

DEVELOPMENTS IN THE FINANCIAL MARKETS IN THE THIRD QUARTER OF 1990

The money and capital markets generally recorded higher levels of activity during the quarter in review than in the two preceding quarters. The money market witnessed significant increases in the volume of private sector securities while the volume of inter-bank market transactions and interest rates were substantially higher. In the capital market both the primary issues market and the secondary market showed higher levels of activity. However, the overall stock price index fell by 1.3 per cent.

MONEY MARKET

In the inter-bank funds market, interest rates rose significantly in the quarter, thus reversing the downward trend observed in the two preceding quarters. The volume of transactions also rose sharply. Inter-bank average call money rate which fell from 20.0 per cent in March to 14.5 per cent in June rose to 24.8 per cent in September. The average rate on 7-day placements similarly rose from 19.0 per cent in June to 22.9 per cent in September, while the average rate on 90-day placements rose to 25.5 per cent from 24.5 per cent in June. The total volume of transactions after falling slightly from ₦4.4 billion in June to ₦4.1 billion in July, rose sharply to ₦7.6 billion in August before falling back to ₦6.7 billion in September.

In the short-term securities market, the level of securities increased by ₦694.6 million or 2.0 per cent to ₦35.0 billion at the end of the quarter. The increase follows the boost to the outstanding level of securities arising mainly from the ₦10 million issue of treasury bills in the second quarter. The increase in the review quarter was accounted for by new issues of commercial papers, Certificates of Deposits (CDs) and Eligible Development stocks which together rose from ₦1.9 billion in June to ₦2.6 billion in September. The volume of outstanding treasury securities remained unchanged at the previous quarter's levels. Treasury bills valued at ₦12.9 billion were issued to replace an equal amount of maturing issues leaving the total outstanding at the end of the quarter at ₦25.5 billion. Similarly, the level of outstanding treasury certificates remained unchanged at ₦6.9 billion as new issues of ₦435.0 million were made to replace an equal amount of maturing certificates. Gross rediscounts of treasury securities by Central Bank amounted to ₦1.0 billion during the quarter representing an increase of ₦182.6 million or 22.3 per cent over the previous quarter.

Of the total money market assets outstanding at the end of the period, treasury bills and certificates accounted for 92.6 per cent, down from 94.4 per cent at the end of the previous quarter.

Investment by commercial and merchant banks in treasury securities at the end of the quarter stood at ₦6.0 billion and ₦262.1 million respectively, compared with ₦5.8 billion and ₦195.2 million in the preceding quarter.

CAPITAL MARKET

The tempo of activity in both the new issues and the secondary markets increased substantially during the third quarter in contrast to declines during the second quarter.

Both the volume and value of new and existing securities increased during the quarter. However the increased pace of activity was accompanied by a fall in stock prices whose index declined by 1.3 per cent.

The Primary Market

Although 34 new securities were issued during the third quarter compared with 41 in the preceding quarter, the volume and value of aggregate new issues were much higher. The volume increased substantially by 146.2 million or 59.6 per cent to 391.4 million, while the value also moved up significantly by ₦305.1 million or 85.9 per cent of ₦660.4 million. A total of 21 new issues involving 187.1 million valued at ₦193.4 million were raised outside the stock exchange while 13 new issues comprising 204.3 million securities and worth ₦467.0 million were by public placements. The new issues comprised 14 issues worth ₦204.7 million offered for subscription, 13 rights issues valued at ₦169.8 million and 7 preference shares valued at ₦385.9 million. (see Table 1).

The Secondary Market

The slow down witnessed in the secondary market during the second quarter of 1990 was reversed during the third quarter. A total of 79 million shares valued at ₦82.8 million were traded in 10,063 deals during the quarter compared with 66.7 million shares worth ₦68.6 million traded in the previous quarter. The level of activity was however lower than was recorded in the corresponding quarter of 1989 when 123.4 million shares valued at ₦123.2 million were transacted.

Of the total transactions during the quarter, government stocks accounted for 47.6 per cent of total value and 58.3 per cent of the volume. Equities totalling 25.3 million and valued at ₦35.6 million were traded in 10,028 deals during the quarter and accounted for 31.9 and 43 per cent of the total volume and value traded, respectively. Industrial loan and preference stocks traded during the quarter involved 7.8 million shares worth ₦7.8 million and accounted for about 9.8 and 9.4 per cent of the volume and value, respectively. (see Table 2).

Second-Tier Securities Market (SSM)

Activities on the Second-tier Securities Market (SSM) showed a considerable improvement during the quarter. Four new companies were listed, bringing the total number of listed companies on the market to fourteen at the end of the quarter.

The SSM recorded an average price rise of 4 kobo, bringing the sectoral average price to 64 kobo from 60 kobo recorded in the preceding quarter.

Stock Price Movement

The all-sector price index stood at 175.9, representing a decline of 1.3 percentage points from its level in the second quarter of the year (See Table 4 and Chart 1). Except for the commercial sub-sector whose price index moved up on

the average, all the other sub-sectors (financial manufacturing and services) contributed to the downward movement in stock price index. However, compared with the corresponding quarter of 1989, stock price indices for all sub-sectors showed appreciable increases except for the financial sector whose index declined by 25.9 per cent. (see Table 4). The stock price index for the commercial sub-sector maintained a general upward movement while prices of the automobile and tyre, computer and office equipment, conglomerates and machinery (marketing) groups showed the highest increases.

