

MARKET OUTLOOK

Q3 2019 MARKET REVIEW AND Q4 2019 OUTLOOK

Q3 2019 Macro Recap

Economic Activity Marginally Lower

Global economic growth remained largely subdued due to trade tensions, brexit and geopolitical issues. These led to a growing appetite in fixed income securities, pushing debt to negative yields. According to the IMF, global growth is forecast at 3% in 2019, picking up to 3.4% in 2020.

Domestically, growth has remained positive. Ghana's provisional Real Gross Domestic Product (GDP) in volume terms was estimated to have increased to 5.7% in Q2 2019. When seasonally adjusted, Real GDP was 1.4% in Q2 2019; down from 1.6% in Q1 2019. The main sub-sectors driving growth in the April to June 2019 GDP were Information & Communication, Mining & Quarrying, Health & Social Work and Real Estate.

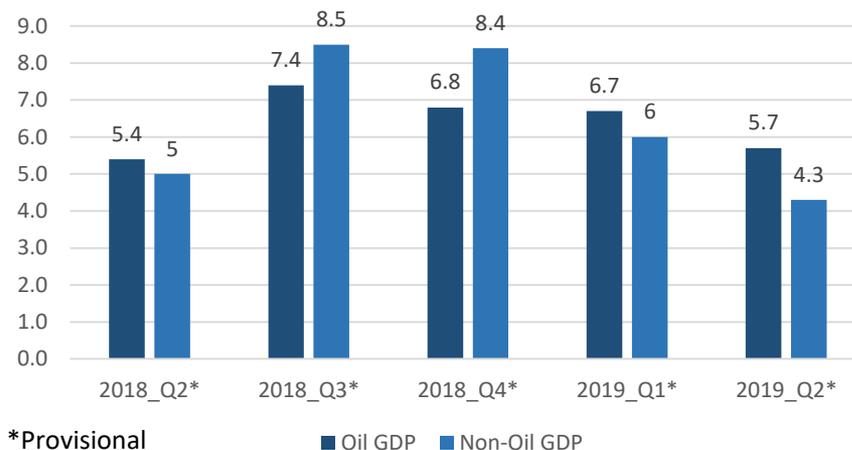
There was a weakness in economic activity in July 2019. The Composite of Economic Activity recorded an annual real decline from 4.3% in July 2018 to 2.1% in July 2019. The key drivers of economic activity during the period were private sector credit expansion, contributions to SSNIT by the private sector, port activity, exports, and domestic VAT.

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



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GDP Year-on-Year Change (%)



*Provisional

Confidence surveys by the BoG show that on a y-o-y basis, business and consumer confidence declined in Aug-19. The consumer confidence index declined from 98.1 in Aug-18 to 96.0 in Aug-19 while the business confidence index declined from 99.9 in Aug-18 to 98.1 in Aug-19.

Government's disinflation process was inline with target as inflation declined from 9.1% in June 2019 to 7.6% in Sept-19. The slowdown in inflation is largely due to the non-food group. MPR remained unchanged at 16% all year.

Commodities have remained largely positive this year.

- **Cocoa:** International cocoa prices declined by 0.8% YTD.
- **Gold:** Gold prices advanced this year from \$1,251.1/tonne in December 2018 to \$1,501.0/tonne in August 2019. International gold prices are up 20.0% this year.
- **Brent Crude Oil:** Prices rose in Q2 2019 due to geopolitical issues but declined to a 3.1% YTD return due to weak global demand.

