

MARKET OUTLOOK

Q4 2019 MARKET REVIEW AND Q1 2020 OUTLOOK

Q4 2019 Macro Recap

Economic Activity Marginally Lower

Trade policy uncertainty continued to weaken global economic growth. After increasing by 3.6% in 2018, the global economy is now projected to expand by 2.9% in 2019, 0.4% lower than its estimate in March according to the Organization for Economic Cooperation and Development (OECD).

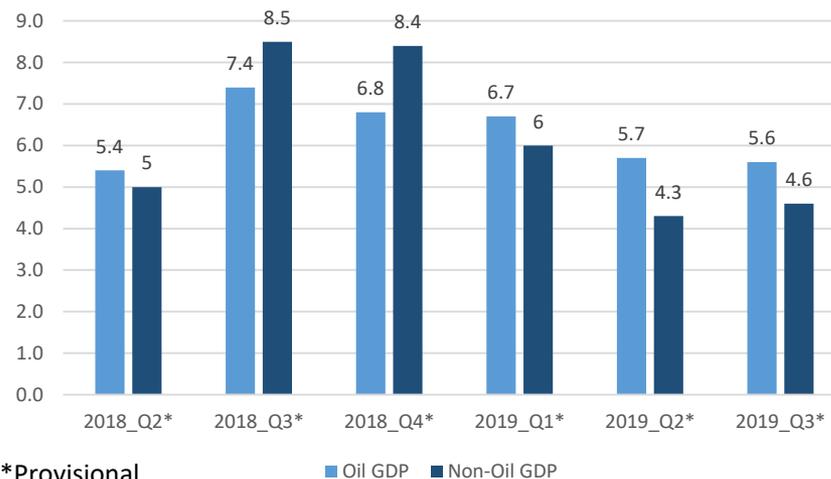
While GDP was positive in 2019, growth in Oil and Non-oil GDP slowed from 7.4% and 8.5% in Q3 2018 to 5.6% and 4.6%, respectively. The main sub-sectors that led growth were Information & Communication, Mining & Quarrying, Health & Social Work and Real Estate.

Economic activity strengthened as the Composite of Economic Activity (CIEA) increased from 1,845.9 in September 2018 to 2,009.7 in September 2019. The key drivers of economic activity during the period were private sector credit expansion, contributions to SSNIT by the private sector, port activity, exports, and domestic VAT.

Composite Index of Economic Activity (Year 2001 = 100)²



GDP Year-on-Year Change (%)



*Provisional

Confidence levels increased on a y-o-y basis. The consumer confidence index increased from 92.3 in Oct-2018 to 95.6 in Oct-2019 while the business consumer index increased from 95.1 in Oct-2018 to 99.6 in Oct-19. Inflation in December 2019 was below the midpoint of BoG's target of 6% - 10%. The year-on-year inflation rate as measured by the CPI was 7.9% in December 2019, up 0.1% from the 7.8% recorded in August 2019. BoG rebased the CPI this year, using 2018 as its base year.

Commodities have remained largely positive this year.

- **Cocoa:** Cocoa increased from \$2.29/kg in 2018 to \$2.34/kg in 2019.
- **Gold:** Gold prices advanced this year from \$1,269/tonne in December 2018 to \$1,392/tonne in 2019. International gold prices are up 9.69% this year.
- **Brent Crude Oil:** Oil dropped from US\$71.1 in 2018 to US\$64.0 in 2019 due to weak global demand.

Q4 2019 Stock Market Recap

Gainers and Losers

Equity	Open Price	Closing Price	Gain/Loss
Access Bank Ghana PLC	2.55	5.00	▲ 96.08%
Societe Generale Ghana Limited	0.62	0.72	▲ 16.13%
Standard Chartered Bank Gh. Ltd.	16.76	18.40	▲ 9.79%
Total Petroleum Ghana Ltd.	2.89	3.00	▲ 3.81%
GCB Bank Ltd.	4.92	5.10	▲ 3.66%
AngloGold Ashanti Depository Shares	0.40	0.41	▲ 2.50%
Republic Bank (Ghana) Ltd.	0.55	0.56	▲ 1.82%
Ecobank Ghana Ltd.	7.96	8.09	▲ 1.63%
Scancom PLC	0.69	0.70	▲ 1.45%
Unilever Ghana Ltd.	16.70	16.40	▼ -1.80%
PZ Cussons Ghana Ltd.	0.39	0.38	▼ -2.56%
Benso Oil Palm Plantation	2.96	2.86	▼ -3.38%
Guinness Ghana Breweries Ltd.	1.80	1.69	▼ -6.11%
Ecobank Transnational Inc.	0.09	0.08	▼ -11.11%
Enterprise Group Ltd.	1.90	1.65	▼ -13.16%
Ghana Oil Company Limited	2.00	1.70	▼ -15.00%
Fan Milk Ltd.	5.09	4.12	▼ -19.06%
SIC Insurance Company Ltd.	0.11	0.08	▼ -27.27%
Starwin Products Ltd.	0.03	0.02	▼ -33.33%

