FULL-YEAR REVIEW 2016

Economy | Capital Market

FirstBanC Research
FIRSTBANC FINANCIAL SERVICES,
WORLD TRADE CENTER, ACCRA

Disclosure

FirstBanC Financial Services is an integrated investment-banking firm. The research department undertakes economic, fixed income, equity and special research activities as well as valuation of listed and unlisted equities.

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. These sources include, but are not limited to, the Bank of Ghana, Ghana Statistical Service, Ministry of Finance and Economic Planning and the Ghana Stock Exchange We cannot however attest to its accuracy.

Further enquiries can be directed to:

Economic: Benjamin Amoah-Adjei

Fixed Income: Justice Senyo Adu

Equity: Selasi Kofi Adu

Tel: +233 302 660709

Email: bamoah-Adjei@firstbancgroup.com; aselasiadu@firstbancgroup.com; jadu@firstbancgroup.com

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

research@firstbancgroup.com

Table of Contents

Executive Summary iii
Economic Review 1
Economic Growth 1
Public Finances 1
Fiscal Position 1
Public Debt 2
Monetary Environment 2
Exchange rates 2
Policy Rate 3
Lending rates 3
Inflation 3
Balance of Payments 4
Trade Balance 4
Capital Account 4
Outlook for 2017 5
Capital Market Review 6
Fixed Income 6
Government of Ghana Debt Securities 6
Eurobond Issue 6
Ghana Fixed Income Market 6
Corporate Bond market 6
Equity 7
Index Performance 7
Market Capitalization 7
Volume and Value Traded 8
Market Movers 9
Significant Corporate Developments 9
Outlook for 2017 11

Economy

Growth picked up but only slightly from 2015 levels and has remained below recent historical levels. Inflation continued on its downward trend but remained high for most of the year due to fuel price and utility tariff adjustments. As a result, monetary policy remained tight, keeping interest rates high and supporting stability in the Cedi. Fiscal consolidation efforts continued in the first half of 2016, although significant slippages occurred ahead of the election and amidst lower revenues caused by oil production challenges.

Going forward, we expect monetary and fiscal policy to remain tight under the ongoing IMF bailout programme. Inflation is likely to drift lower, albeit at a slow pace, with interest rates following suit. However, the cedi may come under pressure from a rising dollar and weak commodity prices for the nation’s main exports.

Equity Market

The stock market has witnessed a contraction in its performance for the second year in a row, dropping further by 15.3% this year. The financial stock index (FSI) also posted a weaker performance as compared to 2015 financial year; it recording a return of -19.93% (2015: -13.98%).

The fixed income market remained attractive as compared to the stock market as rates continued to remain fairly high. Trading volumes inched up 3.26% attributed to a block trade in AYRTN stocks, two renounceable rights issue programs and two equity listings. This trade directly influenced the total value traded leading to a 7.22% increase in 2016.

The exchange was bearish with a total of six equities recording gains, fourteen of the listed equities did not witness price changes and twenty four of them saw their market price fall. FML was the highest gainer, posting a year to date of 51.56% whereas UTB lost 70% of its market value.

We remain optimistic about prospects in 2017 as the economic fundamentals are expected to be stable. The financial, manufacturing, food and beverage, agro processing and petroleum sectors are expected to drive the market.

Fixed Income

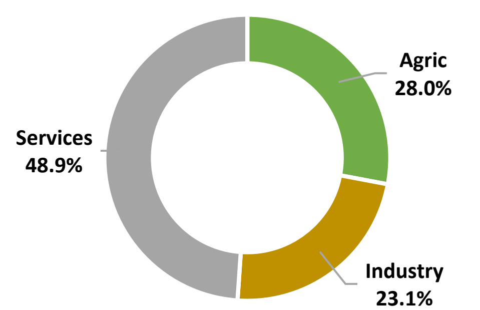
The fixed income market was more active in 2016 on both the primary and secondary markets. Government in 2016 issued 20% more securities as compared to 2015. Treasury rates, especially on short-term instruments trended downwards. The Government, using the book building process, issued more longer dated bonds in 2016 as part of its debt management strategy. The 3-Year, 5-Year and 10-Year bonds issued in 2016 were offered at attractive prices and drew a lot of interest from both domestic and foreign investors. Government issued its first 10-Year Bond in November 2016; it also issued another Eurobond to retire maturing debts as well as Ghana’s first dollar denominated local bond.

The year 2016 also saw corporate entities raising more debt capital through the issue of corporate bonds that were listed on the Ghana Alternative Exchange.

Economic Review

Economic Growth picks up

Revised figures from the Ghana Statistical Service show real GDP growth of 4.2% (15Q1: 4.2%) and 2.3% (15Q2: 3.8%) in the first and second quarter respectively. Real GDP (adjusted for inflation) grew by 4% year-on-year in the third quarter (15Q3: 3.5%), amounting to GH¢9.38bn (GH¢43.8bn in nominal terms) for the three months ending September 2016. The services sector grew by 4.7% and contributed the largest share at 48.9% of GDP over that period. The agric sector and industry grew by 2.3% and 3.9% respectively, contributing 28% and 23.1% of GDP.