Q3 2019 Stock Market Recap

Gainers and Losers

Equity	Open Price	Closing Price		Gain/Loss
Trust Bank Gambia Ltd	0.12	0.40	↑	233.33%
Starwin Products Ltd.	0.02	0.03	↑	50.00%
Aluworks Limited	0.09	0.10	↑	11.11%
Fan Milk Ltd.	5.00	5.09	↑	1.80%
GCB Bank Ltd.	4.93	4.92	↓	-0.20%
PZ Cussons Ghana Ltd.	0.40	0.39	↓	-2.50%
Unilever Ghana Ltd.	17.65	16.70	↓	-5.38%
Scancom PLC	0.73	0.69	↓	-5.48%
Ecobank Ghana Ltd.	8.49	7.96	↓	-6.24%
Ghana Oil Company Limited	2.20	2.00	↓	-9.09%
Enterprise Group Ltd.	2.10	1.90	↓	-9.52%
Camelot Ghana Ltd.	0.10	0.09	↓	-10.00%
Standard Chartered Bank Gh. Ltd.	19.02	16.76	↓	-11.88%
Cal Bank Ltd	1.04	0.89	↓	-14.42%
Republic Bank (Ghana) Ltd.	0.65	0.55	↓	-15.38%
Samba Foods Limited	0.65	0.55	↓	-15.38%
Benso Oil Palm Plantation	3.50	2.96	↓	-15.43%
Societe Generale Ghana Limited	0.75	0.62	↓	-17.33%
Guinness Ghana Breweries Ltd.	2.18	1.80	↓	-17.43%
Access Bank Ghana PLC	3.40	2.55	↓	-25.00%
Ecobank Transnational Inc.	0.12	0.09	↓	-25.00%
Total Petroleum Ghana Ltd.	4.00	2.89	↓	-27.75%
Intravenous Infusions Limited	0.07	0.05	↓	-28.57%

Stocks Closed at a New Year Low

The stock market has underperformed this year, backing a rally in safe assets. Due to ongoing concerns of the growth outlook and volatility from speculators, the benchmark index declined by 7.93% in Q3 2019 to close at a new year low of 2,204.79 with a -14.28% YTD return.

Financial and telecom stocks led the decline in the benchmark index. Financial stocks as measured by the GSE-FI declined by 9.37% in Q3 2019, on the back of losses in eight counters in the banking and insurance sectors to close at 1,894.24 with a -12.05% year-to-date return while MTN Ghana declined by 5.48%.

The top performers in the third quarter were Trust Bank Gambia Limited (+23.33%), Starwin Products Limited (+50.00%), Aluworks Limited (+11.11%) and Fan Milk Ghana Limited (+1.80%).

Total market capitalization dropped by 4.22% due to losses in large caps, MTN Ghana (-5.48%), Ecobank Transnational Incorporated (-25.00%) and Standard Chartered Bank (-11.88%) to GH¢56.25 billion. The continuous drop in equity prices pushed company valuations lower as multiples dropped to 3 year lows. News of the collapse of some savings and loans institutions delayed the recovery of the market as investors remained skeptical of overall economic growth.

