Annual Economic and Equity Review

2015

FirstBanC Research
FIRSTBANC FINANCIAL SERVICES | 12TH FLOOR, WORLD TRADE CENTER, ACCRA

Disclosure

FirstBanC Financial Services is an integrated investment-banking firm. The Research department undertakes economic research, special research activities as well as research on listed companies on the Ghana Stock Exchange.

The content of this report reflects the views of the analysts. It is presented for information purposes only and does not serve as investment advice pertaining to the purchase or sale of securities. Information used in this analysis was acquired from sources believed to be accurate and reliable. However, we cannot attest to its accuracy.

Further enquiries can be directed to:

Economic: Benjamin Amoah-Adjei; Selasi Kofi Adu
Equity: Winslow Sackeyfio

Tel: +233-302-250636
Fax: +233-302-250624
Email: bamoahadjei@firstbancgroup.com; aselasi@firstbancgroup.com;
wsackeyfio@firstbancgroup.com

Alternatively you can submit your request for specialised recommendations online at:

www.firstbancgroup.com

TABLE OF CONTENTS

Executive Summary

Economy

Ghana's economic growth slowed further in 2015 on the back of a tight fiscal regime and persistent shortfalls in energy supply. The power crisis lasted throughout the year and significantly affected business and productivity across all economic sectors, but was particularly harsh for manufacturing and mining firms.

The government made commendable efforts at controlling its fiscal expenditure and remained within budget for the entire period under consideration. The tight fiscal conditions were matched by monetary policy tightening by the Central Bank, which raised the policy rate three times during the year in pursuit of its mandate of ensuring price stability. The Bank of Ghana also merged the policy rate with the repo rate and introduced measures to ensure a steady supply of forex within the banking system. These actions, together with the inflows from the US$1.8bn COCOBOD syndicated loan and a US$1bn Eurobond, helped ensure stability in the value of the Ghana Cedi over the second half. However, inflationary pressures remained throughout the year due to utility tariff and fuel price adjustments that resulted from the implementation of fuel pricing deregulation. The banking sector recorded a sharp slowdown in growth due to a tightening in credit conditions and a deterioration of asset quality. Several players in the sector reported a decline in profitability for the 2015 financial year.

We expect Ghana's macroeconomic variables to improve further in 2016. Inflation is likely to recede slowly towards the Central Bank's target due to exchange rate stability, but is likely to end higher than the target. Despite election year pressures, we expect the Government to continue its tight fiscal stance in line with the IMF's bailout conditions. We forecast growth to improve over the year. However, risks remain from the high cost of external borrowing, low global prices for Ghana's export commodities and a relapse of the energy crisis.

Equity Market

The equity market recorded a negative composite return of 11.77% in 2015 as compared to a 5.4% positive return posted at the end of 2014. Financial stocks also suffered their fair share of weak performance as the Financial Stock Index (FSI) fell from a positive 25.58% recorded in 2014 to negative 13.98% at the end of 2015.

There was still investor interest in the fixed income market as rates in the market continued to remain fairly high. The Cedi depreciation slowed down in 2015 as compared to 2014. However, volume of trade went up 19% with the introduction of the Ghana Alternative Exchange (GAX) which saw the listing of four companies within the 2015 financial year. However, total value traded and total market cap declined 29% and 11% respectively in 2015.

There were no additional listings on the main exchange. However, four companies were listed on the GAX namely SAMBA Foods, Meridian-Marshalls Holdings, HORDS and Intravenous Infusions Limited.

The bourse for 2015 recorded twelve gainers and eighteen losers, with Aluworks recording the highest returns of 600% whilst Golden Web recorded the worst performance of -66.67%.

Our outlook for 2016 is positive due to the stability in the Ghana Cedis and lower inflation expectations. We expect the manufacturing, food and beverage and petroleum sectors to drive the bourse with drawbacks from mostly the mining, financial and pharmaceutical sectors.

Economic Review: Analysis and Outlook

Economic Growth – **slowdown deepens**

Growth slowed further in 2015 as the energy crisis persisted and access to credit tightened during the year. Power generation remained low relative to demand for most of the year, especially as weather patterns caused by El Nino caused a decline in water levels that affected the Akosombo and Bui dams. In addition, high lending rates and tight fiscal conditions restricted business investments and household consumption.

Data released by the Ghana Statistical Service (GSS) showed that economic growth slowed from a revised rate of 4.5% in 2014, to 4.2% in the first quarter of 2015. It declined to 3.9% in June 2015 and closed at 3.6% in September, as compared to 12.2% in the third quarter of 2014. The Services sector led with 4.9% growth, whereas Industry and Agriculture recorded 3.6% and 3.2% growth respectively. Based on 2006 prices, the oil GDP estimate at the end of the period stood at GH¢9.36m (non-oil: GH¢8.82m), up from GH¢8.2m in June 2015 (non-oil: GH¢7.65m).

Mid-year budget review saw a downward revision in projected GDP growth from 3.9% to 3.5%, though GSS projected a higher growth rate of 4.1% for 2015.

