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HALF-YEAR REVIEW 2018

Economic | Capital Market



FirstBanC Research
FIRSTBANC FINANCIAL SERVICES



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Further enquiries can be directed to:

Economy: Edinam Nyatefe

Capital Markets: Edem Amegashie

Tel: +233 302 781 483-4

Email: enyatefe@firstbancgroup.com; eamegashie@firstbancgroup.com; dappiah@firstbancgroup.com

Contact us for specialised recommendations online at:

research@firstbancgroup.com

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Executive Summary

General Economy

Growth in Ghana's economy continued to pick up in the first half of the year driven by the hydrocarbon sector. Inflation remained within the medium term target band of 8% to 10% in 1H18 which supported the reduction in the country's monetary policy rate. The country's currency, which appreciated against the dollar in 1Q18, came under pressure in the second quarter following the rate hike in the US. This resulted in capital reversal from emerging and developing markets, including Ghana, by foreign investors. The country's total debt stock rose in the first half of the year with debt-to-GDP ratio, on the other hand, declining due to the bigger GDP base. Government stayed close to its fiscal deficit target, even though revenue targets were missed, with the slashing of some discretionary expenditure items.

Fixed Income

The first half of the year experienced a downward trend in yields on fixed income investments in line with GOG instruments, as a result of Government's Medium-Term Debt Strategy to shift its debt profile to longer dated instruments. Relatively low interest rates in the US in 1Q18 and Eurozone in 1H18 initially supported this strategy as foreign investor appetite for emerging market debt had seen a buildup in their attempt to find higher returns. However, tightening of Monetary Policy Rates by the Federal Reserve and Quantitative Easing program brakes by the ECB sparked sell-offs across emerging markets in the latter part of 1H18. The stability enjoyed by the Cedi in the first 4 months of the half year period deteriorated, in conjunction with the flight of capital from emerging markets.

With the Extended Credit Facility (ECF) agreement with the International Monetary Fund (IMF) drawing to an end, Government's fiscal discipline has been strictly monitored leading to an improved budget deficit. Inflation also saw a downward trend, falling to the government's target band of $8\pm 2\%$ during the half year period allowing for monetary policy loosening which supported the declining yields on fixed income instruments.

Equities

At the end of 1H18, the Ghana Stock Exchange Composite Index (GSE-CI) returned 11.62%, as the Financial Services Index closed 1H18 with a return of 11.78%. The volume of shares traded in 1H18 were relatively lower than in 1H17, on the back of a bloated 1H17 figure from one significant transaction involving CAL which saw 151m shares change hands. Value of traded shares, however, climbed higher in 1H18. Market capitalization at the end of the period was down by 5.9% to GH¢55.28bn.

Early on in the year, the bourse benefitted from the declining interest rates on Government securities together with spillover of positive investor sentiments from FY17, as fund managers diverted funds that would have hitherto gone into fixed income investments into equities. The impressive performance at the start of 2018, which saw the GSE-CI hit 35.26% in April, receded in 2Q18 due to selloffs by foreign investors driven by a US Federal Reserve rate hike.

Highlights

- ✦ *Economic Growth Picks Up*
- ✦ *Fiscal Consolidation on Course*
- ✦ *Public Debt Increases*
- ✦ *Exchange Rates Relatively Stable*
- ✦ *Interest Rates Decline Marginally*
- ✦ *Inflation Maintains Steady Decline*
- ✦ *Trade Balance Declines*
- ✦ *Capital Account Declines*
- ✦ *Demand for GoG Treasuries Plummet as Yields Stay Low*
- ✦ *Bullish GSE-CI First-Half Performance*
- ✦ *Equity Trading Volumes Contract whilst Values Expand*

Economic Growth Picks Up

Real GDP data, including oil, released by the Ghana Statistical Service for 1Q18 indicated that the economy started the year on a strong note as it grew by 6.8%, a marginal increase from the 6.7% growth recorded in 1Q17. The surge in oil GDP was owed to the rise in oil and gas production from the three oil producing fields. At the end of the first quarter of 2018, the country's economy at current prices, including oil, was worth GH¢54.5bn compared to GH¢46.6bn recorded for the same period last year. Non-oil GDP also accelerated by 5.4% in the first quarter compared to 4% a year ago, driven by the water and sewage subgroup within the industrial sector which rose by 9.2% (1Q17:0.9%) as well as the information and communication subgroup within the services sector which was up by 25.9% (1Q17:12%).

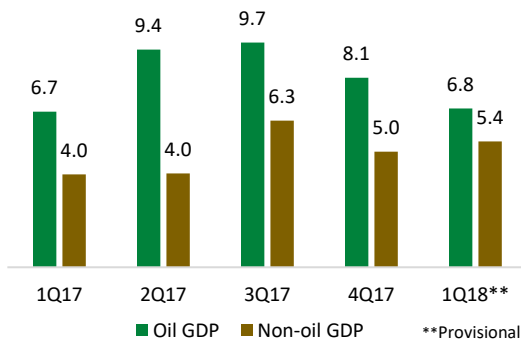


Figure 1: Oil and Non-oil GDP Growth (%) (1Q17- 1Q18)

Sectorial Distribution of GDP

The services sector saw its share of GDP remain fairly unchanged at 60.6% (1Q17:60.5%). Similarly, contribution from the industrial sector rose marginally to 27.5% (1Q17:26.8%), driven by the mining and quarrying subsector. Agriculture, on the other hand, saw its share dip to 11.9% from 12.7% in 1Q17, as growth recorded by the fishing subgroup contracted by 8.1% (1Q17:31.6%).

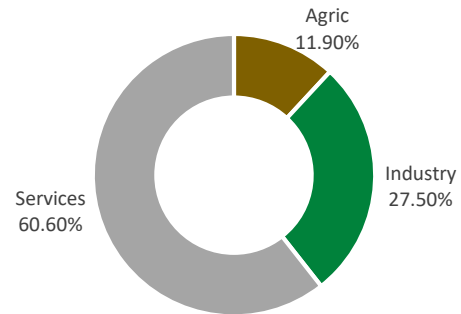


Figure 2: Sectorial distribution of real GDP

Industry (including oil) led growth amongst the sectors, as it advanced by 7.3% year-on-year (1Q17:11.8%). Growth in industry was driven by mining and quarrying which expanded by 28%. The construction subsector, however, stifled growth recorded as it contracted by 0.8%. This occurred as government reduced CAPEX comparative to last year.

The services sector recorded the second highest growth, expanding by 5.2% year-on-year (1Q17:3.3%). Information & communication recorded the highest growth within the sector (25.9%). Four subgroups within the services sector contracted: finance & insurance (-7.9%), community, social & personal service activities (-1.7%), transport & storage (-1.7%) and hotel & restaurant (-0.45%).