Stocks Closed Higher in Q4 2019 Due to Lower Valuations

In the early part of Q4 2019, prices declined but quickly accelerated at the latter end of the quarter as demand for companies with lower trading multiples picked up. The benchmark index advanced by 2.37% in Q4 2019 from 2,204.79 to 2,257.15 to close at a -12.25% year-to-date return. The expansion in the fourth quarter was driven by eight counters in the banking, petroleum marketing, telecom and mining sectors.

Performance was bullish in the financial and telecom sectors. Access Bank Ghana (+96.08%), Societe Generale Ghana (+16.13%), Standard Chartered Bank (+9.79%), GCB Bank Limited (+3.66%), Republic Bank Ghana (+1.82%) and Ecobank Ghana Limited (+1.63%) led gains in the GSE Financial Index, pushing the index up by 6.62% to close at 2,019.65 with a -6.23% year-to-date return.

The worst performers in the last quarter of 2019 were Starwin Products Limited (-33.33%), SIC Insurance Limited (-27.27%), Fan Milk Ghana Limited (-19.06%), GOIL Company Limited (-15.00%) and Enterprise Group Limited (-13.16%).

Total market capitalization increased by 0.96% due to gains in banks and MTNGH to settle at GH¢56.79 billion. Company valuations rose ahead of year end as investors bought into stocks with attractive trading multiples and sound fundamentals.

Trading activity declined in the fourth quarter due to an ETI block trade in the third quarter of 2019. A total of 76,452,885 shares valued at GH¢60.19 million changed hands in Q4 2019 compared to 3,615,260,213 shares valued at GH¢466.50 million at the end of Q3 2019.

Q3 2019 Market Performance

Indicator	Previous	Current	Change (%)	YTD (%)
GSE-CI	2,204.79	2,257.15	2.37%	-12.25%
GSE-FI	1,894.24	2,019.65	6.62%	-6.23%
Market Capitalization	GH¢56.25 billion	GH¢56.79 billion	0.96%	-7.11%

Q4 2019 Stock Market Recap

Index YTD Performance (%) - 2019



Note: The chart shows the performance of all indices monitored by SBL Research on the stock market. The YTD returns as at Dec 2019 are GSE-CI (-12.25%) and GSE-FI (-6.23%)