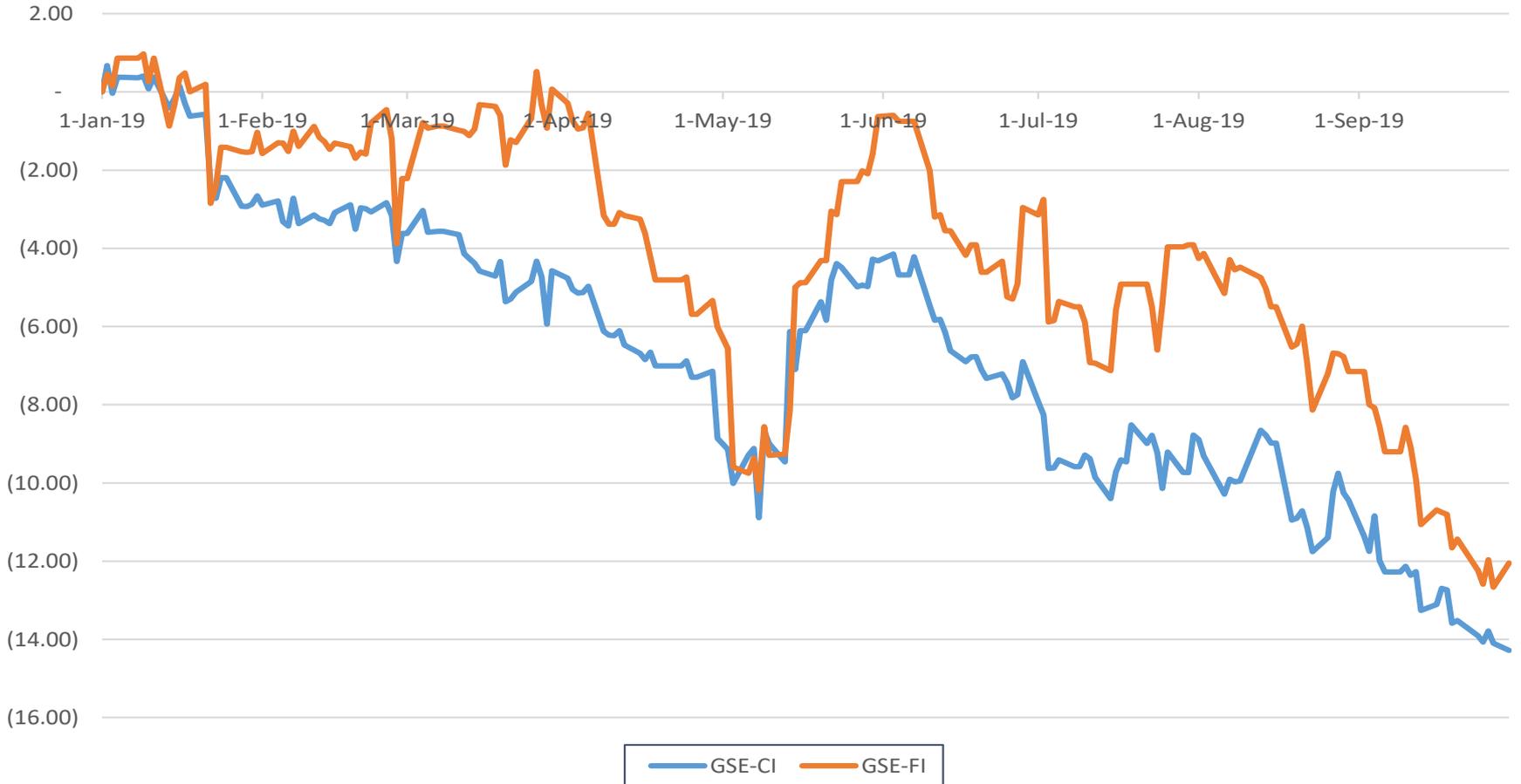
Trading value was largely close to 2018 levels. Total volume traded from Jan – Sept 2019 was 3,741,439,252 shares compared with 168,849,948 shares from Jan – Sept 2018 translating to a total value traded of GH¢563,170,974.10 for Jan - Sept 2019 and GH¢584,802,152.27 for Jan – Sept 2018 .

Q3 2019 Market Performance

Indicator	Previous	Current	Change (%)	YTD (%)
GSE-CI	2,394.82	2,204.79	-7.93%	-14.28%
GSE-FI	2,089.99	1,894.24	-9.37%	-12.05%
Market Capitalization	GH¢58.73 billion	GH¢56.25 billion	-4.22%	-7.99%

Q3 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 Sept 2019 are GSE-CI (-14.28%) and GSE-FI (-12.05%)

