Annual Economic Review

2014

FirstBanC Research

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.

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Executive Summary

Ghana's economy in 2014 saw a slight improvement over 2013, although growth appears to have slowed down significantly. The Ghana Statistical Service recorded 5.1% growth in GDP in the third quarter. The fiscal and current deficit have both reduced slightly, and although targets are likely to be missed, they remain on a downward trajectory.

The energy crisis deepened over the year and had a significant effect on businesses and households. Rapid depreciation in the local currency resulting from speculation over the first eight months led to high inflation and increasing costs, especially in the industrial sector. However, the reduction in Ghana's import bill was the result of the adverse movement, which led consumers to shift away from expensive imported products. Inflation was also spurred on by Government's removal of subsidies on utilities and fuel in its attempts to cut down the fiscal deficit, and ended at 17% in December, from 13.8% recorded at the beginning of the year.

The Central Bank raised the policy rate three times during the year as part of efforts to reduce inflationary pressures and introduced foreign currency market regulations to control excessive speculation on the Cedi. Receipts of Grants and FDI fell again in 2014, resulting from Ghana's status as a low middle-income country. The banking sector has continued to grow, although the expansion has largely been in urban areas.

Going forward, we expect macroeconomic indicators to continue to improve as the Government consolidates its fiscal position. Inflation is likely to fall as the Cedi enjoys relative stability against the major trading currencies. However, the risks to Gold and Oil prices may dent any attempts at a quick recovery.

Equity

The equity market showed a poor performance in 2014, after its stellar act in 2013. The GSE Composite Index returned 5.4%, a significant drop from 78.8% in 2013. However, the Financial Stocks Index, which track the stock of all listed financial companies, performed better at 25.58% but fell significantly below 2013's return of 71.81%.

The Cedi's rapid depreciation, coupled with increasing rates on fixed income rates, led investors to shift away from the equity market. Trading volumes and value both declined in 2014, as total market cap grew slower than in 2013. The year also saw the listing of Mega African Capital, an investment firm, which is the first to trade on the Bourse.

In all, there were sixteen gainers and seventeen losers, with HFC and ACI earning 52.25% and -66.67% respectively to end the year as the best and worst performing stocks respectively.

Our outlook for 2015 is slightly optimistic due to reduced inflation and stability in the local currency. We consider financial stocks to hold strong potential, but also recognize the downside risks to manufacturing, pharmaceuticals and mining as a result of the energy situation.

Economic Review: Analysis and Outlook

Economic Growth

The economy faced a downturn in economic growth over the period 2014. Provisional data from the Ghana Statistical Service show a year-on-year growth of 5.1% for the third quarter 2014, compared with 4.6% for the same period in 2013. However, the Service also revised downwards its 2014 growth estimate of 6.9% in October, to 4.2% (7.3% in 2013). Furthermore, the Government has slashed its growth estimate for 2015 by more than a third to 3.9% for 2015.

Among the sectors, industry reported the strongest year-on-year growth at 8.1%, whereas Agriculture and Services grew by 4.4% and 3.5% respectively.

Power Crisis

The erratic supply of power continued throughout the year, despite a slight reprieve in August and later in December. The effect of this on industry has been tremendous, pushing up recurring energy costs and reducing productivity and output, especially for the mining and manufacturing sub-sectors.

Fiscal Position

Following double-digit fiscal deficits in 2012 (13.8%) and 2013 (10.8%), there was the urgent need by Government to reduce government expenditure and increase revenue receipts. Several developmental projects, with the exception of a few priority areas and donor-funded ones, were put on hold. The projected budget deficit 2014 was GH¢8.97 billion, which accounts for 8.5% of projected GDP. A revised budget approved in July raised the deficit to GH¢10.13 billion (8.8% of GDP).

As at September 2014, Total revenues amounted to GH¢17.67 billion, which is 15.4% of total GDP (projected: GH¢18.41 billion; 16% of GDP), including Domestic Revenue of GH¢16.93 billion (projected: GH¢17.63 billion) and total Grants amounting to GH¢742.63 million (projected: GH¢779.56 million). Revenue from taxation totaled GH¢13.39 billion as against a projected amount of GH¢13.90 billion. This was due to shortfalls in receipts from the taxation of income and property, as well as on domestic goods and services. However, the target for international trade taxes was beaten, as was expectations of receipts from SSNIT contributions.

The underperformance in revenue was matched by a larger shortfall in expenditure despite Government's commendable efforts at controlling the wage bill. Government paid GH¢7.59 billion (projected: GH¢8.09 billion) as compensation to employees over the nine months ending September and GH¢4.87 billion (projected: GH¢5.40 billion) in interest payments. Indeed, payments for workers' compensation, interest payments, subsidies, grants to Government units and capital expenditures all fell below the forecasted amounts. In addition to the use of goods and services, capital expenditure, subsidies and other items, total expenditure totaled GH¢20.99 billion (18.3% of GDP), as against a projected GH¢23.77 billion (20.7% of GDP).