The agricultural sector grew marginally by 2.8% (1Q17:8.4%). The livestock subgroup drove growth as it rose by 5.4%. The fishing subgroup, however, lagged behind the others as it contracted by 8.1% due to declining fish stock.

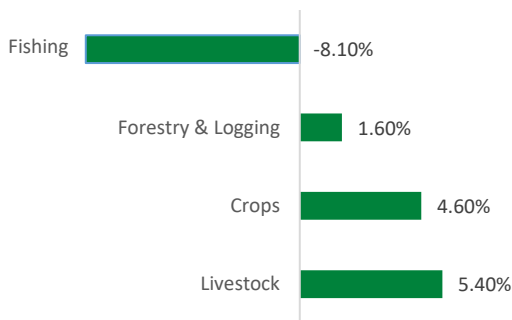


Figure 3: Growth contributions in the agricultural sector

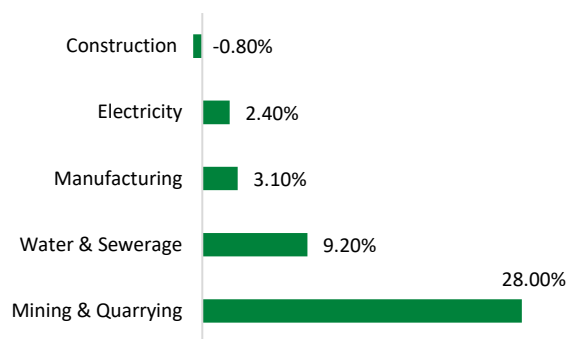


Figure 4: Growth contributions in the industrial sector

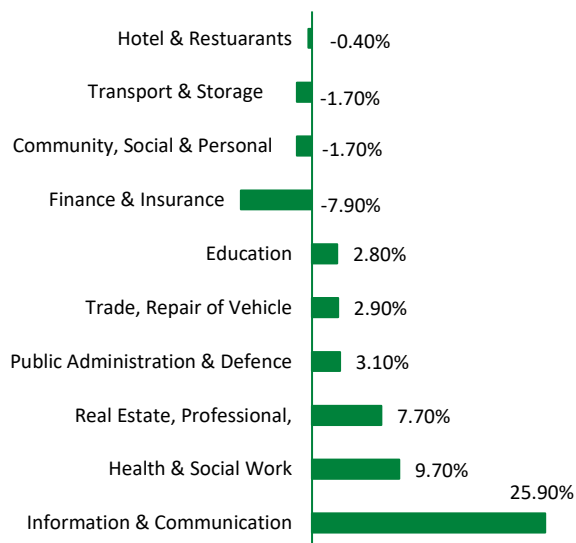


Figure 5: Growth contributions in the services sector

Public Finances

Fiscal Consolidation on Course

Over the first five months of 2018, Government continued its fiscal consolidation path as fiscal deficit on cash basis stood at GH¢6.4bn (2.6% of GDP), slightly higher than a target of GH¢5.7bn (2.4% of GDP). Total revenue and grants was 8% (GH¢1.43bn) lower than expected at GH¢17.4bn (7.2% of GDP), compared to the budgeted GH¢18.8bn (7.8% of GDP). The biggest shortfall in revenue came from taxes on domestic goods and services, which was GH¢1bn (15%) below target, primarily attributable to VAT. VAT was GH¢0.7bn (17%) below budget due to the late implementation of the tax stamp policy as well as the electronic fiscal device policy. Taxes on international trade, other revenue (which comprises ESLA proceeds) as well as non-tax revenue were also GH¢0.01bn (4.1%), GH¢0.03bn (39.6%) and GH¢0.43bn (15.4%), respectively, below projected levels. Revenue generated from the income and property tax group, however, exceeded target by 2.8%, an equivalent of GH¢0.16bn. Within the income and property subgroup, company tax; other direct taxes; company taxes on oil and royalties from oil exceeded budget by GH¢0.06bn (2.9%), GH¢0.07bn (8.2%), GH¢0.4bn (100%) and GH¢0.2bn (49%) respectively. The increase in company tax as well as other direct taxes is likely linked to efforts by government to recover income and property taxes evaded. Additionally, social contributions to NHIL beat target by GH¢0.07bn (43.8%).

On expenditure, total outlays were lower than projected as Government cut some discretionary expenditure items such as grants to other government institutions, ESLA transfers and social benefits by 3%, 40% and 79.4% respectively. Interest payments were also 5.5% lower than projected as government re-profiled debt to longer dated bonds which minimized the frequency of principal payments. Compensation to employees, use of goods and services as well as tax refunds were 1.7%, 9% and 13.2% above target, respectively. On the whole, total expenditure fell below target by GH¢1.6bn (6.4%) and amounted to GH¢23.85bn (9.8% of GDP), against a target of GH¢24.6bn (10.2% of GDP).

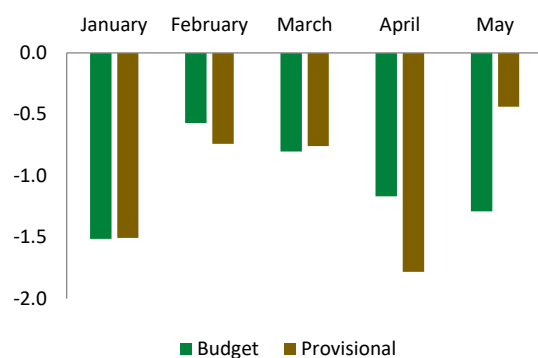


Figure 6: GoG Fiscal Balances (Jan - May 2018)

Public Debt Increases

Ghana's public debt stock took a leap in the first five months of the year to GH¢154.3bn from GH¢142.3bn in December 2017, representing an 8.4% increase over the period. The debt-to-GDP ratio, however, improved as it amounted to 63.8% of GDP at the end of May compared to 69.1% at the end 1H17 due to a larger GDP base.

External debt rose by 7.8% largely due to the issue of a US\$2bn Eurobond in May. At the end of May, external debt stood at GH¢81.7bn (33.8% of GDP) compared to the GH¢75.8bn (37.1% of GDP) recorded in December 2017.

Similarly, domestic debt saw an 8.9% increase from GH¢66.7bn (32.7% of GDP) in December, 2017 to GH¢72.6bn (30% of GDP) in May, 2018. Government extended the maturity profile of newly issued debt in the first half of the year by issuing more medium to long dated bonds. At the end of the first half of 2018, longer dated bonds had a 41% share of new issuances compared to 35% in 2017.