Source: Ghana Statistical Service, FirstBanC Research

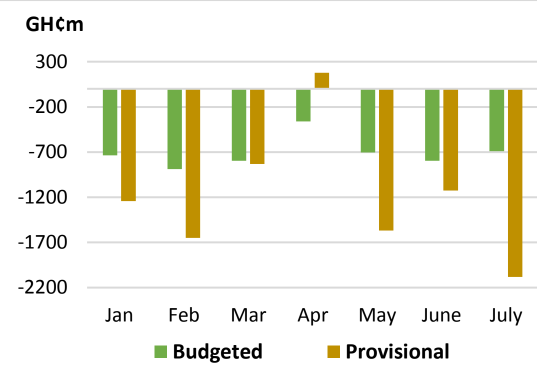
Figure 1: Sectoral distribution of real GDP

Growth in the agric sector was largely driven by increased crop production (2.2% growth), including cocoa, and livestock (5.6%). Forestry and logging, as well as fishing also recorded some year-on-year growth over the period. In the industrial sector, manufacturing and water & sewerage activities both declined (6% and 7.8% respectively) as a result of tight economic conditions. However, growth in the sector was largely driven by construction activity, which grew by 16.3%, whereas mining and electricity grew 1.2% and 3.9% respectively. The services sector recorded growth in all sub-sectors apart from community and social services, which declined by 1%. Growth was driven by transport and storage (8.6%), public administration (6.1%) and trade and repair of vehicles and household goods (4.1%). The financial and ICT sub-sectors recorded healthy growth figures, albeit lower than recent highs. The education and health sub-sectors grew by 1.1% and 1.8% respectively.

Public Finances

Fiscal Position worsens as revenue drops

The fiscal consolidation effort largely failed in 2016, with the Ministry of Finance reporting a budget overrun of 5% as at July 2016, compared to a target of 3% for that period. The government overshot its target in January and February on the back of shortfalls in oil revenue, but maintained discipline in March and actually reported a slight surplus for April. In subsequent months however, heavy spending ahead of national elections swung the nation into a significant fiscal deficit.



Source: Ministry of Finance, FirstBanC Research

Figure 2: GoG Fiscal balances (including divestiture and discrepancies) Jan – July 2016

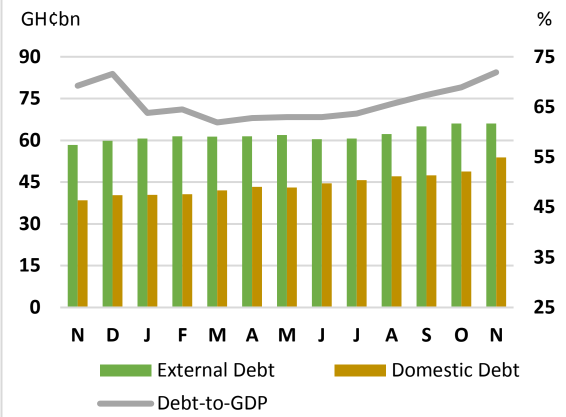
Taxes on domestic goods and services were 4.5% higher than projected, amounting to GH¢7.27bn, whereas international trade taxes and social contributions were 8% and 27% lower than projected, and ended at GH¢2.44bn and GH¢0.15bn respectively. Revenue shortfall was mainly caused by a 38% underperformance in non-tax revenue, which amounted to GH¢2.36bn, with a GH¢500m deficit in oil revenues alone resulting from production challenges on the FPSO Kwame Nkrumah. In addition, a challenging economic environment led to lower taxes on income and property, which came in at GH¢5.3bn, 16% lower than the projected amount. Grants were 9% higher than budget at GH¢1.07bn, leading to total revenue and grants of GH¢18.6bn (11.1% of GDP), compared to a projected amount of GH¢20.9bn (12.5% of GDP).

Capital expenditure was 20% higher than budgeted for the period at GH¢4.12bn as the Government ramped up construction projects in an election year. However, compensation to employees and grants to government units were 3% and 28% lower than budgeted at GH¢7.84 and GH¢3.98bn respectively. Interest payments remained in line with projected figures at GH¢5.91bn, leading to total expenditure of GH¢23.28bn (14% of GDP), compared to a projected amount of GH¢23.88bn (14.3% of GDP).

Including arrears and discrepancies, the overall balance stood at a deficit of GH¢8.32bn (5% of GDP) as compared to GH¢4.97bn (3% of GDP) in the budget for the first seven months. Government financed this deficit with net borrowing of GH¢659m from foreign sources and GH¢7.7bn from domestic sources between January and July 2016. Domestic borrowing included GH¢3.13bn from commercial banks alone, as against a projected amount of GH¢853m in the budget.

Public Debt edges above 70%

Ghana's public debt increased consistently over the year partly due to the unsuccessful fiscal consolidation effort, with the Central Bank reporting a debt-to-GDP ratio of 71.9% as at end of November 2016. Domestic debt stood at GH¢53.9bn, up from GH¢40.3bn in December 2015, whereas external debt rose from GH¢59.9bn in December 2015 to GH¢66bn as at November 2016. Domestic debt has therefore risen relatively faster, from 40% to 45% of total debt. Unlike in previous years, the relative stability in the amount of external debt was supported by stability in the exchange rate. Total debt ended November 2016 at GH¢119.9bn.



Source: Bank of Ghana, FirstBanC Research

Figure 3: Ghana Public Debt Nov 2015 – Nov 2016

The growth in debt was noticeably faster in the second half of the year as the government increased spending ahead of the December elections despite the shortfall in revenue.

Monetary Environment

Exchange rates steady

The Ghana Cedi was relatively stable against the dollar and the euro for most of the year before losing ground to both currencies in December; it ended the year stronger than the pound. Stability in the Cedi was driven by tight monetary and fiscal conditions under the ongoing IMF bailout programme.