Q4 2019 Stock Market Recap

Company	Ticker	Year Open (GHC)	Open (GHC)	Close (GHC)	Change (GHC)	% Change	YTD Return %	Year High (GHC)	Year Low (GHC)	Dividend per share	Dividend Yield	Fwd PE and PB based on results for the period	BV/share	Forward PE	Price-to-Book	Shares Outs. (mn)	Mkt Cap (GHC mn)
Access Bank Ghana PLC	ACCESS	3.55	2.55	5.00	2.45	96.08%	40.85%	5.00	2.40	-	0.00%	9 mths 30/09/19	4.53	4.23	1.10	173.95	869.74
Agricultural Development Bank	ADB	5.95	5.06	5.06	-	0.00%	-14.96%	5.95	5.06	-	0.00%	9 mths 30/09/19	2.64	33.08	1.92	261.72	1,324.31
AngloGold Ashanti Ltd.	AGA	37.00	37.00	37.00	-	0.00%	0.00%	37.00	37.00	0.2931	0.79%	12 mths 31/12/18	31.69	20.97	1.17	409.71	15,159.30
Aluworks Limited	ALW	0.08	0.10	0.10	-	0.00%	25.00%	0.10	0.08	-	0.00%	9 mths 30/09/19	0.23	NM	0.43	236.69	23.67
Ayrton Drug Manufacturing Ltd.	AYRTN	0.07	0.08	0.08	-	0.00%	14.29%	0.08	0.07	-	0.00%	6 mths 31/12/18	0.09	NM	0.89	215.00	17.20
Benso Oil Palm Plantation	BOPP	5.09	2.96	2.86	(0.10)	-3.38%	-43.81%	5.09	2.86	0.0340	1.19%	9 mths 30/09/19	2.15	9.81	1.33	34.80	99.53
Cal Bank Ltd	CAL	0.98	0.89	0.89	-	0.00%	-9.18%	1.08	0.64	0.0480	5.39%	9 mths 30/09/19	1.43	3.09	0.62	626.59	557.66
Clydestone (Ghana) Ltd.	CLYD	0.03	0.03	0.03	-	0.00%	0.00%	0.03	0.03	-	0.00%	9 mths 30/09/19	0.03	4.42	1.08	34.00	1.02
Camelot Ghana Ltd.	CMLT	0.10	0.09	0.09	-	0.00%	-10.00%	0.10	0.09	-	0.00%	6 mths 30/06/19	0.38	NM	0.24	6.83	0.61
Cocoa Processing Co. Ltd.	CPC	0.02	0.02	0.02	-	0.00%	0.00%	0.02	0.02	-	0.00%	12 mths 30/09/19	NM	1.29	NM	2,038.07	40.76
Ecobank Ghana Ltd.	EGH	7.50	7.96	8.09	0.13	1.63%	7.87%	8.51	6.50	-	0.00%	9 mths 30/09/19	5.23	5.82	1.55	322.55	2,609.44
Enterprise Group Ltd.	EGL	2.24	1.90	1.65	(0.25)	-13.16%	-26.34%	2.31	1.60	0.0450	2.73%	9 mths 30/09/19	3.64	3.45	0.45	169.72	280.04
Ecobank Transnational Inc.	ETI	0.16	0.09	0.08	(0.01)	-11.11%	-50.00%	0.18	0.08	-	0.00%	9 mths 30/09/19	0.40	1.29	0.20	24,067.75	1,925.42
Fan Milk Ltd.	FML	8.00	5.09	4.12	(0.97)	-19.06%	-48.50%	8.01	4.12	-	0.00%	9 mths 30/09/19	2.18	18.67	1.89	116.21	478.77
GCB Bank Ltd.	GCB	4.60	4.92	5.10	0.18	3.66%	10.87%	5.10	3.50	0.3000	5.88%	9 mths 30/09/19	6.02	4.44	0.85	265.00	1,351.50
Guinness Ghana Breweries Ltd.	GGBL	2.18	1.80	1.69	(0.11)	-6.11%	-22.48%	2.20	1.69	0.0293	1.73%	3 mths 30/09/19	0.96	NM	1.77	307.59	519.84
Ghana Oil Company Limited	GOIL	3.12	2.00	1.70	(0.30)	-15.00%	-45.51%	3.12	1.66	0.0420	2.47%	9 mths 30/09/19	1.37	5.14	1.24	391.86	666.17
Golden Star Resources Ltd.	GSR	9.50	9.50	9.50	-	0.00%	0.00%	9.50	9.50	-	0.00%	9 mths 30/09/19	3.77	NM	2.52	51.94	493.43
Mega African Capital Ltd	MAC	5.98	5.98	5.98	-	0.00%	0.00%	5.98	5.98	-	0.00%	9 mths 30/09/19	6.52	10.05	0.92	9.95	59.49
Mechanical Lloyd Plc	MLC	0.10	0.09	0.09	-	0.00%	-10.00%	0.10	0.09	-	0.00%	9 mths 30/09/19	0.55	NM	0.16	50.10	4.51