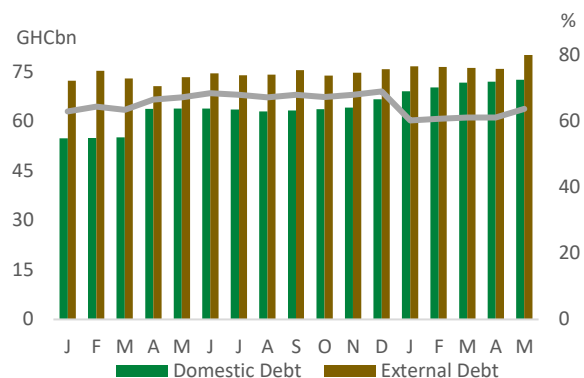


Figure 7: Ghana Public Debt Jan 2017 – May 2018

Monetary Environment

Exchange Rates Relatively Stable

The cedi rode on some exogenous factors, specifically in the US, Euro area as well as the UK, to remain relatively stable against three major currencies in 1H18.

Currency	2018	2017	2016
US Dollar	-2.4	-3.7	-3.3
British pound	-0.02	-8.3	6.1
Euro	0.3	-10.8	-4.8

Table 1: Ghana Cedi's 1H18 performance against major trading currencies (%)

When the Federal Reserve failed to increase the fed fund rates in the first month of 2018, investors shed off hopes of the promised monetary normalization in the US. This resulted in capital flows to emerging economies, including Ghana, giving the cedi an edge over the US dollar. However, the cedi came under some pressure later in April, in response to the rate hike in the US in late March, as offshore investors reversed their capital, contributing to a 2.37% depreciation at the end of 1H18 (1H17: -3.7%).

In 1H18 the European Central Bank strongly downplayed the likelihood of a rise in interest rates in 2018; this, together with the cooling of the Eurozone economy and generally disappointing economic data, weakened the Euro. Consequently, the cedi appreciated marginally against the Euro by 0.3% at the end of 1H18 compare to -10.8% in 1H17.

In relation to the Pound, uncertainty about the Brexit deal and disappointing economic data caused the cedi to experience marginal depreciation of 0.20% against the Pound at the end of 2H18. This was significantly lower than the 8.3% depreciation recorded at the end of 1H17.

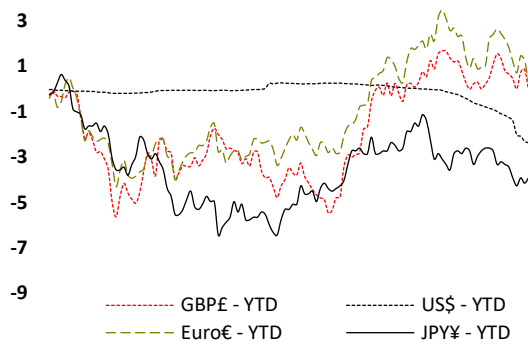


Figure 8: Ghana Cedi vs major currencies (%) (Jan –Jun 2018)

Interest Rates Decline Marginally

The Monetary Policy Committee continued easing the monetary policy rate (MPR) in the first half of the year, as the MPR recorded a cumulative decline of 300 basis points from 20% to 17%. The cuts were in a bid to spur economic growth as lending rates were expected to fall, in order to provide cheaper credit to the private sector.

The interbank interest rate responded to the decline in MPR as it declined by 278 basis points to 16.38% from 19.16%, largely in line with the 300 basis points decline in MPR.

Average lending rates, on the other hand, declined by only 180 basis to 27.5% from 29.3% over the six month period. The reluctance of banks to reduce lending rates in tandem with the downtrend in MPR has been due to high non-performing loans and declining interest rates on government treasuries which have taken hits on the banks' revenue amidst high operational costs. Although the BOG introduced the Ghana Reference Rate to serve as a guide for the base rate set by commercial banks, they have failed to respond to those rates as lending rates have remained high. Credit to the private sector at the end of June 2018 grew by 5.7% well short of the 15.1% recorded a year earlier.

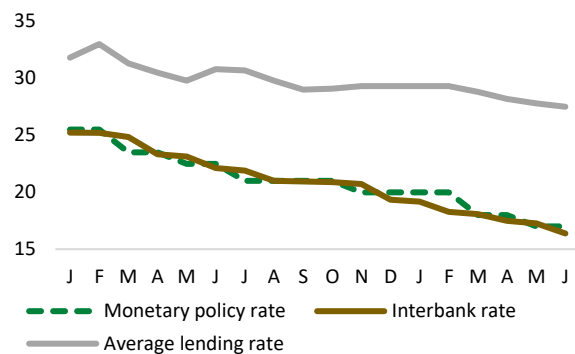


Figure 9: Interest rates (%) – Jan 2017 to June 2018

Inflation Maintains Steady Decline

At the end of 1H18, inflation crept down by 180 basis points to 10% from 11.8% recorded in December 2017. From April to June 2018, inflation recorded was within the Central Bank's Medium term target band of $8\pm 2\%$ as inflation stood at 9.6%, 9.8% and 10% in April, May and June, respectively. At the end of 1H18, food inflation had inched up by 50 basis points to 7.3% from 6.8% at the start of the year. The uptick in food inflation occurred as inflation for the coffee, tea and cocoa subgroups advanced due to high prices of these commodities on the world market. The meat and products subgroup also accelerated to push food inflation up. Non-food inflation, on the contrary, slowed down by 80 basis points to 11.2% in June from 12% at the start of the year. This was largely owed to the reduction in electricity tariffs in April which slashed inflation recorded by the housing, water and electricity subgroup by half. Additionally, the stability in non-food subgroup was attributable to the relative stability in the cedi-dollar exchange rate from the start of the year until April, which kept import driven inflation in check. At the end of the 1H18, the clothing and footwear subgroup recorded the highest inflation at 16.1%. The transport subgroup recorded the second highest inflation of 15.5% driven by the increase in transport fares in response to the surge in crude prices on the world market.

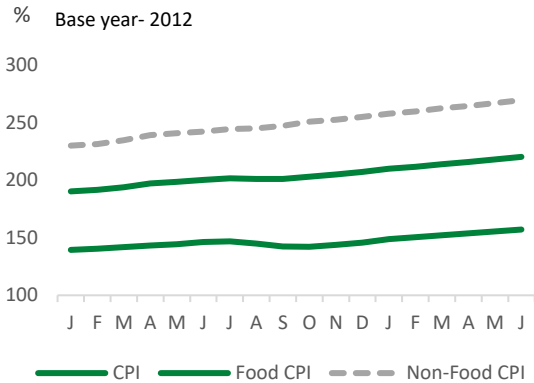


Figure 10: Consumer Price Index – Jan 2017 to June 2018

Balance of Payments

Trade Balance declines

The nation’s trade balance (cumulative) stood at 2.1% of GDP, down from 2.4% (US\$1.1bn) in 1H17. Although the value of total exports increased by 7.8% year-on-year, total imports increased by 10%, accounting for the decline in trade surplus.