The net fiscal balance for the period, including road and non-road arrears and tax refunds was a deficit of GH¢6.17 billion, accounting for 5.4% of GDP. This was financed with GH¢4.76 billion from domestic sources and GH¢2.60 billion from external sources. Due to heavy expenditure in the last quarter from interest payments and employee compensation, we expect the Government to miss its target.

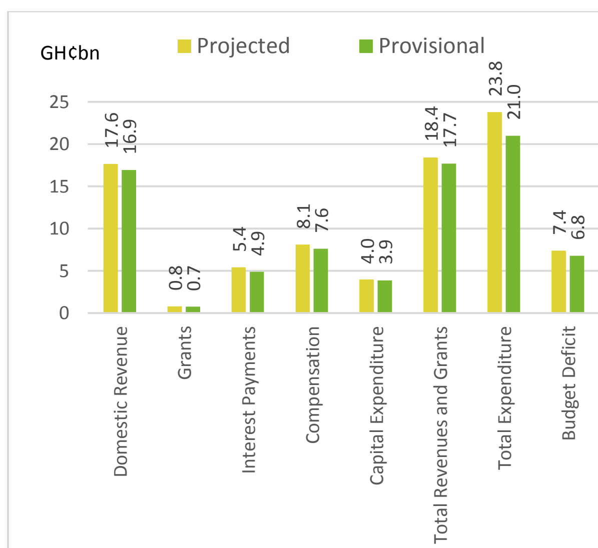

Figure 1.1: Sept. 2014 - Projected and Provisional Fiscal Position

Monetary Environment

Fixed Income Market

In responds to the hikes in the policy rate, the fixed income market saw rates trending upwards. The higher rates led to an increase in the volume of government of Ghana treasuries traded. The yield curve was more inverted than it was in 2013 with shorter term rates commanding higher interest rates than the longer tenures. Average treasury rates across all tenures was 22.31% compared to a 21.10% recorded in 2013.

Below is a table highlighting the annual average rates of the Government of Ghana treasuries for the year ended 2014.

GOG treasuries	Annual Average
91-day bill	24.00
182-day bill	23.48
1-year note	21.52
2-year note	21.89
3-year bond	23.95
5-year bond	19.04

Table 1: Annual averages of Government of Ghana treasuries

The yield on 91-day instruments ended 2014 at 25.80% as compared to 19.22% in 2013. The 182-day, 1-year, 2-year, 3-year and 5-yr securities for 2014 ended at 26.39%, 22.50%, 23.00%, 25.40% and 19.04 as compared to 18.66%, 17.00%, 16.80%, 18.00% and 19.04% respectively for 2013.

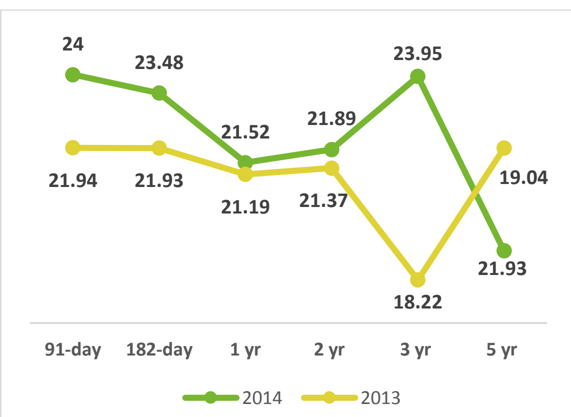

Figure 1.2: Yield Curve (%) – 2013/2014 Average

Interest in the fixed income market led to a 40% increase in the government of Ghana Treasuries from a low of GH¢26.40 billion to GH¢37.01 billion. In all there were 44 auctions in 2014 as compared to 52 in 2013. Fig 1.3 shows the amount offered and sold.

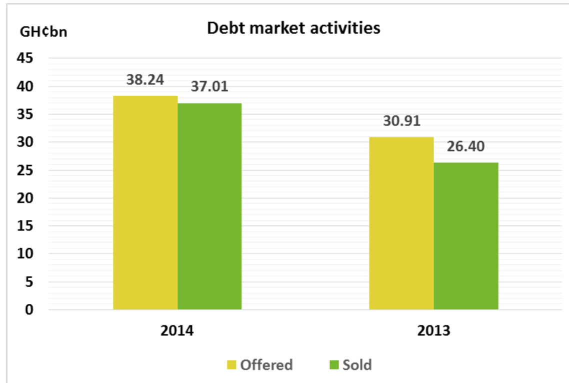

Fig 1.3: Fixed Income Tenders – 2013/2014

Eurobond

Ghana successfully issued its third Eurobond with a value of US$1bn at a coupon rate of 8.125%. The bond had special features and fully amortized for three year and set to mature at 2026.

The proceeds of the issue were to be used for two main purposes, the first US$750m for capital expenditure, refinancing of previous Eurobonds and part of counterpart funding requirements. The other US$250m was used as seed capital for the Ghana Infrastructure Investment Fund.

