

## PENINSULA WEEKLY OUTLOOK 28<sup>TH</sup> June to 2nd July, 2010

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Please find below our outlook for this week on the securities market we are active in.

### **Fixed Income Market**

The main action last week was the primary auction conducted on Wednesday. As we said at the beginning of that week, we expected the auction result to trail the relative yields in the market on the re-opening maturities. This came to pass with the 3-years maturity closing at 6.24% (against 8% for May, 2010), the 5-year maturity closed at 7.60% (against 9% for May) and the 20-year maturity closed at 8.69% (against 10% for May, 2010).

We suspect there will be sell-offs this week as PDMM's and Investors alike try to take profit and also re-align portfolios for the month end. We see a buy opportunity starting mid-week as yields trend upwards due to these activities. Though, we suspect that the yields might not go up significantly and even if it does, it might be for a short time only since the market is still awash with liquidity. Market timing will be crucial this week. We will be bullish on the short end of the market i.e. in the 3-year and 5-year bonds.

### **Equities Market**

The equities market witnessed significant sell-offs this past week with price dropping across all sectors. This we can attribute to investor confusion about the workings of the AMCON and how it is likely to affect their positions. There were also "rumors" making the rounds that banks are selling the equities of rival banks they are holding in their proprietary positions. Our view is that all the bad news has been factored into this market already i.e. "He that is down need fear no fall". If prices continue to drop, we believe it is an opportunity to buy cheaply into the good fundamentally sound stocks. We are especially excited by the 1<sup>st</sup> Quarter results coming from the "rescued" banks and also the prices on the bell weather stocks especially First Bank (N13.34K) and UBA (N 10.85K). We believe the equities market will see some reprieve this week as opportunities narrow elsewhere.

### **Model Portfolio Allocation**

Since the money market rates are still low, the equities market has dropped for six-days in a row and the bond market is also expected to see yields rising, we are investing fully this week. Our short time model portfolio will be 50% equity; 50% Bond and 0% cash. Please go to our website: [www.Pamicol.com](http://www.Pamicol.com) to see our securities pick for the week.