STOCKS TO MONITOR

... FOR THE SHORT-TERM INVESTOR

MARCH 26 - 29, 2018
Market Review

- Stronger negative sentiments were observed in most sectors in the prior week, save for the banking sector.
- At the end of the fourth trading session, we witnessed an increase in positive momentum which was halted by the price shedding on some bellwether counters such as; DANGCEM-3.74%, NESTLE-2.44% and NB-1.09% in the last trading session.
- The weekly market breadth closed negative, total market capitalisation closed at 14.98 trillion while the Year-to-Date return settled at 8.44%.

Our Expectations this Week

- We expect to witness an increase in positive momentum in the bourse this week with some degree of price appreciation on counters like GLAXOSMITH, CADBURY, UBA and NASCON.

Movement in the NSE All-Share Index

Source: Bloomberg
GLAXOSMITH

Following the declaration of special dividend of NGN7.10 per share in its FY2017 results, the counter witnessed an increase in positive momentum, leading to an uptick in its price by 21.43% W-o-W to NGN 25.50. The ticker’s Y-t-D return settled at 18.00%.

The bullish candlestick indicates that strong positive sentiments will be noted on the counter this week. In the same vein, the MACD shows a spike in positive momentum which is set to hover on the ticker in the near term.

The counter resumed the week on full bid, with the demand driven by an impressive dividend yield. Although we note that the counter already trades in the overbought region with an RSI of 78.84, we expect to witness further price appreciation this week.

NASCON

The stock featured on the top 10 weekly gainers’ list in the previous week after gaining 5.20% to close at NGN21.25. Its Y-t-D return settled at 14.86%.

The bullish Heikin Ashi candlechart indicates strong positive sentiments on the counter. Due to the healthy appetite for the stock by investors, the MACD indicates an extended decline in negative momentum, which is further supported by the RSI at 53.08.

We note that the counter is neither overbought nor oversold and consequently has an upside potential. We expect to witness further price appreciation during the week.
FIDELITYBK

The stock closed top in the banking sector last week, following a 17.75% advancement in its price to NGN2.72.

The MACD pattern does not signal further decline in negative momentum. We therefore expect any change in this pattern to be driven by any release of information by the bank.

*Given the significant price appreciation in the prior week, we expect investors to take profit during the week.*

CADBURY

Negative sentiments were observed on the ticker last week, causing it to shed 14.91% to close at NGN14.55. As a result, its Y-t-D return settled at -7.15%.

The MACD and candlechart both show a decline in negative momentum on the counter as bargain hunters take position. In line with this, the ticker topped the gainers’ list on Friday last week.

*We expect to witness positive sentiments on the counter this week.*
Technical Indicators Used

Moving Average Convergence Divergence (MACD): It shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA.

Relative Strength Index (RSI): It is a technical indicator used in the analysis of financial markets. It is intended to chart the current and historical strength or weakness of a stock or market based on the closing prices of a recent trading period. The indicator should not be confused with relative strength.

Bollinger Bands: Bollinger Bands are a volatility indicator similar to the Keltner channel. Bollinger Bands consist of an N-period moving average (MA) an upper band, UBB at K times an N-period standard deviation above the moving average (MA + Kσ) a lower band, LBB at K times an N-period standard deviation below the moving average (MA – Kσ).

Candle sticks: A candlestick chart (also called Japanese candlestick chart) is a style of financial chart used to describe price movements of a security, derivative, or currency. Each "candlestick" typically shows one day; so for example a one-month chart may show the 20 trading days as 20 "candlesticks".

Source for definitions: Investopedia, Wikipedia.
Fair Value Estimate

In arriving at our fair value estimate, our analyst(s) utilised a blend of valuation methodologies such as; the Discounted Cash Flow (DCF), Residual Income (RI) and Dividend Discount and Relative Multiples methodologies. Consequently, a weighted average price is obtained based on specific company characteristics, industry standards and the broader economy.

Investment Ratings

**BUY:** We expect a total return of over 20% within the next twelve months on the counter.

**ACCUMULATE:** We expect a total return of between 10% and 20% within the next twelve months on the counter.

**HOLD:** We expect a total return less than 10% within the next twelve months on the counter.

**REDUCE:** We expect a total return less than or equal to 0% within the next twelve months on the counter.

**SELL:** We advise clients to sell the stock as it trades at a premium to its intrinsic value.

**UR: “Under Review”** - We currently do not have an investment recommendation on the stock.
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