Q3 2019 Stock Market Recap

Company	Ticker	Year Open	Open	Close	Change	YTD Return		Year High	Year Low	Dividend	Dividend	Fwd PE and PB based on			Forward		Price-to-	Shares Outs.	Mkt Cap
		(GHC)	(GHC)	(GHC)	(GHC)	% Change	%	(GHC)	(GHC)	per share	Yield	results for the period	BV/share	PE	Book	(mn)	(GHC mn)		
Access Bank Ghana PLC	ACCESS	3.55	3.40	2.55	(0.85)	-25.00%	-28.17%	4.00	2.55	-	0.00%	6 mths 30/06/19	4.28	1.99	0.60	173.95	443.57		
Agricultural Development Bank	ADB	5.95	5.06	5.06	-	0.00%	-14.96%	5.95	5.06	-	0.00%	6 mths 30/06/19	2.62	26.36	1.93	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	0.09	0.10	0.01	11.11%	25.00%	0.10	0.08	-	0.00%	9 mths 30/09/18	0.12	NM	0.82	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	3.50	2.96	(0.54)	-15.43%	-41.85%	5.09	2.95	0.0340	1.15%	6 mths 30/06/19	2.11	8.28	1.40	34.80	103.01		
Cal Bank Ltd	CAL	0.98	1.04	0.89	(0.15)	-14.42%	-9.18%	1.08	0.80	0.0480	5.39%	6 mths 30/06/19	1.35	3.26	0.66	626.59	557.66		
Clydestone (Ghana) Ltd.	CLYD	0.03	0.03	0.03	-	0.00%	0.00%	0.03	0.03	-	0.00%	6 mths 30/06/19	0.02	4.38	1.25	34.00	1.02		
Camelot Ghana Ltd.	CMLT	0.10	0.10	0.09	(0.01)	-10.00%	-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%	6 mths 31/03/19	(0.10)	NM	NM	2,038.07	40.76		
Ecobank Ghana Ltd.	EGH	7.50	8.49	7.96	(0.53)	-6.24%	6.13%	8.51	6.50	-	0.00%	6 mths 30/06/19	4.82	5.95	1.65	322.55	2,567.51		
Enterprise Group Ltd.	EGL	2.24	2.10	1.90	(0.20)	-9.52%	-15.18%	2.31	1.70	0.0450	2.37%	6 mths 30/06/19	3.52	5.17	0.54	169.72	322.47		
Ecobank Transnational Inc.	ETI	0.16	0.12	0.09	(0.03)	-25.00%	-43.75%	0.18	0.09	-	0.00%	3 mths 31/03/19	0.38	1.27	0.24	24,067.75	2,166.10		
Fan Milk Ltd.	FML	8.00	5.00	5.09	0.09	1.80%	-36.38%	8.01	4.48	-	0.00%	6 mths 30/06/19	2.11	27.97	2.41	116.21	591.50		
GCB Bank Ltd.	GCB	4.60	4.93	4.92	(0.01)	-0.20%	6.96%	5.10	3.50	0.3000	6.10%	6 mths 30/06/19	5.66	4.95	0.87	265.00	1,303.80		
Guinness Ghana Breweries Ltd.	GGBL	2.18	2.18	1.80	(0.38)	-17.43%	-17.43%	2.20	1.80	0.0293	1.63%	9 mths 31/03/19	0.93	307.37	1.94	307.59	553.67		
Ghana Oil Company Limited	GOIL	3.12	2.20	2.00	(0.20)	-9.09%	-35.90%	3.12	2.00	0.0420	2.10%	6 mths 30/06/19	1.28	6.08	1.56	391.86	783.73		
Golden Star Resources Ltd.	GSR	9.50	9.50	9.50	-	0.00%	0.00%	9.50	9.50	-	0.00%	3 mths 31/03/19	3.90	NM	2.44	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%	6 mths 30/06/19	6.70	4.74	0.89	9.95	59.49		
Mechanical Lloyd Plc	MLC	0.10	0.09	0.09	-	0.00%	-10.00%	0.10	0.09	-	0.00%	6 mths 30/06/19	0.58	NM	0.15	50.10	4.51		
Scancom PLC	MTNGH	0.79	0.73	0.69	(0.04)	-5.48%	-12.66%	0.80	0.67	0.0500	7.25%	6 mths 30/06/19	0.20	9.37	3.40	12,290.47	8,480.43		
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	0.40	0.39	(0.01)	-2.50%	-4.88%	0.41	0.39	-	0.00%	12 mths 31/05/18	0.13	10.11	2.99	168.00	65.52		
Republic Bank (Ghana) Ltd.	RBGH	0.69	0.65	0.55	(0.10)	-15.38%	-20.29%	0.72	0.55	-	0.00%	6 mths 30/06/19	0.62	5.96	0.89	851.97	468.58		
Standard Chartered Bank Gh. Ltd.	SCB	21.00	19.02	16.76	(2.26)	-11.88%	-20.19%	21.44	16.75	1.0400	6.21%	6 mths 30/06/19	7.72	8.49	2.17	134.76	2,258.55		
SIC Insurance Company Ltd.	SIC	0.19	0.11	0.11	-	0.00%	-42.11%	0.25	0.10	-	0.00%	6 mths 30/06/19	1.50	16.63	0.07	195.65	21.52		
Starwin Products Ltd.	SPL	0.02	0.02	0.03	0.01	50.00%	50.00%	0.04	0.02	-	0.00%	3 mths 31/03/19	0.05	NM	0.58	259.81	7.79		
Societe Generale Ghana Limited	SOEGEH	0.75	0.75	0.62	(0.13)	-17.33%	-17.33%	0.98	0.62	0.0400	6.45%	6 mths 30/06/19	1.02	4.59	0.61	709.14	439.67		
Sam Woode Ltd.	SWL	0.05	0.05	0.05	-	0.00%	0.00%	0.05	0.05	-	0.00%	6 mths 30/06/19	(0.01)	NM	NM	21.83	1.09		
Trust Bank Gambia Ltd	TBL	0.23	0.12	0.40	0.28	233.33%	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	4.00	2.89	(1.11)	-27.75%	-15.00%	5.10	2.89	0.0768	2.66%	6 mths 30/06/19	1.92	4.78	1.50	111.87	323.32		
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	17.65	16.70	(0.95)	-5.38%	-6.07%	17.78	16.70	0.8000	4.79%	6 mths 30/06/19	4.70	30.54	3.56	62.50	1,043.75		
Depository shares																			
AngloGold Ashanti Depository Shares	AADS	0.41	0.40	0.40	-	0.00%	-2.44%	0.41	0.40	0.0029	0.73%	12 mths 31/12/18	-	NM	NM	97.89	39.15		
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	0.65	0.55	(0.10)	-15.38%	-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	0.07	0.05	(0.02)	-28.57%	-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	-	-	-	-	NM	NM	118.89	10.70		
Total																		56,250.96	