Scancom PLC	MTNGH	0.79	0.69	0.70	0.01	1.45%	-11.39%	0.80	0.67	0.0500	7.14%	9 mths 30/09/19	0.20	9.37	3.46	12,290.47	8,603.33
PBC Ltd.	PBC	0.04	0.03	0.03	-	0.00%	-25.00%	0.04	0.03	-	0.00%	9 mths 30/06/18	0.16	NM	0.19	480.00	14.40
PZ Cussons Ghana Ltd.	PZC	0.41	0.39	0.38	(0.01)	-2.56%	-7.32%	0.41	0.39	-	0.00%	3 mths 31/08/19	0.44	NM	0.87	168.00	63.84
Republic Bank (Ghana) Ltd.	RBGH	0.69	0.55	0.56	0.01	1.82%	-18.84%	0.72	0.48	-	0.00%	9 mths 30/09/19	0.66	5.97	0.85	851.97	477.10
Standard Chartered Bank Gh. Ltd.	SCB	21.00	16.76	18.40	1.64	9.79%	-12.38%	21.44	13.00	1.0400	5.65%	9 mths 30/09/19	8.23	9.18	2.24	134.76	2,479.56
SIC Insurance Company Ltd.	SIC	0.19	0.11	0.08	(0.03)	-27.27%	-57.89%	0.25	0.08	-	0.00%	9 mths 30/09/19	1.50	8.49	0.05	195.65	15.65
Starwin Products Ltd.	SPL	0.02	0.03	0.02	(0.01)	-33.33%	0.00%	0.04	0.02	-	0.00%	9 mths 30/09/19	0.06	4.65	0.35	259.81	5.20
Societe Generale Ghana Limited	SOGEGH	0.75	0.62	0.72	0.10	16.13%	-4.00%	0.98	0.57	0.0400	5.56%	9 mths 30/09/19	1.07	4.64	0.68	709.14	510.58
Sam Woode Ltd.	SWL	0.05	0.05	0.05	-	0.00%	0.00%	0.05	0.05	-	0.00%	9 mths 30/09/19	NM	NM	NM	21.83	1.09
Trust Bank Gambia Ltd	TBL	0.23	0.40	0.40	-	0.00%	73.91%	0.40	0.12	-	0.00%	6 mths 30/06/19	0.40	5.87	0.99	200.00	80.00
Total Petroleum Ghana Ltd.	TOTAL	3.40	2.89	3.00	0.11	3.81%	-11.76%	5.10	2.82	0.0768	2.56%	9 mths 30/09/19	2.05	5.22	1.46	111.87	335.62
Tullow Oil Plc	TLW	11.94	11.94	11.94	-	0.00%	0.00%	11.94	11.94	0.9257	7.75%	12 mths 31/12/18	10.15	39.85	1.18	1,373.89	16,404.24
Unilever Ghana Ltd.	UNIL	17.78	16.70	16.40	(0.30)	-1.80%	-7.76%	17.78	16.40	0.8000	4.88%	9 mths 30/09/19	3.14	NM	5.22	62.50	1,025.00
Depository shares																	
AngloGold Ashanti Depository Shares	AADS	0.41	0.40	0.41	0.01	2.50%	0.00%	0.41	0.40	0.0029	0.71%	12 mths 31/12/18	-	NM	NM	97.89	40.13
Preference Shares																	
Standard Chartered Bank Pref. Shares	SCB PREF	1.00	0.86	0.86	-	0.00%	-14.00%	1.00	0.85	0.0471	5.48%	-	-	NM	NM	17.48	15.03
Exchange Tradeable Funds(ETFs)																	
NewGold	GLD	54.00	54.00	54.00	-	0.00%	0.00%	54.00	54.00	-	0.00%	FYR 31/12/16	-	3.21	NM	0.40	21.60
Ghana Alternative Market (GAX)																	
Samba Foods Limited	SAMBA	0.65	0.55	0.55	-	0.00%	-15.38%	0.65	0.55	-	0.00%	6 mths 30/06/19	0.43	NM	1.28	5.98	3.29
Meridian Marshalls Holding Company	MMH	0.11	0.11	0.11	-	0.00%	0.00%	0.11	0.11	-	0.00%	6 mths 31/01/19	0.04	NM	3.05	96.08	10.57
Hords Ltd	HORDS	0.10	0.10	0.10	-	0.00%	0.00%	0.10	0.10	-	0.00%	6 mths 30/06/19	0.04	39.16	2.67	114.95	11.49
Intravenous Infusions Limited	IIL	0.08	0.05	0.05	-	0.00%	-37.50%	0.08	0.05	0.0038	7.68%	6 mths 30/06/19	0.06	5.04	0.81	258.82	12.94
Digicut Production & Advertising Ltd	DIGICUT	0.09	0.09	0.09	-	0.00%	0.00%	0.09	0.09	-	-	9 mths 30/09/19	0.03	NM	2.74	118.89	10.70
Total																	56,623.79

