

Soludo Dismisses Fears Over Sliding Stock Prices

The Governor, Central Bank of Nigeria (CBN) Prof. Chukwuma C. Soludo allayed investors' fear over the sliding stock prices in the Nigerian capital market. Speaking at stakeholders' forum held on Friday, July 5, 2008 in Lagos to shore up investors' confidence, the Governor pointed out that volatility in stock market is a usual phenomenon in other jurisdictions all over the world. He added that the only thing unusual about the Nigerian case is that over the years, we have always been experiencing an upward linear trend in stocks pricing.

The event which was attended by the Minister of State for Finance, Heads of regulators in the Capital Market and the Managing Directors of the 24 banks, Prof. Soludo reassured that the market is strong and robust and as such there is no need to entertain fear of crash. The Minister of State for Finance Mr. Remi Babalola also corroborated the CBN Governor's assertion and reaffirmed that the economy's fundamentals as well as the market hold immense and positive potentials for growth and nothing to warrant any possible crash of the stock market.

The forum agreed that regulators should continue to collaborate and meet regularly to strengthen the regulatory processes. It was their consensus that there is need for continuous education of the public regarding the volatility associated with the market which does not in anyway connote instability or fundamental melting down of stock prices. They appealed to the media to refrain from sensationalizing the happenings in the stock market given the negative ripple effect such could generate in the market.

On the issue of the alleged directive by the CBN to suspend margin loan by banks, Prof. Soludo reiterated that at no time did the CBN issue any circular or directive asking banks to stop margin loans. According to him, in a market economy, CBN and Security and Exchange Commission (SEC) would not determine for banks where to invest their money pointing out that the investment decision of a bank would always be determined by the risk appetite of the bank concerned.

Earlier a report prepared by two reputable financial institutions-Renaissance Capital and JP Morgan has indicated that the Nigerian Stock market continues to enjoy short and long term opportunities, stressing that the recent

decline in the capital market was only a “blip” with growth projections getting back on track.

The forum witnessed the presence of the Director General of the Nigerian Stock Exchange (NSE) Prof. Ndi Okereke – Onyiuke, the President of NSE, Oba Otudeko, the Chairman of SEC Senator, Udo Udoma, Director General, SEC, Alhaji Musa Al’ Faki, the CBN Deputy Governor Financial Sector Surveillance (FSS) Mr. Tunde Lemo and the MD, Nigerian Deposit Insurance Commission (NDIC), Alhaji Ogunleye.