Fiscal Balance – **Consolidation on Track**

Government's efforts at fiscal consolidation under the IMF bailout deal has been successful. In July's mid-year review, the Government revised its projected fiscal deficit from 6.5% to 7.3% as a result of the effects of falling crude oil prices on government revenues.

Figures from the Ministry of Finance showed that domestic revenue collected between January and December 2015 was higher than the projected amount despite a shortfall in import duties, company taxes and other direct taxes. Total domestic revenue amounted to GH¢29.36bn (22% of GDP), as against a target of GH¢28.52bn (21.3%); the surplus was largely due to higher-than-expected receipts on VAT, NHIL, excise taxes and import exemptions. Grants stood at GH¢1.72bn, as against a projected GH¢2bn, resulting in total revenue and grants of GH¢31.09bn (23.3% of GDP), as compared to the projected GH¢30.53bn (22.8% of GDP). This includes GH¢24.15bn from taxation, GH¢0.29bn from SSNIT contributions to NHIL and GH¢4.9bn in non-tax revenue.

The Government made no payment for social benefits despite a budget of GH¢60.7m, and paid out only half its budgeted expenditure on subsidies (GH¢25m). Interest payments on domestic (GH¢7.31bn) and external (GH¢1.76bn) debt were below and above projected levels respectively, whereas outlays on wages and salaries of public employees stood at GH¢10.55bn (7.9% of GDP) instead of the projected GH¢10.29bn. Capital expenditure at GH¢5.88bn was also less than the projected GH¢6.4bn. However, other expenditure was almost three times the budgeted amount, driving total expenditure to GH¢37.34bn (24.5% of GDP) as compared to GH¢37.97bn (28.3% of GDP).

The overall fiscal balance including divestiture and discrepancies stood at a deficit of GH¢9.44bn (7.1% of GDP) by end of 2015, lower than the projected GH¢9.77bn (7.3% of GDP). The deficit was mainly financed by GH¢5.88bn in net external borrowing, GH¢3.44bn from domestic sources and GH¢0.39bn from the Ghana Petroleum Funds.

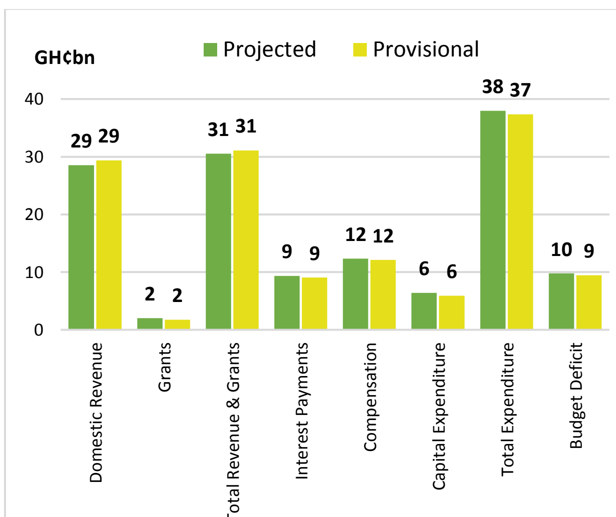

Figure 1.1: Projected and Provisional Fiscal Position – Nov 2015

Social Expenditure

The government's disbursements to the Health sector increased from GH¢947m in 2014 to GH¢1.13bn in 2015, representing 3.03% of total expenditure. Contributions to education, as denoted by government's disbursements to the GETFund, went up from GH¢329m in 2014 to GH¢923m (2.47% of total expenditure).

Monetary Environment

Policy Rate – **further tightening by BoG**

The Central Bank deepened its tight monetary stance by increasing the policy rate from 21% to 22% in May 2015. At the time, the Bank of Ghana cited rising core inflation and inflation expectations resulting from exchange rate depreciation and the energy crisis as the basis of its decision. The BoG maintained the policy rate at its July meeting due to a slowdown in inflationary pressures. However, the Central Bank merged the policy rate with the reverse repo rate, pushing the monetary policy rate up to 24%. The rate was further increased to 25% at the September meeting, due to inflation pressures driven by exchange rate volatility and risks to inflation caused by an expected increase in utility tariffs.

The November meeting saw another increase in the policy rate from 25% to 26%. According to the Central Bank, the move was intended to offset higher-than-planned utility tariff adjustments and to re-anchor displaced inflation expectations. The latest inflation figure at this point was 17.4% for October, unchanged from September, but high above the Central Bank's target band of 8±2%.

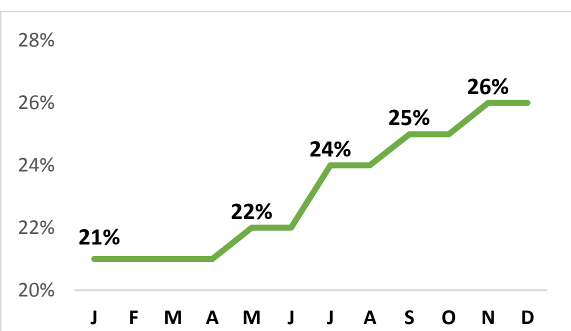

Figure 1.2: Monetary Policy Rate – 2015

Fixed Income – **Interest rates close above 20%**

The Central Bank's tightening policy saw rates largely unchanged over the first half of the year. However, short-term rates witnessed a decline later in the year. This was mainly because banks cut down on lending and increased demand for short-term government treasuries with high rates, and therefore had to bid lower rates for those securities. Average treasury rates across all tenures was 23.55%, higher than the average of 22.31% recorded in 2014.