	2016	2015	2014
US dollar	-9.65	-15.68	-32.45
British pound	8.08	-11.35	-28.25
Euro	-6.87	-5.72	-23.35

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

The Cedi lost 4.7% against the dollar between January and November 29, with the GHS/USD trading in a tight band between 3.78 and 3.98 for the first eleven months. This was followed by a sharp rise in dollar strength in December ahead of an expected US Fed rate hike that drove the local currency to a cumulative 9.7% depreciation against the dollar over the year. This marks a significantly better performance than in recent years (See table 1 above). The local currency also held its own against the euro for most of the year and ended with a 6.9% depreciation. Like the dollar, the GHS/EUR traded in a range between 4.07 and 4.47, with the Cedi performing much better than in the past. The Ghana Cedi appreciated against the pound during 2016, ending at 8.1% above its year open value. The GHS/GBP suffered a sharp drop in June after the pound weakened on the decision by UK voters to exit the EU in a referendum. The pound sank further to a low against the Cedi in late October before gaining some ground against the Cedi in the final weeks of 2016.

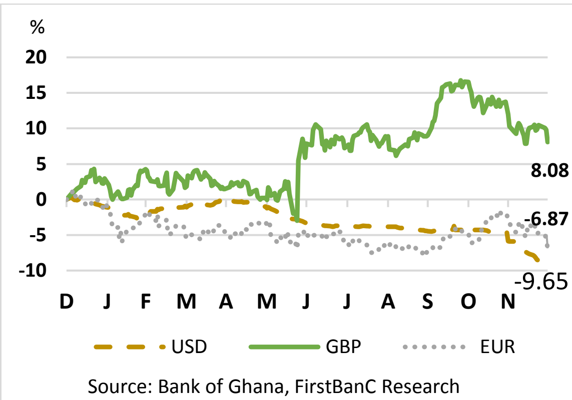


Figure 4: Ghana Cedi YTD vs major currencies (%)

The Ghana Cedi was buoyed by Central Bank interventions in the forex market, as well as rising investor confidence in the economy. A strong supply of foreign currency resulting from the COCOBOD syndicated loan, a fifth Eurobond, donor funding and a local dollar bond enabled the Central bank's actions on the market, helping to defend the Cedi's value during the year.

Policy Rate marginally reduced

The Central Bank kept the monetary policy rate at 26% throughout most of the year. In the press briefings and statements that followed its Monetary Policy Committee (MPC) meetings, the Bank noted the risks to inflation resulting from utility tariff and fuel price adjustments that happened in January. Inflation and inflationary pressures remained heightened during the year, which led the policy committee to hold the rate at five meetings.

At the November meeting, the Bank reduced the policy rate by 50bps, citing a drop in inflation and stability in the Cedi. The latest figures from the Statistical Service at the time showed inflation at 15.8%, the lowest since July 2014, and the Ghana Cedi had traded between 3.70 and 3.98 to the USD over the preceding 14 months. However, inflation remained far above the medium target of 8±2%, thereby limiting the extent of the reduction. Nonetheless, the reduction signaled the Central Bank's confidence in meeting the inflation target in 2017 and lowered inflationary expectations among investors.

Lending rates remain elevated

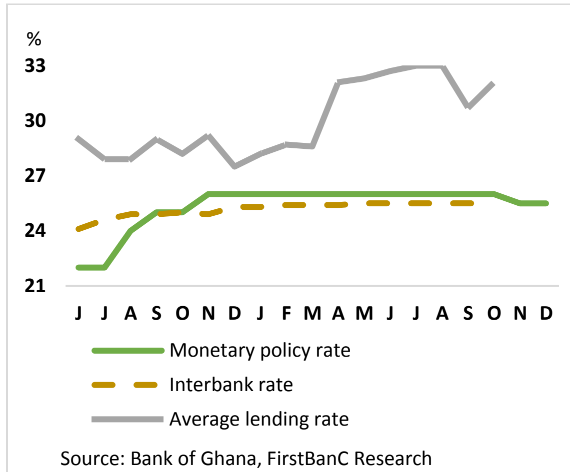


Figure 5: Key rates- June 2015 to Dec 2016

High inflation, tight monetary policy and increasing credit risks resulting in huge NPLs on bank balance sheets drove interest rates further to record highs during 2016. The average lending rate rose above the year open of 28.2% and hit 33% in July 2016, which was associated with a slowdown in lending by commercial banks. On the interbank market, interest rates remained fairly stable between 25.3% and 25.5% over the year.

Inflation trends downwards, ends above target

Inflation started the year at a six-and-a-half year high of 19%, mainly as a result of fuel price and utility tariff adjustments that drove the Consumer Price Index higher. The second round effect of these adjustments led to elevated inflationary pressures that saw inflation rate peak at 19.2% in March 2016. Inflation then hovered above 18% before a drop in July to 16.7%, which was mainly driven by the effect of Cedi stability on imported goods. The inflation rate drifted lower for the rest of the year as a strong harvest drove food inflation lower and a stable Cedi held down non-food inflation.

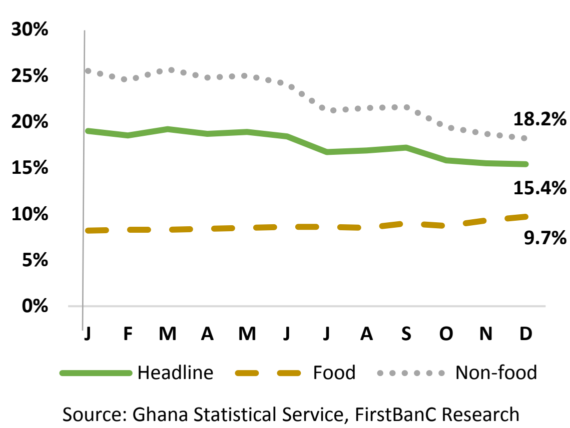


Figure 6: Consumer Price Index- Jan to Dec 2016

Non-food inflation ended the year at 18.2% (Dec 2015: 23.3%), the lowest level since December 2013. The main drivers for this section were the transport, education, recreation and culture, and housing, water, electricity, gas and other fuels sub-groups. Food inflation stood at 9.7% for December 2016, up from 8% in December 2015. This section was driven by mineral water, soft drinks and juices, as well as meat and meat products.