Exchange Rate Movements

The first six months of the year saw the local currency depreciate rapidly against the major trading currencies, including the Dollar, the Pound, the Euro and the Japanese Yen.

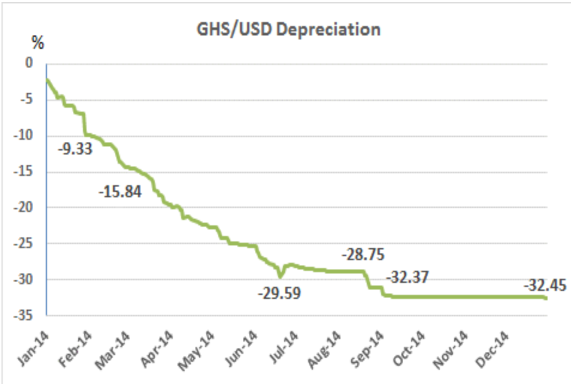

Fig 1.4: Ghana Cedi vs US Dollar – 2014 Depreciation

The Cedi depreciated rapidly against the dollar over the first six months and bottomed in June at -29.59%. The currency then remained around -28% range for two months as news of a US$1.7bn COCOBOD syndicated loan made the rounds. Later in August, however, the dollar strengthened globally on the back of strong economic growth and began to rise against the local currency; it continued to do so until the Cedi fell to -32.37% YTD in September, oscillated around -32% In October and November and ended the year at 32.45% below year open value.

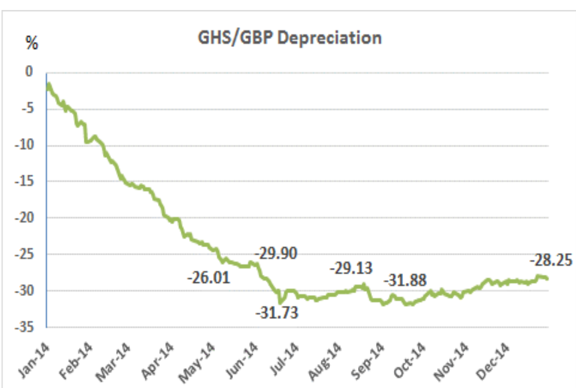

Fig 1.5: Ghana Cedi vs British Pound – 2014 Depreciation

The British Pound also performed strongly against the Cedi, rising steadily over the first six months apart from a slight one week dip at the end of May. The Cedi dropped sharply in June to -31.73%, then rose to -29.9% within a week. As a result of improved liquidity on the Ghanaian forex market, the Cedi continued in an upward trend until it reached -29.13% in August, then bounced off to hit the 2014 low of -31.88% in the second week of September. From then onwards, the Cedi climbed and ended the year at -28.25%.

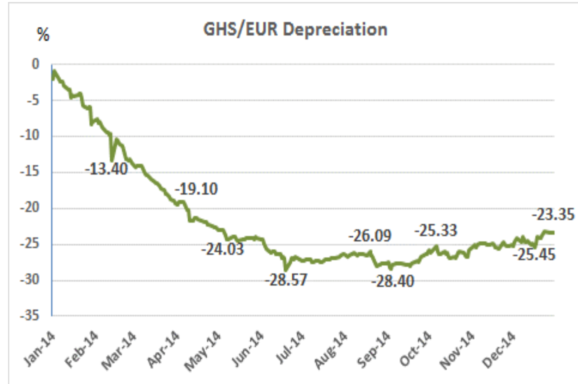

Fig 1.6: Ghana Cedi vs Euro – 2014 Depreciation

After a sharp drop in the first three months of 2014, the Cedi gained slightly against the Euro at the beginning of April as several countries in the Eurozone showed signs of stagnation. The Cedi dropped again in the second quarter, albeit at a slower rate and hit the 2014 low of -28.57% at the end of June. The local currency moved between -25% and -26% for the next two months before another sharp drop to -28.4% in early September. However, weak fundamentals in the Eurozone and fears of a Greek exit led to a downturn in the Euro's performance against the Cedi, which gradually rose against the Euro to end the year at -23.35% YTD.

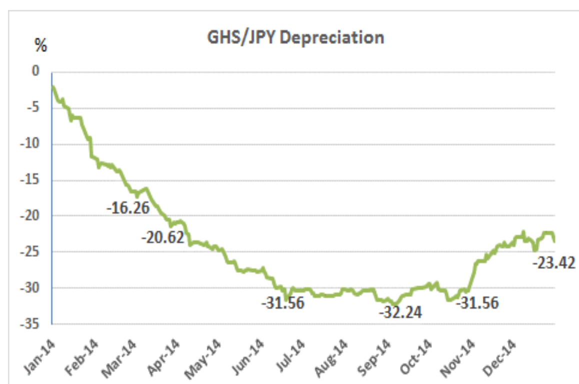

Fig 1.7: Japanese Yen Appreciation – 2014 YTD

Despite low trading volumes, the Japanese Yen saw a significant rise against the Cedi in 2014. After a steady decline over the first six months, the Cedi was at -31.56% by June on a year beginning basis. It continued to trade in that region before hitting a low at -32.34% in September. This was followed by a one-month gain that was quickly reversed in late October. After a final drop that ended at -31.56% YTD, the Cedi rose rapidly to close at -23.42% YTD.