GOG Treasuries	Average Rate (%)
91-day bill	25.08
182-day bill	25.85
1-year note	22.53
2-year note	23.20
3-year bond	23.80
5-year bond	20.86

Table 1: Average Annual Rates of GoG treasuries

The yield curve grew steeper towards the end of 2015 as rates on long-term rose.

The yields on 91-day and 182-day bills were higher at the end of 2015 than in 2014, closing at 22.79% and 24.36% respectively. However, the 1-yr and 2-yr note fell from 22.5% and 23% at the end of 2014 to 23% and 23.3% respectively at close of year 2015. Although 3-yr bonds closed lower, the rate on 5-yr bonds increased significantly to 24% in the last auction held in November 2015.

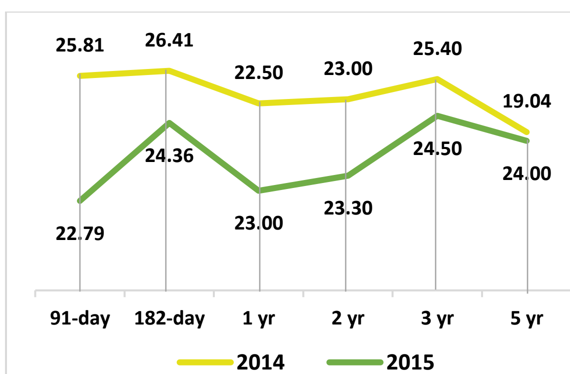

Figure 1.3: Yield Curve – End of year 2014/2015

The Ghana Fixed Income Market (GFIM) was launched in June 2015 with the purpose of creating a secondary market for the trading of all fixed income securities, including government, corporate and municipal and metropolitan securities. The new market helped generate interest in government treasuries, especially after the market in two-year bonds was opened to foreign investors.

There was a significant increase in activity on the treasury market. Transactions in long- and short-term government securities increased from GH¢1.8bn and GH¢35.2bn to GH¢4bn and GH¢49.9bn respectively. Short- and medium- term treasuries (91-day, 182-day bills and 1-yr notes) accounted for 93% of all transactions, down from 95% in 2014.

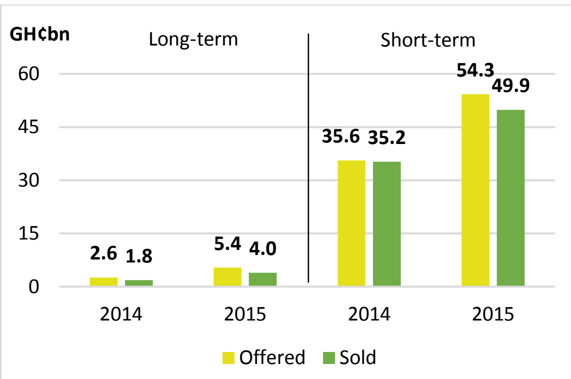

Figure 1.4: GoG treasury auctions – 2014/2015

Exchange Rate – **Cedi ends with stability**

The Ghana Cedi fell to its lowest levels during 2015 at the end of June. However, after the IMF commended Ghana following its first review of Ghana's performance under the bailout agreement, the local currency rose rapidly against all the major trading currencies. The spectacular strengthening of the Ghana Cedi was also supported by expectations of forex inflows which included the COCOBOD syndicated loan, proceeds from a Eurobond issue and support from donors and partners who agreed to release previously-withheld funds after the IMF report.

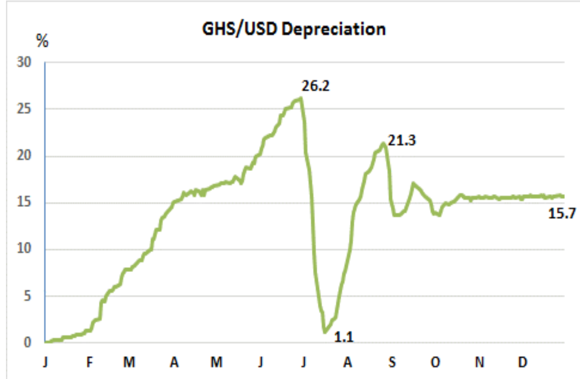

Figure 1.4: Ghana Cedi vs US Dollar – 2015 depreciation

For the first half of the year, the Ghana Cedi depreciated consistently against the US dollar as the greenback strengthened on global markets, dropping to low of 4.3364 (-26.2% YTD) to the dollar at the end of June. Following the IMF's first review and the commendation of Ghana's progress under the bailout deal, the Ghana Cedi rose sharply to 3.2360 per dollar, which was the highest level since January 2015. The Cedi traded between 3.7672 and 3.8034 per dollar in the last quarter and closed at 15.7% below year open.