Notes

Dividend is for last financial year

NM - Not Meaningful

FYR - Full Year Results

Q3 2019 Fixed Income Market Recap

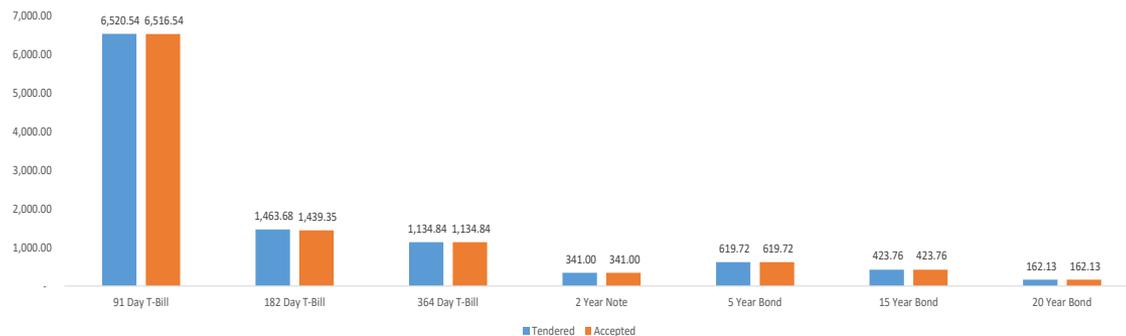
Fixed Income Market Highlights

- **Primary Market**
- The Bank of Ghana has maintained the Monetary Policy Rate at 16% all year, as inflation, forex and growth concerns put a hold on the expansionary policy.
- 91, 182 and 364 day bills were largely subscribed in Q3 2019. GoG achieved 90.79% of its weekly targets in 91,182 and 364 bills. GoG also raised funds with 2 year, 5 year, 15 year and 20 year maturities.
- The yield on the 91 and 182 day bill hardened by 1 bps to 14.69% and 15.15%, respectively while the 364 day bill weakened by 1bps to 17.92%.
- The target for October and November auctions is GH¢8.69 billion in 91 day bills to 20 Year Bonds.
- **Secondary Market**
- There was a total of 33,719 trades valued at GH¢14.46 billion in Q3 2019. The CSD platform accounted for 92.19% of the value traded.
- Activity was concentrated in the medium term (2-10 years), accounting for 76.09% of trades while securities in the short term (below 2 years) accounted for 23.52% of trades in Q3 2019