Q4 2019 Fixed Income Market Recap

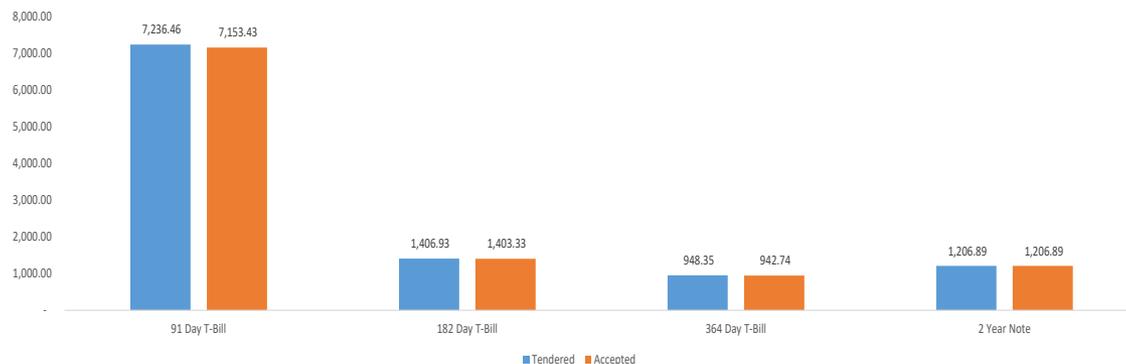
Fixed Income Market Highlights

- **Primary Market**
- Since the 100 bps reduction in the MPR in January 2019, the MPC has maintained the policy rate at 16.0%, discontinuing the easing cycle due to risks to the inflation outlook, risks from the banking turbulence and fiscal slippage.
- The y-o-y inflation rate, measured by the CPI was 7.9% in December 2019, down by 0.3% from the 8.2% recorded in November 2019
- GoG raised 93.94% of its target of GH¢10,112 million in Q4 2019, compared to 90.79% of its target in Q3 2019. A total of GH¢7,153 million was raised in 91 day bills, GH¢1,403 million in 182 day bills, GH¢943 million in 364 day bills and GH¢1,207 million in 2 year notes.
- The yield on the 91 day bill increased by 1 bps to 14.70% while the 364 day bill weakened by 2 bps to 17.90%. 182 day bill remained at 15.15%.
- **Secondary Market**
- A total of 32,564 trades valued at GH¢20,168 million exchanged hands in Q4 2019, compared with 33,719 trades valued at GH¢14.46 billion in Q3 2019.
- Activity was concentrated in the medium term (2-10 years), accounting for 51.69% of trades while securities in the short term (below 2 years) accounted for 39.96% of trades in Q4 2019

Summary of Trades for 2019

Month	Trades	Bloomberg (GH¢)	CSD (GH¢)
October	10,865	656,267,000	5,613,314,272
November	10,925	453,367,000	5,845,862,422
December	10,774	1,721,110,000	5,878,541,793

Weekly Auctions for Oct - Dec, 2019 (GH¢ mn)

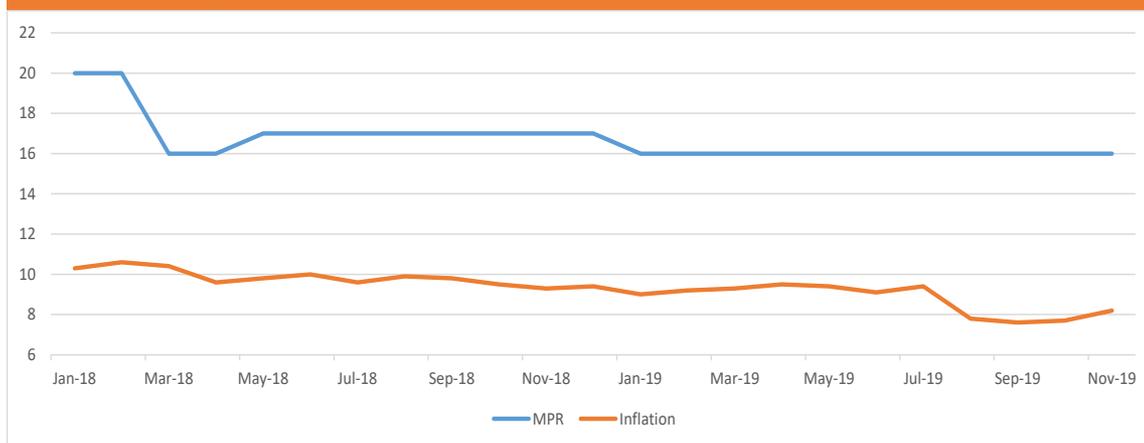


Issuance Calendar for November to December 2019 (GH¢ mn)