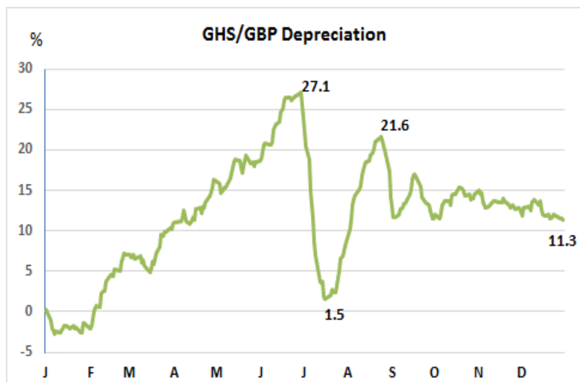

Figure 1.5: Ghana Cedi vs British Pound – 2015 depreciation

The Ghana Cedi stood at 4.9892 per pound at year open and fell against the pound for most of the first half. The IMF's positive review caused a short rally and the Cedi experienced some volatility in the third quarter. It stabilised in the last quarter to close at 5.6165 per pound (-11.35% YTD)

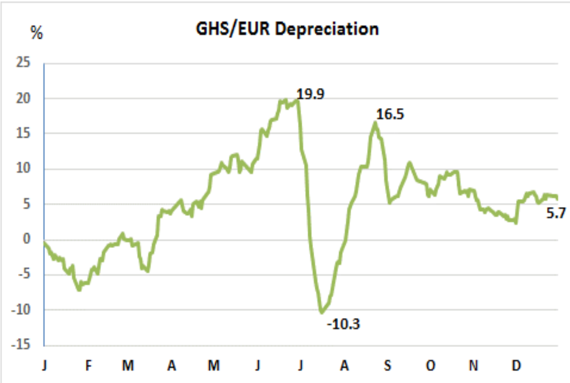

Figure 1.6: Ghana Cedi vs Euro – 2015 depreciation

The Ghana Cedi rose against the Euro for the first three months of 2015 due to weakness in the Euro that resulted from the European Central Bank's Quantitative Easing policy. However, speculation and uncertainty about Ghana's economy drove it to record lows in June, with the Cedi hitting its lowest point in June. After the IMF's first review, the Cedi regained all of its losses before dropping again. The final quarter was less volatile, although the Euro saw some upside. The Ghana Cedi ended at 4.1320 per euro and -5.72% YTD.

Inflation – **still high above target**

January inflation stood at 16.4%, below December 2014's rate of 17%. However, there was a steady rise over the next six months, with inflation hitting a peak of 17.9% in July 2015. After a decline in August caused by the Cedi's strengthening in July, inflation was on the upside again for the rest of the year, ending at 17.7% in December 2015.

The rise in inflation has been mainly driven by the non-food component, which is heavily influenced by exchange rate pressures. After a drop from 23.9% in December 2014 to 23% in January 2015, non-food inflation rose to a high of 24.6% in July. The main drivers were transport costs, recreation and culture and education, which closed the year at 27.0%, 26.95% and 26.8% respectively. Inflation rate for furnishings and other household equipment, as well as water, electricity, gas and housing fuels were also higher than the non-food inflation rate, ending at 25.8% and 24.3% respectively. The lowest levels were in communication and health, which recorded inflation rates of 13.5% and 15.2% respectively. December inflation for the non-food group stood at 23.3%

The main drivers for food and non-alcoholic beverage inflation were vegetables and mineral water, soft drinks and juices, which recorded year-on-year inflation rates of 13.3% and 10.6% respectively. On the other hand, milk, cheese and eggs, cereals and cereal products, fish and sea food, and oils and fats were the non-drivers within this group. Food and non-alcoholic beverage inflation ended at 8% in December.

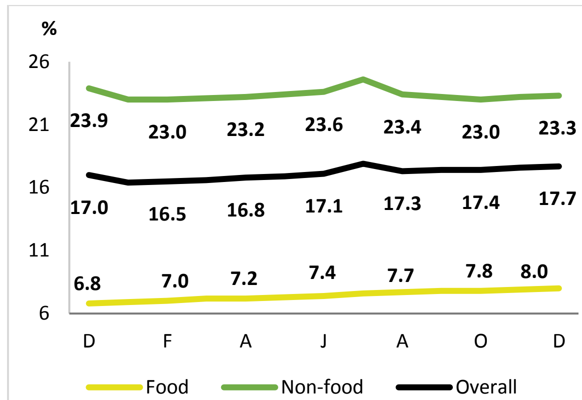

Figure 1.7: Inflation Trend – 2015 (based on 2012 prices)

Commodities

The year 2015 marked another poor performance for commodities like oil and gold due to waning global growth and a slowdown in China.

Oil (Brent Crude)

Brent Crude saw some bullishness earlier in the year but declined further to close at an annual loss after a worsening of the supply glut.