Balance of Payments

Trade Balance worsens

Ghana's trade balance improved significantly as a result of lower imports and higher export revenues, with the deficit falling from $3.1bn (8.3% of GDP) in 2015 to $1.69bn (4% of GDP) in 2016.

Growth in export revenues was driven by gold; compared to 2015, Ghana recorded 53% growth in export revenues from gold in 2016 as a result of increased mining activity and higher global prices that resulted from economic uncertainty and political upheavals. Revenue from oil and cocoa were both lower than in 2015, falling by 26% and 12% respectively. The decline in oil revenue resulted from production challenges with the FPSO Kwame Nkrumah and sustained weakness in the price for Brent Crude. Lower prices for cocoa also affected export revenues adversely, despite increased production over the year. Total revenue from merchandise exports (including non-traditional exports) increased 6.8%, from $10.35bn in 2015 to $11.06bn in 2016.

Total imports for 2016 amounted to $12.75bn, down 5.3% from $13.47bn in 2015. The value of oil imports dropped 18.9% on the back of lower global prices, whereas non-oil imports reduced by 2.9%.

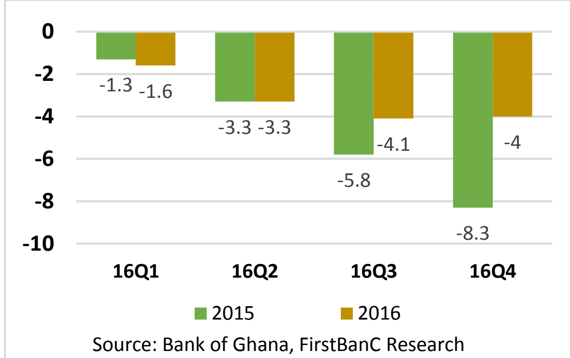


Figure 7: Current Account as % of GDP

Exports of cocoa beans and products accounted for 21.9% of total export proceeds for 2016, down from 26.7% in 2015, whereas gold export revenues increased from 31% to 44.5% in 2016. Proceeds from oil exports dropped from 18.6% to 12.8% of total export revenues.

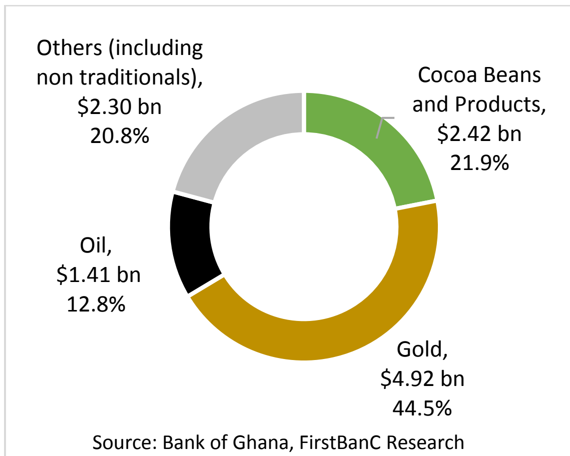


Figure 8: Export Proceeds by commodity_2016

Capital Account weakens

The capital account recorded a 5.8% decline on the back of weak foreign direct investment (FDI) flows. Net capital flows for the year 2016 amounted to $2.94bn, down from $3.12bn in 2015.

The balance of payments ended the year at a surplus of $247m; this is the first surplus since 2011. Gross foreign assets were $6.16bn at the end of 2016, 4.7% higher than in 2015, representing 3.5 months of import cover.

Outlook for 2017

Economic growth is likely to improve further in 2017 on the back of increased oil production from the TEN fields and the onset of exploration on the Sankofa Gye Nyame fields. Promised tax cuts from the new government, if they are implemented, would also boost consumer spending and trade. Downside risks to economic growth include the tight monetary, fiscal and credit conditions, as well as the possibility of higher inflation resulting from recent fuel price adjustments.

We expect the Ghana Cedi to come under pressure in the forex markets as interest rates rise in the US. However, the effect is likely to be stemmed by the Central Bank, which has accumulated significant reserves to intervene in the markets when the need arises. Nonetheless, the local currency is likely to experience a sustained depreciation unlike in 2016, albeit at a lower rate than in 2014 and 2015. Inflation may rise as a result of this situation, although increased economic activity may keep a lid on prices. We expect a gradual return to the medium-term inflation target by end of 2017.

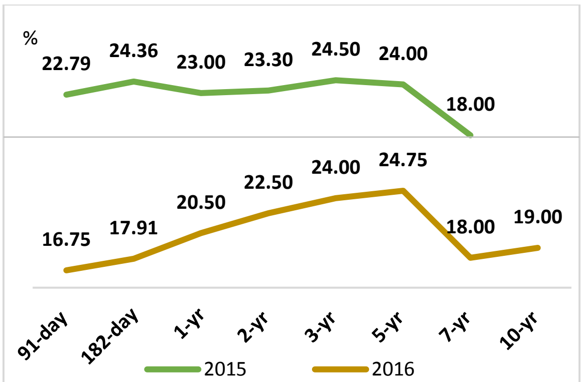
Capital inflows will be boosted by investments in the oil fields, as well as investor confidence as growth picks up. However, the current account may worsen due to downside risks to global prices of cocoa, gold and oil. Gold prices will suffer from rising interest rates in the US, cocoa prices will remain low due to weak demand in the face of increasing output, and the upside to oil prices may be limited by US shale production.