Summary of Trades for 2019

Month	Trades	Bloomberg (GH¢)	CSD (GH¢)
June	8,920	546,730,000	4,736,961,689
July	10,891	182,257,000	4,803,944,134
August	11,297	685,566,000	4,481,385,617
September	11,531	261,863,000	4,043,220,226

Weekly Auctions for July - Sept, 2019 (GH¢ mn)

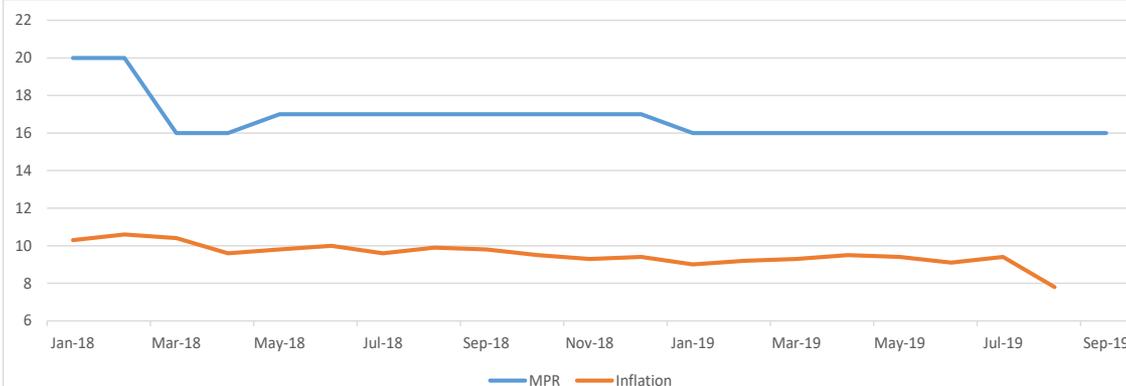


Issuance Calendar for September to November 2019 (GH¢ mn)

Security	91 Day	182 Day	364 Day	2 Year	3 Year	5 Year	7 Year	20 Year	Total
Sep-19	2,400.00	550.00	300.00	400.00	2,000.00	-	-	-	5,650.00
Oct-19	1,500.00	350.00	200.00	1,000.00	-	700.00	-	-	3,750.00
Nov-19	1,650.00	500.00	300.00	1,500.00	-	-	700.00	287.87 *	4,937.87
Total	5,550.00	1,400.00	800.00	2,900.00	2,000.00	700.00	700.00	287.87 *	14,337.87