Inflation

Year-on-year inflation started in January at 13.8% but climbed steadily to 17% by the end of November 2014. Contrary to economic theory, which views currency depreciation as a consequence of rapid inflation, inflation had rather risen rapidly over the first half of the year due to the depreciation of the local currency, as prices of imports (consumer goods and industrial inputs) soared.

Inflation was largely driven by non-food components, which rose from 18.9% in January to 19.2% in March and 20.3% in June. Housing, water, electricity and gas had risen by 53.6% in June, and transport inflation stood at 24.6% as at the middle of the year, after subsidies on fuel and utility prices were removed. Over the same period, food inflation fell to 7.9%, down from 8.2% in March 2014. At the end of June, overall inflation stood at 15%, as compared to 14.5% in March.

After the Cedi stabilized in the third quarter, food inflation declined to 5.8% in September and further to 6.6% as at November. Inflation in housing, water, electricity and gas rose to 63.5% in September but fell sharply to 36.2% in November; that of transport climbed to 27.1% and 30.2% in September and November respectively. The growth in non-food Inflation however slowed down, but rose to 24.1% in November. Overall year-on-year inflation ended November at 17%.

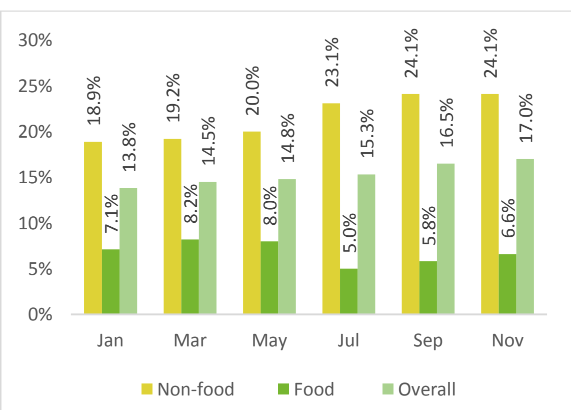

Figure 1.8: Inflation Trend: 2014 (Based on 2012 prices)

Policy Rate

In a bid to stem the rapid depreciation of the Cedi, the Bank of Ghana increased the policy rate from 16% to 18% in March. The Central Bank stated in its report that uncertainties in the short to medium-term, as well as weakened domestic fundamentals necessitated continued tight fiscal and monetary policies. As such, the decision to increase the policy rate by 200 basis points was in line with measures to reduce the country's vulnerability to shocks, re-anchor inflation expectations and sustain macroeconomic stability. At the time, the Cedi was also undergoing heavy speculative attacks, a situation which caused the Central Bank to introduce a new set of regulations to control foreign exchange trading and transfers.

After the MPC meetings in July, the Central Bank further increased the policy rate to 19%, raising concerns over continued risks to inflation. Finally, the policy rate was again revised upwards to 21% in November due to the upward shits in inflation and fiscal pressures. The interest rate corridor was set at 300 basis points around the policy rate (18% - 24%) and the cash reserve requirement was reduced to 10%, from 11%.

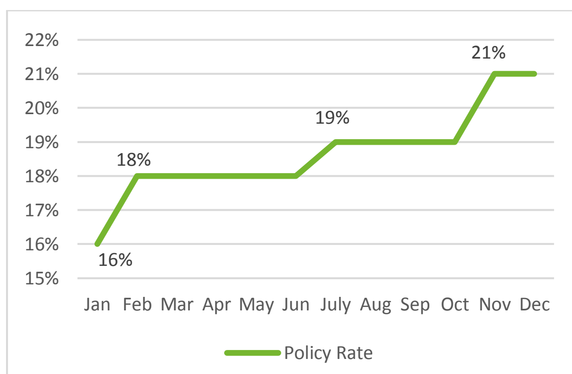

Figure 1.9: Policy Rate Trend: 2014

Commodities

A slump in commodity prices this year led to challenges for emerging economies such as Ghana, that are hugely dependent on exports of natural resources.

Oil (Brent Crude)

In 2014, Oil saw its biggest dip in several years after hitting five- year lows as a result of poor global economic outlook, weakening demand from China and the Eurozone, and fears of an oil glut.