Capital Market Review

Fixed Income

Government of Ghana Debt Securities

On the fixed income market, there was a general downward trend on government treasury rates. The 91-Day Treasury bill, 182-Day Treasury bill and 1-Year note closed the year at 16.75%, 17.91% and 20.50% respectively. The 2-Year Note also closed the year at 22.50%. On the long end of the market, the 5-Year, 7-Year and 10-Year Bonds closed the year at 24.75%, 18.00% and 19.00% respectively.



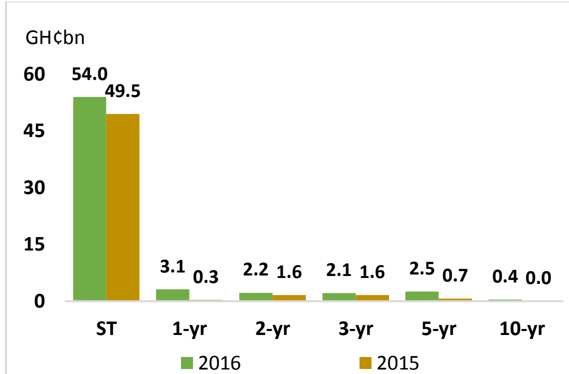
Source: Bank of Ghana, FirstBanC Research

Figure 9: Year-end Yield curve – 2015 and 2016

Government's reduction of borrowing funds on the short end of the market pushed interest rates on the 91-Day and 182-Day Treasury Bills downwards as compared to 2015. To compensate for the reduction, the government issued longer dated securities in 2016 at relatively attractive rates. The longer dated securities that were issued were heavily oversubscribed, especially by foreign investors in search of high yields.

Eurobond Issue

After an initial postponement due to unfavorable market conditions at the time, the Government of Ghana in September 2016 issued its fifth Eurobond, which was oversubscribed by over 433%.The issue raised an amount of US$750m on the international capital markets at a coupon rate of 9.25%. The proceeds from the issue were used to retire maturing debt, including Ghana's first Eurobond issued in 2007, as well as fund capital expenditure projects. The issue helped in providing forex inflows that helped stabilize the Cedi.



Source: Bank of Ghana, FirstBanC Research

Figure 10: GoG auctions sold – 2015 and 2016

Government issues Dollar Denominated Debt

In October 2016, Ghana issued a dollar denominated debt instrument on the local market for the first time. The issue was targeted at resident Ghanaians who had excess forex holdings. Government raised US$94.64 million from the two-year fixed rate dollar bond at a coupon rate of 6.00%. The interest rate was 325 bps lower than the yield on the Eurobond issued by Government a month earlier.

Ghana Fixed Income Market (GFIM)

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 bonds. The new market helped generate interest in government treasuries, especially after the market in two-year bonds was opened to foreign investors. Total trades on the GFIM in 2016 were GH¢12,765.126m on the Central Securities Depository (CSD) and GH¢1,676.589m on the Bloomberg terminal.

Corporate Bond market sees increased activity

On the corporate bonds market, 2016 saw 3 entities issue corporate notes which were listed on the Ghana

Alternative Exchange (GAX). In May 2016, Bayport Financial Services issued three additional tranches, as part of their medium term note programme, and made a total allotment of GH₡50.1 million. Edendale Properties PLC also issued 3-year unsecured floating rate notes to the tune of GH₡8.5 million in May 2016. Izwe Loans issued GH₡10m in May 2016 in a 6-Year Unsecured Subordinated Floating Rate Note.

Over the past three years, corporate bonds have presented an opportunity for companies to raise debt capital for expansion through the issuance of corporate notes. This has further diversified the Ghanaian capital market even though many investors tend to hold corporate notes till maturity due to higher yields relative to other fixed income debt securities on the market. As a result, corporate bonds do not trade frequently on the secondary market.

Equity

Index Performance– the bourse in a downturn

The bourse was bearish with the market witnessing its worst performance in seven years. The Ghana Stock Exchange Composite Index (GSE-CI) posted a return of -15.33% as compared to -11.77% recorded in 2015. At the end of quarter one 2016, the market had dropped 4.16% (1Q15: -1.80%). The market index in the second quarter fell further to -10.40% as compared to a 4.03% gains recorded same period 2015. Quarter three was no different with the GSE-CI dropping slightly to -11.05% (3Q15: -11.12%).

The Financial Stock Index (FSI) measures the performance of financial stocks on the bourse including SIC and EGL. The FSI in quarter one shrunk by 5.5% (1Q15: -0.96%), likewise, by the close of the first half of the year, the FSI had dipped further to -14.47% as compared to a 6.73% capital gain posted 1H15. The FSI posted some marginal recoveries, ending the third quarter with -12.82 percent (3Q15: -13.83%). The year closed with the FSI underperforming the GSE-CI again; the index posted a capital loss of 19.93%, compared to a 13.98% loss recorded in 2015.

The in-house customised index which consist of some equities of interest, the FirstBanC Index (FBI), closed the year recording a capital loss of 8.10% albeit an improvement as against last year's 12.89% loss. The first quarter saw the FBI experiencing weak performances in both 2016 and 2015 financial years, recording losses of 1.99% and 1.26% respectively. The FBI plunged further in quarter two to -4.45% against a gain of 1.40% posted same period 2015. Performance continued to weaken in the third quarter with the FBI recording 13.64% loss compared to a loss of 3.31% same quarter 2015.