**FINANCIAL ANALYSIS DIVISION
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NEW ISSUES OF SECURITIES, SECOND AND THIRD QUARTERS, 1990

Table 1

	April - June			July - Sept.			Change Between					
	1	2	3	4	5	6	1 & 4		2 & 5		3 & 6	
	No. of Issues	Volume	Value	No. of Issues	Volume	Value	Absolute	Per cent	Absolute	Per cent	Absolute	Per cent
Offer for Subscription	15	101.4	80.8	14	205.8	204.7	-1	-6.1	104.4	103.0	123.9	153.0
Right Issues	15	130.3	95.9	13	185.6	169.8	-2	13.3	55.3	42.0	73.9	77.0
Preference Stocks	3	13.5	13.5	-	-	-	-3	-100.0	-13.5	-100.0	-13.5	-100.0
Debenture Stocks	8	-	165.1	7	-	385.9	-1	-12.5	-	-	220.8	134.0
State Bonds	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	41	245.2	355.3	34	391.4	666.4	-7	17.0	146.3	60.0	305.1	86.0

Source: - Securities & Exchange Commission, Lagos.

TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE
(Million)

Table 2

Securities	2nd Quarter 1990	3rd Quarter 1990	Change Between 1 & 2	
			Absolute	Per cent
GOVERNMENT STOCKS				
No. of Deals	23	25	+2	+8.7
Volume	53.5	46.3	-7.2	-13.5
Value	47.0	39.4	-7.6	-16.2
INDUSTRIAL LOAN/ PREFERENCE SHARES				
No. of Deals	11	10	+1	-9.1
Volume	4.0	7.8	+3.8	+95.0
Value	4.0	7.8	+3.8	+95.0
EQUITIES				
No. of Deals	8,560	10,028	+1,468	+17.1
Volume	9.2	25.3	+16.1	+175.0
Value	17.6	35.6	+18.0	+102.3
TOTALS				
Deals	8,594	10,063	+1,469	+17.1
Volume	66.7	79.4	+12.7	+19.0
Value	68.6	82.8	+14.2	+20.7

Source: Securities and Exchange Commission (SEC. Quarterly).

HOLDINGS OF DEVELOPMENT STOCKS OUTSTANDING
(N' Million)

Table 3

HOLDERS	1	2	Change Between 1 & 2	
			Absolute	Per cent
Commercial Banks	32.9	67.6	34.7	105.5
Merchant Banks	10.2	9.7	-0.5	-4.9
Individuals	7.2	6.8	-0.4	-5.6
Savings-type Institutions	2,369.4	2,255.7	-113.7	-4.8
Statutory Boards & Corporations	23.1	23.1	-	-
Other Companies & Corporations	148.6	144.3	-4.3	-2.9
State & Local Government	33.9	33.9	-	-
Insurance Companies	164.8	158.2	-6.6	-4.3
Central Bank	1,304.6	1,493.4	188.8	14.5
Federal Government	-	-	-	-
Agric. Credit Guarantee Scheme	157.6	157.6	-	-
Special Funds with CBN	39.6	39.7	0.1	0.3
CBN Sales not yet classified	281.1	-9.5	271.6	96.6
Bureau-De Change	18.0	20.5	2.5	13.9
TOTAL	4,591.0	4,401.0	-190.0	-4.1

**PRICE INDICES OF ORDINARY SHARES LISTED ON THE
NIGERIAN STOCK EXCHANGE FOR 3RD QUARTER, 1990.**
(DECEMBER 1984 = 100)

Table 4

	3rd Quarter 1989 (1)	2nd Quarter 1990 (2)	3rd Quarter 1990 (3)	Percentage Change Between	
				(1) & (3) (4)	(2) & (3) (5)
1. FINANCIAL	128.7	111.2	102.8	-20.1	-7.7
2. MANUFACTURING	156.6	190.4	188.1	20.1	-1.2
Breweries	107.6	122.2	101.9	-5.3	-16.6
Building Materials	138.4	196.9	196.9	42.3	0.2
Chemicals & Paints	123.2	187.3	192.0	55.8	2.5
Soap & Toiletries	209.5	370.1	384.4	83.5	3.9
Food, Bev. & Tobacco	145.2	135.9	131.7	-9.3	-3.1
Ind./Domestic Products	176.7	230.1	236.8	34.0	2.9
Packaging	121.0	157.7	160.9	33.0	2.0
Pharmaceutical/Animal Feeds	177.7	183.3	171.7	-3.4	-6.3
Tex tiles	306.8	447.4	477.6	55.7	6.8
3. COMMERCIAL	170.2	205.5	209.3	23.0	1.8
Automobile & Tyre	261.9	290.6	293.6	12.1	1.0
Commercial	186.5	218.1	225.9	21.1	3.6
Computer & Office Equipment	213.2	350.8	273.3	28.2	-22.1
Conglomerates	164.7	189.2	202.6	23.0	7.1
Footwear	169.3	167.5	139.1	-17.8	-17.0
Machinery (Mktg.)	92.7	121.3	124.7	34.5	2.8
Petroleum	181.5	253.6	243.6	34.2	-3.9
Pharmaceutical (Mktg.)	86.1	79.3	135.3	57.1	70.6
4. SERVICES	92.1	105.7	104.1	13.0	-1.5
Construction	89.5	103.9	101.2	13.1	-2.6
Publishing	103.6	113.5	116.0	12.0	2.2
ALL - SECTORS	150.1	177.2	175.9	17.2	-0.7

CHART 1

SUMMARY OF PRICE INDICES OF ORDINARY SHARES LISTED ON THE NIGERIAN STOCK EXCHANGE (NSE)
3RD QUARTER, 1988 - 3RD QUARTER, 1990 DECEMBER, 1984 = 100)