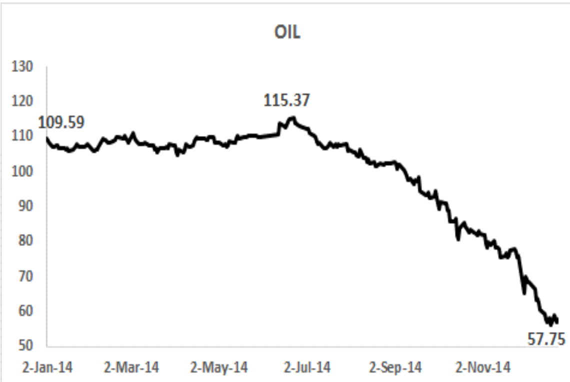

Figure 1.10: Oil Price (US$) per barrel – Jan to Dec 2014

Brent Crude began the year at US$109.59 per barrel and traded above $100 for the entire first half. After testing the $110 mark a few times in the first and second quarter, prices broke the ceiling in May and peaked at $115.37 on 23rd June. However, economic growth slowed down in China, Japan and the Eurozone as well as in several emerging economies such as Russia and Brazil. A decline in the growth of industrial production has signaled poor demand for oil in the short to medium term. Meanwhile, continually increasing production of US shale oil, which stood at 9 million barrels per day as at the end of 2014, raised fears of an oversupply and drove prices down to their lowest since 2008. Over the second half of the year, Brent Crude lost more than 40% of its year beginning value, and ended at $57.75 per barrel.

Gold

After a stellar performance in 2013, Gold experienced a downturn over the year 2014 as a result of an increasingly stronger dollar and significantly reduced fears of inflation in developed and emerging markets.

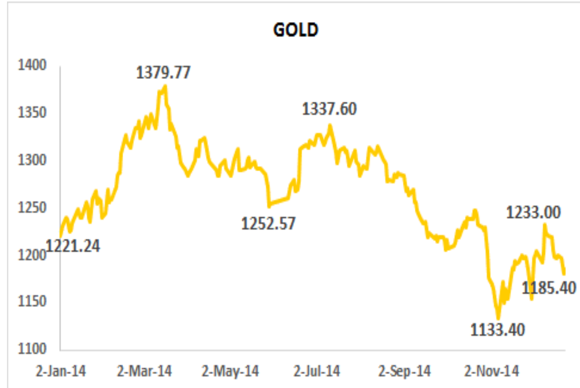

Figure 1.11: Gold Price (US$) per ounce – Jan to Dec 2014

The price for bullion started at US$1,221.24 per ounce and gained steadily as growth was reported in some Eurozone economies as well as in the US and the UK. In March, prices reached their highest point in 2014 at US$1,379.77. Despite a decline, gold remained above $1,290 for most of the first half, until fears about the implications of conflicts in Eastern Ukraine, Gaza and Iraq receded. As investors sold of their holdings, a stronger dollar had a negative effect on physical demand for bullion. Gold's position as a safe haven against inflation was made redundant as most of the developed world fell short of inflation targets. During a slow descent over the second half of the year, Gold dipped below $1,200 in October and rallied shortly in the second week of December on fears of a Greek exit from the Eurozone. The metal closed below its year-open price, at $1,185.40 per ounce, and with YTD of -1.38%.

Cocoa

Growing demand for chocolate, along with fears of a shortage resulting from the growing gap between demand and supply, boosted the price of cocoa, leading to highs that have not been seen since 2011.

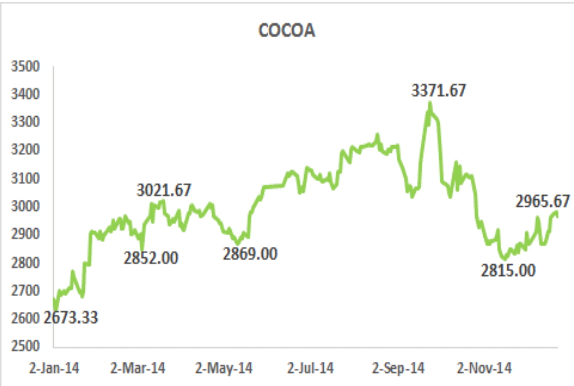

Figure 1.12: Cocoa Price (US$) per tonne – Jan to Dec 2014

Beginning at US$2,673.33 per metric tonne, the upward movement in the price for cocoa was supported by increasing demand for chocolate, especially by the rising middle class in Asia. The $3,000 mark was crossed for a short while in March and cocoa continued to trade above $2,900 until a heavy drop in May after Ghana and Cote D'ivoire announced high expectations of cocoa purchases (Ghana and Cote D'Ivoire account for 60% of global cocoa production). In June, however, fears that the Ebola outbreak would hit the two largest cocoa producing nations led to intermittent price surges that finally peaked at US$3,371.67 per tonne at the end of September. A rapid decline followed and the price of cocoa rallied for one last time in late November and December after the ICCO reported a potential shortage in 2015 and several chocolate producers announced increases in the prices of their products. The soft commodity ended at US$2,965.67 and YTD of 9.47%.

Outlook for 2015

Economy

The economy is expected to continue its recovery process even though we expect slow progress. The Cedi is likely to enjoy some stability against the major currencies, even though there is a fear of these gains being reversed if the current situation of fiscal and monetary discipline is not maintained, especially due to the pending elections in 2016. The fiscal deficit target may be marginally missed; the rate of rise in inflation has slowed and is expected to fall slightly in 2015 as the Cedi's stability imposes downward pressure on the price of imports. As the Bank of Ghana adjusts its policy in response to the economic environment, we expect that returns on fixed income instruments will stagnate or even fall.