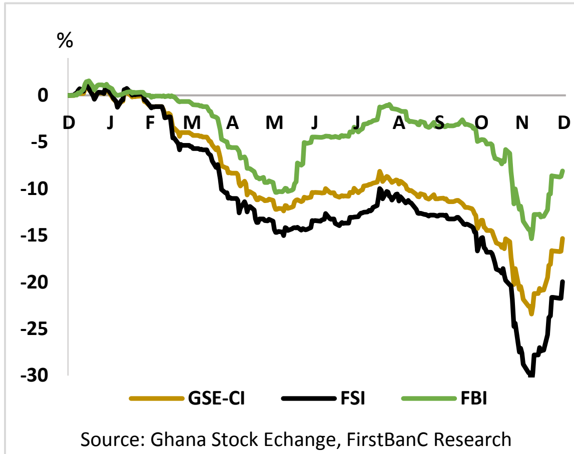
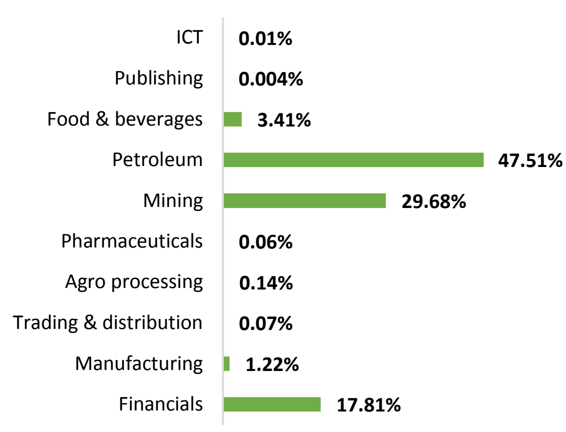


Figure 11: Performance of GSE-CI, FBI and FSI - 2016

Market Capitalization

The total market capitalization of the bourse fell by GH¢11.66 billion between 2015 and 2016 fiscal years, closing the year with a cumulative market capitalization of GH¢52,690.99 billion compared to a GH¢57,352.42 billion posted end 2015. Bearish performances from UTB, ETI, TOTAL, ACI, PBC, PZC, AYRTN, TBL, SCB, SPL, CAL, SOGEGH, GOIL, MLC, GGBL, BOPP, HFC, SIC, EGH, GCB, TLW, GSR, SAMBA and GLD caused the market size to shrink by 7.75% year on year.

Contributions to the market capitalization was no different from last year with Petroleum stocks contributing about 48% of the entire market cap making it the largest contributor for the year, marginally higher than that of the preceding year. The Mining sector was the second largest contributor adding up almost 30% of the year's market capitalization with the financial sector contributing about 18%. Food and Beverage sector contributed a little over 3% whereas the Manufacturing sector also added a little above 1%.



Source: Ghana Stock Exchange, FirstBanC Research

Figure 12: Market capitalization by sector - 2016

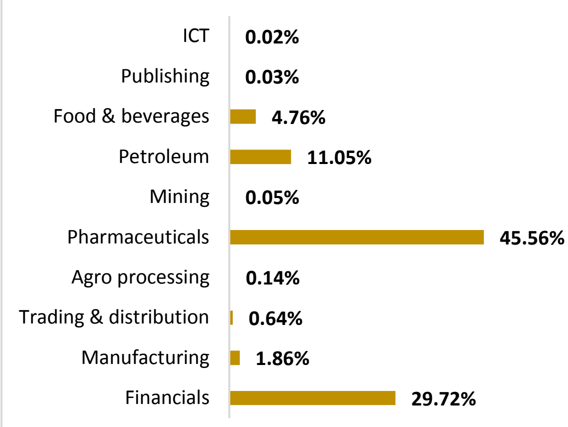
Volume and Value Traded

Total volume traded inched up 3.26% from 246,450,679 shares to 254,744,700 shares, supported by the listing of two financial stocks, two right issue programs and a block trade of a pharmaceutical stock.

These dynamics influenced the aggregate value traded with the bourse posting a total of GH¢242,582,185.10 in trading values as compared to GH¢225,072,820.47 in 2015, signifying 7.22% growth. Mega African Capital Limited (MAC) was the only equity which did not see any trade. In all, five (5) equities ended the year posting gains, twenty four (24) equities reported loses and fifteen (15) traded flat.

There was a Block trade in AYRTN stocks which shot up the Pharmaceutical sector to record 45.56% of all trading volumes. The financial sector came second posting a 29.72% of the entire volume of trades. The Petroleum sector followed, recording 11.05% of the traded volumes.

The Food and Beverage sector recorded 4.76% of all volume of trades whereas Manufacturing, Trade and Distribution, Agro Processing, Mining, Publishing and ICT posted 1.86%, 0.64%, 0.14%, 0.05%,0.03% and 0.02% in that order.

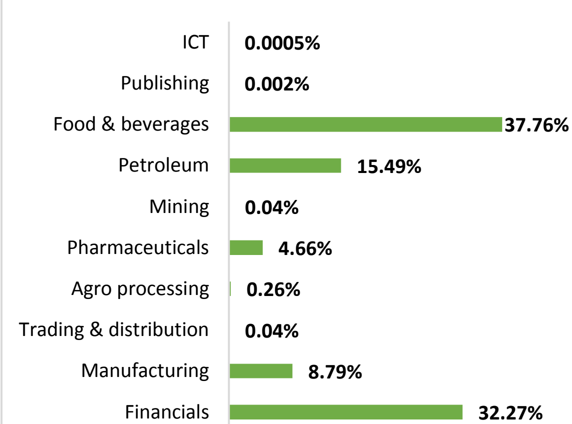


Source: Ghana Stock Exchange, FirstBanC Research

Figure 13: Volume traded by sector – 2016

The Food and beverage sector year recorded 37.76% of the entire traded value of the exchange largely as a result of increased investor interest in FML stocks. The financial sector followed closely, realizing 32.27% of the total traded value.