Total exports amounted to GH¢7.8bn in the first half of 2018. Oil exports recorded the highest year-on-year change of 71.5% to GH¢2.1bn. Other commodities, including non-trationals, followed suit recording a year-on-year growth of 31% to GH¢1.5bn. Cocoa and gold, on the other hand, saw their revenue decline by 24.3% and 7.9% to GH¢1.4bn and GH¢2.8bn, respectively.

Gold’s contribution to total exports continues to be the largest, with a share of 35.9% in 1H18 down from 42% in 1H17. Oil overtook cocoa to have the second largest share of total exports at 27.5% from 17.3% in 1H17, as crude oil prices and production surged. Other commodities, including non-trationals, also overtook cocoa as its share increased to 19.1% (1H17:15.8%). Cocoa’s share dipped to 17.5% from 25% as production came in lower, although prices were higher than a year ago.

Imports for the 1H18 amounted to GH¢6.7bn, 10% higher than in 1Q17. Oil imports grew by 27.3% to GH¢1.4bn whilst non-oil imports rose by 6% from GH¢5.3bn.

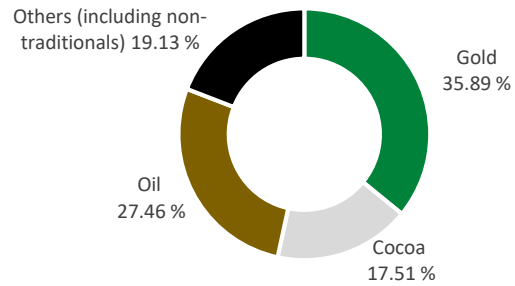


Figure 11: Export Proceeds by commodity – 1H18

Capital Account declines

The capital account worsened at the end of 1Q18, having recorded a net outflow of US\$516m (-1% of GDP) from a surplus of US\$3bn at the end of December 2017. This occurred as investors reversed capital due to the rate hike in the US in March which weighed-in on emerging market assets.

The balance of payments, as at March 2018, stood at US\$-614.m (-1.2% of GDP), with gross foreign reserves at US\$7,294.1m (3.9 months of import cover).

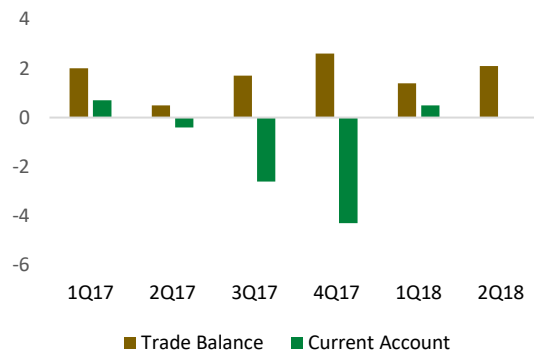


Figure 12: Current Account and Trade balance (cumulative, - % of GDP)

Outlook

With the Federal Reserve poised to hike rates at least one more time this year, we expect the cedi to experience additional pressure for the rest of the year. The reserve position of the Central Bank will, however, allow the regulator to continue to supply

forex to the market to partially offset the impact. The pressured cedi coupled with high fuel prices in the next half are anticipated to result in an uptick in headline inflation. Consequently, the Monetary Policy Committee is expected to put a hold on the MPR cuts in their subsequent meeting this year.

We also project an increase in the country's total debt stock from the implementation of the medium term debt strategy of re-profiling public debt as well as the implementation of some flagship projects.

We expect revenue generated by Government to pick up based on the new tax policies announced in the mid-budget review, particularly from the additional 10% government will generate on monthly income exceeding GH¢10,000 as well as taxes on luxury vehicles. On expenditure, Government is likely to continue to slash planned outlays for discretionary expenditure items as revenue is projected to remain below target so as to achieve the planned fiscal deficit target of 4.5% of GDP.

The growth in the hydrocarbon sector has been impressive since 2017 due to the coming on-stream of additional fields. With the growth in the sector almost reaching a peak, we expect the growth in GDP to reflect more activity in some non-oil sectors especially from e-commerce platforms and offerings. The tight credit stance from the banks is unlikely to improve for the rest of the year which will, however, limit the growth in other non-oil sectors.

Fixed Income Market

Demand for GoG Treasuries Plummet as Yields stay low

Demand for Government treasuries decreased by 35.9% in 1H18, compared to a growth of 11.1% in 1H17, to close 1H18 at GH¢22.33bn, as treasury rates declined further from the levels witnessed last year. Investors successfully bid for a total of GH¢13.14bn (1H17: GH¢22.73bn) in short term government treasuries auctions over the period making up 99.87% (1H17: 87.53%) of total completed bids.

On the longer end of the yield curve (tenors of 2 years and above), investors purchased a total of GH¢9.12bn (1H17: GH¢12.01bn) in treasury auctions in 1H18 making up 96.90% (1H17: 95.48%) of the entire offer. The increased bids for the long-dated instruments were as a result of higher interest rates on longer end of the yield curve.

Apart from 91-day and 182-day bills which inched up marginally, treasury rates on other Government instruments declined in 1H18 compared to 1H17 with the 1-year and 15-year remaining flat. The 7-year bond saw the highest decline of 350bps followed by the 5-year, with a decline of 225bps. This was due to high foreign investor demand for local debt instruments which led to reduced rates on the longer end of the yield curve.

The 91-Day Treasury bill closed 1H18 at a monthly average rate of 13.34% (1H17: 15.04%), whereas the 182-Day Treasury bill posted a monthly average rate of 13.87% (1H16: 16.05%). The 1-Year note recorded an average interest rate of 15.00% (1H17: 17.87%) with the 2-Year note posting an average rate of 16.52% (1H17: 20.38%). The 3-year, 5-year, 7-Year, 10-Year and 15-Year Bonds closed 1H18 at average coupon rates of 17.67% (1H17: 21.92%), 16.73% (1H17: 19.50%), 18.15% (1H17: 18.93%), 18.80% (1H17: 19.00%) and 19.75% (1H17: 19.75%), respectively.