The IMF is also expected to help significantly in cutting down Ghana's fiscal deficits, and to help the nation improve its current account position. The results of these actions may however be more evident in the long term.

Commodities

We expect oil to continue its downturn although at a slower rate. The low price is likely to put several oil exploration companies out of business, at which point the rout would be reversed. Gold is likely to remain fairly stable due to minimized risks of inflation across the globe, as well as the strong dollar. The rising demand for chocolate in Asia and the shortfall in 2014 cocoa harvests would see the soft commodity continue in an upward trend during 2015.

The stock market in action

Index Performance

The Ghana Stock Exchange Composite Index (GSE-CI), which serves as a measure for the performance of the equity market as a whole, showed a very dismal performance compared to 2013. The year 2014 saw the market rising up to 11.37% after the end of the first quarter, and then falling a little to 10.64%. The index went on to fall even further to 4.40% before rebounding slightly to end the year at 5.40% which was far lower than the 78.81% recorded in 2013 .

The Financial Composite Index (FSI), which measures the performance of the financial sector, told a far better story. By the end of the first quarter, the FSI had recorded a capital gain of 17.12%, which on the back of strong performance by financial stocks, increased to 19.69% by the end of the second quarter. The third quarter saw only a slight jump to a year-to-date gain of 20.57% and a 25.58% gain by the close of 2014. (2013: 71.81%).

The FirstBanC Index (FBI), our in-house index that tracks the equity market, followed the same trend as the general equity market, albeit with slightly reduced returns. The FBI posted an 11.20% gain in the first quarter of 2014 (2013: 43.83%), which shrunk to 9.40% in the second quarter and fell further to close 2014 at 3.03% (2013: 84.45%). Figure 2.1 below shows the performance of the GSE-CI, FBI and FSI for 2014.

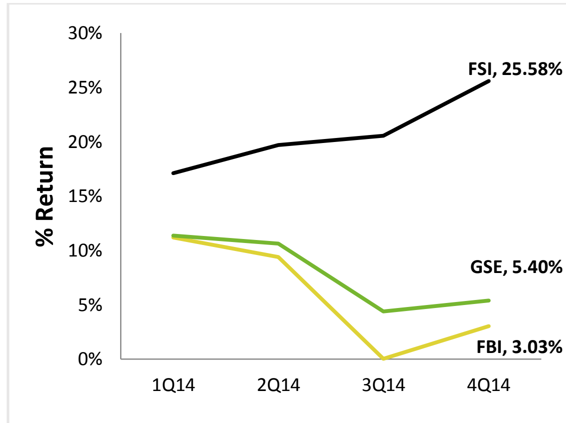

Figure 2.1: Performance of GSE-CI, FBI and FSI - 2014

Market Capitalization

Total market capitalization closed the year at GH¢64.35 billion, a 5.22% increase over the GH¢61.16 billion recorded in 2013. The increase in the capitalization can be attributed mainly to strong price performance by EBG, ETI, HFC and SCB and the listing of additional shares by ETI and SPL.

The greater part of the total market share is attributed to the Petroleum sector, which contributes about 51% of the market cap. The mining sector contributes about 25% to the total market cap, the financials have about 19% of the market cap whilst Food and Beverage Sector makes up 2.97% of the capitalization.