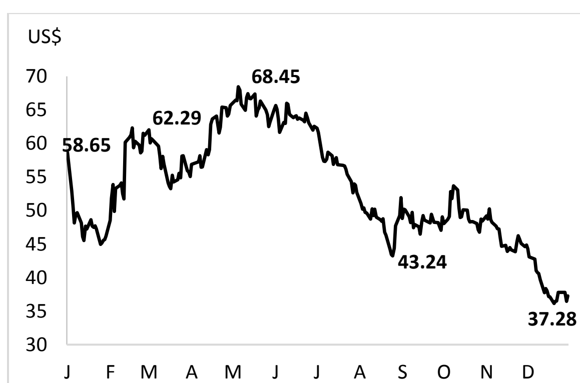

Figure 1.8: Brent Crude prices (US$/barrel) – Jan-Dec 2015

Following 2014's downturn, oil prices remained bearish for the first two months of 2015. Brent Crude rose above $60 per barrel in March due to a steady decline in US oil rig count and instability in oil-producing Libya and Iraq. However, the commodity resumed its downward trend following increasing prospects of a deal between Iran and the US on the lifting of economic sanctions. Oil picked up again in late April and early May, as a combination of falling US rig count, stronger jobs market, instability in Yemen and a weak dollar drove Brent Crude to highs, including the 2015 peak of $68.45 per barrel.

In July, OPEC failed to agree on restricting supply in July and the dollar began to surge on the prospect of a US rate rise; oil faced an extended period of weakness, including a low of $43.24 in late August, that was also driven by China's economic slowdown and stock market turmoil, as well as the prospect of a deal between Iran and global powers that would allow Iranian oil onto the market. Brent turned bearish following an increase in US rates and subsequent strengthening of the dollar to end at **$37.28** per barrel and **-36.43%** below year open.

Gold

The heavy metal suffered from weakness throughout 2015 as a result of the expected increase in US rates and dollar strength.

Figure 1.9: Brent Crude prices (US$/ounce) – Jan-Dec 2015

Gold prices surged in January and hit the 2015 high of $1,300 per ounce after the European Central Bank announced a €1tn bond-buying programme aimed at driving inflation upwards. The stimulus for Gold was short-lived, however, and bullion quickly turned bearish again as the prospect of an increase in US interest rates strengthened the dollar and curbed demand for interest-bearing gold. As the Fed assumed a cautionary stance toward the rate increase, Gold enjoyed some support and remained fairly stable, trading between $1,180 and $1,220 for most part of the second quarter.

The downward trend resumed in July after the US released upbeat economic data that improved the prospect of a September rate rise, but bullion recorded some gains when the rate was maintained at the September Fed meeting. There was heavy volatility in the heavy metal between September and December before a sustained decline that resulted from the Fed's December decision to increase its Federal funds rate. The heavy metal closed the year at **$1,060.27 per ounce** and **-10.87% YTD.**

Cocoa

Cocoa recorded its fourth consecutive yearly gain mainly due to bullish sentiments that resulted from the El Nino weather pattern and its implications on production.

Figure 1.10: Cocoa prices (US$/tonne) – Jan-Dec 2015

Cocoa prices failed to make the 3,000-level in a rally early on in 2015, and subsequently dropped to the 2015 low of $2,675.33 following weak data from Asia and Europe. Cocoa rallied again for several weeks following a decline in port arrivals of cocoa beans in both Ghana and Cote D'Ivoire. Prices dropped again as production figures improved in late March and early April, before a sustained rally that continued well into the third quarter on the back of a significant shortfall in Ghana's supply and the fears over the effect of El Nino weather pattern in South America and West Africa.

A decline in cocoa processing in Asia, America and Europe resulted in some bearish sentiment for cocoa, but was quickly dispelled as the effect of Ghana's production shortfall became more evident to the market. There was a slowdown in December following the US rate increase that strengthened the dollar, made dollar-denominated cocoa more expensive and curbed physical demand for the commodity. Nonetheless, the soft commodity traded above $3,000 throughout the second half and ended at **$3,211 per tonne** and **9.52% YTD**.

Outlook for 2016

Economy

Due to the IMF's continued involvement in the nation's fiscal management, we expect that election year pressures will not erode the Government's commitment to fiscal discipline. In this regard, we consider the fiscal deficit target of 5.3% to be within reach. The recent improvement in the power supply should also augur well for production in the manufacturing sector and household consumption, which will both improve the Government's tax revenues, especially under the new tax laws.

However, the Cedi is unlikely to maintain its final-quarter stability in 2016 due to investor uncertainty in an election year. As such, exchange rate pressures, along with the recent and expected upward adjustments to utility tariffs and fuel prices will keep inflation far above the Ministry of Finance's 2016 target of 10.1%. The drawdown in bank lending also poses downside risks to growth but we expect that the improvements in power supply will eliminate a significant risk associated with lending to the private sector.

