

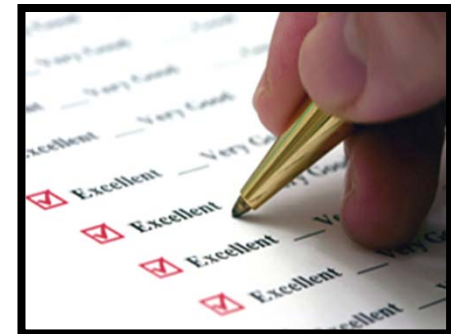


Developments in the Economy and their
Implications for the Financial Markets in
Short, Medium & Long Term

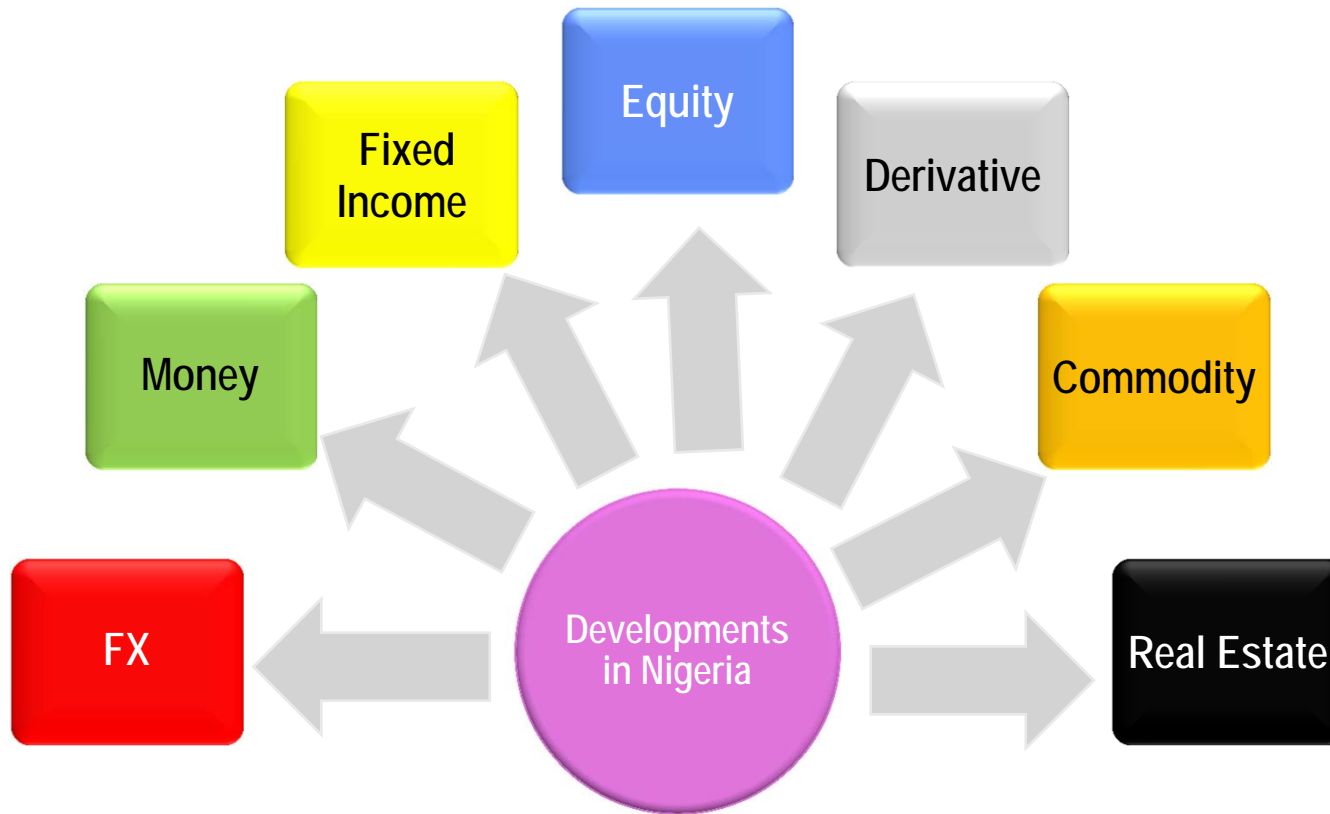
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