	91 Day	182 Day	1 Year	2 Year	3 Year	5 Year	7 Year	20 Year	Total
Nov-19	1,650.00	500.00	300.00	1,500.00	-	700.00	-	287.87 *	4,937.87
Dec-19	2,750.00	400.00	350.00	1,068.00	800.00	-	-	-	5,368.00
Total	4,400.00	900.00	650.00	2,568.00	800.00	700.00	-	287.87 *	10,305.87

* The 20-year bond is a shelf offering and will be re-opened based on investors request

MPR & Inflation (%): Jan 2018 – Nov 2019



Q4 2019 FX Market Recap

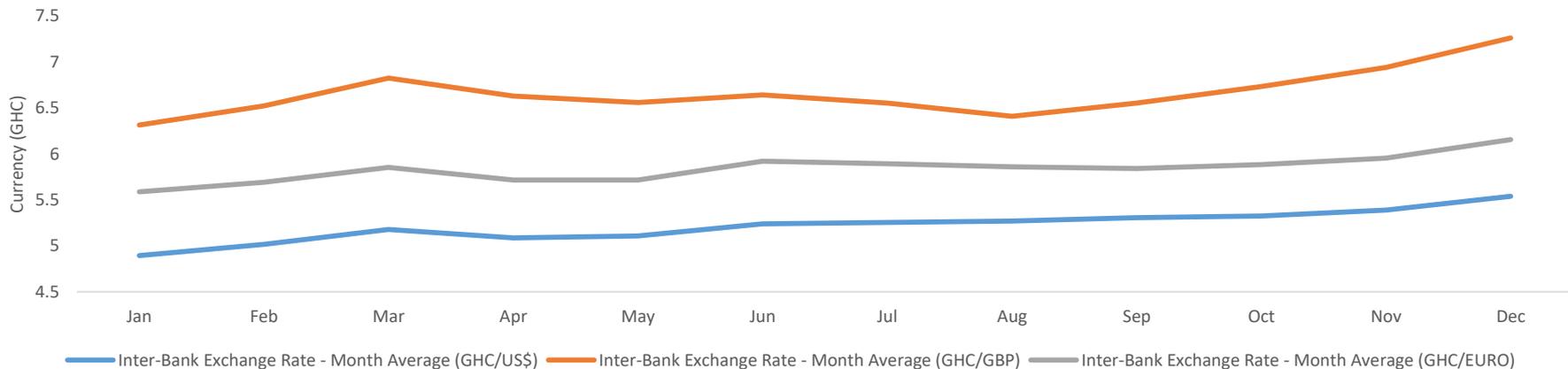
Foreign Exchange Highlights

- The cedi recorded a sharp decline against major currencies in Q4 2019 due to fiscal concerns in 2020, an election year and speculation ahead of the repatriation of income to multinationals in Q1 2020. The year-to-date depreciation on the dollar, pound and euro was -12.90%, -15.65% and -11.24%, respectively.
- Bank of Ghana's foreign exchange forward auctions did not meet demand in any round, as demand continued to outpace supply.
- The introduction of the fiscal responsibility act places a 5% cap on the fiscal deficit but historical trends have affected the perception of fiscal discipline.
- Gross International Reserves declined to USD\$8.09 billion in Oct 2019 from USD\$8.23 billion in Aug 2019. The Gross Import Cover also declined to 3.9 months from 4.1 months.

External Sector Developments



Monthly Exchange Rates Indicators (Jan – Dec 2019)



Q1 2020 Equity & Fixed Income Outlook

Q1 2020 Outlook

Fx

Government is working to issue a US\$3 billion Eurobond in Q1 2020 to aid in the stabilization of the cedi in the first quarter and bridge the deficit between its revenue and expenditure in 2020. We expect the inflow of fx to help stabilize the cedi's depreciation and volatility against the major trading currencies in the short term.

Fixed Income

Yields in the fixed income market are expected to increase as fiscal concerns continue and the cedi experiences volatility in January 2020 ahead of the Eurobond issuance. We expect demand to be concentrated at the medium end of the yield curve.

Equity

We expect prices in the stock market to pick up as investors buy into high dividend paying stocks to take advantage of attractive yields. Due to the drop in prices in the last two years, we also expect investors to target companies trading at low multiples compared to peers. Consequently, we are bullish on high dividend paying stocks trading at low multiples in the banking, telecom and petroleum marketing sectors.

2020 Overall Macroeconomic Targets