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

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

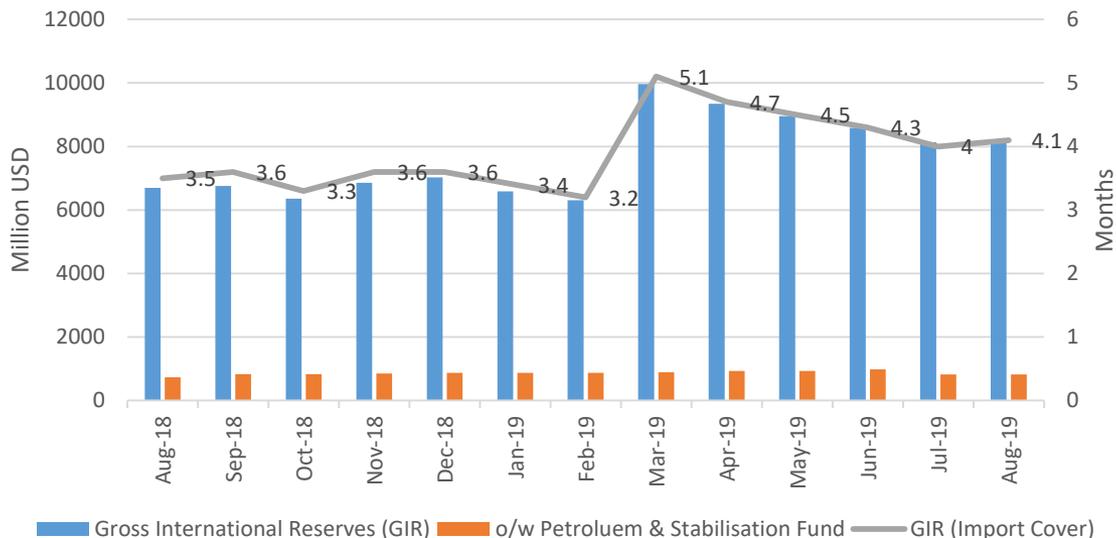


Q3 2019 FX Market Recap

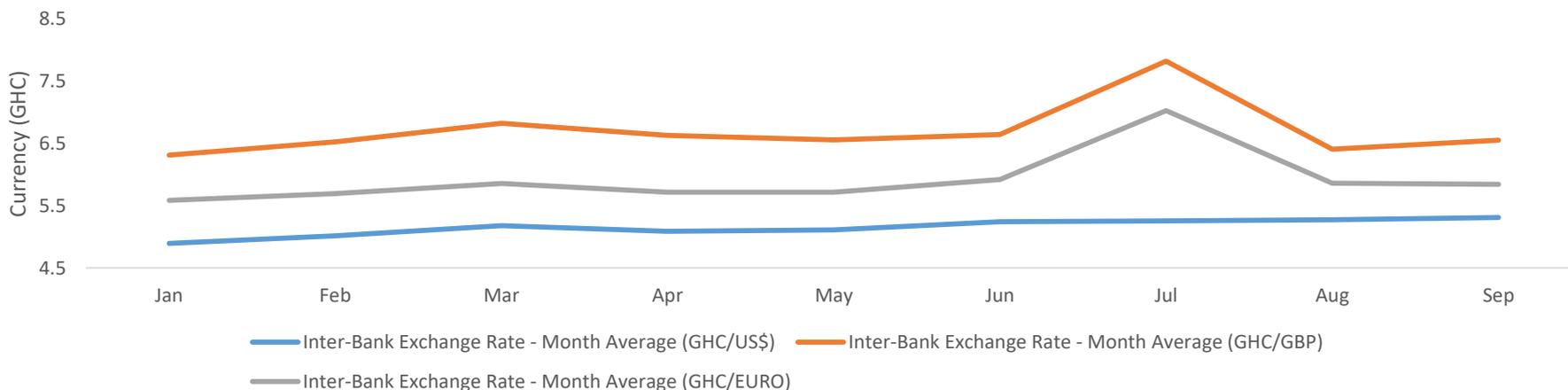
Foreign Exchange Highlights

- The average inter-bank exchange rate for the pound and euro declined from year highs in July 2019 to GH¢6.5527 and GH¢5.8417, respectively while the dollar increased marginally to GH¢5.3067.
- The Gross International Reserve for Aug 2019 was USD\$8.23 billion, up from US\$6.69 billion in Aug 2018. The Gross Import Cover also increased to 4.1 months in Aug 2019 from 3.5 months in Aug 2018.
- Due to volatility in the cedi against major currencies especially during the holiday season, BoG has started foreign exchange forward auctions to meet demand and keep prices in check. BoG set a target of US\$125 million from October 15th to 10th December through 5 separate auctions.

External Sector Developments



Monthly Exchange Rates Indicators (Jan -Sept 2019)



Q4 2019 Equity & Fixed Income Outlook

Q4 2019 Strategy

Due to the slump in prices on the equity market, equities are trading at attractive discounts to their intrinsic values. The inflation outlook has also brought some uncertainty to the outlook of prices in the fixed income market. We believe investors should be well positioned to take advantage of both markets.

Investors should be prepared for the potential upside of equities but market timing is of concern. To protect portfolios from short term fluctuations, investors should invest in high dividend yielding stocks with a track record of strong earnings growth. This way, long term investors can easily take advantage of the down market. Large cap stocks will also be of prime focus due to trading activity, market position, dominance, and potential for growth. Financial, petroleum marketing and telecom offer the best opportunity for growth.

The hike in prices in utilities, oil and telecoms is expected to push inflation higher and affect BoG's disinflation process. We believe the best way to hedge against prices now is to invest in securities in the short end of the yield curve as the inflation stabilizes.