

PENINSULA WEEKLY MARKET OUTLOOK FOR THE 21ST – 25TH June, 2010

We welcome you to a new week and we hope it will be a profitable one for you. Please find below our outlook for financial market this week:

Fixed Income Market

The main activity this week in the bond market is the reopening of 3years, 5years, and 20 years in the primary market auction on Wednesday June 23,2010. Given that the market seems to have weather the storm created by unusual yields generated by May 2010 auction and coupled with the FAAC Funds floating around in the system, we expect the yields on these new offers to be lower. Our feeling is that the 3years and 5 years bonds will come in at sub- 8% levels while the 20years bond is likely to come in at sub-10%. The auction is likely to sap energy from the secondary market, so we expect to see a bearish run in the two-way quotes market in the early part of the week. This might present buy opportunities as yields trend higher. The primary auction result will determine whether we see a rally in the latter part of the week or not.

Money Market

The release of over N409billion in FAAC allocation, redemption of Treasury Bills and release of N65billion in personal cost dragged rates down across board. We suspect that CBN will take action to firm up rates this week. We will watch out.

Equities

Last week was a relatively good week for short term traders as the market went up for four out of five trading days but eventually gave ground to profit taking on Friday. There were strong rallies in the rescued banks i.e UBN , Platinum, Oceanic and Intercontinental bank with some of them going up by as much as 20% . The manufacturing sector also continues to show strong gains ahead of the accent to AMCON by the President Goodluck Jonathan.

We would not be as brave as to go into the rescued banks yet but we believe there are still significant upsides potentials to the First Generation Banks i.e FBN; UBN; ZENITH and GTB. We will be cautious about some of the manufacturing companies as we believe the prices are getting way ahead of economic realities and their actual potentials. i.e NESTLE , Dangote Flour , Flour Mills of Nig, Lafarge Wapco and Ashaka Cement. However, we are comfortable with the present prices of stocks like NASCON, NAHCO and Dangote Sugar. These represent our pick for the week. The week is likely to be slow as profit taking is expected to continue in the early part of the week.

Asset Allocation

Now that the Debt Management Office is asking PDMM to mark their portfolio to market and also to separate their "Hold portfolio" from "Trading Portfolio " we are going to see a more realistic pricing in the bond market. The activity is also likely to increase. Given the state of liquidity in the system, we are looking closely at the fixed income market this week. Our short term **Asset Allocation is 40% Fixed Income, 40% Equities and 20% Cash.**

Please Call Tosin on 08023178864 for further details. Have a nice week.