	June 2018	December 2017	June 2017
91-Day	13.31	13.33	12.32
182-Day	13.85	13.89	13.10
1-Year	15.00	15.00	15.00
2 Year	16.00	17.50	17.00
3 Year	16.50	19.25	18.50
5-Year	16.50	17.60	18.75
7-Year	16.25	19.75	19.75
10-Year	17.80	19.00	19.00
15-Year	19.75	19.75	19.75

Table 2: Treasury Rates - end of June & December 2017, June 2018

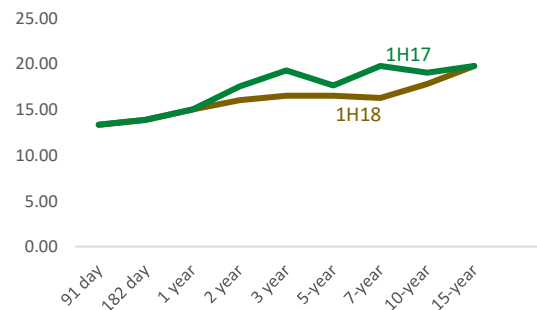


Figure 13: Yield curve – 1H17 vs 1H18

Fiscal policy has been tight during the first half of the year. Although there has been faster accumulation of new debt, the re-profiling of existing debt has lessened interest payment expense. Expenditure has been largely kept under control with earmarked expenditures reduced in line with lower revenue mobilization during the first half of the year. This helped reduce both Government appetite for local debt and interest rates on Government treasury instruments. Monetary policy eased during the same period with the 300bps reduction in the monetary policy rate to 17.00% mainly due to a decline in inflation. Average lending rates have declined to 27.5% at the end of June 2018 (30.8% in June 2017) and private sector credit has seen a slowdown in

annual growth to 5.7% at the end 1H18 (15.1% in 1H17). The slowdown in growth of private sector credit is due to high levels of non-performing loans leading to more cautious lending by financial institutions.

Despite declining yields on Government securities, investors increased their assets in fixed income securities at the end of 1H18 compared to 1H17; however, demand for longer term treasuries increased faster than shorter term treasuries due to the more attractive yields on longer-dated instruments as shown in Figure 13.

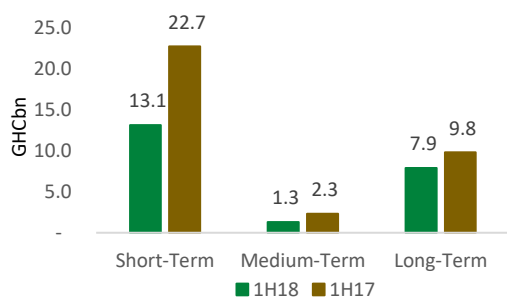


Figure 14: Total government securities sold – 1H17 and 1H18

Ghana Fixed Income Market (GFIM)

The GFIM provided a market for the trading of all Government securities, including the local dollar denominated bond.

These securities had maturities ranging between two weeks and fifteen years. The E-bond Platform, which is powered by Bloomberg, posted a total trade value of GHc1.12bn, whereas the Central Securities Depository (CSD) recorded a total transaction value of GHc18.93bn over the same period.

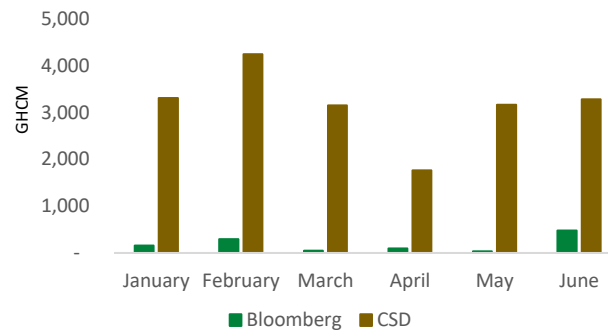


Figure 15: Value of trading on CSD and E-bond platforms – 1H18

Outlook for Second Half

Food inflation is expected to see an uptick as lower rainfall levels are expected to produce lower level of crop harvests this year. Non-food inflation is also expected to pick up with upcoming fed rate hikes from the US market coupled with increased demand for imports as we approach the Christmas season, leading to some renewed pressure on the Ghana cedi. We expect a slight inflation overrun above the target of 8±2% for the rest of the year, even as the Government is keen on meeting IMF bailout requirements as we exit the program in December. With an estimated GDP growth rate of 6.5% in FY18 (FY17: 8.5%), the loose monetary policy regime is likely to be revised to accommodate the threats to inflation and growth in the economy. We also expect Government to continue to sell less of the shorter-term debt instruments and more of the longer-tenor debt. We expect increased activity and liquidity on the secondary market in the remaining quarters of 2018, as a result of relatively high yields on off-the-run treasuries as opposed to on-the-run treasuries.

Equity Market

Bullish First-Half Performance

At the end of 1H18, the Ghana Stock Exchange Composite Index (GSE-CI) recorded a gain of 11.62% (1H17: 16.31%). The Financial Stocks Index (FSI) also gained 11.78% at the end of 1H18 as against a gain of 18.08% during the same period last year. The FirstBanC Index (FBI), which measures the performance of a selected equities on the GSE, recorded YTD return of 14.73% in 1H18 compared to a gain of 19.18% in 1H17.

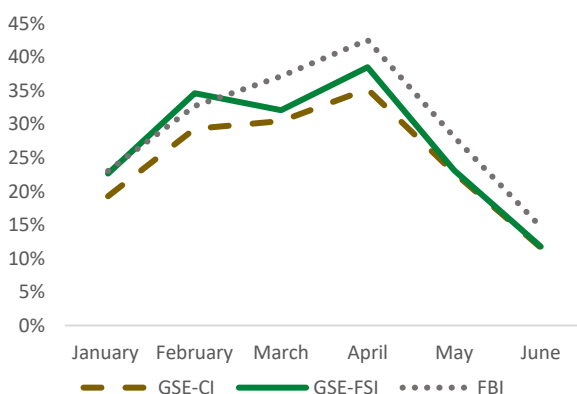


Figure 2: Index Performance – 1H18

The local bourse experienced very impressive performance in the first 4 months of 2018, with returns on the GSE-CI hitting a year high of 35.26% in April. This was driven by positive investor sentiments that split over from 2017. Financial stocks drove the rally with SIC seeing a significant jump. However, there was a reversal in May and June with the market losing 23.64 percentage points due to foreign investors cashing out of emerging markets after a rate hike by the US federal reserve. This was made worse when the local currency faced some pressure resulting in a depreciation against the greenback, causing more foreign investors to sell off stocks.