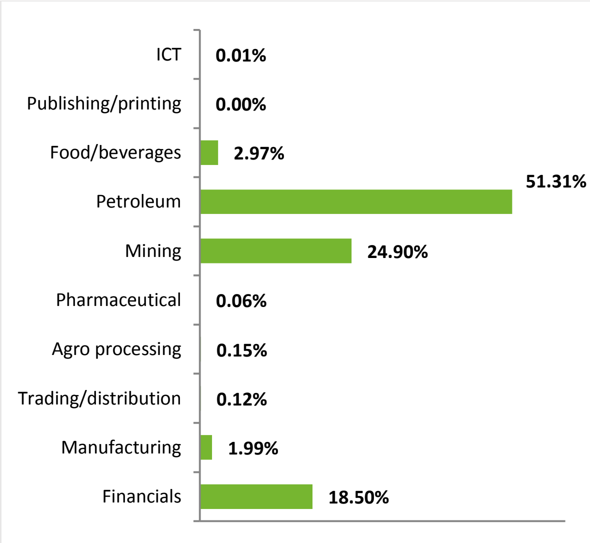

Figure 2.2: Market capitalization by sector - 2014

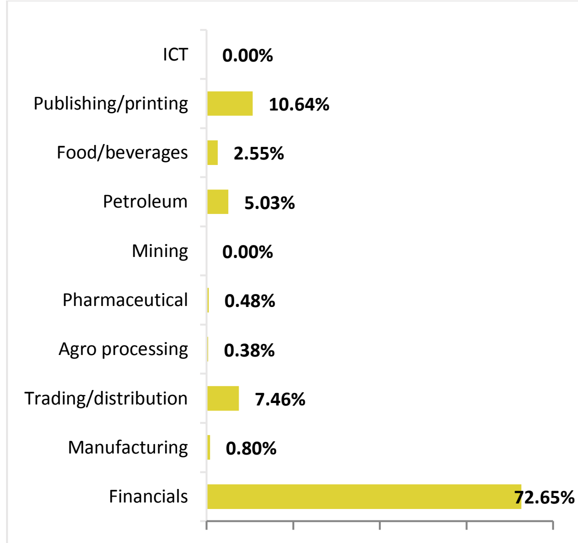

Figure 2.3: Volume traded by sector – 2014

Volume and Value traded

After an attractive equity market return of 78.81% in 2013, investors were not upbeat about stocks in 2014. This led to a 35.29% drop in the volume traded, to 207 million shares, compared to 312 million in 2013. The fall in volume traded could be attributed to investors shifting from equities to fixed income securities to protect gains from equities and take advantage of prevailing high interest rate on fixed income instrument, as well as the forex market to speculate on the continued depreciation of the cedi against the major trading currencies.

Thirty-three equities out of the thirty-eight listed equities saw trading during the year under review. Out of these, five (5) equities had no price changes, seventeen (17) equities witnessed a negative price change whilst sixteen (16) had positive price changes.

The demand for financial stocks was strong over the year, causing the sector to have the highest share of the total volume traded. The publishing/printing sector represented the second most traded sector on the exchange with 10.64% of the total volume; this was followed by the Trade and distribution sector (7.46%), Petroleum (5.03%) and Food and Beverage at 2.55% of the volume traded.

Financial stocks also emerged with the highest share of the value of trading for the year, due in part to the keen investor interest in the financial sector and an increase in the market prices of the stocks traded. The Food and Beverage sector had the second highest share of value traded (12.07%), followed by Petroleum with 6.26% of the total value and Manacturing representing 1.80%, whilst Trading and Distribution took 1.60% of the total value traded.

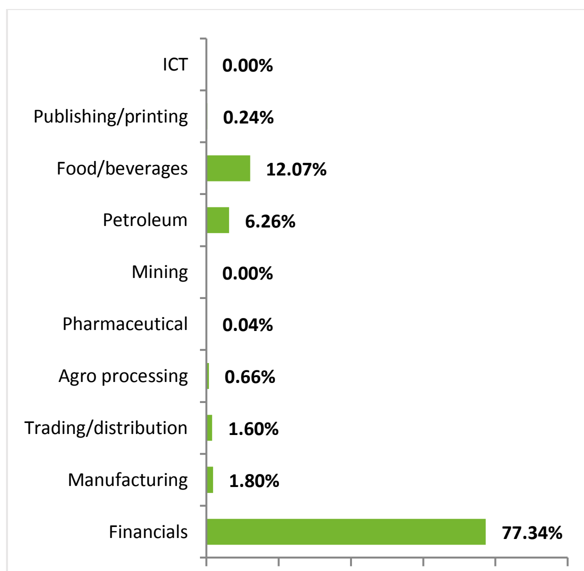

Figure 2.4: Value traded by sector - 2014

Market Movers

The year 2014 witnessed a dismal performance on the market as a whole with a capital gain of 5.40% on the index, as compared to 78.81% in 2013. Financial stocks however bucked the trend and posted a capital gain of 25.58%. Out of the thirty-eight equities listed on the Ghana Stock Exchange, sixteen recored capital gains for 2014, seventeen reported capital losses whilst five equities traded flat.

HFC, despite the controversy surrounding its take over by Republic Bank of Trinidad and Tobago(RBTT), emerged as the highest gainer for the year with a YTD of 56.25%. Investors holding HFC shares have given the strongest indication of the perceived value to be gained irrespective of the outcome of the takeover bid and due to the bank's strong fundamentals. ETI followed closely with a capital gain of 47.37% on the back of an impressive performance observed in the banking sector. Investors were also keen on MAC shares which were listed in April 2014 and saw a gain of 45.16%. Even though the price of Gold in the international market was relatively flat throughout the year, GLD, a gold exchange traded fund, posted a gain of 37.01% whilst SCB closed the year by adding 36.21% to its share value.

The energy and currency crises in 2014 led to very significant losses in the manufacturing sector of the capital market. This was due to increased operating expenses and cost of raw materials, which negatively affected their bottom line profits. ACI came out as the worst performer for 2014, shaving off 66.67% of its market price over the year. PZC followed closely with a 62.03% fall in its share price, ALW gave up 60.00% of its value, SPL shed half of its share price whilst GGBL witnessed a capital loss of 48.39%.