Commodities

Oil is likely to maintain some stability due to the balance between downside risks of Iranian output, a rising dollar and slowing growth in the world's second largest consumer, China, and the upside from unsustainability of US shale production. Despite low inflation in Europe and Japan, Gold has some potential for gains this year due to the prospects of a delay in the US rate rise, further QE in Europe and negative yields in developed economies. Cocoa's continued rise over the last four years may see an end this year as Ghana ramps up production and demand further slows in Asia and Europe.

Equity Market Review: Analysis and Outlook

Index Performance - **stock market in decline**

The equity market posted its worst performance in six years in 2015. The Ghana Stock Exchange Composite Index (GSE-CI), which measures the performance of the entire market, recorded -11.77% return compared to 5.40% recorded end of 2014. At the end of the first quarter 2015, the market index had shrunk 1.80% from the year's beginning. However, at the end of the second quarter, the market had recovered, posting a 4.03% gain. At the end of the third quarter, the market had lost points with the index recording a capital loss of 11.12%.

The financial sector performance, measured by the Financial Composite Index (FSI), recorded a negative return of 0.96% at the end of the first quarter. The trend reversed leading the index to close at a gain of 6.73% at the end of the second quarter. Banking stocks saw heavy capital losses in the third quarter, pushing the index to close at year-to-date loss of 13.83%. The 2015 financial year ended with the financial sector underperforming the GSE-CI and reporting a capital loss of 13.98%.

Our in-house index, the FirstBanC Index (FBI) which tracks some selected stocks on the equity market, closed the first quarter at a negative 1.26%. The FBI further saw downward movement to post a capital loss of 1.26% in the second quarter, which worsened in the third quarter to a negative 13.64%, but improved slightly to a loss of 12.89% by the close of 2015.

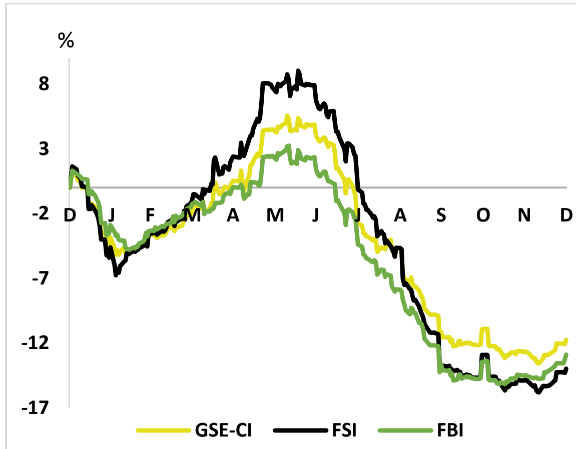

Figure 2.1: Performance of GSE-CI, FBI and FSI - 2015

Market Capitalization

Total market capitalization closed the year at GH¢57.12 billion, a drop of 11.24% compared to a GH¢64.35 billion recorded end of 2014. The decrease in the capitalization was primarily due to the weak price performance of BOPP, CAL, EBG, ETI, GCB, GGBL, GSR, GWEB, HFC, MLC, PKL and PBC. Other bearish stocks were SCB, SIC, SOGEGH, TOTAL, TLW, UNIL and UTB.

The Petroleum sector continues to contribute the lion's share to the market capitalization, contributing about 46% of the entire market cap. The mining sector contributed 27% to the total market cap, the financial stocks made up 23% of the market cap whilst Food and Beverage Sector contributed 2.23% of market capitalization.

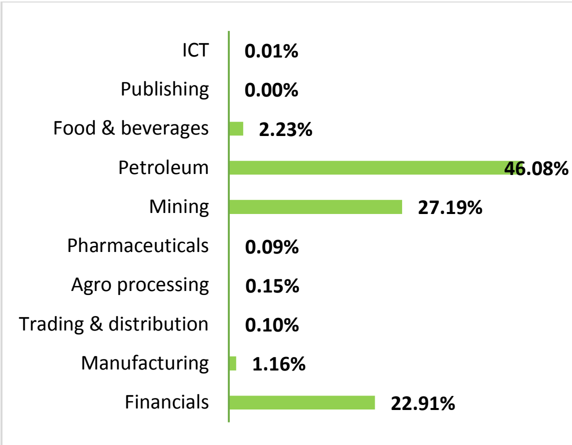

Figure 2.2: Market capitalization by sector - 2015

Volume and Value Traded

Volume of shares traded for the year grew by 19% from 207,082,612 in 2014 to 246,450,679 shares in 2015. The growth was mainly due to the introduction of the Ghana Alternative Exchange (GAX) and the spike in investor interest in financial stocks.

All the equities on the exchange traded execpt AGA. Nine (9) equities traded flat, ten (10) saw positive price change on the main market (GSE) whereas nineteen (19) equities witnessed negative price changes. On the alternative market, two (2) equities saw no price change whilst the other two (2) witnessed positive price movement.

Negative investor sentiment in financial stocks led investors to offload their equities leading to the sector having the highest percentage of total volume traded at 43.49% as compared to 18.50% in 2014. Manufacturing represented the second most traded sector on the bourse with 26.71% of the total volume (26.71% in 2014); this was followed by the petroleum sector contributing 9.91% (2014: 51.31%), food and beverage sector 2.34% (2014: 2.97%) and the publishing and pharmaceutical sectors contributing 0.52% each to the total volume traded in 2015.