The market cap contracted by 5.99% to end 1H18 at GH55.28bn (FY17: GH58.80bn) as five (5) sectors namely ICT (-70.18%), Pharmaceutical (-8.87%), Food and Beverages (-11.10%), Mining (-16.66%) and Trade

(7.22%) recorded losses. The Manufacturing (36.59%), Insurance (15.00%), Petroleum (39.44%), Agro-Industry (18.92%), Banking (16.72%) and Others (23.09%) recorded gains. The Publishing sector remained unchanged.

As at 1H18, the mining sector continued to command the largest share of the market due to the GH¢17.01bn and GH¢15.14bn accounted for by TLW and AGA. The ICT sector had the least market share at the end of 1H18 after the delisting of TRANSOL from the exchange.

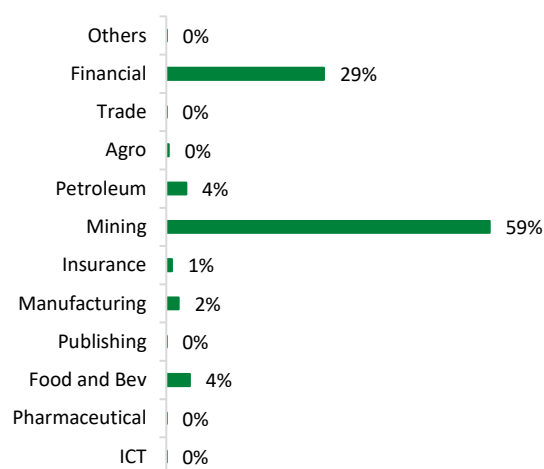


Figure 17: Market cap composition by sector – 1H18

Trading Volumes Contract and Values Expand

1H18 saw relatively low trading volumes due to a bloated 1H17 figure from one significant transaction involving 151m shares of CAL in February 2017 (47.10% of total volume). Trade volumes at the end of 1H18 was 108,696,260; 56.67% lower than the figure recorded in 1H17.

The low levels of treasury rates coupled with concerns about non-performing loans reduced the positive sentiment surrounding financial stocks during 1H18 which resulted in the sector accounting for 66.15% of total volume (1H17: 82.70%) on the local bourse in 1H18. However, the financial sector

still held the largest share of volume traded for the half year period.

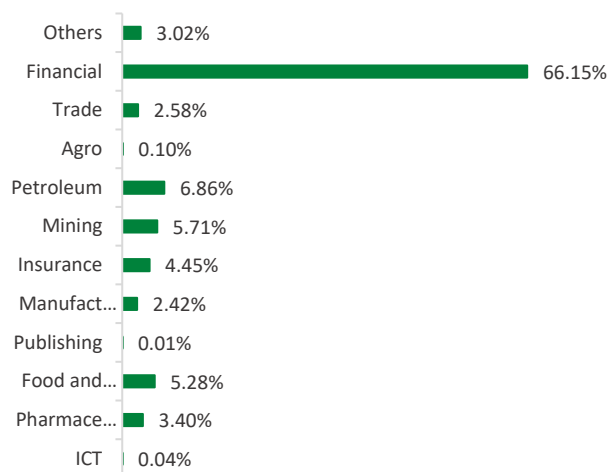


Figure 18: Volume traded by sector – 1H18

The Petroleum sector was next, contributing 7,458,083 shares (6.86%) to the overall volume traded. Mining stocks traded 6,202,652 shares (5.71%) whereas Food and Beverage stocks traded 5,739,132 shares (5.28%) over the half year period. The others contributed below 5% of the total shares traded each over the period.

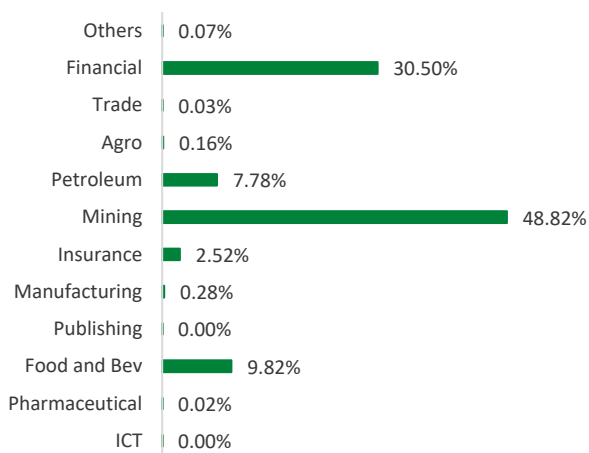


Figure 19: Value traded by sector – 1H18

Value traded in 1H18 rose 84.25% to GH¢469,915,084.14 from GH¢255,048,834.42 posted 1H17. Gains in large cap financial services and mining stocks supported by returns in mid-caps stocks in the

food and beverages and petroleum sectors accounted for the significant increase in value traded.

The Mining sector accounted for approximately 48.82% of the total value of shares traded compared to 0.04% in 1H17, driven by a number of trades in large cap stock, AGA, following its listing of additional shares. The financial services sector followed closely with 30.50% (1H17: 66.11%).

Market Movers

SIC emerged as the highest gainer on the back of a Supreme Court ruling in the company's favor, regarding a credit guarantee case with Ivory Finance that had been in court over the past 5 years. This resulted in the stock price enjoying a strong rally in 1H18. The other best performers were PZC, MLC, SOGEGH and GOIL. After the bullish run in FY17, some financial stocks were trading far above fair value which resulted in renewed investor interest in non-financial stocks such as consumer goods and trade. This, together with some positive earnings across various sectors, helped sustain the bullish market into 1Q18.

Top Five Gainers			
Ticker	Year open (GH¢)	1H18 Close (GH¢)	Gain (%)
SIC	0.10	0.39	290.00
PZC	0.20	0.45	125.00
MLC	0.06	0.11	83.33
SOGEGH	0.82	1.26	53.66
GOIL	2.69	4.00	48.70

Table 3: Top 5 Gainers – 1H18

Other gainers were: UNIL (38.63%), CMLT (36.36%), GGBL (26.21%), ETI (25.00%), BOPP (19.12%), CAL (18.52%), TOTAL (14.73%), DIGICUT (12.50%), EGH (11.18%), SCB (6.93%), GCB (1.98%) and ADB (1.88%).

Top Five Losers			
Ticker	Year open (GH¢)	1H18 Close (GH¢)	Loss (%)
ALW	0.16	0.09	43.75
SPL	0.03	0.02	33.33
TLW	17.15	12.38	27.81
FML	17.70	13.70	22.60
EGL	3.70	3.02	18.38

Table 4: Worst losers– 1H18

Other losers were; PBC (-16.67%), TBL (-14.29%), RBGH (-5.04%), SCB Pref. (-4.17%) and ACCESS (-1.23%).

