9.6 per cent to N1.7 billion during the quarter in review as against the N620.7 million or 48.1 per cent rise in the previous quarter, while that of commercial papers (CPs) increased steadily to N927.7 million at the end of the quarter.

The secondary segment of the short-term securities market was also active during the quarter as evidenced by the volume of rediscounts of treasury bills and treasury certificates. Gross rediscounts of these instruments by the Central Bank amounted to N6.8 billion compared with N5.5 billion in the third quarter and N2.8 billion in the second quarter but lower than the N14.6 billion recorded in the corresponding period of 1989.

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Table 1

## NEW ISSUES

Mode of Offer	4th Quarter 1989			3rd Quarter 1990 *			4th Quarter 1990			Percentage Changes Between			
	No. of Issues (1)	Volume Million (2)	Value ₹ Mill. (3)	No of Issues (4)	Volume Million (5)	Value ₹ Mill. (6)	No. of Issues (7)	Volume Million (8)	Value ₹ Mill. (9)	(2) & (8)	(3) & (9)	(5) & (8)	(6) & (9)
Offer For Subscriptions	15	222.8	150.7	14	205.8	204.8	23	182.7	155.2	-18.0	+3.0	-11.2	-24.2
Right Issues	12	205.5	182.5	13	155.6	151.8	12	182.8	182.3	-11.3	-0.1	+17.5	+20.4
Preference Shares	3	33.6	33.6	—	—	—	—	—	—	+100	100	—	—
Debenture Stocks	2	—	50.0	8	—	300.8	14	—	388.8	—	+677.6	—	+29.3
State Government Stocks	1	—	30.0	—	—	—	—	—	—	—	100	—	—
Unit Trust	—	—	—	—	—	—	1	50	25.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>33</b>	<b>461.9</b>	<b>446.8</b>	<b>35</b>	<b>361.4</b>	<b>657.4</b>	<b>50</b>	<b>415.5</b>	<b>751.3</b>	<b>-10.0</b>	<b>+68.2</b>	<b>+15.0</b>	<b>+14.3</b>

Source: Securities And Exchange Commission (SEC)  
\* Revised.

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Table 2

## NEW ISSUES (OCTOBER—DECEMBER 1990)

Mode of Offer	Raised Off NSE			Raised on NSE			Aggregate		
	No. of Issues	Volume Million	Value ₹ Mill.	No. of Issues	Volume Million	Value ₹ Mill.	Total No. of Issues	Total Volume	Total Value ₹
Offer for Subscription	21	154.60	141.10	2	28.10	14.15	23	182.70	155.25
Right Issues	6	12.83	24.49	6	169.94	157.79	12	182.77	182.28
Preference Shares	—	—	—	—	—	—	—	—	—
Debenture Stocks	8	—	133.82	6	—	255.00	14	—	388.82
Unit Trust	1	50.00	25.00	—	—	—	1	50.00	25.00
State Bonds	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>36</b>	<b>217.43</b>	<b>324.41</b>	<b>14</b>	<b>198.09</b>	<b>426.94</b>	<b>50</b>	<b>415.47</b>	<b>751.35</b>

Source: Securities and Exchange Commission.

Table 3

**TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE  
FOURTH QUARTER, 1990**

(Million)

SECURITIES	3rd Quarter 1990 (1)	4th Quarter 1990 (2)	Change Between (1) & (2)	
			Absolute	Percent
			<b>GOVERNMENT STOCKS</b>	
No. of Deals	25	19	-6	-24.0
Volume (Million)	46.33	17.89	-28.44	-61.4
Value (₦ Million)	39.44	13.61	-25.8	-65.5
<b>INDUSTRIAL LOAN/PREFERENCE SHARES</b>				
No. of Deals	10	3	-7	-70.0
Volume (Million)	7.75	2.51	-5.24	-67.6
Value (₦ Million)	7.75	1.51	-6.24	-80.5
<b>EQUITIES</b>				
No. of Deals	10,028	8,527	-1,501	-15.0
Volume (Million)	25.32	10.90	-14.42	-57.0
Value (₦ Million)	35.64	21.36	-14.28	-2.8
<b>TOTALS</b>				
Deals	10,063	8,549	-1,514	-15.0
Volume (Million)	79.88	31.30	-48.58	-60.8
Value (₦ Million)	82.83	36.48	-46.35	-56.0

Table 4

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

	4th Quarter 1989 (1)	3rd Quarter 1990 (2)	4th Quarter 1990 (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
				(4)	(5)
<b>FINANCIAL</b>	112.2	102.8	85.7	-23.6	-16.6
<b>MANUFACTURING</b>	167.8	188.1	192.8	14.9	2.5
Breweries	108.0	101.9	100.2	-7.2	-1.7
Building Materials	172.6	196.9	197.4	14.4	0.3
Chemicals & Paints	155.3	192.0	195.5	25.9	1.8
Soap & Toiletries	294.0	384.4	354.5	20.6	-7.8
Food, Bev. & Tobacco	133.3	131.7	144.1	8.1	9.4
Ind/Domestic Products	204.9	236.8	236.5	15.4	-0.1
Packaging	136.9	160.9	154.9	13.1	-3.7
Pharmaceutical/ An. Feeds	174.3	171.7	167.6	-3.8	-2.4
Textiles	371.6	477.6	488.4	31.4	2.3
<b>COMMERCIAL</b>	183.9	209.3	206.5	12.3	-1.3
Automobile & Tyre	273.1	293.6	287.6	5.3	-2.0
Commercial	199.5	225.9	231.0	15.8	2.3
Computer & Office Equipment	266.6	273.3	287.3	7.8	5.1
Conglomerates	175.8	202.6	181.1	3.0	-10.6
Footwear	179.0	139.1	127.5	-28.8	-8.3
Machinery (mktg)	104.4	124.7	106.6	2.1	-14.5
Petroleum (mktg)	208.8	243.6	283.6	35.8	16.4
Pharmaceutical (mktg)	71.4	135.3	147.8	107.0	9.2
<b>SERVICES</b>	104.1	104.1	107.6	3.4	3.4
Construction	100.1	101.2	99.9	-0.2	-1.3
Publishing	122.2	116.0	146.1	19.6	25.9
<b>ALL SECTORS</b>	161.5	175.9	176.0	9.0	0.1