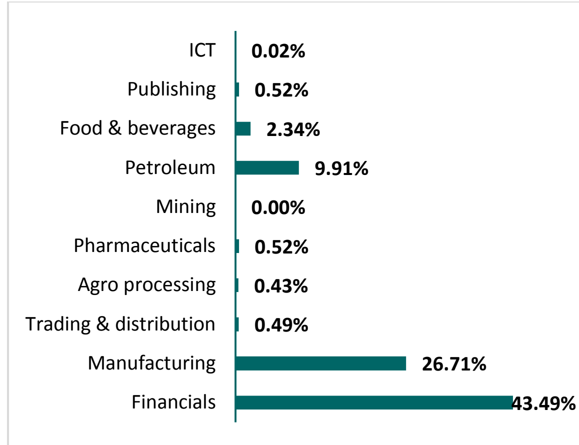

Figure 2.3: Volume traded by sector – 2015

The financial sector again came out with the highest segment of the value of trading for the year, contributing 65.11% of the total value traded. The petroleum sector came second in the share of value traded (15.73%), followed by food and beverage sector (14.53%), manufacturing sector with 1.65% and agro processing contributing 1.49% of the total value traded.

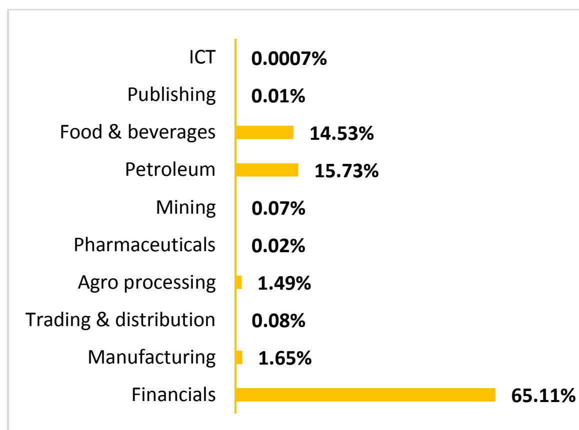

Figure 2.4: Value traded by sector - 2015

Market Movers

The market as a whole witnessed a fall in performance in 2015, reporting a capital loss of 11.77% on the index (5.40% in 2014). The poor performance was due to the negative price movement in some of the equities in the financial, trading, agro processing, mining and the petroleum sectors.

ALW got a strategic investment from Caitlyn Limited, which came in to improve the liquidity of ALW. This transaction caused a spike in the share price making ALW the highest gainer in the 2015 fiscal year making 600.00% capital gains.

SPL came second, recording a 100.00% capital gain. TBL, FML and EGL followed, recording 54.17%, 46.41% and 37.14% capital gains respectively. MAC and GOIL recorded 33.33% gains each, with SCB Preference Shares edging up 22.41%. PZC and GLD also recorded capital gains of 13.33% and 8.94% respectively. HORDS and IIL recorded capital gains of 33.33% and 12.50% respectively at the close of the 2015 financial year.

The energy crisis and the depreciation of the cedi during the year had negative effect on some sectors of the capital market. This had an effect on the fundamentals of some of the listed companies.

GWEB suffered the heaviest loss in 2015, shedding 66.67% of its value. SIC followed with a 62.16% drop in its share price, UTB lost 60%, HFC dropped 40% of its share price whereas GGBL witnessed a capital loss of 37.81%. Other losers were MLC, GCB, UNIL, SOGEGH, TLW, SCB, PBC, PKL, TOTAL, GSR, EBG, ETI and CAL.

	TOP FIVE GAINERS (GH¢)		
TICKER	OPEN	CLOSE	GAIN (%)
ALW	0.02	0.14	600.00
SPL	0.02	0.04	100.00
TBL	0.24	0.37	54.17
FML	5.02	7.35	46.41
EGL	1.75	2.40	37.14

Table 2: Top five equity gainers – 2015

	TOP FIVE LOSERS (GH¢)		
TICKER	OPEN	CLOSE	LOSS (%)
GWEB	0.03	0.01	-66.67
SIC	0.37	0.14	-62.16
UTB	0.25	0.10	-60.00
HFC	1.50	0.90	-40.00
BOPP	4.10	2.50	-39.02

Table 3: Top five equity losers – 2015

Significant Corporate Developments

Resignations on Company Boards

The year under review saw a number of high profile resignations from the boards of listed companies. Mr. Kofi Ampim, a director of MAC resigned from the board. Mr. John Awuah resigned from the GCB board whilst Mr. Andreas Voss left the UTB board.

GGBL saw a significant number of members resign from the board: Mr. Oladele Ajayi, Prof. Sir Joseph Woahen Acheampong, Mr. Ekunife Okoli and Ms. Preba Greenstreet.

Mr. Ken Ofori-Atta resigned as a board member of EGL whilst Messrs Dayo Omolokun and Anil Dua resigned their positions as members of the SCB board.