The Ghana Alternative Exchange (GAX)

The GAX is an exchange established by the Ghana Stock Exchange to provide an avenue for small and medium scale enterprises to raise funds for their businesses through the listing of debt and equity securities.

The successful listing of DIGICUT on the GAX in 1H18 increased the number of companies to five (5) by the end of the period compared to the four (4) we had in 1H17. These are SAMBA Foods (SAMBA), Meridian-Marshalls Holding (MMH), HORDS (HORDS) and Intravenous Infusions Limited (IIL) and DIGICUT (DIGICUT).

The increased demand for equities in 1H18 was accompanied with higher demand for companies listed on the GAX as well. This was an improvement from 1H17 as investor interest on the GAX seemed to be improving. A total of 3,282,199 shares (1H17: 348,332) were traded in 1H18. This marked an 842.26% jump from 1H17. HORDS was the most liquid stock on the GAX trading a total of 3,234,350 shares, which represented 98.54% of total shares traded. IIL was the second most liquid, trading a total of 31,849 shares (0.97%). DIGICUT traded 10,000 shares (0.30%) with MMH trading 6,000 shares (0.18%). SAMBA did not trade during the period.

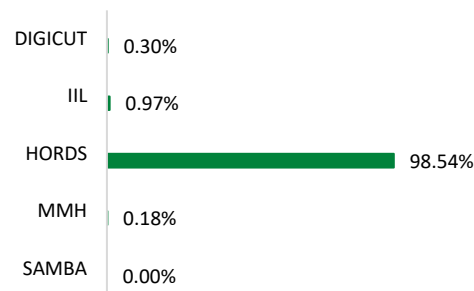


Figure 20: Volume traded on GAX – 1H18

Total value traded on the GAX stood at GH¢326,961.41. HORDS had the largest share of the value traded, trading a total of GH¢323,435.00 (98.92%) in 1H18. IIL traded GH¢2,866.41 worth of shares, which made up 0.87% of the total trade. DIGICUT traded GH¢1,116.00 (0.34%) and MMH traded GH¢660.00 (0.20%).

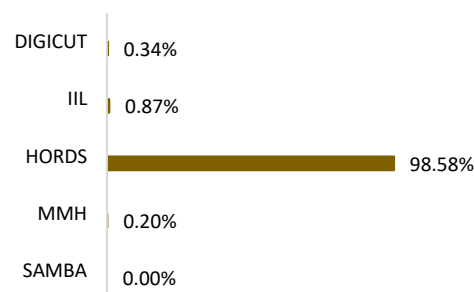


Figure 21: Value traded on GAX – 1H18

The total market capitalization of the Alternative Exchange as at the end of 1H18 stood at GH¢57.04m (1H17: GH¢44.07m).

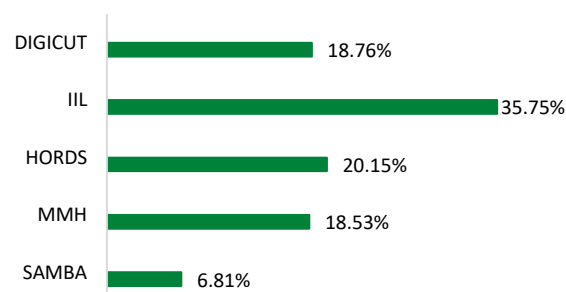


Figure 22: Market cap by firm on GAX – 1H18

IIL ranked first with a total market capitalization of GH¢20.40m (35.75%), up from GH¢18.13m a year earlier. HORDS maintained its market cap of GH¢11.49m but saw its market cap constitution reduce to 20.15% (1H17: 26.08%). MMH added GH¢10.57m, same as 1H17, representing 18.53% whereas SAMBA contributed GH¢3.88m (6.81%). 1H18 saw the listing of DIGICUT on the GAX market, ending the period with a market cap of 10.70m, constituting 18.76% of the GAX's total market cap.

Significant Events

RBGH (formerly known as HFC Bank) announced the success of its Rights Issue on January 2, 2018. The rights offer run in the last month of 2017 and was successful in raising GH¢50.56m to support the bank's efforts to meet the minimum capital requirement deadline set for December 2018. This added 90,909,094 ordinary shares to the company's number of issued shares.

The Ghana Stock Exchange announced on January 16, 2018, the lifting of the suspension imposed on African Champions Industries Limited (ACI). On September 11, 2017, the Ghana Stock Exchange had, per its press release no. 324/2017, announced the suspension of the listing status of ACI until December 31, 2017 as a result of non-adherence to financial reporting rules. The company had since submitted its annual reports for 2015 and 2016 and held their annual general meeting on December 29, 2017.

The ESLA 10-Year Bond was reopened for a tap sale with a Pricing Guidance of 102.0031 – 100.3065 (Equivalent yield: 19.00% - 19.40%). The offer was opened on January 22, 2018 and closed on January 24, 2018, with settlement on January 25, 2018.

On February 9 2018, RBGH (formerly known as HFC Bank) announced that Messrs. KPMG has been appointed to replace Messrs. Ernst & Young as External Auditors of the Bank for the 2018 financial year in accordance with the Companies Act 1963 (Act 179).

Following approval from the SEC on February 16, 2018, EGL announced a renounceable Rights Issue in the ratio of 1 new share for every 3.6543 shares to raise up to GH¢219.72m from the issue of 36,620,000 ordinary shares of no par value at GH¢6.00 per share.

On March 22, 2018, UNIL announced its decision to sell its spreads business to KKR for €6.825bn on a cash-free, debt-free basis. Completion is expected mid-2018. Unilever intends to return the net cash realized to shareholders, unless more value-creating acquisition alternatives arise.

On March 23, 2018, TLW announced the completion of its offering of \$800 million aggregate principal amount of 7.00% senior notes due 2025 with interest payable semi-annually. The net proceeds from the notes were to pay transaction fees, costs and expenses, redeem in full the Company's senior notes due 2020 and repay certain existing indebtedness under the its credit facilities.

On March 23, 2018, AGA announced an increase in its share capital to ZAR 50,742,314,019.64 as its ordinary shares increased from 410,054,615 as at December 2017 to 410,126,124 as at February 28, 2018. This was as a result of the issue and additional listing of ordinary shares over the period on the Johannesburg Securities Exchange, South Africa.

Further to the approval by the shareholders of SOGEGH at its Annual General Meeting held on March 28, 2018, the bank announced a Bonus Issue for its shareholders in a ratio of one (1) new share for every six (6) existing shares held. This was to allow for the transfer of GH¢97m from the bank's income surplus to stated capital in line with efforts to meet the December 2018 deadline for the new minimum requirement of GH¢400m. This added an additional 71,510,197 ordinary shares, bringing the total number of issued shares to 500,570,377.