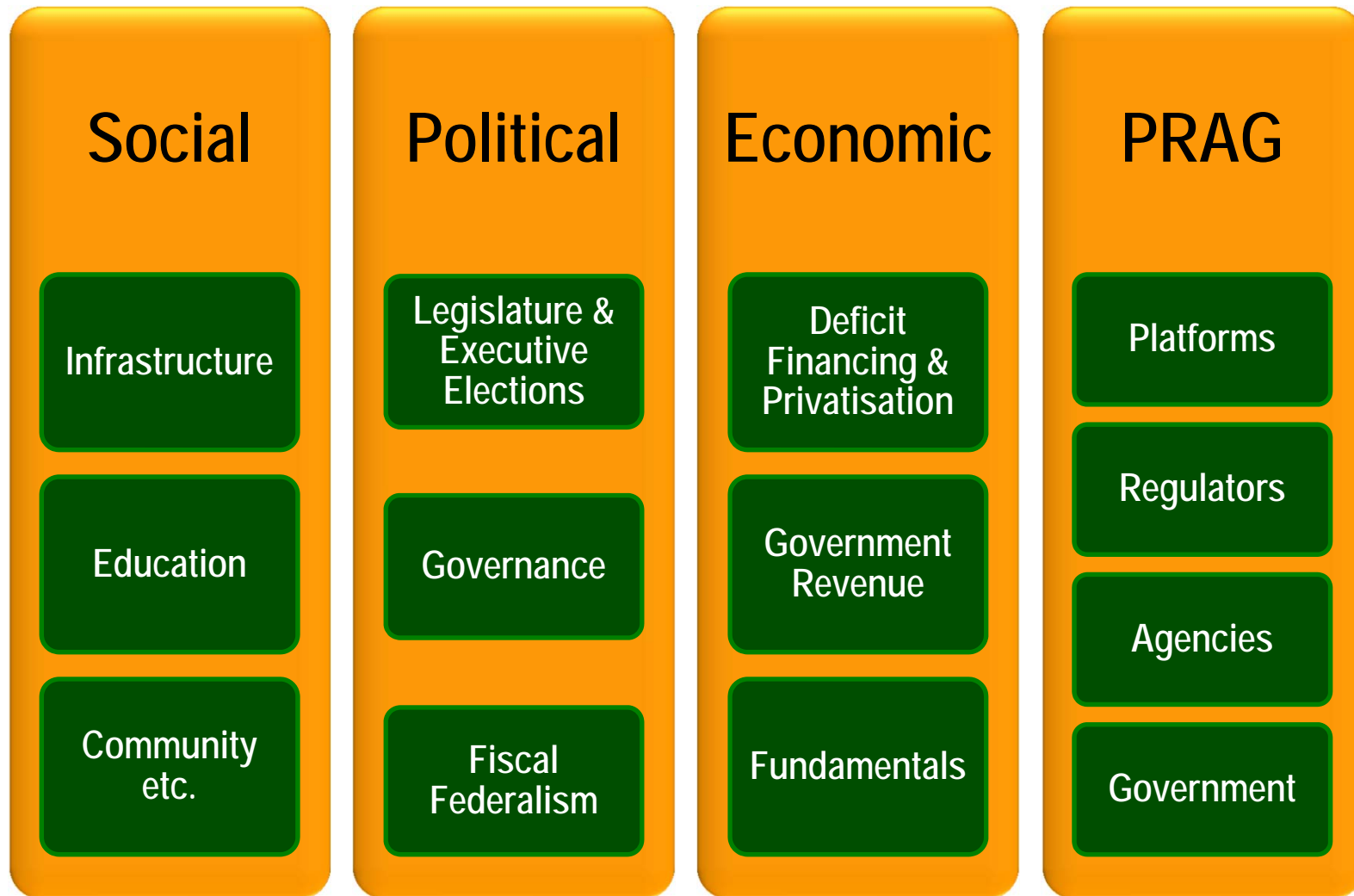
Financial Markets (FM) Landscape



The implications of the developments in Nigeria on the financial markets can be analysed under social, political, economic and regulatory environments.