Mr. Leslie Kofi Amegashie of AYRTN resigned from the board. Mr. Emmanuel de Fournas and Mr. Thibault de Langlais retired from the board of TOTAL.

Resignation of Key Management Members

Four companies listed on the bourse saw key management members step down. Five were from the financial sector and one from the food and beverage sector; these included GCB, HFC, UTB and GGBL.

GCB, HFC and UTB bank had their Deputy Managing Directors resign. Others were the Executive Director of HFC Bank and the CEO of UTB, who bowed out from their respective banks.

Resignations in GCB and GGBL did not have a negative effect on their share prices. However, there were significant falls in the share price of HFC and UTB due to investor uncertainty on the part of investors about the strategic direction of the banks.

Interdiction of Key Management Member

During the 2015 financial year, the State Insurance Company (SIC) banned the Managing Director at an Emergency Meeting held by the company in the early part of the year.

This action by the company's board had significant effect on the company's share price as investors were unclear about the future prospects of the company, leading to a slum in the market price of the stock.

Demise of Board Chair

The Board Chairman of Ecobank Ghana (EBG) passed on during a corporate function. The demise of the Chairman did not, however, have an observable effect on the stock of the company.

Removal from Company Board

After the takeover of SPL by Dannex Pharmaceuticals Ltd, an Extraordinary General Meeting was held to remove the members of the SPL board and appoint new board members. The following were removed: Dr Albert Gyan Boahene, Mr Justice Awuku-Sao, Mr Samuel Anthony De-Abba and Dr Esther Oduraa Ofei-Aboagye. The following appointments were made to SPL: Mr. Nik Amarteifio, Mr Yaw Opare-Asamoah, Dr Barima Afrane, Mr Alex Bonney, Ms Amarteokor Amarteifio and Mr Samuel Atta-Mensah.

The removal of the directors created a lot of uncertainty about the company's prospects but investors supported the action after the dust had settled. This led an increase in demand for the company's stock resulting in an increase in price.

Two resolutions were passed during the SPL EGM. The first was to merge Dannex and SPL and the second, to modify the name to Dannex Starwin Products Limited.

New Appointments to Company Board

Ms. Elizabeth Donkoh was appointed as Acting Company Secretary by UNIL. Shareholders of HFC Bank elected Mr. Paul King Aryene and Mr. Ebenezer Tetteh as independent directors whilst Prof. Joshua Alabi was appointed to act as Board Chairman for the Bank.

After the demise of EBG Board Chairman, Mr. Terence Ronald Darko was appointed as Board Chairman. Mr. Ernest Thompson was also appointed by the parent Company (ETI) to serve on the Board whereas Mr. Martin Eson-Benjamin was appointed to serve on the Board as a Non-Executive Director.

TBL appointed Mr. Saibatou Faal to serve on its board. Dr Angela Ofori-Atta was appointed Director of the Board of EGL. Madam Sandrine Saboureau and Madam Ada Eze were appointed to serve on the Board of TOTAL.

These corporate actions did not have a noticeable effect on the share prices of the companies involved.

Listing of Additional Shares

EGL added a total of 1,030,000 ordinary shares through an Executive Share Option Scheme (ESOS) taking its total outstanding shares to 33,100,825 shares at the close of 2015.

HFC Bank also through the ESOS increased its outstanding shares by 620,000, to a total of 297,420,918 shares. MAC, through a rights issue and private placement, added 1,067,107 ordinary shares to increase its shareholdings to about 9,708,576 shares.

Finally, SOGEGH issued 33,387,375 ordinary shares as bonus shares to increase their outstanding shares to 367,281,269 shares.

Listings on the Ghana Alternative Exchange (GAX)

During 2015, the Ghana alternative Exchange (GAX) was established to aid small and medium enterprises to raise medium to long term capital from the public.

During the year, four companies, namely SAMBA Foods (SAMBA), Meridian Marshalls Holdings (MMH), HORDS Limited (HORDS) and Intravenous Infusions Limited, listed on the GAX during 2015.

Outlook for 2016

Equity

We expect rates on fixed income securities to fall gradually as headline inflation eases and lead to reallocation and diversion of investor funds from the fixed income market into equities.

Our outlook for the equity market is mixed. We are optimistic about the prospects for the manufacturing and food and beverage sectors of the market given a marked improvement in the energy supply in the country. Despite the deregulation in the petroleum sector, we remain upbeat about the performance of the listed petroleum stocks. The deregulation in the petroleum sector will provide opportunities for market participants who hold a bigger share of the market. We are however cautiously optimistic about the financial and insurance sectors whose fortunes will be tired into the performance of the manufacturing and food and beverage sectors.

We remain pessimistic about both the agro-processing sector due to changes in the rainfall pattern and the mining sector due to a slump in the price of commodities. The trade and pharmaceutical sectors will likely not see any changes in their prospects due to a continued lack of investor interest in the equities.

We remain upbeat about the market posting a positive return on the back of performance by manufacturing, food and beverage and petroleum related industries.