Petroleum and Manufacturing sectors came next capturing 15.49% and 8.79% respectively of the total traded. Others were, Pharmaceuticals (4.66 %), Agro Processing (0.26%), Mining (0.04%), Trade and distribution (0.04%), Publishing (0.002%) and ICT (0.0005%).



Source: Ghana Stock Exchange, FirstBanC Research

Figure 14: Value traded by sector – 2016

Market Movers

The bourse was generally bearish in 2016 with almost all the sectors posting loss with the exception of the Food and Beverage and ICT sectors. The rout of the exchange escalated as the GSE-CI recorded a capital loss of 15.33% compared to a loss of 11.77% recorded 2015. These bearish performances were as a result of political risks associated with elections, poor fundamentals of some listed entities and negative signals associated with some stocks amongst others.

Fromquarter one through three, FML posted strong growth in both revenues and bottom lines. This caused an increased demand for FML stocks causing the stock price to appreciate by 51.56% which was the highest recorded in 2016.

Other gainers were, HORDS which gained 25 percent, SCG Pref growing at 5.63% and UNIL inching up 0.12%. ADB was listed in the latter part of the year. With investors upbeat about the prospects of ADB, the stock closed the year posting a capital gain of 44.53%.

The rout in performance of the exchange was largely influenced by political risk, weak quarterly performances and insufficient flow of information to investors. Again high interest rate in the Ghanaian economy also saw investors move their investments towards the fixed income market weakening the stock market much further.

UTB lost 70% of its value in 2016 making it the worst performing stock in the fiscal year. ETI 62.96%, followed by TOTAL which shed in excess of 61 percent. ACI lost 50%in 2016 whilst PBC also dropped 40% in value. Other laggards were, CAL, EGH, GCB, HFC, SCB, SOGEGH, TBL, SIC, PZC, MLC, BOPP, AYRTN, SPL, GSR, GLD, GOIL, TLW, GGBL and SAMBA.

	TOP FIVE GAINERS (GH¢)		
TICKER	OPEN	CLOSE	GAIN (%)
FML	7.35	11.14	51.56
ADB	2.65	3.83	44.53
HORDS	0.08	0.10	25.00
SCB Pref	0.71	0.75	5.63
UNIL	8.50	8.51	0.12

Table 3: Top five equity gainers – 2016

	TOP FIVE LOSERS (GH¢)		
TICKER	OPEN	CLOSE	LOSS (%)
UTB	0.10	0.03	70.00
ETI	0.27	0.10	62.96
TOTAL	5.10	1.98	61.18
ACI	0.02	0.01	50.00
PBC	0.10	0.06	40.00

Table 4: Top five equity losers – 2016

Source: Ghana Stock Exchange, FirstBanC Research

Significant Corporate Developments

Changes in the composition of Boards and Key Management

Some listed entities for some strategic and unanticipated reasons saw the departure and appointment of some members of its Board.

Mr. Mensah Asante resigned as director of the Board of EGH and was subsequently appointed as Managing Director of Ecobank Liberia; this took effect December 1, 2016. The Bank later in the year appointed Mrs. Felicity Acquah to serve on the Board. She was nominated by the parent company ETI and her appointment was sanctioned at the banks AGM.

Total Petroleum Ghana Limited (TOTAL) parted ways with Mr. Edward Patrick Larbi Gyampoh who resigned as director of the petroleum giant.

BOPP saw the exit of Mr. Suriyapperuma Arachichige a director of the company and was immediately replaced by its General Manager (Mr. Samuel Avaala Awonnea) to serve as an Executive Director on the Board.

Mr. Pa MacoumbaNjie resigned as Managing Director of TBL and was replaced by Mr. Ibrahim Salla. Mrs. NjilanSenghore-Njie was appointed to Deputise Mr. Salla and the two were further appointed to serve on the Board as Executive Directors of the Bank. Miss Fatou Lili Drammeh was also appointed to serve as Company Secretary effective July 5, 2016. However, Mr. Pa Macoumba remained on the board of TBL as a Non-Executive Member.

Mr. Herbert Morrison left the Board of SCB as an Independent Director after serving his term. He was replaced by Mr. David Adepoju who is expected to aid the bank in managing its assets and liabilities, market risk, and fixed income trading.

The Chief Finance Officer (CFO) of GCB Bank Limited, Mr. Socrates Afram was appointed to serve on the bank's board as a director on March 24, 2016.

Unilever's Brand Building Director, Mr. Clarence D. L. Nartey resigned for the board and was replaced by the Head of Marketing for Africa Emerging Markets Ms. Nana YaaKissi which took effect March 14, 2016.

Fan Milk Limited on February 8, 2016 appointed Mr. Pierre Armangau as a Non-Executive Director. He took over from Mr. KodjoAziagbe whose resignation was as a result of acquisition of 49 percent stake in FML by the Danone Group.

Shifts in Key Management

GCB Bank Limited on August 1, 2016, appointed Mr. Ernest Agbesi as Managing Director of the Bank after the resignation of Mr. Simon Dornoo who serve his six year tenure with the bank. Before his appointment, the Chief Operating Officer, Mr. Samuel Sarpong acted in the position.

Prior to the official listing of the Agricultural Development Bank (ADB), Mr. Stephen Kpordzih in an official correspondence to the Board of the bank conveyed his intensions not to extend his contract upon expiration. On March 1, 2016, former Managing Director of Zenith Bank Ghana Limited, Mr. Daniel Asiedu was appointed as Managing Director of ADB.