Regulatory environment is a major factor due to the various attempts being made to ensure the country has a sound financial system on which to power double-digit growth.

Overview of Developments - SPEP



Social Developments & Implications for the FMs

The country's weakest link

Financial Market	To achieve the desired economic growth and the millennium development goals (MDGs), the country would require significant capital from domestic and foreign sources
FX	(S) – Weak Naira. (M/L) - Strengthening of the Naira
Money	(S) – Higher interest rate
Fixed Income	(S/M) – Depth and development of non-sovereign bonds to finance the infrastructural projects – electricity, healthcare, rail transport, housing etc.
Equity	(L) – Depth and stronger economic fundamentals for higher ROI
Derivatives	(S/M) – Growth. (L) – Structured products
Commodity	(M) – May remain un-organised
Real Estate	(S/M) – Legal challenges may delay growth. (L) – There are potentials

LEGEND: S- Short-term M- Medium-term L- Long-term

Political Developments & Implications for the FMs

Perception: major drain on government finances

Financial Market	The April elections were judged to be free and fair. President Jonathan's mandate nationally endorsed. Federal House of Representatives, FHOR, elected a Speaker not supported by the ruling party, PDP but by the opposition parties. FHOR is expected to act as a major check for any planned smooth-ride by the President. South-West Region won by ACN. Fiscal federalism may improve
FX	(S) – Improved Naira sentiments supported by foreign portfolio investors
Money	(S) – Volatility from federal allocations not expected to abate
Fixed Income	(S/M) – Growth in sub-national bonds to finance infrastructural projects in the South West as states attempt to model Lagos or have a regional focus
Equity	(M) – Improved sentiments from foreign portfolio investors
Real Estate	(S/M) – Growth from leakages

Economic Developments & Implications for the FMs

The economy needs structural transformation

























Financial Market	The contribution of the Agricultural sector to the GDP still remains high but as a subsistence activity. Government Revenue and the Sovereign Wealth Fund may continue to benefit from strong crude oil prices. Foreign Direct Investment (FDI) will only grow on the back of security, infrastructure and strong judicial system. Inflation, though inching down is fuelled by high commodity prices. It however remains within the range for a developing economy. Unemployment is high and should be a major concern
FX	(S/M) – Naira is weak fundamentally
Money	(S) – High interest rate as CBN aggressively combats inflation
Fixed Income	(S/M) – Strong crude oil may reduce FG’s deficit financing and reduce the crowding-out effect on the non-sovereign demand for credit
Equity	(S) – Expected to lose flows to the money and fixed income capital (M) – Stronger market

PRAG Developments & Implications for the FMs

Enhancing the Nigerian brand

Financial Market	The financial market touch-points: trading platforms, regulators, government agencies and relevant government departments have powered most of the reforms that have bolstered the Nigerian financial markets. This trend is expected to continue as the leadership of these touch-points continue to be challenged to imbibe best practices. A major initiative is the OTC Exchange
FX	(S) – CBN’s risk management products to support Naira. (M/L) – Stable
Money	(S) – Higher short-term interest rate
Fixed Income	(M) – Straight Through Processing (STP) initiative. Higher Trading Liquidity
Equity	(M) – Trading in unlisted securities
Derivatives	(S/M) – Growth. (L) – Structured products
Commodity	(M) – May remain un-organised
Real Estate	(S/M) – Legal challenges may delay growth. (L) – There are potentials

Unleashing the Nigerian Enterprise

Financial Market		Outlook		
		Short-term	Medium-term	Long-term
FX				
Money				
Fixed Income				
Equity				
Derivative				
Real Estate				



 Fully complies with international standards

The Nigerian Financial Market must lead in Africa!!!



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Someday, Sometime, Somehow, you will need us

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