On April 5, 2018, SWL announced an Emergency General Meeting scheduled to take place at GNAT Hall, Accra on Thursday May 3 at 10:00am.

CLYD also announced that Messrs. Boateng Offei & Co. had been appointed to replace Messrs. UHY

Voscon as their External Auditors effective March 5, 2018.

EGL announced that with effect from April 9, 2018, Mr. Nigel Nunoo had been appointed as Chief Risk Officer of EGL through its strategic partnership with Leapfrog Strategic African Investments.

On April 10, 2018, DIGICUT announced that it had successfully completed its Initial Public Offer with 35,672,632 shares on offer at a price of GH¢0.08 per share. The listing and first day of trading on the GAX began on April 11, 2018.

HFC Bank (Ghana) Limited (HFC) announced the change in the name of the company to Republic Bank (Ghana) Limited with effect from April 24, 2018. The change of name had since been registered by the Register of Companies.

UNIL announced that Mr. Nazaire Djako was appointed as Supply Chain Director (SCD), Ghana, with effect from March 8, 2018. Mr. Djako until this appointment was the Sourcing Unit Director, Cote d'Ivoire.

Following approval by the shareholders, ACCESS announced a GHS 300m renounceable Rights Issue of 75,757,576 ordinary shares of no par value at GHS 3.96 per share on April 30, 2018. The offer was in a ratio of 1 new share for every 1.5588 existing shares held by a qualifying shareholder. The proceeds from the offer were to meet the minimum capital requirement set by the Bank of Ghana and other operational obligations of the Bank.

TOTAL announced the appointment of Mr. John Mawuli Ababio and Mrs. Laurette Korkor Otchere as directors of TOTAL Petroleum Ghana Limited from April 5, 2018. Mr. Ababio held positions in African Development Bank, BNP Paribas SIFIDA, Banque Internationale Pour l'Afrique Occidentale (BIAO) and Venture Fund Management Company Limited. Ms. Laurette Otchere is a Labour and Employment Attorney with over 20 years of extensive legal practice.

Following the approval by shareholders of EGH, the Bank announced a Bonus Issue for its shareholders in

a ratio of one (1) ordinary share to each existing shareholder for every ten (10) ordinary shares held on May 29, 2018. This was to allow for the transfer of GH¢190m from the bank's Income Surplus to Stated Capital pursuant to section 66 (1) of the Companies Act, 1963 (Act 179). The transfer takes the Bank's Stated Capital to GH¢416.64m in line with the BOG's new minimum requirement months before the deadline.

The Board of Directors of Clydestone Ghana Limited (CLYD) on May 7, 2018 appointed Mr. Alhassan Mahama Iddrisu as a Non-Executive Director of the company. Mr. Alhassan Mahama Iddrisu is a board member of McOttley Capital and OAK Financials Services Limited. Until recently, he was the MD of Ecobank Development Corporation (EDC)'s stockbrokerage business in Ghana. He was in charge of deal origination, management and execution.

On May 29, 2018, MTN Ghana commenced an Initial Public Offer (IPO) of up to 4,637,394,533 shares of the company at an offer price of GH¢0.75 per share to be listed on the Ghana Stock Exchange. The offer was pursuant to the condition of being granted a 4G license by the National Communications Authority and was expected to raise a total of up to GH¢3.48bn. This made it the biggest IPO the Ghana Stock Exchange had seen since its inception.

On June 6, 2018, SCB notified the general public of the retirement of the Chairman of the Board of Directors of Standard Chartered Bank Ghana Limited, Mr. Ishmael Evans Yamson, effective June 30, 2018, having come to the end of his term. Dr. Emmanuel Oteng Kumah was appointed as the new Chairman of the Board effective July 1, 2018. Dr. Kumah is an International Economic Consultant and Advisor and has served in several high profile roles including the International Monetary Fund (IMF), where he served for 25 years as Division Chief, IMF Resident Representative in Djibouti and Deputy Division Chief at the Balance of Payments and External Debt Division.

Following the approval of shareholders of SCB, the Bank announced on June 13, 2018 a Bonus Issue for its shareholders in a ratio of one (1) ordinary share to

each existing shareholder for every six (6) ordinary shares held. This allowed for the transfer of GH¢302m from the Company's Income Surplus to Stated Capital to support the Bank's efforts to meet the December 2018 deadline for the new minimum requirement.

CAL listed an additional 78,323,078 ordinary shares on June 18, 2018 as a result of a Bonus Issue to transfer GH¢78.32m from income surplus to stated capital by issuing 1 ordinary share to each existing shareholder for every 7 ordinary shares held.

MTN Ghana appointed Selorm Adadevoh to the position of CEO of the company effective June 20, 2018. Prior to taking up the MTN Ghana CEO appointment, Selorm was CEO of Digicel Group's Haitian operation, where he also previously held the role of Chief Operations Officer (COO). Prior to Digicel, he was Chief Commercial Officer (CCO) and Head of Mobile Financial Services (MFS) for Millicom (Tigo) Ghana.

On June 29, 2018, RBGH announced a Renounceable Rights Offer at 463,636,366 ordinary shares of no par value at GH¢0.55 per share to qualifying shareholders. The offer was made in a ratio of one (1) new share for every 0.8376 existing shares held by a qualifying shareholder. This allowed the bank to raise an amount of GH¢255m to be added to Stated Capital.

Outlook

Our outlook for the stock market remains positive. We expect the manufacturing sector to lead gains on the back of higher consumer spending in the latter part of the year. We also remain positive on petroleum stocks, especially the oil marketing companies, due to the prevailing high prices of petroleum products on the local market. We, however, do not foresee a rally in the financial sector, given the level of non-performing loans prevailing in the sector resulting in cautious lending by the banks and stricter regulations currently facing the sector. Losses recorded by FML in 1H18 is also expected to weigh in on the FY return for the food and beverage sector. We expect trade, mining, agro-processing, publishing, pharmaceuticals and ICT sectors to remain stable for the rest of the year. After the successful listing of MTNGH on the local bourse, we also expect the telecom sector to provide support to the market going forward.

STOCKS	EX-DIV DATE	DIVIDEND PER SHARE (GP)
AADS	April 6, 2018*	0.21
AGA	April 6, 2018*	20.92
BOPP	May 14, 2018	6.28
CMLT	May 24, 2018	0.98
GCB	June 13, 2018	10.00
GOIL	April 20, 2018	2.80
UNIL	May 16, 2018	25.00
TOTAL	June 20, 2018	7.01

*Payment Date

Table 5: Dividend Announcements