Mr. Samuel Ashitey Adjei resigned as Managing Director of Ecobank Ghana to take up a new appointment in the Group (ETI) to head as the Managing Director of the Central, Eastern and Southern Africa (CESA) Countries. The Group (ETI) also appointed Mr. Dan Sackey to replace Mr. Adjei and also to act as Regional Executive for Anglophone West Africa.

The Ecobank Group (ETI) again appointed Mr. Amin Manekia as Group Executive of the bank's Corporate and Investment Banking business.

Renounceable Rights Issue

GOIL, GGBL and SOGEGH within the course of the year successfully conducted their renounceable rights issues offers.

GOIL was able to raise GH¢176,574,018.42 from the offer representing a1.98% oversubscription, a little over GH¢3.42 million more than the expected GH¢173,153,153.60. The offer was in a ratio of 0.5536 new shares for every 1 existing share priced at GH¢1.24. The oil marketers proposed to use the proceeds from the Offer to restructure its capital base and support other identified projects.

GGBL raised GH¢180,694,738.42, representing a 0.39% oversubscription of the expected GH¢180,000,000 expected from the offer. The offer was in a ratio of 1 new share for every 2.1956 existing shares of no par value at GH¢1.87 per share. The proceeds of the offer was used to relieve the company of its intercompany debt which was taking a toll on the company's finances due to high interest rates.

SOGEGH was the only listed company which had its rights issue offer programme undersubscribed, with the bank recording a 93.77% subscription rate. The offer was to raise GH¢40.8 million through the issue of 65,880,695 ordinary shares at GH¢0.62 per share at a ratio of 1 new share for every 5.575 existing shares.

Listing of Additional Shares

AGA in the course of the year increased its shares outstanding from 404,125,002 shares to 407,220,784 shares through the exercise of eight separate Share Incentive Schemes.

GOIL also saw an increase in shares outstanding from 252,223,488 shares to 391,863,128 resulting from its Renounceable Right Issue programme.

GGBL added 96,256,685 ordinary shares to its shares outstanding, increasing it to 307,594,827 shares, through a Renounceable Right Issue programme.

MAC increased its shareholdings by 240,000 ordinary shares through a debt to equity conversion approved by shareholders during the company's AGM for Databank EPACK Investment Fund Limited. This increased MAC's shares outstanding to 9,948,576.

Another mining firm, Golden Star Resources Limited (GSR) through a Treasury offering of common shares of the company, increased its shares outstanding to 259,700,000 shares.

SOGEGH increased its shares by 61,778,911 ordinary shares to a total of 429,060,180 shares outstanding through its Rights Issue offer programme.

Listing on the Exchange

During the 2016 fiscal year, two banks came public by listing on the GSE; these are Access Bank Ghana Limited (ACCESS) and the Agricultural Development Bank (ADB).

ACCESS became the first Nigerian bank to list on the Ghana Stock Exchange. The offer was to raise a total of GH¢104m through the issue of 26,000,000 shares priced at GH¢4 per share. The offer was successful as the bank was able to raise GH¢8.62m in excess of the GH¢21m minimum required to make the offer successful with a total subscription of 7,404,575 shares. ACCESS listed on the bourse on December 21, 2016.

ADB went through a series of legal tussles and to an extent halted the listing process. However, the bank was able to deal with these issues and listed on the GSE on December 12, 2016. The bank sold 69,326,036 existing shares and 75,471,698 new ordinary shares at a price of GH¢2.65. The subscription rate for the offer was 84.90%.

Break in Operations

The Management of CPC issued a statement in December 2015 explaining the reasons for a break in its operations. The break was due to a pre-scheduled maintenance exercise which had been postponed earlier due to some contractual commitments. It became necessary for the company to ask workers to take their annual leave concurrently with the rescheduled maintenance exercise. The shutdown affected their revenues forecasts and sent of negative signals to investors, instigating a sell off.

Outlook for 2017

As part of the structural reforms underpinning the approval of the 3-Year US$918m Extended Credit Facility (ECF) by the International Monetary Fund (IMF), debt management as well as monetary and financial sector reforms will be key in 2017 in order to access the remaining US$453.4m under the ECF agreement. To this end, we expect monetary policy to remain tight.

We expect Government to continue with the issuance of longer term securities in 2017 further suppressing interest rates on the short end of the local debt market. With a new Government in place, promises to reduce taxes, if implemented immediately might cause an immediate hole in the coffers of Government which will likely be funded with debt. This might push rates up but with inflationary expectations reduced and the relative success of the longer tenor bonds, it is likely rates will still be kept lower shorter term debt securities. Since cheaper borrowing remains key to debt sustainability, we expect Government to continue with the issuance of the dollar denominated local bond as a partial replacement for Eurobonds with higher rates.

We expect the stock market to rally on the back of a sturdy performance from the financial, manufacturing, agro processing, pharmaceutical, and food and beverage sectors. Economic fundamentals are expected to stabilize further going forward. The petroleum sector which is a deregulated industry is expected to pick up associated with the increase in market share of listed entities.

The mining sector is expected to remain unattractive to investors as a result of unfavourable commodity prices on the global market. Pharmaceutical sector is expected to show signs of strength resulting from the acquisition of AYRTN and SPL by Dannex. Investor interest in the trade sector is expected to improve with reduced debt burden on the books of listed stocks.

We are confident of the stock market posting a positive return as the financial, manufacturing, food and beverage, pharmaceutical, agro processing and petroleum related sectors are expected to perform better this year.