	TOP FIVE GAINERS (GH¢)		
TICKER	OPEN	CLOSE	GAIN (%)
HFC	0.96	1.50	56.25
ETI	0.19	0.28	47.37
MAC	3.10	4.50	45.16
GLD	26.13	35.80	37.01
SCB	14.94	20.35	36.21

Table 2: Top Five equity Gainers – 2014

	TOP FIVE LOSERS (GH¢)		
TICKER	OPEN	CLOSE	GAIN (%)
ACI	0.06	0.02	-66.67
PZC	0.79	0.30	-62.03
ALW	0.05	0.02	-60.00
SPL	0.04	0.02	-50.00
GGBL	6.20	3.20	-48.39

Table 3: Top Five Equity Losers– 2014

Significant Corporate Actions

ETI acquires Banco ProCredit Mozambique

ETI acquired a 96% stake in Banco ProCredit Mozambique which was previously held by ProCredit Holding and the DOEN Foundation, effective from May 20th 2014. Banco ProCredit Mozambique (BPM) is a development-oriented financial institution and part of the international ProCredit group. BPM has extensive experience in supporting very small, small and medium-sized enterprises. With the addition of BPM to the ETI group, the bank intends to consolidate its presence in the provision of loans to small and medium scale enterprises following its acquisition of The Trust Bank in Ghana in 2011.

ETI sees mass exit

ETI saw a number of resignations from its Board over the first half of this year. Mrs Laurence do Rego, the Group Executive Director for Finance and Risk, and Paulo Gomes, a non-executive director of the Board both resigned in January. In February, Isyaku Umar and Dr. Babatunde Ademola Ajibade both resigned, further adding to the chaotic situation in the Bank following the release of a report on an investigation by Nigeria's SEC into its activities.

Two IFC Managed Funds convert loans to ETI shares

Two funds managed by the IFC (a member of the World Bank Group), the IFC ALAC Holding Company II and the IFC Capitalization (Equity) Fund, exercised their option to subscribe for ETI shares with effective date of 1st July 2014. The convertible loans amounted to US$56,385,000 for the IFC Capitalization (Equity)

Fund and US$18,795,000 for the IFC ALAC Holding Company II which will convert to 628,742,514 and 209,580,838 ETI shares respectively. As a result, ETI issued 838,323,352 additional shares.

ETI appoints new CEO

Mr. Thierry Tanoh, the Group CEO of ETI departed from the company effective 12th March 2014. Mr. Tanoh assumed the post in January 2013.

The departing CEO was replaced by Mr. Albert Essien who was the Deputy CEO and Group Executive Director for Corporate and Investment Bank. Prior to becoming Deputy CEO, Mr Essien was the Regional Head for the Anglophone West Africa (excluding Nigeria) and Eastern and Southern Africa regions. Mr Essien came in when the Bank needed a firm stable hand to steer it through the turbulent corporate governance crises that had plagued the Bank.

AYRTN appoints new Director

Effective February 25, 2014, Mr Suriyapperuma Arachichige Punnyasena was appointed to the Board of ARYTN. Mr Punnyasena is the Director and General Manager of Wilmar Africa Limited and Ghana Speciality Fats Industries Limited. His addition to the Board was expected to improve decision making at AYRTN given his long experience in the manufacturing and financial industry.

George Otoo bows out- Keli Gadzekpo comes in

The Group Chief Executive of EGL, Mr. George Otoo, retired from the company at the end of May 2014. Mr. Otoo had been with the company for 32 years and served in various capacities before being appointed Managing Director of the company in 1999. Under his tenure, EGL underwent extensive re-engineering and expansion.

Mr. Keli Gadzekpo, who has served on the Board as a Non-Executive Director for 16 years took over from Mr. Otoo. Mr. Gadzekpo is the co-founder and Chief Executive of DataBank Financial Services. His long tenure on the Board of EGL will ensure a continuation of the strategic direction of the company and his experience in the investment banking industry will add value to the company.

Listing of Mega African Capital

Mega African Capital (MAC) Limited, a private investment company, listed on the Ghana Stock Exchange in April, making it the first investment company to be listed on the local bourse. The company, which is owned by Oak Partners Limited, listed 8.64 million shares worth nearly GH¢25 million.

Outlook for 2015

Fixed income

We expect the fixed income market to remain stable with only slight movement in the shorter end of the yield curve given the fact that market is currently experiencing very high interest rate. It is also not likely the Central Bank will increase its policy rate in the near future.

Equity

With stable inflation expected in 2015, returns on fixed income instruments should stagnate or even fall. Manufacturing companies that bore the brunt of the Cedi depreciation should also begin to recover slightly following stability in the local currency, even though the energy situation is far from being resolved. We remain pessimistic about the Manufacturing sector until the Government provides a clear strategy to tackle the current energy situation.

Financial stocks will continue to post good results even though the upward movement will be constrained by rising competition in the industry. Also, stability in the Cedi's value will slightly affect the currency trading income of Banks, which ballooned in 2014 as a result of increased exchange rate volatility..

Petroleum stocks will also look attractive in the coming year but their profitability will be slightly affected by the fall in crude prices. We do not expect the Trading, Pharmaceutical and Mining sectors to post positive returns due to an overhang of the currency depreciation and falling prices of crude and precious metals.

We remain somewhat slightly optimistic about the performance of the equity market as a whole and expect its performance to be only slightly better than the 5.40% it posted in 2014.